

Budget Work Session

October 6, 2020 at 3:00 PM

NOTES

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

Members of the Ways and Means Committee in attendance included Chairperson Brenda Bray, Joe Delikat and Joe Volk.

Members of the Pension Committee in attendance included Ed Denton, Chairman

Township Staff in attendance included Township Manager - Stephanie J. Mason, Chief of Police - Dean Logan, Lt. Charles Zeigler, Director of Finance - Ken Wallace, Director of Operations - Dave Tomko, Budget Analyst - Ed Ebenbach, and Director of Code Enforcement - Sinclair Salisbury.

1. Welcome & Call to Order

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

2. Long Range Forecast

Mr. Ebenbach stated that the reports being used in the presentation and discussion are derived from the Township's long range financial forecast model, using detailed, account level data spread covering 2020-2025. The model output is a report which shows and charts the various fund balances. He pointed out that the initial results with all spending requests included has obvious problems, such as the General Fund having less than a 10% of Operating Expenses remainder in 2025, and the almost \$3m negative balance of the Roads Fund in the same year.

Mr. Ebenbach stated that the General Fund chart shows a steady decline over the 5 year period, though a downward trend is normally observed at this stage of the forecasting process. He stated that he would present various ways to improve the result during the course of the meeting, and give the Supervisors options as to how to proceed.

It was stated that the Township had already received the 2020 State Liquid Fuels and the State Pension Aid funds.

Grants and Donations

\$1.3 million is shown in grants for projects in 2021. All projects are underway.

Capital Expenses

Mr. Ebenbach shared the placement of different projects. Community Center, spending in 2022, Chapman Road Bridge, 2025, PRWR with big spending in 2020 and 2021 and lesser spending in 2022,

Request for spending for regular roads and bridges at the same time and Central Park bathroom as a placeholder in 2023.

Mr. Ebenbach stated that the major drivers with the biggest impact on the financial results were the infrastructure maintenance program, the MMO payments, and the timing of the Park Rec/Community Center construction project.

PAC Board Presentation

Mr. Denton stated that the pensions have been underfunded since 2003 because of the too high discount rate. He mentioned that by delaying the funding for employee pensions, the Township will incur significantly higher pension costs.

Mr. Denton explained three different scenarios - One being if the employee benefit is earned and paid for in the same year, two, being more aggressive with funding the pensions, and three, lowering the discount rate faster and making larger and extra payments.

Mr. Denton went into more details about each option, summarizing the benefit of making an 'extra mortgage payment' of \$500,000 in 2021.

Ms. Lyons asked for clarity as to whether the \$500,000 cited by Mr. Denton is already included in what the Township contributes. Ms. Lyons went on to ask what we contribute to the pension every year. Mr. Ebenbach answered, \$1.3 million.

Mr. Wallace summarized that the most aggressive plan would be for the Township to pay it all off right now. He mentioned that the PAC's recommendation is to move 7 ¾ discount rate to 7 ¼ which will take effect in 2022.

Infrastructure Maintenance Program

Mr. Tomko presented information showing that the township on average paves 2.5 miles per year of the total of 81 miles of road in the Township. He mentioned that the Roadbotics program gives us a snapshot of the condition of each road. Mr. Tomko proposes that \$1 million be spent annually on the regular road maintenance program, which would double our efforts. He stated that more work can get done with more money.

Mr. Tomko and the Board discussed paving types and their benefits.

Ms. Herring asked is the proposed 1 mill tax increase for road paving includes bridges? Mr. Tomko assured her that yes, it does but it does not include the Chapman Rd bridge replacement but it does include the maintenance other bridges.

Conversation about how many miles of roads have been paved in the past couple years continued.

Mr. Wood asked if the 5 year plan takes into account the State Liquid Fuels and how the transition to electric vehicles could decrease the amount of money that municipalities get for the State Liquid Fuels. Ms. Mason said that was a good point. Mr. Tomko stated that how many and how quickly it transfers is unknown. He mentioned that there are alternative fuels tax.

Park Rec/Community Center

The Board and Township staff continued conversation about the Park Rec/Community Center. Mr. Ebenbach stated the \$4.9 million project requires borrowing \$4.2m and uses \$720,000 from the cell tower sale. The Township is looking to construct the Park Rec/Community Center in 2022.

It was discussed that if the center is constructed in 2023, the Township saves money (\$250K) because they won't need as much for the debt services in 2022. Those funds, would be reallocated to benefit the general fund. Mr. Ebenbach illustrated those changes using the long range report chart. He showed that adding a one year delay to the Park Rec/Community Center puts the Township in a better financial spot.

Pension MMO's

Mr. Ebenbach showed a chart and made changes in real time so the Board could see the impact of different levels of MMO spending. He mentioned that fundamentally changing the MMO payments and by adding extra payments on the in between years, puts the Township on a path of reduction year after year.

Infrastructure Maintenance program

Mr. Ebenbach discussed the size of the infrastructure program. To accomplish the \$8m program that has been requested, the Township would need to increase the Roads and Bridges tax by 2.25 mills.

Mr. Ebenbach shared different proposals. He described a \$6.4 million road program which would require a Roads and Bridges tax increase of 1 mil over the 2021 – 2025 period.

In summary, capital reductions, different sizes of infrastructure, doing something with the MMO and possibly coming to an agreement about the Park Rec/Community Center in terms of timing, are all things to consider.

Mr. Ebenbach mentioned that he is open to try different scenarios.

Ms. Lyons asked what the difference in the Park/Rec Community Center is if we are borrowing the money for it.

Mr. Ebenbach mentioned that if we just push it back a year we are not saving any money in the long run, but will free up funds in the short term to allow the Township to get other projects done.

The Board continued to have conversation about the pension and potential retirees.

Mr. Denton stated that the Township needs to stop kicking the can down the road. The sooner the Township makes a decision the better. He mentioned that pushing the Park Rec/Community Center makes more financial sense and you can take the \$720,000 and apply it toward the pension. He feels it is the best option.

Ms. Santacecilia mentioned that Doylestown Township is not the only PA municipality dealing with funding pension plans.

The PAC continues to have conversations about tweaking the portfolio as well. Mr. Delikat mentioned that a 65% /35% is typical in municipalities in the surrounding areas.

Mr. Ebenbach talked to the chart and the PAC recommendation. He mentioned that the Park Rec/Community Center is waiting to be constructed in 2022 or 2023 and the only path to get us at this level is to take the full PAC recommendation and push the Park Rec/Community Center to 2023.

It was concluded that it does make sense to proceed with the architect/feasibility study now but the date of obtaining the bond and starting construction is a variable.

Ms. Lyons asked about income from the Park and Rec. Programs. Information was provided on current revenue.

Mr. Wood asked about the roads program and if we go with the \$6.4 million, how close does that get the Township to be able to recycle roads to catch up and keep maintaining more roads?

Mr. Tomko was not able to answer that question at the moment. He mentioned that it would be an uptick but he is not sure what it would look like. It was recommended that a column be added to the red-green chart stating the road conditions.

Ms. Lyons asked if we could borrow money from the State Liquid Fuels for parks and rec. It was stated that the Township already has a tax stream for parks and rec and is not permitted to use State Liquid Fuels Funds for such purposes.

Mr. Wallace mentioned that he likes to keep \$200,000 or so in the State Liquid Fuels at the end of the year for the next year.

The Board and staff continued to have conversation about an increase in general fund. It was stated that a 1 mill increase costs the average tax payer less than \$42.00 a year.

More discussion about tax increase continued. It was stated that policy wise, roads are important but we also provide parks and recreation which is also important. We cannot keep putting it off. Ms. Lyons concluded that where she sits as a policy marker putting off the Park Rec/Community Center for a year because of \$200,000 doesn't make sense, we should be able to find the money somewhere. She suggested that the Township look at other capital programs and see if there is something else that we can push back.

Mr. Ebenbach recapped the alternatives. These included a compromised road plan with 1 mill tax increase, the full PAC recommendation on Pensions and a delay to 2023 for the Park Rec/Community Center construction. This left \$200,000 plus yet to find through other reductions.

Being no further business the meeting adjourned at 4:48 pm.

Respectfully submitted,

Stephanie J. Mason
Township Secretary