

MILFORD CITY COUNCIL
MINUTES OF MEETING
October 22, 2018

The City Council of the City of Milford met in Workshop Session on Monday, October 22, 2018 in the Joseph Ronnie Rogers Council Chambers at Milford City Hall, 201 South Walnut Street, Milford, Delaware at 6:06 p.m.

PRESIDING: Mayor Archie Campbell

IN ATTENDANCE: Councilpersons Mike Boyle, Lisa Ingram Peel, Todd Culotta,
Owen Brooks Jr., Douglas Morrow and Katrina Wilson

City Manager Eric Norenberg, Police Chief Kenneth Brown and
Deputy City Clerk Christine Crouch

COUNSEL: City Solicitor David Rutt, Esquire

ABSENT: Councilmembers Christopher Mergner & James Starling Sr.

City Manager Norenberg recalled the need for updating our newer Councilmembers about how we operate our electric utility, DEMEC's involvement and a brief review of the AMP project.

Customer Service Manager Debbie Johnson and Jennifer Anderson from the City Electric Department were in attendance.

DEMEC & City of Milford Relationship

Patrick McCullar, President of Delaware Municipal Electric Corporation (DEMEC), was in attendance and provided a presentation by reporting the following:

The joint action agency was created thirty-nine years ago and Milford was one of the founding municipal members that acted on legislation passed by the State Legislation in 1978.

DEMEC exists as an extension of Milford's municipal electric utility. The mission of the nine-member joint agency is to make those communities successful in providing electric services. Eight of the members receive 100% of their electric requirements from DEMEC through full requirement contracts and seven participate in DEMEC's existing Beasley Generation Project. The City of Dover receives partial services.

DEMEC's power supply value comes from a portfolio of existing self supply generation assets, staggered short, medium, and long term power contracts, and spot market purchases. This portfolio provides low-cost, economic wholesale power supply to its members. It is risked-based which means they are obligated to meet a 90% hedge portfolio.

Milford and the other eight members understand that joint action is the most productive way to handle their electric utilities. Outstanding efficiency and tremendous economy come from pooled resources. An efficient vehicle to finance, build and acquire power supply is offered. When an electric infrastructure is needed, DEMEC can finance it through the power supply rate to the member, which free up the member's borrowing for other municipal purposes. The City of Seaford recently upgraded the backbone of their electric system at a cost of \$9 million. DEMEC financed that project for them over a fairly long period of time.

DEMEC also implements and manages policies including renewable portfolio standards, energy efficiency etc.

The aggregation of power generation and related services provides higher reliability, lower costs, more efficiency and community benefits and services. DEMEC is proud that every extra dollar stays within their communities because there are no stockholders and no external parties to pay.

DEMEC provides stable prices to the communities to ensure the electric supply costs will be fairly firm. They meet

projected demand growth and are obligated to ensure the power supply is available regardless of how each community grows or customer numbers increase.

Training in technology and best utility practices are provided to all members, along with the promotion of public power through education in various forums.

DEMEC also serves as a technical resource to federal, state and local elected officials who have to make laws. A complicated and challenging industry is essential for modern civilizations. America's quality of life depends on electricity. The industry is rapidly evolving with regulations, changing the way in which technology is handled. Regulations of the Federal Energy Regulatory Commission ("FERC") and PJM Interconnection are always increasing and DEMEC handles that interface.

Today, the world is highly connected through a web of devices and it is DEMEC's responsibility to figure out which technology will be the most beneficial.

The components of power supply include a fixed component and a variable component. The fixed component is capacity, which is the ability of an electric generator to produce a kilowatt of energy when needed. Transmission is the infrastructure such as wires and transformers that are needed to move the kilowatt. Distribution is the system's capability to deliver that kilowatt to the customer when called upon. Before one kilowatt hour can be delivered, all rules and regulations within the industry must comply.

Essentially, there is only one variable cost which is the energy itself. Customers demand it and it must be supplied. Previously it was thought that energy consumption was always going to grow. But presently, we are in a world where customers can install their own generation. As a result, electric companies are starting to see an impact. Consumption by many customer classes is starting to be reduced. It is also one of the reasons for rate structure changes. In the past, the variable component was used for most of the cost recovery. Because that is no longer dependable, it is more important to put parts of those fixed costs into a fixed rate and alleviate the variable.

Through a combination of investments and generation assets over the past eight years, DEMEC has been able to reduce its members' costs for power supply by 18%. Approximately \$300 million has been invested in generation assets that will serve for thirty plus years. They believe the value will be there long term, thus preventing the need to rely on the variability of market pricing.

The investments better position DEMEC to mitigate the other risks in the industry and deliver a cost as reported with no negative surprises.

DEMEC will continue to seek assets and services that benefit member communities with the objective of bringing the lowest cost power supply.

DEMEC has two major assets—the Beasley Power Station, a 100MW NG combustion turbine in Smyrna and the Fremont Energy Center in Fremont, Ohio, a 100MW NG natural, combined cycle gas that will serve for decades.

Other assets include wind and solar facilities. One of the big ones is the Milford Solar Facility on the Milford-Harrington Highway that contains 62,000 panels and produces approximately 15 megawatts of electricity during peak production. Last year that facility provided 9% of Miford's power supply.

In addition, they have 69 megawatts in wind generation located in the hills of Central Pennsylvania. Having inadequate wind capability to have utility scale wind turbines is one of the downfalls of Delaware and the reason for the wind generation from Pennsylvania.

In total, 16% of the power supply to DEMEC members is provided from renewable resources. That percentage will grow to 25% over the next couple years.

Customer attitudes and behaviors as they desire more renewable energy. Customers want self-generation from solar, wind,

etc. in their communities. As a result, DEMEC facilities also have solar interconnections.

Customers are more interested in energy efficiency and DEMEC has a new program to promote that by helping customers achieve savings.

They want more information about how they use power and where it comes from. The AMI deployment currently occurring in Milford and Seaford, is moving toward that kind of connectivity and data management. That will allow customers to look at a portal on their computers to determine how they are using energy and how they want to use energy in the future.

Cheap power is all customers' desire and DEMEC is doing well with ongoing reduced costs. Customers want to be independent but also want the reliability of being connected to a grid. Should, their own generation stops working, they want assurance their lights will not go out.

Milford's distribution system, with DEMEC behind it, is a resource enabled to listen to their customers' wants. The system is configured and operations meet those wants and needs. DEMEC actively works with members and customers to meet the varying special and individualized needs, including helping industrial customers stay and grow within the community.

Mr. McCullar concluded by stating that DEMEC's commitment is 100% member focused. DEMEC is an extension of Milford's utility and exists to serve its customers. They are always available to respond to Milford's needs by providing reliable and economic power supply. Also, by delivering the benefit of investments and generation assets to keep prices low and stable. They will continue to provide resources, technology and industry knowledge as they watch over those they serve while always improving their operations in Delaware.

Electric Rate Design

Dawn Lund, Vice President of Utility Financial Solutions (UFS), provide cost of service studies and financial plans for utilities across the country, Guam and the Carribean. They are also the instructors for American Public Power Association Cost of Service and Financial Planning.

She noted that UFS was the firm that conducted the cost of service study in Milford. During the studies, they rolled three studies into one. One is a five-year financial projection based on where the utility is today, compared to key standards/targets across the industry. Also key financial targets are considered as to where the utility should be. This provides a plan of where the city is today and where it should be in the future.

The financial projection should be updated every year with the annual budget process. The main three targets are operating income, debt coverage ratio and the minimum cash reserve balance.

Another part of the study involves the five-year financial projection, is a cost of service study. The expenses of the utility are examined and unique cost drivers are used specific to Milford's utility as allocated to the proper customer classes.

The cost of service study should be done every three to five years or when there is a major change in operations.

The third part, which builds upon the cost of service study, is the finance projection, cost of service study and the rate design. The cost of service study says where we need to move to with the rate design. But rate design also takes in other unique considerations from the City Council.

She explained the cost of service study is a defensible document that actually takes Milford's specific costs and allocates what is called the revenue requirements to each specific class. This provides a fair and equitable way of distributing the cost the utility incurs.

The cost of service study ultimately provides the perfect rate structure. Rarely does a utility charge a perfect rate structure though utilities constantly strive to work toward that.

Ms. Lund shared that the cost of service study makes sure expenses and depreciation are considered for later capital

expenditures. It also makes sure the utility is recouping the full revenue requirements for the long term financial health of the utility.

In addition, it provides the 'perfect' (strived for) rate structure and what each custom class should pay for a customer charge, a kilowatt hour and demand, when appropriate.

It addresses cross subsidies between rate classes. For example, is the residential class subsidizing the commercial class or does the industrial class subsidize the residential class. That is why it is important to have the cost of service studies done every three to five years.

All three scenarios were part of the Milford study. A rate recommendation was recommended over a period of time to make sure proper price signals have been set. Ms. Lund emphasized this will fairly and equitably recoup revenue requirements for the long term health of Milford's utility.

When asked if interim monitoring is done between the three and five years, Ms. Lund noted that the five-year financial projection laid out by projected revenues, projected expenses, and compared to key standard industry targets, operating incomes, operating incomes, debt coverage ratios, rate of return, ensure it is in line. Any changes in expenses and capital can impact the recommended rate track. That is why they recommend the five-year financial projection once a year during the budget process.

The cost of service study results can help guide the rate track and rate design. A major change would be an amendment to the purchase power contract, more generation or a distribution project that would shift all those costs.

American Municipal Power (AMP) / Smart Metering

AMP's CIO Brannan Kelley shared that AMP is also a Joint Action Agency founded in 1971 in Ohio. Originally named AMP Ohio, it served municipal electric systems within the State of Ohio. Growth in the last twenty years expanded into other states and in 2011, DEMEC became a member.

AMP is a nonprofit and a member organization that is part of PJM Interconnection LLC and the MISO (Midcontinent Independent System Operator, Incorporated).

The organization was founded with the purpose of providing generation, transmission and distribution of electric power and energy to its members at lower costs. This purpose is served through joint ownership of electric facilities, pooled buying power in energy markets and finding additional means of generating, transmitting and distributing electric power and energy.

They are a projects-based organization and are dedicated to member services. Almost all projects, with the exception of some safety matters, are subscription based.

Around 2009, some grant money was made available through the stimulus package that allowed communities to become early adopters of AMI and Smart Grid. Some members joined, but because there were so few participants, items were being over sold and under delivered, with less emphasis on the integration and data. The main focus was to get meters out in the field.

AMP combined member requirements and in 2016, the AMP Board of Trustees initiated a project to develop the AMI (advanced metering infrastructure) program which allowed members to benefit from a shared service offering. Representatives from eleven communities, along with AMP staff, reviewed requests for information and proposal responses, through workshops and vendor software demonstrations. The process engaged more than twenty vendors of AMI technology and service providers, and the extensive research resulted in the selection of ElectSolve Technology Solutions and Services, Silver Spring Networks and BlueBridge Networks. ElectSolve offers advanced meter data management solutions and technical services to public power utilities, at a discount, through its alliance with Hometown Connections, APPA's utility services subsidiary.

AMP's AMI program reduces both costs and risks by enabling members to acquire meters and communications components under an aggregated purchasing agreement with its vendor/partners. The program provides the back office applications, IT infrastructure and supporting staff as a shared service. AMP's AMI program will maximize value to participating members by providing overall program and individual deployment oversight.

Milford signed a ten-year program. Upgrades to aging metering environment were needed to the City's utility operations. Its existing Itron system was old and was no longer supported. AMI data enhanced utility operations involving better analysis, system loss improvements and enhanced outage response.

Being a meter to data center, everything from the acquisition, to the install of the meter, all the way through the ten-year operation of the software, the technology, the storage, disaster recovery and cyber is included.

Partnering with AMP/DEMEC benefitted the City. There is no need to incur the expense of a separate market analysis via RFI/RFP by a retained consulting firm.

Collaborative efforts with other AMP and DEMEC Members provided a better service to customers and the ability to provide customers their hourly electric and water usage information via a web-based portal.

The hardest piece of the project is the integration of the software, between the data in the billing system and the long-term ten-year operation of storing and providing that data, while turning it into actual information.

Mr. Kelley talked about how solar, electric vehicles, battery storage and other items can potentially disrupt the industry. She stressed that consumers want to be self sufficient.

He stated that they understand that meter-to-cash is most important to the utility in the city. But they want to make sure there was a platform to allow Milford's utility to grow and expand as needed.

While power supply remains the primary mission, AMP offers a wide variety of other services to help members provide top quality municipal utility services to their customers. He emphasized that AMP's AMI program provides the economies of scale that give members the opportunity to install state of the art technology with lower costs and reduced risk.

AMP's CTO Jared Price then addressed Council, recalling that Milford business drivers for AMI were shared with City Council during the initial presentation. First and foremost, upgrades were needed to the aging metering infrastructure. The existing ITRON reading system is no longer supported. Many of the meters were twelve years and older, and needed replacing.

He commented that newer meters are much more accurate. In some cases, other municipalities have meters that are thirty and forty years old. The outcome is a big loss of accuracy. Two-way communicating meters are vital because data can be obtained on a regular basis.

Previously the meter was read once a month. With the new smart meters, that read can be acquired every hour and in an electric meter, every fifteen minutes, or on demand. If a customer calls in and states that their meter is wrong or high, the customer service representative can click a button and look at the current meter read to help them understand what is contributing. In the pre-AMI world, it was very difficult to understand why there was a high usage period during the month and what contributed to that because there was no way of determining when it happened.

The data can also be used for other operations with the data and analytics and is where AMP hopes to continue to add value in the program.

It is believed that the system losses in both water and electric can be better managed and calculated thru real time usage review.

Another advantage is the ability to provide utility staff with information of which customers do not have power. Previously the City had to wait until the customer reported the outage before crews were informed.

AMI provides a platform for smart city operations through a high bandwidth/high performance network in Milford. That means it can support other things such as streetlighting control, sensor-based data, SCADA operations, etc.

Partnering with AMP/DEMEC has a number of benefits. Mr. Price said there is no longer a need to incur the expense of a consulting firm to do an RFP. Instead, that can be done thru a collaborative effort with other AMP & DEMEC members.

The main focus is to provide better service to customers which ties in the data concept on a web-based portal by providing hourly electric and water usage.

Mr. Price stated that though preplanning activities, the Milford project officially kicked off the second quarter in 2017. Since then, AMP has had bi-weekly project meetings with its electric staff.

The actual electric meter deployment meter began in May and the water meter deployment followed.

He pointed out that every project has issues though AMP and DEMEC continue to work with the Milford team.

Presently there is one major hurdle on the wall-mount radio modules with the water deployment though they are close to a resolution.

As of October 5, 2018, there are 6,312 electric meters deployed and he believes there are more than 7,000 today. That leaves 500 more to be installed. More than 1,200 water meters have been deployed to date. That will continue through the end of the year though the electric meter deployment should be completed within the next month.

The rollout of remaining applications and system modules including the customers' portal, will continue through the first six months of 2019. City billing staff is using the system today and the data is being used on monthly bills.

The last module deployed will be the customer portal. That will be done after all meters are in and testing and data confirmed prior to its availability to Milford's customers.

When asked if the meters that belong to customers with solar panels will be replaced, Mr. Price explained that any customer with solar panels must have a net meter that supports power flowing in and out or solar. One of the requirements is to have net metering time of use rates for solar customers. The new meter will be able to register not only the electricity they receive, but also what is delivered.

Mayor Campbell asked if the new meter will remain interconnected to the power grid. Mr. Pierce said that is a question for the utility staff though it would register both the amount of energy consumed from the power grid, as well as the electricity that customer's solar system feeds back onto the grid, in comparison to only measuring the consumption of electricity.

Councilman Boyle referenced the old equipment that is being replaced, and asked if there is any data that supports these meters were less accurate.

Councilman Boyle reported there have been a lot of concerns from customers who felt their electric bills were increasing due to a higher number of kilowatt hours. Many residents feel they have used an extraordinary amount more in comparison to a year or two ago. He asked if this means the smart meters are a better and more accurate system when compared to a less reliable equipment.

Mr. McCullar informed Council there is a lot of industry data that has been accumulated from utilities throughout the United States that is used as a baseline. The actual data from Milford can be reviewed as the meters are being replaced.

Mr. McCullar emphasized the fact that these meters operate in real time versus periodically. A backcast can be done using the data which proves its own accuracy. The amount of losses can then be reviewed, that are currently now nonexistent.

Councilman Boyle said if there is a significant difference between the old and new meters in terms of accuracy, and asked if an adjustment can be made to better reflect the actual usage based on more accurate data available a year ago.

Mr. McCullar explained that when the annual update is performed, the City would take into account the load that is being billed and the amount of kilowatt hours being billed. That then becomes the denominator for the rate. If a higher consumption is found as a result of customers using more, or because meters are more accurate, that will be included in the annual review of the rate structure. For example, a 5% gain in registration, is a potential 5% increase in the denominator which would lower the total rate recovery the system requires. That could result in an opportunity for a rate reduction.

Mr. McCullar said that is part of the data that would be reviewed on an annual basis.

Ms. Lund then explained that would actually show up in Milford's losses. They looked at Milford's losses when UFS did the cost of service study. Whatever was billed was compared to what was purchased or produced, thus resulting in a loss.

She pointed out they know what Milford's losses were from the cost of service study. Milford will now be able to do a trending, which should show an improvement theoretically.

Councilman Boyle confirmed that should be available when the program is fully implemented and asked that information be tracked.

Mr. Norenberg added that one of the adjustments made, independent of the other corrections, was a small power cost adjustment, which was a negative. For 2018, the per kilowatt hour rate purchased from DEMEC was less than what was originally projected when the UFS study was conducted. As a result, that savings was passed onto our customers. DEMEC operates on a calendar year basis and is currently in their budget process which will result in updated rates for 2019. At that time, the City will work with UFS to provide updated information on the year three rate design approved a year and a half ago.

Mr. Price added that a lot more frequency of data will be available through fifteen minute intervals. They have been working on developing reports that can be used to insure more accuracy in a rate forecast.

He also reported that the system has a loss analysis component that can calculate those losses by way of a formula. For example, what is actually used, versus what is billed out to determine the loss analysis, will provide what is occurring at the time of the loss. The City could then use that data to pinpoint where in the system that is happening to better manage the distribution system.

Mr. Price pointed out that the meters are being replaced, but essentially 12,000 sensors are being added to the distribution system that had very few in the past. As time goes on, a lot more value will materialize.

Mayor Campbell then asked how Milford's UFS rate design interacts with DEMEC. Ms. Lund explained that UFS looks at the pricing signals DEMEC is sending Milford through their purchase power contract. They then send pricing signals through the rate design. The only thing they look at from DEMEC is purchase power costs and how they are charging Milford's utility. UFS will then determine the customer charge, kilowatt hour charge and demand rate.

Milford also has a power cost adjustment (PCA) and if the power costs go up or down over the base rate schedule, that is automatically passed onto Milford's customers.

Mr. McCullar further explained that the wholesale rate that DEMEC charges Milford is a single, unified unit rate. This provides the maximum flexibility to structure Milford's rate design for their unique mix of customer classes--industrial, residential, small business classes, etc.

Many municipal utilities will charge their municipal customers a demand charge and an energy charge. It is difficult to explain how that becomes a retail rate structure that works for the community. DEMEC took that out approximately twenty years ago and went to a unified wholesale rate for its members. That makes it much easier for the utilities to manage their retail rates and know their actual costs.

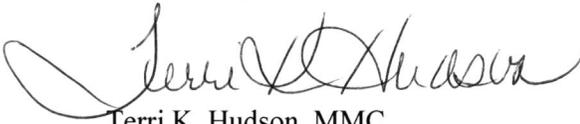
Mr. McCullar continued by saying that is done per kilowatt and includes all the cost components of power supply needed to deliver one kilowatt hour to this community. This is then projected across the entire load base, which includes all nine members and not just Milford. DEMEC has to acquire or generate a certain amount of energy to supply those needs throughout the year. They optimize their portfolio to deliver the lowest cost unit of energy first, before delivering higher cost units. However, the single unified rate is made even though there are about seven components to the power supply cost that DEMEC manages internally. That is how each member is charged per megawatt hour to recover those costs for a zero sum.

He finished by sharing that DEMEC recovers its cost in reserve only.

Mayor Campbell thanked everyone for attending and providing the information.

The Workshop Session concluded at 7:11 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Terri K. Hudson". The signature is fluid and cursive, with a large initial "T" and "H".

Terri K. Hudson, MMC
City Clerk/Transcriber

MILFORD CITY COUNCIL
MINUTES OF MEETING
October 22, 2018

A Special Recognition by Mayor and City Council took place in the Joseph Ronnie Rogers Council Chambers at Milford City Hall on Monday, October 22, 2018 beginning at 7:13 p.m.

PRESIDING: Mayor Archie Campbell

IN ATTENDANCE: Councilpersons Mike Boyle, Lisa Ingram Peel, Todd Culotta, Owen Brooks Jr., Douglas Morrow and Katrina Wilson

STAFF: City Manager Eric Norenberg, Police Chief Kenneth Brown and Deputy City Clerk Christine Crouch

COUNSEL: City Solicitor David Rutt, Esquire

ABSENT: Councilmembers Christopher Mergner and James Starling Sr.

RECOGNITION

Proclamation 2018-15/Boy Scout Troop 116/Appreciation Week

Mayor Campbell provided the following background that lead to this special recognition:

On Tuesday, September 11, 2018, a thunderstorm with heavy rain caused a flash flood in downtown Milford, leading to flooded homes and businesses.

Heavy rains fell on impervious surfaces and grounds already saturated from previous storms led to significant water intrusion as City Hall's basement flooded with water entering from various areas including concrete walls and ground.

The basement, occupied by the IT, Planning, Code and Inspection Departments, contained a large amount of equipment, along with active and archival records and documents. Direction from the State of Delaware Archival Division required record and equipment removal within a forty-eight hour window to prevent contamination.

A phone call was received from the Boy Scouts offering to assist with any storm damage. In response to what the staff here at City Hall was facing, within a few hours, Boy Scouts, Leaders and family members were gathering in the rear parking lot, preparing to assist with the removal and relocation of those items and any other action that was needed.

In less than one hour, hundreds of boxes of records and documents were moved from the lower level to a safe, dry place on the main floor by way of a human chain made up of Boy Scouts, Leaders and family members. Somehow, they managed the toilsome effort of passing the heavy and unwieldy boxes until they were all removed from the basement. Those visible in the council chambers are just a portion of the total number of boxes that were moved.

As a result, years of records were miraculously saved because of this action.

Mayor Campbell then asked all members of Boys Scout Troop 116 to come to the dias for the presentation of Proclamation 2018-15, which read as follows:

Office of the Mayor
CERTIFICATION OF APPRECIATION
presented to

Boy Scout Troop 116
Milford, Delaware

WHEREAS:

A great City is only as great as those persons who give exemplary service to their communities through either participation in voluntary programs, through unique personal achievements or through an act of good citizenry; and

Often, many services and acts often go unrecognized and unrewarded; and

Members, Leaders and Families of Boy Scout Troop 116 proved they are outstanding citizens and worthy of the esteem of both the community and the City of Milford; and

Jointly, they demonstrated untiring efforts and great dedication by answering an urgent call during a very vulnerable time, thus resulting in a significant contribution to this City.

Now, Therefore, I, Archie J. Campbell, of the City of Milford, do consider it an honor and a privilege to publicly recognize the following individuals for helping to preserve years of valuable City and historical records from contamination and deterioration as a result of a flooding situation at City Hall on September 11, 2018:

Krakon Patrol

Logan Huey
Nicholas Schreiber
Peyton Adams
Thomas Davis
Zachary Wilt

Spartan Patrol

Hayden Giuttari
Stephen Jones Jr.
Luke Stuzman
Nathan Nagy
Conner Wooten

Black Panther Patrol

Coty Holloway
Zach Wheyway
Zach Stutzman

Arrow of Light

Ben Stutzman

Scorpion Patrol

Alexander "Quinn" Humes

Adult Leaders

Bill Holloway Jr, Scoutmaster
Stephen Jones Sr, Asst. Scoutmaster
Steve Stutzman, Arrow of Light Leader
Derrick Giuttari, Committee Chairperson
Cynthia Wooten, Committee Chairperson Cub Scouts

Parents & Siblings

Lauren Corsiglia
Mike Wilt
Cassandra Schreiber

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the City of Milford to be affixed hereto this 22nd day of October 2018.

s/Mayor Archie J. Campbell
s/City Clerk Teresa K. Hudson

Mayor Campbell asked the Boys Scouts to remain and participate in the Pledge prior to leaving (moved from regular Council Meeting agenda).

INVOCATION AND PLEDGE

The Pledge of Allegiance followed the invocation given by Councilmember Wilson.

The recognition concluded at 7:19 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Terri K. Hudson". The signature is written in black ink and is positioned above the printed name and title.

Terri K. Hudson, MMC
Recorder/Transcriber

MILFORD CITY COUNCIL
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PRESIDING: Mayor Archie Campbell

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Owen Brooks Jr., Douglas Morrow and Katrina Wilson

STAFF: City Manager Eric Norenberg, Police Chief Kenneth Brown and
Deputy City Clerk Christine Crouch

COUNSEL: City Solicitor David Rutt, Esquire

ABSENT: Councilmembers Christopher Mergner and James Starling Sr.

CALL TO ORDER

Mayor Campbell called the Council Meeting to order at 8:04 p.m.

RECOGNITION

Proclamation 2018-11/Extra Mile Day

The following proclamation was presented in honor of Extra Mile Day on November 1st:

*Proclamation 2018-11
EXTRA MILE DAY*

Whereas, the City of Milford Is a Community Which Acknowledges That a Special Vibrancy Exists Within the Entire Community When its Individual Citizens Collectively "Go the Extra Mile" in Personal Effort, Volunteerism, and Service; and

Whereas, Milford Is a Community Which Encourages its Citizens to Maximize Their Personal Contribution to the Community by Giving of Themselves Wholeheartedly and with Total Effort, Commitment, and Conviction to Their Individual Ambitions, Family, Friends, and Community; and

Whereas, Milford Is a Community Which Chooses to Shine a Light on and Celebrate Individuals and Organizations Within its Community Who "Go the Extra Mile" in Order to Make a Difference and Lift up Fellow Members of Their Community; and

Whereas, the City of Milford Acknowledges the Mission of Extra Mile America to Create 575 Extra Mile Cities in America and Is Proud to Support "Extra Mile Day" on November 1, 2017.

Now Therefore, I, Arthur Campbell, Mayor of the City of Milford Do Hereby Proclaim November 1, 2018, to Be Extra Mile Day and Urge Each Individual in the Community to Take Time on this Day to Not Only "Go the Extra Mile" in His or Her Own Life, but to Also Acknowledge All Those Who Are Inspirational in Their Efforts and Commitment to Make Their Organizations, Families, Community, Country, or World a Better Place.

In Witness Whereof, I have hereunto set my hand and caused the Official Seal of the City of Milford to be affixed this 22nd day of October in the Year of Our Lord, Two Thousand Eighteen.

The City Clerk will forward the proclamation to Director of Media and Public Outreach Christine Ott at America Extra Mile Organization.

COMMUNICATIONS & CORRESPONDENCE

City Manager Norenberg reported the Chamber of Commerce is holding the rescheduled rain date Riverwalk Freedom Festival Duck Dash and Fireworks this Friday night.

In addition, Parks and Recreation will host Fright Night at their office site from 6:00 to 8:00 p.m. on Saturday night and again on Wednesday, October 31st.

Mr. Norenberg then announced the City of Milford was chosen as Kent County Tourism’s 2018 Village of the Year. The City will be recognized at the Annual Celebration of Tourism Luncheon and Awards Ceremony on Friday, November 9th.

In addition to the town’s recognition, Downtown Milford, Incorporated, Chamber of Commerce for Greater Milford and the City of Milford Parks and Recreation Department will be recognized at the luncheon for their efforts in creating a tourism destination.

UNFINISHED BUSINESS

Adoption/Ordinance 2018-23/Chapter 204/Taxation/Milford Lodging Tax

IMCA Fellow Evan Miller provided a quick overview of the new ordinance.

He recalled that earlier this year, the City of Milford submitted Senate Bill 264 to amend the City of Milford’s Charter and allow a lodging tax be imposed of no more than 3%.

Currently, the State of Delaware currently collects a lodging tax of 8% on rooms within hotels, motels and tourist homes as defined in §6101 of Title 30 of the Delaware Code. The 8% is then distributed as follows:

- 5% toward the State’s General Fund
- 1% toward the Beach Preservation Program (Beach Replenishment)
- 1% toward the local Chambers of Commerce
- 1% toward the Delaware Tourism Office

During the last legislative session that ended in June 2018, the City of Newark, Town of Middletown and City of Milford submitted Charter changes to the General Assembly that mirrored state law and authorized each to enact and collect a lodging tax of no more than 3%. In early September, Governor Carney signed those bills into law and since, City staff has developed an ordinance to authorize the levy. The 3% charged by the City of Milford would be in addition to the State’s existing 8%, for a total of 11% tax.

It would be assessed on any room or rooms in a hotel, motel or tourist home located in the City of Milford. The tax will not apply to rental properties or bed and breakfast style establishments.

Hotel lodging taxes are primarily paid by visitors, which reduces the tax burden on residents. Out-of-town visitors depend on our police service, roads, infrastructure and other City services. Furthermore, visitors come to Milford for a number of reasons including our Riverwalk and regular events. A lodging tax would more fairly distribute service and infrastructure costs generated by the City to all who use them.

Visitors are looking for location as their primary objective when searching for lodging. Additionally, research shows that hotel taxes have a negligible impact on tourism due to it being a small fraction of the overall trip costs. For example, a visitor paying a room rate of \$150 per night would pay only \$4.50 more in tax each night.

Room Rate Per Night	Current Tax	Proposed Tax	Net Change
\$100	\$8.00	\$11.00	\$3.00
\$150	\$12.00	\$16.50	\$4.50
\$200	\$16.00	\$22.00	\$6.00

\$250	\$20.00	\$27.50	\$7.50
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For comparison purposes, the City of Baltimore, their lodging and sales tax is 15.25%.

When asked where the revenues would go, Mr. Norenberg stated that presently the 3% would supplement the general fund to support the police, parks and recreation, street improvements, administration, etc. Once the numbers can be monitored, it can be determined if it should be designated for a specific purpose.

Councilman Culotta asked how this compares to local municipalities such as Georgetown, Dover, Lewes, etc. Mr. Miller reiterated that the City of Newark and the Town of Middletown both submitted changes that mirror this ordinance. There are other municipalities currently in the process of having their charters changed to allow this to be done in their jurisdictions.

For example, Mr. Miller splits his time between the City of Milford and the City of Rehoboth Beach, and Rehoboth has now drafted a charter amendment to enact a lodging tax that will be addressed when the General Assembly reconvenes.

Councilmember Wilson feels this is a smart move. In this manner, visitors are paying a small fee in lieu of having to increase property taxes for Milford's property owners.

Councilmember Culotta said the downside is if we bill a hotel that is going to support the DE Turf Sports Complex, it can be built north of Milford to prevent their customers from paying the 3% tax. Or they can come to Milford, because we have better services and infrastructure and pay the 3%. He feels that the projected \$69,000 is not a lot of money, but as Milford continues to grow and attract business, it should be reviewed periodically to make sure we are competitive with local towns of similar size like Georgetown and Seaford.

Councilmember Wilson feels that this is giving the City a piece of a tax that is already being collected by the State of Delaware and instead will be used in a town where those visitors are actually using our streets and services.

Councilmember Culotta argued that the State tax will be paid regardless of where someone goes, but Milford is now adding onto it. If he was a hotel investor, this would influence his decision.

Mr. Norenberg explained the original bill planned back in March or April of this year, was to create a uniform environment statewide to allow municipalities with hotels and motels to assess up to the 3%. A potential conflict was discovered with some existing gross receipt lodging type taxes with some of the beach communities. Therefore, the rest of the non-resort towns agreed to hold off and instead do a charter amendment. That is the reason three municipalities worked to get this accomplished before the end of the session.

He believes Harrington, Georgetown and Rehoboth Beach, are just a few of the municipalities moving in that direction for the next session. By the end of 2019, the majority of Delaware towns will be on the same playing field with local lodging fees.

It was noted that when most people travel, very few look at the bill and dissect the taxes that are paid per night. On average, taxes run around 18%.

Councilman Boyle feels this is low and will be consistent with other towns and less than most states. He also pointed out that Milford is attracting more activity and visitors that are costing the City to support such events.

Mayor Campbell opened the floor to anyone present who wished to comment. No one responded and the floor was closed.

Councilmember Boyle moved to adopt Ordinance 2018-23 amending Chapter 204 to impose a 3% lodging tax, seconded by Councilmember Peel:

*Ordinance 2018-23
Amends Chapter 204*

Whereas, tax revenues are essential to the City's ability to provide quality services to its residents and to finance government operations, for the health and welfare of the City of Milford and those who live, work and visit here; and

Whereas, residents and property owners benefit from public services though still need relief from the full financial burden of those programs; and

Whereas, while the full cost of these programs is not covered by the fees and real estate taxes collected, it is necessary to find local supplemental revenues to continue providing services that are essential to the health, safety, welfare and economic well-being of our residents, businesses and property tax payers, as well as those visiting the City of Milford; and

Whereas, the City Council finds it in the public interest of the City of Milford to enact a local lodging tax of three (3) percent, the proceeds of which can be utilized as General Fund dollars to support such services as police, fire and parks, as well as planning, economic development and administrative support; and

Whereas, in accordance with 22 Del. C. §811, an Ordinance amending the Charter of the City of Milford and permitting a local lodging tax, was approved by the City Council of the City of Milford on June 11, 2018 and signed into State law by Governor John Carney effective September 4, 2018; and

Whereas, City Council wish to Amend Chapter 204 of the Code of the City of Milford relating to Taxation.

Section 1.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF MILFORD:

The Council of the City of Milford, by duly enacted ordinance, hereby levies a local lodging tax of three (3) percent of the rent, in addition to the amount imposed by the State of Delaware, for any room or rooms in a hotel, motel or tourist home, as defined in § 6101 of Title 30, that are located within the boundaries of the City of Milford, in the form and manner as follows:

Section 2.

Amend Chapter 204 of the Code of the City of Milford by adding a new Article V entitled 'Local Lodging Tax' to read as follows:

Article V. LOCAL LODGING TAX

§204-13 – Local Lodging Tax.

- (A) A local lodging tax is hereby levied of three (3) percent of the cost of the rent, in addition to the amount imposed by the State, for any room or rooms in a hotel, motel or tourist home within the boundaries of the City of Milford, and as defined in 30 Del. C. §6101.*
- (B) The local lodging tax, pursuant to this ordinance, is the responsibility of the occupant of the room and shall be collected at the time the rental is paid. Operators of the hotel, motel or tourist home are responsible for the collection of the local lodging tax and the remittance of the taxes to the City of Milford within 20 days after the end of each calendar month, in accordance with procedures established by the City Manager and using forms designated by the City Finance Department. The tax imposed shall be shown on the billing to the occupant as a separate and distinct item.*
- (C) No local lodging tax pursuant to this ordinance shall be collected for reservations or contracts for lodging executed or completed before January 1, 2019.*

SYNOPSIS

There is imposed and assessed a local lodging tax at the rate of 3% of the rent upon every occupancy of a room or rooms in a hotel, motel or tourist home within the City of Milford, to be paid by the occupant.

*Section 3. Dates.**Introduction: October 8, 2018**Adopted: October 22, 2018**Effective: January 1, 2019*

Motion carried with no one opposed.

Authorization/Funding Appropriation/Police Department/Engineering Proposal/HVAC

City Manager Norenberg presented the proposal from Gipe Associates Incorporated to evaluate the needs of the HVAC system at the existing Police Department.

The proposal was received in late September. However, he noted there are some later items that may need to be discussed before a final decision is made to authorize the funding from General Fund Reserves. Chief Brown said he had nothing to add at this time.

The matter was tabled for action to be taken later during the meeting.

NEW BUSINESS*Authorization/Funding Appropriation/Planning & Code/Inspections Departments/Modular Offices*

Mr. Norenberg recalled this being discussed at the last meeting, action delayed and the reason it is being presented tonight.

Mr. Pierce stated that in a follow up to the October 8, 2018 report, staff has obtained a proposal for a modular office trailer from William Scotsman. They also provided modular offices for the City of Rehoboth and Bayhealth during recent renovations. The purpose is to provide temporarily housing as the Planning and Code/Enforcement Department staff evaluates longer term solutions.

Included was a proposal of \$1,800 per month, a diagram showing the floor plan and the physical characteristics of the mobile office, along with a site plan showing possible locations for the temporary unit on City Hall property. The City has submitted an application with the State Fire Marshal's Office and awaits their comments before finalizing the details on the location of the unit.

A six-month quote was also received. That reduced the cost by approximately \$100 per month for a minimum six months, which concerned him based on the timeline of where they would end up permanently.

Of the total costs, mobilization and demobilization made up about \$10,000.

After Mr. Pierce completed the memo, it was determined the fire marshal did not like the option shown close to the building. However, a new location was determined that will require electric and network cabling be extended by the Electric Department. In addition, some network hardware and wiring will need to be purchased. Estimates are available that include some contingencies.

It is recommended that \$20,000.00 be appropriated from General Fund Reserves to cover a three-month lease and expenses associated with mobilization and demobilization of the unit.

Mr. Brooks asked why public works or the armory couldn't be used. Mr. Norenberg stated that the public works facility is heavily used right now. One of the challenges is having to direct people to the facility off Airport Road which often causes confusion. In addition, the goal was to keep staff located downtown where customers are used to finding them.

The armory has more accessibility and IT issues that exist here. There are no capabilities of connecting to the City network and temporary accommodations would need to be built. Installing and repairing the HVAC system would be required, in

addition to roof repairs. That is part of the reason they were hoping an organization could use the building in exchange for the many upgrades that are needed and the reason Council was leaning toward this plan for the short term.

City Accountant Suzannah Frederick was present and confirmed that ground (rain) water is not covered under the normal insurance policies, as is the case with the City Hall basement flooding.

Mr. Norenberg added the other advantage is not having to move everything with the staff. Staff, computers, printers, telephones, etc. would be moved. The boxes of records would remain here to be available when needed.

Councilman Culotta feels this is an urgent or emergency situation. He asked why the City Manager does not have the power to do this without coming before Council. To his point, if a permit is needed in Milford, that person comes to City Hall to meet with Rob and goes through the process. And that is why that staff need to be working out of this building. He again asked why Mr. Norenberg does not have an emergency budget for something like this, that would provide the ability to make those decisions and allow staff to continue working.

Councilmember Wilson and Peel both stated he does have that right. Mr. Norenberg explained he has the authority to approve certain contracts and purchases up to \$50,000. However, the money is not appropriated to be spent in this manner and the reason it was brought before Council at the last meeting. He also wants Council to provide feedback on the longer term solution as quickly as possible, though many locations have been explored, including the customer service building. Unfortunately there are a lot of challenges related to that building as well, especially with the second floor, ADA and fire emergency access, egress, weight bearing load issues, etc.

This is the reason this seems to be the best short term solution.

Councilmember Morrow recommended using the Mayor's Office and the Conference Room temporarily. It was confirmed this involves five employees. He feels we can do without the conference room for the next three to four months.

Councilmember Wilson seriously asked the Public Works building be considered. She cannot see it being used to its full capacity which would prevent these five employees from moving there. She agrees we do not want to inconvenience our residents, but at the same time, this is an emergency.

Councilmember Morrow asked if there are extra offices at the customer service building; Mr. Norenberg reiterated the concerns using the second floor, in particular the maximum weight that is permitted. From a long term standpoint, it would be a challenge.

Because of the expense involved in moving staff to any building, the most efficient manner would be to have them set up in the parking lot using a mobile unit, though that involves the monthly lease fee.

Councilmember Wilson does not remember the conversation and in particular, she does not want to question someone's work after it was authorized. She would have felt the same way at that time, and asked why not consider a cramped situation temporarily and using our own facility versus spending this amount of money for a trailer, in addition to the cost of the electrical and other work that will be needed.

Councilmember Morrow thought there was an extra office in the Finance Department and suggested moving two employees in the Mayor's office and conference room and one or two people to finance. Ms. Frederick confirmed there are no available offices in the Finance Department.

Mr. Pierce emphasized it could be longer than six months and the majority of the cost will run around \$10,000. He confirmed this option would keep the staff close to the current work flow situation for those employees and the public. Customer service collects the money for his department and building permits are picked up here. They hoped to be able to add staff there, but there is a lack of floor space and the use of the upstairs is off limits until major renovations can be completed which will cost a considerable amount of money.

He said he is willing to do whatever Council wants, but this was an option and to move things along quicker, he obtained the

proposals.

Mr. Pierce agreed to check and make sure the monthly fee does not increase after three months and feels it may go down if locked in for a longer period of time. He will obtain confirmation in the meantime.

It was agreed that money will need to be spent to allow this department to function as needed and provide a fairly decent work environment for its employees.

Councilmember Morrow asked if there are any extra offices or room in the DMI house next door. Mr. Norenberg said there is less room that is available at City Hall. The upstairs is used as the tenant space for the director and the first floor has the office space for a few staff members. The dining room is their conference room and they have a small kitchen. They meet at City Hall because of the lack of space in the house.

Mr. Norenberg offered to take the next three weeks to do a cost evaluation of moving staff out to public works though he estimates it will be close to the cost of leasing a modular office. Councilmember Wilson said the wiring and electric exists and it should only involve setting up individual computers and printers, which can be handled by our IT staff.

It makes sense to her that the public works facility be used. She noted that these are the same departments that used to work out there and questioned why there is no additional space.

Councilman Culotta asked how many of the five employees need to be accessible to the public; Councilmember Wilson said they are all accessible to the public. Councilman Culotta said the only problem seems to be that people are informed they have to go to public works to get any permits as opposed to City Hall.

Mr. Pierce pointed out that his department needs to work together in the same place, whether it is at public works, city hall, customer service, finance building or in a modular office.

Councilman Boyle believes that depending on what is discovered, he anticipates more than a year before the lower level is waterproofed and corrected.

Mr. Rutt asked considering purchasing a modular office. A discussion followed about whether to purchase a used modular office.

Mayor Campbell likes the idea of moving them back out to public works because they were already there and believes there is enough room to accommodate them.

City Manager Norenberg said he was also told that Council preferred to keep staff downtown and minimize disruption to the customers and one reason they looked at customer service before ruling it out and considering the modular. It took months before our customers stopped going out to public works to pay bills and get permits after they left that facility. We still have customers on a regular basis come to City Hall to pay their bill or set up a new utility account. He agrees that customer confusion is something that should be avoided, particularly with the increase in building permits.

Mr. Norenberg would not be surprised if this cost could be covered with the increase in revenue from the building permits.

Councilmember Culotta recommends providing the City Manager an option that is available should a similar situation occur or that Chief Brown may need for a police situation.

It was agreed that if a new modular office can be purchased for \$30,000 to \$40,000, it is worth checking into. In addition, further evaluation and the cost of a new unit should be considered, as well as a cost analysis completed of moving staff into the conference room at public works.

Mr. Norenberg confirmed the public works crew was directed to complete the abatement and make sure nothing else is left in the basement that might be contaminated and causing an issue. The City Engineer is also working on the specifications of waterproofing and remediation with an estimated proposal of \$200,000. The project will require a formal bid proposal as a

result.

Councilmember Boyle moved to direct the City Manager and Planning Director to investigate the possibility of purchasing temporary quarters that the City could use in the future for additional purposes, and include a cost analysis option of moving the department to public works, seconded by Councilmember Peel. Motion carried.

DEMEC/Municipal Electric Utilities Renewable Portfolio Standard 2017/2018 Compliance Year Report

City Manager Norenberg stated that the annual report for the Renewable Portfolio Standard 2017/2018 is included in the packet, in addition to previously being emailed to Councilmembers. Acknowledgment of the report by DEMEC members is required by statute.

Councilmember Brooks moved to acknowledge receipt of the 2017/2018 DEMEC Municipal Electric Utilities Renewable Portfolio Standard Compliance Report, seconded by Councilman Morrow. Motion carried.

Adoption/Resolution 2018-19/Schedules Halloween Trick or Treat

Councilmember Peel moved to adopt Resolution 2018-19 Trick or Treat Schedule, seconded by Councilmember Wilson:

*RESOLUTION 2018-19
Halloween Trick or Treat*

WHEREAS, the children of Milford are entitled to the fun and festivity associated with the observance of Halloween Trick-or-Treat custom of traveling with friends and family going door to door in their neighborhoods displaying their costumes and gathering treats; and

WHEREAS, parents are urged to join in the festivities by accompanying their children throughout their journeys in celebrating Halloween Trick-or-Treat; and

WHEREAS, residents are requested to indicate their willingness to welcome children by keeping their porch or exterior lights on and that youngsters call only on homes so lighted.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council, that the Halloween Trick-or-Treat observance be held in an orderly manner on Wednesday, October 31, 2018 between the hours of 6:00 P.M. and 8:00 P.M. in the City of Milford.

AND, BE IT FURTHER RESOLVED THAT:

**Only celebrants of 12 years and under will be permitted to engage in Trick-or-Treat.*

**All celebrants are to refrain from committing acts of vandalism or destruction.*

**Motorists are asked to be ever watchful of our youngsters making these annual rounds.*

Motion carried.

EXECUTIVE SESSION

Councilmember Peel moved to go into Executive Session reference below statutes, seconded by Councilmember Boyle:

*Pursuant to 29 Del. C. 29 §10004(b)(4) Collective Bargaining Matters
Pursuant to 29 Del. C. 29 §10004(b)(2) Site Acquisition*

Motion carried.

Mr. McCullar continued by saying that is done per kilowatt and includes all the cost components of power supply needed to deliver one kilowatt hour to this community. This is then projected across the entire load base, which includes all nine members and not just Milford. DEMEC has to acquire or generate a certain amount of energy to supply those needs throughout the year. They optimize their portfolio to deliver the lowest cost unit of energy first, before delivering higher cost units. However, the single unified rate is made even though there are about seven components to the power supply cost that DEMEC manages internally. That is how each member is charged per megawatt hour to recover those costs for a zero sum.

He finished by sharing that DEMEC recovers its cost in reserve only.

Mayor Campbell thanked everyone for attending and providing the information.

The Workshop Session concluded at 7:11 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Terri K. Hudson". The signature is fluid and cursive, with a large initial "T" and "H".

Terri K. Hudson, MMC
City Clerk/Transcriber