New Castle County: A Fiscal House of Cards?

Over the past 20 years population in New Castle County (NCC) has risen 14% and inflation has been 43%. So, it would be reasonable to expect NCC government spending to have increased by 57%.

Instead:

- **NCC government's operating spending has risen by more than 70%**
- **NCC sewer rates were voted upward nearly 100%**
- **NCC's taxable real property assessment grew 21%, while the government raised tax rates by almost 80%**
- **NCC's bonded debt of $153M in 2000 has ballooned to almost $500M, an increase of 225% in just 10 years**

With this track record, it is not surprising that earlier this year, County Executive Meyer announced the County could deplete the Tax Stabilization Reserves by the end of FY 2019, and could be facing a potential General Fund budget shortfall, exceeding *$50 million* through FY 2021.

In addition, it appears from the County Sewer Fund Financial Projections (April 2018) that a similar shortfall will drain the Sewer Rate Stabilization Reserve account. This shortfall (excess spending over revenues) for the Sewer Fund is projected to exceed $40 million through FY 2021, bringing the total revenue shortfall for both funds to $90 million.

So, to continue to do business 'as usual', County leadership decided taxpayers are to pay for the bulk of the County's $90 million projected budgetary shortfalls through FY 2021!

Accordingly, County government, in June, increased homeowners' Property Tax rate by 15% and increased homeowners' Sewer Rate by 12%. Additionally, a new Hotel tax and a new Real Estate Transfer Tax (RTT) on First Time home buyers were adopted to supplement funding of the projected General Fund budgetary shortfall through FY 2021.

The proposed changes all fall on the revenue side of the County's budget. No action is taken on the 386% increase in retire health care costs over the past decade, not the 400% jump in sewer bonded debt. The combined OPEB, pension and long term debt for NCC government now equals $1,609 per resident.

It is unlikely that County government can "grow" its way to solvency. Over the past 10 years total wage and salary employment in NCC has increased by less than 1% and population by a mere 6%. Between 2010-17 there was net migration of 6,152 into NCC, consisting of a net increase of 13,766 "internationals" and a net drop of 7,114 "domestics."

Mediocre public schools, a strict Unified Development Land Use Code, and high industrial electric rates from aggressive environmental policies appear to generate a "fiscal trap" for

NCC government. And continued aggressive tax increases will constrain economic growth even further.