

**CITY OF NEWARK  
DELAWARE**

**SPECIAL COUNCIL MEETING MINUTES**

**November 3, 2014**

Those present at 6:00 p.m.:

Presiding: Mayor Polly Sierer  
District 1, Mark Morehead  
District 2, Todd Ruckle  
District 3, Rob Gifford  
District 4, Margrit Hadden  
District 5, Luke Chapman  
District 6, A. Stuart Markham

Staff Members: City Manager Carol Houck  
City Secretary Renee Bensley  
Clerk of the Court Barbara Wilkers  
Deputy City Manager Andrew Haines  
Deputy Finance Director Wilma Garriz  
Electric Director Rick Vitelli  
Finance Director Lou Vitola  
IT Director Josh Brechbuehl  
NPD Chief Paul Tiernan  
Parking Supervisor Marvin Howard  
Parks & Recreation Director Charlie Emerson  
Planning & Development Director Maureen Feeney Roser  
Public Works & Water Resources Director Tom Coleman  
Accountant Jim Smith

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1. The special Council meeting began at 6:00 p.m. in the Council chamber.
  2. Ms. Sierer gave an overview of the format of the meeting for the evening. Ms. Houck and Mr. Vitola presented the budget overview, which included the following:
    - Review of the public utility business model;
    - Revenue (\$13.2 million) versus expenses (\$24.9 million) of the 2015 General Fund;
    - Overreliance of the General Fund budget on utility transfer revenues;
    - The current insolvency of the General Fund;
    - The historical postponement of Capital Improvement Plan projects;
    - The potential leverage of debt service to help fund capital projects;
    - Efficiency initiatives saving over \$3 million enacted since 2012;
    - The 2014 financial forecast including mixed results in General Fund revenue, explanation of overages for General Fund expenses and that electric, water and sewer utilities were all performing well;
    - The 2015 preliminary budget including contractual wage & personnel increases, a proposed incremental tax increase of 1.5%, a proposed water rate increase per the 2011 Black & Veatch study, no planned sewer rate increase, an anticipated decrease in electric rates, the first full year of improved revenues from previous efforts (water meter accuracy, smart parking meters, court security fees) and a small consolidated surplus of ±\$300,000;

Ms. Houck reviewed the key projects for 2015 including the annual street program, LED streetlight conversion, SCADA system improvements, vehicle replacements, the STAR Campus substation, Paper Mill Road and corrugated metal piping storm water improvements and the Lot #1 parking garage (subject to review and approval by Council with potential alternative financing for design and construction). Ms. Houck stated that charter changes to allow for debt to be incurred more easily to help fund capital projects would be a priority for 2015.

Mr. Vitelli presented additional information regarding the proposed STAR Campus substation including the historical overview of the project, information from the updated study to determine if the substation is necessary, values of the projected load once the STAR Campus is built out, the current capacity of the City's electrical infrastructure, the determination that the existing infrastructure cannot handle the capacity needed, the plan for the expansion of the existing infrastructure with the substation and the additional reliability reasons for the proposed substations.

Ms. Houck reviewed the key projects for 2016, which included the Curtis Plant Intake replacement, the annual street program, water main renovations, completion of the Lot #1 parking garage (if approved by Council), Old Paper Mill Road Park Improvements and maintenance on transformers and circuit breakers.

Mr. Haines presented the expanded overview of the personnel budget highlights. These included increased salary costs of \$1.26 million resulting from the contractually obligated collective bargaining increases for 2015, the proposed management increase, succession planning within the Police Department, critical service level increases for the 911 dispatch center and insourcing building maintenance and custodial services. In addition, there will be insurance and benefits cost decreases of \$400,000 due to the changes in health insurance and post-retirement benefits for the City's employees adopted in 2014. The pension ARC is proposed to be overfunded for 2015 and the OPEB contribution is proposed to be reduced due to the changes agreed to in the union contracts adopted in early 2014. Mr. Haines reviewed a comparison of salary increases by labor group since 2009 showing management salaries trending at 2% below CPI if a management increase of 3% were adopted by Council for 2015.

Mr. Vitola reviewed proposed revenue increases for 2015 including a 1.5% tax increase and a 7.2% water rate increase to be considered with the budget and a storm water utility fee to be considered later in 2015. This would be the third of four proposed 7.2% rate increases on top of a previously implemented 14.5% increase resulting from the Black & Veatch rate study. The average monthly bill of a resident inside the City would increase \$2.42 per month and the average monthly bill of a customer outside the City would increase by \$3.31 per month. The water rate increase would increase water revenues by ±\$590,000 and is the equivalent of approximately a 10.5% tax increase. There would be no increase in the general fund transfer and the increase would support water infrastructure expenditures and maintenance. Customers who are able to reduce their water consumption by 10 gallons/day would not see any increase in their bills and the City is planning to post conservation information on its website for residential and commercial customers. Rate comparisons between other municipalities and private water providers were presented and Newark would still provide comparable rates with the proposed 7.2% increase.

Mr. Vitola reviewed the proposed tax increase of 1.5% or \$0.6961 to \$0.7065/\$100 of assessed value. This would represent an average increase of \$7.35/property for residential property owners and \$16.69/property for commercial property owners. The revenue impact would be \$42,542 in 2015 and \$85,085 in subsequent budget years. Newark's tax rate was compared with other municipalities and would remain the lowest in the County with the 1.5% increase. Newark's tax rate was also compared with inflation and if past tax increases had kept pace with the CPI, Newark would have received an additional \$8.7 million in tax revenue since 1993 and would be at the same tax rate today. The impact of that on residents would have been approximately \$639 on average after adjusting for income taxes per household cumulatively since 1993.

Mr. Vitola reviewed electric rates, which would have no changes to the rate structure, but an anticipated decrease in customer bills due to the expected wholesale rate decrease and the 2014 RSA increase. He also reviewed sewer rates, which were projected to be stable, however, any increase in rates from New Castle County would be passed through to ratepayers in July 2015. There would also be a review of the City's Flow Rate in 2015 for implementation in 2016 due to additional maintenance concerns. Parking meter revenue is also projected to increase due to the smart parking meters, which enabled the City to reduce transfer amounts from the water fund.

Mr. Coleman spoke about the proposed creation of a stormwater utility and reviewed the history of the proposal since its initial creation in 2009. The newest proposal

is an impervious cover based model based on GIS information from the State, which is anticipated to be available soon. There will be a three tiered residential fee structure and a fee based on actual impervious coverage for commercial. The revenue target has been reduced from \$1.5 million to \$1 million and 5% of the funds will be set aside for grants to residents for improvements on private property to improve water quality and reduce runoff volume. The current budget proposal does not rely on the stormwater utility passing. The bill will be introduced in 2015 with the implementation target being early to mid-2015 if approved by Council.

Mr. Vitola reviewed the comprehensive tax and utility cost of living in Newark with other comparable municipalities with both existing and proposed rate changes.

Mr. Vitola reviewed the historical and projected cash balances of the City. If the projected cash levels are consumed for the rest of 2014 and 2014, the projected cash balance of the City would drop to \$21 million. However, historically there have been projects pushed into following years, which allows the cash balance to build and be consumed in later years.

Ms. Houck concluded the presentation reviewing the current proposal which is consistent with previous budget proposals in identifying costs, providing funds to maintain the "status quo," and deferring CIP and Operating initiative identified by staff for 2015. A more progressive approach would further address succession planning, deferred projects, 12 additional vehicle replacements, and level management compensation with the unions, but would require an additional \$1.33 million in additional funding. If the proposed charter change were adopted, this could provide additional funding for deferred projects. The proposed stormwater utility stands alone and current projects in the budget proposal will be able to be completed with current funds. Ms. Houck thanked Council for listening to the presentation.

**3.** Ms. Sierer opened the floor to questions from Council.

Mr. Ruckle asked if there were no tax or water increases, how much of a deficit would there be. Mr. Vitola stated there would be a \$330,000 deficit and no surplus funds to add to the cash reserves for 2015 only. Mr. Chapman asked what the breakdown of that deficit would be between the general fund and other utility funds. Mr. Vitola stated that the total is comingled and that a breakdown by fund could be produced if needed.

Mr. Ruckle asked why the City waits to reassess properties. Mr. Vitola stated that the City does not assess properties, but uses the County's assessment. Mr. Chapman asked for additional historical context. Mr. Markham stated that City follows the County's assessment. If the City did its own assessment, it would cost about \$1 million dollars, but could only be applied to the City's portion of the overall property taxes and would not affect the amount of Christina School District property taxes nor the County property taxes. The County has not expressed a wish to undertake reassessment because they do not see a benefit since they would have to keep the tax amount received overall equal for several years and would only adjust the amounts that individual properties were charged. The ways to get the County to do it would be either having the State fund reassessment or through the court system, which is unlikely.

Mr. Ruckle asked about transfer tax revenue and other options for raising revenue without raising taxes. Mr. Vitola reviewed revenue diversity proposals from last year's budget review, the limits placed by the State on new revenues, the requirement of fees to pay for services, and the burden placed on property taxes and utility revenues to balance the budget. Mr. Ruckle asked about recouping credit card processing fees. Mr. Vitola stated that under the existing system, it would be difficult, but may be possible if third-party vendors were used. Mr. Ruckle stated that would be an additional \$200,000 in the budget and wanted to know if that could replace the water rate and/or tax increase. Mr. Vitola stated that he did not know how quickly a credit card processing fee could be instituted and thought it could be half of the year before implementation. Ms. Houck stated that most business are moving towards paying by credit card and that receiving more payments by credit card has allowed the number of staff needed for processing payments to be reduced. A fee may provide a disincentive for credit card use, which could lead to higher staffing costs which should be considered.

Mr. Morehead asked about the limitations of the hotel occupancy tax by State law. Mr. Vitola stated he would have to look into that. Ms. Houck stated that when it was looked at last year, there was criticism and resistance from hotels in the community. Mr. Morehead asked staff to look further into the hotel occupancy tax.

Mr. Morehead asked if plan review fees were being looked at for updating. Mr. Coleman reviewed the existing fees and stated that the fees could be significantly higher to help cover the cost of plan review and inspection. The County's fees are 10-15 times higher than the City's. Mr. Chapman asked if the fees were based on the value of the project. Mr. Coleman stated that only the building permit fees were based on value and that the plan review fees deal with other types of review the City does. Mr. Chapman asked how fee changes would affect businesses versus residential properties. Mr. Coleman stated that if the percentage of land being disturbed was under a certain threshold that it would not affect a residential property and a standard plan review for small disturbances would be no more than \$100.

Mr. Morehead asked about changes in the projected decreased revenue and increased expense numbers from the 2014 to the 2015 budget in the general fund and asked what is driving the increased general fund insolvency. Mr. Vitola stated that it may be the inclusion of stormwater utility revenue in the 2014 budget, but would like to look into the issue and come back with a response.

Mr. Morehead asked how much revenue was made from UD over wholesale for electricity sales versus residential customers. Mr. Vitola stated that he would need to research the issue and come back with a response.

Mr. Morehead asked if the Windy Hills water tower project was still being included since it was not on the Key Projects slide. Mr. Coleman said the project is in the CIP and the water main replacement project, which also did not make the Key Projects slide, was still included. Mr. Morehead asked if the Paper Mill Road stormwater improvements were funded from existing revenues. Mr. Coleman confirmed that they were. Mr. Morehead asked for more details on the Curtis Plant intake replacement project. Mr. Coleman gave an overview of the facility and issues that are occurring. Preliminary design plans would abandon the existing dam and move the intake down on the raceway and take water directly from there. Plant upgrades would be needed to deal with the lost sediment removal from the raceway. This project would also have money dedicated to it in the 2017 budget of \$1.3 million since it will take more than one year to complete. Mr. Morehead asked about other dam work. Mr. Coleman stated that Dam #1 on the White Clay Creek is being removed outside the City and reviewed the dams within the City.

Mr. Morehead asked for clarification on the location of Old Paper Mill Road Park.

Mr. Morehead asked for clarification on the CPI numbers being used in the management salary comparison and asked for the comparison to go further back to 2004. Mr. Vitola responded that the CPI numbers being used were for the Philadelphia region and that he would get the additional data requested.

Mr. Morehead stated that he understood the merits of incremental tax increases to offset the decreasing value of the dollar, but did not want to see the City spending everything it took in and would like to see spending cut. He also expressed concern regarding the proposed charter change regarding debt issuance.

Mr. Morehead asked who our electric rates were being compared to when it was stated that they were high. Mr. Vitola stated that is in comparison to peers in DEMEC, but that the City's rates are lower than Delmarva Power in the winter and close to Delmarva Power in the summer. Mr. Morehead felt that living in the City is an excellent value compared to living outside the City and was surprised to hear the statement that rates are high. Mr. Morehead asked that Middletown be included in the tax and rate comps.

Mr. Morehead asked for more information on the statement that the stormwater utility is budget neutral for 2015. Mr. Vitola stated that the budget numbers as contemplated for now are not dependent on passage of the stormwater utility. The money allocated in the budget now is being met with current revenues, not stormwater revenues. Any stormwater revenues generated in 2015 would be set aside to be allocated for 2016

projects. Ms. Houck stated that the draft ordinance includes a prohibition of transferring money from the stormwater utility to the general fund.

Mr. Morehead asked when the rest of the budget would be available for Council and public review. Mr. Vitola stated that the budget would be distributed on Monday, November 10 for a public hearing on Monday, November 24. Ms. Houck asked for Council to let staff know what questions or changes they may have before the November 24<sup>th</sup> public hearing to allow staff time to address them. Mr. Chapman stated that Council would not have time to meet to confer before November 24<sup>th</sup> which could cause duplicative efforts for staff. Mr. Markham suggested scheduling a second meeting after the November 24<sup>th</sup> meeting to allow more time for Council questions to be considered after the public hearing. Discussion ensued regarding the cancelation of budget meetings, the budget preparation process and the scheduling of future budget meetings. Council agreed to schedule a second budget meeting for Monday, December 15<sup>th</sup> and to reschedule the Comprehensive Plan workshop.

Mr. Markham stated that 43% of the City is not taxable, which makes supporting the general fund with tax revenue difficult. He discussed the historical financial struggles of the City and their effect on projects being deferred.

Mr. Markham asked if all of the proposed changes were included in the comparables slide. Mr. Vitola stated that the electric decrease was not included, but the increases were included. Mr. Markham asked for the background that went with that slide.

Mr. Markham asked if the City would still be at the maximum transfer allowed with the MOU with the Governor if electric rates come down. Mr. Vitola confirmed that they would be at the max transfer in dollars. Discussion ensued regarding the terms and timeline of the MOU.

Mr. Markham pointed out some issues regarding the various comparables for the tax rates. Mr. Vitola stated that he would try to find better comparables as well as gather State-issued data. Mr. Markham commented on the in City water rates approaching United Water and thought the City could do better.

Mr. Markham asked if funds had been set aside to pay for reservoir debt service. Mr. Vitola stated that they had been set aside and that the defeased liabilities reduced, but did not eliminate the debt service. Mr. Vitola reviewed the process for the allocation and payment of debt service.

Mr. Markham asked if stormwater impact fees were considered for new construction. Mr. Coleman stated that new neighborhoods constructed have money set aside, but that does not impact commercial or multifamily dwellings. However, the amount of money set aside should be reviewed since it likely does not cover the cost of long term maintenance. Mr. Markham asked about analysis and payment for improvements on effects caused downstream. Mr. Coleman stated that is true under the new stormwater regulations but the fees being paid would need to go towards improving capacity.

Mr. Markham asked if PILOT was still being pursued. Mr. Vitola stated that PILOT is being pursued, but those funds have not been included in the budget revenue projections.

Ms. Hadden asked what account funded the smart parking meters. Mr. Vitola stated that the meters were funded by the Parking Fund. Ms. Hadden asked if the meter surplus would go back into the Parking Fund. Mr. Vitola stated that the surplus would be transferred from the Parking Fund into the General Fund to help with the deficit.

Ms. Hadden asked if a tax increase would still be in order if the proposed debt issuance charter change was made. Mr. Vitola stated that it would still be recommended under the premise of regular incremental tax increases to match the CPI, but could potentially allow for the funding of 2015 projects to make the tax increase unnecessary to balance the budget. Ms. Hadden asked if projects would be deferred until 2016. Mr. Vitola stated that if Council passed the resolution to modify the charter in late 2014 and was supported by the legislature, then 2015 projects could be funded, 2016 projects could be moved to 2015, and it could improve the City's surplus for 2015. Ms. Hadden asked if the

charter change would affect the City's credit rating. Mr. Vitola stated it would affect the City's credit rating and would be considered general obligation debt.

Ms. Hadden asked if the City has reached out to the University to see if they will help finance the construction of the STAR Campus substation. Mr. Vitola stated that the University is donating the land for the substation, paying for some of the related infrastructure, and doing some of the related work. Mr. Vitelli stated that discussions had taken place with the University regarding paying toward the substation cost and that the University resisted. The University did commit to put in all underground conduits and manholes, donate the land for the site and provide the easements to get to the site. However, Mr. Vitelli stated that was the best they could do. Mr. Vitelli valued the infrastructure contributions at approximately \$1 million dollars and stated that the City was looking at ways to have customers contribute funding to additional infrastructure improvements that may be needed. The City could go back to the University to see if they would be willing to contribute more. Ms. Sierer clarified that the \$1 million figure did not include the donated land, which Mr. Vitelli confirmed. Mr. Morehead asked questions regarding the transformer reliability and the location of the site. Mr. Vitelli stated that the existing transformers have reliability issues and that the proposed location is near the rail lines. Mr. Morehead asked if the location makes sense with the volatile cargo traveling on the rail lines. Mr. Vitelli stated that the University did not want to use the existing site in the middle of the STAR Campus and wanted the new substation moved further back closer to the railroad with a block wall built around it and close to the existing aerial poles to connect and safe on the cost of having to build new poles.

Mr. Gifford asked for more information regarding the LED street light project. Mr. Vitelli stated that this project could get a low interest loan from the state to purchase bulbs to replace approximately 750 street lights with LED bulbs on main roads throughout Newark which would save on electricity and maintenance costs for the life of the bulbs (conservatively 10-15 years). Mr. Gifford asked what the payback was on the project. Mr. Vitola stated that he was working on it, but that it did have a positive net present value and would be under 10 years. The financing for the debt service can be met with Green Energy funding. The project has been presented to the Conservation Advisory Commission (CAC) and a recommendation will be forthcoming to Council.

Mr. Gifford asked if alternative financing had been reviewed for the proposed parks improvements. Mr. Emerson stated that the proposed project would qualify for Delaware Land and Water Conservation Trust Fund grant funding and that he would write a grant to help fund the project. SB75 lowered the qualifying match to 25% from 50% this year which means the City can go after additional funding.

Mr. Gifford asked for additional information from staff regarding the prioritization of funding the various projects in the budget.

Mr. Gifford asked if there was a way to make the substation build out more modular instead of building it all at once. Mr. Vitelli stated that it would be possible, but the majority of the cost would still be upfront and would provide no redundancy in the case of maintenance or outages. In addition, if a major customer were to come in that would exceed the available capacity, the City would not be able to react quickly enough to provide service to them. Mr. Gifford asked if there were similar upgrades over the last 10 years. Mr. Vitelli stated that the Kershaw substation had been expanded in 2009 for \$2.5 million. Mr. Gifford asked how the City financed that substation. Mr. Vitelli stated that the original construction of the Kershaw substation was funded by referendum and the expansion was funded within existing funds in the Capital Improvement Program. Mr. Gifford asked if the substation construction would be considered a candidate for debt service via referendum. Mr. Vitola stated that the City would use a program through DEMEC where they would finance and run the project and then bill the debt service to the City to pay back over time and take ownership of the substation. This program has been used by New Castle and Middletown and would not need a referendum.

Mr. Gifford asked about the alternative financing options for the parking garage proposals would work. Mr. Vitola stated that estimates for construction are in the \$10-14 million range. Financing options include referendum debt financing, capital lease programs or a private entity developing the project to be leased back to the City. Mr. Gifford expressed concern regarding the risks involved in constructing a parking garage.

Mr. Gifford asked about the money budgeted for the second level for Lot #3. Ms. Feeney Roser stated that the Lot #3 project would only move forward if the Lot #1 parking garage did not.

Mr. Gifford encouraged charging enough for plan review fees to cover the services being provided.

Mr. Gifford asked if there are separate reserve funds for each utility. Mr. Vitola stated that there were and that staff would break them out and send them to Council.

Mr. Gifford asked how much staff time would be taken with the building of the parking garage. Ms. Feeney Roser stated there would be inspections which would take Code Enforcement, Public Works and Electric Department time, but an estimate had not been created yet. Ms. Houck stated that for larger projects, inspection services have been outsourced in the past.

Mr. Gifford asked for clarification on the current versus alternate proposals.

Mr. Chapman expressed disappointment that Council had not been given a copy of the working budget and CIP to refer to during the evening's session. He also wanted to see comparisons between 2014 and 2015 numbers as well as enumerated changes to be able to see what has changed. Mr. Vitola stated that it would be part of what will be distributed on November 10<sup>th</sup> to Council.

Mr. Chapman asked for clarification on the General Fund revenue projections, which Mr. Vitola said would be provided.

Mr. Chapman asked for additional explanation on the slide referring to rolling CIP expenses. Mr. Vitola reviewed the deferrals on the slide and clarified that this should be viewed as an example of how the need exceeds the resources. Discussion ensued regarding the prioritization and need for projects. Mr. Chapman asked to meet with Mr. Vitola offline to discuss the slide further.

Mr. Chapman asked for numbers and clarification on the savings slide for the individual items. Mr. Vitola reviewed the smart meter project revenue and savings.

Mr. Chapman asked for numbers on the preliminary budget at a glance slide and asked what the surplus included. Mr. Vitola stated that the surplus included the surpluses across all funds. Mr. Chapman asked if the "bare bones" proposal and the current proposal were the same. Mr. Vitola confirmed they were.

Mr. Chapman asked how much annual street aid was expected from the State out of the \$1 million allocated for the project. Mr. Vitola stated it would be between \$780,000 and \$790,000. Mr. Chapman asked if it was guaranteed. Mr. Vitola stated that the Bond Bill funding was confirmed. Mr. Coleman stated that the \$780,000 was confirmed. Mr. Vitola stated that Municipal Street Aid was distributed by formula and that it has been stable for four years. Half of the street aid has already been approved by the legislature and the second half will be decided by July and adjustments can be made if needed.

Mr. Chapman asked for sources of funding to be broken out within projects. Mr. Gifford stated that it was included under other funding sources in the CIP document being considered by the Planning Commission, which Mr. Vitola confirmed.

Mr. Chapman asked when the LED light project would come before Council. Mr. Markham and Mr. Coleman stated that the CAC was still working on a recommendation, so it will be at least a month until the project comes before Council.

Mr. Chapman asked for numbers regarding a modular build out for the STAR Campus substation. Mr. Vitelli stated that he could get those numbers. Mr. Chapman asked for clarification on why there would be two transformers at the substation. Mr. Vitelli stated that the two transformers would support seven circuits to improve reliability, give additional capacity for new customers and have a dedicated circuit for Bloom Energy. Mr. Chapman asked about the financing of the project and requested the number that the City would be obligated to on a yearly basis. Mr. Vitola stated it would be roughly \$500,000 per year in debt service for 20 years.

Mr. Chapman asked for sources of funding to be broken out on the Key Projects slides and for the breakdown in numbers for the personnel increases and the future trends. Mr. Vitola stated that the personnel increases encompassed 2015 only and there would be additional increases in 2016 based on the collective bargaining contracts.

Mr. Chapman discussed the philosophical merits of increasing debt accessibility and creating increased cash flow and encumbering that cash flow for debt service.

Mr. Chapman asked for clarification on the salary rate comparison slide, which was explained by Mr. Vitola. Mr. Morehead asked for additional years to be included. Mr. Haines asked for clarification on how far back Council wished to have data and it was stated that 10 years would be sufficient.

Mr. Chapman asked for clarification on the numbers provided for the water revenue increase and if this was the last proposed rate increase. Mr. Vitola confirmed that the revenue increase was for 2015 only and that the study provides for another water rate increase in 2016 after which the City can reassess and decide whether to commission a new rate study. Mr. Chapman indicated that he was not concerned about the City's water rate in comparison to United Water.

Mr. Chapman asked about the numbers used to indicate inflation on the tax vs. inflation slide. Mr. Vitola indicated that the numbers used were CPI and would look to confirm that the Philadelphia region CPI was used. Mr. Chapman suggested also looking at the wage indices.

Mr. Chapman asked for numbers on the budget highlights slides. Mr. Vitola stated that the only number staff has so far is the parking meter revenue increase. Mr. Chapman asked for the meaning of "budget neutral" in reference to the stormwater utility. Mr. Vitola stated that the budget numbers as contemplated for now are not dependent on passage of the stormwater utility. The money allocated in the budget now is being met with current revenues, not stormwater revenues. Any stormwater revenues generated in 2015 would be set aside to be allocated for 2016 projects. Mr. Chapman questioned if any projects were being funded. Mr. Vitola stated that the worst stormwater projects were being addressed with currently allocated funds in 2015 and reviewed potential scenarios related to the stormwater utility. Mr. Chapman stated that the City is not addressing the \$25 million stormwater problem.

Mr. Chapman asked for clarification on whether all increases are incorporated into the tax & utility comparison. Mr. Vitola stated that they were, including a potential stormwater fee.

Mr. Chapman asked for the historical cash balances slide to be reviewed again. Mr. Vitola reviewed the slide and the cash projection of approximately \$21 million by the end of 2015. This would include the revenue increases and the current budget proposed for 2015. The number is conservative and would mean every CIP project scheduled for 2014 and 2015 would have to be completed at its budgeted amount to be accurate. Mr. Chapman asked why the estimated proposal is only a 1.5% tax increase. Ms. Houck said that 1.5% is the least Council should consider. Mr. Chapman asked if the decrease in cash balances is a longer term trend or if it levels out. Mr. Vitola stated that there are a lot of capital projects that are not completed and that the actual results will not show as drastic a decrease. Mr. Chapman asked for additional details on what funds are encumbered and for sources of funding to help with additional understanding of the cash balances. Mr. Vitola stated staff would provide additional projection for out years and clarification on the cash draw. Mr. Chapman asked where the City is on the projection line for 2014. Mr. Vitola stated that the chart reflects the updated projection, but that the chart assumes that all projects are spent down by the end of 2014. Mr. Chapman asked if the property tax income was included and Mr. Vitola confirmed that it was already reflected.

Mr. Chapman asked for clarification on the progressive versus current proposal. Mr. Vitola stated that the projects deferred are approximately \$2.5 million. Mr. Chapman asked if the status quo meant residents would receive the same quality and level of City services. Mr. Vitola confirmed that was true. Mr. Chapman asked if more details on the progressive proposal would be received on November 10<sup>th</sup>. Ms. Houck said that is where staff is looking for feedback from Council. Additional succession planning and vehicle replacements may be considered depending where Council is. Mr. Chapman asked if the

additional \$1.33 million cited would cover the progressive proposal, which Ms. Houck confirmed. Mr. Chapman asked if that meant the cash balances would be further reduced by \$1.33 million. Mr. Vitola stated that Council could consider revenue increases to offset the spending and that without revenue increases, the additional projects reflected in the \$1.33 million should not be done. Mr. Chapman asked for clarification on the additional increase for management. Ms. Houck and Mr. Vitola stated that the 2.5% would be in addition to the proposed 3% increase. Mr. Chapman suggested that the City use the leveling off of management increases as a bargaining tool with the unions. Mr. Haines stated that in the arbitration process, it is often reviewed to see what management has done first before the unions take any concessions. Mr. Chapman asked for a listing of items for the progressive proposal to be provided to Council. Mr. Vitola stated that a list could be provided to Council.

Mr. Morehead asked that staff provide summaries for the debt service allocated to the four enterprise funds and a summary of the infrastructure of the City, its cost and life span for roads, septic sewer lines, water lines, and stormwater lines.

Ms. Sierer asked for a summary of the proposed vehicle replacements for 2015. Mr. Vitola stated that there were approximately \$1 million in vehicle replacements recommended, however, that was cut by approximately \$600,000 to one police vehicle, one parks vehicle, one public works vehicle, and one sweeper being replaced in the proposed 2015 budget.

Mr. Ruckle thanked the staff for their work and asked for additional outside-the-box thinking regarding revenue generation, such as the hotel occupancy tax. Mr. Haines clarified that per State Code, the City could not have a hotel occupancy tax since Newark has a population under 50,000.

4. Ms. Sierer opened the floor to public comment.

Jeff Lawrence, District 3, appreciated Council's concern regarding charging residents additional money but cautioned that grant money from the State is still being paid for by residents. He expressed concern about the lack of documents available for public review and expressed concern regarding the parking garage, LED lights and having the University contribute more toward expenses.

5. Ms. Sierer closed the floor to public comment and brought the discussion back to the table.

Mr. Chapman thanked staff for the setup for the evening's workshop.

Mr. Morehead thanked the staff for their work on the budget.

Ms. Sierer asked staff if they had the direction needed. Ms. Houck confirmed they did.

6. **Meeting adjourned at 9:32 p.m.**

Renee K. Bensley  
Director of Legislative Services  
City Secretary