

TOWNSHIP OF LOWER MAKEFIELD
BOARD OF SUPERVISORS
SPECIAL BUDGET MEETING MINUTES – NOVEMBER 28, 2006

A special meeting of the Board of Supervisors of the Township of Lower Makefield was held in the Municipal Building on November 28, 2006. Chairman Santarsiero called the meeting to order at 7:35 p.m. Mr. Caiola called the roll. Mr. Santarsiero noted the Board met in Executive Session for half an hour to discuss real estate matters

Those present: Steve Santarsiero, Chairman
 Ron Smith, Vice Chairman
 Greg Caiola, Secretary/Treasurer
 Grace Godshalk Supervisor
 Pete Stainthorpe, Supervisor

Others: Terry Fedorchak, Township Manager

PUBLIC COMMENT

None was noted.

INTRODUCTION OF 2007 BUDGET

Mr. Santarsiero stated the budget process this fall was the same as the past, noting the Board held three to four meetings to discuss the budget with the department heads and Mr. Fedorchak. Mr. Fedorchak subsequently made budget cuts where he could to get the budget to where it is today. He stated there was considerable work done by all of the departments and Mr. Fedorchak to create the budget and noted the budget does not entail a tax increase for 2007. Mr. Santarsiero stated this is a reasonable budget for the services expected in the Township and the budget does not include any luxuries. He stated the Township is keeping the taxes the same so as not to burden the residents because they are burdened with county tax budget.

Mr. Santarsiero stated the Board had some assistance with the 2007 budget from the Citizens Budget Commission. He stated the Commission was only formed a few months ago, but the Board met with the members to get their input on the budget.

Mr. Fedorchak summarized the 2007 spending plan and reiterated what Mr. Santarsiero stated that he does not anticipate a tax increase for 2007. Mr. Fedorchak put up on the television monitor a comparison of expenditures for 2006 versus anticipated for 2007. He stated for 2007 the General Fund has a ½ mil increase, Park & Recreation has a ¼ mil increase and to counter influence that he reduced the Debt Service by ¾ mil. He noted the Township would receive a \$250,000 grant for open space for the Banko tract which was purchased one year ago. He stated that would allow the Township to reduce the Debt Service and the total millage would remain at 12.87 for 2007.

Mr. Fedorchak stated some of the fees paid by the residents for services such as leaf pickup would remain at \$30 per month per lot, a total of \$275 per year. He stated the light assessment will be \$.22 per linear foot and for the second year in a row, the sewer rental fees would remain the same. Mr. Fedorchak stated the pool fees would also remain the same. He stated real estate taxes generate \$6,500,000 per year and the county total for the tax assessed value tax base is \$516,000. He noted that property taxes are beginning to plateau and the Township might see real estate tax revenue plateau also.

Mr. Fedorchak suggested an area the Board may want to consider for an additional source of revenue is the deed transfer tax. He stated in 2001, the deed transfer tax was \$1,247,000 and each year thereafter to 2005 the Township has seen automatic increases due to new home and existing home sales. He stated in 2005, the Township received \$1,900,000 in deed taxes and in 2006 he anticipates the Township will receive \$1,300,000. Mr. Fedorchak stated the one year drop of \$550,000 from 2006 to 2007 is equivalent to one mil.

Mr. Smith asked Mr. Fedorchak to explain the transfer tax. Mr. Fedorchak stated the transfer tax is a percent paid on the sale of a home. He stated a total of 2% is paid at closing, 1% is paid to the Township, 1/2% is paid to the county and 1/2% is paid to the state. Mrs. Godshalk stated the percentage paid is shared by the buyer and seller of the home. Mr. Fedorchak stated the real estate market is softening all over and it is happening in Lower Makefield. He stated the 2007 budget for the transfer tax is \$1,450,000 and that estimate will depend on the market. Mr. Fedorchak stated the transfer tax accounts for 17% of the General Fund revenue.

Mr. Smith referred to the real estate transfer tax graph displayed on the monitor and asked Mr. Fedorchak if some event happened in 2005 that increased the transfer tax in 2005. Mr. Fedorchak stated the sale of several large commercial properties such as Polo Run and Belmondo.

Mr. Caiola noted the transfer tax in 2007 will be more in line with what the Township should receive in revenue. Mr. Santarsiero asked if the projected figure for 2006 or 2007 considers the sale of Belle Mead to Matrix. Mr. Fedorchak replied no. Mr. Santarsiero stated there is a chance that Matrix could close on the property this year or next year and sell to a developer. He noted that the Township's outlook for the transfer tax notwithstanding the Matrix situation is conservative.

Mrs. Godshalk stated that Belle Mead may not sell to Matrix because Matrix is not a developer. Mr. Santarsiero stated there will be at least one transaction between one of the parties which would put the Township in a good position.

Mr. Fedorchak stated these are trends that will influence the Township's 2007 receipts. He stated the transfer tax accounts for 50% of the General Fund expenditures, it accounts for 85% of Debt Service revenue and 80% of Park & Recreation revenues. He stated the transfer tax revenue prevents the 5% to 6% increases that would normally be needed in those departments.

Mr. Smith asked what the anticipated transfer tax was for 2005 without the commercial property sales. Mr. Fedorchak stated the transfer tax would have been \$1,400,000. Mr. Smith noted if the Township has similar commercial sales in 2006 and 2007, the proposed figure would increase. Mrs. Godshalk noted the economy on the whole has been good, people constantly move, home prices continue to increase and we are in a good location adding to all of those factors.

Mr. Fedorchak stated the Township has been and continues to be in good shape financially across the board.

Mr. Fedorchak stated 2007 expenditures in all 19 different funds total \$28,000,000 and he is projecting revenues of \$21,000,000 with an ending balance of \$4,000,000. Mr. Fedorchak presented a chart identifying the more active funds such as the golf course, Park & Recreation, street projects, Capital Reserve, General Fund, Debt Service, fire protection and the pool. He stated the ending balance of all funds is in excess of 10% of the total balance. The Township started the year with \$7,000,000 and the ending balance will be 1/3 of that. The Township will need to look at increasing the balance by the end of the year.

Mr. Santarsiero asked if there were any further questions from the Board. Mr. Stainthorpe stated the Board has discussed the budget at length and he congratulated Mr. Fedorchak on a good job. Mr. Smith also thanked all of the departments on a good job. Mr. Fedorchak described the process of compiling the budget and thanked the administrative staff and the department heads for their hard work. Mr. Smith complimented the Board on reaching common ground. Mrs. Godshalk thanked Mr. Fedorchak for working hard on the budget especially since there is no tax increase and since the Township lost its Finance Director. She asked Mr. Fedorchak for a pie chart in the next newsletter showing the services provided to the residents by the Township.

Mr. Santarsiero asked if there was any public comment and none was noted.

Mrs. Godshalk moved and Mr. Smith seconded to approve advertising the 2007 budget. The motion unanimously carried.

Mr. Fedorchak stated effective immediately the 2007 budget is available for public inspection and will be posted on the Township web-site soon.

DISCUSSION OF AUDIT PROPOSALS

Mr. Fedorchak stated at the Board's direction, the Township put out to bid an RFP for an auditing firm. The Township received five proposals from the following auditing firms: Styer Associates, Stanley Booz, LLC, Zelenkofse, Lopez, Teodosio & Larkin, and Maillie, Falconiero & Company. The prices range from \$12,900 per year up to \$20,000 per year. He stated that all of the auditing firms are experienced in the public sector. Mr. Fedorchak stated that Stanley Booz from Doylestown was the lowest proposal and he recommends the Board choose Stanley Booz. He stated the Township could choose a term of one to three years, but he would recommend a three year term because the price would be locked in at \$12,500 per year. Mr.

Fedorchak stated there would be an add-on charge of \$2,000 if an audit is needed as a result of the Township receiving any grant in excess of \$500,000. He stated the additional audit would be needed because the Township is expected to receive the \$750,000 HUD grant for the Garden of Reflection soon. Mr. Fedorchak stated that he anticipates the HUD grant as the only audit.

Mr. Smith moved to accept the proposal of Stanley Boos as auditor for the Township for three years at a sum of \$12,500 per year. Mrs. Godshalk seconded the motion. The motion unanimously carried.

OTHER BUSINESS

Mr. Smith noted that the 2007 budget would be advertised for twenty days and the final vote on the budget would be December 20, 2006.

The meeting was unanimously adjourned at 8:10 p.m.

Respectfully Submitted,

Greg Caiola, Secretary