

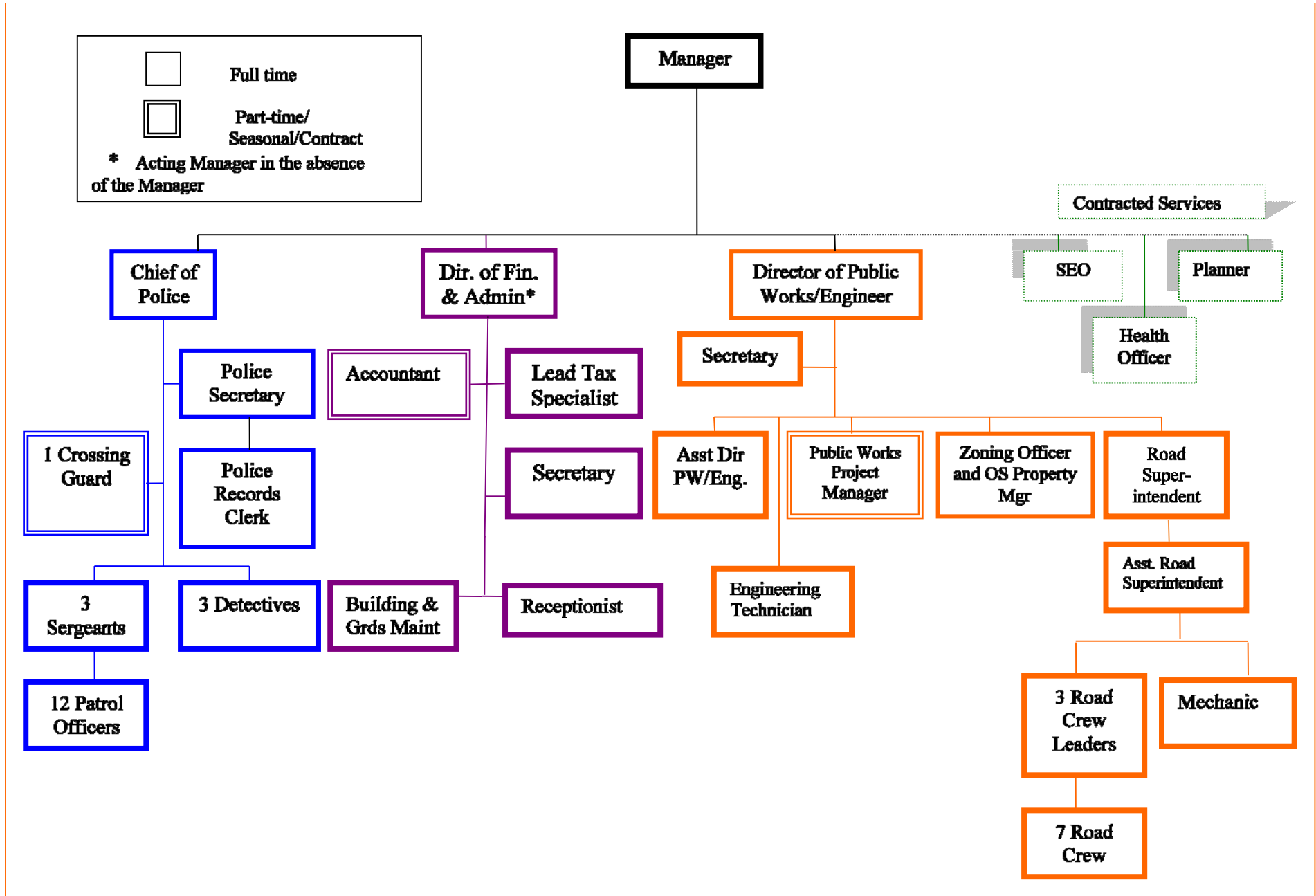


Patton Township 2019 Budget

PATTON TOWNSHIP

2019 BUDGET SUMMARY

BUDGET TRANSMITTAL				3-6
REVENUE	Real Estate Taxes	\$	4,609,206	8-9
	Tax for Open Space Preservation	\$	308,489	8-9
	Earned Income Tax	\$	2,657,593	10-11
	Other Taxes	\$	1,005,748	12-13
	Intergovernmental Payments	\$	5,757,606	14-15
	Non-Tax Sources	\$	<u>772,955</u>	16-17
	TOTAL REVENUE	\$	<u>15,111,597</u>	
EXPENSES	General Government Services	\$	1,439,760	18-19
	Police	\$	3,159,839	20-21
	Public Works	\$	8,089,653	22-23
	Community Services: Planning & Zoning and Parks & Recreation	\$	1,399,053	24-25
	Community Services: Other	\$	1,017,135	26-27
	Debt Service	\$	861,760	28-29
	Open Space Preservation	\$	<u>245,434</u>	28-29
	TOTAL EXPENSES	\$	<u>16,212,634</u>	
	NET INCREASE (DECREASE) IN CASH RESERVE	\$	<u>(1,101,037)</u>	30
	FUND BALANCE TO BEGIN 2019	\$	<u>2,859,185</u>	30
	DESIGNATED RESERVE FUNDS			31



BUDGET TRANSMITTAL (Manager's Recommendation)

I. Introduction

The proposed 2019 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 2019 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 14, 2018 meeting. After the public hearing and work session on November 20, 2018 the Board will identify any changes required before the anticipated December 12, 2018 final adoption of the 2019 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 August, 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 2019 through 2023 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 2019 are incorporated into the Budget.

IV. Review of 2018 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 improving over the last six 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 2018 is that revenues will be slightly below the budgeted amount because of grants awarded but the work needed to receive these grants has been delayed. Projected revenues for Real Estate Taxes are expected to be five percent above the budget. Earned Income Taxes are expected to be twelve per cent above the budget; and Transfer Taxes are expected to be 22% above the budget.

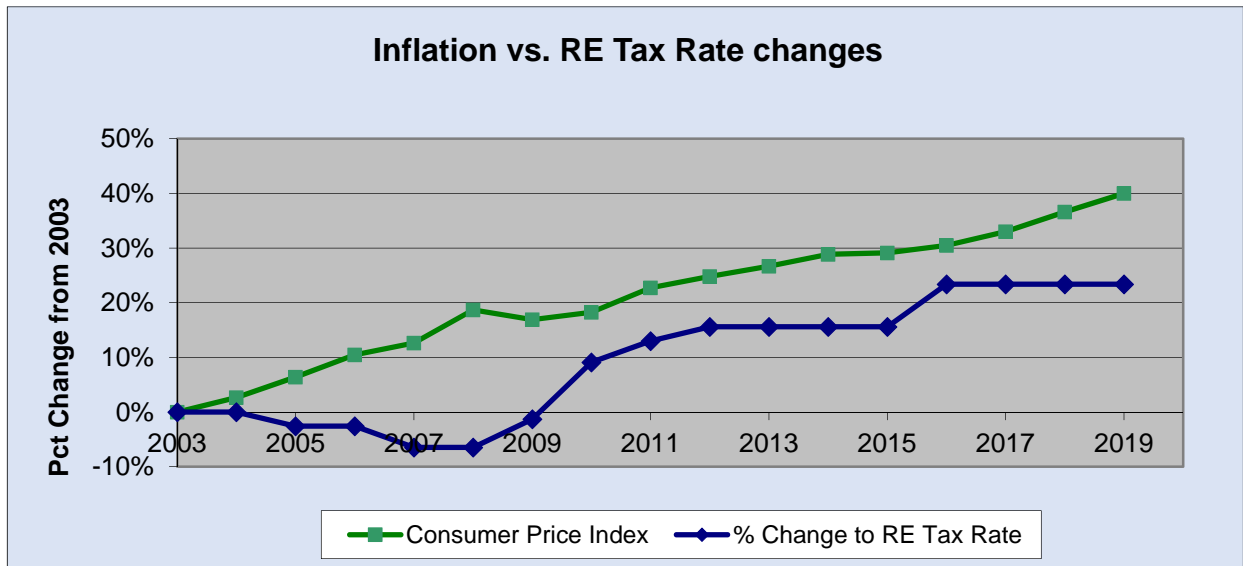
Expenditures are also projected to be in line with the budget, the result of postponing some projects and completing the Valley Vista Drive Left Turn Project. The remainder of projected expenditures are expected to be 2.4% below budgeted amounts. At the end of the year, it is expected that the Fund Balance

will be decreased significantly due to major projects encumbered in 2018, with funding expected in 2019. Remaining cash balance funds will be utilized in 2019 and 2020 to minimize any Real Estate Tax millage increases.

V. Taxes for 2019 and the Future

A. Real Estate Tax Rates

The 2019 budget proposes no change in the Real Estate Tax Rate. A 0.6 mill increase was approved in 2016 to fund Open Space acquisition. A 0.1 mill increase is forecasted for 2020.



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.

B. Forecast for 2019 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 2019 and 2020 revenues.

With regard to anticipated tax rates for 2019 and beyond; the Draft Capital Improvements Plan anticipated no increase in the Real Estate Tax Rate for 2019 and then anticipates a series of 1.1% increases per year for the next four years.

C. Cash Balance

The 2019 Budget anticipates that expenditures will exceed revenues by approximately 8%. The 2020 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:

2018	25.1%
2019	10.8%
2020	9.9%

VI. Key Projects for 2019 – additional information on the items below may be found in the 2018 Township Budget and 2019 Line Item Detail.

Valley Vista Drive Left Turn Lanes

This project is under construction to provide left turn lanes at four intersections to improve roadway capacity and provide safe refuge for left-turning vehicles. Grant funding has been awarded from PennDOT for \$800,000. The local match is to be funded by a Pennsylvania Infrastructure Bank loan. The project is expected to be completed in 2019.

Valley Vista Drive Adaptive Signaling

This project is intended to deploy the next generation of traffic signal controllers along the Valley Vista Drive corridor at intersections with Carnegie Drive, the Lowes driveway, North Atherton Street and Green Tech Drive. Grant funding has been awarded from PennDOT. The local match is to be funded by a Pennsylvania Infrastructure Bank loan.

Police Records Management System Change

Technical support for the current system will ceased the end of 2018. The Department has been working with other law enforcement agencies in the County to identify a new system/vendor. The new system will be procured in late 2017 and go live in January, 2019.

Salary Survey

A consultant will review non-uniform salaries to ensure the Township is comparable to similar Townships in the region. The consultant will then make recommendations for adjustments.

VII. Employee Raises and Benefits

Police – In accordance with the collective bargaining agreement, negotiated for a three year term in 2016, the Police Officers will receive a 3% pay increase. The employee contribution for health insurance will increase to 11.5% 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 2019 is 2.2% based on the August CPI-U (less food and energy) index.

The 2019 rate for non-uniform employee contributions for health insurance will be 12%. The overall increase in health insurance rates is 9.9%. Small increase to vision and dental coverage are also included for all employees.

Deputy Manager – Director of Finance & Administration, Public Works Director and Police Chief will staff this position on a rotating basis. A 2.5% increase per employee has been included in the 2019 Budget.

No other changes to employee salaries or benefits are proposed.

VIII. Personnel Changes

A Part-Time Communications Specialist will be added for 2019. This position will manage outreach, website content, social media, etc. In addition, this position will coordinate events for the Board of Supervisors and Manager.

A Part-Time Ordinance Officer will be added in 2019. This officer would fairly and accurately enforce the ordinances of Patton Township as they relate to parking, non-parking and animal violations.

Date November 8, 2018

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

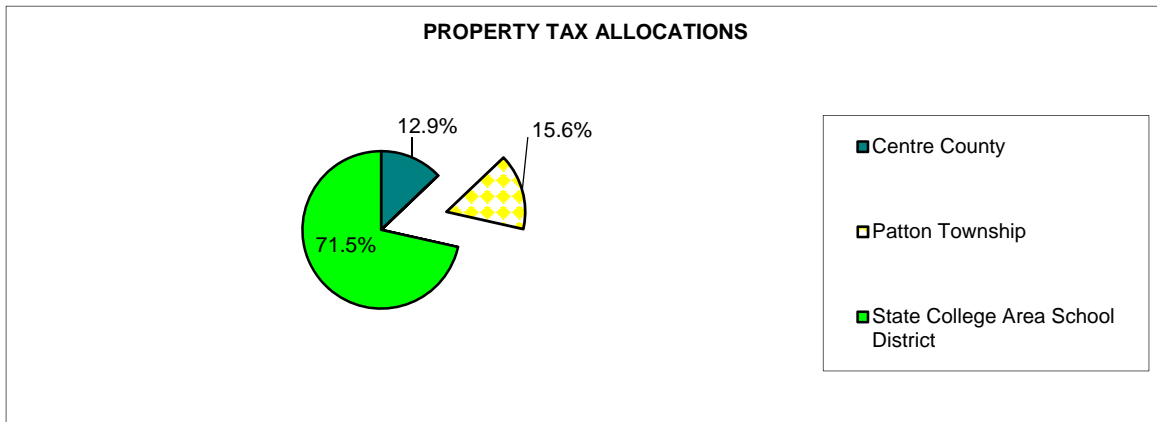
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REVENUE: REAL ESTATE TAXES

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 2018 Real Estate taxes paid by Patton Township property owners is shown below:



Highlights

A. **Taxes for 2019 and the Future**

It is proposed that the tax rate remain at 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 acquired in 2017.

Real Estate Tax Rates	<u>2017 Actual</u>	<u>2018 Budget</u>	<u>2018 Proposed</u>	<u>2019 Forecast</u>
Tax for General Government	8.9 mills	8.9 mills	8.9 mills	8.9 mills
Tax for Open Space Preservation	0.6 mills	0.6 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.

C. **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 (loan) was made in late 2017. The debt will be paid through a dedicated real estate millage estimated to be 6/10ths of a mill levied beginning in 2016. This millage has been added to the forecast and was approved in a prior budget.

B. Improved Growth in Assessed Values

In 2014, the assessed value of property in the township grew 4.4% with the addition in 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 0.67%. Minimal growth is expected in 2019 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>2018 Rate</u>	<u>Proposed 2019 Rate</u>
General	14 mills	6.2	6.2
Debt	None	1.2	1.2
Open Space Preservation	Voter Approved	0.6	0.6
Library	None	0.4	0.4
Parks Capital Improvements	None	0.7	0.7
Fire Protection	3 mills	0.4	0.4
TOTAL		9.5	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 \$514,148 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>2017 Actual</u>	<u>2018 Projected</u>	<u>2019 Proposed</u>	<u>2020 Forecast</u>
Real Estate Tax	\$4,091,579	\$4,394,397	\$4,609,206	\$4,796,154
Tax on Open Space	<u>267,841</u>	<u>293,799</u>	<u>308,489</u>	<u>321,088</u>
Total	<u>\$4,359,420</u>	<u>\$4,688,196</u>	<u>\$4,917,695</u>	<u>\$5,117,242</u>

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 21 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 2019. 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 2017 resulted in a refund of commissions paid, reducing the cost to 1.6%.

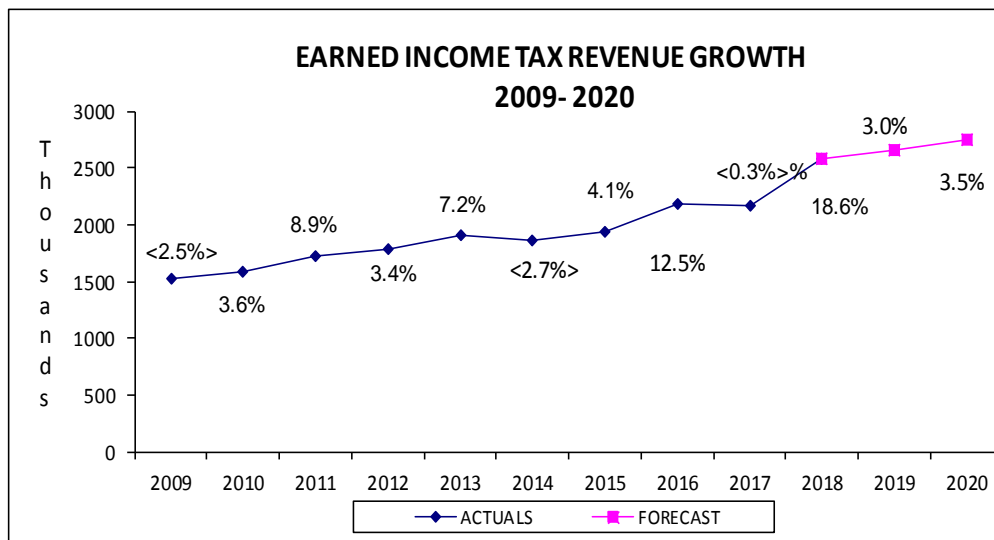
III. Patton Township Tax Reform

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 3.0 percent in revenue from the Earned Income Tax is projected for 2019.



BUDGET: REVENUE				
	<u>2017 Actual</u>	<u>2018 Projected</u>	<u>2019 Proposed</u>	<u>2020 Forecast</u>
Earned Income Tax	\$2,176,048	\$2,580,187	\$2,657,593	\$2,750,609

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 \$1,100,000 in 2016) 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

B. Local Services Tax

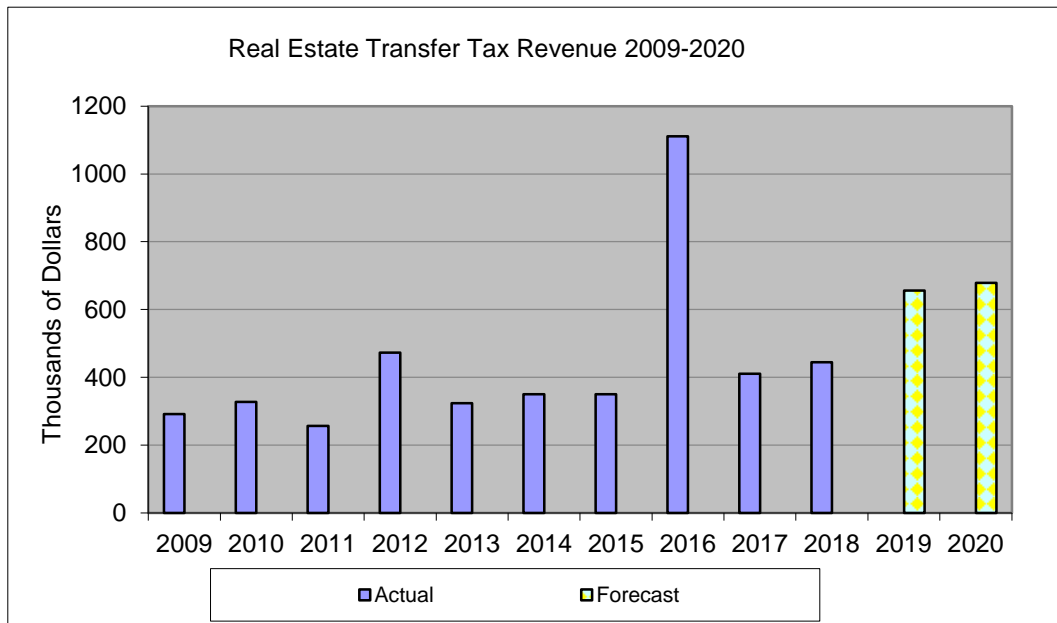
This tax is levied on persons employed within the Township and the maximum amount collected from any employee is \$52 regardless of the number of jobs a person has in a year. The tax will continue to be allocated \$5 to the School District and \$47 to the municipality. Exemptions, at the Township level 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 2019 and 2020.

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 2019 and 2020.

REVENUE: OTHER TAXES



IV. Revenue from Other Taxes

Proposed 2018 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				
	2017 Actual	2018 Projected	2019 Proposed	2020 Forecast
Real Estate Transfer	411,005	445,239	655,816	678,770
Local Services Tax	267,841	339,740	349,932	362,180
TOTAL	\$678,846	\$784,979	\$1,005,748	\$1,040,950

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 25 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
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>
Multi-Modal Grant	State	Valley Vista Drive Left Turn Lanes
PA Community Transportation Alternative	State	Circleville Road Bikeway
Automated Red Light Enforcement	State	New Pedestrian Crosswalk Signals for PFMS
Multi-Modal Grant	State	Bernel Rd./Fox Hill Rd. Intersection

II. Changes

A. LFT Funding

Based on the correspondence from the State, the estimate of the 2019 LFT allocation is \$489,120 which is a slight decrease over 2018. 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. The Township will apply for \$24,840 in County Liquid Fuels Tax to replace guide rails on Julian Pike.

B. 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 \$3,934 in 2018 and \$3,318 in 2017. In 2019 and 2020, revenue from the source is budgeted to be \$3,535 and \$3,175, respectively. These funds have been used to offset the costs of conversion of two vehicles to bi-fuel (gasoline and Compressed National Gas) and the installation of a CNG fueling station on premise.

REVENUE: INTERGOVERNMENTAL PAYMENTS

C. Pennsylvania Transportation Enhancements Alternatives

The Township has been designated for grant funding through PennDot to develop bikeways beginning along Circleville Road. The next project is Carnegie Drive to Science Park Road in Ferguson Township projected to begin in 2019 which will be funded by a new grant in the amount of \$1,041,212.

D. State Pension Aid

The 2019 Minimum Municipal Obligation (MMO), which represents budgeted pension expenses, is \$271,848. The 2018 revenue received was \$216,769 which is the basis for the 2019 budgeted revenue. This means that is likely that a general fund contribution will be needed to cover the 2019 pension costs.

E. PennDOT Multi-Modal Grant

The Township has been awarded 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 the balance of the costs over the multiyear project of which \$425,000 will be funded through a PIB loan.

F. Solar Panels

Install solar panels on the Township Office Building as a pilot demonstration.

III. Revenue from Intergovernmental Payments

BUDGET: REVENUES				
	2017	2018	2019	2020
	Actual	Projected	Proposed	Forecast
<u>Annual</u>				
Dedicated Uses				
Liquid Fuels Tax	\$468,100	\$490,804	\$489,120	\$497,606
Act 13 Marcellus Impact Fee	\$3,318	\$3,934	\$3,535	\$3,175
Other Dedicated Uses	410,539	430,062	454,820	477,562
General Uses	22,638	22,530	22,585	23,401
<u>Grants</u>				
PA Community Transp. Alternative	0	0	1,041,212	0
PennDot ARLE	36,774	0	108,964	0
PennDot Multi-Modal Grant	0	0	800,000	0
County LFT	0	0	24,480	0
Valley Vista Drive Adaptive Signaling	0	0	121,583	0
Solar Panels	0	0	20,000	0
PennDOT MTM - Bernel/Fox Hill Intersection	0	0	1,171,307	0
RACP Nit. Valley Sports Complex Phase 2	0	0	1,500,000	0
	<u>\$ 941,369</u>	<u>\$ 947,330</u>	<u>\$ 5,757,606</u>	<u>\$ 1,001,744</u>

REVENUE: NON-TAX SOURCES

I. Overview

The Township typically receives about 6 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
Licenses & Permits	Fee schedule	Inspections
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 2019 and 2020:

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 0property 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 properly 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. Contribution to Valley Vista Drive Bikeway from Ferguson Township

Ferguson Township has agreed to contribute \$50,000 to the Valley Vista Drive Bikeway which will cross over into Ferguson Township.

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					
	2017	Actual	2018 Projected	2019 Proposed	2020 Forecast
Assessments (hydrants & street lights)	\$	65,614	\$ 66,021	\$ 66,050	\$ 83,113
Homestead Farms NID		14,871	19,680	14,871	14,871
Licenses and Permits		98,940	102,901	96,097	82,951
Cable TV Franchise		303,793	245,732	251,875	260,691
Small Cell Antennae Fee		3,000	3,000	6,000	6,000
Court Fines		57,907	59,679	63,040	64,160
Interest		18,197	34,253	35,452	36,693
Department Earnings		32,488	16,342	33,144	33,979
Tax Collection Fees		26,740	27,261	28,216	29,204
Penn State Impact Fee		46,263	44,490	46,715	49,051
Building Rent Revenue		37,683	37,683	37,683	37,683
Loan Proceeds-Road Projects		1,088,916	-	-	-
Loan Proceeds-Open Space Debt		9,126,000	-	-	-
Miscellaneous		476,510	431,139	93,812	44,482
Total	\$	11,396,922	\$ 1,088,181	\$ 772,955	\$ 742,878

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 (3 FTE: full-time employees) and the Finance Department which is comprised of the Director of Finance and Administration and the accountant (1.875 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. Since 2014, no staff has been 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 9.9% for 2019 (3.6% for 2018). Employees share in the cost of health insurance will be 11.5% for police and 12% for non-uniform employees.

The Township negotiated a 3 year contract with police for 2017 to 2019. Raises are 3% per year with other small adjustments to benefits such as dental and eye care. In addition, the police will contribute 3% of their pay to the pension. Non-uniform employees will receive a 1.7% cost of living adjustment based on the August 2018 CPI-U (all items less food and energy). They are also eligible for a 1.25% merit increase on their anniversary date.

EXPENDITURES: GENERAL GOVERNMENT SERVICES

C. 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 years of service under this agreement, staff feels that the Township has been receiving adequate service and has renewed for 2019.

D. 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 new complete wage study will be conducted by McGrath Consulting in early 2019.

II. Expenditures for General Government Services

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

BUDGET: EXPENDITURES	2017 Actual	2018 Projected	2019 Proposed	2020 Forecast
General Government	\$ 455,226	\$ 559,060	\$ 599,519	\$ 615,771
Administration	612,168	646,165	708,709	703,065
Tax Collection	100,305	100,737	106,532	108,535
Other	36,515	47,075	25,000	25,000
TOTAL	\$ 1,204,214	\$ 1,353,037	\$ 1,439,760	\$ 1,452,371

EXPENDITURES: POLICE

I. Overview

The police department is responsible for public safety and law enforcement within the Township. The Department staff of 19 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 76 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 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. Body Cameras

The Police Department purchased 8 body cameras to be worn by Police Officers while on duty. Body Cameras have been proven to strengthen community trust and improve accountability and transparency. They also provide valuable evidence for the prosecution of crimes. An additional 4 cameras will be purchase in 2019 to outfit each Officer with a Body Camera.

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, 2016 and 2017. It is anticipated that the new system will “go live” in January, 2019.

II. A Look to the Future

A. Additional Staffing

A Part-Time Ordinance Officer is proposed for 2019. This position would fairly and accurately enforce the ordinances of Patton Township as they relate to parking, non-parking and animal violations.

III. Police Department Expenditures

Proposed expenditures for the police department are as follows:

BUDGET: EXPENDITURES				
	2017 Actual	2018 Projected	2019 Proposed	2020 Forecast
Emergency Response Patrol	\$2,033,326	\$2,262,866	\$2,411,456	\$2,486,811
Crime Prevention/Community Relations	43,939	47,528	50,545	52,445
Criminal Investigations	414,812	450,799	475,102	484,182
Communications/Records	227,050	251,898	222,736	208,608
TOTAL	<u>\$2,719,127</u>	<u>\$3,013,091</u>	<u>\$3,159,839</u>	<u>\$3,232,046</u>

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 were 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 Departments 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. In 2018, it was determined that the position of Assistant Director/Engineer would need to be restaffed due to the increase in the number of projects in the Township. 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. Area Transportation Study

The 2019 budget proposes the expenditure of \$100,000 for a transportation study of the Atherton Street, Waddle Road, Vairo Blvd., Clearview Ave. and Colonnade Blvd. Our traffic consultant will recommend improvements that may include infrastructure upgrades or technological investments.

B. Stormwater Pipe Rehabilitation

Many of the stormwater pipes in the Township are corrugated metal pipes that have varying levels of corrosion. This project at first will identify those pipes most at risk of failure due to corrosion and will be the most impractical to replace whether due to large size or great depth. The pipes condition will be inspected, evaluated and ranked. The worst pipes will be planned to be rehabilitated first. Rehabilitation will be done by various means from sliplining with plastic pipe to sliplining with mesh reinforced concrete. Eventually all stormwater pipes in the Township will be surveyed and ranked based on the assessed condition of the pipe. Periodically these pipes will be inspected based on condition, worst to best and rehabilitation actions taken if necessary.

EXPENDITURES: PUBLIC WORKS

C. Bikeway Development

In response to the recreational preference expressed through the 2008 Open Space/Recreation questionnaire and the 2014 Parks Survey, the CIP included design and construction of the Circleville road bikeway beginning in 2013. The design was locally funded and the construction costs are primarily funded through state grants. Phase 2 – Scotia Road to Gray’s Woods Boulevard - of this project has been tabled indefinitely. Further priority bikeway projects were developed through a process documented in the Patton Township Bikeway Plan adopted by the Board in September 2010. The next project, the Valley Vista Bikeway, is anticipated to start in 2019. \$1,119,212 (\$1,041,212 Grant, \$100,000 Patton Township local match, \$50,000 Ferguson Township local match) total.

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 \$264,108 and consists of the installation of a new computer server and fiber optic from the Township building to the Valley Vista corridor. Local match to be funded by a PIB Loan.

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

\$ 264,108 – Adaptive Signaling on Valley Vista Drive	\$ 241,000 – Waddle Road Traffic Study
\$ 75,000 – Douglas Ditch Flooding Analysis	\$ 6,000 – Douglas Ditch Stabilization Project
\$ 49,988 – Traffic Signal Battery Back-Up	\$ 60,000 – Road Equipment Fund
\$ 100,000 – Area Transportation Study	\$ 100,000 – Road Resurfacing Reserve Fund
\$ 3,000 – Sign Retro-reflectivity Project	\$ 0 – Homestead Farms Road Development
\$ 1,191,212 – Bikeway Development	\$ 40,250 – Stormwater Pipe Rehabilitation

IV. Public Works Expenditures

Current and proposed expenditures are as follow:

BUDGET: EXPENDITURES	2017	2018	2019	2020
	Actual	Projected	Proposed	Forecast
Public Works Department	\$1,547,356	\$1,788,513	\$1,973,346	\$2,012,258
Construction Contracts	171,629	1,599,233	5,627,187	523,463
Liquid Fuels Projects	468,100	490,804	489,120	497,606
TOTAL	\$2,187,085	\$3,878,550	\$8,089,653	\$3,033,327

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 was completed in 2016. This project will be on a pay-as-you-go basis, construction is planned to be finished in 2019.

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 2019, the CRPR parks operating and capital replacement programs total \$386,180; debt payments on pools and regional parks is \$233,214.

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, 2015 until October 31, 2016. 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				
	2017	2018	2019	2020
	Actual	Projected	Proposed	Forecast
Planning and Zoning				
Centre Region Planning Agency/MPO	\$ 142,158	\$ 143,138	\$ 154,468	\$157,557
Township Staff	159,363	176,281	190,524	194,342
Subtotals	<u>\$ 301,521</u>	<u>\$ 319,419</u>	<u>\$ 344,992</u>	<u>351,899</u>
Parks and Recreation				
Parks Project Manager (1/3)	21,161	22,045	23,196	24,260
Centre Region Pools -Capital	98,329	108,055	108,985	111,165
Centre Region Parks Operating	332,844	329,182	339,597	346,389
Centre Region Parks Capital	33,914	33,997	46,583	47,515
Capital Improvements-Park Equipment	298,949	363,179	386,530	402,317
Contributions to Community Fire Works	1,000	1,000	1,000	1,000
Contributions to Regional Parks	81,228	98,425	124,229	126,714
Contribution to Spring Creek Watershed	498	498	498	498
Centre Region Senior Citizen Center	19,494	17,714	19,943	20,342
Community Gardens	3,435	8,048	3,500	3,500
Community Gardens - Capital Expansion	6,580	1,979		
Myers/Everhart Farm Conservation		75,000		
Millbrook Marsh Nature Center				42,000
Subtotals	<u>897,432</u>	<u>1,059,122</u>	<u>1,054,061</u>	<u>1,125,700</u>
Totals	<u>\$ 1,198,953</u>	<u>\$ 1,378,541</u>	<u>\$ 1,399,053</u>	<u>\$1,477,599</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 Centre Region 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, has 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. Myers/Everhart Farm Conservation

In 2018, the Board approved a contribution of \$75,000 to the Clearwater Conservancy to purchase easements on the Myers/Everhart Farm.

C. Contribution to Community Housing

The Board approved a three year commitment to contribute \$5,000 per year for the next three years to the Centre County Housing and Land Trust during their November 2, 2016 meeting. \$5,000 is included in 2018 and 2019 per this pledge.

EXPENDITURES: COMMUNITY SERVICES: OTHER

D. 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 (loan) was made in 2017. The type of borrowing is a 20-year note with Jersey Shore Savings Bank. These funds were transferred to the Open Space Preservation Reserve Fund.

E. 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, plus a \$17,500 contribution in 2016 and 2017 and a \$20,000 contribution in 2018 to the Partnership. A \$22,500 contribution is proposed for 2019 and a \$25,000 contribution is forecasted for 2020.

III. Expenditures for Community Services

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

BUDGET: EXPENDITURES				
	2017 Actual	2018 Projected	2019 Proposed	2020 Forecast
Fire Protection	\$420,430	\$447,614	\$470,949	\$480,827
Health and Welfare	63,809	73,190	75,435	78,141
C-NET	32,028	32,989	32,771	33,426
Transit	103,443	105,673	104,414	106,213
Library	270,689	278,757	285,290	290,996
Streetlights	47,130	48,114	48,276	48,276
Open Space Loan Proceeds	3,506,391	0	0	0
TOTAL	\$4,443,920	\$986,337	\$1,017,135	\$1,037,879

EXPENDITURES: DEBT SERVICE

I. Overview

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

In 2017 the Township was able to take advantage of historically low interest rates to refinance all outstanding debt as well as borrow new money for Open Space Acquisitions. The refinancing saved \$138,172 over the remaining life of the 2010 debt and the 2011 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. 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 (loan) was made in 2017 through Jersey Shore Savings Bank. The debt will be paid through a dedicated real estate millage estimated to be 6/10ths of a mill levied beginning in 2016. This millage was approved in a prior budget.

B. PIB Loan/Capital Project Line of Credit

The Capital Improvement Plan and this Budget propose a number of capital projects in over the next several years (Valley Vista Left Turn lanes). Although some grant funding is available, these awards are on a reimbursement basis. The Township was awarded a PIB loan with a principal amount of \$800,000. The PIB loan payback began in 2017.

EXPENDITURES: DEBT SERVICE (Cont'd)

II. Future Financing Issues

The Capital Improvement Plan for the period 2019-2023 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				
	2017 Actual	2018 Projected	2019 Proposed	2020 Forecast
Open Space Preservation	267,841	68,927	245,434	245,435
2010 Debt Refinancing	4,214,619	501,968	643,021	592,050
2011 General Obligation Note	1,897,423	122,277	122,278	122,276
PIB Loan/Capital Project Line of Credit	7,000	96,460	96,460	96,460
SUBTOTAL	6,119,042	720,705	861,759	810,786
TOTAL	\$6,386,883	\$789,632	\$1,107,193	\$1,056,221

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 2019 is \$2,859,185. This amount is 11.94% of budgeted expenditures, excluding loan proceeds.

BUDGET: FUND BALANCE				
	2017 Actual	2018 Projected	2019 Proposed	2020 Forecast
Revenue	\$ 19,552,604	\$ 10,088,873	\$ 15,111,597	\$ 10,653,423
Expenditures	18,140,180	11,399,189	16,212,634	11,289,443
Net +(-)	1,412,424	(1,310,316)	(1,101,037)	(636,020)
Fund Balance from Prior Year	2,757,077	4,169,501	2,859,185	1,758,148
Fund Balance to start New Year	<u>\$ 4,169,501</u>	<u>\$ 2,859,185</u>	<u>\$ 1,758,148</u>	<u>\$ 1,122,128</u>
FB as % of Expenditures *net of loan proceeds	22.98% *	25.08%	10.84%	9.94%

DESIGNATED RESERVE FUNDS

I. Overview

The Township has sixteen restricted reserve funds proposed for 2017. 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 2017. 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 Light 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

C. Table of Designated Reserve Funds

BUDGET: DESIGNATED RESERVE FUNDS				
	<u>01/01/19</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>12/31/19</u>
<u>Capital Reserve Funds</u>				
Police Vehicles	\$46,651	\$49,100	\$35,897	\$59,854
Park Fund	\$405,945	\$387,530	\$305,750	\$487,725
Open Space Preservation	\$1,000,001	\$322,573	\$284,500	\$1,038,074
Liquid Fuels Tax Fund	\$173,820	\$489,420	\$502,765	\$160,475
Road Equipment	\$192,835	\$230,100	\$255,000	\$167,935
Road Resurfacing	\$100,011	\$350,050	\$353,000	\$97,061
Building Refurbishment	\$169,358	\$40,150	\$164,159	\$45,349
Traffic Mitigation	\$286,054	\$133,286	\$122,278	\$297,062
Homestead Farms Neighborhood Improvemnt	\$3,084	\$14,891	\$0	\$17,975
Traffic Light Replacement	\$39,872	\$26,000	\$0	\$65,872
<u>Operating Reserve Funds</u>				
Fire Hydrant	\$51,106	\$23,300	\$51,130	\$23,276
Streetlights	\$9,093	\$43,300	\$40,237	\$12,156
Accrued Compensated Absences	\$7,803	\$25,050	\$17,871	\$14,982
Emergency Assistance	\$34,812	\$50	\$0	\$34,862
Encumbrances	\$1,533,785	\$0	\$1,508,785	\$25,000

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