

**CITY OF NEWARK
DELAWARE**

**PLANNING COMMISSION
MEETING**

July 6, 2010

7:00 p.m.

Present at the 7:00 p.m. meeting were:

Chairman: James Bowman

Commissioners Present: Ralph Begleiter
Patricia Brill
Peggy Brown
Mary Lou McDowell
Kass Sheedy

Commissioners Absent: Angela Dressel

Staff Present: Roy H. Lopata, Planning and Development Director
Kyle Sonnenberg, City Manager
Dennis McFarland, Finance Director

Chairman James Bowman called the Planning Commission meeting to order at 7:00 p.m.

1. THE MINUTES OF THE MAY 25, 2010 PLANNING COMMISSION MEETING.

MOTION BY BEGLEITER, SECONDED BY SHEEDY, THE MINUTES OF THE MAY 25, 2010 PLANNING COMMISSION MINUTES ARE APPROVED AS RECEIVED.

VOTE: 6-0

AYE: BEGLEITER, BOWMAN, BRILL, BROWN, MCDOWELL, SHEEDY
NAY: NONE
ABSENT: DRESSEL

MOTION PASSED UNANIMOUSLY

2. THE MINUTES OF THE JUNE 1, 2010 PLANNING COMMISSION MEETING.

MOTION BY BEGLEITER, SECONDED BY SHEEDY, THE MINUTES OF THE JUNE 1, 2010 PLANNING COMMISSION ARE APPROVED AS RECEIVED.

VOTE: 6-0

AYE: BEGLEITER, BOWMAN, BRILL, BROWN, MCDOWELL, SHEEDY
NAY: NONE
ABSENT: DRESSEL

3. REVIEW AND CONSIDERATION OF THE 2011-2015 CAPITAL IMPROVEMENTS PROGRAM.

City Manager Kyle Sonnenberg introduced himself and Finance Director Dennis McFarland who made the presentation on the 2011-2015 Capital Improvements Program.

Mr. Sonnenberg: [Secretary's note: Mr. Sonnenberg referred to a PowerPoint presentation]. The goals of the Capital Improvements Program, of course, are to maintain and enhance the City's physical infrastructure. That is, what we are focusing on with capital improvements – streets, sidewalks, parks, parking facilities, municipal building, tennis courts and a variety of facilities -- which we use to deliver services to the citizens. In addition to those, which are considered general fund activities, we will also be focusing on the City's utility infrastructure, which in our case includes water, sewer and the electric system, that provides support to services through public safety, fleet operation information technology (computers and software) and waste disposal. We also try to ensure that we have financial strength by making prudent investments in maintaining our infrastructure at the appropriate points in time to reduce long-term costs.

The planning process starts in the spring. Our departments prepare projections and estimates of their needs. The Finance Department looks at financial forecasts at that point in time using some basic assumptions, which we will go over with you later. In May, I then review it with members of the Capital Team, which includes Roy, and we make provisions in my policy direction that we have received in the past as well as the financial forecast to make sure the numbers for our available resources fit with what we are forecasting to spend money on. The next step is a presentation to this Commission. We anticipate a public hearing in August and, hopefully, Council action at that point in time.

Here you get focus on the current year vs. the upcoming fiscal year. Of course, the CIP covers a longer period than that, but the expenditures in the upcoming year are the ones that have an impact on next year's operating budget, revenues and resources that are necessary to implement the Capital Improvements Program. You can see a variety of changes, some of the highlights from year-to-year. Then at the bottom we show some sources for funding for those expenditures.

You can see the distribution by department. Here we give you some idea of the largest, of course, the largest is Public Works. The bulk of that, I believe, is represented by our street program of \$1.5 million, if I recall correctly, for the upcoming year. What follows is the distribution through the other various departments and functions in the City.

The vast majority of our funding comes from current resources. I think this is something very important to remember, as I often hear people say, "can't you get a grant to pay for that." We do get some grants. You can see that up there at \$910,000. However, that does not cover anywhere near the bulk of the necessary expenditures to keep up with our Capital program.

This is a comparison of two different five year periods. You can see a significant increase in the electric fund and the water fund. We will cover some of those differences later. Those are probably the most significant areas of change from one planning period to the next.

A similar distribution is shown here, with Public Works being the largest. Again, the street program represents in 2012-2015 \$1.75 million a year.

Here are some significant projects, including the Phillips substation unit for the electrical system. We have also identified in the out years, the potential for a new substation. We don't know exactly where that will go yet; and it is totally dependent on future growth of the system, also the SCADA system and automatic switching for the Electric Department. A new item of significance is White Clay Creek raceway improvements and potential dam replacement for the water fund. We are utilizing an extremely old dam and raceway system. We are concerned enough to budget money for an analysis of the dam to see what improvements need to be made or a necessary replacement of the dam. If we lost the dam, no water would get to the raceway, which would mean no water would get to the water plant, which would be a problem.

The next three items highlight the importance of regular and routine maintenance of our infrastructure including \$1.8 million for a water main renovation program. Also, we need to maintain the water tanks and we are proposing to analyze our sewer system and identify areas there that need to be repaired or replaced.

We have had an ongoing commitment to an ADA handicapped ramp transition program. It has been many years long and we will be continuing to do it for many years into the future.

The Christina Creek improvements relate, as I recall, directly to our trail system along the Christina Creek. The Creek has changed course in several areas. The Curtis Mill site, as well as the Old Paper Mill Road Park site, is in the budget for improvements there. We are currently in the midst of planning process through the Parks Department for development for those facilities with various amenities.

Finally, we have streets programs and vehicle replacement. Many of our departments depend on vehicles to deliver their service and we have to keep up with ongoing annual replacement of those.

Mr. Dennis McFarland: As Kyle mentioned, at the beginning of the process we do a financial forecast to try and provide some context for the compilation of the Capital Program so we kind of know what our financial capabilities are over the next five years. It is not intended to be a budget. It is just intended to be a projection and, again, provide some broad guidelines for what we might be capable of funding.

This slide presents the basic assumptions that went into the forecast. We show inflation at 2.5%, which is probably conservative. Wages and benefits, however, we have increasing at 4% largely resulting from benefit increases annually that are in double digits. Purchase power costs, again inflate at 2.5%. In terms of the utility load growth, we are projecting electric demand up 1.5% annually, with water and sewer growing at 1%. We are forecasting that all three utilities will earn 20% margins. It appears at this point that that can be accomplished at fairly inflationary type rate increases in the electric and sewer utilities. In the water utility, because of the amount of increased investment that we are making in there over the next five years, water rate increases will probably be in the range of 4% to 5% annually.

We don't project any property tax rate increase or change to the transfer tax rate, but we do, because of the growth activity, anticipate that revenues from those two taxes would increase at 2%.

The resulting cash forecast is presented on this slide. Generally, the resulting forecast has an operating surplus that ranges from \$1.2 million up to \$2.2 million and then back down in the \$500,000 to \$1 million range each and every year. Even with this Capital Program where we think we are doing a good job of maintaining and enhancing the infrastructure of the City, we would be generating an operating surplus each year. More importantly from a financial perspective is the cash flow associated with the City's operations over this timeframe. With this projection we anticipate that the cash reserves for the City would increase to about \$15 million up to a little bit over \$19 million by the end of the forecast period. That is better than the forecast that I showed you last year when we reviewed the Capital Program, but we still would hope to do a little bit better than that. Long range, we would like to get the City's cash reserves up around \$25 million. But, again, it is a better forecast than what we looked at last year and it does support the proposed Capital Program that is before you this evening.

We would be happy to answer any questions you might have.

Mr. Ralph Begleiter: The 20% utility profit doesn't get characterized as municipal revenue, what is the rationale for putting it in a category other than municipal revenue?

Mr. McFarland: We generally split the finances of the City into the general fund, which is most of the governmental type activities, and then the proprietary funds, which are construed as business type activities. So, while they are municipal revenues in the broad

sense of the word, they are really more properly considered utility revenues from proprietary funds.

Mr. Begleiter: But, they alone support, I would say, probably most of this Capital Improvements budget. No? That 20% is basically where the funds for these things come from.

Mr. McFarland: All that in the utility funds as well. It supports both the utility funds and the general fund. Typically, we will make a transfer every year from the utility funds to the general fund to support both operating and capital expenses.

Mr. Begleiter: And when you describe this to the Council, you tell them, I presume, the same thing -- that no tax increase is proposed but you maintain the surplus revenue from the utility fund which you don't consider revenue.

Mr. McFarland: It is revenue. It is just not revenue directly into the general fund.

Mr. Begleiter: Does it get transferred into the general fund later?

Mr. McFarland: Yes. The way we have constructed the forecast, that is a growing revenue stream. There aren't many revenue streams directed within the general fund that we can't confidently project as growth.

Mr. Begleiter: The other question I was going to ask was about the 1.5% projected increase in utility use. Is that based on the Chrysler site development?

Mr. McFarland: It is typically an extrapolation of historical trends. The development of the Chrysler site won't happen soon enough to affect this. If anything, there may well be conservation efforts over the next five years which dampen the electric growth.

Mr. James Bowman: Dennis, when is the last time the City increased property taxes?

Mr. McFarland: We sent out fresh bills today with an increase July 1st.

Mr. Lopata: This current budget.

Mr. Bowman: What was the percentage of increase?

Mr. McFarland: It was nine cents. It was a hefty increase – 15% to 16%.

Ms. Kass Sheedy: There is an electrical project for Chrysler and there is also an electrical project for the County Club development in the CIP.

Mr. McFarland: Which project are you relating to the Country Club development?

Ms. Sheedy: My question is really the same for both, so let's focus on Chrysler. Have you looked at what the Capital cost that the City is going to utilize, the payback that we are going to get from the University?

Mr. McFarland: At this point there is not an economic analysis on that. We know we have an obligation to serve the load. In any event, we are going to have to build whatever facilities are necessary to serve the load. Whatever financial arrangements we can construct subsequent to that to ensure we recover our costs from the appropriate party.

Ms. Sheedy: Are we possibly in the position where we are going to be subsidizing the University by not recovering our cost?

Mr. McFarland: That won't happen.

Ms. Sheedy: The other comment that I had, and it is the same comment I had last year, is that there is no discussion in the CIP about the City using any kind of sustainability criteria or conservation criteria and there are no cost for things like adding conservation

measures to this building and the police building and so on. Last year when I brought it up, I think the reply was, well we do it. It's just part of normal business. But, again, I want to say, I think the City would be well served by putting a little summary up front talking about how conservation and how sustainability are considered in making purchasing decisions. A really simple example is vehicle replacement. If we have criteria for minimum gas economy, then I think we would serve ourselves well by saying so. If we don't, then why not?

Mr. Lopata: Kass, this may be helpful and I don't see any reason why we can't do this, the reports that we have sent to Council, we have a whole energy conservation program which is what I think you are talking about. Copies can be made available. They are a separate document from the Capital Improvement. Also, in this regard, we just literally are finishing with a federal energy conservation grant funding for the replacement of all the windows in this building. It is remarkable how much energy we are saving. We are also working on a solar project.

Ms. Sheedy: Roy, what I am saying is we should connect the two. This is where we are talking about major purchases.

Mr. Lopata: Those are major purchases.

Ms. Sheedy: Those are major purchases and that mindset isn't reflected in this document and I think it should be. It would benefit the City if we closed the loop between those two documents.

Mr. McFarland: A lot of what we are doing now does not involve large capital expenditures. And, again, there is a lot of activity going on within the electric utility on the conservation side where we are not looking at the City's use of energy but trying to assist customers in managing their use of electricity. I appreciate the comment that were we to articulate what is going on would be helpful.

Mr. Begleiter: In the vein of mentioning, again, questions that I raised last year and the year before, I'll just do it for the record. I couldn't find anything in the electric summary here that indicated that any portion of the funds being generated by the electric utilities are being used for the aesthetic enhancement of the City's electric infrastructure. Did I just miss it or it's just not there as it wasn't there last year or the year before.

Mr. McFarland: It is not there. Essentially, if something is done for aesthetic purposes, the only way we are able to do that is if it is funded by the developer in terms of what he is doing. New things might be able to take those into account. The electric investments here are largely the meat and potatoes to maintain what we have got.

Mr. Begleiter: When you say, the only time we are able to do it is when the developers do it, what you mean is the only time we choose to do it is when the developers do it. We could spend our money any way we want to spend it, couldn't we?

Mr. McFarland: If we had it in the first place, but I would argue that we don't have sufficient financial resources to support more than what we have here and what we have got here we think is really essential.

Ms. Brill: There are no plans to issue bonds for any projects?

Mr. McFarland: That is correct. With this program the City has a general policy of "pay as you go" for capital expenditures unless there is some large very significant project. It has been eight years since the City has issued any bonds and that was associated with the reservoir construction.

Ms. Peggy Brown: I am glad to see that the Police are getting new vests. However, does that amount cover all of the vests that need to be replaced? There are 31 here at a cost of \$25,000, but does that replace all of the vests that need to be updated?

Mr. McFarland: That covers all of the ones that need to be replaced this year. They have, obviously, a life expectancy and we will replace the other half in 2014. We are, essentially, replacing half in 2011 and another half in 2014.

Ms. Brown: This sounds kind of silly, but you are going to put a new carpet in Captain Potts office because it has been stained by a leaky roof. Have you fixed the roof?

Mr. McFarland: We have been trying. It has been very, very difficult to clearly detect the source of the leak and replace it. The Public Works Department continues to work on it, but I'm not sure they've got it.

Mr. Lopata: We can't figure out where the water is coming from.

Mr. Sonnenberg: It may not be the roof. It may be coming through the walls.

Ms. Brown: So, you aren't going to replace the carpet until you have a solution to the leak.

Mr. McFarland: That would appear to be the prudent way to go.

Ms. Brown: I want to second Ralph's comment about the electric. I see a lot of patch and fix and it is a substantial amount of money. I realize that the City does not have great piles of money to spend, however, I think if we want to be a progressive City and I think if we want to come up to standards where people will want to come here, we need to start thinking about the electric in an aesthetic point of view. Having lines all over the City, it doesn't look good. I know the Electric Department is not fond of having buried lines, but I think it is something that we need to put in our budget later down the road. I go to other small towns and I do see buried lines, and we need to start thinking along that line.

Mr. Begleiter: Mr. Chairman, just along those lines, just out of curiosity, what would 20% of the electric revenue each year be?

Mr. McFarland: It's around \$13 million or \$14 million.

Mr. Begleiter: I don't know whether \$13 million would be characterized as a great pile of money or not in your definition.

Mr. McFarland: Just bear in mind, of that amount, generally, about \$10 million is transferred to the general fund to support municipal services. So, it is not found money. We have been dependent upon it for a lot of years.

Mr. Bowman: Is the University doing anything with the Chrysler property right now?

Mr. McFarland: I think their demolition plans are going to last almost two years.

Mr. Bowman: And that is all that is going on?

Mr. McFarland: They are talking to a lot of folks and have plans for the development of it, but most of the real load growth from the electric and water utilities won't be until the year 2015.

Mr. Bowman: Would you describe their usage down there right now as far as electric and water is minimal, given what Chrysler in their heyday would have used?

Mr. McFarland: Basically, all they are doing is maintaining the administrative building that is right on S. College Avenue.

Mr. Bowman: I know this doesn't have anything to do with the Capital Improvements Program but the last couple of times I have driven by the Chrysler site, they are raising a crop of weeds down there. Maybe somebody should get on the University's case and get the place looking like they are trying to do something down there besides grow weeds.

Ms. Sheedy: Under Parks and Recreation, project # K1001, there is a typo. It should be local “match” in the third line from the bottom.

Mr. McFarland: It warms my heart that someone reads the whole document.

Ms. Brill: Is there an interest in putting some money toward bikeways in a college town, or is that taken care of in some other way?

Mr. Lopata: We are just about to put out for bid the contract documents that just came in this week for the multi-million dollar bikeway that is going to run along what used to be called the Pomeroy Railroad running north and south through the heart of the city from the James F. Hall Trail parallel to Chapel Street, essentially, all the way up to White Clay Creek State Park. We typically seek federal and state funding (mostly federal) for those types of projects. We have spent, I believe, per capita more on bike paths with this project than any other city in the state. No one has the kinds of bikeways that we have. That doesn’t mean we can’t do more, and we can note also the \$1.1 million we spent on the underpass at Casho Mill Road, essentially for bikes. I think in the bike area we have done very well. If we could only combine bike paths with underground utilities, everyone would be happy.

Mr. Begleiter: Just for the record since two people have used the phrase now, I have not advocated exclusively considering underground utilities. That is the most expensive way to solve the problem and I have suggested several other ways that could improve the aesthetics of the utility system.

Mr. Lopata: Now that we are establishing a record, as you may recall, I came back from a trip to Europe showing you pictures of lines hanging from buildings. So, there is general unanimity about the notion that it would be more attractive if we could move the lines. The issue really is the cost.

Mr. Bowman: Do any members of the public wish to comment on the issue? Hearing no comments from the public, we will bring it back to the table for final comments.

Mr. Begleiter: What are we doing here? Are we recommending approval or are we forwarding this to the City Council?

Mr. Lopata: You have to recommend approval, disapproval, or approval with amendments. You can’t just say we saw it.

MOTION BY MCDOWELL, SECONDED BY BRILL, THAT THE PLANNING COMMISSION RECOMMEND THAT CITY COUNCIL APPROVE THE 2011-2015 CAPITAL IMPROVEMENTS PROGRAM.

VOTE:6-0

AYE: BEGLEITER, BOWMAN, BRILL, BROWN, MCDOWELL, SHEEDY
NAY: NONE
ABSENT: DRESSEL

MOTION PASSED UNANIMOUSLY

There being no further business, the Planning Commission adjourned at 7:28 p.m.

Respectfully Submitted,

Elizabeth Dowell
Secretary, Planning Commission