

FRANCONIA TOWNSHIP

REGULAR MEETING MINUTES

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BOARD OF SUPERVISORS

Chairman Grey Godshall called the Regular Meeting of the Board of Supervisors of Franconia Township to order on Monday, December 8, 2014 at 7:04 p.m. at the Municipal Building, 671 Allentown Road, Franconia, Pennsylvania 18969.

Present were 1<sup>st</sup> Vice-chairman David B. Fazio, 2<sup>nd</sup> Vice-chairman Robert H. Nice, Supervisors Curtis N. Kratz and Steven P. Barndt; Township Manager Jon A. Hammer; Assistant Township Manager Jamie P. Worman; Chief Joseph S. Kozeniewski; Township Solicitor Frank R. Bartle, Esquire; Township Engineer Cindy VanHise, P.E.; Building and Code Inspector Jerry Rittenhouse and Roger M. Koffel, Finance Officer Ami L. Tarburton, and interested residents and non-residents of Franconia Township.

**OPENING MEETING TO THE PUBLIC**

Prior to opening the meeting to the Public, Mr. Godshall introduced newly appointed Supervisor, Mr. Robert H. Nice. He welcomed Mr. Nice. Mr. Godshall then made an opening statement. He explained that there are two major issues going on right now one with the budget and a second with the lay-offs. Before moving forward he wanted to give a little background as to how we got here. He explained that he has been the Chairman for 11 months. For a long time there has been a struggle in which the BOS was not receiving information in the manner or way they wanted it. They decided to cut ties with the long-time manager and brought in the new manager, Jon Hammer. He continued that they brought in Mr. Hammer because of his strong financial background which was something they believed was lacking in the previous manager. In addition to hiring a new manager they also had the Township's audited financial statements reviewed. The Auditor who is Ed Furman of Mallie Associates LLP has verified all to the numbers and is in attendance this evening to provide a presentation of the financial figures. Mr. Godshall then introduced Mr. Ed Furman and he began his presentation.

**Auditor Presentation**

Mr. Furman distributed two handouts. The first handout was an analysis of the General Fund from 2009 through 2015. The second handout was a bullet point summary of the analysis. Mr. Furman then went through the handouts and explained the data to everyone in attendance. Mr. Furman explained that they analyzed the data from the audited financial statements beginning in 2009 through 2013. They then provided projections for 2014 and 2015. He reviewed the deficits and how the deficits were funded. He reviewed the various transfers that also occurred through 2009-2013. He pointed out that in 2009 there was a fund transfer from the Capital Fund to the General Fund in the amount of \$180,000.00. He explained that this is a permitted transfer and is not uncommon. He then pointed out that in 2010 a \$200,000.00 transfer was made from the Open Space Fund to the General Fund. It was done at the end of the year and there was no documentation as to why, suggesting that this was an improper transfer in which case it will have to go back to the Open Space Fund. He then noted a transfer in 2011 where there was a permitted transfer of \$355,000.00 from the bond fund for the Belmont Estates project. He explained that

had this fund transfer not occurred there would have been a negative fund balance going into 2012. In 2012 there was a \$750,000.00 transfer from the Open Space Fund to the General Fund which appears to have been made in order to keep the balance positive. Mr. Furman then explained that in 2013 the rest of the Belmont funds were transferred into the budget. He then moved on to the projected ending fund balance for 2014 explaining that the fund balance projected is a little less than \$100,000.00. He added that this is a very small balance. He continued that in 2015 the General Fund should have a small surplus of approximately \$41,000.00. He then reviewed the bullet points included on the second sheet that was handed out.

Mr. Godshall then explained that the BOS is looking at a \$41K balance for the end of 2015 and moving forward will need to repay the Open Space Fund and bond fund. Mr. Godshall continued that in light of the information Mr. Furman provided it still puts the BOS in the same spot in which we need to get our funds back to where they belong. He added that the BOS feels good with the 2015 budget in that we will be able to still provide services but we agree that moving forward the budget formulation will be handled differently.

Mr. Frank Bartle, Esquire, explained that there were two issues covered by having the forensic audit performed. First we wanted to make sure there was no money missing. The results show that. Mr. Furman agreed that there was no money missing just the misuse of restricted funds. Mr. Bartle continued that the second issue was to analyze the sustainability/stability of revenues vs. expenditures. Mr. Furman agreed that if the numbers come in as projected then the finances will be stabilized. Mr. Godshall then turned over the meeting to questions/comments from the residents/taxpayers in the audience.

Mr. Rick Brinkman of 417 Mininger Road questioned why the Open Space Fund can only be used for open space. Mr. Bartle explained that the Open Space Fund is funding through a dedicated tax for open space. The fund is then restricted for that purpose and no other. Mr. Barndt added that the tax is the additional .25% of your EIT.

Mr. Tom Scalfani, 360 High Street, questioned what defines the open space and why does it need to continue. Mr. Godshall replied that in 2001 the voters approved a referendum that permitted the imposition of a .25% EIT for residents of Franconia Township. That referendum clearly stated that the tax would be collected for the acquisition of open space parcels, farm preservation, and development rights. The Township would make the purchases and incur the debt and this dedicated tax is collected to fund those purchases and pay down the debt. Mr. Scalfani replied that it sounds like the Township spent money that they didn't have.

Mr. Bob Hicks, 362 Meadowwood Lane, questioned if the Open Space Tax was something that we still wanted. Mr. Godshall replied that the tax has to remain in place until the debt is retired. Mr. Godshall also mentioned the connection between school taxes and open space acquisition. Mr. Scalfani, 360 High Street, questioned the reduced taxes farmers are given when they preserve their farms. Mr. Bartle replied that what Mr. Scalfani is referring to is the Act 319 program which a property owner could enter but that program is dictated through a state statute not through the Township. Mr. Scalfani questioned how the open space purchases are decided. Mr.

Godshall replied that the owner contacts the Township and then we review it to see if we would be interested and if so it will move on through the appraisal process.

Mr. Jason Geddes, 606 County Line Road, asked if the BOS had a dollar amount for all the purchases of the farms pictured on the wall. He continued that the point he is making is that even if you discontinued the purchase of any new open space you could not repeal the tax until you've paid for everything already purchased. It could not be repealed because we still owe money. Mr. Godshall replied that that was correct. He added that they would still look at parcels for preservation if the right parcel came along. Mr. Furman added that there is currently \$7M in debt owed for open space.

Mr. Gerald Thiel, 808 Allentown Road, stated that in 2011 he raised the question to the Township Manager at the time, Mr. Kevin Baver, about the fund the transfer. He added that he insisted the money wasn't there and that it was a false fund balance not a real revenue number. He continued that he was told he was incorrect and that Mr. Barndt, Mr. Godshall, and Mr. Kratz did not back him up on his claim. He added that he has gone back and looked at all the budgets and can see now that they were built in deficits. Mr. Thiel continued that Mr. Hammer has shed some light on the situation but where were the rest of you, why didn't you look into the audits. He questioned the purpose of an audit if the information is not reviewed. He added that the BOS should have increased taxes and that he blames the BOS for this situation. Mr. Godshall replied that Mr. Thiel's comments are well taken. He explained that the accounting principles for public entities is much different than that of private business. There was a lot of moving funds from here to there and moving forward we will do things differently and provide much better reporting. Mr. Furman added that in 2015 the Township has arranged to not have the open space funds go through the General Fund at all.

Ms. Mary Scalfani, 360 High Street, thanked the BOS for their responses. She commented that the checks and balances are an obvious issue. She questioned who did the actual transfers. Mr. Furman replied that the transfers were unauthorized. Ms. Scalfani then added that she does not support the budget and the BOS should not approve it. The cuts should be across the board not just the police department.

Ms. Bonnie Miller, 354 High Street, thanked the BOS for the positive meeting. She added that there seems to be a desire in the community to make some positive changes and that there is a new enthusiasm in the community. She added that a community advisory committee has been established and they are planning on meeting next week.

Mr. Tom Scalfani, 360 High Street, questioned how the BOS is arriving at those numbers for the end of 2015. He also questioned the severances that were paid out and who agreed to 6 month severance payments. He also mentioned a disparagement clause in the former manager's agreement. Mr. Bartle replied that the BOS cannot talk about personnel issues. He continued that from here on out the BOS want to make it as open to the public as possible. We have provided answers to all of the questions raised at the last meeting, they are available on the website. We have also brought in an expert to explain the budget and the financial condition. This board has three matters of litigation before it and because of that they cannot comment on

anything related to that because they would essentially be giving a deposition without knowing it. He continued that there is not a non-disparagement clause in Mr. Bauer's agreement and he can discuss anything he did as the former manager. Mr. Scalfani questioned the six month severance pay and questioned why there were not cuts to the Public Works Department.

Ms. Terry Hettel, 327 Elmwood Lane, commented that she felt this was a good opportunity for a lot of people to get involved. She suggested the BOS consider not giving so much money to the library and that the BOS listen to the opinions and ideas of the residents. Mr. Godshall acknowledged that the community advisory committee was a good idea but did suggest that they be provided information about the Township.

Ms. Peg Hofner, 415 Moyer Road, questioned what type of taxes the Township gets from the Bergey's development. She also wondered if the BOS had given any thought to televising their meetings. Mr. Godshall replied that the tax question is difficult to answer. The taxes are based on the individual property. He explained that they would pay property tax, EIT, and then the Local Services Tax. Ms. Hoffner then asked about the 85 home development going in and questioned why the Township would ever work with THP again. Mr. Godshall replied that everyone can develop their property in conformance with the code regardless of their name. Ms. Tara Gray, 453 Mininger Road, suggested the Township reach out to the high school's audio visual department for support in televising the meetings.

Mr. Gerald Thiel, 808 Allentown Road, summarized the changes proposed to arrive at the 2015 budget. He agreed that the financial imbalance would be rectified but questioned why the break-even point had to come in 2015. He requested the BOS consider pushing off that break-even point to 2016 and call off the lay-off.

Mr. Rick Brinkman, 417 Mininger Road, agreed that the BOS should bring back the police. He also questioned who determines the salaries of the building inspectors and wanted to know why a building inspector makes more money than an officer. He also questioned why an inspector uses a Township vehicle instead of his own. He added that the inspector should drive his own car and enter where he goes in a log book. Mr. Godshall replied that that was not the case an inspector does not make more than an officer. The BOS sets the salaries and the inspectors salaries are within the normal range.

Mr. Scalfani, 360 High Street, commented that hiding behind and not talking is not the way to be transparent.

Mr. Jason Geddes, 606 County Line Road, questioned the auditor about the current status of the Township's finances stating that technically the Township is still in the hole. He added that we're not really breaking even at the end of 2015 because we still have to pay back the open space funds. He continued that by laying off the officers we have removed a yearly debt which will put \$900K back into the budget. If we brought the officers back we would continue to add to the deficit. Mr. Furman agreed that that was the case, if you brought the officers back you would have not funds to pay them. Mr. Godshall then gave an explanation of about the staffing situation within the Township stating that the administration is running on four employees, the

Public Works Department is running on eight employees and not the Police Department has been right-sized to include 11 full-time officers. Every other department is bare bones. Ms. Geddes agreed and explained that in order to make up the savings by laying off in the police department you would have to essentially cut the other departments entirely.

Mr. Tom Scalfani, 360 High Street, questioned what the plan was to pay the deficit back. Mr. Godshall replied that they are going to look at that but they have to pay it back over time with interest.

Ms. Kathy Rhoads, 218 Heatherfield Drive, commented that if we have to pay the debt back over time then why not bring the officers back and pay that off over time too. She gave an example of her experience with the police department and how helpful they were to her when her home was burglarized. Mr. Godshall replied that the \$800-\$900K we're talking about is reoccurring every year and we cannot sustain that. The debt we will be paying back over time but that \$800-\$900 will be sitting there year after year.

Mr. Joseph Rudner, 102 Forrelle Court, questioned how much the police department cannot handle with the reduction in staff and perhaps bringing back maybe two officers would make it fair.

Mr. Jason Geddes, 606 County Line Road, questioned if there was talk about consolidating police departments and he also questioned the protocol for when a 911 call comes in. Chief Joe Kozeniewski explained the procedure pertaining to coverage and that the 911 calls are still dispatched and answered. There is no change to that process. He also added that the standard coverage is still two patrol officers, there will only occasionally be one officer on duty but through the assistance of mutual aid agreements there will always be coverage and backup. Mr. Geddes reiterated his point that the Township still needs the other departments to function, you can't run the Township on only a police department.

No further comments were heard.

#### **APPROVAL OF THE OCTOBER 20 & NOVEMBER 17 2014 MEETING MINUTES**

A motion was made by Mr. Fazio and seconded by Mr. Kratz to approve the October 20, 2014 Regular Meeting Minutes. The motion carried unanimously. A motion was made by Mr. Fazio and seconded by Mr. Kratz to approve the November 17, 2014 Regular Meeting Minutes. The motion carried unanimously.

#### **SOLICITOR'S REPORT – FRANK R. BARTLE, ESQUIRE**

A motion was made by Mr. Fazio and seconded by Mr. Barndt to approve Resolution 14-28-08-12: A Resolution for the Approval of the 2015 Budget Documents. The motion carried unanimously.

A motion was made by Mr. Fazio and seconded by Mr. Kratz to approve Resolution 14-29-08-12: A Resolution Assessing a 2% Discount to Taxpayers Making a Payment of Total Amount Thereof Within Two (2) Months after the Date of the Tax Notice; and Assessing a 10% Penalty to Taxpayers Making Payment of Total Thereof Four (4) Months after the Date of the Tax Notice; and Establishing an Interest Rate of 10% on Municipal Claims for Delinquent Taxes. The motion carried unanimously.

A motion was made by Mr. Barndt and seconded by Mr. Fazio to approve Resolution 14-30-08-12: A Resolution Requiring Employee Contributions of 5% of all wages to the Police Pension Plan for 2015. The motion carried unanimously.

A motion was made by Mr. Barndt and seconded by Mr. Kratz to approve Resolution 14-31-08-12: A Resolution Setting the Real Estate Tax Rate for the 2015 General Fund Budget, Setting the Fire Service Tax, Setting the Library Tax. The motion carried unanimously.

A motion was made by Mr. Fazio and seconded by Mr. Barndt to approve Resolution 14-32-08-12: A Resolution Authorizing the Settlement and Issuance of a \$500,000 Tax Anticipation Note through Quakertown National Bank. The motion carried unanimously.

#### **POLICE REPORT – CHIEF JOSEPH KOZENIEWSKI**

Chief Joseph Kozeniewski submitted the Police report for November 2014. He noted that there has been a series of FBI scams reported in which someone calls up and says they are the IRS. He cautioned against providing financial or personal data to callers.

#### **ZONING REPORT – JAMIE P. WORMAN**

Ms. Worman submitted her report for November 2014. She commented on the increase in the number of Zoning Hearing Board applications.

#### **HIGHWAY REPORT – PAUL R. NICE**

Mr. Nice submitted the Highway report for November 2014. He noted that the West Broad Intersection is open and that the final inspection was completed today.

#### **ENGINEERING REPORT – CINDY VANHISE, P.E.**

Ms. VanHise submitted his report for November 2014.

#### **TREASURER'S REPORT – JON A. HAMMER**

A motion was made by Mr. Barndt and seconded by Mr. Fazio to approve the Treasurer's Report as presented, and to provide authorization for the Treasurer to pay all bills for the respective funds as presented on Voucher No. 14-8-12 dated December 8, 2014 in the amount of \$123,710.44. The motion carried unanimously.

A motion was made by Mr. Barndt and seconded by Mr. Fazio to authorize the Treasurer to pay all 2014 Year-end bills from the respective funds to be presented on Voucher No. 14-31-12 dated December 31, 2014. The motion carried unanimously.

**PAYROLL**

A motion was made by Mr. Barndt and seconded by Mr. Kratz for the Treasurer to be authorized to pay all employees during the pay period of December 6, 2014 through December 31, 2014 according to the hours worked as listed on the Payroll Journal for the aforesaid period. The motion carried unanimously.

**LAND DEVELOPMENT**

No action

**ANNOUNCEMENTS**

The Annual Organization of the Board of Supervisors Meeting will be held on Monday, January 5, 2015 at 5:00 p.m. at the Franconia Township Municipal Building, 671 Allentown Road, Telford, Pennsylvania 18969. The next Regular Board of Supervisors meeting will be held at 7:00 p.m. on Monday, January 19<sup>th</sup>, 2015 at the same location.

The Franconia Township Planning Commission will hold its Regular Meeting on Monday, January 12, 2015 at 7:00 p.m. at the Franconia Township Municipal Building, 671 Allentown Road, Telford, Pennsylvania 18969.

**MOTION TO ADJOURN**

A motion was made by Mr. Kratz and seconded by Mr. Fazio to adjourn the meeting at 9:10 p.m. The motion carried unanimously.

Respectfully submitted,

Jon A. Hammer, Secretary