

**Minutes of the
New Castle County Financial Advisory Council
New Castle County Government Center – Large Executive Conference Room
April 14, 2015**

Attendance:

Member	Present
Richard F. Davis	Yes
Jill Floore	Yes
Joseph Larotonda	No
Owen Matthews	Yes
Mark Oller	Yes
Lynette Scott	Yes

Members in Attendance: 5

Members Absent: 1

Others Present: Sam Guy, Dave Del Grande, Russ Morris, Bob Wasserbach, Mike Coupe, Judi Mitchell, Lisa Lancaster, Ed Milowicki, Joanna Finnigan

Opening Business:

Chairman Rich Davis called the meeting to order at 8:19 a.m. Mr. Matthews made a motion to approve the minutes from the February 10, 2015 meeting, Mr. Oller seconded the motion, and the minutes were approved as submitted.

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

Mr. Morris reviewed the NCC's General and Sewer Funds Revenue Summary as of March 31, 2015 (Exhibit A) and FY 2016 General and Sewer Funds Revenues Summary (Exhibit B). The General Fund revenue projects a small surplus for FY 2015. We are at \$398.7 over our estimated budget, which is a positive swing compared to the numbers projected two months ago. The Sewer Fund revenue remains a little low at \$1.2 million under budget. Mr. Morris reviewed quarterly budget changes. The largest was \$1.4 million in Miscellaneous. Approximately \$1 million is refunds from Express Scripts; approximately \$280 is unused grant money previously transferred to Emergency Management.

General Fund

Real Estate Taxes is up \$1.3 million compared to the same time last year. This is due to increased valuation.

Real Estate Transfer Tax is down \$844 compared to the same time last year. If we do the same business for April, May, and June this year that we did last year, we will exceed the \$24 million budget estimate. It depends on when the large sales come through.

Service Charges are up overall \$246. The largest changes are in Deeds (down \$466.) and Wills (up \$712.) There are other miscellaneous changes in fees.

Licenses and Permits are up \$604.7 due to fall activity. A fee increase in Land Use is expected to go into effect on July 1.

Use of Money & Property is up \$581.9 overall. Impact Fees are up \$853; Interest and Investments are down \$271.

Sewer Fund

Not much of a change in Current Sewer Charges. Delinquent Sewer has been increased \$300 to \$3.8 million. Most of that is due to one major bank finally responding to our delinquent mailings. Interest earnings are down, but it is improving because of the new bond issue. We expect to see better interest rates in the last quarter of this year.

In summary, for the General Fund we are projecting a \$5,991.2 surplus and on the Sewer Fund we are projecting a deficit of \$2,045.9.

Exhibit A – Charts

RTT Revenue – In mid-March we were considering reducing RTT Revenue estimates, but two large sales – a small apartment complex and the Beaver Valley Office Building – added \$1 million in RTT. Budget and estimate are now the same, but there are some large sales on the horizon.

Recorder of Deeds Revenue – Reduced despite a fee increase as of April 1. Spring activity should see them making the revised budget easily.

Register of Wills Revenue – Small increase, but should do even better with several large estates closing early in the year.

Sheriff Revenue Average – Staying close to budget line. Mr. Morris reviewed chart showing history of foreclosure filings in NCC from the start of the Mortgage Mediation Program. On average, there are between 100 and 140 foreclosure filings per month.

Subdivision & Zoning Review Revenue – Overall on target this year.

Building Permit Revenue – This spring is slower than last year, but we had an extremely busy fall, mostly due to commercial projects.

Non-Residential Sewer – Third quarter appears low on the charts, but this is because industrial sewer payments tend to arrive late.

Residential Sewer – Numbers are lower than estimate due date was pushed back from 2/28 to 3/17. We are ahead of collections from last year, which had a due date in April.

FY2016 General and Sewer Funds Revenue Summary:

Mr. Morris reviewed NCC's General and Sewer Funds Revenue FY 2016 Summary (Exhibit b). The FY2016 General Fund Revenue Budget is \$175,166.3, of which, \$385.3 will be due to the proposed Land Use fee increases. Not counting the fee increases, the Budget is \$174,781 less Interfund Transfers of \$5,220.4, for a total of \$169,560.6. The FY2016 Sewer Fund Revenue Budget is \$74,307.1, of which \$75.9 will be due to the proposed Land Use fee increases. Not counting the fee increases, the Sewer Fund Budget is \$74,231.2 less Interfund Transfers of \$1,342.4, for a total of \$72,888.9.

General Fund

Real Estate Taxes – We're projecting \$110,735.0 in our Initial Levy & Quarterly Adds, which is up \$1,385.0 over last year.

Real Estate Transfer Tax – We are keeping this flat at \$24,101.2, but we expect to exceed that amount.

Service Charges/Fees – Most of these are either the same or with very small increases over the current year estimate.

Recreation – \$1,036.7 is the budget, which is slightly lower than the FY2015 budget and slightly higher than the FY2015 estimate.

Licenses & Permits – Budget of \$6,770.5 represents an increase of \$157.1 over the FY 2015 estimate.

Use of Money & Property – No change in Impact Fees. Interest-Investments are \$2.5 million, or \$300 under the current year estimate.

Rentals, Concessions & Sales – Very little change overall.

Intergovernmental Revenues – Of \$6,085.2, most of that amount is Paramedic Reimbursement (\$4,775.2, which is a 1.7% increase over this year). This is calculated based on 30% of the expenses anticipated next year.

Overall, the Final General Fund Revenues are \$174,781.0 without fee increases or \$175,166.3 with the proposed Land Use Fee increases.

Sewer Fund

No fee increase is anticipated or built into these revenue estimates. There is very little change in Sewer Fund Current charges. The \$3,500.0 in delinquent charges is slightly higher because part of the money we are receiving is due to the billing schedule, which will be back to normal next year. There are large changes in Interest Earnings-Operating Funds (up \$645.0 due to the larger base for the interest). There is also a large increase in the Capital Recovery Fees, due to a change in how the Capital Recovery Fees are treated. Mr. Coupe explained that the fees will be recognized in the year they are received and placed into revenue, rather than going into an escrow account. It is a fee for hooking into the sewer system. The funds that are in the escrow account will be transferred to revenues. Mr. Del Grande further explained the change in how NCC is dealing with sewage treatment in Middletown and the southern portion of the County.

Mr. Morris noted that the total Revenue projected for FY 2016 (with the proposed Land Use fee increase) is \$74,307.1, with a transfer out to the Capital Projects Fund of \$1,342.8, so the final Sewer Fund Total is \$72,964.8. This is a 4.5% increase over the current year estimate. Without the proposed fee increase, the total Sewer Fund Revenue is \$74,231.2.

Light Tax Fund

The Light Tax Fund is budgeted at \$5,735,586. Delmarva tells us what the rates are going to be. Our goal is to keep \$100.0 in the Fund at the end of each year in order to cover expenses.

Crossing Guard Fund

The Crossing Guard Fund is budgeted at \$3,909,377. This is based on how many crossing guards each school district requests.

Approval of FY2016 General and Sewer Fund Revenue Forecast:

Ms. Scott made a motion to approve the New Castle County FY2016 revenue estimates of \$174,781.0 for the General Fund and \$74,231.2 for the Sewer Fund. Mr. Oller seconded the motion and they were unanimously approved.

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

Mr. Del Grande reviewed the FY2015 Budget vs. FY2015 Estimated as of February 28, 2015 (Exhibit C).

General Fund

The last time the board met there was a shortfall in expenditures in the general fund mainly due to higher than anticipated employee benefit costs. Due to several cost-cutting measures, that shortfall has been reduced. Ms. Floore questioned if the \$1 million refund from Express Scripts that is being counted as revenue should be considered expenditure reduction. There was some discussion among the group. Mr. Coupe noted that measure is being considered. Mr. Milowicki noted that the rebates are from a prior year. Another consideration is how the rebates are processed – sometimes they are a credit, and sometimes a refund.

Mr. Del Grande noted that Salaries & Wages are budgeted at \$88.7. We anticipate expenditures of \$87.9, for a surplus of \$800. Seven paramedics and five police officers were added to the budget this year. Mr. Del Grande reviewed all of the individual line items for expenditures/encumbrances. Overall, at the last meeting there was a \$1 million shortfall in General Fund Expenditures, currently there is a \$100 surplus. We are optimistic that will remain through the end of the fiscal year.

Mr. Del Grande noted that NCC expended \$115.3 as of February 2014 vs. \$123.1 as of February 2015. The main increased were in Salaries, Benefits, and Grants and Fixed Charges.

Sewer Fund

Sewer Fund budget of \$72.3 remains the same at \$72.3. We are estimating a surplus of \$1.2 due to savings in Contractual Services. Very little change otherwise.

Mr. Del Grande reviewed the FY2015 Budget vs. FY2016 Recommended as of March 31, 2015 (Exhibit C).

General Fund

Overall our FY2016 recommended budget to Council is \$174.1 million for the General Fund, which is a \$0.2 million decrease under the FY2015 approved budget. This is only the fifth time a current budget less than the previously approved budget has been presented to County Council. There are ten police officers added to the FY2016 budget (five approved in FY2015, five pending approval). Merit increases for eligible employees (approximately 40% of workforce) are also included. Benefit rate will be increased from 51.3% (FY15) to 52.8% (FY16). Mr. Oller inquired about benefit negotiations with union contracts. Mr. Del Grande said that all union contracts are up between April and July. There was a general discussion among the group regarding benefits, union contracts, and vacant positions.

Mr. Del Grande continued to review all of the individual line items for FY2015 Budget vs. FY2016 Recommended. The General Fund proposed budget is \$174.1, which is \$180 less than the FY2015 approved budget.

Sewer Fund

The Sewer Fund is up \$700 over the FY2015 approved budget. This is mainly due to increases in Salaries and Employee Benefits. The Sewer Fund FY2016 proposed budget is \$73.0, compared to the FY2015 approved budget of \$72.3. There was some discussion among the group regarding the budget approval process.

NCCFAC Memo to Executive, Council & CFO

Mr. Del Grande reviewed a proposed draft memorandum from NCCFAC to the County Executive, Council and CFO that would formalize notification of NCCFAC's actions. There was general discussion among the group regarding the merits of the proposal. Mr. Guy stated that by State law the County Executive certifies the revenues to Council, which is how the County Executive comes up with the Revenue Ordinance that is submitted to Council. Previous meetings provided NCCFAC's approved estimates in developing the revenue estimates. Once the County Executive hands that Ordinance to Council, it is important for Council to know if there are any changes as Council goes through its budget process. Mr. Del Grande noted that the proposed memorandum would include revised numbers after every NCCFAC meeting. After additional discussion, the use of a draft memorandum was approved unanimously.

Checkbook

Mr. Del Grande reviewed General and Sewer Fund Cash Flow Projections as of March 31, 2015 (Exhibit E).

In the General Fund, Total Revenue/Reserves are estimated at \$178.8, which includes \$48.9 in Financial Reserves, \$110.8 in Property Tax Revenue, and \$24.1 in Transfer Tax Revenue. With no tax increases and no reduction in services, we would need to begin using Reserves (not including "rainy day" reserves) in FY2017. Total Expenditures for FY2015 are \$174.0, and are projected to grow to \$192.4 by FY2019. There was some discussion regarding the budgeting and use of RTT Reserves.

In the Sewer Fund, Available Financial Reserves are \$10.9. Total Revenue is estimated at \$72.5, which includes \$61.9 in Sewer Charges Collection, Other Revenues of \$9.3, and \$1.3 in Use of Available Cash Balances. Expenditures are \$71.2 this year, projected to \$81.6 in FY2019. With no rate increases and no reduction in services, we would be down to \$2.7 in Available Financial Reserves by FY2019.

County Investment Policies and Procedures

Mr. Guy provided handouts on the background of NCCFAC, County Code, and the County Executive's responsibilities regarding certifying revenue.

Mr. Davis suggested scheduling the date for the next meeting prior to any members leaving. It was set for September 15 at 8:15 a.m.

Mr. Guy discussed the roles and responsibilities of NCCFAC. He raised a concern that a Council resolution has asked NCCFAC to act outside of its jurisdiction regarding NCC's Investment Policies. He respectfully requests on behalf of the Executive Office to entertain a

motion to suspend NCCFAC's involvement in NCC's Investment Policy because the board was not presented all of the information at the time it agreed to get involved in NCC's Investment Policies.

The Board had a discussion regarding Mr. Guy's concerns.

Ms. Scott made a motion to withdraw the request of the board to review NCC's investment policies and procedures. Mr. Matthews seconded. The vote was two members for, one against, and one abstaining.

There being no further business, Chairman Davis adjourned the meeting at 10:48 a.m.