

**PLUMSTEAD TOWNSHIP BOARD OF SUPERVISORS**

**March 30, 2017**

**Meeting Minutes**

The public worksession of the Plumstead Township Board of Supervisors was held on Thursday, March 30, 2017 at 7:30 p.m. at the Plumstead Township building, 5186 Stump Road, Plumsteadville, PA.

Present:

**Dan Hilferty**

**Chair**

**Stacey Mulholland**

**Vice Chair**

**Mick Lykon**

**Secretary**

**Carolyn McCreary**

**Township Manager**

Absent:

**Brian Trymbiski**

**Treasurer**

**Frank Froio**

**Asst. Secretary/Asst. Treasurer**

Chairman Hilferty called the meeting to order at 7:30 p.m. with a moment of silence and Pledge of Allegiance. Mr. Trymbiski was ill and unable to attend the meeting.

**PUBLIC COMMENT:** None

Mr. Hilferty stated that the purpose of the meeting was to discuss a variety of financial matters pertaining to the Township's General Fund. He noted that he believes the Board's role is to establish the vision for the Township, and the parameters or boundaries to meet that vision. He stated that there needs to be consensus among the Board in order for the staff to be better able to determine costs associated with any initiatives of the Board in conjunction with the costs of normal Township operations. He stated he hoped that this approach would provide a framework for the budget process.

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.

Mr. Lykon brought up the purchase of the Nanni/Doyle tracts using part of the \$4.5 million park referendum, stating that the land is not actually a park and was purchased to settle litigation. Mr. Mulholland stated that the land was purchased because of its proximity to Owls Nest Park and could be developed into a park at a future point in time depending on the needs of the community and the funds available. She stated that part of the purchase price was paid for with the Township's allocation of County open space funds and connected a 26 acre park to an additional 74 acres.

**Review of 2016 General Fund Operations:** Ms. McCreary informed the Board that the financial statements for the year ending 12/31/16 showed that operations resulted in a deficit of

\$258,233. She reviewed details of the summary of operations she distributed to the Board. She noted that the Township reported \$3 million earned income tax revenue for 2016, which exceeded budget by \$200,000. She identified additional revenue including a grant from FEMA for the January 2016 blizzard, and \$52,670 more in real estate transfer tax revenue. She advised the Board that although four residential subdivisions were completed and dedicated in 2016, about 78% of the real estate transfer tax revenue resulted from resales. She also advised the Board that building and plumbing permits were less than budgeted and those budgets were reduced from 2015.

With regard to expenditures, Ms. McCreary reported that they totaled \$6 million including a transfer to the Debt Service Fund to cover a portion of the nonelectoral debt. She noted that in reviewing the figures she determined that about 81% of the expenditures are related to wages/benefits, insurance, vehicle-related expenses, utilities, building expenses, professional fees and contracted services. She stated that 65% of the expenditures relate to wages and benefits, with it representing 93% of the Police Department, 87% of Public Works, and 70% of Administration expenditures.

Ms. McCreary provided data relating to real estate taxes, real estate transfer taxes and earned income tax revenue. She reminded the Board that while the Township reported \$2.9 million in real estate tax revenue, only \$848,000 was allocated to the General Fund. She reported that according to the County as of 01/01/17 the total assessed valuation of the Township is \$215,013,920.

As a result of the 2016 operations the General Fund's fund balance was \$3.3 million. Ms. McCreary reviewed the fund balance trend going back to 2003. The Board saw where the fund balance had been drawn down during the period of 2007-2010 as a result of the economic downturn. The Board discussed putting a policy in place concerning a required fund balance, and Ms. McCreary stated that a policy like this is looked upon favorably by bond rating agencies. She stated that the Government Finance Officers Association (GFOA) recommends a fund balance of 5-15% of annual expenditures. Ms. McCreary stated that it is important to understand that the continuing use of fund balance to balance the budget coupled with annual allocations for capital projects/purchases in the Departments' five-year plans and the addition of any Board initiatives like trails will reduce it more quickly.

**Update of Township Reserve Balances:** Ms. McCreary reviewed details of a spreadsheet that identified certain reserves within the General Fund and identified the amounts drawn from them in 2016 to pay for certain capital expenditures and projects. She reported that the reserves totaled \$1.8 million with almost \$700,000 designated as unreserved, and \$661,000 from capital improvement fees collected with building permits in Plumstead Chase and Carriage Hill per their respective developer agreements. She noted that as of December 31 there are no road improvement reserves remaining in the General Fund.

**Analysis of Revenue and Expenditure Trends:** Ms. McCreary prepared a summary of expenditures by area for all significant departments going back to 2005, so the Board could see

the expenditure trends for each 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.

Ms. McCreary stated that one of the questions Mr. Trymbiski communicated to her involved the expenditures relating to insurance as he noticed the amounts were some of the highest in the vendor summary report. 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 stated that workers' compensation premiums were 8.7% higher than what was paid in 2008 due in part to the premium increase associated with the cancer presumption legislation passed in 2011. 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.

She also reviewed 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.

**Review of Five-Year Plans:** Ms. McCreary presented information provided by the Police Department and Public Works in an effort to show the Board what expenditures are being planned for that would be incorporated into future budgets. She discussed the fact that even though the Township is completing its last road reconstruction project (Silo Hill Rd.), the cost of maintaining roads and extending their life via processes like microsurfing 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. Mr. Lykon asked the Board to consider alternatives for the proposed bridge repair/replacement projects, citing a vendor he spoke to at the 2016 PSATS convention who was involved with one of the recognized, awarded projects. Ms. McCreary stated she would present information to the engineers, and would defer to them on any alternative methods. He asked if there was a ballooning of road costs at any point, noting that the projections all appear to be relatively flat. He asked if staff could provide an inventory of Township bridges to the Board, so they could see what other ones may need to be addressed ten years from now.

**Review of Township Debt Service:** Ms. McCreary briefly reviewed the debt service requirements thru 2041 when the most recent loan will be paid off. She pointed to a significant decrease in 2023, as the 2016 refinanced bond will be paid off in 2022.

**Suggestions for 2018 Budget Process:** Ms. McCreary spoke to the Board about the next budget cycle, stating that understanding that the budget is a tool it is still important to wait until a

significant amount of current year activity is recorded to look at next year's projected budget, particularly revenues. She suggested that the Board review capital requests utilizing the Departments' five-year plans and discuss any initiatives like trails in August. This would then help staff share preliminary numbers in late September (possible Worksession) with a preliminary budget being presented in October, leaving November and December for adoption depending on the outcome of Board discussions.

**ADJOURNMENT**

**Motion** by Ms. Mulholland, seconded by Mr. Lykon to adjourn at 10:00 p.m. With no additional comment, all voted in favor 3-0.

Respectfully submitted

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Carolyn McCreary  
Township Manager

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Date approved: