SPECIAL COUNCIL MEETING

A Special Council Meeting was held on October 30, 2013 at 6:30 p.m. with Council President Bonar presiding. Members present were Mr. Dixon, Mr. Lynn, Mr. Perza (arrived at 6:32 p.m.), Mr. Slavin, Mrs. Williams, and Mr. Hutchison. Mr. Anderson, Mr. Lynn, and Mr. Hare were absent.

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

AGENDA ADDITIONS/DELETIONS

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

PUBLIC/PRIVATE PARTNERSHIPS RELATED TO CITY-OWNED BUILDINGS

Council President Bonar explained that one of the responsibilities of City Council is to ensure that the City gets the "biggest bang for our buck" from City properties. The City currently owns two (2) pieces of property: 1) the former Dover Public Library building located on State Street, and 2) Weyandt Hall on Reed Street, which are in need of significant renovations and are bringing no tax revenues to the City of Dover. He stated that there had been some discussions with individuals among Council who would like to have the City explore the possibility of a Public/Private Partnership (P3) in order to put these properties back on the tax rolls, and to have a discussion regarding the issues related to City Hall. He reminded members that the City Hall building was more than 30 years old and required several improvements, which include making it handicapped accessible, installing sprinklers, and addressing the lack of security. All of these things combined have the possibility of costing the City many, many thousands, if not millions, of dollars. Given the City's current financial situation, he stated that the City was not capable of undertaking those items in a reasonable fashion. Therefore, he and other members of Council were of the opinion that discussion regarding the establishment of a P3 seemed be a viable alternative. He emphasized that Council would not want to make a final decision regarding the establishment of a P3 until all of the advantages and disadvantages of each alternative had been prudently explored to determine which option would be in the best interests of the City. It was his opinion that the long-range plan would be to renovate the former Dover Public Library building to make it usable; renovate and modernize Weyandt Hall including a new roof and HVAC and electrical systems; and eventually build a new City Hall, which would provide one (1) building for all of the employees currently working in City Hall and Weyandt Hall.

Mr. Bonar suggested establishing an ad hoc committee comprised of five (5) members, including three (3) members of Council and two (2) civilian, resident members, to be appointed by the Council President and confirmed by Council. The Committee would examine this topic and make a recommendation to Council.

Mr. Bonar stated that the Governor had expressed that he would like to see a walkable campus in the downtown area that would include the Delaware Department of Natural Resources (DNREC). DNREC had expressed interest in a consolidated campus in order to keep their operations downtown, and noted that a P3 could certainly facilitate such a plan. Mr. Bonar explained that there had also been discussions about parking, which would be another topic for discussion. He stated the possibility of getting investors to put parking in, which would alleviate some of the parking problems in that area of the City, enhance what is currently available, and make it much more convenient for everyone to work and recreate downtown. He explained that all of these things would be seed for improving the downtown area of Dover, which he believed all members of Council favored. He reiterated that establishing a P3 would put buildings which currently pay no taxes back onto the tax

rolls and hoped members would give this matter due consideration. Mr. Bonar stated that Mrs. Donna Mitchell, Controller/Treasurer, had done some preliminary work pertaining to P3s but reminded members that he wished to establish an ad hoc committee to examine the possibilities.

Mrs. Mitchell reviewed a presentation entitled "City of Chicago - Inspector General's Report, GFOA Best Practices," ***(Exhibit #1)*** outlining the "pitfalls" to avoid when establishing a P3, as well as the best practices established by the Government Finance Officers Association (GFOA). She noted that members previously received the full "Report of Inspector General's Findings and Recommendations: An Analysis of the Lease of the City's Parking Meters," dated June 2, 2009, and reviewed a summary of the findings. She stated that the report found that many leases have a revenue sharing provision which helps the operating budget.

Referring to the GFOA Best Practices, Mrs. Mitchell stated that, since P3s are getting more attention, the GFOA put out an accounting pronouncement on how to account for service concession arrangements, which involve privatization agreements. For example, she explained that, if the City did a sale/lease back, the City may be subject to accounting for the liability for the value of the lease payments as well as the asset.

Mrs. Mitchell referred members to Page 14 of the "PFM University: Public-Private Partnerships" presentation previously provided and reviewed the recommended steps outlined for the P3 Process, PFM Project Management Approach.

Mrs. Williams indicated that Mrs. Mitchell is very watchful and already does all of the things that would be required of the finance officer for the process of creating a P3.

Mr. Hutchison expressed his excitement in exploring the option of creating a P3. However, he stated that an alternative option would be for the City Manager and Controller/Treasurer to establish a clear, defined program with policies and procedures for the management of City assets.

Mr. Perza stated that the information provided by Mrs. Mitchell was a good place to start, noting that the mistakes made by Chicago demonstrated what to avoid when considering a P3 and how to formulate a process within the acceptable boundaries.

Mr. Bonar reminded members that the establishment of an ad hoc committee to study the future of City Hall, Weyandt Hall, and the former Dover Public Library was scheduled for consideration during the Council Meeting of Tuesday, November 12, 2013.

In response to Mr. Slavin, Mr. Bonar confirmed that the language regarding the charge, duration and other details pertaining to the ad hoc committee would be provided during Council's consideration of the item.

Responding to Mr. Perza, Mr. Bonar clarified that Council would be considering the creation of two (2) separate committees, an ad hoc Committee to study the future of City Hall, Weyandt Hall, and the former Dover Public Library, as well as an ad hoc Financial and Operational Advisory Committee.

By unanimous consent, the Special Council Meeting adjourned at 6:48 p.m.

TRACI A. McDOWELL
CITY CLERK

All orders, ordinances, and resolutions adopted by City Council during their Special Meeting of October 30, 2013 are hereby approved.

CARLETON E. CAREY, SR.
MAYOR

/TM
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Exhibit
Exhibit #1 - "City of Chicago - Inspector General's Report, GFOA Best Practices" Presentation, Provided by Mrs. Donna Mitchell, Controller/Treasurer

CITY OF DOVER
COUNCIL WORKSHOP
OCTOBER 30, 2013

CITY OF CHICAGO - INSPECTOR GENERAL'S REPORT
GFOA BEST PRACTICES

EXHIBIT #1
Special Council Meeting of 10/30/2013

PUBLIC PRIVATE PARTNERSHIPS (P3)

- Comprehensive reports on the subject noted two serious areas of concern:
  - The failure of government to thoroughly review the costs and benefits of a P3 before deciding to lease public assets. GAO study recommends governments engage in an advanced, transparent, deliberative process to determine whether leasing a public asset is truly in the public interest.
  - The temptation of entering into P3's in order to receive large, upfront payments that solve short-term financial problems, without properly considering the long-term implications of the deal.

CHICAGO PARKING METERS

- Summary of findings –
  - A dubious financial deal
    - Lease payments were considerably under valued when compared to the long-term value of 75 years of parking-meter revenue.
  - Failure of the Chief Financial Officer to calculate the value of the parking-meter system to the City to determine if this deal was in the best interest of the City.
  - Failure to consider lease alternative that still solved the budget problem.
    - Shorter lease with revenue sharing provisions
    - i.e. 20 year lease with 50% revenue sharing
  - Lack of any meaningful and deliberative process in the City Council.
    - Presented to Finance Committee one day after publicly announcing the lease.
    - No meaningful review of the merits outside the CFO's & Mayor's Office
    - Twenty-four hours later, following a one-day hearing, City Council voted on the matter.
    - The budget approved one month earlier included $150 million in revenue from the potential lease deal.

GFOA BEST PRACTICES

- The Finance Officer should play a central, functional role in considering the feasibility of a long term Privatization.
  - Many if not most privatization initiatives are driven by a government's financial needs and constraints.
  - The finance officer is well positioned to function as the lead member of the government team exploring privatization.
  - The finance officer acts as a steward to protect the long-term public interest associated with the asset.
  - Privatization agreements may also involve intra-governmental financial decisions that include major, complex financial matters. (Use of proceeds, public debt defeasance, accounting-financial reporting, etc.)
  - Finance Officer is the interpreter and communicator of the financial results to elected officials and the general public.

GFOA BEST PRACTICES

- Finance Officer should lead the development of a process to evaluate and implement a potential privatization
  - Finance Officer helps establish a competent, experienced team to assist in the entire privatization undertaking.
  - Team charged with –
    - Clear documented objectives with measurable standards
    - Thorough feasibility analysis
    - If justified, broadly competitive and transparent solicitation of private entities to serve as privatization counterparty(s)
    - Assessing financial strength and viability of all bidders
    - Include appropriate enforcement measures to promote service quality and compliance with all standards and requirements.
    - Incorporate suitable accounting, auditing, and financial reporting requirements and standards in the privatization agreement.

GFOA BEST PRACTICES

- Finance Officer should provide options and policy recommendations for the prudent, sustainable application and use of all financial benefits expected as a result of the privatization agreement.
  - This policy should be in effect prior to the receipt of any funds by the government.
  - A plan for the funds BEFORE the funds are received.
  - Establish a dialogue on how to apply that cash, including the creation of an "endowment" or permanent reserve. This helps to facilitate the decision-making process and how financial benefits will be applied.
  - Potential danger that government will raise service levels or lower taxes to apply the money to. (e.g. reduce or eliminate one-time unfunded liabilities instead of taking for short-term benefit).
  - Keep the City Manager and other elected officials apprised to help decision-makers fully understand the type and nature of the give and take occurring. Helps to ensure priorities are laid out in advance and prevents ill-informed decisions.