SPECIAL COUNCIL MEETING
BUDGET REVIEW

A Special Council Meeting was held on May 24, 2016 at 6:00 p.m. with Council President Slavin presiding. Council members present were Mr. Anderson, Mr. Sudler (arrived at 6:06 p.m.), Mr. Neil, Mr. Lewis, Mr. Cole, Mr. Hosfelt, Mr. Hare, and Mr. Hutchison.

Council staff members present were Mrs. Mitchell, Mr. Koenig, and Mrs. McDowell. Mayor Christiansen was also present (arrived at 6:43 p.m.).

AGENDA ADDITIONS/DELETIONS

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

INTRODUCTION AND PRESENTATION

Council President Slavin stated that completing the budget would involve a lot of work over the next two (2) weeks. He advised that the format used during budget hearings in the past was to allow staff the opportunity to present the budget, while remaining open to questions addressing what was said during their presentations. After the presentations, there would be deeper discussion about the issues. Mr. Slavin asked that the rules be suspended at the end of each section to allow members of the public to speak. He indicated that a system was employed last year where a list of potential motions was kept, and these motions were held until the budget mark-up period so that members could go through them after having heard the whole budget process. Mr. Slavin reminded members that they would adhere to Robert's Rules of Order.

Mr. Slavin stated that, after reviewing the draft budget, he was impressed by the work and heavy lift that was done by members in passing last year's budget, which helped to make structural changes that were needed in regard to revenues and expenses. He noted that this would not dismiss members from the work in front of them; however, some of the key issues that had been plaguing Council had been ameliorated along the way. Mr. Slavin commended some of the changes that members had offered during the year, such as reviewing the preliminary budget earlier than in the past. Noting that the proposed budget had no property tax or utility rate increases, he expressed his opinion that this was a great place to start discussions.

Mrs. Donna Mitchell, Controller/Treasurer, provided members with handouts related to the 2016-2017 Draft Annual Operating Budget with 2017-2021 Capital Investment Plans, as follows:

- Outlays and Receipts (Property Taxes in as Public Safety) for Governmental Activities, replacing page 16 of the Draft Budget, and Outlays and Receipts (Incl. Property Taxes) for Governmental Activities, replacing page 17 of the Draft Budget ***(Exhibit #1)***;

- Projected Cost Per Capita by Function - Fiscal Year 2015-2016 ***(Exhibit #2)***, which Mrs. Mitchell provided to allow members to compare the projected costs from FY 16 with those on page 30 for FY 17; and

- Kent County Treatment Fees - Trend of Fees Billed and Charges Paid ***(Exhibit #3***), which was provided in response to a Council member's question regarding whether the Inflow and Infiltration (I&I) problem was decreasing and if treatment fees were covering the issue.

Mr. Scott Koenig, City Manager, referred to a memorandum from him and Mrs. Mitchell dated May 17, 2016, regarding the Revised FY 16 Budget and FY 17 Proposed Budget ***(Exhibit #4)***. He stated that he would not discuss the revised FY 16 budget unless specific questions were asked because he wished to focus attention on the FY 17 budget.

Mr. Koenig began the review of the Annual Operating Budget for Fiscal Year July 1, 2016 - June 30, 2017. In reviewing his introduction letter dated May 16, 2016, regarding the Fiscal Year 2016-2017 Proposed Budget (page 3), he stated that staff had done a lot of work since the preliminary budget discussion in March 2016, noting that they had managed to close a gap of slightly more than $1M in the General Fund budget since that time. Mr. Koenig advised that the fee increases adopted by Council had been incorporated in the proposed budget. He believed that a reasonable spending plan was presented for the General Fund for FY 17 and the proposed budget would provide the level of services expected. Mr. Koenig noted that the current property tax rate of $0.405 cents was the result of the heavy lift by Council during the FY 16 budget deliberations, and it was proposed to keep this rate for FY 17. He explained that the total financial program for FY 17 was proposed at $138,472,000, including an operating budget of $125,566,900 and a capital investment budget of $12,905,100. Mr. Koenig indicated that this represented an increase of 0.9% over last year and included the Fraternal Order of Police (FOP) contract, the Dover Organization of Employees (DOE) contract, personnel adjustments, and adjustments to the capital plan. He stated that, from a spending standpoint, staff was happy to be able to come in very close to last year.

In regard to the Water and Sewer Fund budget, Mr. Koenig stated that there had been a debate for some time about rates. He indicated that staff was able to balance the budget this year leaving the rates as they are; however, he anticipated requesting a cost of service study in the future with the expectation of gravitating to inclining block rates. Mr. Koenig noted that Calpine had generated a substantial increase in revenue; however, was not quite meeting the expected revenue targets. He advised that Calpine was one (1) year into commercial operation and staff would monitor revenues and see how the system responds and operates over the next six (6) to 12 months to get a better operating history of Unit 1. Mr. Koenig stated that expansions of water and sewer systems were being proposed in the capital plan to meet the demands of both residential and commercial customers and position the City to attract potential commercial clients and customers to the City as part of overall economic development efforts.

Mr. Koenig stated that the electric utility was changing very rapidly. The City had benefitted over the last several years from a number of substantial cost reductions in the electric utility related to power purchase. Earlier this year, Council executed a long-term power purchase that would be reflected in revenue forecasting for the electric utility. Mr. Koenig stated that the reductions had been a benefit in the FY 16 budget and in the development of the FY 17 budget.

Mr. Koenig informed members that it was proposed to reduce the total number of full-time positions in the City from 359 to 357. A net increase of two (2) part-time positions was proposed, partially due to the need for a larger bank of part-time employees to fill in within the fire dispatch area. The total number of hours would remain the same, but the number of employees would increase. Mr. Koenig stated that the total personnel budget across all funds was estimated at $36.044M, which was slightly less than a 3% increase from last year's budget. He indicated that all four (4) labor agreements were signed and in place for FY 17; therefore, labor costs should be predictable. Mr. Koenig stated that the American Federation of State, County, and Municipal Employees (AFSCME) and the International Brotherhood of Electrical Workers (IBEW) unions would begin negotiations in FY 17 just after the calendar year begins and adjustments would be implemented for FY 18.

Mr. Koenig referred to his memorandum dated May 17, 2016 RE: Revised FY 16 Budget and FY 17 Proposed Budget (Exhibit #4). In reference to Attachment #2 to the memorandum, Adjustments to the Preliminary Budget, Mr. Koenig stated that staff had looked at revenues and expenses in order to close the $1M gap in the General Fund. He explained that wages and benefits were decreased by approximately $373,000, a large portion of which was related to the Police Department draft budget. Mr. Koenig indicated that, as a follow-up to contract negotiations, there was a change in language that allowed the Police Chief to insert an 84-hour straight time schedule rather than going to overtime at 80 hours, which would have cost the City an additional $232,000. Mr. Koenig stated that the value of this compensation had been included in this draft budget.

Mr. Koenig indicated that the total capital budget in the General Fund would be decreased by $356,000 due to deferring some vehicle purchases and decreasing the Street Program from $1M to $900,000. Operating expenses would be decreased by approximately $139,200.

Mr. Koenig stated that debt service would be another area of savings. He noted that the tar ditch project had been included in the preliminary budget as debt service. This General Fund stormwater project was approaching the end of the design phase and was estimated at $7.6M. In Mr. Koenig's opinion, the City of Dover should not be the sole contributor to this project. He indicated that the project was being readied for bid and legwork was beginning with legislators, interested property owners, and State agencies to obtain funding partners to reduce the City's exposure. Mr. Koenig believed that this debt service would affect the FY 18 budget rather than the FY 17 budget, and it had been removed from the proposed budget. In addition, debt service was included in the preliminary budget for the Enterprise Resource Program (ERP); however, staff was trying to fund this financial program without General Fund debt service.

Mr. Koenig stated that additional savings related to budgeting for retirements were included in the proposed budget. He explained that the City had been budgeting for retirements by pulling all requests together, analyzing them, and putting a number into the budget. To help close the gap in the budget, it had been stated that if there was a retirement involving 150 days of payout, that department may have to hold that position open to pay the salary from its budget rather than using the reserve fund. Mr. Koenig advised, for example, if an employee in the Public Works Department retired and all the positions in that division were filled, they may have to carry that open position until the retirement is paid out. If there are other openings and funds are available to pay the

position's salary, they will potentially be released to recruit earlier than the payout period. Mr. Koenig stated that the goal would be to have no net increase in the divisional budget. He noted that this may affect the Police Department since officers may have to defer attendance at the police academy due to retirement payouts. Mr. Koenig stated that this retirement payout was used as a premise in the draft budget.

Mr. Hare questioned whether a department would be unable to hire for seven (7) or eight (8) months if an employee retired with this amount of accumulated leave. Responding, Mr. Koenig stated that there was the potential for the department to be unable to hire.

Mr. Hare questioned if a position that remained vacant for seven (7) or eight (8) months was needed, noting that if a position was key, the department could not wait this long to fill it. Responding, Mr. Koenig stated that the City Manager has the authority to transfer money between budgets; however, it was being proposed that there would not be a simple right to recruit from the time the vacancy occurs.

Mr. Slavin advised that this was a very conservative method of making sure that double salary is not paid for a period of seven (7) to eight (8) months and this process had been used at the State level.

Mrs. Mitchell reviewed the presentation entitled "City of Dover Fiscal Year 2017 Proposed Budget" (page 7). In regard to Policy Compliance (pages 10-11), she stated that the budget was within the policy requirement percentages for budget balances and revenues exceed expenses. No rate increases were proposed. Mrs. Mitchell stated that there was an increase of $1,176,700 in personnel costs over the original FY 16 budget.

In reviewing General Fund Revenues, Fines and Police Revenue (page 14), Mrs. Mitchell stated that $60,000 of the $61,000 increase in revenue was for a School Resource Officer (SRO) for the Capital School District Intensive Learning Center (ILC), noting that the Capital School District had agreed to pay this amount. She stated that the police head count had not been adjusted for this position and the Police Chief would be bringing forth a presentation regarding this officer; however, the revenue had been built into the budget. Mrs. Mitchell explained that the students in the ILC are troubled teenagers. Mrs. Mitchell stated that the $55,000 increase in Investment Income was a result of moving bank fees and credit card charges to a fund expense rather than being netted against interest.

In reviewing General Fund Expenditures (page 15), Mrs. Mitchell noted that expenses increased $1,060,000 or 2.6%. She advised that the decrease in expenditures in the City Manager's budget was due to funds for a public safety study not being included in the proposed budget. Mrs. Mitchell explained that Retiree Health Care Premiums had increased by 7.6%, resulting in an increase of $144,100 and the decrease in Other Employment Expenses was due to the retirement payouts referenced previously by Mr. Koenig. She advised that the appropriation to the Police Pension Fund was increased based on actuarial valuations.

In reference to Computation of Legal Debt Margin - General Obligation Bonds (page 19), Mrs. Mitchell pointed out that "New Bonds without referendum cannot exceed 1/4 of 1% of taxable assessed value and shall not cost the total aggregate principal outstanding at any one time to exceed

1% of total taxable assessment for a general tax at the time of issue or $7,648,000 based on the 2017 Estimate." She stated that this provision would relate to the discussion of Capital Improvement Program (CIP) projects and cautioned members that if the City goes to the bond market, this amount cannot be exceeded in any one (1) year without a referendum.

Mrs. Mitchell reviewed Water/Wastewater Fund and Electric Fund (pages 20-21). In regard to the $712,000 increase in revenues in Customer Sales in the Electric Fund, she stated that the power supply budget is based on the load forecast from The Energy Authority (TEA). The load was projected to increase by 0.5% in last year's budget and by approximately 1% in the forecast for this year, resulting in a 0.5% increase in sales.

Mrs. Mitchell, referring to Major Rate and Fee Trends (page 22), stated that the only change listed was the transfer from the Water/Wastewater Fund to the General Fund, which increased by $25,000.

In response to Mr. Hutchison regarding the purpose and use of the Inflow and Infiltration (I & I) Fund, Mrs. Mitchell stated that the purpose of the I & I surcharge was twofold, to cover treatment fees that the City pays Kent County and to help pay for I & I capital improvements. She advised that charging the customer dollar for dollar the amount that Kent County charges would not cover treatment fees because of I & I. Mrs. Mitchell indicated that currently in the Water/Wastewater Fund, the City transfers $1M - $1.1M every year to the Improvement and Extension (I & E) Fund to cover I & I improvements.

Mr. Lewis questioned the number of School Resources Officers for which the City receives funding. Responding, Mr. Koenig stated that, according to Deputy Police Chief Marvin Mailey, the City receives funding for four (4) School Resource Officers, none of which are paid 100%.

Mrs. Mitchell stated that the Capital School District has a Drug Abuse Resistance Education (DARE) program officer, and there are School Resource Officers at Central Middle School, Dover High School, and a Resource Officer at the Academy of Dover. She explained that the total cost for the SROs, not including the ILC officer, would be $333,000 for three-quarters of the year, because these officers work out of the Police Department during the summertime. Mrs. Mitchell stated that the Capital School District pays the City $100,000 of the $250,000 cost; therefore, the City subsidizes $150,000. The proposal for the Academy of Dover would be for an officer for three-quarters of a year at a cost of approximately $68,000. She noted that these calculations were done before the FOP contract was complete. The Academy of Dover was offering to pay $60,000, so the net difference would be $8,000.

Mr. Hare questioned how the amount that the City is reimbursed for SROs compares to amounts reimbursed to other schools or entities. Responding, Deputy Chief Mailey stated that he did not have that information but offered to obtain it for the next budget session. Mr. Cole indicated that he would be in negotiations the following day with the Caesar Rodney School District and could also obtain this information.

Mr. Lewis asked if the Capital School District was the only school district in the State where City police officers work, noting that the majority have State troopers. Responding, Deputy Police Chief

Mailey stated that several school districts have City police officers, noting that the Georgetown Police Department has a School Resource officer and he believed that the City of Newark does as well.

Mr. Neil stated that Operational and Administrative Analysis - Dover Fire Department - Final Report - March 2016 conducted by the Center for Public Safety Management (page 5) recommended that the City of Dover transfer its fire dispatch duties to the Kent County 911 Communications Center. He advised that Table 3-1: Comparison of Personnel Costs in this study (page 19) stated a decrease in personnel costs from $409,800 to $322,904 if this were done. Mr. Neil felt that the report should be considered within the FY 17 budget and its recommendations should be discussed. He referenced discussions regarding the purchase of a fire engine during the Council meeting of May 23, 2016, which Mr. Neil also felt was related to this study. Mr. Neil stated his opinion that if the City was spending $100,000 for this report on the Police and Fire Departments, the report should be considered and that the budget would be affected by this report.

Mr. Slavin stated that, in an ideal world, the report would have been thoroughly vetted in time for the preparation of the budget and the budget review, but the calendar did not line up that way. He indicated that Council had heard a briefing on the draft report and the consultant had been invited to provide a presentation before the Safety Advisory and Transportation Committee in June. The Fire Department would have an opportunity in July to advise members regarding what they saw in the report as beneficial and the things that they may want to explore more, and the matter could be resolved in August. Mr. Slavin stated that these answers would not be available during the budget deliberations unless Council wanted to take pre-emptive action without discussion of the report.

Summaries of Fund Revenue and Expenses

Mr. Koenig reviewed the All Funds Summary (page 24), noting that this summary showed the starting point for all funds and the beginning balances were roughly $63,164,200. The Revenues/Transfers In for FY 17 were approximately $143M and expenses approximately $138M, for an expected ending balance of $67,848,400.

In reviewing General Fund - Cash Receipt Summary (page 25), Mr. Koenig stated that total revenues of approximately $42.261M were expected for the General Fund in FY 17, which was approximately $934,000 over the FY 16 budget. Mr. Koenig believed that staff had done a good job of predicting what is expected in taxes after taking out tax exempt property and other exemptions. Staff had also been doing a good job of conservatively estimating receipts for business licenses. Mr. Koenig advised that the City's budget is related in many ways to construction activity in the community. The transfer of properties, building of new houses, and renovation or construction of commercial properties are indicators that the City budget is reasonably healthy. Mr. Koenig stated that this translates into construction permits, mechanical permits, impact fees, transfer taxes, licenses, and, in the long run, utility revenue. He noted that there were slight increases in revenues over FY 16 in the General Fund that were not related to the tax increase or new fees.

Referring to Expense Summary (page 26), Mr. Koenig stated that expenditures based on the total budget balance would increase approximately 3.2% over FY 16; however, he pointed out that there were increases in expenses in the Dover Public Library, Police Department, and Streets Division.

The Streets Division increase of $489,000 was related to compliance with the City's Municipal Separate Storm Sewer System (MS4) permit. Mr. Koenig indicated that the Sanitation budget was proposed to decrease since staff would be bringing forward a new five (5) year differential disposal agreement that proposes to reduce the gate charge per ton at the landfill. Although the landfill costs per ton would decrease, Mr. Koenig noted that if the City grows or the economy improves, there would be an increase in the amount of trash going to the landfill. He explained that the decrease in the expense for Facilities Management was related to the retirement of direct employees of the City and conversion or expansion of private contracting for janitorial services at the Library, Police Department, Electric Administration, 5 East Reed Street, and the warehouse. Mr. Koenig indicated that one (1) janitor remains on staff who performs partial delivery of supplies to buildings and is primarily responsible for services at City Hall.

Mr. Sudler asked if independent contractors assist the City trash pick up and what they charge per ton. Responding, Mr. Koenig explained that all residential trash is picked up by the City of Dover. He believed that the landfill rate was approximately $85 per ton, stating that the City pays a per ton charge at the landfill for residential trash, commercial trash, bulk trash, and any debris that is taken to the landfill. In addition, Mr. Koenig noted that the City uses a yard waste facility just outside the City limits if they are open for business and, if not, yard waste is taken to the landfill at their specified charge. The City uses a recycling contractor who provides a truck and a driver who dumps the can. Mr. Koenig stated that this waste is transferred to Milford for transport to the market. He advised that there is no charge for the tonnage delivered to Milford and the City has only a cost for pick-up. Mr. Sudler questioned if independent contractors are used for any kind of waste. Responding, Mr. Koenig stated that an independent contractor is used only for recycling services.

Mr. Hare questioned the cost per pick-up for recycling. Responding, Mr. Koenig estimated the cost at approximately $1.25 per pick-up, stating that he would have to get the exact number. Mr. Koenig explained that if the City was picking up twice per month from 100 houses, the cost would be $2.50 times 100.

In response to Mayor Christiansen, Mr. Koenig stated that the current contract for recycling would end either July 31, 2017 or August 31, 2017. Mr. Koenig indicated that there had been some discussions with the contractor regarding displeasure with the service. He stated that staff would be bidding out this contract over the next 12 months and debating whether the City would put in its own bid for that service versus hiring another contractor. Mr. Koenig believed that the contract had been in place for approximately seven (7) years, noting that there were no issues during the first five (5) years; however, during the last year-and-a-half there had been two (2) significant difficulties. He stated that the company had gone through managerial changes and their service level had greatly diminished. Mr. Koenig advised that the contractor had been able to rebound the service level both in and outside the City, noting that this company is also under contract with Kent County.

Responding to Mayor Christiansen regarding whether this company would be considered as a bidder for recycling services if a Request for Proposals (RFP) were issued, Mr. Koenig stated that, considering some of the contractors he had dealt with over the years, staff would probably have to consider this company as a bidder. He reiterated that service delivery had improved over the last few weeks.

Mr. Sudler questioned if Coker Concrete and Recycling Services provided services to the City. Responding, Mr. Koenig stated that this company was named E Z Mulch and the City takes yard waste to their facility and is billed based on the number of trucks that deliver.

In regard to Fiscal Year 2016/2017 General Fund Revenue (page 27), Mr. Koenig noted that property taxes make up slightly under 31% of the General Fund and utility transfers-in make up almost 26%. He stated that the fact that the City owns and operates its own municipal utilities has been a windfall to the General Fund over many years.

Referring to Fiscal Year 2016-2017 General Fund Expenditures (page 28), Mayor Christiansen requested that a breakdown of the percentage of the budget represented by the Police and Fire Department expenses be provided in such charts in the future.

Referring to Projected Cost per Capita by Function (page 30), Mr. Koenig stated that police and fire represent a very large expenditure per capita.

In reference to Governmental Capital Projects Fund Summary (page 31), Mr. Koenig noted that this showed all expenditures proposed per category with significant spending for streets. Many of the purchases related to vehicles. The $145,700 under Fire related to debt service for existing purchases that were financed and was not new spending.

Mr. Koenig reviewed the Water/Wastewater Fund Summary (page 32), stating that the total budget balance and expenses were just under $17M, which is a 0.4% change from FY 16; however, proposed expenses were just under 6% less than last year. The spending plan was close to last year.

In regard to the Water/Wastewater Fund Expenses (page 34), Mr. Koenig stated that Kent County treatment fees were the largest expense and were influenced by I & I. He indicated that transfers to the General Fund help support the tax base and offset costs under General Fund services.

In reference to the Water/Wastewater Improvement and Extension Fund (page 36), Mr. Koenig stated that the City was expanding some utility components and was in the maintenance mode for other components. Pipes were being replaced and improved, and new wells were proposed for construction. He indicated that there would be a debt release for improvements to the Long Point Road water treatment plant. Mr. Koenig indicated that, over the last few years, staff had done a very good job of beginning to get the capital plan in a position to mirror the budget and was able to get projects underway in design in one (1) year and, with small adjustments in budget and scheduling, move to construction in the next year. He stated that staff was working through a significant amount of pump station upgrades, well rehabilitations, new well construction, and improvements in the water plant to ensure that the water and sewer utility can deliver service for years to come.

In regard to the Electric Fund Revenue Summary (page 37), Mr. Koenig stated that the Electric Fund is very complicated and difficult to anticipate; however, the City of Dover receives a significant positive impact from efforts dedicated to the electric utility. In Mr. Koenig's opinion, the City would be spending a lot more time talking about tax rates and service levels were it not for the electric utility. He indicated that there are challenges with searching for employees and keeping up with

current technology and trends in the PJM to understand the changing market. Mr. Koenig felt the City had done a good job of keeping current with the market to be able to maintain a modern electric utility. He stated that the balances and expenses were roughly $94.3M, which is approximately 5% more than last year.

Mr. Neil requested clarification regarding the increase of almost $7M in Line 1 - Beginning Balance and the large decrease in Line 13 - Power Supply. Responding, Mr. Koenig explained that the City had been fortunate in keeping expenses under control and revenues coming in, resulting in an increase in the beginning balance brought forward from FY 16 to FY 17. He stated that, in regard to power supply costs, there had been a significant decrease in the cost of purchasing energy, both in the hedging program and when buying power on the spot market. Mr. Koenig noted that things worked out perfectly for the City in the hedging program in the current fiscal year. He explained, for example, that if 10 MW of power are needed, 8 MW are purchased ahead of time and 2 MW are purchased a few hours ahead of the market. Depending on demand, this 80/20 split changes a bit, but the target is roughly an 80/20 split. Mr. Koenig advised that 20% was being purchased at very low cost because of low natural gas prices and management and transmission costs associated with PJM. Over the last year, there had been historically low gas prices. Mr. Koenig stated that some of the products being offered, such as a 10-year agreement that Council had executed, were not commonly discussed two (2) to four (4) years ago and had not been brought to the City as recommended products. He indicated that there was a substantial decrease in power supply costs in the FY 17 budget and the City had the good fortune of being able to transfer money from the Electric Fund to the General Fund. Mr. Koenig noted that something to consider would be whether to keep the rates as they are, which would generate money in excess of what had been laid out for the spending plan, or to exercise a power cost adjustment to transfer some of the savings in the cost of power supply back to the customers in all categories to offset the cost of their electric bills. He stated that, when modeling is addressed, a proposed power cost adjustment versus a rate change would be discussed. Mr. Koenig explained that it was unknown how long the present conditions will last, and because of uncertainty about the future, staff would propose a power cost adjustment.

In response to Mr. Neil regarding business customers, Mr. Koenig stated that the proposal in the budget would be to rebate a certain percentage of all energy for all customers. Residential, industrial, and commercial customers would all see a credit on their purchase of energy.

Mr. Slavin, noting that Utility Taxes were listed on Line 4 and also under Other Expenses on Line 37 of the Electric Revenue Fund Summary, stated his recollection that this is a 100% passthrough tax assessed by the City on behalf of the State, and the City does not retain these funds. Mr. Koenig indicated that he was unsure what the State uses those funds for, and Mr. Slavin felt it would be useful for staff to research this. Mr. Slavin also questioned if there was an opportunity for the City to charge off the indirect expenses associated with collecting and transmitting these funds.

Mr. Hare questioned the amount paid to North American Energy Services (NAES) and the revenues received because the City has its plants available to run. Responding, Mr. Koenig stated that this would be addressed during the discussions of the forecasting models in a subsequent budget session.

Mr. Hare questioned where the expenses and revenues associated with North American Energy Services (NAES) were reflected in the Electric Fund. Responding, Mrs. Mitchell stated that this was included in the capacity credits; however, these amounts would be easier to review in the schedule in the forecasting models. Mr. Koenig explained that these revenues and expenses were embedded in the numbers but not broken out as NAES.

Responding to Mr. Hare regarding the NAES expenses and revenues, Mrs. Mitchell, referring to Net Electric Generation Benefit (page 91), stated that the proposed net income for FY 17 would be $157,500. She noted that the proposed cost of Plant Operations for FY 17 was $6.2M, Capacity Credits were $7.3M, PJM Spot Market (Net of Fuel) was a credit of $500,000, and PJM Credits were $360,000, for a net credit of $2M. Mrs. Mitchell stated that Capital Cost being invested in the plant was approximately $1,842,000, and the net credit would be $157,500.

Responding to Mayor Christiansen regarding the bond covenant transfer limits for electric, Mrs. Mitchell stated that the City's credit limit is predicated on how rating agencies view this transfer, as well as the risk being taken with the electric utility and bondholders. She indicated that the City's last rating agency discussion occurred during the past year with Moody's. Mrs. Mitchell advised that it was difficult for her to get a $10M transfer, noting that the City does not include the debt service ratio as an expense and the rating agency argued that it should be included as an expense, which lowers the City's debt coverage. Mrs. Mitchell advised that she had to involve the City's bond counsel in this discussion to argue the point that the transfer was not necessarily an expense, and the City was successful in getting through this process.

Mayor Christiansen asked if the rating agency realized that this was an enterprise fund that was established to cover excess cost in the City's budget. Responding, Mrs. Mitchell explained that, although some think that this is the reason for this fund, municipalities go into public power to provide low-cost power to their citizens and not necessarily to fund a general fund. Mayor Christiansen stated that this was not the reason that enterprise funds were established. Mrs. Mitchell stated that rating agencies look at the reason for having public power. Mr. Slavin stated that the City got into the electric business to provide electricity to this area.

In response to Mayor Christiansen, Mrs. Mitchell stated that the City's current bond rating is AA+, which is the best it had been in a long time.

In regard to Electric Fund Revenue (page 38) and Electric Fund Expense by Function (page 39), Mr. Koenig stated that this graphic representation showed that almost all revenue is generated from direct sales to customers and the bulk of the expenses are related to power supply and generation. He indicated that the time and effort dedicated to the City's hedging program is important in this regard. Mr. Koenig explained that, in some cases, the City is subject to the market and must rely on the market and those advising the City to get the best deals, and the market can change quickly.

Referring to the Electric Improvement and Extension Fund Summary (page 41), Mr. Koenig stated that staff was working on improvements across the system, including potential substation, transmission and distribution, and metering improvements, as well as capital improvements

associated with production of power at McKee Run and the Van Sant generating station. This would be a comprehensive approach to maintaining the value of the City's $2M electric system.

Mayor Christiansen noted that there had been an issue with electric services being terminated and there had been discussion of "smart meters." He questioned the potential of going to a smart meter program in the future and the approximate cost. In response, Mr. Koenig advised that replacing the 26 large electric meters would provide the footprint of a smart metering system at a cost of approximately $150,000. It must be decided what size server should be purchased and whether it should be used to help expand the system. Mr. Koenig indicated that there would be a systematic change of meters in the electric system and, at some point, all new meters installed would be smart meters. He stated that when there are challenging customers who must be cut, staff will likely switch them to smart meters. Mr. Koenig noted that every meter need not be replaced to have a smart metering grid, and staff would try to do this frugally. Staff was trying to implement technology that would also read water meters so that there would not be separate systems running in the field. He felt that this would be a multi-million dollar project.

Responding to Mayor Christiansen regarding whether there would be administrative savings if the new system was built, Mr. Koenig stated that savings may not be realized for a long time. He noted, for example, that one (1) municipality in the State decided to replace all of their architecture at a cost of approximately $16M to $18M. He felt that savings must be categorized, noting that currently three (3) employees read and disconnect meters, and there would continue to be a need for staff to go and troubleshoot malfunctioning equipment. The savings would be related to turning meters on and off remotely very quickly, but the operational savings would be hard to quantify. Mr. Koenig felt it was possible an employee would no longer be needed in the same capacity but may be needed as a customer service representative because phone calls would be coming in all at once. He was hesitant to say that it would be a cost reduction over the long term, but it would improve efficiency and enhance services to customers over the long term with gradual implementation.

Mr. Anderson questioned where the Green Utility and Renewable Portfolio Standards (RPS) and the construction of a new solar park that had been discussed were reflected in the Electric Fund. In response, Mr. Koenig stated that the Electric Revenue Fund Summary (page 37), Line 14, indicated an expectation to spend approximately $2.3M for solar energy related to the current solar installation. He recalled that compliance with RPS was estimated at approximately $0.5M. Mr. Koenig indicated that the City must soon make a decision regarding whether to add solar energy or purchase it from another entity. He explained that the solar field that was built several years ago is not the current market or technology, and Mr. Koenig believed that the City could build a more efficient, lower-cost field; however, he noted that the City still has a commitment to the current field. If a field were built in 2016 or 2017, he felt that by 2020 this field may be overpriced in the market since solar technology is changing dramatically. Mr. Koenig stated that a benefit of being part of the Delaware Electric Municipal Corporation (DEMEC) is that they are buying and evaluating wind projects and evaluating in-line hydro projects. He noted that the Integrated Resource Plan (IRP) will also look at battery technology and LED lighting, which is becoming more commonplace, and all these factors are funneling into the City's discussions. Mr. Koenig stated that the City realized a load growth of approximately 1% and was forecasting growth at 0.5%; however, the counter argument to this was

that customers are buying efficiency to reduce their costs. He felt the City would be challenged by all these things, and the RPS will provide more restrictions and challenges to controlling those costs.

Noting that he favored a power adjustment credit, Mr. Anderson asked if the City had thought about using some of the extra money to look at using LEDs in the City streetlights, noting that they would be brighter, increase safety, and provide long-term lower costs in power outlays. He asked if staff had looked at encouraging users to conserve and use alternative power in FY 17 to lower the long-term footprint. In response, Mr. Koenig stated that the City is doing some LED lighting upgrades, although this would not be in whole sectors and the numbers would be relatively small. He stated that if Council wished to accelerate conversion to LED lighting, it could be added to the budget. Mr. Koenig felt that understanding the costs of energy efficiency and promoting it, while budgeting and planning for it, would be the next iteration of the energy program, noting that things can change very rapidly. He explained that, in the past, the City could calculate the amount of power needed and buy a unit that fit that perspective, which was very simple. Now there are many dynamics that must be added in, including customers who put green energy sources in their homes, the challenges of net metering and what that does to the system, and how these costs are recovered. Mr. Koenig advised that the challenges for staff are becoming significant because what used to be more of a one (1) way street is a two (2) way street with a lot of negotiation in between. He indicated that the risk would be on the City as the utility because efficiency and a good rate are wanted for customers, but the City must ensure this is done prudently.

In regard to RPS standards, Mr. Anderson questioned if the City would get credit or be penalized for encouraging and achieving energy conservation. Responding, Mr. Koenig stated that a provider in the State had expressed frustration because they had made efficiency improvements and were concerned that they would not be able to take credit for these improvements. He noted that the timing of change on the City's part is important from a regulatory standpoint. Mr. Koenig stated that the City knows it must change on a certain schedule, but if certain things are changed too soon, the City may not get credit for those things. He indicated that change must be managed in accordance with the regulations.

In response to Mr. Hare regarding the length of the City's contract with the Dover Sun Park, Mr. Koenig stated that this was a 20-year contract that went into effect in 2011 or 2012.

Mr. Hare stated his understanding that the solar park was costing the City approximately $2M per year. In response, Mr. Koenig stated that the expense to date this year was approximately $750,000 above what would have been spent for normal power for the energy coming from the solar field. He indicated that this amounted to at least $750,000 per year.

Mr. Hare questioned why the City would want to obtain more of this type of energy. Responding, Mr. Koenig indicated that the City was required to do so and all municipalities must do this. He stated that some municipalities work directly through DEMEC and some are developing their own projects within their municipal boundaries. Mr. Koenig indicated that everyone providing power in the State of Delaware is subject to the RPS standards that the City had signed off on.

In response to Mr. Hare regarding the cost if the City did not do this, Mr. Koenig stated his belief that the City would be penalized.

Mr. Harry Maloney, Electric Director, advised that Delmarva Power and the Delaware Municipal Energy Corporation (DEMEC) receive SRECs and the City receives energy at a total cost of approximately $0.175. The City signed an energy agreement in 2010 at a price that was far above the market. If this agreement had not been signed, the City would be purchasing energy from someone else at the market rate of approximately $0.04 and $0.05, after removing the price of SRECs at $0.13. Mr. Maloney indicated that he was unsure of the cost of SRECs in the current market. He noted that everyone had wanted to have the first solar field in the State of Delaware, and the City would be paying the price of its agreement for the next 15 years.

Mr. Hare questioned what would happen if the City wished to obtain a buyout of the agreement. Responding, Mr. Maloney stated that the City would have to pay, noting that power developers have bonds against this. It had been Mr. Maloney's past experience that power developers steal revenue streams and take them to the bond market to see how much they can obtain in bonds. If it costs $10M to build a facility, they may be able bond $15M and pocket $5M. They base their income on the maximum they can bond, develop the project, and receive pure profit on Day 1.

Mr. Hare commented that, based on what Mr. Maloney was saying, there was really no benefit to putting more solar fields in. In response, Mr. Maloney stated that this was the case five (5) years ago; however, the cost of solar fields in 2010 and earlier was approximately $8 per watt, compared to less than $4 per watt today. Additionally, he advised that the City would do its own bonding, which was now down to $3.5%. The City would keep the SRECs and the cheap energy, and the capital costs would be reduced. Mr. Maloney indicated that a generation plant today is around $0.01 to $0.02 per watt and it is on peak, so the cost was beginning to come down to where it is actually market based. He noted that the City would also receive capacity credit behind the PJM meter. Mr. Maloney stated that the City is obligated to have SRECs and must look at the total package that it would cost to have them, but this would be nowhere near the cost of the City's 2010-2011 agreement. He felt that if it would be cheaper for the City to put in solar, the City should do so and would receive side benefits. Mr. Maloney stated that this is part of the Integrated Resource Plan (IRP) and felt the City should run the numbers. Mr. Maloney indicated that the State had adopted the IRP process and the City's requirement for solar RECs slowly creeps up each year. This is not something that the City wants to do but is told it must do.

Mr. Hutchison questioned what process the City must go through to get additional water towers or wells as the water demand increases on the system. Responding, Mr. Koenig stated that there is a State permitting process for water towers, and towers are built based upon what the City needs to run the system from an engineering standpoint. In regard to the actual number, type, or location of wells, it is also necessary to obtain permits from the State. Mr. Koenig stated that staff is evaluating drilling a new well in the Cheswold aquifer, which is from the mid-level down, and is working through the permitting process. He indicated that the Piney Point replacement well was built a couple of years ago at a cost of approximately $1.1M. In regard to permits, Mr. Koenig explained that the City has an allocation permit that will expire in 2018 and staff is working on renewals. He advised that permits used to be issued in 20-year increments, but the timeline may be different now.

Mr. Koenig stated that allocation permits by the Delaware Department of Natural Resources and Environmental Control (DNREC) and by the Delaware River Basin Commission are driven by need. The City must prepare detailed reports to show that the resource is being managed, that it is not being used carelessly, how much water is being pumped and billed, expected loss, and how much is going through fire protection, etc. Mr. Koenig stated that staff had been having discussions with the permitting agencies about the fact that Dover is in the growth zone, noting that growth strategies have indicated that they want growth to occur within the State's municipalities on public water, sewer, and electric systems. Mr. Koenig indicated that the City argues that Dover should be given deference when applying for a permit allocation if it can be shown that the City is in need and if this is done ahead of time and on a planned schedule, rather than if a permit is suddenly needed because a customer comes in and needs 500,000 gallons of water. Mr. Koenig expressed the desire to be on a schedule so that staff could say that the City had been tracking demand and use, doing system improvements and maintenance, and wants to get ahead of the permitting curve to have a safe reserve, not just from a technical standpoint, but so that the City can be promoted as being able to provide utilities to businesses. Mr. Koenig advised, for example, that there had been debate at the State level about the permitting of Calpine relating to whether they should be allowed to drill their own well and provide their own water. He indicated that the problem was that Calpine would be a significant user influencing just the aquifers in the City limits and the City would not receive revenue from that. Mr. Koenig stated that the City' argument was that Dover was granted a franchise to serve, there was a detailed franchise map area on file with the Public Service Commission, and the City should have the right to say whether or not it wants to serve a customer or tell them to drill a private well. Mr. Koenig expressed the need to look at the comprehensive impact, stating that the City was providing potable water, but this is a major driver in the City's system. The City could guarantee the quality of the water, the customer was within the City's franchise, and the City has afforded for that customer to be part of its growth. He indicated this was not a simple matter of turning in the paperwork and saying that another 1M gallons is wanted from the aquifer, there is work to be done to get the permit in place. Mr. Koenig felt that staff had done a commendable job of doing the homework to get to the point of maintaining and renewing permits.

Mr. Neil moved to recess, seconded by Mr. Cole and unanimously carried.

The meeting recessed at 7:46 p.m.

Mr. Sudler moved to reconvene, seconded by Mr. Anderson and unanimously carried.

The meeting reconvened at 8:00 p.m.

Mr. Anderson questioned if appraisals of the City's major facilities, particularly Weyandt Hall and the former Dover library, as well as a property on Ridgely Street, were taken into account, noting that appraisals were desired by the President's Counsel on Public/Private Partnerships and the Future of City Hall, Weyandt Hall, Former Dover Library, and Other City Properties. In response, Mr. Koenig stated that, in the current budget year, the City was working on appraisals for the former Dover Public Library and 5 East Reed Street. He noted that several pieces of property were identified administratively for appraisal and this may happen shortly; however, staff had not engaged in appraisal of the City warehouse or property associated with it. Mr. Koenig advised that facility

construction was not identified in the capital plan because he thought it was necessary to go through a few more steps before indicating that replacing City Hall or some of these major facilities was favored. From an administrative standpoint, Mr. Koenig encouraged and supported a very detailed discussion of the potential for a new or renovated City Hall and the potential replacement of the City warehouse, noting that the City's land is now tight and there may be some interested purchasers of City land. Stating that the budget picture seemed to be improving, Mr. Koenig felt that this was a good opportunity to pivot toward the discussion of replacement with a multi-generational facility. He stated that when discussing a new City Hall, he envisions a 50-to-100-year building. Mr. Koenig advised that some of the appraisals had started coming back and a few more were due by the end of May so that there could be a reasonable discussion of the building values at a meeting of the President's Counsel. Costs of replacing City Hall could start to be crystallized and there could be discussion about how to project a path forward. Mr. Koenig stated that Mrs. Mitchell had indicated that replacing the City warehouse and garage area or City Hall may require bonding to the level of a referendum. He advised members that, rather than bogging the budget discussion down with this debate, staff had set those projects off to the side but was beginning to crystallize their thoughts. Mr. Koenig felt that this discussion would progress in FY 17 without a lot of associated cost. He indicated that costs would be identified, at the earliest, in the revisions to the FY 17 budget; however, he felt it was more realistic to expect this in FY 18.

Mr. Sudler questioned if the Ridgely property appraisal had come back and, if not, when it was expected. In response, Mr. Koenig stated that he had discussed the Ridgely property with a specific property owner and a request regarding this property had not been made before the President's Counsel. He explained that a property owner/developer had approached him and asked if the City may be interested in evaluating a vacant property for a new City facility, such as a warehouse. The property is located on Ridgely Street along the railroad tracks and is potentially for sale. Mr. Koenig stated that this appraisal had not yet been authorized, but as the other appraisals come back, it may be authorized shortly.

Personnel Information

Referring to the Personnel Summary (page 57), Mr. Koenig stated that it was proposed to reduce employees in Customer Services from 14 to 13 by moving one (1) position to the Key Accounts in the Electric Department. He indicated that this employee will help manage large electric customers initially and will gravitate toward helping to interact with large electric and water/sewer utility customers. Mr. Koenig believed this was important because of the desire to understand the needs of larger customers as they relate to utilities and potential expansion or jobs. For example, he indicated that it is important to understand the advantages of having Kraft as a customer and this facility's demands when looking at their energy profile. In this way, the City can find out how Kraft can be helped in managing their cost from a supply standpoint, and Kraft can help staff know their needs from the City as a provider. Mr. Koenig stated that the City had been encouraged through the Chamber of Commerce to meet with its large customers. When talking to the five (5) largest customers individually, it was seen that they are very different entities with different needs and desires related to electric supply and power cost. One (1) of the roles of the Key Accounts person would be to identify specific needs from a utility demand standpoint and determine how to encourage these customers. Mr. Koenig advised that this relates to energy efficiency, noting that the City desires efficiency to improve and receive credit for it in the regulatory and permitting process, but

also wants to be prepared for the potential impact of that efficiency on revenues, load, time of day, etc. The Key Accounts employee will help to interface with these customers and, in the long run, this will also happen with water, sewer, etc.

Mr. Koenig stated that Facilities Management employees would decrease from seven (7) to five (5) due to the retirement of two (2) long-term employees and the privatization of those jobs. A contractor was now performing this function, this service would remain a private contract for the immediate future, and the City could realize the benefits of reduced cost and equal or better service.

Mr. Koenig advised that the total number of personnel in the General Fund would decrease from 277 to 274, the Electric Fund would increase from 47 to 48, and the Water/Wastewater Fund was proposed to remain flat for full-time equivalents.

In regard to part-time employees, Mr. Koenig pointed out that four (4) part-time employees were listed under the City Manager's Office, explaining that they were Comcast employees who are brought in to videotape meetings. The number of part-time, on-call dispatchers was being increased due to the need for a larger selection of employees. Mr. Koenig advised that the budget, as prepared, assumed no changes to the five (5) full-time and three (3) part-time employees in the Fire Department, noting that there had not been public discussion about potential changes at the Fire Department. Mr. Koenig reminded members that the Operational and Administrative Analysis - Dover Fire Department - Final Report - March 2016 recommended a timeline and step-through process to implement changes. For example, Mr. Koenig indicated that if Council decided to have discussions related to this report in June or July 2016, some actions could be implemented in FY 17 that may or may not be related to personnel. He indicated that Council could lay out an action plan to implement suggestions over several budgets. Mr. Koenig believed that the report referenced changes between six (6) months and three (3) years. He stated that some of the discussion relates to contractual obligations, such as ambulance service, noting that the City has a current contract for these services, and when it expires a more detailed national RFP was recommended that would be beneficial to the City. Mr. Koenig advised that the draft budget also assumes a status quo in the Police Department, and none of the suggestions or discussions related to the operational evaluation of the Police Department were included. Mr. Koenig stated that he would meet with the Police Chief next week to discuss the working draft of the Police Department operational evaluation and would forward comments to the consultant, who would submit the operational document for future debate.

In the Finance Department, Mr. Koenig noted that there was a reduction of one (1) part-time person. He explained that in the initial FY 17 budget discussion, it was proposed to hire a part-time person to help prepare the budget. This position was removed to help close the gap in the budget; however, from a strategic and succession planning standpoint, Mr. Koenig recommended a full-time staff budget person be added to the FY 18 budget, noting that the budget was taking a lot of time and resources from the Finance Department.

Referring to Electric Engineering, Mr. Koenig stated that Mr. Maloney had requested to obtain a co-op student from a regional college who wants to be a power supply engineer and anticipates having a career in municipal power supply. He stated that Mr. Maloney's experience using co-op students and training them to be power supply engineers on municipal systems had been positive. It was

hoped that these individuals would return as full-time engineers for less money than they would make in the private sector because they have an interest in public power or serving their community. Mr. Koenig indicated that if a co-op student was found that suits the City's need, they would be hired; if not, there would be no expense.

In response to Mr. Lewis's request for clarification regarding the Substance Abuse Grant and the Police Cadet Grant, Mr. Koenig explained that the Substance Abuse Grant is part of the Parks and Recreation Budget. In regard to the Police Cadet Grant, he advised that six (6) cadets are associated with the police cadet program, and three (3) additional cadets are associated with and are funded by the Dover Public Library budget and provide security there. Mr. Koenig believed that the Police Department rotates everyone through those positions; however, six (6) positions are covered by a grant.

Mr. Lewis questioned if the increase in the library budget was because of the three (3) cadets. In response, Mr. Koenig stated that it was not. Mayor Christiansen advised that there was a cost savings of approximately $6.00 or $9.00 per hour when the cadets replaced the private security firm that operated in the library previously.

Mr. Lewis questioned if more than six (6) cadets would be hired through the grant or if this was all that was presently allowed. Responding, Mr. Koenig stated that a total of nine (9) cadets were funded. As those positions come open, the Police Department actively recruits to try to keep a full complement. He indicated that six (6) cadets are funded under the grant and the other three (3) are funded from the library budget.

Mrs. Ann Marie Townshend, Director of Planning and Community Development, explained that the Substance Abuse Grant has two (2) programs, an after school program at Towne Point Elementary School and Camp Small Wonder at Delaware State University. There are 10 employees that perform after school care at Towne Point and they are grant funded.

Referring to Personnel Budget - Total Budget by Fund (page 58), Mr. Koenig indicated that the anticipated personnel budget to provide service to the City's customers would be $36,044,200 based on input across all departments, grants, and funds.

Mr. Lewis questioned the reason for the amount of overtime listed for Civilian Police. In response, Mr. Koenig stated that the majority of the overtime was related to 24/7 dispatch and Information Technology (IT) for system upgrades, etc.

Referring to Overtime Comparison - Fiscal Year 2014 - 2017 (page 59), Mr. Koenig stated that this document provided details on overtime over the past few years.

Mr. Slavin questioned what kind of variances are allowed in a department's budgets for overtime, what kind of warnings are extended in regard to potential overages in overtime, and how the numbers in the budget are managed. Responding, Mr. Koenig stated that this is left to the manager of the department. The departments typically look at the monthly budget reports and an overtime report is sent out through the Finance Department. Mr. Koenig indicated that there are flags in the

monthly reports when looking at some of the department roll-ups. When there are storms, staff looks at Public Works to see how they are tracking, and he noted that some of the overtime this year was driven by storms. Mr. Koenig advised that, even with the cost associated with overtime this year as well as contract implementations, staff had been able to contain total personnel cost close to the original budget across the board.

Mrs. Mitchell stated that the City's current HTE system allows for being locked down to keep from going over a budget, but once this is done, it locks everything down without a threshold, so this feature had not been put in place. She indicated that any line item could go over budget and there are no controls. It is up to each department to manage to their budget.

Revenue Review

Mr. Slavin suggested the Revenue Review be deferred until the budget review scheduled for May 25, 2016.

Mr. Hosfelt questioned if the 2.5% pay raise built into the budget for non-bargaining employees was an average of what Dover Organization of Employees (DOE) and the Fraternal Order of Police (FOP) received. Responding, Mr. Koenig stated that he could prepare a written explanation of how staff developed this recommendation the following day. He indicated that it was a combination of looking at the union contracts and reviewing data regarding what other municipalities were offering.

Responding to Mr. Hosfelt regarding whether this 2.5% increase would pertain to the office of the Mayor, Mr. Koenig stated that it would not because the Mayor's salary is prescribed in Code.

Mr. Hosfelt stated his belief that the Mayor's salary was $50,000 at one point and was then cut to $45,000. In response, Mr. Koenig stated that the Mayor's salary is $45,000 and there is also a $5,000 expense account. He was unsure if the salary had ever been $50,000. Mr. Hare stated his belief that the Mayor’s salary had been $45,000 since 1997. In response to Mr. Hosfelt, Mr. Koenig advised that, to his knowledge, the Mayor’s salary had not been increased since 1997.

Mr. Hosfelt questioned if the Fire Department was authorized at five (5) full-time employees or if this was the number of current employees. Responding, Mr. Koenig stated that the budget included five (5) full-time dispatchers and one (1) part-time Fire Chief’s Assistant, noting that additional people can be called for dispatch.

Mr. Hosfelt asked if there was a long-range plan in regard to City buildings and property. Responding, Mr. Koenig stated there was a plan dated 2006 - 2016, and no update to that plan had been authorized by Council. Some of the recommendations and ideas in this plan were being used as a framework by the President’s Counsel on Public/Private Partnerships and the Future of City Hall, Weyandt Hall, Former Dover Library, and Other City Properties. Mr. Koenig indicated that there was currently no long-range facilities plan developed by staff.

Mr. Hosfelt questioned if such a plan would be a staff or Council responsibility. Responding, Mr. Koenig advised that it would be a combination of both and would be a major undertaking that would provide foundation documents to make decisions. Mr. Koenig indicated that Council could

request staff to initiate that process. Mr. Sudler encouraged Council to work with staff to come up with a comprehensive long-term plan for City facilities.

Mr. Anderson questioned if a new collections firm was being considered in regard to Customer Service and the electric utility. Responding, Mr. Koenig stated that there would be a recommendation from the Assistant City Manager for a new collection agency at the next Council Committee of the Whole meeting. He expressed his hope that this would be authorized by Council so that the new agent could begin after the start of the next fiscal year. Mr. Koenig understood, according to the RFP, that there would not be a direct charge to the City and the customer would receive an added fee if collection is successful. He did not believe that the City would have to pay a retainer fee.

Mr. Anderson asked if there were any changes related to the long-term Silver Lake/Mirror Lake/St. Jones River reclamation project. Mr. Koenig stated that, in recent years, Mr. Rick Greene, Engineer, Department of Natural Resources and Environmental Control (DNREC), had been working with staff on water quality issues associated with Mirror Lake. All the improvements related to this project were performed under a grant and the City did not have to contribute financially. Mr. Koenig advised that Mr. Greene had also worked with staff on the tar ditch project and the abandonment of old PW2 to help with documentation of potential contaminants in the storm drain system and the river. He noted that Mr. Greene is one of the advocates at the State level for the City removing existing piping, making improvements in the area, and creating a wetland that will help improve the water quality of the St. Jones River south of the dam. In regard to Silver Lake improvements, Mr. Koenig stated that there were discussions years ago related to alum treatment, nitrogen loading, etc. for the lake, but those discussions had fallen off and he was not aware of current discussions. He noted that work was either in progress or being proposed related to the valve at the Silver Lake dam, and there would also be enhancements to the earth dam there. Mr. Koenig advised there are a number of projects loosely tied to improvement of the water quality in both the St. Jones River and Silver Lake. He indicated that at one time there was discussion of having a limnologist associated with either DNREC or the City, but this discussion had been low key over recent years and he did not have an update.

Mr. Anderson questioned when people would be able to swim in Silver Lake consistently again. Mr. Koenig stated that he did not have that answer.

Referring to General Fund - Cash Receipt Summary (page 25), Mr. Lewis noted that some items were pending approval of the State budget, for example, Municipal Street Aid Transfer Tax. He questioned what staff's plan was if this revenue was not received as anticipated. In response, Mr. Koenig stated that this question had been looming since the last budget. To staff's knowledge, in regard to municipal street aid and community transportation, the Delaware Department of Transportation (DelDOT) was proposing the same level of spending for FY 17 as in FY 16. Mr. Koenig advised that Mrs. Cheryl Bundek, Tax Assessor, met with Mr. Thomas Cook, Secretary of Finance, to try to gauge what may happen in regard to Payment in Lieu of Taxes (PILOT). The number from the State to the City was approximately $283,000 and the recommendation was to keep this figure flat. Mr. Koenig noted that it should not be expected to increase and that there was a very low chance of it being decreased; therefore, that figure was included in the budget. Mr. Koenig

explained that staff was most concerned about the realty transfer tax, noting that the tax is currently split 50/50 with the City receiving 1.5% and the State receiving 1.5%. Mr. Koenig recalled that 3% was proposed last year, with the State receiving 2% and the City receiving 1%, which would have been a potential loss of $600,000 for the City. Mr. Koenig stated that, after speaking with legislators, it did not seem likely that this proposal would be reconsidered.

Mr. Koenig advised that, on May 23, 2016, the Delaware Economic and Financial Advisory Council (DEFAC) projected an approximate $71M or $72M shortfall for the State in FY 17. He advised that there were some changes in revenue transfer from the State to local law enforcement, resulting in $25,000 in radio fees in the police budget, which was included as a City cost. Mr. Koenig stated that the Police Chief had also indicated that federal forfeiture funds were being consumed by the federal government. Following discussion in January 2016 regarding this issue, there had been a ruling from the Attorney General's Office that these federal forfeiture funds would be reinstated to local law enforcement based on the previous schedule, after applying and showing need. Mr. Koenig indicated that, although some of the discussion anticipated that this funding would not be available, it appears as though it may.

In regard to developing an alternate plan, Mr. Koenig stated that if no Community Transportation Fund (CTF) money comes to the City, the City would have $900,000 to do street paving. If the $673,100 for municipal street aid is adjusted, this could potentially reduce the street program or to street related maintenance. If the realty transfer tax is adjusted by $600,000, Mr. Koenig indicated that he would have to recommend reducing the street program by $600,000. He advised that every indication is that the State revenue streams appear to be on track.

Mr. Slavin stated that members were very cognizant of the possibility of last minute changes, noting that adoption of the FY 17 budget was scheduled for June 27, 2016, which is a few days short of the end of the legislative session.

Mr. Lewis stated that he would like to know that the City has an alternative plan. Responding, Mr. Slavin indicated that less money would mean doing less.

Mayor Christiansen advised members that he would be in attendance Legislative Hall and asked available Council members, as well as the Delaware League of Local Governments, to be attend to lobby the legislators, particularly those from upstate. He indicated that he had total confidence that local legislators would fight for every dollar that they could get.

Mr. Slavin invited members of the public to come forward to speak. There was no one wishing to speak.

Mr. Lewis moved to recess and reconvene at 6:00 p.m. on May 25, 2016. The motion was seconded by Mr. Neil and unanimously carried.

The meeting recessed at 8:44 p.m.

WEDNESDAY, MAY 25, 2016 - 6:00 - 9:00 p.m.

The Special Council Meeting - Budget Review reconvened on May 25, 2016 at 6:01 p.m. with Council President Slavin presiding. Council members present were Mr. Anderson, Mr. Sudler (arrived at 6:21 p.m.), Mr. Neil, Mr. Lewis, Mr. Cole, Mr. Hosfelt, Mr. Hare, and Mr. Hutchison.

Council staff members present were Mrs. Mitchell, Mr. Koenig, and Mrs. McDowell. Mayor Christiansen was also present (arrived at 6:05 p.m.).

Mr. Neil moved to reconvene, seconded by Mr. Anderson and unanimously carried.

AGENDA ADDITIONS/DELETIONS

Mr. Hutchison moved for approval of the agenda, as revised. The motion was seconded by Mr. Neil and unanimously carried.

Mr. Scott Koenig, City Manager, reviewed his memorandum dated May 25, 2016, regarding Non-Bargaining Pay Increase Recommendation - FY 2017 Budget ***(Exhibit #5)***. He noted that Mr. Hosfelt had requested more detailed information on the recommendation for a 2.5% increase in base pay for non-bargaining employees and explained the internal and external comparisons that were made.

In response to questions during the previous budget review session regarding costs associated with recycling and landfill fees, Mr. Koenig advised that the cost of the City's current contract with Inland Service Corporation for recycling is $1.21 per can, per pick-up. Assuming two (2) pick-ups per month at a house with one (1) can, the cost would be $2.42 per month. Mr. Koenig indicated that the Delaware Solid Waste Authority (DSWA) gate fee at the Sandtown Landfill is currently $80.50 per ton. He stated that the City uses a company called E Z Mulch for yard waste. Mr. Koenig noted that E Z Mulch uses a scale; however, because it is not currently operational, the City pays $50 per load regardless of weight. He noted that it is to the City's advantage to maximize the trucks within their operating parameters. Mr. Koenig noted that this number would increase from $50 to $150 at the City's next billing because that company re-evaluated their pricing. He stated that even at $150 per load, this would be less expensive than driving the waste to Sandtown due to fuel and operating costs.

In response to Mr. Hare, Mr. Koenig stated that there was not a fee for recycling with DSWA.

Mr. Neil asked if recycling was based on the number of homes or the actual number of containers collected, noting that some residents in his community recycle less frequently than twice a month. Responding, Mr. Koenig stated that the contract is based on the number of containers so if a subdivision has 280 houses with 280 cans, the City pays $280 x $1.21 x 2 in a regular month regardless of the frequency or amount collected at each home.

In response to Mr. Anderson regarding raises granted to retirees over the last 10 years, Mr. Koenig stated that, to his knowledge, employees in the General Employee Pension Plan had not received any Cost of Living Adjustment (COLA) or other adjustment to their retirement payout from the City. He indicated that the City owns the liability for a closed Police Pension Plan that has a built-in 2%

annual escalator and members of this plan receive an annual 2% increase, stating his belief that this occurs on January 1st each year.

Mr. Hare noted that, although there is no COLA built into the General Employee Pension Plan, members have not been charged for increases in retirement health care or Medicare Part B, so he felt that members were receiving an increase. Mr. Hare believed that if these individuals wanted to receive a COLA, their cost for health care should be increased as the City's costs increase.

Mrs. Mitchell reminded members that a question had been raised during the previous session about what utility taxes were used for and whether an administrative fee could be charged. Mr. Slavin clarified that this utility tax, which is assessed by the State, is collected by the City from every customer and the aggregate amount collected is passed back to the State. He noted that he had questioned if there could be a mark up or if the City could retain some of this tax for its own use. Mrs. Mitchell advised that she spoke with the State of Delaware Public Advocate, Mr. David Bonar, who explained that this tax is used to pay for Public Service Commission administrative offices and the Public Advocate's office, and the bulk of it goes to support the general fund. He was unable to advise Mrs. Mitchell if the City could charge an administration fee but provided her a contact in the Department of Finance. Mrs. Mitchell indicated that she left a message but not heard back yet. She also advised that the utility cost pertains only to certain commercial customers.

Members were provided the General Fund Expenses by Department/Division - General Fund Expenses by Major Function (page 1), General Fund Expenses by Major Function (page 2), and Projected Cost Per Capita by Function (page 3) ***(Exhibit #6)***. Mrs. Mitchell reminded members that Mayor Christiansen had requested a breakdown of the percentage of the budget represented by the Police Department and Fire Department on Pages 28 and 30 of the draft budget. She explained that pages 2 and 3 provided this information. Mrs. Mitchell noted that the major functions (pages 28 and 30) had been grouped in accordance with the recommendations of the Government Financial Officers Association (GFOA) for award submissions. She advised that the GFOA wants categories grouped by function without the details.

Members were provided Outlays and Receipts for Governmental Activities ***(Exhibit #7)*** that listed City Functions/Programs. Mrs. Mitchell advised that this list was grouped differently from the GFOA recommendations and correlated with the charts on Pages 16 and 17 of the draft budget, which are used in the City's Comprehensive Annual Financial Report (CAFR).

Mayor Christiansen stated that he did not intend to question the way this information had been presented; however, for purposes of showing the value and effect of each department, the revised graphs provided a better and clearer breakdown for himself and for Council.

Members were provided the City of Dover Electric Revenue Fund - FY 16 - White Oak Solar Park Incremental Cost report ***(Exhibit #8)***. Mrs. Mitchell advised that this was provided in response to Mr. Hare's questions regarding the expense of the Dover Sun Park. She noted that budget numbers from the current year were included in the last column of the report.

Revenue Review

Members were provided the Fiscal Year July 1, 2015 to June 30, 2016 Quarterly Revenue Report as of March 31, 2016 ***(Exhibit #9)***. Mr. Scott Koenig, City Manager, stated that this quarterly report is provided to Council and noted that a new Proposed FY 17 column had been included. He indicated that the largest revenue stream for the General Fund is property taxes. Mr. Koenig reiterated that staff does a good job of calculating taxes and expectations and removing exemptions granted to project the primary driver for the General Fund. He explained that Payment in Lieu of Taxes (PILOT) relates to a group of properties, with the State's payment being approximately $283,000 of the $413,000. Mr. Koenig stated that staff had some concerns with this revenue stream at the State level but had met with the Secretary of Finance and believed it would maintained at the $283,000 level for FY 17. He indicated that PILOT also includes payments from the Housing Authority, Luther Towers, and Milford Housing Development Corporation.

In regard to Transfer from Electric Fund (line 3), Mr. Koenig stated that the $10M transfer from the Electric Fund to the General Fund represents the second largest source of funding received in the General Fund. He advised that staff is cautious when projecting Transfer from the Transfer Tax Fund (line 5), noting that just under $2.1M in revenue was expected in FY 16 and $1.67M was being earmarked for FY 17. Mr. Koenig noted that staff had reviewed and analyzed large receipts for the last three (3) years and was being very conservative with this number. Mr. Koenig indicated that this number had been as high as mid-$3M in past budget discussions and had also been as low as approximately $1M, which contributed to the City's budget gap.

Referring to Business Licenses (line 6), Mr. Koenig stated that this number reflected changes made in this fiscal year in anticipation of licensing revenue of $4.67M for FY 17. He noted that Sanitation fees (line 8) were projected at $2.5M. In regard to Transfer from Municipal Street Aid (line 10), Mr. Koenig advised that staff expected the formula for this State transfer to remain the same and the City would receive approximately $673,000. He explained that the funding formula takes approximately $5M and distributes it among all municipalities in the State based on population and road mileage. Mr. Koenig stated that the City's population had been increasing, noting that street dedications periodically approved by Council are included in the City's submissions for funding. He indicated that Police Extra Duty Fees (line 12) and Transfer from Police Grant Funds (line 13) were covered in other parts of the budget. With reference to Court of Chancery Fees (line 14), Mr. Koenig stated that staff had traditionally been conservative with these budget estimates and the departments are encouraged to stay within the estimated revenues.

In regard to Transfer from Water/Wastewater Fund (line 15), Mr. Koenig stated that there was an $875,000 transfer from this fund, noting that the internal rate of return from the water and sewer utility to the General Fund was slowly increasing. He advised that a total of approximately $42.26M in General Fund Revenues was expected.

In reviewing the Revenues for the Water/Wastewater Fund, Mr. Koenig stated that staff was monitoring final revenue calculations from Calpine and approximately $15.467M in total revenue was expected from all revenue streams in the utility. He commented that quite a bit of funding is received from water tower leases, and staff diligently reviews leases and requests for changes.

Mr. Koenig hoped that additional cell carriers would express interest in the newly constructed Garrison water tower over time.

With the regard to the Electric Fund, Mr. Koenig advised that the largest source of revenue was sales to customers at $78.99M, and the total revenue estimate was $81.259M.

Responding to Mr. Hutchison, Mr. Koenig advised that the $283,000 PILOT payment from the State had remained at that level for some time, with small fluctuations related to the value of construction submitted to the State for review. He noted that funds are divided between the three (3) county seats: the City of Wilmington, City of Dover, and City of Georgetown. Mr. Koenig stated that the amount has fluctuated but remains in the $300,000 range.

Mr. Anderson questioned the reason that interest income had increased in the General Fund and decreased in the enterprise funds. Responding, Mrs. Mitchell advised that bank fees are no longer netted against this income. She also explained that the General Fund had benefitted from a higher investment balance, the Water/Wastewater Fund had the lowest investment balance, and the Electric Fund balance was increasing. Mrs. Mitchell indicated that the current interest rate is approximately 0.76%. She pointed out that Interest Income for the Water/Wastewater Fund (line 8) reflected a negative $1,800, which was an accounting error that was corrected in April; however, the report was dated as of March 31, 2016. In response to Mr. Anderson regarding the true figure for interest income, Mrs. Mitchell estimated it at $10,000.

Mayor Christiansen advised members that, at the end of the legislative session last year, Senator Bushweller requested a modification of the PILOT monies that the City was to receive. He stated that there was an issue with the request because the City of Newark also wanted to be included in the formula for these funds. Mayor Christiansen indicated that he would keep Council apprised if the formula changed or if Senator Bushweller's proposal is passed in the legislature.

Referring to Budget Review - Fiscal Year 2016-2017 (page 202), Mr. Koenig began a review of the individual department budgets. In regard to What You Need to Know (page 203), Mr. Koenig stated that percentage changes were calculated based on the original FY 16 budgets and would not match up with FY 16 revised budgets. He indicated that health insurance rates would increase by approximately 7.67%. Mr. Koenig stated that Other Post-Employment Benefit (OPEB) rates decreased due to paying toward OPEB in past budgets and also reviewing pension funds. Pension rates decreased in the Electric Fund because this pension fund was closer to being fully funded.

Mr. Hare stated that the City had not obtained a cost comparison to see if the City's health insurance rates were the best available, noting that he mentioned this during the budget review last year. Responding, Mr. Koenig advised that a Request for Proposals (RFP) had not been done; however, staff had obtained additional information from Kent County regarding their most recent health insurance. He expected to have a handout in this regard at the next budget review session on May 27, 2016. Mr. Koenig noted that the City was on the State contract for insurance.

In response to Mr. Hare regarding the amount of the education assistance expense, Mr. Koenig stated that he would have to obtain that number. Mr. Hare questioned if the education must be associated

with the employee's job. Mr. Koenig indicated that there must be a logical connection to what the employee does for the City. He noted that a number of police officers were receiving criminal justice or managerial education and some employees were pursuing a Master's Degree in management. Mr. Koenig advised that a handful of employees in the total organization receive educational assistance. Once reimbursed for a course, employees who leave within a two (2) year period must reimburse the City the funds received for course work, so there is an ongoing commitment to continue employment with the City. He noted that a relatively low number of employees take advantage of this benefit because going back to school is a large time commitment.

Responding to Mr. Lewis regarding the maximum the City will pay for education assistance, Mr. Koenig stated that he believed the policy states that the University of Delaware rate is the maximum amount paid. He indicated that there is also a maximum number of courses that can be taken over the course of a year and very few can achieve this maximum while maintaining a full-time job. He estimated that the maximum reimbursement request had been approximately $10,0000 - $12,000. Mr. Koenig believed that the maximum payment made in a year was less than that.

Mr. Koenig began the review of the General Fund departmental budgets. Referring to City Council (page 206), he explained that the increase in administrative expenditures related to a request to budget $25,000 in discretionary funds for Council members, including $5,000 per district and $5,000 for the at-large Council member. There was also a request from the Dover Human Relations Commission (DHRC) to increase their authorization by $1,000. Mr. Koenig noted that rules had not yet been written about how members would go about requesting funds.

Council President Slavin advised that he requested that discretionary funds be placed in the budget in order for Council members to respond more quickly to the needs in their districts. While this was nominal amount, Mr. Slavin indicated that it could be used for minor capital improvements, neighborhood associations, speed enforcement signs, or other things that are needed. He had asked the City Manager to prepare an allocation by district on street repaving and Public Works projects where Council could have a little more discretion to direct projects into their districts based on what they know to be critical needs. Mr. Slavin indicated that this would not take away from the needs determined by Public Works, but Council would be additional eyes and would perhaps know the districts a little more acutely than others, especially issues needing quick attention.

Mr. Anderson concurred with the idea, noting that a number of local governments have discretionary items. He stated that issues frequently arise, such as the problem on Buttner Place where the road was damaging cars and there was flooding. This was a small, inexpensive repair that made a real difference in people's lives. Mr. Anderson also referenced a pothole in Lincoln Park off Slaughter Street and noted that having funds to replace missing speed limit signs or for radar enforcement made a lot of sense, rather than having to ask State legislators and others for funding.

In response to Mr. Sudler regarding the criteria for these funds, Mr. Slavin stated that Council would have to decide; however, he hoped that members would prohibit its use for food, travel, and other expenses so that the funds would go directly to expenses for district improvements.

Mayor Christiansen asked if Council's budget included funds to participate in the Delaware League of Local Governments (DLLG) and National League of Cities (NLC) for training purposes. Responding, Mr. Koenig stated his belief that this was included in the training and travel area and there may be funds in subscriptions and dues. Mr. Anderson indicated that funds had been budgeted but not broken out by name. Mayor Christiansen believed it was important for the Mayor and Council to participate in DLLG as well as NLC.

Mr. Sudler asked City Council last received a raise and in what amount. Responding, Mr. Koenig stated that the Dover Code states that each member of Council shall receive an annual salary of $7,416 to be paid monthly. For the period beginning July 27, 2009 and ending July 26, 2010, each Council member shall receive an annual salary of $6,674.40 to be paid monthly. Mr. Koenig noted that Council decreased their pay in 2009 when an employee furlough was instituted. He advised that the Code specified that the Council President shall receive an annual salary of $8,652 to be paid monthly, and this was adjusted during the furlough time period to $7,786.80. Mr. Koenig stated that the Code states that Council members shall also receive reimbursement of actual and necessary expenses incurred when on official business as prescribed by ordinance or policy.

Mr. Slavin recalled that prior to 2003 there was a clause that allowed for Council's salary to increase automatically and this escalator was removed. He noted that the Compensation Commission was later created, and he believed that the procedure is that the Compensation Commission meets, reviews the market, and makes recommendations on any adjustments necessary; however, there must be an intervening election between approving and implementing the raise. Mr. Slavin advised that Council could not vote themselves an increase but must have an election in between so that a new Council would be seated and receive the benefit.

Mr. Sudler questioned how members could raise their salaries, due to the extensive time and work they put in as Councilmen. In response, Mr. Slavin indicated that Council would have to ask the Compensation Commission to look at this issue and make a recommendation to Council. If the recommendation was to raise the pay, Council would have to take action on that. If accepted, this would not go into effect until after an election.

In regard to the provision of an intervening election, Mr. Slavin stated that, technically, after each election a new Council is seated, whether or not all the members remain the same.

Mr. Sudler expressed his understanding that the next regular election would be in 2017 and questioned if members would have to put a raise into effect prior to this. Responding, Mr. Slavin indicated that a raise would not got into effect until after this election.

Mrs. McDowell stated that the last time the Compensation Commission made a recommendation was September 20, 2011, and they recommended no increase for City Council nor the Mayor. Mr. Sudler questioned whether an explanation was provided. Responding, Mrs. McDowell advised that the commission's explanation was that "in reviewing this matter, the Commission found that current Council salaries are very similar to compensation at the current federal minimum wage level for a half-time 20 hour per week position and there was no empirical data or overwhelming public

sentiment that demonstrated that change was indicated. Current levels for City Council remain unchanged."

Mr. Sudler questioned how part time was defined. He acknowledged that Council meets part time, but felt that the amount of time spent addressing concerns varies with each district and asked if there was a specific time frame for the individual Council districts. Mrs. McDowell stated that a survey was created for outgoing Council members to evaluate the amount time they spend on activities and meetings. In response to when the last time the survey was implemented, Ms. McDowell stated that it was sent to the most recent outgoing Council members.

Ms. Denise Devine, Assistant City Clerk, advised that the survey is included in the orientation packet provided to new members when they begin serving. New members are advised to be aware of how much time they are spending because they will be expected to complete the survey after the term. She indicated that those surveys would be given to the Compensation Commission if they are called.

Responding to Mr. Sudler, Ms. Devine confirmed that members would submit this survey at the end of their four (4) year term. Mrs. McDowell stated that staff could send this form to members as frequently as they would like, noting that the response rate is not very high. Mr. Sudler indicated that he spends a tremendous amount of time. Mr. Anderson felt that an annual survey would make sense.

Mr. Slavin stated that if Mr. Anderson would like the Compensation Commission to consider this issue, members may want to place it on the Legislative, Finance, and Administration Committee agenda in July. In response, Mr. Sudler requested that compensation be reviewed.

Mr. Anderson suggested that members take appointments to the Compensation Commission seriously if this was to be done, noting that he had not made a recommendation for appointment but should do so. In response, Mr. Slavin indicated that he would ask the City Clerk to send a reminder to members that recommendations were needed for the Compensation Commission from each Council member, noting the Councilman Lewis had made a recommendation. Mr. Lewis and Mr. Neil each stated that the individual they recommended had been appointed to the Commission, and Mr. Neil indicated that he had spent time studying this issue. Responding to Mr. Sudler regarding the process for appointing individuals recommended by members, Mr. Slavin stated that members can make recommendations for individuals that they would like to see appointed from their districts.

In regard to the Mayor's salary, Mr. Koenig stated that Code identified the Mayor's salary at $45,000 annually, noting that it was also decreased to $44,100 during the time frame of the employee furlough. He advised that the Code states that the Mayor shall receive an expense allotment of up to $5,000 to be included in the City's annual budget. Mr. Koenig noted that the salary was set at $45,000 when the City went to a full-time Mayor in 1994 and has remained at that amount.

Mr. Hosfelt stated his understanding that a change to the Mayor's salary would be made through a change to the City's charter. Responding, Mr. Slavin stated that the Mayor's salary must be reviewed by the Compensation Commission as well.

Mr. Hosfelt questioned if the City could change the charter. Responding, Mr. Slavin stated that the charter changes must go through the General Assembly. Mr. Anderson stated his belief that Mayor's salary was a Code issue, which would be in Council's purview.

Mr. Lewis questioned if more clarification would be provided regarding the $5,000 discretionary funds. In response, Mr. Slavin asked members to send their ideas about what these funds should and should not be used for, which would help to shape the rules, indicating this would be the decision of Council. He believed that this would become part of the Code or a policy.

Referring to City Manager (page 207), Mr. Koenig stated that the large percentage of increase in materials and supplies was attributed to the replacement of two (2) computers in the office. He stated the increase in administrative expenditures was related to an increase of approximately $19,000 in legal expenses, which was offset by a reduction in contractual services. Mr. Koenig reminded members that $100,000 had been included in the current year's budget for a study and next year approximately $5,000 was anticipated to be spent for LEAN related consulting. There was an overall reduction of approximately 12% in the City Manager's budget, which he stated was slightly distorted because of the study in the current year.

In reference to Procurement and Inventory (page 211), Mr. Koenig indicated personnel costs were going up slightly and this division was influenced more by union contracts than some other areas.

In regard to Materials and Supplies, Mr. Koenig noted that a number of department heads had deferred computer purchases in previous budget years to help balance their budgets. He stated that this involves risk because a number of computers may fail or need to be fixed at the same time. Mr. Koenig stated that departments had been requested to return to a replacement schedule or develop a path forward to do so; therefore, additional computer replacements were in the proposed budget.

Mr. Slavin asked if the number of internal service calls made for older computers correlated with those that have not been maintained. Responding, Mr. Koenig advised that he was unsure. He explained that there is a life cycle replacement schedule and some offices have a more critical need than others, noting that he could wait a day if his computer went down but some offices would not want to do so. Mr. Koenig stated that replacement of computers is not triggered by the schedule, explaining that system upgrades and problems caused to the department are considered. Mr. Koenig stated that there was an overall increase of 4% in operating expenses for this department.

In reviewing Fire (page 212), Mr. Koenig noted that the transfer appropriation to Robbins Hose Company was increased last year by $50,000 per the request of the Fire Chief. Mr. Koenig advised that he administratively rolled that back this year to the FY 15 budget level. It was recommended that the capital expense for Engine 7 replacement not be included in the budget. Mr. Koenig explained that the capital outlay will remain the same because there would be $145,700 for payments on existing equipment. The total expenditure for the Fire Department would be decreased by approximately 3%; however, this would include maintaining the dispatch and administrative functions at the Fire Department.

In regard to the personnel costs of $437,700, Mr. Hare questioned if this related to five (5) employees. In response, Mr. Koenig referred to Fire Department (page 248) - 110-1400-514, pointing out that all associated employment costs are included in the 10 series line items, resulting in a total expense of $437,700.

Mr. Anderson questioned the reason for the decrease in contractual services for the Fire Department compared to the previous year. Responding, Mr. Koenig stated that discussion of additional money had occurred during the previous year between the Fire Chief and the Controller/Treasurer regarding increased maintenance costs associated with equipment. At that time, Mrs. Mitchell requested the Fire Chief to submit a request and support documentation. The Fire Department submitted a one (1) page letter with no documentation, which went through the Council authorization process. Mr. Koenig explained that no support documentation was submitted this year to warrant continuing the level of funding from last year. The budget recommendation for FY 17 was the result of an administrative decision at Mr. Koenig's level.

Fire Chief Carleton Carey, Jr. stated that he did not have an option, and when they sat down to do the budget for FY 17, $50,000 was removed. He stated that there was arguing about the engine, which Chief Carey stated he had asked about in January and went through the process of getting it done. He indicated that he did not fight this battle because he was losing the battle on other issues. Chief Carey advised that he did not want to get into this.

Responding to Mr. Sudler as to why he felt he did not have an option, Chief Carey stated that he was told that he was not able to keep the $50,000 because it was misused the previous year. He advised that when he investigated further, he found that it was not misused because Council approved the use of the extra $50,000. Chief Carey indicated that he wanted to keep the $50,000 and would not ask for any more. He stated that he was going to have a line item for everything that they wanted to keep the $50,000 for.

Mr. Anderson questioned whether Chief Carey would be able to get this information in 24 hours. Responding, Chief Carey stated that he could provide the information by Friday, May 27, 2016 or the beginning of the following week; however, he indicated that he would not ask for anything now, stating that the Fire Department could survive and operate.

Mr. Anderson asked if Chief Carey believed the current budget would adequately protect the citizens, and Chief Carey responded that it absolutely would. Chief Carey stated that the City is a big part of keeping the Department in business and keeping the cost down for everyone in the City. He noted that the Fire Department is considered a career department and receives the exact same training as a career department, but they are volunteers. He stated that the Department had an $8M - $10M membership for zero (0) dollars.

Responding to Mr. Anderson, Chief Carey stated that they would prefer to replace an engine rather than upgrade the ladder, which would be approximately $500,000 cheaper. He advised that they would not be looking for another ladder truck for at least another five (5) to eight (8) years.

Chief Carey stated that the Department had a Capital Improvement Program (CIP) plan that they were trying to get back in place. He noted that he met with Mrs. Mitchell around the first of the year to discuss the CIP and he was advised that it would require approval by Mr. Koenig and City Council. Chief Carey noted that, as a returning Chief, he was starting fresh and moving forward.

Mr. Anderson expressed his understanding that Chief Carey would prefer to have an engine over the long term. In response, Chief Carey advised that he had to have the $50,000 appropriation for special equipment.

Mr. Neil stated that members would be discussing the Operational and Administrative Analysis - Dover Fire Department - Final Report - March 2016 at another time and these questions will be coming up.

Mayor Christiansen requested an overview of the administrative expenditures. Responding, Chief Carey believed that the City contributes approximately $1,500 to the pension plan. Mrs. Mitchell stated her recollection that the amount was $1,560, noting that the amount was $60 per volunteer and the Fire Department provides staff with a list of active volunteers. Mayor Christiansen asked if workers' compensation and insurance were included in these costs. Responding, Mr. Slavin indicated that they were included in personnel costs. Chief Carey stated that Robbins Hose Company contributes more than $40,000. Responding, Mrs. Mitchell stated that these funds were for pension. She indicated that the Fire Department's insurance cost, maintenance, electricity, and everything needed to run the station were included in administrative expense.

Mr. Sudler questioned what the morale for the Fire Department was and what they do for the City. Mr. Slavin asked that this question be deferred. He indicated that budget issues were being discussed and felt that this may lead to possible personnel issues.

Mr. Lewis asked how many employees were included in the Fire Department and if this included only dispatchers. Chief Carey advised that employees included strictly dispatchers. He indicated that there are five (5) positions; however, the Department currently had only three (3) dispatchers. Chief Carey indicated that they would go through the testing part of the application process on May 28, 2016. He advised that these are the only employees in the department and they answer emergency and non-emergency calls, take care of the building, and make sure the trucks are running at all times. He stated that they function almost like a career department.

Mr. Hare noted that there is also one (1) part-time administrative assistant. Chief Carey confirmed that this employee works 29 hours per week. Chief Carey advised that, as Chief, he worked 42 hours during the first week of May in administrative meetings, 29 hours during the second week, and 33 hours during the past week, not including responding to fires. He advised that he would calculate the total calls and hours at the end of the month to show the hours for Fire Chief.

Mr. Koenig reviewed Human Resources (page 213) noting a total net budget increase of 2%. Referring to Human Resources (page 250), Mr. Hare noted that approximately $187,000 was being budgeted for three (3) people and questioned if approximately $84,000 was being contributed to the pension plan. In response, Mr. Koenig advised that the percent of payroll for General Fund

employees in the defined benefit pension plan was 57% of payroll and two (2) of the three (3) employees in the Human Resources were in this plan. Mr. Hare questioned the percentage of employees in the defined benefit plan versus the deferred plan. Mr. Koenig thought that the number was roughly 50/50 and that it was quickly shifting to more defined contribution than defined benefit employees. He advised that this expense is driven by the plan selected by the employee and would vary by department. Mr. Hare stated that he would like to have a breakdown of this information.

In reviewing Library (page 215), Mr. Koenig stated that personnel costs in the Dover Public Library were influenced by two (2) labor agreements. He explained that administrative expenditures would increase due to converting from personnel to a cleaning contract and expanding service for cleaning at the library due to the amount of usage. Mr. Koenig stated that over the last few years, the City converted to privatized cleaning at the library and gravitated away from privatized security to the cadet program.

Mr. Hosfelt questioned why one (1) full-time position was not budgeted for all year in FY 16 in the library. Mr. Koenig stated that, although some positions had been modified through downgrading and upgrading, the total head count should not have gone up in the library. Mrs. Mitchel indicated that she would research this issue.

In reference to Parks and Recreation (page 216), Mr. Koenig explained that capital outlay was driving this budget, noting that improvements were planned for Schutte Park and Dover Park. These projects were outlined in the capital plan and were driving a budget increase of approximately 25%.

In regard to the $52,000 increase in administrative expenses for the library due to the new custodial contract, Mr. Hutchison asked if this would be $52,000 per year. Mr. Koenig stated that it would be yearly and noted that part of the increase was attributed to the custodial expense being moved from Facilities Management's budget to the Library's budget. Because the cleaning hours are defined at the library, the cost of that contractual service is charged directly to the library, so some of the increase was due to an accounting change over time. Mr. Koenig advised that all janitorial services related to a specific building are being charged to a specific budget. For example, the Electric Administration building is being charged to the Electric Department budget, the Dover Public Library to the Library budget, and the Police Department to the Police budget.

In response to Mr. Hutchison, Mr. Koenig stated that the three (3) cadets at the Dover Public Library are a security feature that comes out of a line item in the library budget. Referring to Library Account 10-13 Temporary Help (page 256), he explained that some temporary help is related to library staff and some to security, which is all being charged to the Temporary Help line item.

Mr. Hare questioned if the Police Department had been authorized to replace their janitor. Responding, Mr. Koenig explained that a building craftsperson was assigned janitorial responsibilities at the police station several years ago. There was a request in FY 15 or early FY 16 to convert janitorial service of the public area in front, including the lobby, bathroom, and possibly the public assembly room, to a private contractor because it was too much for the building craftsperson to maintain. Mr. Koenig stated that this was a small contract of approximately $3,000 - $5,000 per year. That craftsperson had since resigned from the City and the janitorial function of

that position was replaced with a contractor. Mr. Koenig noted that the entire facility was now being cleaned by a contractor, and the Police Chief and staff indicated that they were happy with the contractor. The budget still had the building craftsperson position, which had been rolled back to the initial starting numbers. Mr. Koenig explained that he had not signed off on a permission to recruit because the question of whether the Police Department needed a 40 hour per week building craftsperson in addition to a cleaning service for six (6) or seven (7) days per week remained. He was considering placing the craftsperson position in Facilities and providing service to the Police Department on a work order basis. Mr. Koenig advised that the Police Department and the Police Chief favor the position being in the Police Department because the Chief could then control all the work that this person does related to the facility. Mr. Koenig stated that a decision must be made in this regard within the next week.

Mr. Hare questioned if this position could return to being a craftsperson and also perform cleaning. In response, Mr. Koenig stated that there had been a significant enhancement in service at the Police Department and expressed the need to be realistic when debating the budget. He indicated that many things had been done over the past three (3) or four (4) years to expand service at the Police Department, many of which were low key; however, they were driving the General Fund budget. Mr. Koenig noted that the Police Chief had provided him a detailed list of what the building craftsperson does there; however, Mr. Koenig stated that there are just as many needs in other parts of the organization. The actual cleaning portion of the contract was substantially expanded at a cost. Mr. Koenig indicated that if he was trying to contain the Police Department budget in the FY 16 costs, they would not have enough money for this service to expand the janitorial contract and hire the building craftsperson.

Mr. Sudler, referring to Parks & Recreation (page 216), questioned why the contribution to the African American Festival was decreased by $3,000. In response, Mr. Koenig stated that decreasing the City's contribution to the African American Festival was his recommendation, noting that he had made the recommendation that Council consider eliminating this contribution in previous budgets from 2012 to 2015. He advised that the African American Festival was not singled out, explaining that the City had previously contributed to both the Fourth of July Celebration and the African American Festival. Mr. Koenig stated that the $5,000 formerly contributed to the Fourth of July Celebration Committee had been decreased to $0 in previous budgets.

Mr. Slavin advised that the Fourth of July Celebration Committee was originally set up as a City committee, funded by the City, and given the responsibility to create private funding to support it, and he believed they reached the point of returning funds a few years ago that the City appropriated. Mrs. Mitchell stated that this had been budgeted and they asked for the City not to pay them because they did not need it.

Mr. Slavin stated that the Fourth of July Celebration had successfully become a stand-alone event, which was the exit strategy.

Mr. Sudler questioned how much of the $165,000 increase in capital outlay in the Parks & Recreation budget was allocated for Dover Park. Responding, Mr. Koenig stated that he would explain this during the review of the Capital Investment Plan.

Mr. Sudler asked what the justification or merit was for exiting from the African American Festival. In response, Mr. Koenig stated that this was the City Manager's recommendation because he did not consider this a City-sponsored event. He indicated that it is a private event that the City had recognized and supported, and would continue to support by picking up trash, etc. However, if another festival came in with similar goals and objectives, Mr. Koenig did not have a way to say whether or not they should be funded at this level.

In response to Mr. Sudler's previous question regarding the amount of capital outlay for Dover Park, Mr. Koenig referred to FY 2017 Capital Investment Plan - FY 2017 thru FY 2021 - Projects by Department (page 105). Mr. Koenig advised that $165,000 was allocated for Parks and Recreation capital outlay, with $50,000 labeled for a Dover Park master plan, $100,000 related to land improvements at Schutte Park, and $15,000 for small park improvements. He explained that the details of those improvements were identified on pages 106, 107, and 108.

Mr. Sudler noted that there are many City parks in Dover that do not have amenities, only grass and a sign that says City park, and asked if the small park improvements mentioned in the Capital Investment Plan consisted of things like edging. He questioned why the City has these parks, such as in Bicentennial Village, with no amenities, such as swings or seesaws, and if the City was paying money for nothing.

Mr. Slavin suggested that this question be deferred until Mrs. Ann Marie Townshend, Director of Planning and Community Development, was present. He felt that this may relate to the difference between active recreation, passive recreation, and pocket parks.

Mrs. Dawn Melson-Williams, Principal Planner, stated that when some subdivisions in the City were developed, the City took dedication of open space or active recreation areas that were created for some of those subdivisions and, in some instances, this included grass areas. She advised that this is typically not how the City deals with active recreation in new subdivisions. Mrs. Melson-Williams indicated that in some cases there are small areas of grass, and recreation activities can happen in these areas, but there are no amenities in the form of benches or swings. She noted that the areas are probably big enough to allow movement and provide a game-type function for the neighborhood. Mr. Sudler asked how much this was costing the City; however, Mrs. Melson-Williams did not have that information.

Mr. Anderson asked if the building craftsperson at the Police Department would be a 100% General Fund expense or if part of the cost would be shared by the other funds. Responding, Mr. Koenig stated that if it was in the Police Department it would be 100% General Fund; however, if the position was filled in the manner that he was proposing, it would be in the Facilities Division, which is an allocated fund.

Mr. Anderson indicated that if the building craftsperson position was in the Facilities Division, it would serve the City and be shared by all of the funds that generate revenue. Mr. Koenig confirmed that if the position was located in the Facilities Division, it would be a shared resource dedicated to all facilities. While the position may primarily be dedicated to the Police Department, it would be a shared position.

Mr. Sudler moved to recess, seconded by Mr. Neil and unanimously carried.

The meeting recessed at 7:28 p.m.

Mr. Anderson moved to reconvene the meeting, seconded by Mr. Lewis and unanimously carried.

The meeting reconvened at 7:40 p.m.

In regard to the African American Festival, Mr. Sudler asked if Mr. Koenig had discussed the $3,000 decrease in funding for the Festival with former Councilman Reuben Salters, the organizer of the event. Responding, Mr. Koenig stated that he had not personally talked to Mr. Salters and was unsure if that was communicated to him through the department. Mr. Sudler strongly urged that Mr. Koenig advise Mr. Salters to allow him time to prepare for this. Mr. Sudler indicated that he was not against the decrease but felt that, as a courtesy, Mr. Salters should be informed.

Mr. Slavin did not believe that Mr. Salters knew about the potential decrease, since he had not heard from him.

Mr. Anderson clarified that the funding for the 2016 African American Festival would not be affected, so Mr. Salters would have a year to prepare. Mr. Koenig confirmed this, noting that Mr. Salters had been working on the current Festival which would be held at the end of June and was included in the City's FY 2015/2016 budget. He stated that the current discussion pertained to the 2017 Festival.

Mr. Koenig stated that Mrs. Kim Hawkins, Human Resources Director, had advised him that the current roster of employees includes 106 employees in the defined benefit plan, 123 in the defined contribution plan, and 101 uniformed officers in the State of Delaware County and Municipal (Police/Firefighter) pension plan.

In response to Mr. Hare regarding the other 29 employees, Mr. Koenig believed that there were probably 29 openings across the City. Mr. Hare requested a list of the open positions and how long each had been open, which Mr. Koenig indicated he would provide.

Referring to Police (page 217), Mr. Koenig stated that personnel costs would increase in this Department by 7%. He indicated that this would fund 101 police officers, and incorporates the Fraternal Order of Police (FOP) contract and proposed raises for non-bargaining employees. Mr. Koenig explained that one (1) officer resigned in FY 16; however, this officer's salary would be carried until the end of FY 16 at the rate of pay at the time of resignation. Mr. Koenig advised that the City is required to make a payment of $40,000 to the exiting employee, which he believed would occur in January, and this money had not been set aside. He stated that approximately $75,000 was budgeted for this position in FY 17, including a salary of approximately $50,000 plus associated benefits, at the starting wage of an entry-level patrol officer. Of this amount, $40,000 would be used to pay the obligation. Mr. Koenig noted that the potential for another School Resource Officer (SRO) was mentioned and would increase the revenue from the Capital School

District from $100,000 to $160,000. If the City goes forward with the SRO and receives this revenue, there would be $35,000 left over from the $75,000 budgeted salary and benefits, less the $40,000 payment. Mr. Koenig advised that if $60,000 is added to the $35,000, this would allow $95,000 for the replacement of an officer, assuming the City moves forward with the SRO contract, which is how the budget was prepared. He stated that the last SRO contract was with Parkway Academy. Mr. Koenig indicated that the intent was for the Police Chief to bring back the SRO contract, stating his assumption that it had not yet been signed so that Council could consider this matter within the context of the overall budget discussion.

For clarification, Mr. Lewis questioned if the school district would be paying $60,000 toward the SRO. In response, Mr. Koenig confirmed that if the City executes the contract and designates an officer, there would be $60,000 of revenue associated with that contract. Mr. Koenig stated that the City would treat that officer as other SROs are treated, explaining that an officer would be dedicated to the school during the school year and be eligible for other overtime and extra duty. Mr. Koenig indicated that this officer would be eligible to be pulled into the other units for duties at the Dover Police Department at the discretion of the Chief.

In response to Mr. Hare regarding whether the City loses money on extra duty, Mrs. Mitchell stated that the rates are calculated so that the City does not lose money.

Mr. Hutchison questioned if the contracts for SROs are year to year. Responding, Mr. Koenig believed that the SRO contract are for multiple years, noting that the Mayor and Police Chief had described a three (3) year contract to him. Mr. Koenig was unsure if all resource officers have three (3) year contracts but stated that he would provide this information. It was his belief that the contract for Parkway Academy was a multi-year contract.

Mr. Hare questioned if the Capital School District pays $60,000 toward each SRO. Responding, Captain Tim Stump, Dover Police Department, advised that the Capital School District pays $100,000 toward two (2) SROs, and the agreement signed with Parkway Academy in July 2014 states that the school had agreed to pay $60,000 per year for 900 hours of police service based on a three (3) year contract.

Mr. Lewis stated his understanding that civilians who were previously police officers were receiving retirement benefits, such as medical, but were being charged for benefits again as civilian employees. He questioned if this was true and, if so, what the reasoning was for it. Responding, Mr. Koenig stated that there are three (3) retired Dover police officers serving in this capacity, two (2) Sex Offender Registry officers and one (1) crime analyst. He indicated that when these positions were initially created, they were non-bargaining positions. Mr. Koenig explained that these employees are receiving pensions from the State fund, retired from their service as police officers, and were rehired by the City as civilian employees. The offer letters advised these candidates that they could work for the City with the condition that there was a specified salary and they would purchase health care as active employees. After these positions were filled, each of these employees was incorporated in the AFSCME labor union. Mr. Koenig indicated that the City's position is that these employees are being paid at their active rate and they will pay for health care in accordance with the AFSCME contract, which has a different cost-sharing allocation. He stated that this issue is being

debated while moving through the administrative applications associated with the transfer from non-bargaining to AFSCME.

Mr. Lewis questioned if these employees were required to pay for health insurance because they fall under the union. In response, Mr. Koenig stated that this was not the reason; however, when they were hired as non-bargaining employees, their offer letters included their salary and stated that they must pay for health insurance as active employees. The conditions at the time were an 85/15 split for all non-bargaining employees.

Mr. Lewis noted that the City also contributes to the health insurance cost. He questioned whether the City would save money if these employees continued to receive benefits under their retirement packages and work without contributing to medical benefits, since the City would not have to contribute.

Responding to Mr. Lewis, Mrs. Mitchell advised that the unfunded liability for OPEB was the driving force for this approach when the proposal to rehire retired officers was original submitted. She explained that the City pays retiree health care whether employees are active or retired. Mrs. Mitchell stated that when employees retire, the City has to fund the liability of their life span from their age of retirement, noting that the mortality table may indicate a life span of 80 years. If they are hired back as active employees, take health care as active employees, and work another 10 years, it would cut 10 years off the City's unfunded liability. Mrs. Mitchell advised that the State also uses this approach. She stated that these individuals still see the OPEB benefit on their pay statements and have difficulty understanding why this occurs when they are active employees. Mrs. Mitchell explained that this relates to accounting rules for OPEB that require the percentage of payroll funding the unfunded liability to be reflected across payroll. She explained that this is socialized, similar to Social Security.

Mr. Koenig reviewed Life Safety (page 223), explaining that it includes the Fire Marshal's Office and the City's ambulance contract.

Responding to Mr. Slavin, Mr. Koenig estimated the cost of the ambulance contract at approximately $20,000 per month or $240,000 per year. He noted that, during the last two (2) years, approximately $15,000 had been given to the Cheswold and Camden-Wyoming volunteer companies, with approximately 50% going to each company. Mr. Koenig indicated that he could obtain exact numbers if desired.

In response to Mr. Slavin, Mr. Koenig confirmed that the ambulance contractor receives payment from the City and also from those that they transport. He stated that the City pays a standby fee of approximately $10,000 per shift and has 24 hour coverage, with two (2) units for 16 of those 24 hours.

Mr. Slavin advised that the service was set up this way to contain the City's cost and so the City would not be in the bill collecting business. Mr. Koenig confirmed that the City is not in the bill collecting business. He noted that when the current ambulance contract ends, there is the potential

to adjust this cost by performing a national Request for Proposals (RFP) and obtaining a vendor who will not charge a standby fee and will provide service purely based on billing.

In response to Mr. Slavin regarding whether the City had the ability to know if the vendor is profiting off the contract in addition to the fee they receive from the City, Mr. Koenig did not believe that a financial statement was part of the terms of the agreement. He was unsure if the City could obtain this information but indicated that staff could try.

Mr. Slavin commented that there was only a brief mention of Emergency Medical Services in the Operational and Administrative Analysis of the Fire Department, noting that he thought the City would receive more information from this study. He felt this may be an area to explore.

Mr. Sudler asked the date when a competitive analysis of the ambulance service was last done and when another vendor was considered. Responding, Mr. Koenig advised that an RFP was done approximately 13-14 months ago. To his recollection, FY 16 was the first year of a three (3) year contract. Three local (3) vendors responded and the vendor being used by the City at the time was selected. Mr. Koenig explained that there was a vendor with a no-cost proposal, but this was a new start-up company that had worked in transport but not Advanced Life Support (ALS)/Basic Life Support (BLS). The third vendor was a proposed spin-off, start-up service from a local volunteer ambulance company. Mr. Koenig indicated that the City had elected to use PrimeCare and would be entering the second year of the contract this year. He stated that it takes approximately one (1) year to adequately vet an RFP for this type of service. Mr. Koenig noted that the Operational and Administrative Analysis of the Fire Department indicated that the City was at the size and had the volume of calls where a national provider may be interested in Dover as the capital City. He felt that by bringing in a national provider, the City could potentially eliminate the $240,000 standby charge.

Mr. Sudler asked if the award was made based on cost or service. In response, Mr. Koenig indicated that the lowest cost was not selected. Selection was made based on who staff felt was providing reasonable service. Mr. Koenig indicated that there had been complaints regarding service, which were evaluated and staff felt that the current provider had adequately addressed the concerns.

Mr. Hosfelt questioned if the fees for volunteer company providers are paid because PrimeCare cannot make runs. Responding, Mr. Koenig explained that if the City's vendor is not available and the volunteer companies make a transport or dedicate resources to come into the City for transport, compensation has been offered to them at $25 per run. He stated that in August 2016, staff will review the last 12 months and the City will donate $25 per run.

In response to Mr. Hosfelt, Mr. Koenig stated that PrimeCare is sometimes unable to make runs because they have not been released from the hospital, noting that if they bring in someone who may have ingested something, they are not released quickly. In some cases they are responding to multiple incidents and are not available. Mr. Koenig indicated that in some cases the closest unit may have been another volunteer unit that had made a run to the hospital and were immediately available; however, the first call is made to PrimeCare and it does not transfer over to other vendors unless they decline the call or cannot take it. Mr. Koenig stated that PrimeCare and the other vendors provide BLS, and ALS is provided by Kent County paramedics.

Mr. Hare suggested informing PrimeCare that the City intends to look at national providers when this contract is up to see if PrimeCare wants to negotiate.

Mr. Hutchison advised that when he served as Chair of the Safety Advisory and Transportation Committee, the Committee reviewed ambulance services with the City Manager and staff. He stated that a complete analysis was done of the vendors to make sure the City was getting a first-class response. Mr. Hutchison reiterated that there was a back-up system in place with Cheswold and Camden-Wyoming, and the City utilizes the paramedics as well. He noted that it had always been the policy that if there is a complaint pertaining to a 911 ambulance call, staff reviews the details to find out what happened. Overall, Mr. Hutchison felt that PrimeCare provides good service, noting that other options could be considered when the contract is finished.

Mr. Koenig explained that there had been a period when there was friction with the volunteer fire associations who were providing additional service, and this resulted in the donation discussion. To Mr. Koenig's knowledge, the donations made by the City to the Camden-Wyoming and Cheswold fire companies represent their largest single donations from a contributor.

Mayor Christiansen questioned how PrimeCare bills for each individual transported. In response, Mr. Koenig stated that he did not know and staff would have to get those records.

Mayor Christiansen noted that an ambulance from Hartly recently responded to an incident on Reed Street and questioned if they would be eligible for the $25 fee. Mr. Koenig stated that Hartly had not appeared on the manifest. When the records are reviewed, if Hartly appears enough times, he felt that the City would make an offer to them; however, donations had been made only to Cheswold and Camden-Wyoming.

Mayor Christiansen asked if there was a record of the number of times the Fire Department had been called to assist PrimeCare because their personnel on location were not qualified to do the job. Responding, Mr. Koenig stated that Ms. Kay Sass, Public Affairs and Emergency Management Coordinator, may have this information; however, he did not. Mayor Christiansen requested that these figures be provided to Council.

Mr. Hosfelt stated his concern that PrimeCare knows they can make insurance money if they are in a position to make a run. He felt that they were taking runs when they should be on standby in the City to handle its issues. Mr. Hosfelt stated that when PrimeCare takes a run to make insurance money and the City calls in Camden-Wyoming or Cheswold, the City has to pay them as well. He had been informed by people in the business and people in the hospital that this was occurring. Responding, Mr. Koenig stated that staff could check out this complaint. He noted that there had been complaints over the years that were unfounded but had to be evaluated; however, if this was happening, this was not the level of service that the City agreed to.

Mr. Koenig reviewed the Economic Development budget (page 224), noting that the proposed budget was $237,700.

In response to Mr. Hutchison, Mr. Koenig stated that three (3) employees are assigned to the Economic Development Office.

Responding to Mr. Hutchison, Mayor Christiansen advised that he was unsure how much time he devotes to economic development but that it is quite a few hours. He stated that he and Mr. William Neaton, Economic Development Manager, are continuously trying to bring new businesses to the City and protect jobs that are already in Dover.

In response to Mr. Hutchison regarding how many hours he and Mr. Kirby Hudson, Assistant City Manager, devote to economic development, Mr. Koenig noted that he, Mr. Hudson, and Mrs. Ann Marie Townshend attend a number of related meetings. Mr. Koenig estimated that 20% of his time relates to economic development, including phone calls and meetings. He noted that he is not there specifically to promote economic development but to promote the City in general. Mr. Koenig stated that time is not broken down by utilities versus economic development. He estimated that 20% of his office time is spent talking about things such as how to expand the business and residential base, and utilities.

Mr. Hutchison stated his understanding that when a proposal is getting ready to be presented, Mr. Koenig's office and staff would be involved. Responding, Mr. Koenig advised that his office is involved for large projects and to a lesser extent for average projects. The Planning Office is involved in every application to a certain level if it involves a building. Mr. Koenig stated that, at his level, staff had been involved in the Downtown Development District and the applications for funding for projects; however, they do not account for the hours.

Responding to Mr. Sudler, Mr. Koenig stated that 100% of his time is dedicated to the development of the City.

Mayor Christiansen stated that because of the types of projects the City looks at, as soon as there is interest in the City, Mr. Koenig, Mrs. Townshend, and Mr. Hudson all consult, noting that Mr. Hudson had brought some people to Dover under the City's Downtown Development District program. He noted that staff works as a team so they do not have to go back and consult with each another. Mayor Christiansen stated that when a major project comes in, such as the development of the new shopping center in North Dover or the remodeling of the former K-Mart, the team meets with the developer from the start to consult as a unified group. He pointed out that, due to working with the Downtown Dover Partnership (DDP), some of the personnel are split and they focus their emphasis on downtown projects. Mayor Christiansen stated that he was not excited with the current configuration of the Economic Development Office and it may need to be reconfigured in the future.

Mr. Hare recalled that the Economic Development Office employees previously came before Council and mentioned that they spent over 50% of their time with the DDP. The DDP hired an individual and these employees came back to work for the City; however, the gentleman that the DDP hired left and now the City was back with the DDP. Mr. Hare questioned what was not being done for the City, if 50% of employees' time was being spent with the DDP. He suggested the possibility of turning economic development of the City over to the DDP.

Mr. Lewis asked Mr. Koenig if an Economic Development Office was needed for the City. Responding, Mr. Koenig stated that this decision was made by Council a number of years ago and economic development is part of the Mayor's charge. He noted that he was on record as saying that there are many options available for economic development and the current option is not the option that he recommended several years ago. Mr. Koenig stated that he stood by his original recommendation.

Mr. Anderson stated that there had been many reports on this. He indicated that many projects, such as parking, are handled within economic development under the DDP, but City staff basically does the work. He cited the farmer's market, various inventory of buildings that was being compiled, marketing, filling in real estate agents, etc., and noted that the Economic Development Office deals not just with downtown but the whole City. He stated that there was a lot of focus on small businesses, which are very important, noting that job growth in the City is more on the side of businesses with 50 and under employees. Mr. Anderson stated that the City's unemployment rate has fallen much faster than the State unemployment rate, and the State Economic Development Office had advised that half of the new jobs in the State were created in the Dover area. Mr. Anderson felt that a case could be made that what is being done is working and when the DDP tried something different, it lasted only months, and even then they kept asking City staff to help. He felt that the City was getting more than status quo results with a status quo budget.

Mayor Christiansen indicated that this may not be the most workable formula, but this is what was in place. He stated that he was open to all suggestions due to the desire for the City to progress. Mayor Christiansen noted that while the City works closely with the State of Delaware Economic Development Office and Kent County on a regular basis, the major responsibility of the Mayor and the Economic Development Office is to find jobs and businesses to come to the City to increase the tax base.

Mr. Sudler questioned how much time Mayor Christiansen focuses on economic development and working with the DDP on a daily basis. Responding, Mayor Christiansen stated that he has a very close relationship with their supervisor and they work together continuously; however, he could not delineate the number of hours, noting that there are many walk-ins that bring complaints to the City Manager and the Mayor fields those that the City Manager does not. He indicated that economic development is his primary job, next to public safety and in addition to handling constituent complaints, because this would increase the tax base and assist those on the street who need jobs.

Mr. Hosfelt questioned Mr. Koenig's comment that he had been on the record in regard to the Economic Development Office. Responding, Mr. Koenig indicated that during a time of budget contraction, there had been discussion about what services the City needed to provide. At that time, he favored an agreement to potentially transfer funds to Kent County to hire a municipal economic development person who would be a subset of the County. Mr. Koenig indicated that he was being encouraged by Council to improve relationships with Kent County, and he and Mr. Michael Petit de Mange, Kent County Administrator, had talked about this concept, which was a major deviation from what the City was doing. Mr. Koenig noted that the concern about this approach was how to guarantee that a prospect would be directed to Dover if the economic development person was not vested in the City. He stated that he liked this concept as a cooperative measure with Kent County

because he has trouble gauging the opinion of Council regarding whether members think the City is getting value for the dollars being spent on economic development. Mr. Koenig stated that all of the department heads in the City are contributors to economic development at different points in the process. He indicated that he is not the point of contact when taking someone through the steps of constructing a building, but employees in various departments perform that role, and Mr. Neaton was doing this on a couple of projects. Mr. Koenig advised that ultimately City Council must give must give him direction as to whether they are happy with the direction of economic development in the City. Mr. Koenig reiterated that the City had been in a time of contraction when collaboration was being encouraged, and Council had been open to a number of different ideas; however, the stumbling blocks were control and the fact that there were people who were already performing economic development.

Mr. Neil asked Mr. Koenig whether realtors play a major or minor role in economic development, and if major, what current economic development personnel were doing to bring them in. In response, Mr. Koenig stated his understanding that commercial realtors are being contacted with the business leads, and some of these realtors were better than others at bringing contacts in. He indicated that the City does not go out of the state or region to promote Dover and funds are not spent to send the Economic Development Director to national or regional conferences to recruit, for example, a biotech company.

Mr. Koenig advised that many of the contacts the City receives are funneled through the Delaware Economic Development Office (DEDO), including those who need a specific number of square feet or have a specific utility need. For example, he stated that a number of companies were searching all over Kent County in regard to facilities for medical marijuana and these facilities may pop up in a number of different locations, depending on who obtains a license. Mr. Koenig stated that many of those applicants came through one (1) real estate firm. In that case, the City was contacted and he had not previously known that there were people looking for that type of facility. Mr. Koenig indicated that the economic development market is just as difficult as retail business and noted that success does not occur every day. He advised that if the City gets one (1) project every year or two (2) at the Garrison Oak Technology Park, by some standards that is pretty good, although as City Manager, he would like to see two (2) or three (3) projects every year to achieve a quick return. Mr. Koenig stated that the City had a number of challenges with respect to geographic location in the State, employment, technology, and demographics. He noted that a lot of people were coming to the area to retire and some may want part-time jobs, while others may not want to work at all. Mr. Koenig indicated that this is a difficult environment to work in and that success must be defined, because there may be success in one (1) year that is followed by a dry oasis.

In response to Mr. Neil regarding who sold the old K-Mart building to Burlington Coat Factory, Mayor Christiansen stated that he was the initial contact for the project and he directed them to Mr. Neaton, who guided them. Mayor Christiansen advised that there would be another entity at this location and two (2) pad sites because of the salesmanship of the City's team, including Mr. Koenig and Mrs. Townshend. He stated that they all worked very diligently to bring Burlington to the City. Mayor Christiansen stated that realtors had brought projects to the Economic Development Office and to the City, noting that this was the luck of the draw. He advised that the City continued to work closely with DEDO and Kent County. Mayor Christiansen felt that DEDO's priority had always

been New Castle and Sussex County concerns. He noted that some items had been referred by the City to Kent County, and the County had done the same for the City. He stated that the first priority of the Mayor and the Economic Development Office was Dover and bringing jobs to Dover. He noted that some people were not happy with the current configuration of economic development in the City; however, he felt the emphasis should be on Dover growing, which was the case before there was an Economic Development Office and should be in the future.

Mr. Anderson questioned how many economic development directors Kent County had gone through in a five (5) year period. Responding, Mr. Koenig stated that Mr. James Waddington was the only person he knew who had held this position. Mr. Hare noted that Mr. Waddington had served in this position since the death of Mr. Dan Wolfensburger, former Director of the Kent Economic Partnership.

Mr. Anderson indicated there had been discussion with Kent County that diluting Dover with all the municipalities would be a mistake and would have resulted in the Garrison project still being a field. He believed that by the time the Garrison project is complete, the City would realize close to a billion dollars of private investment there. In terms of economic development, Mr. Anderson stated that the City had something that is moving forward and felt it would be a mistake to go back in a different direction that was not working in other places. He felt that economic development is a very competitive market because of the national environment. Mr. Anderson noted that the City's website could be marketed more and the City could have something for entrepreneurs and smart money in places that would be relatively inexpensive. He did not know why the City was not budgeting for this.

Mr. Hutchison stated that he had the opportunity to serve as Mayor and work with economic development for 10 years and the City averaged between $2M - $4M in real estate transfer tax per year during that period. He felt that economic development is one (1) of the most important jobs the Mayor has. Mr. Hutchison advised that, as Mayor, he had visited the Vice President of Wilmington University personally to tell him that the City needed Wilmington University, and a couple of years later he received a call from the Vice President telling him that they were ready to come to Dover. Mr. Hutchison indicated that he did not like the current economic development organizational structure and felt everyone should sit down together, reorganize the Economic Development Office, and make it better. In regard to the City remaining competitive, Mr. Hutchison cautioned that it cannot be assumed that every job in the City today will be here tomorrow, so the City must work every day to promote economic development.

Mr. Hare stated that, having worked for a business development company for many years, he had gone to many conferences and events to stay informed. Mr. Hare questioned why the City was not going to summits to promote Dover and the industrial park, and why there was no ad in USA today saying that Dover is open and has land for $1,000 per acre, noting that the State had done this. He reiterated his concern regarding the City's economic development staff spending half of their time with the DDP. He advocated talking to business owners downtown to get feedback about economic development in Dover.

Mr. Sudler asked Mr. Hutchison, as a former Mayor who dealt with economic development, if he suggested that economic development continue under the Mayor's leadership if restructured. Responding, Mr. Hutchison stated the importance of looking at the current structure, which he felt could be redefined and improved. He felt that the Mayor is the point person for the City of Dover when it comes to economic development, so the Mayor must be involved.

Mr. Slavin felt that a cross team needed to be identified and meet on a regular basis to determine what the City is doing with economic development in terms of daily activities and strategic goals. He expressed concern that he had heard repeatedly that the number one concern was bringing new jobs, which he felt was only half of the job of economic development. Mr. Slavin stated that the other half is keeping the jobs that the City has and taking care of employers who had been here for a long time. He stated that he shared Mr. Hare's concern about downtown businesses and advised members that he had received open criticism from them about the lack of effect from economic development on their businesses. Mr. Slavin indicated that he has his own ideas about economic development and a motion to propose; however, he stated he would wait until after the discussion.

Mayor Christiansen advised that in 1993 when Sunroc was planning to come to Dover, he, as Council President; Mr. Jim O'Connor, former City Manager; and the City Planner met with representatives from the company. After closing the deal for Sunroc to move to the Kent County Aeropark, Sunroc asked when they could talk to the Mayor. Mayor Christiansen agreed with Mr. Hutchison that the Mayor should be totally involved in economic development as much as possible as the leader of a team in a new and improved configuration. He felt that it was important for the Mayor to be involved with businesses that the City wants to keep or move here. Mayor Christiansen advised members that he touches base and attends meetings regularly with plant managers to make sure the City is fulfilling its responsibility to them to protect the jobs that are already here and bring new jobs.

Mr. Slavin noted that the time was 8:45 p.m. and the meeting was scheduled to recess at 9:00 p.m. He stated that the budgets for several departments had not yet been reviewed and the review of the Capital Investment Plan, Financial Forecast by Fund, and City Policies and Procedures had not yet been considered. Mr. Slavin reminded members that they were scheduled to begin discussion and mark-up of the budget tomorrow evening, recess by 8:00 p.m., and return on June 1, 2016 to continue discussion and mark-up. He felt that members had made great progress and identified some of the issues, noting that he had a list of possible motions that he believed would be worthy of members' attention. Mr. Slavin suggested that Mr. Koenig and Mrs. Mitchell provide a compressed review of the CIP, Financial Forecast by Fund, and City policies and procedures, not to exceed 90 minutes. Members could then take a brief break prior to beginning the process of marking up the budget with motions and questions, not to exceed 90 minutes. Mr. Slavin expressed his hope that this would allow members to get through this portion of the process tomorrow night. He reminded members that the budget ordinance would be introduced for First Reading during the Council meeting of June 13, 2016 and that the Final Reading would take place on June 27, 2016, noting that these meetings would provide an opportunity for amendments. Mr. Slavin felt that, from the City's side, members may by in a position to finish the budget review tomorrow night, and expressed his hope that by June 27, 2016, members would know what would be happening with the State.

Mr. Slavin indicated that the Special Council Meeting - Budget Review agenda would be amended to reflect his suggested changes.

Mr. Koenig advised that Mrs. Mitchell had indicated that Staff could forego the review of City Policies and Procedures tomorrow night. Responding, Mr. Slavin stated that this could be included as an item on a Council meeting agenda as an educational item.

Mr. Koenig continued his review of the General Fund division budgets, referring to Public Works Admin (page 226).

Mr. Koenig, referring to Streets (page 231), reminded members that the budget gap discussion resulted in a reduction in the street program from $1M to $900,000.

Mr. Koenig reviewed the Water/Wastewater Fund budget (page 277), advising that this was a balanced fund and no rate increase was proposed. Referring to Water Treatment (page 281), he explained that the capital expansion at the water treatment plant would be bonded in a bundle of projects for long-term financing. Mr. Koenig stated that expenses were up in some divisions and down in others, and the City was still able to deliver a robust capital plan and operating budget within the current rate structure.

Responding to Mr. Hutchison, Mr. Koenig stated that trash fees do not cover 100% of the cost of operation. He stated that Staff tried to set them at a level where they were covering the majority of the operating expenses of personnel and the 20-30 series. To his recollection, they did not recover all of the capital costs associated with vehicles. Mr. Koenig estimated the recovery at 70% to 80% of expenses.

Mr. Slavin suggested deferring Electric Fund budget until tomorrow evening.

Mr. Anderson asked how the Kent Avenue sinkhole problem affected street priorities. Responding, Mr. Koenig stated that Council had received notice regarding a failing storm sewer in Division Street at Kent Avenue. The cost of repair was being evaluated and staff would discuss the matter regarding who should make the repair with the Delaware Department of Transportation (DelDOT). Mr. Koenig stated, as a worst-case scenario, the City would have to do the repair and potentially adjust the street program to account for that expense unless staff came to Council for additional funding authorization. He advised that he and Mrs. Mitchell would discuss this to determine whether a budget revision would be needed, if they could possibly wait to see if there would be any funds leftover from this year, or if there would be a windfall before the end of the year. Mr. Koenig noted that, unless he asks for additional money, the funding would likely come from the street program.

Mr. Neil moved to recess, seconded by Mr. Cole and unanimously carried.

The meeting recessed at 8:57 p.m., to be reconvened at 6:00 p.m. on May 26, 2016.

THURSDAY, MAY 26, 2016 - 6:00 - 9:00 p.m.

The Special Council Meeting - Budget Review reconvened on May 26, 2016 at 6:01 p.m. with Council President Slavin presiding. Council members present were Mr. Anderson (departed at 6:28 p.m., returned at 6:37 p.m.), Mr. Sudler (arrived at 6:40 p.m.), Mr. Lewis, Mr. Cole (arrived at 6:36 p.m.), Mr. Hosfelt, Mr. Hare, and Mr. Hutchison. Mr. Neil was absent.

Council staff members present were Mrs. Mitchell, Mr. Koenig, and Mrs. McDowell. Mayor Christiansen was also present (arrived at 6:13 p.m.).

AGENDA ADDITIONS/DELETIONS

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

Division Budget Reviews

Mr. Scott Koenig, City Manager, reviewed the Electric Fund budget (page 288), noting that this budget included janitorial services for the Electric Administration building. Referring to Electric T & D (page 290), he indicated that capital outlay was increasing due to the addition of the Tar Ditch interceptor project, noting that electric work must be moved so that the stormwater project could be done in the future. He advised that the Electric Fund had done well in putting additional funds toward the unfunded liabilities, resulting in decreased pension costs.

Mr. Koenig indicated that the Electric Department staff had done a good job of getting capital projects on schedule and progressing through them. Over the last year, the North American Energy Services (NAES) had been very aggressive in moving through the capital plan, getting projects underway and completing projects both at Unit 3 and McKee Run, as well as making improvements to the Van Sant generating station.

Mr. Koenig advised that training and acclimating new employees had been ongoing and the electric utility looked very good moving into FY 17.

In response to Mr. Hutchison regarding outstanding vacancies in the Electric Department, Mr. Koenig stated that the Key Accounts Representative position was currently being recruited and an Assistant Generation Superintendent would soon be recruited. This position would be located at the power plan to help bridge the operations side with the power supply side. He explained that Mr. Harry Maloney, Electric Director, was getting ready to recruit for a T & D Coordinator. Mr. Koenig noted that a staff person was recently promoted internally from the Public Works Department to a Substation Technician. He stated that at least one (1) Substation Technician position would be recruited for, and a Grounds Person position had been held open to determine if adjustments were needed to Mr. Maloney's staffing level to make sure the right type of person is hired. Mr. Koenig stated that some long-time employees planned to retire and employees were being moved around to afford for succession. When this plan is determined, the Grounds Person position will be advertised. Mr. Koenig stated that it was important to get these positions in place as quickly as possible. He noted that Mr. Maloney had been very active and thoughtful in considering what the utility should look like moving forward.

Review of Capital Investment Plan (CIP)

Mr. Koenig stated that the Capital Investment Plan (CIP) had changed a lot since it was presented during the Council Committee of the Whole meeting of April 12, 2016. Referring to the FY 2017 Capital Investment Plan, FY 17 thru FY 21, Projects by Department (page 105), he reviewed the proposed General Fund capital projects. Mr. Koenig stated that, in the Parks and Recreation Budget, $165,000 in capital investment was proposed, $50,000 of which related to a master plan proposed for Dover Park, $100,000 to land improvements for Schutte Park, and $15,000 was earmarked for small park improvements. Mr. Koenig stated that one (1) of the shortcomings of the park system was that there were many small parks with needs that do not rise to the level of being included in a separate CIP sheet. For example, he explained that a fence was replaced at the park at the corner of Division and Kirkwood Streets at a cost of approximately $8,000. Mr. Koenig indicated that this project was not budgeted for and there are similar small projects throughout the City.

Mr. Koenig advised that the Police Department plans to install a video storage array for in-car video recordings, which will allow the IT staff at the Police Department to download and manage video from their cars.

Mr. Lewis asked if the funding for the array could be provided through grants. Responding, Mr. Koenig stated that the Police Chief had requested this in the General Fund, noting that, when the budget was initially prepared, it was not thought that federal forfeiture funds could be acquired. Mr. Koenig indicated that Mrs. Mitchell had asked the Chief to seek grant funding if it is available, but the budget shows this as a General Fund expense since there was no commitment that grant funding was available.

Mayor Christiansen stated that the Council on Police Training, of which he is a member, is looking at putting protocols in place for body cameras, and he asked members to be aware that this may be an expenditure down the road.

Mr. Lewis felt it would behoove the City to inquire if there was funding for the purchase of body cameras. Responding, Mayor Christiansen stated that this had been discussed with the Attorney General's Office to find out about funding. He noted that body cameras are very expensive, but expressed the desire to keep up with the latest technology.

Mr. Koenig stated that, between the initial draft budget introduction and the current draft budget presentation, the street and alley program had been reduced from $1M to $900,000 to help with the gap in the General Fund. Funds had also been added to the Silver Lake Dam improvement project to address insurance issues and improvements to the dam. Combined spending for Public Works under capital projects in the General Fund would be slightly more than $1,026,00 and the total General Fund CIP for projects would be approximately $1.2M. Mr. Koenig indicated that the potential for moving forward with the Tar Ditch project had been discussed in recent weeks and the funding for this project had been moved out one (1) year because the City would be seeking funding partners. He did not believe that the City should carry the full burden of this public improvement. Mr. Koenig advised that staff was anticipating fundraising for this project over the next three (3) to six (6) months and hopefully bidding it out in FY 17. He stated that it would go to construction either in late FY 17 or could potentially become an FY 18 construction project. Mr. Koenig noted

that in FY 17 the Electric Department would have to move some things out of the way to get the pipe in the ground.

Mr. Koenig indicated that Mr. Slavin had suggested rebranding the name of the Tar Ditch project because people do not understand what it is in a positive manner. He explained that this project is the abandonment of PW2 and the restoration of the Meetinghouse Branch tributary to the St. Jones River. He advised that historical mapping reflects Meetinghouse Branch as an open channel stream that fed the St. Jones River at this location. Mr. Koenig felt that rebranding the title of the project would help in getting additional interest moving forward.

In response to Mr. Hare regarding the $1M capital improvement in Finance, Mrs. Mitchell explained that this is for the Enterprise Resource Planning (ERP) Solution reflected in the Electric Fund.

Mr. Koenig, referring to the FY 2017 Capital Investment Plan, FY 17 thru FY 21, Projects by Department (page 121), reviewed the proposed Water/Wastewater Fund FY 17 capital projects, noting that this project summary was almost identical to the information presented on April 12, 2016. Mr. Koenig advised that a number of design contracts were being rolled together because money would be borrowed from the State Revolving Fund (SRF). He stated that the Public Works and Finance Departments had packaged projects to get an interest rate of 2% and a debt schedule that meets the City's needs.

In regard to the Water Treatment Plant, Mr. Koenig stated that the current treatment system within the plant would be scrapped and the City would go to a new system. He indicated that the design was 95% complete and was being reviewed by the State for finality. Mr. Koenig advised that staff was trying to arrange to visit a plant with technology similar to that being proposed. He stated that the new system was expected to go to construction in FY 17 with a total cost of approximately $2.4M.

Mayor Christiansen asked how many of the Water/Wastewater Fund projects could be done in-house. Responding, Mr. Koenig stated that a third-party contractor is hired to do all pump station design because this is multi-disciplinary and requires civil, sometimes structural, and mechanical engineering. The surveying is hired out for some water quality improvement projects because the City does not have the technology. He advised that City engineers are doing design for some of the pipe replacement for water quality improvements. Mr. Koenig indicated that some in-house work had been done for sewer design; however, all surveying work is contracted out to approved contractors. He stated that he did not have a breakdown on dollars.

Mayor Christiansen asked if competitive bids or Requests for Proposals (RFPs) are solicited. In response, Mr. Koenig believed that there was a three (3) year schedule for RFPs. He indicated that there is more than one (1) contractor, noting that Pennoni Associates and AECOM were under contract right now, so that work can be divided up to different contractors for different things.

Mr. Hutchison questioned, with the completion of the water tower and increased flow on the east side of the City, whether the City was receiving complaints about brown water. In response,

Mr. Koenig stated that a few complaints were received; however, the number coming to his department had significantly reduced and there had not been many claims in quite a while.

In regard to the street program, Mr. Anderson commented that the budget typically included a list of street projects and questioned what they were. In response, Mr. Koenig advised that the $900,000 is typically dedicated to a series of streets. He explained that staff was currently assessing the entire road network and was approximately 35% through the system. Mr. Koenig indicated that the survey includes curb deficiencies, Americans with Disabilities Act (ADA) issues, the amount of yellow curb, and an inventory of signs. Staff fills out a condition analysis of a section of pavement which goes into a computer program and projects how projects will be prioritized based on needs from the inventory. He noted that if a 200-foot section of street is going to cost $300,000 to repair, in some cases these funds have been used to repair five (5) other streets. Mr. Koenig explained that there is a ranking at the staff level which in the past had been sent to legislators who were asked which projects they may be interested in. Sometimes legislators ask staff where they would like to see the money spent. In some cases they have asked the City to split the cost or it has been split between two (2) legislators. Mr. Koenig indicated that the list for FY 17 had not yet been published because the current street program was being finished. He advised that once the funding level is set, staff will start to insert streets into that funding level.

Mr. Anderson requested that Mr. Koenig keep members informed when the list of street program projects is done.

Mr. Koenig, referring to the FY 2017 Capital Investment Plan, FY 17 thru FY 21, Projects by Department (page 142), reviewed the proposed Electric Fund capital projects. He noted that the proposed total for FY 17 Electric Engineering projects was $877,500, and these projects would be assigned to in-house crews. Mr. Koenig indicated that contractors would be used if necessary, noting that in some cases outside design may be needed.

Referring to the Electric T & D - Public Works Wetlands Project (Tar Ditch), Mr. Koenig stated that a wire line that feeds Kent General Hospital must be moved out of the way so that the old streambed can be restored. He advised that Mr. Maloney must do this work approximately six (6) to eight (8) months ahead of the Public Works project so that any adjustments to his work can be complete prior to the storm sewer project.

Mr. Koenig, referring to Electric T & D - New Developments, indicated that new developments were budgeted at approximately $2.5M last year. He indicated that most of the $1.5M included for FY 17 would be passthrough funds. He explained, for example, that if a new service must be installed at a cost of $100,000, the City may recover $90,000 from the developer and spend $10,000 for a system improvement. Mr. Koenig stated, for example, if only $600,000 of new development work is required, the $1.5M listed will not be spent.

Mr. Koenig indicated that the Enterprise Resource Planning (ERP) Solution is for the replacement of technology for financial management and control across the City. It would include components such as the Finance Department, Code Enforcement, work orders, billing, Customer Service, and all of the software programs that are running to manage the City's finances and budgets. He indicated

that he wished the City did not have to do this, but the current system will be 20 years old in 2017 and the City needs to move to the next generation. Mr. Koenig advised that this project would affect every department across the City, and the hope is that it is robust enough to address all departments' needs and provide a dashboard of information that can be used to make enhanced managerial decisions. He stated that the cost would be approximately $2.3M and this would be a major system upgrade. Mr. Koenig informed members that a number of different packages were running now, including HTE, ADP, systems at the Dover Public Library and the Police Department, and work order systems. He felt that, next to a facility replacement, this would be as in-depth and detailed as one (1) could get for a system replacement. Mr. Koenig advised that there would be a multi-year implementation schedule.

In regard to the power plant, Mr. Koenig explained that the Unit #3 Fast Start Upgrade was listed at $200,000 in FY 18, and NAES would be doing legwork to see how quickly that project could get underway. He stated that the budget may be amended in the future to make sure this project is on a very short timeline. Mr. Koenig noted that these were system and building improvements to ensure that the life of Unit #3 can be extended to the maximum investment possible for return. He stated that plant staff had been working diligently over the last year to get capital projects done and have the units ready for dispatch when called.

Mr. Koenig reviewed the CIP for scheduled vehicle replacements in the General Fund (page 185). In regard to Fire/Robbins Hose, he stated that the $145,700 payment was for an existing piece of equipment that was purchased in 2011. In regard to the Police Department, he stated that the initial request from the Police Chief was for 13 vehicles and during the internal review of the budget, two (2) police cruisers and a motorcycle were cut from his request. He stated that the total summary of vehicles and equipment for the General Fund was estimated at $840,900 for FY 17.

Mr. Lewis asked if the City had investigated whether it would be more cost effective to lease vehicles rather than purchasing them. Responding, Mr. Koenig stated that staff had discussed this with Enterprise Fleet Management and looked at lease programs. The discussion with Enterprise was attractive; however, the purpose of this program was to keep the City with vehicles less than two (2) years old, and the City would pay a premium for that. Mr. Koenig indicated, from a finance standpoint, staff felt this was not the best deal because vehicles in almost every department last longer than two (2) years. A number of years ago, a leasing program was considered, and the City would have made payments for an extra year and owned the vehicles at the end. Mr. Koenig stated that staff proposed purchase rather than lease. He stated that he could not imagine the amount to lease a police vehicle with the expected wear and tear. He stated that staff could look at programs if desired, but he had not seen any articles that focus on police vehicles.

Mr. Lewis asked why the City's Fleet Maintenance shop is not supervising vehicle repair and this is being contracted to a private vendor. In response, Mr. Koenig stated that Fleet Maintenance does maintenance on general government vehicles, including trash trucks. Most electric line trucks are sent out for private maintenance because anything that has to do with the bucket needs review by a certified technician, although the shop may tend to small problems. Mr. Koenig stated that if there is time and room in the shop, staff maintains sedans, although some of them are sent out. He indicated that there are four (4) or five (5) maintenance positions in the shop. For many years, the

Police Department had maintained a relationship with Hertrich, who performs maintenance and keeps records and provides them to the Department, and they are happy with this service. Mr. Koenig stated that the City's shop is not large enough to handle all those vehicles and work schedules would have to be changed to maintain police vehicles. He stated that the police vendor is a State contract vendor, as are vendors for other services not done in-house.

Mr. Hare questioned what the 1998 Ford F150 in Fleet Maintenance was used for. Responding, Mr. Koenig stated that Fleet Maintenance uses a vehicle for road service and a vehicle to get parts. Although some places deliver parts, Mr. Koenig stated that some parts are needed more quickly than they can be delivered. He stated that staff had requested to replace the 1998 Ford F150 due to age, mileage, and worn our parts, noting that the mileage was 149,450, as of October 2015.

Mr. Hutchison commented that the Dover Police Department leased vehicles a number of years ago and, after a couple years, found it to be more costly than purchasing them.

Noting that a 2005 Ford F150 was listed, Mr. Sudler commented that he had a 2004 Ford F150 with more than 150,000 miles and the worst repair was replacement of the transmission, which cost approximately $3,000. He also had to replace the engine due to running it while working, so total repairs were $7,000 and the vehicle was functioning effectively. Mr. Sudler felt it would be cheaper to repair the vehicle than to purchase a new vehicle.

Mr. Lewis asked how much revenue the City makes from auctioning old vehicles and questioned why the old vehicles would not be used by other departments that are in dire need of vehicles rather than purchasing new vehicles. Mr. Koenig stated that he did not know of any department that was in dire need of a vehicle. He stated that vehicles do not last forever, so the question was at what point the City would be wasting money by putting it into a vehicle. He stated that a 1998 vehicle was scheduled for replacement, and other vehicles from 2005 and 2006 were not very good and wore out faster than expected, noting that in some cases they may not have a lot of miles. Mr. Koenig advised that the value received from the vehicle is considered. He explained that when vehicles are replaced, they are cleaned up, radio equipment is stripped off, and the purchasing agent puts them on GovDeals.com. If the minimum bid is $500 and the City wants to get rid of a vehicle, the City takes the $500. Mr. Koenig noted that vehicles that are not running are still being insured by the City. He noted that in some cases the City had spent $2,000 or $3,000 on a vehicle that was supposed to be taken out of service, only for the vehicle to work for a few months and then develop a larger problem. Mr. Koenig stated that there must be a reasonable systemic approach to vehicles coming into and exiting the City. He indicted that the equipment had been evaluated and staff was requesting that it be replaced.

Mr. Hare asked if there was a reason that the vehicle must be a Ford F150. Responding, Mr. Koenig stated that this is what the City now had and whatever was on the State contract for that type of pickup would be bought.

Mr. Hare questioned if a four (4) door pickup was needed by Fleet Maintenance to pick up parts, noting that $31,000 was a lot of money. Mr. Koenig stated that the vehicle would be set up according to the needs, such as a toolbox, and explained that the $31,000 was based on the

specifications that were requested by staff when looking at the State contract. Mr. Hare requested to see the specifications, stating that he had seen a lot of parts pick-up trucks that were small Ford F100s.

Mr. Slavin stated that a decision must be made regarding the level of granularity Council would get into. He indicated that replacement of vehicles could be discussed at this level; however, members would be there for a longer time than originally scheduled. Mr. Slavin stated that when it comes to many issues that Council deals with, members trust things that are outside of their immediate scope of practice, such as electrical issues, etc., and rely on the experts and people that have been hired. He indicated that vehicles are something that members are all familiar with; however, he cautioned that if members begin the process of comparing their personal vehicle use to how a vehicle is used for a 365-day per year operation, they will lose in that comparison. Mr. Slavin noted that there is a much different demand on cars when they have different drivers and uses, and are used constantly throughout the year.

Mr. Sudler suggested, based on his personal experience and in trying to save taxpayers dollars, that the City get an official report from a licensed mechanic to assess the condition, durability, and performance of the F150. Mr. Sudler stated that there may be surveys that indicate it is time for a replacement, but felt that a mechanic should assess whether or not the vehicle could perform the expected duties.

Mr. Koenig reviewed the CIP for scheduled vehicle replacements in the Water/Wastewater Fund, noting that the request for FY 17 totaled $222,600.

Responding to Mr. Anderson, Mr. Koenig stated that vehicles are not prioritized on a one (1) to five (5) scale as capital project purchases are ranked. He explained that a one (1) is the highest priority when looking at capital projects.

Mr. Koenig reviewed the CIP for scheduled vehicle replacements in the Electric Fund. He indicated that the total request was for $165,800.

Mr. Sudler questioned the range of the vehicles used for electric meter reading, noting that he had witnessed staff reading meters and they did not seem to perform any heavy-duty job tasks that would put a strain on the vehicle. He asked why a replacement was needed for a vehicle that was going only from point to point to turn meters on and off. In response, Mr. Koenig stated that the meter reading vehicles were way past the replacement life. He indicated that they were 2017 vehicles because the vehicles being used now were loaners in some cases. Mr. Koenig indicated that the meter reading division had not purchased new vehicles for probably a decade, until this year when one (1) was ordered. He stated that two (2) vehicles were proposed for replacement in FY 17. Mr. Koenig advised that the majority of a meter reader's time is spent driving from location to location doing cuts and reconnects.

Mr. Sudler indicated that his main concern was to save taxpayer dollars and felt that even if a vehicle had been in use for 10 years, it could still be functional and fulfill its job task. In response,

Mr. Koenig stated that staff had spent many months reviewing the budget request, and Electric Fund expenses are recovered through the electric rate to the customers. Servicing the meters and getting meter readers out to read the meters are some of the top critical functions of the utility. He explained that without meter readings, staff cannot bill accurately; therefore, people would not be paying their bills and these funds are needed to do other things.

Mr. Koenig indicated that he had not been expecting a plethora of questions about the replacement of basic, non-specialized vehicles. He stated that staff is using these pick-up trucks to go from point to point to restore service. Mr. Koenig noted that if these vehicles break down in the afternoon or night on the way to restore service, service will not be restored until someone else is called to do it. He did not feel that these requests were extraordinary, noting that this information had been provided during the preliminary budget discussions six (6) weeks ago.

Mr. Sudler asked if any vehicles had broken down associated with cutting and turning on electric service, and if a pick-up was needed or if a basic compact car could be used. Responding, Mr. Koenig explained that different vehicles had been tried; however, the employees who turn on electric service are the same employees who use a water key to turn on water and sewer. He informed members that the water key is seven (7) feet long and would not fit in a small car. Mr. Koenig advised that staff had requested the appropriate type of vehicle based on the analysis of what is done. He indicated that sometimes when these employees are out, they may have to pick up and carry cones and that a pick-up truck can be used for many different things, and a vehicle such as a Ford Focus cannot be.

Mr. Sudler stated that the back seat of a car could be collapsed to allow additional footage. In response, Mr. Koenig asked that Council trust that staff were asking for something reasonable, noting that none of these pieces of equipment were Cadillacs, especially the basic components. He noted that members would not redesign a police car on the Council floor and expected the same courtesy when discussing vehicles for service that staff must deliver 24/7 in all weather conditions.

Mayor Christiansen stated that he worked for a company that carried water keys and dealt with water-related issues and they provided Ford Escort station wagons to save money. In the long run, money was not saved because they had to call someone with a pick-up truck when other pieces of equipment were needed. He advised that the Ford Escorts lasted one (1) year, then they went to pick-up trucks, which were very versatile.

Mayor Christiansen asked if the vehicles being discussed had been used to the maximum of their ability and wherewithal to do the job that needed to be done. Responding, Mr. Koenig advised that all of the general government vehicles coming before members are evaluated by the Fleet Maintenance shop, which has certified mechanics. He stated that they determine if a vehicle is salvageable and if improvements are to be made to the engine or brakes, etc., because staff does not want to waste money. Mr. Koenig indicated that the only vehicles that are not evaluated by Fleet Maintenance are the bucket trucks, which have special requirements, and the police vehicles. He explained that the Police Department controls their vehicles, since the decision of whether a police car should come off the road is not up to the Fleet Maintenance mechanic. Mr. Koenig noted that

police vehicles are used under very different circumstances, and this evaluation is best kept at the Police Department.

Members were provided an email from Mr. Koenig, dated May 26, 2016, regarding Budget Questions ***(Exhibit #10)***. Referring to the Police section of this email, he pointed out that a couple of police vehicles were cut from the budget on the Council floor last year, and those vehicles were simply moved to the next year. Mr. Koenig noted that the Police Department had gotten larger over time.

Mayor Christiansen questioned if a thorough investigation had been done of all the vehicles that were requested and if they needed to be replaced, and Mr. Koenig stated this had been done.

Mr. Hare noted that the pick-up truck for the electric meter readers had a cost of $20,900. Responding, Mr. Koenig advised that Mrs. Donna Mitchell, Controller/Treasurer, believed there was a labeling error on the vehicles for the Electric Meter Reading. She indicated that the cost of the vehicle was correct but she believed the vehicles were Ford F150 pick-up trucks rather than Ford F250 trucks.

Mr. Hare questioned why Fleet Maintenance and Power Plant staff could not use a $20,900 pick-up truck. In response, Mr. Koenig stated that each department selected the components for their trucks when the requests were brought forward.

Responding to Mr. Sudler, Mr. Koenig stated that the evaluations from the Fleet Maintenance shop could be provided to members of Council. Mr. Sudler indicated that he would like this information because members would be voting on this matter and would be held accountable to constituents.

Mr. Anderson stated that approximately five (5) years ago the City had a vehicle replacement cycle which was abandoned, and this is now done based on evaluation of condition by a certified mechanic. He questioned if this process had resulted in better use of taxpayer money and savings over the past five (5) years. Responding, Mr. Koenig stated that he thought it had; however, it had not reduced the number of questions when coming before Council for replacements. He indicated that not many vehicles were brought forward on a seven (7) or five (5) year schedule, especially in general government. Mr. Koenig believed the evaluations stood for themselves.

Mr. Lewis stated his opinion that this could be looked at as time moves on. He felt that staff was trying to be cost effective but suggested being more cost effective because vehicles are not cheap, noting that a basic Ford Escort costs approximately $14,000.

Mr. Anderson moved to recess, seconded by Mr. Slavin and unanimously carried.

The meeting recessed at 7:11 p.m.

Mr. Anderson moved to reconvene the meeting, seconded by Mr. Lewis and unanimously carried.

The meeting reconvened at 7:21 p.m.

Mr. Hutchison noted that, in looking at the budget and what had been discussed during the last seven (7) hours, the biggest discussion had been about a pick-up truck. He expressed faith in the City Manager. Mr. Hutchison advised that when the budget is brought forth, he looks at things like personnel, overtime, health care costs, and the Electric and Water Departments. He stated that the budget is tremendous and he would not waste time worrying about a pick-up truck. Mr. Hutchison felt that members have a responsibility to pay attention to what the City Manager is saying in discussing the budget. He stated that the City has a first-class operation and the service department does its job well.

Mr. Sudler questioned the purpose of having a budget hearing if every component is not scrutinized and reviewed. Mr. Slavin stated that members would agree to disagree politely and with statesmanship and move on.

Financial Forecast by Fund

Mrs. Donna Mitchell, Controller/Treasurer, reviewed a presentation entitled, "City of Dover General Fund Financial Projections 2017 - 2021" (page 62). Referring to Key Assumptions, Projected Operating Expenses (page 63), she indicated that the retirements listed under other charges had been pulled out and not included. Mrs. Mitchell advised members that the references to slide #4 and slide #5 referred to pages 65 and 66, respectively. She explained that, unlike the utility models, project descriptions were not included in the General Fund forecast model, and there were only numbers by department.

Mrs. Mitchell, referring to Revenues, Expenditures & Fund Balance (page 64), stated that the 2017 column showed that revenues equaled expenditures, and the fund balance ending was 9.6%, which was over the 8% minimum by $692,900, which is the minimum fund balance requirement. Mrs. Mitchell noted that the City would start falling short again in 2018, based on the forecast and assumptions built into the model.

Mr. Lewis expressed concerns regarding the gap in the out-years, asking how it was intended to pay the bills. In response, Mrs. Mitchell stated that she had not built in increases to say how this would be paid for in revenues or where expenses could be reduced at this point. In the past, this had been done when approaching each year. She indicated that a long-term plan to address things structurally had not been done at this time.

Mr. Slavin advised that the forecast for the out-years reflected what would happen if members did not do anything as a Council on the expenditure or revenue side and all revenues continued to grow at the same, relatively static rate that they are now. He advised that this is a type of wake up call to members that things need to be adjusted.

In reference Revenue Assumptions (page 65), Mrs. Mitchell stated that property taxes had a growth assumption of 1.3%. She indicated that assumptions were based on historic trends over the last three (3) years. Referring to Expenditure Assumptions (page 66), she stated that the assumed 2.5%

increase in salaries and wages was based on a combination of contracts and the City's history for the last three (3) years, noting that attrition and those types of things are built in.

Referring to Capital Projects - Funding Sources (page 67), Mrs. Mitchell explained that the appropriation from the General Fund was driving the deficit in the operating fund. She stated that this money comes from the operating fund to pay for capital projects, noting that this transfer increased from $1.8M to $2.9M. Mrs. Mitchell advised that the bond proceeds were placeholders for the stormwater and Schutte Park projects, reminding members that Mr. Koenig planned try to obtain partnerships to fund these projects and the true amount was unknown. She stated that the City's tax limit without referendum is $7.6M, and just the stormwater portion of this project would be $7.6M.

Mrs. Mitchell reviewed the General Fund Projected Debt Service (page 68), explaining that it reflected current debt service; however, new debt service for the projects previously discussed would not be included until staff knows in what direction the projects will go. She explained that the Debt Financing - Old PW2/Schutte Park Redevelopment (page 70), included information regarding the what the debt service would be if $11.3M were bonded.

Mr. Anderson asked if there were any areas of potential growth in the forecast for the General Fund. Responding, Mrs. Mitchell indicated that she had not seen any but had used the current growth rate for the out-years and kept it static. She had not heard of any major developments. Mrs. Mitchell indicated that she discusses this with Mrs. Ann Marie Townshend, Director of Planning and Community Development, to try to get an idea about land development plans and to get information about business licenses and permits. Mrs. Mitchell stated that did not see it growing at a faster rate than today in any out-year.

Referring to the bond issue for Schutte Park buildings, equipment, and grounds, Mr. Anderson asked if this included park improvements. In response, Mrs. Mitchell stated that the bond issue included the Public Works Schutte Park improvements as well as the stormwater project, but did not include fields and the like.

Mr. Anderson asked if this was because of the fund that the bonds come from, and Mrs. Mitchell stated that it was not. She explained that a need for a bond issue for fields or other such projects had been programmed.

Mr. Anderson commented that there were 14 acres of empty land but not enough fields for the two (2) soccer leagues, and there was a demand for running paths, etc. He stated that these things were planned and questioned why they were not included as part of the bond issue for the park. In response, Mr. Koenig stated that the Tar Ditch project and the naming of the improvements at Schutte Park were causing confusion. The improvements to the land relate to the Public Works and Electric land located at the back of the park that is isolated to the left of the road going in. Mr. Koenig indicated that staff was going through a design process to move all storage from old PW2 to Schutte Park, with a rough estimate of approximately $3M to do this. The City had not signed off on this project because the first thing would be to get the funding commitment for the stormwater project and begin construction. Mr. Koenig advised that two (2) other discussions would

affect what is constructed at the back of Schutte Park: 1) the future of City Hall and if another City Hall would be built and; 2) whether the City was considering a new City warehouse. He indicated that a new warehouse facility would likely reduce the cost of construction at the back of Schutte Park but would not eliminate it. He stated that salt storage would be moved into a salt barn at the back of the park, and other items, like crusher run, coal patch, street sweeping debris, etc. must be accounted for and stored correctly. Mr. Koenig stated that the City was under pressure from the State to have stormwater permits and plans for each City-owned facility. He felt that the total project cost of $11.1M was a subjective cost that distorts the long-range projection because he was trying to reduce this amount, and the City had not committed to this cost. Mr. Koenig advised that, from outside engineering and analysis, the City knows the approximate cost and if a bid is obtained at that level, that component could come out of play. The design for improvements at the back of Schutte land was approximately 75% on the consultant side. Mr. Koenig stated that staff was not ready to commit to the cost of the project or what it would look like, noting that it could potentially be done in stages. The discussion of other facilities would influence what happens with that.

Mrs. Mitchell reviewed a presentation entitled, "City of Dover Water and Wastewater Fund Financial Projections - 2017-2021" (page 72). Referring to FY17 - FY21 Key Assumptions (page 74), she advised that the Wastewater Utility experiences a negative cash position starting in FY18 and the Water Utility in FY19. Unless greater growth occurs or realized costs reductions are sustained, the rates would need to be increased to maintain positive net income and cash, assuming all the above assumptions are met. Staff recommended a cost of service study for the Water/Wastewater Utility to determine appropriate rates and if the current rate structure is equitable among all users.

Mrs. Mitchell reminded members that Mr. Koenig had spoken of an inclining block during the Special Council meeting - Budget Review of May 24, 2016. She advised that the wastewater utility does not have classes of customers, PJM charges, and complexity with demand like the Electric Fund does. Mrs. Mitchell noted that rates could almost be done from the forecast model. She stated that when talking about the wear and tear on the system from larger customers, she felt it would behoove the City, if it was planned to look at this for electric in the future, to do this with a consultant for the Water/Wastewater at the same time.

Referring to Net Income - Combined Water & Wastewater (page 75), Mrs. Mitchell indicated that this was prepared on a Generally Accepted Accounting Principles (GAAP) basis to meet bond covenants rather than the budgetary basis usually seen in the budget book. She noted that depreciation and some other items were included that are not normally seen in the budget. Mrs. Mitchell stated that expenses and revenues are the same, but additional information is provided. She explained that transfer to the capital project fund should equal depreciation to make sure the replacement cost of the assets is covered. Mrs. Mitchell stated that this had not quite been achieved in this fund, although it was closer than it used to be. In FY 16 the Net Positive/(Negative Cash) reflected a negative $224,900, which was mostly the result of not receiving the sales from Calpine that were projected. This net amount was projected to be positive in 2017 and 2018 but return to negative in 2019.

In reference to Net Income - Water (page 76), Mrs. Mitchell stated that the projected Net Positive/(Negative Cash) reflected a negative $593,700. This item was projected to be positive in 2017 and 2018, but would return to negative in 2019. She indicated that the debt service calculation was included in these schedules. Mrs. Mitchell indicated that the Net Income - Wastewater (page 77) had a similar scenario with the Net Positive/(Negative Cash) being positive in 2016 and 2017, then becoming negative in 2018.

Responding to Mr. Anderson regarding whether Mrs. Mitchell had any recommendations on this, she indicated that the cost of service study that she mentioned earlier would help to determine how the City should structure rates and whether an inclining block should be considered for the Water/Wastewater Fund. She indicated that they had discussed putting an RFP together this fiscal year to move forward next year.

Mrs. Mitchell advised members that the Capital Improvement Plan - Funding Sources (page 78) showed the funding sources for the projects previously reviewed by Mr. Koenig.

Referring to Debt Issues (page 80), Mrs. Mitchell stated that when using the State Revolving Fund loans, they are issued as revenue bonds. She advised that most communities use general obligation bonds. If revenue bonds are used, the rates must be set to cover bond service payments, and they also require one (1) year of annual debt service to be put aside as a reserve and this had not played in yet.

Mrs. Mitchell reviewed a presentation entitled, "City of Dover Electric Revenue Fund Financial Projections, 2017-2021"(page 85). Referring to FY17 - FY21 Key Assumptions (page 87), she stated that the kWh demand for F17 - FY21 was for approximately 1% annual growth, noting that 0.5% annual growth was projected last year. Mrs. Mitchell stated that the transfer to the capital project fund in the Electric Fund would mirror the depreciation cost annually and would be adjusted downward once staff knows more about the decommissioning of Units 1 and 2.

In response to Mr. Hosfelt regarding the annual growth rate, Mrs. Mitchell stated that the City obtains the growth and load forecast from The Energy Authority (TEA). They project the demand on the system, what will be used and purchased, and sales are mirrored to grow at the same rate.

Referring Net Income (page 88), Mr. Anderson questioned why there was a large increase in electric income projected in 2019 which then decreased. Mrs. Mitchell attributed this to the power supply, which decreased from approximately $50M to $44.8M. She stated that the City had entered into two (2) long-term contracts at favorable rates this year and these numbers were part of the result of these contracts.

Referring to Debt Service Coverage (page 88), Mrs. Mitchell stated that the City was meeting its debt covenants. In regard to Cash Flow Position, Net Positive/(Negative Cash), she indicated that this amount was $3.5M in Revised 2016, $2M in 2017, and $1.9M for 2018. The amount would increase to $3.7M in 2019, $2.7M in 2020, and $5.7M in 2021. She stated that a transfer of $773,000 in 2016 from the Rate Stabilization Reserve was used to help cover part of the costs. In proposed 2017, two (2) transfers were proposed to reserves, one (1) for land acquisition for the

Dover Air Force Base Substation and one (1) to the Rate Stabilization Reserve that was being shored up based on new policy because of potential penalties if there are forced outages. In 2019 and 2020, money would be transferred to reserves for the potential for a new substation at the Garrison Oak Technology Park.

Mrs. Mitchell reviewed Purchased Power Expense, (page 90), explaining that the City was 88% hedged in 2019 and 80% in 2020 and that this was the result of the two (2) long-term contracts approved earlier this year. She indicated that the power supply drops off from 2018 to 2019. In regard to Net Electric Generation Benefit (page 91), Mrs. Mitchell stated that this information reflected the net generation cash flow from having the power plants and the amount that would be netted over a five (5) year period.

Referring to Capital Improvement Plan Funding 2017 - 2021 (page 94), Mrs. Mitchell stated that $862,500 was projected in FY 2018 related to the ERP system. She indicated that during the preliminary budget review, the ERP system was included in the General Fund; however, she had taken it out of the Finance Department because it was distorting interfund allocations when making projections. Mrs. Mitchell advised that this $1M extrapolates into every year on the inflation rate. She was having to develop an annual amortization table for bond financing and allocate the debt based on the use of the Electric Fund, Water/Wastewater Fund, and the General Fund, which was a complex annual exercise. She felt it would be easier to pay for it through the Electric Fund and have the Water/Wastewater and the General Funds pay their part to the Electric Fund. Mrs. Mitchell advised that $400,000 of the $862,500 is related to the General Fund and $462,000 to the Water/Wastewater Fund. She indicated that she had not yet included payment of this money in the forecast for the General Fund; however, the transfers in the budget related to the Water/Wastewater Fund were included in the forecast over the next two (2) years, with a quarter of these monies included each year for each of the utilities in the Water/Wastewater Fund.

Mrs. Mitchell reviewed the Projected Debt Service for the Electric Revenue Fund (page 95), noting that there was currently only one (1) outstanding bond issue and the last payment was made on 2010 bonds in July 2015. Referring to FY17 - FY21 Reserve Account Projections (page 96), she stated that $7M would be transferred to the Future Capacity Reserve in 2019 and 2020 to prepare for a potential substation at the Garrison Oak Technology Park. Mrs. Mitchell explained that $750,000 being transferred to the Depreciation Reserve and the Future Capacity Reserve in 2017 would be for land acquisition for the Dover Air Force Base Substation.

Mrs. Mitchell reviewed the Alternative Budget & Forecast (page 97), stating that she and the City Manager would welcome a discussion of the City's current rate model design to determine if a reset is necessary before any future rate changes are presented. She explained that this would include the potential for winter/summer rates and customer charge increases to cover fixed cost, which in turn would affect energy and demand charges.

Referring to Net Income with PCA Credit (page 98), Mrs. Mitchell stated that Revenue from Power Cost Adjustments (PCA) would be $1,798,000 in 2017. There would continue to be positive cash from operations and positive net income. Referring to Debt Service Coverage and Cash Flow Position (page 99), Mrs. Mitchell indicated that the City would meet its debt covenants. Net

Positive/(Negative Cash) would be cut close in 2017 and 2018, but would increase in 2019, based on all the assumptions made.

In regard to the PCA credit, Mr. Hosfelt questioned if this credit would include large commercial or residential customers. Responding, Mrs. Mitchell advised that it would apply to every class of customers.

Responding to Mr. Anderson, Mrs. Mitchell advised that she recommended a reset each year based on how the budget comes out, indicating that she had included the information for five (5) years in the forecast; however, if the assumptions used do not play through for all five (5) years, it would have to be adjusted. She stated that rates would not be adjusted and that this would be a power cost adjustment (PCA) on the bill, separate from the rates.

Mr. Anderson questioned if PCA credits are generally intended to be a temporary, one (1) or two (2) year item, noting that otherwise there would be a rate change. In response, Mrs. Mitchell stated that she had recommended resetting the adjustment every year because there had been discussion about having a rate study and possibly resetting the rate. She felt there should be a philosophical discussion about how to structure rates, for example, if a winter/summer rate was desired. Mrs. Mitchell recommending having this discussion and then coming back with a new rate study.

Mr. Anderson questioned if the City would spend another six (6) figures on a rate study. Responding, Mrs. Mitchell indicated that this was not known and this matter was being discussed.

Referring to Cash Flow Position (page 99), Mr. Anderson questioned why this number was projected down to a level of $147,500 in Projected 2018. Responding, Mrs. Mitchell explained that she used the $0.00252 PCA in the analysis because she was trying to ensure that the City came out with a positive cash amount. Acknowledging that there was still potential for a penalty, etc., Mrs. Mitchell advised that the reserves had been shored up enough that she felt comfortable with the PCA credit. She indicated that this could be changed if Council was not comfortable with it. Mr. Anderson expressed concern, stating that the City sometimes experiences deep winters and is suddenly looking for cash.

Mrs. Mitchell advised members that, when going through the model, she was troubled by the question of why rates were increased in FY 16, only to be followed by a PCA credit in FY 17. She stated that she had looked at the model to see if there was a problem with the modeling or if there were circumstances that happened throughout the year that were unknown when putting together last year's budget. Mrs. Mitchell reviewed the City of Dover Capital Asset Reserve Trend Five Year Analysis Thru April 2016 ***(Exhibit #11)***, explaining that she had completed this analysis by fund to determine if something was off with the modeling, and she was comfortable that the variation was due to changes this year. For example, Mrs. Mitchell stated that the OPEB and pension costs decreased substantially in the Electric Fund, and the related actuary study was not received until after the beginning of the fiscal year. She advised that when the economic development rate was discussed, there was a savings in this area. In addition, she noted that in last year's modeling, debt service for the 2010 bond was not fully considered. Mrs. Mitchell indicated that the final payment for the debt service was made on July 1, 2015, and it was included as an expense for the current year.

She indicated that she had not thought far enough ahead to consider that this expense would be taken care of by July 1. This expense was no longer in the forecast model for FY 17. Mrs. Mitchell stated that she had reviewed the modeling for every fund to see if there was a problem with the way that staff was doing the modeling, stating the desire to send the message to the City's customers that costs were understandable.

Responding to Mr. Anderson regarding the extent of the PCA, Mrs. Mitchell stated that it would be approximately 2%. Mr. Anderson stated his understanding that this would temporarily reverse most of the rate increase from last year. In response, Mr. Koenig indicated that approximately two-thirds of the rate increase would be reversed through the PCA.

Members were provided City of Dover Projected Budget Trends ***(Exhibit #12)***. Mrs. Mitchell advised that this included projections for budget trends for revenues and expenses by fund based on the forecast. She reviewed the percentages of change in the annual receipts and expenditures for the General Fund over the five (5) year period, indicating that expenditures were trending at a greater rate of growth than revenues, and advised that this was also true in the Water/Wastewater Fund and the Electric Fund.

Mr. Slavin stated that this was the conclusion of the formal presentation of the budget. On Council's behalf, he extended appreciation to Mr. Koenig, Mrs. Mitchell, staff who helped prepare the budget, staff who attended the budget review sessions, and the City Clerk's Office for staffing the budget meetings. Mr. Slavin advised that it was time for mark-up of the budget, stating that in prior years there had typically been a gap between revenue and expenses which had to be closed by the end of the night; however, there was no gap this year. He suggested, if members wished to add items to the budget, that they suggest an area in which to cut a similar amount so that a gap would not be created. Mr. Slavin stated that, during the mark-up period, items that have a monetary effect on the budget could be brought forward for consideration, as well as programmatic recommendations for Staff to incorporate in the next year's work plans.

Mr. Lewis referred to Parks & Recreation (page 216), reminding members that Mr. Koenig had recommended that the City's contribution to the African American Festival be decreased by $3,000. Mr. Lewis asked if funds from the proposed $25,000 in discretionary funds for Council members could be made available to assist with the Festival. He referred to correspondence dated May 25, 2016 that members and the Mayor had received from Mr. Reuben Salters, Founder/Chairman, of the Inner City Cultural League, Inc. regarding the African American Festival ***(Exhibit #13)***. Mr. Lewis stated that he supported the African American Festival. Responding, Mr. Slavin indicated that if Mr. Lewis wanted to reduce the overall amount of discretionary funds by $3,000, the specific amount of $3,000 could be taken from the funds allotted to the At-Large Council Representative. This would leave the districts' funds intact. Mr. Slavin stated that, as the At-Large Representative, he would have less funds to divide up among the four (4) districts and that this would be fine.

Mr. Lewis moved to contribute $3,000 from the At-Large City Council budget discretionary funds to the African American Festival. The motion was seconded by Mr. Sudler and unanimously carried.

Mr. Anderson moved to adopt the Power Cost Adjustment (PCA) credit alternative, as presented. The motion was seconded by Mr. Hosfelt and unanimously carried.

Mr. Slavin indicated that he had a list of approximately nine (9) items from the last three (3) three evenings of budget discussions, that took the form of motions. He expressed his desire to work through some of the issues that had confronted members and needed to be addressed.

Mr. Hosfelt moved that the Safety Advisory and Transportation Committee assess the possibility of a comprehensive review of emergency medical services within the City of Dover. The motion was seconded by Mr. Anderson.

Mr. Anderson stated that Mr. David Truax, former City of Dover Fire Marshal, had made some interesting points during a previous meeting of the Safety Advisory and Transportation Committee that had also come up in the Operational and Administrative Analysis of the Fire Department. He expressed his hope that Mr. Truax would be invited to participate in this discussion. Mr. Anderson also asked that the minutes of the Safety Advisory and Transportation Committee meeting when this was previously discussed be brought back into this discussion.

The motion that the Safety Advisory and Transportation Committee assess the possibility of a comprehensive review of emergency medical services within the City of Dover was unanimously carried.

Mr. Sudler moved that the Legislative, Finance, and Administration Committee initiate the process whereby the review of the Mayor and Council salaries shall be conducted by the Compensation Commission. The motion was seconded by Mr. Hosfelt and unanimously carried.

Mr. Hare moved that the City Manager conduct a Request for Proposals (RFP) pertaining to health insurance coverage for City employees, and that the RFP be issued by no later than December 31, 2016. The motion was seconded by Mr. Anderson.

Mr. Anderson indicated that this matter was about cost savings but also maintaining quality. He expressed the desire not to spend too much for what might be equal or better in quality and to know what is in the marketplace. Mr. Anderson assured City employees that this was not an effort to undermine or lower the quality of health care.

Mr. Hare felt that the RFP should mirror the exact coverage that the City has, stating the desire to keep the existing level of coverage or improve it.

The motion that the City Manager conduct a Request for Proposals (RFP) pertaining to health insurance coverage for City employees, and that the RFP be issued by no later than December 31, 2016 was unanimously carried.

Mr. Slavin suggested the possibility of offering a cash incentive to employees who choose not to take health insurance, since some employees may be in a position where using a cash incentive toward a spouse's plan would be better or easier. Responding, Mr. Koenig indicated that if members chose to make such a motion, it could be evaluated without a major cost, but noted that there could be legal implications.

Mr. Sudler moved that the Legislative, Finance, and Administration Committee discuss the possible inclusion of an incentive program for City employees opting not to be covered by the City's health care plan. The motion was seconded by Mr. Hare and unanimously carried.

Mr. Slavin stated that he had been concerned about the safety of Council Chambers for conducting public meetings and other events.

Mr. Sudler moved that the City Manager conduct an initial assessment of public safety issues related to holding public meetings in the City Council Chambers and report of his findings to the Safety Advisory and Transportation Committee by no later than November 1, 2016. The motion was seconded by Mr. Hare.

Mr. Hare suggested that something be considered to prevent those coming into City Hall from walking down the hallway, noting that there had been some issues.

Mr. Sudler requested that his motion include that when a meeting is held by City Council or when a Councilperson holds a meeting in the Chambers that at least one (1) Dover police officer be present for the safety of Council and the community. Mr. Slavin stated that this would be part of the considerations in the assessment.

Mayor Christiansen stated that when he and Mr. Kirby Hudson, Assistant City Manager, joined the City, they noticed that there was easy access to the entirety of 5 East Reed Street, where some modifications had been made, and also to the front entrance of City Hall. They had suggested placing doors at the hallway near the front entrance of City Hall, as well as providing shielding for employees in the Inspections Division. Mayor Christiansen hoped that Council would take this into consideration.

The motion that the City Manager conduct an initial assessment of public safety issues related to holding public meetings in the City Council Chambers and report of his findings to the Safety Advisory and Transportation Committee by no later than November 1, 2016 was unanimously carried.

Mr. Slavin stated that he had heard from the discussion that there were a lot of activities and people involved in economic development. He indicated that most of that activity was coordinated, but there was a lack of cohesiveness between what the City was doing and what was being done with the Downtown Dover Partnership (DDP). Mr. Slavin stated he did not want to get into performance-related issues, noting that if members wished to discuss this, it would have to be done in executive session. Mr. Slavin proposed wiping the slate clean in terms of how economic development was being done and building a different model in hopes of getting better results. He felt that the primary

factor was the desire to continuously improve what the City is doing with economic development. Mr. Slavin proposed a series of five (5) motions, as follows:

1) Create an economic development team within the City co-chaired by the Mayor and the City Manager. Other members would be the Chair of the Legislative, Finance, and Administration Committee; a designee of the Downtown Dover Partnership; and the City Planner, with other staff members being pulled in as needed. Mr. Slavin advised that this team would provide monthly reports to Council, noting that there had been gaps in communication.

2) Dissolve the Economic Development Office in its entirety, as well its associated positions, and give the City Manager authorization to incur the necessary expenses to do so. This would include expenses to pay out those positions as a reduction in force for the three (3) full-time employees.

3) Set the Business Improvement District (BID) tax rate, which is a second tax assessed to all the downtown property owners, at zero (0) for FY 17.

4) Increase the appropriation for the DDP from $70,000 to $150,000, with clear direction and instructions to hire their staff from these funds. Mr. Slavin stated that there would no longer be the hybrid approach of City staff performing functions in multiple places, noting that cleaner lines of delineation were needed.

5) The balance of funds that would be available after these actions would be approximately $65,000 - $70,000, which would remain an appropriation to the Mayor's Office for economic development purposes to be used at his discretion.

Mr. Sudler moved that the Mayor and City Manager, or the City Manager's designee, shall serve as co-chairs of the economic development team for the City of Dover. Members of the team shall include the Chair of the Legislative, Finance, and Administration Committee, a designee of the Downtown Dover Partnership (DDP) and the City Planner, and the team will provide a monthly report to Council. The motion was seconded by Mr. Cole.

Mayor Christiansen stated that he was not happy with the dissolution of the Economic Development Office; however, since economic development is the major responsibility of the Mayor of the City of Dover, he felt it would be appropriate for the Mayor to chair the economic development committee and for the City Manager to serve as a member of the committee if this direction was adopted. Mayor Christiansen felt it important that the buck stop with the Mayor on economic development issues. He indicated that it was Council's prerogative to come up with a different model that they believe would be more successful, but asked that the motion be amended to make the Mayor the chair of the committee.

Mr. Slavin stated that having a co-chair that reports to Council was not designed to be a slight to the Mayor but to avoid potential charter issues where the Mayor may ask for work service from an employee who does not report to the Mayor.

Mr. Sudler indicated his understanding of the Mayor's position; however, because the City has a Council-City Manager form of government, he felt the motion should remain as it stood.

Mr. Hare advised that in 1997, when the City went to a full-time Mayor, economic development was a duty of the Mayor. He stated he had no issue with the dissolution of the Economic Development Office but agreed with Mayor Christiansen that the Mayor should be in charge of economic development.

Mr. Anderson did not think the approach offered would improve the situation and felt it had the potential to take the City backwards. He believed that a positive discussion of a 21st century economic development strategy and the ramifications should be held over the long term with all stakeholders. Mr. Anderson stated that the proposed series of actions would leave out several ongoing things, such as entrepreneurial training and arrangements the City has with workforce development coordination. He also noted that staff was doing a lot with Restoring Central Dover. Mr. Anderson indicated that the Economic Development Office had planned for the farmer's market, maintained ongoing relationships with the largest employers, and aided many small businesses. He stated that a couple of dozen moving parts would be affected by this type of move and believed that if something was done, it should be done over time, knowing exactly what would be affected. Mr. Anderson felt that quite a few people would be hurt by this type of move and he could not support most of the recommendations, although he indicated that the first motion would be a positive step.

Mr. Anderson moved to amend the motion to state that the Mayor would serve as chair of the economic development committee with the members as currently suggested. The motion was seconded by Mr. Hare.

Responding to Mr. Sudler, Mr. Slavin indicated that he had proposed the Mayor and City Manager to be co-chairs. Mr. Slavin did not feel this was an insurmountable problem and he had no issues with the Mayor serving as chair, reiterating that his proposal was not meant to be a slight.

Mr. Sudler felt there should be a co-chairmanship. He felt that if the City had a strong mayor form of government, the Mayor should be the focal point; however, since the City has a Council-City Manager form of government, it should be a co-chairmanship.

Mr. Hare agreed with Mr. Slavin that chairmanship was not a major concern. He advised that in 1997 there was not an official committee, but there was a similar situation with economic development. The Mayor was in charge, along with the City Manager, and Council members were also involved. He stated that the Mayor was the economic development person; however, if he needed something, the City Manager was there to help, and it was a collaborative effort.

Mr. Hutchison stated that he liked the idea of the Mayor and City Manager co-chairing economic development because the City Manager works for Council and is responsible for the budget.

Mayor Christiansen stated that Mr. Koenig, Mr. Hudson, and members of City staff work together well as a team and would continue to do so. He felt that the Mayor should be the point person and assume the responsibilities that Council gave to the Mayor over the years. Mayor Christiansen suggested the possibility of making the City Manager vice chair.

Mr. Sudler called for the question. Mr. Koenig advised that Mr. Lewis wished to comment and Mr. Sudler withdrew the call for the question.

Mr. Lewis felt that whether or not the Mayor chaired the committee was not a major issue, noting that Council President Slavin chairs City Council meetings but all members are equal and have a vote. Mr. Lewis had no objection to the Mayor serving as chair since economic development falls under his auspices.

Mr. Sudler agreed with Mr. Hutchison that the City Manager prepares the budget and has a more in-depth view of economic development. He reiterated that, based on his research regarding the current form of government, the City Manager should take lead because he deals more with the budget and with economic development than the Mayor. Mr. Sudler believed the City Manager and Mayor should have a joint chairmanship.

Mayor Christiansen stated that he understood Mr. Sudler's position; however, he explained that he spends time hunting for people to bring jobs for all citizens to Dover and had been involved in bringing many entities to the City. Mayor Christiansen believed that the City's current form of government was not the best form of government but that everyone works as a team. He saw no reason why the Mayor should not be the chair of the economic development committee and, referring to a quote from Harry Truman, indicated that the buck would stop here.

Mr. Anderson felt that the form of government was not really an issue. He noted that the Economic Development Office reports to the Mayor rather than the City Manager and is the only department besides the Police Department that does so. Mr. Anderson stated that there were three (3) reasons why the office of Mayor was made full-time, as follows: 1) so there would be an elected official on a full-time basis to address the concerns of constituents; 2) to lobby the public relations aspects of the City and address public safety; and 3) for economic development, which is vital to the future of the City. Mr. Anderson desired to have someone responsible to address the issues of jobs and that this function not be divided between the City Planner, City Manager, and Economic Development Director since a focal point of policy responsibility was needed. Noting that economic development was part of the reasoning and logic behind the full-time Mayor, Mr. Anderson did not feel the City should go backwards on this and needed to move more in that direction.

Mr. Slavin requested that members not begin with an assumption that people do not work well together. He stated that they do work well together, would continue to do so, and if they did not this would be fixed.

Mr. Cole called for the question, seconded by Mr. Sudler and unanimously carried.

On a call for the question, the amendment to the motion stating that the Mayor would serve as chair of the economic development committee and the other members remain as suggested carried by a roll call vote of six (6) yes (Anderson, Lewis, Cole, Hosfelt, Hare, Slavin), and two (2) no (Sudler and Hutchison).

The motion that the Mayor serve as Chair of the economic development committee for the City of Dover and that members of the committee shall include the City Manager, or the City Manager's designee, the chair of the Legislative, Finance, and Administration Committee, a designee of the Downtown Dover Partnership (DDP), and the City Planner, and the committee will provide a monthly report to Council carried by a roll call vote of six (6) yes (Anderson, Lewis, Cole, Hosfelt, Hare, Slavin), and two (2) no (Sudler and Hutchison).

Mr. Cole moved to dissolve the Economic Development Office, authorize the City Manager to incur the necessary expenses to dissolve the Office, and authorize a reduction-in-force of three (3) full-time employees. The motion was seconded by Mr. Lewis.

Mr. Anderson believed that this was not an issue that should be handled in this format without an extensive look at where the City was going and what it was doing.

Mr. Anderson moved to refer this matter to Committee. The motion failed for lack of a second.

The motion to dissolve the Economic Development Office, authorize the City Manager to incur the necessary expenses to dissolve the Office, and authorize a reduction-in-force of three (3) full-time employees carried with Mr. Anderson voting no.

Mr. Hosfelt moved to set the tax rate for the Business Improvement District (BID) for FY 2017 at zero (0). The motion was seconded by Mr. Hare.

Mr. Slavin indicated that this would not remove the structure of the tax but simply roll the rate down to zero (0). The structure would be left in place in case it is needed in future years for special projects.

Mr. Anderson questioned what would be cut in the budget to achieve this. Responding, Mr. Slavin stated that setting the BID tax rate to zero (0) would be balanced from the funds that were previously appropriated for the Economic Development Office. He explained that additional funds that were previously appropriated for the Economic Development Office would be transferred to DDP and the balance would remain in the Mayor's Office to use at his discretion. There would a net impact of $0 to the budget.

Mr. Anderson felt that Council should be very careful about this, noting that the City spends a good amount money for items specific to downtown for promoting events and marketing. He stated that instead of having a user fee for the people who are benefitting, this would be a general tax. Mr. Anderson stated that certain items are associated with the BID tax that provide funding assurance for the DDP, because once it becomes a general appropriation, there is no longer funding

certainty. He advised that the DDP has over $2M in loans and it helps to have funding assurance. Mr. Anderson indicated that he was unsure that this was the right way to go.

Mr. Slavin stated that he would no longer support double taxation on property owners in a specific area of the City.

The motion to set the tax rate for the Business Improvement District (BID) for FY 2017 at zero (0) carried with Mr. Anderson voting no.

Mr. Hare moved to increase the appropriation to the Downtown Dover Partnership (DDP) from the proposed $70,000 to $150,000 with specific instructions to the DDP that they are responsible for staffing costs from that appropriation. The motion was seconded by Mr. Cole and carried with Mr. Anderson voting no.

Mr. Hosfelt moved that the balance of funds available after the dissolution of the Economic Development Office, the reduction of the Business Improvement District (BID) tax, and the increased appropriation to the Downtown Dover Partnership (DDP) will be appropriated to the Mayor's Office for economic development purposes. The motion was seconded by Mr. Cole and carried with Mr. Anderson voting no.

In response to Mayor Christiansen regarding the effective date of the Economic Development Office dissolution, Mr. Slavin indicated that this matter would be left to the City Manager due to personnel issues.

Mr. Slavin advised that some economic development activities had been focused on new jobs and the City had also successfully focused on job retention.

Mr. Cole moved that the newly formed economic development team make recommendations regarding a job retention initiative for existing large commercial users of utilities in order to proactively protect the existing job base. The motion was seconded by Mr. Hosfelt and unanimously carried.

Mr. Slavin noted that there had been previous discussion about a youth focus group initiative.

Mr. Sudler moved to establish a youth focus group initiative across City government. The purpose of the program would be to solicit input on ideas, solutions, and issues from the youth of the City. The following departments will be required to hold a focus group with the youth who are residents of the City of Dover: Planning, Parks and Recreation, Dover Public Library, and Police. The focus group will be held before December 1 of each year and reports of the various departments will be made to Council no later than February 1 of the following year. The motion was seconded by Mr. Cole and unanimously carried.

Mr. Slavin expressed his intention to introduce a motion at a future Council meeting that would rescind Resolution No. 2010-03 which established the Youth Advisory Committee and discharge the members from their current duties. In the spirit of fairness, he preferred to have the formal notice placed on an agenda rather than considered during the budget meeting.

Mr. Sudler moved to authorize the City Manager to obtain an appraisal for the Ridgely property. The motion was seconded by Mr. Anderson.

Mr. Anderson questioned whether Mr. Koenig would be obtaining the value of the warehouse in the Pear Street area. In response, Mr. Koenig stated that he was seeking appraisals on several properties and these properties could be incorporated. Mr. Anderson indicated that, with this understanding, he would not ask that this property be included in the motion.

Mr. Sudler moved to amend the motion to indicate that the appraisal would be completed within four (4) months from this evening, and Mr. Anderson concurred with this change.

The motion to authorize the City Manager to obtain an appraisal for the Ridgely property on or before September 26, 2016 was unanimously carried.

Mr. Hare moved to bring any position that remains open for over six (6) months without being recruited to the Legislative, Finance, and Administration Committee for approval. The motion was seconded by Mr. Sudler.

Mr. Slavin asked that this discussion take place during a future Legislative, Finance, and Administration Committee meeting. He indicated that one (1) of the discipline measures just included in the budget was that positions would be not be filled until all buyout time is completed. Mr. Slavin felt that this was a good disciplinary practice fiscally and he did not want departments to be told it took too long to fill a position if it was Council's precept that caused the delay.

Mr. Hare felt this should be reviewed by the Legislative, Finance, and Administration Committee because if a long-term employee retires from a department and they are unable to fill the position for eight (8) or nine (9) months, it may not be a key position. In response, Mr. Slavin pointed out that the reason the position would be kept open that long would be because the City was trying to practice fiscal discipline, noting that giving up on fiscal discipline would cause higher personnel costs.

Mr. Slavin advised members that the motion before them was to send this matter forward to the Legislative, Finance, and Administration Committee for discussion.

Mr. Anderson asked if this would include temporary positions. For example, he stated that a critical employee in the Finance Department was deployed for over a year and temporary help was hired to cover the position. Responding, Mr. Slavin indicated that the motion would encourage this type of discussion by the Legislative, Finance, and Administration Committee.

The motion to have the Legislative, Finance, and Administration Committee consider whether any position that remains open for over six (6) months without being recruited should be brought to the Legislative, Finance, and Administration Committee for approval carried with Mr. Anderson voting no.

Mr. Sudler moved for adjournment.

Mr. Anderson noted that adjourning would end the budget review.

Mr. Lewis questioned if members would meet on June 1, 2016.

Mr. Sudler withdrew the motion to adjourn.

Mr. Slavin stated that if members were finished, there would be no need for an additional budget meeting.

Mr. Anderson questioned the amount of $50,000 that was allocated to develop a master plan for Dover Park, noting that this was a lot of money for a master plan. He stated that this would be ignoring everything that the Parks, Recreation, and Community Enhancement Committee; Mt. Zion A.M.E. Social Action Committee, and the City of Dover Recreation Needs Assessment had said, noting that these funds would not be spent on amenities. Responding, Mr. Slavin asked if this matter could be brought up during the First Reading of the budget ordinance, when Mrs. Ann Marie Townshend, Director of Planning and Community Development, would be present. He encouraged Mr. Anderson to have a conversation with Mrs. Townshend, who may be able to answer his questions.

Mr. Slavin reminded members that adjournment of this meeting would end Council's hearings on the budget. He stated that the First Reading of the budget ordinance would take place during the Regular Council Meeting of June 13, 2016 and the Final Reading and adoption of the ordinance would occur during the Regular Council Meeting of June 27, 2016, noting that additional measures and clarification could take place during those meetings.

Mr. Sudler moved for adjournment, seconded by Mr. Cole and unanimously carried.

Meeting adjourned at 8:58 p.m.

TRACI A. McDOWELL
CITY CLERK

All ordinances, resolutions, motions, and orders adopted by City Council during their Special Meeting of May 24, 25, and 26, 2016, are hereby approved.

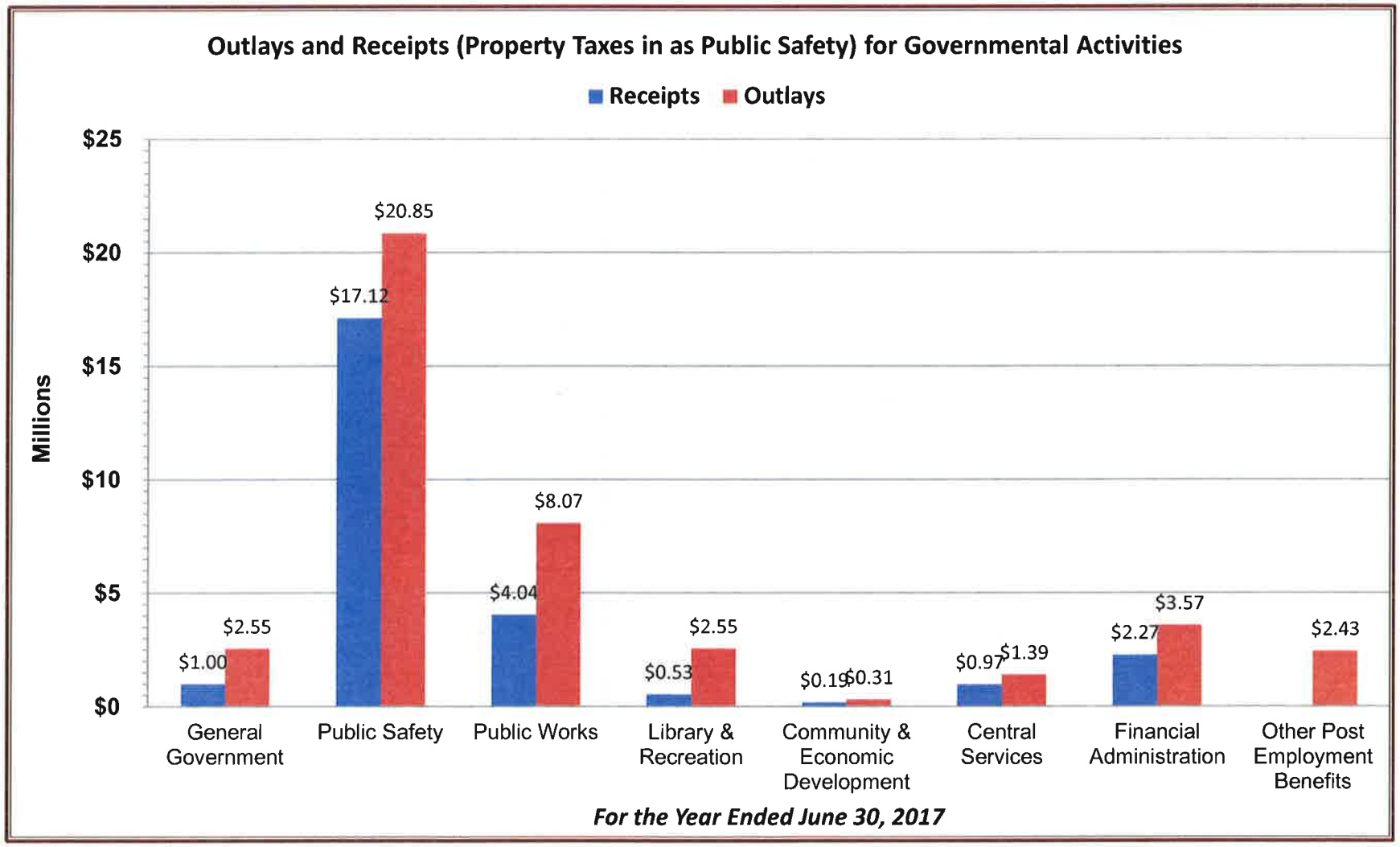
ROBIN R. CHRISTIANSEN
MAYOR

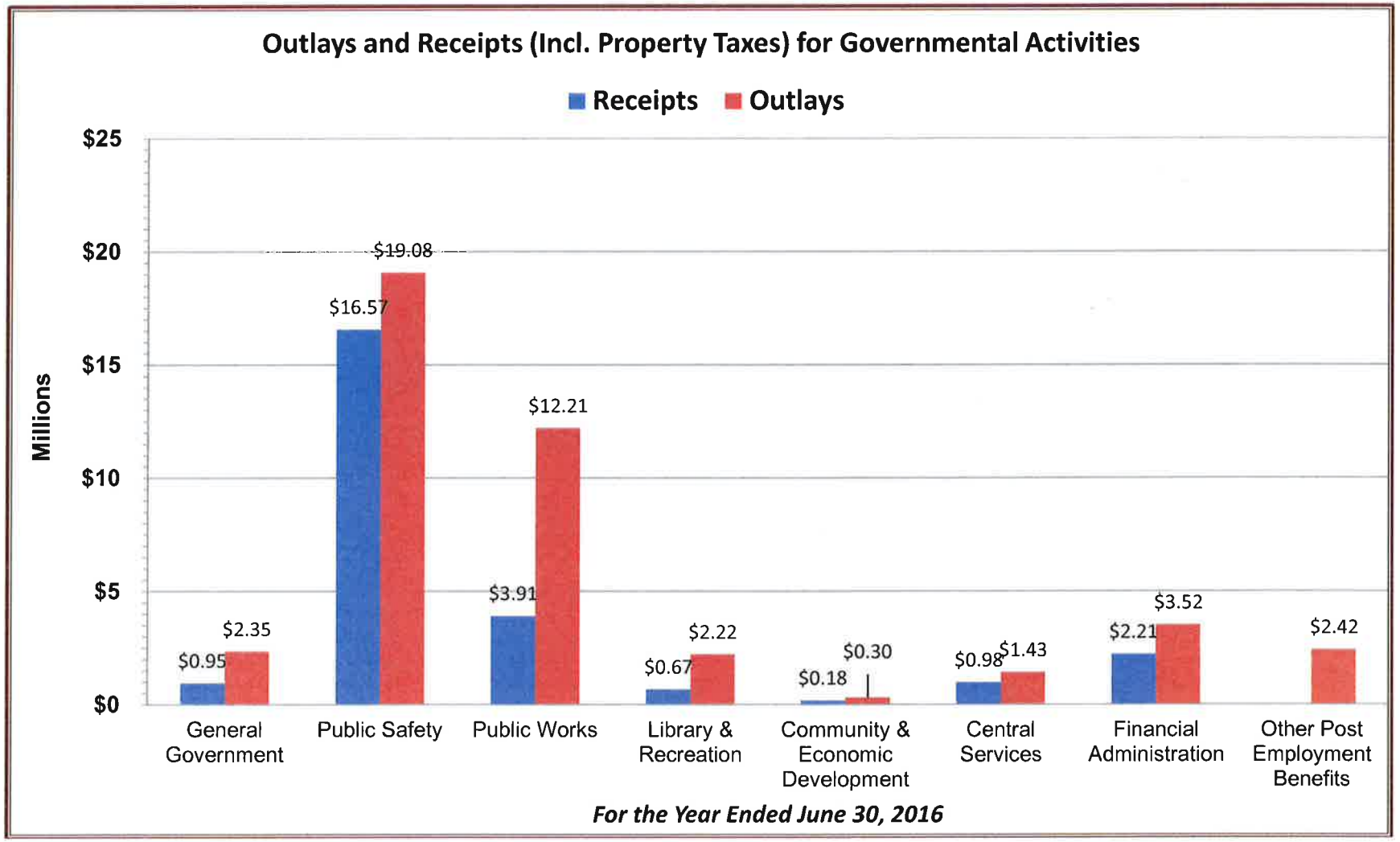
/TM
S:\AGENDAS-MINUTES-PACKETS-PRESENTATIONS-ATT&EXH\Council-Minutes\2016\05-24_05-25_05-26 Budget Review.wpd

Exhibits

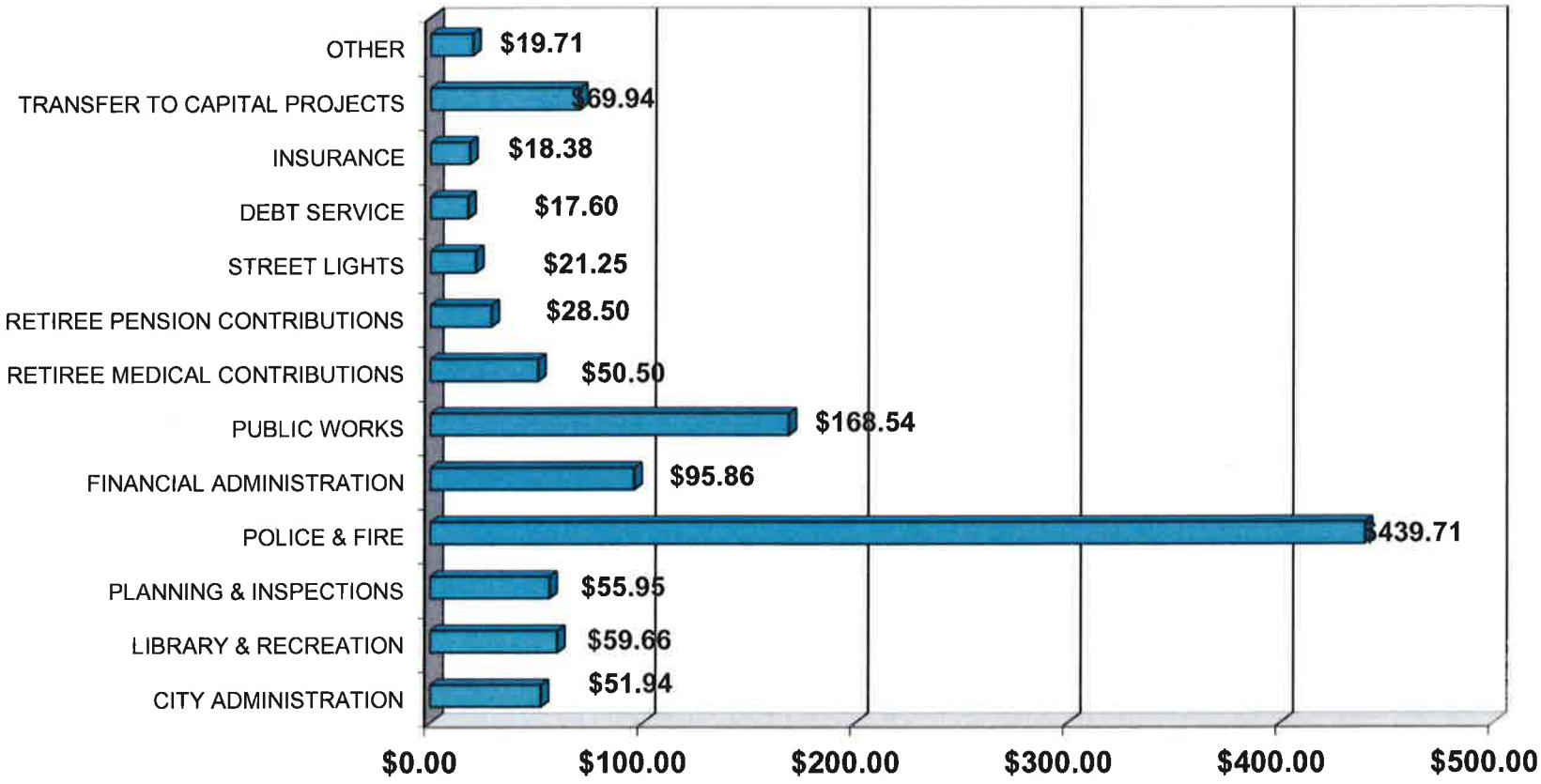
Exhibit #1 - Outlays and Receipts (Property Taxes in as Public Safety) for Governmental Activities and Outlays and Receipts (Incl. Property Taxes) for Governmental Activities
Exhibit #2 - Projected Cost Per Capita by Function - Fiscal Year 2015-2016
Exhibit #3 - Kent County Treatment Fees - Trend of Fees Billed and Charges Paid
Exhibit #4 - Memorandum from Mrs. Mitchell and Mr. Koenig, dated May 17, 2016, regarding the Revised FY 16 Budget & FY 17 Proposed Budget
Exhibit #5 - Memorandum from Mr. Koenig, dated May 25, 2016, regarding Non-Bargaining Pay Increase Recommendation - FY 2017 Budget
Exhibit #6 - General Fund Expenses by Department/Division - General Fund Expenses by Major Function (list), General Fund Expenses by Major Function (graph), and Projected Cost Per Capita by Function
Exhibit #7 - Outlays and Receipts for Governmental Activities
Exhibit #8 - City of Dover Electric Revenue Fund - FY 16 - White Oak Solar Park Incremental Cost Report
Exhibit #9 - Fiscal Year July 1, 2015 to June 30, 2016 Quarterly Revenue Report as of March 31, 2016
Exhibit #10- Email from Mr. Koenig, dated May 26, 2016, regarding Budget Questions
Exhibit #11- City of Dover Capital Asset Reserve Trend Five Year Analysis Thru April 2016
Exhibit #12- City of Dover Projected Budget Trends
Exhibit #13- Correspondence from Mr. Reuben Salters, dated May 25, 2016, regarding the African American Festival

EXHIBIT #1
2016 Budget Review
Special Council Meeting of 05/24/2016




Outlays and Receipts (Incl. Property Taxes) for Governmental Activities
Receipts
Outlays
Millions
$25
$20
$15
$10
$5
$0
$0.95
$2.35
$16.57
$19.08
$3.91
$12.21
$0.67
$2.22
$0.18
$0.30
$0.98
$1.43
$2.21
$3.52
$2.42
General Government
Public Safety
Public Works
Library & Recreation
Community & Economic Development
Central Services
Financial Administration
Other Post Employment Benefits
For the Year Ended June 30, 2016

PROJECTED COST PER CAPITA BY FUNCTION
Fiscal Year 2015-2016



Total per capita based on population estimate of 37,540 = $1,114.15

City of Dover
Kent County Treatment Fees
Trend of Fees Billed and Charges Paid

Fiscal Year Ended June 30	Beginning Budget Balance	Annual Revenues	Annual Charges	Ending Budget Balance
1997	$ -	$ 2,399,975	$ 3,664,852	$ (1,264,877)
1998	$ (1,264,877)	$ 2,436,182	$ 2,653,835	$ (1,482,530)
1999 *	$ (1,482,530)	$ 2,452,087	$ 2,284,788	$ (1,315,232)
2000	$ (1,315,232)	$ 2,512,562	$ 2,516,910	$ (1,319,580)
2001	$ (1,319,580)	$ 2,686,790	$ 2,603,943	$ (1,236,733)
Rolled into Total Budget Balance	$ (1,236,733)	$ 1,236,733	$ -	$ 0
2002	$ -	$ 2,814,587	$ 2,811,939	$ 2,648
2003	$ 2,648	$ 2,778,521	$ 3,442,420	$ (661,251)
2004	$ (661,251)	$ 2,743,359	$ 3,829,289	$ (1,747,181)
Rolled into Total Budget Balance	$ (1,747,181)	$ 1,019,090	$ -	$ (728,091)
2005	$ (728,091)	$ 2,611,290	$ 3,470,312	$ (1,587,113)
2006	$ (1,587,113)	$ 3,865,684	$ 3,628,057	$ (1,349,486)
2007	$ (1,349,486)	$ 4,031,540	$ 3,702,815	$ (1,020,761)
2008	$ (1,020,761)	$ 4,109,166	$ 3,633,731	$ (545,326)
2009	$ (545,326)	$ 3,733,644	$ 3,585,791	$ (397,473)
2010	$ (397,473)	$ 3,100,547	$ 4,575,155	$ (1,872,081)
2011	$ (1,872,081)	$ 4,230,032	$ 3,601,194	$ (1,243,243)
2012	$ (1,243,243)	$ 4,341,095	$ 3,724,238	$ (626,386)
2013	$ (626,386)	$ 4,240,649	$ 3,631,516	$ (17,253)
2014	$ (17,253)	$ 4,246,542	$ 4,129,646	$ 99,643
2015	$ -	$ 4,784,641	$ 4,127,919	$ 656,722
2016 Revised	$ -	$ 4,963,200	$ 4,130,000	$ 833,200
2017 Proposed	$ -	$ 5,088,000	$ 4,225,000	$ 863,000

Historical Comments:

In 1999 our credit rating was downgraded due to missing our debt covenant in 1997 and 1998. The downgrading was largely attributed to two factors (1) Kent County changed their billing from quarterly to monthly which increased the cost for 1997 and (2) inflow and infiltration associated with both years due to higher water tables.

Prior to 2005 City billed the rate paid to Kent County for treatment with no markup for Inflow/Infiltration

2005 - County rate = $1.85 per thousand gallons
2005 - City implemented a $.25 sewer rate increase to pay down budget deficit
2006 - County rate = $2.13 per thousand gallons; $.28 increase
2006 - City implemented a $.20 sewer rate increase to pay down budget deficit
2008 - County increased treatment fee rate $.21; New rate $2.34
2011 - City implemented Groundwater Adjustment Charge $1.05 per thousand gallons included above
2015 - City increased Groundwater Adjustment Charge to $1.50 per thousand gallons included above

EXHIBIT #4
2016 Budget Review
Special Council Meeting of 05/24/2016

City of Dover
Finance Department
PO Box 475
Dover DE 19903-0475
Phone: (302-736-7018
FAX: (302) 760-4930
E-Mail: dmitchell @dover.de.us

MEMORANDUM

To: Council President Slavin
Members of City Council

From: Donna Mitchell, Controller/Treasurer & Scott Koenig, City Manager

Copy: Mayor Robin Christiansen, Kirby Hudson, Assistant City Manager, Finance & City Clerk's Office

Date: May 17, 2016

Subject: Revised FY16 Budget & FY17 Proposed Budget

Attached you will find (1) a listing of budget amendments by revenue source or department/division expense item for Fiscal Year 2016. Along with the FY17 Proposed Budget we will be recommending revisions for these items to the current year budget. These revisions are being recommended to cover the budget variances in several divisions attributed to the following –

- Program revenues were revised to reflect updated estimates provided by the Departments
- Settlement of FOP and DOE contracts, which were not included in the original budget
- Wage, overtime and temp help variances attributed to vacant positions and attrition
- Adjustments for change in benefits, i.e. employee's transferred between divisions with higher or lower benefits
- Grounds, Streets, & Sanitation contract services (outsourcing janitors) and temp agency help was increased by the offset in personnel savings
- All other personnel accounts were trued up and the difference was netted against the Other Employment Expenses (Fund Expense) that we use for vacation sell back, retirement payouts, and education assistance. The General Fund balance of this account prior to these changes was $167,100 and afterwards it is $52,000. In essence, the personnel savings offset most of the contract negotiations and the unfavorable personnel variances.
- There were also some significant adjustments needed for demolitions, legal expenses, and the snow storms this past winter; as well as some unplanned expenses in a few divisions. We combed through all the budgets for savings to cover as much of these adjustments as possible. The remainder is covered through additional transfer tax revenues that were included in the Budget Revision approved by City Council in February.
- There was considerable savings in electricity and gasoline accounts across all funds. Therefore, all budgets were adjusted down to reflect these savings.

The second attachment (2) is a listing of the items adjusted to close the gap between the FY2017 Preliminary Budget presented in early April and the FY2017 Draft Budget that is being presented on Tuesday evening.

We hope you will find these schedules helpful in your review and understanding of the Budget submission.

Please feel free to contact either Mr. Koenig or myself if you have any questions. Thank you.

City of Dover
Fiscal Year 2015-2016
Personnel Adjustments - 3rd Budget Amendment

Department/ Division	Original Budget	Revised Budget	Variance
City Clerk	$ 354,700	$ 354,100	$ 600
City Council	91,000	86,000	5,000
Assessor	207,200	212,200	(5,000)
Fire	409,800	399,800	10,000
Grounds	923,500	812,700	110,800
Library	1,283,500	1,229,500	54,000
Recreation	466,700	476,400	(9,700)
Life Safety	220,100	219,500	600
Code Enforcement	385,500	384,300	1,200
Planning	503,400	502,200	1,200
Building Inspections	462,500	466,500	(4,000)
Economic Development	210,800	212,800	(2,000)
Civilian Police	2,404,700	2,496,500	(91,800)
Law Enforcement	11,620,300	12,265,000	(644,700)
Police Extra Duty	602,400	634,200	(31,800)
Streets	509,300	466,700	42,600
Sanitation	683,700	673,900	9,800
City Manager	496,500	510,500	(14,000)
Information Technology	439,800	356,700	83,100
Finance	798,000	801,200	(3,200)
Public Works Admin	594,000	553,500	40,500
Facilities	531,200	472,800	58,400
Public Works Engineering	175,400	167,400	8,000
Procurement & Inventory	283,900	285,800	(1,900)
Fleet Maintenance	454,800	446,300	8,500
Customer Service	1,052,400	1,007,400	45,000
Human Resources	318,200	325,000	(6,800)
Mayor	56,700	56,700	-
Grounds - Contractual Services for Mowing	-	43,500	(43,500)
Streets - Agency Billing for Temp Help	-	10,000	(10,000)
Sanitation - Agency Billing for Temp Help	-	27,000	(27,000)
Other Employment Expense	468,100	52,000	416,100
Total General Fund	$ 27,008,100	$ 27,008,100	$ -

City of Dover
Fiscal Year 2015-2016
Personnel Adjustments - 3rd Budget Amendment

Department/ Division	Original Budget	Revised Budget	Variance
Engineering	$ 453,700	$ 456,700	$ (3,000)
Water	531,500	535,100	(3,600)
Wastewater	643,400	512,400	131,000
Water Treatment	1,014,600	1,016,700	(2,100)
Other Employment Expense	20,000	142,300	(122,300)
Total Water/Wastewater Fund	$ 2,663,200	$ 2,663,200	$ -
T & D	$ 3,073,200	$ 2,461,900	$ 611,300
Engineering	1,058,500	849,100	209,400
Administration	370,900	299,700	71,200
Meter Reading	325,400	333,100	(7,700)
System Operators	679,800	601,500	78,300
Budget Balance - 2nd Budget Adj Pension/OPEB	-	681,100	(681,100)
Other Employment Expense	72,000	353,400	(281,400)
Total Electric Fund	$ 5,579,800	$ 5,579,800	$ -

City of Dover
Fiscal Year 2015-2016
Other Line Item Adjustments - 3rd Budget Amendment

Revenues	Budget Adjustment	Comments
Property Taxes	$ (60,700)	YTD Trend
Business Licenses	13,000	YTD Trend
Court of Chancery Fees	25,300	YTD Trend
Sanitation Fees	(50,000)	YTD Trend
Library Fines	(5,000)	YTD Trend
Kent County Reciprocal Borrowing Receipts	(137,400)	Reduction carries into future years
Police Fines	(74,200)	JP Court, Court of Common Pleas & Dover Code fines
Police Extra Duty	(71,500)	Based on Extra Duty Expenses
Boat Licenses	1,300	YTD Trend
Interest Earnings (net of Mgment Fees)	34,800	Removed bank & cc fees from net interest earnings
Civil Traffic Penalties	30,000	YTD Trend
Miscellaneous Revenues	34,100	YTD Trend
Franchise Fees	10,000	YTD Trend
Transfer Taxes	104,100	2nd Budget Amendment was +$646,100; Total $750K
Police Grants (Extra Duty related)	98,300	Based on Extra Duty Expenses
Subtotal Program Revenues	(47,900)	
Interfund Allocations - Water/Wastewater	(84,400)	Related to interfund Division budget changes
Interfund Allocations - Electric	(190,000)	Related to interfund Division budget changes
General Fund Revenue Adjustments	$ (322,300)	

Department/ Division Expenses	Budget Adjustment	Comments
City Council	$ 500	Dover Cups
Grounds	(10,000)	Gasoline
Recreation	(16,000)	Electricity
Life Safety	(1,500)	Gasoline
Code Enforcement	(2,500)	Gasoline
Building Inspections	23,500	Demolitions & Gasoline (net)
Economic Development	5,000	DSU Economic Study & Telephone exp. (net)
Police Administration	-	Adjustments netted to zero
Streets	(36,000)	Gasoline & Program Expenses
Sanitation	(24,000)	Gasoline & Program Expenses (net)
City Manager	145,000	Legal Expenses & Contract Services (net)
Information Technology	3,800	EVOGov Vendor - Web Page development
Finance	8,500	Actuary fees related to new GASB Pensions
Public Works Admin	(6,000)	Subscriptions & Dues
Facilities Management	(8,000)	Electricity & Building Maintenance
Procurement & Inventory	7,200	Sprinkler System, HVAC Repairs & Electricty (net)
Customer Service	(5,000)	Office Equip Repairs & Maint
Human Resources	(14,000)	Personnel Related & Unemployment Expenses
Streets	52,600	Snow Storm Expenses
General Fund Expenditure Adjustments	$ 123,100	

City of Dover
Fiscal Year 2015-2016
Other Line Item Adjustments - 3rd Budget Amendment

Revenues	Budget Adjustment	Comments
Water Service Fees	(309,400)	YTD Trends & Calpine sales
Wastewater Service Fees	(120,200)	YTD Trends & Calpine sales
Kent County Treatment Fees	(110,400)	YTD Trends & Calpine sales
Groundwater I & I Surcharge	(23,000)	YTD Trends & Calpine sales
Sewer Impact Fees	(27,600)	YTD Trends
Water Impact Fees	3,400	YTD Trends
Miscellaneous Revenues	(7,800)	YTD Trends
Interest Earnings (net of Mgment Fees)	7,000	YTD Trends
Water/Wastewater Fund Revenue Adjustments	(588,000)	
Engineering	$ -	
Water	(12,000)	Gasoline
Wastewater	(19,000)	Gasoline & Electricity
Water Treatment	(169,000)	Chemicals & Additives, Electricity & Gasoline
Water/Wastewater Fund Expense Adjustments	$ (200,000)	

Revenues	Budget Adjustment	Comments
Customer Sales	214,600	YTD Trends
Utiilty Taxes	28,500	YTD Trends
Transfer from Rate Stabilization Reserve	(2,250,000)	Reduced as a result of higher sales & lower expenses
Miscellaneous Revenues	314,200	Electric Department service work
Interest Earnings (net of Mgment Fees)	(12,900)	YTD Trends
Electric Fund Revenue Adjustments	(1,705,600)	
T & D	$ (20,000)	Gasoline
Engineering	(6,000)	Gasoline
Administration	15,000	HVAC Repairs - Weyandt Hall
Meter Reading	(5,000)	Gasoline
Total Electric Fund	$ (16,000)	

Fiscal Year 2017 Budget
Adjustments to the Preliminary Budget

Department/Division or Item	Line Item #	Description of Adjustment	Amount	110	412	480	Total
Preliminary Revenues			**$42,370,300**	**$42,370,300**			
Inspections	321-23	Public Occupancy	1,000	1,000			1,000
Court of Chancery Fees	341-01	Current trend adjustment	(74,600)	(74,600)			(74,600)
Recreation	345-01	No growth expected with new County center	(9,000)	(9,000)			(9,000)
Library	347-xx	Current trend & reduction in County receipts	(87,400)	(87,400)			(87,400)
Police	351-xx	Current trend adjustments less $31,000	-	-			-
Police	351-17	Police Extra Duty - current estimate adjustment	(100)	(100)			(100)
Police	362-71	Police Extra Duty - Grant Receipts	(16,400)	(16,400)			(16,400)
General - Transfer Taxes	362-19	Revised estimate, based on last 3 years	132,500	132,500			132,500
Franchise Fees	369-12	Current trend adjustment	7,700	7,700			7,700
General - Miscellaneous	369-24	Revised estimate, collection of sheriff sale cost	16,300	16,300			16,300
General - Rent Revenue	369-46	Adjustment for escalator - solar park	800	800			800
Interfund Service Receipts - W/WW	391-01	Adjustments to administrative divisions	(19,400)	(19,400)			(19,400)
Interfund Service Receipts - Electric	391-02	Adjustments to administrative divisions	(60,400)	(60,400)			(60,400)
Net Revenue Adjustments			**(109,000)**	**(109,000)**	**-**	**-**	**(109,000)**
Proposed Revenues			**$42,261,300**	**$42,261,300**			
Preliminary Expenditures			**$43,548,100**				
City Clerk	10-xx	Personnel adjustments	5,700	1,300	1,100	3,300	5,700
City Council	30-35	Community Relations	(900)	(200)	(200)	(500)	(900)
	30-37	Other Expenses - New Item	25,000	5,800	4,800	14,400	25,000
	30-92	Human Relations	(2,000)	(500)	(400)	(1,100)	(2,000)
Tax Assessor	10-xx	Personnel adjustments	2,200	2,200			2,200
	20-21	Office Supplies	(400)	(400)			(400)
Fire	10-xx	Personnel adjustments	(7,400)	(7,400)			(7,400)
	40-25	Engine 7 Truck Payment	(73,400)	(73,400)			(73,400)
Grounds Maintenance	10-xx	Personnel adjustments	(26,700)	(26,400)	(100)	(200)	(26,700)
	30-24	Heating Oil & Gas	(700)	(700)	-	-	(700)
	30-62	Gasoline	(7,000)	(6,900)	-	(100)	(7,000)
Library	10-xx	Personnel adjustments	3,900	3,900			3,900
	40-31	Construction of glass wall for TV room	(15,000)	(15,000)			(15,000)
Recreation	10-xx	Personnel adjustments	(3,800)	(3,800)			(3,800)
Life Safety	10-xx	Personnel adjustments	1,900	1,900			1,900
Code Enforcement	10-xx	Personnel adjustments	(20,500)	(20,500)			(20,500)
Planning	10-xx	Personnel adjustments	5,700	5,700			5,700
	40-23	Vehicle # 3 - 2003 Ford Station Wagon	(16,000)	(16,000)			(16,000)
Inspections	10-xx	Personnel adjustments	(8,100)	(8,100)			(8,100)
	30-31	Contractual Services	(1,000)	(1,000)			(1,000)
	40-23	Vehicle # 13 - 2005 Ford F150 Pick Up	(16,000)	(16,000)			(16,000)
Economic Development	10-xx	Personnel adjustments	2,000	2,000			2,000
Police - Civilian	10-xx	Personnel adjustments	(27,500)	(27,500)			(27,500)
Police - Law Enforcement	10-xx	Personnel adjustments	(232,400)	(232,400)			(232,400)
	30-28	Training	(10,000)	(10,000)			(10,000)
	30-62	Gasoline	(15,000)	(15,000)			(15,000)
	40-22	Motorcycle #256	(24,400)	(24,400)			(24,400)
Police - Extra Duty	10-xx	Personnel adjustments	(16,500)	(16,500)			(16,500)
Streets	10-xx	Personnel adjustments	28,800	28,800			28,800
	20-32	Security & Safety - current trend adj	(500)	(500)			(500)
	30-31	Contract Services - Ditch & Garrison mowing	(20,000)	(20,000)			(20,000)
	30-62	Gasoline	(8,000)	(8,000)			(8,000)
	40-23	2001 Intl Dump Truck	(132,200)	(132,200)			(132,200)
	40-31	ST1703 Silver Lake Dam Improvements	76,000	76,000			76,000
	40-31	Street Program	(100,000)	(100,000)			(100,000)
Sanitation	10-xx	Personnel adjustments	(9,000)	(9,000)			(9,000)

Fiscal Year 2017 Budget
Adjustments to the Preliminary Budget

Department/Division or Item	Line Item #	Description of Adjustment	Amount	110	412	480	Total
	30-62	Gasoline	(25,000)	(25,000)			(25,000)
City Manager	10-xx	Personnel adjustments	(56,300)	(22,100)	(9,300)	(24,900)	(56,300)
	20-38	Computer Hardware	2,600	1,000	400	1,200	2,600
	30-31	Lean Consulting	(35,000)	(13,800)	(5,800)	(15,400)	(35,000)
Information Technology	10-xx	Personnel adjustments	(19,800)	(4,700)	(5,200)	(9,900)	(19,800)
	20-38	Computer Hardware - 10 phones & 2 PC's	(10,800)	(2,600)	(2,800)	(5,400)	(10,800)
Finance	10-xx	Personnel adjustments	12,000	5,100	1,800	5,100	12,000
Public Works - Administration	10-xx	Personnel adjustments	6,800	2,500	4,300	-	6,800
Facilities Management	20-46	City Building Maint Supplies	(1,000)	(600)	(100)	(300)	(1,000)
	30-23	Electricity	(3,000)	(1,900)	(200)	(900)	(3,000)
	30.62	Gasoline	(1,000)	(600)	(100)	(300)	(1,000)
Public Works - Engineering	10-xx	Personnel adjustments	4,300	1,600	2,700	-	4,300
Procurement & Inventory	10-xx	Personnel adjustments	3,000	200	200	2,600	3,000
	30-23	Electricity	(5,000)	(400)	(300)	(4,300)	(5,000)
Fleet Maintenance	10-xx	Personnel adjustments	1,900	1,000	300	600	1,900
	20-46	City Building Maint Supplies	(1,000)	(500)	(200)	(300)	(1,000)
Customer Service	10-xx	Personnel adjustments	(32,400)	(5,600)	(6,500)	(20,300)	(32,400)
Human Resources	10-xx	Personnel adjustments	8,300	6,000	900	1,500	8,400
	20-21	Furniture & Fixtures	(1,000)	(700)	(100)	(200)	(1,000)
	20-28	Medical Supplies & Physicals	(1,000)	(700)	(100)	(200)	(1,000)
	20-48	Personnel Related Expense	(1,000)	(700)	(100)	(200)	(1,000)
	30-28	Training & Conference	(1,500)	(1,100)	(200)	(200)	(1,500)
Mayor	30-37	Reduction of Mayor's 300th Yr Expenses	(15,000)	(7,300)	(1,900)	(5,800)	(15,000)
Debt Service	90-24	Reduction for ERP system & Tar Ditch/PWII	(295,100)	(295,100)			(295,100)
Other Employment Expenses	91-01	Removal of all Retirement Payouts	(122,600)	(122,600)			(122,600)
Transfer to Capital Fund	90-82	Bond Issuance Cost & Interest Earned	(55,000)	(55,000)			(55,000)
Net Expenditure Adjustments			**(1,286,800)**	**(1,207,800)**	**(17,100)**	**(61,800)**	**(1,286,700)**
Proposed Expenditures			**$42,261,300**				
Excess Revenue (Expenditures)			**$0**				

RECAP

Wages & Benefits	10-xx	Total personnel adjustments from above	$ (373,900)
Transfer to Capital Fund - Projects	90-82	Total capital adjustments from above	(356,000)
Operating Expenses	20's & 30's	Materials, Supplies, & Administrative expenses	(139,200)
Debt Service		ERP & Tar Ditch/PWII	(295,100)
Other Employment Expenses		Vacation Sell Back, retirements, and education	(122,600)
			$ (1,286,800)

EXHIBIT #5
2016 Budget Review
Special Council Meeting of 05/24/2016

Memorandum

Office of the City Manager
PO Box 475
Dover, DE 19903
Phone: (302) 736-7005
FAX: (302) 736-7002
E-mail: skoenig@dover.de.us

To: **Members of City Council**

From: **Scott D. Koenig, P.E.**
City Manager

Date: **May 25, 2016**

Subject: **Non-Bargaining Pay Increase Recommendation – FY-2017 Budget**

As a follow up to last night's budget discussion, the City Manager's recommendation for all non-bargaining employees is a 2.5% increase to base pay. The February 2016 Consumer Price Index (CPI), excluding energy, was 2.1%. For December 2015, the increase to Social Security was 0%. The proposed 2.5% increase represents a COLA that follows the referenced CPI plus a small merit increase.

Employees represented by AFSCME will receive a 3% salary increase. Employees represented by DOE will advance one (1) step on the salary progression chart. The percentage change to base wages can range from 2.0% to 3.5%. Each grade and step of DOE's salary chart will also be increased by 25 cents on July 1, 2016. For the IBEW employees, increases will range from 3% to 4%. A new step is added to their salary chart in FY-2017 and the step is valued at a 3% base wage increase. The majority of the IBEW membership will receive a 3% increase. The FOP implemented a new salary in FY-2016. The new salary chart for FY-2016 will remain in effect in FY-2017 and FY-2018. Police officers progress through the salary chart based on years of service and rank. Their wage increases vary depending upon rank and years of service.

Several local communities have indicated that general wage increases are estimated at 2%. Some communities have step increases as part of their pay system and these are not considered general wage increases.

sdk/SDK

cc: Donna Mitchell, Controller/Treasurer
Traci McDowell, City Clerk

General Fund - By Department/Division

General Fund Expenses By Major Function

CITY ADMINISTRATION
City Clerk
Council
Economic Development
City Manager
Human Resources
Mayor

LIBRARY & RECREATION
Library
Recreation

PLANNING & INSPECTIONS
Life Safety
Code Enforcement
Planning
Inspections

POLICE & FIRE
Fire
Police
Police Extra Duty

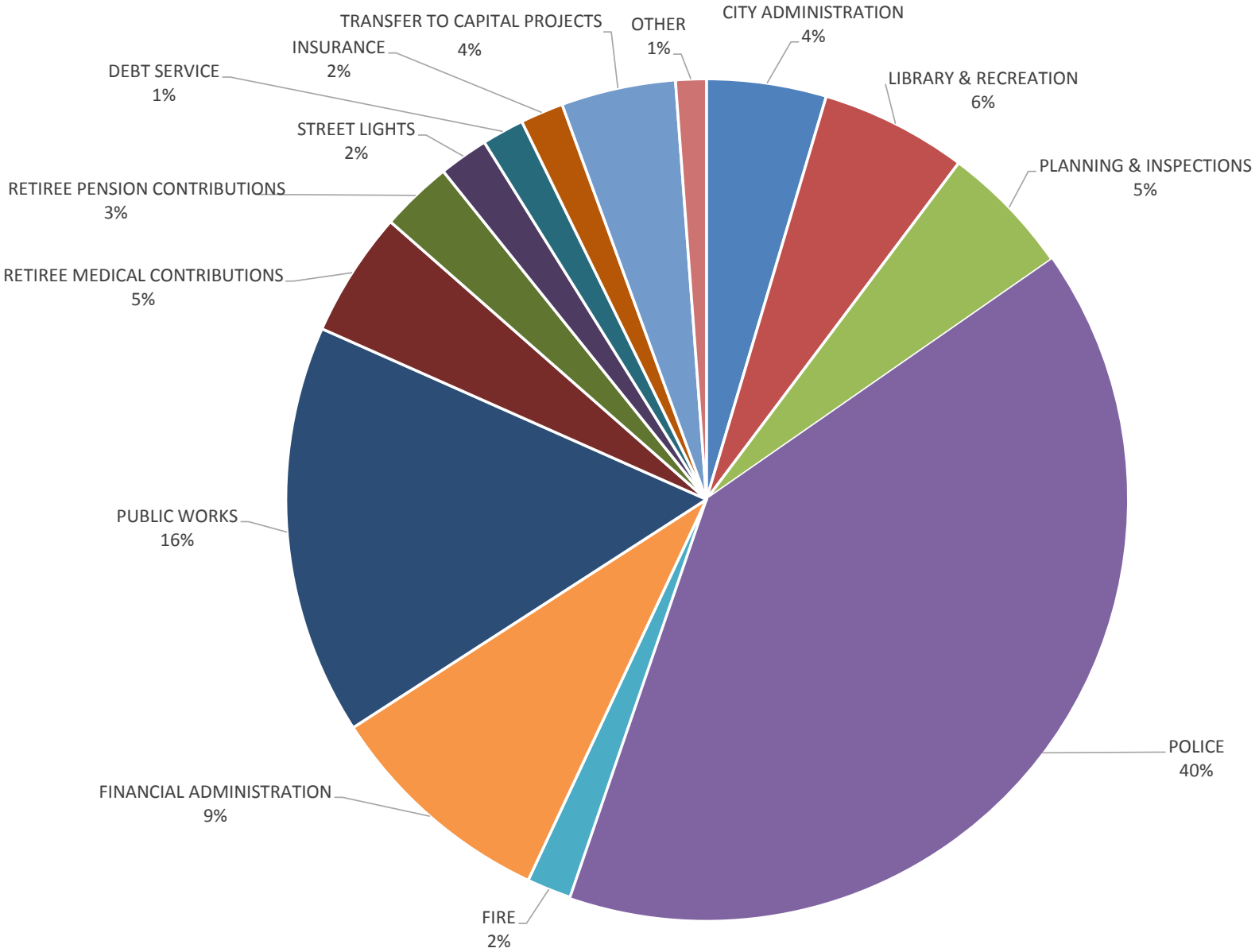
FINANCIAL ADMINISTRATION
Tax Assesor
Information Technology
Finance
Procurement & Inventory
Customer Service
Bank & Credit Card Fees
Uncollectibles - Trash and Other

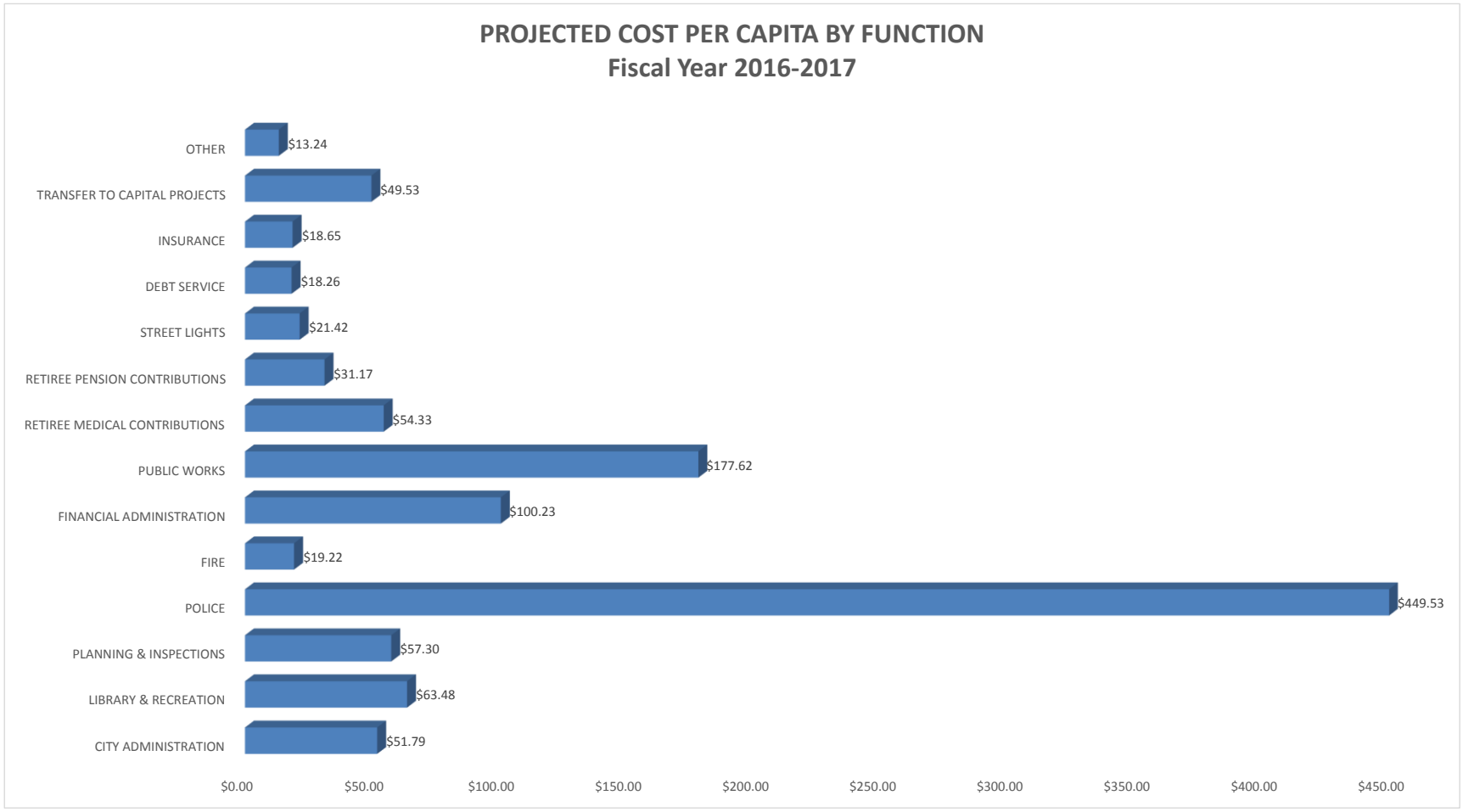
PUBLIC WORKS
Ground Maintenance
Streets
Sanitation
Administration
Facilities Management
Engineering
Fleet Maintenance

RETIREE PENSION CONTRIBUTIONS
Approp. Police Pension Fund
Approp. Police Pension - State Grant

OTHER
Contribution to DDP
Miscellaneous Grant Related Exp
OTher Employment Expenses
Transfer to Inventory Write-Offs

General Fund Expenses By Major Function





Total per capita based on population estimate of 37,540 = $1,125.77

City of Dover
Fiscal Year 2016/2017 Proposed Budget
Outlays and Receipts for Governmental Activities
(Pages 16 & 17)

Functions/Programs

General Government	
	City Clerk
	Council
	Mayor
	City Manager
	Human Resources
	Planning
	Tax Assessor
Public Safety	
	Fire
	Life Safety
	Code Enforcement
	Inspections
	Police - Administration
	Police - Civilian
	Police - Law Enforcement
	Police - Extra Duty
	Police - Pension Grant
	Police - City Pension Appropriation
Public Works	
	Administration
	Engineering
	Facility Maintenance
	Grounds
	Streets
	Sanitation
	Street Lights
	WWW Engineering
Library and Recreation	
	Library Services
	Recreation Services
Community and Economic Development	
	Economic Development
	Contribution to DDP
Central Services	
	Fleet Maintenance
	Warehouse & Purchasing
	Inventory Writeoffs
Financial Administration	
	Information Technology
	Finance
	Customer Service
	Insurance
	Uncollectible Write Offs

EXHIBIT #8
2016 Budget Review
Special Council Meeting of 05/24/2016

City of Dover
Electric Revenue Fund
FY16 - White Oak Solar Park Incremental Cost

	July	August	September	October	November	December	January	February	March	April	YTD	Original Budget
Power Supply & Generation												
Dover Sun Park - Energy	$ 241,720	$ 264,734	$ 204,656	$ 175,542	$ 107,183	$ 74,637	$ 121,058	$ 123,391	$ 203,552	$ 257,359	$ 1,773,833	$ 2,313,861
Dover Sun Park - REC's	43,325	42,602	30,249	26,003	15,920	11,012	17,910	18,308	30,249	-	235,579	363,381
Total Power Supply Cost	285,046	307,336	234,905	201,546	123,103	85,648	138,969	141,699	233,801	257,359	2,009,412	2,677,242
Non-Solar Power Supply Cost	(119,924)	(123,989)	(97,565)	(81,616)	(48,168)	(34,958)	(64,920)	(56,337)	(85,309)	(105,218)	(818,003)	(1,172,049)
Incremental Energy Cost	$ 165,122	$ 183,347	$ 137,340	$ 119,929	$ 74,935	$ 50,690	$ 74,049	$ 85,363	$ 148,493	$ 152,141	$ 1,191,408	$ 1,505,193
Revenues												
Customer Sales - Electricity	(8,419)	(8,580)	(7,472)	(7,473)	(7,799)	(7,621)	(7,766)	(7,927)	(7,507)	(8,447)	(79,011)	(93,900)
Rent Receipts	(15,177)	-	-	(15,177)	-	-	(15,557)	-	-	(15,557)	(61,468)	(93,700)
Total Revenues	(23,596)	(8,580)	(7,472)	(22,650)	(7,799)	(7,621)	(23,323)	(7,927)	(7,507)	(24,004)	(140,479)	(187,600)
Incremental Sun Park Cost	$ 141,526	$ 174,766	$ 129,868	$ 97,279	$ 67,137	$ 43,069	$ 50,725	$ 77,436	$ 140,986	$ 128,137	$ 1,050,929	$ 1,317,593
MWh Purchased/Generated - Solar	2,084.336	2,100.192	1,525.008	1,308.064	798.680	556.160	902.072	919.456	1,516.784	1,917.728	13,628.480	18,159.000
MWh $ Solar Energy	$ 115.97	$ 126.05	$ 134.20	$ 134.20	$ 134.20	$ 134.20	$ 134.20	$ 134.20	$ 134.20	$ 134.20	$ 130.16	$ 127.42
Solar REC's MWh	313.000	315.000	228.000	196.000	120.000	83.000	135.000	138.000	228.000	-	1,756.000	
MWh $ Solar REC (one month lag)*	138.42	135.24	132.67	132.67	132.67	132.67	132.67	132.670	132.670	-	134.16	
MWh $ Non-Solar Energy	$ 57.54	$ 59.04	$ 63.98	$ 62.39	$ 60.31	$ 62.86	$ 71.97	$ 61.27	$ 56.24	$ 54.87		

Note: Solar REC's are one month behind due to the time the invoice is received.

CITY OF DOVER
FISCAL YEAR JULY 1, 2015 TO JUNE 30, 2016
QUARTERLY REVENUE REPORT
As of March 31, 2016

				75.0%					
	GENERAL FUND	**FY16 BUDGET**	**YTD REVENUES**	**% BUDGET RECEIVED**	**FY16 PROJ'D**	**FY17 Proposed**	**COMMENTS**	**FY15 REVENUES**	**FY14 REVENUES**
1	Property Taxes	$ 12,495,500	$ 12,408,600	99.3%	$12,428,500	$ 12,519,700		$ 10,841,200	$ 10,777,800
2	Payment In Lieu of Taxes	398,700	389,700	97.7%	405,000	413,200		335,500	316,700
3	Transfer from Electric Fund	10,000,000	10,000,000	100.0%	10,000,000	10,000,000		10,000,000	8,000,000
4	Intrafund Service Receipts Electric	3,738,500	2,621,200	70.1%	3,586,200	3,564,900		3,478,800	3,427,300
5	Transfer from Transfer Tax Fund	1,340,000	1,820,900	135.9%	2,090,200	1,672,700		1,713,800	1,544,100
6	Business Licenses	1,425,000	1,466,000	102.9%	1,472,000	1,467,000		1,403,100	1,494,300
7	Intrafund Service Receipts Water/Wastewater	1,492,700	1,010,700	67.7%	1,420,000	1,653,800		1,341,600	1,218,900
8	Sanitation Fees	2,580,000	1,900,300	73.7%	2,530,000	2,538,300		2,578,900	2,595,600
9	Permits & Other Licenses	1,436,300	1,332,300	92.8%	1,436,300	1,662,100		1,490,200	1,597,300
10	Transfer from Municipal Street Aid Fund	564,200	504,900	89.5%	673,100	673,100		664,300	664,900
11	Fines & Police Revenue	702,300	491,800	70.0%	651,400	763,300		666,700	653,600
12	Police Extra Duty Fees	533,000	252,600	47.4%	461,500	525,000		503,000	562,900
13	Transfer from Police Grant Funds	74,400	72,100	96.9%	172,700	258,600		127,100	80,200
14	Court of Chancery Fees	1,065,100	811,000	76.1%	1,090,400	1,100,000		1,118,700	1,034,500
15	Transfer from Water/Wastewater Fund	850,000	637,500	75.0%	850,000	875,000		500,000	500,000
16	Transfer from Contingency	-	-	0.0%	-	-		50,000	250,000
17	Transfer from Civil Traffic Penalties Fund	450,000	331,300	73.6%	480,000	496,900		495,200	357,500
18	Library Revenues & County Reciprocal Pymt	522,000	290,500	55.7%	379,600	382,900		480,800	498,600
19	Franchise Fees	672,300	338,900	50.4%	682,300	680,000		683,400	648,300
20	General Fund Grant Receipts	673,500	262,300	38.9%	673,500	623,500		733,900	571,000
21	Recreation Revenue	149,000	120,400	80.8%	149,000	150,000		149,300	151,900
22	Other Miscellaneous Receipts	129,600	146,400	113.0%	163,700	151,300		257,500	175,500
23	Interest Income	35,000	139,100	397.4%	140,000	90,000		35,100	34,500
24	2014 Bond Proceeds (Refinance 2003 Bonds)	-	-	0.0%	-	-		475,000	-
	TOTALS	$ 41,327,100	$ 37,348,500	90.4%	$41,935,400	$ 42,261,300		$ 40,123,100	$ 37,155,400
	Final Budget							**$ 39,795,600**	**$ 37,127,200**

CITY OF DOVER
FISCAL YEAR JULY 1, 2015 TO JUNE 30, 2016
QUARTERLY REVENUE REPORT
As of March 31, 2016

				75.0%					
	WATER/WASTEWATER FUND	**FY16 BUDGET**	**YTD REVENUES**	**% BUDGET RECEIVED**	**FY16 PROJ'D**	**FY17 Proposed**	**COMMENTS**	**FY15 REVENUES**	**FY14 REVENUES**
1	Water Fees	$ 6,200,000	$ 4,088,200	65.9%	$ 5,366,600	$ 5,800,000		$ 4,889,000	$ 4,459,800
2	Wastewater Fees	3,728,000	2,854,900	76.6%	3,823,800	3,800,000		3,735,900	3,562,400
3	Wastewater Adjustment Fees - County Trtmt	3,026,500	2,242,000	74.1%	2,997,600	3,000,000		2,952,900	2,930,300
4	Groundwater Inflow Adjustment	1,864,300	1,434,400	76.9%	1,965,600	1,938,000		1,831,800	1,316,200
5	Water Impact Fees	250,000	164,500	65.8%	253,400	252,000		536,900	252,200
6	Wastewater Impact Fees	250,000	144,800	57.9%	222,400	228,000		482,200	230,200
7	Water Tank Space Leasing	341,900	225,600	66.0%	341,900	366,200		344,800	360,300
8	Interest Income	3,000	(1,800)	-60.0%	10,000	20,000		2,300	3,616
9	Other Miscellaneous Revenues	64,000	63,700	99.5%	56,200	63,000		75,000	61,300
	TOTALS	$ 15,727,700	$ 11,216,300	71.3%	$15,037,500	$ 15,467,200		$ 14,850,800	$ 13,176,316
	Final Budget							**$ 14,386,300**	**$ 13,023,500**

				75.0%					
	ELECTRIC REVENUE FUND	**FY16 BUDGET**	**YTD REVENUES**	**% BUDGET RECEIVED**	**FY16 PROJ'D**	**FY17 Proposed**	**COMMENTS**	**FY15 REVENUES**	**FY14 REVENUES**
1	Sales to Customers	$ 78,279,200	$ 60,438,100	77.2%	$ 78,493,800	$ 78,991,200		$ 77,011,700	$ 76,928,300
3	Utility Tax	1,281,100	1,005,500	78.5%	1,309,600	1,320,900		1,266,900	1,259,000
4	Transfer from Rate Stabilization Reserve	3,000,000	750,000	25.0%	750,000	-		3,000,000	7,000,000
5	Miscellaneous Revenue	927,800	929,800	100.2%	1,242,000	899,600		1,389,400	906,400
6	Interest Income	47,900	31,300	65.3%	35,000	47,900		21,200	10,500
7	Intrafund Service Fees - Water/Wastewater	-	-	0.0%	-	-		-	130,800
	TOTALS	$ 83,536,000	$ 63,154,700	75.6%	$81,830,400	$ 81,259,600		$ 82,689,200	$ 86,235,000
	Final Budget							**$ 81,766,000**	**$ 88,283,600**

From: Koenig, Scott
To: Lewis, Brian E.; City Clerks Office
Cc: McDowell, Traci
Subject: RE: Budget Questions
Date: Thursday, May 26, 2016 5:34:50 PM
Importance: High

Good Afternoon:

Below are the answers (in red) to your questions. Please call if you have further questions.

THIS EMAIL HAS BEEN BCC'D TO MEMBERS OF CITY COUNCIL AND MAYOR CHRISTIANSEN.

Best Regards,

Scott D. Koenig, P.E.
skoenig@dover.de.us
City Manager
City of Dover
P.O. Box 475
Dover, DE 19903
302-736-7005 (Voice)
302-736-7002 (Fax)

"Engineering isn't about perfect solutions; it's about doing the best you can with limited resources" *- Randy Pausch*
p. X - Introduction to ***The Last Lecture****.*

This email, including attachments, is confidential and intended only for the designated recipient(s). If you are not an intended recipient, please delete this email. The unauthorized use, dissemination, distribution or reproduction of this e-mail, including attachments, is prohibited and may be unlawful.

From: Brian Lewis [mailto:belewis1966@hotmail.com]
Sent: Thursday, May 26, 2016 5:29 AM
To: Koenig, Scott; Mitchell, Donna
Subject: RE: Budget Questions

Scott,

To assist in keeping to time constraints during our Budget Hearings, I have listed some questions I would appreciate you answering beforehand that are related to individual departmental budgets.

Thank you,

Councilman Lewis

CITY CLERK

1. Specifically, can you explain in detail why there is an increase from $6,100.00 To $9,000.00 in the election related expenses?

Answer: Election Related Expenses (30-31) is proposed to increase from $200 in FY-2016 to $9,200 in FY-2017 for the City Wide Election Expenses. Five (5) council seats including the At-Large seat are up for election.

2. What computer hardware had to be replaced in the City Clerk's office that had a net increase of $4,700.00?

Answer: The proposed computer replacements include two (2) basic recording laptops (one in Council Chambers and one in the City Hall Large Conference Room), one (1) basic desktop computers, and two (2) 23" flat panel monitors. Total estimated costs for this hardware is $4,600.00.

INFORMATION TECHNOLOGY

1. There was a $8,400.00 increase in telephone contractual services, office equipment, repairs/maintenance. Can you explain this further?

Answer: Telephone expenses (30-21) are increasing by $200 for the Cradle Point Wifi, the device that provides Wifi in the Council Chambers. Under Contractual Services (30-31) there is an increase of $3,750 for the last payment for the City website refresh. The increase under Office/Equipment Repairs and Maintenance (30-61) is related to the upgrade of Fortis to Docuware (Fortis was purchased by Docuware and now an upgrade is required) for approximately $9,000. These increases were offset by some savings in other components of the line items for a net increase in the referenced line items of $4,600 over the FY-2016 budget. I cannot respond to the $8,400.00 reference as the numbers do not add up to $8,400 as I understand your question.

POLICE

1. The budget request (11) new police vehicles. To be fair how many vehicles can be utilized for another year within the department? Is it more cost effective to lease or purchase the vehicles and has anyone ever conducted a cost analysis on how much it would cost if the city were to ever partner with State Fleet Services?

Answer: I believe the Chiefs original request was thirteen (13), which has now been cut to eleven (11). If you propose to cut these vehicles, they will simply show up again next year for replacement. The expected life of a patrol car is typically two (2) to three (3) years if I recall past discussions correctly. I believe leasing these vehicles would be more costly than purchasing them; however, this questions has not been specifically answered by seeking lease proposals. We have also not partnered with Fleet Services. The Police Department makes all arrangements for the maintenance of these vehicles and they are serviced by a private vendor rather than the City's Fleet Maintenance Shop. In all fairness, your questions should be posed to the Chief of Police to get his opinion on this question.

2. It is my understanding that the Mayor is assigned a complete equipment packaged police vehicle for his use. If the Mayor was to return the vehicle back to the Polce department to be utilized on the road by an officer would that save us from obtaining (11) Vehicles and bring it to (10)?

Answer: I received an email from and also spoke with the Mayor earlier today. He indicated that since he became Mayor, the Police Department has only provided him a vehicle on an as-needed basis from their reserve rolling stock. This was only for out of town city business. Until his recent surgery, he used his own personal vehicle with no reimbursement expected. The department has recently provided (post-surgery) a high mileage reserve vehicle for him to use until he has recovered to the point where he can once again use his personal vehicle. The reserve vehicle is only used for city business. The gas and repair allotment of $100 under the Mayor's budget has usually been transferred to pay for veterans advertisement or for an ad for the firemen's convention on behalf of the Mayor and Council rather reimbursement under Mayor Christiansen.

TAX ASSESSOR

1. How much was the increase for Training/Travel & Telephone? What kind of training? And what is the Subscription too under this budget and others???

Answer: The increase in the Telephone expense from $1,100 in FY-2016 to $1,300 in FY-2017 is related to the reimbursement of cell phone expenses for the Residential Assessment Technician. The Training/Travel budget increase from $5,000 in FY-2016 to $7,500 in FY-2017 relates to $2,500 for the Assessor to maintain the AAS designation and $5,000 for the Residential Assessment Technician to get the required Delaware State certification. The subscription and dues are for IAAO memberships, DAAO memberships and Notary renewals.

STREETS

1. You stated that Materials & Supplies have increased to $155,800 in program expenses related to MS4 Program of $151,900. What is the MS4 Program?

Answer: MS4 is the abbreviation of Municipal Separated Storm Sewer System. Most of the referenced increase is related to Program Expenses which are proposed to increase from $35,000 in FY-2016 to $186,900 in FY-2017 (a net proposed increase of $151,900). This line item includes costs for the following activities: Street sweeping debris disposal at the landfill, NPDES MS4 Stormwater Protection Plan and Monitoring Plan Development, NPDES MS4 Public Education/Public Interaction, NPDES MS4 Illicit Discharge Detection & Elimination Program, NPDES MS4 Post-Construction Stormwater Controls, NPDES MS4 Pollution Prevention and Good Housekeeping, and the NPDES MS4 Water Quality Implementation Plan & Performance Monitoring Plan. All of the proposed costs are considered essential to comply with the MS4 permit conditions.

MAYORS BUDGET

1. There is listed Community Relations Exp. $5,500.00. Can you explain what that is for? Also, what is $100.00 for Auto Repairs/Maintenance?

Answer: The $5,500 under Community Relations Expenses includes $5,000 for the Mayor's Annual Reception and $500 for Promotional Items such as Coins, Pins and Shirts. The $100 under Auto Repairs/Maintenance is a placeholder as this line item has had previous expenses (FY-2013 - $170; FY-2014 - $120)

CITY COUNCIL BUDGET

1. What is the $11,500.00 Subscription/Dues for?

Answer: The $11,500 includes the League of Local Governments membership ($6,000), National League of Cities membership ($3,300), DE State Chamber of Commerce membership ($1,200) and the Central DE Chamber of Commerce membership ($1,000).

2. Community Relations Exp. $3,500.00 ???

Answer: The Community Relations Expense of $3,500 is for Flowers/Donations for Deaths or Illness, Dover Cups, Misc. Engravings, Plaques, etc.

CITY MANAGER'S BUDGET

1. Where is your $2,000.00 overtime coming from?

Answer: The $2,000 is for overtime expenses related to the Emergency Management Coordinator/Public Affairs Coordinator duties. If additional hours are required for this position, the hours are eligible for overtime payment. Actual expenses were $1,737 in FY-2013, $2,513 in FY-2014 and $517 in FY-2015.

2. What is the $11,500.00 "Temporary" listed for?

Answer: The $11,500 under Temporary Help is to pay the contractual labor for the Comcast broadcast of the City Council meetings.

EXHIBIT #11
2016 Budget Review
Special Council Meeting of 05/24/2016

CITY OF DOVER
CAPITAL ASSET RESERVE TREND
FIVE YEAR ANALYSIS
THRU APRIL 2016

	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	4/30/2016
Beginning Balance	$ 249,145	$ 253,420	$ 498,467	$ 507,308	$ 520,986	$ 915,129
Increases						
Net Interest (less bank fees)	4,275	5,947	8,841	3,055	3,643	14,167
Sale of land proceeds (Garrison Oak)	-	-	-	10,623	-	92,700
Transfer of Gain on Sale of Assets	-	39,100	-	-	-	-
Appropriation to Reserve	-	200,000	-	-	-	-
Transfer excess prior year excess budget balance	-	-	-	-	60,000	229,600
Trf Library Project Balance to Cap Proj Reserve	-	-	-	-	330,500	-
	253,420	498,467	507,308	520,986	915,129	1,251,596
Decreases						
Ending Balance	$ 253,420	$ 498,467	$ 507,308	$ 520,986	$ 915,129	$ 1,251,596

City of Dover
Projected Budget Trends

	Fiscal 15/16 Budget	Fiscal 16/17 Proposed	Fiscal 17/18 Projected	Fiscal 18/19 Projected	Fiscal 19/20 Projected	Fiscal 20/21 Projected
General Fund						
Receipts	$41,327,100	$42,261,300	$42,739,600	$43,292,200	$43,855,300	$44,384,900
% Change - Annual		2.3%	1.1%	1.3%	1.3%	1.2%
% Change - Cumulative		2.3%	3.4%	4.8%	6.1%	7.4%
Expenditures *	$38,575,900	$40,401,900	$41,108,500	$42,116,900	$43,158,000	$44,233,200
% Change - Annual		4.7%	1.7%	2.5%	2.5%	2.5%
% Change - Cumulative		4.7%	6.6%	9.2%	11.9%	14.7%
* Expenditures exclude transfers to the Capital Project Fund						
Water/Wastewater Fund						
Receipts	$15,727,700	$15,447,200	$15,529,100	$15,611,500	$15,694,600	$15,778,200
% Change - Annual		-1.8%	0.5%	0.5%	0.5%	0.5%
% Change - Cumulative		-1.8%	-1.3%	-0.7%	-0.2%	0.3%
Expenses *	$11,919,000	$12,240,100	$12,521,400	$12,795,000	$13,041,600	$13,251,500
% Change - Annual		2.7%	2.3%	2.2%	1.9%	1.6%
% Change - Cumulative		2.7%	5.1%	7.3%	9.4%	11.2%
* Expenses exclude transfers to the Capital Project Fund						
Electric Fund						
Receipts without PCA credit	$ 83,488,100	$ 81,211,700	$ 82,087,200	$ 83,116,500	$ 83,996,900	$ 84,889,300
% Change - Annual		-2.7%	1.1%	1.3%	1.1%	1.1%
% Change - Cumulative		-2.7%	-1.7%	-0.4%	0.6%	1.7%
Receipts with PCA credit	$ 83,488,100	$ 79,380,700	$ 80,236,400	$ 81,242,000	$ 82,102,200	$ 82,974,100
% Change - Annual		-4.9%	1.1%	1.3%	1.1%	1.1%
% Change - Cumulative		-4.9%	-3.9%	-2.7%	-1.7%	-0.6%
Expenditures *	$74,754,700	$73,990,200	$72,533,600	$70,437,200	$73,278,500	$74,135,600
% Change - Annual		-1.0%	-2.0%	-2.9%	4.0%	1.2%
% Change - Cumulative		-1.0%	-3.0%	-5.8%	-2.0%	-0.8%
without Power Supply	$24,520,800	$21,050,300	$20,912,100	$21,423,400	$21,945,800	$22,488,100
% Change - Annual		-14.2%	-0.7%	2.4%	2.4%	2.5%
% Change - Cumulative		-14.2%	-14.7%	-12.6%	-10.5%	-8.3%
* Expenses exclude transfers to the Capital Project Fund						

City of Dover
Comparison of FY16 Financial Forecast to FY17 Financial Forecast

General Fund	Fiscal 15/16 Revised	Fiscal 16/17 Proposed	Fiscal 17/18 Projected	Fiscal 18/19 Projected	Fiscal 19/20 Projected	Fiscal 20/21 Projected
Receipts - FY17 Forecast	$41,935,400	$42,261,300	$42,739,600	$43,292,200	$43,855,300	$44,384,900
Receipts - FY16 Forecast	$41,327,100	$41,800,500	$42,275,800	$42,759,800	$43,252,900	N/A
Variance	$608,300	$460,800	$463,800	$532,400	$602,400	

Mainly a result of increase transfer taxes for FY16 & FY17 carrying into the forecast years.

Expenditures - FY17 Forecast *	$41,331,500	$42,261,300	$44,094,000	$45,061,000	$45,810,100	$47,565,400
Expenditures - FY16 Forecast	$41,201,300	$42,156,900	$42,871,100	$43,972,400	$44,804,100	N/A
Variance	$130,200	$104,400	$1,222,900	$1,088,600	$1,006,000	

Mainly a result of employment cost and MS4 permit programmed cost carrying into the forecast years. The personnel cost did not adversely impact the Revised FY16 Budget since covered mostly through vacant positions and attrition. The Forecast Years have an automatic inflation rate built in.

* The FY16 Revised Expenditures have been reduced by those items rebudgeted from the prior year carry forward balance, since they were not in the original budget. Excess balance transfers to Capital reserves and unfunded liabilities.

Water/Wastewater Fund	Fiscal 15/16 Revised	Fiscal 16/17 Proposed	Fiscal 17/18 Projected	Fiscal 18/19 Projected	Fiscal 19/20 Projected	Fiscal 20/21 Projected
Receipts - FY17 Forecast	$15,027,500	$15,447,200	$15,529,100	$15,611,500	$15,694,600	$15,778,200
Receipts - FY16 Forecast	$15,724,700	$16,289,700	$16,373,700	$16,458,200	$16,543,400	N/A
Variance	($697,200)	($842,500)	($844,600)	($846,700)	($848,800)	

Mainly a result of projected Calpine Revenues which carried into the forecast years.

Expenses - FY17 Forecast	$11,919,000	$12,240,100	$12,521,400	$12,795,000	$13,041,600	$13,251,500
Expenses - FY16 Forecast	$12,094,000	$12,326,100	$12,553,800	$12,791,600	$13,025,400	N/A
Variance	($175,000)	($86,000)	($32,400)	$3,400	$16,200	

Mainly a result of projected Calpine Revenues which carried into the forecast years. Personnel cost increases are offset with lower operating cost as a result of Calpine volumes.

Electric Revenue Fund	Fiscal 15/16 Revised	Fiscal 16/17 Proposed	Fiscal 17/18 Projected	Fiscal 18/19 Projected	Fiscal 19/20 Projected	Fiscal 20/21 Projected
Receipts - FY17 Forecast	$81,045,400	$81,211,700	$82,087,200	$83,116,500	$83,996,900	$84,889,300
Receipts - FY16 Forecast	$80,488,100	$81,042,200	$84,611,000	$86,152,300	$86,052,300	N/A
Variance	$557,300	$169,500	($2,523,800)	($3,035,800)	($2,055,400)	

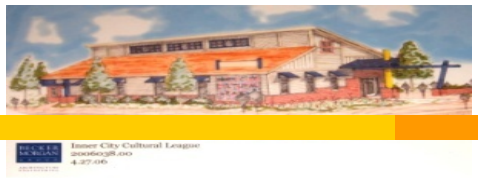
FY16 Attributed to higher Commercial Customer sales and Miscellaneous Revenues; Sales growth rates changed from approximately .5% to 1.0% in FY17 - FY21 based on the load forecast. Above without PCA Credit

Power Supply - FY17 Forecast	$42,674,900	$42,938,500	$44,783,200	$39,012,200	$41,331,000	$41,645,700
Power Supply - FY16 Forecast	$42,674,900	$43,617,600	$46,691,800	$47,934,100	$47,830,800	N/A
Variance	$0	($679,100)	($1,908,600)	($8,921,900)	($6,499,800)	

Attributed to a combination of factors, long-term capacity and power supply agreements completed in FY16, coupled with results of PJM Capacity auction for 47.2 mgw related to forced outages in FY15.

Expenses - FY17 Forecast	$74,754,700	$73,990,200	$72,533,600	$70,437,200	$73,278,500	$74,135,600
Expenses - FY16 Forecast	$77,245,700	$77,065,200	$80,795,700	$82,678,100	$83,212,100	N/A
Variance	($2,491,000)	($3,075,000)	($8,262,100)	($12,240,900)	($9,933,600)	

Attributed to a combination of power supply cost changes and reduced cost for Pension & OPEB Liabilities
Reduction in Debt Service was planned for FY17, although last payment was made in FY16 (July 1);



Inner City Cultural League, Inc.

"Educational Advancement through the Arts"

May 25, 2016

The Honorable Robin R. Christensen and Council
City of Dover
PO Box 475
Dover, DE 19903-0475

Dear Mayor Christensen and Dover City Council:

I am writing this letter with great concern about the possible cut in the City Budget of funding that has been issued for the past 15 years to help finance the African American Festival "Positively Dover." I am deeply distressed by this possibility and request that any anticipated cut be delayed indefinitely and certainly until the Inner City Cultural League, Inc. secures adequate capital through an investment account to make the difference in what the City donates to the League each year.

The African American Festival has been an institution in Dover for more than 25 years. It is with the help of the City that this event has had a tremendous moral, economic and cultural effect on all of Dover, especially the children. This is not a private-local event. The Festival belongs to the City, the State and the County. The African American Festival belongs especially to the people of Dover. The name "Positively Dover" was carved into the construction of the festival from the beginning. The support given by the City of Dover permits the Festival to be the highlight of the Summer experience for many citizens. It is certainly a "Star studded event" for the minority population of our fine city. Tradition, culture, the arts are all on display during this sultry Saturday in June of each year. Families plan their reunions around the African American Festival. It is a time for revitalization, artistic expression, and entertainment for families. It is a time to meet old friends and make new acquaintances. It is recreation for the youth of the community. It permits for artistic expression for old and young alike. It is estimated that upwards of 20,000 persons attend this festival each year. There is no entry fee, and artistic presentations are excellent. The economic impact is measurable as many overnight visitors and business persons visit Dover to participate in "Positively Dover."

Without cost, the Inner City Cultural League, Inc. provides many artistic programs to all segments of the City each year. These venues include the library, various parades, street festivals, community parties and League sponsored events at the studio. The loss of any funding would hurt our small budget.

The African American Festival is a quality of life event in Dover. The League appreciates the support received from Dover. Without this support the Festival would find it more difficult to sustain a quality event. I am afraid that to begin cutting the festival allocation would be the beginning of a downward spiral to cut all of the funding for the Festival.

Once again, I request that you use your positions as Mayor and Council to keep the allocation to the African American Festival, "Positively Dover," at the current level. Do this for the growth of arts and culture in Dover.

I remain your humble servant in the service of Dover.

Reuben Salters
Reuben Salters
Founder/Chairman