



# Financial Workshop

November 3, 2014

---

# Agenda

- Introduction
- 2014 Financial Forecast
- 2015 Budget Highlights
  - Capital Improvement Plan (CIP)
  - Operating Budget Overview
- Tax Rate Review
- Electric, Water & Sewer Rate Reviews
- Tax and Utility Rate Comparison
- Cash Projection

---

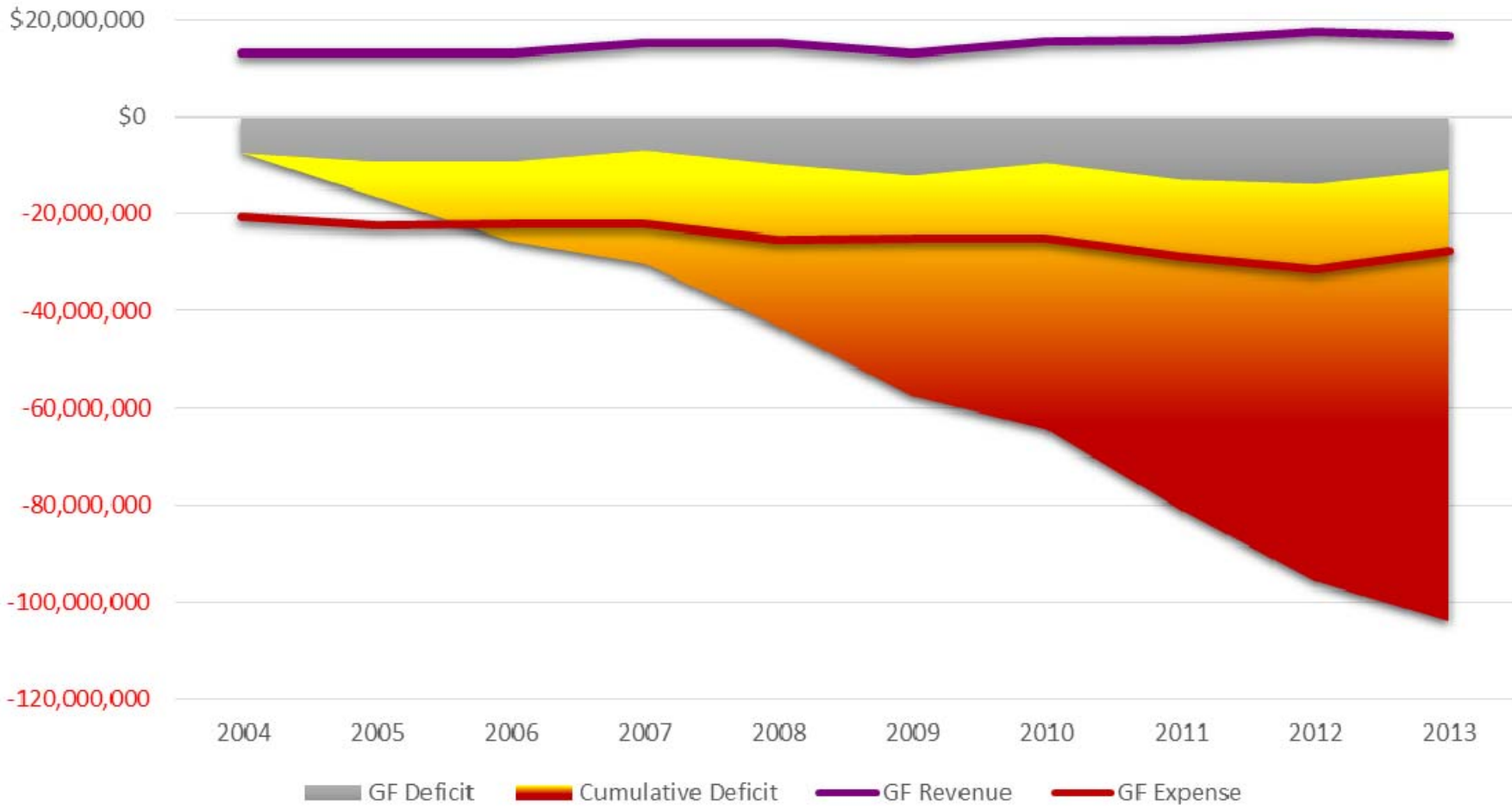
# Introduction - Utilities

- **Public Utility Business Model**
  - Local control and regulation
  - Competitive rates
  - Reliability
  - Community-oriented
  - Opportunity to support general fund activities

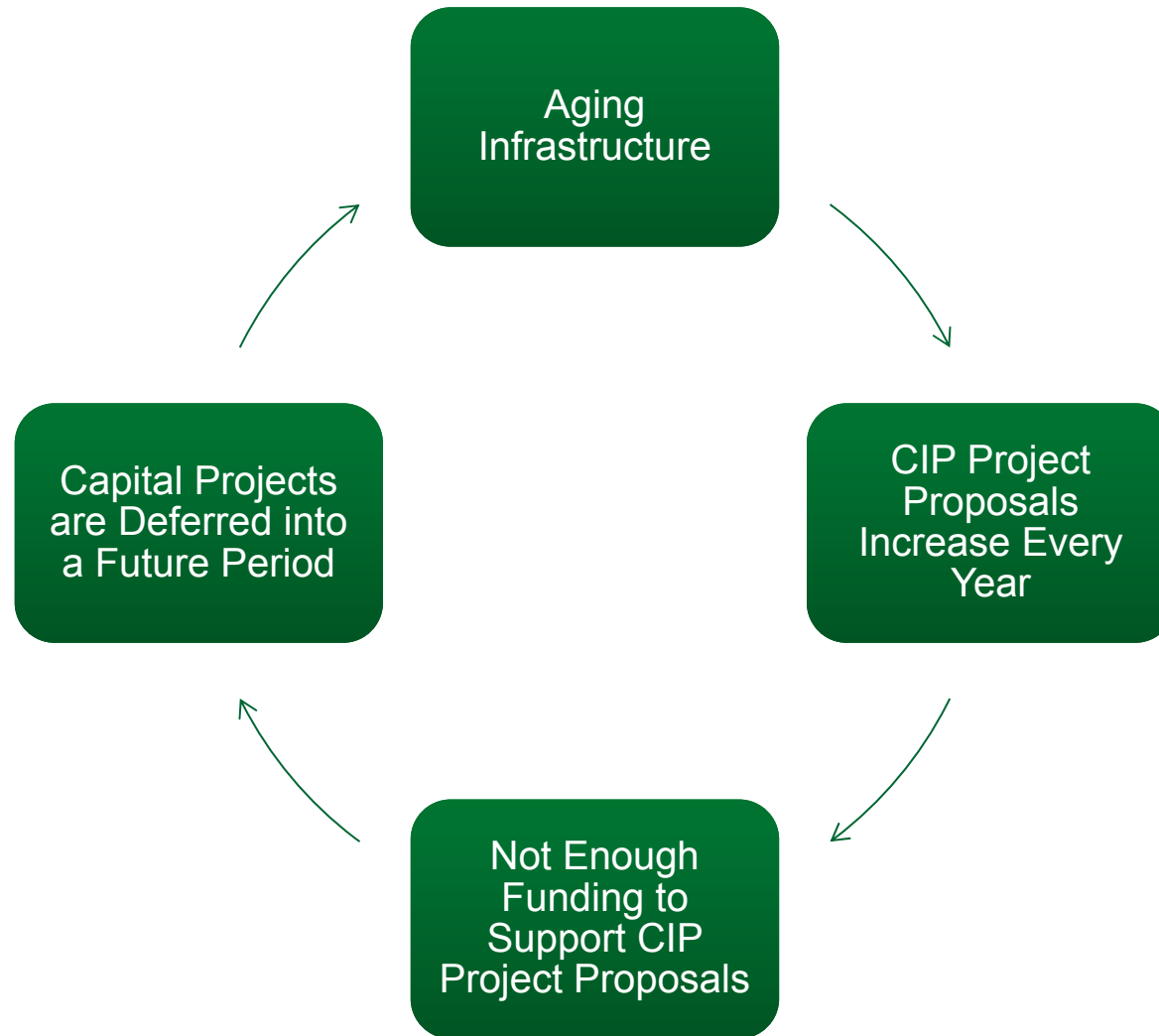
# Introduction – General Fund

- **City of Newark General Fund**
  - **2015 Projected Revenues: \$13.2 million**  
(before utility transfers of \$11.7 million)
    - Property Taxes, \$5.7 million
    - Transfer Taxes & Franchise Fees, \$1.7 million
    - Permits/Licensing, \$1.9 million
    - Fines, \$2.2 million
    - Grants, Parks & Other, \$1.8 million
  - **2015 Projected Expenses: \$24.9 million**
    - Public Safety, \$11.8 million
    - Parks & Recreation, \$3.0 million
    - Public Works, \$5.0 million
    - Administration and related, \$5.1 million

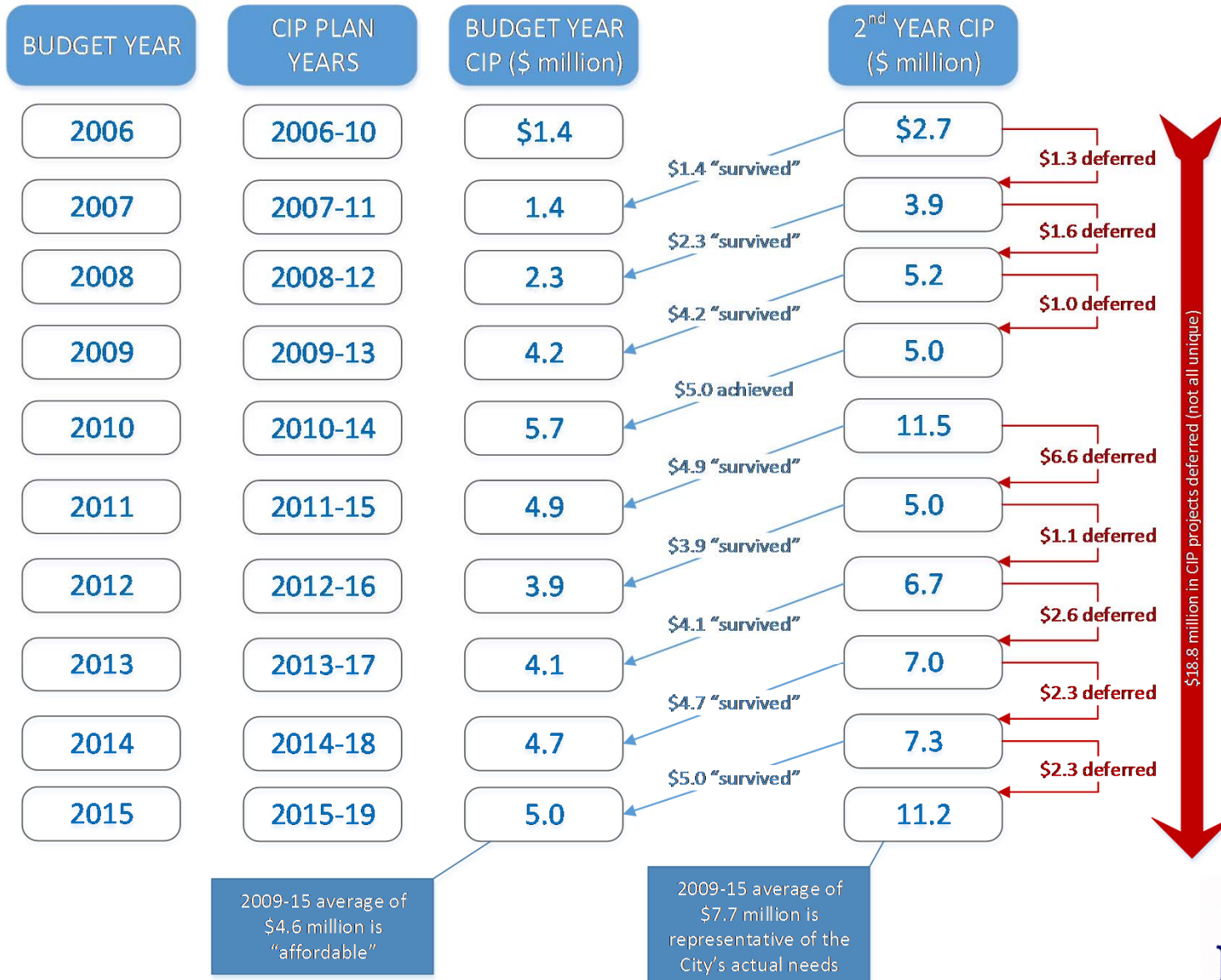
# General Fund Insolvency



# Rolling CIP



# Illustration of Rolling CIP



# Efficiency Initiatives Since 2012

- Total savings over \$3 million through 2015
  - 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



---

# 2014 Financial Forecast

- **Small Consolidated Operating Surplus**
  - **General Fund Revenue is mixed**
    - Transfer taxes, permit fees strong
    - Offset by Fines & Parking Meter revenue shortfalls
  - **General Fund Operating Expenses**
    - Snow removal expenses & overtime
      - Quantity and Intensity of Winter Storms
    - Legislative department (Legal & Consulting Expenses)
    - IT expenses
  - **Electric, Water & Sewer Utilities performed well**

## 2015 Preliminary Budget at a Glance

- Contractual Wage & Personnel Increases
- Incremental Tax Increase of 1.5%
- Water Rate Increase per 2011 Study
- No Sewer Rate Increase Planned
- Electric Rates expected to decrease
- First Full Year of Improved Revenues
  - Water Meter Accuracy
  - Parking Meters
  - Court Security Fees
- Small Consolidated Surplus  $\pm$ \$300,000

# Key Projects - 2015

- Annual Street Program: \$1.0 million
- LED Streetlight Conversion: \$581,000
- SCADA System Improvements: \$284,000
- Vehicle Replacements: \$430,000
- STAR Campus Substation: \$300,000 in 2015; \$8.6 million 2017
- Paper Mill Road & CMP<sup>1</sup> Storm Water Improvements: \$436,000
- Lot #1 Parking Garage (Subject to review & approval with alternative financing)

<sup>1</sup>Corrugated Metal Piping

---

# Key Projects - 2016

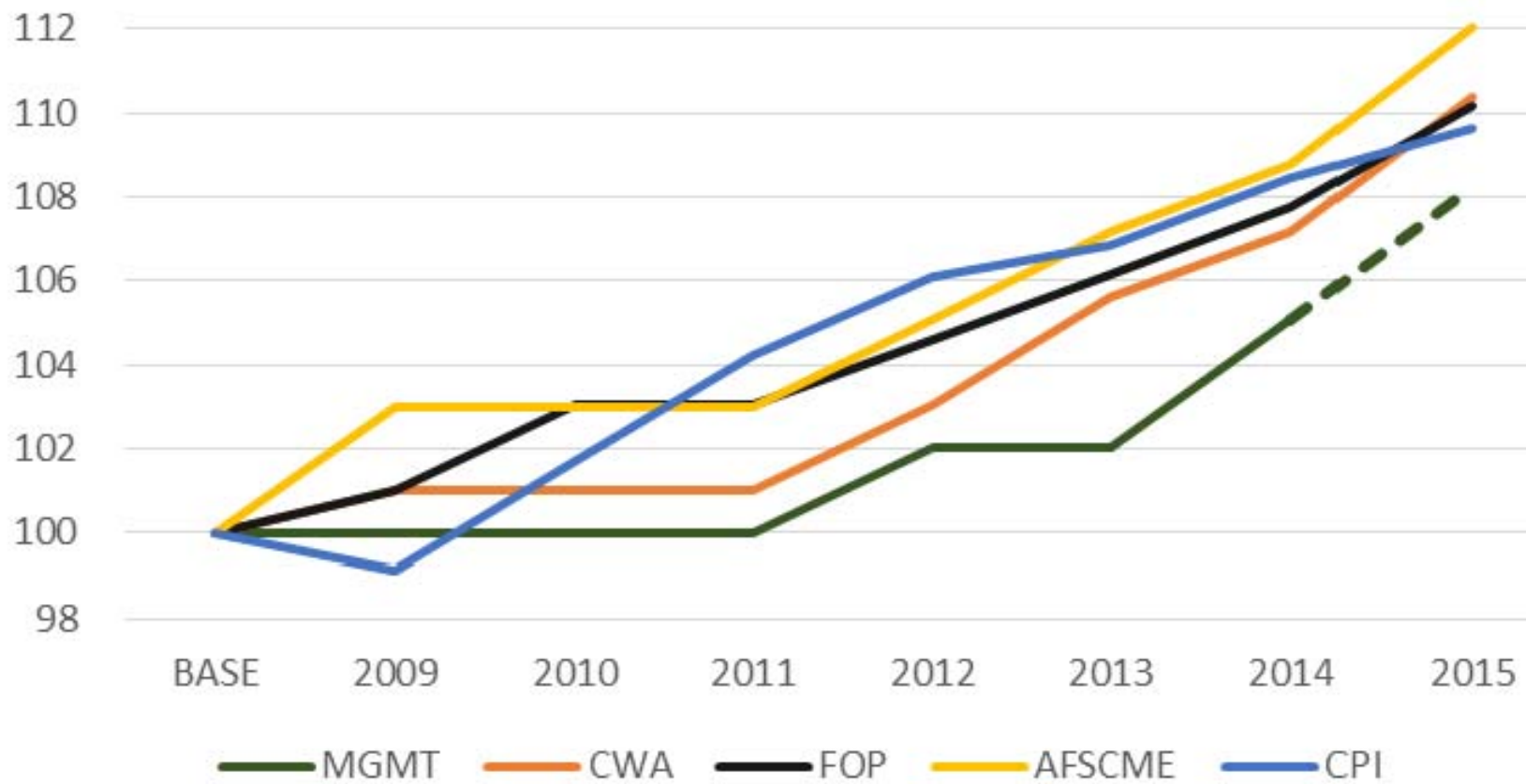
- Curtis Plant Intake Replacement: \$1.3 million
- Annual Street Program: \$1.3 million
- Water Main Renovations: \$1.5 million
- Completion of Parking Garage: (if approved)
- Old Paper Mill Road Park Improvements: \$0.6 million
- Transformers and Circuit Breakers: \$0.6 million

# 2015 Budget Highlights

## ■ Personnel Items

- Increases of \$1.26 million
  - 2014-2016 Collective Bargaining Agreements
  - Proposed Management Increase
  - NPD succession planning
  - Critical service level increases (911 dispatch)
  - Insource Building Maintenance & Custodial Service
- Insurance/Benefits Decreases of \$400,000
- Post-Employment Benefits
  - Pension ARC Increase + Overfunding
  - Reduction to OPEB – change in post-retirement health benefits

## Salary Increases by Labor Group 2009-2015



# 2015 Budget Highlights – Con't

## ■ Tax Increase

- 1.5% Increase Recommendation
  - Reinstitute plan for small, gradual increases
  - Increase Recommended for 2016

## ■ Water Rate Increase

- 7.2% Increase in January 2015
  - 7.2% Increase in January 2016 (final per study)

## ■ Introduce Storm Water Utility Fee

- \$1 million revenue goal to partially offset cost of City's program and projects
- Studies underway to determine best solutions

# 2015 Budget Highlights – Water Rates

## ■ Impact of Increase

### □ Inside City

- Avg mthly bill ▲ by \$2.42 from \$33.46 to \$35.88

### □ Outside City

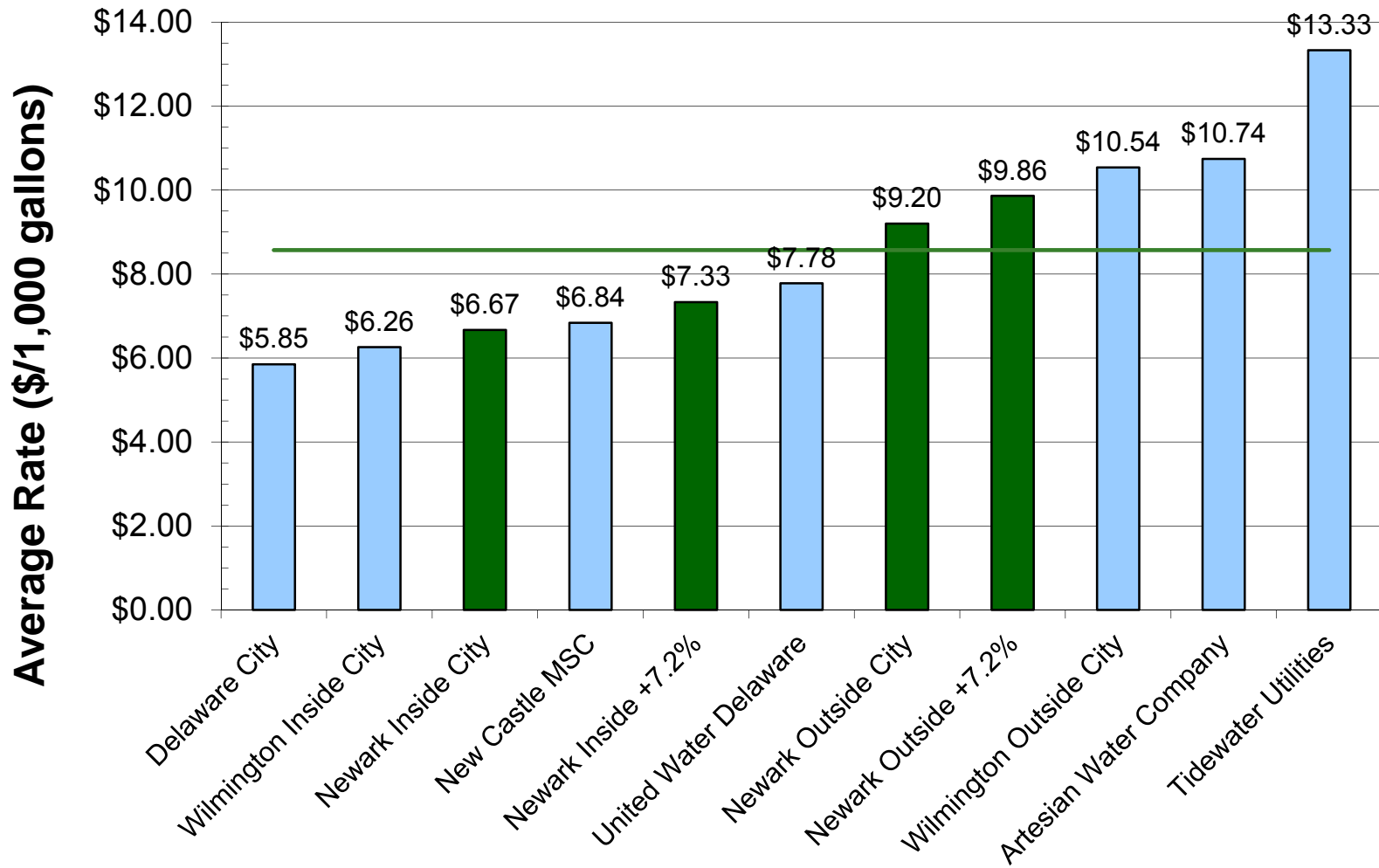
- Avg mthly bill ▲ by \$3.31 from \$46.06 to \$49.37

### □ Water revenues increase by \$590,000

- Equivalent to 10.5% tax increase
- No increase in general fund transfer
- Support water infrastructure expenditures and maintenance



## Water Rates in New Castle County, Delaware (2014)



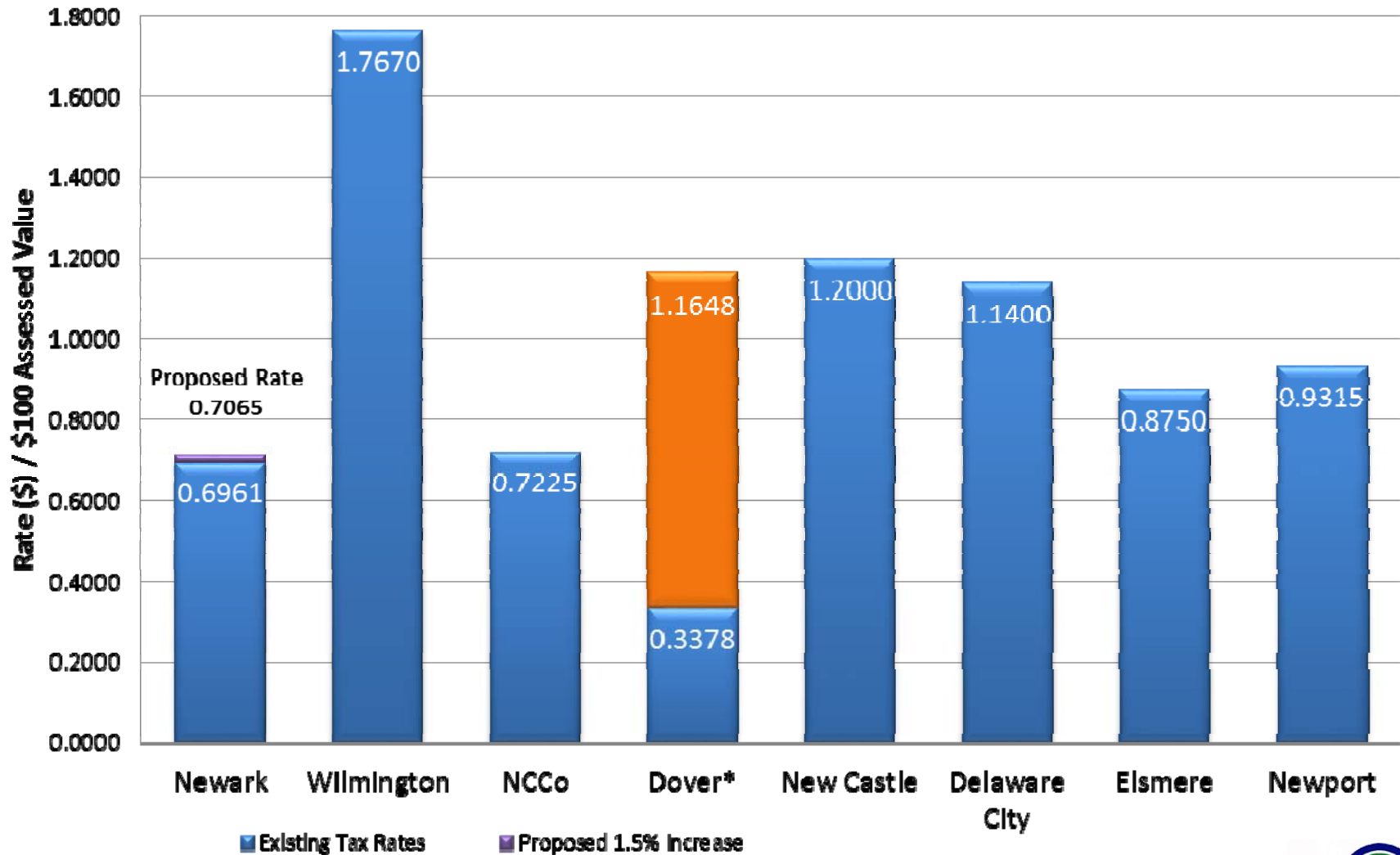
Source: University of Delaware Water Resources Agency, Institute for Public Administration, Draft Report "Water Rates in Delaware and Surrounding States," September, 2014

# 2015 Budget Highlights – Property Tax

- Impact of Increase: \$0.6961 to \$0.7065<sup>1</sup>
  - Residential Property
    - Avg annual bill ▲ \$7.35
    - Avg annual bill ▲ from \$490 to \$497
    - Smallest residential increase: \$1.65
    - Largest residential increase: \$26.95
  - Commercial Property
    - Median annual bill ▲ \$16.69 to \$1,129
    - Largest commercial parcel ▲ \$777 to \$52,603
  - Revenue Impact is \$85,085
    - Half (\$42,542) realized in 2015

<sup>1</sup>Per \$100 of Assessed Value

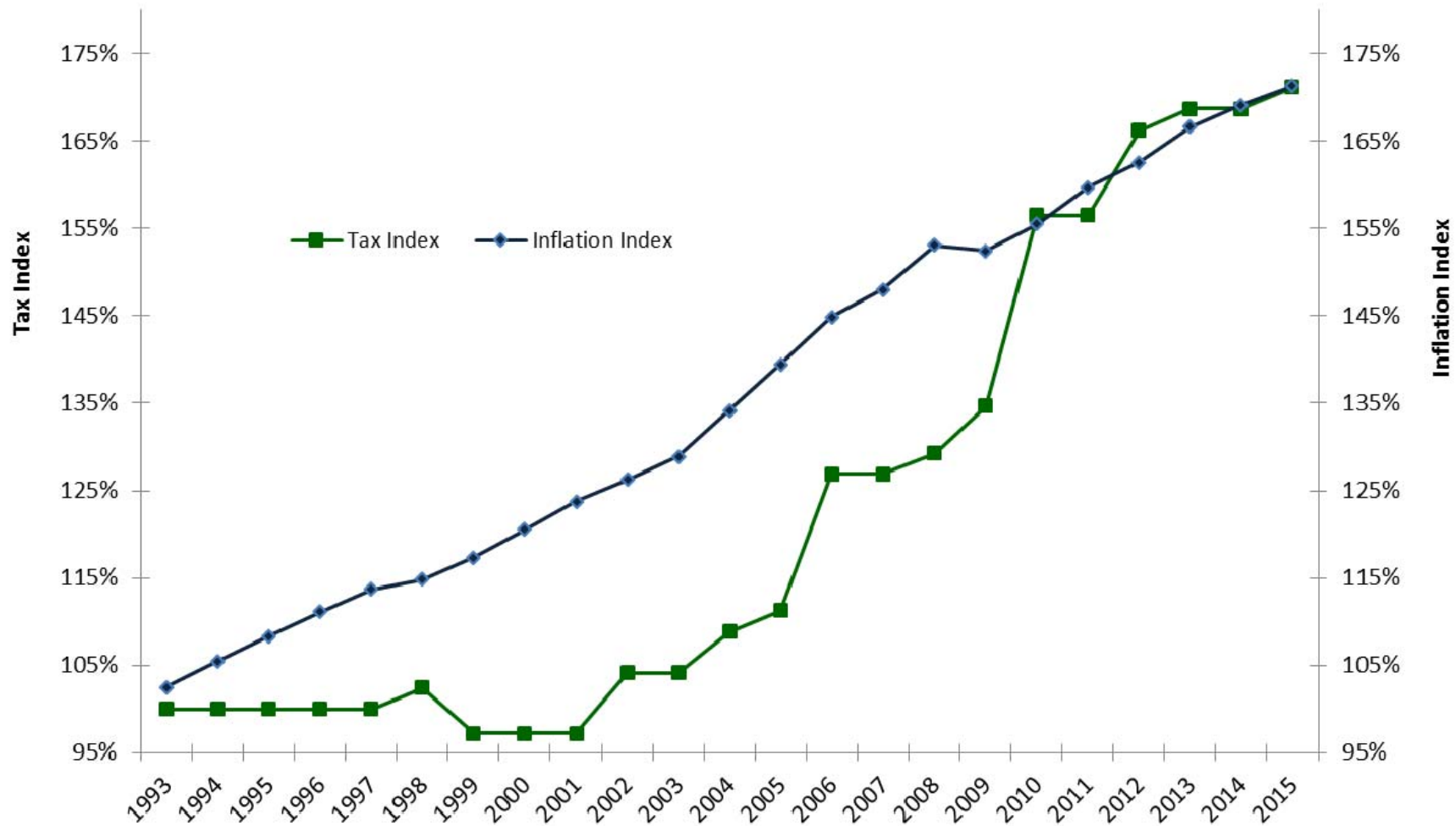
# 2015 Budget Highlights – Tax Comparables



\*Dover's stated rate of \$0.3378 yields an effective rate of approximately \$1.1648



# 2015 Budget Highlights – Tax vs Inflation



---

# 2015 Budget Highlights, Con't

- **Electric Rates**
  - No changes to electric rate structure
  - Anticipating Rate Decrease
    - Wholesale rate decrease expected
    - 2014 Revenue Stabilization Adjustment (RSA)
- **Sewer Rates**
  - Sewer rates stable – no change in 2015
  - Any NCCo increase will be passed through to ratepayers by Code in July, 2015
    - Review of City Flow Rate required in 2016
- **Parking Meter Revenue Increase**

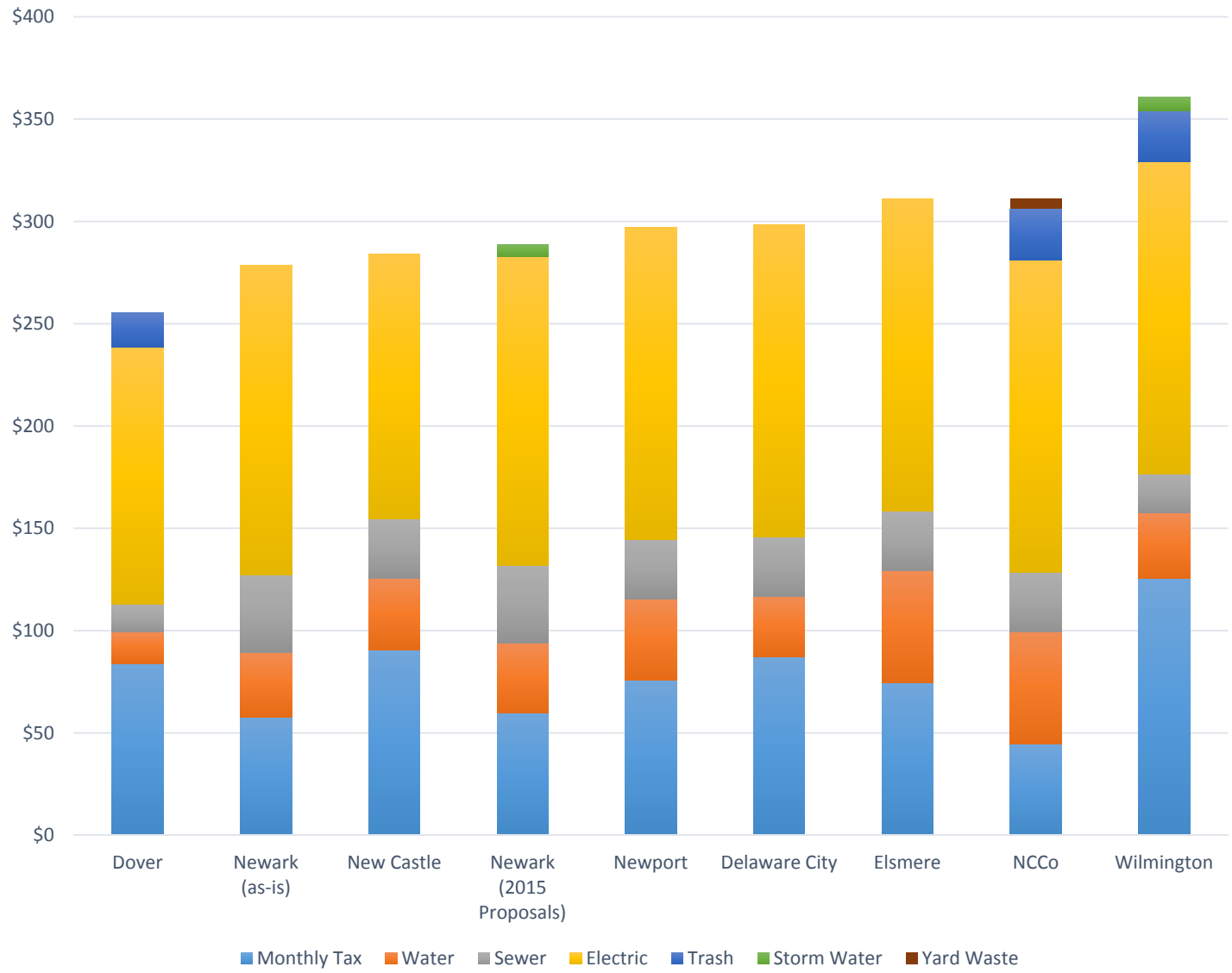
---

## 2015 Budget Highlights, Con't

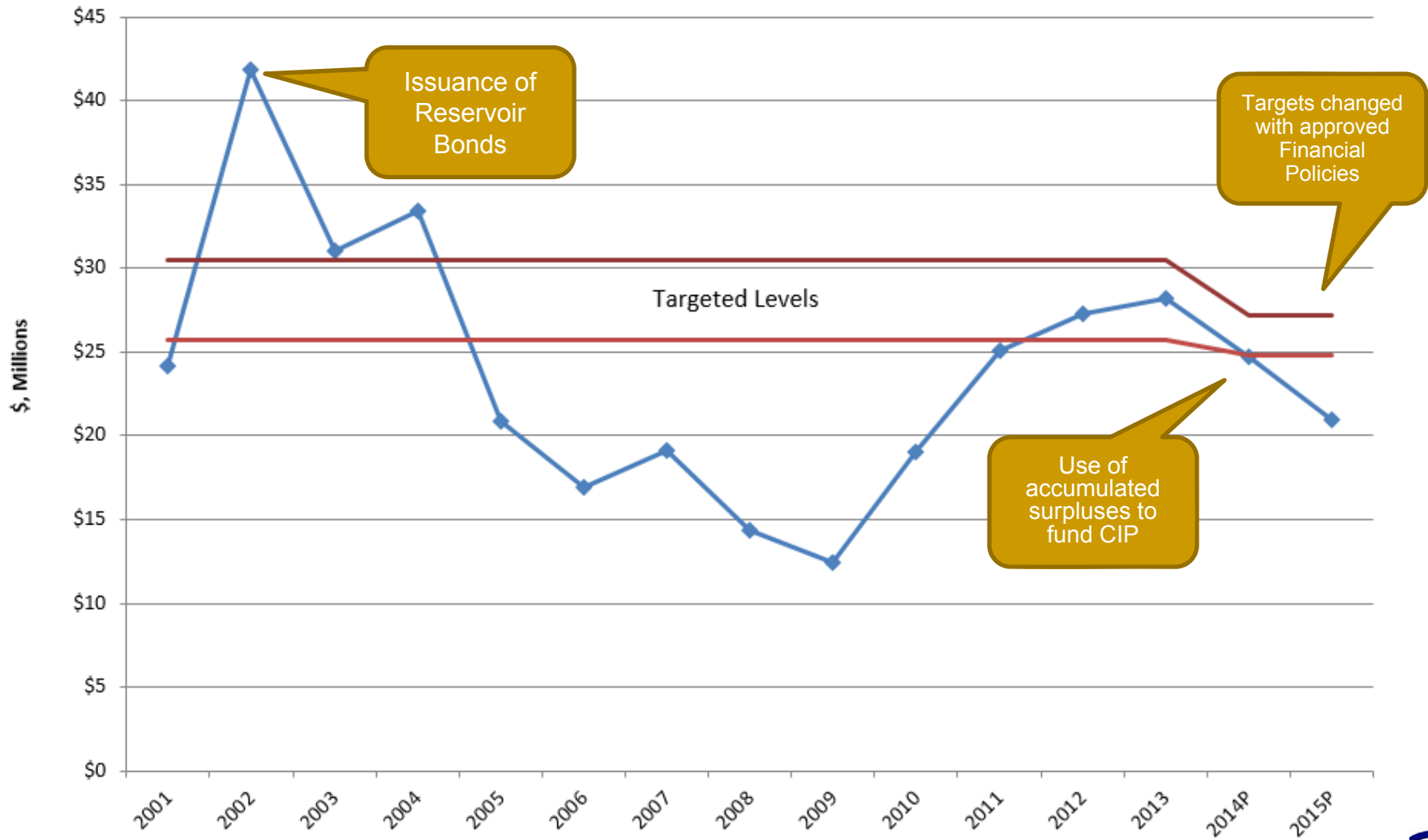
### ■ Creation of Stormwater Utility

- ❑ Equitable fee structure
- ❑ Based on actual impervious cover
- ❑ Utilization of state of Delaware data to minimize program implementation costs
- ❑ Grant program to direct funding back into the community for educational purposes, to improve water quality and reduce volume of runoff
- ❑ Targeting implementation for early to mid-2015 pending Council approval
- ❑ Budget-neutral for 2015

## Comprehensive Tax & Utility Comparison Monthly Estimates, 2014-15



# Historical Cash Balances





# Conclusion



CURRENT  
PROPOSAL

- Current presentation: consistent with previous budget proposals
  - Identifies costs & provides funding to maintain “status quo”
  - CIP & Operating initiatives deferred



PROGRESSIVE  
PROPOSAL

- Alternate presentation will
  - Address succession planning
  - Address deferred projects & vehicles
  - Level management compensation to unions
  - Require add'l funding of \$1.33 million