

CITY OF MILFORD
COUNCIL WORKSHOP MINUTES
May 23, 2023

The City Council of the City of Milford convened in a Workshop Session on Tuesday, May 23, 2023, beginning at 6:07 p.m. for the purpose of reviewing the proposed Fiscal Year 2024 City of Milford Budget.

PRESIDING: Vice Mayor Jason James Sr.

IN ATTENDANCE: Councilpersons Daniel Marabello, Mike Boyle, Andrew Fulton, Todd Culotta, Brian Baer, Nirmala Samaroo, Jason James Sr., and Katrina Wilson

STAFF: City Manager Mark Whitfield, Police Chief Cecelia Ashe, and City Clerk Terri Hudson

PUBLIC COMMENT PERIOD

No one signed up or was in attendance to speak during this time. The session concluded as a result.

Review and Discussion of Proposed City of Milford FY24 Budget

PUBLIC WORKS

Public Works Director Mike Svaby opened by stating the proposed Public Works budget is \$13.6 million which is an increase of 17% or \$2 million over last year's projected budget. It includes one request for an addition employee that will be shared between the water and sewer divisions.

Streets and Grounds

Primary Work Scope

- Street and utility water and sewer line maintenance
- Sign replacement, lining and striping of roadways and parking lots
- Repair to and installation of water and sewer lines
- Street sweeping regulatory compliance

Primary Cost Drivers

- \$70k of increase related to stormwater pond management; funding in hand in solid waste fund
- \$32k of increase is status-quo with FY23 budget, but underutilized in FY23 (snow/ice, sidewalks)
- Aside from pond & snow/ice/sidewalk, netincrease is 12%, driven by personnel

The Public Works Director explained that the primary drivers in this budget are a \$70,000 new request for city-owned stormwater management ponds.

A \$32,000 increase for a combination of snow removal and sidewalk and curb recovery, though there was very little expenses in each item in FY23.

Personnel increases were due to filled vacancies with only one vacancy in the solid waste division.

Water

Included is one new full-time employee that will be split between water and sewer.

The department will begin water infrastructure at the new Milford Corporate Center with a new well and tower and required pump station. The newest position will be working in both capacities.

Other increases are due to inflation in the contractual services, with engineering and analysis on the water plant, as well as the price of chemicals needed for water treatment.

In addition, there will be a yearly transfer of \$300,000 to the general fund from the water fund.

Sewer

Primary Work Scope

- Operating, reporting on and maintaining sanitary sewer system consisting of 20 pump stations, 19 miles of force main, and 82 miles of gravity main

Budget Facts/Primary Cost Drivers

- One new FTE split 0.5 in Water, 0.5 in Sewer
- General Fund Transfer of \$300k – new in FY24
- Continued Inflow and Infiltration study
- will help lower treatment costs
- I&I in FY22 & FY23 are 2 lowest in last 17 years

Director Svaby referenced the other half of the new full-time employee, as well as another transfer of \$300,000 from the sewer fund to the general fund.

The I&I study will continue with repairs though it has been the lowest in FY22 and FY23 compared to the last seventeen years.

Solid Waste

Primary Work Scope

- Operates solid waste, recycling, and yard waste collection program
- Improved plans for operational contingencies

Budget Facts/Primary Cost Drivers

- Cost escalation outstripping expectations from five-year cost of service study; recommending additional \$1/month
- No change in FTE count
- Volume of waste (yard waste & trash) increasing annually
- Fuel increased significantly in FY22 & FY23
- Container & Dumpster Costs increasing & volatile

This year, 33,070 tons of trash was taken to the transfer station, a 21% increase over last year, 804 tons of recycling which is a 25% increase, and 497 tons of yard waste went to Porter's Green Fill site, an 18% increase.

The current rate was predicated on a study done in 2019, though that will not sufficiently fund the operation unless an additional dollar is needed to the already scheduled \$1.20 increase from FY23. The recommendation is to increase it by \$2.20 instead of \$1 increase.

Fuel costs have risen, and container and dumpster costs have taken an irregular jump. There was a \$17,000 increase and the five-year replacement program is scheduled to begin in FY24, with approximately one fifth of containers required to begin replacement.

Garage

Primary Work Scope

- Maintains and repairs gasoline, diesel powered, automotive, heavy, and light construction, and other power-driven equipment
- Inspects, diagnoses, and locates mechanical and electrical difficulties on city-owned automobiles, trucks, and a variety of gasoline and diesel-powered construction equipment

Primary Cost Drivers

- Additional second mechanic in FY23
- Continuous purchase of vehicle manufacturer diagnostic software updates
- Aside from FY23 mechanic and \$20k for building repair and maintenance, overall increase is 7.7%

A second mechanic was added in late FY23. There are continuous purchase requirements for diagnostic software updates. So that's always present.

An additional \$20,000 has been requested for building upgrades.

Public Works

Primary Work Scope

- Leads capital project design, project management and supporting development coordination through infrastructure inspection and approval
- Manages City-owned facilities and supply warehouse as well as handling all administrative issues such as purchasing, payroll and leave accounting

Primary Cost Drivers

- No new employees
- Contractual Engineering support for City Engineer
- DBF, Century, KCI support
- Building Repair and Maintenance
- Gate repairs, BAS upgrade, bottle filling station

Costs are centered around contractual engineering firms from local engineering firms DBF, Century Engineering, and KCI.

Gate repairs and upgraded BAS system, along with a bottle filling station installation for a total of two at the facility.

ENTERPRISE FUNDS

Electric Department

Primary Work Scope

- Operation and maintenance of two substations and nine high voltage distribution feeders
- System reliability and stability

Primary Cost Drivers

- Additional Engineer added in FY23
- Cost increases for contractual and professional services
- Legal, engineering, and insurance
- Continued training efforts for new employees

Electric Department Director Tony Chipola stated that for FY24 compared to last year is just under a 10% increase. Though spending has been steady, a minor increase is expected next fiscal year. Major drivers include an additional engineering position and an increase in the contract line item mainly related to the increased workload, and to plan for future forecasting and getting ahead of newer technologies.

The budget includes an increase in training efforts and compliance of all employees, as well as new employees.

Major capital projects include load flow powerful software to allow more detailed analysis on the distribution system to better plan for future developments and growth.

Physical security will also be addressed though that did not impact budget, with some items to be shuffled which will allow it to be levelized across the five-year plan.

When asked about the proposed bill relating to mandatory charging stations at all new construction, Director Chipola shared that Milford has enough capacity, and even if older parking locations are not grandfathered in, he believes there is enough capacity to accommodate.

The only issue may be the amount of power needed to purchase though that can be worked out with DEMEC.

When asked about projected power costs, City Manager Whitfield reported the actual power costs should go down after the first of the year, with the drop in natural gas prices. That would then be reflected in the power cost adjustment on individual bills.

Tech Services

Primary Work Scope

- Installation, programming, reading, testing and repair of all electric and water utility meters
- Maintains all electric interconnection applications

Primary Cost Drivers

- No new employees
- Planned replacement of water meters
- Safety equipment & uniform upgrades

Director Chipola reported there are nominal increases in tech service budget of about 10%, with no new employees. However, the new engineer being hired will support both the electric lines department and technical services.

The major driver is the replacement of some water meters and the way they report back through the AMI network, with some failures reported. Some new devices are being tested with more on order to replace those that are failing.

More will be secured next year so they can be replaced as they fail and as manpower allows.

There will also be an increase in equipment, tools, and uniforms to make sure everyone is up to expectations and that the techs also have the training they need to do their job safely and efficiently.

Director Chipola confirmed that an analysis of the city fleet is being done to determine what portion can be electrified and will impact the plan for EV electrification.

When asked about solar panels being placed on the public works building, the Director explained that the challenge with the current building is that it served out of delivery two which is currently over the limit for solar. In the spring and fall, there is more energy to export and can be consumed which puts the city in violation of the agreement with Delmarva because we are connected to their transmission lines and end up back feeding into the grid.

Other options are being evaluated.

CAPITAL

Finance Director Vitola shared that the operating budget, capital budget and reserve balances are really interrelated. The extent to which the operating budget can generate surplus that we can be used for capital determines how much can be done in the capital year and whether the reserves can be sustained as needed.

There will be a challenge in FY24 to meet all guidelines in the reserve policies and the importance of the items targeted out of reserves.

Approved were 138 capital projects approved from FY21 to 23, and another 103 projects in FY24.

The \$17 million in the police building is taken out of the percentages to keep them comparable to prevent that from overweighting and underweighting other numbers.

He provided a summary by project of the enterprise funds and interservice funds.

General fund projects were also reviewed with a lot of attention on streets and infrastructure, police vehicle replacement, and park investments.

A detailed look at the CIP is included in the budget.

RESERVE FUND PROJECTIONS

The three major funding sources are General Fund Reserves, Realty Transfer Tax (RTT) and the Municipal Street Aid (MSA) Funds in the general fund.

He also reviewed the cash balance, deposits into the reserve funds, and summary of projects in which funding is needed. The policy requirements are included at the bottom.

The Director talked about if the operating budget were approved as is, the CIP budget was approved, and how the reserve fund requirements would then look, with a total.

The \$1.9 million is the balance as of April 30, 2023, per the report given at last night's meeting.

The \$200,000 surplus in FY23 is expected to be an early FY24 contribution into the reserve funds along with interest and other contributions.

With the FY24 CIP items, and what is left to go in FY23, the funding in general fund reserves was just met. Because the uncommitted reserve balance is zero, there is no ability to, to approve new projects throughout the year or make budget adjustments out of the general fund reserves.

He recalled that in FY2020 or 2021, the fund reserve policies were adopted that specified minimum levels of cash and reserves.

Also reviewed were RTT and MSA funds, and their alignment with financial policies. He also noted that the one penny tax increase helps reduce the alliance on the RTT in the operating budget, which historically has been used to supplement the police operating budget.

The ambitious capital plan will draw down on the reserve balance leaving nothing uncommitted, though there is a backstop in the form of RTT, which is really a general fund capital investment.

When asked if the projects could be reimbursed through grants and outside funding, Director Vitola stated that the projects expected to be funded in that manner are not included in that number.

It was determined that the budgeted one penny tax increase was based on the newer and higher assessments expected over the next year, and not current valuations.

ENTERPRISE FUND RESERVES

Water Fund

Fund has a balance of over \$2 million with what is expected to roll forward plus next year's margin should be sufficient to meet all the reserve funded capital that is underway and planned for FY24.

Used to assist in the purchase of the Fry Farm, it is somewhat better shape over the fourteen months that have passed since that property closing. Once the Milford Corporate Center is up and running, the water fund is going to receive the highest pro rata share and will rebound in a strong manner but not until the project is complete and those reimbursements will happen over another several years.

Every project in the Milford Corporate Center will have a memo with language stating that those funds are paid back into the appropriate funds that committed to that overall project.

Electric Fund

The electric fund is phone likewise is healthy. There are several millions in projects though with the expected deposits, there should be no problem meeting the policies. As well, having a balance of committed reserves.

Sewer Fund

Director Vitola said the same applies to the sewer fund. There is a strong balance as of April and while there is steep MCR policy, there is sufficient funding to have an uncommitted reserve balance.

Solid Waste

This is a fund that is hard to keep solvent. The operating costs almost always result in a very slim negative or positive margin. This year, there was a bigger surplus to overcome, which drove the recommendation for the rate increase of \$1 for monthly solid waste charges.

One more apparatus from the FY23 budget is included and some funding related to other projects that will consume most of the existing balance in solid waste. Contributions next year are entirely vehicle and equipment replacement funding.

Conclusion

It was noted that Councilmember James was on the line, and he reviewed what should be expected during the budget hearing at the next budget hearing tomorrow night. He thanked Councilwoman Wilson for presiding over the workshop this evening.

There being no further business, the meeting concluded at 7:03 p.m.

Respectfully submitted,

Terri K. Hudson, MMC
City Clerk/Recorder