

**MINUTES OF PERKASIE BOROUGH
SPECIAL FINANCE COMMITTEE MEETING NOTES
SEPTEMBER 29, 2009**

620 West Chestnut Street
Perkasie, Pennsylvania

ATTENDANCE:

Finance Committee Members:

Marty Gahman
Richard Hendricks
Jim Purcell
Chris Nicolosi (non-committee member)
Ray Conville (non-committee member)
John Hollenbach
Daniel P. Olpere
Shannon Drosnock
Harold Stone
Chief Joe Gura

Mayor:

Borough Manager:

Finance Director:

Electric Superintendent:

Police Department:

The meeting convened at 7:05 pm. Mr. Gahman opened the meeting.

PUBLIC FORUM

Florence Frei of 736 South 9th Street thanked staff for the way the budget was presented. It was easy to understand the big picture.

ELECTRIC DEPARTMENT BUDGET

Harold Stone, the electric department superintendent, held a seat at the public table addressing Council.

Manager Olpere reviewed that the budget was based on a 17.4% increase which was voted on and passed by Council in fall 2008. An increase will take place for mid November.

Staff reviewed the electric budget highlights and some line item details. Mr. Gahman asked about miscellaneous revenue and what was included in that line item. Staff explained that it is inconsistent what is in that account; some reimbursement items that are one-time events (moving a pole for example). Mr. Gahman wanted to clarify as to why it fluctuates so much.

Mr. Hendricks asked about the amount of KWH used for budget purposes on the revenue side. Staff explained that the average of the past 4 years was used. Our electric consultant also suggested we could use 2009 actuals. Staff explained that they wanted to be conservative in the budget but realistic. They felt that 2009 was so dramatically low due to weather that it should be an unusual year. Staff explained that it is Council's decision which number to use but recommended that the 4 year average is a good, conservative measure.

Mr. Hendricks asked what happens on the power purchase expense side if our KWH on revenue side are too high in budget (actuals come in lower). Staff explained that our electric consultant entered into an agreement to re-sell our unused contract power back to AMP at cost.

Review moved to expense side of the budget. Staff explained wages decrease. Matt Lynch, electric foreman, is retiring at the beginning of 2010. Clerical wages are changed because the allocation method changed, not the actual wage for 2010. Postage increased because of stamp fee increases and the new tri-fold bills require more postage.

Mr. Hendricks asked if we could move to big ticket items, specifically Power Purchase. Mr. Nicolosi asked about the 15K increase in meters. Harold Stone explained that we are installing new commercial meters. Council had approved this in 2008 as a two year project. Discussion happened about the consulting fees for Utility Engineers. It should maybe be lowered as we should be in maintenance phase. A recommendation to lower to 10K was proposed. Manager Olpere handed out new wholesale rate sheet (for flat rate across each year) prepared by our electric consultant. Much Council discussion ensued around the rates. Council discussed the possibility of lowering the electric rate increase and acknowledged that the increase was necessary as a step towards balancing the deficit. Council discussed how general fund revenues are not increasing.

Mr. Gahman spoke to Council to ask them to remember that whatever decisions they are making now, Perkasio Borough must live with for years to come (increase in rates, taxes, cuts in staff or services). Council must act prudently and look into the future for making these decisions today. Mr. Purcell commented that he would not support a vote to cut services or staff.

Mr. Hendricks asked about a wholesale scenario that we have a rate for 2010 and “bite the bullet” but then decrease perhaps .50 per year to allow for an automatic build up in years to come to offset the expenses that are going to grow in years to come. Mr. Gahman reminded staff about living with the consequences in future years.

Committee discussed the 125K repayment of reserves and if it has to be returned for 2010. Mrs. Drosnock addressed Council about reserves. According to Council there was approximately \$1.1 million in reserves when they borrowed the 500K to keep electric increases lower than needed. Also according to Council they spent down reserves \$1 million about 5 years ago to keep rates down. Mrs. Drosnock commented that if a one year “dip” into reserves is 500K than there is only 1 “strike” left before reserves are gone (about \$600K in reserves based on numbers above). Therefore she recommends that reserves need to be rebuilt.

Mr. Purcell asked Harold Stone about the training budget and wanted to ensure that we were continuing to keep the electric staff trained on safety issues, etc.

Manager Olpere introduced the electric department’s capital budget. Harold Stone discussed replacing the pick up truck with a dump truck and why it would be useful. He reminded Council of this conversation for the past few years and how it had been pushed off and needs to be addressed soon.

Harold Stone addressed the substation in regards to capital reserves and expenditures. He informed Council of its age and the testing that needs to be done to develop a baseline of the oil in the transformers. The operating budget needs to be increased in the substation line item to account for this. The substation was built in 1995.

POLICE DEPARTMENT BUDGET

Manager Olpere reviewed the revenue side of the budget. Discussion occurred regarding Sellersville and the contract Perkasio has with them.

Manager Olpere and Chief Gura reviewed expenses. Chief explained that ammunition needs to be added back into the budget. Mrs. Drosnock explained that it was omitted by accident and will be replaced. Council agreed.

Chief Gura explained how his staff has been down a member for over a year now due to injury. He explained that the police department hasn't added an officer for many years and that over 90% of his budget is personnel.

Manager Olpere directed Council to the Police capital budget. He explained that the 2 police cars were removed from the option 2 "bare bones" capital budget. The Chief brought up the unfunded mandate of switching all the radios by 2013 and the expense of that. The Mayor asked if there were any grants for it. The Chief said not at the moment but they are watching for them.

OTHER BUSINESS

Mr. Gahman reviewed with Council the upcoming issues:

1. The committee still needs to hear the Public Works Department and Park and Recreation Departments on their budgets.
2. The committee needs to discuss personnel in an executive session with Council.
3. They need to discuss the issue of the capital budget and how to properly fund it for 2010 and years to come so that it is stable.
4. They need to discuss taxes.

PUBLIC FORUM

Florence Frei of 736 S. 9th Street had questions on the police budget.

ADJOURNMENT

The meeting adjourned at 8:50 pm.

Daniel P. Olpere
Borough Manager/Secretary