DRAFT 2-A

CITY OF NEWARK
DELAWARE

COUNCIL MEETING MINUTES

August 16, 2021

Those present at 7:00 p.m.:

Presiding:	Mayor Jerry Clifton
	District 1, John Suchanec (after swearing-in)
	District 2, Sharon Hughes
	District 3, Jay Bancroft
	District 4, Dwendolyn Creecy
	District 5, Jason Lawhorn
	Deputy Mayor, District 6, Travis McDermott
Staff Members:	City Manager Tom Coleman
	Deputy City Secretary Tara Schiano
	City Solicitor Paul Bilodeau
	Chief Communications Officer Jayme Gravell
	Chief Purchasing and Personnel Officer Jeff Martindale
	Finance Director David Del Grande
	Deputy Police Chief Mark Farrall
	Parks and Recreation Director Joe Spadafino
	Planning and Development Director Mary Ellen Gray

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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. **RECEIPT OF CERTIFICATION BY ELECTION BOARD OF SPECIAL ELECTION FOR DISTRICT 1 COUNCIL MEMBER**

00:42

The following letter, dated July 22, 2021, was submitted by the Election Board:

"Honorable Mayor and Members of City Council:

We, the Election Board of the City of Newark, hereby certify that on July 20, 2021, the following was elected for the office of Council Member in Election District One for a term to end in April of 2023.

John Suchanec — Council Member District 1

Respectfully submitted,
Newark Election Board"

MOTION BY MR. LAWHORN, SECONDED BY MR. MCDERMOTT: TO ACCEPT THE ELECTION RESULTS AS CERTIFIED BY THE ELECTION BOARD OF THE CITY OF NEWARK.

MOTION PASSED UNANIMOUSLY.

VOTE: 5 to 0.

Aye – Hughes, Creecy, Lawhorn, McDermott, Clifton.
Nay – 0.
Absent – Bancroft.

4. **OATH OF OFFICE GIVEN TO DISTRICT 1 COUNCIL MEMBER** – (Charter Section 1102)

1:37

Mr. Clifton administered the Oath of Office to District 1 Councilman John Suchanec.

5. 1. <u>FINANCIAL STATEMENT:</u> None

6. 2. <u>RECOMMENDATIONS ON CONTRACTS & BIDS OVER $75,000:</u> None

7. 3. <u>SPECIAL DEPARTMENTAL REPORTS:</u>

A. FY2022 Budget Overview Presentation – City Manager/Finance Director (120 minutes)

3:52

Mr. Clifton noted that there were some new Councilmembers and explained that Council adapted the Budget Review Process because the previous procedure was to review the Operating and Capital Budget as one package over two or three nights in November prior to voting. He admitted the old process made it difficult for close examination of any particular department or issue and reminded that the presentation that evening was an overview of the City's general roadmap, and that further hearings would allow for Council and the public to dissect every City Department. He informed that the presentation offered Council and the public the opportunity to request further details or changes and confirmed there would be a public comment portion at each hearing. He hoped that the final product would be ready for November.

Mr. Coleman began the presentation by explaining that the amounts in the Budget Overview were a summary of the Departmental presentations that would be heard over the upcoming month. He continued that with the current state of COVID, he offered Directors the option to participate virtually to decrease the physical presence in Council Chambers. He informed that if staff were unable to provide specific answers during the meeting, any replies or supporting information would be forwarded to Council later in the week and the information would also be posted to Budget Central on the City's website.

Mr. Coleman informed that the budget process was expanded five years ago to offer Council and the public an in-depth look at each of the Departments' budgets, down to the lowest level line item. Two years ago, staff began providing an early overview of how initial departmental requests aligned with projected revenue to give a sense of what was required to balance the budget. He pointed that the timeline for the current year was consistent with last year but with some small changes in the order of the Departmental presentations due to necessary time allotments. He stated that staff would return on August 30 with Planning, Administration, and Parks and Recreation and the meeting on September 13 would include Legislative, the Alderman Court and Public Works and Water Resources. The last hearing would be on September 20 and include Finance, Police and Electric. He reiterated that the purpose of Departmental overviews was to provide Council and residents the information behind the numbers that staff would present at the financial workshop on October 4. He ensured that Council feedback from the meetings would be incorporated into the workshop presentation and admitted the City had more needs than resources so early Council feedback and direction was critical to clarify priorities when working to close the gap. After the workshop, the budget would be advertised in the Newark Post per Code, and staff would return on November 1 to hold the first official budget hearing, which would be the first opportunity to pass a budget and, if the budget was approved on November 1, there would be no need for the budget meeting on November 15. He reminded the attendants that all budget documents provided throughout the process would be available on Budget Central at www.newarkde.gov/budget and the current presentation was already posted.

Mr. Coleman informed that in order to discuss 2022, it was necessary to revisit 2020, when COVID-19 became a household word. Council approved a $97 million budget at the end of 2019, COVID presented in March of 2020, and all revenue assumptions were rendered moot. In total, the gross revenue loss was $9 million, which arose from nearly every City revenue line. He reported that utilities fell $5 million under budget, parking revenue was $1.4 million short, Alderman Court lost $1 million, and Parks and Recreation programs fell by $426,000. He stated that even tax-supported revenues were negatively impacted by $700,000, which was primarily from the losses sustained from lodging taxes, franchise fees, and transfer taxes. The revenue loss was partially offset by a $2.3 million CARES Act grant from New Castle County and through holding back $2.5 million of the planned 2020 Revenue Stabilization Adjustment (RSA) to the electric fund, approved by Council in June 2020.

Mr. Coleman reminded that staff anticipated a severe impact once UD sent students home and performed cost saving measures early on to help mitigate some of the forthcoming revenue losses. Capital projects that used City resources were delayed or deferred, large equipment purchases were moved to lease-to-own options to preserve cash, contractual services were deferred, delayed, or forgone, and staff incorporated a hiring freeze to rein in spending. Those efforts, combined with the decreased need to purchase wholesale electric and sewer services for resale due to reduced demand, allowed staff to cut expenses by $7.5 million. The reductions, in addition with the $2.3 million CARES Act grant from New Castle County, allowed staff to decrease the revenue shortfall and finish the year with $700,000.

Mr. Coleman continued that while staff dealt primarily with COVID-related issues in 2020, they also began and completed the budget process for 2021. With COVID in mind, staff submitted, and Council approved, a 2021 revenue budget that was $2.4 million smaller than the pre-COVID approved 2020 budget. He reminded that there were no tax increases, changes to fees, stormwater rates, or electric rates. In order to stabilize the sewer and water programs, staff adjusted customer charges to cover the increased debt service obligations and then made an additional change to shift 10% of revenue into the customer charge by lowering the volumetric charge by an offsetting amount to make the overall change revenue neutral.

Staff offered, and continued to offer, payment arrangements upon request with the full understanding that some residents, businesses and customers would be, and still were, challenged by the current economy. The City worked closely with Catholic Charities, the Newark Area Welfare Committee, the Delaware State Housing Authority, the Hudson Center, the Newark Empowerment Center, Holy Angels, St. Vincent DePaul, Holy Family, and Delaware Municipal Electric Corporation (DEMEC) to secure assistance to aid residents experiencing financial challenges. Support of the humanitarian programs also provided some level of stability to utilities, as they ensured payment to the City for services provided, thereby allowing the City to achieve expected levels of revenue in order to satisfy its own obligations. He pointed that utility revenue made up three quarters of the total revenue, so stability was vital to the ability to operate the programs and services provided to residents. He reported that utility performance through May 2021 was as expected, and water, sewer, stormwater and electric were all either slightly above or slightly below budget expectations. In total, utilities performed 0.4%, or about $285,000, below budget. Staff expected the figure to change as October progressed when the return of most students and on-campus activity impacted utility consumption.

Mr. Coleman reported that in non-utility sources of revenue, Real Estate Transfer Tax (RTT) carried tax revenue as property values continued to climb. Although there were only three transactions over $1 million over the year, staff estimated RTT to be about $300,000 over budget. Other tax sources such as property taxes, lodging taxes, and franchise fees, netted each other out with fluctuations. He shared that Parks and Recreation fees were underperforming for the year and were expected to be $181,000, or 38% under budget. Before- and after-care programs and camps experienced low enrollment due to social distancing constraints, and other programs were cancelled. As things returned to pre-COVID activity levels, staff expected self-supporting activities to be in strong demand.

Mr. Coleman continued that Alderman's Court had been active since reopening in the spring. Court activity exceeded budgetary expectations and staff expected the trend to continue as the year progressed and staff addressed the backlog of cases caused by COVID. He admitted that parking continued to be a financial uncertainty and noted that once the University moved to an online curriculum, the City lost a significant portion of its revenue stream, in addition to the impacts from restrictions placed on businesses by the State, and the closures of some local businesses on Main Street. Staff expected parking activity to grow once students returned to campus at the end of the month, business began to increase, and vacant storefronts refilled. Currently, staff expected parking revenue to be about 22% below budget, or $568,000, by year end. The number would be monitored into the fall and adjusted accordingly.

Mr. Coleman reported that building activity had been strong throughout the pandemic and permit revenue helped the City's bottom line, which also meant that more taxable parcels would be added to the tax rolls over the next year or two as projects were completed. He explained that project reimbursement revenue was derived from utility projects that the City performed on behalf of a contractor and most times involved large projects, like DelDOT's Elkton Road improvement, which required City staff to provide labor, such as moving poles or acquiring products, on DelDOT's behalf. He cautioned that the account would fluctuate based on project activity from year to year. Overall, through May, revenue expectations were $169,000 above the approved Operating Budget and while the figure was subject to change, staff was pleased with the results considering the City was in an active State of Emergency throughout the period of review.

Mr. Coleman then moved to Expenses throughout May 2021 and explained that like the 2021 Revenue Budget, the Expense Budget was $2.4 million less than the 2020 Approved Budget of $97 million. When staff investigated expenditure activity through the first five months of the year and factored in seasonality, the result was that the City was underspending by $1.2 million, which primarily came from four sources, two of which were utility purchases. Electric purchases were under budget by $586,000 and sewer purchases were under budget by $126,000. Unfortunately, when the City saved money on the amount of electric and sewer services, it was necessary to purchase from DEMEC or New Castle County, which meant that less utilities were sold to customers and brought in less revenue. He informed that due to the timing of hires early in the year, personnel expenses fell below the seasonal budget by $301,000. Materials and supplies, contractual services and other expenses were collectively $183,000 under budget.

He stated that the total sum was $1.2 million and that when staff factored in both revenue and expenditure performance through May, the City was a collective $1.4 million ahead of budgetary expectations but cautioned the amount could change as the year progressed.

Mr. Coleman admitted staff encountered a few challenges while preparing the budgetary requests and warned that much of the City's revenue was variable and dependent on economic activity so how much the Delta variant changed the recovery trajectory would be critical. He cautioned that another full or partial closure of the University would negatively impact projections on a considerable level and added that another State of Emergency that either closed or restricted business would have a similar effect. Staff was also concerned about long-term changes to behavior from 18 to 24 months of social distancing and occupancy restrictions and found that sit-down restaurants, brick and mortar retail, and office spaces seemed the most vulnerable to behavioral shifts.

The City's projected property growth was up only 0.5% which was normal because property assessments only grew with improved or non-tax-exempt new construction and, since the City was frozen in 1983 property valuations, assessed values did not grow annually to keep pace with actual property values. Mr. Coleman explained that a lawsuit filed with the County was set to change the assessments so New Castle County, as well as the City of Newark, would use reassessed figures after July 1, 2023, and the City's tax rate would be adjusted downward to account for the increased assessed property values. Going forward, staff expected to see an annual inflationary factor to be built into the County's new assessment process, but staff would learn more as the process began.

Mr. Coleman reported that the Consumer Price Index (CPI) for June was 4.9% and reflected the highest increase since September 2008. Staff considered a degree of inflation impact with some of the budget requests for goods and services but anticipated that the influx of Federal aid via the American Rescue Plan Act (ARPA) to every government in the Country would create a supply and demand struggle for some goods and services. He assumed the struggle would likely worsen with some of the long lead times that staff already encountered for materials and would then drive up the cost of construction because the number of contractors would not increase significantly to absorb the additional spending.

Mr. Coleman shared that utilities were increasing, but staff expected it to take a few more months until activity was consistent. He assured Council that by the October budget hearing, staff would have more data to base revenue projections on and anticipated shifting projections across electric, water and sewer. He continued that the next two items represented over 77% of the operating budget. Personnel costs included funding for employees, retirement plans, healthcare and post-employment benefits which combined to make up 38.7% of the budget and utility costs made up 38.6% of the budget and included the City's cost to purchase wholesale electric and sewer services. He would provide more details later in the presentation.

Mr. Coleman informed that UD recently completed a few larger projects and staff was monitoring current and future projects. He shared that renovations to Drake Hall were underway, the FinTech building on STAR campus was also progressing nicely, and both were set to be complete for occupancy sometime in 2022. A looming question was the eventual replacement of McKinley Lab which could begin in 2022 but plans had changed several times, most recently due to the economic impact of COVID on the University. Staff had not received any recent updates from UD on when construction for housing on STAR Campus would begin or if there were any new plans to add housing elsewhere on campus, such as the shuttered Conover Apartments or Laird Campus once the Towers were demolished. He informed that the numerous construction projects around the City would bring additional tax and utility revenue once they opened. He listed a few large projects set for completion in the fall:

- The Railyard at the old Dickinson Dorm site - 91 apartments
- The new Fulton Bank building on Main Street – 6,000 square feet of first floor retail and 30 apartments
- Newark Senior Living on Barksdale Road - 137-bed assisted living facility
- Martin Honda Service Center on Marrows Road - 35,000 square foot

Mr. Coleman informed that more projects would be completed or under construction in 2022 including:

- The Grove (previously known as College Square) - 300 apartments and a completely updated shopping center
- Green Mansion Hotel project - 104 hotel rooms and 48 apartments
- The new Newark Charter Junior High - scheduled to open fall 2022

- 141 East Main Street - 80-unit apartment building with publicly operated parking garage
- 1501 Casho Mill Road - 48-unit apartment building
- 268 East Main Street - 52-unit apartment building with first floor restaurant
- 62 North Chapel - 18-unit apartment building
- Several other projects at various stages of the subdivision review process awaiting Council consideration

Mr. Del Grande reported that the 2022 revenue was projected to be up 1.3%, or $1.3 million. The projection was $400,000 more than the pre-pandemic 2020 budget of $97 million when the $708,000 used in reserves to balance the budget was excluded. He noted that the line "Appropriation of Prior Year Reserves" was listed under the 2020 budget. He continued that the 2022 revenue budget was currently estimated to be just under $96 million and utility sales were expected to have a modest increase of less than 1%, and the other half of the increase came from non-utility revenue sources. He informed that the utility sales line was made up of all electric, water, sewer and stormwater revenue, and provided $0.76 every $1 of revenue that came into the City. If utilities were not being consumed, the City did not earn sufficient income to fund its daily operations. Staff made some minor adjustments in January to the water and sewer customer charges to help alleviate the issue and allow the City to meet its debt obligations for ongoing infrastructure projects approved through referendum. He admitted that utility sales for the next year was difficult to forecast and said that staff generally used three years of history and adjusted for new development projects, utility pricing, etc., but 2020 added another variable that made sales estimations more difficult and less precise.

Mr. Del Grande emphasized that 2021 was a combination of many variables and staff drafted the 2021 forecast without answers to all of their questions. In reviewing the year's utility performance to date, results were as expected, and through May, water and sewer were each within 0.2% of estimates, and electric was a little more off at 1.6%. Although electric lagged, staff expected to see some improvements over the next few months to close the gap. Currently, staff did not intend to re-estimate 2022 revenue expectations for electric, water and sewer, and wanted to obtain more data for a few months to refine figures. The amounts in the presentation were conservative estimates which would be fine-tuned by October 4. Mr. Del Grande explained that the 9.6% increase for the utility was for an anticipated customer charge adjustment due to the debt service obligation linked to the Rodney Stormwater Project. The park was slated for completion later in the year, and the interest-only debt service payments would convert to a full amortization schedule either by the end of 2021 or early 2022. He stated that the stormwater fund was 100% self-sustaining and must be supported by its own source of revenue and reminded that the project was approved by residents in the 2018 referendum.

Mr. Del Grande then presented the tax revenue and explained that the $10.6 million staff projected for 2022 was derived from real estate taxes, transfer taxes, franchise taxes from Comcast and Verizon, and the lodging tax, paid by the hotel industry. Together, the revenue sources provided 11% of the City's total revenue and the revenue class experienced an increase of $330,000. Upon review of the lodging tax revenue, staff noted a small rebound from the hotel industry but not to 2019 levels. He stated that hotel activity was livening since the State of Emergency was lifted but cautioned it would be another year or two before results were better. Although the budget was increased by $100,000 to $550,000, it was much less than the $860,000 in 2019 prior to the pandemic. Staff had some confidence that the figure could increase as people felt more comfortable to travel. He continued that Real Estate Transfer Taxes (RTT) slowed last year but came back strong last fall and continued to be consistent for the last several months. Although there were not many large commercial transactions, there were smaller residential sales that appreciated in value and resulted in a higher RTT revenue. He reminded that the City received 1.5% of the sales value of eligible property sales. The City averaged about 525 real estate transactions each year, 40% of which were exempt from paying RTT for various reasons. He explained that franchise fees were derived from agreements with both Verizon and Comcast and staff expected the conservative revenue estimate to remain unchanged in 2022. He informed that the revenue was based off a percentage of revenue that Verizon and Comcast collected from their subscribers. He noted that current projections showed no change to property tax revenue, other than the small growth from construction and improvements, and shared that half of the tax bills for the 2021/2022 year were printed and mailed that day with the other 4,000 or so going out the next day. All taxes totaled $10.6 million.

Mr. Del Grande explained that fees for service included revenue derived from fines, park fees, business licenses, parking and internal services. Staff expected an improvement of 3.4%, or $316,000, in 2022. He reported that the Alderman Court had been extremely active since the spring and staff anticipated Alderman Court revenue (traffic fines, criminal fines, court, and court security fees, and parking tickets) to be consistent next year and so increased projections by $364,000 to $1.7 million. Permits and licenses had been relatively consistent, so staff held 2022 revenue estimates at $2.4 million.

Internal services included the cost allocation of City facilities and fleet management divisions. For 2022, staff estimated revenue to increase by $326,000 to cover the projected costs of the two divisions; staff would provide more details on the facilities and fleet budgets in the administration and public works budget review in the upcoming weeks.

Mr. Del Grande reiterated that parking had been a volatile source of revenue over the last fifteen months. In good years, staff recorded $2.8 million annually from parking meters, lots and kiosks. In 2020, the number shrunk to $1.1 million but staff believed the 2021 figure would be closer to $2.1 million, roughly $500,000 less than budgeted. For 2022, staff would decrease the parking estimate to $2.1 million in hopes that the number was ultra-conservative. He admitted the decrease negatively impacted the general fund because parking activity supported some City services and would need to be made up in other ways.

Mr. Del Grande then presented intergovernmental revenue, revenue sources derived from other governmental agencies, primarily the annual subvention payment from UD, the Unicity Bus grant, partial funding from the Christina School District for two school resource officers, and the $400,000 PILOT Grant the City received from the State for the past three budget cycles. For 2022, staff estimated UD's subvention to be $570,000, including a 4% Cost of Living Adjustment (COLA) estimate. Once August's actual CPI rate was published, staff would have a more accurate estimate per its contract with the University. However, the increase to the subvention only decreased the customer charge the University paid in electric customer charges so, the two figured netted themselves out year after year. Other revenue included the City's interest income on the operating funds held in its bank accounts, rental income, asset sales, reimbursable overtime, etc. Staff posted a reduction of $91,750 but he cautioned that the number was subject to change as the October Financial Workshop progressed.

Mr. Del Grande informed that the 2022 operating expenses that would be presented to Council in the departmental submissions were a collective 5.6%, or $5.1 million, over 2021. Total operating expenses were estimated at $96.8 million compared $91.7 million for 2021. He explained that operating expenses included everything it took to run the City's day-to-day business and personnel services and utility purchases made up 77% of the City's operating expenses. He emphasized that although expenses were $5.1 million over 2021, they were $3.1 million over the 2020 budget. He reported that personnel services were up $1.7 million from $35.7 million to $37.4 million and staff currently estimated a $500,000 increase in health care premiums which reflected a 10% adjustment to the current premium. He noted that while renewal rates would not be available until October, staff used 10% as a placeholder and every 1% increase in premiums equaled $50,000. He pointed that there was another $496,000 in requested positions when compared to what was approved in 2021 versus what departments requested for 2022:

- The Alderman Court requested a third part-time bailiff
- The Electric Department sought assistance with new requirements by adding a distribution engineer to help keep the City's electric grid up to federal mandates
- The Planning Department requested three positions: two of which had been recently approved by Council, and the Deputy Planning Director would be up for consideration by Council very shortly. The two planners would be temporary full-time positions and the Deputy Director will be a full-time addition.
- Staff included $43,000 in the budget request to restore the intern program that was reduced as part of the 2021 budget process

Mr. Del Grande informed that overtime/holiday pay had been increased to cover actual trends within the Police Department and Public Works and the budget request was increased by $118,000 to remain on par with funding the City's pension and 401(a) obligations to current and future retirees. As of that day, the pension fund was 78.4% funded, a marked improvement from when it was below 70% a few years prior. The budget request included costs of contractually obligated COLAs and merit steps for CWA and AFSCME, and also assumed COLA adjustments for Management and the FOP. He pointed that adjustments for management required separate legislation at a future date, and the City was currently involved in labor negotiations with the FOP, whose contract was set to expire in December. Currently, staff projected no change in the City's annual OPEB contribution, which was currently funded at 70.5%. Between the City's pension and OPEB obligations, staff estimated a contribution of $5.2 million to the trusts for which Council served as custodians.

Mr. Del Grande informed that utility purchases included wholesale power costs from DEMEC for electric and from New Castle County for sewer treatment. Overall, the City was facing a 1.4% increase from $36.8 million to $37.3 million. The sewer treatment fee paid to New Castle County was budgeted to be $5.2 million of the $37.3 million and he pointed that the County would not be adjusting the City's sewer service fee until July 1, 2022 at the earliest. If the County adjusted the rate on July 1, 2022, then the City's sewer rate would automatically adjust to make up the difference per City Code. He reminded that the figures were preliminary because wholesale power pricing for 2022 would not be available from DEMEC until the end of the year. Staff anticipated a wholesale rate adjustment based on recent power supply contracts but did not expect a significant electric rate adjustment if it were to occur. He pointed that electric projections included a small increase in electric consumption in 2022, as many business customers readjusted, reinvented and revitalized their businesses into post-COVID form. While STAR Campus growth helped offset other electric losses, staff did not believe that UD and some commercial consumption losses could be made up solely by the STAR Campus. He stated that projections did not include the "renewable opt-out" program that came online in May but shared that the program has been successful with over 1,900 accounts enrolled as of the end of July. With another month or two of activity, staff would be able to more accurately project the incoming revenue along with the added expense to acquire the necessary renewable energy credits to supply the City's green customers with electric coming from 100% renewable sources.

Mr. Del Grande reported that materials and supplies increased nearly $64,000 from 2021 but were still below the 2020 budget. The primary drivers for the increase were contained within the Police Department's budget and the firearm supply budget increased by $20,000 because ammunition prices were rising dramatically, and the availability of ammunition was becoming scarcer. He informed that $17,000 was required to replace aging Automated External Defibrillators and the prices had doubled over the past year. He continued that the remaining $27,000 was needed for a $14,000 variable message board, tools, and equipment. Contractual Services were up considerably from 2021 but almost a third of the increase was being reimbursed by the Federal CDBG program. Staff wanted Council to consider the concept of outsourcing utility and tax printing services and, while there was a cost associated with outsourcing, staff believed the combination of offsetting savings and improved performance were worth a discussion. He explained that equipment depreciation was an expense account where the City funded its equipment replacement program: the City paid cash for most of its equipment and the department that used the equipment was charged a fee which then went into reserves to help cover most of the replacement cost of the replacement vehicle at the end of its useful life. Staff recently moved to lease/purchase options to help the City retain some of its cash to build reserves. He informed that debt service costs would increase in 2022 as many of the projects included in the 2018 capital referendum were completed. Fortunately, 2022 was the last year for almost $1 million in reservoir debt payments so the amount would decrease in 2023. In addition to the referendum projects, capital lease payments for the ESCO project and the vehicles leased in 2020 were also included. Other expenses included items that did not fall into one of the other categories or training. The largest change in 2022 was the addition of $75,000 in subvention towards the Newark Partnership and $17,000 for Councilmember training. Staff also increased the training lines in most departments because most training was cut out of the 2020 and 2021 budgets. Staff would provide more detail to Council and the public on August 30 when the departmental budget hearings began.

Mr. Del Grande informed that the debt service for 2022 was estimated to increase $836,000 because of the projects approved in the 2018 referendum and the addition of the City's Energy Services Lease projects. He stated that staff would refer to the Energy Services Lease projects as the "ESCO project." The project included much needed roof repairs, LED streetlight upgrades throughout the City, HVAC improvements in City Hall and at the George Wilson Center, and the installation of solar arrays on City assets. He pointed that the 2011 GO Bond would be paid in full in 2022, along with a portion of the Smart Meter lease payment. Office equipment reflected copier leases that were now required to be reported as debt service per recent accounting rule changes and were previously reflected within the contractual services lines. As the approved 2018 referendum projects moved towards completion, the interest only payments would convert to full loans with up to 20 years to repay the debt. The largest change was the Rodney Stormwater project that would be completed at the end of the year and result in an amended debt obligation. He cautioned that some of City's debt obligations were still in the process of being finalized.

Mr. Del Grande reported that the 2022 capital budget was down 10%, or $2.3 million, from 2021 and the net capital improvement budget increased by $4.4 million to $5.9 million. The 280% increase represented the portion of the capital budget that was supported by current revenues, primarily taxes and fees. Additionally, staff proposed using $518,000 more reserves than in 2021 to fund the 2022 capital program. Most of the reserve funds used were from the equipment replacement program and from existing City funds that were already funding ongoing capital projects that had not yet been completed. He credited department directors for doing a tremendous job in seeking out grant opportunities and confirmed that if any grants became available that were not included in the CIP, staff would seek Council approval to amend the budget.

Mr. Del Grande continued that the total operating revenue was up 1.3%, or $1.3 million, from the 2021 budget, totaling $95,900,000. Operating expenses were up 5.6%, or $5.1 million and totaled $96,766,000 which would be presented in detail. When factoring in the capital budget, expenses were up 10.1%, a total of $9.5 million. He noted the 10.1% increase was not a final number and the figure would be adjusted before the October 4 and November 1 budget hearings. He then provided an overview of the 2022 Departmental Requests to the 2020 and 2021 Approved Operating Budgets. He cautioned that when reviewing the revenue projections for 2022, it was imperative to remember that not every revenue line would return to 2019 levels. He also reminded that cuts made in 2021 were short-term and the City never ceased providing the level of services expected by residents while also picking up new challenges, which could potentially impact future expenditure expectations. He referred to Mr. Coleman's previous comment that the CPI hit all-time record highs and would impact the cost of providing services, but reassured that staff were optimistic that some adjustments could be made over the next month to balance the expenditures with 2022 revenue expectations.

Mr. Coleman explained the City's position with ARPA and informed that staff allocated just over $18 million, half of which was already in City bank accounts. Staff had until the end of 2024 to encumber the funding and to the end of 2026 to spend everything. In reality, all eligible projects needed to start before the end of 2024 and, since all other ARPA recipients had the same deadline, staff anticipated a supply crunch, especially for contractors. He warned that the Infrastructure Bill working its way through Congress could exacerbate the issue as well, depending on final wording. He informed that the Treasury Department's rules on funding usage was over 150 pages long, but stated that the uses must fall into one of four broad categories: supporting public health, addressing the negative economic impacts caused by COVID, revenue replacement, and for investments in water, sewer, and stormwater infrastructure. He pointed that the ruling technically included broadband, but the restrictions were such that the category did not apply to Newark.

Mr. Coleman explained that Newark essentially had an allowance from the Treasury up to the amount of non-utility revenue lost due to the pandemic that could be used for items that did not fall into the first, second, or fourth categories. He indicated the City already lost around $6.7 million and staff anticipated they would be able to document losses of another $1 or $2 million that could be used for other projects as long as they could be defined as "general governmental expenses." He noted one downside was that electric utility expenses, like the new substation, were specifically exempted from the category but assured that most other expenses should qualify.

Mr. Coleman shared that the City committed to participate in the State Auditor's Gray Fox initiative, a transparency project that would allow anyone from the public to quickly and easily see where the City spent ARPA funding. Staff recommended that the one-time funds be used for capital expenses, one-time expenses, cybersecurity upgrades, or for projects that would reduce future recurring expenses. He warned that to the extent possible, the money should not be used to fill gaps in the operating budget because the City would be even further from a balanced budget when the money dried up for 2025. He presented a list of 19 projects reflecting staff's intended use for some ARPA funds, in no particular order of importance. Staff's goal was to leverage ARPA funds against State and Federal ARPA programs to stretch the grant further. He noted that nearly all of the funds had been earmarked towards one-time costs like infrastructure, needed maintenance, IT upgrades, and park improvements which totaled just under $16.7 million of the $18.1 million the City was set to receive over the next year. He emphasized that the funds must be spent or encumbered by December 31, 2024. He continued that any additional ARPA funds received from the State would be used to supplement the project list, allowing staff to complete more projects than possible otherwise. He noted that Public Works needed large amounts of pipeline replacement and general water, sewer, and stormwater work that could be scaled up as needed to absorb any additional funds received. Public Works also strategically placed some projects later in 2023 and 2024 to be available for potential alternative funding sources should it become available.

Mr. Coleman continued that aside from previous discussions, there were a few items for consideration. Due to COVID, staff paused the electric rate study due to the large changes in electric demand as businesses closed or changed operation because cost distribution changed from what was included in the study was already underway in early 2020. Mr. Coleman wanted to restart the process in 2022 as things calmed down because there should not be dramatic changes to the customer base. He noted that the new planning resources would allow staff to tackle impact fees and revisions to the development plan fees, two items that were also sidelined by the pandemic and overall workload issues. He believed there was a good chance that the federal Infrastructure would result in additional funding to Delaware, and possibly Newark. He anticipated funding for electrification of public transit and a national push for improved charging infrastructure and, considering range anxiety was a major hurdle for many people when it came to trading in gas vehicles for electric, the push would almost certainly accelerate EV production by car manufacturers and adoption by customers nationwide.

Mr. Coleman emphasized that the State's ARPA funds had the same restrictions as the City's and from discussions with the State, staff believed there was a good chance that there could be hundreds of millions in State ARPA funds distributed to localities for aid in supporting water, sewer, and stormwater projects to which the City would potentially have access.

In summary, Mr. Coleman confirmed that staff was working towards solutions to balance the 2022 budget and recommendations would be presented to Council at the financial workshop on October 4. He noted that if Council had any specific concerns, staff could work on the goals for the October meeting. The ultimate intent was to frame the 2022 budget beforehand, so Council and residents had an idea as to where the City stood in the overall budget process prior to hearing each departmental request. He reminded that during the departmental presentations, Council and the public would have ample opportunities to examine the details of the lofty review presented that evening. He thanked the directors, their staff, and especially the accounting team for all their efforts that went into the presentation. He thanked the City workforce for their ongoing commitment and dedication to the residents and businesses that the City served.

Mr. Clifton informed that last week, he and Mr. Del Grande met with Congresswoman Lisa Blunt Rochester who shared that the City was meeting Federal standards and Mr. Del Grande concurred. Mr. Clifton appreciated all of the work and time that was dedicated to the budget.

The Mayor opened the table to Council comments.

Mr. Suchanec thanked staff for the presentation. He recognized two neighbors in the audience who helped with his campaign. He asked that future presentations define acronyms upon first usage and Mr. Del Grande confirmed. He referred to page 10 where it stated that the stormwater increase was required to cover the loan. He asked if the stormwater fee was more like an assessment than a fee and wanted to know if the charge was similar to fees at his yacht club or country club, where an assessment would last for two years to pay for an item. He asked if the stormwater fee was intended to be a permanent revenue stream for the City. Mr. Coleman explained that any collection in the stormwater fund could only be used for a stormwater related expense and theoretically, when the loan dropped off in 20 years and the City's total expenses in the 21st year were lower than in the 20th year, the fee would decrease. He reiterated that staff could not transfer money out of the fund so overcollections would remain in the fund and would likely be reduced. Mr. Suchanec stated the fee should not be considered as an assessment with an automatic end date and Mr. Coleman said no and explained that much of the fee was used to cover operating expenses. Mr. Suchanec referred to page 13 for the UD subvention and did not understand why the amount would be decreased by an electric charge. Mr. Coleman informed there was extensive history and that under Governor Markell's administration, the City was given a directive that electric utility transfers into the General Fund were capped at a set dollar amount and that UD needed a lower electric rate because the University had raised concerns that their rate was not equitable. The City performed a rate study with DEMEC which determined the rate was not equitable so the City entered into an electric service agreement with UD under the threat that UD would go directly to the market. As part of the agreement, the City worked out a customer charge and a subvention payment that essentially transferred money from the electric utility to the general fund in a different, contractual manner. UD would receive a discount on the electric fund and then provide an increased subvention on the general fund to the City. Mr. Suchanec asked if the agreement was quid pro quo and Mr. Coleman confirmed and noted the City was still under the terms of the contract for a few more years, which would likely end when the next ESA was completed. He recalled there was a 15-year agreement that was signed in 2013 and reiterated that it was a bookkeeping measure that moved the funds from one account to another. Mr. Suchanec informed that he had a long history of disappointment with UD underpaying subvention to the City. Mr. Del Grande added that the subvention was only one portion of the customer charge that UD paid for electric and the University paid closer to $3 million a year in electric customer charges, more than anyone else combined.

Ms. Creecy asked Mr. Del Grande to repeat his statement. Mr. Del Grande reiterated that the subvention was only one small piece of the formula that went into the customer charge for UD electric. He continued that UD paid $2.8 to $3 million a year on electric customer charges. Mr. Suchanec asked what percent of the total electric revenue came from UD. Mr. Coleman replied offhand that UD was about 40% the City's sales and used be smaller but there was growth on the UD side and there were some reductions in non-UD sales in 2020. Mr. Suchanec asked if sales for the STAR Campus would be under UD. Mr. Coleman replied no and continued that only sales for UD use were considered. Mr. Del Grande explained there were 26 electric accounts in the City's contract with UD specifically for a lower electric rate but emphasized the accounts were for a lower rate and UD was still paying a larger customer charge when compared to the rate. He noted that people usually only considered the wholesale rate that UD paid and forgot about the customer charge; he confirmed that UD was paying their share of expenses on the electric side. Mr. Suchanec wanted to keep subventions separate going forward and Mr. Del Grande and Mr. Coleman confirmed.

Mr. Suchanec asked for an explanation of the line item "American Rescue Plan Act" on page 19 and if the City was actually using the funds because he was under the impression that there would be Council sessions to determine fund usage. He asked if staff was assuming that Council would authorize $6.9 million for capital and Mr. Coleman confirmed that it was a placeholder and 2022 was the only year that was relevant to the current discussion. He continued that through discussions with the State, there could be $200 to $300 million that flowed through municipalities and counties for water and sewer projects. He reminded that the rules for using the funds were stringent and noted that Smyrna pledged 70% of its funding would go to water, sewer, and stormwater projects because the other options were more rigid. He shared that Newark had $6.7 million in lost revenue that would likely increase to $8 or $8.5 million, and admitted that outside of the $8.5 million, it was very difficult to find something that counted outside of water, sewer, or stormwater. Mr. Suchanec asked if the City had a cash reserve and Mr. Coleman confirmed. Mr. Suchanec asked if the reserves could be used if the City did not receive the $6 million and Mr. Del Grande explained that the bond rating agencies strongly urged the City to hold reserves. Mr. Suchanec asked if the City had a reason for maintaining a certain level of reserves and Mr. Del Grande confirmed. Mr. Suchanec asked what the Gray Fox Initiative was and why the City was committing to it. Mr. Coleman replied that the Initiative was an open, searchable government portal web software that staff would use to upload expenses for various projects with descriptions so the general public could review what funding was spent for projects. He continued that the Auditor's Office expressed interest and staff felt the request was sensible. Mr. Suchanec credited the team for a great presentation.

Mr. Clifton explained that Kathy McGuinness, the State Auditor, reached out to him regarding the initiative and he and Mr. Del Grande were extremely enthusiastic because the program saved staff from having to process FOIA requests. He shared that the State Auditor's site included a tutorial and the City's webpage would eventually include a link.

Mr. Lawhorn asked when the new assessment would take effect and the tax revenue would change for new construction. Mr. Del Grande replied that the City had a process with the County's assessment office so once the City issued the Certificate of Occupancy (CO), staff notified the County, who had prescribed deadlines for each quarter. As long as the City met the deadline, the projects would be added on to the rolls the County provided for the upcoming season. Mr. Lawhorn thought it would take some error when the CO was issued, and Mr. Del Grande confirmed and informed that the City issued quarterly billings between a full tax year bill. Mr. Coleman added that if a developer demoed a site, there could be a few quarters where the tax dropped in value because it was just land. Mr. Lawhorn asked if the 2020 budget values in the presentation were the amounts that Council approved after the budget process and not the amended version. Mr. Coleman confirmed the values were from the original, approved budget assuming that there was no COVID pandemic. Mr. Lawhorn noted the 2022 budget was still slightly less in terms of revenue and asked if budget was still considering the impacts of COVID and Mr. Coleman confirmed and reminded that parking was still heavily impacted, and some utility sales were still off. He informed that the true test would be when staff received parking and utility data for September and October and reiterated that lodging tax was underperforming by $300,000 or $400,000. He stated that most of the lines were relatively stable in a normal year.

Mr. Lawhorn asked Mr. Coleman to review the amount of funds transferred from utilities to the general fund and explain the disadvantage to Council so steps could be taken when the Electric Rate Study was performed. Mr. Coleman emphasized that the budget had to balance at more than just the bottom-line number and the City had various enterprise funds: water, sewer, electric, and parking. He explained that each fund needed to balance as well as the top line number, and staff could move money from fund to fund but each move required a substantial reason for the transfer. He stated that an imbalance would trigger the Governor to order the City to cease action and reminded that Governor Markell previously capped the City at 20%. He shared that while the City was no longer held to 20% amount, it was still used as a guideline for the electric side. The water and sewer sides were generally above 20% and staff took measures to not worsen the situation. He continued that staff anticipated the problem when creating the stormwater fund and did not allow transfers from inception. He reiterated that staff performed large interdepartmental transfers because of the City's large tax-exempt section, roughly half of the assessment, and where the City brought in $8 million in property tax revenue, the Police fund was $16 million so utility transfers were used to fill the gap. Mr. Lawhorn asked the $400,000 payment in-lieu-of tax was included and Mr. Del Grande confirmed.

Mr. Lawhorn asked if the Parking Department could include the impact of Alfresco events and report where the City stood with the Parking Subcommittee recommendations as they related to revenue. He hoped that plans to better staff the Parking Department would help determine if dynamic rates could take effect in 2022. Mr. Coleman replied that staff should have information available in the fall because the results of the study should be delivered to staff by the end of the month. He admitted he was unaware if the information would be budget relevant given the timeline. Mr. Lawhorn asked if there were still two school resource officers and Mr. Del Grande confirmed. Mr. Lawhorn asked if the temporary planners had been approved by Council, but the bailiff had not yet been approved. Mr. Coleman confirmed that the bailiff was not yet approved. Mr. Lawhorn thought that Council had already approved the Deputy Planning Director and Mr. Coleman replied that in order to create the position, staff needed to amend Code which would be done on August 23. Mr. Lawhorn asked if the Distribution Engineer would be new and Mr. Coleman confirmed and explained that a strange aspect of electric expenses was that because the City did a percentage transfer, additional expenses in the electric fund actually resulted in the ability to transfer more out of the electric fund. He continued that while it helped the general fund, it was an additional expense in the electric fund.

Mr. Lawhorn understood that ARPA spending rules were strict but noted that one of the comments was that it could be used to address negative economic impacts caused by the public health emergency. He asked if a loss of business was included and hoped that The Newark Partnership (TNP) would have plans to help reinvigorate the business sector. Mr. Coleman explained that ARPA funding could be used as long as it was not used for economic development so the City could give grants to existing businesses that were negatively impacted but the money could not be used to stimulate new growth. Mr. Lawhorn asked that staff challenge TNP to create new ideas and Mr. Coleman informed that TNP was bringing a proposal for a microgrant program for existing businesses but there had not yet been much action on the economic development. Mr. Lawhorn asked if there would be justification for third-party printing and Mr. Del Grande confirmed that staff had been investigating the situation because the mail system had been unreliable. Mr. Lawhorn asked if the Administration presentation would provide more detail and Mr. Del Grande confirmed. Mr. Lawhorn asked if it was possible and advisable to pay down debt service for infrastructure projects with ARPA funding. Mr. Coleman replied that it was not allowed to pay down existing debt service, but it was possible to prevent the City from taking on more debt service. Mr. Del Grande added that many of the projects that were slated for ARPA would be considered in the future for another referendum which would keep future rates from rising. Mr. Coleman informed that absent ARPA, the discussion would be for another referendum in 2022 for projects starting in 2023, and staff was able to push off the need for a referendum discussion until 2025 due to ARPA funding. He credited ARPA for deferring debt service and reminded Council of the chart used during the referendum process to depict the City's debt service over the years. He cautioned that the reservoir debt would cease at the end of 2022 and the new debt would be layered in to even it out. He noted that the new debt would prevent staff from requiring to stack more debt as originally thought. Mr. Lawhorn requested more detail during the presentation.

Mr. Lawhorn agreed with the concept of one-time projects for ARPA funding and suggested that staff present a chart comparing on-going cost with one-time cost so Council could visualize how the budget would be impacted in the future. He referred to the Electric Rate Study and Mr. Coleman confirmed that the City would be ready to continue the study by 2022 and said that he wanted at least six months of good data. Mr. Coleman noted that most customers would not be too different but there were some that would be dramatically different, such as GE Aviation. Mr. Lawhorn supported the rate study taking place whenever Mr. Coleman felt was appropriate. Mr. Del Grande added that DEMEC was also in the process of beginning a rate study so their results could push the City to adjust rates as well. Mr. Coleman shared that the City was pushing DEMEC towards a time of use rate because everyone currently paid the same rate 24/7/365 and it was not connected to the real price at the wholesale level for the power. Until a time of use rate was in place, staff could not move forward with creative initiatives, such as EV charging rates. Mr. Lawhorn thanked staff for the presentation.

Dr. Bancroft thanked staff for the clear presentation and made notes for follow-up discussions. He commended staff for their readiness on handling the problems and risks the City faced. He appreciated the annotations on the tables to help Council follow-up on outliers and would be looking for investment in environmental STEM jobs and encouraging cyberinfrastructure for ARPA funding. He thanked staff for the effort.

Mr. McDermott noted there was a $6.7 million shortfall that staff would address at a future date and asked for some ideas on how staff intended to bridge the gap. Mr. Coleman explained that the budget process was changed to show pre-cut numbers because many did not realize that staff had already made substantial cuts to the budget prior to Council presentations. He said the expectation was that staff would trim operating and capital project lines and investigate alternative financing options for equipment. He admitted the shortfall was a large number and primarily tended to come out of capital because most of the operating expenses were fixed contractually and the operating budget was as straightforward. Mr. McDermott asked if Mr. Coleman was confident that the shortfall could be managed. Mr. Del Grande informed that the shortfall had been higher in the past and agreed that the figure was initially shocking which was why staff emphasized that the number was tentative. He acknowledged there would be issues throughout the budget process but assumed that staff would reevaluate capital projects with the hope that other grant types would become available to handle some of the differential. Mr. Coleman concurred that the big challenge was covering operating expenses and noted that three of the four union contracts were valid through at least 2023 and admitted the fourth, the FOP, was challenged in hiring. He anticipated that there would be increases on the FOP side. He continued that structural expenses would grow regardless and informed that when revenues decreased and baseline expenses increased, there would likely be a need for revenue enhancement somewhere in the budget. It was important that staff and Council were confident that the final number was legitimate and needed.

Mr. McDermott asked if a contingency plan was in place if UD experienced another shutdown and Mr. Coleman reminded that the first UD shutdown happened at a time when vaccinations and testing were unavailable. He noted that returning students were now required to be vaccinated to be on campus as well as faculty and staff, so he thought it was unlikely that there would be another situation where students would be sent home. He assumed most students would remain on campus if UD went virtual because they would be vaccinated and thought it was more likely that the State would issue restrictions on business activity but even State restrictions were unlikely because of a readily available vaccine. He stated that staff would consider many of the same actions done during the last shutdown such as a hiring freeze, potential RSA adjustments, postponing projects, freezing non-mandatory spending, and deferring maintenance.

Ms. Creecy welcomed Mr. Suchanec. She said that most of her questions had been answered and referred to page 5 where UD paid 40% of the electric costs. She asked if the percentage would decrease once the new apartments on Main Street and otherwhere in the City were occupied. Mr. Coleman confirmed but clarified that the previous rule of thumb was 33% UD, 33% residential properties, and 33% commercial and industrial properties. He continued that there was a shift from commercial properties to UD while residential stayed consistent but thought it possible that new projects, such as The Grove, could be large enough to shift the percentage a bit. He noted that The Grove was not comparable to Chemours but did think the aggregate of all of the projects could possibly shift from UD. He shared that 2021 was the first time that UD passed 40% year-to-date and Mr. Del Grande confirmed that the percentage was solely due to the decline in business and commercial usage. Mr. Coleman informed that commercial storefronts were filling up and there was a tenant fit-out currently on South Main, Hamilton's on Main would replace Kildare's and Finn McCool's, and Arena's was filling in with a Two Stones Pub. Mr. Del Grande reminded that every time the City added brand-new apartments, the apartments were much more efficient than the old based on LED lighting and new appliances. Mr. Coleman shared that the efficiency variable was more prevalent on the water and sewer side because newer buildings with more units actually used less water and sewer than older buildings. He noted that The Grove was replacing an essentially empty shopping center so nearly everything would be new and the STAR Campus had been built on a decade-old clear site so the sewer flows, electric use, and water made a bigger impact to the City versus a knockdown demo.

Ms. Creecy reported an issue with the DEHAP Portal and asked if the program was through Catholic Charities. Mr. Del Grande stated that the DEHAP program was through the Delaware Housing Program at the State. He asked Ms. Creecy to send him an email and he would connect her with the correct personnel. Mr. Coleman stated that the DEHAP program was currently for tenants only. Ms. Creecy asked if the DEHAP program would help the City and Mr. Coleman confirmed.

Ms. Hughes thanked staff for the presentation and informed that most of her questions had been addressed. She asked for an explanation of "continuing to adjust customer charges to account for new debt service" on page 10. Mr. Coleman reminded that three years ago, water and sewer utilities had no customer charge and 100% of the revenue was through the volumetric charge, then COVID hit and half of the town left so the City lost half of its revenue but still had to maintain infrastructure. He continued that industry averages had customer charges making up 30% to 45% as fixed charges so staff recommended that as new debt service came on, the revenue to be recovered was through the customer charge so it would slowly increase over time instead of large shifts from the volumetric charge to the customer charge. He noted that the volumetric charge was already too high of a percentage when considering the industry. Ms. Hughes asked for clarification on "new debt service" and Mr. Coleman replied that he was speaking about debt directly associated with the referendum or principle and interest payments for projects that were funded by the 2018 referendum. He continued that there was $85,000 in sanitary sewer repairs that was currently paid for by the customer charge and in 2022, the amount would be increased to $100,000 so staff would look to make a nearly unnoticeable adjustment to the customer charge to cover the additional $15,000. He noted that the large increase would be for Rodney which would go from $200,000 to $470,000 but explained that the project was paid for with the stormwater utility which was already a

100% fixed charge and admitted it was not a great example. He reiterated that the rest of the instances were for minor increases and slight adjustments that would go into the customer charge portion as opposed to the volumetric portion.

Mr. Clifton shared that he and Mr. Coleman discussed vaccination rates and COVID cases and credited the City for doing tremendously well. He pointed to the City's high vaccination rate and believed it was one of the highest in the State. He thought it was useful to consider the potentials regarding the virus variants. He appreciated the question on base rates and agreed the measures were the best option for the City move away from total revenue coming from sales. He reminded that the City had previously lost money on the Parks and Rec programs, so staff added a fixed percentage above the City's cost to ensure the programs did not lose money. He wanted to seriously consider the City's permits, particularly those that were applied to the larger projects. He spoke to Representative Osienski regarding minimum wage increases and suggested that the bill include language that the minimum wage would increase every one or two years depending on the CPI index in order to eliminate arguments every ten years. He wanted to investigate if the permitting fees actually covered the City's costs of supplying Police to block the streets and other additional services. He was unsure of the last time staff increased permits and reiterated that he wanted to investigate where permits should be and possibly put a mechanism in place that would assure the fee would be current to the current economy. He considered impact fees as part and parcel with the permitting fees and wanted the action done sooner rather than later because he believed much of the costs that the City was hemorrhaging were from the cost of doing business with building projects. He emphasized that he did not want to disincentivize construction but wanted to recover the City's costs to the services provided. He thought it was fair that if parents were paying more for summer camp then developers should pay more in permitting fees for multi-million-dollar projects.

Mr. Clifton asked if the City's participation with the Newark Housing Authority's (NHA) proposed new project on Main Street would be through the capital project or ARPA fund usage. Mr. Coleman replied that the City currently received $500,000 through the FY2023 Bond Bill and, in speaking with NHA's consultant, the first draw request would likely not happen until early 2023. He explained it would be considered an operating request as a grant from the City to NHA and the City would be reimbursed by the State for the amount. He noted that staff was currently only proposing $500,000 from the State. Mr. Clifton reminded that ARPA funding had to be used by 2024 and Mr. Coleman believed the project was an eligible expense as long as it was encumbered by the end of 2024. Mr. Coleman shared that the current timeline hinged on the grant application to the State for housing and development funds that would be made in 2022 that would allow the project to begin in 2023 and, if the grant application was unsuccessful in 2022, then the timeline was pushed back a year. Mr. Clifton asked if the City could make the ARPA and NHA timelines. Mr. Coleman confirmed and reminded that the funds only needed to be encumbered so if the project was started and the City encumbered the funds, the project could run until 2026. He thought ARPA could be used for engineering fees as well.

Mr. Coleman asked if Mr. Clifton was considering all permit fees for the Building Department and Public Works and Mr. Clifton confirmed. Mr. Coleman was unsure of the last update and informed that the fees were a percentage of the construction value at a tiered rate. He noted that construction project costs had accelerated faster than inflation as well. Mr. Clifton recalled that homeowner fees had been adjusted years ago and Mr. Coleman confirmed that he would be reluctant to change the percentage amounts because they would grow inherently but the breakpoint needed to move with the rising cost of projects. Mr. Clifton agreed. Mr. Coleman informed that the rest of the fees were fixed and only the permit fees were percentage based.

The Mayor opened the floor to public comment.

Bob Stozek, District 1, had been involved in the process for a decade and agreed that it improved every year. He understood that ARPA funds could not be used for electrical projects but noted there was a large electrical project set for 2024. He asked if money currently allocated to sewer and water could be used for the electrical project and ARPA funding could be used for the electrical projects. He referred to the electric service agreement with UD and that the subvention fees would increase to $570,000 this year with an offset; he hoped for better renegotiations when the contract ended. He noted that UD was set to give the City $570,000 and asked if the City still gave UD a $300,000 discount on its electric bill. Mr. Del Grande replied that when the contract was signed, the amount was $811,000 between the subvention that came to the City and the amount that was added to the electric customer charge. He continued that TNP reduced the amount by $24,000 so the total was then $787,000 and informed that the contract stipulated that the subvention numbers started at $500,000 and would be adjusted yearly based on CPI. He clarified that when the CPI increased, the subvention increased by the percentage amount, but the electric customer charge was reduced by the amount of the CPI increase so the net was still $787,000. Mr. Stozek argued that the subvention first started at $200,000 and did not increase for years but when the contract began and the subvention was increased to $500,000, the City then gave UD $300,000 in discounts. Mr. Del Grande reminded that he had been with the City for five years and agreed that the subvention originally began at around $200,000 and $300,000 was added but there was still $300,000 on the electric side so it was always $824,000, so the number had not changed. Mr. Stozek understood that UD paid a high customer fee but noted that UD also paid the lowest rates, below any commercial rates. He argued that since UD consumed 30% to 40% of the City's power and much of the usage was high demand, he believed UD's electrons were more expensive than other electrons. Mr. Del Grande agreed and explained the difference was why UD paid a significant customer charge. Mr. Clifton pointed that the discussion was public comment and not a debate.

Mr. Stozek noted that the capital budget was only being reviewed by the Planning Commission and Council would not sit as a session to review the budget. He informed that he had served on the Planning Commission for six years and emphasized that the capital budget should be considered as a five-year budget because it included multi-year projects. He did not believe that most Commissioners had enough background experience to create a long-range plan and suggested that Council investigate the capital plan in detail.

Mr. Clifton thanked Mr. Stozek and was sure that the capital budget would be part of the departmental budget process. He thought the expectation from Council was to look ahead with the empirical data presented. He shared that the subvention had been a concern of his since 1997 because if the 45% of the properties that UD owned were taxed, then the City would receive an additional $6.5 million in property taxes. He shared that in his first two years with the City, Council discussed adding Police and UD increased subvention by $60,000 to offset the cost of an officer. When Marriott Courtyard was built in 2004, he argued that the property was not totally for educational purposes and there was a bit of offset in subvention. He shared that Rick Armitage argued for the City when UD claimed the bookstore on Main Street was exactly like the one that was closed on Academy when it actually included various commercial enterprises. UD would not let the City tax the bookstore but did increase its subvention by $7,000. Mr. Clifton continued that when Council voted to give up the parking places when Hullihen Loop was closed, the City received between $20,000 and $24,000 from UD in subvention for the parking. Mr. Coleman could not recall the current numbers for parking but said it assumed 100% occupancy for the on-street meters that were removed during the hours that they were chargeable, and it grew with increases in the City's parking rate. He believed the latest amount was $100,000 and reminded that when the City eliminated parking on South College for bike lanes, the City returned some of the money. He noted that of the subvention number the City received, much could be tied back to specific items. Mr. Clifton agreed.

Mr. Coleman replied to Mr. Stozek's questions and confirmed that the project was somewhat fundable. He was initially pleased with ARPA's revenue replacement but explained that the City essentially received an allowance for $6.7 million that staff could apply qualifying projects against. In order to fund the project, the City would need to supplant money as Mr. Stozek suggested but explained the result would be a reverse transfer from the general fund to the utility and he was unsure if it could work under ARPA because the City usually transferred $10 million into the account. He thought it would seem as though the City was transferring less. He believed the same issue would hold for any transfers out of utility funds but said that he needed to further investigate. He wanted to first sort impact fees and informed that the capacity study was finished, and the consultant recommended that the substation needed to be running by 2026. He anticipated a lengthy discussion during the Electric Department hearing. He shared that staff reserved a few million dollars for the project and would look to set aside more and finance at least half, either by the City itself or through conduit financing through DEMEC. He was hesitant to transfer funding from the water or sewer fund and reminded that the Referendum presentation indicated the City had 50 miles of water mains that would be at or beyond their useful life in the next ten years which translated to $50-70 million worth of pipeline replacement.

Mr. Coleman replied that the discount on the electric ESA was at $300,000 but staff increased the amount and returned it. He explained the decision was driven by the inability to transfer extra funding out of the electric utility which did not make sense in the current environment but was logical in 2013. He continued that UD's large customer charge of $3 million was the City's profit on UD's accounts and was a calculation, not a fixed fee. He shared that the floor was $2.6 million and if UD's power use was peaky, the demand charge increased regardless if UD used the same number of kilowatt hours. He ensured Mr. Stozek that staff would go through all of the departmental CIPs during the departmental hearings and could detail all of the projects. He reiterated that the first roll-up would be presented after the Planning Commission's review. He confirmed the public would have the opportunity to review every project, probe the department director, and obtain necessary supporting documentation on specific projects during each departmental hearing.

Ms. Creecy thanked Ms. LeDoyen for assisting with the successful vaccination campaign held over the weekend.

There were no further questions and the Mayor thanked all in attendance.

8. **4.** **<u>ITEMS SUBMITTED FOR PUBLISHED AGENDA:</u>**

A. Council Members: None

9. **4-B.** **<u>OTHERS:</u>** None

10. **Meeting adjourned at 9:07 p.m.**

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

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