



# Board of Supervisors

## Budget Work Session

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Tuesday, April 2, 2019

3:00 PM

Temporary Trailer Meeting room

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### Welcome & Call to Order

Ms. Lyons welcomed and called the meeting to order

### Meeting called to order

#### In Attendance:

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

*Ways and Means Committee:* Chairman Brenda Bray, Vice Chairman Robert Salanik, Joe Delikat 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

### Welcome & Call to Order

Ms. Lyons welcomed and called the meeting to order

### 2018 Preliminary Final Results

Mr. Wallace reviewed the revenue, expenses and fund balance results and comparison to the adopted budget for 2018.

Mr. Wallace provided the Board and Ways and Means with a bridge analysis. This showed the actual information with the forecast in the revised budget in the fall 2018 with the current preliminary budget and whether items were higher or lower.

Earned Income Tax, Building Permits and Real Estate Taxes were all up for 2018.

### EXPENSES

#### EXECUTIVE SUMMARY

**Fund Balances:** Funds ran through for the accounts for the Pebble Ridge/Woodridge Sewer Project and PENNVEST Loan.

**Park & Recreation Program:** Receipts were up as well.

**Wages:** were under budget due to some employees leaving the Township's employ throughout the year.

**Bike Trail for Shady Retreat:** was a bit over because we did not anticipate the engineering to begin on that project as early as it did.

**End Result:** Total net income change was higher by \$941,700.00

**Revenue:** was 1.8% off of the forecast, which is good.

Mr. Wallace then provided the full year financial forecast and Executive Summary.

Mr. Wallace indicated that revenues were \$968,200 lower and expenses were \$6,790,200 lower. Fund Balance was \$631,500 higher.

**Earned Income Tax (EIT):** Mr. Wallace discussed the EIT with the Committee indicating that because of higher wages, full employment and since we are a bedroom community we did well with the EIT.

It was suggested that there may need to be more forecasting on the EIT. Transfer tax for 2018 was also strong.

**Fund Balance** was \$15,400,000 in 2018.

Mr. Wallace and Mr. Ebenbach reviewed the Ending Balances for 2018 in a graphic display for the various funds. In addition, they reviewed the full year revenue by various categories as well as the full year expenses and then provided the information for each department as well.

**Fringe Benefits for Full Year Expenses:** were provided and due to not having each department fully staffed resulted in the fund being better by \$29,789.

**Capital Expenses for 2018:** With the forecast compared for better or worse. We were better by \$77,264.

#### **IMPACT OF 2018 RESULTS ON 2018-2023 PLAN**

Mr. Ebenbach reviewed the Fund Balance changes and reviewed a reminder of the major assumptions including the tax plan with those in attendance.

General Fund in 2023 appears it will be \$1,584,800 and the other fund balances in 2023 look to be at \$2,940,400.

The major assumptions for 2019 initially were a total of \$12,000,000 in funding for new admin police building. A total of \$2,000,000 in additional borrowing is needed.

Chapman Road Bridge replacement in 2021 at \$1,400,000. Will require additional borrowing.

Road Restoration spending at \$3,500,000 between 2019 – 2023 includes complete rebuild of the streets in the Pebble Ridge area after the sewer project of about \$1,000,000. By increasing the mobilization of State Liquid Fuels aid by \$700,000 we believe we should be able to accomplish that.

EIT Revenue Growth is projected at 1.75 % per year.

Real Estate Tax Millage increase is projected to match the Debt Service needs.

Salary increases are projected at 3% for non-uniformed employees and 3.5% for uniformed employees included flat staffing in 2020 for uniformed employees, that's how the projection is done. Obviously, year to year determinations are made regarding the percentages.

Also anticipated extra spending for the Pension of \$675,000 over the 5-year period.

Capital Spending of \$7,400,000. Not including the new building, Chapman Road Bridge or the road restoration.

2019- 2023 Real Estate Taxing – was provided with total millage at 12.375 in 2019 going up to 13.125 in 2020, 13.625 in 2021, 13.625 2022 and 2023 to 13.875.

Mr. Snyder shared a concept with the members by looking at the 2019 Tax Plan Potential Impact to Residents. Instead of using the millage rate but show it in dollars, so that from 2017 – 2023 the total increase is \$117.00. The assumption is that 1 mill per household equals \$46.80.

Mr. Snyder also identified some of the major projects that the Township needs to be addressing whether in the current plan or not and technically what that equates to. There's stormwater over a million dollars, pension of around \$100,000, Chapman Road Bridge over a million dollars, Park and Rec Building around \$3,000,000. But some of these things are offset by new revenues as well i.e. sewer project and Admin. Building. For those the potential increase is \$121.61. For Pebble Ridge Sewer Project and sewer hookups the potential increase is, if equated in millage, is \$130.93.

Ms. Lyons made the comment that that should not be included because that doesn't impact all residents, just the residents in Pebble Ridge area, and low interest loans are being offered to assist with those costs.

## **NEXT ROUND OF BORROWING**

**Building Cost/Drawdown Schedule:** Mr. Ebenbach, Mr. Wallace and Ms. Mason reviewed with the Committee the different borrowing scenarios for completing the existing Admin/Police Building and the future Community Center Building.

Initially, approximately \$9,940,000 was borrowed in 2017 for 25 year. The anticipation is that another \$2 million to complete the existing project would be borrowed. There is now discussion about the Community Center and how much that borrowing should be. Information was obtained from PFM Management, TD Bank and the Delaware Valley Regional Financial Authority (DVRFA) regarding \$2 million borrowing and from PFM borrowing for \$2, \$4, or \$6 million depending on what the Board's preference is to move forward with various projects.

Obviously, with any borrowing there are costs associated with it i.e. financial advisor fees, PFM would charge \$25,000 where as a bank loan and DVRFA would be zero. Although, legal fees would be associated of \$8,000 in all three.

There has been discussion whether to borrow one time and to wrap the Community Center into that borrowing or treat them separately. The larger borrowing is suggested to be done with a bond. However, a smaller borrowing could be done with a bank or bond. PFM offers a dual tract, financial advisor and information. The bank loan would be an RFP process. There are concerns with DVRFA as Ms. Bray and Mr. Salanik have had negative experiences and caution about using DVRFA because of hidden and swap fees when adjustments are done.

Mr. Salanik believes that it should be done as one borrowing and that the Township should pay the balance of the current project with reserves and pay itself back when the borrowing is completed.

Ms. Bray agreed and that issuing debt is easier and better rates could be obtained through that process.

Ms. Lyons commented that the Township needs to do the \$2 million and believes we should wait until More information about the next project is known and do two borrowings.

Mr. Salanik indicated that there is a cost savings in the issuance and cost of borrowing if you delay it by 6 months.

Mr. Colello commented on the \$2 million project and believes going to the bank and borrowing maybe prudent. He also questioned the bank qualified and creditors concerns regarding a depleted fund balance.

Ms. Bray indicated and Mr. Wallace concurred that PFM indicated if that is explained and repayment resolution is provided then the bond lenders will not see that as an issue.

Ms. Herring commented the cost of interest calculation on the borrowing for the bond at \$4 million and trying to work with the least cost for interest should be looked into.

Again there was discussion regarding DVRFA and the concern that they may have changed things since the 90's with the interest rate swaps. Documents would have to be thoroughly reviewed. If borrowing with DVRFA is pursued.

Ms. Lyons believes that there should be 2 loans. Mr. Snyder and Ms. Herring thought it would be best to wait and look at the duel tract.

After further discussion it was consensus that this item be placed on the agenda for the June with an update to see where the Community Center project is at and by September we would know the cost of other items that may also need to be pulled into a borrowing i.e. stormwater or road construction project. So, waiting may be prudent.

## **2020 BUDGET PLANNING**

Ms. Mason reviewed the scheduled events starting with today's meeting followed by the June 18<sup>th</sup> meeting, the summer work of the finance department with department heads, the following would be Sept. 17<sup>th</sup>, Oct. 1<sup>st</sup> and 15<sup>th</sup> Budget Workshops, following the 2<sup>nd</sup> meeting in October with department heads and then preliminary adoption of the 2020 Budget in November and final adoption in December.

Things that will be talked about and reviewed for June will be the 2019 Capital Program update, roads maintenance, staffing needs for 2020, a staff turnover factor review, pension cost considerations will also be reviewed. It was noted that the Ways and Means Committee and the Pension Advisory Board will be meeting in May, so they will be able to collaborate on information to bring back to the Budget Workshops.

Other topics of interest Board members may have. Mr. Snyder indicated regarding the Cap X information. He believes Mr. Tomko should look at that very closely and budget to capacity to complete projects.

Hearing no further business, the meeting adjourned at 4:12 pm.

Respectfully submitted by

Stephanie J. Mason