

UPPER MERION TOWNSHIP BOARD OF SUPERVISORS
BUDGET WORKSHOP MEETING
OCTOBER 23, 2014

The Board of Supervisors of Upper Merion Township met for a Budget Workshop Meeting on Thursday, October 23, 2014, in the Township Building. The meeting was called to order at 7:10 p.m., followed by a pledge to the flag.

ROLL CALL:

Supervisors present were: Greg Philips, Erika Spott, Greg Waks, Bill Jenaway, and Carole Kenney. Also present were: Dave Kraynik, Township Manager; Sally Slook, Assistant Township Manager; Nick Hiriak, Director of Finance.

CHAIRPERSON'S COMMENTS:

Chairperson Waks reported there was no executive session prior to this meeting.

OPENING REMARKS:

Utilizing the aerial, Dave Kraynik, Township Manager, provided an overview of the 2015 General Fund which reflects a 6% increase (up \$1.6 million) with a balanced budget at \$28,564,000 for 2015 with no tax increase. Major highlights are as follows:

- 511 taxes increased \$85,000
- Shared revenue up 14.6% (this category includes the casino revenue)
- Increase of 62% for Park and Recreation revenue which is anticipated from membership and program fees for 2015 (half year) for new community center
- \$1.6 million was budgeted for budgetary reserve for 2015 which is almost \$300,000 less than was budgeted for 2014
- Park and Recreation up 21.6% on expense side most reflects anticipated expenses with the new community center; however, it is offset by revenue
- Sewer fund is up \$14.5% (last year of the \$2 increase)
- Liquid Fuel Fund up 20% (as a result of the transportation funding bill approved earlier this year and is used for repaving roads, snow removal, etc.)
- Budget contemplates \$862,000 for the equipment replacement fund which represents a \$262,000 increase

Mr. Waks questioned whether the equipment replacement fund should be increased that dramatically and said it is a topic for a broader discussion.

Mrs. Spott asked where the requested equipment would be deployed. Mr. Kraynik responded much needed equipment has been delayed and deferred and this will be further discussed in going over all the budgets in detail.

Mr. Hiriak indicated during his presentation he will go through the debt analysis to show and discuss where the debt service flows and the principal kicks in and what the numbers look like down the road in 2016, 2017 and 2018.

Mr. Kraynik stated the Cadillac Tax is scheduled to take effect in 2018 and the township's projected tax contribution in 2018 is \$384,000 and jumps up to \$610,000 in 2021.

A discussion followed regarding other matters to prepare for as well as income to be generated by upcoming projects.

Mr. Kraynik indicated this meeting will focus on a page by page review of the General Fund and he provided highlights on the most important line items as follows:

- real estate taxes and assessed valuation are stable.
- Projected increase of \$225,000 in Real Estate Transfer Tax (\$725,00 was budgeted and this is already at \$1,082,418)
- Mercantile tax projections are up \$60,000 (this year it is already at \$3.8 million and \$3.9 is projected)
- Delinquent 511 Mercantile – very good
- Local Services Tax projected up \$80,000 (\$1.7 million year to date is budgeted at \$2.23 million)

A discussion followed about employees who work in the township and are paid from a downtown Philadelphia system and people who live in this township and work in other communities.

- Amusement tax declining

Discussion followed about the possibility of a soccer training camp in the township and a suggestion was made to reach out to some prospects.

- Business tax is stable.

Mr. Hiriak discussed some related issues associated with the business tax.

The discussion then focused on inspection of rental properties and it was indicated this subject would be discussed in more detail at a future workshop.

- Delinquent 511 business tax had a very good year.

- Cable TV income is steady, comes in quarterly, and going up.
- Public utilities real estate tax is stable.
- Liquor license and beverage tax is stable.
- Municipal pension system state aid fluctuates from year to year.
- Gaming revenue is strong.
- Permit and inspection fees is projected to go up 13% or \$217,000.

A discussion followed regarding upcoming land development and redevelopment projects and anticipated timelines.

Mr. Waks asked how the township's permit and inspection fees compare to other municipalities. Mr. Philips asked if these fees cover our costs. A discussion followed.

- Concert revenue is budgeted at \$30,000

A discussion followed about the music acts selected for concerts and the possibility of infrequent, controlled alcohol at some special events. It was suggested that this matter be placed on a future workshop agenda and that Dan Russell provide some revenue projections for further discussion.

- Day camp revenue is steady and rising an additional \$20,000 budgeted for 2015.
- Community Center memberships – half year projection for \$371,000.

Mr. Waks pointed out with the opening of the Community Center the township will no longer be paying rent for the senior service center. He also noted the potential business interest in memberships.

Philips asked if yearly membership dues have been set for temporary residents. Mr. Kraynik responded these dues have not been set as yet and the Board will be asked to approve them by January 2015.

Mr. Jenaway asked if any consideration would be given to the change in management of the other site [pool]. Mr. Kraynik responded when Dan Russell presents the Park and Recreation budget next week he will provide general projections of operating revenue and expenses if the pool is part of the township operation.

- Farmers market is stable and projected accordingly.
- Budgetary reserve is set at \$1.9 million not counting what needs to be done with the library.

In response to Mr. Waks' question, Mr. Hiriak responded at this point in time nothing is being drawn down and we are at \$4.7 million above expenses.

Mr. Hiriak discussed the Library revenue. Highlights as follows:

- The biggest library revenue generator is the real estate tax which shows very little growth in assessment which is leading to the library's deficit. The revenue cannot keep pace with the salary and wage benefits.
- Proportionate share of local services tax of \$265,000 is money that is lost with the Homestead Exclusion deduction.
- State aid has been flat for 4-6 years.

A discussion followed about various fundraising efforts for the library.

Mr. Hiriak discussed the Sewer Fund Revenue. Highlights as follows:

- This is fifth year of the \$2 rate increase.
- Tredyffrin Township bulk customer revenue is contractual and any wet weather gets extra surcharges which is why it was \$808,000 in 2013.

A discussion followed with regard to capacities to sustain ongoing and upcoming development during which Mr. Kraynik noted engineers have said there are no issues now for the foreseeable future.

Mr. Philips stated part of the reason why he asked the question about capacity is that the plants are aging and DEP regulations are changing and at some point there is going to be a major capital improvement.

Mrs. Kenney commented tapping fees were increased last year for the first time in about eight years and we are probably in the lower quadrant of surrounding townships in terms of tapping fees. Mrs. Kenney also noted there is also the question of expanding the sewer authority to stormwater management and this was discussed at a recent meeting as to how to come up with a pay structure and do an overall study of what is going to be needed for stormwater management in Upper Merion Township.

Mr. Hiriak provided an overview of the Administration Department. Highlights as follows:

- Administration Department budget up 6.1% which is driven by equipment replacement. This will be seen in almost every budget.

- Salary items reflect 5% increase due to the 2014 salary not reflecting the 2.75% increase by not having a settled agreement at the time, as well as reflecting the 2015 increase of 2.25%
- All corresponding FICA taxes and pension contributions have similar increases due to same explanation in bullet above.
- Other Personnel Services increase of 19.0% or \$3,415 due to increase in the management groups deferred compensation contribution by the Township per the 2014 MOU.
- ZHB Expense: decrease of 20% or \$1,000 based on actual 2013 and 2014 year to date flow of activity.
- TV Service expense decrease of 11.1% or \$1,000 based on actual 2013 and 2014 year to date flow of activity.
- Supplies/Act 511 taxes increase of 6.3% or \$2,000 due to increase in processing costs and service contract (five year contract).

With regard to Act 511 supplies, Mr. Philips asked if this is for servicing the program, and Mr. Hiriak responded in the affirmative. He said it is an outsource. Township staff print all the tax forms and they do the mailing.

Mrs. Kenney asked for clarification on the TV services expenses. Mr. Hiriak responded it is for DVD supplies and other items needed in their control room. It is also for repairs and minor equipment. It is not a capital expense and has gone down.

Mr. Philips asked why the ZHB was decreased in view of the increase of members to five. Mr. Hiriak responded last year's budget was higher than what was actually used and it is being budgeted on what they actually used last year.

- Legal increase of 12.9% or \$45,000 due to scope of legal services used by Upper Merion Township.

A discussion followed regarding the scope of legal services.

- Other legal services: increase of 25% or \$6,000 based on actual 2013 and 2014 year to date flow of activity for legal ads and court reporting services.

A discussion followed about the court reporting services and the process for their utilization at hearings.

- Building maintenance increase of 27.9% or \$9,472 due to assuming more space in the building with the movement of the PIO to the old tax office and HR to the old Park and Recreation office.

Mr. Waks pointed out while there is an increase because of the maintenance of more space, further expansion of the township building is no longer being contemplated which amounts to significant savings.

- Equipment depreciation charge: increase of 54.5% or \$10,873 for the allocation to the equipment replacement fund. Every department is going to have their allocation increased.

Mr. Philips asked for clarification about this line item. Mr. Hiriak responded “equipment depreciation” is basically saving today for purchases tomorrow. Money is taken out of the operating budget.

A discussion followed about the terminology used to describe this accounting practice.

- Increase of \$2,800 for conference expenses, \$2,800 and increase of \$2,250 for miscellaneous expense.

In concluding his presentation Mr. Hiriak went over a detailed chart and he discussed the debt. Highlights follow:

- 2017 has a lot of the balloon payments in the various bond issues.
- it would be possible to structure this by paying for the balloon payments by expiring debts. The issues for 2009 and 2010 both end in 2016. In 2017, the 2013 and 2012 debt services both go up \$963,000. When the other two come off it will free up \$1,200,000 to pay for the other two.
- as long as we do not incur any new debt we are able to cover those debt services.
- The new bond that was just issued this year is new money and not coming from any fees of any other debt. We are unable to divert any other float to that so that one has to be funded.
- When we reach 2017 there is still \$300,000 from 2009 and 2010 that is unassigned so theoretically that can be shifted. Between now and then the General Fund is going to have to cover.

A discussion ensued during which Mr. Hiriak responded to questions from the supervisors.

Mr. Hiriak stated the 2011 open space bond is his biggest concern. That is funded solely by real estate tax which has been eroded by the assessment issue. There is enough money the next two years to cover the debt service because there was cash balance, but unless something changes with the assessment to realize more tax money the 2018 debt service going forward cannot be covered any more.

A discussion followed regarding possible additional revenue options such as a payment in lieu of tax for some developments, another open space referendum where the bond pays for itself, review permits and fees in regard to roofing and other things, etc.

ADJOURNMENT:

It was moved by Mr. Philips, seconded by Mrs. Spott, all voting "Aye" to adjourn the meeting at 8:56 p.m. None opposed. Motion approved 5-0.

DAVID G. KRAYNIK
SECRETARY-TREASURER/
TOWNSHIP MANAGER

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Minutes Approved:
Minutes Entered: