

**Warrington Township Permanent Finance Committee
Minutes for March 16, 2009 Meeting**

The Regular meeting of the Warrington Township Permanent Finance Committee was held at 7:00 p.m. on March 16, 2009 at the Township Building located at 852 Easton Road Warrington, PA 18976. The members present were as follows:

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|----------------------|----------------------------|
| Michael Braun | Chairman |
| Russ Bragg | Vice Chairman |
| Marianne Achenbach | Member |
| James Furlong | Member |
| Glenn P. McKay | Supervisor Liaison |
| Paul H. Plotnick | Supervisor Liaison |
| Thomas Zarko | Township Engineer |
| Timothy J. Tieperman | Township Manager |
| Vivian Bell | Finance Director |
| Lauri Halderson | Assistant Finance Director |

1. **CALL TO ORDER:** Mr. Braun called the meeting to order at 7:10 p.m.
2. **APPROVAL OF MINUTES:** Mr. Braun asked members to briefly review the minutes of February 9, 2009 and propose any amendments thereto. There being no amendments the minutes were approved unanimously with a vote of 3-0. There was one abstention.

ACTION/DISCUSSION ITEMS:

3. Review with Township Engineer proposals to study township utility operations:
Mr. Tieperman updated the PFC members on a proposed study of the Township's water/sewer utility operations. The Township solicited and received qualification materials from two (2) firms with prior experience in this field. Their proposals ranged between \$25,000 and \$44,000. Township Engineer Thomas Zarko of CKS Associates was present to review the contents of each proposal and to assist Committee members in evaluating them based on consistent criteria and in formulating a recommendation for the Supervisors' consideration. Mr. Zarko explained that he attempted to make sure that the services being proposed were not duplicative of data of which the Township also had possession. After some deliberation on the content of the proposals, Mr. Braun suggested that Mr. Zarko clarify a few points regarding both firms' proposals and report back to the PFC with a firm recommendation. Mr. Tieperman suggested a special meeting to review these proposals and to make a final recommendation to the Board of Supervisors. One particular clarification that Mr. Zarko will investigate is the actual bidding/RFP process should the results of the study favor privatization.
4. Distribution of 2009 final budgets: Mr. Tieperman distributed the final adopted 2009 budget and thanked his assistant Ms. Braun in helping compile the document. Ms. Braun explained some of the content changes included two-sided copies and improved tabs and pagination. Committee members reacted positively to the budget's new format. Mr. Tieperman stated it

was his goal to improve the document incrementally each year and encouraged PFC feedback on how it could be improved during the 2010 process.

5. Review proposed 2010 budget timeline and consider recommendation to the Board of Supervisors: Mr. Tieperman explained he would like to commence the 2010 budget process much earlier this year to avoid some of the unexpected fiscal pitfalls that accompanied the 2008 economic downturn. Thus he proposed a draft budget timeline that included various interim deadlines for a targeted adoption on or around October 13, 2009. His proposed timeline included the following deadlines:

| 2010 OPERATING BUDGET TIMELINE | DEADLINES |
|-----------------------------------------------------------------|------------------|
| PFC recommends budget parameters to Board of Supervisors | 5/18/2009 |
| Supervisors approve departmental budget parameters | 5/26/2009 |
| Department heads submit budget proposal to township manager/PFC | 6/15/2009 |
| PFC Review and Recommendations | 7/20/2009 |
| DH- Preliminary Operating Budget | 8/10/2009 |
| Joint Meeting PFC/BOS | 8/17/2009 |
| TM finalizes preliminary operating budget and submit to BOS | 9/08/2009 |
| BOS review and public meeting- preliminary adoption | 9/22/2009 |
| Final budget adoption | 10/13/2009 |

Chairman Braun opined that vacation conflicts might interfere with the July/August deadlines and suggested merging them with the September/October dates. He suggested further that the department heads begin reviewing their expenditures based on a level funding approach from 2009 and 2010. Ms. Achenbach agreed and suggested that they provide justification for any line item increases of a fixed-cost nature that exceeds the approved parameters. Most Committee members concurred that starting a substantive budget process too early would not allow the Finance Department to make accurate estimates with respect to revenues until at least two solid quarters have been reported. Thus the Committee recommended revisions to the budget schedule as follows:

| 2010 OPERATING BUDGET TIMELINE | DEADLINES |
|-----------------------------------------------------------------|------------------|
| PFC recommends budget parameters to Board of Supervisors | 5/18/2009 |
| Supervisors approve departmental budget parameters. | 5/26/2009 |
| Department heads submit budget proposal to township manager/PFC | 6/15/2009 |
| PFC Review and Recommendations- Expenses | 8/31/2009 |
| PFC Review and Recommendations- Revenues | 9/07/2009 |
| BOS/PFC Joint Budget Meeting | 9/15/2009 |
| BOS review and public meeting- preliminary adoption | 9/22/2009 |
| Final budget adoption | 10/13/2009 |

Mr. Tieperman agreed to bring a revised schedule back for Committee adoption at the April regular meeting.

6. Review latest 2008 EOY Report: Ms. Halderson gave a brief update on 2008 actuals. She explained there were few changes since the February report. Ms. Bell commented that the 2008 audit will be completed shortly and that all 2008 purchase orders have been extinguished.
7. Review fiscal trend projections (general fund) based on January/February actual (draft): Mr. Tieperman explained that he had asked the Finance Department to prepare a general fund fiscal trend analysis using 2009 January and February actuals. He stated the exercise's purpose was to begin forecasting future revenue streams and making some reasonable assumptions about future cost impacts, especially fixed-cost items. He commented that these types of financial exhibits were quite helpful during the recent police arbitration hearings and helped illustrate the adverse financial challenges facing Warrington Township over the next couple of years.

In reviewing the trend report, Ms. Halderson stated that the report assumes no future tax increases. Based on current economic conditions, the finance department is projecting no revenue growth in most revenue classes with few exceptions. This fact, coupled with rising fixed costs expenditures, explain the yawning budget deficits projected in the outer years. While these numbers are disturbing, the fact that these trends are being communicated now will at least give the Committee and the Board of Supervisors breathing room to try and tackle these future deficits. Ms. Halderson noted, however, that these numbers are still preliminary and that conservative estimates were employed for this early analysis.

8. Review and offer recommendations on a fleet replacement program, a component of the new minor capital internal service fund: Mr. Tieperman asked Ms. Halderson to provide a progress report on the development of a fleet replacement program. This program is a new component in the 2009 capital budget. He noted that historically that the Township had never developed such a plan and that based on current wish list items from other departments, significant deficits are shown in the preliminary reports, short a major infusion of cash seed money.

Ms. Halderson commented that management plans to scrutinize these requests to make the departments' annual replacement contributions into these funds more reasonable. Mr. Tieperman stated that Staff would like to phase out (eventually) the capital lease program so that through regularly planned and discipline contributions, the Township can replace its fleet on a cash basis without incurring additional short-term debt.

Committee members discussed the benefits of buying new vs. used and which departments should receive the higher priority. Everyone concurred with the premise that the Police Department should receive new vehicles based on their excessive use over a three to four year patrol cycle.

Mr. Tieperman explained that a current working strategy is to cycle down the police cars to the inspections office and to other non-uniformed departments. Ms. Achenbach strongly recommended that the township seriously investigate the procurement of used equipment that

her company's experience with used vehicles has been favorable and that substantial depreciation costs could be avoided.

Mr. Tieperman noted that the fleet component is part of a larger minor capital fund that will also address items such as software procurement and other minor capital forms with short life cycles. Ms. Bell noted that this fund is receiving dedicated revenues from the highway equipment fund which will be used when calculating department contributions.

9. Review current status of all 2007 & 2008 bond projects and consider recommending modifications to capital program: Mr. Braun indicated that staff is still compiling information regarding the status of certain bond projects and that this information would be ready to review at a future meeting.
10. Review status of all developer escrow funds: Ms. Bell gave a status report regarding the outstanding balances of major developer escrow funds. These accounts have received greater scrutiny in light of some Chapter 11 bankruptcies that have recently been filed. The Township Solicitor has asked that staff be more diligent in reporting any delinquent accounts to his attention and that all efforts be made to keep these accounts in positive territory.
11. **Adjournment:** There being no further business, Mr. Braun asked for a motion to adjourn the meeting. Ms. Bragg made a motion to adjourn the meeting at 8:50 p.m. Ms. Achenbach seconded the motion. The motion passed by a vote of 4-0.

Respectfully Submitted,

Timothy J. Tieperman
Township Manager