

EAST MANCHESTER TOWNSHIP
Board of Supervisors
November 27, 2024

Present: Chairman David L. Naylor (via TEAMS – video and audio), Vice-Chairman Darryl L. Albright, Supervisor Dean E. Kohr, Kristie Masemer, Manager/Secretary/Treasurer, and 3 citizens.

At a regular meeting held at the township building, Chairman Naylor called the meeting to order at 6:00 p. m.

The Pledge of Allegiance was given to the Flag of the United States of America.

Motion by Vice Chairman Albright, second by Supervisor Kohr, to approve the agenda as presented. All members voted aye; motion carried.

Motion by Supervisor Kohr, second by Vice Chairman Albright, to approve the minutes of the budget workshop meeting of November 8, 2024. All members voted aye; motion carried.

Public Comments – None and will revisit this at the end of the meeting.

Public Works Sweeper Lease Vs. Buy – From Supervisor Kohr, staff requested information on leasing and financing for 3-5 years at around 5.6% (it varied depending on the length of time) with \$550 in upfront fees. There was another quote that was much higher in price and interest. In conclusion, it would be an inappropriate use of money to pay interest on financing/leasing when the Township is already paying interest on the current loan with Fulton Bank with a 7-year amortization schedule at 6.2% interest rate and no penalty to pay off early which was obtained to maintain operational reserves for 2025. While financing/leasing could reduce the out-of-pocket cash flow, the Township would be paying almost double in interest (lease options), so it makes more sense to finance out of the line of credit, therefore, preserving cash flow. Staff also recommends using the current line of credit with Fulton Bank. From Chairman Naylor, can we pay it off early, what are the use restrictions, and can we own it at the end? From Supervisor Kohr, there were no terms with the other quotes so he can't answer his first two questions, but yes, we would own it at the end. It's a Capital Lease so we would owe the fair market value of the sweeper at the end of the lease term. For financing, the payments would be greater than the lease, but the Township would not owe fair market value at the end of the financing term which is shorter than the Fulton loan. From the audience, resident Joyce Daniels, made a statement to conclude that with the Capital Lease, the percentage is less, but payment is 5-years, and the payment outlay is more. -six tenth percent more with current line of credit. From Vice Chairman Albright, remember there is no penalty to pay it off early [line of credit]. Supervisor Kohr explained an example to answer Joyce. Mrs. Daniels asked if there is a warranty. Vice Chairman Albright did find warranty information, which is basic. If something is not covered under warranty, then yes, the Township would have to pay for those parts/repairs. Mrs. Daniels asked why the minutes in the summer stated 150 hours of limited use. Supervisor Kohr did an analysis for renting, not leasing, in the summer and he rounded for simplicity purposes. The exact number of hours for use was 152 hours, but there were factors of use that were not considered and were revealed at the meeting, making the usage time exceed 152 hours. From Chairman Naylor, we need to use this sweeper more than just sweeping roads. The operating lease does limit use. From resident Bob Nace, he heard there was an attachment for cleaning catch basins. Vice Chairman Albright confirmed that is already in the quote. Mr. Nace does not expect to see this sweeper often and that everyone should accept that because there are other Township problems that need attending to from our Public Works crew. Mrs. Daniels asked if it was a one-man operation. -Yes. From Supervisor Kohr, the reason for this meeting is to determine the draw down on the loan in order to meet the December 1st deadline to draw from the line of credit. The funds will go into PLIGIT making around 4% interest with the loan at 6.2% interest. The total draw down to date is \$550,001.00 and the Township has up to \$1.5 million to draw from. The drawdown of the loan can affect the 2025 budget. From Chairman Naylor, this would give the Township more operating reserves for 2025 since the current proposed budget shows an operating percent just above 20%. The Solicitor's recommendation was between 20% and 40% but leaned toward 40% in early 2024 when the board was considering the loan. This would give the Township around 30% of operating reserves.

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Budget Amendment – This is a good segway into the Budget Amendments. The Township Accountant is currently working on the December meeting’s transfer of unencumbered funds and is not able to fill the Capital Expense account line-item gap of approximately \$135k. The 2024 Budget that was approved accounted for \$1.9 million within the Capital Expense account line while the building project was not decided on until the end of 2023 and for Lobar Associates project to not exceed \$3 million. This is one reason why the accountant recommended the loan. To be clear, the Township brought in sufficient funds to cover the project and 2024 operations. The loan was to keep operating reserves for the “what-if”, which is being financially responsible. The issue is the 2024 budget, which is a guess for the coming year, fell short. The auditor and Township Solicitor gave information to staff and the board recently that local government operates differently than a normal business in that municipalities budget is a legal document that is required to be lived within and the way to fulfill budget deficiencies is by “Special Revenue”. Special Revenue could be in the form of a loan, grant, or special tax. In this case, the Township has the loan and can fill the deficiency with said loan. For example, if a municipality under budgets revenue, but brought in more money, and the budget is deficient in fulfilling negative account line items even after moving remaining balances from other account lines, then the fix to the deficiency is by Special Revenue and not the excess funds that the municipality brought in that year.

Mrs. Masemer went through the proposed changes that the accountant recommends increasing within the General Budget. Seeing the 2024 year-to-date figures, it appears the line items for Highway Salaries are close and have the potential to overrun what is proposed for 2025 especially if there are more snowstorms. -All agreed. Additionally, if the board decides to draw down more on the loan per tonight’s discussion, that will affect the revenue for “Proceeds from Debt Issuance” and the expenses for principal and interest payments. Lastly, after speaking with the auditor staff was under the impression that the unappropriated funds needed to be appropriated to be usable within 2025. If appropriated this would make the Net Operating Deficiency nearly \$2 million. Therefore, staff contacted the Township Solicitor who stated that per the Municipal Planning Code for 2nd Class Township’s, the Board of Supervisors may by resolution make supplemental appropriations for any purpose from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including proceeds of any borrowing authorized by law. Supplemental appropriations may be made whether or not an appropriation for that purpose was included in the original budget as adopted. This was another reason to have tonight’s meeting because by law if the total budget is increased by more than 10% overall or more than 25% in a major category, it must be advertised again at least 10 days before the final budget is adopted and this means once again the Township was on a time constraint of December 1st since the next board meeting is December 10th. To be prudent, Mrs. Masemer submitted an advertisement to be in November 29th’s newspaper in case the Township would meet that requirement because of this meeting for an amended budget. All agreed to leave the money unappropriated and if needed throughout the year then a Supplemental Resolution will be discussed.

Capital Reserve Fund Discussion – Another item that staff learned about from the auditor is creating a Capital Expense Fund (On the Agenda as Capital Reserve Fund, but the correct term is Capital Expense) that would be separate from the general fund. The General Fund always had capital expenditures in it for things like the sweeper or the building addition/renovation. The Capital Expense Fund would allow for savings on big-ticket items with the requirement of having a 7-year plan. From Supervisor Kohr, if we have a balanced budget and we have excess funds from real estate transfer taxes (for example), then the board can elect to move money into the Capital Expense Fund (CEF). The Township will have the flexibility to use money from the CEF if needed, while being separate from the General Fund, which is more for the day-to-day operations. From resident Howard Daniels, would this money be different from the 20%-40% operating funds? Supervisor Kohr feels it should be different, but this is a question for counsel. Mr. Daniels likes the idea but feels the operating reserves should be kept separate from the capital expense fund whether in two separate accounts or merely being tracked separately in the same account. **Vice Chairman Albright made a motion to set up the Capital Expense Fund for 2025.** *Supervisor Kohr interjected and stated there is a lot of work that needs to be done to set this kind of item up such as their own accounts for both PLIGIT and Truist and with it being the end of the year and we’re so close to adopting a budget, he recommends this to wait for 2026’s budget. Staff agreed.* **Vice Chairman Albright withdrew his motion.**

Fulton Bank, N.A. Loan Requisition No. 3 in the amount of \$400,000.00 - Supervisor Kohr recommends drawing

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down the loan in the amount of \$450,000.00, which would make the total debt \$1 million. Staff stated the amortization schedule will need to be changed to calculate the principal and interest payments prior to the end of the night because the amended budget needs to go onto the website tonight. Supervisor Kohr agreed to \$400,000.00 since all the work has been prepared for that amount already. **Supervisor Kohr made a motion to draw down from the current line of credit at 6.2% interest for 7-years with no early payment penalty in an additional amount of \$400,000.00. Vice Chairman Albright seconds. All members voted aye. Motion carries.** Mrs. Masemer noted that approximately \$150k will be toward the 2024 Budget Deficiency leaving a total of \$250k being added to the Debt Issuance revenue account line for the 2025 Budget. Supervisor Kohr noted that the 2025 dept principal payments under the expenditures will be \$106,605.49 and the debt interest payments under the expenditures will be \$51,270.46.

Mrs. Daniels asked what the total Phase I and Phase II of the building project was. -Phase I was approximately \$2.4 million and Phase II was approximately \$3 million for an approximate total of \$5.4 million. According to Mr. Daniels, the other funds should reflect more accurate numbers. Such as the Tax Collector's Fire Hydrant Commission. The line item is set from \$10k and by law she can't make more than 5% on what she collects and based on the numbers of what is being collected, \$5k would better reflect that line item. Supervisor Kohr agreed that the Township took a significant closer look at the General Fund and that when doing the 2026 Budget, the other funds will be scrutinized more to reflect better numbers.

Fire Hydrant Tax – Discussion of 0.11 mils to 0.15 mils – Mrs. Masemer explained that the Fire Hydrant Tax is separate from the General Fund as it is a Special Tax that goes into its own fund to pay the York Water Company for water to the Fire Hydrants. Not everyone pays this tax. Only those within 780 ft of a Fire Hydrant. Last time local millage has been changed was in 2014. It went from .15mils to .11mils because the Township reached a nice sized fund that could help supply years' worth of the bills while set at a lower tax rate. For 10yrs the fund has been maintained by that past surplus and the interest from PLIGIT. In 2024 the Township will have a deficiency in the Fire Hydrant Fund by around \$13,151, which was unexpected because from 2024 to 2022, the York Water Bills have been between \$60k and under \$70k; in 2023 the total bills were approximately \$71,103; and now in 2024 the bills jumped to \$87,445. I investigated other millage rates to see what would make more sense. Therefore, total assessments (property assessments within 780ft of hydrants in the Township) as of January 2024 are \$671,090,727. Kathy said the very large majority of taxes get paid at discount so below I show you what that looks like if paid at 2% discount.

- o .11mils = .00011 x \$671,090,727 = \$73,819; Discount: \$72,342
- o .12mils = .00012 x \$671,090,727 = \$80,530; Discount: \$78,919
- o .13mils = .00013 x \$671,090,727 = \$87,241; Discount: \$85,496
- o .14mils = .00014 x \$671,090,727 = \$93,952; Discount: \$92,072
- o .15mils = .00015 x \$671,090,727 = \$100,663; Discount: \$98,649

Staff's conclusion is since the bills to York Water stayed within the \$60k range from 2014-2022 and then went to the \$70k range in 2023, and the jumped significantly to \$87.5k in 2024, staff recommends setting the rate to .15mils to get the funds gathered for the unpredictable bill increases. If you go with .14mils we will likely see around the discount price of taxes paid and that is just \$5k more than what 2024's bills ended up being. Supervisor Kohr added that at .14 mils, it would take a significant amount of time to cover the 2024 deficit, and the millage would likely need to increase sooner, therefore, he also recommends .15 mils. From Mr. Nace, why did the bills increase that much? The Township should contact the water company to ask and also ask how much the maintenance fee is as well as how many fire hydrants the Township has. It could be because of inflation, warehouses, etc. Also, Mr. Nace feels that everyone should have to pay the tax, not just those within 780 feet, which is an odd number, because tankers fill up at hydrants to service those who are not close to fire hydrants. Vice Chairman Albright found on the internet within the Municipal Planning Code for 2nd Class Townships the law which states municipalities are only allowed to tax those within 780 feet of a fire hydrant not to exceed 2 mils. Mr. Nace asked how does the Township come up with who is within 780 feet. Mrs. Masemer explained that the Tax Collector uses the York County Tax Assessment map which has measuring tools. When there are properties that are questionable, the Public Works Director goes out and measures on sight to see if a property is within 780 feet to be taxed. All members agreed that .15 mils should be the tax increase to be prepared within a resolution for December's meeting. Chairman Naylor asked Mrs. Masemer to please place this on the website for the public.

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Northeastern York County School District – Memorandum of Understanding - Chairman Naylor stated that he met with the Safety Director, Ben Ruby, for the Northeastern York County School District. The school district is working on safety protocols, and they asked if Mount Wolf Elementary could walk to the Township building in the event of an emergency. Chairman Naylor has concerns that the sidewalks end within the borough, and this would force the children to walk in the grass and roads. Additionally, the Township Solicitor reviewed the document and showed concerns that the Township Building is not big enough and therefore, does not recommend. The Public Works Director stated that you could attempt to provide accommodation in the garage, but after Mrs. Masemer passed this idea through to the insurance company, they did not like this idea. Although they did state that the insurance would not go up for an emergency such as this. Vice Chairman Naylor said that he has several concerns. The first is this places the Township staff in a difficult situation and if there is an emergency they could respond to other issues to address said emergency. The second is the traffic with parents attempting to pick their kids up; we have limited parking, and it does not appear to be feasible. Supervisor Kohr agreed and stated that the Memorandum appears weak; there has got to be a better solution. Chairman Naylor stated that their first choice is to go to the fire department and the Township building would merely be secondary. His thoughts are if an emergency is occurring then it's likely the Emergency Management Center would be opened in our building. Supervisor Kohr stated that Manchester Township has a building that includes a community room; we do not have that and therefore the Township is not a viable choice. **Vice Chairman Albright made a motion to not enter into the Northeastern York County School District's Memorandum of Understanding to temporarily house students and staff within the township building. Supervisor Kohr seconds. All members voted aye. Motion carried.** *Chairman Naylor stated that he would let Ben Ruby know.*

Comments (revisited) – Mr. Daniels stated that Herb Nix Jr. was not able to attend tonight's meeting and therefore wrote something for Mr. Daniels to state on his behalf. Mr. Nix did some research and found that between 2019 and 2024 the social security cola is 22% and the Township's revenue is 26%, therefore, the township needs to contain spending and not raise taxes. Chairman Naylor stated that the Township will scrutinize expenses, but we need to operate to meet the Township's needs.

Supervisor Comments – Supervisor Kohr – He learned a lot in this budget process, and he will monitor the budget month to month.

Vice Chairman Albright – He apologizes for the time crunch, but we had to meet deadlines and had anomaly situations occur. Have a Happy Thanksgiving!

Chairman Naylor – The Township will scrutinize the meeting schedule for 2025 so that it is not the day before the holiday such as this. This was the alternate board of supervisor's meeting that was pre-advertised at the beginning of the year. The Township will begin streaming the Board of Supervisor meetings in January without opening the comments because it would be a mess, and someone would have to monitor all comments/questions for the whole meeting. Additionally, the Township should begin to embrace social media; it's the way and everyone is doing it. Also, he feels that in 2025, the Township should investigate False Alarm ordinances for fire/burglar alarms. Have a happy Thanksgiving and thank you for spending Thanksgiving Eve with us!

Motion by Chairman Naylor, second by Vice Chairman Albright, to adjourn. All members voted aye; motion carried. The meeting was adjourned at 8:02 p.m.

Respectfully submitted,

Kristie M. Masemer
Secretary/Treasurer/Manager