

**TREDYFFRIN TOWNSHIP
BOARD OF SUPERVISORS
BUDGET WORKSHOP
August 22, 2011**

A Budget Workshop was held on the above date at the Township Building. Board members present included Robert Lamina, Chairman; Paul Olson, Vice Chairman; John DiBuonaventuro; Michael Heaberg; Michelle Kichline; and Evelyn Richter. Philip Donahue attended via conference call. Also in attendance were Mimi Gleason, Township Manager; Vincent Donohue, Township Solicitor; Tom Scott, Assistant Township Manager; Tim Klarich, Finance Director; Steve Burgo, Township Engineer; Andrew Chambers, Superintendent of Police; and Patricia Hoffman, Recording Secretary.

Call to Order

Mr. Lamina called the meeting to order at 7:00 p.m. and welcomed everyone to the meeting which will include a review of 2011 revenue and expenses (year-to-date as well as end-of-year projections); projections for 2012; a review of five-year capital plan for projects, vehicles and equipment; and an review of the budget schedule.

Mr. Lamina thanked the Finance Committee for the work completed to date. Mr. Olson thanked Mr. Klarich, Ms. Gleason and Township staff for their support to the Financial Committee and the work done to prepare the materials required for budget review.

Mr. DiBuonaventuro stated that the agenda is the result of several Finance Committee meetings over the last several months and demonstrates how the Township plans to proceed through the rest of 2011 and project for 2012. He added that the Finance Committee has not yet discussed the Capital Budget and are seeing it for the first time at this meeting.

I. 2011 Revenue and Expenditures

A. Year-to-Date Analysis at 7/31/2011 and End-of-year Projections

Mr. Klarich provided a summary overview. He reported that we are anticipating a modest deficit in the Combined Funds compared to the 2011 budget projections. A major cause is attributed to the soft real estate market as there was an unfavorable variance in Real Estate Transfer Taxes at 7/31/2011. He added that we are projecting a further decline in Real Estate Transfer Taxes of \$10,000/month and a decline of approximately \$32,000 in Property Taxes for the remainder of the year.

There was a positive variance in the Local Service Tax projection as the staff identified and contacted non-compliant firms about meeting their obligations.

There was also a sharp decline in road opening fees (\$115,000) which was the main cause for the overall decline in Licenses and Permits revenues.

There was a \$12,000 decline in Fines revenue due to a decrease of \$25,000 in Vehicle Code Violations offset by a \$13,000 increase in False Alarms.

There was a decline in rent revenue in 2011 due to less business volume for the billboard sign.

Mr. Klarich reported that we are anticipating a decline in Intergovernmental Revenues related to Pennsylvania State grants as well as Chester County Restoration Grants. The Township will make every effort to collect in full. There was a potential decrease of \$17,000 in DUI Checkpoint and Highway Safety Grants and a decline of \$27,000 in Chester County Restitution and Healthcare Reform Grants.

There was a \$45,000 decline in Park & Recreation fees and a \$36,000 decrease in Fixed Asset Sales and miscellaneous revenues leading to a projected deficit in Other Revenues.

Under expenses, Mr. Klarich reported that there is a projected positive variance for salary and employee benefits as not all budgeted positions were filled in 2011, positions that were filled may have been filled by a candidate requiring less in salary and/or benefits, or there was a time gap between the person leaving and the replacement starting. However, due to the increased number of snow storms in 2011 (8 snow events), there was a negative variance for supplies (salt supplies). Mr. Klarich added that salary and benefit projections for 2012 at this time are based on what's in place for 2011 as contract negotiations for 2012 are currently in process.

Mr. DiBuonaventuro asked for the line item for the costs for sub-contractors used for snow removal and Mr. Klarich responded that they are found under Other Services. Mr. DiBuonaventuro added that this is an unpredictable line item and added that Supplies and Other Services are dependent on nature.

Mr. DiBuonaventuro explained that the transfer to the Interfund Allocation is at 0 until allocations from the Sewer and Valley Creek Funds are credited to the General Fund. This reimburses the Township for work done on the sewers.

Mr. Lamina noted that the areas where the Township fell short on the revenue side were due to issues that were beyond our control (e.g., Real Estate Taxes and snow storms) and where assumptions were made based on past performance. We had an unanticipated drop in community real estate development and we had an increase in snow events this past winter. He asked if there were any large real estate transfers in the pipeline and Ms. Gleason indicated that the Township has been in contact with the parties involved in a transaction that has taken place for two offices near East Swedesford Road. We do not know yet if the transaction was structured such that it will generate transfer tax revenue.

Mr. Olson pointed out that the Township still has approximately \$17,000,000 in reserves.

Mr. Klarich reported that there was a decline in Operating Investment Earnings for the Sewer Utility Fund due to the current interest rate environment. However, the Sewer Utility Fund and the Valley Creek Fund remain strong and we expect this to continue through 2011. There is a positive variance in Charges for Services because Township staff made a concerted effort to collect lien fees.

B. Projections for 2012

Resident Ray Clarke asked about Projected Real Estate Taxes and assessments. Mr. Klarich indicated that no data was available yet but that we have seen small declines in the past.

Mr. Klarich indicated that the draft for the 2012 budget is a very preliminary projection. He added that we already know that we will see a decline in Intergovernmental Revenues as Pennsylvania has said we would see less from Recycling Grants. He added that the Federal Reserve is keeping the rates down which will impact investment earnings. Mr. Klarich continued by reporting that Salary and Employee Benefit projections for 2012 do not represent any increases and the Supplies (rock salt) projection was based on 2010 actuals. Mr. DiBuonaventuro added that the Finance Committee directed Mr. Klarich to estimate 2012 based on where the budget currently stood and to make no changes in order to provide a baseline as a starting point for Board of Supervisors' budget discussions.

II. Five Year Capital Project Plan

Mr. Lamina asked if the department heads provided input on the Capital Project Plan. Mr. Klarich responded that the department heads would be reviewing the plan over the next month.

Ms. Gleason explained that the Capital Project Plan provides a plan for funding and sequencing projects over the next several years. Two major projects remaining for 2011 include the annual road resurfacing and the Tredyffrin Public Library renovations. Substantial work will be completed on the library renovations by the end of 2011 and very little should carry over into early 2012. In addition, Ms. Gleason provided a list of six key projects for consideration in 2012:

1. LeBoutillier Road bridge repair or replacement - analysis currently underway;
2. Study done regarding Trout Creek stormwater management in the Glenhardie/Valley Forge area; working with the Turnpike Commission on design for basins, but would need additional projects to truly mitigate flooding and erosion problems downstream; a potential future project could involve portions of Devon Park Drive (a Township road that is also very wide road – possibly reduce size);
3. Westover Park development;
4. Patriots Path Plan – develop Warner Road Spur to connect Chester Valley Trail to Atwater site.
5. The need for a new public library in Paoli.

Mr. Heaberg noted that the Old Eagle School Road traffic light should be removed from the list as it was quashed by vote at the Board of Supervisors' meeting on July 18, 2011. This represents a projection of \$143,000.

Mr. Klarich reported that the Wilson Road Pump Station expansion/upgrade was a major project in 2011 and will be completed with a favorable variance than what was projected.

Mr. Lamina asked if there was any discussion regarding new projects within the Finance Committee. Mr. DiBuonaventuro reported on two:

1. Movement to restructure the Township website to be more user friendly and more customer service oriented, to the point of possibly being able to pay fees, fines, bills, permits, etc., online. This requires a new platform for which we received an estimate of \$55,000.
2. New mobile radios for Public Works vehicles.

Superintendent Chambers and Mr. Klarich reported that the Township receives an administration fee for providing a conduit agent service to pay vendors for the LEGIS equipment. This is a database that benefits any law enforcement agency in the state. Any police agency can access the system which helps determine police activity/assignments, especially those that cross jurisdictions.

Mr. Lamina suggested that we have a separate workshop to review the Capital Projects Plan after a master list is created by the department heads.

Mr. Heaberg suggested a review of last year's Capital Projects Plan to see if there are available funds. He added that there should also be community input on the priorities of Capital Projects. Some projects on the list may have shifted focus or may be removed completely. Mr. Lamina added that infrastructure needs must be evaluated.

Additional Comments/Questions

Mr. Lamina asked if, given the current economic environment, did we anticipate more growth than actually happened? For the next workshop, he asked to show how we offset spending with revenues, provide preliminary figures based in department head input on the General Fund, then get community input. Can we get some leading indicators on the General Fund side and the Capital Projects side? Mr. DiBuonaventuro said that the P&L is clean and tight and that we can project and prepare a report to present to the community. The Finance Committee is comfortable with the numbers and reporting from the Finance Department.

Mr. Olson suggested that all items put forward by staff be discussed and that the next workshop be held on a Saturday morning to encourage better community turn out.

Mr. Heaberg asked that the Finance Committee revisit large real estate transfers in order to get more realistic assumptions.

Mr. Clarke added that the Tredyffrin Easttown School Board is looking at an earned income tax of which the Township would receive half. This has not been discussed by the Board of Supervisors.

Mr. Olson noted that Tredyffrin Township has not raised real estate taxes in the last two years but neighboring townships (Radnor and Easttown) have.

III. 2012 Process and Schedule

Mr. DiBuonaventuro noted that the Board of Supervisors needs to provide direction to the Finance Committee and Mr. Klarich and his team for projections for the remainder of 2011. He added that the Board of Supervisors should provide the Finance Committee with a percentage for increases for Salary and Employee Benefits to baseline the assumptions for 2012.

Ms. Gleason outlined the scheduled for the 2012 Budget Process:

1. Staff and Finance Committee prepare 2012 budget for Board of Supervisors' meeting scheduled for November 14, 2011.
2. Board of Supervisors will approve DRAFT budget for advertising purposes.
3. Budget adopted at Board of Supervisors' meeting scheduled for December 19, 2011.

A second budget workshop will be scheduled for a Saturday in October, date to be announced.

The meeting was adjourned 8:10 p.m.

Respectfully submitted,

Patricia Hoffman
Recording Secretary