DRAFT 2-A

CITY OF NEWARK
DELAWARE

COUNCIL MEETING MINUTES

October 7, 2019

Those present at 6:00 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 Chief Communications Officer Jayme Gravell Acting Chief Human Resources Office Mark Farrall Assistant to the Manager Jeff Martindale Clerk of the Court Terri Conover Electric Director Bhadresh Patel Finance Director David Del Grande NPD Deputy Police Chief Kevin Feeney NPD Captain Michael Van Campen PSAP and Police Records Manager Brian Cannon Parks and Recreation Director Joe Spadafino Planning and Development Director Mary Ellen Gray Public Works and Water Resources Director Tim Filasky

---

1. Mr. Markham called the meeting to order at 6:00 p.m.

2. EXECUTIVE SESSION

A. Executive Session pursuant to 29 *Del. C.* §10004 (b) (4) for the purposes of a strategy session, including those involving legal advice or opinion from an attorney-at-law, with respect to pending or potential litigation, but only when an open meeting would have an adverse effect on the litigation position of the public body.

B. Executive Session pursuant to 29 *Del. C.* §10004 (b) (4) for the purposes of a strategy session, including those involving legal advice or opinion from an attorney-at-law, with respect to pending or potential litigation, but only when an open meeting would have an adverse effect on the litigation position of the public body.

MOTION BY MR. HORNING, SECONDED BY MR. HAMILTON: THAT COUNCIL ENTER EXECUTIVE SESSION PURSUANT TO 29 *DEL. C.* § 10004 (B)(4) FOR THE PURPOSE OF A STRATEGY SESSION INCLUDING THOSE INVOLVING LEGAL ADVICE OR OPINION FROM AN ATTORNEY-AT-LAW, WITH RESPECT TO PENDING OR POTENTIAL LITIGATION, BUT ONLY WHEN AN OPEN MEETING WOULD HAVE AN ADVERSE EFFECT ON THE LITIGATION POSITION OF THE PUBLIC BODY.

MOTION PASSED. VOTE 6 TO 0.

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

3. RETURN TO PUBLIC SESSION

Mr. Markham reported no action needed to be taken for both Executive Session topics.

4. SILENT MEDITATION & PLEDGE OF ALLEGIANCE

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

5. 1. FINANCIAL STATEMENT: *(Ending August 31, 2019)*
3:23

Mr. Del Grande reported that August looked good overall and expenditures were $375,000 better than previous months. He noted revenue added $121,000 and the City was operating at $1.8 million positive variance. Mr. Del Grande opened the floor to questions from the Council.

Mr. Markham opened the floor to questions from Council.

Mr. Horning asked if there were any questions or recommendations for Council to take in terms of action. Mr. Del Grande reported the that there were no actions for the evening, but staff had investigated sewer fees. They were able to identify some industrials and large commercials in the classifications of the accounts which dramatically impacted the sewer bill. One customer received a $50,000 correction and Chemours received the first bill which covered May 1 to August 31. With these two adjustments, Mr. Del Grande felt that the sewer funds looked better than it did 30 days ago.

Mr. Coleman added that regarding the past due charge portion of the sewer bill, the current amount paid to the County for the strength of sewage is higher than the revenue the City is currently receiving from the customers for the strength of the County portion and code. Mr. Coleman said that they were discussing recommending a change to Council on how the City bills for the County sewer portion as opposed to using the current defined amount, and to adjust it based on actual experiences to stop the City from absorbing the cost of the County bill.

Mr. Markham asked if this topic would be discussed later. Mr. Coleman said that it was still early in the process and he wanted to see how the classification changes impacted the issue and that a realistic discussion would take place next year about possible fee restructuring. Additionally, he noted that the City only added cost to the flow portion of the bill and did not recover any cost for strength, which has a direct impact on the City's operational expenses. Fats, oils, and greases come from the strength portion of the bill. Mr. Coleman stated that discussions had been taking place regarding distributing the current recovered revenue from flow to flow and strength.

Mr. Markham noted that the wording needed to be different as the City was not recovering the cost of what the City was sending the County and Mr. Coleman confirmed. Mr. Markham inquired as to whether lessening water usage led to an increase in toxicity or if specific fats were a concern. Mr. Coleman stated that it depended on how the reductions occurred; fewer showers would most likely make the toxicity stronger but if restaurants were cooking less than it most likely got weaker.

Mr. Markham stated that he expected August to have higher levels of water and electricity due to the heat. Mr. Del Grande replied that August was not as hot as had been anticipated but July was one of the top ten on record. August had a few cool days which lowered sales to less than anticipated. Mr. Del Grande noted that water had been underperforming apart from a few months earlier in the year.

Mr. Markham asked for clarification on page 5 of the presentation where Emergency and Communications Fees were listed as revenue. Mr. Del Grande explained that the number reported was the City's share of received 911 funds from the State. Mr. Markham asked if the number was a reimbursement and Mr. Del Grande said it was a grant. Mr. Markham stated that he was displeased with the utility numbers being red and Mr. Del Grande said that it would be remedied.

Mr. Markham referenced the parking meter revenue on page 6 and said that he recalled changing from 1 hour to a 30-minute minimum was to have a direct impact to the parking revenue. Mr. Coleman confirmed and stated that it was a negative impact of roughly $100,000. Mr. Markham asked if $100,000 was to date or a projected number for the year and Mr. Markham confirmed that it was a yearly projection was more like $50,000 for this year. Mr. Markham stated it was less than $10,000 a month and Mr. Coleman confirmed. Mr. Coleman said the number would be nullified by the elimination of parking lot attendants, but the City is losing revenue while still covering the cost of the attendants. Mr. Coleman said that it is a True Cost this year and anticipated a wash for next year. Mr. Markham asked if the attendants would have the opportunity to apply for open positions in the City and Mr. Coleman confirmed.

Mr. Hamilton asked how the new meters on Lovett and Haines were reporting. Mr. Coleman replied that complete and accurate data was not yet available and that anecdotally there was a slow adoption but felt the temporary closure of Academy Street would increase traffic onto Haines and alert drivers to the meters. Mr. Coleman noted that payments in Lot 1 have exceeded 70% by app so the adoption rate for the app has been high. Mr. Hamilton was told by the UD ID Office on Lovett that the lot has been full since the meters went up. He noted that every parking spot on Lovett except for one was full while Haines only had four or five cars. Mr. Hamilton spoke to two students taking classes the ISE building and both remarked it was convenient. Mr. Hamilton conveyed that the students felt that staff had done an excellent job. Mr. Hamilton said that he was looking forward to seeing how the numbers shifted and Mr. Coleman offered to get revenue by street as that would be helpful for discussion.

There was no public comment.

MOTION BY MS. WALLACE, SECONDED BY MR. HAMILTON: TO ACCEPT THE FINANCIAL STATEMENT ENDING AUGUST 31, 2019.

MOTION PASSED. VOTE: 6 to 0.

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

6. 2. <u>SPECIAL DEPARTMENTAL REPORTS</u>

A. Recommendation on Activities Proposed for 45th Year (July 1, 2020-June 30, 2021) Community Development Block Grant and 2020 (January 1, 2020-December 31, 2020) Revenue Sharing Program

13:55

Ms. Gray provided a brief report and recommendation on the activities proposed for the July 1, 2020 – June 30, 2021 Community Development Block Grant Program (CDBG) and the January 1, 2020-December 31, 2020 Revenue Sharing Program (RSP). Ms. Gray introduced the Committee Chair, Patricia Wilcox, and noted that City Planner Mike Fortner usually gave the presentation but was unable due to his commitment to present to the Delaware and Maryland Chapter of the American Planning Association.

Ms. Gray reviewed the Committee's report on the Funding Recommendations for the 46th Year Community Development and the 2020 Revenue Sharing Program. Ms. Gray addressed the CDBG funding for the 46th year and addressed the summary of the Committee Recommended Programs which total the $270,000 allocation from New Castle County. Ms. Gray stated that this amount is projected from the County and is a pass-through from the Federal Housing and Urban Development. The City will not receive the exact amount until the final budget figures are determined in spring 2020, but Ms. Gray declared that it is a good estimate. It is divided into two sectors: Public Service Projects, which receives just over half of the funding and Non-Public Service Projects which receives the remainder. She pointed out two items of note under the CDBG recommended programs resulting from the 2018 Council discussion regarding the ADA curb ramps and Program Administration funding. The Committee considered Council comments specifically regarding the ADA ramps and recommended CDBG funds be allocated to the program at the same level as previous years for the ramps because the program is eligible to assist persons with disabilities under the CDBG program. The funds are appropriate for the City to use towards compliance requirements with Federal Programs under ADA and it is offsetting City taxpayer funding needed. Finally, based on total funding requests, the Committee was able to fund all CDBG-eligible applications.

Ms. Gray stated that based on Council suggestions, the Committee recommends that no CDBG funds be used for general Program Administration, but the Committee recommends full funding for the portion allocated to the rehabilitation category which covers direct administration for $20,000. The second of the recommending funding is the revenue sharing portion.

Mr. Markham asked Council for any comments on the Committee recommendations and stated that funding could be reallocated if Council found the recommendations to be insufficient. Mr. Markham asked Council if they had any questions regarding specific allocations or concerns.

Mr. Horning thanked the Committee for their work and analysis. He asked that consideration be given to the lack of advertising for the Home Buyer Incentive Program and he was surprised that it had not been taken advantage of for two years. Ms. Wilcox stated that Mr. Fortner had attempted to find qualified applicants but that it was difficult to find those who met need standards but also had enough funding to buy a house. Mr. Fortner felt that he had a few viable clients this year, so the Committee increased the funding in accordance. Ms. Wilcox expressed her frustration over not be able to assist buyers in home purchase. Ms. Gray added that the YWCA had ideas regarding boosting the program through advertising as well as partnering through the rental workgroup with non-profits in order to utilize this program to leverage with other programs. Ms. Wilcox stated that the Y program is the Financial Literacy Program which aids users in learning how to save for home down payments.

Ms. Wallace thanked the Committee for their work and appreciated the Committee looking at the ADA ramp funding. Ms. Wallace noted that the only major request not fully funded is the Newark Housing

Authority but then realized the City was capped out at 12% and Ms. Wilcox confirmed the 12% cap. Ms. Wallace asked what happened with the unused portion of allocated funds for the Home Buyer Program and Ms. Gray answered that the money was returned to the County. Ms. Wallace stated that Council should address this as it was a missed opportunity.

Mr. Hamilton thanked the Committee for their work and asked how many people utilize the Home Repair Weatherization Program and the Home Improvement Program, both which total $142,000. Mr. Hamilton wished to know how the funding is applied for and granted. Ms. Gray asked Mr. Hamilton if was referring to the Senior Program. He confirmed and she stated that the program was run out of the Senior Center. Mr. Hamilton asked if the Newark Senior Center manages the program and how it was advertised. Ms. Gray answered that the advertising went through the Senior Center's programs and the Committee then administers the program by qualifying the applicants and handling the administrative work. Mr. Hamilton stated that something had been posted on the website and Ms. Gray confirmed that the website had undergone revisions. Mr. Hamilton asked if the funds were used completely every year. Ms. Gray believed that the funds were depleted within a few hundred dollars. Mr. Hamilton asked if the Home Improvement Program was separate from the Senior Program and Ms. Gray confirmed that they were separate because the Home Improvement Program was not limited to seniors. Mr. Hamilton asked how the City could better advertise the Home Improvement Program and if advertising was through the Senior Center and Ms. Gray said that it was through the City. Mr. Hamilton confessed that he often confused the two and Ms. Gray understood. Mr. Hamilton noted that there had been a waiting list and asked if there was one still and Ms. Gray believed there was. Ms. Wilcox added that the funds were consistently used, there were no PR problems, and unused funding was not returned to the County.

Mr. Hamilton wondered if the Newark Senior Center Members were the recipients of the funds. Ms. Wilcox replied that recipients must be City residents. Mr. Hamilton asked how citizens who are not members of the Newark Senior Center would receive information on the program. Ms. Bensley stated that during her time with the County, the County referred citizens to the Newark Senior Center for the program as they did not qualify for the County program because they were City residents. She stated that the City residents were not required to be Newark Senior Center Members and only had to meet the age and income requirements to qualify.

Mr. Hamilton thanked Ms. Bensley and said that he wanted to make sure that the program reached the largest pool possible and suggested putting a notice in electric bills. Ms. Wilcox said that citizens do know about the program because the funds are being used and that informing more citizens would only grow the wait list. Mr. Hamilton remarked that it was a good problem to have but that he did not wish to have a single point of information distribution which might not be clear to new residents. He wanted to make sure the information was available City-wide because he personally knew citizens who were unaware of the program and suggested that the City do a better job advertising. Ms. Gray said that the Committee remained open to suggestions and said that she would ask applicants how they discovered the program. Ms. Gray agreed with Ms. Wilcox that a strong indicator of advertising is that the funds are used every year and the Committee was open to suggestions that Council has regarding further advertising.

Ms. Hughes wished to expand on the money for the Home Buyer Incentive Program. Ms. Hughes asked if the money was unused and returned to the County and Ms. Gray confirmed. Ms. Hughes stated that she is currently retired from the mortgage business, but she knew of several programs at the City, County, State, and HUD levels. She noted that there are also several community organizations that require applicants to go through the Home Buyer Program regardless of the level of funding sought. Ms. Hughes suggested sending information to the community organizations so that more buyers are aware of the program. She thought it was favorable to the City to advertise the program in order to attract more families and homeowners. Ms. Hughes suggested compiling a list of the local community organizations so the Committee would know where applicants are seeking assistance.

There was no public comment.

Mr. Markham moved on to the Revenue Sharing Program. Ms. Gray stated that the summary of the recommended programs was $60,840. A new program was recommended to be added this year called the Kids' Club Foundation of Delaware with $1,500 in funding. The objective of the Foundation is to provide financial assistance to children between the ages 5 and 17 years-old, from low to moderate Newark households, to attend after-school or summer programs. Ms. Gray reported that the Delaware Guidance Services and Newark Area Welfare Committee did not submit applications and were not included on the list. Mr. Markham asked Ms. Hughes if she had any questions and she did not. Mr. Hamilton wished to reiterate that all groups who applied were granted funds and Ms. Wilcox confirmed. Ms. Wilcox further thanked the Council for still having a Revenue Sharing Program which helped keep the community livable and a good place to be.

There were no questions from Council and no public comment.

Mr. Coleman wanted to inform Council how the recommendation presentation related to the information included in the Budget. Prior to receiving the finalized results, the City assumed approximately $44,954 would be available through CDBG for Mike Fortner's position and supplies. The recommendation is $20,000 for salary and benefits so the Budget that will be presented later in the evening will have a $24,954 deficit if adopted as presented. Mr. Coleman recommended that if Council were to make a change, it should be to reduce the Home Improvement Program back to the $90,000 request from the $100,000 recommendation and reallocate $10,000 to partially fund the administrative line of Mr. Fortner's position which had been stripped from the recommendation. Mr. Coleman noted that otherwise, the $25,000 is approximately a 1% tax increase in the first year for scale. Mr. Markham asked if Mr. Coleman was suggesting that Council give them exactly what they asked for and Mr. Coleman confirmed and stated that it would help close the gap. Mr. Markham asked if Council wished to make an amendment to the proposed CDBG Funds.

Mr. Hamilton asked if $5,000 were taken from the Home Buyer Incentive Program, how many applications could be fulfilled from the remaining $5,000. Ms. Wilcox replied that the realistic answer is up to two and would be reduced to $2,500. Ms. Wilcox recollected that $10,000 would do two buyers. Ms. Wilcox then pointed out that Mr. Hamilton was speaking about the Home Improvement Program. Mr. Markham stated that the question on the table was about if the Home Improvement Program required changes. Mr. Hamilton expressed concerns about whether a cap had been placed on large, single expenditures to ensure a better dispersal of available funds over a broader group of citizens versus one single project which could deplete the budget. He used the example of a $20,000 roofing project where the funds were would be used for one household instead of ten. Ms. Wilcox replied that there were certain caps on some grant programs, but other situations depended on what programs were being sought.

Mr. Hamilton asked if the recommendation was to decrease the amount from $100,000 to $90,000. Mr. Markham confirmed and stated that the proposal was to give the group what was requested. Ms. Wallace noted that the amount was still an $18,000 increase from last year's allocation, so Council was granting more than in the past. She said it seemed that the issue was more about managing the funds so all are used as applications come in and needs are met and suggested that this was the reason there was no cap. Ms. Gray confirmed by stating that it was impossible to anticipate what applications would be received. Ms. Wallace stated that the City did not want to give the money back and Ms. Gray confirmed.

MOTION BY MR. HAMILTON, SECONDED BY MS. WALLACE: TO REDUCE THE HOME IMPROVEMENT PROGRAM TO $90,000 AND REALLOCATE $10,000 TO ADMINISTRATION COSTS.

MOTION PASSED. VOTE: 6 TO 0.

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

MOTION BY MR. MARKHAM, SECONDED BY MS. WALLACE: TO APPROVE THE RECOMMENDATION ON ACTIVITY PROPOSED FOR THE 45TH YEAR (JULY 1, 2020-JUNE 30, 2021) COMMUNITY DEVELOPMENT BLOCK GRANT AND 2020 (JANUARY 1, 2020-DECEMBER 31, 2020) REVENUE SHARING PROGRAM AS AMENDED.

MOTION PASSED. VOTE: 6 TO 0.

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

7. 2-B. <u>FY2020 BUDGET WORKSHOP – CITY MANAGER/FINANCE DIRECTOR</u>
43:30

Mr. Coleman stated that he and Mr. Del Grande would be presenting the 2020 Budget, the Budget Schedule, any changes made since the departmental hearings, revenue projections, summarize the proposed Capital Improvement Projects (CIP) and address outstanding items.

Mr. Coleman noted that the City still faces challenges with regards to the General Fund's dependence on utility revenues and consumption-based utility rate structures which are highly variable depending on the weather. The City is currently in the first phase of a two-phase electric rate study. Phase One is a cost of service analysis which will determine the cost to provide both grid and power supply services to various customer classes. Phase Two is the rate design phase which will look to expand and reconfigure the current flat customer charge to recover more fixed costs associated with grid services while lowering the variable consumption portion of the bill by an offsetting amount to reflect the variable nature of supply costs. Phase Two will also include a review of possible impact and capital recovery fees to help to defray the costs of capital improvements. The City plans to review time of use and electric vehicle charging rates to help encourage the transition to electric vehicles while mitigating the impacts to the electrical grid from the high electrical demands of vehicle charging during peak times. The current water and sewer rates are entirely consumption based and face similar challenges due to structure. Staff is currently developing several rate design scenarios to establish fixed customer charges in line with industry best practices which will be presented at future Council meetings.

Revenue neutral customer charges will reduce revenue volatility from weather which results in unpredictable revenue streams for nearly 80% of the City's revenue. Newark is a service business with utility purchases and personnel costs making up most expenses. In recognition of this fact, the City has continued its focus on controlling personnel cost growth through the elimination of a full-time position and one part-time position from what was in the approved 2019 Budget bringing the FTE count down to 248 for the 2020 Budget. Despite fiscal restraint with current personnel costs, the obligation remains to pay for prior commitments, such as the unfunded pension and post-employment benefit liabilities. The mid-decade transition to define contribution pension and retirement health benefits have significantly reduced increases to these liabilities but the pension and Other Post-Employment Benefits (OPEB) funds are less than 70% and 50% funded respectively. Mr. Coleman stated that the City is still playing catch up with the existing liabilities and will be for the foreseeable future. Including anticipated increases to healthcare costs and the transition to the State Workers' Compensation Program, these four items alone increased expenses by more than $2 million from the 2019 levels.

The City is in the middle of three labor contract negotiations which will have impacts to the personnel costs, but the impact cannot yet be determined. Mr. Coleman stated that a modest personnel cost increase has been included in the preliminary budget where determined to be appropriate. Mr. Coleman noted that the City's annual budget process continues to improve and evolve quickly and that the best time to have discussions that may result in significant proposal changes is the present. The first budget hearing is on November 4 and staff requires clear direction on the level of utility rate changes in order to prepare ordinances for first reading for the November 25 Council meeting if they are to be implemented at the start of the year. He thanked Council for feedback and support over the period and stated that the goal is to receive direction from Council to be finalized for the November 4 budget hearing.

Mr. Del Grande reviewed changes made since the initial budget presentation in August and noted that the information presented was available on Budget Central. The original estimated revenue budget was $1.55 million short of the City's needs. The revenue shortfall ended up at $1.9 million or $368,000 more than set forth in August. The presented revenue budget for the workshop totaled $98.6 million.

Mr. Del Grande noted adjustments were made to the expenditure budget. Operating expenses increased $565,000 to $91.6 million due to primarily to project electric and sewer purchases totaling $761,000. This increase was offset by a $150,000 funding reduction for TNP which was removed from the 2020 Budget. The Operating Expenditure Budget is $91,654,979.00. The amount of current resources needed to fund the 2020 Capital Program was down $547,000 due to equipment reprioritization and capital project timing. Mr. Del Grande noted that details of the changes were available on Budget Central.

Mr. Del Grande noted there were a few major drivers for budget variances. The City's migration from the self-insurance program for Workers' Compensation through DFIT will be $850,000 in 2020. Council approved this earlier in the year to hedge exposure to workers' compensation claims. Pension and OPEB obligations require funding be increased by $600,000 and $280,000 respectively. Annual allocations ensure that the City does not go backwards in maintaining the funding levels of the City's retirement and health funds for the current pensioners and eligible employees. Electric and sewer utility purchases have increased by $1.7 million with nearly $300,000 to fully cover the anticipated sewer cost to New Castle County and an additional $1.4 million for anticipated electric sales. The City's healthcare costs for active and retired personnel will increase $393,000. A premium renewal was anticipated by mid-October, and it is hoped that the estimated 8% premium increase built into the budget will come in at much less. Mr. Del Grande reported that the items totaled $3.8 million of the $3.9 million increase in 2020.

Mr. Coleman addressed the draft Sustainability Plan. He noted that staff has been engaged with the Committee developing the plan and has provided both feedback and support. Where possible, the attempt was made to integrate the recommendations from the Sustainability Plan into the 2020 Budget, such as the electric vehicle purchases, charging stations, and the Efficiency Smart program, all of which involve direct Council action.

The third and most consequential item included for consideration is to move to 100% renewable energy via the purchase of renewable energy credits. The City is currently meeting the RPS goal of 16% renewable with a target of 25% by 2025. The Sustainable Newark Plan proposes raising the target to 35% by 2025 but based on favorable market pricing for Renewable Energy Certificates (RECs), it is proposed to meet 100% by 2020. Mr. Coleman pointed out that the 100% does not include the University of Delaware, as they purchase their power separately, nor does it include the City's largest industrial customers. The estimated bill impact for an average residential customer would be around $6.75 per month but Mr. Coleman noted that the final bill impact would not be determined until the actual current market price was known, the on-going rate study was complete, and plans were finalized to decrease wholesale power costs. Mr. Coleman welcomed Council feedback on items to be incorporated into the final budget.

Mr. Coleman said it was possible hit any number between the RPS minimum of 16.5% to 100% in 2020 and that the cost to an average residential customer would be roughly 8 cents per month per percent assuming nothing else had changed. For instance, the change from 16.5% to 17.5% would be 8 cents. Mr. Markham asked Mr. Coleman if saying per residential customer, was he saying one bill per house. Mr. Coleman confirmed it would be per house assuming the residence used 1000 kW hours per month. One REC is currently $6.75 so one REC per month per residential customer that uses 1000 kW hours, divided by 83.5% needed to make up the difference for 2020, equates to 8 cents per percent per month.

Mr. Del Grande continued by stating that natural gas prices remained depressed over the last few years, but transmission and capacity obligations continue to cut into savings. It is estimated that DEMEC's rates will remain the same in 2020. Any reduction in what is paid to DEMEC for electrical purchases will end up in the revenue stabilization adjustment process and be returned to customers in March of the following year. Included in the sales are the costs for the City's required electric from renewable services and $1.6 million is included in the budget for this project. Other than the Green Energy Purchases, no electric rate changes are proposed for 2020. The electric rate study is still under way and results are anticipated to be ready for Council in the first quarter of 2020. The rate study encompasses all user classes.

Public Power week began October 6 and presented the opportunity to acknowledge and appreciate the electric crews for their efforts. System reliability and the crew safety are two critical components of any utility. In order to ensure that Newark is meeting or exceeding industrial benchmarks in these fields, the City has enrolled in American Public Power Association's Reliable Public Power Provider Program or APPARP3. The designation achieved from the program is only held by less than 10% of the 2000 public utilities in the country and the City should know its program ranking by January. The RP3 designation lasts for three years, recognizes public power utilities and demonstrates proficiency in reliability, safety, workforce development and system improvement.

Sewer sales, though down for the year through August, have been in line with 2017 and 2018 when looked at on an annual basis as the City is heading towards 840 million gallons of sales for 2019. The addition of Chemours and STAR will help the City recover some lost sales and have been included in the 2020 projections. The loss of the Christiana Towers will be a negative impact on sales. The use of State Revolving Loan Program has helped the City maintain the sewer repair program. Mr. Del Grande noted that without the SRL Program, the City would be required to cash fund the repairs which extend the life of the sewer system for decades. To assist in the 2020 sewer revenue gap of $350,000, staff proposes a customer charge to cover revenue requirements. Part of the $350,000 revenue shortfall is related to the sewer bill paid to the County for sewer treatment. It is estimated that the bill will cost about $5.6 million in 2020 and Mr. Del Grande reported that the City is currently on that trajectory. In 2019, the estimated costs were $5.2 million, and Mr. Del Grande said that the expense differential is not due to rate changes but to the content of the water and how it is being treated, referred to as the BOD and SS factors. The City sewer bill is based on the amount of flow along with these two components. Since 60% of the sewer fee charged to customers goes directly to the County to pay the annual treatment for sewage, the City does not recover all sewer expenses in the current rate system. For example, when the County adjusts the BOD and SS rates annually, the City immediately adopts the County's BOD and SS rates, not accounting for the City's sewer expense for this component of the sewer charge which creates a deficit. Staff has identified shortfalls and is working towards correcting the issue with Council's assistance.

Overall water sales have begun to slightly decline over the last three years and are just hovering over the 1-billion-gallon mark annually. For 2020, it is estimated that water sales will be down 37 million gallons when compared to the 2019 budget which is about the same as the 2019 estimate. This represents a 3.5% reduction from 2019 with an approximate impact of $300,000. This year, in-town sales are down 3.5% and out-of-town sales are down 2.8% through August. Staff will be comparing the numbers to last year. 78% of water customers are within City limits and this ratio has been consistent over the last several years. The loss of the Christiana Towers also impacts water sales. Unfortunately, Chemours is a Suez customer and will not impact water sales. The revenue shortfall overall is $565,000 that the City needs to recover through rate adjustment or through the implementation of customer charges.

Mr. Coleman reviewed a comparison of water utility charges around Newark for similar residential usage (3,667 gallons per month or 11,000 gallons per quarter). The chart was last updated in 2018 but Mr. Coleman reported that Newark's rates have not changed during that time. Mr. Coleman received updated numbers from the Water Resource Agency and said that most of them have increased since last year while Newark's in-city customer water rates are the lowest and the outside city customer rates are near the lowest. The same water bill for an Artesian or Tidewater customer would be nearly double what the current in-town customers pay as the average competitor rates are 51% higher than in-town customers and 14% higher than out of town customers. In addition to the cost difference, a large portion of the water bill charge by all the surrounding utilities is derived from a minimum customer charge, Newark is the only entity without such a charge. The minimum charges range between $10 and $30 a month for a residential customer with most falling in the $18 to $25 per month range. When compared to the average all-in in-City bill of $27.15, it is possible to see the value currently provided to the low user customers and the reason for the water and sewer revenue fluctuations throughout the year. The lack of a customer charge also means that the thousands of rental units that are vacant for 2-3 months a year do not contribute toward the infrastructure for nearly a quarter of every year. Adding a customer charge would more equitably distribute the cost of operating the system across the diversity of housing types within Newark.

Mr. Coleman reported that the storm water utility has 100% of revenue coming from fixed charges with the only variation stemming from appeals and development activity which changes the impervious cover on a property. When the storm water utility was created, the City prohibited transfers out of the fund unlike in electric, water, and sewer. Because of this rule, the utility performs nearly exactly as predicted and there are no proposed increases year over year despite variable weather and increasing cost pressures in the General Fund.

Mr. Coleman noted that the Parking Fund has been turbulent as of late due to several real and proposed items impacting anticipated revenues concurrently:

- Main Street Construction Project which moved into the central core where it will remain well into next year.
- The Hyatt Place Hotel proposed for a portion of Lot 3.
- The Planning Commission's Parking Subcommittee recommended consultant review is underway.
- The conversion of parking meters in the downtown area to kiosks
- The implementation and rapid adoption of the Passport Parking App
- The expansion of paid parking streets around downtown including Center, Haines, and Chapel Streets, and Lovett Avenue
- The potential Danneman Hotel Project in Lot 4
- The expansion of Lot 1 which had to be delayed due to property transfer delays which resulted in missing the summer construction season.

The goal is to complete the Lot 1 expansion during spring break 2020 to avoid further reducing the parking inventory downtown during the high-demand school year. Timing of the Hyatt Place project's impacts to Lot 3 are also a moving target and the bulk of the impact is anticipated in late November as opposed to October as had been reported to Council. Due to these reasons, staff has conservatively estimated parking revenues for 2020.

Mr. Del Grande presented the proposed budget for 2020 compared to 2019 and stated that more details would emerge as the presentation progressed.

- Staff requested a budget of $98,602,363 which reflects an overall increase of 4.2% over 2019 or $3.9 million.
- Operating Expenditures total $91.6 million which is an increase of 4.2%.
- Utility purchases include the cost of electric purchases from DEMEC and the purchase cost of sewer treatment from New Castle County there are anticipated increases of $1.7 million.
- Contractual services increased by $576,000 or 5.7%. This increase is due to the Workers' Compensation program being added to the budget.
- Equipment Depreciation is a non-cash form of driven expense and decreased by 8.5% versus 2019. This expense helps fund future equipment purchases in the out years.
- Other Expenses decreased by $291,000 or 19.2%, $150,000 of which is due not budgeting the TNP for 2020.

- Personnel costs make up 38% of expenses or 69% if utility purchases are excluded. These percentages remain unchanged from 2019.

Mr. Del Grande addressed budget change factors from 2019 and reported that there are eight primary cost drivers for the City which total $77.6 million. This was nearly 81% of the City's total operating expenses or 79% of the total budget if Debt Service is excluded. Mr. Del Grande stated that the City is a service-driven organization, much like all government entities. The cost drivers solely attributed to the $3.9 million variance when compared to 2019. Wages have increased a total of $506,000 which includes the deletion of two positions - one full-time Community Affairs Officer and one part-time Customer Service Representative in Finance, reduction of $137,000 for Parking Attendants, funding scheduled merit increases and funding for union negotiations. Pension, OPEB and healthcare account for the largest portion of the personnel services increase. The numbers provided for OPEB and Pension costs are provided by the actuary. Healthcare has been increased by 8% when compared to current workforce and reflects a smaller increase when compared to the 2019 Budget. DFIT Renewal will be available in mid-October and the figure for healthcare could go lower as the budget cycle progresses. Mr. Del Grande said that $1.4 million of the $1.9 million is due to retiree healthcare and other benefit cost.

Mr. Del Grande proceeded to the General Fund figures and stated that 40% of the Operating Budget increase comes from General Fund activities or nearly $1.5 million. The General Fund includes Police, Parks, Refuse, Streets, Code Enforcement, Legislative, Engineering, Planning, Alderman's Court, and the Finance Department. Police, Parks, Code Enforcement, and Legislative account for all but $4,000 of the total General Fund increase.

Mr. Del Grande stated that Debt Service for 2020 decreased by $32,000 when compared to 2019. 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. The City was able to take cash advance on most of the referendum work for 2019 in order to avoid interest payments. Overall, debt services are estimated to be $3 million in 2020. The estimated annual debt services based on current authorized debt in 2020 will equate to just over 3% of the annual operating budget. The 2018 referendum projects will come into full debt services requirements in 2024 as the current CIP projects come to completion. Referenced on page 22 of the Financial Workshop 2020 Budget Overview, Mr. Del Grande described the graph showing the Referendum debt through 2043 with the Reservoir Bond coming off in 2024 and the two phases of the Smart Meters coming off in 2029.

Mr. Del Grande said that the 2020 portion of the proposed five-year CIP has gross expenditures of $20.8 million which is $600,000 higher than 2019. The main reason for the increase is due to projects that were included in the 2019-2023 CIP but were revised to begin in 2024. The net CIP budget decreased by $437,000 to $3,589,560 and represents the portion of the capital budget that is supported by current revenues of taxes, fees, et cetera. Mr. Del Grande pointed out that the City's use of reserves has decreased by $708,000, or 52%, compared to 2019.

Mr. Coleman presented the 2020 Capital Budget and said it was similar to the 2019 Capital Budget because the bulk of the largest projects were included in the 2018 Capital Referendum which has allowed for more consistency year to year in the water and sewer utilities. This has prevented the normal process of pushing the resiliency and planning projects in the future years due to competition to more urgent projects. Mr. Coleman said staff tried to place new projects in the CIP in the out years but there are a handful of exceptions. The total CIP is just under $21 million, including just over $6 million for the Rodney project. In total, staff proposed utilizing $12.1 million in debt financing in 2020, mostly for Rodney, which is the primary driver for this year when compared to the out-years. The exception is 2024 which includes funding for the electric substation, also assumed to be financed via debt. As presented, the total five-year CIP is just over $82.6 million. Mr. Coleman noted that it was a large increase from the 2019-2023 Capital Budget with most of the increase in year five driven by the Electric Substation Project and the Reservoir Rehabilitation Project. Mr. Coleman felt that even though there is time to finetune the estimates, it was important to get the projects in front of Council and in the plan as soon as possible.

Mr. Coleman reviewed the CIP by priority level and defined Priority 1 Projects as those that have been identified by the respective department directors as the highest priority and are either underway or have grant-funding associated. Mr. Coleman stated that the individual CIP sheets provide further detail as to the funding sources for each project and that there are no new non-recurring Priority 1 Projects in the budget. H2001 and H2002 are the Annual Street Program and the Annual ADA Accessibility Transition Plan which appear to be new but are recurring. Mr. Coleman remarked that every other project had been in the budget for one or more years. Funding for all Priority 1 Projects totals just under $13 million in 2020.

Mr. Coleman noted there are 14 sinking fund accounts where spending is tracked individually for equipment and vehicles. Staff proposed replacing equipment valued at just under $893,000 in 2020, down from $1.68 million in the 2019 budget as it was necessary to replace larger vehicles in 2019. Mr. Coleman explained how the Equipment Sinking Fund works. Each piece of equipment in the sinking fund is tracked separately with an amount of money deposited over the expected life of the asset equal to its original purchase price. When the equipment is due for replacement, the fund is generally short due to rising costs, inflation or emissions changes. To make up the difference, staff uses current resources or capital reserves from within the fund in which the vehicle exists. When the vehicle replacement date is pushed back, the City does save money in the near term by avoiding one year of depreciation expense but there is generally offsetting increasing cost with an additional year of inflation. The net savings is the depreciation expense avoided minus the increase in the vehicle cost due to inflation. Each year that a vehicle is pushed out also results in a larger differential between what was saved for replacement and what the final replacement cost. The 2020 Sinking Fund shortfall is proposed to be $198,770. Mr. Coleman noted the substantial decrease from the $643,000 included in 2019 is because it is a smaller replacement fund budget this year. In order to make it into the current year for replacement, each piece of equipment is evaluated by mechanics with a report provided to the Public Works Director for review with the respective Department Directors. Vehicles that can be retained for another are generally only pushed one year in the CIP which often causes a bulge in the equipment replacement in the second year of the CIP and this year's budget is no different. In 2020, the amount is $893,000, in 2021, the amount is $1.93 million, and then the amount in 2022 drops to $557,000. Mr. Coleman anticipates that 2023 and 2024 will be difficult replacement years due to large replacements of Police and refuse fleet vehicles. Mr. Coleman stated that issues may arise if projects are pushed back into years that already have large expenditures. Equipment Replacement is budgeted at just over $8.6 million for the next five years.

Priority 2 projects are the highest priority among projects that are new this year, have not been started or do not have funding. Funding for all Priority 2 projects totals $6 million in 2020. Mr. Coleman noted that many of these projects would have been bumped in previous years but were able to stay in the budget due to the referendum. He pointed out that Project W1402 is the largest project outside of Rodney proposed for completion during 2020 and explained that W1402 is a large water treatment plant project that needs to be completed over the winter to align with the time of the year with the lowest water demand. This would minimize chances that the City will need to purchase water while the plant is offline. Staff has also included preliminary funding for the Firearms Range project as a precautionary measure until more information becomes available regarding cost and funding.

Priority 3 projects are defined as medium to high priority where the Department Director is determined that the City would be taking a calculated risk in the deferral of the project. There are $322,000 worth of Priority 3 projects proposed in this year's budget. Priority 4 projects are considered needs but there is not considerable risk from deferring the project. There is $517,000 set aside for Priority 4 projects in the budget. Priority 5 projects are defined as those which can start in year 2 or later of the CIP with no real effect. $175,000 is budgeted for Priority 5 projects.

Mr. Del Grande then presented the Revenue Budget and the General Fund. He said that the General Fund does not grow on its own and said the 2018 Lodging Tax helped to diversify the City's portfolio. Mr. Del Grande acknowledged that the addition of the tax was not enough to balance the revenue budget on its own. With property assessments stuck in the 80's, the City has not had any natural growth of the tax base to keep up with costs to provide services to customers. Mr. Del Grande noted that the Consumer Price Index, which matches expense or growth for wage purposes, does not provide an accurate gauge for cost growth since it does not include growing cost of labor. This leaves the City to rely on tax or fee increases to help balance the general fund and/or looking to utilities to aid in the balancing of the expenditure budget. For 2020, every 1% tax increase is equal to $35,000 in year one and then $70,000 annually thereafter. Mr. Del Grande pointed out that this amount was nearly equivalent to the tax loss taken from the sale of the Courtyard Apartments this year. Staff remains optimistic that Chemours will become the highest taxable property in the City when it comes fully online.

Mr. Del Grande noted that in years when the City experienced high transfer tax transactions, the City has used funds as a reserve to help balance the budget. In 2020, staff proposed using $350,000 of Real Estate Transfer Tax (RTT) collected in 2019 to aid in the General Fund. Mr. Del Grande reported that the City's overall utility sales were flat save for STAR campus. Revenue stability from utilities solidifies City infrastructure and allows for the continuation of services at levels that residents have grown accustomed to. The incorporation of capital recovery fees where applicable allows for new growth to pay for their share of the infrastructure they require. Doing so shifts capital costs out of user rates for items such as electric substations, water treatment plants and rehabilitation projects for water, sewer and storm water. Creating such fees will require staff availability and prioritization of current workloads.

Overall revenue estimates are up $4 million from the 2019 budget. Utility sales comprise 76% of all revenue and include revenue requirements from water and sewer with no changes for storm water anticipated in 2020. Property taxes, including franchise taxes, are up $533,000 due primarily to the City's needs to cover the new workers' compensation insurance program. RTT has been increased $50,000 to $1.6 million due to seven large real estate transactions this year, totaling $1.3 million. The City has not yet experienced a full year of Lodging Tax revenue, but Mr. Del Grande is hopeful that the tax will be a consistent source or revenue in the future for the City.

Fees for service includes all fees charged by the City and $2.3 million of the amount includes internal services for the Facilities and Fleet Maintenance Divisions since they are maintained within the Maintenance Fund. Other revenue increased by $265,000 and includes $185,000 for additional interest income that will be generated from the Sweep Program.

Mr. Del Grande next presented the revenue needs. He stated the electric rate will not be adjusted but staff is proposing increasing the Green Energy Fee in order to purchase RECs that will qualify Newark's electric purchases as coming entirely from renewable sources. Sewer revenue is experiencing a 4.7% revenue shortfall or $350,000. $35,000 or 0.5% is needed specifically for the referendum projects. Water revenue is experiencing a 5.8% revenue shortfall or $565,000. $115,000 or 1.25% is needed specifically for the referendum projects and the General Fund is down 9.3% or $325,000. $75,000 or 2.14% is needed to fund the referendum projects.

Mr. Del Grande then expanded on the cost drivers. Utility purchases (Electric and Sewer) account for $1.7 million of the budget increase. Workers' compensation from 2019 resulted in $850,000 for 2020 and healthcare, pension, and OPEB obligations account for $1.3 million.

Mr. Del Grande reported that the City is up $3.9 million or 4.2% over 2019 and said a small net current surplus of $750,000 is due solely to the Stormwater Utility. Mr. Del Grande pointed out that under Revenue/Other Funding Sources, the appropriation of prior year reserves includes the appropriation of $350,000 of RTT collected in 2019 which will be used in 2020 to offset General Fund needs.

Before entering the discussion of potential new cost recovery methods, Mr. Coleman wished to point out previous items and address whether they would directly impact the 2020 budget or only a future budget. Mr. Coleman said that the distinction is generally caused by when the change can be realistically implemented, approved by the State legislature, the City's confidence in the Legislature granting approval or the variability of the revenue source.

Mr. Coleman reported that many factors would directly impact the 2020 Budget including any changes to utility rates including the establishment of customer charges. He stated staff prefers not to charge credit card fees and that the City does not incur credit card fees for parking when customers use the app. Mr. Coleman said that $200,000 of the $1 million for credit card fees charged come from parking fees specifically and it is in the City's interest to have customers transition to the app. Mr. Coleman stated that staff will be recommending a trash fee and that funding for the Planning Commission stipend has been left in the budget as there was no direction from Council otherwise. If the Green Energy Rate moves to 100% green portfolio, it does not include UD or large industrial customers and the change will influence the General Fund because the City transfers 20% of the gross electric revenue to the General Fund. For example, if the City reduces electric expenses, the City also reduces transfers to the General Fund.

Mr. Coleman stated items that only impact future budgets would be development plan review fees because they are variable costs. It is impossible to predict how many development plans will come through next year. Any change made to the fees which resulted in excess revenue could be appropriated in the next year's budget and staff preferred this method versus guessing. Capital recovery fees are dependent on development projects and cannot be considered planned revenue. Additional revenue from the State to help fund Unicity cannot be realistically depended upon until the Legislature addresses it in June. Mr. Coleman stated the same could be said for the PILOT funding the City received in 2019.

Mr. Coleman suggested instituting a monthly trash collection fee as an alternative to traditional rate increases to recover costs. The service is currently provided out of the tax base which does not cover the cost of General Fund services such as trash, police and parks. The budget as prepared would require a large tax increase and two years' worth of water and sewer increases as adjustments were not made last year despite rising expenses. All three increases are driven more by costs in the General Fund than the water and sewer funds, respectively. Mr. Coleman illustrated that if the City were to implement a trash fee equal to the cost of the refuse program alone, the estimated cost per month would be $25. The City would be able to avoid the entire water and sewer rate increases while potentially eliminating the tax increase and decreasing the tax rate. Staff felt the refuse fee was the most equitable means of recovering the cost to provide services as the City would only be charging customers who receive the service directly. The fee would put the revenue in the General Fund where it is most needed to support the service it is paying for. The fee is comparable to Middletown's and less than private sector contracts available in the unincorporated parts of the County for similar collections. Previously, a bulk collection fee was discussed but staff felt that such a fee would create considerable administrative burden associated with billing which would negate the financial benefit and require addition of staff. A flat fee can be added via the existing utility bills relatively easily and could be updated each year to reflect the true cost to operate the refuse collection services provided by the City. Staff requested Council give serious consideration to the option so that the necessary prep work can begin for 2020 implementation for maximum budgetary benefit.

Mr. Coleman wished to address potential items for the lobbyist to focus on during the 2020 Legislative session. Newark received $400,000 in one-time PILOT fees from the State for 2019. Ideally, Newark's PILOT payment would be included in the recurring PILOT program, along with Wilmington, Dover, and Georgetown. If the fee does remain the one-time section, reserves can be appropriated retroactively to help the 2021 budget. Mr. Coleman stated that Newark does not currently charge a franchise fee for gas delivery services as in cable and phone services and that the idea could be reviewed. Gas companies pay property tax assessments like regular property tax paid by other utility companies.

Mr. Coleman presented the schedule for the budget process through the first full budget hearing on November 4. The draft CIP will be available on Budget Central by October 8 as staff will be presenting to the Planning Commission on October 15. The codified deadline to advertise the annual budget is also on the 15th. The final version of the CIP and Operating budgets will be to Council on October 28.

Mr. Markham understood the big drivers to be healthcare and workers' compensation and noted that healthcare would not be finalized until mid-October. Mr. Coleman confirmed the date of October 15. Mr. Markham asked if some healthcare was being used for workers' compensation and Mr. Coleman confirmed. Mr. Markham said that as the City gets workers' compensation, healthcare should be adjusted, and Mr. Coleman stated that it would take 10 years to fall off. Mr. Markham noted that sewer was included because of toxicity as previously discussed.

Mr. Markham remarked on the overall shortfall of the budget and noted that there was no real wiggle room. Mr. Markham stated that he was in favor of those benefitting from a service to pay for the service, including development fees and stated that the City should address the sewer toxicity issue. He liked the possibility with the fee that tax rates could adjust as well.

Ms. Wallace thanked staff for their presentation and agreed with Mr. Markham that there is not a lot of wiggle room in the budget. Ms. Wallace asked how much of the PWWR budget was refuse and Mr. Coleman responded roughly $2 million. Ms. Wallace asked for the percentage and Mr. Coleman asked for a minute to calculate. Ms. Wallace wanted to help the public understand how much refuse costs.

Ms. Wallace noted that staff did a good job of representing personnel as one of the biggest costs and out of personnel is Police. If the City is considering a trash fee, Ms. Wallace thought it would be helpful for the public to understand how much it contributes to the overall budget. Ms. Wallace thought the number to be 60% with Police and Refuse. Mr. Coleman stated that the General Fund Budget costs for Public Works is $5 million and includes streets, vehicle maintenance, engineering, and $2 million for refuse. With an additional $10 million for water and $7.5-8 million for sewer, Mr. Coleman estimated the total Public Works budget at roughly $22-$23 million.

Mr. Del Grande stated that in years where trucks needed to be purchased for refuse, an additional $300,000-$350,000 for each truck should be included in the total. Mr. Coleman stated that the City has been purchasing trucks for closer to $250,000 per truck recently but that there are 9 or 10 trucks in the fleet. Ms. Wallace asked if police and refuse accounted for 55% of the overall budget. Mr. Coleman responded that police alone was 52%. Ms. Wallace suggested between 55% and 60% and Mr. Coleman confirmed. Ms. Wallace said that it was important for residents to recognize what the numbers were going for and that if residents want those services, it is the City's obligation to give them. Ms. Wallace stated that she was initially hesitant to agree with a refuse fee because she did not like the bulk pick up idea as she feared people would find a way to abuse it. Ms. Wallace felt that refuse is a service that people who are generally benefitting from the service are not necessarily paying their fair share. Ms. Wallace said it would be helpful to know the refuse cost for the average Newark home. She referred to previous plans to privatize and stated the public was against the idea. Ms. Wallace stated that if the City wanted to continue with the current refuse plan, it was necessary to figure out a way to fund it.

Ms. Wallace was in favor of reducing transfers from utilities into the general fund and understood the large amount of non-taxable properties and that transferring from utilities does provide the City revenue from those properties. Ms. Wallace noted that some water and sewer increases were included from the referendum. Ms. Wallace stated that she wished to keep the Planning Commission stipend and could be flexible on the amount because it helped with the diversity of the Commission.

Ms. Wallace noted that she had been critical of customer charges in the past, but she wanted to see a very conservative shift to a customer charge to allow for feedback. She reiterated that she wanted to charge the people who were using the service and acknowledged the volatility in utilities and the benefit to having an evenness. Ms. Wallace remarked that credit card fees would most likely be a norm in the future and that the they should be built into the cost of business because some of the fees would be offloaded as more customers used the app.

Ms. Wallace expressed her support for the Green Energy Rate but wished to see more numbers and how it will impact the public before further steps are taken. Ms. Wallace stated that she understood UD was excluded because of an existing contract but that there are not individual contracts with industrial users, and she wanted to see if it was possible to include them. She asked that since it was voluntary, did the City need to comply with the State RPS Program. Mr. Coleman confirmed. Ms. Wallace expressed interest in including large industrial users, how they would impact the numbers, and exploring whether it would be a deterrent or advantage to businesses settling here. Ms. Wallace stated that she was in favor of reviewing fees in the short and long term. She also expressed support regarding lobbyist involvement in Unicity, PILOT, and gas franchise fee, particularly with securing a more reliable PILOT.

Mr. Markham wanted to clarify that the Green Energy Rate at 100% was already included in the budget. Mr. Coleman noted that it did not include UD or the large industrials. Mr. Markham stated that the transfers were already going to be higher because of the Energy Fund. Mr. Coleman noted that if the City included the large industrials, the budget would balance more easily but staff has priced it in. Mr. Markham asked if the percentages for increases included the refuse fee. Mr. Coleman answered that the numbers did not include the refuse fee. Mr. Markham asked if the City charter included a gas franchise fee. Ms. Bensley stated that she and Mr. Coleman reviewed the charter and reported that the City can charge assessments on the gas lines but that franchise fees are not allowed. Mr. Markham asked if the City was currently charging assessments. Ms. Bensley confirmed that the City charges assessment fees on the gas lines and Mr. Coleman stated that the City assesses the line as real property so that the franchises essentially pay property tax, but the City does not receive any tax revenue off the sales, such as an excise tax. Mr. Markham expressed his desire to see the Charter later.

Mr. Hamilton thanked staff and asked who removed refuse from Main Street and who was charged. Mr. Coleman stated that the City removed the refuse and noted that although the cost of the trash compactors themselves was significant, the actual collection relatively cheap due to directly to the compactors. Mr. Coleman asked Mr. Filasky if the cost to replace a double compactor was around $7,000 each and Mr. Filasky replied that the vendor is moving to a service model who charges an annual fee instead of selling the equipment. Mr. Hamilton asked why the City would charge residents for refuse but not charge Main Street properties for removal. Mr. Coleman replied the City once had a DNP fee assessed to downtown business properties and stated that the City also provided a sidewalk sweeper. Mr. Coleman noted that the City could try to determine the cost of the downtown collection and remove that from the allocated residential costs or determine the cost of the downtown collection and the sidewalk sweeper and build some or all of the cost into business license fees for downtown area businesses. Mr. Hamilton expressed his desire to see the expense fairly allocated along the route.

Mr. Hamilton then asked about building reserves for the $15 million expenditures in 2024. Mr. Del Grande replied that in the March RSA, Council agreed to put $2 million towards the substation in reserves and that was part of the funding in CIP. Mr. Hamilton agreed with staff regarding customer charges in water and sewer.

Mr. Hamilton asked why there has been such an issue surrounding credit card fees. Mr. Del Grande explained that the issue has been discussed since 1997 with Council. Mr. Del Grande provided a personal example of when using a credit card and how to keep down delinquency rates is a dramatic process and he would rather absorb a 3% fee and then build the fee back into the cost of the City's business model. Mr. Del Grande stated that he has discussed this issue with other municipalities and found that there is a lack of consistency across the agencies. Those currently using the proposed method have considered changing back to their original process. He believed the best way to move forward would be to model the kiosks in parking. Staff estimates that merchant fees have been lowered by 10% which may save roughly $20,000. Currently, a payment made by ACH costs the City $0.75 while a payment made by credit card costs the City 3% of the bill. Mr. Del Grande felt that it would be beneficial to the City for customers to be educated on converting to the automatic payment system for utility bills and on the use of ACH versus credit card payments and stated that these steps may help with getting fees lowered.

Mr. Del Grande preferred to collect the money upfront when a bill is due instead of running a risk of debt collection after an account has been closed. The Finance Department goes through an estimated 1,200 accounts per year mainly due to the turnover of students. Staff has found that the best way to collect the funds is to take any offered form of payment and Mr. Del Grande felt that most customers pay with a credit card as opposed to a debit card because they did not know any better. He believed it was an education process for himself to make sure the information is provided to customer, particularly the students, to encourage them to use ACH. He felt that if a monetary gift needed to be given to help with the education every year, then he would consider it money well spent. However, the largest issue is the University of Delaware. He believed that staff still needs to collaborate with UD but that the City can control how it recoups the $400,000 per year for credit card usage fees into how the customers are charged from the City. Mr. Coleman stated that he was in the early stages of investigating a way to work with UD in saving most of the fees. Mr. Hamilton stated that Delmarva had begun using Paymentus and that customers were charged a fee for paying with credit cards. Mr. Del Grande estimated that the City was paying roughly $200,000 per year for merchant fees in parking and that the 2020 estimate is $180,000 due to the use of the kiosk.

Mr. Hamilton stated that he was in favor of a monthly trash service fee as long as the cost of Main Street and other incidentals were factored out. Mr. Hamilton asked if the Green Energy Rate was $6.75 per customer per month or per year and Mr. Coleman stated that the cost was $6.75 per month at today's REC prices. Mr. Coleman explained that the rates are variable because it is a marketplace and the initial price when the City began to participate was $5. He said that the City does not need to purchase RECs when power is used, they can be purchased before or after consumption, but the RECs need to be retired associated with that power in order to count. Mr. Coleman said that there is an RPS cycle expiration date and that the City could purchase when RECs are low equal to yearly anticipated usage and retire them at the end of the RPS cycle to pay it back. Mr. Coleman preferred to purchase annually as opposed to monthly because they can be kept for three years and retired as necessary. Mr. Hamilton asked if staff was talking about charging customers $80 more and Mr. Coleman confirmed. Mr. Del Grande noted many customers would like the option of purchasing green energy because they lack the option of installing solar panels.

Mr. Hamilton said that he understood the need for a $25 per month refuse fee increase but he felt that the $80 Green Energy Rate should be reinvested into a solar park or the like so citizens can directly benefit instead of purchasing credits. Mr. Coleman explained that the REC is the environmental attribute to generated green power and that the City sold its McKee RECs and the only reason it is counted as green is because they were purchased by DEMEC who is retiring them. Mr. Hamilton expressed his strong desire to include large industrial users and UD in the Green Energy expense. Mr. Hamilton agreed with the Unicity bus, the gas franchise tax, and PILOT direction.

Mr. Markham asked if the December 2 Green Energy meeting affected this year's budget. Ms. Bensley said that the Sustainability Plan will be to Council on November 11 and the discussion on December 2 would be on the Conservation Advisory Commission's solar recommendation, potential solar projects, and the CAC recommended photovoltaic grant changes. Mr. Coleman explained that the REC market fluctuates with supply and demand and that the City having its own would provide stability. He said that if the State were to make a change to RPS standards, it would likely drive up the local REC market. The proposal that came forward last year included closing the boundaries so the 16.5% of RECs would have to be purchased from within Delaware and would become more expensive. DEMEC has already purchased out RECs for the next three years so it is not a real issue with RPS compliance, but it could affect the price of the 83.5% that the City is discussing purchasing. Mr. Markham stated that it could not just affect the cost of the RECs but also the cost of power if the City did it itself. Mr. Coleman agreed and said that if the City built its own, it could avoid the potential increasing cost for RECs and lock in a fixed price for the generation. If the City wanted to get to 100% renewable, the RECs can be used as a bridge. Mr. Coleman said that over time, the City could add its own generation assets, either through DEMEC or individual purchases and revealed that Dover put out an RFP for renewable energy. Dover is moving forward with securing 75 megawatts of renewable energy through power purchase agreements from a solar facility. Mr. Markham stated it would not affect next year's budget because it would take too long.

Mr. Markham asked if businesses were paying the City or private entities for refuse and Mr. Coleman said that City no longer provides commercial collection.

Ms. Wallace asked how much longer the City has a purchase power agreement with UD. Mr. Coleman answered 9 or 10 years and that UD is looking into becoming 100% renewable.

Mr. Markham remarked that Boston had Big Belly trash compactors throughout the city, and they had clearly found a way to make it work.

Mr. Lawhorn thanked staff for their hard work. He noted that the City is attempting to make up a $1.9 million shortfall and asked how the Green Energy Rate related to the shortfall. Mr. Coleman stated that the shortfall would worsen by $300,000 and Mr. Lawhorn said that it would be a benefit. Regarding industrial users, Mr. Lawhorn asked how it would impact their electrical rates. Mr. Coleman answered that by adjusting the Green Energy Fee, which is a rate per kilowatt hours, rates would increase by 1/1000th of a REC cost. Mr. Lawhorn felt that it was a good idea in principle but knew that electric rates are extremely high. Mr. Coleman agreed that his main concern about rolling it out to main industrial customers was the lack of option. He noted that an opt-out program would be easier to administer because any new account would automatically be opted in and then the customer could choose to leave. He estimated that most rentals would turnover to 100% renewable in the first year which would be over 1000 accounts. Mr. Coleman stated that the concern with both options is administrative burden at City Hall. He felt it was better to provide Council with the opportunity for direction. Mr. Coleman noted that some large industrial customers have sustainability goals and may be looking into options, but he was hesitant to force it on large customers. He felt that it may be beneficial to make it optional for large industrial customers that are not included in the RPS portfolio.

Mr. Lawhorn supported the refuse fee but was sensitive to too much of an increase too soon while there were unexplored potential solutions. He assumed that if the City could create its own solution for cheaper than the purchase of RECs and Mr. Coleman said that it depended on the market. As municipalities are expected to hit target dates for consumption, Mr. Lawhorn asked if staff anticipated a rise in REC cost as power is consumed. Mr. Coleman confirmed but noted that the wild card is the rapid reduction in cost for renewable energy and pointed to the plans for an offshore wind facility and its potential effect on the market.

Mr. Lawhorn was totally in support of the refuse collection fee concept but noted that it was a big policy change and expressed concern that there may be unintended consequences that will be missed by doing it through the budget process. He could imagine having workshop meeting on refuse collection itself but was curious as other perspectives emerge from the citizens which may require further discussion on implementation. Mr. Lawhorn asked if the City had provided refuse collection to businesses in the past and Mr. Coleman confirmed, but said that the business community felt that more economical solutions existed, and they were permitted to seek other service. As more customers left the service, the City began to experience a loss through fleet maintenance combined with a lower customer base and the service was no longer viable. Mr. Coleman noted there were unintended consequences to the business refuse plan, such as wear and tear on lots, noise disturbances, and traffic disturbances, and he was open the City reclaiming commercial refuse collection. Mr. Del Grande noted that it was possible to acquire new customers as the City was not currently providing refuse service to new parcels which had been annexed to the City. Mr. Lawhorn noted if the City was returning to a fee-based system, that it was possible to generate more revenue by charging businesses for service. Mr. Coleman noted that the dumpster equipment was currently allocated, and he would want to isolate the downtown core customer base. Mr. Markham noted that the conversation was not budget-relevant and recommended locating the cost-efficiency report for commercial refuse collection.

Mr. Lawhorn said that if the City implemented the policy, it was possible to incur a tax decrease. He acknowledged that would be a benefit but asked if the City would be better served by preventing money transfers to the General Fund and have the impact on utilities instead of taxes. Mr. Coleman confirmed. Mr. Lawhorn agreed with building credit card fees into cost and the Planning Commission stipend. He understood the desire to incorporate fees because they are static and remove seasonality but asked how it related to this year's budget. Mr. Coleman replied that the initial intent was to recover any rate increases into customer charge as opposed to the unit cost. He gave the example of $10 million in water revenue and noted the City would recover $580,000 through the customer charge in the first year. He stated that he has the spreadsheet built to automatically allocate across the different customer classes. He explained that American Water Works Association (AWWA) has a standard for meter ratios and customer charges as a multiple of a 5/8th inch meter. The calculations are then based on how much flow rate will go through a specifically sized meter.

Mr. Lawhorn asked if it was possible to adjust the sinking fund for equipment to accommodate for inflation. Mr. Del Grande stated that it was a straight-line depreciation and the City was making the difference from current resources so it would be a matter of finding more funding each year to supplant the difference. Mr. Coleman stated that it would take ten years to phase in but said that it was difficult to estimate based on different vehicle classes. Mr. Lawhorn asked if any Priority 4 projects could be eliminated from the budget and Mr. Coleman replied that most of the projects are electric so there would not be a savings in pushing them out. He anticipates grant funding for the bathroom repairs of Preston's Playground and the project would move from priority level 4 to level 1.

Mr. Lawhorn asked if the $750,000 hotel tax was conservative. Mr. Del Grande replied that staff is anticipating $750,000 but budgeted $675,000 because this is the first year and estimates are difficult.

Ms. Hughes opposed the $25 refuse fee and asked for clarification on the customer charges. Mr. Coleman replied that electric charges a $10 per month customer charge and water and sewer do not currently charge any but staff is proposing one which would be offset by paying less per gallon. The addition of the customer charge would essentially be neutral unless the City incorporated the rate increase into the customer charge. He said the impact on any individual account would be dependent on usage. Ms. Hughes stated that most of the residents in her district are primarily concerned with finances as they are on fixed incomes. She remarked that one of the biggest benefits of living within City limits is that refuse is included in taxes and that the $25 monthly amount was too high. Mr. Coleman admitted that the amount was a quick estimate and the true amount will be less than $25 but expressed the need to capture the true cost of the service and have offsetting reductions elsewhere. Mr. Coleman stated that the last water rate increase was in February 2017. Ms. Hughes asked if the customer charge would negate another water increase and Mr. Coleman confirmed that the $25 refuse fee would eliminate the need for a rate increase unless Council agreed to Ms. Wallace's recommendation to do a small increase to reflect the cost of the referendum-driven expense. Ms. Hughes thanked staff for the presentation.

Mr. Horning shared concerns with renewable energy credits and portfolio standards becoming aggressive and adding cost to the residents. He noted fees are not tax deductible but agreed that the City should recover the cost of infrastructure. He agreed with Ms. Wallace that items which had been voted on from the referendum should proceed and he was in favor of building credit card fees into the business.

Mr. Horning asked if the $4.4 million in 2021 for the Police firearms range was the total or the City's share of a partnership. Mr. Coleman replied that the total cost is $4.7 million but the numbers were based off construction costs from DC and were most likely inflated. The current plan is to create an RFP for a consultant to provide services in two phases: first to develop an accurate cost estimate specific to the City and its location and the second to handle the construction process as the general contractor and engineer after Council finds a location and secures funding. He said that staff desired accountability for both phases and wanted one company to handle the whole process.

Mr. Horning understood that Aetna was seeking to use UD as a funding source and asked if Aetna had requested funding from the City. Mr. Del Grande stated that Aetna had not approached staff in revising the subvention number and felt that the additional $100,000 from last year was sufficient.

Mr. Horning supported the Planning Commission stipend, continuing education and the meal provision. He felt projects were becoming more complex and noted that diversity in the participants was desirable. He said the $8,400 for expanding the program was critical in the importance of the City. He agreed with the lobbyist direction and suggested research into refuse privatization and outsourcing. Mr. Horning received feedback from constituents regarding the transient student population and said that although the City had gotten the PILOT light, it was politically challenging to get the PILOT in full form. He suggested a homestead tax for transient residents to encourage ownership of single-family homes and understood that there were far-reaching implications and so wished Council to further discuss idea.

Mr. Markham opened the floor to Public comment.

Sean Mulrooney, UD Student and resident of Wilmington, wished to address the firing range proposed by the Newark Police Department and as discussed with the Cecil County Police Department *(Secretary's Note: The Cecil County Sheriff's Department is the name of the referenced organization.)*. He objected on behalf of ethical concerns due to Cecil County's collaboration with Immigration and Customs Enforcement (ICE) and felt that the proposal was a waste of public funds which allowed for the expansion of deadly and excessive force by local police. Mr. Mulrooney noted the decades-long trend among local and state government to fund Police in crime reduction effort. He felt this led to the disastrous war on drugs and the militarization of the Police. He was concerned with the "brutalization" towards vulnerable groups such as the disabled, LBGTQ+, people of color, and the poor. He requested that Council refuse to fund the range and further decrease police funding in favor of investing in meaningful policies to help the community such as creating and expanding public housing, alcohol and drug rehabilitation, raising minimum wage, and investing in students and graduate students who wish to reside in Newark.

James Creque, 15 Madison Drive, District 3, felt that the minimum rate for residential water was reasonable but was concerned about vacant rentals incurring charges for the landlords. Mr. Coleman explained that if the account was closed and canceled, the charge would not apply. Mr. Creque asked the firing range would be open to the public and Mr. Coleman replied that it was still open to discussion.

Mr. Markham returned the discussion to the table. He supported the refuse fee but noted if the City instituted a tax increase, those paying zero would still be paying zero, and further stated that he did not feel that it was appropriate to incorporate the charge into water and sewer and electric. Mr. Markham ask if the proposed rate changes were $300 per residence at the 6500 and Mr. Coleman confirmed. Mr. Markham agreed to the lobbyist items and preferred a refuse fee over a property tax and water and sewer increase. He asked if the customer water and sewer charges went away if the refuse fee was adopted. Mr. Del Grande stated that staff would consider lowering the water and sewer rate but increase the customer charge so that it was revenue neutral and a customer charge was established. Mr. Markham asked if it was neutral unless no water or sewer was consumed. Mr. Del Grande confirmed.

Mr. Markham agreed with credit card fees in parking and stated that he could go either way for the Planning Commission stipend.

Mr. Hamilton asked if staff could build in a credit card fee for over $10,000 and Mr. Del Grande responded that staff would have to change business practice in how the City accepted credit cards for utility bills. He stated that the City would no longer be able to take credit cards in person and would have kiosks in the hallway for utility payments in order to go with Velocity payments to comply with the law. Mr. Del Grande stated that customers who pay in person with cash, check, or money order cannot be charged a fee. He further explained that if customers paid by credit card, in order to the City to charge a fee, all credit card transactions would have to be treated the same by either utilizing a kiosk or online payment. Mr. Hamilton thought that credit card companies had granted vendors more flexibility. Mr. Del Grande explained that the City was in a unique position in the it was a government entity as well as a utility and, in this aspect, the City is considered a utility. He stated that it would be confusing to charge credit card fees in some instances and would create an administrative burden.

Mr. Hamilton felt the $100 stipend for the Planning Commission was challenging in that it set a precedent in voluntary roles. He appreciated the effort making more diverse committees and suggested $50 to pay for childcare costs.

Mr. Markham referred to page 40 of the presentation and Mr. Coleman felt that staff had direction on all the topics save for the Green Energy Rate. Mr. Coleman said that capital recovery fees would be covered during the rate study process. Mr. Markham stated that those who use the service should pay for it and thought that UD pays for the STAR campus equipment and Mr. Coleman confirmed.

Mr. Markham asked if Green Energy was in the budget. Mr. Coleman confirmed for non-UD, non-large industrial. Mr. Markham asked about customer participation. Mr. Coleman explained that staff had proposed an all-in and the Green Energy Fee would be adjusted up by the cost of REC per kilowatt hour. He felt that an opt-in adoption rate would be slower than an opt-out program. Mr. Markham asked if Green Energy added $100,000 to the General Fund and Mr. Coleman said that it added $300,000. Mr. Markham asked if Council did not do that, the City would have a $300,000 hole unless the refuse fee covered it. Mr. Coleman said that it would be close, and that the City could hit any number between 16.5% and 100% and still fall within the Sustainability Program parameters.

Mr. Hamilton asked how far $300,000 could go towards City-owned solar and Mr. Coleman said the last estimate from DEMEC, barring any necessary roof repairs, is $2.6 million to outfit all City buildings with solar. He further stated that City roofs are not in the best condition and would propose starting with the maintenance yard buildings because he did not feel weight restrictions were a concern. Mr. Markham suggested finding land. Mr. Hamilton did not understand why there could not be a partnership with UD where the City could lease rooftops for solar. Mr. Markham suggested the discussion take place on December 2. Mr. Hamilton was hesitant to hit 100% because of the incurred costs. Mr. Lawhorn asked if it would be too difficult to present options. Mr. Coleman said that he would prefer concrete numbers before a vote and said that there was an opt-in and opt-out option where staff could gather preliminary estimates for the budget. He said that an opt-out was easier to predict because staff could assume on the rate of customers who would opt-out and apply that to the number accounts that turn over each year. Mr. Markham asked about administrative costs with opt-in/out and Mr. Coleman stated it would be more.

Ms. Wallace asked how the City would pay for $300,000 if the Green Energy Rate was not adopted and what the cost would be through a tax increase or electric rate increase. Mr. Coleman said it would have to come from tax or water and sewer. Mr. Coleman noted that the City would be bringing in revenue from water and sewer and tax is based from what staff had assumed the City would be raising for the referendum. Mr. Markham noted the voters had approved the numbers in the referendum. Ms. Wallace asked to look at a tax increase. Mr. Coleman stated it would be less than $300,000 by 0.5% sewer, 1.25% water, 2.14% for General Fund. Staff felt that these three changes combined with the refuse fee could remove the negative impact of opting not to go 100% renewable.

Ms. Wallace remained committed to the 100% Green Energy Rate. She suggested a vote to clarify if staff had enough direction and she would be willing to make a motion. Mr. Markham asked Ms. Bensley if that was appropriate and she confirmed.

MOTION BY MS. WALLACE, SECONDED BY MR. HAMILTON: THAT COUNCIL DIRECT STAFF TO MOVE FORWARD WITH ADOPTING A 100% GREEN PORTFOLIO IN THE UPCOMING 2020 BUDGET.

MOTION FAILED. VOTE: 1 to 5.

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

MOTION BY MR. LAWHORN, SECONDED BY MS. WALLACE: THAT COUNCIL ACCEPT THE GREEN ENERGY FUND AT THE 50% LEVEL FROM THE CURRENT 16.5% FOR THE 2020 BUDGET.

Ms. Wallace asked staff for calculations. Mr. Coleman responded $2.68 per month impact or $32.16 per year at 50% and noted that the first 50% is cheaper than the second 50% because the first 50% includes the existing 16.5%.

MOTION PASSED. VOTE: 5 to 1.

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

Mr. Markham asked if staff had enough direction. Mr. Coleman confirmed.

8. Meeting adjourned at 10:06 pm.

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

/ns