

City of Harrington
MINUTES
Budget & Finance Committee Meeting
May 23, 2013

A meeting with the Harrington Budget & Finance Committee was held on May 23, 2013 and was attended by the following: Vice Mayor Cheryl Lahman; Council Member Amy Minner; Council Member Wayne Porter; Council Member Kenneth Stubbs; Teresa Tieman, City Manager; Faye Smith, Finance Director; and Kelly Blanchies, Clerk of Council.

Also in attendance: Ruth Peterman, Police Resource Manager; and Anthony Moyer.

Mayor Robert E. Price, Jr.; Council Member Duane E. Bivans; and Council Member Fonda Coleman were absent.

Vice Mayor Lahman called the meeting to order at 6:32 p.m.

The Pledge of Allegiance was given.

FY 2014 Budget Review

The City Manager asked for clarification on removing the holiday celebration line. Vice Mayor Lahman stated that the supplies in that line, excluding the party, can be budgeted somewhere else. Vice Mayor Lahman asked what other things are budgeted in that line. The City Manager replied pole wraps, wreaths, flowers for funerals, and those kinds of things. Council Member Stubbs stated that the holiday celebration line should be removed and the other supplies in that line can be budgeted somewhere else. The City Manager stated that those supplies can be added to the City Hall budget in miscellaneous expenses. The Finance Director stated that the City Hall miscellaneous expenses line will go from four hundred dollars (\$400) to two thousand six hundred dollars (\$2,600).

Vice Mayor Lahman asked what the carry over balance is from the FY13 revised budget. The salary increases have to come from the carry over balance. The City Manager stated that the salary increases would come from the seventy-five thousand dollars (\$75,000).

Vice Mayor Lahman asked what the total cost of a two percent pay increase would be. The City Manager replied twenty-seven thousand seven hundred dollars (\$27,700) including FICA and pension.

Council Member Minner stated that the State is not giving a raise. The City Manager stated that can change and that the State has steps and scales. The salary line still increases each year.

Anthony Moyer stated that the figure for the salary increases that was presented last week is more than the amount now presented. The Finance Director stated that figure was overstated because the salary amount used did not reflect the retirement that occurred last year.

Council Member Minner asked if there would be a decrease in grass cutting services. The Finance Director stated that the previous year was only three thousand eight hundred seventeen dollars (\$3,817). The City Manager stated that grass cutting is a wash, because it is billed for whatever it costs.

Council Member Minner asked about the overtime for Public Works. The Finance Director stated that the salary for Public Works is divided by a percentage. It needs to be looked at for the revised FY13 budget. Vice Mayor Lahman asked if that covers when Public Works is called in for water issues. The Finance Director replied yes. Vice Mayor Lahman stated that she would rather be high on that line.

Council Member Minner asked about the heat and electric. The City Manager replied that the office has been abandoned.

Council Member Minner asked about the excessive flat fee for the sewer revenue. The City Manager stated that right now it is all combined and will be spread out.

Council Member Minner asked about the USDA #17 loan. The City Manager stated that is the one million six hundred fifty-eight thousand dollars (\$1,658,000) loan that was just closed. It has not been assigned an account number yet.

Vice Mayor Lahman stated that the Council really needs to think about the Capital Improvement Plan (CIP), because it is five million dollars (\$5,000,000).

The City Manager stated that the CIP is the revenue from the transfer tax, which is twenty-nine thousand dollars (\$29,000). Some projects, like the bathroom floors in City Hall, can be postponed at the Council's discretion. There is no fire alarm system in City Hall. The Police Resource Manager stated that there is not a fire alarm system in the Police Station either. The City Manager stated that is a safety issue. A grant is being sought for the replacement of the Library windows, if it is not received then the project will not be done. The street, alley, and curbing project is proposed to be funded through Community Transportation Funds and Municipal Street Aid. Sidewalks would be Community Transportation Funds. Building maintenance would come from the CIP; it is work to the building at the Public Works' yard; it can be postponed if the Council wants to. The Hanley Street sidewalk was approved by Council and is funded through the Community

Development Block Grant (CDBG), and the City's match is from the fund balance. The window replacement for the Price Center is also coming out of the CIP. The roof repair at the Parks and Recreation Center is coming from the fund balance and USDA grant. The water system improvements remain as part of the plan.

The City Manager stated that the budget balances that should be required come to about seven hundred twenty thousand dollars (\$720,000) for cash flow and working capital. Two percent contingency funds for the general and proprietary fund and a special contingency for the Kent County sewer charges, because they can fluctuate; there is one hundred thousand dollars (\$100,000) in that. There is capital asset replacement of one hundred twenty-five thousand dollars (\$125,000) for the general fund and one hundred fifteen thousand dollars (\$115,000) for the proprietary fund. Based on that, there is about one million five hundred thousand dollars (\$1,500,000) to do the large projects with, and the City would be using about one million dollars (\$1,000,000) of it. The Clark Street water main project would be about two hundred fifty-eight thousand dollars (\$258,000), the SCADA system, and the lagoon closing of nine hundred fourteen thousand dollars (\$914,000). Two hundred sixty-six thousand dollars (\$266,000) is remaining from the force main project that can be used for the closing of the lagoons, and the remaining amount would be funded through the excess fund balance.

Anthony Moyer asked what the time frame is for closing the lagoons. The City Manager stated over the next couple of years. A plan has to be provided to DNREC by the end of June. Remington, Vernick, and Beach are working on it.

Mr. Moyer asked what area is phase two of potable water. The City Manager replied replacing a two inch service line down Route 13, replacing the line in Liberty Street, and Clark Street under the railroad tracks. Council Member Stubbs stated that the water line on Route 13 is being constantly repaired.

The City Manager stated that there are sewers with inflow and manholes with infiltration. There are also surcharged sewers and manholes. Mr. Moyer asked if any sewer lines would be increased in size. The City Manager stated that there is a study being finished now to determine what sewer lines need to be increased. Dorman Street has an issue; the line from Friendship Village was supposed to go down Center Street but instead goes down Dorman. It is alright for now, but when Friendship Village is built out, it will not be sufficient and has to be fixed by the City. Vice Mayor Lahman asked if the bigger line is on Center Street. The City Manager stated that it is not clear because the map available dated back to 1960. That is why the matching grant was used to evaluate the system. Mr. Moyer stated that more recent maps may have been archived.

Mr. Moyer asked if changing the ninety degree bend in the sewer pipe from Friendship Village to a forty-five degree angle would improve the flow. Council

Member Stubbs stated that it is gravity fed, so it only moves so fast. The line reduces down to six inches which causes the back-up. When the two pumps went down and the manhole filled up beyond normal capacity, the issue became apparent.

The City Manager stated that the SCADA system will alert Public Works of any situations like when a pump station goes down. Mr. Moyer asked if that system will go only on the Friendship Village pump station. The City Manager replied that it would go on all pump stations. Kent County will monitor the system on a twenty-four hour basis. Mr. Moyer asked if the grinders will be monitored as well. The City Manager replied that she is pretty sure that it will along with any manholes that the City requests.

Council Member Porter asked how much is in reserves. The City Manager replied that restricted reserves are set aside: eight percent of FY13 estimated revenues for cash flow purposes and in case of emergency, two percent rainy day fund of about seventy-five thousand dollars (\$75,000), capital asset replacement looked at the depreciation for FY11 of about two hundred forty thousand (\$240,000), and one hundred thousand dollars (\$100,000) in reserve for the Kent County sewer bill in case of a rainy season.

The City Manager stated that the City has reserves and some should not be spent unless there is an emergency. The other reserves are at the Council's discretion and could be used to pay for the three large projects. That would take the discretionary money down to about five hundred thousand dollars (\$500,000).

The City Manager stated that the total cash balances in the general and propriety funds less encumbered funds and restricted funds is one million five hundred forty-two thousand dollars (\$1,542,000). The three high priority projects (closing the lagoons, the SCADA system, and the water project) total nine hundred ninety-nine thousand dollars (\$999,000).

Mr. Moyer asked if the lagoons could be closed in four years. The City Manager stated that the scope is two years. Mr. Moyer asked about dividing the cost over FY14 and FY15 and freeing up some money to do some water repairs. The City Manager stated that if the funds are available then they should be restricted so when it comes time to do the project then the City has the money. Mr. Moyer stated that he thinks the City will bring money in this year. Vice Mayor Lahman stated that Mr. Moyer is suggesting breaking the project down into phases. The City Manager stated that the project has to be done and recommends restricting the funds. Mr. Moyer stated that the water issues are more important than the lagoons. Vice Mayor Lahman stated that she agrees that the water issues are more important, but DNREC wants the lagoons closed. Council Member Stubbs stated that DNREC is probably expecting the work to be done in a timely fashion, and the City does not want to face another fine. Mr. Moyer asked if DNREC's concern was over pollutants in the lagoons, which has been proven wrong. The

City Manager stated that some testing has been done but more is required; no significant amounts of pollutants have been found.

Vice Mayor Lahman stated that the CIP can be discussed at the June 6, 2013 Workshop. The City Manager stated that the budget can be approved without the CIP. Mr. Moyer asked if any of the CIP projects would change anything in the budget. Vice Mayor Lahman replied no.

Vice Mayor Lahman stated that on the cash summary page there is three million seven hundred thousand dollars (\$3,700,000) in different funds; some are restricted. The City Manager stated that the sewer impact fees currently have two hundred fourteen thousand dollars (\$214,000), and one hundred thousand dollars (\$100,000) of that is going to pay the debt service on the force main.

Vice Mayor Lahman asked if everyone is comfortable with the FY13 revised budget. Council Member Porter asked about the carry over. The City Manager stated that after it is used for the raises, there is fifty-three thousand seventy-five dollars (\$53,075) in the carry forward from FY13. Vice Mayor Lahman asked what the total is for the revised FY13 budget. The Finance Director stated three million seven hundred eight thousand one hundred eighty dollars (\$3,708,180).

Vice Mayor Lahman asked if everyone is alright with the changes made to the FY14 budget. The CIP is the only issue left, and the Council wants to hold off on those until there are the two or three funding options.

The City Manager stated that some of the capital projects come out of the CIP, so those can be listed separately since the money is coming from the transfer tax. Last year the City used half of what was projected to be in the CIP account. That would be about twenty thousand dollars (\$20,000), and the proposed projects are about twenty-seven thousand dollars (\$27,000).

Vice Mayor Lahman asked if the community impact fee was done away with. The City Manager stated that it is still collected, but it is only when new construction occurs. Recently it was collected from the small subdivision on North Street. It should not be budgeted.

Mr. Moyer asked if DeIDOT would help to repair Route 13 after the water line replacement. The City Manager replied that it is the State's road, but the City would be responsible for fixing any damage to the road from replacing the City's water line. Mr. Moyer asked if the line replacement could be scheduled when work was being done on the road to save costs. The City Manager stated that a two inch line needs to be replaced as soon as possible. She stated she will check into what the plans for that road are. Council Member Stubbs stated that the City has repaired that road three or four times because of water leaks. The City Manager stated that it has been paved recently.

Vice Mayor Lahman asked if the issue of who owns the connector streets has been resolved. The City Manager stated that a letter has been sent; the State agreed to four or five of them but is arguing about one street.

Council Member Stubbs stated that since he has been on Council, the City has been dealing with and trying to figure out how to pay for things that should have been fixed thirty years ago.

Vice Mayor Lahman stated that it would be good to receive the plans for State owned streets five years ahead of time so that the City can plan line repairs and replacements. The City Manager stated that the notice of paving on Commerce and Clark Streets was just received a month ago. Liberty Street was supposed to be paved over two years ago, but the City asked the State to wait because of the water line replacement. DeIDOT does not want new pavement disturbed for five years.

There being no further business, the Budget & Finance Committee Meeting adjourned at 7:26 p.m.

Respectfully Submitted,

Kelly Blanchies
Clerk of Council