

**City Council of the City of New Castle**  
**Budget Workshop Meeting**  
**Town Hall - 201 Delaware Street – New Castle**  
**Thursday – June 19, 2013 – 6:00 p.m.**

**Called to order: 6:00 pm**

**Roll call:**

Councilperson Megginson  
Councilperson Cochran  
Council President Barthel  
Councilperson Petty  
Councilperson Vanucci

**Also present:**

City Treasurer Janet Carlin  
Manager of HR & Finance Marian Delaney  
Mayor Don Reese  
Police Chief Kevin McDerby

**Arasapha Budget Request: presented by Nancy Coning**

Ms. Coning reviewed email correspondence with Ms. Delaney and Nancy. Along with their grant for 2013, the Trustees have indicated that this may be the last year for funding. Arasapha just invested \$28,000 in the Dutch House Garden. The Mission of Arasapha is to plant and maintain the gardens of the Historical Society. In the 1950's, the Trustees and City Council asked Arasapha to decorate the town for Christmas with funding from the two organizations. Arasapha has providing that service ever since but is not sure about future funding. President Barthel and Ms. Delaney clarified that the current budget discussion is from July of 2013 through June of 2014. Arasapha request is for \$1,500 for Christmas 2013.

**Presentation of Audit: presented by Vincent Barbone of Hagerty & Hagerty**

The audit report is for the year ending June 30, 2011. The audit of FY12 is 99% complete with a couple of outstanding items. After FY11 audit is approved, Mr. Barbone will focus on FY12.

Mr. Barbone provided an overview report for the year ending June 30, 2011 is as follows:

- Pages 1 and 2 are opinions and there is more than one set of opinions.
- Pages 3 and 4 are the Government-Wide Financial Statements and are a consolidated view of the city similar to a private corporation.
- Pages 5 and 6 are Financial Statements by Fund which reflects the breakdown of the city budget.
- Pages 7 to 15 are disclosures related to pages 1 through 6.
- Pages 16 through 18 are new and are balance sheets for special revenue related to each fund.
- Pages 19 through 21 are revenue and expenditure statements.

- Page 22 reports the differences between budget and actual.

President Barthel asked about change in the process and presentation. Mr. Barbone referred to page 3 that shows the city operating on a modified cash basis. At the end of June 2011, the city's cash position was \$1.5M of which \$285,000 was restricted for use in specific programs. Going forward, the city had \$1.2M in cash to start FY12.

Page 4 has been revamped to give a general idea of the expenditures of each department along with offsets from grants and contributions leaving the total revenue needed. When general revenue is subtracted from expenditures there is a net surplus of \$84,150. Given all of the city's activities that the city completed and the economic condition, Mr. Barbone believes the net surplus to be an accomplishment.

Page 5 shows the balance sheets by governmental fund. The information on pages 3 and 4 would be different from 5 and 6 if the city changes to a modified accrual basis. The reason is that revenue and expenditures charged to specific year can change in future years. Mr. Barbone recommends that city change to a modified accrual basis. It will take two fiscal years to complete the transition. He will need to go back to the beginning of a fiscal year to restate numbers on a modified accrual basis and can restate the numbers at the end of this fiscal year.

Mayor Reese asked about comparisons to similar cities. Mr. Barbone discussed similarities and differences with other small towns in Delaware. Each town has its own quirks that make their budgets, revenue streams and expenditures different, so it's hard to identify a comparable town.

Page 6 shows revenue and expenditures by fund with special revenue separated from the general revenue.

New software would allow conversion to accrual basis accounting very easily in FY13 or FY14 without any need for additional manpower. It will allow revenue and expenditures to be included in the correct year.

Mr. Barbone asked if the Council is comfortable with the new presentation. President Barthel indicated the new audit documents are more appropriate and show a clearer picture. Mr. Barbone wants feedback to insure that the documents are understandable to non-accountants.

If the city changes to the modified accrual basis, there will be little change to the presentation of the audit. The only additional item for transition to modified accrual basis is that a physical inventory of all city assets must be completed. Mr. Barbone recommends having a firm complete the initial inventory of equipment and assets. City employees can maintain the inventory database. Under the new standards, the city infrastructure such as parks must be capitalized to allow the cost of maintaining infrastructure over time.

Mr. Barbone offered to do a seminar on understanding the audit line-by-line and the policies that support the audit numbers at no additional cost. President Barthel agreed that would be a good idea.

Pages 9 through 15 are an explanation of the policies that determine the numbers used in the statements.

Mr. Barbone brought the change in FDIC insurance coverage to the attention of council. At the end of this calendar year, FDIC insurance drops from \$250,000 to \$100,000 for each account.

Note 5 on page 12 refers to a lease-purchase agreement between the City and the Trustees that needs to be revised. The years of the lease are incorrect and should have been amended.

Mayor Reese asked for clarification of the pension plan name on page 13. It was clarified that the name of the pension fund is correct and does not refer to Delaware County, PA, but to the State of Delaware and the counties and municipalities within Delaware.

Pages 16 through 18 are balance sheets for each special revenue fund on a cash basis.

Pages 19 through 21 are statements of revenue, expenditures and changes in fund balances commonly referred to as profit and loss statements. The purpose is to show accountability and stewardship of funds.

Page 22 is a variance report indicating items over and under budget. For FY11, the city has an overall positive variance of \$121,064.

Mr. Barbone has not been able to find the final completion report that would close out the Conservation District grant. He believes that there are open issues and that the grant has not been closed.

President Barthel thanked Mr. Barbone. It was recommended that a more thorough review be done when the FY12 audit is completed to allow a comparison. President Barthel agreed that would be a good idea.

### **Full Review of FY13 Budget**

Ms. Delaney reported anticipated revenue of \$4,934,150 and expenditure requests of \$5,054,569 and indicated a shortage of \$120,419. Ms. Delaney reviewed each line and highlighted items that had been changed due to clarification of additional information.

### Revenue Review

Revenue has been added in the form of an anticipated increase in property taxes, tax penalties and property transfer taxes for an additional \$40,000.

Posting discrepancies discussed at a previous meeting have been cleared up for the code enforcement reimbursement line and the anticipated revenue is now expected to be \$60,000.

Fines from State Courts are estimated at \$50,000 based on FY13 YTD collections of \$53,700. The Municipal Services Commission and Trustee appropriations of \$500,000 and \$200,000 respectively were added.

The Franchise fees were increased by \$10,000 due to higher collections for FY13 YTD.

Grants and other sources includes the addition of \$90,000 for municipal street aid, \$33,000 for the Separation Day Grant, and the estimated revenue from police grants provided by Chief McDerby. Both the FICA grant and expenses were increased.

The police pension supplement was increased by \$5,000. Mayor Reese asked if some of the police pension supplement comes from State. Ms. Delaney responded that entire pension supplement comes from the State.

The Pay Job Reimbursement of \$43,000 has been added.

The DEMA grant reimbursing 75% of the costs from Hurricane Sandy of \$150,954 are expected after July 1.

Ms. Delaney reported that there may be more revenue from property tax transfers based on the five year average of \$202,000 and FY13 YTD of \$229,000.

#### Dept 0101 Public Safety Expenditures

The department's salaries and benefits have been added. The 6005 Overtime line includes holidays worked and has been budgeted at \$80,000. Almost \$7,000 of FY13 was due to Hurricane Sandy and the YTD only reflects 11 months.

Vacation sell back is an option and the outcome is unknown. The \$20,000 budgeted is based on previous experience. Currently, the city pays 90% and employees pay 10% of health and dental premium and the city pays 100% of life insurance premiums.

The Chief asked that \$1320 be added for the copier lease and \$500 for supplies. Chief McDerby reported that on April 8<sup>th</sup> support for XP ends and the State will no longer provide support. Ten computers in the Public Safety Department need to be upgraded at a cost of \$260 each. He has shifted request between accounts but the total amount requested is unchanged.

The Chief provided projections of grants which were added to the budget. They are a wash of grant revenue and the associated expenditures.

#### Dept 0200 Public Services Expenditures

The 6119 FEMA Flood line has been reduced by \$3,000 to \$11,205. Councilperson Cochran reported that a less expensive source for the needed equipment had been identified online.

The Computer line was increased to \$9,000 because all the XP computers must be upgraded due to support ending on April 8, 2014.

Special events overtime is projected at \$3,000 for 2014 Separation Day activities.

#### Dept 0204 Parks & Property

The Beautification Committee asked for \$2,500. The Tree Commission requested \$39,800. The request was reduced by \$7,500 because the commission had budgeted that amount for plantings but reported not doing any additional plantings in FY14. Line was changed to \$32,300. President Barthel and Councilperson Megginson discussed the use of the \$2,000 budgeted for professional services. President Barthel asked that Mr. Lloyd revisit the tree costs.

Councilperson Petty requested funds for line 7060 New Equipment for tables, benches and a refrigerator. There was a discussion of work being done by an Eagle Scout in park. The request is \$450.

#### Dept 0205 Public Services

There was a discussion of the costs for line 7355 for the pressure washer and jack hammer. Councilperson Megginson clarified that the estimates are \$6,000 for a power washer and \$1,500 for a jack hammer for a total of \$7,500.

#### Dept 301 City Council

The council's salaries and FICA contributions were added.

The 7040 contributions line is reduced to \$19,000 because the amount for the Beautification Committee appears in another department budget and the Arasapha request was reduced from \$3,500 to \$1,500. The total includes \$7,500 for the Senior Center, \$1,500 for Arasapha and \$10,000 for the Historic New Castle Alliance. The library is on a separate line at \$5,000.

Transcription services for Debby Turner are an average of four hours per week. The recommendation is to increase the hourly rate from \$19.68 to \$21.00. The final lease payments through February of 2014 of \$66,666 for the police station have been added.

#### Dept 0302 Clerk & City Treasurer

The upgrade of the City Clerk's computer at Town Hall was added at \$1,000.

#### Dept 0303 Finance Dept

Added a request for a folding machine projected to be \$1,000 and the cost of replenishing stock for printing tax bills of \$600.

#### Dept 0304 Administration

The salary, benefits and professional development projections for the City Administrator and Secretary were added.

Line 6120 Computers has been increased to \$11,000 for the upgrade for the XP computers.

#### Dept 0308 Human Resources

Background investigations for two new hires were added at \$3,000. One computer is XP and needs to be upgraded at \$900.

#### Dept 0401 Recreation

Transportation has been increased to \$1,800 based FY13 YTD of \$1,780.

Dept 0501 Mayors Office and Dept 0801 Board of Adjustment

There are no changes to the original presentations.

Dept 0901 Building Maintenance

Ms. Delaney has confirmed that the expenditure heat in Town Hall is only for the 2<sup>nd</sup> floor. There is a capital reserve of \$5,000 budgeted for emergencies.

Dept 1001 Insurance

Anticipated costs were increased by 10% over FY13 across the board for a total of \$310,000. President Barthel and Ms. Delaney discussed the cost and audit of Worker's Compensation Insurance. Ms. Delaney reported that the cost had been increased due to a low payroll projection.

Dept 1003 Trustee

The only item is \$200,000 for the ARRA reimbursements.

Dept 1101 Trustees Park & Fuel

This department will be deleted.

Dept 1102 Planning Commission

There are three categories professional development was reduced from \$500 to 0, general expenses was reduced from \$7,500 to \$5,000 and the comprehensive plan cost reduced from \$20,000 to \$10,000 due to being split over two years. Councilperson Megginson asked if these were reduced by the commission. President Barthel responded that he had an email and a conversation with David Bird that resulted in the new amounts. Ms. Delaney believes the \$500 under professional development is for all the members to belong to planning association.

Dept 1103 Historic Area Commission

HAC budget request is the same as FY13.

Dept 1108 Separation Day

The total expenses of \$33,000 are covered by revenue from a grant.

Dept 1109 Board of Health

There is no longer a salary for an employee because it is included in Public Services.

Dept 1110 – Long Term Payables

The amounts entered are \$14,000 for each department. President Barthel asked Mr. Barbone about the ability to apply the \$44,000 in unexpected transfer tax income to long-term payables.

City Treasurer reported that the difference between revenue and expenditures has been decreased to 109,000.

President Barthel asked that the council members go through the budget to find recommendations for reduction in preparation for the meeting on Tuesday, June 24<sup>th</sup>.

Chief McDerby reported that numbers were transposed. The amount for the car \$32,000 should be \$30,200 resulting in \$2,000 savings. The Chief asked about new computers versus software upgrades. Ms. Delaney reported that there are old computers that cannot be upgraded and must be replaced.

Ms. Delaney reported that there is no amount budgeted for contingency. Council usually discusses that as a group. 7035 Contingency is under the Council Budget. For 2013, \$15,000 was budgeted and \$5,675 was spent. Ms. Delaney suggested that it could be written into the budget the council approval be required to spend contingency funds.

**Meeting was adjourned at 7:40 pm**

Respectfully submitted,

Janet Wurtzel  
New Castle City Clerk

**Motion to adjourn: 7:27 pm**