

**CITY OF NEWARK  
DELAWARE  
CITY COUNCIL WORKSHOP MINUTES**

**October 7, 2013**

Those present at 7:00 PM:

Deputy Mayor Clifton presiding  
Council Members Chapman, Hadden, Markham, Morehead, Tuttle  
City Secretary Renee Bensley  
City Manager Carol Houck  
Deputy City Manager Andrew Haines  
Finance Director Lou Vitola

The documents provided to Council for the workshop were used in a PowerPoint presentation. (Note: The presentation is on file in the City Secretary's office.)

**1. Overview of Finance Workshop Agenda**

Ms. Houck gave an introduction to the financial workshop which included the 2013 Financial Forecast, the 2014 Budget Highlights for the Capital Improvement Plan and the Operating Budget Overview, and Cash Reserves.

**2. 2013 Financial Forecast & 2014 Budget Highlights**

Mr. Vitola reviewed the 2013 Financial Forecast, noting that there is projected to be a consolidated operating surplus of \$480,000, with revenues from transfer taxes, permit fees, fines, and park fees all exceeding projections. General Fund Operating Expenses were controlled well overall with overages in IT Contractual Expenses, Legislative, and Parks offset by lower than projected Police, Streets, Maintenance, Code and Planning Department expenditures.

Mr. Vitola also gave a brief overview of the 2014 Budget Highlights, which were covered in greater depth later in the presentation.

**3. 2014-2018 Capital Improvements Program**

Ms. Houck presented the 2014 and 2015 Key Projects for the Capital Improvements Program. These projects included:

- 2014
  - Annual Street Program (\$1,000,000)
  - Vehicle Replacements (\$1,700,000)
  - New Substation (\$700,000)
  - IT Improvements (\$495,000)
  - Smart Parking Meters (\$340,000)
  - Door Lock Retrofits (\$200,000)
  - Solar Compactors – Refuse/Recycling – Main Street (\$180,000)
  - Storm Water Projects Discussed at 9/30 Workshop (\$6,900,000)
- 2015
  - NWTP Raceway Improvements (\$1,300,000)
  - Hard Surface Facility Improvements – Parks (\$600,000)
  - Parking Garage (\$8,000,000)
  - New Substation (\$700,000)
  - South Well Field Air Stripper (\$625,000)
  - Annual Street Program (\$1,300,000)
  - Water Main Renovations (\$500,000)

**4. 2014 Budget Highlights – Personnel**

Mr. Haines gave the overview of projected personnel expenses for the 2014 budget. This included non-wage expenses increases (healthcare, pension contributions, OPEB contributions and other personnel categories) of \$1,175,108 and wages and

salaries expense increases of \$433,253. However, Mr. Haines emphasized that the increases would have been substantially higher if not for the restructuring and cost savings measures that were put in place over recent years. The current budget proposal includes an additional \$300,000 in funding for the pension contributions over the required amount to achieve a higher funded status, a 5% increase for management employees and a 2% increase for Council. Council expressed support for the management increases, but hesitation regarding an increase for Council members.

## **5. 2014 Budget Highlights – Fixed Items**

Mr. Vitola reviewed fixed items in the 2014 budget including personnel items, the electric and sewer rates, the costs and revenues associated with utility smart meters, and stable revenues, such as fines/fees, transfer taxes, and intergovernmental funds.

## **6. 2014 Budget Highlights – Recommendations**

Ms. Houck and Mr. Vitola reviewed the staff recommendations for the 2014 Budget that would require Council action, which included:

- Funding Pension ARC with an additional \$300,000 over the required amount.
- Management and Council salary increases.
- 7.2% water rate increase.
- 1.5% property tax increase.
- Introduction of a Court Security Fee.
- Introduction of an Offset to Credit Card Merchant Fees.
- Introduction of Dynamic Parking Meter Rates.
- Introduction of a Storm Water Utility Fee.

Mr. Vitola reviewed the proposed water rate increase, which would increase the average monthly water bill inside the city by \$2.26 per month and outside the city by \$3.03 per month. If implemented as of January 1, 2014, water revenues would increase by \$490,000, which is the equivalent of an 8.9% tax increase. Delaying the increase until July 1, 2014 and reducing it to 5% from 7.2% would cost the City \$323,000 in potential revenue. Reducing the increase to 5% from 7.2%, but enacting the increase as of January 1, 2014 would cost the City \$151,000 in potential revenue. If the increase were enacted at 7.2% on January 1, 2014, the debt service coverage ratio will be maintained at 1.9, which is still below the debt service coverage ratio of 2.4 contemplated by the 2011 Black & Veatch water rate study. Comparisons between Newark and other municipalities and private water providers were also presented.

Mr. Vitola reviewed the proposed property tax increase, which would increase the rate from \$0.6961 to \$0.7065 per \$100 of assessed value. This would increase the average annual residential tax bill by \$7.29 and by a range of \$1.64 to \$26.84 per year. The average commercial tax bill would increase by \$37.96 per year, with the largest commercial increase (Suburban Plaza) being \$1,100 per year. If implemented, property tax revenues would increase by \$129,633 based on the existing tax rolls. Comparisons of the Newark tax rate with other municipalities and with the rate of inflation were also presented. Council requested that Mr. Vitola compile information regarding overall comparisons of costs (taxes, electric, water, sewer, trash, etc.) with other municipalities.

Ms. Houck reviewed the proposed Court Security fee, which would be appended to existing fines. The fee would be \$10 per ticket, which is charged by the State Courts and Alderman's Courts in Laurel, Newport, and Dewey Beach. If implemented, based on 2013 ticket projections, this would create \$158,000 in additional revenue, which is the equivalent of a 2.9% tax increase. These revenues would be restricted to fund court security measures, which would be either equipment or ongoing personnel costs. The fee would only be applied to those who have a court hearing and would not apply to individuals who paid fines without going to Court. Council expressed that they would like to see the fee only applied to those who are found guilty of an offense in the court.

Mr. Vitola reviewed the proposed merchant fees for credit card payments. While there are positive aspects of credit card use, one negative aspect is the merchant fees totaling \$302,000 per year for the various types of credit card payments that the City

accepts. Staff is recommending a 3% fee with a maximum of \$3.75 per transaction to offset approximately \$100,000 of the merchant fees, which is equivalent to a 1.8% tax increase. There would still be options with no fee attached, such as debit cards and automatic debits, which customers would be able to use. Council requested that if the merchant fee is implemented that publicity campaigns take place letting customers know of the payment options that would have no fee. Council also requested that a one for one pass through of the actual fee be considered instead of the proposed 3% fee.

Mr. Haines reviewed the proposed dynamic parking meter rates. This is made possible by the implementation of smart parking meters with credit card and smartphone payment options. The proposal would keep the hourly rates for each meter zone's existing time limit. However, after the initial time period, the rates would double with meters expiring twice after the initial period (example: \$1.25/hour for first two hours, \$2.50 for the third hour, \$5.00 for the fourth hour on Main Street meters). This would provide additional market-based enforcement. Council requested assurance that there would be minimal lag time between phone payments and meter updates to prevent tickets being issued between meter expiration and people making additional meter payments by phone. Council also requested that the municipal lots be publicized as a lower-cost alternative to long-term on street parking if dynamic rates are implemented.

Ms. Houck reviewed the proposed storm water funding recommendation. The current budget draft assumes \$1,500,000 in revenue with \$1,500,000 in offsetting expenses as part of the Operating Budget. A Storm Water Utility Fee as discussed in the 9/30 Storm Water workshop remains the recommended funding source by staff. Grant funding and alternative financing with the state and USDA continue to be investigated by staff and may require a change in Charter language to set a borrowing threshold that would not have to go to referendum. Council requested that fees for developers who request variances to exceed the allowable lot coverage be considered, and Mr. Vitola stated that was being considered.

Mr. Vitola reviewed potential items for diversification of General Fund revenue in 2015. These included a Local Service Fee of \$1 per week for Newark workers that employers would process through payroll, an Amusement Tax, a Hotel Occupancy Tax, and a scalable/variable Business License Fee. John Wessells, District 2, asked to comment. Council suspended the rules and opened the floor to the public. Mr. Wessells commented on the Local Service Fee and its similarity to fees in Pennsylvania. Mr. Wessells also commented on the Amusement Tax proposal and Maryland's similar tax. Council directed staff to further research the Hotel Occupancy Tax for 2015.

## **7. Special Topic – Cash Reserves**

Mr. Vitola reviewed the cash reserves recommendations which were based on ratings agency guidelines and the amount of funds needed to operate the City for three months in an emergency scenario with no incoming revenue. Under existing financial policies, the recommendation would be a minimum of \$11,172,000 and a maximum of \$25,720,000 to be held in the City's cash reserves. Based on recommended changes to the City's existing financial policies, the staff recommendation is a minimum of \$30,500,000 and a maximum of \$55,100,00 to be held in the City's cash reserves. Mr. Vitola reviewed the various levels that AA rated municipalities funded their reserves. Council expressed their appreciation for the research done and their willingness to continue looking as suggested changes to the City's financial policies in the future.

**Meeting adjourned. Time 11:00 p.m.**

Renee K. Bensley  
City Secretary