

MINUTES OF THE CORNWALL BOROUGH COUNCIL MEETING
HELD ON MONDAY, JULY 19, 2010 AT 7:00 P.M.
IN THE CORNWALL BOROUGH OFFICE
FOR THE PURPOSE OF EXAMING THE 2010 FISCAL CRISIS AND BUDGET

The meeting was called to order at 7:00 p.m. by Council President Paul Vranesic.

PLEDGE OF ALLEGIANCE

PRESENT

Rob Koehler, Forrest Dishong, Paul Vranesic, Steve Lazorcik, Raymond Fratini, Bob Thomas, Mike Thomas and Mayor Mark Thomas.

PUBLIC

Meeting attendance sheet is attached hereto.

Mr. Vranesic started the meeting by reading the Council's "Finance Committee Plan for the 2010 Fiscal Crisis". (A copy is attached hereto).

Council entertained many ideas from the public including, but not limited to, not cutting services or service hours, raising taxes, taking out a tax anticipation loan, using police SUV's in the winter only, asking residents to donate money to the Borough.

REVIVE OUR CORNWALL (R.O.C.) FUND – IRENE VAN TASSEL

Raymond Fratini made the motion, seconded by Rob Koehler to support Irene Van Tassel's request to start a fundraising drive named "The R.O.C. Fund" to help support the Borough so that no employee layoffs or cuts in hours be made. Co-chairing the fund drive is County Commissioner Bill Carpenter and Councilman Bob Thomas. Motion passed.

ADJOURNMENT

Rob Koehler made the motion, seconded by Raymond Fratini to adjourn the meeting. Motion passed.

Sincerely,

Steve N. Danz
Secretary

2010 Cornwall Borough Council

Finance Committee Plan

For

2010 Fiscal Crisis

Prepared By: Paul Vranesic, President

Introduction

This fiscal report is designed to give both council and the general public an overview of the current fiscal crisis that the Borough of Cornwall faces in the budget year of 2010. Within this overview, the finance committee will outline 4 fundamental questions that must be answered in order for council and the general public to make the best informed decisions.

The 4 fundamental questions are as follows:

- How did we get here?
- What has this council done?
- Where do we as a council and the community go from here?
- How do we achieve these goals?

When the original monthly financial report was issued for June, the Borough had received \$20,000 less in revenue than the prior year. Since the issuance of that report, the Borough has recovered that deficit and is actually operating at an approximate \$23,000 gain in revenue for the month of July. With one day of receipts the Borough experienced a swing in revenue in excess of \$43,000.

In June the Borough held approximately \$300,000 in the bank account and an outstanding loan of \$107,000. The Borough has since paid off that loan resulting in a remainder of approximately \$200,000 to carry the budget through the rest of 2010. As of the end of June, the Borough has realized approximately 94% of its property-tax revenues and approximately 64% of its planned EIT revenues.

One note for planning purposes is that October historically seems to be a month where revenues seem to be realized at a much greater rate than other months.

Because of the current fiscal constraints upon the Borough, simply put, the Borough cannot afford to go to court again, as it did in 2009, if it defaults on the current tax anticipation loan. While revenues have increased this month, the unpredictability as shown in the June report should give cause for concern to all.

The following pages are meant to provide a basis for discussion of the 4 fundamental questions the Borough currently faces as it moves forward.

How did we get here?

EIT Issue:

There are many factors/decisions that have led up to the Borough's current fiscal crisis, the most impactful of which is the Earned Income Tax (EIT) issue.

In February of 2009, the Borough was told that it allegedly owes over \$1 million in overpaid revenue and would see a loss of nearly \$300,000 that year.

At the time the shortfall was discovered the Borough, under prior leadership, decided to apply a "wait-and-see" approach coupled by last-minute staff reductions of 1 full-time police officer and a minimal cut in over-time hours. The Borough then depleted its highway fund of \$80,000, which was normally used for capital projects and instead, used it for General Fund spending.

In addition, the borough employed tax anticipation loans, which eventually led to the borough going to court, because it was not able to pay the loans back as required by law.

Over-staffing/spending

In the past, the Borough had implemented a practice of hiring staff through temporary grant funding. Between the 2nd quarter of 1995 and the 1st quarter of 2004, the Borough received \$294,718 in federal funds to cover the hiring of three full-time and two part-time officer positions.

The issue with such policies is that grant funding, much like today's stimulus funding, is that it is not permanent or guaranteed and without increasing revenues to support such spending, future councils are left with inevitable debt. Compounding this problem is that increases to workers wages were promised without council first analyzing and confirming that anticipated revenues could support such contracts and without councils first checking to see if such service increases were even necessary.

***Note: Until 2010, the Borough of Cornwall had not increased taxes in over 15 years.**

In 2006, the Borough hired an 8th full-time police officer when neither the chief or council could provide facts, evidence or statistics warranting the need to increase services, other than stating “we have the money to spend and we budgeted for this hiring.” This move cost the Borough more than \$180,000 (figure includes wages and benefits over 3 1/4 years).

Unchecked Professional Services

Until as recent as 2007, the Borough has rarely, if ever, bid insurance, utility contracts and other services. In fact, in 2007 it was discovered by councilmember Paul Vranesic; that the Borough had wasted, in a 10 year span, over \$44,000 in a duplicate Police Professional Liability policy.

Bonds have rarely been bid, financial planning services were never employed to make sure interest rates on loans were as low as could be, grant funding was rarely applied for and debt funding for the Fire Company’s new building has yet to be reviewed for refinancing.

Perhaps a large part of this problem is that past finance committees met on an “as-needed” basis and never produced written reports for the public record and/or for other council members. Without reports and records of what was discussed, councils could not properly discuss recommendations, ask questions or prepare for decisions that would be made.

What has this council done?

In contrast, this council has employed numerous proactive policies in a short amount of time that will and have yielded excellent results.

- No other Council to our knowledge has ever monitored revenue/expenditures on a monthly basis (now a bi-weekly basis as of July) and no Council Finance Committee to our knowledge has ever involved the entire Council, Mayor and Department Heads in Borough Finance discussions as this Council has.

To date the Finance Committee has spent countless hours through July 2010 monitoring the Borough's financial situation so that the Council, the Mayor and Department Heads are not caught unaware or unprepared come year end and documented reports are now on file as part of the Borough records.

- Council is currently in the process of bidding both the Property & Casualty and Health insurances and is setting a policy that these services are bid at least every 3 years.
- Prior Councils never set parameters for future police contracts that health care premium contributions be part of the contract negotiation moving forward. This year's negotiations will include such policies.
- In contrast to other councils, this year we brought in an energy consultant for review and bulk buying of energy products (electricity, natural gas etc). The referenced program should result in significant energy savings to the Borough once the Finance Committee is able to make a recommendation to the Council.

*Note: (This is in process and cannot be properly considered until the Met Ed rate hikes are known.)

- No other Council to our knowledge has introduced non-burdening consumption base taxes for the consideration of Council as revenue enhancements to its budget, i.e. the Local Services Tax and The Amusement/Admissions Tax.
- This Council, unlike its predecessor, has taken a more proactive public stance as to fight off the potential EIT suit or at the very least delay further financial burden to the Borough.
- Approved a Smart Growth Plan that will provide a coordinated land-use plan with controls and planned revenues for future councils.

- Finally, this Council will hold preliminary budget hearings in August and September with a budget recommendation for full Council approval by October. By comparison, past councils only started contemplating next year budgets in the November/December timeframe.

Where do we go from here & how do we get there?

The fundamental question we now face is what position do we want the Borough of Cornwall to be in come 2011 and how do we achieve this goal? The obvious answer is financially solvent and to have sustainable revenues that support the services provided.

To achieve such a goal, this Borough Council will need to take a two-pronged approach to solving the Borough's fiscal crisis:

1. The first approach deals with Short-term policies that stabilize our budget and allow time to make adjustments should revenues fall flat or expenses increase dramatically.
2. The second approach looks at Long-term policies whose ultimate goals are to reduce burdens on future councils and gives them the tools to properly forecast future needs and provide the necessary funding to meet them.

How we achieve this is less simple and requires cooperation, patience and sacrifice.

Planned Options for Short-term & Long-term Success

Short-term

- **Reduce work-hours across the board to 32 with option of Drug Fund supplementing police hour reductions and built-up comp-time supplementing highway hours. The total savings equal \$69,000.**
- **Bid all insurance coverages to reduce current costs to Borough budgets and initiate as a factor in police contract negotiation.**
- **Reduce on-street lighting to save on energy costs.**
- **Crossing guard duty will now be a part of the secretary's duties, instead of contracting it out and school district will continue to pay its half of the costs.**

The goal of all the short-term policies is to reduce costs now so last-minute burdensome loans will not have to be employed and revenues will adequately support the services contracted.

Long-term

- **The Finance Committee will work on establishing an employee-incentive program to encourage employees to join their spouse's health coverage.**
- **Provide Smart-Growth policies by introducing consumption-based taxes that are non-real estate burdening.**
- **Contract with a bulk-buying energy consultant to reduce energy costs.**
- **Attain a state audit on police services to ensure that the current needs meet the level of services contracted.**
- **Negotiate police contract that includes a reasonable contribution towards healthcare coverage and is in-line with what non-union employees must contribute.**
- **Secure a multi-municipal police contract that adequately represents the true costs for services provided.**
- **Establish a "Right-to-Know" policy that incorporates fee schedules and sets standards for public request and consumption of information.**
- **Replenish highway fund to better prepare for future capital projects.**

Conclusion

As stated earlier, the goal of this proposal is to outline the 4 fundamental questions facing Council that give light to its current financial situation. The fact remains that policy decisions matter and should not be taken lightly as they do affect how future councils will function.

Ultimately, this council wishes to contrast itself by being proactive and not reactive, responsible in its oversight not blind to its duties, and provide a better future for the Borough and its representatives.

Realizing this wish will take the help and support of our community, all of the Borough's departments and the fortitude of council to make necessary tough decisions. Tough decisions are not based upon the "quality" of services, as all of us believe we have the very best highway, police and fire services. Instead, tough decisions are based on the "level" of services and what the current tax base can support.

We believe that the policies outlined in this proposal will help us reach that goal and provide a better future for all of Cornwall Borough.