

# UPPER MAKEFIELD TOWNSHIP

## *Financial Advisory Committee Meeting*

September 10, 2014

The September 10, 2014, public meeting of the Upper Makefield Township Financial Advisory Committee was convened at 7:00 p.m. In attendance were the following members of the Financial Advisory Committee: Chair Laurie Hosie, Secretary Kevin Mealey, Member Richard Krollman, Supervisor/Liaison Larry Breeden, Interim Township Manager David Nyman, EIT Ad Hoc Member Vic Ameys. Members Bob Needle and Steven Markin were not present. Also in attendance were Supervisor Dan Rattigan and members of the public.

### **I. Call to Order**

The meeting was not formally called to order by Chair Laurie Hosie as there was no quorum at the start of the meeting.

### **II. Approval of the Minutes of August 13, 2014**

A motion was made by Mr. Mealey and was seconded by Mr. Krollman to approve the meeting minutes of August 13, 2014 as edited. Motion carried by a unanimous vote.

### **III. Potential Healthcare Ad Hoc Member Interviews**

Brian Bark and Tom Kegelman were present as potential ad hoc members of the Committee on the subject of healthcare and shared information regarding their expertise. Mr. Bark has extensive experience in human resources and benefits and Mr. Kegelman also has human resources expertise, currently serving as a consultant in the field.

A motion was made by Mr. Krollman and was seconded by Ms. Hosie to recommend that the Board of Supervisors appoint Brian Bark and Tom Kegelman as ad hoc members for healthcare. Motion carried by a unanimous vote.

### **IV. EIT Recommendations**

The committee discussed the Earned Income Tax issue including the following recommendations to the Board of Supervisors:

- Given the likelihood that at least one taxpayer will have an income windfall in any given year, we expect there will be continued choppiness in EIT revenue flows
- That being said, we think opportunities exist for the township manager to have better information—that will hopefully contribute to better decision making
  - Keystone should send the top-20 taxpayer report (with no personal info) on at least a quarterly basis
  - Keystone should notify the township manager immediately when they receive >\$200K from an individual taxpayer; forecasts can therefore be adjusted more quickly
- The township should request a list of all customized reports to see if any could be useful in the budgeting and tracking processes

- The next township manager should have a strong accounting background, and be a true business manager—experienced in working with data and making intelligent forecasts that are substantiated by trends and other factors
- Use of an “economic adjustment factor” should be considered, along with collection trends from the past several years
- Once hired, the new township manager should meet with Robert Pellegrino, current Northampton Township Manager, to get an in-depth review of the steps he takes to arrive at a solid forecast
- Eliminate the current vs prior year delineation of EIT revenues to simplify the reporting and reconciliation process
- The Financial Advisory Committee should observe the 2015 municipal budgeting process to be better prepared to take a more active role in the budgeting process for 2016 and beyond
- A motion was made by Mr. Krollman and seconded by Mr. Mealey to forward the Committee’s recommendations regarding the EIT (See Appendix A) to the Board of Supervisors for their consideration. Motion carried by a unanimous vote.

## **V. Healthcare**

Discussion of employee healthcare benefits began with consideration of what the Board expectations were for the Committee. It was noted that upcoming police negotiations would definitely involve healthcare considerations. Suggestions were made about the need to establish an analytical framework to assess the healthcare situation, with an eye toward a “Total Rewards” model—i.e., viewing healthcare benefits in concert with compensation, retirement benefits, sick/paid time off policies, etc. Ideas specifically related to healthcare included: looking at higher deductible plans, considering higher co-pays and employee-paid premiums, seeking information on consumer directed healthcare plans and using small employers as benchmarks.

## **VI. Board Liaison Report**

Mr. Breeden reported that the upcoming Board of Supervisors meeting (September 16<sup>th</sup>) would most likely involve considerable discussion regarding the efforts to update the Township’s Act 537 Plan.

## **VII. Other Business**

### **Township Manager Search**

Mr. Nyman stated that the search for a new Township Manager continues; the position has been re-advertised and the Board would welcome any suggestions from the Committee in regard to filling the manager position. It was suggested that we consider accessing *LinkedIn*, a professional website that assists in hiring professionals.

Mr. Nyman also suggested that the Committee consider attending the upcoming budget workshops scheduled for October 15<sup>th</sup> and October 22<sup>nd</sup> to become familiar with the municipal budgeting process.

## **VIII. Public Comment**

Mr. Rattigan thanked the committee for their efforts indicating that the Board was very appreciative of their efforts. He suggested the Committee develop a game plan with assumptions

for moving forward with healthcare considerations, taking into consideration a compensation package.

**IX. Adjournment**

Ms. Hosie noted that the next meeting is scheduled for October 8, 2014. With two members indicating a conflict, it was suggested that Township staff poll the Committee to establish an October meeting date.

A motion was made by Mr. Mealey and was seconded by Ms. Hosie to adjourn the meeting at 8:42 pm.

Approved: October 27, 2014

"APPENDIX A"

Upper Makefield Township Financial Advisory Committee  
 Earned Income Tax Recommendations  
 for the Board of Supervisors  
 9.10.14

Background:

The Upper Makefield Township Board of Supervisors assigned the issue of EIT to the Financial Advisory Committee at its July 15, 2014 meeting. On August 13, 2014, the FAC devoted the majority of its meeting to a report-out from Rose Harr of Keystone Collections and Bob Pellegrino, Northampton, PA township manager and Chair of the Bucks County Tax Collection Committee.

Along with information provided by both of these individuals, ad hoc FAC member Vic Ameye and the independent research and guidance of FAC members, the FAC respectfully submits the following recommendations to the Board of Supervisors.

Key Learnings/Insights	Recommendations
<p><u>Very High Income Earners</u></p> <ul style="list-style-type: none"> <li>• Upper Makefield is blessed with an inordinate number of taxpayers making &gt;\$200K/year</li> <li>• Many of these high-paid individuals receive stock options (which may be exercised at any time) and variable bonuses, complicating the forecasting process</li> <li>• About 1/4 of the top-20 taxpayers are self-employed</li> </ul>	<ul style="list-style-type: none"> <li>• Given the likelihood that at least one taxpayer will have an income windfall in any given year, we expect there will be continued choppy revenue flows</li> <li>• That being said, we think opportunities exist for the township manager to have better information—that will hopefully contribute to better decision making                         <ul style="list-style-type: none"> <li>○ Keystone should send the top-20 taxpayer report (with no personal info) on at least a quarterly basis</li> <li>○ Keystone should notify the township manager immediately when they receive &gt;\$200K from an individual taxpayer; forecasts can therefore be adjusted more quickly</li> </ul> </li> </ul>
<p><u>Customized Reports</u></p> <ul style="list-style-type: none"> <li>• Keystone creates a variety of customized reports for various municipalities—and can do the same for Upper Makefield</li> </ul>	<ul style="list-style-type: none"> <li>• The township should request a list of all customized reports to see if any could be useful in the budgeting and tracking processes (request made 8/25)</li> </ul>
<p><u>Forecasting</u></p> <ul style="list-style-type: none"> <li>• Keystone's "5th Quarter" is really an accrual method</li> <li>• UMT uses a cash accounting method</li> <li>• Although Keystone provides some guidance on 4<sup>th</sup> quarter and next year forecasting, their core competency is to collect, reconcile and remit monies</li> <li>• We believe Bob Pellegrino's approach is the right one—he's close to the data, the economic trends affecting his community, and does his own forecasting</li> </ul>	<ul style="list-style-type: none"> <li>• The next township manager should have a strong accounting background, and be a true business manager—experienced in working with data and making intelligent forecasts that are substantiated by trends and other factors</li> <li>• Use of an "economic adjustment factor" should be considered, along with collection trends from the past several years</li> <li>• Once hired, the new township manager should meet with Mr. Pellegrino to get an in-depth review of the steps he takes to arrive at a solid forecast</li> </ul>

Key Learnings/Insights	Recommendations
<p><u>Other</u> The EIT is a critical component of the overall budget process</p>	<ul style="list-style-type: none"> <li>The Financial Advisory Committee would like to observe the 2015 municipal budgeting process to be better prepared to take a more active role in the budget process for years 2016 and beyond.</li> </ul>

<p><u>Current vs. Prior Year Reporting</u></p> <ul style="list-style-type: none"> <li>In its weekly submissions, Keystone doesn't report current vs. prior collections, but does on a monthly basis (Berkhelmer reported this weekly)</li> <li>It's unclear whether breaking-out current vs. prior year provides helpful or actionable information to the Board of Supervisors</li> <li>As the current/prior year reporting construct was a legacy of the township manager present when the EIT was instituted, it may no longer serve a useful purpose</li> </ul>	<ul style="list-style-type: none"> <li>Unless the Board of Supervisors thinks there's a good reason to keep the current vs. prior year delineation, it should be eliminated to simplify the reporting and reconciliation process</li> </ul>
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