

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

New Castle County Government Center – November 16, 2010

Attendance:

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

Members in Attendance: 7

Members Absent: 1

Others Present: George Smiley, Joe Oddo, David Del Grande, Russ Morris, Ed Milowicki, Lynne Howard, Paul Clark, Bob Wasserbach, Joanna Ewbank

Opening Business:

Chairman Rich Davis called the meeting to order at 3:01 p.m. The minutes from the September 21, 2010 meeting were approved as submitted.

Acting NCC Chief Financial Officer Ed Milowicki announced to the board some recent changes to NCC Administration and County Council. Paul Clark is the new County Executive, Gregg Wilson is Acting Chief Administrative Officer and Dennis Phifer is the Chief of Staff. William Tansey retired from County Council and is being temporarily replaced as co-chair of the Finance Committee by Lisa Diller.

FY2011 General and Sewer Fund Revenue Activity A/O October:

Mr. Milowicki introduced NCC Finance Department member Russ Morris to review the FY2011 revenue activity. He noted that there have not been any significant changes since the last meeting in September.

Real Estate Taxes

Mr. Morris noted that NCC will collect over 99% by the end of the year which is in line with last year. It was also noted that back taxes owed are shown as prior year in a different line.

Real Estate Transfer Tax

Mr. Morris noted that a few large sales over \$5.0 million have kept this on track to make the FY2011 estimate. Approximately \$250,000 in tax revenue was lost from the sale of Chrysler because University of Delaware is exempt. It was noted that if all sales over \$5 million are excluded then it sits just at or below budget for most months. There has been a drop in the value of transactions and the trend this far is lower than normal for large transactions. First time homebuyer transactions have decreased 57% due to the end of the federal tax credit, however, total transactions have only decreased 20%. This revenue source will continue to be closely monitored.

Service Charges & Fees

Mr. Morris noted that Recorder of Deeds has seen an increase this year as a result of refinance activity but it is not as dramatic as last year. It was noted that November numbers are estimates and the actuals are higher based on numbers recently received.

Mr. Morris noted that revenue budget was increased by \$100,000 by County Council as a result of two deputy sheriffs no longer assigned to prisoner transport as a result of an agreement with the Delaware Capital Police. The revenue estimate was increased by an additional \$500,000 to reflect the revenue already received for the Sheriff's sales. It is expected that there will be a temporary decline in Sheriff Sale revenue because of the increased number of stays in October and November. It was noted that the administrative cap on the number of sales the Sheriff's Office can process per month will increase to 350 starting in January. It was noted that procedures may change when the new Sheriff takes office in January.

Subdivision review was increased \$100,000 as a result of four large projects.

Licenses and Permits

Mr. Morris noted that the amount of commercial building permits have been lower that last year and those that have started are smaller projects.

County Executive Paul Clark introduced himself to the Board and thanked them for their continued service.

FY2011 General and Sewer Fund Expenditure Activity A/O October and Forecast:

Mr. Del Grande reviewed the FY2010 Actual vs. FY2011 Estimate and the FY2011 Budget to FY2012 Estimate.

General Fund

Mr. Del Grande noted there is estimated to be a \$1.0 million savings in Salaries/Wages at year-end, due primarily to vacancies. The FY2012 estimate restores the rollback of 5% to the pay plans for unions because those contracts end June 30, 2011.

Mr. Del Grande noted that the FY2011 Employee Benefits estimate increased \$700,000 due to a change in benefit rate from 46.8% to 49.7%. The FY2012 estimate is \$2.1 million above the current budget. Edward Milowicki noted that the total cost for healthcare is \$22 million. Lynne Howard noted that healthcare costs are paid 92% by the County and the other 8% is paid by the employees. It was also noted that the pension contribution by current employees is either 3 or 5% and the County match is 12% of employment costs. Mr. Milowicki noted that OPEB is currently 4% funded. The County's annual contribution is \$7 million and that money sits in an irrevocable trust fund similar to the pension fund.

Mr. Del Grande noted that the County renegotiated their contract with their energy supplier resulting in a reduction in the supply rate.

Mr. Del Grande noted that fuel consumption is down but fuel costs per gallon are higher than last year and are projected to remain higher.

Mr. Del Grande noted that there is projected to be a \$0.1 million surplus in Debt Service at year-end due to the recent bond sale and refinancing of debt at a lower interest rate. Mr. Milowicki noted that these savings are being applied to the FY2012 budget.

Sewer Fund

Mr. Del Grande noted that potential FY2011 budget action may be required for "True-up" costs for the City of Wilmington treatment plant for FY2010 for the \$1.5 million paid in September. The FY2011 estimate is currently \$3.5 million above this point last year due to debt service and EPA mandates. It was noted the FY2012 estimate is 8% higher due to the restoration of the 5% rollback and some employees still receiving merit increases.

Review General and Sewer Fund Checkbooks:

Mr. Milowicki noted that the General Fund shortfall has been lowered from \$7 to \$4.5 million. Revenue growth is projected to go up approximately \$2.3 million each year, while expenditure growth is projected to go up anywhere from \$5.1 to \$7.3 million each year. It was noted that revenue is not keeping up with expenditures. It is expected that reserves will be exhausted by 2015. Lynne Howard noted that NCC Administration has not yet given final word on if they will pursue another salary rollback for employees in FY2012.

Mr. Milowicki noted that the Sewer Fund shows very little revenue growth and projected expenditure growth anywhere from \$1.9 to \$4.8 million.

Approval of FY2011 General and Sewer Fund Revenue Estimates:

A motion was made by Richelle Vible, seconded and approved to accept the New Castle County General Fund revenue estimate of \$161,354,500 and the Sewer Fund revenue estimate of \$65,557,300 for FY2011.

Revised Real Estate Transfer Tax Legislation

Mr. Milowicki reviewed the revised proposed ordinance 10-117 that was introduced to County Council on November 9, 2010 and is scheduled to be voted on at the November 23, 2010 meeting. If passed, this would go into effect for the FY2012 budget. It was noted that anything collected above the 90% cap can only be used for debt service or capital projects and cannot be used for operating. This ordinance proposes the Office of Finance recommends the annual RTT estimate which is then certified by the NCCFAC Board.

Councilman Smiley stated that he supports this ordinance moving forward. He noted that ordinances are living documents that can be changed and that the board would have the ability to adjust numbers presented from the budget office.

Recommendation of Ordinance 10-117:

A motion was made by George Danneman, seconded and approved to recommend ordinance 10-117 move forward and be approved by County Council.

Other Business:

The next meeting will be February 15, 2011 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 4:30 p.m.