

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

New Castle County Government Center – April 17, 2012

Attendance:

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

Members in Attendance: 6

Members Absent: 2

Others Present: Joe Oddo, Russ Morris, George Smiley, Dave Del Grande, Steve Cunliffe, John Cartier, Ed Milowicki, Joanna Ewbank

Opening Business:

Chairman Rich Davis called the meeting to order at 3:00 p.m. Ms. Vible made a motion to approve the minutes from the February 21, 2012 meeting, Mr. Oller seconded the motion, and the minutes were approved as submitted.

FY2012 General and Sewer Fund Revenue Activity A/O March:

Mr. Del Grande introduced NCC Finance Office member Russ Morris to review the FY2012 revenue activity. Mr. Morris reviewed NCC's General and Sewer Funds Revenue Summary as of March 31, 2012 (Exhibit A-1) and FY2012 Revenue Changes (Exhibit A-2). Mr. Morris noted that the biggest change since the last meeting is that we have taken back some of the increases that we put into the Sheriff's Office. It has been reduced since the last meeting by \$550.0 while back in January we were increasing that by \$750.0.

GENERAL

Service Charges/Fees

Mr. Morris noted the Sheriff's department is down \$550.0 but that still leaves us with a net increase for the year of \$1,554.8. We are very close to \$7.0 million already and it is a \$7.6 million estimate. We certainly expect to receive the \$600.0 in the remaining months so this may increase again.

Mr. Morris noted that Wills has been reduced a second time, dropping that by \$147.5. It had already been reduced by \$191.5 back in November. We normally receive two deposits from Wills during the month which have been averaging slightly under \$300.0 for an entire month or \$150.0 each time. The first deposit in the month of April came in over \$300.0 due to a few large settlements so the projections were changed slightly to reflect that. This will be significantly better when we look at it again next month but they are on track to make the \$3,200.0 estimate. Mr. Oller questioned at what point in the life cycle of the estate are the fees paid to them. Mr. Morris stated that there are some that are paid up front but that the majority of the fees are collected when the estate is closed. When you put a Will into probate you pay

one lump sum which covers a lot of the smaller fees that would be due throughout the year. This makes it administratively easier both for the Register of Wills Office and for the executor.

Mr. Morris noted that previously we were leaving Tickets/Civil Penalties at \$340.0 but that has been increased by \$35.0. Legislation is moving forward in County Council right now to transfer funds of \$175.0 to the Property Maintenance Revolving Fund. That is almost the additional amount that they have collected so far this year so the remaining funds will be deposited into the General Fund. Conservatively speaking that should be about \$35.0.

Recreation

Mr. Morris noted that most of these are tracking changes. We had already made some of the most significant changes in the budget for Carousel. The revenues last year for that were \$264.8 and we dropped that down to \$120.0 to account for just the rent that we are going to receive from TRAC. As it turns out we are also receiving revenue from Therapeutic Riding so that is a little bit higher than what we had budgeted but still significantly smaller than FY2011. There is also the revenue sharing with PAL for some of the revenues collected at PAL centers for recreation activities that will be split between New Castle County and PAL.

Licenses & Permits

Mr. Morris noted that Building Permits were increased by \$300.0 earlier in the year and now it is being increased again by another \$300.0 so they are up \$600.0 for the year. This has been a very strong start of the calendar year for building permits and this month continues to be strong. We should have another month above the bar and the last two months are always strong for residential construction. Even without any major commercial projects coming up we should be in good shape for this year.

Ms. Floore questioned the impact of the increase in civil unions. Mr. Morris stated that Marriage Licenses may be \$10.0-\$20.0 higher this year than what is budgeted right now but the estimates have not been changed because the amount is so small.

Intergovernmental Revenues

Mr. Morris noted that the budget for CAD Reimbursement had been \$0 and now the budget reflects \$50.0 because the money was appropriated and the revenue budget increased to match the appropriations. That has the net effect of reducing the net increase over budget. We did not lose any money. The \$50.0 we had not budgeted was showing as surplus but now the money is budgeted so it reduces the amount of the surplus. Mr. Del Grande noted that unanticipated revenue from the State for the CAD Reimbursement was used to purchase new chairs for the 911 center. CAD is the computer system at the 911 center. The State is co-located in the same shared space and our Emergency Communications Division was able to negotiate reimbursement this year of \$50.0 for the maintenance it takes to keep the software up and running. The Executive Office used that \$50.0 to put it back into the 911 center with the purchase of new chairs for the employees since they are being used every day they wear out quickly. Mr. Morris noted that we also have an anticipated change that deals with the Sheriff's Office where some one time funds were turned over to the County in the amount of \$424.1. Legislation is pending that will increase the budget for that so the funds can be transferred to a program for Senior Housing. In effect this will decrease the surplus that we would expect to see.

Miscellaneous Revenues

Mr. Morris noted that the other big change is in Miscellaneous Revenues which has been increased by \$335.0 to reflect revenues already received so far this year. We are already up to \$768.4 and the estimate for that has been increased to \$800.0.

With all these changes over the last two months the net change to the General Fund revenue estimate is a decrease of \$492.8, with virtually all of that related to the decrease in the Sheriff's Office.

*Ed Milowicki arrived at 3:20pm.

SEWER

Mr. Morris noted that he has made several changes to the Sewer Fund but the net effect is very small. Residential, Industrial and Contract sewer all go down, but Commercial and Apartment sewer increase. The net effect for our current sewer estimates is a decrease of \$259.7; however, delinquent sewer collections are up so delinquent sewer has been increased by \$300.0. The net effect is an increase of \$40.3 for the year in Sewer Collections.

All the other changes in the Sewer Fund relate to Land Use. Stormwater Management Fees, Plan Review Fees and Survey and Inspections have all been reduced. This is the Sewer Fund side of fees related to zoning changes and subdivision review.

In summary, before Interfund Transfers, there is a surplus of \$207.2 in the General Fund. \$268.3 was transferred out of the General Fund into the Crossing Guard Fund because it was their portion of the surplus from previous years. The total General Fund shows a decrease of \$61.2. The Sewer Fund shows \$726.8 below estimate or approximately 1.1% down. In all, the net revenues that we expect to receive for the General Fund in FY2012 is \$163,717.3 and for the Sewer Fund is \$68,354.1.

Exhibit A-1 – Charts

RTT Revenue – This is one of the things we track constantly. The past month was a good but we are not rushing to increase the estimate. Big peaks caused by some of the over \$5 million sales.

Recorder of Deeds Revenue – Will be above \$480.0 for the month of April so that will show a jump related to the improved real estate activity that we have seen in the early spring.

Sheriff Revenue – Numbers are going down because Sheriff Sales are going down and we know that these revenues are going to continue to go down over the next couple of months. In February we see the first effects of the Foreclosure Mediation Program starting. We had not had a single month this year where the number of actual sales was below 100 and then suddenly it dropped down below 70 in February, dropped again in March and in April there were only a total of 10. The only reason there were 10 was because 6 of those were properties where the City of Wilmington put them up. Councilman Cartier questioned if given this trend do we expect Sheriff to make their budget. Mr. Morris stated that this year we expect that they will because there is always a two month time lag between Sheriff Sales and when the revenues actually come in. They only need \$600.0 in three months to make their revenue budget and we expect they will receive that without a problem. The Foreclosure Mediation Program did not solve the foreclosure issues it just slowed them down.

Subdivision & Zoning Review Revenue – This has been down all year and we expect it to continue to stay low. Mr. Kocher believes this is a long-term problem and that the price of lots are down but the cost of improving the land is fairly close to the lot value so it is not worth it plus banks are not financing this type of lot improvements.

Building Permit Revenue – Al DuPont Hospital was over \$600.0 in permit fees. January would have been a good month even without Al DuPont because we had two other large projects in the Armed Services Reserve Center and Silverside Candia Rehab. Also, scattered throughout this year have been six separate projects for multi-residential units from which we have received close to \$200.0 in permit fees this year. The budgeted amount is only \$12.0 a year. Multi-residential units are about half of what single family and townhouse revenue have been so far this year.

New Construction Permits – Total residential new permit construction is higher for the first nine months of FY2012 compared to the first nine months of FY2011. 356 compared to 338. Just slightly below on single family and higher on townhouses and the multi-residential with six.

FY2012 Non Residential Sewer: First and Second Quarter – We have three quarters worth of tracking and we compared that to the original budget. The first quarter we were slightly under budget and then in the second and third quarters we were above budget but it varies among the components which is why we have adjusted the estimates for all of our non-residential collections.

Residential Sewer YTD – The budget is \$26.4 million and year to date we have collected \$23.1 million with virtually all of that received in the month of February. We expect to receive approximately \$3.0 million more for residential sewer collections for the rest of the fiscal year. Our new estimate right now is \$26.1 million. This is a typical pattern to what is normally seen.

FY2013 General and Sewer Fund Revenue Forecast:

Mr. Morris reviewed NCC's General and Sewer Funds Revenue FY2013 Summary (Exhibit B). Mr. Morris noted that he does not include the use of available cash balances in his estimates. Page one is from the Recommended Budget Book that is presented to County Council and it shows the sources and uses of funds and shows that they are balanced. They are balanced in the Sewer Fund because of \$1.7 million that will be used from the reserves as opposed to coming from anticipated revenues. The FY2012 projected (column F) includes fee increases that are anticipated by the departments and remains unchanged from the previous meeting. Column E reflects proposed fee increases that are proposed in the budget. Mr. Morris noted that all of those proposed fee increases have been included in the revenues that are in the presentation to Council and they are all fees which are either authorized by legislation, or they are fees that can be increased by the departments simply by advertising the fees that will be effective July 1. Column F does not require Council action.

Mr. Milowicki stated that at this time there is no reason why we need to adjust the FY2013 estimates.

Approval of FY2012 and FY2013 General and Sewer Fund Revenue Forecast:

Mr. Danneman made a motion to accept the New Castle County General Fund revenue estimates of \$163,717.3 for FY2012 and \$166,620.6 for FY2013. Ms. Vible seconded the motion and they were unanimously approved.

Mr. Oller made a motion to accept the New Castle County Sewer Fund revenue estimates of \$68,354.1 for FY 2012 and \$69,361.1 for FY2013. Ms. Vible seconded the motion and they were unanimously approved.

These numbers do not include the use of reserves.

FY2012 General and Sewer Fund Expenditure Activity A/O March and Forecast:

Mr. Del Grande reviewed the FY2012 Budget vs. FY2012 Estimate and FY2012 Budget vs. FY2013 Estimate as of March 31, 2012 (Exhibit C) and Budget Highlights (Exhibit D).

FY2012 General Fund Expenditures

Mr. Del Grande noted that through March 31 we are looking at an estimate at the end of June of \$162.0 million which reflects a \$1.5 million savings in our expenditure budget due to the following:

\$0.5 in savings due to our countywide vacancies that we are carrying at the moment. Right now between both funds, General and Sewer, we have 183 vacancies.

Anticipating employee benefits to remain in line with our budget at \$38.5 million. Mr. Milowicki noted that in FY2012 the employees gave 2.5% of their salary to healthcare coverage. Mr. Del Grande noted that the FY2011 actual number of \$41.0 includes the State contribution for the FOP Pension. This is the State's annual contribution to our FOP Pension program. Once we have that number, probably at the end of June or beginning of July, we will be taking an ordinance to Council. Mr. Milowicki noted that even though it goes directly into the Pension Fund, by accounting rules, we are required to bring that into our General Fund and then transfer it into the Pension Fund. It is just a transfer in and a transfer out.

In Communications/Utilities we are looking at a \$300,000 savings overall mainly due to \$100,000 savings in our Administrative Services department in the data lines due to some consolidation in the reworking of our networks. There is a \$200,000 savings in our electric due to our consumption, mild season, and having better rates this year.

Materials/Supplies will be flat. Since the last meeting, legislation has passed Council to add \$425,000 to the budget to account for our shortfall for our fuel consumption for the year. As of right now we are estimating to spend about \$2.4 million in gasoline and diesel if the market stays the way it is now.

Currently there is an ordinance to Council to increase the Grants/Fixed Charges budget by \$300,000. Overall, it is a \$425,000 increase to our Workers Compensation program but we are taking the \$150,000 out of Fleet Insurance and appropriating \$275,000 in revenue from our vehicle sales to cover our shortfall for our rising Workers' Compensation costs.

We are anticipating a very small savings of under \$100,000 in Equipment for the year.

We have \$900,000 sitting in Contingencies today and we anticipate using about half of that which will leave a balance of \$500,000.

Overall, we are looking at about a \$1.5 million savings this year overall in June compared to our approved budget.

FY2012 Sewer Fund Expenditures

Mr. Del Grande noted that we have a budget of \$69.0 million currently in the Sewer Fund. We are estimating that we will have about \$1.3 savings at the end of June which is primarily due to salary savings due to some vacancies.

Since we met last time we received our final true-up from the City of Wilmington regarding our contract with them on the Wilmington Treatment Plant so we are anticipating that our 2012 expenditures in Communications/Utilities will be about \$460,000 less for treatment costs with the City and we also have about \$100,000 savings due to electric consumption with our pump stations.

Right now we are projecting to be \$100,000 over budget in Materials/Supplies but we have legislation pending at Council to move funds around from Salary and from another line to offset our Materials/Supplies shortfall. We had some emergency repairs during the year that have caught up with us so we need to replenish those funds.

We are looking at a small overage in Equipment but we have legislation pending to transfer \$25,000 to cover that.

Overall, we are looking at \$1.3 million in savings in the overall funding for FY2012 after all the legislation has been settled with Council.

FY2013 General Fund Expenditures

Mr. Del Grande stated that the General Fund budget for FY2013 that was proposed to Council is \$166.6 million, which represents a \$3.1 million increase over our current budget through March 31, 2012. Highlights of both funds are that we deleted 19 positions compared to 2012 and added 17 positions for an overall net decrease of two positions from 2012 versus 2013. This is the lowest number of positions we have had since 2001. The administration has been looking at every vacancy and making sure they are allocated properly to the right areas. Within the budget there are 38 positions that are unfunded and they have the authority to hire the positions but not the funding. If savings happen to occur during the year they can use those salary savings to hire for those positions if necessary. There has been a need for additional assistance in Emergency Communications so there are 8 new call operators included in the General Fund. In addition, Public Safety is implementing the new 911 career ladder to help retain employees.

Salaries are up \$900,000 compared to the budget for 2012.

The Employee Benefits rate is 47.7% for full-time employees this year versus 48.6%

Communications/Utilities are down \$100,000 due primarily to electric savings. Once again we renegotiated our electric contract which locked us into a three year term at the lower rate we have now. This affects twenty of our highest use facilities.

Contractual Services overall are up \$400,000 combined between Contractual Services and Cross Charges.

Grants/Fixed Charges are down \$100,000, with no change in services in either of the two.

Equipment is based on the equipment schedules we maintain in the fleet department, the majority of which cover our police/ambulance leases on our vehicles and replacement of computer equipment.

Debt Service is up \$1.1 million based on our current debt service schedules. We are an AAA rated county, one of 30 in the entire country. Mr. Milowicki noted that we have borrowed more in the Sewer Fund for Brandywine Hundred Sewer Rehabilitation project. Councilman Cartier questioned if we have exploited the idea of refinancing for lower interest rates. Mr. Milowicki stated that we like to do refinancing with a new issue to save cost. We expect rates to stay low until the fall so we are looking to do a bond issue in August or September. If you look at our debt service schedule most of our higher rates are out 20 years from now so refinancing now would have very little savings in our current budget, it would be savings 15-20 years from now. When we do go to the bond market next we will try to do a refinancing.

The General and Admin Credit are up 2.7% or \$200,000 which is the administrative support provided to the Sewer Fund from the General Fund and the light tax and crossing guard.

FY2013 Sewer Fund Expenditures

The two main things to note are that Communications/Utilities are down \$700,000 compared to 2012 due to budgeting the Treatment Plant contract \$600,000 lower. The contract expires June 30, 2012 and currently the administration is in negotiations with the City on a one year extension, and based on our estimates, we lowered our payment to the City by \$600,000. In addition, we also lowered our electric budget by \$100,000 which brought the electric budget from approximately \$1.5 million to \$1.4 million.

Debt Service has a 10.8% increase in the budget, or \$1.7 million, primarily due to work on Brandywine Hundred Sewer Rehabilitation.

For FY2013, the Sewer Fund budget is \$71.0 million which is approximately a 2.9% increase over FY2012 budget as of March 31, 2012.

Review General and Sewer Fund Checkbooks:

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

Mr. Milowicki noted that for the FY2012 General Fund right now our estimate is around \$1.2 million for revenues over expenditures. The FY2013 budget that was presented by County Executive Clark reflects a balanced budget with revenues meeting. With no tax increases and no reduction in services we would almost exhaust our reserves by FY2017.

Mr. Milowicki noted that for the FY2012 Sewer Fund we are projecting an operating gain of \$800,000 this year. The FY2013 budget that was presented shows a shortfall of \$1.7, and as discussed, we are using \$1.7 from reserves to balance the budget. By FY2015 we will have exhausted all reserves without a sewer fee increase.

Other Business:

The next meeting will be Tuesday, September 18, 2012 at 3:00 p.m. at the Government Center in the Large Executive Conference Room.

Chairman Davis reminded board members to file with the Ethics Commission online if they have not already.

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