

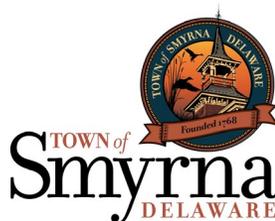
Town of Smyrna 2021 Draft Budget

Finance Committee Meeting
October 1, 2020



Outline of 2021 Draft Budget Presentation

- Summary of approved 2020 Budget
 - Utility Rate Study and Year 1 Implementation
- Highlight 2020 Revenue and Expenses
 - COVID-19 Reversion of Rates through July
- Outlook on Year-End Closeout
- Summary of COVID-19 Impact on Service and Staffing
- Estimated 2021 Revenues
 - Year 2 of Utility Rate Study Fees
- Organizational Realignment and Efficiency Efforts
- 2021 Capital Projects and Funding Resources
 - 2022-2025 Capital Forecast

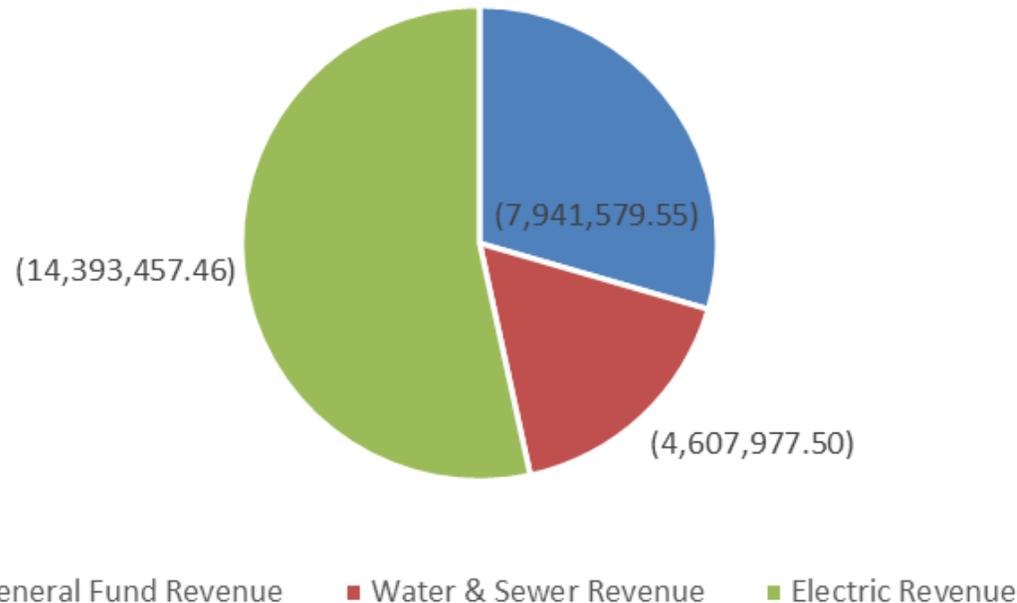


2021 Draft Budget Adoption Timeline

- ❑ August 20, 2020 Finance Committee Meeting
 - Review of 2021 revenue forecast
 - Review of 2021 draft Capital Improvement Projects
- ❑ September 24, 2020 Finance Committee Meeting
 - Extended to October 1, 2020
 - Presentation of full 2021 Draft Budget, Operating and Capital Budgets
 - Comments and feedback to be incorporated to presentation to Council
- ❑ October 19, 2020 Town Council Meeting
 - Presentation of 2021 Draft Budget, Operating and Capital Budgets
- ❑ November 16, 2020 Town Council Meeting
 - Second 2021 Draft Budget discussion or potential approval of Budget
- ❑ December 7, 2020 Town Council meeting
 - Approval of 2021 Budget, if necessary

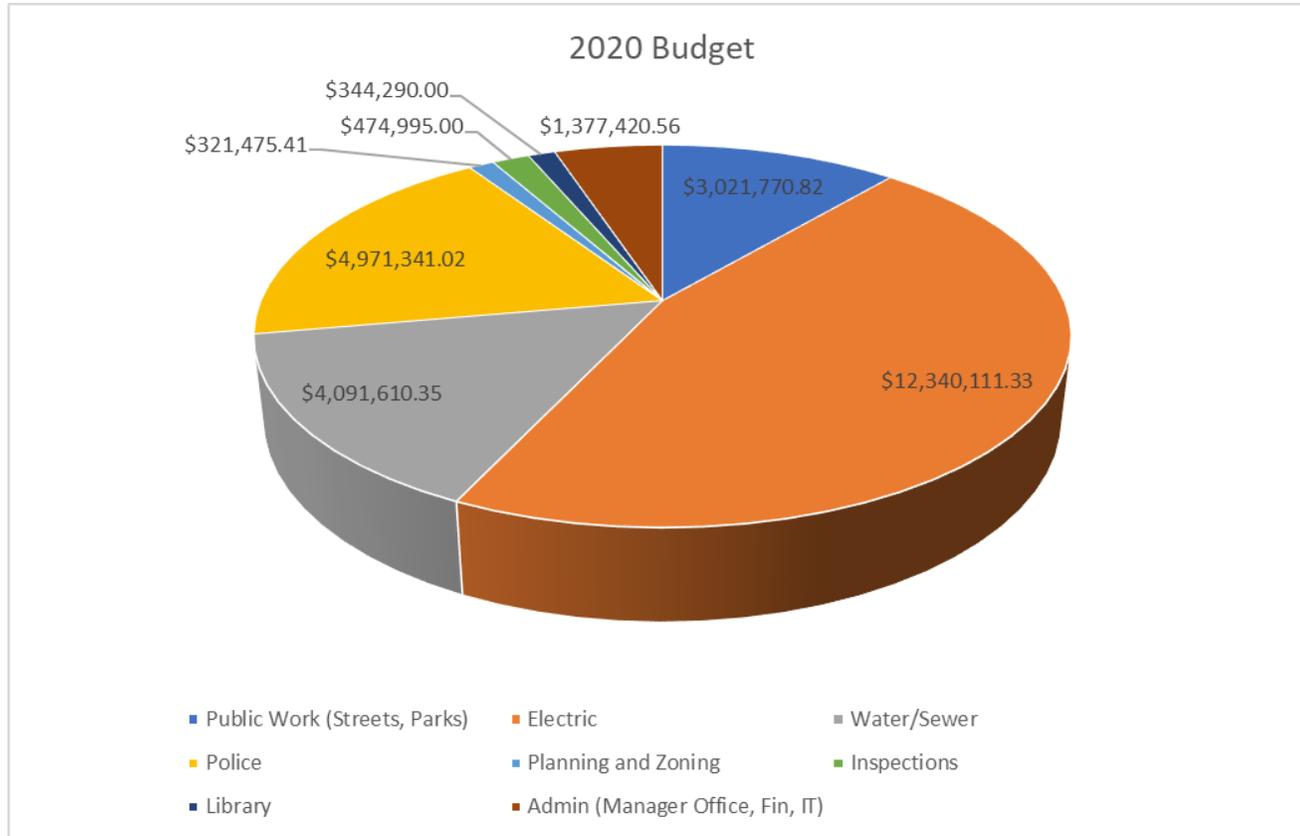
Approved 2020 Budget Summary

FY 2020 Budgeted Revenues



- 2020 consolidated \$26.9M Operating Budget Revenue
- 2020 consolidated \$1.4M Capital Improvement Budget
- Approved Personnel for 2020 included:
 - 114 FTEs
 - \$5.85M payroll

Approved 2020 Budget Summary



- **Balanced budget through municipal utility fund operations**
 - Electric and Water Funds support General Fund operations
 - \$1M Electric Fund Transfer
 - \$500K Water Fund Transfer
 - Community-owned utilities directly benefit tax rates by supporting general municipal services

2020 Budget – End of Year Forecast

COVID-19 has created operational impacts on municipalities, residents and businesses around the state, nation and world. Smyrna has experienced some adverse impacts; however, the fiscal position and growth potential for the Town going into 2021 is cautiously optimistic.

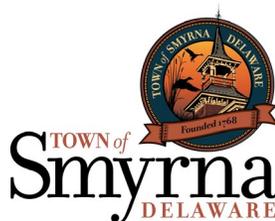
- Delinquent utility accounts are marginally increased over prior year values.
- Historic low interest rates have a strong residential housing market demand.
 - Kent County real estate transfer tax at historic highs for past three months.
 - Anticipate start of new construction in mid-2021.
 - Groundbreaking of North Duck Creek (KRM) business park will occur this month.
- Staff remains conservative with future growth as the long-term COVID-19 impact to the region is not fully known and the Town should be position for resiliency.



2020 Accomplishments

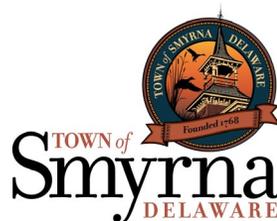
Serving the community during the COVID-19 global pandemic has been a professional challenge not faced before and changing the metric for success evolved monthly. The continued advancement of the Town and overall health is a valid outcome for 2020. Notable items to mention do include:

- The professionalism and continued positive community policing efforts of the Police Department, during the pandemic and social advocacy in 2020, is a strong asset for the organization. Chief James and all the men and women of the department continue to serve with ethics, professionalism and in the best interest of the Town.
- Rolled utility rates back to 2019 values from March – July 2020; 2020 rates restarted August 2020.
- An update to the Comprehensive Plan has been advanced for final reviews and pending approval by Town Council.
- Capital improvements on South Main Street are on target for completion by end of 2020.
- Organizational changes with a new town manager and various other positions.



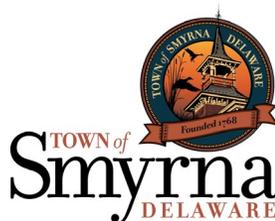
2021 Draft Budget Goals

- Assess Town operations
 - Focus on efficiency gains
 - Focus on operational alignment(s) and potential changes for enhanced effectiveness
 - Including workload assessment and assignment
 - Work on process and procedure controls
- Review prior adopted enterprise / utility studies
 - Maintaining support for previously established plans:
 - 2021, Year 2 Water Rate
 - 2021, Year 2 Sewer Rate
 - 2021, Year 2 Electric Rate
- Review 2021 for Budget-relevant Community Changes
 - Protracted COVID-19 impacts
 - New residential development construction



2021 Draft Budget Capital Needs

- Ability to maintain operational fleet, including initiative to support Police Department one-to-one officer-to-vehicle. Overall streamline needs to conservatively approach 2021 amid COVID-19 pandemic.
- Utility infrastructure planning:
 - North of Duck Creek needs and costs
 - E. Commerce Street planning.
 - Aging existing infrastructure
 - Needs Assessment(s)
 - Failure Risk Exposure
 - Operational efficiencies (e.g. SCADA)
 - Mapping and digital maintenance of utility grid and conveyance
- Stormwater
 - Town entry to MS4 State program and unfunded mandates for compliance
- General Town operational needs
 - ADA Compliance
 - Facility safety and operational improvements

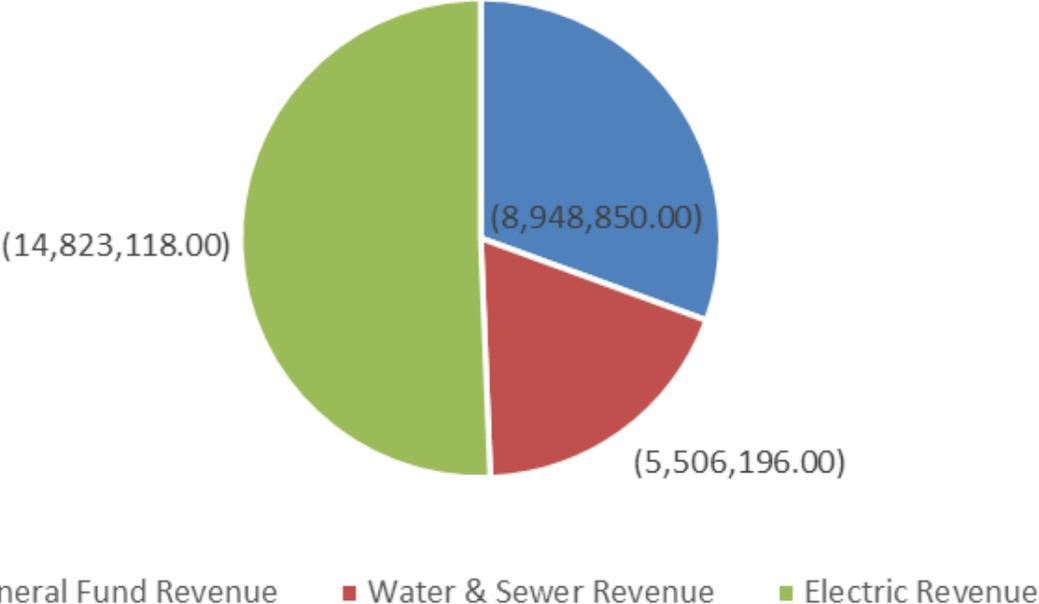


2021 Revenues

Summary of Revenue by Fund

- Ongoing effort to review new construction impact fees.
- Pending amendment to properly levy tapping fees for new construction.
- General Fund revenues are conservative with the potential for new residential development in 2021 that could exceed budgeted forecast.
- Real Estate Transfer Tax: since June 2020 have been in historic highs but are not budgeted as sustainable.

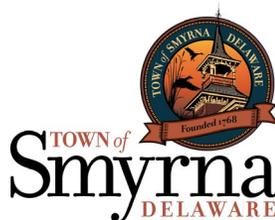
FY 2021 Budgeted Revenues



2021 Revenues

Factors approaching 2021 Budget:

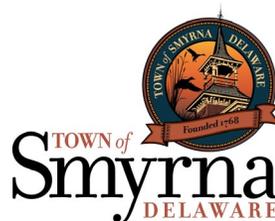
1. Tax Rate proposed at same value - \$0.44 / \$100 of assessed value
2. Utility rates
 - a) Electric – increase 5.0% by Year 2 of Rate Study
 - b) Water – increase 15.9% by Year 2 of Rate Study
 - c) Sewer – increase 5.9% by Year 2 of Rate Study
3. MSA Funds – project to be stable at approximately \$250,000; however, at the discretion of State Legislature.
4. CTF Funds – potential allocations from Sen. Ennis and Rep. Carson for Town infrastructure improvements – Town parking lot at 22. South Main Street.
5. New Residential Construction Permit and Impact Fees



Adopted Rate Studies* (Electric)

Rates	Current	Year 1	Year 2	Year 3
Monthly Facilities Charge:				
Monthly Charge	\$ 50.00	\$ 75.00	\$ 100.00	\$ 125.00
Green Energy Tax Rate /kWh	\$ 0.000178	\$ 0.000178	\$ 0.000178	\$ 0.000178
Energy Charge:				
All Energy	\$ 0.06840	\$ 0.07035	\$ 0.07211	\$ 0.07412
Demand Charge				
All Demand	\$ 11.49	\$ 12.50	\$ 13.50	\$ 14.50
Power Cost Adjustment:				
All Energy	\$ (0.0059)	\$ (0.00589)	\$ (0.00589)	\$ (0.00589)
Revenue from Rate	\$ 4,536,056	\$ 4,785,539	\$ 5,024,816	\$ 5,276,056
Change from Previous		5.5%	5.0%	5.0%

- Rates to maintain utility effectiveness
- Future capital needs
- Electric utility operational margins are 'dividends' returned to the community through \$1M transfer to General Fund



Adopted Rate Studies* (Water and Sewer)

Fiscal Year	Projected Rate Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Capital Improvements	Bond Issues	Debt Coverage Ratio
2019	15.90%	1,793,105	1,564,499	228,606	228,606	344,881	3,593,354	3,397,375	1.36
2020	15.90%	2,070,945	1,726,391	344,554	344,554	5,097,717	5,162,500	9,838,250	1.10
2021	15.90%	2,392,960	1,882,781	510,180	510,180	1,781,475	3,182,000	-	0.90
2022	15.90%	2,766,177	1,984,333	781,844	781,844	479,411	1,493,750	-	1.14
2023	15.90%	3,198,735	2,049,425	1,149,310	1,149,310	340,670	725,000	-	1.44
Recommended Target in 2018				\$	810,877				
Recommended Target in 2023				\$	888,803				
Recommended MINIMUM Target in 2018						\$	872,188	1.45	
Recommended MINIMUM Target in 2023						\$	1,328,727	1.45	

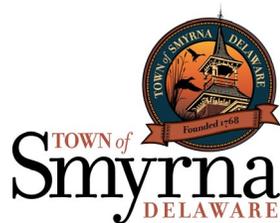
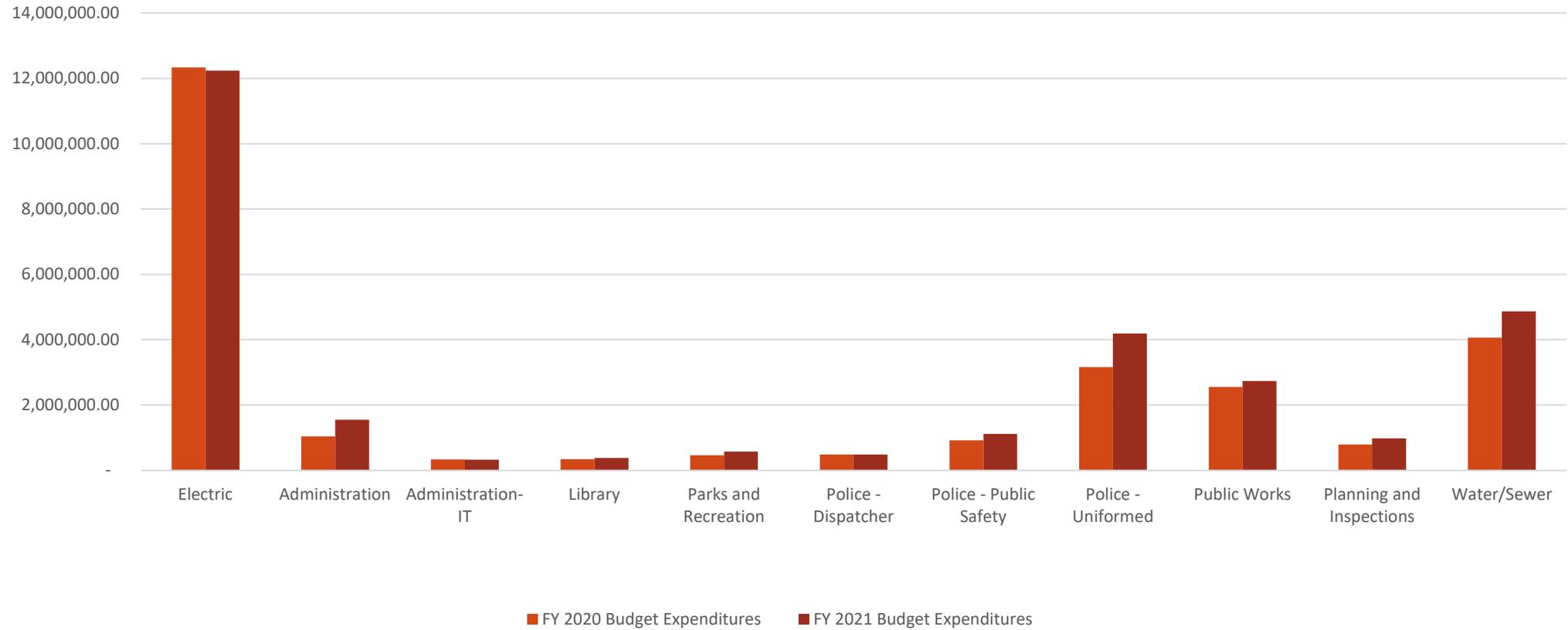
WATER FUND

Fiscal Year	Projected Rate Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income	Target Operating Income	Difference	Projected Cash Balances	Capital Improvements	Bond Issues	Debt Coverage Ratio
2019	5.90%	2,763,999	2,556,536	207,463	501,061		938,268	3,668,354	3,304,942	2.03
2020	5.90%	2,904,216	2,689,958	214,258	460,363		3,693,011	1,812,500	4,306,250	1.45
2021	5.90%	3,052,707	2,784,210	268,496	571,191		2,836,996	1,000,000	-	1.18
2022	5.90%	3,209,958	2,874,924	335,034	621,413		1,587,272	1,493,750	-	1.30
2023	5.90%	3,376,487	2,962,795	413,693	642,528		1,212,326	725,000	-	1.43
Recommended Target in 2019				\$	501,061					
Recommended Target in 2023				\$	642,528					
MINIMUM/CRITICAL Reserves 2019							\$	983,632	1.40	
MINIMUM/CRITICAL Reserves 2023							\$	1,173,432	1.40	

SEWER FUND



2021 Expenses



2021 Budget Expenditures

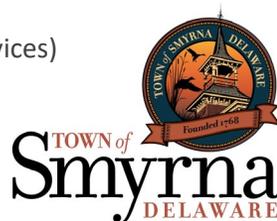
Row Labels	Sum of 2020 Budget	Sum of FY 2021 Budget
Electric	12,340,111.33	12,240,555.00
Electric	12,340,111.33	12,240,555.00
General	10,511,292.82	12,674,216.00
Administration	1,040,912.61	1,547,327.00
Administration- IT	336,507.95	326,333.00
Library	344,290.00	384,141.00
Parks and Recreation	465,328.00	578,336.00
Police - Administration	82,163.02	84,894.00
Police - Debt Service	247,600.00	193,060.00
Police - Dispatcher	482,337.00	483,285.00
Police - Public Safety	921,549.00	1,113,789.00
Police - Uniformed	3,162,179.00	4,188,926.00
Police Administrative Assistant	75,513.00	53,013.00
Public Works	2,556,442.82	2,737,571.00
Planning and Inspections	796,470.41	983,541.00
Water/Sewer	4,061,610.35	4,863,126.27
Water and Sewer	4,061,610.35	4,863,126.27
Grand Total	26,913,014.51	29,777,897.27

2021 Draft Budget has an estimated \$1M deficit

- Deficit due to budgeted 100% funding of pension ADC.
 - Actuarial ADC for Town Pension is \$683,125/year for non-police plan
 - Actuarial ADC for Town Pension is \$875,245/year for police plan
 - 2019 Town contribution: \$545,732
 - 2020 Town estimated: \$546,485
- Cannot meet \$1.6M annual ADC contributions
- Intend to reduce ADC for October 19th presentation to Council
 - Finance Committee 2021 Goal: work on long-term funding policy recommendation to Council to achieve fully-funded ADC.

2021 Budget Personnel Highlights

- ❑ FTE 113 (reassess 2020 approved 114 FTE positions; vacancies and operational needs)
 - +3 sworn police officers
 - +1 Finance Department billing technician (utility / license billing)
 - +1 PW Superintendent (project oversight, inspections, MS4 compliance)
- ❑ Gross Salary \$6.1M
 - Includes 2% AFSCME Agreement
 - Teamster 2021 Agreement Under Negotiation
 - Merit Structure for Town employees
- ❑ Non-Police Realignment for operational efficiencies and effectiveness
 - Service operations reporting to Manager's Office
 - Segregation of duties by position
 - Focus on future needs (e.g. all-hazards mitigation planning, centralized contract management, etc.)
- ❑ Police continue leading among peers with inclusion of full-time mental health clinician (contractual services)



2021 Capital Improvement Plan (CIP)

2021 Capital Budget			
	Project Cost	FY2021 Budget Impact	Funding Source
Fleet Vehicles and Heavy Equipment			
<i>Current (Ongoing)</i>			
Fleet Vehicles (20)-renewed 2020 five year	-	148,000	Split between General Fund/Water & Sewer and Electric Expenditure/Financed by Enterprise Fleet Management
Sweeper-2018, Matures June 2023	185,242	40,742	General Fund Expenditure/Financed by PNC Equipment Finance
Electric Truck-2019, Matures April 2026	242,323	38,226	Electric Fund Expenditure/Financed by PNC Equipment Finance
Police Vehicles-2020, Matures Dec 2022	141,620	49,398	General Fund Expenditure/Financed by PNC Equipment Finance
<i>Projected 2020 (New)</i>			
Bucket Truck	200,000	20,000	Electric Fund Expenditure/Financed PNC Equipment Finance, anticipate only one payment in 2021
Dump Truck-Approved 2020	198,000	42,564	General Fund Expenditure/Financed by PNC Equipment Finance
Backhoe-Approved 2020	144,000	30,956	Split between Water&Sewer and Electric Fund Expenditure/Financed by PNC Equipment Finance
Police Vehicles	80,000	40,000	General Fund Expenditure/Financed by PNC Equipment Finance

2021 Capital Improvement Plan (CIP)

2021 Capital Budget			
Minor Capital Projects			
Planning/Inspections-Building Renovations	70,000	70,000	General Fund Expenditure
Town Hall-Building Renovations	30,000	30,000	Split between General Fund/Water&Sewer and Electric Expenditure
Vehicle Lift	18,000	18,000	Split between General Fund/Water&Sewer and Electric Expenditure
Town Hall/P&Z/Library-door access	75,000	75,000	Split between General Fund/Water&Sewer and Electric Expenditure
Town Hall-Physical Security upgrades	15,000	15,000	Split between General Fund/Water&Sewer and Electric Expenditure
Matching Parks Grant	40,000	40,000	General Fund Expenditure, Pending Council Approval
Police CAD	142,000	142,000	General Fund Expenditure

2021 Capital Improvement Plan (CIP)

2021 Capital Budget			
Major Projects			
E. Commerce St Water	1,826,703	15,000	State Loan-Interest Water/Sewer Expenditure impact in 2021
E. Commerce St Sewer	1,940,881	15,000	State Loan-Interest Water/Sewer Expenditure impact in 2021
N. Duck Creek Engineering	300,000	300,000	Water&Sewer/Electric Expenditure, Once moves to project stage-Financed by USDA/State Loan/Other Borrowings
Road Improvement Program	500,000	500,000	Financed by Municipal Street Aid
Community Transportation Fund	100,000	100,000	Financed by Community Transportation Fund

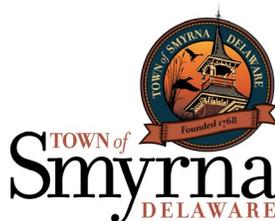
The Capital Improvement Plan, 2022-2025, will be included in the October 19, 2020 presentation to Town Council.

- Long-term infrastructure improvement to existing utilities
- Extension of utilities north of Duck Creek
- Comprehensive Plan 2020 long-range strategic planning

Available Data Online

The Town will update Smyrna.Delaware.gov/budget with detailed information for transparency of finances, including:

- Budget Presentation
- 2021 Draft Budget
 - Detailed Departmental Budget Sheets
- Approved 2021 Budget
- Starting in 2021; monthly Budget/Finance Reports



Thank You

PLEASE PROVIDE QUESTIONS TO ANDREW HAINES, TOWN MANAGER

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