

LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Workshop Meeting held December 13, 2011

A workshop meeting of the Board of Supervisors of Lower Paxton Township was called to order at 5:07 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; Steven Stine, Township Solicitor; John Snyder, RGS Associates; David Tshudy, Pepper Hamilton, LLP; Richard Hankin, Multi-Properties, Inc.; Terry Harris, McKonly & Asbury; Jason Campbell, SCEMS; Eric Kessler and William Minsker, Village of Linglestown Committee; Sam Robbins, Public Works Director; Brian Luetchford, Parks and Recreation Director; Tim Houck, Finance Director; John Trish; and Watson Fisher, SWAN.

Pledge of Allegiance

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

Public Comment

No public comment was presented.

Continued review of the proposed recreation plan for the
Laurel Ridge land development plan

Mr. Wolfe noted that the Board met with representatives to discuss the Laurel Ridge plan during a recent workshop session, specifically the fee-in-lieu recreation proposal by the developer. He noted that after that meeting, the Board requested staff and the developer to meet and come to a consensus on the fee-in-lieu recreation proposal. He noted that staff believes that they have come to a consensus with the project manager. He noted that John Snyder, from RGS Associates, is present to explain the proposal. He noted that Mr. Snyder has requested that the plan be schedule for the December 20th Board of Supervisors business meeting. He noted that

Mr. Snyder believes the plan to be complete and it is staff's opinion, if the Board accepts that recreation proposal that will be discuss at this meeting, that plan is complete for Board action.

Mr. John Snyder explained that all staff comments and engineer comments have been satisfied. He noted that National Pollutant Discharge Elimination System (NPDES) Permit has been completed. He explained that the project does not require a sewage plan as it was part of the existing plan, and all the legal agreements for the condominium, sewer extension, developer's escrow, and developer's agreement have been submitted and are being reviewed by Mr. Stine.

Mr. Snyder noted that there has been very good discussion for the recreation component mostly between the attorneys and staff. He explained that he is not disputing the equation of the 1,841 square feet per dwelling unit which equals 3.8916 acres. He questioned how the 3.8916 acres is valued and it was agreed to use the fair market value which comes to \$77,586.83. He noted in Section 188-522H, the Ordinance permits for the Township to provide a 50% reduction for private recreation, and that is what he is proposing tonight. He distributed an improvement plan that will create soccer fields, move some items, and also add some trails. He noted that the area is 2.318 acres in private recreation resulting in a 60% reduction. He noted that he is asking for a 60% reduction of the 50% which would be a 29.78% fee reduction for these improvements, amounting to \$23,105.36; therefore, the developer would pay \$54,481.47 in recreation fees.

Mr. Wolfe explained that the developer would be paying that amount, reserving the 2.318 acres for recreation, with the improvements estimated to cost over \$200,000. Mr. Seeds questioned how the \$200,000 amount was determined. Mr. Snyder answered that it was put out for contracted bids. Mr. Seeds noted that much of the work is relocating equipment. Mr. Snyder agreed but there is much earth work needed to create the fields and new trails. Mr. Seeds noted that some of that land exists now. Mr. Snyder answered yes but it is not flat. Mr. Wolfe noted that the land is not reserved; noting that it is available for development but it has not been reserved for recreation. He noted that the proposal will provide for a permanent reservation of that land for recreation in the amount of 2.318 acres. Mr. Seeds noted that it is a reduction from the 3.8916 acres.

Mr. Richard Hankin, Multi-Properties, Inc., stated that he plans to add more indoor facilities for recreation. Mr. Snyder noted that part of the plan provides for an expansion to the

community center to provide for an internal fitness center. He suggested that the proposal is conservative and the owner is doing more than is necessary.

Mr. Crissman questioned if the proposal would be a condition for approval at next week's meeting. Mr. Snyder answered that he has prepared an agreement to memorialize this proposal and it is under review by Mr. Stine. He noted that he hopes to come away with an unconditional plan approval so all the documents could be executed next week and recorded with the plan. Mr. Stine explained that Mr. Snyder plans to have the improvement guarantee agreement completed, the letter of credit in hand, a declaration completed for the recreation proposal, and everything that would be a condition of the plan would be completed. Mr. David Tshudy, Pepper Hamilton, LLC., noted that the declaration would be recorded against the land that will call out this area on the plan as forever being privately dedicated to recreation. He noted that this area would be a common element under the condominium agreement that will be set up and the condominium association will be responsible for maintaining the area as a recreational area.

Mr. Wolfe noted that staff recommends acceptance of this proposal.

Mr. Hawk questioned what a U-6 soccer field is. Mr. Blain answered that it is a soccer field for kids less than six years of age. Mr. Snyder noted that there could be multiple U-6 fields or two U-8 fields. He noted that the area is not big enough to build full size soccer fields.

Mr. Seeds noted that Mr. Snyder mentioned that the Parks and Recreation Plan has not been adopted, but if this plan was to come under the older plan, it would have been a fee of \$2,300 per unit. He questioned how this compares in regards to that. Mr. Stine answered that there is no recreation plan.

Mr. Wolfe noted that he would schedule this plan for Board action for the December 20th meeting. Mr. Hawk noted that would be good. Mr. Crissman noted that he had no objections as long as everything is done. Mr. Wolfe noted that it would be a rare item, a plan with no conditions.

Discussion with representatives of the Village of Linglestown
Committee regarding the Committee's role into the future

Mr. Kessler explained that he has been a member of the Village of Linglestown Committee for 12 years and the Committee recently concluded the Village Improvement project, however, there are still several items that the Board charged the Committee to do that has not

been completed. He questioned the Board of Supervisors what they want the Committee to do. He noted that one charge in the original Resolution was to review the zoning and signage for the Village. He questioned if the Committee should continue to do this work and does the Board want to provide any further direction for the Committee's work. Mr. Hawk noted that he would not want the Committee to go off on a separate tangent other than what he mentioned. Mr. Kessler explained that he does not want that for the Committee. He noted that the Committee does not have a problem with continuing to assist the Board of Supervisors, but he questioned if the Board wanted the Committee to continue to work to improve the area and if there was anything specific that it wanted the Committee to work on.

Mr. Blain questioned if Mr. Kessler felt that he had enough work to do within the Village to continue to meet as a Committee. Mr. Kessler answered that there is probably enough work for another year, with some clean up items that remain on the table. He noted that the Committee reviewed Resolution 98-14 that established the Committee during the last meeting, and the members were polled as to who wanted to remain on the Committee or to leave it. He noted all but one member wished to remain on the Committee.

Mr. Blain noted if the Committee continues to have work to do, he would suggest that the Village of Linglestown be retained as a Committee at least for one more year to provide the time to complete what needs to be done. He suggested that the Committee's role could be reassessed next December to see what remains to be done. Mr. Crissman agreed with Mr. Blain, noting that the Committee should review the original resolution to determine what needs to be done. Mr. Kessler noted that the Committee has done that, and stated that there are a few items that need to be finished. Mr. Crissman suggested that he would like to review the list of items that need to be completed.

Mr. Seeds noted that the Committee needs to revisit the zoning for the Village District. He suggested that it would be a big item to do. Mr. Kessler noted that the Committee started that process early on but then became distracted with the construction project. Mr. Seeds noted that several property owners have contacted him stating that they may desire to hook up to water or natural gas. He suggested that the Board should amend the zoning to include a provision for sidewalk cuts and the replacement of the sidewalks with the same stamped concrete or the

Village will look terrible in a year or two. He suggested that these type of items need to be reviewed very quickly.

Mr. Kessler noted that the Committee would like to define the geographic boundaries for the Village of Linglestown.

Mr. Seeds suggested that the Committee should look at its membership, noting that there will be a vacancy. He noted that the makeup should have one member from the American Legion; the Committee should have had a member from that organization at one time. Mr. Kessler noted that the percentages have shifted all over the place. He noted that he would not like to lose the current membership as it provides continuity for the Committees work.

Mr. Seeds questioned if the Committee ever completed its Mission Statement. Mr. Kessler answered that the Committee may have done that. Mr. Seeds noted that he is in favor of continuing the Committee since there is a need for more improvements.

Mr. Kessler questioned if there is anything else the Board would like to the Committee to do now that the road project is completed. Mr. Hawk noted that Mr. Kessler mentioned a few items that need completed and it is the consensus from the Board that the Committee should continue its work. He noted that the Committee should be cautious of some of its deliberations that it does not spill over into expensive projects as the Township has no funds for any projects of this kind. He explained that the Township is in tight economic times. Mr. Kessler noted that the Committee would continue to look for sources of outside funding. He noted, years ago, the Committee discussed placing entrance signs to the Village along Linglestown Road, and he questioned if the Board would be receptive to that signage if beautification funding was found. Mr Hawk noted that he did not have a feeling one way or the other, as it would be a nice enhancement, but if money comes into play, it would be a problem. Mr. Crissman noted that he would be opposed to spending Township money for that reason as it would set a precedent and other communities, such as Paxtonia, may want a sign. He noted that he would strongly encourage the Committee to look for grant funds. He noted that he is not willing to use General Funds for that purpose.

Mr. Kessler noted that the past grant was 90% provided by the grantee with the Township only providing 10% of the funding. He noted that the Committee needs to identify the needs and cost it out.

Mr. Seeds noted that Mr. Minsker mentioned that the Capital Area Transit (CAT) bus needs a better location for pick up and drop off. Mr. Kessler stated that he would go to the CAT bus to discuss this, but any costs would have to be picked up by CAT.

Mr. Seeds noted that someone complained to him, asking if anything could be done for the potholes in the north east section of Blackberry Alley. He requested Mr. Wolfe and Mr. Robbins to look into this until it is determined if the Township is approved for funding to pave the alley. Mr. Kessler questioned if the only thing holding up the Township from accepting the alley is funding. Mr. Seeds answered yes. He noted that the Township does not have any extra funds to pave the alley.

Mr. Kessler noted that the Board has provided some direction to him for the Committee.

Mr. Hornung noted that he has discussed the Square project with Mr. Kessler noting that much money was put into the project and it has the potential to be a showcase for the State. He noted that the Square project is halfway there but there is another half that needs to be completed and that is cleaning up some of the properties, however, he is not sure how to go about that. He noted that is not a cost to the Township. Mr. Kessler noted that the Committee identified code violations in the Village and sent a list to Ms. Gourley who was working on the violations. He noted that she sent out violation letters but he is not sure where the process stands. He noted that the Committee must be careful as it is not an enforcement arm, simply an advisory one. Mr. Hornung suggested that the Committee could be a motivating force in getting those things done. He noted that there are things that could be done, such as checking to see if the ordinance has enough bite in it to make some changes happen. He questioned if someone could demolish enough properties to convert into nice homes or businesses, or renovate the old homes. He noted that the next subject of discussion is affordable housing and he questioned if that would be a good area to do this. He noted that affordable housing is a potential to make a difference for the Village of Linglestown. He noted that putting a lot of businesses in that area is not quite enough if you don't have enough surrounding communities to support them. He suggested that a vision for the next ten years should be looked at what the Linglestown Merchant's Association (LMA) could do along with the Committee. Mr. Kessler explained that he also belongs to the LMA and he ensures that they have members in both groups. He noted that the line of communication between all these organizations is pretty strong.

Mr. Hornung noted that you must have a cooperative effort to make things happen. Mr. Kessler noted that we want some development, and targeted development, but we can't put too much bite that would create an anti-development atmosphere. Mr. Hornung suggested that you have to develop a vision for that area and try to incorporate zoning on the part of the Township and entice a builder to come in and help to rebuild some of the homes to turn them into nice places. He noted that Mr. Snow built two nice houses that fit very well in the Village. He noted that it could become a showcase for the entire State.

Mr. Hawk noted that there have been many enhancements to the area. He noted that he and his wife had a successful art gallery and that building was brought up to current standards. He noted that many businesses have upgraded their properties. Mr. Kessler noted that people want to do things.

Mr. Minsker noted that there is a new spirit in the Village that has grown since the project has been completed and he sees the vision of the Committee and what was intended over the past 35 years. He noted, at the December 4th Christmas Tree Lighting and Carol sing, people were invited back to the Fire Company for refreshments. He noted over 200 people attended the events and many signed up to join the Linglestown Area Community Association (LACA). He noted that the first meeting will be held on January 18th and it will provide for a 3rd organization in the Village to work together to create more projects and to raise funds for beautification. He noted at one time, the Village had its own newspaper, picnic, and cleanups and many other activities. He noted that he wants to take advantage of this new spirit and build on it to make it work.

Mr. Hawk noted that the sharing of information from the three committees will create a certain enthusiasm that hasn't been seen in a long time. Mr. Minsker noted this is exactly what he wants to see.

Mr. Seeds noted that the construction had a negative impact on the businesses for the past two years and the economy has hurt everyone. He noted that the construction is done and he hopes that the economy will rebound. He noted on a personal level, he took a beating for the past several years. He suggested that more places will be fixed up and have more money to do things like make improvements.

Mr. Hawk noted that the answer is to keep the Committee going and communication between all three groups and the Board is an excellent idea.

Mr. Kessler noted that Ms. Heberle has a list of the people who need to be reappointed to the Committee. Mr. Seeds questioned if the person who does not want to be on the Committee still has his name on the list. Mr. Kessler answered no, as it was removed. Mr. Kessler noted that the open position should be someone who lives in the Village. Mr. Seeds questioned if the Committee wants to come up with a suggestion for the open spot to make a recommendation to the Board before the January meetings. Mr. Minsker explained that the Committee meets on Thursday.

Mr. Hawk called for a recess of the meeting at 5:40 p.m.

Mr. Hawk reconvened the meeting at 5:48 p.m.

Discussion with Terry Harris, McKonly & Asbury, regarding first-time Homebuyer/workforce housing

Mr. Blain introduced Terry Harris who is a managing partner at McKonly and Asbury. He explained that he is well known in the affordable housing circles in regards to the tax credit accounting side, but he has many contacts with a number of different developers for the various projects that they have done. He noted, as a follow up to Mr. Hornung's comments from a few months ago, and also the meeting with Bob Fox about the Township's housing stock, he thought that it would be appropriate for Mr. Harris to address the Board and talk about what is happening in the workforce housing and first time buyer housing market; what are some of the projects that he is seeing; who are some of the developers that are working on these projects; and how it might work.

Mr. Harris explained that he has no agenda other than to talk to the Board members. He noted that two years ago, the Board visited a local project in Hershey. He explained that it was developed by Housing Development Corporation (HDC) in Lancaster. He noted that they have been a client of his for 20 years and they do good work.

Mr. Harris noted that the agenda talks to the first time home buyer and workforce housing. He noted that for the first time homebuyer, over the past two or three years, many people bought homes they couldn't afford. He noted that they were given mortgages that never should have approved, and they did not know how to own a home as their past experience was in

renting. He noted that many had to default on those loans, and messed up their credit as a result of it. He noted that now the banks have swung in the opposite direction in that people with good credit are having a hard time getting a mortgage. He noted that the affordable housing community and workforce housing, such as bank tellers, school teachers, trash collectors, working class folks, pay rent and in most cases they pay taxes, but now they are forced back into a rental housing situation which is not necessarily a bad thing. He noted that there are quality builders out there, and developers who are building affordable housing stock and communities need local housing places for these folks to live. He noted that the service industry employees need affordable housing.

Mr. Harris noted that this type of housing is primarily developed by the Pennsylvania Housing Finance Agency (PHFA) and it is a rental-type housing. He noted developers raise money to build the properties with no first mortgage debt. He noted that they are debt free from an amortizing type of mortgage that you would think of for commercial real estate. He noted that they are able to raise about 65% of the equity to build the projects through investors that can utilize the tax credits. He noted that they are typically banks, noting that Fulton Bank is one such investor. He suggested that they have four or five projects working in this region or in their footprint for each year. He noted that one of his clients just had a closing with Fulton Bank this past Thursday for a project in Marietta, 52 units of affordable family housing. He noted that the bank will get the tax credits over a ten-year period. He noted that there are syndicators who will syndicate the credits as well. He noted that 65% to 70% of the cost of the project is subsidized through the equity investor that puts up the money to get the credits. He noted that the other 30% comes through soft loans. He noted that PHFA sometimes puts money into a project, as well as local municipalities, and counties will use their Act 37 funds, or the Department of Community Economic Development (DCED) has an affordable housing grant program.

Mr. Harris noted that the PHFA allocates the credits through a yearly process where applications are received for tax credits. He noted that he helps developers apply for the credits while others prepare their own applications. He noted that the agency will get 100 applications and fund about 40 to 50 of those applications. He noted that PHFA regulates the entire arena and they will pick the best projects coming through the door. He explained that they allocate by regions, noting that the Philadelphia and Pittsburgh regions get the most money. He noted that it

is all for rental housing, very similar to what the Board saw at Willow Ridge in Hershey. He noted that it is safe, decent, and affordable.

Mr. Harris noted that the developers must be good since PHFA will cut them out of the process if they don't manage well, develop well, or renege on promises that they have made. He noted that there is very good oversight by PHFA on these properties. He suggested that the posted rent for the units is based upon how much income a person can make. He noted that they typically cannot make more than \$50,000 or as high as 60% of the area medium income. He noted that this area medium income is low, suggesting that it would be \$60,000 for a family of four. He noted that a family of four can make no more than \$30,000 to \$36,000 depending if you are a 50% or 60% medium. He noted that their rent cap is based on a rent schedule that PHFA posts. He noted that the rents are typically 80% of what the market would be. He noted that a two-bedroom unit in the Township that rents for \$800 a month, the rent under this program would probably be \$650 per month. He noted that it is not the old Section 8, subsidized housing where people get paid to live in units. He noted, the HUD days of the 1970's and 1980's, generally used high rise apartments. He noted that they are scattered throughout the city and municipalities He noted that you will find quality developers and managing agents who are developing the projects, typically 100 units or less. He noted that PHFA caps the amount of credit that they will allow for one project. He noted that he recently completed a 95-unit project beside the Lancaster Country Club. He noted that it is adjacent to the new Lowe's that was built in the past two years. He noted that they rented very quickly in a region of Lancaster County that wants to protect its farmland. He noted that they have zones that they want to develop in, and it was one of the largest projects that he has seen in the past few years.

Mr. Blain noted that this is more of a discussion for rental properties due to the credit market as it has taken away low income housing first time buyer as a result of credit crunching by the banks. He noted that it provides the housing for the workforce that is necessary for those who have jobs, steady incomes, and families. Mr. Harris noted that these people pay rent.

Mr. Harris noted that there are some projects built in the past few years where they had a conversion from rental to ownership at the end of 15 years. He suggested that they make up less than 10% of the projects that he is involved with. He noted that it was an effort to convert rentals

to home ownership. He noted that PHFA recently had a push on that for a while but in light of the recent housing issues, they have shied away from that.

Mr. Hawk questioned if the rental concept is as a result of the current economic trends that have shifted from buying to renting. Mr. Harris suggested that it is the lack of affordable housing. He noted that the current credit crunch forced people into it. Mr. Hawk explained that he recently spoke to some real estate people and they said that there are many people who want to buy a home because the interest rates are so low. He noted that that he is hoping that the interest rates will rise so he can earn more on his money. Mr. Harris noted that the banks are not paying anything in the money market accounts. He noted that banks are loaning money at 3% or 4%. Mr. Hawk noted if a person has a very good credit rating they cannot deny the loans. Mr. Harris noted that it may be true but he hasn't heard that.

Mr. Hornung explained that he is very concerned about two things. He noted that the first is the humanity issue in that this is the first generation coming into the workforce who can't afford to buy a house without parental help. He noted that many young people find it very difficult to purchase a home, suggesting that the Great American Dream is gone. He noted that it is a shame and he wants to know what his generation can do to help. He noted that the decrease of homes selling in the Township impacts the financial situation to do other things to enhance the Township. He noted that it is a two-fold project for him. He noted that he wants to bring back the American Dream and keep the community together so young people don't have to go somewhere else to live. He noted that is the motivational factor for him. He noted that he is not sure he is interested in rental properties, as much in people actually owning a piece of the pie. He noted when they own it they will take better care of it. He noted that when they rent they don't take as good a care of it, and it becomes more of an enforcement issue for the Township. He noted that the last thing he needs to do to is add more work to staff. Mr. Harris noted that it speaks of a bias that Mr. Hornung has. He noted that the operators of these housing units have investors who are looking to take care of these properties. He noted that the PFHA is overseeing the projects, and it is not a case of slum landlords, rather management agents who oversee the projects.

Mr. Blain noted that one of the developers was Mark and John DiSanto from Triple Crown Corporation (TCC). Mr. Harris explained that they are not building apartments, noting

that Mark has recently expressed an interest in getting involved in this type of development. Mr. Blain noted that TCC is one developer who could get involved in the process. He noted that it would be reputable developers like TCC that would be doing these projects.

Mr. Hornung noted that many older people are looking to retire and downsize their homes. He noted if you could get a mix between young couples with children and older people, it would be a winning solution as far as some other things that go on with the humanitarian side of the issue. He questioned how we make this happen. He noted that he has talked to some developers who realized that it must be PFHA, and it has to happen with \$3,000 to \$4,000 from the individual buying the home. He noted that the homes would have to be priced under \$150,000 which means that the Township has to cooperate with the density to try to make it happen. He noted that we need to find the right builders who are willing to reduce their profit, and if the Township can help to reduce the risk it would help to make it happen. He noted it would depend on whether the person buying the house has a mortgage company that is willing to work the banks to get the loans approved. He noted that these are areas to be creative in. He noted if you get the builders involved and financing, it would help. He noted that some builders are willing to do it if we can design it in the area where they can build 30 or 40 homes. He noted that they realized that it will not be a big money maker and they don't want to take a big risk, but if we all work together we can probably make it happen. He noted that the Township would benefit from the Reality Transfer Tax. He noted that 3, 4, 5 years from now those people may be willing to purchase a more expensive home. He noted that you need to have new people coming in so the people who currently own their homes can move up to the next level. He noted that the \$400,000 home is taking the bite. He noted that it is his theory that this has to start on the lower level to work its way up.

Mr. Harris explained that the PHFA has a first time homebuyer program that is on a separate side for the multi-family side or single-family side, but they work through banks. He explained that he tried to get the person who works at PNC to come to the meeting tonight. He noted that it might make sense to have some representatives from PHFA meet with the Board as it is their entire issue, affordable housing. He noted that he sees the rental side as a stepping stone for single-family ownership and he explained that he has some very active elderly sites such as the Presbyterian Senior Living. He noted that they developed affordable housing for seniors.

Mr. Seeds suggested that the economy may take care of some of these issues noting the price for land has dropped significantly. He noted that they recently acquired 12 acres for \$20,000. He suggested that some developers may be able to build a home for less money since the land is cheaper if they can accommodate the sewer and water infrastructure. He noted that they may be able to offer a decent home at an affordable price. Mr. Blain noted that they may be able to do that but there may not be a market to buy it because people may not have the credit to buy the home since the credit is tied up in the financing that they owe. He noted that is why they are building rental units managed by the PMI's of the world with some developments that have rent-to-own type scenarios. He noted until the perspective home owners can build their credit or savings to buy a home, we need to have this type of housing. Mr. Seeds noted that the banks have tightened their credit standards because of what happened in the recent past. He noted that some people may need to work two jobs in order to get out of debt.

Mr. Hornung noted that Mr. Blain feels that many young people don't have the credit rating because of credit card history or problems like that. Mr. Blain noted that they may have the credit rating, but they may not have capital to be able to finance the home as many banks want 20% down. Mr. Hornung noted that there is money available with 0% or 5% down.

Mr. Harris noted that he recently talked to a very well known developer who for every ten sales agreements, only closes three. He noted in the past he normally closed eight or nine agreements. He noted that these developers have a big project in the Selinsgrove area, in the Marcellus Shale areas. He noted that it is financing that is allowing these projects to move ahead. He noted that they predict four to six projects a year to close noting that funding is the problem.

Mr. Hornung suggested that the next step is to talk to a bank manager. Mr. Harris suggested talking to PHFA as they are in the single-housing side of single-family housing if that is where the Township's interest is and maybe a banker as well. He noted that PNC Bank has an affordable housing group and they work with PHFA for first time buyers. He noted that M&T Bank might be another source, as well as any of the large regional banks. Mr. Hornung noted that the developers are telling him that you can get a loan with zero down and he questioned why they would finance these types of projects. Mr. Harris answered that they would for PHFA for the first time homebuyer. Mr. Hornung noted that people in that age group don't have 20% to put down on a home. He noted that there are many existing homes in that market and there are many

short sales available for less than the mortgage on the home. He noted that a realtor told him if a home is selling for \$150,000 to offer \$95,000 for a short sale. He noted that there is a lot of existing stock.

Mr. Harris applauded the Board for trying to find ways to solve the housing dilemma. He noted that it will take cooperation from the lenders and developers.

Mr. Hornung questioned if it is possible to do this. Mr. Harris answered yes noting that it will take time and a dialogue, a partnership from the banking community and PHFA. He noted that they should be part of the mix. He suggested that it is doable. He noted that rental is the only alternative for some people and purchasing is a step up for those people. He noted to find decent, new, affordable housing is very hard.

Mr. Hornung noted if we continue to go down this path, we may end up dealing with rentals. Mr. Harris suggested it would be good to deal with both. Mr. Blain noted that if you are thinking long term, what the tax base would be for senior living or the young and middle age market, the younger people will be the ones who will be working and bringing in EIT. He noted that we have an aging demographics that is not working, so they are not contributing to the EIT and this helps to explain the decrease in the EIT. He noted that this would allow for younger people to live in the Township in a workforce type community that would allow them to save money to buy a home in the Township but would keep them in the Township. He noted that we have such a housing stock of very high-end homes. Mr. Crissman noted that we also have a balance of low-end homes too as shown by Mr. Fox during his recent presentation to the Board. Mr. Hornung noted that they are the homes that are selling in the Township.

Mr. Harris noted for townhouses, the developer needs the density allotment to get the costs per unit down. Mr. Hornung suggested that the Township will not be seeing many townhomes anymore as they are now selling for \$250,000. Mr. Wolfe noted that the Board reviewed a plan tonight for 92 units of townhomes.

Mr. Hawk noted that we need to get bankers, developers and PHFA together to further discuss this issue. He noted that he has very good connections with them and he could talk to some of their folks. Mr. Hornung suggested that the next step for the Board would be to meet with PHFA. Mr. Blain agreed. He questioned if Mr. Harris would work with Mr. Wolfe to coordinate something like that. Mr. Harris answered yes.

Mr. John Trish, 600 Prince Street, questioned if there has been any consideration of the developer holding the finance for the mortgage for two years while the buyer lives in the home to gain equity in the home and after the economy breaks and then the homeowner could get a mortgage. Mr. Harris answered that it would assume that the developer is strong enough to be able to carry that debt which may or may not be the case. Mr. Hawk noted that the Township is not at that point yet and he did not think he could answer for that at this time. Mr. Harris noted that the bank would determine that the developer would be in the same situation as the buyer providing for the same risk.

Mr. Hawk noted that the next step would be meeting with PHFA. Mr. Harris noted that he would get with one of the banks that participate with PHFA in its first time homebuyer program. Mr. Hawk questioned if Fulton Bank would be a good bank. Mr. Harris noted that he is not familiar with their programs but he is with PNC Bank.

2012 Budget Preparation

2012 -2016 General Fund budget – summary presentation of revenues and expenditures with the real estate tax at 1.3 mills

Mr. Wolfe explained that he is present with Sam Robbins, Brian Luetchford, Tim Houck and Dave Johnson to put the final touches on the final budget and the spending plan for 2012.

Proposed real estate tax rate presentation

Mr. Wolfe noted that the budget presentation does include a tax increase from .9625 mill to 1.3 mills. He noted that the county-wide average millage rate is 1.975 mills, excluding 2 municipalities with no taxes and 5 with rates above 9 mills. He noted that the Real Estate Tax is expected to generate \$3,851,153, amounting to only 20% of the General Fund (GF). He explained that the Real Estate Tax is the only significant source of General Fund revenue that the Township can adjust, and it will not increase total (GF) revenue. He noted that the 2011 year-end revenue estimate is \$17,967,005 and the 2012 budgeted revenue is \$18,170,523. He noted that expenditures in the GF will not increase due to an increase in the Real Estate Tax, with a 2011 year-end expense estimate of \$17,889,985 and a 2012 budgeted expense of \$18,170,523. He

noted that the Real Estate Tax increase offsets reductions in the Earned Income Tax (\$400,000) and Community Development related revenues.

Mr. Wolfe noted that the Real Estate Tax increase provides funding for necessary capital projects (storm water and others) and increased funding for fire services. He noted that this budget will maintain the Fire Equipment Capital Fund (FECP) in addition to a 10% increase to each of the fire companies. He noted that the Real Estate Tax increase provides funding to replenish the GF balance (savings account), which is now below the threshold established by the Board of Supervisors. He noted that the Board has a policy to maintain 25% of operating funds in the GF to cover cash flow needs at the beginning of the year when there are no tax revenues coming in, and to fund capital projects. The GF is currently \$1.2 million below that threshold.

Mr. Wolfe noted that the increase of the Real Estate Tax from 0.9625 mills to 1.3 mills generates about \$1 million. He noted that it will offset EIT revenues that are down by \$400,000 and Community Development revenues that are down \$200,000. He noted that he will review the storm water projects for a 3-year estimate at the cost of \$2 million and the need to replenish the GF balance in the amount of \$1.2 million. He noted that the Board and staff made mid-year corrections in 2009, and prepared the 2010 and 2011 year budgets addressing these issues, trying to defer from a significant increase in the Real Estate Tax.

Mr. Wolfe noted that over the past few years the municipal workforce has been reduced to 134 full-time employees in 2012, from a 2009 compliment of 146, and a 2007 high of 152. He noted that the Board has instituted a 12-hour shift rotation in the Police Department effective 1/1/10, as well as instituted employee contributions to the police pension plan saving \$200,000. He noted that the Board froze administrative employee wages in 2010 and AFSCME employees will experience wage freezes in either 2012 or 2013 depending upon the bargaining unit. He noted that said employees will be instituting or increasing employee contributions to benefits and the Board has smoothed pension plan losses due to the recession in accordance with PA Act 44 of 2009. He noted that the Board had delayed certain capital expenditures for the pavement management system, financial management system, and some road paving.

Proposed budget presentation

Mr. Wolfe noted that the Township is organized as a Township of the 2nd Class, with five Supervisors elected at large with a population of more than 47,000 residents in 28 square miles. He noted that it owns 190 miles of roads, 275 miles of sanitary sewers, 320 acres of parkland and employs 140 full-time and nearly 400 part-time and seasonal workers.

Mr. Wolfe noted that the Township provides public safety by funding Police, Fire, Emergency Medical Services (EMS), & Emergency Preparedness. He noted that the Public Works Department includes roads, storm sewers, municipal properties, and the compost facility. He noted other services also include Sanitary Sewer, Parks and Recreation & the Friendship Center, Community Development, Sanitation, Health, Administration, Finance, and Personnel.

Mr. Wolfe noted that the following budgets are proposed for consideration by the Board of Supervisors: General Fund, including State Aid Fund - \$19,170,478; General Improvement Fund - \$1,856,254 (expenditures); and the Friendship Operating Fund - \$2,122,343.

The Lower Paxton Township Authority (LPTA) adopted its budgets during a public meeting on November 22, 2011: Operating Fund - \$13,205,191 (expenditures); and Capital Fund - \$15,119,100 (expenditures). He noted that final consideration by the Board is scheduled for its public meeting to be held on December 20, 2011, beginning at 7:30 p.m. with a proposed 2012 Spending Plan of \$51,545,366. He explained that the GF is the operating fund for the Township and the fund operates on a calendar year basis with a balanced budget. He noted that the 2012 fiscal year General Fund budget, including the State-Aid fund, is balanced with revenues and expenditures totaling \$19,170,478, using the 1.3 millage rate. He noted that the GF is the primary source of revenue for the General Improvement Fund (GIF), the Fire Equipment Capital Fund (FECEF), the Police Pension Fund, and the Non-Uniformed Employee Pension. He noted that one third of the GF is funded through the Earned Income Tax (EIT) and the Township has no control over that tax. He noted that another significant part of the GF comes from the LPTA reimbursement agreement to the General Fund to pay for sewer operations in the Sewer Department. He noted that Real Estate Tax is the only source of revenue that can change on an annual basis. He noted that the largest operation in the Township is the Police Department followed by Public Works, Sewer Department, and Fire and Ambulance and other areas of

operations such as Parks and Recreation, Community Development and Administrative items such as the GIF, Debt Service, and Administration.

Mr. Wolfe explained that the State Aid Fund was per the PA Liquid Fuels Tax Act 655 of 1956 and exists as a sub-component of the GF. He noted that the Township deposits and expends state revenues for maintenance and construction of local roads. He noted in 2012, the State Aid Fund expects revenues and expenditures of \$999,955. He explained that the funding comes from tax receipts on vehicle fuels. He noted that it has slightly decreased over the last two or three years. The Fire Equipment Capital Plan covers nine pieces of primary apparatus used by the Township's 3 volunteer fire companies at a cost of over \$4 million. The 2012 fiscal year will begin with a FECF balance of \$790,000. The Length of Service Award Program (LOSAP) provides a defined benefit stipend to volunteer firefighters and/or fire police officers who meet certain criteria. The LOSAP Fund balance is expected to be \$302,000 at the beginning of the 2012 fiscal year and will start making payments the beginning of 2013.

The GIF is used by the Township for one-time capital projects. In 2012, GIF expenditures for capital projects are budgeted at \$1,856,254.

The Friendship Center (FC) operates as an "enterprise" entity, with revenues coming primarily from user charges to fund operations, debt service, and capital facilities and are not paid by tax revenues. The Friendship Center 2012 Operating Fund expects revenues of \$2,109,350 against expenditures of \$2,122,343. The Center's Capital Fund is expected to possess a balance of \$305,500 on January 1, 2012, with \$46,000 budgeted for capital expenditures.

The LPTA operates as an "enterprise" entity, providing sanitary sewer service. The LPTA 2012 Operating Fund expects revenues of \$13,306,762 against expenditures of \$13,205,191. LPTA expenditures for capital projects in 2012 are expected to be \$15,119,100. The LPTA is expected to possess cash-on hand of \$45 million at the beginning of the 2012 fiscal year. Mr. Hornung questioned if the Authority has received any word from its meetings with the Department of Environmental Protection (DEP) regarding the work that has to be done. Mr. Wolfe answered that there has been no resolve on that issue yet and staff continues to work with DEP on that. Mr. Seeds questioned if anyone has heard from Hummelstown if they plan to sell the Authority its extra sewer capacity. Mr. Wolfe answered that he has not heard anything on that either.

Mr. Wolfe explained from 2007 through the 2012 budget, annual expenditures for municipal operations have increased by a total of 3.7% or only 0.73% per year. He noted that staff has worked diligently to be efficient in its spending while maintaining essential government services. He noted that the Consumer Price Index (CPI) for North East urban areas has increased 12.6% in that same time period. He noted that revenues are flat and decreasing and they are not keeping pace with expenditures and as a result the budget was prepared using a Real Estate Tax rate increase from 0.9625 mills to 1.3 mills. The Real Estate Tax is expected to generate \$3,851,153, only 20% of the General Fund. He noted that 30% of the Real Estate Tax (\$1,165,875) funds fire (volunteer) and emergency medical (3rd party) services, with only \$2.7 million in Real Estate Tax revenues available for municipal operations in 2012, making up 14% of the GF. The Real Estate Tax is the only significant source of GF revenue that the Township can adjust as it is unable to adjust the rates of taxation for EIT, Local Services, or Real Estate Transfer Taxes.

Mr. Wolfe noted that the Township's largest source of revenue is the EIT, expected to generate \$6,100,000 in 2012, however, the EIT receipts have declined due to the national economic crisis. He noted that the Local Service Tax is expected to generate \$1,100,000, and the Township levies no other taxes that are paid by residents on an annual basis. He noted that the Board attempted to address these EIT issues with the Capital Tax Collection Bureau as far back as 2004 when it recognized that the revenues were not where they should have been. He noted that due to the economic crises, the Township is below where it should be at this time.

He noted that expenditures for the GIF for capital projects are as follows showing the past history for spending.

- 2012 - \$1,856,254 (proposed)
- 2011 - \$934,500 (year-end estimate)
- 2010 - \$1,070,034
- 2009 - \$1,273,680
- 2008 - \$2,218,824
- 2007 - \$1,286,130
- 2006 - \$1,485,026
- 2005 - \$1,752,415

The Board of Supervisors' policy is to maintain a GF balance of at least 25% of budgeted GF expenditures for operations, \$18,170,523, as proposed in the 2012 General Fund budget. The

GF balance at the end of 2011 is estimated to be \$3,340,934 and as per the policy, 25% of the \$18,170,523 is \$4,542,631. He noted that the year-end 2011 GF balance is estimated to be \$1,201,934 less than the 25% threshold. He noted that the Township won't have enough funds to pay the bills unless the Township takes a tax anticipation loan. He noted that this would be the first time since he has come to work for the Township that this has been done.

Mr. Wolfe noted that the history for the Township for its mileage rate since 1989 is as follows:

1989.....1.4925 mills
 1990 – 1994.....1.9825 mills
 1995.....1.7849 mills
 1996 – 2001.....1.6049 mills
 2002 – 2004.....0.8750 mills (2002
 County-wide reassessment, no effective change in levy)
 2005 – 2007.....0.7000 mills
 2008 – 2010.....0.8750 mills
 2011.....0.9625 mills
 2012 (proposed).....1.3000 mills

Mr. Wolfe noted that the LPT Real Estate Tax for a house with an assessed value of \$200,000 is:

2011 Real Estate Tax (.9625 mills):	2012 Real Estate Tax (1.3 mills):
.6815 mills (general) \$136.30	.941 mills (general) \$188.20
.240 mills (fire protection) \$48.00	.318 mills (fire protection) \$63.60
.041 mills (library service) \$8.20	.041 mills (library service) \$8.20
TOTAL: \$192.00	TOTAL: \$260.00

Mr. Wolfe explained in 2012, the proposed increase in the Real Estate Tax would cost a home owner, in the above example, an additional \$68 per year. He noted that in 2011, Lower Paxton Township property owners paid real estate taxes at a total rate of 21.7365 mills; 13.548 mills to the Central Dauphin School District; 7.226 mills to Dauphin County and 0.9625 mills to Lower Paxton Township. He noted that the Township possesses debt totaling less than \$9.3 million, with an annual debt service payment total approximately \$575,000, 3.2% of budgeted GF expenditures.

Mr. Hornung questioned if the Central Dauphin School District is raising the taxes. Mr. Wolfe suggested that they may plan a tax increase. Mr. Hornung questioned how much it would be. Mr. Crissman noted that they are still planning since their fiscal year does not start until July 1st.

Mr. Wolfe noted that the sewer bill, for most people, is higher than the Real Estate tax. He suggested that most people's cable and phone bills are more expensive than their Real Estate tax bills.

Mr. Seeds questioned if the \$200,000 for the FECF is put into the fire tax. Mr. Wolfe answered that he rebalanced the numbers. Mr. Seeds noted that it would not come out of the GF. Mr. Wolfe noted that the Board will see that in its final budget resolution.

Mr. Wolfe noted that the Township's borrowing capacity is approximately \$45 million with LPTA possess debt totaling less than \$80 million. He noted that the annual debt service payments total approximately \$4.1 million, 32% of budgeted operating expenditures. Mr. Seeds questioned if the \$9.3 million debt includes the FC debt. Mr. Wolfe answered that it did not as it is a self liquidating debt. He noted that the FC and LPTA pays there own debt. He noted that the Township's debt is \$9.3 million noting that some of that debt went to the new municipal center. He noted that the debt service on an annual basis is less than \$600,000 or about 3.2% of the GF. He noted that the Township's borrowing capacity is up to \$45 million.

Mr. Wolfe noted that most of the previous information can be found on the Township web site.

2012 General Improvement Fund Budget; Option A; Option B; Option C

Mr. Wolfe noted that he would like to have Mr. Robbins address his storm water cost sheet before discussing the options for the 2012 General Fund.

Mr. Robbins explained that he took the original sheet that the Board saw during the November meeting that totaled \$850,000 and that is what is found under section A. He noted that it is the budgetary loss for what they have designed. He noted that he added an engineering component noting that it would cover project management, contract administration, contract documents, inspections, etc. He noted that these are the projects that have been designed and are ready to go. Mr. Seeds asked who designed the projects. Mr. Robbins answered that HRG designed the projects. Mr. Wolfe noted that they have a defined engineer's estimate.

Mr. Robbins noted that section B lists projects that are not designed that are equally as important but have not been designed yet. He noted that there may not be as much of a design component to section B projects as is for Section A. He noted that you may questioned how he put values to those projects without the benefit of a design, noting that many are bricks and

mortar, knowing that there will be an number of linear feet and inlet needed, but where they are and how they go he is not sure. He suggested that they are not going to change a whole lot in terms of what you see. He noted that of the 27 projects, he has heard from 15 of those neighborhoods, with residents calling the office to find how what we are going to do. He noted that he attached a dollar value to section B for engineering costs and both sections total almost \$2 million. Mr. Wolfe noted that is what he has put together as a potential rough three-year amount for expenditures for potential borrowing. He noted that the Township can only borrow for what it can expend for a three year basis.

Mr. Robbins noted Section C will require more study for these projects, noting that staff has discussed the Winfield and Care Streets project. He noted that it needs to be studied as a whole and it could be a significant expenditure depending on what is found. He noted that it was studied in the 1970's but those improvements were never made. He explained that there is failing infrastructure at Devonshire Road and Care Street and something will have to be done at that location; however, it has to be studied by the engineer before coming up with a design. He noted that Nassau Drive is another location where the pipe is very flat and water can't get out. He noted during a peak storm, the pipe surcharges and homes take on water. He noted that Pine Street is another area that was studied initially but no recommendations have been made for it. He noted that there are no defined channels for stormwater. He noted that there are three components for the issue at Goose Valley Road. He noted that adding a cross pipe at Chelsey Falls is a simple to do, installing in a box culvert instead of a cross pipe. He noted that he needs to look at Earl Drive. Mr. Seeds noted that there was a study done in the 1990's and the cost for a larger pipe at that time was \$250,000. Mr. Robbins noted that Mr. Wolfe had asked him to look at an overflow pipe and he and Mr. Fleming are considering it, trying to save engineering costs. He noted that he was not sure how that would work out. Mr. Seeds suggested that someone dropped the ball when the development was put in on Goose Valley Road, because the Chelsey Falls developer should have paid to install a larger pipe. He noted that the Township should not be paying for that. Mr. Robbins noted that he added Patton Road to the list since the neighbors have complained about two sections of that road. He noted that occasionally, he has had to shut that road down; however, there are components of the Autumn Ridge development that will make those repairs.

Mr. Robbins noted that Section D has projects that could be performed by Public Works staff. He noted that there is a mini-basin component that will include storm water and paving. He noted that he needs to have money in the budget for storm related issues so Jeff Kline can get the roads and pipes repaired. He noted that this is the predominate list of items that is in front of him at this time. He noted for East Park Drive, the pipe has been lined and he must continue the restoration for the project that will be completed in the spring. He explained that he needs money in the budget in order for his staff to do the work.

Mr. Wolfe noted that many of these projects were viewed on road tour over the last couple of years but the level and frequency of storms that have occurred this year have certainly exacerbated the problem. Mr. Kline noted that the storms that occurred this year had a very negative impact on certain areas and it accelerated the need for repairs or replacements.

Mr. Hawk noted that the National Weather Service estimates that we will have increased rain events in the next several years.

Mr. Robbins noted that the weather has stressed the infrastructure. He noted that he has experienced more sinkholes with much of the infrastructure being weakened by the severe storms that we experienced and it needs to be replaced.

Mr. Hawk questioned if Mr. Robbins feels that his staff can handle those projects, knowing that they need to be funded. Mr. Robbins noted that he needs to have a fund source for capital projects, and funding source for Public Works projects, and one for the mini-basin program. Mr. Wolfe noted when the Authority digs up a mini-basin it finds that a storm sewer improvement may not be needed right away but you don't want to put a brand new road in and come back in five years and replace the storm sewer. He noted that part of the storm sewer expenditures are being dictated by sanitary sewer work.

Mr. Robbins noted under Section A, there are several projects that are going to have to be done ahead of the roads being paved. He noted that they involved two mini-basins, PC1C and PD4B/6C, noting that those roads will have to wait until spring to be paved, and he needs to make sure that he has funding to replace storm water facilities ahead of the paving.

Review of proposed new money and refunding bond issues for 2012

Mr. Wolfe noted that he would like to address the three options for the General Improvement Fund. He noted that Option A for \$2,182,700 is dependent on bond proceeds with the Township issuing \$2 million worth of bonds, and spending \$900,000 in the first year. He noted that the bond proceeds would be spent on the municipal center roof, HVAC systems, Financial Management System (FMS), and storm sewer improvements with a total of \$500,000 for storm sewer improvements between bond funds and Pennsylvania Infrastructure Bank (PIB) loan money. He noted the remainder of the bond funds for the next two years would also be available for storm sewer projects. He noted any funds not expended on the roof or HVAC system would be used for storm water projects. He noted this Option assumes a \$40,000 transfer from the GF surplus leaving an estimated \$573,000 at year end 2012 in the GF, which replenished roughly 45 % of the fund balance threshold. He noted that it would add money back into the GF balance, but it would not get it to the 25% threshold. He explained that a bond performer was attached to the packet, noting that the Board could borrow and not affect debt service for two reasons; one, it would extend the debt service for a longer term, and two, a portion of the existing debt could be refunded to secure a lower interest rates at the same time of borrowing new money resulting in lower costs.

Mr. Seeds questioned if some of the storm water work could be done in-house, and he further questioned Mr. Robbins if he could handle \$500,000 worth of work with in-house staff. Mr. Wolfe answered that it is not all in-house work and Mr. Robbins would need more money.

Mr. Crissman noted, of the \$2 million borrowed \$900,000 would be used in 2012, leaving \$1.1 million for storm water management for 2013 and 2014.

Mr. Seeds questioned if the remainder of that money would be spent over the next two years for bid projects. Mr. Robbins noted that a good portion of that work would be bid. Mr. Hawk suggested that it could become a pick and choose option based on critical need. Mr. Robbins noted that he would have to evaluate those projects every budget year to determine how to spend the funds. He noted if it rains, staff has to go out and fill the holes where the pipe causes a sinkhole in the road. Mr. Seeds questioned if Mr. Robbins could do the work cheaper in-house if he had the manpower, and right equipment. Mr. Robbins answered correct. Mr. Kline noted to a certain depth. Mr. Wolfe noted that certain items that Mr. Robbins is talking about could be done by Township staff, but for some projects, the Township does not have the equipment that

the contractors use and it could not do those projects... Mr. Robbins noted that it becomes very difficult to do... Mr. Seeds questioned if it would be worthwhile to hire extra people or temporary employees. Mr. Wolfe noted that it is a good question, but it is an implementation question and we are not at that point since the Board needs to choose an option and each option is different. Mr. Seeds questioned if staff could complete more items on the list with the same amount of dollars by doing it in-house. Mr. Wolfe answered that once an option is chosen, then staff could determine how to implement it.

Mr. Crissman noted with the financing, the Township would be able to maintain level debt service but what would the extended years be for the additional debt. Mr. Wolfe answered that the information provided by Mr. Bova for Series 2009 goes out to 2022; however, the proposed debt would take you out to 2025. Mr. Hornung questioned how many additional years would that be. Mr. Wolfe answered that it is 3.5 years. Mr. Crissman noted from 2023 to 2025 someone has to find a way to raise that money. Mr. Wolfe noted that you wouldn't have to raise the money as you already have it in the budget. Mr. Crissman noted that there would be no relief from the debt service until 2026. He noted by then we will have borrowed again and the debt service will have been extended out again.

Mr. Wolfe noted that Option B shows no borrowing, and used the GF year-end estimate from 2012 for capital projects. He noted that it provides for more than one year of storm water work in the amount of \$673,000 but it does not fund the roof for the municipal center or the HVAC improvements, but it provides for the purchase of the FMS. He noted that the problem with this option is once the work is completed in 2012; there are no addition funds for 2013 and 2014. Mr. Crissman noted that it would delay the borrowing until next year. Mr. Wolfe noted that you would not be replenishing the GF in 2012. Mr. Crissman noted that it is a Board goal to do that.

Mr. Wolfe noted that Option C maintains \$600,000 in the GF balance and does not fund the roof repairs, HVAC, FMS. He noted that the only storm water funding would be what is financed by the PIB loan in the amount of \$200,000. He noted that it helps to restore the GF balance, but the capital projects are significantly limited.

Mr. Wolfe noted that he has shown the borrowing options, with no use of the fund balance. He noted that all three options have been prepared with a 1.3 mill Real Estate Tax rate.

Mr. Seeds suggested that there would be more of a surplus than \$613,000 since you have \$148,000 from storm water as well as the \$100,000 from the FMS. He questioned why that would not be larger. Mr. Wolfe answered that is all that is available in the GF surplus. Mr. Wolfe noted that \$40,000 was maintained in the budget and the second line item for traffic signals was also a GF transfer of \$40,000 resulting in a surplus of \$573,554. Mr. Seeds noted that he is not for Option C.

Mr. Seeds suggested that the Board should consider selling the cell tower which the Board is in favor of doing if it can get a good price for it. Mr. Wolfe noted that he did not include the \$300,000 since it is an asset that the Board can sell anytime. Mr. Seeds suggested that it was \$429,000. Mr. Wolfe noted that the offer made to the Township was \$292,000. He noted that it is not a huge amount and it could be sold at any time but adding it to any of the three options will not solve the problem.

Mr. Hawk noted that we are knee deep in projects now and if we borrow the \$2 million we know how it would be spent. He questioned if you could handle any more work. Mr. Wolfe answered if the Board chose to sell the sell tower then there would be \$900,000 to work with. Mr. Hawk noted that you should live below your means but within your needs and the Township's needs are outstripping its means. Mr. Robbins agreed. Mr. Wolfe noted that the Board is the determiner of the means and needs and if it determines that the storm sewer list is a nice list but not a need, so be it. Mr. Seeds noted that is true for the new roof or FMS. Mr. Wolfe noted that this is not the first time the Board has discussed these items as it has discussed them for many months, ever since the beginning of the financial crises when the Township's could not generate sufficient revenues for operations even after reducing operations.

Mr. Hawk suggested that everyone knows the FMS severely needs to be upgraded and if the roof springs a leak it would cause more damage. Mr. Wolfe suggested that Board members take a look in the hall to see what it is like. Mr. Hawk noted that the roof becomes a problem. Mr. Wolfe noted that it only leaks on the second floor.

Mr. Robbins noted that it is difficult to go to the same property two or three times a year and two or three times the following year, noting that you get to a point that you don't know what to tell the people. He noted that it is difficult and he wants the Board to be aware of this He noted when staff fills a hole, the homeowner questions why we don't fix it. Mr. Kline explained

the yearly maintenance for the storms was not included on the list as it only showed the projects. He noted that his staff must maintain these sewer systems eight months out of the year while plowing the other four months. Mr. Robbins noted that he based his number of what was spent in the past, noting that it is somewhere between \$75,000 and \$150,000 a year. He noted by funding mini-basin work it leave less money for capital projects.

Mr. Blain noted his concern is that we don't lose the macro picture by getting stuck in the weeds. He noted the cost of doing storm sewer improvements is only going to increase and if we fail to spend money on improving storm sewer management, not only will the costs for the material increase but so will the entire costs for the projects since they will become larger projects. He noted when you have a significant roof leak it not just an inconvenience of the water dripping in the building but you have deterioration to the interior infrastructure that will need to be addressed. He noted for the FMS, the Township is losing money by not having an upgraded financial system since it is not fully taking advantage of the purchase card program since we don't have the ability to use the purchase card and combine it with the general ledger packet. He noted when the Township entered into the purchase card system it expected an earning potential of \$15,000 to \$20,000 per year in cash returns. He noted that it would pay for the FMS in a five year period. He noted that we have significant infrastructure issues that need to be addressed and how we address them is a different story.

Mr. Crissman noted for the debt service he was told that we would be paying the same but the chart shows an increase starting in 2013. He questioned how much of an increase it would be as it would need to be offset in next year's budget. Mr. Wolfe noted that the debt service impact of \$19,268 is shown on page five of the report. Mr. Crissman suggested that the Township could afford that amount through 2024. He noted that once it is put in the budget next year it would be set for the remainder of its term.

Mr. Wolfe noted that a decision must be made by next Tuesday night. Mr. Hornung noted that he is in favor of Option A. Mr. Hawk agreed, noting that \$2 million is not that detrimental to the budget. Mr. Hornung noted that where the money will be spent will provide for more than a 30 year life span. He noted that it has to be done now as we have piecemealed the projects over the years and he does not see many options. Mr. Blain noted that he is not in favor of borrowing money unless it is going for long-term capital projects. He noted that he does

not want to borrow money to balance the budget which is not the case in this instance. He noted that the issue is not the operating budget; the issue is that we can't generate enough revenue to do capital projects that are of an emergency nature. He noted if we were in a normal situation, where we did not have major storms, didn't have issues that causes the roof to leak, we would be fine, but that is not the case. He noted that the Township has long-term capital needs and they need to be addressed.

Mr. Crissman noted that he is very much opposed to borrowing, however, this is only \$2 million and it will only have an impact of \$19,268 effective 2013, and it is at a level that he feels the Township can support. He noted that he would support it because it fixes the roof and the infrastructure that is necessary but his only concern is that out of the \$2 million, \$1.4 million will go to one specific area and he does not always want to deal with one area of the entire umbrella of the Township. He noted that there are other areas that are in need of funding. He noted that he has a problem with that but he will support Option A because it is a need.

Mr. Seeds noted that he will support this.

Mr. Wolfe noted that he understands that all five Board members support Option A that includes \$500,000 for storm water improvements, repair of the roof and HVAC system, purchase of the pavement and financial management systems, a \$2 million bond issue, and Real Estate Tax Rate of 1.3 mills. Mr. Seeds noted that he would differ with Mr. Crissman in that he would like to keep the money for storm sewer projects since we need it. Mr. Crissman noted that once it is designated for that purpose, it will have to be used for that and he has a problem with that in the event something happens that there is another need, where will that money come from. He noted that it is only one department for an entire operation. Mr. Seeds agreed. He suggested that putting \$1.4 million into one department is a lot. Mr. Seeds noted that his long range goal is to do something about the over crowding in the Public Works building. He questioned if the Township needs to look at another building similar to what it did when it purchased this building.

Mr. Hawk noted that we get the most complaints from the citizens for storm sewer issues. Mr. Robbins noted that his staff hears from people about the condition of the roads but predominantly it is storm water issues. Mr. Blain noted if we don't address these issues then it

will impact road deterioration problems as the water will get underneath the road and deteriorate them.

Mr. John Trish, 600 Prince Street noted that the Township does not want to experience a sinkhole like the one in Palmyra where they need to repair it every three months. He questioned what the \$600,000 surplus is for if it is not for significant infrastructure projects. Mr. Wolfe noted that \$600,000 sounds like a lot of money but when looking at a \$20 million budget, it is a small percentage. He noted from January through March, the Township has very limited revenues, and we use the surplus money that we have in the bank to pay the bills. He noted if we don't have the money in the bank, we have to borrow and it costs money to do that. He noted that the second issued is that the Board has established a policy that provides for 25% of the annual operating expense to be in the General Fund as a reserve in case of an emergency. Mr. Trish noted that throughout the year that money is used. Mr. Wolfe noted that is correct. Mr. Trish noted at the end of the year you put it back. Mr. Blain noted that sometimes you have to dip into your savings account because the revenues are low and you replenish it the next month.

Mr. Seeds questioned Mr. Trish if he could support the tax increase. Mr. Trish noted if Mr. Robbins projects are band aids then he can't support it, but if they will repair those projects for a significant amount of time, then he would have to support them. He noted in the last three years, his sewer rates, water rates, UGI and others have risen... Mr. Seeds noted that we have nothing to do with water rates and that his rates have been raised as well. Mr. Trish noted that Dauphin County's tax rate has remained the same, but it sounds like Central Dauphin may raise their tax rate and no one knows what it will be. He noted that the Township is 1/20th of the taxes that he pays, and he could realistically live with it. He noted that the Board is not communicating with Central Dauphin School District and Dauphin County and the State and it all adds up. Mr. Seeds noted that the Township has been running on a shoestring for years. Mr. Trish noted that he understands with all the storm damage in the Township. He suggested that everyone has their hand out.

Mr. Crissman noted that the School District is only now looking at its budget. Mr. Trish stated that he could not ask for a better Police Department but he knows when he goes to the Giant and he comes out and there are three vehicles in the fire lane he can't understand why. Mr. Seeds noted that he waits and hollers at people who park in the fire lanes. Mr. Crissman noted

that the police could very well be on calls and unable to sit at the Giant looking for violators. Mr. Trish noted if the Township needs a tax increase we need it, but we need to make sure we get the best bang for the buck. He noted that the sinkhole that started in Palmyra was a few feet long and the last time they repaired it was 30 feet long. He noted that he does not want band aid fixes as they cost money too.

Mr. Seeds asked Jason Campbell if he had any comments. Mr. Campbell answered no.

Mr. Watson Fisher stated that the Board is doing the correct thing. Mr. Crissman noted that it is not easy to raise taxes and the Board will not be very popular with the citizens, but for those members of the community who regularly attend meetings, they would have a better understanding for what is going on. He noted that his biggest concern is how the Board markets the tax increase and he hopes the reporter will provide an accurate report of the needs of the municipality as opposed to a head line of a tax increase of 20% and not stating what the actual cost will really be.

Mr. Hornung noted that due to the recent storm activities the Board has focused on stormwater and every year it has pushed back the road improvements. He noted that the pavement management program is one step towards improving the road system. Mr. Wolfe noted that it will be an agenda item for the next business meeting. Mr. Hornung noted for many years the Board has done less than what it should have for paving and even with the Sewer Authority paving their road projects, but it worries him with putting all this money for stormwater improvements that the Board will have to borrow money to get the roads repaired. He noted that he agreed with Mr. Crissman in that maybe all the money should not go exclusively for storm water repairs. He noted that the Township needs to get back to doing road improvements and will end up being in the same shape as the storm water issues. He noted by the time we focus on road improvements the cost will be much higher since there will be more road deteriorate. He noted that he doesn't know what to do about that. He stated that we are focusing on storm water because of the rains, but that will change. Mr. Crissman noted he would be very happy if out of the \$1.4 million, that some would go to the road system, and until the bond is issued, the Board has complete flexibility. He noted when the Board adopts the budget next Tuesday night; it will not be borrowing any money.

Mr. Crissman questioned Mr. Robbins how he felt about this issue noting that the Board is considering spending \$1.4 million for one specific item. Mr. Wolfe noted that it would be more than that due to the PIB loan. Mr. Robbins answered that there are significant projects that are on the list that need to be handled as soon as possible for storm water. Mr. Crissman noted if Mr. Robbins feels that is where the focus needs to be he is fine with that. Mr. Seeds noted that last month Mr. Robbins had a list of roads and he was told that most of them were completed in 2011. Mr. Robbins answered that is correct. Mr. Seeds questioned if Mr. Robbins is back on track for paving. Mr. Wolfe answered no. Mr. Robbins explained that those were the mini-basin road projects. Mr. Wolfe noted that it was the work that was done based upon the money that was available. He noted that staff could have done much more but there was no money to do it. He noted that staff could have done another \$250,000 worth of roadwork if the funds would have been available. Mr. Seeds noted that a significant amount of road work was done this year. He noted that he was concerned about what Mr. Crissman stated but when he looked at the list he assumed that we were getting the work done that needed to be done. He noted that it doesn't make sense to tear up a road until the new sanitary sewer work is completed. Mr. Robbins noted that there are a certain block of roads that we have written off for now, and until we fund it, they can't be done. Mr. Seeds questioned if they were written off until the sanitary sewer work is done. Mr. Robbins noted that some roads are beyond the steep part of the curve, and it does not make sense to even crack seal them. He noted that list will continue to climb if we don't address the roads that we have written off.

Mr. Blain noted that is why we need the pavement management program to prevent serious long-term needs for road replacement. Mr. Robbins noted that one component of the pavement management program will sink significant dollars in low cost maintenance to protect the pavement so it doesn't fall into the steep part of the curve. He noted that he does not want that category to continue to grow as you would need to put money into the resurfacing of roads. Mr. Seeds noted if the storm problems are not fixed then it doesn't make sense to fix the roads. Mr. Hornung noted that is not true either. He noted that many of the road problems are not as a result of storm issues, just old age. Mr. Robbins noted that every road project that is initiated has a storm water component to it. Mr. Blain noted that would ensure that the water gets off the roadway appropriately so there is no road deterioration. He noted that is part of the issue in that

we can't get the water off the road correctly and it gets underneath the road surface. Mr. Robbins explained that one paving year you may spend phenomenal amounts beyond stormwater to get the roads paved. He noted that you must look at the drainage component as well.

Mr. Hornung suggested that this could be discussed during another meeting but the Board can't lose its focus on other areas as Mr. Crissman stated. He noted that it is very easy to say that we could sell the cell tower and take those funds and put it into stormwater but he is not sure that is the way to go. He noted when the phones run off the hook because the storm water issues are not be fixed, it is easy to get focused in that direction, but we can't lose focus on the other issues or we will be in the same position for the roads and potholes.

Mr. Blain noted that how much money the pavement management program can save by extending the life of a road for just one year. Mr. Hornung noted that we will get the storm water management program and then Mr. Robbins will come looking for funds for the pavement management program.

Mr. Wolfe noted that the pavement management program will provide a number for what it would cost to repair the road system, but the Board may not be able to fund it. He noted at least you will know where the Township stands for needed road repairs and maintenance.

Mr. Hawk questioned how much it costs to pave one mile of roadway. Mr. Robbins suggested a standard 24 foot roadway would cost \$40,000 to \$50,000. He noted that it would not include a leveling course. He noted that you would want to put a 2% grade on the roadway to take the water from the road. He noted a leveling course would cost significant dollars. He explained that the contractor did a scratch course on Earl Dive from Curvin Drive to Lockwillow Avenue and it cost \$58,000 which filled in the high and low spots and permit the water to stream across the road. Mr. Wolfe suggested that that project was only a half a mile area. He noted if you calculate paving at 1.5 inches like PENNDOT did on Locust Lane you would be talking in the \$50,000 to \$60,000 range for a small overlay. Mr. Hawk noted that Mr. Robbins could not pave many roads with the \$300,000 from selling the cell tower. Mr. Hornung noted when the new pavement management programs data shows that we should spend \$200,000 now or in five years it will be \$400,000, we better come up with the \$200,000 as it would be foolish not to do so. Mr. Wolfe noted that this time next year we should be able to determine what the number should be ongoing maintenance. Mr. Hornung questioned what we will do then; will we end up

borrowing more money. He noted that we won't be able to raise taxes as it is not an option so the only other option is to borrow more money. He noted that we could sell the cell tower for approximately \$300,000. Mr. Wolfe noted that the Township has some other assets that it could sell such as the Wolfersberger Park.

Mr. Seeds questioned Mr. Robbins if he has problems with Earl Drive noting that it was shoddy paving. Mr. Robbins noted that they put a scratch surface on the road to get it through the winter and it will be repaved next year. Mr. Wolfe noted that it was not shoddy paving; it was just done to get the road through the winter months to make it drivable and smooth.

Mr. Wolfe noted with the land that could be sold and the cell tower, there is a potential for the Township to have over \$2 million in assets that could be put into other projects. He noted that they were investments made with the intention of getting capital from them for additional capital projects.

Review of the proposed 2012 Friendship Center Operating Budget

Mr. Luetchford noted that the Friendship Center (FC) Budget has been reviewed by staff and the Operating Board has made a recommendation to the Board for its approval. He noted that it is very similar to the past year budgets, reflecting an increase in expenses of 2.4% revenues of .6% higher. He noted that the rental of the facilities also shows a 5% increase, noting that staff targeted those areas since they thought there would be enough demand to raise the rates. Mr. Seeds noted that the West Annex would be down slightly. Mr. Luetchford noted that the swim team rental rate will be increased, adding some fees to the LPAC rental as they have receive a hefty discount since the inception of the FC. He noted that the rate has been increased over time and it will continue to rise 5% next year. He noted that vending sales have changed and staff is no longer loading the machines as a vendor has taken that over the operations with a 10% increase. He noted that there is a 3% increase for the fitness center programs and 5% for aquatics programs that reflects the demand for those programs. He explained that staff has run out of room for these programs as it is more difficult to find additional space and staff must provide space for members to use also. He noted that membership encompasses more than half the income for the FC every year, and those rates will remain the same. He noted that the programs have attracted many people since it is a short term commitment; however, annual membership is a long term commitment from a person's discretionary fund. He noted that staff

recommended to the Operating Board not to raise the membership rates. He noted that most fitness facilities are keeping their rates level or reducing rates. He noted that daily and guest passes will remain the same, however, he predicts a 4% growth of sales. He noted that he has not experience growth but he hopes that the economy will turn around. He noted that he provided for a zero percent rate increase for intermediate memberships. He noted that the total income revenue is \$2,109,950, slightly higher than the revenue for 2011.

Mr. Luetchford noted expenses reflect a 2% labor increase cost for administrative staff and other non-union staff. He noted that the major increase for this budget is almost entirely due to labor increases. He noted the pro shop and vending machines will produce less revenue providing a decrease of \$6,000 in costs since it was switched from staff supplying the vending machines to a vendor. He suggested that it provides for an overall net increase in revenues over expenses. He noted that the instructor's payroll has increase 2% increase and this also includes the 1099 employees.

Mr. Luetchford stated that \$46,000 in equipment costs will come from the Capital Improvement Fund. He noted that it is already revenue under the Capital Improvement Fund. He noted that the FC continues to replace the fitness equipment. Mr. Seeds noted that the FC is leasing more equipment. Mr. Luetchford noted that he is leasing more and purchasing less. Mr. Seeds suggested that it could cut expenses by \$50,000. Mr. Luetchford noted that he intends to expend those funds because there will be two leases in place at that point in 2012. He noted that it will cost \$36,000 to replace dump bell set and pool lights at a cost of near \$46,000.

Mr. Luetchford noted that he will be talking to the Board about the study conducted by Ken Ballard. He noted that he prepared a report to the Operating Board and they will share that with the Board members. He noted that the Operating Board prioritizes certain projects that they want to tackle first. Mr. Wolfe explained that the Operations Audit will be an agenda item for the January Board Workshop meeting.

Mr. Hornung questioned if the report is available. Mr. Wolfe answered yes. Mr. Hornung questioned if it could be distributed to the Board members to review prior to the meeting as he would like to read it. Mr. Crissman noted that it would be part of the January workshop meeting. Mr. Wolfe noted that he would provide it to the Board members in advance of that meeting. Mr. Crissman noted that there are 15 items that Ballard stated that the Operating Board should be

working on. He noted that the Operating Board prioritizes those 15 things last night at their meeting and came up with the top five. He noted that Mr. Luetchford will introduce one topic per meeting. Mr. Luetchford noted that staff has their items to work on as well.

Mr. Seeds questioned if Mr. Ballard was in favor of leasing equipment. Mr. Luetchford answered that he was interested in using the space to its maximum, either by leasing equipment or leasing of the space as well. He noted that he was interested to know how the East Annex space was used in the evening and on the weekends. Mr. Seeds questioned if Mr. Ballard addressed the issue that the East Annex costs are paid by the FC providing a big hit for Mr. Luetchford's budget. Mr. Luetchford answered that he did not break it down or analyze the costs. He noted that he has done that himself and he has that information. Mr. Wolfe explained that Mr. Luetchford has broken down the costs of operations of the East Annex for the Senior Center, Park and Recreation Office, and the Friendship Center in two separate financial presentation and they will be presented to the Board in the near future. Mr. Crissman noted that one of the things that the Operating Board did last night was to apply or lobby with Dauphin County to secure more funds for the Senior Center.

Mr. Seeds noted that there is no increase in membership dues for 2012. He questioned if there was an increase in dues last year. Mr. Luetchford answered no. He noted that they were last increased in 2010. Mr. Seeds questioned if the FC would lose membership if the dues were raised. Mr. Luetchford explained that the discussions among the industry are that to raise rates now would not be welcomed or wise. He noted that many facilities are cutting membership costs or making deep discounts. Mr. Seeds noted that you are looking to take \$48,000 out of the Capital Fund to pay for things in his mind that should be covered with the operating budget with normal revenues. He suggested that the Capital Fund should be reserved for future expansion or things that we don't have now rather than replacing things. Mr. Crissman noted if you increased the rates, it could drive people away since other facilities are cutting their memberships. Mr. Luetchford noted that Ken Ballard stated that you should invest in what you have now, you should keep it up to date, keep it current, and in good condition, and we have not been doing much of that. He noted if you don't do that you are cutting yourself off from any future generation of new memberships. He noted that you have to keep up to date or you will fall further behind. Mr. Seeds suggested that it is like the Township budget where every year we

have less and less reserves. He noted that the FC is spending money that is in the bank, going backwards, hoping that the economy comes back so membership picks up and rates could be increased. Mr. Luetchford noted if we don't have updated equipment then we won't be able to keep the membership levels.

Mr. Luetchford noted that one of the major costs for this year was \$200,000 on energy improvements projects. He noted that the FC has secured a 50% matching grant from Department of Conservation and Natural Resources to help pay for the energy projects. He noted that the energy projects included new lights and it has been completed; and a new recovery unit for air exhaust system, slowing down the pool pumps in order to save energy, and two new hot water heaters that are very highly efficient. Mr. Wolfe noted that insulation was done in 2010 in the gymnasium and fitness center walls. Mr. Luetchford noted that he hopes to see a significant savings in energy costs. He noted that the FC has received a 5% rate reduction because of the new agreement with Constellation Energy and he hopes to save 6% of the energy costs for next year. He noted that natural gas costs are to provide a 5% savings as well and he hopes to save 2.5% for sewer and water rates. He noted that water restrictors were installed a year or so ago for the showers, estimating 105,000 showers per year using 700,000 gallons of water. He noted that he is saving 30% of the water so he hopes to save about 500,000 gallons of water a year.

Mr. Luetchford noted that he has been able to absorb many additional costs for building maintenance and repairs costs since he has a very good in-house maintenance person. He noted that he has been able to avoid many contractor expenses. He noted in years to come if this worker leaves, it will have a significant impact on the budget.

Mr. Luetchford noted that the total expenses for the 2012 budget are \$2,139,073. He noted that it is roughly \$30,000 above revenue and it is due to the bond issue that has never been born by the budget of the FC in the past. Mr. Seeds questioned how many years it will take to recoup the expenses from the savings for all the work that was done. Mr. Luetchford answered that each project has a different payback amount. He noted that he could not say what it was, although Herbert, Rowland and Grubic did provide estimates for those costs. Mr. Seeds suggested that it was ten to 12 years. Mr. Luetchford noted that most of the projects have payback of less than ten years. Mr. Seeds noted that many were funded 50% by grants, and he

questioned if this was taken into account. Mr. Luetchford noted that it was not know at the time so the payback will be that much faster. Mr. Luetchford questioned if the payback was total costs. Mr. Wolfe answered yes.

Mr. Hornung questioned how many years are left on the debt service. Mr. Wolfe answered that it extends to 2023. Mr. Seeds noted that it was a 20-year bond. Mr. Crissman noted that based upon tonight's decision it would go to 2023. Mr. Wolfe noted that it would go to 2026 as Mr. Luetchford's debt service would not change. Mr. Crissman noted that there is an impact when the Board does refinancing. He noted the last time the Board refinanced the bond; it increased the debt service to the FC. He noted when it refinances again, because the new amount is not included, it should drop a little. Mr. Seeds noted that the Board refinanced the FC bond. Mr. Wolfe noted that we refunded it. Mr. Crissman noted that is when the debt service for the FC increased. Mr. Wolfe noted that the FC experienced a huge one-year savings in 2009 and a big increase in 2011. Mr. Seeds questioned if it will be paid off in 2013. Mr. Luetchford answered that it would be repaid in 2023. Mr. Wolfe suggested that it would be paid off in 2012.

Mr. Seeds noted that building the FC was one of the best things the Township did as a benefit for the community.

Mr. Luetchford noted that the Capital Improvement Fund as of September was \$305,000. He noted that \$46,000 would be taken from that fund for equipment leases or replacement. He noted that those funds would go down over time without any new source of funding.

Adjournment

There being no further business, Mr. Crissman made a motion to adjourn the meeting. The meeting adjourned at 8:10 p.m.

Respectfully submitted,

Approved by,

Maureen Heberle
Recording Secretary

Gary A. Crissman
Township Secretary