

LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Workshop Meeting held October 22, 2013

A workshop meeting of the Board of Supervisors of Lower Paxton Township was called to order at 6:05 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 was George Wolfe, Township Manager; Steven Stine, Township Solicitor; Tim Houck, Finance Director; Brian Luetchford, Parks and Recreation Director; Brian Senft and Sandy Prah, Friendship Center Operating Board; and Watson Fisher and Ted Robertson, SWAN.

Pledge of Allegiance

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

Public Comment

No public comment was provided.

Review of the 3rd Quarter Key Indicator Report

Mr. Wolfe noted that last Tuesday night the Board conducted a budget workshop session and at the previously scheduled workshop session, the Board focused on significant budget issues including the budget for the Friendship Center (FC) and Parks and Recreation and tonight after reviewing the Key Indicator Report (KIR) and Administration budget, discussions will continue on the FC.

Mr. Wolfe noted that the Board needs to look at its financial standing at the end of the 3rd quarter of the fiscal year and he has provided the Board with a KIR on a quarterly basis. He noted that the first page of the KIR is the budget for the 2013 fiscal year. He noted that it includes the General Fund (GF) and the General Improvement Fund (GIF) for capital and State Liquid Fuels Fund for road maintenance along with the FC Operating Fund and Sanitary Sewer Fund through the Lower Paxton Township Authority, both of which are enterprise funds, as well as the two pension funds. He noted two other minor funds that he would review are the Fire Equipment Capital Fund and the Length of Service Awards Program (LOSAP).

Mr. Wolfe noted on page three, the 2012 fiscal year ended with a 7% increase in revenue which is the first time the Township had a revenue increase in a five year period beginning in 2008 with the great recession. He noted that the Board is aware of the financial maneuvers that had to be made including reduction in staff, increase in taxation, right sizing services to traverse the economic times of the last five years. He noted that 2012 saw the Township coming out of that five year slump.

Mr. Wolfe noted that the Township ended up with a 2012 year-end fund balance in the GF of \$1.16 million but it did not include over \$200,000 in Liquid Fuels Fund. He noted between those two funds, over the last fiscal year it was approaching \$1.4 million.

Mr. Wolfe noted that the total fund balance at the beginning of the 2013 fiscal year was almost \$6 million and that was in excess of the Board's 25% reserve requirement. He noted that it would bring the fund balance requirement of about \$4.5 million. He noted at the beginning of this fiscal year it was \$6 million.

Mr. Wolfe noted in regard to the fund balance in 2012, the Township borrowed \$2 million for capital projects under a general obligation bond and it also borrowed \$750,000 from the Pennsylvania Infrastructure Bank. He noted in 2013, the Township borrowed \$4 million. He noted that the 2012 borrowing was for road improvements, roadway management system, financial management system, Public Works radios, and stormwater projects. He noted in 2013, it was for stormwater projects and capital improvements at the FC.

Mr. Wolfe noted at the end of the 3rd Quarter, the Township had revenues in excess of expenditures approaching \$2.5 million, noting that 2013 is producing better financial results than 2012.

Mr. Wolfe noted that the overall GF revenues at the end of the 3rd Quarter were 2% higher than the 3rd Quarter of 2013. He noted that at the end of the 3rd Quarter, overall, the expenditures were 11% lower than those in 2012. He noted that the Township is getting a little bit more revenue but still undertaking a very frugal environment for expenditures. He noted that 2013 should have better financial results than 2012.

Mr. Wolfe noted that there are no significant bullet items of issue for this year.

Mr. Hornung questioned what the Real Estate Transfer Tax is for. Mr. Wolfe noted that it is the real estate transfer tax that would have been received from the sale of the Laurel Ridge Housing Development.

Mr. Wolfe explained that there is Federal Marshal Sale of \$65 to \$70 million worth of property, noting that Gateway is part of that sale. He noted that there are several Lower Paxton Township properties that could sell in the \$20 to \$20 million range and if it does it would be great.

Mr. Blain questioned why the expenses are so much lower than they were last year. He noted that it was \$13.4 million in 2012 and for this year we are at \$11.9 million. Mr. Wolfe noted that there was a timing issue and that was the payment of the MMO. Mr. Blain noted that it is cost of a million dollars. He noted that the expenses are down, but not to the tune of \$1.5 million. Mr. Houck noted that it would be closer to \$950,000 versus \$700,000 but we are still up 33% over last year. He noted that the MMO was expensed in September of 2012. Mr. Blain noted if that is the cash then we are right on with last year. Mr. Wolfe noted that we are a little better.

Mr. Wolfe noted that it provides a total fund balance of \$8.5 million at the end of the 3rd Quarter. He explained when he does the year end fund balance for 2013, you will see that climb.

Mr. Blain questioned if Mr. Wolfe felt that we should hit the Earned Income Tax number this year. Mr. Wolfe answered yes. Mr. Blain questioned if he had been in contact with Keystone Collection agency. Mr. Wolfe answered that Mr. Houck has been in contact with them and has been following them all year to include the negative in the first quarter. He noted that they are 3% under last year at this point. Mr. Houck noted that it is about 1.5%.

Mr. Wolfe explained that the State Aid Fund is for Road maintenance, the distribution of funds from the Commonwealth from the Liquid Fuels Account, and in 2013 the Township received \$1,046,024 in revenues; however he expects this fund to be zeroed out by the end of this year. He noted that the Township roadway paving project is part of the overall expenditure and there is nothing usual to report for Liquid Fuels.

Mr. Wolfe noted that the Fire Equipment Capital Fund has \$987,581 providing for the replacement of nine primary firefighting apparatus operated by the three volunteer fire fighting companies. He noted that they are looking to begin the next round of purchases and the estimate for Colonial Park for their current request for a ladder truck is almost a million dollars. He noted that will be an issue that will have to be addressed in the coming year. He noted that coupled with the Fire Equipment Capital Fund there is the LOSAP for the volunteer fire fighters that has a balance of \$356,434. He noted, this year, the fund began making payments to beneficiaries on a monthly basis. He noted that the expenditures to date for benefits have totaled almost \$17,000. He noted that the annual contribution for 2013 was \$76,000.

Mr. Wolfe noted that the General Improvement Fund had revenues in 2012 from a General Obligation Bond of \$2 million in addition to a borrowing of \$750,000 from the Pennsylvania Infrastructure Bank (PIB) Loan. He noted in 2013, the Township borrowed \$4 million from a General Obligation Bond. He noted that money has not been touched yet as the Township has been doing the capital projects using what was left of the PIB Loan and finished out the year using the 2012 General Obligation Bond. He noted that he plans to spend in 2013; \$610,000 for stormwater, \$15,000 to \$20,000 for traffic signals; \$80,000 for the Wolfersberger Park planning project that will be finished this year; \$35,000 for the compost landscape berm that will be completed this year. He noted that the Local Share Gaming project is for the Jonestown Road Bridge Replacement and he is waiting for PennDOT to move forward on this project. He noted that the financial management system should be completed this year or by the middle of February. He noted that the municipal center roof will be completed in 2013, budgeting \$400,000 but the final bids was \$275,000. He noted that the public works radio system is complete, pavement management system is complete, Linglestown is a carry over that is complete and there is some minor bond expenditures for the Brailsford Dunlavey Report.

Mr. Wolfe noted that the FC currently has an operating deficit of \$63,000 and he expects that to grow as he gets toward the year-end when one time expenditures will also be posted. He noted on a cash basis, in 2012 the FC ended the year with a positive cash amount of \$226,037 before depreciation. He noted that the Township's contribution to the FC is \$100,000 on an annual basis. He noted that the revenues from membership line items has been stagnate, although membership numbers have increased being at the highest membership number that the FC has had for five years. He noted that the program line item revenues have continued to increase on an annual basis. He noted the FC does underwrite services for the Senior Center and at the end of the 3rd Quarter the capital fund cash on hand was \$104,148 and Operating Fund was a balance of \$30,922.

Mr. Seeds noted that he did not understand what it means that the Operating Fund had \$106,518 if the expenses of \$137,441 for the month of September were able to be reimbursed to the Township. Mr. Houck answered that it is a negative cash account as they reimbursed the Township for September's expenses. Mr. Blain noted that the FC does not have the cash to reimburse the Township for the Township's management agreement. Mr. Wolfe noted if you add the \$106,518 and the \$30,922, you come up with the \$137,441. Mr. Houck noted that the \$106,518 is a negative cash flow for how much they would be overdrawn.

Mr. Wolfe noted that the total memberships is displayed using the red line, and it shows the FC has approached the highest level but the annual memberships are down significantly with a good portion of the middle zone being composed of the health insurance reimbursed revenues; memberships that don't bring in the same dollar value as the paid membership do.

Mr. Wolfe noted that the Board will have a special Authority meeting in November to adopt that budget, noting that we discussed their financials during that last meeting. Mr. Seeds noted under the expenses for the Authority, there was a notation for property tax refund for Rich Mar Builders for the last 12 years. Mr. Wolfe explained, it was to pay the taxes for the package sewer treatment plant owned by DeSouza Brown. He noted that they determined that we hadn't paid the taxes for that property as required by the agreement.

Mr. Seeds noted that the KIR is for the end of September 2013 excluding pension funds but questioned what it meant by the modified sewer authority. Mr. Wolfe explained that the pension funds have not closed out for the end of the quarter yet and the modified sewer authority is due to the computer problems with the Logics system as staff was not unable to close out the sewer accounts at the end of September.

2014 General Fund Budget

Administration

Mr. Wolfe noted that he would provide the narratives for each budget department after the final numbers are done. He noted that he and Mr. Houck will explain the Administrative budget and he did not expect to take a significant amount of time. He noted that it is the largest financial entity of operation.

Mr. Wolfe noted that the first page of revenues shows all the expected sources of revenues from taxation and other sources. He noted that the budget has been prepared maintaining the current rate of taxation. He noted that the amount expected for real estate tax in 2014 is about 2% higher than 2013 due to the growth that has occurred in the community. He noted that the Earned Income Tax (EIT) and Local Service Tax, (LST) continue to increase slightly, and the Real Estate Transfer Tax has been very good as of late and he expects that to continue. He noted that the EIT is the largest single source of revenue and in many instances the most difficult to budget. He noted that the cable franchise fees continue to increase as the cable companies get more revenues from their subscribers. He noted that foreign fire insurance is a

pass through to the fire companies. He noted that the FC overhead reimbursement list and the management reimbursement from the Sewer Authority are for costs incurred for Township Employees to work in those two enterprise funds. He noted that State Aid allocation for the pension plans completes the major revenue items for 2014, totally \$17,551,985. He explained that the Township runs less than a \$19 million budget for General Fund operations it shows that this page is the single largest source of Township revenue.

Mr. Seeds questioned, for the beverage licenses, does the Township get a percentage of what the State gets back. Mr. Wolfe answered that the Township gets a flat fee per license, and it is not a lot. Mr. Crissman noted that it would be nice if the Township got a percentage of the beverage license fees. Mr. Wolfe noted that is a proposed legislative solution for distressed communities whereby they can give up one tax and levy a liquor sales tax. Mr. Crissman noted that based on the transfer of liquor licenses, to impose a percentage on the sale of those, it would gain the Township a lot of revenue. He noted that he would not be above considering doing this. He noted that the costs to purchase a liquor license continue to climb. Mr. Wolfe noted at this time we do not have the legal authority to do that. Mr. Crissman suggested that we should pursue this easy source of revenue for the Township.

Mr. Wolfe noted in the expenditures for administrative employees, he removed the IT Manager from this line item and put it with the costs for the consulting services. He noted that the remainder of the items on page one remain the same or have been adjusted slightly for inflation. He noted that the computer network expense number has increase accordingly.

Mr. Wolfe noted that for the tax collector, the Township is required to provide payment to the elected tax collector for certain items and the number is similar to last year. He noted that under special legal services, he has included an additional \$18,000 as next year the Township could have a potential arbitration with the police officers which will require special counsel.

Mr. Wolfe noted that the Fire Equipment Capital Fund and LOSAP fund are accounted separately and not mixed in the General Fund; however the dedicated tax payments to fire companies, hydrant expense, EMS contribution, and Firemen's Relief fund are shown. He noted that anything that has a tax payment to it, instead of adjusting the mileage rate this year, we left it alone, which shows a 2% increase. He noted that the fire contribution will increase by \$9,000 providing \$3,000 more for each fire company, far short of what the firemen were asking for. He noted that the library payment pass through is adjusted also for the 2% increase. He noted that the debt service payment has been provided by the financial advisor as of the last bond issue. Mr.

Houck noted that Mr. Wenger provided a very good breakout for the debt service. He noted that the debt service has increased since the Township borrowed \$4 million.

Mr. Wolfe noted that medical increase for this year is 7.5%, to include all increases that are applicable to the Affordable Care Act as well as the cost to provide coverage. He noted that the Township is a member of a large multi-municipal trust and functions on a self-insured basis. He noted that it also true for Workers Compensation insurance, dental, vision, life insurance and disability insurances are group term policies that have not increased significantly over time.

Mr. Wolfe noted that the Minimum Municipal Obligation (MMO) for the pension plans is \$1.6 million. He explained, per the State law, the MMO was based upon the 2011 actuarial valuations. He noted in October the Township received the 2013 actuarial valuations for both pension plans. He noted if you use the 2013 study as opposed to the 2011 studies, the MMO increases by \$240,000. He noted that the Township is not legally obligated to use the 2013 this year, only obligated to use it next year. He explained that he maintained the budget at the 2011 level. He noted that the Township has taken this course in the past and to date has been fine in that regard.

Mr. Wolfe noted that the liability and casualty insurance are based upon action of the Board in the beginning of this October. He noted that there is nothing in the inter-fund transfer at this time; however there will be some transfers for capital expenditures for the GIF, but staff is still working on that fund. He noted that he does not expect it to be a significant dollar amount. He noted that the current fund balance in the GF is \$61,500 to the good. He noted in the last several years, at this point in time, the budget has been in the red.

Fire Department

Fire Equipment Capital Plan & LOSAP

Mr. Wolfe noted that the Fire Equipment Capital Plan (FECP) requires a contribution of \$204,000 with the LOSAP expected to be \$77,500. He noted that includes the 2% increase in real estate tax. He noted that LOSAP expenditures for next year are expected to be \$30,000, noting that number will increase every year. Mr. Seeds questioned if new people would be covered by the program. Mr. Wolfe answered every year.

Mr. Wolfe noted that there is roughly \$1 million on account for the FECP with one single request from one Fire Company that could spend all those funds for one piece of equipment. He noted that it will be an agenda item for the next workshop meeting. Mr. Seeds questioned why

the amount was \$204,000 for the contribution for next year. Mr. Wolfe answered that is the 2% increase in the real estate tax. He noted that he left the mileage rate where it is noting that they increase every year based upon expected development. Mr. Seeds noted that it comes out of the fire tax.

Mr. Wolfe noted that is the end of the administration budget explanation.

Mr. Seeds questioned what the percentage of increase for employees for compensation was. Mr. Wolfe answered 3%. He noted that he is aware that the Board wants to further discuss the administrative employee compensation program in November.

Review of the Friendship Center market analyses final report from Brailsford and Dunlavey and Review of Friendship Center Operating Fund cash flow for 2013-2014

Mr. Luetchford noted that he would provide a highlight for the Brailsford and Dunlavey Report (B&D). He noted that the objective was to gauge support to which the local market could effectively support four program (building) modifications to the Friendship Center (FC) as well as modifications to the existing menu of programs and development of a premium membership. He noted that the economic analysis contains an estimate of capital costs, impact on membership, impact on existing and future revenue, impact on operating expenses and net operating impact.

Mr. Luetchford noted that the six options are listed but the market analysis for the existing conditions notes that in 2012 the FC had revenues of \$1.9 million with expenses of \$2.03 million, inclusive of debt service. He noted that the FC is in the top 95% of all public recreation centers in the U.S. and as of 2012 the FC had 2,450 members, the highest total of the past five years despite losing over 300 family members in the past four years. He noted that there is a problem with revenue generation and use.

Mr. Luetchford noted on page 3.1, the Market Analysis serves as the basis for conducting an economic analysis of the proposed modifications. He noted it includes a review of the potential program modifications outlined in the RFP and 2011 operational analysis conducted by Ballard, King; an existing conditions analysis to understand the FC's current performance; review of the market demographics; and in-depth examination of competitive facilities in the region, including program, location, and an examination of membership fees and structures.

Mr. Wolfe noted in regards to the options that B&D were assigned to analyze, they are also posted on the agenda in a summary format so if you need to refer back to them you will find the six options on the agenda under options.

Mr. Luetchford noted that page 3.2 shows a graphic of the FC layout indicating where the weight and fitness center is located, and where it could expand into the Social hall and the addition of the sundeck to become a potential splash pad.

Mr. Luetchford noted on page 3.3 the exhibit shows the membership totals. He noted that it shows a 25% loss in family membership and a 39% increase in insurance memberships. He noted in 2013, the FC had well over 1,000 insurance memberships. He noted on page 3.4, it shows what the percentage of revenues are for specific areas in the FC. He noted that the FC generated nearly \$2 million in revenue in 2012, with 56% being membership revenues, 26% for programming and only 2% for the fitness trainer. He noted that the percent of total revenue is in line with other facilities that have similar program elements. He noted that the FC is in the right place for memberships, programs, and rentals. He noted that the revenue per square foot is typically \$31 for square feet and the FC is in the zone for the national average.

Mr. Luetchford noted on page 3.5, it states that given the revenues of \$1.92 million, the FC had a cost recovery percentage of nearly 95% in 2012. He noted in B&D's experience, facilities that are positioned as community centers have recovery percentages far short of 100% before debt service, and operating expenses typically fall in the range of \$30-\$40 per sf. ft., while a facility with aquatics typically has a higher cost of operations. He noted that the FC's expense per square foot is at \$32.81. He noted that that number indicates that the FC is holding the expenses down.

Mr. Luetchford noted that the demographic analysis shows a five mile radius and it was what B&D believes the primary market is. He noted that it includes 138,605 people, noting that the Township's population is a little older than most with an average of 41 years and older; having a higher income than most. He noted that the projected growth is up to 5%, but in a five-mile radius it is only 3%. He noted that the population density map shows that it is moving to the suburbs and rural areas but the market wealth concentration area is mostly to the north and east of the FC.

Mr. Luetchford noted that the FC has 15 competitors in the region, 11 of which are in a five mile radius from the FC with the competition the greatest to the southwest of the FC along Route 322. He noted that the B&D Report suggested that the FC is best positioned to capture net new memberships from the wealthier market areas east of the facility. He noted that exhibit 3.12 shows a descriptive chart of the amenities offered by the 15 facilities mentioned. He noted that the FC offers such items as a natatorium suitable for competition, physical therapy clinic,

running track, and an area specifically designed for senior citizens, items not offered by many of the 15 local facilities. He noted that the report does not suggest an increase in membership rates, unless classes or additional amenities are offered as part of the package. He noted that they provided a competing facility average with the YMCA for adult membership and families. He noted that the FC is a little high for family membership because it offers more facilities and it suggested not increasing the rates unless more is offered with that increase. He noted that the 2014 budget includes a 2% increase in the membership rates across the board, since they have not been raised in three years.

Mr. Luetchford noted that the economic analysis indicates for the six options that B&D report studied that they are looking for the estimate of capital costs, impact on membership, impact on existing and future revenue, impact on operating expense, and net operating input. He noted for page 4.3, the report provides an analysis for room usage from a programming standpoint for the hours that they are used. He noted that page 4.5 mentions the existing program elements for room and square footage area usage. He noted that the total net square footage is 51,078 square feet and 11,000 of that are unassigned areas.

Mr. Luetchford noted on page 4.8 there is a listing of a demographic report for adults and the potential that the market could produce. He noted that the average would be 4,229 people and it states that the market analysis identified several private facilities in the area that include a mix of large facilities such as LA Fitness and Central Penn Health, and smaller facilities such as Planet Fitness and Gold's Gym. He noted that these facilities comprise approximately 100,000 square feet which translates to about 3,500 members assuming 30 square feet per customer. He noted that it leaves a potential target market of 500 members. He noted if the FC could capture 30% of those members it would be 175 new members. He noted that is the potential that could change based upon options chosen to make improvements to the facility.

Mr. Luetchford noted for the various options, the first being the expansion of the fitness center into the social hall, an expansion of roughly 1,000 square feet, the total project costs would be \$145,000, producing an annual debt service of \$11,000. He noted that B&D project that it would be completed by 2016. He noted that the total expenses would be negative for utilities and personnel outside the debt service. He noted that revenue potential would be between \$38,000 and \$51,000 for membership revenues and for fitness training about \$2,000 with no revenue loss, providing a total of between \$39,000 and \$53,500. He explained after deducting the operating expenses it would provide a true additional revenue of \$28,00 to \$42,500.

Mr. Luetchford noted by expanding the fitness center into the gymnasium, the total cost of the project would be \$740,000 to renovate one third to one half of the existing gymnasium. He noted that the debt service over 20 years would be \$54,000 a year, being the extra expense for the year, noting that the revenue loss would be between \$36,000 and \$42,000. He noted that the revenue increase for this could be between \$76,000 and \$89,00, and the total revenue increase would be between \$52,000 and \$56,000. He noted if you add the debt, it could produce a deficit of between \$2,000 to \$2,500. He noted that this option would not capture that many more people and it would dilute the investment.

Mr. Luetchford noted Option 3 would add 4,300 square feet of space at a cost of \$1.1 million with an annual debt service of \$82,000. He noted that the total expenses would be \$97,050 but with the additional projected revenue it would provide a negative operating impact of \$12,050 to a high of \$3,450. Mr. Seeds noted on page 4.14, they listed converting the social hall. Mr. Luetchford note that was a typo and he would let them know it.

Mr. Luetchford noted that Option 4 includes replacing the sun deck with a splash pad using roughly 2,000 square feet for an area that would use a recirculation model for the water. He noted that the estimated total project cost is \$273,000 with an annual debt rate of \$20,100. He noted that there would be labor costs, costs for water, chemicals, electrical and debt service totally about \$32,000. He suggested that the additional revenue could be between negative \$4,700 to a high of \$22,700 depending on what is charged for admission; \$3 or \$5. He suggested that the FC would end up with a small number of family memberships, possibly 20 more family memberships.

Mr. Luetchford explained that Option 5 concerns program modifications, that fitness/wellness and aquatics provide the most income currently and suggested that rooms 106 and 109 remain as it but renovating rooms 112 and 115 to serve as dedicated fitness space. He noted that these spaces would provide additional opportunities for fitness related classes, and could also serve as rental spaces during non-peak and weekends. Mr. Wolfe noted that B&D expect that it could generate an additional \$66,000 per year. Mr. Blain noted that is what was generated in 2012 and he questioned where it states what the increase of income would be. Mr. Luetchford noted that he would look into that, noting that he has the same question for option 6 as well.

Mr. Blain explained, under Option 6 for premium memberships, B&D provided a range of \$25,000 to \$30,000. Mr. Luetchford noted that Mr. Blain was looking at the old report and not the new one. He noted that B&D is still working on this number as well. He noted that B&D recommends a premium membership but he has asked if staff implements a certain number of programs, whatever they will be, what they think the benefit would be. He noted if you go to premium membership you will lose program income as you are giving programs away for free, but you gain in the premium membership category. He noted that there is a time frame for gaining premium membership over loss of programming, noting that normally it takes about a two or three year of loss until it is gained back in a stronger membership base.

Mr. Crissman questioned in as much as B&D recommended a premium membership package was there any conversation regarding a tiered membership. He questioned if it is outside their realm for this study. Mr. Luetchford answered that the scope of services was to provide a general idea for premium membership only.

Mr. Luetchford noted other than answers to the two questions for Options 5 and 6 and making the correction for Option 3, are there any other questions for B&D. Mr. Blain noted that we need the numbers for Options 5 and 6, noting that they are low cost options but could provide for higher revenue numbers.

Mr. Seeds questioned if there are costs for Options 5 and 6. Mr. Luetchford answered if renovations are need for the two classrooms that would be a cost. Mr. Seeds questioned if the tile floors would need to be removed. Mr. Luetchford answered that they could be covered and provide some soundproofing as well as adding mirrors. He noted once a determination is made for the type of class, then he would know what alterations would be needed.

Mr. Crissman questioned for Option 5, if Mr. Luetchford asked about the option of premier versus tiered memberships. He noted that was part of the discussion held last night during the Friendship Center Operating Board (FCOB) meeting.

Mr. Seeds questioned Mr. Luetchford what he envisioned being in those rooms. Mr. Luetchford noted that it would be an expansion of what is currently offered, noting that he is starting a new program called Burner X. He noted that the programs would be what is popular to serve the most people to create the most revenue. He noted if we do both Option 5 and 6 at the same time, it would impact what classes are put where. He noted that he can't state what class will go where but he would come up with a set of classes, noting that he wants to get the most information from B&D for what to do. He noted that he will see what B&D comes up with. Mr.

Blain questioned how quickly B&D will come up with that information. Mr. Luetchford answered in about a week. Mr. Blain noted that we should be able to address this issue again in the first week of November. Mr. Crissman agreed that we should. He noted that there are some members from the FCOB who came to hear what we heard tonight, so they are up to date and should be included. He questioned if any of the FCOB members wanted to make a comment. He noted that we need more answers to pull all of the data as there are lots of things that need to be taken into consideration, i.e. the B&D Report, the Ballard King Report, a Dauphin County Grant that is pending for \$300,000, and debt service issues that will also need to be addressed. Mr. Seeds questioned what the \$300,000 is for. Mr. Crissman answered that it was a gaming grant that the Board approved. Mr. Seeds questioned when the Township will know if it gets that grant. Mr. Wolfe answered that we should know by the end of the year.

Mr. Bruce Senft noted if you are open to it, the FCOB welcomes the opportunity to sit down with the Board and staff and review the final report and analysis provided. He noted that it has some interesting concepts and data that are included in the report. He noted for him, it comes down to a couple of things; the FC is operating well from a cost standpoint, a program revenue standpoint, but are we utilizing the facility in the best manor possible. He noted that aerobics represent a fair amount of programming at the FC so what is the right mix to generate the most revenue that we can in the facility. He noted that the membership fee will not bridge the gap; therefore it would be important to take the B&D and Ballard King Reports to see what makes the most sense. He noted that he does not know what the Township's supervisor's direction should be in terms of providing recreational facilities for the Township. He noted that the Board has indicated, in the past, where it wants the FC to be but maybe it is time to revisit if that is what the Board wants the FC to be. He noted if this is the sense of the direction that the Board has and there is a consensus about it, then what is the best way to provide the recreational facilities that could be done in a fashion that is cost neutral.

Mr. Senft noted that all those issues must be intertwined in the discussion to lay all options on the table to say what makes the most sense. He noted for example, the financial analysis for expanding into the gymnasium from the cost standpoint and revenue that it would generate, the obvious answer would be why would we want to do that as it generates so little in the revenue but on the other hand we are pretty much at capacity in terms of the kinds of programs we can offer for fitness and aerobics. He noted if we want to increase the program revenue where will we find the space to do that. He noted that that option doesn't seem good

from financial standpoint, but on the other hand what other options do we have if we want to increase the programming. He suggested that there may be some other creative mechanism that we can think of that would allow us to use the gymnasium in a different fashion to provide some additional programs. He noted that we need to do some brainstorming and use some intuition as well as the financial analysis to come up with ideas of how to attack the problem. He noted that you need to look at all the reports that the Board has received and put them on the table to determine what direction you want to go in the future and see what the best route might be to accomplish it. He noted that the FCOB is willing to help with the process.

Mr. Hawk noted that we need to capitalize the options in order to make a reasonable decision, noting that it comes down to what philosophy you want to use. Mr. Senft noted you affirm where you are or change where you want to go.

Mrs. Sandra Prahm noted that the FCOB would love to sit down and meet when everyone gets all the data and work through some of these things together.

Mr. Hawk noted that the first option is to clarify some of the things presented by Mr. Luetchford. Mr. Wolfe noted that the first meeting in November is on a Monday, and typically we keep the agenda for that meeting short. He noted that there is an extra Tuesday in October.

Mr. Hornung noted the philosophy that was in existence when the FC was first built was although the Township provides a lot of outdoor recreation, we don't provide much indoor recreation and since we live in an environment where the outdoor recreation pushes nine months, leaving outside recreation to something like sledding. He noted that was the thought behind the FC, noting that Parks demand a cost and so would the center command a cost. He noted, at the time, the Board came up with a cost of \$100,000 in that it felt that it would be appropriate to keep the FC running as it was known that very few of the centers have made it on their own. He noted that the FC is at 95% which indicates that the FC is well run. He noted that there was a commitment and he gets questions from the constituents all the time, asking him how much money the Township puts in for the operations of the FC. He noted for him, as far as integrity goes, the original commitment was made for \$100,000. He noted that you could argue the need for inflating the price to help offset some of the costs. He noted that the Board could take a look at that but that decision has to be deliberate. He noted that he feels that he has been outside his level of integrity for as far as what the FC has been costing the Township and the number keeps growing as there is a concern there. He noted that we can look at inflation to make a correction to the number but it has to be a number that the Township contributes to the FC and if it doesn't

make the difference, then we need to look at our outside options. He noted that he needs a number to say that it will allow for a continual replacement of equipment to make it a viable operation. He noted, in the future, as new things come up and new memberships come in, new equipment must all be incorporated into the number. He noted 19% is excessive, however we can explore trying to redo the allocation for debt service, but we need to come up with answers for this as not too many companies can stay alive with 19% debt service. He noted that he is willing to smooth out the debt service but he doesn't know how to do it yet. He suggested that it could be \$125,000 or \$130,000 but it has to make sense to him because if he goes back to his constituents knowing that his word was only \$100,000 and considering that you should be able to add in inflation, he needs to be able to justify this, but he can't say that it is now \$250,000 donation and there is no end in sight.

Ms. Sandy Prahel noted that it was a misnomer to call the \$100,000 a contribution. She noted that it was a number to cover the office operations used for both Parks and Recreation outdoor and indoor. She noted that those offices would have to be placed elsewhere; the thought was that they would have to pay rent. She noted at the West Shore Y, there is very little office space in that facility. Mr. Hornung noted that it is the most expensive office space that he has ever seen, especially with the lower personnel that could be incorporated somewhere else. Ms. Prahel noted if they were moved to the Municipal Center, then the FC would have more space for programming. Mr. Blain noted that the facts are that it was not \$100,000 at the beginning, the Township provided \$250,000 to the FC and it was worked down over time to \$100,000.

Mr. Wolfe noted that the original Performa was \$100,000, a \$2 million contribution, and a \$5 million bond issue. He noted in the first year, the Township provided additional cash infusion of \$200,000 or \$250,000. He noted that the pledge was \$100,000. He noted whether you call it a contribution or what, in the first year it was an additional \$150,000. Mr. Blain suggested that it might have been more for the first couple of years. He suggested that it was worked down to \$100,000 in 2004, but it was \$250,000, then \$200,000. Mr. Hornung noted the commitment was that there would be no capital support of the FC by the Township and the Township used the \$100,000 as rental money to help subsidize the FC as we knew that it would not be able to make it without that rent money. He noted that the commitment was no additional contribution over that.

Mr. Blain noted that the Board is talking about spreading out debt service and he questioned if the debt taken out on the facility was the FC's debt. He noted that no other business

can allocate its debt service to someone else, noting if it is their debt, they must pay it back. He noted that argument does not fly as you have to look at it from the perspective that this is the facility, these are the financial statements, and what is the facility doing. He questioned if it is making it on its own or not. He noted if it is not making it on its own, then the Township has to make a decision as to what it wants to do, whether it will fund more to help balance the budget or do some other option. Mr. Crissman noted that the debt service has changed for the FC as a result of the Board doing a refinancing. He noted that the Township had an impact on the FC. Mr. Blain noted that the Board did that for the benefit of the FC because it has issues with the pool. Mr. Crissman noted that the FC's debt service is tied directly into the Township's refinancing for the entire Township. Mr. Blain noted that the monies that came from the debt service can be directly accounted to the FC. Mr. Crissman noted that it has to do with the FC's debt service from its initial construction, but it is not tied into the Township's overall debt service, and when the Township refinances it does have an impact on the FC. Mr. Blain noted that the Township can account for what the direct cost is. He questioned if the FC reaps the benefits of the lower interest rate with the refinancing. Mr. Crissman noted that the dollar amount has gone up for what the FC has to pay in principal and interest. Mr. Blain noted that that number has only gone up recently because of the most recent debt that we took on.

Mr. Wolfe noted that it is his understanding that the jump in debt service, even though there has been refunding to take advantage of lower interest rates, the jump in debt service that was experienced between 2011 and 2012 was programmed to be that way. With principal and interest being low in the first years expecting that the facility would not be able to handle a high debt service load until it was mature and then debt service increasing at about 2012 because the facility was supposed to have been mature and able to fund the debt service. He noted that was the plan at the beginning but it did not foresee the change in market because when we built the FC, there was no one else in the area and now there are 12 other facilities in the area. He noted that the FC did not foresee a national recession where we lost 20% of the membership in a two year period. Mr. Seeds noted that we just smoothed it out and extended it for more years. Mr. Wolfe noted that there was no level debt service for this facility because we knew at the beginning that the FC could not handle the debt and expected that at this point in time in its life cycle it would be able to handle the 25 year debt service.

Mr. Blain noted for 2010, 2011 and 2012 there were no principal payments on any of the debt, but in 2013 and 2014 we have principal payments. Mr. Crissman noted that it keeps

growing and in 2015 it hits \$402,000. Mr. Wolfe noted when the Board adopted the 2013 budget; it said at some point it was going to see if it could smooth the debt for the FC. He noted that the Board talked to Jay Wenger about it and both Mr. Wenger and Mike Bova agreed that the cost of issuance of new debt to smooth the old debt would be too much and if the Board was going to consider doing it, it should do it internally using Township funds. Mr. Crissman noted that this should also be discussed once Mr. Luetchford has all of the data.

Mr. Hawk noted that Mr. Hornung probably gets more questions than most Board members from the people about the FC, noting that the \$100,000 brings his integrity into play. He noted that the FC has lost memberships and if you drive down Union Deposit Road, you can join OIP for \$29.55 a month or Planet Fitness for \$29 initiation fee and \$10 a month, so the completion is drawing membership away and he noted that you might be able to live with \$100,000 contribution but we are saying that people can't afford to use the facility. He noted that some people are saying that we are using their money to pay for it and if we keep increasing the amount to \$120,000 or \$140,000, the question is where it stops since there are no guarantees. He suggested that is what people are looking at; we have a fiduciary responsibility to the public.

Mr. Bruce Senft noted that he is a constituent and a voting member and also a user of the facility and he hears what Mr. Hawk is saying and understands the position but there is not doubt that this facility is a tremendous resource to the Township. He noted that you have to weigh that value against all these other considerations.

Mr. Hawk noted that we have to take a serious look at this.

Mr. Seeds agreed with what Mr. Hornung said earlier, there was a tremendous need when it was built, and there is still a need for a family place. He noted that options 2, 3 and 4, he would not vote to spend anymore money on those options. He noted that we need to keep it a family place, no matter who runs it; it needs to be family orientated. He noted that we definitely need it and it is something the people like overall, but the Board can't afford to keep pumping more money into it every year.

Mr. Senft noted that he is only on the FCOB, and he is not advocating that you do it this way or another. He noted instead of being part of the problem he wants to be part of the solution and help in any way the Operating Board can but the Board members are the decision making body and the Operating Board trusts your judgment. He noted that is why we elected you and you have to make the best decision for the community. He noted that we want to be part of the process to help you through it, whether we have all the answers or not, we may have more

questions than answers but hopefully we will provide some input that will allow the Board to go through a prudent process and come out with a reasonable decision.

Mr. Crissman noted that is the Board's ultimate goal as well.

Mr. Hawk noted that we have to be realistic for how we bring the two together.

Mr. Seeds explained when we built the FC, there was nothing like it, but once we built it and it was successful then everyone else wanted a piece of the pie and they all moved in.

Ms. Prahm noted that it offers a unique advantage to the community. She noted that the philosophy for what that building offers needs to be examined. She noted that the concept was based upon Colorado and Virginia and they built those community centers and the community pays a small tax to support it, just like we support our libraries with a tax. She noted that they think recreation is so important for health and welfare that they support it. She noted that we have to decide what it means to everyone; how it helps the citizens, and do they appreciate it.

Mr. Hornung noted that ultimately we have to pick that desire for all. Ms. Prahm suggested that we need to do more marketing beyond Lower Paxton and think about the five mile radius that the report recommended. She noted that we advertise through the Township Newsletter, but there are other vehicles such as the one the West Shore Y uses as they distribute a paper insert into the newspaper.

Mr. Hornung noted that you stated that we should be marketing outside the area but he questioned how much marketing does the FC do. Mr. Prahm answered that Ballard and King provided some suggestions in their report but when you look at the West Shore Y, they are after everyone on the West Shore, not just their Township. She noted that we get wonderful news through the Township News but there are people in Susquehanna Township who do not have facilities. She noted that she can't tell you how many times she suggests that people come to the center and they say they don't live in Lower Paxton Township. She noted that the concept is that if you don't live in Lower Paxton Township, you are not welcome. Mr. Wolfe noted that you say that but our numbers show just the opposite, noting that the majority of the members are from outside the Township. Ms. Prahm noted that if we market to the five mile radius we will get more of those people.

Mr. Seeds questioned if the FC should be competing with private enterprise. Ms. Prahm noted that Mr. Hornung said, before the building was built he worried about that and look at how many other businesses have been spawned. Mr. Hornung noted that he was worried and the FC walked the line very well to go after a family place and we have done a great job with it, but he

does not think we compete one on one with the \$29.99 gym. He noted that we stayed away from that market on purpose and he doesn't ever want to get into that market. He noted that it is a cut throat market anyway. He noted the FC has very well run programs with the babysitting and things like that as well as the pool; it is a great family place. Ms. Prahm noted that the seniors are integrated with all the other age groups. Mr. Hornung noted that there are a lot of great advantages for the Township but it has to get down to how we fund it. He noted that he is surprised that the FC has not gone outside and marketed to people outside the Township noting that those numbers have grown. He noted that the FCOB is always welcome to come over to solicit memberships at his store. He noted that Koons Park Pool people got up to 25 new members by standing at his store before the pool opened. He noted that he gave a \$50 gift certificate to anyone who signed up and the pool only had to pay \$25 for the gift certificates. Ms. Prahm noted that is great.

Mr. Luetchford noted that we do market regularly to a five mile radius. Ms. Prahm noted that we don't give the same amount as we get with the Township news. Mr. Wolfe noted that the Township Newsletter is not just mailed to Lower Paxton Township; it is mailed to 32,000 homes noting that we only have 18,000 mailing addresses in the Township. Mr. Crissman noted that it is mailed by zip code and is delivered to Susquehanna Township and West Hanover Township.

Mr. Hawk noted when he and his wife owned the Hawk Gallery and brought in a product and tried to sell it only to find that it wasn't making any money, we got rid of the product, but not necessarily the Hawk Gallery and tried something else. He noted if that didn't work he got rid of it; therefore, that is the approach that he is using here, do we get rid of the Center or do we get rid of certain products or whatever. He noted that there came a time in 2004 when the economy changed and he found at that point that it was more advantageous to close the Gallery and move on. He noted that we have to be honest with ourselves as to what philosophy we want to take.

Ms. Prahm noted that just as the outside parks are such an advantage for this Township and no one questions the money spent on outdoor recreation, there are times of the year that you can't use them. She noted that the swimming is year round, the programs are run year round as it is a 12-month operation.

Mr. Hawk questioned if the Board could get together on November 4th. Mr. Wolfe questioned when the Board wants to meet next. Mr. Seeds questioned if the Board could start the meeting at 6 p.m. Mr. Hornung questioned if we could have the meeting next week. Mr. Wolfe

noted that Mr. Seeds was not going to be in town and Mr. Hawk was coming from out of town. Mr. Crissman suggested that we should have the meeting on November 4th before the televised meeting. It was agreed to meet on Monday, November 4th at 6 p.m.

Mr. Hornung noted that it should provide Mr. Luetchford with time to get the rest of the data.

Mr. Hornung questioned how much money the FC would lose in 2013. Mr. Blain answered that the estimate is \$265,000. He noted that the budget for 2014 has a \$218,000 loss. Mr. Hornung suggested that it is about \$700 a day. He noted that everyday we go without a solution is another \$700 that is gone away. He noted that we have to do something about this and he is tired of getting more data and another \$700 slips away. He noted that we have to do something sooner than later and anyone in business knows that when a business is not performing well, the longer you wait the closer you get to that day, the point of no return. He noted that we keep doing that and he thinks that November 4th will be D-Day. He noted that we have to make a decision at that point.

Mr. Blain noted that there is nothing more to talk about other than we will meet on November 4th.

Continued discussion regarding IT management services

Mr. Wolfe noted that the Board members during the last business meeting, approved an agreement with Appalachia Technologies, LLC, for bridge IT Management Services with several conditions to include an agreement to the 90-day Phase I services but the Phase II services would be optional at this time. He noted that the changes in the agreement are highlighted in red to accommodate those including the start day of October 16, 2013, with Phase II being an optional service. He noted that he further indicated that the client (Lower Paxton Township) shall at its own sole discretion shall or shall not elect to proceed with Phase II services upon completion of the initial three month phase, and the client shall provide notice of its intentions in regard to Phase II services no less than 15 days prior to the completion of Phase I.

Mr. Wolfe noted that the terms and conditions were changed slightly, modifying the Hold Harmless as Mr. Stine always requires and in regard to termination, there is termination for cause which would affect all services, particularly Phase I; however, for Phase II, should the client proceed with optional Phase II services we then may terminate the agreement without cause with 30 days notice. He explained that if the Township gets to the 90 days and want to extend it out longer and it does, and it gets to another six months and want to stop and go in another direction,

it would have to provide a 30 day notice. He noted that all the changes have been accepted by Appalachia and are shown in the packet that you have. He noted that their service tech has already started working with Mr. Weisinger to map the system. He noted that he wanted to show this agreement to the Board this evening and then ask if it wants to proceed with an RFP process.

Mr. Seeds questioned if we would look for a full-time employee. Mr. Wolfe noted that he would not rule that out, he noted that given that he only has one person who has done this job, he can't say that we will only do one thing or limit ourselves when we get to it. He noted that if we only do Phase I and then say that we will hire but we don't have any in house backup and if we hire someone in-house and can't find a suitable in-house candidate and only Phase I services, 90 days we are done and we have nobody.

Mr. Seeds questioned if we hired someone full time, would Mr. Wolfe still want backup for a RFP. Mr. Wolfe answered that he would like to see if there is acceptable talent out there to hire in house but he would prefer to look at consulting services and if the Board so desires, issue an RFP. Mr. Seeds noted if Mr. Wolfe wanted to do an RFP instead of hiring someone he would be writing the specifications for the RFP differently then if you hired someone to use them as a backup. Mr. Wolfe agreed. He noted until we make that decision he did not know how you could write the specifications. Mr. Wolfe noted that it would not be to hire them as a backup, it would be one or the other. Mr. Seeds noted that we have to make that decision. Mr. Wolfe noted that you don't have to make that decision now. He noted if you get to a point where you are out there and issued an RFP's and when you get your responses and all of a sudden there is a candidate that you want to hire, you hire the candidate and say thanks for the response. Mr. Seeds noted that it is a lot of extra work on Mr. Wolfe's part. Mr. Wolfe noted that is what we are here for. He noted that he is comfortable doing both. Mr. Crissman noted that we are looking for the best, whether it is a candidate or by professional services.

Mr. Crissman questioned if Appalachia has accepted the Township's conditions. Mr. Wolfe answered yes. Mr. Crissman questioned if they are willing to work for the three months with the option that perhaps we may extend it as they may very well be the company that we want to continue using. He noted that it provides an opportunity over the next three months to look at them to see if their performance is satisfactory and if it meets expectations, or should we be looking for someone else. He suggested that it is a win-win for the Township.

Mr. Seeds noted that he would suggest seeking a full time employee that will work for the Township plus the backup for technical advice. Mr. Wolfe suggested that the end result may

be using a consulting firm and it may be the preferred way to do it but he does not want to close the door at this time.

Mr. Hornung questioned if the IT person is a full time position. He questioned if it is 40 hours. Mr. Wolfe answered absolutely. He noted that he does not believe that one person in house is enough to do it full time, but on a consulting basis, you have outside resources that you can pull in when you need them. He noted that Mr. Weisinger never had any resources to pull in, noting that it was Mr. Weisinger or nothing. Mr. Blain suggested that Mr. Weisinger is like a jack of all trades but we might need to have someone more specialized in regards to some of the IT server issues that we have. Mr. Wolfe noted that Mr. Weisinger could get sick and is entitled to vacation. Mr. Blain noted that he was doing very many different types of functions that different people do. He noted that a company like Appalachia can bring a resource to the table when you need them. Mr. Crissman noted that a consulting company does not go on vacation.

Mr. Wolfe noted that he would prepare the RFP and bring it to the Board for review with a short list of candidates to go from there.

Improvement Guarantee

Stormwater Management Plan for Blueberry Lane

A new escrow with Lower Paxton Township in the amount of \$6,726.50, with an expiration date of October 22, 2014.

Mr. Seeds made a motion to approve the one improvement guarantee. Mr. Crissman seconded the motion. Mr. Hawk called for a voice vote and a unanimous vote followed.

Adjournment

Mr. Blain made a motion to adjourn the meeting and the meeting adjourned at 8:05 p.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by,

Gary A. Crissman
Township Secretary