



# Board of Supervisors

## Budget Work Session

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Tuesday, April 17, 2018

3:00 PM

Public 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, and Jennifer Herring. Ryan Manion was absent.

*Ways and Means Committee:* Chairman Brenda Bray, Robert Salanik, and Colleen Mullins. Joe Delikat was absent.

*Others:* Township Manager Stephanie Mason, Finance Director Ken Wallace, Chief Logan and Township Budget Analyst Ed Ebenbach

Chairman Lyons welcomed everyone to the Budget Work Session meeting.

#### **2017 Preliminary Final Results** – Ken Wallace, Finance Director

Mr. Wallace reviewed the 2017 full year report of revenues and expenses and fund balances with those present. He indicated that the numbers provided are rounded to the nearest thousand dollars.

Capital Expenditure was set at around a \$1M came in \$500,000 better due to the grant and building construction. Total 2017 actuals were \$23,266,800.00 2017 expense actuals were \$14,882,500.00 and 2017 ending fund balance was \$15,423,100.00 a change of \$8,384,300.00. That includes the money from the bond. Overall the Township came in better than expected.

The auditors were out and things went smoothly. We met the deadline for the DCED report of March 1<sup>st</sup> and expect our full financial statements in June.

#### **Impact of 2017 Results on 2017 – 2022 Plan** – Ed Ebenbach, Budget Analyst

The fund balance beginning balance was \$4,537,572.00 ending balance is \$5,242,320.00 so improved.

Ms. Lyons clarified that the bond money is not in the general fund numbers and it was clarified that that is sitting in Fund 18 at \$1.895M.

State Liquid Fuels, Fund 35 has about \$1.1M in it as well.

Mr. Salanik asked how the State Liquid Fuel Funds were determined. Mr. Wallace indicated that the funds come from the State, part of the gas tax money allocated to the Township.

Mr. Ebenbach indicated that the Township will be using portions of it for road improvements in 2018 budget.

Ms. Bray questioned on when it was dispersed, is it just one time of year? Mr. Wallace confirmed that it does come in a lump sum once a year.

Mr. Ebenbach indicated that State Liquids Funds can be used for road improvements. The majority can be used in 2020 for the Pebble Ridge and vicinity paving project.

Ms. Lyons asked about the Pension contributions and Mr. Wallace indicated that those are being made regularly now with the State Aid as well as the additional funds from the Township and being made monthly.

Mr. Colello indicated that the Township did better by \$600,000.00 than what was forecasted when taking in account all the funds.

Mr. Ebenbach provided a graph of the fund balance values by type and year. Showing the General Fund and how that goes down but still above the \$1M threshold in 2022. He indicated that the value of a mill is approximately \$268,000 - \$270,000. It does vary from year to year. The real estate tax assumptions show small growth expected. No millage increase was done 2018, expecting a mill increase in 2019 and 2020 and ½ mill in 2021, 1.75 to handle the debt service increase and the balance going to roads. Earned income tax forecast is growing at 1.5% per year. Bonds and borrowing estimated at \$12.1M. Additional bond proceeds in 2018. A \$500,000.00 term loan building for FFE in 2019 and \$1.3M bond for the Chapman Road Bridge in 2021.

Obviously these are all anticipated and those assumptions can be adjusted as we go through the budget process.

Operational Expenses – Staffing –we will be at full staffing in 2018, no additions through 2022. 2.6% annual raises for non-uniformed and 3.5% for uniformed staff. This of course assumes no turnovers. Of course this is a study that we could get into a little further and in addition the Police contract is up for renewed, so those numbers may change.

Discussion on Fringes – Medical growth as an assumption is 5%, pension growth is 5% plus turn \$275,000 per year additional for the MMO, FICA growth at 2.6% per year. Fire liability and auto insurance growth was at 5% per year, all other at 2% or less.

Mr. Salanik questioned the assumption for the 2019-2022. Mr. Colello said knowing the final numbers changes allow us to be more accurate. Ms. Mason indicated for example that the medical actually came in at 2% not 5%. This is something that probably needs to be refined in the models and try to get a more positive, but it's not hurting anything at this moment. Making such assumptions was somewhat conservative but certainly more accurate information in studies can be done and should be.

Major capital expenses – the building project at \$12.6M total spread over 2017-19, Chapman Road Bridge \$1.3M in 2021 engineering to be completed soon, road restoration drainage is anticipated at \$625,000 in 2018, \$1M in 2019, \$900,000 in 2020, \$550,000 in 2021, \$650,000 in 2022.

Mr. Colello pointed out that initially it was thought that the \$12M would cover all the new buildings and the bridge and it's not and that needs to be further addressed in the budget process.

In terms of Stormwater and the MS4, \$1.8M from 2018-22 needs to be addressed. Trail projects will be funded by grants. Total capital excluding building projects \$7.3M over 2018-22. Approximately \$1.5M per year.

The general fund balance over 5 year planning period is going to equal or exceed 10% of spending budget. Approximately, \$1M not including buildings.

Ms. Mason reviewed the schedule with the Board for the budget process for 2019. In June we will have another budget planning meeting with the supervisors to present the various budget components and study results on June 19<sup>th</sup>.

Mr. Wallace, Mr. Ebenbach and Ms. Mason will be meeting with the Department Heads in July and August then again in October. On September 18<sup>th</sup>, October 2<sup>nd</sup>, October 16<sup>th</sup> we have budget workshops that we will be reviewing information. Over the summer the finance department will be developing the forecast, examining assumptions, developing capital plans etc. Our target is to have the preliminary budget adopted on November 20<sup>th</sup> and final adoption on December 18<sup>th</sup>.

New format of the budget book – Mr. Ebenbach presented a layout, format and design for the new budget book and how it would be displayed going forward. It reduces paper but focuses on the areas of revenue, expenditures, capital projects and fund balances and is much more concise and targeted.

The consensus was that the new format was appealing and should continue to be developed. There will still be sections on schedules and detailed information available as well as explanation of the documents as well.

Mr. Snyder indicated that he liked the implementation of the new format. It continues to show improvement and effort in having the budget transparent to the resident.

Mr. Salanik said it is a tool to be able to tell a story that can be easily communicated as well.

Ms. Lyons indicated that she liked it and that it was a good job done by all.

Mr. Snyder questioned Mr. Wallace on the audit and whether the budget is used in that process. Mr. Wallace indicated that typically the actuals vs. budget come from the accounting package and that the documents shared with the auditors. However, the Auditors do look at the budget as it was approved.

Chief Logan indicated that he thought it would be a good idea for the finance department to meet with all the department heads and go over the new format as they are so tied into the old format. It would be good to make sure that they understand the budget book and where they will go to find information.

Mr. Salanik referenced the transfers and the way that those are done verses just allocating the funds to each department as needed. For example, moving money from the general fund to park and recreation. He believes that it would be better to allocate the appropriate amount of millage to that fund verses making transfers.

Mr. Wallace and Mr. Ebenbach indicated that this was something that could be looked into and analysis provided to how those transfers are needed and when and what the millage would look like in those areas. It could be done.

Identifying items to study and presentations for the next workshop – the 2018 capital program update will be provided, the road maintenance, building bond, police contract, staffing and any other topics that the Board would like to discuss are available.

There was a discussion regarding forecasting and being pessimistic in the assumptions trying to be more realistic when it comes to salaries and the way people come and go within the organization.

Mr. Colello indicated that he would like to see the budget actual minimum be a bit clearer on how to save dollars.

Mr. Snyder indicated that having a clear and better picture is probably a good thing especially when it comes to pension costs considerations and being able to implement the changes suggested in the report by the subcommittee.

Ms. Lyons indicated that the Central Bucks School District is looking to have 3 school resource officers in the coming year and they may be looking for the municipalities to share in those costs.

Also putting the Park and Recreation building in the mix and what that will look like going forward in obtaining bond funding is important. The Board of Supervisors is aware that there is a Park and Recreation subcommittee and a Ways and Means subcommittee working on the topic.

Mr. Colello said that the Planning Commission saw a pole barn building at the Burke tract and perhaps that could be a free building used for consideration.

Being no further business, the meeting adjourned at 4:40 PM.

Respectfully submitted by

Stephanie J. Mason, Secretary