

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

New Castle County Government Center – February 15, 2011

Attendance:

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

Members in Attendance: 4

Members Absent: 4

Others Present: Joe Oddo, David Del Grande, Russ Morris, Steve Cunliffe, Ed Milowicki, Lynne McIntosh, Vince Meconi, Joe Szczechowski

Opening Business:

Chairman Rich Davis was unable to attend the meeting. George Danneman served as chairman in his absence. Mr. Danneman called the meeting to order at 3:03 p.m. At the start of the meeting, only three committee members were present, so approval of the minutes from the November 16, 2010 meeting was deferred.

FY2011 General and Sewer Fund Revenue Activity A/O January and Forecast:

Acting NCC Chief Financial Officer Ed Milowicki introduced NCC Finance Department member Russ Morris to review the FY2011 revenue activity.

Real Estate Taxes

Mr. Morris noted that the FY2011 estimated revenue has been lowered by \$407,000 because legislation in County Council abated taxes for five years on property owned by Delaware City Refinery from property tax.

Real Estate Transfer Tax

Mr. Morris noted that because of a number of large sales in December, the December RTT exceeded the monthly target by \$1.0 million. The annual revenue estimate was increased by half that amount. If the subsequent months meet target, the annual RTT estimate will be increased by another \$500,000.

Service Charges & Fees

Mr. Morris noted that the Register of Wills revenue estimates were decreased by \$100,000 for the second time this year. Wills' bimonthly estimate shows a \$340,000 deficit for the revenue line. If monthly revenues do not increase, this may require a further reduction.

Recorder of Deeds revenue estimates were increased by \$250,000. Deeds has consistently been over the estimated monthly revenue for the first seven months of FY 2011. This is due in part to the mortgage refinance activity in the fall.

Mr. Morris noted that the Sheriff's revenue budget was increased \$1,000,000. Two deputy sheriffs no longer assigned to prisoner transport are available to serve liens and process the backlog of foreclosures. The administrative cap on the number of sales the Sheriff's Office can process per month was increased to 350 in January.

Subdivision review was increased \$150,000 – the second increase this year. Revenues were down for the past two months, but are showing signs of a rebound in February.

Licenses and Permits

The contractor licenses line has been reduced by \$500,000 due to a new tiered fee structure based on a contractor's number of employees. There was some discussion as to the reasoning for adopting the new fee structure.

Mr. Morris noted that while there has been an increase in the volume of building permits, the projects have been smaller.

Rentals, Concessions and Sales

Mr. Morris stated that the monthly revenue received from Colonial Parking reduced from \$8.3 to \$4.6. This is revenue that the County receives for the parking garage at the City/County Building.

Mr. Milowicki presented a chart comparing General Fund Revenue lost from FY 2006 to FY 2011. He noted that the 5-year total = \$185.5 million, or the approximate size of the General Fund Budget.

FY2011 General and Sewer Fund Expenditure Activity A/O January 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 \$0.8 million savings in Salaries/Wages at year-end, due primarily to vacancies

Mr. Del Grande noted that the fulltime employee benefit rate for FY 2011 is 49.7% compared to 46.8% in FY2010. A surplus of \$0.2 million is anticipated at the end of the fiscal year.

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

Mr. Del Grande noted that fuel costs per gallon are projected to remain higher than FY 2010, and are estimated to be \$0.1 million over budget for FY2011.

Mr. Del Grande explained that expenditures and encumbrances in Contractual Services are for service contracts and intergovernmental cross charges, and are \$1.0 million above FY2010 activity. Spending is up primarily due to the transfer of the Dog Control program (six months - \$0.4M) from Grants/Fixed Charges to Contractual Services in mid-FY2010 and the cost of the special election for the County Council President (\$0.5 million). Spending for FY2011 is estimated to be \$1.5 million under budget due to activity.

In summary, net expenditure and encumbrance activity for January is \$108.9 million, which is \$5.4 million more than last fiscal year due primarily to the schedule of debt service payments (\$2.1 million), increased employee benefit costs (\$1.1 million), contractual service costs (\$1.0 million) and workers compensation costs (\$1.0 million).

Sewer Fund

Mr. Del Grande noted that salaries/wages are \$0.1 million below FY2010. Overall, it is estimated that salary and wages will be \$0.6 million under budget for FY2011, due primarily to vacancies.

Mr. Del Grande noted that the Debt Service budget for Fiscal 2011 is \$13.4 million. On November 26th, County Council passed Ordinance 10-101, which appropriated an additional \$0.6 million to provide the funding for the new bond issue. Payments through January exceed FY2010 by \$2.7 million. Debt service will be fully expended by the end of June.

In summary, net expenditure and encumbrance activity for January is \$44.4 million, which is \$3.3 million more than last fiscal year due to an increase in annual debt service payments (\$2.7 million) and communication/utility costs (\$0.5 million).

Review General and Sewer Fund Checkbooks:

Mr. Milowicki noted that the General Fund shortfall is currently projected to be \$4.9 million. Revenue growth is projected to continue to lag behind expenditure growth, resulting in a projected \$70.1 million shortfall from 2011 through 2015. It is expected that reserves will be exhausted by 2015.

Mr. Milowicki noted that in the Sewer Fund, expenditures are outpacing revenues at an even faster rate. It is expected that Sewer Fund reserves will be exhausted by 2014.

Mr. Milowicki noted that County Executive Paul Clark will make his first budget address March 22.

Review FY2012 General and Sewer Fund Revenue Forecast:

Mr. Morris reviewed NCC's General and Sewer Funds Revenues FY2012 Summary. Mr. Morris noted that there is an assumption of no increase in property taxes or sewer fees. Mr. Morris noted that revenue estimates for both Sheriff and Register of Wills are each up due to staffing changes that will allow both offices to process a backlog of work, and printing that is now being done in-house for the Sheriff's office.

FY 2012 RTT Calculation

Mr. Milowicki presented the RTT calculation, noting that the 3-year average from 2009 to 2011 is \$16.8 million. It was noted that anything collected above the 90% cap of \$15.8 million can only be used for debt service or capital projects and cannot be used for operating costs.

Approval of minutes from November 16, 2010 meeting

Mr. Danneman noted that four committee members were now present, and therefore the minutes from November 16, 2010 meeting could be approved. Mr. Oller made a motion to approve the minutes, Ms. Vible seconded the motion, and the November 16, 2010 meeting minutes were approved unanimously by the committee.

Approval of FY2011 and FY2012 General and Sewer Fund Revenue Estimates:

Ms. Vible made a motion to accept the New Castle County General and Sewer Fund revenue estimates for FY2011 and FY2012 as presented. Mr. Kocher seconded the motion, but noted that he believed interest rates would begin to rise later in the year – causing interest revenue to increase. There was some discussion and Mr. Oller noted that he believed Sheriff Sale activity would begin to decrease as the economy stabilized. After the discussion, the motion was approved unanimously by the committee.

Other Business:

The next meeting will be Tuesday, April 19, 2011 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 4:41 p.m.