

**Minutes of the
New Castle County Financial Advisory Council**

New Castle County Government Center – October 2, 2012

Attendance:

Member	Present
Richard F. Davis	Yes
George Danneman	No
Glenn Kocher, Jr.	Yes
Joseph Larotonda	No
Mark Oller	No
Richelle Vible	Yes
Jill Floore	Yes

Members in Attendance: 4

Members Absent: 3

Others Present: George Smiley, Russ Morris, Dave Del Grande, Ed Milowicki, Bob Wasserbach, Steve Cunliffe, Rich Piekarski, Joanna Ewbank

Opening Business:

Chairman Rich Davis called the meeting to order at 3:06 p.m. At the start of the meeting only three members were present, so approval of the minutes from the April 17, 2012 meeting was deferred.

FY2012 Year End General and Sewer Fund Final Revenues:

Mr. Milowicki introduced NCC Finance Office member Russ Morris to review the FY2012 revenue activity. Mr. Morris reviewed FY 2012 Revenue Variances (Exhibit A). The FY2012 General Fund final revenue was \$470.4 under budget and the FY2012 Sewer Fund final revenue ended at \$592.0 under budget.

GENERAL FUND

Property Tax

Property Tax was down \$834.2 and that the reduction is due primarily to the Fisker abatement, loss of tax revenue for the former Chrysler plant, and lower than anticipated Quarterly Adds.

Real Estate Transfer Tax

Real Estate Transfer Tax was down \$158.3 for the year. This is less than 1% of the actual amount. The decrease there was caused by fewer large sales, primarily those over \$1 million, than expected.

Service Charges/Fees

Service Charges were up by \$264.0. This would have been significantly more but there was a sudden drop-off in the Sheriff's Office revenue in the last quarter of the year, caused by the mortgage mediation program.

Recreation

Recreation was down \$171.0.

Licenses and Permits

Licenses and Permits were up \$889.7 and most of that could be attributable to permits for A.I. DuPont Hospital. There was a significant increase in non-residential construction. There was also a good increase last year in apartment construction as well.

Use of Money and Property

Use of Money and Property were down \$332.0.

Rentals, Concessions & Sales

Rentals, Concessions & Sales were down \$93.8.

Intergovernmental Revenues

Intergovernmental Revenues were down \$128.5, primarily because of reductions in the Real Estate Transfer Fee and Paramedic Reimbursement.

Miscellaneous Revenues

Miscellaneous Revenues were down \$76.5.

SEWER FUND

We were down in the current collections by \$153.1 but we were above on delinquent collections by \$273.8. Overall, sewer collections were up for the year. We were significantly down though in the other fees, primarily relating to the Land Use Planning fees that are associated with the Sewer Fund. They were far down last year and when you look at this year you will see those numbers looking much better.

Interest is down \$71.2, offset almost exactly by some unbudgeted reimbursement from FEMA in the amount of \$74.3.

Exhibit A shows you how we ended up for the year. There was \$163,852.1 for the General Fund before transfers and on the Sewer Fund there was \$68,488.9. In response to Bob Wasserbach's question, Mr. Morris stated that the variances are between the actual and original budget and that page eight of Exhibit A reflects changes by quarter and how much.

Approval of minutes from April 17, 2012 meeting

Chairman Davis noted that four committee members were now present, and therefore the minutes could be approved. Ms. Vible made a motion to approve the minutes from the April 17, 2012 meeting, Mr. Kocher seconded the motion, and the minutes were approved as submitted.

FY2012 Year End General and Sewer Fund Final Expenditures:

Mr. Del Grande reviewed the FY2012 Budget vs. FY2012 Actual as of June 30, 2012 (Exhibit B). For comparative information included are 2010 and 2011 actuals to go along with our initial budget on July 1, 2011. Column D shows the budget final at June 30, 2012 and the actual that we expended through June 30, 2012. The budget that was approved by Council on July 1, 2012 was \$164.0 million and we ended up with a budget of \$165.9 million. The main changes were that \$2.3 million was added from the State of Delaware for the FOP Pension which is just a pass through to our Pension Fund. There was also \$0.4 million transferred out of Emergency Management to the Grand Fund.

GENERAL FUND

Salaries & Wages expended for 2012 are \$81.1 which was about \$0.1 less than our final budget but about \$0.7 higher than our approved budget from 2012. The 2012 number reflects the restoration of the salary rollback. Employees had 2.5% added back to their salaries.

Employee Benefits were at \$41.7 for the year which met budget.

Communications/Utilities had a small savings of \$0.4 which is due primarily to some utility savings within the County, primarily electric (\$0.3) and our data lines. Our IS department consolidated data services which afforded a savings of \$0.1.

Of the \$5.3 million we spent in Materials/Supplies, \$2.4 was for fuel for 2012. Fuel started with a budget of \$2.0 and went up to \$2.4.

The main savings was in our Contractual Services line. Overall, between outside contractual and cross charges we had a \$2.1 savings over the year. \$1.1 of that was due to contractual savings in IS and fleet which was passed back onto the departments and then smaller spending on our outside service contracts.

Grants/Fixed Charges which is comprised of Workers Comp, Insurance, Volunteer Fire Companies and Contractual Libraries. We spent \$11.9 for the year compared to our budget of \$12.1.

We spent all of our Equipment (\$3.5) which is primarily our fleet, police cars and our IS department.

Our Debt Service spending was primarily based upon our debt service schedules so that is fully expended.

Our Contingency funding was used and at the end once we get past our IGS credits, which is the offset of our cross charges for fleet and IS, and our G&A which represents the credit the General Fund receives from the Sewer Fund for General Fund support. We spent \$163.8 for the year compared to our final budget of \$165.9 for a total of being \$2.1 million under budget or 1.3%.

SEWER FUND

The Sewer Fund budget, which was passed by Council, essentially stayed there and did not change from \$69.1 million. The main things to note are that in the Communications/Utilities line we had a \$0.1 savings in electric and with our Wilmington Treatment Plant contract we had a \$0.4 savings. Essentially what occurred was our true-up process from the previous fiscal year we had a \$0.4 savings which the City of Wilmington passed back to us.

In Contractual Services we had a \$0.4 million savings overall comprised of the same items essentially as the General Fund.

In Debt Service we fully expended our \$15.7 million per debt service schedules.

Overall, our spending was \$67.2 million for FY2012 which is \$1.9 million under our budget of \$69.1.

FY2013 General and Sewer Fund Revenue Activity a/o August and Forecast:

Mr. Morris reviewed the FY2013 Revenue Changes for October 2012 and NCC's General and Sewer Funds Revenue Summary as of August 31, 2012 (Exhibit D). Mr. Morris noted that the General Fund estimate is down \$449.8 and there is no change yet on the Sewer Fund estimate.

GENERAL FUND**Property Tax**

Roughly 95% are received over a three month period and we have unaudited numbers from last month. We received just over \$78 million, which is low compared to the previous year, but we will not really know where we stand until the end of October.

RTT

We had some very strong months for RTT and in this estimate you're going to see the RTT going up \$250.0. We continue to have a very strong month. There was \$1.2 million in RTT in a one week period and exceeded \$2 million for the month of September. We expect to be increasing this estimate again. Ms. Floore asked for an explanation of the process to increase the estimate. Mr. Milowicki noted that increasing the estimate will only change the budget if Council changes it but rarely are there changes to the budget during the year for increases in revenue. Mr. Del Grande noted that we are legislated not to spend RTT when we go over our budget because that dollar amount that we go over goes back to a reserve that we hold for RTT transfers that is used in the future for bringing down debt service or pay for capital projects.

Service Charges

We are reducing the Sheriff estimate by \$600.0. There was the slow down due to the foreclosure mediation program implemented by the State. The numbers are climbing back up, slower than expected, but we know at the rate they are climbing we are not going to make up the quarter. Ms. Vible requested an explanation of the mediation program. Mr. Morris explained that essentially if you are a homeowner living in a house and a bank is going to foreclose on it, the bank has to take an additional step of sitting down with you and mediating the situation. What we are seeing is that very few homeowner occupied homes are coming into the Sheriff sale right now. Instead, most of them are investor owned. Very few have worked their way through the system yet.

New Castle County Police have an agreement with Westover Hills that was reduced after the Revenue Budget was developed. It will be \$7.3 under budget at the end of the year.

Subdivision Review has no changes but it was low last year and continues to be low again this year. There have been no major plans filed in the past three months where the revenues exceed \$20.0

Licenses and Permits

Building Permits have no changes yet but we have seen strong returns in the residential and commercial permits.

Estimated monthly revenues for the City County Garage have been reduced by \$9.8.

Land Rental has a fairly large change. This was reduced \$90.0 as it relates to the planned rental of County land for use of cell towers. We budgeted this to come into effect this calendar year and budgeted eight months of revenue. They are only looking at the proposals right now and probably will not be up and running until February or March. These numbers will be updated as we receive more information from Special Services.

Mr. Kocher commented that he believes the estimates are parallel with what they are seeing in banking. Home construction is up in existing developments but there is still a lot of land available. Mr. Davis questioned if there has been any fees coming in related to the proposals that have been announced for Christiana Mall. Mr. Morris stated there have been some subdivision fees coming in that are fairly small. They have filed zoning programs for Cabella and the movie theatre and we expect to see building permits for Cabella in January or February. The Colonnade has not asked for any building permits yet.

A new line has been added in the General Fund for RTT Transfer. Every time we increase the estimate for RTT we are going to show a decrease in the RTT Transfer to show that is it not really available for general revenues because it is going into a reserve account. The Sewer Fund has no changes. The revenues as they are coming in look good but it is still early. Sheriff is down significantly. Deeds was up again this month. Traffic Fines are down. Building Permits is up \$158.7, or 38.8%, for two months. Plumbing Permits are also up significantly. Those are two areas we may be suggesting an increase in the next few months. We are slightly below where we expected to be in Interest right now and we are below last year but that can change. Paramedic Reimbursement is only down because the payment we received this year came in September rather than August. Real Estate Transfer Fees were up through September because of the percentage we receive back because we are handling the RTT for the State of Delaware. The budget for Inspection Fees is \$133.7 and you will see that jump up when we get the September numbers in because we put in \$125.0 that was a transfer from the escrow accounts. In summary, the Sewer Fund is looking good.

Mr. Kocher questioned the Miscellaneous Other Income in the General Fund. Mr. Morris clarified that this is \$1.6 million in dormant escrow accounts. Mr. Milowicki noted that the auditors told us last year to take it in as revenue since it has been sitting there dormant for years. The money has always been there just sitting in a separate escrow account. We just did the entry in August to move it out of the escrow account and into revenues. It was considered in the budget for FY2013.

Mr. Wasserbach questioned if the Insurance Proceeds/Self Insurance are subrogation claims. Mr. Morris clarified that it is a few different lines mostly coming from Risk Management for refunds on claims or settlements. This includes workers compensation where we are waiting for a refund or fleet where we paid and filed a claim against an insurance company.

Exhibit D – Charts

RTT Revenue – The first two months are very good and the third month is above the \$2 million line. We will be increasing the estimate one more time. We are still waiting for the final audited numbers for September but it was a good month for us.

RTT (Actual Collected as % of Median Month) – This has been above the goal line for the past two months and this past month will be above it again.

RTT (Actual Collected as % of Median Month Excludes Sales Over \$5 Million) – Over the past few months we have been right on goal of 100% and then in August we jumped up to 136% of the average month even after the large sales were taken out. There were a significant number of sales between \$1 and \$5 million. The raw numbers for the month of September have us at 98%.

Recorder of Deeds Revenue – The big jump shown is associated with the increased real estate activity we saw for the month of August. Some of it is also due to higher refinancing activity. There will possibly be an increase in this estimate next time.

Register of Wills Revenue – They have been up and down but they are about where we expect them to be for the year.

Sheriff Revenue Actual – Shows what happened when the State's mandatory mortgage mediation program kicked in and we saw a dramatic drop off in revenues from the Sheriff's Office. This has been reduced by \$600.0 to reflect that. Mr. Kocher added that he believes all legislation has pushed banks to make a more valid attempt to try to find a non-foreclosure solution, particularly the loan servicers. Mr. Milowicki noted that from the County's standpoint we would rather have people stay in their homes for police, code enforcement and home value issues. Also, people leaving their homes put an added strain on social services.

Sheriff Sales (FY 2011 to FY 2013) – In October there were 136 setups and in November there are 133 setups. In the past it used to be that roughly one third of all setups would sell. Now it is anywhere from 50 to 60 percent. We are doing fewer setups but the number of sales is starting to slowly climb. None of the properties being sold are owner occupied, instead they are all investor owned under water mortgages. We expect to see the bars averaging between 80 and 90.

Subdivision & Zoning Review Revenue – This was low for most of last year and continues to be low. The only small increase last year was related to A.I. DuPont Hospital.

Building Permit Revenue – This is an area that has been strong. Looks like this will be below budget for September but we are already looking better for October than we did for September.

Licenses (Business & Contractor) – These are due in January so there is always a big peak around that time. They are where we expect them to be right now.

Permit Comparison – Single Family has been encouraging because there were four months in a row where we saw 40 single family home permits. That is the best streak of months over 40 since 2008.

Approval of FY2013 General and Sewer Fund Revenue Forecast:

Ms. Vible made a motion to accept the New Castle County General Fund revenue estimate of \$166,163.5 for FY2013. Ms. Floore seconded the motion and they were unanimously approved.

Ms. Vible made a motion to accept the New Castle County Sewer Fund revenue estimate of \$69,361.1 for FY2013. Ms. Floore seconded the motion and they were unanimously approved.

FY2013 General and Sewer Fund Expenditure Activity a/o August and Forecast:

Mr. Del Grande reviewed the FY2013 Budget vs. FY2013 Estimate as of August 31, 2012 (Exhibit B).

GENERAL FUND

The General Fund budget for FY2013 is \$166.6. To date we have transferred out \$400.0 taking our current budget to \$166.2. Not a lot has changed overall. We are carrying 135 vacancies through today in both the General and Sewer Funds combined. Communications/Utilities are down \$0.1 compared to last year. We are in a long term agreement for twenty of our major accounts. Materials/Supplies have \$4.4 expended/encumbered as of August 31. Of the \$5.3 budget, \$2.4 is budgeted for fuel. It is hard to predict where we are going with fuel costs but we follow this very closely. Our budget for Equipment is \$3.9, and of this \$2.6 is for Fleet and \$0.8 is for IT. Debt Service is at \$11.2 this year as compared to \$10.6 last year based on our debt service schedules. Overall, we spent \$0.2 higher through August this year compared to August of last year.

SEWER FUND

The Sewer Fund budget for FY2013 is \$71.0 compared to \$69.1 last year. In Communications/Utilities our Electric is \$1.4 compared to \$1.5 last year. Wastewater Treatment Plant with the City of Wilmington we are at \$18.5. We are currently in a one year agreement extension through June 30, 2013 with the City of Wilmington. Our contract states that we should begin negotiations in January for a new sewer agreement. That new agreement will affect FY2014. We still have not received our True-Up from the City. This first one should be coming in October/November and the second one should be coming in December/January. Debt Service is up \$1.3 compared to the same period last year. As of right now we have an ordinance pending introduction to Council to add approximately \$500,000 for new bond issuance. Mr. Milowicki added that we went to the bond market in August and issued \$50 or \$60 million in new bonds and we also refinanced the same amount in bonds and we were able to save \$4.2 million in debt service which will show in FY2014 and FY2015 as far as debt service savings. We were able to save about 7% and we continue to maintain an AAA bond rating. Overall, we spent \$19.3 through August this year compared to \$17.6 during the same period last year.

Review General and Sewer Fund Checkbooks:

Mr. Milowicki reviewed the General and Sewer Fund Cash Flow Projections as of August 2012 (Exhibit F).

Mr. Milowicki noted that for the FY2013 General Fund right now there are no major changes. The expenditures are growing more than the revenues. Pension and healthcare are two major costs to the County. The County has a new hybrid pension plan that just went into effect last year but we will not see the effects for years. Our consultants are projecting a 7% increase in our healthcare costs causing a \$1.5 million increase in the County's contribution next year. If we do not reduce expenditures or increase revenues then we are projecting only \$2.2 million to be left in available financial reserves by FY2017.

Mr. Milowicki noted that in the Sewer Fund there is a jump in Expenditures for Total Personnel Costs from FY2013 to FY2014. This is the result of the 2.5% increased contribution by employees to their healthcare that ends in June of 2013. In order to treat this like a utility in the future we would need to raise rates. At the current rate the reserves will be exhausted after FY2015. Both charts presented assume no rate increases or increase in taxes.

Other Business:

Mr. Milowicki informed the board that David Blowman resigned from the board effective last week. Chairman Davis noted that there are now two vacancies, both Executive Office appointments, which will most likely remain vacant until after the election.

The next meeting will be Tuesday, November 20, 2012 at 3:00 p.m. at the Government Center in the Large Executive Conference Room.

There being no further business, Chairman Davis adjourned the meeting at 4:14 p.m.