

**Minutes of the
New Castle County Financial Advisory Council
New Castle County Government Center – Large Executive Conference Room
December 12, 2017**

Attendance:

Member	Present
Richard F. Davis	Yes
Owen Mathews	Yes
Jill Floore	Yes
Mark Oller	No
Lynette Scott	Yes
Michael Ferretti	No
Edward Milowicki	Yes
Julie Pfeffer	Yes

Members in Attendance: 6

Members Absent: 2

Others Present: George Smiley, Brian Maxwell, Russ Morris, Ken Porter, Bob Wasserbach, Rinku Banerji, Dave Gregor, Joanna Finnigan, Joe Szczechowski

Opening Business:

Chairman Richard Davis called the meeting to order at 8:15 a.m. He welcomed and introduced Julie Pfeffer and Edward Milowicki as new members of the Board. Lynette Scott made a motion to approve the minutes from the September 12, 2017 meeting. Jill Floore seconded the motion, and the minutes were approved.

General and Sewer Fund Revenue by Major Categories for FY2017:

Russ Morris reviewed the details of Exhibit A – New Castle County’s General and Sewer Funds Revenues Summary as of November 30, 2017. He noted that there was a slight change in format regarding the reporting of Realty Transfer Tax (RTT). By code, RTT is budgeted at 90 percent of the original estimate, with the remaining 10 percent going to the RTT Reserve. Exhibit A now reports RTT broken down by original estimate, reserve, and net RTT.

Mr. Morris noted that Real Estate Taxes was one of the few line items on Exhibit A that is negative, down \$1.673.7 million, or 1.5%. He explained that this was caused by a number of factors over the past year, including utility retirements, demolitions of commercial structures, and several large annual appeals. This resulted in assessment values that were lower than originally estimated.

Ms. Floore asked a question regarding the Verizon appeal and whether the multi-year appeal was accounted for in a single year. Chief Financial Officer Brian Maxwell explained that Verizon’s case involved special betterments. In FY2015, the State passed legislation that said taxes for companies that were paying special betterments for telecommunications were capped at what they paid in FY2015, no matter the taxing authority.

Ms. Pfeffer asked a question regarding demolitions and expectations for those lots to be built upon and added back to the assessment roles. Mr. Morris stated that some were already under construction.

Mr. Morris noted that RTT assumptions are at \$35 million due to several very large commercial transactions.

Mr. Morris reviewed the details of the other line items in the General Fund. The volume of Sheriff Sales has increased, but we expect it to level off in the second half of the year. For Recorder of Deeds, property sales are up, but property refinancing is down. There was a \$400.0 decrease in Impact Fees.

Interest-Investments were down \$163.7 year-to-date in the General Fund, but we are up by approximately that same amount in the Sewer Fund. The total in both funds is expected to exceed our estimates by the end of the year.

Overall, FY2018 estimated revenue in the General Fund is \$184,709.7, which is \$597.6 less than originally budgeted.

Mr. Morris reviewed the details of the revenue estimates for the line items in the Sewer Fund (beginning on page 5 of Exhibit A). Of note, Delinquent Charges are now projected at \$900.0 over budget. This was due to one mortgage company sending its delinquent sewer payments in August, after the start of the new fiscal year. Groundwater/Stormwater was increased \$100.0 to reflect year-to-date revenues.

The other major change is in Capital Recovery Fees, which are down \$1 million, due in part to an issue in which Land Use improperly charged a developer capital recovery fees last year for an apartment complex. After Land Use discovered its error, the money was refunded to the developer.

All the aforementioned changes net to zero, so FY2018 estimated revenue in the Sewer Fund remains at the original budgeted estimate of \$73,310.9.

Mr. Morris reviewed the charts found on pages 6 through 11 of Exhibit A.

General and Sewer Fund Expenditures for FY2017:

Mr. Maxwell reviewed the details of Exhibit C – New Castle County’s General and Sewer Fund Expenditures FY2018 Budget vs. FY2018 Estimate as of November 30, 2017. He noted that in the General Fund several minor adjustments net out to a \$.5 million adjustment lower than the FY2018 Approved Budget. Overall, in the General Fund, FY2018 expenditures are estimated at \$195.5 million.

In the Sewer Fund Expenditures, Mr. Maxwell stated that there were no changes in the FY2018 Approved Budget of \$78.3 million.

General and Sewer Fund Financial Projections as of 11/30/17 (Unaudited) Fiscal Years 2018-2021:

Mr. Maxwell reviewed the details of Exhibit D – General and Sewer Fund Financial Projections as of 8/31/17 (Unaudited) Fiscal Years 2018-2021.

In the General Fund, we are projecting \$10 million in revenues under expenditures for FY2018. We will be drawing down the Tax Stabilization Reserve to cover those costs. In FY2019, we are projecting our revenues to remain relatively flat, while our expenditures grow primarily due to Personnel Costs, driven mainly by increases in healthcare costs and pension costs.

Mr. Maxwell also noted that there will be a 2% across the board salary increase as of 4/1/18. This will be the final increase in a collective bargaining agreement that was signed in November 2016.

Overall, for FY2019, we are projecting \$18.5 million in revenues under expenditures. The Office of Finance is working with the Executive Cabinet to lower expenditures for FY2019. Instructions for the FY2019 budget sent to County departments stated that any increases must be balanced with a corresponding reduction. While there will be caveats to that standard, that is the goal that was set.

While current measures will lessen the gap between Expenditures and Revenues, the projections indicate that the Tax Stabilization Reserve will be exhausted in FY2019.

Currently, the focus has been on the expenditure side, but as the options for expenditure reduction get smaller, the revenue side will be considered. We have been looking seriously at reassessment, given the fact that there has been no reassessment since 1983. However, a reassessment is a three-year process.

In the Sewer Fund, we have a similar structural deficit. We are working with a consultant to revamp the sewer service rate formula. Currently, we take the lowest two quarters of water consumption and multiply by two. There is no fixed component to our current billing structure, so costs of capital improvements are not being covered. Councilman Smiley and Councilman Cartier have been supportive of this initiative.

Mr. Milowicki asked a question regarding whether the Christiana Force Main loan was reflected in the debt service projections. Mr. Maxwell stated that they were not. We are getting a 2% loan through the Delaware State Clean Water Revolving Fund for emergency repairs. It is a \$10 million loan that is structured so that we pay semi-annual interest, and annual principle payments on the loan.

Ms. Floore asked about the status of the water treatment contract with the City of Wilmington. Mr. Maxwell said that the contract is still in discussion, but he expects an agreement to be reached this fiscal year.

Ms. Scott asked about the status of the First-Time Homebuyers program. Mr. Maxwell said that the County participated in a State and County committee which voted to enable legislation to allow counties to establish a cap for first-time homebuyers. We will be working to move that legislation forward. We will also have to work with County Council to establish what the cap will be. Ms. Scott suggested that many municipalities look at FHA limits that are already in place for guidelines.

Mr. Milowicki made a motion to approve the FY2018 Revenue Estimates. The motion was seconded by Ms. Floore and unanimously approved.

Memorandum:

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

Schedule Date for Next Meeting:

After some discussion, it was decided that the next meeting date will be Tuesday, March 13, 2018 at 8:15 a.m. at the Government Center in the Large Executive Conference Room. Councilman Smiley suggested that consideration be given to allowing Board members to participate and vote on matters via phone if necessary to establish a quorum.

There being no further business, Chairman Davis adjourned the meeting at 9:19 a.m.