

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

New Castle County Government Center – September 10, 2014

Attendance:

Member	Present
Richard F. Davis	Yes
George Danneman	Yes
Owen Mathews	Yes
Lynette Scott	Yes
Mark Oller	Yes
Jill Floore	Yes

Members in Attendance: 6

Members Absent: 0

Others Present: George Smiley, Ed Milowicki, Russ Morris, Dave Del Grande, Mike Coupe, Bob Wasserbach, Lynne McIntosh, Joe Szczechowski

Opening Business:

Chairman Rich Davis called the meeting to order at 8:04 a.m. Mr. Davis asked that all present introduce themselves, as there were two new NCCFAC Board members in attendance. Mr. Oller made a motion to approve the minutes from the April 9, 2014 meeting, Mr. Danneman seconded the motion, and the minutes were approved as submitted.

FY2014 Year End General and Sewer Fund Final Revenues:

Mr. Coupe introduced NCC Finance Office member Russ Morris to review the FY2014 Year End General and Sewer Fund activity. Mr. Morris reviewed NCC's General and Sewer Funds Revenues Summary as of June 30, 2014 (Exhibit A). He noted that the numbers presented are unaudited. Overall, we did very well in the General Fund, and not as well in the Sewer Fund. After transfers, we ended up with \$6,693.8 in the General Fund. Nearly all this was RTT, which was up \$7,300.2 (\$25,300.2 compared to a budget of \$18,000.0). It was our best year for RTT since 2008. We were down in Service Charges & Fees by \$805.6, which was caused by less refinancing activity in the Recorder of Deeds Office and a decrease in Subdivision Planning Fees. Recreation was down \$42.4. Licenses and Permits was up \$153.8, mostly due to building permits and marriage licenses. The increase of \$321.6 in Use of Money & Property mostly came from funds received through a settlement. Intergovernmental Revenues were up slightly at 40.6 due to money received early in the year from Homeland Security for Hurricane Sandy.

For the Sewer Fund, there was a decrease of \$3,601.2 in Sewer Current, mostly due to residential sewer. In Sewer Delinquent, there was a decrease of \$619.4, which was expected, as residential sewer bills were sent out later than usual, which pushed back the delinquent bill mailings and collections. In Other Fees, we were down by \$524.8, most of that was from a drop in Septic Hauler Fees. It was noted Council recently voted to change the fee structure for New Castle County's Septic Hauler program in an effort to stabilize the revenues.

Mr. Del Grande noted that New Castle County's fees were not competitive with a provider in nearby Chester, Pa. By lowering our price, New Castle County is hoping to increase business.

Mr. Oller asked for details regarding the decrease in residential sewer revenue.

Mr. Morris explained that there were several issues involved, including bills based on incorrect data, as well as the delay in the mailing that occurred as a result.

Mr. Milowicki noted that the decrease could have been worse, but there was a 3.2% increase in the billing last year.

Mr. Morris explained for the new members that the details for page 1 of Exhibit A are featured on pages 2, 3, and 4 of Exhibit A.

Ms. Flore asked for details regarding why RTT increased so dramatically. There was considerable discussion among the group regarding the impact of large commercial sales on RTT.

Mr. Wasserbach asked for an explanation of the Transfer Tax Reserve Fund for the benefit of the new board members.

Mr. Milowicki explained the policies governing the RTT Reserve Fund.

Mr. Morris continued reviewing Exhibit A. He pointed out the Sheriff Sales have leveled off to an average of 60 to 70 each month. As a result, Sherriff Revenue has averaged just over \$4 million this year. There was a large drop in Recorder of Deeds Revenue after September 2013 due to less home refinancing activity. Register of Wills Revenue had a large spike in revenue in April due to two large estate settlements. Building Permit Revenues have been improving consistently over the last two years. Actual Sewer Charges received were nearly \$4 million under budget overall.

FY2014 Budget vs. FY2014 Actual Expenditures (Unaudited):

Mr. Del Grande reviewed the FY2014 Budget vs. FY2014 Actual as of June 30, 2014 (Exhibit C).

General Fund

Our approved budget as of 7/1/13 was \$166.9 million and we ended up with a final approved budget on 6/30/14 of \$172 million. This was due mainly to two significant items – a drop of \$1.5 million in funding from the State of Delaware to the Department of Public Safety for the Police Pension contribution; and an increase of \$2.5 million to cover the cost of incurred health care costs.

Mr. Del Grande reviewed all of the line items on page 1 of Exhibit C in detail. At the end of the year we were \$2.1 million (1.2%) under our final budget.

Sewer Fund

We started with a \$72.3 million budget and ended up with a \$72.6 million budget. Mr. Del Grande reviewed all of the line items on page 2 of Exhibit C in detail. At the end of the year we were \$1.1 million (1.5%) under our final budget.

FY2015 General and Sewer Fund Expenditure Activity A/O August and Forecast:

Mr. Del Grande reviewed the FY2015 Budget vs. FY2014 Estimated as of August 31, 2014 (Exhibit C, page 3).

General Fund

The 7/1/14 approved budget for FY2015 was \$174.3 million. As of 8/31/14 it is \$174 million, due to the transferring the operating budget match for the Office of Emergency Management to the grants budget, which is an annual process. Mr. Del Grande reviewed all of the line items on page 3 of Exhibit C in detail. As of 8/31/14, we had spent \$49.8 million, which is up 6.5 million over the previous August, but that is due primarily to our debt service schedules and our employee benefit costs

Sewer Fund

There is an approved budget of \$72.3 million, which matches the budget as of today. Spending is up \$3.8 million primarily due to our debt service schedule. There was some discussion among the group regarding New Castle County's ongoing sewer contract negotiations with the City of Wilmington and its effect on the Sewer Fund.

FY2015 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, 2014 (Exhibit B).

General Fund

Real Estate Taxes – We will see the bulk of this revenue come in this month and then a considerable amount will come in during October. We are down in revenue compared to last year, but it will average out over the first four months.

RTT – There was some discussion among the group regarding revenue projections. Through 8/31/14, just over 5 million had been received, which is on track with estimates.

Mr. Morris reviewed all of the General Fund line items on page 1 of Exhibit B in detail.

Sewer Fund

We are expecting better revenues in the Sewer Fund compared to last year.

Exhibit B – Charts

RTT Revenue – We already had one large sale (Eden Square) in the fiscal year. We don't expect another big sale until the end of the year.

Mr. Morris reviewed all of the revenue charts in Exhibit B in detail.

Recorder of Deeds Revenue – We reduced revenues by \$400,000.

Building Permit Revenue – In July and August, we took in more in building permit revenue than we did in the first three months of last year, mostly due to large commercial projects.

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

Review General and Sewer Fund Checkbooks:

Mr. Milowicki reviewed the General and Sewer Fund Cash Flow Projections as of June 2014 with the FY2015 Approved Budget/Projected Budget for 2015-2019 (Exhibit F).

The General Fund began FY2015 with \$50.4 million. One thing to notice that has been mentioned before is that to have a balanced budget from 2016 through 2019 we will have to pull money out of reserves to balance those budgets. However, the projections are better than it did eight years ago.

\$1.3 million had to be pulled out of reserves to balance the Sewer Fund for FY2015. We have \$9.4 million going into FY2015. Looking at 2015-2019, 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 we will have exhausted all available financial reserves without any type of increase. This is the same picture we had last year.

Other Business:

Councilman Smiley asked the board if it would consider reviewing and commenting on the policies and procedures governing New Castle County's investments. Councilman Smiley said that if the board would agree, Council would pass a resolution formally asking the board to review New Castle County's investment policies and procedures, and make recommendations going forward to Council. He stated that no comments would be solicited regarding past practices.

Councilman Smiley further explained that this would be a one-time review, not an ongoing function of the board. There was some discussion among the board members regarding the scope of the policies that would have to be reviewed. Councilman Smiley provided the membership with two policy documents.

Mr. Oller stated that if the board agreed to review the policies, he might need to recuse himself from participation because he is employed by Wilmington Trust, which provides some of New Castle County's investment services. Mr. Danneman suggested that Mr. Oller might not have to recuse himself, since he disclosed the conflict.

Mr. Wasserbach suggested that New Castle County's risk tolerance would have to be assessed before the board could opine on the policies and procedures.

There was further discussion among the group regarding Councilman Smiley's proposal. The consensus was that the board's input would be on policies and processes only, not on specific investment recommendations.

The board members agreed to review the written policies and allot up to 30 minutes at future NCCFAC meetings to review the individual policies.

The next meeting will be Tuesday, November 18, 2014 at 8:00 a.m. at the Government Center in the Large Executive Conference Room.

There being no further business, Chairman Davis adjourned the meeting at 9:39 a.m.