

CITY OF NEWARK  
DELAWARE

COUNCIL MEETING MINUTES

August 19, 2019

Those present at 7:00 p.m.:

Presiding: Deputy Mayor Stu Markham  
District 1, James Horning  
District 2, Sharon Hughes  
District 3, Jen Wallace  
District 4, Chris Hamilton  
District 5, Jason Lawhorn

Absent: Mayor Jerry Clifton

Staff Members: City Manager Tom Coleman  
City Secretary Renee Bensley  
City Solicitor Paul Bilodeau  
Clerk of the Court Terri Conover  
Electric Director Bhadresh Patel  
Finance Director David Del Grande  
Parks and Recreation Director Joe Spadafino

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1. Mr. Markham called the meeting to order at 7:00 p.m.

2. **SILENT MEDITATION & PLEDGE OF ALLEGIANCE**

Mr. Markham asked for a moment of silence and the Pledge of Allegiance.

3. 1. **FINANCIAL STATEMENT: (Ending June 30, 2019)**

**01:00**

Mr. Markham explained that this would be the only item with a vote and Council may provide staff with direction based on budget presentations.

Mr. Del Grande reviewed the June Financial Report for Council's acceptance. June's expenditures fell under the seasonalized budget. Based on the spending mid-way through the year there is a positive expenditure variance of \$1.3 million. \$700,000 came from the City's operations. Of that, \$600,000 was a result of utility purchases, mainly electric, falling short of the budgeted expectations for the first six months of 2019.

There was a positive variance of \$324,000 due to personnel expenses. The positive variances would decline slightly as the fiscal year progressed. The revenue budget continued to have positives and negatives. In June, electric sales exceed the budget by 1% which marked the second month out of six where electric sales have surpassed the budget number. Due to the heat wave in July, it is expected to be closer to the budget on the July report.

Water and sewer sales hit the budgeted marks for two out of the first six months of the year. Both utilities were above 2.5% under their expectations. Mr. Del Grande discussed with Public Works to identify the specific cause for lower water consumption from customers outside of the City limits verses the customers inside the City limits. Combined water and sewer are about \$550,000 short on revenue and about \$300,000 of the shortfall is due to sales.

Stormwater fees, contract services, and penalties and fines have all been positive. They have offset the utilities' shortfalls.

The General Fund has remained consistent. Lodging tax has recorded \$383,000 through June. This number is better than projected for the 2019 budget. Lodging tax should end up at \$100,000 more than anticipated.

The Real Estate Transfer Tax has exceeded the 2019 budget six months early. It recently surpassed the \$2 million mark for the year and was expected to be \$800,000 over budget by December. Seven large commercial transactions over \$1 million have accounted for over two-thirds of the total RTT (Real-estate Transfer Tax) to date which was an estimated \$1.3 million.

Overall, June expenditures and revenues netted to a positive \$923,000 variance. The utilities sales were aided by real estate activity and expenditure savings to mitigate under performance.

Cash balances at the end of June was \$37.7 million which included \$22.6 million in the City's long-term cash account and \$15.1 million in Operating Cash.

The Electric Regulatory Liability still has an unchanged credit of \$1.5 million for the last few months. This is part of the RSA (Revenue Stabilization Adjustment) for 2020 which is a good thing for the customers.

Last week the Finance Department sent out notifications that there would be a new payment portal for utility billing. After notification was distributed, the Finance Department was informed by the vendor that the anticipated "go live" date would not be met. It was likely that the "go live" date would be within a month. The vendor experienced configuration issues with the software. Due to some portions not being passable, such as viewing live meter data, Finance opted to push the date back 30 days. Once Mr. Del Grande has more information, he will update Council and notify the public. A notification was sent to the public to make them aware of the delay.

Coming in July will be four new approved applications for solar grants. In total there are 10 applications for this year to be paid out by the grants. If there happens to be another month similar to July, the grant fund for the Green Energy Program could be depleted. Mr. Del Grande requested permission or approval from Council to return with the same recommendation that was brought back in July of 2017 to renew and review the grant program for changes.

Ms. Wallace made the comment that the City would be much worse off without the RTT from the Retreat. Mr. Del Grande stated yes, \$720,000.

Mr. Hamilton wanted to know what stimulated the increase in solar applications. Mr. Del Grande stated that the cost to install the solar on a roof has decreased the past few years that it has now become an almost neutral expense for new homeowners to consider moving to solar. It is a substantial discount to a homeowner when both the City and State Office provide a subsidy.

Mr. Horning wanted to comment that he was glad that the City was not going to rush into the software change if staff felt that there were going to be issues.

Mr. Horning requested clarification on the parking shortfall reflecting an increase slightly in June and then a decline through the year. Mr. Del Grande explained that staff takes a seasonalization approach to the parking budget. There was some accountability in loss in Parking revenue for the year. Mr. Del Grande believed the trend from May to June would be better for Parking, but he would have to review the numbers again and provide the information to Mr. Horning.

Mr. Horning asked if the PILOT Funding revenue would be accounted for in the July numbers. Mr. Del Grande responded yes.

Mr. Markham asked if there was a guarantee for the software or substitute if the vendor does not deliver. Mr. Del Grande stated that the largest obstacle would be moving from the credit card processor. Currently staff is using Authorize.net to handle utility bill payments done through the system automatically and which will be moving to Paymentus. Currently, Paymentus is strictly being utilized for phone payments. Delaying the release date will require staff to consider purchasing credit card readers temporarily for a month because Authorize.net would be changing to a different platform as well. Credit card information could be entered by hand which Mr. Del Grande did not like as an option. The alternative would be to spend a few hundred dollars per credit card reader until the new system is in place.

Mr. Del Grande has been in talks with the vendor regarding some of the issues with the delay and the fact that the City is now incurring costs potentially to bridge the time gap. The vendor has not responded with any alternatives, but he felt that there may be some miscommunication internally with the vendor. Mr. Markham suggested to have a more direct conversation because there were plans to be executed which cannot be done now and at this stage it is starting to cost money. Mr. Markham added that if the vendor cannot configure something correctly then he would question if they ever had it

configured correctly. Mr. Del Grande agreed, and he had the same question because the City is not Paymentus's only customer and the issues are not totally unique to the City.

Mr. Markham addressed the Solar Grant Program. He recalled that the CAC (Conservation Advisory Commission) gave a presentation to Council and they had lowered the percentage. The options were to either pay back or the second would be to go into the grant program. Mr. Coleman stated the CAC gave a recommendation to do that, but Council did not move forward with the recommendation. Mr. Hamilton stated that the funds were not being used so it had not been reduced to \$1,500. Mr. Del Grande added that it was up to \$7,500. Ms. Bensley also believed that it was rejected by Council.

Mr. Markham expressed the same concern as Ms. Wallace regarding a deficiency without the transfer tax from the Retreat.

Mr. Markham asked what the theory was surrounding the outside water customers' usage. Mr. Coleman explained that a majority of the outside water customers are residential with a handful of commercial and industrial type customers. Public Works has researched to find where the difference lies. Mr. Markham asked if there would be information available in the following month's report. Mr. Coleman hoped that they would have much more information.

Mr. Markham asked if it was the City's usage presented under the Electric Purchases and Sales summary. Mr. Del Grande stated yes and in line loss. The City must purchase more electricity than the amount sold to cover energy lost in distribution and transmission process.

Mr. Horning asked if the decrease of \$24,000 due to the removal of the DNP (Downtown Newark Partnership) support from the University of Delaware in the Subventions was going into the Newark Partnership or was it totally removed. Mr. Del Grande stated that the University of Delaware totally removed the funds from the City's Subvention with the anticipation that they may use the funds to support TNP directly. Mr. Coleman stated it was a lost revenue and an eliminated expense.

Mr. Horning questioned what the primary driver for the overage in consulting cost in the Planning and Development Department was. Mr. Coleman stated that a large portion of that may be because of grant funding for contractual purposes. Much of it is encumbered when the PO is written. Mr. Del Grande explained that when the City encumbers funds, the City does not pay the consultant all at once but it assumes that the full amount would be spent. The encumbrance shows up as an expense and then draws down on the balance. If it is done prior to June, it could show a negative impact on the bottom line.

MOTION BY MS. WALLACE, SECONDED BY MR. LAWHORN: TO ACCEPT THE FINANCIAL STATEMENT FOR THE SIX MONTHS ENDED JUNE 30<sup>TH</sup>.

MOTION PASSED. VOTE: 6 TO 0.

Aye –Hamilton, Horning, Hughes, Lawhorn, Markham, Wallace  
Nay – 0.  
Absent - Clifton

**4. 2. SPECIAL DEPARTMENT REPORTS:**

- A.** FY2020 Budget Overview Presentation – City Manager/Finance Director (30 minutes)

**17:00**

Mr. Del Grande stated there was a new piece added to the budget process which displays the City's estimated revenues for the year 2020 along with an estimate of expenses. This will provide a picture of where the City would be with its revenue estimates in comparison to proposed numbers in the departmental budgets.

Mr. Coleman added that the changes were made in response to requests for the City's revenue estimates to be provided upfront. Staff had received some criticism about some information being repeatedly presented. The current presentation shows the departmental requests with some minor adjustments and budget estimates for revenue.

Mr. Del Grande continued to present the current Council timeline. Legislative's budget presentation would be on September 9<sup>th</sup>. On September 23<sup>rd</sup>, he would be back to present Finance's budget as well as the Police budget. The utility rate study has been moved to January of 2020 due to time constraints on the Council agenda.

Mr. Markham requested for Council to notify Ms. Bensley regarding which meetings they may not be able to attend that pertain to the budget.

Mr. Del Grande stated that the City sometimes encounters some uncertainties during the budget planning. This year does present some challenges and opportunities for growth in the long term. The Christiana Towers coming offline will result in 3.7 million kWh lost annually in electric sales and a permanent loss to water and sewer sales. The Whitney Athletic Center should be online by July of 2020. This would restore half of the electric sales lost from the Christiana Towers over a full year period along with some water and sewer sales to fill the void.

On the STAR Campus, the AP-BIO building has qualified for the University of Delaware's wholesale electric rate through their electric services agreement. It has been anticipated to start tripling in February 2020. Electric usage has doubled each month over the last four months at the Chemours building. Mr. Del Grande felt that the electric sales for this building looked promising. It would also add some support to the City's sewer revenue even though the Chemours building does not rely on City water.

The City has been fortunate over the past two years with some large real estate transactions. It has been projected to receive an estimated \$1.55 million in revenue each year. The City also relies on one-time large property transfers to help increase the bottom line when they occur. Since July, the City has received \$2 million from real estate transactions. 7 out of 306 property transactions, accounted for \$1.3 million or two-thirds of the revenue from RTT. 181 transactions provided the remaining \$700,000. There were 118 real estate tax exempt transactions.

It is anticipated to have a relatively flat amount of net growth in the taxable property assessments. With the transfer of the Courtyard Apartments to the University, there will be an annual tax loss of \$78,000, with a taxable assessment of \$9.8 million. That tax assessment, which is the equivalent of 145 homes, represented over 1% of the City's entire tax base. The 4% tax increase passed by Council last year, is seeing its impact marginalized by this property transfer.

The June annualized cost of living index was 2.1%, which represented the largest year over year change in 2.5 years. It has been anticipated that the impact of the annual cost of living will appear in the City's overall cost to do business.

Another budgetary impact has been the Main Street Project. While inconvenient, the project was necessary and would impact the City's parking revenue throughout 2020. The City has taken this time to work on internal projects along Main Street, which include the addition of parking kiosks, water main improvements, fire hydrant replacements, and installing new valves.

The largest impacts continue to be the legacy carrying costs of both pensions and OPEB (Other Post-Employment Benefits). While the pension has been closed for non-police personnel for several years, the City remains obligated to ensure that its pension funds remain sufficiently funded at a level required to ensure its solvency. The City also remains committed to funding other post-employment benefits for current City retirees and the City employees who are entitled to this benefit when their time approaches.

Mr. Del Grande explained that the Revenue Overview slide of the presentation showed the City's anticipated revenue at the summary level. In total, it has been expected to increase 2.3% in the 2020 revenue to \$96.7 million.

The utility revenue should increase by \$1.5 million, which assumes that the water and sewer sales will remain flat, with a 3% increase in electric. Most of the increase has been attributed to STAR Campus for when the Chemours building comes fully online. In addition, the AP-BIO building is expected to be at full use by early next year. This would triple the current electric usage. In addition, the Whitney Athletic Field is expected to be up and running by next July. All items combined are expected to increase the University's electric usage by 5%. Even with the reduction of the Christiana Towers it should still be a growth pattern for the City in that concentrated area. As rates are shifted to incorporate a greater guarantee of cost recovery, the revenue lines will not change as much with consumption.

Tax revenue, which includes property taxes, lodging taxes and real estate transfer tax, have shown a modest uptick of \$135,000. The lodging tax estimate was increased by \$100,000 to make it \$775,000 for 2020. The RRT revenue was only increased by \$32,000 in order to cover some of the tax loss from the Courtyard Apartments. There was also a loss of \$8,000 due to the change in utility taxes.

Fees for Service includes fines, park fees, business licenses, parking and internal services. Overall, there has been a positive growth of \$198,000, which includes the estimated parking reduction of \$244,000 due to the Main Street Project.

Other revenue includes the City's interest income on the operating funds held in its bank accounts. The City increased its interest income from \$387,000 to \$571,000. Most of this increase has been attributed to the City moving its operating accounts into a sweep program which generates another \$150,000 annually. Mr. Del Grande reminded Council that the City moved into this program in April. Also included under other revenue is reimbursable overtime which offsets any expenses related to paid jobs.

Total Operating expenses were estimated to be \$91.1 million, or \$3.5 million over the 2019 Budget. The Operating expenses include everything necessary to run the day to day business. As evident with personnel services and utility purchases those two items make up 82% of the City's operating budget and are the primary cost drivers in the budget. Personnel services includes wages and all the employee benefits associated with the workforce.

An increase of \$1.9 million in personnel services has driven the budget up from 2019 to \$35.2 million. Some of the factors for the increase are due to the cost of providing health care to staff and eligible retirees. It is estimated to be \$4,150,000 in 2020 assuming an 8% increase. Staff is expecting the renewal in October to be under the 8% increase. This adds another \$420,000 to our 2020 budget.

The City's annual pension contribution to fund is projected to increase \$600,000. Of that amount, \$120,000 is due to the recent FOP changes granted earlier this year. The other \$480,000 represents what is needed per the actuary to maintain funding the pension fund. The most recent actuary review has the pension funded at 66.2%, which is where it has been historically.

The OPEB contribution has been recommended to be increased by \$200,000 to \$1 million to keep up with obligations to fund other post-employment benefits for retirees and eligible active employees. Currently, the OPEB account is 45.76% funded.

Lastly, personnel services account for the remaining \$550,000 change. Included in this amount are contractually obligated step increases for employees who are not at the top of their pay scale and funding for the FOP's cost of living raise on July 1, 2020. It is again being requested this year for funding standby pay for IT staff in order to assist with after-hour and weekend support. Planning has requested additional funds for overtime to meet the needs of the department as an alternative to hiring additional staff. Also included is the request for anticipated funding needed for contract negotiations for the upcoming negotiations with CWA and the two AFSCME unions.

Efforts have been made to review each vacant position, as they became available. For 2020, the following positions were eliminated for a total avoided cost of \$159,000:

- Community Affairs Officer
- A part-time customer service clerk
- Downgraded IT position

Four new positions have been requested. This has not been included in the departmental budget presentations. The Newark Police Department has asked for a lead police records specialist and an accreditation coordinator to aid the civilian workforce. The Electric Department had requested an electric distribution engineer and the Alderman Court would like to convert a part time position to a full-time position once it becomes available next year. Directors have been instructed to speak on these positions in their department presentations to justify the immediate need.

Utility purchases include wholesale power costs from DEMEC for electric and from New Castle County for sewer treatment. Overall, there will be an increase of 2.5% from \$38.8 million to \$39.8 million, which is due to additional electric sales. The sewer treatment fee paid to New Castle County is about \$5.2 million of the \$39.8 million.

The wholesale power pricing for 2020 will not be available from DEMEC until the end of this year. Staff has anticipated a wholesale rate reduction based on recent power supply contracts. Also, New Castle County will not be changing their sewer rate until July 1, 2020.

Almost half of the City's wholesale rate is made up of electric generation costs. Staff recommends that if the cost of wholesale power is reduced by DEMEC, to take an opportunity to change the City's energy portfolio from 15% renewable to 100% renewable. This would be something the City

could voluntarily do at an additional cost. It has been estimated to be between \$900,000 and \$1.3 million depending on the selection of select Solar RECs (Solar Renewable Energy Certificates) alone, or just RECs (Renewable Energy Certificates).

The smaller parts of the operating budget are in materials and supplies. There is a decrease of 2.1% or \$52,000.

Contractual Services has increased by \$938,000. Of this number, \$850,000 is due to the worker's compensation program recently approved by Council with DFIT (DeLea Founders Insurance Trust). Over time, the health benefit expense should begin to fall as a result of switching to this program.

The Planning Department has requested an additional \$43,000 to bring the total to \$225,000 in 2020. Included in this figure:

- \$50,000 for Newark Downtown Parking Plan
- \$75,000 for the outsourcing of some Planning Services (to include but not be limited to zoning code clean up, plan review, and administrative assistance support)
- \$50,000 for the review of fees for permits and licenses as well as a review of the business licenses process
- \$50,000 for support of the Transportation Improvement District Workgroup.

Equipment depreciation is a figure based upon current equipment that funds the City's equipment replacement program in the CIP (Capital Improvement Program). There are no changes to Other Expenses in the subvention programs, other than one CPI (Consumer Price Index) adjustment for the annual revenue sharing program. The main reduction is due to the removal of the parking validation program from the budget since its funding was discontinued at the end of 2018.

Overall, the City's debt service for 2020 decreased by \$32,000 when compared to the 2019 budget. In 2019, the debt service budget was reflected in two places. The referendum interest payments in the CIP and the debt service payments in the operating budget. Most of the referendum work in 2019 was paid by cash advances in order to avoid making any interest payments this year. Overall, the City's debt service is estimated to be \$3 million.

The Gross Capital budget decreased by \$5 million to \$15.1 million. The increase in 2019 was primarily due to the referendum projects rolling over from 2018. The state revolving loans contributed to the need to use less reserves than were used in 2019.

The largest change came from other sources, it increased 145%, or \$1 million, due to City Hall's HVAC project. Staff will be pursuing an energy services company, or ESCO, using electric usage savings to fund the new heat and air conditioning needed in City Hall.

The overall Net CIP Budget increased by \$176,000 to \$4.1 million. This \$4.1 million represents the portion of the capital budget supported by current revenues which are comprised of taxes, fees, etc.

The City's total operating revenue is up 2.3%, or \$2.1 million from the 2019 budget. However, total expenditures are up 4.2%, which includes operating and capital expenses, or \$3.9 million. With the revenues netted against the expenditures, there is a \$1.5 to \$1.6 million gap.

Staff continues to work towards solutions to balance the 2020 budget. The recommendations will be presented to Council at the Financial Workshop on October 7<sup>th</sup>. The goal was to get something in front of Council beforehand to educate them of where each of the departments stand in the overall budget process before each department's presentation of their respective budget requests.

Ms. Wallace appreciated staff putting together the projected revenues as it had been requested in the past by several Council members. The information has been helpful and makes the process more meaningful as each department presents their budget.

Ms. Wallace asked what the plan was moving forward regarding the long-term trend of increases in the OPEB and pension cost. She advised that a response could be provided later. It is something that needs to be dealt with over the long term.

Ms. Wallace asked the level of confidence staff had regarding the numbers from the University of Delaware accounts. Mr. Del Grande stated the numbers were provided directly from the University. Mr. Coleman added that the numbers presented were also used by the University of Delaware to make electric

purchases from DEMEC. Ms. Wallace wanted to know the current rate of DEMEC. Mr. Del Grande stated it was just below the rate the City paid for electric this year. Mr. Coleman explained that the rate was also made up of multiple parts. The University's per kWh was lower but they pay \$2.6 million in demand charges, delivery charges and customer charges on top of the rate. Mr. Del Grande stated that the effective on July 1<sup>st</sup> the University purchased another 3 megawatts of power during each summer month because they were reaching the thresholds of the agreement. When DEMEC did a bid for another purchase power agreement for three years, those rates were coming in at 2.5% lower than the numbers the City currently pays. Mr. Coleman stated that their rate for the three summer months was now even cheaper than it was originally. However, the difference was that the University would be more subjective to price point fluctuation in the market. Ms. Wallace believed that there would be more discussion when the electric rate study has been completed.

Ms. Wallace said that there has been a lot of discussion around adding a customer charge to utilities or expanding current customer charges. She asked if they were going to wait until the electric rate study to have the discussion and then have it be part of the 2021 budget. Mr. Del Grande believed staff could move forward as soon as Council provides approval when the rate study is presented. He did not believe it needed to start on the fiscal year as the revenue number would not change. How the rates are charged would change so from a budgetary impact however, there would not be a large impact on the bottom line. Mr. Coleman explained that it would basically be a re-assessment.

Ms. Wallace asked where the discussion was surrounding credit card fees. Mr. Del Grande explained that part of the move to Customer Connect 6 would allow the flexibility to set credit card fees. Using dynamic rates to charge how many times the same credit card is used to being able to put limits on dollar amounts. Mr. Del Grande asked Council to put more thought into if credit card fees can be charged or have the fee put into the customer charge. Mr. Del Grande stated the issue he had was with the large amount of transient electric customers due to move-ins and move-outs of the students. It would be easier to collect money upfront versus people being dissuaded from making a payment because of an added \$2 charge being added to their bill. He rather build that cost into current charges. Mr. Del Grande believes the talks with University of Delaware to have them not pay by credit card have stalled. He did some research and the conversation has been going on for 20 years. Mr. Del Grande was confident that the University was not going to change the way that they pay their bills to the City. Since the City already knows what the number is, it could be easily be put into the customer service charges on the rates charged to the University. Which leaves most of the residents and customers who use credit cards to pay their bill on a monthly basis. He was fine with continuing to not charge for the fees and build it into the cost of doing business.

Mr. Del Grande stated there would be some mitigation of credit card expenses at the parking kiosks. There would be an up-front fee for using the app. For the City's day-to-day business, he believed it would be more customer service oriented for the City to take on the fees and build it in to the cost of doing business.

Ms. Wallace asked if the PILOT-light was included in the Intergovernmental Revenue. Mr. Del Grande stated that the \$400,000 would be shown as Other Revenue coming in the 2019 budget.

Ms. Wallace questioned how the 8% placeholder until October for a health insurance increase compared to other municipalities or for-profit businesses. Mr. Del Grande stated that around 2015 through 2017 it was increasing by double digit increments through the State and County of 12% to 25%. In the City of Newark, it was increasing in single digits of 4.5% to 8%. He believed the proactiveness of DVHT paired with the proactiveness administration some of the dividends have paid off as a result. DVHT has kept the rates competitive and the City is doing well as a result of it. Ms. Wallace asked of the 8% is a conservative placeholder, Mr. Del Grande answered yes. That number was extremely conservative and was provided by DFIT. He would be surprised to see it actually be 8%, he hoped for it to be 4% to 6%.

Ms. Wallace requested to know if the Worker's Compensation, the new DFIT, was under Personnel Contractual Services. Mr. Del Grande stated both were under Contractual Services which increased \$938,000. Out of that number, \$850,000 attributed to the increase under Contractual Services.

Mr. Hamilton also appreciated the revenue projections and requested clarification regarding the credit card costs to the City. Mr. Del Grande believed that it was costing the City an estimated \$1 million per year including parking. An estimated \$400,000 is due to the University of Delaware electric, water and sewer credit card expense. Mr. Hamilton asked how the City would recover some of those funds. Mr. Del Grande stated once the City moves to a customer charge, the \$400,000 could be allocated across the University's utilities appropriately. Mr. Hamilton asked if that number was built into the projections. Mr. Del Grande stated the projections were showing "business as usual". Ultimately, baking in the customer

charge would be more of a cost recovery side which would ensure the revenue numbers that are reported monthly should stop if a customer service charge were to become more valid and reflective of costs.

Mr. Hamilton asked how it would help the City in the future if the County were to reassess property taxes. Mr. Del Grande stated that it was a tough question to answer because it would depend on location in terms of where the properties lie within the County. There have been recent sales of large commercial properties where if the sold price is compared to the assessed value, it could be said that the buyer paid a premium on those properties. If they were to be reassessed with the assumption that all the City's commercial properties were at a premium there could technically be a shift from the residential side more towards commercial. However, some of the older commercial properties could be over evaluated and that number could shift in the opposite direction. Mr. Del Grande added that the bottom line was that there would not be a change in revenue for Newark. The City would still collect \$7 million in property tax, it would just be a matter of where the funds would be coming from.

Mr. Hamilton asked if he had heard correctly that the budget for 2020 does not include \$400,000 from PILOT. Mr. Del Grande stated it does not, but he would like to. All the revenue numbers are conservative.

Ms. Hughes requested clarification on the statement of the "Ability to meet revenue needs are challenged by reliance on consumption". Mr. Del Grande explained that the water and sewer rates do not include a customer charge. Customers are only billed a per gallon charge and when it is done there is no accurate way to ensure that all of the revenue is coming in to cover the cost of the infrastructure and fixed cost to run the utility. It makes the City totally dependent upon weather. The largest problem is with water. Conservation and building codes have changed over time, so 3 to 5-gallon flushes have been replaced with 1 to 0.5-gallon flushes. The newer buildings being constructed are more highly efficient in conserving water than the buildings they are replacing. As a result of the change with the same pipes in the ground, the same cost to provide, supply and ensure water quality without a fixed charge built into the rates but sell 100,000 gallons less than expected; then it is a true revenue loss to the City that cannot be recovered. If it were to happen over a number of consecutive years, then it would be a problem to continuously try to catch up. There needs to be a way to recoup the money lost from previous years. By having customer charges built into water and sewer it would bring down the water rate. Currently, the City is charging \$8 per thousand gallons for water and hypothetically it could become \$6 but that could be replaced with a customer charge.

Ms. Hughes asked how much the customer charge would contribute to the bottom line. Mr. Del Grande stated it would be revenue neutral for the City. It would not add revenue, it provides a better certainty that the City can collect what it estimated to be needed.

Mr. Horning wanted to know if the Community Officer position that was vacant was not going to be filled prior to being deleted. Mr. Coleman stated the position was combined with the Communications Manager position to create the Chief Communication Officer position. Mr. Horning wanted the clarification to make sure that there was someone working with the community to notify them of the changes in parking, the Main Street rehabilitation and to support the businesses.

Mr. Lawhorn wanted to touch on the utility rate study to be discussed in January 2020 but it has been anticipated from a budget standpoint that whatever comes happens it would be a revenue/expense neutral with the exception of potentially building in for all fees to have a credit charge. Mr. Del Grande answered that Mr. Lawhorn was correct.

Mr. Lawhorn questioned the dollar amount for the Christiana Towers utilities. Mr. Del Grande stated that staff had estimated that between water and sewer it would be \$200,000 a year. Mr. Lawhorn asked if it was anticipated to make half of that back from the Whitney Athletic Center. Mr. Del Grande was not sure of what the sewer and water estimate would be for the field.

Mr. Lawhorn had the same question as Ms. Wallace regarding OPEB. He wanted to know if there was a clear picture of what to expect over the next three to five years. Mr. Del Grande believed that the City was in the fifth year of a twenty plus year amortization schedule. He knew that the OPEB cost would continue to climb if not double over next 10 to 15 years. At one point it could increase to \$2 million before it would start to decrease back to \$0 again. It is a cost to the City that does not get a lot of attention because when it comes to retirees, the City still incurs health care costs. Mr. Lawhorn stated that between OPEB and health insurance, to have an idea of what to expect over the next three to five years would help Council educate residents so that they have an understanding of what will be coming. It would help to get the message out now so it is not as much of a shock to people as the number increases.

Mr. Lawhorn asked if the conversation about going 100% renewable would happen later. Mr. Del Grande stated that once the decision has been made there is no way to reverse the decision. It should be discussed with Council that if the City were to increase its renewable portfolio to buy RECS or Solar RECS which would be the equivalent of having solar in the City, there would be a cost to do so. Once the change has been made, the City would be buying into a contract for an estimated three-year period. Then supply and demand could become a problem along with everyone else. If the State were to decide that everyone should be 50% renewable within the next five years, that would drive up the cost of the RECs the City needs to maintain its status as being 100% renewable. Mr. Del Grande added that he and Mr. Coleman have discussed a mandatory opt-out for new electric customers. New electric customers would be automatically 100% renewable unless they opt-out. Then provide the option to the remaining electric customers to voluntarily opt-in. That would not be including University of Delaware or larger commercial customers. For staff to come up with that number, they would have to estimate who would opt-in or opt-out and then figure out how much the City would need to purchase.

Mr. Lawhorn asked if that discussion and decision-making process was part of the electric rate study. Mr. Del Grande stated it could be done separately. Mr. Coleman explained the good thing about it would be that if people decide to buy \$200,000 worth of RECs then the City would have \$200,000 to buy the SRECs. Mr. Coleman stated hoped to have the discussion in the Fall with the plan to have something in place in the first quarter of next year. He would like to avoid having rolling contract terms. That way if someone were to agree to the rate, it would be locked in for a 12-month period. Then at the end of that period the rate could be reset for the next year. Right now, if someone lived outside of the municipality and purchased power through the competitive market the contract would start at the sign-up date. The City currently does not have the manpower to administer a program in that design.

Mr. Lawhorn asked that if the County were to do the reassessment, he understood that it would be tax neutral, but would it be tax neutral by County or was there code stating that it has to be tax neutral in Newark. Mr. Del Grande stated that in theory it should be neutral for Newark. Mr. Coleman stated that what the County collects from Newark customers might go up or down. It would be neutral across the County and the cost of the reassessment. Mr. Coleman added that the City would have to adjust its tax rate down by the adjustment up in the assessed value.

Mr. Markham asked if the University went directly to DEMEC for their purchases. Mr. Del Grande stated yes.

Mr. Markham stated he understood the reassessment to be neutral but asked about real estate transfer tax. Mr. Del Grande stated there would not be an impact on RTT because the RTT is based on the sale price. The only time it would impact anything is if the sale price is less than the assessed value.

Mr. Markham felt the Planning Division personnel services and overtime should pay for themselves and should be neutral. Mr. Del Grande answered yes, that there were plans that come in to pay for them.

Mr. Markham stated the City sells its SRECs to DEMEC and wanted to know if they could terminate that at any time. Mr. Del Grande stated the City sells the SRECs from McKees Park at \$50 per SREC and he believed that the market was at \$5. Mr. Markham stated that if they were worth more than \$50 then the City should keep them. Mr. Del Grande agreed and added that he believed it was part of renewable portfolio that is carried by DEMEC who manages the City's SRECs. Mr. Markham said that the City could help itself if it were to do its own solar renewable project too and stabilize the rate.

Mr. Markham asked if electric cars were added as part of the reduction in gasoline under material supply. Mr. Del Grande stated yes, it has been estimated to have three to five vehicles to be added in the next year.

**5. 2-B. FY2020 ALDERMAN'S COURT BUDGET PRESENTATION – CLERK OF THE COURT (10 MINUTES)**

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**01:07:10**

Ms. Conover stated that there was very little change from 2019. There was an increase of 2.6% which calculated to approximately \$14,000 overall. The increase was due primarily to personnel services which included service awards benefits. There was a decrease in materials and supplies due to a one-time request for a new kiosk in 2019 for the Court lobby.

There were no questions from Council and no public comments.

6. 2-C. **FY2020 ELECTRIC DEPARTMENT BUDGET PRESENTATION – ELECTRIC DIRECTOR (35 MINUTES)**

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**01:08:54**

Mr. Patel provided a summary for the 2020 Electric Department budget. Operating expenses increased by 2.94% due to personnel services and benefits. Mr. Patel did have a request for an additional engineer. Currently there is a vacant position since the previous person retired. The system has grown with the addition of multiple software and has become more complex. These systems now require more time and management. It is currently being maintained by Mr. Patel and the Deputy Director of Electric Department. Both are also maintaining the existing systems, the distribution substation and overseeing the line crew.

A new project was added to the 2020 CIP. The creation of a new substation has been discussed since the existing substation is almost 40 years old and it is the only point of source for the City. Another source of electric is also necessary because of the load at STAR Campus. The existing infrastructure is not capable of providing the capacity increase at the campus. It will help viability as well as fulfilling the capacity need at the campus.

The electric department has budgeted for \$300,000 for the new substation. It would be used for engineering studies to determine the cost of the new substation. Previously, the plan was to have a substation at the STAR Campus but recently the location was moved to be across the street to the old transfer station. This move has been estimated to save \$2 million to \$3 million to build new transmission lines.

Mr. Patel added that the remaining CIPs in the budget have not changed since the 2019 budget.

Ms. Wallace appreciated the maps that were included with the CIP projects and hoped that other departments would follow suit.

Ms. Wallace asked to be reminded of why there was an increase in streetlight maintenance. Mr. Patel explained that it was part of the LED street lights project. The account is used to address any issues with the streetlights. He added that some of the streetlights are still under warranty which allows claims to be placed to the vendor who replaces the parts.

Ms. Wallace asked about the \$100,000 for the Conservation Advisory Committee. Mr. Del Grande stated that the CAC receives a \$100,000 appropriation every year for projects that they deem worthy to present to Council for consideration. In the past the funds have been used to fund McKee's Park which was the largest project a few years ago. Ms. Wallace asked if it was changed how it was included in the budget. Mr. Del Grande stated yes, that prior to 2019 it was always deducted from Electric Revenue and was not very transparent in the Operating Budget.

Mr. Lawhorn requested clarification of Bad Debt Expenses at \$50,000. Mr. Del Grande stated it was unpaid resident bills which are written off.

Mr. Markham asked if the expenses for streetlights were to be taken out of the Renewable Energy Fund. Mr. Del Grande explained that the loan to the City for the LED streetlight project came out of the Green Energy Fund, not the maintenance. Mr. Markham asked if the money was in both places, Mr. Del Grande responded no.

Mr. Markham questioned the decrease in Solar Revenues by \$3,000. Mr. Del Grande linked the decrease to the weather and some maintenance issues. However, he believed last month to be a good month of production. Mr. Markham asked if there was maintenance or cleaning in the budget for every so many years. Mr. Patel said not at this time, but it could be considered. Mr. Del Grande stated that traditionally with McKee's Park maintenance the funds have been taken out of the Green Energy Fund. Each instance was brought to Council. Mr. Del Grande recalled that one repair was for panels at an estimated \$17,000 and another for roughly \$5,900 for the purchase of panels. Mr. Markham wanted to know the difference between that and the expenditures for Solar Rebate and Notional Solar Cost. Mr. Del Grande explained that the figures for Notional Solar Cost would be the wholesale cost of electric if McKee's Park did not exist. Mr. Del Grande did not recall the Solar Rebate. Mr. Markham stated that it had ended and that he did not need an answer right at this time.

Mr. Markham asked about the New Lines and Services CIP. Mr. Patel stated that it was for any new development or new services. This expense is for the projects where if the estimates are high or low the funds can cover these expenses. He added that the funds are rarely used, they stand as a backup.

Mr. Hamilton asked if there would be any help with the purchase of a new substation. As he recalled there was an earlier discussion around the idea that UD would not be charged to expand and make the capacity greater because it has been anticipated that the electric sales would cover the cost. Mr. Patel stated it would be part of the rate study and staff was also trying to look into the impact as well. It would determine, once the cost of study is out, how the rate structure would fall into place.

Mr. Patel stated that UD is helping the City by allowing the use of the University owned land to build the substation as well as letting the City use Farm Lane to build the pole line.

Mr. Hamilton believed that there was a tract of land for sale on the farm road and sent an email to Mr. Patel in reference to the possible sale. Mr. Hamilton wanted to know if that land was sold. Mr. Coleman stated the site that was for sale is across from the road used to get to the transfer station. Mr. Patel stated it would not be large enough for the substation.

Mr. Hamilton expressed concerned with the 2020 to 2024 funding amount showing \$15.7 million under the new substation project. Mr. Patel explained that \$15.7 million was the estimate from the cost study when the substation was proposed to be built on the STAR Campus. This was why staff has budgeted a study for 2020 to see there would be a decrease in cost. Mr. Patel stated that the cost could potentially decrease to \$10 million to \$12 million. Mr. Hamilton wanted to know how much money was in reserves and how has the City budgeted in the present for the potential cost. Mr. Coleman pointed out that Council set aside \$2 million as part of the RSA (Rate Stabilization Adjustment) process. There should be another year of that before the rate study. The rate study at the end of this year would provide an opportunity to set aside more funds. As part of the electric rate study, staff would look to implement some sort of impact fee to begin building an account. If the City were to have to pay the full \$15 million, a plan could be to put aside one-third or half of cost and then debt finance the other half in an effort to recover the funds over the next 10 years after the completion. The options are to either finance it through a referendum, pay cash or finance it through DEMEC who would then bill the City back through the City's electric bill. Mr. Coleman added that his recommendation would be a combination of two. He believed possibly half could be in cash and then debt finance the rest. It would be the most equitable way to accomplish the project.

Ms. Wallace wanted to verify the numbers and dates were placeholders, to make people aware of what is to come. Mr. Patel stated yes that staff has also planned to do a system study after adding additional loads. The result will tell staff how short of funds the City would be to complete the substation.

Mr. Horning asked for clarification as to why the new location was better. Mr. Patel stated that the new location proposed was better because Delmarva has a transmission line going past the site. If the substation were to be built on STAR Campus, they would have to build the transmission line all the way to the campus which would cost between \$2 million to \$3 million. Mr. Coleman added that the chances for the University to develop the City's old transfer station site are very low. However, the chances of the University developing something at STAR Campus to provide the City additional revenue through utility sales or tax revenue is much higher.

Mr. Lawhorn remembered that as it related to the electric rate study, the representative spoke about how to build in the impact fee to start to prepare for a large expense. He questioned how the City would give the representative the correct information when the study is to happen next year. He asked if the representative would be presented with the \$15 million estimate. Mr. Coleman state unfortunately they probably would have to provide the first estimated cost. Staff could as part of the rate study develop an estimate for how much demand is expected to come online over the next five years. This way by the time the rate study happens, staff would know roughly when it would need to be built. Mr. Coleman added that this year would be the capacity study, next year is the feasibility study to determine the actual cost where a plan would then be developed. Then staff will know when it would need to be built, how much demand is coming over the years and know the demand charge could be a certain dollar amount per kW of demand. Once the amount of kW will be demanded, then know the dollar amount the two can be divided to calculate what the impact needs to be per kW of connected demand. Mr. Lawhorn asked if it would also have to have a strategy for payment would be whether it would be to save 30% or 50%. Mr. Coleman stated it would be a discussion. Mr. Coleman felt that realistically they could not finish the impact study discussion until the dollar amount from the feasibility study is calculated. But the representative could set up the formula and even start collecting with an estimate. Once the actual cost has been determined then the number could be adjusted. Mr. Del Grande added that there would also be another rate study in 2025 or 2026. Mr. Coleman stated an important thing to remember is that the number is more of an order of magnitude, it would be a little more than \$10 million.

Mr. Lawhorn asked if the timeline had been pushed out to far due to the growth of STAR Campus. Mr. Patel explained that the substation was being built not only because of STAR Campus but because the

City's current substation as well. Mr. Coleman stated that the did not foresee the growth to require the project date to be moved up.

Mr. Lawhorn commented that Kershaw Substation appeared to be a calculation for preventative maintenance. Mr. Patel stated yes, that it is for the 35kV Disconnect at the Kershaw Substation. He added that there is also a maintenance budget for repairs. Mr. Coleman confirmed with Mr. Patel that the City currently has three units and the City can run on two units.

Ms. Wallace wanted clarification on the addition of the New Lines and Services project. She wanted to know if the cost was being recuperated and what the amount was based off of. Mr. Patel stated yes that in some instances when a new development is approved, equipment is needed ahead of time to begin. Funds are utilized from this CIP to purchase the equipment and then the developer reimburses the City for the expense. The reimbursed funds go back into the General Fund. The amount is based off of approved projects and if the funds are not used, then the funds go back.

Mr. Horning asked if there was any opportunity or precedent for the University to incur some of the cost to replace poles on North College Avenue and including the installation of a primary metering pole in preparation for the upgrade of voltage to 12,470 volts. Mr. Patel stated that the upgrade would be more of a benefit to the City than the University. Currently the University is on the City's low voltage system. The City has encouraged the University to move up to reduce line losses of 4.1%. Mr. Coleman added that the 4.1% is considered very good by industry standards.

Mr. Markham wanted to address the reliability for the spokes or "dead-ends" and that this was something that he had mentioned at budget time last year. Mr. Patel stated it was not in this current budget presentation, but staff has investigated a way to back feed those customers by either using the reclosers or by getting them back from (inaudible).

Mr. Markham understood that there was a higher cost to run lines in the opposite direction but felt that there was a large section of the City that does not have the capability to be brought back online. Mr. Patel stated that with District 6 the City's territory stops at Possum Park Road. The City had to go around Kirkwood Highway where the City does not have any infrastructure. Electric had to rely on Delmarva's infrastructure to get on the pole line to bring the second feed in. Mr. Markham stated that the City had to share poles with Delmarva per State law. Mr. Patel stated staff was looking to see how cost effective it would be because they were not sure if the pole will need to be changed to provide for the City's own circuits. There would have to be a study to see if the Delmarva poles have any room to hold the City's circuits.

Mr. Markham understood it to not just be a problem for District 6, but with Ms. Wallace's district as well where some residents only have one spoke with no way to re-route.

Mr. Markham believed that the time has come for the City to find a way to do a fairly large renewable energy project. There are residents taking advantage of the grant program because costs have decreased. He would use the RSA for a different purpose such as doing a renewable energy project. If there is renewable energy, then there would be a way to stabilize rates. Mr. Markham may put a proposal together or have staff prepare one since conversations have been happening about renewable energy for the whole City. Ms. Wallace would like to discuss renewable energy and asked for it to be added to the agenda.

The Chair opened the discussion for public comment.

Lou Spinelli, District 2, was glad to hear about discussions pertaining to sustainable energy. He is the owner of two electric vehicles and sees it being the future. He is an instructor at a college where he teaches automotive technology. Mr. Spinelli was also encouraged to hear about the City purchasing electric vehicles. He appreciated the work done by Council and the committees involved.

**7. 2-D. FY2020 PARKS AND RECREATION BUDGET PRESENTATION – PARKS AND RECREATION (35 MINUTES)**

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**01:44:30**

Mr. Spadafino stated that there was an increase of \$9,500 in materials and supplies. The requested increase is for the purchase of a new trailer to transport horticultural equipment, as well as equipment and supplies for events.

There is an increase of \$118,000 in contractual services. Contributing to that number is \$73,000 due Workman's Compensation, \$5,000 to creek clearance and \$10,000 to trail removal. There has been a

large number of fallen trees which have created blockages. When the blockages occur, they must be removed quickly especially in residential areas to avoid flooding. Parks has combined some of the work with Public Works and Utilities. Parks and Recreation would oversee the entire tree contract for most of the projects. Also contributing to the increase is \$17,000 due to the Newark Preserve and Rodney Project Basin mowing.

Mr. Hamilton questioned the increase of 17.1% in sick pay funds. Mr. Del Grande stated that every year the employees who have a high sick balance can cash in one hour for every three hours over 90 days. Staff used past years trend to estimate the number. Mr. Del Grande added that as employees become more tenured, they accumulate larger sick time balances.

Mr. Spadafino stated under new projects would be to purchase a new skid steer to help get along the trails and with maintenance projects. This piece of equipment can also be used to help with snow removal in some of the icier places, help move supplies and other equipment.

There is also \$45,000 in the ADA (Americans with Disabilities Act). The City does have several ADA accessible play features, but better ADA routes are needed to get to the pavilions and to the play features.

Mr. Markham suggested to review the projects that have money in budgeted 2020 first. Ms. Wallace suggested to cover new projects and then the existing projects together.

Mr. Spadafino explained that all the City's park signage was installed in 1990. They have since faded and the materials used have not held up well. There are a number of parks such as Kells Park, Old Paper Mill Road Park and Rodney Park that have signs which need replacing. Mr. Spadafino stated that several signs have been vandalized or have become so deteriorated that they have been removed. Also, there are a number of parks coming "online" where Parks would like to provide signs for. The department is also in the process of getting a full commitment for a \$32,000 grant for 2020 which could be used towards sign replacement. The grant would pay for roughly half of the project. Mr. Spadafino should know for sure in the next couple of weeks. If the funds are received, Phase 1 would be done in 2020.

Mr. Spadafino continued and described the Olan Thomas Sidewalk Improvement Project. He stated that when the new bridge is completed, there would be 12-foot path that will lead to a 5-foot sidewalk. There is a possibility that the sidewalk would need to be increased to 8 feet or move it into Olan Thomas Park and connect onto the Pomeroy Trail. Mr. Spadafino hoped to be able to update the existing sidewalk which could be a less expensive option but would need to be researched to know which direction it should go. Mr. Markham asked if that was forecasted for 2022 and Mr. Spadafino responded correct.

Mr. Spadafino stated that staff would like to do a crush and run trail for Handloff Park Trail. It would be a nonpaved trail throughout the park. Park trails seem to be the biggest necessity in park usage throughout the country and especially in Newark. The trail throughout Handloff Park could roughly be 0.75-miles of walking trail. Mr. Markham verified that this project was five years out, Mr. Spadafino responded yes.

Ms. Wallace has received feedback from residents who live around the Handloff Park Trail. She thought that everyone loves parks however Rodney Park will also have a number of walking trails. She was not sure that crush and run would be a want of residents. Ms. Wallace would like to see some feedback from the neighborhoods. Mr. Spadafino offered to provide picture examples of other parks to show how well crush and run trails can hold up over time.

Mr. Spadafino added that with the purchase of the mini track loader, Parks would be willing to share the piece of equipment which could be helpful to Public Works and the Electric Department.

Mr. Horning questioned the note where it stated the City was part of a program associated with ADA. He asked if the City was on a timeline or if it included grant money. Mr. Spadafino stated the National Recreational Parks Associate set a goal where at least 30% of the City's structures would be ADA accessible and play features throughout the parks system. Mr. Horning asked if there was a benefit to be part of the program or was it just a commitment. Mr. Spadafino stated that it was a commitment made to Newark residents to show that the parks are accessible to everyone regardless of ability.

Mr. Markham explained that Council had previously decided to keep the Recreation Management Software in the budget verses repurposing the money for the bridge.

Mr. Spadafino stated that the current Lumbrook Park Pavilion is about 40 years old and is not in good condition. Regarding Preston's Playground, the City received a grant from the State in the amount

of \$60,000 in 2018. He should know by the end of September if the City will be granted another \$50,000. Staff is currently waiting on bids for prefabrication restroom for the location.

Mr. Hamilton recalled that Mr. Spadafino referenced a potential grant for the Charles Emerson Bridge. Mr. Spadafino stated that a second submission is due by September 6<sup>th</sup> and should know by the end of September the amount of the funding. Ms. Bensley stated that the resolution for Council to support the grant application has been placed on the agenda for the meeting happening the following week. Mr. Hamilton stated that he was in support of the application. Mr. Lawhorn asked if the grant amount was included in the presentation. Mr. Spadafino said that the additional grant funds were not added to the presentation because he wanted to wait for the official word.

Mr. Hamilton asked the location of the Iron Glen Park. Mr. Del Grande said that it was past the Dunkin Donuts on Elkton Road on the right-hand side. Mr. Coleman added that it was the old yard waste facility.

There were no public comments.

8. Mr. Lawhorn wanted it stated for clarification that the numbers presented, the \$1.5 million over, included everything. He believed the City was heading in the right direction with even some of the potential projects that could happen where not all the data has been provided. Mr. Coleman stated extra people were not included in the budget. Otherwise, the budget presents departmental first requests.

9. **Meeting adjourned at 9:00 p.m.**

Renee K. Bensley, CMC  
Director of Legislative Services  
City Secretary

/dmp

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