



Budget Hearing

November 24, 2014

Committed to Service Excellence



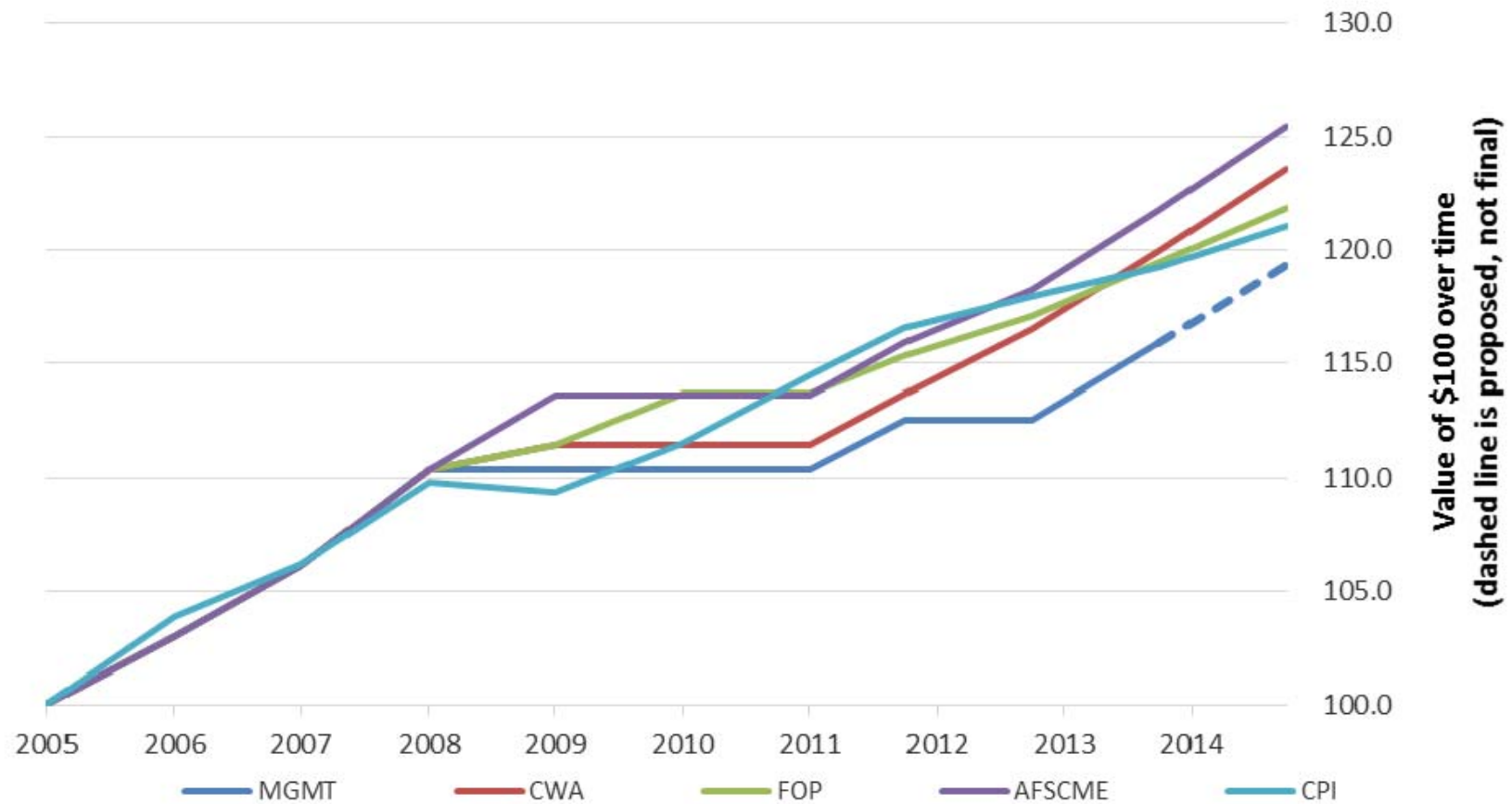
2015 Expense Budget at a Glance

- Total Personnel Increase of \$685,000 (2.6%)
 - Wage & Salary Increase of \$1.3 million
 - Personnel Cost Decrease of \$632,000
- Materials & Supplies Increase of \$227,000 (11.8%)
 - Vehicle Maint, NPD Uniforms, Postage, IT, Salt/Sand
- Contractual Services Increase of \$941,000 (15%)
 - IT (SAAS): \$463,000
 - IT (Contractual): \$134,000
 - GIS development: \$123,000
 - Merchant Fees: \$133,000

2015 Budget Highlights – Personnel

- ❑ Wage/Salary Increases of \$1.3 million (7.9%)
 - 2014-2016 Collective Bargaining Agreements
 - Proposed Management Increase (3%)
 - NPD succession planning (Deputy Chiefs)
 - Planning Department succession planning (Deputy)
 - Economic Development & Communication Dept
 - Critical service level increases (911 dispatch)
 - Insource Building Maintenance & Custodial Service
- ❑ Non-Wage Personnel Expense Decreases of \$632,000 (-6.5%)
 - Post-Employment Benefits
 - ❑ Pension ARC Increase + Overfunding
 - ❑ Reduction to other post-employment benefits (OPEB)

CPI vs Labor Increases, 2005-2015



CPI data reflects All Urban Consumers in Area A102 (Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD).
 Baseline = 100 in 2005. Source: US Dept of Labor Bureau of Labor Statistics, retrieved 11/6/14 from
<http://www.bls.gov/data/>

Labor Increases by Group vs CPI

PERIOD	MGMT	CWA	FOP	AFSCME	CPI ²
2005	4.0%	4.0%	4.0%	4.0%	3.9%
2006	3.0%	3.0%	3.0%	3.0%	3.9%
2007	3.0%	3.0%	3.0%	3.0%	2.2%
2008	4.0%	4.0%	4.0%	4.0%	3.4%
2009	0.0%	1.0%	1.0%	3.0%	-0.4%
2010	0.0%	0.0%	2.0%	0.0%	2.0%
2011	0.0%	0.0%	0.0%	0.0%	2.7%
2012	2.0%	2.0%	1.5%	2.0%	1.8%
2013	0.0%	2.5%	1.5%	2.0%	1.2%
2014	3.0%	3.0%	2.0%	3.0%	1.1%
2015¹	3.0%	3.0%	2.0%	3.0%	1.5%
TOTAL, 2005-2015	22.0%	25.5%	24.0%	27.0%	23.3%
COMPOUNDED	24.2%	28.5%	26.7%	30.5%	25.8%

¹3.0% Management Increase in 2015 is proposed & subject to Council approval

²1.1% and 1.5% CPI figures for 2014 and 2015, respectively, are estimated

²CPI data reflects All Urban Consumers in Area A102 (Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD).

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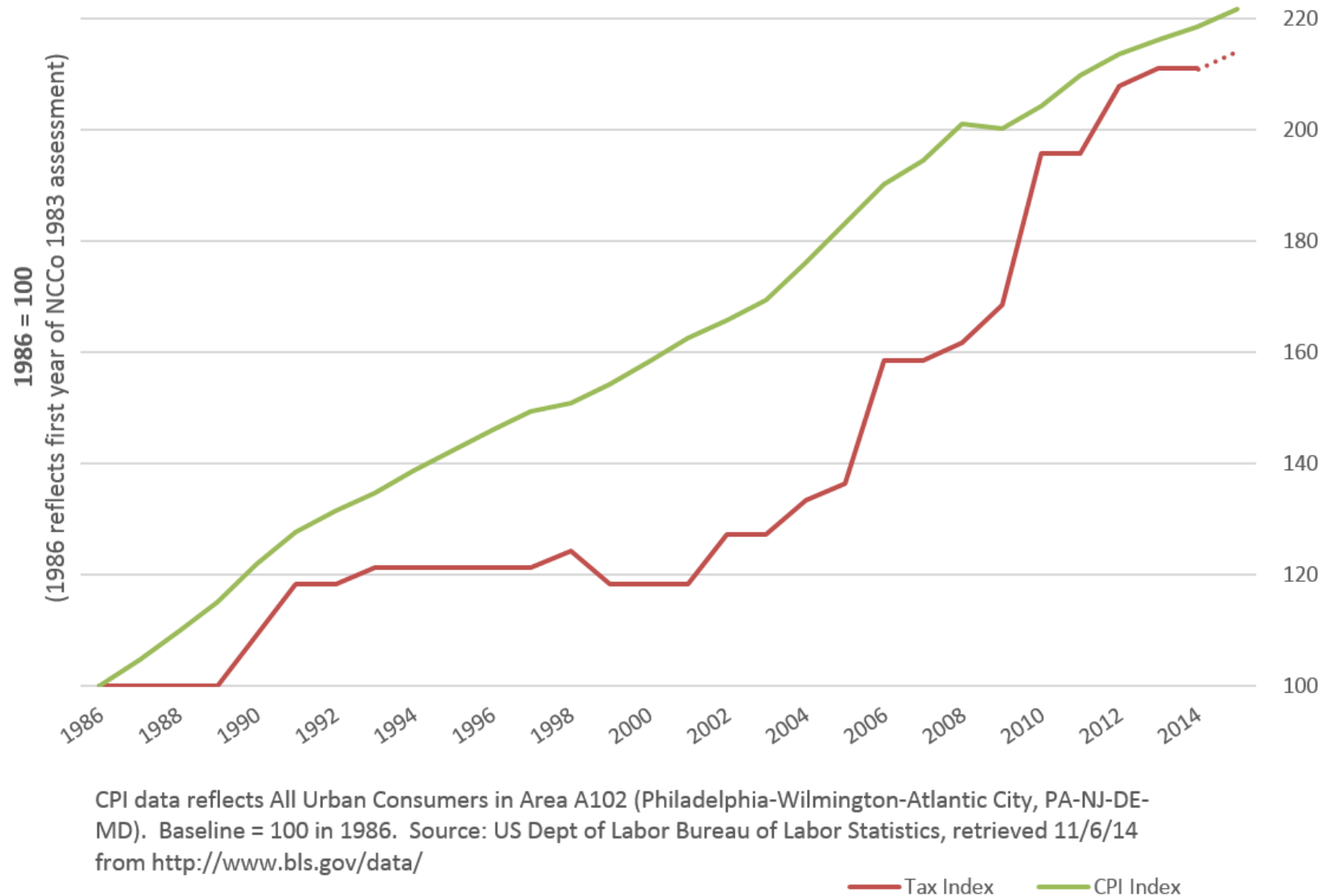
2015 Revenue Budget at a Glance

- Incremental Tax Increase of 1.5%
 - Generates \$42,000 in 2015
- 7.2% Water Rate Increase per 2011 Study
 - Generates \$555,000 in 2015
- First Full Year of Improved Revenues
 - Water Meter Accuracy (\$580,000)
 - Parking Meters (\$560,000)
 - Court Security Fees (\$48,000)
- Small Consolidated Surplus of \$316,000

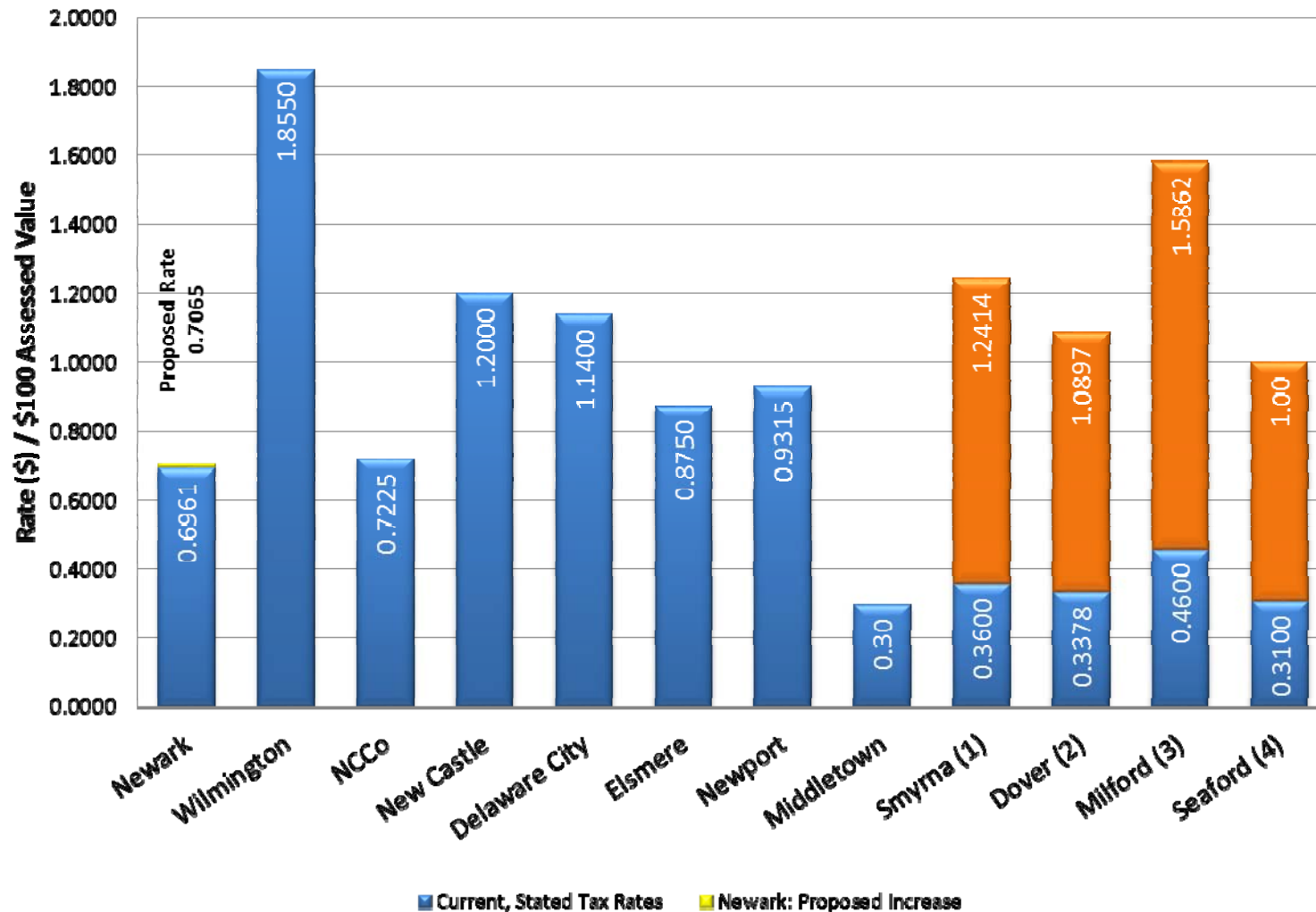
2015 Budget Highlights – Tax Increase

- 1.5% Increase Recommendation
 - ❑ Reinstitute and stick to plan for small, gradual increases
 - ❑ Allows businesses and families to budget predictable, manageable increase
 - ❑ Average residential tax bill increases \$0.61/month
 - ❑ Paves way for gradual shift away from over-reliance on utility funds
 - ❑ \$8.6 million in foregone revenue from '93-'10

2015 Budget Highlights – Tax vs Inflation



2015 Budget Highlights – Tax Comparables

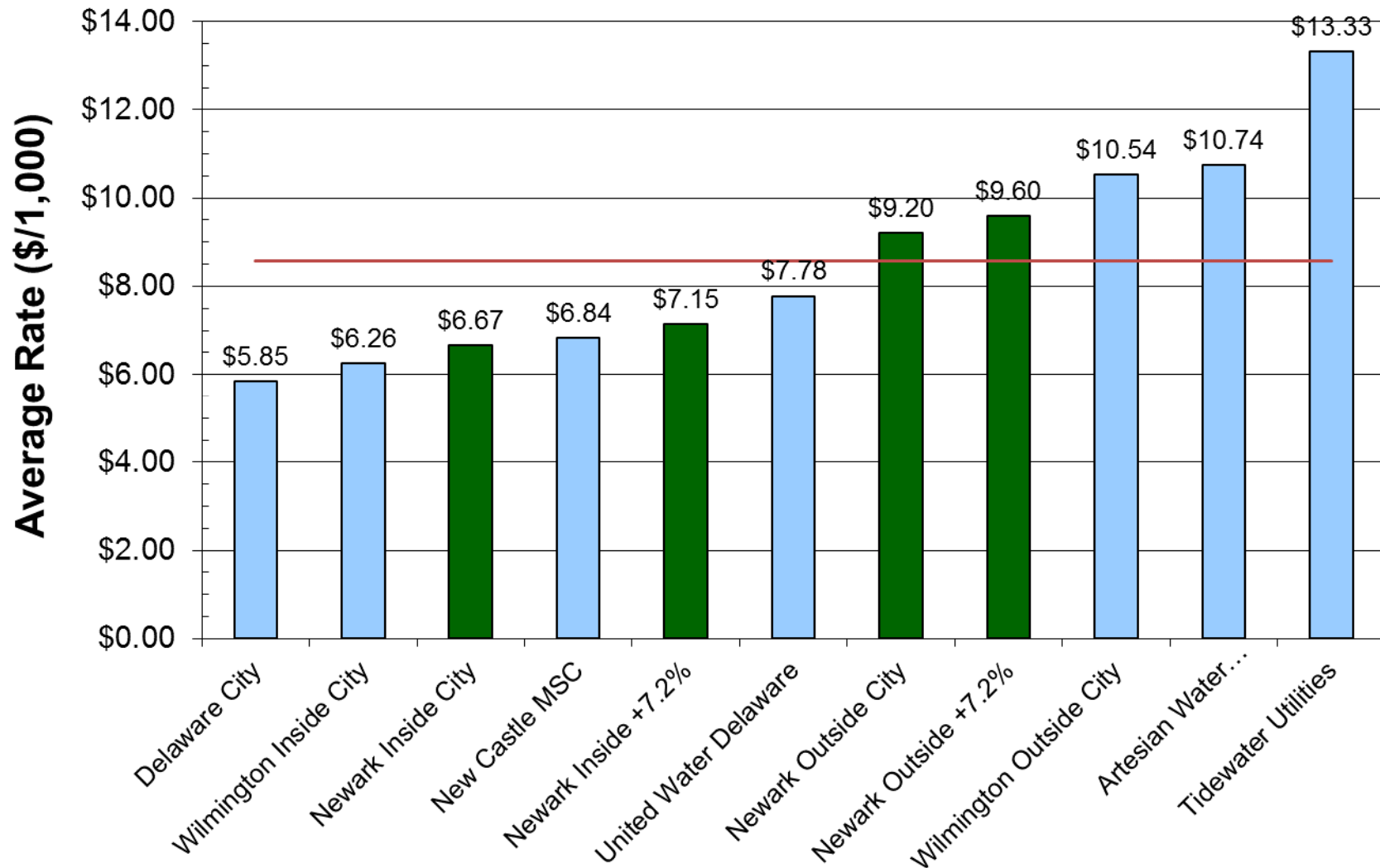


- (1) The Town of Smyrna's assessment was last updated in 2006. Estimated equivalent rate in Orange.
- (2) The City of Dover's assessment was last updated in 2010. Estimated equivalent rate in Orange.
- (3) The Town of Milford's assessment was last updated in 2012. Estimated equivalent rate in Orange.
- (4) The City of Seaford's assessment was last updated in 2008. Estimated equivalent rate in Orange.

2015 Budget Highlights – Water Rates

- Water Rate Increase
- 7.2% Increase in January 2015
- 7.2% Increase in January 2016 (final per study) -or-
- Commit to Update of 2011 Water Rate Study to account for Cost of Service
- Impact of Increase
 - Inside City
 - Avg mthly bill ▲ by \$2.42 from \$33.46 to \$35.88
 - Outside City
 - Avg mthly bill ▲ by net of \$2.00 from \$46.06 to \$48.06 after reconsideration of hydrant fee / water rate study update
 - Water revenues increase by \$555,000
 - Equivalent to 9.7% tax increase
 - No increase in general fund transfer
 - Support water infrastructure expenditures and maintenance

Water Rates in New Castle County, Delaware (2014)



Source: University of Delaware Water Resources Agency, Institute for Public Administration, Draft Report "Water Rates in Delaware and Surrounding States," September, 2014

2015 Budget Highlights

Electric , Sewer & Parking

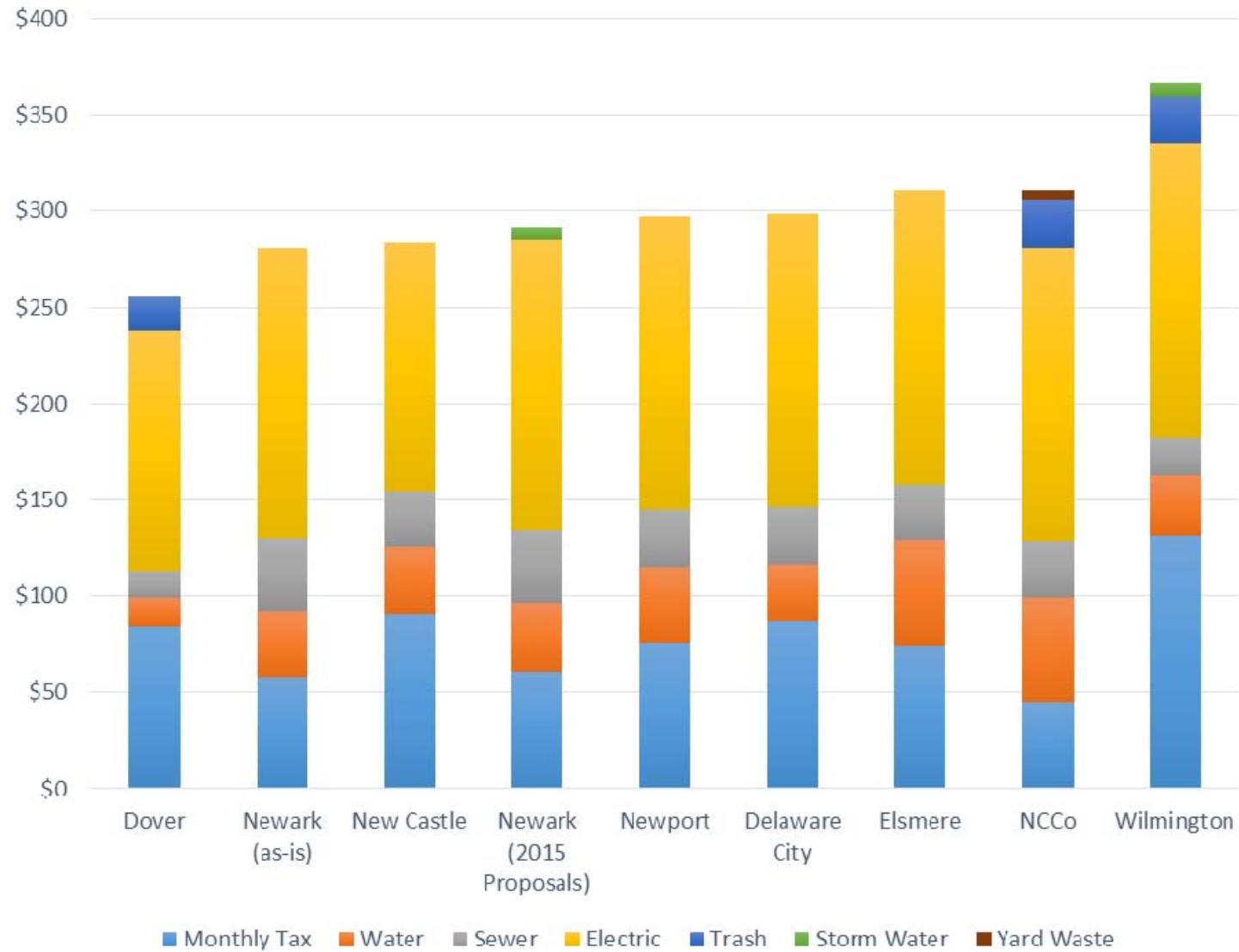
- Electric Rates
 - No changes to electric rate structure
 - Anticipating Rate Decrease
 - Wholesale rate decrease expected
 - 2014 Revenue Stabilization Adjustment (RSA)
- Sewer Rates
 - Sewer rates stable – no change in 2015
 - Any NCCo increase will be passed through to ratepayers by Code in July, 2015
 - Review of City Flow Rate required in 2016
- Parking Meter Revenue Increase

2015 Budget Highlights – Stormwater Utility

- Creation of Stormwater Utility (Budget Neutral)
 - ❑ Equitable fee structure
 - ❑ Based on actual impervious cover
 - ❑ Utilization of state of Delaware data to minimize program implementation costs
 - ❑ Grant program to direct funding back into the community for educational purposes, to improve water quality and reduce volume of runoff
 - ❑ Targeting implementation for early to mid-2015 pending Council approval
 - ❑ Budget-neutral for 2015

Comprehensive Tax & Utility Comparison

Monthly Estimates, 2014



Efficiency Initiatives Since 2012

- Total savings over \$3 million through 2015
 - ❑ PWWR consolidation (\$1.2 million)
 - ❑ Smart meter project (>\$12,000)
 - ❑ Transfer station elimination (\$285,000)
 - ❑ Improved refuse truck maintenance
 - ❑ Leaf collection and street sweeping changes (\$61,000)
 - ❑ Better coordination of water main & street rehab
 - ❑ Pension & OPEB¹ changes (\$1.3 million)
 - ❑ DVIT health and life insurance (\$136,000)

¹Other Post-Employment Benefits

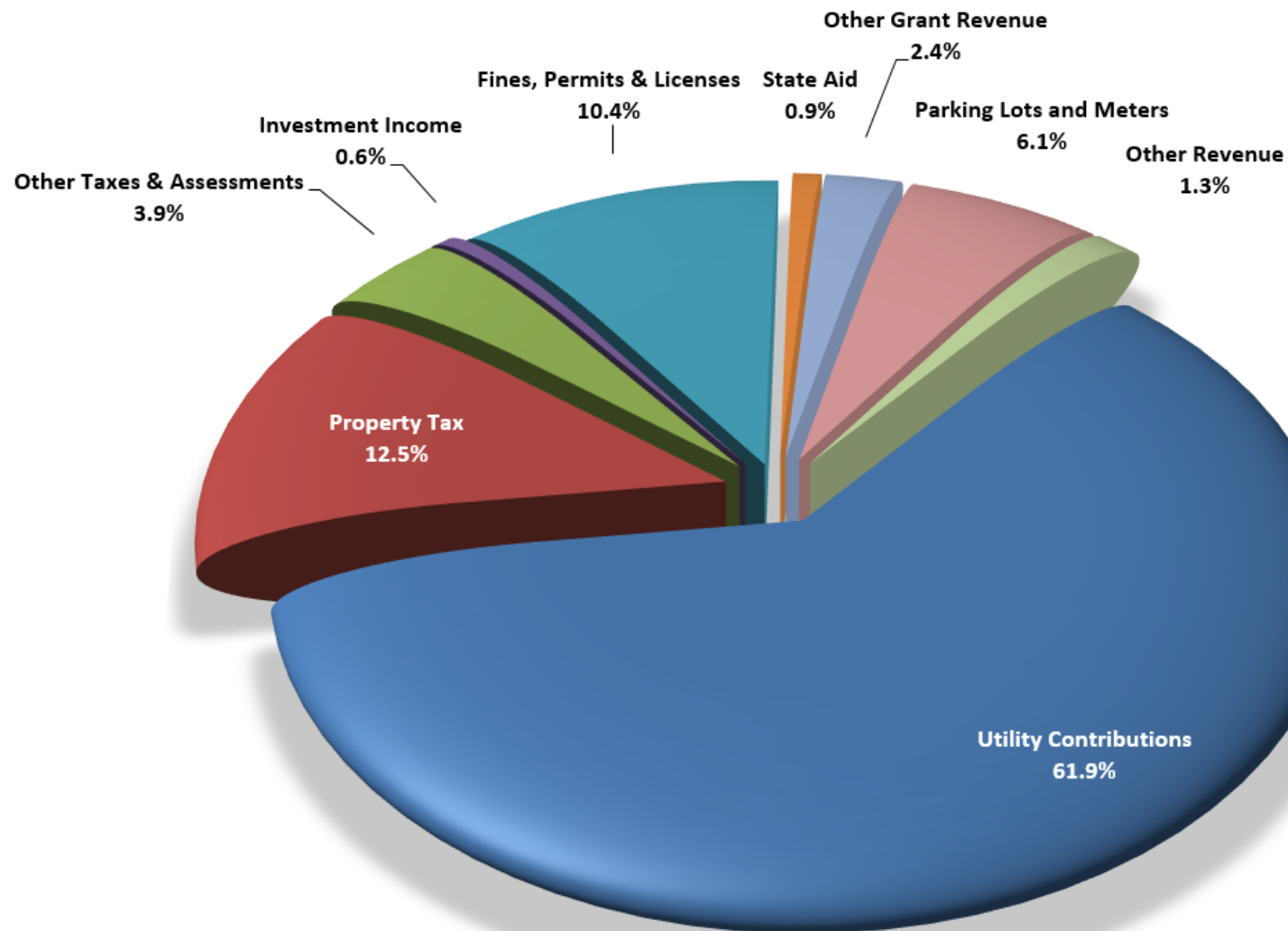
2015 Budget Summary

As recommended/with additional detail

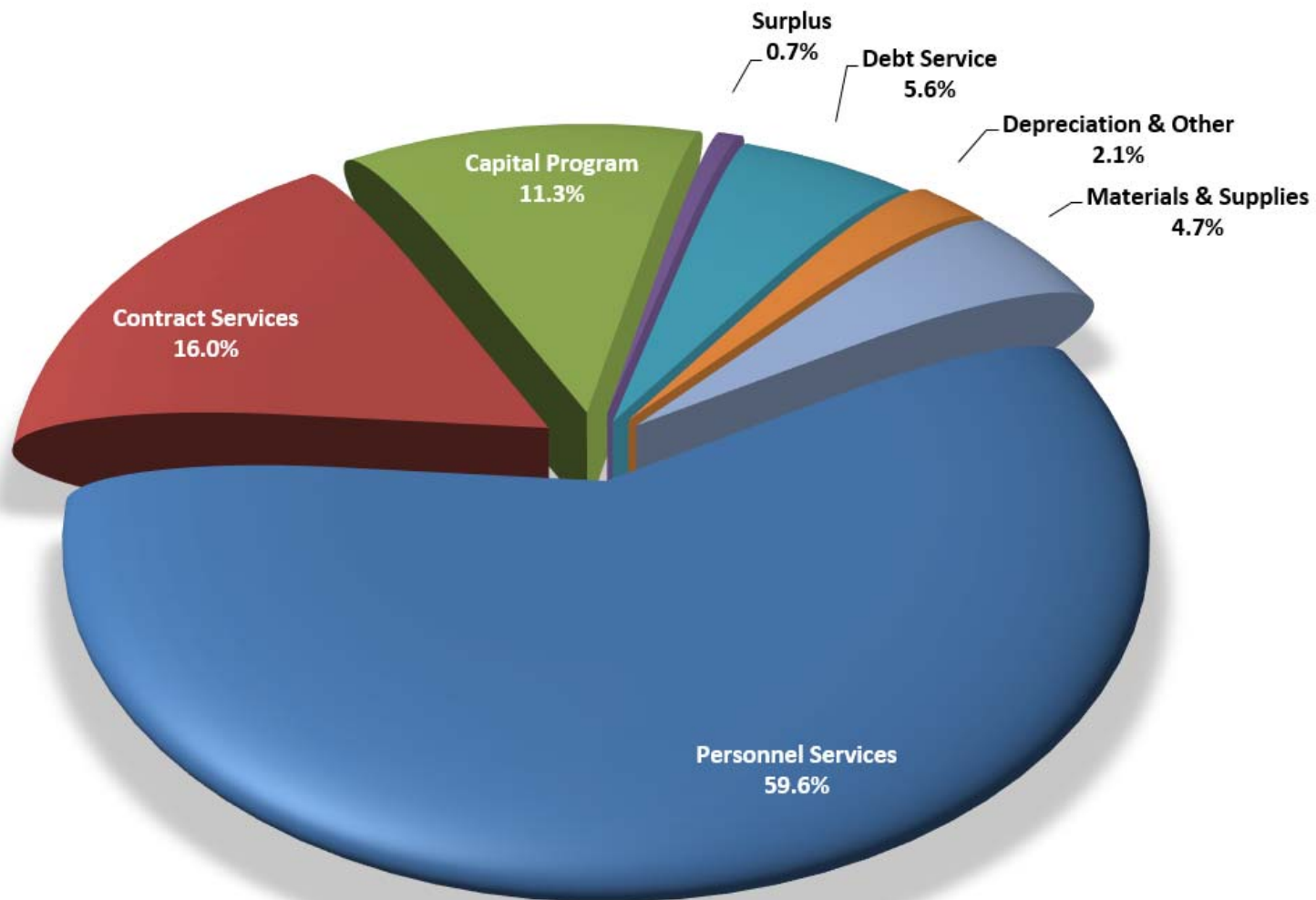
	<u>2014</u>	<u>2015</u>	<u>Percent Increase (Decrease)</u>	<u>2015 W/O Efficiency Initiatives</u>
Operating Budget	\$ 36,194,321	\$ 37,418,494	3.4%	\$ 38,976,786
Capital Budget	4,686,483	5,130,701	9.5%	5,130,701
Debt Service	2,226,988	2,566,527	15.2%	2,566,527
Unappropriated Surplus	<u>200,185</u>	<u>315,843</u>	<u>57.8%</u>	<u>(1,242,449) *</u>
 Total	 <u>\$ 43,307,977</u>	 <u>\$ 45,431,565</u>	 <u>4.9%</u>	 <u>\$ 45,431,565</u>

*Difference of more than \$1.5 million in operating expenditures would require some combination of cuts and a tax increase of at least 21.8% (\$0 surplus) or approximately 27.3% (\$315,843 surplus) to remedy 2015 deficit

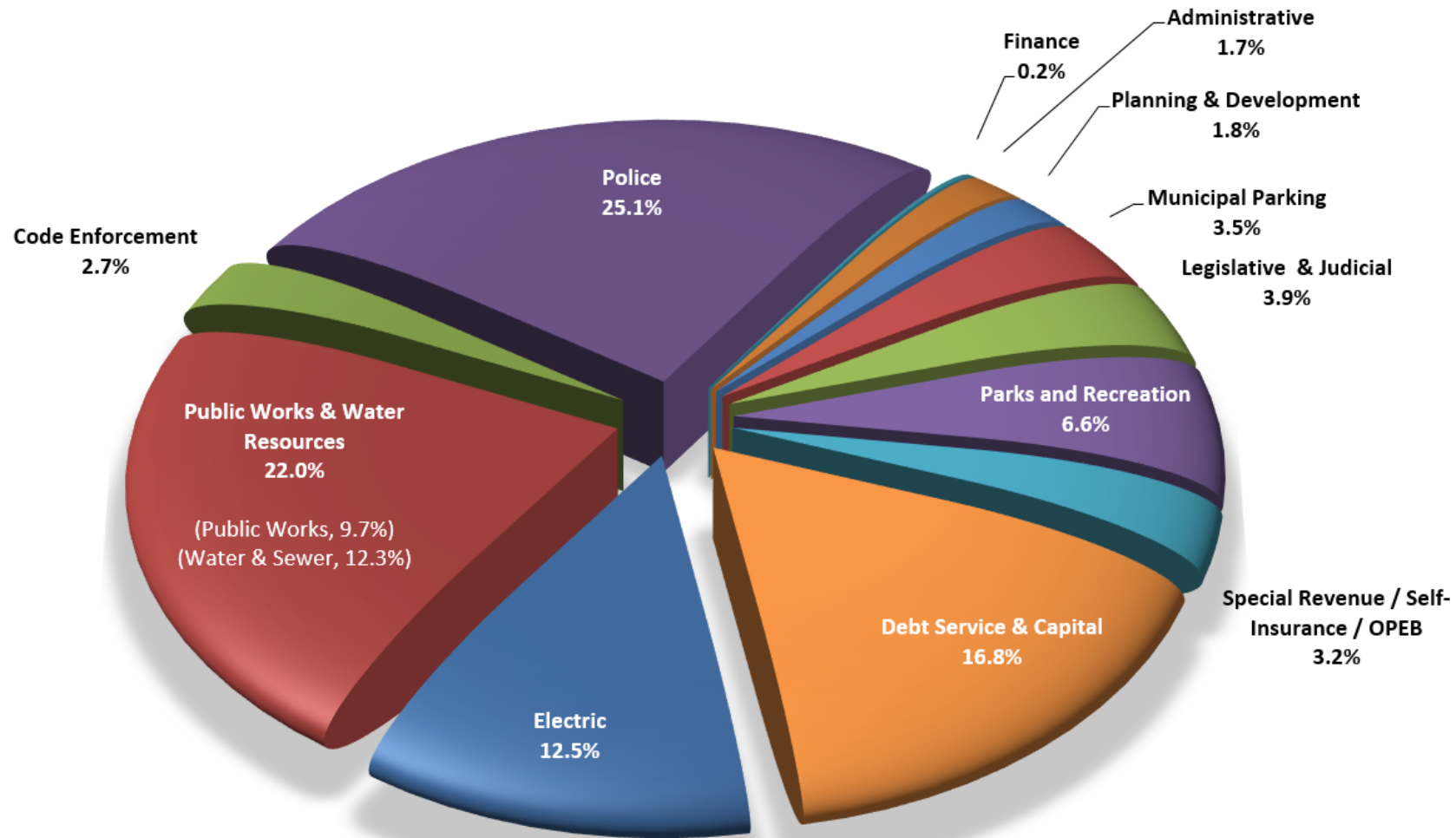
REVENUES BY TYPE 2015 BUDGET



EXPENDITURE BY FUNCTION 2015 BUDGET



EXPENDITURES BY DEPARTMENT 2015 BUDGET



City of Newark General Fund

- ❑ 2015 Projected Revenues: **\$13.2 million**

(before utility transfers of \$11.7 million)

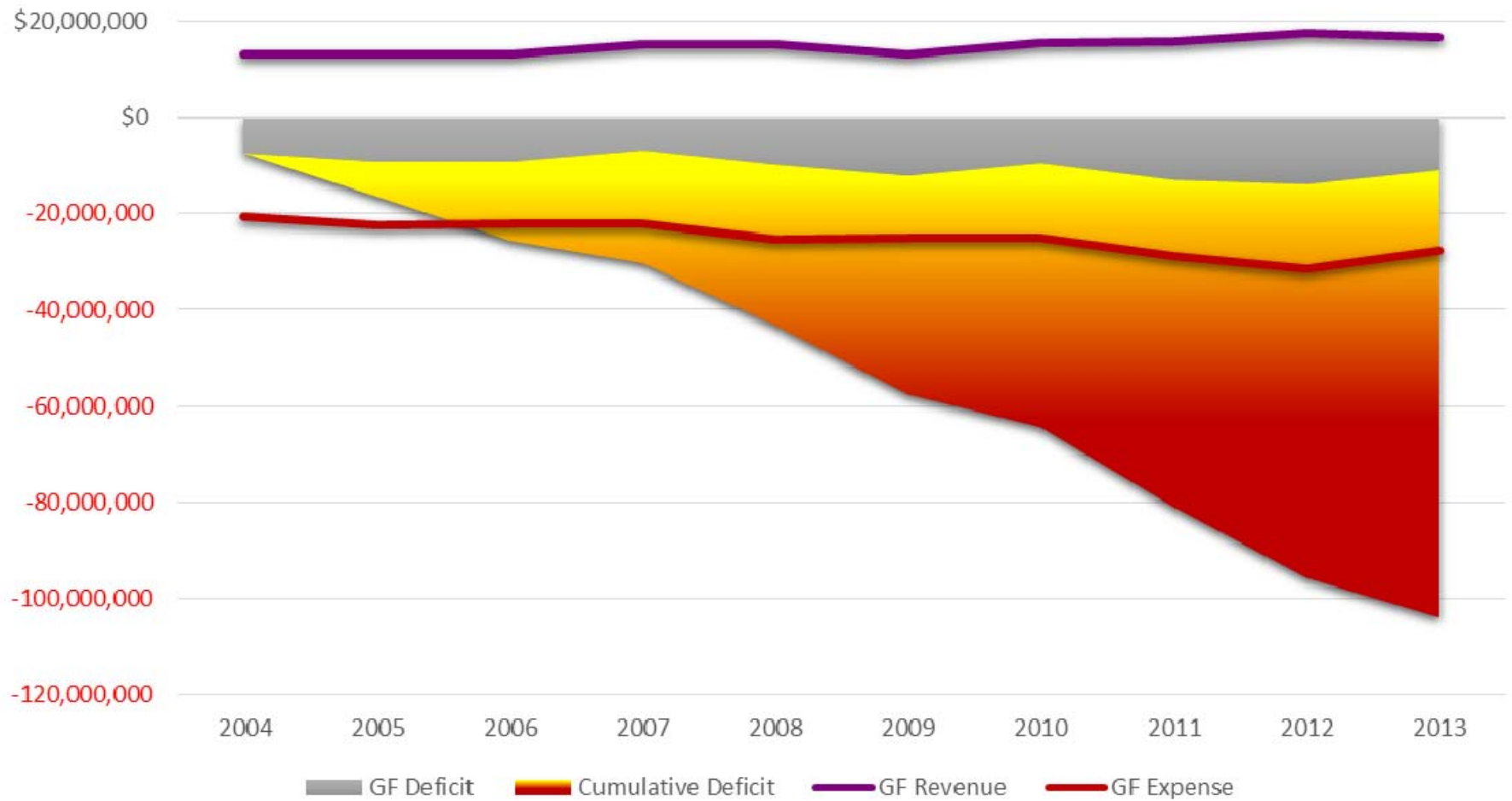
- Property Taxes, \$5.7 million
- Transfer Taxes & Franchise Fees, \$1.7 million
- Permits/Licensing, \$1.9 million
- Fines, \$2.2 million
- Grants, Parks & Other, \$1.8 million

- ❑ 2015 Projected Expenses: **\$24.9 million**

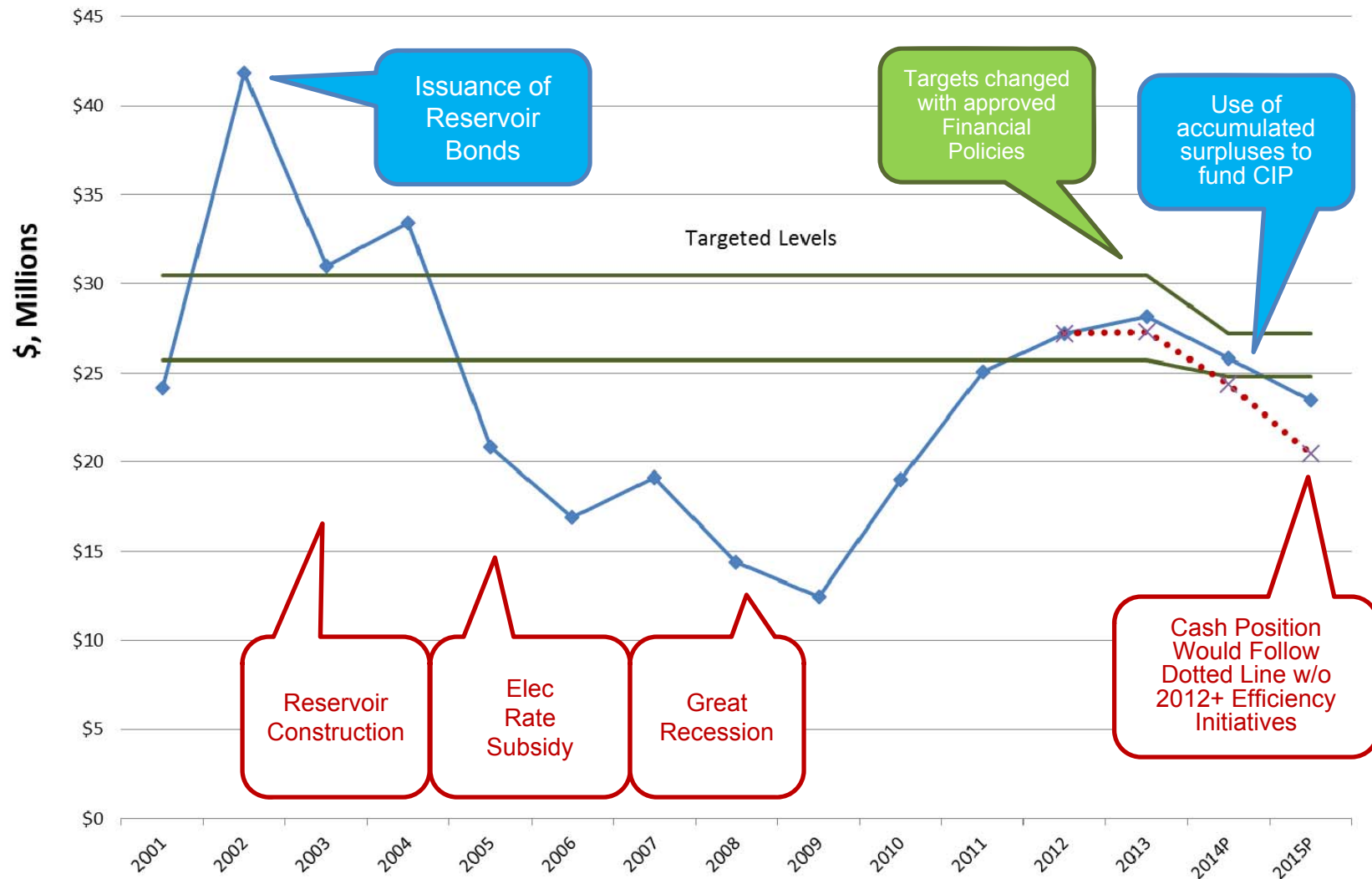
(including Street Fund & other Gov't Funds)

- Public Safety, \$11.8 million
- Parks & Recreation, \$3.0 million
- Public Works, \$5.0 million
- Administration and related, \$5.1 million

General Fund Insolvency



City of Newark, Delaware - Actual and Projected Cash Balances



2014 Accomplishments

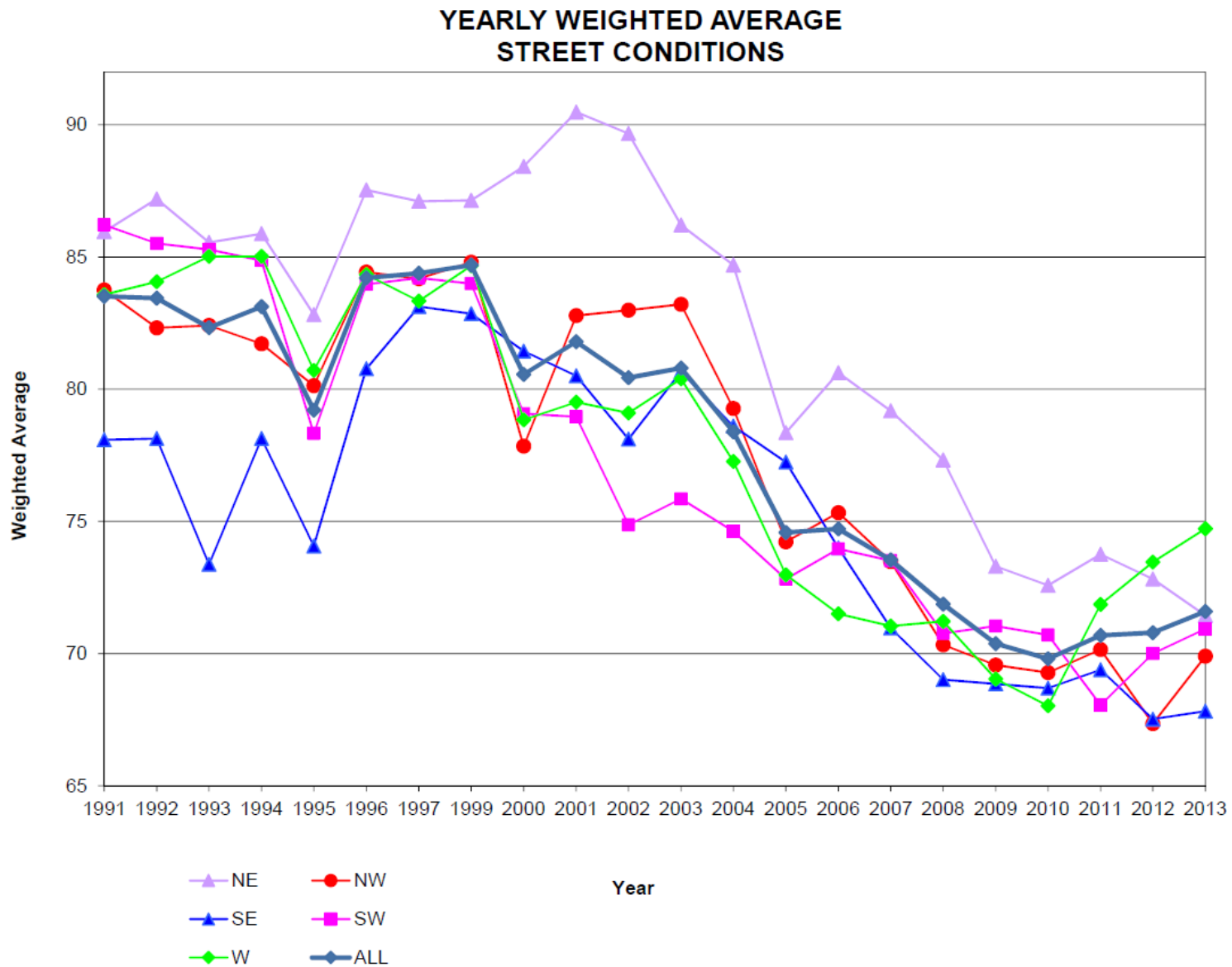
- Completion of Smart Meter Project
- Voltage Upgrade at Binns & Devon Development
- Transformer at Phillips Avenue Substation
- Completion of Cherry Hill Manor Service Road
- New 16" Water Line Crossing of the White Clay Creek
- Phase 1 of the Upper Christina Stream Restoration
- Replacement of 4,400ft of 6" Water Mains
- Completion of 2014 Annual Street & Handicap Ramp Programs
- Filter Rehabilitation at Curtis Plant
- Completion of Curtis Mill Park Construction
- Installation of Sub-surface Drainage & Sod at the Hill Park Baseball Field
- Installation of Debit/Credit Enabled Parking Meters
- Completion of Parking Lot 3 Center Street Entrance & Exit
- Voice Over IP Telephone Upgrade
- Installation of Police Interview Room Camera System
- IT Infrastructure Projects:
 - ESRI ArcGIS Server
 - IT Virtualization Project
 - Laptop & Desktop Modernization & Standardization

Key Projects - 2015

- Annual Street Program: \$1.0 million
- Annual Water Main Replacement: \$1.0 million
- Sanitary Sewer Study & Repairs: \$500,000
- Paper Mill Road & CMP¹ Storm Water Improvements: \$436,000
- STAR Campus Substation: \$8.9 million
- Lot #1 Parking Garage: \$14.1 million
- Hard Surface Improvements: \$150,000
- Vehicle Replacements: \$171,500
- LED Streetlight Conversion: \$581,000

¹Corrugated Metal Piping

Annual Street Program



Water Main Replacement & Sanitary Sewer Study/Repairs

All dollar amounts are expressed in thousands

Infrastructure Category	Inventory ***	Expected Service Life	Cost/mi	Comment	Replacement per year ****	Cost/yr	2015 Budget Funds	2015 Gap	2016 Budget Funds	2016 Gap
Water Mains	150 miles	100 years	\$ 1,000	Replace - restores full life	1.5 miles	\$ 1,500	\$ 1,000	\$ 500	\$ 1,500	\$ -
Sanitary Sewer Mains	95 miles	100 years	500	Reline - restores 50-years	0.95 miles	475	400	75	400	75
Streets (City)	65 miles	17.5 years *	490	50% full depth, 50% overlay	3.71 miles	1,818	1,000	818	1,300	518
Storm Sewer (Concrete)	80 miles	85 years	1,200	Replace - restores full life	0.94 miles	1,128	1,000	128	1,000	128
Storm Sewer (Metal)	5 miles	15 years **	1,000	Replace with concrete	0.33 miles	330	200	130	200	130
Totals ►						5,251	3,600	1,651	4,400	851

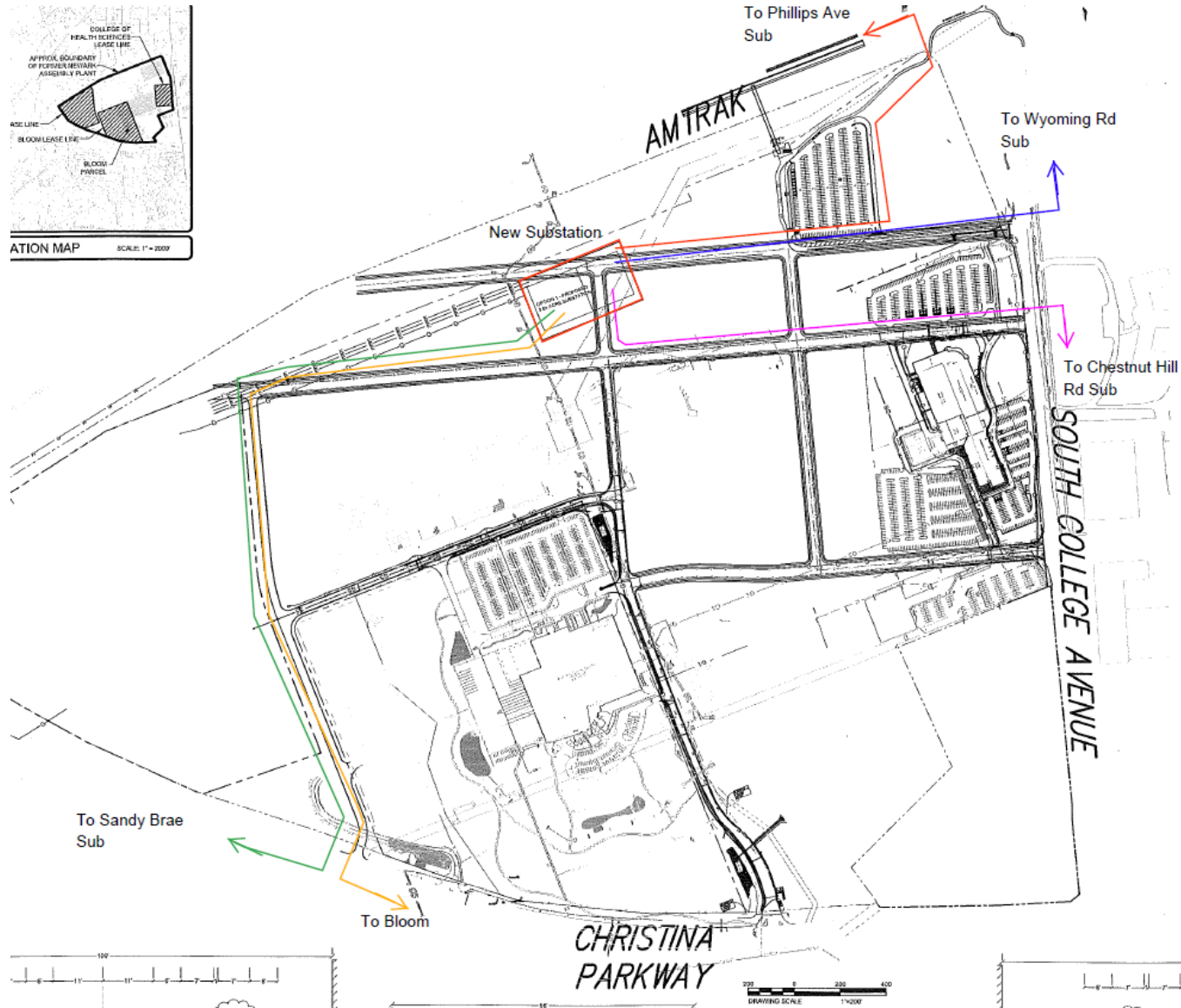
* Average value assuming a 20-year life for full depth restoration and 15-years for 2" overlay. Life varies significantly based on traffic loading and material quality

** Metal storm pipe has not been used in the City for many years. Traditionally, a 25 year life for CMP applies, but most is severely deteriorated and in need of replacement

*** Inventory lengths reflect our best available current records. Road miles are the only survey grade values at this point and all others will change as we complete surveys

**** Replacement costs include structures like manholes, valves, catch basins, curbing, etc. in an effort to give a simple replacement value for an average street, main, etc.

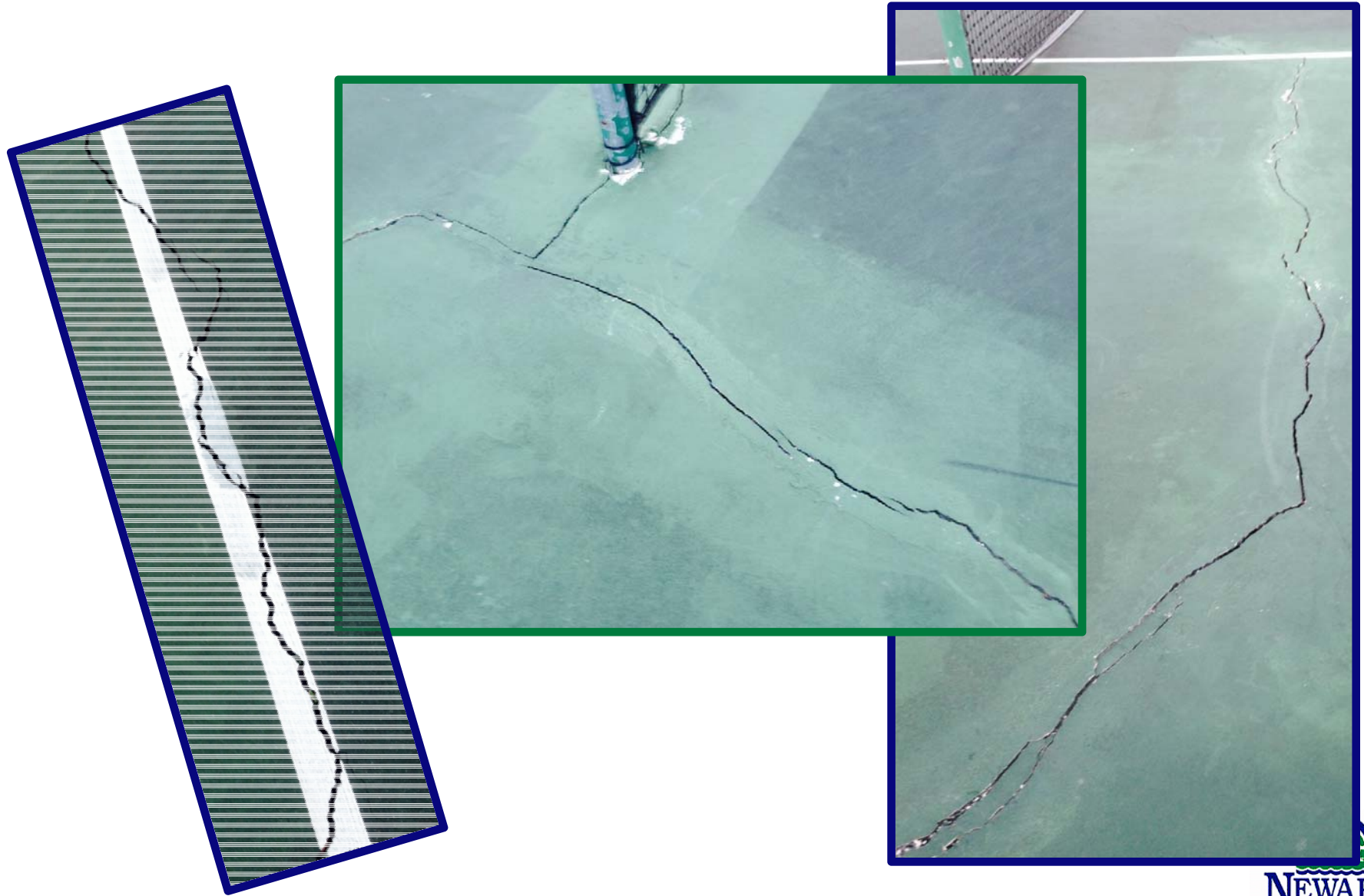
STAR Campus Substation



Lot #1 Parking Garage



Parks & Recreation – Hard Surface Repair



Vehicle Replacements



- Limited vehicle replacements scheduled for 2015
- \$606,500 in vehicle & equipment replacements deferred into out years of vehicle replacement program
- \$171,500 will be used to replace:
 - ❑ One police patrol vehicle ('05 Ford CV)
 - ❑ One maintenance vehicle ('01 Dodge Van)
 - ❑ Two Parks Vehicles
 - '99 Dodge Caravan
 - '01 Ford F550 Dump Truck (#1433)



LED Street Lights – why transition?

- Street lights are a large use of municipal power
 - In 2013, Newark used about 8,000 MWh (municipal bldgs., utilities, parks, etc.)
 - About 2,400 MWh (30%) was consumed by street lights
- LED Project payback is less than 8.5 years, conservatively
 - Estimated budget cost of \$580,000 to replace some gooseneck style lights (780-250 W and 123-400 W)
 - Lower annual electricity costs for LED bulbs (About \$55,000 / year)
 - Expected LED bulb life is 20 years compared to High Pressure Sodium (HPS) bulb life of 5 years (reduced parts and labor)
- Reduced carbon footprint
 - 250 W HPS lights use 296 W – Equivalent LED bulbs use 143 W
 - 400 W HPS lights use 464 W – Equivalent LED bulbs use 216 W
 - Transition to LED saves about 600 MWh / year
 - By contrast, McKees Solar Park generation is about 270 MWh / year
 - This transition will reduce Newark's electricity use by 7.4%
 - CO₂ generation will be reduced by 600,000 pounds per year
 - Equivalent to planting approximately 12,500 trees
- Better light quality and color with reduced light pollution
 - All light generated is focused on road with no light escaping above fixtures into neighboring windows
 - Reduced urban night glow and glare

LED Street Lights – why transition?

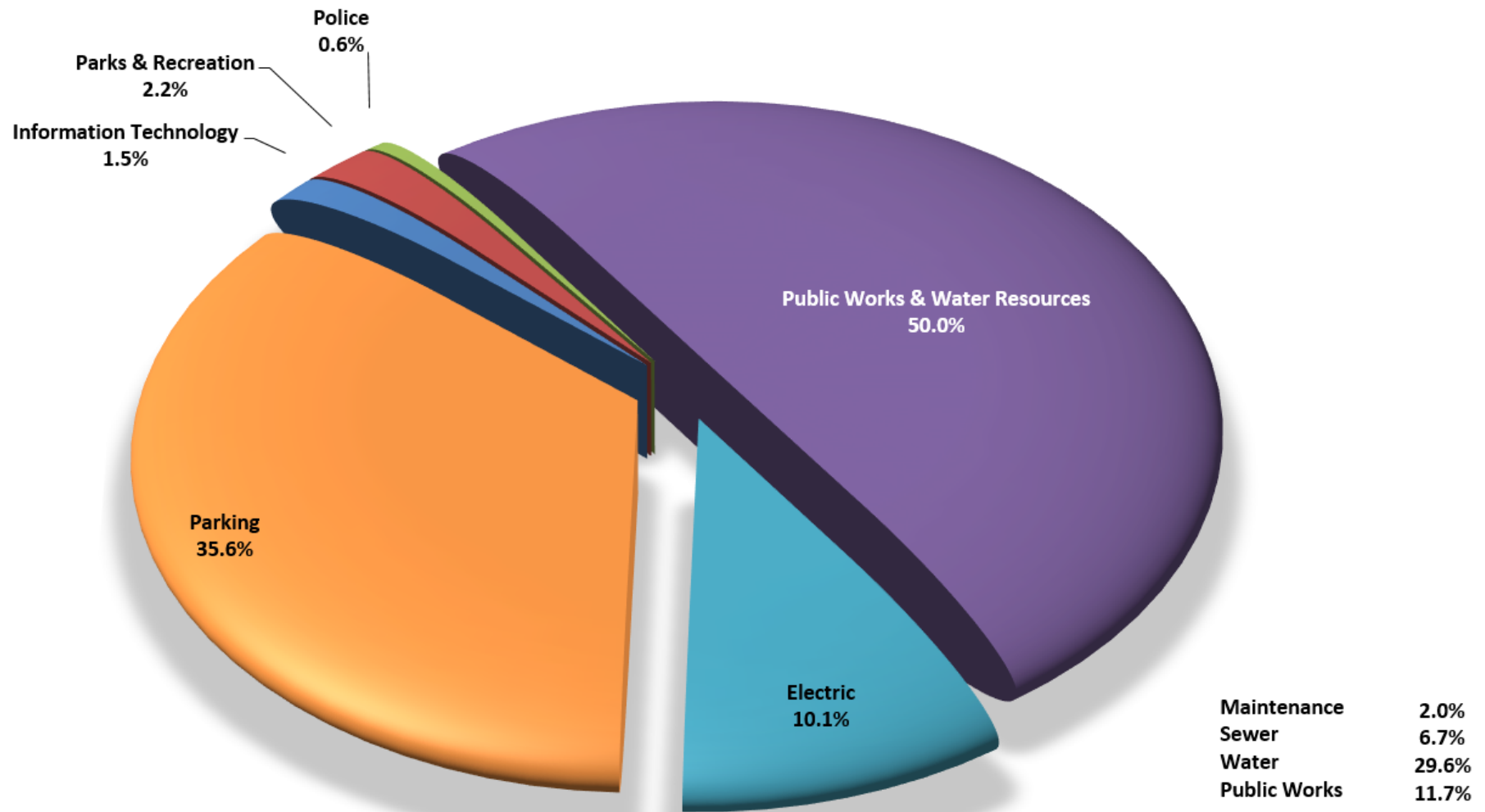
- Side-by-side comparison of LED versus HPS



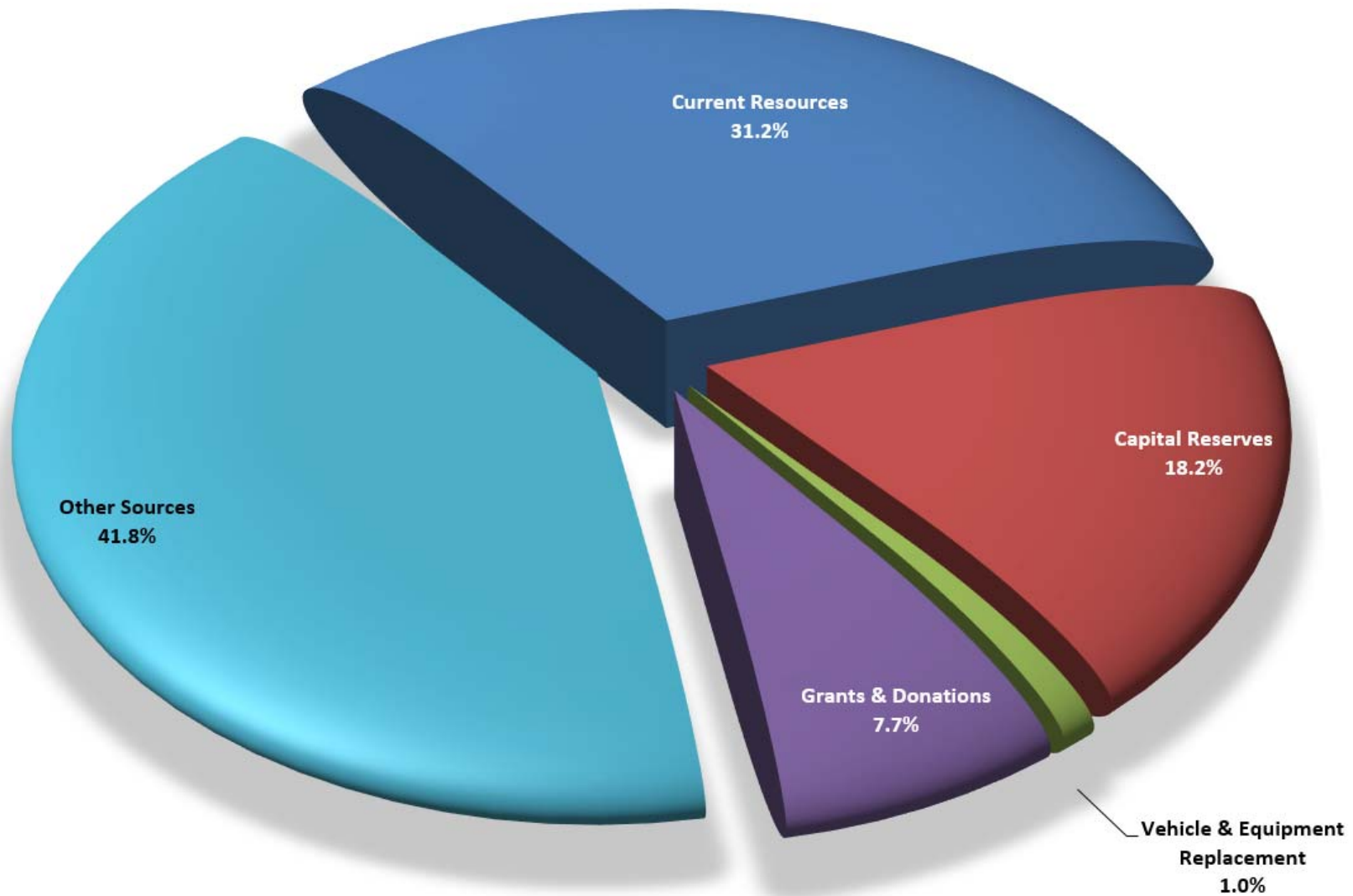
2015-19 CIP Program Totals

	2015	2016	2017	2018	2019	Total Out-Years	Total CIP
General Fund							
Capital Improvement Program							
Administration	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 20,000
Information Technology	243,542	227,300	-	-	-	227,300	470,842
Legislative	-	-	-	-	-	-	-
Parks & Recreation	356,000	1,996,000	2,055,000	145,000	118,000	4,314,000	4,670,000
Code Enforcement	-	175,200	95,000	-	-	270,200	270,200
Police	102,000	421,000	206,000	3,000	177,000	807,000	909,000
Public Works	1,923,564	3,188,000	2,010,000	1,845,000	1,835,000	8,878,000	10,801,564
Total General Fund	\$ 2,625,106	\$ 6,007,500	\$ 4,386,000	\$ 1,993,000	\$ 2,130,000	\$ 14,516,500	\$ 17,141,606
Enterprise Funds							
Capital Improvement Program							
Electric	\$ 1,675,015	\$ 1,813,000	\$ 9,735,000	\$ 1,493,000	\$ 409,000	\$ 13,450,000	\$ 15,125,015
Water	4,869,668	7,397,705	5,146,000	3,535,350	3,617,891	19,696,946	24,566,614
Sewer	1,100,000	500,000	600,000	700,000	750,000	2,550,000	3,650,000
Parking	5,860,325	9,100,230	3,349,450	31,050	100,000	12,580,730	18,441,055
Total Enterprise Fund	\$ 13,505,008	\$ 18,810,935	\$ 18,830,450	\$ 5,759,400	\$ 4,876,891	\$ 48,277,676	\$ 61,782,684
Internal Service Funds							
Capital Improvement Program							
Maintenance	\$ 330,000	\$ 75,000	\$ 25,000	\$ -	\$ -	\$ 100,000	\$ 430,000
Total Internal Service Funds	\$ 330,000	\$ 75,000	\$ 25,000	\$ -	\$ -	\$ 100,000	\$ 430,000
Comprehensive CIP	\$ 16,460,114	\$ 24,893,435	\$ 23,241,450	\$ 7,752,400	\$ 7,006,891	\$ 62,894,176	\$ 79,354,290

Gross Capital Expenditures by Department



2015 CIP Funding Sources



CIP Prioritization

Priority	Description
1	Highest Priority Level by default because project is underway and must be completed with the reserve funding identified
2	Highest Priority Level – truly critical need to remediate service level, avoid service interruption, or remediate a failing item or service. Must be 2015.
3	Medium High – the City would be taking a calculated risk in the deferral of this required project.
4	Medium – this project is a NEED and not a WANT, but there is no significant risk in deferring this project or purchase.
5	Medium Low – this project is a NEED and not a WANT, but it can be delayed and evaluated for 2016.
6	Low – this project was already deferred into 2016 in the CIP program, but should be reconsidered in 2016.
7	Low – this project is being considered in the 2017 CIP program.
8	Very Low – this project is being considered in the out years of the CIP program.

2015 CIP Priorities

2015 CIP Plan Year (2015 Net Funding) - Summary of Funding Priorities by Department

Row Labels	Priority Levels					Grand Total
	1	2	3	4	5	
Electric	47,580	625,000	-	-		672,580
IT		164,542	54,000	25,000		243,542
Maint		95,000		200,000		295,000
Parking		185,250		9,825	-	195,075
Parks		5,000	30,000	202,000		237,000
Police		64,500				64,500
Refuse	77,564	150,000				227,564
Sewer	407,249	150,000				557,249
Streets	377,931	264,895			70,000	712,826
Various		-				-
Water	492,203	1,206,522	76,640	150,000	-	1,925,365
Grand Total	1,402,527	2,910,709	160,640	586,825	70,000	5,130,701

