

**Minutes of the
New Castle County Financial Advisory Council
Via Teams Teleconference
February 8, 2022**

Attendance:

Member	Present
Mark Oller	Yes
Kayode Abegunde	No
Michael Butler	Yes
Richard F. Davis	Yes
Jill Floore	Yes
Edward Milowicki	Yes
Ronald Simms	Yes
Richard Schneider	Yes
Bill Smith	Yes

Members in Attendance: 8

Members Absent: 1

Others Attending: George Smiley, Michael Smith, Vicki Ford, Russ Morris, Karen Gordy, Joanna Finnigan, Bob Wasserbach, Rinku Banerji, Nicholas Brannick, Stephanie Scola, Joe Szczechowski

Opening Business:

Chairman Mark Oller called the meeting to order at 8:18 a.m.

Bill Smith made a motion to approve the minutes from the October 26, 2021 meeting. Ed Milowicki seconded the motion, and the minutes were approved as submitted.

General and Sewer Fund Revenue by Major Categories for FY2022 and FY2023:

Russ Morris reviewed the details of Exhibit A – New Castle County General and Sewer Funds Revenue Summary as of January 31, 2022. He noted that the exhibit includes columns for the original 2022 Budget (B), the January 2022 Estimate (C), the January Estimate over the 2022 Budget in dollars (D), and the January Estimate over the 2022 Budget by percentage (E).

The General Fund estimate in the original budget was \$214,759.5. As of January 31, that estimate was increased \$1280.3 to \$216,039.8. Mr. Morris noted that the largest change was an increase of \$20,789.5 in Realty Transfer Tax (RTT). Other changes included increases of \$403.2 in Intergovernmental Revenues, and \$250.0 in Real Estate Taxes, as well as decreases of \$400.0 in Hotel Tax, \$600.0 in Licenses and Permits, and \$509.8 in Use of Money and Property.

Mr. Oller noted that the increasing interest rates might affect the number of real estate transactions going forward and asked if that had been considered in the RTT projections. Mr. Morris said that real estate market is expected to moderate, but it won't significantly affect transactions and RTT for the remainder of the fiscal year.

Mr. Morris continued reviewing the details of the line items in the General Fund listed on pages 2 to 4 of Exhibit A.

Karen Gordy covered the Sewer Fund Revenues listed on page 5 of Exhibit A. In the Sewer Fund, the January 31 estimate of \$89,774.1 is down \$1,824.9 from the original budget of \$91,598.9.

Mr. Morris reviewed the line items of Exhibit B – New Castle County General and Sewer Funds Revenues FY2023 Summary. The preliminary FY2023 General Fund estimate is \$224,132.1. The preliminary FY2023 Sewer Fund estimate is \$91,887.9.

Mr. Milowicki asked if the Financial Council was being asked to certify the revenue estimates for FY2023. Mr. Morris said that the only item the Council would be asked to certify is RTT, but that the Council could review and comment on both the current and proposed revenue estimates.

Mr. Morris reviewed the details of the line items found on pages 2 – 5 of Exhibit B. In RTT, the FY2023 estimate is \$40,000.0, which is based on a ten-year trendline (discounting the current large commercial transactions) at an annual growth rate of approximately 5%.

Mr. Oller asked if the background data was available to the Council. Mr. Morris stated that he could provide the background information via email. Mr. Oller said that his concern was that the large commercial transactions of the last few years have skewed the projections a bit high.

Chief Financial Officer Michael Smith noted that historically RTT has grown at 4.5%, but it is possible that the FY2023 number will be higher.

Michael Butler asked if the Council could be provided with a 10-year or 15-year history of RTT along with a split of large versus typical transactions.

There was some discussion among the group regarding how fluctuating factors such as interest rates and sale prices impact RTT projections. The council decided to hold another NCCFAC meeting in two weeks to allow the Budget staff to provide the background and historic information and have the Council certify the FY2023 RTT projection at that meeting.

Mr. Morris concluded by reviewing some of the General Fund line item highlights on pages 2 – 4 of Exhibit B.

Ms. Gordy noted that the numbers in the Sewer Fund are very preliminary, with several numbers based on the prior-year budget until more actual data is available.

Jill Floore asked for an update for the timeline of the reassessment project. Mr. Smith said that he would get an update and provide it to the Council.

General and Sewer Fund Expenditures for FY2022:

Mr. Morris reviewed the details of Exhibit C – New Castle County General and Sewer Fund Expenditures FY2022 Budget vs. FY2022 Estimate as of January 31, 2022.

He noted that in both the General and Sewer Funds, we are expecting expenditures to stay on track, and we will spend out everything.

General and Sewer Fund Financial Projections by Major Categories for FY2022 and Succeeding Fiscal Years:

Chief Financial Officer Michael Smith reviewed the details of Exhibit D – General and Sewer Fund Financial Projections As of 1/31/2022 for Fiscal Years 2022-2025. He noted that in the General Fund for 2022, expenditures are projected to outpace revenues by \$4 million. This is due to two ordinances which will appropriate \$3 million from the Tax Stabilization Reserve to add \$1.7 to Risk Management and \$1.3 million to the Office of Law for outside legal services.

Mr. Smith noted that no 2022 personnel costs had yet been booked against the Cares Act, but once that was done it will decrease expenditures to the point where FY2022 will be flat.

In the Sewer Fund, for 2022 expenditures are expected to outpace revenues by \$0.5 million, mostly due to lower water consumption and increased health costs. However, there were substantial savings in Debt Service due to refinancing current bonds at a favorable rate, which will positively impact the budget for the next several years. Mr. Smith said that we expect to balance the 2022 budget with a few adjustments.

Mr. Milowicki asked if the collection of the new EDU charge was included in the Sewer Charges Collection line, or if it was broken out elsewhere. Mr. Smith said that it was included in the Sewer Charges Collection line, but it could be broken out in the future.

Memorandum:

The NCCFAC members in attendance were polled regarding their approval of the Memo to the County Executive, the CAO, the CFO, and the members of Council, signifying the information reviewed at this meeting and their certification of the FY2022 RTT Forecast.

NCCFAC 2021 Annual Report:

Joe Szczechowski submitted the 2021 Annual Report to the membership for approval.

Bill Smith made a motion to approve the 2021 Annual Report as submitted.
The motion was seconded by Jill Floore and unanimously approved.

Schedule Date for Next Meeting:

The next meeting date will be Tuesday, February 22, 2022, and will take place at 8:15 a.m. via Teams teleconference. Prior to the meeting, the Budget staff will provide the Council with background data to support the FY2023 \$40 million RTT projection, as well as the section of New Castle County Code stating NCCFAC's responsibilities relative to RTT.

There being no further business, Chairman Oller adjourned the meeting at 9:21 a.m.