

**CITY OF NEWARK
DELAWARE**

COUNCIL MEETING MINUTES

November 30, 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 objective for the meeting was to consider passing the 2016 Operating Budget and the CIP budget, as well as a potential property tax increase for the options that staff has provided. The water rate, sewer rate, management salaries and potential Aetna increase, which was part of the Water Fund, would be discussed at the December 14, 2015 Council meeting. There would be a second reading at that meeting followed by discussions, decisions and voting.

Mr. Gifford stated he concurred, but had a question. He believed some of the CIP and operating budget to be dependent on the water rate and sewer rate. He asked if the vote would be taken at the December 14, 2015 meeting. Ms. Sierer stated that typically in the past, it was her understanding, it is done that way and then there are adjustments. If voting is not done in accordance with recommendation in the bills, then adjustments will be made in the budget. Mr. Gifford wanted to make sure it was clear.

Mr. Morehead asked if the hydrant fee was going to be discussed. Ms. Sierer stated that would occur during the water rate discussion because it was part of that bill. Mr. Morehead stated he would echo Mr. Gifford's comments that some of the numbers did not seem to carry through and there would be questions about the budget; specifically based on that bill. Without that information, he would be uncomfortable voting on the budget during the meeting. Ms. Sierer asked if Ms. Houck needed any further clarification. Ms. Houck noted the water and sewer rate could be discussed, but just not voted on during that evening's meeting. Mr. Morehead stated he was not asking to vote on them at the current meeting.

Ms. Houck welcomed all to the meeting and thanked all for coming. She stated staff was pleased to be present to discuss the City's budget for the coming year as well as the five year capital program and infrastructure needs. Since Council had last met, staff had strived to provide information on various aspects of the budget including an effort to assist with decision making. Ms. Houck noted that without staff's efforts and teamwork it would not have been possible to turn all of the detail around and determine funding priorities through the entire process. Department directors were present again to assist as necessary in responding to questions. She stated everyone was eager to finalize this year's budget.

November 30, 2015 marked the second public hearing and the second opportunity for the budget to be approved. Both the last hearing and the current hearing were advertised appropriately. Mayor and Council were in a position to approve the budget and the capital program at this meeting with final votes on second readings taking place on December 14, 2015. If Council was not prepared to adopt the budget at this meeting, there was the next regularly scheduled Council meeting on December 14th, for budget approval and the second reading votes as necessary.

There had been changes made after the first public hearing. The citizen engagement portal was eliminated which had no impact on the 2016 budget. The Folk Park picnic shelter was advanced to 2016 in association with requests and the discussion on November 2nd. The Phillips Park lot work was pushed until 2017 with input from the Parks Director. The parking lot cameras were moved into the parking fund and the project was renumbered appropriately. Several line items were also updated including an additional \$20,000 to the police department overtime budget. This is in association with funding that was not received this year from the state's alcohol and tobacco enforcement division that may not be restored in 2016.

Additional funds had also been added to cover what would be necessary for the July 4th fireworks and tennis court maintenance. The City was requesting \$12,000 associated with the first year of the UD bike share project. Lastly, Aetna's subvention was moved from the General Fund to the Water Fund with the thought that there was support for adding a per meter fire protection surcharge that would more adequately support the needs of the City's volunteer fire company.

The next slide denoted a fund by fund summary of where the numbers stood in the budget as adjusted to date. It should be noted, that the surpluses listed represent what was left in each of the funds after the transfer was made to the General Fund to support other City operations. Ms. Houck stated she would not detail each item, but would say, that the City's consolidated surplus of \$452,000 was not as robust as staff would like it to be. Only \$10,000 of the consolidated surplus was in the General Fund. Additionally, none of the other fund surpluses were excessive, and this was viewed as a tight budget.

For that reason, staff originally recommended a 3% tax increase and the utility rate increases were necessary and viewed as a minimum required. Any actions Council decided to take to reduce either capital spending, operating expenses, or both, should accrue to the bottom line surplus of the effective fund. They were not good candidates for consideration to reduce the recommended rate increases.

Council was well aware of the efficiency efforts staff had made over and above the recent refuse recommendation that was not supported. Ms. Houck said she would not go into that. Staff intended to keep considering opportunities to work smarter. But it was likely that there were few options available that would not impact service levels. In fact, staff was beginning to realize the City's need for support in areas that were not previously needed as an organization.

Council was aware of how staff had addressed this with information technology staffing and skills. Staff was now focused on tackling communications. More efforts in the areas of research and accounting were likely to be in the near future.

Mr. Vitola stated to achieve the budgeted margins and the positive surpluses shown prior on a fund by fund basis, the City had to increase rates which was the property

tax, water and sewer rates. Starting with property taxes, the minimum baseline recommended was 3%. The 3% increase would generate about \$88,000 in 2016. With a surplus of just \$10,000, the \$88,000 was critical to keep the General Fund above water.

There were no major changes or initiatives. The cost increase versus the 2016 budget was mainly related to the union contract increases. Staff did change the way the 911 dispatchers were staffed to increase coverage and reduce overtime. There was a need for additional attention on property maintenance. A tenth refuse employee was being added back and the City's phones justified another part timer in Finance as Mayor and Council have seen from weekly reports.

Those items were driving up the 2016 budget. The 3% management increase in the budget helped address wage compression issues with good supervisors and needed to be in place to attract and retain talented professionals; even if the City was simply looking for upward mobility from a union position to a management position.

The impact of management increases on the General Fund was about \$56,000. The average property in Newark would face an increase of about \$15.00 per year on a tax bill or about a \$1.20 per month. Any property owner in Newark could look at the tax calculator on Budget Central to determine their specific rate increase based on their actual assessed value. Mr. Vitola credited staff in Administration and IT with being able to do the tax calculator in just a few days.

Secondly, the City's component of the sewer rate did not provide the required coverage and needed to be increased. The first reading of the recommended increase was last Monday and the second reading was scheduled for December 14. The increase was required to improve the City's preventative maintenance on the sewer system.

There had been a lot of talk about infrastructure, and the City was going to continue to discuss infrastructure during the current meeting, but it was his opinion with regard to the Sewer Fund, an ounce of prevention was worth a pound of cure. The City could do a lot to clean and clear the system with some additional operating funding. This paled in comparison to the cost of some of the infrastructure spending that was in front of the City. Staff demonstrated the need for additional equipment operators. These two people were in the 2016 budget and the first thing they would be doing was inspecting sewer lines along creeks and they would be very busy jetting lines, inspecting man holes and grease traps, developing the GIS platform, other maintenance, etc.

An 8.4% increase would also restore the margin to the 20% policy guideline, and improve the General Fund transfer to help avoid a deficit in the General Fund. The increase would result in a monthly sewer bill that was about \$3.14 higher for a residential user that consumed 167 gallons of water per day.

Next, the water rates had been discussed at length. The increase in 2016 was the final increase recommended in the expiring study. The 7.2% increase was assumed from mid-year in the budget and that was where the increase remained in the current final draft of the budget. However, one of the recommendations to trim the water infrastructure funding gap in 2016 was to advance this increase to January 1, 2016 which was how the ordinance was drafted and was being recommended. If approved at the second reading on December 14, the budgeted water revenue and the spending authorized in Project W9308 would both increase by approximately \$300,000. He stated Council would have the opportunity to discuss this recommendation at the meeting held tonight and the budget could be approved as is. Whatever action was taken on December 14 would be incorporated into the final version of the budget.

Another part of the water ordinance change would be to levy a \$1.00 per month fire protection surcharge and pass it directly through to Aetna shifting this subvention from the General Fund into the Water Fund. Aetna was in need of funding as their calls increased year over year while external sources of funding decreased. This method of funding would allow an immediate increase in funding beyond the company's most recent requests, but most importantly, the funding would grow as the water system grew and the burden on the General Fund would be relieved.

Council was briefed on Aetna's operations earlier this year and their importance to the community and their needs were well documented. Regardless of what happened with the water rate increase or the timing of the increase, the City firmly believed in the recommendation to increase the Aetna funding through the Water Fund. Aetna's operation was mostly volunteer or hybrid fire company and was critical to the community and the failure of their operation as it existed today would place a huge burden on the City and Aetna's entire service territory.

Mr. Vitola noted the next topic to discuss was the budget short fall of almost \$2.7 million last year and just over \$2.6 million this year. At the last hearing, Council asked for some recommendations to mitigate funding gaps, and Ms. Houck detailed them. Ms. Houck said if the City was going to focus on infrastructure items as requested staff would outline two options for Council's request that allowed them to improve upon the infrastructure funding gap as identified previously. An example, with Council and the City's interest in closing the funding gap, was to look to the City's waterline rehab project which was currently funded at \$1 million in the proposed 2016 budget. The first option suggested that if the City implemented the water increase in January instead of July of 2016, an additional \$300,000 would be brought in. Staff further suggested that the breakout for spending a full \$1.3 million would allow for \$100,000 to fund inspection of City water lines which would provide the necessary information to prioritize future waterline work. The next \$900,000 and the bulk off of the funding, would allow for the completion of actual line replacement and rehab and work on the streets noted. The final \$300,000 would be spent on Flora Circle, which was an area that currently had a need and was already identified, as well as an additional 1,150 feet of waterline work in coordination with DelDOT's resurfacing plans.

The funding gap for water line repairs was real, and was more so every day. Ms. Houck noted the City had experienced three water main breaks since last Monday, one of which occurred on Wednesday late in the evening and another on Thanksgiving. Some City customers were without water on Thanksgiving, and some of City staff were pulled away from their families to address the matter. Additionally, the City already had 21 main breaks this calendar year to date. Staff believed the City was on track to experience its highest number of breaks this year.

To facilitate closing the funding gap as requested through additional increases to the property taxes above the original 3% there were two options. The first was option 2A and would require Council to vote for a 6.5% tax increase that would generate an additional \$100,000 in 2016. The City would channel this additional \$100,000 toward inspection and prioritization of corrugated metal pipes in 2016. In 2017, it would allow for \$200,000 to be put towards storm drainage improvements. The second option required Council to vote for a 9.5% tax increase that would generate an additional \$187,500 in 2016. This option would provide the \$100,000 for metal pipe inspections and an additional \$87,000 for sanitary sewer efforts. A recent sanitary sewer break was discussed at Council's last public hearing. In 2017, this option would provide an additional \$200,000 for some form of storm drain improvements and \$175,000 to be added to the street improvement program. Ms. Houck felt all agreed this could use a boost. The important focus was a 6.5% tax increase brought \$100,000 in 2016 and the 9.5% tax increase brought \$187,500 in 2016.

Staff recommends the latter as corrugated metal pipes were an issue breathing down the City's neck and beginning as fats, oils, and grease. Efforts in the community were of utmost importance. The impacts of these increases on individuals was readily available in Budget Central as Mr. Vitola noted. The 9.5% increase averaged less than a \$50.00 per year increase for the average residential property.

Mr. Coleman noted a question came up at the last meeting that if the City was given additional money to target corrugated metal pipe replacement what would the City do with it. At the time, Mr. Coleman mentioned the City would do an inspection of all the existing corrugated metal pipe in the City. Mr. Coleman had some time to get an actual cost estimate and he was pretty accurate. He initially stated \$3.00 per foot and it ended up being \$4.00 per foot, so staff currently thought it would be \$100,000 to do an inspection of all the corrugated metal pipe in the City.

What staff wanted to talk about was what the City was doing parallel to that project, to set the City up to hit the ground running in 2017 once all the data was obtained. At the meeting Mr. Coleman mentioned that, generally speaking, the most expensive pipes to repair after they failed were pond embankments. He went out and identified three very large embankments in the Woods of Louviers and one road crossing in Fairfield Crest (Freemont Road) just downhill from the swim cub. At first guess, those were probably going to be four very high priority replacements. Regardless of whether they had the study or not, these needed to be done.

Mr. Coleman viewed all four of them. Three out of four had already failed. The fourth from what he could tell, had not yet failed, but it was also raining so there was water coming out. New Castle Conservation District did a project last week where they did exactly what he referred to doing with the pilot project. They did a curative place liner for a pipe. He had a piece of the liner in the event someone present wanted to view it.

He stated what was very interesting was that it spoke to what he mentioned last week. Water was visible coming out of the pipe when it was done. When it was first started, it was dry. All of the water was going into the pipe, but the top end and the middle were going into the ground, eroding soil from around the pipe and undermining the embankment to the pond. These problems were real and in three of the four he could visibly see the outlet bottom was gone. The embankment was actively eroding.

He suggested having money available in the City's corrugated metal pipe replacement capital project today. Staff needed to move forward with those four pipes and try out different technologies from different companies. Most companies were attached to one technology. In 2016, the City was doing this in parallel to the inspection, so when the project started in 2017, staff had worked out the internal kinks in the operation, and contractual inspections, and the City was prepared to really get going since this would be a pretty new initiative for the Public Works Department. Staff had not done much of this in storm sewer yet.

He said as the Public Works Director it was exciting to potentially start tackling this problem. It was a real problem, was only going to get worse and was significantly less expensive to fix now as opposed to later. For example, the pipe Mr. Coleman had to view was \$13,000 to replace before it failed. That embankment was not quite as large as the one that the City had to repair in 2013 and that cost \$75,000. He reported it was safe to say it would have cost \$50-60,000 to repair that after it failed. So, there was definitely a good return on investment to replace these before they fail.

Mr. Vitola thanked Mr. Coleman. Next was the impact of all the combinations of the recommended options on the infrastructure categories in 2016 and 2017. If only option 1 was adopted, the \$500,000 short fall shrunk to \$200,000, if option 1 was enacted but all the other categories remain unchanged. Based on the recommendations 2A alone, 2B alone, and the combinations of 1 and 2A or 1 and 2B, one could review the options and find where the targeted increases would be applied to reduce the shortfalls. The impacted values versus the 2016 and 2017 budget gaps were shown. Staff did not know what the 2017 budget was going to look like and current numbers reflected the gap versus the annual required funding. He noted that options 1 and 2B together were the only recommendations that combined to cover four different infrastructure categories over the next two years and included everything but the concrete storm drainage lines. It was also the only recommendation that took the funding gap under \$2 million in 2017. Staff supported the baseline budget proposal and were hoping that the presentations, budget drafts, and all the supplemental materials provided had been thorough enough to permit discussion for budget approval tonight. Council had asked for recommendations to close or partially close the funding gaps for underground infrastructure. It was clear the combination of options 1 and 2B went the furthest in that endeavor.

Mr. Vitola stated some of the feedback received at the first hearing was that with over \$12 million in projects, the need for additional infrastructure funding was not clearly demonstrated. Staff took all the 2016 projects, and assigned broad project categories that were visible. The total cost of \$12.1 million in 2016 was self-explanatory. That number tied to the 2016 CIP budget. Only \$4.9 million of that funding was generated from current

resources in 2016. About \$4 million, or 81.5% of the City's 2016 funding was already going to infrastructure. This was the most critical part of the City's infrastructure project and really needed to be funded. The \$12.1 million in total CIP included the first \$2.6 million in underground infrastructure referenced before. The City could not close the gap given all the other priorities, the encumbered reserve funding that was designated for specific projects or initiatives like the vehicle and equipment funding and other resources, such as grant funding that was only targeted to certain projects. This information was created last night and posted to Budget Central this morning. He apologized for not including it last week but thought it was important enough to discuss tonight. Staff was making the best efforts to put funding into infrastructure as well to find efficiencies before making recommendations for any additional funding.

The next detail illustrated the 2016 net CIP spending by department and priority. This was distributed last week via email and posted to Budget Central last week. The bulk of the current resources were directed at water, electric, street, and sewer infrastructure, and other utility and street capital. Mr. Vitola stated the CIP was discussed first at the first budget hearing and he believed it makes sense to discuss it first again tonight.

He reminded Mayor and Council that when the CIP was approved they also had the options to close the funding gaps, which would add more funding to some of the projects if approved and to what extent. Finally, he would also remind Mayor and Council that the Planning Commission was very pleased with the CIP plan as presented and recommended it unanimously for Council approval.

Ms. Houck stated on behalf of the departments, staff and community she hoped staff had adequately responded to requests for information both with this presentation as well as the information that had been shared on Budget Central. Staff was available to answer questions.

2. Mr. Morehead remembered one other information request, a summary of the efficiency initiatives that had been taken. That was promised and he had not seen it. Mr. Vitola stated the Public Works and Water Resources combination that saved fuel, truck rolls, and staffing with the actual line by line was underway, and he did not have a completion date. Mr. Morehead asked Mr. Vitola if it would be complete by December 14th. Mr. Vitola stated it could be complete by December 14th.

Mr. Gifford stated at the previous meeting he had brought up a conversation about vehicles and any sharing between the departments. He did not see any updates on Budget Central but he thought he would ask the question again to see if anyone looked into that to see if there were any efficiencies that could be had. Ms. Houck stated it was ongoing, had been mentioned and they were looking at a program of sharing within the management staff. It was something staff was going to have to utilize the GPS information that the City now had. There was nothing more formal that had been accomplished at this point in time. Mr. Gifford confirmed that staff saw this as an activity over the next year to determine for the next budget process. Ms. Houck confirmed this was the case. There was nothing obvious this year. The vehicles that were up for replacement were looked at, everything was necessary to be able to complete the work; as they knew it came in from the different departments, and the equipment that is included. Mr. Vitola added that for instance, there were one or two vehicles that even though there were about \$1 million in delays last year; if the City was to limp on again this year, they would see less in gross CIP spending and less in reserves applied. Leaving the requirement identical for 2016 for current resources would not impact the operating budget at all. Mr. Gifford was thinking "have we looked at some of the silos" and "were there duplicate vehicles that were not necessary at all because the City did not share them between departments". He was not necessarily looking at the vehicle that was there and whether it needed replacement.

Mr. Gifford stated the other item he wanted to confirm was that the Folk Park picnic shelter had been swapped with the parking lot placement in Phillips Park, so that was totally neutral for this year. Mr. Vitola confirmed that was the case.

Mr. Gifford stated the City added the fitness stations per the request of Mayor Sierer for other trails. He stated if he was remembering correctly, the original ones were

possible because of funds that were raised. Ms. Sierer confirmed that was the case. Mr. Gifford stated he just wanted to have a conversation. There were pretty serious sewer and storm water issues and the City did have a lot of funding that they put towards parks and recreation. He challenged the City to look at some of these items as well. Even though they were nice, not everyone used them compared to water and sewage infrastructure.

Mr. Chapman stated the first item was the funding for the UD Bike Share program. He knew there was a presentation a few weeks ago and there appeared to be some mixed reactions from members of Council. He was not able to ask UD what specifically the \$12,000 would accomplish. Ms. Houck stated that got the City the first of three years commitment for five bikes and it was \$12,000 each year for three years, ultimately a \$36,000 commitment. Mr. Chapman stated this would be used for buying UD five bikes a year for their students to use. Ms. Houck said they would be located on City property, not on UD property. It would be supplemental to what the University was doing.

Ms. Sierer did not see this as a University project that only university students were going to use. She brought this project forward. She thought it was important that Newark had bicycles and a designated bike share program on City property. Studies had shown they were actually used by visitors and residents more than they were used by students. She believed the City should partner with University on this and initiate at least one rack of bikes from the get go and asked staff to include this.

Mr. Chapman did not disagree it would be nice to see a bike share program. The way that UD put together their program raised some concerns for him as to whether it would be extremely successful in broadening it for more Citywide city use. He did not see why this had to be a fully subsidized program. If it was something that the City initiated he thought that it would have been more appropriate for it to be a paid for service, possibly subsidized for initial participants, but with a payback, whereas because the City was joining the University system, this was not a possibility. Because the relative cost was a lot less than comparable bike share programs the City had seen in the past, he thought it would be interesting to be able to collect data from this and perhaps drive the City to do its own bike share program that was not connected to their bike share program but was self-funding, more or less. He was not necessarily worried about it being a revenue generator but at least self-funding. He was not completely opposed to this, but knowing that it was a three year commitment, he thought it should be understood. He had a bit of concern. He did not know how thorough the presentation was or his full understanding of the project, but in theory it was nice. He asked if anyone else had thoughts on the topic.

Mr. Morehead felt that during the presentation of the bike share UD was pretty clear that the City would be an after-thought. Any possible racks and so forth, they were not committing to it at the time. He was surprised that the City was basically funding their program, or partially funding their program without any promises to Council that the City would get anything for it at all. He expressed concern and would like to see some hard information about what the City would get before funding this program. He thought it was a great idea from a conceptual standpoint, but he would like to see the implementation and what was in it for the City. It was only \$12,000 but it added up. He would like more information on this.

Mr. Chapman thought the location of the racks was the main issue. The \$12,000 bought bikes, but it was not buying additional racks. The idea was to have the racks on Main Street. It was explicit that they did not have that intention yet. He recognizes the CIP was really just a plan. It said come forward with a proposal. This was an amount that would not require Council to decide on when it was time to write the check or to move forward so he thought he would like to carve this out. If Council was going to leave it in the CIP, he wanted to carve it out and enable Council to have an opportunity to work with UD to get at least one rack on Main Street, South Main Street or one of each or something down at Newark Shopping Center that connected the ends of Main Street. Ms. Houck stated this was added from discussion at the first hearing. More information could be provided, as it was currently in the operating budget. The change could be made very quickly if it was not the desire of the majority of Council to move forward with the project.

Mr. Gifford stated he believed they were talking about exactly what Mr. Chapman was saying was that the City was maybe going to look at a place where racks would be placed to help in that matter, but not necessarily sponsor bicycles. He thought that was the conversation that was had when UD gave the presentation. He would like to see UD have some success first. It was a little concerning the City basically subsidizing this project. He would like to see UD start with it first.

Mr. Markham stated it was his understanding that UD was reaching out to the City as an opportunity to share and, considering how the City complained about those opportunities being few and far between, this was a very small project. His understanding was also that the City could make the bikes not look like UD's bikes. They could be the City of Newark, or whoever was sponsoring appearing on those bicycles.

Mr. Chapman stated as far as branding, he specifically asked what changes and they said nothing. So there was an opportunity to put additional stickers on it. But, looking at it from UD's perspective, he would not allow that. That could be confusing which bikes could went on which racks, if it was a unified system. The idea was that it should be, etc. Mr. Markham stated it should be a unified system. Ms. Sierer stated that would be based on all the signage for each rack.

Mr. Chapman stated he was not worried about the City getting branding or recognition. They were being used inside the City. He did not know that there was a huge benefit there. It would be nice, it was like people seeing the logo drive past on the refuse collection vehicles or something. But there was not an ROI necessarily on that so he was more concerned if the City was going to see a benefit for full time residents or visitors outside of possible vehicular traffic reduction when used by students. Would there be usage that was going to add to the economic vitality or just recreational enjoyment for the City. Based on UD's presentation, it did not seem that was going to be the case. He stated he was interested in it, it just did not seem thorough enough.

Mr. Markham stated perhaps Council could ask UD to come back before they completely launched it and give them more information. This was something he was interested in years ago but it was very, very, expensive. Especially if the City did it. He believed it was really ten bicycles and thought it was a \$100 per month. Mr. Nietubicz reported the bicycles themselves were a \$100 per month per bike with a three year commitment. The racks themselves were about \$1,200 and could be made a little bit elaborate for some additional costs. He was not sure this included the bicycle racks.

Ms. Hadden thought she was hearing that \$12,000 was set aside for this project. She did not think that it was enough money to create a problem for the City financially and that they should be able to set the money aside. She agrees that UD needed to come back and address these questions and present to Council again because it had been a while, but she thought some of the questions asked tonight were addressed. For example, she thought that one of the answers regarding the highest users was not necessarily the students, but was normally the residents because the students brought their own bikes. She did not see a problem setting the money aside and having them present again as UD should have more information by now.

Mr. Chapman stated in relation to the CIP, he believed, at the last meeting he asked Mr. Coleman about infrastructure replacement and repair. If more funding was provided, would more projects get done or would the pace of repair replacement pick up. He asked if the City could get more done faster. At first, he recalled Mr. Coleman's response being no, the City's capacity to do so much per year was what it is so additional funding was not going to be entirely beneficial. He thought some of the comments tonight indicated differently and asked Mr. Coleman to address this issue again. Ms. Houck stated the items that were identified for the increases were things that the City thought that staff could accomplish in the years that they were noted for. Mr. Coleman responded it really depended on the project. So, if it was paving streets, replacing water lines and the sewer line rehab projects, all that really did was extend the duration of that one project. The City generally had an inspector assigned to that project they would just be on that project longer. One of the things that began to tax the City was once staff started running more than one project in parallel as there were a lot of projects already. If the City started

totally different initiatives, once staff started ramping up, for example the dam removal project, that would siphon off a lot of management time, but not necessarily inspector time. For the goals of this project, tackling buried infrastructure, he believed the City was well suited to continue to do it with current staffing. One thing he mentioned with Ms. Houck previously was once the City got to a certain point, staff may want to discuss moving these projects in-house, such as line replacement, or something similar. As all were aware, in paying someone \$1.5 million for water lines, it was probably better doing that in house long term. If it was serious and the City was going to keep doing it, one could probably do it cheaper with existing staff. That would take time to ramp up, the City would need to bring on staff, and would need to get new equipment. The City would also need commitment to tackle this long term. In the short term, adding additional funding for water mains and streets and things, the City could definitely do that with existing staff.

Mr. Chapman believed they were on the same page. He would like to make sure that the view was going beyond 2016 and 2017 recognizing that the numbers Mr. Coleman gave Council in terms of what funds could be raised in that period of time based on collection periods and how that particular \$150,000 or \$200,000 would be applied, etc. He felt Council should not make the assumption that a significant portion of other City costs would decrease over the next two and a half or three years. Therefore, the base budget would stay the same or raise slightly, because they always did. Staff wanted to continue funding the infrastructure replacement and repair. The City would want to continue allocating these new funds in future out years, 2018, 2019, 2020 for the foreseeable several decades at that pace. The funds would be ear marked for that use and he would like to see proposals for long term efficiencies such as what Mr. Coleman just said. If the City was going to get serious about it and fund it every year, then there was an efficiency to bringing it in house and a two year ramp up that was going to be required for additional funding to get the City ready to do this. For right now, if staff was saying that additional funding was seriously going to be applied to that, year after year then it was a consideration. The thing that concerned him, and the reason he brought it up, was that option 2B showed \$200,000 added to Project H1301. He did not know exactly what that was, but a \$175,000 annual street program (stormwater drainage) which was where the City wanted it, but was the \$175,000 to the annual street program really where it should be going.

Mr. Coleman believed it should. Like he mentioned last time, in the first year, which was why staff left it out of 2016, the City was redoing the Asset Management Plan for City streets. Staff would have more information by the end of the year. The City definitely was not spending enough on its roads if they want to keep them in at least the same condition as right now. They were going down, there was no question about that, and they needed to be spending more. Staff thought in 2016, the more urgent need, if the City was going to place a limited amount of funding in one location, it would be to do the pipe inspections and then in 2017, get into the streets once they got a little bit more funding available. He did think it was an appropriate location for the additional funding.

Mr. Morehead stated Council had a conversation about the CIP specifically that he had with Mr. Vitola in public about the out years, with the years following. He had done this from his background in corporate world where his understanding was the year Council was talking about was the year being approved and anything beyond that was effectively a wish list, not approved. He was saying it because Council was often presented with, well Council's done this or past Councils have done that, or there has been this long standing desire and so on and so forth. The presentation was that projects were active projects and they were approved. He wanted to make perfectly clear that they were not approved. He could use a reverse example to get to the same thing, the same concept. He stated if people looked at the IT budget for capital improvement projects, next year it dropped to \$247,000, the year after, \$65,000. He was pretty sure neither of those numbers were realistic so, he reiterated that out years were not cast in stone. An approval of this year's CIP was not meant to be approval of anything beyond that, just a recognition.

Second thing, he would like everybody to understand that the Planning Commission approved the CIP but had no insight as to what that did to the City's budget. There was no insight as to if that required a tax increase or anything. While the projects looked good and the Planning Commission was responsible for having the CIP projects

match up to the Comprehensive Development Plan, that the Planning Commission was also a major determiner of, as they helped write it. Their approval was not meant to be “the be all and the end all” that it may be presented as.

The third thing he wanted to say was that the efficiency information of things that the City had bought in the past was really important. For example, were the Big Belly trash compactors paying for themselves like the City thought they would or like staff presented that they would. Those numbers coming toward the ROIs after the fact effectively, and things that the City did not have to buy but bought because Council was told they would be efficiency improvements. He would like to see that become a routine after the fact piece of information.

Mr. Morehead noted that looking back at the smart water meters that were put in, that one move sold approximately 30% more water and collected approximately 30% more sewer the following year. He was curious what happened to that money, because he felt that should have been profit to the City. Mr. Chapman stated he believed the projection was that the City's expectation was that the collection would increase and if that was found to be true that was built into the repayment. It had worked into the numbers of what the City was expecting its benefits to be. In the repayment schedule, he believed that break-even point was ten years out. Mr. Vitola stated that was the case. The extra revenue from the water and sewer was intended to be part of the repayment stream. There was additional debt service, created by the project and that debt service was going to be more than offset by operational savings in terms of people, less equipment, fewer truck rolls and higher water and sewer volumes sold. The offset to that was the City paid the County based on its billed water meters. As the City's water meter revenue went up, so too did the expense to the County for sewer.

Mr. Vitola stated in 2014 staff did report that the volumes were higher than expected. They could be higher than expected for whatever reasons: weather, usage, growth, etc. They did not know exactly why the 2014 volume was that much higher, especially at the time. Staff did get the M&V report back that said meters were operating at 100.04% accuracy, which was better than the 98.5% and better than the model anticipated. That did not mean the City got extra dollars. That meant that had the City not replaced the water meters, its volume would have registered 12% lower. Whether it sky rocketed due to drought or it tanked due to phenomenally wet weather conditions, regardless of that and the City's revenue picture, the accuracy was 12% higher than it otherwise would have been.

Mr. Vitola stated the City had a higher than expected cash balance at the end of 2014 than it otherwise would have and that just flowed right into its surplus balance. Anything over and above the 20% extra revenue that the City expected that was marked in reserves because staff thought cash was going to go down in 2014. It was stable and it was on pace to go up in 2015, so that was extra cash now. The 2015 budget was not as rosy as 2014 but in 2014 that was where that revenue would have been.

Mr. Morehead said with regard to the summary that was online of the gallons of water sold and it was up 32% in 2014 versus 2013. The sewer was up 28% in 2014 versus 2013. He was assuming if the City sold it at the right amount, the water rate should have been profitable so the City made money. Mr. Vitola stated that was true. The City did not look at that money and do anything with it. There was a higher than expected collection that flowed into the end of the reserves. Much like in 2015, water volume was significantly lower than expected. Unfortunately for that reserve there was a hedge against that.

Mr. Gifford thanked Mr. Vitola for the priority list. He used it and it really helped. Before he returned to the pipe questions which would probably be answered by Mr. Coleman, he wanted to ask Mr. Vitola what the cash balance was currently. He was looking at our financial policies and then at the last data point and it seemed to be somewhere between \$25 and \$27 million. He asked if that was projected. Mr. Vitola stated that was an accurate projection. The City's cash balance was right around \$30 million. Mr. Gifford said the City's financial policy dictates that it try to stay between \$25 and \$27 million. Mr. Vitola replied that was true, but it was formula driven, so that was something that the City should be looking at every other year or so with the other rates

and fees as that target would actually move. It was not efficient or wise to do it every quarter, half year or even every year but staff would adjust that so Council would see that move. Mr. Gifford stated it should not move too much though. It would not move more than \$400-500,000 at a time. Mr. Vitola stated as the City's budget grew the requirements got higher because the requirements were a function of the City's operating cash cycle and were asset based. The City's asset base grew each year as infrastructure grows. The point of surplus being to be able to respond to any emergencies of an organization this size. That was why the targets should not be moved. Mr. Gifford asked if there was any money in there that the City could use and still be okay with its financial policy as it was right now. Mr. Vitola replied, yes there was. If Council looked at the \$12 million in CIP projects, about \$6 million of that, \$6-\$7 million was being funded with those reserves. That was part of the City's cash balance that would be consumed over the course of 2016 should staff tackle everything on the list and everything came in at budget. Mr. Gifford stated the City was still anticipating the projection for 2016 to be within the policy. Mr. Vitola stated that was the case and it should fit in. He believed it was referenced on a slide from the first budget hearing where the ending data point for 2016 was within the band, as the band was calculated in mid-2014 or so. That would be done again during 2016 for the 2017 budget.

Mr. Gifford stated the reason he was asking the question was because when he looked at what Mr. Coleman was talking about for the corrugated metal pipes, the City had a one-time inspection fee essentially of \$100,000. He asked if that was something that Council could have funded with this reserve funding if they chose to do that instead of a tax increase for essentially right now a one-time cost expense.

Mr. Vitola tried to clarify the reserve funding. There was an operating cash balance that the City had that floated between \$7 to \$10 million or even \$4 and \$10 million during thin parts of the year with high electric usage. The other \$21.3 million is what he called a cash reserve account. It was a cash surplus account. It was not invested long-term. It was invested very short because the City might need it for some unforeseen emergency. Mr. Gifford stated he was aware the City did not touch the \$21 million. Mr. Vitola stated if the operating cash balance grew to \$12 or \$13 million, the City would probably sink another chunk of it over into the reserves; those were the basics. That \$30 million was broken into roughly, \$10 million in operating, \$20 million in the cash reserves. Those cash reserves were different than what the City defined as project reserves. Project reserves developed when something that was supposed to occur, something that was supposed to have money spent on it in one year was not finished as they exited that year, so the funds were encumbered and reserved for the completion of that project and was part of the \$30 million. It got down to the reason why staff created page 13 of the financials. That discussion could be saved for the October financials.

Mr. Gifford asked if Council wanted to fund, as an option, \$100,000 of inspection of corrugated metal pipe, would that money be available. Mr. Vitola clarified Mr. Gifford was referring to the money in the cash reserve account. Mr. Vitola stated that was the case, Council could authorize staff to do that. However, Council could not approve a budget document that resulted in a deficit in any one fund. So Council could not go on record and state that the City was just going to over spend more than its 2016 current resources because they knew there was money in the cash reserves. Council would have to say no to part of the tax increase, no to the inspections of \$100,000 and then later say yes to it and direct the use of those reserves after the fact.

Mr. Gifford questioned how much of a prioritization of those corrugated metal pipes was needed. Staff already seemed to have a list and he wanted to know how big was the list already and if it was something where they were going to find other corrugated metal pipes that were even worse than the ones they knew about. Mr. Filasky stated it was possible to find worse pipes. These were the ones that staff had seen that they knew about now that were easily accessible. There were ones in the woods. Some of the other ones were much, much larger embankments and harder to get to. Ideally there would not be. Staff knew the worst of the worst but until they inspected all of them they could not obviously get inside the pipes because they were dangerous. Mr. Gifford stated the City really did not have a good view of all of the different corrugated metal pipes that were out there. Mr. Filasky stated staff was about 90% sure they knew where they all were. It was

just a matter of getting out to each one of them and inspecting each one. Mr. Coleman believed it was important. Some were okay and other ones could be really bad, imminent failure type thing. The City fixed it right before it failed but he agreed it was important to get out and do the inspection.

Mr. Gifford wanted to be sure that that was the case. He noted the City did a lot of studies and sometimes he thought the money could be better spent just doing the work. He looked at the document that Mr. Vitola sent with the priority list. It went from 1 to 4. There were other priorities but there were only projects to 4 on that list. Even though the City had some smaller projects on the CIP, a \$10,000 or \$13,000 project was essentially one metal pipe that the City could fix if it was a small one. He reminded Council that even the small projects did add up. And then lastly, he thanked the Chief of Police for updating the header to the Police Department's section in the operating CIP budget

Ms. Sierer wanted to address Mr. Gifford's concerns regarding the fitness stations. The City currently had \$20,000 in the 2016 CIP budget for the project and she encouraged Council to allow that to remain there. She stated in her discussions with constituents in all districts that the 4 stations that were currently there were widely and frequently used. She thought it was important that the City continue its health initiative with fitness stations. The current 4 pieces of equipment there were from the first Mayor's Run. That was a fundraising event basically done by UD sponsorship and other businesses in the area.

She stated the second Mayor's Run this year raised about \$7,300. She chose to put that towards the Preston's adaptive playground this time which was a fundraising effort a business owner was doing to put an adaptive playground for disabled children and children without physical disabilities located over by Curtis Mill or the reservoir. Next year, she would certainly have another Mayor's Run and Bike Ride and contribute hopefully to both, but she did encourage that it stay in the budget. She did not think the City should be counting on her doing fundraising events for fitness stations every year. And if in fact, they did raise the money for that, then wonderful. The City would have that extra \$20,000, but she would like to see it remain in the budget.

Mr. Morehead stated with regard to Project A1601, the demolition of 919 Rockmoss Avenue, on page 132 in the CIP, that he was curious why the City would not sell the property as is, once it cleared the courts rather than spend another \$22,000. While it was only \$22,000, there were a lot of small projects and this one did not seem necessary. Ms. Houck stated she had something that she just got from the Deputy City Solicitor today. She did not have a chance to review it but she asked him for it. Staff had discovered that sewage was back in the basement again and the property had deteriorated further. Staff did believe that it was a safety risk at this point in time and the City should move forward with demolishing it instead of trying to make it through the whole full year period that they would have to wait for somebody to purchase it. The full amount due from the penalties and the back taxes was substantial. Staff did not think there would be many people interested in purchasing it with the house as well as having to take it down because of the concerns with the property. That was something that would be coming to Council in the future with that in mind and that was why staff had this in here. Mr. Morehead noted it was listed as a priority 4 when this document was prepared. He asked if Ms. Houck was saying the City was planning on digging that out of the ground, knocking down and disposing of it. Ms. Houck stated that was the case. It would be an open plot of land that may be more attractive to someone to purchase.

Ms. Sierer asked in theory would the City get the \$22,000 back in the purchase price. Ms. Houck stated there was currently a lot of money that was already into it so she could not say that for sure. She believed at this time the City was trying to manage risk and it had been a long process with the many people who they had to go through that had some ownership opportunities for it.

Mr. Morehead was familiar with that project. He noted the City had on the order of \$20- to \$30,000 currently in the home. Mr. Vitola and Ms. Houck stated they did not have the number presently, but Mr. Vitola stated in terms of unpaid property taxes, penalties, interest, utilities, it was significantly more than \$30,000. Mr. Morehead stated that must have changed because the last time it was discussed, he believed it was in the range of

\$22,000 based on the City's loan to have the roof put on. Mr. Vitola stated that was only part of it. Ms. Houck stated the real money was with penalties. Mr. Morehead thought the amount was closer to \$20,000 something without the penalties. Ms. Houck stated there had been more costs that had come in since the last update which was why this report was coming to Council and why she requested it. Mr. Vitola stated the \$22,000 is the amount of the loan from the CDBG federal funds. Mr. Morehead believed that was for the roof. Mr. Vitola stated \$96,000 was the property tax, penalties, interest and utilities. He believed the \$22,000 was the loan part of the \$96,000.

Mr. Morehead stated it seemed if the City was going to knock it down, that subverted the law that whoever could reclaim it if they could come up with the money. He was curious at that point why if the City was going to get rid of it anyway why they did not welcome folks to come take it off their hands before spending more money on it. Ms. Houck believed the memo providing detail would clear that up but it had come to their attention that it was a hazard in the state that it was in. Windows got opened up and there was concern that somebody could get in there, maybe drowning, and also the cost of continuing to pump it out. This would definitely provide some additional information. Mr. Morehead stated he would like to see that information before committing more money to that situation. Ms. Houck stated Mr. Morehead would have that opportunity.

Mr. Markham stated he was unsure if this was an overall funding question CIP. Regarding storm water galvanized pipes, staff had his attention when they put up three Woods at Louviers ponds. He believed there were only three out there. The only place that he could see in here for options for funding the storm water was property tax. He asked if staff did not discuss possibilities for much larger amounts like through a referendum to do things like that or to leverage money because he was looking for something other than "here's the only way to fund it." Right now the only way listed for storm water was property tax. He also asked if the developers had any liability with the Woods at Louviers. The development was not that old and he felt it should last longer than the 10 or 15 years that it had been there. Finally, when the City discussed redoing the water pipes along Center Street, he wanted to know if they could have a developer come in and do part of it, be part of his work because he needed the water pressure on Center Street and have developer's funding instead of City funding.

Mr. Vitola said the possibility of stormwater utility was still very much there and the referendum would be funded with property taxes as well. The numbers they had there paled in comparison to what was needed for all the repair. Staff was recommending options to do inspections, etc. To figure out what they do, how they do it, and prioritize them, staff needed some additional tax funding to just get started on the project. Mr. Vitola stated the operating cost of the stormwater division was within the Water Fund. That was recurring operating expenses that were funded through property taxes already. Then the City had Project H1301 which tried to do \$200,000 in CMP or metal pipe repairs every year. If they were able to get more funding through taxes, they could get that project up to at least something like \$600,000 in 2017 and \$400,000 each year thereafter with the way the CIP was shaking out now. What the stormwater utility would do, or a referendum for \$7 or \$8 million worth of projects, would help with the major projects that were causing the flooding and really start to address the major issues. They were getting the low hanging fruit and running the storm water division with what they had and hoped to get a little bit more.

Mr. Markham stated Council could fund it with a kind of Water Fund because that was where the storm water was today. Mr. Vitola stated it could be funded it with such and that was going to be part of the scope of the water rate study review that was going to be done in 2016. Staff could have the consultant look at water, storm water within water, and the sewer utility and come back with strong recommendations for what the City's path forward needed to be, how to fund it and what the rates should be. Mr. Coleman stated there was some nuance to what part of storm water was where. Storm water quality related to the quality of the run off and what was in it (dirt, sediment, etc). That was in the Water Fund. The actual infrastructure was still in the General Fund. The condition of the pipe had no nexus to the water quality or at least not nearly as much as street sweeping or the NPDES programs. So the pipe replacement is not in the water utility and would be in the General Fund only.

Mr. Coleman noted that as far as the liability of the contractor for the Woods at Louviers, unfortunately the City allowed corrugated metal pipes to be installed at the time as an allowable pipe material for embankments. It was no longer permitted. The City did not have any evidence that it was negligence on their part when it was installed. A lot of things could decrease the expected life of a pipe like that. There was a lot of sediment that was going through and scouring off the thin coating. There were different things that impacted the life expectancy of a pipe. If the City could get 15 to 25 years out of a pipe, that was not bad. Unfortunately that was where the City was. The City did not operate in metal pipe and its embankments were not in the road at all any more but it was in the ground already so the City built what was there.

Mr. Coleman stated as far as the Center Street pipe replacement, the flow threshold for a building was actually pretty low depending on the sprinkler system pipes that they had. Generally speaking, they got 500 gallons per minute usually. If there were fire hydrants on the property itself; then it got up a lot higher. The Retreat at Suburban Plaza, they would have had to increase the pipes had they not put the temporary storage tank near the fire storage tank there like at the Home Depot. If they did not have the flow they could either replace pipes or put in a tank. 60 North College was one where he was pretty confident they were going to have to replace pipes and they did not end up having to do it. There was just enough so that they were okay. So unfortunately they did not replace that pipe. He believed they had 50 or 60 gallon per minute over the limit.

Mr. Coleman continued with the referendum on the corrugated metal pipe replacement, and said it spoke to Mr. Gifford's question on whether or not the City needed to study it. At \$200,000 or \$400,000, it was still going to be many years before the City was able to tackle them all. Doing the referendum for corrugated metal pipe replacement this year, staff would not really know what the target funding would be for each year. Once the inspection was done, they would know, "Okay we've got a mile that's imminent failure. We've got 2 miles, maybe we've got 5 or 6 years on that." Once they knew the schedule to start replacing things, they could start to put amounts on those and plan out the years.

Mr. Markham stated it seemed like staff was asking for stop gap funding to do studies but a property tax was typically permanent. It seemed like they were going to need a different approach once staff did their studies, but the tax was permanent. Mr. Coleman noted chances were the study would indicate the City probably needed to spend more than they were spending. If he had to guess, that would be it. Similar to what he mentioned with the concrete pipe that was on there as a \$1.8 million underfunded line, but the City really did not have any that was at end of life. The corrugated metal was way into it, so the City was pretty far behind on that one. Once staff got through corrugated metal, they would probably start to add some concrete pipe that needed to be replaced.

3. Ms. Sierer opened the discussion on the operating budget and noted the discussion would be opened up for public comment after.

Mr. Gifford started with the recruitment bonus line on page 134. This was the \$100,000 that staff put in for and this was recruitment and to help retain employees. He forgot what the answer was last time, but he was looking to go right along with what Mr. Markham said about stormwater. He thought the City was mixing what they were going to do with stormwater with what they were doing now to have funding. If Council put a property tax in place, the City was going to have some funding from that already and then Council was going to talk about stormwater again and maybe put more money towards it. He was looking for how the City funded this inspection study without going to that second step of tax increases. When he looked at this line, he thought that if there was some key need for this recruitment bonus, Council could minimize this item to only what was absolutely needed from \$100,000. He thought last year it did not exist. So he was looking at critical needs. Mr. Vitola confirmed the number was \$20,000 in 2015, not zero. Mr. Gifford thought it was a rather large increase. He asked if it was in the same fund. Mr. Vitola stated it was in the General Fund and would go toward infrastructure. Mr. Gifford encouraged some Council discussion on this issue. He thought priority-wise Council had talked quite a bit about pipes and it seemed the City had some critical issues to address.

Ms. Sierer asked Mr. Haines to refresh everybody's memory on why there was such an increase. Mr. Haines reported that line item coming into this year was previously \$20,000. There were a couple of items that came into the 2016 budget for discussion. One discussed at the November 2 meeting was a concept of having a policy to establish known retirements within the police department. As it was outlined then, there was a time through the retirement process when they left the force of when the City had the replacement back. It was not an automatic structured scenarios. Staff had some scenarios where he believed it was the start of 2014's year right after the City had 2 members in the academy and the timeline to add more had closed. The City had a retirement within 3 weeks and was stuck waiting for the next cycle. Staff was trying to address staffing, and the scenario outlined was the concept of providing some type of an incentive for a known irrevocable retirement, so the City could plan from the staffing standpoint because the most difficult staff to provide from a training standpoint was the police department. That was part of it. Looking at that incentive, it could be 2, 3 retirements in the police department next year and if the City knew that they could better staff it. Working with Mr. Vitola and reviewing the numbers that were estimates on using overtime to fill certain divisions such as traffic division or some special operations, the overtime outweighed the incentive that the City could pay out to know someone was retiring and having staffing at all levels appropriate throughout operations. That was one of the considerations. It was a hedge on an incentive of 1 to no more than 3 people in a given year and staff would be able to look at the cycles in the out years and what may come up in a given budget.

The other piece of it was he understood there was a congenial conversation with Mr. Vitelli about when he may want to retire and not retire last night. There were some pragmatic pieces of national searches and the expenses that came with trying to perform those scenarios. When the City had retirements, they had transitions that happen day in and day out. Sometimes staff had to go out and recruit. Sometimes that line may go over. Staff was going to recommend it go up to \$30,000 to start with on the look back years and this was an item to look at not only to provide the City transitional time frame for someone as essential as the Electric department, if that occurred, but also be able to provide some known time frames with police department. That was the background and genesis between the growth and the line item itself.

Mr. Gifford understood the line item, but was asking if it was something that maybe could be built on that. Instead of going this year to \$100,000 from \$20,000, maybe go to \$50,000 or \$30,000 or even \$40,000. He wanted to know if there were any comments from the rest of the Council before they moved on.

Mr. Markham asked how much had been used out of the \$20,000 for last year. Mr. Vitola believed staff had used at least the \$20,000 and believed they were over the line now. \$30,000 was used in 2014 and staff was on pace to go over again in 2015. Mr. Haines' commentary was that if this was something that staff started thinking about now and was not able to implement until sometime during 2016, the requirement could probably come down, maybe to \$75,000 or so. Then staff would be able to use the experience in 2016 to gauge what was needed in that line for 2017 going forward. Mr. Markham stated his suggestion was that the budget could always be amended and it actually brought it to Council's attention when staff hit a number and had to go back to Council and talk to them about it. He thought that was an education process for next year if Council put it at \$35,000 and staff hit that number. Council would be well aware of this conversation, know what it was for and that it would have to change for next year or staff would have to come back and talk to Council. Mr. Gifford stated that was what he was thinking. Mr. Markham stated that Council had that prerogative to modify budgets and he thought this past year was the first time he had really seen Council make that adjustment to take things out of the surplus or the capital to do the project right.

Ms. Sierer asked what number made Mr. Gifford comfortable. Mr. Gifford stated he liked what Mr. Markham came up with. \$35,000 or something similar. Council was thinking \$40,000 and then the City had \$60,000 that could be put towards the corrugated metal pipe issues.

Mr. Ruckle asked if that was all for the police department or was the majority for the police department. Mr. Vitola stated it was organization wide. The majority of the increase was related to the police but he thought \$35,000 was a base line before even considering the police based on the growth that had been seen in the last couple of years. It would be \$35,000 to support organization-wide the ordinary course of business expenses without considering the new program for the police, which would have to come back to Council for approval anyway to even initiate such a program, whether it was in the budget or not. Mr. Gifford asked why it would have to come back to Council. Mr. Vitola stated it may or may not have to come back to Council. He was aware that Mr. Haines had been researching the initiative and preparing to do a memo.

Mr. Gifford asked if it had been used for the police in the past. Ms. Houck stated it would be a new initiative and staff would bring it to Council with more information in detail but it is something they thought was beneficial.

Mr. Morehead asked if the money used in the past from 2011 was used in other departments. Ms. Houck stated it was the recruitment and retention citywide. Mr. Morehead stated when referring to recruitment, would that be used for waiting for someone to move here if they take a director position. Ms. Houck stated that was rare, but advertising, everything that led up to bringing in new people and attracting people to City positions would be included. Mr. Haines stated background checks and drug screenings were part of the recruitment process. There was a new mandate coming in next year so some background checks would increase. The consistency of providing that through all employees including seasonal employees was part of that growth seen in the line item for recruitment retention. Mr. Morehead noted that \$100,000 seemed like a nice round number rather than how many folks did they think the City would be hiring, how much did it cost for each one, etc. Perhaps come up with a number like \$92,600 or something. He was always uncomfortable when numbers were perfect, round numbers. Mr. Haines responded that was fine. It sounded like staff said they were hedging on what may be possible, in addition to the City's normal recruitment, with the incentive for retiring from the police department and making sure they had any transitional wages should any of the department directors choose to retire.

Mr. Morehead stated there was a bigger picture. Every time the City negotiated with unions, if it seemed like the City had a lot of money, they were going to lose that in a negotiation if it came to arbitration. So including numbers like \$100,000, nice big round numbers because the City had the money and because they could just vote to tax more went against the grain for him. He stated if the City was going to limit this cycle of the union got the increase for the next few years so therefore everybody else deserved the increase, the City needed to quit acting like they had lots of money and actually act like they were doing the best they could with as few resources as possible and tread lightly on the residents' pocketbooks. Mr. Haines stated as they approached 2016, definitely 2, possibly all 3 union contracts would come up and he thought it was a great opportunity in executive session to talk about some of the strategies, but he was very confident with how the Finance Department and City Manager outlined some of the funds that they aligned from an arbitration standpoint. He believed it was definitely a good conversation to get into next year as they approached those contracts to have a whole conversation with the Council.

Mr. Morehead stated the other part of this story was that inflation this year was 0% and yet Council was looking at a budget that was going up almost 8% overall. He had been the first one to say keep up with inflation, but not like this.

Mr. Gifford stated the other conversation he wanted to have was about the Electric Deputy Director. It was discussed in the first meeting. He went back and read last year's discussion and Mr. Markham brought up what the impact was of these changes. There was the mention of having a fiscal note for additional directors and he thought Council had that conversation around the Deputy Chiefs positions that the City hired for. He was a little concerned that they were going to have a lot of overlapping Deputy Directors. He had not supported and he did not think any of the changes that Council had decided to make to have the additional Deputy Directors and right now the City had a Deputy and had the Director. He stated he was sensitive to the fact that there was extra work to do in

the Electric Department and maybe they needed an extra engineer to support work in the department. But he was concerned about now every department was eventually going to go this direction, eventually Planning and Development would be back and the City would have one or two deputy directors there as well. He wanted to throw that out to Council for a conversation. He was uncomfortable with it. He believed the City could fill those positions and they were desirable positions. He did not think the City had to grow everybody from within. That was his point of view and he was hoping that he could get some comments from Mr. Markham because it was going right along with the same conversation Council had last year, just a different department now. He reiterated that he was sensitive to the needs of the department. If the department needed extra help for project work and that kind of stuff, he understood. But the growth of these positions, if it was a 5 year transition, that was a very expensive proposition for a highly paid position.

Mr. Markham stated one of the thoughts he had was that he understood the replacement thought process. It seemed, at times, when there was a Deputy, if there were 2 deputies and then one moved into the Director's position, there was still a Deputy, and maybe the second Deputy position should be eliminated. It was transitional. It was designed to move people up and then go away. He did not know if that helped.

Mr. Gifford stated he hoped this was the case but if the position was there it was not necessarily a guarantee unless Council decided to put some stipulation on it. The other concern was growing from within was not necessarily always the best decision. He would like some outside competition for some of these positions. He knows there was a long conversation about the Deputy Chief positions, but in this case, for Electric Director, he believed the City could benefit when looking outside as well when they grow at that department and change the department. Ms. Houck stated the intention was that once Mr. Vitelli were to retire that the City would move one of the individuals into the position and then the other position would expire. That was their intent. Knowing everything that they knew now, additional work load was also a reason for this so that additional work could be covered and as far as only growing from within, this allowed for that opportunity not to just grow from within as well by hiring somebody new. Mr. Gifford asked if that meant hiring a deputy from the outside. Ms. Houck stated if the City did not have someone in-house that staff thought would move into that other position. Mr. Gifford asked if Mr. Vitelli wanted to address this topic.

Mr. Haines stated it was not based solely the succession plan which was a key part of looking at an operation as integral as the Electric Department, but as also work load. When talking with Mr. Vitelli, he was a department director that has taken phone calls when the power was out and worked directly with his linemen at the level of his day to day operation. Mr. Haines stated they had talked about the assistant IT manager. In that vernacular, it was interesting the night of that conversation that almost every department director he could think of was a working director, was writing reports. He thought that was maybe a bit of a learning curve of being in the public sector a little much. Maybe having an understanding of what the connotations of certain titling was. That was why Mr. Vitelli assisted in outlining to Ms. Houck and to him and the budget committee, regarding work load within the department. There was also the concept of creating the competition. The City needed to have an electrical engineer which was part of it which was the outside need. He stated he wanted to be frank and say he completely disagreed that the attractiveness of this was not a challenge. Mr. Vitelli challenged Mr. Haines when they went out to advertise previously for other positions and were having great success recruiting and getting a fantastic panel coming in the door. Mr. Haines noted Mr. Vitelli said they advertised nationally in the public power sector on multiple fronts, on social media and there were zero applicants. There were zero applicants for a deputy director level. Mr. Haines stated he would caution the simplicity to say that the City could recruit externally because he thought that was really going to be a challenge when they moved forward. Mr. Haines said the City was fortunate. Many times people would look around at the staff the City had here because they wanted to be here. The City needed to look at market analysis on certain positions and that would be a fair comment to bring back to the Council in executive session talking about personnel. At any time someone transitions in any department the City took that opportunity for the new department director to re-evaluate that operation, the organizational chart, and if they had any suggestions to reorganize at that time. He believed it was completely germane that there was the concept

that the City needed 2 deputy directors or maybe go to a single one and a different engineer, such as another field engineer. Because the level of engineering work that the City needed that Mr. Vitelli had outlined and demonstrated was an absolute ongoing process as a utility operation for the City. He thought there was more depth to that and maybe it was a good one to go offline with Council when it got into the personnel discussion.

Mr. Vitola replied that Mr. Haines' comments about the comparable were absolutely correct. There were union employees at Delmarva Power that made \$50,000 more than the City's Deputy position would make, so for added and increased responsibility, why would someone do that.

Mr. Vitola also noted that the Electric Department had 23 full time equivalent employees. Dover was often cited as one of Newark's comparable and had 47 full time equivalents in their Electric Department doing work on a comparably sized system. If UD was removed, what was left of residential and small commercials was probably a lot smaller than Dover. But they are the second largest city in the state, Newark is the third largest. Both have public utilities systems of comparable size. They have got about double Newark's employees. If the decision was made by Council not to keep the Deputy Director in the budget, Mr. Vitola asked to please keep those funds in the Electric Fund so that staff could be added. The City was at the limit of what it could transfer from the Electric Fund anyway so the savings were not going to do anything but add to a surplus that could not be used for some time.

Mr. Gifford clarified his comments by saying he was not looking at this as revenue for corrugated metal pipe like he was the other stuff. He was more concerned about the paradigm the City was setting and this particular item was mentioned in the introductory comments. It was a single-line item and he thought it deserved a longer conversation than just a single sentence or two sentences in that introduction. He was sensitive to the needs of extra employees. The difference between engineering and Deputy Director was probably not that much. It could be \$10-20,000. But he wanted to make sure that the City was not going to multiply this everywhere and come out on the negative side. If the City was going to use it as a way to bring in some outside talent and test that talent and then go back to a single deputy and maybe someone doing engineering work, he may be more comfortable with that. It seemed like it was possible to go in that direction. A larger discussion could probably follow later.

Mr. Gifford inquired about the red light camera revenue projected at \$221,000 and it was going down. Staff projected \$250,000 this year and he wanted to know why they thought the City would get \$250,000. Mr. Vitola stated part of the underage was related to when the cameras were down when they flipped over to the new vendor and they were getting up to speed with procedure and how to do it. He believed that resulted in a lot of lapsed fines in 2014 but even more so into 2015. There was some systematic change that would suppress the red light camera revenue with longer amber light duration times. In addition to that, there was a more severe impact of being down and changing vendors. Once that was through, the City should rebound a little bit but not a lot.

Mr. Morehead stated he had a question for Mr. Coleman. The operating indicators page that was online talked about recycling tons collected going down to 1,535. It had been trending closer to 2,000 since the City started that program, so he asked if staff understood why and what were they focusing on to encourage that number to increase. He also asked if the City was considering getting out of the commercial refuse business, why were they putting a 10th person back in refuse collection.

Mr. Coleman stated in regards to the first inquiry, 2014 was the first year where the City had terminated all commercial collection outside of its residential properties, so that was probably the driver for the difference there. He would imagine 2015 was probably turning closer to that number. As far as the commercial collection, when looking at staff and the routes that the City ran, when they were doing commercial collection, they actually had 2 rear loaders out and around not just one. So they have 5 standard routes, arm trucks out picking up curbside. They have the 2 gentleman on the rear loader, and the remaining dumpster collection and the bulk collection. They have an additional route that

had to run when they did metals pick up; then they had staff to cover vacations and overtime. When all the vacations and sick time averages were added up, it was actually more than a whole person, so that was how they ended up with the choice.

Mr. Markham has stated that Mr. Gifford had peaked some questions he had about a couple of positions. The director of Parks and Rec was retiring and it looked like next year there was a grade increase and then the recreation superintendent was phased out. He asked if that was correct. Mr. Haines stated it was not actually phasing out. There were partial wages in there and it was actually on the back end of it. They just talked about the opportunity for a new person to take over the department to assess. Mr. Spadafino was going to have the opportunity to look at the organization and be able to meet with staff and see if there were any different ways to approach how the City was running the Parks operations. There had been a lot of physical growth. That projection had been lowered but now the City had a lot of programming. Management was asking Mr. Spadafino to be able to look at that and have a mid to late year discussion about what the position would or could be. The money and funding was still there; they were not looking to eliminate it. Mr. Markham stated he saw \$19,000 for the whole year. Mr. Vitola stated that represented the last quarter of the year so assuming a half year or a three quarter year review is done, either start a Deputy Director at that time to go back to his own position or some other alternative.

Mr. Markham asked if they expected the Director to still be at that salary. Mr. Haines stated he believed it was the same pay grade. Often times they would be able to have transitional wages in the department. They had funded the position in its full entirety. That was not saying that was where the replacement would land but there were retirement payouts they had to make that came out of the same GL line that would make it budgeted full for that year. That was why they just left it there instead of calling out separate transition wages which they had done in past years in other positions.

Mr. Markham stated his other question related to the deputy director of finance position. He noted Wilma Garriz had been here for a long time and he knew that the new position did not have the service award. He asked if the new position was expected to start at essentially the same salary as Ms. Garriz' departing salary. Mr. Vitola stated the service award was eliminated for 2016 for the Deputy Director of Finance but the dollar amount was assumed before they made the hiring decision. They were likely to come in under budget on that line slightly so that would be approximately \$5,000 - \$10,000.

Mr. Chapman commented regarding the one-time funding or the purpose of a tax rate increase to fund a one-time project. He believed it relates back to the conversation regarding the application of this money at first so that the City could more efficiently and strategically spend it going forward on the right things at the right amounts. All related to infrastructure repair or replacement specifically stormwater, sewer, and water delivery. The first year was primarily going to be toward the study so that the City knew where to spend it and how much. The City was nowhere near the appropriate funding level at what they knew to be true. The information was probably going to get worse via the studies. The main idea of the study was not to tell the City or to confirm they had a problem but to give them a strategy to attack it with the most efficient or the highest priority. He wanted to remind Council of that. He spoke for himself but he thought that enough members of Council over the last couple of years had said related to all this, "Yes, we're serious. Yes, we want to fund it regularly and at the appropriate amounts."

Ms. Hadden asked if the operating revenues included the rental permit fees on page two in the permits and licenses line. Mr. Vitola stated they were. Ms. Hadden stated she was surprised to see that in 2013, it was \$2,200,000 odd, in 2014, \$2,000,000 odd, 2015 it dipped to \$1,700,000 and then it was back up to \$2,000,000 in 2016. She was curious if staff knew why it dipped like that and asked if that figure should remain stable. Mr. Vitola stated it was the timing of building permits. They would have to go into the detail and go project by project and breakdown the fees but the fee levels were constant. It was just a matter of the activity, the timing of the activity, and the scope of the underlying projects. Funds could be received for projects that they did in a prior year. In 2015, they were actually doing a lot of work but the revenues were not there. The revenues were going to lag the activity.

Ms. Hadden asked Mr. Haines what efficiency changes were made in dispatch and asked if more dispatchers were hired. Mr. Haines stated looking at the personnel from year over year, from 2015 to 2016, there were 12 dispatchers. Management made a commitment working with the Union and working with the department to make sure they had a minimal staffing level reached at all times. That was two dispatchers on. Those were some of the things they made to make sure when calls were made and when calls for service were there, the City had the staffing. They were also not having a scenario that, if the City had less staff, but required that level of staffing, that they were overworking people, from an overtime standpoint. They could assign overtime, but they would be running people on a low level and they needed them to have a high level of alertness when they were taking 911 phone calls. That was where they addressed it. The department had been very proactive working with CWA to try to structure a scenario that was in the best interest of minimum staffing, not over-staff, and that there were appropriate levels to accommodate. There were scenarios when he started here in 2013, where there were certain members that could barely get vacation time and never had weekends off. They were trying to get a fair, reasonable schedule. CWA leadership had been really good trying to work with a fair outcome.

Ms. Hadden asked if there was no longer overtime. Mr. Haines stated there was more effective staffing, not only from the number of bodies available to be there, able to take the calls, and can effectuate the two people on call, but also the ability to minimize overtime. Similar to when Mr. Coleman said it took ten staff members to facilitate the day-to-day operations for refuse collection. Twelve had become a number that they were utilizing for dispatch. They were adjusting working on the actual hours and things out with the union, but twelve had become the number that they could sustain moving forward.

Ms. Hadden noted the reason she was asking was because she did a sit-along with them one night and it looked pretty interesting. She asked if twelve straight hours were a burden that might create a problem just because people got tired. Mr. Haines stated outside the staffing center, the number of individuals being twelve, not hours per se but they were before on seven and a half hours or eight hours. Now they just work with the union to be able to understand with the twelve. That was a union decision so that they actually voted to support that. Ms. Hadden asked if they voted to support that. Mr. Haines stated that was the direction the City was moving forward with. He believed the county, University and many organizations ran 12 or modified 12s, like 11 and 1/2 hours. It was a very effective operation and so that was what the City was looking to be able to do.

Ms. Hadden asked if the City had anything in place then to address possible burnout if they got in a situation where an employee was stressed. Mr. Haines stated the City was working with the union to establish an employee wellness focus from ergonomics to making sure they were establishing mandated breaks. There were many call centers that made employees stand so they were very focused on having a mutual policy in place with the union about addressing employee wellness.

Mr. Morehead had two follow-up questions. In regards to Ms. Hadden's question about permit fees, he asked when the rental permit fees went down with the City's settlement of the lawsuit. Mr. Vitola stated in 2011 or 2012. Mr. Morehead stated that should have made a significant change to that number. Following up on Mr. Markham's question about the position of the Parks and Recreation Director, it went from a 28 to a 30 pay grade and he asked if that was correct. Mr. Vitola stated that was a mistake. It had not been upgraded to a 30. He believed that was what Mr. Emerson recommended during the budget hearings but it had not happened yet. The dollars that were reflected in that line were pay grade 28 for 2016 with a 3% increase. Mr. Gifford asked if the pay grade 30 was an error. Mr. Vitola stated it was put it in there purposefully but he thought they were going to change it back and not come to Council with that recommendation.

Mr. Morehead asked about the City's policy in bringing someone into a position. If they were promoted to a position that they come right up into that grade, would they come in to the bottom of the grade or the middle of the grade. Mr. Vitola stated it depended on where they currently were because there was a lot of overlap. Someone could be at the high end of the grade below a certain grade. Staff went into that grade and could be at 80 percentile of something, just for instance. It was a case-by-case basis. Mr. Haines stated

an employee would have to at least be at the minimum of the pay grade. If someone was promoted up they had to at least be at the minimum, and then they had the opportunity to grow.

Mr. Gifford commented on the meter fee, because it used to be in the operating budget. The one issue he had was not the amount of money, but before, larger property owners would pay more, proportionately, for the fire service fee. Now they were making it even among everyone so a condo owner and someone who owned a car dealership would essentially pay a very similar amount towards that fee. He asked if there was any comment on that issue. Mr. Vitola stated there was never a fire protection surcharge that was passed through in this manner. The hydrant fee was the same per meter no matter what but that was outside the City. Mr. Gifford stated it was not the hydrant fee, but this came directly out of the Legislative Department which had a line item for Aetna Hose, Hook & Ladder. That was paid by property tax. It was just subvention, so it was based on property tax. It was pro-rated based on the property size. Mr. Vitola stated he understood what Mr. Gifford was saying. Mr. Gifford stated it was based on property assessment not based on "I have an apartment with a meter, I pay it." Mr. Vitola offered a technical clarification. The \$62,000 and the 10% increase there would take it to \$68,200. That amount was paid for out of the Legislative Services budget in the General Fund. He reminded Mr. Gifford that for every dollar spent out of the General Fund, there was only 23 cents of revenue. So, 23% of the \$68,000 was met with property taxes even though the City did not trace the myriad of funds. But, some portion of the electric, some portion of every parking meter, some portion of every sewer dollar was transferred in to help pay for that. Now staff thought it belonged all alone in water.

Mr. Gifford stated he had a friend who was at Millcreek Fire Station and he was concerned that someone saw this on their bill and then said, "Oh, well, I already donate to the firehouse," and might have a concern with people maybe donating less privately. He thought it was valid that someone brought that up. Mr. Vitola replied it was a valid comment and there could be unintended consequences of an action. They could name it whatever they needed to name it on the bill or the reference to Aetna did not have to be on there. Mr. Gifford noted he would rather it stated what it was. It was a concern that he wanted to mention. Ms. Sierer remarked she did have that discussion with the Fire Chief, who was here this evening and would probably be glad to address that. There might be a dip in the first year but she believed overall it was not going to impact the fire department that greatly.

Ms. Hadden noted that she thought that staff did a great job of laying the budget out this year. Budget Central was fabulous with the calculators and made it very easy for people such as herself to understand the impact that these things would be having. She wanted to let them know they did a really good job.

Ms. Sierer opened the discussion to public comment.

4. Donna Means, District 5, noted that she and her neighbors were concerned about the tax and water increases. She felt that something needed to be done about the water infrastructure, but wanted to know what had happened to the funds from past water increases. She expressed concern about residents who were 65+ who did not get a cost of living increase in their Social Security. She disagreed with the proposed 3% increase for management. She was not opposed to the 3% tax increase, but not if it went to management increases.

Jeff Lawrence, District 3, did not want Council to hesitate in proposing smaller savings on projects to avoid the higher option tax increases. He felt the funds for the UD bike share and the fitness stations were nice, but not a huge priority. He thought the crumbling infrastructure of the City should be the priority, not some of the other projects or the recruitment funding. He thought the willingness to raise taxes was spurred by the feedback from a "small handful of people" during the refuse discussion, but he did not feel that was the voice of everybody. He suggested a voluntary tax system would be better.

Bob Stozek, District 1 and Planning Commission member. He wanted to correct Mr. Vitola and noted he was not an enthusiastic supporter of the capital plan. He realized

the Commission all voted for it but he had numerous questions about the plan, which either that night could not be answered or the staff said they would look into it. He was not sure any of those changes were made in the plan presented. He noted the Commission had one night to look at a 144-page document and felt there was no way they could do any kind of in-depth analysis. He noted Mr. Morehead's previous comments regarding the approval being for the capital budget in 2016, not the out years, as he did not know where they planned to get the money and there were things he felt were not going to happen. He felt there needed to be more dialogue with UD about the STAR Campus before more money was spent on infrastructure and had heard different options for getting the money that had different implications. He also thought UD's role in paying for part of that infrastructure should be looked at. He suggested looking at resource leveling for vehicle replacement to save money this year. Finally, he expressed concerns about the City encouraging bike riding without helmets in the bike share and about the City's liability in the case of an accident.

Ms. Hadden stated she did inquire about liability. People had to agree to a waiver before they could take the bike out as part of the programming on the little pad.

John Morgan, District 1, followed up on Mr. Stozek's liability point with concerns that other people who were not riders would not have waived liability in the case of an accident. He felt that needed to be legally vetted and that UD had deeper pockets than the City in the case of legal issues. He noted that he hoped Council would do what it could to help the City avoid legal expenses. Regarding the recruitment fund, he hoped that directors would be recruited and motivated to buy a house in the City and living here full time. He reviewed recent faculty pay increases at UD and noted he would be surprised if they got a 3% raise. He thought developers should pay the full cost of the Planning Department to process their applications, including staff salaries and lawyers' fees.

5. Ms. Sierer returned the discussion back to the table and asked if there were any further comments before the matter was moved forward on any kind of motions.

Mr. Chapman believed there were a half dozen people in the room that could answer Ms. Means' questions related to where had the additional funds raised in the previous year's water rate increases gone. It was all based on a Black & Veatch study. The plan increased over a period of years. He had answered the question several times, knocking on doors and at the same doors a couple of years later. He somewhat forgets every year or so when it came back around. He believed it was worth saying again and the answer was, yes, all of the above. Infrastructure, as well as current expenses, as well as bringing the department from essentially loss to holding its own and now they were trying to get it to contribute to other expenses in the City. Mr. Vitola stated Mr. Chapman really hit the nail on the head. Staff could go line item by line item and he could share that after tonight but if they looked over the last several years, the transfer from the Water Fund to the General Fund had been decreasing while the water revenues and water rates had been increasing. That meant more money was staying in the Water Fund. It was ongoing operating expenses. It was on the correct realignment of some of the storm water utility expenses into the Water Fund. It was on debt service and it is on infrastructure, such as vehicles, equipment, pipes in the ground, relining pipes, that sort of thing. Staff could develop reports with greater detail but generally the transfer was down which did mean more money staying in water.

Mr. Chapman continued and stated he wanted to throw some numbers out. He found in what he did on a day to day basis in communicating numbers with folks was, it was not always fair or it did not always make sense to talk in percentages and it was not always fair and not always did it register to talk in dollars or whole numbers. He thought it was good to use both to get perspective and understanding. A reminder that everyone sitting on Council was also a neighbor, a constituent and a citizen. They were impacting themselves as much as everyone else and he thought based on the proposed changes, what would be the impact to the Chapman household. The tax rate increases via the property tax calculator were terrific and made things very easy for him. He would have an increase of \$15 to \$48 annually between the 3% and 9.5% property tax increase. The proposed water rate increases of 7.2% and the sewer rate increases of 8.4% would add another \$133 a year. The impact to his household if they approved both water and sewer

rate increases, and some property tax rate increase would be in a range of \$148.31 to \$181.55 and that range was the full rate increases in water and sewer and the bulk of those total numbers and then the range of 3% to 9.5% in the property rate increases.

He knew that the numbers were going to be different for everybody across the board. He knew why the City always proposed what they did in term of percentages because that was the only thing that people could individually look at and apply to themselves the same way that he had. He understood if there were not calculators to look at everything else or the impact of the rate increases. He did it by just averaging his previous years of usage and then applying the rate increases, doing the math on the differences.

He thought something he said in previous years was there were a fair number of folks that were on fixed incomes, that were of limited income and Council really needed to be as considerate as possible when talking about any increases or decreases because that would impact folks just as much. He thought on a \$30,000 annual income, the full brunt of the most proposed by the staff of \$181.55 per year would be 0.6% of that \$30,000 income. He was not going to say that was insignificant, Everyone's household situation was completely different.

He thought that understanding the actual dollar impact and the percentage impact of the percentages that they were discussing for him was \$148.00, or \$181.00 is a much different conversation per annum annually then 3%, 9.5%, 7.2%, 8.4% as those were scary to him. If they were not in terms of rates of return, he did not like them. Percentage, no, too high, but dollars...it was proof of the value that the City of Newark had been and continued to be in his opinion even if they implemented all of these increases.

He was proud of the difference in this budgeting capital improvement process this year from last year from last year to the precious year. The comparison between 2012 when he went through the first budget process and 2015 was completely different. It was clear and easier to understand. He had been getting positive feedback where in the past he received no feedback at all and if he did, it was all negative. The amount of the overall budget had increased in that same time period. The top line or the bottom line, depending on how one was looking at it, from 2012 to 2015, the budget was greater. The City was spending more money but inside of that, they were so much more efficient.

The changes that occurred in the past 3 1/2 years had saved an immense amount of money and a lot of the increases that the City had seen have been with long term view. He thought that it was worth reviewing with the long term view that these were larger capital expenditures with the foresight that in 10 years, in 15 years and 20 years, these would be long term savings giving Council an easier time in that future. If he compared it to the issues the City was having with infrastructure preventing that similar problem in many other areas of the budget. He followed what Ms. Hadden said in terms of kudos and accolades as well as the perspective he wanted to add for the rest of Council.

Mr. Ruckle wanted to reiterate he thought staff did a great job. It was a lot different than last year, this was his second budget. He really wanted to find a way that if Council did decide to increase taxes that it go to the storm water issues that the City had. He did not know what the best way of doing that would be. He heard about all these issues the City had with its infrastructure. The City was going to go out and spend \$100,000 and would know everything that was wrong. He thought the City needed to be proactive and fix these issues. He wanted to know if Council raised taxes 3%, 6.5%, if there was a way to direct that money to that issue.

Mr. Vitola replied it was a great question. He stated it would be a concern of his if he was sitting in Mr. Ruckle's chair because staff changed over time, Council changed over time. He believed the best method and what staff outlined in the recommendations was to specifically tie the increases to actual project numbers that could live year to year and be re-evaluated and re-approved year to year. Mr. Morehead stated earlier that when Council approved a CIP budget, the current year, in this case 2016, was what Council was approving and the rest was a wish list. He wanted to clarify the 2016 approval and also give his opinion on the wish list. It was not a wish list, it was staff's best expectations

of what challenges and needs the City had on the short term horizon and what funding resources the City may or may not have to be able to confront those challenges. In 2016, that was exactly right. The City had a capital projects fund where all of the governmental funds projects resided and utility projects resided in the utility funds. Every fund had to be balanced including debt service and capital. The 2016 capital year was built into and reflected in the operating budget as well as an outgoing expense. When Council approved the operating budget, they were approving that 2016 segment of the CIP. Even though those out year items were not approved and written in stone, they could absolutely be memorialized. For instance, a great example was H1301, which was a corrugated metal pipe project. Right now, in 2017, he believed there was \$400,000 and then in 2018-2020, there was \$200,000 per year. If one of the tax increases was passed to be tax increase that added the additional money to stormwater, each one of those years in the out years was going to increase and be reflected on that capital improvement going through the planning sheets so that next year the sheet is revived. They edit the sheet for next year's CIP, and for 2017, year one should not be \$400,000, it should be \$600,000 and that was under Council's control to be able to track the reason and the purpose for that tax increase. The first \$200,000 that next year would be applied to the H1301. Whatever the projects may be, W9308 in water, and the annual street program, which got a new number every year in the H series. That was where the money will be put in the future year's capital plans.

Mr. Ruckle stated that was the route that he would personally like to see. If Council was going to increase taxes, and it sounded like there were several folks up here that were for that, he wanted to put it directly where the City had an issue and he thought a lot of people in the audience would agree with that also.

Ms. Hadden stated Newark was a very desirable place to live. They had great services. Taxes were low and, except for that 14% increase years ago, they have had small incremental increases off and on. In order to continue and to keep Newark as a desirable place to live, the City did have to fix some things that were wrong in the city. She stated she was on a fixed income but she did see the necessity for Council to do something to fix the problems that were happening all over town. She knew how difficult it was. She knew the City had things in place to help the elderly especially they could get in on a tax credit program. She believed if whatever happened tonight did result in a property tax increase, the City staff would be happy to work with individuals that potentially were facing hardship to help them out somehow. Ms. Houck stated the City donated funds to Catholic Charities to assist individuals.

Mr. Morehead stated he would like to expand on something that Mr. Markham said. When Council raised taxes for specific projects, those taxes tended not to go away. He believed that Mr. Ruckle was getting at the same thing that if Council raised taxes that they target them specifically. He would say on behalf of District 1, all the input he received was that residents were lightly taxed in general. Having said that, the rest of the input he received was that the money could not be wasted. He gave 100% support to building a budget from the infrastructure up and to the degree that the City did not do that, he would have real trouble voting for other monies. The other thing was that he felt without the information that requested being provided, it was premature to vote to support the various increases being discussed.

Mr. Markham stated budgets were different than when he started. Everything was paid for by electric. The water reserve funds were unknown and anything the City needed usually came out of the electric and UD. Those days were gone and now the City saw very clearly what each fund did, what it produced, what it needed and that did not make easy decisions. Council could not just show up and the City Manager was taking care of everything by changing the electric rate and they were done. Now they had to dig in to things and make the harder decisions. Certainly, he heard from his district about taxes. For disclosure, he stated his taxes would be \$30 a year at 3% and more like \$96 at 9.5%. That was because that was where he lived. The Mayor would be coming in second in how much she would pay. Council had talked about having something expire before and either in the stormwater or taxes but had never done that and he was not sure why Council never pulled that trigger. As the Messrs. Morehead and Ruckle said, having a targeted fund would be one thing. With the idea that the City had not given up, once staff knew

what the City needed, they needed to put it to the public and let them really understand what it was so they knew how much it cost them just like the reservoir. Overwhelmingly, the City supported the reservoir because there was a need but the City had to show that need. They had to have their studies and go and figure out what was wrong. He would like to make a couple of motions within the budget, not necessarily establishing the rates. Council talked about the retention fund and that was quite a bit ago. He was going to suggest that Council set it at \$40,000. Mr. Gifford stated he would suggest that as well.

MOTION BY MR. MARKHAM, SECONDED BY MR. MOREHEAD: THAT IN THE ADMINISTRATIVE BUDGET, THE IMPROVEMENT IN RETENTION EXPENSES SETTING THE BUDGET FOR 2016 TO \$40,000.

Mr. Chapman asked for a moment of discussion on the topic. He did not want to be too presumptive, but he thought this particular line item seemed like something that a significant amount of thought went into. It was not willy-nilly. Granted, there could be \$97,400 or \$97,600 rather than \$100,000 and that was really, everything in the budget. The City very rarely went down to a particular dollar or even a hundred. It was never \$100,900. It was \$100,000 in most things. In a lot of the capital improvements, the larger expenditures, it was round numbers. His concern with this particular line item is that there was a reasonable expectation that the City was going to be spending more than \$40,000. It was estimated to be very close to \$100,000 and that was why they were looking for that. What he was worried about was they were kind of fooling themselves to make a prettier approved budget for 2015 and down the road in 2016, the funds were going to be needed and the City was going to get them in a silo. Council was going to forget about a lot of this and would not say yes, they would approve that \$35,000 in order to take care of whatever needed to be taking care of. By doing so, they were going to cancel the street paving on Wakefield Drive. That was going to run the City into a deficit unless somewhere along the line, the utility funds had actually gotten additional surpluses that were not expected based on forecast. He understood that the same as the Capital Improvement program was not a foregone conclusion that the money is spent. A lot of times it needed to be approved throughout the year but he was worried that in this particular instance Council was just "kicking the can." This may only be less than 12 months.

Ms. Sierer asked if there was any additional discussion before she calls for the vote.

There was no public comment.

MOTION PASSED. VOTE: 6 to 1.

Aye – Gifford, Hadden, Markham, Morehead, Ruckle, Sierer.
Nay – Chapman

Mr. Markham stated he would like to see the personnel expenses for the Finance Department reflect what the real number was that they were expecting to pay the Deputy Director. Like Mr. Vitola said, it was another \$10,000. Mr. Morehead stated he would agree that it was not a motion and that the adjustment would be made before the final approved budget was published and that the additional amount would accrue to the total General Fund surplus line. Mr. Vitola stated it was less than \$10,000. He would have to look at the personnel files. He did not know without verifying the number, but it was not as high as \$10,000.

Mr. Gifford asked if someone could tell him where the bike share was in the operating budget. After searching, Mr. Vitola stated it was in the other funds, the 9090 series lines in the Administration on page 132 in the online version. Mr. Gifford stated he would make a generic motion. Mr. Vitola stated they would find it and take it out. Mr. Gifford stated he was an avid bicyclist and he would be okay with a program like this, but he did not believe the information that he received was good enough for him given the other projects that the City had.

MOTION BY MR. GIFFORD, SECONDED BY MR. MOREHEAD: TO REMOVE THE BIKE SHARE PROGRAM FROM THE 2016 OPERATING BUDGET.

MOTION PASSED. VOTE: 4 to 3.

Aye – Chapman, Gifford, Morehead, Ruckle.

Nay – Hadden, Markham, Sierer

Mr. Chapman stated that he would like to follow up on the budget item that was just removed. Part of the discussion earlier in the evening was something suggesting a follow up presentation or a more in depth understanding of what the idea was, how the implementation might look and maybe responding to some of Council's questions and concerns from the original presentation as well as the additional conversation tonight. He believed there was enough interest here, though Council had removed it from the budget tonight to still review that and if that was something that the members of Council that did not want to remove it wanted to pursue or a message sent to the UD that the conversation already had could lead to the opportunity later next year for Council to increase the budget if necessary, for recruitment. Council could always add in \$12,000 or something to that effect. The idea that was of enough interest that he did not want a simple message to be sent that said the City was not interested was all he was saying.

Mr. Gifford asked Mr. Vitola what the amount was. Mr. Vitola stated it was \$12,000. Mr. Gifford wanted to reflect a little bit about what this next year could bring. The reason he was looking so carefully through this project was because they had a lot of other things going on around the City. His wife recently attended the school board meeting. They were going to come back with a referendum on Christina School District. Obviously the City had been looking at storm water management in the Rodney Dormitory area and may come to citizens for money for that project and the stormwater fee was a consideration that had been on the table a while. It was mentioned in this budget but Council had not actually put anything forward yet for that right path. He was really trying to be as conscious as he could because this was not it and that was what was scaring him for some of the folks in his district that were not as well off as some were. He also wanted to thank staff for especially the CIP budget. He stated it was a lot easier to understand. He went through that much, much quicker than he did the first time. It was his second time around but the information was much more clear and direct. He had the priority list, which staff spent extra time providing to him and he appreciated that. He stated, in his opinion, the operating budget was still a little harder to understand because there was a lot of material in each category and it was difficult to understand which projects specifically were in there. He thanked staff for the effort put in to the documents.

Ms. Sierer asked if there were any other specific motions modifying items in the operating budget. Otherwise she would entertain a motion to approve it as amended.

Mr. Gifford asked for clarification that the Operating Budget included a 3% tax increase. That was not a separate vote for the first 3%. Mr. Vitola noted the rate had to be stated. Ms. Sierer stated there were two different motions: they needed to make a motion on the tax rate increase and then make a motion on approving the budget as amended. Mr. Chapman felt there were more motions necessary. There were three proposed increases: one in the water rate, one in the sewer rate, and one in the tax rate. He felt it would probably be fair to consider them all, whether separately or together they all need to be considered and then relatively voted on; and then the budget as affected by those. Ms. Sierer stated it was not necessary to vote on all the potential increases tonight. She asked Ms. Bensley to share that information.

Ms. Bensley stated procedurally the water rate proposed increase as well as the fire protection surcharge, the sewer rate increase and the management pay scale all had to be passed in ordinance form. The second reading for those ordinances and public hearing was scheduled for the next regularly scheduled meeting on December 14th. Those three ordinances had to be voted on that evening. Per the charter, the operating budget may pass by single motion, the CIP could be passed by single motion and the property tax rate had to be passed for the next fiscal year at the time that the operating budget was passed. Depending on Council's wishes during this meeting, since there were several options on the table, a motion could be made for an option but once an option for the tax rate passed then that was the tax rate for the upcoming year.

Ms. Sierer stated if in fact the bills that were coming forward on December 14th for the other rate increases were amended and/or not approved, then the budget would be adjusted accordingly.

Mr. Chapman stated there had been some discussions about concerns about single project funding from tax increases as well as possible expirations. The projects that were being referred to that needed funding were nowhere near adequate levels and the timeline at the current funding levels or even the proposed funding levels that would occur after rate increases were still multiple decades. This should not be thought of as, "I want the project to be done in three years and then what do we do with all that extra money." That was not the case. The City would still be underfunding the infrastructure replacement and repair if the City was talking about these rate increases.

Mr. Chapman stated that Mr. Vitola mentioned from the other end earlier but the General Fund, property tax rates or revenues generated from property tax collection was a dollar for dollar application to expenditures, whereas of funds or revenues received through any of the utility funds, only a certain proportion could be transferred to the General Fund and only certain expenditures could go into the General Fund. Some could go specifically into the utility fund. The issue that had not been discussed again tonight that Mr. Vitola was very clear on in his initial introduction several weeks ago was that fundamentally part of what was run into at the City in its budget process was, many of the City's expenditures could not get applied, even though they were obviously related as well. There was a limited amount of transfer into the General Fund. A property tax increase was a more dollar for dollar impact to the General Fund's specific expenditures. Mr. Vitola stated he was correct.

Mr. Gifford wanted to make sure he was clear. His question was the budget itself when it was first created, it was predicated on a 3% increase. He asked if this was correct. Mr. Vitola replied that was correct. Mr. Gifford continued there were the other options that were described, those were not in the operating budget. Those were additional monies that would be put in there if those were passed. Mr. Vitola responded that was correct and the surplus the City had based on the existing CIP budget and the existing 3% property tax recommendation would remain completely unchanged if Council took action to move the water rate increase up or add another level of taxes because they would increase revenue, staff would apply a corresponding amount of that revenue directly to projects and the surplus would stay the same. Mr. Gifford said the way Mr. Vitola explained it, assuming the water rate passed and the sewer rates increase passed, the budget was written around 3% and the additional property tax increases were just extra and did more in certain areas which were described. Mr. Vitola replied that was correct. Mr. Gifford stated he wanted to make sure that if the operating budget was passed, then it was being said that Council had essentially passed a 3% tax increase at a minimum. It could not be altered to be 2% because the budget did not make sense at that point. Mr. Vitola confirmed that was the case and there would then be a deficit in the budget.

Mr. Markham asked what one penny equated to in tax revenue. Mr. Vitola replied it would be \$82,000 approximately.

Mr. Markham asked if the City had a policy that it needed to provide 30 days' notice to rate holders before increasing the sewer and water rate. Mr. Vitola did not believe it was a requirement. He believed it was precedent. It was also a best practice and it was something that the City would do. Mr. Markham replied even if Council passed an increase in December, it could not be implemented January 1, with the 30 days requirement. Therefore, they could not really base the numbers on January 1. Mr. Vitola replied that 12 full months would be roughly \$300,000 with a water rate increase.

Ms. Sierer stated unless there were further comments, she would entertain a motion to prove the budget as amended.

Mr. Gifford asked if Mayor and Council were approving the budget first and then the property tax rate or were they reversing. Ms. Sierer stated it did not matter what order it was done.

MOTION BY MR. CHAPMAN, SECONDED BY MS. HADDEN: TO PROPOSE TO RAISE THE PROPERTY TAX INCREASE FROM THE MINIMUM 3% TO THE HIGH OF 9.5%.

Mr. Chapman stated the reason he was doing it in this order was there was an understanding of underlying expenditures in relation to the rate and therefore revenue raised. Mr. Chapman stated there were additional matters that could not be discussed at this evening's meeting and would occur by ordinance at a subsequent meeting.

Ms. Sierer asked if there was any further discussion.

Mr. Ruckle stated he wanted to be clear and direct that money to infrastructure. That was a key issue in District 2 and that was what his constituents wanted. Mayor Sierer stated she believed in option two that explained in 2016 where that money would be going. Mr. Chapman believed it would provide at least an outlook for 2016 and 2017. Ms. Hadden stated that was correct and \$100,000 could be utilized and then another \$200,000 could be used.

Mr. Vitola stated slide 11 of the presentation outlined exactly what staff would do with the funding and he believed that a motion could be made to approve the budget with a 9.5% increase provided that the funds were applied to the projects as outlined in the proposal which specifically put the increased dollar amounts to the projects. With a 9.5% total increase, \$100,000 would be added to 2016's H1301 budget which was the corrugated metal pipe. \$200,000 will be added in 2017, 2018, 2019, and 2020. Another \$87,500 would be added to the sanitary sewer study and repair project S0904 for 2016, but from 2017 through to 2020 \$175,000 would be added each year to Project H1601 or whichever would be the annual street program number.

Ms. Sierer stated when Mr. Vitola read the first bullet point item, she believed he was stating from option 2A and not option 2B. She asked for clarification. Mr. Vitola stated that was not the case and that it was option 2B because coincidentally 2A and 2B both result in additional \$100,000 on H1301 but 2B added another \$87,500 so there is sewer. Ms. Sierer stated she understood and thanked Mr. Vitola.

Mr. Gifford asked if the tax was raised would this money be removed from some of the stormwater fee discussions that would occur in the future. Mr. Vitola stated that was the case. He stated this also went back to Mr. Markham's comment about if there was a future referendum on a stormwater project that was relying on tax revenues, if without this funding and without this tax increase, the City would have needed approximately 20% tax increase to do stormwater projects. However, by virtue of the existing funding in H1301 that requirement would shrink. Mr. Vitola noted that would also be the same with any grant fund that the City was able to achieve if they did a referendum in connection with the state money which was still on the table, still being researched and could be pursued.

MOTION BY MR. MOREHEAD, SECONDED BY MR. RUCKLE: IF 9.5% PASSES THAT COUNCIL DIRECT \$100,000 OF THAT MONEY TO H1301 FOR THE YEAR 2016 YEAR AND \$87,500 TO S0904 FOR THE 2016 YEAR AND THEN IN 2017 AND BEYOND \$200,000 PER YEAR TO H1301 AND \$175,000 PER YEAR TO THE ANNUAL STREET PROGRAM.

Ms. Sierer clarified that the proposed 9.5% increase would be \$0.7737 per \$100 of assessed value.

Mr. Chapman stated that the approval of the budget was the approval of expenditures in a single year and not binding future Council or staff to anything specific. He further stated that obviously there was a need and an understanding of where that money was going to go. In previous years, it had been his understanding that they could not bind future Councils. Any future Council could change what would be decided.

Mr. Vitola believed by making this motion Council was giving clear direction to put those amounts in the CIP and in the out years and that the CIP, therefore would also be

voted on with one resolution to be approved as amended with the extra dollars over on the CIP document. Then, this time next year they would have the same discussion when they look back to the original 2017 claim year in the 2016-2020 budget. In the 2017-2021 budget, there would be \$200,000 more than there otherwise would have been in year 2017 in that year CIP, and then it was open for discussion and approval conversation again.

Ms. Sierer asked if there was any further discussion on the amendment to the motion.

Mr. Chapman stated he completely agreed; he questioned its effectiveness in future years, but it looks better today.

Mr. Markham stated it was contingent on future Council's agreement, but they could forcibly change it.

MOTION PASSED UNANIMOUSLY: VOTE: 7 to 0.

Aye – Chapman, Gifford, Hadden, Markham, Morehead, Ruckle, Sierer
No – None

Ms. Sierer stated that a vote on the motion as amended was needed. Ms. Bensley stated the motion on the table was to set the tax rate for the 2016 fiscal year at \$0.7737 per \$100 dollars of assessed value.

MOTION PASSED: VOTE: 5 to 2.

Aye – Chapman, Hadden, Morehead, Ruckle, Sierer
Nay – Gifford, Markham

MOTION BY MR. CHAPMAN, SECONDED BY MR. RUCKLE: TO APPROVE THE OPERATING BUDGET FOR 2016 AS AMENDED.

MOTION PASSED: VOTE: 5 to 2.

Aye – Chapman, Hadden, Markham, Ruckle, Sierer
Nay – Gifford, Morehead

MOTION BY MR. MARKHAM, SECONDED BY MS HADDEN: TO APPROVE THE CAPITAL IMPROVEMENT PROGRAM AS PRESENTED.

MOTION PASSED: VOTE: 6 to 1.

Aye – Chapman, Gifford, Hadden, Markham, Ruckle, Sierer
Nay – Morehead

6. Meeting adjourned at 9:12 p.m.

Renee K. Bensley
Director of Legislative Services
City Secretary