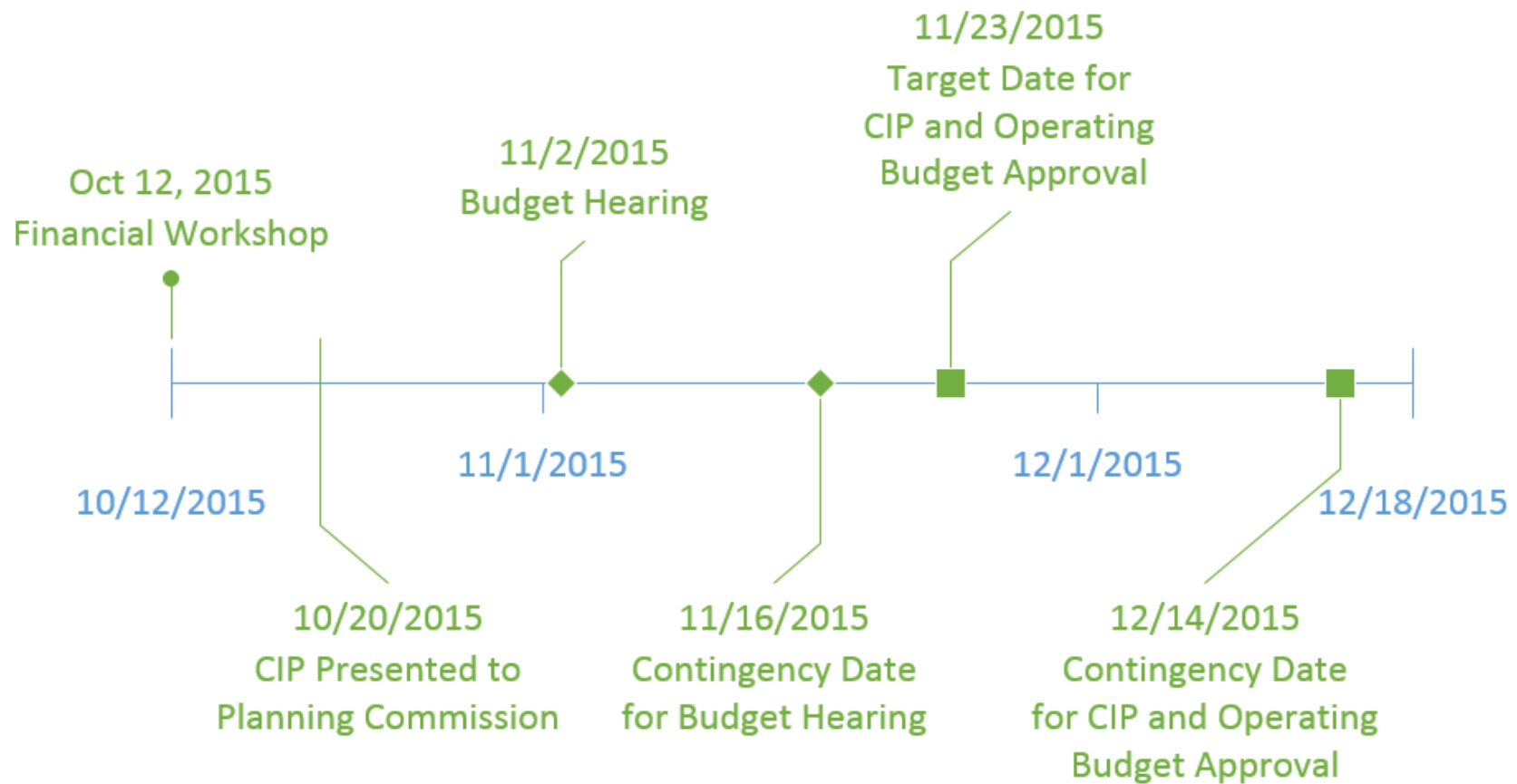


Financial Workshop

2016 Budget Overview



Budget Process – Next Steps





Pressure from Both Sides

- Non-utility revenue is generally flat
 - Some bright spots
 - Property assessment growth in 2015
 - Real estate sales resurgence
 - Areas of Concern
 - Fine receipts
 - Permit activity
- Expenses are increasing
 - Infrastructure Investments
 - O&M Requirements
 - Personnel Costs

Electric Utility

- Wholesale cost of power expected to increase by roughly 3%
- Together with possible 2015 over-collection, should still result in rebate through RSA on 2016 electric bills
- No significant change in utility bills until 2017, when performance capacity & transmission costs drive up rates
- Continued adherence to 2012 MOU with Governor Markell

Water Utility

- In discussions with rate consultant now
- Black & Veatch will present rate design concepts to Council
- Initial feedback is that diverting from initial study in 2013, 2015 and 2016 will impact future rate requirements
- Current assumption is that a rate increase of at least 7.2% will be required mid-2016
 - Allows time for rate study to be completed
 - Operating margin below 10%
 - Reduction of general fund transfer
 - Increase in water infrastructure investment

	Water Rates Since 2001 (cost per 1,000 gallons)							
	Effective 7/1/01	Effective 3/31/09	Effective 10/1/09	Effective 1/1/12	Effective 9/1/13	Effective 1/1/14	Proposed 1/1/15	Proposed 1/1/16
Properties Inside City Limits								
First 9522 gallons	\$3.03	\$3.49	\$4.71	\$5.39	\$5.65	\$6.07	\$6.50	\$6.50
All over 9522 gallons	\$3.86	\$4.44	\$5.99	\$6.86	\$7.21	\$7.73	\$8.28	\$8.28
Properties Outside City Limits								
First 9522 gallons	\$4.02	\$4.63	\$6.24	\$7.17	\$7.53	\$8.07	\$8.66	\$8.66
All over 9522 gallons	\$5.23	\$6.02	\$8.13	\$9.30	\$9.77	\$10.47	\$11.22	\$11.22
Quarterly Hydrant Charge	\$2.85	\$2.85	\$2.85	\$3.26	\$3.42	\$3.67	\$0.00	\$0.00
Average Increase (Flow Rate Only)		15.0%	35.0%	14.6%	5.0%	7.2%	7.2%	0.0%
Compound Annual Growth Rate as of 7/1/2014, 7/1/2015, 7/1/2016						5.5%	5.6%	5.2%

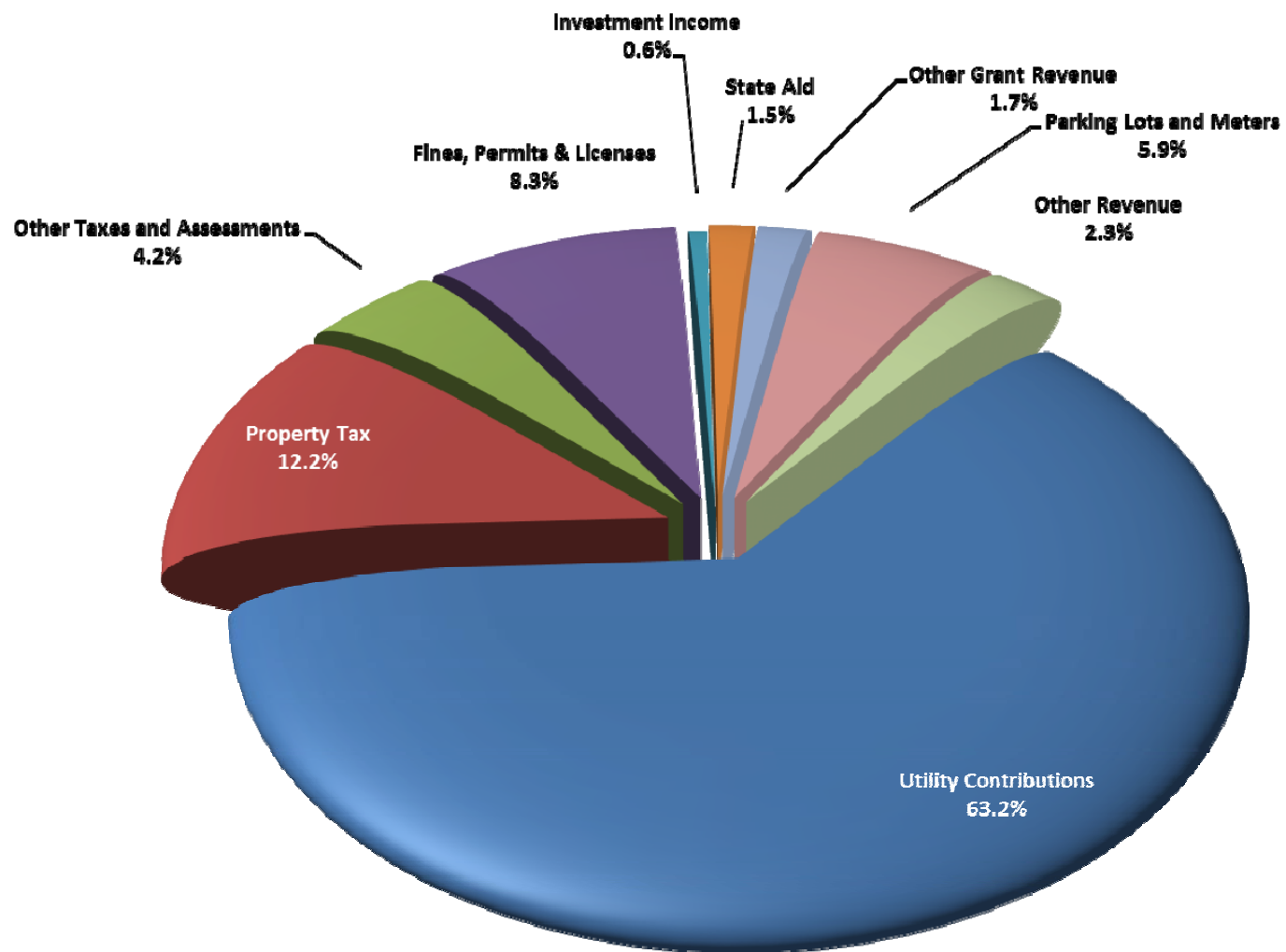
Sewer Utility

- County costs have been stable
- Internal O&M costs related to collection and transmission are increasing
- City flow rate increase required
 - Preliminary calculations indicate rate change from \$3.1482 to \$3.7746 per 1,000 gallons
 - Blended rate increase of 8.4%
 - Impact is approximately \$3.14 per resident per month (higher for commercial)
 - Enables sewer division to improve preventative maintenance and restore historical level of general fund transfer

General Fund

- Reduced reliance on transfers from the utility funds due to increasing costs and infrastructure needs
- 3.0% Tax Increase recommended
 - Offset cost increases
 - Offset reduced / flat transfers from the utilities
- Importance of public utility business model and striking a balance between use and overuse

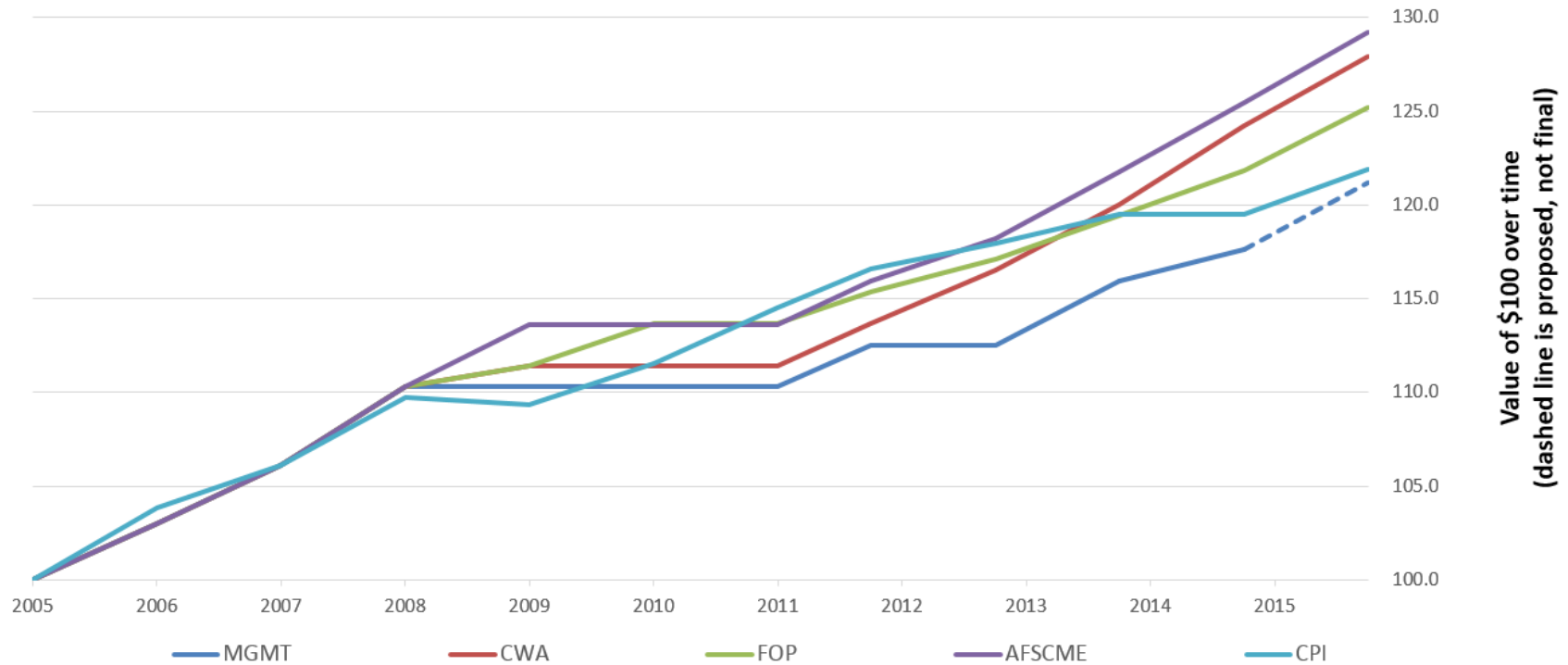
Total Sources of Funding



Personnel Expenses

- 2016 is the third of three years in all current union contracts
- Rates are increasing by 3% for AFSCME and CWA; 2.75% for FOP
- Management rate increases are recommended at 3%
- This wage progression, along with other personnel costs, are impacting the budget by \$1.5 million

CPI vs Labor Increases, 2005-2016



CPI data through 2015 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 9/30/15 from <http://www.bls.gov/data/>

2016 CPI estimated at 2% based on fed target rate of inflation published at www.federalreserve.gov/FOMC

Personnel Expenses

- Efficiency initiatives beginning in 2012 continue to save roughly \$450,000 annually
- Management Benefit Reductions continue to save over \$165,000 annually
- Health insurance changes expected to continue saving approximately \$136,000 annually



Priority Levels Simplified

PROJECT PRIORITY LEVELS

- | | |
|----------------------------|---|
| 1 - Highest Priority Level | Project underway and must be completed |
| 2 - High Priority Level | Critical need to remediate failing service, prevent failure, or generate savings |
| 3 - Medium-High | The City would be taking a calculated risk in the deferral of this item |
| 4 - Medium | This project is a NEED and not a WANT, but no significant risk in the deferral of this item |
| 5 - Low | This project is a NEED and not a WANT, but it can start in year two of this CIP or later |

Priority Levels Matched to Last year's Process

CITY OF NEWARK, DELAWARE CAPITAL BUDGET - PROJECT DETAIL			
DEPARTMENT:	ENTER DEPT HERE		DIVISION: DIV, IF APPLICABLE
PROJECT NO: E16XX	PROJECT TITLE: ENTER PROJECT TITLE		PROJECT LOCATION: ENTER PROJECT LOCATION
PROJECT STATUS (CHECK ONE): ☐ NEW ☒ IN PRIOR PROGRAM ☐ IN PROGRESS			
PRIORITY: 2 - High Priority Level Critical need to remediate failing service, prevent failure, or generate savings			
COMPREHENSIVE DEVELOPMENT PLANNING VISION ELEMENT: Sustainable Community			
Charter § 806.1(2) DESCRIPTION & JUSTIFICATION:			

Comp Plan Vision Elements Added

Code
References

§ 806.1(3) SUMMARY OF PROJECT DATA		PROJECT COST BY CATEGORY					
First Year in Program		CLASSIFICATION	ACCOUNT NUMBERS		AMOUNT		
Est. Completion Date		Labor					
Est. Useful Life (in years)		Materials					
Est. Total Cost		Other Contracts					
Est. Spend @ 12/31 (if underway) ¹		Total Project Cost			\$	-	
Balance to be funded ¹	-	¹ For ongoing projects, we must estimate total spent since inception through current year to derive the balance to be funded thereafter.					
% Complete (if underway)							
PROJECT FINANCING BY PLAN YEAR							
§ 806.1(3) SOURCE OF FUNDS	PRIOR ²	2016	2017	2018	2019	2020	TOTAL

§ 806.1(4) ESTIMATED ANNUAL COST OF OPERATING / MAINTAINING PROJECT OR ASSET						
OPERATING IMPACT	2016	2017	2018	2019	2020	TOTAL
INCREMENTAL COSTS (NET SAVINGS)						-

Operating
Impact
Added

Capital Projects

Priority Level 1

• Equipment Replacement	\$2.3 million
• Refuse	\$1.1 million
• Electric	\$0.4 million
• Streets & Water	\$0.3 million each
• Police & Other	\$0.2 million
• Salt Shed Rehab/Replacement	\$350,000
• Water Main: Windy Hills to Red Mill	\$330,000
• Sewer System Master Plan	\$250,000
• Storm Drainage Improvements	\$132,000
• ADA Accessibility Transition Plan	\$120,000
• Pedestrian Crossing Signalization	\$100,000
• Water SCADA System	\$75,000
• Other Projects	\$280,000

Capital Projects

Priority Level 2

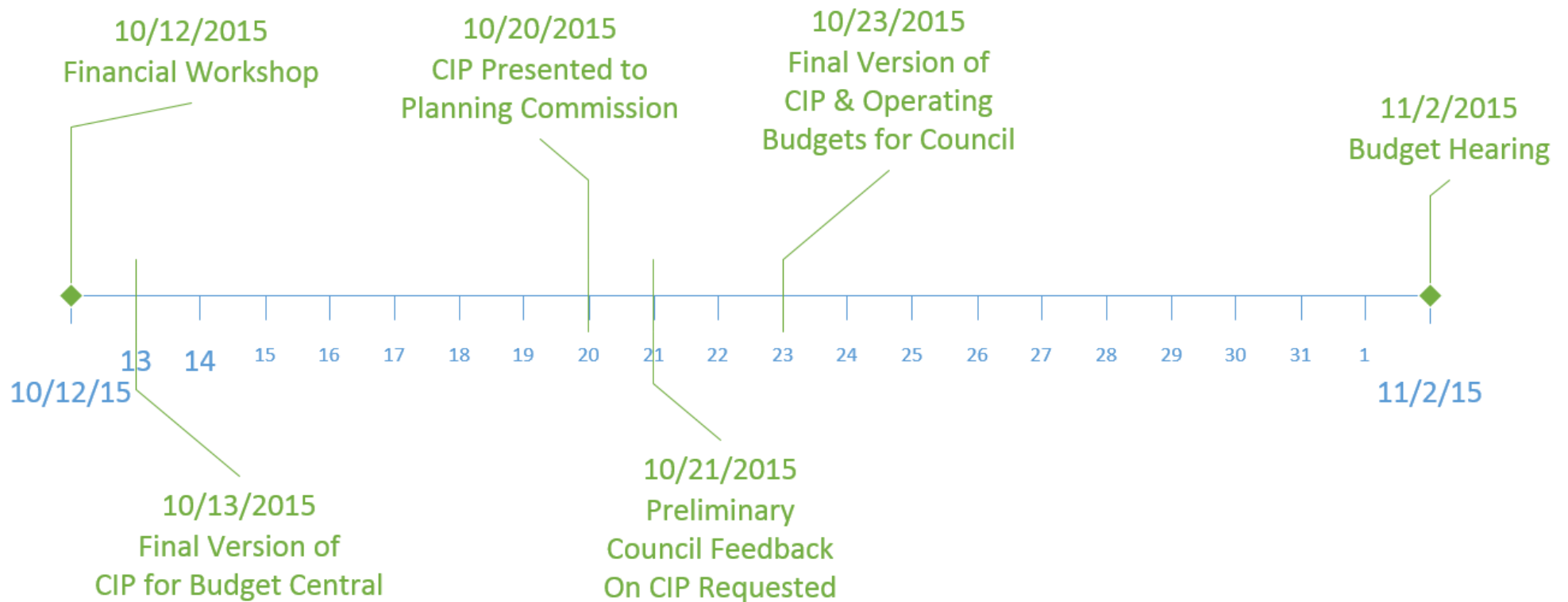
• Annual Street Program	\$1 million
• Water Main Renovation	\$1 million
• Electric Transformer	\$606,000
• Electric SCADA System	\$501,000
• Sanitary Sewer Study/Repairs	\$500,000
• Water Tank Maintenance	\$475,000
• Newark Transportation Plan	\$380,000
• Re-Bed South Well Field Filters	\$263,000
• Water Disinfection Equipment	\$250,000
• Electric Conductor Upgrades	\$190,000
• Digital Records Management	\$140,000
• Other Projects	\$901,000

Capital Projects

Priority Level 3-4

• Lot #1 Surface Preparation	\$155,000
• Water Storage Reconfiguration	\$150,000
• Newark Fiber Network	\$100,000
• Virtualization Host Replacement	\$67,000
• Parking Lot Surveillance	\$65,000
• Spare Sewer Pumps	\$60,000
• Parks Facilities Accessibility	\$40,000
• Rittenhouse Footbridge Rehab	\$35,000
• Accident Reconstruction (Leica)	\$35,000
• Rugged Tablets for Electric & PWWR	\$32,000
• Sewer SCADA System	\$25,000
• Other Projects	\$59,000

Budget Process – Next 21 Days



Capital Projects

Q&A / Feedback

- Project Specific Questions
- Direction on Prioritization



THANK YOU!

NEWARKDE