

Lower Saucon Township
Budget Advisory Committee Meeting
July 22, 2015
Meeting Minutes

Meeting Opened at 4:55 in attendance was:

Charlie Luthar, Tina Krasnansky, Lou Mahlman, Controller and Cathy Gorman, Director of Finance

- 1) Discussed the history as to why the Committee was formed. Cathy said the independent accountant hired by Council to review our budgeting process recommended a committee to be formed. She recommended several key moves including the budget format. The Review Committee was created based on that recommendation and with the scope of work emailed to you. The Township Code assigns the Manager the task of preparing a budget on an annual basis, with this in mind, Council approved the scope. This is more to review our budget and make recommendations with the understanding that the residents' were unable to comprehend our budget compared to our audits. A discussion commenced as to the fund consolidation and the account consolidation as was recommended by the accountant. The scope of the policy was wide range but it is a one-time process. Cathy advised that the committee will review the forms and reports presented to Council and make any recommendations. We will discuss and develop draft policies for Council to consider. Perhaps the next meeting we can meet with Department Heads. It is not the Committee's responsibility to go line item by line item and tell what is needed, but with the experience of the members of the Committee, to perhaps come up with alternative ideas. Mr. Luthar had concerns regarding that aspect of the scope as he felt that we should not be recommending to Council what to approve or recommend to the Manager what to present. He did not want to be checking on them. Cathy advised she felt that it was not the intent to do that, but with the group present, felt that we could review what each department's operational needs are and perhaps we if we can make alternative recommendations based on the Committee's experiences. In the end the Code dictates that the Manager that develops the budget and presents to Council. This is a long range plan of policies and procedures and maybe every few years review for residents' recommendations instead of every year. As we know things can change quickly as to what demands are. Mr. Luthar asked about what the accountant reviewed to determine her recommendations. Cathy advised that it was a combination or reviewing minutes, reviewing staff ideas, meeting with Council members to see what they wanted and also to comply with GASB. Lou stated that at several Council meetings residents seemed confused and the explanations seem long and cumbersome. Cathy said the budget was not resident friendly. Charlie asked what the confusion was, was it the format the or how it was relayed? Cathy said probably a little of both. Residents were looking at several different reports and asking the same questions but still not understanding the difference.

Cathy did relay that there was another interested member who may be appointed next meeting and Council did not appoint a liaison at this time.

Cathy advised the Committee that she approached Council at the last meeting and requested an extension. She asked for a year to develop the policies and procedures but she advised that the committee can bring a partial report to Council on October 1st with items the

committee can target now. They were agreeable contingent that I provide them a review at the end of the year. Cathy felt that it should not take a full year of meetings to complete but with the amount of work that was presented; she felt that we would not be able to complete all the items by October 1st.

- 2) The committee reviewed the scope of work and details of potential policies, GASB requirements, fund balance policies. The independent accountant recommended policies of use of fund balance, and the use of contingency accounts. We are to review reports, understand the software. Tina and Cathy are using the same software so we can both answer any questions regarding that. Cathy said we are to review the forecast perhaps tying into the Economic Development Task Force work. Charlie asked about forecasting the future and not the past. Lou mentioned he developed a trending analysis spreadsheet for the Township. Charlie said that he used history trend for the compost center and that history should not be eliminated but perhaps presented differently. Cathy advised that the narrative aspect can address that history if needed. Graphs and charts are included so that any lay person should be able to see the trends and understand. We will review the the reports and policies as presented in the scope.

Lou asked why a liaison was not appointed and I advised that only three of the five Council members were present and she felt that they held off in appointing someone until everyone was present. Tina asked what kind of report does Council want. I said something probably in the line of what was presented for the library. We can compose the report section by section of what we were requested to do.

- 3) Cathy presented the budget document with the new format. Charlie and Tina said the graphs were helpful to show the residents. The monthly reports were reviewed. Cathy advised after a lengthy discussion of what Council wanted to see and it was decided that they wanted the balance sheets for the end of the month and the check register with the GL line item to show where the expense was assigned. Tina said her reports to Hellertown's Council were much more and submitted twice a month. Cathy advised that pursuant to Township Code the Manager and the Controller are permitted to dispense the funds when due, however if it is not an expense budgeted for and costs more than the permitted threshold then Council will need to approve. Charlie said this is over 20 pages. Cathy said this is the due to the check register it was a request from a resident at one of the meetings. Cathy reviewed the semi-annual report. She said that this is the first step in developing a CAFR. It is a simplistic reporting of revenue and expenses at the mid-year point that is easier to read for the resident. Tina asked if this report is presented to her Council on a monthly basis. Cathy said that she used to present those reports to Council and they were 70 plus pages, but they did not want see it because it was too much. Those reports were submitted to the Manager's Office and the Controller but Council wanted it shortened. Cathy also reviewed the Capital plan report and the submission of that pursuant to Township Code.

Cathy reviewed the internal controls within our existing system. Charlie and Tina felt that our system has enough checks and balances in the purchasing process. Perhaps there are some strengthening policies to back up the existing system. Tina said that would be good to have in place if residents question purchases.

- 4) Cathy asked if the Committee wanted to review the budget or wait until the next meeting. The consensus was to review the budget and sit with the Department Heads at the next

meeting. The committee reviewed revenue. Charlie asked a question confirming that the percentage used is the percentage received compared to budget. Committee discussed potential investment policy options, liquidity and historically what was done. Charlie Luthar asked about the use of Money Market funds. Cathy advised that she has not been advised that she was not permitted to use those types of funds. Historically Township was always in Money Markets and CD's. Other types of accounts may not be permitted to be used by State regulations. Discussion ensued as to how the revenue figures were ascertained. Cathy explained some of the revenues are expensed based. As we are the "pass through", we purchase and bill the entities using such as i.e., Water Authority health insurance, Fire Dept Fuel purchasing, etc. Tina mentioned the Delaware Valley Insurance Pool as an option. Not the same group but similar concept as to what the Township currently is utilizing. As for recreational revenue, Tina said Hellertown utilizes another group to provide the service but it is paid by the residents.

The Committee reviewed the expenses. Committee suggested reorganizing the GL coding so certain items were put into the appropriate departments so there is a true realization of the department costs. Charlie recommended us possibly looking at paying a retainer for legal fees instead of paying per hour. It was noted that this could be a recommendation for the report. Tina noted that when she was on Council, Council members did the negotiations now there are so many legal ramifications to not having a solicitor to represent the Township; you just have to have one. Discussion was made on how the software is designed to track certain projects whether the expenses are planning, engineering, or construction. It was also recommended that the newsletter expenses should be under the Executive Department as opposed to the Planning Department since the Zoning/Planning Office no longer develops the newsletter. Discussion continued on employee benefits and contractual obligations and how to categorize those expenses.

Charlie asked; what is the expectation of the Department Heads in the next meeting and what is the process for budgeting? Cathy said typically I would be requesting their numbers now for next month. It seemed redundant to have them do it twice so I thought it best that they bring this information to them for our next meeting. Charlie asked what kind recommendations or comments are they expecting. Cathy said it would be more to review their budgets and see if there can be any recommendations. Cathy said that typically there is not much wiggle room but we can review each department as we go.

- 5) As for Council expectations, we usually submit a draft at the end of October and Council motion was to grant the extension and update Council in December. After discussion it was agreed to meet on September 9th at 4:00 to meet with Department Heads.
- 6) Meeting adjourned at 7:10