

Budget Work Session

October 20, 2020 at 3:00 PM

NOTES

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

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

Members of the Pension Advisory Committee in attendance included Chairman Ed Denton.

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

1. Welcome and Call to Order

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

2. Analysis of Packet indicating Township's Financial Standings

Mr. Ebenbach explained the layout of a PowerPoint presentation slide which displays Fund Balance and Tax Millage plan information produced from the detailed forecast model. He explained that the forecast was built up from the account level. He went on to say that depending on the particular assumptions set up in the forecast model, the Fund Balance graph would show whether the condition of the General, Roads and Bridges, and the Debt Service funds would be good, or as Mr. Ebenbach stated, "above water".

Mr. Ebenbach continued to talk about the budget and the outlook for 2021-2025. He stated that our standard practice is to have the fund balance in the General fund at no less than 10% of the Operating Expenses in 2025. He went on to say that the staff would like to see the roads and bridges fund balance in 2025 be higher but for now it is OK. Discussion of the fund balance continued and major assumptions were stated.

The effects of the Coronavirus were outlined. Mr. Ebenbach said that the pandemic has affected the Township moderately, EIT receipts expected to be down 3.5% in 2020 with another 2.5% projected for 2021. State Contributions are also down, and all of these revenue items are not expected to reach budget. Mr. Ebenbach believed the largest shortfall will be EIT which is why it was highlighted. He also believed the reduction will continue moderately in 2021. Real Estate tax in 2020 seems to be unaffected. Building permits in 2020 are running \$150,000 over budget thanks to the Tabor property and Doylestown Health projects. The Finance department expects more normal levels in 2021.

Mr. Ebenbach stated that the Township has received the first proceeds of the loan which put \$1.6 million back into the General fund. He is also expecting there to be \$1.4 million from the loan in 2021 for the curbing work in PRWR.

Mr. Ebenbach spoke about the Park Rec/Community Center and how construction is currently estimated to cost \$4.9 million. The plan is to borrow \$4.2 million and use the cell tower lease sale revenue (which is another \$700K) to fund the total project. These costs are shown in the forecast in 2023 at this point. He also spoke about the grant and donations revenue which is built into the forecast including \$1.65 million for capital projects that will occur between 2021-2023. The largest one is the Safe Route to School project which will be constructed in 2021 covered by a Grant of \$985K.

Mr. Ebenbach stated that in 2020 the plan had been to increase taxes in 2020-2024 to pay for Debt Service associated with the Community Center's construction. In this forecast, the plan is proposing a .75 mill increase in 2021, 1 mill in 2022, and a .5 mill increase in 2023. This is about ¼ mill less than how much we had in the prior year. Also, it was stated that the 1 mill increase is what was already fundamentally omitted to the rec center project.

Ms. Manion asked if there was any thought around putting a bigger millage increase in a year and having no increase in the other. She mentioned there is a psychological standpoint to tax increases.

Mr. Ebenbach said there is certainly a way to work it. He suggested putting a bigger tax increase earlier with a lower increase in years to come. He mentioned that the plan proposed is their response to what is the normal reaction to proposed tax increases – to spread them out and to minimize them.

Ms. Santacecilia stated that raising taxes for roads and bridges is more palatable.

Ms. Manion stated that there needed to be a story behind a larger millage increase.

Ms. Santacecilia mentioned that she spoke to the Pension Advisory Committee and stated that other municipalities are experiencing the same thing that we are with our pensions.

Ms. Manion stated that she wants to articulate a story for the tax increase no matter if it is 1 or 1.75 mill.

Mr. Ebenbach stated that he understands and stated that he can present options that have a larger increase earlier.

Ms. Lyons agreed that a bigger increase now is a better way to go and that an increase should not happen every year. She likes the idea that there is not an increase every year.

Ms. Herring stated that we are in the midst of a pandemic and that the Township should consider holding off on any major increases until we get on solid ground.

Ms. Manion asked to look at 2022 and beyond and say that is the year that there will be no more tax increases.

Mr. Ebenbach stated that we cannot afford to have no tax increase in 2021.

Conversation went on about how much a 1 mill/17% increase is approximately \$40 per year.

Mr. Delikat commented that the Township is in a deficit spending mode and recommended raising taxes every year. He said the Township either had to find other revenue streams or raise millage. He said that the Township is moving things around and now increasing taxes but we are spending every year. Instead of saying what looks good and what doesn't look good, the Township needs to be more realistic by looking at spending and revenue and adjust the millage accordingly. He mentioned that the Township has already spent .75 mill on the rec. building in 2020.

Mr. Ebenbach mentioned he has the same concern and believed the largest component is the accommodation of the entire MMO payments.

Mr. Wood asked if we reach the target laid out by the Pension Advisory Committee by 2025, would we still need to increase the MMO payments in 2027. The response was yes.

Ms. Herring asked if we increase contribution above the MMO over the next couple years, does that reduce the amount that we pay in the future.

Ms. Mullin responded that the goal is to get a reasonable rate of return. Once that is accomplished, Pension costs should level out, though perhaps at a higher level than it is today. The goal of the PAC is to have a 6% discount rate.

Mr. Denton said that MMO is to bridge the gap and lower the liability.

Mr. Wallace said that reducing the discount rate will take effect in 2022 and that no one can predict what the market will be doing. He believes the interest rate will be short in 2023 but we are going to be looking back at 2022 and 2021 with returns from the Pension Plan so addressing the General fund will have to happen eventually as far as the revenue stream is concerned.

Ms. Lyons stated that she wants to see scenarios if we put a mill over the next couple years.

Mr. Ebenbach said he can do that. He believed we need to increase by $\frac{3}{4}$ mill in 2021 and then bring a 2022 increase.

Ms. Lyons asked if that would help in the borrowing of the community center earlier than 2023.

Mr. Ebenbach said he can look at that also.

3. Township Expenses

The Township expenses were discussed.

- Open positions to fill replacements in the administration and the police department. Also a new position in the Parks & Rec maintenance.
- Wage increase 3% for non-uniform and 3.5% for police.
- MMO Increases
- Additional amount in between years , simulating .25% step every year
- Medical insurance growing 3.5% a year
- Debt Service, \$250,000 left which is less then October 6, 2020 presentation which is because the board has pushed borrowing for the Community Center out a couple years.
- Pushing back Community Center means that Township continues to rent the trailers which is a cost.
- Continue with infrastructure maintenance program
- MS4 previously has 1.4 mill over the five years. Township learned there are low costs things that can be done like naturalizing basins. Therefore, proposing reducing over the 2021-2025.

Conclusion

Mr. Ebenbach stated that the 5 year planning is satisfactory. All funds have a healthy balance at year ends. The General Fund has \$1,378.8 K / 10% operating expense.

Ms. Lyons stated her concerns for borrowing for the community center. She stated that the architects are very aggressive. By mid or late 2021 we have a fully developed plan going out to bid. She does not want to see the work get put on a shelf and have to wait to start the project.

Mr. Ebenbach stated that he will look at the details of borrowing from the PFM service with debt service in 2023.

Mr. Wood stated that he assumed that the Board needs another meeting to hammer out the details. Ms. Manion agreed that the Board should have another meeting to discuss different mileage rate options.

Ms. Manion stated that the Board could meet again, on Tuesday, October 27, 2020 at 3PM.

Ms. Lyons moved to adjourn the meeting at 3:50 pm. The motion was moved by Ms. Santacecilia.

Respectfully submitted,

Stephanie J. Mason
Township Manager/Secretary