

FY2023 Budget Overview

August 15, 2022

TIMELINE

Date	Title	Notes
Monday, August 15, 2022	Budget Overview	Council Direction given for: Overview
Monday, August 29, 2022	Department Budget Hearing #1	Council Direction given for: Parks and Recreation, Planning, Administration
Monday, September 12, 2022	Department Budget Hearing #2	Council Direction given for: Legislative, Alderman Court, PWWR
Monday, September 19, 2022	Department Budget Hearing #3	Council Direction given for: Finance, Police, Electric
Monday, October 3, 2022	Financial Workshop	
Tuesday, October 18, 2022	Planning Commission Review of CIP	
Monday, November 7, 2022	Budget Hearing #1	
Monday, November 21, 2022	Budget Hearing #2 (if needed)	
Monday, December 5, 2022	Intro Date for revenue ordinances	
TBD	Budget Hearing #3	
TBD	Submitted Adopted Budget & adoption date	Submitted final copies to City Secretary

- This table represents the current Council schedule for the 2023 budget process
- 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 3rd

BUDGET CENTRAL

Budget Central 2023

BUDGET
CENTRAL

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This page serves as a repository for all items related to the 2023 budget process and allows Mayor & Council, staff, and Newark residents to enjoy “one-stop shopping” for all current budget information.

Budget Central information for previous years is also available by clicking on the links in the column to the left.

Thank you for your continued interest in the budget process for the City of Newark. If you have any questions or comments, please contact the City directly at (302) 366-7000.

- Budget Central is the repository for all budget documents
- All presentations and handouts will be available in digital form on www.newarkde.gov/budget

2022 BUDGET – REVENUE OVERVIEW

- **REVENUE BUDGET OF \$99.5 MILLION**
 - \$4.2 million more than the 2021 Approved Operating Budget (\$95.2 million)
 - May YTD activity compared to the 2022 Approved Operating Budget. Key indicators:
 - Utilities: (overperforming by \$641,000/0.9%)
 - Tax Revenue: property taxes, transfer tax, lodging, franchise fees (overperforming by \$1.9 million/16.9%)
 - Park & Recreation Fees: (underperforming by \$55,000/-7.8%)
 - Alderman Court: (underperforming by \$39,000/-2.0%)
 - Parking (overperforming by \$184,000/7.1%)
 - Permits: (underperforming by \$381,000/-17%)
 - Through May 2022, overall revenue expectations are \$2.3 million above the Approved Operating Budget

2022 BUDGET – EXPENSE OVERVIEW

- **EXPENSE BUDGET OF \$99.2 MILLION**
 - \$5.4 million more than the 2021 Approved Operating Budget (\$93.9 million)
 - May YTD activity compared to the 2022 Approved Operating Budget are \$45K below expectations (positive variance):
 - Utilities:
 - Electric purchases over budget by \$478,000
 - Sewer purchases under budget by \$133,000
 - Personnel Services are \$655,000 under budget
 - Materials/Supplies, Contractual Services, Debt Service, Other are \$265,000 over budget
- **Factoring in both revenue and expenditure performance through May, the City is a collective \$2.4 million ahead of budgetary expectations (subject to change as the year progresses)**
- **Link to May 2022 Financial Update: <https://newarkde.gov/DocumentCenter/View/16372/2C>**

CONSTRUCTION PROJECTS

- University of Delaware
 - Drake Hall Addition
 - McKinley Lab Replacement – 2022
- STAR Campus
 - Fin-Tech – 2022
 - Buccini/Pollin Group (BPG) mixed use building – anticipated plan submission by end of 2022
- Other Construction Projects
 - Fulton Bank – Completed
 - The Grove (College Square) – Construction underway, CO's for the apartments expected soon
 - The Railyard (Dickinson Dorm project) – Completed
 - Newark Senior Living – Delayed, CO's pushed back to the Fall 2022
 - Green Mansion Hotel and apartments – Construction underway (summer of 2023)

CONSTRUCTION PROJECTS – CONT'D

- Newark Charter Junior High – Temporary Certificate of Occupancy (TCO) issued
- Martin Honda on Ogletown/Marrows Road – CO issued
- 62 North Chapel Street – Permit pending
- Briarcreek North – Construction underway
- 262 South College Avenue, Chabad House - Construction underway
- Milford Run- Under CIP review
- 1 North Twin Lakes – Under CIP review
- 302 Markus Court – Under Lines and Grades review
- Mill at White Clay – Under CIP review; has submitted for first building permits
- 268 East Main Street – Subdivision approved
- 10-16 Benny Street – has submitted for first building permits
- Several others in the Subdivision Review Plan process

2022/2023 CHALLENGES

- Covid-19/Variants
- Supplies/Equipment
 - CPI - June 2022 CPI (annualized) was 8.8% - largest over-the-year increase since January 1982
 - Fuel prices
 - Supply chain challenges
 - Surcharges
 - Cost of critical utility infrastructure materials have skyrocketed, delivery dates are uncertain
 - Utilities are seeking out critical components from each other due to supply issues
 - Delaware Electric Co-op has paused all new new electric service connections
 - Acquisition of most vehicles and heavy equipment takes between one to two years from order to receipt
- Information Technology (Cyber security, infrastructure, software, cameras, fiber)

2022/2023 CHALLENGES – CONT'D

- Personnel
 - Workforce challenges – 65 job postings through August 5th (2021 – 60, 2020 – 31, 2019 – 41, 2018 – 32)
 - New Positions requested in 2023 to balance workload, maintaining existing levels of service
- Utilities
 - Overall utility volume in Electric, Water, and Sewer are all down slightly compared to budget/improved compared to 2021
 - Electric
 - New substation: \$27.7 million estimated cost, \$12 million required in 2023
 - Indian River Coal Plant – DEMEC will begin charging Newark an additional fee in August. Financial impact will be placed on all Delawareans
 - 2022/2023 wholesale cost of power will impact annual revenue stabilization adjustment (RSA)
 - Water/Sewer – Borrowing for 2018 Referendum Projects has been completed – customer charges annually to reflect the recovery of debt

2022/2023 CHALLENGES – CONT'D

- Parking activity – recovered to pre-pandemic levels, expected to be consistent in 2023
- Projected Property tax growth: 1.0% in 2022 – primarily derived from 2.5% property tax increase
 - Assessment growth is approximately 0.5% or less annually – dependent on new construction
 - Reassessment – no impact in 2023 budget.
 - Likely to impact 2025.
- Increasing cost of borrowing – rising interest rates

2023 Budget is based on Departmental submissions:

- Table to right displays budget at summary level
- Standard part in annual budget process
- Next slides will go through each section individually

	* as amended 2021 * BUDGET	* as amended 2022 * BUDGET	** as proposed 2023 ** BUDGET	% FROM 2022 BUDGET	\$ FROM 2022 BUDGET
Revenue/Other Funding Sources					
Utility Sales	\$ 72,056,529	\$ 73,723,500	\$ 78,441,900	6.4%	\$ 4,718,400
Real Estate and Other Taxes	10,305,000	10,995,115	10,846,000	-1.4%	(149,115)
Fees for Service	9,341,310	10,622,656	11,076,245	4.3%	453,589
Intergovernmental Revenue	2,421,070	2,953,005	2,877,737	-2.5%	(75,268)
Other Revenue	1,112,956	1,002,600	1,089,600	8.7%	87,000
Appropriation of Prior Year Reserves	-	175,000	-	-100.0%	(175,000)
Total Operating Revenue	\$ 95,236,865	\$ 99,471,876	\$ 104,331,482	4.9%	\$ 4,859,606
Expenditures					
Personnel Services	\$ 35,855,136	\$ 36,477,888	\$ 40,234,650	10.3%	\$ 3,756,762
Utility Purchases	36,804,486	37,430,531	40,942,690	9.4%	3,512,159
Materials and Supplies	2,406,695	2,509,366	2,898,262	15.5%	388,896
Contractual Services	11,163,662	12,259,238	12,641,859	3.1%	382,621
Equipment Depreciation	1,437,919	1,808,826	2,045,980	13.1%	237,154
Debt Service	3,577,242	4,526,148	4,592,685	1.5%	66,537
Other Expenses	1,101,872	1,365,155	1,338,283	-2.0%	(26,872)
Total Operating Expenses	\$ 92,347,012	\$ 96,377,152	\$ 104,694,409	8.6%	\$ 8,317,257
Capital Improvements					
Gross Capital Improvements	\$ 23,282,158	\$ 16,352,982	\$ 36,073,639	120.6%	\$ 19,720,657
Less: Use of Reserves	(1,461,690)	(1,603,654)	(478,986)	-70.1%	1,124,668
Equipment Replacement	(629,905)	(733,157)	(524,736)	-28.4%	208,421
Grants	(4,000,563)	(708,016)	(5,740,302)	710.8%	(5,032,286)
Bond Issues	(646,888)	(450,178)	(56,000)	-87.6%	394,178
State Revolving Loans	(6,007,000)	(3,725,000)	(3,810,000)	2.3%	(85,000)
American Rescue Plan Act	(103,478)	(5,883,490)	(7,370,346)	25.3%	(1,486,856)
Other Sources	(8,922,853)	(394,654)	(12,210,000)	2993.8%	(11,815,346)
Net Capital Improvements	\$ 1,509,781	\$ 2,854,833	\$ 5,883,269	106.1%	\$ 3,028,436
Net Current Surplus/(Deficit)	\$ 1,380,072	\$ 239,891	\$ (6,246,196)	-2703.8%	\$ (6,486,087)
TOTAL EXPENDITURES AND SURPLUS	\$ 95,236,865	\$ 99,471,876	\$ 104,331,482	4.9%	\$ 4,859,606

REVENUE OVERVIEW

	* as amended	* as amended	** as proposed		
REVENUE	2021	2022	2023	% FROM	\$ FROM
	* BUDGET	* BUDGET	** BUDGET	2022 BUDGET	2022 BUDGET
Utility Sales	\$ 72,056,529	\$ 73,723,500	\$ 78,441,900	6.4%	\$ 4,718,400
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Other Revenue	1,112,956	1,002,600	1,089,600	8.7%	87,000
Appropriation of Prior Year Reserves	-	175,000	-	-100.0%	(175,000)
Total Operating Revenue	\$ 95,236,865	\$ 99,471,876	\$ 104,331,482	4.9%	\$ 4,859,606

Total Operating revenue is estimated to be \$4.9 million (4.9%) more than the 2022 Budget *(detail contained on following slides)*

REVENUE OVERVIEW – CONT'D

- **Utility Sales (+\$4,718,400)**

- Electric: \$58.8M (+\$4.2M, 7.7% change)
- Water: \$9.3M (+\$245K, +2.7%)
- Sewer: \$7.6M (+\$330K, +4.5%)
- Stormwater: \$2.5M (-\$50K, -1.9%)
- Customer charges have reduced the reliance on volumetric sales
 - Shift to customer charges for water and sewer, offset by reducing consumption rates results in reliable cash flow to fund City infrastructure
 - Continue to adjust customer charges to account for new debt service

* as amended	* as amended	** as proposed		
2021	2022	2023	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2022 BUDGET	2022 BUDGET
\$ 72,056,529	\$ 73,723,500	\$ 78,441,900	6.4%	\$ 4,718,400

REVENUE OVERVIEW – CONT'D

* as amended	* as amended	** as proposed		
2021	2022	2023	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2022 BUDGET	2022 BUDGET
\$ 10,305,000	\$ 10,995,115	\$ 10,846,000	-1.4%	\$ (149,115)

- **Taxes (-\$149,115):**
 - Lodging tax: \$600K (no change)
 - Real Estate Transfer Tax: \$1.65M (-\$114,115, -6.5%)
 - Small number of large property transactions over \$1 million are assumed
 - Increased value of properties compared to 2021, but higher interest rates will slow sales
 - Property Tax: \$8.2M (+\$40,000, +0.5%)
 - Increase is based solely on assessment growth, not a tax increase
 - Franchise Tax: \$350K (-\$75,000)
 - Fees received from Comcast and Verizon directly linked to sales activity

REVENUE OVERVIEW – CONT'D

* as amended	* as amended	** as proposed		
2021	2022	2023	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2022 BUDGET	2022 BUDGET
\$ 9,341,310	\$ 10,622,656	\$ 11,076,245	4.3%	\$ 453,589

- **Fees for Service (+\$453,589):**

- Alderman Court: \$1.9M (+\$16K, +0.9%)
- Parks and Recreation: \$709K (no change)
- Parking: \$2.9M (+\$105K, 3.8%)
- Permits and Licenses: \$2.3M (+\$73,000, 3.3%)
- Internal Services: \$3.0M (+\$259,089, +9.5%)
- Estimates are conservatively projected for 2023, based on current trends, no fee changes included

REVENUE OVERVIEW – CONT'D

	* as amended	* as amended	** as proposed		
REVENUE	2021 * BUDGET	2022 * BUDGET	2023 ** BUDGET	% FROM 2022 BUDGET	\$ FROM 2022 BUDGET
Intergovernmental Revenue	\$ 2,421,070	\$ 2,953,005	\$ 2,877,737	-2.5%	\$ (75,268)
Other Revenue	1,112,956	1,002,600	1,089,600	8.7%	87,000
Appropriation of Prior year Reserves	-	175,000	-	-100.0%	(175,000)

- **Intergovernmental Revenue (-\$75,268):**
 - Estimated UD Subvention: \$553,575 (offset by decrease to electric customer charge per ESA terms)
 - UniCity Bus: \$143,000 (Flat)
 - Includes \$400,000 in PILOT funds from the State (Funded by State for four consecutive years)
 - School Resource Officer: \$187,400 (Christina School District)
- **Other Revenue (+\$87,000):**
 - Includes Interest Income, Miscellaneous Revenue and Reimbursable Overtime

OPERATING EXPENDITURE OVERVIEW

	* as amended	* as amended	** as proposed		
	2021	2022	2023	% FROM	\$ FROM
OPERATING EXPENSES	* BUDGET	* BUDGET	** BUDGET	2022 BUDGET	2022 BUDGET
Personnel Services	\$ 35,855,136	\$ 36,477,888	\$ 40,234,650	10.3%	\$ 3,756,762
Utility Purchases	36,804,486	37,430,531	40,942,690	9.4%	3,512,159
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Equipment Depreciation	1,437,919	1,808,826	2,045,980	13.1%	237,154
Debt Service	3,577,242	4,526,148	4,592,685	1.5%	66,537
Other Expenses	1,101,872	1,365,155	1,338,283	-2.0%	(26,872)
TOTAL OPERATING EXPENDITURES	\$ 92,347,012	\$ 96,377,152	\$ 104,694,409	8.6%	\$ 8,317,257

\$81.2M (78%) of 2023 Budget is comprised of personnel costs and utility purchases

- Personnel costs (Payroll, retirement plans, OPEB, healthcare): \$40.2M/38.4%
- Utility expenses (Electric – DEMEC/Sewer – New Castle County): \$40.9M/39.1%

Total Operating expenses are estimated to be \$8.3M (8.6%) over 2022
(detail contained on following slides)

OPERATING EXPENDITURE OVERVIEW - PERSONNEL SERVICES

* as amended	* as amended	** as proposed		
2021	2022	2023	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2022 BUDGET	2022 BUDGET
\$ 35,855,136	\$ 36,477,888	\$ 40,234,650	10.3%	\$ 3,756,762

- **Personnel Services – Increase of \$3.8M or 10.3% due to:**
 - \$1,760,000: Initial Departmental Identified Position Needs for 2023 (+17.5 FTE):
 - \$77,000: Alderman Court – Swap part-time bailiff to full-time (1/2 FTE)
 - \$94,000: Finance/IT – Swap contracted desktop support position for full-time City position (1 FTE – offsetting)
 - \$950,000: Police – Request for new police officers (10 FTE – 2 of which are pending Federal grant funding)
 - \$390,000: Police – Request for communication officers (4 FTE)
 - \$59,000: PWWR – Convert part-time administrative aide to full-time
 - \$98,000: Parks – New Maintenance IV position (1 FTE)
 - \$75,000: Administration – Convert part-time HR Coordinator to full-time (1/2 FTE)
 - \$26,000: Interns – Planning/Parks/PWWR

OPERATING EXPENDITURE OVERVIEW - PERSONNEL SERVICES

* as amended	* as amended	** as proposed		
2021	2022	2023	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2022 BUDGET	2022 BUDGET
\$ 35,855,136	\$ 36,477,888	\$ 40,234,650	10.3%	\$ 3,756,762

■ Personnel Services – Cont’d:

- \$500,000: Estimated health insurance premium increase (7%)
- \$146,000 (\$100K in Electric, rest is distributed across all departments): Increase in Overtime/Holiday Pay (\$1.6M)
- \$500,000: Cost of contractually obligated COLAs CWA, FOP and AFSCME. Includes COLA for Management (must be approved by Council)
- \$320,000: Increase to Pension contribution (\$4M) and Defined Contribution Plan for new employees (\$546K)
- \$100,000: Increase to OPEB contribution (\$1M)

OPERATING EXPENDITURE OVERVIEW - UTILITY PURCHASES

- **Utility Purchases increase of \$3.5M due to:**

- Electric: \$35,742,690 (\$3,512,159): **TBD**
 - Includes \$325,000 in Renewable Energy Credit purchases for Renewable Energy Program (offsetting revenue from program)
 - STAR Campus growth has helped offset other electric losses
 - Wholesale power pricing in 2022 increased 6.9% (2023 DEMEC rate not available until December)
 - Assumes 7% cost increase in 2023 (could be more)
 - Potential DEMEC rate adjustment forthcoming in fourth quarter of 2022 and FY2023
 - Revenue Stabilization Adjustment (RSA) process each March has provided a bill credit to account for cost reductions. Credit will likely be dissolved completely by March 2023.
- Sewer: \$5,200,000 (no change from 2022)
 - Purchases from New Castle County assume no rate change on July 1, 2023
 - City can automatically adjust sewer rate when County adjusts the City rate

* as amended	* as amended	** as proposed		
2021	2022	2023	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2022 BUDGET	2022 BUDGET
\$ 36,804,486	\$ 37,430,531	\$ 40,942,690	9.4%	\$ 3,512,159

OPERATING EXPENDITURE OVERVIEW - OTHER

Materials/Supplies (\$388,896)

- \$50K increase for Bridge Maint. Supplies
- \$36K: SCADA maintenance
- \$164K: increase for Fuel, parts, maint.
- \$17K: vandalism supplies
- \$38K: Parks maintenance
- Overall increased costs of materials across the board

Other Expenses (-\$26,872):

- \$150,000: One-time expense for Police Recruitment efforts
- \$186,108: Reflects 5% increase to Aetna subvention
- \$75K for The Newark Partnership
- \$150,000 Recruitment/Retention (+\$92K)

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OTHER OPERATING EXPENSES	2021 * BUDGET	2022 * BUDGET	2023 ** BUDGET	% FROM 2022 BUDGET	\$ FROM 2022 BUDGET
Materials and Supplies	\$ 2,406,695	\$ 2,509,366	\$ 2,898,262	15.5%	\$ 388,896
Contractual Services	11,163,662	12,259,238	12,641,859	3.1%	382,621
Equipment Depreciation	1,437,919	1,808,826	2,045,980	13.1%	237,154
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Other Expenses	1,101,872	1,365,155	1,338,283	-2.0%	(26,872)

Contractual Services (\$382,621)

- \$100K: Vehicle Maintenance
- \$259K: Fleet Services (offsetting revenue)
- \$114K: Insurance Premiums (\$1,123,700)
- \$38K: Merchant Fees (\$1,255,000)
- \$100K: Workers' Compensation Insurance (\$700K)
- \$37K: Legislation Increase

Equipment Depreciation (\$237,154):

- Funds the City's equipment replacement program

OPERATING EXPENDITURE OVERVIEW - DEBT SERVICE

- 2023 Debt Service increases \$66K when compared to 2022.
- \$1.6M in debt obligations are coming off in 2023.
- Adding in the leasing of equipment/vehicles vs. purchasing smooth budget impact.
- New accounting requirement tracks lease obligations as debt service.

		* as amended		** as proposed	
DEBT	ENDING DATE	2022 * BUDGET	2023 ** BUDGET	\$ FROM 2021 BUDGET	COMMENTS
GOB Series 2011	9/14/2022	1,313,250	-	(1,313,250)	Last year of Loan.
Energy Conservation Loan	7/1/2022	51,329	-	(51,329)	Last year of Loan.
Smart Meters	9/1/2022 1/1/2028	960,480	703,349	(257,131)	ARRA/DNREC (\$257,133). Last year 2022. BOA (\$703,350).
Fiber Lease	8/5/2027	49,255	49,255	-	
IT Lease		-	50,000	50,000	
Office Equipment		51,368	50,341	(1,027)	Canon Copier Leases
ESCO	8/12/2040	508,195	510,048	1,853	2.345%. Twenty year term, offset by other revenue, energy savings.
2022 Prior Vehicle/Equipment Leases (19 vehicles)		251,246	282,050	30,804	
2023 Refuse Truck Leases (Six months - 4 vehicles)		-	85,898	85,898	
2023 Vehicle/Equipment Leases (33 new/27 financed)		-	487,864	487,864	
New Substation (\$12M/\$28M)	8/7/1905	-	730,000	730,000	Acquisition of materials to construct second substation. Thirty year obligation.
Total:		\$ 3,185,123	\$ 2,948,805	\$ (236,318)	

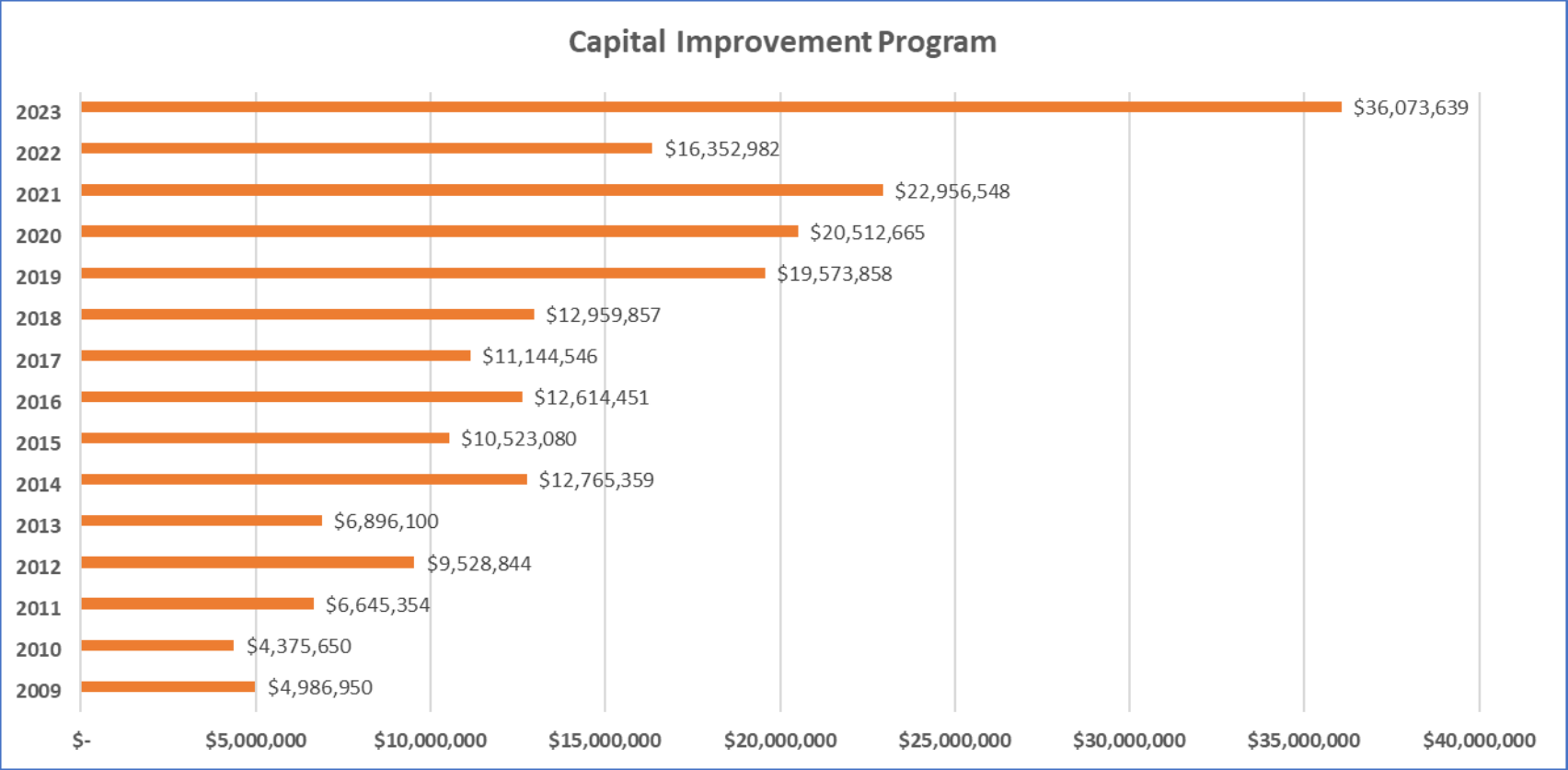
		* as amended		** as proposed	
ESTIMATED DEBT FROM REFERENDUM	ENDING DATE	2022 * BUDGET	2023 ** BUDGET	\$ FROM 2021 BUDGET	COMMENTS
Rodney Stormwater Park		470,000	546,355	\$76,355	Project completed 2021.
Sanitary Sewer Repairs		100,000	280,000	\$180,000	Phase 1 - \$1.3mm completed in 2021. Phase 2 - underway.
Air Stripper Replacement - South Well Field		255,000	255,000	\$0	\$4mm completed in 2021, project complete. P&I on all \$4mm for 2022.
Water Tank Maintenance		25,000	50,000	\$25,000	One tank complete at SWF as part of this project and several smaller projects underway in late 2022. Budget Interest on \$700,000 for 2023. No forgiveness until the entire project is completed. Includes debt forgiveness of \$674,112 at the end of the project. Total project loan is for \$2,250,000.
Water SCADA System		63,000	63,000	\$0	
Laird Tract Well Field Restoration		-	4,000	\$4,000	Principal on \$200,000 for 2023. Balance to spend in 2023. Full P&I on \$1.925 in 2024.
Water Main Replacement Program		88,025	203,525	\$115,500	Phase 1 - \$1mm completed in 2021. Phase 2 will be completed in 2022.
General Fund Projects		340,000	242,000	-\$98,000	2018 Referendum General Fund Projects.
Referendum Payments Total:		\$ 1,341,025	\$ 1,643,880	\$302,855	
Budgeted Debt Service:		\$4,526,148	\$4,592,685	\$66,537	

OPERATING EXPENDITURE OVERVIEW - CAPITAL IMPROVEMENTS

	* as amended	* as amended	** as proposed		
	2021	2022	2023	% FROM	\$ FROM
CAPITAL IMPROVEMENTS	* BUDGET	* BUDGET	** BUDGET	2022 BUDGET	2022 BUDGET
Gross Capital Improvements	\$ 23,282,158	\$ 16,352,982	\$ 36,073,639	120.6%	\$ 19,720,657
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Equipment Replacement	(629,905)	(733,157)	(524,736)	-28.4%	208,421
Grants	(4,000,563)	(708,016)	(5,740,302)	710.8%	(5,032,286)
Bond Issues	(646,888)	(450,178)	(56,000)	-87.6%	394,178
State Revolving Loans	(6,007,000)	(3,725,000)	(3,810,000)	2.3%	(85,000)
American Rescue Plan Act	(103,478)	(5,883,490)	(7,370,346)	25.3%	(1,486,856)
Other Sources	(8,922,853)	(394,654)	(12,210,000)	2993.8%	(11,815,346)
Net Capital Improvements	\$ 1,509,781	\$ 2,854,833	\$ 5,883,269	106.1%	\$ 3,028,436

- The Gross CIP Budget increased \$19.7 million to \$36.1 million.
- Net CIP Budget increased by \$3 million. This represents the portion of the capital budget that would need to be supported by current revenues (taxes, fees, etc.)
- Use of reserves (including equipment) decreased \$1.3M (\$1.1M + \$208K) compared to 2022.
- \$12.2 Million budget under “Other Sources” is comprised of a \$12M loan through DEMEC to fund the Substation project.

2009 TO 2023 CIP HISTORY (15 YEARS)



- Electric Substation is \$12MM in 2023
- Overall trend in capital spending continues upward
- Addresses historic deferred maintenance of infrastructure, especially in utilities

2023 NOTABLE PROPOSED PROJECTS

▪ E2002 - New Electric Substation (DEMEC loan):	\$27,700,000
▪ W2301 – Emerging Contaminants Water Treatment Plant Upgrades (Grant/Loan):	\$4,400,000
▪ N2203 – Energy Savings Projects Round 2 (Grant):	\$2,181,500
▪ A2301 – Main Street and City Hall Holiday Lighting Enhancement (2023 current resources)	\$310,000
▪ N2301 – George Wilson Community Center Master Plan (2023 – Grant)	\$595,000
▪ N2302 – Municipal Center Master Plan (2023)	\$620,000
▪ N2303 – Field Operations Complex Administrative Building (2024)	\$6,325,000

BUDGET OVERVIEW

- Total revenues are up 4.9%
- Total operating expenditures are up 8.6%
- Expenditures with Capital is up \$11.4%
- Cash needed to fund capital projects are up 106%, or \$3M

	* as amended	* as amended	** as proposed		
	2021	2022	2023	% FROM	\$ FROM
BUDGET OVERVIEW	* BUDGET	* BUDGET	** BUDGET	2022 BUDGET	2022 BUDGET
Total Operating Revenue	\$ 95,236,865	\$ 99,471,876	\$ 104,331,482	4.9%	\$ 4,859,606
Operating Expenses	92,347,012	96,377,152	104,694,409	8.6%	8,317,257
Capital Improvements*	1,509,781	2,854,833	5,883,269	106.1%	3,028,436
Total Expenditures	\$ 93,856,793	\$ 99,231,985	\$ 110,577,678	11.4%	\$ 11,345,693
Total Surplus/(Shortfall)	\$ 1,380,072	\$ 239,891	\$ (6,246,196)		



The 2023 Budget as of today (before making cuts or revenue enhancements) is \$6.2 million short of funding.

For comparison purposes, the shortfall was \$6.7 million for 2022's budget overview hearing

GRANTS

- American Rescue Plan (\$18.1 million) – Funds received
 - July 2021 (\$9,047,068.17)
 - July 2022 (\$9,047,068.17)
- State Community Reinvestment Fund (\$2.4 million) – Approved by the State July 1, 2022
 - \$2,000,000 – Energy efficiency initiatives
 - \$247,500 – Field Operations Complex Security Upgrades
 - \$181,500 – South Well Field Treatment Plant Roof Replacement
 - Full award list: https://legis.delaware.gov/docs/default-source/cipdocuments/communityreinvestmentfundawards-fiscalyear2023.pdf?sfvrsn=e5a8e38_2
- Federal Grants (TBD)
 - H.R.3684 - Infrastructure Investment and Jobs Act (Bi-Partisan Infrastructure Bill)
 - Inflation Reduction Act of 2022
 - Federal Grant – FY2023 Community Project Funds – Awaiting decision
 - George Wilson Center, Newark Train Station
- Energize Delaware Grants for Local Government EV Fleets

2023 Budget is based on Departmental submissions:

- Table to right displays budget at summary level
- Standard part in annual budget process

	* as amended 2021 * BUDGET	* as amended 2022 * BUDGET	** as proposed 2023 ** BUDGET	% FROM 2022 BUDGET	\$ FROM 2022 BUDGET
Revenue/Other Funding Sources					
Utility Sales	\$ 72,056,529	\$ 73,723,500	\$ 78,441,900	6.4%	\$ 4,718,400
Real Estate and Other Taxes	10,305,000	10,995,115	10,846,000	-1.4%	(149,115)
Fees for Service	9,341,310	10,622,656	11,076,245	4.3%	453,589
Intergovernmental Revenue	2,421,070	2,953,005	2,877,737	-2.5%	(75,268)
Other Revenue	1,112,956	1,002,600	1,089,600	8.7%	87,000
Appropriation of Prior Year Reserves	-	175,000	-	-100.0%	(175,000)
Total Operating Revenue	\$ 95,236,865	\$ 99,471,876	\$ 104,331,482	4.9%	\$ 4,859,606
Expenditures					
Personnel Services	\$ 35,855,136	\$ 36,477,888	\$ 40,234,650	10.3%	\$ 3,756,762
Utility Purchases	36,804,486	37,430,531	40,942,690	9.4%	3,512,159
Materials and Supplies	2,406,695	2,509,366	2,898,262	15.5%	388,896
Contractual Services	11,163,662	12,259,238	12,641,859	3.1%	382,621
Equipment Depreciation	1,437,919	1,808,826	2,045,980	13.1%	237,154
Debt Service	3,577,242	4,526,148	4,592,685	1.5%	66,537
Other Expenses	1,101,872	1,365,155	1,338,283	-2.0%	(26,872)
Total Operating Expenses	\$ 92,347,012	\$ 96,377,152	\$ 104,694,409	8.6%	\$ 8,317,257
Capital Improvements					
Gross Capital Improvements	\$ 23,282,158	\$ 16,352,982	\$ 36,073,639	120.6%	\$ 19,720,657
Less: Use of Reserves	(1,461,690)	(1,603,654)	(478,986)	-70.1%	1,124,668
Equipment Replacement	(629,905)	(733,157)	(524,736)	-28.4%	208,421
Grants	(4,000,563)	(708,016)	(5,740,302)	710.8%	(5,032,286)
Bond Issues	(646,888)	(450,178)	(56,000)	-87.6%	394,178
State Revolving Loans	(6,007,000)	(3,725,000)	(3,810,000)	2.3%	(85,000)
American Rescue Plan Act	(103,478)	(5,883,490)	(7,370,346)	25.3%	(1,486,856)
Other Sources	(8,922,853)	(394,654)	(12,210,000)	2993.8%	(11,815,346)
Net Capital Improvements	\$ 1,509,781	\$ 2,854,833	\$ 5,883,269	106.1%	\$ 3,028,436
Net Current Surplus/(Deficit)	\$ 1,380,072	\$ 239,891	\$ (6,246,196)	-2703.8%	\$ (6,486,087)
TOTAL EXPENDITURES AND SURPLUS	\$ 95,236,865	\$ 99,471,876	\$ 104,331,482	4.9%	\$ 4,859,606

THINGS TO CONSIDER

- Items delayed due to Covid and staff bandwidth:
 - Electric rate study
 - Development fees
 - Impact fees
- Potential parking rate and fine changes
- Potential Federal funding could provide additional financial support to the City through competitive grants
- Additional funding for Aetna HHL (Included a 5% increase already)
 - New Aetna fee on all building permits?
- 2022 RSA adjustment
- Workforce Compensation Study (2023: CWA, AFSCME 3919, Management. 2024: FOP, AFSCME 1670)

SUMMARY

- Staff is working towards solutions to bridge the projected revenue shortfall for 2023.
- Some revenue and expenditure projections will change as we move closer to October.
- Recommendations will be presented to Council at the Financial Workshop on October 3rd.
- During the departmental presentations there will be opportunities to ask more details about specific issues.