

LOWER MAKEFIELD TOWNSHIP
CITIZENS BUDGET COMMISSION
August 4, 2008

The regular meeting of the Citizen's Budget Committee of the Township of Lower Makefield was held in the Lower Makefield Township Building on Monday, August 4, 2008. Mr. McCloskey called the meeting to order at 7:00 pm.

Citizens Budget Committee: Kenneth Martin
Michael Garry
Anthony Spisto
Ethan Shiller
Colleen Klock – absent
Greg Caiolo - absent

Others: Brian McCloskey
Terry Fedorchak

Mr. McCloskey handed out the Quarterly Finance Director's report covering the quarter ending June 30, 2008. He reported that revenue actuals for the period ending 6/30/08 were \$15,165 vs budget of \$21,948 (in millions) or at 69.09% used while expenses came in at \$12,485 vs budget of \$24,792 (in millions) or at 50.35% used. A surplus of revenue over expenses at the end of the 2nd quarter is expected as this is the period when the majority of our real estate tax revenue currently at 95% is received. Revenue was budgeted 5% higher than last year and is slightly ahead while expenses are under budget. The real estate deed transfer tax is lagging behind last year primarily due to the interest rate environment and the fact that the nationwide housing slump has reached Lower Makefield Township. Mr. McCloskey reported that we are in fairly good financial position in some areas over others. Expenses are down in most areas, notably in the general fund, overtime and in the public works department.

Mr. Fedorchak requested for more detailed information regarding expenses. Mr. McCloskey reported that the largest category of salaries and wages is budgeted where we expect to be; benefits slightly under; overtime is down in the following areas, public works 35-37%; police 50/60% in hours; park & recreation down and sewer holding even. Mr. Shiller questioned what makes up the difference from 95% vs 97% forecast or shortfall of \$240,000. Mr. McCloskey responded that real estate tax bills are sent out to residents and businesses in March and collections start in April and that 95.6% vs 98% end of year are the late payments. Collections of real estate taxes are lagging from last year with majority in April and then more in May & June. He stated that we are up close to where we have been over the last several years and that we will continue to get real estate payments through December 31.

Mr. Shiller questioned the Real Estate Deed Tax and if we were going to miss the \$1.4M budget. He wants to present to the Committee what he sees as a trend. We need to

identify what budget areas we can start gaining from to make up the dollars. He disagrees on the second quarter and feels we could miss the budget by 23%. If other revenue items exceed budget and others come under budget, what are they?

Mr. Fedorchak suggested that Mr. McCloskey put together a separate sheet showing condensed revenue, expenditures, general category and forecast from the end of year. He stated that we need more information and suggested that the committee meet in a few weeks to look at the information in a spreadsheet: budget; ytd actuals; forecast for items; identify in summary what are the plus and minus amounts. He requested a snapshot of what we can expect over the next several months.

Mr. Schiller stated that we might be experiencing a \$300,000 shortfall and concern that this is a large one and has to be made up somewhere.

Mr. McCloskey stated that the general fund as a whole is OK for now, and it is too early to sound an alarm. Mr. Fedorchak stated he is comforted by Mr. McCloskey's report. Once we receive more detailed information and go over it, Mr. McCloskey can review why he is optimistic.

Government Fund:

Mr. Schiller stated that this fund makes up certain accounts and he questioned whether there is any way a cross reference sheet can be provided for what accounts make this fund - government funds = these fund balances.

Business Enterprises: Sewer System; Community Pool and Golf Course

Mr. McCloskey informed the committee that the actual business revenues and expenses were down vs budget for period ending 6/30/08, but all are relative and budgets are expected to be met.

Sewer System:

Mr. McCloskey stated that the sewer system revenues have declined by 9.91% from last year and expenses have declined by almost 17% and these declines can be traced to reduced interest income, reduction in connection fees, lower transmission fees lower interest fees and lower repair and maintenance expenses. He stated that although transmission fees are currently down, we can expect to receive our 2nd rate increase in the last 12 months and we were notified by BCW&S of a 24% rate increase that Lower Makefield will incur, and this is due to the rate increase by the City of Philadelphia passed on to BCWSA. We will have a meeting with the Sewer Authority shortly to discuss a sewer rate increase and if we should have a capital reserve within the sewer fund. The Sewer Authority is looking at ½ million as a reserve reflected in the 2009 forecast and to be collected over 4 years, at a minimum. Mr. Fedorchak stated he recommended that the board sell the system. He said that Aqua reached out to him and were pleased to have the opportunity to present to the Authority but that they were

disappointed with the outcome. They will remain interested in Lower Makefield. Mr. Fedorchak informed the committee that the Sewer Authority's position is that some sort of rental increase is necessary and they recommend adding a capital reserve within the sewer fund. He stated that these issues will need to be discussed further at our next meeting.

Pool Revenue:

Mr. McCloskey informed the committee that pool 2008 revenue is down slightly from 2007 with expenses higher due to the capital improvement project, however, different financing projects are being reviewed. He also noted that it has been 11 years since we have had a rate increase at the pool. Mr. Fedorchak informed the Committee that there will be a definite rate increase for the next pool season. Mr. Schiller stated that pool membership was at 1,066 registered and is now down to 1,044 due to backing out of discounts and refunds. He wants to look at different ways to increase membership and services.

Golf Course

Mr. McCloskey reported that year to date revenue for Makefield Highlands Course is higher than ever with expenses down over last year even with the month of May missing our budgeted revenue. Mr. Schiller questioned at what point and time do we need an inner transfer of funds from golf to cover services by the township. Mr. Fedorchak stated that he is not adverse if we have enough money in the golf fund. The fund is now breaking even and there is a little nest egg from the 1st year of operations since we did not have to pay all of the debt services. This nest egg can carry us through the bad years and after that we should have enough for capital improvements. Whether or not it is appropriate to spend down the reserve might be questionable due to uncertainty of golf revenue. We would need a nest egg of \$800,000 to protect us in the lean years and it could be 2 or 3 years before we can make major investments in capital improvements. It was discussed that over the next several years improvements be made and then contribute towards the other funds. Everyone agreed.

Mr. McCloskey discussed business funds and stated that we are doing what we are expected to do and are cash flow positive.

Budget line items:

Mr. Schiller concerned that interest income will not meet budget. He questioned the \$12,000 for deer management and whether \$6,000 of it has been used. Mr. Fedorchak stated it cost a few thousand to develop an RFP for the actual culling of herds which could prove expensive. Options are Sharpshoot, archery or club volunteer approach.

Mr. Schiller then questioned the Brand airport issue and \$10,000 for legal expenses over budget and requested another spreadsheet tracking off budget items.

Mr. Schiller questioned the \$50,000 for Snipes Complex and asked if we are doing anything with that. Mr. Fedorchak stated that CMX began the land development process and we could be exhausting \$50,000 this year. Mr. Schiller would like to put a hold on it.

Mr. McCloskey stated that the professional services are in line with budget in the general fund.

Ethan then discussed Elm Lowe's fee of a \$7500 sewer and engineering bill. Mr. Fedorchak suggested a proposal for public sewer and water to Elm Lowe since we are getting bills to clear the septic. Tenant house is used 4/5 days a week and they are being hit heavily with recurring operating costs. Mr. Schiller asked if we could get engineering designs to divide the property. Mr. Fedorchak stated we would wait and develop a recommendation. Mr. Martin asked about the Delaware Rim public sewer. Mr. Fedorchak informed the Committee of a study that canvassed area of 50/60 homes for an evaluation on lot system septic tanks which determined that there was not enough interest to become involved in public sewer and water. However within the last few months PAW approached us and have become interested in providing public water to the area. Results of a survey to gauge interest were 52 in favor and 51 against. He put out a plea not to back out of the deal. Folks against it do not know what they are paying vs what they will in the future when systems will deteriorate and we need a pot sweetener regardless of the 50/50 split to initiate the process.

Mr. McCloskey then asked if there were any other questions regarding the financial report and there were none. He stated that we would discuss agenda item 4 - the Chairperson position at the next meeting since Colleen was absent from this meeting and Mike had to leave. He also stated that he would present agenda item 4 - 2009 budget sometime in October.

Draft Residential Solid Waste/Recycling Collection Report

Mr. Schiller presented a copy of the Township Contract and introduced Alan Dresser from the EA Council. He opened for discussion whether we could benefit individual resident and township budget going to the single trash hauler. Mr. Spisto questioned costs and benefits from the township point of view. Mr. McCloskey stated that there are no costs to the township for waste recycling. Mr. Schiller reviewed some of the associated cost of several of the providers. Mr. McCloskey then asked Mr. Schiller and Mr. Dresser what they would like the Committee to do. Mr. Schiller stated that he would like the Committee to gain about this issue, start to understand the process and look at it from the numbers and evaluate the financial benefit to the individual and the township. Mr. Spisto stated that he strongly recommend that we investigate it further. Mr. Martin stated that the budget committee could review at the when it becomes a budget issue and there is no budget issue at this time. Mr. Schiller stated that there could be an income to the township and there would be more leverage if township ran it. Mr. Spisto stated that it has to get sold to residents and township supervisors. Citizens Budget Committee encouraged the EAC to go forward with an RFP to make a further decision with the township and residents as a whole. Mr. Schiller stated that he was trying to give Mr. Dresser direct input to help budget. Mr. McCloskey stated that we need to see results of RFP on financial evaluation and environmental evaluation before the committee could make any recommendations or suggestions. Mr. Dresser stated he hoped to get it approved at the meeting next week and then send to the supervisors.

There being no further business, the meeting was adjourned at 9:55 pm.