

MILFORD CITY COUNCIL

MINUTES OF MEETING

April 4, 2012

A Joint Meeting of the Police and Finance Committees of Milford City Council was held in the Joseph Ronnie Rogers Council Chambers of Milford City Hall, 201 South Walnut Street, Milford, Delaware on Wednesday, April 4, 2012.

PRESIDING: Police Committee Chairman and Finance Committee Member Douglas Morrow, Sr.

IN ATTENDANCE: Finance Chair & Police Committee Member Councilman S. Allen Pikus  
Police Committee Member Katrina Wilson  
Finance Committee Member Garrett Grier III

STAFF: City Manager Richard Carmean  
Police Chief Keith Hudson  
Finance Director Jeff Portmann  
Recorder/City Clerk Terri Hudson

*Called to Order*

The meeting was called to order at 8:02 a.m. by Police Committee Chairman Morrow. Chairman Morrow advised the meeting was called to discuss financial alternatives to fund the future police department that was unanimously approved by city council.

City Manager Carmean arrived at this time.

Finance Committee Chairman Pikus then discussed the recent reassessment and tax situation.

Mr. Pikus noted the increase in assessments which should bring in an additional \$1.2 million. Mr. Portmann said he has not seen the final numbers though the city manager has. Mr. Carmean confirmed there is a 30% increase.

Mr. Pikus mentioned the need to lower our tax rate and asked the particulars. He asked the city manager and finance director to put together some figures to determine how much we need to drop our tax rate to comply with Delaware Law. Mr. Portmann explained the rate must be rolled back in order to be revenue neutral or to prevent new revenues initially. After that, there is a 15-day waiting period before the rates can be increased again.

Mr. Pikus advised the additional revenues would be brought in after we rolled back taxes. An announcement would then be made that the rate was being increased to 39 cents, for example. He would like for the city manager and finance director to put those figures together.

Mr. Portmann agrees the tax revenue will be needed just to meet the operating budget. He expects it will be approximately seven to eight cents initially. Once it is determined what is needed for the new police department, it can be discussed in totality.

Mr. Carmean agreed that Chief Hudson and council have been discussing this for some time. Grants and other funding possibilities have also been considered. At this point, he feels the best way to address this is through an \$8 million loan over a 40-year period.

Mr. Morrow asked if Mr. Portmann can provide a list of options.

Mr. Portmann said he and Mr. Pikus have discussed this and the hope was to get \$1 million for the sale of the police department and \$2 million from the bond bill which drops the costs down to around \$5 million. They also discussed the use of some reserve funds. He emphasized that \$5 million has been set aside in the electric reserves for commitments to capital projects or for capital funding from a prior year's budget, which earmarks it for those specific items for three years.

Mr. Carmean advised the substation will be started this summer and may end up costing as much as \$4 million though it could be less. We will know the real numbers in the very near future.

Of the \$5 million left in electric reserves, \$3 million has always been the minimum threshold. Because a number of projects are just beginning, it is difficult to state how much is in the water and sewer reserve accounts. Because of so many unknowns, we do not know what will be left over.

Mr. Morrow asked that no water or sewer reserves be considered at this point. He is hoping we will receive approximately \$1 million for the sale of the current department, possibly \$2 million on the bond bill and could use potentially \$1.5 million of reserves. Mr. Pikus said the bond bill is only a possibility and not etched in stone.

Mr. Morrow said if that occurred, it would take the price down to \$3.5 million.

Mr. Portmann said he ran a twenty-year bond issue which comes out to \$250,000 a year or \$182,000 for forty years though he does not recommend that.

Mr. Morrow confirmed that equals out to a 4.5-cent tax increase; Mr. Grier feels that is worth presenting to the public.

It was agreed the city should consider a five or six-cent increase. Mr. Portmann reiterated that a tax increase is going to be needed to fund other matters including the economic development directors' salary and city manager's position not funded over last year's budget.

The finance director noted that Mr. Carmean had talked about getting the real estate transfer tax dependency down. When asked what was left in that account; Mr. Portmann advised \$1.9 million.

It was confirmed that \$500,000 is transferred into the police budget each year. Mr. Portmann noted that has been done since the last four officers were hired because council chose not to raise taxes. Mr. Portmann would prefer the dependency be eliminated and recommends a tax increase to offset the \$500,000 transfer and pay the \$250,000 loan for the police department out of that fund. He emphasized that transfer taxes can be used for police services. He explained that if this occurs, the \$500,000 dependency would be replaced with a \$250,000 dependency which is what is being brought in on an annual basis. Real estate taxes would be increased to cover the \$500,000 transfer tax and the cost of the economic development director's position as well as the additional city manager costs.

Mr. Portmann advised the city will have a deficit this year if nothing is done. The costs of the FOP contract need to be covered in addition to other expenses.

Mr. Pikus stressed that city council is committed to building a new police department noting the current department is unsafe because of the need for more space. He said that funds need to be found and he is hoping to get \$2 million from the bond bill. They continue to work on the congressional representatives. He recently spoke with USDA Rural Development State Director Jack Tarburton who informed him there may be some money in agricultural funds.

Chief Hudson advised he continues to follow up with DNREC to determine their interest in the building though he has not been able to get a response.

Mr. Morrow noted that the 14 acres across from the police department has again become the preferred location. As was agreed in the beginning, the choice is to keep the department in the downtown area though there were some logistical issues including flooding concerns and land costs. Chief Hudson noted that before the search began for another location, that was the preferred site.

When asked if Mr. Carmean had contacted the owner of the property, Mr. Carmean said that last week he did speak with Norman Hampstead of Growmark FS. Mr. Hampstead informed him their comptroller had been out and was due back last week.

The city manager also offered to contact Growmark Headquarters by telephone or letter to discuss the matter. However, Mr. Hampstead felt that his opinion would have a bigger impact depending on the Milford plants' needs.

Ms. Wilson arrived at this time.

Mr. Pikus suggested Mr. Carmean offer swapping some land; Mr. Carmean said he offered several scenarios—a full donation, partial donation, swapping of lands and cash or a total cash purchase. He said they could also take the police department which would make them a great headquarters with a little tweaking.

Mr. Carmean also explained the cash price would have to be in line with an appraisal.

When asked when Mr. Carmean is expecting a response, Mr. Carmean said he has no idea. Mr. Grier stated he is familiar with Mr. Hamstead; Mr. Grier then offered to call Mr. Hamstead.

Ms. Wilson pointed out that more funding will be needed on this site considering land costs and utility and infrastructure fees.

At this point, Mr. Morrow said he plans to schedule a meeting between the police committee, police chief, city manager and finance director to get the momentum moving.

Mr. Pikus emphasized that first and foremost, there needs to be a plan developed on how we will pay for this. He agrees that we can negotiate as much land as we want, but if we do not have the money to pay for the building, we are spinning our wheels. He feels we need more concrete options. At that time, Mr. Morrow, Chief Hudson and Mr. Carmean will need to talk to the owners of the land. If they can lock that in, all the parts of the puzzle will start to come together.

Mr. Morrow then reviewed the issues at hand—the land, the bond bill and the sale of the police station. It was confirmed the city manager prefers the city purchase the entire parcel which is approximately 15 acres. He said that would address the police departments' needs for 100 years. Chief Hudson confirmed that at a minimum, five acres are needed. Mr. Pikus agrees we should buy the entire parcel to prevent the department from being landlocked. In addition, access is needed from the front and the rear considering this is still near the river.

Mr. Carmean said he is also discussing another land purchase with a smaller business in the area which would tie into this parcel. The city manager had confirmed the owners were interested though he informed them it would have to be based on an appraisal.

The city manager then advised that in order to accomplish everything that has been discussed, a twelve-cent tax increase is needed though he does not believe it will be that high with the tax rollback.

Mr. Carmean then asked about the costs of future personnel needs for the police department. Mr. Morrow and Chief Hudson both agree that additional officers are needed. At this point, Mr. Morrow does not feel it would be appropriate to consider any new hires because of the overcrowding that currently exists at the department. He also does not want their current conditions to result in potential turnovers. It was agreed there is a need, but at this point, will be difficult.

Mr. Morrow noted that the COPS Grant is more restrictive this year adding that the police committee met on that last week. Funding is not 100% for three years as it was in the past. Instead, it is less than 75% with a cap of \$125,000.

Mr. Carmean said he is not talking about this year and asked if additional officers will be needed in the future.

Chief Hudson said there is justification to hire additional officers within the next couple of years. As Mr. Morrow implied, the COPS Grant was submitted with some reservations because of the new restrictions. It was also submitted with the understanding that if approved, council would make the final decision and it could always be turned down.

Mr. Carmean referenced the earlier comments that as the utility projects move along, we will have a better idea of what money will be left. He said the substation could end up costing the city \$1 to \$1.5 million more than expected as a result of the connection to the main transmission station on Route 113. Therefore, the city has no idea of the costs to run that line at this point.

When asked when that will be determined, Mr. Carmean expects sometime in June. The bids should be returned in June or July with construction starting in July. He said the substation is not a bid deal though the problems are the unknowns which need to be considered.

Mr. Morrow asked if the new legislators are aware of the new location. Mr. Pikus said he advised Senator Simpson and Representative Kenton the city was not locked into the business park location and were reconsidering the location across from the police department.

Mr. Pikus said they are on board and politically will do what they can.

When asked if another trip to Washington, D.C. to meet with our federal legislators is worth the effort. Mr. Pikus said it is always worth the trip. He wants to keep the conversation ongoing with our legislators.

Recalling the various options Senator Carper offered at the last meeting at the police department, Chief Hudson advised he has been in touch with the Department of Agriculture though their options all involved high interest loans. When discussing it with the finance director, Mr. Portmann felt he could obtain a better deal.

It was noted that former Representative Bob Walls was recently appointed to a position with the governors office through the Department of Agriculture. He is the one that referred Mr. Pikus to Jack Tarburton. He emphasized that the more people they keep informed, the better the chances are of obtaining funding.

Chief Hudson will coordinate a meeting with the federal legislators in Washington, D.C. Mr. Pikus wants to schedule a meeting with Bob Walls and Jack Tarburton, adding that Mr. Walls will fight for Milford.

Mr. Pikus then confirmed that \$3.5 million will cost the city \$250,000 for twenty years with a 4.5 cent tax increase. When asked if the city can still get a 1% loan, Mr. Portmann stated no though Chief Hudson tried. Chief Hudson explained that is not offered for public safety facilities.

Ms. Wilson is concerned with the readjusted tax assessment and increased property taxes. Mr. Morrow explained that any tax increase is totally separate from the reassessment. Initially, the city is required to rollback the tax rate to prevent any new revenue. A tax increase can then be announced 15 days later and recalled that being done after the reassessment in 2002.

Mr. Portmann confirmed the last tax increase was in 2008 when the rate went from 41 to 46 cents. Mr. Carmean recalled doubling it when we locked in our \$2.5 million which he says is paying dividends with Governor Markell in regard to his electric restructuring plan. He advised the governor's newest recommendation to communities with an electric utility mirrors what Milford has been doing for years.

The committee members agreed that more concrete numbers must be provided before a tax increase is considered. Mr. Morrow asked for a history going back twenty years. Mr. Carmean advised that before 2000, there was no tax increase though electric rates were increased.

Mr. Grier also pointed out that with these potential deficits, there is nothing more to cut in this year's budget. Mr. Carmean agreed stating that every week, he is receiving requests from departments citywide asking that funds be moved in order to continue operating. For example, in the city hall budget, he was unable to purchase tires for the city manager's vehicle without transferring money.

Mr. Portmann agreed noting there have been approximately 100 transfers the past two years.

Mr. Grier asked if there are any areas being increased beyond projections in revenues; Mr. Portmann stated no.

Mr. Pikus then asked that Mr. Portmann provide figures on taxes, increases, percentages, our financial picture, reserve accounts and how much money is needed to fund the \$250,000 a year. In the meantime, Mr. Carmean will work on securing the Growmark land.

In the meantime, Mr. Pikus will contact Jack Tarburton for a potential meeting; Chief Hudson will coordinate the federal legislators.

Mr. Grier suggested that we contact them and follow up on a monthly basis. He believes that writing a letter or e-mail on a monthly basis stating how badly the new station is needed will work better than trying to meet with them periodically. That keeps the issue fresh in their minds. He recommends something similar be done with our state legislators.

Mr. Pikus recalled Senator Carper asking how much money the city has to contribute to this project. He said we need an answer to that before we meet with them again. Ms. Wilson agreed that we need to have our facts in order.

With no further business, the meeting was adjourned at 8:48 a.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Terri K. Hudson".

Terri K. Hudson, MMC  
City Clerk/Recorder