



BOARD OF COMMISSIONERS

BUDGET MEETING - 6:00 P.M.

AGENDA-MINUTES

MONDAY, OCTOBER 23, 2017

1. CALL TO ORDER

Attendees: Christina Tori Morgan, President
Glenn Block, Vice President
David Bond, Commissioner
Thomas Johns, Commissioner
Matthew Mulqueen, Commissioner
Renee Bickel, Township Manager
Randy Cope, Director of Twp. Operations
Brooke Neve, Director of Finance
Tracy Fehnel, Executive Assistant

2. PLEDGE OF ALLEGIANCE

3. NOTIFICATION: All public sessions of the South Whitehall Township Board of Commissioners are electronically recorded. The electronic record is kept until the minutes of the meeting are approved, and destroyed if a request is not made to retain the electronic version at that time.

4. MINUTES: None.

5. COURTESY OF THE FLOOR: (Public Comment on Non-Agenda Items) None.

6. 2018 BUDGET: Presented by Brooke Neve, Director of Finance

a. Follow Up to October 16th Budget Meeting Questions/Refuse Changes

Brooke Neve started the meeting by answering three questions asked at the last Budget Meeting.

Q: What do we pay for electricity?

A: SHA - Electricity Contract: Valid from 01/01/16 to 12/31/18. Bid Price Fixed at \$0.05976/KWH. (Normally the residential cost is closer to 8¢/KWH.) This is a significant savings to SWT.

Q: What is our inventory of toters?

A: Effective 10/18/2017 our toter inventory is as follows:

96 Gallon Toters	51
96 Gallon Toter Lids – Yellow (Recycle)	38
96 Gallon Toter Lids – Brown (Trash)	13
64 Gallon Toters*	269
35 Gallon Toters*	78

**(For the 64 & 35 Gallon Toters, labels are used to distinguish between Recycling and Trash)*

Q: Regarding Upper Macungie Township, what are their contributions?***

A:	Lehigh County Senior Citizens	\$9,000
	Meals on Wheels	\$2,500
	Lehigh County Child Abuse	\$2,500

****Note: They do not give a financial contribution to MERT, as they contribute through staff of 2-3 Officers.*

MERT – The majority of the BOC decided that they would like to place this contribution on hold at this point in time.

Brooke Neve, Director of Finance, wanted to touch briefly on Refuse at this point, before getting into the Water & Sewer Fund Budgets.

Refuse Handout:

- Allowance for Bad Debt Policy line item – Brooke explained that historically there has not been one. This is a new line item in the amount of \$70,524, which reduces our Unappropriated Reserve. To get this number, normally you look at your previous two years, and percentage of your outstanding billings, then for the sake of conservatism you add a percentage or two, which was done in Water & Sewer, but was not done in Refuse. This is about 3% of billings. Water & Sewer are a little higher. This is based on something real—where we actually stand with outstanding debt. In this way, Bad Debt would be captured each year. Brooke explained that by doing this journal entry you are actually recognizing the opposite of revenue, and recognizing an expense for it, and this continues to exist as a receivable. It will continue to sit on the balance sheet, until such a time you can conceivably collect it (i.e. Portnoff).
- Q: The question was asked, could we just incorporate the trash bill into the tax bills—we would be eliminating the trash bill, and just include it in with the collection of taxes? The BOC agreed that they need to come back to this and have a more thorough discussion on this with Staff.

Commissioner Morgan commented that we need to find a more efficient way for people to pay their bills. Township Manager Renee Bickel said that one of the internal controls is that the Water and Sewer money must be kept separate, which means separate bills. She went on to say that credit cards and online payments are huge issues which would create significant efficiencies. Commissioner Block said, perhaps even combine two separate bills in one envelope, we would then save a considerable amount of postage.

- The County uses Northeast to collect their delinquent taxes.
- Lastly, a slight tweak was made to Salary and Wages

b. Water Fund Review

Brooke Neve, Director of Finance, said she feels we need to look at the big picture early on in 2018 for both the Water & Sewer Fund, in order to make them more self-sustainable. At

this point, Water is not. We need to have a clear plan and direction when we go into the 2019 Budget season, then we can make changes and plan accordingly in order to rehab these funds. Sewer is in a much better position, but does have some serious capital expenses. However, this budget for 2018 should work.

Township Manager Renee Bickel said that she and Brooke have talked about this at length and feel that Finance and Budget are the avenues by which this should be addressed. For early 2018, Jerry Charvala-PW Group Utilities Leader, Peter Pineda-Authority Manager, and Randy Cope-Director of Township Operations, will work together to come up with and develop a plan before we get too far along in the year, so that when we do the 2019 Budget we have a workable plan in place.

2018 Budget – Water Fund

Total Budgeted Revenues	\$ 3,438,635
Total Budgeted Payroll Expenses	\$ (917,805)
Total Budgeted Operating Expenses	\$ (1,926,328)
Total Budgeted Capital Expenses	<u>\$ (1,493,000)</u>
Net	\$ (898,498)
Estimated Opening Balance 1-1-2018	\$ 846,942
Transfer to Partially Subsidized Capital from General Fund Loan Proceeds	\$ 547,054
Cedarbrook Loan Payment	\$ (20,000)
Payback General Fund – Debt Obligation Payoff	\$ (111,800)
Payback General Fund – Loan 2018 Capital Funding	\$ (109,500)
Payback to Sewer Fund	\$ (100,000)
Estimated Unappropriated Reserve 12/31/18	\$ 154,198

Water Fund Revenue – Final 2018 Budget \$3,438,635.

Metered Water Comparison:	2015 – Gallons 490,423,583 = \$2,462,946
	2016 – Gallons 489,313,274 = \$2,446,566
	2017 – Gallons 422,570,435 = \$2,112,852

We have 6,425 Residential Customers. 2018 Budget for Metered Sales is \$3,045,500. Finance Director Brooke Neve said that Water consumption is trending down. Commissioner Bond said that it is only a 2.5% drop.

Q: What amount of water is unaccounted for?

A: Jerry Charvala – In the main system 15%; Jerry said 70% of our water comes from the main system; in the consecutive system, which is a much smaller system, 32%. This system has a bunch of valves back connected to the LCA System/City of Allentown. Our winter project this year is to check each valve to make sure that we are not running through the meter and back-feeding into the system. Commissioner Morgan said the 15% number is a very good number. The 32% on the smaller system is different—that is real money lost—we are losing water somewhere and nobody is paying for it.

Payroll Expenses

Q: How many employees fall under the Water Fund?

A: 13 full-time Authority employees, allocated 50% Water and 50% Sewer.

Operating Expenses

Q: How much does it cost us to buy; how much can we produce ourselves; and then which is more cost effective? Jerry Charvala said that we are limited by our DRBC Permit. With the City Agreement, it is a drop dead number. We need to average out to 750,000 Gallons per month, because we have to pay for it anyway.

Q: Could our wells keep up with the need in the system?

A: Jerry said NO.

Equipment/Vehicle Lease – Brooke Neve wanted to touch on this a bit. \$79,800 has been budgeted for 2018. This year we actually took an assessment of the vehicles Water and Sewer have and realistic values for them—we have an amount that is built into the \$79,800 paying back the Operating Fund for actual vehicles, and built into it an additional amount to set aside so that in the future when Water and Sewer need to purchase vehicles, it would not be funded from the Operating Fund, but they (W&S) will be paying for the vehicles themselves. This is the philosophy we started using this year, which is a better way, but will take a bit of time until the reserve is built up.

Q: What is Operating Expense Reimbursement?

A: Brooke Neve - A calculation for all of the operating expenses the General Fund pays on behalf of the Water Fund and Sewer Fund. Township Manager Bickel explained—the things that help them operate as a business.

Capital Expenses

Brooke said Capital Expenses are increasing; however, we do have the Comprehensive Plan put together by SSM Group, Jerry Charvala, and Peter Pineda. The Capital Improvements are necessary improvements. She went on to say that continuing to cut them as we have in the past, she does not feel is the answer. Commissioner Bond agreed with this. Now that we have the five-year capital plan, we need to look at financing options. Commissioner Block added that he feels we need to do similarly what we do with the General Fund—split out the Capital items from the Operating Items. The Capital Items would be spread out over a period of time.

Commissioner Block said we should be establishing a line item, with regard to our Agreement with the City, any street where there is a City main feeding SWT customers, we are on the hook for 50% of the repairs. We need a line item for this.

Brooke said that we are essentially using every dollar of your cash carried forward. This plan leaves with you an Unappropriated Reserve of \$154,198.

Commissioner Mulqueen said that we need to remember to integrate with Public Works—for example, if we are going to be ripping up roads, we need to check the time line of paving with PWs.

In closing, everyone was good with the \$1.5M for Capital Expenses.

Brooke also mentioned that she has made debt and amortization schedules.

Water Fund Debt Obligation Payoff Payback (10 years) – The total of the General Obligation Note is \$1,118,000, to be paid back at \$111,800/year.

Water Fund 2018 Capital Funding Payback (5 years) – The General Fund Borrowing Transferred to Water for 2018 Capital Subsidy Total is \$547,054, to be paid back at \$109,500/year 2018-2021, and in 2022 \$109,054.

Water Fund Liability to Sewer Fund: Projected Owed to Sewer Fund as of 12/31/2017 is \$360,000.

c. Sewer Fund Review

2018 Budget – Sewer Fund

Total Budgeted Revenues	\$ 3,075,024
Total Budgeted Payroll Expenses	\$ (1,054,938)
Total Budgeted Operating Expenses	\$ (1,493,128)
Capital Expenses	<u>\$ (575,000)</u>
Net	\$ (48,042)
Estimated Opening Balance 1-1-2018	\$ 2,247,978
Payback from Water Fund	\$ 100,000
Estimated Unappropriated Reserve 12/31/18	\$ 2,299,936

Brooke Neve explained that this Fund is a bit healthier, but some big capital expenses are coming up.

Sewer Fund Revenue

Reminder – Sewer is based on water consumption. \$62.50 is the minimum threshold. If residents exceed the minimum threshold in gallons, they are charge \$3.99/1,000 gallons. Finance Director Neve said that many residents do complain that sewer is based on water because of things like watering their lawn, filling their pools, etc. Commissioner Morgan said this needs to be fixed. The cost of filling a pool falls into the range of \$600 because of sewer being based on water, even though you are not discharging.

Peter Pineda Authority Manager suggested that if you do something for your residents, you also need to do something for commercial businesses, because it is not fair. He also suggested that we check with our Solicitor regarding how to handle this issue with the businesses.

Finance Director, Brooke Neve agreed, and said we need to review and reassess the current resolutions, because we are billing according to how the resolutions are written.

Peter Pineda, Authority Manager, felt that the use of a form/with a calculation or the use of a take-back meter would work; however, the take-back meter would not work as well with commercial—just residential. Township Manager Renee Bickel said this is a project slated for 2018, to really take a look at and address this particular concern.

Brooke interjected that she would like us to first take a look at the resolutions which specifically deal with the issue of charging penalties—we are currently losing out on a lot of

revenue because we cannot charge penalties, and all we have to do is re-write those resolutions. The BOC were unanimous in that this can be taken care of right away by the Solicitor’s Office—they gave the go-ahead to proceed with this immediately.

Sewer Fund Payroll Expense – Everyone was OK with this.

Sewer Fund Operating Expenses

Disposal Fees (to LCA) is the biggest expense. YTD Budget 2017 is \$1,110,000; for 2018 Budget, \$1,004,252, which is an accurate number.

Testing Charges – These have gone up due to the structuring of the Extra Strength Program. 2018 Budget is \$45,000.

Commissioner Bond commented on the importance of making sure that everything that falls under Extra Strength truly gets captured under it.

Some specifics to note regarding 2018 Sewer Operating Budget Details:

Sewer Maintenance Services and Repairs (08431002 - 40370)	\$18,000
Sewer Manholes and Risers (08431002 – 40233)	\$7,500
Testing Fees (08431002 – 40316)	\$45,000
Sewer Contracted Services (08431002 – 40450)	\$41,000
General Government Expense (08431002 – 40573)	\$6,000
Materials (08431002 – 40240)	\$15,000

Sewer Fund Capital Expense

There are a couple of years that will get kind of pricey.

EPA Work:

1. Cast in Place Lining Repairs – Various Locations	\$550,000
2. PW Staff Sewer Repair Work	<u>\$25,000</u>
Total	\$575,000

Wastewater System Assessment Needs – Comprehensive 5-Year Plan, Budget Years 2018 through 2022 listing by SSM:

For Sanitary Sewer –

1. Allowance for Flow Meter Pit Upgrades	\$600,000
2. Meter 52 Drainage Area Sewer Access Improvements	\$100,000
3. PA Street Sewer Main Replacement	\$500,000
4. Hausman Road Interconnection	\$150,000
5. Lining of 21” Interceptor	<u>\$300,000</u>
Subtotal	\$1,650,000

For EPA Sanitary Sewer Repairs –

1. Cast in Place Lining Repairs	\$2,200,000
2. PW Repairs	<u>\$100,000</u>
Subtotal	\$2,300,000

TOTAL of proposed projects \$3,950,000

Jerry Charvala, PW Group Utility Leader said after we are done with this year’s system repairs, we still have 385 repairs that have been identified, and that need to be done. We are hoping that the \$550,000 will get us close to complete. However, as we continue TV-

ing, we keep finding more. Commissioner Morgan said you will never get caught up. This is not a once and done project.

Q: Are funds being set aside for this?

A: Brooke said it is her plan to build a reserve for this.

Commissioner Morgan said that this is the difference between Water and Sewer. With Sewer, it is a constant rehab.

Commissioner Morgan asked Peter Pineda if he felt we have an issue at our meter station. Jerry Charvala interjected and answered—yes, we may. Due to various changes over the years, we want to do a survey and make sure the meters are all accurate.

Executive Summary

Bank Balance August 31, 2017	\$2,560,690.41
Total Estimated Cash at December 31, 2017	\$2,247,978.38

Q: What does the Water Fund owe to the Sewer Fund?

A: At the end of 2018, the Water Fund will owe the Sewer Fund \$260,000.

This ended the presentation by Brooke Neve, Director of Finance. The Board of Commissioners thanked Brooke for another job well-done.

7. **COURTESY OF THE FLOOR:** (Public comment on non-agenda items) None.

8. **EXECUTIVE SESSION**

9. **ADJOURNMENT:** At 7:50P a MOTION was made by Commissioner Block, which was seconded by Commissioner Bond, to adjourn the meeting. All in favor; none opposed.

10. **APPROVED: November 1, 2017**

A MOTION was made by Commissioner Mulqueen, which was seconded by Commissioner Johns, to approve the October 23rd Budget Workshop Meeting Minutes. All in favor; none opposed.