

2017 Budget Hearing

November 21, 2016

Budget Timeline

- 10/04/2016 Draft Version of CIP for Budget Central ✓
- 10/18/2016 Draft CIP Presented to the Planning Commission ✓
- 10/21/2016 Preliminary Council Feedback on CIP Requested ✓
- 10/31/2016 Final Version of CIP & Operating Budgets for Council ✓
- 11/21/2016 Budget Hearing #1 – Council Feedback/possible vote
- 12/05/2016 Budget Hearing #2 – anticipated vote

2017 Budget Overview

Revenue	\$ 49,927,644
Expenditures	\$ 42,488,555
Net Capital Improvements	4,355,000
Debt Service	2,616,161
Current Surplus	467,928
Total Expenditures & Surplus	\$ 49,927,644

Tax Rate	9% Rate increase to .8433
Electric Rate	No change from 2016
Sewer Fee	No change from 2016, 3% was initially proposed in October 2016
Water Rate	4.5% proposed minimum fee increase, 8% subject to Black & Veatch Study results
Fee Enhancements	Several - Included within the 2017 revenue budget

Revenues



Revenue

Utilities Contributions
 Property and Realty Taxes
 Fees for Service
 Intergovernmental Revenue
 Other Revenue

Total Operating Revenue

ACTUAL 2015	2016 BUDGET AS AMENDED	BUDGET 2017	\$ CHANGE FROM 2016 BUDGET	% CHANGE FROM 2016 BUDGET
\$ 28,182,751	\$ 31,071,441	\$ 31,190,288	\$ 118,847	0.4%
8,331,220	8,230,060	8,955,185	725,125	8.8%
6,324,791	7,659,247	7,540,381	(118,866)	-1.6%
1,402,529	1,488,030	1,353,221	(134,809)	-9.1%
963,288	917,958	888,569	(29,389)	-3.2%
\$ 45,204,579	\$ 49,366,736	\$ 49,927,644	\$ 560,908	1.1%

OP EX



Expenditures

Personnel Services
 Materials and Supplies
 Contractual Services
 Equipment Depreciation
 Other Expenses

Total Operating Expenses

\$ 26,955,861	\$ 28,245,586	\$ 30,880,184	\$ 2,634,598	9.3%
2,078,695	2,257,298	2,277,493	20,195	0.9%
6,531,300	7,295,104	7,386,252	91,148	1.2%
1,191,220	1,484,599	1,390,082	(94,517)	-6.4%
603,294	514,703	554,544	39,841	7.7%
\$ 37,360,370	\$ 39,797,290	\$ 42,488,555	\$ 2,691,265	6.8%

CIP



Capital Improvements

Gross Capital Improvements
 Less: Use of Reserves
 Equipment Replacement
 Grants
 Bond Issues
 Other Sources

Net Capital Improvements

\$ 10,404,345	\$ 12,614,451	\$ 11,194,546	\$ (1,419,905)	-11.3%
(2,779,553)	(3,373,283)	(4,722,228)	(1,348,945)	40.0%
(714,607)	(2,315,288)	(1,172,318)	1,142,970	-49.4%
(1,450,610)	(1,115,000)	(945,000)	170,000	-15.2%
-	-	-	-	0.0%
-	(459,759)	-	459,759	-100.0%
\$ 5,459,575	\$ 5,351,121	\$ 4,355,000	\$ (996,121)	-18.6%

Debt Service



Debt Service
 Partial Reversal of Non-cash Expenditures
 Net Current Surplus

TOTAL EXPENDITURES AND SURPLUS

\$ 2,568,138	\$ 2,605,361	\$ 2,616,161	\$ 10,800	0.4%
(1,150,309)	1,150,309	-	(1,150,309)	100.0%
966,805	462,655	467,928	5,273	1.1%
\$ 45,204,579	\$ 49,366,736	\$ 49,927,644	\$ 560,908	1.1%

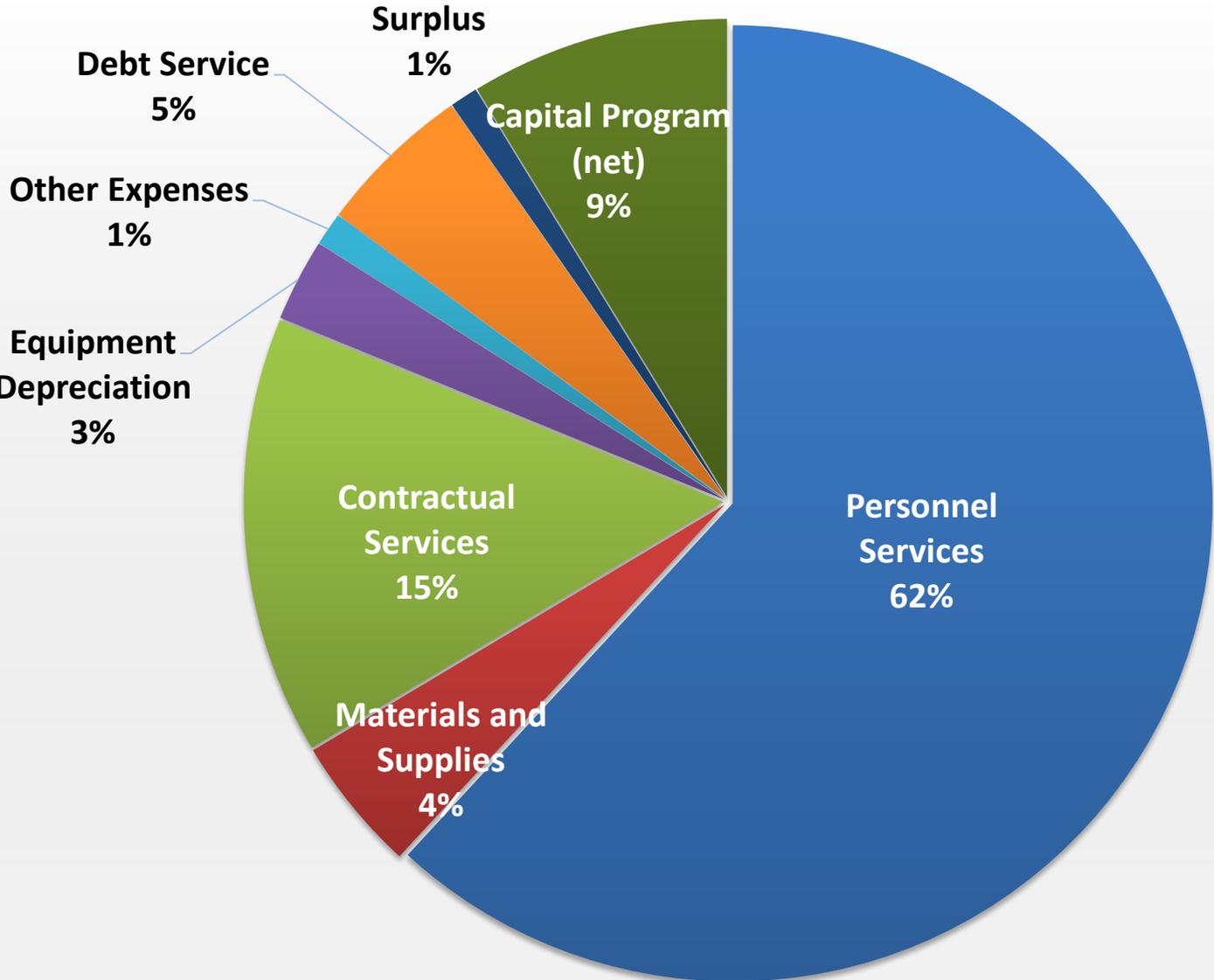
TOTAL BUDGET AT A GLANCE

City of Newark 2017 Expenditure Budget Recommendation

Expense Budget – a Closer Look

	ACTUAL 2015	2016 BUDGET AS AMENDED	BUDGET 2017	\$ CHANGE FROM 2016 BUDGET	% CHANGE FROM 2016 BUDGET
Expenditures					
Personnel Services	26,955,861	28,245,586	30,880,184	2,634,598	9.3%
Materials and Supplies	2,078,695	2,257,298	2,277,493	20,195	0.9%
Contractual Services	6,531,300	7,295,104	7,386,252	91,148	1.2%
Equipment Depreciation	1,191,220	1,484,599	1,390,082	(94,517)	-6.4%
Other Expenses	603,294	514,703	554,544	39,841	7.7%
Total Operating Expenses	\$ 37,360,370	\$ 39,797,290	\$ 42,488,555	\$ 2,691,265	6.8%
Capital Improvements					
Gross Capital Improvements	10,404,345	12,614,451	11,194,546	(1,419,905)	-11.3%
Less: Use of Reserves	(2,779,553)	(3,373,283)	(4,722,228)	(1,348,945)	40.0%
Equipment Replacement	(714,607)	(2,315,288)	(1,172,318)	1,142,970	-49.4%
Grants	(1,450,610)	(1,115,000)	(945,000)	170,000	-15.2%
Bond Issues	-	-	-	-	
Other Sources	-	(459,759)	-	459,759	-100.0%
Net Capital Improvements	\$ 5,459,575	\$ 5,351,121	\$ 4,355,000	\$ (996,121)	-18.6%
Debt Service	2,568,138	2,605,361	2,616,161	10,800	0.4%
Partial Reversal of Non-cash Expenditures	(1,150,309)	1,150,309	-	(1,150,309)	-100.0%
Net Current Surplus	966,805	462,655	467,928	5,273	1.1%
TOTAL EXPENDITURES AND SURPLUS	\$ 45,204,579	\$ 49,366,736	\$ 49,927,644	\$ 560,908	1.1%

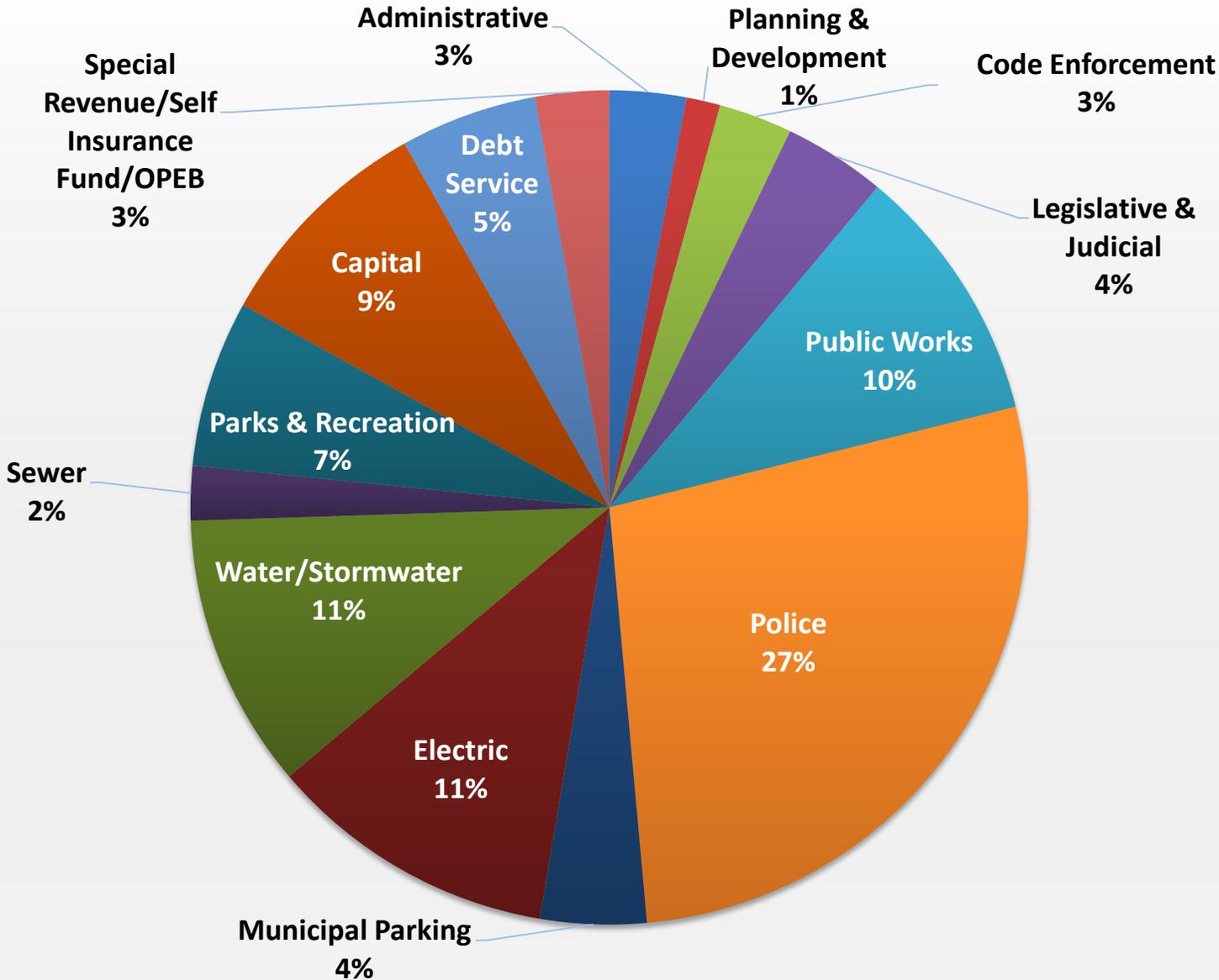
As is traditional in all levels of government, the City's largest asset are its employees.



	2016	2017
Personnel Services	57.2%	61.8%
Materials and Supplies	4.6%	4.6%
Contractual Services	14.8%	14.8%
Equipment Depreciation	3.0%	2.8%
Other Expenses	1.0%	1.1%
Debt Service	5.3%	5.2%
Surplus	0.9%	0.9%
Partial Reversal of Non-Cash Expenditures	2.3%	0.0%
Capital Program (net)	10.8%	8.7%
Total Expenditures and Surplus	100.0%	100.0%

2017 EXPENDITURES BY TYPE

93% of the budget goes directly to the departments that provide our core services.



BUDGET BY DEPARTMENT	2016	2017
Administrative	2.7%	3.0%
Planning & Development	1.7%	1.3%
Code Enforcement	2.7%	2.8%
Legislative & Judicial	4.1%	4.0%
Public Works	10.8%	10.1%
Police	26.4%	27.4%
Municipal Parking	3.7%	4.1%
Electric	10.7%	11.2%
Water/Stormwater	10.2%	10.6%
Sewer	2.1%	2.1%
Parks & Recreation	6.6%	6.5%
Capital	11.4%	8.8%
Debt Service	5.5%	5.3%
Special Revenue/Self Insurance Fund/OPEB	1.4%	2.8%
Total Expenditure Budget by Department	100.0%	100.0%

2017 Expenditure Budget by Department



Expense Budget Overview – Operating Expenditures (OP EX)

	ACTUAL	2016 BUDGET	BUDGET	\$ CHANGE	% CHANGE
Expenditures	2015	AS AMENDED	2017	FROM	FROM
				2016	2016
				BUDGET	BUDGET
Personnel Services	26,955,861	28,245,586	30,880,184	2,634,598	9.3%
Materials and Supplies	2,078,695	2,257,298	2,277,493	20,195	0.9%
Contractual Services	6,531,300	7,295,104	7,386,252	91,148	1.2%
Equipment Depreciation	1,191,220	1,484,599	1,390,082	(94,517)	-6.4%
Other Expenses	603,294	514,703	554,544	39,841	7.7%
Total Operating Expenses	\$ 37,360,370	\$ 39,797,290	\$ 42,488,555	\$ 2,691,265	6.8%

▶ **Personnel Expenses increased by \$2.6 million (9.3%)**

- ▶ Includes six new CWA positions with staggered start dates in 2017

Total operating expenses are up 6.8%, or \$2.7 million compared to 2016

▶ **Non-Personnel Operating Expenses up \$57,000 (0.5%)**

- ▶ Materials & Supplies increased \$20,000 (0.9%)
- ▶ Contractual Services increased \$91,000 (1.2%)
- ▶ Equipment Depreciation Expense declined \$94,000 (-6.4%)
- ▶ Other Expenses increased by \$40,000 (7.7%)

Personnel Expenses

- ▶ Existing (2016) personnel and expenses represent \$2.1 million of the growth in 2017:
 - ▶ Wage Progression and/or union contract terms:
 - ▶ AFSCME – TBD% (in negotiations)
 - ▶ CWA – 2.9%
 - ▶ FOP – Comprehensive Pay Plan Change (Median increase of 5%). *Pending Council approval.*
 - ▶ Non-union wages are budgeted to increase by 1.5%. *Pending Council approval.*
 - ▶ Pension and OPEB Actuarial Determined Contribution (ADC)
- ▶ Proposed personnel staffing levels in 2017 account for \$535,000, staggered start dates, CWA:
 - ▶ PWWR Engineer
 - ▶ IT Desktop Support & Network Administration
 - ▶ Financial Analyst
 - ▶ Records Technician (Police)
 - ▶ GIS Technician (serving: Parks/Finance/Police/Planning/Legis Depts.)
 - ▶ Evidence Custodian (use allocated City cash-match from two Police Officer positions)

FY 2017 Additional Staffing (CWA)

▶ PWWR Engineer

- ▶ Maximize funding on CIP projects; start in-sourcing engineering services (10/31/16 email on Budget Central).

▶ Financial Analyst

- ▶ Dedicated staff to provide required reporting, directly support budget process and increase detail on City finances. Provides receivables support to ensure the timely collection of tax and utility billings.

▶ IT Desktop Support and Network Administrator III

- ▶ Workload and employee operational demands on organization to maintain efficiency efforts.
- ▶ Expansion of applications and solutions have increased demand on support needs.
- ▶ Ensure structure and complexity of infrastructure stays secure and operations for public safety and public utilities.

▶ GIS Technician

- ▶ This position will serve five different departments in lieu of each operating in isolation (10/12/16 email on Budget Central).

▶ Police Evidence Custodian

- ▶ Utilize a civilian in the Evidence Division to maximize the sworn officer there now in other duties.

▶ Police Records Technician

- ▶ Daily operations of data entry and public police records request of service calls and incidents.
- ▶ Assume the weekly workload of records/information exchange with the City Solicitor-Alderman Court prosecution obligations.

Employee Healthcare: Delaware Valley Health Trust's (DVHT) Benefits

- ▶ City enrolled in the Trust effective January 1, 2015
- ▶ Pooled risk and asset insurance organization specifically for municipal governments
- ▶ Maximize resources to reduce administrative costs for operations
 - ▶ 2016 was 7.1% administrative cost ratio for DVHT, a record low for the Trust
 - ▶ In comparison, Blue Cross Blue Shield was averaging 11-14% when the switch was implemented.
- ▶ Provides proven controlled growth to an unpredictable industry
 - ▶ Rate Stabilization Fund: \$7,028 after one year
 - ▶ On-Site Medical Clinic (Horsham, PA) with possible mobile clinics; investigating regional options in 2017
 - ▶ Will help reduce claim experience with prescriptions
 - ▶ Institutional commitment to wellness initiatives to change workplace culture and education.

Employee Healthcare: Delaware Valley Health Trust's (DVHT) Benefits to our Workforce

- ▶ All DVHT wellness benefits inclusive to annual rate:
 - ▶ \$250 annual reimbursement for fitness activities (Employee & Spouse)
 - ▶ Educational Healthy Breakfast/Lunch sessions
 - ▶ On-Site annual biometric screenings with \$50 incentive payment
 - ▶ Limited reimbursement of on-site Weight Watchers at Work program
- ▶ Wellness grant (new in 2017) of \$23,000 that is being used for:
 - ▶ Biggest Loser Weight Loss and Pedometer Challenge
 - ▶ Retrofit Stand-Up desk equipment
 - ▶ Air filtration system(s)
 - ▶ More assessments ongoing

Expense Budget Overview – Capital Improvements

	ACTUAL 2015	2016 BUDGET AS AMENDED	BUDGET 2017	\$ CHANGE FROM 2016 BUDGET	% CHANGE FROM 2016 BUDGET
Total Operating Expenses	\$ 37,360,370	\$ 39,797,290	\$ 42,488,555	\$ 2,691,265	6.8%
Capital Improvements					
Gross Capital Improvements	10,404,345	12,614,451	11,194,546	(1,419,905)	-11.3%
Less: Use of Reserves	(2,779,553)	(3,373,283)	(4,722,228)	(1,348,945)	40.0%
Equipment Replacement	(714,607)	(2,315,288)	(1,172,318)	1,142,970	-49.4%
Grants	(1,450,610)	(1,115,000)	(945,000)	170,000	-15.2%
Bond Issues	-	-	-	-	
Other Sources	-	(459,759)	-	459,759	-100.0%
Net Capital Improvements	\$ 5,459,575	\$ 5,351,121	\$ 4,355,000	\$ (996,121)	-18.6%

- ▶ The Gross CIP Budget decreased \$1.4 million (-11.3%) to \$11,194,546.
- ▶ Funding of the CIP consists of five sources, but there are only three sources utilized in 2017.
- ▶ Net CIP Budget decreased by \$1.0 million (-18.6%) to \$4,355,000. **This represents the portion of the capital budget that is supported by current revenues (taxes, fees, etc.)**

Expense Budget Overview – Debt Service

	ACTUAL 2015	2016 BUDGET AS AMENDED	BUDGET 2017	\$ CHANGE FROM 2016 BUDGET	% CHANGE FROM 2016 BUDGET
Total Operating Expenses	\$ 37,360,370	\$ 39,797,290	\$ 42,488,555	\$ 2,691,265	6.8%
Net Capital Improvements	\$ 5,459,575	\$ 5,351,121	\$ 4,355,000	\$ (996,121)	-18.6%
Debt Service	2,568,138	2,605,361	2,616,161	10,800	0.4%
Partial Reversal of Non-cash Expenditures	(1,150,309)	1,150,309	-	(1,150,309)	-100.0%
Net Current Surplus	966,805	462,655	467,928	5,273	1.1%
TOTAL EXPENDITURES AND SURPLUS	\$ 45,204,579	\$ 49,366,736	\$ 49,927,644	\$ 560,908	1.1%

DEBT	2017 Payment	Ending Date
GOB Series 2011	\$ 1,464,000	09/14/2022
Energy Conservation Loan	68,438	07/01/2022
Smart Meters	1,046,189	09/01/2022 (ARRA/DNREC), 01/01/2028 (BOA)
Parking Fee Collection Equipment	37,534	10/15/2019
Total:	\$ 2,616,161	

City of Newark 2017 Revenue Budget Recommendation

Property Tax Rate

- ▶ Property tax increase proposal of 9%, as General Fund expenses are not being met by current revenues or transfers
- ▶ Rate would increase from \$0.7737 to \$0.8433 per \$100 of Assessed Value (AV)
- ▶ Contributes \$300,000 in 2017 revenue; \$600,000 long-term annual revenue
- ▶ Average taxable residential AV is \$69,208 in 2016
- ▶ Average residential tax bill would increase \$48/year
- ▶ Residential AVs in the first quartile (\$44,800) would see an annual tax increase of \$31 or less
- ▶ Residential AVs in the third quartile (\$86,900) would see an annual tax increase of \$61 or more
- ▶ Modified from a 4.5% tax increase, due to ratification of FOP contract with an effective date of January 1, 2017

2017 Revenue Enhancements Included in Budget

- ▶ Land Development, Construction Plan Review, and Inspection & Testing Tasks- \$200,000 – **(requires Council approval)**
 - ▶ Staff reviewed fees for Land Development, Construction Plan Review, and Inspection & Testing Tasks. Excludes impact fees
- ▶ Emergency Services Fee - \$200,000 – **(requires Council approval)**
 - ▶ Building permit surcharge of 0.5% of the construction value as determined by the City of Newark
 - ▶ Additional revenue generated would fund public safety expenses and subvention to the Aetna Fire Department
- ▶ Parking Fee - \$100,000 – **Recommended by Parking Committee/Staff Recommended** ✓
 - ▶ Hold \$1.00/hour rate. Per Parking Committee recommendation, restructure offstreet parking rate from \$.50/30 minutes to \$1.00/hour to cover increasing cost to run parking facilities. Maintain first 10 minutes for free
- ▶ Court Security Fee - \$45,000 – **Approved by Council** ✓
 - ▶ Fee increased from \$5 to \$10 per [Bill No. 16-27](#), and no longer has a sunset provision. Funding is to be used solely for the Alderman Court

Emergency Services Fee: 0.5% on permits (\$200,000 estimate)

▶ Proposed for FY2017 Budget:

- ▶ Included on all permits
- ▶ No exemptions
- ▶ Permit Values Previous Year:
 - ▶ *Residential: 62% of permits; 15% of revenue*
 - ▶ *Commercial: 31% of permits; 62% of revenue*
 - ▶ *University: 7% of permits; 23% of revenue*

▶ Impact Sampling:

Permit Type	Permit Value	Service Charge
Res: Driveway	\$ 1,091.00	\$ 5.46
Res: Deck	\$ 6,800.00	\$ 34.00
Res: Electrical	\$ 2,100.00	\$ 10.50
Res: Roof	\$ 4,045.00	\$ 20.23
Res: Siding	\$ 8,380.00	\$ 41.90
Comm: Fence	\$ 13,778.00	\$ 68.89
Comm: Fire Alarm	\$ 7,581.00	\$ 37.91
Comm: HVAC	\$ 10,582.00	\$ 52.91
Comm: New Construction	\$2,570,000	\$ 12,850

▶ Council statement at Oct 3rd Budget Hearing to exempt certain permits:

- ▶ Limit to replacement of existing, permitted residential features:
 - ▶ Roof, Fence, Driveway, Deck, etc.
 - ▶ Exemption would not apply to commercial permits or new residential permits
- ▶ Exemption process will require a manual override task in the permitting software
- ▶ Staff recommends original proposal due to consistent application, awareness and marginal impact on a given project. The sampling demonstrates a small value on a residential project, but has large fiscal impact on the global City perspective.

Revenue Budget Overview

- ▶ Revenues are flat before recommended rate action

- ▶ Areas of Concern

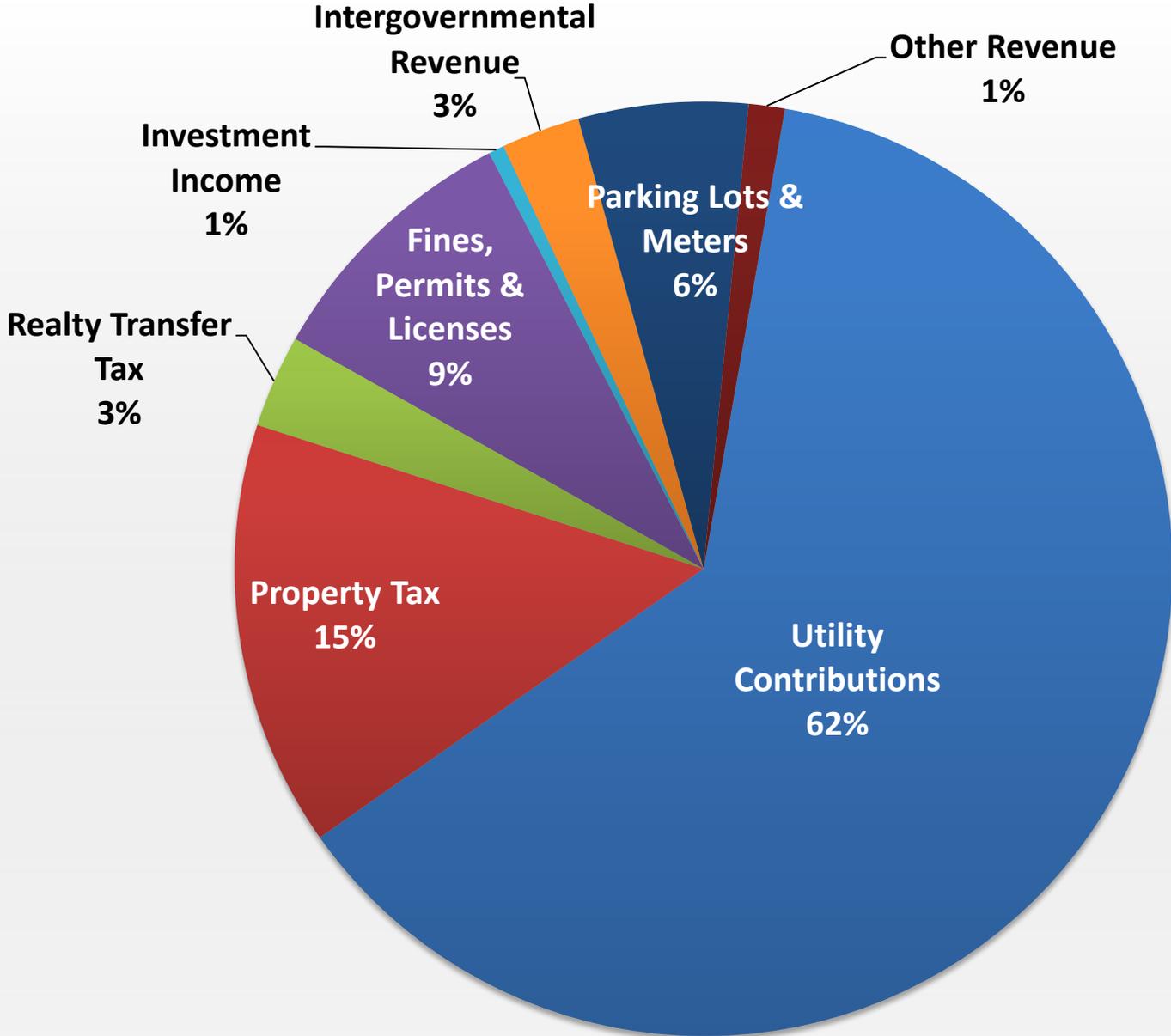
- ▶ Energy conservation, technology advancements, better building materials, and the stewardship of our resources are holding electric and water consumption flat
 - ▶ The current rate structures for water, sewer and electric are heavily reliant upon consumption to operate the City's utility infrastructure
 - ▶ The City has fixed costs that must be covered by the fees that we charge our customers, regardless of consumption
 - ▶ Moving towards a customer charge in water and sewer, and revising the customer charge for electric should be considered
 - ▶ Real Estate Transfer Tax– annual risk of the state pulling back this source of revenue, leaving a potential \$1.6 million annual gap to fill. Primarily supports the police department. **Loss of RTT would result in a 25% tax increase alone.**
 - ▶ The General fund relies on real estate activity for revenue. Increased economic activity would generate permanent revenue streams for our core services.

Revenue Budget at a Glance – Summary

	ACTUAL 2015	2016 BUDGET AS AMENDED	BUDGET 2017	\$ CHANGE FROM 2016 BUDGET	% CHANGE FROM 2016 BUDGET
Revenue					
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Other Revenue	963,288	917,958	888,569	(29,389)	-3.2%
Total Operating Revenue	\$ 45,204,579	\$ 49,366,736	\$ 49,927,644	\$ 560,908	1.1%

► Rate/Property Tax Recommendations

- Electric Rate – No Change/Annual RSA Adjustment
- Sewer Rate – No Change
- Water Rate – Minimum of 4.5%, without meeting reserve requirements, 8% pursuant to pending Black and Veatch rate study approval by Council
- Property Tax Increase of 9% effective July 1, 2017



	<u>2016</u>	<u>2017</u>
Utility Contributions	63.0%	62.5%
Property Tax	13.4%	14.7%
Realty Transfer Tax	3.2%	3.2%
Investment Income	0.6%	0.5%
Fines, Permits and Licenses	9.6%	9.3%
Parking Lots and Meters	5.9%	5.8%
Other Revenue	1.3%	1.2%
Intergovernmental Revenue	3.0%	2.8%
Total Revenue	100.0%	100.0%

Revenue derived from the City’s various sources have remained relatively constant from 2016. Expenses supported primarily by the general fund, primarily public safety costs, should be supported through non-utility revenue streams. Consequently, property tax revenues or real estate-driven fees, must adjust to keep pace with the cost of providing services.

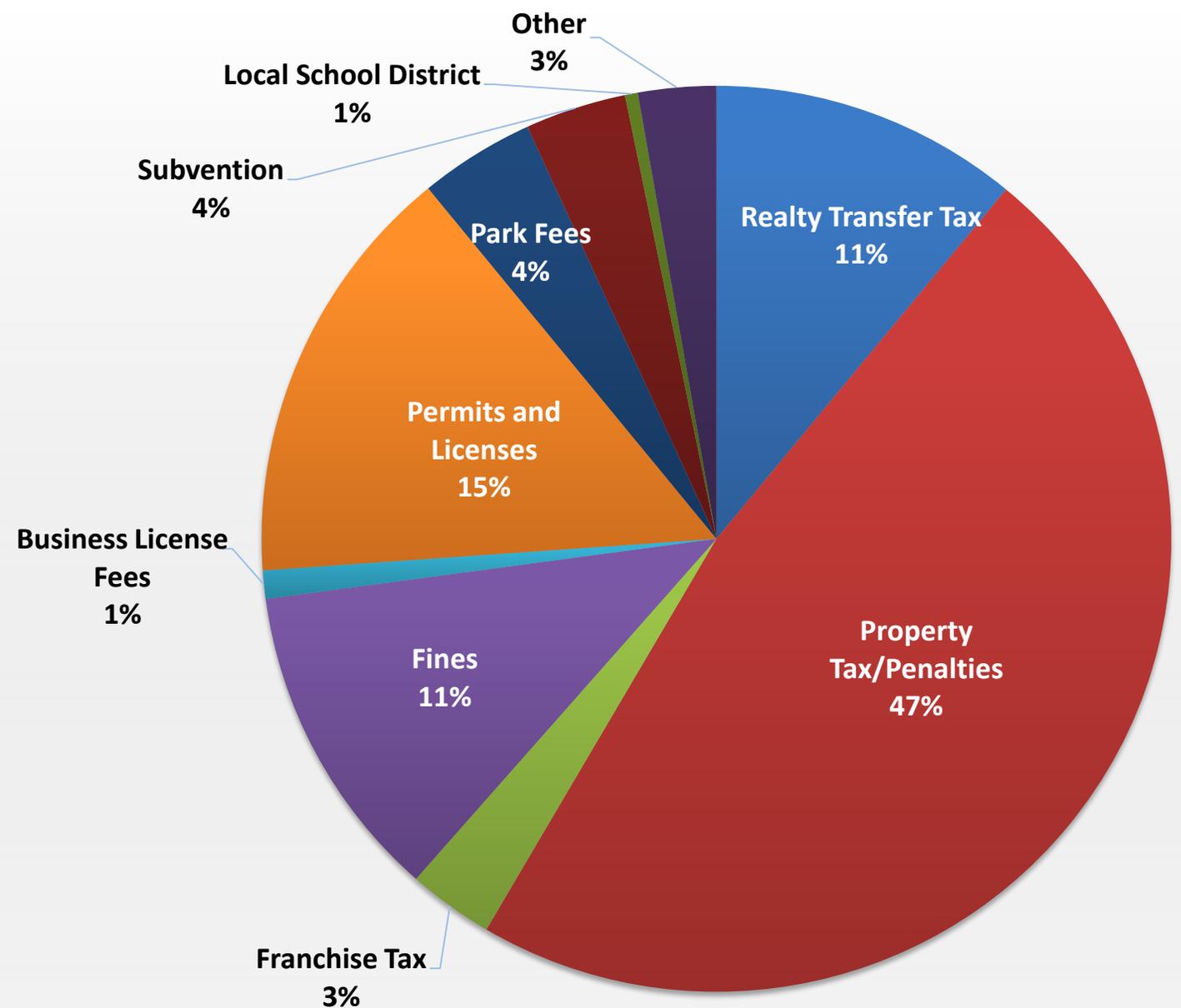
2017 REVENUE BY TYPE

City of Newark 2017 General Fund

▶ 2017 Projected Revenues: \$14.6 million (before transfers)

- ▶ Property Taxes, \$6.9 million
- ▶ Transfer Taxes & Franchise Fees, \$2.0 million
- ▶ Permits/Licensing, \$2.3 million
- ▶ Fines, \$1.7 million
- ▶ Grants, Parks & Other, \$1.7 million

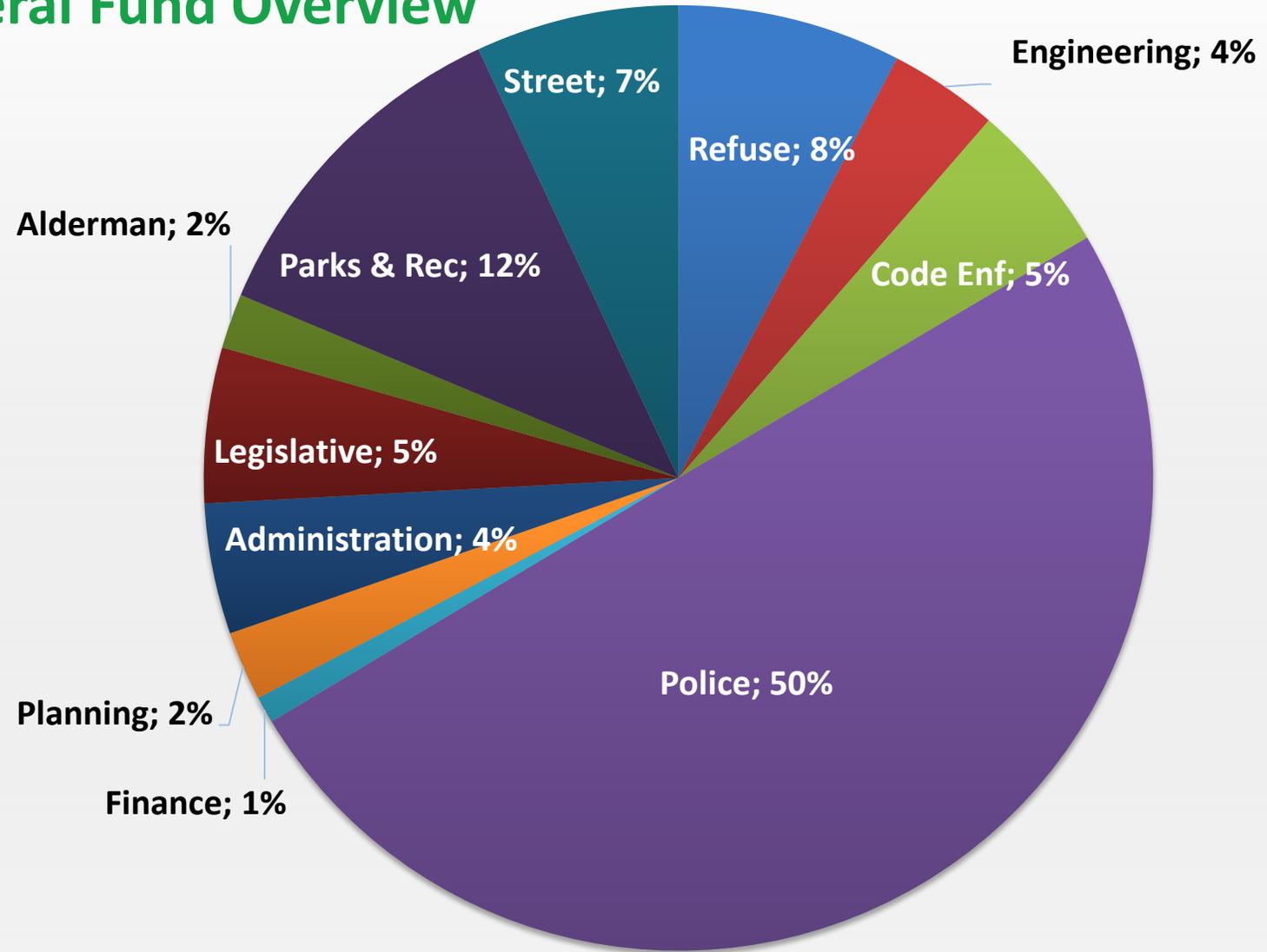
Transfer from the Enterprise Funds, \$12.8 million (not reflected on graph)



General Fund Overview

2017 Projected Expenses: \$27.3 million:

- ▶ **Police, \$13.6 million (50%)**
- ▶ Parks & Recreation, \$3.2 million
- ▶ Public Works, \$5.0 million
- ▶ Administration and related, \$5.5 million



City of Newark 2017 Enterprise Funds

Public Utility Overview

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



Electric Utility

- ▶ Wholesale cost of power not increasing in 2017 – official rate for the purchase of power from DEMEC will be determined in December 2016
- ▶ Anticipation of a 2016 over-collection, which could result in a rebate through the Revenue Stabilization Adjustment (RSA) on 2017 electric bills
 - ▶ Or, add to \$2.1 million rate stabilization reserve
- ▶ Continued adherence to 2012 MOU with Governor Markell

Stormwater Utility

- ▶ Rate study continues with Black & Veatch– its finalization depends on our Stormwater Utility Decisions
 - ▶ The consideration of three options are presented for consideration (next slide)
- ▶ The current proposed budget for 2017 assumed a 4.5% rate increase for Water, and no rate change for Sewer
 - ▶ Additionally, assumes that stormwater costs remain in the water fund through 2017 (current scenario – pending Council decisions and BV report)
- ▶ Water & sewer rates for 2017 will depend upon how Council advises the path forward after reviewing Black & Veatch’s recommendations for a Stormwater Utility and rate review (Nov. 28, 2016)
 - ▶ First reading for 2017 rates is planned for December 5, 2016

OPTION 1



With a Stormwater Utility

Debt Financing of CIP in 2018

One-Time FY2017 Loan from Sewer Capital Reserve to Water Capital Reserve

2017 Revenue Increases:
Water 8%
Sewer 0%

OPTION 2



No Stormwater Utility

Debt Financing of CIP in 2018

One-Time FY2017 Loan from Sewer Capital Reserve to Water Capital Reserve

2017 Revenue Increases:
Water 8%
Sewer 3%

OPTION 3



With a Stormwater Utility

No Debt Financing of CIP

No One-Time Transfer of Capital Reserve from Sewer to Water

2017 Revenue Increases:
Water 12%
Sewer 0%

Black & Veatch & City Staff Recommend Option 1 30

Water/Sewer/Stormwater Path Forward

- ▶ **Council action required:**
 - ▶ Support for a separate stormwater utility now (terms and rates determined in 2017)
 - ▶ Stormwater utility fee (once rates and terms determined) becomes effective in 2018
 - ▶ For 2017, under this scenario:
 - ▶ Stormwater expenses will continue to be funded from the Water Fund to avoid any interim budget transitions during development year
 - ▶ \$250,000 in startup costs will be funded in the Sewer Fund CIP
 - ▶ Water rate increase of 8%
 - ▶ Assumes debt financing for CIP in 2018
 - ▶ If a stormwater utility **is not approved**, stormwater expenses will be budgeted in and funded by the Sewer Fund in 2017 onward, and efforts to develop an equitable program will halt
 - ▶ Sewer and Water fees will need to be adjusted in 2017 accordingly
- ▶ **Once the decision to implement a Stormwater Utility program has been made, then City staff and Black & Veatch will present by April 2017, the water, sewer and stormwater rate schedules for 2018 and 2019**
- ▶ Black & Veatch will present its overall financial plan recommendation to Council at the November 28th council meeting

Sewer Utility

- ▶ New Castle County sewer treatment costs have been stable, and will not change to at least July, 2017
- ▶ We are holding our sewer fees unchanged from 2016, assuming stormwater does not move to the sewer fund in 2017
- ▶ Current flow rate is \$6.84 per 1,000 gallons. \$3.78 of this amount is directly related to City operations, the remaining \$3.06 is passed through to the County for treatment costs. The composite flow rate (which includes flow, BOD and SS) for residential users remains unchanged at \$8.076 per 1000 gallons

Water Utility

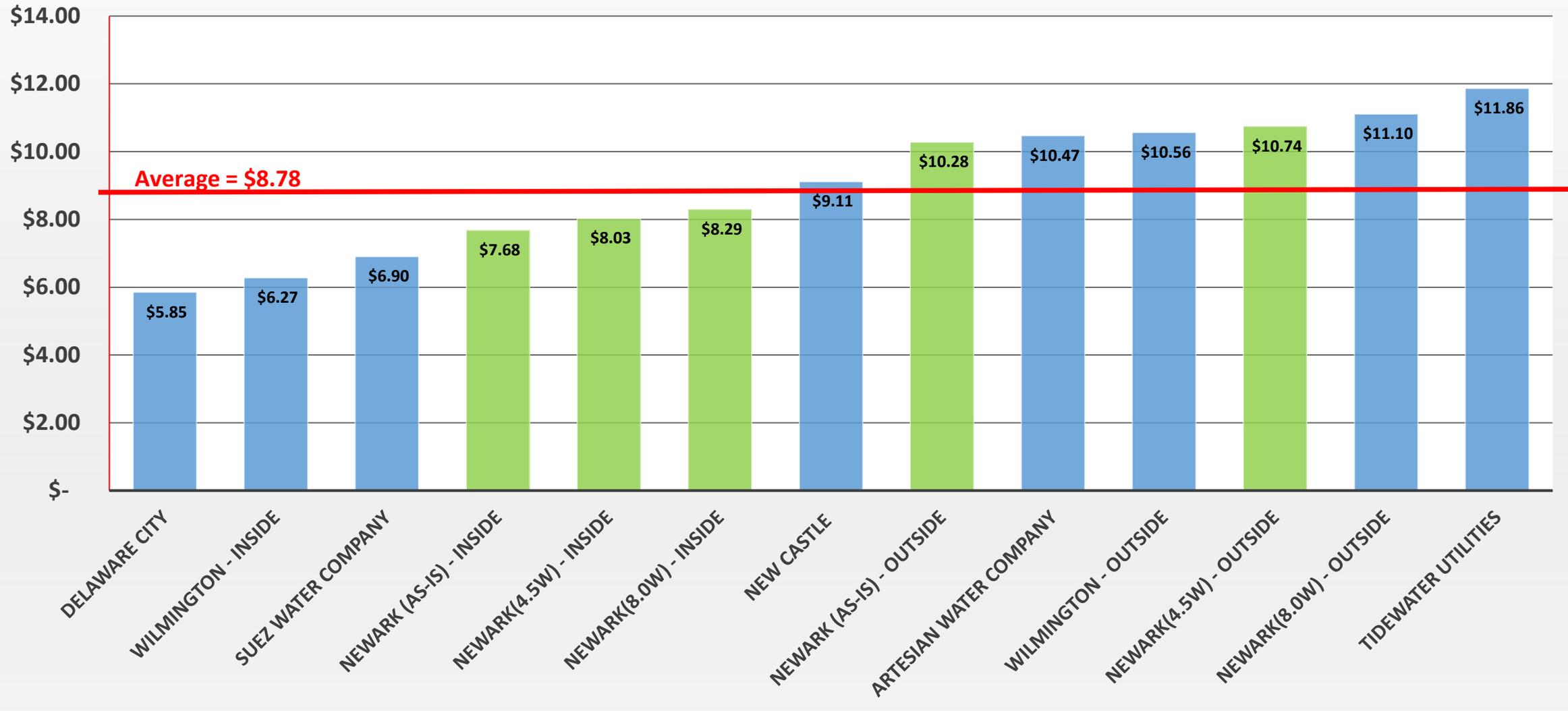
- ▶ Water rates for 2017 will depend upon how Council advises the path to take after reviewing Black & Veatch's recommendations
- ▶ We have experienced a decline in water sales in 2016. The addition of an industrial user in late 2016, along with the small growth projected for new in-town water customers, will help bring 2016 water consumption back up to our previous annualized levels
- ▶ Assumes the stormwater program remains in the water fund for 2017

Parking Fund

- ▶ Parking continues to be a vital part of City operations and a component of our revenue diversification efforts
- ▶ It's critical to review that the fees that we charge on a recurring basis for our services cover our operations and are competitive with our surrounding municipalities.
- ▶ The 2017 budget includes a revenue enhancement of \$100,000 to help support the parking program and the businesses that it serves
 - ▶ In 2016, the launch of the Parking Ambassador program has been well-received by many
 - ▶ The transfer of the program from the Police Department has allowed the City to provide more consistent coverage, and improved service
- ▶ The 2016 parking transfer to the General Fund was \$1,115,000 with \$850,000 scheduled for 2017

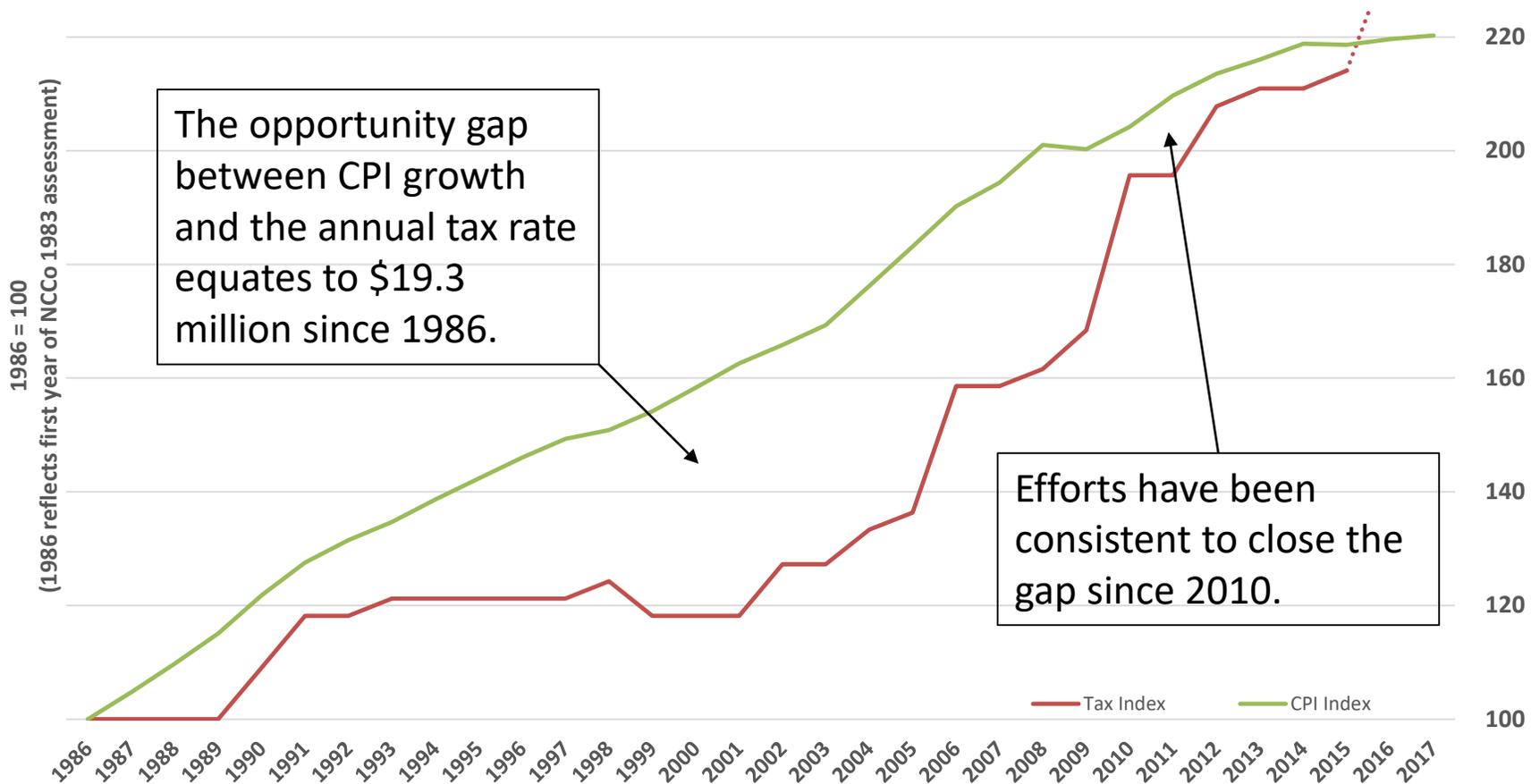
Water Rates in New Castle County, Delaware (2016)

Blended Rates Include Applicable Monthly Service Charges



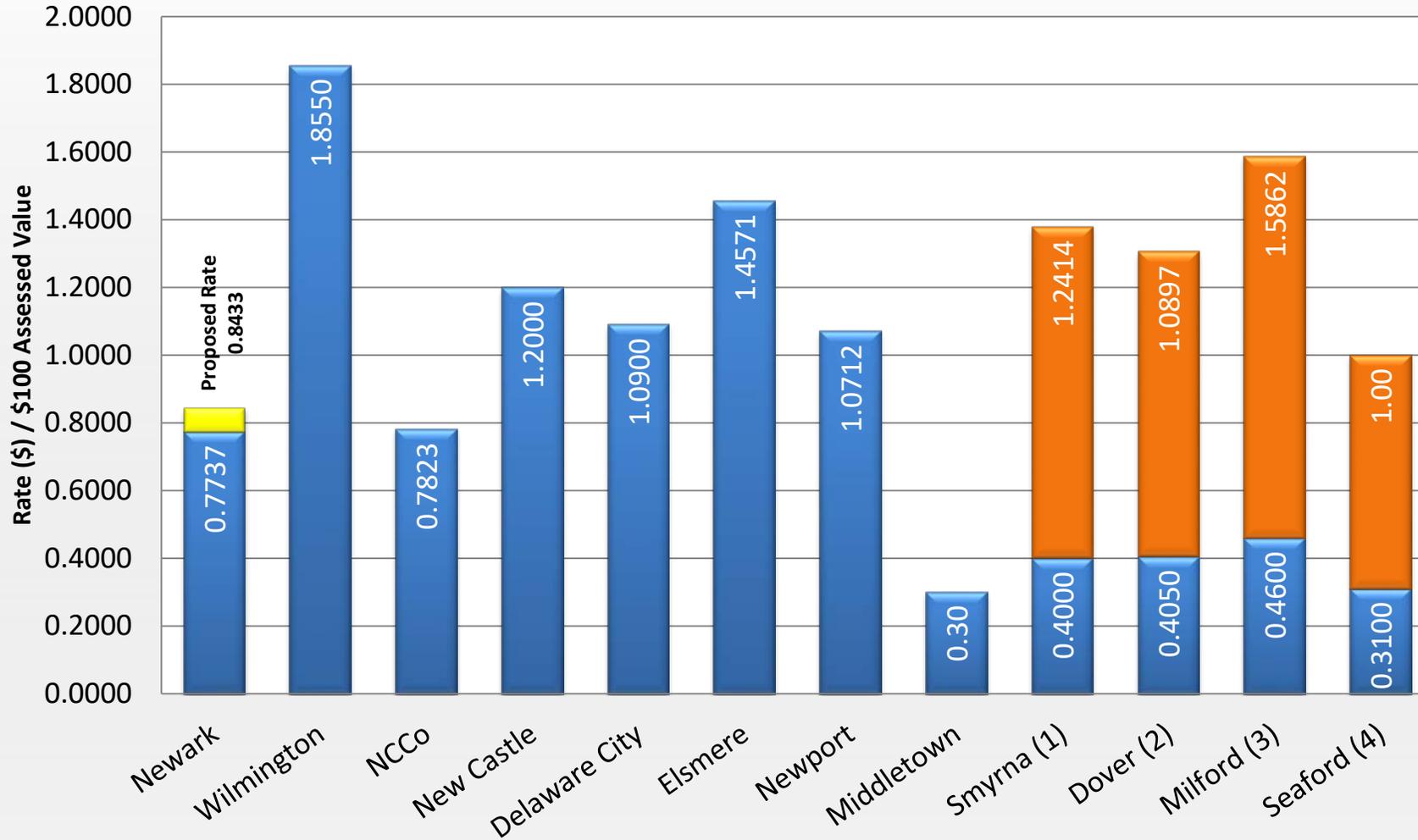
**Monthly Service Charges for residential customers are:
Tidewater: \$18.20, Artesian \$13.74, and Suez \$13.12**

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 9/26/16 from <http://www.bls.gov/data/>

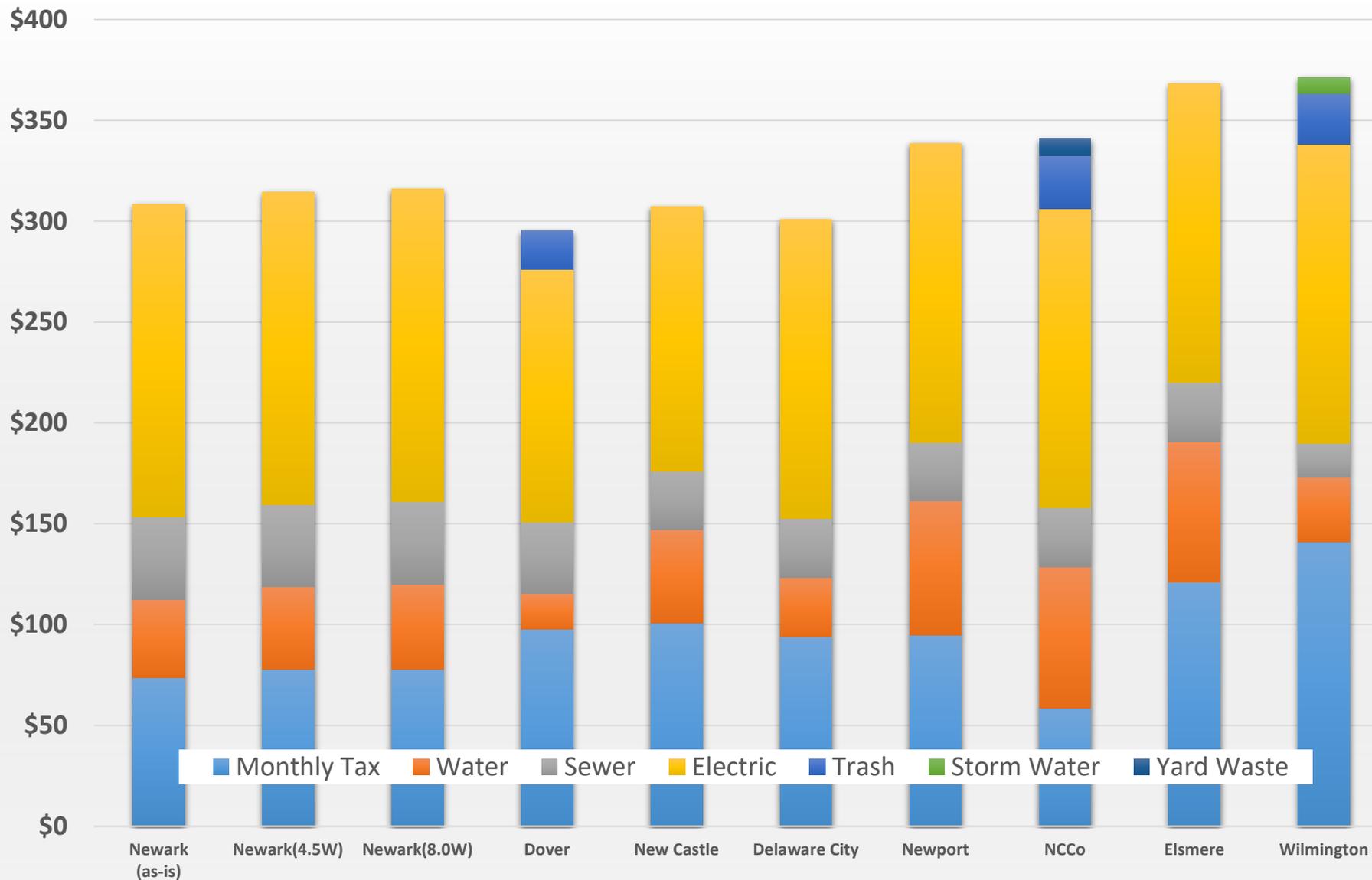
Property Tax Comparison



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

■ Current, Stated Tax Rates

■ Newark: Proposed Increase



City	Total Monthly
Wilmington	\$ 371.37
Elsmere	\$ 368.14
NCCo	\$ 341.17
Newport	\$ 338.65
Newark(8.0W)	\$ 315.85
Newark(4.5W)	\$ 314.48
Newark(as-is)	\$ 308.38
New Castle	\$ 307.18
Delaware City	\$ 300.80
Dover	\$ 295.12
Average w/Newark (as-is):	\$ 328.85
Median w/Newark (as-is):	\$ 315.17

Comprehensive Tax & Utility Comparison (does not include stormwater fee for Newark)



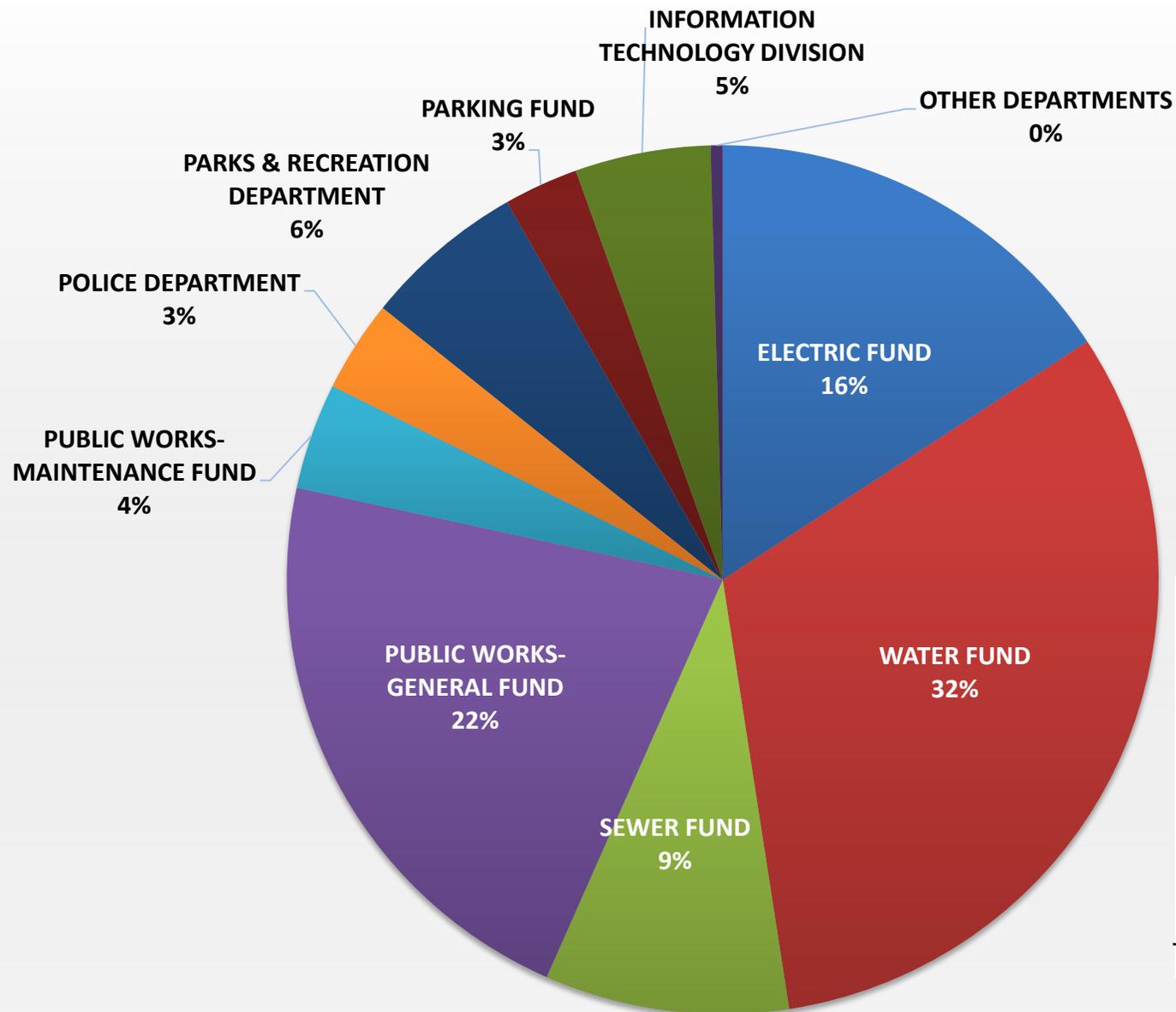
City of Newark 2017 Capital Budget Recommendation

	PROPOSED BUDGETS					TOTAL
	2017	2018	2019	2020	2021	PROPOSED AMOUNTS
ELECTRIC FUND	\$ 1,765,500	\$ 480,000	\$ 710,500	\$ 1,077,000	\$ 875,000	\$ 4,908,000
WATER FUND	3,558,880	3,339,720	2,895,000	3,772,050	2,321,203	15,886,853
SEWER FUND	1,013,675	700,000	800,000	800,000	800,000	4,113,675
PUBLIC WORKS-GENERAL FUND	2,438,000	2,670,700	2,314,894	1,945,592	2,151,804	11,520,990
PUBLIC WORKS-MAINTENANCE FUND	442,549	450,380	-	-	-	892,929
POLICE DEPARTMENT	381,818	205,908	431,855	64,120	150,850	1,234,551
PARKS & RECREATION DEPARTMENT	672,034	2,965,100	2,305,000	205,000	278,000	6,425,134
PARKING FUND	309,590	564,350	32,600	28,000	105,000	1,039,540
INFORMATION TECHNOLOGY DIVISION	562,500	365,000	65,000	150,000	-	1,142,500
OTHER DEPARTMENTS	50,000	122,000	25,000	17,000	25,000	239,000
	\$ 11,194,546	\$ 11,863,158	\$ 9,579,849	\$ 8,058,762	\$ 6,706,857	\$ 47,403,172

PLANNED FINANCING SOURCES

GROSS CAPITAL IMPROVEMENTS	\$ 11,194,546	\$ 11,863,158	\$ 9,579,849	\$ 8,058,762	\$ 6,706,857	\$ 47,403,172
LESS: USE OF RESERVES	(4,722,228)	(241,720)	-	(25,000)	-	(4,988,948)
VEHICLE & EQUIPMENT REPLACEMENT	(1,172,318)	(1,091,818)	(1,529,318)	(722,818)	(422,818)	(4,939,090)
GRANTS	(945,000)	(1,695,000)	(545,000)	(545,000)	(545,000)	(4,275,000)
BOND ISSUES	-	-	-	-	-	-
OTHER FINANCING SOURCES	-	-	-	-	-	-
NET CAPITAL IMPROVEMENTS	\$ 4,355,000	\$ 8,834,620	\$ 7,505,531	\$ 6,765,944	\$ 5,739,039	\$ 33,200,134

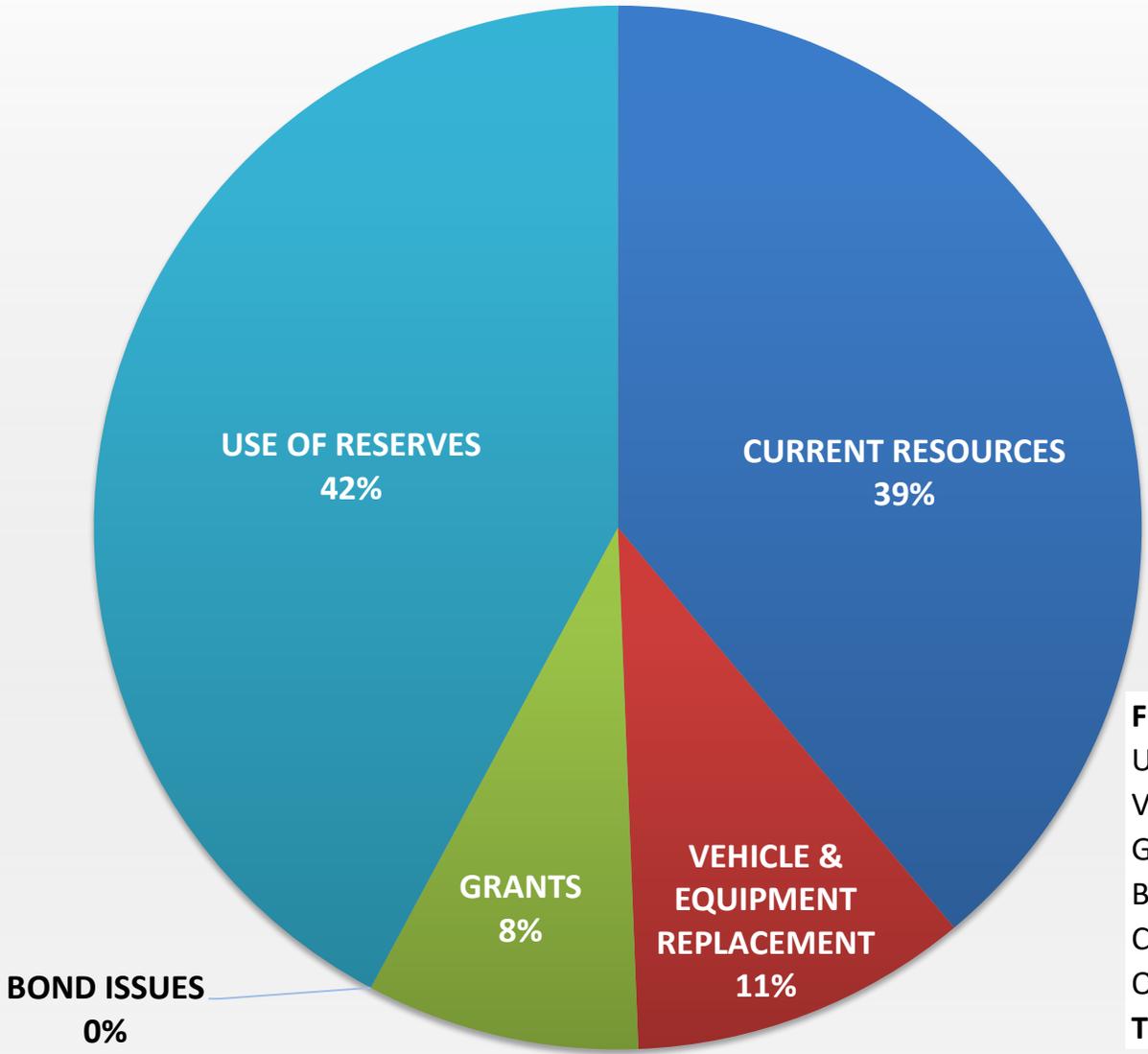
Capital Improvement Program Totals 2017-2021



	2016	2017
ELECTRIC FUND	18.3%	15.8%
WATER FUND	29.1%	31.8%
SEWER FUND	9.7%	9.1%
PUBLIC WORKS-GENERAL FUND	26.7%	21.8%
PUBLIC WORKS-MAINTENANCE FUND	4.0%	4.0%
POLICE DEPARTMENT	2.0%	3.4%
PARKS & RECREATION DEPARTMENT	4.3%	6.0%
PARKING FUND	2.2%	2.8%
INFORMATION TECHNOLOGY DIVISION	3.4%	5.0%
OTHER DEPARTMENTS	0.2%	0.4%
TOTAL	100%	100%

	2016	2017	DIFFERENCE
ELECTRIC FUND	\$ 2,314,419	\$ 1,765,500	\$ (548,919)
WATER FUND	3,676,552	3,558,880	(117,672)
SEWER FUND	1,222,500	1,013,675	(208,825)
PUBLIC WORKS-GENERAL FUND	3,364,922	2,438,000	(926,922)
PUBLIC WORKS-MAINTENANCE FUND	510,515	442,549	(67,966)
POLICE DEPARTMENT	255,965	381,818	125,853
PARKS & RECREATION DEPARTMENT	547,500	672,034	124,534
PARKING FUND	274,078	309,590	35,512
INFORMATION TECHNOLOGY DIVISION	426,000	562,500	136,500
OTHER DEPARTMENTS	22,000	50,000	28,000
TOTAL	\$ 12,614,451	\$ 11,194,546	\$ (1,419,905)

2017 Gross Capital Expenditures by Department



FUNDING SOURCE	2016	2017
USE OF RESERVES	26.7%	42.2%
VEHICLE & EQUIPMENT REPLACEMENT	18.4%	10.5%
GRANTS	8.8%	8.4%
BOND ISSUANCES	0.0%	0.0%
CURRENT RESOURCES	42.4%	38.9%
OTHER SOURCES	3.6%	0.0%
TOTAL	100.0%	100.0%

FUNDING SOURCE	2016	2017	DIFFERENCE
USE OF RESERVES	\$ 3,373,283	\$ 4,722,228	\$ 1,348,945
VEHICLE & EQUIPMENT REPLACEMENT	2,315,288	1,172,318	(1,142,970)
GRANTS	1,115,000	945,000	(170,000)
BOND ISSUANCES	-	-	-
CURRENT RESOURCES	5,351,121	4,355,000	(996,121)
OTHER SOURCES	459,759	-	(459,759)
TOTAL CIP FUNDING	\$ 12,614,451	\$ 11,194,546	\$ (1,419,905)

2017 Funding Sources for CIP

Key Accomplishments - 2016

- ▶ **2016 Annual Street Contract** (underway): \$1,199,500 – 15 Streets
- ▶ **2016 ADA Curb Ramp Contract** (underway): \$182,300.50 – 51 Ramps including ADA Accessibility Upgrades to City Hall
- ▶ **2016 Water Main Contract** (nearing completion): \$1,234,273.50 – 4,863 linear feet of main replacement – 100-year life expectancy.
- ▶ **Vehicle and Equipment Replacement:** New sanitary sewer jet truck and camera system: \$279,393.60
- ▶ Completed **Windy Hills tank painting** and lead abatement: \$529,750
- ▶ **Louviers tank painting** (underway): \$424,000
- ▶ **SCADA: Automated controls at Paper Mill Booster Station**, performed survey of entire water and wastewater system for SCADA master plan, and replaced five controllers, created a single alarm screen, added Unit 92 and upgraded software.
- ▶ **Electric transformer, circuit breaker & conductor upgrade** \$796,000 – almost completed.
- ▶ **New 10mva transformer, 15kv circuit breaker and aerial lines** were installed at the West Main Street substation in order to relieve load on East Main transformer #80. The new transformer #92 will feed Cleveland Avenue to Paper Mill Road and feed North on Paper Mill Road.
- ▶ **The aerial conductors on Nottingham Road were replaced with larger conductors** to allow proper load flow. Nottingham Green and Nottingham Road will be converted from 4.16kv to 12.47kv. The voltage conversion saves energy by reducing losses and also allows the city to avoid replacing 4.16kv power transformers.
- ▶ **The specifications for the 34.5kv fault detection and automatic switching system are almost complete** The system will automatically detect the location of a fault on our sub-transmission system and if possible transfer the substation to another circuit reducing the outage time to minutes on the most heavily loaded circuits.
- ▶ Installation of Parking Soft Fee collection equipment.

Capital Projects – Priority Level 1

➤ Equipment Replacement					\$1,172,318
➤ Water and Stormwater	\$250,000	Public Works	\$441,000		
➤ Police	\$330,818	Electric & Others	\$150,500		
➤ Electric SCADA System					\$816,000
➤ Electric Transformers/Circuit Breakers					\$653,000
➤ Sewer System Master Plan					\$500,000
➤ Water Main: Windy Hills to Red Mill					\$429,350
➤ Storm Drainage Improvements					\$400,000
➤ Property Maintenance Software					\$317,500
➤ Salt Shed/Maintenance Yard Plan					\$250,000
➤ Storm System Study (Stormwater utility)					\$250,000
➤ Other Projects					\$1,360,384

Capital Projects - Priority Level 2

➤ Annual Street Program	\$1.5 million
➤ Water Main Renovation	\$1 million
➤ Water Disinfection Equipment	\$643,000
➤ Newark Transportation Plan	\$252,000
➤ Parks Hard Surface Improvements	\$194,000
➤ Water Plant & Reservoir Cameras	\$ 80,000
➤ Municipal Building Improvements	\$ 70,000
➤ Parking Lot Surface Maintenance	\$ 69,740
➤ Other Projects	\$143,968

Capital Projects - Priority Level 3-4

- Water Storage Reconfiguration \$225,000
- Bicycle/Pedestrian Bridge \$200,000
- Parking Lot Surveillance \$130,000
- Reconductor-Main Street \$ 85,000
- Surveillance Camera Refresh \$ 65,000
- Additional Parking Meters \$ 54,850
- Lot Full Signs \$ 30,000
- Water Tank Maintenance \$ 25,000
- Source Water Protection \$ 20,000
- Fence Repair and Construction \$ 15,700

Significant Projects (out years) 2018 – 2021

➤ Star Campus Underground Distribution	\$1.3 million
➤ Laird Tract Well Field Treatment Plant	\$1.6 million
➤ Air Stripper Replacement	\$1.0 million
➤ Water Main Renovation Program	\$3.0 million
➤ Water Tank Maintenance	\$2.1 million
➤ Storm System Study & Repairs	\$1.8 million
➤ Sanitary Sewer Study & Repairs	\$3.1 million
➤ Annual Street Program	\$7.3 million
➤ Parks Hard Surface Improvements	\$1.2 million
➤ Old Paper Mill Park Improvements	\$1.8 million

Stormwater Accomplishments

- Creek Bend Court Emergency Culvert replacement (Completed in 2014) - **\$80,000**
- Hunt at Louviers Stormwater basin retrofits (Completed in 2014) - **\$91,350 (grants/donation-funded)**
- Timberline Drive Culvert Analysis (Analysis complete, Alternatives to be discussed with Council) - **\$12,500**
- Jenny's Run Culvert Removal (Anticipate final stabilization complete by October 31, 2016) - **\$218,600**
- Corrugated Metal Pipe Inspection (Currently underway, anticipated completion December 31, 2016) - **\$104,388**
- Woods at Louviers Structural Liner installation in deteriorated pond outfall pipe in poor condition. Pilot project to evaluate effectiveness of method. (PO Written, work not commenced as of 10-13-16) – **\$26,300**
- Created Surface Water Master Plan Geographic Information System (GIS) Database for all of the stormwater related infrastructure in Newark. Task included physical survey of pertinent features. – **(\$247,850 - \$100K grant/\$147,850 City)**
- Utilized University of Delaware student interns along with City staff to collect physical features of roughly 20% of buried stormwater infrastructure.
- Repaired or replaced 124 Catch Basins in 2014 and 2015 utilizing city staff. 2016 data not available yet.

Stormwater CIP 2017-2021

BUDGETED/PLANNED (\$2,738,253) 2017-2021

➤ Storm Drainage Improvements	\$400,000	2017
➤ Stormwater Startup (in Sewer Fund)	\$250,000	2017
➤ Vehicle Replacement	\$78,000	2017-2018
➤ NPDES Phase II Stormwater Quality	\$200,000	2017-2021
➤ Stormwater Study and Repairs	\$1,810,253	2018-2021

One-Time Stormwater Implementation Cost Estimate (in Sewer Fund) - \$250,000 Per Black & Veatch

- ▶ External Database Application: \$65,000 - \$70,000
- ▶ CIS/Billing System Modification and Bill Redesign (including adding stormwater only accounts to the billing system): \$45,000 - \$50,000
- ▶ Parcel – Account Mapping: \$50,000 - \$60,000
- ▶ Public Outreach Efforts: \$20,000
- ▶ Implementation Management: \$45,000 - \$50,000

City of Newark: Estimated Annual Infrastructure Maintenance Requirements versus 2016 & 2017 CIP Budget (All dollar amounts are expressed in thousands)

Infrastructure Category	Inventory ¹	Expected Service Life	Cost/mi	Comment	Replacement per year ²	Cost/yr	2016 Budget Funds	2016 Gap	2017 Budget Funds	2017 Gap
Water Mains	140 miles	100 years	\$ 1,200	Replace - restores full life	1.4 miles	\$ 1,680	\$ 1,300	\$ 380	\$ 1,000	\$ 680
Sanitary Sewer Mains	95 miles	100 years	700	Reline - restores 50-years	0.95 miles	665	588	78	500	165
Streets (City)	65 miles	17.5 years ³	N/A	50% full depth, 50% overlay	N/A miles	1,750	1,000	750	1,515	235
Storm Sewer (Concrete)	80 miles	85 years	1,200	Replace - restores full life	0.94 miles	1,128	-	1,128	-	1,128
Storm Sewer (Metal)	5.019 miles	15 years ⁴	1,000	Replace with concrete	0.33 miles	330	232	98	400	(70)
Totals ►						\$ 5,553	\$ 3,119	\$ 2,434	\$ 3,415	\$ 2,138

¹Inventory 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.

²Replacement 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.

³Average 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.

⁴Metal storm pipe has not been used for years. Typically, a 25-yr life applies, but most is severely deteriorated and in need of replacement that life was adjusted to 15 yrs.

- \$1,750,000 needed per year for the next 5 years to maintain the current average pavement condition per the 2016 Agile Assets Pavement Management Plan. Funding held at \$1,515,000 with the expectation that State CTF money will make up the difference to get to \$1,750,000 target

Debt Financing/State Loan Programs

- ▶ The City has maximized its ability to utilize the “pay-as-you-go” method of funding capital projects in 2017
- ▶ It has come to the point where Newark’s capital program will need to be frozen until we are able to use either secure bond financing and/or the state’s revolving loan program to provide fiscal relief to funding it’s long-term projects
- ▶ Bond-financing has been supported by the current and prior Finance Directors, our rate consultants and the rating agencies which monitor our finances
- ▶ Responsible planning, coupled with the proper use of debt service will ensure that the City is meeting its fiduciary responsibilities
- ▶ Helps ensure that those who receive City services are paying for them
- ▶ Would reduce the annual revenue requirements for the City
- ▶ May require City Charter change and/or referendum

Full Cost of Capital Projects Utilizing In-House Labor

- ▶ CIP labor could be performed by either contractual employees or City labor
- ▶ The cost of labor budgeted within the CIP is primarily listed under contractual services
- ▶ Capital projects where in-house labor can be used more efficiently will be used vs. contracted labor
- ▶ Result would be a savings to the Operating budget, which in turn, would revert back to the City's fund balance at the end of the year
- ▶ We are in the process of converting all departments to the work order management system which will assist in consolidating all of the project costs

Council Action Items

- Approval of 9% tax rate increase effective July 1, 2017
- Approval of the concept of a stormwater utility, that is standalone from both the water and sewer funds.
 - Including approval \$250,000 in start up funding within the sewer fund for the stormwater program
- Approval of water rate increase – 8% (assuming stormwater utility is approved)
- Approval of revenue enhancements
- Approval of the 2017-2021 CIP
- Overall approval of the 2017 Annual Operating Budget

Conclusion / Questions