

LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Budget Workshop Meeting held October 4, 2011

An administrative budget workshop meeting of the Board of Supervisors of Lower Paxton Township was called to order at 6:30 p.m. by Chairman William B. Hawk on the above date in the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, Pennsylvania.

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

Also in attendance were George Wolfe, Township Manager; and Sam Robbins, Public Works Director.

Public Comment

There was no public comment.

Budget Introduction

Mr. Wolfe noted that during the August 16, 2011 Budget workshop meeting he estimated the year-end 2011 would end at zero. He noted that he expected a deficit at that time of nearly \$1,072,221 for the 2012 budget. He explained, two months later, the year-end estimate for 2011 is \$397,988 with a \$753,217 deficit for the 2012 budget. He noted the reason for the difference is not due to Department Directors reworking their budgets. He explained that he continues to work on the 3rd Quarter financial information and hopes to have the 3rd Quarter Key Indicator Report for the Workshop meeting on October 11th.

Mr. Wolfe noted the two reasons for the budget looking better is that the State has changed the way insurance companies are to provide foreign fire insurance payments to the State for distribution to fund municipal pensions. He noted the Township has a Minimum Municipal Obligation (MMO) every year that it must fund for the Township's pension funds. He noted that it includes General Funds (GF), State Aid Funds, and employee contributions. He noted that the Township expected to receive \$640,000 in State Aid funds with a MMO of \$950,000, which would have been a \$300,000 GF obligation for that amount. He noted that the Township is expecting a one-time 73% increase this year that will completely fund the pension plans from State Aid Fund, and over fund it in the amount of \$175,000. He noted that none of that can be carried over into next year with the Township contribution reduced to zero. He noted that staff has made some minor adjustments in the numbers as well.

Mr. Wolfe noted for 2012, the most significant reason for being down \$300,000 from the August numbers is that health care increase costs for 2012 will be minus 2.8%. He noted that this is due to the membership in the self-insured inter-municipal pool, with the Township's experience being very good. He noted that the Township is also expecting a dividend payment in the amount of \$400,000 from 2011. He noted that although the budget looks better, he still needs to see the 3rd quarter numbers.

Mr. Wolfe explained that he wanted to provide a few conceptual options for balancing the 2012 budget. He noted that one way to balance the budget would be to start with the deficit of \$750,000 and plug in the surplus of nearly \$400,000 that we may have at the end of the year that would provide for a deficit of \$350,000. He noted if the Township decided to lease the Public Works and Police Department vehicles it could provide for a savings of \$190,000 bringing the deficit to \$165,000. He noted the difference would equate to a 6% increase in the real estate tax.

Mr. Wolfe noted that Mr. Robbins identified \$850,000 worth of Public Works infrastructure concerns out of approximately \$1.5 million total work that needs to be done Township-wide. He noted that further discussion is needed on this topic. He noted that the Township could take its existing capital, and turn it back into cash and use it to reestablish the capital infrastructure. He noted that the Township paid \$1 million for the Wolfersberger property and it should sell for at least that amount. He noted that the cell tower provider at the Public Works Department has been in contact with him with a proposal to buy the land for nearly \$300,000 in lieu of leasing it. He noted that the Board has discussed suspending the Fire Equipment Capital Fund for one year. He explained that the Board will be meeting with the Fire Chiefs and Presidents in the near future. He explained by putting those items together, it would provide the funds of nearly \$1.5 million for the capital improvements that could be directed to Public Works infrastructure.

Mr. Blain questioned how much the cell tower produces in revenues on a yearly basis. Mr. Wolfe answered that it is roughly \$20,000. Mr. Blain noted that it would take over 15 years to collect enough funds to total \$300,000.

Mr. Wolfe noted that staff brainstormed big ticket items for potential consideration to address funding needs. He noted that the Township could eliminate the dedicated real estate tax for the library. He noted that Lower Paxton Township is the only municipality in Dauphin County, other than Derry Township, that pays a library tax in addition to the County tax. He explained that Derry Township has their own library which they fund through their own tax

revenues. Mr. Wolfe noted that it is a dedicated millage and the Township is not legally allowed to use that money for any Township purchases. He noted that the Township would have to change its ordinance in order to do so. He explained that he does not know how the library tax came about in the first place. Mr. Seeds noted in 1993, there was talk that the Township was going to repeal the library tax and Sara Jane Cate and many others noted that the Library was able to do all the extra things that it does because of the Township tax. He noted that it turned into a big political hot potato. Mr. Wolfe noted that the East Shore Library is the main branch of the Dauphin County Library System. Mr. Crissman suggested that many people would be upset if this change was made. Mr. Blain questioned what the millage rate was for the library tax. Mr. Wolfe answered that that it generates \$120,000, and is roughly .05%.

Mr. Hornung noted that the Township has a fire tax and he questioned what would happen if that tax was increased to cover the Capital Fire Equipment Plan. Mr. Wolfe noted that it would increase the overall millage rate. He noted that the Board could increase the fire tax to cover the additional fire expenses that are not covered by the dedicated tax. Mr. Seeds noted that they get their fire tax plus the \$200,000 for the Capital Fire Equipment Plan. Mr. Wolfe noted that they also get the \$60,000 towards the Length of Service Awards Plan (LOSAP) fund. Mr. Wolfe noted that the Board could take the fire and emergency medical services expenditures and make it a dedicated tax rate to cover the budget items. He noted that he did not know what the offset would be. He noted that it would be a good thing in that it provides the citizens the ability to see where the tax money goes directly, but it would impact the Board's ability to manage the money. He noted once it becomes part of a dedicated tax, the Board has no control on how it is spent. He noted that there is some discussion to suspend the Fire Equipment Capital Fund for a year, but if this was a dedicated tax, the Board would not be able to do that.

Mr. Wolfe noted that the termination of the agreement with South Central Emergency Medical Services (SCEMS) would save the Township \$218,000. He noted that he and Public Safety Director David Johnson met with PinnacleHealth yesterday and they are going to put together a proposal for services. He noted that they will share it with their Board at their November meeting and then bring it to the Township. He explained that there will be a cost to the Township but he had no idea of what it would be and he does not know how much of the \$218,000 would be a savings.

Mr. Wolfe noted that there is the ability to freeze employees' wages noting that this was already done for management employees two years ago. Mr. Crissman noted that the Board is currently in contract negotiations, and that piece should be part of the process. Mr. Wolfe noted

that further discussions on this matter will occur during executive session at the end of the meeting.

Mr. Blain noted that there is a proposed cost savings to eliminate the Porta-Johns at the parks. Mr. Wolfe noted that when it comes to non-essential services, the Parks and Recreation Department could be considered a non-essential service. He noted that Mr. Luetchford was very direct with coming up with services that he doesn't have to provide. He noted that he could eliminate the summer playground program, providing a net savings of \$25,000. He noted that the special events in the Parks could be eliminated at a savings of \$20,000, including the contributions for the fire works. He noted that Mr. Luetchford could save \$8,000 by eliminating the Porta-Johns at the playgrounds.

Mr. Wolfe suggested that the top item would be selling the Wolfersberger Tract. He noted that Dauphin County is conducting a feasibility study for a multi-sports complex. He noted that the group that approached the Township about developing that tract for soccer has now approached Dauphin County. He noted that the Township has been awarded a \$40,000 matching grant from the Department of Conservation and Natural Resources (DCNR) that could be used for the regional park study. He suggested that he let Mr. Memmi know that the Township has this grant, noting that Dauphin County is looking to spend \$70,000 on their study. He suggested with proper contact from Board members to the County Commissioners the Township might be able to transfer the grant to Dauphin County. Mr. Blain noted that Bob Weidner, who is part of the group that has been retained by Dauphin County to find a site, has reached out to him, noting that the Dauphin County Commissioners are moving forward and Mr. Weidner's group is leading the charge, and a primary site for that park is the Wolfersberger Tract. He noted that the drawback is that they are not sure if 90 acres is enough land. He noted that they want to continue discussions with Richard Yingst about having him contribute part of his adjoining land as well. He noted that they are interested but he did not know how quick they could make it happen. Mr. Seeds noted that he was surprised that Dauphin County was looking into this with the current economic climate. Mr. Wolfe suggested that they could use Gaming Funds at this location.

Mr. Hornung questioned if Mr. Spangler had any restrictions on the use of the land. Mr. Wolfe answered that the only restriction was that it had to be named the Wolfersberger Park. Mr. Seeds questioned if the Township could legally sell the land. Mr. Wolfe answered yes. Mr. Seeds noted that one of the large costs for developing the park was the road improvements along Wenrich Street. He suggested that the front parcel could be sold and that developer would have to make the necessary road upgrades. Mr. Wolfe noted that it would decrease the size of the site

that is already borderline usable, and secondly it would have to be single-family residential and the lots would not generate enough funds to make the road improvements. He suggested that the most anyone could get would be ten building lots. He noted that staff has been discussing means to fill in the site to make more of the land usable by allowing the sanitary sewer contractors to dump their waste in that area. He noted that Public Works also needs a place to dump soil. He suggested that it would provide for making the site more level. Mr. Seeds suggested that it would lose value until the ground settles. Mr. Robbins explained that the fill would have to be placed correctly, by constantly compacting it. He noted that it would take some time to level the site. Mr. Wolfe noted that it is an asset that at this point in time, the Board has decided that it does not want. He noted that the Township's capital infrastructure needs a infusion of funds, therefore, the Township could trade one capital fund to pay for another one. He noted that a regional recreation facility would benefit the Township economically.

Mr. Hawk explained that he was told that there is not enough land for a regional facility. Mr. Wolfe noted that Mr. Yingst has more land in the area. Mr. Hornung suggested if the Townships started to fill in the land, there may be enough developable land. He noted that it gets very expensive to fill in land when you don't have access to fill. Mr. Blain noted that the Capital Area Soccer Association (CASA) only wanted to develop the front piece of land, because they could not use the rest. He suggested that the front piece had 50 acres that could be developed. Mr. Hornung suggested if they had the ability to use more land, they may be interested in the property. Mr. Wolfe noted that Township and Dauphin County have the power of condemnation if needed.

Mr. Blain explained that a CASA Board member approached him about making Ranger Park a dedicated soccer complex with two turf fields, and they wanted to pay for it through corporate sponsorships. He stated that he explained to CASA that they can't do that since corporate sponsorships are not permitted in public parks. He noted that the comment he received was what if CASA bought the fields. He stated that it could be a consideration as long as the Township would have first rights on any future sale of the land. Mr. Seeds questioned if the Township could sell a public park to an organization. Mr. Wolfe suggested that Mr. Stine would have to provide a legal opinion on that matter, but it is his understanding that the Township could sell to a community recreation group, outside of the bid process. Mr. Blain noted that it would not happen anytime soon, nor would the selling of the Wolfersberger Tract.

Mr. Hawk noted that CASA is not only looking at a regional park but they want dedicated fields as well. Mr. Blain explained that CASA has nothing to do with the regional park. He noted that CASA has no interest in the Wolfersberger Tract.

Mr. Wolfe explained that he has received numerous letters from the cell tower operator who would like to purchase the land the cell tower is located on. He noted that they were offering \$292,000. He noted that the Board discussed this option last year but at that time it did not want to sell assets, however, this is one that the Township acquired without any development and it could easily be turned into capital. Mr. Seeds questioned if they would be getting an easement. Mr. Wolfe noted that they already have an easement; they are requesting to purchase the land. Mr. Seeds questioned Mr. Robbins what he thought about this since it was located next to his building. Mr. Robbins answered that it doesn't impact him in any way. Mr. Blain questioned if they only pay \$20,000 per year. Mr. Wolfe answered that there is an initial amount plus additional funds for each collector. Mr. Hornung questioned if the Township put many restrictions on the cell tower operator and that may be why they want to buy it. Mr. Wolfe noted that there are zoning restrictions on the separation of antennas.

Mr. Crissman noted, other than the first and last item on the list, everything else is an immediate way to resolve next year's budget. Mr. Wolfe explained that the Wolfersberger Tract and the Cell Tower are capital facilities that would be used for future capital needs for storm sewer. Mr. Crissman noted that they are one-year capital gain items only, and do not allow for revenues in future years. Mr. Wolfe noted that the three recreational items would ongoing. Mr. Blain explained, if you terminate the SCEMS agreement, it would an annual pickup. Mr. Crissman noted that the Board does not know what the new proposal would be for.

Mr. Hornung noted that it is his understanding that the Board would take the capital money to use for future capital projects and not for operations. Mr. Crissman noted that he was looking at these to balance next year's budget. Mr. Blain noted that we need to correct this thinking. Mr. Blain noted that some of the money is capital related, but the bottom line is that the General Fund has a deficit of \$750,000, and the conversation is the search for the \$750,000 deficit for the 2012 budget. He noted that another unrelated conversation was to sell assets to do capital projects. Mr. Wolfe noted that he had one option for balancing the 2012 budget, but there are other combinations as well. He noted that his one option was to use the surplus for this year, lease equipment in 2012, and increase the real estates tax by 6%.

Mr. Seeds requested Mr. Wolfe to explain how the leasing option would work. Mr. Blain explained that the Township would rent its cars, eventually leasing ten cars, paying a three-year

lease for each, and after three years it would have the option to buy the lease or turn the vehicle back to lease newer cars. He noted that the difference is that the Township purchases the cars outright paying a large chunk of capital, noting that there are no future payments to be made against the cars since we own them right from the beginning. Mr. Seeds questioned if we would keep what we already have. Mr. Wolfe noted that we would not do anything different with the numbers, leasing four cars every year, and paying for the vehicles over a three-year period. He noted, after three years of leasing, noting that the Township would be leasing all its vehicles by that point, it would pay the same amount that it normally would, plus the finance charge, which is roughly 3%. Mr. Seeds questioned how this would work for Mr. Robbins. Mr. Wolfe answered that it would be the same issue. Mr. Blain noted that considering how hard we use police cars and how many miles are driven in a year, the leasing option makes sense. Mr. Crissman agreed. Mr. Blain questioned why you would spend \$40,000 per car in cash payments and run the cars into the ground and then have nothing to turn back in. He noted this way the Township would spread its payments over three years and it could give the cars back as they would not be worth much and then lease new cars. Mr. Wolfe noted if there would be a good vehicle, it would be kept and rotated into the second-use cars. Mr. Hawk questioned what the buyout is. Mr. Wolfe answered that it is a \$1 per car. Mr. Hornung questioned who would maintain the vehicles. Mr. Wolfe answered that staff would do that. Mr. Seeds questioned if staff has researched this. Mr. Wolfe explained that the Township did this for the equipment at the Friendship Center this year. He noted that it would be the same type of lease.

Mr. Blain noted that for any type of asset that you use hard leasing makes sense. Mr. Crissman noted that another example would be copy machines.

Mr. Wolfe noted that there is one option before the Board to balance the 2012 budget. He noted that until the 3rd Quarter numbers are in it is too early to be looking too far into next year. He noted, once the 3rd Quarter Earned Income Tax (EIT) numbers are known, it could make or break the Township very quickly. Mr. Hawk noted if the Township sold the Wolfersberger Tract instead of using the funds to solve a current problem, he would want to deposit those funds into the General Fund to bring the level up to the 25% threshold. Mr. Blain noted that the money could be used for Capital Improvement projects but he does not believe it is wise to sell assets to balance the General Fund budget.

Mr. Wolfe noted for public works infrastructure, the Board could take capital from three sources and put it back into capital for public works infrastructure, not into operations. Mr. Seeds questioned if that would include more money for stormsewer improvements. Mr. Wolfe noted

that it would be totally for stormsewer. Mr. Seeds noted that we need to increase the budget for that and we need to do it. Mr. Wolfe explained that unless you increase real estate taxes, he does not know where you could find funds, without borrowing or turning capital assets into cash, for stormsewer improvements. Mr. Seeds questioned if balancing the operations budget includes any increase for stormsewer work. Mr. Wolfe answered that it does not include any increase. Mr. Seeds noted that \$350,000 is budgeted in 2011. Mr. Wolfe explained that nothing is in the 2012 budget for stormsewer work. He explained that was a General Fund budget allocation and there is nothing to transfer to the General Improvement Fund for next year.

Mr. Seeds noted that we must find additional funds for stormsewer work for next year. Mr. Hawk noted that Mr. Robbins proposes \$850,000 worth of work for next year. Mr. Robbins noted that it does not include future mini-basin work or developments with known failing infrastructure. He noted that the projects are primarily due to aging infrastructure and a very wet year. He noted whatever is paved is done along with sewer mini-basin work and the storm sewers must be addressed at that time. He noted that a portion of the \$350,000 in the budget is for this work and he must have funds for emergency repairs that need to be done. Mr. Seeds noted that we can't have a zero budget for stormwater in 2012. Mr. Wolfe noted that you can if you don't have any money for it. He noted within the General Fund there is no source of revenue available to fund \$800,000 worth of improvements. He noted that the Board could borrow money, raise the real estate tax for capital projects, or use the remainder of the dwindling GF balance. Mr. Seeds questioned if the \$350,000 for this year came from the General Improvement Fund. Mr. Wolfe answered yes, coming from the fund balance. He noted that the GF is below the 25% threshold and there is no money to put in the fund balance for expenditures. Mr. Seeds noted in addition to the 6% increase, the Board would still need to find additional funds to complete the stormsewer work. Mr. Wolfe noted that you could pave fewer roads and use some of those funds, but it wouldn't go very far.

Mr. Hawk explained if he played John Q Citizen and questioned the Board what it was using the fund balance for what would be the answer. Mr. Wolfe answered that it funds operations during cash flow periods when the funds are tight. He noted that you have a \$20 million budget and the fund balance is roughly \$3.5 million. Mr. Blain noted that it allows the Township to forgo tax anticipation notes. He noted that many municipalities do that. Mr. Crissman noted that it is there for emergencies when needed. Mr. Seeds noted that some citizens will argue that they are unable to keep those types of funds for themselves.

Mr. Hornung questioned if it would be better when doing capital improvements, to stretch those payments over the life expectancy of the projects, such as stormwater, borrow the money and raise the taxes to accommodate the payback amounts. Mr. Seeds suggested that we should look at that, noting that we would have to have a tax increase to pay it back. Mr. Hornung noted that we will need a tax increase no matter what. He noted that he would like to see hard numbers from Mr. Robbins to see what capital projects he wants to implement to know what needs to be done. Mr. Wolfe noted, in reviewing the road tour items, he identified certain projects based upon estimate and design. He noted to provide accurate costs would require additional engineering and there is a dollar amount to do that. Mr. Hornung noted that the projects seem so huge that it is hard to wrap his head around it, knowing that there will be more to be identified. He noted that he would like to have a full expectation for all future projects and their costs.

Mr. Wolfe noted if the Board was interested in doing a General Obligation note, he would put prices next to a list, knowing that it would have to be prioritized, knowing that certain items would cost a certain amount and that is what the Township would borrow. He noted that it could be a three to five year project and that is what would be borrowed. Mr. Seeds noted that the Board could justify a tax increase because people are aware of the issues that need to be fixed as a result of the wet weather conditions from this year.

Mr. Wolfe noted that he hopes to have the numbers within the next two weeks, to meet with the fire chiefs, and to review the 3rd quarter numbers. He noted that he should have more information from PinnacleHealth within the next 30 days. He suggested that he could prepare the budget using the leasing option. He noted that he could get information on a General Obligation Bond, with options on amounts and terms. He noted that staff can continue to brainstorm ideas. He questioned if there was an interest in selling the cell tower. Mr. Blain and the rest of the Board members agreed to look into it. Mr. Blain noted that it would take 15 years to get that money in leases and it would be better to get the money now. He noted that the Board needs to actively promote the conversion of the Wolfersberger Tract into something else. Mr. Seeds noted that he could not see developing it for a very long time.

Adjournment

There being no further business, Mr. Crissman made a motion to adjourn the meeting.
The meeting adjourned at 7:23 p.m.

Respectfully submitted,

Maureen Heberle

Approved by,

Gary A. Crissman
Township Secretary