

**TOWNSHIP OF DERRY
BOARD OF SUPERVISORS**

PROPOSED BUDGET 2014 MEETING MINUTES

Monday, November 11, 2013

600 Clearwater Road, Hershey, Pennsylvania 17033

CALL TO ORDER

The November 11, 2013 Proposed Budget Meeting of the Township of Derry Board of Supervisors Meeting was called to order at 5:30 p.m. by Chairman, E. Christopher Abruzzo.

ROLL CALL

Supervisors Present:

E. Christopher Abruzzo, Chairman
Sandy A. Ballard
Kelly C. Fedeli, Vice-Chairman
John Foley, Jr.
Marc A. Moyer, Secretary

Also Present:

Thomas R. Clark, Director of Public Works
Barbara Ellis, Director of Hershey Public Library
Charles Emerick, Director of Community Development
Jill E. Henry, Assistant Township Manager
Zachary Jackson, Assistant Director of Parks and Recreation
Cheryl L. Lontz, Manager of Payroll and Employee Benefits
Matthew J. Mandia, Director of Parks and Recreation
James N. Negley, Township Manager/Township Treasurer
Patrick O'Rourke, Chief of Police
Lt. Timothy Roche, Police Department
Terry M. Weinhold, Manager of Accounts Payable & Accounts Receivable

Public Present: Matt Weir, Justin Engle

Chairman Abruzzo acknowledged it was Veteran's Day and his appreciation for all veterans present and thanked them for their service. Manager Negley served with the 12th Marines and he wanted to acknowledge and remember the 12th Marines that were killed.

INTRODUCTION OF 2014 PROPOSED BUDGET

James N. Negley - Township Manager/Township Treasurer, presented the Executive Summary for the proposed Township of Derry 2014 Budget. He commented that this is one of the best budget's his staff has put together.

The General Fund Operating portion of the budget for 2014 increases 3.64% from 2013 and includes no tax increase. The budget recommended for 2014 totals \$16,439,844 which is a \$577,138 increase from 2013. All departments will maintain current staff levels.

Wage increases effective in 2014 have been estimated within each department's personnel expenditures. Non-Uniform employees (AFSCME) are scheduled to receive a wage increase of 2.5%. Derry Township Police Association members (sworn police officers) are scheduled to receive contractually a 3.0% increase in salaries plus an increase in longevity pay. Management employee salaries are budgeted at 2.75%.

It is estimated that the Cash Reserve in the General Fund Operating Budget of December 31, 2013 will be conservatively placed at \$1,762,142. A Cash Reserve in excess of \$1.5 million is recommended to meet expenditures for the first 90 days of the following year based on when we receive the taxes. The Township's internal policy establishes \$4 million as the desirable amount. In 2008, we had the economic crisis followed by Tropical Storm Lee and our reserve in 2010 was down to \$400,000. We raised taxes and started to build the reserve and watch the budget as well as we can.

The All Funds Operating Budget for 2014 comes to a total of \$21,965,910, which is a decrease of \$1,104,162 from the 2013 estimated expenditures, which has to do with us paying off the stormwater project.

Our total Revenues were projected to be \$17,203,006. Expenditures are projected to be \$16,439,844. If we follow budget and have a good year, we should end up with \$750,000 to add to the \$1.7 in the Cash Reserve which at the end of next year, should bring our reserve up to about \$2.5 million.

The increase of 3.64% is minimal. Not one major department submitted a budget over 4%. This is incredible as we have contracted wage increases that are 3% for the police with longevity.

Our biggest generator of revenue is the earned income tax at \$4.7 million. The Amusement tax and real estate tax are around the same and the parking lot tax brings it up to over \$2 million.

Expenditures – The largest expense is the Police at 37%. We are one of the few communities that spend so much for culture for the community. Granada Gym, Parks & Rec and the Library result in 18% of our budget.

The Township's real estate tax millage for 2014 will be at 1.4466 mills. It is a combined tax of both the real estate tax and the capital tax. .9964 mills for general operating proposed and .4502 mills for capital improvements. We do a good job compared to other municipalities of minimizing the tax burden as far as real estate tax goes. Out of every dollar that is received in real estate tax in Derry Township, .68 cents goes to the school district, .27 cents goes to the county and Derry gets .05 cents.

The staff worked very hard on this budget. They are truly devoted in serving the Township of Derry and providing the best service for the funds that the Township trusts in their behalf.

Chairman Abruzzo noted that we would like to get the reserve fund back to the \$4 million dollar number, but circumstances are different now. We are paying debt service on this building that we had to make up ground for. Getting to the \$4 million number is an obtainable goal, but we should be pleased that it is almost \$2 million. The ability of the Township's staff and the discipline of the Board to rebuild this after what happened to the economy and Hurricane Irene and Tropical Storm Lee is amazing.

Health Care

Cheryl L. Lontz, Manager of Payroll and Employee Benefits – Ms. Lontz reported that a request for proposals was sent out to our current broker and two other brokers to solicit bids for our health insurance. Our RFP was comprised of two parts, a scope of services and an anticipated cost. All three brokers responded to the RFP. The Leff Company is looking at utilizing the SIGNA network, Benecon is looking at utilizing the Blue Cross networks, and Gallagher is looking at utilizing the Highmark networks. All three brokers will provide substantially the same administrative benefits. They will all administer the claims, mail out the claims, write the checks for us, administer COBRA, etc. The return of the claims from the time they are sent in until they are processed and a check is issued is pretty much the same, within 4 to 7 days.

Chairman Abruzzo mentioned that Blue Cross/Benecon did not provide a disruption report. We can see what the disruption rate would be for SIGNA and Highmark, but not for Blue Cross. He asked Ms. Lontz if we should be concerned that we did not get the report? Ms. Lontz said from talking with the representatives, it is her understanding that the Highmark network and the Blue Cross/Blue Shield network are pretty much the same so what you see for Highmark will be pretty much the same for Blue Cross. The Board feels it is important to have this information from Benecon.

Supervisor Foley asked Ms. Lontz if we were make a change in brokers, what type of transitional costs are we going to experience. Ms. Lontz said printing of new cards would be an expense and some expense related to checks. The cost is very minimal to switch.

Ms. Lontz proceeded to explain the fixed cost portion of the RFP. This is where they try to estimate what our claims will be for the year which is difficult to predict. There is a fixed cost of what we pay for them to administer the plan. We would pay a monthly fee to be part of the networks and the administrative fees. They don't change unless there are changes to the enrollment. The other part is they use underwriters for all their formulas to come up with where they feel we will be at the end of the year. They provide us with an annual expected claim amount. The Township could pay more or less depending on how we use the insurance. The other number they give us is the annual maximum claims cost which is the maximum amount the Township will pay on claims in any one given year. In the event we have a catastrophic event and we go over that amount, we are capped at that maximum amount. In addition, the brokers will also charge us a fee for their commission. She shared a spread sheet based on the RFPs. She said it is important to look at the fixed costs because they will not change significantly from month to month and to look at the total maximum liability because worse case scenario that is the most we will pay in claims.

Benecon is coming in with the lowest fixed amount, the lowest expected annual, and the lowest maximum as well as the lowest broker fee.

Vice-Chairman Fedeli asked what it meant under the Gallagher column Highmark 120% and Highmark 110%. Ms. Lontz said it is the amount of risk that the insurance company is willing to assume.

Chairman Abruzzo asked how important it is to the Township if we pay weekly as we go or a monthly amount. Ms. Lontz said we have always done it weekly. She does not see a benefit to doing it monthly. By paying their maximum amount that they would require us to

pay, we would most likely be paying more throughout the year and waiting for a refund at the end of the year. There will be a deficit of about \$150,000 of what Benecon is asking us to pay for the maximum for the year and to what we budgeted.

Supervisor Foley said if we do pay as you go and there is a catastrophic event we are out of pocket heavy at that time. Ms. Lontz said that is correct. The other plan we are already at the maximum. Ms. Lontz said in the past when we have gone over, they are pretty quick to get our money back. If we have an individual go over the stop loss amount of \$50,000, within a month they are reimbursing us.

Chairman Abruzzo said it says that Loomis has the ability to negotiate a 2 to 3 year administration, Benecon said they don't have the ability to guarantee. Gallagher says ASO fees will be the same in 2015, but if chosen they can negotiate other fees. Ms. Lontz said the ASO fees are the administrative services fixed cost fees. They can negotiate to an extent with whoever we decide to go with.

Ms. Lontz said she needs a decision by December 1. Chairman Abruzzo said the Board needs the information regarding disruption report from Benecon to make a decision. Ms. Lontz will request the report from Benecon for the Board's review.

2014 GENERAL FUND OVERVIEW

	<u>2014 Budget</u>	<u>% Change</u>
Total Revenues	\$17,203,006	4.93%
Total Expenditures	\$16,439,844	3.64%

CAPITAL PROJECTS FUND

	<u>2014 Budget</u>	<u>% Change</u>
Total Revenues	\$2,556,566	40%
Total Expenditures	\$2,559,089	-41%

HERSHEY VOLUNTEER FIRE COMPANY

The proposed Hershey Volunteer Fire Company 2014 Budget.

	<u>2014 Budget</u>	<u>% Change</u>
Total Revenues	\$215,000	0%
Total Expenditures	\$448,400	0%
Total Department Capital Budget	\$0	

BOARD OF SUPERVISORS

Jill E. Henry, Assistant Township Manager, presented the Board of Supervisors' proposed 2014 Budget.

	<u>2014 Budget</u>	<u>% Change</u>
Total Department Expenditures Budget	\$ 97,290	2%

The Board of Supervisors Budget totals \$97,290, an increase of 2% for 2014. There was an increase in the Miscellaneous Contracted Services line item. The increase is \$5,000 in anticipation for unplanned projects that require engineering studies in order to apply for grants or to pursue improvements when a problem arises.

ADMINISTRATION

Jill E. Henry, Assistant Township Manager, presented the Administration Department proposed 2014 Budget.

	<u>2014 Budget</u>	<u>% Change</u>
Total Department Expenditures Budget	\$799,882	3%
Total Department Capital Budget	\$ 25,500	

The Administration budget totals \$799,882, which is an increase of \$26,707 (3%). The majority of that increase is attributed mainly to pay increases for personnel and for dental and medical costs. The Services & Other Charges portion of the budget increased to allow the purchase of two computers, to update the Codification of Ordinances, and to begin an employee wellness program. The telephone costs were reduced by changing providers. Utilities & Maintenance was increased for maintenance to the heat/ac system and for electricity costs. We are still under budget for our electricity costs even though the costs are coming down.

The Capital Budget Requests for \$25,500 include:

- Metal roofs on side porches of the Municipal Building are leaking = \$10,200
- Color copier is 10 years old and needs replaced = \$10,000
- Server for Administration and Public Works = \$5,000

Vice-Chairman Fedeli asked about the age of the porches. Asst. Manager Henry said they are the original porches.

HERSHEY PUBLIC LIBRARY

Barbara Ellis, Director of Hershey Public Library, presented the proposed Hershey Public Library 2014 Budget. In 2013, the Library celebrated their growth and marked their 100th year. They serviced nearly 250,000 users through the door, via the website, Facebook, and Twitter. Mrs. Ellis recognized the businesses and institutions that have been partners or sponsors for their 100 year celebration.

The staff is made up of 25 employees. 67.6% of the Library Budget is for staffing, 14.4% for operations and maintenance, 5% for supplies and services, and 12.6% for materials. The percentage of their overall operating budget cannot fall below 12% if they want to continue to get the same amount of state aid. Mrs. Ellis will continue to pursue grant revenues and donations. They have received approximately \$26,000 in donations for 2013.

	<u>2014 Budget</u>	<u>% Change</u>
Total Department Revenue Budget	\$ 154,180	0%
Total Department Expenditures Budget	\$1,142,267	5%
Total Department Capital Budget	\$ 52,820	

The increase in expenditures is due mainly to personnel, unemployment compensation, credit card software, server maintenance fee, increase in utility costs, and cyber insurance for new e-mail system.

The Capital Budget Requests for \$52,820 include:

- Upgrade furniture and signage that need repair/replace and replacement of computer controls and HVAC unit elements to improve efficiency (\$37,820), and \$15,000 for the Lesacanec Library Legacy.

COMMUNITY DEVELOPMENT

Charles Emerick, Director of Community Development, presented the proposed Community Development 2014 Budget:

The department’s revenue budget projects a 7.19% increase due to expected increase in building permit fees.

A 2.61% increase in expenditures is due to increased advertising fees, legal fees, and wage adjustments.

	<u>2014 Budget</u>	<u>% Change</u>
Total Department Revenue Budget	\$600,556	7%
Total Department Expenditures Budget	\$660,912	3%
 Total Department Capital Budget	 \$100,000	

The capital budget request is for revisions for the Comprehensive Plan Zoning Ordinance. The Hershey Med Center will provide \$5,000 towards the traffic portion of the Comprehensive Plan and Community Development will continue to look for funding streams.

Supervisor Ballard asked if the revisions to the Comprehensive Plan Zoning Ordinance would continue over to the 2015 Budget. Mr. Emerick said it could because it will be about a 15 – 18 month endeavor.

Vice-Chairman Fedeli said the Comprehensive Plan it is a huge endeavor. She cautioned future Boards to keep in mind the future of this community in respect to the downtown while undertaking the Comprehensive Plan. It is a big project and talking to people who actually worked on the Plan might be a good idea.

PARKS & RECREATION

Matthew J. Mandia, Director of Parks & Recreation, presented the proposed Parks & Recreation 2014 Budget. Their budget is based on striving to meet the recreational demands of the community while understanding the core responsibilities of the local government.

	<u>2014 Budget</u>	<u>% Change</u>
Total Department Revenue Budget	\$ 924,380	1%
Total Department Expenditures Budget	\$1,563,930	2%
 Total Granada Avenue Revenue Budget	 \$ 202,000	 -5%
Total Granada Avenue Expenditures Budget	\$ 263,623	-2%
 Total Department Capital Budget	 \$ 61,300	

The increase in expenditures for the department is due mainly to wage adjustment, anticipated health related expenses, unemployment compensation rate increase, the replacement of park signage, and increased aquatic contracted programming.

As a member of this Board and the Parks & Rec Board, Chairman Abruzzo said he would support an increase to the rate for non-residents for the day pass at the Plaza. He would like to see the resident rate stay the same. Mr. Mandia said he will present this to the Parks & Rec Board for their consideration.

In regards to the Granada Budget, Supervisor Ballard asked how much revenue was taken in for 2012. Mr. Mandia said \$160,000 was the actual and YTD 2013 was \$106,000. Mr. Mandia said they are adding some new things for next year to bring in additional revenue.

The Capital Budget Requests for \$61,300 include:

- Water slide refurbish = \$23,000 (Mr. Mandia is working with Hershey Park on bundling some of the projects they are going to be having done to try to reduce costs.)
- Shank Park Barn Paint/Gutter Work = \$8,000
- Backflow Preventer Replacement (Rec Center) = \$6,300
- Indoor Pool/Filter Overhaul = \$13,500
- IT Closet Repairs = \$5,000
- Pool Vacuum Replacement = \$5,500

Vice-Chairman Fedeli said the budget indicates reductions in both UC and Workers' Comp. Mr. Mandia said that reduction is Township-wide. Workers' Comp reduced our rate from 5% to 4.25%, but they did increase the base from \$8,500 to \$8,750 which worked out to be a net decrease Township-wide.

PUBLIC WORKS - RECYCLING

Thomas R. Clark, Director of Public Works, presented the Recycling proposed 2014 Budget.

	<u>2014 Budget</u>	<u>% Change</u>
Total Department Recycling Revenue	\$417,850	0%
Total Department Recycling Expenditures	\$609,015	33%

The increase in recycling expenditures as a result of maintenance cost associated with the age of the processing grinder and the volume of electronics recycling taken in at the Center.

PUBLIC WORKS

Thomas R. Clark, Director of Public Works, presented the Public Works proposed 2014 Budget.

General Fund Budget: The Curb and Sidewalk program shows a decrease in revenue as a result of reduced participation of residents and infrastructure needs. Some of the increases in expenditures include personnel and insurance costs, historical needs and usage, mower replacement lease payment, and reflective garments for new employees.

	<u>2014 Budget</u>	<u>% Change</u>
Total Administration Budget	\$ 448,773	-3%
	<u>2014 Budget</u>	<u>% Change</u>
Total Department Revenue Budget	\$ 247,200	-5%

Total Department Expenditures Budget	\$2,328,968	2%
Total Department Capital Budget	\$ 92,192	

The Capital Budget Request is to replace a 1994 truck. It was purchased as a shop truck, but then was used as a sign truck. The request is for a four year lease which works out to \$15,633.05/year.

	<u>2014 Budget</u>	<u>% Change</u>
Total Liquid Fuels Revenue Budget	\$531,800	-1%
Total Department Expenditures Budget	\$501,509	-7%

Liquid Fuels Funding shows a decrease for snow and ice removal as a result of decreased prices on salt contracts.

Supervisor Ballard questioned the \$500,000 transferred from the Recycling budget to Capital Projects. Ms. Lontz explained that there is a fund balance that grows over the years. The biggest part comes from the grant monies they receive. The amount they are transferring over to the capital is to help pay for the debt service on the Recycling Center and other expenses in the capital debt service.

Chairman Abruzzo pointed out to the newly elected Board members the need for a fleet of vehicles that go above and beyond what is normally needed especially in situations like Hurricane Irene and Tropical Storm Lee, etc. The demand on Public Works and the trucks they have when we are cleaning huge debris and moving trees can't be done with light duty trucks. It is important that Public Works, the Police Department and the Fire Department have the necessary vehicles.

POLICE DEPARTMENT

Patrick O'Rourke, Chief of Police, presented the proposed 2014 Budget for the Police Department. Chief O'Rourke said in 2010, the Board asked him if there was a way to reduce costs. Over the past few years, he was able to manage the overtime expenditures through some restrictions, re-staffing initiatives, and scheduling.

	<u>2014 Budget</u>	<u>% Change</u>
Total Department Revenue Budget	\$ 564,540	-4%
Total Department Expenditures Budget	\$6,105,240	4%
Total Department Capital Budget	\$ 120,077	

The Police Department Budget totals \$6,105,240. Personnel expenses were increased as well as an increase due to agreement with DEMA software for radios in the communication center.

The CRT revenue is down 80%. The Dauphin County Crisis Response Team lost a big contract that went to another team.

Vice-Chairman Fedeli asked why the Drug Task Force was zeroed out. Chief O'Rourke responded that they received \$10,000 but used a lot of the seizure and forfeiture money to buy equipment so as not to put an undue burden on the taxpayers. Chief O'Rourke said they are hoping some seizure money will come in shortly, but that is not confirmed.

Chairman Abruzzo asked about the School Police Reimbursement and Cops in School categories. Chief O'Rourke said the School Police Reimbursement is for those officers that are assigned to sporting events at the high school. We are reimbursed by the School District for them. The Cops in School category is our SRO that reflects the reduction of what they agreed to last year.

Chairman Abruzzo asked if it would be worthwhile to have an agreement with the School District in terms of how they are going to fund this. Chief O'Rourke said there does need to be a school resource officer at the school during school hours and he believes there should be a conversation with the School District to discuss a multi-year agreement.

The Capital Budget request for \$120,077 includes:

- 2014 Leasing payment of two vehicles = \$16,953/year for five years
- Equipment = \$17,858
- Body Armor = \$15,000
- Computer upgrades = \$27,034
- Police leasing of six vehicles previously approved = \$43,232

Chairman Abruzzo complemented and thanked the department managers on presenting a creative, cost-effective budget.

ADJOURNMENT

Supervisor Foley moved to adjourn the meeting at 7:05 p.m. Supervisor Ballard seconded.
The motion carried, 5-0.

Respectfully submitted by:

Marc A. Moyer
Township Secretary

Brenda Van Deursen
Recording Secretary