

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

New Castle County Government Center – September 17, 2013

Attendance:

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

Members in Attendance: 3

Members Absent: 3

Others Present: George Smiley, Ed Milowicki, Russ Morris, Dave Del Grande, Mike Coupe, Rich Piekarski, Steve Cunliffe, Bob Wasserbach, Joanna Finnigan

Opening Business:

Chairman Rich Davis called the meeting to order at 3:05 p.m. Mr. Oller made a motion to approve the minutes from the April 16, 2013 meeting, Mr. Kocher seconded the motion, and the minutes were approved as submitted.

FY2013 Year End General and Sewer Fund Final Revenues:

Mr. Coupe 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 June 30, 2013 (Exhibit A). He noted that for the General Fund we ended up with \$166,348.8, which is \$494.8 under the budget or 0.3%. After transfers and the reduction of the RTT we ended up with a net General Fund of \$162,156.0. He also noted that the Sewer Fund was \$67,524.9, which is \$1,836.2 under budget or 2.6%. For the General Fund the biggest changes occurred in RTT. It was a very good year for RTT, ending up \$3,416.2 over budget or 21.0%. We were down in Service Charges by \$4,399.1 which was caused by two things, Sheriff's Department and Subdivision Planning Fees. We had a good year for Permits. The decrease of \$309.0 in Use of Money & Property mostly came from Sales & Concessions. For the Sewer Fund the loss was in Sewer Current. The decrease of \$1,522.4 was mostly a result of Industrial Sewer. Other Fees was down by \$809.5 and most of that was from Septic Hauler Fees. It was noted that we are only allowed to budget for 90% of the original estimate for RTT. Then if we go over that amount, at the end of the year that money gets segregated out separately on your fund balance.

FY2014 General and Sewer Fund Revenue Activity a/o August and Forecast:

Mr. Morris reviewed the NCC's General and Sewer Funds Revenue Summary as of August 31, 2013 (Exhibit B). He noted that overall right now we are \$1,162.8 ahead for the General Fund for the year. Virtually all of that is RTT, which is \$1,000.0 up. Use of Money & Property is up by \$100.0, which is the money that was from last year and was a late payment coming in and was included as an increase in this year's estimate. Intergovernmental Revenues you'll see that both in the General and Sewer Fund, those are additional dollars that were not budgeted that came from the Department of Homeland Security as reimbursement for expenses related to Hurricane Sandy. This hides the fact that there are some negative numbers in there. We received reimbursement from the Federal Government for interest paid on certain bonds. Those funds have been reduced due to sequestration so we saw losses in both the General and Sewer Fund but the revenues from Homeland Security considerably outweighed that.

General Fund

Real Estate Taxes – this is saying we're \$5 million over last year but that is due to timing. We can really start to look at that until you're four months into the fiscal year. We will see the bulk of this revenue come in this month and then a considerable amount will come in during October.

Service Charges – Sheriff's Department looks like it's significantly up (\$277.9 or 52.1%) but that is due to timing. Deeds is up (\$202.7 or 19.7%) and that's an indication of the strength of the real estate market. Police Traffic Fines and Subdivision Reviews are both up. Most negative numbers are looked at as due to timing and not of any real consequence. The category as a whole is up \$856.7, mostly due to the Row Offices.

Recreation – There is an increase of \$25.8 so far, mostly in Recreation Rentals and in Carousel.

Licenses & Permits – Marriage Licenses are up \$25.1 which is related to the change effective July 1, 2013 that gay marriage is now legal in the State of Delaware and there was an influx in the Clerk of the Peace Office for marriages. They are also receiving money as people change forms from civil unions to a marriage. Most of that is going to even out in the next couple months. Of more concern is that Building Permits is down \$118.6 compared to last year in both commercial and residential.

Rentals, Concessions & Sales – Increased \$112.7 mostly due to Building Rental because of one payment that came in late in the month of July. We received some funds in advance for Land Rental already this year and Special Services expects the revenues for the cell towers to start coming in January.

Intergovernmental Revenues – Real Estate Transfer Fees are up \$16.2 which is 25.0% higher than last year. Reduction is RZEDB Interest Reimbursement is due to sequestration.

Last year we had \$1.6 million in Miscellaneous Revenues that was due to the transfers which was later reversed in the spring.

Mr. Milowicki noted that the State of Delaware does not exclude first time homebuyers like we do so they get more money on RTT when a transaction goes through for a first time homebuyer. The other counties have similar programs but the State does not. It is a State mandate and not a County initiative. This only applies to incorporated areas.

Sewer Fund

There is a slight increase on Sewer Service Charges that is to be expected because of an increase approved by County Council of 3.9% on sewer rates.

There is a big drop in Septic Waste Hauler Fees due to losing customers to Pennsylvania.

Exhibit B – Charts

RTT Revenue – The sale of Christiana Fashion Center went through which will cause RTT Revenue to be around \$2.6 million. This is exactly where we thought we were going to be at year end and we are only three months into the fiscal year. July was a good month, excluding large sales, because people are jumping on the low interest rates.

Recorder of Deeds Revenue – We are above budget line for the first two months of the fiscal year.

Register of Wills Revenue – Mr. Oller commented that it has been a few years since Delaware has reinstated the Estate Tax and they were worried people would move out of the state to go places that did not have an Estate Tax. Mr. Morris noted that he thinks there has instead been an increase in Estate Planning.

Sheriff Revenue – Back to a \$5 million budget and we should be reasonably close to that. We are not ready to make any changes in part because of Sheriff Sales. The Sheriff Sales should fluctuate between 70 and 80 for the next several months depending on how many they setup. According to the foreclosure data received from the Delaware State Housing Authority, foreclosures are increasing in the State of Delaware and in New Castle County. There is an estimated six month time lag between foreclosure filings and what is seen in Sheriff Sales in part because of the mediation process.

Subdivision & Zoning Review Revenue – The numbers have been consistently low. Started last year with a budget of \$1.8 million and then dropped it to \$1.3 million. Hopes are that it will marginally improve this year to \$1.5 million. So far there are mixed results.

Building Permit Revenue – There is a seasonal drop off. Between now and March what happens in this market is going to be based on the non-residential market. Residential has been better so far this year than last year.

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

FY2014 Non Residential Sewer: First Three Quarters – The budget, quarter by quarter, for non-residential sewer is roughly \$8.1 million this year. Accounts receivable so far comes to just under \$8 million, so this appears to be slightly down for this quarter.

FY2013 Year End General and Sewer Fund Final Expenditures:

Mr. Del Grande reviewed the FY2013 Budget vs. FY2013 Actual as of June 30, 2013 (Exhibit D).

General Fund

The footnotes at the bottom indicate the ordinances that were passed by Council during the fiscal year. Since NCCFAC last met in April, numbers 7-10 were passed. Of note, where \$1,972,933 was added to the budget, was the annual FOP pension contribution from the State. This comes through every year at the end of the fiscal year and skews the budget numbers compared to the actuals. For FY2013 the final approved budget was \$169 million. At the end of June, \$166 million was expended for a balance of \$3 million. The main savings were in Salaries and Benefits of about \$700,000 from savings due to vacant positions. Mr. Milowicki noted that severance payouts county wide is included in the Salaries. Severances include pay out for accrued sick and vacation time. There were a higher amount of severances due to the change in administration. This number can also be high in certain years due to a police class retiring. Vacation and sick carryover rules are based on union contracts.

Sewer Fund

Only two ordinances were passed by Council during the fiscal year to change the budget. We started with a \$71.1 million budget and ended up with a \$71.5 million budget. Of that we spent

\$69.7 million for a balance of \$1.8 million and a savings of 2.5%. Savings were in Salaries & Wages also due to vacancies for the year. There was a \$500,000 savings in Communications/Utilities. Half of that was due to our contract with the City of Wilmington for the Wastewater Treatment Plant. There was a true-up credit from FY2012 that helps offset our expenses in FY2013. There is another true-up process going on right now.

FY2014 General and Sewer Fund Expenditure Activity A/O August and Forecast:

Mr. Del Grande reviewed the FY2014 Budget vs. FY2014 Estimated as of August 31, 2013 (Exhibit D).

General Fund

The approved budget for FY2014 was \$166.9 million. We have already had a few ordinances go through for this year. One of note was transferring the operating budget match for the Office of Emergency Management to the grants budget which is an annual process. Also, we transferred \$80,000 into Public Safety for funding for the Emergency Services Corp. Other than that our spending has generally been on track with FY2013 with one exception of the timing of employee benefit payments. There is a \$7.6 million difference from August to August. That debt number will rectify itself once we get into the fiscal year.

Sewer Fund

There is an approved budget of \$72.3 million, which matches the budget as of today. Spending is up \$1.6 million primarily due to our debt service schedule. Mr. Milowicki noted that we had a bond issue last year so our first payment is this fiscal year.

Review General and Sewer Fund Checkbooks:

Mr. Milowicki reviewed the General and Sewer Fund Cash Flow Projections as of June 2013 with the FY2014 Approved Budget/Projected Budget for 2015-2018 (Exhibit F).

The General Fund began FY2014 with \$53.1 million. The numbers you see for 2014 are the actual budget numbers approved by Council. They have not been amended or projected. Under revenues is the Use of Available Cash Balance. There was \$2 million that was budgeted to be used for the FY2014 budget, so with that you will see that there will be \$51.1 available financial reserves projected going into FY2015. 2015 through 2018 are just projections based on various rates of growth. One thing to notice that has been mentioned before is that to have a balanced budget from 2015 through 2018 we will have to pull money out of reserves to balance those budgets. By 2018 if we do not raise fees or reduce services then we will only have \$8.2 million left in those reserves. It was noted that the RTT Excess Transfer Out is still the General Fund but it is a separate designation as it can only be used for specific purposes.

\$2.2 million had to be pulled out of reserves to balance the Sewer Fund for FY2013. We have \$12.9 million going into FY2014. Looking at 2015-2018, using the same various rates of growth, we would have to pull money out of reserves to balance the Sewer Fund budget if there is no sewer rate increase or expenditures are not reduced. By 2017 or 2018 we will have exhausted all available financial reserves without any type of increase. This is the same picture we had last year. Mr. Milowicki noted that one difference is that the use of reserves was discussed for the FY2014 budget and so County Council decided to adopt a sewer rate increase that balanced the budget for FY2014.

Other Business:

It was noted that the board currently has three vacancies and one expired appointment. The three vacancies are all Executive appointments.

The next meeting will be Tuesday, November 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 4:02 p.m.