

The budget workshop meeting of the Borough Council of the Borough of Sinking Spring was called to order on Monday, November 24, 2008 at 7:00 p.m., at the Sinking Spring Borough Hall, by President Stewart Wenrich. After the Pledge to the Flag, Elizabeth White called the roll reflecting the following Council Members present:

Stewart Wenrich
Bruce Light
Lawrence Schmidt
James Zerr (absent)
George Butkus (absent)
Barbara Kutz
Elizabeth Sloan

Other officials present were: Mayor Clarence Noecker; Charles Fitzpatrick, Borough Solicitor; Robert Ludgate, Sr., Ludgate Engineering; Michael Hart, Public Works Director; Ronald Wentzel, Liberty Fire Company; Regina Shade, Borough Secretary/Treasurer; Police Chief James Oxenreider, and Elizabeth White who recorded the minutes of the proceedings.

A moment of silence was held for our armed services and for the tragic loss of another police officer in Philadelphia.

VISITORS:

There were no visitors.

BUDGETS:

General Fund Budget:

Mrs. Shade explained that she did three (3) budgets for the General Fund. The first one shows no tax increase; the second one shows a .5 mil tax increase and the third one shows a 1 mil tax increase.

Mrs. Shade mentioned that the pay rates for 2009 show a 3.5% increase over and above last year's rates. She informed Council that we are having a little problem the end of this year. She stated that she was hoping that we would have borrowed more money. She explained that last year, we went in to the end of the year with a surplus of money and Council decided that instead of leasing the new truck we should buy it out right. She stated that back in February when it came in front of Council for a vote, instead of approving all of the money for the new truck and the new fire truck, Council cut it back to \$250,000.00. So this year we are going to be a little tight. She also mentioned that we have spent more on gas and we received less interest income on the accounts and that is reflected in the budget. Mrs. Shade went over the end of year projections for income and what is budgeted for 2009. She stated that without a tax increase we are looking at \$2,029,620.00 in income for next year.

BUDGET (cont'd):

Mrs. Shade went over the Expenditures. She reminded everyone that it is based on a 3.5% increase for every department. She mentioned that we are going into arbitration with the Police Contract and stated that some of the police items, like salaries, and health insurance costs may change depending on the outcome.

Mrs. Shade mentioned that at this point in time we really have no major capital items with the exception of two (2) items that Mr. Hart has in the budget. She stated that one is for a dual heating system for the Borough Hall and the other is for heat for the pole building. She also mentioned that, under admin, she has listed a new server for \$12,000.00. She stated that we must purchase the server because they are only good for five years and ours runs out the end of this year. She also mentioned that the County is going to be doing away with the e-mail system so we are going to have to set up our own.

Mrs. Shade asked if anyone had any questions as she went through the budget. She mentioned that she always keeps the income low and the expenses high. Mrs. Kutz asked about the 3.5% raises and what the cost of living increase is. Mrs. Shade stated that she went online today and printed off the news release "Social Security Announces 5.8% Benefit Increase for its Disability and Social Security" and she also printed out "What is the US cost of living increase" which also shows 5.8%. Mr. Fitzpatrick stated that it is less than 3% but he could not remember the exact amount. Mrs. Shade stated that the information she has is based on October 16, 2008.

Mrs. Shade went over the Fire section next. She stated that only thing she wanted to talk briefly about was the Western Berks Ambulance donation. She stated we have been donating \$6,500.00 for the last few years. She stated that the Borough was approached earlier this year by the Western Berks Ambulance who presented a booklet and stated that they wanted over \$300,000.00 from the Borough. She stated that we will not be giving them that much and mentioned that she did up the donation to \$10,000.00 for next year. She stated that everything else is basically the same as last year.

Mrs. Shade mentioned that in the Zoning and Planning section the Zoning and SALDO update is a big item that she has included this year. She stated that, not long ago, Council adopted the Official Map. She mentioned that we have not updated our Zoning and SALDO into a booklet form since 1992. She stated that when people come in to purchase the books we have to hand them supplements, so it was discussed with Ludgate and it came out to \$20,000.00 to update everything including the zoning changes. Mrs. Shade stated that this is something that has to be done. Mr. Ludgate mentioned that he believes that the \$20,000.00 also includes working on the downtown area where some of the zoning is not compatible with downtown revitalization. Mr. Fitzpatrick stated that we had been talking for years about updating this and we were thinking that we could get the County to pay for some of it if we went in with a joint zoning, but everyone else around us has now done their own so now we are stuck with doing it ourselves. Mrs. Shade mentioned that this is also the first step in working toward the codification because we need to have the Zoning and SALDO as part of what would be the codification at some point in time.

BUDGET (cont'd):

Mrs. Shade mentioned that under Refuse & Recycling, Spring Township has increased our fee by \$1.00 per person for the yard waste. She stated that they were charging us \$5.00/pp and have increased it to \$6.00/pp.

Mrs. Shade mentioned that under Recreation, she increased the Capital Outlay by \$10,000.00 in hopes that we may put a roof on the pavilion at the Brookfield Manor Playground. Mr. Hart mentioned that they were hoping to come off the existing roof with a free standing roof structure, but the pitch on the roof is so great that he can't get anything else to match it. He stated that it will be cheaper to tear off the existing roof and change the pitch then it would be to stick build one. Mrs. Shade mentioned that we have been promising the residents that there would be a tot lot there.

Mrs. Shade stated that the total expenditures for 2009 will be \$2,198,228.78 which would give us a deficit of \$168,608.78. Mrs. Shade stated that she is going to turn the meeting over to Mr. Ludgate because we are going to look at sewer next. She stated that she personally feels that we will probably be able to get through without putting a tax increase on the borough residents because we are going to have to up the sewer and she really doesn't want to hit them with both. Mr. Fitzpatrick asked what Mrs. Shade projects the cash balance in the account to be as of December 31, 2008. Mrs. Shade stated that it will be close. Mr. Fitzpatrick stated that we will not have cash available to pay for this deficit during the course of the year. Mrs. Shade stated that he was correct. She stated that we are going to have to borrow money anyway.

Mr. Ludgate mentioned that he handed out a memo that he wrote concerning issues of funding to implement PCTI program construction. He stated that he mentioned this at a previous Council meeting that if we are able to secure this \$5mm of funding from PennDOT to begin Phase One construction of the plan, it is a reimbursement situation where the Borough would have to pay the contractor and then get reimbursed by PennDOT. He stated that the Borough could have to front \$1.5mm and then get reimbursed. He stated that the only way he sees to do that is if the Borough is able to secure a line of credit. He mentioned that they had a staff meeting regarding the sewer and covering that at the same time, Mr. Mike Setley, who attended that meeting, pointed out that a similar type of borrowing could be available for the General Fund. He stated that the borrowing amounts to a line of credit, where money isn't drawn and nothing is paid unless there is an actual need for it. He stated that in this particular case that would be a good way to proceed because if the \$5mm does not materialize in that time then we would not have to draw any from this line any would not have to pay anything and would not have incurred anything other than the cost to set up the line. He stated that the other issue is that we just had a very good meeting here last week with Mr. Ken Pick from Berks County Redevelopment Authority. He stated that Mr. Pick talked to them about how the property can begin to be acquired that we need to implement this project. He stated that a quick estimate of the property acquisition for Phase One is probably in the area of \$2mm. He mentioned that Mr. Pick, without hesitation, said that \$750,000.00 can be provided via the County and that he is quite confident that the other funds would be found from a couple of different federal and state programs. He mentioned that the other factor that they are very excited about would be that the redevelopment of that property would probably increase land values above the acquisition costs. He stated that to get all that to happen the Borough has to have the ability to

cover costs that need to be covered prior to reimbursement or incidental costs that may happen along the way.

BUDGET (cont'd):

Mr. Ludgate stated that he has told everyone from the beginning that he believes the total cost of this project is going to be in the neighborhood of \$20mm in 2008 dollars. If typically 95% gets funded outside the Borough the Borough looks at 5% that it might have to cover and that is about \$1mm over whatever period the project takes. He stated that originally he thought we were looking at 10 to 12 years to see this project happen but now with the PCTI program it could happen much more quickly and we could be in a position to realize this revitalization sooner than we expected.

Mr. Ludgate mentioned that he was at a meeting of the Reading Area Transportation Study about three weeks ago and Mr. Fry, Chief Assistant at District 50 PennDOT, was giving a power point demonstration on a program called Smart Transportation. He explained that Smart Transportation is a program saying that for years PennDOT and other highway departments have been spending money on interstate projects and that it might be smarter to spend money in places like Sinking Spring or other places along existing highways. He stated that you can move traffic where traffic problems exist for less money than you can build new bypass roads and at the same time it is smart transportation because these kinds of projects help these communities to revitalize themselves, recover their vitality, recover their tax base and move forward in the future. He mentioned that as Mr. Fry was doing his power point demonstration there was a diagram appearing on the screen which showed a typical state highway with a town along the highway and it showed what happened to the town as development happened. It showed how shopping centers moved out beyond the town and how the center of town became less involved with retail and how at the same time the traffic coming in began to impact the town. So, the town was suffering a loss of business and at the same time it was suffering the problems from the business being created beyond the town. He stated that the diagram also showed how you fix the problem and how you build smart transportation to resolve the problem. He mentioned that he was invited to meet with four people from PennDOT and a couple people from County Planning after the presentation. He stated that when Mr. Fry saw our map he stated that he could have used our map for the diagram in his presentation because it basically looks just like the example that he gave in his power point demonstration. He stated that this project is seen as a prime example of the process that is outlined in the Smart Transportation Guidebook. He stated that the guidebook deals with five contexts; 1) mobility, 2) community, 3) land use planning, 4) environmental, 5) financial. He stated he has submitted the PCTI funding application and pointed out that our project addresses all five contexts.

Mr. Ludgate explained more about the PCTI funding and the project. He mentioned that we have interested developers poised at the ready waiting to see if we are really going to perform. He stated that they are interested in redeveloping the former Boscov's site. Discussion ensued concerning the former Boscov's site and what needs to be done.

Mr. Schmidt stated that, in an effort to move along, to summarize, what we are talking about and what the question is, should the Borough go out and get a line of credit for \$5mm. Mr. Ludgate stated that there are two issues on the line of credit. He mentioned that there are capital improvements in the General Fund and it might be a way to take those capital improvements out of

the General Fund so that you don't have to raise taxes to cover them this year if you put them into the same borrowing.

BUDGET (cont'd):

Mrs. Shade mentioned that her thought is that we are going to have to look at some kind of loan for the \$4.5mm sewer plant upgrade so at this point in time if we could talk to Mr. Setley and maybe tie it all together and save the residents from a tax increase for this year since they are going to have a sewer rate increase. Mr. Schmidt asked Mr. Fitzpatrick if there could be a problem in tying sewer monies for that project along with this other project. Mr. Fitzpatrick stated that what he was concerned about with the grant was if we began the project and borrowed money and began construction and then made application for the grant they might turn us down because we already had the money. Mr. Ludgate stated that was for the sewer plant project. Mr. Fitzpatrick stated that he was correct. Mr. Schmidt asked if the loans could be combined. Mr. Ludgate stated that you would have two different sources of repayment. The sewer plant loan would be a self liquidating debt that is paid out of sewer fees. Mr. Fitzpatrick stated that we would have to talk to Mr. Setley. Discussion ensued concerning increases in tax revenue with the redevelopment.

Mrs. Kutz asked what kind of time frame we are looking at for the approval to construct the intersection. Mr. Ludgate stated that the PCTI funding, if we qualify, requires construction to begin by the summer of 2010. He stated that it will take time and that the process is that we have to get categorical clearances which are required because we have to operate under federal law because we are using federal money. He stated that PennDOT is being very helpful and that they want to see our project go through. Mrs. Kutz asked why we have to borrow the money now if we will not need it for a year and a half. Mr. Ludgate stated that we will need to show them that we are ready. He stated that they only have twelve places across the commonwealth that they can split this money and it will go to the ones that show that they are ready to go, so part of this is to show that Sinking Spring has the commitment to bring in this project. Mrs. Shade stated that she believes that is one of the requirements that you must be able to show that you are ready to go. Mr. Light asked when this money must be available to them. Mr. Ludgate stated that the applications close December 15, 2008, and after that if we make the first cut we can expect them to contact us and ask us some questions. One question that they are going to ask is 'how do we know that you are prepared to move forward'. So we should have the line established to show that we are ready.

Mrs. Shade stressed that it would be a line of credit, it is not like they are going to write us a check, if we don't draw down on it or we never use it we won't owe anything, it is just there in case we need it. She mentioned that above and beyond what Mr. Ludgate is talking about, we do have some issues that Mr. Hart would like to take care of. She said that we have to be thinking about the infrastructure of this municipality above and beyond the main street revitalization. She stated that it would be nice to have some money set aside just in case. Mr. Ludgate mentioned that almost every grant that we look at has to have a local match of some description and you have to have the flexibility to be able to step up and do what you need to do to secure that. Mr. Ludgate mentioned that Mrs. Shade came up with the PCTI program and e-mailed it to him about four weeks ago. He stated that he started doing research on it right away and talked to Council about it and got authorization to prepare the application that he sent in. He stated that they then met with the County to talk to them about getting the property rights because that is not covered under construction costs and they will work with us to cover getting the land. Now he is only looking at a gap between

covering the categorical clearances and the preliminary engineering and hopefully someplace he can find a way to fund that as well. He stated that if we get a call on December 16th saying that we are on the short list for the \$5mm and they ask if we are ready to go he would like to be able to say yes.

BUDGET (cont'd):

Mr. Ludgate mentioned that we would need to hire an engineering firm. He stated that under federal law you cannot simply tell you engineer to do this project; you have to go through an RFP process and select an engineer based on an RFP process. He stated that he has been talking to engineering firms and trying to get them interested in Sinking Spring and see that they will respond when we have the RFP out. Mrs. Shade mentioned that she has been getting some letters from engineering firms outside of the area already.

Mr. Schmidt stated in an effort to move this along that he doesn't think that we have to do anything tonight other than look at the budget. He stated that if we want to go for that money we can wait until February or March. Mr. Ludgate stated that you can wait, but if that call comes in he would like to be able to tell them that we are ready to go. Mr. Schmidt stated that if we get the call on December 16th then we can call a special meeting. Mrs. Shade stated that what she would like is to be able to pass these budgets. She stated that we held off until the last possible moment for the budgets and she would like see, based on the fact that we could possibly get this money, Council pass the budget with no tax increase at this time based on a line of credit. Discussion ensued.

Chief Oxenreider questioned if the part time and full time police salaries were combined because there is nothing listed in the part time salaries. Mrs. Shade stated that whatever numbers were given to her is what she entered into the budget and agreed that she may have added the two numbers together since there is nothing in part time.

Fire Budget:

Mrs. Shade stated that Mr. Wentzel did the expenditures part of the budget and she did the income. She stated that the fire budget hinges on the merger and that this budget is based on if we do not become part of the merger. She stated that even if we do become part of the merger it would not take place until sometime midyear next year.

Mrs. Shade stated that the total income for the Fire Budget for 2009 is \$140,200.00 and the total expenditures for 2009 are \$137,848.39 which would leave us in the positive at the end of the year with \$2,351.61. She stated that there is no increase for the Fire Tax.

Mr. Wentzel mentioned that there was a meeting last night and he wanted to bring Council up to date. He stated that the meeting was between all of the chiefs and some people from the finance end of the merger. He stated that the finance seems to be the biggest question with everybody. He stated that per Mr. Wenrich's request they went back and had some actual different figures that they were able to go by now on that salary. He mentioned that it is going to be discussed further at the task force meeting tomorrow evening. Mr. Wenrich thanked Mr. Wentzel for his dedication in relaying the information. Discussion ensued.

Sewer Budget:

Mrs. Shade stated that Mr. Schlott could not be here so she will try to go over this the best she can. Mr. Wenrich stated that the e-mail looks pretty self explanatory. He asked if this is to help get us back in line with reality. Mrs. Shade stated that it is a combination of many different things.

BUDGET (cont'd):

She stated that the first thing is that we probably have the lowest rates in the county according to Mr. Schlott. The second issue is that we are going to have to upgrade and expand the plant, so we will have to include some of that expense into the rates. The third issue, probably the one that is the most, is the fact that we are going to metered flows at the other three municipalities (Lower Heidelberg, South Heidelberg and Spring Township) which means a loss of revenue. She stated that those municipalities were paying the same as our borough residents were paying which included a base rate of \$28.20. She stated that when you go to flow metering you will not be charging the base rate, so to make it more in line, unfortunately the borough residents are going to have to pay for some of that.

Mrs. Shade stated that Mr. Schlott has been working on the new rates for about a year. She went over the new rates as proposed by Mr. Schlott. The new residential base rate will go from \$28.20 per quarter to \$20.00 per month and the consumption charge will go from 1.70/100 cubic feet or \$2.27/1000 gallons to \$3.60/1000 gallons. Mrs. Shade read an e-mail sent to Mr. Schmidt from Mr. Schlott concerning the rate increase.

Mrs. Shade went over the Income for 2009. She mentioned that under financing resources she has budgeted \$5mm for the plant upgrade and expansion. She stated that she labeled it that way because there may be grants that we are able to get and worse case scenario this is what we would have to borrow. She mentioned that on page two of the expenditures you can see that we only expect to use \$2.5mm in 2009.

Discussion ensued concerning the expansion.

The total amount of income for 2009 including the \$5mm in financing would be \$6,043,322.00.

Mrs. Shade went over the Expenditures for 2009. She mentioned that she has not seen the Miller Environmental contract but Mr. Schlott must have because he needed it to do the budget. Miller's contract service operations increased from \$471,000.00 to \$540,000.00.

Mr. Wenrich went back to the sewer rate increase and wanted to know if we could bill monthly instead of quarterly. Mrs. Shade mentioned that she and Ms. White just had this discussion because Ms. White thought that it would be easier for the residents to pay the smaller amount monthly. Ms. White mentioned that if we billed monthly it would increase the cost of supplies and postage because right now it is only four times a year. Mrs. Shade mentioned that if we billed the Sewer monthly we would also have to bill the refuse monthly. She stated that we have time to think about it because the January billing is for the fourth quarter of 2008 and the new rates would not take effect until after that. If we wanted to bill monthly we would bill again in February at the new rate. Ms. Sloan asked if Ms. White could pick a few accounts and list what their current bill is and what it would be at the new rate quarterly and also monthly.

BUDGET (cont'd):

Mr. Wenrich asked for a motion to tentatively approve the 2009 General Fund Budget. Mr. Light made the motion; seconded by Mr. Schmidt. AYES – 4, NAYS – 1; ABSENT – 2 (Mr. Zerr and Mr. Butkus) motion carried. Mrs. Kutz voted no because she does not agree with the salaries. She stated that she knows too many people that did not get raises this year and that the 3.5% is too high. She stated that the cost of living increase that she heard was at the most 2.7%. She stated that there are too many people laid off and losing jobs that they should be thankful that they have jobs.

Mr. Wenrich asked for a motion to tentatively approve the 2009 Fire Budget. Mr. Light made the motion; seconded by Mrs. Kutz. AYES – 5, NAYS – 0; ABSENT – 2 (Mr. Zerr and Mr. Butkus) motion carried.

Mr. Wenrich asked for a motion to tentatively approve the 2009 Sewer Budget. Mr. Schmidt made the motion; seconded by Mr. Light. AYES – 5, NAYS – 0; ABSENT – 2 (Mr. Zerr and Mr. Butkus) motion carried.

EXECUTIVE SESSION:

An executive session was held at 8:57 p.m. for discussion of personnel and to discuss the sale of real estate.

RECONVENE:

Council reconvened at 9:35 p.m. No action was taken.

ADJOURNMENT:

Mrs. Kutz made a motion to adjourn at 9:36 p.m.; seconded by Mr. Light; motion carried.

Respectfully submitted,

Regina M. Shade
Borough Secretary/Treasurer