

SPECIAL CITY COUNCIL MEETING BUDGET REVIEW

The Special City Council Meeting was held on May 31, 2022, at 6:00 p.m. with Council President Sudler presiding. Council members present were Mr. Anderson, Mr. Boggerty, Mr. Neil, Mr. Hare, Mrs. Arndt, Mr. Rocha, Dr. Pillsbury, and Mr. Taylor (arrived at 6:05 p.m.).

Staff members present were Police Chief Johnson (arrived at 6:56 p.m.), Ms. Peddicord (Webex), Ms. Melson-Williams, Mr. Hugg, Mrs. Duca, Chief Carey, Mr. Dill, Mr. Josefowski, Mr. Lyon, Ms. Marney, Mr. Waddell, Mr. Knotts, and Ms. Bennett. Mayor Christiansen was also present.

ADOPTION OF AGENDA

Mrs. Arndt moved for adoption of the agenda, seconded by Mr. Neil and carried by a unanimous roll call vote.

INTRODUCTION AND PRESENTATION OF FISCAL YEAR 2023 RECOMMENDED BUDGET AND HIGHLIGHTS OF OVER BUDGET

Mr. Hare moved for Mr. Hugg to give a quick overview of the budget and then allow Council to ask their questions. The motion was seconded by Mr. Neil and unanimously carried.

Mr. David S. Hugg, III, City Manager, reviewed a presentation titled “FY 2022-2023 Proposed Budget”.

MAJOR FUND HIGHLIGHTS - GENERAL FUND

Mr. David S. Hugg, III, City Manager, reviewed pages 5 - 34 of the “FY 2022-2023 Proposed Budget.”

Responding to Council President Sudler, Mr. Hugg stated that this is a balanced budget. What council has asked them to do as staff is to present them with a budget which is balanced, which means it has got some revenue increases. It has some deferrals, and it has got some other, some budget, some expenditure deferrals, and things of that nature. So it is a balanced budget. Mr. Hugg noted that they come to council with a budget that has a small surplus. Mr. Hugg stated that they started this about a month and a half ago with the \$2.5 million deficit, that was before they got into the electric fund, the purchase power costs and determined that they could not continue to count on \$10 million from the electric fund to supplement the general fund. In fact, they had to cut that number to \$5 million in order to make the electric budget balance and stay within their bond requirements and conditions. So a few weeks ago, the deficit was \$7 - \$7.5 million dollars. Mr. Hugg noted that he was pleased to tell council that they are at a balanced budget tonight, but that there were some very painful discussions, and they are asking council to make some fairly tough decisions.

Mr. Hugg stated that in doing this budget, they attempted to spread the pain across everyone and that there will be some impact on the city’s residents. It will impact some city investments and city

assets, but they will not be cutting services as a result of this budget. The budget that they presented council is roughly \$194 million. That is about 20% higher than FY 22. It has an operating budget of \$170.6 million dollars and a capital budget of \$23.7 million dollars. Mr. Hugg noted that he wanted to make a couple of points here. One of the 20% increases in this budget, there is almost nothing over which the city has significant control. The costs that are reflected in the budget tonight are power costs, energy costs, salaries, contracts that are already in place, price of gasoline, price of diesel fuel, things that quite frankly, without cutting services to their citizens, they have very little control over. This is a budget that has no new programs, no new capital, and capital projects. In fact, it has fewer capital projects, because they have deferred a number of them. It has net one new position citywide. There are a couple of pluses and minuses. It defers a number of items, including 11 vehicles and four (4) pieces of equipment to next year. It does not defer heavy equipment which has very long lead times that they have been in need of for some time, because simply pushing them out another year or two pushes them out two or three years and they simply cannot do that.

Mr. Hugg stated that they did everything that they could think of to get to a balanced budget. So they have some rate changes the council approved last year, some increases in sanitation fees, and water and wastewater rates. They carried them forward based on the schedule that the council had adopted. Mr. Hugg explained that they are proposing a five-cent increase in the property tax from 405 to 415. They removed the PCA electric credit because they are certainly not in a position where they can give customers back credit when their energy costs are up \$30 million dollars. It says surcharge but it is not a surcharge. They put a 25% temporary rate increase on the KWH component of the electric utility charge. That is to buy them a little bit of time to get a new rate study done later this summer or early next fall. Mr. Hugg noted that as he had mentioned, they deferred a lot of assets. This will bite them in the butt if they are not careful because if they are taking a car that is already 10 years old, that should have been replaced last year, it was not replaced, should have been replaced this year, and now pushing it off yet another year. The cost of maintenance goes up substantially and the value of the car depreciates substantially. So this is one of those catch-22 things but in order to get this budget to balance, they struck 11 vehicles, two (2) in planning and inspection, six (6) in public works, and three (3) in the electric department.

Responding to Councilman Rocha, Mr. Hugg stated that those are vehicles that are deferred until at least fiscal year 24', after a review by the Fleet Manager Mike Hamlet. They also deferred a number of capital projects. Most of council knows that the city's information technology or basic backbone is pretty old. Some of it is not even supported by vendors anymore but in talking to the IT Department, Mr. Hugg noted that this was a shared decision. They proposed to split the replacement of two major switches, one this year and one next year. They deferred some maintenance on the police building that again, will not get any better, but hopefully, it will not get too much worse. The project, West Street flooding improvement design, got moved out a year. The Green's lamplighter improvements feasibility study, they moved out a year. The Green's underground electric upgrade got moved out a year. The balance of the LED lighting conversion, which is not the downtown portion, but is the balance of the city project, got moved out a year.

Mr. Hugg stated that they sat back and said, "You know, we have got to find every dollar that we can possibly find. To the extent that we can move city costs over to some other funding source, we ought to aggressively do so." So what council will see here is public works, water, and wastewater projects. He thinks there are seven or eight. The majority of them, roughly \$4 million dollars, is

being pushed to the ARPA fund. The city can draw down the balance of those monies and use them for water and wastewater projects. They are looking for a combination of ARPA money and CTF funds for street and alley programs. Mr. Hugg noted that he has already reached out to Representative Lynn and Senator Paradee and asked for the first \$500,000 of their money that they have not gotten yet for next year. So they are playing the long odds there, but they are trying very hard to find all kinds of sources of money. They have also made some policy adjustments. Mr. Hugg stated that they had to reduce the electric fund transfer to the general fund. That was necessary to balance the electric fund. He just wanted to reiterate that the cost of wholesale energy is \$30 million more this coming year than it is in FY2022. That is all driven by the cost of natural gas and by price adjustments from the PGM region.

Mr. Hugg stated that they also made two other transfers. As a result of moving some of the project funding, they were able to free up some money in water and wastewater to allow the transfer of an additional \$500,000 from each to the general fund. Mr. Hugg stated that they are asking council's permission to reduce the revenue reserve policy, which sets the minimum revenue that they can use to carry forward from 8% to 5% for next year only.

Responding to Councilman Anderson, Mr. Hugg stated that he is correct by saying that now that 5% is only really being applied to the general fund instead of 8%.

Responding to Mr. Hugg, Councilman Anderson stated that helps him feel a little more comfortable with it. He stated that it looked like that, but he just wanted to make sure that he was doing the math right. So that means they will not have a problem with cash reserves for an emergency, because the only time he has seen that 8% come into play was in the electric and water type funds that have big types of emergencies. Mr. Anderson noted that he has been looking at city budgets since the 1980s and that is one of the fun things he used to do in high school. He would go to the library and pull the city budgets. Mr. Anderson stated that he had never seen that type of emergency in the general fund. So he basically wants to ask them, are they comfortable that the 5% dealing with their history will allow the city adequate cash reserves for emergencies?

Responding to Councilman Anderson, Mr. Hugg stated that they did take that into account. It was one angle that they looked at for a balanced budget. They did feel that just the 3% decrease would not be enough to really hurt the city in the long run. Mr. Hugg stated that he does not have the figures on him for what percentage of cash reserves the city ended up with from the year that is going to be closed. He will get those figures for Mr. Anderson.

Responding to Mayor Christiansen, Mr. Hugg stated that the short answer is yes, they are within their authority to do that. Mr. Hugg noted that as Mr. Dill indicated, they are proposing to do this for one year only as a way to ensure that they have adequate funds going forward in the budget, but also that they have an adequate cash reserve.

Responding to Councilman Anderson, Mr. Hugg stated that he is not sure he understood the comment about the general fund subsidizing the electric department. It has typically been the other way around that for as many years as he knows. The electric department electric fund has transferred \$10 to \$11 million dollars from electric to the general fund to support operations of the general fund. As it turns out this year, because of the purchase power cost and the other costs that the city is incurring, they simply do not have that \$10 million to transfer from electric to the general

fund. So when they do the look at the electric budget on its own, it already has a \$5 million dollar reduction in it, if you will, funds that have to be retained on the electric side. Additionally, they were giving back roughly \$5 million dollars through the purchase credit adjustment, and purchase power credit adjustment, which the city cannot afford to do either. That is another \$5 million that the city needs to help balance the electric budget.

Mr. Hugg stated that basically, they have to look at the general fund and say, where else can they find revenues? What else is available to them as revenues if they do not have that \$5 million from the electric fund to rely on? The other issue, and this is where he would definitely defer to Ms. Peddicord, is that they have a lot more bond covenants and requirements that they have to maintain on the electric side that drives some of their numbers. In terms of the 25% or what other numbers they looked at, they kind of backed into that number when they started looking at minus five, minus five, doing this, doing that, taking, and he would love to say there is a great deal of science behind it. There is not, it is, Lori described it this afternoon as a band-aid. It really is a band-aid to get them to the point where they can have a new look at their rate structure, they have already talked to a rate analyst and anticipate them starting work early in the next fiscal year,

Mayor Christiansen stated that he just wanted to give sort of an overview and a little bit of history as to how the water, sewer, and electric funds came about. Many years ago, the founding fathers of the city realized that because the taxable properties that they had in the city were not enough to cover their annual budget and services that were presented were provided to the citizens. Those enterprise funds have served this city well. They have, he was sure everyone is aware of this, that the property taxes that they collect on the taxable properties in the city do not even cover the police department's budget. So it is well intended for them to utilize those enterprise funds to fulfill the needs of their budget. So they need to keep that history in mind if it is helpful to the members of council, he does not mean to take away from their discussions, but he thought that he would not be doing his job if he did not provide them with that history.

Responding to Mayor Christiansen, Councilman Taylor stated that was one of his questions for an explanation on water and wastewater. He never had grabbed how it all worked. One of the other things he would like for them to recognize or take a look at is instead of five officers, look at two this year, two next year, and one or two, three years from now. He thinks that will get them to where they need to be, but it will be far more practical than trying to stress a budget that already faces a deficit.

Responding to Councilman Taylor, Mayor Christensen stated that he thinks that they know where his feelings are on adding additional officers. His only concern is that he thinks that is a plan to hire them as the city can afford them. Mayor Christiansen stated that he will make no secret of this, the city and every police agency throughout the state of Delaware, including the Delaware State Police, are having trouble recruiting. He thinks that if that is a point of compromise for council, he does think it is doable and they certainly will put forth that effort to make sure that happens. Mayor Christiansen does have to go back to the suggestion, and he thinks that council knows that he is not a big fan of taxes, but he thinks that what they need to do is to look for an alternative way to fund those officers as part of that compromise.

Responding to Councilman Taylor, Mayor Christiansen stated that Council President Sudler and himself concur with him on the angst that he would have if they would have to put a bid tax. He

thinks that the general area that they need to include is the Downtown Development District, which was established by the State of Delaware, which would give them a larger possibility of where to draw these revenues from. Mayor Christiansen continued to state that he agrees with Councilman Taylor, and Mr. President agrees that they do not want to do anything that is going to defer from the efforts of the downtown revitalization. That would be very silly on their part because they have made that commitment. Mayor Christiansen has made that commitment. Every member of council has made that commitment, but if they are going to do something site-specific and adopt a program in addition to additional officers downtown of streetscapes and different things that the downtown partnership has made a request for, then the only way to pay for it is through an alternative tax of some sort, expansion of the downtown development area so that it spreads out to benefit the entire area down there and meets the ultimate need that they want to do. He certainly, once again, is not as bullheaded as he used to be and he certainly would welcome any kind of compromise or suggestion that would meet hiring the new officers while helping the downtown continue to be revitalized.

Responding to Councilman Rocha, Mayor Christiansen stated that years ago, when he was first on the Downtown Development Corporation, they went to some other communities to find out how they were paying for the additional services to revitalize their downtown. The business improvement district was begun here in the city to cover extra costs for trash pickup, lighting, maintenance, sidewalk, maintenance, beautification, and different things like that. It has worked very, very well. They had hoped that it would continue so that they could provide services above and beyond what the rest of the community was getting, while the downtown was self-sufficient on that. He concurs with Councilman Taylor that at this point in time, businesses are struggling, but unless the city grabs the bull by the horns and put the bid in place to facilitate the extra safety, the streetscape, and different things like that, then all of their efforts are going to go for naught. They have heard him say this over and over again. A lot of people cringe when he says it, but it is the truth. If they do not have a healthy downtown, a vital downtown that people want to come to and feel safe because the ultimate thing is that the businesses will thrive. They have the opportunity, if they do indeed have a need to put a bid tax in place to remove it as they did before, once the businesses are successful. It is not that he wants these businesses to feel any pain, but it is a way to fund the services, the extra services that he thinks they are entitled to with the public safety end of it, as well as the streetscape ideas and everything like that. It works in other communities, and he thinks that it can work in Dover. The city does not want to inflict pain on the successful businesses or the future businesses that are going to locate downtown but it is a tool that they should have in their toolbox.

Responding to Council President Sudler, Mr. Dill stated that the increase they are seeing is based on the fact that the Mayor's Administrative Assistant right now is a vacant position. With healthcare, since they have many different types, many plans, employee-only family plans, employees with children, and husband & wife, they try to go for a conservative rate there. They do employee and child. So they are seeing an increase where his previous Administrative Assistant was an employee-only health plan. Now they have budgeted for the fact that it could be more than that. So they went with employee and child to just kind of boost that rate a little bit of what could possibly happen.

Responding to Council President Sudler, Dill stated that last year they added the Tax Assessor's office to Customer Service, but they did not split that budget. There were basically still two

employees last year, the Tax Assessor herself was on terminal leave. So she was still on the budget for her salary and then her assistant was also there. This year they have put both of those departments together, and the Tax Assessor's office now falls under Customer Service. So what they are seeing there on the contractual services line, that significant jump is basically those costs for the Tax Assessor's office now being absorbed into the Customer Services department.

Council President Sudler stated that he has a different view on the matter whenever it comes to the budget, and he thinks that it should be mandatory that one is there in person. This is very important that everyone is there. Although they know that vacations, some things you have to just, they need to be there regardless. Mr. Sudler noted that he is just going to say that he has a different view on that, and they will agree to disagree.

Responding to Councilman Hare, Mr. Hugg stated that he does not know how much money they would generate by raising electric rates by 10%.

Responding to Councilman Hare, Mr. Hugg stated that he is right and that a \$.05 cent property tax rate would generate around \$1.7 million dollars.

Responding to Councilperson Arndt, Mr. Hugg stated that is a good point and that electric rates, water rates, utility rates, whatever, and also property taxes are issues that are important to folks looking to relocate to their city. As they know, most of the larger folks who are coming here ultimately get the benefit of some incentives and tax waivers. So the tax rate is less of a significant factor. That is not the case for smaller businesses that do not bring \$3 or \$4 million investment or 75 or 80 jobs or whatever it is to the city. It is always a balancing act between those different kinds of revenue generators. It is always a question. If you are a site selector, if his electric rates are higher than Smyrna's electric rates and they are heavy an electric user, then they are going to make the decision to go elsewhere. If they are not a heavy electric user, it might not make any difference. So it is a factor they would definitely need to keep in mind, and he thinks that is why they have tried over the years to balance the revenues from property taxes, from utility enterprise funds and fees and charges, and what have you so that there is some reasonable balance to them.

Responding to Councilman Anderson, Mr. Hugg stated that the city's Grant Writer resigned and has gone off to another position outside the city. It was their collective judgment that while there was a benefit to having a grant writer, they would be ultimately better off if each department developed that capability. A couple of them have pretty well developed it already. The library does a good job. The police department does an outstanding job, and it would probably be one of those skill sets that would be better long term, better served by developing a capacity within each of the departments.

Mr. Hugg stated that they also decided that that position probably could be where if the city needed an outside service, could pay for that position on a contractual basis. So they put money in the budget for some contractual assistance if they needed it for some major purpose. Their basic philosophy was that the city needs to develop that skill set in each of the departments.

Responding to Councilman Anderson, Mr. Hugg stated that if it does not work out, they can go back to filling that position. All of the suggestions are subject to being reviewed. If they do not work out the way they believe they will but that was one where, as they were kind of juggling

things, it was their team's recommendation that they worked off of.

Responding to Councilman Anderson, Ms. Duca stated that the West Street project is a stormwater project and it is currently part of the feasibility portion of the design which is actually underway right now. So staff reviewed the different stormwater projects as well as the staff's ability with the current staff, three engineers working on them, and coupled with the consultants, trying to get them scheduled, to make sure that it was actually a sustainable path forward to address these projects. So that is why the West Street project got moved out because they are still working on the feasibility portion of it.

Responding to Councilman Anderson, Mr. Hugg stated that they are open to anything that improves the efficiency of the way that they do business. So clearly whether it is in that area or electric rates or what have you, they have already identified a handful of things that need to be done as they get in the next year. He does not have any heartburn over looking at that issue. It makes sense to them, they have no problem.

Responding to Councilman Anderson, Mr. Hugg stated that he is correct. They have touched on something that had the budget not been what it has turned out to be, they would of, council would have seen a much more significant safety proposal from the City Manager's office because it has been his experience that the more, they invest in keeping the employees safe, in keeping the facilities safe and whatever, the better the city does on those rates. The city has an unfortunate situation of people falling down, tripping over curbs, things that they just need to really focus on. That would have been one of his priorities this year if they had the money in the budget.

Council Sudler stated that they will resume from break at approximately eight o'clock which was in two minutes, less than two minutes.

Council Sudler stated that they are back from break at 8:00 p.m.

Responding to Mr. Neil, Mr. Waddell, Electric Director stated that no, Verizon will not be paying a fee for the use of those poles. Mr. Waddell stated that they are seeing the prices going up on everything including lumber.

Mayor Christiansen stated that just so council is informed about some initiatives that they have taken on behalf of the city and the members of council. They met with President Pro Tem of the Senate and Representative Pro Tem Sokola and Representative Baumbach in regard to the pilot, the monies that are issued to the City of Wilmington, the City of Dover and Georgetown being the County seats and having quite a bit of state property. Mayor Christiansen noted that Mr. Hare does make a point that under the current formula, even though the City of Dover has more state-owned properties and non-taxable properties that the state picks up the pilot program, the City of Wilmington because of the size, and they all know that by the time they get to Middletown, they are outvoted in the legislature. So they certainly hold that balance, but he did want to inform council that they have made those efforts and continue to work on that. They were promised by the President Pro Tem and Representative Baumbach that they would indeed, and he does not know if it has been put in place yet or not, form a Task Force to make sure that Dover gets their fair share of those pilot monies, which they kind of had a granted concession that they would not oppose the City of Newark being added to that process.

So they are looking for an increase in the pilot monies that would come to the city, which they receive in lieu of taxes from the State of Delaware and its buildings. The economic development tool that Councilor Arndt mentioned is in fact one of the selling points that he, Mr. Hugg, and city staff use to bring businesses here. They also offer something that other communities do not offer to them and that is reliability and few outages, although Dr. Pillsbury and he do acknowledge the outages that they do have when they are informed of them, they are few and far between and the city's crews go out and quickly take care of that. One thing he did not notice in the budget was a recently passed Senate Bill 1, I think it was, correct him if he is wrong Madam Clerk, which allows for up to eight to 12 weeks, he believes, of family leave. The employer, which would be the city, is assessed a certain amount, he cannot remember the percentage, as well as the employee.

Responding to Mayor Christiansen stated that the bill does not take effect until 2025. So it would have an impact on the city in FY-24. Now they did include, beginning in January of next year, the \$11.75, which is step one of the Governor's minimum wage bills. So there are some slight adjustments to three employees. Mr. Hugg noted that the amount is already reflected in the salaries.

Responding to Councilwoman Pillsbury, Mr. Hugg stated that Parks and Rec for FY 23', they have three main projects that make up that whole amount. They are going to put a new building at Dover Park with a splash pad. That is driving the bulk of the money. There is also a skate park that he believes is going out at Schutte Park, and there is also a dog park that is going out there as well. So yes, it is \$1.9 million, but the greater part of that is being paid through the Parkland Reserve. They have also already received some state money and there is also some grant money that is going to be tied to that. So even though that reflects a large dollar amount there, it is not really a pull on the general fund itself. There are a lot of outside sources that are going to be covering that.

Responding to Councilwomen Pillsbury, Mr. Hugg stated that yes, it was their feeling with the increased amount of police officers that the overtime should probably go down. So they did actually reduce the overtime by \$91,000 down to \$650,000 for the year. The extra duty, he receives those figures from the police department. That is kind of driven by the amount of outside work that they are doing, so he cannot really speak to that amount. Mr. Hugg stated that Dr. Pillsbury was correct in stating that the budget did not increase the number of police officers. The number of police officers, which he thinks is currently authorized at 106 or something in that order, did not increase. When they look back at the overtime amounts for previous years, they were not fully staffed at that period of time. So basically what they said was now that they are fully staffed or about fully staffed at that level, that should reduce a little bit of the burden on the overtime. So it was just kind of a trade-off to better match the overtime to what they expected to be the number now, with 106 or 105 staff.

Responding to Councilman Neil, Mr. Hugg stated that he believes it is considered extra duty time and reimbursement, not just overtime. The chief could maybe answer if he wants, but ** believes that is the case. Overtime is when an officer is required to work an additional shift or part of a shift. When they work Firefly, for example, that is a special duty charge.

Responding to Councilman Anderson, Ms. Duca, Assistant City Manager stated that the main difference in the salary from this year to next year is a Stormwater Program Manager is being added in conjunction with the utility. Ms. Duca continued to state that Mr. Anderson is correct in saying that they were looking midyear to shift some of that into its own utility and that they are

looking for hopefully a January start on that. Ms. Duca noted that they are anticipating a budgetary goal to pay for half of the stormwater expenses that are seen on the sheet, which includes the capital. Ms. Duca explained that the overall intent is to cover the five-year capital plan with the utility. So part of that will be discussed when they bring forward the utility to see if they are going to phase in the implementation or how that goal is expected to work.

Responding to Councilperson Arndt, Ms. Duca stated that the city does not bill for sanitation services or things of that nature. That is an overtime expense to the city. The police officers are obviously paid for, but the general services, setting up cones, providing sanitation, those types of things are covered by the city directly.

Responding to Councilman Hare, Ms. Duca stated that Mr. Lyon is actually currently working with the state on trying to make sure that the West Street project incorporates the design and plans with the city as well as the overall project.

Responding to Councilman Hare, Mr. Hugg stated that was one of the Chief's requests. It was part of the strategic package of requests that they had from across the departments. They did not feel that they were able to fully fund that request. They did increase the city's allocation to the fire company by 4%. He is not sure what that number amounts to, is it \$377,500, as a way to help offset some of the inflationary costs? That is a decision that the council chose to approve for some additional funding there. It is like a number of other positions that they dealt with that are clearly needed. The Chiefs just reminded him, and he will remind council that both, on the fire department and the police department, Dover is among the lowest-paid dispatchers in Delaware, if not the lowest paid. While they were able to add a couple of dispatchers to the police department, that is still a significant issue that they need to deal with going forward.

Responding to Councilman Taylor, Mr. Hugg stated that expanding the electronic red light safety program certainly is something that they can take a look at. It was not considered as part of this particular budget, but it is one of those good ideas that they ought to maybe take a look at.

Responding to Councilman Taylor, Chief Johnson stated that just to inform council, it is kind of amazing that they have asked that question tonight, the day after he half-tackled Senator Pardee on Loockerman Street, to talk about that very same thing. He would caution the discussion in relation to the speed cameras. One, there is no legislative authorization for those cameras yet to be used at the municipal level. There apparently is a lot of concern amongst legislators around the State that that mechanism might potentially be abused. He made the point on behalf of his agency in making the request that, he offered up Dover to be the pilot program for speed cameras if the State felt that they could authorize that for a pilot test, under the caveat that it would be a data-driven deployment where it would only go where the evidence said that it was needed to be placed. Currently, like the red light camera program, those cameras, and that enforcement are data-driven where not only violations were observed, but crashes with significant injuries had been documented by the Department of Transportation data.

Chief Johnson explained that he believes that those speed cameras would be viewed in probably the same light. It would probably be something that they would have to work with and through the Department of Transportation if a mechanism was created in state law for the city to take advantage of that. So he said all that to say this, if they are going to lobby the State to do that, they probably

need to spend the summer and the fall trying to articulate how it will be done and solicit a bill sponsor. So it could perhaps be addressed in the January session, but they could not do that without state-level authorization. They would probably be compelled to work with the Department of Transportation to implement it if they got authorization.

Responding to Councilman Rocha, Mr. Hugg stated that each department budgets for its own hardware and software replacements. There is a life cycle process that deals with laptops, desktops, and those kinds of things. IT budgets all of the backbone: the servers, the switches, and all the network connections, all those kinds of things on behalf of the entire city. So it is a split function if they will. It is up to the departments to identify what they believe their technological needs are that are unique to their department. Mr. Hugg noted that IT actually does track when computers need to be replaced.

Responding to Councilman Rocha, Mr. Hugg stated that with the funding in their budget, they follow up. They set out the standard, kind of like the fleet management standard, that a laptop should be replaced every so many years or software will no longer be vendor-supported after a certain time. If they need to upgrade or that kind of thing. They set the standards, and they actually develop the specifications and standards for the departments to acquire the equipment from.

Responding to Councilman Taylor, Mr. Hugg stated that they actually will talk a lot more about that at a future meeting, but the short answer is that they have a very aggressive cybersecurity program and plan in place. They are doing desktop exercises on a regular basis. They have done some threat analysis to determine some of our vulnerabilities. Mr. Hugg stated that they will not have to invest in this budget. The \$50,000 that the city is investing is to replace one of the two major switches is the major investment they need in 2023, but they are rolling out a plan over the next couple of years that probably will require some additional funding. Mr. Hugg noted that in IT, there is one promotion in the budget. They just hired another LAN analyst in FY 22'. Right now, they consider adequate staffing for that department.

Mr. Anderson moved to recess the meeting, seconded by Mr. Hare and unanimously carried.

The meeting recessed at 8:17 p.m.

TUESDAY, JUNE 1, 2022- 6:00 - 9:00 p.m.

The Special Council Meeting - Budget Review reconvened on June 1, 2022, at 6:00 p.m. with Council President Sudler presiding. Council members present were Mr. Anderson, Mr. Boggerty, Mr. Neil, Mr. Hare, Mrs. Arndt, Mr. Rocha, Dr. Pillsbury, and Mr. Taylor.

Staff members present were Police Chief Johnson, Ms. Peddicord (Webex), Ms. Melson-Williams, Mr. Hugg, Mrs. Duca, Mr. Dill, Mr. Josefowski (Webex), Mr. Lyon, Ms. Marney, Mr. Waddell, and Ms. Bennett. Mayor Christiansen was also present.

By unanimous consent, the meeting was reconvened.

Mayor Christiansen stated that he was really excited to report to the members of council that earlier that afternoon they had a joint press conference at Dover PD in the community room, along with

Attorney General Kathy Jennings, where they made an announcement of a number of felons who provided straw guns to some folks who have been doing some illegal activity in the city. The Chief can give them the details after the meeting. It was very productive and so once again, Dover PD was part of an operation along with the Delaware State Police, ATF, and FBI, and it was a very successful operation. Also, he was really excited to report that they just left Capitol Green, where the initial rollout for their community policing vehicle was, and that it was on site that evening, and will probably be there till seven or eight o'clock. When he left there, they had about 30 young folks and other people heading in that direction with their parents. So it appeared to be a great success and a lot of the little people that were there, and the young folks said, "We are going back and getting our friends." So, they are following through on the commitment that the mayor and council made to Dover PD and to the community for the community policing effort.

Chief Thomas Johnson stated that the Attorney General coordinated a press conference earlier that day that they hosted in their public assembly building or public assembly room. Related to an ongoing operation, it has been going on for probably the better part of half a year. This started out as several separate investigations that found commonality and were eventually merged into one task force's investigation. The topic is straw purchases of firearms. For those not familiar, the basic definition of a straw purchase is, individuals with criminal records and the inability to buy a firearm through legal means solicits someone with a clean record and the capacity to buy a weapon, and some type of business arrangement is arranged, or a personal relationship is leveraged to allow the person that is not supposed to be in possession of a firearm to get one. So in this particular investigation, it was a little bit wide-ranging. Several of the guns have migrated to other states, but it was a conspiracy and racketeering event, actually. Three individuals worked together to locate and solicit associates that they knew had clean records and a business deal was struck. Whereas, multiple firearms were ordered to be delivered to licensed FFLs, which is a federal firearms license holder. Someone that is actually capable of administering a firearm sale. The basic deal was, if someone orders four guns, keeps one for themselves as their payment, gives the other three to someone else, and will give them the cash, then they go about continuing their illegal business in whatever direction that would go. 77 offenses, 76 of them felonies, across about nine or 10 individuals. Three were the organizers of this ring, and the rest of them were folks that were being used as straw purchasers. So basically, they have three established criminal individuals that dragged in another half a dozen folks into a criminal lifestyle. They recovered probably three-quarters of the weapons that were involved in this. Not quite all of them. Several have been used in crimes, but not all of them and the investigation continues. The last major player was actually taken into custody. It was not timed that way, it just happened to work out that way. Chief Johnson explained that they were going to proceed with the announcement either way, but the last major player was taken into custody that morning, a few hours before the press conference that afternoon. This matters to Dover because most of the players and most of the impact were either in the city or in close geographical proximity to the city of Dover. These efforts, along with all the other strategies that they were trying, some of their enforcement related, some of them obviously support-related, combined to improve the safety dynamic in the city.

Chief Johnson stated that he was asked by a reporter at the press conference whether this could be connected to any one particular event, and that would probably be too much of a stretch to say that this operation was connected to any particular spree or any particular event. He viewed it in the larger context of maintaining an ongoing standard of not having any tolerance for this kind of, he thought that he used the word nonsense when he was speaking to the press. His message now would be the same that he gave on camera earlier that day which was, it is okay to be in a relationship with somebody that is struggling with their path in life and whether they choose to be involved in criminal behavior. That

it is okay to be close to that individual if there is a reason to be. What is not okay is for them to accept the solicitation, to give them the tools or the tool to take a life. That is a decision that they have to be prepared for, and they have to be ready to say no because if they do not, they now become part of the chain of events that might bring harm to somebody. He gave credit to the officers that do this at risk. When they are investigating gun crime, they have to be prepared for what they might find. They had a lot of great help from their partners from the Federal Task Forces and the State Police, as well as their special units.

ADOPTION OF AGENDA

Mr. Neil moved for adoption of the agenda, seconded by Mrs. Arndt and carried by a unanimous roll call vote.

Mr. David S. Hugg, III, City Manager, reviewed a presentation titled “FY 2022-2023 Proposed Budget”

GENERAL FUND OPERATING DEPARTMENT AND DIVISION SUMMARIES

Ms. Lorri Peddicord, Treasurer/Comp Troller, reviewed the “FY 2022-2023 Proposed Budget.”

ELECTRIC FUND

Ms. Peddicord discussed projected system energy sales, just to give council an idea of what the actual KWH consumption was in 2018, 2019, 2020, and 2021. Then they are still obviously holding with the 2022 numbers. She did check them through the end of last month and they look mostly in line. Obviously, she is hoping for a little bit of an increase in June, but they will see what happens, but they are pretty close to what they have projected for the total KWH consumption. Then they bumped those numbers up for 2023. She is just sort of having a little trouble thinking that they may get to that full load. Again, she thinks that they are hoping that they come back to a pre-COVID status with electric consumption. Her goal in the upcoming fiscal year is to really be reviewing the revenues that are coming in and the consumption that is being used. They have a request out to get a rate study completed, to help them align more appropriately with what the actual customer rate should be, rather than sort of trying to pick from a hodgepodge of a transfer from the rate stabilization, or the transfer amount that goes to the general fund, and the overall percentage that they are proposing to the kilowatt-hour consumption for customers across the board.

Ms. Peddicord stated that she had received correspondence from Councilman Anderson about wanting to get closer to the \$10 million transfer to the general fund. As she had mentioned the night before, when they tried to select an increase or an adjustment to the rate that is appropriate to also meet the request for the transfer to continue at the \$10 million, and also taking into consideration some draws from the reserve, the rate stabilization reserve, which obviously that is what that reserve fund is for, for times when the energy cost fluctuates so drastically that they do not want to push all of that out to the customer.

Ms. Peddicord stated that council should have a document with the revised electric fund summary as an adjustment or a PCA debit that would equate to 30% to all KWH customers, the transfer from the rate stabilization, so the city takes on some of that responsibility and utilizing the reserve of \$10 million. She stated that they had bumped that transfer to the general fund up to \$8 million. Just as a point of reference for the general fund, they had already had \$2 million coming from, \$1 million coming from water, and \$1 million coming from wastewater. So that gets them back to the \$10

million in the general fund for the transfers, even though it is not all coming from the electric fund. Obviously, given the energy costs and what they are seeing across the board and everything that is increasing, she had a little bit of trouble determining which selection or array the council would want to choose from, without pushing the entire weight of that to the customer.

Ms. Peddicord explained that she guesses the other thing that she struggled with is not knowing what the energy costs are going to do for the rest of this year, for their year 2023, and then again, into the year 2024. She could always bump that, and draw from the reserve higher than \$10 million, but she wants to take a conservative look and not take it all in one year in case they need a little bit in the following year. Again, just trying to find a balance, she heard a couple of different scenarios or requests last night. She did not hear a whole lot about what council may have wanted the rate to be for the increase. Again, the other piece that they have to consider is meeting their bond covenants. Ms. Peddicord did not want it to go much higher than a 25% increase to the customers.

Ms. Peddicord stated that they have to make sure that they meet their bond covenants depending on which array that they pick, whether it is \$8 million being transferred from the electric fund to the general fund or \$10 million or \$5 million, and then which amount from the rate reserve. She did not think that she heard a lot about reducing the transfer out of the reserve to the general or to the electric fund. The biggest part was the transfer from the electric fund to the general fund. Again, what council had in front of them, that still meets the bond requirements is that 30% increase of a PCA debit across the board, a transfer from the rate stabilization to the electric fund of \$10 million, and an operating transfer to the general fund of \$8 million.

That puts them really close to their bond covenants, 4.33 versus 3.25, which is required. She is hoping that these numbers stay pretty in line, but she wanted to take a good, hard look at them as they move into 23' no matter what they choose to do. Again, to bring back the rate study that solidifies what they really should be doing and not, "Gosh, this is what makes us feel comfortable."

Responding to Councilman Rocha, Ms. Peddicord stated that actually, it is the top number that they want to be higher than the bottom number there. So that the coverage requirement is what they have to have which is 3.25. The number above that, they have 4.33 in the column that she has deferred to go with or chose to go with.

Responding to Councilman Rocha, Ms. Peddicord stated that it was slightly different, because of the way that they were presenting the transfer to the general fund. She thinks that was at five and the rate increase was 25%. Ms. Peddicord stated that they could reduce the expenses more. They could cut more. They could give her a different number that they want to see there, but for the most part, yes. If they want to keep the transfer to the general fund at the same level or close to it, some other area has to absorb that increase to account for it.

Responding to Councilman Neil, Ms. Peddicord stated that obviously, there is always the potential that could happen. They were going with a best-case or worst-case scenario for TEA, for power supply costs. She thought that when they met with them just recently, they said that it had slightly come down, but again, there are a lot of different opinions about where it is going to go over the next year. Her hope is that they can lock this in by council approving it, and they do not have to adjust it until they get the rate study completed, which she is hoping is within six, or nine months. Which, if they bring it back, it could be within the same fiscal year and they could adjust

appropriately what the customer charge should be. Again, that depends on how quickly they crank through that. She would prefer to go with what the rate study group says versus council choosing from an array that hopefully suits them. She has tried to pick numbers that make them feel comfortable for a good several months.

Responding to Councilman Anderson, Mr. Hugg stated that they cannot look at one half of this equation without also looking at what happens in the other half. The other half is the general fund, as part of the adjustments that they are proposing, they take the revenue reserve back to its 8% level, and obviously move the \$8 million over from electric. The unfortunate truth of that is that it still leaves the city short. That does not fully cover the remainder of the funds that they need. They have proposed reducing the tax increase from 5 cents to 2 cents. That will give the city again, a little cushion on the top end, it is about \$700,000. It certainly reduces the impact on the average taxpayer from what it would have been. He stated that he was using the number from the previous night, \$200,000. A house would have been a couple of hundred dollars, it reduces it to something like \$40. So it is big on an annual basis but in order to get back to a balanced budget without either increasing some other fees or charges or slashing the budget even harder than they have done, they do need a small tax increase, a tax increase of 2%.

Mr. Hugg stated that natural gas prices today were down in the low \$8 range. They broke \$9 a week or so ago, but they are still being told not to be surprised if they do not see them go back up. So certainly, being a little bit conservative, particularly, he thought that Ms. Peddicord mentioned trying to limit the amount that they transfer from the rate stabilization reserve so that they have a little cushion there. If they had to, could they increase the PCA debt again? He would prefer not to and he thinks that their plan, as they explained the night before and Ms. Peddicord indicated now, their plan is to get a rate study done as quickly as they can, so that they can adjust the rates accordingly and not just take a hard up 30% on top. That may or may not be the right number or may not be the right answer for all the ratepayers.

Mr. Hugg noted that he is concerned, and he would urge council to start thinking already about FY24. FY24 is going to be an interesting year in that, as he explained the previous night, they have some police officers who come off of federal funds that the city will have to pick up. The city has some agreements with a couple of the unions that are going to potentially drive their costs up increasingly, and the economy, while it is reasonably strong, seems to him, at least just looking around Kent County and Dover, they have hit a little bit of a slump. There are not too many big projects. There are big projects out there, but they are not moving forward at the pace he would have expected them to. Whether that is a function of financing, whether it is a function of people becoming a little bit more nervous, the stock market dropping and wiping out some funds, he does not know. So they need to start really almost tomorrow thinking about FY24.

Mr. Hugg explained that there are a number of things they have identified that they want to do, literally July the 2nd, 3rd, 4th, or 5th or whatever it is, the day they come back from the holidays and really start looking at so that they are better prepared. Mr. Hugg thinks what has been presented to council addresses the policy direction they gave council the previous night to try and put more of the burden on the electric side, which they have done. It does reduce the tax rate as best as they can, and it puts the reserve back at 8%, which he agrees with their proposal to start with was only to do that for one year. That was a stopgap to kind of plug in some cushion. With that, he thinks that they pretty much have a proposal to give council. It was the fourth column from the left, the

30% column that has the 4.3 coverage, and along with that, the changes to the general fund, including the restoration of the reserve and the two-cent tax increase. He does not know what anybody else on the team wants to add to that, but that really is their proposal to council, reflecting their concerns, all of their concerns from the previous meeting.

Responding to Mayor Christiansen, Mr. Hugg stated that he believes they are looking at probably six to nine months. They have already talked to the rate study consultant. They are aware that they are going to be moving in this direction. He does not know that they have had any firm discussions yet.

Responding to Mayor Christiansen, Ms. Peddicord stated that they are getting ready to set that in motion. They have an agreement, a task agreement. Both Mr. Waddell and Ms. Peddicord have reviewed it. She did have some questions. They have to do data gathering, but again, a lot of that data gathering, she thinks, is contained in the forecast models that they already use. It is her understanding that the gentleman from the rate study group, NewGen, used the city's forecast model data before.

Responding to Mayor Christiansen, Mr. Waddell stated that it would cost around \$38,000 and that the city does not have the ability to do this within house.

Responding to Mayor Christiansen, Mr. Paul Waddell, Electric Director stated that he worked with Ms. Mitchell in 2017 when they did the previous one, along with Ms. Marney from customer service. It was quite in-depth, and Mr. Burnham at NewGen had, he thinks, five or six folks helping him in order to look at all these different aspects. He knows that they do not have the ability in his department, and he did not know if Ms. Marney could speak, but he does not think that she has the ability of the folks in her department to support that.

Patricia Marney, Customer Service Director stated that the document that Ms. Peddicord mentioned, and Mr. Waddell, is a combination of what they track in customer service of all of the utility bills that are generated with the current rates and future rates and so on and so forth. Some of the things that NewGen does is not necessarily something that she would have the industry expertise to provide input for. They are really digging into the cost of operations, whereas she is providing the revenue source. So between all of them, they are sending all of that data to them, and they are really doing the analysis to come back to us and say, "This is what we are recommending that you do."

Responding to Mayor Christiansen, Mr. Waddell stated that he thought that they held up pretty well when they implemented the last one in 2018. It was over the course of five years and went from 2018 to 2022. This year should have been the last set of changes, but he thinks that given the volatility of the energy market really drove them to go back and look at this and say, "Hey, something has got to give because this is not a blip. They are going to have to deal with this for a while." With just the overall cost of operating the utility between material and services outside their expertise in the department, they are just seeing an increased cost all the way across the board. Mr. Waddell would say that five years would probably be an industry standard. He would have to look back and dig into the books to see exactly what the industry standard was, but he had a feeling that people were going to shorten that into maybe two years or three just because of the way the current situation is.

Responding to Mayor Christiansen, Mr. Waddell stated that he would say do the rate study, absolutely. He would say right now, yes. He would lean that way just because, if they are looking at \$37,000 versus a \$41 million increase in a budget, then he thinks that is loose change in the couch cushions.

Responding to Council President Sudler, Mr. Hugg stated that those are part of the services that the energy authority provides to them. They get a daily report on the natural gas price, and that includes both a numeric and kind of a graph or bar chart every month when the policy committee and the risk committee meet, they are the members on behalf of the city. Much of the presentation relates to the sort of thing they are seeing, what they are expecting that drives decisions about hedging, buying futures in energy markets so that they protect their price six months, 12 months, some number of months out. He is going to get lost here in a minute. It gives them information about what the possible swings in energy costs are going to be and what they have been on kind of a month-to-month and on a year-over-year basis.

Responding to Council President Sudler, Mr. Hugg stated that they get a report every day, a daily report, on what the gas prices are, what they close at across the country, and then each month, they get a summary from the energy authority. They come here and they meet as a group. The four of them, three of them, and Mr. Waddell are the voting members of both the Energy Policy Board and the Risk Assessment Committee that is part of our energy planning. About six months ago, energy was down in the \$3 range. It has been up above \$7 now for the last couple of months, maybe longer than that.

Mr. Waddell stated that it started spiking probably about 11 months ago, a slow climb.

Responding to Council President Sudler and Mr. Hugg, Mr. Waddell stated that the IRP is Integrated Resource Plan, and he thinks he had mentioned with a couple of the members of council about wanting to kick that off, but that is going to take a real high-level look at the utility and how the city handles their power purchase, how they get their power. Do they need to move more towards renewables? Do they need to move more towards gas-fired? What does the city need to incorporate in their portfolio and how do they need to stack the deck, if you will, when it comes to making sure that they are ready to provide their customers with the power that they need? That is going to be, he believes, six to nine months once the energy authority gets started on that. Mr. Waddell noted that if they have anything that is of major importance, their portfolio manager will pick up the phone and call the city immediately and say, "This is something that we need to handle, and we need to handle it right now." They are very communicative with the city. Communication with them is excellent, and they really have the city's best interest at the forefront. So they do a lot of good work for the city.

Responding to Councilman Taylor, Mr. Hugg stated that they gave council not necessarily a Chinese menu to pick one of each, but a menu of topics that they had looked at in detail. He presumes they could always go back and find something else to postpone, but part of his comment about FY24 is for at least two years, maybe three years in a row, they have showed off all kinds of small capital investments. This year, they shoved off a couple of major projects. They sort of run out of room where it is not good business to say nobody gets a vehicle, nobody gets to replace an IT switch, nobody gets to do some of these kinds of things because they will seriously bite you. They have had some discussions already and they did not lightly push some things off. They took

a really hard look at them and said, "Can we actually make this work for another year?"

Mr. Hugg stated that nobody likes tax increases. It is not the thing that they necessarily start out with. On the other hand, somebody made the point last night, their tax revenues do not even come close to covering the cost of their police department. So the city is way underfunded if they look at some of the services that they provide and how they are funded. Mr. Hugg noted that as Councilman Anderson pointed out, property taxes and utility revenues are among the more stable of things that they can count on. While they may not like to put that \$5 a month in their savings account for the rainy day, they may not like the increase of that couple of cents on the tax, from their opinion, it is good business to do so, and one of the charts that they provided them shows that the city has not had a history of raising property taxes very frequently. They have been set for 4- 6 years in a row, and then only bumped up a little bit.

Mr. Hugg guessed that one could argue that maybe a more gradual increase in the taxes over a period of time might be a better strategy, and he knows the Chief has discussed with him some experiences he has had where the first round of the budget process has been, what is the inflation and sort of basic cost numbers look like? That has been produced into a tax rate, and then everything else has been added on top of it. It may be another way to look at the numbers. He does not want to slash and burn this budget. They ask everybody to really dig deep. Like he said the prior evening they have one net new position. It is a 400-plus authorized strength, they had one. That is almost unheard of, and that is because the police department is really desperate for dispatchers and they needed four, and he would love to have given them four. He had to give them two. Can they nickel and dime our way to get another \$50 or \$100,000 somewhere? Probably, but it really gets to be tough. At some point, in his opinion, they simply have to step up and say, "It is a tough decision. I appreciate it, but we have to do it."

Responding to Councilman Taylor, Mr. Hugg stated he thinks that he would not be doing his job if he did not, the electric increases that they are proposing to do, an average residential customer with 1,500-kilowatt usage, their annual cost is another \$650 as a result of doing this 30% PCA, and a medium commercial with a 5,000-kilowatt usage, their annual increased cost is over \$1,000. So if they look at comparatives, appreciate that they are sharing that among a whole bunch of people, but it does have a significant impact.

Responding to Councilman Taylor, Mr. Waddell stated that the city average is roughly 1,000 to 1,500 kilowatts per resident. It just really depends on how attentive everybody is and how fast that meter spins based on how many light switches you have up.

Responding to Councilman Rocha, Mr. Hugg stated that he is correct in stating that the five police officers are still not included in this budget.

Councilman Anderson moved to accept the staff recommendation, the staff amendment, that has been presented to council, which includes the 30% rate increase, the two-cent as opposed to the five-cent tax increase, the carryover budget, and the eight million transfer, et cetera, incorporating the staff amendment that has been presented to council. The motion was seconded by Councilman Rocha and unanimously carried by a roll call vote, 9-0.

Councilman Neil moved to remove the Dover City Council remuneration increases from the FY 2022/FY 2023 budget and to reconsider them for the next fiscal year. The motion was seconded by Councilperson Arndt and failed with a 1-8 roll call vote.

Responding to Councilperson Arndt, Councilman Anderson stated that the compromise would be to delay the increase to January. Then he would say redirect that money towards hiring a police officer because when they get a recruit, they are low-paid, and they will come in a little later. They could actually sort of handle that, and they can move a little extra from the extra little bit of the surplus as well and make that all work out. Mr. Anderson's noted that is what his suggestion would be if they wanted to do it, he is not saying that they have to do it because the budget is fine, it is balanced with the increase the way it is. Councilman Anderson explained that he thinks that type of compromise would be a gesture and that he thinks it would be very well respected in the community. He thinks the people would respect it and understand it will yield the questions if they have any more.

Responding to Councilman Anderson, Mayor Christiansen stated that he understands the nobility of wanting to give a police officer, but if he looks the base salary for a recruit going to the academy is a little bit less than the money that comes across plus benefits. As soon as they graduate from the academy, the dollars and cents kicked up on it and they certainly appreciate his benevolence. Mayor Christiansen explained that he thinks that if council is indeed committed to raising their salaries, well, he does not call it a salary because it is a remuneration for their time. He thinks that they should just make it like a band-aid and rip it off and do what needs to be done if that is what they feel is so inclined.

Councilman Hare stated that they had this discussion many years ago, and it is just like he said, they discussed this before. He feels like he is back in the 1990s, making the same as he made 25 years ago. It is not some, and his proposal, he does not know if that is in there was to do this, so it is not discussed anymore. Every year, whatever the employees get if they got 2%, then council pay went up 2%. So this would not have to be an issue 5, 10, 15 years down the road for new council members. Councilman Hare explained that what Mr. Anderson was saying, was that if they take and postpone it till January, he thinks there would be a significant amount of money in there to help fund one of those or at least help with one of those police officers. Councilman Hare continued to explain that he still thinks, even if they do not do it, they need to put the five police officers in. Then when the Chief comes in, and says, "I have got one," then let them see where they can go and get the money, because if they keep putting that off, it is going to drag on, drag on, drag on just like this, this increase.

Councilman Hare stated that he agrees like Mr. Anderson, he has told people about it, and they said that is what they do. They go, "That is not even worth it," and they laugh. They say, "Glad you are doing it." So, it is not like it is going to be that council is making \$75,000 a year. They go through a lot, and they have a lot of meetings. It is not like they just come there once a month and have a meeting and go. They have to sit in there sometimes for five hours. Now, if they are going to cut the pay, then they are going to limit the number of meetings. He will be the first and he is not afraid to say it. They do not need to sit there for a three-hour meeting of stuff that they did not need to have to begin with. So his thought is that it needs to go forward.

Responding to Councilman Rocha, Councilman Hare stated that there always seems to be a way that they can find \$50, \$60, or \$70,000 somewhere. They may have a little more excess in the electric fund, \$100,000 that they might be able to grab out of there or someplace else. Councilman Hare continued to state that they say tonight, now do not put them in the budget. So, when are they going to do it? He meant that they do not have to have the funding tonight, but they have to authorize the Chief to give them a date to start trying to find somebody because they are going to need them. If what he says is true, he might not be able to get him for two years and if he is wrong, chief, just go, "Ah." Then they need to take a step. They need to step up because that is an important part of the city and just what they did today. Councilman Hare noted that they need the officers, so they will find the money somewhere. He just thinks that they need to, maybe they do not put them in the budget per se, but they authorize the Chief to start. Before he hires or does anything, he comes to council and says, "Okay, I found one, or I found two." Do they want them to hire them in 90 days or six months, whatever, let it go from there. He thinks that they need to move forward on it. They cannot just keep sitting back waiting and waiting. Be like waiting on cars to come in.

Responding to Councilperson Arndt, Mr. Hugg stated that he did not believe that they can include positions for which they have no funding. He wanted to remind council that tonight is not the only night that they will look at this budget over the next 12 months. In fact, they will be looking at it very carefully pretty much every day because the revenues are so flexible, so fluid that they are going to want to make sure that they have not underestimated or perhaps overestimated. He also reminded counsel that he asked Senator Carper, Senator Coons, Representative Rochester, the general assembly, and anybody else that walks by on the street to give the city money. Mr. Hugg is pretty confident that they are going to get some of that money. Which could easily change any one of these situations. They have included the potential for some of that revenue already in the budget, but they could end up with another nice chunk of bond money or something. So the city's revenues could substantially change. He did indicate that with the two cents, it is small, but there is a surplus. It is not a lot. If council instructs them to see if they can make one position fit, they will do their very best to see if they can make one position fit or make that position fit for part of a year or something of that nature. Mr. Hugg explained that he cannot include positions that he does not have a funding source and he believed that the will of council is pretty apparent. Council wants this to happen, and they want these positions to materialize. Dover's current budget simply does not have the room at the moment to deal with it but certainly continues to feel that way they can come back later in the year and look at those numbers and maybe they will be in a different financial situation.

Responding to Councilwoman Pillsbury, Chief Thomas Johnson stated that the recruit level salary, is they start out as a recruiting officer in the zone of around the low \$50,000's. I think around \$52,000, but then they jump up when they get sworn in. When they see that moment on the stage, they get a pay raise. It was not visible at the graduation, but there was a pay raise at that moment. That moved them up into the mid \$50,000's as a first-year patrolman or patrol woman. Right now, Robin Atkins, his resource manager shows that over the course of a year, that reflects \$56,759.02 per officer.

Responding to Councilwoman Pillsbury, Chief Thomas Johnson stated that he is anticipating their next class starting the first Sunday in October. Chief Johnson stated that he knows that there are a lot of numbers up in the air right now, but if they were just talking about one position, for whatever reason that was authorized for this budget year, they can envision that the entire first quarter, there would be no drawdown. So, he would only be sending payroll sheets over for quarters two through

four, so for 75% of that position.

Responding to Councilwoman Pillsbury, Chief Johnson stated that yes, he is anticipating employees leaving within the next year. Chief stated he will give that to her in two parts. He anticipates four vacancies based on attrition prior to the onset of the next academy. He suspects that number will be at six by the year's end, but those two positions would have to sit dormant until one of two things happened. Either he found a current Delaware credential officer that was looking to join Dover PD, or he was able to find an out-of-state officer that he could get qualified through the administrator for reciprocity to Delaware credentialing. That would lower the turnaround to the hiring time and the field training time, but they would not have to go to the police academy.

Responding to Councilwoman Pillsbury, Chief Johnson stated that \$250,000 would be incorrect when the only thing that they are talking about so far is salary. The rest of the overhead related to the position works out too, and he is talking insurance, workman's comp, retirement, medical, all those things. The grand total for year one and that grand total is a little bit higher because it involves their initial outlay of uniforms and duty equipment. That is at \$537,000 and change. It drops down in FY24 to \$519,000 because that initial outlay is now passed. Then it is back up to \$552,000 and changes in FY25. That is a three-year window of \$1.6 million just for illustration. That is for salary, benefits, and all other costs associated with the onboarding and the hire.

Responding to Councilwoman Pillsbury, Lori Peddicord Controller/Treasurer stated that the page that she had referenced, is just a combined summary of all of the spending and revenues that are expected amongst all the funds. She thinks that they would need to dig a little deeper into the general fund, but she does not know if they can do that currently. That is just a combination, this is how much they are bringing in, this is how much they are spending for fiscal year 23' on that page there that she is referencing.

Mr. Jeff Dill, Budget Analyst, stated that he believes the numbers that they may be looking at just by one of the totals that they mentioned, the very bottom totals line 43 on page 25. Those give them \$128 million being the beginning balance, \$170 million being the revenues, and then they have \$194 million as their expenses. So that, even though it says reserves there that is a culmination of all, like Ms. Peddicord said, that's a culmination of all the funds added together. If they really wanted to look to see if there were any monies for police officers, they would have to dig into the general fund itself. Based on the sheet that he produced earlier today with the two cents tax increase and then putting it in motion, the \$8 million, and those other changes, they do have a surplus of \$208,000. That would be what they are looking at if they are looking at surpluses to put towards maybe an officer or maybe two.

Responding to Council President Sudler, Chief Johnson stated that total salary and benefits total \$107,455.

Councilman Neil moved to authorize the hiring of five additional police officers, bringing the total in the City of Dover from 106 to 111. The additional officers will be dedicated to the Dover Downtown Improvement District. The increase in the city budget to hire and support five additional officers will be through the implementation of a business improvement district, a surtax known as a bid. The motion was seconded by Councilman Anderson and unanimously carried by a roll call vote, 9-0

Councilman Neil moved that the Dover City Council remuneration increases be added over the next three years at \$3,500 per year for council. Remuneration for the City Council President is increased by \$4,000 over the next three years. Increases of the council and the president of the council will thereafter be at the same percentage rate of non-bargaining city employees. The motion was seconded by Councilperson Arndt and failed with a 1-8 roll call vote.

Councilman Anderson Neil moved to hire five additional officers. The number 106 to 111 total officers. The increase through the implementation of a BID tax. The motion was seconded by Councilwoman Pillsbury and failed with a 1-8 roll call vote.

Councilman Anderson moved to authorize the City Manager to authorize the Dover Police Department to increase by three, which is 109 officers. The funding to come from the surplus and adjusting the carryover down to 6.5%. The motion was seconded by Councilwoman Pillsbury and failed with a 1-8 roll call vote.

Responding to Councilman Boggerty, Mr. Hugg stated that he does not know that they would specifically get a grant that would be for the purpose of refunding the money back into the reserve. What will likely happen is that particularly their capital expenditures may get funded by federal or state money, which would free up some of those funds perhaps to be reallocated. They have asked the general assembly for a very large amount of money. He does not expect that they will get anywhere near that but if they were to come through and give the city like they did this year. Dover got roughly \$9.2 million for some water and wastewater projects. If they were to get some funding that would then give them maybe an opportunity to look again at the water program, the wastewater program, or some of the equipment that they deferred or whatever, then they may have funds that they could use. As he had said before, the council has the authority to ask for a budget amendment and to instruct staff to bring forth a budget amendment. If they get to a point in the next few months where there are perhaps additional funds, they can certainly look at it. They do have a concern over reducing the 8%.

Responding to Councilman Hare, Mr. Hugg stated that if they can bargain for two officers, which does fall pretty close within the known surplus. His general feeling is that they cannot authorize positions that they do not have identified funding. Mr. Hugg stated that they can target two then if for some reason, in 3, 4, 5 months from now, the chief comes in and says, "Can I get a third?", then they can research and see if they can find the money. They may have received grants and that would make him feel a lot more comfortable.

Councilman Anderson withdrew the motion with a second by Councilman Hare.

Councilman Hare moved to authorize two officers and if the funding comes available, a third officer will be authorized if the Chief requests. The motion was seconded by Councilman Boggerty and passed unanimously with a roll call vote, 9-0.

Meeting adjourned at 8:38 p.m.

ANDRIA L. BENNETT
CITY CLERK

All ordinances, resolutions, motions, and orders adopted by City Council during their Special Meeting - Budget Review of May 31-June 1, 2022, are hereby approved.

ROBIN R. CHRISTIANSEN
MAYOR

/AB

S:\AGENDAS-MINUTES-PACKETS-PRESENTATIONS-ATT&EXH\Council-Minutes\2023\05-31-2022 and 06-01-2022 SPECIAL COUNCIL - BUDGET REVIEW.wpd