COUNCIL RETREAT

The Council Retreat was held on January 31, 2014 at 9:00 a.m. with Council President Bonar presiding. Council members present were Mr. Dixon (arrived at 9:02 a.m.), Mr. Slavin, Mr. Hare, and Mr. Hutchison. Mr. Anderson, Mr. Lynn, Mr. Perza, and Mrs. Williams were absent.

Council staff members present were Mr. Koenig, Mrs. Mitchell, Ms. Russell, Mrs. Townshend, and Mrs. McDowell.

INTRODUCTION

Mr. Scott Koenig, City Manager, explained that the purpose of the Retreat was to assure staff that the expectations of Council are being addressed as they are preparing the budget, and to provide members of Council insight into the importance of staff's directives moving into the budget. He stated that staff was incorporating some of the comments expressed by Council last year into this year's budget. He suggested that members discuss the priorities and goals of the City in general so that staff can prepare the budget to reflect those goals. Mr. Koenig felt that there had been a number of issues related to the City that should be better expressed in the budget since it serves as the overarching principle as to how the City delivers services and how the City meets the expectations of Council, customers, and citizens.

REVIEW OF MISSION, VISION, AND CRITICAL SUCCESS FACTORS

Mr. Koenig provided members with information regarding the City's Vision, Mission, and Critical Success Factors, as well as a Fiscal Year 2014 Proposed Budget Personnel Table ***(Exhibit #1)***.

Mr. Koenig expressed his feeling that the Vision was reflective of the City; however, he suggested the possibility of including the desire for individuals to work within the City.

Responding to Mr. Slavin, Mr. Koenig stated that the population in the greater metro area had been estimated at approximately 50,000 , including commuters, and noted that staff could easily obtain specific information regarding populations. He indicated that the City had been discussing economic development and bringing jobs to the City during the past few years and assured members that staff understood the importance of this. He explained that the City does not wish to become a "bedroom" community since this would change the City's profile in the sense of service delivery and needs. In general, he indicated confidence that the City's Vision, as currently written, was reflective of the City of Dover.

Council President Bonar suggested that there be an effort to encourage employees to reside within the City limits as they retire or leave the City's employment. Although this could not be mandated, he felt confident that the City could make itself so attractive that they would want to reside within City limits.

Mr. Slavin mentioned that there is precedence for a wage tax, explaining that the City of Wilmington has a wage tax for those who are employed within City limits and live outside. He questioned if the City of Dover had reviewed this possibility and what type of impact it could have to determine if it would be something the City would wish to consider.

Mr. Bonar advised members that he pays a 1.5% wage tax for every hour he works in the City of Wilmington. He noted that such a wage tax is authorized by the State legislature.

Mr. Hare felt that the City should make it mandatory for any future management employees (key positions) of the City of Dover to reside within the City limits (not for current employees).

Mr. Hutchison suggested that such a requirement be approached cautiously, explaining that an employee could move up the ranks into a key position due to their hard work and dedication to the City and yet reside outside of the City limits. Responding, Mr. Hare felt that should such an employee choose not to reside within the City limits, they would be required to pay some type of wage tax that would be equivalent to what their property tax would be if they did reside within the City limits.

Mr. Dixon relayed concern that such a mandate would be dictating to employees and cautioned members in this regard.

Mr. Koenig reviewed the City's Mission and the status of the bulleted policies and projects. He noted that some of the projects had been completed, while others were ongoing, and questioned if there was a desire for amendments.

Council President Bonar noted that 1,000 plus individuals are utilizing the Dover Library every day and that this is a success story. He felt confident that the facility would pay for itself in terms of job creation, etc. He stated that he recently participated in discussion with town leaders and Vice-President Biden where it was expressed that the federal government has a desire for municipalities to take action like that taken by the City of Dover. He informed members that funding ($12 - $15B) is available through the federal government to assist municipalities with stormwater intrusion and other infrastructure projects; however, the municipality much reach out to the federal government.

With regard to the new Dover Library, Mr. Koenig stated that it serves as a magnet and is utilized extensively. People are using the Library on a daily basis for several different purposes and the facility is used for more than just a library.

Concurring, Council President Bonar stated that the Library is bringing people to the downtown area.

Referring to the stated goal of maintaining and improving the City's infrastructure and implementing brown water solutions, Mr. Koenig reminded members that it was made clear during the last budget hearings that there was an expectation for staff to increase street construction/maintenance, brown water pipe replacement, and other infrastructure-related projects. As a result, he stated that the next budget would include these expectations. Although some brown water issues remain, the majority of them have decreased. He anticipated more issues when the weather becomes warmer, as there will be an increase in water usage and changes in the flow of water. He stated that there would be an adjustment period when the Calpine project comes online and that it may be necessary to conduct a flushing prior to this occurring.

Regarding the mission to strengthen property maintenance and enforcement, Mr. Koenig stated that the City had recently hired new inspectors who are becoming familiar with the community and issues involving property maintenance. There are a total of five (5) employees within this Division including the supervisor. He felt confident that the money spent addressing property maintenance issues had been valuable in keeping property values in harmony throughout the community.

Elaborating, Mrs. Ann Marie Townsend, Director of Planning and Community Development, stated that the City had recently focused more on issues involving vacant buildings than in the past and that progress had been made on dangerous buildings. Staff was continuing to keep the rental housing inspections a priority. Since the majority of the rental properties are considered affordable housing, it is the City's desire to make sure that they are not only affordable but are in compliance with the Dover Code and fair housing goals in order to make sure that dignified housing is being provided.

Council President Bonar noted that staff had requested a significant increase in the budget for demolition. He supported this and expressed his hope that "slumlords" be put on notice that the City will not tolerate dangerous buildings. He requested that City Council support staff in this regard in order to prevent other properties from falling into disrepair. Responding, Mr. Koenig relayed appreciation for Council's support for such demolition, explaining that it is not a comfortable situation for the City to take action on a property, particularly for demolition. He assured members that when these properties are presented to City Council for consideration, staff has exhausted all other measures to have the property owners take appropriate action for repair or demolition. He explained that once a property has been demolished, although there is a lien placed on the property, it could be several years before the City recoups the expenses. Therefore, he suggested, since the properties individually have no real value, that staff discuss the possibility of utilizing Wells Fargo grant monies to group a few of the properties to be presented as a block to develop a project for affordable housing.

Mrs. Townshend explained that when a structure has been demolished, the property owner often does not maintain the property; therefore, the City continues to incur costs involved with the property, such as the expenses to mow the grass. She stated that if the City has a lien on a property for demolition but the property owner pays their taxes, the property does not go to Sheriff's sale. It was her hope that the Wells Fargo effort would develop a strategy to reach out to property owners to resolve such issues.

Mrs. Donna Mitchell, Controller/Treasurer, advised members that she had requested staff to develop a program involving dangerous building properties which would include a prioritization list in order to make sure the City keeps within the demolition budget, and she suggested that there be a contingency built into the budget for unexpected issues. In addition, she stated that there are programs for such properties that are sold at a Sheriff's sale that require the new owner to be responsible for the demolition and those expenses. She explained that there are times when the new owner also does not maintain such properties and had suggested that staff review the procedures and/or programs of other communities to determine if the City should make a change in the current method used for handling dangerous buildings.

Responding to Mr. Hutchison, Mrs. Townshend estimated that there were approximately 300 vacant buildings and stated that the inspectors have a "watch list" consisting of approximately 20 properties, which staff attempts to prioritize on a weekly basis, based on progress with the property owners. She indicated that each week, during staff's review, there is at least one (1) property that needs to move forward for consideration of violation of the dangerous building ordinance. Unfortunately, due to maintenance that has been deferred for several years, as well as the older housing stock in the downtown area, she felt that there would always be properties added to the list. Mr. Hutchison commended staff on their efforts regarding property maintenance and enforcement. He suggested that staff develop an inventory list of rental properties to make sure there are a significant number of owner occupied properties in the City of Dover and suggested that the City establish a threshold for rental properties.

Referring to the mission for developing a plan to secure electric generation for the next 20 years, Mr. Koenig noted that such a plan is currently underway, and reminded members that there have been discussions regarding modifications to the combustion turbine at the VanSant generating station (5 MW expansion) and that technical design, evaluations, and recommendations should be forthcoming.

Responding to Mr. Hare, Mr. Koenig stated that staff had budgeted $1.5M for the VanSant project. Mrs. Mitchell noted that the pricing came in at $1.1M; however, the vendor guaranteed 5 MW rather than 6 MW. As a result, staff would need to perform an analysis to determine if the savings would be beneficial. This project will provide for a capacity increase at VanSant for standby power. Mr. Koenig explained that staff was currently discussing the City's interest in a Power Purchase Agreement (PPA) with Calpine and/or some other entity and how the City would propose to replace the capacity associated with Units 1 and 2. From a technical view, it was felt that the reasonable economical service life of Units 1 and 2 had expired, and although the City could keep the units running indefinitely, there would be a huge cost to do so. He advised members that the options for the City seem almost unlimited and that the issue is very technical and dynamic, and changes are occurring very quickly. Unlike previous years, he stated that the City is very much a part of PJM and is no longer able to control everything within the City's boundary; therefore, these discussions are gravitating towards questions of what is economical for the City, what types of risks the City wishes to assume, and what the City's expectations are that can be demonstrated, such as load. He stated that related discussions become technical very quickly, and then they became theoretical.

Although action was currently being taken, Mr. Koenig assured members that the mission to develop a plan to secure electric generation for the next 20 years would remain a priority for the City.

In response to Mr. Hare, Mrs. Mitchell explained that if PJM still needs Units 1 and 2 to serve load, they will want the City to keep the plants in the capacity market. If Calpine and other generation comes on, this makes the City's plant less attractive and unnecessary to serve load and the City will never be called upon. When this occurs, the City will need to review the economics, since the prices being paid would be decreasing and the investment required of the City would be increasing.

In discussing this issue with Mr. Kirk Betts, the City's utility attorney, Mr. Koenig stated that decisions are made due to economics; however, emotion also plays a role in such a decision because the City has owned its own generation and system for many, many years.

Council President Bonar stressed the importance of not allowing emotions to get in the way of dollars and cents, understanding that it is a business decision that he felt should be an easy decision based on whether the City would be making or losing money and that such a decision should be based solely on economics.

Referring to the mission to support the building of an Inner City Cultural Center, Mr. Koenig advised members that Mr. Reuben Salters (former member of City Council) had been working on this project for several years and that the site location had been identified on West Street. Although the building design had been completed, all of the necessary funding had not been raised for the facility at this time. He questioned if this was an item that members of Council wished to continue to have identified as a mission for the City.

Council President Bonar felt it was important for the City that this project be identified as a mission since it will have a great effect on the youth of the community.

Considering all of the items listed, Mr. Slavin expressed his opinion that the mission policies and projects should remain for an additional year, with the exception of the regional library, and with the understanding that, since most items had either been completed or were well on their way toward completion, this list would be refreshed next year.

Concurring, Mr. Koenig noted the importance of maintaining the goal to implement an economic development strategy. Mrs. Townshend noted that the current strategy was outlined in the 2008 Comprehensive Plan. She stated that once the Transportation Improvement District (TID) and Wells Fargo grant (Restoring Central Dover Study) projects were completed, the strategy would be updated. She expected the need for this to be revisited next year at this time.

IDENTIFY COUNCIL PRIORITIES FOR FY 2015

Mr. Scott Koenig, City Manager, presented staff's priorities for FY 2015, as follows: 1) budget; 2) infrastructure; 3) NPDES/stormwater; 4) demolition; and 5) sanitation - downtown. Regarding the NPDES [National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer Systems (MS4)] , Mr. Koenig stated that the City was currently under pressure from the State and that, rather than issuing individual permits, a strategy was being developed to issue statewide permits. He stated that the City must focus attention on this permit, which should help the City focus on public works issues.

Mr. Koenig noted that staff was working on the accreditation of the Public Works Department and that, although all of these priorities would help in this regard, there was an overarching principle involving stormwater. He advised members that the State is interested in working with the City on a stormwater utility feasibility study that would help address some of the stormwater problems, as well as other issues boiling in the background. He stated that for more than 23 years the City has been developing ponds associated with residential subdivisions and commercial facilities that are

being inspected by the Kent Conservation District and that many of these ponds are nearing the end of their service life and require maintenance. He anticipated that the City would encounter the same or similar problems that Kent County has in maintaining these ponds and making them compliant with the regulations. Although many of these ponds would be the responsibility of a homeowners association and the law would indicate that the municipality does not have any responsibility, if they are not maintained and stormwater flow is not controlled, it has a negative effect on the community. As a result, in addition to the regulatory obligation of the City, the City would also have responsibility regarding community complaints involving stormwater.

As previously discussed, Mr. Koenig stated that staff had legitimate concerns regarding demolitions and the associated costs, with no means to recover the costs or strategy for the action which should be taken with those properties. He felt that staff should determine how these properties are addressed and how more homeowners can be made to comply with the demolition order rather than the City expending the funds.

Responding to Mr. Slavin, Mrs. Donna Mitchell, Controller/Treasurer, stated that she would research to determine if there is a secondary market for buying property with liens.

Mrs. Ann Marie Townsend, Director of Planning and Community Development, explained that there may be a need to request State legislation that would assist the City since a property cannot be taken to Sheriff's sale if the property owner continues to pay the taxes on the property. She stated that a property may have a $25,000 lien for demolition expenses; however, if the property owner pays $2,000 for two (2) years' taxes, the property cannot be taken to Sheriff's sale, in accordance with the current State statute. She felt that the City should approach the State legislators regarding this matter since the City of Dover would not be the only municipality with these types of issues.

Council President Bonar suggested that staff prepare a recommendation in this regard to be considered by City Council for submitting a request to the State legislators.

In response to Mr. Hutchison, Mrs. Townshend confirmed that grass cutting expenses are also liens placed on the property.

Responding to Mr. Hare, Mrs. Townshend stated that permits for renewals are not withheld; however, staff would not issue a new rental permit for a new property until all issues were resolved with those properties that are not in compliance. She stated that the City could suspend the rental permits for specific properties not in compliance, although this is typically not done unless the violations are serious since this would displace the current renters. She stated that staff had not applied the "clean hands" ordinance for renewals; however, it was her feeling that there is not anything in the Code that would prevent the City from taking such action.

After much discussion, it was suggested that staff meet with the City Solicitor regarding this matter to develop a solution to be presented to City Council for their review and consideration.

In regard to sanitation, Mr. Koenig stated that, after discussions with the Controller/Treasurer, staff was considering having the sanitation fee cover all costs and that a proposal would be presented to City Council as a part of a budget option. He stated that the sanitation service is changing as

regulations become more strict (yard waste regulations and commercial recycling). He advised members that as the downtown has become more successful, there have been operational issues regarding trash collection. Therefore, he stated that there would be a series of meetings held by staff to help determine how the downtown trash collection issue as well as business recycling are addressed.

Council President Bonar suggested that trash collection for the downtown area be scheduled to take place during the evening so that there is no interference with vehicular and pedestrian traffic. Responding, Mr. Koenig stated that evening collections are already occurring on Loockerman Street, State Street, and The Green on Tuesday evenings within a two (2) hour time frame; however, there are still issues involving trash collection. He reiterated that there is a need for staff to adjust trash collection as the downtown becomes more and more successful and to customize some of the City's services as the composition of trash and the needs have changed.

In response to questions of Mr. Hare, Mr. Koenig indicated that the City is attempting to gravitate toward a the "pay as you throw" program. Ideally, this type of utility would provide a menu of services, including recycling and trash containers. Staff would be discussing the possibility of instituting a fee for service. He noted that initially such a program can be an administrative nightmare; however, there are case studies where it has become very successful. He explained that there are issues regarding space for containers and that staff would like to develop a service that is more tailored to the needs of the resident, within boundaries.

Mr. Koenig questioned if members of Council had other priorities that may not have been identified by staff. Responding, Mr. Slavin felt that the City should be more conscious of energy use and its overall approach to managing energy. He explained that the City is pleased when electricity is being used since it equates to more revenue; however, he suggested that members consider the environmental and social issues that are involved. He felt that it would behoove the City to create an energy policy that would address the City's use of fossil fuels and take a long-term, mid-term, and short-term look at how the City would manage that. This would direct best practices into City of Dover operations and also provide recommendations to the citizens and users for better practices in this regard by having the City lead by example.

Mr. Slavin suggested that staff consider having Leadership in Energy and Environmental Design (LEED) certification for the operation and maintenance of select City buildings. He also felt that the City should consider changing the fleet where possible to electric vehicles; however, not the large, commercial vehicles such as fire or sanitation trucks. He suggested that the City be a leader and begin to supply recharging stations throughout the City for those citizens with electric vehicles. He felt that the creation of an energy policy would be an important exercise for both City Council and staff to be involved in.

Council President Bonar felt confident that within the next five (5) to 10 years, hybrid vehicles would become more prevalent. However, he noted that there are concerns regarding the vehicles, such as their resale value, explaining that a hybrid vehicle loses approximately 80% of its value within three and one-half years, whereas fossil fuel vehicles maintain half of their value for several

years. With regard to the recharging stations, he indicated that there are approximately 50-75 vehicles throughout the entire State that would require being recharged. In addition, he explained that the installation of recharging stations is quite expensive (approximately $5,000 - $12,000 per unit). As time goes on, he anticipated these numbers changing substantially.

Concurring, Mr. Hare felt that the costs of hybrid vehicles would decrease and their value would be retained in the near future.

Mr. Slavin stated that when policy is created it should be based on facts and not anecdotes and urged members to move the City forward "ahead of the curve" rather than reacting to problems.

Mrs. Mitchell advised members that staff recently participated in a meeting with Siemans Energy, Inc. to conduct an energy audit and that this information was being reviewed in order to be included in the City's budget. She indicated the possibility of extending the use of Light Emitting Diode (LED) bulbs in street lights.

Council President Bonar stated that federal grant monies were available for converting to LED. He suggested that staff also investigate the possibility of money being already provided to the City from Municipal Street Lighting or if such grant monies would be available to the City.

As staff begins to develop cost analysis for major capital projects, Mr. Hutchison requested that they conduct better research in order to provide members of Council more solid cost estimates.

Members took a brief recess from 10:25 a.m. to 10:35 a.m.

DISCUSSION - STAFF LEVELS AND DEPARTMENT REQUESTS

Mr. Scott Koenig, City Manager, reviewed a Fiscal Year 2014 Proposed Budget Personnel Table *(Page 4 of Exhibit #1)*, and advised members that staff was preparing to develop the City's budget and wanted to briefly discuss the staffing levels for previous and current fiscal years. Prior to obtaining the community's and Council's support, due to their fear of a tax increase, he explained the necessity for the City to "get their house in order." He noted that there had been several cuts in personnel and that in some cases it may have been too much, explaining that since the personnel cuts, there had been an increase in customer service complaints and it had been mentioned that the City Manager's Office needed to be more responsive administratively.

Mr. Koenig provided members with a list of the FY 15 Draft Personnel Budget Requests for New Positions ***(Exhibit #2)***. He explained that the Police Department had requested an Accreditation Manager, which would result in converting the accreditation process from being done by a certified police officer, as it currently is, to a civilian position which may be filled with a retired police officer. The intent would be to maintain the authorized strength of the Police Department at 93 police officers; however, a civilian position would be added.

In addition, Mr. Koenig stated that the Police Department had requested the addition of two (2) Agent positions. He explained that currently the Sex Offender Unit is handled by two (2) Dover Police Officers. A State law was enacted a few years ago that allows for the sex offender registry to be managed by retired State Police Officers. The Dover Police Chief recently articulated a change

in the law that would allow for positions that are titled as civilians but would most likely be filled by retired police officers. He stated that there will still need to be a change to the current State Law before the City of Dover could entertain consideration of the Agent positions. He again explained that this would allow for the authorized strength of the Police Department to remain at 93 police officers by creating three (3) additional civilian employees.

Mr. Koenig stated that both the Police Department and IT Department had requested a LAN Analyst position for FY 14. For the Police Department, the LAN Analyst would have been a new position; however, the IT Department was requesting that this position be reinstituted after being eliminated a few years earlier. After completion of the budget, staff agreed to hire one (1) LAN Analyst position to be shared by the IT and Police Departments. He stated that the LAN Analyst was hired within the last few months, and was being shared by these departments. He stated that the request for an additional LAN Analyst was submitted by the IT Department in order for the current LAN Analyst to be dedicated to the Police Department and for the IT Department to be granted permission to hire an additional LAN Analyst. However, he advised members that it was still too early to determine if the shared relationship was working or if an additional LAN Analyst would be necessary.

Mr. Koenig advised members that the request for an Environmental Scientist position was related to the National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer Systems (MS4) permit, explaining that staff felt strongly that there is a need for a specific person to be assigned full-time to the MS4 Permit. This would allow the employee to conduct all the recording that is required and get the City current on actual compliance with the permit, after which this employee would develop and implement the strategies for complying with the permit. He explained the difficulties the City has had with this permit and the necessity for assigning one (1) individual specifically for this purpose.

Responding to Mr. Hare, Mr. Koenig stated that staff had not considered the use of a third party nor was he aware of any other jurisdiction that does so, nor of any engineering company that provides this service at the cost of hiring an employee. He noted that the City of Newark has an employee assigned for this permit and that the Delaware Department of Transportation (DelDOT) has a couple of employees assigned. However, he relayed no objection to evaluating the use of a third party for further consideration.

Mr. Koenig explained that the request for the Water Treatment Operator I position (six (6) months) was directly related to the water production operations associated with the Calpine facility. He advised members that the water plant will operate differently once the Calpine facility comes on line and the additional staff person will be necessary to actually run the plant. It was anticipated that this employee would be hired in December, which would result in a need to budget for the position for six (6) months for FY 2015.

Mr. Koenig made members aware that there had been some contractual requests submitted by the Dover Organization of Employees (DOE) for position upgrades related to the contract itself. This request was currently being evaluated. He noted that the information provided today did not include the request of Council regarding the City Manager's staffing, explaining that this recommendation will be presented to members at a later time.

For informational purposes, Mrs. Donna Mitchell, Controller/Treasurer, advised members of her plan to use the FY 2014 Budget as a base to be presented to members of City Council in March 2014 and use "building blocks" in order to begin developing the City's budget for FY 2015. The "building blocks" will consists of items involving third-party contracts, additional changes that have been requested, staffing, the Capital Improvement Plan (CIP), etc. with the idea of educating Council regarding the growth of each of these "building blocks" and how each of these change the budget.

Mr. Koenig reminded members that last year, in consideration of the FY 2014 Budget, a stair step approach was used on potential tax increases and, utilizing forecasts, there were some water and sewer increases. He noted that there was no increase in the electric utility and there had been no changes for the five (5) year forecast. He stated that the budget must reflect that all of the forecast models are tracking as expected; however, as presented last year, there is a gap in the General Fund and it is unlikely that this gap can be closed since contractual increases associated with the Fraternal Order of Police (FOP) contract must be incorporated, as well as FOP and DOE salary increases. He explained that there was substantial pressure on the General Fund.

In addition to staff's concerns regarding the General Fund, Mrs. Mitchell relayed concerns regarding the Water/Wastewater Fund due to the decrease in impact fees and the need to make the debt service payments. If funds are not available to pay the debt service, she stated that it would be necessary for the City to make adjustments within that budget.

Mr. Slavin requested that staff create a document that will continue to be developed and would include the total costs for the City resulting from the Calpine Project, to include infrastructure improvements, the water tower, etc. He felt that all members of City Council and City staff should become more intelligent on this issue. Concurring, Mr. Koenig stated that such a document should be developed by the City Manager, Controller/Treasurer, and Economic Development Office.

During the City Council meeting held on January 27, 2014, Council approved staff's recommendation to award a unit price contract for the Garrison Oak Technical Park to A-Del Construction Company, in response to City of Dover Bid #14-0020PW, for an amount not-to-exceed $6,214,700. During the Council Retreat, Mr. Slavin stated that he supported the Calpine Project; however, he reiterated his discomfort in voting affirmatively to approve the above referenced project because it reflected all the vital signs of stress on the City of Dover, explaining that the project bid came in high and the City had no source of funding; therefore, a strategy was developed to borrow against the City's own holdings without any type of repayment plan. He indicated his approval was due to the understanding that staff would be presenting some type of financing plan.

Mrs. Mitchell stated her opinion that there was no initial design and scope for the Garrison Tract and explained that the expenses incurred by the City were for the entire site and future tenants, not just the Calpine project. With regard to the financing, she relayed concern that, in accordance with the City's financial policy, the reserves must be paid back in seven (7) years; however, this money is from the Electric Fund and is typically used for electric projects. She questioned if members of Council felt that there was a need to review the policy to change the seven (7) year pay back requirement and requested feedback prior to her establishing the financing plan.

Responding to Mr. Hare, Mr. Koenig stated that the $1,000 per acre fee was a "one-time deal." The responsibility for marketing the Garrison Tract is that of the Economic Development Office; however, there is no budget for such marketing.

Mrs. Mitchell suggested that members of Council establish a per acre fee so that staff will have some direction for discussions with various companies.

It was Council President Bonar's opinion that a per acre fee could not be set since each individual effort for developing the property would be related to a different entity and negotiations for each would be separate. In regard to the Economic Development aspect, he stated that the City would have "shovel ready" property once the infrastructure was complete, which would then give the Economic Development Office staff the opportunity to solicit potential buyers and that it may be necessary to involve the Mayor's Office in this quest. Council President Bonar reiterated that money was available from the federal government and urged staff to contact the Office of the Vice-President regarding this matter.

PRESENTATION BY AD HOC FINANCIAL AND OPERATIONAL ADVISORY COMMITTEE CHAIR (HOLDEN)

Mr. Hutchison reminded members that City Council recently created an Ad Hoc Financial and Operational Advisory Committee, explaining the importance of a review of the City's finances. This Committee had held two (2) meetings and it was requested that the Chair, Mr. Wayne Holden, provide information to members.

Mr. Holden stated that he is a life-time resident of Dover and that his family has owned and operated Holden Dodge, currently run by his brother and nephew, for many years. Rather than the automobile business, he chose a financial services career, having retired from the Bank of America and Merrill Lynch five (5) years ago. He stated that he graduated from Dover High School, went to Gettysburg College, enlisted in the Army where he spent three (3) years, and then went to Fort Sill, Oklahoma, where he graduated from Officer Candidate School, and then shipped out to Vietnam. After completing four (4) years in the service, Mr. Holden returned to Dover and went into the investment business. In the course of his business career, he followed parallel paths, one (1) of which was the building of an investment business, with his last position involving managing a Merrill Lynch Office. When he took over the office, it handled approximately $500M worth of assets and when he retired it was handling $2.75B in assets. In addition to his business career, in an effort to give back to the community and State, he served as a member of the Board of Directors for the Solid Waste Disposal Authority when it was created under Governor Sherman Tribbitt. In addition, he served on the Board of Directors of the Modern Maturity Center and several other 501(c)(3) boards (approximately 30 in total), chaired the Kent General Hospital Board of Directors, Central Delaware Health Care, etc.

Mr. Holden stated that when he was approached about serving on the Ad Hoc Committee Financial and Operational Advisory Committee, he felt that he, along with other committee members, could possibly assist the City with its finances. He advised members of the many cities, towns, and counties throughout the country that are filing for bankruptcy, many due to new regulations requiring them to include certain expenses as liabilities that were not previously required, such as shortfalls in pension funds.

Mr. Holden expressed his opinion that the Ad Hoc Financial and Operational Advisory Committee's goal would be to help the City find a way to fund unfunded obligations, get their costs addressed in a more orderly fashion, and institute new policies that limit the City's ability to make expenditures outside of the policies. He noted that the City seemed to have fallen into a pattern of transferring any balance that remains at the end of the year into the next year's budget and this is done in such a way that the funds appear as revenue. This results in the City taking a previous year's surplus and moving it as a revenue item into the next year when the City has all sorts of unfunded liability and this surplus could go toward reducing the unfunded liability.

Mr. Holden explained that if the liability is a pension-type liability from an old plan, and if the amount is $1M that is not paid, the next year that liability has increased to $1.7M, since the actuary assumes that the City earns 7% on the money in the retirement plan for the year. The problem is that this money was not there, so there were no earnings, resulting in year after year of increasing future liability that will have to be paid. He felt that it would only make sense to make payment to the unfunded liability in order to reduce this liability. This is a very serious problem and the ultimate consequence would be for the City to file bankruptcy, lay off staff, reduce pensions, etc., which is what is occurring across America in those cities and towns that are not addressing this issue.

According to the City's current Financial Policy, Mrs. Donna Mitchell, Controller/Treasurer, reminded members that if the carry forward balance is higher than the amount projected, any favorable difference is put toward the City's unfunded liability. She explained that the police officers are a member of the State's Pension Plan, which only allows for pensionable wages to be base pay; overtime is not considered for pensionable wages. In regard to Other Post-Employment Benefits (OPEB), she stated that the City established a 10-year phase-in during 2006 which showed a $20M liability at the end of the 10 years. This was done consciously since there would have been an excessive budget hit if it were to have been fully funded. Currently, the City is in its sixth year and is at a $13M liability.

Mrs. Mitchell stated that although the City has established policies and procedures to address these unfunded liabilities, yearly payroll increases and revenue decreases make it more and more difficult to have the funds available to set aside for these purposes.

Mr. Holden stated that economically, for the past 25 years, there had been an incredible amount of growth throughout the country. He noted that these fluctuations tend to be cyclical and are driven by demographics, industry and technological changes, etc. The City went through a 25-year period when everything was moving in a positive direction; real estate rose, stocks rose, income increased, benefits increased, etc. However, he stated that the "wind has changed" and no longer are things moving in a positive direction and this could continue for the next 25 years. As a result, he stated that he would not depend on any more than a 3% growth rate when reviewing impact fees, transfer taxes, etc. He relayed concerns regarding the City's revenue sources going forward and questioned the possibility of outsourcing services such as trash collection and/or construction crews installing water and sewer lines.

Mr. Holden noted that some residents felt that the City should provide them with all their needs. He indicated that the City does not have to provide everybody with everything and that this is "a culture that has developed." He suggested that the City prioritize essential services and then be creative

about other less important services and partner with others. He advised members of other partnerships within the community that have resulted in successful projects. He also suggested that when involving others, the City simply serve as a facilitator.

In reviewing the City's organizational structure in comparison to similar municipalities, Mr. Holden noted that most organizations have a Commander in Chief with direct accountability. He stated that the City has a hybrid system, with some employees reporting to Council, some to the Mayor, and others to the City Manager. He stated his observation that the majority of municipalities he researched have only a Mayor and City Manager who share the reporting responsibility. He indicated that members of the Ad Hoc Committee had reviewed details regarding organizational structures of similar municipalities that were compiled by Dr. Cynthia Newton. He stressed the importance of accountability among employees in an organization, explaining that it results in mistakes becoming less frequent and less expensive.

Mr. Slavin advised members that he would be making suggestions, based on his observations, for the Ad Hoc Committee's consideration such as the need to strengthen internal controls, the appropriation of monies and positions (limiting the term of a position to a particular grant), mid-year corrections being made the norm rather than exception, regular revenue sources that do not keep up with the pace of inflation (developing some type of escalator or periodic review), and requiring a two (2) meeting vote or super majority of Council for taking action that would override a City policy.

Council President Bonar reminded everyone that the creation of the Ad Hoc Committee was to provide assistance to City Council as well as City staff to consider their recommendations and take action for the betterment of the City.

Mr. Holden stated that there may be a need for City Council to expand the membership of the Ad Hoc Committee to include two (2) additional expert members and, once determined, he will present those recommendations to City Council for appointment.

By unanimous consent, Council President Bonar declared the meeting adjourned.

Meeting adjourned at 11:43 p.m.

David L. Bonar
Council President

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Exhibits
Exhibit #1 - Vision, Mission, and Critical Success Factors, and Fiscal Year 2014 Proposed Budget Personnel Table
Exhibit #2 - FY 2015 Draft Personnel Budget Requests for New Positions

EXHIBIT #1
Council Retreat of 1/31/2014

FY 2014 ANNUAL OPERATING BUDGET – DOVER, DELAWARE

VISION

The City of Dover is a place where people want to live! Through the team effort of its elected officials, employees, and citizens, Dover is a clean and safe community, with a future of balanced growth and opportunity where all citizens are heard, enjoy a high quality of life, and diversity is valued.

City of Dover

VISION

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MISSION

It shall be the mission of the City of Dover to advance the following policies and projects however and whenever possible:

- *Establish a Regional Library in Dover.*
- *Promote Homeownership and Affordable Housing.*
- *Maintain and Improve the City's Infrastructure and Implement Brown Water Solutions.*
- *Strengthen Property Maintenance and Enforcement.*
- *Develop a Plan to Secure Electric Generation for the next 20 years.*
- *Support the Building of an Inner City Cultural Center.*
- *Implement Economic Development Strategy.*

Critical Success Factors

The following factors are determined to be critical in meeting the overall goals and mission of the City of Dover.

Customer Satisfaction & Effective Community Communication: At the end of the day our customers must be satisfied for our goals and mission to be accomplished. Customer satisfaction is our overall base strategy. Honest and timely communication is a critical factor in keeping our customers satisfied.

Employee Satisfaction & Effective Organizational Communication: It is through our employees that our services are provided to customers. When our employees are satisfied, they will provide services in a manner that accomplishes the vision, mission, and goals. Honest and timely communication with our employees is critical to their satisfaction.

Cost and Revenue Efficiency: Providing our services and accomplishing the vision, mission, and goals in a way that is economical and considered successful by our customers.

Improve Downtown and Surrounding Neighborhoods: The City's vision is for Dover to be a place where people want to live! We will not leave any neighborhoods behind.

Citywide Safety: The vision, mission, and goals cannot be fulfilled if safety is compromised in the process. The safety of citizens and employees is critical.

Economic Development and Job Growth: A strong local economy that offers a wide array of job opportunities with livable wages is critical to the satisfaction of our citizens. The City of Dover will continue to seek economic development opportunities for its citizens.

City of Dover
Fiscal Year 2014 Proposed Budget
Personnel Table

DEPT/DIVISION	2010-2011 BUDGET	2011-2012 BUDGET	2012-2013 BUDGET	2013-2014 PROPOSED
CITY CLERK	4.0	4.0	4.0	4.0
CITY MANAGER	5.0	5.0	3.0	3.0
CODE ENFORCEMENT	4.0	4.0	4.0	5.0
COMMUNITY DEVELOPMENT (GRANT FUND)	1.0	1.0	0.5	0.0
CUSTOMER SERVICES	15.0	14.0	14.0	14.0
ECONOMIC DEVELOPMENT	3.0	3.0	3.0	3.0
FACILITIES MANAGEMENT	13.0	12.0	9.0	7.0
FINANCE	8.0	8.0	8.0	8.0
FIRE	6.0	6.0	6.0	6.0
FLEET MAINTENANCE	6.0	6.0	6.0	6.0
GROUNDS	16.0	14.0	14.0	13.0
HUMAN RESOURCES	3.0	3.0	3.0	3.0
INFORMATION TECHNOLOGY	7.0	5.0	5.0	5.0
INSPECTIONS	7.0	7.0	7.0	6.0
LIBRARY	13.0	12.0	13.0	13.0
LIFE SAFETY	4.0	3.0	3.0	3.0
MAYOR	1.0	1.0	1.0	1.0
PARKS AND RECREATION	6.0	6.0	5.0	5.0
PLANNING	5.0	5.0	4.5	5.0
POLICE – TOTAL*	120.0	122.0	122.0	124.0
PROCUREMENT AND INVENTORY	6.0	6.0	4.0	4.0
PUBLIC WORKS ADMINISTRATION	4.0	5.0	6.0	5.0
SANITATION	12.0	13.0	11.0	11.0
STREETS	11.0	11.0	10.0	8.0
TAX ASSESSOR	3.0	3.0	3.0	3.0
GENERAL FUND & CDBG TOTAL	**283.0**	**279.0**	**269.0**	**265.0**
ELETRIC ADMINISTRATION	4.0	4.0	3.0	3.0
ELECTRIC SYSTEM OPERATIONS	5.0	5.0	5.0	5.0
ELECTRIC ENGINEERING	11.0	10.0	10.0	10.0
ELECTRIC T & D	25.0	25.0	24.0	24.0
METER READING - CUSTOMER SERVICE	3.0	3.0	3.0	3.0
ELECTRIC FUND TOTAL	**48.0**	**47.0**	**45.0**	**45.0**
WATER/WASTEWATER ENGINEERING	7.0	6.0	6.0	7.0
WATER CONSTRUCTION	6.0	6.0	5.0	5.0
WATER MANAGEMENT	5.0	4.0	5.0	4.0
WASTEWATER MANAGEMENT	10.0	10.0	10.0	11.0
WATER TREATMENT PLANT	10.0	10.0	10.0	10.0
WATER/WASTEWATER FUND TOTAL	**38.0**	**36.0**	**36.0**	**37.0**
TOTAL FULL-TIME PERSONNEL	**369.0**	**362.0**	**350.0**	**347.0**

** 93 Officers; 31 Civilians = 124 Total Employees*

DEPT/DIVISION	2010-2011 BUDGET	2011-2012 BUDGET	2012-2013 BUDGET	2013-2014 BUDGET
PART-TIME PERSONNEL				
CITY COUNCIL COMMITTEES	n/a	17.0	17.0	17.0
PLANNING COMMISSION	n/a	14.0	14.0	14.0
FIRE	n/a	1.0	1.0	1.0
PARKS AND RECREATION	n/a	10.0	10.0	10.0
LIBRARY	n/a	10.0	13.0	14.0
CUSTOMER SERVICES	n/a	0.0	0.0	1.0
FINANCE	n/a	1.0	0.0	0.0
FACILITIES MANAGEMENT	n/a	1.0	0.0	0.0
SUBSTANCE ABUSE GRANT	n/a	12.0	12.0	12.0
TOTAL PART-TIME PERSONNEL		**66.0**	**67.0**	**69.0**
TOTAL PERSONNEL	**369**	**428.0**	**417.0**	**416.0**

FY15 Draft Personnel Budget Requests
New Positions

		# of Positions	Estimated Salary	Total Salary Expense
1	**Accrediation Manager**	1	$45,000	$45,000
2	**Agent**	2	35,900	71,800
3	**LAN Analyst**	1	41,000	41,000
4	**Environment Scientist**	1	49,000	49,000
5	**Water Treatment Opeator I (six (6) months)**	1	14,955	14,955
	Total			**$221,755**