

CITY OF NEWARK  
Delaware

September 14, 2015

TO: The Honorable Mayor and City Council  
VIA: Carol S. Houck, City Manager  
FROM : Louis C. Vitola, Finance Director  
RE: Tax Increase Alternative to Third Party Refuse Operations

Mayor Sierer advised that constituents have approached her to inquire about the viability of a property tax increase as an alternative to outsourcing refuse, recycling and yard waste collection to a third party. The attachment labeled "Review of Tax Increase as Alternative to Third Party Refuse Operation" (the "Tax Review") reports the impact of such tax increases, levied in two stages. The initial tax rate increase would be set to match the savings achieved in year one of the financial analysis put forth in Appendix C to the refuse recommendation dated August 21, 2015 (the "Analysis"), and the subsequent tax rate would be set to match the average of the savings achieved in years two through seven of the Analysis. Lines 15 & 16 in the Tax Review contain an excerpt of the annual savings reported in the Analysis.

Lines one through nine in the Tax Review exhibit the assessment data and tax increase calculations assuming the City would continue to employ one property tax millage rate applicable to all taxable parcels in Newark. The required tax increases of 15.2% over the existing rate in year one and 11.4% over the existing rate in years two through seven (see line 18 in Tax Review) would result in millage rates of \$0.8142 per \$100 of assessed value (AV) in year one and \$0.7874 per \$100 of AV in years two through seven (see line 20 in Tax Review). The existing property tax millage rate is \$0.7065 per \$100 of AV. The tax increases would result in the generation of \$4.9 million in new property tax revenue, which would be sufficient to cover the savings foregone should Council decide against the refuse recommendation. However, as reported in line six of the Tax Review, the new property tax revenue would be generated in part by residential parcels (\$2.9 million) and in part by non-residential parcels (\$2.0 million). Recognizing that refuse operations primarily serve residential parcels, and further recognizing that non-residential parcels would share in almost 41% of the burden of mitigating the avoided savings, the Tax Review also considers the impact of assigning 100% of the avoided savings to residential parcels.

Lines 10 through 14 in the Tax Review exhibit the impact of holding the property tax rate at \$0.7065 per \$100 of AV for non-residential parcels and increasing the residential rate to \$0.8882 in year one and \$0.8429 in years two through seven – increases of 25.7% and 19.3%, respectively – to generate \$4.9 million through the assessment of residential parcels only.

Attachments