

LOWER PAXTON TOWNSHIP  
BOARD OF SUPERVISORS

Minutes of Workshop Meeting held February 1, 2011

A workshop meeting of the Board of Supervisors of Lower Paxton Township was called to order at 6:11 p.m. by Chairman William B. Hawk, on the above date in the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, Pennsylvania.

Supervisors present in addition to Mr. Hawk were: William C. Seeds, Sr., William L. Hornung, Gary A. Crissman, and David B. Blain.

Also in attendance were George Wolfe, Township Manager; and Ted Robertson, SWAN.

**Pledge of Allegiance**

Mr. Blain led in the recitation of the Pledge of Allegiance.

**Public Comment**

No comments were presented.

**Staff Presentation**

Model being developed to estimate future  
General Fund revenues and expenditures

Mr. Wolfe distributed a draft model for both expenditures and revenues. He explained that the model is too large a document to PDF in the computer.

Mr. Wolfe explained that tonight's presentation is an introduction to the process noting that additional work will need to be done. He noted that the Board has determined to undertake a second strategic plan for the Township. It was determined by Mr. Blain that the first step in the process should be to develop a financial model projecting future financial conditions. He noted that staff has projected revenues and expenditures starting with year 2012 through year 2016. He noted that he would explain the format and assumptions noting that further work needs be done to refine the data sheets.

Mr. Wolfe explained that he used the 2011 budget as the base year for the model. He explained that the assumption is that the current municipal operations are as low as they can go

without the reduction of services. He noted if the situation gets worse, the Township may need to reduce services, however, if the economy improves, then services could be increased. He noted that staff can provide the current basic services with it current personnel and resources.

Mr. Wolfe noted that he included no increase in services for the five-year projections. He noted that the model does not include adding services or projects, just noting municipal operations as they currently exist and projecting those services out five years into the future.

Mr. Wolfe noted that he has not used the fund balance to balance deficits, noting that the projection shows unbalanced years. He noted that the adopted budget must be balanced, but at this point, for projection purposes, he did not attempt to balance the budget. He noted that he did not include any capital improvements through the General Improvement Fund (GIF) or transferring funds into the GIF for capital projects. He explained that the Board has almost completed the current list of capital improvement projects and this process will include finding funds for future projects.

Mr. Wolfe noted that he has maintained the current allocations to the Friendship Center (FC), Length of Service Awards Program (LOSAP) and Fire Equipment Capital Fund. He noted that the model does not include an increase in taxation, but it does include the Liquid Fuels budget in the General Fund for the Public Works Department.

Mr. Wolfe noted that he used 2% as the rate of inflation for revenues and expenditures. He noted for the significant items, he provided more detailed projections based upon current information. He noted that this is a draft model document, and it is important to note that the figures for 2010 fiscal year have not been closed yet. He explained that he expects to be able to do that sometime after February. He noted that the numbers will change until at least mid February. He noted that the document will become more accurate when the final numbers can be added to the list at which time he would adjust the beginning starting point for the 2012 budget. He noted that the budget was prepared using the close out numbers from October 2010.

Mr. Crissman questioned if the 2010 actuals will be updated. Mr. Wolfe answered yes as he gets those final numbers. Mr. Wolfe noted that he does not have those numbers for all 12 months at this point.

## Revenues

Mr. Wolfe noted that he included every General Fund line item for revenues. He noted that the actuals are listed for 2008 and 2009, and 2010's numbers will be actuals as soon as the yearly close out occurs. He noted that it includes the current budget numbers for 2011; and projections for 2012 through 2016. He noted the major revenues items are contained within the administration section, numbers 4 through 43. He noted in Column K contains the explanations for the projections. He noted that real estate tax number for 2011 is \$2,870,741, and he projected that number out 1.63% as the basis for an increase. He noted that this projection is the result of new taxables for people moving into the Township, and was based upon the past 15 years of historical data.

Mr. Wolfe noted that he based the delinquent taxes upon inflation. He noted that the Local Services Tax is workforce based and it is projected using a 2% yearly increase. He noted that this number is based upon the number of people working in the Township. He noted that the reality transfer tax is an educated guess on his part, based upon an expected modest rebound in the sale of homes.

Mr. Crissman questioned how soon the Township will receive the funds for the reality transfer tax for the sale of the Colonial Commons. Mr. Wolfe noted that he had Mr. Houck call about this but staff has not received any information on this yet. He noted that it will show up as a 2011 revenue. Mr. Blain suggested that it could be \$250,000. Mr. Wolfe noted if the property was sold for almost \$50 million, and if it qualifies under the real estate transfer tax, the Township should receive approximately \$250,000. He noted that it would depend if it was a transfer within a corporate entity. He noted that you can never predict when a "big box" property will sell. Mr. Wolfe noted that this was not included in the 2011 budget revenues.

Mr. Wolfe noted when you look at the totals for general administration; overall, the revenues are increasing by roughly \$600,000 to \$700,000 per year.

Mr. Wolfe noted that line 75 shows the Police Department revenues do not total more than \$500,000; however, the one major item that is included is the potential of income from the booking center. He noted that it could be significantly more than the \$125,000 projected out for the next five years.

Mr. Wolfe noted that the codes enforcement line items include permit fees. He noted in the development of this model he has included an increase in development activity over time at a

increase starting at 2% with 0.5% increase for each succeeding year. He noted that he also made an adjustment based upon the increase in permit fees as of January 1, 2011. He noted that revenues will increase due to fee increases and some increases in development. He noted there are two large projects planned for 2011, Holy Name of Jesus Church and Bishop McDevitt High School. He noted that in the succeeding years the estimate drops as there are no known large commercial projects planned. He noted that he is trying to project for what he knows at this time.

Mr. Wolfe noted that there is only a small revenue block for zoning and subdivision items.

Mr. Wolfe noted that there are three items within the Health Department that staff needs to watch closely. He noted that the State recycling grant program may be reduced or eliminated. He noted that it currently provides revenues of \$100,000. Mr. Hornung questioned if this grant was eliminated could the Township rescind its burning ban. Mr. Wolfe answered that the two are not connected. He noted that the sale of recyclables is based upon market value and there is no way to predict what it would be, however, he is projecting a steady number. He noted that he included a 10% increase for leaf waste permits for each year, however, it may be too aggressive.

Mr. Wolfe noted that the revenues generated for the Public Works Department are very minimal.

Mr. Wolfe noted for the Parks and Recreation Department, most of the estimates are inflation-dependent numbers. He noted that most of the revenues are from programs, sale of tickets, or parks and pavilion rentals. He noted that the park facilities are heavily used and he does not expect a great increase in their use, however, the revenue streams will increase as the fees increase with inflation. Mr. Crissman noted that the revenues for Parks and Recreation dropped in 2009 and rebounded some in 2010, were slightly increased for 2011, and dropped again in the five-year projection. He suggested that it would have been good to include the actuals for 2007 to show a three-year history. Mr. Wolfe explained that a four-year history will be available soon when the 2010 numbers become available. Mr. Crissman explained that he used 2009 as the starting point since the Harris system only counts three years and the fourth year would have had to be entered by hand. He noted that the Harris system does not communicate with Excel, so most of this document had to be scanned or entered by hand.

Mr. Wolfe noted that the up and down in revenues is mainly due to the fee-in-lieu related to development, and it shows how dependent revenues are upon that fee. He noted that he has

kept that line equal in the five-year projections. Mr. Seeds noted that the money must be spent within three years or it must be given back to the developer.

Mr. Wolfe noted that the last page provides departmental totals, liquid fuel funds, and total expenses for 2011. He noted that the five-year projections show deficits.

#### Expenditures

Mr. Wolfe noted that the expenditure model is a much larger document than the revenue model as there are fourteen pages of numbers. Mr. Crissman suggested that Mr. Wolfe should only discuss those items that are important. Mr. Wolfe explained that government provides services and it is done by way of its employees. He noted that the most significant expenditure is employee related. He explained two of the three AFSCME units contracts expired in 2012, and the other expires this year. He noted for the out years, he projected a 2% increase in 2013 and 2014 and 2.5% in 2015 and 2016. He noted that the Public Works' contract expires this year and their projections are 2% for 2012 through 2014 and 2.5% for 2015 and 2016. He noted that for the Police Department he used a projection of 2.5% for 2012 through 2014 and 3% in 2015 and 2016. He noted for administrative employees he used 2% in 2012, 2.5% in 2013 through 2015 and 3% in 2016. He noted that these numbers are unknown but suggested that the projections are a fairly reasonable estimates.

Mr. Wolfe noted that medical insurance can be found on the third to last page and he used a 7% per year increase in cost, which historically, for the past two years has been under that amount. He noted that being a member of an intermunicipal pool has been very effective in keeping the costs down. Mr. Crissman noted if you look at the totals, it shows that the Township is holding the line on this item. Mr. Wolfe noted that some of the numbers trended lower because the number of employees has decreased over the past years.

Mr. Wolfe noted that all departments have utility costs, including vehicle fuels and he projected a 10% increase per year. He noted that the next to last page shows the department totals, followed by State Aid fund, with the overall totals showing an average of a 3% increase per year in expenditures. He noted when compared to revenues it provides a 3.1% increase in revenues over the same time period.

Mr. Wolfe noted that this document is a draft and he is in the process of fine tuning it. He noted once he adds the 2010 actual costs to the document he would provide some graphic

information as well as spreadsheets. He noted that he needs to develop some assumptions for, “what if” scenarios, and insert those assumptions into the models.

Mr. Crissman questioned what date the auditor stated he would have the audit completed. Mr. Blain stated that it was March 31, 2011. Mr. Wolfe noted that he would use the close out numbers provided by Mr. Houck in mid-February. He noted if a small adjustment needs to be made later it can be done at that time.

Mr. Wolfe noted that he used 2011 as the base year, and that the line item projections were based upon the information that he has, and where the information was not available, he used a 2% inflation factor. He noted that he did not look to adjust revenues against expenditures, as this would be done at the end of the process. He noted the last page of revenues shows with the adjusted increase in real estate tax implemented for 2011, there is not enough revenue to operate in the black into the future without economic change or additional revenue. He noted as the model is fine tuned, the figures will change. He noted that the general trend is that the Township is not in bad shape, but the Township is not generating significant revenue to undertake capital projects for the future. He noted that the surplus from the General Fund is what was used to fund capital projects in the past, and now there are no surplus funds.

Mr. Wolfe noted that line item 575 in expenditures lists the Interfund Transfers that show where General Fund money was transferred to the General Improvement Fund. He noted that no transfers are shown in years 2012 through 2016 and as a result the \$800,000 hit that the Township took in 2011 will not occur in 2012.

Mr. Wolfe requested the Board to review the information at its leisure. He noted that he would like to schedule the next meeting on modeling after the 2010 numbers are inserted and staff conducts a detailed proof of the numbers. He noted that he would answer any questions, or if someone had an assumption they would want added to the draft document to please let him know.

Mr. Hawk noted that it was a very good and comprehensive draft report. Mr. Blain noted that it was a great job and exactly what he was looking for. Mr. Crissman noted that it is an excellent beginning. Mr. Wolfe explained that staff has been doing something similar for the Authority for awhile and he noted that he would also do the same thing for the Friendship Center once this model is built out.

Mr. Hornung questioned the Board what this report is telling them. He suggested that the Board must go into some of the untouchable items, such as health insurance and other areas. Mr. Wolfe noted that the Board must continue to be frugal and hard nosed in negotiations, but he would caution against making a five-year decision at this time. Mr. Hawk noted that there are too many variables, especially the state of the economy.

Mr. Blain noted that the revenue section shows that the Township is not too far off from balancing the budget, but it leaves no funds for capital projects. He suggested that Mr. Wolfe should factor in for 2013 and 2015 a 10% increase in property taxes. He questioned what impact it would have on the model. Mr. Crissman questioned if the Board should wait until Mr. Wolfe has the base model established. Mr. Blain noted that he wants to know what a favorable case scenario would be, as well as the worst and best case scenarios.

Mr. Wolfe noted that he could provide them for the next session. Mr. Blain suggested that there will not be any significant changes for the draft, and there are expenses over revenues that begin to escalate in years 2014, 2015, and 2016. He noted that he would like to know what impact a real estate tax increase would have in years 2013 and 2015. Mr. Hawk questioned why Mr. Blain chose those two years. Mr. Blain noted that he just chose those two years off the top of his head. Mr. Wolfe noted that it provides for a year in between the tax increases. Mr. Crissman noted that those would be good choices.

Mr. Hornung questioned if there was any other topic of discussion that the Board could engage in relative to encouraging development in some areas that may provide an economic advantage to the Township for the good of the Township. Mr. Wolfe answered that there are two development markets for the Township, residential and commercial. He noted that the residential is density based and the Board could increase development if the density allowances were increased. He noted that the Board made a consensus decision in 1990 that its lots sizes were of a size that made it easy for a developer to make a lot of money real fast, permitting four units per acre as compared to the current zoning of two units per acre. He noted that this decreased the level of single-family residential development very rapidly. He noted that commercial development is more based upon suitable land available for such development. He noted that land is available along Union Deposit and Linglestown Roads. He noted that land that is zoned for neighborhood business or residential could be rezoned for a higher density commercial use to encourage greater development activity. He noted that this would be walking a fine line.

Mr. Hornung questioned if there is any demand for commercial type uses that are smaller than a mall. Mr. Wolfe answered that the Township has not seen that. Mr. Hornung questioned if there are any home type business that are not allowed in residential areas. Mr. Wolfe noted they most would be an exception, except for the Village of Linglestown.

Mr. Hornung noted that there are some areas along Union Deposit Road where the residential areas have degraded to the point that they should be converted to some commercial zoning to encourage the reclamation of that area.

Mr. Wolfe noted that a prime example of a redevelopment opportunity is the Villa Teresa tract. He noted that it could be converted into some type of development. He noted that no one has approached the Township to do anything with that property. Mr. Seeds questioned if it was being used for anything. Mr. Hawk noted that it is totally empty. Mr. Wolfe noted, in this market it is hard to say what to do because the housing market is still not on the increase. He noted that you have mortgage foreclosures that are stacking up since the banks didn't do the paperwork correctly, coupled with mortgage foreclosures due to high unemployment. He noted the Board could not try to do something to encourage development since the market is not there at this time.

Mr. Seeds suggested that the business improvement district might take off for the Township. He suggested that there could be some redevelopment through that process which could produce income for the Township.

Mr. Wolfe noted that in late 2008 and early 2009 there was 15% to 20% vacancy in the retail market at the major shopping plazas, but most of that has been filled. He noted that the Township's commercial base is fairly well occupied. Mr. Seeds suggested that the mall owners may have had to lower their rates.

Mr. Wolfe noted that the most desirable prime commercial tract in Dauphin County will never be used commercially since Holy Name of Jesus is building a new church.

Mr. Ted Robertson questioned if there has been any consideration of the rainy day fund in this draft. He noted that it was the Board's intention to fill in the gap for the 25% fund balance as soon as the funds are available. Mr. Wolfe noted that the model shows that there will not be funds available for the rainy day fund. He noted that the Board is looking to see what it needs to do to maintain those funds as directed by its own directive.

Mr. Blain directed Mr. Wolfe not to insert an increase in revenues at this time. He suggested that the Board will need to hammer out the expenses first before determining what to do for the revenue side.

Mr. Seeds noted if Shadebrook and Stray Winds Farm are able to get off the ground this year it might be some help to the Township. Mr. Wolfe noted that the Township has approved several large developments including Pleasant Meadows, but it is an unknown when they will start.

Mr. Seeds suggested that a mercantile tax would be another source of revenue.

### **Adjournment**

There being no further business, Mr. Blain made a motion to adjourn the workshop meeting. Mr. Crissman seconded the motion, the meeting adjourned at 6:55 p.m.

Respectfully submitted,

Maureen Heberle  
Recording Secretary

Approved by,

Gary A. Crissman  
Township Secretary