

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

New Castle County Government Center – February 19, 2013

Attendance:

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

Members in Attendance: 3

Members Absent: 4

Others Present: George Smiley, Russ Morris, Ed Milowicki, Lynne McIntosh, Joe Szczechowski, Michael Coupe

Opening Business:

Chairman Rich Davis was unable to attend the meeting. George Danneman served as acting chairman in his absence. Mr. Danneman called the meeting to order at 3:03 p.m. Only three members were present, so approval of the minutes from the November 20, 2012 meeting was deferred.

Former Acting Chief Financial Officer Ed Milowicki introduced new Chief Financial Officer Mike Coupe to the Financial Advisory Council.

FY2013 General and Sewer Fund Revenue Activity A/O January:

Mr. Coupe introduced NCC Finance Office member Russ Morris to review the FY2013 revenue activity. Mr. Morris reviewed NCC's FY2013 Revenue Changes (Exhibit A) and General and Sewer Funds Revenue Summary as of January 31, 2013 (Exhibit B) and noted that generally, revenue has improved. Since the last meeting the FY2013 General Fund revenue estimate is up \$470.0 over the original budget and the FY2013 Sewer Fund revenue estimate has gone down by \$180.0.

Property Taxes

Mr. Morris noted that there has been no real net change. The initial levy was decreased by \$200.0, but the prior year return was increased by \$200.0.

RTT

Mr. Morris noted that RTT is very strong. It was increased by \$1.4 million. We had a very strong second quarter for RTT and a good month for RTT in January, even without any sales over \$5 million. This increases the total FY 13 estimate to \$18.4 million.

Service Charges/Fees

Mr. Morris noted the Sheriff's department estimate was decreased by \$600.0 immediately following the last NCCFAC meeting. We are now starting to see a slow turnaround. We now

seem to be on track to meet the reduced estimate for the Sheriff's Office as long as the mandatory foreclosure mediation program is in place.

Mr. Morris noted that the estimate for the Recorder of Deeds office was increased by \$200.0 net. Deeds has benefited from the increase in the Real Estate market and from an increase in the number of mortgage refinances. Corporate Filing Fee revenue continues to be lower than originally estimated, but the increases in Deeds and Instruments exceed the anticipated losses in Filing Fees by over \$0.2 Million.

The estimate for Police Traffic Fines has been reduced by \$100.0.

Subdivision Review has been reduced by \$300.0. Land Use has received one major plan already in January, but it does not seem likely that these fees will improve in the second half of the year.

Licenses & Permits

The estimate for Marriage Licenses was decreased by \$20.0.

Activity continues to be strong for both Building Permits and Plumbing Permits. We may increase these later in the year

Use of Money & Property

Mr. Morris noted that based on the most recent projections from Cash Management, we've reduced the Interest estimates for both GF and SF by \$120.0.

The estimate for Insurance was increased \$10.0 to reflect revenues already received.

Mr. Oller had a question regarding the decrease in Land Rental revenue estimates. Mr. Morris stated that the decrease had been reflected in the prior estimate. While the revenues are still expected, they won't be reflected until FY2014.

SEWER FUND

Industrial has been decreased by \$600.0. One of the 4 largest Industrial accounts (FMC) has had some construction on site to upgrade the plant. This may have contributed to the reduced flow during the past two quarters. The four top providers (DuPont, Atlas, ICI (Astra Zeneca), and Croda) account for two-thirds of total industrial.

Delinquent was increased \$500.0 is made to recognize increased revenues during the first two quarters. This was mainly due to one large commercial account that paid a quarterly bill one week late.

Mr. Smiley asked for clarification on how prior-year property tax revenue estimates are increased. Mr. Morris explained that prior-year estimates are affected by delinquent collections. Mr. Milowicki noted that the delinquent account group has been fully staffed for the first time in over a year.

Mr. Danneman noted that refinances also add to prior-year collections.

Exhibit B – Charts

RTT Revenue – Mr. Morris noted that we are up approximately 25% over our Budget Estimate for RTT this year. The Revised Estimate of \$18.4 million is a conservative estimate.

RTT Actual Collected as % of Median Month – In every month we have been above the 60% goal. There were no large sales in December 2011. There were three in December 2012, which alone account for a \$700.0 increase in RTT.

Mr. Morris explained how FY 2013 RTT Estimates are determined based on three models (Low, Middle, and High estimate). Projections are based on the Middle estimate.

For FY 2014 RTT Estimates, a similar Middle estimate for growth is being used.

Mr. Danneman questioned how large transactions are accounted for in RTT Estimates. Mr. Milowicki stated that only 90% of Estimates are available for the Budget. Mr. Coupe stated that anything received in excess of what is budgeted is placed in a separate fund.

Recorder of Deeds Revenue – The real estate market is strong, and as a result, January and February will be over budget estimates.

Register of Wills Revenue – This continues to be on budget with no big changes.

Sheriff Revenue – The overall trend is slowly upward and the revised budget takes into account a slow improvement through the year. For Sheriff Sales, we expect to average approximately 135 setups per month, with 40% to 50% of those going to sale.

Subdivision & Zoning Review Revenue – This continues to be on budget with no big changes.

Building Permit Revenue – Last year, Building Permit Revenue increased significantly because of A.I. DuPont Hospital. This January, there were no large projects, but the number of smaller commercial projects increased.

Major Commercial Building Permits – Even without a large project like A.I. DuPont Hospital, when comparing all building permits to last January, we are only \$300.0 less than last year.

Business & Contractor Licenses – This is about where we expected it to be.

FY2013 Non Residential Sewer: First and Second Quarter – Industrial is down, but other non-residential (e.g. apartments, commercial) are doing well.

Overall numbers for FY2013 look positive.

Only three members were present, so approval of the FY2013 General and Sewer Fund Revenue estimates was deferred.

FY2014 General and Sewer Fund Revenue Forecast:

Mr. Morris reviewed NCC's General and Sewer Funds Revenue FY2014 Summary (Exhibit C). Mr. Morris noted that these are preliminary numbers, and the committee will not be asked to certify them until the April meeting.

Mr. Morris noted that the numbers have not changed significantly from those presented back in November 2012.

GENERAL**Real Estate Taxes**

Mr. Morris noted that the real estate numbers continue to be refined. The January report from Assessment is used to determine tax estimates.

Service Charges/Fees

Mr. Morris noted that there has been some minor adjustments that overall balance each other out. Sheriff has been decreased; but Deeds has been increased. The numbers for the zoning fees have been decreased; but estimates for building permits have been increased.

Mr. Kocher asked about the increased Deeds estimate for FY2014 over the FY2013 numbers. Mr. Morris explained that real estate activity is expected to continue to improve. He noted that corporate filing fees are also expected to increase. There was some discussion among the committee members regarding refinancing, real estate market activity, and Deeds revenue estimates.

FY2013 General and Sewer Budget vs. FY2013 Estimate A/O January 31, 2013:

Mr. Milowicki reviewed FY2013 General and Sewer Budget vs. FY2013 Estimate A/O January 31, 2013 (Exhibit E).

General Fund

Mr. Milowicki noted that expenditures are down compared to last year, but this is primarily due to debt service payment schedule timing.

Mr. Milowicki noted that as of 1/31/2013 our FY2013 Approved General Fund Budget was \$166.2 million and our FY2013 projection is \$163.8 million, which is 98.5% spending.

Mr. Milowicki noted a recent spike in fuel costs and stated that if gas prices continue to increase, an adjustment in Materials and Supplies might be necessary.

Sewer Fund

Mr. Milowicki noted that the debt service payment for the current fiscal year had not yet been recorded.

The budget for the Sewer Fund as of 1/31/2013 is \$71.6 million, and the FY2013 projection is \$70.1 million, which is 98% spending.

No spending issues are anticipated for the final four months of the fiscal year.

Review General and Sewer Fund Checkbooks:

Mr. Milowicki reviewed the General and Sewer Fund Cash Flow Projections as of January (Exhibit F). He noted that in 2013, we are looking at revenues over expenditures of \$2.3 million. Of that, \$2.2 million is RTT Excess we are anticipating for this year.

Mr. Milowicki noted that the projections for 2014 to 2018 are based on various growth scenarios. Our revenue growth does not keep up with our expenditure growth. If we were to do nothing, General Fund reserves will be virtually exhausted by 2018.

There was some discussion among the committee members noting that the year in which the General Fund is exhausted has continually been pushed back due to the various financial strategies New Castle County has implemented in recent years.

Mr. Oller noted that New Castle County has carried approximately 100 position vacancies in recent years. There was some discussion as to how this affects the budget.

Mr. Kocher pointed out that since the projections are based on very modest revenue growth (2%) and personnel costs growing at 3.5%, the result will always be an eventual shortfall.

Mr. Morris noted that at the next meeting, the County Executive's proposed budget will be reflected in the projections.

There was a discussion among the committee members regarding the slow economic recovery and its impact on financial projections, as well as how any proposed County events or programs could affect future budget. Mr. Smiley noted that increased revenue streams from the State are unlikely, but the State granting New Castle County more autonomy to enact revenue is a possibility.

Mr. Coupe introduced himself to the committee and elaborated on his background in the New Castle County Office of Finance.

Other Business:

The next meeting will be Tuesday, April 16, 2013 at 3:00 p.m. at the Government Center in the Large Executive Conference Room.

There being no further business, Mr. Danneman adjourned the meeting at 4:00 p.m.