

PLUMSTEAD TOWNSHIP BOARD OF SUPERVISORS

April 26, 2018

Meeting Minutes

The public worksession of the Plumstead Township Board of Supervisors was held on Thursday, April 26, 2018 at 7:30 p.m. at the Plumstead Township building, 5186 Stump Road, Plumsteadville, PA.

Present:

Stacey Mulholland

Chair

Brian Trymbiski

Vice Chair

Nick Lykon

Secretary

Dan Hilferty

Asst. Secretary/Asst. Treasurer

Carolyn McCreary

Township Manager

Absent:

Peter Busillo

Treasurer

Chairperson Mulholland called the meeting to order at 7:30 p.m.

PUBLIC COMMENT: None

Ms. Mulholland stated that the purpose of the meeting was to discuss a variety of financial topics as a result of discussions held during the 2018 budget process, and the request of some of the Supervisors to set aside time to review various components of the Township's finances and operations.

Ms. McCreary began her presentation by explaining the difference between a fund balance and reserves, pointing to the fact that sometimes in past discussions they were used interchangeably. She stated that fund balance is the difference between the assets and liabilities, and in the case of the General Fund most of the assets are cash. She explained that the cash is made up of an operating account and the reserves. She noted that some of the reserves were established by prior Board's for specific uses, while others were the result of developer contributions in the form of fees in lieu of.

Review of 2017 General Fund Operations: Ms. McCreary informed the Board that the financial statements for the year ending 12/31/17 showed that operations resulted in a surplus of \$72,180. She reviewed details of the summary of operations she distributed to the Board. She noted that the Township received \$3.2 million earned income tax revenue for 2017, which exceeded the budget by \$400,000. Ms. McCreary stated that because of the YTD revenue reported in the fall, earned income tax revenue was projected to be \$3.1 million for 2018. She reported that the Township received \$535,000 real estate transfer tax revenue, which resulted primarily from an increase in resales. As a result of this activity the real estate transfer taxes exceeded budget by \$235,000. She also advised the Board that building and plumbing permits came in higher than budgeted, but were less than what the Township received in 2016. She noted that cable franchise fee revenue continues to rise with the new housing starts.

With regard to expenditures, Ms. McCreary reported that they totaled \$5.75 million, which was 97.9% of the adopted budget. She noted that in reviewing the figures she determined that about 86% of the expenditures are related to wages/benefits, insurance, vehicle-related expenses, utilities, building expenses, professional fees and contracted services. She stated that 68% of the expenditures relate to wages and benefits, with it representing 93% of the Police Department, 72% of Public Works, and 80% of Administration expenditures. She reminded the Board that the 2017 expenditures included capital relating to the building and a poured play surface for Jennifer Schweitzer Park. Together these two lines totaled \$100,000. She stated it was important to note that no large capital projects are paid from the General Fund, so all the expenditures are solely related to Township operations.

As a result of the 2017 operations the General Fund's fund balance was \$3.4 million. Ms. McCreary reviewed the fund balance trend going back to 200. The Board saw where the fund balance had been drawn down during the period of 2007-2010 as a result of the economic downturn. Mr. Lykon brought up establishing a policy concerning a required fund balance, and Ms. McCreary stated that a policy like this is looked upon favorably by bond rating agencies and could be adjusted by future Boards.

Update of Township Reserve Balances: Ms. McCreary reviewed details of a spreadsheet that identified certain reserves within the General Fund. She reminded them that cash had been placed into a separate bank account per their previous consensus. She reported that the reserves totaled almost \$2.1 million with almost \$853,000 designated as unreserved, and \$706,599 from capital improvement fees collected with building permits in Plumstead Chase and Carriage Hill per their respective developer agreements. The Board discussed the details of the designated reserves and their purposes. Ms. McCreary explained that fees in lieu of collected from developers must be used for their stated purpose, but items like the mowing reserve and stormwater management reserve could be utilized for offsetting costs relating to open space mowing and projects involving stormwater like the Summer Meadow streambank restoration project.

Analysis of Revenue and Expenditure Trends: Ms. McCreary prepared a spreadsheet that listed the revenue and expenditure line for the General Fund dating back to 2008 so the Board could see the trends and where the growth is occurring. She spoke about the layoffs that occurred in 2009 with the Township contracting with a third-party for its code enforcement and zoning needs. She stated that the only new hires were in Public Works to be able to handle additional maintenance associated with the Township parks and the buildings. In response to a question about the number of employees, Ms. McCreary noted that the Township currently employs 1 less person than it did when she was hired in 2008. Mr. Lykon requested that the parks area of the General Fund be changed to include open space in the description of the category since the contracted mowing was paid out of this area of the General Fund.

Mr. Trymbiski asked about the Township's insurance costs and if this is an area where savings could be generated. Ms. McCreary advised the Board that in 2009 the Township changed its insurance and became a member of the Delaware Valley Insurance Trust (DVIT), which resulted in a 29.8% reduction in the Workers' Compensation premium and a 32.1% decrease in the

property/liability insurance. She noted that the savings continue in the 2017 premiums, with the property and liability insurance premium 33% less than what was paid in 2008. She pointed to the Township receiving dividends each year and the availability of a portion of the rate stabilization fund to help offset premiums in years where the Township's revenues might not meet its expenses. She also spoke about value-added services provided by DVIT relating to risk management, safety grants and aggressive defense of litigation, citing two instances where DVIT's attorneys successfully removed the Township from a lawsuit.

Ms. McCreary a summary of revenues in the General Fund for the years 2008 thru 2016. She called attention to the three largest revenue sources: real estate taxes, real estate transfer taxes and earned income taxes. She noted that cable franchise fees have increased continually as new residents have moved into the Township and continued to sign up for service. Permit revenue has declined with the completion of a number of larger residential subdivisions, but continues to remain healthy because of permits issued for improvements to existing homes.

Review of Five-Year Plans: Ms. McCreary presented information provided by the Police Department and Public Works and discussed the effect these proposed expenditures would have on future budgets. She discussed the fact that even though the Township is completing the third phase of its last road reconstruction project (Silo Hill Rd.), the cost of maintaining roads and extending their life via processes like microsurfacing comes with increased costs, and the State liquid fuels allocation does not meet these costs because of other expenditures that come out of that fund. She stated that those other expenditures would need to be transferred to the General Fund if the Board decided to use liquid fuels revenue solely for road projects. She noted that a prior Board adopted the local services tax to establish another source of funding for Police Department capital and Public Works road projects. Ms. McCreary stated that as far as a plan for Administration, staff is continuing to schedule the original HVAC units from 1994, and have budgeted for the replacement of the windows in the meeting room in 2018. She indicated that the roof would need to be evaluated to determine if it will need to be replaced in the next five years. She acknowledged that the biggest challenge continues to be usable space in the building.

Review of Township Debt Service: Ms. McCreary shared a spreadsheet that listed all of the Township borrowings, and the debt service requirements thru 2041. She informed the Board that the 2009 General Obligation bond was paid off in 2017, and the next substantial decrease in payments would occur after 2022. Mr. Trymbiski asked about the amortization schedule for the 2013 General Obligation bond, pointing to the annual payments actually increasing. Ms. McCreary explained that in the past when new debt was incurred it was structured so the annual debt service requirements did not spike as a result.

Suggestions for 2019 Budget Process: Mr. Lykon stated that the biggest change he would like to see is for the Board to establish policies, so it and future Boards could make informed decisions about potential revenue shortfalls in advance of them actually occurring. He indicated that if the Board sees the reserves or fund balance rising or falling below the acceptable range then they would need to make decisions about raising or possibly lowering real estate tax millage.

ADJOURNMENT

Motion by Ms. Mulholland, seconded by Mr. Lykon to adjourn at 9:25 p.m. With no additional comment, all voted in favor 4-0.

Respectfully submitted

Carolyn McCreary
Township Manager

Date approved: