

FY'13 Operating and Capital Budgets

Special Budget Hearing June 28, 2012

FY'12 RECAP: OPERATING BUDGET

FY'12 vs FY'13 ►	FY'12 Budget	FY'12 Projection	FY'13 Budget	Variance to FY'12 Budget
Revenue Totals	33,393,965	34,619,203	34,503,966	1,110,001
Expense Totals	33,275,747	32,587,613	34,148,291	872,544
Overall Surplus(Deficit)	118,218	2,031,590	355,675	237,457

Mayor Ken Branner reported:

Fiscal Year 2012 will close with higher than expected revenues and lower than budgeted expenses. The additional surplus was primarily driven by new development revenue related to the Johnson Controls expansion and the Amazon.com and Christiana Care investments in Middletown, among other important projects. Expenses were controlled well in FY'12 thanks to various operational efficiencies, and FY'13 expenses were carefully planned line item by line item.

FY'12 RECAP: CAPITAL BUDGET

Our employees and partners completed critical infrastructure projects during FY'12.

- **Sewer Department**
 - The Lakeside Interceptor project was completed, which remediated sewer pipe from Silver Lake Park to Lakeside.
 - The 301 Force Main was upgraded on the west side of town.
 - The Route 1 Sewer Projects are largely complete – the force main and gravity line are installed. One pump station is operational, and the second pump station will be running next month. That project allows us to divert flow from New Castle County's Water Farm #1 and free up capacity on the east side of town, which saves about \$250,000 in treatment costs.
- **Water Department**
 - Wells 6, 8 and 9 were rehabilitated this year, which boosted the capacity of our wells and will save us \$150,000 in bulk purchases.
 - Upgrades to the water plant were also completed to contribute to the efficiency and water quality in our drinking water system.
- **General Administration**
 - The departments worked together to complete the conversion of our accounting and billing software systems to a more modern platform.

- Universal Recycling was launched and every resident received a recycling container. An estimated total of 1,800 tons of household waste has been diverted to recycling centers since the program kicked off 13 months ago.
- The Greenlawn bio-retention project was completed to improve storm water quality.
- **Electric Department**
 - Various improvements to the Industrial Drive Substation and the Westtown electric infrastructure have been completed or are underway in support of the commercial growth on the west side of town.

FY'13: SUMMARY OF OPERATING AND CAPITAL BUDGETS

<i>Operating:</i>	<i>\$ 34,148,291 (increase of 2.6% vs FY'12)</i>
<i>Capital:</i>	<i>\$ 4,347,160 (decrease of 46% vs FY'12)</i>
<i>TOTAL:</i>	<i>\$38,495,451 (<u>decrease</u> of 7.0% vs FY'12)</i>

FY'13: OPERATING BUDGET

The proposed Fiscal Year 2013 Operating Expense Budget totals \$34,148,291, which is about \$873,000, or 2.6 percent higher than the Fiscal Year 2012 expense budget. The higher expenses are supported by increased revenues, both of which result from a full year of Johnson Controls water, sewer, and electric consumption, plus a partial year of Amazon.com and Christiana Care activity.

Property Taxes and Transfer Taxes are expected to remain flat versus last year's budget. Personnel expenses, including the two largest components (wages and health insurance), are expected to remain flat due to more than 50 percent reductions in part time and seasonal requirements, and a new health insurance contract.

The Town's full-time employee count will remain at 153. Street Paving Maintenance was restored in this year's budget thanks to additional Municipal Street Aid received in Fiscal Year 2012 and scheduled for Fiscal Year 2013.

There are no planned tax or utility increases for Fiscal Year 2013. The Memorandum of Understanding between the Town of Middletown and the Governor's office is already in effect, with the first 2.6 percent decrease in electric rates that occurred last February. We expect another small decrease next February, on our way toward meeting the three-year goal of a 10 percent total reduction in electric rates.

Fiscal Year 2013: CAPITAL BUDGET

The Total or Gross Capital Budget is \$4,347,160, but \$3,887,520 is being funded with Office of Drinking Water (ODW) loans or our existing sewer project financing, leaving net Capital Expenditures of \$459,640 during Fiscal Year 2013. The Total Capital Budget is 46 percent less than last year's budget. The following projects are scheduled for FY'13:

- **Sewer Department**
 - The Longmeadow and Hampshire pump stations will be completed to close the Rt.1 projects early in FY'13 (\$1.4mm).
 - The Frog Hollow Wastewater Treatment Plant will undergo a partial sludge removal process in FY'13 (\$250,000).

- The ongoing Rapid Infiltration Basin (RIBS) study will continue into FY'13 and FY'14 with assistance from the University of Delaware (\$55,440).
- Alternative algae treatments will be done at Frog Hollow (\$14,000).
- Sprayfields on the town's west side will be remediated per DNREC standards (\$33,000).
- **Electric Department**
 - The project to build a second 138kV feed from Delmarva Power's system through Townsend will begin this summer (\$495,000).
 - The 12kV feed at Fairfield Commons will be upgraded to a 25kV line to divert load from the old substation and mitigate line losses (\$54,400).
- **Water Department**
 - The ongoing Office of Drinking Water Low-Interest Loan (ODW) projects will continue in FY'13:
 - Hydrant rehab and main replacements on Pennington, Shallcross, Lockwood, and New Street (\$1.1mm).
 - The addition of a filter and a new wellhouse at the Well #6 site (\$775,317).
 - DEMA is partially funding a chlorine contact chamber at the Water Plant (\$60,000).
- **Police Department**
 - MPD is purchasing the first two Chevy Caprice Cruisers now that the Crown Victoria line was eliminated. \$70,000 will be funded with existing lease financing.
- **General Administration**
 - Stormwater Management improvements are scheduled in Sharondale (\$25,000)

To recap:

The total Fiscal Year 2013 budget – operating and capital budgets combined – is \$38,495,451, which represents a decrease of 7.0 percent versus Fiscal Year 2012. The reduction is driven by a capital budget that is 46 percent lower than last year, but the operating budget is growing by 2.6 percent, due to utility volume increases.

After reading the above statements, Mayor Branner opened the floor to questions and comments.

Longmeadow resident Bob Gouge commented that he read about the State of Delaware's (Governor's Office) request for municipalities to adjust their electric rates on a downward scale. "Do you anticipate any increased fees primarily as a result of that?" he asked.

Mayor Branner said the Town of Middletown started analyzing the electric fees, prior to discussions with the state. And, in fact, made the first decrease in February of this year. "We made a commitment to make a concentrated effort to bring our electric rates down and I have no doubts we will be able to meet our Memorandum of Understanding with the Governor's Office," Branner said.

There were no further questions or comments.