

**Warrington Township Permanent Finance Committee
Minutes for September 15, 2008 Meeting**

The Regular meeting of the Warrington Township Permanent Finance Committee was held at 7:05 p.m. on September 15, 2008 at the Township Building located at 852 Easton Road Warrington, PA 18976. The members present were as follows:

Marianne Achenbach	Member
Russ Bragg	Member
Paul H. Plotnick	Supervisor Liaison
Glenn P. McKay	Supervisor Liaison
Timothy J. Tieperman	Township Manager
Carolyn Hanel	Director of Admin Services/Parks
Vivian Bell	Finance Director
Jennifer McHugh	Township Auditor
Cindy Bergvall	Township Auditor
Paul Gdanski	Director of Public Works

1. **Call to Order:** The meeting was called to order at 7:05 p.m.
2. **Approval of Minutes 8/11/08 and 8/18/08:** The minutes were tabled until the next meeting because the Committee did not have a quorum of members to approve them.

New Business:

3. Review final 2007 audit report with representatives from Bee, Bergvall, and Co: The Township's 2007 audit report was given by Jennifer McHugh to the Committee. She handed out slides entitled "Warrington Township 2007 Financial Analysis". She went through the slides with the Committee. She stated that a question she often gets is how Warrington compares with other townships and mentioned that she compared our percentages with four other townships in the area of the same size. She stated that our largest revenue source is taxes (real estate, transfer, EIT, LST, and amusement taxes) at 62% and the average in other townships was 67.78%. Second largest revenue source is program revenues (codes, planning, P/R fees, etc) at 17% and that the average was 5-16%. She stated that our third largest revenue source was intergovernmental revenues (grants, pensions, etc.) at 8% and that the average was 6-13%. Next is fees and fines (cable fees, police fines, etc.) at 6% and that the average was 1-3%. Next is interest and rent at 4% and the average is 2-7%. Next is other (developer contributions, assessment fees, basin fees, etc) at 3% and that the average was 2-7%. She then went on to explain the expenditures on page 3. She stated that the largest expenditures was Public Safety (Police, Fire, Code Enforcement and Zoning) at 42% and that the average 27-34%. She explained other townships were lower because they do not allocate employee benefits like Warrington does for each department. Capital project was at 16% and the average was 3-21%. Pubic Works (highway, roads, etc.) was at 14% and the average was 9-13%. General government (tax collector, admin, building maintenance) was at 10% and the average was 6-14%.

Debt Service was 9% and the average was 6-7%. Culture and Recreation was 8% and the average was 1-12% and other expenditures are at 1% and the average was 4-16%. Mr. McKay asked if these percentages included the Water and Sewer Department. Ms. McHugh stated that they did not and that the water and sewer breakdown is on page 4. Ms. McHugh went through pages 4, 5, 6, 7, and 8 with the Committee. Mr. Plotnick asked when you say depreciation he stated that governments do not record depreciation like a private business does, so what does it include? Ms. McHugh stated that townships are only required to record depreciation for the proprietary funds. She went over page 6 and stated that the reason the capital project is so high in 2007 is because of the bond issue. The Water and Sewer proprietary fund was shown separately on page 7. Ms. McHugh also went over pages 70-73 in the audit report. Mr. McKay asked if there were any reservations in our report. Ms. Bergvall stated that everything went fine with the audit and that there were not any material findings. Mr. Tieperman stated that if any Committee members had questions about the audit to email him and that he would forward it on to the Auditors. Mr. Tieperman expressed to the Committee that this is not the final copy of the audit and is not to be distributed to the public. Mr. Tieperman asked Mrs. Bell to get in touch with Mr. Redmond, the Township's Actuary, to make sure that the MMO (Minimum Municipal Obligation) for post-retirement benefits is being done for this year since it will affect the audit.

4. Discuss and recommend to the Supervisors a proposed assessment formula to the water/sewer enterprise fund: Mr. Tieperman advised the Committee that Bee, Bergvall, and Company have been retained for the pending lawsuit. He explained to the committee that in their agenda packets was a memo entitled "Proposed Assessment Formula", which explains the final assessment formula with all the corrections that the Committee asked to be done at their previous meeting. He stated that he wanted to get an official recommendation from the Committee on this formula to present to the Board of Supervisors. Since the Committee did not have a quorum present, Mr. Tieperman stated that the official recommendation would have to be tabled until their next meeting.
5. Review preliminary Capital Improvement Program and proposed internal service fund for minor capital equipment: Mr. Tieperman handed out a spreadsheet entitled "2009 Capital Improvement Program (Preliminary)" and reviewed it with the Committee. He asked the Committee to go to the end of the document and look over the revised template for the detail of each capital project. He stressed that he wanted to separate the bond projects from the rest of the projects. He stated that there has not been any fund that just dealt with minor equipment such as computer hardware, software, vehicles, etc. so he set up an internal service fund for minor capital equipment fund. Ms. Achenbach stated that at what level would you consider software a capital project? She stated that most computer software does not cost that much. Mrs. Hanel stated that she thought you could not include software as part of a capital project. Mr. Tieperman stated that his threshold for capital projects is anything over an amount of 10,000 and has a life cycle of 8-10 years. A police vehicle for example has a cost of 25,000 but has a life cycle of 3-5 years but he would consider that minor equipment. Mr. Tieperman commented that GFOA standards

state that software can be included as minor equipment. He stated that he grouped together police and admin, water and sewer, highways and parks, IT equipment, and media and communications equipment. He thought the township had to do something to see what revenues are coming in for each of the minor equipment accounts and the corresponding expenses going out to make sure that they are being tracked appropriately. He explained that the rest of the spreadsheet gave detail on revenue and expenses for the various capital projects. Mr. Tieperman stated that these are summary costs on each category. Mr. Bragg asked why is there a substantial increase in the 2008 budget in connection with Water and Sewer tapping fee revenue. Mr. Gdanski explained that the Township sits down with the Township Engineer and that he proposes what revenues from tapping fees the township is going to receive for the upcoming year and that the revenue from this year was overestimated because there were some projects the Township Engineer thought were going to be done in 2008 that are not going to be completed this year. Mr. Tieperman went through the Park and Recreation capital projects. Ms. Achenbach questioned the Little Neshaminy Watershed Project and asked where the corresponding revenue is coming from? She stated that it is a washout only because it is grant funded and you want to make sure that it is shown correctly in the spreadsheet. Mr. Tieperman asked for the Committee's feedback on this spreadsheet. They commented that some of the projects were not classified correctly and should be reviewed again. They also commented that the corresponding numbers were not correct and to review them again as well. Mr. Tieperman stated that this is a draft spreadsheet and that he will look into their comments.

6. Continue discussion on rate study draft and review follow-up financial analyses: Mr. Gdanski reviewed this information. He wrote a memo entitled, "Water and Sewer Rate Study" that was given out to the Committee. He explained that they moved the \$5.00 charge from water into sewer because that is where most of the losses occur. He explained that Warrington does not have that many high end users and that one rate is easier to deal with than multiple rates. Mr. Gdanski stated that since we have low end users we need to raise the price in order to collect the revenue needed. Mr. Plotnick asked what percentages of customers use under 10,000 gallons. Mr. Gdanski stated that he would have to get that figure. The Committee commented that he needed to breakdown the amount of residents who use between 0-10,000 gallons, 11,000-25,000 gallons, and 25,000 and up gallons to get a better idea of how much water is actually being used by each household. They stated that maybe we should charge two rates since most people use under 10,000. We need to come up with efforts to conserve the use of water. Mr. McKay asked what the percentage increase for 2009 is. Mr. Gdanski stated that he did not have that information but would get it to him. He stated that the North Wales cost is based on the townships usage. Mr. McKay asked is there any comparison between the 2007 rates, the 2008 rates, and the proposed 2009 rates of what the township charges. Why are our rates going up 26% when the rates of North Wales are not going up at all? Mr. Gdanski stated that more residents have moved into our area. Mr. Tieperman asked how much of our water supply comes from North Wales. Mr. Gdanski stated that he could show him a map of it but does not have exact numbers. Mr. Bragg stated that we need to send the right

message and act on this conservatively instead of just hitting the residents with a higher increase. Mr. Plotnick asked if we know the cost of running the plant on Pickertown Road to the cost of what we are spending. Mr. Gdanski stated that he could try to get these numbers for Mr. Plotnick. Mr. Gdanski stated to let him try to get this other information for the Committee and then discuss it at another meeting.

7. Schedule upcoming budget meetings with department heads and Supervisors: Mr. Tieperman stated that he wanted to schedule budget meetings with the Committee. His goal was to conclude his review of the operating budget by the end of September or by the first week of October and bring it to the Committee. He stated that Ms. Braun will send out a couple of dates to the Committee to schedule another meeting.
8. **Future Agenda Topics:** No future agenda topics were discussed.
9. **Adjournment:** The meeting was adjourned at 8:35 p.m.

Respectfully Submitted,

Katie Braun
Recording Secretary