

NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY
 Budget Work Session, April 6, 2011, 7:30 P.M.
 North Huntingdon Township Town House
 11265 Center Highway, North Huntingdon, PA 15642

Roll Call:

Andrew Blenko	- Present	Kate Petrosky, Manager	- Present
Edward P. Shields	- Absent	Donald J. Snyder, Jr., Solicitor	- Present
Drew Polczynski	- Absent	Daniel J. Hewitt, Solicitor	- Absent
Timothy J. Hondal	- Present	Chuck Gilbert, System Superintendent	- Present
Joseph M. Korenic, Jr.	- Present	David A. Coldren, KLH Engineers	- Present
		Michael L. Branthoover	- Present

The Budget Work Session of the North Huntingdon Township Municipal Authority was called to order at 7:35 P.M. Mr. Shields and Mr. Polczynski were not able to attend and participated via speaker phone.

Mr. Branthoover began a review of the individual budget line items, explaining that Miscellaneous Revenue consists of tap-in fees, no-lien letters, TV and lateral inspections, etc.

Mr. Hondal asked if there would be any reason why we would have an increase in tap-in fees, and was told we were not increasing the budget for those items, unless KLH's tap fee calculation would indicate that the fee itself should be increased. Many of the tap fees have been prepaid, such as Kingsbury and Lincoln Hills. All new Developer Agreements require that the tap fees be prepaid.

Mr. Korenic asked if the \$1 capital surcharge is adding \$1.00 for next year on top of what we already have, and Mr. Branthoover replied that the increase is built into the five-year plan. We've assumed that we add \$1.00 for each year of the five-year plan. That's used to fund all of our capital improvements so that we don't have to float bond issues or other forms of debt. Mrs. Petrosky said \$1.00 per month brings in about \$150,000 per year. Mr. Branthoover explained that the capital portion of the rate is deposited directly into Capital Reserve.

Mr. Branthoover stated that overall growth this year was 0.7% in the customer base so that's what he used to factor in this year's budget figures for anything relating to sewer rental revenues. Our actuals are plugged in at 4.6%. We're at 100.4% of budgeted revenue. People took a little more advantage of the yearly payment discount option that was available so that was a little higher than anticipated. Our penalties are not quite what we thought they were going to be, but that's good because that means that our delinquency is down and people are paying on time. That brings our overall revenues to 100.4% as of April 6, 2011. The budget for fiscal year 2011 versus fiscal year 2012 is 0.7% straight across the board. It factors out to 1.24% because of the capital improvements that bumps it up a little. New construction tap-ins were left the same. We looked at what we're anticipating in growth and we talked about what made a big difference this year was the prepaid taps. We anticipated getting 60 taps at about \$184,000 and we pretty much doubled that. That's good for us but more than we anticipated.

Mrs. Petrosky said Mike has worked with our trustee bank and our new liaison and we were able to up the interest rates slightly.

Mr. Branthoover stated Miscellaneous Revenue is at 117% of budget. Dye testing exceeded what we thought we were going to hit. No-lien letters will probably be right on the money. It's about \$32,000-\$33,000 over budget which is good for revenue side. Overall we're at 103%. The numbers are going to change through the end of May until he gets all of his audit entries done which will have a significant impact.

Mr. Shields said he would like to see a separate line item for employee overtime. Mr. Branthoover said that wasn't a separate item in their software but he could pull records and get that information for them. Mrs. Petrosky said she keeps records of hours of overtime worked and she will distribute that information.

Mr. Branthoover said there is really no overtime on the administrative end, and if there is it's miniscule. The actual salaries are as of April 6, 2011 but there are two more pays in April plus year-end journal entries. We've budgeted no increase and have in fact budgeted a decrease for administrative salaries. The FICA is directly related to the salaries and wages. Hospitalization is based on our current coverage through December. Life Insurance will stay the same. Pension expenses will go down due to payroll going down. Workers Compensation was also touched on. Overall, Administrative Expense is going down 2.5%.

Mr. Branthoover said Office Expenses right now are at 90% of budget. Based on experience we're projecting a 0.61% increase.

Professional Fees are at 75% of budget. We're keeping it high in labor and legal fees this year because of all the pending litigation and bargaining.

Trustee Fees are going up. We were paying M&T Bank \$1,000 per year which is pretty low. M&T purchased the trustee business from First Commonwealth and now that we've done the SWAPTION they were able to increase their fees. It's going to be \$2,500 annually and we also pay US Bank for advertising for some old escrow bonds.

Mr. Branthoover said Miscellaneous Office Expenses are geared towards improvements in the office. We can't capitalize anything that we do here because it becomes part of the building and we don't own the building. Right now we're budgeting some security cameras and a speaker for the payment window.

Mrs. Petrosky said she would like to consider a one-time newsletter going out to the customers. She has a six-page draft covering general policies, the lateral inspections and frequently asked questions. She spoke with the Tribune Review and they quoted about \$5,200 for 14,000 copies which would include printing, folding, stamping and addressing.

Mr. Shields said he was concerned that most of them would go right into the garbage. He suggested putting something on the bill where they could call and ask for the information if they wanted it.

Mr. Branthoover stated they've projected no increases in any line items through the rest of the budget. Seminars and training may be a little higher but will be under budget. Dues and subscriptions were touched on. Petty cash is not used as much now that we have the Visa cards.

Mr. Branthoover said they did not go over budget and do not anticipate going over budget on the Banking Services Charges.

Board of Directors expenditures are going down almost 4%. The only large line item besides salaries is conferences. He asked what the Board thought and they decided to leave the budget as it is at \$2,300.

Mr. Branthoover said the actual Personnel Expenses for the system are way under budget because we've had several employees that were on disability this year that weren't on payroll for months at a time. Hospitalization stayed the same because we keep employees on the insurance for six months while they are on disability and by then they usually come back to work. In addition, an employee retired last year and was not replaced. Another employee just retired this week. We project no increase for system salaries.

Mr. Hondal asked why the Pension went down. Mr. Branthoover said it's because of the surplus, which is amortized over a period of time. Pension expenses themselves did not decrease, but were offset by the surplus. Overall they are projecting a 1.5% decrease in the budget for Personnel Expenses for the system.

Mr. Branthoover said there's a 30% increase in Miscellaneous Expenses for the system. This is largely due to vaccinations and training. Mrs. Petrosky said we currently conduct safety meetings in-house but she would like to consider using Optimus Risk who runs safety programs. The cost is \$550 per month.

The first line item under General System Expenditures is fuel for the enginators. Basically it's the increase in fuel cost for running our enginators more often than they were run the past because now they are controlled by SCADA. The equipment is automatically exercised once a month. There is no increase for cell phones or insurance. We took equipment rental costs way down because we don't anticipate renting a lot of equipment. Equipment Repair and Maintenance was increased by \$1,000. Odor Control was budgeted at \$8,000 and we're only at \$5,380. There are two new line items for flow monitoring on the Yough side and on the Brush Creek side. These are for four meters in the Yough System and six in the Brush Creek System.

Mr. Branthoover said new metering is the big part of the increase in the General System expenditures. That accounts for \$60,000 increase which is what brought the budget up 31%.

The budget for Vehicles has gone up by 6.4% in anticipation of what all the vehicles will need and the higher gas prices. The only significant increase is for truck #4 which has had to have some repairs. It's a 2004 and it may be time.

Mr. Branthoover projected WWMA revenues to increase based on our experience of 0.7%. We're at 99.8% of what we've budgeted. He is projected a 0.52% increase because we didn't quite hit that last time. The overall General System expenses are going up 1.53%.

We've held the line for the utilities at the Yough Treatment Plant this year. The increase for chemicals is based on a half a year at chlorine and a half a year at hypochlorite if the Board chooses to go that way.

Mr. Branthoover said they are far below the budget this year for Equipment Repairs and Maintenance. They are usually around \$30,000 so that's why he's leaving it at \$35,000.

Mr. Branthoover said they are over \$11,000 right now so they didn't have enough budgeted for Lab Supplies. He increased it to \$12,000.

Sludge Disposal expenses went down due to our bid. They are going to be going up into the second year of our bid. He has budgeted \$35,000.

The budget right now for Sludge Dewatering is at \$13,000. Another \$3,900 was just spent on chemicals. He has budgeted \$19,000.

Overall the Yough Treatment Plant expenses are up 7.72%.

Everything is the same on the Woodside Pump Station except for adding \$600 for SCADA. Same goes for Hartford Heights Pump Station, Highland Terrace, Indian Lake, Larimer, Masters Lane and Thomas Street.

Water was increased for the Long Run Pump Station because the water is used to cool the seals on the pump.

The Stewartsville Pump Station budget is at \$14,000. If the new grinder works well, we can drop that number next year.

The natural gas usage was increased for Falcon Ridge because that has a natural gas engine. There was also an increase for the SCADA monitoring.

There was an increase in water for Ardara and \$600 again for SCADA.

The TV Truck is being repaired right now and we will probably use what has been budgeted. There is no projected increase.

A pump went on the Jet Truck this year. \$12,000 was spent on maintenance on the jet unit. It's about ten years old and it was problem-free until this year. There's no increase projected.

Not much money has been spent this year on flow monitoring equipment.

There are new fees associated with our SWAPTION. We will be invoiced one time a year for the bond remarketing fee and two times a year for the bond liquidity fee expense. The rest is just bond and loan interest.

The bottom line says we are \$340,000 to the red. The caveat there is that we are \$550,000 in the black in actuals, so we have a surplus.

Mr. Hondal asked Mike to explain line item 451. Mr. Branthoover explained the "Rate Increase, Operations, Based on EDU" takes into account the projected deficit divided by the number of EDUs – it's what it would cost per EDU to recoup that money to make it balance to \$0. We would need to increase everybody's bill by \$2.22 plus the \$1.00 projected for capital. We don't feel it's necessary.

Mr. Blenko asked how much of the \$2.22 could be attributed to the SWAPTION? Mr. Branthoover replied that money was already earmarked. He had \$70,000 sitting in a CD from way back. He added another \$130,000 to it about two months ago to cover closing costs. He said probably about \$2.00 of it.

Mr. Hondal asked when we will need to raise rates? Mr. Branthoover replied that he felt we've been so good with the budget, if we keep going the same that we are, we won't need an increase.

At that point, Mr. Branthoover turned the meeting over to Engineer Coldren to review the Five-Year Capital Plan.

Mr. Coldren said the five-year plan is based on those items associated with treatment and those associated with conveyance. Starting with treatment, he touched on new items and revised items. The two new items are the hand-held gas meters. There is \$8,000 budgeted. \$5,000 is budgeted for a unit heater replacement in the belt filter press room. The gas chlorination system has been tweaked showing that being replaced with a sodium hypochlorite system. The \$100,000 has been reduced from \$360,000 when they were looking at UV. That is showing as being installed this year. There is a backhoe which was in previous five-year plans. \$85,000 is budgeted and is showing as being purchased this year.

Mr. Korenic asked what they do with the backhoe they have now? Mr. Gilbert replied they will sell it. They have two backhoes -- one is an old John Deere that's about 25 years old and the other is a JCB. Mr. Branthoover stated the backhoe is a 1979.

Mr. Blenko asked if the bids for grinder replacements were for two grinders, the Yough and a pump station? Mr. Coldren replied yes.

Mr. Hondal asked if the \$65,000 for the pole building reflects the latest estimate for the building, pad and other work that needs done? Mr. Coldren replied he thought so. They are looking at \$1,500 for stone. They are anticipating two days on-site grading with the Authority's crew and the cost through Costars was a little over \$50,000.

Mr. Coldren stated there were some new items added associated with Conveyance. \$40,000 is budgeted for the manhole leveling equipment from Mr. Manhole. \$20,000 is budgeted for equipment which allows the Authority to raise their manholes and lids up to road level. That would be operated off the new backhoe. There will be material supplies in the following four years.

Mr. Branthoover said in the remaining years that would be a rehab item on the operating side, it won't be capital.

Mr. Hondal said he thought we had money in the operating side for metering for the Long Run Pump Station ultrasonic flow meters. Why are we capitalizing this meter? Mr. Branthoover replied because we are going to own this one.

Mr. Coldren stated two of the other new items are under the Stewartsville Pump Station. There was a meeting with DEP and the emergency bypass pipe is going to be rerouted and there will be a meter on it. If it is ever activated with a bypass, we will know. There is money in there for that as well as eliminating the storm water which currently flows into that bypass.

Some of the amounts have been changed for County Hills and the Brush Creek Tinkers Run Rehab.

Under the administration office building for 2016 there is \$1,000,000 budgeted. Mrs. Petrosky stated it is under 2016 is because that's the year when the PennVEST loan will be paid.

Mr. Korenic asked about \$31,000 for administrative equipment? Mr. Coldren said they have a spreadsheet that identifies all the laptops, computers, printers, fax machines, etc. Mr. Branthoover stated they are looking at a new server this year that is going to be about \$18,000 which includes software and everything. They may be getting a new laptop. He put \$3,000 for miscellaneous equipment which could be a copier or printer. The high-speed laser is for billing. He did notice that he had the security cameras in there, but those could be moved to operating. That can reduce the capital by \$2,500.

Mr. Shields asked about the security cameras. Mrs. Petrosky replied that we want to put two security cameras in the hallway. One would be focused toward the payment window and one would be focused towards our end of the hallway. Mr. Shields asked who would monitor them?

Mrs. Petrosky replied that it was originally suggested by the police department that it be tied into their system, but they don't necessarily monitor the cameras 24-hours a day. They more often monitor them when they have prisoners in a cell. We considered the same type of system that is at the Yough Plant where they can be monitored in-house through our computers. Mr. Shields said he

felt nobody was going to be watching the cameras. You almost have to have a full-time guard to make it worthwhile.

Mr. Coldren reviewed the overall capital spreadsheet. Spending is approximately \$2.4 million in 2012 and \$1.8 in 2013. At the end of 2016, we're projecting an ending capital balance of a little under half a million dollars, \$424,000. That's close to what has been projected in previous years, and is based on continuing with a \$1.00 increase during each year of the plan.

Mrs. Petrosky asked if the Board wanted to have another budget work session before the May meeting? Mr. Hondal said he would not be at the May meeting, but would be willing to come back in on another day to discuss the budget. It was decided to schedule the budget work session for Wednesday, April 27, 2011. Mr. Hondal said he would like for the staff to go through the 2012 capital projects and put them in order of priority for the next meeting. Mr. Shields asked what would be the reason for prioritizing? Mr. Hondal replied he would like to see a possible reduction in the capital budget. He would like to see what is absolutely necessary versus what is not mandatory. Mr. Shields asked what would be an acceptable level?

Mr. Hondal stated there are things that are absolutely mandatory and that's ok. But there are some things that are not mandatory or are not mandatory yet. The pole building is an example of what is not mandatory. Some of the office equipment is not mandatory. Security cameras are not mandatory. Maybe make a group of mandatory things that we absolutely positively need to have and the balance put in some means of order so they can look at it.

Mr. Polczynski asked to see the last few years of the five-year plans to see how they've evolved. Mr. Branthoover said he could give them the last five years.

Mrs. Petrosky added that she would give them a rate history as well.

Adjournment

The Budget Meeting adjourned at 9:08 PM.


Edward P. Shields, Secretary