

**Minutes of the  
New Castle County Financial Advisory Council**

**New Castle County Government Center – November 20, 2012**

**Attendance:**

<b>Member</b>	<b>Present</b>
Richard F. Davis	Yes
George Danneman	No
Glenn Kocher, Jr.	Yes
Joseph Larotonda	No
Mark Oller	Yes
Richelle Vible	Yes
Jill Floore	Yes

**Members in Attendance:** 5

**Members Absent:** 2

**Others Present:** George Smiley, Russ Morris, Dave Del Grande, Ed Milowicki, Bob Wasserbach, Steve Cunliffe, Rich Piekarski, Joe Szczechowski

**Opening Business:**

Chairman Rich Davis called the meeting to order at 3:05 p.m. Ms. Floore made a motion to approve the minutes from the October 2, 2012 meeting, Ms. Vible seconded the motion, and the minutes were approved as submitted.

**FY2012 Year End General and Sewer Fund Final Revenues:**

Mr. Milowicki introduced NCC Finance Office member Russ Morris to review the FY2013 revenue activity. Mr. Morris reviewed NCC's General and Sewer Funds Revenue Summary as of October 31, 2012 (Exhibit A) and an accompanying summary explanation (Exhibit B). He noted that in the two-month period since the prior NCCFAC meeting, the General Fund revenue estimate had decreased by \$102,000 and the Sewer Fund Revenue estimate had decreased by \$100,000.

**GENERAL FUND**

**Property Tax**

Property Tax estimates appear on target, based on actual receipts of \$104,994.8 as of 10/31/13.

**Real Estate Transfer Tax**

Real Estate Transfer Tax estimate was up another \$500,000, bringing the estimate for the year to \$17,000,000, which is a conservative estimate.

To illustrate the need for New Castle County to re-evaluate its First Time Homebuyer policy, Mr. Milowicki related a story about a recent real estate transaction in which a first-time homebuyer purchased a home in New Castle County for \$2 million and paid cash. Under New Castle County's current First Time Homebuyer exemption policy, the buyer enjoyed a \$15,000 exemption from their real estate transfer tax.

**Service Charges/Fees**

Sheriff's Office service fees were down \$400,000 due primarily to fewer Sheriff's sales. Both Register of Wills and Recorder of Deeds remain unchanged. The estimate for Police Traffic Fines was decreased \$100,000 for the year. Subdivision Review was decreased \$300,000. Property Maintenance Recoveries was increased \$50,000.

**Recreation**

Recreation was unchanged.

**Licenses and Permits**

Licenses and Permits were up overall, with increases of \$100,000 in both Building Permits and Plumbing Permits.

**Use of Money and Property**

Use of Money and Property is down approximately \$56,000 from last year, due in part to lower interest rates on investments.

**Rentals, Concessions & Sales**

Rentals, Concessions & Sales were down \$183,000.

**Intergovernmental Revenues**

Intergovernmental Revenues remained unchanged.

**Miscellaneous Revenues**

Miscellaneous Revenues were up significantly due to transfers from escrow accounts.

**SEWER FUND**

We were down in the current collections by \$628,000 but we were above on delinquent collections by \$558,000.

Current collections are down because we are billing less. These are non-residential billings that are sent on a quarterly basis.

Because current and delinquent collections virtually balance each other out, no changes were made to the estimates.

Septic Waste Hauler fees were reduced \$100,000.

**Exhibit A – Charts**

RTT Revenue – Budget numbers continue to be below the revised estimate.

RTT (Actual Collected as % of Median Month) – This has been above the goal line since July 2012 and this past month will be above it again.

RTT (Actual Collected as % of Median Month Excludes Sales Over \$5 Million) – Except for September 2012, we have been over the goal of 100%. Even October 2012, in which 2 days of closings were postponed due to Hurricane Sandy, we remained over 100

Recorder of Deeds Revenue – There will possibly be an increase in this estimate next time.

Register of Wills Revenue – They have been up and down but they are about where we expect them to be for the year.

Sheriff Revenue Actual –The number of Sheriff Sales continues to drop.

Sheriff Sales (FY 2011 to FY 2013) – The number Sheriff sales have gone down overall, but continue to float between 60 and 80 per month. Most are commercial or investor-owned properties. Very few are owner-occupied properties, due to the Foreclosure Mediation Program. Mr. Morris shared a handout showing the actual filings by homeowners for the Mortgage Mediation Program. In New Castle County, there were between 14 and 17 filings per month. The program is scheduled to sunset in January 2014.

Subdivision & Zoning Review Revenue – There have been no large plans received recently, but the numbers continue to increase slowly.

Building Permit Revenue – After a very good spring and summer, there was a drop-off in September, but a rebound in October.

Permit Comparison – We're seeing fairly good numbers. There were 27 Single Family permits in October, compared to 19 last October. While the numbers are not in the 40s, like they were in the summer, they are not dropping off as low as they had last year. It is more difficult to compare commercial properties because the size of the projects can vary greatly.

Licenses (Business & Contractor) – These are due in January so there is always a big peak around that time. They are where we expect them to be right now.

Non Residential Sewer First Quarter Revenues (Budget vs. Actual) – We were close on all estimates except for Industrial, which was significantly lower because usage was lower.

### **Approval of FY2013 General and Sewer Fund Revenue Estimates:**

Ms. Vible made a motion to accept to General Fund Revenue Estimate of \$166,060.8, Mr. Oller seconded, and the motion was carried unanimously by the committee.

Ms. Flore made a motion to accept to Sewer Fund Revenue Estimate of \$69,261.1, Mr. Oller seconded, and the motion was carried unanimously by the committee.

### **FY2014 General and Sewer Fund Revenue Activity a/o October 2012 and Forecast:**

Mr. Morris reviewed the FY2014 General Fund Revenue Estimates as of October 31, 2012 (Exhibit E). Mr. Morris noted that the numbers were extremely preliminary. Budgets have not been received from the departments – they are due December 15.

## **GENERAL FUND**

### **Property Tax**

A nominal increase of \$268,000 (.2%) based on a small increase in assessed value, with rates remaining the same.

### **RTT**

Estimate is \$17,325,000 (an increase of \$325,000) based on the continued improving real estate market.

### **Service Charges**

Overall, the estimate is down \$1 million, based on a decrease in the estimates for Sheriff sales, offset slightly by an increase in Recorder of Deeds revenues, as well as some of the subdivision fees.

We also won't have any of the transfers from the escrow accounts, which was a one-time transfer of \$1.6 million in this year's budget.

### **Recreation**

No changes.

### **Licenses and Permits**

Small increase in Building Permits, Plumbing Permits, and Other Permits.

### **Use of Money & Property**

Down \$1,750,000 because no transfers from the RTT debt service payments are included in this estimate.

### **Intergovernmental Revenues**

Increased \$175,000 mostly due to paramedic reimbursement (assuming the paramedic budget goes up). There will also be additional lease revenue from the facility on Churchman's Road.

Estimated monthly revenues for the City County Garage have been reduced by \$9.8.

Overall, the General Fund estimate is down \$1,866,000.

## **SEWER FUND**

### **Sewer Current**

Small growth in the Sewer revenues of \$115,000, due to new homes being built and connected to the system. This assumes no change in rates.

**Sewer Delinquent**

No change.

**Other Fees**

Down \$100,000 due to some one-time transfers in the current budget that won't occur next year.

**Use of Money and Property**

No change.

Mr. Milowicki discussed the impact the "Fiscal Cliff" could have on the Sewer Fund. Two years ago New Castle County took part in a Federal bond program. We received notice that New Castle County may receive a 7% to 8% reduction in the interest rate reimbursement, which would amount to approximately \$80,000 per year less in the Sewer Fund for the next 30 years.

**FY2013 General and Sewer Fund Expenditure Activity a/o October and Forecast:**

Mr. Del Grande reviewed the FY2013 Budget vs. FY2013 Estimate as of October 31, 2012 (Exhibits C & D).

**GENERAL FUND**

The General Fund budget for FY2013 is \$166.6. To date we have transferred out \$400,000. taking our current budget (as of 10/31/12) to \$166.2. We are estimating that we will be \$1.6 million under budget for FY2013 (spending \$164.6 million overall).

**Salaries & Wages**

We expect to be \$300,000 under budget. We are carrying approximately 140 vacancies between the General and Sewer fund.

**Benefits**

No changes.

**Training/Travel**

No changes.

**Communications/Utilities**

Approximately \$200,000 under budget, due to a lower renegotiated electric rate.

**Materials/Supplies**

The varying price of fuel accounts for most of the costs in this line. Currently, we project to have \$200,000 left at the end of the fiscal year.

**Contractual Services and Cross Charges**

Projected to be \$800,000 under budget for the year.

**Grants/Fixed Charges**

No changes.

**Equipment**

Approximately \$300,000 savings at year-end, due to the timing of our vehicle purchases.

**Debt Service**

Savings of \$100,000 due to our debt schedules.

**IGS Credit**

This is the credit that offsets the cross-charge for fleet and IS. Approximately \$300,000 savings at year-end.

**General and Admin Credit**

No change.

**SEWER FUND**

The Sewer Fund budget for FY2013 (as of 10/31/12) is \$71.6 million, which includes an additional \$529,000 for bond-funding approved by County Council. In total, we are projecting to be \$700,000 under budget at the end of the fiscal year. We are \$1.7 million ahead of last year's spending, due to the increase in our debt service costs for our Sewer Fund.

**Salaries & Wages**

We expect to be \$200,000 under budget.

**Benefits**

No changes.

**Communications/Utilities**

Of the \$20.1 million budgeted, \$18.5 million goes to the City of Wilmington. We are currently in a one-year agreement extension through June 30, 2013 with the City of Wilmington. We have not received our True-Up numbers from the City. This first one should be coming in at any time, and the second one should be coming in December/January. With the change in administrations, there might be a delay.

**Contractual Services and Cross Charges**

Projected to be \$400,000 under budget for the year.

**Review General and Sewer Fund Checkbooks:**

Mr. Milowicki reviewed the General and Sewer Fund Cash Flow Projections as of October 31, 2012 (Exhibit F).

Mr. Milowicki noted that for the FY2013 General Fund we are projecting \$1.1 million revenue over expenditures. Of that, \$800,000 is the RTT that will be set aside for special uses. The

Available Financial Reserves at the end of the year are projected to be \$57.2 million. However, in FY2014 we are projecting a \$5.6 million shortfall, as revenue growth does not keep pace with expenditure growth. Ms. Flore asked what targets the departments were given in regard to their budget submissions. Mr. Milowicki explained that department budget submissions have to be 1) at current operations; and 2) at 5% reduced budget. These guidelines were established by the previous administration.

Mr. Milowicki explained that the \$5.6 million shortfall in FY2014 is caused by \$1.7 million in RTT-Debt Service revenue not currently budgeted for FY2014. Personnel Costs also increase due to the 2.5% increased contribution by employees to their healthcare that ends in June of 2013, as well as increases in pension, worker's compensation, and healthcare.

Revenues continue to be outpaced by expenditures. If we do not reduce expenditures or increase revenues then we are projecting only \$14 million to be left in available financial reserves by FY2017.

Mr. Milowicki noted that we entered the year in FY2013 knowing that there would be a shortfall and we planned to use reserves to make up the shortfall. Currently, we are projecting a \$1.6 million shortfall, leaving \$13.5 million in the Sewer Reserves. At the current rate, with no increase in fees, the reserves will be exhausted after FY2015.

**Other Business:**

The next meeting will be Tuesday, February 19, 2013 at 3:00 p.m. at the Government Center in the Large Executive Conference Room.

There being no further business, Chairman Davis adjourned the meeting at 4:01 p.m.