

**Minutes of the
New Castle County Financial Advisory Council
New Castle County Government Center – Large Executive Conference Room
September 11, 2018**

Attendance:

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

Members in Attendance: 7

Members Absent: 1

Others Present: George Smiley, David Gregor, Vicki Ford, Russ Morris, Bob Wasserbach, Rinku Banerji, Joanna Finnigan, Joe Szczechowski

Opening Business:

Acting Chairman Mark Oller called the meeting to order at 8:18 a.m. Jill Floore made a motion to approve the minutes from the May 8, 2018 meeting. Julie Pfeffer seconded the motion, and the minutes were approved.

General and Sewer Funds Revenues by Major Categories for FY2018 (Unaudited):

Russ Morris reviewed the details of Exhibit A – New Castle County’s General and Sewer Funds Revenues Summary as of June 30, 2018. He noted that Exhibit A included a column (“E”) that compared actual revenues to the May 2018 estimate. In most categories, there was an increase in revenues not only over the original budget, but also over the May estimate. In many ways, FY2018 was a very atypical year. For example, Mr. Morris pointed out that in Prior Year Real Estate Taxes, we took in \$127,000, which was significantly under the original budget of \$1 million, due to unusually large Prior Year assessment credits.

Mr. Morris reviewed the details of the other line items in the General Fund on pages 2 through 4. Overall, revenues in the General Fund at the end of the fiscal year were \$185,563.5, which was \$1,687.9, or 0.9% over the \$183,875.5 budget.

Revenues in the Sewer Fund were \$73,470.4, which was \$1,974.7, or 2.8% over the \$71,495.8 budget. This was mainly due to increases in both Sewer Current and Sewer Delinquent. The Sewer Delinquent was impacted due to one mortgage company sending in payments (which normally would have been credited in FY2017) after the beginning of FY2018. Mr. Morris reviewed the details of the other line items in the Sewer Fund found on page 5.

General and Sewer Fund Expenditures for FY2018 (Unaudited):

Mr. Morris reviewed the details of Exhibit B – New Castle County’s General and Sewer Fund Expenditures FY2018 Budget vs. FY2018 Actual as of June 30, 2018. Overall, in the General Fund, expenditures were \$193 million, which was \$3.1 million less than the \$196.1 million approved (7/1/17) budget, and \$7.2 million less than the FY2018 adjusted (6/30/18) budget. Savings in Salaries and Wages were due to vacancies. Savings in Grants and Fixed Charges were due to lower workers compensation costs.

In the Sewer Fund, expenditures were \$75.4 million, which was \$2.9 million less than both the \$78.3 million approved (7/1/17) budget, and the FY2018 adjusted (6/30/18) budget. Most of the savings was in Salaries and Wages due to vacancies.

General and Sewer Funds Revenues Summary as of August 31, 2018:

Mr. Morris reviewed the details of Exhibit C – General and Sewer Funds Revenues Summary as of August 31, 2018. He noted that several adjustments have been made to reflect current activity. Also, several columns have been added to the report to compare FY2019 revenues and estimates to FY2018 revenues and estimates.

Mr. Morris noted that in Real Estate Taxes, the FY2019 estimate of \$123.6 million is significantly higher than the actual FY2018 amount of \$112.9 million, mostly due to a 7.5% increase in the property tax rate.

There was some discussion among the group regarding the tax increase, which was passed as a 15% increase with a credit that reduced the rate to 7.5% for FY2019.

The Hotel Tax is a new revenue source for FY2019. It was originally budgeted at \$3 million, but has been reduced to \$2.4 million due to a two-month delay in implementation.

Mr. Morris continued reviewing the details of the General Fund line items under Service Charges/Fees, Licenses & Permits, Use of Money & Property, and Intergovernmental Revenues found on pages 2 through 4 of Exhibit C.

Overall, the Final General Fund Revenue for FY2019 is estimated at \$196,589.3, which is \$827.2 over the FY2019 Budget. David Gregor noted that the 8.2% estimated increase over FY2018 Actual Revenues is largely due to the 7.5% property tax increase and the newly instituted hotel tax. Mr. Morris said that without the tax increase and the hotel tax, the estimated increase would be 2.1%, which is in line with the expected annual 2% increase.

In the Sewer Fund (page 5 of Exhibit C) the Total Sewer Fund revenues are estimated at \$77,619.8, which is a \$300,000 increase over budget, and a 5.7% increase over FY2018 Actual revenues of \$73,430.7. This was due to a 12% increase in the residential sewer service rate. Mr. Morris reviewed the details of the line items in the Sewer Fund, as well as the charts found on pages 6 through 11 of Exhibit C.

General and Sewer Fund FY2019 Budget vs. FY2019 Estimate as of August 31, 2018:

Mr. Morris reviewed the details of Exhibit D – General and Sewer Fund FY2019 Budget vs. FY2019 Estimate as of August 31, 2018. He noted that there were only two minor changes comparing the General Fund FY2019 approved budget of \$201.5 and the FY2019 adjusted budget of \$201.1, and no changes between the adjusted budget and the estimate.

In the Sewer Fund, there were no adjustments to the Sewer Fund FY2019 approved budget of \$80.1. However, a preliminary adjustment of \$4.6 million has been added to the FY2019 estimated budget (bringing it to \$84.7 million) for the pending City of Wilmington true-up (FY2017 and FY2018) and headworks fine screen repair.

There was some discussion among the group regarding the contractual basis of the true-up and the negotiations surrounding the matter.

General and Sewer Fund Financial Projections as of 7/31/18 (Unaudited) Fiscal Years 2019-2022:

David Gregor reviewed the details of Exhibit E – General and Sewer Fund Financial Projections as of 7/31/18 (Unaudited) Fiscal Years 2019-2022. He noted that the FY2020 estimates assume the pending 7.5% property tax increase.

In the General Fund, we are starting the fiscal year with \$21 million in the Tax Stabilization Reserve. Our revenues exceed our revenues for FY2019 by approximately \$0.1 million, however, by FY2022, given the current growth estimates, the Tax Stabilization reserve would have to be used to cover a \$10.2 million shortfall.

There was a general discussion among the group regarding the possible future consideration of reassessment and use of both the Tax Stabilization and Rainy Day Reserves. It was also noted that any changes or adjustments could affect New Castle County's bond rating.

In the Sewer Fund, we are starting the fiscal year with \$11.2 million in the Sewer Rate Stabilization Reserve. Even with the 12% sewer service rate increase, our expenditures are exceeding our revenues in the Sewer Fund for FY2019 by approximately \$3 million, which would leave a Sewer Rate Stabilization Reserve of \$8.3 million going into FY2020. Mr. Gregor noted that the administration hired a consulting firm to do a rate study. The consultant recommended a 25% rate increase, followed by a 15% rate increase two years later. By most measures, our revenues are well below that of our counterparts.

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 Wednesday, December 12, 2018 at 8:15 a.m. at the Government Center in the Large Executive Conference Room.

There being no further business, Acting Chairman Oller adjourned the meeting at 10:15 a.m.