

LOWER MAKEFIELD TOWNSHIP  
CITIZENS BUDGET COMMISSION  
April 27, 2009

The regular meeting of the Citizens Budget Advisory Committee of the Township of Lower Makefield was held in the Lower Makefield Township Building on April 27, 2009. Mr. Shiller called the meeting to order at 7:00 pm.

Citizens Budget Advisory Committee: Anthony Spisto  
Ethan Shiller  
Greg Caiola  
Kenneth Martin  
Michael Garry

Others: Brian McCloskey  
Joe Menard

Absent: Colleen Klock

Mr. McCloskey stated that the supervisors have reviewed seven candidates for the two positions on the Citizens Budget Advisory Committee and will be making decisions within the next few weeks.

Mr. McCloskey reported that Mr. Fedorchak submitted a DCWR for \$9,000 for development of a memorial park and three other grants to include a grant for energy efficiency; Edgewood Village Sewer and Solar Panel Grant. He stated that there may also be some stimulus money for one of the shovel ready projects. Mr. Shiller questioned whether there were any issues about the software for the LEDs and traffic lights. He asked if we could get a count of the LEDs. Mr. McCloskey stated that he doesn't know the total but that we have inventory and he would ask for a headcount.

#### Quarterly Report:

Mr. McCloskey handed out the Quarterly Finance Director's Report for the quarter ending March 31, 2009. He reported that revenue for the period ending 3/31/09 was \$3,035 vs. \$22,340 (in thousands) or at \$13.58% while expenses came in at \$3,403 vs. \$24,815 (in thousands) or 13.71%. He stated that it is important to note that the 1<sup>st</sup> quarter of the Township's fiscal year is always light on revenue and expenses due to the cyclical nature of our operations. Mr. McCloskey stated that the first quarter was uneventful as we are on par for the first quarter this year vs. last year and expenses are down and will be more even throughout the year. He stated that the bulk of revenue will come through May and June; however, collections of real estate tax revenues are running ahead of last year's schedule by almost 15%, perhaps an indication of the current economic climate. Mr. Shiller questioned whether the 2% discount impacts the

budget. Mr. McCloskey stated that it does not because the majority of the payments are due by April 30 and many came in earlier to take advantage of the discount period. Mr. McCloskey stated that expenses are tracking well below last year at this point and within budget and expectations. He reported that overtime was coming down but then increased due to the occurrence of many little snow storms. Mr. McCloskey stated that the pool does not incur expenses for the first quarter yet the second and third expenses are huge. He stated that expense items above 25% are a red flag except salary and benefits and that office supplies or gas above cyclical % would jump out. Mr. McCloskey stated that our budget is unique as it is a hybrid of cash on an accrual basis.

#### Business Revenue:

Mr. McCloskey reported that business revenue came in at \$1,364 vs. \$8,709 or at 15.66% used with expenses at \$948 vs. \$9,401 with 10.08% used. He stated that the pool is currently performing slightly behind last year but it will be very interesting to see if the pool will make budget due to the economy as we anticipate getting members joining who haven't in the past.

Mr. McCloskey reported that the sewer system is performing as expected with revenues and collections running as planned and expenses down vs. last year.

Mr. McCloskey reported that Makefield Highlands has experienced a slow start due mainly to weather related issues year and the fact that all the greens are closed down. He reported that in March we topped budget and April will be close but this is dependent on the weather. Mr. Menard asked if there was a price increase and Mr. McCloskey stated that there was a \$1 increase for non residents and that it will be interesting to see how the economy will effect discretionary spending. Mr. McCloskey reported that we have demographics that track zip codes and tell us where the play comes from and that is how we will develop our marketing. He stated that he opts that we will hit budget and food and beverage is helping. Mr. McCloskey reported that last year we lost 52% of the days in May which crushed us. The golf course is self sustaining and we started out the year with \$800,000 in cash. He stated that this is the fifth and final year of the contract and we are getting proposals from others than Kemper. Mr. Menard stated that the most critical issue is for there to be self liquidating debt for the golf course. Mr. McCloskey stated that the margin is just not there yet. Mr. Shiller stated that the expectation is that the golf course should make a time period of when they can start making contributions. Mr. McCloskey said that this committee could adopt a stance on that and the new mgmt firm could build it into their budget model. He said that last year there was a vacancy in golf and that he and Mr. Federochak took an active role in driving Kemper to market the course. Mr. McCloskey stated that if there was an overhead formula in place, we would have charged the golf course for our time. He said that he took an active role at the course due to the outings being down. Mr. McCloskey reported that when the pool electronic ID system came in and took a lot of his time, he charged it back to the pool. He stated he would like to have an online payment method but we are not ready to absorb the cost. Mr. Spisto asked if something could be put

together for a basis and Mr. McCloskey stated that we do have a basis. Mr. Shiller asked if the CABC could put together a memo that in effect states a formula and then put conditions on it, which could then be presented to the Board of Supervisors. Mr. McCloskey stated that he likes the idea of Committee putting them on notice.

Mr Shiller questioned a line in the report under business and asked if we expected the transmission fees to increase. Mr. McCloskey said that the sewer system has three providers and we are at the mercy of the vendors. Mr. Shiller asked if the fees could come a lot higher than 12% this year. Mr. McCloskey stated that two of the three providers are middlemen for the City of Philadelphia and when the city hit us, we had to pass it onto our residents. He said that Morrisville is the least expensive of the three.

Highlights within the general fund:

Mr. McCloskey stated that general fund revenues exceeded general fund expenses by over \$1,000,000 whereas a decrease of \$200,000 had been budgeted. Mr. Shiller stated we used to provide an end of year summary which identified where the savings were and what they impacted. Mr. McCloskey said he would have it at the next meeting.

Real Estate

Mr. McCloskey stated that real estate taxes totaled \$1,021,000 for the quarter, an increase of 8.38% over last year primarily due to a ¼ millage increase in the fire fund and payments being received earlier than in the prior year. .

Transfer tax:

Mr McCloskey reported revenue from the real estate transfer tax totaled \$224,000, a 10% decrease from last year. He stated that this time last year, the actual was off of budget 24%. Mr. Shiller asked what the final budget was in 2009. Mr. McCloskey stated \$1.225. Mr. Shiller stated it was \$1.4 in 2008 and when looking at last year, we were down first quarter. He stated that even though we lowered budget by \$175,000, we are still down 10% and that we are trending down as we go forward. Mr. McCloskey stated that it was easy to see that we will miss budget by 20% and this is a market we haven't seen before. The housing market started to change in August 2006 and that we had big ticket items the last few years that we can't count on this year. Mr. Shiller asked if the second quarter will get a red flag. Mr. McCloskey said if we are out of balance, corrective action will have to be taken. We are even with 5 years ago. Mr. McCloskey said we are at our lowest trending month of the year and we have a critical juncture coming up. Mr. Menard asked about the trend in housing. Mr. McCloskey said that interest rates are low for first time home buyers and that with pricing down, the market is starting to heat up. Mr. Menard stated that we need to do a little bit of reaching out toward the trend.

Exhibits:

Mr. McCloskey referred to the following exhibits:

B: Cash – fairly healthy case

C: Real Estate

D: Pool

E: Golf Course

F: General fund

Mr. Shiller asked if there were any questions regarding the report. He asked Brian if he had any comments on the report. Mr. McCloskey stated that there was not much to report on the first quarter. He stated that as issues come to light for the second quarter, we look at them daily and report to the Board of Supervisors. Mr. Shiller then asked if there was any other business.

The minutes of the March 9 and March 23 meeting were unanimously approved.

There being no further business, the meeting adjourned at 8:45 pm.

Action Items:

1. Mr. McCloskey to provide the formula on what the golf course should start contributing and the Committee will then prepare a memo to the Board of Supervisors. Mr. Shiller will then go to one of the meetings or ask the chair of the golf committee to come to one of our meetings
2. Get a plan on rates so if we were to borrow x amount of dollars ahead of time, we would we be able know if we could make money on it and get a better bond rate.

The meeting adjourned at 8:45 pm.