CITY OF NEWARK
DELAWARE
COUNCIL MEETING MINUTES
November 4, 2019

Those present at 6:30 p.m.:

Presiding:
Mayor Jerry Clifton
Deputy Mayor Stu Markham, District 6
District 1, James Horning
District 2, Sharon Hughes
District 3, Jen Wallace
District 4, Chris Hamilton
District 5, Jason Lawhorn

Staff Members:
City Manager Tom Coleman
City Secretary Renee Bensley
City Solicitor Paul Bilodeau
Acting Chief Human Resources Officer Mark Farrall
Assistant to the Manager Jeff Martindale
Chief Communications Officer Jayme Gravell
Clerk of the Court Terri Conover
Electric Director Bhadresh Patel
Finance Director David Del Grande
Financial Analyst Trevor Miller
NPD Chief Paul Tiernan
NPD Deputy Chief Kevin Feeney
NPD Captain Mike Van Campen
Parks and Recreation Director Joe Spadafino
Parks and Recreation Deputy Director Paula Ennis
Planning and Development Director Mary Ellen Gray
Public Works and Water Resources Director Tim Filasky
Public Works and Water Resources Deputy Director Ethan Robinson

1. Mr. Clifton called the meeting to order at 6:30 p.m.

MOTION BY MR. MARKHAM, SECONDED BY MS. WALLACE: THAT COUNCIL ADD TO THE AGENDA EXECUTIVE SESSION B. EXECUTIVE SESSION PURSUANT TO 29 DEL. C. §10004 (B) (2) FOR THE PURPOSES OF PRELIMINARY DISCUSSIONS ON THE SALE OF REAL PROPERTY.

MOTION PASSED. VOTE 7 TO 0.

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

2. EXECUTIVE SESSION

A. Executive Session pursuant to 29 Del. C. §10004 (b) (4) for the purposes of strategy sessions, 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) (2) for the purposes of preliminary discussions on the sale of real property.

MOTION BY MR. MARKHAM, SECONDED BY MS. WALLACE: THAT COUNCIL ENTER A. EXECUTIVE SESSION PURSUANT TO 29 DEL. C. § 10004 (B) (4) FOR THE PURPOSES OF STRATEGY SESSIONS, 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 OF THE LITIGATION POSITION OF THE PUBLIC BODY AND B. EXECUTIVE SESSION PURSUANT TO 29 DEL. C. §10004 (B) (2) FOR THE PURPOSES OF PRELIMINARY DISCUSSIONS ON THE SALE OF REAL PROPERTY.
MOTION PASSED. VOTE 7 TO 0.

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

3. RETURN TO PUBLIC SESSION

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

MOTION BY MR. MARKHAM, SECONDED BY MR. HAMILTON FOR: COUNCIL TO DIRECT THE CITY SOLICITOR TO CONTACT THE INQUIRING PARTY AND COMMUNICATE COUNCIL’S LEVEL OF INTEREST IN CONSIDERING A PROPOSED LEASE.

MOTION PASSED. VOTE 7 TO 0.

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

4. SILENT MEDITATION & PLEDGE OF ALLEGIANCE

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

5. 1. FINANCIAL STATEMENT: None

6. 2. SPECIAL DEPARTMENTAL REPORTS:

   A. Resolution No. 19-___: A Resolution Directing the Planning Commission to Review the Attached Ordinance Amending Comprehensive Development Plan V for the City of Newark, to Change the Designation of 19 Amstel Avenue, Tax Parcel No. 18-026.00-006 (the “Property”) from University to Residential, Low Density (10 minutes)

3:06

Ms. Bensley read the proposed resolution into the record.

There were no comments from Council. The Chair opened the floor to public comment.

Richard Abbott on behalf of Kappa Alpha Educational Foundation, the owner of 19 Amstel Avenue, objected to the effort to downzone the property and suggested the more appropriate way was to correct an error on the zoning map which improperly designated the property as RS when it should be zoned UN. Mr. Abbott claimed it was a new issue based on the discovery of Ordinance 78-30 which confirmed the property was zoned UN in September 1978. At that time, the ordinance rezoned the property to UN/RS and, to Mr. Abbott’s knowledge, there had been no modification since. He claimed there was a theory that the UN/RS zoning in 1978 was a mistake and the property should revert to the UN zoning. He explained RS was administratively applied by the former Planning Director, Roy Lopata, because he found that the property was not owned by UD but, under the provisions of the ordinance and under Section 32-6 of the zoning code, there was a reversion to the reversionary zoning under certain circumstances, none of which applied. He explained the only way to rezone the property from either UN or UN/RS was to introduce an ordinance. By modifying the Comprehensive Plan to be low-density residential, which under among other zoning categories, RS would qualify, then the property would be downzoned. He explained that under Delaware Law, within 18 months of the adoption of a Comprehensive Plan, the City was obligated to rezone the property consistent with the Comprehensive Plan Designation. Mr. Abbott clarified that technically the resolution proposed to downzone the property and he objected because the property had been used for 72 years as a fraternity house by the Kappa Alpha Fraternity and it had been a fixture on the campus. He described it as an iconic part of the campus, a historic home, and was at risk should the property be downzoned because one could not make a reasonable economic return if only three people could occupy a 6,000 square foot home with 21 rooms. He claimed it would cause severe financial hardship and would ultimately lead to the demolition of a historic home from 1904 that maintained much of its historic character. Under the circumstances, Mr. Abbott respectfully requested Council either table or vote against the resolution until more research could be done to make an informed decision.

John Morgan, District 1, agreed with Mr. Abbott but advised against tabling the issue. He wondered if the Kappa Alpha Foundation would object to having the building designated as a historic property which would impose constraints on how it could be redeveloped.

Mark Adcock, UD and Kappa Alpha alumni, was the president of the Kappa Alpha Educational Foundation, a non-profit corporation that managed the property. Mr. Adcock supported the proper
zoning of the property. He explained the fraternity was the first fraternity on UD campus and dated to 1904. The house had been continuously occupied by the fraternity since 1947 and was renovated in the early 2000s in partnership with City zoning to bring the building up to code and divide it into semi-private apartments. He described the old layout as rooms with bunkbeds. He stated the Foundation still had a sizeable mortgage related to the renovation which cost around $700,000. Mr. Adcock felt the fraternity was a good member of the community that raised money for charities and performed yearly community service projects including Clean Up Newark. The fraternity brothers were beholden to a higher level of behavior than the general student population as they had a minimum GPA requirement and required community service hours. Mr. Adcock referred to the four years he spent at the property where he learned various points of view and how to get along with a large group under the same roof.

The Chair brought the discussion back to the table.

MOTION BY MR. HAMILTON, SECONDED BY MS. WALLACE: TO APPROVE THE RESOLUTION AS PRESENTED.

MOTION PASSED. VOTE 7 TO 0.

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

6. 2-B. FY2020 BUDGET HEARING – CITY MANAGER/FINANCE DIRECTOR (110 MINUTES)

Mr. Coleman presented the 2020 Budget as recommended following the Departmental Budget Hearings, Council Budget Workshop and Planning Commission CIP Review. Staff recognized the budget was particularly difficult due to legacy pension and Other Post-Employment Benefits (OPEB) increases stacked onto the entrance into the State’s Workers’ Compensation Insurance Program (WCP) and annual healthcare costs that were increasing faster than inflation. Mr. Coleman felt the budget presented a financial plan, accomplished the City’s objectives while attempting to equitably recover the costs of operations from residents and utility customers. To help with Council’s efforts to shape necessary rate increases in a way to best reflect the needs of the community, staff provided many options for consideration. Mr. Coleman stated the requests he had gotten over the last week were incorporated at the end of the presentation and would be addressed as needed. He explained the new slide format as necessary to avoid throwing off slide deck numbering and commented that hard copies of the additional slides had been handed out for reference. Corrections were noted on the slides where appropriate.

Mr. Coleman announced should Council not approve the budget, there was an additional special meeting scheduled for November 18th. Once the budget was approved, staff would prepare the necessary revenue ordinances with second reading planned for the December 9th Council Meeting. He showed the slide representing the proposed budget for 2020 presented to Council on October 7th. Due to the advertising deadlines, staff was unable to incorporate feedback received on October 7th into the budget to meet the October 15th deadline as required by City code. Instead, the advertised budget match was reviewed on the 7th and staff incorporated revisions into the current presentation.

Mr. Coleman reported the budget presented the previous month reflected a 4.2% overall increase compared to 2019, or an increase of just under $4 million to $98,602,363. Since the October 7th meeting, staff made adjustments that resulted in an overall decrease in the budget of $958,875 or roughly 1%. On the operating budget side, Council opted to increase the renewable portfolio to 50% for 2020. The change resulted in $783,100 reduction in operating expenses from the originally proposed 100%. On the capital side, DNREC confirmed the City was awarded the $200,000 grant for the Charles Emerson Bridge, the final outstanding grant item, and reduced the City’s portion of the anticipated costs to the target level of $287,000 of the currently estimated $2,057,000 bridge project. Mr. Coleman explained for every dollar spent on the project, only 14 cents would come from City funds. The aforementioned changes also increased the net current surplus by $24,225. The overall revenue and expenditure budgets were $958,875 less than what was presented to Council on October 7th. Overall revenue requirements declined by $958,875, the operating budget decreased by $783,000, current resources for capital decreased by $200,000, and the net current surplus increased by $24,000. The budget was $97,643,488 or a 1% reduction as discussed on October 7th.

Mr. Coleman stated the City faced an overall revenue increase of 3.2% or $3 million. Operating expenses were up 3.3% overall due primarily to health insurance, pension and OPEB costs (reflected in the personnel services line), utility purchases, and the enrollment into the workers' compensation program (WCP) as shown in the contractual services line. Net capital improvements were down 15.8% or $637,000. Debt services were up $323,000 due to the required interest payments needed to be paid on
the 2018 referendum projects. The interest payments for the referendum projects in the 2019 budget were included in the CIP budget. Revised accounting best practices required staff to reflect all debt service obligations collectively in the debt services account on the operating side. As mentioned, the budget presented included the City’s migration from a 17% renewable electric portfolio to 50% and reflected the additional $200,000 grant for the Charles Emerson Bridge.

During the October 7th meeting, Council provided staff with direction to be included in the 2020 budget:

- Provide options for the customer charges for water and sewer
- Hold on the implementation of credit card fees
- Continue finding ways to reduce credit card expenses
- Provide an option for a monthly refuse fee
- Include 50% renewable electric portfolio

Mr. Coleman informed the City’s operating expenses were up a total of $3 million and the increase was almost entirely attributable to the City’s budget for utility purchases, including electric purchases from DEMEC and sewer purchases from New Castle County were expected to be up $934,000 with another $850,000 for the City’s enrollment into the WCP. The City had been self-insured but opted into the State’s WCP and secured third party insurance so claims would no longer be run through health insurance for full-time employees and out of reserves for part-time employees and volunteers. Mr. Coleman explained the City would be protected from future direct expenses resulting from employee on the job injuries and would result in lower healthcare premiums but would take time to materialize due to the ten-year lookback on health insurance. Staff did not anticipate another large year over year increase in workers’ compensation premiums due to involvement with the program.

Current retired employee expenses continued to increase year over year. The City’s contribution to healthcare, pension obligations and retiree healthcare increased over a total of $1.3 million from the 2019 budget. The City’s pension funds were around 70% funded and the OPEB fund was just under 50%. Staff continually increased the annual contributions over the past few years to help close the existing $44 million gap between assets and liabilities between the two funds. Much of the expense was related to retiree cost because the City did not save enough when the retirees were employed to cover the liabilities associated with what was promised. Council made the necessary changes to not repeat the mistakes. The City made efforts over the last few years to slow the growth in respective areas. The pension program had been closed to non-police employees since 2012 for management and 2014 for non-management. In addition, retiree healthcare had been closed to new employees since 2012 and 2014 for all employees, including police.

Mr. Del Grande presented the expenditures that made up the operating budget. The 2020 recommended expenses included operating, capital improvements, and debt service. The operating budget included personnel expenses, utility purchases, materials and supplies, contracted services, equipment depreciation, employee training, subventions for Aetna Fire Company and revenue sharing for local non-profits.

The Capital Program was incorporated into the Annual operating budget. Of the total gross budget of $20.8 million, only $3.3 million was needed from the 2020 resources to fund all capital projects. This meant that 16.3% of the funds needed to fund the capital came from current revenue such as taxes and fees. In total, the operating budget was up 3.2% or $3 million when compared to 2019.

Mr. Del Grande explained that 41% of the budget was committed to utility purchases which were comprised of electric and sewer, followed by 36% of the budget earmarked for personnel expenses. If contractual services were included, only 12% of the operating budget was used to cover the rest of the obligations which included debt service, trainings, subventions, and capital project spending. When spending was reviewed by department, the core function that drove expenses became clear. The allocation of the budget remained relatively unchanged from last year with the largest variance coming from police operations as their portion of the budget increased to 16% from 15.6% in 2019.

Operating expenditures made up 93% of the expenditure budget or $90.8 million. Utility purchases included the cost of electric and purchases from DEMEC which were anticipated to be $39.8 million. This included the estimated $517,000 for the City to move from 17% renewable electric portfolio up to 50%. In addition, the quarterly sewer bill was also reflected in the utility purchases for sewage treatment. The sewer service estimate was $5.6 million for 2020, a $300,000 increase over 2019 based on current sewer bills. Materials and supplies declined by $33,000. Contractual services increased $576,000 due solely to the enrollment into the WCP. Equipment and Depreciation was a non-cash form of driven
expense that decreased 8.5% versus last year and the expense helped fund future equipment purchases. Other expenses decreased $291,000 with $150,000 of the differential due to the TNP not listed as a budget line in 2020. The line also included the City’s revenue sharing programs and subvention to Aetna. The subvention to Aetna remained unchanged from 2019 with continuous support provided through free electric, water and sewer services in addition to the $177,000 in cash budgeted to grant Aetna in 2020.

Mr. Del Grande reported the personnel costs for 2020 as having a wage increase of $506,000 which included the deletion of two positions: one full-time community affairs officer and one part-time customer service representative in the finance department, with the reduction of $137,000 for part-time parking attendants. Total wages included funding scheduled merit increases and funding for union negotiations. The full-time headcount would drop by one to 248 and the permanent part-time position count would drop to 20. The remaining lines reflected the impact of the non-wage expenses for the City with pension, OPEB and healthcare accounting for most of the personnel services increase. The numbers provided for the OPEB and pension costs were provided by the actuary. Healthcare increased to 5.75% when compared to current workforce but remained a smaller increase when compared to the 2020 budget where an 8% budget increase was anticipated. Staff did not make a budget adjustment for the revised healthcare renewal to save the $50,000 savings for any potential benefit changes that could occur due to employee turnover and during the open enrollment period. About $1.4 million of the $1.9 million was due to retiree healthcare and other benefit costs.

The City was required to meet its pension and OPEB obligations as commitments were made to current retirees and future pension and retiree healthcare eligible employees. The actuary determined that the City make a pension payment of $4.15 million to cover the City’s 2020 obligation and an additional $1 million to the OPEB fund to fulfill the annual obligation. Over time, non-police contributions would level out and police pension contributions would increase since new police hires still were eligible to receive a pension. The OPEB costs would continue to increase year over year through 2042 where OPEB obligations were expected to incur to its max of $2.4 million. The City’s pension and OPEB costs were up a combined 45% which was $1.8 million from 2012 when the City initially began to close the pension program.

The 2020 portion of the proposed five-year CIP had gross expenditures of $20.8 million. The use of capital reserves and equipment replacement reserves was a routine practice for projects that were authorized and encumbered in previous periods. Grant funding was a fundamental goal and remained a funding mechanism for the City. After all funding capital funding sources had been considered, the net capital improvement total $3.3 million would be funded in 2020 through current year revenue which consisted of property taxes, funds from utilities, and other current resources of revenues.

Debt services increased $323,000 when compared to the 2019 budget. He explained the $3 million annual payment consists of five legacy debt obligations and seven projects related to the 2018 referendum. Most of the debt currently incurred by the City included the reservoir and smart metering project. He stated $2 million of the City’s existing debt would be paid off in 2022 and an additional $700,000 would continue through 2027 and 2028. Mr. Del Grande reported the City would be paying interest only on each project until completed. In 2019, interest only expense was included in the capital budget as a project-related expense and recent changes to accounting best practices now required recording all debt services together in the operating budget. When comparing all debt services in 2019 to the 2020 budget, debt services decreased by $32,000 compared to 2019.

Overall, the revenue budget was up just over $3 million from 2019 or 3.2% with half of the increase coming from utility sales which included electric, water and sewer, and stormwater funds. Real estate and other taxes included a 9.3% increase which would provide $325,000 in revenue to support the General Fund operations. Almost a quarter of the tax increase was approved by the residents in the 2018 referendum. Fees for services included fees for service coming from business license fees, permits and fines. Intergovernmental revenue included $525,000 subvention from UD, $85,600 from the school district for the school resource officer and other small miscellaneous grants. Other revenue included $281,000 and the estimated interest income on operating accounts, reimbursable overtime for City employees such as police pay jobs and electric work on the STAR Campus. Appropriation of prior reserves included the use of funds collected in prior years to aid the revenue requirements of the 2020 budget.

The budget included a 5.8% increase in Water; a 4.7% increase in Sewer; a 9.3% property tax increase; and increasing the Green Energy Rate from 17% to 50%. The increases were needed, apart from the Green Energy Rate, in lieu of a refuse fee, which was an option provided to Council. Mr. Del Grande illustrated the extent to which the City relied on utility sales. In 2020, 76.2% of the funding would derive from the utility funds which was a small reduction from 2019. He declared the tax revenue was never enough to cover the full costs of the programs that were within the governmental funds. In 2020, staff
projected to use $16.5 million from utilities to primarily support police, parks, streets, refuse, and the administration of all City services. Over 30,000 new homes would need to be added to the City’s tax rolls to cover the gap without changing the City’s footprint, infrastructure, or personnel. For example, to raise $1 million, the City would need to add 1,865 single-family dwellings without changing the level of service. The median tax bill was $536 based on a median assessment of $66,600 and 13% of the residential properties pay less than $288 which was the amount it cost the City to provide residential trash service. Mr. Del Grande explained every penny increase was equal to 1.24% tax increase or $6.67 per year and 10.5% of all residential properties held a senior or disabled exemption which amounted to 661 homes within the City.

With just under 8,100 parcels in the City, over 1,100 received some sort of tax exemption. Of the total, 200 of the parcels were owned by UD. He acknowledged the portion of exempted assessments to taxable assessments was faced annually as only 54.7% of the tax rolls were taxable. The result was $5.7 million in foregone real estate tax. UD accounted for 37% of the total assessed properties and 81% of the granted exemption value. Mr. Del Grande noted that if all tax-exempt properties were taxed, the City would still be $10.8 million short of closing the gap which was equal to adding over 20,000 homes. Part of the problem was that taxable assessments were locked in 1983 and did not grow unless there were new construction improvements within the City which was not growing with CPI.

Mr. Del Grande defined the gross assessment for the City and how staff arrived at the taxable portion. The gross certified assessment per the County was under $1.6 billion which translated to $12.6 million in tax revenue assuming there were no tax exemptions. When staff deducted the County exemptions, such as UD, Christina School Districts, State, County, seniors, and historic properties, only 54.7% of the assessments were subject to taxation. The $12.6 million was quickly reduced to $6.9 million based on the 2019 tax rate. He noted the percentage of tax-exempt property increased from 44.8% to 45.3% to account primarily for the Courtyard Apartments changing ownership in July.

The General Fund Revenues for 2020 totaled $17 million. The increase of $1.5 million came from a few resources:

- Proposed tax increase of 9.3%
- $250,000 added for fees for services from the Police Asset Seizure Fund
- $370,000 in reserves from prior year revenues received
- Increase under “other” to reflect the City’s new sweep program that earns interest on the day to day operating account
- $13.6 million in utility transfers, a decrease of over $70,000 from 2019 to balance the needs to fund General Fund operations
- 44% of the City’s revenue needs for the General Fund come from utilities

In reviewing the General Fund expenses, personnel expenses and contractual services increased. Personnel costs were up $1.5 million for the aforementioned reasons as well as the share of the WCP as the majority of the cost of the program was assigned to the Police Department. Mr. Del Grande further explained the police account for $1.1 million of the $1.5 million increase and that 50% of the operating budget increase comes from the General Fund activities. The General Fund included parks, police, refuse, streets, code enforcement, legislative, engineering, planning, alderman’s court, and finance. He noted police, parks, code, and legislative account for all but $15,000 of the General Fund increase.

Mr. Coleman explained the Enterprise Fund remained mostly unchanged and would be presented for informational purposes. Overall water sales have begun to slightly decline over the last three years, just hovering over the 1-billion-gallon mark annually. The 2020 estimate for water sales would be down 37 million gallons when compared to the 2019 budget which was the same as the 2019 estimate. This represented a 3.5% reduction from what staff budgeted in 2019 and approximately an impact of $300,000. The loss of the Christiana Towers also impacts the water sales and since the new Chemours building was a SUEZ water customer, the City would not see any sales to help offset the loss. The overall revenue shortfall was $565,000 staff needed to cover via a rate adjustment or through the inception of customer charges.

In the Electric Fund, natural gas prices remained depressed over the past few years, but transmission and capacity obligations continued to cut into the savings. Overall, DEMEC’s rates were anticipated to remain the same in 2020 and a reduction the City pays in DEMEC purchases would end up
in the revenue stabilization adjustment process and be returned to the customers. Included in the sales were the costs for the City to acquire its electric from renewable resources. Included in the budget was funding required to meet the 50% renewable target through the purchase of renewable energy credits or RECs from DNREC. Other than green energy purchases, staff was not proposing an electric rate change for 2020. The rate study was still underway, and staff was anticipating returning to Council in the first quarter of 2020 with the results. The rate study would encompass all user classes.

The Capital Program presented in the 2020-2024 CIP aligns with the vision elements that the City’s belief that a healthy, active, sustainable and inclusive community resonates with all who were committed to Newark’s continued success. The Capital Program was the backbone of the City’s work as the local government. The CIP carried forward the plan staff put into place two years ago with the 2018-2022 CIP as it kept staff primarily focused on the infrastructure and maintaining utilities and ensuring all who reside or work in Newark were receiving the electric, water, stormwater, and sewer service they required. The City must safeguard the financial strength of the City via pertinent investments and decision making and staff had focused the Capital Expenditures primarily on maintenance of existing infrastructure and public safety. For expansions and new assets, staff had generally tried to leverage grant funding to defray as much of the cost as reasonably possible.

Mr. Coleman presented the slide summarizing the various funding sources used to fund capital projects. He explained green items use revenue sourced from Newark residents and utility customers directly and blue items were externally funded. He noted a new blue item not shown on the slide via the State Revolving Loan Fund (RLF) was principal forgiveness. The City received a $600,000 grant through principal forgiveness on the water tank rehabilitation project. As presented, the total five-year CIP was just over $82.6 million. The net cost to City of the five-year plan was approximately $26 million and reflected the funding staff needed to secure directly from the residents and repairs for pay as you go cash financing of capital projects. Staff would continue to look for outside funding and grants to help reduce the figure.

Utilities drove the capital spending. The amounts were not significantly different from past years as 76% of the gross capital spending for 2020 was earmarked for water, sewer, stormwater, streets, and electric projects. Mr. Coleman stressed the importance of maintaining utilities as they were the backbone of the City. The infrastructure projects in the CIP kept most unforeseen surprises from occurring and make utilities reliable and efficient for the customers.

Mr. Coleman stated $3.3 million of 16.3% of the funding for the CIP comes from current resources in 2020. Current resources also support nearly all the City’s operating expenses and debt service. Current resource funded projects were the ones that have a direct current year impact on tax and utility rates. An additional 10.7% percent of the financing comes from grants secured by staff and grant funding was equal to $2.2 million. Most of the funding comes from the State RLF and 59% was related to projects that were included in the 2018 referendum.

The total CIP for 2020 was just under $21 million including $6 million for the Rodney project. In total, staff was proposing to utilize $12.1 million in debt financing for 2020, making Rodney the primary driver for the large number next year. Staff received questions as to which projects could be postponed or scaled back to help defer expenses out of consideration of the difficult position the City was in with pension, OPEB, and workers’ comp expenses. The projects were specifically funded with current resources, either entirely or partially, that would make the most impact in the current year budget. Projects funded from other sources would not have a similar effect.

Mr. Coleman presented projects identified Priority 1 project by the respective department directors; Priority 1 projects were currently underway or have grant funding. These were highest priority projects, but H2001, the annual street program, had current year resources that could be postponed to 2021 to defer up to $191,692. He explained that when talking about deferring expenses, it was important to remember that a deferred expense did not go away and instead, staff was borrowing from future budgets to avoid paying the expense and would likely cost more in the future. Of the five projects able to be pushed, the Street Program was the last one staff wanted to push.

The equipment sinking fund spending across each separate fund was unchanged from the October presentation and staff was not proposing any push of the items.

Priority 2 projects were the highest priority among projects that were new for 2019, have not been started, were not fully funded with grant funding or have grant funding that did not require them to be completed immediately. Staff did not recommend any Priority 2 projects be considered as candidates for deferral into a future year.
Priority 3 projects were a medium-high priority where the department director had determined that the City would be taking a calculated risk in deferral of the project. There was one Priority 3 project recommended as a candidate for deferral: K2005, Parks Department Skid Steer for $36,000.

Priority 4 projects were considered needs but were projects where there were not considerable risks from deferring the project. There were two Priority 4 projects recommended as candidates for deferral: K1704, Lumbrook Park Pavilion for $45,000, and I1801, City-wide Fiber Phase 2 for $140,000. The pavilion was not critical to operations and the City could continue to utilize Comcast connections. Mr. Coleman explained the City would likely incur additional operational expenses associated with the pavilion roof repairs and Comcast accounts, but the projects could be deferred if needed. Priority 5 projects were projects that could start in year two or later of the CIP without concern. The last candidate for deferral was Priority 5 project I1804, Harris Automation Platform for $75,000. The project would improve efficiency in the billing group but would not generate much in direct cost savings.

Mr. Del Grande explained the ability to build debt financing into the CIP portfolio where prudent, leveraging non-City funding with City dollars in the Capital Program and carefully funding the five-year Capital Program based on the factors had significantly helped the City's bottom line. Having a reserve fund helps maintain the City's bond rating with Moody's, S & P, and Fitch ratings and provides resilience in the economic downturns which rating agencies look for. To date, half of the funds now meet the minimum requirements of the financial policy. Sewer and water, stormwater, and fleet fall below the minimum requirement. The General Fund, Sewer Fund, and Parking were meeting the maximum requirement. Mr. Del Grande reminded the reason the General Fund met the requirement was due solely to its dependency on utilities.

Mr. Coleman discussed alternative revenue scenarios and explained Public Works completed a manual audit of all properties receiving refuse service to arrive at the 7,097-unit count. Staff reviewed refuse operations and determined 10% of the cost of refuse related to either Main Street collection or non-refuse related activities. Removing that from the budget left staff with a direct refuse expense of just over $2 million in 2020. Staff was proposing three scenarios for different cost recovery levels and feels that the refuse fee option was the most equitable way for the City to recover expenses as it was a direct fee for service and all funds would land directly in the General Fund where the expenses occur. Options 1A, B, and C, were proposed to be collected through utility bills. The lowest fee of $14.39 per month recovers only enough money as what was needed to balance the budget, 58.7% of the cost for providing refuse service or just over $2 million. The middle fee of $17.91 per month recovers $1.5 million and was above the minimum requirement and equals 73.4% of the cost of refuse service. The highest fee of $24.31 per month recovers the full cost of refuse service. Staff anticipates it would require a one-time configuration cost of around $25,000 to revise the utility billing software to be able to add refuse billing which had been included in all three versions of option 1.

As an alternate to billing monthly on the utility bills, staff could also bill as one lump sum via the annual tax bill. Staff included the one-time implementation cost to this option as it would be necessary to do a similar update to the tax billing software. This option would give staff more time to implement the fee but would require the use of reserves to cover costs until revenue starts coming in when the tax bills were sent out in the second half of the year. The revenue generated would also need to be divided across the second half of 2020 and the first half of 2021 and because of this, the funding used to get through the first six months would be permanently spent down out of reserves. Recognizing any option above the $14 option would generate excess revenue, Mr. Coleman explained staff could return the excess to rate payers. Currently, the staff transfers 21% of gross revenues from the electric fund, 32% from the water fund, and less than 20% from the sewer fund. Staff recommended any over collection be returned to water rate payers to help reduce the water transfers back down closer to the other funds to be treated more equally.

Scenario 2 would result in a 3.3% water rate reduction and Scenario 3 would result in a 9.2% rate reduction. Mr. Coleman described slide 66, column 4, and showed how the City would collect revenues under the initial utility rate recovery option with no refuse fee. He explained that utility rate option was included in all the presentations that evening. Staff felt it was the least equitable recovery method because of the large utility transfers. He referred to column 5, showed how staff would recover just the 2020 requirements via the refuse fee of $1.2 million. Column 6 showed the minimum refuse fee further offset by water, sewer and tax increases that were directly associated with the referendum. This further reduces the refuse fee down to $11.75 per month because the projects that were approved with the referendum were approved with the assumption that the rate increases would happen. Column 7 and 8 show the medium and full refuse fee options also offset by the referendum related increases.
Mr. Coleman showed the lowest cost option was the utility rate increase option included in the budget because it received subsidization from customer classes that did not receive refuse service. He explained the graph as it moved to the right, the more equitable the cost recovery got due to less cross-class subsidization. The chart also illustrated what a potential phase-in plan would look like if the City opted to phase-in full-cost recovery for refuse across three years minus inflationary issues.

Mr. Coleman showed the difference for each utility bill relative to the 2019 baseline as relatively small numbers on a month-to-month basis, such as the full decrease in water which resulted in $1.81 per month for the average customer. He then showed how the increases related to 2019 as percentages. He noted that it was somewhat opaque as there was no refuse fee in 2019 so the increases did not apply.

Staff prepared three options for water customer charges. The first option recovers only the referendum related debt for 2020. The second option layers on the cost of utility billing that was attributable to the Water Fund. The third option further layers in the cost of the existing debt service which was an easier determinable value that relates directly to infrastructure. All three options were revenue neutral and he expressed jumping straight to a 20% level for revenue coming from customer charges was unlikely but felt that the value was a reasonable long-term target for the City.

Mr. Coleman explained the customer charges set for different meter sizes. The customer charges were developed using the American Water Works Association guidelines included in their M1 manual on rate setting and was considered industry standard. The larger the meter, the larger customer charge. Staff applied the same 35% multiplier for outside City customers as what was applied to the volumetric rate to kept things consistent. Staff prepared three options for sewer customer charges; the first recovers only referendum debt, the second layers on the cost of utility billing attributable to sewer, and the third further layers in the cost of debt service. He noted that sewer did not yet have debt service, so the value was currently zero and, like water, all three options proposed were revenue neutral. Mr. Coleman presented the result in sewer flow rates incorporating the customer charges for the three options and explained the customer charge ratios were the same as the water customer charges. As in the scenario for water, the largest impact was to the user with zero use in a given billing period.

Mr. Coleman remarked staff was looking for direction on how to proceed with the rest of the budget process and it was staff’s opinion that Council had enough information that the budget could be approved, assuming one of the many options presented were acceptable or compromises were possible. Staff would then move forward with making the requisite changes to finalize the budget documents and develop the decided upon revenue ordinances as directed by Council. If Council chose to move forward with the utility bill option for refuse, time would be of the essence to be able to include it in the January billing cycle and a vote would be needed immediately to allow for the billing software update and to allow more time to work on communications for the new fee.

Mr. Lawhorn asked how much the City was paying for the Emerson Bridge and Mr. Del Grande responded $287,000. Mr. Del Grande stated the all-in expense for the bridge was $2,057,000 with $1,770,000 coming from outside city sources, $287,000 coming from the City with $187,000 from the

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Mr. Coleman compared the 2020 Budget to the 2019 Budget and Estimate. Budget to budget, overall revenue was up $1.3 million or 1.9%. When compared to 2019 estimates, overall revenue was up $3.5 million or 5.1%. The differential was due to not revising the 2019 budget to reflect the decision not to implement the water and sewer rate increases that were proposed last year. The utility rate structure had a direct impact on staff’s ability to forecast utility revenues. Fixed costs, which were generally recovered through customer charges, were only recovered from consumption from water and sewer and almost entirely from consumption for electric as well which creates a missed opportunity to fairly charge everyone who relies on City services. Regardless of consumption, the City had the same level of fixed costs to provide services when needed. Staff recommended that future revenue requirement needs in utilities be done so via a customer charge adjustment until the customer charges were at a level that recovers an acceptable amount of the fixed expenses.

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2020 budget. Mr. Lawhorn asked if the PILOT total count exemptions were $5.7 million and wondered what the exemptions were in other cities and what percentage of that value the cities got back in PILOT from the State. Mr. Del Grande understood that Newark was the highest in the County for municipalities regarding tax exemptions. He thought Wilmington was around 35-40% and admitted he did not have the information now. Mr. Lawhorn was asking in order to let the lobbyists know what to request. Mr. Del Grande asked if Council wanted to go through the Operating Budget first and return to Capital. Mr. Clifton replied Council should address both.

Mr. Horning asked if the refuse fee was tax deductible. Mr. Coleman did not believe so as it was a fee for a service but suggested consulting a tax attorney. Mr. Horning asked for the net effect on the City budget by going to 50% renewable and asked if it was increasing the shortfall. Mr. Del Grande replied yes and there was $517,000 in the expenditure budget to go from 17% to 50%, an equivalent to a 1.7% electric rate increase for the average customer. Mr. Coleman replied that of the $517,000, 21% was attributable as margin transfer. Mr. Horning where Safe Routes for Schools fit in and Mr. Coleman replied it was part of the Transportation Plan Implementation.

Ms. Wallace asked if it was possible to extend discounted refuse fees for residents who receive tax credits and how difficult it would be to administer. Mr. Del Grande replied that those already receiving exemptions would automatically qualify for refuse fees and he estimated the impact to be between $100,000 and $200,000 depending on which fee was charged and explained staff would have to come up with that amount elsewhere. He suggested an option of having a stand-alone grant program and stated the billing system would have to be modified to allow for more than one refuse fee and could be more costly. Ms. Wallace asked if the I1703 Recreation Management Software under Priority 3 provided any financial benefit for the City. Mr. Spadafino answered the fees would be adjusted to recoup the funds throughout the programs for the year.

Ms. Wallace asked if staff had a ballpark figure for deferring the Priority 4 projects of Lumbrook Park Pavilion and City-wide fiber. Mr. Coleman explained that most of the remote locations have some connectivity issues with the wireless connection and the George Wilson Center had 16 cameras with local data storage where fiber would allow remote backups. Ms. Wallace asked if additional equipment purchase was necessary. Mr. Coleman explained additional equipment might be needed depending on the situation. Ms. Wallace asked if the repairs for Lumbrook could be done in-house. Mr. Spadafino explained Lumbrook was not a repair but a removal and was currently safe with replacement necessary in the future. Mr. Coleman said it could be deferred without expense and Mr. Spadafino agreed. Ms. Wallace asked if it needed to be replaced, deferred, or there at all. Mr. Coleman said that was a different question. Ms. Wallace did not believe pavilions were necessary at every park location.

Ms. Wallace noted the $25,000 allocated for the shooting range this year and asked where the figure came from. Mr. Coleman explained it was associated with an RFP to get a consultant to develop a detailed cost assessment feasibility study. Ms. Wallace asked if that amount was the cost for a consultant and Mr. Coleman replied staff had anticipated the first stage. He explained staff thought they could get a cost estimate from Clark Nexsen but did not feel comfortable asking them for an assessment on a project where the City had not bid out and did not want to create a situation where Clark Nexsen was not awarded the full design and would therefore have no accountability to the original estimates. Staff felt it was best to do to a full RFP for the entire project broken out by phases. He explained Phase 1 was feasibility and developing cost local to the area as the $4.7 million figure was using a construction cost from outside Virginia. Staff felt the $25,000 was enough to review the property. Mr. Coleman explained the $250,000 amount for 2020 was offset by drawing on the existing grant balance with the thought that any additional work could come from the grant amount and any unused grant fund would remain in the fund. He explained it was only an expense if Council decided to move forward. Ms. Wallace asked if the grant money could be used for personnel costs and Mr. Coleman initially confirmed but Chief Tiernan corrected that the equitable sharing funds could not be used for salaries or benefits for sworn officers or non-sworn personnel. Chief Tiernan noted there were complicated exceptions, but the general rule of thumb was they cannot be used and gave them example that if a person was assigned to a federal task force, the money could be used for a replacement to supplement but not supplant. Ms. Wallace noted it was difficult to get grants to cover personnel costs. Ms. Wallace suggested another personnel scenario as an example of grant use money and Chief Tiernan repeated it was a complicated situation and the grant could be used to pay for a replacement officer while another was assigned to a federal task force. Ms. Wallace asked if the City was involved in a federal task force at the moment and Chief Tiernan confirmed and noted that the department had not expanded to do so.

Ms. Wallace asked if staff anticipated an RSA refund with the Green Energy Initiative. Mr. Del Grande confirmed in 2020 but noted an electric study was underway which could change the refund amount. Ms. Wallace asked if the implementation fee of 30 cents for the refuse fee was monthly. Mr.
Ms. Wallace asked if Council decided to cancel the bridge project, how much money would be lost. Mr. Spadafino explained they were in the final stage of the review process and estimated engineering at $500,000. Mr. Coleman pointed out the other contributors and explained the County was up to $210,000 so if the project came in at $2,007,000, the County would give $160,000.

Mr. Markham asked if the City was a retail cost for sewer from the County. Mr. Del Grande explained the sewer rate was the same rate that every County resident paid minus the collection system portion. He stated the City pays the same BOD and SS rate, but the flow rate was less than a regular County resident because the City had its own collection system. Mr. Markham noted it did not seem like a deal. Mr. Coleman explained the City did not pay for the pipes in the neighborhoods in the County but pays for the large main that carry it from Newark to the treatment plant and the big pipes were the majority of the cost. Mr. Markham asked when the contract could be renegotiated. Mr. Coleman stated the contract was from the 1970s and staff had been in discussions with the County to renegotiate. Mr. Del Grande had been on both sides of the negotiations and explained that Public Works was currently in negotiations and noted it was a matter of priority on the County's side. Mr. Coleman's explained the current bill was based off the sum of the water meter usage and the City had two connections with the County on very large diameter mains that already metered. He stated the County knows two billion gallons of water a year was going into the County, one billion was getting metered in the water meters so the rest was infiltration/inflow (I/I) and was theoretically captured in the total rolled up costs but there was a differential. He stated it would give the City a financial motive to do more infrastructure maintenance but would likely impact the cost rate.

Mr. Markham asked if healthcare reduction was included in the presented slides. Mr. Del Grande responded staff did not lower the revised healthcare estimate with the renewal and was budgeted at 8% over the 2019 budgeted but the renewal was based upon actual employee numbers. He explained during open enrollment, employees have the option to change coverage and gave the example of a retiree changing from single to full-family and noted one change could have a $10,000 difference. Mr. Markham stated that employees pay more for family than individual coverage. Mr. Del Grande agreed and said that family versus single was a greater cost to the City. Mr. Del Grande stated there was a $50,000 cushion. Mr. Markham noted there was only $50,000 for a difference between 5.4% and 8%. Mr. Del Grande acknowledged the percentage math did not work but the dollar versus dollar was $50,000 difference between the actual dollar renewal premium versus the 2020 budget. Mr. Markham remarked staff wanted to hold $50,000 with a surplus of $381,000. Mr. Del Grande confirmed staff was appropriating funds from 2019 and most of the surplus was the stormwater fund of $340,000 that cannot be used. Mr. Markham asked what the surplus was in the General Fund. Mr. Coleman admitted it was a small number and recommended Council use the surplus stormwater fund to pay down the principal on the loan before closing for Rodney. He stated the current General Fund proposed surplus was $4,200. Mr. Markham understood why staff wanted a surplus but pointed out there were reserves and the City was nowhere near the $13 million total the City had years ago when discussing the bankruptcy worry. He remarked the City had a lot more money available in reserves.

Mr. Markham asked if the City was still pursuing developer fees and reviewing fines. Mr. Coleman answered staff was looking at development plan review fees and remarked they had not been touched in three years and using the employment cost index at 3% a year with compounding roughly 10% and staff was looking at development impact fees for utilities starting with electric in the rate study that was currently underway and staff had begun looking into court fines at Council's suggestion. Mr. Markham remarked that fees and fines were not sustainable but still went into the General Fund to help with spikes. He asked where staff was with credit card fees. He explained his questions came from constituent inquiries. Mr. Del Grande answered parking credit card fees were reduced by $20,000 for 2020 and staff was looking into other ways to reduce credit card fees through education processes. He stated UD postponed a meeting last week and staff was looking to reschedule as it was the main driver for the credit card fees in the budget. Mr. Markham asked if they were the largest and Mr. Del Grande confirmed. Mr. Markham repeated the concern that charging a credit card fee for everyone was because staff felt collections would go up and Mr. Del Grande confirmed.

Mr. Markham stated he was an advocate for green energy and expected a Sustainability Plan from the CAC in the future. He also expected information December 2nd and felt it would lead to a discussion about an RFP. He felt Council should listen to CAC's presentation and then decide but admitted he did not know how it would affect the budget. Mr. Del Grande did not feel it would make an issue with the budget. Mr. Markham asked if it was neutral. Mr. Del Grande explained there was a 20% margin transfer difference so there was $100,000 to the General Fund. Mr. Markham asked if Capital Project H2001 was for $196,000
because it was not the exact amount mentioned. Mr. Coleman replied it was $191,692. Mr. Markham said they were not reflected in any numbers and Mr. Coleman confirmed and said if staff were to remove it, it would reduce revenue needs for the year.

Mr. Hamilton asked if the bridge would be completed in 2020. Mr. Spadafino confirmed it would be completed in fall of 2020. Mr. Hamilton asked about the $600,000 principal forgiveness. Mr. Coleman explained a resolution was presented to Council to authorize a loan with the State RLF which included a clause that would forgive $600,000 of the principal owed on the project upon completion. Mr. Filasky clarified it was $2.25 million for the tank project, which was a several year project, so it was not at the end of this year. He stated the principal forgiveness of $650,000 would kick in at the completion of the entire project in 2022 or 2023. He explained it was a product of being in the State RLF and by approving the referendum and utilizing the program, the City had gained access to forgiveness. He noted it was not a guarantee on every project, but chances were there would be more in the future if the City could remain in the program. Mr. Hamilton thought it would be helpful for the public to know the amounts saved versus spent for projects. He asked about low-income projects and Mr. Coleman said staff was looking into subsidies for low-income residents. Mr. Coleman acknowledged there were more strings attached than initially explained and admitted only certain projects would qualify. It had to be a project that directly benefitted low-income areas. He said one discussion was whether treatment plant projects would count because it benefitted the entire City or if the project had to be completed specifically in the low-income area to get the benefit. Mr. Hamilton asked if a park could count. Mr. Filasky clarified that the low-income area would have to be designated. Mr. Coleman asked if it was a census tract situation and Mr. Filasky said it could not be gerrymandered. Mr. Hamilton felt it was worthwhile to investigate.

Mr. Hamilton asked if the $250,000 for the firing range was for the 2021 budget. Mr. Del Grande explained staff accounted for $250,000 for each year. Mr. Hamilton asked for 2021 and 2022 and Mr. Del Grande corrected for 2020 and 2021 and explained it was $500,000 total. Mr. Hamilton asked if it was a placeholder and Mr. Del Grande confirmed and if the range moved forward, staff would use the Asset Seizure Funds on the Newark side to fund other Police expenses which would then free up current resources the City had to put towards the range itself. Mr. Hamilton asked if the City could use the $250,000 in seizures for a Police Athletic League. Chief Tiernan explained it was to be used for law enforcement equipment as supplemental and cannot be used to hire additional officers or hire for programs. Mr. Hamilton replied that it could be used to build a firing range. Chief Tiernan explained it was complicated and confirmed it could be used for a Police facility or a firing range.

Mr. Hamilton asked if the cameras were installed at the George Wilson Center because it was used for child-oriented activities and Mr. Coleman confirmed. Mr. Hamilton felt installing fiber optic would be beneficial. Mr. Coleman explained the cameras work and were recorded locally and did not report back to dispatch. Mr. Hamilton referred to the trash fee being included in taxes for tax deductions and cautioned that not everyone does itemized deductions and it could be viewed as a regressive implementation. Mr. Coleman clarified that the City could not think it was tax deductible even if it was on the tax bill. Mr. Hamilton referred to a conversation where the taxes would be raised without explaining it was for a refuse fee and stated if it was identified as a trash fee, it was not tax deductible. Mr. Coleman replied it was tax deductible if it was in the base rate.

Mr. Hamilton commented on $517,000 for green energy and acknowledged the City already met State minimum. He asked for a total for credit card fees and Mr. Coleman answered it was between $900,000 and $1 million. Mr. Hamilton gave a variety of his personal experiences and asked if residents would have an option to pay without using a credit card. Mr. Del Grande confirmed. Mr. Hamilton felt the amount was excessive. Mr. Coleman explained many of the fees were difficult to avoid because they were associated with credit card accepted parking meters and explained the law that as a utility, if a resident paid for utilities in person with a representative, the City could not charge a convenience fee. He suggested if the City wanted to put in a convenience fee to prevent a $400,000 customer from using a credit card, the City could no longer accept credit cards from customer service representatives. He explained that credit card customers would have to use a kiosk. Mr. Hamilton asked about convenience. Mr. Coleman answered staff would have to review how it would work with the IPS meters and there may be a way to do it on the backend. He stated the windows would become cash or check only and payment with a card would be at a kiosk. Mr. Hamilton repeated his wish that Council look at remedying the credit card fees. Mr. Coleman explained that the City did pay a lower percentage rate on large transactions that were processed with credit cards and exampled UD paying $400,000 where the percentage rate was closer to 1.75% as opposed to 3% for the normal resident. He explained the City could set the rate lower than 3% which would be less of a deterrent on smaller bill customers than and would still recover most of the cost on the charges. Mr. Hamilton gave a brief history of credit card misuse and was not confident the percentage was enough deterrent. He wanted Council to revisit the issue.
Ms. Hughes asked if the three trash fee options were correct at $14.09 and not $25. Mr. Coleman explained there were four options. The first three were in the original presentation and the lowest fee of the original three was $14.39 and that was only a refuse fee with no additional increases made to the water, sewer and tax rate. He stated the refuse fee could be as low as $11.75 but would include some percent increase to water and sewer and property tax and the percentage increases directly attributable to the 2018 referendum. Ms. Hughes asked why the taxes could not be increased. Mr. Coleman replied that the City could increase the taxes but explained that the City runs on a calendar year and taxes were on a fiscal year and if the City needed to raise $2, the taxes would need to be raised enough to get the amount within six months because the rate gets changed in the middle of the year, effective July 1. He explained if the City needed a 1% tax increase for next year, the taxes would need to be increased 2% to attain it and if the City had a $1.2 million revenue target and the taxes were raised enough to generate $1.2 million in 2020, it would generate $2.4 million in 2021.

Ms. Hughes expressed the concerns of her constituents at the introduction of the fee and hoped there was a better way to make it work for the shortfall. She asked if the Lumbrook Pavilion was deferred. Mr. Coleman explained it was in the budget to be completed and was suggesting that if Council decided to defer, there would be no additional risk to the City, and it would not increase significantly. He explained his choice of deferring the Street Program last was because street rehab costs did not go up linearly with inflation so once a road gets to certain point, the City must do a different rehabilitation technique to fix it. Mr. Coleman explained that the Lumbrook shelter was already at the replace level and that waiting a year would not make a difference. Ms. Hughes remarked on the state of Lumbrook Park and Mr. Filasky answered that trees had been cut down to help fix the drainage.

Mr. Clifton asked if 2042 was when the actuary determined the last person would derive benefits from the old retirement account. Mr. Coleman explained it went up until it plateaued and described the graphs depicting the situation. Mr. Clifton asked if DelDOT expected the City to have a more efficient route before UNICITY got more funding and Mr. Coleman confirmed. Mr. Clifton requested more technical information from the DelDOT secretary. Mr. Coleman acknowledged the effort was underway through the Newark TRIp Initiative and said WILMAPCO had gotten a grant. Ms. Gray further explained a grant called TRIp the City coordinated with providers of public transportation within the City. There was a presentation to Council and staff was coordinating follow-ups with the entity to make UNICITY and other public transportation entities more efficient. She explained WILMAPCO did have a funding source available every year and hoped the City could gain additional funding. Mr. Clifton felt it was one of the most inefficient bus routes and many improvements needed to be implemented.

Mr. Clifton asked if Lumbrook was postponed from the previous year’s budget as well and Mr. Spadafino replied it first appeared in the budget in 2017 and had been pushed every year since. Mr. Clifton expressed his support for having a pavilion and hesitation on pushing it again. He asked for an update on the traffic calming island near Lumbrook and Mr. Filasky replied he had various conversations about traffic counts and speed studies performed in the area. He explained the data was available to try to have traffic calming measures in the middle of the avenue and back towards Stafford Avenue. He stated drivers were running the stop sign and continuing at a faster speed. Mr. Filasky requested a survey of the intersection to research solutions. Mr. Clifton asked if there would be a solution in 2020 and Mr. Filasky confirmed and explained there would at least be a temporary solution to gauge the effectiveness before a permanent solution was installed.

Mr. Clifton asked about the sidewalks at Olan Thomas Park. He asked if the sidewalk on Paper Mill Road extended further. Mr. Coleman said the current sidewalk was four or five feet wide and the proposal would widen it to eight. He thought the original plan was to pull the sidewalk away from the curb to help with snow piling up when the streets were plowed. He explained that where possible, the sidewalks would be pulled back to create a grassy area to leave the snow instead of dumping it on the sidewalk where it would need to be shoveled off. Mr. Clifton understood the safety perspective but also understood the sidewalks had been in place for thirty years. He compared $200,000 for the sidewalks to a $45,000 pavilion. Mr. Coleman interjected that it was for 2022 and not proposed for 2020.

Mr. Clifton asked the CIP format and how it could be easily misinterpreted by the casual observer. He encouraged staff to seek ways to remedy how the information was presented. He asked if it was possible to change the fiscal year to avoid shortfalls. Mr. Del Grande did not expect the change to be difficult and Mr. Coleman thought it would require a charter change and did not anticipate pushback. Mr. Coleman explained changing the fiscal year would make the tax situation easier. Mr. Clifton agreed and stated the difficulty with federal budgeting cut off in August and then having to rely on continuing resolutions on the federal side.
Mr. Clifton expressed his opinion on staff and their efforts to address the financial shortfall and thanked them for their dedication. He noted that constituents were frustrated and were entertaining moving to the County because they saw the County tax was less than the City tax. He disclosed that the County tax was discounted to City residents for services provided by the City. He explained utilities would be higher and there were refuse fees. Mr. Clifton felt that even if taxes were increased by ten percent, the increase would be less of an impact than a refuse fee. He demonstrated that every department was affected and including the refuse fee in the taxes was the equitable way to distribute the cost to residents. He referred to a 2015 conversation with the Elkton Public Works Director regarding the elimination of trash collectors and learned that one third of the cost would be passed to the taxpayers through privatization. Mr. Clifton acknowledged that taxes pay the General Operating Budget and noted compromising on green energy or postponing a sidewalk may be necessary sacrifices.

The Chair opened the floor to public comment.

Sarah Willoughby, Executive Director for the Greater Wilmington Convention and Visitors Bureau (GWCVB), asked residents not to be distracted by Greater Wilmington as it was the County's destination marketing organization. She wanted Council to consider investing a portion of the hotel tax into tourism marketing. Ms. Willoughby claimed her organization could help raise income and that residents were unaware of the organization because they market in New York to bring tourists to Delaware. She described their various investments and explained the appeal of the City to travel writers. She described convention and visitor bureaus as the most important tourism marketing organizations in their respective tourism destinations and were directly responsible for the marketing of tourism products such as attractions, hotels, restaurants, and services. She claimed the GWCVB produced direct and indirect revenue and taxes for the destinations with marketing and sales expertise. The mission was to service the community's customer focused destination marketing organization, generating a necessary economic growth. The GWCVB was a 501(c)6 non-profit organization, founded and chartered by the Governor of Delaware, the County Executive of New Castle, and the Mayor of the City of Wilmington, in 1978. She explained the organization was governed by a board of 27 members of which seven each were appointed by the Governor, County Executive, and Mayor. The appointees then elect six members to the board and Ms. Willoughby pointed out that six board of director members were from the City of Newark.

Ms. Willoughby claimed 92% of GWCVB’s income was from the Public Accommodation Tax and proceeded to breakdown the 8% statewide tax. She explained 5% of the lodging tax was for the general fund, 1% to beach replenishment, 1% was for the Delaware Tourism Office, and 1% was prorated for the three county tourism marketing agencies. Ms. Willoughby explained that New Castle County leads ten months out of the year with 65% of the income. She wanted to open dialogue and present a formal presentation to Newark.

Joe Fitzgerald, Fitzgerald Consulting, reiterated that some portion of a future budget could go toward the GWCVB. He noted an increase in hotels and was certain that a return of investment in tourism would yield great benefits. He explained AirBNB properties were not subject to the lodging tax and were illegal hotels that were not subject to rules and regulations.

Mr. Hamilton asked if the Bureau was marketing Newark and getting paid out of 5% from the State. Mr. Fitzgerald corrected the money was from 1% from the State. Mr. Hamilton explained the City provided money for Aetna, had Police presence, and roads were used by visitors and noted visitors have not paid anything as there was no sales tax and there was not a lodging tax. He claimed the State was already providing a portion of the tax for the current hotels and did not understand the need for more funding. Mr. Fitzgerald explained the lodging tax was not 11%. Mr. Hamilton stated the percentage was commiserate with surrounding cities and commented that research showed the City was not out of line when the tax was raised. Mr. Coleman confirmed. Mr. Hamilton claimed industry experts stated that the City needed more rooms and the lodging tax was passed to specifically cover the City’s infrastructure cost and wondered how Newark would benefit more. Mr. Hamilton asked if Wilmington’s tax was higher. Ms. Willoughby answered that Wilmington passed a 2% tax with the ability to go 3% but was currently was 10%, Newark, Middletown, and New Castle County were at 11%. She explained GWCVB desired a discussion to acquire more money as the media market was the most expensive. Mr. Fitzgerald explained they were looking for support from other municipalities as well and wanted to invest more to promote the City.

Bill Sullivan, GWCVB Chairman, explained the desire of the board to drive tourism throughout the City and County. He noted increased taxes did not aid in tourism as meeting, corporate, and sports groups were lost customers. He explained investing in tourism marketing to drive up occupancies and rates creates jobs in turn. He felt that the current trend in Newark was a tailspin with occupancy, by adding new hotels with more coming, his hotel experienced a drop-off in occupancy from 76% to 72.5%. He wanted a
portion of the $750,000 to help market the City to drive up business. He informed that a major international equestrian event was going to be held in Fair Hill in 2020 and the GWCVB needed to be involved in marketing the event to drive up rates, fill hotels, and drive customers to local businesses. Mr. Sullivan wanted the opportunity to present the entire marketing plan. He reiterated Ms. Willoughby’s talking points and was enthusiastic about investing in Newark’s marketability.

Mr. Lawhorn was interested in dialogue to see what GWCVB could offer the City and encouraged Council to be open to meeting. Mr. Clifton agreed with Mr. Hamilton and Mr. Sullivan explained the City needed to market more. Mr. Clifton wanted qualifiable proof for Mr. Sullivan’s claims. Mr. Sullivan was confident in the GWCVB’s abilities to generate more revenue for Newark. Mr. Hamilton recalled an email request for the GWCVB to receive $350,000 out of the $700,000 and was stunned at the additional request. He asked Mr. Sullivan if he was prepared to explain the Bureau’s plans for $350,000. Mr. Sullivan claimed to have a great marketing plan and did not think it was appropriate to present that evening. He noted that Council did not answer the email request and felt it was rude but expressed the Bureau’s desire to partner. Ms. Wallace interjected that the time was for public comment.

Andrew O’Donnell, District 3, expressed his pleasure at the Green Energy Portfolio and felt it was a good investment and wanted to take advantage of green energy prices. He spoke on behalf of residents commenting online who expressed their hesitance on any increases. He agreed with credit card fees and understood the trade-offs. The forum users suggested a variable rate for waste disposal and different ways to implement the program. He felt the rate study would be a great incentive for using less electricity during peak usage and was in favor for time of use rates. He claimed Starlink would be online next year at a target of less than $80 for faster service and with better technology and suggested using the application as opposed to fiber.

John Morgan, District 1, thought Council should restructure the fines for disorderly conduct as the budget for Police exceeded the revenue from fines. Dr. Morgan felt it was long overdue to look at the rates for downtown parking and did not notice any indication of parking revenue in the presentation. He suggested that staff break out the parking revenue in the next budget presentation and form estimates on raising the peak parking times to meet UD’s parking garage rates. He thought something should be done to ensure UD paid with checks instead of credit cards, so the City did not incur massive credit card fees. Dr. Morgan was in favor of a fee for large refuse items and thought the City could absorb $500,000 out of the reserves for half a year to switch the fiscal year if the deficit could be brought down to $1 million. He compared the City’s and UD’s processes of hiring replacement personnel and suggested City supervisors write justifications to fill vacancies and present them to Council for approval.

Bob Stozek, District 1, understood the $500,000 subvention fee from UD was reported as income but noted that when UD increased its subvention from $200,000 to $500,000, the City began paying UD a $300,000 discount on the electric bill. Mr. Stozek wanted to clarify that UD was not giving the City $500,000. He was in favor of renewable energy and stated the US generated 17% renewable energy every year, mostly in hydroelectric and wind with 2-3% in solar. He felt that the City was going to pay an extra $500,000 for 50% because of simple supply and demand. Mr. Stozek did not understand why the City could not mirror Delmarva’s payment policy and institute Electronic Funds Transfers (EFT) and pressure UD to pay its bill through EFT. He asked how the $400,000 from PILOT was spent because he did not see it in the budget. Mr. Del Grande explained it was recorded as revenue for the General Fund and was in reserves.

Mr. Lawhorn was pleased with the options presented by staff. He wanted to address the quality of service between Newark and the County. He noted that when the electric goes down in the City, it was back up within hours, but when the County loses power, it could take up to a week for service to return. He explained that County residents could secure a refuse service for $250 for no-bulk trash and recycling where the City provides trash, recycling, yard waste, and bulk fee pick up. He felt that City’s services were tremendous. Mr. Lawhorn wanted to address the issue of credit card fees on a future agenda and felt staff should investigate changing the fiscal year if it was beneficial to the City.

Mr. Lawhorn was strongly against pushing the Street Program as he agreed with Mr. Coleman that pushing the project would incur more cost in the long run. He explained that Lumbrook as a highly used park and was in favor of replacing the pavilion in the name of community service. He believed Harris Automation and the skid steer could be pushed back if necessary. He acknowledged there were costs associated with postponing the fiber upgrade and felt if there were better options in the future, he would support postponement.

Mr. Lawhorn was in support of customer charges as they implemented a way to charge for infrastructure when it was not utilized by 17,000 temporary residents. He supported a refuse fee option
but as it related to customer charges, he was not in favor doing an increase in expense to residents because the refuse fee was a rather large expense that quickly became complex. He admitted there were many people who did not pay attention and would be confused. He preferred sticking to a refuse increase from a presentation standpoint. Staff spoke about transferring monies from the utility funds to the General Fund so if the increase was done on the utility side to alleviate the shortfall, he saw it as adding to the problem and preferred whatever was decided to focus on the General Fund side.

Mr. Lawhorn wanted to properly vet the customer charges and reiterated his desire to discuss it as an agenda item in the future. He acknowledged the concern of who benefitted financially from the charges and wondered at the layer of complexity where high users receive discounts. He thought staff should consider fee restructuring so a service could be implemented that was revenue neutral for residents without giving a huge break to large customers.

Mr. Horning did not receive positive feedback regarding green energy. He believed in the principals of green energy but noted the City was paying significantly more for the purchase of RECs. He would not be against green energy if he did not feel there was an alternative solution and anticipated agendas on how the City could generate its own green energy at a lower cost. He felt one of the benefits of green energy was that it should be cheaper and thought the City should be investing in programs that would save residents money while also being environmentally conscious. He wanted to reduce green energy from 50% and was not opposed to leaving it at current levels, consider the CAC recommendations, and move forward. He stated if the recommendation was to implement green energy fees, they could be implemented next year. He expressed the desire to find a cost-effective way to greener while saving residents money.

Mr. Lawhorn did not want to increase utilities to pay for a shortfall and wanted to see it funded through the lower refuse fee. He opposed generating a surplus and did not want to raise the fee more to lower rates. He was pleased with the options as he viewed it as a balanced cost. He was interested in recovering some of the cost for the refuse service wanted to make fair decisions for the future.

Ms. Bensley asked if Mr. Lawhorn was specifically speaking about the lower amount refuse fee only or the refuse fee with referendum offset. Mr. Lawhorn replied refuse only. He wanted to see the monies put into the General Fund and not contribute further with the amount of money needed to transfer from the utilities to the general fund.

Mr. Horning agreed with Mr. Lawhorn and remarked positively on the involvement from the public. He agreed with Mr. Hamilton in that there were processes Council could do more efficiently to handle fees to put the City in a better financial position. He did not feel the City was ready for a refuse fee as there were many unanswered questions. He felt Council had enough data to make the cuts to balance the budget and to implement the referendum tax increases approved by the general population. He said the cuts would involve deferring projects into the next year but understood PILOT was not included in the budget because there was no guarantee although the City did receive $400,000 as a grant in aid. If Council were to defer projects into the next year, Mr. Horning was open to amending the budget to allow use of the additional revenue as received if changes could be made with UD to avoid credit card fee losses.

Mr. Horning explained the handout from DEMEC that stated DEMEC’s goal was 25% green energy by 2025 and they were on target to meet their objectives while lowering the rates. He suggested sticking with the DEMEC plan and cautioned that the 50% green energy may be a deterrent to new businesses if the City’s electric rates were higher than neighboring areas. He mentioned the CAC was organizing the Newark Energy Transition Team to better educate the public, to have more discussion in the City, and appreciate the benefits of the program. He clarified that if Council stayed at 17% renewable, the change to the bottom line of the $1.2 million gap was $100,000. Mr. Coleman confirmed and explained it got worse because there was a margin transfer on all gross revenues from the electric fund. He explained if electric expenses go up, the transfers to the General Fund go up as well at 21%. Mr. Horning asked if that amount was if Council kept as is. Mr. Coleman explained if Council went back to 17%, staff would have to find $100,000 but the City was also reducing the impact to residents by more than the offsetting amount.

Mr. Horning asked if the City was committed with the firearm range expenses like the Emerson Bridge situation. Mr. Coleman replied no. In terms of the cuts Council was looking at, Mr. Horning was in favor of as many cuts as needed to bridge the gap at $1.2 million and would even include the $300,000 Safe Routes to School Program to Downes Elementary on Casco Mill Road. He was open to additional discussion on the streets program and Mr. Coleman responded that the Asset Management Program says the City should be spending $1.75 million per year for the street program. He continued that staff did not propose the full $1.75 million in the recognition of difficulties but instead proposed $1.33 million. Mr. Horning was in favor of the customer charges but felt it was necessary to have more discussions.
Ms. Wallace was in favor of a presentation by the GWCVB but was in no way in favor of offering a portion of the hotel tax and pointed out that the previous year’s budget funded the beginning of the TNP although it was not in the current budget. She equated it to a contribution for economic development for the Newark area. She acknowledged the circular discussion of the credit card fees and was not happy with the choices Council faced. She was concerned with instructing customers to use kiosks for some applications and Mr. Coleman stated parking tickets were paid at kiosks but not utilities. Mr. Del Grande noted there were also kiosks for the court. Ms. Conover explained parking tickets were paid at the Alderman’s Court, but credit cards must be used at the kiosk and pay a $1.50 service fee. Ms. Conover further explained criminal or traffic tickets must be paid at the kiosk and were charged $3.25 as credit card payments were not taken at the window. Mr. Coleman explained it was done voluntarily but a kiosk would have to be set up for utility charges. Ms. Wallace understood it was to comply with federal regulations and commented that she now supported credit card fees completely.

Ms. Wallace explained the evolution of her decision and wanted to recognize the credit card fees would not be a potential revenue source because large users could be a variable. She asked if it was too late to implement credit card fees in the budget and Mr. Del Grande confirmed that the systems needed to be updated first. Mr. Del Grande informed Council that staff was working with Paymentus to accept Venmo as a method of payment and PayPal for utility bills. Ms. Wallace stated that the applications had customers fees that would not be transferred to the City.

Ms. Wallace supported the CIP recommendations except for the streets program and thought Council should be critical and remove Park-related projects when faced with budgetary issues. She reiterated her stance that pavilions were not necessary at every park location. She asked if development review fees could be included in the 2020 budget. Mr. Coleman said it depended on how the increase was implemented and thought a flat fee would be easier that would first go to the Planning Commission and then Council. He felt a realistic timeframe would be March or April. Ms. Wallace wanted to see the $50,000 healthcare surplus adjusted in the budget and agreed with Mr. Markham that other movement was available if necessary. She remained committed to the Green Energy Initiative at 50% and pointed out to Mr. Horning that DEMEC was required by State Law and was not exceeding expectations. She clarified that the Green Energy Initiative was presented by staff for residential users in a voluntary program. Mr. Del Grande confirmed that large industrials and commercials would be excluded. Ms. Wallace welcomed further discussion after the CAC presentation.

Ms. Wallace supported Scenario 2 for water and sewer customer charges. She recognized the City made its case to have a source of reliable income for infrastructure and she supported a small customer fee that was revenue neutral for the City with a rate reduction. Ms. Wallace felt there was consensus on Council to reduce the shortfall. She was in favor of the trash fee with the referendum cost and remarked residents were not happy with increases but also did not want to decrease services. She worried about transfers from the water and sewer, especially water because it was at 33% which meant the City was taking 33% of customers’ bills and transferring it to the General Fund. She remarked the amount was high and stated the City cannot continue the practice. She explained that if Council did not agree with her stance on the trash fee, she would lean more towards a tax increase than increasing water and sewer. She related that residents wanted to target UD more and wanted costs spread around and noted that options presented by staff did not impact UD as their electric rate was already negotiated and the water and sewer rate would not be a significant amount.

Ms. Wallace felt the refuse fee was a more equitable way to charge service users as opposed to affecting everyone with a utility increase. She explained water customers outside of City limits would be impacted without having the benefit of refuse service as would businesses that already paid for refuse removal. She saw the fee as a way for the City to have a more reliable funding source and mirrored the stormwater fee implementation. She also felt it was important to include the referendum charge because they were voted on by the residents and if they came out of the refuse fee, it would not be equitable.

Ms. Wallace had concerns about the Police range as a large, unfunded CIP project in the budget but was willing to move forward with the $250,000 as funds were in-hand for a study and Council could determine to continue later.

Mr. Markham was interested in learning how the GWCVB would handle the City’s calendar as the lower occupancies were winter and summer. He remarked that even with the credit card fee, customers could still pay online, and Mr. Coleman confirmed. Mr. Markham wanted to see a 2% credit card fee instituted with the goal to decrease the cost. He asked if the Lumbrook pavilion was a rental and produced any revenue and Mr. Coleman said it was not as there was not enough parking. Mr. Markham wanted to include the $50,000 from healthcare in the budget, agreed with developer fees at a straight 10%, wanted...
to review fines, and wanted to delay the green energy decision until after the CAC Sustainability Plan was presented to Council.

Mr. Markham wanted to know how Scenario 1 would affect the initial recommendation on page 22 because with the customer service charge, staff was proposing decreasing the water and sewer rate. Mr. Coleman confirmed the charge would affect the numbers and explained staff would not be able to calculate the result of the customer charge until they better understood the total revenue increase for each of the utilities. He explained that the calculations were based on assuming 100% of the new revenue came from the refuse fee and staff was not increasing revenue but reconfiguring how to collect the same revenue. He stated if Council directed to implement the referendum-related increases and implement the customer charges for Option 2, staff would have to calculate. Mr. Markham wanted to include the referendum charges because the voters approved it. He suggested not adding an implementation cost if the refuse fee was chosen.

Mr. Markham agreed with deferring all but the street fund but wanted to know the breakdown deferrals in the $191,000. He remarked on the challenge of supporting one’s district while balancing the needs of the City. He was curious with the deferrals and change in fees, to know if it was possible to do an initial $5 a month trash fee and wanted the trash fee to be yearly. Mr. Coleman had previously calculated the refuse fee after removing the four postponements and leaving the referendum revenue in and estimated it at $9.50. He noted that in order to decrease the charge to $5, revenue would have to be generated elsewhere. Ms. Wallace noted there would be an additional $100,000 from green energy and Mr. Coleman said he incorporated that amount. Mr. Markham was not satisfied with any option and said that if he was forced to choose, it would be $11.75 but he felt there were factors that would change the numbers.

Mr. Hamilton appreciated staff’s effort to narrow the budget and repeated his eagerness to remedy the $900,000 expense issue. He agreed with green energy, developer fees of 10%, and following through with the referendum as it had been voted by the residents. He agreed with deferring the CIP projects except for the streets and wanted to start introducing customer fees. Mr. Hamilton agreed with Mr. Markham that adjustments should be made to decrease the refuse fee amount and then introduced to the customers. He claimed staff may be cutting $517,000 with a $1.2 million deficit. Mr. Coleman explained that the $1.2 million did not include the $517,000. The $1.2 million was the General Fund shortfall and if the $517,000 was removed, the shortfall increases to $1.3 million. Mr. Coleman explained it would be an adjustment to the Green Energy Rate as staff did not know the amount until the RECs were purchased. Mr. Hamilton asked if it had been budgeted as an expense and Mr. Coleman explained it was not in the presentation and would save residents more than the offsetting need.

Ms. Hughes remarked that Newark Shopping Center was more inviting than in the past and raised property value and wanted Lumbrook Park to be revitalized. Ms. Hughes remarked that if the City expected residents to pay more to balance the budget, Council needed to be certain it was not asking more from the residents over what staff was doing to cut costs. She felt that most residents did expect an increase in taxes and thought the proposed fees eroded the trust residents had in Council and staff. She strongly opposed the refuse fee. Mr. Coleman asked Ms. Hughes for feedback on the other capital projects and the customer charges in the water and sewer. Ms. Hughes agreed with all the capital projects and was in favor for a tax increase. Mr. Coleman asked if she was in favor for all tax or the original option and Ms. Hughes replied all because she saw it as a community effort. Mr. Coleman asked for her opinion on customer charges and explained the slide again. Ms. Hughes supported Scenario 3.

Mr. Clifton opposed the refuse fee and thought there was enough to cut and if the shortfall had to be remedied, he wanted it done in a tax increase versus a refuse increase. He agreed with Ms. Hughes that many residents view Council as taking the easy way out to balance the budget. He supported the postponement of CIP projects except for the streets and Lumbrook Park. He felt it had been postponed for too long and was unfair to the Lumbrook neighborhood. Mr. Clifton supported the credit card fees. He understood Mr. Lawhorn’s position but wanted to keep the amount to 25% as he felt the State-mandated goal was weak and that Newark should be leading the way. He felt that the Olan Mills sidewalk had been so for thirty years and should be in play and Mr. Coleman explained it was in the 2022 budget.

Mr. Clifton asked about customer charges and Mr. Coleman presented the figures once more and Mr. Clifton supported the referendum debt only option. Mr. Clifton was in favor of the building department fees.

Mr. Coleman explained some options had consensus while some had consensus around a concept but at different levels. He stated there was consensus on review fees but noted that while there was agreement regarding credit card fees, there was no clear percentage. Mr. Markham recalled Mr. Del
Mr. Del Grande stated everyone was in favor of customer charges but differed on which scenario. Mr. Coleman asked if Council was in favor of the lowest option initially. Ms. Wallace asked if it was for water and sewer customer charges and Mr. Coleman confirmed. Mr. Markham felt it was the least dramatic. Mr. Horning remarked that he was not in favor of the customer charges and asked Mr. Coleman if he had any concerns about any of the options. Mr. Coleman felt it was important to get established and start a trend. He remarked that it was reasonable to get something into place and work to make the portion large and the volumetric lower.

Mr. Coleman stated the Capital Project Street Program would be left as was and explained Lumbrook Park had three in favor keeping it in the budget and four to postpone. Mr. Hamilton changed his vote and Mr. Coleman said it was back on the books. Mr. Coleman then stated Harris Automation, skid steer, and fiber were postponed. There was consensus to delay green energy until after the CAC and DEMEC discussion. He stated four members supported refuse fees of some level, three supported Option 4 at the amount needed to balance the budget minus the referendum increases and the budget tweaks. He did not have the exact amount with Lumbrook included but said it would be higher than $945,000. Mr. Coleman said Mr. Lawhorn was in support of Option 1 at $14.39, Mr. Horning supported the tax utility rate plan, Ms. Hughes and Mr. Clifton were the all tax option. Mr. Clifton amended his argument and agreed with Mr. Horning. Mr. Coleman said there were three for refuse Option 4 and one for refuse Option 1. Mr. Lawhorn said that refuse option had no customer charges so if Council was leaning towards customer charges, he would choose the refuse fee with referendum offset but explained he did not like the option as the money could be put into the General Fund. Mr. Markham asked where his vote had gotten tallied. Mr. Coleman explained he counted Mr. Markham as refuse Option 4. Mr. Markham said he was leaning more towards the option with changes with the customer fee. Mr. Coleman said Mr. Markham agreed with Mr. Clifton and Mr. Horning.

Mr. Coleman recounted with three for the original proposal, three for refuse fees of some level, and one opting for all tax. He remarked there was a stalemate and suggested Ms. Hughes move to the original tax utility rate option. Mr. Coleman explained that if Ms. Hughes went with the original plan of the tax, water and sewer rate increase option, there would be consensus. Mr. Hamilton interjected that Ms. Hughes could decide to go with the voters’ choice of the referendum and add the lowest refuse fee. Mr. Coleman explained she was the swing voter. Mr. Coleman said he had Mr. Clifton supporting the current option minus the 50% green energy with the sewer rate of 4.7%, water rate of 5.8%, and property tax of 9.3%. He stated it was supported by Clifton, Horning, and Markham. Ms. Wallace suggested staff return with everything but the final decision because she was trying to make the positions clear. Mr. Markham agreed with Ms. Wallace as he had suggested alternatives posed questions throughout the presentation. Mr. Coleman agreed staff could return with a much shorter slide deck to focus on the remaining items. Mr. Lawhorn asked if staff could expand on how the option impacts the utility transfers to the General Fund. Mr. Coleman explained the option would reinforce the previous trend of transferring from utilities to the General Fund. Mr. Lawhorn asked if it made the issue worse and Mr. Coleman agreed. Mr. Lawhorn noted there had been a lot of discussion of it being bad practice and wanted to state it would make the problem worse. Mr. Hamilton asked what option. Mr. Coleman answered the option as originally proposed which was the traditional way of collecting via the tax, electric, water and sewer rates, and transferring the money to the General Fund. Mr. Coleman clarified that increasing those versus implementing a refuse fee made the transfers worse. Mr. Hamilton asked if Mr. Coleman was suggesting the referendum and the trash fee was the best way. Mr. Coleman agreed it was a good option.

Ms. Wallace asked if Council could agree on returning with the final decision on tax and utility or a refuse fee, how much of those numbers were transfers to the General Fund. Mr. Coleman replied all of it. Ms. Wallace asked if almost 39% would be transferred from the water fund to the General Fund. Mr. Coleman answered that the 33% figure was inclusive of the number. Mr. Clifton asked what talking points were needed to decide to pass the budget at the next meeting. Mr. Coleman answered staff would need clear direction on the tax, electric, water and sewer rate, and refuse fee. He explained staff would bring an updated version that would reflect the projects that had been removed, update the refuse fee options and narrow it down to the referendum increases and the smallest refuse fee. He explained there would be two choices: the traditional way or the refuse fee with the referendum increased included and Scenario 1 customers charges. Mr. Clifton stated the next meeting would be the deciding point and everything else would be modified as directed.
Mr. Coleman clarified that any postponed projects would move one year to 2021. Mr. Clifton remarked that it would not include the streets, Mr. Coleman stated the streets and Lumbrook would stay where they were.

7. 3. ITEMS SUBMITTED FOR PUBLISHED AGENDA:
   A. Council Members: None

8. 3-B. Others: None

9. Meeting adjourned at 11:08 p.m.

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

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