LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Board Meeting held August 11, 2009

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, and David B. Blain.

Also in attendance were George Wolfe, Township Manager; Steve Stine, Township Solicitor; Sam Robbins, Public Works Director; Brian Luetchford, Parks and Recreation Director; Lori Wissler, Community Development Manager; William Weaver, Sewer Authority Director; Ted Robertson and Watson Fisher, SWAN; Tom Smida, Mette, Evans, and Woodside; Jeff Wendle, CET Engineering; and Mike Bova and Nick Falgione, Boenning and Scattergood.

Pledge of Allegiance

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

Public Comment

No public comment was provided.

Mr. Hawk explained that Mr. Crissman was running late, and he suggested rearranging the agenda.

Status report on the efforts of the Planning Commission to establish a Route 22 Business Improvement District

Ms. Wissler explained that the Planning Commission held a Business Improvement District (BID) meeting on July 27, 2009. She noted that the Planning Commission invited 15 stakeholders and explained thet BID process to those in attendance. She noted that it was explained that the stakeholders were invited to provide input for the BID. She noted that they had numerous concerns, mainly regarding Route 22. She noted that Mr. Lighty explained that the Township could not fix Route 22; however, the BID would provide a forum for the businesses to approach PENNDOT for various concerns. She noted that the different improvements that could be made along Route 22 were also discussed.

Ms. Wissler explained, generally, the stakeholders liked what they heard, but they requested more businesses be invited to join the effort, such as the Colonial Park Mall and some of the larger property owners. She noted that the larger landowners would most probably provide more financial support to the project.

Ms. Wissler noted that her memo contained the list of the 15 stakeholders who were invited to attend the meeting. Mr. Hawk noted that a good amount of the stakeholders attended the meeting. Ms. Wissler noted that some of the stakeholders were unable to attend the meeting, and the group requested to have a second meeting to garner their input and discuss more options.

Mr. Hawk questioned if any fees were established during the meeting. Ms. Wissler answered that the Planning Commission explained, by law; the Township would be permitted to tax 1.5 mills for the BID. She noted that no one seemed to squawk at that amount. Mr. Hawk noted that the stakeholders would like to invite more businesses to join the Route 22 BID. Ms. Wissler noted that the stakeholders wanted more specific information and more people involved at this stage, before moving to prepare the BID document.

Mr. Seeds suggested that the minutes from the meeting revealed that the meeting went very well. Ms. Wissler noted that there were some in attendance who had some negative comments. Mr. Wolfe questioned if Steven Davenport was in opposition to the BID. Ms. Wissler answered that John Booth, his representative, was in opposition to the BID.

Mr. Wolfe questioned when the next meeting would be scheduled. Ms. Wissler answered that it would be scheduled in September, to include the additional stakeholders.

Continued review of the Township zoning ordinance as it relates to political signs (correspondence from Attorney James Young)

Mr. Stine noted, at the Board's request, he requested an opinion letter from Attorney Young, who deals with First Amendment work. He noted that he provided an opinion letter in regards to the Township's ordinance with regard to political signs. He noted that Mr. Young stated that the ordinance was in pretty good shape; however, he suggested, in regards to the escrow fee for the signs, that there should be an alternative offered for someone who is indigent. He suggested that it could have a chilling affect on free speech.

Mr. Stine noted that Mr. Young also mentioned a concern with regard to content based speech. He noted that he cited several cases involving that issue; however, in those cases there were additional issues such as a prohibition from a person displaying more than one sign on their property, or more than one sign from the same candidate. He noted that the Township does not have those restrictions in its ordinance, and he did not have a great concern for the Township's ordinance in that regard. He noted that Mr. Young felt that the ordinance was fairly defensible, and he did not think that the ordinance would be thrown into the strict scrutiny test since the Township does not regulated the content, as oppose to time, place and manner. He suggested that Mr. Young felt the ordinance was in good shape.

Mr. Stine explained that the reason this review was requested was due to Mr. McShane's threat to take the Township to court after he was told that his sign was in violation of the Township ordinance for size. Mr. Seeds noted that the Township only permits a 4-foot by 4-foot maximum sign and Mr. McShane's and other candidates were larger than that size. He noted that some of the candidates removed their oversize signs after they were requested to do so. He questioned if the Township could continue to enforce the size restriction. Mr. Stine answered that Mr. Young reviewed the entire ordinance and made no comments in regards to the size issue. Mr. Wolfe noted that Mr. Young stated that the ordinance did not have issues in that regard, but that does not mean that someone could not file an appeal against the ordinance.

Mr. Blain noted that the reason the Board requested the review of the ordinance was in the event that another situation like what occurred in the primary occurs in the fall, the Township would be able to send out violation notices and feel more comfortable in the event the ordinance was challenged.

Mr. Seeds questioned if Mr. Young had any issue with the size question. Mr. Stine explained that Mr. Young reviewed the entire ordinance and made no comments on the question of size of signs. He noted, if Mr. Young did not mention it in the letter, then he did not find it to be an issue. Mr. Wolfe noted that Mr. Young did understand why he was asked to make comments on the sign ordinance.

Mr. Seeds suggested that there could be an issue with the size of signs, if, for instance, the Township made the maximum size requirement one foot by one foot. Mr. Stine noted that there were some cases where a municipality limited signs to that small a size, and the ordinances were found to be invalid.

Mr. Blain noted that when the incident occurred, during the primary election, the Board felt comfortable enforcing its ordinance and that the limitation on sign size was the issue. Mr. Stine noted that the Township does not limit the number of signs, only the size. Mr. Blain noted that the Township is not limiting the time, placement or manner for the signs. Mr. Stine noted that the key is not to regulate content, noting that a municipality could regulate time, placement, and manner.

Mr. Hawk noted that the applicant gets the money returned as soon as they remove all their signs.

Mr. Blain noted, if a violation occurs in the future, the Board must stick by the ordinance as it is written. He noted that there would be additional legal fees to pay if someone filed a suit against the Township.

<u>Presentation by Mike Bova, Boenning & Scattergood, regarding LPTA financing options given award of PENNVEST funds</u>

Mr. Hawk requested Mr. Bova to make his presentation. Mr. Mike Bova, of Boenning and Scattergood, noted that Nick Falgione was also present to assist with the presentation. He explained that he made a presentation roughly three months ago regarding what was occurring in the bond market. He noted that he was told to return once the Township received notification of its PENNVEST application. He noted that the Township was successful in obtaining $16.4 million in PENNVEST funds, and although the term may not have been what the Township wanted, $16 million at level debt for 20 years at the rate provided was something the Township could not pass up.

Mr. Bova explained that he wanted to incorporate the receipt of the PENNVEST funds, determine how much money the Township needs in the short-term, and look at what is needed in the next five years, in conjunction with some new alternatives of funding that have been made available. He noted that he would like to provide an option to borrow the minimum amount, or enough to last for five years throughout the construction projects.

Mr. Bova noted that Mr. Falgione has provided three options for financing alternatives.

Mr. Falgione noted that all three scenarios use the PENNVEST money as the basis for the funding. He noted that Option A would fund three years of capital without restructuring the debt, and incorporate the $16.4 million PENNVEST Funding. He noted that Option B does the same thing, except it would restructure the debt to minimize the rate impact. He noted that Option C provides for borrowing additional funds to lock in the low interest rates, at the same time trying to minimize the rate impact.

Mr. Falgione noted that PENNVEST has approved the Township for a loan of $16,630,000, with an interest rate of 2.445% for the first five years, and for the remaining 15 years of the loan the interest rate would be 3.133%. He noted that it is a level debt borrowing, in that as you draw down funds, it would be amortized over time. He noted that the debt is built around $1.1 million.

Mr. Falgione noted that he would use the three and five year projections for funding for projects to determine the needs of the Authority.

Mr. Falgione noted for Option A, the impact on the budget would be $1,222,992 that starts in 2010 and 2011. He noted with Option B, has no impact on the budget. He would restructure part of the debt and there would be no impact on borrowing the $29 million for capital projects. He noted that Option C involves a new type of bond issued by the Government under the Recovery Act. It is called the Build America Bonds (BAB). He noted that it is a taxable bond, with the government providing a subsidy equal to 35% interest on the bond. He noted that every time the Township makes an interest payment, the government would send a check for 35% of the interest. He noted that the interest rates for the Township are very low. He noted that the Pennsylvania Turnpike issued one of the first BABs and the average cost for the money was roughly 4%. He noted that the Township could raise five years of capital, almost $56 million of capital for about the same as a three-year plan. He noted that it is a much cheaper way to borrow, and the Township cold borrow more funds, locking in a good interest rate for more of the Township's capital plans.

Mr. Bova noted that you could use the BAB structure for any option, but the debt service for Option A for the three-year plan is $1,100,000, and for the five-year borrowing for Option C with the BAB it would be $1,197,000. He noted that it would be $150,000 more in debt service. He noted that, if it was a $200,000 difference, for that amount you could increase the amount that you could borrow from $12 million to $40 million, noting that it would result in an additional $28 million more in spending for a couple hundred thousand dollars in debt service. He noted that it is a huge difference. He explained that the BABs program is only funded through 2010, unless Congress would renew it.

Mr. Falgione noted that the BABs is an attempt to provide an alternative funding mechanism for municipal bonds issuers. He noted that there are two types of bonds that have been issued, the tax credit bonds and the direct payment that provides the issuer with a 35% interest credit from the U.S. Treasury. He noted that two BABs bonds have been done in the Commonwealth, with the Pennsylvania Turnpike being the largest. He noted that they financed $275 million with a 6% yield and with the 35% credit in interest the effective cost of funds was 3.9%.

Mr. Falgione noted that the interest rates for a ten-year history for the bond market have been lower for 18% of the time and higher for 82% of the time. He noted that this is a good time to borrow funds. He noted that most economists expect the interest rates to increase each year, and if the rates increase .25%, it would amount to $3,851,668 in debt service or $151,791 in a rate difference. He noted, if it increased to .75%, the debt service would be $11,648,230 at $6,208,153 in today's costs and $456,348 in a rate difference. He noted that he would like to lock in as much money for a five-year capital plan using today's rates as opposed to taking a risk on rates in the future. He noted that the total Authority debt service for 2011 is $4,152,706.

Mr. Falgione noted that Option A, using the $16,630,000 of PENNVEST Funds, that the balance would be $12 million in bonds, and that he would lay in the debt in a wrap debt service fashion. He noted that it would be built to wrap around the existing debt, and then it would be more loaded in the back so it takes levels out over time. Mr. Bova noted that this would be the PENNVEST debt service and the new money debt service combined.

Mr. Falgione noted for Option B there would be the same amount of capital, but he moved the $4.1 million around to fit in the new debt. He noted that the PENNVEST loan does not change, and everything is built around it. He noted that the payback is a bit longer, but it would be at the same debt level that he started with, noting that there would be total level debt service with no rate impact.

Mr. Falgione noted for Option C, using the Build America Bonds, the same-type structure going out to five years would amount to a debt service of $1.2 million.

Mr. Bova noted page 17 of the presentation shows the updated numbers. Mr. Falgione explained that this is the map behind Option C, restructuring some of the debt to lay in the other bonds that would be issued. He noted that the PENNVEST has level debt after it is issued, and there is $14 million in tax exempt debt under the 2009 series principal. He noted that you cannot use the Build America Bonds for refunding; therefore, any restructuring must be done with regular debt. He noted that $40 million in BAB bonds could be issued, with the interest earnings of $6.1 million over time. He noted that the minus $21 million is the 30% subsidy that would be received from the Federal government. He explained that it is a cheaper form of funding.

Mr. Hawk questioned if Mr. Bova was leaning toward Option C. Mr. Bova answered, if you believe the economist, noting that trillions of dollars are being pumped into the economy, it would not have an inflationary impact and rates would go up. He noted that it is an unknown how much they would increase, noting that 77% of the time, the rate has been higher than where it is today. He noted that the interest rate is low, with projections that interest rates would rise. He noted that the Township needs money over the next number of years, and it could easily borrow for a three-year plan, and with a certified report from the engineer, and approval from bond counsel, the Township could borrow for five years. He noted, with the BAB program only available until next year, the decision is not if you are going to borrow, but rather, when you are going to borrow. He noted that if he thought that interest rates would go down, he would suggest waiting until next year, however, if the rates are going up, then it would be prudent to borrow the money now. He noted that it is startling how much the Township would save with the BAB program, noting that the Township could borrow an additional $28 million of capital for about $200,000 more in debt service. He noted, if the Authority wanted to limit the amount of impact on debt service, the Township could do something in-between. He questioned how much the Authority wants to lock in and when does it want to lock it in.

Mr. Hawk noted, looking at Option B versus Option C, for Option C, the Authority could borrow an additional loan of $40 million, versus only $29 million. Mr. Bova noted that when you look at the subsidy over the term of the bonds, it is a big number. Mr. Hawk noted that the impact for Option B is nothing. Mr. Bova noted that it would cover borrowing $12 million and restructuring the current debt. He noted that the Authority could stay with a debt service of $600,000 instead of zero, and only borrows for three to four years.

Mr. Hawk questioned how far the Township wants to stick its head out.

Mr. Bova questioned what Mr. Weaver anticipates for his 2010 budget spending.

Mr. Weaver noted that the PENNVEST spending plan provides that he must settle by January 4th. Mr. Bova questioned what kind of rate increase the Township would charge its citizens. Mr. Weaver noted that the Authority has $5 million, in addition to the $1.5 million from the H2O grant.

Mr. Seeds noted that he needs to know what funds the Authority has now, and what is projected that it would need for the future. He noted that it is unknown if the Township will ever build the wet weather treatment plant.

Mr. Wendle noted that the three-year projection is $29,250,000 of needs. He noted that it included that PENNVEST $16 million plus an additional $12 million noting that it does not include the cash on hand. He noted that $29 million is a fair amount needed to meet DEP's schedule. He noted that within the five-year window, due to permits running out, when asked to do a projection for total spending, the last two years go from $29 million to $56 million, including $23 million for the wet weather treatment plant. He noted, if the plant gets built in 2013 to 2014, then the Township would be good to go, however, if the legal fight continues, and nothing is done, there are other projects that could be completed from the Paxton Creek basin.

Mr. Hawk questioned if this would take into consideration Mr. Hornung's suggestion to rebuild the Paxton Creek basin. Mr. Wendle noted that the total amount projected is roughly $85 million that would include the rebuilding of the Paxton Creek, PENNVEST work, and also the wet weather treatment plant. He noted that the difference between the three-year and five-year amounts is, in three years, the Paxton Creek, Asylum Run projects total $29,250,000. He noted between year three and year five, there is another $26 million projected, but of that, $23 million is slated for the wet weather treatment plant.

Mr. Seeds noted that $40 million of additional funds would be needed to complete the Spring Creek work. Mr. Wendle noted if you take the $16 million PENNVEST funds and subtract it from $56,700,000, there is a need for $40 million in additional borrowing to cover the schedule for the next five years, if the wet weather treatment plant is built in 2013 and 2014. Mr. Seeds questioned if it included Paxton Creek. Mr. Wendle answered yes.

Mr. Seeds questioned what would happen if the Township had to install holding tanks. Mr. Wendle noted that the Authority does not have to make that call until 2017. He noted that the Authority would go on rebuilding the basin to minimize the amount of storage that would be necessary.

Mr. Bova noted that he presented the lower and upper ends for borrowing, suggesting that it would fall somewhere in between. He noted that the overriding thought is the availability of cheap money using the BAB structure that is available until the end of 2010, and with the prospect of rates going up; his recommendation is to borrow now. He noted that Mr. Wendle, Mr. Smida, and the Board must be comfortable with this.

Mr. Hawk noted that he is concerned that the Board makes the right decision at this time. Mr. Seeds questioned what impact this would have to the users' rate schedule. He questioned if the Authority would continue the $10 per year increase, or would the Authority have to raise the rates more than $10 if it would borrow the additional $40 million. Mr. Wendle noted that when he looked at supporting a debt service of $5.5 million, for every million dollars, it would amount to $40 a year per EDU. He noted that when he was projected ahead to $20 million, the debt service would be $5.5 million, and it would result in a $140 per quarter rate to support that debt service. He noted that the Authority has some reserves, and the rate increase could be forestalled. He noted that it would also include some rate increases from the City of Harrisburg. He noted that the $4.8 million budgeted for this year with the rate of $116 per quarter; the debt service was budgeted for this amount with no increase in rates from the City of Harrisburg. He noted that for every million that is increased, it would amount to a difference of $45 per year per EDU, between Option B and Option C. He noted that going from $4.1 million to $5.3 million, a $1.2 million increase in debt service would impact the rates at $48 per year per EDU or $12 per quarter.

Mr. Weaver questioned if there was a smoking gun for using the BABs money. Mr. Bova answered no. Mr. Weaver questioned why municipalities are not lining up for the money. Mr. Bova answered that the first deal was just completed the end of April.

Mr. Bova noted that a certain school district had planned two renovations for a middle school, budgeting $61 million, however the bids came in at $52 million. He noted that he had originally projected to the school district a millage increase of 2.17 mills, but based on the BABs bonds and the low bid, he was able to get the millage increase to 1.46 mills. He noted, as a result, the school district added $6 million to the project. He noted that if you need money, and you believe that rates are going up, now is the time to borrow money. He noted that these deals work best for bigger issues, and for issues that have sizeable amounts on the long end, and good under lying ratings.

Mr. Weaver noted if the Township does not build the wet weather treatment plant, it would have to do something in Beaver Creek. Mr. Wendle noted if you do not have to spend the money in the next three years, noting if the legal block to the Wet Water Treatment Plant continues, then there is other work that would have to be done in Beaver Creek, such as rebuilding the system. Mr. Weaver stated, if the Township does not build the plant, then there would be more expensive options to use. Mr. Seeds suggested that it would amount to more than a $10 increase in rates. Mr. Wendle suggested that it would cost $12. Mr. Wolfe noted for $40 million, you would do a one-time $12 increase. Mr. Wendle noted that it would be enough until the Township needed to borrow more funds. Mr. Weaver noted that the rates did not have to increase immediately since the Authority has funds in the bank. Mr. Bova noted if the Authority wanted to keep the money in the bank there are numerous options for a rate structure.

Mr. Wendle explained that he budgeted $4.8 million for this year thinking that the Authority would need to borrow and add an additional $700 to the debt service. He noted for this year's budget, the projection is a $900,000 surplus, but in two years, the operating expenses that the Authority may have to support could be another several million dollars to the City of Harrisburg, depending on what they do. He noted that the Board should not look at the absolute rates themselves, but what are the impacts of the different borrowing scenarios. He noted if the Authority borrows $56 million, the Authority would pay $12 per quarter since it includes the PENNVEST funds. He noted, if you take the PENNVEST funds, restructure the existing debt, and borrow $12 million, the Authority would be paying exactly what it is paying now, roughly a debt service of $4 million. He noted, if the Authority borrows an additional $26 million, then it would pay $12 more per quarter for those funds.

Mr. Seeds noted that all the existing debt would need to be restructured. Mr. Bova noted that it would include what could be restructured. Mr. Seeds noted that the debt would extend out over a longer period of time. Mr. Bova noted that it would be at a lower rate due to the BABs structure, and if you take the present value of a dollar today, versus the value of a dollar 30 years from now, it would make a difference. Mr. Weaver noted that the rates have been going up for some time, and he has received an earful from the public. He suggested that debt restructuring could be a savior for the Authority.

Mr. Wolfe noted that for any new money, the Authority would need to raise rates. Mr. Hawk questioned what would be best for the public. Mr. Robertson questioned how long the debt service could be kept level. Mr. Bova noted that it could be kept level for at least four years. Mr.

Weaver noted that he would like to have Mr. Smida and Mr. Wendle discuss different levels of rate impact with the Board members during another meeting.

Mr. Bova noted that the Authority needs funds, but it must determine how much it needs. He noted that interest rates have been higher 70% of the time, and that it could borrow 30-year money based on the current treasury rate for a taxable bond. He noted that the BABs are priced over treasuries, and if the treasury is at 5%, there is a premium over that, and it varies every day. He noted, if the rate on the BABS is 635 and the Authority would receive a 35% credit, it would equate to a 4% interest rate. He noted that the Authority would be borrowing 30-year money at an interest rate close to 4%. He noted that this opportunity has not been available for a long time.

Mr. Hawk questioned if the Authority needed to move on this option. Mr. Bova answered yes. He explained that the funding should be completed before January 4, 2010 since he would need to provide milestones to keep going. Mr. Hawk suggested that the Authority has four months to make the goal. Mr. Smida noted that the environment is now offering lower rates, and the longer you wait, you would be squeezing the balloon down the other way.

Mr. Seeds questioned if the BABS ever run out. Mr. Bova noted that the offer expires December 2010, and the BABs are available until that time.

Mr. Hawk questioned how long Mr. Weaver and Mr. Bova need to get together. Mr. Weaver answered that he would have the information ready for the August 25th Authority meeting.

Mr. Hornung questioned what the certainty was for the BABs being available for the next ten years. Mr. Smida noted that he could not guarantee that the BABs would be available in five to ten years, but there is a lot of momentum for the bonds.

Mr. Bova noted that the BABs program is authorized to continue until the end of 2010. He noted, if the Authority uses the BABs structure, there are basically three ways to put a call protection on the bonds. He noted that he is mainly seeing a ten-year call. He noted that the other option is to make a whole provision. He noted that there is no economic benefit to call the bonds as it would go to the buyer of the bonds, and they could not be refunded. He noted that this would not be an option to consider. He noted that the third redemption is an extra-ordinary redemption, and that was included in the event the government stops paying the subsidy. He noted, if the government stopped paying the money, the Township would have to recall the bonds. He noted that the penalty would be to refinance, based on the rates on that day, and the Authority would only get the benefit for six or ten years.

Mr. Weaver questioned if there was a minimum amount for the BABs program. Mr. Falgione noted that people were worried about getting enough bonds out if they wanted to sell them back. He noted, in the last four months, there have been issues of $10 million. Mr. Hawk noted that the projection is that the economy is in for an inflationary time. Mr. Bova noted that is why they are predicting that the rate would go up.

Mr. Hornung questioned if the rates went up, how that would affect the Township's ability to reinvest again. Mr. Bova noted that it would have a positive impact on reinvestments. He noted that he is looking at short-term rates, and if the Township has money to invest for two, three, or four years, it would get higher rates. He noted that he would not count on it being equal, but rather negative, but as rates go up, you would earn more money. Mr. Hornung suggested that the numbers would be better with the ability to reinvest some of these monies. Mr. Falgione noted that he used a zero percent earnings rate on monies that would be held until they are spent. Mr. Bova noted that he would meet with staff to provide a response for the August 25th meeting. He noted that Mr. Falgione would be able to attend that meeting in his place.

Mr. Hornung noted that Mr. Bova stated, if the Township invests in a three-year period it would provide for a better rate. He questioned what the rate would be at this time if the Authority invested in a three-year period. Mr. Bova noted that he does not look at three-year rates. Mr. Weaver noted the PLIGIT accounts show a rate between 2% to 2 ½%. He noted that the money that was in the PLIGIT account was used to pay the Swatara Township Authority bill. He noted, for short-term, the earnings are ½%. Mr. Hornung noted that 2% is a huge difference in the debt service that the Authority would have to pay back. Mr. Weaver noted, if Option C was chosen, in a couple of years there would be a long time where the money could be invested. Mr. Hornung noted that the Authority is looking to build a treatment plant, and do more work in the Beaver Creek basin, and if other work is done if the treatment plant is not built, or a cheaper solution is found, then the money may be spread over a longer period of time, providing the ability to invest the money over a longer period of time. Mr. Weaver noted that he was shocked that there was no arbitrage on this money. Mr. Bova noted if the interest rates go up, and the after reimbursement rate is close to 4%, the Authority could be close to earning 4% on its money, but he does not like to sell a product that way, because it would be a what-if scenario.

Mr. Wendle noted, if you borrowed an extra $26 million, and it doesn't get spent due to a legal issue, it would amount to earnings of $500,000 a year. Mr. Hornung noted that the user rate would only have to be increased $5 instead of $10 or $12. He noted that it is important to know that there is a potential for less earnings. He noted that the calculations are provided at the zero rate. He noted that that could not be the worst scenario, noting that in the current environment, the interest rate would be 1½%. He noted that the Authority's history has never been to draw down the money at the rate that was projected.

Mr. Bova noted that he would meet with Mr. Weaver, Mr. Smida, and Mr. Wendle to develop some scenarios, and Mr. Falgione will make a presentation during the August 25th meeting.

Continued review of Township revenues and expenditures against 2009 Budgets and pre-draft budgets for the 2010 fiscal year

Mr. Wolfe explained that he invited members of the various department to present their budgets, and after that, he would discuss options for overcoming the budget deficits.

Mr. Wolfe noted that he has updated his original presentation that was provided to the Board members in late June. He noted that the 2009 budget is $18,145,784, including a $17,308 balance for operations, and a transfer to the General Improvement Fund of $635,000 for capital projects. He noted that the State Aid balance is $1,004,395, and when combined with the General Fund it produces a budget of $19,150,179; the General Improvement Fund is budgeted at $3,149,000 with $635,000 transfer from the General Fund; the Friendship Center is balanced at $2,240,880; the Authority Operating Fund had revenues of $12,480,415, with expenditures of $10,783,085, producing a surplus of $1,697,330. He noted that the Capital Fund for the Authority has $17,683,500 in expenditures, with $14.2 million for the Swatara Treatment Plant upgrades, and another $2 million for Beaver Creek repairs. He noted that the General Fund balance, at the beginning of the year, was $7,120,112.

Mr. Wolfe noted that staff's estimate for the year-end standing for the 2009 budget is as follows: General Fund revenues of $16,554,097 against expenditures of $17,290,073 producing a deficit of $735,976. He noted that this includes a transfer to the General Improvement Fund of $233,804. He noted that the Township would spend all the State Aid, noting that it amounted to $1,004,395. He noted that the General Improvement Fund reduced capital expenditures and would spend $1,388,820 this year. He noted the Friendship Center has revenues of $2,089,970 against expenditures of $2,081,194, producing a surplus of $8,776. He noted that the recession has not had a significant impact on the Friendship Center. He noted that he would discuss the Authority budget at its next scheduled meeting in August, and the expected General Fund balance at the end of 2009 is projected to be $6,150,332.

Mr. Wolfe noted for the 2010 budget, based upon the figures from the end of July, the General Fund budget is $18,448.014 in revenues against $18,900,349 for expenditures, producing a deficit of $452,335. He noted that the Liquid Fuels State Aid is budgeted at $1,005,000 which is used for operations for the Public Works Department. He noted that the General Improvement Fund for Capital projects would complete the current strategic plan, with expenditures of $1,695,200, and would require a $1,042,000 transfer from the General Fund.

Mr. Hawk questioned if the Liquid Fuels contribution is fairly consistent. Mr. Wolfe answered that it is, as it is based upon the number of miles traveled and the amount of gasoline used by motorists in the State of Pennsylvania. He noted that the population continues to stay consistent with some minor growth. Mr. Wolfe noted that the Township is seeing a reduction in the total amount of Liquid Fuels Tax. He noted that the Friendship Center budget has revenues of $2,202,300 against expenditures of $2,194,679, and the General Fund balance on December 31, 2010 is projected to be $4,655,997.

Mr. Wolfe noted that the economic recession for housing hit the Township particularly hard as most of its revenue growth is, in part, due to development activities. He noted that the primary sources of income are EIT, Real Estate Tax, Real Estate Transfer Tax, and the LST, making up at least half of the annual revenues.

Mr. Wolfe noted for the year 2009, the real estate tax is projected to be down $51,000, the real estate transfer tax's deficit is projected at $250,000, and the EIT is project to be down $85,000 in addition to the CTCB deduction of $200,000. He noted that the interest income is down $170,000 and a police gaming grant was refunded in the amount of $36,400. He noted that the Community Development revenues are down $200,000, recycling revenues are down $130,000 and the Fee-In-Lieu is down $160,000 producing an overall shortfall of $1,282,400.

Mr. Wolfe noted that a 10% increase in real estate taxes would generate $250,000 in revenues. He noted that an early retirement incentive program for employees is under investigation. He noted that rolling layoffs are also under investigation, noting that Mr. Stine has looked into this, and he concluded that anything involving the employees would involve discussions with the bargaining units. He noted that the Township has one work force with three operating funds, General Fund, Friendship Center, and the Authority, and the crisis is only with the General Fund. He noted that the Township is self-insured for Worker's Compensation, and any long-term reduction in the work force would result in the Township paying for it. He noted that the bargaining contracts prohibit the Township from contracting out work for job reduction work.

Mr. Wolfe noted that staff had reduced the level of service by closing the Police Department at 5 p.m., and it has delayed the hiring of two police officers, resulting in the current compliment of 57 police officers. He noted that the police have agreed to institute a 12-hour shift rotation, which should reduce police and court overtime.

Mr. Wolfe noted that a greater portion of the Liquid Fuels Tax could be used for employees' wages. He noted that Mr. Robbins has looked into allocating $320,000 from State Aid Liquid Fuels from paving to employee salaries.

Individual Department Budgets

Public Works Department

Mr. Robbins noted that he has not made many changes to his budget. He explained that building maintenance and repair line item was budgeted for 2009 at $19,000, however, it is currently $23,000. He noted that the Public Works building is 20 years old and several heating units needed to be replaced. Mr. Wolfe noted that employees are very concerned about individual line item expenditures and a no unnecessary expenditure policy has been established by all departments. He noted that anyone with a question on an expenditure is to discuss it with him.

Mr. Robbins noted that much of the Parks' infrastructure is aging, such as boards and posts, and he has focused the Department's efforts in developing a list and making repairs when possible. He noted that he is focusing on safety issues and those items that would pose a hazard for parents and children who are utilizing the parks.

Mr. Robbins noted that the paving materials for 2010 was bumped down, noting that it is a difficult item to budget for when doing projects for stormwater improvements that are located in the legal right-of-way that cannot be delayed. He explained that he is stockpiling stone at the Public Work's facility rather than hauling directly to the job site from the quarry. He noted that the costs for asphalt are not cheap.

Mr. Robbins noted that he budgeted $5,500 for the MS4 projects. He explained that the report was due in June, and he did not know that the regulations required that all the outfalls be mapped; therefore he had to pay the engineer to do this. He noted that he had the engineer prepared the report, since he did not have the time to do it himself. He noted that he tries to keep the use of the Township engineering services to a minimum.

Mr. Robbins noted that the State Aid funds included several projects for paving for this year. He noted that $250,000 was budgeted to reclaim Huntsmen Drive; but he has since discovered that a new technology using fabrics could be used for this project. He noted that he has tabled this project, until he had done more research in the use of fabrics. He noted that it was his intention to narrow the cartway for this project as it is 40-feet wide in some areas, and the Township is paid Liquid Fuel funds based on the length of the roadway and not the width. He explained that he has $200,000 in the budget for two new trucks, and may end up with a surplus of $80,000.. He noted that he has used the money budgeted for the projects completed, such as the micro-surface and crack sealing for Prince Street, and poly patching. He noted that he could save $130,000 under State Aid in blacktop, a $10,000 savings in the rental of equipment, which would result in an overall savings of $215,000. He noted that he had two paving projects that he would like to have his staff complete, however, if they are tabled, it would result in an additional $90,000 savings, which would bring the total number to $330,000. Mr. Wolfe noted that a decision must be made on how to spend the State Aid blacktop funds of $130,000.

Mr. Robbins noted that he is in desperate need of some general service trucks, and would like to purchase three trucks out of the $200,000. He noted that the trucks are used in the Parks, are also used to plow in the winter, and are used to tow compressors to various job sites. He explained that the two 1996 trucks have over 140,000 miles on them, and one is down because the front frame is cracked where it mounts to the plow. He noted that the list price for the trucks with DGS is $41,000 per truck, but with the DGS discount and the dealer discount, he could buy the trucks for roughly $22,000 a piece. He noted that he can purchase the F350 series from Ford for what he would pay for the F250 series truck. Mr. Hornung questioned why that is. Mr. Robbins answered that it is the way the trucks are bundled. Mr. Seeds questioned if the new trucks are diesel. Mr. Robbins answered that he would not buy diesels as they cost $8,700 more for the engine.

Mr. Wolfe questioned Mr. Robbins what his net Liquid Fuel Funds savings would be after delaying some improvements and projects and buying the trucks. Mr. Robbins answered that it would be a savings of $450,000. Mr. Wolfe noted, if the trucks were bought, the savings would be $320,000. Mr. Robbins noted that it would not include purchasing a plow for each truck. He noted that he would delay paving Miller Road from Route 22 to Fritchey Street, and Devonshire Road from Route 22 to Hampton Court. He suggested that he could get another year out of those roads.

Parks and Recreation

Mr. Luetchford noted that there were very few changes that he could make that would not have an adverse impact on services. He explained for the 2010 budget, $100,000 for the Fee-in-Lieu funds, noting that it is only a guess. He noted that there was a slight increase in the preschool program, in the youth/teen program, and youth basketball providing a total revenue of $438,700. He noted, for expenses, there was an adjustment made to vehicle fuel, telephone charges, park rentals, and staff seminars. He explained that park improvements is higher than what it was in 2009, and includes turf grass maintenance, playground safety surfacing material, and the repainting of tennis courts. He noted that the new item included in the budget is the paving of a pathway to the dog park. He noted that he had budgeted $3,000 to replace the pavilion at Kohl Park, but someone put their foot through the roof, and a tarp has been placed on it for the time being, but it needs to be repaired this year. He noted that a small adjustment was made for trip expenses, noting a total revenue of $438,000 and expenses of $727,000. He noted that there was very little change from a few months ago to the present. He noted that there is no other place to reduce funds unless he would eliminate programs or eliminate some of the park maintenance items.

Sewer Authority Manpower Needs

Mr. Wolfe requested Mr. Weaver to discuss his manpower needs in light of future construction projects. He noted that it would impact the Board in how it would discuss its options for additional cost cutting measures.

Mr. Weaver noted that due to the PENNVEST funding award, the Authority's schedule for Asylum Run has required that the maintenance plan be included. He noted that it was not initially projected in the original schedule when he met with DEP to review the Beaver Creek and Paxton Creek plans. He noted that the Asylum Run and BC1A plan will be worked next year, along with the Corrective Action Plan (CAP) for Paxton Creek. He explained that he has four inspectors on staff at this time, however, one will be retiring the end of the year, and he will need to replace him. He noted with the two additional projects, and the other CAP work, he would need two inspectors for each mini-basin, noting that he would need six inspectors and would only have three. He suggested that he could check with CET to inquire if they have the manpower, noting that Buchart-Horn could also provide the manpower, or the Board could hire personnel. He noted that staff would not recommend doing this as there is only a short-term need for the additional inspectors.

Health and Community Development Budgets

Mr. Wolfe noted that there were no changes in the Health Department budget. He noted that the recyclable revenue sharing is not what it was thought to be. He noted that the leaf waste tipping fee has been instituted and revenue is coming in as many people are purchasing the permits. Ms Wissler noted that 450 day permits have been issued for a total revenue of $4,500. Mr. Wolfe noted that the State has informed the Township that the Recycling Program Grant would not be at the same level as it has been in the past. He noted that, typically, the Township received $100,000, and he has budgeted $80,000 for 2010.

Ms. Wissler noted that she received four plans this month, however, they were simple subdivisions. Mr. Wolfe noted that the year-to-date for building permits for single-family dwellings is less than $40,000 in permit revenues; less than $10,000 for multi-family; and for new commercial, it is less than $15,000. Mr. Hawk noted that this must have a heavy impact on the construction trade. Mr. Blain noted that he has construction clients that laid off half of their employees.

Mr. Weaver noted that there are two hotels to be built in the Township and a possible third one as well.

Mr. Wolfe noted that the Administrative budget’s only change is in the Earned Income Tax (EIT), where the Capital Tax Collection Bureau (CTCB) informed the Township that it would be keeping $200,000 in taxes that they feel were overpaid to the Township in 2002. He noted that he started out with a 2009 budget of $18,200,000 with staff reducing it to $17,300,000, leaving a deficit of $750,000. He explained that he does not know how to fund the deficit.

Mr. Wolfe noted that the Building Maintenance, Shade Tree Commission, and Police Departments' budgets are unchanged. He noted that the Sewer Authority meeting will be held in two weeks and its budget would be discussed at that time.

Mr. Luetchford noted that the Friendship Center has not been highly impacted by the economy. He noted that the Health Ways and Silver and Fit programs have helped to booster memberships. He noted that revenues have stayed relatively intact throughout the year. He noted that he added two weeks to the day camp to provide for extra revenue, and he has downsized the lifeguard and service staff without sacrificing safety. He noted that he projects having an end of year budget of revenues in excess of expenses. He noted that he hopes to hold to a 2010 budget of $2.2 million.

Mr. Hawk noted that there is a huge difference in the Fitness Trainer line item of an estimate of $53,000 as compared to an actual of $26,000. Mr. Luetchford noted that this line item has taken a hit, noting that the personal trainers are confident that the need for their services will spring back.

Mr. Wolfe noted that there are no changes to the General Improvement Fund from the June meeting, noting that he expects to need $233,000 in General Funds to balance the year. He explained that he is waiting for the reimbursement from PENNDOT for the Village of Linglestown project. He noted that it is the means to balance the budget for the remainder of the year. He noted that Mr. Robbins had budgeted $310,000 for stormwater improvements and expects to spend it all, and traffic signal projects are budgeted at $40,000, for a left-turn arrow that is needed for a hotel that will be opening soon, and for the engineering fees for the Locust Lane/Nyes Road traffic signal. Mr. Robbins suggested that the Nyes Road project would start in September of 2009. Mr. Blain noted that in the last memo distributed, it was noted that construction for this project would not start until 2010. Mr. Wolfe noted that he received the plans for this project from PENNDOT and they are available for the Board members to review.

Mr. Wolfe noted that the Township received road improvement revenues for the Quail Hollow Road work last year. He noted that the net expenditures for the Linglestown project should be $410,000, and the parking lot and alleys improvements would also impact the budget. He noted that he has not heard from PENNDOT in regards to the review of the contract for the Village of Linglestown project. He noted that he emailed Mike Lapano at PENNDOT, and he has not responded.

Mr. Wolfe noted that the Public Works equipment line item is the remainder of the leaf waste equipment for the compost facility. He noted that the George Park improvements to the entrance are underway. Mr. Wolfe questioned when the work would be finished. Mr. Robbins suggested that the contract would be completed by the end of September.

Review of the 2nd Quarter 2009 Key Indicator Report

Mr. Blain suggested that there was no need to review the Key Indicator Report as the information was reviewed in the budget discussions.

Mr. Seeds questioned what the UPS maintenance is. Mr. Wolfe answered that it is the uninterrupted power supply for the computer system in the building. He noted that this allows the computers to stay on for a short period of time in the event the power goes off in the building. He noted that it is a big battery pack that is constantly charged that most computers receive their power supply from.

Discussion of options to address projected 2009/10 revenue shortfalls

Mr. Wolfe noted, during the June meeting, the Board discussed a potential to offer an early retirement program for employees. He requested that no employee names be mentioned in the public session, and to hold those discussions for the executive session.

Mr. Wolfe noted that the proposed early-retirement window program that has been suggested by the actuary, due to the economic conditions, would be offered to the employees, the option to retire with age and years of service without attaining the normal retirement age, but reaching the early-retirement age, computing the pension on age and years of service without reducing the amount for the early retirement. He explained that the normal retirement age is 60, the early retirement age is 55, and there 17 employees who are over the age of 55, and two are over the age of 60. He noted that there is a potential for 17 employees to be affected by an early retirement window. He noted that of the 17 employees who could retire, there are 11 who may consider the early retirement option. He noted that many of the employees, who are 55 or older, do not have enough years of service with the Township to realize a substantial pension. He noted that 11 employees have 25 or more years of service with the Township, so they could retire at the maximum pension benefit based upon their salary and without a reduction from age 60 to age 55 for early retirement. He suggested that most employees in this category would find the opportunity to retire to be very enticing.

Mr. Wolfe noted that the estimated salary of the employees is $530,000 and the total costs, with benefits included, would be $826,400. He noted that 55% of that amount ($454,520) is applicable to the General Fund, while 45% ($371,880) would be applied to the Authority. He noted that a good portion of the employees would come from the Sewer Department and would be funded by the Authority and not the General Fund. He noted, if 11 employees left, the process of replacing the employees would need to occur immediately. He noted that the benefit is that the newly hired employees would start at a lower salary as opposed to those retiring with a higher salary and a higher level of benefits. He noted, if the four sewer and four public works employees were replaced, the total costs for the first year for those employees would be $410,700, the maximum net savings to the Township would be $415,700, noting that the net savings to the General Fund would be $277,920. He noted that these estimates are based on the assumption that all 11 employees take the early retirement and seven of the eleven employees are replaced with six months. He noted that the benefit would decrease over time as the employees salaries are increased within the step process.

Mr. Wolfe noted that the retirement incentive program would have to be bargained with AFSCME. He noted that of the 17 potential employees, five are from the Authority and it would amount to 28% of their workforce. He noted that the Authority could not continue the I&I Program and the Consent Program as promised to DEP without replacing the personnel.

Mr. Wolfe noted of the eligible retirements, two are over the age, and one has indicated that he plans to retire at the end of the year.

Mr. Wolfe noted that the attached actuarial estimate to pay for the early retirement is $20,000, but it did not include any costs for the replacement of employees that also affect the pension plan. He noted that it would provide a net reduction in the municipal work force of three positions on top of the five police full-time employees that were already reduced, bringing it to a total of eight employees.

Mr. Wolfe questioned the Board members if they wanted him to proceed with the plan, and if he should meet with AFSCME to begin negotiations.

Mr. Seeds questioned what the normal retirement age is. Mr. Wolfe answered 60, however, for some sewer employees it is 65. He noted that the Township purchased the Sewer Authority’s pension plan when the Township purchased the Authority, and they have a different retirement age. Mr. Seeds questioned if a person who is 55 would get the same amount that they would get at age 60. Mr. Wolfe noted that they would retire with age and years of service at 2% of average monthly compensation, with no reduction for early retirement.

Mr. Seeds questioned what health benefits would be paid. Mr. Wolfe answered that the employees would be able to purchase health care benefits from the Township. He noted that, given that it is a reduction in force due to economic conditions, there is the ability to qualify from stimulus cobra benefits whereby the employee would only pay 35% of the cobra and the government would reimburse the Township the remaining 65% for 18 months.

Mr. Seeds questioned what the minimum years of service would be for an employee to retire. Mr. Wolfe noted that there are no minimum years of service to retire, and the full years of service are 27 years. He noted the 11 employees identified all have more than 27 years of service.

Mr. Blain questioned if Mr. Wolfe would have to request AFSCME to discuss this option with their bargaining units and then decide to approve it. Mr. Wolfe answered that was correct. Mr. Blain noted that the contract would have to be opened to discuss changes. Mr. Wolfe noted if the unions do not agree to do this, then the option is rolling layoffs. He noted that there are some employees who are interested in early retirement and they would be in opposition to the bargaining unit not negotiating this. He noted that those affected by the rolling layoff would not be happy either. He noted that there are a significant number of employees with 27 years or more of experience that are 50 years of age and are not eligible for early retirement that would probably ask to buy into this program. Mr. Blain questioned what the issue would be with this. Mr. Wolfe noted that the buy-in cost would be significant, and he would assume that the Township's position would be that it would not pay more into the plan for this to occur.

Mr. Hawk questioned what the buy-in costs would be. Mr. Wolfe answered that buying years of service can be very expensive. Mr. Blain noted that they would be buying their age for the pension plan. Mr. Seeds questioned if personnel are permitted to buy military time. Mr. Wolfe answered no. Mr. Blain questioned what the issue would be for that. Mr. Wolfe noted that the issue would be a larger loss of workforce than the Township could handle operationally.

Mr. Blain noted, if the Township asks to open the contract regarding early retirement, then it should also discuss having employees make contributions to benefits to try to reduce benefit costs. Mr. Wolfe answered that he could always ask for that. Mr. Blain noted that the two largest costs are benefit costs and payroll costs, and until there is relief in the benefit costs, the number will continue to escalate, unless the union would agree to contribute toward benefit costs. Mr. Wolfe suggested that he should take it one step at a time, informing AFSCME that the Township is undergoing an economic crisis and explain that this is a first step to reduce costs, and that additional steps may be requested later.

Mr. Wolfe noted that after the June meeting, the employees knew more about this issue than he did, and he suggested that the Board must be careful in what it discusses in the public forum. He noted that many employees would want to take part of this early retirement and if a requirement to pay for benefits was added to the negotiations at the same time it would become a mess. He suggested that the Board should negotiate the early retirement first, and then discuss the additional items later.

Mr. Hawk noted that this is an appropriate way to go, but he questioned what the impact would be for services to the Township. Mr. Wolfe noted, if the Board would move the early retirement to age 50, it could lose a significant portion of the workforce, for example there would be no Planning and Zoning Officer. He suggested, at this point, a meeting should be held with AFSCME to garner their response to the issue. He noted that once AFSCME's response is received, then the Township could model its response to it. He noted that he would need to have the actuary do another report to find out if it is possible to add additional years, and to find out what the costs would be. He noted that once he gets the answers to that, he would present those figures to the Board members.

Mr. Hawk questioned Ms. Wissler if the early retirement incentive appealed to her. Ms. Wissler answered that it did. Mr. Wolfe noted that many employees who have heard about the program have informally stated that they are interested in it. He noted that it doesn't solve the deficit problem, as there is still more to do.

Mr. Blain noted that Mr. Wolfe should move forward with the process, but he did not think that it is enough to make up the shortfall. He suggested if he was going to open negotiations, he should discuss the benefit payment issue as well. Mr. Wolfe noted that he did not disagree, but he suggested that the Board should get what it could first, and then discuss the other issues. Mr. Hawk noted that many other Townships are in the same position, and he explained that the Pennsylvania State Association of Township Supervisors (PSATS) furloughed eight employees, and they do not plan to rehire them. He noted that their staff has also taken significant salary reductions. He noted that part of it is in response to the State budget impasse.

Mr. Seeds questioned what impact it would have to the non-uniformed pension plan. Mr. Wolfe noted that the actuary study showed that the impact was an increase of $20,000 to the pension fund.

Mr. Wolfe noted that rolling layoffs become very complicated since there is one workforce but three funds. He noted that there are four bargaining units, one of which operates in all three areas of operations. He noted that he was not sure the Township had the legal ability to layoff in an area that does not have a specific need for a layoff, for instance, the Friendship Center does not have a financial hardship. He noted that the level of employment at the Friendship Center barely keeps the doors open. He noted that it is the same for the Authority as well. He noted that he asked Mr. Stine to look into this. Mr. Stine noted that for layoffs, there are civil service employees, and with those types of employees, there has to be a lack of money or no work. He noted that employees could only be laid off for one of those two reasons. He noted that Second Class Townships are different, and there are not many cases for this as Second Class Townships don't lay employees off since there has always been plenty of work. He noted that, with regards to bargaining units, there are issues for layoffs, the impacts for the layoffs, and where the bargaining work would go. He noted that there are clauses in the contracts that state that the Township cannot go outside of the bargaining unit for work. He suggested that the employees would be treated similar to civil servants as they have property rights in their jobs. He noted that the Township would have to explain that it doesn't have the money or there is a lack of work, across the board, due to the entities that they affect. He noted that the only club that the Township has is a reduction in workforce, and if it can’t be used, then AFSCME could sit at the table, until the remainder of the contract. Mr. Wolfe noted that the Township would not want the union to file an unfair labor practice. He noted that the Township has to have something to force the issue and he and Mr. Stine are not sure how to do it.

Mr. Seeds noted that the Federal government is willing to pay 65% of the Cobra benefits for 18 months if it is a forced reduction in workforce, but he questioned if this would be available for an early voluntary retirement program. Mr. Wolfe noted that the only reason the Board is looking to do this is due to financial conditions.

Mr. Wolfe noted if it is okay with the Board he would proceed to discuss the early retirement option with AFSCME.

Mr. Blain noted that the Township could be in complete dire straits if it does not have the ability to lay off employees. Mr. Stine noted that that is not what he said. He noted that layoffs are bargainable since it is a change in work and salary. He noted that you would have to bargain the layoffs, the impact and where the work would go, for instance, the Clerks and Custodians Unit works in the Township, Friendship Center, Authority, and Police Department. He questioned if there is a layoff, how would it be done since members have bumping rights, and noting that the Friendship Center and Authority are not in dire straits, the only place that you could lay off would be Township administrative employees. He noted that they may have bumping rights into the other two departments. Mr. Wolfe noted that you would be taking your layoffs from Administration, Community Development and Public Works, and maintaining the Friendship Center, Police and Authority in tack. He noted that to take the people from the first three departments would be a huge hit. He noted that you would be closing your doors in Community Development, and he did not know how you could layoff the Finance staff since you have payroll and bills to be paid. He noted that Public Works may have to assume the majority of the layoffs from a numbers standpoint. He noted that there would be bumping rights for jobs. Mr. Stine noted that it is an issue of the practical aspect more than the theoretical. Mr. Seeds noted that he has been through this and it would be a mess.

Mr. Hawk noted that three people could retire in Public Works, and five in the Sewer Department. Mr. Wolfe noted that the retirements are not related to what he is talking about. He noted that Mr. Hawk was looking at the retirement window option, but Mr. Blain is discussing reduction in workforce. He noted that a forced reduction is something that employees are not going to accept willingly. He noted that he did not know how to justify a forced reduction in the Friendship Center or the Authority. He noted that neither have lack of work or lack of money. Mr. Blain noted that if you look at the continued review that Mr. Wolfe presented, the revenue shortfalls may not return to levels pre-recession in 2010. Mr. Blain suggested that they many not return even in 2011, therefore, the Township needs to right-size the ship, using two options, to right-size the ship to live in within the budget, or raise taxes. He noted that he is not for raising taxes with the current economy. He noted that the taxpayers and businesses are already struggling, and he did not think that would be fair. He noted that a good first step is the early retirement program, however, he thinks that it would not be enough. He noted that the Township needs to find ways for additional cost savings in health care insurance or the reduction of staff.

He noted that these are the two most significant numbers in the budget. He noted that the Board must think, during the next week, what goal it wants to reach. Mr. Hawk noted that the easy thing to do would be to raise taxes, but it is not the best thing to do at this time.

Mr. Blain noted that the benefit of right-sizing the ship is short-term pain since there would be a reduction in staff. He noted that it would reduce workforce, noting that more responsibility would be put on less people, but the positive long-term benefit is that people would figure a way to work more efficiently, and as revenue sources come back, the Township could rehire. He noted that there would be plenty of people in the workforce to chose from.

Mr. Blain noted that a lot of the revenue resources are not coming back. He noted the only bid work is road work, and that is due to the stimulus funding. He noted that commercial construction is not happening, and the banks are not lending the money since they think the commercial real estate market is the next to fall. He noted that the banks are not lending money to anyone. He noted that those numbers account for over $800,000 of the $1 million shortfall. Mr. Seeds noted that he is not in favor of forced layoffs; however, he would be in favor of the early retirement incentive after age 55. He noted that he did not know how the Board could operate the Township and maintain services losing that many people. He suggested that staff must look at other areas to cut. Mr. Blain noted that there are only so many things that you can cut with 60% of the expenditures made up of salaries and benefits. Mr. Seeds noted that it would be easy to cut employees, but it would be a total mess if you do. He noted that the Board must figure out the logistical implications of layoffs. He noted that it must decide if it should raise taxes to make up the difference.

Mr. Hornung questioned where the savings would be since some employees would need to be replaced unless you move personnel from one place to another. Mr. Wolfe noted that his projections were done without moving personnel around, and he estimated that it would be a savings of $277,920 from the General Fund with replacements. He noted that some of those people would have to be replaced within six months.

Mr. Hornung questioned how Mr. Wolfe came up with that number.

Mr. Hornung noted that the biggest costs are employees and benefits, and the other option would be to cut all expenditures to try to make it work. Mr. Wolfe noted that he has implemented that. Mr. Hornung suggested that some expenditures could be delayed. Mr. Wolfe noted that the number in front of the Board does not include the $320,000 in reallocation of liquid fuels funds.

He noted that it reduce the $750,000 to $450,000. He noted if there is a savings of $270,000, then it would take the deficit to less than $200,000. He noted if the Board makes those two changes, it lessens the deficit significantly.

Mr. Seeds noted that there are other areas to look at, such as the Parks and Recreation Department. He noted that there may have to be some delays in any new work, in order to maintain what we already have.

Mr. Hawk noted that there has been a significant change made in the proposed 1% county tax. He noted that the 10% collaborative services clause has been removed, and 50% would go to the county and 50% would go to the Township with 25% going to the General Fund balance. He noted that the bill has a long way to go before it would be passed.

Mr. Wolfe noted, if it had not been for CTCB withholding $200,000, the Township would have balanced the 2009 budget tonight with the reallocation of liquid fuels funds, and the maximum benefit from a retirement window option. Mr. Hawk questioned if the Board had any control over that situation. Mr. Wolfe noted that he would discuss this in executive session.

Mr. Wolfe noted that the estimates for this year show a deficit of $735,976, noting that Mr. Robbins has taken $320,000 off of that total, leaving the deficit at $415,976, and if there is a savings of $250,000 for the early retirement, it would leave a deficit of $165.000. He noted that you would not realize the full $250,000 savings this year for the early retirement program.

Mr. Hawk noted that he is not in favor of increasing taxes, but if the Township does not do something it is only spinning it wheels. He noted that the retirement program is a good start, and then it should determine how to right-size the ship. Mr. Wolfe noted that it would result in more excessive measures.

Mr. Wolfe noted that he would approach AFSCME and make a proposal regarding the early retirement program, and ask for a response.

Mr. Seeds suggested that Mr. Wolfe should take another look at the number of years of service that he has listed for the employees on the sheet.

Review of the COMCAST cable franchise public hearing process as recommended by CAPCOG

Mr. Wolfe noted that the Capital Region Council of Governments is in the process of the cable franchise negotiations with COMCAST. He noted that part of the process requires a public hearing at which the Township obtains comments from the general public in regards to their service. He noted that the Cohen Group has provided the Board information as to how to conduct the public hearing, including a sample public notice. He noted that the last time this was done for the franchises renewal for Suburban, who in turn became Sammons, who in turn became COMCAST, no one showed up. He suggested that he did not think there would be much comment provided by the public, and suggested that it could be done as part of a regular Board meeting. Mr. Hawk noted that it should be done as part of a public meeting. Mr. Blain noted that when the first public hearing was held, there was no competition, but now there is Verizon, and the Dish networks.

Mr. Seeds questioned when the new agreement starts. Mr. Wolfe answered this public hearing must be heard first, but he does not know when the agreement would be finalized. Mr. Hawk questioned the purpose of the public hearing. Mr. Wolfe answered that it would be the Township's way to determine the needs of the community. He noted that prior to when they held the monopoly, many cable providers did not meet the needs of the community, however, the cable law provides for the public to provide an opportunity to comment on the incumbent franchise.

Mr. Wolfe noted that Mr. Blain is correct, in that every time Verizon makes a change, he gets a note two weeks later that COMCAST has made a change. He noted that they are very much in tune to the needs of their customers. Mr. Blain noted that COMCAST is very agreeable to providing better rates to its customers, since it does not want to lose it customers. Mr. Wolfe noted that he would schedule the public hearing as part of an upcoming Board meeting.

"Otta Know" Presentation
No items scheduled

Resolution 09-36, Planning Module for Allentown Boulevard Hotel

Mr. Weaver explained that Resolution 09-36 is the Planning Module for the Allentown Boulevard Hotel which was previously approved by the Board. He noted that this is one of the remaining items left for the developer to fulfill in order to record the plan. Mr. Hornung made a motion to approve Resolution 09-36, the Planning Module for the Allentown Boulevard Hotel. Mr. Blain seconded the motion. Mr. Hawk called for a voice vote, and a unanimous vote followed.

Adjournment

There being no further business, Mr. Hornung made a motion to adjourn the meeting. Mr. Blain seconded the motion, and the meeting adjourned at 9:05 p.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by,

Gary A. Crissman
Township Secretary