

SOLEBURY TOWNSHIP BOARD OF SUPERVISORS
November 1, 2016 – 7:00 P.M.
Solebury Township Hall

BUDGET WORK SESSION MINUTES

Attendance: Helen Tai, Chair, James Searing, Vice-chair, Noel Barrett, Paul Cosdon and Kevin Morrissey. Dennis H. Carney, Manager, Gretchen K. Rice, Assistant Manager and Michele Blood, Finance Director, were also present.

Announcements

- Ms. Tai announced an executive session held prior to the meeting related to litigation and land preservation.

Bills Payable – October 17, 2016

Res. 2016-151 – Upon a motion by Mr. Cosdon, seconded by Mr. Barrett, the list of Bills Payable dated October 27, 2016 was unanimously approved as prepared and posted.

PUBLIC HEARING - Borrowing Parameters Ordinance Adoption – Bucky Closser, Esquire, was present to answer questions from the Board and reviewed the details contained in the Parameters Ordinance proposed.

Res. 2016-152 – Upon a motion by Mr. Searing, seconded by Mr. Cosdon, it was unanimously agreed to adopt ORDINANCE NO. 2016-003 AUTHORIZING THE INCURRENCE OF DEBT OF THE TOWNSHIP OF SOLEBURY BY THE ISSUANCE OF GENERAL OBLIGATION BONDS, IN ONE OR MORE SERIES, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$9,000,000 FOR THE PURPOSE OF PROVIDING FUNDS FOR A REFINANCING PROGRAM AND VARIOUS CAPITAL PROJECTS AND PAYING THE COSTS OF ISSUING THE BONDS; AUTHORIZING THE PREPARATION AND FILING OF A DEBT STATEMENT AND OTHER DOCUMENTATION; CONVENANTING TO CREATE A SINKING FUND AND TO BUDGET, APPROPRIATE AND PAY DEBT SERVICE ON THE BONDS AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE TOWNSHIP FOR THE BONDS; PROVIDING FOR THE SUBSTANTIAL FORM, DATE, MATURITY DATES, INTEREST RATES, REDEMPTION PROVISIONS AND OTHER PROVISIONS OF SUCH BONDS; AUTHORIZING THE EXECUTION OF A CONTINUING DISCLOSURE CERTIFICATE; FINDING THAT A PRIVATE SALE BY NEGOTIATION OF THE BONDS IS IN THE BEST FINANCIAL INTEREST OF THE TOWNSHIP AND AUTHORIZING THE ACCEPTANCE OF A PROPOSAL FOR THE PURCHASE OF THE BONDS AND AN ADDENDUM THERETO IN THE EVENT SUCH ADDENDUM MEETS CERTAIN STIPULATED REQUIREMENTS; AUTHORIZING THE PREPAYMENT OR REDEMPTION OF AN OUTSTANDING GENERAL OBLIGATION NOTE OF THE TOWNSHIP; APPOINTING A PAYING AGENT AND SINKING FUND DEPOSITORY; DESIGNATING THE BONDS AS QUALIFIED TAX EXEMPT OBLIGATIONS; STATING AUTHORITY FOR ENACTMENT OF ORDINANCE; STATING THAT ORDINANCE IS A CONTRACT WITH REGISTERED OWNERS OF BONDS; SETTING FORTH A SEVERABILITY CLAUSE; CANCELLING AND ANNULLING INCONSISTENT ORDINANCES; AND AUTHORIZING OTHER NECESSARY ACTION, as drafted and advertised.

Fund Balance Reserve Policy – General Fund

Mr. Carney and Ms. Blood recommended establishing a Fund Balance Reserve Policy for the General Fund setting a minimum of 25% and maximum of 50% of the current year's General Fund operating expenses as the goal.

Mr. Carney explained that General Fund balance reserves are maintained for unforeseen situations, including emergencies, revenue shortfalls, legislative mandates and unanticipated cost increases. Ms. Blood added that maintaining adequate General Fund reserves is a key factor considered by external rating agencies when measuring the Township's overall financial strength and performance.

Mr. Morrissey opined that a base of 25% was too high and suggested a baseline of 16% to 18%, noting that his research with the GFOA recommends these lower percentages.

Ms. Blood responded that a poll of surrounding municipalities indicates that most of them maintain at least 25%. She also noted that both rating agencies have recommended that Solebury Township maintain a minimum of \$1.8 million to \$2 million in reserve which is more than 25% and both have asked if the Township has a formal policy on the matter.

Ms. Tai commented that a 50% maximum seems high.

Both Mr. Carney and Ms. Blood emphasized, as an example, the Township owns 20 plus bridges and if even one were to need replacement from damage during a storm or otherwise, it would cost anywhere from \$800,000 to \$1 million to replace. Mr. Carney noted that the Township has found itself in that position before.

Mr. Searing commented that most of the surrounding municipalities do not carry near the amount of debt that Solebury does and yet they retain a larger fund balance and have higher ratings. Considering the amount of debt Solebury carries, he would agree that the General Fund reserve should be between 25% and 50%.

Responding to a comment from Mr. Barrett, Mr. Carney confirmed that the proposed policy is a guideline only and not mandatory. If the reserves were to fall below 25% or approach 50%, it would simply trigger a discussion by the Board.

Mr. Morrissey expressed concern that a 25% to 50% reserve policy could require raising taxes and he could not support any rationale for doing that.

Ms. Blood emphasized that the recommended policy has no impact on taxes. The Board will review the policy annually and can revise the percentages as circumstances warrant.

Mr. Searing noted that both bond rating agencies look at the progression of whether reserves are increasing or declining annually and they will be reviewing this information as the Township moves forward with this latest borrowing.

Res. 2016-152 – Upon a motion by Mr. Cosdon, seconded by Mr. Barrett, it was unanimously agreed to adopt a Fund Balance Reserve Policy for the General Fund year-end unrestricted funds recommending a minimum of twenty-five percent (25%) and a maximum of fifty percent (50%) of current year's total General Fund expenditures, as recommended.

2017 Budget

Mr. Carney opened the discussion by stating that the proposed 2017 Budget reflects no tax increase.

Noting that \$65,000 in expenses for the improvements to the police department in capital funds had been moved from 2017 to 2018 in this proposed Budget, the Board expressed its preference to accelerate the work associated with the police department and if possible to accomplish those improvements in 2017. If the improvements can be accomplished in 2017, a budget amendment could be done to move the expenses back to 2017.

Ms. Tai inquired about the \$30,000 budgeted for the area currently housing the old salt storage pole barn.

Mr. Carney responded that it will take a minimum of 15 cubic yards of topsoil to return the area to grass area (not field condition), and the cost will be in the neighborhood of \$18,000 to have the top soil trucked in and dumped. That figure does not include the cost for spreading and seeding which could account for another \$4,000 to \$6,000. If more than 15 cubic yards of top soil is needed that estimated cost increases. To prepare the area as a playing field would take a bit more grading and contouring to ensure proper drainage, so the \$30,000 provides some flexibility for those contingencies.

Mr. Cosdon raised the issue of reduced EIT revenue resulting from Gov. Christi's termination of the reciprocal agreement between NJ and PA. He questioned if the impact would apply only to state taxes or the Township's local EIT as well.

Ms. Blood noted that under the state tax code, a credit against PA State Tax may be taken by residents for payments to other jurisdictions, and if there is any amount left over after taking that credit, the resident could apply it as a credit to their local EIT, adding that any impact would actually be felt in 2018 based on 2017 EIT receipts.

Unfortunately, the Township's EIT collector is unable to provide even an estimate of the impact it might have on Solebury, stating only that there may be a significant impact on revenues at the local level and that impact will vary by community.

Ms. Blood referenced a memo from Keystone Collection Group explaining the difficulty and challenges Keystone is facing in trying to determine what the impact will be on the individual communities served.

Mr. Searing added that the PA Dept of Revenue has also issued a flier entitled "End of the PA & NJ Tax Reciprocity Agreement" stating that the end of the agreement will become effective 1/1/2017 and providing some guidance on filing requirements in 2018. However, there still remains a question as to whether or not this termination of the agreement will actually take place. The NJ Gov. has indicated that if NJ comes up with some type of additional revenue source, he may reconsider the action to terminate the agreement.

Given the uncertainty of the entire situation and the inability of Keystone Collection Group to provide any kind of estimate as to what the impact may be on Solebury, the Board will continue to closely monitor the matter going forward. Mr. Searing opined that concerns to some limited degree are allayed by having sufficient reserves to buffer some of the impact.

Ms. Blood and Mr. Carney recommended a reallocation of millage in 2017. The proposal would result in a reduction of .25 mils in Debt Service and an increase of .25 mils in the General Fund. This would increase the General Fund reserve balance over years 2017 through 2024 and would be looked upon favorably by the rating agencies. Also recommended was a reallocation of .0297 mils from Debt Service to the Library Fund. The overall tax millage for 2017 would remain at 22.31 mils.

Mr. Searing opined that the Board may want to consider making an additional payment sometime in January or February to the underfunded police pension plan.

Mr. Carney commented that if an additional pension payment is made, it should be done prior to the 2016 Audit completion so it can be posted against 2016.

Mr. Carney also advised that the Township is going to start accepting credit card payment for transactions and a decision needs to be made whether or not to require a flat fee or a percentage of the cost as a convenience fee. He added that the Mr. Wiesner will be completing his comparison review of fees charged in the next week or so and this will be among the items being reviewed.

Mr. Barret, Ms. Tai, Mr. Cosdon and Mr. Morrissey commented that they would support a percentage convenience fee to cover the cost to the Township. The percentage to be used will be determined after Mr. Wiesner's report is completed.

Res. 2016-153 – Upon a motion by Ms. Tai, seconded by Mr. Searing, it was unanimously agreed to authorize advertising of the proposed 2017 Budget with the millage reallocation as recommended and discussed for adoption at the December 13, 2016 regular Board meeting.

Mr. Carney requested and received confirmation that the Board wished to move forward with the new salt building part of the project as a 'change order' in the Public Works project original contract.

NEW BUSINESS

Municipal Open Space Resolution – The Land Preservation Committee has recommended that the Township utilize the Municipal Open Space Fund currently available to Solebury Township to purchase a conservation easement on a 34.26 acre property on Lower York Road.

Res. 2016-154 – Upon a motion by Mr. Searing, seconded by Mr. Barrett, it was unanimously agreed to approve a Bucks County Open Space Program Application Resolution for the purchase of a conservation easement on 34.26 acres located on Route 202, identified as TMP No. 41-022-021-002, and confirming that Solebury Township will have the necessary funds to complete the project which may exceed the required twenty-five percent (25%) match.

Public Comment – No public comment was offered.

Adjournment

Res. 2016-155 – Upon a motion by Mr. Cosdon, seconded by Mr. Morrissey, the meeting adjourned at 8:00 p.m.

Respectfully submitted
Gretchen K. Rice
Assistant Manager