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City of Newark Proposes 2010 Budget

Newark, DE (November 5, 2009) – The City of Newark has proposed a 2010 budget that overcomes several significant impacts on its financial condition through cost reductions and revenue diversification. Over the past six months, the City has undertaken a thorough financial planning process in response to the economic downturn and decrease in revenue. The result is a lower proposed tax rate increase for 2010 than was anticipated. The proposed budget of \$38.6 million preserves the current level of City services and maintains its public and utilities infrastructure.

Newark has not been spared by the cyclical downturn in the economy this past year. The most significant impact on the City's finances is transfer tax revenues have decreased from \$2.3 million two years ago to a forecast \$800,000 for 2009 and 2010.

The sale of the Chrysler site to the University of Delaware results in a loss of \$380,000 in property tax revenue on an ongoing basis. Moreover, the proposed budget was adversely affected by the University of Delaware discontinuing its use of the City's solid waste transfer station which results in a loss of \$150,000 in general fund revenue. In addition, the University is cutting its subvention payment to the City by \$24,000. The City's general fund's primary source of revenue is the property tax. Each penny on the property tax rate generates approximately \$83,000. It only generates \$77,000 without a tax paying entity at the Chrysler site.

Other factors contributing to the City's financial condition include a 22% decrease in utility revenue in budget year 2009 (levels are expected to remain low through 2010), contractually obligated funding of post retirement benefits, and replenishing the City's depleted cash reserves.

In response to these impacts, at the April 13, 2009 City Council meeting, Council members adopted financial policies to guide the City's actions going forward with the intent of avoiding in the future some of the challenges it currently faces.

Another step taken was to evaluate the value of city services and to adjust those services in response to the relative value placed upon them by the Council and the citizens. A survey was mailed to a random sample of city residents. In the survey response, the vast majority of services were rated as very important by 50% or more of the respondents. Several services received a very important rating by less than 50% of respondents. As a result, the 2010 proposed budget eliminates City funding for the Newark trolley, the print edition of the City newsletter will be eliminated and replaced by an electronic

version, and recreation program fees have been increased – lessening the City subsidizing of the programs.

City expenditures have also been examined for reduction. In 2009, personnel costs were reduced by \$650,000. In the proposed budget, 8 full-time equivalent positions will be cut resulting in the largest reduction in City staff levels in over 30 years. The City's health plan benefits will be changed resulting in cost savings of over \$260,000. Materials and supplies and other expenses are being reduced.

The 2010 budget proposes to diversify revenues by identifying revenue sources outside of the property tax. A stormwater utility is proposed, which reduces the reliance on the property tax rate for funding of stormwater related expenditures. This budget also proposes adding apartment complex businesses to the list of businesses being charged for dumpster collection. The addition of the two fees will result in \$700,000 in revenue.

Additionally, the 2010 budget proposes to increase sewer rates by 25% effective February 1, 2010 in order to cover the costs associated with the City's sewer utility.

Finally, last year's proposed budget forecast the need for a total property tax rate increase over two years of 20 cents. Last year, the Council adopted a 2.25 cent increase. Since then the economic downturn has hit, the University has taken actions that will result in significant reduction in city revenues, and our contractual obligations remain.

With the cost reductions and revenue diversification in the proposed 2010 budget, it will not be necessary to achieve the full 17.75 cent increase that last year's proposed budget forecast. Instead, a 9 cent tax rate increase is proposed. This rate will support the services rated very important by City of Newark residents and there will be some improvement to the cash reserves.

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