



CITY MANAGER'S OFFICE
CITY OF NEWARK

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October 31, 2016

Newark City Council
City of Newark, Delaware

2017 GENERAL OPERATING BUDGET MESSAGE

The Honorable Mayor and Members of City Council:

On behalf of the Administrative and Financial Departments of the City of Newark, with support from all departmental teams, I am pleased to submit our recommended 2017 General Operating Budget for your consideration, and approval. As required, this document represents the City's financial plan for the next fiscal year, taking into account experience, forecasting efforts, and Council direction. We attempted to align responsibilities with opportunities to better position our community for the future. As such, the budget ensures the continued provision of high levels of service and identifies the anticipated revenue sources to support our operations. The 2017 budget was developed based on a prioritization of needs for a well-rounded, full service city, requiring consideration be given to competing initiatives and community interests. As with recent years, time was devoted in 2016 towards evaluating options for increased operational efficiencies and cost savings.

Primary goals of the 2017 General Operating Budget and the associated Capital Improvement Program include addressing the needs and expectations of our community, while positioning ourselves to take advantage of innovative and/or progressive efforts to move our community forward, while managing costs and identifying future challenges. Developing meaningful partnerships, embracing efforts for economic development and improving our use of technology and communication with our citizens continue to be a high priority. Additionally, commitments to increase revenue diversification, aligned with gradually reducing our reliance on enterprise fund transfers into the General Fund will result in a more sustainable financial future.

Efforts to control costs in recent years serve as the impetus to identify additional opportunities or revisit past considerations where financial benefit may be derived. To that end, since 2012, we will have realized \$4.9 million of avoided cost savings through the end of 2017 (compared to our financial position had they not been enacted) as a result of instituting pension and healthcare reforms and operational changes with the support of Council, management staff and our employee unions. While these avoided costs were

reallocated to other areas of our operations, the availability to do so eased taxing requirements and continues to provide long-term benefits.

More pointedly, these accomplishments prevented the need for the City to find additional funding to finance our employee pension program by over \$470,000 this coming year, and have cumulatively, since 2012 saved over \$860,000 on management employee pension costs alone, having been the first to accept these benefit changes. Likewise, the avoided costs from our health insurance premiums are over \$505,000 since making the change to the Delaware Valley Health Trust (DVHT) in 2015, with high approval ratings from our employees. Our 2017 health insurance premium increase of 8% is half of what other local communities are reporting. Finally, the departmental reorganization of 2013 and the transfer station closure of 2015 will represent cumulative cost avoidance savings of \$2.1 million and \$490,000 respectively through 2017. The success of these employee benefit and organizational changes are at the core of fiscal responsibility for local governments and some of the hardest win-wins (employee/organization) for communities to achieve.

Finally, with significant consideration and effort on the part of all departments we present the consolidated 2017 Operating Budget and 2017 thru 2021 Capital Improvement Program (CIP). In summary, the core action items include:

- Tax increase of 9.0% (contributes \$300,000 in 2017 revenue; \$600,000 long-term annual revenue) – **(requires Council approval)**
 - Tax increase due to:
 - General Fund expenses not met by current revenues or transfers
 - Modified from 4.5% tax increase, pending forthcoming contract ratifications with an effective date of January 1, 2017
- Revenue enhancements from
 - Land Development, Construction Plan Review, and Inspection & Testing Tasks - \$200,000 – **(requires Council approval)**
 - Staff reviewed fees for Land Development, Construction Plan Review, and Inspection & Testing Tasks. Excludes impact fees
 - Parking Fee - \$100,000
 - Hold \$1.00/hour rate. Per Parking Committee recommendation, restructure off-street parking rate from \$.50/30 minutes to \$1.00/hour to cover increasing cost to run parking facilities. Maintain first 10 minutes for free
 - Emergency Services Fee - \$200,000 – **(requires Council approval)**
 - Building permit surcharge of 0.5% of the construction value as determined by the City of Newark
 - Additional revenue generated would fund public safety expenses and subvention to the Aetna Fire Department
 - Court Security Fee - \$45,000 – APPROVED BY COUNCIL
 - Fee increased from \$5 to \$10 per [Bill No. 16-27](#), and no longer has a sunset provision. Funding is to be used solely for the Alderman Court

- 4.5% Water rate increase necessary for 2017
 - The above noted increase does not reflect the outcome of stormwater utility discussions nor the final water/sewer rate study recommendations. However, the increase is necessary to fund 2017 budgeted operations. See stormwater utility presentation ([BV Study](#))
 - Contributes approximately \$440,000 in annual water revenue
 - The 2017 CIP provides for \$3,608,880 of Water Fund projects to be completed utilizing 2017 current year revenue totaling \$1,913,000

- No Electric rate adjustment for 2017
 - The 2017 CIP provides for \$1,765,500 of electric projects to be completed utilizing 2017 current year revenue totaling \$1,722,000 million

- 3% Sewer rate increase anticipated in 2017
 - The above noted increase does not reflect outcome of our stormwater utility discussions or the final water/sewer rate study recommendations. However, the increase is necessary to fund 2017 budgeted operations. See stormwater utility presentation ([BV Study](#))
 - Contributes approximately \$215,000 in annual sewer revenue
 - The 2017 CIP provides for \$1,013,675 of sewer projects to be completed utilizing 2017 current year revenue totaling \$720,000

- Responsible application of the \$4,355,000 in 2017 current resources toward capital improvements as follows:
 - Electric - \$1,722,000 – transformer & circuit replacement; new lines and services; Reconductor on Main Street; 12kv changeover; SCADA system; conductor upgrades; and vehicle replacement
 - Water - \$1,913,000
 - Water projects - \$1.5 million – water main, Windy Hills to Red Mill; alternative disinfection equipment; well restoration; water main renovation program; and water tank maintenance
 - Stormwater – \$440,000 - storm drainage improvements; NPDES Phase II stormwater quality
 - Sewer - \$720,000
 - Sewer projects - \$720,000 - sanitary sewer repairs; sewer system master plan; sewer pumps/pump station; SCADA system

2017 – Discussion of Challenges and Initiatives

In developing the 2017 budget, a process that began last spring, staff and I had the opportunity to again discuss our organizational challenges and initiatives. Certainly, the effort to compile our annual budget has not become easier, however, our interest to align funding for initiatives and services, across departments where it can provide the most benefit, reduce future costs when possible, and positively impact the character and economic vitality of our community remains our priority.

While challenges are sure to emerge when managing competing needs and interests as required of local governments, how we respond to these challenges is what will set our community apart from others. One only needs to consider how Newark met both its water quantity and quality challenges between years 2003 and 2006 by constructing both a 317 million gallon pumped storage reservoir and water treatment plant, (two of the state's "A" list projects aimed at improving self-sufficiency during times of drought) to understand our community's acumen for meeting challenges.

Our organization's most valuable resource, our personnel, currently makes up 62% of our overall budget costs. Likewise, increased personnel costs, including salary and benefit provision adjustments, new positions, or to recruit and maintain suitably skilled staff, impacts the budget's bottom line and with the exception of our enterprise fund departments (Water, Sewer, Electric, Parking) will require regular General Fund revenue enhancements. The 2017 "all in" personnel increase, before fully knowing the outcome of union negotiations is \$2.6 million. This figure further amplifies the importance of the pension, healthcare and operational reforms noted above. Additionally, our revenues have remained relatively flat, while the cost of providing services and meeting the expectations of our community continue to increase.

In 2016, we were unable to obtain enough support for Newark to be included in the state's PILOT funding in consideration of our high level of tax exempt property, although there was a general understanding expressed of the merit of our lobbying efforts. Continued education on our behalf by our Lobbyist and staff, including outreach to our local legislators and the County Seat communities that currently receive these funds, will continue to be a focus in 2017.

Budget discussions of recent years have highlighted Newark's admirable utilization of the "pay-as-you-go" method of financing its capital projects. While paying cash for our projects has kept our debt service low, in turn, it has prevented us from adequately funding reserves to address our aging infrastructure. At a minimum, we have come to the crossroads where high-priority projects are competing against each other, thereby requiring critical projects to be deferred. The consideration of other opportunities, whether it be bond financing, state revolving loans, or a combination of both, along with incrementally building our cash reserves must now be part of our conversation. Striking a balance between "pay-as-you go" and smart borrowing for projects with adequate lifecycle will work to preserve our highly respected AA+ bond rating.

It is clear that our tax base will not increase over the short-term at a level required to sufficiently fund our community's growing infrastructure needs. However, proper financing of our debt, accompanied with prudent planning, can ensure that both our current and future residents and business owners are paying for services at a rate that is comparable to our surrounding municipalities. The good news is Newark remains a great value!

Many communities are challenged by unfunded mandates, regulations that require a state or local government to perform actions with no money provided for fulfilling them. One arguably, community-improving example is that of stormwater regulations. Newark has implemented and funded, primarily through the water utility, an ever growing stormwater presence since 2002. To date, the costs associated with our stormwater-related projects have reached nearly \$800,000 with additional regulations expected

to increase this cost. Currently there is \$750,000 in the 2017 CIP and a total of \$2.7 million allotted for the five-year program. These costs, and our community's acknowledgement of the need to address improvements, led to our multiyear effort to establish stormwater as an equitable and standalone utility based on projected needs, impervious cover, and credit provisions for runoff improvements. We are hopeful that with the support of Mayor and Council, this effort will be successfully launched in 2017 with full implementation in 2018. While a stormwater utility will require residents and businesses to pay a fee, the funds will be allocated strictly to stormwater initiatives and once fully enacted, should have a positive impact on future water rates.

While some of the initiatives staff and I have introduced might best be described as opportunity knocking, others have followed more traditional paths. Recent decisions to consider opportunities or explore new projects have been met with mixed levels of community involvement and support. Some like the consideration of a parking garage in our core downtown have continued to engage councils, businesses and community over the course of 20 years. Other initiatives, such as our recent broadband study ramped up quickly and ultimately resulted in our making cautious investments. Additionally, there has been support this year for initiatives that required long term maintenance acceptance, such as Council's support for the development of Preston's Playground at the Newark Reservoir, and the pedestrian bridge over the White Clay Creek that will be named in honor of Charles Emerson, Newark's former Parks and Recreation Director. Lastly, our current engagement related to the potential purchase of the former Rodney dorm site is sure to command the attention of our community in the year ahead.

Newark has also taken smart/efficiency improving technology initiatives seriously by introducing five "smart city" service improvements to our community including: McKees Solar Park; smart water and electric utility meters; solar powered waste compactors in our downtown; credit enabled smart parking meters; and replacement of all of our city's cobra style street lights with LED lights! All of these projects have had beneficial impacts on our operations and community. Please see the link to our [Smart City Initiatives Update](#).

Managing our challenges, embracing opportunities, and implementing our visions as those noted above, will continue to require thoughtful preparation regarding what actions are in the best interest of the overall community, both next year and the years ahead.

The 2017 Budget in Summary

The proposed budget for 2017, including the five-year Capital Improvements Program, currently results in a surplus of \$467,928, which represents approximately 0.9% of total revenues. This estimated surplus is divided amongst seven funds, with the Enterprise Funds accounting for 61% of the balance (\$285,876). Assuming that the expenditure budget equals the revenue estimates in 2017 at year-end, these funds would revert back to their respective reserve accounts to help grow the City's cash balances.

Major components of the consolidated budget are reflected as follows:

	2016	2017	Increase (Decrease)	% Increase (Decrease)
Operating Budget	39,797,290	42,488,555	2,691,265	6.8%
Capital Budget	5,351,121	4,355,000	(996,121)	(18.6%)
Debt Service	2,605,361	2,616,161	10,800	0.4%
Reversal of Non-Cash Items	1,150,309	-	(1,150,309)	N/A
Unappropriated Surplus	462,655	467,928	5,273	1.1%
Total	49,366,736	49,927,644	560,908	1.1%

Operating expenditures are expected to increase by 6.8%, while net capital expenditures and debt service combine for a decrease of \$1 million (-12.4%) when compared to the 2016 budget. Newark's core Operating, Capital and Debt Service spending (excluding the unappropriated surplus & reversal of non-cash items) is about 3.6% higher in 2017 versus the 2016 budget. The partial reversal of non-cash depreciation expenses in 2016, which was utilized in 2015 to defray vehicle and equipment spending is not necessary in 2017. If Council will recall, we had a tougher time balancing the 2015 budget. We were able to do so by pushing some equipment replacements back a year to 2016. Equipment replacements are funded through the capitalization of depreciation, or treating depreciation expenses like a cash expense and reserving these funds for future equipment purchases. Therefore, the 2016 reversal, allowed us to restore the required equipment depreciation levels associated with the 2015 decision.

2017 Budgeted Operating Expenses by Function

Total operating expenses are recommended to be \$42.5 million for 2017, or an \$2.7 million increase over 2016. The table below highlights the City's 2017 budgeted operating expenses:

	2016	2017	Increase (Decrease)	% Increase (Decrease)
Personnel Services	28,245,586	30,880,184	2,634,598	9.3%
Materials & Supplies	2,257,298	2,277,493	20,195	0.9%
Contractual Services	7,295,104	7,386,252	91,148	1.2%
Equipment Depreciation	1,484,599	1,390,082	(94,517)	(6.4%)
Other Expenses	514,703	554,544	39,841	7.7%
Total	39,797,290	42,488,555	2,691,265	6.8%

Personnel Services - Personnel expenses are increasing by \$2.6 million, or 9.3% in 2017. Included in this increase are six new positions with staggered 2017 starting dates (\$535,000). These positions will be a part of the Communications Workers of America (CWA), and are: PWWR Engineer, IT Desktop Support & Network Administration, Financial Analyst, Records Technician (Police), GIS Technician and Evidence Custodian (Police). In addition, wage progression/contract negotiations (\$1,020,000), increased contribution to our OPEB escrow (\$400,000), increased medical coverage (\$562,400), and social security/other (\$117,600) are impacting our budget. We are in current contract negotiations with AFSCME and the FOP for contracts that commence in 2017, and the CWA exercised a clause in their contract to extend their contract through 2017 in exchange for a 2.9% COLA.

In addition, we are funding the pension plan for 2017 at the level recommended by our investment advisor of \$3 million, which is included in the \$30.9 million above.

Materials & Supplies - The materials and supplies lines have increased slightly versus 2016 across a number of funds and a broad mix of expense categories. Most notably, IT supplies have increased reflecting the continued initiatives to maintain appropriate functionality throughout the City's network. The Parks department is also budgeting an increase in island beautification supplies related to the sculpture garden project. These increases are partially offset by the Fleet maintenance division's reduction in materials and supplies attributable to reduced gasoline prices and the Finance department's reduction of the equipment account as the 2016 budget included \$19,000 for required furniture purchases.

Contractual Services - Contractual services lines have increased in the Electric Fund with an offsetting decrease in Finance as a result of reclassifying the Smart Meter platform to Electric. There was also a significant decrease to contractual subscription services in the Information Technology Department as their expenses were decentralized from IT and included in the applicable departments' budgets. Additionally, the Stormwater Division caused an increase to contractual services in the Water Fund as a result of \$150,000 required for the MS4 permit. This expense will occur even if the Stormwater utility plan is not approved.

Equipment Depreciation - Equipment depreciation (a non-cash, formula driven expense) decreased by about 6% versus 2016. For 2017, the useful lives of vehicles were adjusted resulting in a decrease in depreciation. This change was made to more closely estimate the actual useful lives of City vehicles based on our historical experience.

Revenue Highlights

City wide operating revenues of \$49.9 million in 2017 are expected to exceed 2016 budgeted revenue by 1.1%. Property tax contributions are responsible for most (68%) of the gross increase, while net utility revenue, permits and licenses are offsetting our estimated decline in fines, intergovernmental and other revenue. Taxable assessments grew in 2016 primarily due to commercial growth, which, along with the recommended tax increase of 9.0%, is expected to push property tax receipts 11.5% higher than the 2016 budget. [Assessment Memo](#).

	2016	2017	Increase (Decrease)	% Increase (Decrease)
Net Utility Revenue	31,071,441	31,190,288	118,847	0.4%
Property Tax	6,170,630	6,877,185	706,555	11.5%
Realty Transfer Tax	1,600,000	1,600,000	-	0.0%
Other Taxes and Fees	597,970	625,000	27,030	4.5%
Fines	1,968,392	1,659,675	(308,717)	(15.7%)
Permits & Licenses	2,042,470	2,212,406	169,936	8.3%
Park Fees	587,500	597,600	10,100	1.7%
Commercial Refuse	8,540	8,200	(340)	(4.0%)
Parking	2,913,805	2,915,500	1,695	0.1%
Intergovernmental	966,264	829,890	(136,374)	(14.1%)
Subvention	521,766	523,331	1,565	0.3%
Other Revenue	917,958	888,569	(29,389)	(3.2%)
Total Operating Revenue	49,366,736	49,927,644	560,908	1.1%

Included within the 2017 budget are revenue enhancements which are necessary to insure diversification of our revenue sources. We are encouraging Council to approve our recommendation to adjust fees for Land Development, Construction Plan Review, and Inspection & Testing Tasks. Department directors have recommended fees that reflect actual costs, and that are balanced against fees charged by surrounding municipalities including New Castle County, and the cities of Wilmington and Dover. Some of these fees have not been adjusted in almost ten years and are estimated to add approximately \$200,000 in additional annual revenue.

The Parking Committee approved the recommendation to restructure the off-street parking rate by moving to the industry standard of \$1.00/hour. This adjustment will not impact the practice of not charging a fee for the first ten minutes. Moving away from the \$.50/30 minute rate will assist the City with covering credit card transaction fees (lots and meters), increased parking ambassadors to handle citizen engagement, staff to manage the more robust residential parking system, and to further our own revenue diversification efforts. This change would have a minimal impact on customers, employees, or our businesses and would generate approximately \$100,000 in revenue when implemented on January 1.

The cost to provide public safety services increases steadily year over year. Our staff has determined that by assessing a 0.5% surcharge on the assessed value of a building permit, it would generate approximately \$200,000 per year in additional revenue. These funds would be used to defease the cost of Newark's subvention payment to our local fire company, with the balance to be used for our own public safety

expenses. The Council has previously indicated that this fee should exclude residential upgrades (i.e – decks). Staff is currently reviewing the feasibility of carving out such an exclusion.

Additionally, your support of the Alderman Court by removing the sunset provision for the court security fee, and adjusting the fee from \$5 to \$10 is appreciated. The approval of [Bill No. 16-27](#) will generate another \$45,000 annually. This will continue to ensure the safety of our operation.

Advancements in technology, and the City's commitment to preserving our natural resources for our current and future residents, has presented challenges in the stability of the revenue needed to operate our utilities. In order to properly charge for electric, sewer and water services, we must begin to shift our fee structure from the antiquated consumption model to a fee structure that considers the fixed costs of each utility through the utilization of a customer charge. The City, similar to other utilities, must cover expenses for its infrastructure, but cannot consistently count on customer demand to cover its annual revenue requirements. Best practices in all three services that we provide suggest frequent reviews of our billing structure, and making adjustments as necessary to keep each utility financially stable. As we begin the RSA process for fiscal year 2016, we will include options to mitigate the financial impact to our utility and its customers.

The 2017 through 2021 Capital Improvements Program

The 2017 portion of the proposed five-year Capital Improvement Program exhibits gross expenditures of \$11.2 million. Reserve funding, grant funding, and vehicle equipment replacement funds are proposed for the program. The use of capital reserves and equipment replacement reserves is a routine practice for projects that were authorized and encumbered in previous periods. Grant funding is likewise a fundamental goal and remains a recurring and successful funding mechanism for Newark.

Funding for the 2017 CIP is proposed on the table labeled “2017 CIP Funding Sources.” The Net Capital Improvement total of \$4,355,000 will be funded in 2017 through current year revenue, which includes property taxes, utility rates, and other current sources of revenues.

While borrowing is not included in the 2017 Capital Plan, it should be noted that any type of borrowing or funding partnership planned in future years will result in ongoing debt service expenditures and/or other operating costs which, when layered into future operating budgets, will result in reduced levels of then-current resources available for “pay-as-you-go” financing of capital projects. That said, we reiterate the need to address a greater level of critical infrastructure projects than current resources in 2017 would permit; again as noted above that need may be met through the responsible, systematic utilization of funding in a way that strikes a balance between accomplishing immediate needs and encumbering future operating costs.

2017 CIP Funding Sources	
Capital Improvements	11,244,546
<i>Funding Sources:</i>	
Use of Reserves	(4,772,228)
Equipment Funding	(1,172,318)
Grants	(945,000)
Bond Issues	-
Other Sources	-
CIP Funded Through Current Revenue:	4,355,000

Expenditures	
Electric Fund	1,765,500
Water Fund	3,608,880
Sewer Fund	1,013,675
Public Works - General Fund	2,438,000
Public Works - Maintenance Fund	442,549
Police Department	381,818
Parks & Recreation Department	672,034
Parking Fund	309,590
Information Technology Division	562,500
Other Departments	50,000
Gross Capital Expenditures	11,244,546

The table “Expenditures” exhibits planned capital spending by department in 2017. As you can see, almost 80% of our gross capital expenditures consist of infrastructure; which are electric, water, sewer and street projects.

Fund by Fund Commentary

General Fund

The General Fund is used to provide typical municipal services such as public safety, planning, administration, parks and recreation, and public works functions. In addition, the Street Division has been moved into the General Fund in 2017, per the recommendation of our auditor, CliftonLarsonAllen LLP. Newark's General Fund remains highly dependent on transfers from the Enterprise/Utility Funds to maintain a positive fund balance and maintain the level of services offered in our community. This is further highlighted by the fact that property tax revenues make up only 13.7% of our operating revenues. While in recent years we have limited the level of our transfers in association with our Financial Policies and more pointedly by our acceptance of a Memorandum of Understanding (MOU) with Governor Markell's administration, efforts to self-motivate and monitor a sustainable level of transfers in the future along with additional revenue diversifications must remain a priority. It is important to recognize that absent these transfers, the General Funds (including the Street Division), would experience operating deficits totaling nearly \$13.4 million in 2017. We should pay particular attention to our dependence on transfers, primarily from the electric fund, in relationship to the increased penetration of renewable resources in our utility system as well as the impact of conservation. Newark has already realized the impact of both on its utility margins. Dialing back on our dependency would provide future benefits.

Other Governmental Funds

Other governmental funds include the Capital Projects Fund, Debt Service Fund and the Special Revenue Funds. All capital projects associated with the General Fund are budgeted and accounted for in the Capital Projects Fund. The Debt Service Fund is used to account for debt associated with the General Fund. The Special Revenue Funds are supported mainly by grant funds.

Enterprise Funds

The Enterprise Funds are comprised of the Electric, Water, Sewer and Parking Funds. These funds are intended to be self-supporting and also contribute to the Governmental Funds via operating margin transfers.

The City's General Fund and other funds would be required to generate additional revenues in excess of \$13.7 million per year, as noted above, or require a tax increase of 209% in order to account for the total loss of margin transfers and maintain the current service levels.

The Electric Fund is projected to generate a \$11.8 million surplus before transfers in 2017. The 2017 projected transfer of \$10 million to the General Fund is roughly equal to the 2016 transfer, and is equal to the 2012 transfer pursuant to the MOU executed with the Governor's office in 2012. In 2012 through 2016, electric rates were adjusted downward and managed through the Revenue Stabilization Adjustment (RSA) in association with falling wholesale power supply costs. Wholesale power supply costs are expected to decline again in 2017, as the price of natural gas is favorably impacting what we pay for electric. However, some of this savings is being absorbed by rising transmission costs. The RSA adjustment is expected to continue to provide the opportunity to rebate customer accounts as a result of the projected 2016 over-collections.

The Water Fund is projected to achieve a margin of \$3.5 million in 2017, which will be sufficient to provide \$1.9 million in current funding, with the addition of reserves and equipment

depreciation for capital improvements in 2017 after meeting debt service requirements. This level of capital spending is considered the minimum required to continue with water main replacements, water tank improvements, filter, chemical and water quality improvements, and stormwater initiatives. The 2017 projected transfer of \$1.5 million to the General Fund is \$33,500 more than 2016.

The Sewer Fund operating margin is expected to reach \$2.1 million in 2017. New Castle County has advised that treatment rates will remain unchanged through July of 2017. The 2017 projected transfer of \$1.3 million to the General Fund is \$131,900 less than 2016.

Parking Fund revenue is expected to be about the same in 2017 with proposed revenue enhancements that require Council approval. We anticipate achieving an operating margin of \$0.9 million in the Parking Fund, of which \$850,000 is available to be transferred to the General Fund to support municipal services, as all of the capital projects in the Parking Fund are being met with existing reserves. The 2017 projected transfer to the General Fund is \$265,000 less than 2016.

Moving Forward

Efforts to improve the opportunity for citizens to manage utility consumption and associated costs with smart technology, and to equitably align utility costs across users by conducting and adhering to the outcome of rate studies will be of great importance as we compete for new residents and businesses. Furthermore, it is our intent, with Council direction, and whenever feasible, future budget cycles will continue to feature inflation-indexed tax increases, fixed or reduced electric revenue transfers, and modest growth in utility consumption. However, as demonstrated by next year's revenue and expense budget projections, even with our continued efforts to embrace efficiencies and work smarter, costs continue to outpace our revenues. It remains clear that our organization and community will continue to be challenged to balance our commitment to our existing service levels without the need for higher, more diversified revenues. With that said, staff and I expect to introduce additional long-term savings opportunities in the year ahead.

Budget Presentation

The 2017 Budget document is developed to comply with generally accepted accounting principles. Each operating budget is assigned to a fund group. The order in which they appear is Consolidated, General Fund, Other Governmental Funds, Enterprise Funds, and other miscellaneous funds. As in the past, consolidated revenue and expenditure summaries are presented in the front of the document, and each operating budget includes tables, statistics and annual reports for its individual department or division.

The following schedule for processing the 2017 Budget has been proposed to meet the requirements of the City Charter:

Presentation to Council:

- Budget Document and Budget Message – October 31, 2016
- Public Hearing/Possible Budget Adoption – November 21, 2016
- Public Hearing #2/Possible Budget Adoption – December 5, 2016

The preparation and compilation of the 2017 General Operating Budget and its accompanying Capital Program was the result of much hard work, research and prioritization of all of our departments. In particular, the Finance Department under the leadership of Finance Director David Del Grande, Deputy Finance Director Jill Hollander, Accountants Jim Smith and Debi Keeley, and Deborah Kupper worked diligently in coordinating the stages of this document's development. Likewise, I commend our Department Directors for thoroughly evaluating their needs, considering opportunities and responding to timelines and funding limitations. Additionally, Deputy City Manager Andrew Haines played a key role in preparing all personnel related detail and participating in all budget hearings with me and the remainder of our budget team this year including Planning and Development Director Maureen Feeney Roser, Information Technology Manager Josh Brechbuehl and Purchasing Administrator Cenise Wright.

As we near the end of another budget year, and prepare for the next, my staff and I look forward to discussing our recommendations and responding to your questions. Thank you for your continued dedication.

Respectfully submitted,



Carol S. Houck
City Manager