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

2. SILENT MEDITATION & PLEDGE OF ALLEGIANCE
   Mr. Clifton asked for a moment of silence and the Pledge of Allegiance.

3. 1. FINANCIAL STATEMENT: None

4. 2. SPECIAL DEPARTMENTAL REPORTS:
   A. FY2020 Budget – City Manager/Finance Director (120 minutes)

   Mr. Coleman and Mr. Del Grande presented the proposed 2020 Budget, revised as discussed at
   the November 4 Budget Hearing. In consideration of the lengthy discussion at that meeting, staff focused
   on the specific direction received for revenue options and dropped most of the usual slides from the
   presentation to get to the discussion more quickly.

   Mr. Coleman explained staff pushed three Capital Projects out to 2021, reduced the anticipated
   healthcare premium to reflect the lower than expected renewal costs and eliminated the additional
   renewable energy purchases. Staff first included customer charges for water and sewer in all scenarios
   and Mr. Coleman noted those charges were the referendum-related increases. He commented that staff
   was also given direction to work on implementing credit card convenience fees. Mr. Coleman stated that
   he did not think it was a viable option. He noted the adjustment to the CDBG Program as the $25,000 in
   revenue was already accounted for in the Capital Budget and said that the $25,000 was for ADA ramps
   within the street program.

   Mr. Coleman provided several options for discussion based on previous direction. He said that all
   options would fill the current budget gap of $1,050,000 in different ways, all of which were viable options
   for Council’s consideration. He explained the current Revenue Budget was based on Option B so any other
   option would result in the need to make minor modifications to the Revenue Budget to reflect the
   different revenue sources and noted the total revenue for all four options would be essentially the same.
Option A was the current refuse fee option which was down to $9.87 per month when coupled with the referendum-related tax, water and sewer increases. He stated at that price point, staff preferred to bill annually on the tax bills versus on the utility bill because it would save implementation costs and would provide adequate time to set up billing in June as opposed to January. He explained that a target date of January was impossible as it would take a first and second reading to get it out and then set up the bills. Since the City would be billing on tax bills, only one half of the revenue generated would be recognized as 2020 revenue so staff would require reserves to cover the other $412,500 to get through to July. He explained if Council chose to go with Option A in addition to modifying the Revenue Budget, staff would need to make one minor modification to the Expenditure Budget which would be to add the one-time implementation costs to set up the software to put it on the tax bills. He reminded that the tax billing option was less expensive than the utility billing option for set-up.

Option B was the business as usual approach, staff’s least preferable option as it would worsen the current utility transfer situation. He noted it was still a viable option for consideration and would positively move the needle in 2021 when staff recognized the full revenue impact of the tax increase. He explained that only 50% of the revenue is recognized in the first year and 100% of the revenue is recognized in the second year.

Option C was the pure tax increase option which puts 100% of the revenue in the General Fund and would allow current senior and disability tax exemptions to flow through automatically as well as retain its deductibility on federal tax returns. Mr. Coleman explained Option C would make the most impact in 2021 when 100% of the revenue is realized, making a considerable impact at reducing staff’s reliance on transfers out of utilities. He described the downsides to the option as primarily optics because 30% did not seem appealing. He said it was important to recognize that taxes to Newark only represent 21% of the revenue on property tax bill so realistically, it was 30% of 21% or 6.3% total property tax increase. Mr. Coleman also cautioned on the issue of inconsistent assessment valuation as a fraction of the true property value with some properties assessed at twice the rate, or more, than others. For example, staff was notified that the Burger King on Delaware Avenue sold for $4 million and the assessment was around 16% of that amount. He stated there were neighborhoods over 30% and said the Hunt at Louviers was 35% or more. He noted the disparity between the assessed rates and the fraction of their real property value across the City and acknowledged it was a legitimate issue. He announced that the State and each of the three counties were being sued because they had not assessed properties for some time and noted New Castle County last assessed in 1983. Based on articles staff had seen, a resolution is expected in early 2020. If New Castle County lost the lawsuit, a reassessment would be a likely result and the disparity would go away on completion of the reassessment. He estimated that if the lawsuit ended in 2020, reassessment would take at least a year as every property in the County would have to be reassessed.

Option D was also a property tax option but included the referendum-related water and sewer increases. As it was primarily property tax related, it shared most of the same positive and negative traits as Option C though at a less extent while also recognizing some of the required revenue was directly attributable to projects approved by voters in 2018.

Mr. Del Grande wanted to show Council the changes staff made to the Budget since October when the Overall Budget was first presented and advertised on October 15 in the Newark Post. The Proposed Budget was just under $96.8 million which represented an increase of $2.1 million over 2019 at a decrease of $845,000 from the November 4 meeting. Mr. Del Grande described the slide shown as the business as usual model which consisted of a 15% tax increase, a 3.9% water increase, which included a 1.25% customer charge equivalent, and a 4.7% sewer increase, which included 0.5% customer charge equivalent. The three items included the increases that were a part of the 2018 Referendum.

Mr. Del Grande stated the 2020 Revenue figures would change depending on the option selected by Council, but the total revenue would be the same assuming there were no other expenditure changes. In addition, as the advertised budget on October 15 reflected a $4 million increase, or 4.2% over 2019, staff reduced the budget by $1.8 million first presented in October.

Mr. Del Grande explained staff adjusted the Operating Expenditures as directed from the November meeting:

- Reduced healthcare premiums by $50,000
- Removed the Green Energy electric rate by returning to 17% renewable, reducing the budget by $516,900
- Updated the Community Development Block Grant
- Overall, Operating Expenditures were $1.4 million less than requested and $2.4 more than the 2019 Operating Budget
Mr. Del Grande stated the changes made since the November 4 meeting reduced the Expenditure Budget by $570,000.

The Capital Budget was reduced by $251,000 per Council’s directions. Staff moved three projects out of 2020: the purchase of the skid steer in the Parks Department, the delay of the fiber project, and Phase 1 of the automated platform for the utility billing software. The 2020 Capital Plan was $20.5 million, a $350,000 increase over 2019. For cash requirements, staff used $3.1 million in current resources, made up on tax and fees in 2020, and represented $880,000 reduction from last year’s budget. The net current surplus increased by $244,225 due to the reconciliation of the Community Development Block Grant Program. Overall, the total expenditures in surplus was $2.1 million over 2019 or 2.3% higher than the 2019 Budget.

Mr. Del Grande demonstrated the City’s Operating Budget slide and explained the revenue figures would remain the same but could change depending on the direction Council voted. For example, if a refuse fee were to be approved, the fees for service line would increase and utility sales and real estate taxes line would decrease. He noted there would also be a small increase for expenditures for implementation in Year One of the refuse fee. The Budget totaled $96,798,215.

Mr. Del Grande reiterated there were four options and the impact of the options all totaled $1,050,000. All four options recovered the same amount as discussed and staff included nominal customer charges for water and sewer in all four options. He explained the 2018 Referendum included debt from the State Revolving Loan Program and borrowing from the General Fund. He stated there was a 1.25% customer charge equivalent for water and a 0.5% customer charge equivalent charge for sewer which was indicated in all four options. He explained in Options A and D, there would be revenue increase in water and sewer by the amount of the customer charge whereas Option B, the customer charge would be incorporated with an accompanying water and sewer rate increase.

Mr. Del Grande next illustrated the average residential impact by using:

- Water and consumption rate = 3,667 gallons
- Stormwater rate = Tier II
- Electric = no change
- Median assessment = $66,600

Mr. Del Grande reported the impact of Option A was $11.32 or 4.3% increase over current rate. Option B showed a water and sewer increase as well as a tax increase but had no refuse fee and totaled $9.61 increase or 3.7% increase over the current rates. He described Option B as business as usual. He noted Option C had a 25.7% tax increase, water and sewer customer charges, and no refuse fee which had an increase of $13.88 per month or 5.3% increase. He described Option D as having the revenue neutral customer charges for water and sewer. He claimed most residents would not see a change in water and sewer bills but would see a customer charge with a water and sewer rate decrease. He noted there was no refuse fee with Option D though there was a 30% tax increase but a $0.60 monthly difference from the refuse fee provision from Option A. Option D was $11.98 monthly impact or 4.6% increase.

Mr. Del Grande showed that the options were not drastically different from one another with the low of $271.83 and the high of $276.10 but claimed it all depended on who was impacted by the changes. He demonstrated the breakdown of the monthly difference based on the revised rates:

- **Option A:**
  - $0.34 water increase
  - $0.16 sewer increase
  - $9.87 refuse fee
  - $0.96 tax increase
  - TOTAL: $11.32

- **Option B:**
  - $1.38 water increase
  - $1.53 sewer increase
  - $0 refuse fee
  - $6.70 tax increase
  - TOTAL: $9.61

- **Option C:**
  - $0.33 water increase
  - $0.15 sewer increase
  - $0 refuse fee
Mr. Del Grande next explained the average residential impact for each option by fund, not the percentage change in the rates themselves. He stated the changes were consistent across the board, but the main difference was Option B with a 5.08% increase in water and a 4.86% increase in sewer whereas the others were 1.25% for water and 0.5% for sewer. He explained the other change as the tax increased from 2.14% to 30%.

Mr. Coleman reminded Council the big structural increases that resulted in the shortfall comparing to 2019’s Budget were a new line for Workers’ Compensation Insurance at $850,000, healthcare cost increases of $393,000, pension cost increases of $600,000, and post-employment benefits cost increases of $280,000. He pointed out that the pension and post-employment benefits funds were closed for management since 2012 and non-management since 2014 and post-employment benefits for police have been since 2014 but police were the only employees still active in the traditional pension. He explained that the $600,000 and $280,000 for pension and OPEB were essentially for people hired before 2012, 2014, and current retirees. They were fixed expenses that the staff could not alter. He noted that healthcare costs were a common concern and stated this was the first year the City had to pay the full premium for Workers’ Compensation and in subsequent years, the City would pay cost of living increases where staff anticipated an opportunity for reduction once the insurers realized the City was a low risk. He recognized the large increase from 2019 to 2020 and did not anticipate similar issues to continue. Mr. Coleman described a presentation that illustrated the pension and OPEB contributions projected for five years and they all leveled out in 2022. He stated this year was the last major increase for pension and next year’s increase was forecast to be 1/3 of this year’s increase, closer to $200,000, and the OPEB costs slowly increased from year to year.

Mr. Clifton asked referred to a previous conversation with Mr. Coleman and stated if the City had outsourced trash collected four years ago, the numbers would have been the same as current numbers. Mr. Coleman confirmed and explained that staff would be facing the same year over year increase but would have started at a slightly lower number. Mr. Clifton said no matter what the City decided in the past, it would not have changed the current issue as the increase was not created by refuse.

Mr. Clifton asked about page 14 of the presentation and Mr. Del Grande explained it was a summary recap, so the information was available on one page regarding total monthly bill, monthly impact over the current rates, and the percentage increase over the current rates.

Mr. Lawhorn reiterated that the credit card fee issue was complex. He expressed the need to have the topic on a future agenda. He did not want increases on the enterprise funds and recognized the issue of transferring too much money from the enterprise funds to the General Fund to cover costs. He preferred not to make the issue worse. He explained that during the last meeting, he was in favor of the lowest possible refuse bill with no fees. He said the compromise for his choice was Option A. He felt the other option that fit the bill was the 30% increase but the reason he tended towards Option A was equitability and it informed the public on what they were paying. He explained the money would go into the same kitty regardless and would affect people differently in how the money got there but trash service had been a conversation for many years. He recalled discussion to eliminate the service, but Council voted against the option because of public outcry. He remembered the same year saw a large tax increase that he felt was justified to the public by compensation for the trash fee. He worried if the City had a 30% tax increase, that Council would be having the same conversation in five or ten years because the issue really was an imbalance of funds where the City contributed too much to the enterprise funds through the rates and not enough money was given to the General Fund.

Mr. Lawhorn believed that having the trash fee gave accountability to residents on where their money was going and would help with future conversations with future Councils. He considered Options B, C, and D to be very similar in nature. He did not want to overstate his stance and wanted to hear more public feedback. He explained the residents he spoke to had varying degrees of opinions, but the majority understood the refuse fee, particularly when it decreased from the $25 a month fee, and most residents thought it was fair.
Mr. Horning was in favor of Option C based upon discussions with the City Manager and Finance Director. He asked Mr. Coleman if he was leaning towards Option C because it got the money to the General Fund. He acknowledged he was initially shocked at the 30% but then realized it was a 30% increase on the tax rate and, comparatively, put the City over $1 whereas other New Castle County cities were at $2 or even higher. Mr. Coleman explained that Option C would put the City at $1.04 and Wilmington was over $2 as reference. Mr. Horning was concerned with how Newark stood as a sustainable community across all demographics. He felt that not introducing a refuse fee helped the senior and disabled residents with predictability. He acknowledged the tax structure built in senior exemptions and disabled considerations and wondered if the City were to introduce a refuse fee, would there be a hardship exception. He wanted to avoid administrative costs and fees to introduce a new fee for adding bureaucracy and paperwork whereas many residents liked adding it as a property tax increase because of the deductibility aspect.

Mr. Horning was concerned with District 1 annexed properties in Christine Manor paying for a trash service from which they would not benefit. He estimated there were 20 homes that would be affected and that was why he liked the separate refuse fee but understood it would be possible to expand trash service to those residents. Mr. Coleman had no concern about the additional cost to providing service to 20 homes. Mr. Horning explained one resident in Christine Manor paid $22 a month for refuse and extra for yard waste. He noted if Council chose the refuse fee option, it was a comparatively good bargain although he was leaning toward Option C.

Mr. Horning believed the Safe Routes to School number was conservative and staff could decrease it $50,000 and Mr. Coleman confirmed. Mr. Horning explained it was the project on Casho Mill Road to add pedestrian refuge islands in addition the work the State was performing to increase walker safety. He believed that decreasing the project amount to $250,000 in the budget would help reduce the shortfall.

Ms. Wallace believed none of the choices were optimal but wanted to acknowledge it was a conservative budget when the new item expense of $850,000 for the Workers’ Compensation was taken into consideration. Mr. Coleman corrected that the expense was $960,000 after the required pension change was added. Ms. Wallace repeated the various obligations the City faced and understood Council had to select an option or cut personnel and services. She noted residents did not want to cut services. She asked if staff could share how much water and sewer UD purchased. Mr. Coleman answered that the 2018 UD purchases in dollars and percentages for the budget were:

- Electric = $24,730,705 or 44.6%
- Water = $1,694,780 or 18.1%
- Sewer = $2,286,809 or 31.6%

Ms. Wallace felt the numbers explained how the City found itself in the current position as large portions were tax deductible. She noted the threshold with Option B water and sewer rate increases because the City would be up to 33% transferring from water to the General Fund. She knew the City had a Memorandum of Understanding with the State over electric transfers and asked if the City had ever been reprimanded for water and sewer. Mr. Coleman replied no and explained the Memorandum of the Governor was from 2012 or 2013 until the end of Markell’s first term which capped the transfers at the amount per dollar in the first year. Ms. Wallace asked if it was around 20% and Mr. Coleman confirmed. He explained during that time period, the City stopped adding transfers from the electric fund and just started transferring more from water and sewer.

Mr. Coleman gave the example of a 30% transfer from sewer. The current transfer from sewer was $1.15 million and the total cost to operate the sewer fund, minus transfers and purchases from the County, was only $1.12 million so the City was transferring more out than it took to run the utilities. He described electric as the same scenario and explained the City manufactured its own water and spent more locally than transferred out. He said that the City transferred more out than it cost to operate. Ms. Wallace asked if the City ran the risk of getting the attention of the State with the high levels of transfers from water and sewer and Mr. Coleman confirmed. Ms. Wallace asked if there were additional negatives against the high water and sewer transfers. Mr. Coleman replied the main risk was being sued or having retaliation from the State if things got too far out of line. He did not feel the City was too far out of line at present but acknowledged things could not keep getting worse. He explained that any implementation of rate increases for water and sewer would go towards the General Fund at 100% and were not actually for water and sewer.

Ms. Wallace believed if the City faced budget increases in the immediate future, the avenue was shut off when the City got to the 30% mark. She said UD’s electric rate was set with a contract and could not be raised and it was not a way to impact UD. Mr. Coleman confirmed and explained the contract
amount with UD aligned with what they should be paying. He noted that when staff performs a cost of service rate study for a utility, the revenue requirements are set per class by the actual expense to provide service to that class. He stated that the City is required to do so per its contract with UD. Mr. Coleman explained that if UD chose to stop using credit cards to pay electric fees, the City’s electric utility cost would decrease by $400,000 but would be isolated to that customer class in the next rate study. He stated that although UD paid by credit card and cost the City $400,000, in actually, it cost UD $400,000 because the cost would not get transferred to a different customer class so it was in UD’s interest to stop using credit cards as the City was returning the fees to them. The information was relayed to the University, but they chose to continue the practice. He acknowledged the credit card fee number was high, but the solution was not necessarily to add a convenience fee because staff can only add a fixed dollar amount per transaction for utility payments instead of a percentage. Ms. Wallace recognized the solution was not as easy as Council had thought. Mr. Coleman stated the average residential customer charge for electric was $10 where UD was $2.6 million. He expanded that if UD used zero kilowatts, they would still pay $2.6 million, and further explained UD paid $2.9 million that year and the base rate was $2.6 million. Ms. Wallace asked how long the contract lasted and Mr. Coleman replied that it lasted for another ten years.

Ms. Wallace posed the scenario of introducing the refuse fee and then receiving feedback from residents that they preferred to outsource the service. She understood that the change could not happen immediately because of the costs associated and personnel hired. She asked if the City was using the refuse fee to go into the General Fund and then eliminated the refuse fee, where did Mr. Coleman anticipate the changes when the loss of revenue was taken into consideration with the cost savings. Mr. Coleman said staff first discussed outsourcing refuse in 2014 at the time when the fleet was due for replacement. He explained staff was able to refine operations to go from ten to nine employees while purchasing the new fleet. He noted that if the City immediately outsourced refuse, there would be no savings for another four or five years until the fleet trucks depreciated. Ms. Wallace asked what the outcome would be in the future. Mr. Coleman replied the cost to the City would likely be a little lower but there would still be a cost that would move from personnel to contractual and there would be an expense that could justify the refuse fee. He gave the example that Middletown contracted their refuse collection and the refuse fee was calculated by taking the cost of the contract and dividing it by the number of customers. He estimated Middletown’s fee at $21. Mr. Coleman explained staff configured the City’s fee to $24 for supplying its residents refuse and said it did not seem to be out of the question based on the previous RFP.

Ms. Wallace felt Option A made the most sense and expressed reservations about continuing with the business as usual option. She remarked that she had gotten feedback from residents who preferred the business as usual option but thought the City would be forced to make the decision at some point as residents did not want to reduce the levels of service and staff was tasked with finding a way to pay for it. Her second choice was Option D and third was Option B because there was no large water or sewer rate increases, just the move to the customer charges.

Mr. Hamilton asked if there was an absolute fixed rate UD was paying for the next ten years and Mr. Coleman replied there was not. Mr. Hamilton asked if the City’s rates increased, would UD’s rates increase. Mr. Coleman explained that UD bought their power through DEMEC and the City made the customer and demand charge of $2.9 million. Mr. Coleman explained if the current rate study found UD was underpaying or overpaying, the rate would be adjusted accordingly and factored into the demand charge and not the power supply costs. Mr. Hamilton noted that if the City raised the electric rates, UD would not pay differently, and Mr. Coleman confirmed. Mr. Hamilton stated if the City raised water and sewer fees the UD would pay more, and Mr. Coleman confirmed. Mr. Hamilton said that if Council chose Option C, the tax increase would only be applied to 50% of the land. Mr. Coleman replied it would be applied to 53% of the assessment as 47% was tax-exempt and reiterated it was the assessment and not necessarily the acreage.

Mr. Hamilton acknowledged the City could be reprimanded by the State for continuously borrowing from the General Fund and face regulation. He preferred for the City to manage itself. Mr. Coleman revealed the UD contract was likely another outcome of large transfers from the electric utility, so the 20% cap and the UD contract were both Governor-sponsored repercussions. He revealed that Option B was business as usual but in year two, it was staff’s expectation the transfers from the General Fund would be reduced because that was when the full amount was realized. He explained year one would make it slightly worse and then year two would make it slightly better. He felt that all four options were viable for Council to consider or staff would not have presented them. He cautioned against dismissing any out of hand but remarked that Option B was staff’s least preferred.

Mr. Hamilton asked if it was possible to rid the budget of $25,000 and asked about the potential of increasing development fees by 10%. He did not think it had been included in the revenue increase. Mr.
Coleman answered that it was not because the development fees had not been implemented and the amount was variable and hard to predict. Mr. Coleman referred to the first part of Mr. Hamilton’s question and explained that Council Chambers were not included, and staff had proposed an amendment to add the renovations to the 2019 budget based on feedback. He explained the $25,000 was not included in the budget and could not be cut out.

Ms. Hughes asked if the 30% tax increase was on the tax rate and Mr. Coleman confirmed. Ms. Hughes referred to feedback from residents and felt that the best choice was Option A. Her second choice was Option C but was hesitant because 30% did not sound appealing. She was wary of unexpected expenses in 2020 that would call for tax rate increases. She repeated her support for Option A and liked the $9.87 refuse fee and felt the water and sewer increases were not as dramatic as the other options. She agreed with Mr. Lawhorn’s points.

Mr. Clifton commented that Council was faced with a difficult but necessary choice. He explained that senior tax exemptions still applied to tax rates as well as the ability to deduct the taxes. Mr. Clifton was not thrilled with the refuse fee on several levels and thought if the City referred to itself as full-service, it should be encumbered within the City’s tax base. He stated that he could not support Option A and feared a precedent to future Councils. He revealed that he was leaning towards Option B or Option D and understood the transfer but also understood that the current year was the perfect storm for cost increases. He acknowledged the credit card fees were off the table but noted the fees were not the only option. He thought it was time to have developers pay into a fee that would go to the City to preserve and purchase open space and felt it should be discussed at a future meeting. He hoped for a year of diversity where fees would be charged to the users, but he did not view the refuse fee as being the option.

Ms. Hughes repeated the breakdown of Option B and Mr. Clifton explained it also included the base rate customer charge in the rate. He understood that Council had to do due diligence but hoped it was an anomaly of budget years. He hoped the course corrections made throughout the year would be stabilizing for the immediate future. Ms. Hughes asked what the customer charges were. Mr. Clifton replied they were a base rate and Mr. Coleman replied it was a fixed charge. Mr. Clifton explained that some customers were not in residence during the summer and were not using water, but the City still had to pay for the maintenance and upkeep of infrastructure and the customer charges offset part of the upkeep. Mr. Coleman explained that there were expenses in utilities that were fixed so the fixed charges would help to start recovering the expenses the City was paying regardless. Ms. Hughes stated that including the customer charge might have changed her choice. Mr. Coleman pointed out that all the options included the customer charges because the plan was to recover the expenses via customer charge. He explained when a customer charge is created, some revenue stemmed from the charge and created an offsetting reduction in flowrates, so the volumetric charge goes down. He reiterated the customer charges and acknowledged that while they were an impact, it was a very small charge.

Mr. Clifton opened the floor to public comment and noted that speakers were welcome to comment on any of the four areas of the agenda that dealt with the budget process.

Jean White, District 1, preferred not to have a separate trash fee because it could be raised each year. Ms. White wanted to address Project N1702 on page 147 of the CIP, the Council Chamber renovations for $25,000, which was deferred. She gave a brief history on the murals in the chamber and wanted them to remain in chambers. She believed that only the members of public who attended Council meetings in person should be able to dictate what hangs in Chambers. Mr. Hamilton asked her to what page in the CIP she was referring and said it was page 147 and explained it was not in the budget for the year. Mr. Coleman explained that the renovations were not included in the 2020-2024 budget.

Tim Toole, District 3, felt the four options presented to Council were a red herring. He understood the City needed revenue and noted the property tax between 2014 and 2019 increased by $1.5 million. He explained that the optics as a resident were that there had been an explosion of development in the City. He did not know the exact amounts but wondered why the burden was falling on the homeowners instead of the developers who were creating businesses with customers who were using City resources. He recalled discussion of a developer fee years prior and thought it was a blown opportunity. He wanted to understand why taxpaying residents were being penalized when there were corporations and people earning income from their properties. He noted he may not have interpreted the information correctly but wanted to express his concern that normal taxpayers were being penalized. Ms. Wallace asked staff to further explain and Mr. Clifton asked staff to explain transfer and what the continuum of money was.

Mr. Coleman began with the comment on tax growth and development fees and explained most of the growth in the Operating Budget in tax revenues over the past five years was in the Lodging Tax and Real Estate Transfer Tax. He noted the property tax revenue was much flatter. He explained the City did
have development plan review fees in place which were last updated with an increase of nearly 200% in 2017. Despite the increase, Mr. Coleman thought the number was low. Staff was proposing a 10% increase across the board, rounded to an even dollar amount, that would be presented to Council in the beginning of 2020 but explained that it must first go through the Planning Commission. He explained staff must develop an ordinance which then would go to the Planning Commission since it was in Chapter 27 of the code. The Planning Commission would then review the ordinance, make a recommendation to Council, and then would have a first and second reading. He revealed that if the process were to start immediately, it would be completed in March. He said staff planned an increase and were also looking into impact fees for utilities. He explained new developments were responsible for building any infrastructure necessary to serve the site but, aside from paying rates, were not necessarily responsible for any upgrades or capacity use on the system. He gave the example of STAR Campus and described it as a win for the City but noted the City would eventually need to build another substation to handle the load once there was enough development in the area. He claimed the project was out five or more years and staff included it in the fifth year of the CIP as a placeholder. He acknowledged it was a real expense of $15 to $20 million.

Mr. Coleman explained it was in the City’s interest to develop an impact fee so as development projects came through, they would pay money into a fund to help defray the cost of the infrastructure. He explained that staff was in the preliminary stages of the rate study and would likely have the results in the first quarter of 2020 for Council to review. Mr. Coleman explained the water and sewer side could likely be handled in-house and would look backwards as a capital cost recovery charge. He mentioned the City had completed a relatively large upgrade project to the water treatment plan on the surface water at White Clay and replaced many water mains. He reported staff had a water treatment plant upgrade at the ground water plant that would be brought to Council for initial discussions on the contract results on November 25. He clarified that all the projects were of the type that could be lumped into a capital cost recovery charge that the development plan would then pay an amount towards reserves. The reserves would allow the City to pay off debt service or do other projects as needed. He acknowledged that all the projects were in the works with the intention of doing them early in 2020 but staff did not have the bandwidth in the budget.

Mr. Clifton noted a lot of fees and transfer taxes were one-time fees and not a continual source of money. Mr. Coleman said the real challenge was that assessments were stuck in 1983. He explained the land value tax between a property on Main Street versus a property on Route 40 did not present a huge differential in value even though property on Main Street sold for $5 million an acre where property on Route 40 went for less than $1 million. He explained the property tax was not five times as high and thought the City would be a winner in the property tax assessment because there were many undervalued properties. Mr. Clifton thought it was important for the public to understand that information.

Mary Beth Gonce, District 3, wanted to understand how many employees the City had and Mr. Coleman explained there were 248 full-time employees with some seasonal and part-time employees. Ms. Gonce asked for the starting and ending hours for non-police staff. Mr. Coleman responded field employees were generally 7-3, 7:30-3:30, or 8-4 depending on the working hours, and City Hall was Ms. Gonce asked for the starting and ending hours for non-police staff. Mr. Coleman responded field

have development plan review fees in place which were last updated with an increase of nearly 200% in 2017. Despite the increase, Mr. Coleman thought the number was low. Staff was proposing a 10% increase across the board, rounded to an even dollar amount, that would be presented to Council in the beginning of 2020 but explained that it must first go through the Planning Commission. He explained staff must develop an ordinance which then would go to the Planning Commission since it was in Chapter 27 of the code. The Planning Commission would then review the ordinance, make a recommendation to Council, and then would have a first and second reading. He revealed that if the process were to start immediately, it would be completed in March. He said staff planned an increase and were also looking into impact fees for utilities. He explained new developments were responsible for building any infrastructure necessary to serve the site but, aside from paying rates, were not necessarily responsible for any upgrades or capacity use on the system. He gave the example of STAR Campus and described it as a win for the City but noted the City would eventually need to build another substation to handle the load once there was enough development in the area. He claimed the project was out five or more years and staff included it in the fifth year of the CIP as a placeholder. He acknowledged it was a real expense of $15 to $20 million.

Mr. Coleman explained it was in the City’s interest to develop an impact fee so as development projects came through, they would pay money into a fund to help defray the cost of the infrastructure. He explained that staff was in the preliminary stages of the rate study and would likely have the results in the first quarter of 2020 for Council to review. Mr. Coleman explained the water and sewer side could likely be handled in-house and would look backwards as a capital cost recovery charge. He mentioned the City had completed a relatively large upgrade project to the water treatment plan on the surface water at White Clay and replaced many water mains. He reported staff had a water treatment plant upgrade at the ground water plant that would be brought to Council for initial discussions on the contract results on November 25. He clarified that all the projects were of the type that could be lumped into a capital cost recovery charge that the development plan would then pay an amount towards reserves. The reserves would allow the City to pay off debt service or do other projects as needed. He acknowledged that all the projects were in the works with the intention of doing them early in 2020 but staff did not have the bandwidth in the budget.

Mr. Clifton noted a lot of fees and transfer taxes were one-time fees and not a continual source of money. Mr. Coleman said the real challenge was that assessments were stuck in 1983. He explained the land value tax between a property on Main Street versus a property on Route 40 did not present a huge differential in value even though property on Main Street sold for $5 million an acre where property on Route 40 went for less than $1 million. He explained the property tax was not five times as high and thought the City would be a winner in the property tax assessment because there were many undervalued properties. Mr. Clifton thought it was important for the public to understand that information.

Mary Beth Gonce, District 3, wanted to understand how many employees the City had and Mr. Coleman explained there were 248 full-time employees with some seasonal and part-time employees. Ms. Gonce asked for the starting and ending hours for non-police staff. Mr. Coleman responded field employees were generally 7-3, 7:30-3:30, or 8-4 depending on the working hours, and City Hall was generally 8-4:30 or 8:30-5. Ms. Gonce noted the personnel services line item for 2019 said $33 million and there were 33,000 residents and the City was requesting another $1,050,000 which came to $31 per person but residents would be billed $276.

Steve Dressel, District 6, reiterated the inequity of the property tax assessments in New Castle County and explained legislators had to approve reassessments and had not done their jobs. He was happy to learn of the lawsuit and pointed out that the City of Newark and Christina School District were not getting the proper amount of revenue because of unfair and inequitable assessments. He explained that three of the four budget proposals relied heavily on tax increases and would be unfairly carried by those with artificially high assessments. He wondered who was really paying the $1,050,000 and suggested the
only equitable way to balance the budget was to charge the trash fee and increase the water and sewer rates. He felt Option A was the closest to being equitable though he preferred a 0% tax increase with raising water and sewer rates. He gave examples of homes on Haines, East Cleveland, and Choate Streets that recently sold in the mid to upper $300,000 range. He stated the homes were assessed in the $40,000 range and said their City taxes were about $375 a year. He noted that houses in Fairfield sold for high $200,000 or low $300,000 and those assessments were in the $90,000 to $115,000 with City taxes of $800 a year, twice the amount of what the more expensive, more valuable houses were paying. He presented an extreme example of a house on North Chapel that sold for $800,000, underwent extensive renovations and expansions, and was a six-unit rental property assessed at $62,000 which paid $500 per year in taxes. He revealed a Fairfield owner paid 60% more in taxes than a property valued at more than three or four times the value of the Fairfield home. He claimed the numbers were not anomalies and that the Horseshoe, homes on Skid Row, and a unit on New Street all sold for well over $1 million and the assessments were more in line with The Hunt at Louviers which sold for less. He understood there were many owner-occupied properties with abnormally low or high assessments, and he asked why Council would exacerbate the inequity by raising the tax rate when there were other options. He thought water and sewer could be metered. He pointed to the disparity between a rental home with many students and a private home with two occupants. He thought the trash fee should be implemented and the water and sewer rates should be increased and once the assessments had been addressed, the City could reexamine the charges. He cautioned against deductibility as residents were limited to $10,000 of State and local tax and the single standard deduction was $12,000 and $24,000 for household. He revealed a Fairfield owner paid 60% more in taxes than a property valued at more than three or four times the value of the Fairfield home. He claimed the numbers were not anomalies and that the Horseshoe, homes on Skid Row, and a unit on New Street all sold for well over $1 million and the assessments were more in line with The Hunt at Louviers which sold for less. He understood there were many owner-occupied properties with abnormally low or high assessments, and he asked why Council would exacerbate the inequity by raising the tax rate when there were other options. He thought water and sewer could be metered. He pointed to the disparity between a rental home with many students and a private home with two occupants. He thought the trash fee should be implemented and the water and sewer rates should be increased and once the assessments had been addressed, the City could reexamine the charges. He cautioned against deductibility as residents were limited to $10,000 of State and local tax and the single standard deduction was $12,000 and $24,000 for household. Howland Redding, District 6, echoed Mr. Dressel’s comments and supported Option A. Mr. Redding had been in various discussions with City staff about a refuse tax over the last five years. He was a property owner in the City of Newark and lived in one of the highest taxed houses. He cautioned Council against a percentage increase as the residents of The Hunt at Louviers, the Woods at Louviers, and all the homes along Paper Mill Road would be unfairly burdened by additional taxes. He explained his presence adversely affected his personal interests as he owned rental properties in the City and renovated homes in the City. He claimed he would pay more by inflicting the refuse tax and referred to an article in the Newark Post that claimed over 20% of all Newark residents did not pay enough to even cover City resources. He thought it was obvious the City needed a refuse tax, and everyone needed to pay their fair share. Mr. Redding asked what percentage of the 20% of homes not paying their fair share were rental properties. He explained that he owned an income-producing property that had a $290 year tax. He had repeatedly told the City he was not paying his fair share with his income property and asked to have his taxes increased at that location and to have his primary residence taxes decreased. He wanted to see a baseline increase and felt Option A was the only fair way of achieving the increase. He expressed his desire to see the tax increase broken out by district to see who was affected by the increase. He hated the penalty towards District 6 and was against additional incremental increases. Dr. John Morgan, District 1, owned his home for 36 years and agreed with Mr. Clifton regarding the undesirability of instituting a refuse charge as he saw it as low-hanging fruit that would increase with future Councils. He explained the history of the income tax and preferred Option B but would be okay with Option C or Option D. He claimed he paid $500 a year in property tax to the City but $2,000 a year to the County which mostly went to school tax. He was not bothered by a 30% tax increase because he would only pay $650 instead of $500. He thought Option B was better because the City would recover some money from UD. He felt the wealthy parents of out-of-state students should be able to make a fair contribution to the utilities used in dormitories. He was not particularly worried the City getting in trouble with the Governor’s office because of the amount of the transfer as he thought it would be a good opportunity for the City to explain to the Governor some of the special problems the City had with UD not contributing its fair share. Dr. Morgan thought the City could ask the Governor to add a recommendation to the budget that the City be eligible for PILOT funds. He wanted to see a clear explanation of the problems with introducing a credit card fee within the next month or two so citizens and Council members could understand what the problems were. He wondered if UD was getting cash back through credit card payments to the City and expressed a desire for transparency regarding UD’s budget. He thought Council should look at parking rates and referenced his proposal of raising the rate to park at peak hours and lowering it on weekends, summer and spring breaks. He could not understand why Newark citizens should subsidize a $20 million substation at the STAR Campus when the property belongs to the University. He thought it should be clear to UD that they should be responsible for the bulk of the cost of the substation. Mr. Clifton explained that since the CIP is part of the Operating Budget (OB), Council would vote on the CIP first, then the OB, and then the potential vote on the property tax rate. Mr. Lawhorn acknowledged that a refuse fee could be raised but explained a tax rate could also be increased. He explained staff presented costs and predicted revenue and Council was asked to balance the budget. He thought it was clear that if the City needed to generate revenue to cover cost, Council
would fulfill the need. He noted it was important for the City to be fiscally responsible and make decisions to cut costs where possible and evaluate projects and services to execute them in the most fiscally responsible way. He commented that residents do enjoy the services the City provided and if costs were necessary, services would be lost. He admitted there were ways to create revenue and referred to the lodging tax that generated $750,000. He thought the issue of the assessments was valid and had not considered how heavily the rental properties were benefitting from the issue. He supported customer charges and agreed they helped with budgeting seasonality variances with regards to vacant rentals and infrastructure usage. He agreed it was a complex issue and needed to be thoroughly discussed before implementation. He supported Option A.

Mr. Horning asked if the CIP was to be voted on or if it was based on staff’s input that the Newark Transportation Plan Safe Routes to Schools was reduced from $300,000 to $250,000. Mr. Coleman believed it was enough if Council gave staff direction to make the change and voted to approve as amended. Ms. Bensley explained it would be cleaner if there was a motion to amend the CIP to change the numbers, have a vote of Council, and then vote on additional amendments before voting on the final CIP as amended. Mr. Horning referred to the Planning Commissioners’ stipends and thought it should be voted on that evening even though it was an insignificant amount. He wanted to ensure the budget was as lean as possible and wanted to remove the expense. In terms of Option C or D, he thought staff would not need to increase the next year. Mr. Coleman confirmed that it was enough to carry for an additional year. Mr. Horning asked if Option C and D still included the referendum items. Mr. Coleman clarified that Option C did not have the referendum increases included, but staff would recover an amount equal to the referendum increases via the customer charge, but the revenue number would stay the same. Mr. Horning asked if it came in the form of a property tax increase as opposed to a water and sewer adjustment. Mr. Coleman explained that Option D was the choice for taxes with referendum increases as actual revenue increases. Mr. Horning claimed he was in favor of Option D.

Ms. Wallace wanted to address the issue of staffing brought up by public comment and felt that current Council and City administration had been sensitive to adding additional staff. She noted there were no additional staff added in the current year and the City had reduced employees by 1.5 the year before. She explained that 55–60% of the budget supported the Police Department and refuse. She explained that if Council did not move forward with one of the four options, decisions would need to be made about what services to cut. She did not agree that the refuse fee was necessarily at risk for increase more than any other service. She wanted to move away from utility transfers in favor of funding the General Fund. She thought an additional benefit of the refuse fee was that it was cleaner if the decision to outsource was made later with a cost savings whereas she could not imagine a Council recommending lowering a tax rate. She was in favor of Option A first and Option D second.

Mr. Hamilton stated one of the underassessed houses charged $5,400 a month, made $64,800 per year, and paid $400 a year in taxes. He commented that the cost must be spread out and he thought Council could do so through the water, sewer, and customer charges which would mainly impact rentals with zero income when vacant. He described trash as a cost that had to be paid for and wanted to spread the cost to properties that were not helping. He appreciated the concern over the number of employees and stated it was the reason he ran for Council. He noted in the previous four years, 24 positions had been added. He commented he had been requesting impact fees for years and it was now coming to the forefront. He maintained he was always a proponent for raising developer fees. He acknowledged the burdens put on the City because of the assessments and explained that Council could not act without the aid of State representatives and residents. He agreed with removing the Planning Commissioners’ stipend.

Mr. Hamilton asked if the referendum was also in Option A. Mr. Coleman explained that C was the only option without the additional referendum increases. Mr. Hamilton was pleased the referendum was included in three of the four proposals. He believed in customer charges and thought it was an inevitability. He felt the City needed to cover the infrastructure costs with customer charges and then the rate charges could be reduced to a normal number.

Ms. Hughes explained that Option D appealed to her more because the 1.25% water adjustment and the 0.50% sewer adjustment were less than Option B. She explained she was previously considering Option A or B. She agreed with some points by both Mr. Clifton and Mr. Lawhorn and said she was mindful of her constituents and wanted to do her best by them. Ms. Hughes stated she was in favor of Option D.

Mr. Clifton remained in favor of either Option B or D. He thanked Mr. Horning for addressing the stipend for the Planning Commission. He recognized that all commissioners on all the boards were volunteers and publicly acknowledged their efforts on behalf of the City. He explained the Board of Adjustment was a quasi-legal board whose decisions could not be brought back to Council. He felt Council approached potential tax increases with hesitation. Mr. Clifton stated the trash fee would be viewed as
low-hanging fruit and felt it was an easier hurdle for future Councils as opposed to a tax fee. He cautioned that the stipend for the Planning Commissioners would eventually extend to every other board and commission and understood the dynamic behind the stipend but felt it should be denied for the good of the City. Mr. Clifton explained that Councilmembers were paid $7,000 per year for their efforts and the Mayor received $8,400. Mr. Hamilton stated it was $1.36 an hour. Ms. Bensley explained that Council had to stay under 30 hours per week to not be considered full-time employees and clarified that timesheets were based on 50 hours every two weeks. Mr. Clifton commented that Council put in a lot time and effort that the public did not see and expressed his favor for Option D.

5. **2-A-3. POTENTIAL VOTE ON THE FY2020-FY2024 CAPITAL IMPROVEMENT PROGRAM**

Mr. Clifton wanted to first call for a vote on the CIP Program.

Mr. Horning intended to make a motion to amend the CIP but needed to confirm that $8,400 on page 89 of the CIP under “other wages” for Planning and Development was for the Planning Commissioners’ stipend amount. Ms. Bensley interjected the Planning Commission stipend would be an Operating Budget Amendment and the Safe Routes to Schools would be a CIP amendment. Mr. Coleman said the Safe Routes to Schools was H1503.

**MOTION BY MR. HORNING, SECONDED BY MR. HAMILTON: TO AMEND THE CIP TO REDUCE H1503 FROM AN AMOUNT OF $300,000 TO $250,000 FOR 2020.**

MOTION PASSED. VOTE: 6 to 0.  
Aye – Clifton, Hamilton, Horning, Hughes, Lawhorn, Wallace.  
Nay – 0.  
Absent – Markham

**MOTION BY MS. WALLACE, SECONDED BY MR. HAMILTON: THAT COUNCIL ADOPT THE FISCAL YEAR 2020 TO FISCAL YEAR 2024 CIP PROGRAM AS AMENDED.**

MOTION PASSED. VOTE: 6 to 0.  
Aye – Clifton, Hamilton, Horning, Hughes, Lawhorn, Wallace.  
Nay – 0.  
Absent – Markham

6. **2-A-1. POTENTIAL VOTE ON THE FY2020 OPERATING BUDGET**

Mr. Clifton asked if there were any amendments to the General Operating Budget and Mr. Horning wanted to clarify the stipend was a separate category under the Planning and Development Department’s budget. Mr. Coleman did not think staff had added a line for meals but stated the amount was $8,400.

**MOTION BY MR. HORNING, SECONDED BY MR. HAMILTON: TO AMEND THE GENERAL OPERATING BUDGET FOR 2020 UNDER THE PLANNING AND DEPARTMENT WAGE AND SALARY BUDGET, UNDER OTHER WAGES, TO REMOVE $8,400 TO ZERO**

MOTION PASSED. VOTE: 5 to 1.  
Aye – Clifton, Hamilton, Horning, Hughes, Lawhorn.  
Nay – Wallace.  
Absent – Markham.

Mr. Coleman stated that with the two changes, the tax rate in Option B changed from 15% to 13.33%. Ms. Wallace asked for the updated property tax rate and Mr. Coleman answered it was $0.9120. Mr. Coleman stated the tax rate in Option C went from 30% to 28.33% with a rate of $1.0327, and Option D went from 25.71% to 24.04% at a rate of $0.9981. Mr. Hamilton asked if the amendments changed Option A. Ms. Wallace asked if Option A was increased from the referendum. Mr. Coleman answered that the tax, water and sewer were from the referendum and that it could be taken out of the refuse fee or left in reserves.

Ms. Bensley explained the refuse fee would not be adopted that evening as there would be an ordinance setting the rate. She instructed that the item Council needed immediately address was the
Property Tax rate. She clarified that any of the other increases would come back via ordinance. Mr. Hamilton asked for a breakdown of the calculations. Mr. Coleman explained that the refuse fee would go from $9.87 to $9.18 for a yearly total of $110.19.

Mr. Clifton asked if there was a motion and Ms. Wallace answered, on the advice of the City Secretary, that Council approve the Operating Budget and then take a vote to choose to the Option.

MOTION BY MS. WALLACE, SECONDED BY MR. LAWHORN: THAT COUNCIL VOTE TO APPROVE THE FISCAL YEAR 2020 OPERATING BUDGET AS AMENDED.

MOTION PASSED. VOTE: 6 to 0.

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

7. 2-A-4. POTENTIAL VOTE REGARDING FEE IMPLEMENTATION FOR FY2020

MOTION BY MS. WALLACE, SECONDED BY MR. HAMILTON: THAT COUNCIL VOTE TO APPROVE OPTION A WITH THE CHANGES AS PREVIOUSLY DISCUSSED TO OPERATING BUDGET TO BE TAKEN FROM THE REFUSE FEE.

MOTION FAILED. VOTE: 3 to 3.

Nay – Clifton, Horning, Hughes.
Absent – Markham.

MOTION BY MS. WALLACE, SECONDED BY MR. HORNING: THAT COUNCIL VOTE TO APPROVE OPTION D WITH THE CHANGES AS PREVIOUSLY DISCUSSED.

Mr. Hamilton wanted to reiterate that the tax rolls were not adequate or equitable in any way so adding 25.71% to some of the underassessed properties that were bringing in a lot of income would not make up for their impact on refuse. He thought the fairest way to go ahead was Option A. Mr. Horning asked staff if the pending lawsuit on the reassessment would have an immediate impact. Mr. Del Grande answered that the changes would not impact the upcoming tax bill season when the City sent the tax bills out in July. He explained there was too much turnaround time for the County and would take at least a year if not two. Mr. Clifton asked if it had to be revenue neutral for the first year even after it passed. Mr. Coleman confirmed but thought the County could recover the cost of the assessment. Mr. Clifton said the City would be revenue neutral. Mr. Coleman explained staff called Option B the business as usual option, but it was not necessarily fair. He thought staff provided more of a tax increase in Option B than in true business as usual which would have been a 6% tax increase. Mr. Coleman announced if there were concerns that Option A did not have the votes and there were concerns about the equity issue with taxes, Option B as is was a fair compromise until the resolution happened with the lawsuit against the County and the State, after which, the City could reassess and change the rates later. Mr. Clifton hoped that for the City’s future, business would be conducted differently in the years to come because Council was a calendar year budget with half a year in property tax increase which convoluted an already complex issue.

Ms. Wallace agreed with Mr. Hamilton and others who raised concerns about the tax increase and did not feel it was the most equitable way to fund the shortfall. She felt that Option C was completely off the table and Option B was not viable. She asked if it was possible to go with a partial tax rate increase in Option B and then reevaluate. She explained Council only had to set the tax rate that evening. She thought the water and sewer rates could be reevaluated or the funds could be pulled from reserves to get though the reassessment decision. Mr. Del Grande repeated there would not be a reassessment answer for years and that coming back in a few months to reevaluate would be fruitless. Ms. Wallace explained that it was not just the assessment, she wanted to see if help would come from other sources such as PILOT and wondered if setting a lower tax rate and then reassessing water and sewer rates in six months was a viable solution. Mr. Del Grande responded if Council went with Option B and the aforementioned changes, and if the City got help from the State, the situation would ultimately be helping the General Fund that many years sooner than later. Regardless of what Council voted, there would still be a margin transfer issue going to the General Fund and it would not go away with any of the options Council faced. Ms. Wallace clarified she was not speaking of choosing all of Option B and meant just choosing the tax rate increase of 15% and then reassessing whether Council would raise water and sewer rates mid-year or how much Council would raise water and sewer rates. Mr. Coleman stated Council approved a balanced...
budget with revenues and the next step was the revenue ordinances. He explained that Council could choose to delay passing the revenue ordinance and direct staff to amend the budget to include reserves. He noted the City had reserves. Ms. Wallace remembered in the past that Council passed a budget with recommended water and sewer rate increases. Mr. Coleman said she was referring to the current year and the increases were close as to what was presented. Mr. Coleman revealed there were reserves and staff had been building reserves to meet the financial policies and the decision would most likely drop below the financial policies unless the City got a PILOT Light. He explained the PILOT Light for the current year was $400,000 and estimated that it could eliminate the water rate increase of 4%. He stated staff would not know until July and if the funds were not granted, staff would have six months to get twelve months of revenue. Mr. Coleman explained the situation as high risk and preferred to take reserves and apply them to the Operating Budget for the next year to help defray costs in the subsequent year. He disclosed that appropriating the prior year's reserves offset any increase needed the next year. He stated it was a safer option but was open to Council's direction.

Ms. Wallace understood Council was still discussing the motion for Option D but declared that she had more questions and asked what a path forward looked like with Mr. Coleman's scenario. Mr. Coleman explained the path forward was after the Council meeting, Ms. Bensley, Mr. Del Grande and Mr. Coleman would finalize the revenue ordinances to be posted by midnight to meet the timeline for January 1 implementation. He explained if the direction was to hold off on the water and sewer rate increases, staff would not prepare the revenue ordinances. Staff would instead return with a budget amendment appropriating prior year's reserves, reassess halfway through the year and bring the revenue ordinance then, and do a budget amendment at that time. Ms. Wallace liked the option.

Mr. Clifton recalled an issue with sewer revenue. He noted the City was down in revenue because it was not increased in the past year. Mr. Coleman confirmed and explained that when the County increased their rates, they increased them for the billing in July for usage in June. The City increased automatically when the County rates increased but were implemented the next month, so the City paid a higher County bill in June than was charged to residents. He clarified that the County charged quarterly, so the City was being billed at the County's higher rate, but the City charged residents the lower rate. He explained the City lost money twice: once because the County raised the rates and once because the City did not pass the increase that was proposed in the budget last year. Ms. Wallace asked if Council would be in a better position if Council chose the 1.25% for water and 0.5% for sewer starting January 1. Mr. Coleman explained that anything was better than nothing. Mr. Del Grande explained that half a percentage was $35,000. Mr. Clifton said it was referendum anyway.

Mr. Lawhorn reiterated that the discussion was to purposely underfund the budget in hopes that funds came in from elsewhere. He understood PILOT was not dependable but noted that Council could change rates at any time. He could not support purposely underfunding with the hope that revenue could be generated. He would rather go in funded and then discuss cutting costs if monies were funded elsewhere. Mr. Coleman interjected that the 2019 YTD was short $2.2 million in utility revenue which was related to the delayed increases and the volatility of weather-related impacts and the reason the budget was balanced for 2020 was because of the over-collection in RTT and building permit fees. Mr. Lawhorn declared he would rather plan for the worst and hope for the best. He asked if the discussion was still about Option D and Ms. Wallace confirmed. Mr. Lawhorn echoed Mr. Hamilton's issues with the inequities in Option D and felt that it was easy to lose traceability of a trash increase in a tax increase.

Mr. Horning understood that with the rate stabilization adjustment, residents were given a credit on electric bills, and asked how it could be reduced mid-year. Mr. Coleman explained the tax rate was set with the budget each year and once decided, it could not be changed. He noted it was possible to do a mid-year negative adjustment on the utility rates. He explained that an initial option the budget in October was the refuse fee and a tax reduction and water rate reduction. Mr. Coleman disclosed that a tax decrease was the same as a tax increase in that the full impact to the budget would not hit until the second year, but the residents would feel it 100% in the first year. Mr. Horning acknowledged there were other commitments that Council was researching to help the financial forecast including parking rate increases and speculated on potential scenarios. Mr. Hamilton asked when Main Street would be finished, and Mr. Coleman explained there was no change in the end date. Mr. Filisky stated it was August of 2020 and even if the project was currently ahead of schedule, it was possible to have a delay dependent upon the weather. Mr. Coleman said a press release was published that stated the City worked with DelDOT and the contractor to open on-street parking over the weekends from Friday night at 5:00 p.m. until Sunday night at 2:00 a.m. He estimated it would last for a month and would aid the City and businesses in recovering revenue. Mr. Clifton repeated that once the tax rate was set, it was set, but that Council had flexibility to amend the budget on nearly everything else as the year progressed. If unexpected revenue was realized, it could be returned to the residents.
MOTION FAILED. VOTE: 3 to 3.

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

Mr. Horning explained that he was warming to Option B based on the disparity in tax increases and Council’s flexibility to adjust the utility rates and felt it was possible to reduce the rates next year if the City was in a better position while still covering the referendum. He thought the only issue was the question of the transfers from the General Fund. Mr. Clifton felt it was a downside but did not think it would be significant if it was planned. Mr. Horning liked Option B because he thought there would be a correction in the downward position for the utility rates. Mr. Coleman reiterated that year two for Option B would improve the transfer situation and it was only slight in year one because of the phase in issue with the six months property tax.

MOTION BY MR. HORNING, SECONDED BY MR. CLIFTON: THAT COUNCIL ADOPT OPTION B.

Mr. Lawhorn stated if Council wanted the option to reduce a fee, the refuse fee in Option A would fall under the same scenario where Council could lower the rate at any time and would be simpler and not as complex as the water and sewer rate. He thought if Council desired flexibility, then Option A was a solution. Mr. Coleman explained that with Option A, staff would need to know the rate before June to finalize the tax bill and the budget would have to be amended to add the reserves to cover the first six months of the year. Mr. Lawhorn repeated if Council chose that option, the rate could be revisited on the May agenda. Mr. Coleman confirmed and explained staff would need to appropriate half of the revenue needed to recover via the refuse fee from reserves.

MOTION FAILED. VOTE: 2 to 4.

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

MOTION BY MR. HAMILTON, SECONDED BY MR. LAWHORN: THAT COUNCIL VOTE TO APPROVE OPTION A.

MOTION FAILED. VOTE: 3 to 3.

Nay – Clifton, Horning, Hughes.
Absent – Markham.

Mr. Coleman explained if Council chose Option A and put it on the utility bills with the assumption that staff would cover the first two months out of reserves, staff would have time to implement it and have more flexibility as far as paring it back mid-year as opposed to putting it on the tax bill.

Ms. Wallace asked what those who voted against Option A felt about Mr. Coleman’s suggestion of going with a refuse fee but reassessing in May and covering it with reserves for the first part of the year. Mr. Clifton did not have a problem with the reserves component but thought that it was too easy of an option to raise in the future because it would not be viewed the same as a tax increase. Ms. Wallace asked Council members to share if they had a change regarding their vote. Mr. Horning had not changed his mind. He remarked that his constituents who were against the initial $25 fee did not seem as concerned when it was decreased to $9.87. He thought some of the concern was accounting for the senior and disability exemptions in the tax structure. He feared it could become an administrative burden. Mr. Coleman confirmed it would be a lot of work.

MOTION BY MS. WALLACE, SECONDED BY MR. HORNING: THAT COUNCIL ADOPT A 13.33% TAX INCREASE AND FUND THE REMAINING WITH RESERVES BUT RETURN MID-YEAR TO REEVALUATE THE WATER AND SEWER RATE INCREASES.

Ms. Wallace asked Ms. Bensley if the motion was acceptable. Ms. Bensley explained that Council still had to vote on the actual tax rate and the motion was direction on an option to move forward. Mr. Hamilton did not understand why Council would choose to do a tax increase instead of a more equitable option. Mr. Clifton explained that senior citizens got a tax relief and would not be affected as much as a refuse fee. He stated there were no deductions and the option created less of an impact on senior citizens.
Mr. Horning claimed he was in favor a 13.33% tax increase proposed by Ms. Wallace but also wanted to include Mr. Hamilton’s suggestion of 1.25% customer charge and the 0.5% charge on water and sewer respectively as approved by the referendum. Mr. Clifton asked if Mr. Hamilton was referring to the customer fee. Mr. Hamilton confirmed. Mr. Clifton explained that he may have misspoken and thought Mr. Hamilton was speaking about a separate trash fee. Mr. Hamilton felt that Option B did not recover funds from the appropriate parties.

Ms. Bensley interjected and pointed out that Council had no consensus on any of the options presented but there were pieces of each option that had support from Council. She asked Mr. Coleman and Mr. Del Grande if it was correct to investigate separate votes for direction on the separate pieces. Mr. Clifton asked if the numbers worked out. Ms. Bensley thought there was consensus on raising water and sewer rates or a customer charge to cover the referendum expenses and explained that was a starting point to break the stalemate.

Ms. Wallace explained that her motion did not preclude the customer charges but according to staff, did not make sense to implement them on January 1. Mr. Coleman repeated if staff were to implement a customer charge for water and sewer, it was staff’s preference to do so on January 1, even if it was revenue neutral, due to the seasonality of usage. Ms. Wallace withdrew her motion. Mr. Horning withdrew his second.

**MOTION BY MS. WALLACE, SECONDED BY MR. HORNING: THAT COUNCIL ADOPT A TAX INCREASE OF 13.33% ALONG WITH 1.25% CUSTOMER CHARGE FOR WATER AND 0.5% CUSTOMER CHARGE FOR SEWER.**

Ms. Wallace corrected her motion. Mr. Horning withdrew his second.

**MOTION BY MS. WALLACE, SECONDED BY MR. HORNING: THAT COUNCIL ADOPT A TAX INCREASE OF 13.33% ALONG WITH 1.25% CUSTOMER CHARGE FOR WATER AND 0.5% CUSTOMER CHARGE FOR SEWER WITH THE UNDERSTANDING THAT COUNCIL WOULD REEVALUATE ADDITIONAL WATER AND SEWER RATE INCREASES IN MAY.**

Mr. Coleman asked if the intent was to use reserves in the interim. Ms. Wallace confirmed and to fund her motion and Option B with reserves. Mr. Coleman explained that if staff made it the whole year and never made the subsequent increases, the City would have a $355,000 shortfall for the year. He divided the amount by 12 and said the cost to reserves was at roughly $30,000 each month. He explained $150,000 would come out of reserves if Council waited until May.

Mr. Horning asked if Mr. Coleman and Mr. Del Grande were comfortable handling it through reserves. Mr. Coleman confirmed.

Mr. Lawhorn wanted to clarify that Council was underfunding with a planned discussion for later to discuss what rates should be. Mr. Coleman confirmed and explained it was underfunded via reserves. He referred to Mr. Del Grande’s comment that any RTT that came in November and December would not be factored in. Mr. Coleman explained staff had received $60,000 from the Burger King sale that day and the money could be used to help plug the shortfall without necessarily dipping to the current reserve balances. Mr. Lawhorn asked if the City was starting the year with a known negative and Mr. Coleman confirmed. Mr. Lawhorn said if the City had another year like the current year, the accounts would be further negative. Mr. Coleman replied that City was starting with $380,000 negative and the motion would put the City at $730,000 negative. Mr. Coleman said that the $380,000 was the appropriation of RTT that had exceeded the budget in the current year, and he did not feel that was a negative and claimed staff budgeted conservatively on RTT.

Mr. Horning asked if the reserves would be about what the City would receive in Grant-in-Aid through the State legislature for the PILOT Light. Mr. Coleman confirmed the City would receive $400,000. Mr. Horning commented it would be excellent for the residents to lobby the State legislators to make it happen again.

**MOTION PASSED. VOTE: 4 to 2.**

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

7. **2-A-2. POTENTIAL VOTE ON THE FY2020 PROPERTY TAX RATE**
Ms. Bensley said Council needed to set the actual tax rate.

MOTION BY MS. WALLACE, SECONDED BY MR. HORNING: THAT COUNCIL ADOPT A PROPERTY TAX RATE INCREASE OF 13.33% OR $0.9120.

MOTION PASSED. VOTE: 4 to 2.

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

8. Meeting adjourned at 9:53 p.m.

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

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