



CITY OF NEWARK DELAWARE

2018 Referendum: Frequently Asked Questions

1. How much money is currently in City's reserves?

Approximately \$1.7 million across all funds. The City's cash balance at 12/31/2017 was \$26.7 million (unaudited). Once all reserve requirements are met (30 to 51 days of cash on hand, equipment replacement, capital projects, and electric rate stabilization), the balance falls to \$1.7 million. Not all funds (electric, water, sewer, stormwater, general/capital, parking and fleet) are carrying positive balances, or meet the City's policy on the level of cash reserves kept on hand. Hence the need to debt finance more capital projects.

2. What happens to revenue being collected to pay off the reservoir debt?

Revenue collected through the water rates go towards the water fund's budgetary needs; which include personnel expenses, contractual services, materials and supplies, and debt service to provide clean drinking water to our city.

Water consumption, and therefore, revenue generated has declined over the years leaving less money to complete the capital projects necessary to maintain our system.

Sewer and water fee revenue has not met budgeted expectations over the years. Although, the City has collected 94% of revenue expected in 2015 through 2017, this has resulted in a \$3 million shortfall. Water/sewer sales are difficult to predict year over year due to the impact the weather has on water sales, and the lack of a fixed-rate component of the water and sewer bills. The lack of revenue consistency is directly impacting the City's ability to cash-fund all of its capital projects.

3. Are there contingency funds built into project cost estimates?

Yes. Depending on the size and type of the project, the project timeline, and materials necessary for the project, it can range from 5%-25%. As we move forward with final design and bidding, the numbers are fine-tuned prior to seeking Council approval to award contracts.

4. A lot of the projects seem to fall close to UD property—are they getting a free ride?

No. UD is one of the largest customers in our water, sewer, and stormwater utilities, so the rates they pay help to fund these necessary projects. If a new building is constructed and the capacity does not exist, any developer, including UD, would be responsible for upgrades to our system to increase capacity. Many of their properties are centered around the downtown area, therefore, are near infrastructure that was put in many years ago to serve that area prior to the growth of Newark in the last half-century.

5. Is the Pomeroy Trail Connector included in the list of projects to be voted on in the referendum?

No.

6. Do developers pay for the infrastructure costs associated with new residential development?

Yes. Any utility extension for new development is paid for by the developer. Typically, infrastructure within the Right of Way is then turned over to the City to maintain in perpetuity.

7. Will the additional costs to residents for the stormwater fee be applied based on the tier their property falls into?

Yes, the average increase of \$1.10 per month referenced for the Rodney Stormwater Project is based on the Equivalent Stormwater Unit (ESU) rate of \$2.95, or Tier 2 property.

8. If the referendum doesn't pass, does City Council goes back to the drawing board regarding the capital plan?

Yes. The projects that are intended to be financed using debt are necessary to provide the services to the residents and businesses. Alternate funding sources would need to be found in order to maintain our current level of service.

9. Who decides the source of funding?

Ultimately Council will decide the source of funding based on the referendum results and the recommendation of staff.

10. Where did the \$26 million figure come from? How did smaller projects make the cut? Are they necessary?

Many of the smaller projects included are projects that have been part of the capital plan in previous years and get pushed due to budget shortfalls. The critical infrastructure and equipment gets top priority and these projects do not get completed. Pushing them out further may increase the cost of the project and the likelihood that it will impact operations becomes greater.

11. Previously, the Rodney project was estimated to be \$9 million, but now it's \$8.2 million. Why the difference?

Our high estimate was \$9 million and that amount was approved and is available at a 2% interest rate from the State Revolving Loan Fund. The difference is a contingency and we are not obligated to borrow all \$9 million, but it is available to us should it be necessary.

12. Should the referendum pass, does the City have a timeline for when the projects will start?

Many of the projects will require final design and contract administration. The design work would begin as soon as possible after the funding is available. Contracts would then be bid and awarded prior to construction commencement.

13. Has the City developed a comprehensive plan with regard to its infrastructure assets, both in terms of maintenance and anticipated replacement costs?

Over the past several years, we have built out a GIS database of all of our Water, Sewer, and Stormwater Assets. Portions of each system have been inspected and prioritized any defects for rehabilitation or replacement. Part of the Capital Plan for each of these systems is to continue to develop the comprehensive plan for maintenance and replacement utilizing the asset information as well as the physical inspections of the infrastructure.

14. Will the City be automatically approved for the state revolving loan program in the coming years as assumed in the project outline?

Approval for the State Revolving Loan Funds is competitive with other municipalities on an annual basis. Part of the ranking criteria is how long the project has been on the Notice of Intent (NOI) List. Based on the amount of funding and the type of projects we propose, we are reasonably confident that we will be approved for the funding. It is worth noting that we have a binding letter of commitment ready for signatures for the \$9 million funding for the Rodney Stormwater Project.