

**CITY OF NEWARK
DELAWARE**

COUNCIL MEETING MINUTES

September 20, 2021

Those present at 6:30 p.m.:

Presiding: Mayor Jerry Clifton
District 1, John Suchanec
District 2, Sharon Hughes
District 3, Jay Bancroft
District 4, Dwendolyn Creecy
District 5, Jason Lawhorn

Absent: Deputy Mayor, District 6, Travis McDermott

Staff Members: City Manager Tom Coleman
City Secretary Renee Bensley
City Solicitor Paul Bilodeau
Chief Communications Officer Jayme Gravell
Chief Purchasing and Personnel Officer Jeff Martindale
Electric Director Bhadresh Patel
Electric Deputy Director Sam Sneeringer
Purchasing Assistant Cenise Wright
Finance Director David Del Grande
IT Infrastructure Manager James Reazor
NPD Police Chief Paul Tiernan
NPD Deputy Police Chief Mark Farrall
NPD Lieutenant Chris Jones
Parking Supervisor Courtney Mulvanity
Public Works and Water Resources Director Tim Filasky
Public Works and Water Resources Deputy Director Ethan Robinson

1. Mr. Clifton called the meeting to order at 6:30 p.m.

2. **EXECUTIVE SESSION**

A. Executive Session pursuant to 29 *Del. C.* §10004 (4) and (6) for the purposes of strategy sessions, including those involving legal advice or opinion from an attorney-at-law, with respect to pending or potential litigation, but only when an open meeting would have an adverse effect on the litigation position of the public body and discussion of the content of documents, excluded from the definition of “public record” in §10002 of this title where such discussion may disclose the contents of such documents

MOTION BY DR. BANCROFT, SECONDED BY MR. LAWHORN: THAT COUNCIL ENTER EXECUTIVE SESSION PURSUANT TO 29 DEL. C. §10004 (4) AND (6) FOR THE PURPOSES OF STRATEGY SESSIONS, INCLUDING THOSE INVOLVING LEGAL ADVICE OR OPINION FROM AN ATTORNEY-AT-LAW, WITH RESPECT TO PENDING OR POTENTIAL LITIGATION, BUT ONLY WHEN AN OPEN MEETING WOULD HAVE AN ADVERSE EFFECT ON THE LITIGATION POSITION OF THE PUBLIC BODY AND DISCUSSION OF THE CONTENT OF DOCUMENTS, EXCLUDED FROM THE DEFINITION OF “PUBLIC RECORD” IN §10002 OF THIS TITLE WHERE SUCH DISCUSSION MAY DISCLOSE THE CONTENTS OF SUCH DOCUMENTS.

MOTION PASSED. VOTE: 6 to 0.

Aye – Suchanec, Hughes, Bancroft, Creecy, Lawhorn, Clifton.

Nay – 0.

Absent – McDermott.

3. **RETURN TO PUBLIC SESSION**

A. Potential vote to give direction to the City Solicitor

Council exited Executive Session at 7:00 p.m. and no further action was necessary.

4. SILENT MEDITATION & PLEDGE OF ALLEGIANCE

Mr. Clifton asked for a moment of silence and the Pledge of Allegiance.

Mr. Clifton explained the procedures for the GoToMeeting Platform. He stated that at the beginning of each item, he would call on the related staff member to present and, once the presentation was complete, he would call on each Councilmember in order of district number to offer their comments. If a Councilmember had additional comments to add later, they should signal Ms. Bensley through the GoToMeeting chat function. Members of the public wishing to comment should also signal Ms. Bensley through the chat function with their name, district or address, and the agenda item on which they would like to comment. He noted that for participants logged in by phone, names would only appear as Caller One, Caller Two, et cetera, so it was imperative that the participants inform Council of their identities. He stated that all lines would be muted until individuals were called to speak. All speakers were required to identify themselves prior to speaking and, in compliance with the executive order on teleconference meetings by Governor Carney, votes would be taken by roll call. He reminded that anyone wishing to comment on an agenda item should alert Ms. Bensley through the chat function and speakers would be limited to five minutes each. Ms. Bensley would inform speakers when speakers had 30 seconds left and he would alert speakers when their times were up. He noted that comments submitted in advance of the meeting would be read into the record first and individual who was signed up to speak would be recognized for their five minutes.

5. 1. FINANCIAL STATEMENT: None

6. 2. RECOMMENDATIONS ON CONTRACTS & BIDS OVER \$75,000: None

7. 3. SPECIAL DEPARTMENTAL REPORTS:

A. FY2022 Police Budget Presentation – Chief of Police (75 minutes)

2:41

DC Farrall presented an overview of the General Operating Budget (GOB) and the Capital Improvements Program (CIP) budget for the Police Department (PD). He began on page 24 of the presentation and explained that the first five lines of the GOB dealt with wages, benefits, and other personnel costs and were calculated mostly by the Finance Department based on step increases in advancements, collective bargaining agreements, increases to Social Security taxes, group hospitalization costs, et cetera. He would defer to Mr. Del Grande to address detailed questions. He continued that the materials and supplies line reflected a 34.64% increase for FY2022 and was due largely to additions of \$20,723 for firearms supply, \$41,675 for tools and small equipment, and \$4,125 for uniforms. He noted that most of the other items in the section remained flat. He continued that contractual services reflected a 20.63% increase for FY2022 due largely to insurance coverage increases as well as \$110,331 for IT 8131, Data Storage costs for the body worn camera project. He reminded that the PD was two years into a five-year contract with Axon for both the body worn camera project and the in-car camera system which used the same software. He explained the charges were previously carried as a CIP item, but it was decided to move the items from the CIP into an IT line item as a recurring cost for FY2022. He informed that the Finance Department determined that the PD's depreciation costs increased by 26.89% and other expenditures increased by 63.16%, including the training line increase of \$30,000 for FY2022; there were no changes requested for full-time equivalents for FY2022.

DC Farrall moved to page 25 and explained there were three new CIP projects requested for the PD for FY2022: Police handgun upgrade, Police motorcycle computer upgrade, and a portable radio replacement project. He noted there were also several ongoing CIP items including the NPD ethernet requiring project, body worn camera project (moved to the operating budget), the taser replacement project, ballistic vest replacement schedule, and the vehicle replacement program. He moved to page 36 to offer more detail on the three new CIP requests. He explained that the current service handguns were the Sig Sauer P220 .40 caliber handgun that would be nine years old in 2022. Current best practices recommended replacing service handgun platforms every five to seven years. A Firearms Selection Committee, made up of representatives from the PD of all different ages and shooting abilities, tested four weapons and recommended that the PD replace its existing handguns with the Sig Sauer P320 9mm. The initial plan was to replace half of the weapons in 2021 and the other half in 2022 but due to anticipated 2021 budget constraints, the project was pulled from the 2021 CIP and the PD was now requesting to purchase the entire supply of weapons in 2022. He noted that the PD obtained grant funding in 2019 and purchased and issued 20 of the new weapons in 2020 during a successful transition, as a result, the PD was experiencing improved accuracy and fewer issues with the new weapons.

DC Farrall proceeded to page 37 CIP request for an upgrade to the Police motorcycle computers. The PD currently utilized ruggedized Dell tablet computers on the City's three police motorcycles, but the computers were now over four years old and were starting present issues as they reached the end of their useful lives. He reminded that the PD would be adding a fourth motorcycle to its fleet and delivery was set for Wednesday. He said that the funding request would allow the PD to pair each of the four Traffic Division motorcycles with new Panasonic Toughbook computers and all of the associated mounting equipment. The new computers would allow the traffic officers to be more efficient in traffic enforcement operations and would allow for less downtime from recurring issues with the existing computers.

DC Farrall continued to page 38 for the portable radio replacement program, the final new CIP. He reminded that each officer was issued a portable radio to serve as the primary means of communication between the officers and the 911 center. The aged supply of portable radios needed replacement as there were currently 7 Motorola XTS 5000 radios that were between 13 and 15 years old and were so old that Motorola no longer carried parts or would service them. The PD also had 30 Motorola XTS 2500 radios that were 10 years old and while staff could still source parts for them, Motorola no longer serviced the model. The remaining radios were the latest generation Motorola APX 6000 and were in good condition. In total, the radios were around \$4,800 each and the oldest 7 radios would be replaced in 2022 with the intent to replace 5 each year thereafter through 2026.

The Mayor opened the table to Council comments.

Ms. Creecy referred to page 51 and asked for clarification on the \$15,500 in State Aid to local enforcement. DC Farrall replied that the Aid was an allocation that every PD received from the State every year, State Aid to Local Law Enforcement (SALLE), and the amount was an estimate on what the City anticipated to receive in FY2022. She asked how the PD dealt with used weapons. DC Farrall replied that the older weapons were typically traded in as a credit on new weapons, but they were also offered to the officers for purchase at the trade-in price. He reiterated that the majority were traded-in to a Federal Firearms Licensed Dealer.

Dr. Bancroft noticed the new CIP requests focused on intense IT projects and asked if DC Farrall was satisfied with how the body camera protections would turn out. He asked to be informed of any issues.

Ms. Hughes asked if the City had given up on the idea of having its own shooting range. DC Farrall replied that the project was realistically shelved but noted it was listed in the PD's goals because all of the goals came from the 2020-2025 Five Year Plan which served as a general guide for how the Department would move forward through 2025. He emphasized that the PD still had a need for the range and explained that staff significantly increased the line item for renting ranges and admitted it was becoming increasingly difficult to find availability on local ranges. Ms. Hughes asked if the cost was higher and DC Farrall confirmed it was more expensive, but staff was making do.

Mr. Suchanec submitted his questions in advance and was satisfied with the responses. He asked especially about de-escalation simulations and how current they were, and how frequently and which members were trained. He also asked whether the handgun choice was through a process to evaluate the best option, whether the PD was considering hybrid vehicles, and what would happen to the old weapons. He also asked whether motorcycles were effective, and he learned that the PD considered motorcycles to be very effective.

Mr. Lawhorn referred to the increase in supplies, mainly for ammunition, and asked if there was an opportunity to collectively bargain to improve ammunition pricing. DC Farrall confirmed that Newark PD received State contract pricing on every major ticket item that was used but informed that ammunition prices had skyrocketed in the last few years and there was a significant delay of 15 to 18 months in receiving ammunition. He explained that in recent years, staff ordered ahead to avoid delays and stockpile but were still backordered. He thought it was possible that the PD would be forced to pay commercial prices. Mr. Lawhorn wondered if the City had legal options to prioritize law enforcement over standard commercial practice if the situation deteriorated enough.

Mr. Clifton understood the PD was using several ranges and asked for the commute times. DC Farrall deferred to Chris Jones, Firearms Instructor and Lieutenant of the Special Enforcement Division. Lt. Jones replied that the outdoor range in Pennsylvania was about 20 minutes from the station and the more frequently used range in Coatesville took between an hour to an hour and fifteen minutes one way, depending on traffic. He noted the PD could also go to Bridgeville, Delaware, for a specialty training and took a few hours. Mr. Clifton noted that the best-case scenario for Bridgeville would take an hour and a half in each direction which added three hours of travel time for the officers. He explained that the issue

of a shooting range was often discussed, and he suggested that further consideration be given to the non-productive time that it took for officers to meet training requirements. He referred to the Smyrna Delaware State Police (DSP) Range and asked if the City would incur significant cost using the range because of how unique the ammunition was. DC Farrall confirmed that the PD would have to use lead-free ammunition and primers for any rounds for every weapon system fired at the range. He added that scheduling was also an issue because the range was used by DSP and many other agencies. Mr. Clifton did not understand why the issue was controversial to some but acknowledged that cost was a fair point. He continued that if the City PD would be able to get the training it needed and deserved, then Council needed to consider serious conversations in the future. He asked if the motorcycle was a Harley purchased through the best priced merchant. DC Farrall confirmed the motorcycle was a Harley and informed that the PD purchased two new motorcycles; one additional for the fleet and one to replace the motorcycle with the most mechanical issues. He explained that the PD would keep the motorcycle as a spare to be used for training and hoped that the practice would continue with the purchase of additional motorcycles to avoid burning out clutches during intensive training. He informed that the Eisenhower Harley Davidson Dealership offered the City a buy one, get one free deal for the new motorcycle purchase which saved the City \$17,000. He emphasized that the dealership was not located within the City but respected and appreciated law enforcement and had offered the deal to other agencies. He explained that the PD paid for the additional equipment. Mr. Clifton was pleased that the PD benefitted from the offer.

Mr. Clifton referred to the animal control box and admitted although it was larger than the previous box, it was still small. He was concerned about the difficulty that the Animal Control Officer (ACO) experienced and understood the difference between the box that went into the back of a pickup truck versus a specialized piece of equipment for an open cab pickup truck. He asked if there was any chance for the PD to purchase something a bit larger and more functional. DC Farrall credited the ACO as amazing and pointed that the vehicle had undergone some modifications to personalize the functionality for ACO Vickers. Chief Tiernan agreed that ACO Vickers had some issues with the size of the cab and noted that the previous supervisor had ordered the same truck model as what the State used. He explained that staff had tried to auction off the box and purchase a new one at a loss but there were no bidders. He informed that Lt. Jones met with ACO Vickers and Dave Vispi, Senior Mechanic II, and made several modifications including adding a ramp to the back as well as a toolbox. In the future, staff would investigate other options but noted there was a limited market for what was manufactured for animal control. Mr. Clifton appreciated the response and hoped that when staff made any purchase, the decision included the opinions of the end user and was more of a collaborative effort.

The Mayor opened the floor to public comment.

Sam Van Horne, District 6, read:

“The City of Newark has an opportunity during the budget process to define its priorities for the upcoming year and the City has the opportunity to approve a budget that reflects what it values and how it wants to support all members of the community. This year, the Police Department is proposing a budget that is almost a 6% increase over the fiscal year 2021 approved budget. The Police Department is the lion’s share of the City’s budget; the 2021 approved budget for the Police was almost \$16.5 million, a figure that is little less than 20% of the entire City budget. Any budget item that dominates the City budget should be examined closely to not only look for cost savings but also for opportunities to reimagine how a City supports its community. I implore the City Council to closely consider the priorities such as the stated priority of a new indoor gun range when there may already be existing facilities that Newark Police can use with other State agencies with collaboration agreements. Line items for helping foster transparency and accountability are very much welcome, such as the ABLE Training Program, and I hope that such programs can continue. The City’s budget priorities do not seem to emphasize trying to create a vibrant community through community development. In the Planning and Development Department’s budget, there is a modest statement about supporting the community. And I quote, “In 2022, the Division’s goal is to continue to administer the Community Development Block Grant Program and Revenue Sharing effectively under Federal and City guidelines to improve the City’s living environment and to expand economic opportunities for low- to moderate-income Newark residents.” The last part of that sentence should be applauded, and the Planning and Development Department should have more resources for that mission. It tries to achieve that goal with funds that are miniscule compared to the budget for the Police, funds that are mostly block grants or other Federal sources of funding. While there is a sizeable increase for community development due to the availability of ARPA funds, what will the future of investments in community development be? The COVID-19 pandemic has had severe societal effects underscoring the need for subsidized childcare, secure housing, access to medical care and other basic needs. The City should strive for more emphasis on community development by reducing the lopsidedness of its budget that would seem to emphasize policing its citizens rather than on improving the living environment. I thank you for your time.”

There was no further public comment and the Mayor returned the discussion to the table.

Mr. Clifton thanked Chief Tiernan, DC Farrall, and Lt. Jones.

8. 3-B. FY2022 ELECTRIC DEPARTMENT BUDGET PRESENTATION – ELECTRIC DIRECTOR (60 MINUTES)

36:04

Mr. Patel began with page 10 of the presentation, the Operating Budget, which included personnel services, materials and supplies, contractual services, and other charges that were calculated by Finance. He pointed that details were provided for each line item on the subsequent pages and informed that the total operating expenses increased by 3.18%. The increase was due mainly to service awards, standby pay, Social Security tax increases, and City pension as obligated by the union contract.

Mr. Patel moved to page 21, the Department's CIP project summary, and noted there were 19 projects listed in the five-year projection, and out of the 19, five were new projects added to the five-year plan. He explained that E2201, New Lines and Services, was the yearly recurring project where the Department was obligated to provide service to new customers with the main action of installing electrical distribution lines to new developments. He informed that E2202, Electric Warehouse, was to replace a warehouse that had been demolished due to safety concerns and because staff was running out of storage space at the yard. He displayed an overhead picture of the storage yard where much of the equipment was kept outside and explained that the plan was to expand the existing warehouse by 13,700 square feet, add interior racks, and make the warehouse more organized and easily accessible. He emphasized the need to protect the expensive equipment from severe weather and explained that cables wound on wooden wheels rotted over time and were unusable. Staff had to then return the cables to the manufacturer and incurred additional charges. He reiterated that E2202 was necessary to properly store equipment. Project E2204, Vehicle 110, was a critical piece of equipment for the Department and was a three-wheel wire trailer to replace the existing wire trailer built in-house in 1984. He described the current trailer as at the end of its useful life and non-functioning. Without the trailer, it was impossible to pull any new cable or run any overhead lines to continue serving customers and provide new customers with power. He informed that pictures showing the condition of the existing trailer were posted on pages 27-29 and repeated that the equipment was handmade and commended the engineer for its longevity.

Project E2205, Vehicle 117, was a small trencher and would be a new addition to the fleet. A trencher was used during emergencies to dig a trench to fix bad underground cables. Staff currently had to rely on contractors who were not always available during emergencies, especially off hours, and also had to comply with the contractors' schedules. Staff felt the trencher was necessary so that work could be performed immediately. Project E2206, Secondary Cable Replacement at Villa Belmont, was added after staff evaluated the condition of the existing underground wiring at the location that was constructed in 1968. He explained the City owned the underground wiring to the transformer and the building and recalled that the service to the building was down for a couple of weeks due to a bad underground cable. Since the incident, staff included the repairs as a CIP project with the intent to resolve the issue before the location faced another critical infrastructure failure at the location; the repair would ensure service for another 30 or 40 years.

The Mayor opened the table to Council comments.

Dr. Bancroft appreciated the detailed plan and the forward-looking CIP projects. He acknowledged the Department had increases of single digits and suggested that Council might consider what kind of inflation they would be willing to accept. He understood the City did well the previous year and revenue could be positive so it might not make sense to worry about the percentage increases across the Departments. He thought the report was thorough and had no specific questions. He admitted that there was risk with renewable energy, EV cars, and climate change as to what might happen with the City but was a discussion for a different time.

Ms. Hughes had no questions.

Mr. Suchanec submitted questions in advance of the meeting and received acceptable replies. In seeking more information about utilities, he learned that staff was willing to provide a review of the system and discuss concerns and suggested that other Councilmembers participate. He asked why UD approval was needed and learned there was an easement on their property. He asked why the City needed a Distribution Engineer I or II and was informed that the position had an extensive list of responsibilities that were not currently being performed by an individual but should be. He learned the return on investment on the trencher was very positive when compared to the contractor expenses over the last

three years. He referred to E2206 and pointed that there were 175 miles of service lines and he wondered how many of those miles would be at risk for underground replacement. He believed that the City had 65 miles of underground secondary services out of the 175 miles and staff would be investigating the other underground on an ongoing basis to ensure that the situation was proactively addressed.

Mr. Lawhorn requested clarity on the substation that had been discussed over the last few years. He noted that the study was done last year and there had been a \$15 million placeholder in the budget before but now the total cost was roughly \$18 million. He asked if the amount was realistic. Mr. Patel replied the number was not realistic and referred to the 2022 CIP projects where staff was planning on completing a feasibility study for the substation project. Once the study was completed, staff would have a formal number on the actual cost. He explained that staff added a few million dollars as a buffer to the line item because of the increased cost for materials and lead times due to COVID. Mr. Coleman added that he recently learned that Middletown also needed to build another substation and their timeline was basically the same as Newark's so there was a potential chance for collaboration. Mr. Lawhorn was pleased at the prospect and agreed in treating infrastructure as a priority, as well as the philosophy that the City should be proactive with trying to fund the replacement of infrastructure so as to avoid a reactive, costly expense.

Ms. Creecy referred to page 10 and asked for clarification on Department Service and Finance Calculation. Mr. Del Grande replied that the calculations were cross-department made by Finance across the board for cost allocations. He wanted to know which items she was concerned about and Ms. Creecy wanted to know more about the depreciation and finance calculation. Mr. Del Grande explained that depreciation was for vehicles and IT equipment and the number was the portion for each individual department's share of the equipment in question. The funds were charged as an expense which was then added to an equipment replacement fund so when the equipment or vehicle exceeded its useful life, staff used the funds to replace the vehicle or equipment. Ms. Creecy asked if the funds were extra. Mr. Del Grande confirmed that they could be considered extra and clarified that if a truck was purchased with a 10-year life span at the cost of \$100,000, staff would charge the Electric Department \$10,000 a year in equipment depreciation so that there was \$100,000 available in 10 years to put towards the purchase of a new truck. He noted that in recent years, the price of replacing vehicles had dramatically increased and exceeded the amount that staff put into the funds, so they investigated alternative funding means for some of the equipment.

Ms. Creecy asked for clarification on the Personnel Services increase of 8.36%. Mr. Del Grande explained the number was the sum of the preceding lines of full-time wages, other wages, and benefits; and other wages included overtime, standby pay, holiday pay, and sick pay. He explained that benefits included healthcare, dental insurance, and Social Security taxes, and continued that every dollar that it cost for the City to budget for an employee was included in Personnel Services. Ms. Creecy asked if the number had increased. Mr. Del Grande confirmed and explained that the majority of the increase in Electric was benefits for \$123,000, or nearly 40% of the total Personnel Services increase. Another increase was in full-time wages which increased by \$158,000; half of the amount was due to the additional Distribution Engineer position requested by the Electric Department. Ms. Creecy thanked Mr. Del Grande for the reply.

Mr. Clifton credited Ms. Creecy for her questions and asked Mr. Del Grande if the fund had previously been called the sinking fund. Mr. Del Grande confirmed. Mr. Clifton informed that when the City surveyed residents, the response was that the residents were pleased with all of the services provided by all of the Departments. He continued that when comparisons were made between the Electric Department to other investor-owned utilities outside the City, he took pride in the fact that City services were restored so quickly. He spoke for Council and the majority of Newark residents on how much the effort was appreciated and added that the City had one of the lowest outage ratios in the State. He asked Mr. Patel if he felt that the City was sufficiently stocked with extra components necessary to return the City to power in the event of an emergency. Mr. Patel confirmed that staff constantly kept track of inventory and lead times to order essential materials for emergencies. He informed that the Department had a separate storm inventory that was only ever touched in the event of a true emergency.

The Mayor opened the floor to public comment.

Steve Hegedus, District 3, was gratified to see the staff install solar power on the roofs of City-owned buildings. He thought the policy was one that everyone could share because the City was reducing its own electric demand. He also appreciated the optional Green Energy Fund for electric customers to join. He thought it was very risky for the City to continue counting on receiving such a substantial part of its revenue from electric bills. He referred to multiple current trends and emphasized that more solar would be installed in the near future in both commercial and residential areas and added that the State

was raising its solar limits which would reduce the City's revenue. Alternatively, people would start installing more electric vehicles which would increase electric sales. He pointed that warm winters could decrease sales whereas hot summers would increase sales which emphasized the uncertainty and unpredictability in electric demand and therefore electric revenue. He hoped that the City would consider decreasing the amount of total revenue it counted on from electric sales and raise property taxes or determine another more certain or reliable revenue stream. He asked if staff was confident that DEMEC's goals and policy interests aligned with the City's in terms of renewable energy because he sat on two State-level energy task boards where DEMEC also participated and he often felt their interests were not the same as what he thought the City's should be. He explained that DEMEC wanted to own the generation rather than the City and they were not in favor of community solar. He continued that community solar, as a result of the recent Senate Bill SB2 pushed by Stephanie Hansen, would be hugely increased within the State. He wanted to make sure the City was confident that DEMEC's advice and consultancy was consistent with Newark's goals. He stated that he did not see in the budget what the City paid DEMEC for their services.

Mr. Clifton thanked Mr. Hegedus and explained that he attended a recent meeting and was personally confident that the pricing structure and so forth was the best the City would get. He referred to the buy-in for green energy and reminded that DEMEC would purchase whatever the City directed, including 100% renewable if that was Council's wish. He reminded that the generating plant was owned equal to the percentage of purchases through DEMEC and when the City entered into the arrangement in 2005, it was equal to DEMEC participation with the money that was put into the generating plant. He informed that Mr. Coleman sat on the board.

Mr. Coleman reiterated that DEMEC would purchase whatever the City requested. He shared that the City finished a strategic planning initiative with DEMEC in 2020 and settled on the baseline of DEMEC with the lowest cost power with the exception that the City was divested from any coal. From the initiative, DEMEC would work with individual municipalities to meet whatever that municipality's sustainability goals were on a unilateral basis. He reminded that the City had the goals that were set aside in the Newark Sustainability Plan, which had been provided to DEMEC, and staff was working on a strategy to price out what it would take to meet those goals via DEMEC's purchasing. He emphasized that he was very involved with community solar discussions on the DEMEC board and explained that DEMEC's position was not against community solar, rather it was against it being mandated in Newark borders because the City already had the power to do so as evidenced by McKee's and the rooftop solar projects. He reiterated that the City did not require special legislation to act because it was already possible. The Senator agreed that it was duplicative so DEMEC was carved out of the final approved bill. He informed that staff worked closely with DEMEC to ensure that the City was generally in agreement with DEMEC's position but reminded that DEMEC was a group of eight and the City only had one vote.

Mr. Clifton thanked Mr. Coleman and explained that Stephanie Hansen was the Legislator of the Year for DEMEC for actions she had taken to foster green energy and so forth.

There was no further public comment and the Mayor returned the discussion to the table.

Dr. Bancroft wanted to reiterate and solicit information on the study the City should do on the strengths and weaknesses within the Department as mentioned by Mr. Suchanec. He continued that he went to the bill signing with the Governor, Senator Hansen, and others for community solar, EV charging, and balloon releases. He informed that Mr. Hegedus was an expert in the solar and electric area. He appreciated Mr. Coleman's care with the issue.

9. 3-C. FY2022 FINANCE BUDGET PRESENTATION – FINANCE DIRECTOR (45 MINUTES)

1:09:25

Mr. Del Grande presented the 2022 requested budget for the Finance Department and introduced the Finance Management team: Payments and Utility Billing (PUB) Manager Larissa Jones oversaw the Payments and Utility Billing Group; Deputy Finance Director Jill Hollander managed the Accounting team; Applications IT Manager Daina Montgomery, and Infrastructure IT Manager James Reazor. He continued that the group kept City services running on a day-to-day basis and worked behind the scenes by leading their teams and supporting all departments and necessary programs.

The Payments and Utility Billing group, managed by Ms. Jones, was responsible for providing assistance to utility customers in establishing and terminating service, answering billing and service inquiries, executing the billing process for electric, water, and sewer utilities, processing customer payments, managing delinquent utility accounts receivable, and providing customer education and information on City operations. Mr. Del Grande informed that the City currently had 13,000 electric accounts, 10,500 water accounts, 8,300 sewer accounts, and 8,900 stormwater accounts which totaled

nearly 41,000 accounts, all of which were billed each month by staggered bill cycles. He continued that the UD student population kept the PUB team busy as they had processed over 2,800 move-in and move-out orders, which proved that the City had a high-turnover ratio of utility accounts each year. The renewable energy program, added in May, had 2,248 participants and accounted for over 17% of all of the electric accounts.

The Accounting Division, managed by Ms. Hollander, was responsible for financial accountability and reporting, asset and liability management, revenue recognition and billing, and the disbursement of funds. Mr. Del Grande continued that financial reporting duties included recording information and reporting data in understandable formats for internal and external purposes while asset management provided for the security, control and accounting of cash, receivables, operating inventory, buildings and property, equipment and pension funds. He informed that liability management included proper recording and reporting of all short- and long- term liabilities, such as accounts payable, encumbrances, debt and capital lease obligations. Primary activities also included investment management, liability insurance, risk management, and accounting for all City funds. Revenues billed through the accounting office included property taxes and other miscellaneous charges. He explained that disbursement of funds referred to the timely and accurate processing of accounts payable and payroll and added that the accounting team also administered the lodging tax program. The Finance team was also responsible for treasury management of the City's cash portfolio, the pension fund, and Other Post-Employment Benefits (OPEB) fund.

The IT Applications Division, managed by Ms. Montgomery, ensured that all the City's vital applications functioned properly. Mr. Del Grande clarified that all accounting, human resources (HR), billing, permitting, and Smart Meter applications required constant attention for varying reasons and Ms. Montgomery's team kept core City services running efficiently and directly supported the departments that utilized the applications. The IT infrastructure team, managed by Mr. Reazor, provided the essential services of desktop support, data security, and server maintenance. Additionally, the infrastructure team managed video streaming, supported the telephone systems, and managed the camera project throughout the City. The IT Division also worked with City directors to research new and innovative technologies and provided communications support, network security, training and education. Together, the Finance Department, comprised of the four divisions, included 21 full time staff, one part time position, and one contractual position and existed to provide support to both internal and external customers.

Mr. Del Grande referred to page 4 of the presentation and acknowledged that the Department had many accomplishments over the last year, specifically the result of the recent financial review performed by Fitch Ratings, one of the two bond-rating agencies that annually reviewed the City's financial strength. On September 10, Fitch announced that they held the City's Issuer Default Rating, or bond rating, at AA+, which was one grade below the highest level rating of AAA, and they also changed the City's outlook from "Negative" to "Stable" due to the City's ability to weather the COVID storm, which exceeded Fitch's expectations. He explained that a rating of AA+ meant that the revenue and expenditure framework, long-term liability burden, operating performance, and economic resource base were at levels that current and future investors looked for when investing in bond obligations.

Mr. Del Grande proceeded to page 15 to review accounting and PUB's collective budget and noted that he would review the IT budget separately. He informed that accounting and PUB's budget, exclusive of IT, totaled \$2,175,534, which was a \$163,082 increase from 2021. He noted that full-time salaries increased \$6,300, or 0.63%, due to union negotiated step progressions and COLAs. The increases were partially offset by reductions in full-time salary costs in the Customer Service Clerk I allocations due to employee turnover. Part-time wages increased by \$4,177 for the part-time finance assistant and the other wages category, which included overtime, service awards, sick pay and device reimbursement, increased \$5,605, or 13.4%. He reported that employee benefits increased by \$43,802 to \$668,000 due primarily to the estimated increase for healthcare coverage. When the personnel costs were totaled, the accounting and PUBs group were up a collective \$60,000, with 2/3^{ds} of the increase coming from increased health care expenses. He pointed that there were no requested changes to the 2022 headcount.

Mr. Del Grande indicated other budget lines, materials and supplies had been reduced by \$700, but pointed that the contractual services line increased by \$100,000. He informed that \$60,000 of the increase was to convert the process of mailing utility and tax bills from City Hall directly to a third-party vendor which would allow staff involved in the processing and mailing of utility and tax bills the much needed time to focus on quality control of the billing process and other growing responsibilities. He added that \$18,000 of the change was due to merchant fees derived from credit card processing and continued that the adjustment was to align the budget with spending trends over the last two years. The remaining increase reflected Finance's share of IT-related expenses that were cost-shared across departments.

Mr. Del Grande educated that depreciation was calculated based on the assets assigned to Finance and included the Department's share of the hardware/software it utilized; the Department's share of depreciation expense declined \$3,886 compared to 2021. Other expenses primarily consisted of training expenses incurred by staff and remained unchanged in 2022 at \$15,800. Inter-department charges reflected the amount of the finance budget that was allocated to the departments/activities that required services and vice-versa; the number increased to just over \$2 million but would continue to change as staff modified the departmental budgets. He reiterated that there was no request for staffing changes so the position count for the Accounting and PUB divisions would remain at 13. He added that there were also no capital projects listed for the two divisions in 2022.

Mr. Del Grande then presented the IT budget beginning on page 24 and informed that IT's overall budget increased 13.7%, or \$236,000 compared to 2021, and totaled \$1,954,901. Full-time wages increased \$22,707, or 3.44%, to \$682,000 due to contractually obligated merit increases and COLAs. Other wages of \$27,516 increased \$1,604, or 6.2%. Nearly all of the change was due to the longevity of the IT staff. Employee benefits increased \$32,268, or 9.1%, mostly due to increased employee healthcare costs. IT personnel services costs increased \$56,579, or 5.4%, half of which was due to healthcare premiums. Staff decreased materials and supplies by \$2,400 due to a decline in software expenses for 2022. Contractual Services was IT's largest object line outside of salary and the requested 2022 budget was \$536,447, which was currently a reduction of over \$10,000 from 2021. He clarified that contractual services budget detail was on pages 50 through 52 and the primary drivers were lease expenses for computer equipment, software subscription services, and funding for the desktop support position.

Mr. Del Grande continued that depreciation was calculated based on the assets assigned to Finance and IT's share of the hardware/software staff utilized; IT's portion of the depreciation expense was \$176,740 which went towards the replacement of IT assets as they became due for replacement in the future. Other expenses had a budget of \$20,600, which was a \$15,600 increase over 2021. Staff requested restoring training for the IT team as nearly all training had been significantly reduced for the current and previous years. Inter-department charges reflected the amount of the IT budget that was allocated to the departments/activities that require IT services which increased by 13.7% to \$1,954,900 and was subject to change as the budget figures were finalized.

Mr. Del Grande moved to IT capital projects on page 33 and informed there were seven new projects and five existing projects that would carry over into 2022. The projects totaled \$2.5 million in funding, with \$2.4 million requested for 2022. He explained that staff was requesting to use \$205,000 in ARPA funding to replace aged equipment and build some redundancy into the City's network for Project I2201, the Network Enhancement Project. He clarified that the core switches, which were part of the project, were replaced last year with used equipment that was older than the switches that actually failed. Project I2202, Remote Access System, on page 35 would update the City's virtual private network system, or VPN, because the current system caused some issues with staff who worked both inside and outside of City Hall. The project would correct the problem and cause fewer issues with business applications for the employees who used them. He informed that for Project I2203, Virtual Environment Upgrade, on page 36, staff was requesting to use \$250,000, some of which was ARPA funds, to add resiliency to the backup servers, which would also integrate better with the Dell services that staff currently used. The current servers would be six years old at time of replacement, a year past their recommended useful life. He continued that Project I2204 on page 37, was for data protection and would transition the backup and recovery systems to modern services, applications and hardware specifically designed to aid in recovery from cyber-attacks and hardware failure. The current servers were nine years old and had been out of warranty since 2016. The amount requested was \$225,000 in 2022, with \$175,000 coming from ARPA. He explained that Project I2205 on page 38 was the Tropos Mesh Network Replacement for \$1,300,000 and noted that the current mesh radio and router system that was used to collect water and electric usage would reach the end of their useful lives in 2023. Even if the system was not replaced with the system currently used, a solution was necessary in order to continue to provide timely and reliable data from the smart meters so staff could bill customers for their usage. Staff was also considering using APRA funds for the project. Pages 39 and 40 included I2206 and I2207, projects for server upgrades that totaled \$102,000. He emphasized that IT's primary focus was ensuring the City's infrastructure was up to date and reliable because without such, the City's core services would be impacted, and they could not afford to be compromised. The projects were also funded via ARPA.

Mr. Del Grande updated that Project I2101, Council Chambers Audio/Visual upgrade, had some delays due to the availability of the components. Staff divided the project into two parts: audio and video. The audio portion would start on the week of October 11, and some of the prework would be started immediately by staff. The video portion of the project was estimated to begin mid-December, but staff was hoping it would be sooner once all of the equipment had been delivered. Staff hoped to have the project completed within a week and ready for January meetings.

Mr. Del Grande considered it a privilege to present the final overview and acknowledged that staff had more work to do prior to the October 4 meeting. He felt it was critical for Council to see and hear all of the Directors and their FY2022 budget requests.

The Mayor opened the table to Council comments.

Ms. Hughes said that she was dismayed by the thousands of dollars of changes and increases during a rapid presentation and suggested that it be presented in smaller pieces because she was concerned that Council could miss critical information that could present a potential issue. She credited Mr. Del Grande and his staff for the extensive work. She asked if Mr. Del Grande suggested an increase in Personnel from \$220,000 to \$680,000 for a certain department. Mr. Del Grande said no and believed he had just been speaking quickly. He explained that Finance was increasing by \$59,000, or 3.5%, with 2/3rds coming from healthcare and IT was increasing \$56,000, or 5.4%, with half coming from healthcare expenses. She asked Mr. Del Grande for the amount when he mentioned \$220,000 and \$680,000. Mr. Del Grande replied that there was an increase of 13.4% in other wages in the Accounting group for \$5,605 on page 15. Ms. Hughes asked for clarification on the increase and Mr. Del Grande replied that \$4,500 of the \$5,600 was due to overtime.

Ms. Hughes asked how overtime had been going. Mr. Del Grande asked if she was asking about his department in particular or across the City. Ms. Hughes replied his department and he noted there had been increases in overtime over the past few years due to the nature of the workload and the lack of additional positions. He continued that the CARES Act and ARPA funding required staff to put in more time than in the past. Ms. Hughes asked if there were ways to decrease overtime. Mr. Del Grande informed that the FY2021 Finance overtime budget was \$17,500 and he was requesting to increase to \$22,000 and reiterated that his department had an increased workload. Ms. Hughes asked if the overtime would increase or if it would stabilize and Mr. Del Grande believed it would increase. Ms. Hughes asked how Council could assist. Mr. Del Grande replied that staff was not looking to add another position to accounting and he thought the team could manage the workload with the overtime. He continued that staff had made many changes over the recent 18 months by moving from an office environment to a virtual environment and working the MUNIS system so the workflows could work virtually as well as non-virtually. He reiterated that staff had faced transitional work and there was no real downtime in the accounting office; the team worked on an audit from January through May or June and the budget season began in June. He pointed that the only downtime was after the budget was passed, from November into December, when the team was preparing for the audit starting again in January.

Ms. Hughes asked how and why the City received such a high bond rating. Mr. Del Grande informed that staff was currently working on a press release and explained that the bond issuers considered the City's ability to control expenses, raise revenues, and its long-term costs of pension and OPEB, and long-term debt. The City received AA and AAA scores in all of the categories which was a good indicator for the investors if the City ever did go to the bond market. The scores meant that the City would be able to borrow with low interest rates and save taxpayers money on the interest expense. Ms. Hughes asked if the City had ever gone to the bond market. Mr. Del Grande responded that the City had not gone to the bond market since the reservoir funding, over a decade ago, and informed that the City had been using the State Revolving Loan Program (SRL) because the amount the City was currently borrowing was not significant enough for the bond market to consider issuing bonds. He explained that both the SRL and bond borrowing would require a referendum and the bond was another vessel for the City to seek funding. He continued that the SRL had more benefits than the bond market but emphasized that it was always good to see Fitch Ratings and Moody's offer independent reviews of the City's financial status. He pointed that Fitch and Moody's also considered the economic recovery of the City itself in the business sector as part of the rating. Ms. Hughes asked if the rating spoke well of staff's efforts and Mr. Del Grande replied that it was a combination of the Department, City Manager, and Council. He noted that there were not many similarly sized municipalities with AA+ ratings. Ms. Hughes appreciated the answers and acknowledged that her questions were tough but wanted Mr. Del Grande to understand that she was simply trying to digest the information and she appreciated his hard work. Mr. Del Grande replied that it was a team effort.

Dr. Bancroft agreed there was a lot of information and interdepartmental charges, depreciation, and CIP through ARPA funding made it difficult to do comparisons but credited Mr. Del Grande for the presentation. He noted Mr. Del Grande performed critical support and oversight for other departments, of which the bond ratings were indicative. He pointed that the big purchases were well vetted.

Ms. Creecy said that Ms. Hughes had already asked many of her questions and inquired about page 19, Customer Service. She noted that the accounting and management positions increased but the Clerk I and II positions decreased. Mr. Del Grande replied that staff built a 2.5% COLA for management

positions into the budget and reminded that it required Council approval. He explained that the COLA was for all management across the City and noted that staff had not pursued management increases the previous year and thought it was appropriate to ask in 2022. He continued that the salaries for the management positions across the entire City assumed a 2.5% adjustment on January 1, and if the employees were not at the top of their pay step, they would be eligible for a step increase as the rest of the union employees which was why there were varying percent change differentials between the job titles. He continued that one Customer Service Clerk (CSR) retired and another transitioned to another City department and both had been earning higher wages than their replacements which presented as a \$22,000 reduction in salary between the senior CSRs and their replacements.

Ms. Creecy asked if the budget would increase by \$1.3 million from the ARPA funding. Mr. Del Grande explained that the \$1.3 million was for the Tropos Mesh Network which was a network of routers across the City that read meter information off of the Smart Meters for electric and water and sent the data back to the City services which staff then used to create utility bills. The routers were at the end of their ten-year life expectancy and were losing reliability. He continued that since a fiber project was still underway for some City assets, staff would be running fiber service in certain parts of the City for City assets and, depending on where the fiber networks were, there was a chance that the service could be used to replace the mesh network that would have cost \$1.3 million. He noted that the cost was not yet finalized but it would not exceed \$1.3 million. He informed that staff was using the ARPA revenues received for revenue losses in 2020 for IT-related projects because the current U.S. Treasury interim rules were that staff was prevented from specifically using ARPA funding for IT projects but did allow for the use ARPA money received for lost revenue. He admitted it was confusing, but staff wanted to specify where the funds were coming from and explained that it was not necessarily City money that would be used. He reiterated that all ARPA projects were funded outside of the City project funding piece. If staff wanted to make changes, they could be done without having an impact on the new budget.

Ms. Creecy believed that most of the projects were funded by ARPA and she was afraid of using it. She asked what the Finance Department did that projected into the community and noted that there were frequent discussions about what needed to be fixed but there was never conversation about what was being done for the community other than Catholic Charities and DEHAP (Delaware Housing Authority Program). She pointed that the DEHAP funding came out of Wilmington's overfunding and she wanted to have a separate conversation with Mr. Del Grande and Mr. Coleman. Mr. Del Grande explained that the IT projects had been needed for quite some time but had been pushed for lack of funding. He continued that staff was attempting to mitigate any type of risk the City might have on its IT infrastructure given the climate over the past two years with cyber-attacks and server issues. In spite of its age and the City's history of pushing projects that were difficult to describe and were not tangible, he emphasized that the components were critical to keep the City running, to provide services, and to support the Police. He announced that if some of the cyber projects were neglected, the City would be at risk at losing some of its cyber insurance coverage and be at a greater exposure for financial loss.

Mr. Lawhorn had no direct questions about the finance budget but did have questions about the next step in the budget process. He acknowledged that yearly health increases were huge and asked if staff was using a conservative estimate until final numbers were presented in November. Mr. Del Grande confirmed but said that staff received early word from Delaware Valley Health Trust (DVHT) and believed that the renewals would come in much lower than the 10% premium increase staff used as a placeholder. He was optimistic that staff could return on October 4 with revised numbers for healthcare expenses. Mr. Lawhorn asked if Council should anticipate discussions regarding any changes on customer charges. Mr. Del Grande informed that there were minimal changes in either debt service or water and sewer related to the SRL and reiterated that if there were charges, they would not be significant. Mr. Lawhorn recalled that new charges were implemented last year but he could not remember if they would be taken further. Mr. Del Grande noted two possible changes. The first possibility was that the Rodney Stormwater Project was coming to an end and spending would likely finish by the end of the year which meant that the loan would close, and full debt payments would start. He noted staff was currently making interest-only payments and informed that when it converted to interest and principle payments, there would be stormwater rate adjustment of maybe 40 or 50 cents. Mr. Lawhorn acknowledged that some were built into the system as per the referendum and clarified that he was speaking about decreasing rates and increasing customer charges. Mr. Del Grande said that the conversation had not begun.

Mr. Suchanec sent his questions to staff earlier but asked again if the City was justified with using the ARPA funds for internal IT projects, if the internal City IT infrastructure investments had a direct relationship to service to the public, and what were the alternative funding options for projects that staff thought were needed if ARPA was not used. He referred to the summary report which said that the restrictions for using ARPA funds were supporting public health, addressing negative economic impacts caused by the public health emergency, replacing lost revenue, or investments in infrastructure. He shared

Mr. Del Grande's response that the ARPA usage was justified because it fell under the restriction of lost revenue, but Mr. Suchanec admitted he was unable to make a connection to how IT infrastructure was associated with lost revenue. Mr. Del Grande repeated that the City had \$18.1 million in ARPA funds and one of the allowable uses of the \$18.1 million was to reimburse the City for lost revenue incurred during 2020 through 2024. He explained that the lost revenue was specific and allowed the City to recover lost sewer and parking revenue and some general fund items but did not allow for lost electric utility revenue or water. In staff's calculations, it was estimated that the City lost \$6.7 million in 2020 so all of the IT projects that were earmarked were coming from the \$6.7 million in revenue loss. He clarified that the City received \$6.7 million in ARPA and washed it through the system, and it was now City funds which staff then used to fund the IT projects.

Mr. Coleman interjected that another viewpoint was that the City received an allowance equal to the lost revenue which could be used for anything that supported general governmental services. Mr. Suchanec asked Mr. Coleman if he thought that having determined the \$6.7 million in lost revenue then gave staff the option to use the funds for operating expenses and capital. Mr. Coleman confirmed. Mr. Suchanec asked if there was a restriction on capital versus expenses. Mr. Coleman replied there was not as long as the funds were not used for electric, utilities, or a few other categories that did not count. He repeated that most general governmental activities counted. Mr. Suchanec noted that ARPA funds could not be used for electric department capital projects and Mr. Coleman confirmed. Mr. Suchanec said that if the ARPA funds were not available then staff would not do the projects. Mr. Coleman explained that it depended on the project and used the example of the Tropos Mesh Network. He clarified that if staff did not do the project, then the meters would not be read so staff did not have a choice on whether to do it but did have a choice on how it would be done. Staff was investigating on how much the \$1.3 million could be pared down but reminded that it ultimately depended on what staff was able to determine as the design phase of the project began. He continued that the scenario was the same for some of the server rack infrastructure in that it could be put off but if the system began to fail, staff could be forced to perform emergency repairs. He reminded that basically all of the City's Enterprise software packages ran on the virtual servers, so it was possible to lose electric, water or sewer SCADA (Supervisory Control and Data Acquisition), access to DELJIS (Delaware Criminal Justice Information System) for the Police, and the ability to bill for water or sewer. He maintained that the servers were the backbone of all of the City's operating departments and the programs they used were very critical.

Mr. Suchanec thanked Mr. Del Grande and Mr. Coleman for the clarification and noted that Council would soon be faced with the challenge of helping staff balance the budget recommendation. He acknowledged the shortfall and believed that Council would need to consider whether everything had to be completed in 2022 or if some of the projects could be postponed until 2023. Mr. Del Grande added that the ARPA funded projects would not have an impact on the current budget shortfall so if the projects were not completed, the budget shortage would not change. Mr. Coleman informed that staff were preparing recommendations on what projects to push and would be critical components on how the budget would be balanced.

Mr. Clifton asked if the City currently utilized the Gray Fox Initiative. Mr. Del Grande said no and shared that he had begun investigating the previous week and needed to check with the Auditor's Office to gain administrative rights to the website. Mr. Clifton appreciated the action and pointed that he and the State Auditor had been on at least three or four platforms with Comcast Newsmakers and others. He explained that Gray Fox was a platform that the State Auditor, Kathy McGuinness, brought to Delaware that would be specific to ARPA funds with the benefit that residents could personally review ARPA expenditures on a line-by-line report. Gray Fox would negate the need for FOIA requests and save staff resources. He had been a strong supporter of the program since its start and reminded that it would soon go live for the City as soon as the IT background was cleared. He informed that on October 18, at the Executive Center on Route 896, he would join State Auditor McGuinness on a panel to discuss the Gray Fox Platform.

Mr. Clifton asked if the Tropos Mesh Network was a tropospheric type of radio system. Mr. Del Grande replied that the system was ten years old and was using older radio frequency type signals. Mr. Clifton pointed that the military stopped using tropospheric networks in the early 1980s and described it as nothing more than an elaborate radio system that relied on reflections from the troposphere to operate. He asked if the City would eventually migrate to a fiber network. Mr. Del Grande confirmed that staff felt the migration could be done for the best price and most level of certainty that everything would work properly. Mr. Clifton admitted there were many shortfalls with tropospheric radio networks. Mr. Coleman interjected that he did not believe the Tropos Mesh Network was the same as tropospheric because it was a 900-megahertz system.

There was no public comment and the Mayor returned the discussion to the table.

10. 4. **ITEMS SUBMITTED FOR PUBLISHED AGENDA:**
 - A. Council Members: None
11. 4-B. **OTHERS:** None
12. Meeting adjourned at 9:03 p.m.

Renee K. Bensley, CMC
Director of Legislative Services
City Secretary

/nls