

FY2020 Budget Overview

August 19, 2019

TIMELINE

- The financial information to be presented over the next month are included in this budget overview
- Final budget draft will be provided at the Financial Workshop on October 7th
- This table represents the current Council schedule for the 2020 budget process
- Police presentation could potentially be moved to September 9 if there is room on Council agenda

Department	Council Meeting
Budget Review: Overview, Electric, Parks, Alderman	8/19/2019
Budget Review: Legislation	9/9/2019
Budget Review: Administration, PWWR	9/16/2019
Budget Review: Police, Planning, Finance	9/23/2019
Financial Workshop	10/7/2019
Budget Hearing 1	11/4/2019
Budget Hearing 2	11/18/2019
Utility Rate Study	12/2/2019

BUDGETARY IMPACTS

- University of Delaware – Construction projects will impact the City’s utilities in the short-term
 - Christiana Towers
 - Whitney Athletic Center is estimated to be online by July of 2020
- STAR Campus
 - AP-BIO
 - Chemours
- Real Estate Transfer Tax – volatile, budgeted conservatively
- Flat property tax growth: 0.4% projected growth of \$32,000 in 2020 (includes loss of Courtyard Apts.)
- CPI - June 2019 CPI (annualized) was 2.1% - largest since February 2017
- Timeline of DelDOT construction along Main Street and its impact on businesses and parking
- Carrying costs of pension and OPEB are growing annually, outpacing inflation

REVENUE OVERVIEW

	BUDGET 2019	BUDGET 2020	CHANGE FROM 2019 BUDGET	DIFF 2019 VS. 2020
Revenue				
Utility Sales	\$ 72,616,719	\$ 74,125,286	2.1%	\$ 1,508,567
Property and Realty Taxes	9,532,015	9,668,000	1.4%	135,985
Fees for Service	10,125,840	10,323,997	2.0%	198,157
Intergovernmental Revenue	1,361,047	1,400,505	2.9%	39,458
Other Revenue	910,280	1,165,200	28.0%	254,920
Total Operating Revenue	\$ 94,545,901	\$ 96,682,988	2.3%	\$ 2,137,087

Total Operating revenue is estimated to be \$2.1 million above the 2019 Budget

REVENUE OVERVIEW – CONT'D

- **Utility Sales (\$1.5M):** Utility sales are expected to remain flat for water and sewer. Electric sales revenue is up 3% overall
 - 5% electric sales increase to UD ESA accounts
 - Ability to meet revenue needs are challenged by reliance on consumption
 - Shift to customer charges for water and sewer, offset by reducing consumption rates will result in reliable cash flow to fund City infrastructure. Customer charges will be proposed for water, sewer and electric
 - Electric rate study currently underway, last one was performed in 2011
- **Taxes (+\$135K):** Lodging tax increased by \$100,000. Flat real estate transfer tax and property tax revenue
- **Fees for Service (+\$198K):** Fines, business licenses, park fees have been consistent (+\$338K). Will offset some loss of parking revenue in 2020 (-\$244K). Internal Services increased by \$103K
- **Intergovernmental Revenue (+\$39K):** Small growth from grants, and includes CDBG, UD subvention
- **Other Revenue (+\$255K):** Interest income increase of \$185K, \$34K in reimbursable overtime

OPERATING EXPENDITURE OVERVIEW

	BUDGET 2019	BUDGET 2020	CHANGE FROM 2019 BUDGET	DIFF 2019 VS. 2020
Expenditures				
Personnel Services	\$ 33,317,346	\$ 35,245,854	5.8%	\$ 1,928,508
Utility Purchases	38,856,932	39,813,815	2.5%	956,883
Materials and Supplies	2,503,059	2,451,051	-2.1%	(52,008)
Contractual Services	9,801,880	10,740,428	9.6%	938,548
Equipment Depreciation	1,665,978	1,524,265	-8.5%	(141,713)
Other Expenses	1,518,732	1,376,992	-9.3%	(141,740)
Total Operating Expenses	\$ 87,663,927	\$ 91,152,405	4.0%	\$ 3,488,478

**Total Operating expenses are estimated to be \$3.5 million over the
2019 Budget as Amended**

OPERATING EXPENDITURE OVERVIEW - PERSONNEL SERVICES

- **Personnel Services – Increase of \$1.9 million or 5.8% due to:**

- \$420,000: Estimated health Insurance premium increase of 8% (\$4,965,000)
- \$600,000: Annual pension contribution increase to \$4,150,000
 - City's annual pension contribution: \$480,000
 - Contractual adjustment to Police pension: \$120,000
- **\$200,000: OPEB annual contribution increase to \$1,000,000**
- **\$550,000: Personnel Services**
 - Includes funding for employees' salary step increases (contractual obligation)
 - \$22,000: Service Award increase due to employees reaching service milestones (contractual obligation)
 - \$75,000: FOP's 2.5% COLA on July 1, 2020 (contractual obligation)
 - \$18,200: Standby pay for Information Technology staff to support 24/7 operations
 - \$24,800: Additional overtime for Planning Division due to workload (vs hiring additional staff)
 - Includes anticipated funding for contract negotiations (CWA and AFSCME expire 12/31/2019)

BUDGET 2019	BUDGET 2020	CHANGE FROM 2019 BUDGET	DIFF 2019 VS. 2020
\$ 33,317,346	\$ 35,245,854	5.8%	\$ 1,928,508

OPERATING EXPENDITURE OVERVIEW - PERSONNEL

- **Position changes (FTE Count): salary/benefit savings**
 - Full-time Community Affairs Officer/Administration (249 to 248): -\$80,000
 - Part-time Customer Services Clerk I/Finance (20.5 to 20): -\$29,000
 - One downgrade (IT Network Admin III to Lead Desktop Support Technician) to provide more IT support: -\$50,000
- **Personnel Requests not included in the budget (estimated salary/benefit ranges attached):**
 - Police:
 - Lead Police Records Specialist (\$71,000-\$91,000)
 - Accreditation Coordinator (\$78,000-\$98,000)
 - Electric:
 - Electric Distribution Engineer I (\$105,000-\$128,000)
 - Alderman Court:
 - Convert a part-time Secretary position to full-time (\$25,000-\$30,000)

OPERATING EXPENDITURE OVERVIEW - UTILITY PURCHASES

- Utility Purchases increase of \$1 million due to:

- Electric (+\$1.0 million)
 - Assumes 5% increase in UD's electric consumption in 2020
 - Loss of Christiana Towers, addition of Whitney Athletic Center (7/2020), AP-BIO (2/2020), DTP @ STAR
 - Does not include growth of Chemours
 - Flat cost of wholesale power pricing in 2020 (DEMEC rate not available until December)
 - Generation cost of energy has been declining over the years (49% of wholesale rates), offset by higher capacity/transmission costs
 - Includes recommendation for Newark energy portfolio to be 100% renewable to meet the Sustainable Newark recommendation (if DEMEC proposes a 2020 wholesale rate reduction)
 - Revenue Stabilization Adjustment (RSA) process each March has provided a bill credit to account for cost reductions.
- Sewer purchases from New Castle County assume no rate change on July 1, 2020

BUDGET 2019	BUDGET 2020	CHANGE FROM 2019 BUDGET	DIFF 2019 VS. 2020
38,856,932	39,813,815	2.5%	956,883

OPERATING EXPENDITURE OVERVIEW - OTHER

- **Materials/Supplies (-\$52K)**

- Small increases across departments
- \$20,000: Reduction for gasoline in Fleet
- \$51,000: Reduction in equipment in IT

- **Contractual Services (+\$938K)**

- \$850,000: Workers' Compensation program.
- \$36,620: Add for shortfall in Unicity Bus program (\$180,000)
- \$43,000: Add for consulting fees in Planning Department (\$225,000)

- **Equipment Depreciation (-\$142K):** Funds the City's equipment replacement program

- **Other Expenses (-\$142K):** Reflects no changes to the City's subventions

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Materials and Supplies	2,503,059	2,451,051	-2.1%	(52,008)
Contractual Services	9,801,880	10,740,428	9.6%	938,548
Equipment Depreciation	1,665,978	1,524,265	-8.5%	(141,713)
Other Expenses	1,518,732	1,376,992	-9.3%	(141,740)

OPERATING EXPENDITURE OVERVIEW - DEBT SERVICE

- 2020 Debt Service declines \$32K when compared to 2019.
- City's interest-only payments on the state-revolving loans were deferred to 2020, as City cash-funded to save on the interest expense.
- GASB 89 accounting rule now requires interest on active construction projects be included in debt service.

DEBT	ENDING DATE	BUDGET 2019	BUDGET 2020	CHANGE FROM 2019 BUDGET	COMMENTS
GOB Series 2011	9/14/2022	\$1,476,000	\$1,491,400	\$15,400	
Energy Conservation Loan	7/1/2022	68,438	68,438	0	
Smart Meters	9/1/2022, 1/1/2028	1,046,189	1,046,494	305	
Parking Fee Collection Equipment	10/15/2019	37,534	0	-37,534	
Fiber Lease	8/5/2027	49,255	49,255	0	
Existing Debt		\$2,677,416	\$2,655,587	-\$21,829	
Referendum Payments					
Rodney Stormwater Park		\$163,500 *	\$120,000	-\$43,500	Interest-only payments until 2021, +20 years
Sanitary Sewer Repairs		55,000 *	35,000	-20,000	Interest-only payments until 2020, +20 years
Air Stripper Replacement - South Well Field		90,000 *	77,500	-12,500	Interest-only payments until 2020, +20 years
Water Tank Maintenance		11,000 *	7,500	-3,500	Interest-only payments until 2023, +20 years
Water SCADA System		6,000 *	5,000	-1,000	Interest-only payments until 2021, +20 years
Water Main Replacement Program		30,000 *	25,000	-5,000	Interest-only payments until 2023, +20 years
General Fund Projects		0	75,000	75,000	Interest-only payments until 2022, +15 years
		\$355,500	\$345,000	-\$10,500	
Total All Debt Payments 2020:		\$3,032,916	\$3,000,587	-\$32,329	

* Did not need to pay in 2019.

OPERATING EXPENDITURE OVERVIEW - CAPITAL IMPROVEMENTS

	BUDGET 2019	BUDGET 2020	CHANGE FROM 2019 BUDGET	DIFF 2019 VS. 2020
Capital Improvements				
Gross Capital Improvements	\$ 20,088,389	\$ 15,097,916	-24.8%	\$ (4,990,473)
Less: Use of Reserves	(1,363,330)	(419,726)	-69.2%	943,604
Equipment Replacement	(1,001,105)	(978,398)	-2.3%	22,707
Grants	(1,825,744)	(1,995,743)	9.3%	(169,999)
Bond Issues	(680,650)	(767,947)	12.8%	(87,297)
State Revolving Loan	(10,625,000)	(5,165,000)	-51.4%	5,460,000
Other Sources	(687,000)	(1,689,530)	145.9%	(1,002,530)
Net Capital Improvements	\$ 3,905,560	\$ 4,081,572	4.5%	\$ 176,012

- The Gross CIP Budget decreased \$5 million to \$15.1 million.
- Net CIP Budget increased by \$176K to \$4.1 million. **This represents the portion of the capital budget that is supported by current revenues (taxes, fees, etc.)**
- Use of reserves (including equipment) reduced by \$966K compared to 2019.

BUDGET OVERVIEW

- Total revenues are up 2.3%.
- Total expenditures are up 4.2%.
- Overall 2020 Budget as of today is \$1.6 million short of funding.

	BUDGET 2019	BUDGET 2020	CHANGE FROM 2019 BUDGET	DIFF 2019 VS. 2020
Operating Revenue	\$ 94,545,901	\$ 96,682,988	2.3%	\$ 2,137,087
Operating Expenses	\$ 87,663,927	\$ 91,152,405	4.0%	\$ 3,488,478
Capital Improvements				
Capital Improvements*	\$ 3,905,560	\$ 4,081,572	4.5%	\$ 176,012
Debt Service*	\$ 2,677,416	\$ 3,000,587	12.1%	\$ 323,171
Total Expenditures	\$ 94,246,903	\$ 98,234,564	4.2%	\$ 3,987,661
Appropriation of Fund Balance (DNP)	80,000	-	-100.0%	(80,000)
Total Surplus/(Shortfall):	\$ 218,998	\$ (1,551,576)		

*GASB 89 accounting rule now requires interest on active construction projects be included in debt service. Otherwise, 2020 Debt Service would be \$345,000 lower and Capital Improvements would be \$345,000 higher.

SUMMARY

- Staff is still working towards solutions to bridge the projected revenue shortfall for 2020.
- Recommendations will be presented to Council at the Financial Workshop on October 7th.
- During the departmental presentations there will be opportunities to ask more details about specific issues.