

MINUTES OF THE BUDGET WORKSHOP OF THE CITY OF SEAFORD MAYOR AND COUNCIL

October 18, 2016

7:00 PM

Mayor David Genshaw called the Budget Workshop to order with the following present: Councilwoman Grace S. Peterson, Councilwoman Leanne Phillips-Lowe, Councilman William Mulvaney, Councilman Dan Henderson and Councilman Orlando Holland. Dolores Slatcher, City Manager, Charles Anderson, Assistant City Manager, June Merritt, Director of Finance & HR, Berley Mears, Director of Public Works, Josh Littleton, Building Official, Trisha Newcomer, ED/IT Manager, Bill Bennett, Superintendent of Electric, and Katie Hickey, Superintendent of Parks & Recreation, were also present.

Councilman Henderson came forward to share a presentation that was given at the DEMEC dinner which was attended by several members of council and staff on September 21, 2016. The speaker at the dinner was Dawn Lund of Utility Financial Solutions, LLC, who discussed retail rate design, and specifically customer charges. Councilman Henderson explained that according to Ms. Lund, customer charges should be assessed based on costs that do not vary with usage, such as:

- Meter operation, maintenance and replacement costs
- Automatic meter reading (AMR) installation costs
- Meter reading
- Billing costs
- Customer service
- Portion of distribution system (35-50%)

All of these are factors for the City of Seaford except for automatic meter reading. The closest that the City has are meters that can be read using a handheld device driving by the meter.

Additionally, increasing customer charges helps to stabilize revenues when sales may be declining due to weather or economy, as well as for seasonal customers. When consumption is down, the costs associated with maintenance and billing remain the same, and the customer charge allows for that. Councilman Henderson added that low income is not the same as low use. It has been demonstrated that many low income customers actually tend to use more electricity, as many of them are unable to afford energy-efficient appliances and heating systems. So in turn, a higher customer charge may benefit the low income customers. A higher customer charge also allows for a lower electric rate.

The correction of customer charges should take place during a rate change. Councilman Henderson said that at the DEMEC presentation, Ms. Lund said that those municipalities whose customer charge is not at least \$10.00 should probably re-evaluate it. Seaford's residential customer charge is currently \$8.00, which has gone up incrementally over the last few years. This is the best way to increase charges, as opposed to a large spike all at once. There are consequences to avoiding customer charge increases. The municipality will see a decline in cash; and also, because the need doesn't go away, there will be larger future increases. Avoiding the increases could also mean having to put off capital improvements.

Councilman Henderson then compared the following financial projections:

Fiscal Year	Projected Rate Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income	Projected Cash Balances	Capital Improvements	Bond Issues	Debt Coverage Ratio
2011	0.00%	140,298,723	141,333,703	(1,034,980)	35,313,396	6,975,000	-	2.34
2012	0.00%	143,900,552	146,605,317	(2,704,765)	29,549,231	6,265,000	-	2.14
2013	0.00%	145,430,257	150,971,486	(5,541,229)	20,701,100	6,516,000	-	1.78
2014	0.00%	147,395,894	155,879,882	(8,483,988)	7,246,116	8,123,000	-	1.42
2015	0.00%	148,176,101	160,519,276	(12,343,175)	(7,718,630)	7,068,000	-	1.13
Recommended Operating Income Target - 2011				\$ 10,887,198				
Recommended Operating Income Target - 2016				\$ 10,273,763				
Recommended Minimums					\$ 40,304,223			1.40
Recommended Minimums					\$ 44,995,205			1.40

The first slide shows the financial projection for a municipality who avoids increasing rates over the course of 5 years. Each year, the projected revenues increase only slightly, while projected expenses increase more significantly each year. The adjusted operating income and projected cash balances continue to decrease, until the fifth year sees a projected cash balance of negative \$7.7 million.

Fiscal Year	Projected Base Rate Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income	Projected Cash Balances	Capital Improvements	Bond Issues	Debt Coverage Ratio
2011	2.80%	145,331,282	141,333,703	3,997,579	40,345,956	6,975,000	-	2.98
2012	2.80%	152,669,729	146,605,317	6,064,412	43,514,526	6,265,000	-	3.27
2013	2.80%	158,116,137	150,971,486	7,144,652	47,806,147	6,516,000	-	3.43
2014	2.80%	164,233,081	155,879,882	8,353,199	52,069,264	8,123,000	-	3.62
2015	2.80%	169,308,261	160,519,276	8,788,985	59,693,430	7,068,000	-	4.55
Recommended Operating Income Target - 2011				\$ 10,887,198				
Recommended Operating Income Target - 2016				\$ 10,273,763				
Recommended Minimums					\$ 40,304,223			1.40
Recommended Minimums					\$ 44,995,205			1.40

The second slide shows the financial projection for a municipality who increases the rates incrementally by 2.8% each year. The projected expenses are the same, but the projected revenues increase each year, which sees a continued rise in the adjusted operating income and projected cash balances.

The recommended rate track is implementing small periodic increases to keep up with inflation. Most residential customers would see a 0-5% increase, which is considered inflationary. Some larger industrial customers will see a 5-9% increase. Typically, an increase of 10% or more will result in complaints from customers. Increases should be implemented in the transition month for transparency. This is currently how the City implements increases, and has done for a number of years, with the transition month typically being the start of the new budget year. It is also wise to

conduct a survey of local rates among other municipalities or utility service providers when considering a rate increase.

Mayor Genshaw solicited any questions from Council regarding the presentation. There were none. Councilman Henderson added that this presentation was almost identical to one just given by David Downes of Downes & Associates at the Electric Committee Meeting, demonstrating that the City is closely following this track, which is an industry standard best practice. Mayor Genshaw thanked Councilman Henderson for the presentation.

Assistant City Manager Charles Anderson then came forward to give a presentation on the FY 2018 budget. He thanked staff for all their hard work which went into the presentation, as well as for being present at the meeting to answer any questions Mayor and Council may have. Mr. Anderson began by reading the City's mission statement, which was adopted by Mayor and Council on September 13, 2016.

"The City of Seaford will provide its residents and businesses with good governance, positive customer service, and a desirable quality of life."

Mr. Anderson asked Mayor and Council to be thinking during the presentation, as well as in the coming months, about projects they would like to see implemented in 2018 and beyond; where they see staffing levels in 2018 and beyond; new programs or services they would like to see offered; existing programs or services they would like to see changed or modified; or any other ideas they may have. He discussed technology advancements, with goals of improved customer service; providing customers with greater flexibility and information; connecting citizens, visitors and businesses with the City and its services; bringing the City and its residents into the 21st century and beyond; and greater protection of the environment.

One technological advancement on the radar is the implementation of AMI, or automatic meter infrastructure. The handheld/drive-by meter reading equipment currently in use is aging, and will need to be updated or replaced. Additionally, many water meter modules are nearing the end of their 10-year life, and some meters are under-registering usage or stopping altogether. Another driving force of AMI implementation is the improvement and reduced cost of customer service. Many surrounding utilities provide internet access to interval usage data, which is desirable to customers. There is also the capability of remote connect and disconnect of electric service. AMI technology also offers support for emerging needs which the current meter infrastructure does not, such as metering for solar panels, changes in rate design for demand metering and seasonal rates, and load management. All electric and water meters can be read on the same day, which reduces long and short billing months due to holidays, weekends or weather. Additionally, a reduction in time spent reading meters means that utility workers will have more time to devote to training and system maintenance. Remote meter reading capability will allow "read and leave on" requests to be done right from the billing office, and the work order can be closed out more quickly. Meters which can be remotely connected and disconnected will save time and money each month. The Electric Department averages 33 disconnects/reconnects per month, with an estimated cost of \$49.98 each, factoring in hourly employee wages, vehicle and fuel usage. Remote disconnects and reconnects could result in savings of \$1,649.34 per month, or \$19,792.08 per year.

Mr. Anderson said that another program which staff has looked into is called See-Click-Fix. See-Click-Fix engages community members, who use a mobile application to communicate. The program improves work management and data analytics, and provides better information regarding City services. Mr. Anderson played a brief video on the company's website which demonstrated how the program works. He noted that the mobile app features a map which community members can use to show exactly where a problem is, such as a damaged sidewalk. He explained that the City often receives phone calls about issues that are actually located outside of City limits, and would be the responsibility of Sussex County. This program would allow its users to identify the appropriate contact for their complaint, and help save time by avoiding calling the wrong person or agency. Mr. Anderson added that they do not have the final numbers, but when staff talked to the company about implementing this program, it was very reasonable.

There are also MS4 (Municipal Separate Storm Sewer System) advancements on the horizon for the City, with six minimum control measures (MCM) which will have to be implemented over the next 3-5 years:

1. Public education and outreach.
2. Public involvement and participation.
3. Illicit discharge detection and elimination.
4. Construction site runoff control.
5. Post construction storm water management in new development and re-development.
6. Pollution prevention good housekeeping for municipal operations.

Mr. Anderson noted that Council will see items related to these measures appearing on the budget over the next few years.

Mr. Anderson then went on to discuss capital items for the FY2018 budget. He said that even though it is very early in the budget process, each department was asked to outline a few capital items that they would like to see included in the budget for FY2018.

In the Administration Department, June Merritt would like to see the purchase and implementation of a computerized time keeping system. Employees would likely swipe a card or key fob to clock in and out. Staff believes that this system would provide greater efficiency and accuracy in time keeping and reporting for employees. Supervisors would likely see a reduction in time spent manually reporting time records to payroll weekly, or bi-weekly for police. Additionally, there would also be less time spent by accounting staff entering data into spreadsheets and the payroll system. The estimate for this time keeping system is \$10,000.

In the Code Department, Josh Littleton is requesting funding for demolitions. The top priority on that list is located at 800 Atlanta Road, at the Nylon Capital Shopping Center—the old Fresh Pride building. Mr. Anderson showed a few pictures of the property and explained that both the interior and exterior of the building are in deplorable condition. The cost to demolish this building is estimated at \$85,000 +/- . Other properties topping the demolition list are:

- 329 North Front Street, estimated at \$12,000 +/-
- 215 North Arch Street, estimated at \$8,000 +/-
- 318 North Pine Street, estimated at \$12,000 +/-
- 223 North Arch Street/405 East Poplar Street (duplex), estimated at \$18,000 +/-

Mr. Anderson explained that when demolishing older homes such as the ones listed, there are often things that are encountered that can make the demolition more challenging or costly—such as a basement that needs to be filled in, asbestos, lead-based paint, or trees that need to be worked around. The estimated total for all five properties is \$135,000.

In the Police Department, as in previous years, the primary need is vehicles. This year, they are looking to replace three vehicles. Two cruisers, both of which currently have around 62,000 miles, are in need of replacing. The budget estimate for two new 2017 Ford Interceptor sedans with light bars is \$57,570. Mr. Anderson explained that the department does try to move light bars and equipment from old vehicles to new ones as much as they can until that equipment is no longer usable. They are also looking to replace the Chief's vehicle—a 2007 Dodge Durango with around 50,000 miles. The estimate for a replacement vehicle is approximately \$28,500.

The Parks Department is looking to purchase a John Deere or Kubota compact tractor. The department currently has two compact tractors, both of which have been in service for a number of years and have cost the department a lot of money in maintenance and repairs. Mr. Anderson added that the Parks Department has requested a new tractor in their budget for the last year or two, but the item has been cut from the budget. The cost estimate for a new tractor is \$29,000. The second request from the Parks Department is the revitalization of Nutter Park, which would include replacement swings and an additional play structure, installing rubber mulch around the swings, and resurfacing and repainting the basketball courts. Mr. Anderson asked when the basketball courts were last resurfaced, and City Manager Slatcher estimated it was last done in the late 80s or early 90s. Mr. Anderson explained that this is a well-used park which is really in need of this revitalization. The Nutter Park project is estimated to cost around \$20,000.

In the Electric Department, improvements to Circuit 330 are the top priority. Mr. Anderson explained that the department did a lot of underground work during the construction of the Mears Campus, and these improvements will essentially finish that piece of the electric infrastructure, and allow it to pull load off of some of the other circuits. He asked Bill Bennett, Supt. of Electric to come forward and indicate on the map the proposed improvements. Mr. Bennett explained that the Mears Campus is currently fed from Herring Run Road. In the current year's budget, the department is extending the underground infrastructure from behind Mearfield. The proposed improvements for Circuit 330 for FY 2018 include

- Phase I – Connecting circuit 330 from switch to switch. This will allow the department to take all of the Mears Campus, Mearfield and the proposed Mearfield 2 and Melanie Ridge off of circuit 330, as well as giving them the ability to tie circuits 310 and 330 together at the switch in the Mears Campus. Phase I estimate: \$20,500
- Phase II – Connecting circuit 330 cabinet to cabinet. This will only leave a short section under Bridgeville Highway and down to Halpern to be completed, which will loop that circuit and give the department more switching capability to move load between circuits and tie circuits together. Phase II estimate: \$16,500

All of these improvements will mean greater redundancy, meaning that the businesses and medical facilities located in the area of Bridgeville Highway and Herring Run Road will have more than one feed option, and loads can be transferred between circuits as needed, which should mean fewer outages.

The second capital item for the Electric Department is a new bucket truck, which will replace the 2001 GMC bucket truck currently in use. This truck is technically slated for FY 2019, but because of the time required to bid, specify and build the truck, it will need to be ordered in FY 2018. Also, staff wanted Mayor and Council to be aware of the cost of the truck—Altec gave an estimate of \$225,000. Mr. Anderson explained that the City has spent over \$11,000 in maintenance on the existing truck since January 2014. There have been several small hydraulic leaks and the hydraulic pump had to be replaced last year. Because delivery won't occur until 9-12 months after the truck is ordered, the City is looking at another 18 months of maintenance on the current bucket truck. Replacing this truck in FY 2019 will get the department on a 15-year replacement schedule for large bucket trucks, as was presented to Council in last year's planning session. Bill Bennett, Supt. of Electric said that the existing bucket truck has over 59,000 miles on it, but he wasn't sure exactly how many hours. He explained that the life of these trucks is also measured in hours, as they are running the whole time they are parked and in use.

Councilman Mulvaney asked when the hydraulic pump was replaced. Mr. Bennett said about a year ago. He explained that the special hydraulic pump required is manufactured in Italy. The replacement pump had to be paid for in advance, at a cost of about \$4,000. It then took around 3 weeks to be constructed, and then took approximately 4 weeks to be shipped by boat, as they will no longer ship the hydraulic pumps via air plane. During that time, the truck could only be used for driving around, as well as using some of the tools on it. The department could not use the bucket, nor many of the other tools on the truck which are powered by hydraulics. Councilman Mulvaney asked if there was any risk of catastrophic failure of the hydraulic system while someone was in the bucket. Mr. Bennett explained that there are backup mechanisms in place that would allow them to safely lower the bucket.

At the Waste Water Treatment Plant, a sludge (SSI) mixer for the compost facility is slated to be purchased in FY 2018. The City has budgeted \$132,000 over the past three years in the capital reserve account. The mixer currently in place is diesel-powered and approximately 30 years old. A diesel-powered replacement is estimated to cost around \$95,000. An electric model could be a cheaper option, but would require improvements at the site, including the installation of a 480 volt/3 phase service with minimum 35 amp capacity. A new concrete slab for the mixer, as well as repairs to the concrete discharge area, should also be done, totaling around \$6,000; bringing the total budget for the replacement mixer to \$101,000. The WWTF is also in need of a new effluent sampler, at an estimated cost of \$7,000. The current sampler was part of the plant's BNR expansion. The model is now obsolete; some of the keypad buttons are problematic, and parts are becoming difficult to find. The department is also in need of new roofs on two of the buildings. It was determined that the blower building roof, estimated to cost \$5,600, can probably wait until FY 2019. However, the administrative building roof is in worse condition. The rubber roof membranes are about 18 years old, near the end of their lifespan, and the seam seals are starting to dry and crack. The quote of \$7,000 is for an EPDM coating that can be applied over original membranes to prolong their life without replacing them, but this would need to be done before significant membrane failure occurs. Additionally, this is the second year to set aside \$49,900 for the screener replacement, and the third year to set aside \$25,000 for the loader replacement; two very large purchases looming in the future.

In the Public Works Department, a replacement leaf and limb truck is at the top of the list. The current vehicle, which gets used on a daily basis, is a 2007 Ford with over 102,000 miles. It is the last 6.0L engine in the department's fleet. Berley Mears explained that this type of engine is prone to turbo and injector issues, and this truck has cost the department almost \$9,000 in maintenance over the last 3 years. A diesel-powered replacement is estimated to cost \$55,000. While the department typically buys diesel trucks because of their durability and longevity, Mr. Mears is in the process of reviewing a gas-powered alternative, as it would save about \$9,000. Mr. Mears added that the cost estimates include having the vehicle outfitted with plowing equipment. Another upcoming expense for the Public Works Department is the Dulany water tower inspection. While it is technically not a capital expense, as it gets budgeted under equipment maintenance, it is still a large expense at around \$8,000. The Dulany tower was last inspected 11 years ago. Mr. Anderson added that the \$8,000 is just a base estimate, as the inspection may indicate repairs that need to be made. He explained that water towers are expensive to paint, maintain and repair.

Councilman Henderson asked what the cost was of the repairs that were indicated after the last water tower inspection. Mr. Anderson said that the tower on Cedar Avenue was the last one inspected, and that the inspector had a list of recommendations. He indicated that the coating should be good for 8-10 more years. There has been some debate about cathodic protection, as GMB, the City's engineers, said that it is not recommended, but the inspector said that it is the best way to go. Mayor Genshaw asked what cathodic protection is. Mr. Anderson explained that there are anodes that hang in the water inside the tower, and that cathodic protection involves running an electric current through the water, which stops the galvanic reaction in the metal of the anodes, making them rust more slowly. Another recommendation given by the inspector was a top coat. Mr. Anderson said that at the time of the last inspection, he believes that having the tower painted was estimated to cost around \$300,000. He added that the formula of the paint used has been changed over the years to reduce volatile organic compounds. The paint does not stand up as well, often showing mold, and requiring the towers to be cleaned more frequently. City Manager Slatcher stated that the painting process is a large undertaking, requiring the water tower to be tented. Councilman Mulvaney commented that he believed the Lowe's water tower is slated for cleaning in the current budget year; Berley Mears confirmed this. Mr. Anderson added that he believes having the towers cleaned regularly, every 3-5 years, will also help to extend their life.

Councilman Henderson commented that he had questions regarding the sludge mixer and sampler at WWTF. He asked if the electric model mixer requires 35 amp capacity; Mr. Anderson responded that it does. Councilman Henderson stated that he strongly recommends the department going with the electric model, as there will be extra electric capacity generated from the solar array. Mr. Anderson said that staff would further research the costs associated with each option, as the electric alternative may not be much cheaper if there is significant infrastructure work that will need to be done to accommodate it. Councilman Henderson said that he believes the electric model will be the cheaper and more efficient alternative in the long run, as the City will be generating and/or buying electricity for less than the cost of diesel fuel. Mr. Mears noted that he believes it is the hope of the WWTF staff to go with the electric model mixer. The cost of this is approximately \$65,000, but because staff was unsure of the cost to have the electric service run to the mixer, they went with the \$95,000 estimate for the diesel model so that they would be covered. He added that Bryant Tiff, WWTF Coordinator, has run the numbers, and he believes the electric

model will be slightly more efficient. Councilman Henderson then asked how the sampler is powered. Mr. Mears explained that it is an electric-powered, 24-hour refrigerated sampler, which runs on 120 amp service. Councilman Henderson said that he had no further questions.

At the Seaford Community Swim Center, both the pool and bathhouse are in need of repairs and modernization. There have been complaints about handicapped accessibility, and some repairs have been made to try to accommodate these requests. However, more extensive repairs will need to be made. The decking around the pool is in need of repair and/or replacement. Painting the pool is an ongoing expense, as it needs to be done every 2-3 years. There are lighting and other electrical items in need of repair. Additionally, the pumps and chlorination equipment are constantly in need of replacement or modernization in order to comply with the requirements of the Department of Health. Mr. Anderson stated that the Seaford Community Swim Center is doing well, and the president reported having over 450 members last year. However, there are repairs that need to be made, and the City needs to establish a plan. Mr. Anderson added that he and City Manager Slatcher visited a pool in Lewes, at the request of Steve Cannon, owner of Cannon Spas and Pools, who does the maintenance at the swim center. The pool in Lewes is undergoing major renovations, including having the deck replaced, doing some re-piping, and having a new chlorination system installed. Mr. Cannon explained that he can get Seaford's pool through a few more years maintaining the existing structures and equipment, but after that, the City needs to look at some more extensive repairs.

At Hooper's Landing Golf Course, the City is in the second year of its revised arrangement with Adkins Management. Mr. Anderson said that at their last quarterly meeting, they learned that revenues were down, due to weather and other factors. The course was closed for a few weeks due to the excessive rains that we have received. However, last year, revenues were up during the winter months, owing to the mild temperatures. Mr. Anderson said he believes that if we have a mild winter this year, the revenue numbers will come back up. He added that the golf course does not typically request a lot of capital items, but that there are pumps on the course that may need attention in the future.

In the Economic Development and Information Technology Department, redesigning the City's website is a top priority, at a cost of about \$20,000. Trisha Newcomer, ED/IT Manager explained that there are pages upon pages of code that make the website function as it should. As additional features get added to the website, more code must be added, and the code file is now so large that it takes away from the functionality of the website. Redesigning the website will improve its functionality and usability and allow greater user interface experience. Mr. Anderson said that while the City's website offers a lot of information, there is always more that our customers are asking for or looking for, and the website really needs to be redesigned in order to accommodate all of that information. Mrs. Newcomer added that the City has been fortunate to have Delmarva Digital nearby to handle the website. She explained that several years ago, before the last redesign, the City's website was not very user friendly. Over the years, Delmarva Digital has been able to use components and ideas from other websites and adapt them to work for the City's website. Additionally, the site has become largely self-updateable, with City staff able to post most information and updates themselves. Mrs. Newcomer also stated that the redesign process will probably take about a year before the new website can be launched, as ED/IT staff will want to

meet with Council and City staff, as well as review several websites in order to determine the desired specifications.

Another capital item the ED/IT Department would like to see is a cloud-based operations management software. This will allow the department to:

- Manage all IT assets from a single platform
- Streamline help desk workflow process
- Automatically discover all IT assets
- Log in and securely access the system from anywhere
- Simplify and standardize policy enforcement
- Identify and manage software licenses

The first year cost for this software is \$3,640. Mr. Anderson said that currently the ED/IT Department spends a lot of time on the phone, troubleshooting both minor and major issues. A program such as this would streamline their processes. Mrs. Newcomer explained that the newer technology programs that are on the horizon, such as AMI and See-Click-Fix, will be connected to the City's network. This software would determine the network's vulnerabilities faster, helping to secure the network and its data. Also, staff would be able to enter their own work orders for IT issues, and then IT staff would rate the issues, so that the most critical problems were handled first. There are also additional modules available to connect mobile devices to the software.

A third item requested by the ED/IT Department is a mobile communication device. Management has discussed purchasing an iPad with keyboard for Trisha Newcomer, which would allow her to communicate more quickly with constituents, especially after hours. Mr. Anderson has explained that there have been a number of times when Mrs. Newcomer, who is also the City's Public Information Officer, has been asked to post information to the City's website and Facebook page when she is out of the office. An iPad will provide more functionality than a mobile phone when a City computer with dedicated internet is not an option. Additionally, the iPad can be used in conjunction with the department's video equipment, which is used to record informational videos and post them to the City's website and Facebook page. The cost is about \$500 total for the iPad and case, and service would be around \$480 annually.

Mr. Anderson said that the total capital requests for FY 2018 as of October 15, 2016 add up to \$589,040. The capital amount budgeted for all departments for FY 2017 was \$2,375,007; however a large portion of this amount was the solar array project. The capital budget for FY 2018 will obviously change due to pricing refinements, equipment status changes, and the fact that only about 30% of FY 2017 has elapsed. Mr. Anderson concluded his presentation.

City Manager Slatcher then came forward to give Mayor and Council the budget report for the first quarter of FY 2017, which ended September 30, 2016. The budget for general fund revenue was \$8,849,186, and to date the City has billed \$3,649,016, which is 41% of budgeted revenue for the year. Taxes, including exemptions for senior citizens and non-profits, have been billed 100%. 50% of the annual funding has been received from MSA, which comes in two payments per year. There have been no transfers made between funds or reserves.

On the expenditure side of the general fund budget, the Executive Department had a budget of \$98,489, and has spent \$61,765 to date, which is 63%. The reason such a large percentage of the budget has been expended is that the majority of the special project and assistance fees have been paid, as well as all elected officials' salaries and associated costs for the year. There was also one non-budgeted capital expense, which was the BoardPac software for the iPads in the amount of \$2,350.

In the Administration Department, the budget amount was \$2,261,774, and to date \$1,038,175 has been spent, which is 46%. Senior citizen tax exemptions have been fully recorded and increased by \$2,198; and non-profit tax exemptions, which have also been fully recorded, decreased by \$80,266. The insurance costs were up by \$3,400 for the quarter. City Manager Slatcher explained that the bills are typically higher in August and September, and then even out throughout the year. The operating transfer for the golf course has not been made.

In Economic Development, the budget amount was \$158,793, with \$28,042 being spent to date, which is 18%. The marketing expenses for the quarter increased by \$2,788. Capital funds have not been spent, as the department's vehicle has not come in yet. There has also been no work done in the Industrial Park. On the Information Technology side, the budget amount was \$81,069, and \$19,420 has been spent, which is 24%. The insurance for the quarter increased by \$1,632, and capital purchases have been made.

The Code Department, which had a budget of \$364,397, has spent \$77,535 to date, which is 21%. The department's quarterly insurance cost increased by \$2,650. Capital purchases have not yet been made, and demolitions have not been done.

For the Fire Department, the budget amount was \$269,126, and to date \$49,154 has been spent, or 18%. The transfer of funds to the equipment reserve has not yet been made. City Manager Slatcher explained that this usually occurs toward the end of the fiscal year.

The Police Department started with a budget of \$3,553,988, and to date \$794,530 has been spent, which is 22%. There was an increase in clothing expenditures due to outfitting 4 new recruits, as well as academy clothing for the recruits. Travel and training expenses also increased, due to academy costs for the recruits, as well as classes for the officers. Employment test costs have increased, with \$1,320 having been spent so far. City Manager Slatcher explained that there will be another round of testing in November to fill the vacancy that the department currently has.

In the Recreation Department, the budget amount was \$213,567, and \$93,724 has been spent to date, which is 44%. City Manager Slatcher noted that the new vehicle which was ordered in FY 2016 came in after July 1st and was expended in FY 2017. Additionally, the department is somewhat seasonal, and incurs more program expenses in the summer and fall months.

The Parks Department had a starting budget of \$516,003, and \$131,397 has been spent to date, which is 25%. Salary expenses are down due to promotions and transfers from the department. There is one position that has not been filled. Equipment maintenance expenses are up, but this is typical considering the seasonal nature of the department.

For the Pool Department, there was a starting budget of \$31,784, with \$9,013 having been spent to date, which is 28%. Both chemical expenses and utility costs increased for the quarter. The pool is now closed for the season, but will incur the expenses of reopening the pool in May of 2017.

In the Streets Department, there was a starting budget of \$689,116, of which \$311,682 has been spent to date, which is 45%. Vehicle maintenance expenses increased by \$2,670 for the quarter, and street maintenance expenses increased by \$10,458. The department's capital has been 100% paid.

The budget amount for water fund revenue was \$1,200,771, and to date \$265,957 has been billed, which is 22%. Sales are down approximately \$53,265 for the quarter. City Manager Slatcher explained that the BASF plant closed, so the City is no longer receiving that revenue. If the property gets sold and placed back into production, those revenues should increase. She added that the Residences at Riverplace were not calculated into this budget amount, so once some of those units are completed and occupied, there will be some water revenue coming in from them. No transfers have been made to date.

On the expenditure side, the water fund budget was \$1,200,771, and \$198,906 has been spent to date, which is 17%. Insurance expenses increased by \$2,330 for the quarter. Water meter expenses increased by \$21,608, but this is due to ongoing projects at Meadowbridge Apartments and the Residences at Riverplace. The City purchases the meters so they get listed as expenses, but the meters are then sold to the developers for installation. The sale of the meters gets picked up on the revenue side. To date, no capital purchases have been made and no transfers done.

The budget amount for sewer fund revenue was \$4,360,085, and \$454,894 has been billed to date, which is 10%. Sewer sales were down by \$170,362 for the quarter. City Manager Slatcher explained that this is also largely due to the closure of the BASF plant, as sewer is billed off of water usage. While septage treatment is up by \$5,425, Blades sewer billing is down by \$5,035 and leachate treatment is down by \$19,821. No transfers have been made and no drawdown of the loan has been completed.

On the expenditure side, Sewer Collector had a budget of \$451,472, and \$36,780 has been spent to date, which is 8%. The sewer maintenance laterals expenditure account has been fully spent, plus an overrun of \$9,029. City Manager Slatcher explained that this was where the Our Lady of Lourdes storm drain repairs were charged. Insurance expenses increased by \$2,598 for the quarter. The debt service for the retirement living lift station has not been paid, and no transfers have been made.

In the WWTF Department, the budget was \$3,630,898, and \$406,223 has been spent to date, which is 11%. Only 11% of the capital purchases have been made. City Manager Slatcher said that out of the \$1,692,700 budgeted for the solar project, the contractor has only been paid \$187,068. No transfers have been made. Also, the debt service has not been paid; the bill for this should be coming in November.

For the Compost Department, the budget was \$277,715, and to date \$39,110 has been spent, which is 14%. Insurance expenses for the quarter increased by \$2,534, and chemical expenses increased by \$2,152. The capital reserve has not been set aside yet.

The budget amount for electric fund revenue was \$16,012,679, and \$3,064,144 has been billed to date, which is 19%. Electric sales were down \$851,997. City Manager Slatcher explained that the electric billing always runs a month behind, so the bills that went out in July had to be adjusted back to the prior fiscal year. The budget will not really even out until that final adjusting entry is done at the end of the year. She said that a benefit of AMI metering would be that meters could be read and billed in the same period.

On the expenditure side, the Electric Department had a budget of \$16,012,679, of which \$2,603,049 has been spent, which is 16%. Overtime expenses were down \$2,172 for the quarter. Equipment maintenance expenses increased by \$2,691, vehicle maintenance expenses increased by \$3,590, and buildings and grounds maintenance expenses increased by \$2,651. Travel expenses were up by \$4,304, which was due to the fact that the department sent two men to Ohio for training. Operating inventory costs were up \$16,936; however City Manager Slatcher explained that much of this is for projects, for which the City will receive payment. The loan payment expense was down \$3,096. The department's capital is not fully expended and no transfer has been done.

For all funds, the revenue budget was \$30,892,808, and \$7,560,021 has been billed to date, which is 24%. As it is a balanced budget, the budget for expenses was also \$30,892,808, with \$6,274,028 having been spent to date, which is 20%. The net difference is \$1,285,993, with revenue being greater than expenses. City Manager Slatcher noted that some revenue has been billed, but does not necessarily represent cash collected. Also, some expenses which have paid out are for a full or partial year. The information presented is based on data collected from Edmunds reports as of September 30, 2016.

City Manager Slatcher solicited any questions. Councilman Henderson asked if the City has received any grant money for the solar project. City Manager Slatcher said that no funds have been drawn down yet. Bill Bennett said that the contractor should be submitting another payment application soon, and that the payments will start being larger, as the project is now about 40% complete, according to the last progress meeting. Councilman Henderson questioned the expended amount of \$187,068, as he recalls signing a check to the contractor for over \$300,000. City Manager Slatcher explained that that payment was made after September 30th and was therefore not included in the quarterly report totals. Councilman Henderson asked what account the solar array project expenses are being paid from. City Manager Slatcher said that the project is budgeted in the WWTF capital account. She added that the City must submit paid invoices in order to draw funds from the grant, so the funding will always be behind.

City Manager Slatcher then asked Mayor and Council if the budget information she presented was sufficient for their purposes. Mayor Genshaw replied that it was. He said that if Council had any questions beyond the information presented, it was fine for staff to look into those questions asked and follow up. City Manager Slatcher then concluded her presentation.

Assistant City Manager Anderson came forward and presented a chart showing tax, water and sewer rates for the last five fiscal years. Taxes were last increased from \$0.30 per \$100 in FY 2013 to \$0.31 per \$100 in FY 2014. Tax rates have since remained static for the last three years. Water rates were last increased from \$20.39 per EDU in FY 2014 to \$21.95 per EDU in FY 2015. Sewer rates were last increased at the same time, going from \$42.18 per EDU in FY 2014 to \$44.30 per EDU in 2015. Water and sewer rates have since remained static for the last two years. Mr. Anderson noted that electric rates have remained static in the last year. The City has also complied with Governor Markell Administration's MOU, reducing electrical rates by over 10% since the signing of the MOU.

Mr. Anderson then discussed fee roll backs that the City has offered over the last several years. The initiative started with the "First 10 in 2010," meaning that the first 10 residential building permits issued for new construction in 2010 had water and sewer tap fees waived. This initiative was supported by the Economic Development Committee. It has continued with the first 11 in 2011, first 12 in 2012, and so on. To date, 59 water and sewer tap fee charges have been waived for residential building permits, totaling \$104,725.

Councilman Henderson asked how this incentive program has affected the tax base. There was some discussion between Josh Littleton, Building Official and Charles Anderson, ACM regarding permits issued, property valuations, and average taxes on homes in Governor's Grant, where many of the incentivized permits have been issued. City Manager Slatcher decided it would be best if staff ran some reports and followed up with an answer to the question, in order to avoid giving inaccurate information. Mr. Anderson added that the City of Seaford is the cheapest among all its local peers for all-in fees associated with building permits. Mayor Genshaw commented that he thinks it is important to promote that fact, especially when people criticize the City's electric rates.

Mr. Anderson then went on to discuss the City's recent compensation study. The compensation philosophy is that the City of Seaford is committed to a compensation system that is fair, competitive and fosters a high quality work environment; fiscally responsible; and supportive of the recruitment, training, motivation and retention of a diverse group of talented employees who are dedicated to providing exemplary service to the residents of the City of Seaford. For the 2016 study, the City worked with a consultant to define positions and organizations to survey, conduct the survey, and then compile and analyze the data obtained. The survey asked for data effective January 1, 2016, and sought to combine that with internal findings.

There were ten survey participants: City of Cambridge, City of Milford, City of Rehoboth, Delaware Electric Cooperative, Delmarva Power, Lewes Board of Public Works, Seaford School District, Sussex County, Town of Easton, and Town of Smyrna. The survey did not use all data provided for Delaware Electric Cooperative and Delmarva Power, as the matches were not completely comparable. One organization that did not participate in the survey was Artesian Water. Mr. Anderson noted that it is important for the City to keep abreast of what these organizations are doing as far as compensation in the coming years, to avoid falling too far out of line with current standards of its peers.

Mr. Anderson showed the following chart of the City's current pay structure:

Grade	Minimum	Midpoint	Maximum
Seasonal Labor	\$17,160.00	\$18,470.40	\$19,760.00
1	\$24,960.00	\$29,952.00	\$34,944.00
2	\$27,081.60	\$32,468.80	\$37,856.00
3	\$29,203.20	\$35,110.40	\$40,996.80
4	\$32,427.20	\$38,854.40	\$45,281.60
5	\$33,696.00	\$41,350.40	\$49,004.80
6	\$35,048.00	\$43,825.60	\$52,603.20
7	\$36,400.00	\$45,510.40	\$54,600.00
8	\$39,228.80	\$49,108.80	\$59,009.60
9	\$42,806.40	\$53,393.60	\$64,001.60
10	\$44,054.40	\$55,078.40	\$66,102.40
11	\$45,302.40	\$56,700.80	\$68,120.00
12	\$49,940.80	\$62,316.80	\$74,692.80
13	\$53,539.20	\$68,161.60	\$82,784.00
14	\$59,924.80	\$76,356.80	\$92,809.60
15	\$65,000.00	\$82,992.00	\$101,004.80
16	\$69,992.00	\$89,398.40	\$108,804.80
17	\$75,504.00	\$96,158.40	\$116,792.00
18	\$82,908.80	\$105,809.60	\$128,710.40
19	\$87,006.40	\$111,051.20	\$135,096.00
20	\$95,992.00	\$120,494.40	\$144,996.80

The new compensation plan is to be implemented in four steps:

1. Bring staff below the minimum to the minimum of the proposed range as of January 2, 2017.
2. Adjust the whole structure based on a plan adjustment effective January 2, 2017.
3. The study utilizes data from the 2015 time frame. Recommending a 2016 plan adjustment of 2.25%.

4. Move staff (excluding collective bargaining members) through the ranges based on performance using the Performance Matrix and Plan Adjustment into salary increases.

There were additional recommendations for implementation and maintenance of the pay structure. Mr. Anderson said that he would like to discuss two of those. First, ensuring that job descriptions are accurate and reflect the job being performed so the City is paying appropriately for the position and needed skills. Job descriptions should be reviewed during the performance discussion between supervisors and employees and updates made as appropriate at that time. Mr. Anderson explained that City management, directors and supervisors are currently meeting on a weekly basis to discuss goals and objectives. Supervisors have been tasked with reviewing job descriptions within their department for accuracy. Moving forward, the structure should be reviewed every 5 years in light of the compensation philosophy, to ensure the City is still aligned with the market and accomplishing its mission and goals.

Mr. Anderson then discussed payroll projections. The projected payroll for FY 2017 is \$5,073,327, and the projected payroll for FY 2018 is \$5,113,277. This is an increase of \$39,950, or .78%, with no other benefit costs included. This increase does not factor in any merit-based increases or plan adjustments.

An example of the performance matrix and plan adjustment showed possible increases: an employee receiving an outstanding evaluation would receive a 3.5% pay increase; exceeds expectations would receive 2.5%; meets expectations would receive 2.0%; and needs improvement or unsatisfactory would not receive any increase. If an employee is at or over the maximum of their range and receives an outstanding evaluation, the equivalent increase will be given in a lump sum check which is not attached to base pay. This is an example only, and the example assumes no plan adjustment. Mayor Genshaw explained that the cost of living adjustment has been less than 1% over the last couple of years, and if that trend continues, the plan as a whole may not see an adjustment.

City Manager Slatcher then came forward to discuss staffing considerations for the Police Department, as Chief Flood was not present. The first recommendation is to temporarily freeze the Captain position. The department would like to increase the troop strength to 28 sworn officers for the short term. This would create a 5-man patrol unit for each shift, whereas currently there is one shift that only has 4. There is also an expectation that 1-2 officers may be retiring in the near future, so they would like to hire 2 new officers in time for them to start the Delaware State Police Academy in March 2017. The new officers will be at the academy for 6 months, and then will need to train for 3 months with another officer before going solo on patrol. City Manager Slatcher explained that it takes approximately two years before a new hire is fully trained. The department would retain 3 lieutenants, and would fund the new hires' salaries with the money saved from the vacant Captain's position. For the long term, once new hires are trained, they would return to 27 sworn officer positions, with 2 lieutenants and the Captain. City Manager Slatcher stated that the department currently has one vacant position, 4 officers at the academy, one officer on light duty, and another officer about to go on light duty. Between these absences and regular vacation time, sick leave, bereavement and training, the department only has about 24.5 officers at any given

time. Mayor Genshaw added that the goal has been for the Chief to do more community-style policing, and there has not been enough manpower within the department for him to do so.

Charles Anderson then discussed staffing considerations for the Parks Department. There is currently a vacancy in the department due to the transfer of one employee to the position of IT Coordinator, and the promotion of one employee to the Parks Coordinator position. The decision was made to hire 2 part-time seasonal workers, as opposed to a full-time replacement of the Tech I position, which will eliminate one full-time position. This change will equate to an \$11,357 reduction in labor costs, and a total reduction of \$22,083 with all benefits included.

Councilman Henderson asked what is considered seasonal. Mr. Anderson said the positions would probably run from the beginning of April through the end of October, and would be well-suited to high school or college students, or someone who is retired or semi-retired. A person cannot work more than 29 hours per week in order to maintain part-time status. Councilman Henderson asked if there will be two part-time employees working 29 hours per week. Mr. Anderson said that there could be, and that they budgeted for 58 hours per week total. Councilman Henderson commented that you could technically have 4 part-time employees rotating in and out, as long as their hours were less than 29 each, and less than 58 total for the week. Mr. Anderson added that if the part-time employees were high school or college aged kids, they would rather not have them driving City vehicles; instead they would be paired up with full-time employees. This means they would need to ensure the department has enough mowing equipment, weed eaters, blowers, tools, etc.

In the Electric Department, Bill Bennett is anticipating retirements in 2020 and 2025 of current members of department supervision, and would like Mayor and Council to consider filling the position of Construction Coordinator. Mr. Anderson explained that the person in this position would work with the Operations Coordinator and Superintendent to assist with work orders, materials ordering and construction projects, among other various tasks. The plan would be to not expand the department's staff, but rather promote someone from within the department. City Manager Slatcher stated that this position was outlined in the compensation study, and that it was previously held by Ed Toumberlin before he was promoted to Operations Coordinator. The Construction Coordinator would continue to do the tasks of a lead journeyman, and would stay in the rotation for standby, but would start learning and taking on more administrative duties within the department.

Councilman Henderson asked what the pay difference would be. City Manager Slatcher said that they would have to research that number, but that it would depend on who was promoted, what they are currently making, and where they would fall on the pay scale for the new position.

Charles Anderson then concluded his presentation, and solicited any questions or comments from Council. Councilman Henderson recommended that staff work on developing a multilingual outreach program. Mr. Anderson said that staff had discussed this, and came up with doing an instructional video with Shannon demonstrating how to use the credit card machine in English, followed by Claudia giving the same instructions in Spanish. He added that we do not have access to anyone who speaks French Creole, but that being bilingual, Claudia is a great asset and communicates with customers frequently in Spanish. Mayor Genshaw noted that there may be

students at the high school who would be willing to help with this initiative, and that the City's intern might be able to assist in setting something up.

Councilman Henderson said that this would be a good start, but that his concerns had more to do with the upcoming Rental License Workshop. He felt that if staff had the ability to communicate with tenants in English, Spanish and Creole, they may be able to work with them better under the existing code, and eliminate the need for rental licenses. Mr. Anderson asked if staff should run the numbers on what it would cost to hire a translator who could accompany the Code Department on inspections. Councilman Henderson said that it didn't need to be that sophisticated, but that inserting language on electric bills to encourage tenants to know their rights would be a good start. Councilwoman Phillips-Lowe stated that it can be very difficult to have information translated properly. Councilman Mulvaney added that in his experience, there are many people who cannot read their native language, although they speak it fluently.

Councilman Henderson then asked about the projected fees, revenues and expenses of implementing rental licenses. Mr. Anderson stated that there was a recommendation for a fee, but only if rental licenses are initiated, then Council would have to set the fee. He added that there were some general projections for revenues and expenses, but that this is not a revenue-driven initiative. Rather, the aim is to improve the current housing situation. City Manager Slatcher added that she was under the impression that the goal of the Rental License Workshop was not to have it be incorporated into the FY 2018 budget writing process; instead it was an attempt to get the conversation started between staff, elected officials and property owners as to whether there is a need for this within the City.

Councilman Henderson commented that there is opposition to the rental licenses among property owners. City Manager Slatcher said that there has been opposition in the past, as the City has been through this process before. Mayor Genshaw stated that in his opinion, the need for rental licenses is a public safety issue, in an attempt to clean up the City and get drugs and prostitution off the street. City Manager Slatcher said that this is a fine line, as police cannot accompany the Code Department to a property to "search and seize." She added that it is a matter of health and sanitary conditions, as some of these tenants are living in filth. Councilman Henderson stated that if revenue is not the driving force for the rental licenses, staff should be prepared to come up with alternative solutions. Josh Littleton, Building Official commented that the Code Department does not currently have enough manpower to inspect every rental property on a yearly basis. Councilman Henderson said that there must be an alternative solution without adding manpower, and this is where the multilingual outreach would come into play. He added that it was unfair for the good landlords to be penalized because of the negligent ones.

Mayor Genshaw said that he knows it is early in the budget process, and he thanked staff for their efforts going into the presentation. He heard repeatedly that recommendations were to improve efficiency, or better serve customers, and he feels those are very important factors.

City Manager Slatcher stated that See-Click-Fix would like to do a webinar, and asked if they could have that at a future Council meeting. Trisha Newcomer commented that it is not just a tool for reporting problems. Rather, it lends itself to be a full service app, with the capability of collecting

and storing data, posting events and pushing out information. For example, in the case of issues with rental properties, those issues could be reported through the app, go straight to the Code Department, and allow them to respond accordingly. City Manager Slatcher added that anything that would affect billing will continue to have to go through work orders.

With no further questions or comments, Mayor Genshaw adjourned the meeting at 9:05 p.m.

Dolores J. Slatcher, City Manager

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