COUNCIL COMMITTEE OF THE WHOLE

The Council Committee of the Whole Meeting was held on February 14, 2017 at 6:02 p.m., with Council President Slavin presiding. Members of Council present were Mr. Anderson (arrived at 6:20 p.m.), Mr. Sudler, Mr. Neil, Mr. Cole, Mr. Hosfelt, Mr. Hare, and Mr. Hutchison. Mr. Lewis was absent. Mayor Christiansen (arrived at 6:10 p.m. and departed and 7:29 p.m.) was also present. Civilian members present for their Committee meetings were Mr. Caldwell and Mrs. Horsey (*Parks, Recreation, and Community Enhancement*), Ms. Arndt and Mr. Blakeman (*Utility*), and Mr. Shevock and Dr. Stewart (*Legislative, Finance, and Administration*).

PARKS, RECREATION, AND COMMUNITY ENHANCEMENT COMMITTEE

The Parks, Recreation, and Community Enhancement Committee meeting was held with Chairman Sudler presiding.

AGENDA ADDITIONS/DELETIONS

Chairman Sudler stated that, at the request of Mr. Anderson, item #2 - Community Development Block Grant (CDBG) Program Quarterly Update (October, November, and December) would be considered prior to item #1 - Review of Schutte Park Master Plan.

By unanimous consent, the agenda was approved as amended.

Community Development Block Grant (CDBG) Program Quarterly Update (October, November, and December)

Mrs. Ann Marie Townshend, Director of Planning and Community Development, reviewed the CDBG Quarterly Report for October, November, and December 2016. She explained that all funding for the Home Ownership Assistance Program had been expended, and funds had been partially expended for several of the other 2016 CDBG grant projects. Mrs. Townshend advised that the grant year would extend through June 2017 and spending was about where it should be. She stated that Habitat for Humanity was using their funds for housing rehabilitation, which had not yet begun; therefore, none of their funds had been spent. Mrs. Townshend also noted that no funds had yet been expended for emergency repairs, explaining that emergency repairs come up as needed and are administered through Milford Housing Development Corporation.

Review of Schutte Park Master Plan

Mrs. Ann Marie Townshend, Director of Planning and Community Development, advised that staff had been working on developing a master plan for Schutte Park. She stated that a land survey was completed approximately two (2) years ago and the resulting base data was used for the Master Plan. Mrs. Townshend indicated that in-house staff had been working to develop a concept plan for how to lay out the fields on the west side of the park and make other improvements in accordance with the needs identified in the Recreation Needs Assessment.

Referring to the map entitled "Schutte Park: Existing Conditions," Mrs. Townshend pointed out the field space, stormwater pond, existing gravel lot, and path on the front edge of Hazlettville Road and

partially down Electric Avenue. She stated that the Plan would be implemented in multiple stages, and, referring to the map entitled "Schutte Park Master Plan - Phase 1, explained that the first phase would include paving the parking lot just south of the John W. Pitts Center, which would help to more efficiently utilize the existing parking. Mrs. Townshend stated that the existing gravel lot is a challenge to maintain, the lines do not hold up well, and cars do not park efficiently, leading to parking challenges on very busy days. She noted that Phase 1 would also include the grading and seeding of the fields on the triangle portion of land to the west of a multi-use path, which would be put in and create a path system. Mrs. Townshend advised that there is now a path that extends along the front edge of Hazlettville Road and south on Electric Avenue; however, there are no trail loops, so walkers and joggers must go out and come back on the same path. She noted that people had expressed a desire to see trail loops. Mrs. Townshend explained that the proposed path would go down Wyoming Mill Road and also divide the field areas at the location of the old right-of-way for the former alignment of Wyoming Mill Road. She stated that the trail would also extend south past the softball fields, along the tree line, and go back to the Little League park.

Referring to the map entitled "Schutte Park Master Plan - Phase 2," Mrs. Townshend explained that the area depicted in bright green was the current multi-purpose field. She advised that feedback had been received that people wanted a turf field; therefore, a turf field was proposed for construction in this location during Phase 2. She noted that some related stormwater management would also be done during Phase 2. In reference to the map entitled, "Schutte Park Master Plan - Phases 3 & 4," Mrs. Townshend stated that these phases would include construction of a parking lot along the west side, an entrance on Wyoming Mill Road, and a skate park. She explained that the map entitled "Schutte Park Master Plan - Whole Park View" showed what the entire park would be at build-out, including the loop trail, field improvements, parking improvements, and turf field. Mrs. Townshend reviewed renderings of ground-level views of the park, including the turf field, bathroom area, plaza, park shelter, and fields.

Mrs. Townshend reviewed concept drawings for a proposed skate park, noting that staff had talked to some skate park vendors and advised them that any skate park project would have to be bid in accordance with the City's Purchasing Policy. She indicated that these vendors had put together some concepts in hopes that the City might select them. Mrs. Townshend advised that a skate park was something that the City had discussed for a number of years.

Referring the map entitled "Schutte Park Master Plan - Disc Golf Plan," Mrs. Townshend stated that there was currently a Frisbee golf course at Dover Park; however, it was not really utilized, partially because much of it was overgrown with poison ivy. She informed members that there is an organization of disc golfers in the area who are interested in seeing the disc golf course moved to Schutte Park, and they had worked with staff to develop a layout for the placement of the holes.

Referring to the Schutte Park Master Plan, dated February 14, 2017, Mrs. Townshend explained that staff had developed a tentative time frame. She noted that State grant funding used to help improve the City's parks was currently not available, which was a bit of a challenge. Mrs. Townshend advised that the anticipated time frame represented an ideal schedule, and implementation may be slower. She stated that there are City funds for this fiscal year but no funds for the State matching portion. Mrs. Townshend advised members that if there is agreement on the concept, staff could

move forward with working on obtaining cost estimates so that the stormwater and entrance design could be done. She stated that cost estimates would be used to build a capital budget.

Staff recommended approval of the Schutte Park Master Plan.

Mr. Slavin thanked Mrs. Townshend for the presentation. For Council's clarification, he asked Mrs. Townshend to verify that adopting the plan would not bind Council to doing these projects and that they would be brought up through the appropriation process. Responding, Mrs. Townshend confirmed that this was correct and everything would go through the normal budget process. Mr. Slavin stated that adopting the plan would hopefully prevent last-minute decisions from being made.

Mayor Christiansen asked if there were future plans for a master plan for Dover Park and what the time schedule would be. Responding, Mrs. Townshend advised that the plan was to issue a Request for Proposals (RFP) within the next six (6) weeks or so, and then a consultant would be brought in. She indicated that a landscape architect would be needed for Dover Park because the park's vegetation creates a number of opportunities and challenges. Mrs. Townshend advised that there is a need for someone who can plan appropriate vegetation to address the safety issues and the aesthetics in the park.

Mrs. Horsey stated that she loves the idea of rain gardens and would like to see more sprinkled around the property because it is such a great environmental concept. Responding, Mrs. Townshend noted that when staff gets into the stormwater design, there may be more rain gardens.

Mr. Sudler thanked the Mayor for bringing up Dover Park, stating that he was glad there would be an RFP within the next six (6) weeks. He advised that he had noticed a lot of off-road vehicles, including all-terrain vehicles (ATVs) and two-wheelers, in communities and had received complaints from the Ann Avenue and State College Road areas regarding these vehicles and the noise they make. Mr. Sudler stated that he would like a study to be done to look into providing an ATV park that would generate income for the City and help to deter ATV and bike riding in communities. He stated his belief that there was an ATV park in Sussex County, possibly in Harrington, that it was the only one (1) in the State, and it was only open on Sundays. Mr. Sudler explained that he thought that if the City had some land, the City could generate income, provide a service, and keep down some criminal activity and the noise level in communities. He stated that this would be beneficial to the City and could be lucrative as well. He asked staff to look into an ATV park and some of the designs, and to determine if it would be lucrative or not.

Mr. Scott Koenig, City Manager, stated that looking into an ATV park would be a major undertaking and was not in any of the concept plans that had been discussed. He advised that he thought this request would require an actual on-the-record vote of City Council to endorse it and asked that there be an actual vote.

Mr. Neil moved to recommend approval of the Schutte Park Master Plan, as recommended by staff. The motion was seconded by Mr. Cole and unanimously carried.

Mr. Neil moved for adjournment of the Parks, Recreation, and Community Enhancement Committee meeting. The motion was seconded by Mr. Hare and unanimously carried.

Meeting adjourned at 6:17 p.m.

UTILITY COMMITTEE

The Utility Committee meeting was held with Chairman Cole presiding.

AGENDA ADDITIONS/DELETIONS

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

Discussion - Overview of Electric Rates

Mr. Scott Koenig, City Manager, stated that this item would begin discussion regarding the City's electric rates and how to advance them in the future, noting that he expected a number of related follow-up discussions. He reminded members that Council adopts rate tariffs every year, which are part of the Electric Service Handbook, and are published on the City's website and in a number of other locations. Mr. Koenig noted that there are a number of municipal electric providers in the State and each governing body sets their rates independently, based on their community needs and objectives.

Mr. Koenig explained that, for the last several years the City of Dover had been in the lower priced tier of residential electricity providers in the State. He indicated that Dover had been the lowest provider at certain times of the year, and at other times had been the second or third lowest. Referring to the commercial side, Mr. Koenig advised that not every entity in the State has a transmission rate, noting that the City has a complex system. He stated that the transmission rate is computed through a combination of staff recommendations from the City Manager's Office, the Electric Department, and the Controller/Treasurer. Mr. Koenig noted that Burns & McDonnell, the City's rate consultant, derives a rate that is given to the City and run through modeling. He noted that Council is then presented with a series of rate classifications to support the budget document. Mr. Koenig stated that, going back five (5) years, there had been a number of years where there were reductions in the electric rate; however, approximately two (2) years ago there was an approximate 3% increase. He advised that last year there was a Power Cost Adjustment (PCA) which in most cases washed out the majority of the previous increase.

Mr. Koenig indicated that Mr. Hare had asked for calculations regarding the City's competitors, and Mr. Harry Maloney, Electric Director, was now teaching Ms. Latoya Romeus, the City's new Key Accounts Representative, how to pull out information from the tariffs of other providers and calculate matching bills for certain customers. Mr. Koenig advised that this task would focus on Delmarva Power as a private provider, the City of Dover, and the Delaware Electric Co-op and was expected to be done within the next two (2) weeks. He explained that the City would then have the ability to present sample bills based on staff's calculations and certify how the tariffs are read and how the City compares with other entities.

Mr. Koenig expressed reservations about comparisons with other communities due to the issue of competitiveness. He reiterated that each community sets their rates based on the community needs; therefore, Dover's transfer from the Electric Fund to the General Fund is very different than other communities' transfers. He stated that staff would come back with the sample calculations when they are completed and confirmed.

Mr. Koenig indicated that, over the last couple of years, there had been discussion about the modernization of electric rates in relation to public power. He stated that Mr. Maloney had indicated that things would be happening before and after the meter that would affect the City's rate design going forward, including LED lighting, energy efficiency, battery storage, commercial battery storage, and solar. Mr. Koenig noted that all of those components were having an effect on providing electricity to all of the City's customers. He indicated that each of the customer classifications were making adjustments on their side of the meter to meet their individual customer needs. Mr. Koenig explained that there had been a number of conversations with the Chamber over the last couple of years about some of the larger customers, including the Dover Air Force Base (DAFB), Hirsh Industries, Kraft Heinz, Playtex, and Energizer. He stated that these are all large customers; however, they are unique in that they have different objectives and different sensitivities to certain things related to the electric rate; therefore, the discussion is much more detailed than simply looking at the electric rates.

Mr. Koenig advised members that staff would soon be bringing forward a project to convert more than 20 of the largest meters to automated metering that will make readings available every five (5) minutes. He stated that this would introduce the City to another wave of interaction with its customers on how to manage energy. Mr. Koenig advised that the Advanced Metering Infrastructure (AMI) program is a major system upgrade that is intended to affect the entire system at some point in the future. He noted that some customers are very interested in the AMI program, while others probably do not care whether their meter can be read remotely or automatically because it does not affect their actual service delivery.

Mr. Koenig explained that all of these factors would be part of the next generation of rate design. He stated his understanding that the industry was gravitating towards larger customer charges, because those are charges that the utility knows they will receive every month. Mr. Koenig indicated that this customer charge would equate to the fixed cost side of the calculation and the energy charge would be lowered, because energy use is variable through a time frame.

Mr. Koenig stated that the City's customers, such as the DAFB, were becoming more savvy and asking more questions regarding rate design. He stated that the next iteration of rate design will have more complexity to it than the current rate design. Mr. Koenig advised members that rate review would probably be a project that will get underway in FY 18.

Mr. Koenig informed members that the City will have the results of components of the Integrated Resource Plan (IRP), which will be helpful in future rate design; however, he noted that this is an issue that quickly becomes very technical. He explained that the expertise of consultants is used to make sure that the City is recovering its costs and returning the investment that the community has

made to the Electric Fund, which gives Council the discretion to return funds to the General Fund or appropriate them for other reasons.

Mr. Koenig reiterated that some customers are more sensitive to the rates than others and staff is working with those customers to figure out what their sensitivity is and provide them technical expertise through the City and the Delaware Municipal Electric Corporation (DEMEC) with respect to energy efficiency. He advised that there are wide variations in power demand, and the hope is that this variation can be collapsed with a more static base. He stated that every day that the City knows what power it will need helps in the power purchasing, demand, and overall management of the system; however, there must be a two-way street with customers. Mr. Koenig stated that DEMEC is working with products related to demand response, and some customers are voluntarily turning off production or use at certain times of high energy to avoid large spikes in energy demand. He advised that, in his opinion, the Delaware Electric Co-op had been very good over many years at trying to beat the peak and manage peak demand. Mr. Koenig indicated that one (1) of the key components, going forward, for the City would be managing components of demand that do not negatively affect economic activity, because the City is trying to attract economic activity. He stated that this sounds easy; however, getting all of those things to line up on a day when it is 105 degrees outside and there are other things going on is not easy and requires the focused attention of many people and things to work correctly as planned. Mr. Koenig noted that he thought that as the City begins the next iteration of rate design, there will be more interest from the City's customers, especially large customers who are sensitive to the rate and how it is calculated, and how they are being adjusted for solar behind the meter and what that does to the system in the long run.

Mr. Blakeman noted that the City's big customers are an important group; however, commercial customers are also fairly important. He stated that, by his count, 354 commercial accounts were lost since 2007 or 2008, noting that 102 of them were lost in the last two (2) years. Mr. Blakeman advised that he had been led by some to believe that the electric bills they were paying were impacting their decision to stay or go. He expressed his opinion that this was a lot of customers to lose in that group and stated the need to look at this going forward. Responding, Mr. Koenig stated that he would be happy to look at this concern going forward; however, he noted that individual businesses had not called his office stating that they were leaving Dover due to electric rates, other than Kraft, who was very sensitive to the electric rate. Mr. Blakeman advised that several letters were written several years ago representing the small commercial customers that expressed concerns about rate changes at that time. He indicated that he knew that the small commercial customers were sensitive to the electric rate. Mr. Koenig advised that he would like for such customers to reach out to staff because they would like to know the customers' level of sensitivity as they try to manage the system. He stated that the City needs to get closer to some of these customers because the City does not want them to leave.

Mr. Neil recalled that, as a result of Kraft's issues, the City had worked out an incentive type of program to help the customers who had expressed concerns, and asked Mr. Koenig to explain how that program works. Responding, Mr. Koenig stated that he did not have the components of that rate with him; however, as he recalled, the City had adopted an economic development rate for a two-year period. He explained that the first 12-month period ended in January and 12 months remained on the agreement for a credit reduction of a component of energy associated with Kraft's bill.

Mr. Koenig noted that Kraft's request was made to attract additional product lines to the Dover facility that were being moved from other facilities that were closing. He explained that Ms. Romeus had completed the first year calculation, which confirmed that everything seemed to be on track with what was predicted for the City. Mr. Koenig stated that the agreement with Kraft was a two-way street, explaining that there was a reduction in electric on the City's part and on Kraft's part additional jobs and product lines were brought in.

Mr. Neil asked if the Kraft model could be continued if similar situations cropped up. Responding, Mr. Koenig advised that the economic development rate could be used selectively for economic development projects. He indicated that if it was desired to apply this with a broad brush across an entire classification of customers, it would take more analysis to ensure that the City does not hollow out a source of revenue in one (1) rate classification and have to look for it in another.

Mr. Hare stated that he had been involved with the discussions with Kraft, and Kraft had initially wanted the City to reduce rates under the threat of Kraft leaving. He noted that Kraft had indicated that other plants in their portfolio had lower electric rates; however, before meeting with Kraft, he did some work on his own and determined that the City's tax base was considerably lower than what Kraft's other plants were paying. Mr. Hare stated that he thought that the agreement with Kraft was for a maximum of 10 MW. Responding, Mr. Koenig stated that he was not certain it was 10 MW. Mr. Hare indicated that the agreement with Kraft was for a six-month trial, provided that Kraft got the bread factory from Hurlock and some jobs and increased their water use. He noted that there was give and take on both sides, and it had worked out. Mr. Hare advised that he did not believe this was something that the City could do with a commercial business with five (5) employees, for example.

Mr. Hare indicated that he would like to see a list of the 102 commercial businesses that the City had lost in the last two (2) years to see if they had gone elsewhere or gone out of business, because he did not believe that the electric rates were the sole reason that they went out of business. He noted that rates could have affected some of the bigger businesses, like the Walmart that was built just outside the City.

In regard to the comparison of electric rates that he had requested, Mr. Hare stated that he wanted it to include Delmarva Power and Delaware Electric Co-op; however, the purpose was to see how Dover compares with other cities, such as Smyrna, Lewes, or Milford. He indicated that he thought this rate comparison would be useful when a business says they are going to Smyrna or Middletown.

Mr. Anderson noted that the Chamber of Commerce had expressed concerns regarding commercial rates, noting that there had been a slight increase. He commented that the City had indicated that residential rates would be tackled first and then staff would start looking at the commercial side. Mr. Anderson stated that residential and big business rates had been addressed but commercial rates seemed to get left out. He suggested looking at commercial rates if a rate adjustment is done because there are a lot of small businesses and organizations that deal with $600 and $700 electric bills and have a demand charge that is significantly more than their usage. Mr. Anderson noted that this is difficult to explain when these customers do things to conserve, such as getting LED and fluorescent lights, changing their patterns, and lowering their usage, yet they are still stuck in a C-3 or C-4 classification.

Mr. Koenig stated that Mr. Anderson was describing a customer who makes significant operational changes to change their service classification. He expressed the need for the City to be conscious of this, stating that customers who feel their bills are out of whack with their usage should call the Electric Department so that staff can review the individual customer. Mr. Koenig explained that one (1) of the reasons for the development of the key account program was to help entertain dialog between the City's utility and individual customers. He noted that there was one (1) person in that program. Mr. Koenig advised that the initial focus was on the largest customers, but the hope was to apply those discussions to others. He reiterated that the system was changing. Mr. Koenig noted that the customer wants to spend money to upgrade their facility with the expectation that their bill will decrease and not increase; however, there is a challenge in some cases because there are costs that the utility has to recover.

Mr. Hutchison questioned how far in advance the City buys its electricity. Responding, Mr. Koenig stated that the City has a five-year hedging strategy and buys power in a declining block. He explained that approximately 80% of the power is purchased for the current year, which would decline to approximately 60%, then 40%, and 20%. He noted that the amount declines over a five-year horizon. Mr. Koenig advised that Council authorized two (2) energy purchases last year outside of the standard, including a block of power over a 10-year supply that starts a couple of years out and another block over a five-year period. He stated that under normal circumstances the City buys hedges in a five-year profile; however, the City currently has purchases that are out approximately 12 years.

Mr. Hutchison asked if the steps that Mr. Koenig had discussed to provide hands-on, everyday help would also help to address the concerns that were raised by the General Assembly. In response, Mr. Koenig indicated that members of the General Assembly have an interest in why the City makes the transfers that it does and how they are justified. He noted that each municipality needs to be able to articulate why certain decisions are made with respect to their local rates. Mr. Koenig noted that Dover, as a community, had authorized a $10M transfer from the Electric Fund to the General Fund to offset the cost of property taxes and general government operations. He advised that, if he was advocating for the City, his answer regarding transfers would be that there is a need to look at total costs, rather than focusing only on what is paid for electricity. Mr. Koenig indicated that there is a need to value what is paid for water, sewer, property tax, and the services that are received, noting that Dover is very much a full-service city.

Mr. Koenig noted that the discussion can become distorted, explaining that if someone tells him that a business left Dover because the electric rates were too high, he immediately wants more information because moving a business to a different operating location is a huge undertaking. He indicated that if a business is moving because the electric bill is too high, there are a lot of questions about what the bill is being compared to, what improvements have been made to the facility, and how energy efficient the current facility is versus a new facility. Mr. Koenig reiterated that Dover is a full-service City and has local control of how rates are set and how much is transferred. He noted that American Public Power provides guidance on what they would recommend transfers to be, and accounting standards also provide recommendations regarding the amount of cash and reserves. Mr. Koenig advised that City Council can, within reason, modify those terms and each Council does that to meet the needs of the community.

Mr. Koenig indicated that, in his opinion, the electric system had been a fantastic community asset that had provided a revenue stream, an opportunity to attract business, and an economic development tool. He noted that, at the same time, it is the most complicated thing that staff had brought before Council and was not getting easier. Mr. Koenig indicated that it is difficult to run, operates 24/7, and everyone expects the lights or motor to come on when a switch is flipped. He stated that he was thankful that the power system is extremely reliable; however, there is a cost for reliability and one cannot sit on one's hands and assume that the system will function by itself. Mr. Koenig noted that reliability was a conscious decision that the City had made, and it had a cost that Council had authorized through personnel, maintenance, and capital improvements. He explained that even if the rate is two (2) cents, if the switch is flipped and the power does not come on, businesses will not be happy. Mr. Koenig noted that it would not matter if the bill is low if the business cannot produce what it needs to produce to make the business work. He stated that there are many factors that go into economic and business decisions, noting that electricity is a big one but it is not the sole defining factor for most economic activity.

Mr. Hutchison expressed appreciation for Mr. Koenig's comments and stated that the tools that were being looked at would ultimately enhance staff's ability to better manage the electric system day to day, and provide better and faster information to help make decisions.

Mr. Koenig stated that the City wants to provide customers with reliable power and wants customers to be happy, pay their bills, and be successful, because that makes the City more successful.

Responding to Mr. Hosfelt, Mr. Koenig explained that those in residential houses would have the same rate classification. He noted that their bills would be different based on their lights, etc.

Mr. Hosfelt asked if a small business with five (5) employees would pay the same rate as Energizer for electricity and, if not, who would pay more. Responding, Mr. Koenig indicated that there are three (3) or four (4) components that go into how a business's bill is calculated, including the size of their service connection to the building, demand, usage, etc.

Mr. Hosfelt asked if those who use more power pay less or more for it. Responding, Mr. Koenig explained that the matter is not that simple.

Mr. Hosfelt asked if two (2) large customers, such as Energizer and DAFB, would pay the same or different rates, depending on their usage as well. In response, Mr. Koenig advised that Kraft, and Procter and Gamble are two (2) large facilities, and the only difference in their rates is that Kraft is being given a credit for economic development. He explained that if they used the exact same amount of energy at the exact same time, as measured over a 30-day period, their base bill would be equal. Mr. Koenig stated that currently Kraft would get a credit based on the economic development component that was granted to them.

Mr. Hosfelt noted that there was a PCA in place this year and asked if Mr. Koenig thought the City would be able to grant a PCA again next year. Responding, Mr. Koenig indicated that Mrs. Donna Mitchell, Controller/Treasurer, had reviewed the PCA, which was a little over 2% last year, and that credit was put into the five-year forecast. He stated that, assuming the budget inputs

going forward are within the parameters of the five-year review, the expectation is that the City can keep the PCA in place, provided the numbers can be supported and Council wishes to return that money through the PCA. Mr. Koenig noted that the philosophy of the PCA was that it takes a long time to get a rate design in place because there is modeling, testing, and background work. Mr. Koenig advised that the baseline in general budget development is the tariffs that are in place. He noted that the second priority is to be able to maintain the PCA and to factor in the capital plan, which is relatively steady, and then labor and energy costs. Mr. Koenig indicated that, over the last couple of years, the City had seen low wholesale energy costs. He stated that he felt relatively good about the rates that would be discussed for the FY 18 budget.

Quarterly Review of Utility Related Capital Investment Plan (CIP) (Electric and Water/Wastewater)(October, November, and December)

Mr. Scott Koenig, City Manager, reviewed the Quarterly Report for the Capital Investment Plan (CIP) as of December 31, 2016. Referring to the Electric Improvement & Extension Fund - Major CIP Projects, Mr. Koenig advised that a Metering System Upgrade had been done in regard to replacement of wholesale meters related to several of the larger substations and the McKee Generation Plant. He noted that Project EE1415, Metering Infrastructure, was an automated metering project that Mr. Harry Maloney, Electric Director, and his staff were currently reviewing so that the 20 largest meters could be converted to automated meters to get the fluid, incremental use that had been discussed earlier in the meeting. He explained that the VanSant Capacity Increase project was complete, other than some closeout paperwork.

Under FY-2015 Projects, Mr. Koenig noted that some work was being completed in regard to the 69 kV rebuild on Horsepond Road. He noted that there had not been an opportunity to get on top of frozen ground at the farm field with heavy trucks because it had not been a cold winter, and this caused some delays. Mr. Koenig explained that work on the Towne Point Distribution Feeder project was underway and they were working through that subdivision to improve the electric utility there.

In regard to FY-16 Projects, Mr. Koenig informed members that additional work would be done on the VanSant Exhaust Plenum Replacement in the spring of 2017. He advised that the McKee Unit 3 Stack Repair project was complete and staff was getting the final contract documentation in place. Mr. Koenig noted that this project came before Council earlier in the fiscal year. He stated that a lot of the work on the 69 kV cable replacement on North Street was indirectly related to work on the West Dover Connector. Mr. Koenig advised that the Horsepond Road project was complete. In regard to Trailer Park Upgrades for Oak Grove Trailer Park and Dover East Estates, he indicated that these projects were in progress and awaiting completion. Mr. Koenig stated that Project EE1631, North Street Overhead to Underground, was related to proposed North Street sidewalk improvements.

Mr. Koenig advised that the Electric Department's team was working diligently through the capital plan, in addition to working on customer improvements that were coming on line, components related to the generation stations, and capital plans associated with McKee Run and VanSant. He indicated that a lot of older projects had been cleaned up and were being closed out, and staff was now focusing a lot of attention on current year projects.

Updates

Green Energy Funding and Programming

Mr. Scott Koenig, City Manager, advised members that the Green Energy Funding program remained open and people were applying for funding. He indicated that a majority of the funding was dedicated to improvements associated with the Dover Public Library that were in place a few years ago. Mr. Koenig stated that people were adjusting their behaviors and moving to more efficient units and some are applying for grants. He advised that the program is moving forward, is monitored regularly, and is becoming a component of doing business for the City.

National Pollution Discharge Elimination System (NPDES) Municipal Separate Storm Sewer Systems (MS4) Permit

Mr. Scott Koenig, City Manager, stated that staff had been before Council for approval of consulting work related to the National Pollution Discharge Elimination System (NPDES) Municipal Separate Storm Sewer Systems (MS4) Permit, which was now underway. He explained that staff was working on components of the conciliation order and mapping out the City's operations to fill the needs of the permit. Mr. Koenig advised that quite a few of the things that are done on a day-to-day basis qualify for permit compliance, and staff was getting all those things into the permit. He noted that an environmental scientist had been recruited and started late last year, and this employee was working his way through the components of the permit. Mr. Koenig indicated that staff was steadily lining up the City's operations with the needs of the permit and developing additional partners on how to get the word out that stormwater quality is important. He stated that there were some major stormwater projects that staff believed would enhance the permit and the operation in the long run. Mr. Koenig explained that the Meeting House Branch project, while not written directly into the permit, is a major stormwater improvement that includes piping and wetland creation that will benefit additional economic development and redevelopment downtown. He noted that all of these things are important to demonstrate compliance with the permit as well as improved water quality.

Mr. Koenig indicated that many tedious components go into the permit, such as public outreach, interaction with students, and developing customer contact flyers, dog waste signs, and bags. He advised that it requires constant attention to make sure those things are going forward and that the City gets feedback from its customers. Mr. Koenig expressed his opinion that staff had done a very diligent job of progressing toward permit compliance, and he was very happy with what they had done in the last two (2) or three (3) budget cycles in gravitating toward compliance.

Mr. Sudler moved for adjournment of the Utility Committee meeting. The motion was seconded by Mr. Neil and unanimously carried.

Meeting adjourned at 7:04 p.m.

Mr. Blakeman mentioned that mailers had been received in his neighborhood from outside vendors offering to supply electric current at $0.07 per kWh to customers, and people did not understand that this was only part of the charge and they would also have to pay for delivery. Mr. Blakeman suggested that members advise anyone talking about this that they are not getting the whole story.

Responding to Mr. Neil regarding the City's cost, Mr. Koenig advised that the cost varied and was $0.12 per kW on the residential side.

LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE

The Legislative, Finance, and Administration Committee meeting was held with Chairman Hare presiding.

AGENDA ADDITIONS/DELETIONS
Mr. Sudler moved for approval of the agenda, seconded by Mr. Cole and unanimously carried.

Proposed Amendments to Chapter 17, Title 22 of the Delaware Code Relating to Municipal Tax Increment Financing and Chapter 18, Title 22 of the Delaware Code Relating to Municipal Special Development Districts (John Paradee)
Mr. John Paradee, attorney, Baird, Mandalas, Brockstedt, stated that he was representing Western Development and the Simon Property Group, the owners of the Dover Mall. He acknowledged the presence of State Senator Brian Bushweller and expressed appreciation for his interest and support, which Mr. Paradee stated was critical to the success of the Collector-Distributor Road Modification to the Scarborough Road Interchange project. He noted that there had been articles in the paper about this project and stated his intent to talk primarily about its funding.

Mr. Paradee provided members with several documents, as follows:

1) Collector-Distributor Road Modification to the Scarborough Road Interchange cover page ***(Attachment #1)***.

2) Draft SR-1 Scarborough Road C-D Roads Concept Plan - CTP Estimate Methods and Assumptions, dated December 5, 2016 ***(Attachment #2)***. Mr. Paradee explained that this concept plan included the Delaware Department of Transportation (DelDOT) proposed budget for the project and reflected a total project cost for design and construction of $31M. He stated that he thought this was a conservatively high estimate and expected that the project would come in below this amount.

3) A memorandum from Rick Gobeille, Jacobs Engineering, dated November 4, 2016, regarding SR1 Scarborough Road C-D Roads Revenue Analysis - REVISED ***(Attachment #3)***. Mr. Paradee stated that this toll study was completed by Jacobs Engineering, DelDOT's consultant.

4) An article entitled, "Tax-Increment Financing (TIF)" from *Good Jobs First,* dated January 31, 2017 ***(Attachment #4)***. Mr. Paradee stated that this article provided more detail about this type of financing.

5) A proposed amendment to Chapter 17, Title 22 of the Delaware Code relating to Municipal Tax Increment Financing, and a proposed amendment to Chapter 18, Title 22 of the Delaware Code relating to Municipal Special Development Districts ***(Attachment #5)***. Mr. Paradee advised that he would discuss the proposed amendments in great detail, noting that these were what he and Senator Bushweller had been working on.

6) A proposed resolution to support the enactment of legislation by the Delaware General Assembly that would enable the utilization of tax increment financing and special development districts within both the City of Dover and Kent County, Delaware ***(Attachment #6)***. Mr. Paradee noted that at the end of his presentation he would respectfully request a resolution that would authorize the General Assembly to move forward with the two (2) pieces of legislation he would be discussing.

Mr. Paradee reiterated that the proposed budget for the the Collector-Distributor Road Modification to the Scarborough Road Interchange project was approximately $31M from the inception of design through the completion of construction. He noted that DelDOT had been studying this road project for over 10 years, and their concept for financing the bulk of the cost was tolls. Mr. Paradee indicated that there would be a $0.50 toll on each of the northbound and southbound lanes coming into an access road directly behind the Dover Mall that would access the back of the mall, ultimately connect to the existing ring road, and then extend to Route 13. He stated that Jacobs Engineering took a very conservative approach in estimating the projected toll revenues in the toll study. Mr. Paradee explained that Jacobs Engineering came up with four (4) alternative scenarios depending on traffic calculations. He advised that Alternative 2, which is very conservative, is Jacobs base case and the case that they embrace. Mr. Paradee indicated that if Alternative 2 ends up being the scenario, with the assumptions made it will not be enough to generate $31M to pay for the entire project; however, Alternatives 3 and 4 would be enough. He stated that tolls were expected to be collected over a period of 20 to 25 years to pay the $31M and would continue after that time, when they would go into the transportation trust fund.

Mr. Paradee advised that the toll revenue may or may not pay for the entire $31M project budget, and this is where the Tax Increment Financing (TIF) and Special Development District (SDD) financing would come into play. He stated that Alternative 2 would perhaps generate as much as $25M of the $31M needed, leaving a shortfall of $6M. Mr. Paradee indicated that if toll revenue was insufficient, TIF had been discussed as one (1) way of financing the project. He explained that this is a mechanism that allows the use of future tax revenues generated by an economic development project to help pay for the project. Mr. Paradee estimated the base tax assessment at the Dover Mall at $46M and noted that this project was expected to more than double the size of the mall, which would equate to $92M. He explained that the $46M difference between these two (2) figures would be the increment or delta. Mr. Paradee stated that taxes would be collected on the mall as it is improved with new buildings and roads, and the existing base tax would continue to be paid into the City coffers as expected. The taxes generated from the new $46M assessment would be paid into the TIF, and that money would be used to pay back the bonds. Mr. Paradee advised that these bonds would be revenue bonds, rather than bonds that would pledge the faith and credit of the City of

Dover, Kent County, or any other public entity that might issue them. He stated that these revenue bonds would be sold on the private market and purchased by bond holders, who would be generating the income to pay for the project. Mr. Paradee advised that they would hold the bonds to get paid back from the TIF. He stated the importance of understanding that this approach would not take any money out of anyone's pocket, and this would be new-found money. Mr. Paradee indicated that the existing tax revenue that the City, County, and school districts currently enjoy would remain in place and not be touched. He advised that only the new tax revenue that would be generated was being discussed and, once the bonds were paid back, all the tax revenue would come back into the coffers of the City, County, and school districts.

Mr. Cole asked who would be responsible if the bonds could not be paid off with the incremental revenue. Responding, Mr. Paradee explained that this is where SDDs would come into play. He stated that DelDOT would orchestrate the bonds and DelDOT's bond counsel would help to write the bonds. Mr. Paradee stated that DelDOT had insisted that SDD financing be pursued at the same time as TIF financing, noting that the SDD would be considered a safety net. He indicated that the bottom-line answer to Mr. Cole's question was that the property owner's taxes would go up. He stated that SDD financing imposes a second layer of taxation, which would be a third source of revenue in this case. Mr. Paradee explained that if the toll revenue and the TIF were not adequate to pay back the bond obligations, then the property taxes on the underlying property would be increased to make up the difference. He stated that the worst-case or doomsday scenario would be for the road to be built but not the stores, and the incremental tax financing would never appear. Mr. Paradee advised that, in this case, the bond holders would essentially have a mortgage on the mall property and would be entitled to assess that lien against the property and collect it from a sale of the property. He indicated that discussions were being held with M&T Bank to potentially be the bank that would help underwrite or issue the bonds. Mr. Paradee stated that they were confident that the value in the real estate was there, so that even in the worst doomsday scenario the bond holders could be made whole. He noted that the debt would not be a debt of the City, County, or public but would be private, so the City, County, or school districts would not be at risk.

Mr. Cole stated that he had looked through some of the information and noticed there were some clauses that indicated that when TIF districts are created, some states are "but for" states and contractors would require developers to certify that the project would not go forward "but for" the TIF. He asked if Delaware is a "but for" state. Responding, Mr. Paradee indicated that there had been some criticisms stating that TIF should not be engaged in for economic projects that would happen anyway, and there were questions about why this approach would be used if project revenue would be received anyway. He explained that the access road would not happen if this approach were not used, noting that if the road is not built, the back 85 acres of the mall would not be developed. Mr. Paradee stated his belief that the "but for" requires certifications from the owner of the property that but for this tax increment financing, the project would not happen. Mr. Paradee advised that this was the case for the project being discussed; however, he did not believe that Delaware has this requirement in its existing statute, although this was an important consideration.

Mr. Paradee informed members that TIF and SDD financing currently exist in the State of Delaware but only in New Castle County for the City of Wilmington. He explained that in Title 22, Chapters 17 and 18 of the Delaware Code, the definition of municipality is "any town or city in the

State of Delaware with a population in excess of 50,000 people," and this applies only to the City of Wilmington. Referring to the proposed legislation amending Chapter 17, Title 22 relating to Municipal Tax Increment Financing and Chapter 18, Title 22 relating to Municipal Special Development Districts, Mr. Paradee explained that these proposed bills would change the definition of municipality from 50,000 to 35,000, which would allow the City of Dover to qualify for TIF and SDD financing. He noted that it was important to understand that both TIF and SDD financing were being proposed and they would not be used separately. Mr. Paradee stated that DelDOT's bond counsel would not allow moving forward without both types of financing because of the need for the SDD safety net underneath the TIF.

Mr. Paradee explained that the current discussion related only to obtaining authority from the General Assembly in the form of enabling legislation which would allow the City of Dover and Kent County to have these tools in their toolbox. Mr. Paradee indicated that if a decision was made to proceed with TIF and SDD financing, they would have to come back before Council with a very specific proposal for this project, with all of the numbers and projections hammered out. He explained that he would not be the only person coming before Council at that time, noting that the bond counsel would explain exactly how the financing would work. Mr. Paradee advised that a series of ordinances and resolutions would be needed from the City and from the County to make this happen. He reiterated that he was not asking Council to bless the TIF and SDD for this project but to bless the enabling legislation. Mr. Paradee stated that Senator Bushweller had instructed him to meet with the City, County, and school districts to make sure they were okay with the concept of having this tool in their toolbox.

Mr. Hosfelt asked for an honest assessment of Simon Group's current position and what they were looking at if this was not approved. Responding, Mr. Paradee stated his belief that, if the owners were standing here, they would say that the mall is vibrant and healthy and that traffic numbers have remained steady. He indicated that Dick's Sporting Goods had helped a lot; however, Sears was struggling locally and nationally, and their expectation was that the Sears store would not be there long term. Mr. Paradee noted that it may be a matter of months or longer; however, they expected that the Sears store would ultimately become something different. He stated that the concept plan they had been putting forward showed 647,000 square feet of new retail space on the back 85 acres, as well as 54,000 square feet of new retail improvements in the existing mall, including the current Sears location. Mr. Paradee stated that if Sears does not renew their lease, which they expect will happen, that end of the mall will be redesigned into a different retail configuration. He advised that the concept plan also called for a redesign of the food court to substantially upgrade and reinvigorate it. Mr. Paradee indicated that Macy's had been looking at closing stores nationally and expressed concern that the Dover Macy's store could be on their list someday if this project does not move forward in a timely manner. He explained that they had not been told anything that suggested that the Dover Macy's would be closing presently; however, he expressed his opinion that it would be foolish not to recognize that Macy's is reviewing their stores nationally, and any store where the outlook is less than bright is vulnerable. Mr. Paradee stated that the Dover Mall is currently very healthy, but it is not immune and is vulnerable.

Mr. Neil stated that he is always looking for an escape route to be used during NASCAR and Firefly Music Festival events when a section of the Third District is cut off from Route 13. He stated that

this would be a perfect example of opening the area up. He indicated that he was glad to see that, while Dover Downs' leadership would not move forward on this, they would not object if it goes through. Mr. Neil stated that there was no question about the fact that New Castle County and Wilmington have an advantage because Wilmington has more than 50,000 people, and this hurts Dover in the tourist area. He stated that the City cannot get an accommodations tax because it is below the 50,000 mark. Mr. Neil stated that the proposed legislation might be a breakthrough, and it would not cost the City anything to back or support the process, noting the adage that "if you don't play, you can't win." He stated the need to open up and give a chance to businesses, noting that there had been discussions about electricity and bringing businesses in. Mr. Neil indicated that if the project moves forward, it would be to the City's advantage to have more businesses paying taxes and bringing people through. He suggested that the City may then be able to get an accommodations tax if the Delaware League of Local Governments would support an effort for such a tax. Mr. Neil stated that the City had nothing to lose by giving its support and that he would be in favor of it.

Mr. Paradee agreed that this proposition would not cost the City or City taxpayers a dime.

Mr. Hare stated his understanding that individuals exiting Route 1 at Scarborough Road would pay a toll, and individuals exiting Route 1 at the mall would pay a toll; however, individuals would not pay both tolls, and Mr. Paradee stated that this was correct.

Mr. Hare asked if lowering the threshold from 50,000 to 35,000 would also affect what the State currently pays the City in lieu of taxes. He noted that Wilmington has less non-taxed property associated with the State than the City of Dover has but receives 10 times more because their population is 50,000 and Dover's is not. In response, Mr. Paradee indicated that the change being discussed was only in the chapters of the Delaware Code dealing with municipal TIF and SDD financing and would have no impact elsewhere in the Delaware Code. He stated that the tax disparity would remain unchanged.

Mr. Paradee noted that he had always thought of Dover as the third or fourth largest city in the State after Middletown or Newark; however, the populations of Middletown and Newark are approximately 33,000 or 34,000. He noted that by changing the number to 35,000, only Dover and Wilmington would be authorized for TIF financing. Mr. Paradee informed members that Bridgeville and Millsboro do not have TIF; however, they do have the SDD tax ability. He indicated that these municipalities obtained this authorization, not through changes to the population number in Chapter 18, Title 22 of the Delaware Code, but because the General Assembly approved changes to their town charters. Mr. Paradee noted that DelDOT's bond counsel had advised him on February 13, 2017 that he should review the City's Charter to make sure there were no conflicts that might arise as a result of this change. He stated, for example, that if there was some limitation on the City's ability to issue bonds that might be offended or run afoul as a result of this legislation, he wanted to review this. Mr. Paradee indicated that there may be a tweak or two (2) or a housekeeping measure required in the City's Charter and wanted to make sure that he mentioned this so it would not be a surprise.

Mr. Neil stated that he was a fan of the DE Turf Sports Complex, and that many soccer, field hockey, and lacrosse tournaments were coming in south of the City. He noted that people were starting to

come to those games and stopping at the mall. Mr. Neil asked members to imagine if Dover had a mall equaling the mall in Wilmington, stating that such a mall would be a magnet on a long-term basis. He indicated that he would love to see a flow of traffic coming through and helping to lower the rest of the City's taxes.

Mr. Hosfelt moved to recommend adoption of Proposed Council Resolution No. 2017-02 supporting the enactment of legislation by the Delaware General Assembly that would enable the utilization of tax increment financing and special development districts within both the City of Dover and Kent County, Delaware *(Attachment #7)*. The motion was seconded by Mr. Hutchison and unanimously carried.

In response to Mr. Paradee, Mr. Hare advised that this matter would move to full Council in two (2) weeks.

Expiration of Downtown Dover Partnership (DDP) Loan Guarantee Extension

Members were advised that the Downtown Dover Partnership (DDP) has two (2) PNC loans with a City loan guarantee. These loans are collateralized by the DDP's property holdings, and payments are covered through the rents on the properties. The City provides the guarantee as the loan to asset value is not greater than 80%. During the Regular Council Meeting of July 14, 2014, Council approved the extension of the Downtown Dover Partnership (DDP) loan guarantee with PNC Bank through March 1, 2017.

Mrs. Donna Mitchell, Controller/Treasurer, advised members that staff recommended an extension of the City guarantee of the Downtown Dover Partnership loans for a period of three (3) years effective March 1, 2017 on the loans between PNC Bank and the Partnership.

Mr. Sudler moved to recommend approval of staff's recommendation, seconded by Mr. Hosfelt and unanimously carried.

Report of Independent Public Accountants for the Fiscal Year Ending June 30, 2016

Mr. William Seymour, Engagement Partner, SB & Company, LLC, reviewed a presentation entitled, "Presentation to the City Council - February 14, 2017." He explained that this presentation represented SB & Company's required communications under generally accepted auditing standards, as well as their company's standards. Mr. Seymour advised that SB & Company performed an audit of the City's June 30, 2016 Comprehensive Annual Financial Report (CAFR) and had worked with management on a year-round basis. In summary, he stated that SB & Company had issued an unmodified or clean opinion on the City's financial statements, which is the best opinion that he was allowed to issue under generally accepted auditing standards. Mr. Seymour advised that the financial statements, as presented by management, were reasonably free of material misstatement. He indicated that the auditors did not discover and were not made aware of any instances of material fraud, discovered no material weaknesses in internal controls, and received the full cooperation of management.

Referring to page 12, Mr. Seymour reviewed SB & Company's observations, noting that, consistent with prior periods, they recommended that Council consider hiring an internal auditor who could

work directly for the City and do more than financial statement or single-audit compliance-based items. He stated that this individual could do performance audits as well as provide budgetary insight with an independent voice on different areas that may be of concern. In addition, Mr. Seymour noted that, during the course of the audit, the terms of a contract were approved by Council; however, the contract was not ratified until after year end, even though it went into practice. He indicated that SB & Company believed that it was complied with; however, he noted that it was not a good practice to enter into an unsigned contract since someone could potentially try to change the terms of the agreement after it starts. Mr. Seymour advised that this was not material to the financial statements; however, it was something to consider in regard to best practices. Responding to Mr. Anderson, Mr. Seymour indicated that he was referring to the City's contract with the Dover Organization of Employees (DOE).

In regard to page 13, Accounting Update, Mr. Seymour advised that next year the City will have to adopt Government Accounting Standards Board (GASB) 77, a required tax abatement disclosure. He explained that this relates to exchange-like transactions the City has made with employers or others to provide a break on taxes if they create a specific number of jobs. Mr. Seymour indicated that this was currently not included in the financial reporting template because there was no revenue that would have been generated. He stated that this will now be required as a footnote disclosure to show the reader of the statements that the City gave up a specific number of dollars of potential property tax revenue for whatever the terms of a deal would be.

Mr. Neil asked, when discussing tax revenue, if Mr. Seymour was talking about assessments, electric profit, or all profit. Responding, Mr. Seymour advised that GASB was implementing a kind of trial balloon to have municipalities and governments start to collect this information. He stated his understanding that this will go on the face of the financial statements, similar to a retail set of financial statements, where discounts from gross revenue are shown. Mr. Seymour indicated that the idea was that when a tax-paying base is paying their fair share of taxes and someone is given a discount off that, this proportionally charges the tax-paying citizens more heavily for the cost of running the City. He advised that the discounts are not currently disclosed within the financial statements, noting that he was not saying that this was right, wrong, or indifferent, but that it would be disclosed in the future. He indicated that, depending on the terms and nature of each of the individual agreements, it could be outside core or basic taxes.

In reference to page 17, Required Communications (continued), Mr. Seymour stated that SB & Company received a management representation letter and could provide a copy of it if the City so chose. He indicated that there was nothing special in that letter that auditors would have to bring to members' attention.

Mr. Anderson moved to recommend acceptance of the report, seconded by Mr. Cole and unanimously carried.

Presentation - Comprehensive Annual Financial Report (CAFR)

Mrs. Donna Mitchell, Controller/Treasurer, reviewed a presentation entitled, "City of Dover Comprehensive Annual Financial Report - Fiscal Year Ended June 30, 2016." She explained that this presentation was shorter than those provided in previous years and she had taken only the key

points from the Comprehensive Annual Financial Report (CAFR). Referring to page 2, FY 2016 Financial Highlights, she explained that the Electric Revenue Fund experienced an increase of $7,353,700 due to a reduction in the cost of power supply, not a decrease as stated in the presentation.

Mr. Sudler stated that he liked the changes Mrs. Mitchell had made in the report, which was informative and kept his attention.

Mr. Slavin noted that the General Fund actual carry-forward was approximately $5.4M and asked what the budgeted carry-forward was. Referring to page 7, Original vs. Final Budgets - Major Operating Funds, Mrs. Mitchell advised that the ending fund balance was projected to be $4.4M. Mr. Slavin asked if the carry-forward would be applied to Other Post-Employment Benefits (OPEB) or otherwise designated, per the City's fiscal policies. Responding, Mrs. Mitchell stated that this year the City did not have any carry-forward to put toward OPEB or pension. She reminded members that $300,000 of the favorability was taken out of expenses to put toward the bad debt collections uncollectible reserve, due to the demolitions that were being written off. Mrs. Mitchell explained that this wiped out all of the favorability in the personnel savings, and the positives and negatives in materials and administrative expenses basically wiped each other out, noting that there had not been much there. She indicated that the additional revenues carried forward were used to help purchase property, stating her belief that this was the lot next to the police station. Mrs. Mitchell advised that some money left over from revenues went to the Capital Asset Reserve.

Mr. Slavin asked if Mrs. Mitchell felt that the carry-forward would be higher going into the next budget cycle. Responding, Mrs. Mitchell indicated that it may be, noting that revenues for permits and inspections were trending a little higher and the rest were mostly on budget. She stated that she was unsure if the year would end this way.

Mr. Slavin suggested, if the City does have a higher carry-forward balance as the City enters the budget process, that members look at the OPEB policy and not be quick to go out and find ways to spend anything over and above that. He noted that this may be the City's safety reserve against what happens across the street at Legislative Hall.

Mr. Sudler moved to recommend acceptance of the report, as presented. The motion was seconded by Mr. Neil and unanimously carried.

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

Mrs. Donna Mitchell, Controller/Treasurer, advised members that a new Government Accounting Standards Board (GASB) requirement was coming that would require that the City recognize Other Post-Employment Benefits (OPEB) and liabilities on financial statements as they are currently recognized with pensions.

Mr. Slavin noted that there are people in the community who believe that OPEB liabilities were the result of the City's lax discipline over the years; however, he stated that the fact was that this was the other way around and that they are the result of more disciplined accounting measures in the

wake of some of the scandals that had taken place. He noted that GASB kept rolling out more and stricter accounting standards.

Mrs. Mitchell stated that, following a Request for Proposals (RFP) last year, Nyhart became the City's actuary and there were some interim valuation changes and results. She advised that the standard requires an actuarial valuation every two (2) years and a smaller interim valuation in the in-between years, noting that because of the new standards, updated numbers must be reported in the Comprehensive Annual Financial Report (CAFR) and its notes.

Mrs. Mitchell reviewed a presentation entitled, "City of Dover Retiree Health Benefits." Referring to page 4, Mrs. Mitchell stated that the actuarially required contribution was calculated using the current standard and not the new standard. Referring to page 5, Liability Illustration, Mrs. Mitchell explained that the implicit subsidy is related to the higher costs for older retirees, which was formerly socialized in the whole group and not seen. She stated that it was now required to extrapolate that information to recognize this higher cost in the liabilities. Referring to page 6, OPEB Trust Assets, Mrs. Mitchell indicated that the assumed rate of return of 6.5% was not helping the liabilities. She noted that a meeting was held last week regarding the City's pension funds and the return at the end of the quarter was 9%.

In reference to page 8, GASB 45 Accounting Results by Group, Mrs. Mitchell advised that there was close to a 20% increase in the contribution percentage for next year's budget because of the increase in liability. She indicated that she had scheduled a phone call with Mr. William Seymour, Engagement Partner, SB & Company, LLC; the City's pension investment advisor; and the City's actuary to try to develop a standard rate to make this budget neutral, instead of the spikes the City had been experiencing, and to bring a financing plan to Council regarding how to finance with a steady rate rather than up-and-down rates. Mrs. Mitchell advised that this meeting was scheduled for Friday, February 17, 2017. She noted when the new GASB standards for the pension fund were done a couple of years ago, the funding plan was split from the liability. She stated that the City was required to implement new standards in FY 18; however, if they are implemented early in FY 17, the City will be able to change its funding plan to accommodate a steady rate, otherwise the City is supposed to put in the actuary required contribution. Mrs. Mitchell wanted to make members aware that the new standards may be implemented early.

Mrs. Mitchell advised members that she thought the 20% increase that she had referenced was not correct and that the actual figure was lower. She stated that this was calculated as a percentage of payroll, and a figure of $17M was used for total payroll rather than $21M. Mrs. Mitchell indicated that the increase should be less than 20% but would still be in the double digits, and staff was working to resolve this.

Mrs. Mitchell reviewed a presentation entitled, "City of Dover General Employee and Police Pension Plans." She explained that, as with the OPEB plan, the City had a new actuary and new standards for the pension plans. Mrs. Mitchell stated that a new mortality table must be implemented and it was expected that the pension liabilities would also increase. As stated during the discussion of the OPEB plan, she indicated that on Friday, February 17, 2017, there would be discussions regarding these funds and how to come up with percentages to be used in ongoing budgets so that there are not

big spikes. Mrs. Mitchell advised that it had been explained to her that as long as the City's funding plan is disclosed in the CAFR, there should not be any problems with the City's credit agencies or ratings. She stated that the numbers included in the notes section of the CAFR would be different from those in the statistical section.

Mrs. Mitchell advised that the City fared a little better with regard to the pensions than it did with regard to the OPEB plan. Referring to page 7 - GASB 67,78 Accounting Results - General Employees, Mrs. Mitchell stated that the pension costs and expenses are included in the statements in the CAFR on a Generally Accepted Accounting Principles (GAAP) basis rather than a budgetary basis, which is how this information must be reported in the CAFR.

Mr. Shevock moved for adjournment of the Legislative, Finance, and Administration Committee meeting. The motion was seconded by Mr. Neil and unanimously carried.

Meeting adjourned at 8:06 p.m.

By unanimous consent, the Council Committee of the Whole meeting was adjourned at 8:06 p.m.

Timothy A. Slavin
Council President

TAS/TM/js/dd
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Attachments

Attachment #1 - Collector-Distributor Road Modification to the Scarborough Road Interchange Cover Page, provided by Mr. John Paradee

Attachment #2 - Draft SR-1 Scarborough Road C-D Roads Concept Plan - CTP Estimate Methods and Assumptions, dated December 5, 2016, provided by Mr. John Paradee

Attachment #3 - Memorandum from Rick Gobeille, Jacobs Engineering, dated November 4, 2016, regarding SR1 Scarborough Road C-D Roads Revenue Analysis - REVISED, provided by Mr. John Paradee

Attachment #4 - An article entitled "Tax-Increment Financing (TIF)" from *Good Jobs First*, dated January 31, 2017, provided by Mr. John Paradee

Attachment #5 - Proposed Amendment to Chapter 17, Title 22 of the Delaware Code relating to Municipal Tax Increment Financing, and Proposed Amendment to Chapter 18, Title 22 of the Delaware Code relating to Municipal Special Development Districts, provided by Mr. John Paradee

Attachment #6 - Proposed Resolution regarding Tax Increment Financing and Special Development Districts, provided by Mr. John Paradee

Attachment #7 - Proposed Council Resolution No. 2017-02

COLLECTOR-DISTRIBUTOR ROAD MODIFICATION TO THE SCARBOROUGH ROAD INTERCHANGE

I. Background/History

-DelDOT's 2007 U.S. Route 13 Corridor Study

-Continuing Growth & Development in the U.S. Route 13 Corridor is Straining the Existing Roadway Infrastructure

-The Delaware General Assembly's 2015 Bond Bill Directives

II. DelDOT's 2016 Feasibility Study

-The CD Road Modification is Feasible

-The CD Road Modification Will Relieve Congestion, Improve Circulation, and Enhance Traffic Safety

-The CD Road Modification Will Foster and Accommodate Continued Economic Growth and Development

III. Next Steps/Costs & Funding

-Wetlands Delineation Performed

-Toll Study Conducted

-Public-Private Initiative (Chapter 20, Title 2 of the Delaware Code)

-$31,200,000 Estimated Project Cost is Self-Funded

-Tax Increment Financing (TIF) and Special Development District (SDD) Legislation

IV. Project Has Broad Support/Need to Maintain Momentum

-City of Dover
-Kent Economic Partnership
-Central Delaware Chamber of Commerce
-Dover/Kent County MPO Prioritization Process

-Continued Support from the Community is Critical

CENTURY ENGINEERING

SR 1 Scarborough Road C-D Roads Concept Plan
CTP estimate methods and assumptions
December 05, 2016-DRAFT

DelDOT's Capital Transportation Project (CTP) Cost Estimate form was used to estimate the Total Project Cost for the proposed improvements. The CTP Estimate Form includes the following sections:

Part I - Location and Environmental Studies
Part II – Preliminary Engineering
Part III – Real Estate
Part IV – Construction
Summary

The following is a discussion of the assumptions and methods used to develop the Conceptual Plan Cost Estimate for Concept Plan 8A.

Costs associated with securing private funding or bonding are not included.

PART I – LOCATION AND ENVIRONMENTAL STUDIES:

A. At this point, it is assumed that the proposed improvements are going to be entirely privately funded and services to go through the National Environmental Protection Act (NEPA) process is not needed. Therefore the development of a Purpose and Needs document or other study traffic studies and performing Alternatives Analyses, etc. is not included as an estimated cost. It is assumed that only minor documentation will be required to justify the Concept Plan 8A proposed improvements as the Preferred Alternative.

   However, because of the wetland impacts and the need for a federal permit from the US Army Corps of Engineers, some level of justification and evaluations will be needed to demonstrate presence/absence and avoidance/minimization of impacts to protected resources.

B. Archaeology: This estimate was taken from January 20, 2016 correspondence from David Clarke, DelDOT's Manager, Environmental Studies at that time. From discussions with the DelDOT and FHWA Environmental representatives, this effort would be needed for the USACOE Permit since this permit is a federal action. Per Mr. Clarke's correspondence, "This cost estimate includes all phases of Archaeological work, expecting there to be sites that would have to be evaluated and potentially mitigated as well as potential Archaeological requirements for on or off site wetland mitigation locations."

C. Wetlands: These costs are based on Century's experience with projects in Kent County and the rest of the state of Delaware and assumes the delineation and mitigation of an estimated 1.5 to 2.5 impacted acres required for the road improvements only. Additional delineation, impacts and mitigation appear to be required for the proposed development of the Power Center shopping area.

D. Hazardous Material: This cost assume only a cursory Phase I study and assumes that no hazardous materials will be encountered.

E. Historic: As discussed with DelDOT and FHWA Environmental representatives, an evaluation of Historic Standing Structures within the project's Area of Potential Effect (APE) will be required. These discussions also indicated that the Dover Downs complex has reached or is approaching the 50-year threshold for requiring evaluation and that it would likely be identified as an 'Eligible' historic property based on its contribution to the area. It is also likely that the impacts from the proposed improvements would not be viewed as adversely affecting its historic significance, but this evaluation effort and coordination with the Delaware State Historic Preservation Officer will be required.

F. Noise: Due to the proximity of residential areas to the proposed improvements, a Noise study to compare the existing ambient conditions to estimated conditions with the proposed improvements will be required. It is also not anticipated that there would be any noise impacts or, if there are, that mitigation of the noise impact would be feasible per the current DelDOT Noise Policy.

G. Other: A Public Outreach effort is anticipated to be required. The estimated cost is for mailings to area property owners and occupants, preparation of displays and attendance at one Public Workshop, compiling and answering comments, and meetings with area stakeholders.

PART II – PRELIMINARY ENGINEERING

The estimated cost was derived from Century's recent experience in preparing and coordinating with others for the Environmental Documentation required for the SR1, Little Heaven Grade Separated Intersection and the SR1, S. Frederica Grade Separated Intersection as well as other smaller projects throughout Delaware.

A. Surveys: The entire project limits will need to be surveyed using conventional ground survey techniques to obtain the level of information required for the appropriate engineering design of the improvements and determination of existing rights of way and property lines. Much of the existing lands in the southbound interchange area is heavily wooded. The estimated cost is included in Item B.

B. Design Engineering:
   1. Design: This cost is estimated for going through the DelDOT Project Development process to obtain approval for the final design plans and final right of way plans.
   2. Traffic: These services are assumed to use the traffic numbers and distribution projections from the Feasibility Study to determine lane balance, turn lane lengths, etc. No traffic signals are anticipated per the results of the Feasibility Study. Cost is included in B.1.

3. Real Estate Plan Preparation would be done to DelDOT standards and obtain DelDOT approval to obtain the RW in the name of the State of Delaware.
4. Utilities: Existing facilities known at this time to be in the project areas include: City of Dover aerial electric transmission, aerial and underground electric distribution, water and sewer; Chesapeake Gas; and Verizon. Per Delaware code, any costs due to impacts to municipal owned utility facilities by State Public Works projects are reimbursable to the municipality. In addition, since this project is anticipated to be a privately funded project, impacts to any private utility facilities would also be reimbursable to the utility company.
    a. Relocations of water and sewer facilities are expected for the Leipsic Road Connector and the northbound exit/entrance ramps. Century would provide the designs services for these relocations.
    b. A total of 20 utility test holes are estimated to be needed.
    c. Two poles on the Dover Transmission line where the existing line turns to run along southbound SR1 are expected to be impacted by the Leipsic Road Connector. The design of this relocation would be performed by the City. Additional costs for the reimbursable relocation designs by other companies is estimated.
5. Materials & Research: For a DelDOT project, DelDOT's M&R section would typically contract for soil borings and either perform material testing in-house or contract for these services. Boring and material testing will be required for the proposed roadways, new overhead sign structures; proposed light poles; proposed stormwater management facilities; and proposed wetland mitigation sites. Installation of groundwater monitoring systems at the proposed wetland mitigation sites will also be required.
6. Borings: See #5.
7. Pile Load Tests: Are not required since there are no proposed bridges or other structures requiring pile supports.
8. Subdivision: No costs for this area are expected.

C. Environmental Assessment: As discussed above, NEPA and subsequently an Environmental Assessment is not anticipated to be required.

D. Contract Administration: A nominal cost is included for producing Bid Proposal and Executed Contract documents and other services to solicit bids for the construction of the project.

PART III – REAL PROPERTY:

All rights-of-way required from the properties owned by the Dover Mall are expected to be donated and no costs are included for these rights-of-way other than recordation of the right of way plans/plats.

There are Right-of-Way/Denial of Access (R/W-DA) lines along both northbound and southbound SR1 through the project area. DelDOT will need to determine if there is any compensation due to

DelDOT from the project for converting the R/W-DA lines to just R/W lines to allow the new access ramps.

Rights-of-Way are estimated to be required from four separate parcels owned by Dover International Speedway. The amount of RW was estimated based on minimum RW widths required by DelDOT: 40' from centerline for the Leipsic Road Connector (LRC) and 30 feet from the edge of travelled way for the northbound exit and entrance ramps. Areas that could be considered uneconomical remnants between the proposed roadways and existing SR1 RW are also included resulting in a total of approximately 9.16 acres from the four parcels. Additional permanent or temporary RW may be required for drainage, grading, SWM, utility relocations, construction staging, etc.

The estimated unit rate for the acquisition from the parcels owned by Dover International Speedway was based on the assumption that an appraisal would be done in a Before & After format, that all of the parcels in the areas owned by Dover International Speedway would be considered as the 'before' parcel and that there would be no damages to the remainder. The estimated RW cost could be offset by Special Benefit to the properties due to the proposed improvements but this is not estimated at this time. As mentioned an estimated cost for an Appraisal is included and it is also anticipated that legal fees will be needed for condemnation action.

An estimated cost to obtain 8 to 10 acres of farmland in eastern Kent County for wetland mitigation is also included.

There are no Relocations, Asbestos investigations/remediation or Demolitions anticipated. Settlement costs assume that all rights of way will be obtained in the name of the State of Delaware and therefore no transfer taxes will be required.

Staff costs are estimated for Century's Right-of-Way agents to provide services in support of the RW acquisition, including: Appraisal Scope of Work; Appraisal Review; meetings and negotiations; plats/displays; and support for condemnation proceedings.

PART IV – CONSTRUCTION:

For the method of estimating conceptual construction costs for the three proposed project areas Southbound Interchange, Northbound Interchange, Leipsic Road Connector), costs were based on the bid tabs for four recent and similar DelDOT projects: SR 1, South Frederica Grade Separated Intersection, Bid 12/15/15, $18.4M (Century is Engineer of Record); SR 1, Little Heaven Grade Separated Intersection, Bid 07/21/15, $40.1M (Century is Engineer of Record); US 301, SR 896 to SR 1, 1A, bid 10/13/15, $69.8M; and US 301 & SR 1 Interchange, 1B, bid 02/16/16, $35.4M (Century provides Design Management and Construction Management for the US301 projects). Since there is no bridge work in the proposed SR1 Scarborough Road project areas, the bridge/structure items from the bid tabs were removed and the remaining items were grouped into categories as follows:

- Earthwork
- Pavement
- Drainage
- Guardrail
- MOT
- Electrical/Lighting
- Signing and Pavement Marking
- Contractor's Project Management
- Erosion and Sedimentation control

Items that did not fit into these categories were considered miscellaneous.

The summation of low bid unit costs for all of the items in each category were then compared to the overall total low bid price, minus the structure costs, of each of the contracts to determine the percentage of overall cost for each of the categories.

After comparing the percentages for each contract, a percentage of overall cost for each category was extrapolated to be used for the proposed Concept CTP estimates. Greater weight was given to the SR1, South Frederica GSI project since it is most similar to the proposed project.

Since at this conceptual stage it is not possible to get accurate quantities for most items, it was determined that the pavement quantities would be the items that could be quantified most accurately at this stage. Pavement quantities were calculated for each of the three projects and divided pavement cost by the assigned percentage for pavement to get an overall cost. The pavement sections used for the estimate are: (1) a concrete paving section using the same pavement section from the adjacent SR1 roadway consisting of 12" PCC pavement, 4" Permeable Base, 6" Soil Cement and 12" Borrow, Type A capping for the Interchange connections and the C-D Road and (2) a bituminous paving section for the Leipsic Road Connector and the Connection Road to the proposed Power Center Development and the Mall. The bituminous pavement section used matches the Jamison Corner Road paving section used in the US 301 1A Project (2" Type C Bituminous Concrete Pavement, 4.5" Type B Bituminous Concrete Pavement, 6" Bituminous Concrete Base Course and 8" Graded Aggregate Base Course) along with curb on both sides and a 5 foot sidewalk on one side.

The Total Conceptual **Construction** cost estimate includes the following sections of the project:

- SR1 Southbound Interchange Connection Concept Cost estimate.
- SR1 Northbound Interchange Connection Concept Cost estimate.
- Leipsic Road Connector Concept Cost estimate.

Conceptual MOT set ups

Conceptual construction staging was evaluated to determine what typical traffic control applications would be needed for the construction of each of the projects. Included is a sketch indicating the Typical Applications from the DelDOT Manual of Uniform Traffic Control Devised

assumed to be needed and these were used to estimate the amount of temporary barrier that will be needed to protect the work area in locations adjacent to active traffic areas. It was assumed that temporary barrier will be needed in all areas where construction is occurring adjacent to SR 1.

The method used to determine the construction lengths and to determine the amount of time each phase of construction would take for traffic control purposes is as follows:

- The amount of time the pavement items that were quantified would take was based on production rate information available from DelDOT and that time was multiplied by a factor of 2.5 to account for time for items unknown at this time. This time was used to estimate the construction time for the purpose of traffic control. These time estimates were used to help determine the input for the MOT calculation spreadsheet.
- It was assumed that phased construction would be needed for the construction of the Southbound Interchange Connector since the traffic from Scarborough Road to SR 1 will have to be maintained throughout the construction. The first phase is to construct the majority of the C-D Road and Connector Road to the proposed Power Center Development and to the Mall Ring Road. The second phase is to reconstruct the ramp from Scarborough Road to the new C-D Road/entrance ramp to SR 1 and the exit ramp connection from SR 1 to the C-D Road to access the proposed Power Center Development and the Mall.
- It was assumed that the Northbound Interchange Connection and the Leipsic Road Connector construction would not have to be phased since no traffic will be using them until they are completed. Traffic control for these two projects will consist of shifting traffic on SR 1 and at the connections to local roads to allow enough room for construction and protection of the work areas.

Toll Facilities:

The proposed ramps will have All Electronic Tolling (AET) capabilities. Currently, the existing SR1 Southbound Entrance Ramp has an EZPass reader that provides a discount for vehicles continuing southward through the Dover Mainline Toll Plaza, which has both EZPass Only and manned cash toll lanes. Facilities to capture EZPass violators are included at the Dover Toll Plaza. Similarly, the existing SR1 Northbound Exit Ramp at Exit 104, North Dover has an EZPass reader that provides a discount to vehicles that have passed through the Dover Mainline Toll Plaza. These EZPass reading capabilities will need to be provided on the proposed SR1 Southbound Entrance Ramp and the SR1 Northbound Exit Ramp. The existing SR1 Southbound Entrance Ramp EZPass reader facility would be demolished as its function is replaced at the proposed SR1 Southbound Entrance Ramp. The existing SR1 Northbound Exit Ramp EZPass reader facility would remain in place since the existing northbound exit ramp would continue to have independent use.

For the proposed SR1 Southbound Exit Ramp and the proposed SR1 Northbound Entrance Ramp, full AET toll capabilities, including vehicle classification and video to capture violators, will be needed. The basic Toll Infrastructure (conduits, cables, gantry structures, equipment huts, etc.) would be installed as part of the roadway construction and a separate Toll Integrator contract would

then provide and install the AET toll equipment. The toll system back office operations would also need to be updated to account for the new toll facilities.

Costs for the Toll Infrastructure, Toll Integrator and Toll Back Office costs are based on budgets established for the new US301 toll project that is currently under construction in southern New Castle County, Delaware.

The Toll Infrastructure estimate assumes double gantry structures at the AET facilities along with an equipment hut and backup generator at each of the AET facilities.

The US301 Toll Back Office Costs will modify the business rules to allow for AET which includes both EZPass and Bill by Plate, along with violator capture. The estimated cost for the SR1 project are to incorporate the new facilities into the system that has already been modified.

On-going additional maintenance and operating costs would be incurred for the additional toll facilities being added to the system.

File (g:\projects\165016.00 western development\165016.01 concept estimate\concept plan ctp estimate\ctp form\sr 1 scarbourgh rd c-d roads ctp estimate methods and assumptions 12.05.16 draft.docx)

CAPITAL TRANSPORTATION PROJECT COST ESTIMATE

1. NAME OF PROJECT SR1, SCARBOROUGH RD, C-D ROADS (Subdivision or Road Name) KENT (County)

2. LIMITS

Street Name or Road Number	From	To	Length

3. ESTIMATE REQUESTED BY: DELDOT PLANNING (Name) for (check one) ☐ Project initiation ☑ Estimate only (Section or Legis. Dist.)

4. DESCRIPTION OF IMPROVEMENT:

1. New SR1 Southbound Serving Ramps, Collector-Distributor Road and road extension to Dover Mall Ring Road. 2. New northbound serving ramps to Persimmon Tree Lane. 3. Power Center Drive/Leipsic Road Connector from Mall Ring Road to Leipsic Road west of SR1. 4. All Electronic (AET) Toll Faclities. See attached map-Cocnept Plan 8A.

4. PROJECT IN C.I.P. Yes ☐ No ☑ If "Yes", indicate year F.Y. _____

5. TYPICAL SECTION

See attached.

6. STATE MAINTAINED☑ CITY MAINTAINED ☐ PRIVATE☐ OTHER☐ (specify) _____

7. COST ESTIMATE:		from C.I.P. estimate form	Estimate prepared by:	Date:
a. Location and Environmental Studies (Part I to be included only for class "I" and "III" projects)	$470,000	Part I	Alan K. Marteney, Ce	12/05/16
b. Preliminary Engineering	$1,755,000	Part II	Alan K. Marteney, Ce	12/05/16
c. Real Estate	$1,067,000	Part III	Alan K. Marteney, Ce	12/05/16
d. Construction *	$28,000,160	Part IV	Alan K. Marteney, Ce	12/05/16
e. TOTAL ESTIMATED PROJECT COST	$31,292,160			

* Includes Utilities, Traffic, and C.E.

APPROVED

Valid thru _____ (Date)

_____ (Assistant Director, M&O/Transportation Solutions/Planning) _____ (Date)

CAPITAL TRANSPORTATION PROJECT COST ESTIMATE

(Current Dollars)

Contract No. TBD Project Title: SR1, SCARBOROUGH RD C-D ROADS

PART I - LOCATION & ENVIRONMENTAL STUDIES (N/A)

(Part I to be included only for class "I" & "III" projects)

A. ENGINEERING (Includes NEPA)	$0	**E. HISTORIC**	$30,000
B. ARCHAEOLOGY	$200,000	1. Phase 1 (study)	$30,000
1. Phase I (study)	$200,000	2. Phase 2 (study)	$0
2. Phase 2 (study)	$0	3. Mitigation (by loc./env.)	$0
3. Phase 3 (mitigation)	$0	4. Mitigation (by design)	yes ☐ no ☑
C. WETLANDS	$210,000	**F. NOISE**	$30,000
1. Delineation (study)	$20,000	1. Studies	$30,000
2. Permit preparation	$40,000	2. Mitigation (by design)	yes ☐ no ☑
3. Mitigation (design)	$150,000	**G. OTHER**	$0
D. HAZARDOUS MATERIAL	$0	1. _____	$0
1. Phase 1 (study)	$0	2. _____	$0
2. Phase 2 (study)	$0		
3. Phase 3 (remediation)	$0		

TOTAL COSTS FOR PART I (A thru G) ROUNDED $470,000

CONTINGENCY COSTS _____ (% used) $0

(normally 5% for large projects and 10% for small projects - to be approved by section head)

TOTAL LOCATION AND ENVIRONMENTAL STUDIES COSTS $470,000

(also total for Construction Project Estimate form line 7a)

Estimator: Alan K. Marteney, Century Engineering Date: 12/05/16

CAPITAL TRANSPORTATION PROJECT COST ESTIMATE

(Current Dollars)

Part II of V

Contract No. TBD Project Title: SR1, SCARBOROUGH RD C-D ROADS

PART II - PRELIMINARY ENGINEERING

A. SURVEYS	$0
1. Inhouse	$0
2. Consultant	$0
B. DESIGN ENGINEERING	$1,755,000
1. Design	$1,500,000
a. Inhouse	$0
b. Consultant	$1,500,000
2. Traffic	$0
a. Inhouse	$0
b. Consultant	$0
3. Real Estate Plan Preparation	$0
a. Inhouse	$0
b. Consultant	$0
4. Utilities	$135,000
a. Inhouse	$0
b. Consultant	$0
c. Test Holes	$60,000
d. Utility Company	$75,000
5. Materials & Research	$120,000
6. Borings	$0
7. Pile Load Tests	$0
8. Subdivision	$0
a. Inhouse	$0
b. Consultant	$0
c. Railroad P.E.	$0
9. Other (specify)	$0
a.	$0
b.	$0
C. ENVIRON. ASSESSMENT (use for class "II" projects only)	$0
1. Wetlands	$0
2. Hazardous Materials	$0
3. Noise	$0
4. Historic	$0
5. Archaeology	$0
6. Other	
a.	$0
b.	$0

Loc/Environ Estimator: _____ Date: _____

D. CONTRACT ADMINISTRATION _____

Cont/Admin Estimator: _____ Date: _____

TOTAL COSTS FOR PART II (A thru D) ROUNDED $1,755,000

CONTINGENCY COSTS $0

(normally 5% for large projects and 10% for small projects - to be approved by section head) _____ (% used)

TOTAL PRELIMINARY ENGINEERING $1,755,000

(also total for Construction Project Estimate form line 7b)

Estimator: Alan K. Marteney, Century Engineering Date: 12/05/16

CAPITAL TRANSPORTATION PROJECT COST ESTIMATE

(Current Dollars)

Part III of V

Contract No. TBD Project Title: SR1, SCARBOROUGH RD C-D ROADS

PART III - REAL ESTATE

A. REAL PROPERTY	$815,000	**C. ASBESTOS PROGRAM**	$0
1. Total acquisitions	$0	1. Testing	$0
2. Partial acquisitions	$695,000	2. Abatement	$0
3. Permanent easements	$0	**D. DEMOLITION**	$0
4. Temporary easements	$0	**E. APPRAISAL FEES**	$20,000
5. Wetland mitigation	$120,000	**F. STAFF**	$25,000
Other (specify)			
6. _____	$0	**G. SETTLEMENT**	$10,000
7. _____	$0	**H. REAL ESTATE ENG.**	$0
B. RELOCATION	$0	1. Consultant survey	$0
1. Residential		2. As acquired plans	$0
2. Business	$0	**I. CONDEMNATION**	$100,000
Other (specify)			
3. _____	$0	**J. OTHER (specify)**	$0
4. _____	$0	1. _____	$0
		2. _____	$0

TOTAL COSTS FOR PART III (A thru J) ROUNDED $970,000

CONTINGENCY COSTS 10% (% used) $97,000

(normally 5% for large projects and 10% for small projects - to be approved by section head)

TOTAL REAL ESTATE COSTS $1,067,000

(also total for Construction Project Estimate form line 7c)

Estimator: Alan K. Marteney, Century Engineering Date: 12/05/16

CAPITAL TRANSPORTATION PROJECT COST ESTIMATE

(Current Dollars)

Part IV-A of V

Contract No. TBD

Project Title SR1, SCARBOROUGH RD C-D ROADS

PART IV -CONSTRUCTION

A. ROADWAY/APPROACH CONSTRUCTION	$13,973,200	**B. STRUCTURE CONSTRUCTION**	$0
1. Grading			
a. Excavation (includes SWM pond)		1. New Bridge	$0
b. Borrow	$0	a. Type	0
2. Drainage	$1,551,833	b. Size	0
3. Pavement		c. $/s.f.	$0
a. Surface	$0	2. Old Structure Rem.	$0
b. Base	$0	a. Type	
c. Subbase	$0	b. Size	
4. Erosion/Sed. Cont.	$1,707,017	c. $/c.y.	$0
5. Miscellaneous			
a. Curb/Gutter	$0	3. Retaining Wall	$0
b. Sidewalk	$0	a. Type	
c. Guardrail	$310,367	b. Size	
d. C.P.M. Schedule	$0	c. $/c.y.	$0
e. Clear/Grubb	$0	4. Box Culvert	$0
f. Field Office	$0	a. Type	
Other (specify)			
g. Earthwork	$1,862,200	b. Size	
h. Pavement	$4,655,500	c. $/s.f.	$0
i. Lighting/ITMS	$775,917	**C. LANDSCAPING**	$50,000
j. Miscellaneous	$310,367	1. Beautification	$50,000
k. Toll Infrastructure	$1,300,000	2. Noise Mitigation	$0
l. Toll Integration	$1,000,000	3. Visual Mitigation	$0
m. Toll Back Office	$500,000	4. Tree Mitigation	$0
		D. MAINTENANCE OF TRAFFIC	$1,551,833

(refer to Capital Improvement Project form, Part IV - Continued)

CAPITAL TRANSPORTATION PROJECT COST ESTIMATE

(Current Dollars)

Part IV-B of V

Contract No. TBD | Project Title SR1, SCARBOROUGH RD C-D ROADS

PART IV -CONSTRUCTION (CONTINUED)

E. PROJECT TRAFFIC ITEMS	$465,550
1. Signing Structures	
a. Overhead Bridges	$0
b. Cantilever Supports	$0
2. Roadway Lighting	$0
3. Pavement Markings	$0
Other (specify)	
4. Signing and Markings	$465,550
F. WETLAND MITIGATION	$875,000
G. UTILITY RELOC. IN CONTRACT	$140,000
1. Water	$40,000
2. Sanitary Sewer	$100,000
Other (specify)	
3.	$0
H. SUBTOTAL (A thru G) ROUNDED	$17,056,000
I. MISC. ITEMS	$3,411,200
(15% of H for large projects and 20% for small)	
(At SF submission use 10% and 5%)	
20% (% used)	
J. CONTRACTOR'S CONST. ENG.	$852,800
(normally 5% of H) 5% (% used)	
K. INITIAL EXPENSE	$852,800
(normally 5% of H) 5% (% used)	
L. CONSTRUCTION CONTINGENCY	$1,705,600
(normally 10% of H) 10% (% used)	

P. REIMBURSABLE UTILITY RELOCATIONS BY OTHERS	$225,000
(Enter on PNR funding line 7)	
1. Water	$0
2. Sanitary Sewer	$0
3. Electric	$100,000
4. Telephone	$50,000
5. Gas	$50,000
6. CATV	$25,000
Other (specify)	
7.	$0
8.	$0
Utilities Estimator: Date:	

Q. TRAFFIC SECTION ITEMS	$315,000
(Enter on PNR funding line 6)	
1. Signing	$15,000
2. Signals	$0
3. Detour Signing	$0
4. DelTrac	$300,000
Other (specify)	
5.	$0
Traffic Estimator: Date:	

M. TOTAL CONSTRUCTION COSTS (H thru L) (Enter on PNR funding line 5)		$23,878,400
N. CONSTRUCTION ENGINEERING (normally 15% of construction costs) (Enter on PNR funding line 4)	15% (% used)	$3,581,760
O. TOTAL CONSTRUCTION COSTS (Construction Costs + Construction Engineering) (use this total + Q + P for Construction Project Estimate from line 7d)		$27,460,160

Estimator: Alan K. Martenay, Century Engineering Date: 12/5/2016 Last Modified: 12/5/2016

Division of Department of Transportation

CAPITAL TRANSPORTATION PROJECT COST ESTIMATE

(Current Dollars) Part V of V

Contract No. TBD Project Title: SR1, SCARBOROUGH RD C-D ROADS

SUMMARY

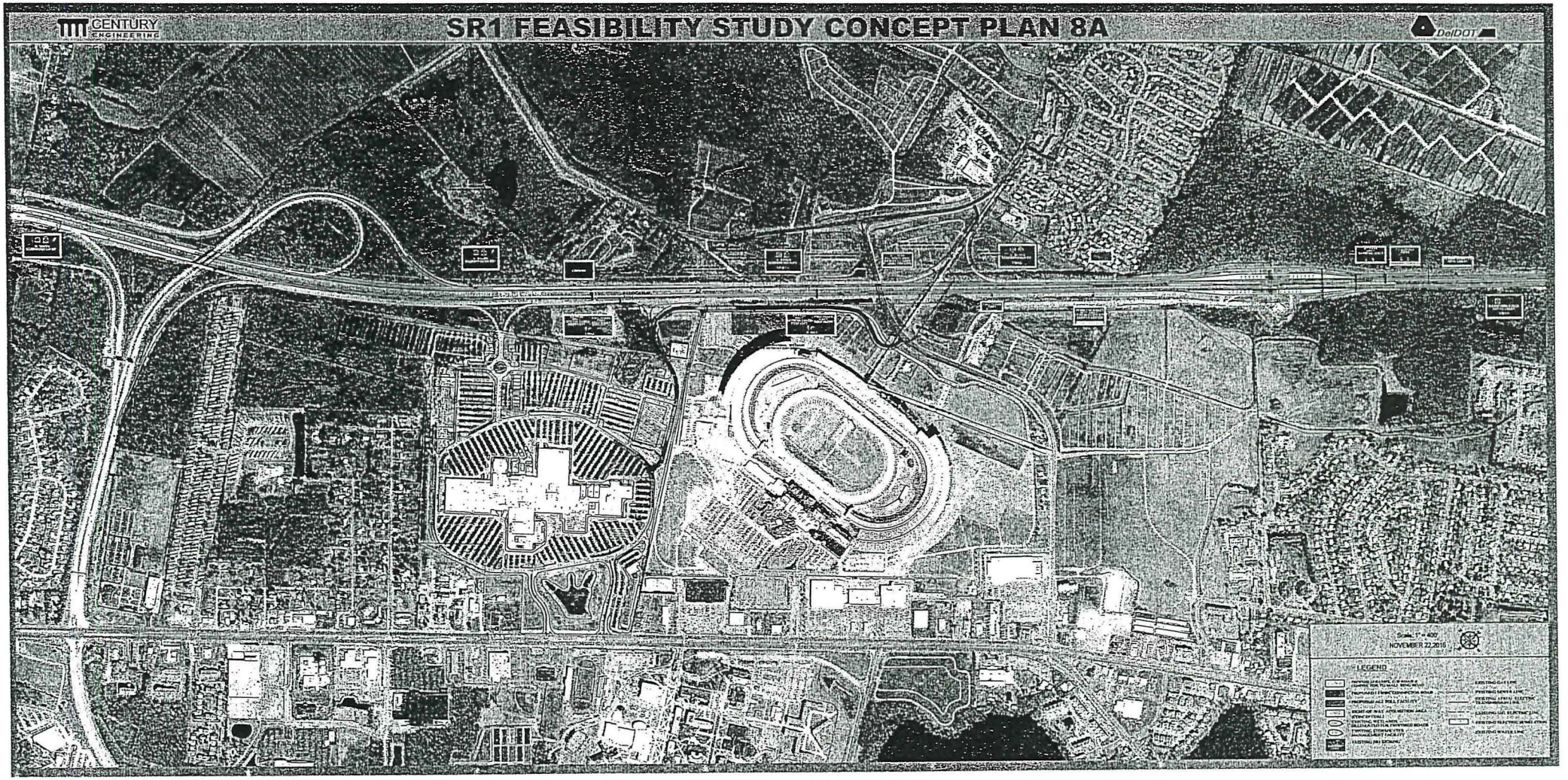
PART I - LOCATION AND ENVIRONMENTAL STUDIES (Part I to be included only for class "I" and "III" projects)	$470,000
PART II - PRELIMINARY ENGINEERING	$1,755,000
PART III - REAL ESTATE	$1,067,000
PART IV - CONSTRUCTION	$28,000,160
TOTAL ESTIMATED PROJECT COSTS (also total for Construction Project Estimate from line 7c)	$31,292,160

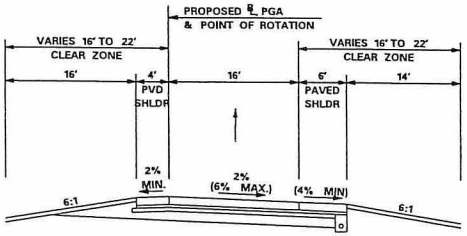
Project Manager Date:

REVIEWED & CONCURRED IN:

Section Head Date:

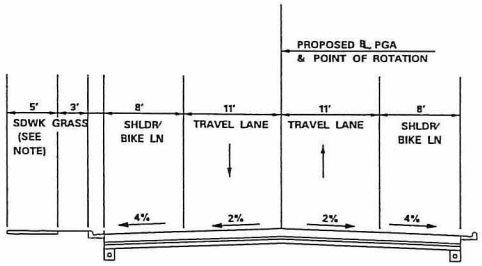
NOTE: Concurring section heads are to forward the original estimate copy to the Director of Transportation Solutions with one estimate copy each to the Assistant Director of Project Development, Assistant Director of Design Support, and the Cost Estimate Engineer.


CENTURY ENGINEERING
SR1 FEASIBILITY STUDY CONCEPT PLAN 8A
DelDOT
LEGEND



TYPICAL RAMP SECTION & ONE-LANE C-D ROAD SECTION

N.T.S.

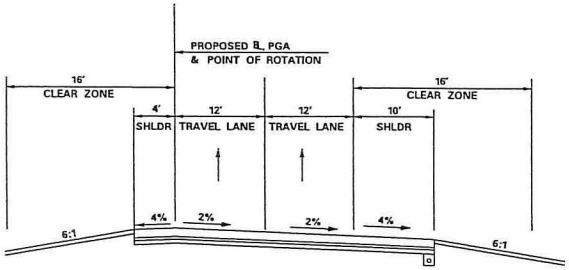


TYPICAL TWO-LANE ROADWAY WITH SIDEWALK

N.T.S.

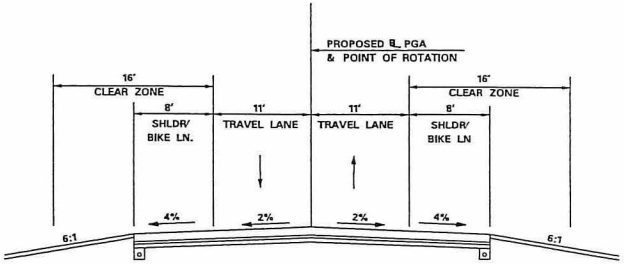
POWER CENTER DRIVE
LEIPSIC ROAD CONNECTOR

NOTE: SIDEWALK ON ONE SIDE OF THE ROADWAY. LOCATION TO BE DETERMINED.



TYPICAL TWO LANE, ONE WAY C-D ROAD SECTION

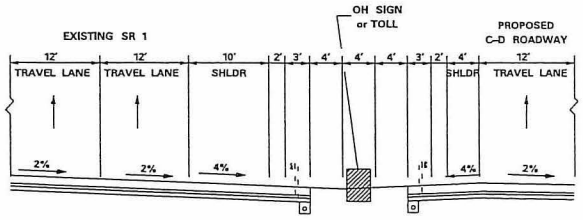
N.T.S.



TYPICAL TWO-LANE ROADWAY WITHOUT SIDEWALK

N.T.S.

POWER CENTER DRIVE
LEIPSIC ROAD CONNECTOR

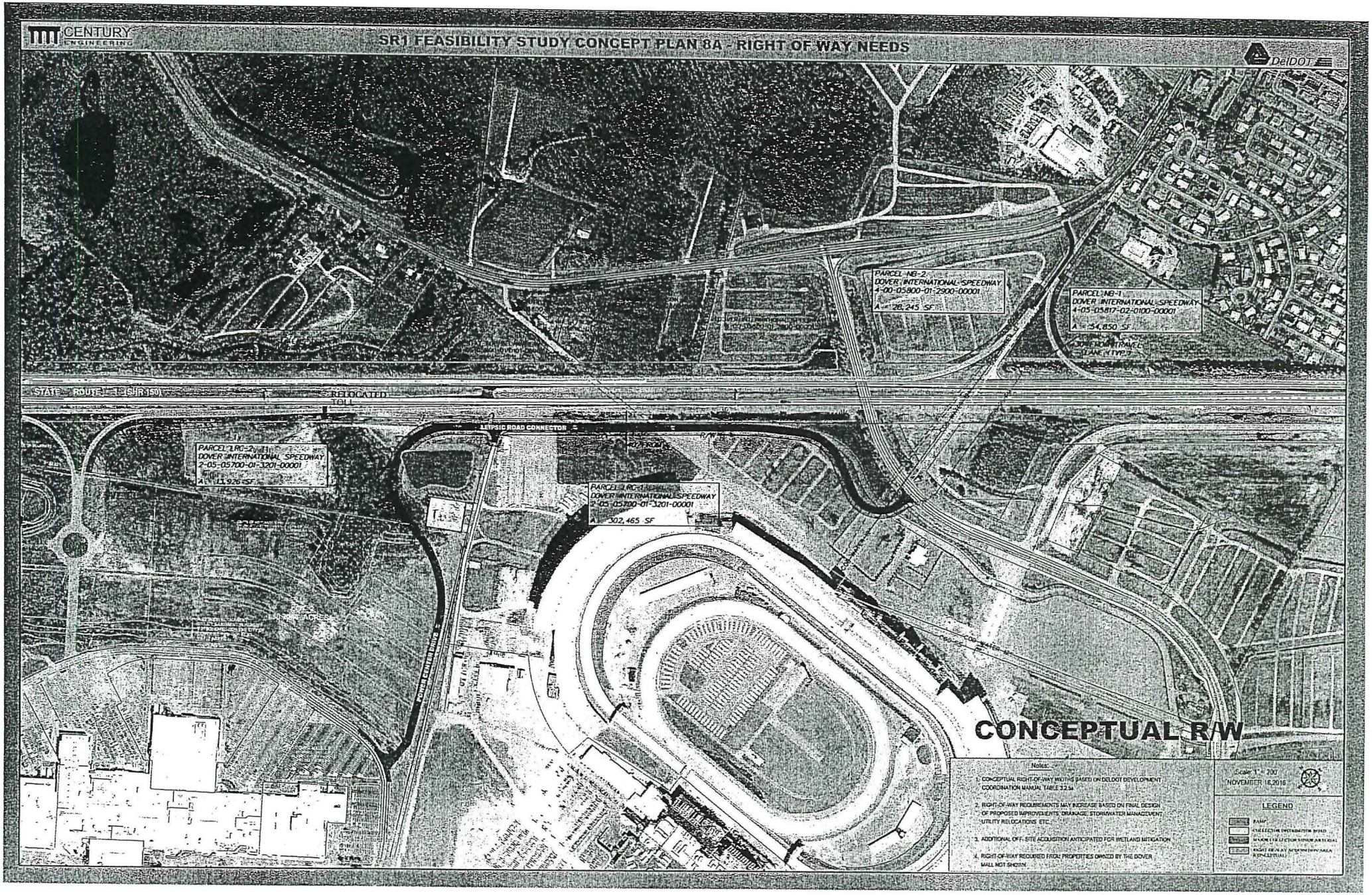


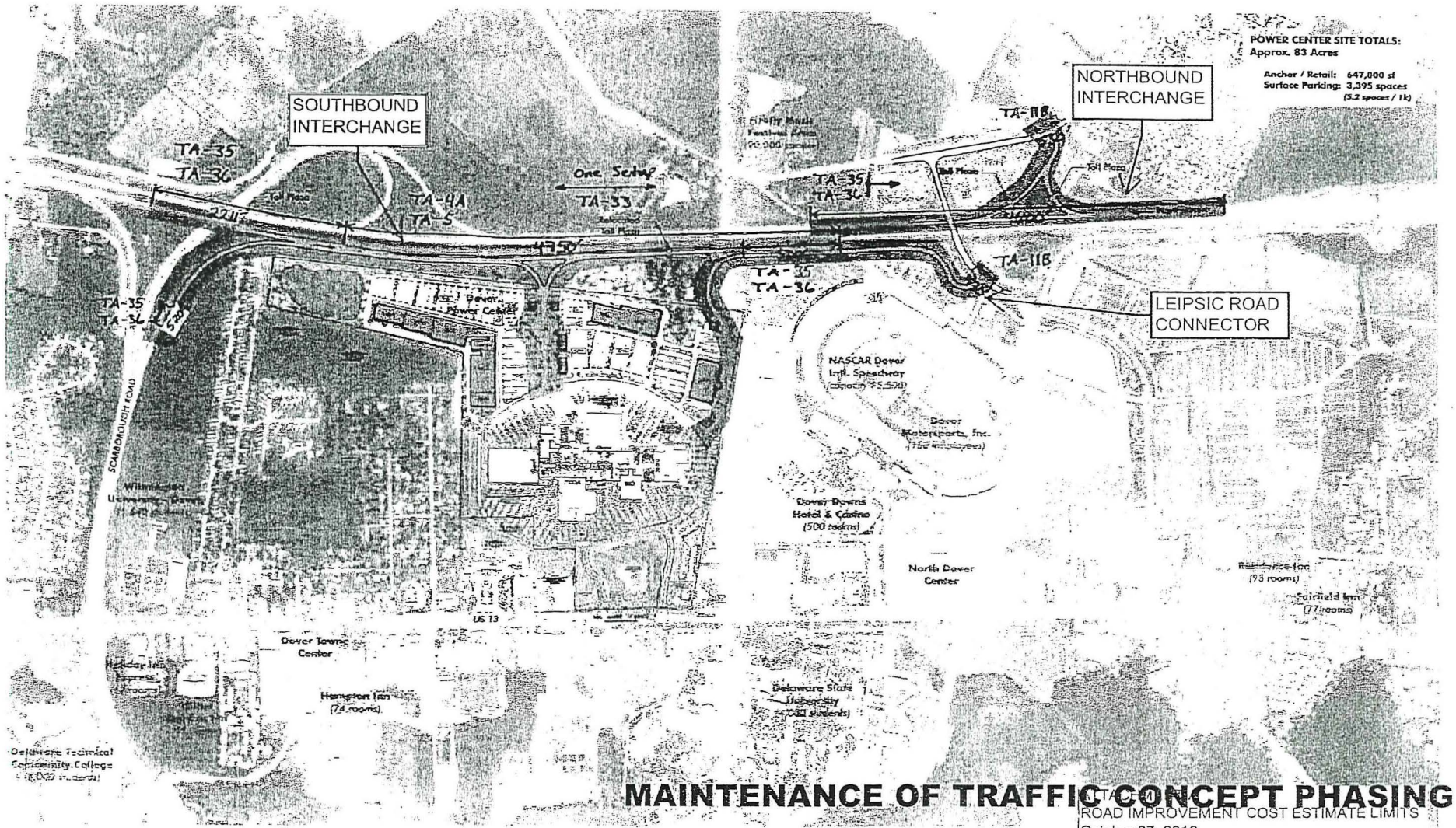
SR 1 AND C-D ROAD

N.T.S.

DELAWARE DEPARTMENT OF TRANSPORTATION	ADDENDUMS / REVISIONS	NOT TO SCALE	SR1 SCARBOROUGH ROAD C-D FEASIBILITY STUDY	CONTRACT xx-xxx-xx	BRIDGE NO. X	DRAFT TYPICAL SECTIONS FEBRUARY 2016	SHEET NO. 1
				COUNTY KENT	DESIGNED BY:		TOTAL SHTS. 1
					CHECKED BY:		

12/1/2015
I:\PROJECTS\145013.00 (DelDOT Agrmt 1705 DOTS Open-End\145013.10 (Task 10 SR1 C-D Feasibility Study\CADD Files\1s.dgn
10:41:41 PM


CENTURY ENGINEERING
SR1 FEASIBILITY STUDY CONCEPT PLAN 8A - RIGHT OF WAY NEEDS
DelDOT
PARCEL NB-2
DOVER INTERNATIONAL SPEEDWAY
4-00-05800-01-2900-00001
A = 26,245 SF
PARCEL NB-1
DOVER INTERNATIONAL SPEEDWAY
4-05-05817-02-0100-00001
A = 34,850 SF
STATE ROUTE 1 (SR 1)
RELOCATED TOLL
LEIPSIC ROAD CONNECTOR
PARCEL 1RC-2
DOVER INTERNATIONAL SPEEDWAY
2-05-05700-01-3201-00001
A = 11,926 SF
PARCEL 1RC-1
DOVER INTERNATIONAL SPEEDWAY
2-05-05700-01-3201-00001
A = 302,465 SF
POWER CONVERTING
CONCEPTUAL R/W
Notes:
1. CONCEPTUAL RIGHT-OF-WAY WIDTHS BASED ON DELDOT DEVELOPMENT COORDINATION MANUAL TABLE 32.1a
2. RIGHT-OF-WAY REQUIREMENTS MAY INCREASE BASED ON FINAL DESIGN OF PROPOSED IMPROVEMENTS, DRAINAGE, STORMWATER MANAGEMENT, UTILITY RELOCATIONS, ETC.
3. ADDITIONAL OFF-SITE ACQUISITION ANTICIPATED FOR WETLAND MITIGATION
4. RIGHT-OF-WAY REQUIRED FROM PROPERTIES OWNED BY THE DOVER MALL NOT SHOWN
Scale: 1" = 200'
NOVEMBER 18,2016
LEGEND
RAMP
EXISTING INTERSECTION ROAD
MAINLINE (CONSTRUCTION SINGLE ARTERIAL)
RIGHT-OF-WAY (CONSTRUCTION) AREA (CONCEPTUAL)



Proposed Site Context Plan

WESTERN DEVELOPMENT
1228 31st Street NW
Suite 200
Washington, DC 20007
t 202.295.3042

Dover Entertainment District

September 6, 2016

BCT ARCHITECTS
one charles center
100 n charles street 18th floor
baltimore, maryland 21201
t 410.837.2727

JACOBS

Memorandum

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Date	November 4, 2016
Attention	Delaware Department of Transportation
From	Rick Gobeille
Subject	**SR1 Scarborough Road C-D Roads Revenue Analysis – REVISED (Based on new information)**
Copies to	Phil Eshelman

Jacobs is pleased to submit this memorandum summarizing the potential toll revenue impact on the SR1 Toll Road from the commercial development activities and collector-distributer road (C-D Roads) improvements in the area of the SR1 Scarborough Road Interchange.

The analysis followed a logical progression from data collection, data analysis, forecasting model development, and results. This memo documents the analysis in the same order with a brief discussion of the project and the scope of work to provide context.

This is an Order-of-Magnitude estimate and is intended to provide a basis for making decisions on further pursuing the project. The results provide a range of potential revenues based on changed several key assumptions. This revenue analysis is suitable for planning efforts but not for financing and cannot be used in any public or private offering.

Scope of Work

Jacobs was retained to prepare a planning level analysis of the potential additional toll revenues that may be generated as a result of the proposed roadway projects that includes Scarborough Road C-D ramp and new ramps at Persimmon Tree Lane. These roadway improvements will complement the development of new commercial space adjacent to the existing Dover Mall as well as current and proposed developments in the area. In addition, we were asked to perform a sensitivity analysis on toll rates on the Base Case Alternative.

The roadway improvements are shown in Figure 1. It is understood that the C-D Roads will employ all electronic tolling (AET) and offer more direct access to the Dover Mall Complex as well as other amenities within close proximity. The figure also identifies the new development adjacent to the existing Dover Mall, including approximately 647,000 more square feet of retail space.

Figure 1: Proposed SR-1 Improvements

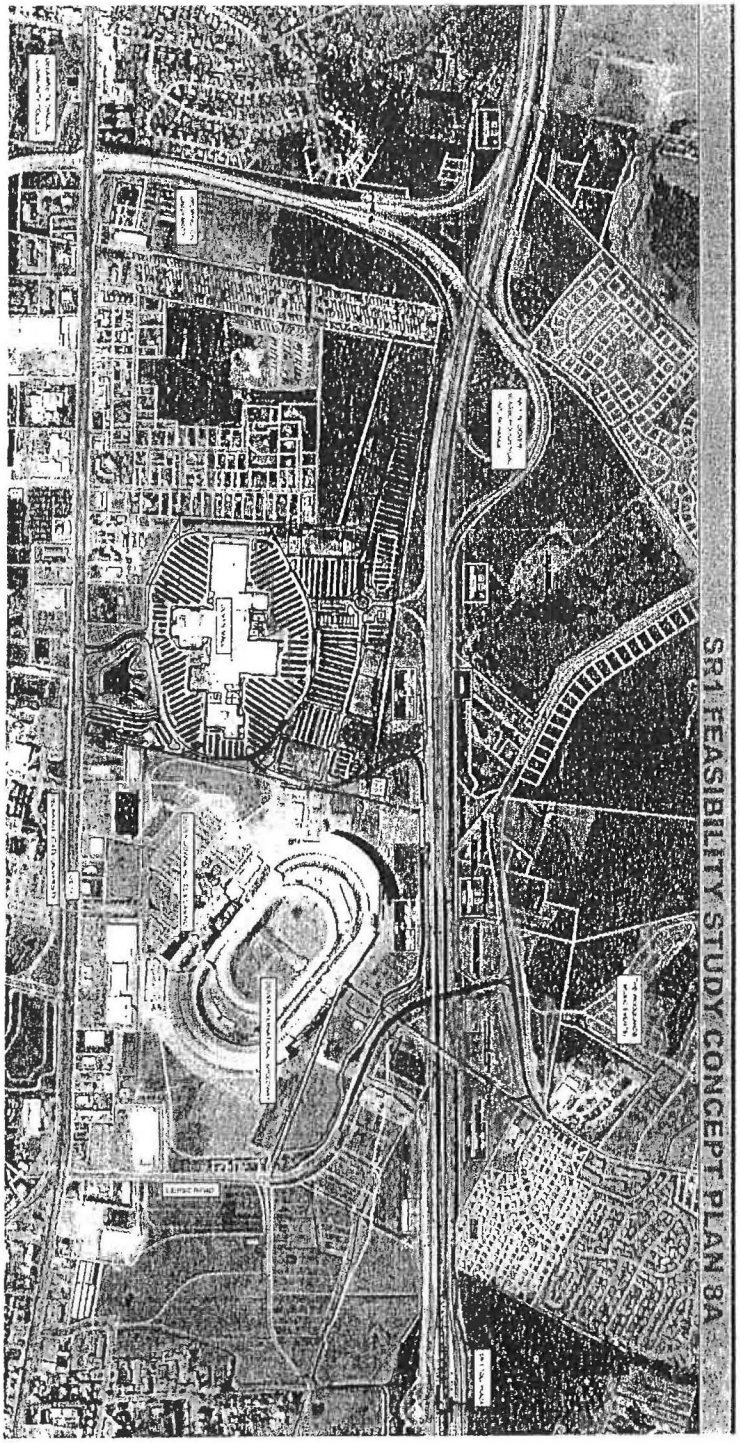
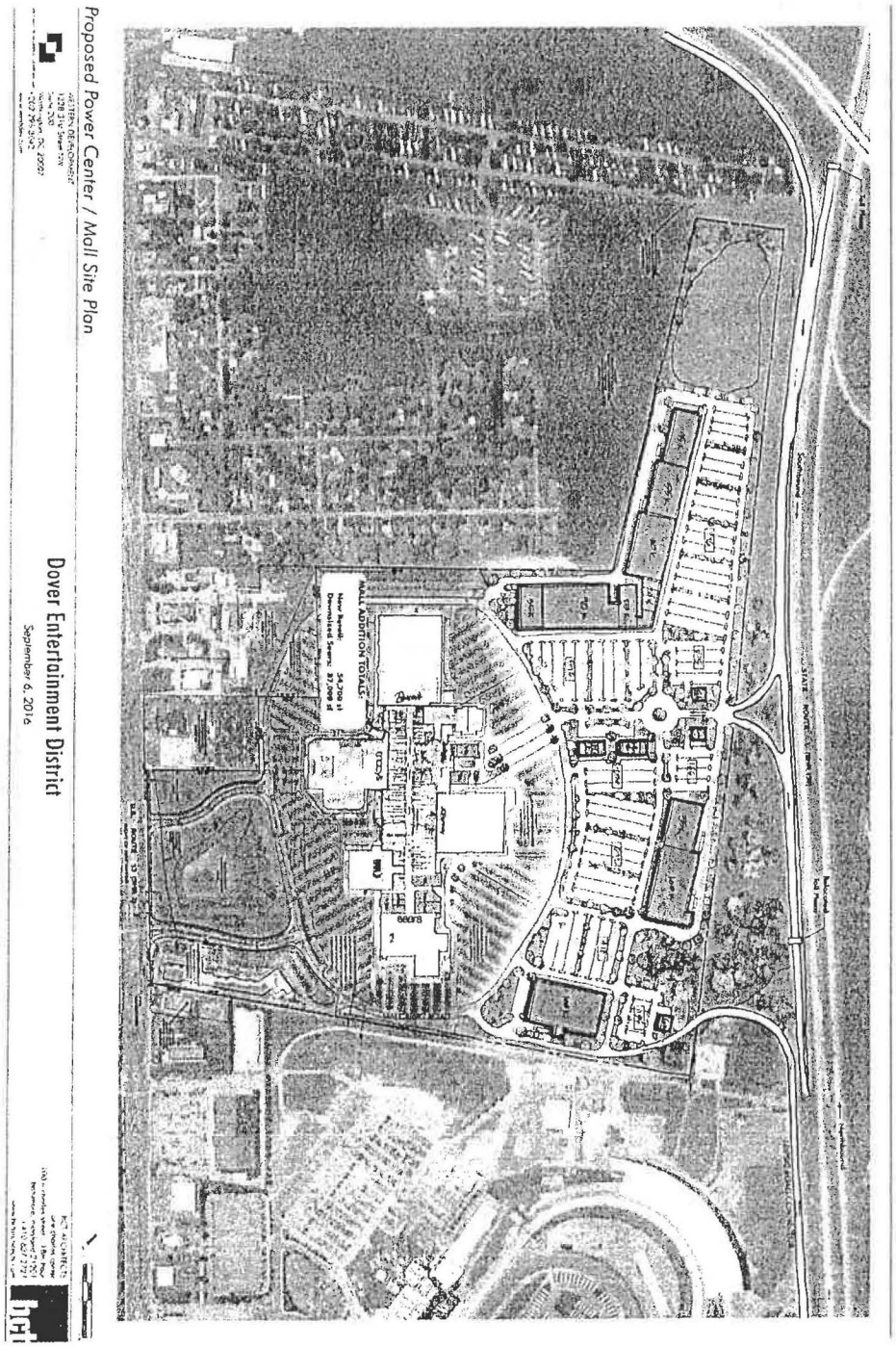


Figure 2: Proposed Dover Mall Improvements



Data Collection

The data Jacobs received for this analysis is detailed in Table 1. This included various concept plans for the development, traffic data for both the existing toll plazas and mall traffic, and various other reports and analysis.

Table 1: Data Received

File	Date	Description
Prelim Toll Estimate by TRC 02.18.16.pdf	2/18/2016	Estimates annual toll revenue generated on the facility due to development.
SR1 Scarborough Road C-D Roads Feasibility Report 04.20.16.pdf	4/20/2016	Feasibility report of Concept 8A for the proposed C-Ds, finding them a viable alternative.
Figure 1 Concept Plan 8A 36 x 72 s.pdf	-	Plan layout of the preferred C-D concept.
Figure 4 Traffic Volume Forecasts 2040 PM Peak Hour Concept 8A.pdf	2/18/2016	2040 Traffic Projections provided by DelDOT
TrafficReportFromJune2015-June2016 for Century Revision 07.14.16.xlsx	7/14/2016	Daily Traffic and Revenue report for SR1 from 6/2015 to 6/2016 provided by DelDOT
sr1-meeting-notes-20160712.pdf	7/12/2016	Brief notes from meeting regarding proposed C-D concept
trip-comparison-table.pdf	-	existing Dover Mall traffic vs. ITE trip rates
Casino-visitors.pdf	7/11/2016	Annual Dover Downs and Casino visitor estimates per CEO of same
DelDOT-toll-roads.pdf	6/1/2004	Map of DelDOT toll roads
148th Gen Assembly SS 1 for SB 160 Bond Bill FY 2016 Sec 133 HL.pdf	-	Excerpt from SB160 directing DelDOT to study Collector-Distributor Road/Modification to Scarborough Road Interchange
DelDOT 301 Updated Report 5.22.15 w.appendices & Letter.pdf	9/9/2015	Updated T&R report for US 301 (Jacobs)

In addition, Jacobs collected other readily available data as shown in Table 2. These data included historical traffic counts, travel times, peak period factors for trip generation rates, and others as detailed. The received and obtained data represent the foundation of the analysis.

Table 2: Data Obtained

Data	Description	Source
Travel Time	Travel times for various routes in Dover to the Mall via build and no-build conditions	Google Maps
Traffic Counts	Historical traffic counts for region	DelDOT website
Maps	KMZ/pdf files showing Dover Mall and origin points for determining travel times	Google Earth

Table 3: New Data Obtained

Data	Description	Source
Dover Mall Improvements	Revised Power Center layout depicting the expansion of the Dover Mall (Figure 2)	Kenneth Mackiewicz
Demographic Information	Information regarding square footage of local existing retail, casino, lodging, and university attendance	Pamela Wessling
Revised Turning Movements	Updated DelDOT 2040 traffic volume projections considering updated revised Power Center layout	Mike DuRoss

Data Analysis

The data received and obtained were analyzed for the development of assumptions into the forecasting model. This analysis included an understanding of existing traffic and revenue, trip generation rates, travel times, and historical traffic growth. In this section those metrics are reviewed.

Existing Traffic and Revenue

The Scarborough Road ramp toll plaza adjacent to the proposed C-D Roads provides the current access from the north to US13 and the many commercial developments and institutional facilities in the North Dover area. For traffic from the south, the Dover mainline toll plaza is the tolling point. E-ZPass customers are offered a discount for such movements from the south via gantry reads on the non-tolled ramps. For this analysis it is assumed that the toll schedules at these plazas will remain static throughout the forecast period, however, a sensitivity analysis has been performed to present the effects to the Base Case if toll rates are revised. These toll schedules are provided in Table 4.

Table 4: Toll Plaza Toll Rates

Payment Class	2 axle		5 axle	
	Weekday	Weekend	Weekday	Weekend
Dover Mainline Toll Schedule				
Cash	$1.00	$3.00	$2.50	$3.00
E-ZPass	$0.50	$1.50	$1.88	$2.25
Freq	$0.25	$0.75	N/A	N/A
Scarborough Road/North Dover Toll Schedule				
Cash	$0.50	$0.50	$2.50	$2.50
E-ZPass	$0.25	$0.25	$1.88	$1.88
Freq	$0.13	$0.13	N/A	N/A

Another important data point for the analysis is the current traffic levels and toll revenue at the Scarborough Road ramp toll plaza. Table 5 presents the average daily traffic and annual revenue detailed by weekday and weekend days for FY16, which runs from July 1, 2015 to June 30, 2016.

Table 5: FY16 Traffic and Toll Revenue at Scarborough Road Ramp Toll Plaza (Unofficial)

Metric	Weekday	Weekend	Total
Average Daily Traffic	14,900	10,600	13,700
Annual Revenue	$1,660,000	$496,000	$2,156,000

Trip Generation Rates

The next key data point is the estimated demand at the existing Dover Mall, the trip generation rates for similar facilities and the proposed development in the Complex. Table 6 presents this data. From the data Jacobs received, PM peak hour traffic counts at the mall were 1,168 and 2,263 for weekday and weekend days respectively. Based on relationship between peak hour and daily traffic at 10% per ITE trip generation rate tables, the weekday and weekend daily traffic is estimated to be 11,680 and 22,630

respectively. Comparing these data to the existing toll plaza ramp traffic, the maximum contribution of ramp traffic to mall traffic can be calculated. It is evident that during weekdays it is possible that all ramp traffic has a destination at the mall. Note that it is mathematically possible, yet not probable considering all other potential traffic destinations in the Dover area. Considering the retail area of the existing Dover mall, in comparison to the total retail, casino, lodging, and university areas in the immediate area as provided to Jacobs, the existing percentage of traffic at the Dover mall coming from the existing Scarborough ramp is likely less than 20%, An additional indication of the source of existing Dover mall traffic is that currently on the weekend, traffic demand at the mall outpaces the ramp traffic, showing that the majority of the traffic does not come from the toll plaza ramp. These data are keys to understanding the current and future percent share that may access the Complex via the toll road.

Table 6: Weekday and Weekend Traffic Estimates at the Mall and Toll Plaza

Metric	Weekday	Weekend
Peak Hour Existing Dover Mall Entries and Exits (March 2014 Traffic Counts)	1,168	2,263
Estimated K Factor	10%	10%
Estimated AADT at Existing Dover Mall	11,680	22,630
Existing Ramp Traffic	14,915	10,565
Max. Percent of Mall at Ramp	100%	47%
Max. Percent of Ramp at Mall	78%	100%

In addition to the data that was collected regarding traffic counts at the Dover Mall, the trip generation rates for a similar facility (same square footage, type of business) was provided to Jacobs to make a comparison. The traffic generation at the current Dover Mall is much less than ITE trip generation estimates. Table 7 compares the existing traffic counts and estimated counts via the trip generation guidelines. These data are critical in the development of alternatives analyzed to understand the impact on revenue deriving from these assumptions. Estimated traffic counts are about 130 percent more than actual during the weekday and 65 percent more than actual weekend.

Table 7: Trip Generation Rate Comparison

Metric	Weekday	Weekend
Peak Hour Existing Dover Mall Entries and Exits (March 2014 Traffic Counts)	1,168	2,263
ITE Trip Rates (for Existing 934,153SF Dover Mall)	2,677	3,736
ITE Trip Rates/Existing Traffic Counts-1	129%	65%

Travel Time Analysis

To aid in the analysis, a survey of travel times between various origins and the Dover Mall Complex was developed via online mapping applications for the existing and build conditions. This analysis allows for the understanding of how motorists currently use the toll road and how they may use the toll road in the future. Table 8 presents these comparisons. Dover Mall is the destination for all origins. As can be seen, there is limited time savings currently for the chosen origins, which are in close proximity to Dover. Of course for long distance trips from the north (southbound), the toll road is the only viable alternative. In the build condition there is estimated to be slightly more travel time savings as the circuitous route via Scarborough Road is removed. More detail of this analysis is provided in the Appendix.

Table 8: Travel Time Comparisons

Metric			No Build					Build C-D Roads			
Origin	Day	Time of Day	US13 Travel Distance (mi)	US13 Travel Time (min)	SR1 Travel Distance (mi)	SR1 Travel Time (min)	SR1 Time Savings vs. US13 under no Build	SR1 Travel Distance (mi)	SR1 Travel Time (min)	SR1 Time Savings Due to Build	SR1 Time Savings vs. US13 Due to Build
Northbound											
Dover AFB (13th St entrance)	Wednesday	800	6.5	15	10	14	1	7.3	11	3	4
Dover AFB (13th St entrance)	Wednesday	1100	6.5	15	10	15	0	7.3	11	4	4
Dover AFB (13th St entrance)	Wednesday	1700	6.5	18	10	15	3	7.3	11	4	7
Dover AFB (13th St entrance)	Saturday	800	6.5	13	10	14	-1	7.3	11	3	2
Dover AFB (13th St entrance)	Saturday	1100	6.5	15	10	15	0	7.3	11	4	4
Dover AFB (13th St entrance)	Saturday	1700	6.5	15	10	15	0	7.3	11	4	4
Cooper Circle (DE8 & DE9)	Wednesday	800	6.7	14	8.9	14	0	6	10	4	4
Cooper Circle (DE8 & DE9)	Wednesday	1100	6.7	15	8.9	16	-1	6	10	6	5
Cooper Circle (DE8 & DE9)	Wednesday	1700	6.7	16	8.9	15	1	6	10	5	6
Cooper Circle (DE8 & DE9)	Saturday	800	6.7	14	8.9	15	-1	6	10	5	4
Cooper Circle (DE8 & DE9)	Saturday	1100	6.7	15	8.9	17	-2	6	10	7	5
Cooper Circle (DE8 & DE9)	Saturday	1700	6.7	15	8.9	15	0	6	10	5	5
Camden (SR10 & US13)	Wednesday	800	7.1	17	11.4	17	0	8.5	14	3	3
Camden (SR10 & US13)	Wednesday	1100	7.1	17	11.4	19	-2	8.5	14	5	3
Camden (SR10 & US13)	Wednesday	1700	7.1	20	11.4	18	2	8.5	14	4	6
Camden (SR10 & US13)	Saturday	800	7.1	16	11.4	17	-1	8.5	13	4	3
Camden (SR10 & US13)	Saturday	1100	7.1	18	11.4	19	-1	8.5	14	5	4
Camden (SR10 & US13)	Saturday	1700	7.1	17	11.4	18	-1	8.5	14	4	3
Southbound											
Smyrna (US13 & DE6)	Wednesday	800	9.2	18	10	17	1	9.2	13	4	5
Smyrna (US13 & DE6)	Wednesday	1100	9.2	18	10	17	1	9.2	13	4	5
Smyrna (US13 & DE6)	Wednesday	1700	9.2	20	10	17	3	9.2	13	4	7
Smyrna (US13 & DE6)	Saturday	800	9.2	17	10	16	1	9.2	13	3	4
Smyrna (US13 & DE6)	Saturday	1100	9.2	20	10	18	2	9.2	13	5	7
Smyrna (US13 & DE6)	Saturday	1700	9.2	19	10	18	1	9.2	13	5	6

Forecasting Model Development and Results

The forecasting model was developed to understand the range of potential revenue increase that may occur with the planned commercial development and the improved access to the existing and planned development via the C-D Roads.

Through the course of the data collection and analysis the most salient assumptions that would drive the additional traffic and toll revenue emerged as follows:

1. How much traffic will be generated based on new commercial development;
2. How much traffic will be generated based on the existing development; and
3. How much of the new demand will access the new development via the toll road?

With this in mind, the project specific forecasting model was developed to allow for sensitivity tests along the lines of those important input assumptions. Table 9 presents options for those different assumptions. For trip generation it was assumed that either the current rate of trip generation per square foot would apply in the future or a higher demand would be relevant. These were applied independently to the existing and new developments. The percent of mall traffic that would use the toll road was also varied as shown in the table, with the assumption that additional and improved retail at the Dover mall may increase traffic from outside destinations accessing from SR1. Previously, Option 1 assumed 35% may access the Mall during weekends, however, through further analyzing existing mall access in comparison to existing weekend ramp traffic, in relation to newly provided information regarding the area of existing retail, lodging, casino, and university, a reasonable assumption after development is 25%.

Table 9: Assumption of Analysis

Assumptions	Options	
	1	2
Trip generation for new development	Current Traffic Rates	ITE Trip Rates
Trip generation for existing development	Current Traffic Rates	ITE Trip Rates
% of new demand coming from SR1 (Weekday/Weekend)	35%/25%	50%/50%

Additional assumptions of the analysis include the following:

1. The toll gantries at the new C-D Roads will be AET
2. The toll schedule will include a video that has a 40% surcharge for cars and 20% surcharge for trucks matching recent T&R studies for DelDOT
3. Leakage rates of 40 percent for non-EZ-Pass transactions at AET plazas per nationwide experience
4. Annual growth rate of 1 percent matching historical traffic counts in the area
5. Implementation year of 2018
6. Current toll schedule will remain in place for the full forecast
7. Vehicle and payment class shares will remain static

Assumptions where no analysis has been performed:

1. NASCAR attendance will stabilize at the current rates of attendance during the forecast period

2. We have made no analysis on any impact that new regional casinos could have on Dover Downs. We have assumed current levels of demand will continue for the forecast period.
3. All new retail is constructed, opened and fully occupied during the forecast period of the estimate

Alternatives were developed that ranged from conservative to aggressive varying the assumptions in Table 9. The definition of those alternatives and the resulting estimated additional revenue are provided in Table 10. The potential additional revenues range from $280,000 to $2.0 Million. **The Jacobs base case is Alternative 2, providing about $670,000 in additional revenue in 2018 (assuming the development is there in 2018)**. This additional revenue is additive to the estimated current revenue of approximately $250,000 annually of ramp toll revenue due to mall traffic, which assumes 18 and 11 percent of mall traffic comes from the toll road on weekdays and weekends, respectively, based on an analysis of existing traffic patterns and existing commercial and university areas as provided to Jacobs. Alternative 1, the most conservative case, assumes current trip generation rates and 35 and 25 percent of Complex traffic accessing via the toll road. Alternative 2, the base case, allows for higher trip generation rates for the new development but current rates for the existing and 35 and 25 percent of traffic from the toll road. Alternative 3 increases the percent from the toll road from Alternative 2 to 50 percent. Alternative 4, the most aggressive, assumes increased trip generation for both existing and new development.

Table 10: Alternative Definition and Results, 2018

Assumptions	Alt 1	Alt 2 Base Case	Alt 3	Alt 4
Trip generation for new development	1	2	2	2
Trip generation for existing development	1	1	1	2
% of new demand coming from SR1 (Weekday/Weekend)	1	1	2	1
Total Increased Revenues ($000's)	**$280.0**	**$668.9**	**$1,304.3**	**$2,058.9**

Annual transactions and toll revenue including additional toll revenue by alternative is provided in Table 11 below.

Table 11: Annual T&R and Additional T&R by Alternative

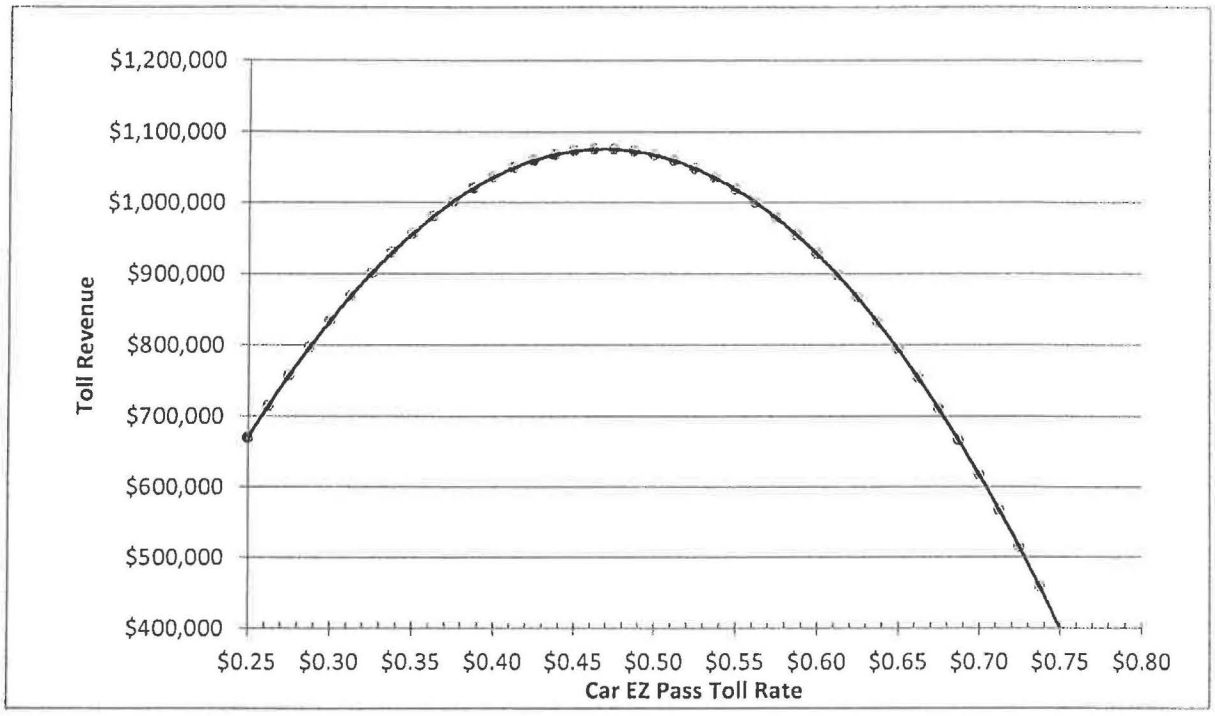
	Annual T&R at SC Ramp Plaza (No Build)		Additional Revenue due to Development at Mall ($000s)			
FY	Transactions (000s)	Revenue ($000s)	Alt 1	Alt 2	Alt 3	Alt 4
2016	4,981.0	$2,148.0				
2017	5,030.8	$2,169.5				
2018	5,081.1	$2,191.2	$280.0	$668.9	$1,188.0	$1,304.3
2019	5,131.9	$2,213.1	$282.8	$675.6	$1,199.9	$1,317.4
2020	5,183.2	$2,235.2	$285.7	$682.3	$1,211.9	$1,330.6
2021	5,235.1	$2,257.6	$288.5	$689.1	$1,224.0	$1,343.9
2022	5,287.4	$2,280.1	$291.4	$696.0	$1,236.3	$1,357.3
2023	5,340.3	$2,302.9	$294.3	$703.0	$1,248.7	$1,370.9
2024	5,393.7	$2,326.0	$297.3	$710.0	$1,261.1	$1,384.6
2025	5,447.6	$2,349.2	$300.2	$717.1	$1,273.7	$1,398.4
2026	5,502.1	$2,372.7	$303.2	$724.3	$1,286.5	$1,412.4
2027	5,557.1	$2,396.5	$306.3	$731.5	$1,299.4	$1,426.5
2028	5,612.7	$2,420.4	$309.3	$738.9	$1,312.3	$1,440.8
2029	5,668.8	$2,444.6	$312.4	$746.2	$1,325.5	$1,455.2
2030	5,725.5	$2,469.1	$315.6	$753.7	$1,338.7	$1,469.8
2031	5,782.8	$2,493.8	$318.7	$761.2	$1,352.1	$1,484.5
2032	5,840.6	$2,518.7	$321.9	$768.9	$1,365.6	$1,499.3
2033	5,899.0	$2,543.9	$325.1	$776.5	$1,379.3	$1,514.3
2034	5,958.0	$2,569.3	$328.4	$784.3	$1,393.1	$1,529.4
2035	6,017.6	$2,595.0	$331.7	$792.2	$1,407.0	$1,544.7
2036	6,077.8	$2,621.0	$335.0	$800.1	$1,421.1	$1,560.2
2037	6,138.5	$2,647.2	$338.3	$808.1	$1,435.3	$1,575.8
2038	6,199.9	$2,673.6	$341.7	$816.2	$1,449.6	$1,591.5
2039	6,261.9	$2,700.4	$345.1	$824.3	$1,464.1	$1,607.5
2040	6,324.5	$2,727.4	$348.6	$832.6	$1,478.8	$1,623.5

Toll Rate Sensitivity Analysis

Jacobs was requested to perform a toll rate sensitivity analysis of the Alternative 2 Base Case scenario, as presented above. We assumed that toll rates at the existing Scarborough ramp would remain as they currently are, and analyzed potential revenues with increased toll rates applied to the newly constructed Scarborough Road C-D ramp and new ramps at Persimmon Tree Lane. As toll rates increase on the newly constructed ramps total revenue increases, however the increased toll eventually becomes cost prohibitive to drivers and they may choose to instead exit at the existing Scarborough ramp which maintains the lower current rates. The figure below represents the potential revenues resulting from increased toll rates.

The sensitivity analysis has resulted in a maximum toll rate of between $0.45 and $0.50 cents for EZ Pass cars exiting at the new ramps. As toll rates continue above this rate, revenues decline as traffic shifts more to the existing Scarborough Ramp. Should higher toll rates be pursued by DelDOT, an optimal toll rate would lie between the current and maximum rates presented, providing flexibility to further adjust the rate as necessary.

Figure 3: Toll Rate Sensitivity Analysis



Limits and Disclaimers

It is Jacobs' opinion that the traffic and gross toll revenue estimates provided herein are reasonable and that they have been prepared in accordance with accepted industry-wide practice for an order-of-magnitude level study. However, it is important to note the following assumptions which, in our opinion, are reasonable:

- This report presents the results of Jacobs' consideration of the information available as of the date hereof and the application of our experience and professional judgment to that information. It is not a guarantee of any future events or trends.
- The traffic and gross toll revenue estimates will be subject to future economic and social conditions, demographic developments and regional transportation construction activities that cannot be predicted with certainty.

- The estimates contained in this report, while presented with numeric specificity, are based on a number of estimates and assumptions which, though considered reasonable to us, are inherently subject to economic and competitive uncertainties and contingencies, most of which are beyond the control of DelDOT and cannot be predicted with certainty. In many instances, a broad range of alternative assumptions could be considered reasonable. Changes in the assumptions used could result in material differences in estimated outcomes.
- Jacobs' traffic and gross toll revenue estimations only represent our best judgment and we do not warrant or represent that the actual gross toll revenues will not vary from our estimates.
- We do not express any opinion on the following items: socioeconomic and demographic forecasts, proposed land use development projects and potential improvements to the regional transportation network.
- The standards of operation and maintenance on all of the system will be maintained as planned within the business rules and practices.
- The general configuration and location of the system and its interchanges will remain as discussed in this report.
- Access to and from the system will remain as discussed in this report.
- No other competing highway projects, tolled or non-tolled are assumed to be constructed or significantly improved in the project corridor during the project period, except those identified within this report.
- Major highway improvements that are currently underway or fully funded will be completed as planned.
- The system will be well maintained, efficiently operated, and effectively signed to encourage maximum usage.
- No reduced growth initiatives or related controls that would significantly inhibit normal development patterns will be introduced during the estimate period.
- There will be no future serious protracted recession during the estimate period.
- There will be no protracted fuel shortage or significant changes to fuel price during the estimate period.
- No local, regional, or national emergency will arise that will abnormally restrict the use of motor vehicles.

In Jacobs' opinion, the assumptions underlying the projections provide a reasonable basis for the revenue projections. However, any financial projection is subject to uncertainties. Inevitably, some assumptions used to develop the projections will not be realized, and unanticipated events and circumstances may occur. There are likely to be differences between the projections and actual results, and those differences may be material. Because of these uncertainties, Jacobs makes no guaranty or warranty with respect to the projections disclosed in this Study.

APPENDIX

Travel Time Savings When Utilizing Route 1 to Arrive at Dover Mall from Various Destinations

This document evaluates the average time savings travelers may expect when arriving at Dover Mall in Dover, DE from various nearby destinations. Travel times were developed using Google Maps and selecting for various corresponding times of day on both a Wednesday and a Saturday.

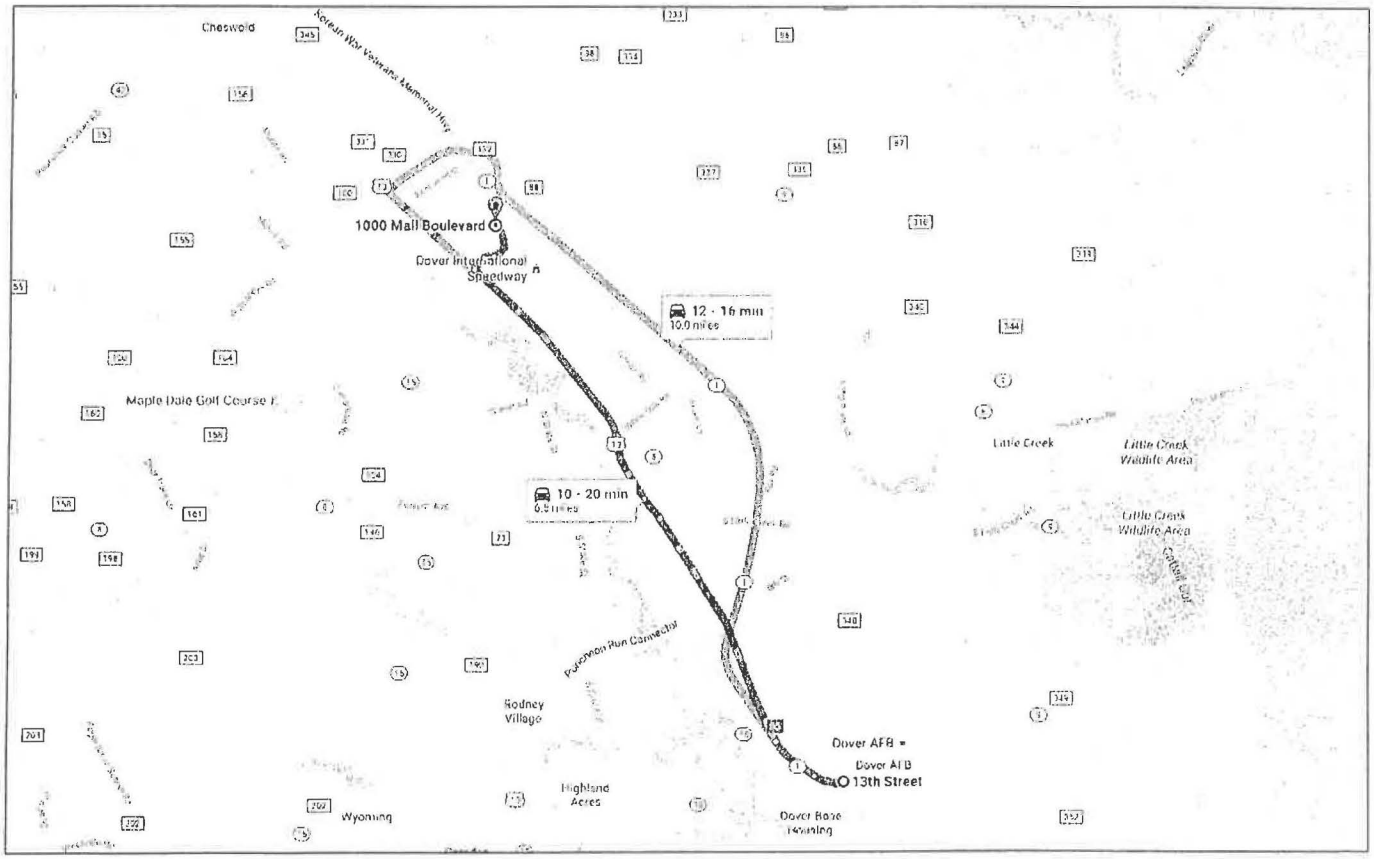
Forecast travel times were first compared using a "No-Build" scenario, in which existing roads and conditions were assumed for both Route 1 and US-13.

To compare travel times for the "Build" scenario, existing conditions were assumed for US-13, as no improvements are planned for that road as part of this forecast. To determine northbound Route 1"Build" travel times, a direct path was selected from the origin to a point perpendicular to Dover Mall. From that point, it was assumed that there would be an additional travel distance of 0.5 miles to reach the mall, and an additional four minutes of travel time due to two assumed traffic lights. To develop "Build" travel times for southbound Route 1 traffic, a direct path along Route 1 was chosen from the origin to a point perpendicular to Dover Mall. From there, an additional 0.5 miles of travel distance and two minutes of travel time (assuming one traffic light) were added to the route.

NORTHBOUND TRAVEL TO DOVER MALL

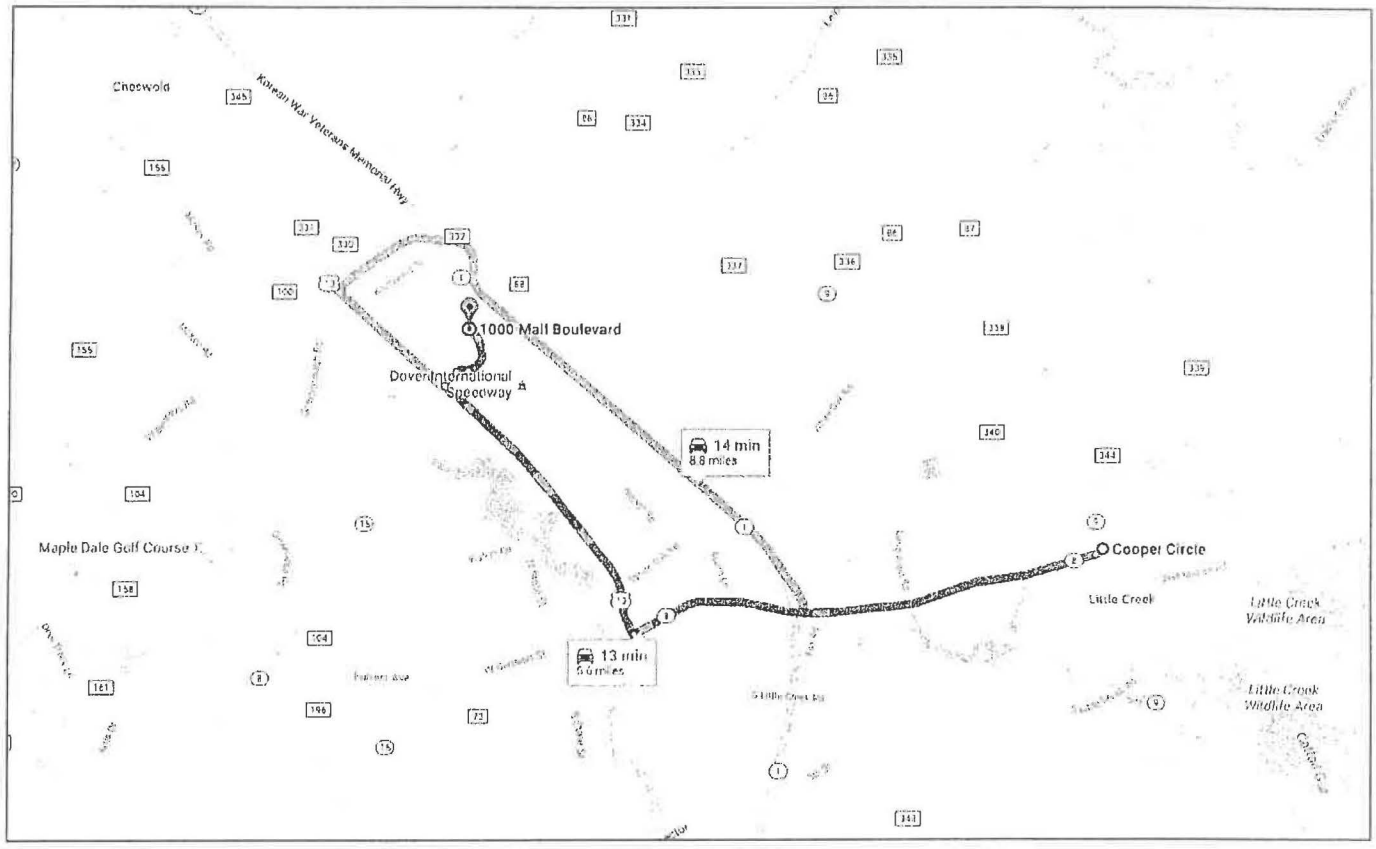
Travel to Dover Mall from Dover AFB

Under the existing (No-Build) scenario, the average time savings for those traveling to Dover Mall from Dover AFB (13th Street access) via Route 1 versus US-13 amount to roughly one minute. Under the Build scenario those same travelers can expect to save four minutes on average. This time savings does not vary significantly between weekdays and weekends.



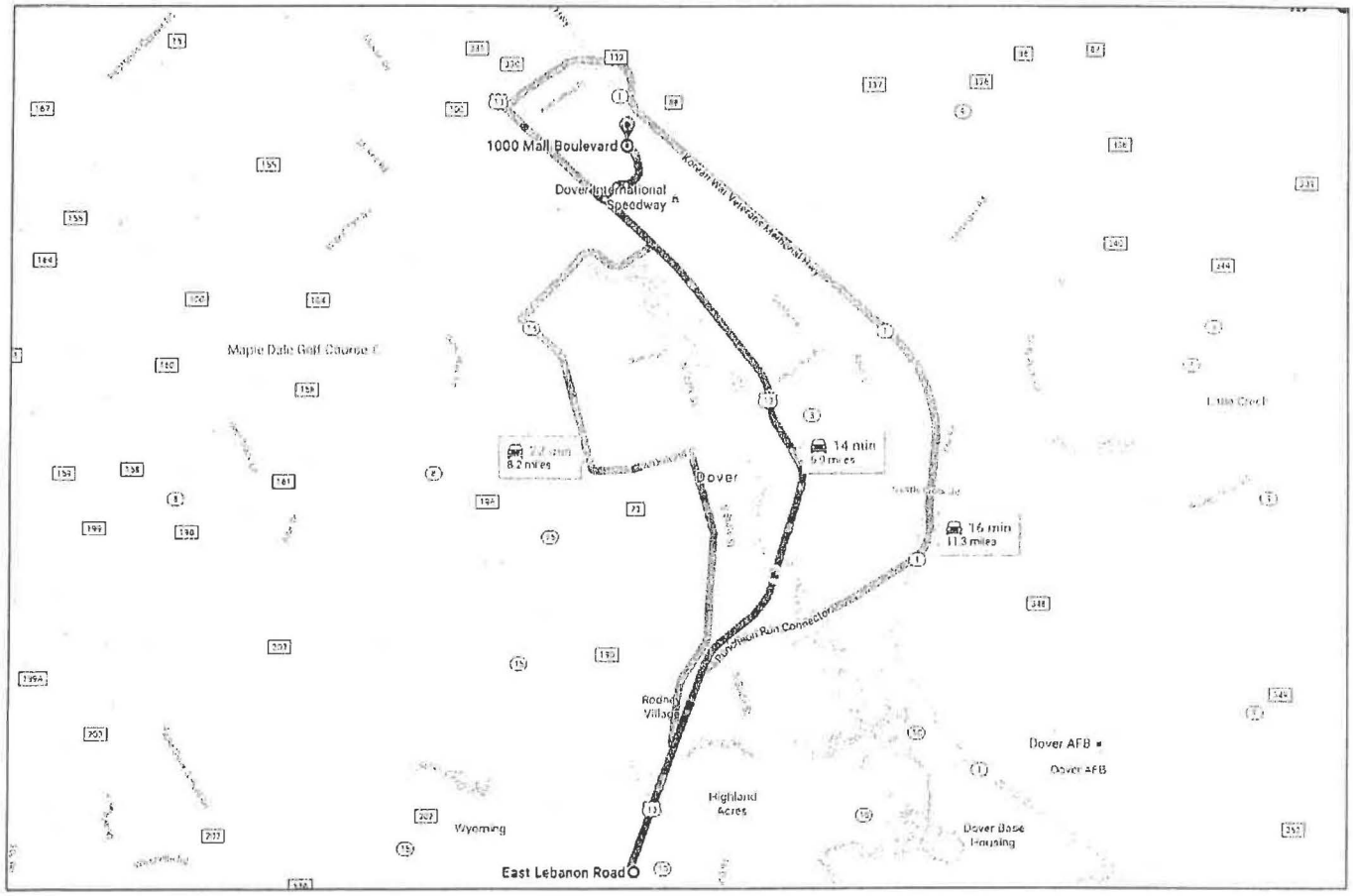
Travel to Dover Mall from Cooper Circle

When traveling from the Cooper Circle area, under the existing (No-Build) scenario, there are no time savings for those traveling to Dover Mall via Route 1 versus US-13. Under the Build scenario those same travelers can expect to save approximately five minutes on average by using Route 1. These travel times do not vary significantly between weekdays and weekends.



Travel to Dover Mall from Camden

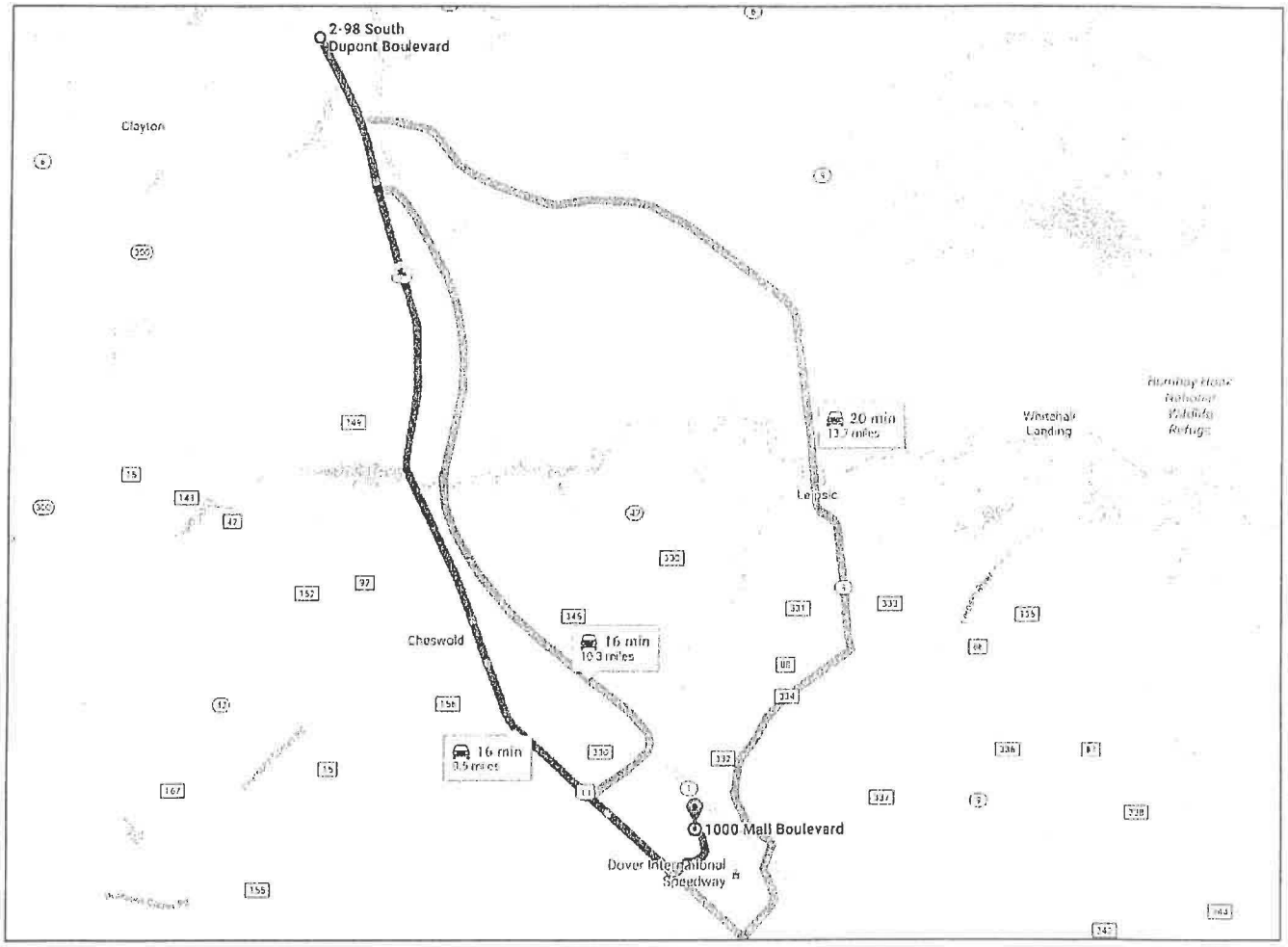
There are no travel time savings to be gained when traveling from the Camden area to Dover Mall via Route 1 under the existing (No-Build) scenario. Under the Build scenario those same travelers can expect to save approximately four minutes on average by using Route 1. These travel times do not vary significantly between weekdays and weekends.



SOUTHBOUND TRAVEL TO DOVER MALL

Travel to Dover Mall from Smyrna

Under the existing (No-Build) scenario, the average time savings for those traveling to Dover Mall from the Smyrna area via Route 1 versus US-13 amount to roughly one minute. Under the Build scenario those same travelers can expect to save almost six minutes on average. This time savings does not vary significantly between weekdays and weekends.



ATTACHMENT #4
Council Committee of the Whole Meeting of 02/14/2017

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(/)

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Tax-Increment Financing

Tax Increment Financing (TIF)

Tax increment financing, or TIF, subsidizes companies by refunding or diverting a portion of their taxes to help finance development in an area or (less frequently) on a project site.

Usually, TIF helps to pay for infrastructure improvements (streets, sewers, parking lots) in the area near a new development. In some states, TIF can also be used for acquiring land (including eminent domain), paying for planning expenses (legal fees, studies, engineering, etc.), demolishing and rehabbing buildings, cleaning up contaminated areas ("brownfields"), or funding job training programs. Some states allow TIF to directly subsidize private development expenses.

How TIF works

TIF is authorized at the state level and administered by local governments. The local government designates an area it wants to target for redevelopment as a "TIF district" (sometimes also called by other names such as tax increment district, or TID).

State law defines the criteria for creating a TIF district. The area may have to meet criteria for blight such as property abandonment, building code violations, or aging housing stock. Many states have expanded their criteria to allow TIF to be used in "conservation areas" at risk of becoming blighted, or in "economic development areas" in which officials hope to encourage more development, create jobs, or increase the tax base. Most states also have a "but for" clause, requiring developers to certify that the project would not go forward "but for" the TIF.

As businesses locate in a TIF district and the area redevelops, the property values rise. Rather than simply collecting the increased taxes from TIF district properties, the city splits the property tax revenues into two streams. The first stream is set at the original amount of the property value before redevelopment, known as the "base rate." This stream continues to go where it did before, typically to the school district or the city's general fund that pays for local services such as police and fire departments.

The second stream contains the additional tax money generated by the higher property value, or the "tax increment." This stream does not go to the city or schools, but is kept separate and used to pay for the redevelopment. In some states and the District of Columbia, increases in sales tax revenues can be diverted as well.

The money a city invests in TIF projects is often obtained through the sale of bonds, which are then repaid over time with the annual tax increment funds. If the incremental revenue is not sufficient to pay off the bonds, the city has to make up the difference. Some cities take a more conservative "pay as you go" approach, spending TIF money only as the tax increment comes in each year. The city may spend the money on improvements itself, or may use the money to repay the developer for improvements the developer already completed.

Accountability and outcomes

Many proponents of TIF argue that improvements made under the program "pay for themselves." That is, cities and towns assume that TIF will spur new development, increase property values, and create new tax revenue that would not have existed otherwise, which will be used to pay off the costs of the development.

This is a risky wager since it assumes that "but for" the TIF, no development would have occurred in the TIF district and property values would have remained unchanged. In reality, it is impossible to know whether a project will successfully generate the anticipated tax increases. It is also difficult to determine whether property value increases that do occur in TIF districts were exclusively the result of the TIF.

The "but for" provision in many TIF laws has already been weakened to allow TIF to be used on almost any project. In most states, TIF was originally intended for use only in areas deemed "blighted" or "distressed" where investment would not otherwise occur. Many states have since loosened their TIF criteria to allow TIF to be used to develop non-blighted and affluent neighborhoods (see Good Jobs First's report *Straying from Good Intentions* (http://www.goodjobsfirst.org/sites/default/files/docs/pdf/straying.pdf) on the weakening of TIF and enterprise zone requirements).

Today it is not uncommon for TIF to finance development in suburbs and even rural areas. TIF increasingly funds big-box retailers and shopping centers that contribute more to sprawl than to poverty reduction. Located far from the urban core, such projects are often inaccessible to inner city residents most in need of jobs.

In the end, the "but for" provisions of state TIF laws often fall by the wayside, allowing TIF to finance development that would happen anyway. This results in a loss of revenue that could have gone to pay for schools and local services. Given that the diversion of taxes continues until the TIF district expires, which is typically 7 to 30 years, the long-term fiscal impact can be quite significant.

TIF can be improved by restricting the program's use to truly blighted areas, and by requiring projects to meet community needs such as affordable housing, job training, and the creation of quality jobs that provide family-supporting wages and benefits to local residents. TIF developers should be required to file annual, publicly-available reports showing their compliance with these obligations. Every TIF agreement should also contain a clawback clause requiring developers to pay back all or part of the subsidy if they fail to meet their job, wage, and other responsibilities.

Researching TIF subsidies

Researching TIF laws and procedures requires looking for documents at several levels of government. Look at the state level to find out if your state authorizes TIF, and what the requirements of the program are. Research at the city and/or county level is required to find out whether local governments add further requirements to TIF programs.

City and county development departments typically have information about TIF districts, including the life of the district, the improvements made, and details on how improvements were funded. Property tax records are public information, and can be obtained for particular companies within the district by contacting the city or county. Sales tax records are typically not public information. For research on TIF proposals, note that state TIF laws usually require cities and towns to hold public hearings before a TIF district or project is approved.

If you are researching the subsidies a company has received, keep in mind that TIF can benefit developments both directly and indirectly. Sometimes TIF districts are set up to lure a particular large company to the area. In such cases, the development agreement with that company or developer often spells out the locality's commitment of the benefits TIF will provide. In other cases, TIF districts may finance improvements that benefit an area generally; in rare cases, states and cities allow TIF funds to be used for improvements that are not within the TIF district at all.

The development agreement may also contain details about how TIF improvements were financed. In some cases in which improvements directly benefit a particular company, that company may put up the money for the improvements and then be repaid over time through rebates of the tax increment portion of their property and/or sales tax (so that the TIF basically functions as a tax abatement).

Resources:

For more on the weakening of TIF laws, see *Straying From Good Intentions: How States Are Weakening Enterprise Zone and Tax Increment Financing Programs* (http://www.goodjobsfirst.org/sites/default/files/docs/pdf/straying.pdf).

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DELAWARE HOUSE OF REPRESENTATIVES
149th GENERAL ASSEMBLY

HOUSE BILL NO. ___

AN ACT TO AMEND CHAPTER 17, TITLE 22 OF THE DELAWARE CODE RELATING TO MUNICIPAL TAX INCREMENT FINANCING.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

Section 1. AMEND Section 1702(k), Chapter 17, Title 22 of the Delaware Code by striking the figure "50,000" and substituting in lieu thereof the figure "35,000".

Section 2. This Act shall become effective upon its enactment into law.

SYNOPSIS

This amendment to the definition of "municipality" in the Municipal Tax Increment Financing Act would allow the City of Dover to take advantage of the economic development opportunities afforded by the Act.

SPONSOR:

DELAWARE HOUSE OF REPRESENTATIVES
149th GENERAL ASSEMBLY

HOUSE BILL NO. ___

AN ACT TO AMEND CHAPTER 18, TITLE 22 OF THE DELAWARE CODE RELATING TO MUNICIPAL SPECIAL DEVELOPMENT DISTRICTS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

Section 1. AMEND Section 1801(4), Chapter 18, Title 22 of the Delaware Code by striking the figure "50,000" and substituting in lieu thereof the figure "35,000".

Section 2. This Act shall become effective upon its enactment into law.

SYNOPSIS

This amendment to the definition of "municipality" in 22 Del. C. § 1801(4) would allow the City of Dover to take advantage of the economic development opportunities afforded by Municipal Special Development Districts.

RESOLUTION

WHEREAS, tax increment financing and special development districts are mechanisms frequently employed by local governments to enable the funding of certain capital improvement and infrastructure development projects which may not occur otherwise; and

WHEREAS, all 50 states in the United States of America have adopted statutes enabling tax increment financing and special development districts in some form; and

WHEREAS, the State of Delaware General Assembly has previously enacted statutes which allow New Castle County and the City of Wilmington, but no other political subdivisions within the State, to utilize tax increment financing and special development districts as funding mechanisms for certain capital improvement and infrastructure development projects; and

WHEREAS, the City of Dover views tax increment financing and special development districts as alternative funding mechanisms with significant potential and utility for certain economic development and community redevelopment projects in both the City of Dover and Kent County, Delaware.

NOW, THEREFORE, BE IT RESOLVED that the City of Dover City Council does hereby resolve to support the enactment of legislation by the Delaware General Assembly that would enable the utilization of tax increment financing and special development districts within both the City of Dover and Kent County, Delaware.

[INSERT SIGNATURE BLOCKS FOR CITY COUNCIL MEMBERS]

City of Dover

MAYOR AND COUNCIL

PROPOSED COUNCIL RESOLUTION NO. 2017-02

A RESOLUTION SUPPORTING THE ENACTMENT OF LEGISLATION BY THE DELAWARE GENERAL ASSEMBLY THAT WOULD ENABLE THE UTILIZATION OF TAX INCREMENT FINANCING AND SPECIAL DEVELOPMENT DISTRICTS WITHIN BOTH THE CITY OF DOVER AND KENT COUNTY, DELAWARE

WHEREAS, tax increment financing and special development districts are mechanisms frequently employed by local governments to enable the funding of certain capital improvement and infrastructure development projects which may not occur otherwise; and

WHEREAS, all 50 states in the United States of America have adopted statutes enabling tax increment financing and special development districts in some form; and

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NOW, THEREFORE, BE IT RESOLVED that the City of Dover City Council does hereby resolve to support the enactment of legislation by the Delaware General Assembly that would enable the utilization of tax increment financing and special development districts within both the City of Dover and Kent County, Delaware.

ADOPTED: *

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ROBIN R. CHRISTIANSEN	TIMOTHY A. SLAVIN
MAYOR	COUNCIL PRESIDENT

Actions History
02/27/2017 - Scheduled for Introduction - City Council

Draft