



# Town of Berwyn Heights

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## Minutes Budget Worksession March 25, 2013

The meeting was called to order at 7:02 p.m. Present were Mayor Calvo, MPT Wilkinson, CMs Almoguera, Dennison and Kulpa-Eddy. Also present were Town Administrator (TA) Murphy, Clerk Harper and Budget Assistant Kyle Snyder.

### 1. Mayor

**Agenda:** A discussion of Indian Creek Park parking improvements was added.

**Announcements:** Mayor Calvo attended hearings in Annapolis on legislation that would enable County Executive Baker to take over the Prince George's County Public Schools (PGCPS). The Prince George's County delegation is divided on the proposal and not happy about the timing. The legislators will have 2 weeks to put a bill together. MPT Wilkinson may not be able to attend the April 1 worksession.

### 2. Budget

Mayor Calvo said that TA Murphy and Budget Assistant Snyder have produced a series of memos to provide in-depth information on certain aspects of the FY 2014 budget, which the Council requested for review tonight. This includes a one-page budget summary with surplus and reserves details.

**Surplus & Reserves:** Mayor Calvo said that the *Surplus & Reserves* section on the one-page summary of the FY 2014 budget needs to be corrected before the budget is introduced. It contains lines that primarily serve the audit but are confusing to a lay reader. Further, the stated amounts for some of the line items appear to have mistakes. For example, the *infrastructure reserve* shows the amount of \$69,989, which is lower than the \$141,000 transferred into it. The *supplemental to the vehicle replacement reserve*, which should show the money the Town receives for recycled materials, shows \$0; and the amount of \$1,022,660 listed for the *surplus available* is greater than what it should be. *Fund balance less reserves* more nearly reflects the amount of the undesignated or available surplus.

Mayor Calvo continued that the purpose of this section is to simply show the amount of money that is in each reserve – infrastructure, vehicle replacement, cable, and NW/EP trailer - and what the undesignated surplus is. It should not be a budget worksheet. The Council needs to have a good understanding of the money available in the reserves and the surplus to make sound decisions on

restoring funding for certain items. In addition, documentation needs to be developed on how the one-page summary should be composed, as well as what the underlying policy assumptions for the line items are. For example, the money earned from recyclables should flow into the vehicle replacement reserve. Unspent cable revenue should flow into the cable reserve, while unspent NW/EP funds should flow into the trailer reserve.

Further, the speed camera revenue, the use of which is restricted to public safety expenses, should be shown as part of the budget, but not necessarily as part of the operating budget. On the other hand, the *non-spendable reserve* item does not need to be shown as part of the one-page summary. It contains the amount of pre-paid bills and serves to make the budget tie out with the audit but should be reflected under expenditures. CM Almoguera cautioned about leaving out items from the budget that will make it appear as though the budget does not add up to the bottom line. TA Murphy was asked to revise the section for the next discussion.

Income tax revenues: The Council reviewed a spread sheet showing month-by-month receipts of income taxes going back to FY 2007. November, February and May are the months when the Town usually receives disbursements. The 4<sup>th</sup> disbursement is often received in July or August of the next fiscal year, which is why the spreadsheet lists July and August twice. However, this has caused a double counting mistake in FY 2011 and FY 2012, resulting in inflated total receipts. The \$395,200 in FY 2012 total income tax receipts are in fact \$27,800 lower than the spreadsheet indicates. This validates the conservatively budgeted income tax receipts of \$345,000 for FY 2014.

Highway User Revenues: Mayor Calvo noted that there was an attempt in the State legislature by Baltimore and Howard County to scoop out \$2.6 million from the municipal HUR budget, which was defeated. However, this year's HUR was funded from a one-time transfer of unclaimed income tax refunds, which will not be available next year.

Health care: TA Murphy said that the FY 2014 health care budget is based on switching to a higher deductible CareFirst plan and on not filling the 2 vacancies in the Police and Public Works Departments. This keeps the increase in the health care budget to a relatively modest 3.91%. In addition, there is a \$32,800 Health Reimbursement Account (HRA) pool from which employees' deductibles get paid. The HRA was implemented in FY 2009 to qualify for lower premiums and bring down overall health care costs. This account is depleted at a current rate of \$13,000 per year. At the beginning of each fiscal year, the Town replenishes the HRA to bring it backup to the required level, and pays annually an \$1,800 administrative fee. Three employees, who have their own health insurance, receive a \$2,000 Health Care Offset reimbursement, which is included in their salary.

Mayor Calvo asked if TA Murphy has information on which employees use the HRA and what the pattern of usage is. TA Murphy said that he may be able to get anonymous information from the HRA Administrator about how many employees use the HRA and can provide a monthly statement of HRA expenses. Mayor Calvo said he would like to be able to track the Town's year-to-year expenditures on health insurance, which would include health insurance premiums, HRA expenses, life, vision and dental insurance expenses, as well as the "in-lieu" expenses for employees with their own health insurance. The health insurance costs should also include information about how many employees are covered from year-to-year.

At 8:05 p.m., the Council took a 5 minute break.

Health care, continued: TA Murphy elaborated on the age calculation that impacts health insurance premiums. Premiums are determined in part by the age bracket into which an employer's workforce falls. Currently, the Town is the 42 - 44.9 age bracket based on the average age of employees that includes 2 retirees. If the workforce moves into the next higher bracket, premiums can go up by up to 15%. Assuming the same workforce and the same plan, the FY 2014 health insurance budget would go up by 10.7%, based on June 1 rates. If the Town switches to the higher deductible plan, rates would go up by only 3.91%, saving the Town approximately \$5,000.

Mayor Calvo said he sees no problem switching to the higher deductible plan because the Town pays the deductibles through the HRA while also securing lower premiums. However, if the July 1 rates go up again, the Town may have to look to other options to contain the costs. This could include shifting a greater share of premiums to employees, for example, or cut the equivalent amount from other areas of the budget. Next year, the implementation of the Affordable Care Act will likely bring more changes to health care and the Town's insurance budget. TA Murphy noted that dental insurance is projected to go up by 8% and life insurance will remain the same. He has not received quotes for vision insurance. Mayor Calvo suggested the Town consider offering employees the option to buy more life insurance because the current package is not very good.

Police fleet: Mayor Calvo said that in FY 2014 the budget proposes the purchase of 1 new police car. The fleet on the whole is good shape after the purchase of 2 new cars last year and the retirement of 1 officer. There are 5 vehicles in excellent and very good condition. Two more are in good condition and 6 are in fair condition. It is notable that most miles put on a police vehicle come from commuting, not from patrolling.

Public Works fleet: Acting Director Lockley provided a first-time Public Works fleet audit for FY 2013 that breaks down maintenance and repair costs by vehicle. It also tracks mileage and rates condition. Mayor Calvo recalled that the Council previously asked to separate the more predictable maintenance costs from the more volatile repair costs in the FY 2014 budget. In this manner, it can be shown how much is saved from in-house maintenance, and significant repair expenditures for Public Works vehicles are isolated. MPT Wilkinson noted that the 1997 pickup truck and 1983 tractor surplused last year still appear in the audit. If the vehicles cannot be sold, they should be taken to the junk yard or sold for parts because the DPW yard is getting too crowded.

TA Murphy suggested adding the street sweeper to the vehicle replacement reserve because it is replaced every 4 to 5 years. Mayor Calvo said this is a good idea, but probably not this year because of the tight operating budget.

Gas budget: TA Murphy informed that there has been a significant increase in Public Works' monthly gas consumption. Acting Director Lockley attributes this to the new larger trash trucks, which have lower miles per gallon and need expensive additives.

Code fleet: Director Solomon provided the warranty information for the new code car requested by the Council. It has a standard 3 year/ 36,000 miles bumper to bumper warranty, and a 5 year/ 60,000 miles power train warranty. The old Saturn serves as backup car for the Administration and Code Departments and expenses are paid from the Administration budget.

T-ball field parking lot (added item): MPT Wilkinson said that in the FY 2013 budget the Council set aside money for beautification in the Public Works budget, which requires approval from the Council to be spent. A portion of the funds were used for the bollards at the Indian Creek playground. Acting Director Lockley proposes to spend about half of the remaining \$4,800 on a plastic mesh to protect the grass on the parking area adjacent to the T-ball field. This would also include installation of bollards to mark where cars should park, as well as the building of stairs to the field. The other half of the funds would be spent on dual trash/recycling containers for several locations around Town, including Pop's Park and the school soccer field and basketball court.

In response to CM Kulpa-Eddy, MPT Wilkinson said that the pole-mounted trash cans for bus stops will be paid from a 7-Eleven donation. TA Murphy said that he will again contact Park & Planning to try to get a formal approval for installing grass protector at the T-ball field parking area, which is on their property. Mayor Calvo suggested going through Councilmember Olson's office. CM Almoguera asked that no recycling containers be installed at Pop's Park before the new playground is constructed.

CM Dennison moved, and CM Almoguera seconded to approve the spending of the beautification funds as described. The motion was approved 5 to 0.

The meeting was adjourned at 9:08 p.m.

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Kerstin Harper