

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

May 30, 2017

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 William Mulvaney, Councilman Dan Henderson and Councilman Orlando Holland. Charles Anderson, Assistant City Manager, June Merritt, Director of Finance & HR, Gary Flood, Chief of Police, Berley Mears, Director of Public Works, Trisha Newcomer, ED/IT Manager, Bill Bennett, Superintendent of Electric, and Katie Hickey, Superintendent of Parks & Recreation, were also present.

Assistant City Manager Charles Anderson came forward to present FY 2018 revenue projections for the general fund, as well as water, sewer and electric funds, as compared to FY 2017 revenue amounts. He also presented anticipated transfers to the general fund from the water, sewer, electric and golf funds. The general fund revenue is expected to increase, while the other funds' revenues are expected to decrease. In the sewer fund, revenue is projected to decrease by about \$1.7 million; however this is largely due to the fact that 2017 revenue included loan proceeds for the solar array project. Other impacts on revenues include the BASF plant, which has significantly reduced its load since ceasing operations, and the solar array, which is now active. Mr. Anderson reported that realty transfer tax revenues for FY 2017 were over \$660,000; a significant increase over the usual amount, which averages between \$200,000 and \$250,000. This amount was considered an anomaly, and is owed largely to the sale of the Genesis Lofland Park Center.

Mr. Anderson then discussed capital requests for the various City departments. Requests are down from over \$2.3 million in FY 2017 to about \$500,000 for FY 2018. Mr. Anderson explained that since the Budget Workshop held in October, the department heads reviewed their capital needs, and most reduced or modified their requests for the upcoming year. About \$90,000 worth of capital expenditures have been either postponed or cut from the budget.

In the Code Department, demolitions are the only request. The top priority is 800 Atlanta Road, the site of the old Fresh Pride grocery store. Demolition of this structure is estimated to cost around \$100,000 and the process could be lengthy, as City staff is trying to work with the property owner. Councilman Henderson asked if the demolition could possibly go into FY 2019, given the lengthiness of the process. Mr. Anderson said that it might. He added that if the City does pay to demolish the structure, a lien will be placed on the property for the cost of the demolition, and if it is not paid, a sheriff's sale could follow. Two other properties that are on the demolition list are 411 East King Street and 12 North Market Street. Councilwoman Peterson stated that there were houses in worse condition than the King Street property, and some with illegal activity going on. Mr. Anderson said that the proximity of the house to City Hall was one concern, and added that the house has been broken into since it was vacated by the Seaford Young Marines. However, he noted that there is a list of properties to be demolished, and that they will be evaluated and prioritized.

For the Police Department, capital requests are for new vehicles. One patrol car and the Chief's vehicle, a 2007 Dodge Durango, are in need of replacement. The estimated cost of the two vehicles, as well as new light bars for another vehicle, is \$60,000.

The Parks Department has kept their request for a John Deere or Kubota compact tractor in the FY 2018 budget, with an estimated cost of \$29,000. The Nutter Park Revitalization Project, estimated to cost about \$15,000, has been postponed. However, Mr. Anderson noted that staff has not given up on this project. Katie Hickey, Superintendent of Parks and Recreation, and Bobby Holston, Parks Coordinator, are in the process of looking into some grants that might allow them to move forward with the revitalization.

The Electric Department had initially requested \$37,000 for improvements to Circuit 330. However, due to the progress of the Melanie's Ridge and Mearfield 2 housing developments, Bill Bennett, Superintendent of Electric, estimates that the department will only require about \$10,000 to complete the circuit improvements. This is the only capital request for the Electric Department for FY 2018. However, Mr. Anderson reminded Council that the Electric Department will be replacing a bucket truck in FY 2019, with an estimated cost of \$225,000.

At the Wastewater Treatment Facility, a new sludge mixer, with a cost of around \$100,000, has been removed from the FY 2018 budget. This is due to the fact that the City will likely be discontinuing its composting service. Mr. Anderson noted that this is the third year to set aside funds for the purchase of a new front end loader. He said that even though this piece of equipment has been used primarily for composting, staff would still like to replace it, as it is very useful for other jobs, such as snow removal. Councilman Henderson asked if the department will need as large of a loader if they discontinue composting. Berley Mears, Director of Public Works, responded that they could probably purchase a smaller one if it was not being used every day for composting.

The Public Works Department still plans to replace its leaf and limb vehicle, a 2007 Ford with well over 100,000 miles. The department has spent about \$9,000 in maintenance over the past few years. The replacement truck is estimated to cost about \$55,000.

At the Seaford Community Swim Center, the pool is in need of major repairs. For the last couple of years, the City has had to pay for more and more repairs to get the pool through each season. Mr. Anderson explained that in the next few years, they will have to decide if they want to keep the pool open; and if so, major repairs and renovations will need to be done. He said that it may work out that the renovations will be done around the time when loans will be paid off for the Police Department administrative expansion and the purchase of the golf course. He also said that he is hopeful that the SCSC board may be able to share some of the expense with the City.

At Hooper's Landing, the City is in its final year of the current agreement with Adkins Management. Mr. Anderson reported that the golf course is in good shape and operations are going well.

In the ED/IT Department, the largest item in the capital budget is a redesign of the City's website, which is estimated to cost around \$25,000. Councilwoman Phillips-Lowe asked if the redesign will go out to bid. Trisha Newcomer, ED/IT Manager, said that the City's website is currently run by Delmarva Digital, a local company that is familiar with the City's needs. However, she said that bids could be solicited if Council wished. Councilman Henderson asked if the website will support

the forthcoming AMI (advanced metering infrastructure) technology. Mrs. Newcomer explained that the City's website will not be required to support AMI, but will provide customers with a link to access their AMI data. Councilman Henderson asked about the timeline for AMI implementation. Mr. Anderson said that some City staff are traveling to Ephrata, PA on June 5<sup>th</sup> to learn more about the process, and should have more information after that trip. He estimated that the meter installation will begin after the first of the year, and said that there will likely be a public information campaign. Also included in the capital budget for ED/IT is a laptop with docking station, estimated to cost about \$2,900.

Mr. Anderson then discussed charges for City services. He said that taxes were last increased in FY 2014, when the rate went from \$0.30 to \$0.31 per \$100 of assessed value. Water and sewer rates were last increased in FY 2015; water went from \$20.39 to \$21.95 per EDU, and sewer went from \$42.18 to \$44.30 per EDU. Mr. Anderson reported that electric rates have remained static in the last budget year, and that the City has complied with the rate reductions that were implemented by the Markell administration.

Mr. Anderson then discussed employee compensation. The goal (provided by the compensation consultant) is to adjust the entire pay structure annually, if possible. A 1% plan increase is proposed by Management for FY 2018. It is also important to pay attention to the ability to recruit and retain staff, and consider reviewing or adjusting the salary range for certain positions if necessary, or hiring into the salary range. Mr. Anderson reported that recent Public Works applicants have not accepted job offers due to the starting salary being so low. Berley Mears, Director of Public Works, noted that the Public Works Tech 1 position saw a reduced starting salary as a result of the salary study. Councilman Henderson suggested that the City might pay higher than the starting salary to a new hire who possesses skills that are above and beyond the minimum required for the position. Mr. Anderson added that job descriptions must remain accurate, and that they should be discussed between employees and their supervisors during annual performance evaluations. Also, it is recommended that the pay structure be reviewed every 5 years in order to keep in line with the market and still accomplish the City's goals. With the recommended merit and plan adjustments, wages for FY 2018 are projected to increase by \$41,014 for general employees and \$52,334 for police, according to their FOP contract. However, due to the elimination of the Electrical Engineer's position, and vacancies in other positions, the total payroll for FY 2018 is only expected to increase by \$11,320 from FY 2017.

In the Police Department, it has been recommended to freeze the Captain position and retain 3 Lieutenants in the short term. The department would also like to temporarily add troop strength to 28 sworn officers, which would create a 5-man patrol unit for each shift. This plan would see two new hires entering the Delaware State Police Academy in September of 2017. Mr. Anderson noted that new hires take 6 months to complete the academy, and then require three months training alongside another officer before they are able to go solo on patrol. It takes about 2 years for a new officer to be fully trained. The long term plan is to ultimately return to 27 sworn officers, with two Lieutenants and a Captain.

At the time of the salary study, a Construction Leader position was created in the Electric Department. The goal was to not add to staff, but promote from within. The plan to fill the position

internally did not work out, with internal candidate(s) not applying for or accepting the job for various reasons. Bill Bennett, Superintendent of Electric, said that he would like to keep the position in the budget and advertise externally; he is hopeful that they will find a qualified candidate. Councilman Henderson asked how it will work if the position is filled externally, since the goal had been to not increase staff numbers. Mr. Bennett explained that department staff would be increased by one for a short time, but that there are one or two anticipated retirements in the department in the next few years.

Mr. Anderson then discussed the City-wide property reassessment that has been proposed for FY 2018. The last reassessment was completed in 2008, and the plan has been to reassess about every 10 years. The estimated cost for this project is \$200,000 and funding is proposed to come from realty transfer tax reserves.

Mr. Anderson then presented the two options that have been recommended to balance the budget. Option #1 includes the capital reductions of \$89,917; increasing the property tax rate from \$0.31 to \$0.33 per \$100 of assessed value, which would result in \$153,492 in additional tax revenue; and transferring a partial amount of the unused reserves from FY 2017 in the amount of \$281,736. Option #2 also includes the capital reductions of \$89,917; would eliminate the unfilled Construction Leader position from the Electric Department for a savings of \$65,726; accounts for the unfilled position in the Code Department, in the amount of \$4,779; eliminates one police officer position, which would save \$53,778; transferring the full amount of unused reserves from FY 2017 in the amount of \$290,765; and a \$32,034 transfer from realty transfer tax reserves.

Councilman Henderson commented on the fact that transfers from reserves were included in last year's budget and not touched, therefore he sees no reason to raise taxes. Mayor Genshaw added that he thinks it is important for the City to keep its rates competitive with other towns. Councilwoman Phillips-Lowe stated that while she was not in favor of raising rates, she was nervous about not doing it and relying too heavily on reserves. Councilwoman Peterson agreed. Mayor Genshaw said that he is confident that the City will be okay, with the economic growth that is happening. He commended staff for their ability to work with such a tight budget. Councilman Henderson agreed, and said that it was great that the amount of transfers from reserves for FY 2017 was less than anticipated.

Mr. Anderson asked Council if they would like to keep the reassessment in the budget. Mayor Genshaw stated that he was initially opposed to a reassessment, but has come to realize its importance and thinks it should be kept in the budget. Council agreed. Council also decided that no positions should be eliminated in order to balance the budget. After some discussion, they decided that they would like to see a third balancing option, which would pro-rate the amounts budgeted for the various open positions, since they will likely not be filled for at least a few months. The remaining balance will be taken from realty transfer tax reserves, given the increased revenue in FY 2017.

The next meeting was scheduled for Tuesday, June 6, 2017 at 6 p.m.

With no further questions or comments, Mayor Genshaw called for a motion to close the Budget Workshop and return to Executive Session. Councilman Henderson so moved. Councilman Holland seconded the motion, and the motion so passed with all present voting in favor. The Budget Workshop was closed at 7:55 p.m.

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Charles Anderson, Assistant City Manager

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