

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

May 14, 2018

6:00 PM

Mayor David Genshaw called the Budget Workshop to order with the following present: Councilwoman Leanne Phillips-Lowe, Councilman H. William Mulvaney III, Councilman Dan Henderson, Councilman Orlando Holland, and Councilman James King. Charles Anderson, City Manager, June Merritt, Director of Finance & HR, 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 Anderson came forward to discuss the revisions that had been made to the FY 2019 draft budget since the last meeting. In the Police Department, \$6,471 was added to the capital budget to support Chief Kracyla's request to change the department's handguns from .45 caliber to 9 mm. Also in the Police Department, \$4,500 for parking lot striping and recoating was removed from the buildings and grounds budget. In the Electric Department, \$2,800 was added to the safety and protective gear budget to purchase climbing gear for the recently hired ground man. The department's budget was also increased by \$1,000 to accommodate the rental of a crane to assist with refurbishing the star on the Spruce Street water tower. City Manager Anderson noted that the FY 2019 trash bid, which was approved by council at their last meeting, was approximately \$3,000 higher than previous years' costs. Various departments' budgets were updated accordingly to reflect this change in pricing. He added that additional bids will be coming to council for approval – generator maintenance and HVAC maintenance. Once those bids are approved, adjustments will be made to the budget as necessary. The WWTF Department's capital budget was decreased by \$7,500 for an effluent sampler which was budgeted and purchased in the FY 2018 budget. The FY 2019 budget was updated to reflect the proposed total transfer from reserves in the amount of \$801,379. Presentation slides were also updated to reflect these changes, as well as to show revenues generated by the proposed water and sewer rate increases and payroll adjustments.

Councilman King noted that the estimation of total revenue had increased from the first budget draft to the second. City Manager Anderson explained that the first draft did not include the internal transfer, but instead showed a deficit. The second draft includes the transfer. Councilman King stated that this meant that the revenues were coming from internal funds, not city services. City Manager Anderson confirmed.

Councilman King asked if an increase of water and sewer rates was needed. City Manager Anderson explained that the city is trying to reduce its dependency on electric rates. Councilman King stated that he is concerned that if rates continue to increase, it will create a hardship for city residents. He suggested trying to find another way to make up the \$60,000 that will be provided by the proposed rate increase. City Manager Anderson said that there are large expenditures that need funding, but that they could look at the projects and see what could be done. Mayor Genshaw stated that he felt the city has no choice but to increase water and sewer rates with the expenses that are looming. Councilman Phillips-Lowe added that it is important to look at the bigger picture, and that she would rather see a small increase now than to put it off and be forced to implement a larger increase down the road. Mayor Genshaw noted that the city targeted water

and sewer because Seaford's rates are currently the lowest in the county. Councilwoman Phillips-Lowe added that the city does not have metered water, so residents are free to use as much as they want for a flat rate.

Councilman Henderson asked if this budget includes setting aside \$100,000 for repainting of the water tower. City Manager Anderson confirmed that it does. Councilman Henderson asked if the additional \$33,379 in sewer revenue generated by the proposed rate increase would be transferred to reserves for the WWTF expansion sinking fund. City Manager Anderson said that the additional sewer revenues would be going toward improvements, but a larger transfer will be made to reserves. He explained that the city's SRF loan for the last plant expansion was paid off in April. The annual amount of this loan payment is \$586,373.74. Staff is recommending to transfer this amount to sewer reserves each year as part of the sinking fund. Additionally, the Farmers Home Administration loan will be paid off in May of 2019. Beginning in FY 2020, the city would transfer the annual amount of this loan, \$28,834, to the sinking fund. At the end of FY 2023, these transfers, combined with a 1% year over year increase, would amount to a balance of just over \$3,000,000 in the sinking fund, which would still leave a revenues gap required to fund anticipated improvements. Councilman Henderson asked if this means that staff is proposing a 1% rate increase each year. City Manager Anderson said no, but they need to keep an eye on the balance in the fund. He added that there are other factors to consider, such as the county's contribution to the project as part of the unified sewer district, principal forgiveness, and the possibility of the project being postponed. Councilman Henderson asked if the current water and sewer rates are below 2% of median household income, which would disqualify the city from principal forgiveness. City Manager Anderson said that the rates are currently at 2.08%, and that the proposed rate increase would put them at 2.03%. This decrease was due in part to a corresponding increase in the Seaford area median household income.

Councilman Henderson asked about budget performance for the current year. City Manager Anderson said that the city will be under budget, due to several projects being pushed to FY 2019, as well as being understaffed in several departments. Councilman Henderson commented on the fact that the transfers from reserves for FY 2017 and FY 2018 have been significantly less than what was budgeted. He asked about the likelihood that the full \$800,000 will be transferred in FY 2019. City Manager Anderson said that the transfers will definitely be higher in FY 2019, due to some of the projects that have not been completed yet but which will definitely take place in the coming year. He said that the full amount of the transfers may not be needed because the city may not reach full staff in all departments. Councilman Henderson asked how much of the savings is owed to projects being deferred, and how much is owed to city staff being efficient and reigning in expenses. City Manager Anderson said that it is a little of both. He offered an example from the Electric Department, which was that truck 19 came in about \$30,000 under budget. Councilman King asked for a more specific breakdown of where some savings occurred. City Manager Anderson said that the proceeds from the sale of the land in the Ross Business Park which occurred in FY 2017 were not used or needed due to good budget performance. Another project that was budgeted and completed recently received state funding. Another example is the demolition of the old grocery store building on Atlanta Road; this is no longer happening since the property owner cooperated with making some necessary repairs. There was \$100,000 in the FY 2018 budget for this demolition, and while some other properties were added to the demolition

contract, the full \$100,000 was not used. City Manager Anderson added that the city-wide reassessment was budgeted at \$200,000 in FY 2018. This project came in significantly under budget, and is also being pushed to FY 2019.

Councilman Mulvaney asked about the Fire Department's generator, which was discussed at the last meeting. City Manager Anderson said that there was no change to the budget regarding this item. He has spoken with the department's president and chief, and there is a meeting scheduled with the generator replacement committee and Councilman Henderson, who is the department's council liaison. Councilman Mulvaney mentioned the possibility of the Fire Department getting rid of one of their engines, which would save money in fuel costs. Councilman Henderson noted that the city also sets aside \$50,000 each year to go toward the cost of replacing the ladder and rescue trucks, which are scheduled to be replaced every 25 years. Councilman Mulvaney stated that this yearly amount has not increased, though the cost of replacing the trucks has, so the department had to increase their replacement schedule from 20 to 25 years.

Mayor Genshaw asked council if they thought another meeting was needed or if the budget was ready to take to the next regular council meeting for approval. Councilman Henderson asked what the last date would be to approve the final budget. City Manager Anderson said that the June 26<sup>th</sup> meeting was possible, but that the June 12<sup>th</sup> meeting was preferable to make sure staff has sufficient time to change billing rates. Councilman Henderson said that he would like to have another meeting to have more final numbers. Councilman King asked if the amount of the reserve transfers will change significantly. City Manager Anderson said that it may change slightly due to some of the bids being received.

The next meeting was scheduled for Monday, June 4, 2018 at 6 p.m. to discuss final budget numbers and highlight any changes. Councilman King asked if the figure for the water tower repainting is final and accurate. City Manager Anderson said that the estimate the city received from an engineer is believed to be highly accurate.

With no further questions or comments, Mayor Genshaw called for a motion to close the Budget Workshop. Councilwoman Phillips-Lowe so moved. Councilman King seconded the motion, and the motion so passed with all present voting in favor. The Budget Workshop was closed at 6:46 p.m.

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Charles Anderson, City Manager