



THE CITY of

Milford

River Town • Art Town • Home Town

DELAWARE

A Letter to the Community



At its June 14 meeting, City Council adopted the FY21-22 Operating Budget. While never a popular decision, this year's budget includes a 4.9 percent property tax increase. While there has not been a property tax increase since 2007, the City's Operating Budget grew at a rate of 53 percent, compared to a 47 percent increase

in property tax income.

Much of that growth can be attributed to the priorities established in the City's 2018 Strategic Plan. You may recall several of those priorities were the result of the significant input from a citywide survey sent to residents in 2017.

Public Safety was one of the top priorities identified in the Strategic Plan. The Plan recommended hiring more police officers and identified the need for a replacement Police facility. Over the past year, the Police Department also recognized the need for a Behavioral Health Unit to be created within the Department to assist with on-going mental health issues, drug abuse, and domestic violence. To accomplish these critical needs comes at a cost to our City. Much of the present and future tax increases result from the increased costs of delivering those public safety initiatives.

The Strategic Plan also identified infrastructure improvements, including the repaving of streets and replacing lead water service lines. The proposed budget includes a significant increase in capital spending to address those infrastructure necessities. In addition to streets, improvements to parking lots and the installation of new sidewalks were also included. Starting in late 2021, DeDOT will begin improvements to SE 2nd St. between Rehoboth Boulevard and Walnut St., as well as a streetscape project on NE Front St. from 4th St. to Washington St.

The expansion of Parks and Recreation opportunities is also identified in the Plan. The adopted budget includes nearly \$1 million to maintain and improve the City's parks and recreation programs and facilities.

New in FY21-22, the budget created a Vehicle and Equipment Replacement Fund. This fund levels out the replacement costs of

equipment by setting aside an annual depreciation amount for each piece of equipment. Adding this fund and having monies on hand for impending replacements will eliminate future budget challenges without spending a tremendous amount of money at one time. For example, the \$360,000 cost of the refuse collection vehicle scheduled for replacement in 2023 will no longer require tax or refuse fee increases.

The budget also eliminates the use of General Fund Reserves (GFR) to fund operating expenses. As in all government budgets, reserves are typically intended to pay for capital expenses. And while artificially capping tax increases, the eternal use of reserve funds to cover operating expenses resulted in the deferral of capital projects and erosion of reserve balances.

The budget also recommends the five-year phase-out of Realty Transfer Tax (RTT) support of operating expenses. RTT is an unstable source of income that fluctuates with a volatile real estate market. Again, limiting the use of RTT for only capital projects will ensure adequate funding for investments in critical infrastructure and will help stabilize tax rates. For example, the drop in RTT receipts in 2007 and 2008 represented lost revenue equal to 32 percent of property tax revenue, resulting in a sharp, unexpected tax increase of 12.2 percent and the deferral of nearly \$1 million in capital projects. Replacing an unstable source of income for operating expenses with property taxes may require more regular, nominal increases. That will also avoid a significant burden on future taxpayers in the form of sharp, sudden tax increases or even abrupt cuts in services, or worse yet, both.

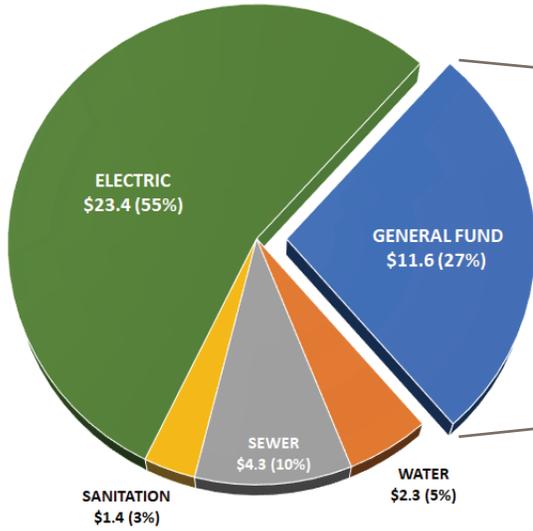
Earmarking GFR and RTT for capital projects will preserve the funding required for the continual upkeep of City streets, parks, sidewalks, parking lots, buildings, and other infrastructure. The Strategic Plan aptly identified the need for prioritizing and funding these projects.

While no budget is perfect, the FY21-22 budget has made giant strides in putting the City in a solid financial position while still providing for uninterrupted public safety, increased recreation opportunities, and improved infrastructure, all of which align with the 2018 Strategic Plan.

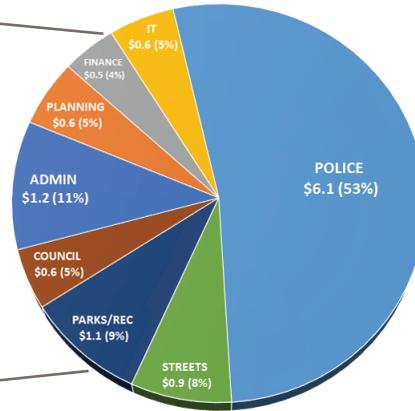
Mark Whitfield
City Manager

Fiscal Year 21-22 Approved Operating Budget (in millions)

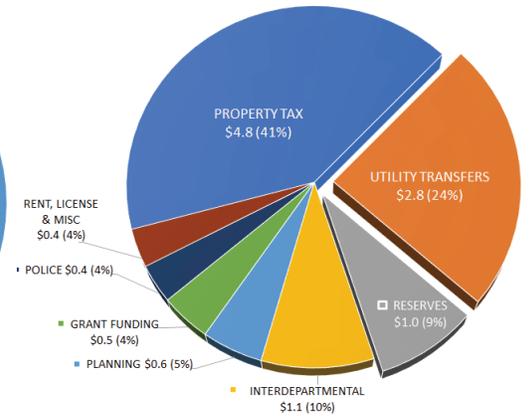
EXPENDITURES CITY WIDE TOTALS



EXPENDITURES GENERAL FUND BREAKOUT



INCOME GENERAL FUND BREAKOUT

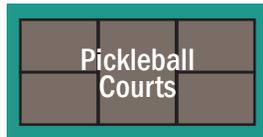


Community Improvement Investments

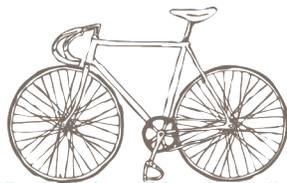
see renderings on reverse side

Parks & Recreation

Riverwalk Lighting, Railing & Sidewalk Enhancements



Pickleball Courts



Pedestrian/Bicycle trails



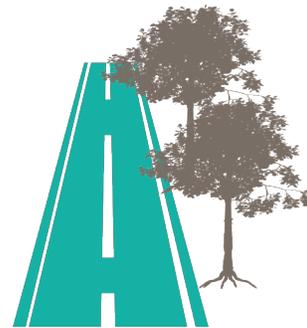
Downtown Playground

Park & Open Land Acquisition



\$1 million

Streets & Community



N Washington St. & NE Front St. Streetscapes



Downtown EV Charging Stations



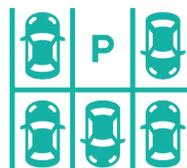
4th St. Flooding Infrastructure Repairs



Lead water line removal



Walnut St. Pedestrian Crossing



Downtown Parking Lot Enhancements



City Council Meetings Live Streaming

\$3.2 million

General Fund Income vs. Expenses

The pie charts at left break down the City's funding sources (income on right) and uses (expenses on left). Property taxes are expected to generate \$4.7 million, while an additional \$3.9 million is from utilities in the form of direct transfers and cost sharing. Police are the largest expense at \$6.1 million, followed by Administration at \$1.2 million, Parks & Recreation at \$1.1 million and Streets at \$0.9 million. The General Fund's largest income source (property tax) is insufficient to cover the cost of the police alone. Without utility support, more pressure would fall on property taxes. Key goals of the budget include balancing funding sources and uses while ensuring rates are fair to both tax payers and utility users.

The Budget Process

City staff begins the budget development in February and March each year. Once department requests are received, the Finance Department compiles the recommendations into budget format. The City Manager and Finance Director then meet with each department head in April to review the requests and make alterations and cuts. A final draft was completed and delivered to Council on May 15 that included a \$0.065 (or 14 percent) tax assessment increase.

Council then held three evening public hearings (May 17, 19, and 20) with each department head and a public hearing held on May 24. Also on that date, Council held a fourth work session at which time they requested staff make additional cuts and alterations to reduce the proposed tax increase. Based on Council's input and request, several budget changes were made, which reduced the tax increase to \$0.02275, or an approximate four percent increase.

Council met on June 7 during a final work session where the proposed budget changes were reviewed. At the June 14 regular Council meeting, Council held another public hearing, followed by a unanimous vote to adopt the FY21-22 Operating Budget and tax increase.

FY21-22 Budget Highlights

The 2021-22 proposed budget for the City of Milford totals \$47.4 million, a 7.8 percent increase from the current budget due to regular price and wage inflation, improved data and operational security, and growth in utility services. Other costs are based on strategic initiatives, such as fleet management, economic development, and community outreach efforts. Nearly \$41 million of the budget is supported by utility rates and other fee-based revenue.

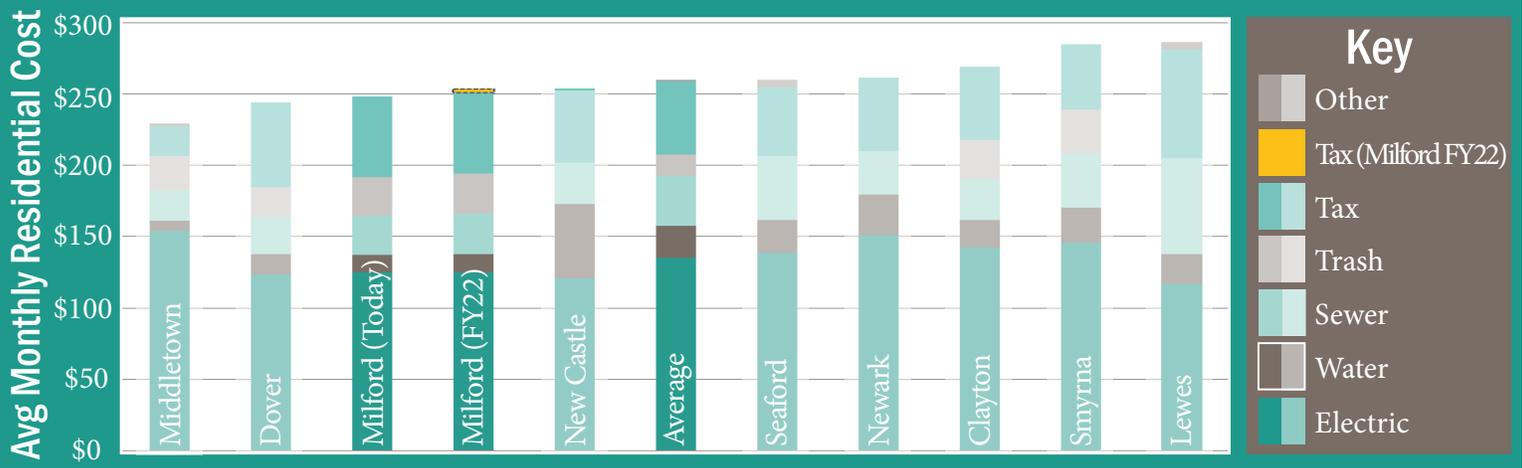
Property taxes support about 10 percent of Citywide costs. City Council and Staff have worked hard to hold the property tax rate unchanged over the last fourteen years. The current rate of \$0.46 per \$100 of assessed value has not increased since 2007. To support a portion of the cost increases, a property tax increase of \$0.02275 is proposed. The 4.9 percent rate increase represents an overall property tax rate increase of approximately 1.4 percent of school, county and local taxes combined, equating to a monthly tax increase of about \$2.80 based on the median assessed value of \$147,600 within the City of Milford.

Future Budgets

In January 2021, voters approved a referendum for borrowing up to \$20 million for a new police station. As stated with the referendum material, repayment of the loan requires a tax increase in 2023 (due Sept. 2023). Based on the average assessed home in Milford, property owners can expect a ±\$0.065 tax increase which equates to an increase of \$9 per month or \$103 per year. Additionally, the elimination of using Realty Transfer Tax to pay for operating expenses may result in future tax increases each year. From 2022 to 2025, the City expects the annual tax rate to increase about five percent per year on average.

How Milford Compares

Milford's taxes and utilities are below average and will remain competitive among our public utility peers in Delaware.



Renderings of Community Investments

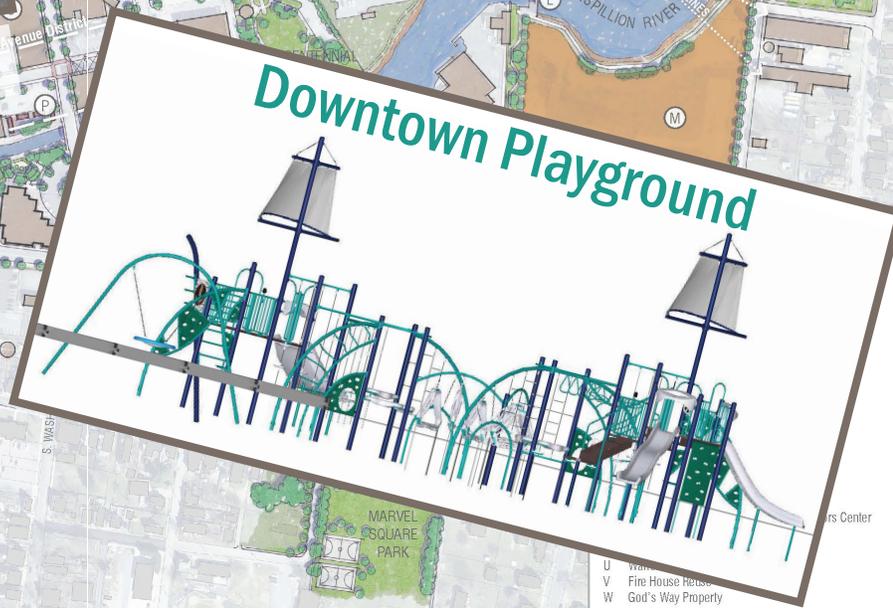
Below images are concept drawings and examples of what the Community Improvement Investments could look like. They are not guaranteed, but give a good representation of what's to come.



NE Front St. Streetscape



Tree Planting



Downtown Playground



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