

**WARRINGTON TOWNSHIP PERMANENT FINANCE COMMITTEE  
MINUTES FOR MAY 18, 2009 MEETING**

The regular meeting of the Warrington Township Permanent Finance Committee was held on May 18, 2009, 7:00 p.m., on March 16, 2009 at the Township Building located at 852 Easton Road Warrington, PA 18976. Those present were: Michael Braun, Chairman; James Furlong, Member; Marianne Achenbach, Member; Glenn P. McKay, Supervisor Liaison; Timothy J. Tieperman, Township Manager; Vivian Bell, Finance Director; Lauri Halderson, Assistant Finance Director; and Carolyn Hanel, DAS/Parks and Recreation Director.

1. **CALL TO ORDER:** Mr. Braun called the meeting to order at 7:07 p.m.
2. **APPROVAL OF MINUTES:** Mr. Braun asked members to briefly review the April 20, 2009 minutes and propose any amendments thereto. Since there was not a quorum of those in attendance at the April 20 meeting, Mr. Braun suggested that these minutes be deferred until the June 15 meeting.

**ACTION/DISCUSSION ITEMS:**

3. Review April 2009 budget summary report: Ms. Halderson reviewed the most recent budget report. She noted that some of the percentages are skewed because of the minuscule size of some the funds (e.g., special equestrians). Attachment 1 shows the revenue/expenditure summary of all operating funds. The summary report includes a few modifications recommended from the last meeting, most notably the inclusion of 2008 historical data for comparative purposes.

Ms. Halderson noted that General Fund expenses are at 28% as of the end of April 2009, which is on par for this same period in 2008. Staff continues to monitor the refuse/recycling fund now that leaf drop-off hours have been reduced. Water and sewer revenues appear to be tracking below projections, but Ms. Halderson explained that this was primarily because of a change in the billing cycles. Billing cycles have changed from 3 to 6 to reduce the volume of readings performed by W/S personnel. She indicated also that the new utility rates did not officially go into effect until April 1, 2009. All other funds, with the exception of the park and recreation fund, are meeting their budget targets. Most park fund revenues are generated in May and June, primarily in the day camp and swim club operations. Both these operations are tracking lower, the current economy being the likely culprit. Revenue from the hydrant fund just arrived. Lawn mowing expenses will start to show in the basin maintenance fund at next month's report.

4. Review revenue reports and trends: Ms. Halderson reviewed the trends in the major revenue categories. The minor revenue accounts were eliminated from the report to simplify the report. In April the Township received approximately \$713,000 in real estate revenues, higher than this same period last year but due primarily to changes in the millage. Real estate transfer taxes are tracking lower. September settlements were less than the \$50,000 monthly average that was budgeted. According to Ms. Bell, earned income tax revenues are on track. She noted that as of mid May the Township had collected approximately \$360,000. The

local services tax is tracking a few thousand dollars less than last year, which may have a direct correlation to local employment levels. One bright spot on the revenue front are cable franchise fees which are higher than last year, approaching \$100,000 per quarter. The Committee had some questions about the types of revenues included under rents/royalties. Mr. Tieperman explained that rentals from township-owned properties and cell towers were included in this category. He indicated that this category will be broken down further for the 2010 budget. Mr. McKay asked what the final aggregate revenue number was for the end of April, which was approximately \$2.75 million.

5. Discuss and recommend to the Board of Supervisors 2010 budget parameters: In an effort to adhere to the recommended 2010 budget timeline, Mr. Tieperman sought Committee feedback as to the appropriate budget parameters to be conveyed to the department heads as they begin preparing their 2010 budget submissions. While he conceded that some fixed costs such as health insurance were still unknown, it was not too early to develop a “working” approach for use by the department heads.

Mr. Furlong stated that the Committee could recommend an authentic zero-based approach or a modified one whereby it factors in known fixed costs with controllable expenses to meet an aggregate expenditure goal. Mr. Furlong observed that the Township’s trends are much more favorable than the State and other municipalities. Ms. Bell noted that permit revenues are staying surprisingly stable, noting unexpected revenues from commercial renovation projects and types of improvement projects.

Mr. Braun suggested that the Committee focus on items that are absolutely necessary and to not get consumed with “the basics.” He asked for the status of the police arbitration award and whether the arbitration panel will be considering any plan design changes to contain health insurance costs. Mr. Tieperman responded that the arbitration hearings are, for the most part, complete and that he hopes to have an arbitration award by the end of June. He affirmed that while he can’t delve into the specific labor negotiation strategy, the management team has been exploring plan design changes to contain future health insurance spikes.

Mr. Furlong asked about non-union cost containment initiatives. Mr. Tieperman stated that non-union wages were frozen in 2009 and that health insurance co-pays and pension contributions were introduced as well. Mr. Tieperman stated that the largest fixed-cost spike in 2010 will be the MMO (minimum municipal obligation) increase in the police pension plan. Barring legislative relief, the MMO will rise from approximately \$400,000 to over \$650,000, representing a \$250,000 increase or the equivalency of 2/3 of 1 mill. Mr. Tieperman stated there is pending legislation in Harrisburg (aka Act 205 Recovery Program) to allow some “smoothing” over a period of years instead of one major hit in a singular fiscal year.

After some deliberation, the Committee members agreed unanimously to recommend 2010 budget parameters that keeps expenditures level with 2009 aggregate expenditures and that any salary adjustments and fixed cost increases – barring any major budgetary anomalies –

be absorbed within 2009 expenditure levels. It was agreed that departments must produce persuasive and justifiable back-up information to justify any deviation to these parameters.

6. Review status of 2007 and 2008 scheduled bond projects and status of bond investment proceeds: Mr. Tieperman reviewed the status of the 2007 bond projects and shared a progress spreadsheet showing an ending balance of around \$100,000. With the exception of the Maple Avenue project, which is underway, all programmed projects are complete. He explained that this balance could either be allocated for another capital project or applied to debt retirement.

With respect to the 2008 bonds, Mr. Tieperman provided a similar progress spreadsheet. The West End Fire Station Project is back on track following some weather delays. The municipal expansion project is currently under reevaluation in light of the police regionalization study and the current valuation study of the Township's utility operations. With the recent reduction in Township personnel, some new design approaches are being explored. Some planned storm water management projects, particularly the \$1 million Palomino Basin Project, are on hold awaiting the outcome of some pending grant applications.

Mr. Tieperman expressed some concern over these project delays since the Township is obligated under the bond ordinance to show substantial completion within a 3 year timeframe or be subject to an arbitrage penalty. Mr. Braun commented that if the interest earned on the bond proceeds is less than borrowed rate, then there will likely be no arbitrage penalty. Mr. Tieperman explained that the 2008 bond issuance was completed within 3 months of the Wall Street financial crisis. Most likely the Township would have been unable to sell these bonds during this crisis.

Ms. Bell indicated that these project delays have yielded additional interest income through a flexible CD from Citizens Bank which is earning approximately 3.63%. Since July the proceeds have generated around \$202,000. Ms. Achenbach asked whether the water/sewer fund will be reimbursed from the bond proceeds for the water/sewer portion of the firehouse project. Ms. Halderson answered affirmatively.

7. Review quarterly revenue/expenditure reports for public works/water & sewer operations: Ms. Halderson is working with the public works foreman to refine and simplify some budget line items next year. Mr. Tieperman explained that next year's DPW budget will be expanded somewhat to show further breakdowns on some selected line items. Overall, the highway portion of the public works budget is tracking lower than last year, due in part to reduced personnel costs and partial spending freezes in some categories. Water/Sewer operating costs, as explained earlier, are down slightly but will likely rebound by the next report because of the April 1 rate adjustment. Overall, W/S operating expenses are down across the board. Debt principal and interest payments just went out in May.

Ms. Halderson provided some brief summary updates on W/S capital projects. She noted a correction on the County Line Sewer Project which should have referred to DEP Grant, not debt proceeds in the amount of \$74,000. She stated the major of the projects were based on

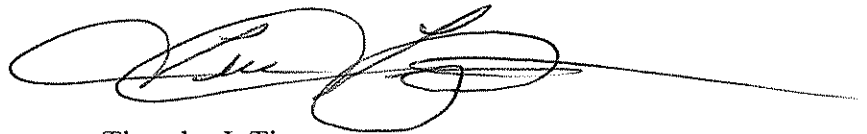
projections that 80% would be completed by the end of July, although some will likely extend into September/October. The Mill Creek Area Sewer Project is underway and the tank repainting projects are in the bidding states. Mr. McKay noticed that the Woodlawn Project did not seem to be referenced in the capital budget. Ms. Halderson stated she will research this and have a report at the next meeting.

8. Review accounting of snow and ice expenditures and discuss amount to be charged to state liquid fuels: Vivian distributed a current balance sheet of the 2009 State Liquid Fuels Account. Last year's road projects were cancelled, leaving an unencumbered balance of around \$430,493 that could be used to reimburse the general fund for a portion or all of the snow and ice expenses incurred thusfar in 2009. The Committee agreed unanimously to recommend the transfer of \$219,968 from state liquid fuels to the general fund. Mr. Tieperman stated that this will be on the upcoming Supervisors agenda for consent.
9. Review status of basin maintenance account: Ms. Bell stated that the basin maintenance fund was established several years ago to receive contributions from developers for the maintenance of certain township-owned detention basins after formal dedication. These contributions at the time were required as part of the land development agreements. Given the proliferation of homeowners associations, these contributions have become practically non-existent and the fund's balance is now estimated at just \$12,000. She recommended the closure of this fund and merging the proceeds with the general fund. Ms. Achenbach noted that most homeowners nowadays are required to maintain their own basins. Mr. Plotnick stated that the Township should begin making a serious effort at naturalizing them.
10. Review latest updates on day camp and swim club operations: Ms. Hanel presented the latest revenue and expense reports for the day camp and swim club operations. She stated that significant revenue was being collected in May to meet the discount deadline. Despite this late rush, however, she stated that overall club revenues are tracking below budgeted estimates. Thusfar only 179 members have signed up vs. the traditional 400 member units. As explained earlier a combination of factors such as weather and economic conditions may be the primary culprits. Staff is still exploring other marketing options, including "free day" promotions and publicizing during special events. Ms. Hanel indicated that increasing fees are a last resort considering the lack of any major capital investments in the club's facilities. Ms. Achenbach commented that another contributing factor may be the fact that unlike year's past, kids today are involved in more organized sports and other extracurricular activities.
11. Distribute and receive comments on Board's preliminary goals and objectives: Mr. Tieperman reviewed with the Committee the Township's preliminary goals and objectives, which the Board of Supervisors asked to be forwarded to all advisory committees for further comment. He stated the goals in their current form are broad-based but don't necessarily touch upon specific tasks related to an advisory committee's specific charged. For example, he stated that the Committee might have some commentary on certain fiscal policies, noting that the Township' remains somewhat weak on the policy front. Mr. Braun suggested that the Committee defer to township administration the recommendation of top fiscal policy issues/goals on which the Committee should focus. Mr. Tieperman will share his thoughts/considerations at a future meeting but opined that major policy need are in the area

of fund balance, post retirement medical benefits, and capital financing policies to name a few. Ms. Achenbach suggested performance benchmarking and appraisals. Mr. Plotnick agreed, stating that a regular performance appraisal process – if done correctly and fairly – will be well-received by employees.

12. Other Business: Mr. McKay briefly shared with the Committee a conversation he had with the Warrington's elected tax collector regarding a planned initiative on the part of some school districts to contract with Berkheimer Associates for the collection of the real estate tax. He asked Committee sentiments on the issue and whether the Board should take a position in favor or against. Mr. Braun opined that this movement is more of an effort to professionalize the tax collection process, noting that not all elected tax collector are qualified to collect property tax. This may be a future agenda topic worthy of further discussion once more information is received.
13. Adjournment: There being no further business, Mr. Braun asked for a motion to adjourn the meeting. Ms. Achenbach motioned to adjourn the meeting at 9:00 p.m. Mr. Furlong seconded the motion. The motion passed by a vote of 3-0.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Timothy J. Tieperman', with a long horizontal line extending to the right.

Timothy J. Tieperman  
Township Manager