

Minutes of the New Castle County Financial Advisory Council

New Castle County Government Center – November 18, 2014

Attendance:

Member	Present
George Danneman	No
Richard Davis	Yes
Jill Floore	Yes
Joseph Larotonda	No
Owen Mathews	Yes
Mark Oller	Yes
Lynette Scott	Yes

Members in Attendance: 5

Members Absent: 2

Others Present: George Smiley, Maria Scarpa, Russ Morris, David Del Grande, Michael Coupe, Ed Milowicki, Bob Wasserbach, Lynne McIntosh, Joanna Finnigan

Opening Business:

Chairman Rich Davis called the meeting to order at 8:07 a.m. Mr. Mathews had an edit in the third paragraph of Other Business noting that Mr. Danneman and Mr. Oller's names should be switched based on their comments. Mr. Mathews made a motion to approve the minutes from the September 10, 2014 meeting, Mr. Oller seconded the motion, and the minutes were approved as amended.

FY2015 General and Sewer Fund Revenue Activity a/o October:

Mr. Morris reviewed the NCC's General and Sewer Funds Revenue Summary as of October 31, 2014 (Exhibit A). There has been a very small decrease so far this year in our projections. The General Fund is down \$488.5 or 0.3% and the Sewer Fund is down \$527.6 or 0.7%. Revenues to date for the General Fund are \$130,922.7 and for the Sewer Fund \$16,075.4.

General Fund

Real Estate Taxes have taken in \$107,767.8 so far this year. That is \$1.4 million more than last year. We expect to be \$9,000 over the revenue budget for the year. This is because of new assessments and more people paid early. It was questioned if there is a statistic on how many taxes are paid through escrow versus paid individually. Mr. Milowicki noted he believes 50-60% of taxes are paid through escrow.

Real Estate Transfer Tax is one of the areas we have made a small reduction of \$301.2. We had one month below and decided to take that as a reduction.

Wills had an excellent quarter. They are up \$327.7 for the year to date.

Deeds is down compared to last year. \$467.8 down compared to last year. Reduced the revenue projection for the year by \$600.0 and it may need to be adjusted down even more.

Zoning Fees and Subdivision Review are both up.

Recreation is expected to be slightly lower than last year for two reasons. Carousel dollars that used to be picked up as revenue, Board fees from Public Safety, are now being cross charged. Revolving Fund is down because last year we received a large payment in July that was actually fees attributable to the prior year.

We have \$1,702.8 so far this year in Building Permits. That is up \$763.8 or 81.3% for the same period last year. We have increased this by \$400.0 and this is a conservative increase. This is due to several projects and not just one large project.

There is a decrease in Interest and Investments here and an even larger decrease in the Sewer Fund. This year there is an RFP that is being prepared for a new investment firm. Our current firm is putting dollars into short term investments in the event that a different firm is selected. That is reducing the interest income we are receiving.

We are still waiting to see revenues on cell towers. It is likely we will not see the revenues in this fiscal year.

Insurance Proceeds/Self Insurance is significantly up. We have increased the revenue estimate to match revenues also received.

Sewer Fund

Current charges, all non-residential, are up compared to last year but slightly down compared to budget. Delinquent charges are \$1,491.8 which is \$207.7 over last year but we expected this to be higher. Another set of delinquent notices went out last month.

Interest Earnings is down \$527.6. This projection is based on the pending RFP for a new investment firm causing money to be put in short term investments. Mike Coupe notes that a decision should be made on the new investment firm by the end of the calendar year.

Exhibit A – Charts

RTT Revenue – Consistently above budget in every month except one.

Large RTT – 11 large sales in first four months of FY 2014 that came to almost \$3 million. In that same period this fiscal year we've only had 6 large sales totaling slightly less than \$1.5 million. The first two large sales in FY 2014 combined were more than the six sales we've had this year.

Sheriff Revenue Average – Staying close to budget line. Expect to be slightly above the budget line in the next few months.

Sheriff Sales – Numbers of set-ups is starting to increase. We are basing the estimates for the year on having approximately 70 sales per month. These numbers represents sheriff sales of real property.

Recorder of Deeds Revenue – Represents \$600.0 reduction and will probably be bringing it down to around a \$1 million reduction. They seem to have stabilized after coming down the high of refinancing. Now depending on ordinary markets for their revenues.

Register of Wills Revenue – Two large estates settled in the spring.

Subdivision & Zoning Review Revenue – We have not made any increases yet. If things continue to look this good we will probably make an increase.

Building Permit Revenue – The increase is due to several large projects hitting in the last quarter.

FY 2015 Non Residential Sewer – During the first quarter we took in \$7,845,154 in non-residential compared to an \$8,025,000 budget. It looks like we will be on track.

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

Mr. Del Grande reviewed the FY2015 Budget vs. FY2015 Estimated as of October 31, 2014 (Exhibit C).

General Fund

The FY2015 Approved Budget on July 1, 2014 was \$174.3 million. As of October 31, 2014 the budget is \$173.9 million due to the \$411,381 transfer out to the Grant Fund for Emergency Management's local match. We are anticipating a \$0.5 million savings in Salaries at the end of the year. Overall we are carrying about 125-135 vacancies in both the General and Sewer Fund. We have made a concerted effort to fill nearly all of our Public Safety positions, which is a priority of the County Executive. We are up \$4.5 million over last year in Salaries, mainly due to one more pay happening between July 1 and October 31 versus the same period last year. Mr. Del Grande reviewed the remaining line items in detail. Overall we are estimating our expenses to be about \$175.9 million, \$2.0 million over our budget, and due primarily to employee benefits for the year going up because of the rising cost of healthcare.

Sewer Fund

The FY2015 Approved Budget on July 1, 2014 was \$72.3 million is still the same. Mr. Del Grande reviewed the line items in detail. We are anticipating a savings of \$0.3 million overall even though we are about \$0.5 million over our quarter from last year.

Review General and Sewer Fund Checkbooks:

Mr. Milowicki reviewed the General and Sewer Fund Cash Flow Projections as of October 31, 2014 (Exhibit E).

The General Fund began FY2015 with \$48.9 million of available financial reserves. Right now we are projecting we will need to draw down an additional \$2.5 million. Currently we have \$46.4 million in available financial reserves going into next fiscal year. We are projecting that by the FY2019 budget we would need to use \$15.2 million of available cash balances. We would need tax or fee increases or an increase in revenues or decrease in expenditures to diminish the amount of reserves we would need to balance the budget. Right now we are projecting a \$4.8 million shortfall for the FY2016 budget. In addition, all of our unions are going back into contract negotiations right now. These projections assume no COLA.

The Sewer Fund began FY2015 with \$10.9 million of available financial reserves. Currently we are projecting \$9.4 million in available financial reserves heading into next fiscal year. Right now we are projecting a \$6.1 million shortfall for the FY2016 budget through a \$8.7 million shortfall in the FY2019 budget. If we continue to draw down on reserves, without raising sewer fees, the reserves will be gone by the end of FY2016. More than likely some type of sewer fee increase would be needed in FY2016 or FY2017 in order to have the revenues and expenditures match. These projections assume no COLA or sewer fee increases.

County Investment Policies and Procedures:

The Board has been provided the following four policies to review: Reserve Fund, Short-Term Operating Funds, Operating Funds Short-Intermediate Term Portfolios and Sewer Reserves.

Councilman Smiley stated that the legislation was approved by County Council.

Mr. Coupe explained that the Sewer Reserves Policy was included because at the time they were distributed it was still active; however, it is no longer necessary because it has been merged with the Reserve Fund Policy. Board questions process for retiring a policy. Mr. Davis suggested that to make it clean it would be nice if something was done to say this one was no longer in effect and the overall one is being used. Councilman Smiley questioned if there are funds under the old policy and if so, is it the intent that those funds would convert to the new policy once formally adopted. Councilman Smiley also suggested it is important to work together to establish a record and practice for handling policies.

Mr. Oller questioned the methodology or historical reason for having three different policies versus just one investment policy with different categories included. Mr. Coupe agreed that is something that can be looked into changing in the future.

Mr. Wasserbach questioned if the Board needs an idea of the risk tolerance and general investment philosophy of the County before they can review these policies. Mr. Oller stated that he believes part of this is creating a process where risk tolerance is evaluated every year. He believes it is the Board's job to come up with an investment process procedure whereby it outlines the process that the Executive, Council and Advisor are going to go through to ultimately, annually reaffirm the investment policy statement. Ms. Scott clarified that the Board is really looking at the procedures and the process, not necessarily trying to figure out if the investments made are sound. Mr. Davis confirmed that we are reviewing the procedures that are used and whether or not the policies that are outlined here make sense and are understandable to the people who are going to have to implement them.

Mr. Davis questioned who internally is overseeing these policies so that if they were combined into one policy would it change how they are overseen. Ms. Scarpa and Mr. Milowicki both confirmed that the policies have historically all been handled in Treasury with the help of outside advisors. Ms. Floore questioned how these policies were approved in the County currently. Mr. Coupe stated that it is approved within the department. Mr. Oller questioned who ultimately oversees the portfolio and Mr. Coupe confirmed that the CFO oversees it because Treasury falls under the CFO.

Other Business:

This will be Ed Milowicki's last meeting since he is retiring in December.

Date of Next Meeting:

The next meeting will be Tuesday, February 10, 2015 at 8:15 a.m. at the Government Center in the Large Executive Conference Room.

There being no further business, Chairman Davis adjourned the meeting at 9:27 a.m.