

**MINUTES**  
**EXETER TOWNSHIP BOARD OF SUPERVISORS BUDGET MEETING**  
**OCTOBER 3, 2019**

**Budget Meeting**

A Budget Meeting of the Exeter Township Board of Supervisors was called to order on Thursday, October 3, 2019 at 6:02 P.M. in the Township Building by John Cusatis, Chairperson.

Mr. Hughes stated that he was videotaping the meeting.

**Supervisors Present:** John Cusatis, Chairperson  
David Speece, Vice Chairperson  
Vinny Biancone  
Jeff Anderton

**Absent:** Daron O'Donald

**Others in Attendance:** John Granger, Township Manager  
Michele Gilbert, Operations Director  
Jen Savage, Finance Director

The Meeting was opened with the Pledge to the Flag

**Use of Proceeds**

Mr. Granger gave a presentation on the Use of Proceeds, a copy of which is attached to these minutes.

Mr. Speece asked about the funding for the Capital Fund.

Mr. Cusatis asked about the proposed funding for the Fire Fund, specifically for the transfer to the Apparatus Fund.

**PUBLIC COMMENTS:**

**Kyle Kemp**, 330 Lorane Road, suggested that part of the proceeds be used to payoff the debt at the Reading Country Club. He asked about the legal fees at the Reading Country Club.

He suggested that improvements to the Scenic Trail be made, especially in parking lot and that the Trail be extended eastward along the Township Right-of-Way. He stated that there were State funds available for this work.

Mr. Granger stated that the Township is working on a second access to Trout Run and that project would include upgrades to the Scenic Trail, including a parking lot and small boat launch.

**Greg Galtere**, 11 Nancy Circle, asked about when the decision will be made with respect to the Use of the Proceeds.

Mr. Granger stated that it would be decided at the next Board Meeting.

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**David Hughes**, 255 West 47<sup>th</sup> Street, asked about the \$7 million transfer.

Mr. Granger stated that the matter would be discuss at the next Board Meeting.

**MOTION** of Mr. Speece, seconded by Mr. Anderton, the meeting adjourned at 7:50 P.M.

Respectfully Submitted,

John A. Granger  
Township Secretary

DRAFT

# EXETER TOWNSHIP

2020 Budget

Use of Wastewater Treatment Plant Sale Proceeds

October 3, 2019

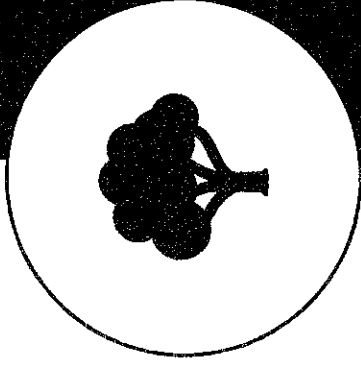


PA American Water Company purchased the  
Exeter Township Wastewater Treatment Plant

Settlement scheduled to occur in late October 2019

Proceeds from Sale
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\$93,500,000
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# Objectives

- Maintain current General Fund Real Estate Taxes at same level
    - 2.145 mills
  - Provide funding for infrastructure and capital needs
  - Provide Homestead Exemption
- 

## Proposed actions to reduce General Fund expenses:

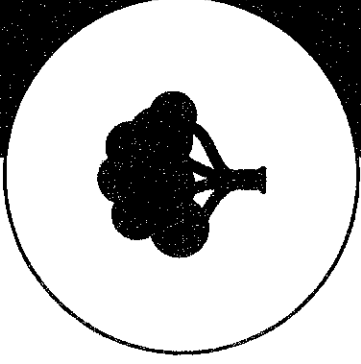
- Eliminate General Fund Debt Service
- Fund OPEB Requirements
- Fund Pension Requirements
- Fund Capital Requests
- Fund Equipment Requests

## Proposed actions to offset sewer rate increase:

- Fund Homestead Exemption Requirements

All debt affiliated with the Township's wastewater plant must be defeased (paid in full)

Proceeds from Sale	\$93,500,000
Wastewater Plant Debt Balance	(16,845,526)
Remaining Proceeds	\$76,654,474





# General Fund Debt Defeasance

- All General Fund Debt will be paid in full.
- Current debt includes 2012 GO Bond supporting the library construction and a 2005 PennVest loan.
- Annual debt service
  - 2012 GO Bond
    - 2020 \$337,763
    - 2021 \$338,423
    - 2022 \$338,540
    - 2023 \$338,100
    - 2024 \$336,600
  - PennVest Loan
    - 2020 \$19,159
    - 2021 \$19,159
    - 2022 \$19,159
    - 2023 \$19,159
    - 2024 \$19,159



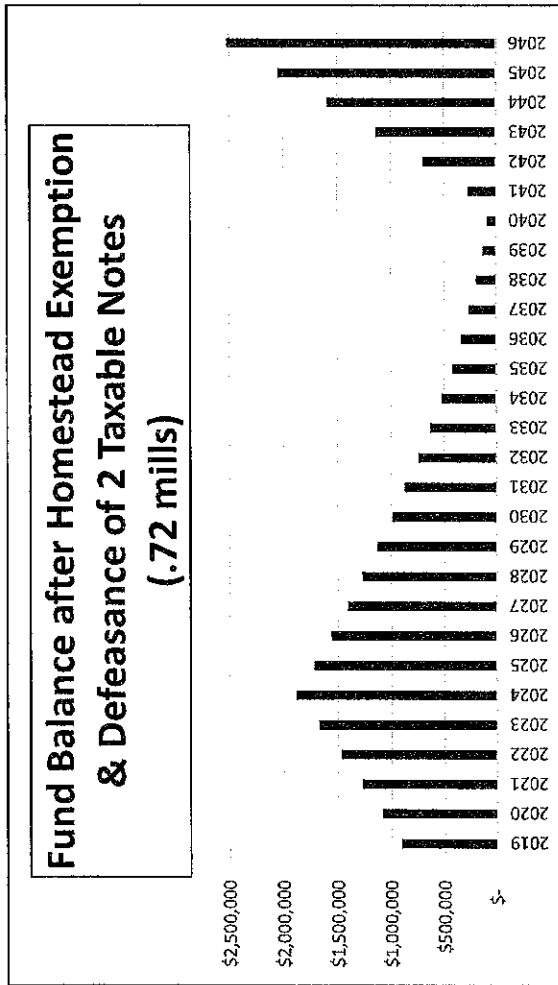
# Impact of Homestead Exemption on RCC Debt

Homestead Exemption Cost:  
 \$225,000 annual tax reduction

Options:

- Utilize investment income from balance of proceeds
- Retire taxable RCC debt
- Retire all RCC debt

Note: Real estate taxes cannot be increased to offset Homestead Exemption tax revenue decrease.





# Debt Service Fund Defeasance



- Homestead Exemption decreases tax revenues in the Debt Service Fund by approximately \$225,000 annually

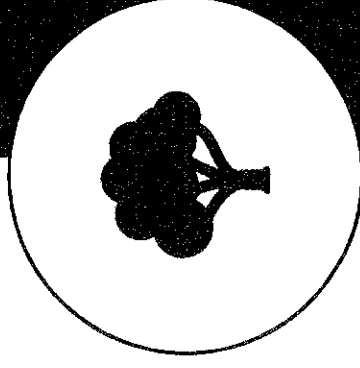
- Defeasance 2 Taxable Notes associated with the Reading Country Club – 2015 Taxable & 2018 GO

• Annual debt service			
➤ 2015 Taxable		➤ 2018 GO Bond	
• 2020	\$166,106	• 2020	\$233,500
• 2021	\$164,691	• 2021	\$229,050
• 2022	\$168,155	• 2022	\$224,600
• 2023	\$166,295	• 2023	\$220,150
• 2024	\$165,313	• 2024	\$215,700
• 2025	\$164,170	• 2025	\$116,250
• 2026	\$162,000	• 2026	\$316,028
• 2027	\$165,563	• 2027	\$2,391,905
• 2028	\$163,438		
• 2029	\$166,938		
• 2030	\$164,688		

## General Fund and Debt Service Defeased

- General Fund & Debt Service debt defeasance will reduce future fund expenses which are supported by tax revenues

Proceeds from Sale	\$93,500,000
Wastewater Plant Debt Balance	(16,845,526)
General Fund Debt Defeasance	( 2,131,863)
RCC <u>Taxable</u> Note Defeasance	(4,410,000)
Remaining Proceeds	\$70,112,611

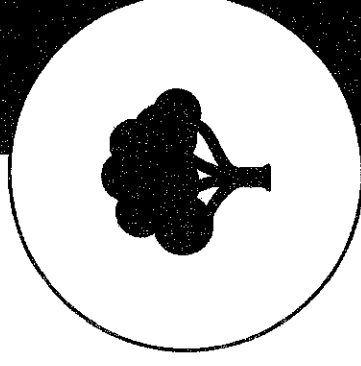


## General Fund and Debt Service Defeased

- General Fund & Debt Service debt defeasance will reduce future fund expenses which are supported by tax revenues

Proceeds from Sale	\$93,500,000
Wastewater Plant Debt Balance	(16,845,526)
General Fund Debt Defeasance	( 2,131,863)
<u>All RCC Debt Defeasance</u>	<u>(21,188,064)</u>
Remaining Proceeds	\$53,334,547

\*Approximately \$335,000 of annual interest income will be lost if additional \$17M of RCC debt is defeased.  
Interest Income can be utilized in General Fund



# Deposits into the Township Police & Employees Pension Funds will reduce mandatory future pension payments



As customary in governmental agencies, the Township provides pension retirement plans for its employees.

Most of the Township's pension plans are mandated by Collective Bargaining Agreements.

Based upon recent actuarial valuations, both the Police Pension and Employees' Pension Plans report unfunded actuarial accrued liabilities.

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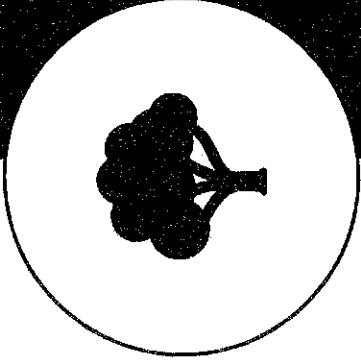
Deposits into both Pension Funds will:

- Provide ability to decrease the current assumed interest rate of 8%
  - The actual rate of return for both plans has been less than 8% for multiple years
- Reduce investment risk in the plans
- Eliminate need for Township funding which is paid out of the General Fund (tax revenue supported)
  - All future payments into the Pension Plans will be provided by State Aid funding

Deposits into the Township Police & Employees Pension Funds will reduce mandatory future pension payments

Proceeds from Sale	\$93,500,000
Wastewater Plant Debt Balance	(16,845,526)
General Fund Debt Balance	( 2,131,863)
RCC <u>Taxable</u> Note Defeasance	(4,410,000)
Deposit to Pension Funds - Police	(9,575,875)
Deposit to Pension Funds - Employees	(435,866)
<b>Remaining Proceeds</b>	<b>\$60,100,870</b>

\* Remaining balance if all RCC debt is defeased \$43,322,806



# Deposit into Other Post Employment Benefits (OPEB) Trust will reduce mandatory future retiree healthcare payments

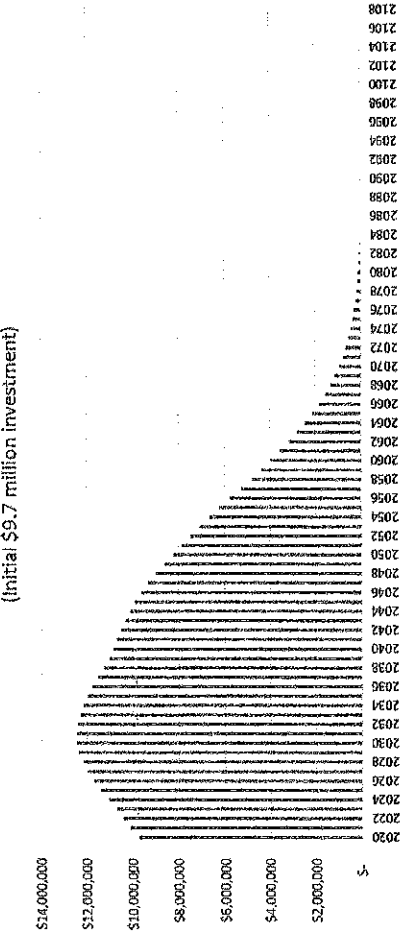


Other Post Employment Benefits (OPEB) are benefits (other than pensions) that US state and local governments provide to their retired employees. These benefits include healthcare and life insurance benefits.

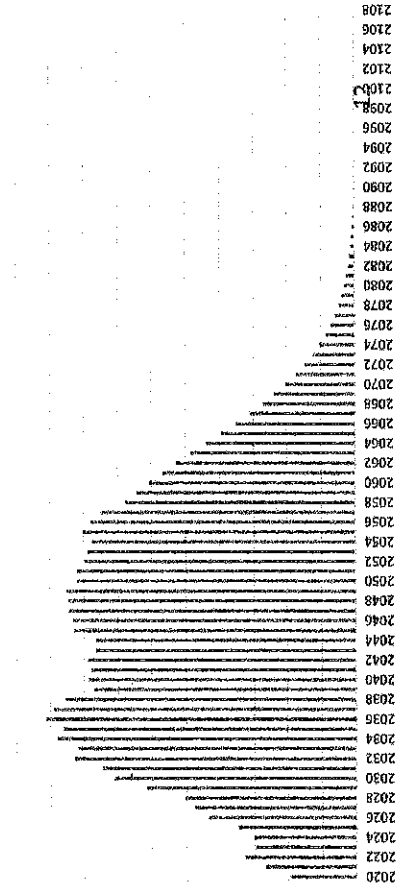
The Township will make a \$9.7MM investment into an OPEB Trust. All future retiree benefit payments will be paid from the OPEB Trust instead of the General Fund.

Payments in 2020 are anticipated to be approximately \$200,000. Total expected retiree premium payments between 2020 and 2088 are approximately \$30,000,000. The OPEB Trust will be exhausted in 2088.

Exeter Township Postemployment Benefits Plan  
Expected Plan Assets  
(Initial \$9.7 million investment)



Exeter Township Postemployment Benefits Plan  
Expected Retiree Premium Payments

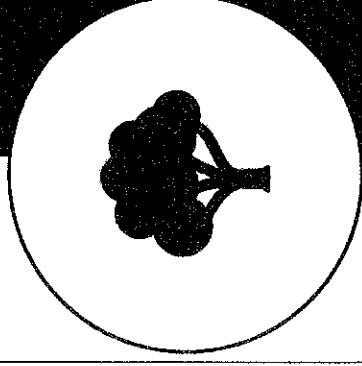


Deposit into Other Post Employment Benefits (OPEB) Trust will reduce mandatory future retiree healthcare payments

Proceeds from Sale	\$93,500,000
Wastewater Plant Debt Balance	(16,845,526)
General Fund Debt Balance	( 2,131,863)
RCC <u>Taxable</u> Note Defeasance	(4,410,000)
Deposit to Pension Funds - Police	(9,575,875)
Deposit to Pension Funds - Employees	(435,866)
OPEB Trust Deposit	(9,700,000)
<b>Remaining Proceeds</b>	<b>\$50,400,870</b>

\* Remaining balance if all RCC debt is defeased

\$33,622,806



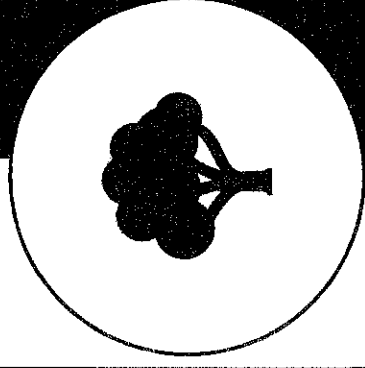
# Storm Sewer Improvements

Reconstruct failing storm sewer culverts

Proceeds from Sale	\$93,500,000
Wastewater Plant Debt Balance	(16,845,526)
General Fund Debt Balance	( 2,131,863)
RCC <u>Taxable Note</u> Defeasance	(4,410,000)
Deposit to Pension Funds - Police	(9,575,875)
Deposit to Pension Funds - Employees	(435,866)
OPEB Trust Deposit	(9,700,000)
Storm Sewer Improvements	(4,000,000)

Remaining Proceeds \$46,400,870

\* Remaining balance if all RCC debt is defeased \$29,622,806



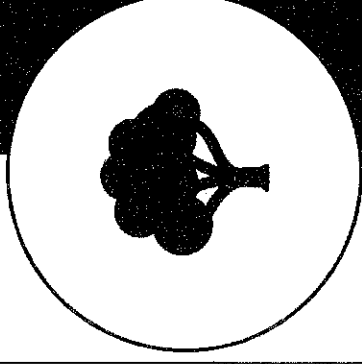


## Equipment Replacement Fund

Proceeds from Sale	\$93,500,000
Wastewater Plant Debt Balance	(16,845,526)
General Fund Debt Balance	( 2,131,863)
RCC <u>Taxable</u> Note Defeasance	(4,410,000)
Deposit to Pension Funds - Police	(9,575,875)
Deposit to Pension Funds - Employees	(435,866)
OPEB Trust Deposit	(9,700,000)
Storm Sewer Improvements	(4,000,000)
Equipment Replacement	(6,000,000)
<b>Remaining Proceeds</b>	<b>\$41,400,870</b>

\* Remaining balance if all RCC debt is defeased

\$23,622,806



# Future General Fund Savings

	2020	2021	2022
Debt Service	\$356,922	\$357,582	\$357,699
OPEB	\$200,000	\$275,000	\$325,000
Pension (Police & Employees)	\$325,000	\$330,000	\$335,000
Storm Sewer	\$929,400	\$694,000	\$490,000
Equipment	\$247,500	\$226,500	\$59,000
<b>TOTAL</b>	<b>\$2,058,822</b>	<b>\$1,883,082</b>	<b>\$1,566,699</b>

