

City of Harrington
MINUTES
City Council Workshop
May 6, 2013

A workshop with the Harrington City Council was held on May 6, 2013 and was attended by the following: Mayor Robert E. Price, Jr.; Vice Mayor Cheryl Lahman; Council Member Duane E. Bivans; Council Member Fonda Coleman; Council Member Amy Minner; Council Member Wayne Porter; Council Member Kenneth Stubbs; Norman Barlow, Chief of Police; William Pepper, City Solicitor; Teresa Tieman, City Manager; and Kelly Blanchies, Clerk of Council.

Also in attendance: Chris Hayward, Library Director; Bill Falasco, Parks and Recreation Director; and Leonard R. Root.

Mayor Price called the meeting to order at 7:01 p.m.

The Pledge of Allegiance was given.

Messick's Manufactured Housing Community update

The City Manager stated that a contract is ready to be presented to Cubbage Brown, the attorney for Messick's Manufactured Housing Community. Remington, Vernick, and Beach are finishing up the evaluation and specifications for the project. Initially, the estimated cost was five hundred thousand dollars (\$500,000), but according to State standards and prevailing wages, it is probably double that cost. Once all the information is together, it will be presented to Messick's to see if they would like to move forward. The contract makes Messick's responsible for any debt service that is incurred and any costs associated with applying for the grants.

Vice Mayor Lahman asked if the City will be helping them get the money. The City Manager stated that the City has to sponsor it. The contract would include that all engineering costs must be paid by Messick's as part of the debt service.

Vice Mayor Lahman asked what would happen if they default. The City Manager stated that once the projects are done, they would become a water customer and the debt service would be part of their bill. Service can be terminated if the bill is not paid.

The City Manager stated that the goal is to improve the infrastructure, and the City agreed to sponsor the upgrades but not bear the financial burden. Grants will be applied for from the Office of Drinking Water and USDA because there is a safety issue and financial need. The City Solicitor stated that it will benefit Messick's because it may cost less and the debt will be spread over many years.

The City Manager stated that there would be one meter to Messick's, and the park can collect the cost of the upgrades as part of their lot rent. Water is a lien against the property, so it would not be billed to the individual mobile home owners.

Budget & Finance Committee

Recreation Center roof repairs and installation of heating system in gymnasium

The City Manager stated that the Council previously approved six thousand dollars (\$6,000) for a heating system and thirty-five thousand dollars (\$35,000) to repair the roof. These projects are eligible for a USDA Rural Development grant of thirty-five percent.

The City Manager stated that both gas and electric heating was researched, and gas is preferred in order to reduce operating costs. The gas option would involve connecting to a natural gas line, which is estimated to cost approximately eight thousand dollars (\$8,000). It is anticipated that this cost would be recovered within a two to three year period. Considering the USDA grant, the City's contribution for the gas heater and roof repairs would be thirty thousand five hundred fifty dollars (\$30,550) or twenty-seven thousand four hundred nineteen dollars (\$27,419) for the electric heater and roof repairs. It is estimated that the operation of the electric heater would be significantly more than the gas heater. The City Manager stated that by grouping the improvements and applying for the grant, both projects will cost the City less than the amount previously approved for the roof project alone.

Mayor Price asked if the CIP is a 2013 expenditure. The City Manager stated that six thousand dollars (\$6,000) was budgeted in the current year; the balance would have to be paid from the FY2011 fund balance.

The Parks and Recreation Director stated that he is glad to get both projects done for less than the cost of the roof. There will be cost savings with the operating expenses by not using the heat pumps to heat the offices.

Mayor Price stated that the roof needs to be repaired. Council Member Minner asked if there is a warranty on the roof resurfacing. The City Manager stated that it is usually a year.

Vice Mayor Lahman stated that she would like the fence around the Parks and Recreation building removed. The Parks and Recreation Director stated that he is getting estimates for a new fence now. There needs to be a fence though. The City Manager stated that the barbed wire fence does

not look inviting, but a fence is needed to prevent vandalism. A black iron fence would look nice.

Water and wastewater projects funding options

The City Manager presented the debt service schedule for 2013. The City Manager stated that the total yearly payment for debt service is four hundred forty-seven thousand two hundred thirty-nine dollars (\$447,239). Refinancing the older debts with higher interest rates was discussed with the USDA. The loan that was just closed is at one point eight seven five percent. To refinance through the USDA, the City has to have a new project that costs the same amount as the refinanced amount. The referendum that failed was one million dollars (\$1,000,000) for inflow and infiltration (I & I) repairs and two million five hundred thousand dollars (\$2,500,000) for new water lines and a well. If the City issued two million dollars (\$2,000,000) of debt for I & I repairs and two million five hundred thousand dollars (\$2,500,000) for water projects and refinanced, the debt service for FY14 would not change, go down by eighty-six thousand five hundred twenty dollars (\$86,520) in FY15, and increase by eight-four thousand five hundred seventy dollars (\$84,570) in FY16. The total debt service increase would not be felt until FY17 and would be divided among an average of one thousand four hundred billed accounts for a yearly total of sixty dollars and forty-one cents (\$60.41) or fifteen dollars and ten cents (\$15.10) per quarter per account. All the I & I would be repaired though, and the sewer bills from Kent County will go down significantly, so those amounts are a worst case scenario. It is likely that there will be no increase in customer bills. The debt would be spread out over forty years.

Council Member Porter asked about the increased amount of the debt compared to the referendum proposal. The City Manager stated that amount would fix all of the I & I problems; there is enough sewer debt to refinance and reduce the interest rate. Issuing debt costs money.

Council Member Porter stated that the interest rates are very low. The City Manager stated that the USDA estimated a rate of two point two five percent.

The City Manager stated that the money can be applied for ahead of schedule, and the City has five years to pass a bond referendum. The City could have Remington, Vernick, and Beach apply in June and begin educating people in the fall about the importance of the projects.

Council Member Porter asked if Harrington's debt is similar to other towns. The City Manager stated that it depends on the Council's comfort level; some cities do pay as you go. Smaller cities usually carry more debt. There is a lot of infrastructure that needs to be fixed to attract and retain

businesses. Council Member Porter stated that the City took a hit in the newspaper about having eight millions dollars (\$8,000,000) of debt. The negativity is hard to change without an explanation. Vice Mayor Lahman stated that amount is a little over two times the annual budget.

The City Manager stated that the debt service payments would not be much more that what the City is paying now. Refinancing extends the debt longer but is a way to get needed projects done. Having a two inch water line running down Route 13 is a fire hazard. The City Manager stated that Clark and Commerce are going to be paved, and it would be good to replace the line before that happens.

Council Member Porter asked how to educate constituents when they do not come to meetings. The City Manager stated that she and the Council will have to go to the people to educate them and go to meetings of the Fire Company, civic organizations, and churches. Vice Mayor Lahman stated that the Fire Company would be affected the most, because if there is a big fire, they would not be able to pull enough water to put it out.

Vice Mayor Lahman asked if the referendum would be for the amount of the new debt and the amount being refinanced. The City Manager stated that it should be two different votes, one for new debt of four million two hundred fifty thousand dollars (\$4,250,000) and one to refinance about three million dollars (\$3,000,000). Vice Mayor Lahman stated that it will be more difficult to explain the referendum to people. The City Manager stated that it is a little more complicated.

Vice Mayor Lahman stated that a lot of debt has been paid off since she started on Council including the purchase of the Police Department.

The City Manager stated that Delaware is a coastal state so big storms really tax the system with I & I from ground water. Fixing I & I creates more capacity in the sewer system.

Council Member Porter asked if a representative from the USDA could come. The City Manager stated that she has talked with Lisa Fitzgerald.

Mayor Price stated that refinancing is just one option and not necessarily what will be done.

Council Member Stubbs stated that studies were completed in the 1970s that said the same about the needed projects. The City Manager stated that it needs to be dealt with now, and it is a good time to refinance because of the low interest rates.

Personnel Committee

Change in reporting chain

Council Member Stubbs stated that he would like the Clerk of Council to work under the City Manager.

Vice Mayor Lahman asked if the position is full time. The City Manager replied yes.

Mayor Price stated that it is hard to evaluate or supervise someone when Council is not there every day. Vice Mayor Lahman stated that she had no input on the evaluation.

Vice Mayor Lahman asked how the Council would be affected. The City Manager stated that the Clerk of Council's responsibility is to the Council first.

Council Member Stubbs stated that it would be more productive with sharing responsibilities.

Vice Mayor Lahman asked if the Council would give direction only with the City Manager. The City Manager replied that inquiries can be made of anyone. One point of contact is usually easier.

Council Member Minner asked if there would be a change in the job description. The City Manager replied no. The City Manager stated that the Clerk of Council has taken on more as far as writing ordinances and such. Mayor Price stated that initially it was two part time positions that were combined.

There being no further business, the Council Workshop adjourned at 7:42 p.m.

Respectfully Submitted,

Kelly Blanchies
Clerk of Council