

CITY OF MILFORD
Milford City Council
Minutes of Meeting
November 17, 2020

The City Council of the City of Milford met by way of video conferencing on November 17, 2020 for a Council Workshop/Retreat.

PRESIDING: Mayor Archie Campbell

IN ATTENDANCE: Councilpersons Daniel Marabello, Mike Boyle, Andrew Fulton, Todd Culotta, Brian Baer, Douglas Morrow, Jason James Sr. and Katrina Wilson.

STAFF: City Manager Mark Whitfield and City Clerk Terri Hudson

In an effort to adhere to social distancing protocols and best practices imposed by Governor Carney's State of Emergency Declaration effective March 13, 2020, the City of Milford has canceled all public gatherings until further notice. See November 17, 2020 Council Meeting agenda for additional information.

CALL TO ORDER

The Council Workshop convened at 5:46 p.m.

City Manager Whitfield thanked everyone for attending the meeting tonight. He explained that this is the first of a couple of retreats meetings that are planned. Tonight's meeting is to focus on the finance aspect of the City. The next retreat will cover planning and economic development, as well as open space. The third retreat will be with the facilitators to figure out how to move forward after hearing all of the information presented at the previous retreats.

General Fund Strategies

General Real Estate Tax

Real Estate Transfer Tax

General Fund Reserve Funding Police Officers

Real Estate Transfer Tax Funding of Police Officers

Funding for Equipment Replacement Fund

Funding for General Fund Portion of Customer Service expenses

Interdepartmental Fund Transfers

Finance Director Lou Vitola discussed the first item on the agenda--General Fund Strategies. He explained how it was broken into components that were isolated to illustrate the impact of each component. He noted that the tax rate has not changed 2007 and talked about the assessed value and the impact of growth in terms of parcel counts at volume growth and then the potential increase in revenue attributable to the value per parcel over time. While rates haven't changed, the revenue experience has increased and individual private property owners' taxes could go up substantially as a woman he spoke to today on the phone pointed out simply because they haven't gone up in 13 years.

In addition to the underlying growth or the property tax revenue increases due to growth, we also need the part that's attributable to rates broken out because our expenses don't discriminate and our expenses don't behave in a way that we can decide or choose over this time frame expenses have increased, both as a function of the growth because we need to expand our services based on our footprint, infrastructure and everything else.

He said that to meet the needs associated with that growth, while at the same time the underlying rates that drive our costs are also changing with something like inflation. There's inflationary pressure with wages and benefits and similar factors that drive the majority of the operating budget.

Mr. Vitola referenced a graph of property tax revenue consisting of years 2004 to 2020. In 2007, the rate increased from \$0.41 to its current level of \$0.46 per \$100 assessed value (AV).

In the general fund, personnel is the number one cost-driver. The City is growing in the number of people count; though the revenue of property taxes has not increased so the underlying growth which will not be enough.

Mr. Vitola explained that if rates are increased at the minimum of one penny per hundred of AV, it would have closed the funding gap by \$2 million, and the steepness of the revenue line would have mirrored that of the expenditure line, even if the total general fund expenditures continued to far exceed the property tax revenue.

During the years of 2004 through 2020, most of the growth and parcel count in the City occurred during the first decade. In the last six years, that growth has declined to only a couple hundred. During the years of 2004 through 2014, the growth rate was 5.8% and during the years of 2014 through 2020, declined to 0.5%. The value per parcel has picked at some of the property tax growth. There is a lot of permit activity currently going on in the City as well.

Mr. Viola explained that the recommendation is not to increase property taxes for the sake of lagging CPI or flattening of parcel count growth. The recommendation is due to unfunded operational expenditures in the general fund for which there is not enough revenue to match. He stated that the City is out of one-time revenues, such as the general fund reserve balance that is being reduced to \$270,000 at the end of the year. The real estate transfer fund (RTT) account cannot be relied on if the goal is to achieve a structural balance in the budget.

Mr. Vitola then discussed revenue figures for the FY22 general fund. The cost of service rates for water, wastewater, electric and solid waste has increased. To achieve things such as structural balance and a margin sufficient to build reserves, no revenue can be extracted from the utility funds.

Mayor Campbell pointed out a lot of the parcels are not completed yet; Mr. Viola replied that is true and we are not sure what the future holds, but the hope is that improvements are made to those parcels to increase revenue.

Councilman James asked how many of those parcels included in the graph are yet to be improved. He added that may provide additional information on potential revenues over a period of time.

Mayor Campbell also asked the number of parcels that have been averaged per year. Mr. Viola replied that it has been fewer lately; he is unsure about the pace of permit approvals. In the last six years, there were 200 new parcels in the property tax file. It was higher in the prior period though that pace has slowed down. Mr. Vitola pointed out that even if there is room for growth, the demands of those new residents and businesses will also increase. As a result of that growth, there will be associated expenses that may or may not eclipse the incremental revenue.

Councilman Fulton stated that the Court of Chancery on May 8th declared that there would be a risk assessment because y Delaware had violated the Constitution of the State with all three counties doing their reassessment of their property values which resulted in not properly funding the school districts. When the reassessment is done of all of the properties, Councilman Fulton asked if that would affect the charts that are being presented. Mr. Vitola replied that he did not believe so. The City of Milford has its own assessment and the state ruling resulted from each County not updating its assessment in decades. The City of Milford has been updating their assessments every ten years and believes that the City would fall outside of that scope.

Councilman James asked when the next tax reassessment was due to be done. Mr. Vitola replied that he was not sure of the date. City Manager Whitfield stated that it would be due in the Fall of 2021. Councilman Morrow pointed out that when a reassessment is completed, the tax rate has to be rolled back. So, every assessment does not include a property tax increase.

Mayor Campbell asked if a new assessment is done when a new home is built; Mr. Vitola replied that the assessment is based on when the last tax assessment was completed. For instance, if it was completed five years ago, that is what the price would be based on and not today's market value. This allows for all taxpayers to be on the same level with respect to assessed and market values.

A discussion was held about the property tax reassessment process. Mr. Vitola believes that there is a limit of how much revenue can be increased as a result of an assessment. Therefore, it cannot be used as a veiled tax increase. The intent of a reassessment to update the assessed value to current market values, while learning property tax revenue is unchanged. Councilman Morrow added that Mr. Vitola is correct and that information is included in the City Charter.

City Clerk Hudson noted there is a State law that prevents an increase in your tax bill due to a higher property revalue. The last two revaluations that were completed, the tax rate was rolled back to stay the same. However, a tax increase was then enacted which caused the rolled-back rate to increase to the same rate in place before the revaluation. In order to do that, Council had to adopt an ordinance to 'increase' the tax rate to 46 cents.

Mayor Campbell shared the City is currently looking at up to \$480,000 in delinquent taxes and could that change the revenue chart; Mr. Vitola replied those are past due amounts that are owed to the City and a separate matter.

Councilman Marabello asked about figure D and if the number shown is a projected SERP deficit; Mr. Vitola replied no; that is assumed so it is the actual deficit from the FY21 budget that was adopted by Council.

Councilman Marabello commented that when he reviews the previous statements, there seems to be a repetitive process that we always take the expenses on the budget which means we always are lower than the budget. He asked if the plan was to continue to do that type of work and Mr. Vitola replied it is smart and helps to be conservative. He added that we can alleviate the need for a tax increase to the magnitude of 10.8 cents by improving the forecasting and being more realistic with the budget process.

Mayor Campbell asked what the recommendation was for properties that have delinquent property taxes with deceased owners; Mr. Vitola replied that using the County process is probably the most efficient and cleanest way to manage that process.

Councilman Culotta the legal limitations were on the processes of selling properties that have delinquent property taxes. Mr. Vitola said he is unsure and deferred to Solicitor Rutt. Mr. Vitola pointed out that if the City were to purchase a property, all of the liens for the property would need to be paid and many of the delinquent property taxes would be written off or paid to the County. Therefore, it could be costly to the City to do that depending on what is owed on the property. He added that since we are an eminent domain, some of those fees could be written off but that again is a question for Solicitor Rutt.

A discussion was held about people that have not paid their property taxes for several years and how that is unfair to those that pay their property taxes. Mr. Vitola agreed that people that do not pay their property taxes are putting a burden on every other resident. Mr. Vitola bases his projected numbers on those that may not pay their property taxes; however, the City will work hard to get those unpaid taxes paid.

Councilwoman Wilson shared that over the years, Council has looked at the reserve accounts and was very excited about what was there. The deficits have never been presented other than in the audit reports. Over the years, there has not been a rate increase although it has been discussed instead Council chose to allow the reserve accounts to bail us out. At this point, Councilwoman Wilson understands we can no longer operate like that. To keep up with the growth, everything needs to be looked at and rates increased as needed.

Councilman Boyle asked Mr. Vitola if it is realistic to think he will be able to learn the function of his department prior to the budget cycle since he is new to his job. He is relating to the bigger, overall picture of where the City stands and if a deficit budget is being run, along with opportunities to reduce expenses, to bring things more in line with income. Mr. Vitola replied yes that he is planning to look at all hard costs and at ways to cut costs. He will look at every department and challenge them to look at their wants lists.

Councilman James shared his appreciation for the transparency that Mr. Vitola provides for the citizens of Milford. He believes that it is important to look at all costs to mitigate any proposed increase and other alternatives. Councilman Fulton reminded everyone to be aware of these points when requests are being made to Council to be taken out of the general fund. He believes that it needs to weigh heavily on what is needed in the budget.

Mayor Campbell suggested that when a department head submits their budget request, it should come out to a balanced amount. He believes that a harder stance should be taken with those that owe delinquent taxes and unless we push them, most of them will not pay.

Mr. Vitola agreed with both points and added that the past due property taxes will not have a huge impact on the City's revenue. If all of that revenue were to be collected, it would be a one-time cash infusion of those past years that were recovered. The City Solicitor and the County Sheriff should work together to get those delinquent taxpayers to pay. With respect to the budget requests, the City is ultra-conservative on the revenue side and conservative on the expense side. That allows room for error on both sides so that there is not a need to come back for additional funds.

A discussion was held about adding an equipment replacement reserve fund into the budget as a line item. Mr. Vitola shared that he does not believe that can be fit into the budget at this time due to other pressing items.

Councilman James thanked Mr. Vitola for the detailed explanations that are being provided tonight.

Councilman James recommended doing projections for the next three to five years and Mr. Vitola agreed.

Mr. Vitola then moved on to discuss the structural imbalance of the general fund. He pointed out that even when a budget is balanced, it could be truly imbalanced from a structural nature. This means that one-time revenues or irregular revenues are used to close the budget gap.

Realty transfer tax appears to be recurring and sustainable year after year. However, the funding source cannot be considered reliable or sustainable in the context of a structurally balanced budget. The funding is not reliable due to its unpredictability and sensitivity to conditions beyond the City's control. Over the last fifteen years, RTT receipts have ranged from a low of \$260,000 to a high of nearly \$2 million.

Mr. Vitola shared that the City of Seaford treats RTT as a nonrecurring one-time revenue source that could disappear at any moment. He would like to see Milford get to that point one day. Other towns use RTT 100% for the operating budget though they are the much larger cities. He believes that 100% of those RTT funds should be pulled aside and not relied on to balance the budget each year. The ability to receive RTT funding is beyond the City's control and rests with the State legislature. A change in state law could quickly reduce, eliminate or otherwise impact the availability of RTT receipts.

Councilman James pointed out the code states that RTT can only be used for certain things and when this is fixed, it would need a code change. Mr. Vitola respectfully disagreed with Councilman James stating the ability to spend RTT on those items is a function of state code enabling legislation when RTT was first shared. They could replace all of that language with anything you want to spend that money on. He would not recommend changing that language because that would restrict all of the future Councils from being able to use RTT receipts for things that the State of Delaware always intended it to be used for. Mr. Vitola recommends keeping the code stay in place and not restricting RTT to capital expenses, then assign that fund balance to operating expenses. Mr. Vitola hopes to be able to achieve a structural balance by FY2023 which would mean the City would stop authorizing those funds for use in the operating budget and instead enable them for operating expenditures.

Councilman Marabello believes that RTT should be used for capital items; he asked what the assumption would be for RTT in the future. Mr. Vitola replied that he was not sure and would estimate \$500,000 again. Councilman Marabello suggested doing a phasing out of the general fund of five years. Mr. Vitola replied that it was a good idea that can be looked into.

Mr. Vitola then discussed inter-fund transfers and that Council has done a great job of keeping everything stable and has not heavily relied on this fund. The electric fund generates a strong margin and pays the City back for having a public power utility. His recommendation would be to continue its demonstrated practice of limiting the electric fund transfer to \$2.5 million.

While direct transfers of utility operating margins are a method of providing a return to governmental funds as a payment instead of taxes or a form of equity contribution, other inter-departmental and inter-fund transfers serve as a cost-allocation method. The finance and administrative departments strive to reflect the true cost of service on a department by department, fund by fund basis. Over time, the structural imbalance in the general fund has required an under-allocation of shared service costs to the fund. Ideally, the FY22 budget would reflect an updated cost allocation supported by revenue enhancements.

Mr. Vitola then discussed equipment replacement funding and that staff recommends the establishment of an equipment replacement fund through the practice of cash-funding the City's general fund vehicle and equipment depreciation expense each year. The recommended amount will be determined as part of the FY22 budget process.

Councilman James asked if a policy would be looked into about when the assets would need to be replaced; Mr. Vitola shared that work is already underway by the new Public Works Director and may also be a part of the three to five-year CIP plan.

When asked when the future asset replacement figures were expected, Mr. Vitola replied that he has the figures that are included in the packet but the draft policies are not yet completed.

Councilman Boyle thanked Mr. Vitola for his work and explanation of the processes.

Economic Development Funding

Sale of Business Lots

DMI

KEP

Internal Economic Development Position

City Manager Whitfield then discussed the economic development fund. This fund was created at one point for various purposes, including the acquisition of open space land, parking lot improvements, contributions to DMI, the museum and the library, etc. In the past, it was used to fund the Planning and Economic Development position. Due to the recent slow

down in lot sales in the business park, the fund has been nearly depleted. Once all lots are sold in the business park, there is no foreseeable income to the fund. Therefore, Council will need to consider other funds for the continuation of the City's contribution to these activities, and reduce or eliminate contributions.

Councilman Fulton talked about no longer funding KEP and Councilman Culotta agreed and believes the economic development position is vital to the growth of Milford. Councilman Fulton added that if this person is on Milford staff, they will be selling Milford and not the rest of Kent County.

Councilman James agreed with Councilman Fulton and Culotta in that the City needs control of this position to create economic development to maximize our growth to increase the tax base.

City Manager Whitfield stated that it is just not about growth but also about retention. Some businesses are struggling that we should be helping to prevent their closing. He believes that it is important to retain the businesses that are already here and build on those relationships.

Councilman Boyle agreed that this position should move forward and recommends this person work closely with the Chamber of Commerce. That will have a much bigger impact on the City than to continue paying KEP.

Councilman Baer shared that he looks forward to filling that position and feels it is vital to have someone involved in community engagement and economic development.

Councilman Marabello suggested setting up a budget for short term loans to help people start businesses. Councilman Culotta suggested tax incentives to get the lots sold in the business park. City Manager Whitfield replied that Director Pierce suggested incentivizing lots for health care.

Councilwoman Wilson agreed with the comments about the position and how it would help the City. She also agreed the City should not continue funding KEP.

Councilman Culotta asked if DMI needs a full-time employee. If there was not a DMI, could the committees run the various events, and would the City have the ability for grants as our classification could change to being a downtown entity. He also asked what type of grants they received to help over the three to five years. City Manager Whitfield replied offered to ask DMI to prepare a presentation for Council to answer those questions.

Councilman Boyle asked if they were still a viable organization or are they going to go away; City Manager Whitfield replied that he is under the impression they want to continue and have a person filling in in the Director's role.

Councilman James would prefer for DMI to become more self-funded.

Councilman Marabello pointed out all of the involvement downtown and events that DMI does though it has been difficult this past year due to the pandemic.

Councilman Culotta pointed out that DMI can still exist, but he questions whether they need a full-time staff position.

Councilman Boyle pointed out that a lot of the positive publicity that is received is due to the efforts of DMI.

Councilman Baer shared that DMI has a small business loan program for \$20,000 and is also currently assisting a new small business.

*Capital Project Funding**MSA**Real Estate Transfer Tax*

Mr. Vitola then discussed Capital Project Funding. He said there is an interest in making sure that funding is available for the street repairs identified annually by the public works division. Mr. Vitola shared that Municipal Street Aid (MSA) is a lot like RTT with appropriated amounts of money spread to various municipalities and that funding has been tighter than in the past. They are still pretty liberal and can be used for things like street lighting and operating expenses in the street department. He recommends Council continue to authorize MSA funds for only streets.

Although the fund is almost depleted, there will be another \$273,000 received next fiscal year assuming that the state reallocates the same level next year. The hope is that Council continues their practice of authorizing these funds for street repairs. Mr. Vitola reminded Council these funds can be taken away at any given time.

City Manager Whitfield added that all streets were reviewed and a schedule created in which to repair those in poor condition.

Mayor Campbell asked if some of this money received from local State Representatives. City Manager Whitfield replied that each year, state legislators reach out to him for eligible streets that qualify for Community Transportation Funds (CTF) funds. The same list is provided to them and on average, the City has been provided about \$100,000 a year from CTF funds.

*Police Station Funding**New Building Cost**Funding Options*

Mr. Vitola then discussed the police facility funding. The second resolution required to authorize the financing and set the date of the referendum will take place at the December 14, 2020 Council Meeting.

Mr. Vitola shared a picture of the site plan and cost projections completed by the Becker Morgan Group. The property is owned by the City of Milford and was purchased with electric funds.

The construction cost estimate of the facility and most recently updated on September 24, 2020 totals \$18.9 million. The all-in-total cost of the facility, including land acquisition, financing cost estimates, and additional contingencies shows a total financing requirement of \$20,000,000.

Mr. Vitola shared some cost estimates based on proposed costs for the project.

Mayor Campbell asked if these are the same numbers that were previously discussed. Mr. Vitola replied that the \$18.9 million is the same number and 15 million is a number provided using the background information of Becker Morgan. He added that the avoidance of prevailing wages could save 20% to 30%. He updated the numbers based on the information received from the staff at Becker Morgan.

Mr. Vitola discussed how he calculated the proposed financing cost estimate based on the information received.

Mr. Vitola shared that the cost is going to be driven by the Becker Morgan Group as they are the experts in this field. He can only provide cost estimates based on the information provided from them.

It was pointed out that the figures being shown tonight do not change the scope of the project or the square footage of the building. The savings are due to the labor savings of not having to pay prevailing wages.

Mr. Vitola discussed different funding options for the project. He explained that he was presenting a handful of financing scenarios that show the resulting debt service requirement related to a tax increase requirement. Mr. Vitola has been working closely with Chief Brown and Becker Morgan Group to provide this data.

Councilman Marabello asked if Becker Morgan Group would oversee the project consistently to conform to these numbers. Mr. Vitola replied that a construction management firm should be employed for this project due to the size of the project. He added that it should not be the same firm that is doing the design and engineering and instead a third-party firm. City Manager Whitfield agreed it is recommended a different project manager than the architect firm.

Mr. Vitola shared updated numbers from DFM, the public finance consultants. The rates provided were lower than the numbers discussed at the November 9th meeting. DFM contends that there would be savings as high as 25 basis points if we do a public offering and the bonds are designated as bank-qualified to increase the marketing ability to the commercial banking sector.

Mr. Vitola then discussed a phasing plan for the bond issuance. This would allow a delay in a property tax increase until the debt service payment is experienced. A cash flow schedule has been put together that was reviewed by Becker Morgan and based on that schedule, it is possible to not issue debt until early 2022.

Mayor Campbell asked about a 30-year USDA term loan; Mr. Vitola replied they offer that as long as the life of the asset being financed has a life that long. The police station should have a 40-year life. Mayor Campbell pointed out that more interest will be paid with a 40-year loan though Mr. Vitola agreed, but pointed out that taxpayers will be paying a smaller increase over that time frame.

Mr. Vitola shared that one option considered is a private sale or private placement of a note directly with a commercial bank. Otherwise, his recommendation at this time is to leave all other options open. He noted that there is always a risk of the interest rates changing over time. It is unknown where rates will be next year. With the current rate environment and the timing being discussed, Mr. Vitola feels that this is the best method to place the smallest impact on the taxpayers.

It was confirmed that Mr. Vitola is somewhat leaning toward USDA financing.

Mr. Vitola shared that the only instance that he would recommend using variable rate financing is with a short-term ultra bond anticipation. This would be privately placed directly with a commercial bank that would carry a floating rate of interest. He has received a quote from one bank at 1.58% currently. This would be used to support the early cost of the project such as the design, engineering, and early-stage construction or materials purchased by the selected vendor. He added that by paying interest only, you can absorb that with reserves or operating cash without requiring an initial tax rate increase.

Mayor Campbell asked what the CAP was on the floating rate; Mr. Vitola replied that he does not have a term sheet but only an email from a bank. If a CAP could not be done, we would have to agree to cap prices every month or quarter.

Councilman James pointed out that all internal funding would be paid back to those funds once the debt is issued and Mr. Vitola verified that is correct.

Mr. Vitola then discussed the reserve funds. Electric, water and sewer reserve funds already have a minimum cash requirement specified. Mr. Vitola shared a chart showing the general fund reserves snapshot that was included in the September 30th financials. The balance showed \$2.1 million. However, after approved expenditures, the balance is down to \$270,000.

Council has asked about policies for fund balances. Mr. Vitola has consulted with GMO best practices and they advise two months of operating revenues or expenses, no matter what. Currently, the City's expenses are \$11.1 million and the main sources of revenue are property taxes of \$4.3 million, an electric utility transfer of \$2.5 million, and the RTT which varies. The recurring revenue for the general fund is \$7.8 million which is only 70% of budgeted expenditures. The Finance Director's recommendation would be to take the two months minimum operating expenditures and the general fund which is \$1.8 million.

The plan would be to build the general fund capital reserve so that there would be enough to cover equipment replacement and still leave the \$2.1 minimum required amount. He encourages the policy should be based on the \$2.1 million.

Mr. Vitola then discussed the water fund reserve. The balance was \$9.6 million when reported with the September 30, 2020 financial reporting package and an uncommitted reserve balance of \$5.2 million after project funding commitments. The cost of service study identified an MCR of \$2.4 million for 2021, which consists of approximately 45 days of operating expenditures, current FY total debt service reserves, and one-fifth of the five-year capital improvements plan.

Mr. Vitola recommends having the MCR equal to the COS study, the CIP less component for \$887,632 and the equipment replacement fund equal to the CIP component of the COS study in the amount of \$1,546,200, for a total of \$2,433,832. Councilman James stated that he felt it was a good idea and would also prevent having to go back to do a cost of service study to try to determine a minimum cash requirement.

Mr. Vitola then discussed the sewer fund reserve. The balance on September 30, 2020 was reported as \$4.0 million. with an uncommitted reserve balance of \$309,974 after project funding commitments. The cost of service study identified an MCR of \$3.6 million for 2021, which consists of approximately 45 days of operating expenditures, the current FY Kent County sewer fees and debt service reserves, and one-fifth of the five-year CIP. Director Vitola recommends a minimum reserve balance of \$3,562,637.

Mr. Vitola then discussed the electric fund reserve. The balance was \$11.7 million when reported in the September 30, 2020 financial reporting package, with an uncommitted reserve balance of \$4.7 million after project funding commitments. The previous cost of service study identified an MCR of \$4.8 million, which was based on 2018 source data. The cost of service study was updated in March 2020, including an update to the MCR of \$7.6 million, in part due to a revised calculation and in part due to changes in the date from 2018 to 2020.

Mr. Vitola also noted that DEMEC takes responsibility for serving 100% of Milford's load, regardless of the customer profile from one day to the next day or month. Therefore, he believes it is not necessary to include a \$1.2 million provision in the minimum cash requirement calculation for the loss of a large customer. Mr. Vitola's recommendation would be to have a minimum reserve balance in the amount of \$6,426,686.

Councilman James asked if more details could be provided about the \$1.6 million increase between studies driven by growth and purchase power costs. Mr. Vitola replied that in 2018, the projected cost of power was estimated at \$2 million. In 2020, the projected cost was \$2 million which makes up \$2 million of the \$4.6 million. However, in the new cost of service study, the purchase power component is estimated at \$3.4 million. That makes it a \$2.5 million estimate, plus a purchase cost adjustment premium assuming that we adjust the rates to a level commensurate with the actual wholesale power costs.

Director Vitola reviewed the RTT reserve account which he recommends be used for reserve funds only. The RTT reserve balance was \$3.1 million when reported with the September 30, 2020 financial reporting package with an uncommitted reserve balance of \$3.0 million, after anticipated receipts less operating budget and project commitments.

Mr. Vitola reviewed the MSA reserve account that had a balance of \$445,294 when reported with the September 30, 2020 financial reporting package, with an uncommitted reserve balance of \$1,615 after anticipated receipts, less project commitments. This should be removed from the RTT reserve balance considering it is not an actual operating item. Instead, this is grant revenue in streets received each year that will be depleted each year. With that in mind, the recommendation is not to have a policy drafted for this account.

Mr. Vitola then reviewed the impact fee reserves. The balance was \$6.8 million when reported with the September 30, 2020 financial package. Spending regulations and restrictions related to impact fees may not exist in the Delaware Code but case law exists in Delaware and elsewhere. The policies are likely to be guided by government finance best practices and Milford City Council's action should be taken to establish impact fees. Mr. Vitola plans to research this further and will inform Council of his findings.

Mr. Vitola reviewed the utility rate increases memo that was provided in the packet. City staff would recommend the implementation of the deferred water and sewer rates at the start of 2021 as planned at the time of deferral. The approved water and sewer rate increases would result in an average monthly increase of \$0.78 and \$1.18, respectively. The solid waste increase of \$1.05 per month was implemented as scheduled along with the electric rate reduction averaging \$1.68 per month in the winter and \$12.20 per month in the summer. With the implementation of the water and sewer rates, an average customer would experience an annual decrease of \$26.12 overall.

Mr. Vitola reviewed the importance of a professional cost of service study. They are designed to build fixed cost recovery, equitable and defensible rate design by customer groups, volume indifference, and asset replacement mechanisms into utility operations.

City Manager Whitfield shared that the only thing Council would have to vote on is if they would desire to defer the increase longer. The decision to defer was done in June for six months so it will automatically go to the new rates unless Council takes action before January 1st.

Councilman James asked the purpose of deferring it and City Manager Whitfield explained it was due to the financial impact of the COVID crisis and the thought of increasing water and sewer fees during that time. Councilman James pointed out that COVID is currently surging and his thought is to consider deferring the increase somewhat longer. City Manager Whitfield stated that it would be placed on the December meeting for additional discussion.

Mr. Vitola pointed out that the 2020 Census is likely to push Milford into the NTS permit requirement. This would necessitate the review and assessment and lots of repair work related to stormwater infrastructure. He feels that this should be on the radar for the 2022 budget. Councilman Baer asked if that could affect the USDA rate and Mr. Vitola believes it would though he does know that we are eligible.

With no further questions or comments, Mayor Campbell adjourned the meeting at 10:01 p.m.

Respectfully Submitted,

Tracy N. Torbert
Transcriptionist