

UPPER MERION TOWNSHIP BOARD OF SUPERVISORS
BUDGET WORKSHOP MEETING
OCTOBER 27, 2016

The Board of Supervisors of Upper Merion Township met for a Budget Workshop Meeting on Thursday, October 27, 2016, in the Township Building. The meeting was called to order at 5:15 p.m., followed by a pledge to the flag.

ROLL CALL:

Supervisors present were: Greg Philips, Greg Waks, Bill Jenaway, Erika Spott (arrived late) and Carole Kenney (arrived late). Also present were: Dave Kraynik, Township Manager; Sally Slook, Assistant Township Manager; Nick Hiriak, Director of Finance, Laura Arnhold, Library Director and Scott Widenhofer, Director, Information Technology.

OPENING REMARKS:

Utilizing the aerial, Dave Kraynik, Township Manger, provided an overall 2017 proposed revenue budget review. Major highlights are as follows:

- General Fund: proposed budget of \$33,078,502 (6.3% increase from 2016 budget)
- Library Fund: 2.9% increase (\$61,000)
- Sewer Fund: 1.7% increase (\$123,508)
- Liquid Fuels Fund: allocation from the State is estimated at \$772,155, and is a \$37,230 increase from 2016.

2017 General Fund Revenue:

Mr. Kraynik stated this is a balanced budget that contemplates no property tax increase. There is an increase of \$550,000 (17.6%) in the property tax line item as a reallocation of the municipal building tax of .205 mills into the general fund to compensate for a planned increase in the debt service schedule (total mills remain unchanged at 2.159%). It was noted the municipal building debt was paid off in 2016. The \$550,000 is going in the general fund to offset layered increase in debt service.

In response to Mr. Philips question, it was noted the only thing that needs to be done is approve a resolution for the millage which will be slightly different for next year since it will not have the municipal building line item.

Additional highlights:

- Mercantile tax increase of \$200,000, a 4.9% increase due to projected growth in the retail sector.
- Business tax increase of \$350,000, 5.7% increase due to projected growth in the business sector
- Gaming revenue \$50,000 decrease, -2.5% due to a leveling off of actual revenue collected at \$1.9 million.
- Building permit fees increase of \$144,000, 7.2% increase due to projected activity.
- Swimming pool membership/daily fees/aquatic programs – collective increase of \$76,500. Fees/memberships based on actual 2016 activity. Aquatic program increase based on new initiatives for 2017.

Mr. Kraynik noted Dan Russell, Director of Park and Recreation, decided to take all the swimming pool activities, the summer outdoor programs and indoor winter programs and place into one line which is called the aquatic program for an increase of \$76,500.

Mr. Philips questioned combining these programs together. Mr. Kraynik responded he also raised the same question and it was decided to try it for a year and see how it works and if it becomes an issue it will be addressed.

A discussion followed during which Mr. Hiriak indicated in the actual general ledger budget reports separate line items for these different categories are listed.

- Community Center programming revenue (not membership) increase of \$80,000 due to the additional programs and classes to be offered.
- Community Center annual membership fees is budgeted at \$265,400.

Mr. Kraynik indicated this is less than what was projected in the business plan and explained charter passholders were given 15 months and are not going to make a payment until 2018.

- Budgetary reserve is \$3,035,692, which is from unallocated reserves necessary to balance the budget. This is an increase of \$86,757 from 2016.

Mr. Kraynik noted even though there is an allocated budgetary reserve it has not been used in several years. It is a common tool used to balance the budget and it is not anticipated to be used, but it is there if needed.

2017 – Library, Sewer, Liquid Fuels Revenue

- The Library has minor increases in its revenue accounts totaling \$10,744

- The sewer fund revenue growth is in the commercial accounts and has increased \$115,900 based on the new development that has come on line in the last complete years' billing cycle.
- The Liquid Fuels allocation from the State is estimated at \$772,155, and is a \$37,230 increase from 2016.

2017 – Proposed Revenue Budget in Detail

- Property tax up 20.9%
- Act 511 up 4.2% or \$647,000 which is mainly the mercantile and business privilege revenue increases.
- Non-business permits (road opening permits) \$5,000 increase (33%)
- Interest earned \$10,000 increase
- Public safety revenue and permit fees from Safety and Codes 14% increase
- Park and Recreation 5.8% increase or \$93,000 in revenue overall
- Transfers from Fire Tax up 285.7% for increase of \$40,000
- Total revenue at \$33,078,502

Mr. Waks mentioned it would be worth looking into a hotel guest tax. Mr. Kraynik said it is his assumption it might not be an option for a 2nd class township but would have staff confirm.

Before moving on to the 2017 Library Operating Budget, Mr. Kraynik stated it is important to point out when the budget was adopted in 2016 there was a transfer of almost \$166,000 from the Operating Fund into the Library Fund to balance the budget and this year it is up \$216,045 to balance the library budget. He said this is most likely a reflection in increases in wages.

LIBRARY OPERATING BUDGET 2017

Ms. Laura Arnhold, Library Director, stated most of the increase for the library budget is due to salary increases. She said the only other small item would be under miscellaneous for contingencies across the board.

Ms. Arnhold noted for operating supplies the Library received over \$3,000 from the Board of Community Assistance which was incorporated into the budget for 2016.

Mr. Kraynik pointed out all individual budgets do not reflect an increase in wages because of the Pay for Performance program. Until the pay for performance numbers come in the latter part of the year it is not known what the specific allocation will be for each department. He said there is an allocated line item which is projected on this year's activity and after the pay for performance is completed it will be transferred out to the individual departments.

PROPOSED 2017 INFORMATION TECHNOLOGY OPERATING BUDGET

Mr. Scott Widenhofer, Information Technology Director, stated while some line items have increased such as Professional Services and Miscellaneous, most remain the same such as Operating Supplies and Personnel Services.

Mr. Widenhofer said the biggest increase is hardware maintenance. It was noted equipment items are purchased with a three year warranty. When the three year warranty has expired maintenance on older equipment increases costs. Network maintenance is largest increase. I

The 2016 budget for training utilized credits; however, funds are needed to support training for 2017 which will provide additional credits for the future.

A discussion followed regarding the different types of training for IT personnel, including use of webinars.

PROPOSED 2017 INFORMATION TECHNOLOGY CAPITAL BUDGET

Mr. Widenhofer stated \$81,000 has been requested for non-replaceables and \$120,500 for replaceables for total capital of \$201,500.

Mr. Widenhofer discussed the top priority items as follows:

- SQL server update for Munis is top priority
- Redundant firewall is second priority
- Replacement schedule for servers and pc's

A discussion followed regarding efforts in securing the township's network with various spam and virus protections and educating staff on email phishing precautions.

PROPOSED 2017 OPERATING BUDGET FOR PUBLIC WORKS – PLANNING DIVISION

Ed O'Brien, Director Public Works, provided an overview of the Public Works Operating budget for Public Works Planning Division. Overall highlights as follows:

- Overall decrease of 7.5% for personnel services
- Professional service decrease of 6.1%
- Proposed 2017 budget contemplates no change in staffing levels
- 2017 is the second year for the Pay for Performance Program for non-uniform personnel and there are no salary increases shown in any individual department budget until some history is established with this program

- Salaries and wages decreased 13.4%
- Operating supplies no appreciable change from 2016
- Engineering and architectural services decreased 18.2%. Funding professional engineering services, grading, stormwater and traffic. This account reflects 100% township expense. Also includes funding for outside professional consulting services, map updates, consulting for township projects and engineering contingency. Engineering services reimbursed by developers are expensed in another account.
- No changes in the miscellaneous portion of the budget

PROPOSED 2017 OPERATING BUDGET FOR TRANSPORTATION

- Overall there is a 2% increase over last year. The major portion of that increase is 13.9% for operating supplies and 8.2% miscellaneous
- Personnel services: snow removal overtime increased 9.1% or \$5,000. It was based on the last four years of experience with this account.
- Operating supplies: fuel, oil, vehicles decreased 12.3% or nearly \$2,000.
- Snow removal materials increase of 17% or nearly \$20,000. That request reflects increase in spending for this activity over the last four years.
- Storm sewer material increased 118.8% or \$9,500.

Mr. O'Brien stated budget adjustments were made during year taking the number comparisons way up or way down. The budget increase for the MS4 program for 250 plus outfall inspections and water testing is still being picked up by the township until the Authority takes over.

- Professional Service: snow and ice control increasing 35.3% or a little less than \$20,000. This is funding for third party contracts for snow and ice control of Township roads. This account is also utilized for a third party sidewalk snow removal contract that averages five call-outs per winter season.

Mrs. Kenney asked when the web-based software solution known as Traisr™ automatic system discussed at a recent workshop will go into effect. Mr. O'Brien responded it is already being used for leaf collection. He said it is not planned to provide real time access online for residents until everything has been worked through and they have a season of experience with the new technology.

- Vehicle maintenance decrease of 13.1% or a little less than \$20,000. The share of vehicle maintenance expenses are based on prior year activity.
- Equipment rental decrease of 27.4% or \$830. There has not been a need to lease any real heavy equipment over the last several years. The major portion of this account is rental for the copiers.
- Annual resurfacing increased 24.9% or \$9,960. This is funding for Township street maintenance under the resurfacing program. This

account funds the engineering/inspection expenses for the resurfacing program.

- Education and training decreased 40.9% or \$346 which is the average charges over the last four years. This account funds education, training classes (i.e., APWA Seminars, CDL training, IMSA, snow and ice control) and seminars.

A discussion followed regarding certain aspects of the Village at Valley Forge during which it was mentioned that Aqua runs their sewer system although it discharges to the Township's system and that is why they pay tapping fees.

PROPOSED 2017 OPERATING BUDGET FOR VEHICLE MAINTENANCE

Highlights as follows:

- Overall increase of 1.1%
- Operating supplies increase of 5.3% or \$50
- Consolidated the utilities account into this account because the expenditures were so low

Mr. Philips asked how many people staff this division. Mr. O'Brien responded there are two full-time mechanics who report to the Highway Superintendent.

- The Professional Services account has been eliminated for 2017 since there is no activity.
- Dues and subscriptions decreased 100% or \$50.

Mr. Philips asked about the certifications for the mechanics. Mr. O'Brien responded they have state inspection licenses and some ASE certifications. He said when new equipment is purchased training comes with it and mechanics receive training.

Mr. Philips asked if any separate training is needed for ASE qualifications. Mr. O'Brien responded with the pay for performance program if the mechanics have an interest it could be something to look at.

Mr. O'Brien mentioned mechanics are provided with a mechanics tool allowance every year of \$500 which is unique in municipal environment. The mechanics pay the money in advance and they are reimbursed. It was noted mechanics generally spend more than \$500 a year on tools.

PROPOSED 2017 OPERATING BUDGET FOR PARK AND SHADE TREE

Highlights as follows:

- Proposed overall 1.6% increase
- Personnel services decreased about \$1,500. This particular account reflects the number of employees that are eligible for the non-use of sick time bonus that is paid every year. This year there are fewer eligible employees since more have been out sick.
- Office supplies decreased nearly 40% or \$100 based on the last four years of usage.
- Chemicals increasing 104% or \$104 to help inoculate ash trees against the emerald ash borer.

Mr. Kraynik stated the supervisors will see a presentation by the Shade Tree Commission at the next workshop. A representative of the Pennsylvania Department of Conservation and Natural Resources will discuss the issues associated with the emerald ash borer.

Mr. Kraynik indicated members of the Shade Tree Commission walked the new trail at Heuser Park and observed ash trees line the entire trail on both sides and they are in very bad shape already before the arrival of the ash borer. He said the Shade Tree Commission will provide some estimates of the cost involved in treating and moving some of these trees and a budget adjustment will be made.

A discussion followed about the effectiveness of the vaccination for the emerald ash borer.

- Fuel/ oil vehicles decreasing about 30.6% or \$5,722 since fuel cost is lower than previously experienced.
- Other professional services increased 13.1% or \$14,025 which reflects increases in the cost of contracted services as well as historic norms over the past four years. The account funds lawn and tree removal services provided by private contractors as well as flower planting , Heuser Park turf management, weed control, top soil, seeding, paint for fields, hazardous and emergency tree removal on township roads and parks, especially during storms.
- Vehicle maintenance increased 27.1% or \$4,947. The request is based on the 2016 usage of the vehicle Maintenance division services by this division.
- Miscellaneous no real changes.

PROPOSED 2017 OPERATING BUDGET FOR BUILDING MAINTENANCE

Highlights as follows:

- Grand total decreased 2.1%

- Personnel Services overtime increased 20% based on average expenses incurred in the last four years. There have been more call outs, snow events.
- Operating supplies no change.

Mr. O'Brien indicated some account adjustments were made because there were significant HVAC repairs and failures. The request reflects the increase in repairs needed for building maintenance mechanical systems as they continue to age. The most recent expansion and serious upgrades occurred in 1988 so these systems are aging and require more maintenance.

- Office service maintenance contract an increase of 35.1% or \$13,000 funding janitorial services, interior landscaping, interior and exterior window cleaning, and carpet cleaning service contracts. New janitorial services contract provides for 4 day per week versus 3 days per week for the expired contract. .

LIQUID FUEL 2017

Mr. O'Brien stated the \$472,462 represents the amount of liquid fuels allocated for the Road Diet on First Avenue and the resurfacing and restriping program.

TROUT RUN 2017 OPERATING BUDGET

Highlights as follows:

- Trout Run budget request decreased 2.5%
- Personnel services overtime increased \$1,000 – since personnel opting to be paid instead of comp time
- Tuition reimbursement decreased since employees participated in more continuing education in 2016 than in the past several years and budget adjustments.
- Other personnel services based on number of employees eligible for non-use of sick time bonus decreased 7.7%
- Operating supplies decreasing 15.6%
- Fuel/oil, vehicles decreased 30% or \$900
- Repair/maintenance supplies increased 20%
- Professional Service: consulting services-engineer decreased by 25% or \$250 – engineer provides professional services agreement for a fixed amount of money for a fixed task and this has reduced this line item
- Electric decreased 10.4% - installation of rotary press has been a positive factor in reducing electricity
- Vehicle maintenance increased 32.5% based on usage in 2016

Mr. Philips asked if CNG and electric vehicles have been considered for the wastewater plants. Mr. O'Brien responded the only real vehicle the plant has is the pickup truck which is used to plow snow. He expressed doubt a CNG truck would work because you cannot put anything in the bed because of the tank.

- Miscellaneous: education and training – decreased 33.3%

MATSUNK 2017 OPERATING BUDGET

Highlights as follows:

- Overall decreased .4%
- Overtime decreasing 9.1% since employees are requesting to be paid rather than comp time
- Other personnel services – those eligible for sick bonus fluctuates from year to year
- Operating supplies: lab/testing expense decreased 8.9%
- Fuel/oil vehicles decreased 16.7% or \$200
- Safety items increased 12.5% or \$50 – this is due to new employee who needs to be outfitted with proper safety equipment
- Professional Service – consulting engineer decreased 33% or \$500
- Sludge removal decreased 4.3% or \$8,500 – this line item is more in line with historical norms.
- Electric decreased 5.6% - rotary press is more efficient
- equipment maintenance increased 9.5% or \$2,000
- Vehicle maintenance increased 181.6% or \$950.
- Miscellaneous education and training decreased 45%

COLLECTION SYSTEM 2017 OPERATING BUDGET

Highlights as follows:

- Overall decreased 1.9%
- Other personnel services decreased 8.4% - wellness incentive
- Fuel/Oil vehicles decreased 22.2% or \$4,000
- Safety items increased 66.7% or \$1,000 based on addition of two stationary gas monitors at Swedeland and Matsonford Pumping Station
- Professional Services: electric decreased 2.8% or \$5,000
- Maintenance of Systems increased 5% due to rising cost of one call contract. The number of calls has risen significantly with the rise of construction within the township.
- Equipment purchase increased 80% or \$200

With regard to PA One calls and the increase in development

Mr. Jenaway asked if overtime would be able to handle the extra work. Mr. O'Brien responded in the affirmative. He said if there is a plant expansion and upgrade that might change, but with current conditions it can be managed.

Mr. Jenaway asked about the rest of the operations such as road maintenance. Mr. O'Brien responded in losing people through attrition there would be a need for a few more people. He said in 2009 his department had 62 employees and now it is down to 49. The same services are provided, but there is less flexibility when it comes to snow plowing and their operations are impacted.

Mr. Jenaway asked if overtime is at a point where a cost benefit analysis can be done to show it is cheaper to hire somebody. Mr. Kraynik responded he does not see an increase in the overtime anywhere near what it would cost for one employee when considering such things as health benefits, etc.

PUBLIC WORKS – 2016 PLANNING CAPITAL

Highlights as follows:

- Total capital is \$226,000
- No request for equipment replacement items for 2017
- Priority 1: Stormwater Management Study for \$210,000 based on pricing. This will augment the 1995 study.
- Priority 2: Update Township Comprehensive Plan. This is year two of three at \$16,000/yr.

PUBLIC WORKS – 2017 TRANSPORTATION CAPITAL

Highlights as follows:

- Total capital (not equipment replacement) is \$1.7 million
- Equipment replacement of \$656,000 for a total of \$2.37 million
- Priority 1: Bridge repairs/replacements for \$205,500
- Priority 2: Concrete services \$150,000
- Equipment replacement – (1) replace truck #445 (10 wheel dump) and #448 (6 wheel dump) for \$410,000 used for leaf collection and snow plowing; (2) replace 2003 leaf vacuum \$62,000
- Replace traffic control equipment as needed for \$160,000
- Total capital (not equipment replacement) of \$355,500
- Total equipment replacement of \$632,000

VEHICLE MAINTENANCE 20176 CAPITAL

- Total capital is \$67,000
- Total equipment replacement \$10,000 for grand total of \$77,000

- Priority #1: replace truck lift at \$40,000 which is about 30 years old
- Priority #2: Upgrade Gasboy Fueling Software for \$25,000
- Equipment replacement for \$10,000 to replace failed shop equipment
- Total capital not including equipment replacement is \$40,000 and total equipment replacement for \$10,000 for total capital of \$50,000

PARK AND SHADE TREE 2017 CAPITAL

- Department request is \$587,000 (not equipment replacement)
- Equipment replacement of \$55,000 for a total of \$642,000
- Priority #1: replace compost turner which cannot be repaired for \$500,000
- Priority #2: replace retaining wall behind the barn at NorView Farm for \$32,000
- Equipment replacement: Priority #1 is replace 2002 Dodge Ram Truck #472 with snow package for \$55,000
- Manager's recommendation \$500,000 for compost equipment and \$55,000 for truck for total of \$555,000

BUILDING MAINTENANCE 2017 CAPITAL

- Department request of \$425,000 for capital (not equipment replacement)
- Equipment Replacement for \$125,000 for a total of \$550,000
- Priority #1: replace deteriorated concrete curbs and sidewalks for \$250,000
- Priority #2: Capital repairs to major infrastructure and equipment for \$35,000.
- Priority #3: remove wall paper and paint Public Works Department and Safety and Codes Departments and add carpet.
- Equipment replacement: replace major components for \$125,000
- Replace failed HVAC electrical plumbing and structural items for \$75,000
- Replace electrical boxes and switchgear for \$50,000
- Replace existing computer room HVAC unit for \$50,000
- Manager recommended \$90,000 for capital (not equipment replacement) and Equipment Replacement for \$217,000 for a total of \$307,000

With regard to replacing major components Mr. Philips asked if it would be more cost effective to replace the whole system since the numbers for repair will keep going higher and higher. Mr. O'Brien responded the funding has not been available.

TROUT RUN – 2017 CAPITAL

- Department request \$435,000 for capital not including equipment replacement
- Equipment replacement of \$237,000

- Priority #1: major components for \$115,000 for major component repairs
- Priority #2: Rehabilitation – painting project phase 2 for \$250,000
- Priority #3: replace roof, windows/garage doors mechanism and replace roof on incinerator building for \$45,000
- Equipment replacement: replace other heavy equipment for \$225,000
- Replace major components for \$114,500 to replace flow meters, portable air monitors, samplers, autodialers.
- Replace vehicles for \$105,000 to replace truck #562, the MIPP car and public works director vehicle.
- Managers recommended total capital (not including equipment replacement) \$115,000
- Total equipment replacement of \$444,500

MATSUNK – 2017 CAPITAL

- Total capital \$555,000, \$8,500 equipment replacement for a total of \$563,000
- Priority #1: Replace H-Frame structure in main Sub-Station for \$275,000. Wooden timbers are rotted from the inside out.
- Priority #2: Plant Painting Project for \$325,000 Phase 2
- Priority #3: Major Component capital repairs for \$60,000

Mr. Philips asked for more information about Priority #1. Mr. O'Brien responded they are waiting for Peco to approve the design.

Mr. Philips asked why Peco's approval is needed. Mr. O'Brien responded any major equipment Peco ties into requires their approval.

Mr. Jenaway asked if there is any periodic phasing of electrical service at any of the plants. Mr. O'Brien responded in the negative.

Mrs. Kenney what happens if power is lost at the plants. Mr. O'Brien responded there are two separate power feeds from Peco which would be utilized. If one went out the other would still be active.

- Equipment replacement: replace truck #752 for \$45,000
- Replace Rotating Biological Contactor drive for \$29,000 if it fails
- Replace 50 inch Riding Mower for \$15,000

Mr. Waks stated the Environmental Advisory Council is beginning to work on an ordinance to discourage grass cutting in certain places on township to create a meadow-like setting. He asked if it would be a feasible option at Trout Run and Matsunk. Mr. O'Brien responded both plants are monitored for mosquitos and did not know how that would factor into making it more attractive for mosquitos.

- Manager's recommendation for capital not Equipment Replacement for \$335,000
- Total Equipment Replacement for \$85,000

SRA COLLECTION SYSTEMS 2017 CAPITAL

- Department request is \$1.14 million
- No equipment replacement was made
- Sewer Lines/Laterals for \$210,000
- Sanitary Sewer Hydraulic Study for \$90,000
- Abrams Pumping Station for \$120,000
- Manager's recommendation capital is \$300,000

Mrs. Kenney asked if total request is about the same as last year or up overall. Mr. O'Brien responded it is up somewhat.

Mr. O'Brien stated his concern is that enough has not been placed into the capital over the years. He said while the system is in good shape his concern is that at some point it is going to tip over and there is a need to start putting more money into the capital process.

ADMINISTRATION OPERATING BUDGET 2017

Mr. Nick Hiriak discussed the Administrative budget with an overall 4.4% increase. Highlights as follows:

- There is a proposed full time position for PIO assistant.

A discussion followed about the work that needs to be done redoing the Township website and the need to focus on next generation types of communication tools.

- Operating supplies basically remain the same. Some accounts are less than they were last year.
- Public information expenses increased \$6,400.
- Legal increased 5.3% or \$25,000
- Small increase for conference expenses

ADMINISTRATION CAPITAL BUDGET 2017

- Website redesign – vendor still to be determined.
- UMGA-TV equipment would like to expand camera equipment for videos.
- UMGA-TV would like to start upgrading some of the equipment
- Total capital is \$30,000

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ADJOURNMENT:

It was moved by Mr. Philips, seconded by Mrs. Kenney, all voting "Aye" to adjourn the meeting at 7:42 p.m. None opposed. Motion approved 5-0.

DAVID G. KRAYNIK
SECRETARY-TREASURER/
TOWNSHIP MANAGER

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Minutes Approved:
Minutes Entered: