CITY OF NEWARK
DELAWARE

November 30, 2015

TO: Mayor and City Council

FROM: Carol S. Houck, City Manager
Louis C. Vitola, Finance Director

SUBJECT: Slides Updated for Budget Hearing #2 (November 30, 2015)

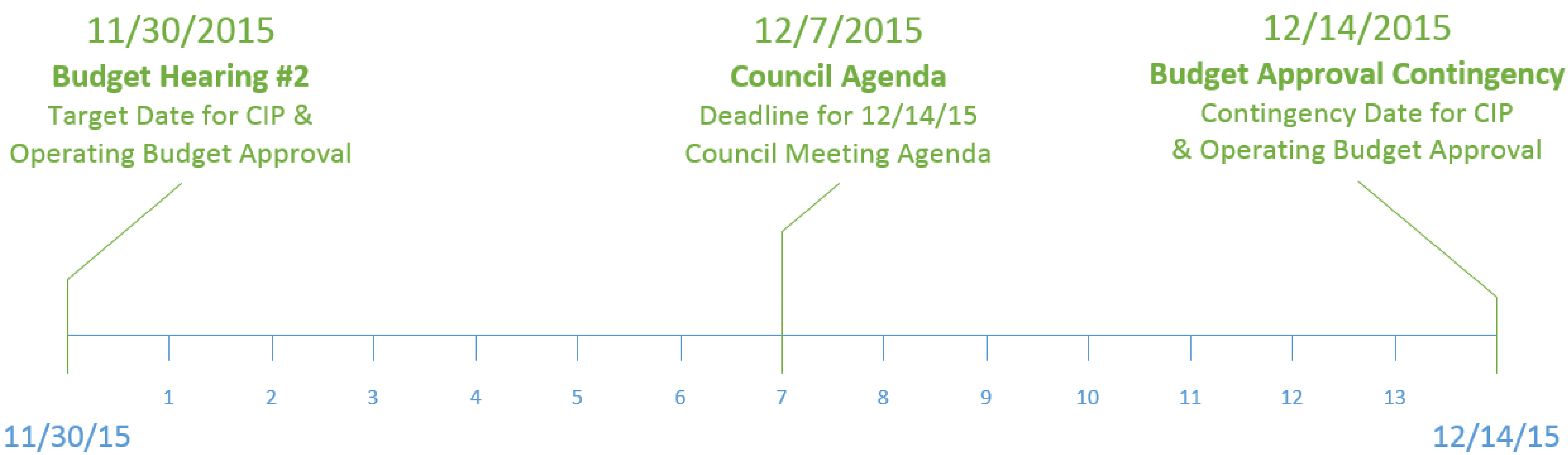
Please be advised that we have reordered two of the slides in the presentation published and distributed on November 23, 2015, and we have also added two slides (15 & 18) to the presentation. Slide 15 was individually posted to Budget Central, while the entire revised presentation was also posted to Budget Central. The minor changes simply serve to provide additional information.

attachments

2016 Budget Hearing #2

November 30, 2015

Budget Process – Final Steps



A comprehensive schedule of all public budget meetings and hearings with agenda, prior presentations, and links can be found here on Budget Central: http://cityofnewarkde.us/DocumentCenter/View/6262

Changes Made after Hearing #1

- Eliminated Project IT1607 – Citizen Engagement Portal
  - (no impact on 2016 budget)
- Advanced K1602 – Folk Park Picnic Shelter ($45,000) into 2016; pushed $45,000 of K1301 (Phillips Lot) into 2017
  - (net $0 impact on 2016 budget)
- Moved IT1610 – Parking Lot Cameras into the Parking Fund, renumbered V1601
  - (net $0 impact to consolidated budget; increased general fund surplus, decreased parking fund surplus)
- Updated certain Operating Budget Lines
  - $20,000 anticipated in NPD reimbursable overtime line added to ordinary overtime line (grant funding level may change)
  - Additional costs reflected in Parks budget (fireworks & tennis court maintenance)
  - $12,000 in bike share funding added
  - Moved Aetna subvention from general fund to water fund; added per-meter fire protection surcharge to increase subvention

Fund by Fund Summary

- Consolidated Surplus* is about $452,000
  - Electric Fund surplus of $145,000 is not available for transfer
  - Sewer Fund surplus of $95,000 is not available for transfer
  - Water Fund surplus of $101,000 is available for transfer but not recommended
  - Parking Fund surplus of $5,000 is nominal/minimized; no opportunity for meaningful transfer
  - Law Enforcement Fund surplus of $68,000 is not eligible for transfer (statutory)
  - Street Fund ($3,000) and Capital Fund ($24,000) surpluses are not eligible for transfer
  - General Fund surplus is $10,000 and should not be reduced further
  - Any reductions in project funding or operating expenses should accrue to the unappropriated surplus line

*Fund by fund surplus amounts reflect surplus remaining after transfers

Summary of Taxes and Rates

- 3.0% Property Tax Increase
  - Baseline increase required to avoid general fund deficit
  - No major changes or initiatives
    - Contractual wage progression in all union groups
    - 3.0% recommended non-union wage increase
    - 911 Dispatcher and Property Maintenance Inspector added to General Fund personnel expenses; part-time Customer Service Representative added to Finance Dept & shared by general fund
  - After enterprise fund transfers, general fund surplus is very thin
    - Moved IT project to Parking Fund
    - Moved Aetna subvention to Water Fund, pending Council approval

Summary of Taxes and Rates

- 8.4% Sewer Rate Increase
  - Two new equipment operators planned for 2016
  - Additional operating and maintenance (O&M) activities
    - Sewer line jetting
    - Manhole & Line inspections
    - Grease trap inspections
    - GIS platform development
      - Maintenance history, inspection data, topographic data
    - Assessing and recommending permanent improvements to recurring problem areas
    - Pump station maintenance
  - Restore sewer margin to 20% policy guideline
  - General fund transfer improvement ($1.5 million) to prevent general fund deficit

Summary of Taxes and Rates

- 7.2% Water Rate Increase
  - Keep pace with revenue requirements outlined in expiring rate study
  - Maintain water infrastructure funding
  - Maintain general fund transfer ($1.5 million) and prevent general fund deficit
  - Advancing the rate increase to January 1, 2016 (its original recommended implementation date) will provide $300,000 in additional funding for CIP Project W9308 – Water Line Rehabilitation
  - Shift Aetna Hose, Hook & Ladder Company subvention to water fund by implementing $1 fire protection surcharge (second reading 12/14/15)

City of Newark: Estimated Annual Infrastructure Maintenance Requirements versus 2015 & 2016 CIP Budget

(All dollar amounts are expressed in thousands)

Infrastructure Category	Inventory[1]	Expected Service Life	Cost/mi	Comment	Replacement per year[2]	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	$ 1,000	$ 500
Sanitary Sewer Mains	95 miles	100 years	500	Reline - restores 50-years	0.95 miles	475	400	75	500	(25)
Streets (City)	65 miles	17.5 years[3]	490	50% full depth, 50% overlay	3.71 miles	1,818	1,000	818	1,000	818
Storm Sewer (Concrete)	80 miles	85 years	1,200	Replace - restores full life	0.94 miles	1,128	-	1,128	-	1,128
Storm Sewer (Metal)	5 miles	15 years[4]	1,000	Replace with concrete	0.33 miles	330	200	130	132	198
					Totals ▶	5,251	2,600	2,651	2,632	2,619

[1]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

[2]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.

[3]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.

[4]Metal storm pipe has not been used for years. Typically, a 25-yr life applies, but most is severely deteriorated and in need of replacement that life was adjusted to 15 y

Funding Gap Options

- Option 1:
  - Increase water rates by 7.2% 1/1/16 as prescribed in study instead of 7/1/16 assumption in budget
  - Generates additional $300,000 for project W9308 to increase water main rehab from $1 million to $1.3 million in 2016
- Option 2:
  - 2A - Increase property tax rates by 3.5% more (6.5% total)
  - 2B – Increase property tax rates by 6.5% more (9.5% total)
- Combination of Option 1 & 2A or 1 & 2B
- Staff recommends combination of 1& 2B

Option 1

- Increase W9308 to $1.3 million
  - Current CIP draft proposes $1.0 million
  - $100,000 inspection & prioritization
    - Inspect 4 miles of lines under DelDOT roads
  - $900,000 line replacement & rehab
    - 1,600’ of Hillside Rd (pipe segment @ left)
    - 1,150’ of Winslow Rd (Apple to Beverly +)
    - 1,450’ – all of Ferncliff Rd
    - 720’ – all of Center St
  - How would $300,000 be utilized?
    - 460’ – all of Flora Cir (about $90,000)
    - 950’ to 1,150’ of water mains underlying DelDOT roads (about $210,000)
    - Would schedule based on inspection & prioritization project & DelDOT resurfacing plans

Option 2

- Option 2 (Additional Property Tax Increases)
  - Option 2A – increase property taxes 3.5% (6.5% total)
    - Generates $100,000 in 2016 & $200,000 annually thereafter
    - 2016 Plan – utilize $100,000 for corrugated metal stormwater pipe (CMP) inspections to develop prioritization
    - 2017+ Plan – add $200,000 per year to project H1301 – Storm Drainage Improvements
  - Option 2B – increase property taxes 6.5% (9.5% total)
    - Generates $187,500 in 2016 & $375,000 annually thereafter
    - 2016 Plan – utilize $100,000 for CMP inspections & $87,500 would be added to S0904 – Sanitary Sewer Repair and/or a City-wide Fats, Oils and Grease mitigation program
    - 2017+ Plan – add $200,000 per year to project H1301 and $175,000 per year to Annual Street Program

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CMP Pilot

Public Works has identified several high risk corrugated metal pipes (CMP) that are in need of rehabilitation

- Woods at Louviers – Pond 1 Outfall (Embankment)
- Woods at Louviers – Pond 2 Outfall (Embankment)
- Woods at Louviers – Pond 3 Outfall (Embankment)
- Freemont Road – 15 Freemont Road (Road Crossing)

Three of the four locations have pipes that have already failed (bottom rusted through) and the fourth location (Pond 3) is very close to failure and located under an extremely large embankment

Propose a lining material pilot project to test up to four different lining technologies across the four pipes

Proactive repair cost estimated at $10,000 to $35,000 per location

Reactive repair cost estimated at $75,000 to $100,000 per location

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CMP Pilot

Impact of Council Action on Estimated Infrastructure Funding Gaps

(All dollar amounts are expressed in thousands)

	Current Gap			2016 Funding Gaps after Council Action				
Infrastructure Category	**Annual Req'd Funding**	**2016 Budget Funds**	**2016 Funding Gap**	**Opt 1**	**Opt 2A**	**Opt 2B**	**Opt 1 & 2A**	**Opt 1 & 2B**
Water Mains	$ 1,500	$ 1,000	$ 500	$ 200	$ 500	$ 500	$ 200	$ 200
Sanitary Sewer Mains	475	500	(25)	(25)	(25)	(113)	(25)	(113)
Streets (City)	1,818	1,000	818	818	818	818	818	818
Storm Sewer (Concrete)	1,128	-	1,128	1,128	1,128	1,128	1,128	1,128
Storm Sewer (Metal)	330	132	198	198	98	98	98	98
	5,251	2,632	2,619	2,319	2,519	2,431	2,219	2,131

	2017 Funding Gaps after Council Action				
Infrastructure Category	**Opt 1**	**Opt 2A**	**Opt 2B**	**Opt 1 & 2A**	**Opt 1 & 2B**
Water Mains	$ 200	$ 500	$ 500	$ 200	$ 200
Sanitary Sewer Mains	(25)	(25)	(25)	(25)	(25)
Streets (City)	818	818	643	818	643
Storm Sewer (Concrete)	1,128	1,128	1,128	1,128	1,128
Storm Sewer (Metal)	198	(2)	(2)	(2)	(2)
	2,319	2,419	2,244	2,119	1,944

This slide was added on 11/30/2015

Project Funding by Category

City of Newark Capital Improvement Program (CIP)

Funding by Category (2016 component of 2016-2020 Proposal)

Project Category	Total Cost ($)	Total Cost (%)	2016 Funding ($)	2016 Funding (%)
Infrastructure	7,191,312	59.3%	3,963,494	81.5%
Vehicles / Equipment	3,154,465	26.0%	299,177	6.2%
Maintenance	461,265	3.8%	269,885	5.5%
Buildings / Structures	437,000	3.6%	215,353	4.4%
Planning / Asset Management	423,150	3.5%	115,712	2.4%
Efficiency / Equipment	459,759	3.8%	-	0.0%
Grand Total	**12,126,951**	**100.0%**	**4,863,621**	**100.0%**

Project Priority Discussion

Summary of 2016 Net CIP Spending by Department and Priority

	Priority Levels				
Department	**1**	**2**	**3**	**4**	**Grand Total**
Water	414,501	1,346,106	75,000		1,835,607
Electric	1,213,000	190,000			1,403,000
Street	183,823	486,910			670,733
Sewer	153,866		60,000		213,866
Parks & Rec	-	130,000	10,000	65,000	205,000
Info Tech		154,000	-	32,000	186,000
Maintenance	128,353				128,353
Code Enf Div		51,190		16,695	67,885
Parking	-	-	65,000	-	65,000
Police	6,177	35,000			41,177
Refuse	25,000				25,000
Admin				22,000	22,000
Grand Total	**2,124,720**	**2,393,206**	**210,000**	**135,695**	**4,863,621**

1 – Underway; highest priority
2 – High
3 – Medium High

4 – Medium
5 – Low
(Low priority projects are in out years)

Conclusion / Questions

NEWARK DE

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COUNCIL ACTION

- November 30, 2015 budget hearing
  - Operating Budget Approval
    - 3.0% / 6.5% / 9.5% Tax Increase Effective July 1
  - CIP Budget Approval
- December 14, 2015 along with the second reading
  - 7.2% Water Rate Increase Effective Jan 1
  - $1.00 per Month Fire Service Fee Added to Water Bill – Direct Subvention to Aetna
  - 8.4% Sewer Rate Increase Effective Jan 1