



# Board of Supervisors

## Budget Work Session

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Tuesday, October 4th, 2016

5:20 PM

Public Meeting Room

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### Meeting called to order 5:20 PM

**In Attendance:** Barbara N. Lyons, Chairman, Rick Colello, Vice Chairman, Ken Snyder, Ryan Manion, Shawn Touhill; Stephanie Mason, Township Manager, Ken Wallace, Finance Director, Autumn Canfield, Special Projects Coordinator, Richard John, Director of Operations, Kaci Milligan, Business Analyst, Jeff Garton, Township Solicitor; Brenda Bray, Chairman Ways & Means, Ed Ebenbach, Vice Chairman Ways & Means, Joe Delikat, Ways & Means, Ed Denton, Ways & Means, Bob Selanik, Ways & Means; Melissa Hughes, Public Financial Management (PFM), Jamie Doyle, PFM.

#### Quick Recap of Schedule:

The next budget work session meeting will be held October 18<sup>th</sup>, at 4:00pm.

The meeting on the 18<sup>th</sup> will be the conclusion of the budget work sessions with final direction given. This gives time for the document to be put together, reviewed and sent to the supervisors. Ms. Mason should have the document by October 31<sup>st</sup>.

#### Presentation by PFM, Funding Repayment of Bond Issue:

Ms. Hughes and Ms. Doyle attended the budget work session on behalf of PFM. They informed the Supervisors that interest rates were very near the all-time low that occurred during the summer. Schedules were prepared to look at option of borrowing twelve and fifteen million dollars depending if roads were included in the bond issue. There is a ten million dollar borrowing limit in a calendar year so the Township would need to pursue a multi-borrowing plan. The debt service would be phased into the budget gradually. The financial benefit of bank qualified financing is higher demand and limited supply. A reimbursement resolution was adopted at the September 20<sup>th</sup> meeting of the Board of Supervisors. The IRS requires a reasonable expectation that 85% of borrowed funds be spent in three years. There is a binding obligation that 5% of funds be spent in six months. Mr. Garton will solicit Bond council for competitive prices. Depending on Township credit rating, bond insurance may be needed. The Township has up to one year after the completion of the project to have the bond phased into the budget. A millage increase will have to be put in the budget in order to take on additional debt. The debt service payments will be present in a certain year with a three year phase in. There are a few options of payments over varying numbers of years.

If interest rates stay the same, splitting the bond differently may provide savings on estimates. When ready to proceed, a motion must be made to give the PFM team permission to get paperwork together for the first step. PFM gets a fixed fee that is predetermined. Mr. Colello believes that the sooner the money is borrowed the better and Mrs. Lyons agrees. It was discussed that a loan length of no more than twenty five years is preferable. A consensus was given for Mr. Garton to look into bond council options.

Review and Discussion/Impact of 2016-2021 Budget Forecast:

A memo of assumptions about expenses and revenues was distributed for review. Salary increase for uniformed employees at a rate of 3.5% by contract included as well as a salary increase for non-uniformed employees of 2.6%.

The Ways & Means Committee provided three scenarios which show projections of funds into 2021. The base case includes a road program at \$800,000 and does not include the building renovation or the bridge costs. The second scenario includes a road program at \$925,000 without the building or bridge costs factored in. The final scenario includes a road program at \$925,000 as well as the cost of the building and bridge.

The base case presented shows a reduction in the general fund. The roads funds proceeds into the negative in the five year forecast. In the second scenario, the only change is that the roads program has more money dedicated to it. In the third scenario, with roads at a higher rate and the building and the bridge debt service taken into account, with further deterioration of available funds.

It was asked how the Board felt about raising taxes. Mr. Snyder said looking at the charts, something needs to be done. Mrs. Lyons agrees. Ms. Manion was concerned of how to present the increase to the residents. She believes it is important to express the good of another tax increase and that it is important to prepare residents for the future tax increases. Mrs. Lyons stated that a gradual increase over multiple years is needed. An increase for general operations as well as roads will be needed. Mrs. Lyons is in favor of borrowing for the roads. Mr. Snyder suggested leaving the road program at \$800,000 and not increase it to \$925,000. Mrs. Lyons wants to get the roads up to speed now and not wait. Ms. Manion is supportive of an increase if it can be presented to the residents with a great story. Mr. Colello wants to see the different options and how they affect the projections.

Ms. Milligan is the point person for questions for the budget. For the next meeting, the Supervisors will review the packet that includes everything, roads, bridge and building costs.

Mr. Snyder questioned certain items in the budget. There are line items in departments that have increased or stayed the same from the previous budget without being used. He asked if the Supervisors were in favor of any changes in line items to support operations. For example, a line item in the park and recreation fund is listed at \$80,000 when only \$70,000 is forecasted to be spent in 2016.

Mr. Ebenbach expressed that the fund was being held at the same amount as the fund was budgeted originally for \$80,000 in 2016. He suggested looking at the budget line by line and asking questions about the details when they arise.

Mr. Colello said he assumed that the Manager has already looked at the line by line and approved the information.

Mr. Snyder felt the simplest thing was to have no extra and to cut all the excess out. It was pointed out that line items are already scrutinized. Each department has to justify increases.

Mrs. Lyons questioned the need to talk to the departments. She did not feel it necessary to second guess and micromanage. The budget process is trusted and she feels the staff is doing a good job.

Mr. Ebenbach again welcomed any questions after review of the line items.

A threshold was suggested to look further into a change in a line item. A threshold of 10% or \$5,000 increase was decided upon.

Mr. Snyder suggested again that there should be no increase in any department exclusive of salary, benefits and contractual obligations.

Lines for comment will be filled in as to why increases are occurring.

In regards to the bond issue, Mr. Colello and Mrs. Lyons believe a 25 year time period with an issue of \$10,000,000 and another issue of \$5,000,000 is the best option. Mr. Touhill believes \$10,000,000 and \$5,000,000 is the best option as well. Mr. Snyder is unsure about adding roads into the bond issue. Feedback on the split of the bond issue and the duration is needed as soon as possible. According to Ways and Means members, Ms. Doyle believes the best time to borrow the money is in January or February.

Mrs. Lyons suggests using a portion of the money over a few years to get the road program up to speed. Then allocate a set amount in future years.

A concern of the road program is the lump of roads that will need to be repaired after the sewer project in 2019. The cost cannot be put into the project costs to the residents.

Mr. John and Mr. Snyder agreed to put a plan together to see all of the caveats of the road program and outline what is needed.

With no other business, meeting adjourned at 7:05pm.

Minutes respectfully submitted by

Autumn Canfield  
Special Projects Coordinator