

**CITY OF NEWARK
DELAWARE**

COUNCIL MEETING MINUTES

May 23, 2016

Those present at 7:00 p.m.:

Presiding:	Deputy Mayor A. Stuart Markham District 1, Mark Morehead District 3, Jen Wallace District 4, Margrit Hadden District 5, Luke Chapman
Absent:	Mayor Polly Sierer District 2, Todd Ruckle
Staff Members:	City Manager Carol Houck City Solicitor Bruce Herron Deputy City Manager Andrew Haines Deputy City Secretary Alice Van Veen Communications Manager Kelly Bachman Community Affairs Officer Megan McNerney Finance Directors Lou Vitola and David Del Grande Parks & Recreation Director Joe Spadafino Planning & Development Director Maureen Feeney Roser Planning & Development Manager Michael Fortner Public Works & Water Resources Director Tom Coleman

1. The regular Council meeting began at 7:00 p.m. with a moment of silent meditation and the Pledge of Allegiance.

2. MOTION BY MR. MOREHEAD, SECONDED BY MS. HADDEN: THAT ITEM 11-A, COUNCIL MEETING MINUTES – MAY 9, 2016, BE REMOVED FROM THE AGENDA.

MOTION PASSED UNANIMOUSLY. VOTE: 5 to 0.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

3. 1. **PUBLIC PRESENTATIONS:** None

4. 2. **ITEMS NOT ON PUBLISHED AGENDA**

A. Public

02:23

John Morgan, District 1, referenced the administrative warrants issue from a few meetings ago. He did not own any rental properties and had not rented anything. He used to rent bedrooms in his house a long time ago when he was living there. He thought it might make sense to have administrative warrants which would enable the City to get forced entry into a property if there was an obvious problem such as an observation of the roof collapsing or a lot of broken windows, but he thought it was questionable whether it made sense to allow City officials to break down the front door of a house simply because the tenants refused entry.

He thought something Mr. Ruckle said at the last meeting made sense – having the annual inspection done as a condition of having a rental permit. If the landlord did not allow an inspection to be done, the rental permit could be revoked. That seemed to be a milder and more sensible approach.

He heard this bill would probably not be moving forward in this legislative session and urged that something be done to work in a consensual basis. He felt it was important for the City to make sure to promptly respond when tenants identified problems.

Mr. Morehead noted that Council and staff talked about the issue of tying the rental permit to the inspection. He asked Mr. Herron if that was illegal. Mr. Herron responded it may be illegal and it may be unfair in that it was the tenant who controlled access. If the tenant refused access then the City would be penalizing the landlord for the inaction of the tenant. There would also be an issue as to whether or not that would penalize Fourth Amendment rights also. Mr. Morehead stated that it was not a simple fix.

Catherine Ciferni, Newark resident, resided in a rental property and was usually given 24 hours' notice when the landlord wanted to gain entry to the property, and she did not have the right of refusal.

Ms. Ciferni noted that sidewalks were almost impassable on Main Street on weekends at the end of the school year near Grotto's, Catherine Rooney's, and Klondike Kate's, and she expressed concerns about whether the facilities were observing occupancy limits.

5. **2-B. ELECTED OFFICIALS WHO REPRESENT CITY OF NEWARK RESIDENTS OR UTILITY CUSTOMERS:** None

6. **2-C. UNIVERSITY**
(1) Administration

08:57

Caitlin Olsen, UD Government Relations, made the following announcements:

- 5/26 – last day of finals. Residence halls close that night.
- 5/27 – start of convocation around 12:30 running through 7:00 p.m. May 28 with graduation Saturday morning. Graduates were due to arrive by 7:00 AM.
- 5/30 – Closed to observe Memorial Day.
- 6/3 – 6/5 – Alumni weekend. There were some new events this year, and another large alumni crowd was expected. Ms. Olsen would provide the schedule of events to Council members.

Mr. Markham thanked the University for including social media in the publicity for UDon't Need It?

7. **2-C-2. STUDENT BODY REPRESENTATIVE:** None

8. **2-D. LOBBYIST:**

11:29

Rick Armitage reported that he attended the DEFAC meeting that afternoon. In their operations budget, their revenue projections for this year and next year both went down and showed a decrease of \$18.1 million in this fiscal year. In the projections for next fiscal year they dropped another \$17.9 million.

Regarding the discussions about PILOT, he thought there would still be a hearing after the Joint Finance meeting in the next couple of weeks. However, the money was not going to be there, and it would be interesting to see whether they funded PILOT at the same level that they had in previous years.

There was good news in the Transportation Trust Fund where Municipal Street Aid was funded. The revenues continued to be fine, so with \$500+ million expected this year plus \$542 million next year, there should be sufficient funding for street aid.

Regarding the spin-off seen in operations and whether the legislature goes after the realty transfer tax, in the Delaware tax law there was an exemption for people over age 66 for some of the personal income tax. That was one of the areas where they continued to see a drop. Looking at the demographics going forward with the aging population, right now that impact on the revenue was a \$130 million decrease, and that number would continue to grow unless that exemption was changed around age. He thought there would be discussion in the General Assembly about whether that would be curtailed in some way in future budget years.

Mr. Armitage reported there was discussion among members of the committee about what was happening at the national level that was trickling down into Delaware that there had not been a great federal fiscal policy. The monetary policy, they think, at this point not having changed the interest rates may actually be dragging the economy down, but it was time for at least interest rates to move a little bit more. Then they talked about the relationship between the government and business and the regulations that really keep many businesses from being able to succeed with all the complications. He would discuss that later with another bill that was moving through the legislature.

The next DEFAC meetings were 6/20 and in September. Mr. Armitage said they would fine-tune what they do in the next two weeks, but they would spend a lot of money between now and next Thursday in the Joint Finance Committee. When they see that final DEFAC number, that was the number they would be able to work from to craft that final part of the budget. The good news was what the Governor used in crafting his budget, his DEFAC number was lower than the budget number now in DEFAC. So even though the numbers had not gone in the direction they wanted, there was still a good framework to work within.

Regarding legislation in Dover, there was a second meeting with stakeholders regarding the Code bill. Mr. Armitage felt at this point in time with so few days left, it was not possible to get a consensus bill through the legislature and to the Governor's desk. He knew somebody was working on a draft now, so there would probably be a joint resolution from the House and the Senate that would direct stakeholders to meet throughout the summer, put something together, and hopefully get consensus that would be presented to the legislature in January. There was just too much controversy about this moving as quickly as it did. It was a real shift. Although people recognized there was a gap in the existing law that allowed for some sort of "anything other than an emergency situation" to be able to get in and look at properties.

House Joint Resolution 11 about storm water management was on the table, had come out of committee, and the committee hearing was very interesting. Before the end of the committee hearing, an engineer set out five notebooks showing what it took to build a chicken house in Sussex County with no guarantee after working through thousands of pages of DNREC regulations that a permit would ever be granted. It came out of committee with seven positive votes, so he thought there would be something around storm water. The bill mandated that DNREC go back and almost start over from scratch around storm water. There was a court case that threw the regulations out, then they passed them as emergency regulations, so it was still up in the air. He thought something very different would happen going forward around storm water management. Mr. Markham asked whether this resolution would stop the emergency regulations. Mr. Armitage said it might because it had the effect of law.

Mr. Armitage vetted with staff House Bill 297 which would have mandated health benefits for any employee that worked at least 30 hours a week. Newark was not included because the square footage of the building dropped the City below the threshold.

Mr. Armitage referred to Bill 381 regarding insurance pre-authorization. Mr. Haines would let Mr. Armitage know whether that impacted Newark operations and whether it was necessary to watch that down in Dover also.

The plastic bag bill came out of committee. He did not expect that to happen but suspected it would continue to have pressure from the environmental groups to do something. He was sure it would be amended. The other thing people were not happy about was all the stores keeping the money associated with the bags and how could that be tracked. They were going to put bar codes on every single plastic bag. Mr. Armitage did not think that was the solution. Ms. Hadden stated that a lot of times things like that impacted the people who were financially hurting the most. Mr. Armitage said that was one of the parts of the discussion. Ms. Hadden suggested a portion of the money collected could be split with conservation efforts and possibly provide permanent bags to those people who qualify at no cost. Mr. Armitage said the retailers adamantly opposed the bill. Even Verizon was included and was trying to work with the sponsors to figure out something that was environmentally friendly that would not add costs to every single transaction from any retailer.

Mr. Armitage referred to Bill 283 which surrounded project labor agreements and said the League came out in opposition to that. Different jurisdictions were writing to the legislatures that represent their own jurisdictions. He was waiting for some amendments to be introduced, but they were never introduced before adjournment on Thursday. They were going to change the wording in the bill that you would have to do the project labor agreement rather than "shall" to "may", change it from a representative district for the percentages of the workforce that would be there either to a senatorial district or to just a county. His advice was to oppose it in its current form. One of the problems Delaware had when they tried to do something like that was as such a small state, they could not play in that same game. Many of the skilled trades that work on some of these projects, there were not enough bodies in Delaware to meet the demands of this particular piece of legislation. Ms. Hadden noted she had not seen any correspondence from the City stating its position on this. She was somewhat familiar with the bill and agreed as the bill was written, she would take a position of opposition but wanted to hear from other Council members.

Mr. Markham asked the time frame for urgency and whether this could wait until the next Council meeting. Mr. Armitage explained that the legislature would be back in session on June 7th, and they only had 12 legislative days between now and the end of June. He did not know whether this would move on

to an agenda. His sense was the leadership did not want this bill to move forward either because it was very controversial, but the pressure to do something one way or the other, because it was out of committee, would start to mount. The League had taken a position and Smyrna and possibly Dover had written something. Ms. Houck reported the legislation would mandate project labor agreements on state-funded local construction projects that would drive up the costs of these projects, displace existing non-union construction workers, and roll back the savings that came about with the elimination of the prevailing wage. She said Newark had success with that – bids were coming in a bit less than expected for street programs and things.

Mr. Armitage said years ago the county did a study of what they determined prevailing wage added to a project, and it was around 18%. He was not sure what kind of numbers Ms. Houck saw in any of the contracts let by the City, but it could be significant. When this was discussed months ago at the committee hearing, he asked the sponsor whether those prevailing wage exemptions would continue. His answer was he planned for them to continue, but the threshold numbers may change. They had not seen an amendment that really helped in the discussion.

Ms. Wallace asked if a reasonable path forward would be after Council was at full strength to send their individual comments to Mr. Armitage. Mr. Armitage responded that sometimes it was better not to write things down. The direction Council could give him was simply to lobby against the bill. Mr. Markham was not sure Council wanted to do that, as it could be considered taking a vote to give direction out of the public eye.

Mr. Chapman said this was something he spoke out against a few times in its various states and in its current form he agreed with comments made and would be supportive of opposing.

Mr. Morehead was not prepared to take a position on this tonight. It was not on the agenda, and he would be concerned if Council chose to take a position at this point.

Mr. Markham was worried about anything that drove the budget because he did not think the state was going to help the City with its budget. His opinion was he would oppose it. Looking at the table, he saw three opposed and two no position. That was a majority of Council at this point in time and that could change at the next meeting.

Mr. Armitage would continue to try to update Council in the three legislative days prior to the meeting on the 13th. He asked if it had to be on the agenda for Council to be able to do something different. Mr. Markham said usually for lobbyist direction, [inaudible]. Mr. Armitage would send Council a link to the legislation again. Mr. Markham asked Mr. Armitage to keep Council informed. Mr. Armitage would be at Joint Finance over the next two weeks. He was watching transportation's budget and DNREC's budget because of the Robinson property. Operations would not normally impact, but he would watch those because last year municipal street aid ended up in grant and aid rather than in the Bond Bill.

Mr. Markham asked what Mr. Armitage's feeling was about the farmland/open space preservation funds. Mr. Armitage thought today's news was not good to allow for the increase in the funding beyond what the governor recommended for open space as well as for ag preservation. The Robinson property would be in DNREC's maintenance budget and with Senator Sokola's interest on the committee there was a much better chance of some additional funding going towards that project. As far as the Open Space and its relationship to other issues in Newark, he thought that was in more jeopardy.

9. 2-E. CITY MANAGER:

31:03

Ms. Houck reiterated that "UDon't Need It?" was coming up and the collection started tomorrow. Everything was on the City's and UD's websites, and there was also a great deal of information on social media. Volunteers were in line for the program, but extra hands were always welcome.

This past Friday was Bike to Work Day, and it was another great success. Former Parks and Recreation Director Charlie Emerson was presented with the Bicycle Friendly Community Leader award by the Newark Bike Committee, so he was in town to visit.

The Memorial Day ceremony and parade were a success. She thanked Council for their participation and commended the Parks and Recreation staff for putting the event together once again and all the participants that showed up to be in the parade.

A partnership with Newark High School students was recently completed where the students under the guidance of long-time Newark High School teacher and Newark resident Robert McDowell planted over 1,000 pollinator plants at Curtis Paper Mill. That was a much appreciated effort.

Ms. Houck was in touch with the Newark Country Club leadership and was waiting on dates to express the questions that she received from Council on the topic of the Newark Country Club.

10. 2-F. COUNCIL MEMBERS

33:13

Ms. Wallace:

- Began tours of all of the departments learning how the City runs behind the scenes. She thanked everyone who met with her so far. She learned a lot and found it to be very helpful. She reminded Mr. Vitola he was going to send her some things.
- Dealt with some constituent concerns.
- Attended the Memorial Day Parade which was great.
- Was working on finding a location for her regular constituent meetings.

Mr. Chapman: None

Mr. Morehead:

- Welcomed everybody and thanked them for coming.

Ms. Hadden:

- Attended to several constituent concerns regarding parking, some traffic and other issues that she would like to thank City staff for their assistance on, in particular, Ms. Houck, Messrs. Vitola and Del Grande and the Newark Area Welfare Committee. She appreciated all the hard work to try to find a positive outcome and a workable solution for some of these issues.
- Provided numerous interviews to UD students who were working on their final course project in relation to a journalism class. That was fun and they actually asked some very difficult questions. It was a good collaborative effort between Council and staff who did that.
- Attended the City of Newark Memorial Day Parade on 5/15. Her grandson loved it and she liked it too.
- Attended the Aetna event held on 5/19 at Fire Station 8 to celebrate National EMS Week. The purpose of EMS Week was to ensure the contributions of EMS practitioners and safeguarding the health, safety, and well-being of their communities were fully celebrated and recognized. She encouraged participation next year.
- Attended Duty to God and Country, a breakfast put on by the Delmarva Council of the Boy Scouts of America. This year the theme was the Power of One and the guest speaker was Kevin Riley, a former Philadelphia Eagle and cancer survivor. It was very inspiring and a wonderful event. Ms. Feeney Roser was there also. It left Ms. Hadden with a great desire to continue with the Power of One and try to affect positive change in her life and in the lives of people around her one person at a time.
- This coming Saturday (Memorial weekend) at 10:30, at the Chesapeake City Veteran's Park Cemetery, there would be a ceremony to honor those veterans who not only served for freedom from tyranny and oppression but especially those who gave the ultimate sacrifice for us. Also, 5/30 at 10:30 at the War Memorial Plaza at the Delaware Memorial Bridge, there would be another service honoring our servicemen and women. She would be attending both events.
- Next meet and greet was Thursday, 6/2 at Pat's Pizza. Her guest would be a representative from the Police Department who would talk about community policing in Newark, current crime statistics and what was new.
- Was looking forward to receiving some new materials regarding Alumni Weekend to send to her constituents. She hoped this year would mirror the great success of last year.

Mr. Markham

- Was honored to carry the wreath for the Newark Memorial Day parade. He thanked Ms. Hadden and Ms. Wallace for attending the Memorial Day ceremonies.
- There was a lot of discussion about administrative warrants and the inspections. One thing he was looking for was any overcrowding issues. They typically lead to parking issues which greatly upset people most when their lawns or driveways were blocked or their lawns were parked on. He hoped to find some creative ways to at least reduce the cars if not overcrowding.

11. 3. ITEMS NOT FINISHED AT PREVIOUS MEETING: None

12. 4. APPOINTMENT TO BOARDS, COMMITTEES AND COMMISSIONS:

40:10

- A. Appointment of Nikki Lane to the Newark Housing Authority for a Three Year Term as a Mayoral Appointment to Expire January 15, 2019

Ms. Hadden presented Ms. Sierer's request for the appointment of Nikki Lane to take a non-renewed position on the Newark Housing Authority. After looking over this application, it appeared that Ms. Lane was qualified for the position.

Mr. Morehead asked if there was a one-year residency requirement to name someone on the board because the timing was extremely close. Catherine Ciferni, Newark resident, said when she served on the Housing Authority it was a requirement for to be a Newark resident for a period of one year.

Mr. Markham said if the next Newark Housing Authority meeting was in June, Ms. Lane was qualified. Mr. Morehead pointed out that Ms. Sierer's May 13 memo stated Ms. Lane's participation would begin at the NHA June board meeting so she qualified.

MOTION BY MS. HADDEN, SECONDED BY MR. CHAPMAN: TO APPOINT NIKKI LANE TO THE NEWARK HOUSING AUTHORITY FOR A THREE-YEAR TERM AS A MAYORAL APPOINTMENT TO EXPIRE JANUARY 15, 2019.

MOTION PASSED UNANIMOUSLY. VOTE: 5 to 0.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

13. 5. SPECIAL DEPARTMENTAL REPORTS:

- A. Special Reports from Manager & Staff:
 - 1. Request for Council Endorsement of the Downtown Development Districts Program Application of the City of Newark to the State of Delaware Office of State Planning Coordination

43:46

Mr. Fortner presented the Downtown Development District program. He reviewed the City's process in developing the district application and talked about the specifics of the application and how staff intended to proceed.

Mr. Fortner attended a session in September about the Downtown Newark Development District. At the time they did not think they were going to do another round of applications in the year 2016. Then in March they announced they would do the application. They had a kickoff meeting mid-April at which time this was assigned to Mr. Fortner, so there was a very short time frame to put together this application. The public workshop was held on 5/4. The Planning Commission met before that. The application was due on 6/1.

The purpose of Downtown Development Districts was established in 2014 by the Delaware State Legislature. The purpose of the legislation was the recognition that downtowns were a critical component of Delaware's economic well-being. The state legislature wanted to help downtowns be healthy, vibrant places, so they created a program that designated state qualified development districts that would be eligible for incentives in that area. The goal was to spur private investment in commercial business districts and other neighborhoods, stimulate job growth to improve the commercial vitality of such districts and neighborhoods, help build a stable community of long term residents by improving housing opportunities and assist municipalities and strengthen neighborhoods while harnessing the attraction that vibrant downtowns hold for talented people, innovative small businesses and residents from all walks of life.

The grant was administered by the state level by the Delaware State Housing Authority. Applicants applied directly to the Delaware State Housing Authority. The City helped facilitate the process and promote the program. The grants were available to a broad range of products including residential, mixed use, commercial, and industrial projects within the Downtown Development District (DDD) boundaries. Eligible applicants included virtually anyone making qualified real estate improvements in a DDD, such as non-profit builders and investors, for profit and non-profit businesses and homeowners. The government was not eligible, so it could not be used to build a library or build office buildings for downtown or parking facilities. The investors make real qualified investments so they hopefully create this QPRIs in Downtown Development Districts and were entitled to receive basically 20% of the matching cost in the district. QPRIs were capital expenditures that occurred after the DDD designation necessary for rehabilitation and

expansion or new construction of hard costs in excess of \$25,000. They include exterior, interior, structural, mechanical, electrical improvements, excavations, grading and painting, landscaping, land improvements and demolition.

The investors were eligible to receive a grant of 20% of their hard costs over \$25,000 up to \$500,000 per building or facility. After \$500,000 the equation changed a bit, but the grant could reach up to \$1 million dollars per building or facility. The first example was a tenant fit out or a home rehab. The hard cost of that project was \$45,000, so the excess of \$25,000 would be \$20,000 in that example. They would be eligible for a grant of 20% so \$4,000 in that scenario. Example two was a \$1 million dollar project, so the amount in excess of \$25,000 was \$975,000, so in this case 20% would bring it up to \$195,000.

The first step was for local government to identify a downtown district and apply for designation. Municipalities of over 30,000 people such as Newark could designate up to 225 acres maximum.

The district designated must be contiguous, must include the streets and the right of way in that 225 acres with no enclaves and the size and shape of the proposed district must make sense from an urban planning and revitalization perspective.

There were three components of the application: 1) The need and impact of the District designation (50%); 2) The quality of the District Plan (30%); and 3) The quality of the local incentives (20%). Letters of support were collected from area property owners, Delaware Housing Authority and Downtown Newark Partnership. The application was considered by a Cabinet Committee on State Planning Issues. The committee would make a recommendation to the Governor who would designate one or more DDD districts this year.

In 2014 three were designated, one in each county. This year there were no restrictions like that. Additional districts may be designated in later years with a maximum of 15 at any one time. If Newark was designated it would be good for 10 years with a possibility of two five-year extensions. The original legislation called for one in each county, and Wilmington, Seaford and Dover were selected.

Newark's application was somewhat modeled after Dover's because there were a lot of similarities. They wanted to promote mixed-use development. They were having trouble tracking development through their downtown. They wanted retail uses within the central business district. They wanted to increase the number and percentage of owner-occupied homes in this district. They wanted to increase the density of development. They had a number of vacant lots and wanted to infill those. They wanted to bring buildings closer to the street and rely on the sidewalks. They have a lot of auto-oriented development within their downtown district and wanted to see them develop into a downtown-like type of development. In strategic locations they wanted to have their open space and parks and gateways.

In 2014 Newark submitted an application. Mr. Fortner referred to visuals to show the district proposed. It was close to the Downtown Newark Partnership district and was used as the base in developing the 2016 application. One thing with this application was that Newark was very limited in size.

The goals of Newark's Downtown Development District were: 1) To preserve and enhance Downtown's economic vitality as a community destination with uses for retail, dining, entertainment, office and housing; 2) To make Downtown a place of inclusive housing opportunities for people of different ages and income levels; 3) To provide affordable places for unique "incubator" and small businesses to increase employment and commercial opportunities, and 4) to preserve and enhance Newark's historic and cultural heritage.

Newark's proposed areas were:

Area A, downtown core district – a lot of that was redeveloped as Newark's core downtown mixed use. There were some opportunities in there, particularly with some historic redevelopment, that could benefit from the Downtown Development District.

Area B, New Center Village district – in the last application the New Center Village overlay was promoted. It was not promoted in this application, but it was seen as a place of housing opportunity and redevelopment.

Area C, the Cleveland Avenue Housing Redevelopment district – had opportunities for redevelopment in terms of older housing stock being made whole. In that area, there may be land owners that would like to refurbish their building, but to get that, they look at the numbers and say they need another unit on the property to make the numbers work. Potentially with a program like this for a housing

rehab project, they could make the numbers work. They can maybe qualify and say look, this program exists and it would be something we could use to incentivize redevelopment without getting extra units.

Area D, George Read Village Mixed-Use and Housing Redevelopment district – along Main Street there were opportunities for continuation of the mixed use development with office and retail on the first floor and residential above. That could be expanded. Going east, it was getting away from the college district, and there were opportunities for other types of businesses that might be more incentivized to go in those areas. To the north and the south of Main Street, George Read Village and areas north, there was potential for redevelopment and affordable housing. The Newark Housing Authority was there and Main Towers. There were opportunities to encourage home ownership, housing redevelopment and encourage affordable housing. Going east, there was less of a student housing incentive there. There was more opportunities there to develop housing that would not be attractive to students. Last week a developer was looking at redeveloping a site on the east side and was concerned it would not make the numbers work with the housing, he would need to charge to do a redevelopment. They discussed the Downtown Development District and the incentives and maybe that would make the numbers work for him.

Area E, College Square Redevelopment district – was a big opportunity in this application. It was zoned BB and was an underutilized shopping center so there could be a mixed use New Center Village type of redevelopment there with commercial on the first floor and housing above. It was far enough away from the core college campus where it would be attractive to people who were not necessarily college students. College students were less likely to want to live out that far, so other types of housing opportunities could be made available in that area through a redevelopment. There were plans to extend Delaware Avenue through the shopping center.

Mr. Fortner reviewed the zoning map and the future land use map for the proposed district. Mr. Markham thought that map was out of date and that they were including the spur [inaudible]. Mr. Fortner said that was true, that did not show the district boundaries but they could still see the different land uses where that was designated.

Downtown Development District Plan Summary

According to the Delaware's State Housing Authority's Delaware Housing Needs Assessment, rents were disproportionately high in Newark and the second most expensive in the state, after South New Castle. According to the Rental Housing Needs Assessment, (Phase 1), the vacancy rate for Newark's rental housing market in 2014 was estimated at 2.9% and was projected to be 1.9% in 2015. Most units were off the market by October or November for the following academic year. That was why housing was a premium in Newark and why costs were high because they could rent these houses out quickly.

This type of program would help incentivize different types of workforce housing, housing to be set aside for lower-to-moderate income families. Rental Housing Needs Assessment Phase 1 also concluded that Newark appeared to have a severe shortage of affordable rental homes in Newark. The NHA for example had a waiting list of over 800 households for NHA sites and 500 households for Section 8 housing. Newark currently provided 820 rental units that were market rate for non-student housing representing just 60% of the total rental housing stock, or 4% of total population that live in that housing. Existing affordable senior housing in Main Towers had a three year waiting list, so there was a pent up demand for affordable housing, particularly in the downtown area. A lot of people wanted to live there. This provided the opportunity to develop different types of housing choices and opportunities.

Current incentives were incentives already in the Newark laws. There was site plan approval that gave flexibility to the Planning Commission and Council to approve site plans and use innovative design, tax exemptions for existing historic and new construction commercial zone, historic property tax reductions, tax credits for exemptions for improvements to historic residential structures, partial tax exemptions for improvement of historic commercial districts, business start-up grants, façade improvement program, architectural assistance program, promoting owner occupancy of homes, home buyer incentive program, a home improvement program, senior home repair program and the Newark energy watch program. These were outlined in the district plan.

With this application, no new incentives were proposed. Staff believed that incentives should be thought out. They had recommendations for incentives in the future but they had to be fully evaluated. Different programs could be implemented in the future to incentivize this district even more such as the Live Near Your Work program, Home Buyer Assistance program providing low interest loans, considering incentives to reduce or waive sewer, water and public facilities and the impact fees for certain types of affordable housing developments and provide outreach to affordable housing providers to develop housing in Newark. Victoria Mews was an example of a development with 80% below market rate and 20% at market rate. Mr. Fortner attended a housing conference and there were developers who were

interested in bringing affordable housing to Newark who were priced out of the market but with this type of program and other types of state and federal incentives, it could make the numbers work.

Mr. Fortner added that the proposed transportation improvement district being worked on with DelDOT to help evaluate development and traffic demand and the Downtown Newark pedestrian streetscape plan were action items for the Comp Plan that could make the downtown area a more sustainable place.

The resolution would authorize the City of Newark to submit the application. Newark had a very successful downtown, and it was possible the state would want to help us with our success. Staff was trying to show that while Newark was having a lot of success in new development, they were not getting a diversified amount of development and would like to encourage home ownership, condominium development, affordable housing rehab, and these were the kind of things that needed to be incentivized. After submitting the application in June, Mr. Fortner would give a presentation to the state sometime this summer and expected notification sometime after that.

Ms. Wallace was generally in favor of applying. She worked with finance and had clients in the City of Wilmington that had gone through this program. It was a grant and was a great opportunity for the City. However, she had some concerns about the application. She realized the process happened quickly but said there were some corrections needed. For example, George Read Village was spelled two different ways throughout and was misspelled on the presentation. In the last bullet point in the presentation, the comment about historical and cultural did not state cultural in the application. She thought there should be more detail in the application about the cultural and historic opportunities to make it stronger. On page 11 describing the rationale for choosing the boundaries, a lot of time was spent on what was not included and she felt there should be more information about what was included and why.

Mr. Morehead commented that he did not know which George Read was being discussed. He said apparently, there was a person George Reed (spelled R-e-e-d), and that was how the neighborhood spelled it themselves on their Facebook page. He always thought it was the historic George Read from Delaware, but it would be interesting to find out how that village was named to make it consistent because the historic person's name was spelled differently.

Mr. Morehead's concern regarded the goals to preserve and enhance inclusive housing, affordable incubator style and so forth. He understood goals were needed in order to meet the requirements of the plan but did not get the connection. He asked Mr. Fortner to explain the link between the goals and what the developers may be planning to do with their money. Mr. Fortner said the goals were to encourage the developers. Developers and the trend they were following was to develop the kind of student housing seen downtown and in the surrounding neighborhoods. The City was trying to provide a tool that would incentivize other types of housing the developers were not normally duplicating already, for example, a condominium or below market rate rental housing for non-students. Mr. Morehead's realistic view of this was that the goals were fine, but if someone had an opportunity to make a lot of money or make less money, typically, they would go for making more money.

Mr. Markham asked whether the state had money to do this and whether it would be funded. Mr. Fortner reported that the governor had a huge commitment to it and he understood the legislators were very supportive of this. However, he did not know where it would wind up if there were budget shortfalls. They were looking for some successes and he felt the three they selected had pretty good successes, particularly, in Wilmington. He thought they were particularly proud of Dover's success as well. As they built up these successes, that ensured the longevity of the program.

Mr. Markham asked what success Wilmington and Dover had with affordable housing. Mr. Fortner responded in Wilmington they had a number of redevelopments using the funds. They were different in Wilmington in the sense that they did not need affordable housing but wanted different kinds of housing. He thought some of it had below market rates, but that was only one of the goals of the program so they developed both, and their goal was to attract both. The answer was that they were meeting their goals.

Mr. Markham said one of his goals was affordable housing but he could never find the exact path or the silver bullet that said "this will do it" or "this has built into it" and while this has opportunity for affordable housing, he did not know how to make that the clearest or simplest path for somebody to move forward. He asked if there was a way to do that with this money since the City did not control this money. Mr. Fortner acknowledged that the City did not directly control this money. The state made the decisions. Mr. Markham said the City did not really have any other skin in the game other than the incentives they had today. Mr. Fortner replied that was true. There were probably opportunities to create

more incentives as they reviewed these types of incentives and decide how they wanted to do that. When talking with developers and looking at the numbers, the opportunities were so good to develop student housing, and the numbers just did not fit, for example, a condominium development, because it was much more profitable to do student housing. This was another tool that could be used to say this was 20% of the total project a developer could get reimbursed for, and there could be other types of incentives for types of housing that the City wanted to encourage – affordable housing or home ownership or otherwise, where they could waive fees and have new tax abatement over ten years like some of their historic programs. They could do more of those things to encourage that and make the numbers work. Additionally, there was a whole other package, for example, the low income tax credit program that incentivizes building affordable housing below market rate units.

Mr. Markham asked if the NHA supported this and noted they were part of HUD. He questioned if an agency received funding from the HUD, were they disqualified from being part of the government. Mr. Fortner said in looking at the other applications, the housing authorities usually sent out letters of support so it was considered a good thing. For example, the Dover Housing Authority worked out. They were kind of an independent authority and did receive HUD money but this was state money managed by the Delaware Housing Authority, so it was not the same money pool as what the Newark Housing Authority would get because they were getting federal.

Mr. Markham said the question was whether the Newark Housing Authority could make use of. Mr. Fortner said they could not use the money, government agencies were not eligible. That was what Mr. Markham wanted to confirm. There were letters here from the Newark United Methodist Church asking for consideration that they be included in this. They listed quite a few things in here they do for the community. Mr. Markham asked if they could make use of this as a religious organization non-profit. Mr. Fortner said when he showed the different agencies that would be permitted to apply it included non-profits and for profits and other types of organizations. The only thing that was exempted under the literature that he was aware of was government agencies. They did not say a church would not be eligible. However, he did not know that it would be a strong application. In his conversation with the group they said they were working on the Delaware Avenue side improving the atrium and improving the parking lot. To Mr. Fortner's knowledge, they could apply. Ms. Wallace stated they could apply. The client that she worked with in Wilmington was non-profit, and they applied and received the grant.

Mr. Markham asked if this could be used for people doing stormwater improvement. Mr. Fortner believed they could do so based on their literature. In the presentation it said property improvements including landscaping and land improvement, grading and paving. He thought it could fall under either of those, as long as it was a private developer.

Mr. Markham asked if there was any discussion with the University of Delaware about this plan and map. Mr. Fortner said specifically, no.

Mr. Markham said he hoped that Cleveland Avenue could have some development of housing, not necessarily student housing. He asked how people were notified about this plan before the workshop. Mr. Fortner explained that a letter was sent to all of the property owners that were in the original district and that Cleveland Avenue was not included that time. If Newark was accepted as a Downtown Development District, part of the City's responsibility would be extensive outreach notifying people of the potential benefits and educating them about what kind of projects could qualify.

Mr. Chapman asked if there was a downside to this. Mr. Fortner did not know of a downside other than it could involve a lot of staff time, and the department was already stretched. Mr. Chapman asked if that was specifically production of the application if the City was approved. Mr. Fortner said if it were approved – City staff would have the responsibility to promote the program, to educate developers, produce literature and web information that Newark was participating actively in this program. The state would want to see that. The other downside would be the expectation to carry out any incentives.

Mr. Chapman wanted to confirm that there was really no downside. Essentially this was just looking for Council's approval or endorsement to submit an application to the state in which the City asked to be considered for a grant program where they got money to benefit the City for different additional types of development or rehabilitation of properties. Mr. Fortner confirmed that was correct and that it was just an extra tool.

Ms. Wallace said there was a downside if staff was not able to follow through with the workload and did not do it well, it would reflect badly on the City, so she did appreciate that there was thoughtfulness around that.

Mr. Morehead said the other downside was that the incentives would be coming from the City's pocket, and he asked if there was a way any of this money would come to the City to offset the effort of staff time. Mr. Fortner responded there was no administrative funding for the City. Mr. Morehead asked if all of these incentives were currently funded in the budget because he thought in the Comprehensive Plan there was a recommendation to re-fund something that was included on the list. Mr. Fortner replied there were recommendations in the Comprehensive Plan that included potential future benefits. Everything he listed in the PowerPoint presentation was current and funded in City Code.

Mr. Morehead asked if could be made clear that the City would like to include retrofits of sustainable energy improvements to people's properties as one of the goals to specifically include, not just new economic development and so forth, but helping people in their own properties. The church for example was interested in putting solar arrays on their roof, so maybe they could join it that way if the City mentioned this as a specific goal. He knew that plenty of home owners would love to have 20% towards putting solar panels on.

Ms. Hadden saw the 50% of the consideration for Section II, Need and Impact, was a pretty big percentage which was specific requirements. There had to be a specific description of the need for economic incentives, the conditions of the local economy, income, poverty, home ownership rates, prevalent to vacant or abandoned buildings and other metrics may be used to make the case that the district was in need of the incentives. That was such a large portion of this. Personally, she did not want to get tangled in the weeds. She thought it was a good thing to apply for. She asked if the City were to apply for it, how long would it take to go through the process. Mr. Fortner thought it would be determined this summer. In July all the applicants would give a ten-minute presentation on why they should be selected. The decision would be made soon thereafter, and the money would be available for whatever purposes at the beginning of the year.

Ms. Hadden commented there would be four to five months to put together an action plan on how to promote it, how to work with the developers on it and to get a policy set up in the office on how to handle this. Ms. Hadden believed the City should move forward with this.

The Chair opened the discussion to public comment.

Catherine Ciferni, Newark resident, had questions for clarification. Some dealt with the grant and some dealt with what was historically being done in the City. She asked if Victoria Mews was a tax credit property. Mr. Fortner said it was and part of that package was that they received a low income tax credit. Ms. Ciferni pointed out that tax credits expired, so it was only low income for the duration of the credit, then it went back to market. Mr. Fortner responded that was about thirty or forty years in this case.

Ms. Ciferni raised several other questions to Mr. Fortner. The owners of the properties were notified, but a lot of the individuals living in those areas of Main Street who were not living in Main Towers or in NHA properties fell into a gap. They were lower to moderate income but were not low destitute enough to qualify for HUD funds, so they were paying market. A lot of them were seniors because they were within walking distance to Newark Shopping Center and to the Hudson Center if necessary. She was concerned that, while the owners were notified, a downside could be that they would become displaced. The incentives were things that were already on the books, but by the City's own admission they were not being widely used. There was a gap between the current need. There was a three year waiting list at Main Towers and an 820 person/family waiting list with NHA, and there was still lower income or moderate income workforce development in that area of Main Street. She was concerned that this Downtown Development District could potentially without further commitment displace people that were already marginal for starters. Because these were incentives for the developers, they were not new incentives and may not be strong enough of an incentive.

The other issue which Ms. Ciferni raised was this was the last six months of Governor Markell's tenure in office, and there was no guarantee this money would be available in the future. There was not necessarily political will to continue it. Her concern was that the City got along the road in this development project and then the state for whatever reason could not follow through with it or they had to drop it midway. Where did that leave those communities? Were they just going to be reverted back to student housing?

Ms. Ciferni's final question dovetailed off of something Mr. Markham asked. When a project like this was developed nationally in different college communities, because this was not a unique situation to college communities, she thought that the City would want to not only partner with developers but when they set their goals and met with the people who would be receiving that benefit or their services or those occupants to those units, they would want to partner with that community and with the

University's urban planning department. How had this been successful in other communities? What were the trends? What did workforce development households need? She did not see much of that cited in this grant. She asked how Newark would be able to be successful without fully defining their marketplace or their market and their needs.

Helga Huntley, District 1, asked how the grant process actually worked because the material said the developers would be eligible for 20% of their hard costs. Did that mean that anyone who proposed such a development project automatically received that money, or on what basis was it determined who did and did not get such a grant. Mr. Fortner replied there were two types of projects, the large ones and the small ones like a home improvement one or a tenant fit out on the small scale one. The larger scale one was the development of a new building. The larger ones were determined by a committee and they applied to DSHA. There was a review committee and they made decisions on the merits of the projects, its goals, how it fits in with the Downtown Development District's goals and they make a decision. So not all projects that applied would get it. For the small ones, like for a simple home owner, there was a more streamlined process. People applied and if it met the boundaries, they generally would get it. Ms. Huntley said so essentially they would judge how well the project would fit within the goals that the City specified. That was Mr. Fortner's impression, that it may make a determination. Ms. Huntley continued that if someone made a proposal for the standard retail on the bottom, student housing at the top-kind of development and they submit it and say they were promoting small businesses to increase employment and were making downtown a community destination for dining and entertainment, those were two of the City's four goals. Would they also get this funding?

Mr. Fortner said they would have to put forward and make their case. The people at Delaware Housing Authority would ask how this was different than this incentive that the City had already created downtown. Why should they incentivize the applicant when this stuff was being created already? How was it different? Ms. Huntley said her concern was that the way the City was phrasing its goals, it included all the kinds of projects that were currently already happening. She did not think additional incentives were needed to make those kinds of developments happen. She thought by having that in the City's application, it made the application very weak from the perspective of the state, because they were saying Newark was asking the State to incentivize development that they were already getting without state funds going towards those projects. In order for Newark's application to become competitive, she thought the City needed to make a stronger case why there was a need for it so that the need and impact part needed to be stronger. Maybe the part should be cut out that would support projects that were already happening that were already very successful and were already very strong, and emphasize the kinds of projects that were really lacking which was the low income housing.

Ms. Huntley thought it was important for the application to correct the typos. There was also outdated information about the ground breaking that just happened with the Alder Creek community. She thought people already moved in there. She thought people who would read Newark's application would want to see information that was current rather than information from three years ago.

Overall, Ms. Huntley thought it was much better than the last application. It looked less rushed and more thought through. She thought the boundaries made a lot of sense. For the future, she hoped there could be time for Council to make meaningful input. The way that this worked out was either Council approved it tonight or did not.

Ms. Huntley encouraged thinking about this as part of the longer term vision. Student housing was often talked about as something that was undesirable and was overtaking the City. She thought it was time to acknowledge that half of the population for most of the year consisted of students and there was a need to make space for them somewhere. If not downtown, where should these students live? What kind of implications did that have if they were pushed away from the area of Newark that was right next to campus for transportation, for traffic, for parking? Maybe it was not necessarily a goal that should be pursued without further discussion that student housing downtown was necessarily a bad thing.

Along those lines, Ms. Huntley urged Council to think about College Square Shopping Center. She heard the owner there was not really interested in developing any kind of housing. If that was promoted as a good place for mixed use and the owner was not really interested, she was not sure how well that would fit into a longer term vision. Although it was off topic because it was no longer in the district outlined here, she suggested moving the livable downtown that was non-student dominated further down south Main Street.

Regarding College Square, Ms. Huntley suggested thinking about whether it should be commercial or mixed urban. She thought that was already partially addressed in the presentation that there was some

conflict between how it was talked about in the application and how it was presented in the maps. Conflicts like that made the City's application weaker.

John Morgan, District 1, attended the discussion of this at an earlier stage at the Planning Commission but was not at the workshop on 5/4. He understood that the district changed in the last month to now include the area north around Cleveland Avenue. On one of the slides in the handout, it seemed like the old district boundaries were still there but that would be corrected. Mr. Markham pointed out that Dr. Morgan missed that part of the presentation.

Desmond Kahn, District 1, raised concerns about the need for more affordable or subsidized housing and asked if consideration was given to the fact that this type of development might move the City toward a gentrification mode with the influx of so many commercial properties. Mr. Fortner pointed out that this was a tool to counter gentrification. Gentrification was happening in Newark based on the proliferation of expensive student housing which was pricing non-students and working families out of the market. This would create different kinds of housing choices and directly addressed that.

Mr. Fortner would incorporate the comments made tonight into the application.

MOTION BY MS. HADDEN, SECONDED BY MR. CHAPMAN: TO ENDORSE THE DOWNTOWN DEVELOPMENT DISTRICT'S PROGRAM APPLICATION OF THE CITY OF NEWARK TO THE STATE OF DELAWARE OFFICE OF STATE PLANNING COORDINATION TAKING INTO CONSIDERATION SOME OF THE COMMENTS THAT WERE BROUGHT FORWARD TONIGHT.

MOTION PASSED UNANIMOUSLY. VOTE: 5 to 0.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

(RESOLUTION NO. 16-L)

14. 5-A-2. RECOMMENDATION TO AMEND THE INVESTMENT POLICY STATEMENT FOR THE CITY'S CASH RESERVE ACCOUNT

01:48:13

Mr. Vitola proposed formally amending the investment policy for the City's cash reserve before getting to the investment management recommendation. The policy was recently revised and approved by Council on February 8, 2016, but there was a conflicting paragraph and a clarification that should be amended before transitioning to a new investment manager. The first amendment was to standardize to investment grade credit quality in paragraph D.2. (see page 3 of 5 in blue). The clarification in the other amendment was related to permissible investments for the policy to state outright that the funds in other investment vehicles containing permissible investments was also a permissible investment. He believed it was implied in the existing language with it but it was appropriate to explicitly clarify the language. Even though it was out of the scope of the Pension Committee, the committee agreed with the changes. Thus it was recommended that Council adopt the changes as recommended.

Mr. Morehead referred to page 4, specifically the clarification, funds comprised of permissible investments. He asked if it was necessary to specify what percentage they comprised. Mr. Vitola responded no because there were diversification and account limitations in Section 6 which further specified the percentages of permissible investments allowed in the whole portfolio. Mr. Morehead's point was when something was comprised of something else, was that automatically 100% comprised of...? Mr. Vitola said no, for instance suppose we were... Mr. Morehead said this was still not his point. If he wanted to buy 15 things and one of them was allowed, his fund was comprised of one allowed item, but 14 of them were not. Mr. Vitola replied this language did not permit the City to be invested in anything that was not permissible in the other sections of the policy, that was not a risk.

Ms. Wallace asked for clarification for item D.2. and the reasoning behind making those changes. Mr. Vitola explained the intent was to permit investments with an issuer, a company that was issuing fixed income instruments and had a long-term rating of the investment grade or better, which was BBB or better and any of their long-term debt instruments having a rating of BBB or better. There was just a mistake in the paragraph that said BBB or better for the long-term rating but AA or better for the issue itself because often an issuer was rated and had a short-term rating and a long-term rating, but also the debt that they issue. Each debt issuance also had a rating. Those ratings should be consistent, and the intent was to have those all at investment grade or better which was BBB or better.

Mr. Morehead came back to his question again. He would be a lot more comfortable if it said in item K, comprised *only* of the permissible investments outlined in paragraph V. Mr. Vitola said that would be acceptable and added further clarity. That was the intent of the section.

There were no public comments.

AMENDMENT BY MR. MOREHEAD, SECONDED BY MS. HADDEN: THAT THE WORDING IN ITEM K BE CHANGED TO "COMPRISED ONLY OF THE PERMISSIBLE INVESTMENTS OUTLINED IN PARAGRAPH V (ADDED "ONLY").

MOTION PASSED UNANIMOUSLY. VOTE: 5 to 0.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

MOTION BY MR. MOREHEAD, SECONDED BY MS. HADDEN: THAT THE RECOMMENDATION TO AMEND THE INVESTMENT POLICY STATEMENT FOR THE CITY'S CASH RESERVE BE APPROVED AS AMENDED.

MOTION PASSED UNANIMOUSLY. VOTE: 5 to 0.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

15. 6. RECOMMENDATIONS ON CONTRACTS & BIDS:

- A.** Recommendation to Award RFP 16-01 – Investment Management, Custodial, and Benefit Administration Services for Pension Assets, Other Post-Employment Benefit Assets, and Reserve Cash Funds

01:53:55

Mr. Vitola presented the recommendation for RFP 16-01. He reported that one of the reasons the Pension Committee was formed was to have the right team of people in place to bid the investment management services for the pension and OPEB assets. That was done with RFP 16-01 and he believed the recommendation being presented to Council, as trustees of pension and OPEB assets, was very solid.

Step 1 was to form the committee and anchor it with an independent investment consultant. That was Mr. Andy Zimmerman of VP Investment Partners. Without Andy and the resources at his firm, the committee would not have been able to do this process as efficiently or as successfully as they did.

Step 2, was to sharpen the Investment Policy Statement (IPS) for the pension and OPEB funds. The investment consultant and the committee were used to rewrite the IPS for the cash reserve as well.

Step 3, was to launch the RFP itself which, likewise, included the \$21.5 million in cash reserves even though it was out of the scope of the Pension Committee. After advertising, 46 firms were invited, 22 of which responded with proposals. Six finalists were selected and invited to a meeting of the committee to present their plans for the City's assets. Those interviews were conducted all day on 4/29. After the interviews, Vanguard Advisers and PFM Asset Management emerged as the unanimous choice of the Pension Committee to handle the investments going forward.

Vanguard was recommended to manage the pension and OPEB funds, basically what Russell was doing now. Vanguard's structure leads to very competitive fees and reduced conflicts in the sense that the firm was owned by the mutual funds that it serviced, and the firm's investment philosophy was in the right place and aligned with the City's philosophy.

PFM was recommended to handle the cash reserve. PFM was a leader in ultra-high quality, very short duration, fixed-income funds which was the mandate for the cash reserve funds. The firm could also leverage its vast resources and deliver a highly competitive fitting.

Both firms also demonstrated a strong focus in customer service and truly robust, capable of internal research. The fee savings generated would be close to \$300,000 a year. That was even stronger than Mr. Vitola expected going into the process. For that and other reasons, it was strongly recommended that Council approve the recommendations to award Contract 16-01 in part to Vanguard Advisers and in part to PFM Asset Management and its custodian, US Bank.

Mr. Morehead asked if the \$300,000 savings could be added directly to the funding going forward. Mr. Vitola explained the funding for this was different than most recommendations. It was really going to be higher. The investment returns would be higher than the City otherwise would have which accrued right to the pension and OPEB funds. It was not money they had to be able to spend or do anything with.

The Chair opened the discussion to the public.

Desmond Kahn, District 1 asked if the \$300,000 savings was a reduction in the fees charged to manage the investments. Mr. Vitola confirmed they were a reduction in the fees charged to manage the assets. Mr. Kahn said then it would result in increased yield for the City. Mr. Vitola said yes, it was real dollars, real savings.

Mr. Markham asked if Russell was being completely replaced. Mr. Vitola confirmed they were.

MOTION BY MS. HADDEN, SECONDED BY MR. MOREHEAD: THAT CONTRACT NUMBER 16-01 BE AWARDED IN PART TO VANGUARD ADVISERS FOR THE MANAGEMENT OF THE CITY'S PENSION AND OPEB ASSETS, IN PART TO PFM ASSET MANAGEMENT, LLC FOR THE MANAGEMENT OF THE CITY'S CASH RESERVE ASSETS AND IN PART TO US BANK TO SERVE CUSTODIAN FOR THE CITY'S CASH RESERVE ASSETS.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

16. 7. FINANCIAL STATEMENT: (Ending March 31, 2016)

01:58:59

Mr. Vitola presented the unaudited financial statements for the period ended March 31, 2016.

The unaudited financial statements for the first quarter ending March 31, 2016 were distributed to Council last week. The consolidated year-to-date operating surplus was about \$30,000 behind the pace of the year-to-date budget. In the governmental funds, both the revenue variance and the expense variance improved over February. Expenses remained under-budget but revenue and governmental funds were still shy of expectations.

The revenue shortfall was due primarily to transfer taxes, fine receipts, and permit revenue. Transfer taxes were unusually low, even considering the lighter winter months, but the April and May figures were not much stronger so it was hoped that property sales picked up. Fines were light compared to the budget. There was an uptick in citations, payments and parking tickets. In 2016, the traffic and criminal fines were still running low.

Permit revenue was also light, but an increase in permit activity was expected with the hotel project and a few other projects that were approved and in the pipeline.

In the Enterprise Funds, likewise, they were running about \$43,000 shy of the budgeted surplus, which was less than 1% behind budget. Spending was still well within the budget, particularly across personnel lines but also in supplies, materials, and contractual lines. However, after Enterprise Fund revenues rebounded somewhat in February, they were soft again in March with mild to rainy weather and that persisted through April and into May.

The electric margin was 7.5% short of expectations so far and was under-collecting. As mentioned last month, DEMEC reported that March represented the seventh consecutive month for which usage was lower than the prior period. That trend was finally broken in April, although not by much. April was a low-usage shoulder month anyway. Electric usage would be monitored going into the summer months, but it was not all doom and gloom just yet. Even a normal summer could help resolve the under-collection.

DEMEC was reporting that wholesale rates should get some relief as older, higher priced energy contracts were falling off just before the summer. Meanwhile, the natural gas market remained depressed which helped suppress energy prices. That was the good news.

The insurance and maintenance funds continued to perform well and offset some of the negative variance, and the cash position was strong. Cash was \$29 million at the end of March which included \$21.5 million in cash reserves and \$7.5 million in operating cash. Electric regulatory assets stood at just over \$428,000 which represented the over-collection he mentioned and that would hopefully be resolved

through the remainder of the year. If it was anything other than zero in any direction, it would be part of the 2017 RSA calculation and should not require any action anytime during the year.

Mr. Markham noted the City kept seeing the not-quite-at-par forecast with the enterprise fund. He asked at what point in time Mr. Vitola saw a problem. Mr. Vitola said it was something that had to be worked on constantly. Every budget cycle and every monthly report, actual versus budget was an opportunity to find what targets were being hit, what targets were being missed. Specifically for this under-collection problem for the start of 2016, it was a problem if August got behind the City and there was an under-collection because at that point, it was unlikely that an under-collection could be reversed in the last couple of months of the year, especially with the fall shoulder months. Then all the City had was electric-heated customers that would help at the end of the year. That was the point where the City would have to look.

Mr. Markham addressed the forecast for the RSA and asked if August would be the point in time where Mr. Vitola thought that would need to also be reviewed. Mr. Markham thought that the City had been quite lucky that the City had been able to get back in one quarter [inaudible]. Mr. Vitola thought in the fall was the first window to be able to start projecting forward for the end of 2016 and how it could look, but the City really did have to wait until the full cycle passed. In the last two years, the RSA calculation was done in March after they had reconciled prior year data done. Staff did an estimate for the budget process and then had the actual RSA in March. It really did take all the way through mid-February and then they planned for the March Council meetings to have a firm understanding of what the actual RSA calculations would be.

Mr. Vitola explained that the RSA consisted of three components: 1) The over/under collection, 2) the margin requirement, and 3) the wholesale cost versus what the wholesale costs were expected to be when the rates were set in 2011. The most meaningful component of that was the wholesale rates versus what the 2011 study projected, and that number was still expected to be favorable in 2017. Even if an under-collection had to be remedied, and even if there was a margin requirement, he did not think that would be enough to offset the RSA credit. If so, it would be marginal. Basically, there was head room on the wholesale electric rate side.

Mr. Markham asked if the distribution cost was part of the wholesale cost. Mr. Vitola replied that the distribution cost was part of the wholesale cost. The furthest he was able to glean from DEMEC officials was at the most recent DEMEC meeting where it was advised that the impact would be real and meaningful on that new transmission line coming in from Salem. It was likely not going to impact the transmission-only component of the rate by more than 10% which when blended into the entire rate, was a pretty small component of the wholesale rate. Mr. Vitola thought energy prices were going in the right direction to hopefully partially offset or completely offset the increase in transmission costs. That was not the only factor pressuring transmission costs up. There were capacity pressures, ancillary cost pressures and other things. Everything but the energy-only component of power was going up.

Mr. Markham referenced the green energy fund and asked if what was left was paid at the 25% or the 33%. Mr. Vitola said that was at 33% for the church. That was the last one, there was no one else in the queue. Mr. Markham when the City paid people off, when the City came up with a project, the third would be available for the City. He asked for confirmation that the City was keeping the solar part separate from the agreement and the fund as well. Mr. Vitola said absolutely. The CAC liked the term, 'Idea Fund,' so as not to confuse State Clean Energy Fund for Newark with Newark Green Energy Fund. What McKees was generating in the form of savings and avoided wholesale costs was being separately put aside, separate from the State of Delaware green energy funds, and for lack of better terminology, it was an idea fund for conservation projects.

Mr. Morehead asked Mr. Vitola to put in perspective for Council – he said 10% of the transmission was a small number. Relative to the whole, what was the rough percentage of transmission versus the rough percentage of energy. Mr. Vitola did not even want to ballpark but said 15%.

Mr. Morehead said the City's budget had two components –operating and capital. When would it make sense to come back to Council and say, "We are just plain not going to do this side and this side and this side," or to bring Council back options and say, "Would you rather not do this one or that one?" Mr. Vitola thought in 2014 staff did that in September when it was clear that revenue was falling short and was going to stay short. He said after the summer period got by and once they were in the heat of the budget for the following year and had a better picture of what projects were underway, done, could be delayed and so forth. Mr. Morehead said he looked at the operating budget and they were not going to lay people off if they could possibly help that. There were fixed costs. Then there were things that they

would like to do that they did not necessarily need to do. He would rather cut those and have that option brought to Council first for the decision.

MOTION BY MR. MOREHEAD, SECONDED BY MS. HADDEN: TO ACCEPT THE FINANCIAL REPORTS ENDING MARCH 31, 2016.

MOTION PASSED UNANIMOUSLY. VOTE: 5 to 0.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

17. 8. **ORDINANCES FOR SECOND READING & PUBLIC HEARING:** None

18. 9. **RECOMMENDATIONS FROM THE PLANNING COMMISSION AND/OR PLANNING & DEVELOPMENT DEPARTMENT:** None

19. 10. **ITEMS SUBMITTED FOR PUBLISHED AGENDA**

A. **Council Members:**

1. **Resolution 16-__:** Expressing Support For the Efforts of the Coalition for Natural Streams and Valleys to Enhance the White Clay Creek State Park Nature Center –

02:09:54

Mr. Markham requested that this item be put on the Council agenda to bring forth a request that the City support the enhancement of the White Clay Creek State Park Nature Center. The center would be renamed the Dorothy Miller Center for Nature Study for long-time Newark resident Dorothy Miller. This would not affect City funding, these were state funds. There was a unanimous request to approve the resolution from the Conservation Advisory Commission.

There were no questions from Council.

Donald Sharpe, Newark resident, explained some of the reasons for the proposed move of the Chambers House nature center to the Robinson house which would be renamed for Dorothy Miller. The house would be used as a history museum.

Desmond Kahn, District 1, said there was such a strong connection between Newark and the great preserve just adjacent to the City and people like Dorothy Miller, Don Sharpe and others had done so much to make sure residents had this public space. He thought Council should go on record as supporting this improvement and to memorialize Dorothy Miller who had a major role in that.

MOTION BY MR. MARKHAM, SECONDED BY MR. MOREHEAD: TO APPROVE A RESOLUTION EXPRESSING SUPPORT FOR THE EFFORTS OF THE COALITION FOR NATURAL STREAM VALLEYS, INC. TO ENHANCE THE WHITE CLAY CREEK STATE PARK AND NATURE CENTER. HE SPECIFICALLY NOTED THE EFFORTS TO HONOR DOROTHY MILLER AND RENAMING THE CENTER THE DOROTHY MILLER CENTER FOR NATURE STUDY.

MOTION PASSED UNANIMOUSLY. VOTE: 5 to 0.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

(RESOLUTION NO. 16-M)

B. **Others:** None

20. 11. **APPROVAL OF CONSENT AGENDA**

02:15:42

Ms. Van Veen read the Consent Agenda in its entirety.

B. Receipt of Alderman’s Report – May 12, 2016

MOTION BY MR. MOREHEAD, SECONDED BY MS. HADDEN: THAT THE CONSENT AGENDA BE APPROVED AS SUBMITTED.

MOTION PASSED UNANIMOUSLY. VOTE: 5 to 0.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

- 21.** MOTION BY MR. MOREHEAD, SECONDED BY MS. HADDEN: THAT COUNCIL ENTER INTO EXECUTIVE SESSION PURSUANT TO 29 *DEL. C.* §10004 (B)(9) FOR THE PURPOSE OF THE DISCUSSION OF PERSONNEL MATTERS IN WHICH THE NAMES, COMPETENCY AND ABILITIES OF INDIVIDUAL EMPLOYEES ARE DISCUSSED.

MOTION PASSED UNANIMOUSLY. VOTE: 5 to 0.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

Council entered into Executive Session at 9:17 p.m. and returned to the table at 9:29 p.m.

MOTION BY MR. MOREHEAD, SECONDED BY MS. HADDEN: THAT COUNCIL APPROVE THE RESOLUTION OF THE EMPLOYEE ON THE JOB INJURY PERMANENT, PARTIAL IMPAIRMENT CLAIM AS SET FORTH IN THE DEPUTY CITY MANAGER’S MEMO TO COUNCIL DATED MAY 17, 2016 AND AS OUTLINED IN EXECUTIVE SESSION HELD ON MAY 23, 2016.

MOTION PASSED UNANIMOUSLY. VOTE: 5 to 0.

Aye – Chapman, Hadden, Markham, Morehead, Wallace.

Nay – 0.

Absent – Ruckle, Sierer.

- 22. Meeting adjourned at 9:30 p.m.**

Alice Van Veen
Deputy City Secretary