

## Budget Work Session

June 16, 2020 at 3:00 PM

### NOTES

Members of the Board of Supervisors in attendance included Chairperson Barbara N. Lyons, Vice Chairperson Ryan Manion, with Supervisors; Jennifer V. Herring, Nancy Santacecilia and Dan Wood.

Members of the Ways and Means Committee in attendance included Chairperson Brenda Bray, Colleen Mullin, Robert Salanik, Joe Delikat and Joseph Volk.

Members of the Pension Committee in attendance included Chairperson Ed Denton, Joe Delikat.

Guests Jaime Doyle, PFM and Steve Ray, ECI

Township Staff in attendance included Township Manager Stephanie J. Mason, Chief of Police A. Dean Logan, Director Ken Wallace, Director of Operations Dave Tomko and Budget Analyst Ed Ebenbach.

#### **1. Welcome & Call to Order**

Meeting called to order at 3:00 pm by Ms. Lyons.

#### **2. Update on the Township Financial Position resulting from COVID19**

Mr. Wallace and Mr. Ebenbach provided the Board with the year to date results. As of May 31, 2020, the Earned Income Tax Revenue was \$966,000.00. They indicated that the concern is that to date the EIT is off by about \$260,000.00. The deadline for submission extended to July 15<sup>th</sup> it is unknown whether this impact is a timing situation or a result of the COVID19 unemployment situation in our area.

Real Estate Taxes collected at a rate of 95% to date. Because of the reallocation and increase in taxes for 2020 we have collected \$3,311,300.00.

Building Permits are up significantly for the work at Doylestown Hospital as well as other projects in the community.

Expenditures so far in 2020, salaries in the Police Department are up due to a retirement. Fringes have been flat.

Ms. Herring asked if we thought the real estate was impacted from mortgages and that most people escrow for their taxes, but we didn't see a significant impact there.

#### Consortium Study Results – Academic conditions from COVID19

Doylestown Township is a member of the Bucks County Consortium of Municipalities. The Consortium hired Economic Strategy Insight (ESI) to do a fiscal analysis and the impact of COVID19 on revenues for the member municipalities. They looked at EIT, real estate, real estate transfer and for those municipalities with business privilege tax as well. They provided backup information on the baseline scenarios and estimates that they were using in their economic analysis and how area scored.

As part of their study they did a historic budget and monthly tax collections for the past two years. Current monthly tax collection reports and projection of future tax collections based on potential recovery scenarios.

The baseline scenario they utilize is revenue that would have been expected 2020 and 2021 without COVID19 crisis. They based it on the actuals from 2019 and annual increases based on the average growth. They developed two scenarios, one is assumes the SWOOSH shaped recovery with worse conditions occurring in mid-2020 then gradually beginning to improve through 12/21. The second scenario assumes a “W” shaped recovery conditions that begin to recover from the lowest point in mid-2020 then worsen again for several months before beginning to gradually recover and achieving normal levels through 2021.

They provided information on scenarios on one and two. For each the EIT, property tax, real estate transfer tax and business privilege. In some cases drops in revenue in these categories could be as low as less than 0.8% upward to 28% depending on the category. They also took into account unemployment currently in the County and their differences in revenue pre-virus baseline and some of the risks.

Doylestown Township sits in a medium risk situation on the EIT. Real Estate taxes they utilized baseline and two scenarios which would suggest anywhere from 1% - 5% decreasing impact.

Property Tax again, Doylestown Township is the medium risk in this regard. They did indicate the property tax is the most stable revenue source but that although there could be a decline around 1% in 2020 the impact will really come in 2021 where loses could be between 3%-5%.

Realty Transfer Tax the model assumptions are sort of a year over year change and they established again a baseline with the different scenarios, where we could be seeing anywhere from -9% to -17%. Obviously this impact could impact sales of homes, businesses, the commercial markets, etc.

Again they indicated that with the extensions of when taxes are due, you may see some different scenarios depending on the community.

Ms. Herring commented that real estate transfers could be up due to low interest rates if people are ready to make a move.

ESI concurred with that potential.

Ms. Lyons thanked the representatives from ESI for attending the meeting.

#### Joint Ways & Means/Administration Recommendation to Initiate Borrowing and the Borrowing Alternatives from PFM

At the May 19, 2020 Budget Work Session, the staff had suggested obtaining a bank loan to replenish the \$1.6M that was borrowed from the General Fund to complete the Township Building project in 2019.

The Ways and Means Committee suggested that there were other financial mechanisms that should be utilized other than a bank loan and although the staff obtained three quotes from local banks the Ways and Means recommends working with the Township's financial advisor PFM. Jamie Doyle of PFM attended the Ways and Means May 27<sup>th</sup> meeting and reviewed the various mechanisms with the Ways and Means Committee.

Ms. Doyle reviewed the various mechanisms for example tax and revenue anticipation note which helps with short term borrowing but must be paid back within the same fiscal year, a bond anticipation note, again a short term borrowing to provide a bridge loan until long term financing is issued and non-revolving lines of credit which again is short term up to two years of borrowing interest is typically paid monthly or semi-annually. Short and long terms tools were reviewed. The dual tract process which she believes brings the biggest benefit to a municipality which solicits bank loan requests for proposals from local, regional and national financial institutions. Evaluates responses on an apples to apples basis, compares the best bank loan results with bond market. For longer term financing of 10+ years the banks may offer a 5, 10 fixed rate with a variable rate thereafter. Under State laws banks must provide cap rate. In addition, the long term conditions are associated with loans and bonds. Sample non-revolving lines of credit were provided along with the associated fees as well as the sample long term financing of 25 years and the associated fees. She also indicated that the bond market tends to be more competitive, especially now with the low interest rates.

Ms. Lyons questioned the information that the staff had obtained from TD, Provident and CN Banks with the cost associated with using PFM versus directly working with the banks.

Ms. Santacecilia questioned the Pebble Ridge Woodridge (PRWR) project and the funding that gets the miles of roads paved and the curbs replaced, but leaves other needed projects throughout the Township to 2021 to be completed. She indicated that she hopes that smaller road project could possibly be fit in in 2020 as well.

Ms. Lyons questioned whether the Doylestown Township Municipal Authority will be responsible for restoration of the trench when they install water in the PRWR neighborhood.

Mr. Tomko indicated that yes they would be responsible for that work.

Ms. Lyons also questioned what if the Township chose to borrow the \$3M directly from the bank.

Ms. Bray and Mr. Salanik along with Ms. Doyle indicated that PFM is very conservative in its interest rates and there are a lot of concerns going directly to a bank as there could be puts and increased interest rates and other things that can be hidden when using a direct borrowing from a bank. The role of PFM is to vet all of that information prior to a municipality entering into any bank loan or bond issue.

Mr. Wood and Ms. Herring both commented that spending the \$25,000 in fees for PFM seems most beneficial with the lowest risk and provides the most expertise.

Ms. Santacecilia questioned can they guarantee an interest rate that is low.

Mr. Salanik indicated that PFM goes out to the market place and doesn't look at 3 banks but obtains information from 20-30 who PFM works with and brings back the best rates. Their dual track process brings both bank loan and bond comparison information and assures the community that best economic analysis and the fees associated are appropriate.

Ms. Lyons agreed that going forward with the \$3M borrowing makes sense but is hesitant in engaging PFM.

Ms. Manion concurred.

Ms. Doyle reminded everyone that there are requirements to file paperwork with DCED.

Mr. Delikat indicated that the \$25,000 will be well spent and provide the Township with assurances.

After further discussion, Ms. Lyons made a motion to go forward \$3M but not engage PFM. Ms. Manion seconded the motion. After further discussion the motion was withdrawn.

Ms. Lyons made another motion to engage PFM to complete the dual track process for borrowing \$3M. Ms. Manion seconded the motion. The motion carried 5 – 0.

### **3. ADJOURNMENT -**

Being no further business the Budget Work Session adjourned by Ms. Lyons at 4:17 pm.

Respectfully submitted by

Stephanie J. Mason  
Secretary