



# Board of Supervisors

## Budget Work Session

~ Notes ~

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215-348-9915

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Tuesday, September 18, 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:* Chairman Brenda Bray, Vice Chairman Robert Salanik and Colleen Mullin

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

#### Preliminary 2019 Estimate

The Board and Ways & Means Committee acknowledged receipt of the financial statement and audit with no comments.

Mr. Ebenbach provided the Board and Committee with a booklet containing the 2019 Capital / Major Spending program with instructions on how to review. He reported; there are three sections which do not have a capital form.

Mr. Snyder questioned who completed the capital forms. Mr. Ebenbach indicated all department heads completed the capital forms. Mr. Ebenbach then informed; the department heads also reviewed the forecast for 2018 and 2019 and began creating a five year program. For today's agenda, the 2018 and 2019 will be reviewed for comparison with highlights of the five year plan.

#### Summary Comparison 2018\2019

Mr. Wallace referenced the Doylestown Township Full Year Revenue spreadsheet and reported the materials are for the preliminary budget. Medical carrier, rate stabilization fund and discount figures will be included in the budget presented at the next session scheduled in the middle of October.

**REVENUE** is forecasted for 2018 as \$10,204,732 and the proposed budget for 2019 is \$10,410,128.

**Earned Income Tax** forecasted for 2018 at 1 1/2 % growth per year at \$4,125,620 and proposed in 2019 at \$4,180,000 noting a small increase of \$54,380. Keystone Collections needs to be contacted to obtain the 2019 projective.

**Real Estate Tax** was increased with the latest assessment of a ½ mil increase for debt services at \$130,553. Mr. Ebenbach added; as of the last tax plan, 1 mil will be added in 2019, 1 mil in 2020 and ½ mil in 2021. As per a discussion with the Board in June, a better use with State Liquid Fuels for road work. This will enable the township to forego the ½ mil that went into the Roads fund. Instead of proposing a 1 mil increase in 2019, ½ mil will need to go into Debt Services.

Mr. Colello noted different options would also be proposed noting zero tax with ½ mil. Mr. Ebenbach indicated the option is not included. The plan includes ½ mil and the whole plan. The zero tax with ½

mil option will be included under the five year forecast. The township can survive a year, the difference will have to be returned.

Mr. Colello questioned why can't the zero tax and ½ mil be presented to provide the Board with a full overview. Ms. Mason clarified; the request was to add a separate column with a zero mil option. Mr. Ebenbach responded; the option will affect the fund balance and an explanation will be provided further into the presentation. Mr. Wallace added; the last assessment was received August 31st and outlined in the presentation. Reassessment for the County increase approximately \$13,000 in total. Mr. Ebenbach added; it's worth approximately \$50,000 over five years.

**Real Estate Transfer Tax** was returned as a four year average. The transfer tax was driven up with the sale of properties within the township. As a result, the tax was driven up to a four year average.

**Building Permits:** There is a possible building permit scheduled in 2019 with Doylestown Hospital. There is a baseline with overall permits received. As a result, an increase in the line item is shown as \$90,900. Mr. Ebenbach noted; 2018 was very weak compared to the past and the Staff had to build cautiously in terms of how much it will expand. The numbers provided are based upon transactions and properties the township is aware of. Ms. Mason added; upon meeting with Code Enforcement Director; Sinclair Salisbury, the building permits are viewed on a quarterly basis.

**TV Franchise Fees:** Signs of weakness in revenues received from Comcast and Verizon. The reduction may be because of residents switching to streaming programs, such as Netflix or other communication technologies. The Staff will continue to monitor.

**Interest:** The township has been receiving a good amount of interest from bond proceeds, where the line item is interest earned based.

**Subtotal Regular:** There is a net gain of \$69,396.

**Building Project Revenue Total:** two million dollars was allocated under 2019 borrowing. Mr. Ebenbach added; the amount was added onto the prior plan and an update has not been provided to date.

## EXPENSE

**Departmental OPNS Subtotal:** \$10,344,661 was forecasted for 2018 and proposed for 2019 is \$10,777,716 at a 4.2% increase.

**Police Department:** Wages are recorded as \$102,060 higher with an expected increase of 3.5% in 2019. This is due to the police force operating at a full staff at 21 officers.

**All Departments:** \$4,719,816 in wages was forecasted in 2018 and projected at \$4,853,955 in 2019. This is an increase of \$134,139 at 2.8%. The percentages take all departments into consideration, except for the non-uniform police, which is at 2.6% increase. One retirement is recorded in 2018 and the Parks & Recreation maintenance position is scheduled to be replaced in 2019. Ms. Mason added; the water department for reimbursement will be shown under DTMA. Mr. Wallace agreed and explained; the increase of \$22,731 in 2019 is due to the department expanding their services with taking additional positions under operations.

Mr. Salanik questioned if figures takes into consideration increases of 2.68% and reflects to the earned income tax. Mr. Wallace answered; earned income tax has many variables. Upon a discussion regarding relationship between earned income tax and sterling tax, Mr. Ebenbach indicated the 2.6% increase is based upon employees, non-uniformed and 2.8% can be used as an average for the

community. Mr. Ebenbach added 1 ½% has been used for the gross estimate earned income tax as suggested by the school county. The Committee will investigate the matter and supply a clear calculation of percentage used at a future meeting. Mr. Ebenbach suggested to be careful. The earned income tax is the single largest revenue source for the township and can have a large impact.

**Fringe Benefits:** for all departments, \$3,136,072 was forecasted in 2018 and project as \$3,267,627 in 2019 at an increase of \$131,555. The rate stabilization fund has yet been received for 2019 on workers compensation and health insurance. No percentage increase was received from health insurance. Instead, both was incorporated into the budget as a 5% increase for medical and 1% for dental. Ms. Mason added; health insurance was received in 2018 as 2%. Additionally, ½ mil was incorporated into the Debt Services, which show as \$4,000.

## EXECUTIVE SUMMARY

**Fund Balances:** in 2019, there is a difference of \$4,809.10 due to the building project. However, the operations and capital will also decrease the fund balance currently at \$6,859,400. Mr. Ebenbach answered Mr. Colello's previous question as township will working with \$100,000 less in revenue going into the debt service fund. If the debt service fund was stretched, Mr. Ebenbach indicated; the township can transfer funds to debt services and can survive for one year. However, the township is not at goal going forward five years and substantially below goal. The \$130,000 will have to be deposited back at some point.

For the purpose of the current plan, Mr. Ebenbach stripped back the budget to cover debt services and placed the 2 ½ mil plan and split as ½, 1 and 1. The plan reflects the same amount of tax revenue as last year. Mr. Colello suggested to allow the Board to view the five year plan before deciding for 2019. Mr. Ebenbach responded; the five year plan will be presented within two weeks from today's meeting. Mrs. Lyons questioned if the township is at 10% of the budget. Mr. Ebenbach indicated no.

## POLICE - EXPENSE

**Wages - Uniformed:** there is an increase of \$98,589 with a 2019 return to 21 officers and 3.5% in wages.

Mrs. Lyons commented; the 3.5% for the police is a place holder only and not a confirmation of an increase.

## ADMIN - EXPENSE

**Wages - Administration:** has an increase of \$28,933. Accounting reallocations were completed with a 2.6% increase for non-uniformed employees. Upon Mr. Snyder's question, Mr. Wallace explained; the reallocations include employees who have their wages split amongst departments. As a process improvement and streamline the table, the employees were placed into a prime department. Mr. Ebenbach added; the process will eliminate allocations to avoid explanations during the year regarding the budget and incorrect transfers. The action will also simplify the spending understanding and wage line. This excludes the splits with the Authority.

Ms. Herring commented; the adjustments may cause a skew in some departments and questioned if the cost of running the facilities will not be accurate in wages. Mr. Ebenbach responded; if the payroll is not entered properly and entries must be reclassified, it will become a mess. Upon a discussion regarding allocations, the department will continue to allocate the wages with journal entries.

**Telephone:** a website upgrade was budgeted for \$10,000. \$42,663 was forecasted for 2018 and \$58,000 proposed for 2019

**Rental Facilities:** Forecasted for 2018 was \$91,208 and projected for 2019 is \$86,100 as a reallocation from the capital project, which is the bond fund to the general fund. The township will cover temporary trailer rental and container storage charges from the general fund.

**Insurance:** Forecasted for 2018 was \$236,532 and in 2019, \$248,100 was budgeted. This provides an increase of \$11,568, where a 5% increase was estimated. With the township's good claims history, a 1% to 2% reduction will be received in 2019.

#### **PUBLIC WORKS – EXPENSE**

**Road Supplies:** \$126,083 was forecasted in 2018 and \$135,500 was budgeted in 2019. Loader tires will be purchased in 2019 at \$27,500 a piece.

**Stormwater:** \$52,250 was budgeted in 2019. With the increase in intensity and responsibility, Mr. Tomko indicated; the entire infrastructure will need to be replaced along the Pebble Ridge, Woodbridge area. Mr. Ebenbach added; along with Mr. Wallace several maintenance items will need to be reviewed to ensure corrected figures are added in the future. There will be a large amount of tree trimming and removals scheduled, along with other maintenance items in the park. Mr. Tomko will provide the goal of what items are to be completed to provide a complete understanding.

Mr. Snyder questioned; if the increase will address items in need of repair. Or, anticipate what will need to be repaired. Mr. Tomko answered; most items are for maintenance. The maintenance budget will be increased and separate the capital under fields, trails and the facilities.

**Electricity:** \$40,624 was forecasted in 2018 and \$30,000 is budgeted in 2019. The difference of \$10,624 is allocated for traffic repair and line painting.

#### **PARKS REC & MAINTENANCE – EXPENSE**

**Summer Concerts:** The forecast for 2018 was \$45,000 and budget in 2019 is \$37,000. The difference of \$8,000 was removed for a one-time expense for the Bicentennial.

**Printing:** has a difference of \$7,000 for general printing for the Comprehensive plan.

**Wages:** a difference was shown as \$3,483 due to a retirement under the Parks & Recreation department.

**Contracted Services:** Was budgeted properly in 2019 with a difference of \$37,708 to address the accelerated tree trimming under Parks & Recreation.

#### **CODE – EXPENSE**

**Wages:** a difference of \$11,341 is reported due to a reallocation and 2.6% increase.

**Supplies:** Mr. Ebenbach noted; the figures related to the new building should be allocated under Admin's expense. Mr. Wallace indicated the correction will be made.

**Inspection Services:** records a difference of \$2,600 due to a decrease in inspections.

#### **FRINGES – EXPENSE**

**Non-Uniform Pension:** a forecast for 2018 is noted as \$576,994 and a budget of \$583,318. The difference of \$6,324 is due to the new MMO and the addition of \$155,000.

**Uniformed Pension-Police:** the plan previously implemented by the Board will continue in 2019 at \$650,366.

**Medical Insurance:** shows a difference of \$60,453. The Staff is currently waiting for the rate stabilization and increases for medical insurance. Ms. Mason added; the figures presented are estimates.

Ms. Bray questioned; if the estimates are the same as last year's. Mr. Wallace answered; the spreadsheet utilized records all employees' cost and what health plan they are currently under. That figure is entered the spreadsheet and add 5% for the medical insurance. Dental insurance is increased by 1%. The spreadsheet will be updated once the medical costs are provided.

Worker's Compensation: In 2018, \$182,676 was forecasted and \$213,269 was budgeted in 2019. The Committee is currently waiting for the Worker's Compensation increase and RSF for 2019 to update the spreadsheet. The required volunteer fire department increased from \$25,000 to \$27,000.

### **Capital & Major Spending Programs**

Mr. Ebenbach referenced the 2019 Capital \ Major spending booklet and requested the Board review the summary of all the capital programs within the next two weeks to provide comments at the October 2<sup>nd</sup> work session.

The view in the summary is different than the booklet, where less detail is provided as only the name of the program and rationale. It also notes programs which include external funding and spent in 2018. For 2019, the summary provides what amounts are programmed and source of data.

17-01 | DTWP Building Project - notes the basic building program for the Police and Administration headquarters. To date, approximately \$11,500,000 was spent and will be provided by the bond under unassociated programs.

19-01 to 19-03 | Mandated – are items elected to run through the capital reserve as part of the capital program. These programs will not be paid for by the bond and run through the capital process. There will be other items through the general fund, such as, storage containers and temporary trailers.

The AV hardware for the Administrative building will be allocated out over a two year period. In most cases, engineering estimates will be included. The video production system will be completed by an outside production company and include Comcast and Verizon.

Police lockers and evidence storage systems will include fit out for the armory and a security alarm system.

19-07 | Public Works Roads, Maintenance – will include the ongoing road surface restoration and drainage program. There is a two line split, where a large portion will be deducted from State Liquid Fuels. As an example, out of \$4,900,000 of road work within the next five years, \$800,000 will be paid out of the State Liquid Fuels funding from the State. An increase was noted from 2018.

Other programs include the Chapman Bridge and Green Light Go to upgrade traffic signals along the township, where most are covered by grants. Mr. Tomko clarified; one program has been approved, the second was applied for and third is in the application process.

Ms. Manion noted; many of the program listed falls into the 2018 \ 2019 budget and questioned; if the programs can be stretched out further into 2020 \ 2021. Mr. Tomko answered; possibly the GreenLight Go or the Route 313 corridor programs may flow into 2020\2021. However, the grants

have a three year window to have project completed and depends upon project approval. The spreadsheets all projects to be addressed.

Mr. Snyder questioned; if the township's responsibility will be stretched out three years as well. Mr. Tomko answered; with grants, such as the ARLE, a reimbursement by Pen Dot is included and depends if the engineering will be completed upfront. Each project will be submitted for reimbursement as they move forward. Mr. Snyder questioned; when can time be scheduled to view each project in detail. Mrs. Lyons responded; the Board should review the Proposed Capital spending program spreadsheet separate and submit questions at the October 2<sup>nd</sup> Budget Session.

Mrs. Lyons questioned; who made the determination of Turk Park improvements and have they been reviewed in line with the lease contract with the County. Ms. Mason answered; the improvements are for existing for playground structures and poured and place surfacing. No new projects are scheduled. They have been inspected by the Director of Parks and Recreation.

Mr. Salanik noted; the roads along Pebble Ridge \ Woodridge development are currently torn up due to the sewer project. As a result, there is no way to arrive at Turk Park without driving. He proposed providing a crosswalk from Pebble Ridge to the park by removing two pines trees and placing a path. Mr. Tomko indicated the path is currently a part of the County project. Mr. Salanik then requested to have the trail installed before the Pebble Ridge roads are repaved. Ms. Mason indicated; the path is currently under design by the County. However, she and Mr. Tomko will investigate the matter.

Mr. Ebenbach reminded the Board to review the proposed capital spending program spreadsheet to submit their comments at the October 2<sup>nd</sup> Budget Work Session.

### **Staffing for 2019**

Ms. Mason reported; there is no significant staffing changes for 2019. The intention of the department is to maintain the level of staffing and replace any positions due to changes and retain internship program. Doylestown Township was awarded a \$2,500 grant from the Bucks County Association of Township Officials (BCATO).

Mr. Snyder questioned; is the only option to replace staff is hiring and would it make better sense to outsource some of the work. Mrs. Lyons responded; as in the past, job description and performance is first viewed before determining if the work can be complete more efficiently by in house or outsourcing.

### **Unresolved Open Issues**

Mr. Ebenbach reported; one the of the largest issue of the financial plan is borrowing, bond funds and building project. The current funds spent for the Police \ Admin Building project is \$11,500,000 as borrowed from bonds. The township began with a bond in the beginning of February 2017 as under \$10 million. It's expected to be at \$6,600,000 by the end of 2018. However, it's projected all the \$10 million will be consumed by the April, May 2019 time frame.

Options are to either stop work on the building and continue functioning utilizing the temporary trailers as offices or change the current plan.

Timing will require a decision on the amount by February 1, 2019 to provide enough time to execute the process and not run out of money. The amount will depend upon the decision on how to move forward. Mr. Ebenbach outlined four scenarios as, borrowing \$1,600,000. The tax plan at 2 ½ mils increased over the next three years will cover the expense. The second option is to utilize some of the trailers for park programs and construct a pavilion expansion at \$400,000. This will create a slight

increase in the tax plan at  $\frac{1}{4}$  mil. This will be a temporary solution should the township construct a larger facility. The third option is to construct a 6,000 square foot facility at \$2.2 million and borrow \$3.8 million, which includes the \$1.6 million to finish the current building. The tax plan will increase by approximately 1 mil to cover expenses.

All figures are based upon schedules received from PFM and current interest rates, where the debt services will become reasonable. The fourth option is to construct 11.7 square foot building with a gym at \$3 million and borrowing \$4.6 million. This will increase the tax plan by 1.5 mils. Mr. Ebenbach concluded by request Board direction on how to move forward.

Mr. Colello commented; options are currently in the works, but having construction completed in 2019 will be difficult. Mr. Ebenbach responded; the plan is not to have the buildings completed in 2019. However, the financial plan will need to be turned over to the public by the middle of November and produced by the middle of October.

Mr. Wallace commented; the second option is a temporary and not the best fit, because no revenue is being generated. The third option will not meet the needs of the community. He recommends the fourth option, which is an estimated \$2.5 million dollars and will generate \$150,000 in additional revenue. A question was submitted as what the debt services from PFM on \$2.5 million dollars will be over a 25 year period.

Upon a discussion regarding options of the Municipal Building project's budget, Ms. Manion requested a plan be presented without a tax increase. Mr. Wallace responded; if the township doesn't replace what they had, services will be given up. The next presentation will showcase the best options that meets the needs of the community and presents potential to assist in paying for itself. Mr. Wallace indicated; currently \$2.5 million, plus site work over 25 years is the estimated amount needed.

Mr. Colello requested the Board be presented with accurate figures of what is required to complete the project. However, if the project cannot be completed in time, 2019 will show as zero. Ms. Mason questioned if the Board is requesting the preliminary budget for November noting the borrowed \$1.6 million and the building finished off, prepare for another borrowing in 2020. Mr. Colello agreed. Mr. Wallace questioned what will happen to the Parks & Recreation buildings. Mr. Colello answered; it will be viewed separately. He suggested to have that option are part of the October 2<sup>nd</sup> presentation.

Mr. Snyder commented; he agrees to have different alternatives with costs and benefits be presented to make a good decision.

Ms. Herring agrees with Mr. Snyder's comments and added; Mr. Colello's point on doing nothing may be an option as well due to the community center not being properly vetted to determine a fair cost. If a decision is required by February 2019, when will a presentation be ready from Parks & Recreation. Mr. Wallace answered; additional information is needed before a date can be provided.

Mr. Tomko commented; two million will not be enough for the building and requested to view the estimate.

### **Pension MMO Supplement**

Mr. Ebenbach reminded the Board, the township budget is not at goal and currently at approximately \$400,000. Mr. Snyder questioned; if the clear view is currently at 2019 at a  $\frac{1}{2}$  mil. Mr. Ebenbach answered; the tax increase is scheduled as 1 mil in 2019, 1 mil in 2020 and  $\frac{1}{2}$  mil in 2021. Ms. Bray questioned if the rate stabilization plan will be in place before October 2<sup>nd</sup>. Mr. Wallace answered; the rate will be received by October 16<sup>th</sup>.

Mr. Ebenbach referenced the Township Contribution to Pension hand out and reported; the MMO contribution from the State are included in the plan and forecasted at drawing approximately 5% per year. Additionally, included in the plan, an additional \$275,000 of contribution for each of the next five years and adds an additional \$1,375,000 over the five year period. A recommendation from the Pension Advisory Board is anticipated to reduce the expected rate of return on investments from 8% to 7.75%. This will increase the State required MMO's by \$90,000 per year or \$450,000 over a five year period. The takeaway will be, if the Board would like to continue paying down the pension liability at the same rate, it's recommended to reduce the \$275,000 or not at all. Mr. Wallace added; the Audit Review indicated funding from both plans are much improved. If the \$275,000 was reduced by \$100,000, the balance in year five will be \$900,000.

Mr. Ebenbach concluded by reporting the five year plan will be presented at the October 2<sup>nd</sup> Budget Session.

Hearing no further business, the September 18, 2018 Doylestown Township Budget Work Session was adjourned at 3:34pm.

Respectfully submitted by

Stephanie J. Mason