



# FY2024 Budget Overview

August 14, 2023

# TIMELINE

Date	Title	Notes
Monday, August 14, 2023	Budget Overview	Council Direction given for: Overview
Monday, August 28, 2023	Department Budget Hearing #1	Council Direction given for: Parks and Recreation, Planning, Administration
Monday, September 11, 2023	Department Budget Hearing #2	Council Direction given for: Legislative, Alderman Court, PWWR
Monday, September 18, 2023	Department Budget Hearing #3	Council Direction given for: Finance, Police, Electric
Monday, September 25, 2023	Financial Workshop	
Tuesday, October 17, 2023	Planning Commission Review of CIP	
Monday, November 6, 2023	Budget Hearing #1	
Monday, November 27, 2023	Budget Hearing #2 (if needed)	
Monday, November 27, 2023	Intro Date for revenue ordinances	
TBD	Budget Hearing #3	
TBD	Submitted Adopted Budget & adoption date for revenue ordinances	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 September 25<sup>th</sup>

# BUDGET CENTRAL



Welcome to the primary resource center for the 2024 budget process of the City of Newark. We've created this hub to serve our Mayor, Council, staff, and the esteemed residents of Newark, providing an easily accessible and comprehensive collection of relevant budget data.

**For a historical perspective, links to Budget Central information from past years are conveniently located on the left side of the page.**

We deeply value your ongoing participation and interest in the city's budget process. Should you have any queries or suggestions, please don't hesitate to contact the City directly at (302) 366-7000. Our dedicated team is here to assist you.

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

# 2023 BUDGET – REVENUE OVERVIEW

- **REVENUE BUDGET OF \$111.5 MILLION**
  - \$12 million more than the 2022 Approved Operating Budget (\$99.5million)
  - April YTD activity compared to the 2023 Approved Operating Budget. Key indicators:
    - Utilities: (underperforming by \$507,000/-0.6%)
    - Tax Revenue: property taxes, transfer tax, lodging, franchise fees (overperforming by \$104,000/0.9%)
    - Permits: (overperforming by \$342,000/14%)
    - Parking (underperforming by \$920,000/22%)
    - Interest earnings: (overperforming by \$495,000/95%)
  - Through April 2023, overall revenue expectations are \$463,000 below the Approved Operating Budget

# 2023 BUDGET – EXPENSE OVERVIEW

- **EXPENSE BUDGET OF \$111.5 MILLION**

- \$12 million more than the 2022 Approved Operating Budget (\$99.5 million)
- April YTD activity compared to the 2023 Approved Operating Budget are \$2 million below expectations (positive variance):
  - Utility purchases:
    - Electric purchases under budget by \$1.1 million
    - Sewer purchases over budget by \$196,000
  - Personnel Services are \$215,000 under budget
  - Debt Service is \$750,000 under budget
  - Materials/Supplies, Contractual Services, Debt Service, Other are \$169,000 under budget

***Factoring in both revenue and expenditure performance through April, the City is a collective \$1.5 million ahead of budgetary expectations (subject to change as the year progresses)***

# CONSTRUCTION PROJECTS – UD/STAR CAMPUS

- **University of Delaware**

- Drake Hall Addition – Temporary Certificate of Occupancy
- Building X/McKinley Lab Replacement – Construction underway
- East Campus Utility – Construction underway
- Spencer Labs Renovations – Construction underway
- Science District Generator Project – Construction underway
- Worrilow Hall/UD Creamery Process Renovations – Construction underway

- **STAR Campus**

- 550 South College Avenue – Second Floor Office Fit-Outs underway
- Fin-Tech West Parking Lot – Construction underway
- Star Tower 9th Floor Offices – Construction underway
- BPI Waste Water Neutralization Project – Construction underway
- 502 South College Avenue, BPG Apartments – Lines and Grades review

# CONSTRUCTION PROJECTS – COMPLETED/UNDER CONSTRUCTION

- The Grove (fka College Square) – Construction underway, CO's for the apartments ongoing
- The Vero (fka Newark Senior Living) – Completed
- Green Mansion Hotel and apartments – Hotel opened May 2023; Apartment construction underway (August 2023)
- Mill at White Clay/Creekview – Construction underway
- Newark Charter Junior High – Temporary Certificate of Occupancy (TCO) issued
- Martin Honda on Ogletown/Marrows Road – CO issued
- Briarcreek North – Construction underway
- 262 South College Avenue, Chabad House – Construction underway
- 268 East Main Street – Construction underway
- 302 Markus Court – Construction underway

# CONSTRUCTION PROJECTS – IN REVIEW PROCESS (ACTIVE)

## ▶ CIP/Lines and Grades/Permit review

- ▶ 62 North Chapel Street
- ▶ 1 North Twin Lakes
- ▶ 10 and 16 Benny Street
- ▶ 532 Old Barksdale Road
- ▶ 1119 South College Avenue
- ▶ 1501 Casho Mill Road
- ▶ 132-138 East Main Street
- ▶ Milford Run

## ▶ Subdivision review

- ▶ 313 East Main Street (Newark Housing Authority)
- ▶ 30 South Chapel Street
- ▶ 25 North Chapel Street
- ▶ 339, 341 and 349 East Main Street
- ▶ 1115 South College Avenue
- ▶ 1105 Elkton Road
- ▶ 55 Benny Street
- ▶ 50 and 54 Corbit Street
- ▶ 515 Capitol Trail



# 2023/2024 CHALLENGES

- Supplies/Equipment
  - Inflation year-over-year has come down, but prices remain very high
    - Consumer Price Index was 3.1% for June, lowest increase since February 2021
  - Fuel prices for fleet increasing again
  - Cost of critical utility infrastructure materials still extremely high, long lead times
    - Utilities are seeking out critical components from each other due to supply issues
  - Vehicle availability, cost, and lead time
- Information Technology (Cyber security, infrastructure, software, cameras, fiber)
  - Kent County ransomware attack
- Water utility PFAS regulatory compliance costs

# 2023/2024 CHALLENGES – CONT'D

- Personnel
  - High employee turnover, retirements, and a tight hiring market. Total job postings by year:
    - 2018 – 32
    - 2019 – 41
    - 2020 – 31
    - 2021 – 60
    - 2022 – 81
    - 2023 - 44 through August 4<sup>th</sup> (All police under one posting in 2023, several postings previously)
  - New Positions requested in 2024 to address gaps, balance workload, and maintain existing levels of service
  - Expiring labor contracts
    - AFSCME 3919 and CWA expire 12/31/23
    - AFSCME 1670 and FOP on 12/31/24

# 2023/2024 CHALLENGES – CONT'D

- Utilities
  - Overall utility volume compared to 2022: Electric down 1.4%, Water (no change), and Sewer (up 3%)
    - Compared to 2023 budget: Electric down 6%, Water (up .6%), and Sewer (up 2%) compared to budget.
  - Electric
    - New substation: \$28 million estimated cost – Still in planning and design phase
    - Indian River RMR – Cost will continue until early 2027, Vienna generating station may RMR next
  - Water/Sewer – PFAS regulatory compliance cost
    - Ongoing operating cost of new PFAS treatment at SWF of roughly \$313,000/year
      - Capital costs covered with ARPA and SRL principal forgiveness
    - New regulations will also require treatment at Curtis WTP
      - Anticipated capital cost of \$16,000,000 and operating expense of roughly \$1,100,000/year
    - Combined debt service and operating expense may exceed \$2,400,000 per year (a 24% rate increase)

# 2023/2024 CHALLENGES – CONT'D

- Parking activity – has not recovered to pre-pandemic levels, not expected to improve in 2024
  - Anticipate losing off-street parking inventory due to development activity
    - Redevelopment of 134 East Main will reduce Lot 4 by 19 spaces permanently
    - Green Mansion reduced Lot 3 by 80 spaces
    - Redevelopment of 141 East Main will eliminate Lot 7 (72 spaces)
- Projected Property tax growth: 4.6% in 2024 – 50% derived from 5% property tax increase in 2023
  - Assessment growth is generally 0.5% or less annually – depending on new construction
  - Reassessment – no impact on 2024 budget (2025).
- Increasing cost of borrowing – rising interest rates
  - Federal Fund Rate in August 2022 was 2.33%, it has now increased to 5.12%

2024 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 2022 * BUDGET	* as amended 2023 * BUDGET	** as proposed 2024 ** BUDGET	% FROM 2023 BUDGET	\$ FROM 2023 BUDGET
<b>Revenue/Other Funding Sources</b>					
Utility Sales	\$ 73,723,500	\$ 84,031,975	\$ 82,992,187	-1.2%	\$ (1,039,788)
Real Estate and Other Taxes	10,995,115	11,208,500	11,625,000	3.7%	416,500
Fees for Service	10,622,656	12,841,063	12,499,541	-2.7%	(341,522)
Intergovernmental Revenue	2,953,005	2,303,736	1,998,251	-13.3%	(305,485)
Other Revenue	1,002,600	1,120,600	1,281,881	14.4%	161,281
Appropriation of Prior Year Reserves	175,000	60,000	-	-100.0%	(60,000)
<b>Total Operating Revenue</b>	<b>\$ 99,471,876</b>	<b>\$ 111,565,874</b>	<b>\$ 110,396,860</b>	<b>-1.0%</b>	<b>\$ (1,169,014)</b>
<b>Expenditures</b>					
Personnel Services	\$ 36,477,888	\$ 39,480,061	\$ 41,999,989	6.4%	\$ 2,519,928
Utility Purchases	37,430,531	44,417,788	43,705,748	-1.6%	(712,040)
Materials and Supplies	2,509,366	3,069,587	3,061,190	-0.3%	(8,397)
Contractual Services	12,259,238	12,716,460	13,411,225	5.5%	694,765
Equipment Depreciation	1,808,826	1,925,340	2,110,952	9.6%	185,612
Debt Service	4,526,148	4,472,652	4,964,843	11.0%	492,191
Other Expenses	1,365,155	1,358,983	1,383,653	1.8%	24,670
<b>Total Operating Expenses</b>	<b>\$ 96,377,152</b>	<b>\$ 107,440,871</b>	<b>\$ 110,637,600</b>	<b>3.0%</b>	<b>\$ 3,196,729</b>
<b>Capital Improvements</b>					
Gross Capital Improvements	\$ 16,302,982	\$ 35,482,886	\$ 30,498,684	-14.0%	\$ (4,984,202)
Less: Use of Reserves	(1,603,654)	(1,435,435)	(2,895,542)	101.7%	(1,460,107)
Equipment Replacement	(733,157)	(385,105)	(400,169)	3.9%	(15,064)
Grants	(708,016)	(5,926,331)	(4,069,163)	-31.3%	1,857,168
Bond Issues	(450,178)	(606,000)	-	-100.0%	606,000
State Revolving Loans	(3,725,000)	(2,310,000)	(4,231,000)	83.2%	(1,921,000)
American Rescue Plan Act	(5,883,490)	(7,219,370)	(4,696,499)	-34.9%	2,522,871
Other Sources	(394,654)	(13,495,416)	(8,227,414)	-39.0%	5,268,002
<b>Net Capital Improvements</b>	<b>\$ 2,804,833</b>	<b>\$ 4,105,229</b>	<b>\$ 5,978,897</b>	<b>45.6%</b>	<b>\$ 1,873,668</b>
Net Current Surplus/(Deficit)	\$ 289,891	\$ 19,774	\$ (6,219,637)	-31553.6%	\$ (6,239,411)
<b>TOTAL EXPENDITURES AND SURPLUS</b>	<b>\$ 99,471,876</b>	<b>\$ 111,565,874</b>	<b>\$ 110,396,860</b>	<b>-1.0%</b>	<b>\$ (1,169,014)</b>

# REVENUE OVERVIEW

	* as amended	* as amended	** as proposed		
REVENUE	2022	2023	2024	% FROM	\$ FROM
	* BUDGET	* BUDGET	** BUDGET	2023 BUDGET	2023 BUDGET
Utility Sales	\$ 73,723,500	\$ 84,031,975	\$ 82,992,187	-1.2%	\$ (1,039,788)
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<b>Total Operating Revenue</b>	<b>\$ 99,471,876</b>	<b>\$ 111,565,874</b>	<b>\$ 110,396,860</b>	<b>-1.0%</b>	<b>\$ (1,169,014)</b>

**Total Operating revenue is estimated to be \$1.1 million (-1.0%) less than the 2023 Budget (detail contained on following slides)**

# REVENUE OVERVIEW – CONT'D

- **Utility Sales (-\$1,039,788)**

- Electric: \$61M (-\$1.7M, -2.7% change)
- Renewable Energy Program: \$600K (+\$200K, +50%)
- Water: \$9.8M (+\$88K, +0.9%)
- Sewer: \$8.4M (+\$344K, +4.3%)
- Stormwater: \$2.5M (no change)
- 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
  - No changes to volumetric rates nor customer charges are included

* as amended	* as amended	** as proposed		
2022	2023	2024	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2023 BUDGET	2023 BUDGET
\$ 73,723,500	\$ 84,031,975	\$ 82,992,187	-1.2%	\$ (1,039,788)

# REVENUE OVERVIEW – CONT'D

* as amended	* as amended	** as proposed		
2022	2023	2024	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2023 BUDGET	2023 BUDGET
\$ 10,995,115	\$ 11,208,500	\$ 11,625,000	3.7%	\$ 416,500

- **Taxes (\$416,500):**

- Lodging tax: \$715K (increase of \$75,000)
- Real Estate Transfer Tax: \$1.65M (no change)
  - Small number of large property transactions over \$1 million are assumed
- Property Tax: \$8.9M (+\$391K, +4.6%)
  - \$210K derived from 2023 tax increase, and addition of new tax base (including two parcels at The Grove, The Vero, and the Rail Yard - \$140K collectively)
- Franchise Tax: \$300K (-\$50,000)
  - Fees received from Comcast and Verizon directly linked to sales activity



# REVENUE OVERVIEW – CONT'D

* as amended 2022 * BUDGET	* as amended 2023 * BUDGET	** as proposed 2024 ** BUDGET	% FROM 2023 BUDGET	\$ FROM 2023 BUDGET
\$ 10,622,656	\$ 12,841,063	\$ 12,499,541	-2.7%	\$ (341,522)

- **Fees for Service (-\$341,522):**

- Alderman Court: \$2.05M (+\$62K, 3.1%)
- Parks and Recreation: \$768K (+\$1,500)
- **Parking: \$3.4M (-\$898K, -21%)**
- Permits and Licenses: \$2.8M (\$216K, 8.3%)
- Internal Services: \$3.3M (+\$287K, +9.4%)
- Estimates are conservatively projected for 2024, based on current trends, no fee changes included

# REVENUE OVERVIEW – CONT'D

	* as amended	* as amended	** as proposed		
REVENUE	2022	2023	2024	% FROM	\$ FROM
	* BUDGET	* BUDGET	** BUDGET	2023 BUDGET	2023 BUDGET
Intergovernmental Revenue	\$ 2,953,005	\$ 2,303,736	\$ 1,998,251	-13.3%	\$ (305,485)
Other Revenue	1,002,600	1,120,600	1,281,881	14.4%	161,281
Appropriation of Prior year Reserves	175,000	60,000	-	-100.0%	(60,000)

- **Intergovernmental Revenue (-\$305,485):**
  - Estimated UD Subvention: \$613,375 (offset by \$14,960 decrease to electric customer charge per ESA terms)
  - Includes \$450,000 in PILOT funds from the State (Funded by State for five consecutive years)
  - School Resource Officer: \$198,200 (Christina School District)
- **Other Revenue (+\$161,281):**
  - Includes Interest Income, Miscellaneous Revenue and Reimbursable Overtime
    - Change due to interest income projections

# OPERATING EXPENDITURE OVERVIEW

	* as amended 2022 * BUDGET	* as amended 2023 * BUDGET	** as proposed 2024 ** BUDGET	% FROM 2023 BUDGET	\$ FROM 2023 BUDGET
Personnel Services	\$ 36,477,888	\$ 39,480,061	\$ 41,999,989	6.4%	\$ 2,519,928
Utility Purchases	37,430,531	44,417,788	43,705,748	-1.6%	(712,040)
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Contractual Services	12,259,238	12,716,460	13,411,225	5.5%	694,765
Equipment Depreciation	1,808,826	1,925,340	2,110,952	9.6%	185,612
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Other Expenses	1,365,155	1,358,983	1,383,653	1.8%	24,670
<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$ 96,377,152</b>	<b>\$ 107,440,871</b>	<b>\$ 110,637,600</b>	<b>3.0%</b>	<b>\$ 3,196,729</b>

\$85.7M (78%) of 2024 Budget is comprised of personnel costs and utility purchases

- Personnel costs (Payroll, retirement plans, OPEB, healthcare): \$42M/38%
- Utility expenses (Electric – DEMEC/Sewer – New Castle County): \$43.7M/40%

**Total Operating expenses are estimated to be \$3.2M (3%) over 2023**  
*(detail contained on following slides)*

# OPERATING EXPENDITURE OVERVIEW - PERSONNEL SERVICES

* as amended	* as amended	** as proposed		
2022	2023	2024	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2023 BUDGET	2023 BUDGET
\$ 36,477,888	\$ 39,480,061	\$ 41,999,989	6.4%	\$ 2,519,928

- **Personnel Services – Increase of \$2.5M or 6.4% due to:**

- \$1,000,000: Initial Departmental Identified Position Needs for 2024 (+10 FTE, includes one-time expenses of \$42,500):
  - \$125,000: Administration (1) – Request for new Emergency Management Coordinator
  - \$200,000: Planning (2) - Code Enforcement Office and Admin Professional
  - \$170,000: Parking (1.5) – Request for two new Parking Coordinators
  - \$230,000: Finance (2.5) – Request for Bookkeeper, Meter Reader, and IT Applications Analyst
  - \$290,000: PWWR (3) – Request for Utility Inspector I, Maintenance I, and Fleet Maintenance Manager
  - \$7,000: Parks – New Intern

# OPERATING EXPENDITURE OVERVIEW - PERSONNEL SERVICES

* as amended	* as amended	** as proposed		
2022	2023	2024	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2023 BUDGET	2023 BUDGET
\$ 36,477,888	\$ 39,480,061	\$ 41,999,989	6.4%	\$ 2,519,928

## ■ Personnel Services – Cont’d:

- \$568,000: health insurance premiums (increase assumption of 7%) – not including new positions
- \$246,000: other benefits
- \$600,000: Cost of contractually obligated COLAs CWA, FOP and AFSCME. Includes COLA for Management (must be approved by Council)
- -\$333,000: Pension contribution (\$4.1M) and Defined Contribution Plan for non-pensioned employees (\$629K). Reduction due to catch-up payment made to the pension program in 2023 for 2022
- \$1,000,000 OPEB contribution – no change from 2023

# OPERATING EXPENDITURE OVERVIEW - UTILITY PURCHASES

- **Utility Purchases decrease of \$712K due to:**

- Electric: \$38,305,000 (-\$914,040):
  - Overall conservation and fewer electric sales are resulting in lower projections
  - New projects will help as they come online
  - Wholesale power pricing in 2023 increased 2.9% (2024 DEMEC rate not available until December)
    - No projected rate increase included at this time
- Sewer: \$5,400,000 (\$200,000 increase from 2023)
  - Purchases from New Castle County assume no rate change on July 1, 2024
  - City can automatically adjust sewer rate when County adjusts the City rate
  - Increase is based on current sewer volume activity only
  - Currently meeting with County to renew current sewer agreement

* as amended	* as amended	** as proposed		
2022	2023	2024	% FROM	\$ FROM
* BUDGET	* BUDGET	** BUDGET	2023 BUDGET	2023 BUDGET
\$ 37,430,531	\$ 44,417,788	\$ 43,705,748	-1.6%	\$ (712,040)

# OPERATING EXPENDITURE OVERVIEW - OTHER

## Materials/Supplies (-\$8,397)

- \$15K increase for postage
- \$32K: Line/Station Maintenance
- \$9K: City events (Parks)
- \$18K: uniform increase
- \$16K increase for Parks maintenance
- -\$66K reduction for tools/small equipment

## Other Expenses (\$24,670):

- Reflects \$19K increase to Aetna subvention (9.2%): \$205,000
- \$75K for The Newark Partnership (no change)
- \$100K for CAC
- No other significant changes

	* as amended	* as amended	** as proposed		
OTHER OPERATING EXPENSES	2022 * BUDGET	2023 * BUDGET	2024 ** BUDGET	% FROM 2023 BUDGET	\$ FROM 2023 BUDGET
Materials and Supplies	\$ 2,509,366	\$ 3,069,587	\$ 3,061,190	-0.3%	\$ (8,397)
Contractual Services	12,259,238	12,716,460	13,411,225	5.5%	694,765
Equipment Depreciation	1,808,826	1,925,340	2,110,952	9.6%	185,612
Debt Service	4,526,148	4,472,652	4,964,843	11.0%	492,191
Other Expenses	1,365,155	1,358,983	1,383,653	1.8%	24,670
	<b>\$ 22,468,733</b>	<b>\$ 23,543,022</b>	<b>\$ 24,931,863</b>	<b>5.90%</b>	<b>\$ 1,388,841</b>

## Contractual Services (\$694,765)

- \$50K: Reservoir Maintenance
- \$287K: Fleet/Facilities Services (offsetting revenue)
- -\$90K: Insurance Premiums (\$1,187,800)
- \$127K: Merchant/bank Fees (\$1,381,750)
- Workers' Compensation Insurance (\$700K – no change)

## Equipment Depreciation (\$185,612):

- Funds the City's equipment replacement program for equipment that is not leased

# OPERATING EXPENDITURE OVERVIEW - DEBT SERVICE

- 2024 Debt Service increases \$492K when compared to 2023.
- Adding in the leasing of equipment/vehicles vs. purchasing to smooth budget impact.

DEBT	ENDING DATE	* as amended	** as proposed	\$ FROM 2023 BUDGET	COMMENTS
		2023 * BUDGET	2024 ** BUDGET		
Smart Meters	9/1/2022 1/1/2028	703,349	703,350	1	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		50,341	50,477	136	Canon Copier Leases
ESCO	8/12/2040	510,048	512,188	2,140	2.345%. Twenty year term, offset by other revenue, energy savings.
2022 Prior Vehicle/Equipment Leases		170,985	194,584	23,599	Includes City Vehicle #: 207, 423, 528, 554, 916, 928, 931
2023 Refuse Truck Leases		85,898	149,995	64,097	
2023 Master Vehicle/Equipment Leases		478,896	620,380	141,484	
New Substation (\$12M/\$28M)	2046	730,000	730,000	-	Acquisition of materials to construct second substation. Thirty year obligation.
<b>Total:</b>		<b>\$ 2,828,772</b>	<b>\$ 3,060,229</b>	<b>\$ 231,457</b>	

ESTIMATED DEBT FROM REFERENDUM	ENDING DATE	* as amended	** as proposed	\$ FROM 2023 BUDGET	COMMENTS
		2023 * BUDGET	2024 ** BUDGET		
Rodney Stormwater Park		546,355	613,275	\$66,920	Project completed 2021.
Sanitary Sewer Repairs		280,000	289,254	\$9,254	Phase 1 - \$1.3mm completed in 2021. 2022-2024 number per amortization schedule provided. Intend to close on \$2.6M late 2023/2024.
Emerging Contaminants WTP Upgrades		-	91,000	\$91,000	New project to be complete in 2023. Payback starting in 2024. Loan forgiveness up to \$1,600,000. Potential to have \$0 balance for payback.
Air Stripper Replacement - South Well Field		255,000	277,160	\$22,160	\$4mm completed in 2021, project complete. P&I on all \$4mm for 2022.
Water Tank Maintenance		50,000	50,000	\$0	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	Budget P&I for \$550,000 in 2024 - project complete.
Laird Tract Well Field Restoration		4,000	40,000	\$36,000	Project potentially complete in 2024. Interest only in 2024. P&I in 2025
Water Main Replacement Program		203,525	203,525	\$0	Phase 1- \$1M complete in 2021. Budget P&I on \$1mm for 2022. \$2M is complete as of June 2023. Budget full P/I for 2024.
General Fund Projects		242,000	277,400	\$35,400	2018 Referendum General Fund Projects.
<b>Referendum Payments Total:</b>		<b>\$ 1,643,880</b>	<b>\$ 1,904,614</b>	<b>\$260,734</b>	
<b>Budgeted Debt Service:</b>		<b>\$4,472,652</b>	<b>\$4,964,843</b>	<b>\$492,191</b>	



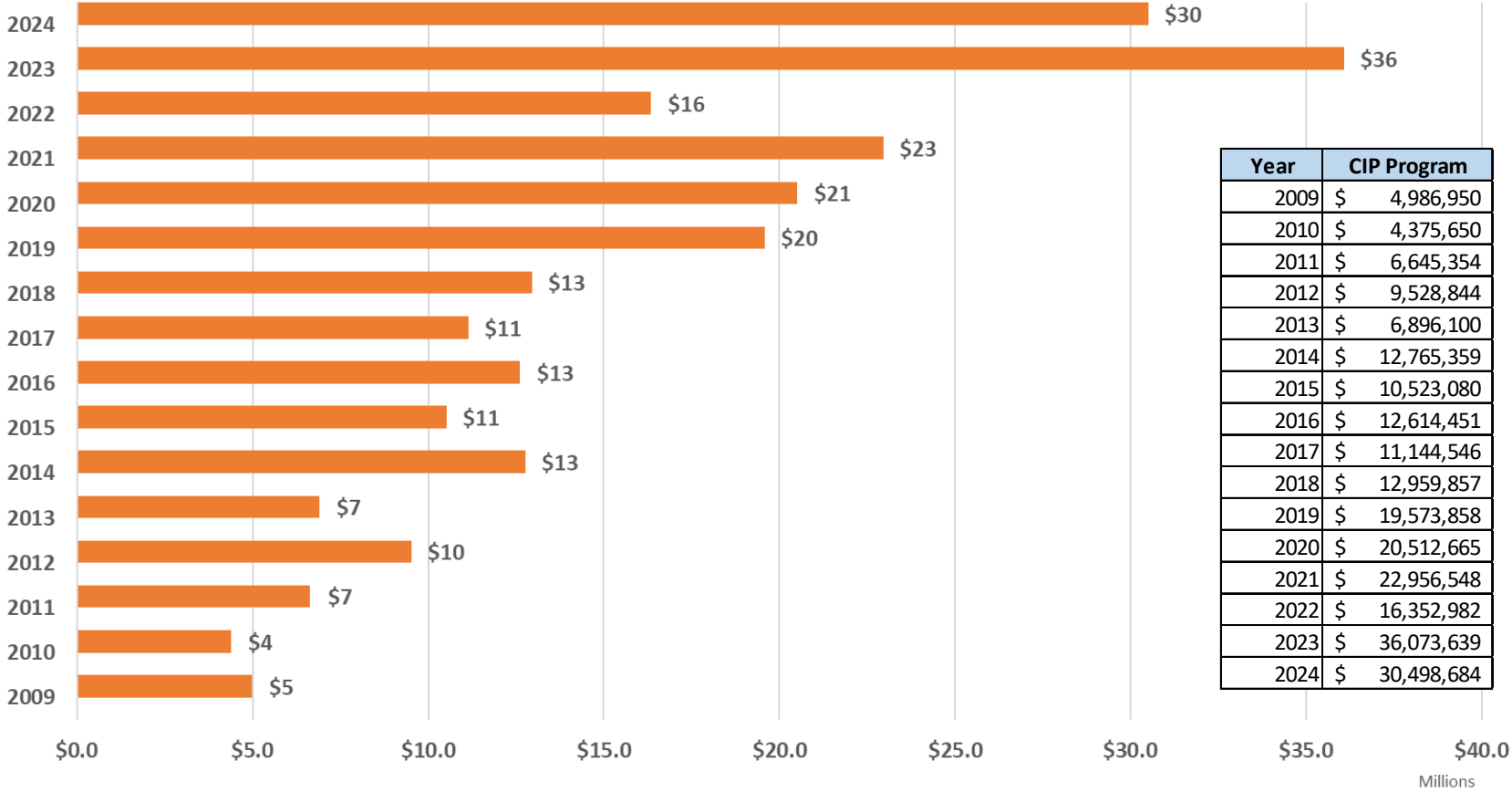
# OPERATING EXPENDITURE OVERVIEW - CAPITAL IMPROVEMENTS

	* as amended 2022 * BUDGET	* as amended 2023 * BUDGET	** as proposed 2024 ** BUDGET	% FROM 2023 BUDGET	\$ FROM 2023 BUDGET
<b>CAPITAL IMPROVEMENTS</b>					
Gross Capital Improvements	\$ 16,302,982	\$ 35,482,886	\$ 30,498,684	-14.0%	\$ (4,984,202)
Less: Use of Reserves	(1,603,654)	(1,435,435)	(2,895,542)	101.7%	(1,460,107)
Equipment Replacement	(733,157)	(385,105)	(400,169)	3.9%	(15,064)
Grants	(708,016)	(5,926,331)	(4,069,163)	-31.3%	1,857,168
Bond Issues	(450,178)	(606,000)	-	-100.0%	606,000
State Revolving Loans	(3,725,000)	(2,310,000)	(4,231,000)	83.2%	(1,921,000)
American Rescue Plan Act	(5,883,490)	(7,219,370)	(4,696,499)	-34.9%	2,522,871
Other Sources	(394,654)	(13,495,416)	(8,227,414)	-39.0%	5,268,002
<b>Net Capital Improvements</b>	<b>\$ 2,804,833</b>	<b>\$ 4,105,229</b>	<b>\$ 5,978,897</b>	<b>45.6%</b>	<b>\$ 1,873,668</b>

- The Gross CIP Budget decreased \$5 million to \$30.5 million.
- Net CIP Budget increased by \$1.9 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) increased \$1.5M (\$1.46M + \$15K) compared to 2023.
- \$8.2 Million budget under “Other Sources” is comprised of an additional \$8M loan through DEMEC to fund the second tranche of the Substation project.

# 2009 TO 2024 CIP HISTORY

Capital Improvement Program



- Overall trend in capital spending continues upward
- Addresses historic deferred maintenance of infrastructure, especially in utilities

# 2024 TOP TEN NOTABLE PROJECTS (2024-2028 CIP)

- E2002 - New Electric Substation (DEMEC loan): \$16,000,000 (\$28M total with \$12M approved in 2023)
- W2401 - Curtis Water Treatment Plant - PFAS Removal: \$16,000,000
- H2401 - Annual Street Program: \$10,925,000
- W9308 - Water Main Replacement Program: \$9,925,000
- S0904 - Sanitary Sewer Study and Repairs: \$4,961,000
- Q1301 - Storm Drainage Improvements: \$4,500,000
- W2302 - New Elevated Water Storage Tank: \$4,400,000
- W2304 - Lead Water Service Line (LSL) Assessment and Remediation: \$4,000,000
- W2303 - Water Main Conditions Assessment: \$2,460,000
- N2303 - Field Operations Complex Wash Basin: \$2,300,000

# 2024 BUDGET OVERVIEW

- Total revenues are down 1%
- Total operating expenditures are up 3%
- Expenditures with Capital is up 4.5%
- Cash needed to fund capital projects are up 45.6%, or \$1.9M

	* as amended 2022 * BUDGET	* as amended 2023 * BUDGET	** as proposed 2024 ** BUDGET	% FROM 2023 BUDGET	\$ FROM 2023 BUDGET
<b>BUDGET OVERVIEW</b>					
Total Operating Revenue	\$ 99,471,876	\$ 111,565,874	\$ 110,396,860	-1.0%	\$ (1,169,014)
Operating Expenses	96,377,152	107,440,871	110,637,600	3.0%	3,196,729
Capital Improvements*	2,804,833	4,105,229	5,978,897	45.6%	1,873,668
<b>Total Expenditures</b>	<b>\$ 99,181,985</b>	<b>\$ 111,546,100</b>	<b>\$ 116,616,497</b>	<b>4.5%</b>	<b>\$ 5,070,397</b>
<b>Total Surplus/(Shortfall)</b>	<b>\$ 289,891</b>	<b>\$ 19,774</b>	<b>\$ (6,219,637)</b>		



**The 2024 Budget as of today (before making cuts or revenue enhancements) is \$6.2 million short of funding.**

**For comparison purposes, the shortfall was also \$6.2 million for 2023's budget overview hearing (-\$6,219,637 vs -\$6,246,196)**

2024 Budget is based on Departmental submissions:

- Table to right displays budget at summary level
- Standard part in annual budget process
- Budget shortfall is \$6.2 million

	* as amended 2022 * BUDGET	* as amended 2023 * BUDGET	** as proposed 2024 ** BUDGET	% FROM 2023 BUDGET	\$ FROM 2023 BUDGET
<b>Revenue/Other Funding Sources</b>					
Utility Sales	\$ 73,723,500	\$ 84,031,975	\$ 82,992,187	-1.2%	\$ (1,039,788)
Real Estate and Other Taxes	10,995,115	11,208,500	11,625,000	3.7%	416,500
Fees for Service	10,622,656	12,841,063	12,499,541	-2.7%	(341,522)
Intergovernmental Revenue	2,953,005	2,303,736	1,998,251	-13.3%	(305,485)
Other Revenue	1,002,600	1,120,600	1,281,881	14.4%	161,281
Appropriation of Prior Year Reserves	175,000	60,000	-	-100.0%	(60,000)
<b>Total Operating Revenue</b>	<b>\$ 99,471,876</b>	<b>\$ 111,565,874</b>	<b>\$ 110,396,860</b>	<b>-1.0%</b>	<b>\$ (1,169,014)</b>
<b>Expenditures</b>					
Personnel Services	\$ 36,477,888	\$ 39,480,061	\$ 41,999,989	6.4%	\$ 2,519,928
Utility Purchases	37,430,531	44,417,788	43,705,748	-1.6%	(712,040)
Materials and Supplies	2,509,366	3,069,587	3,061,190	-0.3%	(8,397)
Contractual Services	12,259,238	12,716,460	13,411,225	5.5%	694,765
Equipment Depreciation	1,808,826	1,925,340	2,110,952	9.6%	185,612
Debt Service	4,526,148	4,472,652	4,964,843	11.0%	492,191
Other Expenses	1,365,155	1,358,983	1,383,653	1.8%	24,670
<b>Total Operating Expenses</b>	<b>\$ 96,377,152</b>	<b>\$ 107,440,871</b>	<b>\$ 110,637,600</b>	<b>3.0%</b>	<b>\$ 3,196,729</b>
<b>Capital Improvements</b>					
Gross Capital Improvements	\$ 16,302,982	\$ 35,482,886	\$ 30,498,684	-14.0%	\$ (4,984,202)
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Other Sources	(394,654)	(13,495,416)	(8,227,414)	-39.0%	5,268,002
<b>Net Capital Improvements</b>	<b>\$ 2,804,833</b>	<b>\$ 4,105,229</b>	<b>\$ 5,978,897</b>	<b>45.6%</b>	<b>\$ 1,873,668</b>
Net Current Surplus/(Deficit)	\$ 289,891	\$ 19,774	\$ (6,219,637)	-3155.6%	\$ (6,239,411)
<b>TOTAL EXPENDITURES AND SURPLUS</b>	<b>\$ 99,471,876</b>	<b>\$ 111,565,874</b>	<b>\$ 110,396,860</b>	<b>-1.0%</b>	<b>\$ (1,169,014)</b>

# THINGS TO CONSIDER

- Impact Fees/Capital Recovery Charges:
  - TID was approved and is now in place
  - Mirror NCC's fire protection fee (0.5% of building permit value < \$1MM): underway, Aetna pass-through fee
  - Water and Sewer will be next, followed by Electric.
    - Consulting fees included in approved 2023 budget to begin water and sewer
    - Consulting fees included in proposed 2024 budget for electric
- Electric rate study
  - Underway. Behind schedule due to delays receiving load forecasts from large customers
- Development fees
  - Will require a consultant to do much beyond a cost-of-living adjustment

# SUMMARY

- Staff is working towards solutions to bridge the projected revenue shortfall for 2024.
- Some revenue and expenditure projections will change as we move closer to the Financial Workshop.
- Recommendations will be presented to Council at the Financial Workshop on September 25th.
- During the departmental presentations there will be opportunities to ask more details about specific issues (August 28, September 11, and September 18).