

FINANCE AND ADMINISTRATION
COMMITTEE

November 2, 2015

Present: M. Amoroso, C. Quinn, S. Galloway, B. Clark and T. Sander

Roosevelt School - Financing Options

Mr. Clark provided the Committee with a draft resolution from Mark Stein, The Township's Bond Counsel. He went on to explain that Mr. Stein contacted him and Mr. Damico about the Roosevelt School purchase and brought to their attention that while the Township is currently committed to purchasing the school without financing, there are provisions under the federal tax code that allows municipalities the ability to include the purchase cost in a bond issue after it is purchased up to 18 months from the date of purchase, as long as the Township states the intention to possibly do so prior to the purchase. In order for the Township to keep this option open, Council would have to pass a resolution prior to the purchase.

Mr. Galloway and Mr. Quinn voiced that this would make sense to do. Mr. Clark agreed and went on to state that he would need to confirm whether the total issue could not be for more than \$1,000,000 or if the initial purchase could not be for more than \$1,000,000 plus the cost of later renovations.

Mr. Quinn asked Mr. Clark to confirm that the Township would not be locked into an amount, method, or bond issue handler through this Resolution and Mr. Clark stated that was correct.

Ms. Amoroso asked why the Township should consider this. Mr. Clark explained it gives the Township the option in the future to capitalize the purchase price, environmental studies, and other acquisition costs. If the Township does not pass this resolution, then it would not have the option to reimburse itself using future tax exempt bond issue monies. He went on to state that by purchasing the school outright at this point, the Township needs to come up with \$853,000; however, if the Township decides later it would be better to capitalize it over 20 years with tax exempt bonds, then this resolution would be needed.

Mr. Clark then provided a sheet to the Committee that reviewed payment options put together by Mr. Sander. Mr. Galloway asked how much money was in the Park Facilities fund now and Mr. Sander responded about \$300,000. Mr. Clark commented it was appropriate to use money from this fund since they were in discussions about what the school site could be used for, including recreation and open space. The money in this account is not earmarked for a specific project. The remaining funds left in the account could be used towards Smedley or anything else parks-related. Mr. Sander went on to state that the Township could temporarily borrow about \$200,000 from capital reserves just to get them into next year and then the balance of the purchase could be done through the general fund (about \$585,000). Mr. Sander stated that this would leave the opening cash balance at \$562,000 for 2016. He noted that the 2015 opening balance was \$770,000 but that \$562,000 was still satisfactory for the upcoming year. This could possibly make the Township tight for 2016, which is a reason passing this resolution would be advisable.

Ms. Amoroso expressed that her opinion was to pay for the school as outlined and pass the resolution just in case a bond issue is determined to be a better option in the future. She did not think starting the year out \$200,000 less was inappropriate since the purchase is a sizeable expense.

Mr. Galloway asked if this would be put on the agenda soon. Mr. Clark responded that it would be on Council's agenda prior to year-end and that the cash payment option may require a budget amendment.

Ms. Amoroso asked if \$700,000 is the normal opening cash balance for the Township. Mr. Clark reported that generally the opening cash balance is closer to \$500,000 - \$600,000. Ms. Amoroso pointed out that this shows the 2016 opening cash balance is not abnormal; just less than the previous year.

Review of 2016 Draft Budget

Mr. Clark reported that the draft budget in front of the Committee was a partial expenditure budget and that the whole budget should be finished by the following Monday.

Mr. Clark reported there were no significant changes in Council's budget. The proposed amount has a slight increase for 2016. The biggest line item is for professional services, which is funds for consultant work or zoning amendments not tied into development plans. Mr. Galloway asked what Council did in 2014 that made the Council budget higher. Mr. Clark reported a onetime contribution to the hospital to purchase an emergency vehicle.

Mr. Clark went on to report that the scope of the Manager's Budget has not changed but there are a number of responsibilities not done by outside contractors that have now been absorbed by others in the office due to the recent retirements of the Township engineer and code enforcement officer. For instance, the engineering consultant does not coordinate plan reviews or do follow up to make sure that the various required reviews are completed on time, so Mr. Clark has been doing it when Mr. Rothe used to. Mr. Clark stated that there is no direct cost associated, but it is more of a factor of time spent.

Mr. Quinn asked if Mr. Clark was being pulled too thin and if another resource was needed. Mr. Clark responded that it may not be needed in the manager's office, but that it may make sense to hire somebody on a part-time basis to coordinate these types of, things in the general codes area. He noted he wished to discuss this option further with the Finance and Administration Committee as a personnel matter

Ms. Amoroso asked how long the Township has been functioning with the consultants and how it was comparing to having employees doing these tasks. Mr. Clark reported that the engineer consultant has been with the Township for a little over a year and the code enforcement consultant has been with the Township for a little under half a year. He went on to state that while what is being paid to the engineer consultant is less than what was paid to Mr. Rothe, it probably ends up being a wash since the Township lost an individual available in the office to handle other work that consultants typically don't do.

Mr. Galloway noted that health, hospital and dental at year end for 2014 was \$102,750, projected at about \$130,000 for 2015 and projected at \$154,000 for 2016 and questioned the increase. Mr. Clark stated his figures were correct and that this only covers the

manager and finance office employees. The rates just came in and they have increased for 2016. He noted this is due to rates now being set by age, and whether or not the member is a smoker as per the Affordable Care Act. Mr. Sander stated that rates increased about 10% depending on the category with no plan changes. Mr. Quinn asked Mr. Clark to reach out to Mr. Carlson about this for his opinion. Mr. Clark stated he would, noting that the rates just came in and the renewal is not until February. Mr. Clark stated that other than health costs, items are about the same for the Manager's budget.

Since the budget was not complete, Mr. Clark requested the copies he distributed be returned and stated that he would provide them with an updated complete copy the following week.

Adjournment

This meeting was adjourned by Mr. Quinn at 6:21 PM.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Allen', written in a cursive style.

Amanda Allen, Recorder