

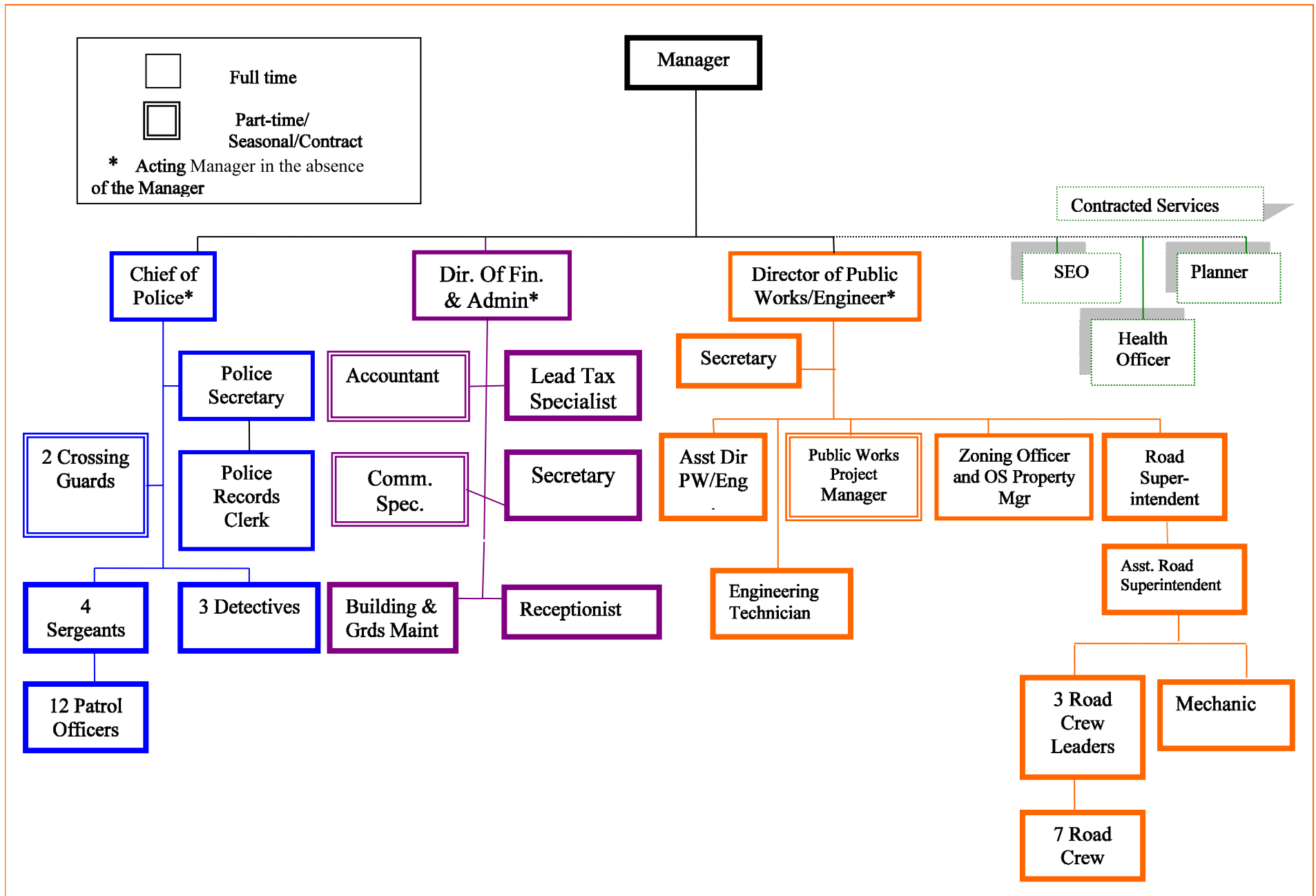
2021 PATTON TOWNSHIP BUDGET

PATTON TOWNSHIP

2021 BUDGET SUMMARY

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REVENUE	Real Estate Taxes	\$ 4,440,837	8-9
	Tax for Open Space Preservation	\$ 296,510	8-9
	Earned Income Tax	\$ 2,404,778	10-11
	Other Taxes	\$ 959,107	12-13
	Intergovernmental Payments	\$ 4,449,163	14-15
	Non-Tax Sources	\$ 854,944	16-17
TOTAL REVENUE		\$ 13,405,339	
EXPENSES	General Government Services	\$ 1,431,092	18-19
	Police	\$ 3,352,196	20-21
	Public Works	\$ 6,783,529	22-23
	Community Services: Planning & Zoning and Parks & Recreation	\$ 1,443,735	24-25
	Community Services: Other	\$ 1,142,427	26-27
	Debt Service	\$ 578,634	28-29
	Open Space Preservation	\$ 245,435	28-29
TOTAL EXPENSES		\$ 14,977,048	
NET INCREASE (DECREASE) IN CASH RESERVE		<u>\$ (1,571,709)</u>	30
FUND BALANCE TO BEGIN 2021		<u>\$ 2,671,258</u>	30
FUND BALANCE TO END 2021		<u>\$ 1,099,549</u>	30
DESIGNATED RESERVE FUNDS			31



BUDGET TRANSMITTAL (Manager's Recommendation)

I. Introduction

The proposed 2021 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 2021 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, 2020 meeting. After the public hearing and work session on November 18, 2020 the Board will identify any changes required before the anticipated December 9, 2020 final adoption of the 2021 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 2021 through 2025 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 2021 are incorporated into the Budget.

IV. Review of 2020 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 had been improving prior to 2020, however the current pandemic has led the economy to enter a short recession during the year. During the spring and summer of 2020, certain nonessential businesses were required to shut down, as well as reduced capacity allowed in restaurants and bars. The pandemic continued to affect the economy throughout 2020.

The overall revenue projection for year-end 2021 is that revenues will be above the budgeted amount mainly due to a PIB loan received for the Bernel Road and Fox Hollow Road Intersection reconfiguration. Without this PIB loan receipt, revenues would have been 97% of 2020 budget revenues. This decrease is mainly due to a decrease in earned income tax of 5% and a decrease of local services tax of 14%. Real estate transfer taxes are expected at 6% below budget.

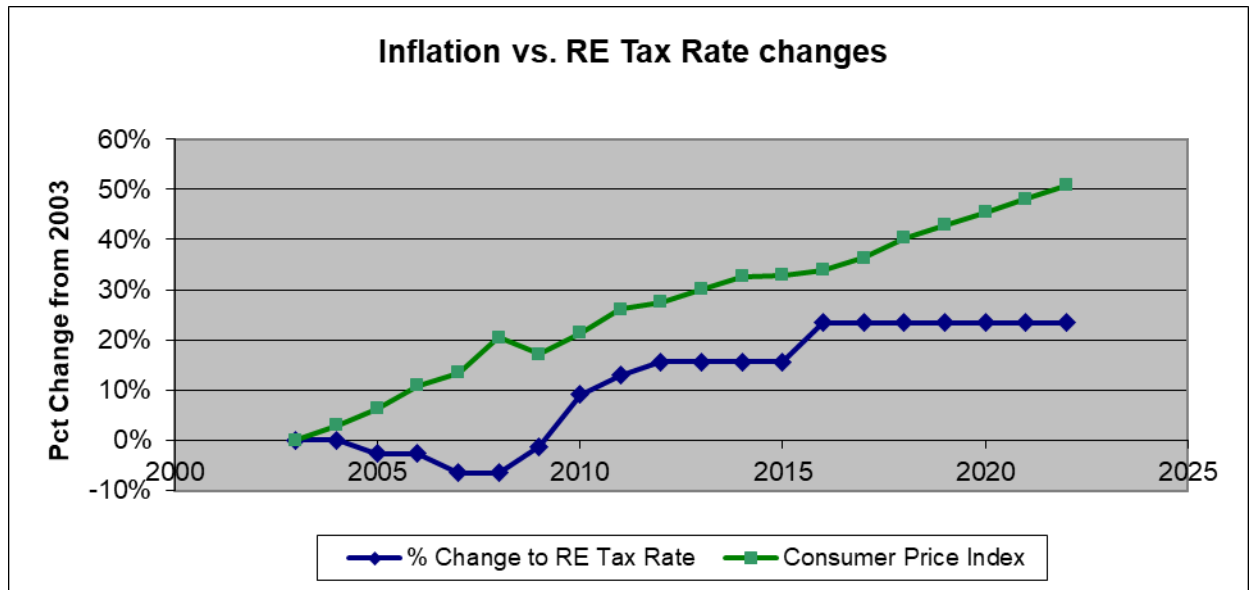
Expenditures are also projected to be above budget, the result of expected payments for the Bernel Road and Fox Hollow Road Intersection reconfiguration. Without the costs of this construction, expenditures are expected to be 9% less than budgeted expenditures. The remaining expenditures reflect a reduction due to closures due to the pandemic. At the end of the year, it is expected that the Fund Balance will be increased

slightly. Remaining cash balance funds will be utilized in 2021 and 2022 to minimize any Real Estate Tax millage increases.

V. Taxes for 2021 and the Future

A. Real Estate Tax Rates

The 2021 budget proposes no change in the Real Estate Tax Rate. A 0.6 mills increase was approved in 2016 to fund Open Space acquisition.



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 2021 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 2021 and 2022 revenues.

With regard to anticipated tax rates for 2021 and beyond; the Draft Capital Improvements Plan anticipated no increase in the Real Estate Tax Rate for 2021 through 2024 and then anticipates a 1% increase for 2025.

C. Cash Balance

The 2021 Budget anticipates that expenditures will exceed revenues by 14%. The 2022 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:

2020	17.6%
2021	7.3%
2022	1.1%

VI. Key Projects for 2021 – additional information on the items below may be found in the 2021 Township Budget and 2021 Line Item Detail.

County LFT Projects

This project will provide the Township material and contracting costs associated with projects involving County Liquid Fuel Tax (LFT) grants. The County grants are made for projects, which are viewed by the County Commissioners as benefiting residents of not just a single municipality, but several municipalities.

2021 proposed project for this line item is for two large portable changeable message signs (PCMS) and one mid-size PCMS. The budget for these signs is \$62,895.

Bernel Rd/Fox Hollow Rd Interchange

Long identified as a candidate for re-configuration to a standard “T” layout, new development in the vicinity is likely to finally warrant improvement to this intersection. It is anticipated that multiple funding partners including developers, the Township, PennDOT and possibly PSU, will be required to finance the project. At this time, we are waiting for an estimate of the costs from the developer. The \$124,548 in 2019 shown on this line item represents the Townships prior commitment.

Toftrees Corridor Improvements

The Board of Supervisors approved of this project to comprehensively look at the Toftrees Corridor with respect to traffic, on-street parking, stormwater, and pedestrian and bicycle facilities and prepare a plan for a first Phase such that the Township could work to secure grant funding for these improvements. Navarro and Wright have been contracted to perform the feasibility and initial design work.

Economic Development Grant – Abington Equine Hospital

The Township will serve as local sponsor to receive State funding for construction of state-of-art equine care facility.

Atherton Street Signal Improvements

A PennDOT proposed project to be funded primarily through state funding and grants. Local Sponsor required to receive grant funding. Potentially could include entire corridor from Patton to Harris Township. Involves upgrading signal controllers and communication systems to provide more responsive operations. Design in 2021 (PennDOT funded) and construction in 2022-23 (grant funded).

Atherton & Woodycrest Improvements (Patton Crossing)

Utilize state grant funds to reconstruct and upgrade intersection that will serve as entrance to Patton Crossing development. The grant requires no monetary match from the Township. The Township Manager will be involved in managing the relationships between the project partners and may expend some funds for legal advertising purposes and other minor items. Costs for project management, the bidding process, inspections, and other ancillary costs will be paid with grant funds or by the developers. Any additional costs for construction of the project will be borne by the developers.

VII. Employee Raises and Benefits

Police – In accordance with the collective bargaining agreement, negotiated for a three-year term in 2019, the Police Officers will receive a 3.25% pay increase. The employee contribution for health insurance will remain at 9% 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 2021 is 1.7% based on the August CPI-U (less food and energy) index.

The 2021 rate for non-uniform employee contributions for health insurance will be 12%. The overall decrease in health insurance rates is 1%.

No other changes to employee salaries or benefits are proposed.

VIII. Personnel Changes

A Part-Time Communications Specialist will be added in 2021. 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 Police Secretary will be added in 2021. This part-time employee will assist the police secretary in their duties, as the new records management system has taken a vast amount of the current secretary's time.

An Administrative Sergeant will be added in 2021. This officer will ensure that the police department continues to operate with the most contemporary policies and procedures. This officer will also be responsible for training and training records emphasizing current needs of the department and trends in policing.

Date November 7, 2020

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

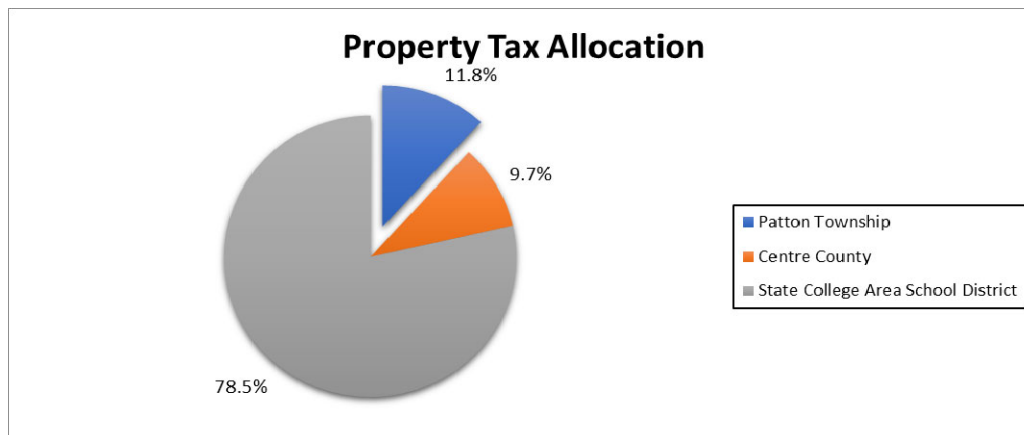
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REVENUE: REAL ESTATE TAXES

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 2020 Real Estate taxes paid by Patton Township property owners is shown below:



II. Highlights

A. Taxes for 2021 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>2019 Actual</u>	<u>2020 Budget</u>	<u>2021 Proposed</u>	<u>2022 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 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 0.67%. Minimal growth is expected in 2021 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>2020 Rate</u>	<u>Proposed 2021 Rate</u>
General	14 mills	6.2	6.2
Debt	None	1.2	1.2
Open Space Preservation	Voter Set	0.6	0.6
Library	None	.4	.4
Parks Capital Improvements	None	.7	.7
Fire Protection	3 mills	.4	.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 \$488,801 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>2019 Actual</u>	<u>2020 Projected</u>	<u>2021 Proposed</u>	<u>2022 Forecast</u>
Real Estate Tax	\$4,254,991	\$4,321,762	\$4,440,837	\$4,685,082
Tax for Open Space Preservation	<u>281,530</u>	<u>286,483</u>	<u>296,510</u>	<u>312,818</u>
	<u>\$4,254,991</u>	<u>\$4,608,245</u>	<u>\$4,737,347</u>	<u>\$4,997,900</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 17 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 2020. 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 2019 resulted in a refund of commissions paid, reducing the cost to 1.6%.

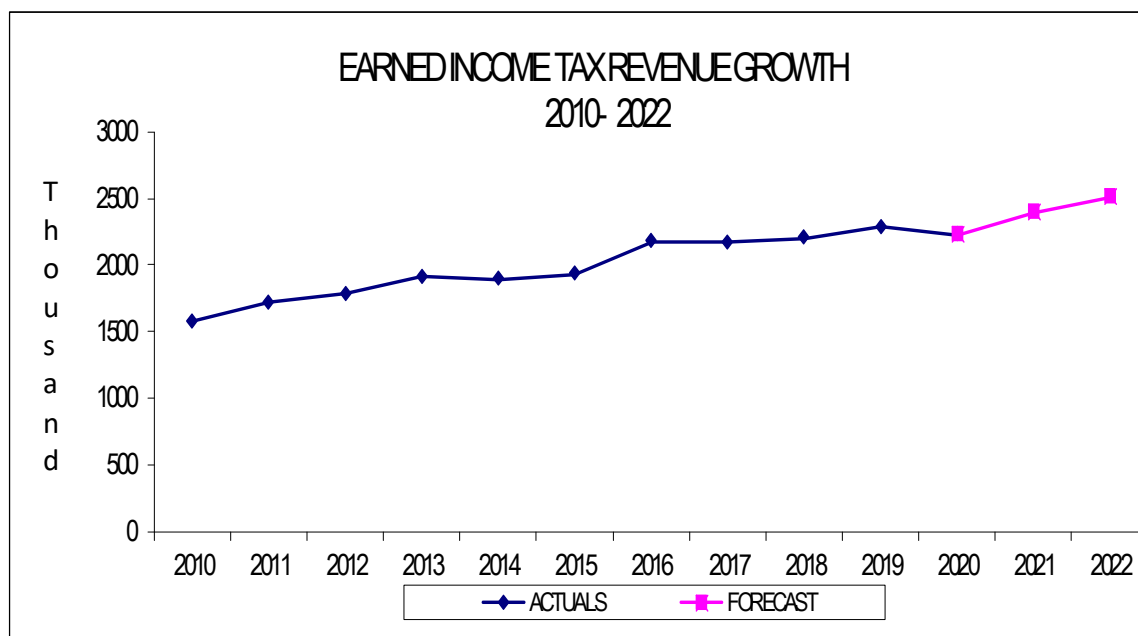
III. Patton Township Tax Reform

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 in 1985. 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 during the pandemic in Patton Township, an increase of 3.5 percent in revenue from the Earned Income Tax is projected for 2021.



BUDGET: REVENUE

	<u>2019 Actual</u>	<u>2020 Projected</u>	<u>2021 Proposed</u>	<u>2022 Forecast</u>
Earned Income Tax	\$2,289,849	\$2,230,775	\$2,404,778	\$2,517,803

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

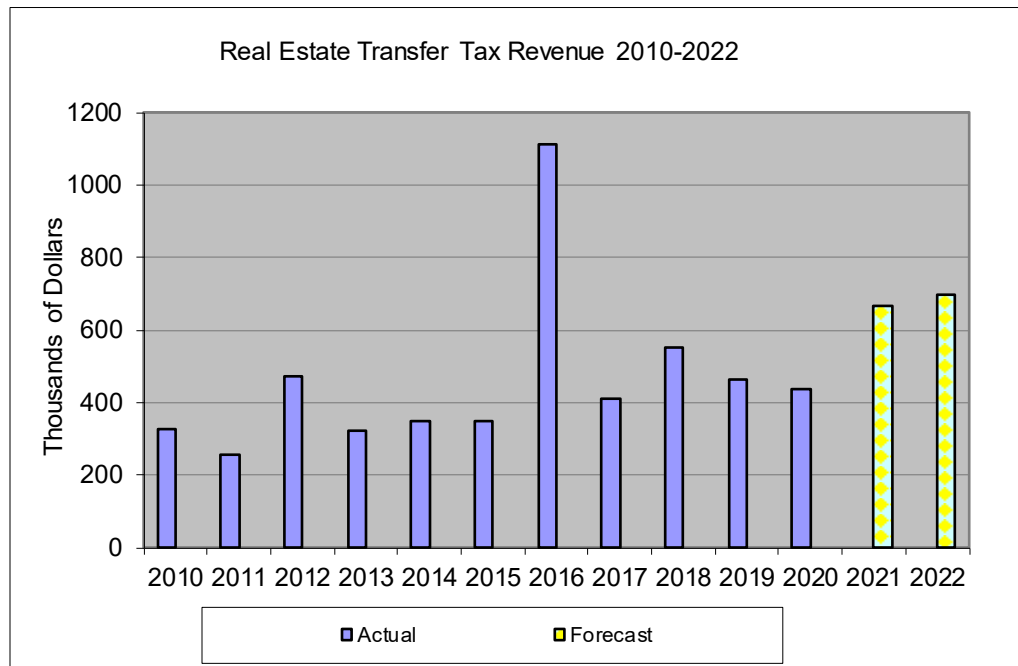
This tax is levied on persons employed within the Township and the maximum amount collected from any employee is \$52 regardless of the number of jobs a person has in a year. The tax will continue to be allocated \$5 to the School District and \$47 to the municipality. Exemptions, at the Township level 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 2021 and 2022.

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 two apartment complexes in late 2016. A increase is budgeted for 2021 and 2022.

REVENUE: OTHER TAXES



IV. Revenue from Other Taxes

Proposed 2021 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				
	2019 Actual	2020 Projected	2021 Proposed	2022 Forecast
Real Estate Transfer	464,756	436,536	665,950	695,918
Local Services (formerly EMST)	276,674	246,267	293,157	306,935
TOTAL	\$741,430	\$682,803	\$959,107	\$1,002,853

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 33 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 (2019)	State	Valley Vista Left Turn Lanes
PA Community Transportation Alternative (2015)	State	Circleville Road Bikeway
Automated Red Light Enforcement (2017)	State	New Pedestrian Crosswalk Signals for PFMS
Multi-Modal Grant (2019)	State	Bernel Rd./Fox Hill Rd. Intersection

II. Highlights

A. LFT Funding

Based on the correspondence from the State, the estimate of the 2021 LFT allocation is \$440,668 which is a slight decrease over 2020. In 2019, the Township received a Liquid Fuels tax allocation from Centre County in the amount of \$24,840. This was used to replace the guide rails on Julian Pike. The Township was awarded \$43,310 in County Liquid Fuels Tax to purchase two large portable changeable message signs (PCMS) and one mid-size PCMS.

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, wastewater, 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 \$2,882 in 2020 and \$3,627 in 2019. In 2021 and 2022, revenue from the source is budgeted to be the \$2,882 and \$2,882, respectively. 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

C. Pennsylvania Transportation Enhancements Alternatives

The Township has been designated for grant funding through PennDot to develop bikeways beginning along Circleville Road. The current project is Carnegie Drive to Science Park Road in Ferguson Township. This current project is being funded by a grant in the amount of \$1,041,212.

D. State Pension Aid

The 2021 Minimum Municipal Obligation (MMO), which represents budgeted pension expenses, is \$375,347. The 2020 revenue received was \$294,864 which is the basis for the 2021 budgeted revenue. This means that is likely a general fund contribution will be needed to cover the 2021 pension costs.

E. CFA Multi-Modal Grant

The Township has been awarded a grant of \$700,000 to upgrade the intersection of Bernel Road and Fox Hill Road to a classic "T" intersection. The Township requested \$1,642,112, but the State awarded the lesser amount.

III. Revenue from Intergovernmental Payments

BUDGET: REVENUES				
	2019 Actual	2020 Projected	2021 Proposed	2022 Forecast
<u>Annual</u>				
Dedicated Uses				
Liquid Fuels Tax	\$502,418	\$488,977	\$440,668	\$462,701
Act 13 Marcellus Impact Fee	\$3,627	\$2,882	\$2,882	\$2,882
Other Dedicated Uses	498,438	467,830	574,192	586,238
General Uses	21,134	21,100	16,925	25,664
<u>Grants</u>				
PA Community Transp. Alternative	0	1,041,212	0	32,000
PennDot ARLE	0	0	108,964	0
PennDot Multi-Modal Grant	800,000	0	0	0
County LFT	24,480	0	43,310	0
Valley Vista Dr. Adaptive Signaling	0	168,746	0	0
Solar Panels	0	0	0	20,000
CFA/Multi-Modal Grant	0	200,000	500,000	0
RACP Nit. Valley Sports Complex	150,000	1,500,000	0	0
Abington Equine Hospital	0	0	370,000	0
Atherton & Woodycrest Improvements	0	0	1,792,222	0
Toftrees Corridor Improvements	0	0	1,025,000	525,000
Atherton Street Signal Improvemer	0	0	0	500,000
Bernel Road Park Phase 2A	0	0	0	300,000
HVAB-Nit. Valley Sports Complex	0	225,000	75,000	0
	<u>\$2,000,097</u>	<u>\$4,115,747</u>	<u>\$4,949,163</u>	<u>\$2,454,485</u>

REVENUE: NON-TAX SOURCES

I. Overview

The Township typically receives about 7 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 @\$0.18375/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. Highlights

The following changes are anticipated for 2021 and 2022:

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

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				
	2019 Actual	2020 Projected	2021 Proposed	2022 Forecast
Assessments (hydrants & street lights)	\$ 69,901	\$ 84,440	\$ 104,753	\$ 114,301
Homestead Farms NID	12,656	15,092	13,605	13,605
Licenses and Permits	60,947	69,381	82,904	80,580
Cable TV Franchise	242,464	244,117	245,781	247,456
Small Cell Antennae Fee	12,348	5,625	5,625	5,625
Court Fines	47,390	41,669	58,795	65,565
Interest	14,815	5,525	5,000	5,000
Department Earnings	28,282	18,350	24,545	25,590
Tax Collection Fees	26,680	30,506	30,725	26,584
Penn State Impact Fee	46,430	46,430	46,430	48,752
Building Rent Revenue	37,053	37,683	37,683	37,683
Loan Proceeds-Road Projects	-	1,837,500	-	-
Loan Proceeds-Electoral Debt Open Space	-	-	-	-
Miscellaneous	226,640	577,262	199,098	199,302
Total	\$ 825,607	\$ 3,013,580	\$ 854,944	\$ 870,043

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. Highlights

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 decrease by 1% for 2021 (increase 2.1% for 2020). Employees share in the cost of health insurance will be 9% for police and 12% for non uniform employees.

The Township negotiated a 3 year contract with police for 2020 to 2022. Raises are 3.25% per year with other small adjustments to benefits such as clothing allowances. In addition, the police will contribute 2% of their pay to the pension. Non-uniform employees will receive a 1.7% cost of living adjustment based on the August 2020 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 new agreement, staff feels that the Township has been receiving adequate service and has renewed for 2021.

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 2021.

II. Expenditures for General Government Services

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

BUDGET: EXPENDITURES				
	2019 Actual	2020 Projected	2021 Proposed	2022 Forecast
General Government	\$ 479,437	\$ 684,514	\$ 567,269	\$ 646,390
Administration	651,545	619,838	727,826	742,550
Tax Collection	107,713	102,914	110,997	113,633
Other	48,227	-	25,000	25,000
TOTAL	\$ 1,286,922	\$ 1,407,266	\$ 1,431,092	\$ 1,527,573

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 1.5 percent of the Departmental expenditures.

C. Criminal Investigation

Detectives are responsible for investigating all crime reported in the Township. This function accounts for 14 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 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. Highlights

A. Automatic License Plate Recognition System (ALPR):

An Automatic License Plate Recognition System would be placed on a marked patrol vehicle. The system consists of two cameras, on high resolution digital camera and an IR camera. These cameras capture images of license plates to locate stolen, wanted or suspected vehicles. The system can also be used to locate suspects, victims, witnesses, missing children and protect the public during special events or situational awareness.

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. The new system went live in January 2019.

II. A Look to the Future

A. Additional Staffing

A Part-Time Police Secretary is proposed for 2021. This part-time employee will assist the police secretary in their duties, as the new records management system has taken a vast amount of the current secretary's time.

An Administrative Sergeant will be added in 2021. This officer will ensure that the police department continues to operate with the most contemporary policies and procedures. This officer will also be responsible for training and training records emphasizing current needs of the department and trends in policing.

III. Police Department Expenditures

Proposed expenditures for the police department are as follows:

BUDGET: EXPENDITURES				
	2019 Actual	2020 Projected	2021 Proposed	2022 Forecast
Emergency Response Patrol	\$2,324,671	\$2,360,753	\$2,545,021	\$2,631,633
Crime Prevention/Community Relations	50,115	48,939	50,429	51,624
Criminal Investigations	425,275	451,094	473,193	482,483
Communications/Records	182,626	210,841	283,553	395,832
TOTAL	\$2,982,687	\$3,071,627	\$3,352,196	\$3,561,572

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 Assistant Director position was filled in 2019. 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. 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. Highlights

A. 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 slip lining with plastic pipe to slip lining 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. This will be revised as pipe inspection is performed.

EXPENDITURES: PUBLIC WORKS

B. Bernel Rd./Fox Hollow Rd. Interchange

Long identified as a candidate for re-configuration to a standard "T" layout, new development in the vicinity is likely to finally warrant improvement to this intersection. It is anticipated that multiple funding partners including developers, the Township, PennDOT and possibly PSU, will be required to finance the project. At this time, we are waiting for an estimate of the costs from the developer. The \$124,548 in 2019 shown on this line item represents the Townships prior commitment.

C. Toftrees Corridor Improvement

The Board of Supervisors approved of this project to comprehensively look at the Toftrees Corridor with respect to traffic, on-street parking, stormwater, and pedestrian and bicycle facilities and prepare a plan for a first Phase such that the Township could work to secure grant funding for these improvements. Navarro and Wright have been contracted to perform the feasibility and initial design work.

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

\$ 6,615 – Toftrees Mitigation Project	\$1,797,222 – Atherton & Woodycrest Improvements
\$ 62,895 – County LFT Expenses	\$ 392,576 – Scotia Road Surface Improvement
\$ 49,988 – Traffic Signal Battery Back-Up	\$ 75,000 – Road Equipment Fund
\$ 10,000 – North Atherton Traffic Signal Upgrade	\$ 103,000 – Road Resurfacing Reserve Fund
\$ 3,000 – Sign Retro-reflectivity Project	\$ 29,700 – Homestead Farms Road Development
\$ 34,500 – Stormwater Pipe Rehabilitation	\$1,293,250 – Toftrees Corridor Improvements

IV. Public Works Expenditures

Current and proposed expenditures are as follow:

BUDGET: EXPENDITURES				
	2019 Actual	2020 Projected	2021 Proposed	2022 Forecast
Public Works Department	\$1,841,965	\$1,824,591	\$2,031,115	\$2,079,680
Construction Contracts	1,280,861	4,815,842	4,311,746	1,611,078
Liquid Fuels Projects	502,418	488,977	440,668	462,701
TOTAL	\$3,625,244	\$7,129,410	\$6,783,529	\$4,153,459

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. Highlights

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 was on a pay-as-you-go basis and construction was completed in 2020.

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 2021, the CRPR parks operating and capital replacement programs total \$419,010; debt payments on pools and regional parks is \$187,098.

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. The space is 7,000 sq. ft. and will be used as the Center for the next 10 years. Although the rent for the space is about the same as the Fraser Plaza Center, significant costs were incurred to renovate the Nittany Mall space. A loan from the Centre Region Code Administration of \$186,500 was proposed. The loan is 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				
	2019 Actual	2020 Projected	2021 Proposed	2021 Forecast
Planning and Zoning				
Centre Region Planning Agency/MPO	\$ 154,468	\$ 121,150	\$ 153,434	\$158,804
Township Staff	183,045	177,664	196,522	288,399
Subtotals	\$ 337,513	\$ 298,814	\$ 349,956	447,203
Parks and Recreation				
Parks Project Manager (1/3)	23,737	20,140	21,881	23,028
Centre Region Pools -Capital	135,329	137,229	146,957	152,100
Centre Region Parks Operating & Capital	304,725	373,998	436,215	451,483
Centre Region Parks Capital	9,299	9,909	22,160	22,936
Capital Improvements-Park Equipment	329,576	339,623	342,356	363,721
Contributions to Community Fire Works	2,000	-	3,000	3,000
Contributions to Regional Parks	124,229	192,890	80,365	83,178
Contributions to Spring Creek Watershed	1,531	0	1,531	1,531
Centre Region Adult Activity Center	19,943	25,043	23,909	24,746
Community Gardens	10,841	4,497	4,325	4,325
Millbrook Marsh Nature Center	-	-	11,080	22,160
Subtotals	961,209	1,103,329	1,093,779	1,152,208
Totals	\$ 1,298,722	\$ 1,402,143	\$ 1,443,735	\$1,599,411

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. Highlights

A. Professional Services, Sewage Enforcement Officer

The Township is required by State Law to have a qualified Sewage Enforcement Officer. Mary Kay Lupton took over the position 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. Contribution to Community Housing

The Board approved a three year commitment to contribute \$6,000 per year for the next three years to the Centre County Housing and Land Trust during their October 23, 2019 meeting. \$6,000 is included in 2020, 2021 and 2022 per this pledge.

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 (loan) was made in late 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.

D. Contribution to Economic Development Fund

On October 23, 2019, the Board of Supervisors of Patton Township, established a Designated Reserve Fund for Economic Development. Commencing in 2020, five percent (5%) of the budgeted Real Estate Transfer Tax (RETT) revenue will be allocated to the Economic Development Reserve Fund (EDRF) for the budget year. In addition, twenty percent (20%) of the RETT funds received that exceed the prior year's budgeted amount will be allocated to the Economic Development Reserve Fund.

III. Expenditures for Community Services

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

BUDGET: EXPENDITURES				
	2019 Actual	2020 Projected	2021 Proposed	2022 Forecast
Fire Protection	\$497,741	\$545,651	\$567,705	\$582,892
Health and Welfare	89,486	74,328	87,984	60,137
C-NET	33,131	38,142	39,021	39,801
Transit	104,414	108,530	113,236	118,177
Library	285,290	300,834	304,624	315,286
Streetlights	28,249	29,357	29,857	30,305
Open Space Loan Proceeds	0	0	0	0
TOTAL	\$1,038,311	\$1,096,842	\$1,142,427	\$1,146,598

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. Highlights

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 (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. 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. PIB Loan/Capital Project Line of Credit

The Capital Improvement Plan and this Budget propose a number of capital projects over the next several years (Toftrees Corridor Improvements and Atherton & Woodycrest Improvements). Although some grant funding is available for these awards are on a reimbursement basis. The Township was awarded a PIB loan with a principal amount of \$1,837,500 for the Bernel Rd./Fox Hollow Rd. Interchange.

EXPENDITURES: DEBT SERVICE (Cont'd)

II. Future Financing Issues

The Capital Improvement Plan for the period 2021-2025 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				
	2019 Actual	2020 Projected	2021 Proposed	2022 Forecast
Open Space Preservation	\$245,434	\$245,435	\$245,435	\$245,432
2010 Debt Refinancing	386,087	592,050	359,897	355,974
2011 General Obligation Note	122,278	122,276	122,277	122,273
PIB Loan/Capital Project Line of Credit	96,460	96,460	96,460	96,460
TOTAL	\$850,259	\$1,056,221	\$824,069	\$820,139

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 2022 is \$1,099,549. This amount is 7.34% of budgeted expenditures, excluding loan proceeds.

BUDGET: FUND BALANCE				
	2019 Actual	2020 Projected	2021 Proposed	2022 Forecast
Revenue	\$ 10,393,865	\$ 15,308,620	\$ 13,405,339	\$ 11,843,084
Expenditures	11,082,144	15,163,509	14,977,048	12,808,752
Net +(-)	(688,279)	145,111	(1,571,709)	(965,668)
Fund Balance from Prior Year	3,214,426	2,526,147	2,671,258	1,099,549
Fund Balance to start New Year	<u>\$ 2,526,147</u>	<u>\$ 2,671,258</u>	<u>\$ 1,099,549</u>	<u>\$ 133,881</u>
FB as % of Expenditures *net of loan proceeds	22.79% *	17.62% *	7.34% *	1.05% *

DESIGNATED RESERVE FUNDS

I. Overview

The Township has sixteen restricted reserve funds proposed for 2021. 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 2021. 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>
<u>**Capital Reserve Funds</u>		
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
<u>**Operating Reserve Funds</u>		
Economic Development	Real Estate Transfer Tax	Pay Regional Economic Development requests
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>01/01/21</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>12/31/21</u>
<u>Capital Reserve Funds</u>				
Police Vehicles	\$37,528	\$50,100	\$37,278	\$50,350
Park Fund	\$279,080	\$342,606	\$67,200	\$554,486
Open Space Preservation	\$922,277	\$325,750	\$276,877	\$971,150
Liquid Fuels Tax Fund	\$469,479	\$440,968	\$664,014	\$246,433
Road Equipment	\$186,694	\$186,760	\$190,365	\$183,089
Road Resurfacing	\$286,892	\$453,050	\$528,000	\$211,942
Building Refurbishment	\$188,375	\$40,150	\$110,528	\$117,997
Traffic Mitigation	\$314,784	\$130,277	\$122,277	\$322,784
Homestead Farms Neighborhood Improvemnt	\$31,092	\$14,258	\$54,832	(\$9,482)
Traffic Light Replacement	\$88,229	\$0	\$0	\$88,229
<u>Operating Reserve Funds</u>				
Fire Hydrant	\$3,652	\$69,676	\$72,240	\$1,088
Streetlights	\$58,908	\$35,702	\$29,870	\$64,740
Accrued Compensated Absences	\$25,007	\$25,050	\$25,000	\$25,057
Emergency Assistance	\$56,929	\$50	\$10,000	\$46,979
Encumbrances	\$308,988	\$0	\$199,988	\$109,000
Economic Development	\$23,000	\$23,300	\$0	\$46,300

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