



# Board of Supervisors

## Budget Work Session

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Tuesday, October 16, 2018

3:00 PM

Public Meeting Room

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### Meeting called to order 3:00PM

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

Township Staff: Township Manager Stephanie Mason, Finance Director Ken Wallace, Police Lt. Matt O'Connor, Director of Park and Recreation Karen Sweeney, Director of Code Enforcement Sinclair Salisbury and Budget Analyst Ed Ebenbach.

Ways & Means Committee: Chairperson Brenda Bray, Vice Chairman Robert Salanik, and Colleen Mullin.

### **Welcome and Call to Order**

Ms. Lyons welcomed everyone to the joint meeting of the Doylestown Township Board of Supervisors and the Ways and Means Committee.

### **Open Item from October 2, 2018 Meeting** - Impact of Non-Uniformed Employee Changes

At the last meeting the Board of Supervisors requested an analysis of the impact of the non-uniformed employee changes that were agreed to by the Board going forward.

The average salary increase was previously set at 2.6%. The non-uniformed employee medical contributions previously for pre-2012 hires was 1%, all others were 5%. The change reflected the average non-uniformed salary increased to 3%. Impact on the 2019 spending by \$8.1K of which \$2.3K is reimbursed by the Doylestown Twp. Municipal Authority (DTMA). The 5-year projection impact from 2019 – 2023 on spending increases by \$153.3K of which \$40K is reimbursed by the DTMA.

On the medical contributions for non-uniformed employees, moving those hired prior to 2012 to 5% affects 20 employees. The impact on 2019 decreases Township spending \$16.5K or an average of \$823 yearly increase per affected employee. The impact from 2019-2023 decreases Township spending by \$91K.

### **2018-2023 Estimate Review**

A full year financial forecast and executive summary was provided. Fund balance report chart shows the fund balance and general fund at \$1,255.8M five years out. The Ways and Means Committee and Finance Department want to develop a policy for fund balances in percentage form of approximately 10%, which is a little bit above our long term goal of a minimum of \$1 Million in the general fund.

The information shows 2019 revenue of over \$11.5M. Expenditures of \$20.4M, this includes funds from the balance of the bond. Using the bond funds for finalizing the construction of the Township Municipal Building. The balance analysis shows a \$470.9K positive change. However it is not assumed in the out years that this would continue. Showing that medical premium costs going down. We also reduced our estimates in the out years from 5% increases to 3.5%. We reduced the growth forecast and the CPI from 2% to 1.7%. This impacts approximately 100 account codes totaling about \$37K. Net park program change on the cost side is down over the 2 years for revenue and expenses due to facility constraints.

Ms. Lyons questioned the increase for fire department. Mr. Wallace explained the difference between the stipend provided for the overnight service that the fire department provides versus the Act 172 compliance.

Mr. Ebenbach indicated that the reviews with the Department Heads went over 540 active account codes that have been reviewed 3 times this year alone and results in the long term forecast. The summary that the Ways and Means Committee developed addresses about 150 account codes in the forecast model for the 5 year period.

Mr. Snyder thanked the Ways and Means Committee and Finance Department for the input and the level of information being provided.

Mr. Wallace commented that he believes the information is better because of the additional meetings with the Department Heads. This information was the impact of updated Department Heads forecasts for 2018-2019. As a result of the meetings with Department Heads the revenue forecast for ending 2018 is \$10.6M and for the proposed 2019 Budget at \$10,564,720. When all of the pass throughs are provided the subtotal of the operations revenue for next year is \$12,568,813.

The departmental subtotal on expenditures for 2018 is \$10,266,125 and for the 2019 budget expenditures proposed \$10,827,748 with all funds together forecast for 2018 expenditures \$11,448,677 and for 2019 \$12,366,677.

Police expect to be at full staffing for 2019 which should positively impact the overtime line.

A bridge model was provided. Mr. Ebenbach reviewed the bridge analysis and this results from an increase in real estate transfer taxes by \$288,900. This occurred in 2018 with 2 large transactions.

Reduced medical premiums costs \$237,600 reduced forecast growth from 5% to 3.5%. Corrected administrative engineering forecast by \$106,100. Removed a one-time Turk Road Study spending. Medical premium contributions of \$88,300. Non-uniformed employee (pre-2012) 1%-5%. Corrected Admin wages forecast to \$58,100. Budget error in 2018. Reduced growth rate forecast at \$36,600. 2% to 1.7%. Corrected Admin insurance forecast \$34,000 on a rating improvement. Increased building permit revenue \$31,200 result of a Doylestown Health permit in 2018. Reduced public works traffic repairs by \$30,500 in 2018, no change for 2019 or onward. Net Park programs change \$31,800 reduced revenue and cost 2018-19 due to facilities constraints. Corrected

police gasoline, \$15,800 increase based on run rate. Corrected Fire Police forecast \$22,800 returned to normal levels. Corrected Public Works electricity forecast by \$40,500 again returning to normal levels of spending. Corrected Police overtime forecast \$63,600 returning to normal spending levels. Reduced interest income by \$136,100 corrected for end of bond fund balances. Wage increase is \$141,000 average increase from 2.6% - 3.0% for non-uniformed employees. All other was \$26,400. Total changes were a positive of \$470,900.

Mr. Wallace indicated that wages have been moved from various departments where employee's salaries are broken up amongst various departments. Going forward we are collapsing everything into one location where the employee spends the bulk of their time.

Mr. Wallace shared information from the Delaware Valley Health Trust which provides the Township's employee medical and dental plans. Due to our experience the Township is receiving a 2.75% increase in addition we have rate stabilization funds available to use and because we belong to more than one trust we receive a 2% discount.

There was some discussion on how the Trust uses its investments to provide the rate stabilization fund. Members of the Ways and Means Committee thought it might be helpful for representatives from the Health Trust Administration to attend a future meeting to provide information on the organization. Mr. Wallace indicated it is his intent to use \$112,000 in rate stabilization fund.

The budget book is being prepared and should be ready by early November and be able to be given to the Board of Supervisors in time for the November 20, 2018 meeting.

### **Resolution of Open Items in Complete Budget Plan**

#### **Tax Plan**

Mr. Wallace reviewed the option on the tax plan. It has been indicated during the 2019-21 2.5 mils are needed to accommodate the debt service being incurred by the Township. In addition, funds are needed and an ending balance by December 31, 2018 in order to pay the debt in the coming year.

Information was provided showing the ending balancing and the necessary real estate tax plans with .5 mil and 1 mil in 2020 and 1 mil in 2021.

There was some discussion about not having a tax increase in 2019 but that would result in a 2 mil increase in 2020 and ½ mil increase in 2021.

There was discussion amongst the Supervisors about the optics of a 2 mil increase verses trying to stay with 1 mil or less.

The recommendation is to keep the 2.5 mils in the budget going forward.

Mr. Colello was in favor of going with option number 2, which would be a zero increase in 2019 and spreading over 2020-2022.

Ms. Lyons indicated that she liked option number 3 the best.

Mr. Snyder indicated that the do to do from balances and funds are necessary.

Ms. Lyons indicated that the Township also needs to be able to meet a catastrophe.

Mr. Colello stressed his desire for a zero tax increase in 2019. He believes that the out years will be managed at that time.

Ms. Herring likes the no tax increase idea but the spending and the debt has been agreed to so the Township must be able to meet the debt service payments in a timely manner, so preferable keeping millage increases to a minimum going forward.

Ms. Manion said she didn't see any cuts being made in 2020 or beyond and believes cuts should be considered.

The consensus was that the budget should reflect a tax plan of .5 mil in 2019, 1.5 mil in 2020 and .5 mil in 2021 unless something changes going forward. The plan should be built with that in mind.

#### Extra Pension Contribution Amounts

This year the Township contributed an additional \$275,000 to the pension plan with the assumed interest rate of return in the defined benefit pension plan at 8%. It is understood that the new Pension Advisory Committee is reviewing the possibility of recommending a reduction in the interest rate of return from 8% to 7.75%. They will be bringing that forward in the near future.

At this time it is the intent to build the budget plan with the extra contribution of \$275,000.

Mr. Colello indicated that he likes the extra payment to the pension but believes we could put in half as much and still have a positive result. He felt the benefit was now verses waiting.

Mr. Colello made a motion to change the MMO rate of return from 8% to 7.75% effective for January 1, 2019 actuarial study. Motion seconded by Ms. Manion.

Mr. Snyder commented that the Committee was intending to come on November 20, 2018 and make a presentation.

There was discussion about reducing the \$275,000 contribution.

Ms. Mullin, who is a member of the Pension Advisory Committee, indicated that the plan is to reduce it to 7.75%. It becomes a question of how well we want the plan funded and the pathway to achieve that goal. Ms. Mullin indicated that it doesn't change the millage in 2019 but it does save money in the plan.

Mr. Colello indicated that attempting to earn 8% is out of sight and why wait to reduce it to 7.75%.

Ms. Lyons questioned why a vote is needed now, as did Ms. Herring.  
Mr. Ebenbach commented that the extra contributions amounts discussion was for the \$275,000 which would be to reduce and look at a cost savings overall with a recommendation from the Pension Committee.

Mr. Colello indicated that we need to look at the whole of the \$275,000 extra payment and see what is viable. Probably the MMO will be a bit higher, at about \$180,000 or so. Then the difference could be reduced in the extra payment next year in decreasing taxes in the out years as well. Now we are paying a lot on the extra contribution.

Mr. Wallace indicated that we are making the payment on a monthly basis. It will all be reflected in the 1/1/2019 Act 205 reports, based on activity from 2017 and 2018.

Calling the question, the motion carried 3-2 with Ms. Herring and Ms. Lyons voting "nay".

Ms. Lyons made a motion to have the tax plan for 2019 reflect a ½ mil increase. Motion was seconded by Mr. Snyder. Motion carried 3 – 2 with Mr. Colello and Ms. Manion voting "nay".

Mr. Snyder moved that the \$100,000 extra to the pension plan be reflected with the new assumption interest rate of return of 7.75%. Mr. Colello seconded it, Motion carried 5-0.

#### Plan Borrowing Amount

Mr. Wallace indicated that it was the plan of the Township to borrow \$12M, initial borrowing for the Township Complex Construction of the Township Building was \$9,975,000 and so proposing to borrow \$2M, \$1,650,000 is anticipated to complete the Police and Admin building. Approximately, \$350,000 would be available to do any temporary park and rec program facilities on a short term, housing while final building plans are established in 2019. We would need to finalize these in the spring for the actual borrowing, but in order to build the budget we need direction.

Mr. Colello questioned whether or not funds would be needed to place the borrowing. After discussion it was determined that, "yes" additional fees for the placement of the borrowing would be required. This could be part of the borrowing rolled into the payment plan.

Everyone agreed that the Park and Recreation is putting together information that will be coming forth at future meetings.

Ms. Manion indicated that she hopes that the Park and Rec Board is looking for sponsorships of the building from outside sources and being creative in their approach.

Mr. Ebenbach indicated that at this time we are looking for some direction as place holder to finalize the budget going forward regarding having funds available for borrowing to complete projects.

After much discussion, the consensus was to keep \$2M in the borrowing plan going forward by consensus as a place holder.

Being no further business the meeting adjourned at 4:40pm. The Board of Supervisors adjourned to an Executive Session.

Respectfully submitted by

Stephanie J. Mason, Secretary