

EAST FALLOWFIELD TOWNSHIP
BOARD OF SUPERVISORS WORKSHOP MEETING
April 11, 2017 Approved minutes
6:31 PM

Members Present

Steve Herzog, Chairman
Ed Porter, Vice Chairman
Carol Kulp, Member
Randy Doan, Member
Wilson Lambert, Member

Township Staff Present

Lisa Valaitis, Township Secretary
Pani Martin, Township Treasurer

1. CALL TO ORDER, SILENT MEDITATION AND PLEDGE OF ALLEGIANCE

Chairman Steve Herzog called the meeting to order at 6:31 pm.

2. DISCUSSION

A. 2016 Township Audit - Barbacane, Thornton & Company LLP.

Steven Kutsuflakis, with Barbacane, Thornton & Company LLP, introduced Eric Willey, Supervisor on the account. Eric Willey presented an overview of the 2016 audit results. He reported they issued the DCED Annual Audit and Financial Report dated March 27, 2017. It was e-filed with the DCED on March 30, 2017 so the April 1, 2017 deadline was met. They gave Pani Martin the summary of financial statement to be advertised in the paper and that has been completed as well.

Mr. Willey discussed some of their procedures, findings and results. They target audit procedures and areas that have slightly elevated risk. They talk to management about internal control procedures and they test those procedures/controls to make sure they operate effectively to prevent or detect fraud. They trace everything to the general ledger and bank statements to ensure everything is operating correctly and is correct in QuickBooks. They also review analytics. They then dig down and look at specific activities. Specific to the East Fallowfield Township audit, they focused on internal controls, cash receipts, cash disbursements, and payroll. The biggest thing this year was the conversion from the modified accrual basis of accounting to the cash basis of accounting which was recommended by the prior auditor. One thing that showed up every month in the Treasurer's Report was the \$752,000 negative receivable. He said they did clean that up with adjusting entries. He explained that in QuickBooks, when an invoice was created to bill someone, the receivable never got set up. The link to the receivable was broken and dated back to 1998. The Accounts Receivable was credited every time a bill was paid. That \$752,000 was an accumulation of payments. It was an accounting error and not a payable that the Township owed. Mr. Willey reported they also looked at the escrow accounts. He said they feel some of the money in the escrow accounts is money the Township can use. They recommend having someone review the records to determine if the deposits are true escrow liabilities. Pani Martin stated the West Chester Road and South Caln Road escrow is a large part of the account. There was a discussion about the West Chester Road escrow account balance and which developments contributed. The Board discussed reviewing the agreements for the developments involved.

Eric Willey reported the audit result issued was a clear opinion on the financial statements which is the highest level of opinion. They noted one material weakness in the internal control which is a lack of segregation of duties. This is because the office is small. They recommended hiring a Township Manager which would allow duties to be redistributed.

Eric Willey discussed highlights such as total revenues. He said Earned Income Tax is the most significant revenue source. Total Earned Income Tax dropped \$307,000 in 2016. Steve Herzog asked if this was due to the change to the cash basis of accounting. The auditor stated it was a true decrease in revenue. Pani Martin stated it was a good thing the Township implemented the real estate tax, because the Township would have been short \$300,000 if the tax was not implemented. Mr. Willey stated expenditures remained consistent and minimally changed between 2015 and 2016 which indicates good control over the budget. There was a discussion about the monthly Treasurer's Report differing from the Audit Summaries. Eric Willey felt this was classification differences between the DCED and Township chart of accounts. Eric Willey discussed the summary of cash balances in 2015 and 2016 as well as capital expenditures.

There was a discussion about hiring a fee accountant a few times a year. Eric Willey suggested further separating duties by having someone other than the Treasurer entering transactions into QuickBooks. Mr. Willey also discussed his recommendation to move some responsibilities around to other employees and have a second full-timer to address the lack of segregation of duties.

B. Act 537 Plan Update - Herbert MacCombie's Office – David Porter.

David Porter reported that based on the Sewage Needs Identification Survey results, they categorized each property into one of four DEP categories. There was concern there was inconsistency between the Township's Comprehensive Plan and where the Act 537 survey indicated the need for adequate sewage disposal. David Porter discussed several potentially problematic areas. The Hephzibah Hill/High Meadows area would be tributary to the northeastern side of the Township in connecting to public sewer. Another area of concern is the Ercildoun and Doe Run Farms area which has a large cluster of residential lots just around one acre in size. PA American Water Company owns, operates and maintains the public sewer franchise areas in East Fallowfield.

The Township is responsible for planning for extending public sewer as needed. PA American Water Company can put up money to connect residents to public sewer if they are in an existing franchise area. David Porter discussed the process for PA American Water Company to expand their franchise area. Another identified need area is the Mt. Carmel Road area which has mostly lots less than one acre. Those homes could be connected to an existing pump station in Strasburg hunt. Anything paid by the Township would be recovered by special assessment or tapping fees. David Porter stated the Ercildoun area would cost the Township more to install public sewer because the lots are larger and there is a lot of elevation changes, so more piping would be required. David Porter said if public sewer is extended, he would encourage the Board to require residents to connect especially those within the 150 feet.

David Porter stated the Buck Run Road area is an area of concern with regard to the DEP. He stated that area was not included in the needs assessment because no response was received from the survey. The total cost for 950 residents in all areas of concern connecting to public sewer would cost the Township \$4.5 million. David Porter discussed how they would connect the High Meadows area to public sewage. Steve Herzog asked if the South Brandywine Middle School public sewage project was a done deal. David Porter said the public sewer project was tied in with the school renovation and that project has been put on hold or abandoned. David Porter discussed how the public sewer would tie in to existing public sewage at the Brandywine Middle School.

Ed Porter asked about well water flow being impacted by homes having public sewer but private well water. Ed Porter discussed slow well water and dry wells in the east side of the Township. David Porter stated he will look further into the slow flow well issue.

Dennis Crook asked about the difference in classifications such as a failed system and a certified failed system, and asked if the categories were quantified. David Porter stated these are the result of the record keeping of the Chester County Health Department. They keep track of every on-lot sewage system. A wide variety of things are causing the classifications. David Porter stated the areas clustered with a lot of suspected malfunctions and potential malfunctions indicates a bigger problem. Lots that are an acre or less can only accommodate one septic replacement area and then they are out of options.

David Porter said he will need direction from the Board on a plan for proceeding and suggested the Board expand the cost analysis to the other areas such as Buck Run Road. David Porter reminded the Board that

PA American Water Company holds monthly Tributary Municipalities meetings. The next meeting is May 11th, 2017. If the Board makes public sewer the selected alternative, DEP would like an implementation schedule organized into categories of 0-5 years and 5-10 years. David Porter mentioned the Hephzibah Hill area is an area of concern because the lots are small.

Dennis Crook discussed the Comprehensive Plan which addressed sewage needs south of Strasburg Road. He stated south of Strasburg Road, there are over 100 parcels that are less than three quarter acres. There are 50 lots between three quarters to one acre in size. These residents may not be able to accommodate a back-up on-site septic system because of the property size. Public sewage areas encouraging development was discussed. David Porter stated having the southern part of the Township open to public sewage does not mean it opens the area up to development.

David Porter recapped the Township cost estimates and how to organize the project areas on a timeline. There was a discussion about having residents in the affected areas being involved in this process from the very beginning. David Porter suggested the Board plan out the timing of implementation. Steve Herzog discussed holding a public meeting and inviting impacted residents to the meeting. The Board discussed needing to get residents' opinions on this. David Porter stated the goal of the Township should be approving the plan at the end of 2017. Ed Porter asked if there is any funding available to residents for tying into public sewer through PA American Water Company. Dennis Crook discussed some options available to help residents with the cost of installing public sewer. David Porter stated there isn't funding available but residents can tie together to lower costs. The forced tie-in ordinance of 150 feet was discussed.

C. Fulton Bank Presentation.

Van Dang introduced the Fulton Bank Financial Center Manager (Branch Manager), Carolyn Blackburn. Van Dang, the Vice President, Senior Cash Management Officer, presented a background on Fulton Bank. She stated Fulton Bank currently processes the lock box payments for East Fallowfield Township's trash billing. She said that Fulton Bank provides tax exempt financing which would be useful for onset projects. Ms. Dang discussed safety of the bank and presented a cost comparison between Fulton Bank and KeyBank (current Township bank). The interest rate earned would be the targeted fed fund rate which is currently .75%. The Township would net interest earnings of \$5,600. She also discussed some additional recommendations for the Township. She suggested placing some of the accounts in money market accounts instead of checking accounts. She discussed proactive protection strategies. Ed Porter asked for more discussion on the money market account. Ms. Dang stated there is a federal regulation stipulating that you cannot do more than six online or phone withdrawals per month. She reported there is no minimum balance or reserve requirement for the money market account. The Board will consider Fulton Bank further at the April 25, 2017 Board of Supervisors meeting.

D. 1525 South Bailey Road – Lisa Holland.

Lisa Holland presented a progress update on the daycare center project on her property at 1525 South Bailey Road. She stated in December 2016, the subdivision land development plan was approved. Ms. Holland discussed the time delay. She gave a summary of the costs spent on this project. She asked the Board of Supervisors if there is any rule that prohibits work beginning inside the home while waiting for the land development plan to be signed off on. She asked if the land development plan and permit plans are separate. Lisa Holland stated she can't delay the opening date of the daycare center which they have scheduled for August 2017. She said she has 35 families that made arrangements to enroll and August is a big enrollment time. Ms. Holland stated they need to start construction. She reported both the engineer and architect have signed and sealed the land development plans. Ed Porter stated the Board would need to talk to Mike Crotty (Township Solicitor), Chris Della Penna (Township Engineer), and Rob McLarnon (Zoning Code Officer) to determine if Ms. Holland's request is permitted. Randy Doan said the question is whether Ms. Holland can apply for building permits before her land development application is approved. Randy Doan stated he would look into this for Lisa Holland.

E. Mortonville Road Ordinance.

MOTION: Steve Herzog moved that the Township adopt Ordinance No. 2017-03 establishing the additional traffic controls on Mortonville Road. Ed Porter seconded.

VOTE: 5-0

F. New Business.

- 1) Township Open Space - Wilson Lambert reported that he attended an open space event with the Brandywine Conservancy Greenway. The topic of discussion at this seminar was a management plan for open space. Wilson Lambert asked if the Township has an open space management plan. Ed Porter discussed the Agriculture Securities Commission. Ed Porter stated there is a list of all properties included in the Agricultural Securities Commission and that Board reviews applicants that apply to be included. Ed Porter also spoke about the King Ranch properties. Wilson Lambert spoke about a management plan which includes a document and the open space management is periodically revisited. Wilson Lambert stated open space is Township owned land and trails with public access. There was a discussion about trails and the East Fallowfield Park. Dennis Crook stated during the Comprehensive Plan process, Ray Ott had stated conservation easements and agricultural easements are mostly owned by Pennsylvania or Chester County Agricultural Easement Programs. Mr. Crook said these lands are not allowed to be used. Pani Martin discussed a County list of Township open space.
- 2) PSATS 95th Annual Conference - Pani Martin asked the Board if anyone wished to attend the 95th PSATS Conference. The Board members all said they can't attend.

1. ADJOURNMENT

MOTION: Steve Herzog made a motion to adjourn the Board of Supervisors meeting at 8:58 pm. Ed Porter seconded. VOTE: 5-0

Respectfully Submitted,

Lisa Valaitis,
Township Secretary