

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

New Castle County Government Center – April 16, 2013

Attendance:

Member	Present
Richard F. Davis	Yes
George Danneman	No
Glenn Kocher, Jr.	Yes
Joseph Larotonda	No
Mark Oller	Yes
Jill Floore	Yes

Members in Attendance: 4

Members Absent: 2

Others Present: Russ Morris, George Smiley, John Cartier, Robert Weiner, Lynne McIntosh, Mike Coupe, Ed Milowicki, Joe Szczechowski

Opening Business:

Chairman Rich Davis called the meeting to order at 3:02 p.m. There had been no quorum at the February 19, 2013 to approve minutes from the November 30, 2012 meeting. Mr. Oller made a motion to approve the minutes from both the November 30, 2012 and the February 19, 2013 meetings, Mr. Kocher seconded the motion, and the minutes were approved as submitted.

FY2013 General and Sewer Fund Revenue Activity A/O March:

Mr. Davis 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 March 31, 2013 (Exhibit A) and FY2013 Revenue Changes (Exhibit B). Mr. Morris noted that in the two months since the previous meeting, there was a \$2.4 million reduction in the General Fund revenue estimate and a \$1.7 million reduction in the Sewer Fund revenue estimate. This was caused primarily by three factors.

In the General Fund, the Sheriff's Office is down \$800. Mr. Morris noted that the revenue projections this year for the Sheriff's Office have been trending downward. The number of Sheriff's sales is starting to increase, but there is a two-month lag between the actual sale and when the revenue numbers are posted in Tier. Therefore, for the next few months, we will see fairly low numbers in revenues because of the low number of sales during the previous two months.

The second large item is Miscellaneous Other Income, which has been reduced \$1.6 million. This reflects the reversal of the transfer of dormant funds from Escrow to the General Fund. The Law Department is reviewing the status of these funds.

There was some discussion among the board members regarding the projected timetable for the resolution of this item.

Mr. Morris noted that the largest components of the Sewer Fund are current-year billings, which represents \$57.8 million, divided approximately 50-50 between residential and non-residential. The residential is on track, but in non-residential there are four components –

commercial, industrial, apartment, and contract. Of those, Industrial is down, resulting in a \$1 million reduction.

Mr. Cartier asked if Fisker or other large companies were currently delinquent. Mr. Milowicki said that Fisker was up-to-date and there were no other large accounts currently delinquent.

Mr. Morris noted that the top four industrial users make up approximately 66% of industrial billings, and all pay on time. Their usage is down, so New Castle County's overall industrial rates are down.

Ms. Floore asked for clarification regarding how the RTT Reserve Fund works.

Mr. Milowicki explained that by law, only 90% of RTT received can be used to fund current year. The rest must be placed in the RTT Reserve. It can be used in future budgets to fund Capital, Debt Service, and Economic Development.

There was additional discussion among the group.

Exhibit A – Charts

RTT Revenue – Mr. Morris noted that this has been one of the bright spots of the year, as RTT Revenue been consistently above budget. We remain on track to make the Revised Estimate of \$18.4 million.

Mr. Morris presented three estimates (Lowest, Middle, and Highest) for RTT Estimates for the remainder of FY2013, as well as for projections for FY2014. We are estimating a growth rate of 8.5% for RTT in FY2014.

There was some discussion among the group regarding how large “one-off” sales are not factored into RTT estimates.

Recorder of Deeds Revenue – Has been consistently above budget due to RTT activity.

Register of Wills Revenue – Down slightly (\$200,000) for the year. A few large estates closed late last year, but we are not expecting any this year.

Sheriff Revenue – Numbers are going down because Sheriff Sales are going down and we know that these revenues are going to continue to go down over the next couple of months. The sales are expected to rebound somewhat in June, which will be reflected at the start of FY2014. There is always a two month time lag between Sheriff Sales and when the revenues actually come in. We expect to see between 60 and 80 Sheriff Sales a month over the next year.

Councilman Cartier commented that the foreclosure crisis does not seem to have affected commercial real estate like it has residential properties. Mr. Morris commented that there have been a few commercial real estate closings, but the houses that have been foreclosed have all been investor-owned properties. Mr. Morris noted that even for large commercial foreclosures, the amount of revenue realized by New Castle County for a Sheriff Sale is capped at \$40,000.

Subdivision & Zoning Review Revenue – Last month was very good, with one major plan coming through, but not enough for a revision in revenue estimate at this time.

Building Permit Revenue – Both commercial and residential revenues are up. Last year, Al DuPont Hospital accounted for over \$600.0 in permit fees. Because of that, we are down approximately \$200,000 overall compared to last year.

Business & Contractor Licenses Revenue – These are about where we expect them to be.

FY2013 Non Residential Sewer: First Three Quarters – We have three quarters worth of tracking and we compared that to the original budget. On budget, we expected \$7.8 million each quarter, but we have not made that amount any of the quarters all year. This is due to the drop in industrial, which was budgeted at \$2.25 million per quarter, but brought in \$1.85 million in the first quarter, \$1.77 million in the second quarter, and \$1.82 million in the third quarter.

There was some discussion regarding fixed costs that New Castle County pays to the City of Wilmington for sewer treatment services.

FY2014 General and Sewer Fund Revenue Summary:

Mr. Morris reviewed NCC's General and Sewer Funds Revenue FY2014 Summary (Exhibit C).

Mr. Morris noted that there has been a slight change since the last meeting two months ago. The estimate for Real Estate Taxes was increased slightly due to Assessment providing the final numbers for taxable property for the coming year. The budgeted General Fund number was \$167,307.2. The increases are in Real Estate Taxes (up \$909,000), Service Charges & Fees (up \$1.3 million), Recreation (up \$123,000 – primarily due to New Castle County taking back control of Carousel Park), Licenses and Permits (up \$40,000), Use of Money & Property (up \$997,000), and Intergovernmental Revenues (up \$182,000).

In the Sewer Fund, the Sewer Current is budgeted at \$58.2 million, Sewer Delinquent is budgeted at \$3.4 million, Other Fees is budgeted at \$8.3 million, and Use of Money and Property is budgeted at \$1.2 million.

Mr. Kocher questioned the use of RTT excess and release of Capital Recovery Fees for Debt Service. There was some discussion regarding the policy. Mr. Coupe explained the rationale behind limiting the use of RTT to 90%.

Mr. Morris pointed out that in the General and Sewer Funds Revenue FY2014 Summary, Interfund Transfers are included for informational purposes. There are transfers from the General Fund to the Capital Fund for the purchase of vehicles and computer equipment. Similarly, in the Sewer Fund there are transfers from the Operating Fund to the Capital Fund for the purchase of equipment. These are not part of what we are requesting for certification.

Mr. Kocher suggested that since the financial crises is easing somewhat, the FY2014 projection of a 17.8% increase in revenues for the Sheriff's Office might be a bit aggressive.

Mr. Morris explained that the projection is based on an expectation of between 60 and 80 Sheriff Sales a month over the next year, but there will be fewer spikes and valleys over the year.

There was some further discussion among the group regarding the balance between estimates for Sheriff and Recorder of Deeds. It was agreed that a lower estimate for Deeds and a higher estimate for Sheriff would offset each other.

Councilman Smiley added that the mortgage mediation program, which is scheduled to sunset in January 2014, will most likely be extended. There was additional discussion among the group regarding the overall economic recovery and its effect on both the housing market and foreclosures.

Approval of FY2013 and FY2014 General and Sewer Fund Revenue Forecast:

Mr. Kocher made a motion to accept the New Castle County General Fund revenue estimates of \$164,158.1 for FY2013, and the New Castle County Sewer Fund revenue estimates of \$67,626.1 for FY2013.

Ms. Floore seconded the motion and they were unanimously approved.

Mr. Kocher made a motion to accept the New Castle County General Fund revenue estimates of \$167,307.2 for FY2014, and the New Castle County Sewer Fund revenue estimates of \$71,107.2 for FY2014.

Ms. Floore seconded the motion and they were unanimously approved.

FY2013 General and Sewer Fund Expenditure Activity A/O March and Forecast:

Mr. Milowicki reviewed the FY2013 Budget vs. FY2013 Estimate as of March 31, 2013 (Exhibit D).

FY2013 General Fund Expenditures

Mr. Milowicki noted that through March 31 our expenditures are \$127.3 million, which is close to where we were last year at the same time (\$126.5 million). The \$800,000 difference is mainly due to our Debt Service payment being \$1.5 million higher this year based on our payment schedule.

As of March 31, our FY2013 General Fund approved budget is \$166.7 million. We are estimating to spend \$163.7 million, which reflects a \$3 million savings in our expenditure budget, primarily due to savings in the Salaries & Wages and Contractual Services lines.

In the Sewer Fund, our FY2013 expenditures as of March 31 are \$57 million, which is an increase of \$1.8 million over what we spent last year at the same time (\$55.2 million). This is primarily due to an increase in our Debt Service payment.

The Sewer Fund approved budget as of March 31 is \$71.5 million. We are estimating to spend \$70 million, which is \$1.5 million under spending in the Sewer Fund budget.

Mr. Milowicki reviewed the FY2013 Budget vs. FY2014 Recommended as of March 31 (Exhibit D, pages 3 & 4).

The General Fund FY2013 Approved Budget as of March 31 was \$164 million. The FY2014 Recommended Budget presented to the County Executive and Council in March was \$169.2 million, which is \$5.2 million or 3.2% over the FY2013 Approved Budget. The County is currently going through Departmental Budget hearings.

The Sewer Fund FY2013 Approved Budget as of March 31 was \$69.8 million. The FY2014 Recommended Budget presented to the County Executive and Council in March was \$72.8 million, which is \$3 million or 4.3% over the FY2013 Approved Budget.

Review General and Sewer Fund Checkbooks:

Mr. Milowicki reviewed the General and Sewer Fund Cash Flow Projections as of March 2013 (Exhibit F).

Mr. Milowicki noted that for the FY2013 General Fund right now our estimate for revenues and expenditures are even at \$163.6 million, with RTT Excess of \$2.2 million designated for RTT Reserve. The FY2014 budget that was presented by County Executive Gordon reflects a \$4.3 million shortfall, which would necessitate the use of \$4.3 million in reserves.

With no tax increases and no reduction in services, we would almost exhaust our reserves by FY2017. Mr. Coupe noted that the “rainy day” reserves are not included in those numbers. Councilman Cartier suggested that the RTT Excess Transfer Out should be reflected in a separate column to better illustrate how it affects the Available Financial Reserves.

In the FY2013 Sewer Fund, we are projecting \$67.7 million in revenues and \$70 million in expenditures, for a shortfall of \$2.3 million. We are using \$2.3 million from reserves to balance the budget. Mr. Milowicki noted that we do have approximately \$13 million in the “rainy day” Sewer Fund reserves. Without an increase in sewer rates or other measures, we are projecting shortfalls from FY2014 onward.

Other Business:

The next meeting will be Tuesday, September 17, 2013 at the Government Center in the Large Executive Conference Room. There was some discussion as to whether or not a morning meeting time would be preferred over the current 3:00 p.m. meeting time.

There being no further business, Chairman Davis adjourned the meeting at 4:28 p.m.