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Lower Saucon Township  
Budget Advisory Committee Meeting

Meeting Minutes

January 14, 2016

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Meeting began at 4:39 PM

**Roll Call: Present** – Charlie Luthar, Tina Krasnanksy, Cathy Gorman Director of Finance, Lou Mahlman Controller and Priscilla DeLeon Council Liaison

1. Cathy briefed Priscilla on previous meeting discussions.
2. **Review Draft document:** The draft document was provided. The policies discussed are listed below. Cathy said we had many recommendations such as starting the budgeting process earlier or get all cost estimates for a new service or project. If you aren't happy with the estimate, you can RFP and get another engineer's cost. It was suggested to have the department heads come to more than just the meeting in October. Priscilla asked if that would mean the department heads would meet in September and October? Cathy said maybe. This would allow time to plan for projects that are behind and budget money for it.
3. **Review Policies:**
  - a. *Debt Policy:* Cathy said in accordance to GFOA that you should have a cap or a threshold that stabilizes the budget. In a debt issuance, what is the maximum amount that council is comfortable with? Cathy said you have to follow the debt act and we are eligible to borrow more money. For practical purposes it is good to have so that administration knows what we are limited to before bringing it to council. Council will know what a potential obligation could be. For example, we could recommend that the incurrence of debt value should not be more than 1.5 mils and it should never exceed 15 years. It should also not be for an asset that's not valued for longer than 20 years. This policy would say that council would instruct the administration that the Township is not going to incur debt to buy a truck. We don't want to put ourselves in a position to borrow money to do that. If it is an infrastructure improvement or something that is more valued then that might be something that would trigger incurrence of debt. Black River Road and Fire Lane are an example of this. Charlie said borrowing affects your credit rating. Priscilla asked how we are doing with our credit rating. Cathy said we are good, but having a policy in place for that will help your credit rating. Charlie said having debt is not always a bad thing because you can prove to people that you know how to pay it back. Tina said it improves your credit just like it does for your personal credit.
  - b. *Investment Policy:* Cathy said that if we have money in our unsecured balance, where are we positioning ourselves on where and how much we can invest? The code says that Lou, Cathy and the manager can go out and see where we can invest. The problem is that if council approves an expense and the money is locked up in a CD. Luckily when this happened in the past, there was only a couple months left on the CD and the fire company had to wait at the time. If there is a policy in place, this could cover the cost if something catastrophic happened you should be able to draw down from it. This will also protect them if someone comes and says they want money to buy or fix something, council will be able to say that it is in a CD and inaccessible. Cathy said these are tools that give us guidance as to what to do and not all of the money will be tied up. Priscilla asked if an emergency came up and we didn't want to wait until the end of the 6 months, would there be money elsewhere in the budget to transfer funds. Cathy said we can switch the parameters and say 20% liquid, 20% 6 months, 20% a year and 40% 2 years. She said you would want some liquidity. The interest rates are so bad right now that we are all liquid. There isn't much to invest in.
  - c. *Unrestricted Fund Balance:* GFOA recommends for liquidity purposes you should have an unsecured fund balance of 2 months of operation. If it costs \$700,000 to run the township for 2 months, a minimum of \$700,000 should be liquid at all times. Cathy said they also recommend

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having a plan in place to repay that back if you use it. You either have to gradually increase the tax to put that back, or GFOA recommends cutting an expense or find a way to stagger it and giving yourself 10 years to pay it back. The administration would make a recommendation and council would have to approve it. Priscilla said there would be two accounts. There would be the \$700,000 which has to be liquid and then the other account for the investment policy. Cathy said they would all be a part of the general fund but two separate funds under general. Charlie said he is not comfortable with 2 months and feels it should be more than 2 months. Cathy said changing your accounting methodology can be a scary thing. She said we are fortunate enough that in the last several years our expenses came significantly below our revenues. We were able to build up from where we were. Priscilla said that we looked at our monies and tightened our belt. People think that we don't tighten our belt but she has seen our belt tightened. Cathy said that when we do office supplies we research. Whenever we do record retention we save paperclips, binder clips and binders. Cathy said we are constantly looking for ways to save money. The goal is to come under budget. If we can maintain that level and not have deviation of expenses; that is a good thing we can all be proud of. Charlie asked what makes Priscilla asked if anyone heard that the county is looking to reassess the county. Charlie said it is the right thing to do. It has been too long. Charlie said he doesn't feel that 2 months of revenue to start off with is enough. He feels it is better to have 3 months. Cathy said she will develop a fund balance policy of 3 months. She will compare the numbers and look at the 5 year plan.

**Next Meeting:** March 10, 2016 at 4:30 PM

**Minute Approval:** Motion to approve minutes as written

Meeting adjourned at 5:58 PM