

**CITY OF NEWARK
DELAWARE**

COUNCIL MEETING MINUTES

November 2, 2015

Those present at 6:00 p.m.:

Presiding: Mayor Polly Sierer
District 1, Mark Morehead
District 2, Todd Ruckle
District 3, Rob Gifford
District 4, Margrit Hadden
District 5, Luke Chapman
District 6, A. Stuart Markham

Staff Members: City Manager Carol Houck
City Secretary Renee Bensley
Clerk of the Court Barbara Wilkers
Community Affairs Officer Ricky Nietubicz
Deputy City Manager Andrew Haines
Electric Director Rick Vitelli
Finance Director Lou Vitola
Deputy Finance Director Jill Hollander
Accountant Jim Smith
IT Manager Joshua Brechbuehl
Assistant IT Manager Daina Montgomery
NPD Chief Paul Tiernan
NPD Deputy Chief Mark Farrall
NPD Deputy Chief Kevin Feeney
Parks & Recreation Director Charlie Emerson
Parks & Recreation Supervisor Joe Spadafino
Planning & Development Director Maureen Feeney Roser
Public Works & Water Resources Director Tom Coleman
Public Works & Water Resources Deputy Director Tim Filasky
Purchasing Administrator Cenise Wright

1. Ms. Sierer welcomed all to the budget hearing and noted the meeting would start with a staff presentation.

Ms. Houck stated staff would continue the conversation related to both the 2016 operating budget, including the 2016-2020 capital program and were hopeful everybody had a chance to review the documents provided. She thanked staff for the work leading up to the development of the documents, and for accommodating the many internal hearings and follow up meetings that took place. She stated she was very fortunate to be in the position to work with everyone and witness on almost a daily basis the commitment staff has to the community. She gave a special thanks to Mr. Vitola and his staff who did the lion's share of the consolidation, detail of the numbers, and who along with Mr. Haines and herself made some tough decisions based on their understanding of the organization with the best interests of the community in mind.

Ms. Houck reviewed the anticipated budget calendar, noting the previous financial workshop, this evening's budget hearing and the additional days provided for contingency meetings to further discuss and fine tune the budget if necessary.

Ms. Houck noted that the provision of services and problem solving was what the efforts to deliver the budget were about. Some of the services performed on behalf of the community were standard, predictable, and received by all. There may be some that impact a certain area of the community and may not even be provided by actual city staff. For example, there was a sewer line repair adjacent to the White Clay Creek. This was a

lot of infrastructure that was “out of sight” that could benefit from testing, maintenance and earlier replacement. The referenced sewer line experienced an emergency repair a few weeks ago. This highlighted the importance of placing more focus on knowing the condition of City facilities and documenting them with GIS systems. The cost of this unplanned repair was \$49,900.

Regarding GIS, the GIS plans in the capital program were well received by the Planning Commission. Staff was encouraged to tackle them sooner rather than later to document where City facilities were underground and otherwise. The organization is always balancing funding between projects and needs that move the community forward.

Ms. Houck noted that the departments, she and Council were required to balance their recommendations and decision making to take advantage of opportunities and ensure that the dollars available were being spent in the best ways that they could be for the best interest of the community; while allowing for the continuation of the services the community is accustomed to. Efficiency gained or identified in one area of operations would provide greater opportunities to correct issues in other areas. This particular sewer repair was just one example of what staff hoped to be able to avoid in the future by being more proactive and focusing on infrastructure funding.

City personnel expenses increased by \$1.3 million or 4.7%. Non-personnel operating expenses were up 1.2% and included increases to materials and supplies of about \$200,000 and contractual services that increased about \$50,000.

The equipment depreciation expense for 2016 was down by 11% percent. This was a result of older equipment being fully depreciated and lower replacements in 2014 and 2015. This meant lower costs depreciated the same this year. Other miscellaneous expenses increased by \$200,000, and were best identified as costs associated with more accurate numbers associated with retention and recruitment efforts including training, primarily targeted for IT training of departments in all areas of our operation, and Legislative specific training. The net capital improvement budget decreased by \$100,000. However, the gross program saw overall cost increases of about 15%.

On the revenue side, without the recommended rate actions contemplated in the draft budget that was presented prior, the City would face a deficit or sharply reduced capital spending in order to balance the budget.

The alteration in the revenue stabilization adjustment will happen naturally with any increase in wholesale power cost pursuant to City code. The RSA was serving the community well and doing just as it was intended to do to manage fluctuations. The sewer rate increase would allow the City to meet infrastructure spending requirements and to restore the sewer transfer into the general fund. The water rate increase was strongly recommended by the City’s rate consultant. If the increase of 7.2% which was described for 2016, the final year of the expiring study, was eliminated, it would only result in a more drastic anticipated increase being necessary at start of 2017.

Just as Council has deemed smaller incremental tax increases to be preferred over no increases with large make up years, staff also recommended taking the step now on the water increase to ease the burden anticipated on the update to the rate study. Simply stated, the delays in increasing rates in association with the 2011 study have resulted in the City falling behind on its needs. The water rate increase was supporting water infrastructure, and the margin remained under the policy guidelines of 20%.

Mr. Vitola stated he led with a public utility discussion each time he presented the budget to Council and the CIP to Planning Commission. He noted that local control was a huge part of it. City Council served as the governing board of all three of the cities utilities, so Council was the defacto Public Service Commission for utility customers in Newark. On top of that, City rates were still competitive. Newark compared well with most of its fellow municipalities, especially during the winter months. The City has been within 3-4% of Delmarva’s rates for years. Currently, Newark’s winter rates are 9.4% below Delmarva’s for a customer using a 1000 kilowatts a month.

This time last year the City was about 3.6% below Delmarva's rates. Water and sewer rates were also low compared to other cities and far below Artisan and Tidewater. With the smart meters, Newark could now prove its superior reliability. Before staff said that the City's crews were close, local and around the clock. Now staff could actually say that so far this year the cumulative electric outages were just 50 minutes this year compared to PSE standards of 295 minutes a year. Newark was also community oriented. The McKees solar park would never have been done by a private utility as 900 panels were not big enough to justify that type of investment by a private utility. But, by solving a brownfield problem and using grant funding and funding from our residents, it made sense for Newark. This was also true for the LED lights project.

Money also was saved internally. Wholesale prices were paid on City electric consumption, which saves \$1 million or more a year. The same is true as the City treats its own water, and thanks to the reservoir, the City was not buying wholesale water from United any more. It was self-consumption of the City's own utilities.

From a financial perspective, the biggest benefit to the public utility business model was the transfer of the margin to support core City services. It was not a secret and all were aware of this. Without City-owned utilities in Newark, electric rates would be comparable, maybe a little higher, and definitely higher in terms of water and sewer, yet all those margins would out the door to shareholders not back to the City for parks, police, streets and other general fund expenses.

He noted that Artisan, Tidewater, Delmarva and Delmarva's parent company send out hundreds of millions of dollars to shareholders in form of dividends. Newark was much smaller, but measured those numbers in millions, which came back to general fund.

Ms. Houck reviewed the general fund. The City's general fund revenues have fallen behind general fund expenses for decades. The City's ability to meet the shortfall with utilities had been key to the City's viability, credit rating and the low cost of living. The ability to transfer has been good, but there was a limit to it being positive. Additionally, working towards reduced reliance on transfers from utilities may prove to be important to the City's future economic development success. The unknown impact of renewables was a big concern, related to the transfers. Additionally, the City had not left enough funds behind in the utilities to keep up with the required infrastructure needs.

For now, the general fund survived because of the transfer policies, aside from the governor's MOU regarding maximum levels of transfers out of the electric utility. The transfers heavily support many other areas of City operations. The average citizen might not be aware of how City services were funded, but Ms. Houck thought there were supporters on both sides. A more sensible balance was important and striving to have more general fund revenues funding general fund costs should continue to be a goal. This was the reason for the recommended 3% tax increase. 2016 estimated transfers to meet the needs of the general funds totaled \$14.2 million dollars. \$10 million for electric, around \$1.5 million each for water and sewer, and \$1.2 million for parking.

Mr. Vitola reported the wholesale cost of power was expected to increase by about 3%. Natural gas continued to be at historic lows and the energy component of wholesale rates could actually go down in 2016, however, the ancillary costs were skyrocketing and more than offsetting any energy cost decreases. The impact was 3%, but could be more. That should not cause major change in the monthly bills and the City would still be competitive with Delmarva's rates while adhering to the MOU.

It is important to note that electrical revenues were going up by more than that 3% wholesale rate increase, because electric volume has been increasing with development growth and was anticipated to increase again in 2016. The RSA could be potentially be lower than with what staff expected to be a much smaller over-collection in 2015. It was a mild summer, and the City was in the waning months of the year right now. While there was an over collection on the books as of the end of August, Mr. Vitola felt it was going to get whittled down to something closer to zero. With the wholesale increase and no over-collection, it could reduce the RSA to the point that electric revenue was going to be more than 3% higher.

Regarding sewer, County costs had been stable. They had not increased sewer rates since 2013. Staff would find out what the rate requirements were in January or February after the budget process. However cost could be adjusted per City Code with regard to County rates which cover the cost of the sewer treatment.

The City's portion of the flow rate covered the sewer collection and transmission components of City sewer operations. The sewer division identified the need for additional jetting, inspection of manholes, sewer lines, grease traps and other key operations and maintenance activities aimed to keeping the lines clear and preventing backups. The City's portion of the flow rate had not been increased since 2013. To cover the costs in the department, including personnel, equipment maintenance, capital and the City's margin requirement, an increase in the flow rate to \$3.7746 per 1000 gallons was required, which resulted in a net increase of 8.4% in the blended sewer rate for residential customers. It equated to \$3.14 per resident per month that uses 167 gallons per day.

Mr. Vitola noted the City was in discussions with its water consultant on a rate update. Based on preliminary discussions, the City could not wait until the study was completed to increase water rates. The advice given was that a minimum of 7.2% was required based on the expiring study. For that reason, staff assumed the minimum increase that should be contemplated was 7.2% as of July 1. When it was discussed last year, staff thought the City would get through a year without having to take any rate action while waiting for the study. However, once staff met the consultant to discuss, they said, "No, you are going to be that much further behind once you start up your rates schedule again if you do not take any action now," so it was included for July 1. Staff thought the recommendation should be to move it up to January 1, 2016 as the fifth year of the outgoing study initially suggested. If that choice was made, that would generate an additional \$300,000 that was not in the budget to be used for water line rehabilitation contemplated in the budget. This would move the budget line from \$1 million to \$1.3 million, however, that was only if the rate increase was moved up from July to January. After the New Year, the City would bring back Black & Veatch to speak with Council about the rate design process and give an idea from a third party consultant perspective on how the City has been handling its rates and how the rate study looks going forward.

Ms. Houck stated the all the private water companies, such as United, Artesian and Tidewater, have notable increases with their margins going back to shareholders, not the communities. It should be noted that with the recommended increase of 7.2%, the in-City rates remain below United and outside City rates remain below Wilmington's outside rates and are well below Artesian and Tidewater. The average rate in New Castle County including Newark is \$9.40 for 1,000 gallons. Removing the City of Newark from the average brings us to \$9.26 for 1,000 gallons.

Mr. Vitola reviewed the budget process, and how staff came to the recommended 3% tax increase. As staff went through the process to figure out where the budget, expenses and revenues fall, they projected expenses on a city wide basis. They then projected utility and non-utility revenues. The projected electric transfer was capped at 2012 levels, so there was no more relief to the general fund beyond that amount. The water transfer level was capped, assuming a half year increase as of July 1 based on the expiring study, however it was not believed there was a need for further increases in the absence of the rate study. The water margin was below the targeted 20% margin.

The sewer transfer was calculated pursuant to the 20% margin guideline. After all that, there was a deficit in the general fund, which was not acceptable by Code. The 3% increase recommended was the minimum increase required to get the general fund to a small surplus of \$9,000, which was very slim. The utility transfers were basically maxed out, so any new general fund initiatives not in the budget would have to be funded with a property tax increase. That was why staff said the minimum property tax increase needed was 3.0%. The rate would go from \$70.65 per \$100 of assessed value to \$72.77.

The average taxable residential assessed value was \$68,758 in 2015, so the average residential tax bill would increase by \$15 a year. In the first quartile, the annual tax increase would be \$9 or less. In the third quartile, the annual tax increase would be \$18 or more. Staff revised this last year per Council's request to go further back than

shown in the original data. Mr. Vitola went back to 1986, the first year that the 1983 county assessment was used. Looking at Newark property taxes, increases were shown based on 1986 being a base year of 100 and were plotted along the Consumer Price Index. The point of this was not to say that CPI was higher than tax increases over time, and therefore the City should increase taxes up to the CPI level. This concept illustrated the City did not keep up with CPI in various years in the past, and the result was harder decisions later and bigger increases to catch up. It also served as a simple reasonableness test. Many residents state they underpay in taxes. They feel that they get great value for the taxes they pay. Staff heard that again during the refuse discussions and agreed with this notion.

It appeared there was more underpaying than the residents would contend. Last year Mr. Vitola stated he calculated the impact of what the revenue would have been cumulatively if the City had kept up the CPI increases. The figure was in the millions of dollars of general fund revenue, while the impact to the average homeowner would have been tens of dollars a year over that time.

Two years ago was the first year staff added a municipality outside of Northern New Castle County for comparison. That was Dover, which was judged to be the most comparable to Newark in terms of size and scope. Staff had to adjust the rate because Dover rates were based on a more recent assessment. Mr. Vitola used some materials from a 2006 UD Institute for Public Administration document to try and put the tax rates on par (See Property Tax Comparison Slide). An approximation of Dover's rate if it was using the older 1983 assessment was created. Last year staff got feedback that Council wanted to see Middletown and some of the other DEMEC communities. Geographically, Middletown was in Southern New Castle County and used the same assessment as the county. They are 0.30 cents per \$100 assessed. Middletown, Smyrna, Dover, Milford and Seaford were all DEMEC communities. It was not a broad representation of all the municipalities in the state, but every county was represented. He had to adjust the rates roughly to put them on par with the New Castle County 1983 assessment, because the others mentioned had reassessments in 2006, 2008, 2010 and 2012.

Mr. Vitola discussed the "Comprehensive Tax & Utility Comparison" slide. He stated the City needs to raise roughly \$500,000-\$600,000 per year. The City currently has an average cost per month of about \$4.00 per resident. He stated the blue figures at the top of the chart were for refuse charges. In the county residents had to pay for refuse service. Dover had their own refuse and recycling in-house, but they charged \$19 a month. Wilmington had a monthly charge as well. Mr. Vitola stated there were some places a resident could take trash to a designated location for free, pay premium for a private hauler to do it or bag it themselves and pay \$5 for disposal fee. Staff tried to take an average blended rate of those activities to approximate what the total cost per month to live in one of the cities would be. Dover was at the low end of the chart once it was added as a comparable. Now, not only was the City of Newark's current rate at the bottom of the scale, but if the City adopted a stormwater fee of a few dollars per month, increased sewer rates by 8.4%, increased water rates by 7.2% and instituted a 3% tax increase, Newark would still be below Dover, yet residents would still enjoy all the services that Newark provides. He believed it was valuable and important to note.

Ms. Houck detailed efficiency initiatives since 2012. She stated that rate increases were not requested without first identifying and executing efficiencies. Efforts had been substantial and continued to provide value over time. Initiatives put in place since 2012 were estimated to result in \$3.8 million being trimmed through the end of 2016. That was \$3.8 million that the City was not funding for things it stopped or started doing smarter. The initiatives noted and the refuse recommendation that recently was not supported gave staff a comfort level in recommending the need for additional revenues through tax increases. Staff had been doing their part. Absent these efforts, a tax increase of approximately 13.8% would have been required to maintain services and fund the budget.

The "Actual and Projected Cash Balances" slide showed updated numbers for 2015. Cash levels remained stable. The expected dip in 2016 was related to the use of reserves for the capital program. The red line showed where the cash position would be without the efficiency initiatives mentioned. If efficiencies were not implemented and revenues were not increased, cash levels would have fallen well below target levels.

Personnel Budget Highlights showed a \$1.3 million budget impact related to personnel costs. It consisted of contractual rate increases of 3% for AFSCME, 3% for CWA and 2.75% for FOP in 2016. All were previously approved by Council and negotiated with the unions. Non-union wages were set in the draft budget at 3% for management personnel due to wage suppression issues caused by the lack of increases in management wages during collective bargaining increases and to maintain and attract quality management employees who accept required levels of responsibilities associated with leadership positions. In 2016, like 2015, it included deferral of about \$800,000 of other post-employment benefits (OPEB). The deferral decision was part of the comfort level the City had from eliminating OPEB for all labor groups. Of the \$1.3 million, \$750,000 was related to current employees and \$550,000 was associated with new positions.

Ms. Houck reviewed CPI Labor Increases, 2005-2016 (slide). She noted a council member requested a ten year history, which was provided. The dark blue management line showed management compensation kept pace with the unions and CPI before it started to diverge. In the end, the result was the same as even with the recommended increase, management lagged CPI and the unions. Wage compression had already been mentioned. Additionally, staff had heard before that managers made more to begin with, so they did not need an increase. However, the fact remains that this chart represents the devaluing of management and the devaluing of leaders in the City. These were the persons coordinating the efforts of union represented employees and accepting greater levels of responsibilities. The 3% increase did not catch them up to the unions or CPI, but was a step in the right direction that could make the difference in the City's ability to maintain staff. Ms. Houck detailed the Labor Increases by Group vs. CPI in the tabular version of the graph on the prior slide. Even with 0% CPI growth in 2015 and a 3% increase for 2016, management would still be on pace to remain behind CPI since 2005, while the unions remained far ahead, contributing to the wage compression issue.

Mr. Vitola reviewed the next three slides (2016 Budget Revenues by Type, Expenditures by Function and Expenditures by Department). Utility contributions were the majority of the revenue budget at nearly two thirds. The rest was spread out including property taxes and the other items, which were less than 10% each of the total budget. The Expenditures by Function slide detailed the majority of costs were personnel and represented about \$28 million of the budget. The capital program was about 10% of the budget; debt services was a small portion of the budget at 5.3%. Contractual services were about 15%. The Expenditures by Department slide shows department rather than by function. The police consume about 25% of the expense budget, and are supported by general fund revenues, property taxes, and all the property taxes only generated about 12% percent of the revenue. A typical city facing police funding and staffing challenges would have double the taxes just to meet the police spending part of the general budget.

Mr. Vitola reviewed the changes to the CIP Detail Sheets including the changes to the priority levels, the addition of the Comp Plan visual elements and items that were Code requirements such as operating impact, sources of funds, project expenditure summaries and project details.

Ms. Houck gave an overview of the typical CIP project cycle: infrastructure that gets older every year, projects proposed accordingly, a lack of funding to support CIP projects proposed to balance the budget, and pushing projects into the future, which finishes the cycle and leads to older infrastructure with some difficulties. It was a cycle that repeated every year.

This year was no different. Council signaled it wanted to prioritize infrastructure maintenance and replacements and staff agreed. Council would see detail on how staff attempted to meet infrastructure spending the best they could with available funding. However, the City was still not spending enough on storm water, streets, water and sewer.

Staff was accomplishing projects which were listed as Key CIP Accomplishments. Despite funding levels not being what they needed to be, major projects were completed, such as the 2014 completion of the Curtis Mill Park with nearly \$1 million dollars of remediation fund reimbursement and the partnership for the repair of the decayed alleys in Cherry Hill Manor between the City and the development's maintenance corporation.

The initial looks at the Smart Meter Project told staff it was outperforming and the recently received M&V report seemed to confirm that. In 2015, the City was launching its LED street light conversion project which would improve cobra head light efficiency in Newark. The Paper Mill Road concrete tank rehab was a complicated project both from the work to improve it as well as how to keep the City system pressure up with the tank offline. In addition, the City worked on a wide range of necessary IT upgrades for the financial side and critical to meet data security standards among other things that impact most departments. These key projects for 2016 made up about \$8 million dollars of the funding requirements. The planning vision elements noted were applicable. That was the request last year of our Planning Commission.

The annual street program, including ADA ramps, was funded at \$1.1 million, which while a lot of money was not enough. The Public Works & Water Resources Department determined that the City should be spending at least \$1.5 million a year on street paving and curb repairs alone just to keep up and \$1.8 million a year would be optimal. Vehicle and equipment replacement accounted for \$2.3 million, which was available from the annual depreciation for future needs and \$1 million of which would go towards the new refuse trucks already been approved at the last Council meeting.

The SCADA system provides improvements for the water, electric and sewer divisions at the cost of \$601,000. Electric system improvements would be completed totaling around \$796,000; as well as additional water system projects totaling \$1.9 million.

Another notable project not mentioned in the presentation was the digital records management project. The concept needed to be embraced and stop making the problem bigger every day. \$140,000 was designated in the 2016 capital program.

Mr. Vitola stated the gross CIP budget was \$12.1 million as indicated on the Capital Improvement Program Totals 2016-2020. It was below the five year average in the CIP of about \$15 million dollars per year. However, there were two future projects, the parking garage in 2017 and 2018 and the electric substation in 2018, that moved the figures upwards. Excluding these two large projects, the 2016 figure was roughly in line with an adjusted five year average of almost \$11 million per year. He stated that \$4.9 million of the expenditures were funded with current revenues in 2016 which was all that fits in the available funding in the operating budget. This left the City with a slim surplus on a fund by fund basis, which meant as much as being put toward infrastructure as possible.

The next few slides showed the same sources and uses of funds graphics for CIP and showed how staff applied available funding and took Council direction on greater attention on infrastructure funding. 84% of the \$12.1 million was in the utility funds, electric, water, sewer, and in the public works general fund where there are streets and other infrastructure-type projects. Not all of the projects were core infrastructure, but staff was making the effort to appropriately fund the utility and general fund infrastructure. The balance of 17% was in the other departments and no one department had more than 5% of the funding in the budget.

Funding sources for the CIP include 40% or \$4.9 million from 2016 current revenues. City revenues support all of the City's operating expenses, debt service, and almost \$5 million of pay-as-you-go capital spending with no debt or borrowing. That number was reported at the bottom of the summary pages of the CIP. The other sources of funds did not originate from current resources, but were all considered pay-as-you-go financing as well. All of the reserves were built from prior years' current resources. The capital reserves were prior year surpluses set aside specifically for capital spending and the equipment replacement reserves originate from depreciation capitalization. Staff was not relying on any debt or borrowing in 2016. However, the City's credit rating was very high, so the cost of debt was very low. The City's debt load was very low. Rates continued to be historically low, and the ratings agencies rated the City with the understanding that debt could be added in the short term. It was not out of the question for the City to make recommendations to Council to consider using debt in concert with property taxes and/or stormwater utility funding to accelerate the investment of infrastructure. That was something staff would pursue in 2016 for consideration in the 2017 budget and beyond.

Ms. Houck reviewed significant projects for the out years. The magnitude of the projects highlighted why some form of borrowing might be necessary. For instance, the Curtis Plant intake replacement project, which was expected to cost \$2.7 million in 2018, was a candidate for borrowing, as it was not something the City would be working on again for 20 years or more. Items such as water mains and tank renovations needed to be addressed yearly and should be built into rates and not borrowed.

With regard to the STAR Campus substation, estimated at \$8.9 million, the substation was likely to be funded by DEMEC, if the City moved forward with it, with project financing on behalf of the City, which would be back-billed to the City over a period of years and met through its wholesale cost of power.

Regarding the parking structure, Ms. Houck shared that staff had been approached by two different development teams who expressed interest in a public/private partnership with Newark on development of a garage and some form of retail or other components. She intended to have staff develop a request for proposal to allow these entities and any others with interest provide their best proposals for evaluation and consideration.

Ms. Houck updated Council on the Rodney and Dickinson dormitories, a potential project that was not in the budget. She expected the City would be in a position to start negotiations soon, as the environmental effort recently had been completed. This had not been built into the CIP and staff expected it would require a referendum for purchase, design and construction, unless other opportunities became available.

Mr. Vitola noted that Mr. Coleman introduced the City of Newark, Estimated Annual Infrastructure Maintenance Requirements versus 2015 & 2016 CIP Budget slide last year to exhibit the City's inventory of water mains, sanitary sewer mains, City streets and storm sewer infrastructure (concrete and metal). The slide showed the City's inventory, expected service life, cost per mile, and the replacement cost per year if the City were to replace it all in an effort to keep it all within its expected life.

Last year, the 2015 budgeted funds and the 2015 funding gap were detailed. The annual requirement is \$5.2 million. The City had \$3.6 million in last year's budget, leaving a gap of \$1.6 million. This year's gap of \$2.6 million seemed extraordinary, but was not because in 2015, staff had put in \$1 million assuming the storm water utility would be adopted and started. That was not the case. It was out in 2016, so it exacerbated the funding gap but was the same \$2.6 million funding gap that existed in 2015.

Ms. Houck closed with ideas to get a head start on closing the gap in the final slide, Funding Gap Options. She reported some Council members asked what the City needed. The shortfall of \$2.6 million from the previous slide summed that up. Staff attempted to provide enough detail to allow Council to consider funding additional infrastructure improvements. There were two ways to do this, and both were good ways to take action. Option one was to implement the water rate increase as prescribed in the outgoing study for January 1, 2016, instead of July 1, 2016, as contemplated in the budget numbers. This would generate \$300,000 for project W9308, which was the water main renovations. The second option was to increase taxes by any amount on the chart provided, or otherwise. The table showed the impact for each increase in 2016 and the years after. The funding could be applied toward the street program, H1601, storm drainage improvements, H1301, or a combination of both. Staff did not think the City could close the gap in one year, but this provided some insight into how Council might take the first steps.

2. Ms. Sierer thanked Ms. Houck and Mr. Vitola. She opened the floor to questions on the capital improvement program and noted questions would be opened for the operating budget after the CIP.

Mr. Ruckle asked for clarification that staff was requesting \$1.3 million in increases, but the City was really \$2.6 million in the hole. After initially providing a response regarding the personnel increases, Mr. Vitola stated that was not the case. Project W9308 was in the budget for \$1 million. Ideally, it would be in the budget for \$1.5 million. Staff believed that by moving the water rate increase earlier in the year, the City could get closer to the \$1.5 million required for that one project. All the other increases were related to other

items. Mr. Ruckle asked if the City were to get everything to break even, what was needed, to which Mr. Vitola replied \$2.6 million. Mr. Ruckle confirmed with all the increases, we are going to come up with \$1.3 million. Mr. Vitola outlined the proposed increases: the 7.2% water rate increase implemented in July would generate \$300,000, if the water rate increase was earlier in January, it would be another \$300,000, the sewer rate increase was generating roughly the same amount, and the property tax increase was generating \$84,000 in 2016 and approximately \$174,000 long term. Mr. Ruckle replied that it was still \$1.3 million short. Mr. Vitola reiterated the current recommendations for increases and noted the City needed \$3.9 million. Staff had inserted \$1.3 million in increases in the budget, and there was another \$2.6 million short.

Mr. Morehead noted the natural question was what the tax rate would be to cover \$2.6 million. Mr. Vitola stated 6%. Mr. Morehead asked if the City had the personnel if Council did that to do all those projects. Ms. Houck replied staff would likely want to bring in some additional help, possibly through contracting out inspections or spreading some of the bids out among multiple contractors.

Mr. Morehead wanted to welcome everybody here to help Council with this process. He thought the staff had done an excellent job. This was a process that put everyone on the same page. Council made decisions together, voted, and put a stake in the ground for what the City planned to do. Whatever votes Council took, they were all basically on the same page, committed to the same things at that point in time. He thought it was an excellent process and commended staff for doing the work. He stated there were some places where, in the various presentations on Budget Central, where the numbers showed prior documents. He asked to please make sure that if one was looking at Budget Central, that they were looking at the most recently updated information. He noted that other things would go on the website as Council asked for more information. He felt that approval of the CIP was, in his mind, approval of the 2016 CIP and recognition that the other projects were out there, but not necessarily approval of all the other projects. Mr. Morehead wanted to make sure everyone was on a similar thought process, so he clarified that with Mr. Vitola. Mr. Morehead stated he strongly supported preventive maintenance of the City's infrastructure, felt it made sense that the City did it and did it well. He noted the City Manager's message in the beginning of the operating budget talked about the various enterprise projects needing to pay their own way, and he strongly supported that. If the City looked at things that were new with the perspective that they had a return on investment that made sense and fit with Mr. Morehead's view on return on investment and his prior experience in the corporate world. He stated there were a couple of projects he disagreed with in the long term. He reiterated that staff did an excellent job and thanked them for it. He had no specific questions on the CIP, but had questions on the operating budget for later.

Mr. Markham believed H1603, the pothole patcher, was a good idea considering the issues with keeping the holes filled on different streets. That was \$70,000 next year. He asked how project 1403, the Lot #1 surface preparation, was affected by the University of Delaware not allowing the City to knock down those buildings unless there was a structure plan in place. Ms. Houck replied it currently was still affected. The City knew there was new leadership coming to UD and the City would want to revisit the issue. It is not to say it could not be revisited with the current administration. It was something the City felt strongly about, but should attempt to have the houses demolished. The payment was made of \$175,000 deposited over two years ago and sitting in escrow. The City would like to develop the area for additional parking spaces that were needed. Mr. Markham stated doing this project would also put additional revenue in the parking fund as well and he wanted to be kept updated on what was going on with the University.

Mr. Markham felt the City needed to consider a traffic monitoring system that showed where issues were on the streets and how people were traveling through the city so the City could figure out its traffic problem and if people were going through the City or within the City. The system would show where things were blocked and where they were moving. He wanted it marked for consideration that staff look into something similar that could guide some of Council's traffic decisions. If there was a change, what would it do, etc. Maybe there were places the police needed to be at certain times. Maybe it would keep people off certain streets when they were crowded. He believed it would be a CIP

project as he thought it would be more than \$25,000 to do something similar to this. He would like to see a place marker for that since traffic seemed to be rising to the top again as a major concern of constituents.

Mr. Gifford noted that looking at the document, it looked like staff had implemented a lot of things that he had asked for in the last year, which he appreciated, especially with the operating impact section and the priorities. He wanted to see an Excel chart with the priorities listed together like the one distributed the previous year. Mr. Vitola stated that fortunately the priorities were all now in the 1-5 order and he thought staff could export it in a much easier effort than it took last year. Mr. Vitola stated he would do a list of projects by priority for the 2016 budget and include the line items, the description, the priority, the cost and some explanation. Mr. Gifford noted it made it easier to talk to constituents with the one page sheet.

Mr. Gifford asked if there were vehicles that could be shared between departments and asked for an overview of City vehicles versus just department by department. While some vehicles were more specific to the department and could not be shared, he wanted to make sure that there were not vehicles sitting idle and not being used properly. Ms. Houck stated it was something the City had reviewed and it had proven to be problematic at times, even in this building. Staff was reviewing again at the City building and some pooling opportunities. It became a bit harder in the field, but staff could take another look at it with some new people in positions and see if staff could come up with anything else.

Mr. Gifford stated there was a project on pumps for the sewer department and questioned what renting a pump during repairs entailed, if the pumps were mobile, if all pump stations used similar pumps and if one pump could be used at multiple places. Mr. Coleman explained the process and noted that in the case of repairs, having only a single pump online left the risk of a failure of a critical station if there was no backup. He noted that two of the stations used submersible pumps, but that they were different sizes, and one was a wet well/dry well configuration, meaning that none of the pumps were interchangeable and a single backup pump could not be used for multiple stations.

Mr. Gifford asked for more information project IT1607 on page 125. He noted the project said that it was a need, but the lowest priority need. He questioned how this project came to be put in the budget because looking at the overall capital budget, the spending looked to be from City resources. It said it was revenue generating, but he only saw costs of \$300,000 per year in the out years, which made up 5% of the capital budget. This project concerned Mr. Gifford because he looked at the project as more of a want than a need. He noted there were some want categories that went beyond those listed last year and he was not sure they still existed. Mr. Brechbuehl responded this project was a result of the CCI initiative and was one of the projects identified by the group as a quick win. This was to provide touch-screen kiosks along Main Street and also perhaps on some of the UD campus, providing information, advertising revenue and localized Wi-Fi hotspots. The idea was to provide interactive guides, maps, concert tickets, restaurant menus, etc., where people could walk up to the touch screen and do what they need to do, i.e. select reservations. When it was not in use, advertisements would display on the screen generating some revenue for the City to hopefully pay the system off. He noted it was identified as a safe and smart city initiative that other cities, such as New York City, were starting to look at and implement. It also provided localized Wi-Fi hotspots in the downtown area within 500 to 600 feet of one of these kiosks.

Mr. Gifford was concerned that this project seemed like a want with the cost of \$2 million in 2017 and 2018, and was not comparable when looking at higher priority infrastructure. He asked to hear from other Council members.

Mr. Gifford asked Mr. Brechbuehl to comment on the costs of \$300,000 listed in 2018 and beyond and whether that was payback, meaning the system would pay for itself, or if that was additional cost. Mr. Brechbuehl stated the cost was shown. There was a belief that this would generate revenue, but it was not something staff had researched extensively. This was trying to feel out Council to see if this is something the City would want to look at. There had been little work done on this, other than as a recommendation from the CCI initiative. If it was something the City wanted to do or investigate, much like

the broadband initiative, staff would start going deeper on this, realize the actual costs of it and look at equipment and associated operating costs for the long term. The general idea, according to the organization that staff had been working with, was that this could have a 10 year payback period and eventually, provide a low revenue source for the City.

Mr. Gifford stated the CCI initiative was a concern of his as he was waiting for the catch because everything appeared to be free. This project had additional costs, was unproven as a revenue generator and felt it was important to point that out and was concerned considering other City priorities. He was concerned the kiosks would be unused in favor of smartphones and that the kiosks may be target for vandalism. He felt this did not fit with the rest of the CIP document.

Mr. Ruckle agreed with Mr. Gifford and noted he would support the development of a smartphone app to fulfill the information and advertising goal of the kiosks as he felt kiosks were a thing of the past. He noted a similar app mentioned in the Newark Post, which he found interesting and low cost.

Mr. Markham had no comment on the app, but could not imagine spending \$2 million on the kiosk system as he felt it was too high for that IT project.

Mr. Morehead stated he also would not be interested in this. He was concerned about the push-advertising, the appearance on Main Street and potential conflicts with City Code. It did not appeal to him for Newark's award winning Main Street to have that and supported the project being removed entirely.

Mr. Gifford noted that it would have been helpful for the audio or written minutes for the Planning Commission meeting on the CIP to have been available prior to the hearing online and asked what their comments were on the CIP. Ms. Feeney Roser stated the Planning Commission had comments that were available to be forwarded to Council in their packet for the November 9th meeting. Ms. Bensley stated they would be distributed to Council on Wednesday after they were approved by the Planning Commission on Tuesday night. Ms. Feeney Roser stated the audio was not normally put up on the website. The September audio was posted because there were some issues with that particular meeting and several other Planning Commission meetings, such as the accessory use meeting, had been posted, but it had not been done regularly but could be. Mr. Gifford felt it would have been helpful if the City was going to propose that Council could approve the CIP in a meeting tonight for Council to be able to read or listen to some information. If the meeting was just a hearing and approval was later, then Council would get to hear the comments then. He stated he would like that information disseminated.

Mr. Gifford noted that he wanted to see Project W0002, Chlorine Replacement, move forward. He thought it was one of the more important projects and, after hearing about other developments in the City over the last few years, he didn't realize the City had a chlorine tank in that area and thought it was probably a bad area for it. He strongly supported putting specific focus on the issue. Regarding the water plant in general, Mr. Gifford felt the City had work to do. He believed the City should focus on projects that were related to the source of its clean drinking water in part because it was a revenue source. He felt the water system should be the focus over streets or other things that would take time. He asked for staff comments. Mr. Coleman stated since Mr. Gifford had toured the water plant, staff had the City's engineering firm out. They did an industrial hygiene survey and also had been looking at the necessary HVAC improvements to dehumidify the plant to deal with some of the issues in there. The plan was to begin acting on that in 2016 as part of the chlorine project. In order to do the conversion, the City would have to move walls around to create a storage tank inside a day tank for the hypochloride. While moving walls around, they would be taking things out anyway and would look at the roof and walls, take any porous surfaces out and put in HVAC simultaneously during that project. Mr. Gifford asked when staff anticipated that being completed. Mr. Coleman stated that was a 2017 project. Mr. Vitola noted there is some spending in 2016 and the majority of spending in 2017. Mr. Coleman stated the engineering plans preparation would be in 2016 and the construction in 2017.

Mr. Gifford questioned the survey costs of H1601 and asked how much the survey portion was of the project spending. Mr. Coleman replied the survey was done in-house. The City looked at outsourcing this fall, to a company that did the automated drive-by survey where they drove down the road in a truck with LIDAR on it that did imaging. It was cost prohibitive at almost \$80,000. Mr. Coleman stated the City would do the review and the analysis. He approximated the total costs for year one at around \$20,000. Since the data was out of date and needed to be redone, it was higher than the out years, which dropped down to \$12,000 or \$13,000, which was minimal considering the contract size.

Mr. Gifford stated Council talked a lot about paving and how much \$1.1 million versus \$1.3 million, \$1.6 million versus \$1.8 million would complete. Looking at the bottom-up forecast in this CIP, he thought this was an achievable level. He thought \$1.8 million might be hard to achieve in the next year. He supported the level that was in the CIP and wanted to do that piece well to get more information on which streets to do next. He noted that if the City tried to do it right now, it would not know what to do next, except the worst condition roads. Mr. Coleman concurred and noted that the City would have the optimization data before the contractor was out this year, but would also get a five year plan to be able to forecast. The target that he put together with those numbers were good at getting the concept across, but he did not want people to put too much weight into it because it assumed everything was evenly distributed. It was a guideline. Mr. Gifford encouraged Mr. Coleman to do it as prescribed here, keep 2016 the way it was and figure out the actual need and what can be accomplished in order to plan for 2017.

Mr. Gifford stated he really liked the idea of the pothole patcher as well and agreed with Mr. Markham. He had talked with Mr. Coleman about this because he was excited about it and wanted to make sure that Mr. Coleman went out and checked out how this pothole patcher worked. Mr. Coleman stated the company had given them a demo. They came in and they used it here, and everybody was really excited about it. He noted one thing that came up since this was finalized was another product that was a heat activated cold patch. It came in bag form, was thrown in the hole, hit with a torch and it hardened. Staff purchased some for this coming winter and it was a lot less than \$70,000. When the cost was analyzed, it was probably going to end up being the same thing and may allow the City to delay this purchase. Staff was going try it this year and see how it held up. If it worked, the pothole patcher may not be purchased in 2016; if it did not, staff would move forward with the purchase.

Mr. Gifford questioned the Lot #1 and Lot #3 parking garage projects and why City funds would be used versus other financing sources for Lot #3. Ms. Feeney Roser stated that Lot #3 had more property owners in it and the City had not been able to accumulate enough of it at this time. Staff could look into private public partnership in that lot as well, however, it is further out in the budget, so staff had not had the chance to review it. Mr. Gifford was concerned because it was a large number for one layer of parking. Ms. Feeney Roser stated staff had not had a chance to approach property owners again and discuss cost sharing, etc., which can be done when they got closer to refining it.

Mr. Gifford asked for details on Project K0908 for playground equipment to comply with the current ASTM and CPSC Standards. Mr. Emerson stated it was replacement equipment for older equipment and some retrofitted equipment to stay compliant with ASTM and Consumer Product Safety Commission Regulations. Mr. Gifford asked how old the equipment was. Mr. Emerson stated the City was planning to add some two-to-five year old play equipment as well, as there was not as much two-to-five year old play equipment in the park system. The project was a combination of replacing some old equipment and adding equipment for younger children. Mr. Gifford asked if play equipment that was in good condition would remain. Mr. Emerson confirmed it would, but the equipment at Rittenhouse Park would be replaced completely.

Mr. Chapman said in reference to the citizen engagement portal, he was happy to hear others bring that up and noted he had a sincere interest in that as well.

Mr. Chapman continued with the Equipment Replacement Program on page 83. He could see that in comparison to the 2015 CIP and this year, it looked like some numbers shifted and he was wondering if there were particular renovations or a project

had been pushed back, moved around, or is this different stuff. Ms. Houck replied it references vehicles only. Mr. Chapman confirmed that project number CEQSF was all related to vehicles. He asked if there were more building related investment or projects, as it did not seem like there was anything in the CIP in the last two years related to the police station or its physical infrastructure. Ms. Houck stated there would not be any changes for the police station itself. Mr. Chapman stated anecdotally he knew that the City had been talking over the last two or three years about shortcomings that the municipal building had for both the administration and staff as well as the police department. He asked where the conversation was going since he did not see any building projects in the CIP. Ms. Houck stated the City had done some work in recent years, such as carpeting, in-house work for the flooding issues in the roof and substantial work in the courtyard. The police side of the building was twenty years newer although there had been a lot of trouble a lot sooner. Mr. Chapman wondered if the conversations about the building shortcomings were not really moving into expectations or desires for something different or new or retrofitting or anything like that and felt that was good news. Mr. Vitola stated the building work had been consolidated on page 131 (B1601 and B1602) as the City Hall renovations. In addition, there was the parking lot, which was not as critical, but staff was going to look into something like covered parking with solar panels on top to see if grant funding could be utilized to help defray the parking lot cost. There would be evaluation on what would be done with the parking lot moving forward. There were issues with the VFW lot as some of the City spaces were on VFW property.

Ms. Sierer thanked staff and stated she was very happy with this CIP portion of the budget and she had a couple things she wanted Council to consider moving forward in the CIP rather than waiting until 2017. The first item was Parks and Recreation related. She wanted the City to consider moving the picnic shelter at Folk Park on page 89 to 2016 and asked how long have the City had received requests for this. Mr. Emerson replied it had been a few years that the City had received requests. Ms. Sierer asked Council to consider this.

Ms. Sierer asked if the Taser replacement project detailed on page 80 was done over five years, would there ever be any Tasers being used that were out of warranty. Deputy Chief Feeney stated that was correct and that in switching out with the current inventory that puts the department in a five-year window.

Ms. Sierer noted that the City's ability to police was only as good as the cameras that the City had and she asked if Council should be moving the surveillance camera project on page 120 to 2016, 2017, and 2018, rather than waiting until 2017 given the fact that they were seven years old. Mr. Brechbuehl stated that was an option. Staff put it in because it was necessary, but he believed the City was okay for another year. It was in there in the long-range plan to know that it was coming up next year to focus on that. Mr. Markham noted that every other report there was some failure of certain cameras, and having been out with the police and having them looking and seeing what cameras were available for a specific incident, he expressed he would move it up as well. Mr. Brechbuehl stated the issues were not necessarily with the cameras themselves, but with the network the cameras were working on. That was covered under the fiber project that was included and capital reserves were being used for that project. He explained that the City cameras were currently connected via only three fiber points, which was too few as there were approximately eight or nine cameras reaching back wirelessly to a single point. What was happening a lot was the failure of single points, which brought down the entire street. What staff wanted to do was get fiber on that street to connect all of the cameras directly to fiber to eliminate the Wi-Fi interference happening every single day. Staff could attest to some issues related to that. The hope was that the City would have cameras when fiber was deployed to those locations. Several things would happen. The cameras would be much more stable and they would operate much better. Right now they were averaging about 3MB per second and they could actually get a full gigabyte to them, so there would be a dramatic increase. Ms. Sierer asked when the fiber work was occurring. Mr. Brechbuehl stated it would start next year, if approved, and was in the budget for 2016. The idea was that it would be an ongoing ten-year lease to have that fiber, unless the City decided to pull it itself, which was something the City could consider next year when the project was reviewed. A lot of the municipal broadband discussion was around the City pulling fiber. That was an option that could be discussed, but staff wanted to ensure there

was a plan moving forward in 2016 with the option to lease fiber already in existence, i.e. dark fiber provided by multiple vendors, which could be running very quickly. If the City wanted to pull its own, it would probably take another year before that system was live.

Ms. Sierer asked if cameras that either would not go 360 or go on their own when dispatch was not pushing the button to make them move was a camera problem or fiber network problem. Mr. Brechbuehl stated it was a fiber network issue with a camera that was connected very, very slowly. When a key was pushed in the building, it did not reach the camera in the right amount of time, started to stagger itself and went out of control. Ms. Sierer believed this should be a priority and asked what was needed. Mr. Brechbuehl noted it was listed as a medium high priority, but agreed it needed to get started in 2016. In order to get started, it would be \$100,000 for the build out and then the OpEx piece to be approved would be the annual subscription for that fiber. Ms. Sierer asked if Mr. Brechbuehl would still want to move cameras up in the year in succession. Mr. Brechbuehl stated the cameras could begin the following year. He did not think the cameras were the problem. If the City solidified the network, he thought the cameras would start working better. Then they would start talking about an aging issue, but it currently was not a technical issue with the cameras themselves. Ms. Sierer stated it was critical that the cameras work and it was not acceptable. She asked Council to consider moving Page 121, the City lease fiber network forward to 2016. Mr. Morehead and Ms. Houck noted it was planned for 2016 using capital reserve funds.

Mr. Chapman stated it was there and the only thing standing between it happening and where the City was now was a proposal from staff to Council to say exactly what they wanted to do and the options between leasing and pulling fiber. The money had been set aside in previous years and was being transferred from the reserves. Mr. Vitola stated the project was being funded with reserves but it was not reserves specifically set aside for this project. This was a new project in 2016 being met with funds that were set aside for general fund projects in general. In order to maintain the general fund surplus, staff was recommending reserves for certain general fund projects.

Mr. Markham asked Mr. Brechbuehl if the project required storage upgrades to go with this or were these not being recorded. He noted if they were going from 3MB to 1GB, storage requirements changed. Mr. Brechbuehl replied the City put brand-new storage in place for this as part of the project this year. That was completed, so there was plenty of storage space and that was taken into account. If the City added additional cameras above the current number, which was not currently the plan, then the City would need to increase storage.

Ms. Sierer asked if the police department network rewiring on page 123 slated for 2017 should be moved to 2016. Mr. Brechbuehl stated that was okay to push to next year as well. He noted a lot of these projects were things where staff was trying to think forward. That project was the network wiring within the building itself as the current wiring was original to the building. It was starting to deteriorate and was running at a slower speed than the municipal building. That building was rewired last year, so it was the new and improved wiring in the building. Staff was trying to stay ahead of it. Data needs were growing, speeds were getting faster and staff wanted to make sure that they were keeping the police force as fast as possible on their side of the house as well, so they were putting that in the budget for next year.

Ms. Sierer asked Mr. Emerson if the screen for Philips Park was in the operating budget. Mr. Emerson stated it was.

Mr. Gifford asked what the long term plan for the property purchased at 919 Rockmass Avenue referenced in Project A1601 on page 132 was. He asked if the City was selling it or making it a park. Ms. Houck stated the long-term plan was to wait out the one year period for anybody to come forward, however it has recently been discovered that it had water leaking in the basement again. The City was trying to get through the process quicker so it could be taken down. The home had deteriorated more and was a safety issue. She noted that this occurred last week, so she was waiting for some more information from Mr. Bilodeau, the deputy solicitor, and Mr. Herron to ensure it could be done safely and appropriately because it was a safety issue. Mr. Gifford asked once the

project was completed, would the property be sold or kept. Ms. Houck stated the City would have to make that decision. It is not an area where another park was needed. It might be something the City wanted to sell. There were a lot of liens on the property, demolition was not going to be free and everybody basically washed their hands of it, so selling it would be a good idea to recoup some of those expenses. Mr. Gifford stated he would encourage that since it was in a strange spot and thought maybe a neighbor would want to buy it to expand their lot.

Mr. Gifford commented on B1601 on page 133, which was the municipal building improvements. He agreed with everything here and noted that he had walked from the South Main Street side of the building up to City Hall and would encourage any way to find a use for that side entrance other than an exit only. He knew what the confidential security report said, but it was inconvenient to walk around the building coming from either the bus stop or the shopping center. Ms. Houck stated there were a couple of ideas. There was some consideration about making it more useful space whether for the mail room or something else, so it may be closed, but no final decisions were made.

Mr. Gifford commented on the quality of the handicapped ramps in Project H1602 on page 62. He would like to see some heightened awareness of the quality of the ramps as they were done because a lot of them rose up with the winter temperatures and were still swelling. He did not know how long the red blocks were going to hold up over time. He noted the ramps were sometimes worse than the ramp that was replaced and the City spent a ton of money on those, so he would like them to be done right. Mr. Coleman stated the City spent a lot of time inspecting the ramps when they went in, the ADA tolerances were really tight and as a result a lot of times there was a puddle in front of them, which is the opposite of what one would expect. This year the City contractor was trying something different from the red blocks, a fiberglass single piece that got pushed down into the concrete as opposed to the concrete blocks that moved around. Instead of two blocks with one piece cut in the middle, it would be one piece all the way across. He noted this was new to this year. As to the swelling, the City had not gotten a lot of support from DelDOT and generally the City followed DelDOT standards. The Delaware Contractors Association pushed back pretty hard against the state when they tried to go back after them for swelling concrete, threatened lawsuits, various other things and the City backed off. There were no obvious workmanship issues. Materials met the standards, workmanship was inspected. So staff was still not sure what caused the swelling, but did not necessarily want to get the City in a lawsuit, as they did not have a lot to go back on outside of general warranty issues. There was not a whole lot that could be done with frost-feed except make them really thick. Mr. Gifford stated after speaking with Mr. Coleman before, he had given up on getting anything back from the previous contractor, so he really wanted to focus moving forward on a higher quality level for the money spent on these ramps. Mr. Coleman stated the City spent a lot of effort trying to make sure that they were complying and constructed properly. Mr. Coleman noted the fiberglass inserts would be the same red color.

Ms. Sierer asked for Council direction on requesting staff to move the picnic shelter at Folk Park forward to 2016, which was \$45,000. She also wanted Council to consider moving the trail improvements from Fairfield Crest to Creek Road forward to 2016, which was \$32,500. She knew that trail was used frequently and that Mr. Chapman had some concerns with it being blocked off, so she wanted that moved forward as well. Mr. Emerson said the \$32,500 for grants for the Fairfield Crest project was not set at all. It was placed there because staff felt confident that they would be able to get grant money for the project. He was recently informed by the state that next year would be very slim for detailed projects. The legislature changed some parameters of the DTF program this year so they were reinvesting the money differently and the amount of money they would have for 2016 was very limited. He was almost sure that that money would not be available next year. It had not been decided what the City would do for the trail and that discussion would happen next year. There have been some requests to make it a hard surface and some just talking about improving what was there. There are some water issues that have to be addressed as well. There were stormwater considerations, whether or not they wanted to go with a hard surface, and those decisions had not yet been made. Mr. Emerson suggests leaving the item where it was to get a better idea of grant funding and an opportunity to decide what direction to go with the surfacing.

Mr. Chapman stated there were some good points about not knowing exactly what the plan would be. He knew in initial conversations over the last couple of years, the numbers were much higher in terms of replacement, repair, hard surface, so it was not exactly clear what this description was. He assumed the budget line of \$32,000 was really just upkeep or replacement of some of the crushed rock or large rocks that were in there, so he would like to see a more detailed project of what would be expected in 2016. Ms. Sierer stated Council could then decide whether the City should fund it or wait for the state, depending on the anticipated cost. Mr. Gifford asked what was meant about the trail being blocked. Mr. Chapman stated there was a cable across with a small entrance to walk or bike. There was an issue with the Creek Road entrance that needs a cable or a similar barrier that would prevent unauthorized vehicles. Mr. Emerson stated that issue had been resolved, but it was UD property and the City had a utility easement through it.

Mr. Ruckle confirmed there were two proposals in reference to the parking garage to partner with a private entity. Ms. Houck replied there had been two conversations and the suggestion was to put out an RFP to solicit actual proposals that would come back. Mr. Ruckle felt it would be more lucrative for the private partner to have a large business on the top floor, preferable a restaurant, live music venue or comedy club, and the City would have 750 spots that could be used anytime. Ms. Houck stated she expected the two entities would come to the City with written proposals of their best ideas for the project. Mr. Ruckle stated they would be less inclined to have higher parking rates if they knew they could get a lot of money from the top floor.

Referencing Project IT1604, Mr. Morehead asked if dark fiber could be leased for less than ten years. Mr. Brechbuehl stated the five year option was more expensive per year than the ten year, but it was an option. Mr. Morehead asked if Council could have a map of the project. Mr. Brechbuehl stated he would provide one.

Mr. Gifford asked about Electric Department vehicles (Vehicle #101) and Public Works vehicles (4900 International, Vehicle #528). He noticed the costs were a lot more than the last time they were purchased in 2002. He wanted to know if that was for increased capability or if the City was buying the same capability again. Mr. Vitelli said it was essentially the same truck. With the emission changes over the years, the truck costs have gone up, so it was exactly the same spec truck. Truck 1 was the service truck, a smaller truck that could get into smaller places and it fixed problems that happened every day. Mr. Vitelli confirmed these were just inflation of costs. Mr. Coleman confirmed this was the case for Public Works as well. For example, Phase III of the Commercial Diesel Emission Standard added about \$20,000 per truck, so it was a dramatic change.

Ms. Sierer confirmed that Ms. Houck had enough feedback from Council on the CIP budget to proceed. Mr. Vitola stated he had the picnic shelter moving into 2016, the trail improvement not moving due to questions to be answered and needing more time, lease fibers were already in 2016 so come back with a recommendation and remove the kiosks completely. Ms. Houck stated she was recently was approached by CCI again to come back and talk to the City about funding opportunities for different projects.

Mr. Vitola reported the General Fund had a \$9,200 surplus. Every fund had to have a surplus in the operating budget. While the amount was small in the context of the entire \$90 million budget, the City not have funding for \$45,000 for the Folk Park project if it was moved. He asked if Council was modifying the operating budget to find that funding, otherwise there would be a small deficit in the General Fund. He recommended backing up the water rate recommendation to January 1, 2016 and have another \$300,000 available for Project W9308, but instead make \$255,000 available for W9308 and \$45,000 would be transferred into the General Fund. He stated he needed a starting point for the revised operating budget if Council was revising the CIP.

Mr. Chapman stated he was uncomfortable with that because the rhetoric across the board up to this moment had been to fund the infrastructure projects and try to fund it with the money that came in from those sources. He would be more comfortable funding the \$45,000 from general fund revenues. If that was a property tax increase or cutting something else, he was comfortable with the movement to 2016 with relation to the Folk Park structure in the CIP. Mr. Vitola stated the tax increase would be 3.08% instead of

3% and Council could do that or cut funding somewhere else. Ms. Sierer suggested going through the operating budget and then determining other opportunities. Mr. Gifford asked if there was a way to switch the Phillips Park parking lot with the Folk Park project. Mr. Emerson said that could be considered.

Mr. Markham stated twice this year there were capital projects that exceeded the value or the cost exceeded the estimate, and he believed twice Council said do the larger project and take the funding from reserves. Mr. Vitola stated that was the case. Mr. Markham confirmed that Council could direct staff to take the funding from reserves and do the project. Mr. Vitola stated they would be presenting a budget with a deficit in the General Fund, which staff could not do. Council could see how the year progressed, see how the City did and say they wanted to do the project sooner. He stated it was a Code issue but there were reserves available in other utilities, not in the General Fund. Mr. Markham stated down the road should Council decide something as a priority, even if there was a balanced budget presented, Council could tell staff they wanted them to do this project from the reserves. Mr. Morehead asked if it would require a transfer from the reserves in the utilities over to the General Fund and then spend from the General Fund. Mr. Vitola stated it would.

3. Ms. Sierer opened the floor to questions on the operating budget.

Mr. Chapman asked what the suggested increases in the various revenue sources were. He found three suggestions at this point: the 3% minimum property tax rate increase, the 7.2% water rate increase, which was in line with the Black and Veach study from several years ago, with the caveat that it could double the impact to 2016 if the rate increase was effective January 1, 2016 rather than July 1, 2016, and the 8.4% sewer rate increase. Mr. Vitola confirmed what Mr. Chapman said.

Mr. Chapman stated the water utility and sewer utility were more directly related to pass-through costs increases as well infrastructure funding, replacement funding, etc. He stated Council was not funding what they said they should be funding and asked how they got to the 8.4%. Mr. Vitola replied they tried to target, pursuant to City policies, a 20% margin in the utilities. It should not be thought of in terms of operating margin, but in terms of revenue, minus all operating expenses, minus all debt service (with no debt service in the sewer fund), minus current capital spending, equaled X. That X should be 20%, and that 20% was eligible to be transferred to the General Fund. The City had not met the 20% margin in the last two years in the sewer utility. In addition to that, Mr. Coleman identified the need for two positions to do more jetting and inspections to help prevent backups, breakages and failures. Those two positions were also being funded with the sewer rate increase. This would restore spending level for the new positions and increased operations and maintenance, and restore the margin to historic levels.

Mr. Chapman responded the 8.4% did it all in the calculation as well as restored the 20% to the general fund. He asked if there were any other suggested increases that he did not list. Mr. Vitola stated there were not. However, if Council considered electric, where even though the rates and the ordinances were not going to change, staff expected the rates to go up by the RSA give back going down. Staff was not coming to Council with an electric rate increase. It was more of the RSA doing its job because the City's wholesale costs were increasing. Mr. Chapman asked Mr. Vitola if that was what he was referring to when he mentioned the expected 3% cost increase. Mr. Vitola indicated it was. Mr. Chapman clarified that it was just that the RSA was not going to refund money. Mr. Vitola said he still expected it to refund, but it was going to shrink to nearly zero. It could be a very small positive, but he expected it to be a very small negative.

Mr. Chapman said the sewer and water utility numbers were set, hard numbers in terms of minimum requirement. The property tax ask was a 3% minimum as proposed. He knew there had been conversation and referenced back to the refuse collection outsourcing conversations, and the last slide had a range of property tax increases beyond 3%. From a management standpoint, was that where the conversation wanted or needed to be in terms of funding gaps. Mr. Vitola said yes. With the stormwater utility on the horizon, and with three increases in three of the utilities already on the plate, staff felt that it was difficult for them to be the ones to put projects together and ask for more,

because they did not know what Council's sentiments were, other than more infrastructure. Mr. Chapman replied he would mean more funding for infrastructure repairs and replacement. Mr. Vitola stated staff wanted the recommendation to be more flexible, which was what Council saw in the funding gap options. The bottom table with the 4, 6, 8, 10, 12, and 15% represented the amount of a property tax increase over and above the 3% that would be required to generate the funding in the columns below. Rather than increase taxes by 3% to just to get the surplus above water, if Council increased property taxes by 7% (4% more), that would generate an additional \$116,000 in 2016, and an additional \$233,000 every year after it. That was because property tax increases approved with the budget went into effect the following July. That long-term funding would be available for Council to say yes, they could generate \$116,000 in 2016 and Council believed staff should change the streets budget from \$1 million to \$1.116 million. That would give staff direction needed to use property taxes, earlier water rate increases, or some combination, to put more dollars in water infrastructure, street infrastructure, storm water infrastructure, or some combination of those. It was a flexible tool.

Sewer was almost set. The 8.4% was sufficient for sanitary sewer as any further increase for sewer would be over the 20% margin, and staff would not advise transferring it into the General Fund. It would either remain in sewer to accumulate, or staff would recommend not doing that increase at all because the City reached that amount. For Electric, the City had reached the maximum of what could be transferred for 2016. Parking was not a rate-setting utility where expenses were identified and rates were then set accordingly. Instead, people used parking and fees were generated to more than offset the cost of administering the parking program. Even though there was a substantial transfer from parking, staff did not consider that something where they would advise, "Let's triple the parking rates and let's get another X hundred thousand." It is not that easy as it was a lever like the utility rates. In terms of enterprise funds, electric, parking, and sewer were set with no more tools available at staff's disposal to generate more sewer or electric funding that would result in greater assistance to the General Fund.

Mr. Chapman stated the 8.4% proposed increase for the sewer utility could surely be increased to 10%, 12%, or 15% without causing a problem if Council also increased the projects to replace infrastructure as long as the City did not exceed the 20% transfer to General Fund. Mr. Vitola confirmed this was correct. Mr. Chapman stated one of the things Council had discussed for over 2 years, was the rate of replacement, expected life of that infrastructure, and that the City was significantly behind. Even if the City completed infrastructure replacement at this rate, the City would continue to have all of the one year, unexpected emergency costs, because it would always be significantly behind. He asked if this was accurate as that was how the City got to where it was 18 months ago with a proposed fee to get extra money to replace things faster. Mr. Coleman stated this would effectively freeze the City's backlog where it was now and staff would continue on. Mr. Coleman noted his earlier mention that this was just a guide. Until staff had enough data (only a small portion of the mains had been reviewed), there was a backlog that had not been tackled yet. This funding would get the City to handling everything forward, but there would always be a backlog equivalent to approximately what the backlog was now.

Mr. Coleman noted that the one capital project where the City did all of its sewer main studies and repairs for 2015 was targeted for just repairs, so that was why the City managed to hit it this year. Every year further was study and repair. Staff had to look and then fix what was found. The City was okay for 2016, but 2017 was going to need to have additional funding there to do studying. The City was good for a few years, but staff had not finished looking at all of the critical mains, so there was more studying to do.

Mr. Chapman stated this got the City back to pace. Going forward, there was a separate issue of catching up. That is where this budget CIP conversation was last year when shortly before that the attempt to implement a fee to pay for the catch up portion failed. He said he felt when the City was at this stage, the comments were, "Well, let us just set funding to replace at the pace that we should be replacing." He noted he had an expectation in 2015 that there was going to be some new fee or funding source conversation or proposal to the whole infrastructure backlog. Mr. Coleman stated what the City needed to tackle before that was to know more about the infrastructure. Staff was building the GIS database and would start doing investigations to put ages to each line

and get an idea of where the City needed to look. He did not think staff had enough information today to accurately say what the backlog was. Staff had more work to do. The foundation was laid this year with building the GIS databases that were not complete yet.

Mr. Chapman asked if Council had implemented that fee, 18+ months ago, if the \$1.5 million would not have been helpful, or if the City would not have been able to use it and it would just be building up. Mr. Coleman said the City would have built the database and gotten data a lot faster. The money would help. Once staff had the data, money could be spent more intelligently and applied where needed. More money meant the City could get things done faster to get to that point, but he was not necessarily ready today, to spend \$2.6 million.

Mr. Chapman asked Ms. Houck if there was still a plan to come to Council for a stormwater utility. Ms. Houck said one of the things staff found out over the course of the past year was that they really did not have a good idea of the operation and maintenance costs for the storm water. Staff needed to find out what exactly belonged in storm water. There was an estimated figure of about \$300,000 right now. Through the rate study, staff would be able to identify that because there were some interconnected issues between the two divisions. What staff expected was that around \$300,000 would be a good starting place, and then grow the utility based on debt service to fund necessary projects. Staff spent time considering the process in association with meetings held last year, as well as using the New Castle County parcel data, as impervious data was from their information and that seemed to be how people were interested in basing the utility rates. It looked like the New Castle County data would be the best way to proceed. So they planned to come back. They had learned more information. Staff thought it would be a recommendation to follow the New Castle County model, which Wilmington did, and staff would gather more information about the operation and maintenance through the water rate study as well. Mr. Coleman stated the City had \$2 million worth of work that could be done tomorrow and there was work that needed to get done. He did not know if it was the most critical work, but it would need to get done either way. Realistically, staff had projects that could be done in years one to probably three with no problems. It would give staff time to build out the database and be in the right place when they got started in year four.

Mr. Chapman asked for clarification of whether the roughly \$2.6 million shortfall was not related to any storm water funding in any way. There was an expectation that all storm water funding would be, if approved, taken care of through this usage fee proposal. Mr. Coleman stated the storm water utility, based on the recommendation from the City's consultant, recommended that the utility fund the operating budget aspect of storm water, the laborers that were doing maintenance on the pipes, etc. so that pulled the operation and maintenance out of the General Fund and would free up money that could be used for capital expenditures. The fee could then be built over time with that service funding capital projects. The \$2.6 million gap would tackle the debt service. The biggest number, which was the concrete storm pipe, was probably where they would start. That was one of those back log items where the slide did not tell the whole story. There were 5 miles of pipes with a 15 year expected service life, but every single one of them was older than 15 years, so they were all ready to go at any second.

Mr. Chapman stated he is breaking down, understanding and trying to make a decision to what the property tax rate should be and having an understanding of where the money was going. Not just this year, but next year and future years. The likelihood was that if Council had instituted a 12% rate hike this year, they were not going to reduce it by 8% next year because a storm water utility fund was created. This was why he was trying to tie funding to specific uses or sources if possible. If that was not possible in this budget season, he needed to know that so he could go to plan B. Plan A was direct-use funding. Mr. Coleman stated it was probably safe to assume the concrete storm sewers and most of the initial years' projects were going to deal with flooding. Those would be projects that staff would look to borrow, so those would be authorized by Council. He would say remove that \$1.128 million funding gap from the discussions tonight. Council did not need to fund that with a tax increase because that was something that staff would look to fund with debt service when tackling projects, as opposed to asking, "Give me the money, I promise I'll do something with it." Staff would bring the project to Council for approval, as debt service was what related to a direct increase to the storm water utility

fee. So Council would get the project, then pay for it, as opposed to giving staff the money up front. He would say remove the concrete storm sewers from that, but thought the metal storm sewer was important and that \$200,000 budget number was probably low. Normally there was \$200,000 in the budget but staff was doing one specific project. He would love to increase that number if they could to at least above \$330,000. It was going to be the streets funding, maybe getting up to \$1.5 million, sewer and water, their separate items in the respective utilities.

Mr. Vitola stated the water gap was \$500,000. The City could get from \$1 million to \$1.3 million, reducing this gap to \$200,000, something that was probably livable, in 2016, by moving the 7.2% water increase to January 1, 2016. It looked like sewer was okay this year for the routine things that needed to be done and could be reviewed again in 2017. For streets, it seemed that a full \$1.8 million to eliminate the gap was probably difficult. The budget could be left at \$1 million this year and see what happened next year. A tax increase that would fund streets could probably wait until 2017 unless Council wanted to do it and begin accumulating reserves for streets now. That would require a tax increase because that was a General Fund item. Ms. Houck noted that of the \$1 million in street funding, \$515,000 was state funding. If that disappeared, the City would be okay for the second half of 2016, but the 2017 budget would realize the full impact of that \$515,000. The only way to mitigate that was with about an 8.5% tax increase.

Mr. Chapman stated through conversations he had with constituents and citizens, this was what people liked to pay for. If there was an expectation that this was where the money went this year and next year and that the infrastructure and quality of life kept up with the pace of costs, then that was not necessarily as much of a concern or may be an understanding of where the money was going and recognition of value in that sort of thing.

Mr. Chapman wished to address a police department issue. It bothered him that the City still was relying on non-profit funding for the K-9 unit. He did not know the exact K-9 unit cost, and wondered, how much the City funded and how much was funded by non-profit efforts. Chief Tiernan reported the entire unit was funded by non-profit fundraising. It was discussed over the years if it was something the City should add to the budget. It helped by not adding to the budget. He noted the fundraising provided a sense of community and they felt like they were involved in helping the police department, by doing the fundraising. Right now the City had three dogs and three cars. It was expensive and it did not cost the City really any money because of fundraising. Mr. Chapman stated it sounded as if the Chief would rather include it in the budget. Chief Tiernan stated right now the funding was there. The community had been great in supporting the department. It was the community's way and the department's way of helping the City with the rest of the budget. Mr. Chapman stated the non-profit fundraising had been successful and seemed to grow every year. The program is growing. The reason he said, it was something that bothered him was that he felt like the City was passing the buck. It was understandable if at some point the budget got tight, and there was enough direct recognition that this was a valuable program, but understood those numbers were one thing. He wanted to suggest to Council that perhaps the City should take responsibility for this and let the non-profit fundraising fund something else of worthy cause, or continue to grow that program. He understood it was a great opportunity to interact with the general public and everybody supported dogs. He liked that it was an opportunity for community outreach and community involvement. Ms. Houck clarified that the non-profit portion did not include the officers; just the cars, the K-9s and their care. Mr. Chapman stated he did see in the budget. It appeared the unit was not as active as everybody would like because of staffing shortfalls. The officers were more on patrol than they were on active K-9 duties, for example. So that may be a more productive budget conversation for the department.

Mr. Markham stated there was also history that went along with that particular project. When that was first brought forward, it was a way to provide the K-9 to the City at no cost when the City had some major financial issues. He believed the tradition had probably continued since then as part of that process. Mr. Chapman asked now that it had proven its value, should the City continue to fund it that way and put that pressure and responsibility on private citizens and fundraising efforts. He asked what detriment the City would experience if the people heading up those fundraising efforts left town, had a bad year, or the fundraising efforts were particularly low in a given year, etc.

Mr. Chapman raised the issue of Mayor and City Council salary increases, which had been something that had been a staff recommendation every year until this year. He understood why it was not a proposal this year. It was something he wanted to discuss more last year, but there were other issues that were hot topics. He felt the salaries for City Council members and the Mayor should be increased. He noted he thought about the comments that were made in the budget hearings last year. Every member sat on the dais and said, "We don't do it for the money." There really was not a number that he could create that properly put a value to the work and the amount of time, energy and effort. There were people that came to every meeting that did not receive a salary in any way. Just because members were not doing it for the money did not necessarily mean that there was not a value, and there had been no increase for so long. He did not know how long any member would be in their seat, but asked at what point was the current salary laughable and almost a joke, and was Council missing the opportunity to attract folks that wanted to give time, energy and effort but economically could not because of the sacrifice required to do this role, that would take them away from other economic areas where they would be able to sustain their family's needs. He wanted to propose the conversation and see where anybody else's thoughts were.

Mr. Gifford stated he would discuss the salary issue at a later time. He noted that this year Council got a list of headcount changes. Mr. Vitola stated it was recorded in the budget every year, but it was a recent request at the financial workshop for a current headcount and a budgeted headcount. Mr. Gifford asked Mr. Vitola to detail the top 3 to 5 changes in headcount that would have the most significant effect. He thought the Deputy Director of Electric, Code Enforcement staff member, and two new sewer staff to run the new jet truck would be it if he was reading that correctly. Mr. Vitola stated that was accurate. In Refuse, the City had been understaffed. In Code Enforcement there was a new staff member. Relative to the Finance, a new half staff member was added once the City went to VoIP and saw the true call volumes. He noted that as Council might know, the City only had 6 lines coming into the department in the past. Some people were placed in the queue and on hold, and the City had stats on those numbers, but everyone else over and above the 6 lines, would get a busy signal. The City did not know what the call volume was over and above the 6 lines. With the VoIP project and with more people, call stats were getting worse. Abandonment rates were getting higher because more people were getting in and waiting. This was the half person that was added in that department. Mr. Vitola stated Finance had a customer service supervisor role and a deputy director of finance role. The deputy director of finance was formerly the accounting supervisor. That was reclassified from a 23 to a 26 as Deputy Director, but went back to a 23 and the customer service supervisor position was being reclassified. It had not changed, but was being retitled to Deputy Director. There would be the same number of people.

Mr. Gifford wanted to hear more about the Deputy Director of Electric, because he did not think it had been discussed. Ms. Houck stated staff had identified a need since 2014, but it did not make it into the budget last year. As Council knew, staff had been looking at succession planning. This was one of the areas that staff believed was very crucial for it. Staff had been discussing with Mr. Vitelli his intentions and understood how long he might stay at the City. The idea was to have two Deputies for a period of time so that skills of both could be challenged, and when Mr. Vitelli decided to retire, that staff would be in a position to have one of them succeed him and the other would remain a deputy. It would be a temporary spike, but staff thought it was warranted so that there was an opportunity to have someone in to learn from Mr. Vitelli and learn about the utility.

Mr. Gifford stated the City did not do this in the planning department, but was going to do it in the electric department. He asked if there were any other departments where the City was going to do this, such as administrative. Ms. Houck stated when she came in, it was done that way. There used to be two assistants and she created the strong deputy position with that intent.

Mr. Gifford asked for more information about Code Enforcement position. Ms. Feeney Roser stated it was a property maintenance inspector position. There were currently two in the City. There were three at one time, but through budget cuts, it was deleted. They did all of the property maintenance inspections and citations in the City as well as the rental housing program. Staff believed that with another property maintenance

inspector, they could be more proactive instead of waiting for complaints. Someone was in that position temporarily using intern funds and staff had seen some improvement in the City's property maintenance activity, so they would like to propose that for next year.

Mr. Gifford summarized there would be one additional in Electric, two in Sewer, one in Refuse, two in Code Enforcement, one in Police, one in Administration, which he believed was the Communications Director. One position left Parks and Recreation.

Mr. Gifford reiterated the Electric Department extra Deputy position was a temporary instance. Mr. Vitelli stated there was a lot more work to do in the utility than there was 20 years ago when he started, because things were much more complicated. The department had grown by a third and the same two engineers were running the whole show, so they did get swamped. It would be helpful to have that other person. It did take a while to get up to speed. He said when he was hired, he was not even comfortable for the first five years because he had no idea what was going on. So, it did take a while to get going, and there were a lot of things the new person would have to learn. He believed it was a good thing to have competition for the next director position.

Mr. Markham stated when looking at the headcount, sometimes the numbers hid some of what was going on. Because looking in Electric, a junior linemen was going away as well and being replaced with a ground hand. He asked if a ground hand was a strong enough replacement for a junior lineman, or was he going to move into a junior lineman eventually. Mr. Vitelli said the ground hand position came in as a new hire, and after 18 months if they pass their lineman college testing, can climb poles, and Mr. Vitelli thought they were ready, then they become a junior lineman. Normally the City did not have any ground hands, as normally they moved up. They have a group of guys that he has not deemed ready to move up, so they have ground hands that have not moved to juniors, and he had not opened second class positions because they did competitions. It was not "Your time is up, you move up." He could not do that as he had to have the best employees move up. So, he had a new double second class, and he had not moved up two ground hands, so they were sitting there waiting to become juniors.

Mr. Gifford stated the City had been talking about how Electric was really important in terms of revenue for the City and that 20% of a very large number was a nice transfer to the General Fund. He asked if the City had ever mapped its megawatt hour usage over time. He believed the City was seeing more usage, but wanted to know if staff was seeing problems with some renewables coming in or something taking away some City revenue. Mr. Vitelli stated it had been flat for 5 or 6 years. It may go up next year, like Mr. Vitola said because the City had a lot of things come online this year, but staff was seeing customers conserve, energy efficiency, things that businesses were doing; everybody was trying to save money because the cost of electricity was so high and they saw that. The City had plateaued and it was a concern. Mr. Gifford asked for the usage chart and asked that it be included in the next budget process since it was such an important revenue piece.

Mr. Gifford asked about the line item of Recruitment and Retention Expenses on page 134. Over the last number of years the City had been below \$30,000, but this year staff was budgeting \$100,000. He was curious as to what the plan was for that money as it seemed a lot higher and a very round number. Ms. Houck stated the main driver for that was something that staff would be proposing to Council, which was a retirement incentive program within the police department, so that people let the City know when they are leaving sooner. It usually took about a year for a police officer to get on the road from when they start with the City and Mr. Haines had created a plan that would incent people to tell the City their plans sooner. Recently there had been notice that was as early as a month when they got a new job and they were leaving. That presented a big problem. It caused problems with overtime increasing and staff had done the numbers on some expectations of what might occur if the City were to offer it. With increased people out on the street with tickets and reduced overtime, staff thought that this would be a better opportunity to able to start recruiting for positions before people actually are leaving.

Mr. Gifford asked why so many police officers were dissuaded from or did not feel they could talk about it ahead of time. Ms. Houck replied that she did not know that they

did not feel like they could, but thought they got in a position where they were looking for other jobs and maybe got it suddenly. Chief Tiernan stated what Ms. Houck stated was correct. Recently, there was an officer that was recently hired and he was offered a job in Pennsylvania so he told the City within a few weeks that he was leaving. A lot of people in their retirement zone were looking for jobs and all of a sudden something popped up so they said, "Okay, I'm leaving in 3 weeks or a month," so a lot of it is unexpected. Mr. Vitola stated the City could not ask them to tell staff 9 months in advance that they were going to leave in 9 months. They had to induce them to do that with some monetary incentive and was truly unique to police staff.

Mr. Gifford asked for more information about service awards and exactly what they were and how they were determined. Mr. Vitola stated it was a calculation so staff could budget for it, but Mr. Smith could describe it. Mr. Smith stated the service award was based on the number of years an employee had been with the City. After 10 years they were eligible for the service award. It was basically a way to help the employee once they reached the top of their grade in salary. Other than across-the-board increases, they were really not eligible for any more wage increases, so each year staff calculated, based on the number of years of service that little bit of stipend on top of their normal salary. It was 2% of a monthly salary times the number of years of service, so it works out to a 0.16% increase each year. It was automatic and part of the contract. Once an employee hit 10 years of service it began. Unless the employee moved into a different position that had a higher wage, were back into the step increases and were not at your top, generally that was the only increase the employee would receive, other than across-the-board increases. Mr. Gifford stated last year Council learned if an employee was at the top of the bracket, they could get a 1.5% or 2% one time or something similar.

Mr. Gifford asked about the increase in interdepartmental charges from \$89,000 to \$175,000 and wanted to know what specifically that might be for. Mr. Vitola stated it was the spread of information technology overhead to the Parking Division and just continued to increase from last year. He stated he did not know if the percentage increased. He did not know if the amount that was being spread to the department increased or if it was just growth in IT overhead. It was likely a combination of both. Staff could get back to Council, but normally it was both. It could also be the new software, including T2 that went with parking.

Mr. Gifford noted Streets had a section called other indirect charges, which seemed to fluctuate year to year, and he asked what that might be. Last year it was \$90,000 and this year it was \$150,000 essentially. Mr. Vitola stated those were the work orders. When other departments did work related to the streets, it got back-charged to the streets. The number for 2016 was based on prior histories, which were going up, so there was more allocated there this year. They were offsetting credits in the departments doing the work to take the expenses out of those departments and put them into streets.

Mr. Gifford noted in the text of the Police section, on page 101, Activities Measurements, it did not talk about 2015 a lot, and on page 96, under Patrol Division it talked about 2013 and 2014. He thought there might be some updates that could be done there for this year's budget and the Activities Measurements on page 101 ended at 2014. He was not certain if that was how the City had always done it, but it seemed back a year in certain sections and up to date in others. He recommended going through and figuring out if it was consistent. Mr. Vitola stated the Chief could correct him if he is wrong, but he thought police stats were always look-backs. Staff could project kilowatt hours and water volume, but until something happened all of the way through the calendar in 2015, staff did not know. Mr. Gifford stated there were some areas that mentioned 2015 and other areas did not, so it seemed a bit disjointed compared to some of the other departments.

Mr. Markham asked what one cent equaled in terms of tax revenue generated. Mr. Vitola stated approximately \$83,250 was what one cent of millage brought annually.

Mr. Markham noted the 3% increases in Electric and the ancillary costs going up that were mentioned and asked for a description. He wanted to know what it included, i.e. the underwater power line that PJM was trying to force on Delaware. Mr. Vitola stated it included that as one of many transmission costs. Transmission and capacity were the two

big ones. Mr. Markham asked if that got reversed or reallocated, would the City's come down. Mr. Vitola replied they would. Transmission and capacity costs were already going up, and there was one item in each of those categories that was exacerbating the increase. In capacity, it was the creation of this performance capacity rule that PJM adopted and while that was challenged, it was still approved, whereby the generators were being paid more for being there and ready to flip on. That was the cost of the built-out generation capacity. Mr. Markham confirmed he was talking about standby capacity, being paid to be available but not on. Mr. Vitola replied he was correct. The transmission line that was recently approved in PJM was going to add to the already increasing transmission costs. If that went away, it helped a little bit. He believed staff could figure out what the direct impact was to the City's wholesale rates. He would have to get that number back to Council as he did not have it off the top of his head, but, if the PJM line cost were to go away, that would help. Mr. Markham stated it would be nice to know what DEMEC was actively pursuing. Mr. Vitola stated they were part of the challenge and were challenging the rationale and the cost share.

Mr. Markham asked if there was any kind of referendum built into the funds. Mr. Vitola confirmed there was in the Legislative budget. Ms. Bensley stated typically \$2000 per polling place was budgeted for an election, so an additional \$20,000 was budgeted next year for a potential referendum. Mr. Markham said if the City held that in conjunction with another election, he would assume that would save costs. Ms. Bensley stated there was potentially a citywide election this year. If there were a mayoral race, there would be 6 polling places open. A seventh polling place needed to be open for a referendum for non-resident property owners, as they were eligible to vote in referendums, but the money was budgeted for that this year. Mr. Markham believed the last time the City did that was with the reservoir, which predated him.

Mr. Markham noted that regarding the surplus that was forecast, he heard \$9,000 and read \$439,000 in the narrative, so he assumed that the \$439,000 was broken across the different budgets. He asked Mr. Vitola to detail across the budgets what those numbers were, based on what was proposed. Mr. Vitola stated page 4 about 2/3 down the page, had the Net Current Surplus for the General Fund, other Governmental Funds, Enterprise Funds, and Other Funds. On Page 6 there was more granularity. Mr. Markham replied then there was Unappropriated Surplus as a line of \$439,000, so he assumed there was \$9,000 for Operating and then the breakout. He asked if Capital was \$430,000 and how that worked. At the top, a Surplus of \$439,856 was quoted. He was looking for a breakdown of that number, since he kept hearing there was only \$9,000 in surplus for Operating. Mr. Vitola replied the \$439,856 was the Unappropriated Surplus shown on page 4 of the actual budget and then it was broken down further on pages 6-9. He reiterated the location on page 4 of the \$439,856 in the totals line. The \$9,262, \$88,451 and \$342,133, surpluses in the Fund Groupings, added up to that \$439,000 and that detail was on pages 6-9. Mr. Markham stated the state seemed to be looking at surpluses as a fact that less money was needed coming in, so he was not necessarily a fan of surplus right now, even though it would add to the Capital, because he thought the City paid for it when they did a good job. Mr. Vitola stated that was a good point, but he thought one of the things the state looked at in addition to the net current surplus, which was that \$439,000, was the bank account, the actual reserve funding where the City had \$22 million plus its operating cash, which pushed the City to \$29 million or so. They looked at that in addition to current surpluses, so in a way, Newark was penalized for its fiscal health. New Castle County was AAA rated, because of their strong surpluses and cash reserves. Newark was AA-plus for the same reason, and it would be held against the City.

Mr. Markham asked where the CAC Funds were. Mr. Vitola stated they were in the Electric Operating Budget on page 21. It was not broken out as a separate line item, but he thought it was intended to be. When it was initiated in approximately 2012, it was intended to be used to purchase renewable energy credits, so it was lumped into Electricity Purchases and never moved out of there. Staff plugged it in there every year and was \$100,000.

Mr. Vitola noted that he would propose in a future year, 3 or 4 years away, that after McKees and the LED lights paid themselves back and were putting out cash flow and savings of \$92,000 per year, the money be used as the source of the CAC funding,

rather than the current \$100,000 in cash per year from the Electric Fund. He thought it would make sense to reduce the reliance on electric expenses and have their Green Project Fund, which is alive and well and being built, be the source of the CAC Idea Fund. So as not to confuse it with the State's Green Energy Funding, rather than call it Newark Green Energy Reserve, that was the CAC Idea Fund. Mr. Markham did not have any objection to that. He thought that CAC was probably more than just electric; it could be water conservation, stormwater; bike sponsorship, etc. It would be part of their conservation effort. He would be a little concerned about it just being electric, because they could do more than that. Mr. Vitola stated that was a good point. The micro-turbines that the City could put in the water pipes was another good idea that was a water project. Mr. Markham stated that one could be sold as electric, because it would generate electricity, but if the City wanted them to get into other conservation efforts, the funds probably should not be electric. It could not be moved it this year, he asked that staff keep that in mind.

Mr. Markham noted that he thought he heard Mr. Vitola say that the Smart Meters were running ahead of projections and asked if those numbers were built into what was presented, were they held in reserve, or what was the City doing with those numbers. Mr. Vitola stated he thought back to the discussion from the financial workshop and he made sure that the City showed some conservation from 2015 numbers. Volume was actually a little bit down in Water and Sewer assuming conservation, because people were seeing 12% increases in their water consumption because it was accurate now. Staff budgeted in some conservation, although they did assume that the City's water volume, other than conservation, was equivalent to what the City observed in the year since the meters were installed. The report from Honeywell was received today.

Ms. Houck stated staff had just received the Honeywell draft report for the M&V and had not even had the opportunity today to really look at it, other than it does show that 100% accuracy; 98% was guaranteed, so it was doing better. Staff was going to have a sit-down meeting with them before it was finalized, to make sure of all the considerations they took. There were also some water meters that were not in yet.

Mr. Markham stated this led into the water rate increase and the conversation at the last financial statement, where staff and Council were talking about things being flat. He believed the City would reach the point or had reached the point where people were going to conserve. He did not think that 7.2% was going to yield what staff wanted it to yield. He believed the City needed to be very careful about going along with Black & Veatch just because they thought those were the numbers the City needed to make. He thought it was going to flatten out and those numbers were not going to increase, because the City was giving people incentive to conserve. When they conserve the City was also going to hurt its Sewer Fund, because they went together. He was very concerned about the numbers projected for those 2 rates.

Mr. Markham noted along those lines, there was only a customer connection charge in Electric. He asked if that was ever looked at for water. Mr. Vitola stated the City used to have one. At some point, for some reason it was eliminated. He believed, aside from the code cleanup that was happening, that there were legacy sections of the Code still in there and the Code said, "Flat water charge: There shall be no flat water charge." "Outside city customer's flat water charge: There shall be no flat ..." Therefore, something used to be there before, and that was an important component of a water rate, because the vast majority of the City's expenses in the water utility were fixed. The City had a variable revenue stream and a fixed expense stream, so that was a bad mismatch, but suppose that was corrected perfectly and the City had 90% fixed costs in sewer and water and 10% variable costs. The City would be setting a flat customer rate at something like \$30 a month, and the rest would be a charge of \$0.25 per 1000 gallons of water, which would completely flip the conservation model on its head, which was to have inclining block rate to encourage conservation. Conservation was going to happen as the rates increased. That was a bad thing from a business perspective, but while the City enjoyed the public utility business model, they had the beauty and luxury of being able to treat it with the best interests of the City's residents in mind and he thought it was in everybody's best interests to conserve water. He thought there should be a movement to build in some level of a fixed revenue stream into the water rate, but one that does not overtly

discourage conservation, which would be covered when Black & Veatch's consultant came and spoke with Council. Mr. Markham said if the City was going to build anything fixed in, staff could guarantee that went to infrastructure improvements, and that did not have to go to the bottom line. Mr. Vitola said he made that same point in discussions with Black & Veatch, but that would be viewed as arbitrary. They were literally going to take the cost of supplying a meter and that was going to be a meter charge for example.

Mr. Markham stated he remembered Black & Veatch wanted the connection charge for electric, but the conversation was not there for water and did not remember exactly why that was. Ms. Houck stated she believed that they wanted to include it at the time and they have suggested that it should be, but staff was going to have them come back to Council because it was important that they understand before the City did the update to the rate study there may be some consequences, and staff wanted to make sure that before the City moved forward, everybody understood it.

Mr. Markham said he did not think the water or sewer funds had ever contributed 20% and met that goal. Years before, the City did not used to worry about water and sewer, because one of the previous city managers would adjust the electric rates so the University would pay more and that would take care of it. He did not think water rates here were ever expected to contribute. Mr. Vitola stated last year it was 10-12%. The policy for all utilities aimed at 20% margins and that was not the policy that was updated in 2014, but the initial version of the policy in 2009. There may have been less emphasis on it, but then with the Great Recession and diversification of revenue needs, it was really important for all utilities to contribute. Mr. Markham said the City did the study, too, which brought certain things to light, unfortunately or fortunately.

Mr. Markham asked when Mr. Vitola was mentioning what the tax rates would be, if he could include some higher tiers other than stopping at \$83,000-\$85,000. He had a lot of residents where that was not anywhere near their assessed rate. Mr. Vitola stated he could do 10th percentile and share some additional numbers. There were 2 residential that were extraordinarily high but they were not homes. One of the highest assessed homes was maybe in the \$200,000 range. Mr. Markham asked Mr. Vitola to continue to \$100,000-\$150,000, and then he could stop.

Mr. Markham asked if the transfer rate that the state was threatening and planning to take away was July 1st and if the City expected that to go away then. Mr. Vitola stated it was July 1, 2017. If they did it like they proposed last year, it would go from a 1.5% share to municipalities and counties to a 1% share, effective the following fiscal year. Therefore, the City would lose nothing in its fiscal year 2016, and then in its fiscal year 2017, which was calendar 2017, the City would lose half of the third of that revenue. In 2018 the City would lose the full third of that revenue which was half a million dollars. For 2016, the hope was if they did a cut, it would be a cut but starting the next year so the City would have time to plan for it. In 2017 it would be \$260,000, and in 2018 it would be \$520,000, roughly speaking. Municipal Street Aid would be very similar. If they went from \$5 million, of which Newark received \$476,000 or so, \$500,000 approximate, the City would lose \$250,000 in 2017 and \$500,000 in 2018, so a half a million dollar total shortfall of General Fund dollars in 2017, and \$1 million-plus General Fund dollars in 2018.

Mr. Morehead asked if the assessment of \$68,758 and the average assessment yielded an average increase of \$15 a year, was that not directly proportional to the assessments? If an assessment was twice that, would their taxes be increased \$30 a year. He looked at a \$100,000 assessment and it was a \$21.82 a year increase, so \$150,000 would be \$33 and change. He noted the depreciation reversal and thought that was a great idea.

Mr. Morehead asked when staff thought the City was looking at firming up the stormwater proposal. Ms. Houck stated staff was going to be able to do some work with that for maintenance information as part of the rate review, so soon after the New Year, staff would expect that they would be in a position to come to Council with Black & Veatch to talk about that and then it would be sometime after that. She approximated spring would be the earliest. Mr. Morehead asked if the City was proposing Black & Veatch do Potable Water, Sanitary/Sewer, and Stormwater. Ms. Houck replied that was the intent.

Mr. Morehead stated regarding other revenue sources, staff had talked last year about some of the fee structures. Mr. Coleman had brought up how it was not necessarily paying its way. He was curious when staff would be looking at and making some progress with that. Ms. Houck stated staff had already been doing so. Mr. Coleman stated he believed all of the departments had gotten together numbers, and now it was just getting together and making sure that the numbers were consistent and that the City was not charging twice for something that was collected. They had been waiting on the ability to get everybody in one room, but a lot of the leg work was already done. It was something that staff could probably have to Council within the next couple of months, maybe the next 2 months.

Mr. Morehead asked if there was any opportunity with the subvention to actually add money or if the City was under contract obligation. Ms. Houck stated that was the case in terms of the electric rate, but it did not mean that they could not enter a conversation again. She asked if he was referring to University of Delaware, which Mr. Morehead confirmed. Ms. Houck stated there was always that possibility. There were other things that they paid, other than subvention, such as the meters that were removed near the president's house that they paid, but staff could take a look at that and do some type of a calculation to see if the City could ask for more. She did not think it would be something that would easily be increased. She stated UD had some concerns about their water rate. They had concerns about their electric rates. They knew they were still paying more than their fair share as the electric rate study did tell the City and them. There were some concerns on that end that staff heard from time to time. Mr. Morehead stated it seemed they were bringing half the population into town and saddling the City with a number of their issues, such as parking, housing, and police presence. If they were willing to let the police do the annual introduction for the freshman class, the City might save a lot of money. It could be, "You help us. We help you." There could be some things less financially tangible, but still valuable. He would think that with the changing administration, that it may be timely to have conversations with them. Ms. Houck concurred.

Mr. Morehead said when Council asked for the kiosks not to be included in the CIP any longer, which freed up \$1.5 million next year, in 2017, which could help with the possible issues in 2017 and 2018. The \$5.5 million for the garage in 2017 and more in 2018, could free up additional funds if the City could successfully get somebody else to do the garage. That freed up \$7 million with those two items and the garage may be an income possibility where the City would lease them the ground.

Mr. Morehead went back to infrastructure and Mr. Chapman's comments about rate versus backlog. The bottom line presented a rate assuming that those 5 miles were within their 15 years. Mr. Coleman previously noted those 5 miles were beyond their 15 years now, which meant that the City needed to do 5 miles, not 0.33 miles replacement per year. If it was \$1 million per mile, he felt the City had a \$5 million issue, not a \$300,000 issue. Mr. Coleman stated his footnote at the bottom stated it was normally a 25-year life, but he reduced it to 15 years because of the current age. Realistically, it would probably be lower than that, so it was not as bad as he mentioned. It was definitely a lot worse than that number showed. Mr. Morehead said given that these things were short and they were all over, was that \$1 million per mile reasonable or would that be one continuous mile. Mr. Coleman said the City had not done any large storm sewer replacement like they had with all the others where they had a real idea for how cost scales with the scale of the project. Staff was extrapolating out of the City's smaller projects to get a feel. They worked with engineering consultants to get an estimate for the 24 inch diameter pipe and then used cost data from the engineering firms to back calculate that number. Not all of the City's pipes were 24 inches. Some were down to 15 inches but some were as large as 60 inches so depending on the pipe picked to replace, it could be a lot more than that or a little less than that. The 24 inch pipe was representative of the majority of pipes.

Mr. Morehead stated when he thought of the metal conduit, he thought of out in a park somewhere or something between a path and a stream. He asked if it was in critical places as well. Mr. Coleman stated yes, the majority of it was either in the road or in a storm water embankment so the storm water embankments were the most critical. One of those failed two years ago in Creek Bend Court and it was about \$75,000 to replace 50 feet so it was pretty expensive in that location. The City had some very large diameter,

36 inches, which ran down South College Avenue across Laurel Field and across the intersection of Park and Academy and eventually out to Lewis Park that was all large diameter corrugated metal. It was under roads and through ponds mostly.

Mr. Morehead asked Mr. Coleman if he was comfortable with that replacement rate not based on the math but with that replacement rate of 0.33 miles per year given the situation on the ground. Mr. Coleman stated ideally he would like to have that a little higher but he would replace more metal at the expense of the concrete. He thought the City could push the concrete pipe off and focus on the metal first because the metal was going to fail uniformly much sooner than the concrete. Concrete had an 85 year life but depending on the installation and where it was could last a lot longer than that. It was a lot more predictable. The metal was going to fail and a lot of it was already failing.

Mr. Morehead asked if Council were looking this year to address the City's critical backlog on that one item, what kind of money Mr. Coleman would want them to consider. Mr. Coleman stated if the City was going to do this year, he would say not to look to replace a lot, but inspect it all. Get a company in, inspect all the pipe and figure out which ones were the worst. He estimated it could probably be done for about \$3.00 a foot, but would allot for \$75,000 to inspect a good portion of it. It would be a capital project. The only items in Water currently were water quality related so street sweeping, the municipal stormwater program and the NPDES program. All of the structural and capital was in the streets fund. Mr. Morehead noted the City would have the same issue with the General Fund right now unless Council brought other things over.

Mr. Morehead commented that he was in the building today and on his way out, he was stopped by an elderly resident who wanted to say that she felt Newark was a wonderful financial deal and Council should raise taxes, point blank.

Mr. Ruckle stated he had the same experience. He could not believe how many people told him to raise their taxes this year. He thought it was an amazing thing to hear that from constituents. Several folks already made the points he was going to make. He did not think this went far enough for infrastructure. He knew the gentleman from FMC who was an efficiency engineer and his job was to go through every part in that factory, figure out its lifespan and replace it shortly before it was going to break. It saved them over \$100 million a year doing that because they planned. Most of the times things break at the peak time or were the worst possible like raw sewage in the water when a pipe broke. That was a huge risk and an emergency amount of money the City had to spend. What he would like the City to go the route the private sector was going and fix things slightly before they were going to break to plan when to fix it for the least possible impact on the community. When Mr. Coleman made a comment that "we do not know when it is going to break but we know it is going to break soon," that scared him. He loved the idea of \$75,000, get in there, find out what was wrong and get an action plan together. Maybe the City could have some type of stormwater fee that would pay for this where everyone in the community would contribute. He asked staff somehow to figure that one out. He loved the fact that the City had the dogs and he loved going to every fundraiser and supporting the police. He thought there was a huge following. Residents all come out and love donating and playing with the dogs and what they are doing for the Newark community. He had seen what they do and to have that community interaction was exactly what they needed. He did not believe in debt services. He thought the City should find a way to pay for this up front. He knew the City kept saying "go debt services, debt services is cheap money" but like in a condo association, the City had an assessment. The City should come together, figure out the right thing to charge and pay for it.

Mr. Ruckle noted the one thing no one talked about was the fire departments. There was a huge shortage of volunteers right now and there would be a point this would impact the City if it had to pay for it. He pointed out the police department was 25% of the budget and assumed the City would have to put up another 25% for fire trucks and paid firemen for the City. He had been warned that this was coming because Aetna could not get enough volunteers. He felt the City needed to promote fire department volunteerism along with paramedics. They had a huge shortage now. That was something that was the scariest thing for him approaching. He thought somehow the City had to support Aetna and the community needed to support them a lot harder than what it was doing right now.

Mr. Ruckle noted that regarding the Mayor and Council salary, to him, this had always been a volunteer job. If the City went that route, he suggested Council give minimum wage.

Mr. Ruckle suggested piggybacking on what the Christina School District did for their referendum regarding the tax calculator where a person could plug in their tax assessment and find out what the increase would be on the City website.

Mayor Sierer stated that Council would wrap things up and give staff some guidance for what Council wanted to do next year. Regarding the fire department, she totally agreed with the lack of volunteers. When she did her ride along with them one of the things she asked staff to do was put a banner on the City website asking for volunteers, which was done. There also was a link on the City's website now for Aetna so those were two things that hopefully would be helpful. One thing she noticed in the budget on page 141, which concerned her was that there had not been an increase for some time so the City was going into a third year with no increase. Ms. Houck stated Aetna typically did send the City something to ask for an increase. The last time they asked the City did increase it. It had been two years. Staff also believed that it would be good if the City could do something else to help them continue to be successful. One of the things staff was considering raising with the water rate study was to add a fee toward fire service to the water rate. It would be a certain dollar amount that could be added that would then routinely fund Aetna in that fashion instead of from the General Fund. That was another thought for additional revenues.

Mr. Ruckle stated he believed that if the City did it that way, each family would contribute to the department and they would have no issue putting out the fire. He thought there was something where they had to donate and he knew they were still putting out there, some fire departments would not even go, if they did not donate to the police department they would put the fire out.

Ms. Sierer asked City staff to reach out to the Fire Chief regarding any increase. Ms. Houck stated the City wanted to give incentive to City residents in some way to become volunteers. Ms. Sierer stated her concern was that they had an immediate need and asked what the City could do to assist them. She asked Ms. Houck to get their wish list and the City would figure out if they could do anything. It seems to her, the City did not want a paid City fire department so if the City was going to year three with no increase, and she thought that might be problematic.

Mr. Markham stated the City gave them electricity and asked if water and sewer were provided as well. Mr. Coleman stated he believed they got electricity, water, sewer and trash.

Ms. Sierer asked about Newark Ambulance. She believed the amount was \$3,000 per year since 2011 and asked if they had asked for an increase. Mr. Vitola stated it was a cash stipend that the City provided and he believed they had not asked for an increase. Ms. Houck stated she had gotten a letter in the mail, but the more pressing needs that had been brought to her attention was volunteers. She felt they certainly could look at it.

Mr. Markham suggested trying UD to confirm what they provide in terms of subvention to Aetna. Mayor Sierer stated they give per head, per student. She stated that was her next mission. There were quite a few volunteers with the fire department that were also UD students. Mr. Markham stated to his knowledge they have had UD students participate on the ambulance crew. He noted the University had a large collection of able bodied young people. Ms. Sierer noted there were quite a few UD students who were volunteer firefighters.

Ms. Sierer asked what would need to increase to fill the two gaps that equaled \$700,000, which did not have to be now, besides the \$300,000 that the City would get from implementing the water increase January 1, 2016 (\$400,000 remaining). Mr. Morehead asked also to look at the \$75,000 that Mr. Coleman needed to inspect all of the metal storm sewer pipe. Mr. Coleman suggested taking the \$75,000 out of the \$198,000 gap. Staff had one large project planned for 2016, the culvert at Jenny's Run,

and then do the design of the Timberline Culvert Project that the City could start in 2017. Staff could do the design of that culvert and the investigation of the rest of the system out of that money and then tackle the most pressing needs starting in 2017 as opposed to trying to raise the \$198,000 and then another \$75,000 approximately.

Mr. Ruckle reminded Council there was also \$45,000 for Parks and Recreation. Mr. Gifford noted that Mr. Emerson would see if an offset could be found for that project.

Mr. Vitola stated the ballpark water rate increase would have to be 9.42% instead of 7.2% and would have to be done on January 1, 2016. Another 2.6% ballpark tax increase would be needed to generate \$75,000 in 2016 and would generate \$150,000 the following year. He would round up. He would say a 6% tax increase was needed: 3% baseline to get to the \$9,000 surplus and then another 3% to get \$75,000 and to alleviate the need to shuffle the parks around. Mr. Coleman reiterated instead of looking to fund the whole \$198,000 plus \$75,000, the \$75,000 could be taken from the \$198,000. Mr. Vitola stated in addition to the 3% tax increase, 7% more on top of the 3% would generate \$198,000 in 2016 and close to \$400,000 each year thereafter. That was a 10% property tax increase. Staff would go just to 6.4% or 6.5% and generate the \$198,000 in 2017, half of it in 2016 and the full amount in 2017. If Council just did 3% and 3.5%, the City would need a full 7% increase to achieve the full \$198,000 in 2016. Mr. Vitola stated for instance, if a 3.5% tax increase only achieved half of the \$198,000, the other half in 2016 could be taken out of reserves so then the \$198,000 was there long term.

Ms. Sierer stated regarding pay raises for Mayor and Council, she would also entertain that. She believed it was quite needed to garner the enthusiasm for folks to want to be doing what Council was doing. Her suggestion would be Council not raise it until April or May 2016, after the election. It would not go into effect until after the election and she knew other cities made it a permanent percent increase every year so that they did not have to have the discussion again every year. She thought Council might want to look at some benchmarking on what other communities have done.

4. Ms. Sierer opened the floor to public comment.

John Morgan, District 1, noted he had five items he wanted to get through. First of all, the reason he came in late was that he was at a dinner meeting at the Deer Park and he paid \$25 for one dinner so paying another \$15 a year for a 3% tax increase really did not bother him. He believed if the City made it clear to the taxpayers what the actual cost was they would not balk at a 3%, 5% or 6% tax increase. He had heard about the public/private partnership for a parking garage. He felt the private side of it would eventually be paid for largely by residents of Newark who would be parking in the parking garage. If that did not happen it would not be financially viable. He would also say that even if a private company could fund 100% of the construction costs, the City should still want to have a rigorous traffic impact study done before the City went ahead with it. He would like to see some budgeting for a traffic impact study conducted by a proper independent group like DeIDOT.

There was another issue which may not have been mentioned tonight and that was funding the City Secretary's office. Elizabeth Dowell, a long time secretary in the Planning Department retired at the end of August. Since then, the draft minutes compiled by a commercial transcription service had been much, much less accurate, requiring dozens of hours of time of other people to try to make them accurate. These concern important issues, legal issues the Planning Commission considers and it was important to have accurate verbatim transcripts. Ms. Bensley told him during the past couple of years the number of minutes that her office has to prepare has increased from approximately 4 per month to about 12 per month. Also, there had been a number of FOIA requests, which must be fulfilled in a timely manner to comply with Delaware law. It was important to make sure that the City Secretary's office had adequate funding to perform its duties in a timely manner.

Additionally, he believed that the true cost of developers' requests for changing the zoning map or the Comprehensive Plan of the City of Newark, which were heard by the Planning Commission or for variances, which were heard by the Board of Adjustment,

should be paid by the developer. Usually these developers were proposing multi-million dollar projects. They could afford to pay the true costs of the lawyers advising the Board of Adjustment and the staff time of the people in the Planning Department who had considered their proposals as well as the preparation of the verbatim minutes in the case of the Planning Commission.

Finally he noted that connection charges, whether for water, sewer or electricity, were regressive. A person living on a very fixed income in a small one bedroom apartment would pay the same connection charge as someone living in a half million dollar house with five bedrooms. He wanted to see connection charges reduced and the difference made up through actual costs of the service provided.

Helga Huntley, District 1, stated she had a series of disconnected comments based on the conversation that went on over the last three hours. There was a comment about introducing the K-9 funding into the budget and her thought was currently the funding was working and she would suggest to not try to change that or try to change the fundraising effort towards a different goal since it seemed like the people involved in this fundraising were pretty excited about the project they were supporting. She did not quite understand in the budget what the reversal of non-cash expenditures was doing there that was a little over \$1 million. If that was taken out of the budget, the surplus would be \$1.5 million. She asked for an explanation why the City was spending \$1 million on that.

Mr. Vitola stated he recalled Ms. Huntley questioning it last year. The City did much less capital last year. The City was facing a more severe budget deficit last year so if the astute practice of actually funding the depreciation with cash was not conducted, staff could have improved the City's budget position, which they did. They did less vehicles and there was less of a need to build the surplus. The City funded \$1.1 million less of depreciation which basically saved the City \$1 million last year. This year the actual depreciation expenses that the City was recording were going down because of having done less vehicles in previous years. At the same time the City was doing over \$2 million in vehicle replacements, so the City was putting less into the fund yet spending a lot more on vehicles this year. It was very prudent to use that money, which originated in the electric fund, to replenish the equipment fund that used last year. While the capitalization of depreciation program was temporarily halted, it needed to immediately be restored in a year that there was funding available. If the City did not do that and decided just to have a zero there and not correct it this year, the surplus would be that much higher, but it would all be in the electric fund and the City would be unable to do anything with it to support any of the other funds because of restrictions on electrical and transport. It would be parked aside and used for something else in the future which it still may because all it was doing was going back into reserves anyway. That was the nature of that amount.

Ms. Huntley stated that made a lot of sense. She generally thought staff was not doing a very good job selling the budget. They were asking for a sizable tax increase with a sizable water rate increase and in the presentation said "well, look at the inflation rate over the last 20 some years and we are behind the inflation rate." She looked at just the time that she had spent in Newark and her taxes had gone up over 30% while inflation had gone up less than 10%. It was not a convincing argument for her. She thought Mr. Chapman referred to this as well. She thought the way to sell this was to say "here is what we want you to pay extra and here is what you're getting for it." She felt she was being told what she got out of the budget was the City was doing things the same as always and that staff did not highlight anything that new. Last year there was the storm water utility that would have been new and funded from a new source but that did not happen.

This year she did not see anything that showed what was being done with the 7% increase in the budget. It should convince her that it was worth paying extra for and asked what she was paying extra for. Same thing with the capital budget. The total capital budget was about \$12 million. The City was spending \$12 million, so if it needed \$5 million, why was there a shortfall. There was \$10 million being spent on something but did not seem to be critical infrastructure. She thought it would be helpful if staff could highlight what the other \$7 million was being spent on that was critical or more critical than fully funding water and sewer infrastructure.

There were two ground hands in the Electric Department that were not listed as current personnel in the budget. She stated she had a lot of trouble reconciling different numbers across the different documents. She found that for example in the consolidated summary, the numbers cited for the 2015 budget did not agree with the numbers from the 2015 budget on the website. She did not understand why there was so little consistency between the documents. There was a comment made about having a fire component in the water service and she noted the hydrant fee eliminated in early 2015.

She did not know how this worked with the transfer from the Electric Fund but suggested not instituting a second deputy electric director to get the \$75,000 needed. She asked if the proposed fixed water rate, like the customer charge, was part of what the new water rate study was considering.

Mr. Vitola stated it was going to be based on Council's decision and whether they looked at just in the City versus out of City, or hydrant fee as the only fixed charge, or hydrant fee and meter fee, but it would not be a fixed component of the water usage charge. It would be a fixed component of some operating entity. He noted that Ms. Huntley was right about the fire hydrant fee for out of town water customers being eliminated last year, but there used to be a minimum usage charge for in city and out of city, plus the fire hydrant charge for out of city. The former two were eliminated some time ago in 1999.

Mr. Vitola stated \$75,000 in electric did not help the City because it was at its maximum transfer into the General Fund. The ground hands that were not mentioned were ground hands now and they were in the budget as junior linemen. There were doubts that they actually would become junior linemen during 2016, but they may. They were budgeted as such and were in there.

Ms. Huntley stated she had heard a lot this year about how the City had been instituting new technology to make parking service more efficient. Then if she looked at the historical headcount, the administrative personnel needed had actually doubled in the last couple of years. She thought that was a little inconsistent. Ms. Houck stated the parking enforcement were now parking ambassadors in the parking division.

Mayor Sierer proposed ending the session and reconvening. After discussion among Council and staff, the next meeting was scheduled for November 30, 2015 at 6:00 p.m.

5. Meeting adjourned at 10:42 p.m.

Renee K. Bensley
Director of Legislative Services
City Secretary