

**MINUTES OF THE MEETING OF THE  
CITY OF SEAFORD MAYOR AND COUNCIL**

January 8, 2013

7:00 PM

Mayor William G. Bennett called the Regular Meeting to order with the following present: Councilwoman Grace S. Peterson, Councilwoman Pat A. Jones, Councilwoman Leanne Phillips-Lowe, Councilman J. Rhea Shannon and Councilman David Genshaw. Dolores J. Slatcher, City Manager, and Charles Anderson, Assistant City Manager, were also present.

Councilman Genshaw offered the opening prayer and Mayor Bennett led those present in the Pledge of Allegiance.

Mayor Bennett stated that there would be an Executive Session after the Regular Meeting for the purpose of discussing personnel matters.

Mayor Bennett solicited changes to the agenda. City Manager Slatcher stated that there were none.

Mayor Bennett called for a motion to approve the Minutes of the Regular Meeting of December 11, 2012. Councilwoman Jones made the motion to approve the minutes of December 11, 2012. Councilwoman Peterson seconded the motion. The motion so passed with all present voting in favor.

Mayor Bennett then presented the awards for the Holiday Decorating Contest. He thanked all the residents that decorated their homes and helped to make the City look festive for the holiday season. He announced that the 3<sup>rd</sup> place winner was Alexis Herr of 110 William Ross Lane. Ms. Herr came forward to accept her \$50 prize. He said that the 2<sup>nd</sup> place winner of \$75 was Vonda Calhoun of 223 Pennsylvania Avenue, and the 1<sup>st</sup> place prize of \$100 went to Darlene Sard of 818 Stein Highway.

Mayor Bennett stated that the City had received a letter from Mr. Frank D. Cannon, Jr. in regards to electric rates and purchase and use of City vehicles. He explained that the letter had been forwarded to the appropriate departments for review.

City Manager Slatcher presented New Business # 1, request from BASF Corporation for relief from the Seaford Industrial Park Protective Covenants to extend their approval for an additional three (3) years. She explained that BASF uses an on-site trailer as an office building. They are not financially able to add an administrative wing to the plant at this time, as they had planned. BASF Plant Manager Paul Pringle was present. He reiterated that the building addition is not possible right now, and that there is no mid-term plan for the offices at this time. Therefore, they are requesting a three year extension on the approval for their on-site trailer. City Manager Slatcher added that the Board of Adjustment had approved this request as it was related to zoning.

Mayor Bennett then called for a motion. Councilwoman Jones made the motion to approve a three year extension to allow BASF Corporation to retain their office trailer on-site, based on the approved variance given by the Board of Adjustment. Councilwoman Peterson seconded the motion. The motion so passed with all present voting in favor.

City Manager Slatcher presented New Business # 2, presentation of the FY12 audit report for the period ending on June 30, 2012 by auditors from Pigg, Krahl and Stern. Mike Kleger, Partner at PKS & Company, came forward and introduced himself, along with Ginger Heatwole, who is the longtime supervisor in charge of the City's audit. He explained that the audit results had previously been delivered and discussed with City Manager Slatcher and June Merritt, Director of Finance. He said that they were present to deliver those results to Mayor and Council and answer any questions they may have. Mr. Kleger reported that the auditors issued an unqualified, or clean, opinion on the City's financial statements, which is the highest level of assurance that an auditor can give. The unqualified opinion means that the financial statements are consistent with generally accepted accounting practices. He said that next year's audit report will be completely rewritten, as new reporting requirements have been issued beginning in 2013. Mr. Kleger added that there were no significant deficiencies or weaknesses noted in internal controls or compliance matters.

He then turned the podium over to Ms. Heatwole to go over some of the key financial points of the report.

Ms. Heatwole said that she would be going over the financial highlights for the year ending June 30, 2012. She said that the General Fund had budgeted revenue of \$3,513,002 and the actual revenue of \$3,915,570, which is comparable to 2011. She reported that the budgeted expenditures were \$7,113,992 and the actual expenditures were \$7,932,157, which is comparable to 2011. This left a deficiency of revenues under expenditures of \$4,016,587. After transferring in \$4,000,000 from various enterprise funds, the net change in the General Fund balance was a loss of \$16,587. This amount combined with the beginning of the year fund balance brought the end of the year fund balance to \$2,635,017. Ms. Heatwole then went over the financial highlights of the proprietary funds, which consist of water, sewer, electric and golf course funds. She explained that the total operating revenues were \$19,544,607 and the total operating expenses were \$16,668,917, bringing the total operating income to \$2,875,690. The total for nonoperating revenues and expenses was a loss of \$1,515,505, which left the net income before transfers at \$1,360,185. After capital contributions and a transfer out to the general fund, the total change in net assets was a loss of \$1,988,473. The total end of year net assets for the proprietary funds was \$29,967,216. She then reviewed a pie chart which showed that the primary sources of revenue for the general fund were taxes, at \$2,086,970, about 53%; licenses, permits, and fees, at \$672,380, about 17%; and intergovernmental, or grants, at \$504,353, about 13%. She showed that the primary sources of revenue for the proprietary fund were charges for services, at \$19,137,893, about 93%; capital contributions, at \$651,342, about 3%; and grant income, at \$397,405, about 2%. She noted that the capital contributions saw a significant increase in 2012 as two large projects came on line and generated a lot of revenue. She then showed that the primary functional expenses for the general fund were the police department, at \$3,051,443, about 38%; capital outlay, or major projects, at \$1,072,097, about 13%; and administration, at \$1,052,685, about 13%. She showed that the primary functional expenses for the proprietary fund were purchased power, at \$10,525,047, about 63%; payroll and other costs, at \$1,717,561, about 10%; and depreciation and amortization, at \$1,629,518, about 10%.

Ms. Heatwole then solicited any questions. City Manager Slatcher noted that a big reason for significant losses was the fact that the power plant was written off in 2012. Ms. Heatwole confirmed that of the \$1,739,460 loss on sale of fixed assets, the majority was the power plant. Ms. Heatwole thanked Mayor and Council, and said that she appreciates working with the City each year and all of June's hard work.

City Manager Slatcher presented New Business # 3, present information to approve the addition of the HPN Network to the Health Benefit Plan, effective February 1, 2013. She explained that this High Performance Network is an addition to the current health care plan, and it allows health care providers to work with Integra to provide up front discounts on services. She said that the City will see significant savings in the amount that it pays each year for employee coverage, and that employees will see savings in what they pay out of pocket for co-pays with participating providers. It is projected that the City would save about \$49,000 the first year and about \$83,000 the second year. The first year's savings are less because of enrollment fees, and also because the list of participating providers is expected to grow over the next few years. There is a form that can be given to providers who are not part of the HPN Network if they wish to join. The advantage for providers is that they get their money up front and don't have to collect it. It would eliminate a lot of paperwork for both the providers and the City. City Manager Slatcher added that notices had already been sent out to employees regarding the addition of the HPN Network, as 30 days notice is required.

Mayor Bennett solicited any questions. Councilwoman Phillips-Lowe asked which two local hospitals are participants. June Merritt said that Nanticoke is a participant, and she believes Easton is the participating hospital in Maryland. She added that Integra is working to add other local hospitals.

Mayor Bennett then called for a motion. Councilwoman Phillips-Lowe made the motion to approve adding the HPN Network to the City of Seaford Health Benefit Plan effective as of February 1, 2013. Councilman Genshaw seconded the motion. The motion so passed with all present voting in favor.

City Manager Slatcher presented New Business # 4, present for approval an agreement with George, Miles and Buhr to provide final plans for bidding and construction phase engineering services for the Seaford Industrial Park Drainage Improvements. She said that the cost for these services will be borne by the \$105,000 in CTF funds that the City received to do the culvert crossing on Park Avenue and expand the stormwater pond in the Seaford Industrial Park. The cost is \$6,950, which includes preliminary work that had been done in order to obtain the funding.

Mayor Bennett asked if the project is completely funded. City Manager Slatcher said that it is, providing the bids come in close to the estimate for the work.

Mayor Bennett solicited any further questions. There being none, he called for a motion. Councilman Genshaw made the motion to approve the agreement with George, Miles and Buhr to provide final plans for bidding and construction phase engineering services for the Seaford Industrial Park Drainage Improvements. Councilman Shannon seconded the motion. The motion so passed with all present voting in favor.

City Manager Slatcher presented New Business # 5, present for approval the request of Wilson, Halbrook and Bayard to release liens on property located in Georgetown, DE regarding lands of B.G. Joseph, Inc. She asked Eric Howard to come forward, who was present on behalf of Wilson, Halbrook and Bayard. Mr. Howard explained that he was present on behalf of all three parties involved in the transaction, B.G. Joseph, Inc., seller, Bahar Holdings, LLC, buyer, and Bank of Delmarva, who holds the mortgage on the property. He explained that because of the lien that the City has placed on B.J. Joseph's property for unpaid city taxes and cleanup fees, a lien has now attached to any and all properties that B.G. Joseph owns in Sussex County. He said that the City's lien on the Seaford property from which the taxes and cleanup fees arose is a super lien, and has priority above any other lien that may arise on that property, including a mortgage. According to Section 2901, the City's lien on the Georgetown property is a general lien – it is effective as of the date the lien was filed, and therefore any other liens already in place as of that date would take precedence. He said that Bank of Delmarva holds a \$350,000 mortgage on the property; therefore they will receive the net proceeds from the sale. The sale price is \$63,000. Mr. Howard explained that he is requesting that the City release its lien on this Georgetown property only, so that it can go to settlement and B.G. Joseph, Inc. can reduce its debt to Bank of Delmarva. If the City does not release the lien, Bank of Delmarva would be forced to foreclose on the property. He added that Mr. Bob Wheatley, President of Bank of Delmarva, was present to answer any questions Mayor and Council may have.

City Manager Slatcher said that she had spoken with Mr. Fuqua in regards to this matter. He is advising that Mayor and Council vote to release the City's lien on this property, and said that the City would not have a holding on any of the proceeds from the sale. City Manager Slatcher reminded Mayor and Council that the lien would still be in effect on the Seaford property, from which the lien arose.

Mayor Bennett solicited any questions. There being none, he called for a motion. Councilwoman Peterson made the motion to grant the release of liens on the B.G. Joseph, Inc. lands in Georgetown, DE. Councilwoman Phillips-Lowe seconded the motion. The motion so passed with all present voting in favor.

City Manager Slatcher presented New Business # 6, present for approval agreements with M & T Bank Tri-Party Security and Custodial. She said that the City requires that their deposited funds be collateralized. M & T is transferring their custodial service from its current provider to New York Mellon. She said that the City will not see any changes; it is just a different bank that will be collateralizing the City's funds. She said that the City was advised to start collateralizing its funds 10 to 15 years ago after some problems arose in California. It is further protection for the City's funds, as FDIC only covers about \$250,000. If M & T Bank were to default, the custodial service would put up the funds for the City of Seaford.

City Manager Slatcher said that a Roll Call Vote should be done, as there was a Certificate of Authorized Persons which must be completed. Mayor Bennett then called for a motion. Councilman Genshaw made the motion to approve the M & T Bank Tri-Party and Custodial agreements as presented. Councilman Shannon seconded the motion.

Mayor Bennett then called for a Roll Call Vote:

Councilman Genshaw voted in favor;  
Councilman Shannon voted in favor;  
Councilwoman Phillips-Lowe voted in favor;  
Councilwoman Jones voted in favor;  
Councilwoman Peterson voted in favor.

Mayor Bennett confirmed that the motion passed with all present voting in favor.

City Manager Slatcher presented New Business # 7, present for approval the Norfolk Southern Agreement for stormwater crossings as part of the Porter Street project. She said that under this agreement the City would have to pay a one-time Risk Financing Fee of \$1,000. The agreement requires that Norfolk Southern personnel will have to be used for flagging, and will have to be indemnified. The City will have to provide insurance. She said it is a typical agreement with the railroad company.

Mayor Bennett then called for a motion. Councilwoman Jones made the motion to approve the Norfolk Southern Agreement for the storm water crossings related to the Porter Street Storm Water Improvement Project. Councilwoman Peterson seconded the motion. The motion so passed with all present voting in favor.

City Manager Slatcher presented New Business # 8, request for approval to purchase and install custom steel gates to protect the concession stand at the Sports Complex as a non-budgeted expense. She said that a few fencing options had been explored, but that staff was recommending black arched gates that will match the entryway, at a price of \$2,636. The gates will protect the bathroom and kitchen from further vandalism. She explained that a lot of vandalism has occurred at the concession stand in recent years, such as broken windows, kicked doors, food being cooked, graffiti, and urination. She said that it would be best to have Council vote to approve the gates so they may be installed before warm weather rolls back around and more mischief occurs. She added that eventually security cameras may have to be installed.

Mayor Bennett then called for a motion. Councilman Genshaw made the motion to approve the non-budgeted purchase of the three custom-made arched black steel gates in the amount of \$2,636.00 from Nanticoke Fence LLC to prevent further vandalism at the concession stand in the Sports Complex. Councilwoman Peterson seconded the motion. The motion so passed with all present voting in favor.

#### **REMINDER OF MEETINGS & SETTING NEW MEETINGS**

- SCAT Meeting at Baywood on January 9<sup>th</sup> at 6 p.m.
- DEMEC, PJM 101 Training in Smyrna on January 17<sup>th</sup> from 8:30 a.m. until 4:30 p.m.
- MLK Breakfast at Heritage Shores on January 21<sup>st</sup> at 8 a.m.
- Sussex County Profiles Luncheon at Sussex Pines on January 22<sup>nd</sup> at noon

#### **COMMITTEE REPORTS**

Councilwoman Peterson reported that the Electric Department had been busy with streetlight repairs, as well as updating their materials manual. She said that they have been working on upgrading to a new web-based system for purchasing, which will save time and money. She added that the underground primary replacement is almost complete at Seaford Meadows Apartment complex.

Councilwoman Phillips-Lowe reported everything is running smoothly at WWTF, and that staff is working on year-end reports for EPA and DNREC. She reported that the sewer lines have been installed for the Lofland addition, and that water testing is being done. She said that the Public Works Department has been working on replacing the pump at the Arbutus Well, removing the hedges at Hooper's Landing, and boarding up properties for

the Code Department. She added that they will be doing one more run through the City with the leaf truck to pick up loose leaves; after that they must be bagged. She reported that the Code Department has sent out 21 violation letters, and 9 work orders have been written to correct those violations. She said that inspections are ongoing for the FedEx and Seaford High School building projects. She added that 8 building permits have been issued, and plumbers' license renewals are almost complete. She reported that the Seaford Enhancement Team held a meeting on January 7<sup>th</sup>, where it was announced that the City of Seaford was one of 9 municipalities chosen to receive downtown business development and revitalization services from DEDO through a grant from the USDA Rural Community Development Initiative. This is not financial assistance, but technical assistance and training, with planning and implementation strategies to reduce vacancies downtown. She added that the tree in Gateway Park was damaged, with damage done to branches and several hundred dollars worth of decorations which will need to be replaced.

Councilman Genshaw reported that the wrestling and basketball seasons are underway in the Recreation Department, and that both activities have had a good turnout. He reported that the Parks Department has been busy with cleanup throughout the City. He added that the Recreation Committee has an upcoming meeting on January 16<sup>th</sup>.

Councilwoman Jones reported that the Administration Department has been working with the auditors to finalize the FY12 financial report. She commended June and the rest of the staff for their efforts in this process. She reported that electric, water and sewer disconnects were done on January 8<sup>th</sup>. She said that the utility bills for December consumption will be going out on January 11<sup>th</sup>. She reported that the Administration Department has been working on preparations for the addition of the HPN Network to the Health Benefit Plan, as well as processing W-2s. She added that preparations have begun for the FY14 budget.

Councilman Shannon reported that the Fire Department has been busy with calls. He had nothing to report for the Police Department. City Manager Slatcher added that the new Chief and President were elected for the SVFD. Curt Purse will be the new Fire Chief and John Stevenson will be President.

City Manager Slatcher reported that the website will soon be ready to accept online payments. She suggested a soft run once it is set up to make sure it is working properly. She said that once it is up and running, residents will be notified.

Councilwoman Phillips-Lowe announced that she has filed to run for another Council term in the upcoming Municipal Election.

With no further comments, Mayor Bennett called for a motion to close the Regular Meeting of Mayor and Council and move to an Executive Session for the purpose of holding an employee hearing. Councilwoman Phillips-Lowe so moved. Councilman Genshaw seconded the motion and the motion so passed with all present voting in favor. Mayor Bennett closed the Regular Meeting at 7:45 p.m.

Mayor Bennett closed the Executive Session and reopened the Regular Meeting at 9:52 p.m. He then called for a motion to close the Regular Meeting of Mayor and Council. Councilwoman Jones so moved. Councilwoman Peterson seconded the motion and the motion so passed with all present voting in favor. Mayor Bennett closed the Regular Meeting at 9:52 p.m.

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Dolores Slatcher, City Manager