

City Council of the Mayor and Council of New Castle
Budget Workshops
Town Hall – 201 Delaware Street – New Castle
Thursday – June 25, 2009 – 6 p.m.

Present:

Council President William Barthel
Councilperson John Cochran
Councilperson John Gaworski
Councilperson Ted Megginson
Councilperson Teel Petty

Also Present:

City Treasurer Janet Carlin, City Administrator Cathryn Thomas, Finance Director Marian Delaney

Budget Workshop to discuss 2009-2010 City Budget

Council President Barthel explained that this was the final budget meeting. An outstanding issue remaining for the City Council is to make a decision on its property/casualty and liability insurance for the next budget year.

Administrator Thomas provided a review of the two insurance proposals. A comparison this week prompted several questions that were provided to both of the quote providers. There is a difference in the price, but officials need to know more about what is involved to make a decision.

Insurance & Financial Services Ltd. provided a quote. IFS has provided all of the City's insurance until a year ago when the City's worker's comp coverage went to the DeLea Founders Insurance Trust.

One issue regarding the quotes had to do with property coverage. In both proposals, the City has estimates for the value of its property. The number was not provided by the City. Administrator Thomas doesn't have a level of comfort for the numbers. The DFIT policy has an alternative quote for a blanket policy.

Administrator Thomas asked the providers about retroactivity and what each covers. It depends on when a claim is made and what caused it to arise. IFS has a retroactive date to 2004. There were no similar issues for DFIT, it covers in full for prior acts with no retroactive date for any unknown acts.

There is also a question of coverage for sluice gates. The wording in the IFS proposal was that dams, dikes and levees are excluded. A follow-up answer from IFS representatives, however, said that the City's sluice gates would be covered.

Administrator Thomas said the final, and most significant issue, related to whether the insurance provider would pay legal fees in a lawsuit where no monetary damages are sought, such as if a party sued the City seeking to overturn an ordinance but did not seek monetary damages. DFIT does cover up to an aggregate of \$100,000 per year, with a sub-limit of \$50,000 per claim; the IFS/Travelers quote does not cover that area.

Insurance agent Bob Briggs said IFS/Travelers would cover any monetary loss being sought, but not legal costs for non-monetary issues.

Administrator Thomas said that's the biggest difference in the coverages she found. She acknowledged not being an insurance expert, but has many years of experience reviewing municipal insurance.

Agent Briggs said one other difference is that Travelers will extend the umbrella policy over public officials liability and police professional liability coverage, so it is \$6 million over each.

Agent Briggs said he was surprised that DFIT covered the non-monetary matters. The insurance industry, he said, believes it is a matter for the City Solicitor.

Administrator Thomas said there is a \$10,000 price difference between the two quotes.

President Barthel said the City Council needs to make a decision, but it needs to be the best decision for the City. The City Council will give both providers until 9:30 a.m. June 26 to provide answers to the remaining questions. The City Council will schedule a continuation of this meeting for June 29.

Administrator Thomas highlighted aspects of the final draft version of the budget. The budget projects \$2,825,000 in revenues from property taxes based on 97 percent collection of the current assessed value times the current tax rate. The bottom line is almost \$5.3 million in revenues. The bottom line on expenditures is \$5,341,913—which is down significantly from the previous year.

No amount is yet plugged in for general fund contingency and the property tax rate is the same. The amount of unexpended balance is roughly \$500,000.

President Barthel pointed out the budget includes the \$1,000 requested by the Historic New Castle Alliance; \$12,000 for the Senior Center; and \$100,000 for the New Castle Library capital project.

Administrator Thomas explained 1 cent on the tax rate generates roughly \$21,000.

Councilperson Cochran said the City doesn't want to be in a position to be strapped down. He suggested raising the tax rate 5 cents per \$100 of assessed value which will provide roughly \$100,000 in revenue.

President Barthel asked if Council prefers raising the tax rate by 5 cents or rather would use unexpended funds carried over from the current budget. An increase of 5 cents would be a 4.3 percent increase.

Finance Director Delaney said the average assessment of a household in the City is \$55,000.

Administrator Thomas said that would mean roughly a \$27.50 increase in taxes for an average household for one year.

Councilperson Cochran said after talking to residents they want the services.

Councilperson Petty said she favors using the surplus and not raising taxes.

Councilpersons Gaworski and Megginson said they supported raising the tax rate.

Council President Barthel opened up the meeting for residents to comment.

Chris Cashman, a resident of The Strand, said it was nice to be in the City of New Castle where officials are not talking about a budget issue where they need to raise taxes 25 percent or have an \$800 million deficit. He said the City residents need to thank previous City Councils, the administration and this City Council that the City has been fiscally responsible. As a taxpayer, if the City needs to raise taxes a modest amount, which he considers this to be, to meet its obligations and promises, he is OK with it.

He thanked the Council for the support for the library.

Former Councilman Don Reese, of Seventh Street, asked whether the surplus was being used for the next budget. He said he was very impressed with three newly elected members of the Council and the two he had previously worked with on Council.

Rob Dill, representing the New Castle Senior Center, said that on behalf of the 930 members of the Senior Center and staff and board, he thanked the City Council for its support during a tough time. He also invited the Council to center to take a tour.

Carlo Viola, chairman of the capital campaign committee for the library, thanked the board for its support for library and it makes him proud of the town.

Finance Director Delaney said it was a tight budget that does not contain a police car, a garbage truck and funding for positions that were in previous budgets. She suggested setting the general fund contingency at \$75,000.

The fiscal year 2009-2010 budget is \$5,421,050. The tax rate is \$1.20 per \$100 of assessed value.

Councilperson Cochran made a motion to accept a resolution adopting the 2009-10 operating budget and tax rate for the City of New Castle. Councilperson Megginson seconded it. Councilpersons Cochran, Megginson, Gaworski and President Barthel voted in favor. Councilperson Petty voted against. The resolution passed 4 to 1.

The City Council set the meeting to continue at 10 a.m. on June 29 to address the remaining question on an insurance carrier. (This meeting was subsequently canceled after one of the two quotes was withdrawn.)

President Barthel said that after going through the budget process for the first time he was very impressed with the four Councilpersons, Finance Director Delaney and Administrator Thomas and everyone involved in the process. It is not an easy process and the folks did a job in the best interests for the City and not based on political aspirations or what may happen two years down the road, as has been suggested.

Councilperson Megginson moved to adjourn the meeting; Councilperson Cochran seconded. It passed unanimously.

The meeting adjourned at 6:56 p.m.

Respectfully submitted,

Michael Dickinson, City Clerk