

UPPER MERION TOWNSHIP BOARD OF SUPERVISORS
BUDGET WORKSHOP MEETING
OCTOBER 24, 2013

The Board of Supervisors of Upper Merion Township met for a Budget Workshop Meeting on Thursday, October 24, 2013, in the Township Building. The meeting was called to order at 7:00 p.m., followed by a pledge to the flag.

CHAIRPERSON'S COMMENTS:

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

ROLL CALL:

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

OPENING REMARKS:

Utilizing the aerial, Mr. Dave Kraynik provided an overview of the 2014 General Fund which reflects a 5.78% increase with \$27.3 million for 2014 as compared to \$25.8 for the General Fund adopted for 2013. Major highlights are as follows:

- budget is balanced and does not contemplate a tax increase.
- The budget includes appropriate anticipated numbers for salary and wage increases for employees.
- Equipment replacement fund at 100% is \$953,000 and \$450,000 is budgeted for 2014; as recent as 2012 there was no money for equipment replacement. The fleet is getting old and it is important to keep as much of the \$953,000 available.
- Full time partial salaries for 9 employees as per the business plan for the Community Center ; 2014 will be the only year it will not be possible to offset revenue. (four full time employees starting on July 1, 2014 and five part-time employees starting on December 1, 2014). A January 1, 2015 opening of the Community Center is anticipated. Demolition package is out to bid with contract award as early as November; demolition expected to be completed in four to six weeks. The bid for the actual construction of the center is almost complete and it is hoped to be out to bid and a contract awarded very early in 2014.
- Police Minimum Municipal Obligation (MMO) is up significantly and the reason for the 9.7% increase for the police.

- Parks and Recreation is up 11.1% due to the Community Center expenses.
- \$1.3 million was budgeted for budgetary reserve for 2013; \$2.2 million is budgeted for budgetary reserve in 2014. It was noted the \$2.2 million number can go down for a variety of reasons between now and budget adoption.

Mr. Kraynik reviewed the Library Fund and noted in 2013 a transfer of \$66,232 was made from the General Fund. A total of \$142,149 is recommended for 2014 which represents an additional \$75,917 over 2013. Additional details will be provided by the Library Director at one of the upcoming budget sessions.

With regard to the Sewer Fund, Mr. Kraynik stated revenues are higher than the expenses for the Sewer Fund at this particular point in time by \$70,417. Liquid Fuels is balanced and down \$233,000 from what was budget in 2013. It was noted in 2013 a lot of extra roads were paved (including many ADA ramps) and as a result it will not be necessary to pave as many roads in 2014; therefore, the number is down and that is offset by the township's share of the state gas tax.

A discussion followed about additional Community Center financing during which Mr. Waks emphasized the Community Center project is not the same project that was originally considered in that it is now a completely different project with trails, the light at Caley and Valley Forge Road, etc.

Mr. Kraynik provided an overview of the General Fund Revenue. Highlights are as follows:

- Real Estate Taxes current - a very small increase based on the September assessed valuation number from the County for the township
- Mercantile tax is \$6,000 over what was budgeted for 2013.
- Delinquent 511 Mercantile – no change
- Local Services Tax – no change.
- Delinquent 511 taxes for local services tax is up \$3,000 based on how it is trending.
- Delinquent 511 occupation taxes - \$500 drop
- Amusement tax continues to drop slightly
- Business Tax is \$100,000 more than what was budgeted this year.
- Delinquent 511 business tax is up \$55,000
- Itinerant tax continues to decline
- Cable TV income is steady and comes in quarterly. Based on projections going up \$15,000.
- Road encroachments – stays same.
- Fines, Alarms, Violations – dropped \$5,000.

- NorView Farm Property Rental is a steady number. 2014 is the last year of the contract and based on the rental agreements through next year it goes up a bit for 2014.
- Conference room rentals from outside companies and organizations go up and down. It is recommended at \$500 for 2014.
- Real estate tax office rent is a new number based on the Board's resolution earlier this year.
- State grants and general government – no real change.
- State grants – police is offset by expenses.
- State grants - transit is the Rambler which is holding steady.
- Foreign Fire Insurance Tax – is up 16% to \$48,700.
- Gaming revenue continues to grow steadily and comes in quarterly. It prorates out for this year to almost \$1.6 million (it was budgeted for \$1.225 million)
- Service revenue (for aerial photos, photos, maps, etc.) is going down since many people can access from the internet
- Plan reviews going up 50% and is based on ongoing activity.
- Zoning hearings are up \$5,000.
- Alarm registration permits staying the same.
- Police off duty reimbursement going up \$100,000 and is offset to a certain extent by expenses.
- Police Reimbursement – Mall: steady number not expected to change much.
- Permit and inspection fees – most of the activity was this year and the number was taken down slightly.
- Contractor registration fees are up 11.7%
- Stormwater permits no change
- Solid waste transfer fee – no change
- Leaf recycling income very steady and remaining the same
- Concert revenue took hit this year a lot of the sponsorship money went to the Tricentennial. Park and Recreation Director is optimistic this can be recouped for 2014.
- Day camp revenue is up \$20,000
- Instructional classes revenue is down
- Excursions revenue is down based on current activity. There are some fall trips planned
- Special events revenue received a boost this year because of the expanded Community Fair which was well received. Parks and Recreation Director will continue to keep the Community Fair expanded.
- Discount park tickets up \$10,000
- Pavilion/Gazebo rental for pavilions throughout the township number goes up and down.
- Farmers Market is holding steady – no change
- Bus shelter up slightly with new contract

- Sale of bus tickets which is revenue for the Rambler - \$100 change
- Water and Feed at NorView Farm – number varies
- Miscellaneous income – number varies
- Police Employee Pension Fund contribution – coming down since it is based on the Minimum Municipal Obligation (MMO). Number was based in part on the age of the officers. With a younger police force that number comes down as a result.
- Reimbursements from the Fire Relief Association – slight decrease
- Reimbursement for school crossing aides - very steady - \$300 increase
- Reimbursement Lafayette Ambulance down \$500
- Reimbursements Miscellaneous – goes up and down

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

- Library revenues are static, the biggest library revenue generator is the real estate tax and that number is budgeted at \$1,439,899
- Interim taxes small reductions, but positive since money is received quicker
- local services tax of \$264,471 is basically what was lost on the Homestead Exclusion reductions
- Fines remain the same and are fairly level
- Interest is minimal
- Library received a one time “Family Place” grant last year
- State aid has not changed in seven years
- Contributions and donations are down – budgeting \$3,000
- Lost or damaged items – not much of a change
- Photocopies – not much change
- Miscellaneous – on track at \$15,000

Mr. Waks commented he would like to see a stronger library program to raise some funds.

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

- Surcharges – MIPP – small change for the industrial pretreatment program when they discharge more of their organic materials. Back on track with \$60,000 revenue.
- Interest on investments – no change
- Sewer certifications – level income
- Residential rate - has the \$2 factored in
- Commercial – goes up and down depending on uses there are this year. Budgeting for 824 accounts; last year there were 836 accounts. The \$2 rate factored in as well
- Tredyffrin contract – the contract is estimated usage and it holds at about \$760,000.

- Bridgeport contract for 84 EDU's and then they bill Upper Merion for 83 EDU's and it balances out.
- Matsunk lease contract that is also with Tredyffrin for the lower end of the township. Estimates come in at about \$50,000 and they will soon be sending a check for the year.
- Village at Valley Forge – the only one currently on line is Wegman's. The rate will be \$2.09 for 2014 and while \$25,000 has been budgeted in the past, with the experience of a full calendar year it has been budgeted at \$13,000
- West Conshohocken contract – not much change
- Industrial pre-treatment MIPP – goes up and down as industrial users move in and out
- Penalties and interest higher in 2012.
- Other income – no change
- Reimbursements from UMMUA – nothing new
- PJM Electric Market Program cost sharing - budgeted at \$9,000

With a focus on the totals, Mr. Hiriak provided the highlights of the health insurance, Workers Compensation, property liability, and depreciation account which is where money is obtained for the equipment replacement.

Mr. Philips asked if there are programs to reduce Workers Compensation. Mr. Kraynik responded there are wellness incentives and safety programs in place for employees.

Additional highlights:

- budget increase of 6.8% with regard to property and liability due to the insurance pool.
- Mr. Kraynik discussed a procedural change in the budget process wherein each department head will provide the supervisors with a budget and PowerPoint presentation separate from the numbers. A template has been developed with four separate categories: personnel, services, operating supplies, professional services, and miscellaneous to provide an overview. The department heads have been asked to take the top three items in those four categories that had the highest change up or down so that the supervisors can have conversations about those. This should enable a better dialog at budget review time.
- increases for wages and salaries are not shown since contracts have not been settled as yet. There is an anticipated amount of money that will be needed and it is in one lump sum in the budget. It was not spread out since it is too early.
- the Administration budget of \$2.912 million is slightly down since there are no wages built into it at this point.

- Under personnel services, there are decreases due to retirements and an increase in some expenses for the tax collector based on the Resolution which amounts to \$1,700. Those are the movers in that category.
- For Operating supplies there is a decrease in storage site expenses of \$1,200 since more records were destroyed.
- increase of \$2,000 or 6.7% in supplies due to Act 511 requirements for postage as well as a contractual increase to print all the tax forms, envelopes, etc. This is year two of a five-year contract with the printer.
- For professional services the item for management consulting is coming down 52% or \$35,000 in 2014. The contract for grant writing has been eliminated as well as few studies that are not necessary which amounts to approximately \$15,000. Grant writing will be done in house; however, a new study for sustainability at \$25,000 is being added based on conversations with the Montgomery County Planning Commission. They would provide a full community-wide sustainability plan and based on the township's Goals and Objectives the money is in there if the decision is made to go ahead with the plan.
- Public Information Expenses are at \$2,800.
- A new contract was entered into in February 2013 for copiers and scanners and overall the contract for almost every department was less than the prior four-year contract.
- Under new money for Capital there is a budget at \$70,000 for an electronic bulletin board sign.
- Under Information Technology is year three of a three-year phase-in of 511 software upgrades. The Capital expenses related to this are labor for the programmers to do all the work. Currently everything has to be done manually to get into the accounting system.
- With regard to equipment replacement as in the past the department heads will come back to the Board during the course of the year for approval of those projects.

Mr. Hiriak discussed a project for some field camcorders for UMGA-TV. At some point these expenses are planned to be offset by whatever cable franchise fee may be negotiated and paid to the township. Mr. Kraynik commented he and the leadership of the Media Communications Advisory Board met with Comcast earlier this week and everyone is close to signing a new franchise agreement.

Mr. Jenaway asked if any type of financial analysis has ever been done to determine the relationship of the expenses for UMGA-TV and all the staff versus what is obtained from the franchise agreements. A discussion followed and it was determined that such an analysis has not been done and is something that can be done. Mr. Jenaway commented it is worth the exercise to determine whether or not there is a viable reason to increase the franchise fees and then determine whether or not there are grants or other funding sources from other entities that have the advantage of providing their programming, for example,

PCN information.

With regard to the three General Obligation bonds and infrastructure bank loan for Allendale Road Bridge, all the debt has been refinanced and there are no more options for that. Any of the maturities that are coming due soon have to be rolled into the debt that is left.

The Rambler is up \$6,100 with Monday through Saturday service. Ms. Vicchio commented 2014 is the last year on the three-year contract for the Rambler.

No change on tax millages.

A big change in the miscellaneous category was a ten-year litigation settlement which enabled a transfer to the Library.

Mr. Kraynik reported on the extent of the personnel changes in 2013 and what he will propose for two of the vacated positions.

ADJOURNMENT:

There being no further business to come before the Board, the meeting was adjourned at 8:30 p.m.

DAVID G. KRAYNIK
SECRETARY-TREASURER/
TOWNSHIP MANAGER

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Minutes Approved:
Minutes Entered: