

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

May 1, 2018

6:00 PM

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

City Manager Charles Anderson came forward to present FY 2019 revenue projections for the general fund, as well as water, sewer and electric funds, as compared to FY 2017 and FY 2018 revenue amounts. The general fund and electric fund revenues are expected to decrease, while the water and sewer fund revenues are expected to increase. He also presented anticipated transfers to the general fund from the water, sewer, electric and golf funds. The transfer from the golf fund is expected to decrease. Transfers from the water and sewer funds are expected to increase. The revenues and transfers for these funds are projections based on the water and sewer rate increases which are contained in the proposed FY 2019 budget. City Manager Anderson explained that increased solar activity has led to the decrease in electric revenues, but this means that there is less electricity purchased as well. He then discussed realty transfer tax collection. The city collected almost \$700,000 in realty transfer tax in FY 2017. City Manager Anderson noted that this was an anomaly, as a large institutional building sold during that year. Collection for FY 2019 is projected to be in the \$200,000 - \$250,000 range, which is average for most years. Budgeted tax collection is expected to increase only slightly, as there is no proposed tax increase in the budget.

City Manager Anderson then discussed FY 2019 expenditure projections for the various departments as compared to FY 2018 expenditures. Administration expenditures are expected to decrease slightly due to changes in staff and salary. Economic Development and Information Technology expenditures are expected to increase due to changes in infrastructure. Code expenditures are projected to decrease significantly; again, this is due to staff changes and reapportioned salary expenses, as well as one less vehicle in the department, which was transferred to Electric. Fire expenditures are expected to increase by about \$50,000, which is the amount included in the FY 2019 budget to be set aside for replacement of the emergency generator. Police expenditures are projected to increase significantly; this is primarily due to the department's plan to add a 28<sup>th</sup> uniformed officer to the force in FY 2019. Dispatch expenditures are expected to increase, mostly due to the replacement of computers in the 911 center. Expenditures in the Recreation and Parks departments are projected to increase slightly, while the Pool and Streets departments are expected to decrease. Golf expenditures are projected to decrease, due to the fact that the land loan was recently paid off. Expenditures in the Water and Sewer Collector departments are expected to increase. City Manager Anderson explained that the sewer increase is primarily due to the department's plan to eliminate the Shipley Center lift station during FY 2019. Wastewater Treatment Facility expenditures are projected to increase, while Compost expenditures are expected to decrease. City Manager Anderson explained that these

changes are mostly due to the rotation of personnel that occurs annually between the two departments. Councilman Henderson asked how the city's solar generation factors in to WWTF expenditures. City Manager Anderson explained that the solar generation offsets utility expenses at the WWTF, which has been factored into the budget projections. Additionally, SRECs (solar renewable energy credits) which are generated by the solar array are sold by the city, and the revenues collected help to offset the cost of the loan payments for the solar array.

Mr. Anderson then discussed capital investment recommendations for the various departments for FY 2019. For the Executive Department, a 70" HD TV is in the budget, with an estimated cost of \$3,400. This TV would be installed in the Council Chambers and would provide better visibility to the public. Also in the Executive budget is a new sound mixer and microphones, with an estimated cost of \$4,500. This would replace the current system which was installed when City Hall was built in 2004.

In the Administration Department, it is recommended that two HVAC units be replaced, for a total of \$18,000. City Manager Anderson explained that two were replaced in 2017 – one in FY 2017 and one in FY 2018 – at \$8,500 each. These are replacing units that were installed when City Hall was built in 2004. The staggered installation is recommended to spread the cost of replacing the units over several years, so that the city can hopefully avoid having one of the units fail completely. Also in the Administration budget is the replacement of three computers and eight monitors, for a total of \$7,800. The department has budgeted for a desktop scanner for the front counter at City Hall, with an estimated cost of \$500. City Manager Anderson explained that the primary use of the scanner would be for the customer service representatives to quickly scan service agreements, leases and photo IDs when setting up new utility accounts, thereby minimizing their time away from the counter. Lastly, the city-wide reassessment will need to be included in the FY 2019 budget for Administration. The cost of this project is \$130,500. The funds were budgeted in FY 2018, but the project will not be complete until FY 2019. The last reassessment was completed in 2008.

For the Economic Development/Information Technology Department, redesign of the city's website tops the list, with an estimated cost of \$25,000. This was budgeted in FY 2018 but has not been completed. Trisha Newcomer, ED/IT Manager, explained that she is in the process of writing the RFP. She added that the website redesign process will take approximately four months. The ED/IT Department has also budgeted \$15,000 for a wide format printer. City Manager Anderson explained that the department has been looking to purchase such a printer for the past three years, but it has been scrapped from the budget each year. He noted that the printer will enable the city to print large signs and graphics, as well as copy plans and large documents, which will aid with the city's mapping and asset management system. Mrs. Newcomer added that the printer will also have scanning capabilities. Also in the ED/IT budget is a cyber security consultation, estimated to cost \$20,000. City Manager Anderson noted that due to the ongoing AMI project, the city's IT network has changed, and there are now some offsite servers. The consultation will identify vulnerabilities in the new network configurations and allow the city to provide the highest level of security and keep its customers' information protected.

In the Code Department, \$60,000 has been budgeted for a comprehensive plan update. The existing plan expires in January 2020, and the plan development and certification is expected to

take 18 months to complete. City Manager Anderson noted that the RFP was just published, and that the city hopes to have an engineering/ planning firm in place within the next two months. The department has also budgeted \$40,000 for demolitions. The properties currently at the top of the list are located at 331 North Street, 319 North Street, 215 N. Arch Street, 323 High Street, and 329 N. Front Street. Mike Bailey, Building Official, explained that the demolition bids usually go out in January. The contractor is scheduled to start work next week on the FY 2018 demolitions. Councilwoman Phillips-Lowe asked about the condition of the building on High Street. City Manager Anderson said that it is in pretty bad shape, and that the demolition is estimated to cost around \$100,000, so it likely won't be able to be taken care of in FY 2019. Mr. Bailey has been in contact with the property owner, and the city is hopeful that the owner will move forward with bringing the building up to code. City Manager Anderson added that if that doesn't happen, the city may need to take steps to stabilize the structure, and any costs associated would be placed as a lien on the property.

For the Fire Department, \$50,000 is included in the FY 2019 budget for replacement of the department's emergency generator. This would be the first of four years to set aside this amount, and the generator would be replaced in the fourth year. City Manager Anderson explained that the existing generator was installed in the early 1990s, and requires load shedding as it does not have the capacity to power the entire building. Berley Mears, Director of Public Works, noted that a couple times each year, the generator won't start. City Manager Anderson said that the city budgeted \$3,000 in FY 2018 for a feasibility study on replacing the generator, and Berley Mears assisted in this process, as the city's point person for generators. Based on the engineering evaluation, the estimated cost of replacing the generator is \$186,529. City Manager Anderson noted that this cost is for a diesel-powered generator, and that the natural gas-powered option was nearly double the price. The cost is for a unit that will power the whole building so that the department would no longer need to load shed, and also includes electrical upgrades necessary to move the transfer switch inside. Mayor Genshaw asked if the Fire Department is willing to contribute towards the cost of replacing the generator. City Manager Anderson said that they had previously looked into grant opportunities with no success. Councilman Henderson stated that he thought the department should be encouraged to contribute, or they could continue to load shed, which might make a replacement generator cheaper. It was noted that if a smaller generator was purchased, a gas unit might be more affordable. Councilman Henderson added that diesel-powered generators are nice in that they have onsite energy storage, but that gas-powered generators are more efficient. Councilwoman Phillips-Lowe asked what would happen if the generator fails. City Manager Anderson said that the department would still be able to function, and that they can raise the doors by hand if necessary. Mayor Genshaw commented that the schools have generators, so they would have power in the event of an emergency. City Manager Anderson stated that the schools are designated as shelters; the Fire Department is not a shelter, but it is still a critical facility. Councilman Mulvaney said that the SVFD members and board need to discuss the generator to figure out what they want and what they are able to contribute.

For the Police Department, it is recommended that two patrol vehicles be replaced, with an estimated cost of \$31,000 each. City Manager Anderson noted that the department receives a \$25,000 grant from Sussex County to assist with the purchase of a new vehicle. The department has looked at three possible vehicles to purchase: the Ford Police Interceptor sedan, \$24,999

each; the Ford Police Interceptor utility vehicle, \$28,479 each; and the Chevrolet Tahoe PPV 4WD, \$34,716 each. Staff is recommending the Ford Police Interceptor utility vehicle, as it is larger and has 4WD capabilities, allowing the vehicles to be used during snow events. The vehicles will require some additional equipment, but are prewired for lighting. Chief Kracyla added that most departments in the state are moving to SUVs for their patrol vehicles. The Police Department has also budgeted \$6,328 to replace flooring in the west half of the building's upstairs, including the kitchen and bathrooms. The existing flooring is a sheet vinyl which has been in place for about 30 years. Sections of the floor have started to come up, causing tripping hazards. The new flooring will be epoxy; the department has installed this in another section of the building with good results. Epoxy flooring also has the potential to lower cleaning costs as it does not require waxing. The Police Department has two replacement computers in the budget for FY 2019, with a total cost of \$3,600. Also on the list for the department, sealcoating and restriping the parking lot. The amount budgeted for this is \$4,500, but Berley Mears obtained estimates and found that this amount would only cover improving part of the parking lot; the whole lot would cost around \$95,000. Councilman Holland asked if Mr. Mears obtained pricing from more than one company. Mr. Mears said that he only contacted one for an estimate, but that if the project were to go to bid, typically three to four companies would submit proposals. City Manager Anderson noted that they should not wait too long to do the parking lot improvements; once water gets underneath the pavement, the repairs become more costly. He added that the city may be able to request CTF funding from Representative Short to assist with the cost.

Chief Kracyla then came forward to discuss replacing handguns at the Seaford Police Department. The proposal is to replace the department's existing 45 caliber Glock model 21 handguns with 9mm Glock model 17 handguns. Chief Kracyla explained that the 9mm rounds are smaller, allowing officers to carry four additional rounds in each magazine. The smaller round also creates less recoil than the 45 caliber, which enables more rapid follow-up shots with greater accuracy. The 9mm handgun is lighter than the 45 caliber, and also possesses a smaller frame and smaller grip. This makes the gun more comfortable to wear and easier to hold and shoot. Chief Kracyla noted that the department's current weapons are nearing the timeframe for recommended maintenance, so purchasing replacement weapons would prevent that maintenance cost. Additionally, 9mm ammunition is cheaper than 45 caliber ammunition, which would save the department about \$750 per year in ammunition costs. The total cost for 29 Glock 17 handguns, 29 duty holsters, three Glock 43 undercover handguns with holsters, 29 duty magazine pouches, 25 spare magazines, and a year's supply of ammunition (1,500 duty rounds and 10,000 training rounds) is \$20,870.80. Chief Kracyla noted that the new handguns come with sights, and added that the city seal could be laser engraved at a cost of \$10 per weapon. Glock will buy back the department's current handguns for \$14,400, (48 handguns at \$300 each), for a net purchase price of \$6,470.80. Councilman Henderson asked where the current handguns are in their life cycle. Chief Kracyla said that the handguns are 7 years into their ~10 year life. Councilman Henderson asked if duty rounds are certified differently than training rounds. Chief Kracyla explained that training ammunition is made of lesser quality brass and powder, making it more prone to malfunction. He noted that this is great for training but cannot happen on duty. City Manager Anderson added that the \$6,500 for handgun replacement is not included in this budget proposal.

City Manager Anderson then continued with capital investment recommendations. The Dispatch Department has budgeted \$18,000 to replace four computers and \$1,400 to replace seven monitors. Trisha Newcomer noted that these computers and monitors have a higher cost than other departments because they are used 24 hours a day, have a higher processing power, and have larger screens. She added that the department may be receiving some monitors from the state. There are also potential grant opportunities to assist with the cost.

In the Recreation Department, \$5,000 has been budgeted to purchase three new scoreboards for the Sports Complex. City Manager Anderson explained that the original scoreboards were donated by Pepsi in the 1990s and do not work at all anymore. The replacement scoreboards being looked at are battery-powered, have remote controls, and are on wheels. The department has also budgeted \$400 for two computer monitors.

For the Parks Department, it is recommended that security cameras and additional lighting be installed at the Jay's Nest, with an estimated total cost of \$13,029. City Manager Anderson explained that these security measures would help prevent vandalism which has been occurring at the playground. The camera would be added to the city's existing network. Katie Hickey, Superintendent of Parks and Recreation, said that she will be applying for a grant which would potentially match 50% of the cost. Next on the list for the department is a new computer and monitor, estimated to cost \$1,700. The department has budgeted \$9,500 for a zero-turn mower with mulch on demand. City Manager Anderson noted that the department's Kubota mowers are requiring more maintenance, so staff is hoping to be able to purchase a different brand. The department has also budgeted \$5,000 for a loader bucket attachment for its tractor.

City Manager Anderson then discussed golf and pool operations. The pool is being managed by the Seaford Community Swim Center, whose board has a new president and vice president. The pool and bathhouse are in need of significant repairs and modernizations, including handicapped accessibility, decking, painting, lighting and other electrical repairs, and pumps and chlorination equipment. The preliminary cost estimate is \$750,000. This quote comes from a consultant who recently completed a similar project in Lewes. City Manager Anderson explained that the city needs to decide whether to continue to maintain the property or not. He noted that the city's loan for renovations at the Police Department will be maturing in December of 2018, thereby eliminating a substantial monthly payment obligation. The city could pursue financing the pool repairs. With an estimated interest rate of 3% and a loan term of 10 years, the annual payment would be roughly \$87,000. The project could start engineering in 2019 and construction in 2020. At Hooper's Landing, golf course operations are managed by Adkins Management through an agreement with the city. Golf carts were purchased recently, and the city continues to put money aside each year towards cart replacement. There are currently 36 golf carts in the fleet, a mixture of both gas and electric models. Hooper's Landing has requested more carts to be able to better meet the needs of golfers during busier times.

For the Streets Department, the only capital request is to replace truck #20. The current vehicle is 15 years old and has over 95,000 miles. The estimated cost to replace the truck is \$24,500.

In the Water Department, the Spruce Street water tower needs to be repainted. The estimated cost of this project is \$550,000. Staff has recommended placing \$100,000 in reserves in the FY 2019 budget, along with \$15,000 which has been budgeted for project specification and bidding. The project would be undertaken in FY 2021. City Manager Anderson explained that they shouldn't wait much longer to repaint the tower; once rust develops, it can lead to structural issues. He noted that the tank is currently 70 years old. The expected life of a steel tank is 75 years, but they can last longer if properly maintained. The Spruce Street tank was last painted in 1998, and was last inspected in 2014. The Water Department has included \$10,000 in the budget to replace the remote terminal unit (RTU) at the Arbutus well. Also, the department has budgeted to replace six fire hydrants, with an estimated total cost of \$18,900. City Manager Anderson explained that the Water Department has replaced six fire hydrants per year for the last ten years, and it will take another 24 years for them to replace all hydrants in the city.

The Sewer Collector Department plans to eliminate the Shipley State Service Center Lift Station in FY 2019. The lift station was built in 1987 and still has the original pumps. All of the station's piping and rails are failing. The budgeted cost of this project is \$140,000, based on a preliminary cost estimate prepared by GMB in September 2017. Upon removal of the Shipley State Service Center Lift Station, the flow will be connected and rerouted to the Virginia Commons Lift Station. City Manager Anderson noted that the city's lift stations are checked twice a day every day, and that by eliminating one lift station, the department's electrical and maintenance costs should decrease. The department is also in need of a new mainline sewer camera, estimated to cost around \$90,000. The plan is to set aside \$37,500 per year for three years, starting in FY 2019, and purchase the camera in FY 2021.

At the Wastewater Treatment Facility, the department is in its third year of roof membrane replacements. The blower building roof is slated to be completed in FY 2019, with an estimated cost of \$5,600. The department has budgeted \$40,000 to rebuild its grit conveyor, which was purchased in 1962. The internal recycle pump also needs rebuilding, estimated to cost \$10,000. The WWTF Department has budgeted \$10,000 to purchase a new poly-blend thickener, and \$7,500 to replace its effluent sampler. City Manager Anderson then discussed the potential upgrades and expansion at the facility. The last upgrade was completed in 1998. Berley Mears, Director of Public Works, explained that the facility will need to be upgraded in order to reach the next level of treatment and meet requirements. The preliminary estimate for construction is \$26,000,000, and the city is trying to wait another 4-5 years before undertaking this project. The city may save up to 42% of the total cost between partner funding and loan forgiveness, bringing the total to around \$15,000,000. This amount, if paid over a 20-year term at 2% interest, would cost the city \$913,668 per year in loan repayment.

The Compost Department has budgeted \$10,000 to replace its outside conveyor belt. Councilman Henderson asked about the possibility of sludge operations being transferred to Sussex County. Mr. Mears explained that even if this happened, the city will still have to complete part of the process, and the sludge would then be placed in containers and sent to the county to finish the process. The conveyor belt will still be needed. Also, it is the fourth and final year of setting aside \$35,000 to replace the department's loader. City Manager Anderson noted that the department may see a decrease in fuel cost once the newer equipment is purchased.

The Electric Department will be replacing bucket truck #19 in FY 2019. In just under three years, the department spent over \$11,000 on maintenance and repairs to this truck, including replacing the hydraulic pump. There will be about nine months of maintenance on this truck in FY 2019, as the new truck takes 9-12 months to be delivered. The new truck is being purchased from Altec, and the cost is \$211,109. As the delivery date approaches, June Merritt, Director of Finance and HR, will obtain financing quotes from various lenders. The city has budgeted four months of payments in FY 2019, estimated at \$18,417. Also in FY 2019, the Electric Department will be installing underground primary wire between Pine Street Extended and Venture Drive. This project will better interconnect industrial loads in the Ross Business Park and Seaford Industrial Park, and will enhance the city's ability to shift load between several circuits. The estimated cost for this project is \$135,000, which will be funded through bond proceeds. The department has budgeted \$4,000 for a new ice machine. New flooring is needed in certain areas at the Utility Building, estimated to cost \$13,500. The department has also budgeted \$700 for the APPA Reliability Tracker, which is part of a three year commitment, and \$3,500 for computer additions and connectivity. \$16,500 has been included in the budget for inventory and GIS mapping of electric facilities, to be completed by GMB and Salisbury University. Looking forward, the Electric Department is looking to renew the electric infrastructure between Cypress Drive and Hurley Park Drive. The engineering is to be completed in FY 2021, with an estimated cost of \$14,000, and the project will begin in FY 2022, with an estimated cost of \$50,000. The department is also looking to renew the electric infrastructure in Martin Farms. The engineering for this project is scheduled for FY 2022, with work starting in FY 2023. Because this is a larger project, estimated to cost around \$250,000, the department will set aside \$50,000 each year, starting in FY 2019.

The capital requests budgeted in FY 2019 for all departments totaled \$822,782. City Manager Anderson noted that this does not include bond-funded capital, nor reserve set-asides for future capital projects.

City Manager Anderson showed the account statuses of the city's general fund reserves. The general fund reserve account has a current balance of \$649,052, while the general fund restricted reserve account has a current balance of \$1,260,932. The balances of both accounts are higher than they were at the end of FY 2017.

City Manager Anderson then reviewed transfers to the general fund from reserves for the last two budget years. In FY 2017, \$327,739 was included in the budget, but only \$36,974 was actually transferred. In FY 2018, \$782,558 was included in the budget, but only \$64,000 has been transferred to date. \$647,116 has been included in the FY 2019 budget. City Manager Anderson noted that the transfers from reserves are typically the last thing to be done, and that those transfers aren't made unless needed. He explained that some purchases may come in under budget, and some projects or purchases may be postponed or not fully completed, which is why the transfers end up being less than what is budgeted. Councilman Henderson asked if these transfer totals include amounts that get transferred for non-budgeted expenditures. City Manager Anderson said that they do not; transfers for those expenditures are typically done right away.

City Manager Anderson showed the city's total outstanding debt, which is down from almost \$1,600,000 in 2017 and 2018 to a little over \$800,000 as of 2019.

City Manager Anderson then reviewed charges for city services. The current tax rate is \$0.31 per \$100 of assessed value, a rate that has not increased since FY 2014. The current water and sewer rates are \$21.95 per EDU and \$44.30 per EDU, respectively. These rates have not increased since FY 2015, however the FY 2019 budget includes a slight increase of water and sewer rates. The proposal is to increase the water rate by 3%, which is \$0.66 per month, or \$7.92 per year. The sewer rate would increase by 1.56%, which is \$0.69 per month, or \$8.28 per year. Councilman Henderson asked what the net revenue would be from the rate increases. Mrs. Merritt responded that water revenue would be increased by \$31,216 per year, and sewer revenue would be increased by \$33,380 per year. The proposed water and sewer rate, with a combined total of \$67.60 per month, works out to be 2.03% of the median household income, which is \$40,000. City Manager Anderson noted that 2% is the target for affordable water and sewer rates.

City Manager Anderson then discussed staffing considerations for FY 2019. General employee wage increases are budgeted at \$70,370.76. The FOP wage increase has not been determined yet, but negotiations are underway as the current contract expires June 30, 2018. Total payroll is projected to increase by \$110,119, or 2.14%, from FY 2018 to FY 2019. The performance matrix proposes wage increases based on employee evaluations, with 3.5% for outstanding, 2.5% for exceeds expectations, and 2% for meets expectations. Additionally, it is proposed that the plan be adjusted by 1%. City Manager Anderson noted that it is advisable to shift the plan a little each year to avoid falling behind and needing a large increase when the next salary study is done, currently scheduled for FY 2020. He added that Social Security's cost-of-living adjustment for 2018 was 2%.

The Police Department is moving forward with its plan to increase the troop strength to 28 sworn officers. This may be increased to 29, pending the school board's approval of a school resource officer (SRO) position. Chief Kracyla noted that he has met with the school about the potential SRO, and that if it gets approved, there is possible state funding for the position. City Manager Anderson stated that applications are coming in to the department, and that the Delaware State Police Academy's next session starts in September. The academy takes six months to complete, and the officer would then spend three months with a fully trained officer before going solo on patrol. It takes approximately two years for a new hire to be fully trained. As has been discussed previously, the Police Department plans to retain three lieutenants in the short term, and eventually have two lieutenants and a captain.

The Parks Department is entering its second year with two part-time seasonal workers. This decision was made after staff promotions and department transfers left a vacancy in the department. Eliminating one full-time position and using two part-time employees instead has saved the department approximately \$22,000 per year in labor costs and fringe benefits.

Due to pending retirements in the Electric Department over the next few years, the decision was made to add the position of Construction Coordinator. This person would work with the Director and Operations Coordinator to assist with work orders, materials ordering, construction projects, and other various tasks. The department is currently working to fill this position.

In the Administration Department, due to recent retirements, staff has requested the addition of an Accounting Coordinator position. This person would work with the City Manager and Director of

Finance to assist with financial analysis, budget preparation, billing, audit, and other various tasks. City Manager Anderson noted that this person would also work to identify customers who would qualify for energy efficiency programs. This is budgeted as a grade 12 employee in the pay plan. City Manager Anderson added that the position has been budgeted for six months in FY 2019, as it will probably be the first of the year before staff finalizes the job description and fills the position.

Mayor Genshaw solicited any questions from council. Councilman Henderson stated that he would like to see the Police Department's handgun proposal included in the budget. He also commented on the Fire Department's generator replacement request. City Manager Anderson said that he would contact the Fire Department to discuss options. He added that he would have Berley Mears get pricing for a smaller generator with load shedding.

The next meeting was scheduled for Monday, May 14, 2018 at 6 p.m.

With no further questions or comments, Mayor Genshaw called for a motion to close the Budget Workshop. Councilman Henderson so moved. Councilwoman Peterson seconded the motion, and the motion so passed with all present voting in favor. The Budget Workshop was closed at 7:59 p.m.

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Charles Anderson, City Manager

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