

**Red Lion Municipal Authority
Budget Meeting Minutes
Wednesday, October 24th, 2018**

Members

Eric Immel, Chairman (arrived @ 6:20p.m.)
Skip Missimer, Vice Chairman
Mike Poff, Treasurer
Brad Smith, Secretary
Jeff Herrman, Asst. Sec/Treasurer (arrived @ 6:40p.m.)

Others

Keith Kahwajy, Superintendent
Jeff Beard, Asst. Superintendent
Jason Reichard, Engineer
Stacy Myers, Recording Sec'y

Visitors

Nevin Horne
Dennis Klinedinst

1. The Budget Meeting began @ 6:10p.m. All present participated in the pledge to the flag.
2. **2019 Water Budget Discussion**
 - 2017 Actual Audit report values for year-end have been included for reference, as well as 2018 Budget & year-to-date values for 2018 (up to 3rd quarter).
 - Projections for 2018 year-end, based on expenditures have been included.
 - **Revenue**
 - Things fell in line, fairly well, with what was budgeted
 - Metered Sales--% variance from what was budgeted & what is projected ranges from -.65% to -10%, so it was slightly under.
 - Institutional metered sales were 10½% above what was budgeted.
 - Historically, the projected year-end figure has been used as a “marker” for next year’s budget. This has been working well and things are staying in line.
 - PLGIT interest averages \$2,000/month for investments.
 - 2018 Budget for Revenue was approx. \$3.74 million, projecting to end of 2018 at \$3.77 million. Proposing budget for 2019--\$3.75 million
 - **Expense**
 - From Jason’s perspective, everything came (or will come in) within expectations.
 - Engineering costs decreased slightly, as no major projects are proposed for 2019.
 - Electric line item—RLMA is involved in the Met-Ed payback program—proposing to pay less in 2019 than in 2018.
 - Salaries will increase slightly in 2019.
 - Water testing—LT2 sampling has been finalized in September & UCMR-4 should end in November. In 2019, testing may increase slightly with lead & copper testing. Mr. Missimer reported on a new annual fee DEP will be charging to water systems, based on the number of customers. For 10,000-25,000 customers (Red Lion’s range), a \$20,000 annual fee will be charged, beginning January 2019. Because State legislature will not provide DEP with the money needed to hire the people they need, they’ve asked DEP to institute a fee to the people they are regulating directly, rather than it be charged through taxes. This is for water only; it’s unknown if anything will be charged for sewer. A new line item, or a merging of penalties & fees will be added to the budget for this, as it will be an expected yearly expense.
 - A large expense of the budget is purchasing meters—there is \$236,000 built into the 2019 budget for another round of meter purchases. Older-style meters are being replaced due to EPA’s new lead & copper rules, preventing the installation of plumbing that may have lead in it. There is a scrap person that buys the old, discarded meters.

- To date, 723 residential meters have been replaced. Seven 1” meters, five 1½” meters, & two 2” meters have been replaced. This is approx.10% of the system’s total number of meters. The staff is behind due to the busy summer but plans to pick up their pace this fall.
 - Of note, there is no decreased sales to Dallastown-Yoe Water Authority being factored into 2019 Budget.
 - Total expenses for 2018 are proposed at \$3.7 million. With proposed revenue for 2018 at \$3.75 million, it leaves a minimum margin. Net income for 2018 is \$38,881. Jason didn’t initially propose a rate increase because a net income of \$294,000 was projected for 2018 (\$193,000 in 2017). With the current net income & the new DEP fee being imposed for January 2019, it depletes the cushion set up for 2019. Jason stated a 2% rate increase would allow approx. \$89,000 profit (with the proposed \$20,000 DEP fee added). And this brings the net revenue to 10.2%.
 - Mr. Missimer made a motion to approve both the Water & Sewer budgets and authorize a 2% rate increase for water and a 5% rate increase for sewer. Mr. Smith seconded. All were in favor; motion carried. Keith will have Resolutions created for next meeting.
3. **2019 Sewer Budget Discussion**
- Proposed to close 2018 sewer revenue by exceeding the budget amount. \$1.134 million was budgeted; \$1.157 million is proposed for end of year.
 - Industrial metered sales are exceeding the budget by 28%.
 - Everything seems to be coming in higher than budget except for residential & commercial metered sales which were slightly lower, 1% & 3.5% respectively.
 - A variance between 2018 & 2019 budgets is \$80,248, which reflects a 5% sewer rate increase, so that increase is being projected for 2019.
 - Capital One loan—previously, \$150,000/year was budgeted for debt service payments. With the recent refinance, the proposed amount for 2019 will be \$219,000. Over time, the refinance is to afford a savings.
 - There was a net income of 11% this year of debt service, so Jason feels a 5% sewer rate increase for 2019 is satisfactory.
4. **Adjournment**—Budget Meeting adjourned at 6:55p.m.

Respectfully submitted by:

Stacy Myers, Recording Secretary