Town of Millville, Delaware

Long-term financial plan

Step 1 – Financial evaluation

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Agenda

A Look at the Past: Historical financial performance

- Demographic and economic context
- Historical net operating results and fund balance

A Look at the Future: Baseline financial projection

- Revenue and expenditure drivers of past financial performance
- Revenue volatility risks
- Increased operating expenses
- Capital spending trends
- Bringing it all together: Five-year financial projection

Key trends and next steps

- Key trends summarized
- Questions to consider for next steps

Historical financial performance

Demographic Context

The Town of Millville, Delaware has experienced population growth in recent years – in 2014, the Town's population was 974; by 2024, it more than doubled, growing to 2,430. Demographics have also shifted during this period, as Millville's median age increased by 17 years and is now slightly over 65.

Compared to surrounding Sussex County, Millville's population has grown much more rapidly and experienced a larger shift in median age.

2014 – 2024 demographic trends

Millville, Sussex County, and State of Delaware

	2014	2024	2014 - 2024 Change	2014 - 2024 % Change
Total Population (# of people)				
Millville	974	2,430	1,456	149.50%
Sussex County	203,737	255,626	51,889	25.50%
State of Delaware	917,060	1,021,191	104,131	11.40%
Median Age (years)				
Millville	48	65	17	35.30%
Sussex County	47	52	5	11.60%
State of Delaware	39	42	3	6.40%

Source: American Communities Survey, 5-year estimates, 2014 and 2024.

Housing Development Context

Building development is expanding to accommodate this growing population.

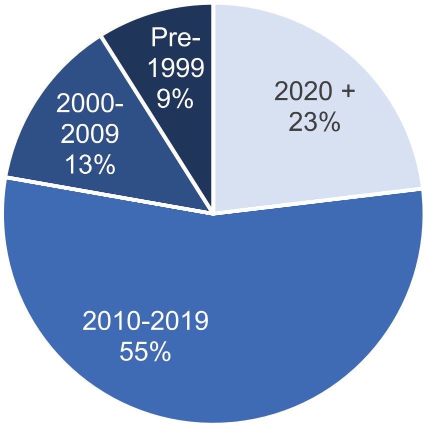
Between 2014 and 2024, the number of total housing units grew by more than 200%. During this period, the median value of these homes increased by 84.3% - this is faster than surrounding Sussex County (65.3%) or the State of Delaware as a whole (51.1%) in the same decade.

Millville housing trends, 2014 – 2024

	2014	2024	2014 - 24 Change	2014 - 24 % Change
Median Home Value ($)	$268,300	$494,500	$226,200	84.3%
Total Housing Units (# of units)	658	2,052	1,394	211.9%

Millville's total housing stock is relatively new. As of 2024, more than three-fourths of the total housing stock was built in 2010 or later. Less than 10 percent was built before 1999.

Year Structure Built, 2024

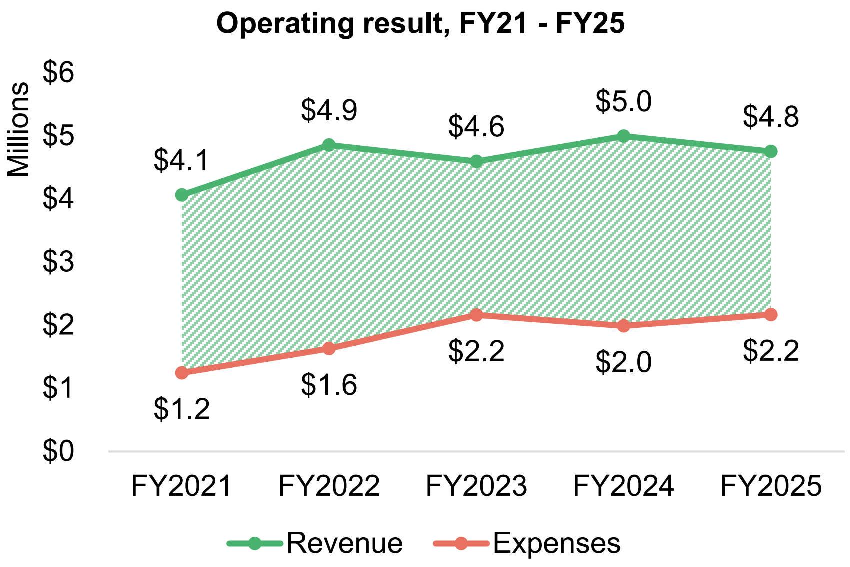


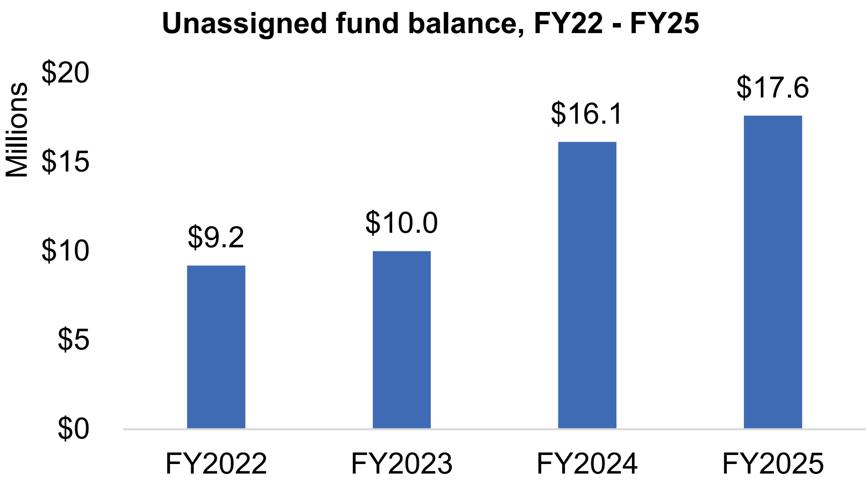
Demographic changes and housing development bring opportunities and challenges to local governments.

Source: American Communities Survey, 5-year estimates 2014 and 2024.

Historical operating result and fund balance

In each of the years between FY21 and FY25, revenues collected by the Town of Millville exceeded expenditures significantly. The Town had **operating surpluses** between \$2.4 and \$3.2 million every year. These surpluses have grown the Town's ***unassigned* fund balance,** the portion that the Town can use to fund operations or other discretionary costs, from \$9.2 million in FY22 to \$17.6 million at the end of FY25.



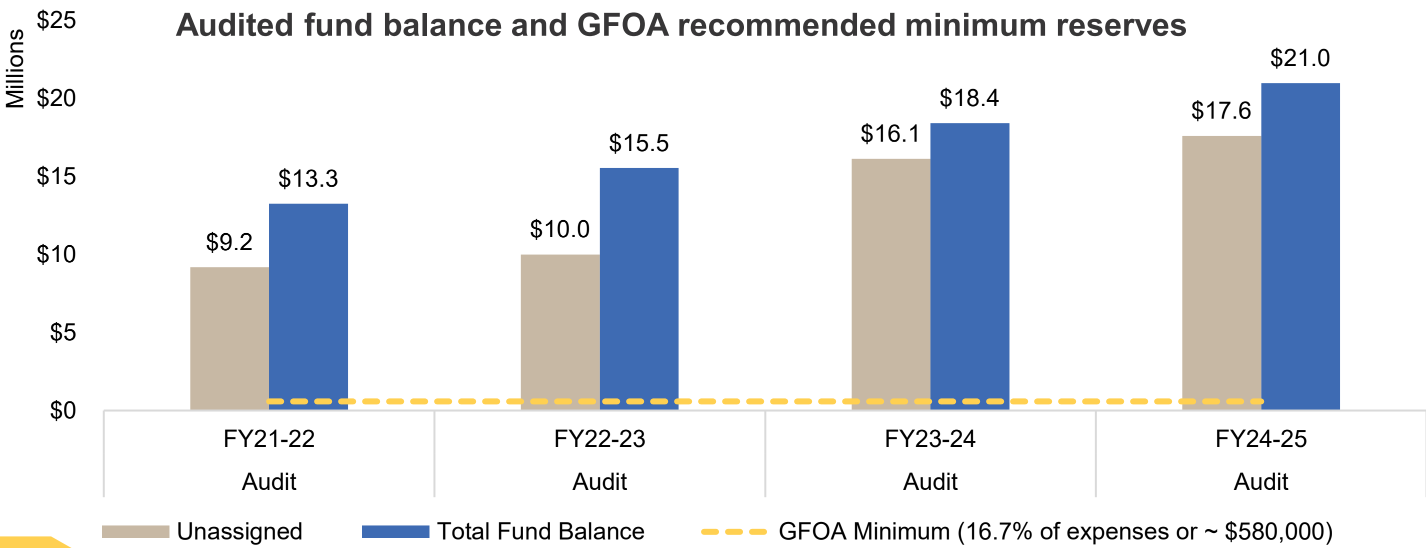


Fund balance levels

According to a recent Annual Comprehensive Financial Report (ACFR), the Town's total fund balance totaled $21.0 million, and the unrestricted portion was $17.6 million at the end of FY25. The latter represents around **5 times** the Town's total budgeted expenditures for this fiscal year. According to the audit report, fund balance accumulation has been due to "excess transfer tax, investment income, and building permit revenue."

There are different guidelines for determining the *right* level of reserves. Generally, the minimum unrestricted fund balance recommended by the Government Finance Officers Association (or "GFOA") is **2 months** of operating revenue.

In Millville, this would equate to around $580,000 – *but the Town may want to maintain higher reserves to hedge against revenue volatility and unforeseen expenses, or to keep as a capital reserve.* The chart below compares this minimum to the unassigned and total reserve levels as reported by recent ACFRs.



Baseline financial projection

Baseline projection methodology

PFM built a model that projects the Town's General Fund performance through FY32, based on the FY27 budget and audited figures from FY21 to FY25.

Several points are essential to reading the projection correctly:

- **It is a status quo scenario.**

  The baseline carries current services forward. It assumes no changes in services, headcount, or tax rates, except where already adopted into current law or consistent with existing policy. We do anticipate growth in revenues and expenditures due to external factors like inflation or economic development.

- **It is neither a prescription nor a prediction.**

  It shows where the Town lands under one set of assumptions absent corrective action — not what the Town should or will spend. It is a starting point for discussing additional capital investment, and it does not fund all identified needs.

- **It is not a worst-case scenario.**

  Governments sometimes budget conservatively, particularly when revenues are volatile or unexpected expenditures sometimes arise. The projection brings some of these conservative assumptions back in line with historical actuals.

The model is a dynamic tool. The Town can test how changes in underlying assumptions affect performance, plot the timing of specific projects across the projection period, and view those projects against overall financial performance.

Accounting for annexation impact

The Town of Millville is considering 2 annexations in the near term: Burton Farm Road (94.5 acres) and Powell Farm Road (58 acres). Generally, annexations present the following financial advantages and disadvantages for communities:

Potential Advantages

- **Expanded tax base and potential revenue growth.** Annexation will increase the Town's property tax base (a recurring source of revenue) and generate short term revenues (e.g., transfer tax, permitting).
- **Unified land use control and elimination of jurisdictional confusion.** In Millville, this could mean more uniformity around code enforcement.
- **Enhanced municipal service delivery and potential for economies of scale.**

Potential Risks

- **Near-term service extension costs.** The ability of a city or town to pay for the costs of services will depend to an extent on its sources of revenue other than the property tax.
- **Increased tax burden on annexed property owners.** Annexed property owners experience increased tax obligations, adding city or town millage to existing county taxes.

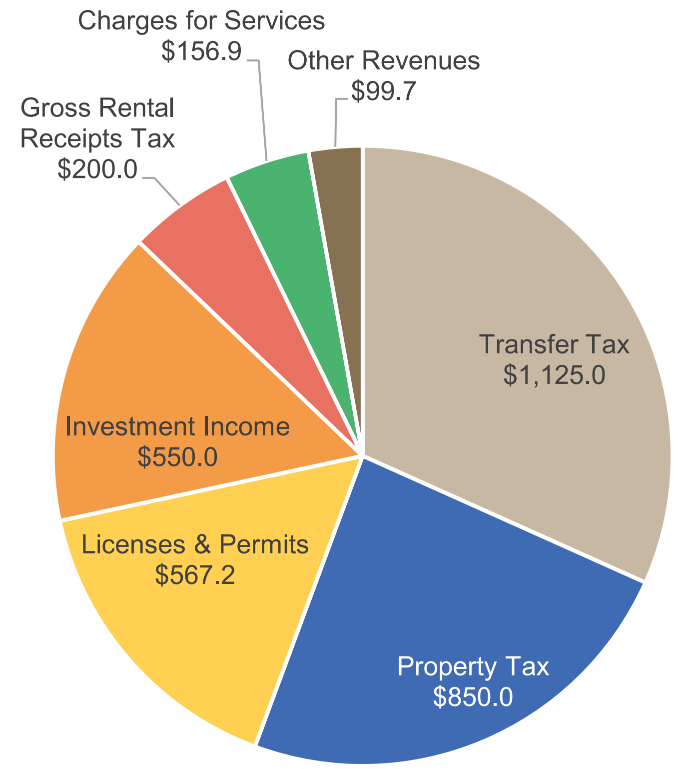
High-level assumptions are made in the baseline projection about the impact of annexations – *however*, a much more in-depth analysis is needed to calculate exactly what the impact on revenues would be and whether there would be any service or operating cost impacts.

Revenue profile

The Town of Millville's FY27 budget totals $3.5 million. Major revenue categories include the following:

- Town's largest revenue source is the **realty transfer tax** ($1.1 million) – 31.7% of the budget.
- Nearly a quarter of revenues comes from the **property tax** ($850,000). Following a reassessment that went into effect in January 2026, the Town's millage rate dropped from 0.5 to 0.000645.
- **Licenses & permits** revenues ($567,000), mainly from building permits, make up 16% of the budget.
- **Investment income** makes up a similarly sized portion at 15.5% of the budget ($550,000). The Town's growing fund balance has contributed to a growing share of investment revenue in recent years.
- **Gross rental receipts tax** revenues ($200,000) make up 5.6% of the budget. The remaining budget comes from **charges for services** ($157,000), **impact & franchise fees**, **intergovernmental** revenue, and **miscellaneous** revenue ($100,000).

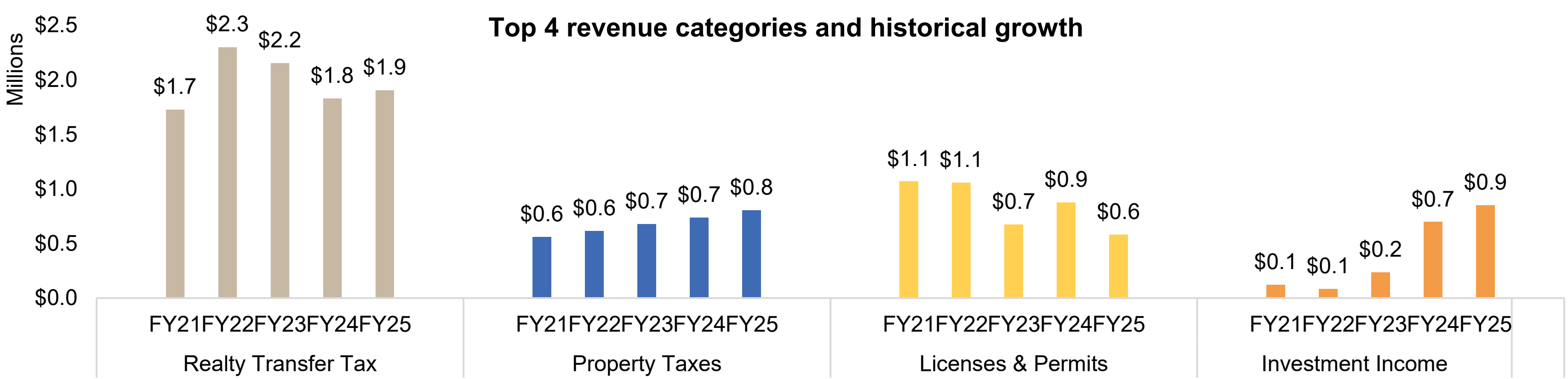
FY27 Revenue Budget ($ thousands)



Revenue drivers and volatility

The Town relies on several relatively volatile revenues to fund its operations. The chart below shows historical growth of the 4 largest revenue sources in the FY27 adopted budget.

- **Realty transfer tax** is a 1.5% tax on the value of property at the time of sale. This is the Town's largest revenue source, which has historically fluctuated along with the housing market.
- **Property tax** is a 0.000645 per $100 tax levied the *assessed* value of property within Millville. While much more stable in nature, property taxes make up a smaller share of the Town's annual budget.
- **Licenses and permits** revenues include those from building permits and review, sign permits and review, and other licenses. Growth has fluctuated with building development within the Town.
- **Investment income** is a growing share of the Town's annual budget as fund balance has increased substantially. Revenue is driven by interest rates in the investment market and cash in the Town's funds.



Baseline projection key assumptions: Revenue

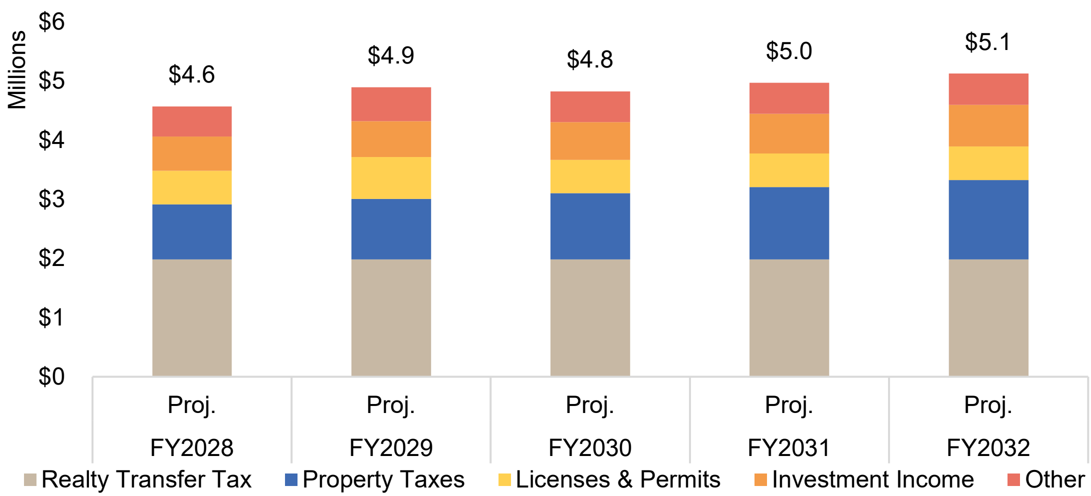
The baseline anticipates continued growth in revenues under a status quo scenario. Main drivers of *projected* revenue growth are:

- Continued **realty transfer tax** collections at historical average levels ($1.98 million) to reflect the Town's status quo growth and development.
- **Growing property tax** revenue base. The projection anticipates continued growth at 9.6% in the projection period, in line with historical numbers.
- Accelerated **investment income** growth. The Town's fund balance currently collects a relatively low interest rate; however, we show 5% growth to reflect the Town's increasing fund balance levels.

Overall, revenues are expected to grow at an average annual growth rate of 2.8%. We do not anticipate much growth related to annexations as more in-depth analysis is needed.

Revenue associated with annexation or unanticipated building development would accelerate the projected growth.

Projected revenues, FY28 – FY32

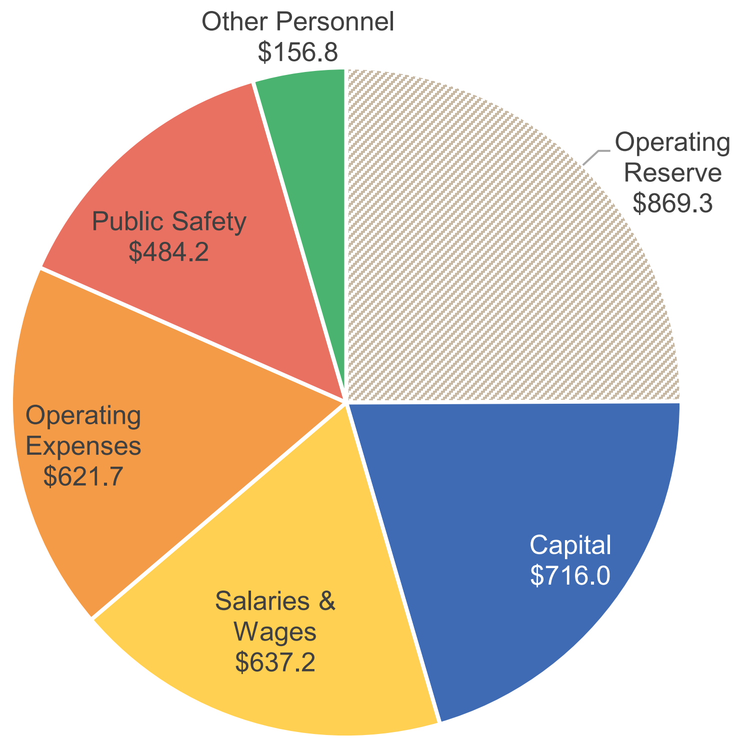


Expenditure profile

The Town's $3.5 million expenditure budget includes a transfer to the Town's **operating reserve** of $869,000. Other major expenditures in the budget include the following:

- In FY27, the Town budgeted $716,000 (20.5% of the budget) **capital expenses**, including a large investment into **Evans Park.**
- Millville typically spends a large portion of its annual budget on personnel costs like **salaries and wages** ($637,000 of the FY27 budget), and **other personnel costs** ($157,000) like health insurance and other benefits.
- **Operating expenses** like for contracted services, materials, and supplies make up 17.8% of the Town's budget.
- Finally, **public safety** spending associated with the Delaware State Police contract and payment to the Millville Volunteer Fire Company make up another 13.9 percent of the Town's budget.

FY27 Expenditure Budget ($ thousands)



Evolving operating expenditure needs

In recent years, the Town has increased its spending on operations by about 51.0%.

- The Town's overall staffing needs have increased as the Town has grown, specifically in **Evans Park**, **Code Enforcement** and **Administrative Services**.
- The Town pays a contract to **the Delaware State Police** ($295,000 in the FY26-27 budget) for 40 hours per week of coverage during the summer months, in lieu of having its own police department.
- Millville also pays the **Millville Volunteer Fire Company** for ambulance subscription fees ($50 per household per year). As the number of households within this company's coverage area and others' increases, costs for this service may increase.

	FY2021 Actuals	FY2025 Actuals
Town Personnel	$442,164	$640,693
Evans Park	$19,337	$70,906
Delaware State Police Contract	$127,569	$190,203
Ambulance Subscription Fees	$58,100	$119,200
Millville Volunteer Fire Company	$33,437	$48,254
Professional Services	$104,308	$127,892
Other Operating Expenses	$135,236	$192,231
Total Personnel & Operating Expenses	**$920,151**	**$1,389,379**

FY21 - FY25 $ increase	FY21 - FY25 % increase
$198,529	44.9%
$51,569	266.7%
$62,634	49.1%
$61,100	105.2%
$14,817	44.3%
$23,584	22.6%
$56,995	42.1%
$469,228	**51.0%**

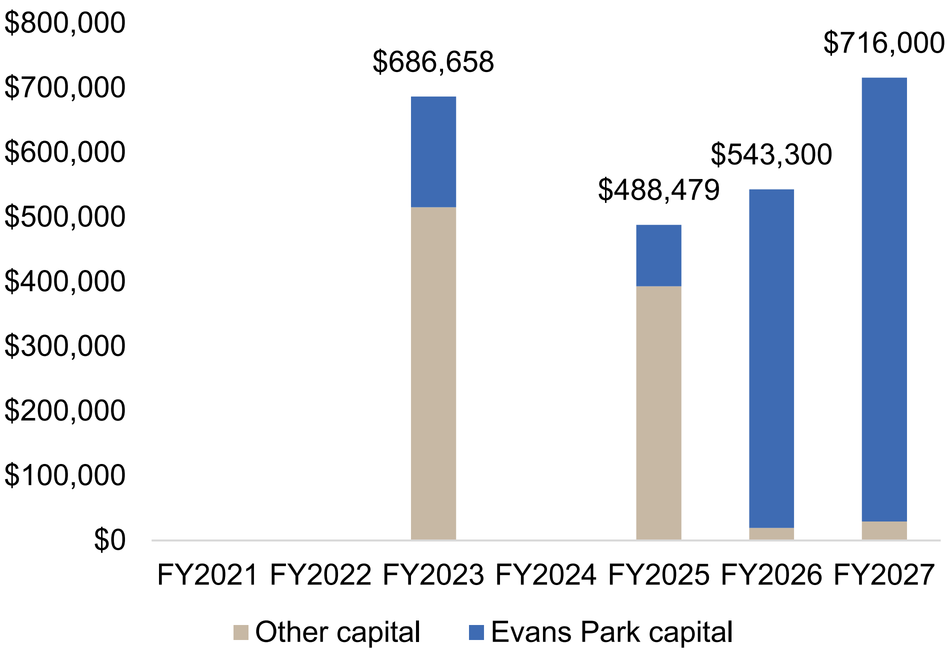
Capital planning and spending needs

Millville's capital spending has been sporadic in previous years – in between large pay-as-you-go (PAYGO) investments in FY2023 and FY2025, the Town has not had spending on capital. In FY2026 and FY2027, the Town budgeted significant capital spending for the Evans Park parking lot project.

The Town has not issued debt in recent years to make these capital investments and does not currently have outstanding debt payments, other than a copier lease payment (around $9,000 annually).

Millville has instead used PAYGO funds wherein the Town uses cash on-hand to pay for projects as they arise.

Total capital expenditures, FY21 – FY27



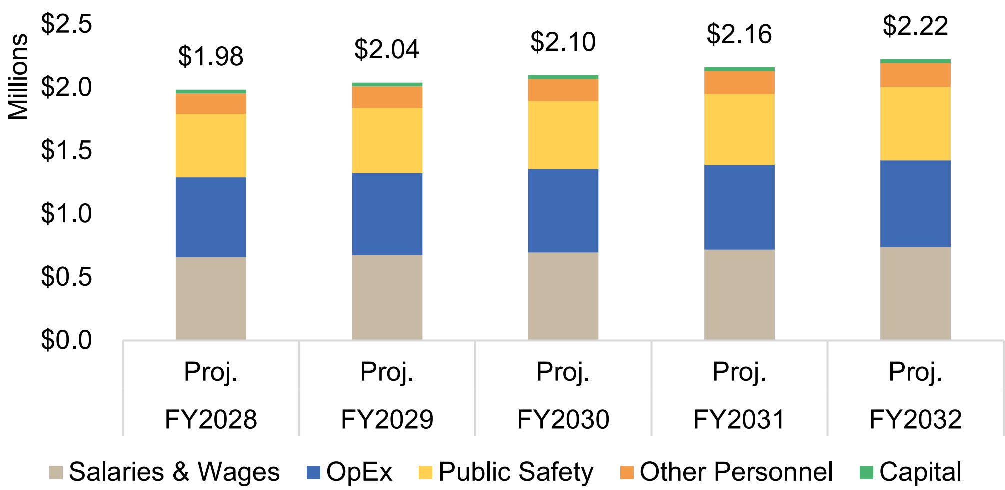
The baseline projection does not include any significant spending on capital expenditures – instead, we carry forward a small amount of PAYGO spending.

Baseline projection key assumptions: Expenditures

As it does with revenues, the baseline continues to grow expenditures impacted by inflation or external factors, while holding others flat or zeroing them out. The main drivers of projected *expenditure* growth are:

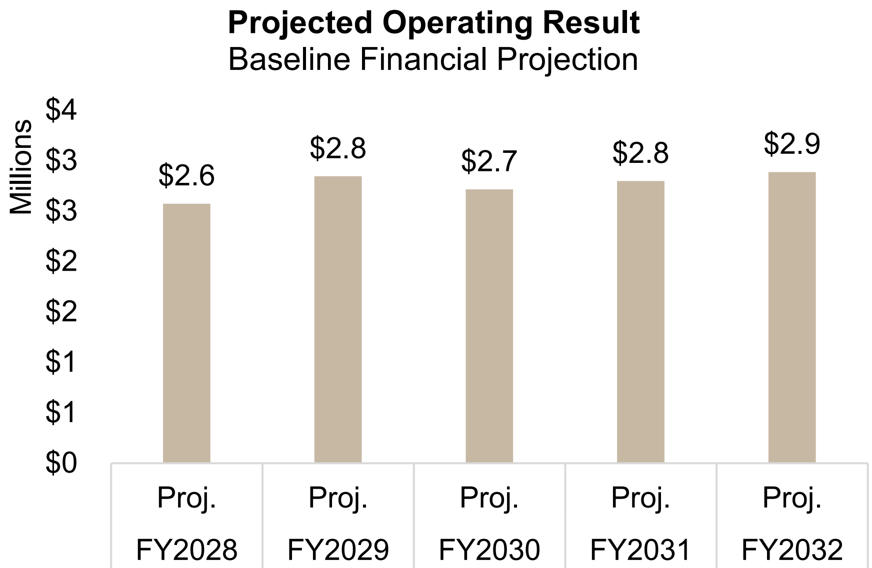
- The baseline grows **salaries & wages** by 3% annually and anticipates growth factors for **other personnel** costs like health insurance and retirement benefits. Together, personnel costs increase by 3.1% on an average annual basis, and we assume no headcount or service level changes.
- **Public safety** costs are driven by the *Delaware State Police contract* (projected to remain flat in a baseline scenario), per capita *Ambulance Subscription Fees*, and payments to the *Millville Volunteer Fire Company.* The baseline grows the latter two expenses by 9.1% annually to reflect continued population growth.
- A small amount of rotating **capital spending** is anticipated in the baseline, but no major investments are included.
- Most **other** cost categories are held flat or grow along with an inflationary assumption.

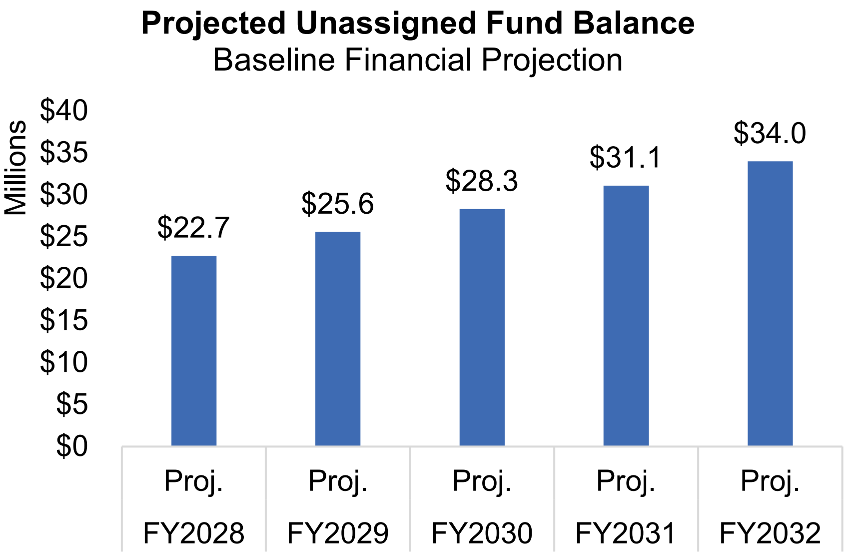
Projected expenditures, FY28 – FY32



Baseline financial projection

The baseline projection anticipates that, in a status quo scenario, the Town will continue to experience operating surpluses. Applying the major assumptions from earlier, the chart below shows the projected operating result and unassigned + committed fund balance.





Surpluses in the baseline spike in FY2029 after taking into account a small amount of impact and franchise fee revenue associated with planned annexation projects. Beyond this, operating results continue to show positive growth as the pace of revenues outpace that of expenditures, and interest earnings build on an increasing fund balance.

Key trends and next steps

Key trends from the financial evaluation

The baseline forecast shows the following key trends:

- In a baseline scenario assuming modest revenue growth relative to historical trends, the Town is projected to have **operating surpluses**, and the Town's **fund balance** is well over the recommended minimum. The Town could be doing more to leverage this position of strength.
- Operating surpluses have largely been generated by **development-based revenues** (transfer taxes, license and permitting revenue, real estate tax base growth). While there has been growth, the Town's budget is reliant on **volatile revenues** – if development slows or stops, the Town may stop experiencing operating surpluses.
- The baseline projection does not include any salary adjustments beyond the assumed 3.0% in annual growth, which does not account for any **additional capacity** needs. Beyond FY27, the baseline includes only a modest amount of PAYGO **capital expenditures**.

This is a timely opportunity for the Town to chart the next five years:

- The Town should plan for leveraging its **fund balance** to mitigate risk associated with revenue and reinvest in areas of greatest need.
- The Town should conduct a deeper investigation into the revenue and expenditure impacts of planned **annexations**.
- The Town should also explore **capital funding options** and policy guardrails to make strategic investments.
- Finally, additional **capacity** or service needs should be addressed using a multi-year perspective.

Questions to consider for next steps

Fund balance levels and alternatives

- How much fund balance should the Town maintain to mitigate revenue volatility?
- What are other priorities towards which the Town should divert excess fund balance?

Capital funding strategy

- What are the Town's recurring capital needs?
- Are there any major projects on the horizon? And how should the Town fund these projects?

Operational needs assessment

- When and in what areas should the Town increase its capacity to provide services?
- Where does the Town lack redundancies? And how much does this hinder service delivery?
- Are residents' public safety needs being met?