



August, 2018

Members of New Castle County Council and Fellow New Castle County Residents,

I am pleased to present New Castle County's Comprehensive Annual Budget Summary for Fiscal Year 2019. Fiscal Year 2019 marks my second budget as New Castle County Executive.

The demand for county services is at an all-time high – with record-setting emergency call volumes and the most library and park usage in history – and we have an obligation to invest in those services for the long-term. Our Fiscal Year 2019 budget pays for these critical services that our communities need and want through a balanced plan that fully invests in critical services while keeping tax rates low, and it puts New Castle County on a solid financial footing for years to come.

Our Fiscal Year 2019 budget ensures that expenses do not exceed revenues for the first time in six years. With broad public support, we achieved a balanced budget through a combination of cost cutting, which saved more than \$6.5 million in Fiscal Year 2018 and an additional \$4 million in Fiscal Year 2019, enhanced efforts to collect delinquent taxes and fees that brought in millions more and modest county and state revenue increases. Thanks to strong support from members of the General Assembly, the state reimbursement for county paramedic services was increased by more than \$1 million, the transfer tax exemption for first-time homebuyers was capped so we are not subsidizing the purchase of mansions and the county was authorized to enact a modest hotel tax so that visitors pay their fair share for county services.

The Fiscal Year 2019 Operating Budget is **\$292.1 million**, which is \$7.3 million or 2.56% more than last year's budget. County government's biggest asset is our employees, the upshot of which is that, along with debt service, the primary cost drivers are increases in personnel costs from employee contracts negotiated in 2016, health care and pension expenses. The Operating Budget consists of the General Fund Budget (\$201.5 million), Sewer Fund Budget (\$80.1 million), Light Tax Fund Budget (\$6.6 million) and School Crossing Guards Budget (\$3.8 million). The Fiscal Year 2019 Capital Budget of **\$48.2 million** primarily supports repairing and improving our aging sewer system (\$27.4 million), park improvements (\$3.8 million), and public safety initiatives (\$1.8 million).

Together, our Fiscal Year 2019 Capital and Operating Budgets invest new dollars in innovative public safety, libraries and critical infrastructure. Highlights include:

- \$40,000 in new funding to expand the county's innovative **RAVE Panic Button**, a safety solution that integrates government facilities, schools, community centers and other organizations seamlessly into the 911 Center, police and school response procedures.
- \$126,769 in new funding to establish two additional Fire/Medical Telecommunicator positions, allowing the **Emergency Communications** division to efficiently operate implementing split radio channels to handle volume during peak periods of the day across all shifts.
- \$4,251,305 in continued funding to support the **fire service** through grants to fund a portion of their operating costs.

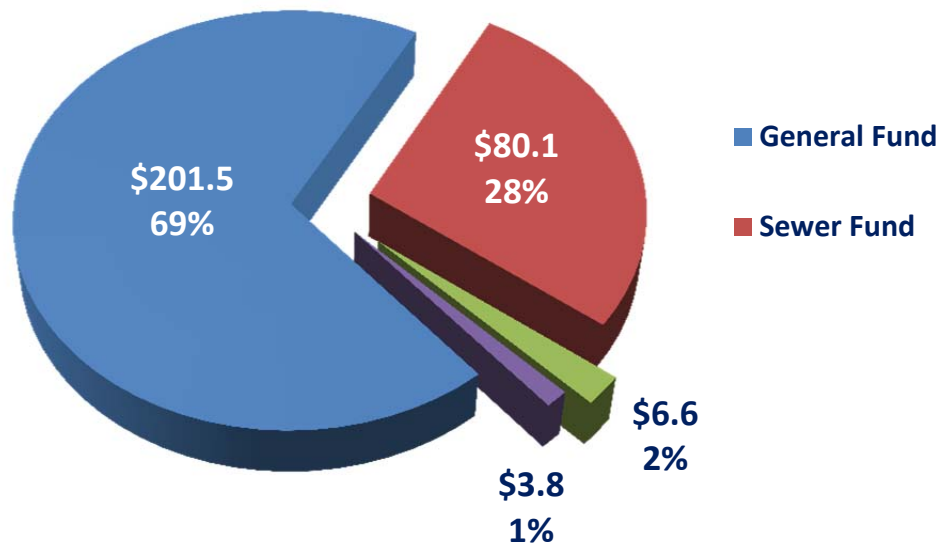
The Fiscal Year 2019 Budget reflects our core budgeting priorities that guide us in managing the county finances in a responsible manner:

- *Live within our means, reducing spending to levels consistent with revenue.*
- *Reduce debt spending.*
- *Govern honestly, transparently and efficiently.*
- *Collaborate within county government and with other levels of government to improve public services.*
- *Invest aggressively in our future.*

HIGHLIGHTS OF THE APPROVED 2019 OPERATING BUDGET

The \$292.1 million Fiscal Year 2019 Operating Budget funds our efforts to provide for a safe, attractive, well-balanced community through quality services and programs. It provides funding for public safety, environmentally sound wastewater operations, quality development standards, effective code enforcement, recreational and cultural programs, partnerships with community groups and well-maintained public facilities, including libraries and recreation centers.

New Castle County Fiscal Year 2019 Approved Operating Budget Percentage of Budget by Fund



Operating Budget Highlights:

Employees and Compensation

The Fiscal Year 2019 Operating Budget funds 1,586 authorized full-time positions, and reflects a reduction of 23 vacant positions that have been eliminated as a cost-saving measure. In addition, Operating funds have been allocated to employ school crossing guards and seasonal/part-time employees, as needed. Total funds budgeted for employee compensation, including cost of living and merit steps increases and benefits, equals \$178.8 million, or 61.2% of the Operating Budget. Employee compensation represents more than three-quarters (76.3%) of the County's General Fund Budget.

Primary components of compensation include:

\$99.9 million:	salaries for full-time employees
\$6.7 million:	overtime costs
\$4.8 million:	part-time/seasonal positions, including crossing guards
\$31.0 million:	employer healthcare contributions
\$23.4 million:	employer pension contributions
\$1.8 million:	holiday and shift pay

Public Safety Services

- Funding of \$100.2 million is provided for county public safety operations, including:
 - \$65.2 million for the Division of Police to provide for 400 police officers, civilian employees and support services to protect our communities.
 - \$18.7 million for the Division of Emergency Medical Services, which funds 122 paramedics. The State of Delaware reimburses the County for a portion of these costs.
 - Division of Emergency Communications funding of \$11.3 million, which includes staffing of 95 positions.
- Funding of \$4.2 million is provided to support our partnership with 21 local volunteer fire companies which provide critical fire, basic life support/ambulance and rescue services to our residents.
- Funding of \$0.4 million is provided as a County match for Emergency Management.

Library Services

- Library funding of \$14.8 million supports annual operating costs for the New Castle County library system, which includes 11 County libraries (\$12.4 million) and 5 contractual libraries (\$2.4 million).
- Library funding provides salary and benefits for an authorized staff of 84 full-time positions.
- County Library circulation has grown to more than 4 million individual holdings.

Environmental Services

- An annual sewer payment of \$18.2 million to the City of Wilmington is provided for wastewater treatment.
- \$1.7 million in funding pays electricity charges, primarily associated with the operation of 175 sewer pump stations and 4 treatment plants.
- Funding is provided for sewer flow meter maintenance and monitoring.
- Miss Utility funding provides program support to minimize environmental accidents.
- Funding is provided for drainage pond maintenance and debris pit remediation.

Asset Management and Internal Services

- Fleet Maintenance is funded at \$7.2 million to support 1,874 total units, including \$1.6 million for gasoline.
- Facility Maintenance of County buildings is funded at \$7.3 million to maintain 58 buildings which together exceed 1.2 million square feet.
- Property Maintenance of grounds and forestry work is funded at \$8.0 million to maintain over 5,900 acres of County-owned or managed land.
- Information Technology is funded at \$7.0 million to provide well-managed, secure, and accessible technology.

HIGHLIGHTS OF THE APPROVED 2019 OPERATING BUDGET *(Continued)*

Community-Related Services

- Recreational, social, and cultural services that are fee-based are provided by offering programs to the public. The costs of these programs are defrayed with operating funding of \$5.0 million.
- Community planning, zoning, and review are funded at \$2.5 million.
- Licensing and enforcement of drainage, building, plumbing, and mechanical codes is funded at \$6.2 million, with authorized staffing of 54 positions.
- \$3.6 million is provided to fund the property maintenance code enforcement staff of 27 positions.

Debt Service

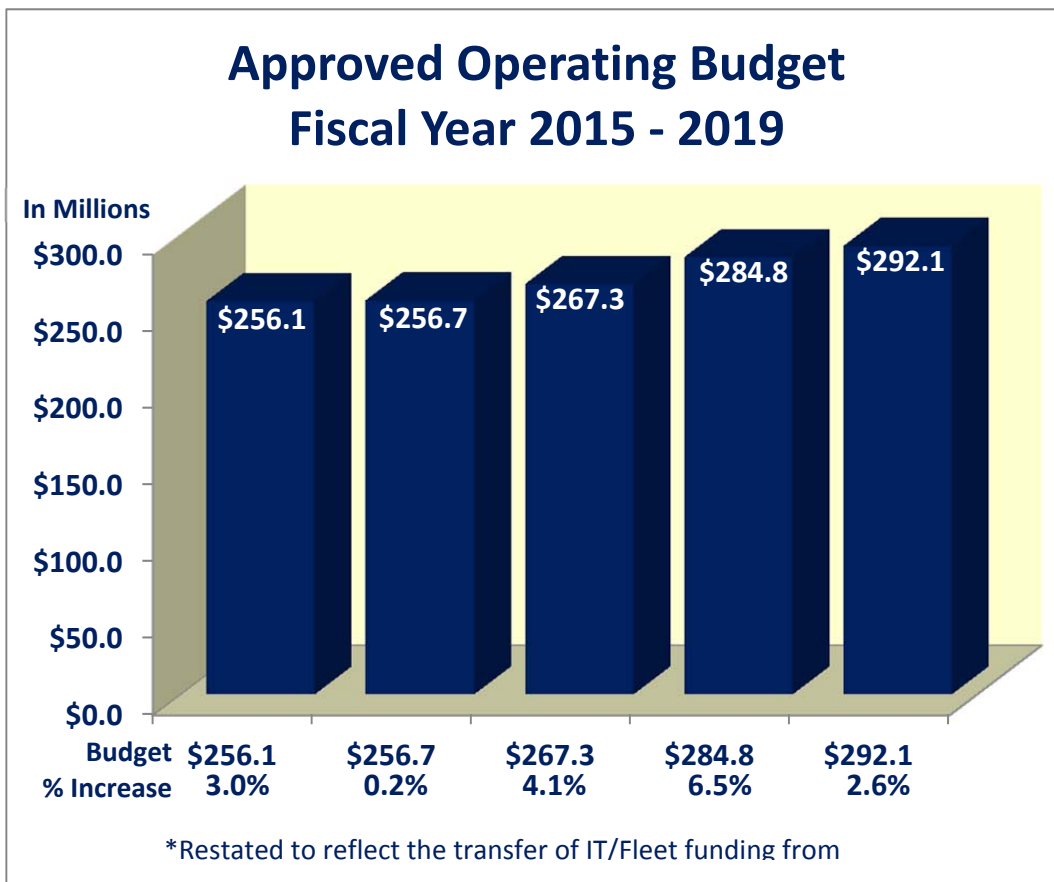
- The General Fund allocation for payment of principal and interest obligations totals \$21.0 million.
- The Sewer Fund allocation for payment of principal and interest obligations totals \$22.9 million.

Property and Sewer Rates

New Castle County has two principal revenue sources: property tax and sewer fees.

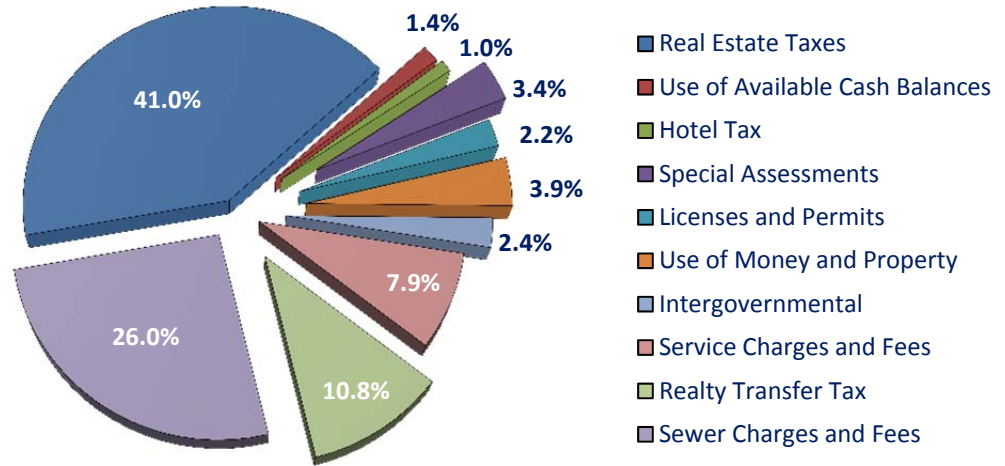
The approved unincorporated property tax rate for Fiscal Year 2019 reflects an increase of 15 percent from \$0.7006 to \$0.8057 per \$100 of assessed valuation, with a credit of 6.5217 percent for Fiscal Year 2019, which results in a net effective tax rate increase of 7.5 percent.

The composite flow rate for residents who utilize the County’s sewer infrastructure will increase 12 percent, from \$5.74033 to \$6.42917 per 1,000 gallons. The average residential sewer charge is estimated to be \$282, or 77 cents per day, on average.

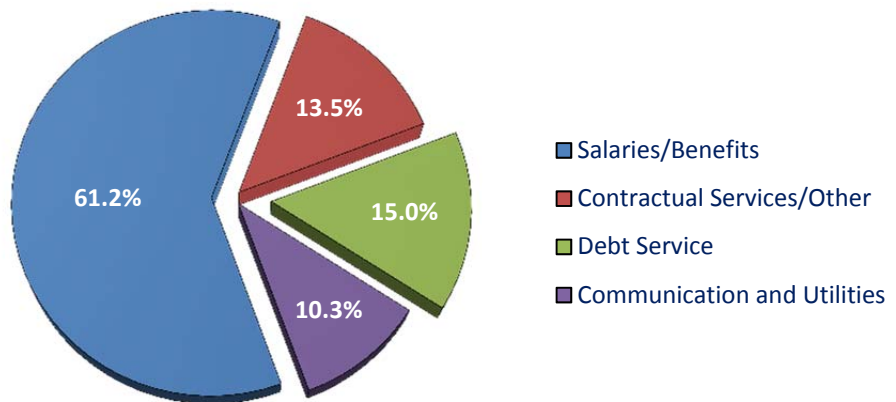


ALL FUNDS: \$292,062,628

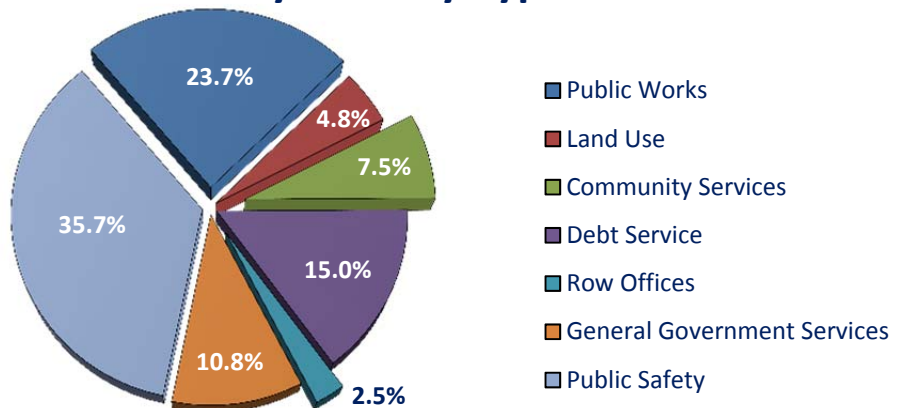
Where the Money Comes from by Sources of Funds



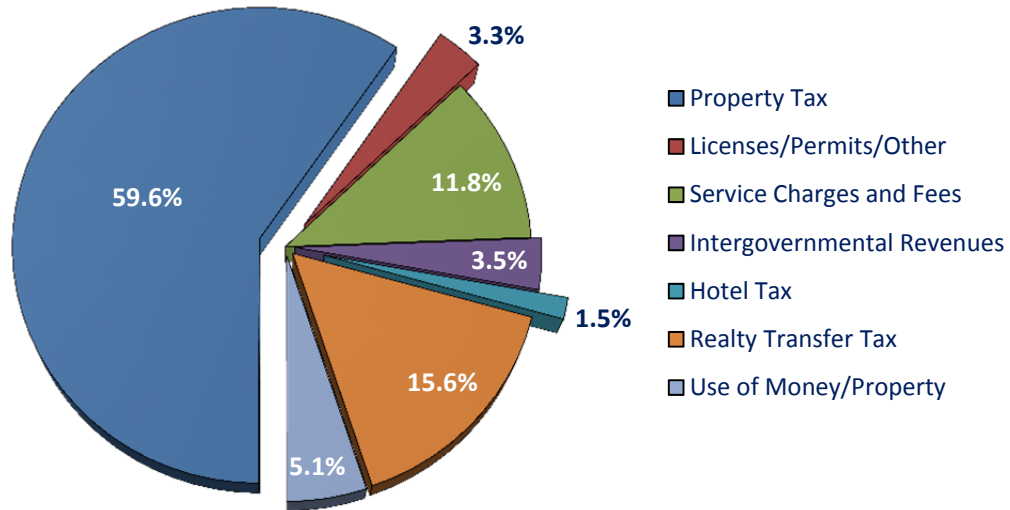
Where the Money Goes by Line Item Category



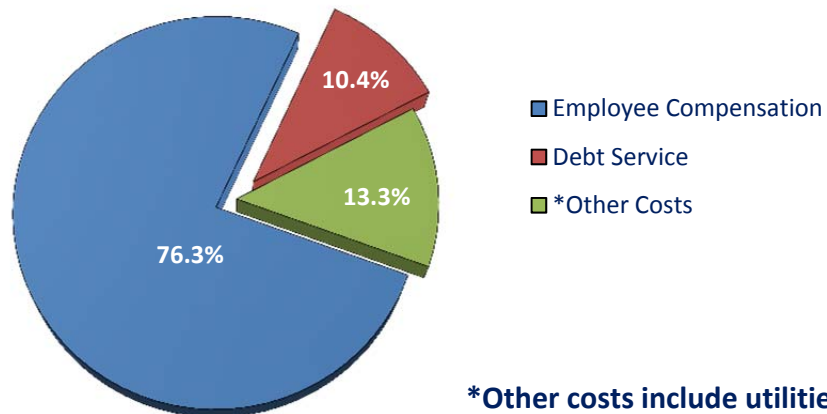
Where the Money Goes by Type



**New Castle County
Fiscal Year 2019 Approved General Fund Budget**



Sources of Funds...\$201.6 Million



***Other costs include utilities, supplies, contractual services, equipment and fixed charges.**

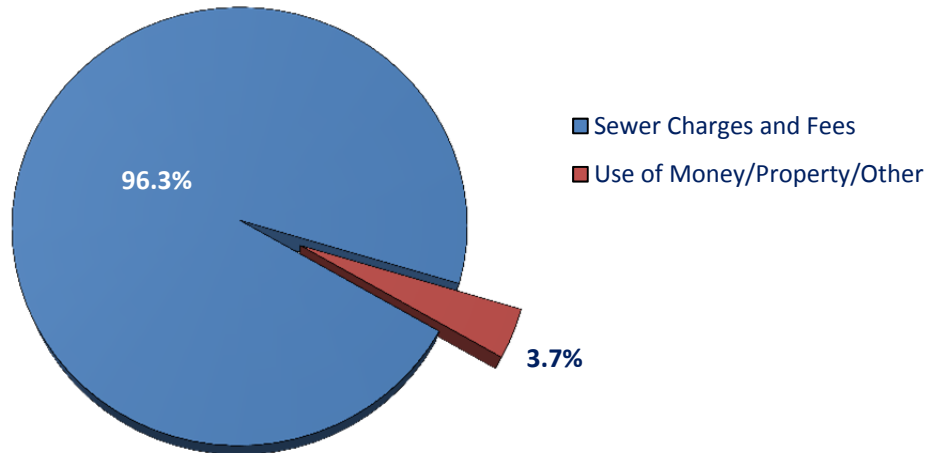
Uses of Funds...\$201.5 Million

The **General Fund** supports the majority of the County’s public services, including police, emergency medical services, emergency communications, parks, recreation, libraries, and land use. The Fiscal Year 2019 General Fund budget of \$201.5 million reflects an increase of \$5.5 million, or 2.8% more than the Fiscal Year 2018 General Fund budget. Employee compensation costs, which include salaries and benefits, represent 76.3% of the General Fund budget.

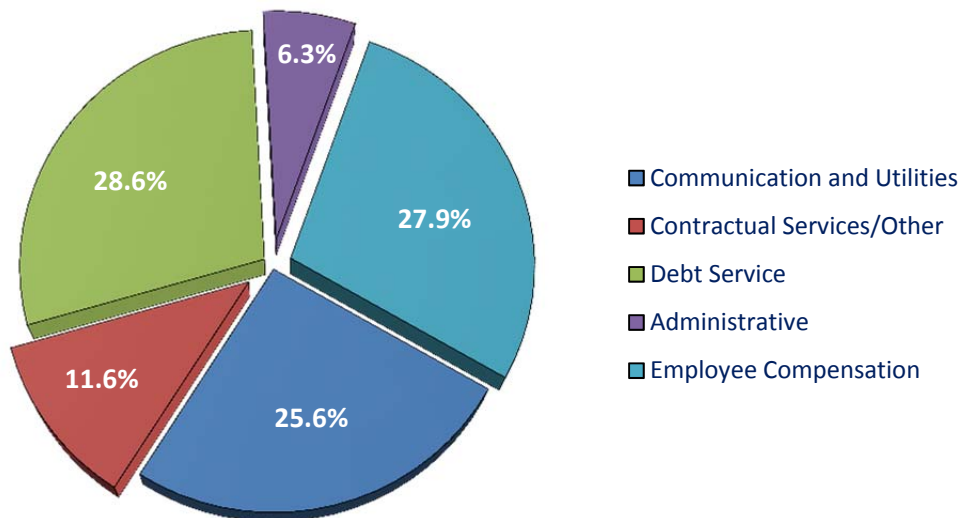
Services provided to residents through the General Fund are financed primarily by property tax revenue. Property Taxes represent 59.6% of General Fund revenue. The Realty Transfer Tax is the second-largest source of General Fund revenue, at 15.6% of revenue, while Service Charges and Fees (Recorder of Deeds, Register of Wills, Sheriff, etc.) is the third-largest source of revenue, at 11.8%.

Additional information by fund is available in the *Operating Budget Summary* and the *Budgetary Profiles* tabs in this document.

**New Castle County
Fiscal Year 2019 Approved Sewer Fund Budget**



Sources of Funds...\$81.3 Million



Uses of Funds...\$80.1 Million

The **Sewer Fund**, which supports the County’s wastewater treatment, includes appropriations for all day-to-day operations. Total Sewer Fund appropriations for Fiscal Year 2019 is \$80.1 million, an increase of \$1.8 million or 2.3% over the Fiscal Year 2018 Sewer Fund budget.

New Castle County funds sewer services through wastewater user fees. Residential and commercial users are the major revenue sources for the system. Residential customers represent 97% of sewer accounts and provide 46% of the user fee revenues. The largest single expenditure for the FY2019 Sewer Fund is the \$18.2 million payment to the City of Wilmington for sewage treatment services.

Additional information by fund is available in the *Operating Budget Summary* and the *Budgetary Profiles* tabs in this document.

CAPITAL BUDGET HIGHLIGHTS

The Fiscal Year 2019 Capital Budget of \$48,222,765 supports security and building upgrades for various County facilities, purchase of fleet equipment, parkland improvements, playground equipment, sewer facilities, library construction, upgrades for public safety and technology upgrades and enhancements.

Of the entire infrastructure that New Castle County builds and maintains, perhaps the most essential to maintaining public health and supporting strong communities is its extensive network of sanitary sewers and sewage treatment facilities. New Castle County maintains the state's largest wastewater treatment system, with nearly 1,800 miles of sanitary sewer lines that take in more than 50 million gallons each day and serve 124,000 customers. Major rehabilitation projects currently underway across the county ensure that this infrastructure receives necessary investment to continue serving the public's needs while protecting the environment.



Sewer rehabilitation work underway

Project	Remaining Funding	Through Fiscal Year
Brandywine Hundred South Rehabilitation	\$4.3	2020
Richardson Park System Rehabilitation	\$7.8	2024
Christina River Force Main	\$14.4	2024
Airport Road System Rehabilitation	\$18.9	2024
Terminal Avenue System Rehabilitation	\$13.2	2024
Edgemoor System Rehabilitation	\$14.8	2024
White Clay System Rehabilitation	\$31.6	2024

New Castle County's 248 County parks feature 6,000 acres of athletic fields, walking trails, and sports complexes that serve an active society and encourage interaction among citizens. The Fiscal Year 2019 Capital Program projects \$36.5 million in expenditures through Fiscal Year 2024 to upgrade playground equipment and athletic courts, fund general parkland improvements and pavilion renovations, purchase parkland and develop new parks and make improvements to maintenance bases.

Fiscal Year 2019 Capital Program		
Sewer/Stormwater	\$27.5	57.0%
Facilities/Equipment	\$7.6	15.8%
Community Services	\$4.0	8.3%
Parks	\$3.8	7.9%
Administration	\$3.5	7.3%
Public Safety	\$1.8	3.7%
TOTAL	\$48.2	100.0%

CAPITAL BUDGET HIGHLIGHTS *(Continued)*

New Castle County continues to invest in our world-class library system, featuring 10 branches owned and operated by county government, and 6 local branches that receive funding support from county government. Our newest facility, the Route 9 Library and Innovation Center, opened in September, 2017, and the County's Capital Program includes \$4.0 million for Fiscal Year 2019 to expand library services to residents south of the C&D Canal. Library construction and operations are funded through a combination of County, State and private dollars.

The safety and well-being of the public is a priority for New Castle County government. Investments made in training and equipping public safety personnel result in safer and stronger communities and this commitment continues in Fiscal Year 2019. New funding has been allocated to replace body armor for police, replace automated external defibrillators (AED) and upgrade the 800MHz communications system.



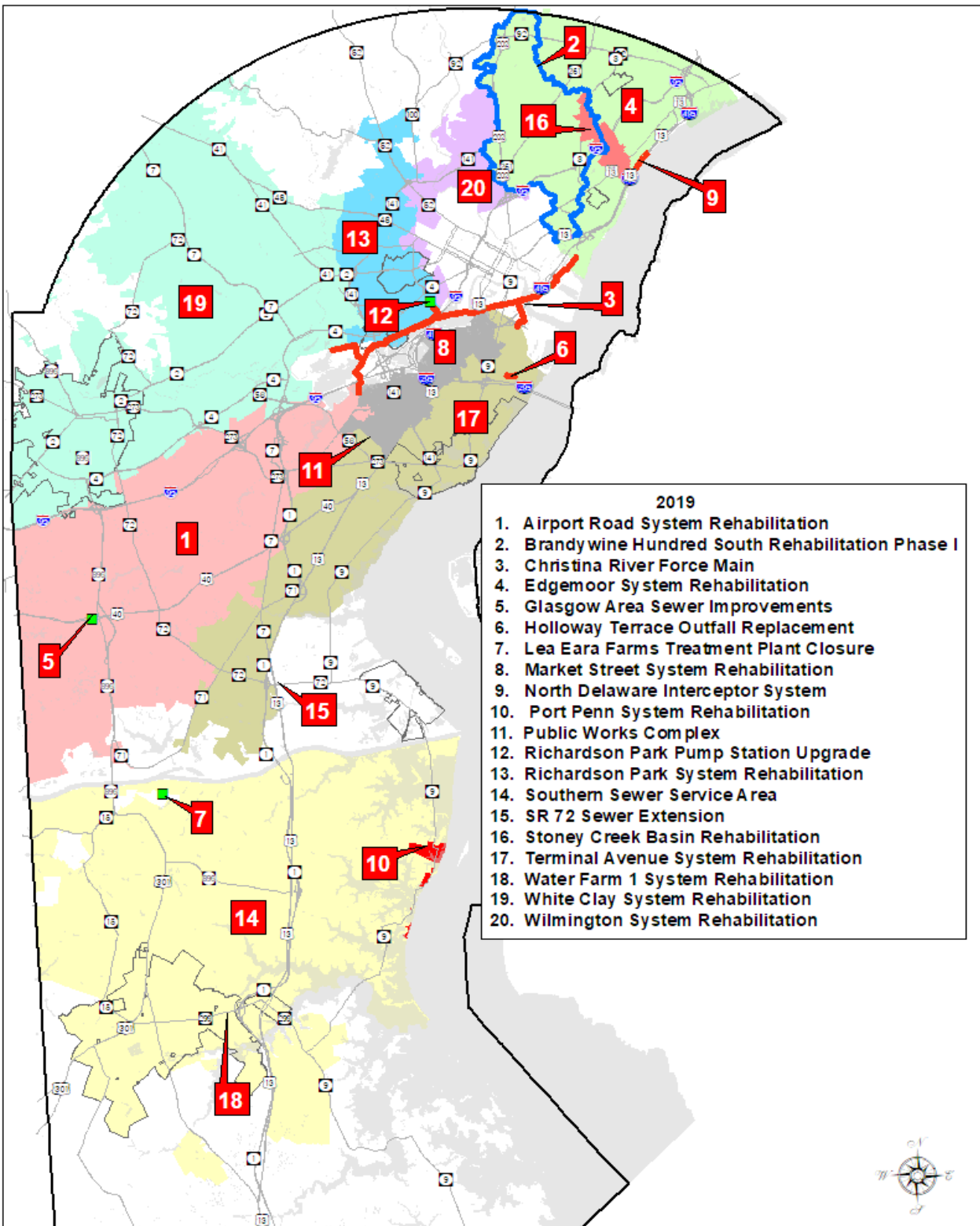
New Castle County Paramedics at work in the community

The County has also stepped in to assist communities with stormwater management. Bond authorization of \$1,575,000 has been budgeted in Fiscal Year 2019 to repair failing stormwater management ponds. These funds increase the County's investment in flood mitigation and stormwater management to \$35.4 million since the program's inception.

New Castle County is embracing new technology to improve productivity, efficiency and customer service. The \$13.6 million programmed for technology through Fiscal Year 2024 will allow for an upgrade to the countywide computer network and provide additional technical business solutions throughout New Castle County.

The County continues to review and update capital projects and procedures. The review is an evaluation of all projects in the Capital Program, including operating budget impacts of new capital projects and integration of the County's comprehensive development planning process and infrastructure investments. Additional Capital Budget information is available at www.nccde.org or by calling the Office of Finance at (302) 395-5153.

Fiscal Year 2019 Capital Budget Sanitary Facilities Selected Projects



CONCLUSION

Rating

New Castle County was first awarded the AAA bond rating in February 2001 from Standard and Poor’s Global Ratings, and in October 2002 from both Moody’s Investors Service and Fitch Ratings. Concentrated efforts have been made to maintain the County’s “high-grade” ratings for its general obligation bonds through innovations in financial and debt administration. In April 2017, all three agencies reaffirmed the County’s triple-A rating. Attaining the top bond rating from all three rating agencies reflects strong fiscal management practices, the strength of New Castle County’s economy, median family income above the national average and a consistent pattern of economic growth. These high-grade ratings allow the County to borrow money at the most competitive interest rates and maximize its ability to invest in critical infrastructure at the lowest cost to improve County services.

Reserves

One measure of financial strength for New Castle County Government is its level of cash reserves. In April 2001, County Council passed Ordinance 01-035 which created a Budget Reserve Account, or “Rainy Day” fund, within the General and Sewer Funds. It sets the amount in each fund at the end of each fiscal year at 20% of the total estimated revenues for the following fiscal year. County Council may, with a supermajority of 10 members, appropriate funds from those accounts as needed for unanticipated deficits or revenue shortfalls. Any resulting change to the percentage allocation of the Budget Reserve Account also requires a supermajority vote of 10 Council members. This legislation ensures that financial resources are available for use in a true emergency.

In addition, County Council passed Ordinance 05-024 to fund the Tax Stabilization Reserve Account in the General Fund and the Sewer Rate Stabilization Reserve Account in the Sewer Fund. The amount of funds held in these accounts is established annually by New Castle County Council. County Council may appropriate revenues from these accounts as necessary to balance the annual operating budget or to cover budgeted capital costs that would otherwise require the issuance of bonds or passage of a tax or sewer rate increase. The following is a list of estimated reserves:

Reserves	General Fund	Sewer Fund
Budget Reserve Account (Rainy Day)	\$37.1	\$14.7
Tax Stabilization Reserve Account (a)	\$17.5	N/A
Sewer Rate Stabilization Reserve Account (a)	N/A	\$9.1

(a) Estimated as of 6/30/2018

Note: Excludes Realty Transfer Tax Reserve \$11.3 million; Strategic Economic Development Designated Fund \$4.5 million; and Sewer Capital Recovery Fee Designated Fund \$16.0 million

Financial Projections

The following table presents the County’s General Fund financial forecast through Fiscal Year 2021. The County will continue to take steps to restore the structural balance of the General Fund. These steps will include reducing spending, aligning cost of services with revenues, identifying new revenue sources and restraining new spending.

General Fund (in millions)	2018	2019	2020	2021
Revenues	\$193.6	\$207.3	\$216.3	\$221.5
Expenditures/Transfers*	\$199.4	\$207.3	\$216.3	\$221.4
Revenues/Transfers over Expenditures	(\$5.8)	\$0.0	\$0.0	\$0.0
Available Financial Reserves**	\$17.5	\$15.8	\$15.9	\$15.9

*Expenditures include interfund transfers.

**Excludes Rainy Day Reserve \$37.1 million at 7/1/2018; Realty Transfer Tax Reserve \$11.3 million; Strategic Economic Development Fund Reserve \$4.5 million.

CONCLUSION

New Castle County provides critical services that our residents rely upon every day. Those services are built on the quality of our county employees who work hard around the clock to keep us safe and make our communities strong. I value their dedication and recognize their significant contribution to our quality of life and our wellbeing.

I thank the members of County Council who worked collaboratively with my administration to pass a Fiscal Year 2019 budget that takes another important step towards fulfilling that commitment. This budget reflects our collective values and invests in our future through targeted investments in health, safety, quality of life and economic growth, balances a years-long structural deficit and puts county finances on a sustainable path to deliver high-quality services for years to come. During this challenging fiscal environment, we will continue to work hard to provide high-quality public services, support our employees and embrace new ideas and collaborations to meet our core mission while spending within our means.

Sincerely,



Matthew Meyer
County Executive