

**CITY OF NEWARK
DELAWARE
PLANNING COMMISSION
MEETING**

November 4, 2014

7:00 p.m.

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

Chairman: Alan Silverman

Commissioners Present: Bob Cronin
Andy Hegedus
Willard Hurd
Edgar Johnson
Frank McIntosh

Commissioners Absent: Pat Brill

Staff Present: Maureen Feeney Roser, Planning and Development Director
Mike Fortner, Development Supervisor
Carol Houck, City Manager
Lou Vitola, Finance Director
Polly Sierer, Mayor
Robert Gifford, Councilman, District 3
Marge Hadden, Councilwoman, District 4
Mark Morehead, Councilman, District 1

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

Mr. Alan Silverman: An announcement from the Chair: We do have a change in our agenda. If anyone is here for 60 North College Avenue, that item was pulled from the agenda so we will not be discussing it tonight; and, we will be devoting our time tonight to the review and consideration of the 2015-2019 Capital Improvements Program.

1. THE MINUTES OF THE OCTOBER 7, 2014 PLANNING COMMISSION MEETING.

Mr. Silverman: Commissioners, you received a distribution of our minutes. Are there any additions or corrections to the minutes?

Mr. Andy Hegedus: Mr. Chairman, I have one that is at the very beginning. It says, "At this point in the meeting, Mr. Silverman resided over the meeting as Chairman." I think it should be presided over the meeting.

Mr. Silverman: Are there any other additions or corrections. Hearing none, the minutes will stand and be approved as corrected.

Mr. Cronin: Mr. Chairman, would you like to welcome our new member?

Mr. Silverman: I would like to welcome Willard Hurd to the Commission.

Mr. Willard Hurd: Thank you very much.

Mr. Silverman: Willard is not a stranger to this group. He has been attending many of our meetings and, at least, from the Comprehensive Plan point of view should be very much up to speed.

2. REVIEW AND CONSIDERATION OF THE 2015 – 2019 CAPITAL IMPROVEMENTS PROGRAM.

[Secretary's Note: The City Manager, Finance Director, Planning Commissioners and public refer to a PowerPoint presentation brought to Planning Commission by the Finance Director for the presentation of the 2015-2019 Capital Improvements Program to the Planning Commission].

Ms. Carol Houck: Hello everyone. Thank you Chair Silverman. I am Carol Houck, City Manager. I think I have met all of you over the years. Lou Vitola our Finance Director is also here with me to present to you today. We are going to share some financing information and CIP highlights with you, as well as respond to your questions, as we have in the past.

As you know, we shared a draft of the CIP with the Commission last week for your review and consideration along with that of our Planning and Development Director Maureen Feeney Roser. This document serves as a planning tool for projects and purchases that have a typical life expectancy of at least six years and/or a cost of more than \$20,000 with some exceptions from time-to-time. The projects represent recommendations from our Department Directors and are the product of months of efforts and prioritization and reprioritization as a result of funding availability. Model projects will align perfectly with the Comprehensive Plan vision elements, and we identify in our presentation and in the PowerPoint pages in front of you those corrections, and we will attempt to point them out as we move through the highlights.

Here is a little bit of the presentation tonight. We are going to go over the goals of the CIP. We are going to talk a little bit about the public utility overview and the general fund overview. We are going to share more detail than we have in the past, I believe, with the Planning Commission because I think it is important for you to know. We are going to have some information on the CIP, the funding, the efficiency initiatives and 2014 accomplishments. I think that overview will be very important, since we came to you last year and told you things that we intended to do. I think it is important that we share with you what we did accomplish. Then we will go over the 2015-2019 Capital Improvements Program. We are not going to go into extensive detail. We are going to hit highlights. We are here and everybody has their book. If you have questions about certain projects, we will do our best to respond. Yesterday we did make a presentation during our Financial Workshop to Mayor and Council. We had all of our Department Directors there. We don't have them here tonight. If we can't answer a question, we will be back shortly to you. Then we will talk just slightly about the significant projects for the out years and explain some of that to you.

The goals for the CIP. The projects we will seek to advance. Newark's vision element and these are the elements of the Comp Plan: healthy and active community, sustainable community, inclusive community. The CIP should strive to maintain and enhance the City's physical framework including streets, parks, municipal and police buildings and our infrastructures. The elements of the CIP should support the vision of our services provided to our City residents including parks, public safety, information technology and waste disposal among many other things, and to ensure the financial strength of the City by making prudent investments and decision making for the projects that we undertake. I'm going to turn the presentation over to Lou.

Mr. Vitola: Good evening everyone. I led with a public utility discussion at this meeting last year and again at last night's Financial Workshop. I will probably lead with it every year to try to bring the point home. I do want to go over it again to make sure that everyone understands the tremendous value of the public utility business model that we employ here at the City of Newark. City Council is both your governing board and the public services commission for all three of the City's major utilities, and even the parking fund. Residents can come right here to the municipal building and voice their

concerns twice a month directly to Council. Residents would not have the type of access and our City would not have that level of control if there were investor owned utilities in the City like Delmarva, Artisan, Tidewater and so forth. On top of that, we have competitive rates. We are possibly on the high end compared to some of our municipal peers, but we have been within three or four percent of Delmarva's rates for at least the last several years. Right now our winter rates are 3.6% below Delmarva's rates. Water and sewer rates are on the low end compared to our other sister municipalities and far below Artisan and Tidewater. We are reliable on top of that. Our crews are here, local and on call around the clock. Our electric outages are less frequent and don't last as long. We measure them in seconds and minutes not in hours and days. We are also community oriented. Something like McKees Park I don't think would be done, something that small – 230 kilowatts – would not be undertaken by one of the major utilities, especially right here in our own back yard. So, we do try to provide funding for efficiency initiatives which are driven by what the community really wants. Some of that is manifested in the form of the Conservation Advisory Commission. We pay wholesale prices on our own consumptions. We save money internally. We save close to \$1 million a year vs. what we would have to pay to a private utility for our own water and electric consumption. From a financial perspective, probably the biggest benefit to the public utility business model is the transfer to the general fund.

We will talk a little bit about overreliance on the transfer, fundamental concept of the Public Utility Business Model is truly a tremendous benefit to the City of Newark. If we did have private utilities here in Newark, the electric rates would be comparable, water and sewer rates would probably be much higher, yet that margin that is earned by the companies would go right back to shareholders, not back into the community to support things like police, roads, infrastructure, sidewalks and so forth. Consider Delmarva's parent company. They reported operating income of \$1.2 billion over 2012 and 2013. \$512 million of that was distributed back to shareholders in the form of dividends, not back into the community. That is a little bit about the power of the Public Utility Business Model.

Ms. Houck: Just like we shared last night with Mayor and Council, I wanted to share some more information about how important the transfers are to the general fund currently. This slide shows a preliminary look at our forecasted general fund revenues and expenses. As you can see, the 2015 general fund revenues are \$13.2 million. And the 2015 projected general fund expenses are \$24.9 million. We think this is a bit of a problem. Again, I said earlier the same message has been delivered to Mayor and Council just yesterday, not that it was a surprise to most of them. More specifically, our general fund revenue supplies only about half of what is needed to provide the many services that we all enjoy in our community. Our ability to meet this shortfall with utility revenues has been Newark's lifeblood and its path to financial stability for many years in the absence of increasing taxes in line with the services that we provide. It has also enabled Newark to maintain a good credit rating and low cost of living. But, there is a limit to this making sense and there is a point where we believe we have to start working towards greater general fund self-sufficiency. It is not going to be easy and I am fairly sure we need to educate the average citizen because I don't think they are aware of the fact that the services are subsidized by the utilities.

Why am I mentioning this during the presentation for the Capital Program? Our ability to take transfers from the utilities has resulted in a mindset by some that all funds are co-mingled and a dollar from the utilities equals the same dollar from the general fund, and that is not always the case. We don't have our Electric Director here, so we are at a little bit of a disadvantage, certainly, this is something that is evolving. We are going to discuss the need to develop a new substation – we have known about it for a little while now – at the STAR Campus. We knew that we had some reliability issues on the south end of the City, but when UD purchased the Chrysler site, it became more important. The fact that we utilized our utility transfers to balance the general fund to such a large extent, translates to our not having reserves available to fund the substation now. Instead, our margin pays for police, parks, refuse and other things that Lou already mentioned. We can continue in this fashion if that is decided by our Mayor and Council, but I said this to Council last night, we are going to talk a little bit about efficiencies and what our departments have been coming up with and putting in place. I promise even if

we continue in this way that we will continue to look for efficiencies, grants and ways to work smarter. That is a part of our everyday life now in this organization. Any of the department directors will tell you that. I truly believe the time has come to start weaning our community off of relying so heavily on the transfers to the general fund. I don't think it is sustainable and we are, as Lou mentioned, less competitive with the other communities that are in DEMEC with us.

One of the things that Maureen and I hear at many economic development type functions and in roundtable discussions and things that have been lead more recently by the Greater Newark Economic Development Partnership is that businesses that bring jobs and taxes that help with the general fund don't particularly care about our refuse collection or our Code enforcement. They pay attention to the utility costs and they want to locate where the utility costs are low and competitive. That is what we hear and we also hear it from our current customers and we have engaged with many of them and tried to set them up with entities at the University so that they can look at their energy use and, maybe, be more efficient. That has been helpful to some of them.

Additionally, if we had a separate credit rating for our utility funds, they would be very weak because the other side of the equation, of course, is the annual exodus of cash from each utility that renders them without reserves to actually fully react to infrastructure needs, which squarely sits in the Capital Program ballpark. Lou is now going to demonstrate a little bit more of the situation with some other slides.

Mr. Vitola: Carol's overview focused on the general fund in 2015, but I wanted to take a look backward and see how the general fund deficits stacked up over time. This is only a one decade period, but you can see the top line, that purple line, represents general fund revenue over the last complete decade – about \$13 to 18 million each year over the past ten years. The red line represents general fund expenditures. Remember, we are focused on just the general fund here, roughly \$22 and as much as \$31 million in expenditures over that decade. So, the result is the gray band, as you can see, a deficit of roughly \$7 to \$14 million over the last decade. Over time that does add up. The yellow to red wedge is the cumulative general fund deficit over the last complete decade. It is a shocking \$104 million. The good news is that this is by design. This is no surprise. Every year was done with the utility transfers in mind, so it is not like we are looking back and discovering some major unknown problem. This was done purposefully, but the point is we think we are reaching that limit where we shouldn't push the envelope any further. So, even though we do view all our dollars as being part of the same bucket, we probably should not continue to let so many utility dollars go out the door. We could have used water fund dollars to support water line repairs and stormwater repairs; and we could have used electric fund dollars to support the electric substation that you see in 2015 and 2017 for the STAR Campus.

Mr. Hegedus: Lou, Carol, do you want questions as we go or do you want to wait until the end. How would you like to proceed?

Mr. Vitola: Let's wait, if you don't mind. There is not too much longer to go. While you think about the general fund in terms of operating expenditures, think about the cycle we face every year for the entire City for all funds in the CIP, the vast majority of which is funded on a pay-as-you-go basis, which means that all of our rates, all of our taxes, all of our fees added up should be sufficient to pay all of our operating expenses, all of our debt service and pay for all of our capital requirements. So, with that in mind, we've got infrastructure that gets older every year. We propose projects accordingly but then we don't have enough in current reserves to support the CIP project proposals. So, of course, to balance the budget we push some capital projects into a future period which in turn finishes the cycle and leads to infrastructure that is yet one more year older. It is a cycle that gets repeated every year, and I want to illustrate that a little bit further, here with this slide.

The previous slide kind of anecdotally addresses the concept and the impact of not enough funding and what you could call "kicking the can." I said at last night's meeting that this is the "admit you have a problem" slide. The slide was really put together in an effort to show the problem with project deferrals and pay-as-you-go

financing. To start with the top line in 2006. I just want to walk through this a little bit. For budget year 2006, the CIP years were 2006 – 2010, much like fast forward almost ten years, you've got 2015. The plan years are 2015 – 2019. So, in 2006, the 2006 component of the CIP was \$1.4 million. The second year CIP for that year is the fourth number on that top line. \$2.7 million is the 2007 contemplated CIP spending as of 2006. So, fast forward one year to 2007 when we were planning for the 2007 – 2011 plan years, by the time we got into 2007 and crunched the numbers and calculated what was affordable on a pay-as-you-go basis, we really could only afford \$1.4 million again. So, going back up to the top right, that \$2.7 million, only \$1.4 million came down from 2007 as contemplated in 2006 into 2007's year one of that CIP. The other \$1.3 million was deferred into year two – 2008 in 2007's CIP. So, then again, fast forward to 2008, the \$3.9 million that was contemplated for 2008 as of 2007, only \$2.3 million came down as was affordable in 2008. One year later another \$1.6 million was deferred. So, that process continues. The red arrow exhibits a number that says \$18.8 million of projects deferred. Some of the feedback I got on this slide last night was that this is a little bit out of context, and I totally agree. There are situations that happen every single year that render us unable to fund everything that needs to be funded in year one. I'm not trying to point fingers or assign blame. In late 2014, right now as we go through the process, we had \$7.5 million in projects lined up that were suggested and recommended by our department directors. What did we do? There is not enough funding in the 2015 Budget to accomplish that. So, of course, I, just like all the predecessors before me, put \$2.5 million into the next year. It is unavoidable. You can't avoid trying to do that. So, it is just a natural course of action. So, this is not a new problem. The question is, how to solve it. I think the answer might be a combination of tax increases to support general fund capital expenditures and to keep some of the funding in the utilities to support utility projects but also in the smart utilization of debt.

Suppose we took some of the 2016 projects – and this is just a for instance – I took some water, sewer and stormwater projects, which are eligible for State funding through the State Revolving Fund. I don't know if you are familiar with that but there is a Clean Water Revolving Fund that supports water, sewer and stormwater projects. So, suppose we took a million and a half of water line rehabilitation projects and a million in sewer line rehabilitation, a million and a half for the Curtis intake project in 2016 and the most critical \$5 million in stormwater projects. That \$9 million in projects could be financed with State loans over 20 years at their standard fixed 2% rate of interest. The debt service would be less than \$550,000 per year. So, if you look back at this slide here and take the average of year one of the CIP, you get \$4.6 million in the most recent years – 2009 – 2015. If you take the same average for the second year, you arrive at a figure of \$7.7 million. I would argue that the \$7.7 million reflects the City's needs while the \$4.6 million reflects what is affordable. So, how do we bridge that gap without a \$3 million tax increase or \$3 million worth of rate increases? I think the answer is with the debt solution. I admit there are some cons to debt. Increasing debt is not necessarily great for the balance sheet. Any time you increase debt, it is reflected on the balance sheet. We would be incurring interest expenses that we otherwise wouldn't incur. That is one of the beauties of pay-as-you-go financing. You are paying in cash for the projects and there would be a 20 or 15 year commitment depending on the term for the debt service. But, the pros can't be ignored in this situation. I think we could finally get critical projects down without kicking the can in a way that we can afford by responsibly using debt.

Another thought, the stormwater component of that debt service would be \$300,000 per year. Our stormwater operations are about \$350,000 a year. We could further reduce the stormwater target which is currently \$1 million, reduce that to \$650,000 by using some other type of financing method for the stormwater projects rather than having to rely on pay-as-you-go financing. But, the purpose of this slide is not to discuss stormwater. It is really about a fundamental shift in how we approach project funding. I am not suggesting we run out and maximize our debt capacity. I said the same thing last night, but there is a middle ground where we can finance the most critical of the projects and the resulting debt service from that financing would occupy only a small portion of that affordable \$4.6 million number, so after accomplishing the most critical projects, there is still flexibility, safety and a margin of \$4 million that can be utilized per pay-as-you-go financing or building debt reserves to hedge against debt service or whatever. So, the flexibility is retained. Just another point before we move on,

and I addressed this a little bit halfway through the slide, but hindsight is 20/20. It is very easy for me to come up here and the last two slides look back ten years. I wasn't here. Like I said, I am not trying to assign blame. I did the very same thing my first two budget years, but the way projects continue to get delayed we are just looking for a way to solve that and get the most critical things done in a responsible way.

Mr. Silverman: Lou, if I may, do you have "short speak" for the proposal that you are recommending? We can't call it rolling CIP or could we?

Ms. Houck: We have to have a Charter change in order to be able to do it, and that is going to be making its way through Council in the near future, to be able to take on debt without a referendum at certain levels. We will share that with you. This is a good segue to something we were going to share. We got a lot of feedback last night. One of the things that we are going to be implementing is a 2015 Budget Central. It will be on our website. Council asked for a lot of information. We have quite a bit of work to do in the next week and the weeks forward. We are going to start funneling everything that goes to Mayor and Council onto this area (budget central) so everybody can look at it as the questions are being answered and developed. So, that will be available to you all as well. Certainly, the Capital Program is a living document, a planning tool so, what we are talking about tonight might not end up in the final budget that is approved by Mayor and Council. So, that will be a good way for us to keep you up to date on what is going on as well. I hope I responded to your question about the Charter change and taking on debt.

Mr. Silverman: I am aware of that tract, but do you have a name for this program you are proposing.

Mr. Vitola: I understand the question now. No, there is no name for it. The slide titled "Rolling CIP" just refers to the fact that we roll projects from year to year. It is not a meaningful program name. I think, really, what we want to do is just be able to gain access to debt from a reliable lender such as the State of Delaware or the Federal Government through the State.

Ms. Houck: It would also call for changes to our financial policies as well.

Mr. Vitola: True, and just to be clear, we are not going to be requesting a debt increase. The debt limit is currently 10% of our taxable assessments. We would recommend that that remain in place. We are just requesting that a carve out of that 10% be able to be authorized by a majority vote of Council provided that the lender is the State. 4% if the lender is the State of Delaware, the Federal Government or any of its agencies, and a smaller component (2%) regardless of the lender.

Mr. Hegedus: Our overall budget is about \$25 million? Do we have a reserve fund?

Ms. Houck: For 2015, operating is \$41 million, Capital is \$5 million.

Mr. Vitola: And \$25 million of that is general fund only.

Mr. Hegedus: Thanks. You said the overall budget for the City is \$41 million?

Ms. Houck: The budget that is in the draft budget for 2015 currently is \$41.2 million for operating and \$5 million. That is of yesterday.

Mr. Hegedus: I am just trying to get a handle on the big picture. So, big picture, it is about a \$40 million enterprise we run in the City, and how much is our reserve?

Mr. Vitola: We have \$31 million in cash now that is projected to go down as we spend reserves for prior projects. The cash balance in our operating account is \$40 million. There is \$20 million in cash surplus funds.

Mr. Hegedus: I wasn't asking about cash.

Mr. Vitola: Are you asking about reserves?

Mr. Hegedus: I am asking about reserves. So, on a \$40 million budget, you've got \$10 million reserve. Is that what I heard?

Mr. Vitola: You mean, in the CIP document, how much of the . . .

Mr. Hegedus: I'm just trying to get my head around Newark's budget so when I look at this and we argue over \$50,000 or not, does that make a difference? I'm just trying to get my head on the big picture. The City of Newark operates at about \$40 million a year is what I heard.

Mr. Vitola: Yes.

Mr. Hegedus: And, I'm assuming we have a rainy day fund somewhere that we don't touch, that we, hopefully, build up over time, that we can use if there is a catastrophe or a crisis or City Council says, this is enough of a priority.

Mr. Vitola: Yes. That is \$21 million.

Mr. Hegedus: Okay. So, we have about a 50% reserve sitting there and then cash balances go up and down as revenues come in and you do payroll. I've got that. So, our checking account goes up and down but we have about a \$21 million reserve.

Mr. Vitola: Yes Sir.

Mr. Hegedus: Okay. Then the couple of summary slides that you have put up with the wedge and the down arrows, I understand what you were totaling but because it was decisions and all those things, that shows, oh my gosh, we are in such trouble, right, but we're not. It was a choice of how we do accounting and how we decide to spend our money. Right? And, it is a change in policy to say utility fund should pay for utility, water fund should pay for water instead of just saying, all of our money is all of our money. Right? And, you are proposing to switch that philosophy a little?

Ms. Houck: To start moving in that direction more because we have so many infrastructure concerns at this point in time.

Mr. Vitola: I'm glad you said a little because yes, a shift, but no, not an immediate shift that would make the general fund self-sufficient and all the utilities self-sufficient. I think it will take years to get there; plus the issue with 46%, 47% of our property being tax exempt is a hurdle to getting to that model perfectly. So, I think we will always have some of this and that's okay. We are at our limits now and we should roll back and increase revenue diversity in the general fund, increase general fund revenues and rely on the utilities less.

Mr. Hegedus: Just as a quick side note. Having it all in one pot vs. having segregated pots is a matter of having organizational discipline because having it all in one pot allows you to flow money to where your needs are. So, it is organizational discipline. If you don't have enough money to go for infrastructure, it is because you are spending it somewhere else. A change in philosophy is not necessarily a good thing. My whole \$100 million company works off of one pot of money and things flow to needs. So, it is sort of a philosophy thing. I understand what you are saying.

Ms. Houck: We do have some restrictions for transfers according to our policies. The electric fund should stay in the electric fund to a certain extent. So, there has already been some decisions for that, so it is not a free flow.

Mr. McIntosh: What I don't understand is, how do you do this shift gradually? It seems to me, if you are going to make a shift, you have made a shift. Are you going to make a half a shift or a third of a shift? How do you do that?

Ms. Houck: What we anticipate – and I think we will get to it in a little bit on some of the other slides – is we are going to have to start, if Mayor and Council desires and we

are able to do it service provision-wise, we start to not take as much from the utilities and then that has to be made up somewhere else – tax increases – whatever it might be.

Mr. McIntosh: Who decides that?

Ms. Houck: Mayor and Council. The next slide shows it, I think. These decisions over these years have been decisions that have been made by Mayor and Council and administrators like myself based on the funds they had available from taxes and all the other fees. So, what we are trying to do, and we actually brought it up last year as well is, we just have to be conscious of this. I have been with the City for almost 25 years. Probably 15 years of that I have been working on budgets with city managers. We never thought about this. Now we are hearing at the meetings the concern about the utility costs as far as us being competitive economic development-wise. So, it needs to be discussed we think. Whether Council embraces it, it remains to be seen, but we are bringing it up and we think it is fair that you are aware that it is a concern. We have some more slides that may help, but certainly, we are here to answer questions.

We are coming off of a late night last night, not as late as some, and going back into the budget first thing this morning. One of our Council members thought it would have been good if I had some of the numbers right here. I didn't have time to change it but I am going to try to do better pointing out what I am talking about with each of these because I think it is important that we share this with you as well.

I'd like you to fully understand the measures that have been taken in recent years to control cost, work smarter and more efficiently. I am happy to share that with the team of staff we have put in place, along with the people that have been here serving our community for many years, and with the initiatives that were brought to Mayor and Council and that they have supported, we have accomplished reductions that, to my knowledge, and with Finance Department numbers going back into history, that has not been experienced in the history, of this organization. Some of them were not easy, but we think that we are a better organization for them. Please note that our total savings since 2012 into 2015 is \$3 million.

Now, I am going to be going down this list essentially. Public Works and Water Resources, the consolidation, saved us an estimate of \$400,000 in 2013 and \$406,000 in 2014 and next year's saving is about \$418,000. So, for that top bullet, \$1.2 million in three years with the merge, and we were able to also correct significant operational concerns that were identified by our new leadership.

The Smart meter project, second bullet, is generating more than the promised operation and maintenance savings. That is before even calculating things like fuel savings, wear and tear on trucks, avoided equipment replacements and things like that. The \$300,000 avoided salary and benefits alone (as you may know, we no longer have meter readers) was a savings as well as vehicles for the meter readers and everything else that goes with it. To some extent we were able to place some people in other areas of our organization. But, the \$300,000 and benefits alone in 2015 is higher than the original cash flow model which called for (inaudible) savings of \$288,000.

We have also closed the transfer station. That was an effort to take a look back. UD used to use our transfer station and a few years back they stopped and I kept scratching my head saying how is it more efficient to drive their trucks up to Wilmington? When I was in a position to be more involved, I got to ask those questions and information was shared and we did our own research and we ended up closing our transfer station because it is more efficient. We don't drive ours to Wilmington. We drive ours down to Pine Tree. It takes us a little longer to get there and back but it is quicker because there are less traffic hassles and we can deliver more in our trucks than what we were putting into our transfer trailer that we were hauling up to Wilmington.

Improve truck maintenance. Just simple little things like that are making our trucks work better and not be down for maintenance longer.

Leaf collection and street sweeping changes. Sweeping changes, leaf and holiday tree collection changes saved 600 hours of overtime in 2013 just by working smarter.

That is a lot, and we anticipate the same this year with raised expectations. Our staff in Public Works and Water Resources are currently exploring other opportunities for savings.

Better coordination of water main and street rehab. When we merged the departments, they talk better because it is one department and there is one leader. So, when you are going to do a water main, they try to coordinate it with the street rehab. It makes all the sense in the world. We are able to do it better now.

Pension and OPEB changes. Management personnel lead the way with all of these changes for pension and healthcare. They put everything into place first. Healthcare changes and pension changes saved \$130,000 in 2013 just for management and it is projected to save another \$164,000 in 2014. These changes as well as those more recently put in place with our unions are going to lessen the financial burden of our residents and the future leaders of this community. I can't say how proud I am of the organization and the employees. Andrew Haines, Deputy City Manager, who is not here tonight and Lou worked very, very hard with our unions to accomplish what we have accomplished this year and they have very long-term benefits to our community. Many cities have tried it and have not been able to accomplish the changes in healthcare and pension that we have. We can't estimate exactly the CWA and AFSCME union pension savings but, we can tell you that with \$7 million set aside for OPEB, other post-employment benefits and \$400,000 in annual retiree healthcare cost expected for 2015, we have included a reduction in the OPEB funding of more than \$800,000, and that is because of the efficiencies and the changes in the pension and healthcare we were able to do that this coming year and capture those savings. So, that is \$800,000 that we are not going to have to ask Mayor and Council to fund in 2015. That is certainly helpful.

Delaware Valley Insurance Trust (DVIT) is something we will be moving to on January 1st at considerable savings. It is a new model. It was voted on by all of our unions and we are basically going to be part owner of a healthcare provider. Aetna is the backbone to it, but we are going to have somebody on the board and it is quite a difference. It is a Pennsylvania model. We were able to become part of it and I truly think some of the other cities in the State might be looking at it in the near future.

I want to share a little bit more information about the smart meter project. I already told you it is generating more than promised in maintenance savings. We have also experienced higher water volumes, which are in turn contributing higher water revenue, which was expected because the water meters are more accurate. But, we are not really able to quantify that because there is a measurement and verification time period that we are in and that will end in August. Through this September, we delivered 841 million gallons of water. In contrast, through September of last year, we delivered 711 million gallons of water. This suggests that we were giving away approximately 130 gallons of water for free. That is water we treated and we got to somebody's place of business or home. That has a cost value in today's dollars of \$600,000. So, we are seeing the accuracy of the new meters already. It was a guaranteed performance contract. I think you might remember that. So, Honeywell gets to go through measurement and verification. If they don't hit the targets, which we think they are from what we are seeing, they write us a check. It doesn't look like they are going to have to do that.

Finally, I just can't stress enough that after working through our numbers with the department heads and looking ahead and tweaking our numbers when funds weren't there to do everything we thought we needed to do, the efficiency measures that we talked about that have taken place over the last couple of years, if they weren't in place, the picture would be far worse and the decision making much harder.

Now we want to tell you about the accomplishments before moving on to the 2015 CIP.

We talked a lot about the smart meter project. That is certainly an accomplishment. The next two bullets, voltage at Bings and the transformer at Phillips Avenue substation, both of those items improved the power quality in the neighborhoods as well as eliminates load concerns for our system.

Completion of Cherry Hill Manor service road. This project we partnered with the residents. They are paying 50% and we are paying 50%. It enables us to continue to pick up their refuse and recycling on the service roads that were developed to do that. That is just finishing up and it is a big shot in the arm for that community.

The new 16" water line crossing at the White Clay, which provides a redundant connection to our water treatment plant. Prior to this being in place, if there was a problem with this water line, we would have been unable to serve water to the downtown area.

Phase I of the Upper Christina stream restoration. We partnered with DNREC on this. 36,000 feet of Christina bank was stabilized and there are also water quality improvements associated with that.

Replacement of 4,400 feet of 6" water mains. Water quality and fire flow maintenance improvements were gained with that.

Completion of the annual street and handicapped ramp program. \$1 million spent in 2014 and \$102,000 for the installation of handicapped ramps.

Filter rehab at Curtis Plant. The units were 20 years old. We brought them up to modern standards and this work directly impacts the water quality coming out of the plant.

Completion of the Curtis Mill Park. A recent celebration of that opening, which was a long time coming since we bought it in 1999 for \$100,000. It became a certified Brownfield and we expect when all the invoices are in that we will have utilized and been the beneficiary of \$900,000 of Brownfield remediation funds. The project was designed with the intent to be able to access as much as we could of the \$1 million that we were eligible for that project. So, I think Charlie Emerson, our Parks and Recreation Director, did very well on that.

Installation of subsurface drainage and sod at the Hill Park baseball field. This was a partnership between the City, grants from Land and Water Trust, again, Parks and Recreation doing their great work and Newark American Little League funded some of the project as well. They actually run that field and maintain it for us.

Installation of debit/credit enabled parking meters. This has been something that has been highlighted in our community. We have heard some people that are not in favor of certain aspects of it, but for the most part, the meters have been extremely well received. They are certainly being used and they are out performing our estimates, although we did get them installed a little bit late so the revenues are below anticipated revenues. We got them installed later because we did our due diligence about some concerns about them, but they are performing very well.

Completion of Parking Lot #3 at Center Street. That allows for cross connection. If you are familiar with the two lots, now if you don't find a spot in one, you can move directly over to the other.

Voice over IP telephone upgrade. This is going to have some efficiency gains, I believe. I remember telling you about this last year. We don't have any records of how many calls go into any certain department or when the heavy times are or how many call drops you have or anything like that. We only have that in our Customer Service area, the people who actually take calls about the utility bills. So, we are going to have that everywhere. I think we are a few weeks away from a cutover. So, that will be accomplished by the end of the year, but it is going to allow us to really study that information and put our personnel where they are needed and utilize it for other efficiency and administrative tools. The Voiceover IP project is expected to be completed the end of 2014.

Installation of a police interview room and camera system. That was something that was necessary and needed to be upgraded. The police interview room camera system has been implemented with additional recording and storage capabilities, and it is working great.

Numerous IT infrastructure projects. Esri ArcGIS was implemented. Five departments are using it. The IT Virtualization Project was a success. We decommissioned ten physical servers while building an additional 25 virtual servers. That system has already paid for itself in hardware cost savings.

Approximately 100 laptops and desktops were purchased from Dell along with an additional 130 computers upgraded and refreshed and moved from Windows XP to Windows 7, and we put standards in place that we didn't have previously. Every machine was running different things very inefficiently.

Again, I have to commend the staff for working on all of these projects that we were fortunate to have the funding for last year.

We are going to move on now and get into the actual Capital Program.

Mr. Lou Vitola: This is a one page snapshot of the entire Capital Improvements Program. This is gross capital improvements. It is not net of any offsetting funding sources. So the gross CIP being reported here for 2015 is \$16.6 million, which, of course, is high compared to some previous years. But note that only \$5 million of the expenditures are funded with current 2015 resources. That number ties into the "admit we have a problem" slide we had earlier. The very last row showed \$5 million in net 2015 spending. \$700,000 of the number is funded by 2015 grants. \$6.9 million is contingent on other financing sources. For instance, the first \$5.5 million for the Lot #1 parking garage is contingent on alternative financing, maybe a bond referendum, maybe a capital lease or may be a public/private partnership. Another half million is contingent on the passage of the stormwater utility. We were careful to make sure that the new utility is independent of the budget process. What I mean by that is, if we are successful in implementing a stormwater utility that will generate a million in revenue a year, we anticipate it occurring maybe halfway through the year generating \$500,000 in revenues in the second half of 2015 and having those funds set aside to start with stormwater projects in 2016. Whether or not that is approved does not impact this CIP Program. Either we will receive zero or a million dollars in stormwater utility funding during the year depending on the timing of the project and whether or not it is supported by Council. Finally, the LED project and the first leg of the STAR Campus substation are expected to be met with financing through the State's Sustainable Energy Utility and the City's electric wholesale respectively. The remaining projects are being met with \$4 million in reserves which represent projects approved and/or initiated in years prior to 2015 that have not been completed so that the funding has been encumbered and welded into 2015. So, that \$4 million does not impact the 2015 consolidated surplus, but it does represent a cash outflow from the reserve funds.

Mr. Hegedus: Excuse me, may I ask one more historical question?

Ms. Houck: Sure.

Mr. Hegedus: If we have a Capital Budget that is \$16 million last year, round numbers, how much did we actually spend?

Mr. Vitola: I can get that for you. I will have to follow up with that number.

Mr. Hegedus: I'm wondering how efficient we are. Do we plan our work and work our plan because you said you got \$4 million rollover? Is that because the projects were planned to take longer than one fiscal year or is that because we just get late starts? So, even though \$16 million, we are only spending \$12 million on the year. That is kind of where I'm going.

Ms. Houck: We can get that but there are usually reasons I can give you. One example is concrete tank issue, the new roof for the concrete tank. We ran into some issues with, if we were to take it offline when we thought we were going to, we wouldn't have the water pressure that we needed. So, we had to not do it this year and allow for time to study. We are actually going to have to bring some tanks in and sit them next to it – some portable tanks. So, things like that happen that weren't anticipated. You may run into something where you are planning to do something and then DelDOT is going to do something or you are relying on others and you are waiting. So, those types of things happen. And, then there are times where we over burden. There are certainly times when we bite off more than we can chew in a certain department. So, there are all kinds of different reasons, and we don't like it because somebody else could have done something with that money that year. We certainly want to make sure that anything we say we are going to do that is a focus.

Mr. Hegedus: I understand things change and things come up that you didn't plan for. I was just wondering if we are pushing hard to get a \$16 million budget, I'm trying to get a feel for historically how much of that sticks. I'm just trying to figure out how much of that sticks and if you do have, let's say a million dollars that comes free on the average every year, what is the practice with that money? Do we then reallocate it to something else that is on the list for that year? Does it just rollover?

Mr. Vitola: It is reserved and the project is put back on the following year's CIP so that if it is funded, it is funded with its encumbered reserves. If it does not get included in the next year's CIP, the reserve funding is set aside and is unrestricted to meet other Capital Project needs. We would have to do some work to get you an historical picture and that very concept of are we able to accomplish everything that is on the table, came into play and was part of the discussions when we added up all the numbers for 2015 and said okay we have \$7.5 million of projects. What do we need to push out? Some of it was need prioritization and some of it was what can we realistically accomplish in 2015? So, we are looking at that more and more because we do see that as each year goes by there aren't reserves encumbered.

Ms. Houck: Key projects. Annual Street Program. We are at \$1 million again for 2015 currently. We want to be at \$1.3 million. We hope to be in 2016. \$780,000 of that is bond bill and municipal street aid, \$200,000 from Representative Baumbach and Senator Sokola for Hillside Road and a couple of other streets, I believe.

LED street light conversion, Lou mentioned it. Proposed funding for that is through the Delaware Sustainable Energy Utility through a lease. We are going to be providing Mayor and Council with a cost benefit analysis. That would go to the site and we will make sure you get a copy of that as well.

SCADA System improvements, various departments.

Vehicle replacements. We are actually in the process of making some changes. We are actually likely taking out our street sweeper which is \$260,000 and going to make it work until we have an opportunity to do an RFP for seeing how that can be outsourced, if it would be feasible for us for our future. So, that is something that has been brewing and some information came in today. This number on vehicle replacements is going to change. Because of the funding levels we have reduced numbers of vehicles to be replaced that were originally recommended for replacement. We have pushed some off into next year.

STAR Campus substation. Last Friday we got a report from a study of the needs in the southern section of the City to feed STAR Campus with the estimate of \$8.6 million. In 2012 the first study was done and it has just been updated. We still need it if we are going to address any growth at the STAR Campus. It is yet to be seen how we are going to move forward with that. There was a lot of talk last night about working well with the University. We have talked to them earlier and Rick Vitelli and I will be resuming those communications.

Paper Mill Road and corrugated metal piping stormwater improvements. There is a lot of corrugated metal piping throughout the City, there are a lot of needs that we have to address there. These are also the two stormwater projects that are in the budget. They stand alone from the stormwater utility. We thought that they were the most critical at this time so they are being funded with current revenues.

Lot #1 parking garage subject, of course, to review and approval with alternative financing over a two year period, design and construction. There is a lot of historical information to that. For any of you that have been part of the Planning Commission for some time or just maybe paying attention to the efforts of downtown for parking, we got to the point, and we are almost there, to secure land for a parking garage and that has been something that has been over many years, and many mayors and Council and staff members thought it was a good idea. There are questions being raised now. So, we are regrouping and figuring out how we are going to move forward, whether this is going to be something we are going to continue to move on or whether different decisions are made. I don't know, but it has been a long time in the works with support from Mayor and Council.

Mr. Vitola: This slide briefly shows the expenditures by department. PWWR has the lion share of the projects. The parking wedge is so large this year because it has the first bit of spending on the proposed parking garage. Of course, this pie would look entirely different if that was pushed into an out year or not part of the plan and then you would see the other departments make up the balance. Electric is 10% of the expenditures by department.

Here we show the funding sources. You see just a small portion of it is generated from current 2015 revenues. The current resources wedge in the top right. Capital Reserves, 21.6%. Other sources of funding. Again, that wedge is so large because in a way it corresponds with the parking garage piece of the pie but also some of the other projects like the LED lights and some of the other ones noted. Not too much detail here but just a high level overview of project expenditures.

Mr. Hegedus: Just to make sure I am on the same terms with you, when you said there was \$4 million and rolling over, is that the Capital reserves you are talking about?

Mr. Vitola: Yes.

Ms. Houck: Significant projects for 2016. Curtis Plant intake replacement – \$1.3 million in 2016. We studied in 2014, plan prep and permitting are scheduled for 2015 and this is the estimate for construction. Annual Street Program - \$1.3 million. We are hoping to be able to get to that level in 2016. Water Main renovations - \$1.5 million based on a replacement of mains with a 100 year life span. This effort should be funded based on the amount of water mains that we have in the City between \$1 million to \$1.5 million. Completion of the parking garage, if approved. We've talked about that. Old Paper Mill Road park improvements - \$600,000 for design in 2016 with \$1.2 million in 2017. Again, this will be something that we will be prioritizing efforts in funding per the request of Mayor and Council. Transformers and circuit breakers - \$560,000 for 2016 to prepare for load increases in Newark Shopping Center and Cleveland Avenue area.

Significant Projects in the out years. STAR Campus underground distribution - \$1.3 million. That is with coordination with UD. The Electric Director has been communicating with them. A lot of the underground distribution is something that they are concerned about and there has been talk about the UD funding it. STAR Campus substation, I already talked about that. Stormwater improvements - \$6.3 million and that is essentially the stormwater utility. Curtis Plant intake replacement - \$2.7 million. This is an important project. It is the backbone of the system. There are signs of fatigue in this area. They are studying it first and planning constructive changes for later years. Water Main Renovation Program – ongoing - \$6.3 million during the course of 2016 – 2019 as well as water tank maintenance, ongoing maintenance of our infrastructure. Sanitary Sewer Study and Repairs. Early years are cleaning and inspection with later years repairs. Completion of the Parking Garage if it moved forward. Second Level Parking, Lot #3, that is a placeholder. If we don't do Lot #1, if that is not a reality then

this is another area that has been identified. Again, the Annual Street Program continues every year. Maintenance improvements to our hard surface facilities in the parks at various locations. That is also a continued effort. Paper Mill Park improvements, again, 2016 – 2017, the design is done so engineering and construction are in the out years to be reprioritized.

The CIP is a blueprint. It is a work in progress. I think it is very rare that what we come to the Planning Commission with is actually what is adopted. There are usually some tweaks before that and I would say that that will be the case this year. All projects will be presented to Council with refined costs and estimates and financial analysis in the next few weeks. We plan to have a submission to Mayor and Council of the overall budget for next Monday. That is a tight turnaround from our workshop yesterday where we got some input, but we are full steam ahead to trying and make that happen. The reality is that new information and experiences may lead to modifications of the plan. We already mentioned the transfer station. That is something we are going to upgrade. We are not using it anymore and the cement tank. I already mentioned that.

With that, we are going to answer some questions. I think I already mentioned that if we can't answer everything tonight, we will be getting back to you. I already mentioned about Budget Central, which was something we worked on today. Lou, is there anything you want to add?

Mr. Vitola: No, nothing else. Thanks.

Ms. Houck: We are here for your questions.

Ms. Feeney Roser: I have a question. Actually, it is something that I couldn't answer. SCADA, what exactly does that stand for?

Mr. Vitola: It is in the Water and Electric funds. The process is already underway.

Mr. Cronin: Supervisory Control and Data Acquisition.

Mr. McIntosh: That is as enlightening as the acronym.

Mr. Willard Hurd: There is this \$3.1 million difference between sort of what is an affordable budget and what is an ideal budget, and you are talking about funding that with debt service. And, that handles, obviously, the first year. What is your plan for the next year?

Mr. Vitola: I think the point is not to continue to undertake projects with debt but we have gotten behind over the course of so many years that we think, if what we can afford is \$4.6 million and that shrinks to \$4 million by virtue of encumbering the first \$600,000 of that debt on \$9 million worth of projects then the \$4 million can be utilized to keep the pace after that.

Mr. Hurd: So, would you expect that it is actually going to be more than the \$3.1 million to try to reach out and pull some of those projects that have been, maybe, kicked further down the road to get them under that debt umbrella.

Mr. Vitola: Yes, I believe so. I am getting a little bit ahead of myself when I put in the slide \$1.5 in water, \$1 sewer, \$1.5 million in the Curtis Intake, and \$5 million in stormwater. That is just a, for instance, \$9 million. We could decide, listen, let's cure the evil of the stormwater problem by fixing the \$7 million in stormwater issues with debt, leave everything else alone and continue just to try to keep up with the current funding. But, it is very strange I would expect to hear from a finance person there are problems with pay-as-you-go financing. I think the pay-as-you-go financing is like the ideal utopia. Generate as much as you can in surpluses, set them aside, as you need to do a project take the cash out, pay for it, you're done, there is no risk, there's no debt, but with today's rates and with partnering with the State of Delaware to get access to Federal money to support infrastructure projects to improve water quality and improve stormwater, it is really a no-brainer. Municipalities up and down the State and even some

of the private water companies have been utilizing this funding source, the revolving funds, for over a decade. Over \$100 million worth of water projects- something like \$200 million of sewer projects were accomplished in the State by using these funds with low interest rates. And, we can't do it just because the referendum process precludes us from going after referendum for a \$700,000 water line project here and a \$1.2 million stormwater project here. It just doesn't work. We just need that little bit of a carve out to be able to partner with the State and get some funding for the most critical projects.

Mr. Silverman: Any other Commissioners?

Mr. Cronin: All these projects that are in the binder we got, are we to assume that they are all of equal priority and the question in my mind is, is there an order of priority that you are going to present to Council and in their wisdom they feel maybe we should incur a little less debt, the ones at the bottom recommend it as a less priority and some of the more critical ones that would be top priority? I'm just curious, to what extent are these nice to have vs. really all critically the same?

Ms. Houck: There is a priority given – high priority, medium and low. Usually, high and medium are what we see and usually the highs are what we focus on. In our budget hearings we work it out, we talk, we ask lots of questions over many hours and we determine whether something is high or not. Department Directors put them in as they think and quite often they get changed because once we are sitting with all of the projects that has to change, but that is part of the process. Mayor and Council certainly have input in what actually gets approved. So, something that could be high, if it is Mayor and Council's desire, it may not make it into the first year of the program, maybe moved out. Mayor and Council also asked last night for us to provide priorities and that is some of the things we are going to be working on and feeding to Budget Central.

Mr. Cronin: And to follow up with that, if there are 40 projects in here – I'm not saying there are – and 28 of them are high priority it's kind of like getting grades in school and everybody gets an A and only 4 gets Cs and nobody gets Bs, Ds or Fs, then maybe a ranking, an ordering as opposed to just categorizing, might be helpful in some fashion.

Mr. Vitola: Council felt the same way. When we prioritize high and medium and low, high basically means it is the 2015 part of the five year CIP. Medium and low means it can be done 2016 or later. So, you will see some highs that are in the out years. That is a result of what can be accomplished. Is this truly a high priority question as we go through the administrative hearings, but for the most part it is medium are the out years, high is 2015. What Council has asked for is take the high priority projects that are in 2015 and prioritize those and that is the work that we have ahead of us and we will share with you when that work is complete and with Council, of course.

Mr. McIntosh: If I understand correctly, going back to I think it is your second slide, the utilities transfer some almost \$12 million to the general fund.

Mr. Vitola: Yes Sir.

Mr. McIntosh: The utilities have their own capital projects. Is that correct?

Mr. Vitola: That is correct.

Mr. McIntosh: And some of which are important and some are maybe less important but they are utility activities so the utilities are generating that money yet they are not getting all of their projects done because they are giving the money over to the general fund, which is some way has to hurt the utilities. It may be the utilities would have greater resources if that was the case and the general fund, geez, why don't you take care of your own business.

Mr. Vitola: That is very true, yes, and that is the shift. If I can get back to your original question, you said, how can there be half a shift.

Mr. McIntosh: Or a third.

Mr. Vitola: The shift has already happened and been acknowledged. We had an electric rate study done in 2011, a water rate study done in 2011, and a MOU with the governor that asked that the municipal utilities cut rates by 10%, incentivize economic development by creating an economic development program and limit the transfer out of the general fund. So, this has been acknowledged and worked on over time. What we mean by, we can't tip the scales right now, means we can't shrink the electric revenue to just the point that it is meeting its expenses, debt service and capital and then make that whole gap up by quintupling the tax rates because that is what would have to happen if we said, okay 2015 here we are, we are going to do the shift. It is impossible to do that. We have to institute gradual tax rate increases, stabilize spending, limit the transfer from the general fund and at some point the utilities would be able to handle more and more of their own infrastructure projects and so will the general fund.

Mr. Johnson: You mentioned the word taxes. When you increase taxes by 1%, what kind of revenue do you generate from a 1% increase – dollar amount?

Mr. Vitola: That is about \$60,000.

Mr. Silverman: You are talking about property taxes.

Mr. Johnson: Yes.

Mr. Vitola: The 1.5% proposed for this year because we do the tax billing in the middle of our fiscal year, which is our calendar year to coincide with the County, the 1.5% tax increase proposed for 2015 would generate \$42,500 in new revenue in 2015 and long term would double that - \$85,000.

Mr. Johnson: Seems like we are between a rock and a hard place here. Let me just speak my mind here. I have always thought our taxes are low in Newark. I don't think anyone would disagree with that. When you think about the services we get from the City, I just raked bushels of leaves into the street on Friday and they were gone by noon. I get my streets plowed when it snows. My refuse pickup is wonderful. I love my garbage man. He is a great guy. My daughter owns a home in Frenchtown Woods. She pays almost as much in refuse collection only as I pay in taxes in the City and there are a few other things that she pays that almost equals out. Why don't we just raise taxes and make a statement to our citizens that these infrastructure needs are important and we have to raise taxes. A 1% increase - \$60,000, \$42,000 is ridiculous. My second question is payment in lieu of taxes from the State of Delaware. We have 41% of our property is nontaxable because the University owns it. Why don't our representatives seek assistance from the State to help offset that loss in revenue?

Ms. Houck: We've been looking into that in the last two years. I think we may have been successful if the State's situation was better last year. It is something we are looking at and are going to keep tweaking and keep working with our legislators to accomplish. It is a tough one. We have to get carved in. There is a payment in lieu of taxes but it goes to the County Seats. Newark has the highest amount of tax exempt land, so the case we have been making is if anybody is getting pilot money, we should be carved in. So, that is something we are working on.

Mr. Johnson: We have the wonderful STAR Campus. It was in our tax base, does it stay in our tax base or because the University now owns it, has it been taken off the tax rolls.

Mr. Vitola: It is off the tax rolls but to the extent that private development happened even if the University retains ownership of the land, the improvements to the land and the lease holds are taxable and we do receive the tax revenue, but there is another minor twist to that. When Chrysler left we lost that giant tax base and they were an electric customer of Delmarva's because they were grandfathered in to Delmarva's territory. Once they went away, the territory reverted to the City because it is in the City limits. So, if it could redevelop with some taxable property and we've got the electric utility, then that helps. Long-term we could be better off than we were before.

Ms. Houck: For what we know at this time today the University seems to be wanting to lease any properties. Bloom is a leased property and we do get tax revenues from Bloom.

Mr. Johnson: What is the University's subvention? What do they pay to the City?

Mr. Vitola: \$510,000 or \$512,000.

Mr. Johnson: Is it negotiated annually or do we have to rely upon their largess?

Mr. Vitola: Carol was part of the team that renegotiated the subvention payment. It went from \$200,000 up to \$500,000 and it grows every year with the CPI. However, this helps the general fund vs. the utility fund issue even though it is neutral cash for us. Any increase is offset by an equal decrease in their electric delivery charge which is a large flat fee that they pay for our electric service. So, the subvention is going to go up and improve general fund revenues to the detriment of the electric fund.

Mr. Johnson: Is it a zero sum gain or is there a net positive for the City?

Mr. Vitola: Zero sum gain but the positive is in that it is a little bit to help tip the general fund.

Mr. Johnson: You can use that subvention money any way you want. You can't use the utility money any way you want.

Ms. Houck: This something we have shared before. I'm not sure I have shared it here. The electric rate study that was done in 2011 showed that the University had been being overcharged for their electricity for years by millions of dollars. We have corrected that as a result of the rate study which we have to do, and they know it. So, that was part of the negotiation, but we got to there and it was a bit of a win win, if you will. There are some people that don't agree but the rate study identified that they were still overpaying.

Mr. McIntosh: But, they are certainly underpaying with regards to taxes – grossly underpaying.

Ms. Houck: Absolutely.

Mr. McIntosh: And there are cities across the country that address that. In many places universities and hospitals, and so on, have voluntarily said, we will pay something. And, the University likes the zero sum business. I am less enamored by that.

Ms. Houck: We did a little bit of research during the negotiation and we looked at other college towns to see what the subvention was and that is how we got at the level – I think Penn State was at a similar level – to come up with a number. But, it is not something we can't have conversations about and as our working relationship improves or develops with the University administration, it is something that we plan to keep talking about.

Mr. McIntosh: The other thing that I would like to reinforce is what was just said about the value that residents of Newark get against their taxes, I think is enormous. I think we get out on the cheap. I moved a half mile 25 years ago from Newark county to Newark city and it was not a zero sum for me. I got a lot of money put in my pocket and it hasn't, even with increases over time, even scratched the surface of that. So, I think there is an education process that needs to go on so that the residents in the City get a better understanding of the kind of break they are getting. I was born and raised in "Taxachusetts" so I know what that is like. We get the benefits of the Red Sox and Patriots. Nevertheless.

Mr. Hegedus: Carol, you talked a little bit about the payment in lieu of taxes, if that goes through, what our legislators are pushing for, about how much is that? Is it like \$1.5 million?

Ms. Houck: The estimate we have is about \$500,000 and that is based on a percentage to the different entities if we are carved in with the other county seats and the historical funding of that.

Mr. Hegedus: I have one question on the book. Page 29 shows the water fund budget overall. There is a line item in there for stormwater improvements and as currently shown it shows a 2014 budget of \$1.5 million. Did we get \$1.5 million?

Mr. Vitola: We did not and we did not spend that either. We targeted the creation of the stormwater utility that would generate \$1.5 million in revenues and we put two numbers in the CIP budget, \$1.5 million of projects and \$1.5 million of offsetting revenue equals zero. It didn't happen so it had a zero impact. Now we have something very similar, but just a little bit different. We've got \$436,000 of projects that we are going to do in the street fund out of the general fund regardless of whether or not the utility goes through. If the utility does go through, we will use whatever revenues we can achieve during 2015 whether it is \$10,000 or a million dollars and apply that toward projects in 2016 or if we are lucky, late 2015.

Mr. Hegedus: I was just wondering why if it wasn't approved the number still showed up here.

Mr. Vitola: We are still undertaking efforts to creating the utility.

Mr. Hegedus: The 2014 number.

Mr. Vitola: That is just shown to see what the 2014 budget was, just for reference.

Ms. Houck: It was part of the 2014 budget but we weren't successful.

Mr. Hegedus: That is my point. If Council didn't approve it, then it's not really part of the budget. It's part of your proposal but wasn't part of the budget.

Ms. Houck: Council did approve it.

Mr. Vitola: The 2014 CIP proposal as we put it forth was approved by Council but then the creation of the stormwater utility itself failed. So, we couldn't do any of the projects that we proposed in here because there was not enough funding.

Mr. Hegedus: When we went through the comprehensive planning process and had all the public meetings, stormwater came up all the time because the streets are flooded and people had pictures. One of the big things that you were talking about for 2015 and out years is continuing the street program and it is a big dollar thing and I understand that you want to keep investing what you need to invest to keep things up, but what happens if you just say, we are going to back off on our streets program because the streets are in decent shape, we can fix the crises spots but that \$6 million, we could swing a million of that over and get rid of some of these stormwater problems that are causing floods two or three times a year. Did you have conversations like that as you were going through?

Mr. Vitola: Not specifically about the streets, but it is a very good question. We would have to check whether municipal street aid funding is eligible to be used on stormwater. It is not eligible to be used on water and sewer line, whether or not they are directly under a street and there is only so much you could do in terms of equipment and once you get into the curb. Once you get past the curb, street aid funds are not always eligible for that. So, that is something we will look into and that we have talked about but with nothing prioritized at the moment.

Ms. Houck: I am glad to hear that the streets are mostly good, but there are a lot of people who feel differently and think that we aren't keeping up.

Mr. Hegedus: I don't trek around the whole City but I don't have the view that you have, but where I go the streets are in decent shape.

Ms. Houck: It is certainly something that should be discussed.

Mr. Johnson: Drive down Academy Street.

Ms. Houck: The University, as you know, has had so much construction that that has been something we've been trying to wait with them to redo. They actually put in the curbs and things closer to the ISE lab. We did it as part of our project and they reimbursed us, but I think road reconstruction is scheduled for 2017 taking into consideration their projects that are going to have heavy trucks running over that road.

Mr. Silverman: I have to say this. Isn't that traffic calming?

Mr. Hegedus: I have one other thing that just jumped the page at me as I was flipping through the project detail. On page 86, which is for the police, 46 rifles and ammunition for \$90,000. I know that they are surpassed what people say is end of life for the rifles, but I am amazed that this town with 91 people in our Police Department overall that we need 46 rifles. I don't get it personally. I would like to be in Canada where people don't carry guns, but 46 rifles seemed excessive when I looked at this. You don't need to reply. It was just something that jumped off at me when I looked at it.

Mr. Silverman: Any other comments? As I would like to make comments, not necessarily reflecting the consensus of the group but just as an individual, I find this document and this process very limiting from the point of view of providing information that our group can use, either on a long-term basis or deciding on individual property decisions. There just isn't the data or information behind the good intentions that are in here. The programs to do are GIS systems, to do GPS's of every manhole, to do flow analysis of sewer, to do analysis of pipe age and diameter and the ability to provide water to any place in the City just isn't here, and there is a piece of it residing here, and a piece of it residing there and we hope we can build from the stormwater model that we don't have to make a water flow model. Somebody needs to think that through. There should be one GPS system, one model. It should be starting tomorrow. We have \$50,000 in here – granted it is in an out year – for Iron Glen Park master plan. People in the room know where Iron Glen is? It is off of Elkton Road. We never discuss that as needed for an addition park in that area. What population is it going to serve? How do you get to it with no sidewalks? One of the issues is you can't bicycle on Elkton Road. It is unsafe. But, there is \$50,000 set aside to do a master plan for a piece of property that wasn't even considered in the Comprehensive Plan. We don't have a green spot on the proposal. There is that kind of independent thinking that is in here. I'm not saying it's wrong thinking, but it just doesn't matter. We had a proposal last month on Center Street and I asked what the sewer and water demand for that building was? How much capacity was in the manhole on Center Street and where, it looks like, it flows into Main Street, what is the residual capacity on Main Street. Nobody knew because, honestly, we don't have it. It is nobody's fault. For years we have been doing brush fires. When a heavy truck finally cracks a 100 year old water main, we go out and fix that 25 feet. So, we need our analysis programs. We need our inventory programs somehow reflected in this document to be a very high priority. Even though we have no jurisdiction over the University, if the University decides to put a use in on campus in midtown or what I know as Hillside dormitories – Dickinson and Rodney – that the University claims they are going to abandon turns into a high water discharge, a high sewer demand. What happens if they take up 50,000 or 100,000 gallons a day or half million gallons a day discharge in that particular section of town. We have no feel for that. The documentation talks about the ductal iron water system being a hundred years old. It is at the end of its design life.

I recall many years ago there was a program done when the City found out that its concrete pipe was lined with asbestos, which is the way they did it in those days. That was the liner of the pipe. There is none of that restoration work that was done. It talked about, in here, creating a situation where the longevity of that old sewer line has now been moved 50 years in the future. We have no feel for that. Water distribution, the same way. Now there are jurisdictions that have run into immediate problems and what they have had to force developers to do are put in sewage holding tanks underneath their buildings and pump into the public system on off-peak times when the public sewer line could handle it. Someone needs to think about that as a policy before it comes up when somebody wants to build a great opportunity or the development community and the

State come together and all this money is going to be put into a great site in Newark and all of a sudden somebody has to hold a quarter of a million gallons of sewage that they didn't plan on. So, we need to know where the weaknesses are in our system. It may be the same thing with water demand. The metering system as was identified took into account how poorly the old mechanical meters read and found \$600,000 worth of, essentially, free water. When we are dealing with some of these systems, we don't know how much we are giving away.

One of the things that came out in the Council's meeting we had on the Comp Plan was that there was a number given to us about the amount of sewage the City was discharging into the County system, the amount of water that was being pumped into the City's water system and we had a heck of a lot more water draining out of the sewer system than we had going into the drinking water. That tells me something is happening. We need to double check those numbers or we have, technically, it is called an I and I problem, an inflow problem where we have older buildings where all the roof drains connect into the public sewer system. We have basement drains that connect to the public sewer system instead of being sump pumped out on the ground or we have old enough sewer pipe that we have infiltration where the pipes come together. Traditionally the way cities like Newark were run, the guy who is your Public Works Director for 40 years, he could tell you, it is coming up on replacing this pipe over here and that pipe over there. You mentioned trying to coordinate tearing up streets and replacing sub-street utilities. With this kind of modeling maybe things can come together better.

With the GPS that is used today, we have identified our trees in Newark. It looks like the electric utility has done a great job in using a GPS system that identifies its poles and its lines and all that good thing, but we have to do the same thing on valves. Where are they? How old are they? When were they exercised? In purchasing, what is the useful life of this product over that product? It might cost twice as much but if we get three times the years out of it, it is a good value. We don't have those things.

Ms. Feeney Roser: Excuse me, Alan, I just need to ask a question and I'm not trying to oversimplify your questions here, but isn't that what the GIS system we are currently using is supposed to do for all of our utilities, not just electric?

Mr. Silverman: It's piecemealed. It is not comprehensive.

Ms. Houck: We agree and Tom Coleman would be applauding you for saying this. He wants to do this and all of these things are going to come to play. The water system master plan, the SCADA, the GIS system that we are putting in place. You are right. Electric was the leader. They were the first in on it and they have been working through substation to substation to substation. And water is going to come in. They are going to be on the same system. Everything is going to be overlaid. I know they have already been doing inventory on valves. So, we agree. We didn't do it and we are starting to, but we definitely agree.

Mr. Silverman: Thank you, Maureen. My point on this is, it needs to be moved up and from my point of view outside of fixing the utilities that supplies services directly to the residents, it should be very high priority. Let's forget the park design. In my community there is \$280,000 to replace a culvert on Freemont Drive. I drove across it with great interest several times in the last couple of days. It doesn't back up. It doesn't flood. It appears to be structurally sound but \$280,000 would go a long way and if it is properly inspected and it meets the engineering and safety standards, why can't that be put off for five years, and put that money where it is really going to count?

On more thing and I will get off my soap box. In making my decisions as a Commissioner, when I am dealing with downtown redevelopment, and people are asking for parking waivers, I have a reliance on it either existing or future capacity in the public lots. I kind of like that idea. Why have a whole bunch of buildings with parking underneath when we can have synergistic or symbiotic relationship where the kids have to park in the public lot and they buy a monthly sticker and that ensures income and everything else for the City, but I found out one of the projects we recently reviewed there is virtually no parking available in the lot off of Center Street between the lots that

are committed to permit renting and what is there. I was informed by the Parking people that Thursday, Friday, Saturday night there is just no parking available kind of thing. We need to be apprised of those kinds of capacities when we are making our decisions. And, now that I know that, it is a question that I am going to be asking any time we have a parking waiver. Is there parking capacity within a reasonable distance? And, that it going to weigh heavily on my decision. But, if we don't have that information readily available, we don't know how well things are working or not working. We could be like the Highways Department and grant waivers for everybody with no parking and then that will force the issue. It has been my experience that DelDOT doesn't build anything in anticipation. It only builds when the complaints get high and we don't want to do that with our parking because we have built a whole very successful downtown and Main Street on keeping our parking spaces and development in balance. So, we need to get into those planning tools and they should be high priority.

Mr. Silverman: Are there any other questions? Ms. Houck, do you have anything else for the group?

Ms. Houck: I do not. Just know that we are going to keep sharing and you will get some information when we get the site set up to get more information and stay involved. We appreciate the time and we appreciate your service and the time you commit to being on the Commission.

Mr. Silverman: There are some Council people here and the Mayor. Do you have any comments for the group? Members of the Public?

Ms. Carol McKelvey: I am really interested in this pilot thing. I really think it is essential that the whole City get behind this and we currently don't have a lobbyist. I just think it is really a high priority that everyone be aware that we don't have a lobbyist in Dover and we have this really major issue that has to do with Dover and so, I bring that into this forum to have it on record. We really need a lobbyist and we really need this pilot thing straightened out.

Mr. Silverman: Thank you.

Ms. Houck: It is a great idea. We do need the lobbyist. That effort is making its way through Mayor and Council. Another RFP, I believe, will be going out. We did go down to Legislative hall last year and state our case. We weren't successful again. I think we are starting to make sense to everybody and we are putting a team together to start thinking about different ways to approach it and to look at some of the weaknesses. Again, it is going to be dependent on the amount of money that the State has to put towards it, but certainly having a lobbyist and somebody down there at Legislative Hall on a continual basis is important and I think it is important to Mayor and Council. That is the message I have gotten.

Mr. Silverman: I would like to now move to action tonight by our Commissioners. The City Code requires us to, it says, "the duty of the Planning Commission, after considering the advice of the Planning Director to advise the City Council on expenditures for Capital Improvements where such improvements refer to a matter covered by the Comprehensive Plan or the official map. That would be the scope of our approval tonight. We aren't approving vehicles expenditures. We aren't approving police hardware. It is just those items during the presentation associated with the Comprehensive Plan – the old one – transitioning into the new one and are presented in these chapters. Do we have a motion for the group?

MOTION BY HEGEDUS, SECONDED BY MCINTOSH, THAT THE PLANNING COMMISSION RECOMMENDS THAT CITY COUNCIL APPROVE THE 2015-2019 CAPITAL IMPROVEMENTS PROGRAM.

Mr. Silverman: We have a motion and a second. Are there any questions? If there are no questions, we will move directly to the issue.

VOTE: 6-0

AYE: CRONIN, HEGEDUS, HURD, JOHNSON, MCINTOSH, SILVERMAN
NAY: NONE
ABSENT: BRILL

MOTION PASSED UNANIMOUSLY

Mr. Silverman: Do we have any other business before the group?

Ms. Feeney Roser: If I might, I just wanted to let the Commission know that we had our first Comprehensive Development Plan Workshop with Council and we had a pretty good turnout of Council and for people in the audience. We got through four chapters of the Comp Plan. We have created a community blog for the Comp Plan and each week we will put up one chapter and let the community know that their comments can be placed on this blog and that we can keep a running tally of that so that we can make sure that everyone gets an opportunity to comment on the Plan and that Council will be aware of those comments. Whether or not they can come to the next workshop session which was originally scheduled for December 15th but with budget concerns and the need to get that passed by the end of the year, we will be postponing that and Council will talk about it at their next meeting to decide on a date for the next Comprehensive Plan workshop with Council. Alan was there. I don't know if you have anything else to add, Alan, but I thought it went well.

Mr. Silverman: I think it did, too. There were some questions and issues that were brought up at the table that are being researched now. The local community groups have weighed in so there are a lot of opinions that are floating around out there and those issues should be settled as we move through this review process with Council.

There being no further business, the Planning Commission adjourned at 9:00 p.m.

Respectfully Submitted,

Elizabeth Dowell
Planning Commission Secretary



2015 – 2019

Capital Improvements Program

November 4, 2014
Planning Commission Presentation



Agenda

- Goals of the CIP
- Public Utility Overview
- General Fund Overview
- CIP Illustration
- Efficiency Initiatives
- 2014 Accomplishments
- 2015-2019 Capital Improvements Program
 - Gross Expenditures by Department
 - CIP Funding Sources
- 2015 Significant Projects/Initiatives
- 2016 -2019 Significant Projects/Initiatives

Goals of the CIP

- Projects will seek to advance Newark's vision elements
 - Healthy & Active Community
 - Sustainable Community
 - Inclusive Community
- Maintain and enhance the City's physical framework including:
 - Streets and Sidewalks
 - Parks and Parking Facilities
 - Municipal & Police Buildings
 - Utility infrastructures
- Support the provision of services of the City's residents including:
 - Public Safety
 - Fleet of Vehicles
 - Information Technology
 - Waste Disposal
- Ensure the financial strength of the City via prudent investments and decision making

Public Utility Overview

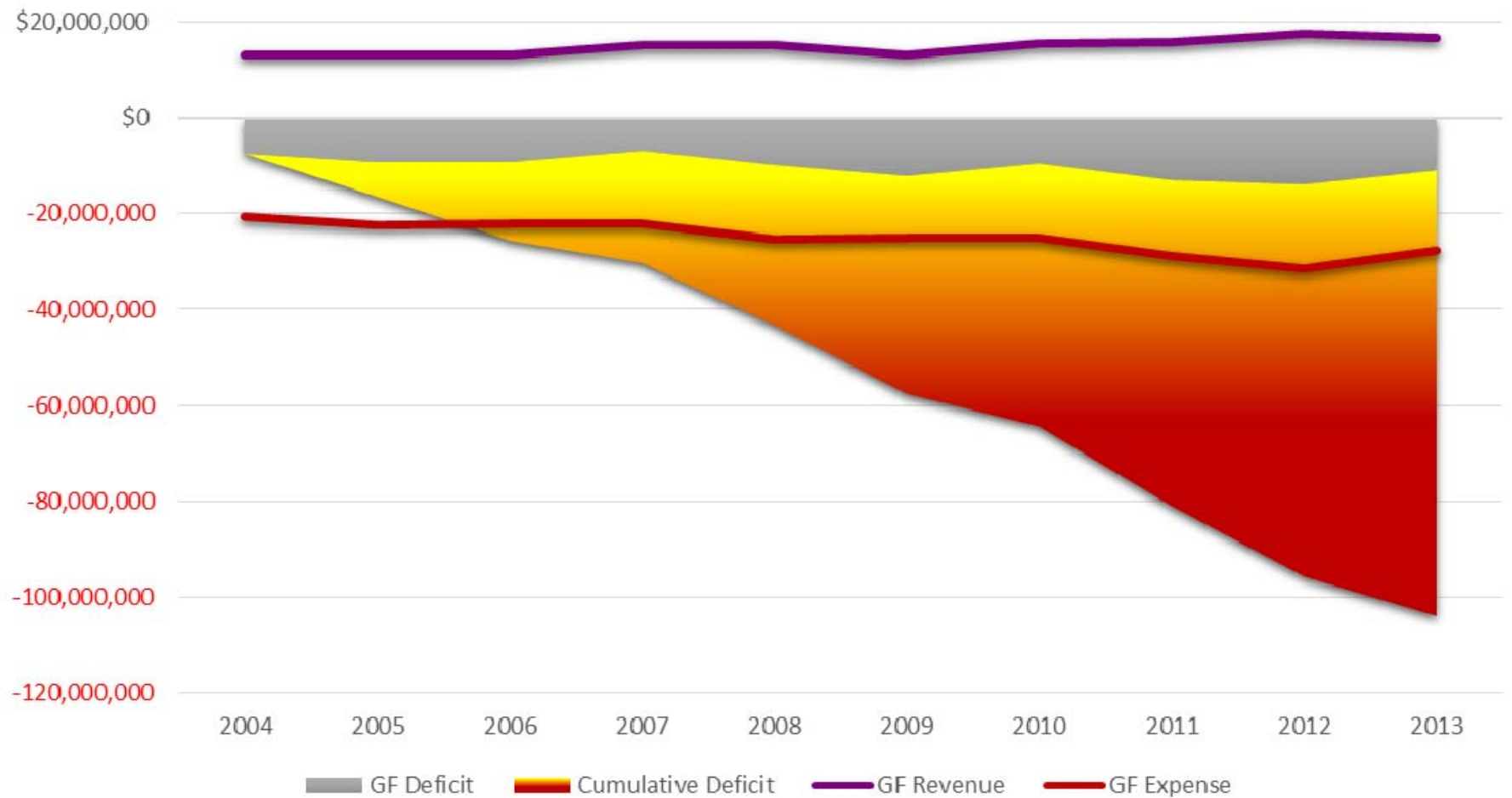
- Local Control and Regulation
- Competitive Rates
- Reliability
- Community-oriented
- Opportunity to support general fund activities, including capital expenditures



General Fund Overview

- 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

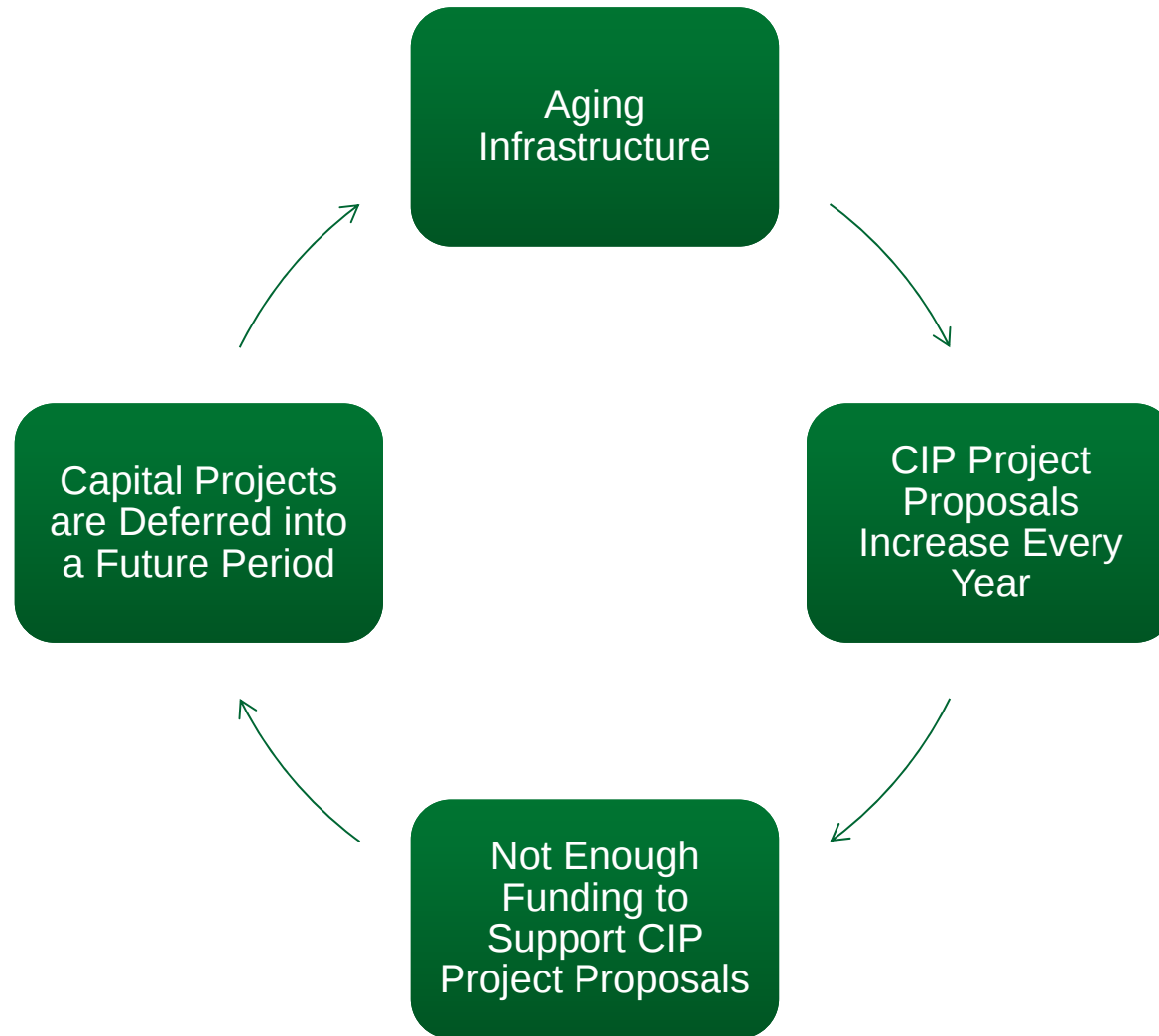
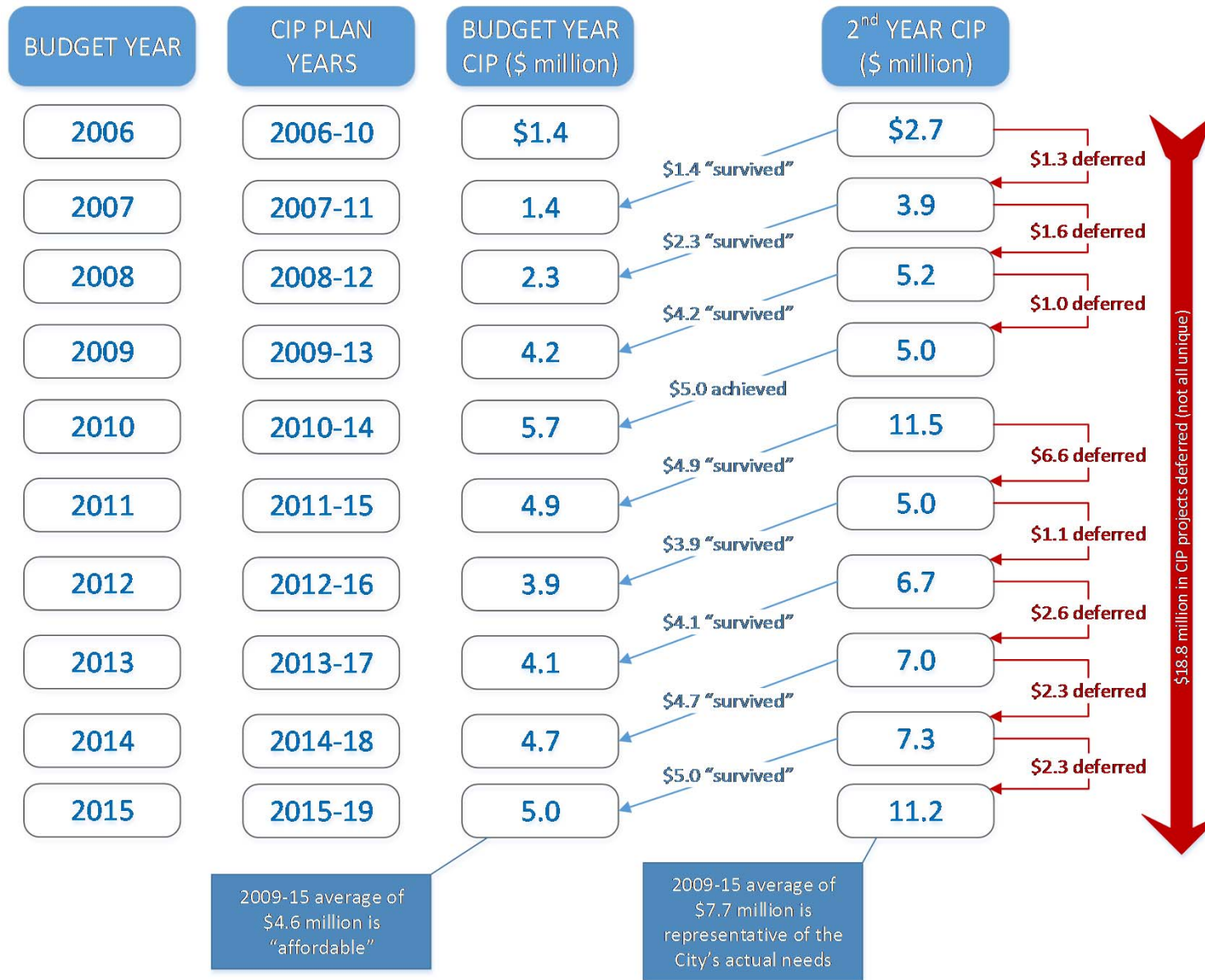


Illustration of Rolling CIP



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 & OPEB¹ changes
 - DVIT health and life insurance

¹Other Post-Employment Benefits

2014 Accomplishments

- Completion of Smart Meter Project
- Voltage Upgrade at Binns & Devon Development
- 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
- Completion of Curtis Mill Park Construction
- Installation of Sub-surface Drainage & Sod at the Hill Park Baseball Field
- Installation of Debit/Credit Enabled Parking Meters
- Completion of Parking Lot 3 Center Street Entrance & Exit
- Voice Over IP Telephone Upgrade
- Installation of Police Interview Room Camera System
- IT Infrastructure Projects:
 - Esri ArcGIS Server
 - IT Virtualization Project
 - Laptop & Desktop Modernization & Standardization

Capital Improvement Program Totals 2015-2019

	2015	2016	2017	2018	2019	Total Out-Years	Total CIP
General Fund							
Capital Improvement Program							
Administration	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 20,000
Information Technology	104,000	227,300	-	-	-	227,300	331,300
Legislative	-	-	-	-	-	-	-
Parks & Recreation	356,000	1,996,000	2,055,000	145,000	118,000	4,314,000	4,670,000
Code Enforcement	-	175,200	95,000	-	-	270,200	270,200
Police	102,000	421,000	206,000	3,000	177,000	807,000	909,000
Public Works	1,923,564	3,188,000	2,010,000	1,845,000	1,835,000	8,878,000	10,801,564
Total General Fund	\$ 2,485,564	\$ 6,007,500	\$ 4,386,000	\$ 1,993,000	\$ 2,130,000	\$ 14,516,500	\$ 17,002,064
Enterprise Funds							
Capital Improvement Program							
Electric	\$ 1,675,015	\$ 1,813,000	\$ 9,735,000	\$ 1,493,000	\$ 409,000	\$ 13,450,000	\$ 15,125,015
Water	5,129,668	7,397,705	5,146,000	3,535,350	3,617,891	19,696,946	24,826,614
Sewer	1,100,000	500,000	600,000	700,000	750,000	2,550,000	3,650,000
Parking	5,860,325	9,100,230	3,349,450	31,050	100,000	12,580,730	18,441,055
Total Enterprise Fund	\$ 13,765,008	\$ 18,810,935	\$ 18,830,450	\$ 5,759,400	\$ 4,876,891	\$ 48,277,676	\$ 62,042,684
Internal Service Funds							
Capital Improvement Program							
Maintenance	\$ 330,000	\$ 75,000	\$ 25,000	\$ -	\$ -	\$ 100,000	\$ 430,000
Total Internal Service Funds	\$ 330,000	\$ 75,000	\$ 25,000	\$ -	\$ -	\$ 100,000	\$ 430,000
Comprehensive CIP	\$ 16,580,572	\$ 24,893,435	\$ 23,241,450	\$ 7,752,400	\$ 7,006,891	\$ 62,894,176	\$ 79,474,748

Key Projects - 2015

- Annual Street Program^{H&A}: \$1.0 million
- LED Streetlight Conversion^{SC}: \$581,000
- SCADA System Improvements: \$336,000
- Vehicle Replacements: \$430,000
- STAR Campus Substation^{SC}: \$300,000 in 2015; \$8.6 million 2017
- Paper Mill Road & CMP¹ Storm Water Improvements^{SC}: \$436,000
- Lot #1 Parking Garage^{IC} (\$14.1 million total / \$5.5 million in 2015)

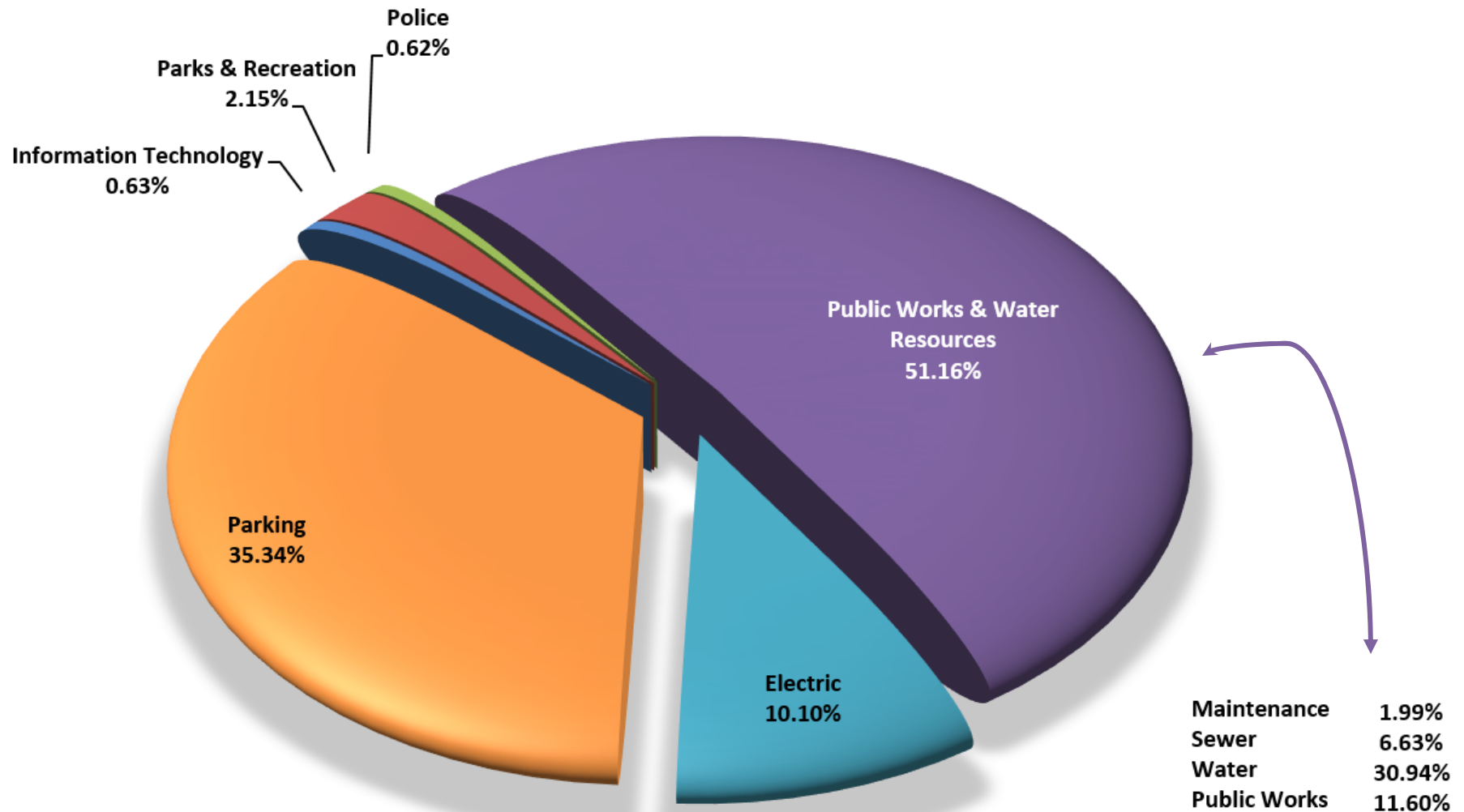
^{H&A} Supports Health & Active Community Vision

^{SC} Supports Sustainable Community Vision

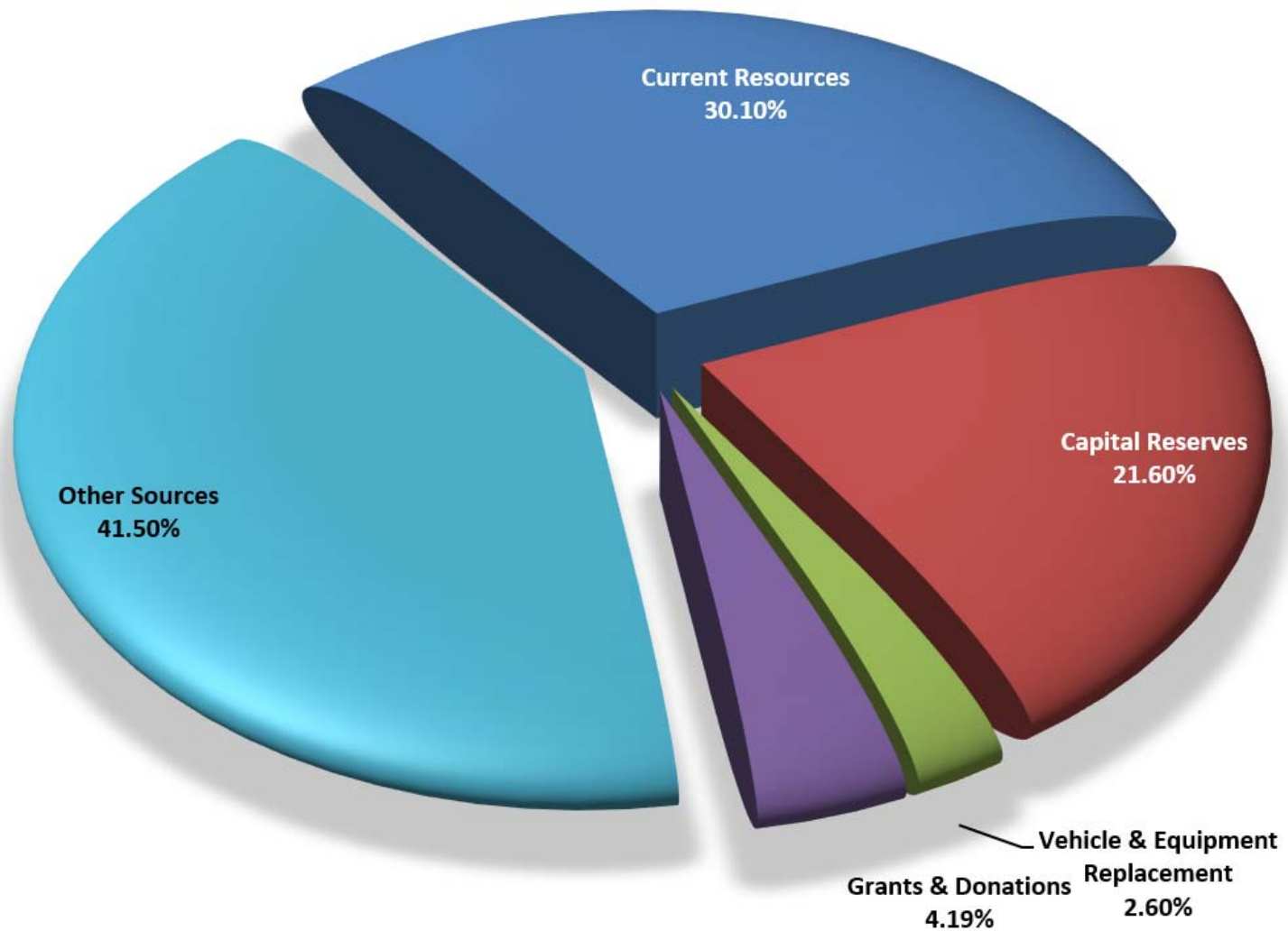
^{IC} Supports Inclusive Community Vision

¹ Corrugated Metal Piping

2015 Gross Capital Expenditures by Department



2015 Funding Sources for CIP



Significant Projects (out years)

2016 - 2019

- Star Campus Underground Distribution^{SC}, \$1.3 million
- Star Campus Substation^{SC}, \$8.6 million
- Storm Water Improvements^{SC}, \$6.3 million
- Curtis Plant Intake Replacement^{SC}, \$2.7 million
- Water Main Renovation Program^{SC}, \$6.3 million
- Water Tank Maintenance^{SC}, \$1.8 million
- Sanitary Sewer Study / Repairs^{SC}, \$2.6 million
- Completion of Parking Garage^{IC}, \$8.6 million
- Second Parking Level, Lot 2^{IC}, \$3.3 million
- Annual Street Program^{H&A}, \$5.2 million
- Parks Hard Surface Facility Improvements^{H&A}, \$1.3 million
- Old Paper Mill Park Improvements^{H&A}, \$1.8 million

^{H&A} Supports Health & Active Community Vision

^{SC} Supports Sustainable Community Vision

^{IC} Supports Inclusive Community Vision

Conclusion / Questions

