LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE

The Legislative, Finance, and Administration Committee meeting was held on January 23, 2012 at 6:30 p.m. with Chairman McGlumphy presiding. Members present were Mr. Anderson (arrived at 6:35 p.m.), Mr. Hare, Dr. Jones, and Mr. Shevock. Members of Council present were Mr. Bonar, Mr. Hutchison, Mr. Lynn, and Council President Leary (departed at 7:03 p.m.). Mayor Carey was also present.

AGENDA ADDITIONS/DELETIONS

Mr. Shevock moved for approval of the agenda, as presented, seconded by Mr. Hare and unanimously carried.

Proposed Resolution #2012-02 - Requesting the General Assembly to Amend Article IV - Financial Affairs, Section 50 - Debt Limit, of the City of Dover Charter

Members reviewed Proposed Resolution #2012-02 that would request the General Assembly to amend Article IV - Financial Affairs, Section 50 - Debt Limit, of the City of Dover Charter. Mrs. Donna Mitchell, Controller/Treasurer, explained that the proposed amendment would expand and clarify the purposes for debt issuance without a referendum vote by inserting specific uses of general obligation debt which would be secured by the full faith and credit of the City. She noted that there would still be a referendum requirement when the debt issuance would exceed one-fourth of one percent of the taxable assessed value of real property.

Mr. Hare moved to recommend approval of Proposed Resolution #2012-02, requesting the General Assembly to Amend Article IV - Financial Affairs, Section 50 - Debt Limit, of the City of Dover Charter, seconded by Mr. Shevock and unanimously carried. *Due to time constraints, it was noted that this matter has been placed on the Council agenda for the meeting being held later in the evening.*

Proposed Ordinance #2012-03 - Related to Senior Citizen Income Exclusions *(Committee Referred This Item Back to Staff on November 14, 2011)*

During their meeting of November 14, 2011, the Committee considered excluding military pension as income to the Senior Citizen Property Tax Abatement at the request of a resident, Mr. Michael Smith. After much discussion, the Committee referred the matter back to staff for their review and recommendation within 90 days.

Members reviewed Proposed Ordinance #2012-03, which would amend Chapter 102 - Taxation, Article VI - Exemptions; Board of Assessment Appeals, Section 102-183 - Tax Exemption for Senior Citizens by replacing the language "federal civil service retirement" with "Civil Service Retirement System (CSRS)" and changing the computation of the property owner's entitlement for the deduction from a dollar amount to a percentage of the Social Security maximum benefit.

Ms. Cheryl Russell, Tax Assessor, advised members that the Senior Citizen Tax Abatement, Subsection (b) - Qualifications, Paragraph (3) Exclusions from income, currently consists of: 1) Social Security benefits; 2) railroad pensions; and 3) federal civil service retirement (150% of current Social Security limit). She stated that the federal civil service retirement was added a few years ago because it was similar to Social Security (as is the railroad pension). Those retirees who are under the "old" CSRS plan did not contribute to Social Security and do not receive this benefit

from that employment; therefore, she stated that this category was added to the income exclusions for the City of Dover Senior Citizen Tax Reduction Program. As a result of a review of the proposed ordinance by the City Solicitor, Mrs. Russell stated that the amounts were eliminated to reflect only 150% (lines 25 through 29).

Ms. Russell indicated that the City was recently made aware that participants in the "new" Federal Employees Retirement System (FERS) plan for Civil Service retirement do contribute to Social Security and receive both Social Security and pension from this employment; therefore, this particular plan should not be added to the exclusions for the City of Dover Senior Citizen Tax Reduction Program. The intent to add Civil Service retirement weighed heavily on the fact that the CSRS retirees do not receive a Social Security benefit. She assured members that the proposed amendment to the ordinance specifies that the third exclusion from income be limited to CSRS retirees only.

Ms. Russell stated that staff did not recommend that a military pension category be added to Section (b) Exclusions to income, because members of this retirement plan also contribute to Social Security. This would allow military retirees the ability to exclude Social Security and military pension from their adjusted gross income (similar to the FERS plan). Ms. Russell indicated that the revenue impact of adding military pension to the exclusion from income qualification could not be determined. She stated that the Census Bureau does not differentiate military pensions and was not able to provide assistance.

Ms. Russell reminded members that another idea which was previously discussed was to put a basic cap on the income limit with no exclusions. After reviewing this idea, she stated that the only "pro" to this approach would be elimination of the need to determine exclusions for different plans. The "cons" that staff anticipated were: 1) complication of the application process including the requirement for more documentation for seniors with Social Security income only (195 applicants); 2) discontinuation of abatement for seniors turning 65 when they begin to draw Social Security benefits; and 3) inconsistency with County income qualifications.

Ms. Russell advised members that staff reviewed the possibility of adding income directly related to disability to the exclusion from income qualification. Kent County offers this deduction from the Adjusted Gross Income; however, Kent County has an income limit qualification on their disability reduction, similar to their senior citizen reduction. She indicated that once the property owner is 65 years of age, Kent County requires them to apply for a Senior Citizen reduction and they no longer qualify for the disability reduction. Kent County did not explain the reasoning behind the deduction of the income related to disability. As a result, staff could only assume that this relates to the transfer of reduction from Disability to senior citizen at the age of 65. The revenue impact of adding Income Related to Disability could not be determined. Since Kent County transfers the property owner to the Senior Citizen Reduction Program, they do not have information regarding the number of property owners that qualify or are considered disabled within the City of Dover limits.

Ms. Russell stated that currently, the City of Dover does not have age or income limitations for the disability reduction. The only requirement is that individuals must be 100% disabled, as determined

by the Social Security Administration (SSA), and must provide an award letter from the SSA each year upon application. She stated that staff did not recommend deducting income directly related to disability at this time.

Staff recommended amending Section 102-183 (b)(3) of the Dover Code to update the language to specify Civil Service Retirement System (CSRS) as the type of Civil Service Retirement to be excluded and also to strike out the dollar amount for the maximum amount allowed for the deduction from income.

Responding to Mr. Shevock, Ms. Russell indicated that the proposed amendment would not result in a change to the tax revenue since none of the seniors who have applied in the past were participants in the newer system (FERS plan).

Mr. Hare stated that he was aware of individuals who have military pensions that are not large and who also collect a minimal amount of Social Security, noting that these individuals would not be eligible. It was his feeling that specifying a single income level would be more simple to apply. Clarifying, Ms. Russell stated that the qualifying income level is $17,396 for a single individual; therefore, someone collecting a military pension in the amount of $14,000 and Social Security would qualify for the exemption. The specified income level for married individuals is $23,000.

Responding to Mr. Michael Smith, 208 Saxondale Lane, Mr. Anderson explained that the proposed amendment would put everyone on an equal level because the CSRS that expired in 1986 was basically a substitute for Social Security (these participants did not pay into Social Security). Under the new federal system (FERS), individuals are required to pay into Social Security and, as a result, will receive Social Security benefits, which are exempt in accordance with the Dover Code. He stated that it would not be fair to exempt Social Security income but not the CSRS since it is an equivalent to Social Security.

Mr. Anderson felt that further discussion may take place in the future in regard to the consideration of military pensions and the possibility of a "blanket" exemption, as suggested by Mr. Hare.

Mr. Hare reiterated that the purpose of the exemption is to help low-income individuals and noted that there are some military pensioners that would qualify and others that clearly would not qualify.

Mr. Smith suggested the possibility of referring to the exemption as a "low-income tax abatement," rather than referring to it as a tax exemption for senior citizens, and allowing anyone with less than $35,000 income to qualify.

Concurring, Mr. Hare suggested amending the proposed ordinance to reflect the exemption for "low-income taxes for citizens above age 60" and stated he would prefer a flat income level amount.

Mr. Bonar stated his concurrence and suggested that the matter be tabled to allow staff to clarify the language to reflect "low income tax abatement program for individuals over 60 years of age."

Mr. Anderson moved to recommend that the matter be referred back to staff for clarification of the language as discussed, seconded by Mr. Hare and unanimously carried.

Minority Recruitment Committee Recommendations

Members were reminded that the Minority Recruitment Committee (MRC) was commissioned by the former City Manager to develop recommendations to improve minority hiring for the City of Dover. The Committee held a series of meetings in 2011 and concluded their work in August 2011. Members reviewed a report that reflected the MRC deliberations and recommendations.

Staff recommended acceptance of the report and requested that the recommendations be referred to staff for implementation at the appropriate time.

Dr. Bobby Jones, Chair of the MRC, explained that the creation of the Committee was the result of questions and concerns that arose regarding minority recruitment for the City of Dover. She advised members that the Committee had much discussion regarding attracting employees to the City and that employee morale was also a concern. She felt that the Committee developed some very salient points regarding morale. Dr. Jones reviewed the MRC's recommendations.

In response to Mr. Anderson, Dr. Jones stated that although the Human Resources Director addressed the Committee, there was no mention of the City's Affirmative Action Program.

Responding to Mr. Anderson, Mr. Scott Koenig, City Manager, reminded members that the City is under a hiring freeze and recruitment is not staff's highest concern at this time; however, staff has grave concerns with employee morale. He stated that the City has hard-working employees who should be recognized for the work they accomplish. Mr. Koenig noted that often work performed is not recognized as much as what does not get accomplished. He requested the opportunity to review the recommendations and provide the Committee with a recommendation within 60 days.

Mr. Lynn suggested that the Mayor be included in the review of the recommendations for consideration of the Police Department. Dr. Jones stated that the Police Department was represented on the MRC and that the Department has developed a plan for the recruitment of minority police officers.

Understanding that the City is under a hiring freeze, Dr. Jones requested that staff develop a strategic plan to address the recruitment of minorities and develop goals and objectives regarding this issue.

Mr. Anderson moved to recommend that the Minority Recruitment Committee (MRC) Report be referred to staff for a report back to the Committee within 60 days, seconded by Mr. Hare and unanimously carried.

Public Comment Period

There was no one present wishing to speak during the Public Comment Period.

Mr. Hare moved for adjournment, seconded by Dr. Jones and unanimously carried.

Meeting Adjourned at 7:06 P.M.

William P. McGlumphy
Chairman

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