



# Board of Supervisors

## Budget Work Session

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Tuesday, October 2, 2018

2:00 PM

Temporary Trailer Meeting room

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### Meeting called to order

#### In Attendance:

*Board of Supervisors:* Chairman Barbara N. Lyons, Vice Chairman Rick Colello, Ken Snyder, Jennifer Herring and Ryan Manion.

*Ways and Means Committee:* Brenda Bray and Mike Paulosky.

*Others:* Township Manager Stephanie Mason, Chief Dean Logan, Finance Director Ken Wallace, Director of Operations Dave Tomko and Township Budget Analyst Ed Ebenbach

Absent: Robert Salanik and Colleen Mullin

### 2018\2019 Preliminary Comparison

The Committee received positive feedback from the Board. However, no information was received regarding the 2018\2019 Comparison. Mr. Ebenbach indicated; the report remains the same.

### Capital Programs

Internal Funds column was added to note what funds are to be withdrawn with definitions noted on page three. A Township Portion column was added to identify Township's responsibility towards projects. Other items added are listed under external funds in the amount of approximately \$50,000 as newer information on programs.

Mr. Colello questioned; why the Chapman Bridge repair project was slated in 2021. His thoughts were to have completed within five years. Mr. Snyder responded; it was agreed to place the Chapman Bridge project under the year it's scheduled to be re-inspected, which is scheduled within two years. Mr. Ebenbach added; the bridge is listed as an expense and borrowing in the same amount. The only financial impact will be to debt services at a minimal \$30,000 to \$50,000 per year.

Ms. Manion requested to view the Capital Spending Program compared to the tax plan. However, most projects will be mandated.

Mr. Colello indicated; storm water should be included. Mr. Tomko responded; storm water and maintenance will be listed under the Road Maintenance \ Storm water figures. However, when it will occur in the schedule is unknown at this time.

Mr. Colello requested clarification of the tennis courts resurfacing listed as \$150,000 scheduled for 2020. Mr. Tomko explained; when the courts were originally resurfaced, leaching and cracking appeared at a ½ inch or greater. If the issues are not addressed, it may cause a serious liability. The plan is to resurface the courts, repair the cracks, fix surface with added fencing and new lighting. The court will also be restriped for added pickaball courts. Director of Parks & Recreation; Karen Sweeney added; 99% of the project will be paint. Mr. Tomko noted; the current figure is an estimate and may change once bids are submitted.

Mr. Snyder questioned; if purchasing new trucks over a period of several years is a normal sequence. Mr. Ebenbach answered; purchasing trucks every two to four years is a normal pattern due to age and not leasing.

Mr. Snyder questioned; Is the township resourced with internal staff to take on the project? Mr. Tomko answered; the building was contracted services and not internal. The fit outs along the interior was internal. Mr. Snyder questioned; with the storage building allocated for the Parks & Recreation cold storage, where are the items currently being stored. Mr. Tomko answered; equipment is being stored in various areas. Ms. Mason added; without the storage building, much of the equipment will be sitting outside deteriorating.

Mr. Colello questioned; should the township continue to utilize previous Director of Operations; Dick John's formula to use \$40,000 per year for materials. Mr. Tomko answered; the project was designed as per the Park's needs, where much equipment is exposed. To resolve the matter, a shift of Mr. John's program was completed to create an expansion plan of a three sided building to fully enclose the equipment.

### **Pension Contributions**

The township voluntarily contributed more to the pension than the MMO. The current plan shows an additional \$275,000 per year along five years at 4 mils. The Pension Board is going to recommend changing the rate of return from 8% to 7¾%. This will increase MMOs by \$90,000. Should the Board prefer to remain the same, the Committee recommends the \$275,000 be reduced to \$185,000. If the plan continues at the same level of funding as today, the Committee will take no action except to react to Pension Committee's recommendation in real time with little impact and \$185,000 will remain.

Mr. Colello commented; in March of 2019 the Board can advise to change the rate and have the MMO increase by \$90,000 with \$190,000 remaining. Mr. Wallace clarified; if the Pension Board recommends moving the discount rate to 7 ¾%, it will have to be done by January 31, 2019. This will enable the 1/1/19 Report back the 2020 MMO reduction. The discount reduction will affect the MMO and the Committee is requesting Board direction for 2019. Mrs. Lyons suggested to hold their decision until hearing the Pension Board's recommendation.

Upon Mr. Snyder's question; the Doylestown Township Board of Supervisors agreed by consensus \$275,000 is the correct amount to be placed into the plan for 2019. Mr. Snyder suggested the Board consider what percentage of funding is expected to be achieved to drive the future years.

### **New Building Borrowing**

Working with PFM, Mr. Ebenbach submitted two proposals. The first is to borrow \$3.5 million with cost 3 1/8 mils. The second option is to borrow \$4.5 million at a cost of 3 ¼ mils.

### **Other Open Budget Items**

Ms. Mason reported open items for Board direction are non-uniform requests and discussion with the PBA later this month and in November. Mrs. Lyons agreed to follow the directions of the Township Manager.

Mr. Colello questioned if it's recommended to agree to a compromise and allow the current rates to rollover for a specific time on the HRA cards. Ms. Mason indicated yes and devise a time frame upon receiving consensus from the Board to have the non-uniform rate roll over for three years.

The Doylestown Township Board of Supervisors agreed by consensus all employees hired before 2012 will increase medical contributions to 5%. Ms. Mason asked to see how much that would be. Calculations will be provided.

### **General Assumptions – Five Year Plan**

Mr. Ebenbach reported; the General Fund Balance is currently at \$771,000 at the end of five years. This is an improvement from the balance previously reported at approximately \$400,000. However, falling short of \$1 million we try to do.

### **EIT Forecast and results**

The EIT Revenue versus Year chart depicts actuals compared to the budget for the coinciding year, beginning from 2013. Overall, the township achieved over \$3.5 million in Earned Income Tax revenue, where \$3.6 million was budgeted. Although the budgeting became closer, the township has not met its goal to date.

2018 \ 2019 are very close with earned income tax at 1 1/2%. It will cost the township \$50,000 to correct the process by closing the gap in changing the slope to 1.7% will become more realistic. When cross checking the revenue from September until final close for the past few years, 2019 will be at 41%. In addition, by changing the gap the township will gain \$350,000. Changing the slope to 1 3/4% will buy the township \$250,000 for a net increase of \$500,000 at the fifth year.

Keystone collections reported less participants in 2014 and 2017, but the revenue percentage continues to grow due to increasing wages. A benefit for the township is wages between \$40,000 and \$500,000, where most of the participants pay. With the data received, the Committee can monitor the earned income tax on a yearly basis.

### **Tax Balance**

Real estate tax plan has a 1/2 mil increase in 2019, 1 mil in 2020 and another 1 mil in 2021 based on assessed values growing at 1/4 % per year. The park mil was increased to 2 mils and used the general fund with a change to the allocations. With additional funding from the state liquid fuels the road millage remains stable.

Borrowing options are \$2 million with a term loan for building project furniture and fixtures at \$400,000, not to go over \$425,000 with a \$1.3 million bond proceed for the Chapman Road Bridge. State contributions will be provided at 1.1%. Expenses include place holders for wages increases at 3 1/2% for uniform, non-uniform is at 2.6% with no staff increases. Fringes remain at \$275,000 with a growth of 5% per year. Medical is forecasted at 5% per year. Worker's Compensation is at \$28,000 per year for fire fighter's support. Debt services is matched for repayments and building is set for \$12 million spending balance.

Additional engineering was added for traffic project, storm water and park maintenance for five years.

### **Fund Balance**

Two options to bring the township at goal for the general fund is to first implement a 1 mil increase in real estate taxes inn 2023. This will bring the balance to \$1,045,000. The second option is to slim down the extra pension contribution by \$50,000 per year. This will bring the balance to \$1,000,000. Any project that will produce revenue to place in the capital reserve and decrease the transfer from the general fund, will also assist the township in reaching its goal.

A ½ mil increase in 2019 will result in debt services fund balances declining \$130,000. However, it will not be sustained in the outer years. The debt service can increase if the township chooses to increase the taxes by 1 mil in 2020. The 2 ½ mils will remain but allocated differently.

Ms. Manion suggested the township consider cutting the budget before implementing a tax increase to view objectively. Mr. Ebenbach responded; 70 to 75% of the township cost is staffing.

Mr. Ebenbach reported; should the township elect to borrow \$3.5 million, 3 1/8 of a mil will need to be included. To borrow \$4.5 million, 3 ¼ of a mil will need to be added to preserve debt services. \$3.5 million will enable the completion of the municipal building project and provide \$2 million. \$4.5 million will provide \$1 million. The penalty to borrow more does not have a large impact.

### **Supervisors Feedback / Directions**

Mr. Colello commented; if taxes are not increased in 2019, in five years the township will not be in a bad position. Mr. Ebenbach suggested to implement a 1 mill increase in 2023.

Mr. Snyder questioned; if the ½ mill is not implemented, what would the township position be. Mr. Ebenbach answered; taxes will be raised in 2020 with a debt obligation remaining.

Ms. Mason questioned; if debt service payment can be made with a ¼ mil split. Mr. Ebenbach will review the option. The debt services fund balance will drop \$47,000 and with adding a ½ mil, it will become a negative figure.

Mrs. Lyons commented; the millage should be removed at one time to provide funds in the future.

Mr. Snyder questioned; is there a surplus out of the \$12 million dollar borrowed. Mr. Ebenbach answered; the \$12 million was spent out as \$12 million in debt and spending on capital.

Mr. Colello is in favor of not proposing a tax increase in 2019 to provide flexibility for unforeseen expenses and change future millage.

Ms. Mason informed; the Bucks County Planning Commission contacted the township to receive information on the Chapman Bridge for a possible Bridge Bill by the legislation. The hope is the township will be considered for assistance with future budgets from such funding at the State level.

Hearing no further business, the October 2, 2018 Doylestown Township Budget Work Session was adjourned at 3:29pm.

Respectfully submitted by

Stephanie J. Mason