

## **What were they Thinking? Dover's Fiscal Year Budget for '26.**

by Fred Neil, Dover City Council President

By some minor miracle, and deep digging by the Dover City financial wizards, and a lot of soul searching, the Dover City Council has approved a budget for the Fiscal year that starts on July 1<sup>st</sup> with NO increase in the property tax rate. It was essential to increase electric and water rates because the cost to deliver those services have gone up just as our groceries have increased. Electric and Water rates remain among the lowest in Delaware.

You deserve to see how that financial jigsaw puzzle came together, because you are footing the Bill to run this city. It all starts on the way the city collects money to pay for what it has to buy and pay for salaries and the services provided.

### **How the City Pays its Bills**

The biggest chunk of money comes from Property Taxes, which represents 31.9% of the General fund revenue. Every property owner and renter is affected when property taxes are raised. The renter feels the increase as their annual rents rise.

Since more than 30% of all properties in Dover are owned by non-profits the burden for a whole array of services from police, fire, emergency medical services including ambulances, street cleaning, infrastructure, etc, falls on property owners and their renters. The 2<sup>nd</sup> largest amount comes from Interfund Service transfers such as the Electric and Water fund. Smaller amounts come from grants, Transfer Taxes on the sale of property, Chancery Court fees, and other miscellaneous receipts.

That money goes into the General Fund as the operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. These Interfund Service money transfers have restrictions to how much money can be transferred.

### **The Fairness Equation**

Each year, the members of the City Council must consider should the Dover taxpayers and renters provide free services to the non-taxpayers by raising the tax rate 10¢ to 15¢ per \$100 of assessed value? Is that fair? We thought not! To remedy this we have instituted additional service fees similar to the Electric and Water Funds, which are called "Enterprise Funds", and Service Fees.

The "Enterprise Funds consist of two parts. One part is a fixed amount that pays for infrastructure that gets the utility to you and the man or people power to keep it running. The second part that you control is based on how much electricity or water, etc you use.

The service fees you see on your city monthly invoices are paid by all property owners based on what it actually cost the city. These are trash collection, and emergency medical fees. We tried to remove the cost of storm water from the property tax rate last year, but the formula went haywire and taxpayers still bear the whole burden paid via the General Fund. By doing this, the not-for-profits are paying a share and preventing the property tax rate to rise.

### **The Not So Good News**

You still face an increase in the Electric and Water Rates. The reason is the cost to the city has jumped. The most severe increase is cost of buying power from the grid to send to you. This is a serious national problem. When the cost of power from the grid goes up, we either pay the cost or you have no electricity.

What you don't pay are the profits that go to investors of private systems. Usage of electricity is seasonal, and Dover's rates have been the lowest or the second lowest in the entire State of Delaware. Even with the rate increase, your cost will be among the lowest in the State. The same goes for water even though the cost of materials to get the water to you has risen 124% since 2021.

To help every electric user, Dover is launching a Smart Energy program to help you save electricity in your home or business. You will be hearing more about that later. You will save money two ways. One, by cutting

the usage you pay for and by dropping the city's cost of delivering that electricity to you. You will be able to invite an expert to your home to advise you.

A note about Council President Neil: According to the National League of Cities, at 91 years of age he is the oldest elected local official in the United States. His Bio can be found on the City of Dover Website.