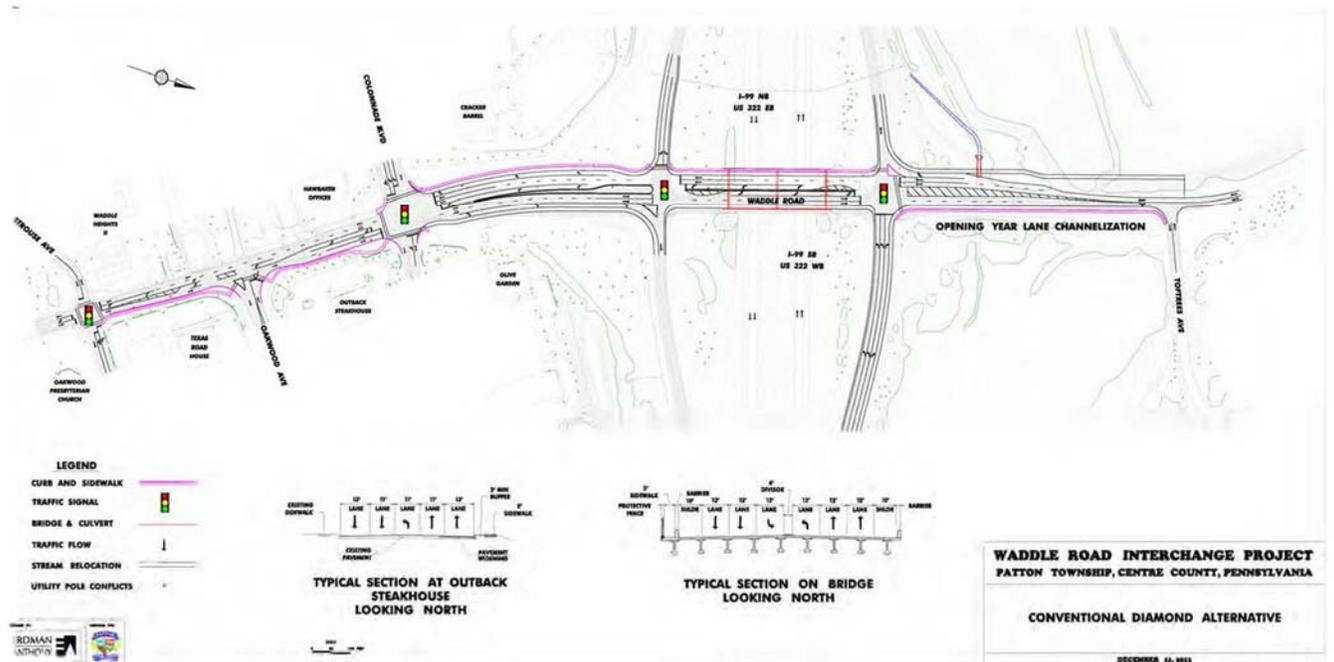


WADDLE ROAD INTERCHANGE PROJECT



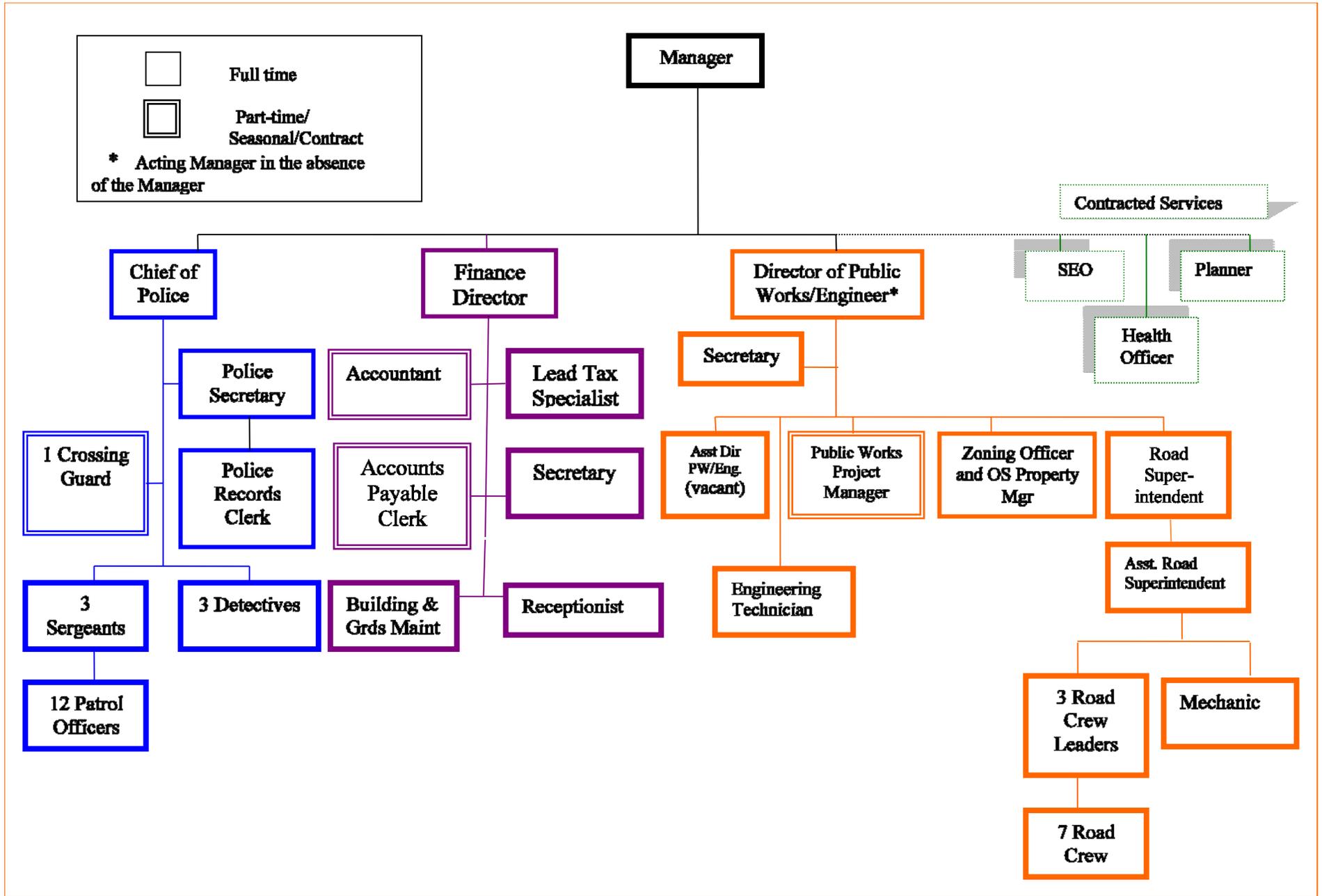
2016 PATTON TOWNSHIP BUDGET

PATTON TOWNSHIP

2016

BUDGET SUMMARY

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BUDGET TRANSMITTAL			3-6
REVENUE	Real Estate Taxes	\$ 4,154,711	8-9
	Tax for Open Space Preservation	\$ 274,452	8-9
	Earned Income Tax	\$ 1,961,310	10-11
	Other Taxes	\$ 604,672	12-13
	Intergovernmental Payments	\$ 890,091	14-15
	Non-Tax Sources	<u>\$ 5,240,244</u>	16-17
	TOTAL REVENUE	\$ 13,125,480	
EXPENSES	General Government Services	\$ 1,246,129	18-19
	Police	\$ 2,799,541	20-21
	Public Works	\$ 3,486,668	22-23
	Community Services: Planning & Zoning and Parks & Recreation	\$ 1,231,534	24-25
	Community Services: Other	\$ 4,415,394	26-27
	Debt Service	\$ 606,230	28
	Open Space Preservation	<u>\$ 244,805</u>	28
	TOTAL EXPENSES	\$ 14,030,301	
	NET INCREASE (DECREASE) IN CASH RESERVE	<u>\$ (904,821)</u>	29
	FUND BALANCE TO BEGIN 2016	<u>\$ 1,184,952</u>	29
	DESIGNATED RESERVE FUNDS		30



BUDGET TRANSMITTAL (Manager's Recommendation)

I. Introduction

The proposed 2016 Patton Township Budget is offered for consideration by the Patton Township Board of Supervisors and the residents of our community. It provides for the continuation of our basic services and incorporates the changes and initiatives discussed below.

II. Budget Documents and Procedure

The proposed 2016 Budget is presented in two parts. This Township Budget presents each major revenue and expenditure category in a two-page section. The companion document, the Line Item Detail, shows more detail on revenue and expenditures and has a description of each proposed line item.

The proposed budget is the Township Manager's recommendation, prepared with the assistance of the Township staff. The Board of Supervisors initially adopts the Manager's proposed budget, with or without revisions, as the tentative budget to provide a working document for public review and comment. This action is scheduled for the November 11, 2015 meeting. After the public hearing and work session on November 18, 2015 the Board will identify any changes required before the anticipated December 9, 2015 final adoption of the 2016 Budget. If significant increases are to be made in the Budget, re-advertising is required; reductions do not require re-advertisement.

III. Financial Trends Monitoring and Capital Improvement Plan

To assist with financial planning and to guide longer-term capital projects, the Township also utilizes two multi-year analysis and planning tools. The Financial Trends Monitoring report was presented to the Board in July, illustrating financial trends for the prior ten years. This tool helps identify shifts in financial conditions and provides alerts to management if trends are becoming unfavorable. The Board received the initial Capital Improvements Plan (CIP) in October and will adopt the five-year CIP for the period 2016 through 2020 in December. The Plan is a companion piece to the Budget documents, forecasting trends in revenues and expenditures, and providing a forum to consider and prioritize capital projects and staffing changes. The recommendations from the draft Plan for 2016 are incorporated into the Budget.

IV. Review of 2015 Budget

In late 2008, the national and global economies headed into a recession. While Happy Valley was not as severely impacted as other areas in the USA, we found we were not immune to all symptoms. Growth in Real Estate assessment values flattened and Transfer Tax revenues were at less than 50% of prior levels. Through this period Patton Township maintained delivery of municipal services to residents and businesses but had to increase property tax rates to replace other lost revenues.

The national economy has been slowly improving over the last four years, and the trend is being reflected locally. Private interests are again making investments in local properties and the real estate tax base is again increasing. However, new single-family housing starts remain at about 30% of the peak levels seen prior to the recession.

The overall revenue projection for year-end 2015 is that revenues will be significantly below the budgeted amount because we only partially drew down the Waddle Road Bridge loan and have not proceeded yet with the borrowing for the 2014-approved Open Space acquisition. Projected revenues for Real Estate Taxes are expected to be three percent below budget. Earned Income Taxes are expected to be very close to budget; and Transfer Taxes are expected at 8% above budget.

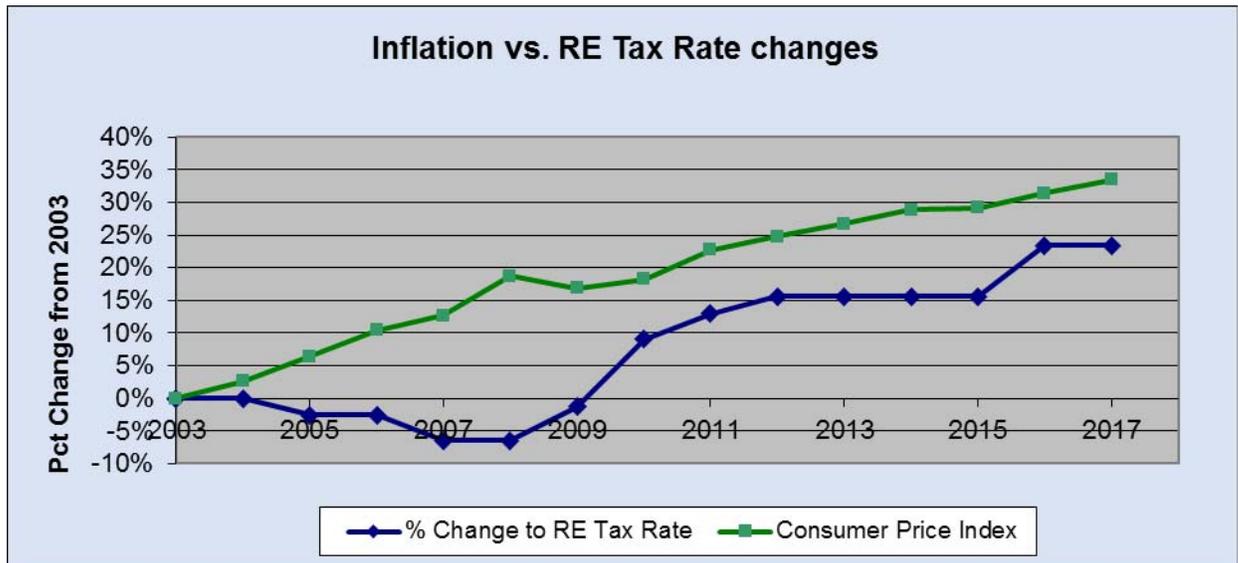
Expenditures are also projected to be significantly below budget, the result of delays in the engineering work and bidding on the Waddle Road Interchange Improvement Project and not incurring costs for the Open Space acquisition and debt service as budgeted. The remainder of projected expenditures are expected to be very close to budgeted amounts. At the end of the year, it is expected that the Fund Balance

will be decreased slightly. Remaining cash balance funds will be utilized in 2016 and 2017 to minimize any Real Estate Tax millage increases.

V. Taxes for 2016 and the Future

C. Increase in Real Estate Tax Rates for Open Space Acquisition

The 2016 budget proposes an increase in the Real Estate Tax Rate of 0.6 mills to fund debt service related to the acquisition of additional Open Space as approved by the voters in 2014. The tax rate will increase from 8.9 mills to 9.5 mills.



When additional revenues are needed to fund services, the Township is limited by rate caps imposed by State law. The current earned income tax and real estate transfer tax rates are at their maximum allowable rates. Legislative changes to the Local Services Tax (formerly the Emergency Municipal Services Tax) have reduced the amount of revenue we can anticipate and increased the cost of collecting the tax.

D. Forecast for 2017 and beyond

Up until 2009, past trends in tax revenue streams were fairly accurate gauges in forecasting tax collections for the upcoming year. That condition did not hold true for Real Estate and Transfer taxes for 2009. Much more conservative growth estimates have been used to forecast the 2016 and 2017 revenues.

With regard to anticipated tax rates for 2017 and beyond; the Draft Capital Improvements Plan anticipated no increase in the Real Estate Tax Rate for 2017 and then anticipates a series of 2.2% increase for the next three years.

C. Cash Balance

The 2016 Budget anticipates that expenditures will exceed revenues by 7%. The 2017 Forecast also anticipates that cash reserves will be used to make up the difference between anticipated revenues and expected expenditures. This strategy is in line with the policy adopted in 2007 to maintain a cash balance at approximately 8% to 12% of budgeted expenditures. As the cash balance approaches the target value we must bring revenues in line with needed expenditures.

The following year-end cash reserve amounts – expressed as a percentage of expected expenditures - are anticipated for the next few years:

2015	23.1%
2016	12.4%
2017	7.5%

Key Projects for 2016 – additional information on the items below may be found in the 2016 Township Budget and 2016 Line Item Detail.

Open Space Acquisition

On November 4, 2014 the voters of Patton Township approved a ballot question to authorize the borrowing of \$3,500,000 to acquire and preserve additional Open Space lands in the Township. Over the course of 2015, the Township convened an ad-hoc committee of residents to work through that process and identify those undeveloped properties with willing sellers that would have the highest value as publically owned Open Space. The owner of the top-ranked property would be approached regarding the potential sale to the Township. If acceptable terms can be agreed upon, a schedule will be established to complete the borrowing and close the sale. It is anticipated this will not occur earlier than Spring of 2016. To begin making debt service payments in 2016, the Board of Supervisors, in December 2015, will need to approve a 2016 Budget with a 0.6 mill property tax increase dedicated for Open Space. The tax increase would be included in property tax bills for 2016.

Waddle Road Interchange Improvement Project

In the fourth quarter of 2011 the Township solicited proposals from engineering consultants to begin the design work for this project. The Township also solicited proposals from local and regional banks to finance the engineering work.

In October of 2015, PennDOT bid out the remainder of the project as a Design-Build Contract. \$15,000,000 in state and federal funds have been appropriated for the project. Right-of-way acquisition was completed in November of 2015. The Township will remain responsible for utility relocations in 2016. The Township intends to recoup half of the expended funds from future development in Toftrees that occurs as an outcome of this project. The Township has engaged the Markosky Engineering Group to assist with the coordination of the utility relocations.

It is anticipated that the project will be complete by late 2017.

Employee Raises and Benefits

Police – In accordance with the collective bargaining agreement, negotiated for a four year term in 2012, the Police Officers will receive a 2.5% pay increase. The employee contribution for health insurance will remain at 10% of premiums.

Non-uniform Employees – Non-uniform employees are eligible for a 1.25% merit increase, based on a satisfactory performance evaluation, on their anniversary date. The cost-of-living adjustment (COLA) for 2016 is 1.8% based on the August CPI-U (less food and energy) index.

The 2016 rate for non-uniform employee contributions for health insurance will be 11%. The overall increase in health insurance rates is 17%.

No other changes to employee salaries or benefits are proposed.

Personnel Changes

Contracted Planner – With the departure of the prior Planner in 2015, CRPA is conducting a search for a replacement. The Director of CRPA is currently assisted the Township with planning responsibilities.

Public Works Director/ Township Engineer - With the departure of the prior Engineer in 2015, the Manager is conducting a search for a replacement. The Manager is currently assisted the Township with engineering responsibilities.

No Assistant Engineer for 2016 – with the development-related workload still at a very low level, no funding is included for the Assistant Engineer position for the upcoming year.

Date November 5, 2015

By *Douglas J. Erickson*
Douglas J. Erickson, Manager

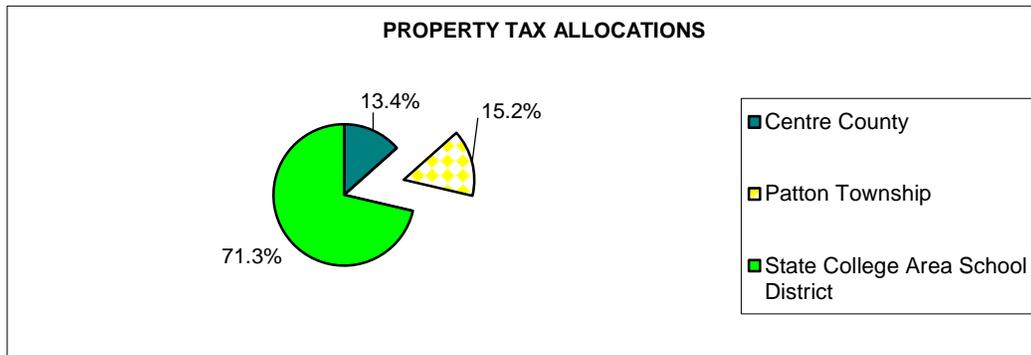
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REVENUE: REAL ESTATE TAXES

I. Overview

The power to levy Real Estate taxes is granted to the Township by the Second Class Township Code. The tax rate is established each year by resolution of the Board of Supervisors. The Real Estate tax is the largest single source of Township revenues.

Three taxing bodies impose Real Estate taxes on properties in Patton Township: The State College Area School District, Centre County and the Township. Approximately one-sixth of a property owner's tax bill is paid to Patton Township. The distribution of 2015 Real Estate taxes paid by Patton Township property owners is shown below:



II. Highlights

A. Taxes for 2016 and the Future

It is proposed that the tax rate be increased 6/10ths of a mill to a total rate of 9.5 mills. This will continue to provide sufficient revenues to maintain current levels of services, plus provide revenue to cover the debt service for Open Space loan to be acquired in 2016.

Real Estate Tax Rates	<u>2014 Actual</u>	<u>2015 Budget</u>	<u>2016 Proposed</u>	<u>2017 Forecast</u>
Tax for General Government	8.9 mills	8.9 mills	8.9 mills	8.9 mills
Tax for Open Space Preservation	0 mills	0 mills	0.6 mills	0.6 mills

Patton Township is regulated by the Second Class Township Code of Pennsylvania which limits all issues of taxation. Currently, in all taxes levied by the Township, except real estate taxes, the maximum rate allowed is in effect. This means when revenues need to be raised, the only recourse is to raise real estate tax rates.

In communities with Home Rule Charters much of the burden of taxation is shifted from real estate taxes to earned income taxes which may be considered a more progressive form of taxation. A small increase in the earned income tax rate would offset a major portion of the real estate taxes.

E. Open Space Referendum

The November 4, 2014 Election ballot contained the following referendum question: "Shall debt in the sum of 3,500,000 dollars for the purpose of financing acquisition of development rights, conservation easements, and land for the preservation of open space be authorized to be incurred as debt approved by the electors?" The ballot passed with 63% of voters voting in favor of the referendum.

REVENUE: REAL ESTATE TAXES

II. Highlights (Cont'd)

C. Open Space Referendum (cont'd)

To fund this acquisition a borrowing (bond or loan) will be made in 2016. The debt will be paid through a dedicated real estate millage estimated to be 6/10ths of a mill levied in 2016. This millage has been added to the proposal but must be approved in the budget presented in November 2015.

B. Improved Growth in Assessed Values

In 2014, the assessed value of property in the township grew 4.4% with the addition of the Grove Complex and the expansion of the Grays Woods Geisinger Medical Complex. This is contrast to the previous three years where the average growth was 1.39%. Minimal growth of 0.73% was achieved in 2015. Minimal growth should continue in 2016 based on the submitted reviews of development received by the Township to date.

Slow growth in the tax base increases the pressure on the real estate tax millage rate. Expenditures that Township staff can control, have been parsed significantly over the same time period but some increases in costs are unavoidable.

III. Tax Limits and Rates

There are 15 categories of real estate taxes permitted by Pennsylvania law. Patton Township uses the following, as outlined below:

<u>Purpose</u>	<u>Limit</u>	<u>2015 Rate</u>	<u>Proposed 2016 Rate</u>
General	14 mills	6.2	6.2
Debt	None	1.2	1.2
Open Space Preservation	Voter Set	0	0.6
Library	None	.4	.4
Parks Capital Improvements	None	.7	.7
Fire Protection	3 mills	.4	.4
TOTAL		8.9	9.5

The revenue from the millage for each of the enumerated categories must be used for the stated purpose and no others.

IV. Revenue from Real Estate Taxes

Each mill of tax will produce \$461,904 in current revenues. The remaining property taxes are collected as either prior or delinquent taxes. Estimates of prior and delinquent tax collections are projected based on prior years' experiences. The combined revenue from current, prior year and delinquent real estate taxes is shown below.

BUDGET: REVENUE	<u>2014 Actual</u>	<u>2015 Projected</u>	<u>2016 Proposed</u>	<u>2017 Forecast</u>
Real Estate Tax	\$3,990,368	\$4,026,267	\$4,429,163	\$4,656,045

REVENUE: EARNED INCOME TAX

I. Overview

The power to levy the Earned Income and Net Profits Tax is granted to the Township by the Local Tax Enabling Act (Act 511) of 1965. Patton Township adopted this tax by ordinance in 1965 and it continues unless the ordinance is amended. The earned income tax is the second largest source of current Township revenues; approximately 20 percent of the total.

The State College Area School District and Patton Township levy the Earned Income Tax on Township residents. Residents pay a combined rate of 1.45% (0.5% to the Township; 0.95% to the School District). Beginning in 2012, with the adoption of the Act 32 Ordinance amending the Local Tax Enabling Act, non-residents living temporarily in the Township who do not pay this tax in their home municipality will pay an income tax of one percent to the Township; up from 0.5%. The School District is not empowered to tax non-residents.

This tax is not assessed on pensions and investment income. While this is a good feature for retirees, it also means that residents with large earnings from investments are not taxed locally, while minimum wage earners are taxed at 1.45 percent.

II. Highlights

A. No Change in Township Tax Rate of 1/2 of One Percent for Township Residents

A continuation of the current Patton Township earned income and net profits tax rate of 1/2 of one percent is anticipated in 2016. The Township's rate remains at the statutory limit for Townships of the second class.

B. Growth in Revenue

The transition to the new Act 32 county-wide collection process went very well with collections for 2012 exceeding budget. Anticipated delays in cash flow from the new collection and distribution process did not materialize. In 2013, collections were significantly higher than expected. This can be explained by the wrapping up of collections by local municipal collectors. More outstanding claims by taxing jurisdictions were resolved for taxes withheld in one jurisdiction but payable to another. The new regional system makes claims less cumbersome resulting in the appropriate taxing jurisdiction getting its tax revenue faster.

There continues to be modest growth in Earned Income Tax revenue over the last several years. Growth in this revenue helps cover costs to serve a larger population and mitigate the need for tax increases in other taxes.

D. County-wide Collection of Earned Income Taxes

In 2008, Act 32 became law, drastically changing the way earned income tax will be collected in Pennsylvania. Beginning January 1, 2012, earned income is collected for all municipalities and school districts in Centre County by the State College Borough. A tax collection committee (TCC) composed of an appointed delegate from each taxing jurisdiction in the County oversees the collection of taxes

The voting rights of each jurisdiction are weighted based on a combination of revenue collected and population for their jurisdiction. Patton Township is a relatively small part of the overall committee that will be dominated by several school districts, the State College Borough and Ferguson Township partly because of population but mostly because those jurisdictions are not limited by the Second Class Township Code which caps earned income tax rates.

REVENUE: EARNED INCOME TAX

The Township now pays a flat fee of 2.4% of revenue collected (reconciled to actual costs) for this new collection process. The reconciliation for 2014 resulted in a refund of commissions paid, reducing the cost to 1.8%.

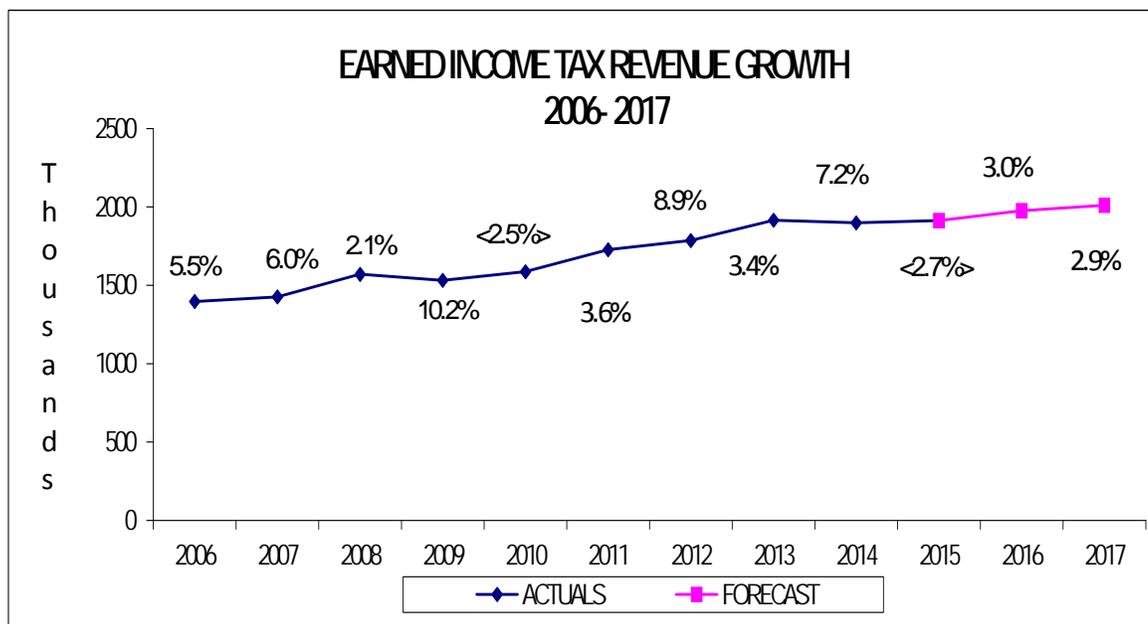
III. Patton Township Tax Reform

Because the Pennsylvania General Assembly has not enacted substantive legislation to reform local taxes, the only way the Township could shift the burden of taxation from property owners to an income tax, would be to obtain a Home Rule Charter.

It should be noted that the Township considered and voted down a proposed Home Rule Charter more than 20 years ago. Through a Home Rule Charter, the Earned Income Tax rate is not capped, allowing what might be a fairer mix of taxes for residents and property owners. Future tax increases could be allocated between real estate and earned income and not be fully borne by property owners.

IV. Revenue from Earned Income Tax

Based on the growth in receipts over the past 10 years as shown in the graph below, and examination of the current economic climate in Patton Township, an increase of 2.5 percent in revenue from the Earned Income Tax is projected for 2016.



BUDGET: REVENUE

	<u>2014 Actual</u>	<u>2015 Projected</u>	<u>2016 Proposed</u>	<u>2017 Forecast</u>
Earned Income Tax	\$1,897,673	\$1,913,473	\$1,961,310	\$2,010,343

REVENUE: OTHER TAXES

I. Overview

The Local Tax Enabling Act (Act 511) of 1965 grants the power to the Township to levy a broad variety of taxes. In addition to the Earned Income Tax, Patton Township uses two other taxes authorized by Act 511. Act 511 taxes are enacted by ordinance and continue from year to year unless the ordinance is amended. The Township currently has ordinances in effect which allow for the collection of the Real Estate Transfer Tax and Local Services Tax. Revenues from these taxes are shared with the other jurisdictions.

II. Highlights

A. Real Estate Transfer Tax

The revenue from this tax is the most difficult of any of the Township's taxes to predict because the number and value of real estate transactions vary widely. Much analysis goes into estimating this budget number, generally with little success in approximating actual numbers. In the past, staff has tried to be very conservative in predicting this widely variable number (ranging from \$200,000 in 2001 to \$535,000 in 2006) because a significant shortfall in revenues could make cash flow management difficult. The economic slowdown has not only limited the numbers of real estate sales over the last several years but transactions are occurring at prices lower than previously. In 2012, amongst the average number and value of real estate transactions, were 2 large property transfers resulting in more than \$100,000 of tax. This pushed the 2012 projections significantly above budget. 2015 projections are tracking to exceed budget.

B. Local Services Tax

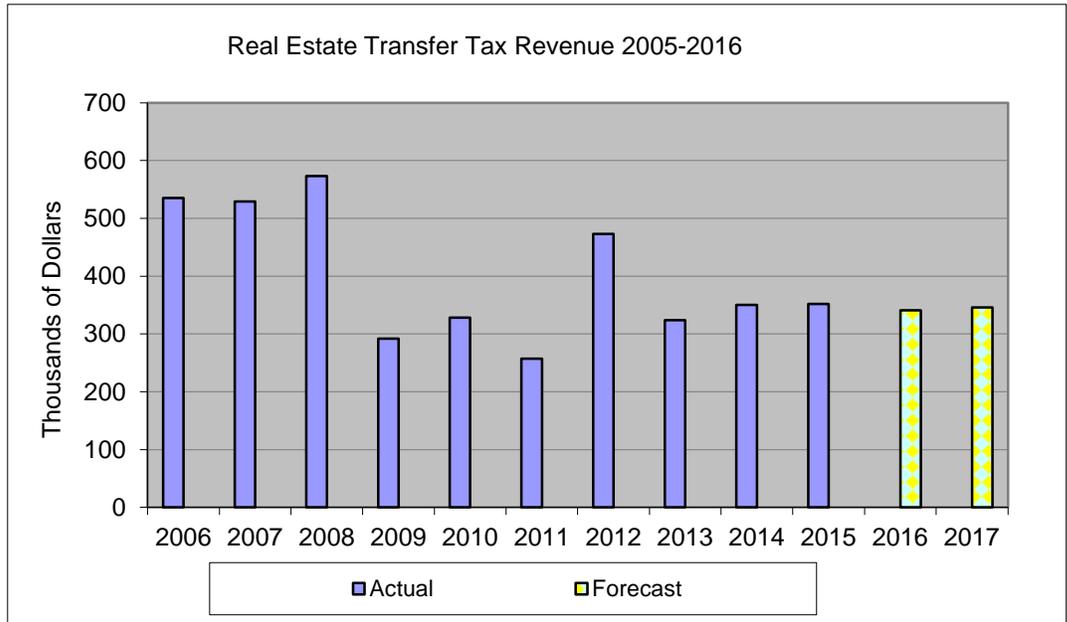
This tax is levied on persons employed within the Township and the maximum amount collected from any employee is \$52 regardless of the number of jobs a person has in a year. The tax will continue to be allocated \$5 to the School District and \$47 to the municipality. Exemptions, at the Township level only, are available for qualified low income earners as well as disabled veterans. For those who qualify for exemption but do not file the forms, there is the ability to file for a refund.

In 2013, the Township was notified by the Collector that a glitch in their software had occurred during a routine update in 2012 that changed the PSD (Political Subdivision Division) code for where one of our biggest employers' taxes were remitted. When the glitch was discovered, the Township had received collections for a work site in Spring Township. These amounts, in excess of \$20,000 net of commission for six quarters, were deducted from Patton Township and remitted to the proper jurisdiction. A modest increase is anticipated for 2016 and 2017.

III. Transfer Tax Projections

Real Estate Transfer Tax revenues varied widely during the past 8 years. Projections for income from this tax are difficult because of the variability of property sales from year to year and the impact of the occasional large sale such as the Colonnade in 2003. A conservative estimate is budgeted for 2016 and 2017.

REVENUE: OTHER TAXES



IV. Revenue from Other Taxes

Proposed 2016 revenue for the Act 511 taxes collected by the Township, other than the Earned Income Tax, is as shown in the following table.

BUDGET: REVENUE				
	2014	2015	2016	2017
	Actual	Projected	Proposed	Forecast
Real Estate Transfer	346,322	351,990	340,857	346,390
Local Services (formerly EMST)	254,344	256,131	263,815	269,091
TOTAL	<u>\$600,666</u>	<u>\$608,121</u>	<u>\$604,672</u>	<u>\$615,481</u>

REVENUE: INTERGOVERNMENTAL PAYMENTS

I. Overview

Patton Township receives various revenues from the County, State, and Federal governments, the majority of which are passed through from the State. Generally, these funds must be used for specified purposes. Approximately 10.4 percent of the Township's annual revenue comes from these sources. The table below lists the sources and uses of Intergovernmental Revenues received by Patton Township.

A. Regular Annual Revenues

<u>DEDICATED USE</u>	<u>Source</u>	<u>Mandated Use</u>
Liquid Fuels Tax	State/County	Road Maintenance/Traffic Signals
DEP Alternate Fuel Grant	State	CNG upfit of Sign Truck
Sewage Facilities Refund	State	Refund for prior year SEO expenses
State Pension Aid	State	Employee Retirement Plans
Act 205 Volunteer Fire Relief Assoc.	State	Fire Company Health & Welfare Fund
Police Revenue Programs	State	Police Overtime for Program Activities
Act 13 Marcellus Impact Fee	State	Various-road improvements, environment, etc.
<u>GENERAL FUND USE</u>		
Public Utility Realty Tax	State	None
Beverage Licenses	State	None
State Police Fines	State	None
Game Commission in-lieu payment	State	None

B. Grants (year of most recent grant). Require application; approval on competitive basis.

<u>Grant</u>	<u>Source</u>	<u>Mandated Use</u>
DEP Recycling Grant (2011)	State	One person leaf loader
PA Community Transportation Alternative	State	Circleville Road Bikeway
Automated Red Light Enforcement	State	ADA Improvements to N. Atherton Intersection

II. Changes

A. LFT Funding

Based on the correspondence from the State, the estimate of the 2016 LFT allocation is \$434,836 which is a substantial increase over 2015. In 2013, the Township received a Liquid Fuels tax allocation from Centre County in the amount of \$20,000. This was used towards 2013 scheduled road improvements. No funds are expected in 2016.

B. DEP Alternate Fuel Grant-CNG Truck Upfit

The Township was awarded a grant to pay for one half the cost of a CNG conversion to bi-fuel on a new sign truck purchased in 2014. \$6,113 was received in 2014 towards this cost.

C. Act 13 Marcellus Impact Fee

Act 13 became a law in 2012 and provides for the imposition of an unconventional gas well drilling impact fee by the State. The money must be spent on water, waste water, road improvements, infrastructure, maintenance, social service delivery, emergency preparedness, environmental programs, tax reduction, increased safe/affordable housing, employee training or planning initiatives.

The Township received \$4,714 in 2015 and \$9,651 in 2014. In 2016 and 2017, revenue from the source is budgeted to be the \$4,700. These funds have been used to offset the costs of conversion of two vehicle to bi-fuel (gasoline and Compressed Natural Gas) and the installation of a CNG fueling station on premise.

REVENUE: INTERGOVERNMENTAL PAYMENTS

D. Pennsylvania Transportation Enhancements Alternatives

The Township has been designated for grant funding through PennDot to develop bikeways beginning along Circleville Road. Approximately \$65,000 was budgeted for the design and land acquisition in 2013 which was completed in 2014. The grant will pay for construction costs. The contract was bid in December 2014 and constructed in 2015. This is a reimbursement grant.

E. PennDot Automated Red Light Enforcement (ARLE)

The Township was awarded \$50,000 from PennDot for funding for intersection improvements at North Atherton Place (Walmart) to comply with the Americans with Disabilities Act.

F. State Pension Aid

The 2016 Minimum Municipal Obligation (MMO), which represents budgeted pension expenses, is \$238,170. The 2015 revenue received was \$231,329 which is the basis for the 2016 budgeted revenue. This means that is likely a general fund contribution will be needed to cover the 2016 pension costs.

G. PennDOT Multi-Modal Grant

The Township has applied for a grant of \$800,000 to upgrade the Valley Vista corridor with left turn lanes at 4 non-signalized intersections. The Township would be responsible for approximately \$452,000 of estimated design and construction costs over the multiyear project.

III. Revenue from Intergovernmental Payments

BUDGET: REVENUES				
	2014	2015	2016	2017
	Actual	Projected	Proposed	Forecast
<u>Annual</u>				
Dedicated Uses				
Liquid Fuels Tax	\$347,051	\$370,021	\$434,836	\$447,881
Act 13 Marcellus Impact Fee	\$9,651	\$4,714	\$4,700	\$4,700
Other Dedicated Uses	427,225	480,486	418,824	429,493
General Uses	22,043	20,984	21,731	21,743
<u>Grants</u>				
PA Community Transp. Alternative	0	391,498	0	250,000
PennDot ARLE	0	50,000	0	0
PennDot Multi-Modal Grant	0	0	10,000	790,000
County LFT	0	0	0	20,000
	<u>\$ 805,970</u>	<u>\$ 1,317,703</u>	<u>\$ 890,091</u>	<u>\$ 1,963,817</u>

REVENUE: NON-TAX SOURCES

I. Overview

The Township typically receives about 8 percent of its revenues from non-tax sources. Most of these funds are allocated to pay for specific purposes; some are available for General Fund use. The main categories of non-tax revenues received by the Township are as follows:

<u>Source</u>	<u>Basis</u>	<u>In Support of</u>
Assessments	Streetlights @\$0.35/front foot Fire hydrants @\$0.07/front foot Homestead Farms NID	Electricity Hydrant Fees Road Work Inspections
Licenses & Permits	Fee schedule	General Fund
Cable TV Franchise	5% of Comcast Cable gross revenues	General Fund
Right-of-Way Agreements	Use of Township owned property	General Fund
Court Fines	Citations issued by Police	General Fund
Interest	Investment of funds	General Fund
Department Earnings	Fee Schedule	Inspections/Plan Reviews
Tax Collection Fees	School and County payment rates	Tax Office Operations
Penn State Impact Fee	Agreement with Penn State University	General Fund
Parkland Payments	Developer pays in lieu of land	Park Improvements
COG Rent	COG Formula	Offset Debt
Loan Proceeds	Project Costs	Capital Projects
Miscellaneous	Varies	Varies

II. Changes

The following changes are anticipated for 2015 and 2016:

A. Homestead Farms Neighborhood Improvement District

By the beginning of 2012 the Township had established a Neighborhood Improvement District in the Homestead Farms area. The Township has taken over maintenance in this area of the previously privately owned roads. Each will be assessed \$316 annually for the next twelve years to provide for the cost of bringing the roads up to Township Standards.

B. Penn State Impact Fees

Based on the original 1992 agreement, further clarified in 2007, the Township receives fees and in-lieu of tax payments from the University for property it owns within the Township.

C. Rental Housing Application Fee

A \$20.00 fee is required on new or transferred rental housing permit applications. In 2014, the township began sending out notices to property owners whose real estate tax billing address was different from the property address. This is in an effort to insure that any properties that are actually rentals are property permitted and inspected to ensure the safety of renters.

D. Rental Housing Permit Surcharge

The Township implemented an annual \$3 surcharge on each rental unit permit issued to help offset regulatory and enforcement costs directly associated with rental housing in the Township. There are approximately 3,400 registered rental units in the Township.

E. Small Cell Antennae Fees

In 2014 the Board approved a contract with Crown Castle to install small cell antennae on 8 existing traffic signals in order to improve cell phone reception in the Township. The contract will provide for an initial fee of \$15,000 plus rental income to the Township of \$750 per antenna per year.

REVENUE: NON-TAX SOURCES

F. Contract for Resurfacing School Drive

In late 2013, the State College School District approached the Township about taking over ownership of School Drive. The Township agreed, with the condition that the roadway be improved to Township standards. The Township solicited bids to overlay the road and the road crew replaced curbing and made drainage improvements. The cost of the project, paid by the School District was \$175,334 which covered the cost of labor, equipment, materials and the overlay contract. Of this amount, \$23,752 will be transferred to road equipment reserve for use of equipment.

G. Contribution to Road Resurfacing from SCBWA

State College Borough Water Authority contributed \$8,000 to have the Township repair overlay work after the SCBWA did waterline installations on Meeks Lane.

H. Loan Proceeds – Electoral Debt Open Space

On November 4, 2014 the voters approved a referendum authorizing the borrowing of \$3.5 million to acquire and preserve additional open space lands in the Township. To fund this acquisition a borrowing (bond or loan) will be made in 2016. The type of borrowing will depend on the borrowing environment at the time. A request for proposals for a 20 year bank loan will be made but having a bond issue will also be contemplated.

III. Revenue from Non-Tax Sources

Based on the discussion in the preceding sections the following revenues from non-tax sources are anticipated:

BUDGET: REVENUE				
	2014	2015	2016	2017
	Actual	Projected	Proposed	Forecast
Assessments (hydrants & street lights)	\$ 65,892	\$ 65,464	\$ 66,005	\$ 66,323
Homestead Farms NID	18,383	14,871	14,871	14,871
Licenses and Permits	42,346	50,717	52,356	53,487
Cable TV Franchise	247,822	255,413	261,798	268,343
Small Cell Antennae Fee	15,000	-	6,000	6,000
Court Fines	78,751	85,790	85,309	89,875
Interest	3,938	4,630	4,650	4,650
Department Earnings	29,286	30,631	26,724	28,881
Tax Collection Fees	26,920	23,833	24,521	24,468
Penn State Impact Fee	42,675	45,852	44,809	47,049
Building Rent Revenue	41,163	41,163	41,163	41,163
Loan Proceeds-Road Projects	235,348	854,593	1,042,327	1,195,400
Loan Proceeds-Electoral Debt Open Space	-	-	3,500,000	-
Miscellaneous	328,376	134,843	69,711	58,645
Total	\$ 1,175,900	\$ 1,607,800	\$ 5,240,244	\$ 1,899,155

EXPENDITURES: GENERAL GOVERNMENT SERVICES

I. Overview

General government services include three areas of Township activity as well as an accounting of other expenses not assigned to a department.

A. General Government - Major general government expenses include salaries and related costs for elected officials, professional services (legal, auditor, and actuary), insurance, advertising, building operations and Centre Region COG administration.

B. Administration - The Township's administrative office includes the Manager, the Administrative Secretary and the receptionist (2.9 FTE: full-time employees) and the Finance Department which is comprised of the Director of Finance and Administration, the accountant, and a part-time accounts payable clerk (2.6 FTE). The Manager is responsible for day-to-day operations of the Township within the policy and budgetary parameters established by the Board of Supervisors. Department heads report to the Manager.

C. Tax Collection – The Township tax office collects real estate taxes for the Township, County and School District. The tax office is a division of the Finance Department. There is 1 FTE. The Administrative Secretary provides back up for the tax office as well as for payroll.

D. Other - This minor category provides for items that do not fit elsewhere in the budget.

II. Changes

A. Tax Office Changes and Tax Collection Costs

In 2012 responsibility for the collection of EIT shifted to the Centre County Tax Collection Committee. The Committee appointed the State College Borough Tax Office as the tax collector for 2012 through 2014. This change has required the changing of staffing assignments. In 2013, the Tax Office provided .8 FTE for Real Estate Taxes and 0.3 FTE for Earned Income Tax collection. For 2014, no staff is assigned to EIT collections; 100% of the secretary's salary is now allocated to administration (previously, 0.2 FTEs was assigned to tax). Any remaining work on older EIT claims will be absorbed by the real estate tax personnel.

B. Personnel Costs

Health insurance costs will increase by 17% for 2015 (11.3% for 2015). Employees share in the cost of health insurance. (10% for police and 11% for non uniform employees).

The Township negotiated a 4 year contract with police for 2013 to 2016. Raises are 2.5% per year with other small adjustments to benefits such as life insurance and boot allowance. Non-uniform employees will receive a 1.8% cost of living adjustment based on the August 2015 CPI-U (all items less food and energy). They are also eligible for a 1.25% merit increase on their anniversary date.

C. Public Works Office Renovation

This proposal involves taking unused space in the tax office and renovating it to provide for 2 additional offices for the public works department. One office will be for the new position of Assistant Road Superintendent and the other will be used temporarily by the construction project manager for the Circleville Bikeway project. Eventually, the office will be for the Assistant Engineer. The cost estimate was provided by Fernsler Architects.

EXPENDITURES: GENERAL GOVERNMENT SERVICES

D. Information Technology Costs

In late 2013, State College Borough proposed a change to the way technology services would be provided going forward. The relationship has changed to a vendor (State College Borough)/customer (Patton Township) relationship and the pricing model has changed to what the Borough refers to "industry standard" pricing based on equipment owned rather than hours of service used. Since the Township is linked, technologically to State College Borough for internet, tax and police software and shared servers, it is very hard to extricate from State College Borough's services. After almost two years of service under this new agreement, staff feels that the Township has been receiving adequate service and has renewed for 2016.

E. Conclusions of Wage Study

In 2005 Patton, College, Ferguson, and Harris Townships participated in a wage study to review municipalities pay plans. At the time, the Township committed to having regular reviews of all positions covered in the pay plan. This is to ensure pay rates are adequate to attract and retain highly qualified employees. The last study revealed a number of positions below market rates, which were adjusted in 2009.

A complete study was conducted by McGrath Consulting, who has completed previous studies for the township, in 2014 to review pay rates and job duties as well as an additional review of the workflow operations in the Public Works department. The consultant recommended adjustments to the market rates of four positions as a result of the salary survey and a reassignment of a number of duties throughout the Public Works department. Also as a result of the study, a new position, Assistant Road Superintendent, was created in the Public Works department. This position will supervise the road crew and day-to-day operations of the road crew. The Road Superintendent will do more project management and planning and assist the Public Works Director.

II. Expenditures for General Government Services

The following are the current and proposed expenditures for Patton Township's general government services:

BUDGET: EXPENDITURES	2014 Actual	2015 Projected	2016 Proposed	2017 Forecast
General Government	\$ 419,491	\$ 548,751	\$ 530,946	\$ 507,070
Administration	541,897	538,178	582,722	615,534
Tax Collection	86,946	86,737	91,687	95,340
Other	26,073	73,039	40,773	25,500
TOTAL	\$ 1,074,407	\$ 1,246,705	\$ 1,246,129	\$ 1,243,444

EXPENDITURES: POLICE

I. Overview

The police department is responsible for public safety and law enforcement within the Township. The Department staff of 18 sworn officers and two civilians is organized into four areas.

A. Emergency Response and Patrol

Patrol officers respond to calls ranging from serious 911 incidents to providing assistance at emergency medical incidents to barking dog complaints. Regular patrols promote community safety. The Department endeavors to have a sergeant and one or two officers on duty at all times. This function of the Department accounts for 75.5 percent of expenditures.

B. Crime Prevention/Community Relations

Programs include the Junior Police Academy, the Patton Township Safety Fair, and Project KidCare, in addition to working with businesses and homeowners on crime prevention and security. Officers participate in community events to foster better community rapport. This function accounts for 1.6 percent of the Departmental expenditures.

C. Criminal Investigation

Detectives are responsible for investigating all crime reported in the Township. This function accounts for 15 percent of the departmental expenditures. Major investigations are coordinated with neighboring police departments, State Police, the FBI and the State Attorney General's office. A third detective was appointed in April 2010. This was to relieve the workload covered by patrol officers and provide a proactive response to drug-related activities by working more closely with the State Attorney General's Bureau of Narcotics Investigation.

D. Communications/Records

This function provides administrative support for department activities and also serves as the point of contact for the public in the office. This function accounts for 7.9 percent of the Departmental expenditures.

The marked patrol vehicles are equipped with Mobile Computer Terminals (MCTs) allowing officers to access calls-for-service information, warrant information and license/registration data directly from their vehicles. The new system went live in June 2009. This system integrates the County 911 dispatch center and MCTs allowing officers to efficiently complete reports in the field and when approved, automatically updating the records database, eliminating the need for manual data entry. This permits officers to remain on patrol, visible in the community, instead of returning to station to manually complete reports.

EXPENDITURES: POLICE

II. Changes

A. Ballistic Shield

Each marked patrol vehicle will be outfitted with a portable tactical ballistic shield. This will allow for added officer protection at incidents involving firearms. The cost of a tactical ballistic shield is \$3,800 each. The proposal for 2016 includes the purchase of three tactical ballistic shields. An additional two shields have been forecasted for 2016 and an addition two shields have been forecasted for 2017.

B. Records Management System Change

The Chief is working with our county law enforcement partners to identify a replacement records management system. Funding was encumbered in 2015 and additional funding is budgeted in 2016 for purchase of a new system.

II. A Look to the Future

A. Additional Staffing

The Township will review crime statistics, township growth, calls for service and other variables to determine if there is a need for an additional officer in 2017.

III. Police Department Expenditures

Proposed expenditures for the police department are as follows:

BUDGET: EXPENDITURES				
	2014	2015	2016	2017
	Actual	Projected	Proposed	Forecast
Emergency Response Patrol	\$1,917,032	\$1,971,051	\$2,111,112	\$2,112,111
Crime Prevention/Community Relations	40,017	46,271	45,526	46,653
Criminal Investigations	385,113	376,393	418,586	417,903
Communications/Records	170,044	237,766	224,317	173,781
TOTAL	\$2,512,206	\$2,631,481	\$2,799,541	\$2,750,448

EXPENDITURES: PUBLIC WORKS

I. Overview

The Public Works Department is responsible for maintenance of Township roads and facilities, engineering review of new and existing infrastructure, and administration of construction contracts. The Director of Public Works oversees the department's activities and also serves as the Township Engineer. The road crew provides maintenance for facilities and is under the direction of the Assistant Road Superintendent. The Director, a registered professional engineer, carries out the engineering duties. In 2011, the Assistant Director position became vacant. All duties of the Assistant Director are performed by the Director or delegated to other staff. The Zoning Officer, Engineering Technician, and Department Secretary provide support. In 2013 it was determined that the Department's immediate needs could best be served by a Project Manager in lieu of an Assistant/Director Engineer. With the Township's park development slowing down; it was determined to reclassify the Parks Project Manager position to Public Works Project Manager. Many of the duties of the position are similar however; this reclassified position will manage projects outside of a "parks" classification. In 2014, the duties of the Road Superintendent were reevaluated. It was determined to hire an Assistant Road Superintendent to directly manage the Road Crew and have the Road Superintendent assist with responsibilities that were previously performed only by the Director. The major functions of the Public Works Department are:

A. Maintenance

1. Roadways - Maintain roadways, sidewalks, signs, signals, and markings.
2. Snow and Ice Control – The Road Crew provides 24-hour coverage during winter weather events.
3. Leaf and Brush Collection – Spring and fall collection of leaves and monthly collection of brush.
4. Stormwater System Maintenance – Maintain system of pipes, inlets, swales and cross pipes.
5. Other Duties: maintain public grounds and buildings, parks not in a regional program, vehicles and equipment including police cruisers.

B. Engineering

1. Facilities Management – conduct pavement inspections, inspect roadway occupancy permits, respond to ONE CALL requests, and carry out the park development program.
2. Land Development – The engineers review all plans, work as staff for the Planning Commission, inspect construction for new Township facilities, and answer inquiries.
3. Other duties – Respond to citizen inquiries; administer consultant contracts; serve on regional technical committees; support maintenance work of the road crew.

C. Construction Contracts

Each year the Township bids the road-resurfacing program for completion by contract. Other contracts are bid, let and managed as needed for township projects.

II. Changes

A. Road Maintenance

In 2016, the budget proposes an additional \$100,000 of expenditures above our normal annual expenditures for overlay projects. 100% of the funds are being used from liquid fuels funds and does not impact the general fund. The additional funds will be primarily used for "mill and fill" projects. Several roadways within the Township have small sections of the road that need additional attention. This is a result of several harsh winters that have accelerated some deterioration in these locations.

B. Salt Prices

The 2016 budget includes our projected salt usage at \$77.10 per ton, which is the fixed per ton price in the 2015-2016 COSTARS Sodium Chloride Contract. This is an 11% increase from 2015 contract prices. This is being brought to attention because it is uncommon for increases of this magnitude in a low oil price environment. Staff should continue to pay close attention to future prices so that adjustments can be made.

EXPENDITURES: PUBLIC WORKS

C. Valley Vista Left Turn Lanes

The 2016 budget includes \$192,480 for preliminary and final design of a \$1,252,207 project to construct turning lanes on Valley Vista Drive at its intersection with Amblerwood Way, Oakley Drive, Devonshire Drive, and Sandy Ridge Road. Patton Township has been awarded an \$800,000 Multi-Model Transportation Grant through the Pennsylvania Department of Transportation. In the Grant Application, Patton Township proposed a funding scenario of \$452,207 to be paid by Patton Township and the balance of \$800,000 to be paid with the grant money. The total project would be completed by the end of 2017.

D. Adaptive Signaling on Valley Vista Drive

The Public Works Department is proposing the installation of an adaptive signal control system for the Valley Vista Drive corridor. The project is estimated at \$183,000 and consists of the installation of a new computer server and fiber optic from the Township building to the Valley Vista corridor.

III. Future Issues

A. Petroleum Costs

Beyond our direct fuel costs, escalating oil prices impact asphalt, lubricants, and delivery costs for many materials including salt, aggregates, and even equipment parts and park equipment. Over the past three years we have experienced widely fluctuating fuel costs which are hard to forecast. Currently, fuel costs appear to have some stability but still remain under close observation.

B. Columbia Gas Steel Pipe Replacement Project

Beginning late 2011, Columbia Gas began a project in Patton Township (majority of work is in Park Forest) to replace the existing steel gas lines. Most of the work is within Township right-of-way so future overlay projects will be delayed until Columbia Gas has finished their replacement project. Columbia Gas initially estimated the replacement of 40,000 lineal feet of pipe.

D. CIP Allocations

\$ 183,000 – Adaptive Signaling on Valley Vista Drive	\$ 0 – Waddle Road Traffic Study/Widening
\$ 192,480 – Valley Vista Traffic Study	\$ 6,000 – Douglas Ditch Stabilization Project
\$ 49,673 – Traffic Signal Battery Back-Up	\$ 47,082 – Road Equipment Fund
\$ 960,000 – Waddle Interchange Funding	\$ 45,000 – Road Resurfacing Reserve Fund
\$ 3,000 – Sign Retro-reflectivity Project	\$ 14,871 – Homestead Farms Road Development
\$ 0 – Bikeway Development	\$ 20,000 – Traffic Signal Replacement

IV. Public Works Expenditures

Current and proposed expenditures are as follow:

BUDGET: EXPENDITURES				
	2014	2015	2016	2017
	Actual	Projected	Proposed	Forecast
Public Works Department	\$1,257,795	\$1,517,227	\$1,563,500	\$1,606,654
Construction Contracts	437,129	1,377,132	1,488,332	2,363,442
Liquid Fuels Projects	347,051	370,021	434,836	447,881
TOTAL	\$2,041,975	\$3,264,380	\$3,486,668	\$4,417,977

EXPENDITURES: COMMUNITY SERVICES: PLANNING & ZONING AND PARKS AND RECREATION

I. Overview

This subsection of the budget highlights separately the proposals and expenditures for the two largest categories of Community Services.

Planning and Zoning include a significant effort as part of the Centre Region COG programs. These include Regional and Local Planning from the Centre Regional Planning Agency, and Transportation Planning from the Centre County Metropolitan Planning Organization (CCMPO).

Township work on planning and zoning includes the position of the Zoning Officer and the assignment of time by the Public Works Director and Secretary. The Township staff supports the work of the Planning Commission and the Zoning Hearing Board.

Parks and Recreation also includes participation in the Centre Region COG Programs, including Centre Region Parks and Recreation, the swimming pools, the senior citizens' center, and the regional nature center. The Township's responsibility is the purchase of land and improvement of the Township's park properties.

II. Changes

A. COG Planning Services

Given the slowdown in development and the planner vacancy for the Township, the reduction of planning services to a half-time planner was implemented in 2014.

B. Local Parks

Gray's Woods Park: A species survey of the wetlands in this location was completed in 2010. Several of the regulatory agencies have considered the wetlands as hospitable habitat for a couple of protected species. Meetings of all concerned parties resulted in the issuance of environmental permits in 2012. Master planning was completed in 2014 after a number of public meetings to seek input. Some engineering work is proposed for 2016 however, since this project will be on a pay-as-you-go basis, no construction is planned until 2017 when there will be funds available.

As a result of the extensive work done and the lack of availability of new funds, the parks program is in maintenance mode until funds are accumulated for construction in Gray's Woods Park. Thus, the Parks position has been altered to become Public Works Project Manager. Two-thirds of salary and benefits will be allocated to Public Works and one-third will be allocated to parks. No personnel costs will be allocated to the Park Fund.

C. Contribution to Regional Parks and Park Programs

The Township participates in the Centre Region Parks and Recreation program. For 2016, the CRPR parks operating and capital replacement programs total \$375,753 and debt payments on pools and regional parks is \$186,959. Because of continued delays of the Whitehall Road Park construction, the planned maintenance facility cannot be built. In addition to the funds provided for local parks debt and improvements, the Township will spend \$637,193 (or almost 1.4 mills) on Parks and Recreation facilities in 2016.

EXPENDITURES: COMMUNITY SERVICES: PLANNING & ZONING AND PARKS AND RECREATION

D. Senior Center

On August 11, 2015, the Centre Region Parks and Recreation Authority entered into a lease agreement for the rental of space in the Nittany Mall. Two spaces are involved. One space is 4,700 sq. /ft. and will be used as an interim Center from September 1 until December 31, 2015. The other space is 7,000 sq. /ft. and will be used as the Center for the next 10 years. Although the total rent for the two spaces are about the same as the Fraser Plaza Center, significant costs will be incurred to renovate the Nittany Mall spaces. A loan from the Centre Region Code Administration of \$186,500 has been proposed. The loan will be for a 10 year period with a fixed interest rate of 1.5%. Patton Township's portion of this debt service is \$1,908 per year.

BUDGET EXPENDITURES				
	2014 Actual	2015 Projected	2016 Proposed	2017 Forecast
Planning and Zoning				
Centre Region Planning Agency/MPO	\$ 161,486	\$ 148,459	\$ 133,206	\$137,868
Township Staff	145,802	154,743	166,210	172,565
Subtotals	<u>\$ 307,288</u>	<u>\$ 303,202</u>	<u>\$ 299,416</u>	<u>310,433</u>
Parks and Recreation				
Parks Project Manager (1/3)	19,805	20,964	21,419	22,554
Centre Region Pools -Capital	76,100	98,359	98,221	101,659
Centre Region Parks Operating	349,784	356,524	334,886	346,607
Centre Region Parks Capital	-	41,514	40,867	42,297
Capital Improvements-Park Equipment	309,272	313,916	328,533	335,010
Contributions to Community Fire Works	1,000	1,000	1,000	1,000
Contributions to Regional Parks	130,705	104,130	88,738	91,844
Other Costs	16,326	26,151	18,454	19,362
Subtotals	<u>902,992</u>	<u>962,558</u>	<u>932,118</u>	<u>960,333</u>
Totals	<u>\$ 1,210,280</u>	<u>\$ 1,265,760</u>	<u>\$ 1,231,534</u>	<u>\$1,270,766</u>

EXPENDITURES: COMMUNITY SERVICES: OTHER

I. Overview

Most of the Township's other community services are provided in cooperation with our neighboring municipalities either through the Centre Region Council of Governments (COG) or other regional programs. The following list illustrates each service and identifies the provider.

<u>Category</u>	<u>Service</u>	<u>Provider</u>
Fire Protection	Alpha Fire Company Fire Hydrants	COG State College Water Authority
Health and Welfare	Health Inspections Sewage Enforcement Officer Septic System Inspections Emergency Management Oak Wilt Control Program Gypsy Moth Suppression	State College Borough Independent Contractor Centre Region Code Agency COG Patton Township In coordination with the County and State
Cable TV	Public Access Channel	C-NET
Transit	Bus and Para-Transit	Centre Area Transportation Authority
Library	Schlow Memorial Library	COG
Streetlights	Streetlights	West Penn Power
Open Space	Preservation of Open Space	Patton Township

B. Changes

A. Professional Services, Sewage Enforcement Officer

The Township is required by State Law to have a qualified Sewage Enforcement Officer. The incumbent, Ralph Houck, retired and was replaced by Mary Kay Lupton on January 1, 2015. Her responsibility is to inspect all subdivisions and lots when on-lot sewage disposal systems are requested.

In the past, up to half of the costs of this service were reimbursed by the State and the remainder by fees charged to developers/property owners. In 2009, the State reduced, without notice, reimbursements for this service as part of their budget cuts. In light of a reduced reimbursement and because of an increase in the SEO rates the Township began to pay in 2011, the permit fees have been increased to cover municipal costs. The State no longer reimburses the Township for any costs. The rates are set to cover the costs of service.

B. Community Gardens

In response to residents' interest in community garden plots, the Township provided space, equipment and water at the Haugh Family Farm Open Space beginning in 2011. The program has been very successful. A fee of \$40 per plot plus a security deposit are required to rent a plot and for 2015, all available plots are rented.

EXPENDITURES: COMMUNITY SERVICES: OTHER

C. Open Space Loan Proceeds

On November 4, 2014 the voters approved a referendum authorizing the borrowing of \$3.5 million to acquire and preserve additional open space lands in the Township. To fund this acquisition a borrowing (bond or loan) will be made in 2016. The type of borrowing will depend on the borrowing environment at the time. A request for proposals for a 20 year bank loan will be made but having a bond issue will also be contemplated. These funds will be transferred to the Open Space Preservation Reserve Fund.

D. Contribution to Regional Economic Development

The Township has been working with the County, other municipalities and the Chamber of Business and Industry of Centre County (CBICC) to expand economic development activities. These activities include fostering new companies through the CBICC's incubator, working to retain and grow existing companies in the county, and developing programs to attract new employers to our communities.

In 2012 a \$20,000 contribution to the CBICC was approved to assist with creating new jobs; these funds are encumbered and may be used for future incentive programs to encourage job creation in Centre County. In 2013 the CBICC proposed developing an Economic Development Partnership to be funded by private businesses, institutions, the County government and municipalities in Centre County. Patton Township has made two annual \$15,000 contributions to the Partnership. A \$17,500 contribution is proposed for 2016 and a \$20,000 contribution is forecast for 2017.

III. Expenditures for Community Services

The following table outlines current and proposed expenditures for Community Services: Other

BUDGET: EXPENDITURES	2014 Actual	2015 Projected	2016 Proposed	2017 Forecast
Fire Protection	\$392,809	\$416,896	\$424,769	\$437,892
Health and Welfare	54,029	56,889	62,622	64,194
C-NET	32,743	32,504	32,215	32,859
Transit	88,871	90,719	91,614	96,195
Library	249,261	253,048	261,409	270,558
Streetlights	43,162	42,680	42,765	42,851
Open Space Loan Proceeds	0	0	3,500,000	0
TOTAL	\$860,874	\$892,736	\$4,415,394	\$944,549

EXPENDITURES: DEBT SERVICE

I. Overview

Patton Township finances major capital projects through the issuance of municipal bonds or other long-term borrowing.

In 2010 the Township was able to take advantage of historically low interest rates to refinance all outstanding debt as well as borrow new money for work at Bernel Road Park. The refinancing saved \$441,222 over the remaining life of the 2003 debt and the 2005 debt. These savings which are reflected in the general fund as well as the open space fund have helped considerably in keeping significant tax increases at bay for the next several years.

II. Changes

A. Allocation to Open Space Preservation Fund

For 2014, no tax mill was required for Open Space Preservation debt service. Accumulated funds previously collected from the Open Space Tax allowed the debt to be extinguished on schedule in 2014.

B. Open Space Acquisitions – Phase 2

The referendum question included on the November 4, 2014 ballot passed by a with 63% support. The question asked voters if they support the expansion of the Open Space Preservation program. The question reads: “Shall debt in the sum of 3,500,000 dollars for the purpose of financing acquisition of development rights, conservation easements, and land for the preservation of open space be authorized to be incurred as debt approved by the electors?”

To fund this acquisition a borrowing (bond or loan) will be made in 2016. The debt will be paid through a dedicated real estate millage estimated to be 6/10ths of a mill levied in 2016. This millage has been added to the proposal but must be approved in the budget presented in November 2015.

C. Capital Project Line of Credit

The Capital Improvement Plan and this Budget propose a number of capital projects over the next several years (Circleville Bikeway, Valley Vista Left Turn lanes). Although some grant funding is available for these awards are on a reimbursement basis. The Township may need to establish a line of credit to accommodate the short-term cash flows associated with these projects. It is assumed, in the current low interest rate environment that interest payments would be approximately \$20,000 per year for the next several years.

EXPENDITURES: DEBT SERVICE (Cont'd)

II. Future Financing Issues

The Capital Improvement Plan for the period 2016-2020 allows for the contemplation and implications of adding significant capital projects and staff to the operating budget. By taking a more critical look at future projects and costs, we will be better able to assess the Township's financing needs and borrowing capacity.

III. Debt Service Expenditures

BUDGET: EXPENDITURES				
	2014 Actual	2015 Projected	2016 Proposed	2017 Forecast
Open Space Preservation	\$150,624	\$0	\$244,805	\$244,805
2010 Debt Refinancing	407,171	400,495	409,545	413,345
2011 General Obligation Note	115,618	127,525	176,685	182,945
Capital Project Line of Credit	0	0	20,000	20,000
TOTAL	\$673,414	\$528,020	\$851,035	\$861,095

FUND BALANCE

I. Overview

Fund balance is the amount of money remaining in the General Fund at year-end. It represents the accumulated difference between revenues and expenditures over time. A healthy cash balance provides the needed cash to pay bills early in the year before tax revenues are received. It is also important to have a cash balance to cover unexpected expenditures, to assure a solid bond rating and to prevent increases in future tax rates.

The Government Finance Officers' Association best practice recommends approximately 17% fund balance as a minimum which equates to approximately two months expenses. The target range for the ending cash balance is between 8% and 12% of expenditures.

II. Table of Fund Balances

The fund balance expected to start 2017 is \$1,184,952. This amount is 12.38% of budgeted expenditures, excluding loan proceeds.

BUDGET: FUND BALANCE				
	2014 Actual	2015 Projected	2016 Proposed	2017 Forecast
Revenue	\$ 8,470,579	\$ 9,473,364	\$ 13,125,480	\$ 11,144,840
Expenditures	8,373,156	9,829,081	14,030,300	11,488,279
Net +(-)	<u>97,422</u>	<u>(355,717)</u>	<u>(904,820)</u>	<u>(343,439)</u>
Fund Balance from Prior Year	2,348,067	2,445,489	2,089,772	1,184,952
Fund Balance to start New Year	<u>\$ 2,445,489</u>	<u>\$ 2,089,772</u>	<u>\$ 1,184,952</u>	<u>\$ 841,513</u>
FB as % of Expenditures *net of loan proceeds	30.01% *	23.08% *	12.38% *	7.64% *

DESIGNATED RESERVE FUNDS

I. Overview

The Township has sixteen restricted reserve funds proposed for 2014. Where dedicated revenues are received for a reserve fund, the revenue is shown in the general fund and is matched by an "expenditure" transferring the amount to the reserve fund. The accounting below illustrates the proposed activity in each fund for 2014. For this budget, the reserve funds have been categorized into capital funds and operating funds. The restricted reserve funds are as follows:

<u>Fund</u>	<u>Source of Revenue</u>	<u>Purpose</u>
**Capital Reserve Funds		
Police Cars	General Fund	Even out costs for car replacements
Park Fund	Dedicated Millage	Park purchase and development
Open Space Preservation	Dedicated Millage	Acquisition of land and easements
Liquid Fuels Tax Fund	State Funding	Road Maintenance/Traffic Signals
Road Equipment	General Fund	Smoothes equipment replacement cost
Road Resurfacing	General Fund	Pay annual paving contract
Road Improvements	Private Contributions	Pay for specific road projects
Building Refurbishment	General Fund	Pay for replacement of worn fixtures
Toftrees Traffic Mitigation	Private funds/ Loan	Waddle Rd Interchange Improvements
Homestead Farms NID	Special Assessment Fees	Road Improvements in Homest'd Farms
Traffic Signal Replacement	General Fund	Even out costs for replacing traffic signals
**Operating Reserve Funds		
Fire Hydrant	Front Footage Assessments	Pay cost of hydrants
Street Lights	Front Footage Assessments	Pay cost of lighting
Accrued Absences	General Fund	Pay accrued leave on termination
Emergency Assistance	General Fund	Cover cost during emergencies
Encumbrances	Prior Year General Fund	On-going projects

D. Table of Designated Reserve Funds

BUDGET: DESIGNATED RESERVE FUNDS				
	<u>01/01/16</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>12/31/16</u>
<u>Capital Reserve Funds</u>				
Police Vehicles	\$39,836	\$46,100	\$37,064	\$48,872
Park Fund	\$417,352	\$349,033	\$358,212	\$408,173
Open Space Preservation	\$286,594	\$3,827,014	\$3,833,114	\$280,494
Liquid Fuels Tax Fund	\$148,095	\$435,086	\$489,892	\$93,289
Road Equipment	\$173,136	\$273,638	\$414,000	\$32,774
Road Resurfacing	\$65,294	\$275,050	\$338,017	\$2,327
Building Refurbishment	\$75,488	\$35,550	\$54,483	\$56,555
Traffic Mitigation	\$84,078	\$1,171,093	\$1,136,685	\$118,486
Homestead Farms Neighborhood Improvemnt	\$24,161	\$14,891	\$39,350	(\$298)
Traffic Signal Replacement	\$0	\$20,000	\$0	\$20,000
<u>Operating Reserve Funds</u>				
Fire Hydrant	\$55,336	\$23,790	\$20,400	\$58,726
Streetlights	\$21,847	\$42,675	\$44,074	\$20,448
Accrued Compensated Absences	\$11,296	\$30,025	\$40,273	\$1,048
Emergency Assistance	\$30,035	\$5,025	\$0	\$35,060
Encumbrances	\$227,988	\$0	\$207,988	\$20,000

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