

A Workshop Meeting of the Upper Pottsgrove Township Board of Commissioners was held on Monday, November 5, 2018, at the Upper Pottsgrove Township Administrative Office, 1409 Farmington Avenue, with Commissioners Trace Slinkerd, France Krazalkovich, Elwood Taylor, Martin Schreiber and Renee Spaide present. Also present were Township Solicitor Matthew Hovey, Township Manager Carol R. Lewis, Township Secretary Michelle Reddick, Chief Francis Wheatley, Open Space and Recreation Board Chairman Dennis Elliott and Sewer and Water Chairman John Bealer.

**PLEDGE OF ALLEGIANCE** – Those present pledged allegiance to the flag.

**OPENING COMMENTS** – There were no opening comments.

**BUILDING STUDY (ALLOY 5) IN PROCESS REVIEW** – Randy Galiotto of Alloy 5 was present to discuss the progress of the study. He provided a preliminary report, and noted they are in the process of accessing data and adding to the report. He advised there has been about a dozen meetings with Township staff which are outlined on page 3 of the preliminary report. He referenced page 5 which contains information related to the administration and fire departments and outlines the building evaluation rating system. He advised a color coding and numbering system has been added to the report, and page 8 contains the rating system and inspection factors affecting the priority. He referenced page 9 which contains the largest priority items, but noted it is not complete. In response to a question from M. Schreiber, R. Galiotto advised the final report will contain more depth. In response to a question from T. Slinkerd, R. Galiotto advised the final report will be available ahead of the November 19<sup>th</sup> where they plan to attend and present the final report. In response to a question from E. Taylor, R. Galiotto advised this report will not contain information regarding operational impact and future needs regarding adequacy of use. D. Elliott suggested the Board consider expanding the meeting room facilities to handle the growth in the Township.

**BUDGET PROCESS – BUDGET OVERVIEW**

T. Slinkerd referenced the 2018 budget and noted you can see how the revenues over expenditures gives you the balance. However, there are three (3) items related to the budget that he wants to make sure everyone understands moving forward which include: (1) forwarding balance; (2) transfers; and (3) cash reserve. He noted in previous budgets, the cash reserve was used to cover expenses. He noted the actual total revenues for General Fund are approximately 2.5 million. He explained in the last five out of six years, there would have been a deficit without the beginning balance being added in as revenues. He provided a power point presentation to show how the carryover balances and transfers inflated the budget. He provided a report dating back to 2012 which showed a more accurate view of revenues over expenditures without these items, and how there would have been negatives balances at the end of the year in five out of six years. He noted the transfers from Sewer Fund to General Fund were missed in 2016 and 2017, and the Board will need to discuss how to resolve this matter. He reported there is an upcoming meeting with the auditors to discuss items missed in the Sewer Fund along with transfers and audit adjustment entries. E. Taylor noted the ending balances were good over the last several years. F. Krazalkovich reiterated the ending balances were supported by transfers. M. Schreiber noted the ending balances in General Fund would not have been negative in 2016 and 2017 if the transfers had been made from Sewer Fund. F. Krazalkovich advised he would like to have the budget include net revenues over net expenditures without ending balances or cash reserves. M. Schreiber advised the \$612,000 cash reserve is General Fund money and can be used to offset expenses. E. Taylor noted transfers are being charged against expenses, and he does not see a problem with including them as revenue in the budget. In response to a concern expressed by M. Schreiber, F. Krazalkovich explained we do not want to take the excess capital reserve and use it as a calculation for revenues but rather look at net revenues over net

expenses. He further explained it doesn't mean we are going to put it away and not use it, if necessary. E. Taylor noted the question becomes do we put the excess in capital reserve or use it. In response to a question from E. Taylor, F. Krazalkovich explained operational reserves and carryovers are too different items. He reiterated his intent is to take the excess money and put it in an operational cash reserve fund. F. Krazalkovich noted earned income tax and real estate transfer tax revenues are increasing which is a good sign that the housing and labor markets are doing well. T. Slinkerd advised he has requested the same terminology be utilized in the budget and financial reports to match what the auditors are utilizing in the audit report. T. Slinkerd noted two thirds or sixty-six percent of the budget is personnel, and the remaining is operations. M. Schreiber noted fifty percent of the budget is public safety (police department) which includes both personnel and operations. F. Krazalkovich noted the manager is always conservative when it comes to budgeting the earned income tax revenues. M. Schreiber suggested increasing the amount of earned income taxes in the budget in order to avoid spending money from the carryover. T. Slinkerd reiterated the transfers from Sewer Fund to General Fund were missed in 2016 and 2017, and the Board needs to decide whether to transfers these funds. He further noted there are additional monies owed to the General Fund from capital improvements and open space and additional money coming to the General Fund from the Coddington View escrows. He noted he, along with Carol and John Bealer, reviewed the Sewer Fund budget, and making these transfers will not cause any problems with the Sewer Fund. In response to a question from M. Schreiber, T. Slinkerd advised the transfer from Sewer Fund to General Fund for 2018 has not been made. In response to a question from E. Taylor, T. Slinkerd advised the transfers for 2016 and 2017 will not interfere with funds for the current sewer project in Regal Oaks. In response to another question from M. Schreiber, T. Slinkerd advised making these transfers from the Sewer Fund will not cause an increase in sewer rates for 2019. T. Slinkerd noted the Board will need to develop a policy on how and when to make the transfer from Sewer to General Fund going forward. He also noted he is not totally comfortable with how the amount of this transfer is calculated. C. Lewis advised the money spent out of General Fund for sewer work, calculated mainly by man hours, is more than the amount budgeted for the transfer. M. Schreiber advised he is in favor of making the transfer from capital improvements to General Fund. C. Lewis advised there is a spreadsheet showing the calculation for all expenses paid for engineering on the public works building. In response to a question from F. Krazalkovich, M. Hovey advised the remaining money in capital improvements is restricted to indebtedness since it was funded by a special tax millage intended for that specific purpose. M. Hovey suggested opening a separate account for the operational cash reserve. T. Slinkerd suggested the Board consider reducing the proposed expenses in order to reduce the deficit in the proposed budget. C. Lewis explained the only other area to reduce the budget would be personnel. E. Taylor suggested utilizing the excess money we have to cover expenses rather than looking at ways to cut expenses. T. Slinkerd advised the Board would need to decide where to utilize the excess money. M. Schreiber noted if you have excess money, you need to decide whether to spend it, save it or use it to pay off debt. F. Krazalkovich suggested this is an opportunity to save money and look at ways to reduce expenses. T. Slinkerd explained the excess money could be used to cover revenue over expenses, or we could consider reducing expenses. F. Krazalkovich suggested increasing the earned income tax revenues by \$100,000 and putting the \$612,000 in excess money in an operational cash reserve account. T. Slinkerd reiterated that revenues are not covering expenses, and we have to consider this fact when discussing this budget along with future budgets. M. Hovey outlined the budget process and advertising requirements concerning the budget. He noted a tax ordinance would also be required. He explained the Board could adopt the tax ordinance and budget at their regular meeting on December 17<sup>th</sup>. He further explained the Board will need to have a preliminary/final budget no later than November 27<sup>th</sup> in order to meet the advertising and adoption requirements for the budget. The Board agreed to hold a special budget meeting on Monday, December 12<sup>th</sup> at 7:00 pm. There was a consensus of the Board to transfer \$287,000 from Sewer Fund to General Fund for the transfers missed in 2016 and 2017, approximately \$120,000 from Capital Improvements to General Fund for money spent out of General Fund for engineering

expenses related to the proposed public works building and \$100,000 from Open Space to General Fund to repay the 2016 loan payment that came out of General Fund.

**F. Krazalkovich** reminded everyone to remember to vote tomorrow.

**J. Bealer** advised the Township received a quote in the amount of \$3,080.00 from M & S Services to do an annual inspection of all of our sewer pump stations.

**T. Slinkerd** advised he will be meeting with D. Elliott and C. Lewis concerning the budget for open space and J. Bealer and C. Lewis concerning the budget for sewer.

**M. Schreiber** reported that engine 3 was out of service.

**EXECUTIVE SESSION** – The Board adjourned into executive session at 8:43 p.m. to discuss personnel and litigation with no action to follow. They reconvened at 9:35 p.m.

**ADJOURNMENT** – The Board adjourned by the consent of those present at 9:36 p.m.

Submitted,

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Michelle L. Reddick, Township Secretary