City of New Castle Delaware
Special Meeting – Budget Workshop
1 Municipal Boulevard
Monday, June 1, 2026
7:00 p.m.

Call to Order: 7:00 PM

Roll Call

Present: Council President Suzanne Souder
Councilperson Brian Mattaway
Councilperson Joseph F. Day, III
Councilperson Nermin Zubaca
Councilperson Andrew Zeltt

Also present: Antonina Tantillo, City Administrator
Courtaney Taylor, City Clerk / Finance Coordinator
Michael Hoffman, Esq., City Solicitor

Council President Souder called the June 1, 2026, City Council Special Meeting Budget Workshop to order at 7:00 p.m. Roll call followed and a quorum to conduct business was declared.

Possible Motion, Discussion, and Vote on Resolution 2026-30 – A Resolution Approving the Collective Bargaining Agreement Between the City of New Castle and The American Federation of State, County, and Municipal Employees (AFSCME), Local 3615 for the Period of July 1, 2026 through June 30, 2031.

Ms. Tantillo stated that over the past two (2) months they have worked to renegotiate the AFSCME Contract. She noted that all changes discussed in City Council Executive Session have been incorporated. Council President Souder read Resolution 2026-30.

Councilperson Zubaca commended all parties that took part in the negotiations for agreeing to a longer term for the contract; opining that this will provide more predictability in the budget and stability for employees.

A motion was made to Approve Resolution 2026-30 as presented was made by Councilperson Day. The motion was seconded by Councilperson Zubaca and was unanimously passed.

City Council Workshop Session – City Council Discussion regarding the 2027 General Fund Budget and Grant Fund Budget.

Ms. Tantillo reviewed changes made to the FY2027 Proposed Budget #1 and responded to questions from Council:

Expenses

- Public Safety
    - Debt Service/Vehicles – Increase to $119,333. This includes two (2) new vehicles to replace two (2) vehicle leases that will be expiring. One (1) vehicle will be replaced mid-year and one (1) vehicle will be replaced in November.
    - Capital Outlays / Equipment & Vehicles - $8,000. Down payments for vehicles.
- Public Services
    - Salaries – Information added.
    - Operating Supplies – Increase to $9,000. $500 was moved from Temporary Labor to Operating Supplies.
    - Building Repairs/Security Maintenance – $5,000 for building repairs.
    - Uniforms/Maintenance – Increased to $15,000 based on the Union Contract.
    - Debt Services/Vehicle Lease – Electric vehicles budgeted this year, but will be rolled over to next year to take advantage of rebates.
    - Storm Drainage/MS4 – This line item is for the annual review of the dikes and the shoreline, and the match for the Surface Water Matching Plan Grant, the contract with the Conservation District, and dike repairs. An evaluation of the dikes was done several months ago and the City is waiting for that estimate. In response to a question from Councilperson Mattaway, Ms. Tantillo stated that she has reached out to the County regarding drainage issues in Buttonwood but has not had a response yet.
    - Capital Improvement/Road Repairs – This line remained the same, and includes the dog park parking lot. Ms. Tantillo is waiting to hear back from the engineer regarding the design.

      In response to a question from Councilperson Zeltt, Ms. Tantillo stated that two quotes have been received for the dog park fence: one (1) for $109,000 and one (1) for $89,000. Ms. Tantillo has applied for the ORPT pre-application and hopes to receive $125,000 for the dog park through that grant. Ms. Tantillo also applied for an AARP Grant for the dog park but has not heard back on that yet.
    - Flood Resiliency Committee – $32,300 carryover from this year for engineering. Council President Souder noted that there is potential for receiving funds through support from the offices of Senators Coons and Blunt-Rochester.
    - Contributions – $55,000 was moved to the newly created Good Will Fire Company Contributions line.
        - Buttonwood School – Ms. Tantillo noted that Buttonwood School has phased-out the project into three (3) phases, and they hope to get numbers submitted to her by June 5th. She added that the playground would be accessible to the public. A discussion of playgrounds ensued.

          In response to a question from Councilperson Day regarding the roof of the Buttonwood School, Councilperson Mattaway stated that the original roof is 100% cedar; and they will use a portion of a $500,000 grant they received from Senator Coons’ office for that project. He added that they received quotes for approximately $200,000 for a cedar roof.

Council President Souder noted that the Contributions line includes the full $48,976 requested by the School, and with the Grant from Senator Coons' office they may not require that full amount and opined that any unneeded funds could maybe be reallocated. Councilperson Day noted that the $48,976 also includes funding for the playground; and questioned if Council wanted discuss the need to allocate funds for a playground in an area where there is already a city playground. A further discussion of playgrounds ensued.

- Library/Arasapha/New Castle Partnership – Councilperson Mattaway stated he is on the Board of the Library and is compelled to recuse himself from a vote regarding contributions to the Library. Councilperson Zeltt stated that he is on the Boards of Arasapha and the New Castle Partnership and is compelled to recuse himself from a vote regarding contributions to those organizations.

  Mr. Hoffman stated that when Council votes on the final Budget, those line items should be pulled out and voted on separately by a roll-call vote; and then the full budget would be voted on by the full Council.

- Administration
  - Salaries – This includes AFSCME increases and six (6) months' salary for a new Admin/Secretary position.
  - Debt Service/Vehicle-Admin – Line added for down payment and monthly lease payments for a new Admin vehicle. The current vehicle is approximately 14 years old. The old vehicle will be kept for local use and Public Works. Ms. Tantillo will explore a hybrid vehicle with Enterprise. During discussion it was noted that using hybrid vehicles for the Police Department was not economically viable due to the amount of driving they do.
  - Special Projects & Grants – In response to a question from Councilperson Day, Ms. Tantillo explained this line item includes the match for the ORPT Grant ($108,968) and the Safe Streets for All Match Grant ($152,981). Ms. Tantillo applied to the Bond Bill for both of those projects. It also includes $50,000 to fund the Special Projects Fund.
    - Impact Fee Study – Ms. Tantillo stated that if Council approves the Impact Fee Study that cost ($50,270) could be added to this line item as well. Councilperson Day opined that if one of the grants for which matching funds are allocated for under the Special Projects and Grants line and for which the Bond Bill was also applied for; is not approved those funds could be reallocated to another special projects and grant opportunity. Council President noted that if the City gets the Bond Bill funds for the grant match as outlined above; then those excess funds could be reallocated to another project like the Impact Fee Study if Council voted in favor of the Impact Fee Study at a later date after finding out about the Bond Bill awards and after the Budget would need to be approved. Councilperson Zubaca expressed his position regarding the Impact Fee Study; however, a more in-depth discussion was postponed until later in the meeting.

- <u>Capital Reserves-Building</u> – This line item includes projects and items applied for under the Bond Bill. The following items are included in the Bond Bill:
    - $34,434 – Police Department mini-split.
    - $17,855 – Police Department Evidence Storage.
    - $16,400 – Heaters for the Trolley Barn.

  Additional projects:
    - $150,000 and $75,000 – Carry-over for Administration Building security and rest rooms.
    - $100,000 – Administration Building flooring and paint.
    - $7,500 – Additional updates for the Police Department.
    - $87,000 – Trolley Barn roof.
    - $7,400 – Trolley Barn brick cleaning. Ms. Tantillo stated that to repoint all sides of the building would be an additional $204,000, which will be brought into the Capital Improvement Plan. After discussion it was decided to put a hold on repointing the brick.

    In response to a question from Councilperson Day, Ms. Tantillo opined that if the floor and paint projects can be done at the same time all improvements to the Administration Building can be completed this year.

City Council Discussion regarding possible Fiscal Year 2027 Tax Rate.

Fiscal Year 2027 proposed Budget #2 – Presented 6/1/2-26

Property Tax Revenue (and Carry Over):	$5,601,312.00
All Other Revenue	$3,140,661.00
Total Proposed Budget Expenses:	$8,741,973.00

Available Funds as of Month End – April 2026

Total Unrestricted Funds	$6,540,669.16
Amount to be moved to Capital Fund:	$1,125,000.00
Remaining FY26 Budgeted Expenses:	$2,226,289.29
Remaining Funds Saved from Expending ARPA	$1,370,629.22
Total Actual Unrestricted Funds	$1,818.487.49

Recommended Cash on Hand (At least 6 months of the budget): $4,370,986.50

<u>Fiscal Year 2026 Proposed Budget #2 – Revenues Presented 5/7/2025 - Revenue Comparison</u>

Revenue FY 2026				Revenue FY 2027		
Property Tax Revenue	Tax Rate: .356354990	$4,645,765		Property Tax Revenue	Proposed Tax Rate: TBD	$5,602,312
All Other Revenue		$2,952,881		All Other Revenue		$3,140,661

	Total Budget Revenues	$7,598,646			Total Proposed Budget Revenues	$8,741,973
	Total Budget Expenses 2026	$7,598,646			Total Budget Expenses 2027	$8,741,973

Revenue Needs FY 2027 - $5,601,312 Total

<u>Current Fiscal Year 2026 Tax Rate & Revenue</u>

	Percentage of Tax Burden	Amount of New Tax Assessment	Current Tax Revenue	Tax Rate
Residential	52%	$688,179,300.00	$2,452.361.28	0.356354990 per $100 of Assessed Value
Commercial	48%	$627,353,300.00	$2,235,604.79	0.356354990 per $100 of Assessed Value
	100%	$1,315,532,600.00	$4,687,966.07	

<u>Fiscal Year 2027 Tax Rate & Revenue Options</u>

Option #1:
FY27 Tax Assessed Value (To bring in the same as FY26 Tax Revenue; but to adjust the tax burden to pre-FY26)

	Percentage of Tax Burden	Amount of New Tax Assessment	Tax Revenue	Tax Rate
Residential	40%	$688,179,300.00	$1,875,186.46	0.272485155 per $100 of Assessed Value
Commercial	60% *(26% increase)*	$627,353,300.00	$2,812,779.64	0.448356554 per $100 of Assessed Value
	100%	$1,315,532,600.00	$4,687,966.07	

*** $913,346.00 in unrestricted carry forwarded needed to fulfill the budget.

Option #2:
FY27 Tax Assessed Value (To bring in the necessary Tax Revenue to fulfill the FY27 Budget & adjust to the tax burden pre-FY26)

	Percentage of Tax Burden	Amount of New Tax Assessment	Current Tax Revenue	Tax Rate
Residential	40%	$688,179,300.00	$2,240,524.80	0.325572827 per $100 of Assessed Value
Commercial	60%	$627,353,300.00	$3,360,87.20	0.535708857 per $100 of Assessed

	(15% increase)			Value
	100%	$1315,532,600.00	$5,602,312.00	

***No unrestricted carry forward needed to fulfill the budget.

Option #3:
FY27 Tax Assessed Value (To bring in the same as FY26 Tax Revenue plus half of additional revenue needs ($456,673), and to adjust the tax burden to pre-FY26)

	Percentage of Tax Burden	Amount of New Tax Assessment	Tax Revenue	Tax Rate
Residential	40%	$688,179,300.00	$2,057,855.63	0.299028993 per $100 of Assessed Value
Commercial	60% *(38% increase)*	$627,353,300.00	$3,086,783.44	0.492032709 per $200 of Assessed Value
	100%	$1,315,532,600.00	$5,144,639.07	

***$456,673 in unrestricted carry forward needed to fulfill the budget.

Council expressed concern for the impact on small businesses in the City.

Mses. Tantillo and Taylor responded to questions from Council:

- City offers payment plans.
- The City would not have the recommended six (6) months in Unrestricted Reserves for any Option.
- Using Option 2, the proposed property tax could become part of the Unrestricted Reserves, and the Commercial Tax Rate would increase the most.
- Using Option 2, if Unrestricted Reserves of $1.8M and funds in the Stabilization Fund are used, the goal of having six (6) months in Unrestricted Reserves would be met, the Residential tax rate would be lowered, and the Commercial tax rate would increase.
- Using Option 3 would further reduce the impact on both Residential and Commercial, while meeting the goal of having six (6) months Unrestricted Reserves.

After an in-depth discussion of the three options, the consensus of Council was to select Option #3.

First Reading of Ordinance 566 – An Ordinance Establish a Property Tax Rate Upon Total Reassessment and To Adopt the Fiscal Year 2027 Budget.

Ms. Tantillo stated that the numbers in Ordinance 566 are extremely inflated for timing purposes. Council President Souder noted that Council can lower the numbers, but they cannot raise them. Mr. Hoffman recommended that Council consider making a clerical correction to the Ordinance to reflect a 110% increase. He added that Council should make it clear that it is a placeholder and that it is not what Council is proposing. Councilperson Mattaway recommended that for the online draft of the Ordinance "DRAFT" be watermarked on each page of the Ordinance, and that it be specifically noted that the numbers in the Ordinance are inflated.

A motion to change the percent of tax increase in Section 1 of Ordinance 556 for both Residential and Commercial from 49.9% to 110% for purposes of the First Reading was made by Councilperson Day. The motion was seconded by Councilperson Zeltt and was unanimously passed.

Council President Souder did the First Reading of Ordinance 566.

Before addressing other items on the Agenda, Ms. Tantillo asked if Council wished to further review Contributions. In response to questions from Council Ms. Tantillo stated that she had reached out to Bull Hill Boat Club but had not received a response yet.

Council Discussion, Possible Motion, and Vote on Resolution 2026-31 – A Resolution Requesting a Charter Change to the Delaware General Assembly for Lodging and Short-term Rental Tax.

Council President Souder read the Resolution and asked Councilperson Mattaway to speak on it. Councilperson Mattaway asserted that if this or any Council votes in favor of a differential tax rate, there is actually a gap for individuals who rent out their homes, which is effectively a business. By creating a Residential and Commercial rate, those individuals' properties are taxed as Residential, but they are actually a business.

Councilperson Mattaway noted that in speaking with some of the residents, they have indicated that they only want tourists to "pay and contribute in some way". He added that in a recent article in the News Journal the New Castle Courthouse was called out as probably the most historic building in the State. Councilperson Mattaway also stated that the County and State have mechanisms to receive income from the City of New Castle; but the City does not.

Councilperson Mattaway noted that the City budget is almost $1M and it will continue to grow. He stated that history is tourism, and New Castle is a historic town with a great history and tradition. He also asserted that New Castle can attract tourism, and a lodging and short-term rental tax is a growth mechanism that will bring income to the City.

Councilperson Zubaca opined that the 3% tax will not deter tourists from staying in New Castle and it will help supplement the City's revenue going forward.

Councilperson Day stated he is not opposed to new revenue streams and does not think the tax would deter tourists from staying in New Castle; but he has a concern that the revenue collected will not equal the administrative cost to manage it. In response to a question from Councilperson Day, Ms. Tantillo stated that she has not computed how much revenue the tax would bring into the City. She added that the current system cannot account for the tax and another module would have to be built into the system.

Councilperson Mattaway noted that during a recent meeting of the League of Local Governments he learned that a Representative in Dover will be bringing forward a law that would require third party vendors that collect for the State to also collect for the Municipalities. He added that the process used by Municipalities that do this is similar to what they do for gross rentals and is tied to the licensing process.

Councilperson Day opined that the annual amount the City would collect would be approximately $7,000 a year, and reiterated his concern with the administrative cost of the process. He added that he is not opposed to voting in favor of the Resolution; however, he would not be in favor of enacting the tax unless it can be shown that the City will not lose money through the process. Ms. Tantillo clarified that Resolution 2026-31 is only asking for the ability to enact the tax. Councilperson Day reiterated his position that it would have to be proven to him that the City will not lose money before he would vote to enact the tax.

Councilperson Zeltt concurred with Councilperson Day's concerns.

In response to a question from Councilperson Zubaca, Ms. Tantillo stated that currently the City does not collect data on revenue from short-term rentals, and it does not collect a short-term rental fee.

Councilperson Mattaway added that some Municipalities have received MOUs with the State in which the State collects on their behalf.

Council President Souder stated she shares Councilpersons Day's and Zeltt's concerns with the administrative cost of the process; adding that the matter of enforcement had not been addressed. Council President Souder also asserted that if the State collects the tax they would take a fee which could lower the revenue to the City by as much as 25%. Council President Souder stated that she would want more details as to how it would work and how much it would cost before she would be willing to move forward on this matter. She added that during discussions with Senator Poore regarding potential Charter changes Senator Poore stated that the State Legislature does not look very favorably on Charter changes that are granted but are not enacted. She suggested that Council consider the Resolution next year after the details have been fleshed out.

Mr. Hoffman clarified that the Resolution would authorize the City to collect 3% of the rent, regardless of whether it is done monthly, yearly, or however the State does it.

Ms. Tantillo stated that during her tenure in Townsend, the town had certain Business Licenses that were based on gross receipts, and those businesses would have to send the town their receipts to verify their revenue. In response to a question from Councilperson Mattaway, she stated that the process was not onerous.

Council President Souder noted that of the 12 known short-term rental units in the City, more than one-half of them were excluded from the short-term rental Ordinance; and reiterated that she did not think Council has enough information to know whether this is a practical move that would make money for the City. She suggested that Council get more information and revisit the topic early next year; opining that would give Council time to have a clearer view of how this would benefit the City rather than rush the legislation through and then the City does not enact the tax.

Councilperson Mattaway opined that the State Legislature has put in legislation that does not respect local governments; adding that it is forcing housing legislation without input from municipalities and counties. He added that New Castle County Council actually adopted a Resolution in which they said they will tell the State that they are not being included or invited to the table. Council President Souder said she did not see how this connects to the topic at hand; and stated that Council needs to make a decision as to whether they feel Resolution 2026-31 is the best thing for New Castle at this time and she does not feel they have sufficient information to make that decision now.

A motion was made by Councilperson Mattaway to approve Resolution 2026-31 as presented. The motion was seconded by Councilperson Zubaca and a roll-call vote was taken.

Council President Souder – No
Councilperson Day – Yes
Councilperson Zeltt – No
Councilperson Zubaca – Yes
Councilperson Mattaway – Yes

The motion passed with a vote of three (3) in favor and two (2) opposed.

City Council Discussion regarding the Transfer Tax from the Sale of Deemer's Landing and The Helm.

Council President Souder stated that Council had covered the transfer tax from the sale of Deemer's Landing and The Helm a part of the Budget discussion. There was no further discussion on the topic.

City Council Discussion and Possible vote regarding an Impact Fee Study.

Council President Souder noted that they would be discuss whether to incorporate the $50,270 cost to fund an Impact Fee Study into the budget. She stated that Mr. Hoffman provided Council with a detailed Memorandum about Impact Fees, what they are, what they can be, and what they cannot be.

Councilperson Mattaway stated that at the conclusion of a meeting in Dover, he was approached by both Democrats and Republicans stating that New Castle needs impact fees. He added that Council has done many great things to get balance and equity around taxes, but without a mechanism to ensure that new development pays its fair share that is null and void. He asserted that not having impact fees has been a detriment in the past, and it will surely be a detriment in the future.

Councilperson Mattaway asserted that not having impact fees is tantamount to having a lack of public trust and could be viewed as a breach of Council's fiduciary duty to the current residents and future generations of New Castle. He stated that the cost of an Impact Fee Study could be funded in a number of ways:

- A reallocation of funds in the budget.
- Utilization of impact fees from Riverbend.
- Interest accruals from the Capital Improvement Fund and/or the Budget Stabilization Fund.
- ARPA fund.
- Excess real estate taxes.
- The cost could be offset by the lodging and short-term rental tax.

Councilperson Mattaway stated that the Charter allows for it, the Comprehensive Plan cross-references it, and it is a tremendous opportunity for growth in the City; opining that it is a good use of public funds.

Council President Souder stated that after reading Mr. Hoffman's Memorandum she did not see that the City would have a wide range of impact fees available; opining that would be the point of the Study. She added that they are primarily used for "roads, water, sewer, stormwater, and the like". Council President Souder said that:

- Impact Fees for laying new water pipes would go to MSC.
- Impact Fees for sewer would go to the County.
- Impact Fees for public roads and stormwater management might go to the City.

Council President Souder further stated that:

- If the City is not providing the item we cannot charge an Impact Fee.
- It cannot be ongoing operational expenses.
- It has to be one-time expenses related to the new development.
- It cannot be applied to Police salaries; but it might be possible to apply it to equipping and training new Officers.

In response to a question from Councilperson Zubaca, Mr. Hoffman stated that the challenge with Impact Fees is that there is no clear formula. Under the law you must show your rationale and basis for an eligible expense. An "eligible expense" for an Impact Fee generically is one that to the extent it causes an impact on the City that causes the City to incur costs; and there has to be a tie to that.

In response to a question from Council President Souder, Mr. Hoffman opined that, using the need for a new police officer as an example, the concept is that an impact fee for each new house would be set aside in a separate account and those funds could be drawn from that account for expenses associated with on-boarding a new police officer.

Councilperson Mattaway opined that it is not equitable that Riverbend is the only new development that pays an impact fee to the City. He added that an impact fee could be assessed not only for a new development, but also for all potential new development, i.e., a new home, a new accessory dwelling unit, etc. Councilperson Day clarified that Riverbend agreed to the impact fee being paid to the City. Ms. Tantillo added that it is voluntary contribution.

Councilperson Day stated he saw development and redevelopment opportunities within the City, opining that the cost of the Study would be worth it over time. He added that impact fees are an administrative burden.

In response to a question from Councilperson Zeltt, Ms. Tantillo stated that additional quotes would have to be obtained to determine if another company could do the study for less. Councilperson Mattaway stated TischlerBise has worked for the State and County and has done extensive work throughout the State. Councilperson Day added that TischlerBise is the leader in Impact Fee Studies in the country.

In response to a question from Council President Souder, Councilperson Day opined that the County went about 10 years without updating their Impact Fee Study. He added that there is a new County Ordinance that requires an update on Impact Fee Studies every three (3) years. Councilperson Day also stated that it is easy to use impact fees for technology upgrades.

Councilperson Zubaca stated that having the ability to impose an impact fee in place is better than not having it at all; and opined that if Council does not act now it could impact future Councils.

The consensus of Council was to move forward to add $50,270 for an Impact Fee Study to the budget. Mr. Hoffman stated that if it is the will of Council to spend the funds this year it would be a motion to accept and approve the Impact Fee Study as proposed and to fund it through FY 2026 Unrestricted Funds.

A motion was made by Councilperson Day to accept and approve the Impact Fee Study as proposed and to fund it through FY 2026 excess real estate transfer taxes. The motion was seconded by Councilperson Zubaca and was unanimously passed.

Ms. Tantillo will include a Budget Amendment for the Impact Fee Study.

<u>Next Steps</u>
Ms. Tantillo asked if Council is prepared for her to finalize the budget numbers for the June 9th Council meeting, or if they want another meeting to discuss additional options for the budget or the taxes.

In response to a question from Councilperson Day, Ms. Tantillo stated she did not see any significant changes in the numbers presented to Council unless there is additional consideration of whether or not to keep all the Bond Bill funds or remove them. Councilperson Zubaca noted that the Unrestricted Fund would cover the Bond Bill items if they receive it. Council President Souder clarified that if the full cost of the items that have been applied for through the Bond Bill and therefore not needed to be funded by the allocation in the budget items, Council could consider a are not utilized any excess can be reallocated reallocation in the budget to complete street work.

In response to a question from Councilperson Day, Ms. Tantillo stated she would follow-up with Buttonwood School.

Council agreed that no further budget meetings are required.

Councilperson Mattaway recommended that Council reach out to other communities to see what they would like in their outdoor spaces. Council President Souder stated that was ONCOR's intent; however, they have not found anyone from the communities to join them and give their input. She encouraged Council members to urge residents of the various communities to work with ONCOR with respect to what they want in their playgrounds.

Public Comment
<u>Phil Gross</u>
Mr. Gross stated that:

- This and every meeting is viewed by WPHT in Philadelphia and WDEL in Wilmington. They are getting a legal team.
- This is the most inadequate Council he has seen.
- He thanked Councilperson Day for voting yes.
- When Agendas are posted each Agenda item should have a link to that issue. If it is not linked that item should be removed from the Agenda.
- River Edge contacted New Castle Matters and was told it is in the pipeline.
- There are a lot of streets that need repair.
- A Budget is just a recommendation. It's just like last year. The same subjects, let's wait and discuss it over the winter, or let's takes notes, or let's set something up. This year, same subjects come up and nothing is done.
- It's just taxation, taxation, and you're not taking anything out of the budget.

There being no further business to discuss, Council President Souder called for a motion to adjourn.

A motion to adjourn was made by Councilperson Day and seconded by Councilperson Zubaca. The motion was unanimously passed and the meeting adjourned at 9:48 p.m.

Respectfully submitted,

Kathleen R. Weirich
City Stenographer

Next Regular Meeting Date: June 9, 2026