

**Minutes of the
New Castle County Financial Advisory Council
New Castle County Government Center – Large Executive Conference Room
May 8, 2018**

Attendance:

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

Members in Attendance: 5

Members Absent: 2

Others Present: George Smiley, Brian Maxwell, David Gregor, Vicki Ford, Russ Morris, Rinku Banerji, Lynne McIntosh, Joanna Finnigan, Joe Szczechowski

Opening Business:

Chairman Richard Davis called the meeting to order at 8:18 a.m. Mark Oller made a motion to approve the minutes from the March 28, 2018 meeting. Julie Pfeffer seconded the motion, and the minutes were approved as submitted.

General and Sewer Fund Revenues by Major Categories for FY2018:

Russ Morris reviewed the details of Exhibit A – New Castle County’s General and Sewer Funds Revenue Summary as of April 30, 2018. He noted that there was very little change overall in revenues, and the few changes were mostly positive. A million dollars was added to Realty Transfer Tax, but since that goes into the RTT Reserve, it doesn’t affect the bottom line that much.

Mr. Morris pointed out that adjustments made in March and April are detailed on pages 6 through 9 of Exhibit A. There were several changes to the estimates for Service Charges/Fees on page 6. The most significant were increases in Sheriff (\$200,000), Register of Wills (\$600,000) and Zoning Fees (\$65,000); and decreases in Recorder of Deeds (\$100,000), Police Traffic Fines (\$50,000), Photocopies (\$56,472) and Subdivision Review (\$250,000). Overall, Service Charges/Fees increased \$413,000.

In Recreation, several adjustments decreased revenue estimates by \$108,400 overall. However, Recreation is still doing better compared to the same time last year. Of note, last year Carousel only brought in \$57,000. As of April 30, they have taken in \$98,000, and are on pace to make their \$124,000 budget. This is due to full staffing and increased program offerings.

Licenses & Permits increased \$175,000 overall. Use of Money & Property decreased \$267,000 overall.

In Intergovernmental Revenues, Paramedic Reimbursement was decreased a total of \$339,000. The final payment from the last fiscal year was received late, so we’ve received five payments this year as opposed to four. Three of those payments were based on the lower percentage (24% vs. the previous 30% rate). Overall we are ahead for the year. Ms. Floore asked what we anticipate for next year. Mr. Maxwell replied that we are asking the General Assembly to increase the reimbursement rate to 50%, but we’ve budgeted for 30%.

Overall, Net General Fund Revenues were increased \$872,000 in March and \$126,500 in April.

In the Sewer Fund, several adjustments in Current Sewer net out to a \$50,000 increase. In Current Sewer, all areas are down except for Industrial, which continues to be strong. Delinquent Sewer also remains strong and was increased by \$100,000.

Several line items under Fees were adjusted in March and April. Most notably, Stormwater Management Fees were increased \$312,000, Septic Hauler Fees were increased \$193,000, and Wastewater Discharge Fees were decreased \$100,000. Capital Recovery Fees were decreased \$500,000 based on tracking.

Overall, for March and April, there was an increase of \$262,000 in the Sewer Fund.

General and Sewer Fund Expenditures for FY2018:

Brian Maxwell reviewed the details of Exhibit B – New Castle County's General and Sewer Fund Expenditures FY2018 Budget vs. FY2018 Estimated as of April 30, 2018.

In the General Fund, Mr. Maxwell noted that savings of \$2 million are projected for Salaries and Wages due to position vacancies as a result of the intensive hiring review that remains in place. Expenditures in Employee Benefits increased \$1 million due to higher Healthcare costs. There were a few other adjustments, but the overall Expenditure line shows a savings of \$1.5 million. With less expenditures than originally forecasted, we will not have to dip further into the tax stabilization reserves for FY2018.

There is a labor agreement in place until April 2019. The current split of Benefits cost is 93% County / 7% employees.

In the Sewer Fund, we have savings of \$700,000 in the Salaries and Wages line, again due to vacancies. In Communications/Utilities, there is a \$5.5 million increase in anticipation of a true-up payment due to the City of Wilmington. This payment has not been finalized as negotiations are continuing.

Overall, increased expenditures in the Sewer Fund total \$4.7 million.

General and Sewer Fund Revenue by Major Categories/Expenditures for FY2018 and Succeeding Fiscal Years:

CFO Brian Maxwell reviewed the details of Exhibit C – General and Sewer Fund Financial Projections As of 4/30/2018 for Fiscal Years 2018-2021. He noted that for FY2019 we are forecasting revenues of \$189.7 million and expenditures of \$210.7 million, which leaves a gap of \$21 million. We would start FY2019 with \$22.1 million in the Tax Stabilization Reserve. If we are unable to achieve some of the revenue enhancements proposed in the County Executive's budget for FY2019, that reserve would drop to \$1.2 million, which would be a problem when we go to the bond market. The County Executive's proposed revenue enhancements and spending reductions are not reflected in these numbers.

One of the proposals is a 3% lodging/hotel tax. There is also a bill (HB380) introduced by Speaker Schwartzkopf. Last year, the State increased the Realty Transfer Tax to 4%. Prior to the increase, the split was 1.5% State and 1.5% County. After the increase, the split is 2.5% State and 1.5% County. HB380 would provide a first-time homebuyer a .5% credit of the State's share, soft-capped on a purchase price of \$400,000, so the maximum credit is \$2,000.

If a home is purchased for \$500,000, the buyer still receives credit for \$400,000 of the purchase price.

The County has lobbied the State Legislation to allow the Counties to set their own first-time homebuyer cap. Currently, any first-time homebuyer is exempted .75% of the County's share, even if the selling price of the home is \$1 million or more. New Castle County has asked for an amendment to HB380 to allow the County to piggyback on the State's \$400,000 cap.

Councilman Smiley noted that another bill proposed would grant New Castle County the authority to increase the residency requirement for property tax exemption from three to ten years, following what the State did last year.

Mr. Oller questioned if Kent and Sussex County also project a 4% annual growth in personnel costs. Mr. Maxwell stated that while he does not have the specific budget numbers of the other counties, New Castle County is in a different financial situation than Kent and Sussex in that it provides many more services than either Kent or Sussex County, including a police force at a cost of \$68 million. Sussex also benefits in transfer taxes received from an active vacation home real estate market.

Councilman Smiley noted that, in regard to sewer service fees, Sussex has standard maintenance and usage fees based on the footage of pipe connecting the home to the system.

Mr. Maxwell stated that New Castle County has been working with a consultant to review our sewer billing process, which is currently based on the two lowest quarters of actual usage multiplied by two.

Ms. Floore noted that there is a jump in Property Tax Revenue from FY2018 to FY2019, which levels off after FY2019. Mr. Maxwell stated that there was a backlog of property tax assessment appeals that were settled in FY2018, lowering revenues for that year.

There was some discussion among the group regarding assessment values, appeals, depreciation and reassessment. The County is exploring new technologies that exist which would make a reassessment more cost-effective.

In the Sewer Fund, Mr. Maxwell noted that, without an increase in revenue, there is not enough money to fund the FY2019 Budget.

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:

The next meeting date will be Tuesday, September 11, 2018, and will take place 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 9:24 a.m.