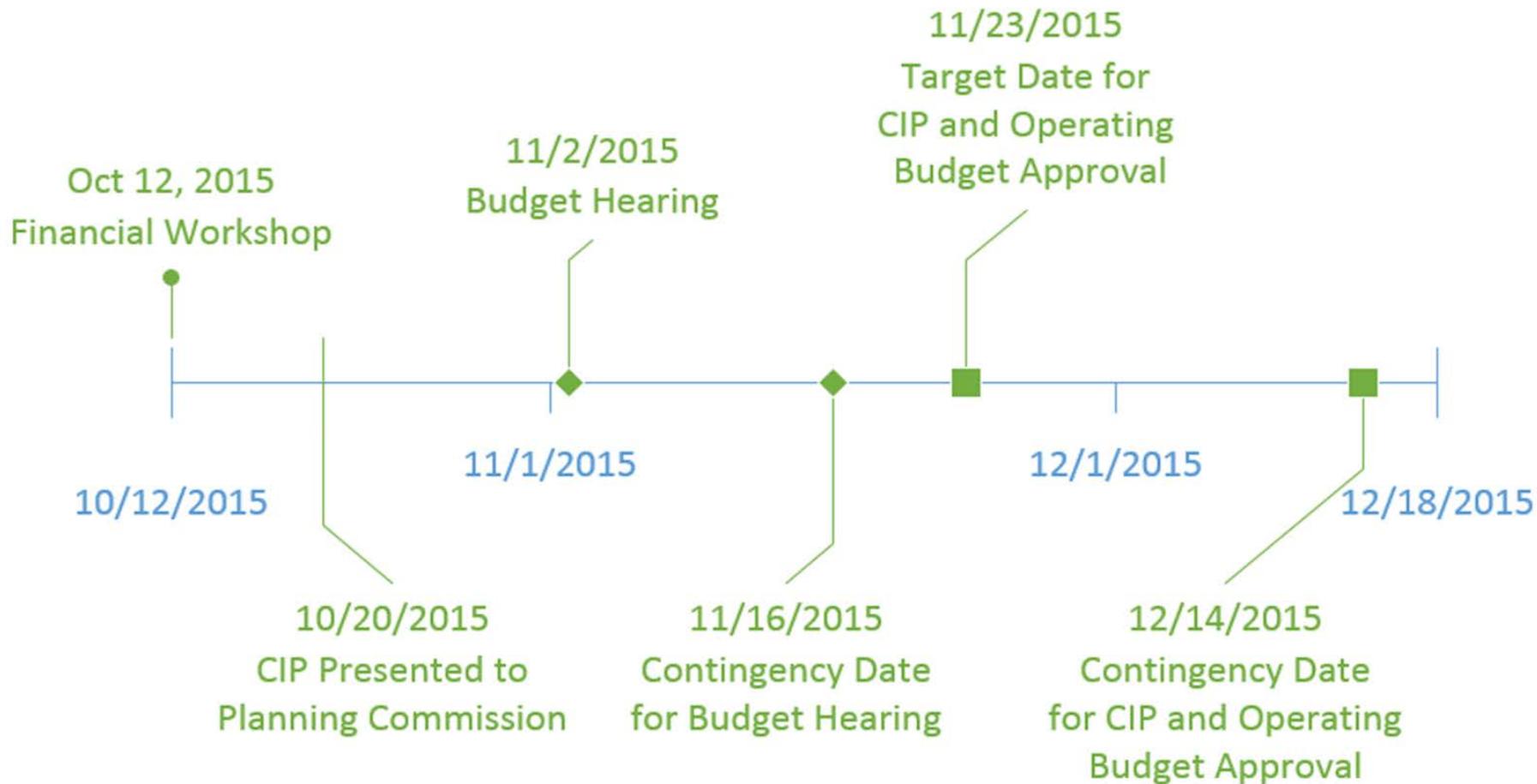




# 2016 Budget Hearing

November 2, 2015





*Committed to Service Excellence*

# Expense Budget at a Glance

- Personnel Expenses increased by \$1.3 million (4.7%)
- Non-Personnel Operating Expenses up 1.2%
  - Materials & Supplies increased less than \$200,000
  - Contractual Services increased less than \$50,000
- Equipment Depreciation Expense is 11% lower
  - (offset by reversal of last year's non-cash adjustment)
- Other Expenses Increased by \$0.2 million
  - Increased retention & recruitment efforts
  - Increased IT and Legislative Dept training
- Net CIP Budget Decreased by \$0.1 million
  - Gross CIP budget – total project costs – are up

# Revenue Budget at a Glance



- Revenues are flat before recommended rate action
  - Some positives
    - Property assessment growth in 2015
    - Real estate sales resurgence
  - Areas of Concern
    - Fine receipts
    - Permit activity
- Rate Action Recommendations
  - Electric Rate – No Change / Natural RSA Adjustment
  - Sewer Rate Increase of 8.4% effective January 1, 2016
  - Water Rate Increase of 7.2% pursuant to rate study
    - Effective July 1, 2016; preferably sooner
  - Property Tax Increase of 3% effective July 1, 2016

# Public Utility Overview

- Local Control and Regulation
- Competitive Rates
- Reliability
- Community-oriented
- Opportunity to support general fund activities, including capital expenditures



**DEMEC**

**Delaware Municipal  
Electric Corporation**



# General Fund Overview

- City of Newark General Fund
  - 2016 Projected Revenues: \$14 million (before transfers)
    - Property Taxes, \$6.0 million
    - Transfer Taxes & Franchise Fees, \$2.0 million
    - Permits/Licensing, \$2.2 million
    - Fines, \$1.9 million
    - Grants, Parks & Other, \$1.9 million
  - 2016 Projected Expenses: \$25.9 million
    - Public Safety, \$12.4 million
    - Parks & Recreation, \$3.1 million
    - Public Works, \$5.1 million
    - Administration and related, \$5.3 million

# Electric Utility



- Wholesale cost of power expected to increase by about 3%
- Together with possible 2015 over-collection, wholesale rate should still be low enough to result in a rebate through the Revenue Stabilization Adjustment (RSA) on 2016 electric bills
- No significant change in electric utility bills until 2017, when performance capacity and transmission costs drive up rates
- Continued adherence to 2012 MOU with Governor Markell

# Sewer Utility

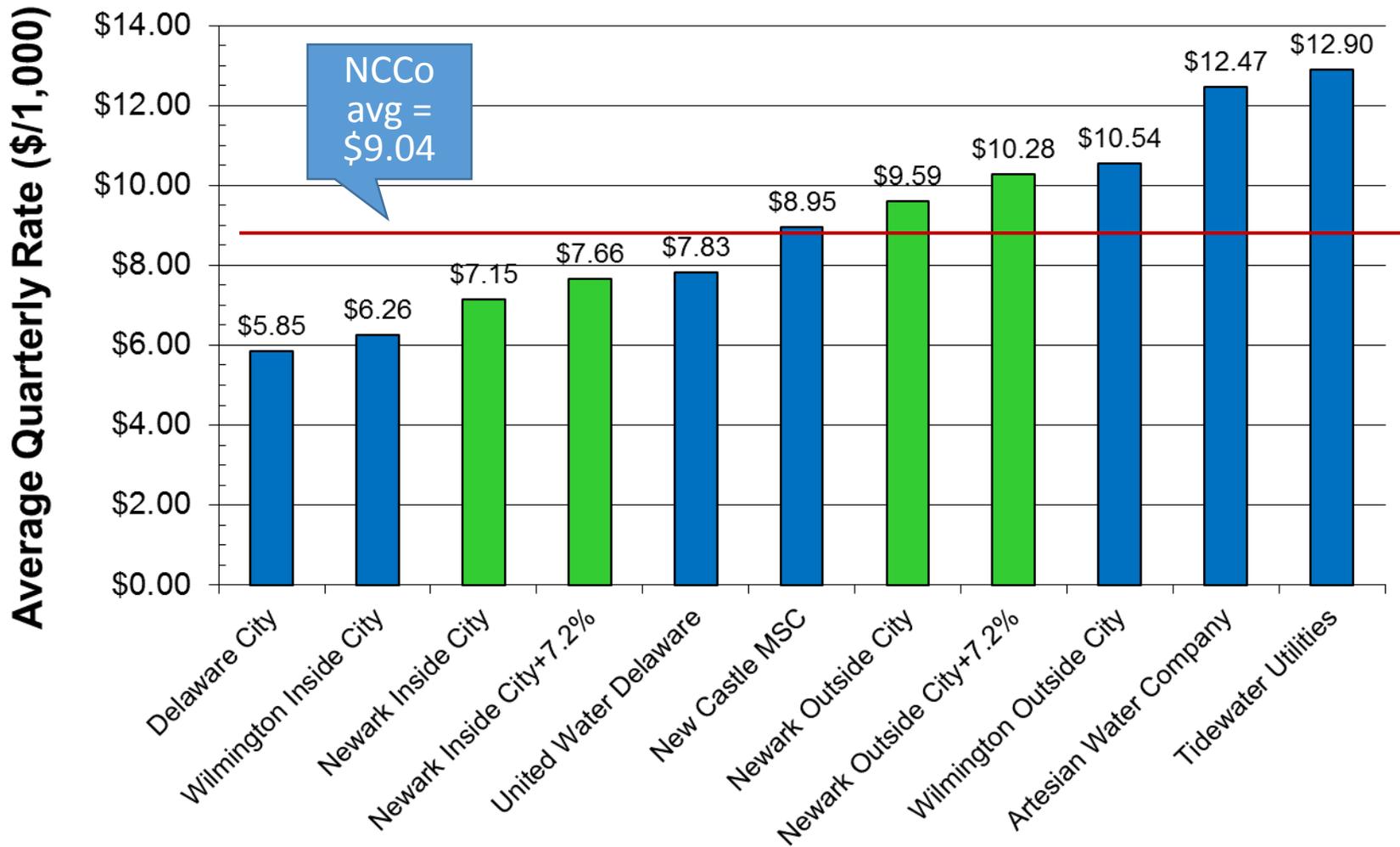


- County costs have been stable
- Internal Operations and Maintenance (O&M) costs related to collection and transmission are increasing
- City flow rate increase required
  - Calculations indicate rate change from \$3.1482 to \$3.7746 per 1,000 gallons
  - Blended rate increase of 8.4%
  - Impact is approximately \$3.14 per resident per month (higher for commercial)
  - Enables sewer division to improve preventative maintenance and restore historical level of general fund transfer

# Water Utility

- In discussions with rate consultant now
- Black & Veatch will present rate design concepts to Council
- Initial feedback is that diverting from initial study in 2013, 2015 and 2016 will impact future rate requirements, particularly in 2017
- Current, budgeted assumption is that the required rate increase of 7.2% will be in force by 7/1/16
  - However, earlier action on the water rate increase would permit additional water line rehabilitation through additional funding for project W9308
- Four years of reduced water fund transfers (more water revenue stays in water fund for O&M and CIP)

## Water Rates in New Castle County, Delaware (2015)

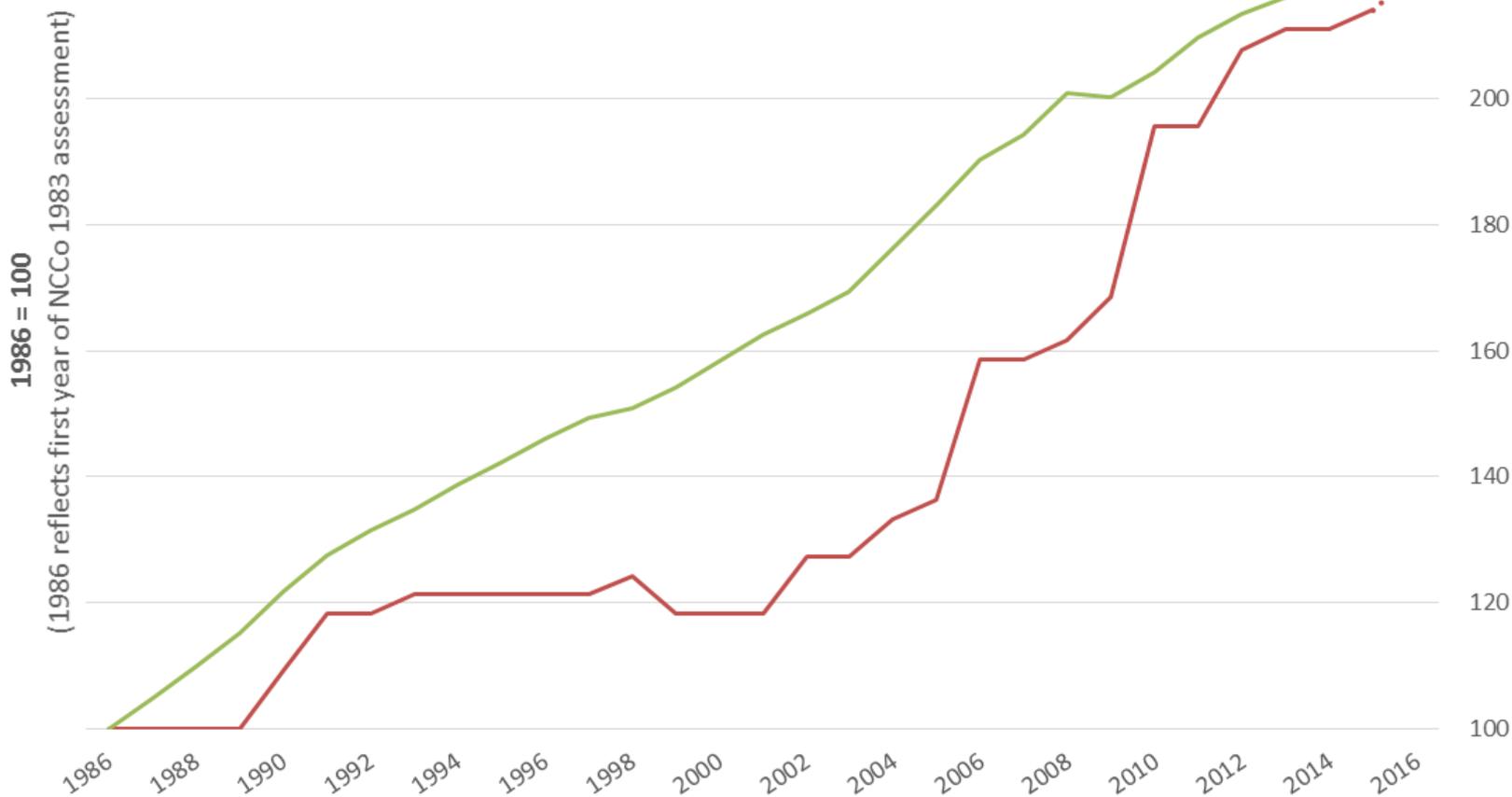


\*Draft data provided by the University of Delaware Water Resources Agency, October 22, 2015

# Property Tax Rate

- Minimum property tax increase proposal of 3%
- Rate would increase from \$0.7065 to \$0.7277 per \$100 of Assessed Value (AV)
- Additional property tax increases are required to approach infrastructure spending targets
- Average taxable residential AV is \$68,758 in 2015
- Average residential tax bill would increase \$15/year
- Residential AVs in the first quartile (\$44,800) would see an annual tax increase of \$9 or less
- Residential AVs in the third quartile (\$86,900) would see an annual tax increase of \$18 or more

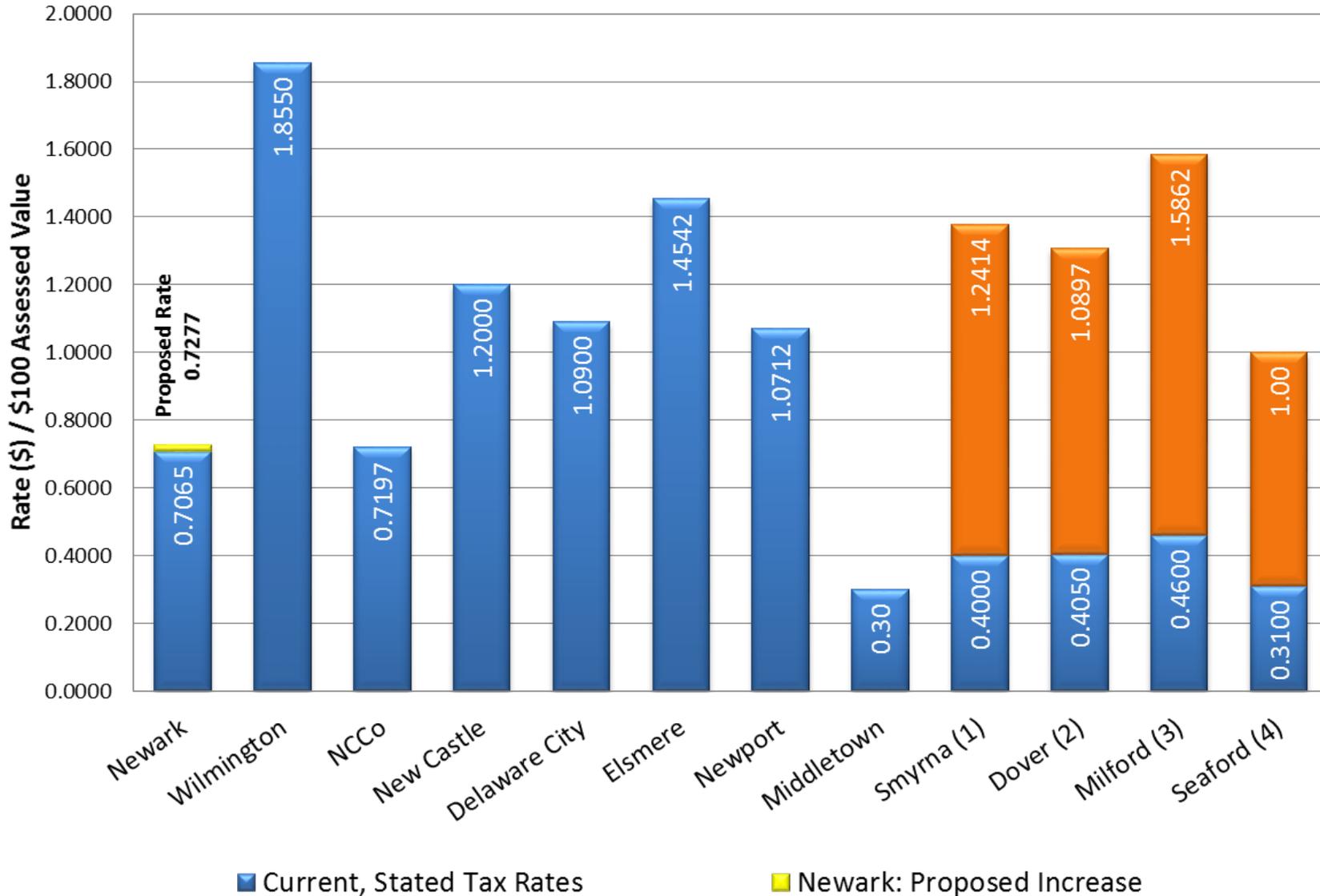
## City of Newark, Delaware Property Tax Growth vs CPI



CPI data reflects All Urban Consumers in Area A102 (Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD). Baseline = 100 in 1986. Source: US Dept of Labor Bureau of Labor Statistics, retrieved 9/30/15 from <http://www.bls.gov/data/>

— Tax Index    — CPI Index

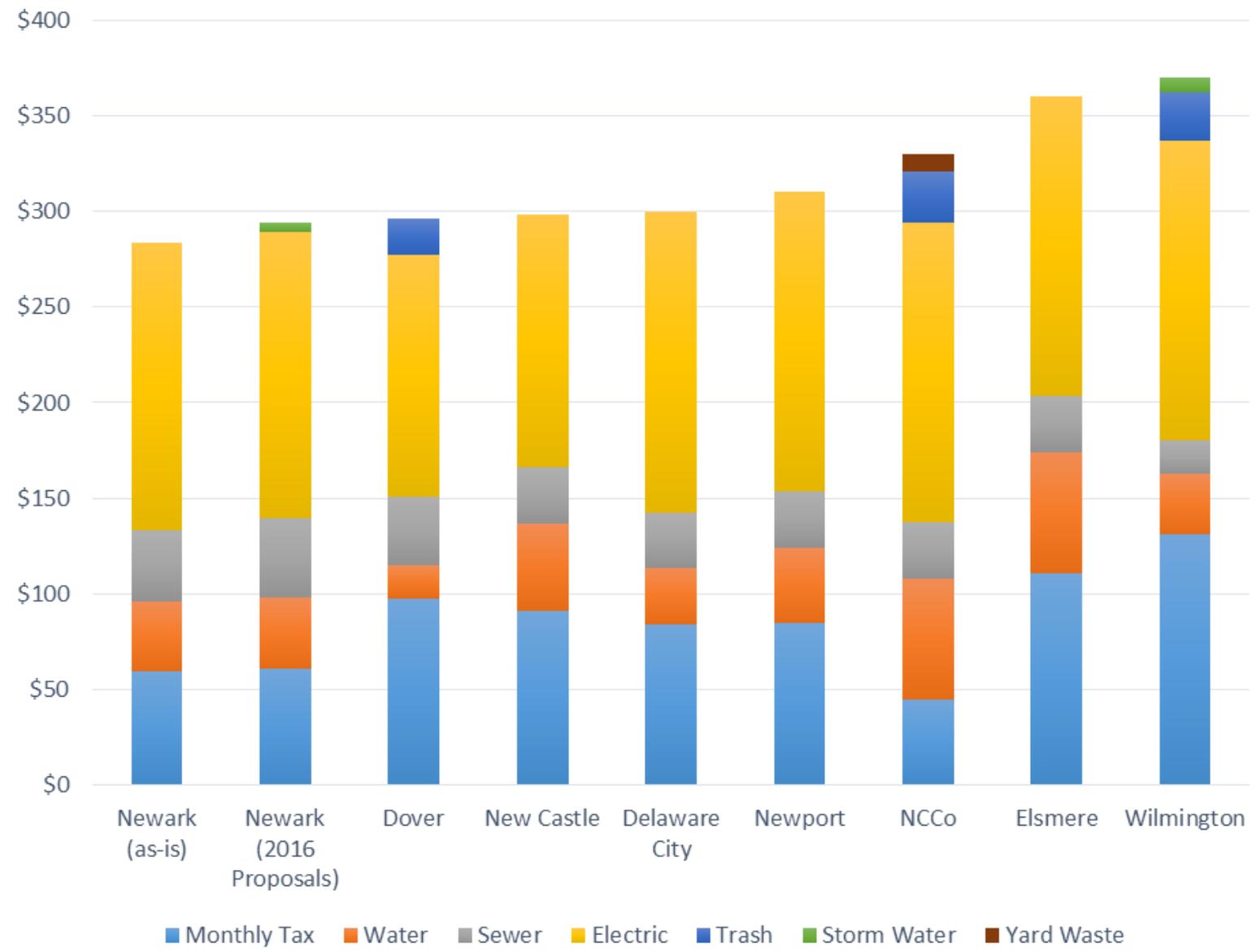
# Property Tax Comparison



1, 2, 3, & 4: Orange Blocks represent estimated NCCo equivalent based on varied reassessment dates outside of NCCo

# Comprehensive Tax & Utility Comparison

## Monthly Estimates, 2015

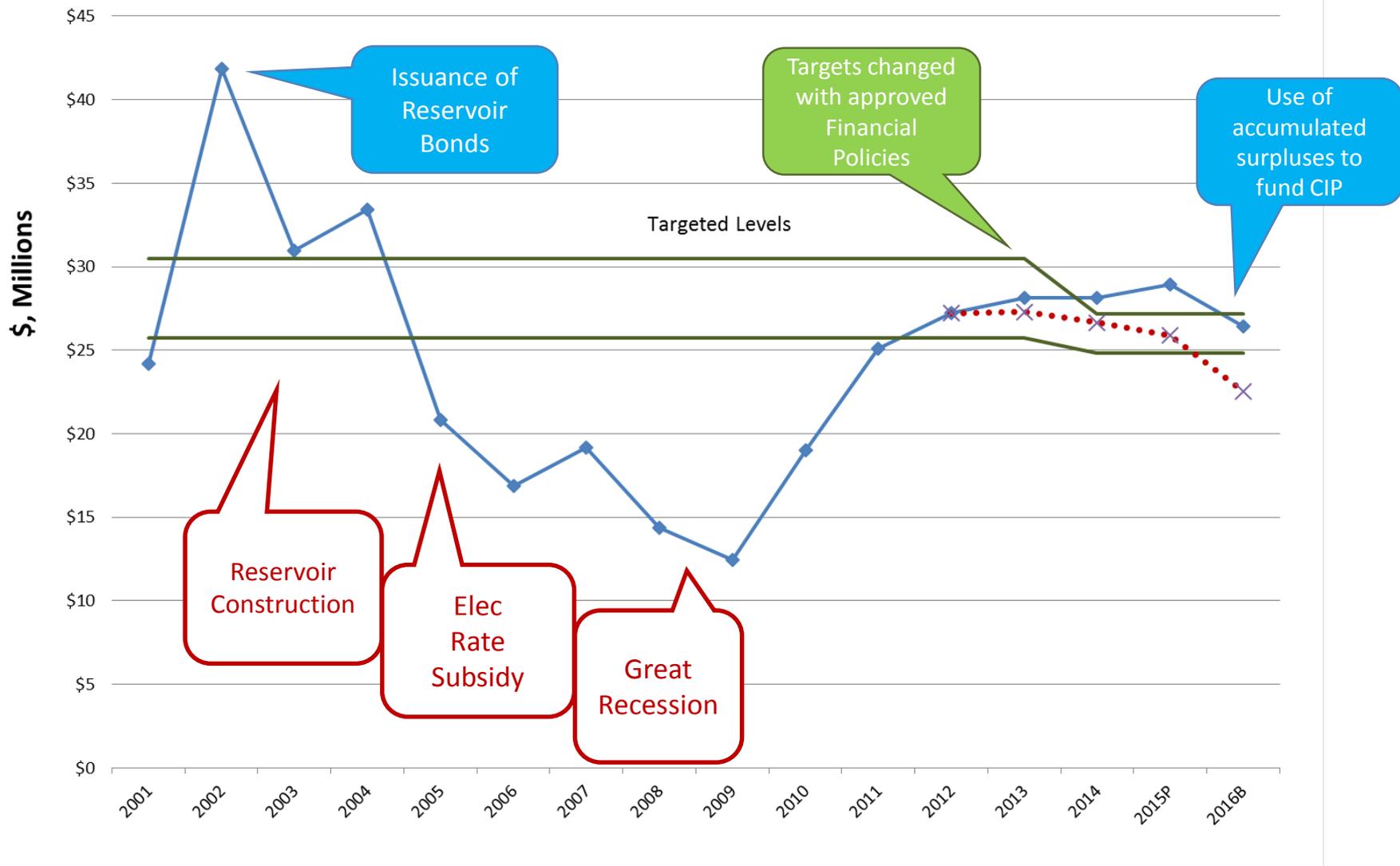


# Efficiency Initiatives Since 2012

- Total savings estimated at \$3.8 million through 2016
  - PWWR consolidation
  - Smart meter project
  - Transfer station elimination
  - Improved refuse truck maintenance
  - Leaf collection and street sweeping changes
  - Better coordination of water main & street rehab
  - Pension & OPEB<sup>1</sup> changes
  - DVIT health and life insurance

<sup>1</sup>Other Post-Employment Benefits

### City of Newark, Delaware - Actual and Projected Cash Balances

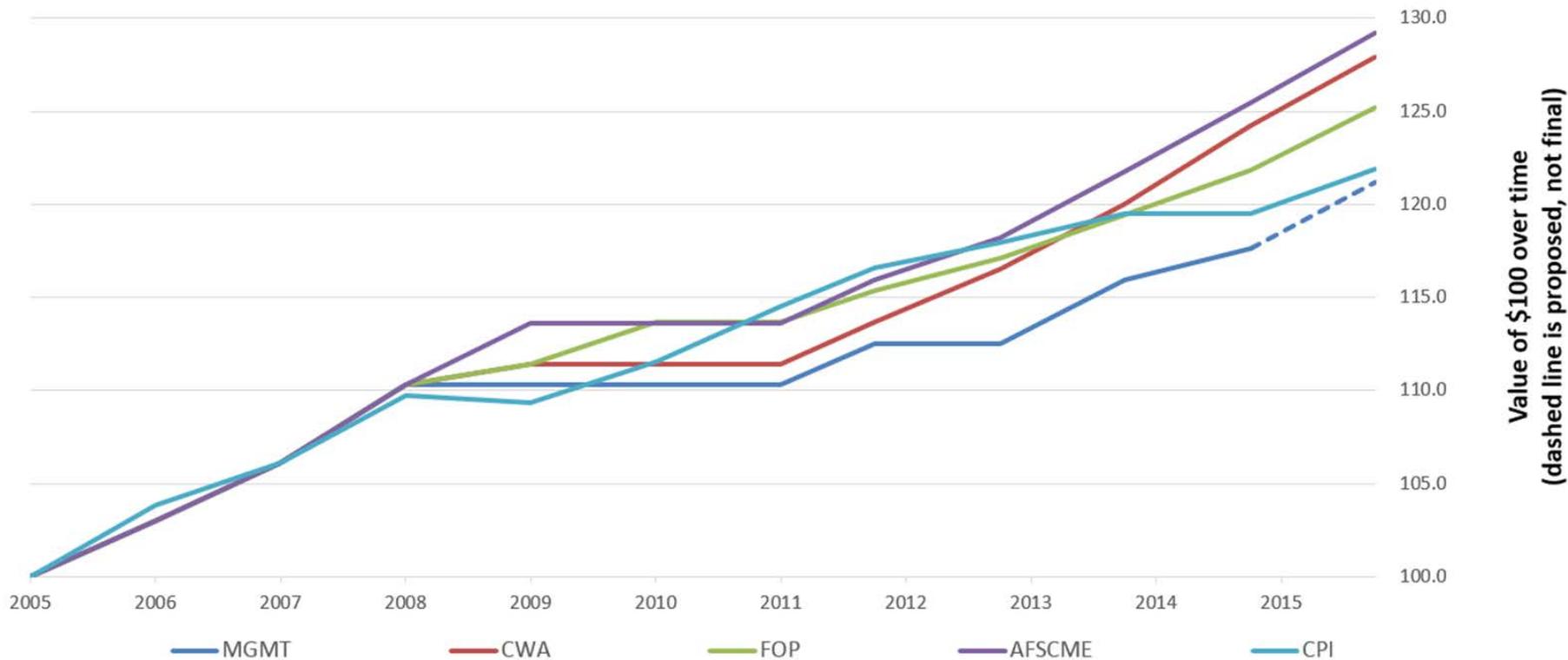


# Personnel Budget Highlights



- 2016 is final contract year for all union agreements
- 2016 Contractual Rate Increases
  - AFSCME – 3.00%
  - CWA – 3.00%
  - FOP – 2.75%
- Non-union wages are budgeted to increase by 3%
- This wage progression, along with other personnel costs, are impacting the budget by \$1.3 million
- 2016 is 2<sup>nd</sup> year deferring portion OPEB ADC
  - OPEB = Other Post-Employment Benefits
  - ADC = Actuarially Determined Contribution

### CPI vs Labor Increases, 2005-2016



CPI data through 2015 reflects All Urban Consumers in Area A102 (Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD). Baseline = 100 in 2005. Source: US Dept of Labor Bureau of Labor Statistics, retrieved 9/30/15 from <http://www.bls.gov/data/>

2016 CPI estimated at 2% based on fed target rate of inflation published at [www.federalreserve.gov/FOMC](http://www.federalreserve.gov/FOMC)

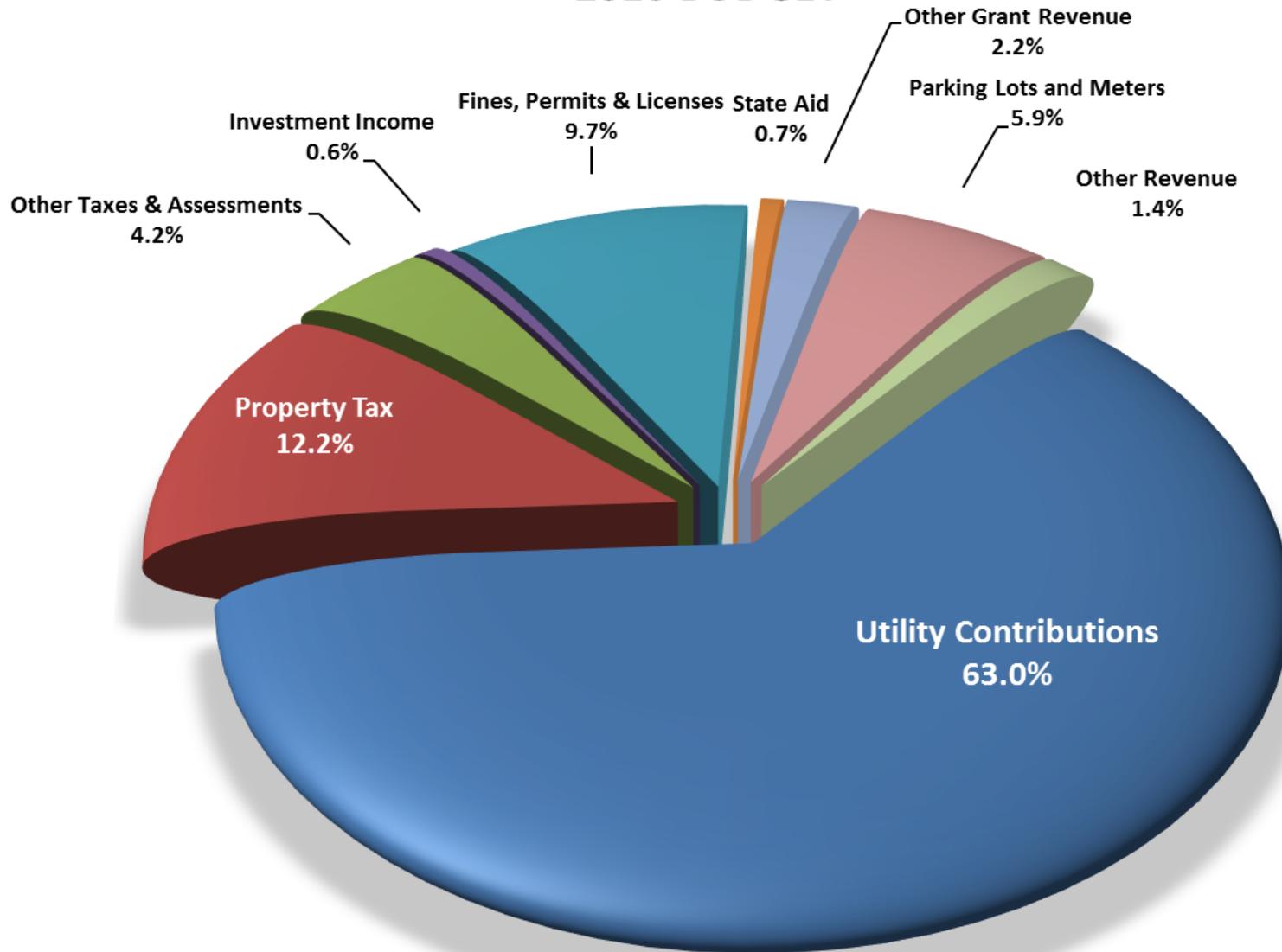
## Labor Increases by Group vs CPI

PERIOD	MGMT	CWA	FOP	AFSCME	CPI <sup>2</sup>
2005	4.0%	4.0%	4.0%	4.0%	3.9%
2006	3.0%	3.0%	3.0%	3.0%	3.9%
2007	3.0%	3.0%	3.0%	3.0%	2.2%
2008	4.0%	4.0%	4.0%	4.0%	3.4%
2009	0.0%	1.0%	1.0%	3.0%	-0.4%
2010	0.0%	0.0%	2.0%	0.0%	2.0%
2011	0.0%	0.0%	0.0%	0.0%	2.7%
2012	2.0%	2.0%	1.5%	2.0%	1.8%
2013	0.0%	2.5%	1.5%	2.0%	1.2%
2014	3.0%	3.0%	2.0%	3.0%	1.3%
2015	1.5%	3.0%	2.0%	3.0%	0.0%
2016 <sup>1</sup>	3.0%	3.0%	2.8%	3.0%	2.0%
TOTAL, 2005-2016	23.5%	28.5%	26.8%	30.0%	24.0%
COMPOUNDED	26.0%	32.4%	30.2%	34.4%	26.7%

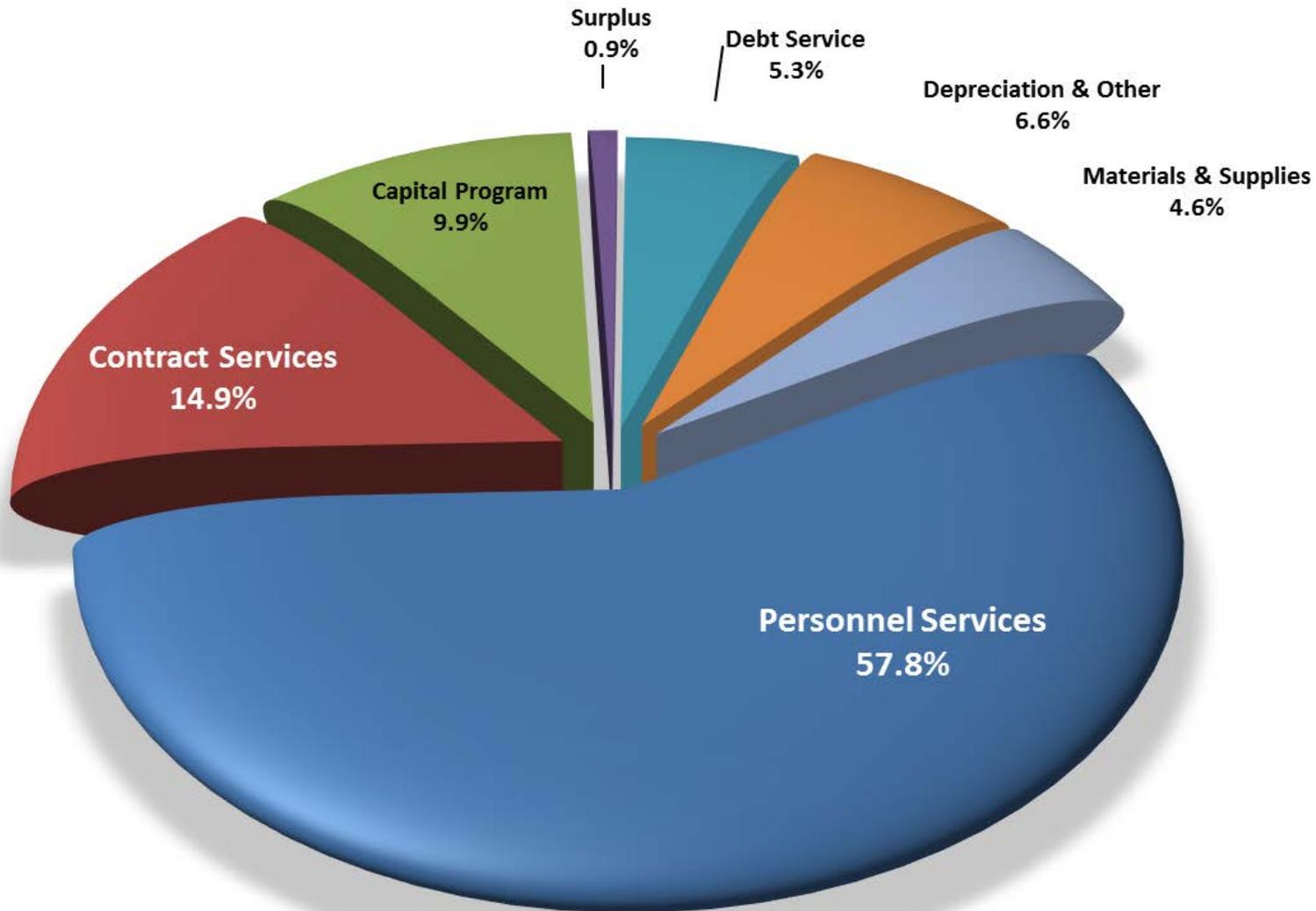
<sup>1</sup>3.0% Management Increase in 2016 is proposed & subject to Council approval

<sup>2</sup>0.0% and 2.0% CPI figures for 2015 and 2016, respectively, are estimated

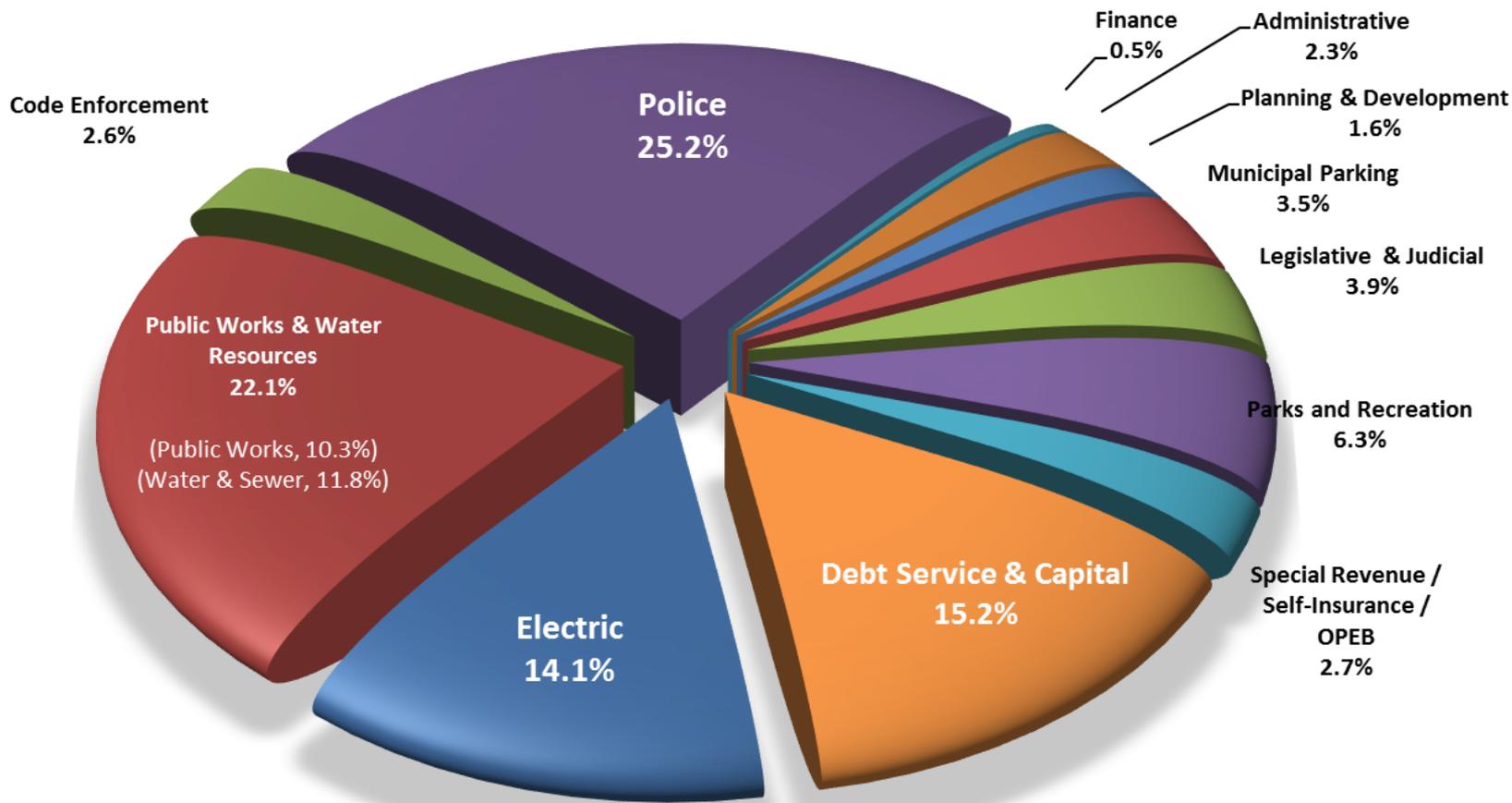
# REVENUES BY TYPE 2016 BUDGET



# EXPENDITURES BY FUNCTION 2016 BUDGET



# EXPENDITURES BY DEPARTMENT 2016 BUDGET



# Changes to CIP Detail Sheets



## PROJECT PRIORITY LEVELS

1 - Highest Priority Level	Project underway and must be completed
2 - High Priority Level	Critical need to remediate failing service, prevent failure, or generate savings
3 - Medium-High	The City would be taking a calculated risk in the deferral of this item
4 - Medium	This project is a NEED and not a WANT, but no significant risk in the deferral of this item
5 - Low	This project is a NEED and not a WANT, but it can start in year two of this CIP or later

Priority Levels Clarified

Levels Matched to Last year's

CITY OF NEWARK, DELAWARE CAPITAL BUDGET - PROJECT DETAIL			
DEPARTMENT:	ENTER DEPT HERE	DIVISION:	DIV, IF APPLICABLE
PROJECT NO: E16XX	PROJECT TITLE: ENTER PROJECT TITLE	PROJECT LOCATION: ENTER PROJECT LOCATION	
PROJECT STATUS (CHECK ONE):	<input type="checkbox"/> NEW	<input checked="" type="checkbox"/> IN PRIOR PROGRAM	<input type="checkbox"/> IN PROGRESS
PRIORITY:	2 - High Priority Level	Critical need to remediate failing service, prevent failure, or generate savings	
COMPREHENSIVE DEVELOPMENT PLANNING VISION ELEMENT:		Sustainable Community	
Charter § 806.1(2) DESCRIPTION & JUSTIFICATION:			

Comp Plan Vision Elements Added

# Changes to CIP Detail Sheets



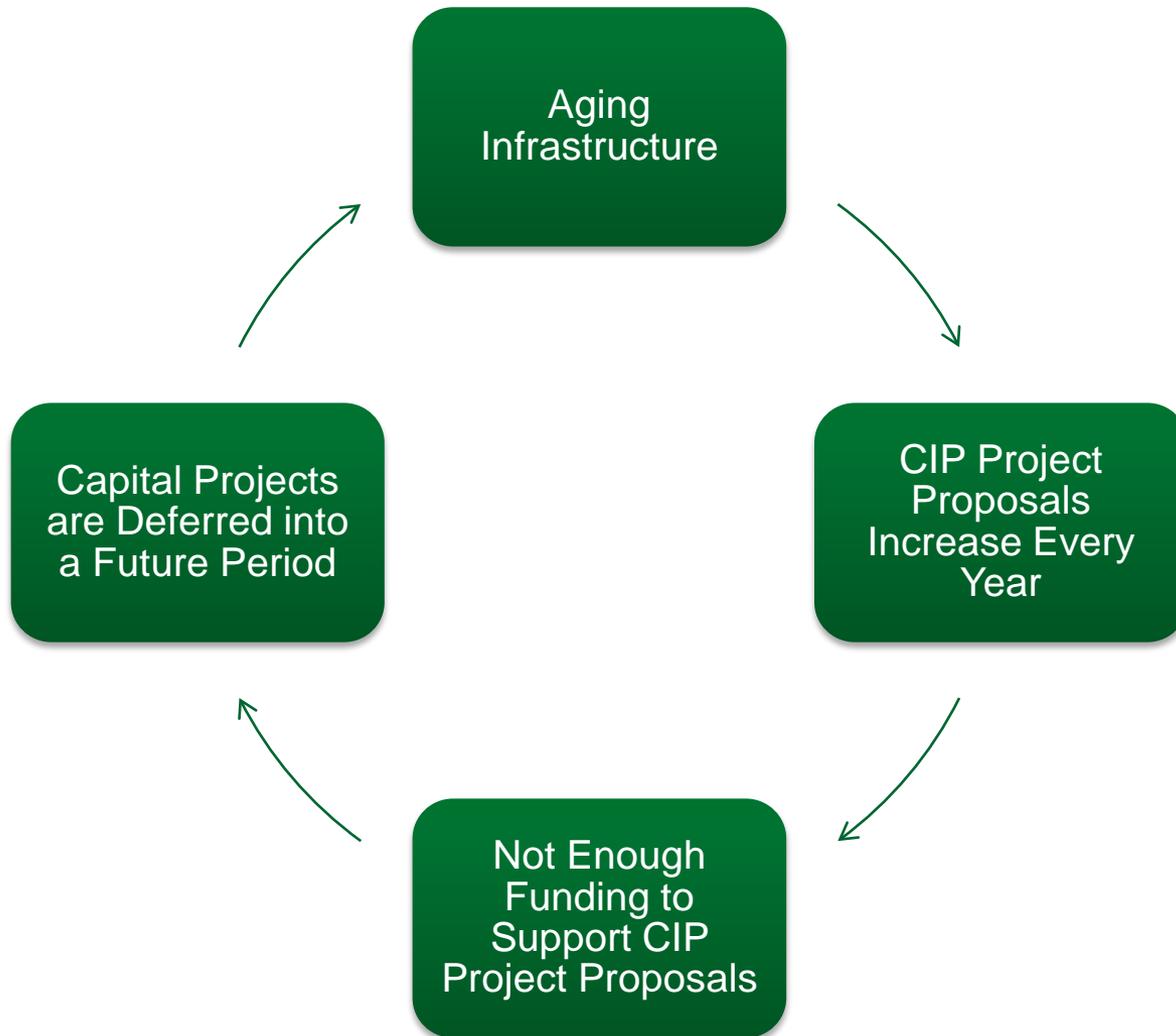
§ 806.1(3) SUMMARY OF PROJECT DATA		PROJECT COST BY CATEGORY					
First Year in Program		CLASSIFICATION	ACCOUNT NUMBERS	AMOUNT			
Est. Completion Date		Labor					
Est. Useful Life (in years)		Materials					
Est. Total Cost		Other Contracts					
Est. Spend @ 12/31 (if underway) <sup>1</sup>		Total Project Cost		\$	-		
Balance to be funded <sup>1</sup>	-	<sup>1</sup> For ongoing projects, we must estimate total spent since inception through current year to derive the balance to be funded thereafter.					
% Complete (if underway)							
PROJECT FINANCING BY PLAN YEAR							
§ 806.1(3) SOURCE OF FUNDS	PRIOR <sup>2</sup>	2016	2017	2018	2019	2020	TOTAL

Code References

§ 806.1(4) ESTIMATED ANNUAL COST OF OPERATING / MAINTAINING PROJECT OR ASSET						
OPERATING IMPACT	2016	2017	2018	2019	2020	TOTAL
INCREMENTAL COSTS (NET SAVINGS)						-

Operating Impact Added

# Rolling CIP



# Key CIP Accomplishments



## 2014 Accomplishments

- Completion of Smart Meter Project
- Completion of Curtis Mill Park Construction
- Transformer at Phillips Avenue Substation
- Completion of Cherry Hill Manor Service Road
- New 16" Water Line Crossing of the White Clay Creek
- Phase 1 of the Upper Christina Stream Restoration
- Replacement of 4,400ft of 6" Water Mains
- Completion of 2014 Annual Street & Handicap Ramp Programs
- Filter Rehabilitation at Curtis Plant

## 2015 Accomplishments

- LED Streetlight Conversion Program Launched
- Transformer at East Main Street Substation
- Replacement of 4,300ft of 6" Water Mains; 430ft of 8" Water Mains, including hydrants, valves & services
- Paper Mill Road Concrete Water Tank Rehabilitation
- Water Tank Mixing Retrofit Project
- Completion of 2015 Annual Street & Handicap Ramp Programs
- Finalization of Transfer Station Closure Project & Conversion to Yard Waste Processing Facility
- Delivery of Automated Yard Waste Carts
- Acquisition of Patrol Rifles
- Information Technology Upgrades / Financial Accounting Software and Work Order Upgrades

# Key Projects - 2016

- Annual Street Program<sup>H&A</sup> & ADA Ramp Transition<sup>IC</sup>: \$1.1 million
- New Water Line & Line Rehabilitation<sup>SC</sup>: \$1.3 million
- Vehicle & Equipment Replacement: \$2.3 million
- SCADA System Improvements<sup>SC</sup>: \$601,000
- Electric Transformer, Circuit Breakers & Conductor Upgrades<sup>SC</sup>: \$796,000
- Other Water System Projects<sup>SC, 1</sup>: \$1.9 Million

<sup>H&A</sup> Supports Health & Active Community Vision

<sup>SC</sup> Supports Sustainable Community Vision

<sup>IC</sup> Supports Inclusive Community Vision

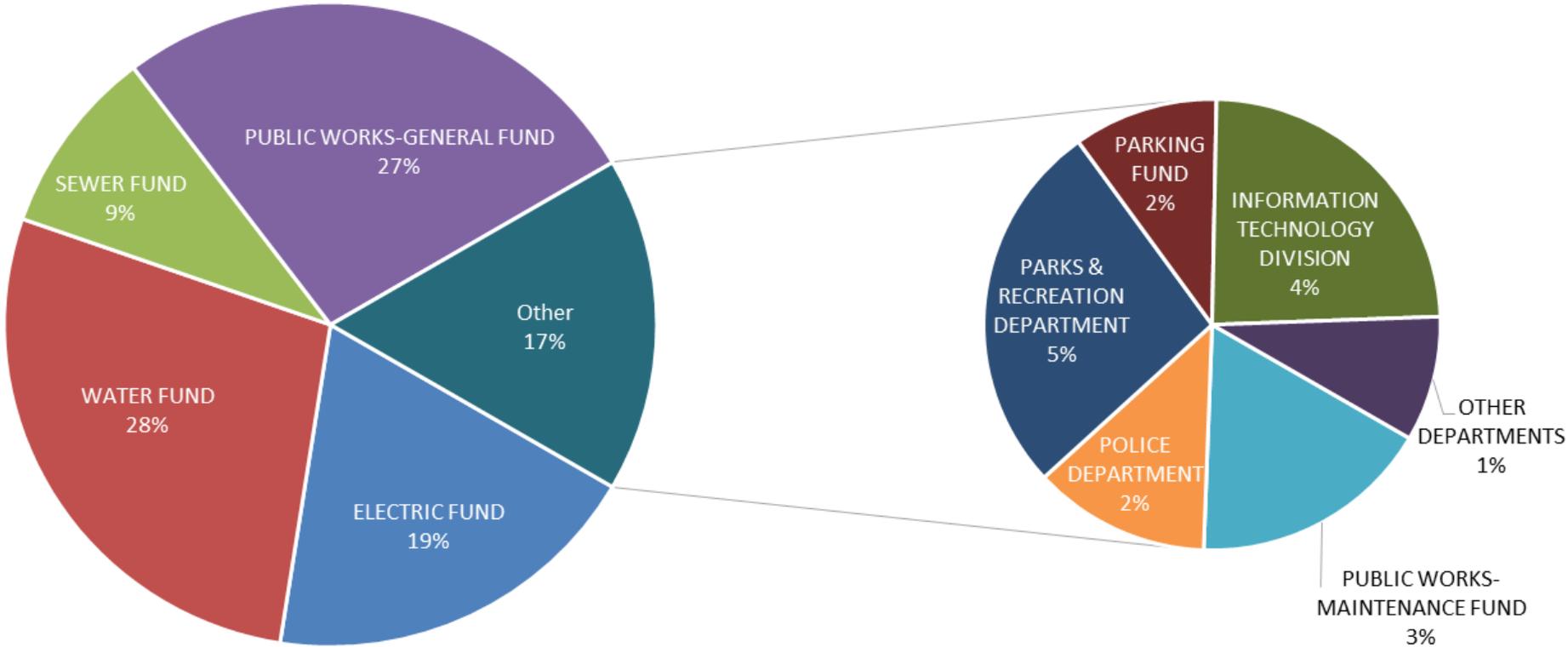
<sup>1</sup> Filters Rehab, Curtis Plant Intake, Disinfection Equipment, Tank Maintenance

# Capital Improvement Program Totals 2016-2020

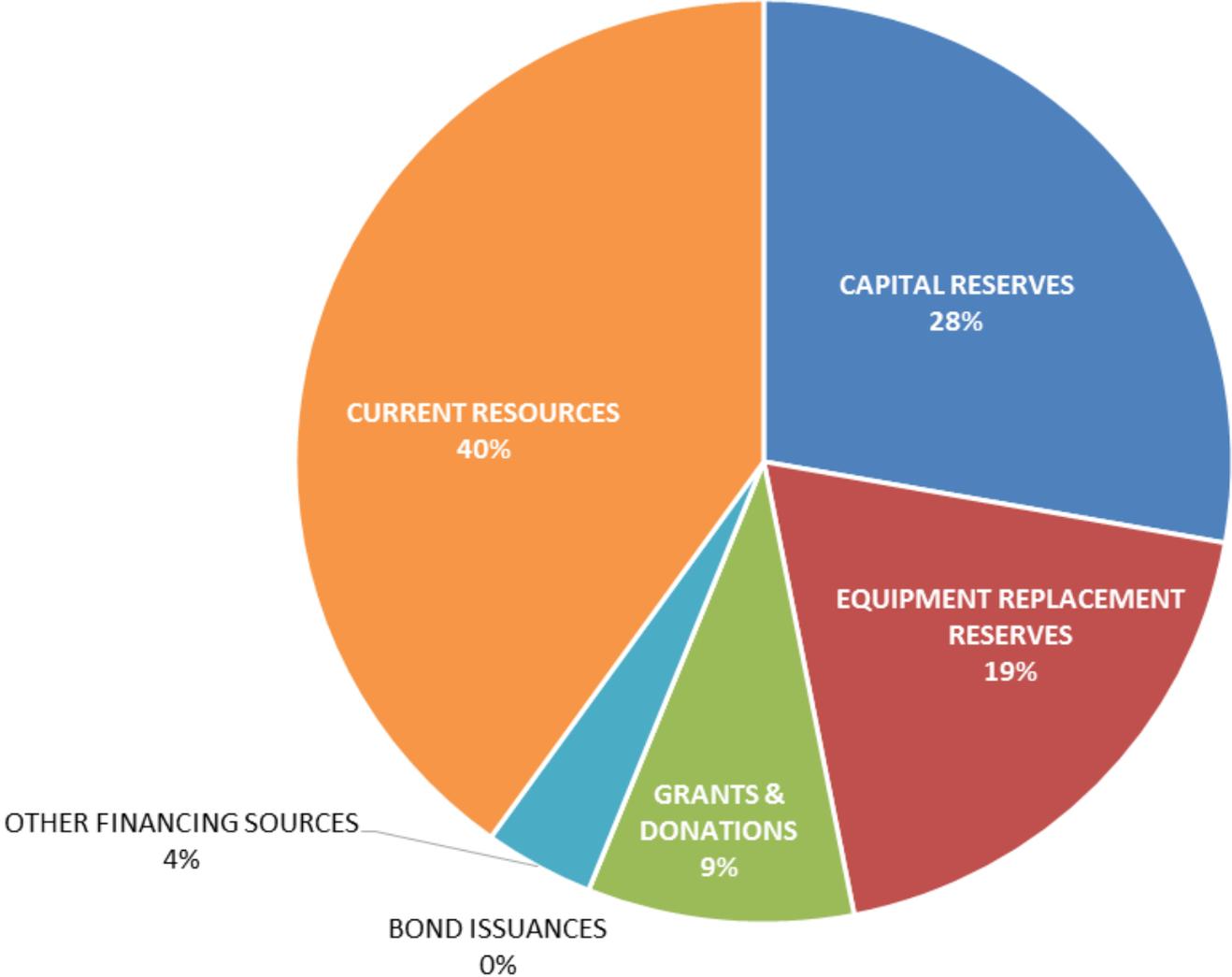


	PROPOSED BUDGETS					TOTAL
	2016	2017	2018	2019	2020	PROPOSED AMOUNTS
ELECTRIC FUND	\$ 2,314,419	\$ 922,500	\$ 9,976,500	\$ 1,109,000	\$ 477,000	\$ 14,799,419
WATER FUND	3,376,552	4,450,500	5,129,350	2,578,091	2,217,263	17,751,756
SEWER FUND	1,135,000	625,000	725,000	750,000	750,000	3,985,000
PUBLIC WORKS-GENERAL FUND	3,264,922	3,411,550	1,867,807	1,867,916	1,718,524	12,130,719
PUBLIC WORKS-MAINTENANCE FUND	350,000	55,000	-	-	-	405,000
POLICE DEPARTMENT	255,965	399,493	20,960	193,968	331,585	1,201,971
PARKS & RECREATION DEPARTMENT	547,500	1,620,000	1,005,000	1,345,000	195,000	4,712,500
PARKING FUND	209,078	5,914,970	12,025,950	105,000	28,000	18,282,998
INFORMATION TECHNOLOGY DIVISION	491,000	1,747,000	565,000	65,000	125,000	2,993,000
OTHER DEPARTMENTS	182,515	165,000	193,880	-	36,000	577,395
	<u>\$ 12,126,951</u>	<u>\$ 19,311,013</u>	<u>\$ 31,509,447</u>	<u>\$ 8,013,975</u>	<u>\$ 5,878,372</u>	<u>\$ 76,839,758</u>
<b><u>PLANNED FINANCING SOURCES</u></b>						
GROSS CAPITAL IMPROVEMENTS	\$ 12,126,951	\$ 19,311,013	\$ 31,509,447	\$ 8,013,975	\$ 5,878,372	\$ 76,839,758
LESS: USE OF RESERVES	(3,373,283)	(216,970)	(32,600)	(36,370)	-	(3,659,223)
VEHICLE & EQUIPMENT REPLACEMENT	(2,315,288)	(2,483,770)	(639,770)	(632,395)	(1,031,270)	(7,102,493)
GRANTS	(1,115,000)	(745,000)	(545,000)	(545,000)	(545,000)	(3,495,000)
BOND ISSUES	-	-	-	-	-	-
OTHER FINANCING SOURCES	(459,759)	(5,500,000)	(17,543,900)	-	-	(23,503,659)
NET CAPITAL IMPROVEMENTS	<u>\$ 4,863,621</u>	<u>\$ 10,365,273</u>	<u>\$ 12,748,177</u>	<u>\$ 6,800,210</u>	<u>\$ 4,302,102</u>	<u>\$ 39,079,383</u>

# 2016 Gross Capital Expenditures by Department



# 2016 Funding Sources for CIP



# Significant Projects (out years) 2017 - 2020

- Star Campus Underground Distribution<sup>SC</sup>, \$1.3 million
- Star Campus Substation<sup>SC</sup>, \$8.9 million
- Curtis Plant Intake Replacement<sup>SC</sup>, \$2.7 million
- Water Main Renovation Program<sup>SC</sup>, \$6.4 million
- Water Tank Maintenance<sup>SC</sup>, \$1.7 million
- Sanitary Sewer Study / Repairs<sup>SC</sup>, \$2.8 million
- Annual Street Program<sup>H&A</sup>, \$5.4 million
- Parks Hard Surface Facility Improvements<sup>H&A</sup>, \$1.4 million
- Old Paper Mill Park Improvements<sup>H&A</sup>, \$1.8 million
- Storm Drainage Improvements<sup>SC</sup>, \$1.0 million
- Citizen Engagement Portal<sup>IC</sup>, \$2.0 million

<sup>H&A</sup>Supports Health & Active Community Vision

<sup>SC</sup>Supports Sustainable Community Vision

<sup>IC</sup>Supports Inclusive Community Vision



### City of Newark: Estimated Annual Infrastructure Maintenance Requirements versus 2015 & 2016 CIP Budget

(All dollar amounts are expressed in thousands)

Infrastructure Category	Inventory <sup>1</sup>	Expected Service Life	Cost/mi	Comment	Replacement per year <sup>2</sup>	Cost/yr	2015 Budget Funds	2015 Gap	2016 Budget Funds	2016 Gap
Water Mains	150 miles	100 years	\$ 1,000	Replace - restores full life	1.5 miles	\$ 1,500	\$ 1,000	\$ 500	\$ 1,000	\$ 500
Sanitary Sewer Mains	95 miles	100 years	500	Reline - restores 50-years	0.95 miles	475	400	75	500	(25)
Streets (City)	65 miles	17.5 years <sup>3</sup>	490	50% full depth, 50% overlay	3.71 miles	1,818	1,000	818	1,000	818
Storm Sewer (Concrete)	80 miles	85 years	1,200	Replace - restores full life	0.94 miles	1,128	1,000	128	-	1,128
Storm Sewer (Metal)	5 miles	15 years <sup>4</sup>	1,000	Replace with concrete	0.33 miles	330	200	130	132	198
Totals ►						5,251	3,600	1,651	2,632	2,619

<sup>1</sup>Inventory lengths reflect our best available current records. Road miles are the only survey grade values at this point and all others will change as we complete surveys.

<sup>2</sup>Replacement costs include structures like manholes, valves, catch basins, curbing, etc. in an effort to give a simple replacement value for an average street, main, etc.

<sup>3</sup>Average value assuming a 20-year life for full depth restoration and 15 years for 2" overlay. Life varies significantly based on traffic loading and material quality.

<sup>4</sup>Metal storm pipe has not been used in the City for many years. Traditionally, a 25 year life for CMP applies, but most is severely deteriorated and in need of replacement.

# Funding Gap Options

- Option One:
  - Increase water rates by 7.2% 1/1/16 as prescribed in study instead of 7/1/16 assumption in budget
  - Generates additional \$300,000 for project W9308 to increase water main rehab from \$1 million to \$1.3 million in 2016
- Option Two:
  - Increase property tax rates using the schedule below
  - Could generate varying levels of additional funding
    - For street maintenance and/or
    - Some “base level” portion of stormwater funding to reduce revenue requirements of future stormwater utility
    - For example, a tax increase of 12% would generate \$350,000 more for street repair in 2016, and in 2017+, the \$700,000 in new funding could be split between streets and stormwater
- Combination of Option One and Two

Additional Increases of ►	4%	6%	8%	10%	12%	15%
Would generate \$X in 2016 ►	116,727	175,090	233,454	291,817	350,181	437,726
And would generate \$X Long-Term ►	233,454	350,181	466,908	583,635	700,362	875,452

# Conclusion / Questions

