

FY26 Budget Highlights and Recommendations

Special City Council Meeting – Budget Review
May 20, 2025



Budgetary Principles

- Revenues equal or exceed expenditures (w/o budget balance).*
- Ensure reasonable transfers from enterprise funds.
- Do not rely on carryovers, one-time revenues or anticipated funds.
- Avoid overload (too many options or actions).
- Calculate cumulative impact of smaller increases.
- Watch for unintended impacts by income, housing value, etc.

* The City is on a path to achieve this goal.



Budgetary Principles (continued)

- Consider the ease to apply and collect revenues.
- Consider acceptability and pushback.
- Match the cost of service with appropriate fees based on timely rate studies.
- Understand CPI versus “city inflationary indices”. Basic function/service inflationary increases should be automatic.
- Ensure adequacy of service and utility fee generated reserves for future repairs, replacements and obsolescence.



Key Elements of Proposed Budget



Compensation reflecting union contracts and to further address non-bargaining inequities.



Inflationary adjustments for operating items (postage, fuel, telephones, insurance, etc.).



Restrictions on position growth (four net new positions).



Retiree pension considerations (2% COLA.).



Escalating healthcare coverage costs.



BLS Ambulance Service fee and special revenue fund.



Creation of Emergency Management & Communications Department by realigning functions.



Key Elements of Proposed Budget (continued)



Recognition of reductions in energy costs (opportunity for stability).



Modest, preapproved increase in electric rates (2023 rate study).



Modest, proposed increase in water rates (2025 study).



Modest, proposed increase in wastewater rates (2025 study).



Deferral of select capital projects due to budget limitations or project backlog.



No property tax adjustment.



FY26 Budget Concerns – All Funds

- Expense Increases
 - Increases in Materials, Labor and Services Costs
 - Labor alone is projected at an increase of \$4.9M across all funds from FY25. (FY26 total = \$55.9M)
- Operating expenses must be less than or equal to operating revenues.
 - Utilities must maintain levels projected in rate studies to avoid undue rate increases.



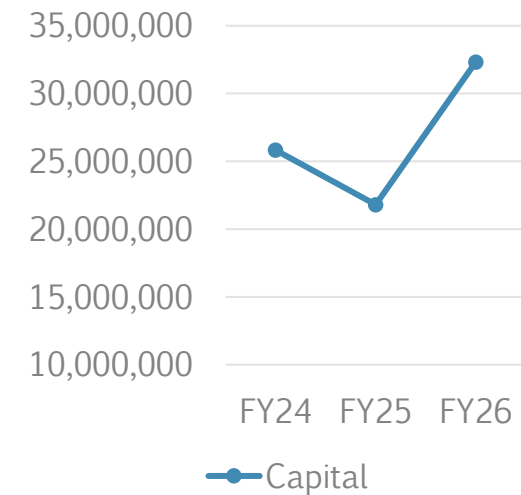
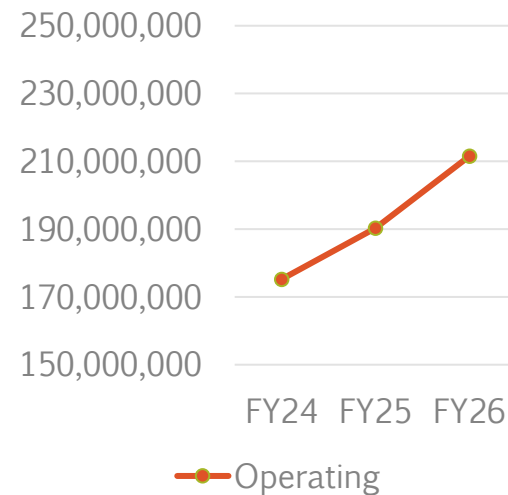
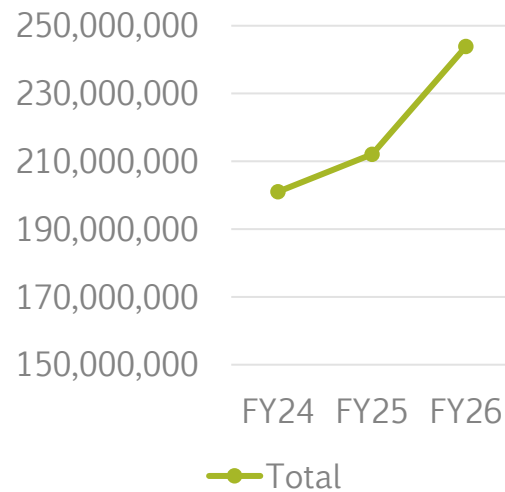
FY26 Budget Concerns – All Funds (continued)

- State and Federal policy and grant funding uncertainties (DOGE for example).
- General Assembly priorities including, but not limited to, energy and climate, affordable housing, homelessness, and unfunded mandates.
- Revenue sources such a marijuana tax, PILOT, grants-in-aid and the likelihood of Dover getting a share.
- Inflation, interest rates, tariffs and the possibility of a recession.



Budget Overview

Description	FY24 Budget	FY25 Budget	FY26 Budget	% 24-25	% 25-26
Budget Total	\$201,039,336	\$212,100,000	\$243,873,350	5.5%	15.0%
Operating Budget	\$175,211,136	\$190,300,000	\$211,542,650	8.6%	11.2%
Capital Budget	\$25,828,200	\$21,800,000	\$32,330,700	-15.6%	48.3%



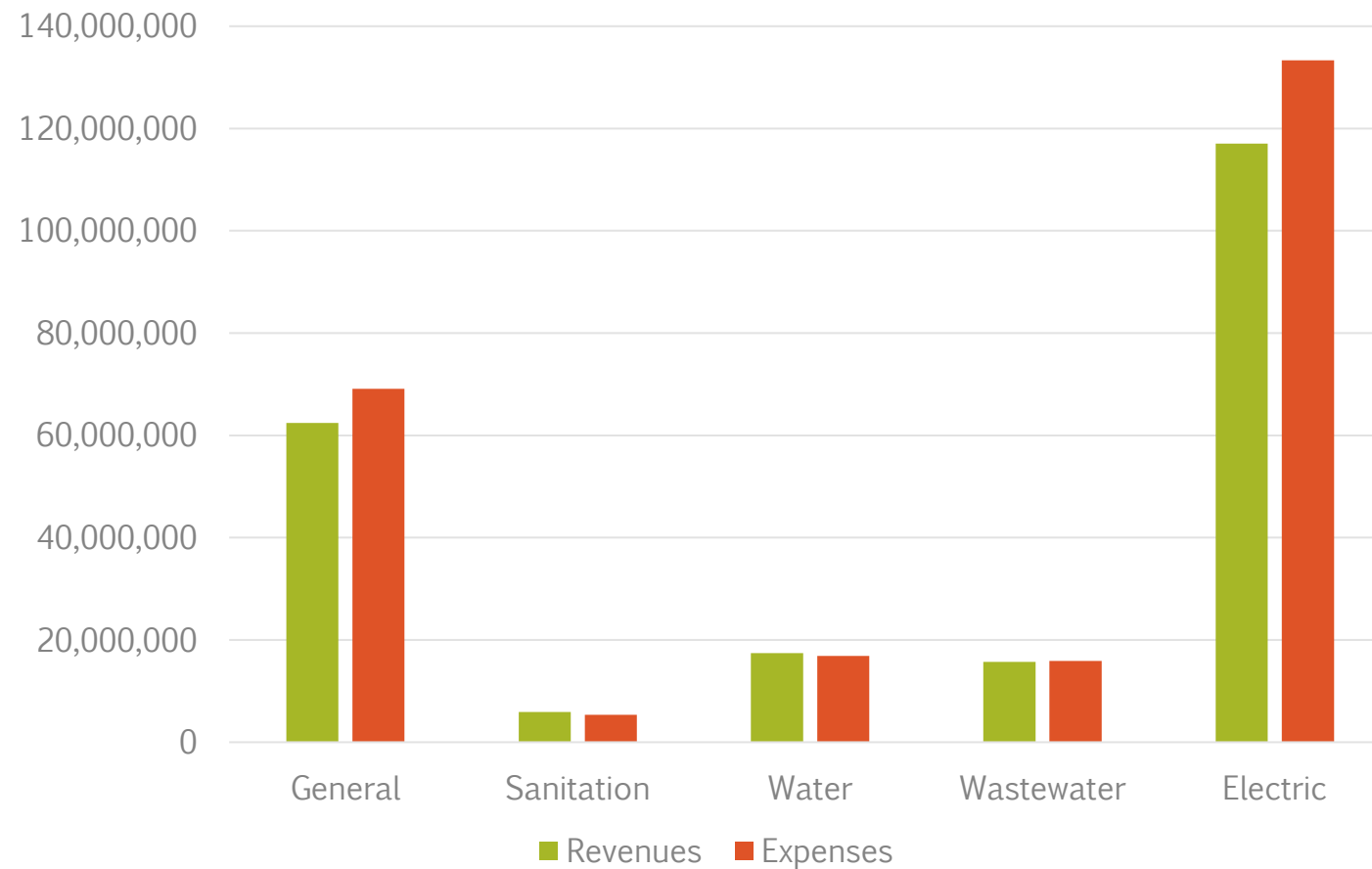
FY26 Budget Overview by Fund

Description	Beg. Balance	Revenues/In	Expenses/Out	End. Balance
General	\$17,167,800	\$62,419,700	(\$69,090,500)	\$10,497,000
Sanitation	\$140,000	\$5,903,400	(\$5,354,300)	\$689,100
Water	\$4,414,113	\$17,439,400	(\$16,861,200)	\$4,992,313
Wastewater	\$11,300,200	\$15,700,600	(\$15,883,800)	\$11,117,000
Electric	\$102,825,017	\$117,053,700	(\$133,308,200)	\$86,570,517

Note: Numbers above include operating, capital and reserves.



FY26 Budget Overview by Fund (continued)



Revenue Projections

- Revenues increased from FY25 to FY26 by \$29,162,809 (15.1%).
 - FY25 = \$193,151,041
 - FY26 = \$222,313,850
- No Property Tax increase is proposed for FY26.
- Electric Rate increase as previously approved (2023 rate study).
- Water & Wastewater Rate increase proposed as presented (2025 rate study).
- Growth and volume assumptions included in projections.
- No one time funds included to balance budget.
- No reserves used to balance budget.



Summary of Rate Changes

- Property Taxes – no change
- EMS (ambulance) – no change
- Sanitation – no change
- Water (typ. residential) – additional \$1.98/month
- Wastewater (typ. residential) – additional \$0.76/month
- Kent County Treatment (typ. residential) – additional \$1.64/month
- Electric (typical residential) – 10% or **\$15.08**/month

Note: Typical Water/Wastewater = 3,000 gallons – Typical Electric = 1,000 kwh



Expenditure Projections

- Expenditures increased from FY25 to FY26 by \$31,738,209 (15.0%).
 - FY25 = \$212,135,141
 - FY26 = \$243,873,350
- Increases primarily related to increases in personnel and materials expenses.
- Inflation continues to have an impact.



Beginning Budget Balances

- Beginning budget balances in three (3) funds were used to assist in balancing the budget although this is not permitted by the City's Financial Policy.
 - General Fund Budget Balance Change = **-\$6,670,800**
 - Sanitation Fund Budget Balance Change = \$549,100
 - Water Fund Budget Balance Change = \$578,200
 - Wastewater Fund Budget Balance Change = **-\$183,200**
 - Electric Fund Budget Balance Change = **-\$16,254,500**
- Achieving otherwise would require property tax and other rate increases in addition to additional cuts on the expenditure side which may affect level of service.



Minimum Budget Balances

- The City's Financial Policy includes minimum budget balance requirements for four (4) funds that the City is to strive to maintain.
- General Fund: 8% - 12% of current year operating revenues
 - FY26 = 7.5% (\$284,400 shortfall)
- Water Fund: 8% - 17% of current year operating revenues
 - FY26 = 20.0% (\$662,500 above minimum)
- Wastewater Fund: 8% - 17% of current year operating revenues
 - FY26 = 24.0% (\$1,516,400 above minimum)
- Electric Fund: 12% of current year operating revenues
 - FY26 = 29.0% (\$17,729,700 above minimum)



Major Fund Highlights – General Fund

- Revenues - \$52.4M
 - Property Taxes – 31.9%
 - \$16.5M
 - Utility Transfers - 23.2%
 - \$12.0M
 - Interfund Service Fees - 15.3%
 - \$7.9M
- Expenses - \$59.7M
 - Police - 43.0%
 - \$25.6M
 - Public Works* – 11.8%
 - \$7.0M
 - Transfer to Capital Fund – 9.2%
 - \$5.5M



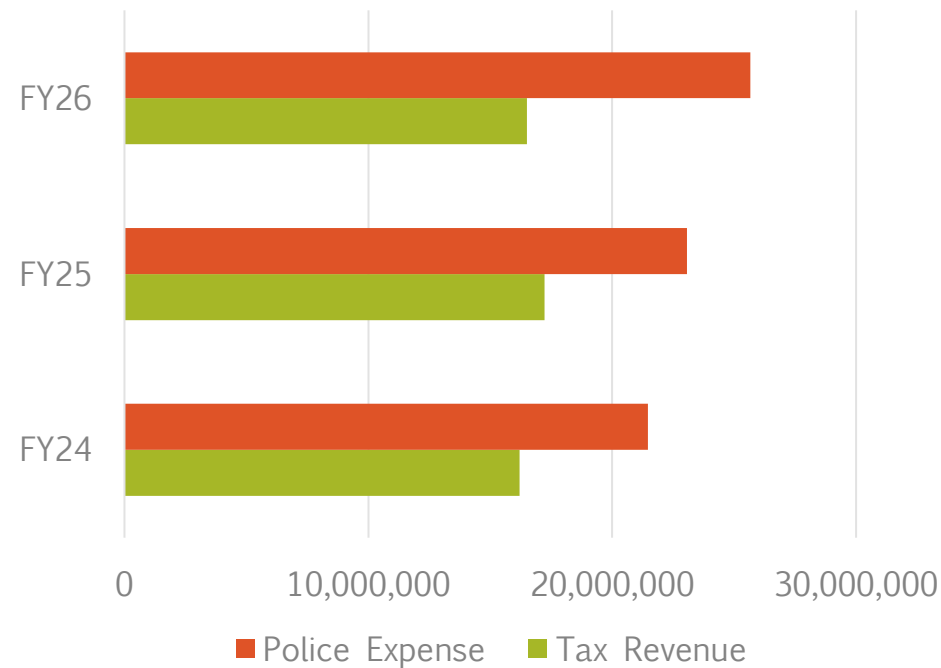
Notes: Numbers above include operating only.

*Public Works also includes Grounds, Facilities and Fleet.



Major Fund Highlights – General Fund (continued)

- Property taxes do not cover the expense of the Police Department.



Note: A \$0.01 tax increase generates about \$360k.



Major Fund Highlights – Sanitation Fund

- Revenues - \$5.2M
 - Sanitation Services - 100.0%
 - \$5.2M
- Expenses - \$4.6M
 - Operating – 71.7%
 - \$3.3M
 - Transfer to Capital Fund - 15.2%
 - \$0.7M
 - Interfund Service Fees - 13.0%
 - \$0.6M



Note: Numbers above include operating only.



Major Fund Highlights – Water Fund

- Revenues - \$8.5M
 - Water Services - 89.0%
 - \$7.6M
 - Water Tank Leasing – 6.0%
 - \$0.5M
 - Impact Fees – 3.0%
 - \$0.3M
- Expenses - \$7.9M
 - Water Treatment Plant – 38.2%
 - \$3.1M
 - Transfer to Capital Projects - 15.8%
 - \$1.3M
 - Transfer to General Fund - 12.3%
 - \$1.0M



Note: Numbers above include operating only.



Major Fund Highlights – Wastewater Fund

- Revenues - \$12.7M
 - Wastewater Services – 40.4%
 - \$5.1M
 - Wastewater Treatment – 37.6%
 - \$4.8M
 - Groundwater Inflow – 18.6%
 - \$2.4M
- Expenses - \$13.2M
 - KC Treatment Fees – 44.2%
 - \$5.8M
 - Transfer to Capital Projects – 20.5%
 - \$2.7M
 - Wastewater Division – 11.6%
 - \$1.5M



Note: Numbers above include operating only.



Major Fund Highlights – Electric Fund

- Revenues - \$104.6M
 - Customer Sales – 97.3%
 - \$101.8M
 - Miscellaneous Revenue – 1.4%
 - \$1.5M
 - Utility Tax – 1.3%
 - \$1.3M
- Expenses - \$122.6M
 - Power Supply – 67.1%
 - \$82.3M
 - Transfer to Capital Projects – 8.6%
 - \$10.5M
 - Transfer to General Fund – 8.2%
 - \$10.0M



Note: Numbers above include operating only.



Personnel Highlights

- Personnel remains the largest expense for the City and are the key reason that we are able to maintain current levels of service.
- Compensation adjustments based upon recent union contracts and 4% for non-bargaining to address inequities.
- Healthcare expenses increased by 4.2%.
- Inclusion of 2% COLA for retirees.
- Consultant services programmed for critical and hard to fill positions (Department of Planning & Inspections).
- Focus on reclassifications, career ladders and retention.



Personnel Highlights – General Fund

- City Manager approved position growth and adjustment requests:
 - New Emergency Management & Communications Department (structural change)
 - Align certain functions of the City Manager's Office and functions of the Fire Marshal's Office.
 - Improves capacity and coverage as well as efficiency in the chain of responsibilities.
 - Minimal budgetary impact with no new positions.
 - Reclassify Public Affairs & Emergency Management Coordinator to Emergency Services Director and Inspector III – Fire Marshal to Emergency Services Deputy Director.



Personnel Highlights – General Fund (continued)

- City Manager approved position growth and adjustment requests:
 - New Communication Operator (911) and Police Clerk in Police Department.
 - Increase salary of Fire Administrative Manager.
 - Promote 2 Customer Service Clerk Is to Customer Service Clerk IIs.
 - Regrade 8 Inspector Is, IIs and III (Code Enforcement and Building).
 - Retirement and replacement training for Community Development Manager.
 - Retitle Accountant II to Accountant III.
 - Move 1 Public Works Administrative Assistant to Wastewater Fund.



Personnel Highlights – General Fund (continued)

- City Manager denied position growth and adjustment requests:
 - New part-time Customer Service Clerk I.
 - New Fire Fighter IIs (5).



Personnel Highlights – Water/Wastewater Funds

- City Manager approved position growth and adjustment requests (all included in Water/Wastewater Rate Study):
 - New GIS Specialist.
 - New Water Service Person.
 - Promote Water Production Manager to Assistant Director of Water & Wastewater.
 - Reclassify 4 Water Treatment Plant Operator IIs to Water Treatment Plant Operator IIIs.
 - Promote 5 Water Treatment Plant Operator Is to Water Treatment Plant Operator IIs.



Personnel Highlights – Electric Fund

- City Manager approved position growth and adjustment requests:
 - Promote 1 Field Service Representative I to Field Service Representative II.
 - Promote 1 Lineman Second Class to Lineman First Class.
 - Retirement and replacement training for Administrative Assistant.



Capital Improvement Program Highlights

- Capital projects and vehicle/equipment replacements were reviewed closely taking into consideration funding availability, uncertainty of State and Federal grants and other funds, need, and status of prior projects.
- General Fund
 - Deferment of Warehouse Parking Repaving project (-\$125,000).
 - Deferment of West Street Flooding Improvements project (-\$130,000).
 - Deferment of State Street Flooding Improvements project (-\$28,000).
 - Deferment of Reed Street Flooding Improvements project (-\$28,000).
 - Reduction of Street & Alley Program to \$1M (-\$260,000).



Capital Improvement Program Highlights (continued)

- Sanitation Fund
 - No adjustments were made to the capital budget from that requested.
- Water Fund
 - No adjustments were made to the capital budget from that requested.
- Wastewater Fund
 - No adjustments were made to the capital budget from that requested.
- Electric Fund
 - Deferment of Electric T&D vehicle (-\$200,000).
 - Deferment of Advanced Metering Infrastructure project (-\$7,000,000).



Unfunded “High Profile” Requests & Council Options

- Unfunded “High Profile” Requests
 - Police Department: certified officers for downtown
 - Fire Department: paid firefighters
 - Housing and Homelessness
 - Riverwalk
 - Advanced Metering Infrastructure (AMI)
- Council Options
 - The requests above, and others, are open for discussion but cannot be added to the budget unless a corresponding revenue sources, existing or new, is approved.

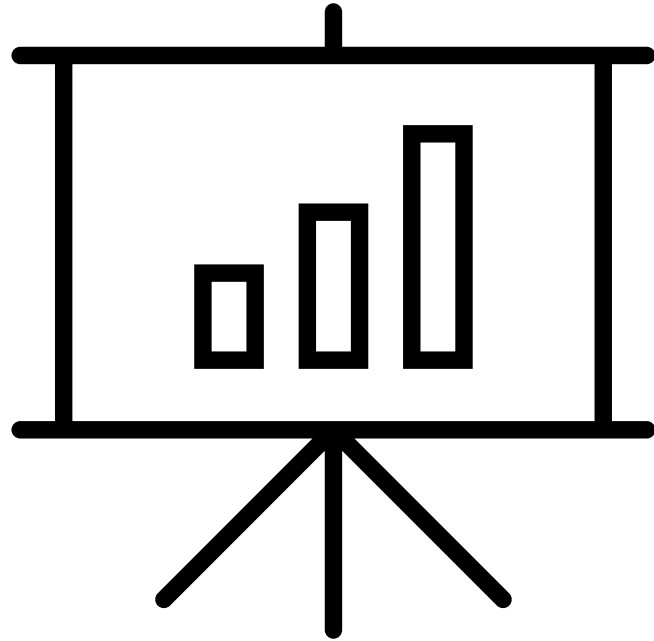




Looking Forward

- The cost of service (personnel, materials, supplies, equipment) will continue to increase over time with continued long-term inflation.
- Need long term policy to increase revenues to balance the General Fund.
- Need long term plan to catch up on vehicle and project deferrals.





Recommendation

- Approval of the FY26 budget as presented, to be effective July 1, 2025.



Questions & Directions

