

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

June 6, 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. Dolores Slatcher, City Manager, Charles Anderson, Assistant City Manager, June Merritt, Director of Finance & HR, Gary Flood, Chief of Police, Trisha Newcomer, ED/IT Manager, and Katie Hickey, Superintendent of Parks & Recreation, were also present.

Charles Anderson came forward to present Option #3 for balancing the budget. This option includes eliminating half a year of the unfilled Construction Leader position in the Electric Department; accounting for unfilled position(s) in the Code Department; the recommended capital reductions of \$89,917; transferring the full amount of unused reserves from FY 2017, in the amount of \$290,765; and transferring \$127,793 from realty transfer tax reserves.

Mayor Genshaw solicited any questions from Council. Councilwoman Peterson said that she didn't understand why water and sewer rates weren't being increased. Mr. Anderson stated that the budget is balanced with no rate increases, and reiterated the cuts that various departments had made in order to help balance the budget. He noted that staff is being as conservative as possible to work within the budgets they have been given.

Councilman Henderson asked if any other areas of the budget had been changed as part of the third balancing option. Mr. Anderson stated that the reduced personnel expenses did lead to other reductions, such as insurance. Councilman Henderson commented on the amount being transferred from reserves in order to balance the budget. Mr. Anderson said that the amount of reserve transfers actually increased for the third option; Option #1 was \$545,736; Option #2 was \$522,799; and Option #3 is \$782,558. He reminded Council that the FY 2018 budget does include some costly items which are being funded through reserve transfers, including the property tax reassessment and the demolition of the old grocery store on Atlanta Road. Councilwoman Peterson asked if staff is still planning to work with the property owner on this matter. Mr. Anderson stated that they are, and that there is a legal process they will have to go through, so it is unknown if and when the building will actually be demolished.

Councilman Henderson said that he would like to see a report on the budget performance, to see where the \$290,765 in unused reserves was saved. City Manager Slatcher stated that a large portion of the savings was in staff shortages; the Police and Public Works Departments have been working with less than full staff for some time. Councilman Henderson noted that everything is still getting accomplished well, even with a short staff. Councilwoman Phillips-Lowe commented that this is the case in the short term, and that you can only expect staff to carry the extra work load for so long before they get burnt out. City Manager Slatcher agreed, and added that there are some big projects coming up which will require the City to be operating with a full staff, including the substation construction and AMI implementation. Also, the Administration staff has been working hard to get the budget ready, and will then have to move into year-end and audit. Charles Anderson noted that there has been an uptick in construction in the City, which is a good thing, but

it has created extra work for staff. Additionally, the Electrical Engineer's position is being eliminated, and his tasks are being distributed among employees in various departments, increasing their work loads. Councilwoman Peterson asked what is being done in the Code Department. City Manager Slatcher responded that a Building Official needs to be hired. She added that there is the possibility that the position will be filled by an internal candidate, in which case there will be another vacancy to be filled.

Councilman Henderson asked about the net increase in reserves from real estate transfer tax. Mr. Anderson said that he did not have an exact number, but stated that FY 2017 was an anomalous year, with the City bringing in over \$600,000 in transfer tax revenues, as opposed to around \$230,000 in the previous years. City Manager Slatcher stated that this increase was due primarily to the sale of the Genesis Lofland Park Center, and that there were also some apartments and other large property sales or transfers which occurred. Mr. Anderson added that all iterations of the FY 2018 budget assume \$230,000 in transfer tax revenue, which is the average. Councilwoman Peterson asked about tax delinquencies. City Manager Slatcher said that she did not have the exact amount, but could run the numbers and report back to Council. She added that tax delinquencies and write offs are not usually as high as electric, because taxes can be liened against the property and ultimately collected when the property sells. On the other hand, many electric accounts are rentals, and even though a deposit is collected, it is often not enough to cover the final bill.

Councilman Henderson asked about the reduction in debt service for FY 2018. Mr. Anderson stated that this was not included in the budget proposals, but that staff could pull that information. He said that there are some loans which will be maturing soon, and he reminded Council that this was mentioned when discussing the major pool repairs which are needed in the next few years. June Merritt, Director of Finance, stated that there are three loans which are nearing their maturity dates; the purchase of the golf course, the Police Department's administration expansion, and the Police pension buy-in. Mr. Anderson said that once those loans are retired, those funds will become available to be used elsewhere in the budget. He added that there is a WWTF loan which will be retiring soon, and staff has recommended that the money designated for that loan be put into a sinking fund, as there is likely an expansion in the near future.

Mayor Genshaw solicited any additional questions from Council. Councilman Henderson asked for confirmation that the transfer from real estate reserves is increasing with the third budget option. City Manager Slatcher confirmed that it is increasing, in order to balance the budget. Councilwoman Peterson stated that she was uncomfortable with all the cuts that were made to each department in order to balance the budget, and is concerned that staff will not have the resources they need in order to get everything accomplished.

Mayor Genshaw then asked what action should be taken. City Manager Slatcher asked if Council was ready to take the budget to the next Council Meeting for approval, or if they would like to hold another Budget Workshop. She also asked if the Council would like to have all three balancing options presented at the Council Meeting, or just the third option, which they had requested. Council agreed that only Option #3 would be presented for approval, and that should be done at the next Council Meeting. Mr. Anderson stated that he would modify his presentation to include

only Option #3, and added that he could include the real estate transfer tax and debt service retirement information that Councilman Henderson had requested. Councilman Henderson stated that this information was more of a sidebar, and did not need to be included in the presentation. He added that while FY 2018 is what is currently being discussed, he thinks that it is important to look ahead to the upcoming years.

With no further questions or comments, Mayor Genshaw closed the Budget Workshop at 6:27 p.m.

Charles Anderson, Assistant City Manager

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