

**Minutes of the
New Castle County Financial Advisory Council
New Castle County Government Center – Large Executive Conference Room
November 17, 2015**

Attendance:

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

Members in Attendance: 5

Members Absent: 2

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

Opening Business:

Chairman Rich Davis called the meeting to order at 8:20 a.m. Mr. Davis asked that the board members introduce themselves as there is one new board member, Michael Ferretti. Mr. Oller made a motion to approve the minutes from the April 14, 2015 meeting and September 15, 2015 meeting, Ms. Scott seconded the motion, and the minutes were approved as submitted.

FY2016 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, 2015 (Exhibit A). The General Fund budget as of October 31, 2015 (excluding reserves and transfers) is \$174,889,600. To date, revenues are \$129,494,200, which is just a bit below last year. Mr. Morris noted that we are up in most of the categories, but the fluctuations are usually a matter of timing.

The Sewer Fund budget as of October 31, 2015 (excluding reserves and transfers) is \$73,752,500. To date, revenues are \$10,266,000, which is below last year, but again it is a matter of timing.

Mr. Morris then reviewed the details for general and sewer fund revenues (Exhibit A).

General Fund

REAL ESTATE TAX
(\$316.9)

The Property Tax Appeal Credit for property taxes paid in FY 2015 by Astra Zeneca has created the projected deficit for Property Tax. The revised assessment has also reduced the Current Year Property Tax paid by Astra Zeneca. It is too early to reduce this line, but we will watch it closely.

RTT
+\$498.8

July was higher than last year due to the sale of commercial properties by Stoltz. We have continued to see strong property sales and there are several large transactions that have been announced that we expect in the second half of the year. This could go higher in FY 2016.

SERVICE CHARGES/FEES**Sheriff**

(\$261.5)

Sheriff sales in the first quarter have been very low due to external factors (the bankruptcy of Butler and Hosch). We expect revenues to recover during the next 3 quarters, but not at a pace that will make up for the past three months. Revenues for this area could go even lower if problems persist at the national level with moving forward with foreclosures.

Deeds

+\$240.0

The combination of increased fees and an active real estate market have increased Deeds revenue in the first quarter. We expect this to continue during FY 2016.

Police Traffic Fines

(\$100.0)

This line has been consistently down for the past three years. There is no indication that it will increase in the near term. This could be reduced even more later this year.

Property Maintenance Recoveries

+54.0

We have a revolving fund called the Problem Properties Revolving Fund which is used to remediate problems where homeowners are not taking action regarding problem properties. As the County has spent more money to deal with problems, the amount of money we have recovered has increased. The County recovers approximately 50% to 60% on average, but can place a lien on the property to recover funds. A law recently passed requiring a registration fee for vacant properties. The vacant property program just started.

RECREATION

(\$44.0)

This is a net of changes for two lines. Carousel has been consistently down for the past two years. This could go lower.

LICENSES & PERMITS

Although there have been several plans and projects announced, they will not impact revenues for some time. For example, the Brandywine Golf Course must submit the subdivision plan to use which would take approximately 2 years to get approved.

USE OF MONEY & PROPERTY**Impact Fees**

When residential projects are built there is an impact fee to defray expenses / debt service against the operating budget.

INTERGOVERNMENTAL REVENUES

(\$353.1)

This is the net of several lines. The biggest is a reduction for Paramedic Reimbursement of (\$920.0). The reimbursement was reduced by (\$920.0), but \$463,239 was for capital purchases and will be reimbursed to the General Fund from Capital. This is the amount eliminated from the most recent reimbursement request by the State of Delaware. This could go lower in FY 2016.

Sewer Fund

Residential Sewer Current
No changes yet

Non Residential Current
(\$150.0)

Both Commercial and Apartment are slightly down and Industrial is doing better than budgeted. The net change is a reduction of \$150,000 for the first half of the year. If revenues continue at this pace in the third and fourth quarters, we will have to make another reduction of at least \$150,000.

Delinquent
No changes yet

Connection Fees
+\$30.
This is mostly from residential construction.

Floodplain Development Permit
+\$13.5
This depends on major commercial projects.

Interest
(\$482.0)
This is based on the latest projections from Cash Management. When the budget was established in early CY2015, we expected the FED to raise interest rates in June. That hasn't happened yet. The downturn in the equities market for the past quarter has also reduced the return on County investments.

There are other miscellaneous changes based upon YTD revenues. They amount to an increase of \$77.3. Several of these lines have the potential to go higher in FY 2016.

Mr. Morris continued reviewing the Exhibit A – Charts.

RTT Revenue – We were off to a fast start with large commercial sales at the end of the last fiscal year as well as at the start of the current fiscal year. In October we were on budget, even though there were no large commercial sales.

Recorder of Deeds Revenue – Slightly above budget.

Register of Wills Revenue – Projected to be slightly below the budget line, but this could change with the settlement of a few large estates. As old cases are cleared however, this revenue source is likely to decline.

Sheriff Sales Actual – Currently well below the budget line, however numbers of set-ups is starting to increase. We are basing the estimates for the year on having approximately 45 - 50 sales per month. These numbers represents sheriff sales of real property.

Subdivision & Zoning Review Revenue – There was a bump in revenue in September because of the Westhampton development.

Building Permit Revenue – On average these are on target.

FY2016 General and Sewer Fund Expenditure Activity A/O October and Forecast:

Mr. Del Grande reviewed the FY2016 Budget vs. FY2016 Estimated as of October 31, 2015 (Exhibit C).

General Fund

The FY2015 Approved Budget on July 1, 2015 was \$174.1 million. As of October 31, 2015 the budget is \$173.8 million. We transferred \$440,834 from the Operating Budget to the Emergency Management Grant as part of the Annual County match. We appropriated \$6,000 from the Clerk of the Peace Technology fund to the Clerk of the Peace, and we appropriated \$150,000 from the tax stabilization reserves for an environmental impact study.

We are anticipating a \$0.5 million savings in Salaries at the end of the year. All of our labor unions are currently working without contracts. The County is in negotiations with all of the unions, so the results of those negotiations could affect the projections. Overall we are carrying about 120 vacancies in both the General and Sewer Fund, which accounts for most of our salary savings.

There are slight savings projected in both Communications & Utilities and Materials & Supplies.

Because of the timing of debt service payments, the FY16 Budget is \$2.8 million under FY15.

Overall we are estimating our expenses to be about \$171.9 million, \$1.9 million under our budget.

Mr. Oller questioned if the 120 vacant positions would ever be eliminated from the budget.

Mr. Del Grande explained that approximately 23 positions are unfunded. Also, some employees leaving the county cash out and get between half to a full-year salary in their final payment. Most of the vacancies aren't permanent. Generally they are temporary based on the ebb and flow of retirements and new hires.

We have 1,586 authorized positions.

Mr. Mathews asked if there were periodic reviews of departments for efficiencies regarding staffing and vacancies.

Mr. Del Grande explained that during every budget cycle the department managers review their staffing needs as part of the process. Any additions or subtractions are discussed in budget hearings with the executive office and then proposed to County Council. As an example, the Office of Finance is down 10 positions over the last 10 years.

Sewer Fund

The FY2015 Approved Budget on July 1, 2014 was \$73 million is still the same. Mr. Del Grande reviewed the line items in detail. We are projecting small savings in the same areas (Utilities, Materials, Contractual Services) as in the General Fund. Overall we are estimating our expenses to be about \$72 million, \$1 million under our budget.

Review General and Sewer Fund Checkbooks (unaudited):

Mr. Del Grande reviewed the General and Sewer Fund Cash Flow Projections as of October 31, 2015, Fiscal Years 2016-2020 (Exhibit E).

The General Fund began FY2016 with \$47.9 million of available financial reserves. At the end of FY2016, we should have approximately \$50.0 million in reserves. Projecting out to FY2020, those reserves will drop to \$16.6 million. This is based mostly on the costs of our personnel costs.

The Sewer Fund began FY2016 with \$14.8 million of available financial reserves. Currently we are projecting \$15.8 million in available financial reserves heading into next fiscal year. If we continue to draw down on reserves, without raising sewer fees, the reserves will be gone by the end of FY2020. The Rainy Day Fund must maintain 20% of estimated revenues.

Memorandum

The NCCFAC members in attendance signed the Memo to Executive, Council and CFO signifying the information reviewed at this meeting.

Other Business

Mr. Oller asked if the issues with investment procedures that took place in the spring were resolved.

Mr. Coupe stated that since UBS is becoming New Castle County's financial and investment consultant, it was proposed that they (UBS) would provide their quarterly updates directly to County Council.

Mr. Milowicki stated that his understanding was that Councilmember Janet Kilpatrick was bringing two ordinances before Council next week – one regarding forming an investment committee and another regarding where money should be invested.

Schedule Date for Next Meeting:

The next meeting will be Tuesday, February 9, 2016 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 9:41 a.m.