

STATE OF THE BUDGET REPORT

A Mid-Year Review of the City of Dover Fiscal Year 2006 Budget

March 13, 2006

(Updated March 28, 2006, to Reflect Changes to Parkland Reserve.)

Anthony J. DePrima, City Manager
Donna S. Mitchell, Finance Director
Teresa A. Tieman, Senior City Administrator

INTRODUCTION

The purpose of this report is to give City Council a mid-year picture of our operating expenses and revenues for all City budgets. This should be considered a proactive exercise so that Council can take necessary actions to adjust our budgetary behavior if necessary. This is the fifth “State of the Budget Report” given to City Council.

Overall, the General Fund Budget Balance was projected to increase by \$785,230 to \$3,768,431. Because of the increase in fund balance, we transferred \$790,000 to Parkland/Recreation Reserve and \$100,000 to the OPEB (Other Post Employment Benefits) Reserve. The fund balance after these transfers is projected to decrease \$104,770 to \$2,878,431. At this level, the fund balance exceeds the eight percent fund balance requirement by \$373,382. This is due to higher than projected revenues in Balance, Property Taxes, Court of Chancery Fees, Grants, and Civil Traffic Penalties. The combined Water/Wastewater Fund Budget Balance is projected to decrease by \$29,649 to \$1,238,302. This is due to adjusting revenues to reflect actual results. The Electric Fund Budget Balance will also decrease by \$14,000 to \$3,916,880. The decrease in fund balance reflects an increase cost in the Administration budget due to electric power contract negotiations.

“Managing to the Budget” continues to be successful. The City Manager and Finance Director continue to monitor budgets closely. Operating expenditures that exceed budget line items are not being approved without internal budget amendments being done first. By internal budget amendments, we mean moving budgeted funds from one account to another within the department’s budget in accordance with the budget policy. If internal budget amendments cannot cover the additional expense, then inter-departmental transfers are considered. Finally, if the increase is critical enough, the City Manager and Finance Director will propose amendments through this report.

As would be expected, there are variances, both negative and positive, to our current budget. It is important to note that a conservative approach was used in determining these numbers. In general, negative impacts were over-compensated while positive impacts were under-compensated.

It should be noted that overall it will be necessary to increase gasoline expense budgets to reflect actual expenses throughout the City’s department budgets. Gasoline budgets have not been adjusted at this time as Department Directors have been instructed to conserve and find the additional funds in their budgets. We will be making these revisions to the Fiscal Year 2006 Revised Budget presented with the Proposed Fiscal Year 2007 Budget. We estimate the additional gasoline budget needed is approximately \$90,000. Allocated by fund, this involves additional expense to the General Fund of \$67,000, the Water/Wastewater Fund of \$11,000, and the Electric Fund of \$12,000.

The more notable revisions are explained in general below. Attached are the actual mid-year reports and footnotes that provide additional detail for your consideration. If acceptable, formal budget amendments will be placed on the City Council’s next agenda. This will enable us to fund these items with a legal budget appropriation.

- Fines and Police revenues were adjusted upward by \$85,000 to reflect actual revenue streams.
- Property Tax revenues adjusted upward \$169,967 to reflect actual revenue streams.
- Court of Chancery Court Fees were revised upward \$160,000 to reflect actual revenue.

- Recreation grants were revised upward \$325,000 to reflect actual receipts. There is a corresponding increase in the transfer to parkland recreation reserve.
- Transfer from Civil Traffic Penalties revenue has been adjusted up \$230,515 to reflect current revenue streams.
- In general, departments in the General Fund were able to maintain their budgeted expense levels. There is a transfer of salaries from Customer Services to the City Manager. This reflects the reorganization which moved the Senior City Administrator and Administrative Assistant (\$152,599 salary and benefits) to the City Manager's budget. The Tax Assessor budget was increased to reflect additional contractual services costs for assessment assistance. There are decreases in the Inspections and Information Technology budgets that reflect staffing vacancies.
- Because of increases in fund balance, we have increased the transfers to the Post Retirement Benefits Reserve (\$100,000) and the Parkland/Recreation Reserve (\$790,000). As requested by Council, the Finance Director and City Manager have included in this report a Recreation Center Funding Plan. Due to the added transfer this year, we do not believe it is necessary to borrow \$500,000 for a portion of the funding as originally planned. Details of the plan are on page 4 of this report. NOTES: The Post Retirement Benefits Reserve has been re-titled to OPEB (Other Post Employee Benefits) Reserve. This change has been made to be consistent with the Governmental Accounting Standards Board. The Parkland/Recreation Reserve Transfer is actually being increased \$1,174,850 (Sale of Land - \$59,850; Recreation Grant - \$325,000; and \$790,000 due to increased fund balance.)
- Wastewater Fees are being projected downward overall by \$545,253. Impact Fee revenue is adjusted upward \$255,000 to reflect current revenue. At this time, our Kent County fee expenses are projected to come in as budgeted, but our Wastewater Adjustment deficit is increasing. The fund's minimum reserve balance is maintained.
- At this time, Electric revenues are on target. Additional monies have been budgeted in Administration to cover the additional legal fees. The Duke Contract Revenue was \$2.1 million this year and will be transferred into a rate stabilization reserve. This fund meets its minimum reserve balance requirement.

General Fund Highlights

Receipts:

1. Fines and Police Revenue – Adjusted upward to correct revenue estimate and reflect current revenue streams.
2. Property Taxes – Increased based on a higher level of property tax receipts than budgeted.
3. Court of Chancery Fees – Increased to reflect actual revenue streams.
4. Recreation grants – Adjusted to reflect actual receipts.
5. Transfer from Civil Traffic Penalties – Adjusted to reflect actual revenue streams.

Expenditures:

1. Tax Assessor– Increased to reflect expenditures for contractual services.
2. Planning – No net change in budget, but a request for re-budgeting of \$8,000 from 10-11 Salaries to 30-29 Consulting Fees. This was consulting work needed as a result of the vacant Planning Director position.
3. Inspections – Decreased to reflect staff vacancies.
4. Streets – Increased to reflect lease payment incorrectly budgeted in Water Construction. There is a corresponding decrease in the Water Fund.
5. City Manager – Increased to reflect relocation of Senior City Administrator and Administrative Assistant from Customer Services to the City Manager’s budget.
6. Information Technology – Revisions made to vacancies and consulting fees due to vacancies.
7. Customer Services – Reduction to reflect staff vacancies and the transfer of Senior City Administrator and Administrative Assistant to City Manager’s budget.
8. Mayor – Increased at the request of the Mayor for an advertising campaign for home ownership.
9. Transfer to Parkland Reserve
10. Transfer to Post Retirement Benefits Fund

Notes:

Recreation Center Funding Plan

Parkland Reserve Current Balance	\$1,350,259
Dover Downs Contribution	75,000
Kent County Contribution	<u>300,000</u>
Balance	\$1,725,259

Remaining requirement \$1,174,741

Recommended Funding Plan

FY 2006

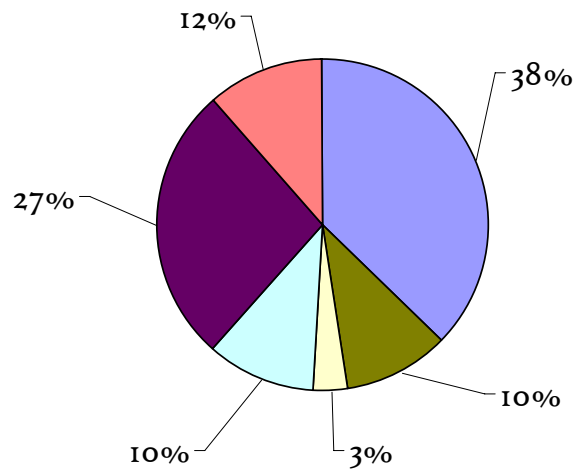
Transfer from fund Balance	\$ 790,000
Transfer from Recreation Grants	325,000
Transfer from Sale of Land	59,850

Total \$1,174,850

At this time the Finance Director does not recommend soliciting proposals for loans. The Revenue requirement is met.

John W. Pitts Recreation Center Funding

Total Project Costs: \$2.9 mil



- * **Parkland Reserve** - Funds from developer contributions, sale of excess land, and interest income.
- * **PILOT** - State of Delaware Payment In Lieu of Taxes - FY06

as of March 29, 2006

Wastewater Fund Highlights

Revenues:

1. Water Fees – Increased based on year-to-date data.
2. Water Fees – Decreased based on year-to-date data and additional budget corrections.
3. Impact Fees – Increased based on additional construction.

Expenses:

We are not recommending any revisions to the Water/Wastewater Fund Expenses at this time.

Water/Wastewater Improvement & Extension Fund Highlights

Revenues:

We are not recommending a change at this time as revenues appear to be on target.

Expenses:

Water Construction – Decreased to reflect lease payment incorrectly budgeted in Water Construction. There is a corresponding increase in the Streets budget.

Electric Revenue Fund Highlights

Revenues:

1. Sales to Customers – No change at this time as revenues appear to be on target.
2. Duke Contract Revenue – Has been received and budgeted.
3. Miscellaneous Revenue – Increased to reflect current revenue streams.

Expenses:

1. Purchased Power - DLD – No change at this time as expenses appear to be on target.
2. Administration – Increased to reflect increased consulting fees associated with the electric power contract negotiations.

Electric Improvement and Extension Fund Highlights

Revenues:

We are not recommending a change at this time as revenues appear to be on target.

Expenses:

Transmission and Distribution – Increased for expense associated with new construction developments.