

TOWNSHIP OF LOWER MAKEFIELD  
BOARD OF SUPERVISORS  
SPECIAL BUDGET WORK SESSION  
MINUTES – NOVEMBER 21, 2011

A special Budget Work Session of the Board of Supervisors of the Township of Lower Makefield was held in the Municipal Building on November 21, 2011. The meeting was called to order at 5:40 p.m.

Those present:

Board of Supervisors:           Greg Caiola, Chairman  
  Pete Stainthorpe, Vice Chairman  
  Dan McLaughlin, Treasurer  
  Jeff Benedetto, Supervisor Elect (left meeting in progress)  
  Dobby Dobson, Supervisor Elect

Others:                               Terry Fedorchak, Township Manager

Absent:                               Ron Smith, Supervisor

#### HEALTH CARE DISCUSSION

Mr. Fedorchak stated health care is the most expensive employee benefit even eclipsing Pensions, and over the years they have constantly “tweaked” the health care program and have gone to self-insurance at times to save money, and have constantly reduced the benefit levels now to Personal Choice 10/20/70. He stated a few years ago they reevaluated the programs because this was when they began negotiations for the new Police Contract. He stated they have two Unions – Police and Public Works. He stated whatever they can accomplish in terms of modifying the health care program, they start with the Police. Mr. Fedorchak stated they took the Personal Choice 10/20/70 Program and placed it into a high deductible program. He stated they selected the Personal Choice \$3000/\$6000 which is \$3000 for individual and \$6000 for families. He stated in order to maintain the 10/20/70 Program, some of the out-of-network benefits were increased as far as co-pays and deductibles. He stated this is the platform and between the 0 and \$3,000 they paid the 10/20/70 package; and in order to accomplish this you have to have a very strong third-party administrator who will handle all the accounts, paperwork, and process all the EOBs, etc. Mr. Fedorchak stated they chose this because when they looked at the premiums between the 10/20/70 and high deductible there was a difference of around \$4,000 difference in an annual premium; and after they counted participants and worst-case risk scenario, it seemed that they would save a minimum of \$150,000 depending on how much utilization there was inside of the \$3000 and \$6000. He stated they started this about two years ago and did get it re-negotiated into the Police Contract, and started the program mid-year 2010. He stated he can now show what they have

saved over the last two years. He stated at the end of 2011, they are actually paying less than they paid in 2009 for health care; and when you compare where they would have been at this time, they are looking at savings of slightly more than \$500,000. He stated this is a 22% differential, and he is happy with where they have ended up. He stated this is a positive first step, and they need to do more on a going-forward basis and look at other alternatives. He stated he would like to have these discussions with the Board over the next year. He stated over the next year, they will also start re-negotiating the Police Contract.

Mr. McLaughlin asked who is the provider, and Mr. Fedorchak stated it is Blue Cross/Blue Shield. Mr. McLaughlin asked if there are other providers with the same 10/20/70 Plan, and Mr. Fedorchak stated some do have similar plans. Mr. McLaughlin stated he was on the Health Care Committee at his work, and they found that Blue Cross/Blue Shield was the “Cadillac” of providers; and he asked if they shop this to other providers. Mr. Fedorchak stated Aetna would be a competitor, and he stated every few years they do look at other options. He stated Aetna would be a provider that would have the product that is closest to Personal Choice.

Mr. Fedorchak stated the first discussion they have to have is with the Police Department to get them to go along with a new direction. He stated for the most part they are realistic and cooperative, and this direction they went two years ago would be very similar with the direction they would have gone with Aetna anyway. Mr. McLaughlin asked if Aetna is a less expensive alternative; and Mr. Fedorchak stated in some cases they are and in some cases they are not, and he will continue to look at their product line and try to find a Plan that would save them some more money.

Mr. McLaughlin stated at his work they started a program where if there was a spousal coverage with a spouse who was employed, the feeling was it was not their employer’s job to cover a spouse who had coverage with their employer. He stated he feels dependents could go to either. He questions if it is the taxpayers responsibility to cover spouses of employees who have health coverage already elsewhere, but they choose the Township’s coverage because it is a better plan. Mr. Fedorchak stated the Board of Supervisors did start a program about four years ago where if an employee waives the right to take the health benefit, they pay them one third of the cost of the benefit as an incentive.

Mr. McLaughlin stated they should also consider if they want to start to do things that reward healthy behavior and punish unhealthy behaviors such as a \$50 per month surcharge if you smoke, and Mr. Fedorchak stated they have never done this.

Mr. Benedetto stated he believes that one of the School Districts has a program that if you opt out of the health care plan, you get money as an incentive since there is a cost involved.

Mr. McLaughlin stated at his work they also did an audit, and found that there were 62 people out of 758 on the Plan who failed eligibility requirements; and this resulted in additional savings. Mr. Fedorchak stated this would be easy for the Township to control as there are only 75 employees in the Plan, and the Third Party Administration sends out Notices to the employees to verify that their dependents are in college and they would require certification from the Bursar's Office. Mr. Fedorchak stated he will discuss this with them to see if there is something further they could do.

Mr. Benedetto stated the Courier Times did a comparison of the Townships, and he asked what Middletown Township did to realize their savings; and Mr. Fedorchak stated they did what Lower Makefield started doing a few years ago.

Mr. McLaughlin asked about employee contribution; and Mr. Fedorchak stated this is something that is always in the table, and they did talk to the Police about this two years ago. In lieu of that and taking them out of the Personal Choice product, what they have now is the direction they all agreed on. Mr. McLaughlin stated they could have this Plan and also have the employees contribute, and Mr. Fedorchak agreed and stated this is something that they can consider in the future the next time around. Mr. McLaughlin stated he feels that there has to be employee contribution going forward as this is the norm. Mr. Benedetto stated the teachers in Pennsbury contribute 10%.

Mr. Stainthorpe stated this cannot happen until the next Police Contract. Mr. Caiola stated he does agree that they have to have the initial discussion about this, and this is something they should be doing. Mr. Benedetto stated there is also room for negotiation to increase the co-pays. Mr. Fedorchak stated he is looking further into modifying the co-pays and deductibles and doing it in a significant way that translates to lower costs in the long run.

## SEWER BUDGET

Mr. Hank Hoffmeister was present with Ms. Danielle Farrell, Remington & Vernick. Mr. Fedorchak noted the Second Book – Page 2 shows the Expenses. He stated of the total number of \$5.4 million, \$3.5 million of this is transmission fees and accounts for 65% of the Budget. He noted the Capital Investment line item which accounts for another 9%, with most of this going to Morrisville, Yardley, and Upper Bucks. He stated nearly 74 cents of each Sewer Revenue dollar that comes in goes to Morrisville, Yardley, Falls, and Big Bucks which leaves the Township with less than 25% which is “discretionary” spending. Mr. Fedorchak stated one of the most important numbers is the Capital Investment. He stated in 2011 they had a 20% increase, and the reason for this was the need to fund the Capital needs on a going-forward basis. Mr. Fedorchak asked Mr. Hoffmeister and Ms. Farrell discuss the next ten years and what they feel they will need to spend.

Ms. Farrell stated they reviewed the commitments to the various Authorities who receive the sewage as well as looking at the pump station and metering stations. She stated they have contributions to the outside entities, and they communicate with them throughout the year as their needs changes. She stated typically they see \$200,000 a year to Morrisville for improvements to their plant. She stated the Yardley Borough Sewer Authority has a collection system and a 4 million gallon per day pump station of which Lower Makefield provides approximately 70% of the flow through that pump station. Ms. Farrell stated for pump station improvements they average approximately \$25,000 a year. She also noted costs for the interceptor lining work. Ms Farrell stated Bucks County Water and Sewer Authority does a yearly contract, and they can make use of scale of economy by piggybacking onto that contract and Yardley Borough does this as well.

Ms. Farrell noted the 1964 Transportation Agreement with Yardley Borough Sewer Authority, and they have gone through some phases of improvements to their piping; and she noted line item #4 includes a contribution to Yardley Borough Authority although the number has not been confirmed. She stated it is to be decided on in 2011, and will be paid in 2012. Ms. Farrell stated this is actually a net contribution as the Township did some repairs to the joint use facilities, and Yardley Borough has a percentage of their flow that goes to the interceptor so they owe Lower Makefield for their portion of that improvement and the Township will owe them a portion of their improvements to the joint use facilities. She stated they are still trying to finalize what that number is and who owes who what amount. Mr. Hoffmeister stated this is separate from the pump station improvements.

Mr. Hoffmeister stated there was \$150,000 set aside for Morrisville Capital Improvements, and he has received word that the 2010 improvements were \$135,000 to be paid in 2011. Mr. Benedetto asked if they would anticipate that \$200,000 would be a high estimate for Morrisville moving forward, and Mr. Stainthorpe stated he would not assume that. Mr. Hoffmeister stated they have asked for an update of their Five Year Plan, but have not yet received it. Ms. Farrell stated 2009 was actually higher, so she feels \$200,000 is a safe estimate.

Ms. Farrell stated Bucks County Water and Sewer Authority has been directed by the DEP to address some clear water flows at the Neshaminy Interceptor so all the contributors of who contribute flow to that Interceptor are required to participate on a pro rata share on improvements that include improvements to the interceptor and the holding tank. Mr. Hoffmeister stated this is contractual with Philadelphia, and they need to keep their flows under the contract. Mr. Stainthorpe stated they are under orders from DEP to reduce the flows to Philadelphia and there are situations where there are backups and overflows. He stated the surge tank will hold flows and then release water slowly so that

there are not overflows going into Philadelphia. Mr. Hoffmeister stated \$150,000 is the Township's estimated contribution for the surge tank, and Ms. Farrell added the \$150,000 contribution speaks well of the condition of the Lower Makefield Township sewers.

Ms. Farrell reviewed the other improvements to the Lower Makefield system (Items #6, #7, #8, #9, and #12) which are improvements to the actual Lower Makefield system; and they are looking to space out these projects in a five to ten year time frame so that they can keep consistent costs.

Mr. Dobson asked about the \$100,000 contingency for Edgewood Village, adding he felt the developer was to be responsible for this. Ms. Farrell stated this is the sewer extension project which is part of the 537 Plan to extend sewers to approximately thirty homes. Mr. Stainthorpe stated they did receive a State Grant for approximately \$800,000. Mr. Fedorchak stated the difference between the construction cost as bid and the Grant is approximately \$300,000. He stated they anticipate that those costs will be recouped for the most part through assessing all of the property owners. He stated the \$100,000 is a number that may be over and above this as a contingency, and Ms. Farrell agreed. Mr. Fedorchak stated typically they assess the residents on a linear foot basis, and the developer will pay more by default since he has more property.

Mr. McLaughlin asked if there is a recommendation to increase rates, and Mr. Fedorchak stated there is not. He stated in 2009 they increased rates 15%, and in 2010, there was a 20% increase.

Mr. Fedorchak noted the Operating Budget and the numbers for transmission fees. He stated Mr. Hoffmeister has put in \$3.5 million for 2012, but this is dependent on the rate increases they may or may not experience. Mr. Hoffmeister stated there is good news for Lower Makefield in that according to Morrisville's auditor, Lower Makefield has a credit of \$160,000 because their flows were down in 2010. Mr. Hoffmeister stated he would suggest that they take advantage of this by requesting a credit of \$80,000 for the first two quarters of 2012 on Morrisville's payment which is \$1.4 million for the year. He stated Lower Makefield pays \$350,000 a quarter to Morrisville. Mr. Hoffmeister stated in years past when Lower Makefield was paying lower quarterly fees, they were getting substantial debits the end of the year because of the higher flows. He stated 2010 was a dry year, and Lower Makefield was able to get a credit. Mr. Fedorchak stated 2011 was not a dry year, and Mr. Hoffmeister agreed. He stated he feels the number for 2012 should be left as proposed because of the higher flows in 2011.

Mr. Hoffmeister stated he does not have any information on rate increases from Bucks County Water & Sewer or Falls Township. Mr. Stainthorpe it will be 10% for Bucks County Water & Sewer. Mr. Hoffmeister stated he feels Falls Township will then do this as well.

Mr. McLaughlin agreed that the Township should take the credit up front.

Mr. Hoffmeister stated he would like to get the \$135,000 out by the end of this year.

Mr. Fedorchak stated he will have to revise some of the numbers in the Budget based on the information Mr. Hoffmeister handed out this evening.

Mr. Menard stated there was a 20% increase in 2011, but this was only effective for nine months of the year. Mr. Fedorchak stated Mr. Menard has indicated that based on the projected increase, they should be receiving more in 2012.

Mr. Fedorchak stated the Golf Course is a variable because some years it is necessary for them to buy public water, and they are paying an additional charge; but there is a sewer program where if it can be demonstrated that the water is not going into the sewer system, a credit is given. He stated they just recently gave the Golf Course an \$80,000 credit because of the amount of water that the Course purchased that went into the irrigation system, and did not go into the sewer system. He stated there is therefore an \$80,000 number that appeared on the books that was not reconciled so that can inflate the revenue receipts. He suggested that they leave the number at \$4 million.

Mr. Caiola thanked Ms. Farrell, Mr. Hoffmeister, the Sewer Authority, and the Board of Supervisors since he feels increasing the rates and getting money into the Capital Fund is a good way to proceed and has helped with the Township Bond rating as well. He stated they need to be prepared for situations that may arise in the future.

Mr. Menard stated there is a reduction in the Principal and Interest due to the refinancing. He stated in order to keep the expenditures consistent, he would recommend that they use those dollars and increase the contribution to the Capital Improvement Fund. He stated they have never done a cost analysis to determine how much of the Township's sewer operating fund belongs in the fixed charges and how much in the transmission, distribution, and processing costs. He stated in order to do this, they would need to break out the commercial and residential into the fixed charges and the amount from usage, and they could then determine if the costs and revenues are in line. He stated when they have the next rate increase, they could indicate how much of the increase belongs to the fixed costs and how much belongs to usage. He stated if they do that and someone wants to be environmentally acute and cut down their flow, then could also cut down their costs.

Mr. Benedetto stated he feels the principal and interest savings should go into the Capital Improvement Fund.

Mr. Fedorchak stated for 2012 he has already factored in the lower principal and interest payment, and this will hold true for the next three years, and it will be approximately \$285,000. He stated with that factored in, at the end of the year, they will have a plus of \$3,546. Mr. Fedorchak stated currently they are breaking even if they factor in the savings. He stated they have added to the reserves which was the promise the Board of Supervisors made two years ago.

Mr. Menard stated when they go out ten to fifteen years, and they look at the Capital surplus, he does not know how much reserve they should have for unexpected expenses, and he feels they should ask Ms. Farrell to provide input as to what type of reserve they should have beyond what they are trying to fund given the size and the age of the system.

## ROADS DISCUSSION

Mr. Majewski provided information on the roads and stated he put down every road and projected it out over a twenty-five year lifespan. He stated the longevity of a road is dependent on the amount of traffic, the amount of heavy traffic, and the underlying substructure of the road. He stated much of the Township is underlain by clay soils, and they can compact over time. He stated many of the roads built in the Township were built prior to 1992. He stated the Township now owns 137 miles of road which is a 50% increase from what the Township had in the 1990s. He stated in late 80s, the Township decided to install wider roads in the neighborhoods. He stated previously the roads were between 20' and 30'; and they decided to make the roads 36' wide, and this was the case until the early 2000s. He stated the cost to pave those roads is approximately 50% greater than the cost to pave a 20' wide road, and 25% greater than the cost to pave a 30' wide road. He stated they have therefore increased the road miles by 50% and increased the width of the roads which increases the amount of paving.

Mr. Majewski stated during the last six to seven years on the Road Tours he has been saying that they are coming to a point where all those roads built in the 1990s are coming due to be paved in a couple of years, and that time is now here. He stated the roads are about at the end of their useful life of twenty-five to thirty years, and for major roads it is sometimes less than 20 years, although for smaller roads such as cul-de-sacs, the useful life could be up to 40 years.

Mr. Majewski stated you get to a point where after they deteriorate, you can mill the top surface of the road 1 ½" and overlay it with a new surface; but if you let them go too long, the top surface cracks too much, water gets into the sub-surface, and this cracks the base of the pavement. He stated typically pavements are built on several inches of stone, several inches of asphalt, and then 1 ½" at the top. He stated what they have been doing over the years is just milling out and paving the top layer, and this is not too expensive;

but if it goes too long and deteriorates, you then have to replace the base, and this is much more expensive. Mr. Majewski stated what the Township has done over the last twenty years, is use the roadway management system that tracks the age of the roads and projected traffic and guesses which roads will need to be paved sooner than others. He stated every year the Public Works Department, Sewer Department, himself and others who drive the roads including residents, notice certain roads that need attention. He stated based on this and the proximity to each other of different areas that need to be paved, and on the roadway management system that is predicting the life of the road, they usually pick out which roads need to be paved. He stated the Twenty-Five Year Plan that has been presented to the Board is based on their observations of what needs to be paved and on the age of the road and the predictions of when they need to be re-surfaced.

Mr. Majewski stated the last few years they have been budgeting \$250,000 to \$300,000, and this year, they have increased it; however, going forward for next year and the foreseeable future, they will be exceeding those numbers. He stated over a twenty-five year period, the average cost to repave all the roads in the Township is about \$890,000 a year; and over a thirty year period, this would come to approximately \$742,000 a year, which is a consequence of the fact that they have a lot more roads and they are a lot wider than they were previously.

Mr. Majewski stated there is also a mandate from the State Government, and PennDOT is making sure that all the handicap ramps that were installed years ago must comply with the current regulations which changed over the last five to ten years, so as they pave roads, they have to rip out the old handicapped ramps and make them comply with the new regulations.

Mr. Majewski stated they have been able to stretch out the life of the roads partly because the Public Works Department goes out every year and check roads that might need to be patched before they need to be paved. He stated they do small patching of areas that are starting to deteriorate and that isolated area is redone before it turns into a major problem. Mr. Majewski stated they also go out and crack seal a lot of roads.

Mr. Hoffmeister stated they also had some problems this year because of weather conditions, and he therefore overspent the Budget. He stated if they had not repaired these, there would have been safety issues. Mr. Caiola stated sometimes they do have to make these decisions; and although it does cost a little more, they cannot compromise safety.

Mr. Majewski stated for the next twenty-five years, the total is \$22.2 million; and if you stretch this out over twenty-five years, it would be \$890,000 a year, and if they stretch it out over thirty-years, it would be \$742,000 per year. Mr. Fedorchak stated they would therefore need between \$700,000 and \$800,000.

Mr. Fedorchak stated Liquid Fuels is a State Grant that the Township receives every year in the amount of approximately \$700,000 a year. He stated they have budgeted \$350,000 out of this fund; and he anticipates that they have opportunities to free up at least another \$200,000 from a number of places including the Special Projects Fund. He stated they also did quite well in the General Fund, and there should be an extra \$200,000 to \$300,000 assuming his forecasts are met by the end of the year; and they could take \$100,000 from that excess and apply it to the roads if this is the desire of the Board. Mr. Fedorchak stated he feels they will be able to come up with at least \$550,000 for 2012 for roads.

Mr. Stainthorpe stated he feels Mr. Fedorchak is right in finding some savings in other funds to be transferred here; and as they get to the final Budget numbers, if there are additional savings that can be found, he would not be against putting those funds toward the roads.

Mr. Stainthorpe asked about the \$170,000 Capital item, and Mr. Fedorchak stated this is the truck.

Mr. Caiola stated they want to make sure every year that they are as close as they can get to that number of \$700,000 to \$800,000. Mr. Stainthorpe stated they cannot defer maintaining the roads indefinitely. Mr. Dobson stated he does feel that they can continue to look for savings.

Mr. Benedetto noted that there are some roads that are over thirty years old, and Mr. Majewski stated many of those are cul-de-sacs which are low-volume roads.

Mr. Hoffmeister stated they must consider the cost of oil which is the driving force behind asphalt and crack sealing. He stated every year PennDOT puts in an escalator cost, and if the cost of petroleum goes up PennDOT makes the Township pay the escalator which can vary from 5% to 18%.

Mr. Majewski stated at the State level, they previously had an exemption for maintenance paving such that it would not be subject to prevailing wage requirements; and the State has been trying to reinstitute that which could save 5%.

Mr. Stainthorpe asked how much does the upgrading of the handicap cuts cost the Township as he sees this as an unfunded mandate and is an additional expense to the Township. Mr. Caiola asked if there are Grant opportunities for this; and Mr. Majewski stated there are, but they may be difficult for Lower Makefield to obtain. Mr. Caiola stated he feels it is one of the key responsibilities of the local officials to maintain the roads; but if these handicap ramp upgrades are added which will result in substantial costs, he feels they should do anything they can to help supplement the funds.

Mr. McLaughlin asked if any of these listed roads are State roads, and Mr. Majewski stated they are not.

Mr. Majewski stated the handicap ramps add 10% to the cost.

Mr. Majewski stated they will re-evaluate which roads may need to be done in the spring depending on the weather.

Mr. McLaughlin stated he would like to discuss the \$170,000 truck. Mr. Hoffmeister provided a copy of the inventory of the rolling stock. Mr. Hoffmeister stated the last time he was before the Board he mentioned that they were looking to purchase another large truck. He stated Liquid Fuels allows him to separate 20% of the total allotment to purchase a vehicle and 20% would be approximately \$148,000 for 2012.

Mr. Hoffmeister noted in the inventory Vehicle 313 which is a 1988 International Harvester truck and is totally out of service. He stated the estimate to bring it to minimal Pennsylvania State Inspection standards is \$16,000. He stated the vehicle was removed from service due to unsafe operability in late February/early March. He reviewed what is included in the cost. He stated the price is good through 1/7/12, and his mechanics have been advised that there will be an increase not only in the cost of the vehicle but also a Government mandate in raw material pricing.

Mr. Fedorchak asked how many vehicles they have in this class, and Mr. Hoffmeister stated at the current time they have seven serviceable vehicles.

Mr. Caiola stated he would not want to defer this until next year when they will be up against an even larger road Budget.

Mr. Fedorchak asked why they need this additional vehicle, and Mr. Hoffmeister stated they have wider roads, and it could take five to eight passes on the larger roads with a large truck to clear the snow. He stated they also have seven leaf machines, and they need the larger vehicles to haul them. He stated none of the vehicles sit for any length of time, and at any given time during the year other than leaf or snow season, they could have three to five of these large vehicles in operation depending on the job.

Mr. Fedorchak asked how often they are running seven vehicles other than during snow and leaf season, and Mr. Hoffmeister stated he feels it would 25% to 35% of the time that they would have three to five large trucks on the road at one time. He stated the reason they would be using these large trucks would be the paving jobs and hauling millings so that they do not have to rent trucks. He stated he did not have to rent any vehicles when they did the road work on Quarry Hill, Woodside, and Black Rock Road this year so this is a savings.

Mr. Benedetto stated looking at the approximate replacement year, if they replace Vehicle 313, the next time they would need a vehicle of this size would be 2014; and Mr. Hoffmeister agreed. Mr. Hoffmeister stated that would be Vehicle 312 which is currently operable and is a first-line vehicle. Mr. Hoffmeister stated while he uses three to five of this size truck on a normal daily basis in the off-season, when they have large storms such as Hurricanes Irene and Lee all of the trucks were used at some point during those storms. Mr. Hoffmeister also noted the explosion which occurred at Black Rock and Yardley-Morrisville Road two years ago, and every one of the large trucks was in service to facilitate the safety of that intersection and provide additional materials. He stated while the project was contracted out, in order to save money the Township had to provide trucks to haul away excess material.

Mr. Stainthorpe asked if they ever considered buying used, and Mr. Hoffmeister stated they have not. He stated they have been able to get the longevity out of the vehicles that they have because of the mechanics, and he would not want to buy someone else's problems. Mr. McLaughlin stated Mr. Hoffmeister is assuming that there would be a problem, and he rejects that. He stated he feels there are Government entities that are shedding assets, and there could be something out there. Mr. Hoffmeister stated while he understands this, he noted the picture of Truck 315 which is a 2003 International similar to what is being discussed today for Vehicle 313, and he noted the rust which is already appearing on a five-year old vehicle. He stated part of the problem is that what is being built today is being built with a lot of inferior, foreign parts including steel. He stated they are also seeing changes due to environmental regulations with regard to fuel. He stated there are also problems because of the salt that they use which cause corrosion despite cleaning the trucks. Mr. Hoffmeister suggested they talk to Bucks County International who services Mercer County trucks in addition to Lower Makefield's as they are seeing problems with trucks after five years with rusting. Mr. McLaughlin stated he questions why they would want to buy a new vehicle if they only last for five years. Mr. Hoffmeister stated while Vehicle 315 is having a problem, the Lower Makefield trucks are maintained at a higher level than the State or County vehicles.

Mr. Stainthorpe asked if they have to have eight large vehicles for the essential operations including snow plowing, or could they have just seven. Mr. Hoffmeister stated they could probably do the job with seven, but he would not go less than seven. He stated he does not feel the Township can get by with less than seven large vehicles because of the size of the Township and the amount of time that a truck has to spend on the road because of what they use them for during the course of a year including hauling asphalt, stone, concrete, and scrap metal which people have put in the recycle yard.

Mr. Benedetto asked about the Capital purchase of \$85,000 that did not take place in 2011; and Mr. Hoffmeister stated this was a contingency amount that Mr. Fedorchak put aside for 2011 to go toward this purchase. Mr. Hoffmeister stated they had estimated the cost of this vehicle to be \$170,000, but they have since found out that they have a lower threshold on the cost of the vehicle which is all inclusive.

Mr. Caiola stated if they have only seven trucks, they may have to replace the others more frequently since they would be using seven trucks rather than eight.

Mr. Hoffmeister stated Truck 315 does have some problems, but they cannot afford to take it out of service.

Mr. Menard stated the Citizens Budget Commission met with Mr. Hoffmeister and Ms. Reardon to look at their operations and their equipment. He stated they will be providing a detailed memo on what they found. He stated they did ask if they really needed all of this equipment and what other alternatives there are. He stated on a month-to-month basis, they need to know how the equipment and manpower is being utilized. He stated Ms. Reardon has indicated that they have fifteen key project areas that Public Works works on during the course of twelve months; and on a monthly basis, she could do an analysis on the manpower and equipment that is used on these projects. Mr. Menard stated the Board of Supervisors could then look at this each quarter, and when they get to Budget time next year, they would have twelve months of information which should answer a lot of questions as to how they could manipulate the use of vehicles. He stated they can consider if there is anything that they can do in terms of operations to smooth out the total costs. He stated while this does not solve the current problem in terms of buying a truck, long term they could give the Board more assurances when they are at Budget time next year on the operations, equipment utilization, and manpower used by Public Works. Mr. Menard stated they need to get this information into an operational plan.

Mr. Dobson asked if they do preventive maintenance on the vehicles so the vehicles do not continue to rust; and Mr. Hoffmeister stated the Township mechanics do an excellent job, but there are some jobs that they have Bucks County International do because they have the parts available. He also noted that when they had to have work done on Vehicle 312 which is a 1995 vehicle, there were only two places in the Country where International could get the parts.

Mr. Benedetto stated he agrees that there is a cost involved in going to seven trucks, and they will wear them out more quickly. Mr. Hoffmeister stated the Board needs to consider the level of service they want to provide to the residents.

Mr. Fedorchak stated they previously discussed Mr. Hoffmeister's request to replace the 1992 leaf pick-up machine. Mr. Fedorchak stated Ms. Reardon has since done an analysis, and in 2010 they ran seven machines 28.8% of the time. He stated there will be some consequences if they do not run seven machines, and it could take an additional week to week and a half. Mr. McLaughlin stated if the public wants fiscal discipline, there is a trade off in service. Mr. Benedetto stated there could be an additional cost since the other vehicles would wear out quicker so it may not actually save anything. Mr. McLaughlin stated they are also deficient now since they have a half funded road program. He stated he is very concerned about the road program. Mr. Benedetto stated he does not feel they would be saving any money since they would be transmitting the costs to the future.

Mr. Caiola stated before they eliminate this truck, they need to look at other cuts; and he noted the cuts Mr. McLaughlin had suggested. Mr. Caiola stated he does support funding the roads, and he feels every year the Township should have a plan on how to fund them. He stated he does feel the eighth truck is an option at this point. He stated he does not feel they can go in with a number for the roads that is less than \$500,000 to \$600,000. Mr. McLaughlin stated he is most concerned about the roads program, and added he feels there is a cost to fiscal discipline and everyone cannot get everything they want.

Mr. Menard stated he and Mr. Fedorchak have discussed the Liquid Fuels money, and the Liquid Fuels money is not sufficient to do the roads in terms of the contract services. Mr. Menard stated he feels the \$170,000 truck should come out of the Capital Improvement Fund and not Liquid Fuels. He stated the Capital items should be put in Capital, repairs should be in the Operating Budget, and the roads should be in Liquid Fuels.

Mr. McLaughlin asked if the large trucks ever help Sewer, and Mr. Hoffmeister stated they do not typically, although the smaller trucks do.

Mr. Benedetto left the meeting at this time.

#### GOLF DISCUSSION

Mr. Mike Attara and Mr. Bob Doria, General Manager, were present along with Mr. Frank Draper, Golf Committee.

Mr. Attara stated they had a difficult year related to the weather compared to 2010 which was a very good year. He stated they would like to continue with programming at the facility adding the Leagues and Golf Associations are on an up-swing. He stated there were some increases in labor in 2011 and some increases related to Food and Beverage.

He stated the increases in Food and Beverage resulted in a much better environment as they built a new room as part of the Capital Plan to improve storage and sanitation. He stated they also brought in a Chef who has helped move the business forward. He stated they also brought in a new Food and Beverage Manager, and they have seen an up-tick in their banquet business.

He stated in Budgeting for 2012, they looked at 2009, 2010, and 2011 and tried to come up with a blended average to be more conservative on the revenue side and work back toward trying to get back to a balanced Budget. He stated they had some great increases in some revenue areas in 2011, and he noted specifically the nine-hole revenue program which had a \$40,000 increase. He stated eighteen-hole rounds were down because of weather. Mr. Attara stated a lot of the nine-hole programs are pre-paid so even if the weather is not perfect, those players still show up.

Mr. Attara stated they did back off somewhat as to the Capital Program because of the weather and their concern with spending too much as well as dealing with the wells and the pumps which are a priority. He stated they are spending a lot of money on water when they have good weather; and if they get to a point where they do not have to buy water, it will have an immediate impact on the bottom line. Mr. Attara stated they did spend some money on the wells this year, and plan to spend money on this next year as well.

Mr. Fedorchak stated there are issues with Well #1 which is the primary source of water, and they will continue to analyze this and report to the Board. Mr. Fedorchak stated they did frack to approximately 300 feet on this well which goes down close to 600', but there is an obstruction about half way down, and they are not clear what it is at this point. He stated the next step is to investigate this and remove it. Mr. Attara stated they are going to meet with the well driller and the hydrologist. He stated they have not pumped water since they did the fracking, and they will not know the benefit of the fracking until they start pumping next year.

Mr. Fedorchak stated the idea was to enhance the yields at the lower levels, and they did not accomplish this. Mr. Attara stated the pond is also still an issue, and they did find some leaks in the pond.

Mr. Attara provided information on 2010 which was a good year at the Golf Course, and they did \$2.687 million in total revenue versus \$2.440 million in 2011. Mr. Attara stated Makefield Highlands is a very busy golf course. Mr. Doria stated on Sunday, they did 160 rounds. Mr. Attara stated they are in the upper tier of public courses, and because of the fees if the weather is not good, the golfers tend to back off. He stated expenses do not move dramatically as expenses are fairly fixed.

Mr. Attara stated the plan for 2012 is more conservative on the Revenue side, and they want to continue to provide very good service and keep the Programs. He stated they recently did a survey, and the customers indicated that this is what they want. He stated the driving range continues to be a great opportunity although it did “take a hit” this year because of the weather conditions; and they want to get this looking better. He stated they did budget funds toward this for 2012. He stated they are also getting better range balls and buying them more often.

Mr. McLaughlin suggested that they put out information indicating that some of the conditions are weather related as he did get some e-mails about the conditions at the Golf Course.

Mr. Attara stated outings continue to be a focus, but they did have a problem this year because of the weather and there were cancellations. He stated Mr. Doria has made contacts, and they feel there is a good opportunity for increasing this avenue for revenue going forward. Mr. Attara stated the Golf Academy Programs are also going well, and there is a movement in the PGA and the golf industry to grow the game. Mr. Attara stated enhancing the banquet piece is also important, and this year they made an investment in a dishwasher, plates, silverware, etc. and they are more aggressive on the sales side.

Mr. Attara stated they are cautious on the Golf Course maintenance so that they can keep the Golf Course looking good. He stated the number for 2012 for this is higher than was spent in 2011.

Mr. Attara stated they would like to work on the bathrooms and at a minimum re-tile and get new fixtures; and they have received bids with costs ranging from \$15,000 to \$31,000 depending on what they do.

Mr. Attara stated they are mindful that their Programs do not negatively impact the eighteen-hole rounds.

Mr. McLaughlin asked if the Course is at capacity during a good year like 2010, and Mr. Attara stated there is more capacity especially during the afternoon and for shorter rounds. He stated he feels they could break the 40,000 mark if there was perfect weather. He stated they will do approximately 38,000 rounds this year, but the eighteen-hole rounds are down by approximately 1,000 rounds. Mr. Draper stated they also need to take into account the experience for the golfers. Mr. Attara stated pace of play is also about perception since some people are used to a three-hour round early in the morning, but this would be longer in the afternoon. Mr. McLaughlin stated it is a hard course. Mr. Attara stated 4.5 hours is a good pace for play.

Mr. McLaughlin asked if they are proposing the same rates, and Mr. Attara stated the rates are proposed to stay the same for 2012.

Mr. Dobson noted Page 5 of the Capital Purchases; and they projected \$128,000 this year and as of August 31, they are at \$43,000. Mr. Attara stated they have only spent \$68,000 through October. He stated they did this Budget early, and the projection for September through December was \$26,000 per month. He stated the well is still questionable, and they need to decide if they are going to do the bathrooms and buy the rough mower or hold off on these items.

Mr. Fedorchak stated overall the situation is very positive, but they have had a declining cash position over the last few years; and they are projecting that there will be approximately \$500,000 at the end of 2012. He stated 2012 is also the last year that they will enjoy the benefit from the savings from the refinancing in the amount of \$130,000 a year. He stated for 2013 they will see an increase in Debt Service of at least \$130,000. Mr. McLaughlin stated this was the reason for his concern about capacity as their balance is getting progressively lower. Mr. McLaughlin asked if there is a “safe harbor” for the Golf Course, and it was noted there is not. Mr. Fedorchak stated if they are short \$50,000, they will have to make this up from the General Fund or Debt Service; and he would probably propose that it be taken from the Debt Service.

Mr. McLaughlin asked how they would finance the debt if there was an unfavorable ruling with regard to the Dalgewicz matter, and Mr. Fedorchak stated this would have an impact on Debt Service. Mr. Stainthorpe stated they might have to raise some millage. Mr. Fedorchak stated they would first look at Debt Service and then look to the total Golf revenues and to what extent Golf would reimburse Debt Service for this additional cost. Mr. Stainthorpe stated this matter is being heard in December, and it could take years before it is finally decided.

## PARK & RECREATION

Ms. Donna Liney was present and stated the Township Park tax has remained stable for over a decade. She stated in 2000 the Park tax was \$54 per property, and even as they have expanded the Park system, millage for 2012 is projected to remain at 1.28 or \$52 per property average. She stated in comparison leaf collection for 2011 was \$50 per billable lot. She stated Park & Recreation continues to do everything possible to keep expenses at a minimum yet continue with necessary repairs, feasible improvements, meet their commitment to Debt Service, and provide a balanced Budget for the Township. Ms. Liney stated they have collected 98% of their projected 2011 Revenue, and experienced a slight shortfall in the projected Fee-In-Lieu. She stated expenditures for 2011 are in line with the Budget projections. Moving forward to 2012 with regard to Personnel Services, there will be an employee retiring from the present four-man Park

crew so they will have a three-man crew next year. She stated they have included \$50,000 in Capital Construction expenditures for 2012 to restore aging Township bike path infrastructure, and they have included \$50,000 in the Inter-Fund Transfer from Park & Recreation to Capital Reserve in anticipation of the soft costs for the engineering and oversight on the Grant project.

Mr. Fedorchak stated they had a crew of four which they are reducing by one. Mr. Fedorchak stated to compensate for this, they are looking at maintaining a temporary, seasonal crew particularly during the summer. He stated this would be from May through September. He stated an important part of making this reduction in the full-time personnel and savings on the benefits work is to maintain the part-time, temporary seasonal laborers.

Mr. Caiola stated ten years is substantial in keeping the millage at the same level, and Mr. Fedorchak stated it is actually less since they dropped it in 2010 to 1.28 so they are doing more with less.

Mr. McLaughlin asked about the user fees, and Ms. Liney stated the Park & Recreation Board does discuss this every year. She stated it is a down economy. She stated YMS paid over \$80,000; and the expense for Macclesfield is \$90,000. She stated they have other user groups at Macclesfield as well. She stated football paid just under \$10,000 and PAA paid approximately \$30,000. Ms. Liney stated the current user fee is \$15 per resident and \$36 for non-residents. Mr. Dobson stated he agrees that if you are a resident you should pay less. Ms. Liney stated if a non-resident pays twice a year, they are paying more than the Township Park tax.

Mr. Fedorchak stated they put in \$50,000 for the resurfacing of the bike paths. He asked if they need the \$50,000 as Ms. Liney had described an area which is becoming a safety issue. Ms. Liney stated there is an area at Sutphin Pines where there is a School bus stop and she reviewed where the path leads. She stated if they would go the entire distance at \$50 a foot, it would cost approximately \$80,000. Mr. Fedorchak stated they need to look at this. He stated he would not recommend cutting the amount to \$25,000, and he asked that Ms. Liney provide the Board with more details on this. Mr. McLaughlin stated he felt this was in the Budget last year; and Mr. Fedorchak stated while it was, they zeroed it out.

Mr. McLaughlin asked about the \$30,000 that was Budgeted, and Mr. Fedorchak stated this was to cover engineering for the Grant. He stated the soft costs are not covered by the Grant as the Grant only covers construction.

Mr. Menard stated he would still like to recommend that the Capital items in Park & Recreation be in a separate Capital Improvement Fund so that if something does not need to be done one year, the money is still there for the next year. He stated this would give a better ability to use Capital monies as needed for projects. Mr. Fedorchak stated Ms. Liney has started to rough out a program, and he and Mr. Menard will meet and look at this.

## COMMUNITY POOL

Ms. Liney stated this is a user-based Budget and no tax dollars support the Pool. She stated the revenues do need to keep pace with the expenditures. She stated the Pool reflected a gap between revenues and expenditures in 2011 resulting from a decrease in family memberships of thirty. She stated the Pool generated 97.5% of the projected revenue. Ms. Liney stated with the stagnant economy, they are not anticipating a significant increase of residents joining the Pool for 2012; but the revenues should cover the expenditures next year. She stated at this time no adjustments were recommended to the Fee Schedule for the membership by the Park & Recreation nor are there changes proposed to the Guest Fees or Swim Lessons for 2012.

Mr. Stainthorpe asked the cost of Swim Lessons, and Ms. Liney stated they are \$40 for the first child and \$30 for the second. Ms. Liney stated while this is low, this is one of the reasons that people join the Pool. Mr. Stainthorpe stated in general he would rather have a small boost to the membership fee every few years as opposed to waiting ten years and then increasing it a significant amount. Mr. Stainthorpe stated there has been a decline in membership, and he sees this as a luxury that is impacted by the economy; and he would not recommend raising rates at this time.

Mr. Stainthorpe asked why there are no longer revenues or expenses for the Swim Team, and Ms. Liney stated approximately two to three years ago it was set up by the Finance Director that their revenues would pass through the Township and then their expenses would as well but it did not work out. Mr. McLaughlin stated the Township previously accepted the money to pay the coach, and then the Township paid the coach; but they no longer do this. Ms. Liney agreed and added they have gone back to the system that the Pool Board had started years ago.

Mr. McLaughlin stated he is a member of the Pool, and he feels the professionalism of the staff at the Pool slipped this year. He stated he recognizes that the staff consists of teenagers, but he feels they need to get back to a tighter situation. Mr. Caiola asked if they send out a membership survey, and Ms. Liney stated they do not do this every year. Mr. Caiola stated if they are getting a number of the same comments, there is probably a situation that needs to be addressed. Mr. Fedorchak stated there is a problem because of the turn over, and it is a challenge for management to stay on top of this.

Mr. Stainthorpe stated it is difficult for the Pool management to manage the staff as there is an expectation that once you are hired you cannot be fired because the parents are residents. Mr. McLaughlin stated he has been a member for ten years, and he feels it did slip this year. Mr. Fedorchak stated he has asked Ms. Liney to target the lifeguards and the gatekeepers next season. Mr. McLaughlin asked that the Board be advised if there is a situation that needs to be addressed. Mr. Dobson asked if most of the staff is Lower Makefield residents, and Ms. Liney agreed and added almost all of them are Pool members. Mr. Stainthorpe stated for 90% of the staff it is a great experience with many of them starting at fifteen and working there through College, but it is the small percentage that is a problem.

#### DEBT SERVICE

Mr. Fedorchak stated the two re-financings in 2010 and the sale of Elm Lowne has helped this Fund. He provided a forecast for the next five years, and they are in great shape for the next five years.

Mr. Fedorchak stated in 2022 overall Debt Service will drop by \$1.1 million a year.

Mr. McLaughlin asked if there are any other re-financings that could be considered, and Mr. Fedorchak stated he has asked Mr. Walker to look into this.

#### 911 MEMORIAL FUND

Mr. Fedorchak stated currently they are living off of the fund balance. He stated the Garden of Reflection Committee has changed the way they are doing business, and starting this year, they are keeping the proceeds of all their fundraising activities. He stated previously they gave those proceeds to the Township, and he deposited them in the 911 Fund. He stated now they will keep the funds and will place it in a 501C3. Mr. Fedorchak stated by 2013, the Township fund will be depleted. Mr. Fedorchak stated the Township had previously dedicated the monies that were collected from their fundraising efforts to be used for any of the expenses associated with the Garden of Reflection including utilities, landscaping, capital investments, etc.

Mr. Fedorchak stated Ms. Saracini had previously come before the Board to discuss this, and since that time Jim McCaffrey has advised him that the 501C3 was created, and they wanted certain records of expenses which the Township will provide to them.

Mr. Fedorchak stated he advised him that they should meet to get an understanding as to what direction they are going, and he will then report back to the Board.

Mr. Stainthorpe stated this has been an ongoing discussion, and he feels they should be able to work things out; however, if they cannot, once the money the Township has is gone, so is the Township's responsibility to maintain the Memorial.

Mr. McLaughlin asked if they could transfer the remaining funds to the 501C3 along with all the bills; and Mr. Fedorchak stated while this makes sense, he is not clear what the thinking is of the Garden of Reflection at this time. Mr. Stainthorpe stated the Board has always made it clear that this was their responsibility, and the whole point of them establishing this endowment was to set themselves up to go forward in perpetuity. Mr. Caiola stated it is incumbent on the Committee to come up with other sources of funding. Mr. Stainthorpe stated it is also incumbent on them to communicate with the Township, and Mr. Fedorchak stated he does plan to meet with Mr. McCaffrey.

Mr. McLaughlin asked how much they can raise in a good year, and Mr. Fedorchak stated he feels they could raise \$70,000 to \$80,000 at a minimum. Mr. Fedorchak stated the Golf Outing usually raises \$50,000.

There was discussion on Memorial Park, and Mr. Caiola stated for much of the year, there is not a lot of use at the Park. He stated they now have better signage so it is easier to find for Township residents.

#### OTHER BUSINESS

It was agreed that the next meeting would be held on Wednesday, November 30 at 6:00 p.m. when the Board will consider any cuts and approve the Preliminary Budget.

There was further discussion on proposed purchases, and Mr. Dobson asked if they have ever looked into short-term rentals of equipment and vehicles, and Mr. Fedorchak stated they would need time to look into this; and they should do further analysis on this before making any purchases. Mr. Menard stated this is why the Citizens Budget Commission reached out to Public Works, and they will provide more detailed information to the Board.

The meeting was adjourned at 8:30 p.m.

Respectfully Submitted,

Greg Caiola, Chairman

