FINANCE AND ADMINISTRATION COMMITTEE

October 5, 2015

Present: M. Amoroso, R. Carlson, C. Quinn, N. Shropshire, B. Clark and T. Sander

Review of Revenue Budget Projections—2016

Mr. Shropshire inquired how Granite Run Mall changes would affect the overall projections. Mr. Sander reported that the closing of stores at the mall has already affected the LST tax since there was a significant decline in employees. Mr. Clark commented that the mercantile tax payments from Sears have been higher than expected. He heard that internet sales are processed through the Granite Run Sears, which would account for increase in tax payments received.

Mr. Clark stated that Mr. Sander reviewed how the Township did this year compared to what was budgeted and what the budget should look like for next year. Mr. Sander reported that the real estate taxes are comparable to what was projected for 2015. He noted that the assessment value of the mall will not go down until 2017 and that this may need to be looked at more closely next year, as there is a projected decrease in the assessment of $10,000,000-$11,000,000 for 2017. It is currently assessed at approximately $21,500,000. Mr. Clark commented that although the demolition is occurring in 2015 and 2016, this would not impact the budget until 2017. There will also be a "lag" during the construction period. Mr. Carlson stated that this may not be as devastating to the Township since there are other projects occurring, and referenced the townhomes to be built near Elwyn. Mr. Clark reported that the Skycrest project is moving slowly. He also noted that Franklin Mint is not in the final plan approval stage yet and probably won't begin development until at least 2017. Mr. Carlson expressed that if the other projects in the Township get underway soon, the decrease from the mall should not impact the Township as badly. Mr. Clark agreed, noting the proposed Super Wawa was going to be constructed at the location of the former Garden Care site.

Mr. Sander reported the real estate transfer projections are showing to be more than anticipated. This was also the case with the mercantile and business privilege tax, which is almost $200,000 more than what was budgeted. Mr. Sander stated this is mostly due to a one-time payment of $100,000 from an acquisition by Burman's (located at intersection of Rt. 352 and Knowlton Road). Mr. Shropshire explained that Burman's merged with another pharmaceutical firm, which impacted Township business privilege taxes significantly.

In terms of licenses and permits, Mr. Sander reported that the cable TV franchise was less than what was budgeted due to a legal issue with Verizon, which resulted in the Township not being able to collect the increased franchise fee for the full year. He stated the full amount should be able to be collected next year. The building code permits have come in higher that what was budgeted.

Mr. Sander reported that there has been a decrease in district court fees and explained the reason for this was the mall closing. He expected this to decrease further from about $20,000 to $10,000 next year.

Mr. Sander stated the rent lease from MTSA is $11,000. Mr. Sander also noted that the lease with American Tower for the Smedley site should increase a little from the current year, as per Ms. Merino. Recycling should also increase slightly next year due to an increase in homes enlisting in the program.

Mr. Clark explained that this was a brief review and that Mr. Sander only highlighted the significant differences. He also noted that they try to be conservative when making year end projections and the budget as a whole.

Mr. Clark noted that regardless of whether or not major new construction projects take place in the Township, there is always a steady amount of residential new additions, renovations, etc., which add up to the benefit of the Township. He also reported that Granite Farms is currently doing a lot of interior upgrades in order to become more competitive and that the Township is getting about $1,000 per unit for the related permits. He stated that Lima Estates should be doing something like this in the near future and that he would not be surprised if Riddle Village followed suit in the years to come. Mr. Clark was not sure what types of permits would be applied for by the mall for the apartment complexes at this point, and the Township would not get any permit revenue from the PSU project since the university is not subject to Township building codes. There would be permits required for the Franklin Mint project though. In general, Mr. Clark expected a good fee collection in 2016 and felt the revenue should do better than what was projected for 2015.

Mr. Clark noted that the initial thought-process was to borrow funding for the purchase of the Roosevelt School property; however, since Mr. Sander is projecting there to be approximately $1,500,000 available at year end, he expressed that it may be wiser to use a portion of these available funds for the initial purchase (not for renovations). Mr. Shropshire commented that he thought it would be better to borrow for the purchase and use the available funds for renovations. Mr. Quinn agreed, noting that interest rates were currently low. Mr. Clark stated that after the initial purchase goes through, the Public Works department could handle a lot of the basic cleanup.

Mr. Quinn asked where the available funds were coming from. Mr. Sander stated it would come from the general fund, which included the money received as a result of the Burman acquisition. Mr. Clark noted that the majority of money in the Park Facilities fund has been collected over the

years and was not spent. Mr. Carlson expressed that he felt it was best to avoid borrowing money if the Township could afford the project through available funds. Ms. Amoroso agreed.

Mr. Shropshire asked Mr. Clark if he received any information on the environmental study for Roosevelt property. Mr. Clark reported there were no "big red flags" on a preliminary basis, but the official report was not in yet. He commented that the site does not show up as a hazardous site. Mr. Clark stated that he thought an environmental report was filed around 1998 or 1999 for the site and PADEP accepted it with no need to do anything else. Therefore, he didn't think it was likely that a Phase 2 study would need to be completed at this point. He also noted that there was a reference to asbestos being removed previously so he is looking to see if there is a record of that being completed as well. As plans develop for the use of this property, Mr. Clark stated Council will need to consider heating the property in the winter months and reactivating the sprinklers. Mr. Shropshire asked if they could get away with not heating the property and Mr. Clark noted this was a possibility. As of now, the immediate plans are to clean up the property and secure it once the purchase goes through.

Adjournment

This meeting was adjourned by Mr. Carlson at 6:07 PM.

Respectfully Submitted,

Amanda Allen, Recorder