

LOWER MAKEFIELD TOWNSHIP
CITIZENS BUDGET COMMISSION
January 19, 2009

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, January 19, 2009. Mr. McCloskey called the meeting to order at 7:15 pm.

Citizens Budget Committee: Colleen Klock
Ethan Shiller
Greg Caiolo
Kenneth Martin
Michael Garry

Others: Brian McCloskey

Mr. McCloskey opened the meeting with a welcome back, Happy New Year greeting.

Mr. Schiller mentioned that the Citizens Budget Committee is now referred to as the Citizens Budget Advisory Committee and asked the rest of the committee if they were agreeable to that. Mrs. Klock stated that she preferred the Citizens Budget Advisory Committee since their role was that of an advisory committee. It was agreed that the committee be called the Citizens Budget Advisory Committee.

Mr. Shiller reported that at the last Board of Supervisors meeting on December 17 at which Brian presented the final budget, Mr. Smith opened up the meeting stating his concerns of the process of the budget committee. He questioned if there was a Chair for this Committee. Mr. Smith's concern was that he felt we should be more active and make more recommendations. Mr. Shiller stated that the committee runs in stealth mode giving our inputs to Mr. McCloskey and Mr. Fedorchak. He stated that it seemed that Mr. Smith was trying to motivate us more to look at the financial picture of the township. He stated that we need a discussion with the members on how we should proceed for 2009. Mr. Caiolo stated that he agreed with 99% of what Mr. Schiller said and that he tried to step in and support what the committee is doing. He stated that the township wound up in better shape at the end of the year due to the committee meetings. Mr. Caiolo stated that the committee did excellent work last year and that he is taken aback by some of the supervisor's comments. He stated that this committee is working on behalf of the township and is playing an important role. If the township wants more than a quarterly update, they should let Mr. Maloney know as a lot of stuff happens behind the scenes. Mr. Caiolo talked about having a quarterly meeting for a 5 month update as he does not like the comments from the supervisors that the system is broken three weeks after the budget meetings. Mr. McCloskey commented that he likes the idea about reporting on a quarterly basis. Our quarterly report comes out the second meeting in April and we haven't even gotten the tax revenue. The Committee can get up and say what they want at any time.

Mr. Martin stated that the function of the Committee is to be a liaison between the township and the public. Supervisor wants to drop notes on what areas we should explore. Mr. Caiolo stated that if they think we should do things better; we should have a discussion during the year as to how we should handle the meetings. Mr. Shiller stated that one of the points that Ron brought up a couple of times was that there is no single point of contact for the committee while other committees have a chair and a vice chair. Mrs. Klock asked if the other committees do in fact have a Chair or Vice Chair. Mr. Caiolo stated that possibly all of them do with the exception of the Economic Development Committee. He said that if you want to put someone in that position, then we should vote on it as it would streamline things. Mrs. Klock asked how the committee felt about a Chair. Mr. Martin said the Chair could support us after the fact when we have a consensus. Mr. Garry had mixed feelings. He stated that the important thing to consider is that if the position of Chair is to represent us to other people, it is very important that the Chair accurately reflects our thinking in voting on things. Mrs. Klock stated that means you don't get up and speak with public comments unless you have spoken with the committee. Mr. Shiller stated that we have not had any problems or misrepresentation with the committee. Mr. Caiolo stated that we did a nice job getting the potential sewer system sale through and that Mr. Shiller represented the committee accurately. He stated that it is important that the Chair would be able to communicate effectively and that any communication before the board of supervisors should be discussed with the Committee.

Mr. Caiolo asked if there was a consensus and Mrs. Klock and Mr. Shiller said yes they agree but Mrs. Klock said that she is not interested in the position. Mr. Caiolo asked Mr. Martin if he would be interested. Mr. Martin stated that we would need to set up controls but agreed that a Chair would be a good idea. Mr. Shiller said he would be interested and recommended Mr. Martin for Vice Chair. Mr. Caiolo asked for someone to make a motion. Mrs. Klock made the motion for Mr. Shiller to be the Chair and Mr. Martin Vice Chair. Mrs. Klock, Mr. Garry and Mr. Caiolo agreed on the appointment of Mr. Schiller as Chair and Mr. Martin as Vice Chair.

Mission Statement

Mrs. Klock presented the Citizen's Budget Committee Mission Statement. Mr. Martin stated that he is not in agreement with the words in the second paragraph that the CBC will not limit itself to just the budget and feels we should limit ourselves. Mr. McCloskey said the statement was well written. Mrs. Klock stated that she was trying to say that we could look at the budget, not come up with many cuts and question how we can come up with revenues. She stated that maybe we could look at grants for bringing in some revenue through advertising or sponsorship of soccer field with a name i.e. Coco Cola rather than numbers.

Mr. McCloskey had a concern with the first sentence of the second paragraph as he doesn't know as Finance Director that the committee will get involved with an RMP for open space. It worries him if the process will get slowed down if we need to bring in a

committee. Mr. McCloskey stated that we could take the first line out. Mr. Caiolo stated that the first line suggests getting our fingers into too many things and that Mrs. Klock idea is reflected in the second sentence. Mrs. Klock stated she would take out the first line. Mr. Shiller stated if we all agree to the mission statement; let the supervisors sign off on it. Mr. McCloskey asked if the supervisors have to sign off on it? Mr. Caiolo stated that they do not and the Committee then agreed to accept the amended Mission Statement.

Discussion on Council Rock Maintenance of Fund Balance Policy

Mr. McCloskey stated that he and Mr. Fedorchak sent out a draft of LMT Fund Balance Policy and Procedures to the committee and provided a copy of the Council Rock Maintenance of Fund Balance Policy as a guide. Mr. Shiller stated that we should start discussing financial policies and what could be put in place to ensure consistency among the township manager and supervisors. This is just a second policy and he questioned whether the supervisors have to approve it. Mrs. Klock referred to the last paragraph and questioned whether the wording of taking measures through revenue generating means that we will raise taxes. Mr. McCloskey stated that if at the end of 2009 the general fund was at 3%, we would need to get to 5% level the following year to have revenue exceed expenditures either through raising revenue and taxes or cutting expenses, if the policy were to be adopted.

Mr. Shiller stated that he would recommend that the Committee should pass the policy and have it go to the Board of Supervisors. Mr. Martin stated that we were not in agreement to have a rainy day fund. Mr. Caoilo stated that he does not have a problem bringing it before the Board of Supervisors in February or March. He liked the idea of deficit spending being spelled out. Mr. Shiller stated that this committee is making a financial statement and the Board of Directors should also be responsible and set the tone and this put it on the table. The Committee agreed and Mr. Caoilo stated he will submit it to the Board of Supervisors for final approval.

Mr. Schiller stated we should really consider having a third policy that the township presents a balanced budget where revenues and expenses are equal.

Mr. McCloskey said it is not possible as it is too convoluted. Government accounting standards make it difficult to have that scenario. Mr. Shiller stated that when we look at the budget and expenses are higher than revenue, we should have to justify it. Mr. McCloskey stated that we have cash balances for capital reserve expenditures with no consistent revenue stream to come against them. Mr. Shiller questioned whether we would then be able to justify all revenue and expenses. Mr. Caoilo stated it is public policy for a balance budget to keep revenue and expenses even so we don't have to raise taxes. We have to be cognizant of expenses being too high and would have so many exceptions making it harder to explain calling it a balanced budget. There are too many exceptions where revenue doesn't match expenses. Mr. Shiller stated that he was only bringing it up for discussion. He asked whether that would allow us to make a statement for the board of directors saying that we will look to always provide a

balanced budget understanding there are areas where the balance could not meet due to exceptions. Mr. Caoilo stated that with the exception of predetermined expenses, the goal should always be for the board of supervisors to meet expenses. Mr. McCloskey stated that the golf course revenue did meet expenses due to weather and expenses exceeded revenue at the pool due to expansion problems. Mr. Caoilo stated that we need to be at 5% safe harbor range, have this in writing but it would be hard to get the verbiage down. It is a difficult thing to undertake and spell out because it is very complex. Mr. Martin stated that we might want to change the percentage. Mrs. Klock asked are you looking for a description why they go into the 5% fund. Mr. Schiller stated that he is trying to discuss the role of a third type of policy and how we could make the statement that we want a balanced budget. Mr. Caoilo stated that he knows that you would get less support to put that type of cap on future boards. Everyone who is an elected official has to keep things as tight as possible so it might not be needed for something that might not be attainable. Mr. Shiller questioned whether it could be attained if the board does not approve it. Mr. Caoilo stated there are too many things that can happen to void the terminology due to the way the township runs and the current economy. As an arm of the Board of Supervisors, it is in everyone's best interests that revenue comes as close to expenses as possible.

Discussion on 2009 agenda for CBC:

Mr. Schiller stated that he would like to post meetings schedule on the website and questioned whether we would continue to meet on Mondays and if the timing should be 7:00 or 7:30 pm as it appears that the meetings generally do not get started until 7:15. Mr. Caoilo stated that almost everything runs at 7:30 and to be consistent do we want to run our meetings at 7:30? Mr. McCloskey stated that the committee did not have a preference. Mr. Shiller suggested keeping the timing at 7:00 pm just in case we go over that would also allow us to break earlier. Mr. McCloskey agreed to the timing of 7:00 pm for the committee meetings.

Mr. Schiller suggested that we plan on monthly meetings and dedicate three quarterly meetings per year to the quarterly financials, as the quarterly report takes up a whole meeting. The committee agreed.

Mr. Schiller had a question on scheduling. Last year, Mrs. Klock, Mr. Martin and Mr. Shiller attended a budget workshop. He recommended that we budget ahead one session to attend a budget workshop and be a part of the primary process to bring up any issues. How does Mr. Caiolo feel about that kind of structure going forward? Mr. Caiolo stated that he always thought of the Committee as part of the process and that he would present it to the board of supervisors. Mr. Schiller stated that he did not necessarily agree. Mrs. Klock stated that she would like to see the book and go over it with Mr. Schiller and express her comments. Mr. Caoilo stated what if we call the CBAC in as an arm of the township to make recommendations at a first go at it. The Committee agreed and Mr. Caoilo stated he would make the recommendation to the board of supervisors.

Mr. Schiller stated that he composed an organization chart and emailed it to Mr. Fedorchak. He stated that we should really try to head off any proposed mileage increase and as much possibly make comments and adjustments if we feel 2010 is going to be a hard year. What does everyone think? Mr. McCloskey stated it would be helpful to have an organization chart handy. Mr. Martin stated that we might have too much on the table for this year. Mr. Schiller asked how would you suggest that we start earlier in preparing when we see that in 2010 there will be a mileage increase. Mr. McCloskey questioned how will the flowchart do that?

Mr. McCloskey stated that the department heads are already tasked to do that. Mrs. Klock asked what are the incentives to come under budget? Mr. McCloskey stated there is not a use it or lose it mentality. He asked what do you mean by incentives. Mrs. Klock stated that if someone comes up with a savings for the township, there should be an incentive to come forth with it. Mr. McCloskey stated that there is some merit to that as long as it doesn't cost the township money. Mrs. Klock stated that we should consider putting some incentives in place to trigger employees to come up with cost savings. Mr. Caoilo agreed that it would be worthwhile to come up with a program to cut costs and give the employees an incentive especially in this challenging year. He suggested that the committee bring in some examples. Mr. Caoilo stated that there is no budget for this and that it would have to come out of savings. The committee agreed to come up with some ideas.

Mr. McCloskey stated that he would continue to draft the agenda for the meetings but if the Committee has anything to add, they should pass it onto the Chair, Mr. Schiller.

Mr. Schiller stated he would like to see the Committee identify other potential grants and start comparing them to what other townships have. If they are then applicable to us, could we do them? Mr. McCloskey stated that he and Mr. Fedorchak are currently looking for other grant opportunities. Mr. McCloskey asked if the grant for the memorial park came through the rep's office. Mr. Caiolo stated yes it did. Mrs. Klock referred to the county committee development block grant and stated it is the only historical grant. She looked up some historical grants for the State of Pennsylvania Historical and Museum Commission. She questioned whether we are a certified local government. Mr. Caiolo stated that he is not sure what certified means. Mr. McCloskey stated that we are not a separate 501C3. Mrs. Klock stated that with all the historical places in the township, there should be more money in grants to help what we are doing.

Mrs. Klock questioned why we can't go and ask the PTO to make a contribution to the police. Mr. McCloskey stated that it goes on record that we should have an endowment for the 911 park and the income would support the expenses. He stated that we have line items for contributions. Mrs. Klock questioned about sending a letter to the PTO asking their support for specific funds. Mr. McCloskey stated he is a big component of the endowment and that the gift would stay there forever and the interest would fund the operation. Mrs. Klock questioned whether there were different funds to give to. Mr. McCloskey stated that the historical commission and park and recreation could be used

as an umbrella. He informed the committee that we need to get 501C3 as that would also open doors to foundations.

Mr. Schiller recommended an agenda item for the next meeting to have some discussion as to the type of services that could be reduced in 2010 if there is going to be a tax increase. Mr. McCloskey stated that he would include it as an agenda item for the February meeting.

The next meeting is scheduled for Monday, February 23, at 7:00 pm.

There being no further business, the meeting was adjourned at 8:55 pm.