Minutes of the
New Castle County Financial Advisory Council
New Castle County Government Center – Large Executive Conference Room
December 12, 2018

Attendance:

<table>
<thead>
<tr>
<th>Member</th>
<th>Present</th>
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<tbody>
<tr>
<td>Richard F. Davis</td>
<td>Yes</td>
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<tr>
<td>Kayode Abegunde**</td>
<td>Yes</td>
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<tr>
<td>Michael Ferretti</td>
<td>No</td>
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<tr>
<td>Jill Floore*</td>
<td>Yes</td>
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<tr>
<td>Owen Mathews</td>
<td>No</td>
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<tr>
<td>Edward Milowicki</td>
<td>Yes</td>
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<tr>
<td>Mark Oller</td>
<td>Yes</td>
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Members in Attendance: 5
MembersAbsent: 2
Others Present: George Smiley, David Gregor, Vicki Ford, Russ Morris, Bob Wasserbach, Rinku Banerji, Lynne McIntosh, Joanna Finnigan, Daniel Rappa, Michael Butler, Joe Szczechowski

*Arrived at 8:25 a.m.
**Arrived at 8:27 a.m.

Opening Business:

Chairman Richard Davis called the meeting to order at 8:20 a.m. Due to the lack of a quorum at the start of the meeting, the approval of the September 11, 2018 meeting minutes was deferred until later in the meeting.

General and Sewer Fund Revenue by Major Categories for FY2018:

Russ Morris reviewed the details of Exhibit A – New Castle County’s General and Sewer Funds Revenues Summary as of November 30, 2018. He noted that the exhibit includes estimates as of August 2018 (column “C”) and as of November 2018 (column “D”), a comparison of August and November estimates (column “E”), the November estimate over budget by dollars (column “F”), and the November estimate over budget by percentage (column “G”).

Mr. Morris reviewed the General Fund revenue line items in detail (pages 2-3). He noted that there was a slight ($200,000) increase overall in Real Estate Taxes. In RTT, there was a $1,650.0 decrease in the original Budget; however, the decrease will only affect the transfer to the RTT reserve. There will be no change in the original net RTT of $32,400.0. David Gregor stated that it was worth noting that FY2018 was an anomaly in terms of large real estate transactions. Through November 30, for transactions under $5 million, we were tracking 2% ahead of last year. However, for transactions over $5 million, we were tracking 85% below last year.

Under Service Charges and Fees, one of the largest adjustments was in Monition and Legal Fees. In August, we were projecting a $223,000 surplus. However, we appropriated the money that we are expecting because the Law department requested an additional $250,000 to go after vacant and problem properties. Law expects to make at least that much back in revenue.

Under Licenses & Permits, there is a lack of large projects that affected last year’s Building Permits line. However, several of the projects that pulled building permits last year pulled plumbing permits this year, increasing the November estimate by $200,000 over Budget.
Under Intergovernmental Revenues, the PILOT funds that are normally received in June arrived in July, so they count for FY2019. If the next payment arrives on time, it will double the PILOT funds received for FY2019. Paramedic Reimbursement as of November has increased $975,500 over Budget. The reimbursement method has changed, plus there was an additional $600,000 appropriation included for the paramedic school this year.

Overall, as of November 30, 2018, General Fund revenue estimates were $196,582.5, which is $1.5 million (0.8%) more than the 2019 Budget, and $993,000 more than the August estimate. Mr. Gregor noted that if we back out the legislative changes (property tax increase and hotel tax), we would have a 1.7% growth over the prior year.

Mr. Morris continued reviewing the details of the line items in the sewer fund (page 4). He noted that Stormwater/Groundwater was increased by $386,900 over Budget primarily due to two large residential projects. Septic Waste Hauler Fees were decreased by $277,000 due to problems with the security cameras and the gate system at the collection site. Those issues have been addressed.

Overall, in the Sewer Fund, the net revenue estimates as of November 30, 2018 were $77,758.3, which was $138.5 more than the August estimate, and $438.5 more than the original Budget. Comparing FY2018 to FY2019, the growth that we are seeing is primarily due to the sewer service rate increase.

Mr. Morris reviewed and explained the three-year charts found on pages 5 through 9 of Exhibit A.

**Approval of Minutes**

With a full quorum present, Chairman Davis revisited the approval of the minutes. Mark Oller made a motion to approve the minutes from the September 11, 2018 meeting. Ed Milowicki seconded the motion, and the minutes were approved. Mr. Davis also noted that the committee was down to seven members, as Julie Pfeffer had resigned as of November 28, 2018.

**General and Sewer Fund Expenditures FY2019 Budget vs. FY2019 Estimate as of November 30, 2018:**

Mr. Morris reviewed the details of Exhibit B – New Castle County’s General and Sewer Fund Expenditures FY2019 Budget vs. FY2019 Estimate as of November 30, 2018. He noted that in the General Fund, we expect a surplus of $800,000 in the Salaries & Wages line due to vacancies. Overall, in the General Fund, FY2019 expenditures are estimated at $200.6 million.

Kayode Abegunde asked if the County had difficulty filling positions and how the vacancies affect the budget in terms of overtime. Mr. Gregor stated that New Castle County has a historic rate of vacancies caused by strict hiring policies. Overtime is used when appropriate. Early in the fiscal year, the County tends to be conservative in filling vacancies.

In the Sewer Fund Expenditures, Mr. Morris stated that there were no changes to the FY2019 Approved Budget of $80.1 million, but we are projecting savings of $500,000 in Salaries & Wages due to vacancies. However, we expect additional an expenditure of $4.6 million in Communications and Utilities due to two years of true-up costs from the City of Wilmington.
**General and Sewer Fund Financial Projections as of 11/30/18, Fiscal Years 2019-2022:**

Mr. Gregor reviewed the details of Exhibit C – General and Sewer Fund Financial Projections as of 11/30/18, Fiscal Years 2019-2022.

In the General Fund, Mr. Gregor noted that the FY2020 property tax revenue estimate assumes that the second half of the 15% increase takes effect. This accounts for $8.5 million in revenue. If that doesn’t happen, we will immediately be in a deficit situation. Our forecast is largely unchanged. We cut the RTT estimate this year. We brought the base down and carried the same growth rates we had into those out-years. The next time we get together, we may need to adjust the out-year growth rates.

There was some discussion among the group regarding the projections and possible impacts in FY2022.

Mr. Gregor continued reviewing the Sewer Fund Projections. He noted that the possible City of Wilmington true-up costs account for most of the non-personnel costs in the projections and also remain an unknown until the contract negotiations are settled.

Bob Wasserbach asked if any of the recommendations in the TischlerBise study were being considered. Mr. Gregor explained that TischlerBise did a study of New Castle County’s sewer service rate structure. Their recommendations included a fixed capital charge and a 25% rate increase, followed by an additional 15% rate increase in several years. Elements of their recommendations will be considered going forward.

**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, March 12, 2019 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 9:43 a.m.