COUNCIL WORKSHOP

A Council Workshop was held on November 12, 2014 at 6:00 p.m. with Councilman Hare presiding in the absence of Council President Bonar. Council members present were Mr. Anderson, Mr. Dixon, Mr. Slavin, and Mr. Hutchison. Mr. Perza and Mrs. Williams were absent. Council staff members present were Police Chief Bernat, Mrs. Mitchell, Mrs. Townshend, Mr. Koenig, Deputy Fire Chief Hall, and Mrs. McDowell. Mayor Christiansen was also present. City Solicitor Rodriguez was absent.

AGENDA ADDITIONS/DELETIONS

By unanimous consent, the agenda was approved as presented.

LOOKING AT THE CITY'S OBJECTIVES FOR THE FUTURE

Mr. Hutchison stated that he requested the workshop in order for members to have a better understanding of the City's future and the ability to work more closely with City staff. He felt that it would provide members the opportunity to reevaluate and assess the accomplishments of the past year and establish short and long-term goals. He expressed his opinion that the City's unfunded liability was of great concern and that members needed to establish a clear and defined plan to address this. He thanked all employees of the City of Dover for their contribution to the City's success and their accomplishments during the past year.

Mr. Scott Koenig, City Manager, stated that the City is a growing organization and had been for many years, and when the economy contracted, the City experienced an increase in requests for service. He noted that the total spending package for the current year's budget was approximately $130M, which was a decrease due to the completion of the new Dover Library and a decrease in the actual costs of purchasing power during the past few years. Mr. Koenig assured members that staff had worked very hard to maintain personnel-related expenses, noting that such expenses last year totaled $32M and the net increase for these expenses for the current fiscal year totaled $16,000. He indicated that by adding the costs associated with the American Federation of State, County, and Municipal Employees (AFSCME) contract, there would be a total increase of approximately $100,000 for a workforce of 348 employees.

Mr. Koenig felt very fortunate that the City of Dover decided to get into the electric utility business several years ago, since this affords the City options that other municipalities do not have, such as transferring revenues, leveraging for collection of outstanding bills, etc. Although it was a great decision, he explained that it requires constant attention and the ability to change with the market.

Mr. Harry Maloney, Electric Director, reviewed Electric Department objectives for the next three (3) years. In regard to strategy objectives, he advised members that the City of Dover utility is an integrated electric utility providing electric services that the citizens of the City want and need. He indicated that the Department constantly strives to understand the needs of its customers, develop services and prices to meet those needs, deliver the highest service quality in the region and assures customers a reliable electric supply that is priced competitively with neighboring utilities.

In terms of capital project objectives, Mr. Maloney indicated that, in order to maintain a sound, reliable electric utility, Generation and Distribution would continue to develop Capital Improvement Projects. He advised members that those projects would include distribution upgrades, replacing

old backyard overhead construction, much of which had been changed to front yard underground lines, as well as continuing to upgrade the 69kV distribution loop. He indicated that the City had a very strong distribution system built since 2003, although there were a few more things that were necessary to make it more reliable, such as the recently completed Horsepond Substation project. Mr. Maloney explained that this was now a three (3) breaker substation; therefore, any one (1) line outage would not cause that part of the City to lose power. In regard to the power plant, he indicated that maintenance and capital improvements for Unit 3 and Van Sant generating equipment would be continued as required to keep the units reliable and extend their life for at least the next 10 to 20 years. He reminded members that Units 1 and 2 were slated for retirement in the next couple of years.

In reference to energy supply objectives, Mr. Maloney explained that Dover's generation had more unique and detailed objectives, including starting an energy supply investigation on how to deal with load growth, the retirement of Units 1 and 2, and the forthcoming Greenhouse Gas initiative, known as Clean Power Plant Rules, by the Department of Natural Resources and Environmental Control (DNREC) and the Environmental Protection Agency (EPA). It was Mr. Maloney's opinion that an open-minded investigation should produce a positive energy supply plan recommendation by the Summer or Fall of 2016, noting that time must be allowed for the EPA to promulgate their rules. He explained that this supply plan would be a living document that can be adjusted for changing markets, noting that the ultimate objective of the electric utility is to be an environmental steward and leader in supplying energy needs of the community by working in a close relationship with DNREC to get a sound, long-range plan and build accordingly. He indicated that these supply needs can be met by wind, solar, renewables, and energy efficiency programs.

Mr. Maloney stated that there were two (2) aspects to reliability objectives, with the first involving distribution and customer outage rates. He indicated that the utility would continue with system upgrades, as mentioned previously, and improvements to maintain or lower the outage rate for the system compared to national averages for utilities the size of Dover. Mr. Maloney explained that the City of Dover does very well on its outage rate. Mr. Maloney noted that the City of Dover fared much better than Vineland, New Jersey, the area he previously served, during a recent windstorm. While entire line crews were brought into Vineland, Dover only experienced a minor problem. Mr. Maloney explained that the second reliability objective related to a Reliability First Audit in the Spring of 2016, when paperwork would be checked against standards that the federal government passed in 2003. He advised members that small utilities, such as Dover's, are audited every six (6) years, and the last audit was performed in 2010. To prepare for the 2016 audit, Mr. Maloney recommended hiring a reliability consultant to perform an internal audit and ensure that staff does not miss anything. He advised members that the utility business was changing; new standards were being passed and standards adjusted constantly.

In regard to staffing objectives, Mr. Maloney stated that the Electric Department administration was understaffed to handle the objectives stated. He indicated that he planned to hire the staff needed to handle the upcoming operations and projects and to have a personnel succession plan. Noting that he had already worked 34 years in another location, Mr. Maloney indicated that he would be with the City long enough to get the system up and obtain staff to ensure there would be someone "who can fall in right behind me." He stated that the succession plan would hopefully stop the future

long-term absence of a director and supervisory staff. Mr. Maloney advised members that the skill sets lost over last four (4) years were a large step backward and explained that he was trying to recreate things and ask questions of staff. He thanked existing staff for keeping the utility running on a level keel and for their helpfulness. He cautioned members that there were " a lot of mine fields out there" and a lot of new tasks which would require good guidance and leadership in order to have "successfully low cost and reliable utility operations now and in the future."

In terms of budget objectives, Mr. Maloney advised members that the utility would submit and manage all operation and power supply budgets to meet the goals of low-cost service to its customers and maintain a level transfer of funds to the City's General Fund.

Responding to Mayor Christiansen regarding engineering staff, Mr. Maloney confirmed that there had been difficulty filling open positions, including a supervisor and an engineer. Although these positions were advertised, there had been no interest. It was his belief that qualified candidates were not interested due to the low salary offered, explaining that in the private sector, competitive salaries for those with this level of experience would easily be in the six (6) figure range. Mr. Maloney had been attempting to downsize the jobs and planned to hire new engineers fresh out of college.

In response to Mr. Hutchison, Mr. Maloney reminded members that City Council had already committed to retiring Units 1 and 2 in June 2017. It was his understanding that the City had not performed overhauls on these units and, as a result, if the steam turbines were opened, he estimated that it would cost approximately $500,000-$600,000 and extensive issues would be found. He confirmed that it would not be beneficial to put the units back together.

Responding to Mr. Hare's questions regarding Unit 3 and Van Sant, Mr. Maloney noted that the City had invested and maintained Unit 3 and that some ideas were being considered that would solve some long-term start-up situations and he felt that the Unit was "in pretty good shape." If additional funds were dedicated to upgrading efficiency and design to meet new clean power plant rules, Mr. Maloney felt that Unit 3 should be able to operate another 15 years. He estimated that those costs could be as much as $1M; however, buying a new or replacement unit would cost the City much more. He confirmed that Unit 3 and Van Sant were considered peaking units and only operated on an as-needed basis. Once Calpine was running at 100%, Mr. Maloney stated that the dispatch model indicated that Unit 3 would remain in the market.

Mr. Hare questioned if investing in those two (2) plants and hiring personnel would cost the City less than hiring an outside agency to run them. Responding, Mr. Maloney stated that if the City were willing to take on the headaches, it could be done; however, he stated that the salary for superintendents of plants of that magnitude are in the $150,000 range. Mr. Hare stated that it currently costs the City approximately $8M per year to man and operate the plants, noting that the City continues to pay capital expenses for the plants. Mr. Maloney advised members, without divulging contract information, that Mrs. Donna Mitchell, Treasurer/Controller, and Mr. Koenig had requested him to review that possibility as part of the power supply study.

In regard to reviewing the City's goals and objectives for the next three (3) years, Mr. Koenig reminded members that for the past several years the City had focused on contracting the budget, determining ways to reduce costs, etc. He felt that although staff had done a good job in this regard, from an infrastructure and baseline budget standpoint, the reality was that the City was coming to a crossroads where it would be necessary to make significant investments. Reiterating that workforce issues were being worked on, Mr. Koenig stated that several individuals would soon be eligible to retire; therefore, the workforce would be changing over the next three (3) to five (5) years. The older, more experienced workforce would be leaving and new staff would be hired. Although this would bring challenges, Mr. Koenig explained that it would also bring opportunities. He stated that the City is approximately 85% unionized and, working in a unionized environment, it would be important for the City to focus on union contracts during negotiations. Mr. Koenig explained that long-term goals must be established to outline what is desired from the workforce and union contracts. He indicated that this would allow for the City to have a plan prior to beginning negotiations, reminding members that $32M was a significant portion of the overall City budget and that he was constantly being asked if there is any way to reduce the workforce and those costs. If it were the City's desire to significantly reduce the workforce, Mr. Koenig stated that members would need to either get out of or privatize some operations. He explained that minor changes of this nature, such as the idea of consolidating fire dispatch operations to the Kent County 911 Center, would provide a small savings of 5% - 8%; however, it would not cause a significant decrease and would most likely be temporary in nature since there are other needs in the system, such as infrastructure expenses.

Mr. Koenig indicated that infrastructure expenses include costs for maintaining substations and the 69kVdistribution loop. Referring to economic development and its importance in creating jobs, he explained that although the City is competitive with residential electric rates, it is not as competitive with commercial electric rates. As the City moves forward, Mr. Koenig felt it necessary for members to discuss this issue since they had focused on residential rates in the past and there is a need for growth in the City. In order to balance the budget, he stated that the City needs to continue to grow and he suggested that members focus on posturing the City to become a growing, more business friendly City. Mr. Koenig stated that this would help recruit businesses, a workforce that is available to support business development, electric investments, etc. Noting that the City would be retiring Units 1 and 2, Mr. Koenig reminded members that the City had been considering a purchase power agreement; however, another option would be for the City to build a replacement plant, or form a partnership to build a replacement plant, which would require a $30M-$50M investment. He indicated that there were big investments to consider and big decisions to be made.

Regarding the issue of facilities, Mr. Koenig stated that the City recently built a new recreation center and library; therefore, he did not anticipate any significant modifications necessary in the near future. However, he noted that City Hall and 5 East Reed Street are aged buildings. As such, Mr. Koenig suggested that members consider what action would be necessary to replace these buildings in the next three (3) to ten (10) years and that consideration also be given to the replacement, renovation, or relocation of the City warehouse on Pear Street and the Electric Administration Building, which would be large dollar items.

Looking at the City's basic infrastructure, Mr. Koenig reminded members that staff was requested to increase the street program and as a result, funding in the budget increased from as low as $200,000 a few years ago to $900,000 in the current budget. In Fiscal Year 2006 or 2007, staff advised members of the need to budget $1.5M for the road network to keep it in a 20-year cycle. Mr. Koenig stated that the engineers were beginning to redo that study to obtain a more accurate estimate; however, he felt confident that the estimate would be more than $1.5M because of the cost of gasoline, which influences the cost of asphalt, as well as the increase in labor costs. He noted that the City's roadways had deteriorated over the last few years and that when there are hard winters, such as last year, that deterioration is accelerated.

Regarding the water and sewer utilities, Mr. Koenig stated that there had been much discussion regarding the impact of the Calpine Project and that the day that Calpine "flips the switch," they will become the City's largest water customer by tenfold, and will dominate the City's water utility. He assured members that staff was preparing to adjust the system to accommodate Calpine's needs, was confident with the system's reaction, had been making improvements to the system, and would continue to do so after Calpine becomes a customer. Mr. Koenig felt that in the future there would be room for revenue growth in the water and sewer utilities. He noted that the City's rates were substantially lower than those of surrounding competitors, whether private, municipal, or stand alone; therefore, the market would allow for an increase in the City's rates. In addition, Mr. Koenig noted that there was a need to consider interconnections, sell more water, transfer water, etc., in order to grow the utility and the services offered by the utility, which are actions that must be taken over a period of time and not overnight. He stated that Tidewater Utilities had become one of the City's largest and best customers through interconnection agreements because they surround the City and are purchasing water from the City and reselling it to customers in their service territory. He felt it important for the City to continue this partnership in the future.

Regarding the City's wastewater, Mr. Koenig stated that it would be necessary for the City to make improvements to the water plant, implement pipe replacement projects (removing or relining cast iron pipe) and, when talking about business growth, it would be necessary for the City to ensure the infrastructure is ready to be expanded or is expanded in concert with growth. As an example, he stated that if the City receives a Downtown Development District designation and a large office complex or other large project is developed, it would be necessary to expand or replace the downtown infrastructure to accommodate that type of growth. He stated that the costs for these improvements would be thousands of dollars, and in some cases these would be multi-million dollar projects.

Mr. Koenig stated that the City had not considered large stormwater projects for many years; however, the City was currently conducting a study on the Tar Ditch. He indicated that the City and the State, including the Delaware Department of Transportation, had been "passing the buck" on who was responsible for the flooding problem on Water Street. At this time, he stated that the City was in the preliminary design stage and, upon its conclusion, an amount would be generated and the City would need to decide whether the City would initiate the project or pull in additional partners. He indicated that this would be a multi-million dollar project and would likely affect whether Bayhealth will expand or contract their footprint downtown in the future.

Mr. Koenig explained that the City must be aware of and solve problems associated with the projects mentioned since they are very integral to not only how the downtown functions, but how the community functions. He indicated that the City had the benefit of being a state capital and, as such, receives benefits from those outside the community. He stated that the City and the Downtown Dover Partnership (DDP) had recently been successful in obtaining additional State funding for the North Street projects and additional requests were being submitted. He stressed the importance for the City to work closely with State legislators to persuade them to invest in the State capital and for the City to deliver projects.

Mr. Koenig reviewed recent changes to various departments throughout the City, noting that the Public Works Department had been through a large transition over the last few years, including no longer staffing certain positions and changes in operations. He stated that the Department is now focusing on accreditation and explained that accreditation is important because it adds a level of professionalism and requires staff to focus on the constant improvement of services.

Mr. Koenig stated that the Electric and Public Works Departments have large revenue streams, a large number of employees, 24/7 operations, large vehicle purchases, etc., and services are affected when there are cutbacks in funding. As an example, he stated that there had been cutbacks in the Grounds Department and, being observant of issues throughout the community, he personally was not happy with the results. He explained that the flower program was important to the City and its staff, residents, businesses, and visitors.

Mr. Koenig advised members that the new Library had become a very unique facility, explaining that it was not only a new building, but more of a cultural center than the library had been in the past, and the Library Director had been charged with developing ways to keep it at full capacity as much as possible. He explained the various uses of the Library and that staff was trying to develop ways to offset costs through sponsorships, donations, etc.

Referring to the Planning Department, Mr. Koenig stated that staff was under constant pressure regarding code enforcement and explained its necessity in order to maintain the quality of life in Dover. He stated that staff had been very aggressive with demolitions and suggested that this continue, since it helps solve problems in the City. He stated that the Downtown Development District is a unique opportunity for the City and hoped it would serve as a catalyst to improving the downtown, not only aesthetically, but also for jobs and housing. He noted that there are many problems concentrated in the downtown area that are costing the City and expressed his hope that such a designation would resolve some issues for the City.

Mr. Koenig stated that the Customer Services Department had challenges during the past few years, particularly due to the recent economy. He stated that residents do not want to pay their taxes, electric bills, etc., and that the staff must take the necessary action to collect outstanding bills owed. Staff does a very good job to resolve problems, although this requires a lot of effort. Mr. Koenig indicated that there had been long wait times for those calling Customer Services due to problems with the phone tree and a reduction in personnel. He explained the efforts had been made to get customers who have difficulty paying their bills to do so through establishing payment plans and by automatic account debits. Mr. Koenig stated that not everyone is comfortable with this, so staff has

to try to make them comfortable to gravitate toward the lowest cost for the City to collect bills. He stated that some customers prefer to pay their bill in person and get a receipt, noting that some do not like mailing their payment to Wilmington.

In regard to metering, Mr. Koenig stated that this is integrated with Customer Services, and the water, sewer, and electric utilities, noting that staff would like to utilize smart meters; however, as indicated previously, many changes are occurring at the policy level and the City needs to be sure the timing is right in order to receive credit for those improvements.

Referring to the Tax Assessor's Office, Mr. Koenig stated that the City was currently going through reassessment and explained its importance. He stated that the IT Department had been an area of change and that an information technology strategic plan had not been accomplished for several years due to the lack of funding. However, he stated that the City was reaching the point where technology improvements are necessary to maximize manpower. With respect to Parks and Recreation, Mr. Koenig stated that there had been discussions about giving consideration to the City getting out of the Parks and Recreation business. Since the City is currently in that business, he stated that the decision must be made as to whether or not the City continues and/or develops partnerships. He indicated that members must determine what should be done to maximize the quality of life and at the same time minimize the City's cost. He noted that there had been discussions with the YMCA as well as Kent County regarding the possibility of partnerships. He stated that members would soon be reviewing the Parks and Recreation Needs Assessment.

Mr. Koenig stated that the majority of people who call his office are making simple requests, such as having a curb painted, but they are all very interested in the quality of life that is available in the City of Dover. He stated that for several years, the City had provided a very high level quality of life for a relatively low cost. Mr. Koenig reminded members that staff had submitted requests for a tax increase the past few years and reiterated the need for this, explaining that if it were not done at some point, the City would be left behind on some opportunities since it is necessary to spend money in some areas in order to maintain or accelerate the quality of life. He felt that it was evident that a tax increase would ultimately be necessary.

Referring to the Human Resources Department, Mr. Koenig stated that during the past few years, staff had focused on educating new hires about the City. In becoming City Manager, he realized that although each department understands the operations of their department, they do not understand how the City works as an organization. He stressed that the City is a good employer, had been for several years, and that the City would continue to be a good employer.

Mr. Koenig stated that his goal, as City Manager, is for the City to attract residents and businesses that will contribute to the community and he felt this would require the City to increase the property tax rate since there are costs that can no longer be ignored. As previously discussed, he encouraged consideration of reviewing State legislation related to a hotel tax. He explained that if the City obtained authorization at the State level, this would provide an alternative to consider and whether the City chooses to exercise that option would be a different issue. He stated that staff was also determining what the trash rate would be if customers were paying for everything related to trash, including vehicle maintenance and replacement. This concept would be presented to members for consideration during the next budget process.

In addition, Mr. Koenig suggested that members review the possibility of establishing an "inclining block" water rate. He explained that customers who are absent for one (1) month are billed a $2.50 customer charge, which is substantially different from customers of a private water system; therefore, staff would be reviewing the City's rate structures for the water utilities. In regard to legislation that could affect the City, Mr. Koenig noted that during the Council Retreat last year, Mr. Slavin questioned how the City could improve energy efficiency. Mr. Koenig stated that the Delaware Electric Cooperative does a great job of managing their load and efficiencies; therefore, going forward, staff would be meeting with the Cooperative to determine how the City can help itself in load efficiency and management, since this would provide the City an opportunity to save money in the future. In regard to the "inclining block" water rate, Mr. Koenig explained that under this system, the more that is used, the more a customer pays. He explained that the purpose of such a rate is to encourage customers to be conscious of how their processes work. He advised members that actual water production had decreased in general over the last 25 years; however, the number of meters in the system had at least tripled. He explained that there is a lot of expense in servicing meters; therefore, to progress the rates, he felt the City should consider an "inclining block" water rate, which would lead to an "inclining block" sewer rate.

Mr. Koenig stated that the concepts mentioned needed to be discussed at the policy level as well as the implementation level. He noted that he specifically did not review the Police Department since he felt that Department would want to discuss their objectives for the future directly.

Responding to Mr. Hutchison regarding infrastructure needs, Mr. Koenig stated his desire to have approximately $1.5M-$2M set aside each year to address street maintenance/capital improvements; $1M for pipe replacement in the water system; $1M to address Inflow and Infiltration (I&I) in the sewer system; and $1M-$2M, or possibly higher, for the electric system. He stated that this would result in multi-million dollars every year for system regeneration or maintenance. Should it be necessary to build a new facility, Mr. Koenig noted that these amounts would be increased accordingly. Regarding the City's facilities, he suggested that the City hire an architect and establish a working group to lay out the facilities. Mr. Koenig reminded members that during discussions held a few years ago regarding City Hall, the estimated expenses were $10M-$15M for a new facility. He stated that other options had been discussed, such as renovating 5 East Reed Street, merging 5 East Reed Street with the Library, etc., which Mr. Koenig felt would cost significantly less than a new facility, suggesting that those costs would range from $3M-$15M, depending on the option selected. Mr. Koenig stated that one (1) of biggest challenges for the City was adequate parking in the downtown area. Although he did not feel that there was currently a parking problem in the downtown area, he stated that the elimination of parking spaces would cause overflow onto the streets, which had the potential to create a parking problem.

Mr. Anderson questioned the costs associated with addressing some of these issues if the City chose to issue bonds. Responding, Mrs. Mitchell stated that a $10M bond issue would have annual bond costs (annual debt service) of $1M, equating to approximately 10%. She stated that the source of the revenues would be each individual fund that has the debt service, explaining that if the debt service were through the Electric Revenue Fund, it would be electric revenues, if it were through the General Fund, it would be whatever revenue is received, which, although not required, should be obtained from tax revenue.

In response to Mayor Christiansen, Mrs. Mitchell stated that any debt for the enterprise funds should be related to the enterprise fund; therefore, if the expense is not something that is contributing to the enterprise funds, it should be General Fund debt, which is paid through tax revenue and/or other General Fund revenues. As an example, she explained that when the City built the new Library and Police Department, this was solely General Fund debt; however, if the City were to build a new Administration Building, there could be an allocation of that debt among the three (3) funds, since the service departments housed within the Administration Building (Human Resources Department, City Manager, etc.) serve all three (3) funds. She stated that in accordance with the City Charter, the City has a maximum general obligation debt for the General Fund in the amount of 1/4 of 1% of the assessed property values (currently at $7.6M), which cannot be exceeded in a year without a referendum. Under no circumstances can the debt be more than 5% of the assessed value (approximately $30M).

Mr. Anderson indicated that he had received numerous complaints regarding the business environment and accessibility and questioned if staff had considered economic green initiatives that attempt to provide a "one-stop shop" whereby an individual would go to a single department to obtain a packet with all information that would be needed, including economic development, and be assigned a staff contact to provide assistance in completing all requirements, obtaining electric service and licenses, understanding incentives, receiving recommendations for additional resources from a small business development center, etc. Responding, Mr. Koenig stated that the City was not currently set up to accommodate such an idea. With reference to development applications, he explained that the City's difficulties are with agencies that are out of the City's control, such as the Kent Conservation District and the Delaware Department of Transportation (DelDOT), which creates challenges to the "one-stop shop" concept. He stated that there are options that could be considered, such as requesting that the City become its own delegated agency under stormwater, which would have benefits as well as a downside, since additional staff would be required. Although a fee structure could be developed to offset the costs, Mr. Koenig stated that it would be a major undertaking and one that the City had not previously been involved in. In regard to DelDOT issues, he stated that DelDOT maintains a lot of roadways within City limits, although they may not be required to do so. He cautioned that there could be a scenario whereby DelDOT would turn over maintenance of certain routes to the City, which would alleviate the need for certain DelDOT permits.

Regarding small business interactions, Mr. Koenig stated his feeling that the City does a good job in this respect; however, he suggested that members may wish to talk to the Director of Planning and Community Development as well as the Economic Development Director. He advised members that property owners get frustrated when they are not able to simply move into a building without meeting requirements, such as installation of fans or HVAC. Mr. Koenig stated that there are steps that can be taken that could help, noting that staff had requested the DDP to include consulting fees in their budget next year. Although a "one-stop shop" could never be realized for the City, he had encouraged the City to become involved in these processes as soon as possible. Unfortunately, he stated, some tenants or business owners wait to involve the City or act against staff's advice, then call members of Council, the Levy Court, or State legislators regarding their situation because they have not taken staff's direction.

In response to Mr. Dixon, Mr. Koenig stated that a lot of the problems for the City relate to old buildings; however, some problems are related to the type of use desired.

Mayor Christiansen stated that it had been his observation that staff goes above and beyond to accommodate those who wish to bring business to Dover, knowing that this is the desire of City Council. It was his feeling that there is a maintenance of standards requirement that the City needs to follow to provide safe and workable structures for the businesses that will be using them. He stated the importance of assuring that buildings are in compliance with the Dover Code and, although some individuals may complain, he explained that repairs/improvements are required by staff in an effort to protect those investing their money in these buildings. He felt that every effort is made by all City departments to accommodate individuals when possible, and when it is not possible, the requirements relayed by staff are to protect investors.

It was Mr. Slavin's opinion that the cuts made to the City's budget had been felt by all to the point where the City's previous service levels and expectations had been lowered and citizens were no longer happy. As a result of budget cuts during the past several years, he questioned the total amount of deferred maintenance to roads, buildings, the fleet of vehicles, etc. Although Mr. Koenig stated that this amount was not known, Mrs. Mitchell noted that for the Water and Sewer Funds, the CIP included $500,000 each, $1M total, for vehicles each year and that the pump stations and wells amounted to another $1M. For the Electric Fund, she stated that $3M had been budgeted each year just for the power plant and another $3M for vehicles and projects for Transmission and Distribution. Referring to Mr. Koenig's response to Mr. Hutchison regarding the costs of infrastructure needs, she clarified that these amounts would be much higher if all maintenance were considered.

Mr. Slavin questioned if annual maintenance efforts on items such as streets and sidewalks in the last three (3) to five (5) years had been "chipped away at" or added to the deferred maintenance. Responding, Mr. Koenig stated that the City had added to the deferred maintenance for these types of items and, although the City had improved pipe replacement for the water infrastructure over the last few years, it was not meeting the industry standard of 1% of total mileage. However, he noted that the City had not had problems, such as breakage or aggressive soil, in its system; the primary problem with the City's water system had been unlined cast iron. Mr. Koenig felt that this would be the same with the City's sewer system in that, although progress had been made, the City was not up to industry standards. He advised members that the City's water, wastewater, and electric systems do not have substantial breakage or infrastructure failing on a consistent basis. Although there had been some sewer failures in the Towne Point area, which the City was beginning to address with pipe replacement, Mr. Koenig stated that on a day-to-day basis, there were not system failures across the City. In addition, he stated that there may be one (1) or two (2) water breaks, sewer backups, or pipes collapsing, but that there are not situations where several of these occur on a daily basis. He noted that there had been several mechanical failures, in some cases due to age, which were being addressed through the maintenance program. He felt that the City had made progress during the past few years and that this progress needed to continue to be improved. Regarding the City's vehicle fleet, Mr. Koenig confirmed that some replacements were delayed; however, he did not feel that these delays had caused any issues.

Mr. Slavin noted that not only does the City have issues regarding its unfunded pension liability, the City also has another unfunded liability due to the deferred maintenance. He stated that when level funding is provided year after year, services are affected, whether it is crime, maintenance of streets, etc. When the budget cuts began a few years ago, he felt that members thought that the economy would be better today and that the needs could be addressed by the City. Unfortunately, he stated that these cuts and deferrals seemed to be the norm and that consideration needed to be given to how the City will be managed in getting expectations and service delivery back up. In the past, members of staff and City Council did a good job in cutting expenses; however, he felt that the City was now seeing stress factors as a result of those cuts. Mr. Slavin noted that members had the option to simply hope that existing revenues would perform better or could take action to increase existing revenues, create new revenues, export revenues (non-property owners and non-residents who put stress on the City and take services), or consider a combination of these options. He suggested that City Council give the City Manager clear instructions regarding their desires in preparing the next budget.

Responding to Mayor Christiansen in regard to the City's responsibilities to the unfunded liabilities, Mrs. Mitchell stated that, as previously explained, there are new Government Accounting Standards Board (GASB) standards that need to be implemented and that the City's actuary was currently working on the unfunded liability amounts for both the general and police pensions. She stated that medical benefit amounts for Other Post-Employment Benefits (OPEB) were also being worked on. She announced that because of extra funding from the carry-forward balance that had been put in each year, funding for the general pension had increased from 40% to 60%, noting that the industry standard was 70%-80%. Due to the City's current funding level, Mrs. Mitchell had been advised that the City could maintain the same funding level and reduce the amortization period for paying down the liability from 21 years to 15 years. She stated that the annual required contribution would be approximately $2.9M and the City budgeted $3.1M in the current year's budget. She stated that this amount represented 48% of payroll because there is less payroll going into that plan since its been closed. Mrs. Mitchell noted that the police plan was 63% funded and the annual required contribution would be $800,000-$900,000. Regarding OPEB, she stated that the City was currently 15% funded and that this amount would be higher now but was unknown since the study had not yet been completed. She reminded members that the City was 5% funded in 2012. Mrs. Mitchell stated that currently the City's liabilities totaled $147M and assets totaled $58M, for a net difference of $89M. When this information was last reported to Council, the City's liabilities totaled $157M and assets were $40M, for a difference of $117M. Based on these amounts, she noted that the City's unfunded liabilities had decreased substantially and that the City had done a good job in handling this matter. She mentioned that it would be necessary to establish a policy for funding the City's pension and liabilities and that this policy would be presented to City Council in the near future for their consideration.

In response to Mr. Hutchison, Mrs. Mitchell stated that there was a possibility for the City to eliminate the unfunded liability within the next 15 years or so; however, she explained that a lot of assumptions were involved, such as interest rate returns. She stated that, due to the volatility of the market, this possibility could change. Mr. Hutchison suggested that staff and City Council focus on reducing and ultimately eliminating the unfunded liability, as well as focusing on the infrastructure needs.

Regarding the unfunded liability, Mr. Slavin reminded members that this was not the result of any mismanagement but rather the result of GASB standards being instituted and their strict rules on reporting unfunded liability. He noted that staff had now indicated that there were two (2) additional standards being instituted this year that could affect these amounts as they are reported today. Responding, Mrs. Mitchell stated that the amounts she previously provided included the new GASB rules. As it was explained to her by the actuary, Mrs. Mitchell stated that if there are 20 years of pensions remaining to be paid and only 10 years put away as assets, the municipal bond rate would have to be used for the last 10 years since this is unfunded. The assumption used would be 4%, rather than 7%, which would raise the liability. As long as the City is funding the annual required contribution, the City would not be required to bifurcate that interest rate; therefore, it would remain at 7%, which had been included in the amounts provided.

Responding to Mr. Hare regarding Mr. Koenig's previous statement that problems in the downtown area were costing a lot of money, Mr. Koenig explained that the City spends a significant amount of money on police protection, code enforcement, etc., for a relatively small segment of the population who are unwilling to control themselves. Noting that the City was in the process of redeveloping its core because of the degradation of the quality of life in that portion of the City, he stated that a significant amount of money was being spent to improve the quality of life in a relatively small portion of the City. Mr. Koenig stated that the City does not spend a lot of money on improving the quality of life in other areas of the City, although money is spent on maintaining the quality of life.

In response to Mr. Hare regarding the value of performing property assessments, Mr. Koenig explained the importance of maintaining the City's assessments since this provides fairness across the City. Although there are costs involved in reassessments, he stated that there are costs for not completing a reassessment and he felt it is worth the money to keep assessments current rather than keeping the money and allowing values to be outdated. Mr. Hare requested that staff provide the total assessment of property in the previous two (2) reassessments.

Responding to Mr. Hare regarding the employees and positions within the City, Mr. Koenig stated that not all 348 positions are exactly what is needed for the City. He stated that, as City Manager, he does not run the City entirely but administrates the budget, explaining that there are three (3) to four (4) businesses within the City government and it was his opinion that the City does a good job running those businesses. Mr. Hare noted that staff had indicated the need for additional employees and, since not all 348 positions are needed, he questioned the possibility of moving those employees that are not needed in a certain position to a position that is needed. Responding, Mr. Koenig stated that the composition of the workforce is an ever-changing mosaic.

Responding to Mr. Hare, Mrs. Mitchell stated that the $300,000 settlement for the lawsuit related to grievances filed by employees of the Police Department was paid from the Contingency Reserve and explained that it would be necessary to replenish those funds in the next budget year. She advised members that the City would not be receiving any insurance monies.

Mr. Koenig felt that the City needed to be aggressively optimistic, explaining that the City had gone through a downturn in the economy and was experiencing service delivery issues. He was pleased with the workforce and their dedication and noted that the City is a good employer. It was his opinion that people are happy to do business with the City of Dover and that the City provides an excellent quality of life.

Mrs. Kim Hawkins, Human Resources Director, thanked members of City Council for voting in favor of providing employees an extra holiday at Christmas.

Mr. Dixon stated that references were made to problems with a section of the City and expressed his feeling that the drug problem was City-wide. He suggested that the City should be referred to as one (1) community.

Police Chief Bernat reviewed the various accomplishments of the Dover Police Department during the past year, stating that the Police Department met the request of Parkway Academy Central for a School Resource Officer (SRO), thanks to Council, making the school safer for both students and faculty. The Department was also able to civilianize two (2) Sex Offender Unit positions, which would save the City money. Chief Bernat advised members that the police prosecution project had been successful in keeping officers on the street versus going into court. Three (3) large events had been held at Dover International Speedway, two (2) NASCAR races and the Firefly Music Festival, all with minimal issues. In Chief Bernat's opinion, the Department's social media platform, which was developed during the current year, was one (1) of the premiere networks compared to any police department in the State of Delaware. In addition, he advised members that Dover's officers worked more than 14,000 extra duty hours, which were paid at the overtime rate; however, he emphasized that this did not reflect true overtime costs. He explained that extra duty was funded from outside sources, such as businesses or grants, that allow officers to work extra because they are asked to do so. Chief Bernat stated that the City would have a serious problem if the officers chose to be home with their families rather than performing this work and asked that members not get "upset" when they review police officers' paychecks at the end of the year and "get that mixed up with overtime." Chief Bernat stated that earlier in the day, he and Mayor Christiansen had a prescription drug box put up so that individuals are able to drop off unused prescription drugs for proper disposal, which he felt would help with some of the prescription pill issues being experienced in the City. He advised members that the Department had three (3) officers in the Delaware State Police Academy who started on September 8, 2014 and would be graduating in February 2015 and noted that the Department was busy preparing for reaccreditation on December 14, 2014. A new State-wide Computer-Aided Design (CAD) system, purchased by the State at a cost of over $1M, began November 3, 2014, so the Department had been very busy with that and Chief Bernat advised members that some unavoidable civilian overtime usage was associated with this.

In regard to the Department's future, Chief Bernat stated that the Police Department was very good at reactive policing in terms of responding to alarms or reports of robberies or burglaries. Often patrol officers have a quick response time and can solve the issue right then and there; however, if they are not able to do so, the City's detectives are very good and clearance rates for robberies are approximately 80%, compared to the national average of 38%. Chief Bernat indicated that burglary

clearance rates for the City are 70%, compared to the national average of 13%; however, he felt the Department should be better at proactive policing and that an analyst would help in this regard. He expressed concern regarding recent retirements, noting that over the past three (3) years 14 officers had retired, the Chief's Assistant retired after 26 years of experience, the Records Administrator retired after 22 years, and three (3) records Clerks retired after 20 years; therefore, there was a lot of rotation through the Police Department. He assured members that staff was doing fine; however, he explained that an additional 11 officers were currently eligible for retirement and a total of 23 officers could retire within the next year. Chief Bernat stated that there were 92 officers on the force and thanked Council for authorizing a strength of 92. He indicated that he had done research and found that, with a population of approximately 37,000 citizens, there is a ratio of 2.49 officers per 1,000 residents in Dover. He noted that the Salisbury, Maryland Police Department had 2.63 officers per 1,000 residents and if the City of Dover had the same ratio as Salisbury, there would be 98 officers on staff. Chief Bernat noted that these figures were from 2012 and that Salisbury added 10 officers and four (4) dispatchers in 2014. He indicated that Annapolis, Maryland had 111 officers and a ratio of 2.83 officers and if Dover had this ratio, there would be 105 officers on the force. He stated that Wilmington, Delaware had a ratio of 4.26, and if Dover had this ratio, the City would have 158 police officers. Chief Bernat emphasized that Dover handles a lot of crime, just as these agencies do, and the agencies that he referenced all had similar policing to the City of Dover. He expressed concern that it would hurt the City to lose 14 officers within a year. He felt the City should start hiring police officers to get up to some of the numbers mentioned, although he declined to specify a number. As Chief of Police, he stated his opinion that the City should be "in front of the eightball, not behind it."

Chief Bernat advised members that he accompanied the Mayor and Councilman Slavin on a walk of Loockerman Street to Queen Street on Friday, November 7, 2014, and common themes were loiterers, alcohol violations, panhandlers, noise, and people urinating in the alleys. He felt that these problems could be curbed through the use of cadets. Chief Bernat stated that he and the Mayor met with Mr. Bill Neaton, Economic Development Director, and the Downtown Dover Partnership (DDP) Parking and Safety Committee and Mr. Neaton suggested the use of cadets. The Chief indicated that Councilman Hutchison, while serving as Mayor from 2000 - 2002, had used cadets, which worked out "great." He indicated that Sergeant Randy Robbins and Master Corporal Jeff Melvin, who presently serve in the Department, were formerly cadets, as was Justin Galloway, who was currently a State trooper. Chief Bernat felt that the cadet program was a great platform for these officers and would be great for the City because the pay of a cadet, at $12.00 per hour would be 25% the rate of a police officer and benefits would not be paid. He advised members that there was a demand from residents for a police presence; however, he noted that there was also a serious drug problem, which led to the question of whether resources should be allocated for officers to walk up and down the street to make residents feel safe. Chief Bernat felt this could be accomplished with cadets, walking in pairs, noting that these individuals must be 18-21 years of age and would be college students who want to become police officers. The Chief explained that he began his career as a seasonal officer in Bethany Beach in 1987 at the age of 20 and, as a result, he knew for sure that he wanted to become a police officer. He indicated that he had developed costs for this proposal for consideration by the Legislative, Finance, and Administration Committee on December 8, 2014 and requested the support of Council members.

Chief Bernat explained that during the weekend of August 23-24, 2014, there were two (2) murders, the first on Saturday night and the second on early Sunday morning. He stated that last week there were four (4) shootings over a weekend, leaving victims hospitalized, and this was a major concern. He indicated that in the past the Department had always taken officers from community policing and put them on the road to make sure there were 12 officers on the road per shift. Chief Bernat advised members that when there are 12 officers on a shift, some officers may be on vacation/sick leave. In addition, he indicated that the Family and Medical Leave Act (FMLA) "hits the Department hard," noting that the State Police have the same issue and the State allows both male and female officers 12 weeks leave. He noted that officers may also be in training, which was important since, as previously mentioned, 14 officers had retired within three (3) years. For this reason, the Department had done something new by taking three (3) motorcycle officers and forming a Street Crimes Task Force whose main priority would be drugs and guns, noting that all violations would be looked at. Chief Bernat indicated that the downtown area would be focused on, not because it is the downtown area but because that is the area where "hot spots" are located through crime mapping, and resources would be allocated to the hot spots. He stated that his goal was to start arresting violators, and creating an environment where they do not feel comfortable in the City of Dover. He felt that a message must be sent by "hitting them where they have not been traditionally hit in the past" using special units. Chief Bernat stated that patrol is the backbone of the Police Department and it is important to ensure that patrols are manned, noting that patrol officers show up to large fights. He indicated that Councilman Bonar had an opportunity over the past weekend to experience what these fights look like and was very vocal about this. *[City Clerk's Office Note: During the City Council meeting held on November 10, 2014, Councilman Bonar read a prepared statement in to the record regarding rising crime problems in the City.]* Chief Bernat indicated that officers see these types of events every day and night. He informed members that the City of Dover has a "great" police force that is very motivated and dedicated. He commented that officers were well aware of Council's generosity to the police force and thanked Council for this; however, he felt that the City must be prepared for the future, and that one (1) way to prepare would be to have more officers ready and available. He advised members of his belief that when he retires, some officers who are not promoted to the Chief's position might leave.

Responding to Mr. Hutchison regarding the existence of a drug education program in the school system, Chief Bernat stated that the Gang Resistance and Education and Awareness Training (GREAT) Program is offered at William Henry Middle School at the sixth grade level. He noted that the Department formerly had two (2) officers in this program, which was offered to both fifth and sixth graders; however, one (1) of the officers was removed from the program last year. He stated that there were three (3) additional School Resource Officers (SROs). Chief Bernat indicated that he would like to offset some of these costs by civilianizing SROs but did not wish to do so at this time, since the Department was preparing for reaccreditation next month. He felt that civilianizing SROs might be possible after reaccreditation, although it was his opinion that legislation would be needed. He reminded members that legislation had been necessary to civilianize the Sex Offender Unit officers, so this could be done, and he felt that there may be other functions that could be considered after this.

Mr. Hutchison stressed the importance of drug education, because once young people get involved in heroin or other drugs, it is too late. He felt that the City needed to be proactive on education in the school system. Chief Bernat concurred, but reminded members that officers were needed to educate, and he noted that there was a serious heroin problem. He stated that he and Deputy Chief Marvin Mailey walked around downtown last month and talked to many people in the New Street area who said that the former Police Athletic League (PAL) basketball program was the best program that the Police Department had; however, the program requires officers. Chief Bernat stated that years ago the Police Department had officers to spare and could provide their own training academy; however, there was no way this could be accomplished now, in view of the demands for extra duty alone. Chief Bernat stated that some Council members and some City management become upset about extra duty; however, he expressed pride in those officers who step forward to work these hours, noting how difficult it would be for him, as Chief of Police, to force employees to work extra duty. He expressed his opinion that the "millennium crowd" does not want to work; but the officers he has are willing and he was very happy with them.

Mr. Anderson questioned where the City was in terms of FBI-recommended staffing levels and the Bartel formula (best practice recognized by the FBI for workload assessments). Responding, Chief Bernat stated that he did not have this information with him but explained that a workload assessment would be completed soon. He indicated that the last time this was discussed, the recommended level was approximately 105 officers but he was unsure of the numbers at this time.

Mr. Anderson stated that 105 officers would be around the range of the City of Annapolis' force. Responding, Chief Bernat stated that the authorized strength in Annapolis was 105 in 2012; however, Annapolis was currently authorized at 119 and had a current rate of 114.

Mr. Anderson questioned the positive and negative potential effects of the retirements Chief Bernat had mentioned. Responding, Chief Bernat stated that one (1) way to combat retirements in the City as a whole would be the Deferred Retirement Option Plan (DROP) program which would allow employees to technically retire and collect on their pensions, which would be directed to a separate fund. He explained that the employees would continue to work; however, the City and the employee would no longer contribute to the pension. He noted that a provision could also be included that would not allow for additional raises, etc. He stated that this would not be a simple fix and legislation would be required; however, he estimated that if he participated in such a program and indicated that he would leave the City in two (2) years, the City would save $30,000 - $40,000 on him. The City would also be made aware that they would need to replace him in two (2) years.

Mr. Anderson stated that he heard that this program had worked very well in some places but had functioned poorly in other places, like Philadelphia, Pennsylvania, noting that such a program would have to be structured carefully. He inquired if volunteer civil patrols had been considered on weekends, etc. to help out. In response, Chief Bernat stated that he did not feel comfortable with the liability of that aspect, noting that there could be vigilantes.

Mr. Anderson felt that this could be controlled by the Police Department.

Mayor Christiansen expressed his disapproval of this concept.

Mr. Hare stated that he had no problem with extra duty for police officers and did not care how much officers made as long as extra duty was not costing the City money.

Chief Bernat advised members that over one-third of the City's employees work at the Police Department, which is a 24-hour building with only one (1) custodian. He felt that additional help would be needed, at some point, on at least a part-time basis. He stated that it would be hard to get contractors that would pass a background check and this had been an issue in the past.

Mr. Bill Neaton, Economic Development Director and Executive Director for the Downtown Dover Partnership, expressed his endorsement of Chief Bernat's remarks, noting that the Police Department had been exceptionally responsive to the needs in the downtown area. He explained that, over the last six (6) years, the DDP had spent a lot of money revitalizing the downtown area, which showed both physically and by the jobs created in the area, and that the City could not let the element that was starting to take over to do so in this area. Mr. Neaton stated that the DDP had met with the Mayor, Police Chief, and several merchants who requested a meeting because they were concerned about safety and security. He noted that the Police Chief was very responsive to the needs of the downtown, and the DDP appreciated this. Mr. Neaton endorsed the cadet program and expressed his belief that this was a program that would greatly benefit the downtown area. He stated that those who think, as citizens of Dover, that they are immune to crime are not. He noted that in the last two (2) weeks, he had personally been involved in two (2) incidents, one (1) in which he arrived at the scene of a shooting at a liquor store and one (1) involving a young man with a motorcycle who threw a bag of narcotics under Mr. Neaton's car while being pursued by the police. Mr. Neaton expressed his wish to be sure that the downtown area, as the heart of the City, was safe for everyone and stated that he would do anything he could to make it so. He encouraged members to support the cadet program and increase the levels of the police force, as requested by Chief Bernat, and that provisions be made for trained police officers to replace those who are retiring.

Mayor Christiansen stated that there would be an increased police presence in downtown Dover with the opening of a police substation in the Cen-Del Building, and noted that this presence would assist those working downtown.

Mr. Neaton stated that the DDP would be providing this space within the Cen-Del building.

Mr. Mark Hall, Deputy Fire Chief and Fire Chief Elect for 2015 (pending Council approval), 135 Continental Drive, stated that the Fire Department had looked at a full replacement of air packs and also, along with the Police Department, replacing radios. He explained that the Department was looking at selling the old police boat that was given to the Fire Department and replacing it with a Zodiac-type boat, which would be better suited for Silver Lake. He advised members that the Fire Department would meet next week regarding an emergency response plan for the Garrison Oak project, which would entail fire response, compliance space, high-angle rescue, etc. Mr. Hall indicated that in FY 2016, the Fire Department was looking at replacing Engine No. 3, which currently had the most maintenance problems. The Department also wished to upgrade or replace

the Station 1 and Station 2 cameras, which would benefit the Fire Department, Police Department, as well as the City. He stated that it was unknown what would be happening with the Firefly Music Festival at Dover International Speedway; however, it was Mr. Hall's belief that this may be a multi-weekend event in 2016. He also noted that the holding of the Punkin Chunkin event in Dover was still not confirmed. Mr. Hall stated that this required a lot of manpower for volunteer firefighters, indicating that a big concern was recruitment and retention of volunteers since Dover was the only state capital in the U.S. with an all-volunteer fire department. He stated that the Department was working with the Mayor on this issue, noting that the Mayor had approached the Department about recruiting new members from colleges and high schools and discussed retention programs for younger members of the department. Mr. Hall also informed members that the Department was looking at the possibility of replacing the command vehicle that is used 24-7 either next year or the following year.

By unanimous consent, the meeting adjourned at 8:06 p.m.

William F. Hare
Acting Council President

WFH/TM/jg/js/dd
S:\AGENDAS-MINUTES-PACKETS-PRESENTATIONS-ATT&EXH\Council-Minutes\2014\11-12-2014 COUNCIL WORKSHOP.wpd