

2014

Budget

Supplement



CITY OF NEWARK
Delaware

December 5, 2013

TO: Mayor and Council

FROM: Carol S. Houck, City Manager
Andrew Haines, Deputy City Manager
Lou Vitola, Finance Director

SUBJECT: 2014 Budget Detail Supplement – In Advance to Budget Approval – December 9, 2013



As you are aware, we look forward to the approval of our 2014 Operating Budget at your upcoming Council meeting of December 9, 2013. As a lead up to the presentation of the 2014 Operating Budget, including the Capital Improvement Program (CIP) the following has already taken place:

- A Stormwater workshop was held on September 30, 2013
- The CIP was presented to the Planning Commission, which made a recommendation for approval to the Mayor and Council on October 1, 2013
- A Financial workshop was held on October 7, 2013
- A Public Hearing highlighting the budget was held on November 11, 2013

At the public hearing the Council asked various questions and made suggestions for the provision of additional information. The attached sections are provided in response to the comments made at the hearing as well as questions raised since that time.

In the interest of reaching this very important decision on December 9th, I encourage you to reach out to me individually via email so I can attempt to have responses by Monday evening. Many of you have already done so and I hope this packet satisfactorily responds to all correspondence or conversations since the hearing. The information is categorized by section for the ease of focus.

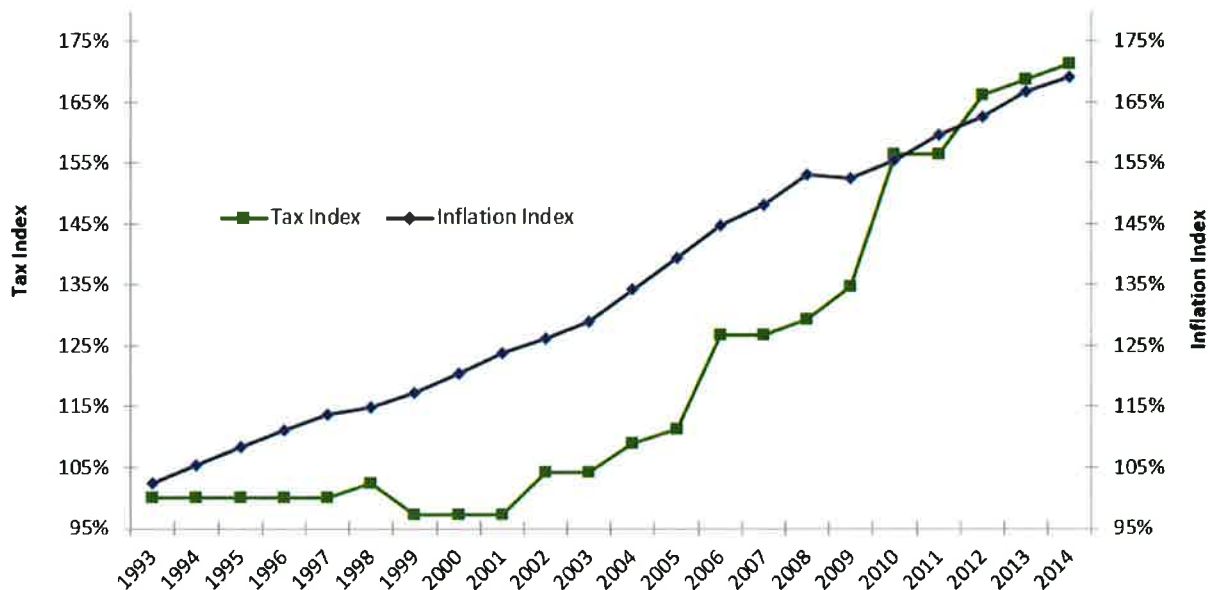
Tax Increase

Tax Increase

Recommendation:

It is recommended that Mayor and Council support the tax increase of 1.5%, effective July 1, 2014, as presented in the original budget presentation. Tax increases do not require a resolution or an ordinance; only the establishment of the 2014 tax rate as part of the budget approval. We are recommending an increase in the tax rate of 1.5%, or \$0.0104 per \$100 of assessed value, from \$0.6961 to \$0.7065 per \$100.

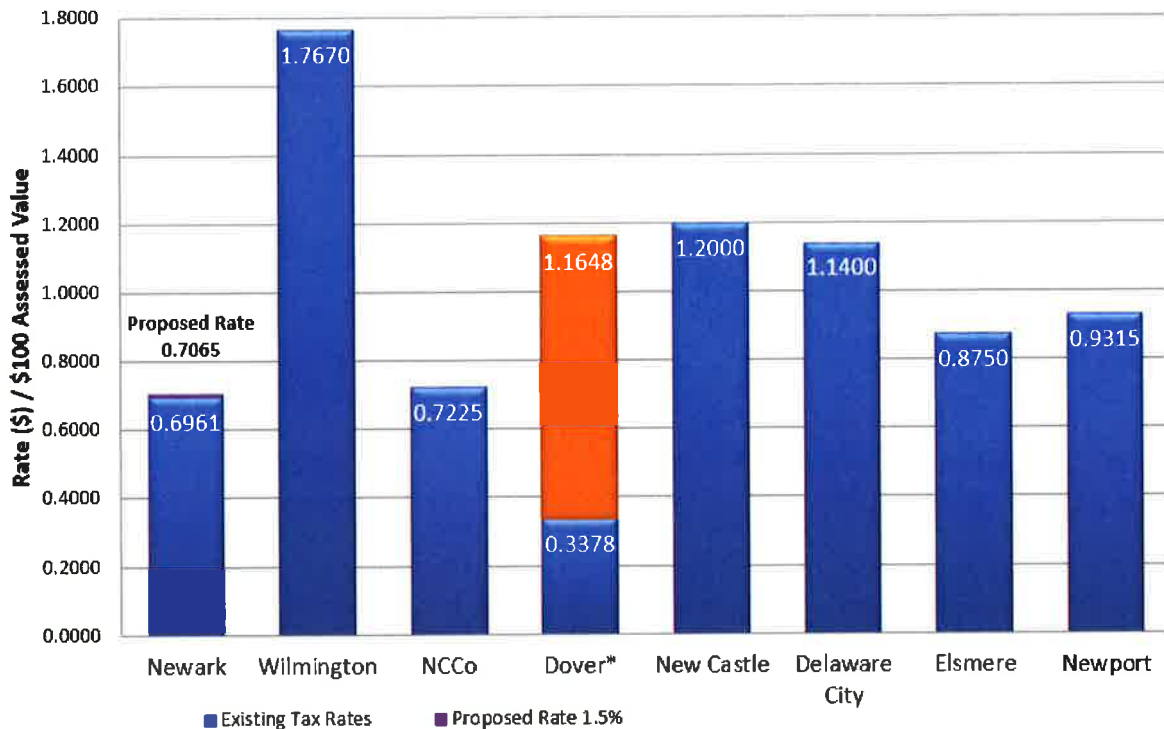
Our recommendation is based in part on Council's previous communication to staff that it prefers smaller, more regular tax increases to periods of flat tax rates followed by large, "surprise" tax increases.



The tax increase recommended for this year roughly follows the consumer price index (CPI) for the Philadelphia region as illustrated in the graph above.

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The City's tax rate is favorable among comparable cities and towns in New Castle County, again as illustrated by the following bar chart.



*Dover's stated rate of \$0.3378 yields an effective rate of approximately \$1.1648

As you know, the City adopts the New Castle County assessment, which was last updated in 1983. County officials have cited excessive costs (\$7 million) in exchange for little benefit (reshuffling of revenue nets to \$0 new revenue) as the primary reasons for not reassessing. In addition, tax assessments are anecdotally known to curry the favor of the 1/3 of the population that benefits from it while facing opposition from the 1/3 that are not affected and the 1/3 that are harmed by it. The City of Dover reassesses its property values periodically. Dover's budget features nearly \$200,000 in annually recurring operating expenses to maintain a three-employee office of the Tax Assessor, not to mention contractual services in excess of \$370,000 on top of the \$200,000 annual budget in the years that reassessments are undertaken. The City of Newark's tax rate would have to increase by 4.9% to accommodate a Tax Assessor's Office equivalent to that of Dover. Further, an assessment change at the municipal level would only serve to cure that portion of any perceived inequity resulting from the City's existing adoption of the New Castle County assessment. In other words, Newark residents pay NCCo property taxes, crossing guard taxes, school taxes, and City of Newark property taxes that add up to \$3.11 per \$100 of 1983 assessed values. Newark's rate of \$0.6961 represents just 22% of total property and school taxes. If the City reassesses property values, only 22% of any perceived inequity is addressed. The remaining 78% of the taxes will remain subject to the New Castle County assessment.

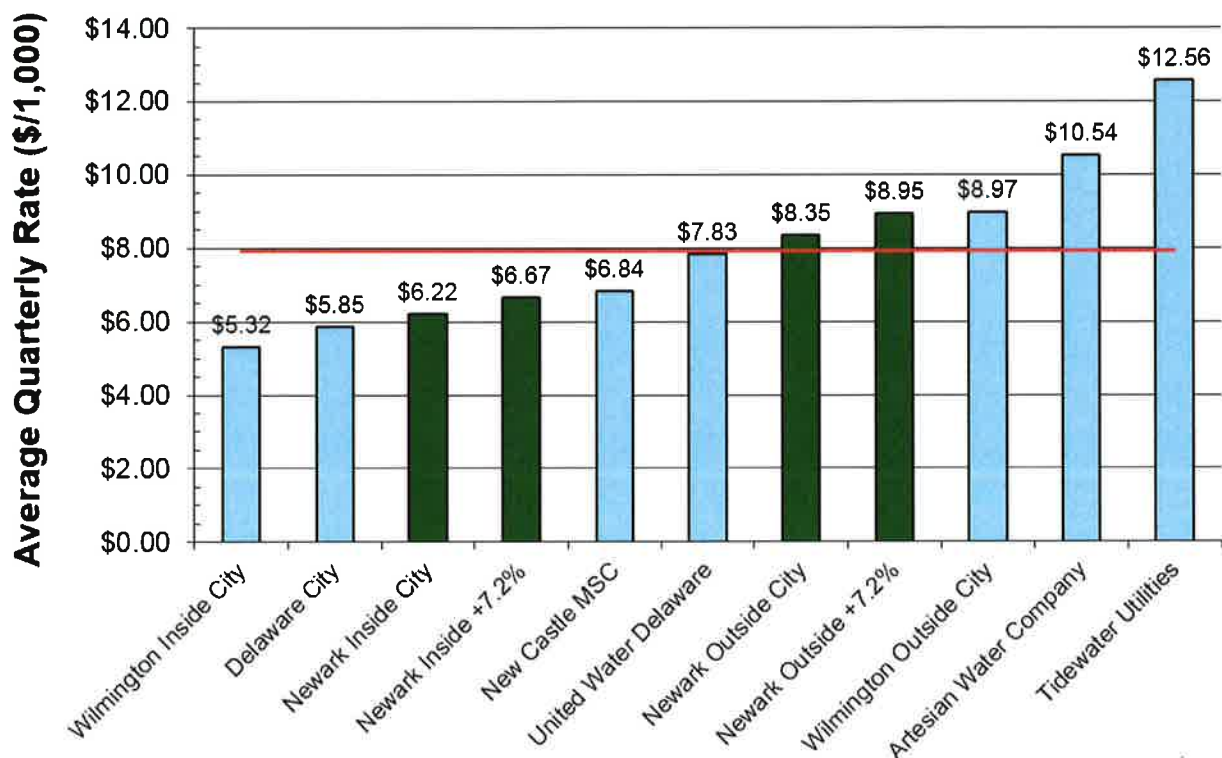
Water Rate Increase

Water Rate Increase

Recommendation:

It is recommended that Mayor and Council support the proposed water rate increase of 7.2%, effective January 1, 2014, as put forth in the original budget presentation (attached for ease of reference). As a reminder, the budget may be adopted in its recommended state, and then the water rate increase (Bill 13-40) must also be adopted. The increase is required to fund increasing operating expenses and to fund a higher level of important capital projects on an annual basis. The increase is tied to the Black& Veatch rate study published in 2011 and re-distributed to Council this fall. Please refer to the cover memo for the water rate ordinance (attached) for more details about the study and the necessity for the increase.

Water Rates in New Castle County, Delaware (2013)



Despite the 7.2% increase, the City's water rates remain competitive with neighboring communities and private water companies. The average is indicated by the red line.

The City's recent water rate increase history shows two extended periods of flat rates, which have contributed in part to the need for this period of "catch up." By the middle of 2016, assuming Council approves the rate increases set forth in the study, the compound annual growth rate of the City's water rates will be 5.7% over 15 years.

	Water Rates Since 2001 (cost per 100 cubic feet)							
	Effective 7/1/01	Effective 3/31/09	Effective 10/1/09	Effective 1/1/12	Effective 9/1/13	Proposed 1/1/14	Proposed 1/1/15	Proposed 1/1/16
Properties Inside City Limits								
First 1273 cubic feet	\$2.27	\$2.61	\$3.52	\$4.03	\$4.23	\$4.53	\$4.86	\$5.21
All over 1273 cubic feet	\$2.89	\$3.32	\$4.48	\$5.13	\$5.39	\$5.78	\$6.20	\$6.64
Average Increase		15.0%	35.0%	14.6%	5.0%	7.2%	7.2%	7.2%
Compound Annual Growth Rate as of 7/1/2014						5.5%		
Compound Annual Growth Rate as of 7/1/2016, assuming increases of 7.2% on 1/1/15 & 1/1/16								5.7%

Responses to points raised at or after the public hearing on the rate increase

UD has concerns about the increase and the extent to which the City had plans for further increases. We shared the Black & Veatch rate study with UD and offered our full disclosure that our intent was to make recommendations to Council to follow the recommended increases in the study. Using information from the study, it has been calculated that the increases will cost the UD a cumulative total of \$700,000 in the next 3.5 years, through its FY2017. While UD will not provide a letter of support of this initiative that will add \$700,000 of cost to their organization they will not protest the increase. To that end we worked closely to explain the critical nature of our water infrastructure and the need for the 2014 increase. This is an important step forward in the working relationship with the UD.

The UD also questioned the possibility of more rate increases after 2017. We consulted the engineers at Black & Veatch that worked on the rate study, who opined that the rate increases were designed in a way to phase in the total increase required to reach a level of revenue sufficient to pay for all growing operating and capital expenses over the five-year CIP plan. Barring any unusual increase or spike in the annual CIP requirements, the need for rate increases is expected to taper off after 2016. Occasional rate increases might be required to keep up with growing expenses, but for the most part, the increases over the term of the study serve to set the rates at generally the appropriate level.

On average, outside city water rates are about 35% higher than inside city rates. Nonresidents will contribute an average of \$1.6 million per year in water revenue from 2010 through 2016, which represents a "premium" over inside city rates of about \$415,000 per year. We considered the appropriateness of higher rates for water customers outside of town limits in preparation for any questions or objections. The following information supports our rate structure.

- Nonresidents have no financial obligation to support the debt service on infrastructure built with general obligation bonds (such as the reservoir). The same

is true even for infrastructure built with water revenue bonds (Newark has no revenue bonds outstanding)

- The initial water system infrastructure was likely constructed with a combination of general obligation debt, water revenue bonds, property tax receipts, and/or water revenues, all of which were supported by residents at the time. Nonresidents therefore did not assist in the payment for the core water infrastructure through which they are served
- Nonresidents are located a greater distance from our treatment and supply facilities, so there is a greater cost of service in terms of higher pumping capacity requirements, greater time and travel expenses for operations and maintenance, service calls, and now to a lesser extent, meter reading
- Nonresidents are situated in a less densely populated area, which translates to higher costs per connection
- The \$415,000 per year “premium” generated from nonresidential customers, net of related operating expenses, is available to support water infrastructure projects that primarily benefit nonresidents, such as a second source of water for nonresidential services

**CITY OF NEWARK
DELAWARE**

December 2, 2013

TO: The Honorable Mayor and City Council
VIA: Carol S. Houck, City Manager
FROM: Louis C. Vitola, Finance Director
SUBJECT: Bill 13-40 – Water Rate Increase

Black & Veatch conducted a water rate study in 2011 that resulted in recommendations to increase water rates according to the following schedule:

January 1, 2012:	14.5%	January 1, 2013:	7.2%
January 1, 2014:	7.2%	January 1, 2015:	7.2%
January 1, 2016:	7.2%		

Since then, we implemented the first increase as planned, but the January 1, 2013 increase was limited to 5% and adopted for usage after September 1, 2013. We recommend returning to the schedule and implementing the rate increase prescribed for January 1, 2014 in the amount of 7.2%. The increase is tied to the findings of the rate study, which concluded that rate increases are required in order for the City's water fund to meet escalating personnel and operating expenses, to pay for required infrastructure improvements with current revenues, and to meet debt service obligations. The study was recently distributed to Council. No study can predict future unknowns such as water volume sold, revenues, or expenditures with perfect accuracy, but the study did a reasonably good job making estimates. However, the need to maintain the rate increase schedule is highlighted by the fact that revenues in 2013 and 2014 are projected to fall behind the study's predictions, while expenses in each year are projected to surpass the study's predictions. As a result, capital spending is impacted in each year. We are unable to fund all infrastructure projects recommended by the water utility, so certain projects are deferred into the out years of the capital program. Data excerpted from the Black & Veatch rate study are compared to the City's actual and projected data for 2012, 2013, and 2014 in the table below to illustrate the funding problem:

	2012 B&V Study	2012 Actual	2012 Difference Fav (Unfav)	2013 B&V Study	2013 Projected	2013 Difference Fav (Unfav)	2014 B&V Study	2014 Projected ¹	2014 Difference Fav (Unfav)
Total Water Revenues	7,038,000	7,142,597	104,597	7,570,000	7,019,711	(550,289)	8,142,000	7,366,034	(775,966)
Total Operating Expenses	3,482,000	3,570,858	(88,858)	3,625,000	3,885,724	(260,724)	3,776,000	4,123,153	(347,153)
Operating Margin	3,556,000	3,571,739	15,739	3,945,000	3,133,987	(811,013)	4,366,000	3,242,881	(1,123,119)
Capital Spending	1,031,000	1,586,563	(555,563)	1,993,000	1,339,500	653,500	1,469,000	968,204	500,796

¹2014 Revenue excludes \$581,000 in revenue attributable to smart meter accuracy; Operating Expenses exclude debt service in all years, but smart meter lease payments of \$425,500 are also excluded in 2014. The B&V rate study did not contemplate smart meter revenue or lease payments.

The revenue variance in 2013 is a combination of the delayed rate increase and the wet weather during the year. The revenue shortfall in 2014 is a function of more conservative budgeting after the experience in 2013. The expense increases are attributable in part to increased

personnel expenses, as the full time positions increased from 17 in 2010, 2011, and 2012 to 21 in 2013 and 23 in 2014. The additions are related primarily to employee reclassifications. In 2013, four employees were moved from engineering, streets, and refuse to the water department in association with a departmental merger that resulted in personnel savings of almost \$390,000 in the general fund. In the 2014 budget, one equipment operator position, one half of the chief surveyor position and one half of the instrument technician are being moved to the water department, again in association with merging departments and as a result of supporting a utility and non-utility function.

The attached table shows a history of water rate increases since 2001 with related statistics. The City did not increase its water rates for a period of nearly eight years from 2001 to 2009. Another two-and-a-half-year lag ensued after the March, 2009 increase. If water rates are increased by 7.2% on January 1st, the annualized growth rate between 2001 and 2014 would equate to 5.5%. An excerpt from the attached table follows:

	Water Rates Since 2001 (cost per 100 cubic feet)						
	Effective 7/1/01	Effective 3/31/09	Effective 10/1/09	Effective 1/1/12	Effective 9/1/13	Proposed 1/1/14	Proposed 1/1/15
Properties Inside City Limits							
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Average Increase		15.0%	35.0%	14.6%	5.0%	7.2%	7.2%
Compound Annual Growth Rate as of 7/1/2014						5.5%	
Compound Annual Growth Rate as of 7/1/2016, assuming increases of 7.2% on 1/1/15 & 1/1/16							5.7%

The 5% increase in the fall of 2013 resulted in a bill that is \$1.82 higher per month for a residential household consuming 200 gallons of water per day. The 7.2% increase will result in a bill that is an additional \$2.77 higher per month for a residential household consuming 200 gallons of water per day, bringing the total of the increases to \$4.59 per month. Even with the implementation of both increases, the introduction of a \$7.50 monthly stormwater fee, and a 1.5% tax increase, the comprehensive cost of living in Newark will remain competitive with communities in northern New Castle County. The attached analysis shows estimated costs of water, sewer, electric and stormwater utilities, trash service, and property taxes on several comparable jurisdictions in northern New Castle County, as well as the City of Dover in Kent County.

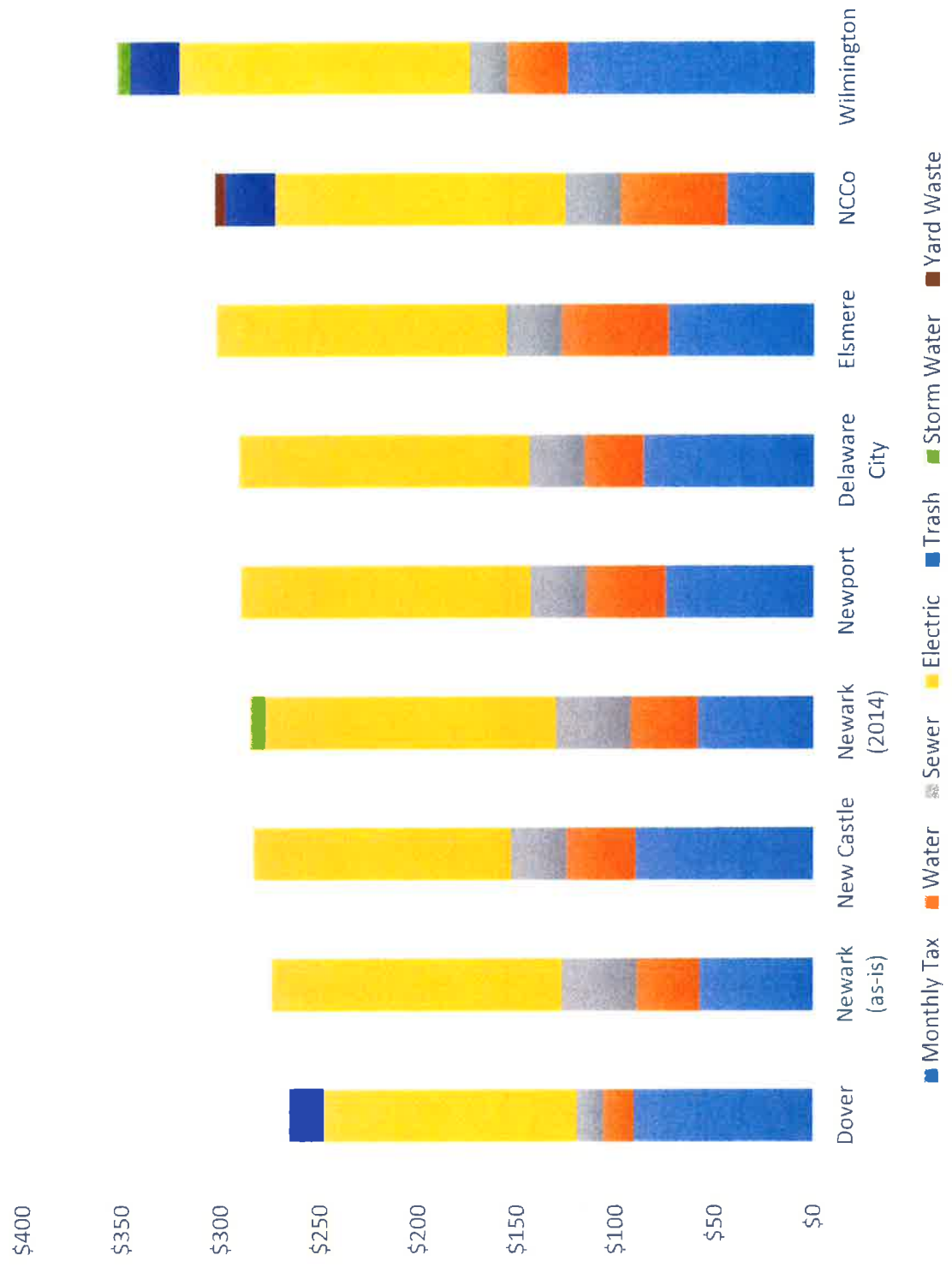
A household successful in reducing water consumption by 8.5 gallons per day this fall will not have seen an increase in its water bill after the September, 2013 increase. A household successful in reducing water consumption by an additional 12 gallons per day will not see an increase in their water bills starting in January, 2014. Cutting one person's shower time by three minutes per day and having one person turn off the faucet while brushing teeth every day can accomplish that goal, according to data compiled by the EPA (www.epa.gov).

A restaurant consuming 2,000 gallons of water per day saw its water bill increase by about \$20 per month after September; the same restaurant will see its water bill increase by about \$31 per month starting in January.

Thank you for your consideration.

Comprehensive Tax & Utility Comparison

Monthly Average, 2013-14



Comprehensive Tax and Utility Comparison

Northern New Castle County and Dover, 2013-2014 Estimates

City	Total Monthly	Electric	Monthly Tax	Water	Sewer	Trash	Yard Waste	Storm Water	Notes
Dover	265.63	128.38	91.55	15.24	13.46	17.00	-	-	4, 5, 7, 8, 12
Newark (as-is)	274.91	146.96	58.50	31.61	37.84	-	-	-	2, 3, 6, 7, 8, 9, 12, 15
New Castle	284.01	130.40	90.81	34.74	28.06	-	-	-	2, 3, 6, 7, 12, 15, 16
Newark (2014 Proposals)	285.56	146.96	59.38	33.88	37.84	-	-	7.50	2, 3, 6, 7, 8, 9, 12, 15
Newport	290.39	146.59	75.96	39.77	28.06	-	-	-	2, 3, 6, 7, 12, 14, 16
Delaware City	291.43	146.59	87.06	29.72	28.06	-	-	-	2, 3, 6, 7, 12, 15, 16
Elsmere	302.84	146.59	74.64	53.54	28.06	-	-	-	2, 3, 6, 7, 12, 13, 15, 16
NCCo	303.43	146.59	45.16	53.54	28.06	25.08	5.00	-	1, 6, 7, 10, 11, 12, 17
Wilmington	353.21	146.59	125.66	30.27	19.14	24.80	-	6.74	2, 3, 6, 7, 8, 12

Notes:

- ¹NCCo represents unincorporated areas of New Castle County
- ²All cities and towns in New Castle County adopt the County's 1983 assessment
- ³Residents in incorporated areas of NCCo must pay a reduced NCCo tax based on the service level provided at the municipal level
- ⁴Dover reassesses property tax values on a regular basis. It's stated or millage rate of .3378 was adjusted to 1983 values based on a rough calculation of 1983 market values versus recent sale data in Newark
- ⁵Dover residents also pay Kent County's tax of \$0.30 per \$100 of 60% of the assessed values, which were last assessed in 1987. No adjustment was made to roll the rate back to 1983 levels because the assessment is already reduced by 40%.
- ⁶All tax amounts assume a \$75,000 assessment (1983 values), spread to a monthly average rate
- ⁷Water rate analysis conducted by Water Resources Agency, October, 2013, based on residential users consuming 167 gallons per day
- ⁸For cities with water utilities that service customers outside corporate limits, the "inside city" rates are used
- ⁹Newark's recommended water and tax rates, not current rates, are used.
- ¹⁰Water and Electric users in unincorporated NCCo are assumed to be serviced by Artesian Water Company and Delmarva Power, respectively
- ¹¹Residents in unincorporated NCCo are assumed to utilize a trash company with weekly service having a rate equal to the average of several local providers
- ¹²Electric rates reflect a weighted, seasonal average of monthly rates for residential customers consuming 1,000 kwh per month
- ¹³Elsmere residents are Artesian Water Company customers
- ¹⁴Newport residents are United Water Company customers
- ¹⁵Cities with no trash charge build the cost of service into the property tax rates or another funding mechanism
- ¹⁶Newport, New Castle, Elsmere, and Delaware City residents are New Castle County sewer customers
- ¹⁷All cities provide snow removal and yard waste collection at no additional cost. Unincorporated NCCo residents must pay for yard waste. \$5/mo assumes 20 bags at \$3/bag for cheapest, most comparable private service. Some service is more expensive, three of twelve drop-off sites are free.

Stormwater Fee

Stormwater Fee

Recommendation:

It is recommended that Mayor and Council support the stormwater fee as presented in the original budget presentation (attached for ease of reference) as this approach to funding necessary stormwater repairs and studies in 2014 and beyond efficiently and effectively addresses established needs in an equitable manner. Approval of the Stormwater Fee will be recognized by a majority vote of council on Bill 13-42. This recommendation is further supported by the following:

- Letter of support from the Water Resources Agency – Jerry Kauffman, attached
- This approach can be implemented more efficiently than other options allowing all funds collected to be focused on actual study and improvement efforts
- This option does not add additional operational burdens at a time when we are heavily focused on streamlining and becoming more efficient
- This approach to funding our stormwater utility is at its core based on the benefits it presents our overall community including all homeowners, businesses and the University of Delaware
- Impact of the fee is equitable in that we all share in the benefits when traveling through our community and living our daily lives
- Communities that become known for flooding are not communities with thriving main streets, neighborhoods that maintain their property values or maintain high levels of quality of life
- This option provides a guaranteed funding source for long-term infrastructure improvements
- This option provides an easy to understand and equitable process with no need to measure impervious areas and re-examine when modifications occur or appeals are filed

Responses to points raised at or after the public hearing on the stormwater fee

We received communication related to the stormwater charges that would be paid by the University of Delaware

- In association with the recommended Stormwater Fee, the UD will pay approximately \$23,000 annually. This is based on 68 residential properties (\$7.50 a month) and 47 commercial properties (\$30.00 a month). The 2009 attempt at developing a stormwater utility that was based on impervious coverage would have raised \$358,000 overall, and the estimate for the UD was \$61,000. The 2009 impervious property funding option would require additional staff effort on an ongoing basis to implement and administer a new program, while positions

currently in place are expected to absorb the study and oversee/manage repairs associated with the stormwater fee funding option currently recommended.

- Overall, a residential household would pay \$90 a year and a commercial customer would pay \$360 a year towards the improvement to our community's stormwater infrastructure under the recommended fee structure. The fee will generate \$1.5 million in 2014, and all monies will fund infrastructure studies and repairs, not personnel. You may liken this to getting more bang for each buck. This is a very important aspect of the stormwater fee funding option as noted above, for it will not add any additional operational burden.
- It has been suggested that the UD should pay in the area of \$700,000 if the process is to be equitable based on its percentage of tax exempt property instead of the 17% impervious coverage as identified for the UD in the 2009 study. The fact that the UD makes up 37% of the tax exempt property in Newark does not equate to their funding the same percentage for the stormwater fee. The two calculations are not focusing on the same impact. The cost to the UD under the former impervious plan would have been approximately \$61,000 (17% of total revenue) and the residents would have paid only about \$20 per year on average. However, this method would have left the City millions of dollars short of the funding required to properly begin to address the stormwater problem, even before directing some of those dollars to fund required personnel to manage the program.
- We have been advised that the UD supports the recommended stormwater fee as proposed. Their support is in line with the idea that implementing an equitable fee structure to fund improvement will benefit the entire community.
- It should also be noted that the UD operates a mirror NPDES program (including staffing) to that of Newark and funds its own stormwater evaluations and improvements on their property. The stormwater fee of \$23,000 that the UD would pay annually will not fund projects specific to their property – it would directly support the stormwater repairs to our infrastructure. See attachment titled UD Stormwater Efforts
- Additionally, staff has already met with the UD to consider a more formal partnership between the two entities related to our NPDES permits, as there is perceived value to our organizations working closely together on stormwater issues that have the potential to impact each entity and the community at large.

It has been suggested that newer residential areas of our community that have newer infrastructure would be helping to fund repairs that don't impact them.

- This notion suggests that members of our community remain at their own place of residence and are not impacted by what is happening in other areas of our community.
- Further, the recommended option places less emphasis on the amount of impervious area of our individual home or place of business and more on the community wide benefits. You will recall, it was noted that the amount of impervious coverage at your home or business means very little if you cannot get a sick child to the pediatrician or your relatives encounter flooding when coming for a visit.
- Implementing an impervious coverage based utility would not necessarily take into account the age of the systems in certain areas and doing so would add additional cost to implementing the solution.

It has been suggested that the stormwater fee be tied to water consumption instead of impervious coverage, lot size, or the proposed flat fee.

- Pros
 - Simplicity
 - Meets the Equitable test
- Cons / Additional Data
 - The stormwater fee only applies to in-town residents, so the water rate has to increase substantially for in-town residents
 - The in-town water revenue is projected at roughly \$5.4 million in 2014, so a 28.2% increase over and above the 7.2% increase (37.4% total compounded increase) would be required
 - For residents using 129 gallons per day (GPD), the additional 28.2% water rate increase yields an average monthly bill that is \$7.50 higher than the proposed 2014 bills
 - For residents using 130 GPD or more, the resulting water rate increase is higher than \$7.50 per month
 - The Department of Water Resources (and accordingly, our rate comparison chart) uses 167 GPD as its household average. Such consumption would result in bills that are \$9.68 per month higher than the 2014 projected rates. A household using 200 GPD would face a water bill that is \$11.60 higher per month, over and above the 7.2% proposed increase.
 - The impact on UD is the highest of all proposed scenarios at \$352,000 per year, and is likely to be strongly opposed
 - It is difficult to measure the extent to which certain rate payers are impacted, favorably or unfavorably, as a result of the move from a flat \$7.50/\$30 fee to a water rate increase. Clearly, UD is unfavorably impacted vs the proposal. The smallest residential users are favorably impacted, while the average and larger residential users are unfavorably impacted. Most commercial users are estimated to be favorably impacted, because an establishment would have to use 518 GPD or more to be a worse off than

the \$30 fee. But we can be sure that restaurant owners will be negatively impacted. A restaurant using 3,000 GPD would pay \$174 per month / \$2,088 per year for the stormwater fee.

It has been suggested that we find \$1.5 million of other projects and remove them from the CIP or defer them to a future year in the CIP.

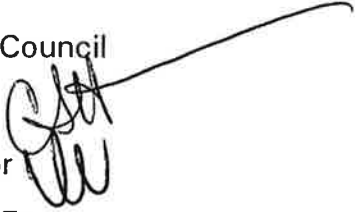
- This concept is strongly opposed because it perpetuates the mindset that contributed to the problem in the first place, and it pushes other utility and critical governmental infrastructure projects further into the future
- This concept is also opposed because it only “solves” the problem for a one-year period. Next year, we’ll be having the same discussion about what \$1.5 million in projects we should delay or eliminate
- If we were pushed in this direction, two alternative recommendations follow:
 - Alternative One – frees (but does not “save”) \$1.115 million
 - Eliminate the \$300,000 increase in the Pension contribution (not recommended due to underfunded status)
 - Change tax increase from 1.5% to 4.5%, which generates an additional \$80,000 (1/2 year) over the 1.5% increase scenario (not recommended because we hope to only gradually increase taxes)
 - Live with a surplus of \$42,000 instead of \$242,000 (not recommended because a surplus less than 0.1% of net revenue is too thin for a budget as large and dynamic as Newark’s)
 - Eliminate the \$120,000 in 2014 funding for the sanitary sewer studies and repairs CIP item (not recommended because the studies are intended to discover where the most critical sanitary sewer fixes are required)
 - Eliminate the \$270,000 in municipal parking lot repairs (not recommended because this “low hanging fruit” has been pushed off the CIP list for multiple years)
 - Delay iNova funding (financial software application to support the good standing ordinance and cashiering) for another year to save \$145,000
 - Ultimately, alternative one is not recommended because only the tax increase, which equates to about \$167,000 in a full year, represents annually recurring revenue. The rest of the moves are one-year delays of projects that don’t help us fund stormwater projects from year two and onward
 - Alternative Two – frees (but does not “save”) \$1.35 million
 - We argue that the street program is critical and can’t be delayed. \$1 million in funding consists of \$0.5mm in state funding and \$0.5mm in city funding.

- We also argue that we can't delay the water main replacement projects because we improve the water mains while the streets are being rehabilitated so we don't have to disturb newly paved streets shortly after they are constructed
- However, alternative two suggests that BOTH the street project and the associated water main repairs are delayed for a year.
- We could direct the \$0.5mm in city funding to stormwater, and set aside (reserve) the state's \$0.5mm for 2015.
- Then, in 2015, we could use our usual \$0.5mm, the state's \$0.5mm from 2014, and the state's \$0.5mm in 2015 for a total of \$1.5mm in street funding for 2015. We'd be set back in 2014, but we would partially catch up in 2015
- With the street projects on hold for 2014, we could also free up the water main replacement funding of \$350,000 (\$540,000 of the project is in reserves and could not be used for stormwater)
- The streets and water main delays result in \$850,000 of resources, which could be added to the ARC funding from alternative one (\$300,000) and the thinner surplus of \$42,000 (frees up \$200,000) to arrive at total funding of \$1.35 million
- This alternative is not recommended because we delay critical infrastructure projects, fail to address the underfunded pension, rely on a surplus of less than 0.1%, and solve the stormwater problem for just one year.

**CITY OF NEWARK
DELAWARE**

December 2, 2013

TO: The Honorable Mayor and City Council
VIA: Carol S. Houck, City Manager
FROM: Louis C. Vitola, Finance Director
SUBJECT: Bill 13-42 – Stormwater Utility Fee



The State of Delaware General Assembly published the following finding in state code:

“Accelerated stormwater runoff increases flood flows and velocities, contributes to erosion, sedimentation, and degradation of water quality, overtakes the carrying capacity of streams and storm sewers, greatly increases the costs of public facilities in carrying and controlling stormwater, undermines flood plain management and flood control efforts, reduces groundwater recharge, and threatens domestic, agricultural, industrial, recreational, fish and wildlife and other resource uses, as well as public health, welfare, and safety.”

The State further updated its code to allow municipalities to establish stormwater utilities for the purpose of raising funds to address public stormwater system maintenance. We recommend that Council adopt an ordinance as required by State code to implement a stormwater utility, and that the utility take the form of a division within the existing water utility. The stormwater utility would have the ability to levy a fee, which would be billed on the City’s existing utility bills to customers within City limits only. The proceeds of the stormwater fee would be retained in a fund restricted to expenditures related to stormwater improvements and maintenance. Stormwater fees would be adjusted by ordinance and would be subject to the same rules and regulations as water rates.

Our engineers at Pennoni Associates, Inc. presented materials at the September 30, 2013 stormwater workshop indicating that the most critical stormwater projects are estimated to cost \$6.9 million. Accordingly, a total of \$7.5 million (\$6.9 million + $\approx 10\%$ for contingency and inflation) was added to the City’s five-year CIP document. We recommend establishing a rate of \$7.50 per month for residential customers and \$30 per month for commercial and industrial customers. Based on current customer counts, the rates would generate the \$1.5 million per year required to pay for the most critical stormwater projects over the next five years. The spending may not necessarily be level over the five-year period, but the fee proceeds are expected to be sufficient to meet some combination of current spending and payments related to debt or lease financing over a five-year period.

While we are currently evaluating the stormwater system through a five-year window, we don’t anticipate the fee “sun setting” after five years. The \$6.9 million identified by Pennoni

addresses only the most critical problems in the stormwater system. Efforts to identify additional problem areas and the required remediation will continue into the next several years. Depending on our findings, we may be required to undertake projects totaling significantly more than \$6.9 million and which will take years to complete. The fee should be kept in place for the amount of time required to fund, prefund, or repay the cost of all projects required to remediate the City's stormwater infrastructure, including future maintenance.

As you may recall, funding stormwater projects through a utility fee is preferred to a tax increase because a tax increase would disproportionately burden non-exempt property owners for costs that should be borne by all residents, institutions, and corporate citizens having impervious coverage on their property. At the same time, state code requires that the fees levied be "equitable," meaning that those customers having more impervious ground cover should pay more in the form of a stormwater fee than those having less. For that reason, we are recommending that a residential property constitute one "equivalent dwelling unit (EDU)," while commercial and industrial properties constitute four EDUs. The monthly residential fee of \$7.50 represents one EDU, while the commercial/industrial fee of \$30.00 per month represents four EDUs. 2009 data suggest that the average impervious coverage per commercial/industrial parcel is more than four times the average impervious coverage per residential parcel, but the fee arrangement proposed is intended to be sensitive to economic development and was benchmarked against the two other stormwater utilities in Delaware. In Lewes, the flat monthly fee is \$5 per residence, \$10 per commercial property, and \$20 per industrial property. In Wilmington, the average residential fee is \$6.74 per month, while commercial and industrial fees vary directly with impervious coverage. A commercial parcel having 20,000 square feet of impervious coverage would be billed approximately \$105 per month.

Thank you for your consideration.



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November 15, 2013

Mr. Roy Simonson, Director
City of Newark
Public Works and Water Resources Department
220 South Main St.
Newark, DE 19711

RE: Proposed Stormwater Fee

Dear Mr. Simonson:

I have reviewed the proposed stormwater fee and find it offers the most cost-effective funding stream to address the multiple stormwater and flooding problems throughout the City of Newark. Research published by the American Public Works Association (APWA) indicates that annual funding for municipal stormwater quantity and quality programs should be set at \$150,000 per square mile which would be \$1.35 million for the nine square miles in the City of Newark. The stormwater fee:

- Is employed by 700 municipalities in the U.S. including the college towns of Chapel Hill, NC; Burlington, VT; Lawrence, KS; Gainesville, FL; Palo Alto, CA, and Ft. Collins, CO.
- Treats stormwater as a valuable, utility resource (like drinking water) instead of a waste stream.
- Is based on the science of hydrology which links land use to the quantity/quality of stormwater runoff.
- Generates a dedicated and sustainable funding source for total life cycle cost accounting.
- Can address the regulatory requirements of the Federal Clean Water Act and Safe Drinking Water Act and Delaware Stormwater and Sediment Control Act.
- Reduces revenue volatility and improves the overall equity of the municipal financing mix as valued by AAA bond ratings set by Moody's, Standard and Poor, and other finance services.
- Employs a billing system already in place for water, sewer, electric, and property assessment.

Should you have any questions, please do not hesitate to contact me at 302-831-4929 or 302-893-1571 (cell) or jerryk@udel.edu.

Warmly,

Gerald J. Kauffman, Director
University of Delaware
Water Resources Agency

UD Stormwater Efforts

The University has a stormwater program in place similar to the City's program that supports the requirements of the National Pollutant Discharge Elimination System (NPDES) as required by the Clean Water Act.

The program addresses the 6 minimum control measures outlined in the NPDES MS4 permit:

- Public Education/Outreach
- Public Participation & Involvement
- Illicit Discharge Detection
- Construction site sediment control
- Post-Construction maintenance of stormwater areas
- Good Housekeeping

The stormwater program is managed by the Environmental Health and Safety Department.

Various departments provide funding for different parts of the program:

- Facilities Planning & Construction: Design & installation of new stormwater BMP's, construction site sediment control, Capital maintenance of Stormwater management areas
- Grounds: Operations maintenance of stormwater management areas, Pollution Prevention and Housekeeping
- Plumbing: Below grade infrastructure repairs and cleaning, detection of illicit discharges
- Custodial: Housekeeping and pollution prevention
- Transportation: Parking lot sweeping and pollution prevention
- Water Resources Agency: Public education and GIS mapping

Approximate spending for the stormwater program:

- Annual maintenance of existing stormwater infrastructure: \$25,000 to \$100,000
- Approximate installation cost of the Green roofs and bio-retention areas at the new Interdisciplinary Science and Engineering building: \$400,000
- Approximate installation cost for intensive Green roof and bio-retention areas at the new residence and dining hall on Academy Street: \$1,000,000
- Approximate annual cost for Education/Outreach and Public participation: \$10,000
- New stormwater BMP's have been installed on campus since the 1990's which include a water quality component as opposed to just holding a given quantity of water.
- New BMP's have been installed every year for the past 9 years in support of keeping the local waters clean at an average installation cost of \$250,000 per year.

In addition,

- a manure management facility was installed on the UD farm 7 years ago to reduce the nutrient loading in Cool Run.

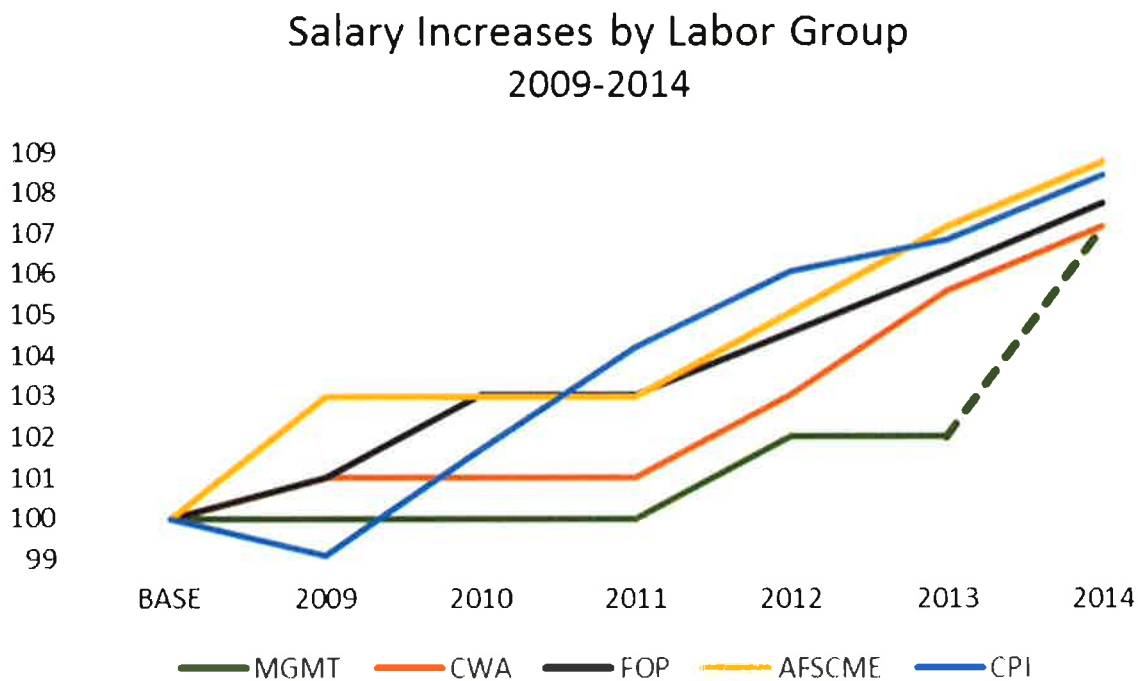
- The University has a number of research projects related to clean water and stormwater in the College of Agriculture and Natural Resources as well as the College of Engineering.
- Students involvement is key and participants range from undergraduate students through doctoral students.
- The Water Resources Agency, Delaware Water Resources Center, and the Delaware Environmental Institute are all housed at the University and all conduct water related research as well.

Management Increase

Management Salary Increase

Recommendation:

It is recommended that Mayor and Council authorize by a majority vote of Ordinance 13-39 a 5% salary increase for management personnel effective January 1, 2014. As a reminder, the budget may be adopted in its recommended state, and then the management salary increase ordinance must also be adopted. If the management salary increase ordinance is adopted in a way that impacts the budgeted expenditures, a budget amendment will follow in January to capture the changes.



This recommendation is further supported by the following:

- Memorandum and graph of comparative salary increases earned by non-management personnel (attached) which demonstrate the imbalance between increases granted to union affiliated employees and that of our management personnel who have accepted higher levels of responsibility within our organization
- Management personnel have over the years not only been denied the same salary increases as our union affiliated employees, they have also led the way with necessary increases to employee contributions for health care and more recently supported a two-tiered benefit package that allows for a future of reduced risk/controlled costs for funding personnel benefits of new management team members. The two-tiered benefit package has been estimated to save Newark

\$127,000 in 2014 alone across just six new management employees, and that amount will grow annually. These quickly recognized savings are why moving to two tiered plans for our unions is so important.

- The cost of the management salary increases (coincidentally) is \$126,000, which is just under the savings experienced from the above noted Management pension and OPEB savings.
- A large number of our Management personnel are charged with working varied hours and accept the requirement to be available to respond to emergencies, service needs, etc.

Responses to points raised at or after the public hearing related to the management salary increase

We received communication/questions related to the Management pay increase

- Increases to Management or Union affiliated personnel groups is implemented across the board for employees in the specific groups.
- If the 5% salary increase is approved as recommended it will be contingent upon a satisfactory or better employee evaluation.
- In the absence of a comprehensive study to compare Newark management pay to the private sector pay in the region, we are unable to answer the question a resident raised about the comparability of pay. However, we have reviewed studies conducted in other regions and have found that generally, management pay in the government sector is substantially lower than executive pay in the private sector, and is only partially offset by a benefits package that is traditionally stronger than the private sector.
- Neither the City Manager or City Secretary are included in these figures as their salaries are required to be brought before Council for consideration in a separate ordinance.

**CITY OF NEWARK
DELAWARE**

December 2, 2013

TO: The Honorable Mayor and City Council
VIA: Carol S. Houck, City Manager
FROM: Louis C. Vitola, Finance Director
SUBJECT: Bill 13-39 – Management Salary Increase

The information below demonstrates the history of pay increases across the employment sectors for the City over the past five (5) years, as well as known amounts and assumptions for 2014.

City of Newark Pay Rate History:

Year	Mgmt	CWA	FOP	AFSCME	CPI
FY2009	0%	1%	1%	3%	-0.9%
FY2010	0%	0%	2%	0%	+2.6%
FY2011	0%	0%	0%	0%	+2.5%
FY2012	2%	2%	1.5%	2%	+1.8%
FY2013	0%	2.5%	1.5% (1/1/13) Longevity Change	2%	+0.7%
FY2014	N/A	1.5%	1.5% (not firm)	1.5% (not firm)	+1.5**
TOTAL	(2%)	(7%)	(7.5%)	(8.5%)	(8.2%)

NOTE: The Longevity Change and Increases for the FOP commenced July 1, 2013, which converted the previous longevity payments (\$350/\$650/\$1,000) into percentages. Longevity is not a separate fringe benefit payment – the City includes longevity compensation on top of base wage pay to calculate an employee pay rate, and the conversion to a percentage will compound the payroll liability for tenured officers.

**As of June 2013. The CPI valuations are pulled from the Philadelphia-Metro area (Wilmington-Atlantic City PA-NJ-DE-MD).

Other than a 2% increase in 2012, Management employees have gone without an increase in salary for the last five years. An increase of 5% would put management increases on par with CWA employees, representing the group with the lowest cumulative increases over the same time period. We believe that management pay and benefits must be attractive enough to incent existing unionized employees to take on additional responsibility as they progress through the ranks of the covered positions into

management positions and fulfill their career goals. Likewise, it is important to have a management salary and benefit structure that will attract qualified talent from the labor market.

Thank you for your consideration.

Council Increase

Council Pay Increase

It is recommended that Mayor and Council signal their support of the Council salary increase included in the 2014 budget proposal when voting on Ordinance 13-43. This recommendation was made to allow for Council discussion; there have been no discussions about, let alone any changes made to the Mayor and Councilmember pay over a period of 10 years. The recommended increase would result in Mayor and Council salaries of \$10,500 and \$8,500, respectively. The increases are pegged to 2% annualized increases since the date of the last increase, rounded to the nearest \$500. As a reminder, the budget may be adopted in its recommended state, and then the Council salary increase ordinance must also be adopted. If the Council salary ordinance is adopted in a way that impacts the budgeted expenditures, a budget amendment will follow in January to capture the changes.

**CITY OF NEWARK
DELAWARE**

December 2, 2013

TO: The Honorable Mayor and City Council
VIA: Carol S. Houck, City Manager
FROM: Louis C. Vitola, Finance Director
SUBJECT: Bill 13-43 – Council Salary Increase



The Mayor and Councilmembers have not received an increase in salary since May 1, 2004. If an increase is adopted in December and implemented after the required six-month delay, Council will not have received a salary increase in more than a decade. We all understand that the Mayor and Council do not undertake their important roles as civil servants in exchange for pay, nor do we support a salary structure that would incent any resident to run for office solely for the pay. However, we recognize the long hours and the time commitment required in order for you to discharge your duties properly. For that reason, we recommend an increase in the annual salary of Mayor and Council to \$10,500 and \$8,500, respectively. The increases are pegged to 2% annualized increases since the date of the last increase, rounded to the nearest \$500.

Thank you for your consideration.

Court Security Fee

Court Security Fee

Recommendation:

It is recommended that Mayor and Council authorize by a majority vote on Ordinance 13-41 the implementation of a Court Security Fee in association with the attached memorandum. This recommendation is further supported by the following:

- All other courts in the state have some form of a security fee
- The security fee will generate approximately \$158,000 in 2014
- We have identified various security deficiencies that we have or hope to continue to address in 2014
- The 2014 operating budget also provides for funds to operate a screening station including the necessary personnel that will further address Court and/or overall municipal facility security

Responses to points raised at or after the public hearing regarding the Court Security Fee

The court security fee will be charged for court appearances and traffic summonses but it will not be added to parking fines or non-guilty verdicts.

**CITY OF NEWARK
DELAWARE**

December 2, 2013

TO: The Honorable Mayor and City Council
VIA: Carol S. Houck, City Manager 
FROM: Louis C. Vitola, Finance Director 
SUBJECT: Bill 13-41 – Court Security Fee

The City recently conducted a security assessment of the Municipal Building, including the Police Station and Alderman's Court. While certain improvements and directives have been completed or are underway, others will require more substantial levels of ongoing investment. Alderman's Courts and Justice of the Peace Courts throughout the state have implemented a court security fee in an effort to offset the increased costs of security measures being undertaken. We recommend adopting a similar fee in the amount of \$10 per fine or monetary assessment that runs through Alderman's Court. The fee will not be applied for not-guilty judgments or parking tickets, and the fees collected will be used to fund Court security improvements or any other fees related to court security. Court data suggest that the \$10 fee will raise approximately \$158,000 per year.

Thank you for your consideration.

Credit Card Fee

Credit Card Fee

Recommendation:

The first reading of the bill to introduce credit card fees is scheduled for 12/9/13. It is recommended that at the next meeting of Council, Mayor and Council authorize by a majority vote on Bill 13-47 the implementation of a Credit Card Processing Fee in association with the attached memorandum. This recommendation is further supported by the following:

- The City pays fees in excess of \$150,000 per year to process credit card transactions
- The percentage would be set to the City's actual percentage cost to process credit cards, up to a maximum fee of \$5
- The introduction of this fee is partially geared toward driving consumers to alternate payment methods, particularly automatic debit payments, which are less costly to process than credit card transactions
- The Customer Service group will undertake efforts to educate our customers about the fee and incentivize customers to enroll in automatic debit payments. We are still in the planning stages, but one idea generating some buzz is a monthly drawing for a \$50 DNP gift card. Any customer that enrolls in automatic debits for the first time will be entered into a drawing for the gift card.

**CITY OF NEWARK
DELAWARE**

December 2, 2013

TO: The Honorable Mayor and City Council
VIA: Carol S. Houck, City Manager
FROM: Louis C. Vitola, Finance Director
SUBJECT: Bill 13-47 – Credit Card Fee

The City's policy to accept credit cards is beneficial to both the City and its customers. The City is able to increase cash flow and shift credit risk to the card issuer. The customer benefits from an easy and convenient payment method. However, the City bears the entire burden of the cost to process credit card payments. Charging a convenience fee has become standard practice among utility companies, government agencies, and other institutions that accept credit card payments. In an effort to offset a portion of the City's credit card processing expenses, we recommend instituting a small convenience fee in an amount not to exceed the lesser of 2.5% of the transaction amount or \$5.00.

Due to credit card fee regulations, we are unable to creatively tailor the fee by payment type, service type, or other criteria. Further, we are unable to charge the same convenience fee for non-credit card payments taken over the phone, debit card payments or e-check payments. The variable fee must be equal for all credit card transactions, and the maximum of \$5.00 must likewise apply to all credit card transactions. Based on data retrieved from Fulton Bank, the fees described above would generate roughly \$24,000 per year to help offset credit card fees. The City would continue to bear the majority of the fees, but the partial offset would help relieve pressure on the merchant fee expense line and help the City diversify its revenue stream. With an average fee of \$3.40, the introduction of this fee is not considered to place a significant burden on customers who appreciate the convenience of credit card payments.

We will continue to investigate ways to incentivize the customer base to enroll in automatic payments using debit cards or automatic bank debits, which represent the most efficient method of payment. The investigation will go hand in hand with the review and eventual establishment of budget billing.

Thank you for your consideration.

Q & A

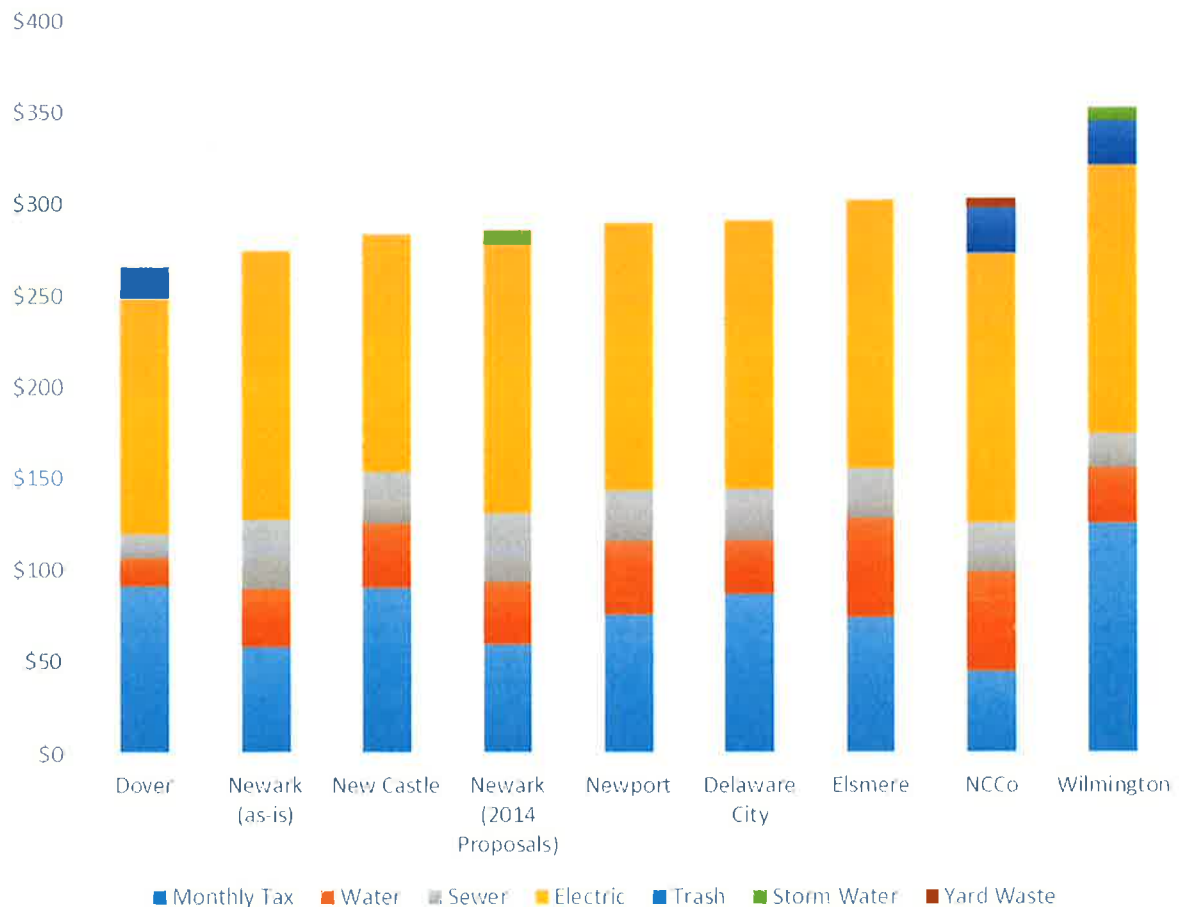
Other Questions and Answers

Various other questions and concerns were raised at or after the November 11, 2013 public hearing. Please see responses below.

1. A request was made to investigate snow removal and leaf collection services in other comparable jurisdictions and show any costs in the comprehensive rate and tax analysis. The updated analysis follows. The only change is reflected in unincorporated area of the County, where the most comparable and most reasonably priced private leaf collection service was added to the cost of county services. All other cities and towns provide snow removal and leaf collection services free of charge (built into tax rate). Of course, I support the argument that Newark's services are exceptionally responsive and efficient, but I could not translate that subjective value onto the graph!

Comprehensive Tax & Utility Comparison

Monthly Average, 2013-14



2. We were asked to provide a breakdown of the state funding we expect to receive in 2014

- \$ 515,000 – Municipal Street Aid (MSA) & Transportation Funding
 - \$ 300,000 – Police Pension Contribution
 - \$ 162,500 – Delaware Land and Water Conservation Trust Fund (DTF) grants
 - \$ 143,380 – Unicity Bus Support
 - \$ 80,700 – Law Enforcement Funding Grants
 - \$1,201,580 – Total State of Delaware Funding
-

► Additional Grant Funding

- \$74,808 – Victim Services Grant funded by the federal government in the form of grants processed through the state
- \$279,418 – Community Development Block Grants (CDBG) are funded by the federal government and processed through New Castle County.

3. We were asked if justification / support for the cash reserve balance recommendation will be part of the budget or introduced next year. A resident suggested that the entire process to update the financial policies be part of a workshop and subject to public hearings.

- The financial policies will be updated in 2014, presented at a workshop, and be subject to a public hearing, much like the process conducted to establish the financial policies in 2009. The financial policies will provide support and justification for the recommended cash reserve balance thresholds. The financial policies will also be updated with an investment policy, a debt policy statement, and certain other updates.

4. We were asked to review water consumption data from the first of the smart meters installed to gauge the year-over-year change in water consumption from the mechanical meters to the smart meters.

- We extracted data for the first 30 smart water meters installed and noted the date of installation in 2013. The meters were installed in early June, and we have readings for a six-month period from early June to early December.
- We compared the 2013 data to the most comparable period available for measurement in 2012. Due to quarterly reading cycles, the most comparable data available was for the period from early May 2012 to early November 2012.
- The data was inconclusive. The usage in 2013 (119 gallons per day) was actually lower than the usage in 2012 (161 gallons per day).

- The data is accurate, but it is unreliable due to (1) small sample size in terms of number of meters, (2) small sample size in terms of the time period reviewed, and (3) the data was impacted by changes in weather.
 - 28 inches of rainfall were recorded in the half-year period in 2013, which represents an increase of 27% versus the 22 inches that fell in the half-year period in 2012.
 - With all of that shared, the Measurement and Verification aspect of our agreement with Honeywell will be compared against the 2012 baseline, not the 2013 wet year experience, and will not come into play until the end of 2014 as 2013 was counted as our “construction” year in the cash flow model.
5. We were asked if the GPS system was assisting in some of the vehicle replacement decisions in the CIP program.
- The planning process to determine vehicle replacements starts in January and gets refined in April in advance of the budget hearings. The GPS units were not installed until July, after the first round of CIP hearings. While we were unable to incorporate GPS data into the planning process this year, we will do so next year. We will have almost a year of GPS data in place when we consider the 2015 vehicle replacements.
 - We have, however, conducted a review of gas consumption in the first five months of the “GPS era” and the same five-month period in 2012. The data confirm that gasoline consumption is nearly 10% lower from July through November in 2013 than the same period in 2012. However, I would caution that the sample size of five months is not long enough to draw a reliable conclusion. We will continue to monitor the GPS data as we progress into 2014.
 - On a related note, we reviewed the gas consumption of the three hybrid vehicles purchased in 2012. Gas consumption is down by 65% across all three vehicles. The payback in this case was immediate because the vehicles were subsidized by the amount that the price of the hybrid Camry exceeded that of the ordinary Camry. If that cost differential of \$8,400 is still accurate today, then the results are mixed with respect to the return on investment of a hybrid vehicle. The most highly utilized vehicle among the sampled vehicles used 265 gallons per year in an ordinary vehicle and 66 gallons per year in the hybrid vehicle. At today’s costs per gallon, the payback is estimated at almost 14 years, well over the life of the vehicle. However, for a vehicle consuming 500 gallons per year, the payback is estimated at about 8.5 years, which is more in line with a 7-10 year vehicle life.

6. A recent history of the City's debt issues was requested. Summary data follows:

Debt Issue	Issue Date	Par Amount	Outstanding Balance	Purpose
GOB Series 1990	08/01/90	\$2,600,000	\$0	Water System Improvements and Police Facility Improvements
GOB Series 1991	01/15/91	\$2,900,000	\$0	Open Space & Parkland Acquisition
GOB Series 1993	10/01/93	\$5,090,000	\$0	Refund GOB Series 1991 & GOB Series 1990
GOB Series 2000	12/15/00	\$2,700,000	\$0	Partially reimburse funds advanced to acquire reservoir site
GOB Series 2002	09/15/02	\$18,600,000	\$0	Fund construction of the reservoir and SWF treatment plant
GOB Series 2004	01/15/04	\$2,040,000	\$0	Refund GOB Series 1993
GOB Series 2011	02/05/11	\$12,695,000	\$11,275,000	Refund GOB Series 2002 & GOB Series 2000

7. A request was made that we provide the expected fund balance in the parking fund at the end of 2014.

- The fund balance is expected to be \$3.08 million at the end of the year, which is unchanged from 2013.
- The fund balance represents the book value of the parking fund's assets less the parking fund's liabilities, and should not be construed to mean cash balance.
- The amount of cash in the surplus account attributable to the parking fund is expected to be \$1.4 million at the end of 2014.

8. How much are we saving per year from the Smart Meter project? Or, how much are we projected to save per year starting when? Please express this as dollars and also percent of total water revenue.

- The smart meter project has to play out and get some experience behind it to determine the level of savings. The project can be considered more along the lines of new costs (in the form of lease payments and new system maintenance), and the costs are either almost offset by savings and new revenue, or they are more than offset by savings and new revenue.
- The cash flow projection for the project shows roughly a breakeven in 2014 in the "worst case" scenario, which we budgeted for in 2014, meaning that the 2014 savings is \$0 / 0% of water revenue. For 2014, the "mid case" and "best case" scenarios in the cash flow model show savings of \$202,619 and \$268,049, respectively. That savings has to be shared between the water and electric funds. The water fund's share of the savings (55%) is \$111,440 and \$147,427, which equate to approximately 1.5% and 2.0%, again respectively, of the 2014 water revenue. But we are not counting on "mid case" or "best case" savings in 2014 in the absence of any actual experience.
- Going forward, the "worst case" scenario from 2015 through 2022 has us losing about \$170,000 per year in total, and then from 2023 on, we save about \$180,000

per year in total. The "mid case" scenario from 2015 to 2022 has us saving about \$27,000 per year in the water fund, or about 0.3% of water revenues. Then, from 2023 on, we save about \$400,000 per year in total (\$220,000 in the water fund, or about 2.9% of water revenues).

9. Do we have a sense of how much we saved in 2013 by combining the Water/Sewer and Public Works Depts? Do we have a sense of how much we will save each year from this change going forward?
 - We calculated the salary savings alone in the \$390,000 range, which will recur annually, but there are other efficiencies and savings that are more difficult to quantify. We will continue working on the estimate of the savings.
10. The ACA increased our employee health care costs by 3.9%. What percent of our total budget does this \$\$ increase represent?
 - Last year's premium was roughly \$3.5 million, so 3.9% of that is equal to \$136,500, which represents about 0.3% of the total 2014 budget.
11. Does the ACA affect our retiree health care costs as well?
 - Yes, all of our qualified plans are subject to the cost increase.
12. How accurate is TDC's claim that their building permit fee will be \$6M? Please provide your estimate.
 - We'll be able to work on substantiating this figure as soon as we have more details and plans. We'll also try to get a feel for the TIMING of the permit fees, because we would not receive a slug of permit fees right up front, whatever the number is.
13. How much is UD's subvention increasing FY 2014 over FY2013?
 - The subvention payment will increase from \$511,500 to \$516,620.
14. We were asked to provide the supporting calculations and assumptions for the comprehensive tax and utility rate analysis.
 - The backup for the chart is found on the last of four pages of the Water Rate Increase memo. The memo is included in this supplementary budget data binder for convenience (see Water Rate Increase tab), and the data table with assumptions follows the chart.