

**Ordinance No. 2025-553**

**AN ORDINANCE TO AMEND THE CITY OF NEW CASTLE MUNICIPAL CODE BY ESTABLISHING A NEW CHAPTER 222, SPECIFIC FINANCIAL ACCOUNTS, REGARDING THE CREATION OF A BUDGET STABILIZATION FUND AND A CAPITAL AND INFRASTRUCTURE FUND**

**WHEREAS**, the Council of the City of New Castle (“City Council”) possesses the authority to adopt, amend, modify, or repeal the City of New Castle Municipal Code (“City Code”); and

**WHEREAS**, the City of New Castle recognizes the importance of responsible financial planning and ensuring long-term fiscal stability; and

**WHEREAS**, unforeseen economic downturns, emergencies, and revenue shortfalls can negatively impact the City's ability to provide essential services; and

**WHEREAS**, the City Council believes that establishing two financial accounts for specific matters, a Budget Stabilization Fund and a Capital and Infrastructure Fund, will help ensure that dedicated resources are available for the City’s future needs; and

**WHEREAS**, the creation of a Budget Stabilization Fund will provide a reserve to mitigate revenue volatility and support the continuity of municipal operations during periods of financial distress; and

**WHEREAS**, the City of New Castle acknowledges the need for ongoing investment in capital assets, infrastructure maintenance, and improvements to sustain economic growth and public welfare; and

**WHEREAS**, a Capital & Infrastructure Fund will ensure dedicated resources for maintaining and replacing the City’s infrastructure, including roads, public buildings, parks, utilities, and other capital projects; and

**WHEREAS**, prudent fiscal management requires that such funds be established with clear guidelines for deposits, withdrawals, and appropriate use of funds.

**NOW, THEREFORE**, making the express finding that the provisions of this Ordinance enhance and promote the health, safety, and welfare of the City of New Castle, be it ordained by the Council of the City of New Castle Council as follows:

**SECTION 1:** The City Code is hereby amended by adding the following new Chapter titled “Specific Financial Accounts”:

## **CHAPTER 222 Specific Financial Accounts**

### **Article I Budget Stabilization Fund**

#### **§ 222-1 Appropriation to be included in the budget.**

In preparing the annual budget for the City of New Castle, the City Council shall include an appropriation for a Budget Stabilization Fund (hereinafter “BSF”) consistent with this Article.

#### **§ 222-2 Accumulated balance to be maintained.**

The total accumulated balance to be maintained in the BSF may not be less than fifty-percent (50%) of the City’s operating budget for the prior fiscal year, beginning in FY 2029. Please see section 222-3 for FY 2027 and FY 2028 funding.

#### **§ 222-3 Method of funding.**

The BSF shall be funded as follows:

- A. Beginning in fiscal year 2027, XXXX percent (X%) of the property transfer tax revenues will be allocated to the BSF.
- B. Beginning in fiscal year 2028, XXXX percent (X%) of the property transfer tax revenues will be allocated to the BSF.

- C. Beginning in fiscal year 2029, fifty-percent (50%) of the property transfer tax revenues will be allocated to the BSF.
- D. Additional funding that may be earned by the reasonable and prudent investment of the BSF in secure investments.

**§ 222-4 Expending of funds.**

- A. Use during natural disaster or public emergency.
  - (1) Funds accumulated in the BSF may be expended if the City shall be included within a geographical area declared to be a natural disaster by the President of the United States of America or by the Governor of the State of Delaware.
  - (2) Funds accumulated in the BSF may also be expended by the City Council when, in its discretion, it declares a public emergency.
  - (3) Funds expended from the BSF under this Section, shall not exceed one-hundred-percent (100%) of the balance contained therein and shall be expended only for those purposes approved by a majority of the members elected to the City Council.
- B. Use during period of reduced revenues or increased expenditures.
  - (1) Funds accumulated in the BSF may be expended to fund the City's annual operating budget during a period of reduced revenues, including due to reductions in the transfer tax, building permits, and accrued interest.
  - (2) Funds expended from the BSF in any given fiscal year shall not exceed ten-percent (10%) of the City's operating budget and shall be expended only upon approval by a majority of the members elected to the City Council. No accumulated funds shall

be expended under this Section until the fiscal year 2027 annual operating budget.

- (3) No more than twenty-five-percent (25%) of an authorized BSF withdrawal in any given fiscal year may be utilized to support personnel costs, including payroll or costs associated with labor contract negotiations, unless approved by a unanimous vote of the members elected to City Council. For purposes of this Section, “personnel costs” include, but are not limited to, salaries, wages, benefits, bonuses, and financial commitments related to the City’s collective bargaining agreements.
- (4) Notwithstanding the provisions of this Section to the contrary, at any time that the City Council may deem necessary and appropriate, the remaining balance may be expended from the BSF by a unanimous vote of the members elected to the City Council.

**§ 222-5 Replenishing of expended funds.**

The BSF must be replenished after expenditure under this Article by additionally depositing funds appropriated from the annual operating budget equal to twenty-five (25%) of the BSF funds expended commencing the fourth year after their expenditure.

**§ 222-6 Funds to be considered encumbered.**

- A. Funds accumulated in the BSF will not be considered unexpended and unencumbered funds at the end of the budget year.
- B. Funds accumulated in the BSF will be considered encumbered funds.

**Article II Capital and Infrastructure Fund**

## **§ 222-7 Appropriation to be included in the budget.**

In preparing the annual budget for the City of New Castle, the City Council will include an appropriation for a Capital and Infrastructure Fund (hereinafter “CIF”).

## **§ 222-8 Definitions.**

### **A. Capital Assets or Capital Improvements**

- (1) Tangible or intangible assets owned by the City that have a useful life extending beyond one fiscal year and are used in municipal operations.
- (2) Includes, but is not limited to, buildings, land, vehicles, heavy equipment, and major technology systems.

### **B. Infrastructure Improvements**

- (1) The fundamental physical systems and facilities necessary for the operation of the City, including roads, bridges, sidewalks, public buildings, parks, and utilities.

### **C. Repair or Replacements**

- (1) The restoration, fixing, or substitution of capital assets or infrastructure components that have deteriorated, become obsolete, or reached the end of their functional life.
- (2) Includes routine maintenance when part of a larger project, emergency repairs, and planned replacements to ensure operational efficiency and public safety.

- (3) May also include professional services such as engineering, surveying, and project management necessary to complete the repair or replacement.

**§ 222-9 Accumulated balance to be maintained.**

- A. Beginning fiscal year 2027, during the annual budget review, the City Administrator will present to the City Council a Capital and Infrastructure Improvements Plan outlining projected needs for the fiscal year and at least five (5) subsequent fiscal years. This plan will identify anticipated projects, estimated costs, funding sources, and timelines. The City Administrator must also include provisions for unanticipated capital and infrastructure repairs deemed urgent or necessary due to safety, regulatory compliance, or significant service disruption. The CIF may be used to support such emergency repairs if approved by a majority vote of the members elected to City Council.
- B. The funds to be deposited and maintained in the CIF will be determined each year by the City Council when it considers, among other things, the cost estimates, funding sources and recommended time schedule for each of the capital projects during the presentation of the proposed Capital and Infrastructure Improvements by the City Administrator.
- C. The total accumulated balance in the CIF will be reviewed by City Council during both the mid-year budget review and the annual budget meetings. The accumulated balance must be at least \$500,000, with an allowance of a two-percent (2%) buffer due to market fluctuations.

**§ 222-10 Method of funding.**

The CIF will be funded as follows:

- A. Beginning fiscal year 2027, XXXX percent (X%) of the property transfer tax revenues will be allocated to the CIF.

- B. Beginning fiscal year 2028, XXXX percent (X%) of the property transfer tax revenues will be allocated to the CIF.
- C. Beginning fiscal year 2029, fifty-percent (50%) of the property transfer tax revenues will be allocated to the CIF.
- D. Additional appropriations from the annual operating budget will be allocated to the CIF if necessary to maintain the required minimum balance.
- E. Additional funding that may be earned by the reasonable and prudent investment of the CIF in secure investments.

**§ 222-11 Expending of funding.**

Funds accumulated in the CIF may only be expended for the repair, replacement, or improvement of Capital Assets and infrastructure when costs exceed \$2,500 and when approved by a majority of the members elected to the City Council. Eligible repair, replacement, or improvement expenses may include engineering fees, design costs, and other necessary professional services.

**§ 222-12 Funds to be considered encumbered.**

- A. Funds accumulated in the CIF will not be considered unexpended and unencumbered funds at the end of the budget year.
- B. Funds accumulated in the CIF will be considered encumbered funds.

**SECTION 2:** An initial deposit into a Budget Stabilization Fund, created pursuant to this Ordinance, in the amount of fifty-percent (50%) of the approved operating budget for fiscal year 2026 must be included in the annual operating budget for fiscal year 2026, to be allocated from the City's money market retention appropriation.

**SECTION 3:** An initial deposit into a Capital and Infrastructure Fund, created pursuant to this Ordinance, of \$500,000 must be included in the annual

