

**Township of Lower Makefield
Citizen's Advisory Budget Committee Minutes
October 26, 2009**

The regular meeting of the Citizen's Advisory Budget Committee of the Township of Lower Makefield was held in the Lower Makefield Township building on Monday, October 26, 2009. Chairman Ethan Shiller called the meeting to order at 7:00 pm.

Citizen's Advisory Budget Committee:

Anthony Spisto
Brian McCloskey
Colleen Klock
Ethan Shiller
Joe Menard
Kenneth Martin
Michael Landy

Others:

Greg Caiola
Terry Fedorchak

Mr. Shiller made a motion to approve the minutes of the meeting of September 21 and the committee seconded the motion.

Mr. McCloskey presented the Finance Director's Report to the Committee. He reported that revenues are trending where expected with expenditures below budget at 66%. Mr. McCloskey stated that revenues in total are budgeted 1.7% higher than last year with the main reasons being positive returns from the pension fund and collections of real estate taxes are currently in line with delinquent accounts trending ahead of budget. He stated that we have had a very good year with real estate tax collection and delinquent taxes are coming in higher than usual. The real estate deed transfer tax is lagging last year's results due to the nationwide housing situation and we do expect to miss budget on this revenue item for the 2nd year. Mr. McCloskey stated that we are seeing signs of stability in the market and therefore are hopeful to make the 2010 numbers.

Township Business Enterprises:

Pool:

Mr. McCloskey reported that revenues came in below budget and expenses were down 11.5% with the current year in line with budget. He stated that 2009 was another successful season for the pool operations and that despite the decrease in membership and the wet temperatures in May and June, operations remain cash-flow positive.

Mr. Menard questioned how more revenue could be generated for the pool. Mr. Fedorchak requested that the CABC make recommendations to the Park & Recreation

Board. He stated that a capital reserve should be established for the pool and that engineering should come up with a capital improvement plan. Mr. Menard asked if there would be a rate increase for capital improvements. Mr. Fedorchak stated he would like to begin this conversation with the board for a rate increase in 2010. Mr. Spisto stated that some of the fund balances could be restricted for capital expenses. Mr. Menard stated that we should pick capital items from the budget accounts to be placed into a capital improvement fund.

Golf:

Mr. McCloskey reported that golf course rounds are down for the last three months due to inclement weather conditions. He stated that wash out days at Makefield Highlands doubled and tripled in August due to 11 days of rain. Mr. McCloskey reported that during the 3rd quarter, July and September had positive cash flow; however, August missed the revenue budget by 10%. He stated while revenues are projected to be off for 2009 due to weather and economy, we expect expenses to be down as well, although not proportionately.

Fire Fund:

Mr. McCloskey reported that the tax increase from 6.5 to 9.0 generated extra revenue for the fund balance which is projected to remain positive.

Hydrant Fund:

Mr. McCloskey stated that there is no recommended millage increase for the Hydrant Fund. He reported that revenues are under \$140,000 with expenditures projected to be \$165,000 comprised mainly of water fees. Mr. McCloskey stated that expenditures are expected to increase in 2010 due to a projected 13% increase in water rates. He stated that due to a diminishing cash balance, we can expect to see a millage increase in 2011.

Mr. Shiller questioned if the expenditures are due to flushing hydrants twice a year vs. once a year and how would we obtain this information? Mr. Fedorchak stated the PAWC and Mr. McCloskey stated he would find out.

Park and Recreation Fund:

Mr. McCloskey stated that this budget currently has a levy of 1.53 mill. He reported that revenue and expenses are budgeted very close with revenue under \$1M and expenses \$60,000 higher than revenue. He stated that Community Pride Day direct costs came out of this fund and revenue does not offset expenses. Mr. McCloskey reported that there is a healthy fund balance for 2009-2010.

Mr. Menard stated that an increase of 10% in expenditures in 2009 means a red flag in the fund balance of \$67,000. He stated that fees are not covering the fair share of services the users are getting. Mr. Fedorchak stated that they would need to figure out the fair share and what percentage of total expenditures the fees cover. Mr. Menard stated that that is something to look into as an agenda item.

Mr. Shiller stated that he had questions on several line items. Mr. Fedorchak requested that Mr. Shiller provide a list of the items which he would then review for historical data.

Sewer Fund:

Mr. McCloskey stated that the Sewer Authority recommended a rental increase to the Board of Supervisors and the township has absorbed this year's increase without passing it on to the customers. The Sewer Authority had originally recommended two consecutive years of 15% increases beginning in 2009 in order to build a Sewer Capital Reserve. At their most recent meeting, they voted to postpone the 2nd increase scheduled to take place in 2010 for at least 1 year. The Sewer Authority has \$500,000 budgeted a year for 5 years in the capital reserve fund. Mr. McCloskey stated that the sewer fund can go into 2010 without a rate increase and maintain a positive cash balance and \$1M of capital.

Mr. Menard stated he is still not convinced the rate increase implemented is correct or fair and suggested that someone look at the rates and how the cost of services matches with the way the rate service is developed. Mr. Shiller stated that the Committee should address it at the budget workshop and recommended that the CAB propose that the Board of Supervisors look at the rate structure and go for a 5% increase

- Implement a 5% increase versus a one-time 15% increase as occurred during 2009.

Mr. McCloskey requested that the committee prepare an email to the Board of Supervisors in this regard and send it to him to present at the workshop. Mr. Menard stated that he would take the action.

Street Projects:

Mr. McCloskey reported that the Street Project Fund began in 2009 with a projected fund balance of \$575,000 with expenditures budgeted at \$75,000 and consisted of only a few projects. He stated that the seed money comes from development and there are a few budgeted expense projects under storm water management. Mr. Menard asked when and how do we use this money? Mr. Fedorchak stated that storm and water related projects as on Black Rock Road come out of the capital fund and that everything but critical items have been scaled back for the rest of the year.

Debt Service Fund:

Mr. McCloskey stated that this fund has the largest tax levy outside of the general fund. He reported in 2009 the Debt Services Fund's expenditures will exceed revenue but beginning in 2010 it is projected that revenues will exceed expenditures and continue that way under the current structure.

Capital Reserve:

Mr. McCloskey reported that the Capital Reserve Fund has a beginning balance of \$1.1M for fiscal year 2010 with the only source of revenue being interest earnings budgeted at \$4,000. The fund is budgeted to finish the year with a positive fund balance of \$1M.

Garden of Reflection:

Mr. Menard asked what was the consensus of setting up an endowment for this fund? Mr. McCloskey stated that with \$50-60K in expenses, it would require a \$2M endowment and suggested that the CABC make the recommendation at the budget workshop.

Other business:

Mr. McCloskey stated that he would like representation at the workshop meeting. Mr. Shiller stated the CABC needs to talk about the general fund before going to the budget workshop and suggested that the next meeting be scheduled for November 10. Mr. McCloskey stated that he would have the rest of the budget this Thursday.

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