

**CITY OF NEWARK
DELAWARE
COUNCIL MEETING MINUTES
AUGUST 18, 2025**

Those present at 6:00 p.m.:

Presiding:	Mayor Travis McDermott Deputy Mayor, District 2, Corinth Ford District 3, Jay Bancroft District 4, Vacant District 5, Jason Lawhorn
Absent:	District 1, John Suchanec District 6, Emile Brown
Staff Members:	City Manager Tom Coleman Deputy City Secretary Diana Reed City Solicitor Paul Bilodeau Assistant City Manager – Operations Jeff Martindale (<i>virtual</i>) Assistant City Manager – Personnel Devan Hardin (<i>virtual</i>) Parks & Recreation Director Paula Ennis (<i>virtual</i>) Planning & Development Director Renee Bensley Planning & Development Deputy Director Jessica Ramos-Velasquez (<i>virtual</i>) Public Works & Water Resources Director Tim Filasky (<i>virtual</i>) Public Works & Water Resources Deputy Director Ethan Robinson (<i>virtual</i>) Senior Planner Michael Fortner (<i>virtual</i>) Planner I Katya Raskin (<i>virtual</i>) Chief of Community Engagement Officer Jayme Gravell (<i>virtual</i>) Chief of Police Mark Farrall (<i>virtual</i>) Deputy Chief of Police Kevin Feeney (<i>virtual</i>) Electric Director Bhadresh Patel (<i>virtual</i>) Finance Director Jill Hollander Finance Deputy Director Daina Montgomery (<i>virtual</i>) Clerk of the Court Terri Conover (<i>virtual</i>) Accountant II Jim Smith (<i>virtual</i>) IT Systems & Security Administrator Ramah Bello (<i>virtual</i>) Administrative Professional II Alexis Van Campen

1. Mr. McDermott called the meeting to order at 6:03 p.m.

2. **EXECUTIVE SESSION**

A. Executive Session pursuant to 29 *Del. C.* §10004 (b) (9) for the purpose of discussion of personnel matters in which the names, competency and abilities of individual employees are discussed.

MOTION BY MR. LAWHORN, SECONDED BY MS. FORD: THAT COUNCIL ENTER EXECUTIVE SESSION PURSUANT TO 29 *DEL. C.* §10004 (B) (9) FOR THE PURPOSE DISCUSSION OF PERSONNEL MATTERS IN WHICH THE NAMES, COMPETENCY AND ABILITIES OF INDIVIDUAL EMPLOYEES ARE DISCUSSED.

MOTION PASSED. VOTE 4 TO 0.

Aye – McDermott, Ford, Bancroft, Lawhorn.

Nay – 0.

Absent – Suchanec, Brown.

(Secretary's Note: Mr. Brown arrived at the meeting during Executive Session.)

3. RETURN TO PUBLIC SESSION

Council exited Executive Session at 7:00 p.m.

2. SILENT MEDITATION & PLEDGE OF ALLEGIANCE

Mr. McDermott explained the protocol for the hybrid Microsoft Teams meeting platform. For each agenda item, assigned staff will present first. For land use applications, public comments will be invited after the presentation and prior to Council remarks. For all other items, Council will provide comments after the presentation, followed by comments from the public. Councilmembers wishing to provide additional comments should ask the Chair to be recognized. He noted in-person attendees wishing to comment should sign up by utilizing the sign-in sheet near the entrance to Council Chambers, while virtual attendees should use the hand-raising feature on Teams. Microphones will remain muted until the speaker is called upon. Comments are limited to three minutes with no ceding of time. He requested speakers to state their name and Council district or street address prior to commenting. He noted remote Council members will be polled for audible votes, and visual votes would not be accepted. He asked in-person attendees also present on Microsoft Teams to mute their speakers and microphones. Councilmembers at the dais should mute their microphones unless speaking. Public comments must relate to City business or an agenda item. Violations will receive a warning, while repeated violations may result in removal or a muted microphone. However, the City has zero tolerance for hate speech for vulgar language, which will lead to immediate removal or muting of the microphone. He concluded his remarks by thanking all for their cooperation.

He proceeded to ask for a moment of silence and the Pledge of Allegiance.

3. PUBLIC PRESENTATIONS (15-MINUTE LIMIT):

A. The Newark Partnership – Ali DeAngelis (5 minutes)

2:27

Ali DeAngelis, Interim Executive Director of The Newark Partnership (TNP) shared a presentation to Council regarding TNP's most recent projects, events and initiatives.

(Presentation: [Attached here](#). The presentation spanned from 2:27 to 7:19.)

The Mayor opened the table to Council comment.

Dr. Bancroft thanked Ms. DeAngelis for TNP's community outreach efforts. He believed informing the community was critical, especially during important events such as elections.

Ms. Ford expressed her pleasure with the Out and About event, believing it to be a success. She believed City residents need more events like this in the summertime.

Ms. DeAngelis agreed, commending Out and About Magazine their job in hosting the event.

Mr. Lawhorn concurred. He hoped to see data about this event's success to share with residents and use as a comparison in future years.

Ms. DeAngelis stated the 300 passports submitted as part of the event were the most submitted to the magazine in event history. This effectively means Newark has had the best turnout out of any Out and About events prior.

Mr. McDermott thanked TNP for their work on this event.

There was no public comment, and the Mayor proceeded to the next item on the agenda.

7. B. GENERAL ASSEMBLY UPDATE – JAMES DECHENE (5 MINUTES)

9:03

James DeChene of Blue Hen Strategies noted that the General Assembly convened for a single-day special session on August 12th, during which they passed multiple bills designed as a series of stopgap measures addressing issues surrounding the property tax reassessment. He noted the outcome serves as an opportunity for a first glimpse as to how the changes may appear. One bill has codified that municipalities can bill at separate residential and commercial rates; school districts will also be allowed to do the same. It also allows individuals who have already paid to be issued a credit if they have overpaid once the calculations are redone. These measures also extend the payment deadline due to the issuance of new bills. He believed this would be the only special session until the General Assembly resumes in

January 2026. However, he explained there was one resolution guiding the General Assembly and others to examine how the reassessments were performed and what metrics were used to create the results. This serves to ensure the methodologies are sufficient and these issues do not recur during the next reassessment. This will likely necessitate ongoing work in the upcoming session to refine these processes. He was unsure what the result of the reissued tax bills would be. While the counties and school districts will issue updated bills, he was unsure what decisions had been made or how they would be reissued. He expected the school districts to take advantage of the split tax rate to lighten the burden from residential tax bills. He believed the county bills would also be adjusted to reflect a split rate.

The Mayor opened the table to Council comment.

Mr. Lawhorn believed this situation emphasizes the need for more frequent reassessments. He did not like the referendum process for schools, nor the fact that they can implement a 10% increase when having an assessment. He believed if this is to be discussed in the next session, there should be inflationary-based adjustments for school districts. This would also benefit the City, as there will be a natural mechanism for referring capital issues to a referendum.

Ms. Ford asked for clarification that the County will reissue bills.

Mr. DeChene responded in the affirmative. However, the schools must determine their tax rate and communicate that for the County to disseminate.

Ms. Ford inquired about a potential timeframe for this process.

Mr. DeChene explained the Christina School District Chief Financial Officer (CFO) indicated it would take no longer than 10 days from August 12th to determine the rate and how to calculate it. The payment date has been pushed out by a month, which will also delay when the school districts will receive their money. The school districts have a deadline of August 30th to submit their revised tax bills to New Castle County, with a due date of October 30th.

There was no public comment, and the Mayor proceeded to the next item on the agenda.

3. PUBLIC COMMENT (3 MINUTES PER SPEAKER): None

4. 1. FINANCIAL STATEMENT: None

5. 2. APPROVAL OF CONSENT AGENDA (1 minute):

A. Receipt of the July 1, 2025 Planning Commission Meeting Minutes

B. Receipt of the July 2025 Alderman's Report

15:43

Ms. Reed read the consent agenda into the record.

MOTION BY MS. FORD, SECONDED BY MR. LAWHORN: TO APPROVE THE CONSENT AGENDA AS PRESENTED.

MOTION PASSED. VOTE: 5 to 0.

Aye – McDermott, Ford, Bancroft, Lawhorn, Brown.

Nay – 0.

Absent – Suchanec.

6. 3. RECOMMENDATIONS ON CONTRACTS & BIDS OVER CONSENT AGENDA LIMIT:

A. Recommendation to amend the Approved 2025-2029 Capital Improvement Plan and retroactively approve the contract stemming from ITB 25-08 – Main Street Safety Improvements (CIP H1503) – Assistant City Manager – Operations Jeff Martindale (10 minutes)

16:18

Jeff Martindale, Assistant City Manager – Operations, explained staff is recommending a budget amendment to bring in funding from the State through the University of Delaware (UD) and approve a contract stemming from Invitation To Bid (ITB) No. 25-08 for Main Street Safety Improvements.

There was no Council or public comment.

MOTION BY MS. FORD, SECONDED BY MR. LAWHORN: THAT MAYOR AND COUNCIL AMEND THE APPROVED 2025-2029 CAPITAL IMPROVEMENT PLAN AS DESCRIBED IN THE STAFF MEMO DATED AUGUST 11, 2025, AND AWARD A CONTRACT STEMMING FROM INVITATION TO BID NO. 25-08 MAIN STREET SAFETY IMPROVEMENTS TO THE LOWEST QUALIFIED BIDDER, ZONE STRIPING, INC., IN THE AMOUNT OF \$146,365.15.

MOTION PASSED. VOTE: 5 to 0.

Aye – McDermott, Ford, Bancroft, Lawhorn, Brown.

Nay – 0.

Absent – Suchanec.

8. 4. **SPECIAL DEPARTMENTAL REPORTS:**

- A. FY2026 Budget Overview Presentation – City Manager Tom Coleman/Finance Director Jill Hollander (120 minutes)

17:55

Mr. Coleman proceeded to give a presentation to Council regarding the FY2026 Budget.

(Presentation: [Attached here](#). The presentation spanned from 17:55 to 41:50.)

He explained this presentation serves to provide a high-level overview of the FY2026 proposed operating and capital budget. Departmental hearings with Council will follow in the coming weeks to provide a deeper look at each department's budget items. He explained each department will present its proposed budget to Council and shared a timeline of when each hearing is scheduled and dates for the financial and budget workshops. He provided Council with a snapshot of the FY2026 fiscal year; staff expect a significant budget shortfall due to rising costs from contractual wage increases and inflationary pressure on materials as they are increasing faster than revenues. Additionally, the City is also seeing a significant rise in necessary capital improvements in 2026, paired with the end of large federal grant programs. This means the City will need to begin paying for capital projects itself.

He noted this presentation's figures do not include any rate or fee increases; these figures assume that all 2025 rates remain consistent into 2026. Current operating revenues are insufficient to cover the anticipated increases in operating and capital expenses. While the City has considerable control over capital expenses, most operating expenses are labor-related and are fixed by contractual agreements with the City's unions. The City does not anticipate sufficient natural revenue growth to cover inflationary increases, which means that, as long as the Council wishes to maintain current service levels, the City will need to increase revenue beyond what is generated through natural economic growth.

Mr. Coleman provided a breakdown of the City's primary revenue sources. He noted utilities comprise most of the City's revenue, with property taxes as a distant second. Staff are currently projecting revenues of approximately \$128 million, which is a \$4.5 million increase from the FY2025 approved operating budget. He noted the City's revenue is dominated by utility sales, with electric making up the majority. In their assumptions, staff have been conservative in areas like permit revenue and utilities. However, these assumptions may evolve further through the process based on feedback received from Council and updated economic data. While a few plans have progressed through the development process, the volume is not the same as in the past. He noted that having three elections in a single year also negatively impacts development activity due to the risk in bringing a plan for approval with fewer Councilmembers present. Staff have also observed a trend that Council-approved projects are taking longer to begin construction, affecting the City's building permit revenue. He expected permit revenue to be significantly lower in 2026. Staff usually budget around \$1.6 million, and they anticipate it will be closer to \$1 million for FY2026. He noted utility sales growth is generally flat or increasing only slightly. The lack of new construction also impacts utility sales growth. This is where the City generates the most revenue, so slowing utility growth will have an indirect impact on overall revenue growth.

He continued by explaining that during Main Street construction, the City worked out a deal with a property owner that allowed them to operate a public parking lot behind the Starbucks on Main Street. However, that lease has ended, and the property is being developed meaning the City will lose that revenue. They expect many of the customers who park in that lot to utilize another City lot. However, the possibility of parking in a private lot could result in a loss of revenue. Additionally, the City has also observed a decrease in general parking demand. The City continues to experience lower property sales, likely due to high mortgage rates and sales prices. Many individuals are now locked into their homes with very low interest rates, having refinanced during the pandemic. Any potential tax increases have not been included in these revenue projections. He believed the City would need more tax revenue to cover rising costs in the general fund.

Jill Hollander, Finance Director, explained total operating expenses are estimated to be \$127.6 million, compared to FY2025's \$121.2 million. This represents a projected increase of 5%, or \$6.4 million. This increase is less than the \$10 million increase in expenses from FY2024 to FY2025. She explained expenses are classified into seven major categories: personnel services, utility purchases, materials and supplies, contractual services, equipment depreciation, debt service, and other expenses. Operating expenses are the costs required to operate the City and provide services to residents on a day-to-day basis. Personnel and utility purchases account for almost 49% of the City's total operating expenses. She explained the FY2026 citywide cost drivers impact every department, which includes cost of living adjustments and merit increases to wages, health insurance premium increases, workman's compensation insurance premium increases, Delaware Municipal Electric Corporation (DEMEC) wholesale rate increases, expanding Information Technology (IT) needs and related costs, and inflationary increases in materials and supplies. These are all increases that the City has limited or no control over.

She noted the general fund includes the non-utility departments of the City. In the structural trend over time, expenses continue to rise faster than revenues, resulting in a larger budget shortfall year after year. This shortfall could be viewed as a gap between operational needs and available resources. In FY2026, staff anticipate this gap to grow, and it must be addressed through policy decisions and new revenue streams. She noted general fund expenses far exceed general fund revenues. Expenses are almost double what the City brings in from general fund revenues. The general fund revenue is approximately half of the general fund expenses, creating a budget shortfall of around \$20 million that needs to be offset by other revenue sources. The general fund accounts for almost 80% of the City's total workforce, with the Police Department comprising 45% of the total general fund personnel. The Police Department expenses of \$23 million are equal to 54% of the total general fund expenses. In comparison, the remaining 12 divisions represent 46% of the general fund expenses. Most of the general fund divisions are solely operating to provide services to the residents of Newark, including refuse, street maintenance, Code Enforcement, Police, Parks & Recreation, and Planning & Development.

Ms. Hollander noted personnel costs are fixed as the wages are set by contractual agreements with the unions. This effectively means the City cannot reduce these costs, and each year they will continue to rise. Included in the personnel costs are the expenses for benefits, such as health insurance and pension contributions, which are largely fixed as the City has limited control over them and will also increase annually. The FY2025 budget includes a projected 7% increase for health insurance. Annual cost-of-living increases vary by union and range from 3% – 5%. The next most significant expense is contractual, which encompasses liability and other City insurance costs, as well as IT subscriptions, consulting, and legal costs. Some of the departments hardly have any other expenses besides personnel and contractual. Depreciation is another item over which there is no control. She noted some of the numbers in the total cost provided for each division, after accounting for the allocation of interdepartmental expenses, may stand out, such as those from the Police Department, as it is the highest costing department in the general fund. IT and Finance are low, as a percentage of their costs is allocated to other departments as interdepartmental expenses. The cost of services provided by IT and Finance to support various departments is assigned to those departments based on assumptions such as the number of staff or square footage.

Ms. Hollander demonstrated how the \$20 million general expense shortfall is offset through transfers from other funds. Sources of revenue in the general fund are taxes, permit and licensing fees, fees for services such as parks, UD subvention, and grants. The only general fund revenue sources that are fixed are real estate taxes and the UD subvention. The remaining revenue sources can and will fluctuate based on development projects, demand for parks programs, grant availability, and the overall economy. Predicting the fluctuation of these revenue sources is difficult, but funding levels must still be met to pay for the operational cost of providing services and pay for contractually obligated expenses. Some consider this to be a universal dilemma.

Ms. Hollander noted electric, water, sewer, stormwater and parking are all considered enterprise funds. Enterprise funds differ from the general fund in that they are set up to generate a profit, rather than break even. The money they earn is intended to be used for maintaining and improving the utility systems. She presented a highlight of the budgets for utilities and parking in 2025 and 2026. Electric, sewer, and parking are projected to have a smaller surplus compared to 2025. Electric is lower by almost \$3 million, sewer by \$770,000, and parking by nearly \$230,000. She noted that the operating expense will have similar dynamics as the general fund operating expense: union wage increases, health insurance increases, increases to workers' compensation, auto and liability insurance, and overall inflationary and CPI increases. This means the operating expense will continue to grow over time and certain elements are outside of the City's control. She noted capital projects in electric, water, and sewer generally deal with infrastructure that keeps the utilities operating. However, the City cannot always see the results of these

projects as it can with a new building or a new park, because the infrastructure consists of underground pipes or components of the substation that run the utilities behind the scenes. Although the timing of CIP projects can be seen as discretionary, the cost of delaying these projects results in a higher price of the improvements and the potential for service interruptions and costly maintenance.

Mr. Coleman noted the general fund shortfall is usually addressed by transferring profits from enterprise funds into the general fund. This is a common practice referred to as the public utility business model. However, it is less effective when the transfers become too large, which can deprive utility funds of the revenue they need to maintain their infrastructure. Additionally, the City could risk a lawsuit over rates with this approach. Ever since the adoption of the electric rate stabilization adjustment (RSA) process, the City has fixed electric transfers at 20% of gross revenue. However, they have not done the same for water and sewer. This results in the City transferring more money from the water and sewer fund, making it necessary for the City to pay for capital projects almost entirely with grants and debt. He noted this to be a short-term solution and is not sustainable long-term.

He noted the growth in transfers from enterprise funds into the general fund to cover the constantly increasing gap between general fund revenue and expenses. Much of the increase in electric transfers has been due to growing wholesale electric costs, which increase gross revenue, and by extension, the 20% transferred to the general fund. Staff do not believe this trend will continue at the same rate in the coming year as observed in the recent past. This will be especially true for FY2026, given the additional funds the City began paying in 2023, which significantly contributed to the increase at the Indian River Power Plant, which has since declined. Additionally, the City will no longer pay that, which will result in a 5% reduction or wholesale rate increase. This will put more pressure on the City's general fund.

Mr. Coleman shared the water revenue for each year and the water fund transfers. He noted that transfers fluctuate unpredictably from year to year, making it very difficult to budget for capital projects in the water fund. This means that when the City raises water rates, the higher rate generally only benefits the first year that the rate increase takes effect. Because in subsequent years, it will be transferred almost entirely to the general fund unless there are capital projects scheduled use it. With rate stabilization adjustments for water and sewer funds, similar to what the City does for electric funds, if the City sets the transfer at a known percentage, it will be able to plan for utilities easier. However, if this moves forward, the City should decide on a minimum percentage of revenue to retain in each fund for capital expenses each year, thereby helping to finance those recurring projects with cash. He cautioned this will make it more challenging to balance the budget by transferring excess cash into the general fund.

He shared a summary of the current FY2026 capital budget along with anticipated funding sources. The large numbers are driven by the new electric substation, which will be financed through DEMEC, and the per and polyfluoroalkyl substances (PFAS) treatment at the Curtis Water Treatment Plant, which will be financed through the State Revolving Loan Fund. He noted the Net Capital Improvements line represents how much of this total will need to be derived from current resources. The City will need to find just over \$7 million in cash generated by taxes, fees, and utility rates during 2026 to pay for these projects. This is a significant increase from the last few years, as the City had received many federal grants that have since expired. He highlighted where current resources are proposed to be spent in 2026. The annual street paving project is the biggest general fund project, followed by the Field Operations Center master plan and the hard surface improvements in city parks. All remaining projects are in one of the City's utility funds. In showing which departments have capital spending proposed for 2026 from current resources, he noted that most of the expenses are in utilities and infrastructure-focused divisions, such as Streets, Facilities Maintenance, and Parks & Recreation.

Mr. Coleman stated staff are looking for feedback from Council this evening for a multitude of questions to finalize the FY2026 budget in the coming months. First, staff need to know how much of a rate increase is Council comfortable with. He noted the City will likely need to raise rates by 25% or more in the water fund to cover debt service from the federally mandated PFAS removal project at the Curtis Water Treatment Plant within the next two years. He noted that the City is experiencing significant pushback from rate increases at surrounding utilities aimed at covering project costs. However, the City cannot avoid these rates. It is in the City's best interest to start publicizing this fact now as to not surprise the public. He advised beginning to phase in some increases sooner to avoid a significant rate shock within a single year, and then any additional revenue collected could be used to cover costs and prevent debt service payments in the future. Second, staff need to know what level tax rate Council is comfortable with. He explained that general fund expenses are increasing significantly due to labor costs. If Council does not want to raise tax rates, they need to discuss which services they are okay with eliminating or reducing. Staff could also consider a hiring freeze if taxes are not raised in FY2026. An alternative to tax increases would be charging fees for services that are currently covered by taxes, such as refuse. The City is already

adding fees for services that it does not currently charge for, such as mailing printed utility bills. Third, he suggested creating an RSA process for water and sewer, similar to that for electric, so that the City can have a more predictable source of capital funding, but also better predict revenues in the general fund for future years. The current process, involving general fund transfers with a variable number, makes it difficult to project future revenues and expenses.

He concluded by reiterating that each department will present its proposed budget to Council over the coming weeks. Council's feedback will be used by staff to shape their final budget workshop presentation for November 3rd.

Mr. McDermott asked for clarification that staff are looking for feedback on the bullet points listed on Page 23 of Council's packet.

Mr. Coleman clarified this presentation serves to provide Council with ideas to consider during the departmental budget presentations. Staff are not seeking answers from the Council this evening.

The Mayor opened the table to Council comment.

Mr. Brown asked if the budget amounts for FY2024 included in the presentation was the actual received or expended.

Mr. Coleman believed this was the budget, not the actual amount.

Mr. Brown inquired what the actuals were for FY2024.

Mr. Coleman stated he would follow up with this information.

Mr. Brown asked if there was a staff recommendation on the minimum potential water rate increase.

Mr. Coleman explained the City will need an approximately 25% increase to cover debt service and operating costs. The treatment to be installed will almost certainly be granular activated carbon. Staff will be conducting a pilot study for this and have reached out to Calgon Carbon to get a miniature version of the treatment plant. Staff will run water through this model for a specified period to determine the carbon's lifespan and how often it will require replacement. There are different types of carbon, so staff will try out several types and loading rates to see what will be best for the City's application. Once this is determined, the City will have a better idea of how often they will need to replace the carbon and re-bed the filters. This will drive the City's operating expenses. Staff anticipate approximately \$1.5 million per year in debt service and around \$1 million per year for filter re-bedding, as the City has already installed this treatment at its groundwater plant; however, the water and its characteristics differ. Collectively, staff believe this will be approximately 25% and would be separate from general operational increases needed to address inflation across the fund. The City is likely 2 – 3 years out before that project is or will be paying debt service. He suggested Council consider taking a third per year and phase it in, or taking the money collected from now and put it aside to help either offset the capital cost to reduce how much the City needs to borrow, or use it to create a reserve fund for some of the other capital needs that are not currently being met.

Mr. Brown asked if Mr. Coleman suggested phasing in the utility rates over a set period, such as a year.

Mr. Coleman asked for clarification if Mr. Brown was referring to the rate stabilization discussion.

Mr. Brown clarified he was asking if Mr. Coleman was suggesting increasing utility rates over a period of time so it does not have a sudden large impact on the public.

Mr. Coleman explained the City will typically implement an adjustment at the beginning of the year for the coming year. If the City implements an 8% water rate increase, it will take effect on January 1st. In the next two subsequent years, it would increase by another 8% each. This would get the City to around 25%. Generally, the City does it once a year, but this is a past practice rather than a fixed rule.

Mr. Brown asked what the current basic cost is for printed utility bills.

Mr. Coleman stated the City spends around \$135,000 per year solely on postage. Adding that “paper in envelopes” is a manual process, as they are printed from PDF files, so any reduction in how much is printed is less that the City has to handle and run on the printer, leading to additional savings.

Mr. Brown asked if this could be considered.

Mr. Coleman stated staff could receive that feedback if Council would like them to pursue this initiative.

Dr. Bancroft stated he supported the suggestions on Page 23. He believed that gradually increasing utility rates to cover the PFAS treatment made sense. He noted that implementing revenue increases or cutting costs always results in some revenue loss or gain. He believed this crosscuts things, which may lead to worrying about eating into the benefits of a new revenue stream. He asked for clarification about retaining money in the water and sewer to help with the rate stabilization.

Mr. Coleman noted that the City has approximately 140 miles of water main in its system. A water main lasts approximately 100 years, so the City should replace, on average, 1.5 miles every year. He expected it to cost approximately \$2 million to replace a mile, so the City should spend about \$3 million a year on water main replacement. When considering the revenue of around \$10 million, the City should allocate 30% of that revenue to replacing water mains, rather than focusing on water treatment plants or other equipment and infrastructure. The City has never come close to hitting this number. However, this year they have a project which will conduct a condition assessment that will examine the pipes and determine the remaining life of specific segments. This will give staff a better idea of what pipes will look like in a year. He had the idea that the City should reserve around \$1 million a year in cash that stays in the fund and is protected from being transferred out, so the water fund does not borrow for a yearly recurring expense. If the City spends \$1 million every year, it should pay cash instead of borrowing, and then it will pay that \$1 million in debt service in addition to everything else. He believed the City should try to cash finance recurring costs and then use borrowing for projects such as the water treatment plant. The City cannot reasonably build rates to cash-finance large, once-in-a-decade projects, but it can do so for recurring projects.

Dr. Bancroft believed that it was fair to the individuals who will pay these bills in the future. He believed it made sense to consider a hiring freeze due to the City’s limited funds. He wondered if the City would need to consider cutting some services. He believed a combination of these measures may help, but the City may still face some challenges.

Ms. Ford favored a rate stabilization adjustment for water. She asked if the volumetric rate would be increased in line with utility rates.

Mr. Coleman responded that in the recent past, the City has taken whatever its fixed debt service cost is, and that would be rolled into a flat customer charge. Then, the City has covered its variable cost with volumetric changes. Staff will likely do the same this year unless Council directs them to do otherwise.

Ms. Ford believed there to be some room for adjustment, as the base customer electricity rate is significantly low compared to competition, such as Delmarva. She asked if staff had considered raising the costs for rental permits, as the Code states that a rental permit is only \$220, with built-in cost-of-living increases.

Mr. Coleman stated this section of the Code was updated 1 – 2 years ago. Staff did heavy research to anticipate or calculate the number of hours each inspection would take and then allocated the cost for each permit based on the data. He noted the most recent landlord lawsuit was over rental permit fees, as the fees had been raised to a degree that the costs did not support them. Therefore, the court determined it was no longer a fee and was effectively a tax.

Mr. Bilodeau added the judge believed the fee was not supported by the data, rendering it a tax.

Mr. Coleman believed there was a potential settlement involved in this process; however, the City had to roll back the fee and could not adjust rates based on the Consumer Price Index (CPI) for a decade. Once that period concluded, staff conducted a new analysis and more extensive research, as Council did not take advantage of any CPI increases during that decade. Staff made a recent adjustment to bring the rates up and built in the CPI so they rise automatically. However, they have not investigated further into changing this beyond CPI, as they do not see a significant need based on the data of the costs of the program.

Ms. Ford asked if the rate reflected on the City's website is current.

Mr. Coleman believed the rate was adjusted by CPI.

Ms. Ford recalled the website states the rate to be "as of 2024 with an adjustment for CPI." However, this could be 2.67% or 3% dependent on who provides the information

Mr. Coleman stated the City could use the Bureau of Labor Statistics' (BLS) data for CPI; however, they still may need to investigate alternative sources.

Ms. Ford asked if the City anticipates any further requirements for PFAS mitigation that would necessitate additional spending.

Mr. Coleman responded in the negative. He stated the regulations implemented were considered the worst-case scenario for costs because it required the water to be treated if PFAS was detected, which was a low threshold to meet. The City can now detect a little lower. However, at the Curtis Water Treatment Plant, the detection limit at the time was 4 parts per trillion, the same threshold the regulation was set at. While the City is barely over the limit, it costs the same to treat the water regardless of the number of parts per trillion contained. He did not envision this initiative to become more expensive, but there are still many uncertainties about the project. Through the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the federal government regulates the waste product, which involves removing it from the environment and concentrating it into granular activated carbon. The City is still unsure whether the federal government will treat Newark as a polluter by having this carbon. There is a current lobbying effort to get water utilities carved out as some level of protection from CERCLA, as the City is only a receiver of the pollutant.

Ms. Ford stated the City does not want to get sued for pollution.

Mr. Coleman agreed, noting the City is the only entity currently removing the pollutants from the environment. He reiterated that he did not predict the costs would become more burdensome; however, they may be reverted or pushed out to a later date.

Ms. Ford asked if there is a possibility that the requirements will be reduced to where the City could potentially save money.

Mr. Coleman stated there is a chance.

Mr. Lawhorn noted that his career supports the analytical industry, which includes PFAS analysis in its products. He noted that there are various classifications of PFAS molecules, and there is considerable research on smaller-chain molecules that were previously difficult to analyze. His company works directly with entities conducting this research. If the federal government decides to regulate smaller PFAS molecules, this could be another situation that the City will have to address. He believed the previous PFAS regulations were implemented very poorly with significant costs imposed on municipalities. Many new substances being found in water are concerning for the future, but he hoped the City would not have to worry about them in the short term.

He noted the public has not been pleased with tax increases coming from the reassessment and the school boards. He believed it was critical to educate the public through the budget process. He believed that a negative response may help the City, as the public is more likely to pay attention to the process and learn the reasons behind various costs and purchases. He believed it to be essential to share this information with the public so they understand why the Council has to implement specific increases. He found the reduction in permit fee revenue to be concerning and surprising, given the high demand for development. He noted that the City's focus on affordable housing encourages the development of more units within the city. While these units and developments need to be the type that the Council prefers, he found the high demand, with permit fees dropping by \$600,000, to be alarming. He believed that understanding what drives the reduction in the City's development to be critical. He believed both staff and Council should determine what is driving the reduction in the City's development pipeline.

Mr. Coleman stated part of the driver is that staff do not anticipate any large University construction projects in the coming year. Their fees are often hefty; this reduction can be attributed to the University's lack of construction.

Mr. Lawhorn noted STAR Campus lost some federal grants for their one pharmaceutical support development projects. He noted housing was also being built at STAR Campus for graduate students and asked if there were any updates regarding grants for the STAR Campus projects.

Mr. Coleman responded in the negative.

Mr. Lawhorn noted before COVID, the City was pursuing an effort to encourage the State to provide funding for infrastructure at STAR Campus, as high costs for sewer and water infrastructure had originally precluded its development. He asked if this initiative was halted due to COVID.

Mr. Coleman stated the City submitted a letter of support for the University's application to a grant program. However, UD was not successful in obtaining the grant.

Mr. Lawhorn stated the location is an opportunity zone, providing federal tax benefits, and Gov. Matt Meyer is very supportive of small businesses. After the State funded \$30 million to Merck for a Wilmington project, Gov. Meyer had commented that he would prefer to distribute such funding to small businesses. He believed that technology emerging from academia is the "definition" of small business. He believed revisiting that initiative and lobbying the State for such a program would encourage long-term STAR Campus development and therefore help the City's budget through utility revenue and development fees.

Mr. Coleman noted that, although no new development is proposed for STAR Campus, a project is currently under review for the large vacant lot in the Delaware Technology Park.

Mr. Lawhorn supported the RSA for water but was surprised by the amount being transferred to the general fund. He did not support seeing water and sewer increasing to transfer into the general fund, as putting it in the general fund instead of using it for utility infrastructure projects would lead to further increases to taxes. This would lead the City to borrow money and pay interest for those utility infrastructure projects, and residents would pay more in the long term due to interest on those capital projects. He believed it was fair to spread costs out for projects that would be continuously utilized, such as the electric substation.

Mr. Coleman noted there was an executive order from former Gov. Jack Markell to cap the City's electric transfers for the remainder of his term. Because he only capped the electric transfers at the time, water and sewer costs increased.

Mr. Lawhorn stated it is always difficult for Council to discuss tax increases; however, if electric rates are lower than those of competitors, they can still be raised, but the resident will pay more. He reiterated his support for a water and sewer RSA. He believed it would be better to start reducing that number instead of having to increase it, but understood the City would need to generate revenue from alternative sources such as a tax increase.

Mr. Coleman noted every penny that has not been spent in one of the enterprise funds during a budget year, except within electric, transfers to the general fund.

Mr. Lawhorn requested clarification regarding the \$27 million allocated for PFAS treatment.

Mr. Coleman stated the City is going to borrow \$27.6 million for the Curtis Water Treatment Plant.

Mr. Lawhorn noted this to be a capital expenditure separate from the discussion of long-term costs. He asked where the \$16.1 million for the substation would be funded from.

Mr. Coleman stated this would be borrowed through DEMEC, as they can bundle borrowing with other municipalities and therefore save costs for the City.

Mr. Lawhorn supported eliminating paper bills and changing the billing system so that new residents would need to opt into paper bills.

Mr. McDermott asked if capping what is taken out of the utility revenue to transfer into the general fund is different than an RSA.

Mr. Coleman responded in the affirmative. He noted nothing would be fixed if the RSA was done on its own. The RSA guarantees that the City receives the revenue that was budgeted; if the City over-collects, it returns the extra money in the following year. If they under-collect, they will recover the

shortfall the following year. He gave an example of the City's operating expenses being \$10 million, with a fixed transfer of 20%, and \$1 million to be set aside for capital. If the revenue needed was not received to cover these fixed costs, the RSA would reset the following year to guarantee they recover both the fixed transfer and capital amounts that had been budgeted.

Mr. McDermott asked for clarification that the electric fund transfer cap is a self-imposed cap that the City has maintained after Former Gov. Markell's order, but the City would not be faulted if it was removed.

Mr. Coleman stated Former Gov. Markell capped the transfer at a dollar amount. When his term ended, the City stopped capping itself at a dollar amount and instead capped at a percentage.

Mr. McDermott did not oppose keeping the cap but wished to ensure that it was self-imposed so the City could remove it in extreme circumstances.

Mr. Coleman stated the cap is now imposed more for the City's benefit, so they are mindful of the amount of money needed for future capital expenses when creating the budget. The transfer is almost always between 20% - 30%.

Mr. McDermott noted he was previously told that money could not be moved out as the governor would oppose it. However, he learned later on that this was not true.

Mr. Coleman stated the courts may oppose the City moving that much money.

Mr. McDermott noted the City did not change the lodging tax rate last year and asked for clarification on the reason.

Mr. Coleman believed this was due to Council's consideration of the UD enrollment tax, and they elected to pursue only one tax instead of both.

Mr. McDermott requested that staff investigate the lodging tax rates for other municipalities and compare them to the City's to determine if that would be a worthwhile effort to pursue. He did not believe it would benefit the City this year as it would require a charter change, but it may be effective for subsequent years. He asked what a base tax for the City would look like, whether it would be worth discussing, and if the City has such data available.

Mr. Coleman stated he received a spreadsheet from the Finance Department that sorted out the tax bills from smallest to largest. Most of the low paying parcels are either vacant or under construction. Only 71 properties, including vacant parcels, have a tax bill of \$300 or less. If the City were to implement a split rate, this number would decrease.

Mr. McDermott stated the previous amount used in these discussions (\$350) has been arbitrarily based on refuse collection, which excludes all other City services. He was unsure if the full span of services would be covered by \$350. Council will need to decide an appropriate value for this base tax based on socio-economic issues and determine if that would help in addressing the \$7 million shortfall.

Mr. Coleman stated the middle bar of this initiative would be a challenge, and dividing this across 8,000 parcels would equate to \$3,000 per parcel.

Mr. McDermott stated this is why the City would need to determine a different number through discussion. He asked why Parking revenue was significantly lower. He wondered if the lot behind the Main Street Starbucks collected a significant amount of revenue.

Mr. Coleman believed this to be true, but it does not account for the entire loss. In the first half of the year, the City was already down a couple of hundred thousand dollars from its budget. The City is seeing less demand for downtown parking, a similar trend also reported by Main Street's restaurants. He noted that multiple city-owned lots are smaller, spaces have been reduced, and there is new competition with the Trabant parking garage. He noted he was working on a potential lease with a landowner to use their parking lot, similar to Lot 7.

Mr. McDermott stated Lot 7 is a prime location for visitors entering the city from the south.

Mr. Coleman noted staff are investigating other options that may not be close to downtown but could potentially charge a lower cost to allow employees to park. This would make spaces available in the main lots for visitors.

Mr. McDermott supported eliminating printed utility bills or charging for those who want them. It made sense to him to phase in the water rate increases needed to cover PFAS removal costs. He asked what positions would be eligible for a hiring freeze, outside of the available positions in the Police Department.

Mr. Coleman noted there were many vacancies in the Public Works & Water Resources Department (PWWR) that have been recently filled. He believed there were 5 or 6 vacancies in the Police department. The City has faced a challenge where vacancies in many departments in the general fund are associated with revenue, so not filling a position may be more detrimental. Park Maintenance does not generate revenue, but Recreation does, which covers its cost. It may make sense to hold a position in Park Maintenance and not Recreation for this reason, but if the City does not cut its own grass, it will need to pay a contractor. Staff would need to review to determine which positions are more suitable to hold open. He suggested if the City does not expect to have the needed revenues, they should begin to consider keeping these positions vacant through the budget process, and then filling them when they feel more comfortable at the end of the budget.

Mr. McDermott agreed, believing it would be prudent to proceed cautiously during the budget process. He would not oppose holding positions open if the City is not close to hiring a candidate and then filling them later when they are comfortable with the budget. He did not believe 2 ½ months would be a long time to hold a position open. He asked if the recommended 4.5% increase from the electric rate study is already included in this budget forecast.

Mr. Coleman responded in the affirmative.

Mr. McDermott asked if Mr. Coleman received sufficient feedback from Council on this item.

Mr. Coleman asked for general direction from Council on whether the City should hold vacant positions open until after the budget is approved.

Mr. Lawhorn, Ms. Ford, Dr. Bancroft, and Mr. Brown agreed.

Mr. Brown asked if there are any planned or expected retirements upcoming for 2025.

Mr. Coleman stated an expected retirement recently occurred. Two individuals are considering but have not yet submitted the paperwork.

Mr. McDermott noted he has contemplated multiple additional revenue streams; he believed the City should pursue the Higher Education Public Safety Fund from the State and consider a lodging tax increase. He encouraged staff to bring forward high-dollar revenue-generating ideas to Council.

The Mayor opened the floor to public comment.

James Creque, 13 Madison Drive, found it “enlightening” to listen to this discussion and was impressed by the effort and expertise the City has put into its management. He asked how residents would receive their bills if printed bills were eliminated, but they do not have an accessible email address.

Mr. McDermott explained that a resident can get their bill by logging into the City’s website, requesting the bill be mailed for an additional fee or could set up an automatic withdrawal from the resident’s bank account.

There was no further public comment, and the Mayor proceeded to the following item on the agenda.

7. 4-B. BUDGET AMENDMENT TO ALLOCATE THE REFUND FROM DEMEC FOR THE INDIAN RIVER POWER PLANT RMR – CITY MANAGER TOM COLEMAN (20 MINUTES)

1:23:40

Mr. Coleman stated that the City began paying the Reliability Must Run (RMR) premium on the Indian River Power Plant in 2022, resulting in a rate increase of over 5% for the City. This was charged via the City’s wholesale electric bill. The City successfully challenged this through DEMEC, resulting in a refund of \$1,030,741. As the City has now received the refund, he asked Council how they would like to utilize

this funding. As it is one-time funding, he recommended using it for a nonrecurring expense, although Council can use it for anything they wish. He noted Council does not have to decide this evening and can wait until further into the budget process.

Mr. McDermott preferred to discuss and determine the budget before deciding how to spend this money.

The Mayor opened the table to Council comment.

Mr. Lawhorn agreed but was pleased with the staff's recommendation to use it to pay some of the expenses associated with the new electric substation, as the funding is a refund from an electricity-related cost and would eliminate some of the interest in borrowing for the project.

Ms. Ford, Dr. Bancroft, and Mr. Brown concurred.

There was no public comment.

9. 5. **ITEMS SUBMITTED FOR PUBLISHED AGENDA:**
A. Council Members: None

10. 4-B. **OTHERS:** None

11. Meeting adjourned at 8:26 p.m.

Tara Schiano
Director of Legislative Services
City Secretary

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