

Letter of Transmittal

November 2, 2018

TO: The Northampton Township Board of Supervisors

Introduction

The Administration is pleased to submit the proposed 2019 Budget for your consideration. The budget document consists of three sections:

Letter of Transmittal

The Letter of Transmittal is an overview of the budget in commentary form, generally referred to as the Budget Message. It is prepared to provide the Board of Supervisors, Administrative Staff, and Township residents with a narrative review of significant trends and factors affecting the proposed budget as well as highlight areas of importance in the financial section. It also contains a summary of program and service delivery, cash position, and revenue and expense projections.

Operating, Capital, and Trust Funds Budgets

The proposed 2019 Budget consists of 21 funds detailing the projected revenues and proposed expenditures for the coming year in line item format. A three-year history of actual (audited) revenues and expenditures and year-end estimates for the current year indicate trends, and beginning and ending fund balances show cash position. A separate summary for the General Fund by revenue and expense category provides a snapshot of the Township's largest operating budget, and a summary of all 21 funds provides a broad financial picture of the organization.

Supporting Data/Budget Schedules

The Supporting Data or Budget Schedules offer an additional level of detail for specific line items in each operating budget. This information provides the Board of Supervisors and administrative staff with a detailed understanding of specific budget appropriations. Where supporting data is available, an alphabetical index provides easy reference to the supporting details. This information assists in further understanding the cost of Township services and provides more meaning to the budget projections, particularly when considering cost-cutting alternatives or forecasting revenues.

The Administration develops the proposed budget by analyzing trends in revenues and expenditures from prior years, reviewing individual line item projections, and evaluating programs, services, and current economic conditions. This budget design provides information at various levels of detail to promote an understanding and evaluation of Township services from a financial perspective.

The Budget Format

The budget is prepared in a line item format using the Pennsylvania Chart of Accounts for local governments published by the State Department of Community and Economic Development (DCED). This format provides uniformity of account numbers and titles across department budgets and operating funds. Uniformity in the budget format and consistency in posting revenues and expenditures to the line item accounts allows the Administration and Department Directors to monitor variations in budget appropriations during each fiscal year and from year to year. It simplifies review of monthly financial statements and promotes improved accuracy in accounting and budgeting.

The proposed budget continues the practice of separating operating and capital appropriations. The budget includes separate operating funds for general government functions, fire and rescue services, refuse collection, library services, senior center operations, contracted street lighting, parks and recreation services, Country Club operations, debt service, and state highway aid allocations. By detailing these services in separate funds, the cost for these government functions is easily identifiable, providing the Board of Supervisors and Township residents with a clear picture of how resources are allocated for the Township's program of service delivery.

Capital appropriations for general purposes are budgeted in the Capital Reserve Fund. Inter-fund transfers from the General Fund and other revenue dedicated for capital projects provide funding for any proposed capital purchases or improvements.

Capital appropriations for parks and recreation purposes are budgeted in the Recreation Capital Fund. Funding for these appropriations can be from a variety of sources including inter-fund transfers, grants, and impact fees.

Capital appropriations for fire and rescues equipment, road equipment, senior center, the Country Club, and library services are included in separate funds and limited to those specific government functions. The Library and Senior Center Boards of Directors choose to fund capital appropriations from any available capital fund balance or by transfers from their respective operating budgets.

Appropriating capital project costs into special purpose funds eliminates wide fluctuations in government operating appropriations from year to year caused by one-time capital expenses.

In the General Fund, the *Result from Operations* (page 14) represents the difference between annual revenues and expenditures before inter-fund transfers for capital appropriations, or appropriations to other operating budgets.

This budget format has standardized the accounting function and simplified the budget preparation process. The Administration believes the budget format provides sufficient detail for readers to understand revenues and expenditure appropriations from year to year, and the broad overview of Township government financial operations necessary for contemplative analysis.

Budget Highlights

Following are highlights of the proposed 2019 Budget:

The budget maintains current municipal services

Operating appropriations in the proposed 2019 Budget allow the Township to continue the high level of service expected by our residents. The appropriations support accustomed levels of police, fire, and rescue services, the maintenance of public roads and rights-of-way, recreation services and programs, park maintenance, refuse and recycling collections, and the operation of the Free Library, Senior Center, and Country Club. Appropriations also include debt payments on outstanding bonds and funding for infrastructure improvements and capital equipment purchases. There are no proposed reductions in Township services.

The budget funds capital infrastructure needs and equipment acquisitions

The proposed budget includes appropriations for improvements to the Township's road system, public buildings, storm sewer system, bridges, traffic signals, and park facilities.

Capital infrastructure projects include the extension of Township Road and construction of a roundabout at Second Street Pike and Bustleton Pike, streetscape improvements to Buck Road in Holland, including a new bridge over Mill Creek, and re-alignment of the Old Bristol Road and Buck Road intersection to allow for new left turn lanes. Other projects include a new police facility, improving sidewalks in Richboro, road resurfacing, park facility improvements and trail connections, traffic signal improvements, and street light conversions to LED technology.

The Township Road extension and roundabout project, the Buck Road improvement project, and sidewalk project are part of the Township's on-going economic development initiative proposed in the Holland and Richboro Master Plans.

The Township received a \$350,000 PennDOT grant to fund preliminary engineering for the Township Road extension and roundabout design. A contribution of \$75,000 from Addisville Commons and a \$50,000 allocation from the Township's Capital Fund paid for the balance of the design cost. Preliminary plans will be complete in 2019, and the Township intends to apply for additional grants to fund the estimated \$2.5 Million construction cost. The remaining cost for preliminary engineering is budgeted next year at \$236,000. Construction is likely to begin in 2020.

PennDOT will complete the Buck Road improvements as part of the State Transportation Improvement Program at an estimated cost of \$9 million. The Township was responsible for preliminary engineering at a cost of \$480,000. The Township Traffic Engineer will complete preliminary plans in 2019 and PennDOT will complete final plans in 2020, with construction likely to begin in 2021. PennDOT has confirmed that two traffic lanes will be open at all times during the construction period. The remaining cost for preliminary engineering is budgeted next year at \$183,000.

The Township received two grants for sidewalk improvements in Richboro. The first grant is from the PA Department of Community & Economic Development (DCED) for \$500,000 to offset the cost of replacing existing sidewalks and completing the sidewalk system. The Township is funding the engineering cost of \$163,500 for design and bidding the project. An assessment to each affected property owner will pay for a portion of the project cost based on linear frontage. Sidewalk installation and maintenance is a property owner responsibility per Township Code.

The second grant for \$893,000 is from the State Transportation Alternatives Program (TAP) to complete sidewalk installations from Tanyard Road to Crossroads Plaza Drive. This particular portion of the sidewalk system is more complex and costly to construct because the sidewalk must cross Iron Works Creek. The Township is funding the engineering cost of \$163,000; however, the grant will pay the entire cost for construction.

Both sidewalk projects will improve pedestrian safety, make the village more walkable, and connect the downtown area with adjacent residential developments. The projects are also consistent with the Richboro Village Master Plan to enhance the attractiveness and viability of the business community.

Capital appropriations for facilities include replacing the walkway entrance at the Township Building, replacing the roof and replacing the HVAC system at the Senior Center, replacing the concrete pad at the Holland fire station, and parking lot paving at the Churchville fire station. Improvements at the Country Club include parking lot paving, pool repairs, roof replacement on the pool building, replacing an HVAC unit, and insulating the maintenance building.

Recreation system improvements include parking lot improvements, ballfield reconfigurations and trail extensions at the Civic Center, a new trailhead adjacent to Maureen Welch Elementary School to connect adjacent residential developments to Municipal Park, new playground equipment at the Recreation Center, construction of an all-inclusive playground at Municipal Park, and repairs to the parking lot at Big Meadow.

Capital appropriations for equipment include computer systems and software, police vehicles, public works equipment, mowing equipment, ballistic vests, duty weapons, tasers, and vehicle cameras. The appropriations also fund lease purchase payments on vehicles and equipment acquired between 2013 and 2018. These lease purchase contracts have three, five, and seven year terms depending on the life expectancy of the equipment. Loan payments to the County to replace emergency communications radios for police and firefighters are also included. This is a 7-year loan financed through Bucks County at 1.5%.

The Township's ten (10) year capital improvement plan serves as a guide when budgeting for capital appropriations. The Township Administration updates the plan annually through a series of departmental meetings to discuss on-going capital needs. The plan is included under Schedule J of the budget document and outlines proposed capital appropriations in the 2019 Budget.

The proposed budget enhances police and fire department personnel

Present staffing levels in most Township departments are adequate to maintain Township services; however, the budget includes funding to enhance police and fire department personnel by adding an additional police officer to the existing 43-member complement, and enhancing the paid fire service.

An additional police officer allows the department to promote a second Lieutenant who will supervise the patrol division as part of a succession plan for the eventual retirement of the Chief. The current Lieutenant will perform administrative duties and supervise the criminal investigation division. A survey of surrounding police departments demonstrates the need for the additional administrative staff position.

In recent years, the fire service has seen a steady decline in volunteers willing to commit to the mandatory 180-hours of initial training and continued weekly drills. This is a national problem and one that will not be easily resolved. In order to address the lack of future volunteer firefighters, the Township implemented a paid program in 2008 and hired four full-time firefighters to supplement daytime response. Ten years later, the Township finds a need to enhance the full-time complement by hiring a Chief Officer strictly devoted to the fire service. The Chief Officer will work out of Station #3, and oversee the operation of both paid and volunteer firefighters. The Deputy Fire Marshal/Volunteer Deputy Fire Chief is a likely candidate for this position. If appointed, a new Fire Inspector will fill the vacancy in the Fire Marshal's office.

In addition, the Volunteer Fire Department leadership has suggested the implementation of an on-call program that would compensate volunteers who agree to be in an "on-call" status during evening and weekend hours. The program will insure that sufficient personnel are available during fire calls.

The real estate tax levy will not change

The 2019 budget will fund on-going and proposed infrastructure improvements, debt obligations, and general operating expenses without the need for a real estate tax increase. For a property assessed at the median value of \$36,000, the total tax levy at 14.9111 mills is \$536 per year in real estate taxes, or \$45 per month to support Township services.

Budget Overview

The General Fund is the largest Operating Fund in the Township budget and accounts for many common local government services. These include police protection, planning, zoning, and code enforcement services, general administration, financial accounting services, legal, engineering and information technology expenses, tax collection services, facilities maintenance, fleet maintenance, and public works services.

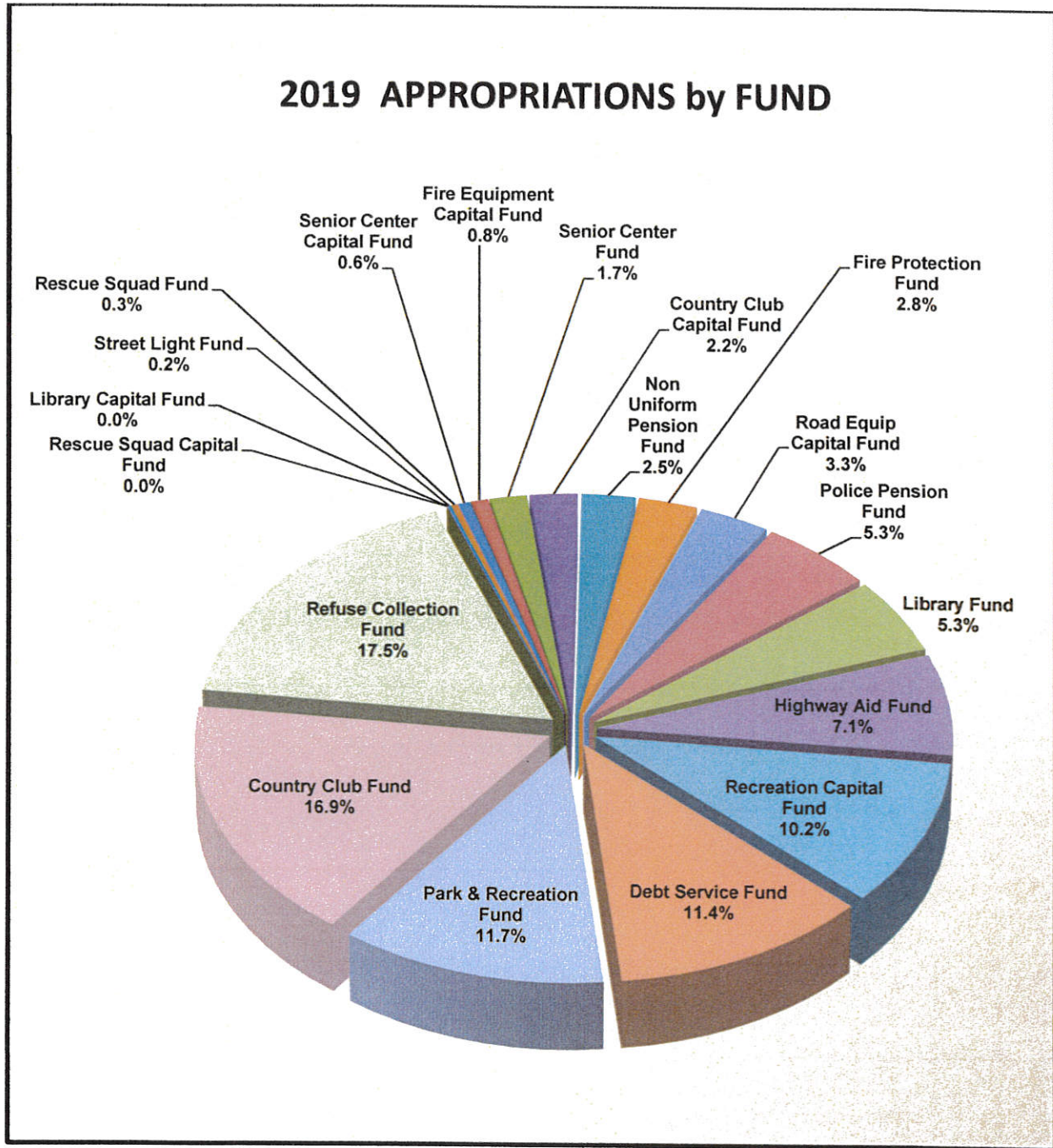
Appropriations from the General Fund are available for any legal expenditure; however, tax levies for special purposes such as fire and rescues services, parks and recreation services, library services and debt payments are restricted to that specific purpose. For example, the Township cannot use proceeds from the fire tax for police services. Revenues and expenditures in each fund are specific to that fund and its legally allowable purpose(s).

The General Fund, Library Fund, Refuse Fund, Senior Center Fund, Street Light Fund, and Park and Recreation Fund account for all personnel, fringe benefit, insurance, utilities, and routine maintenance and operational expenditures. Appropriations from other funds are limited to capital improvements or other designated purposes. Examples include debt payments; refuse collection costs, emergency medical services, and volunteer fire company support.

Each Operating and Capital Fund in the proposed budget shows beginning fund balances, projected revenues, proposed expenditures and ending fund balances for the new fiscal year.

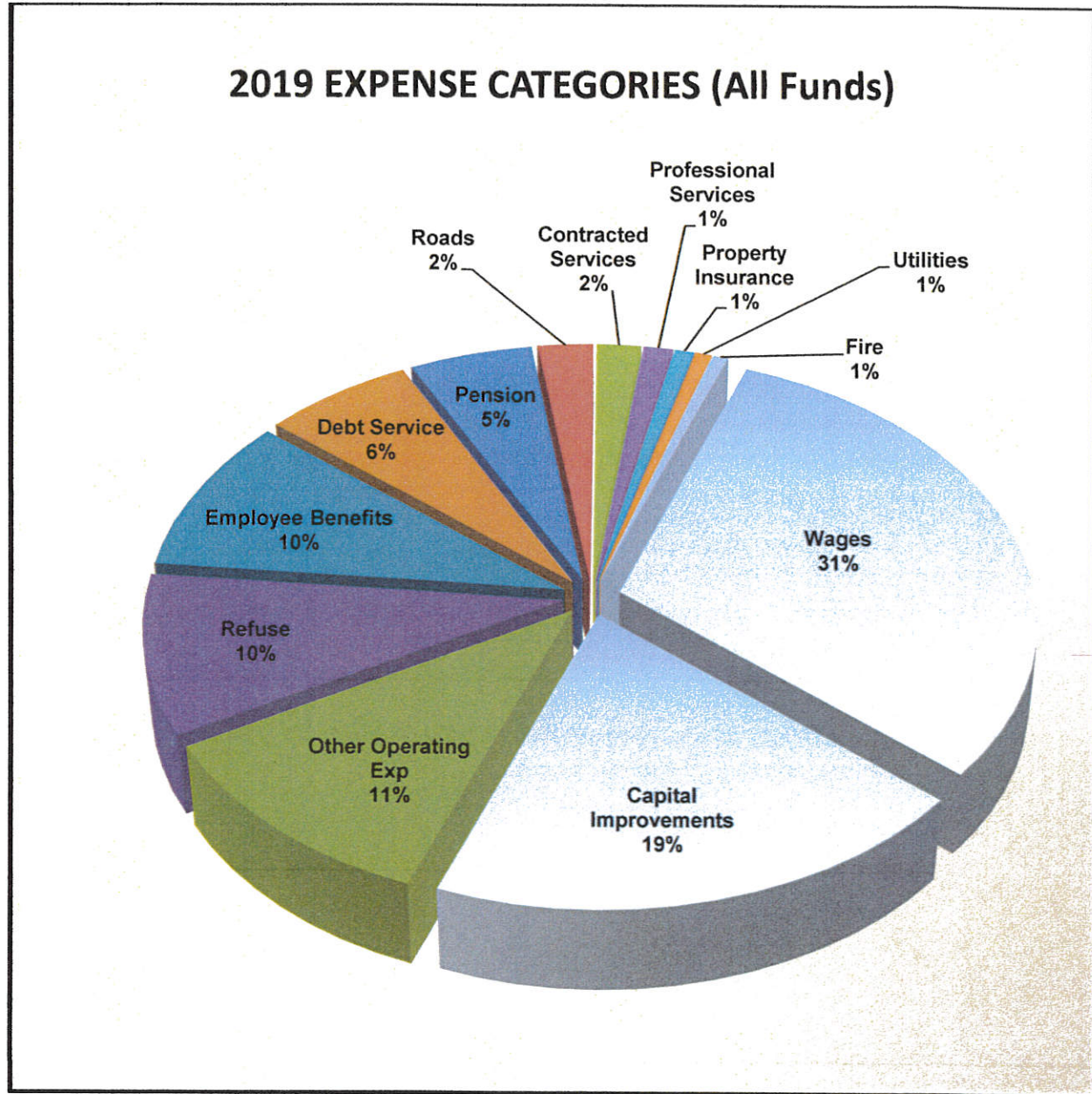
The total Township Budget for all funds is \$43.94 Million with \$34.6 Million supporting operations, \$7.64 Million devoted to capital and infrastructure improvements, and \$1.7 Million for employee pensions.

The following chart shows proposed appropriations by fund:



Examining the budget in broad expense categories across all funds can also be helpful in understanding how the Township budgets its appropriations. For example, personnel costs such as of wages, pensions, and employee benefits remain the largest single expense representing 46% of total appropriations in the operating budget. Refuse collection accounts for 10% of the total and debt service represents another 6%. Insurance, utilities, professional services, and contracted services account for an additional 5%, and the Township will spend 19% of total appropriations on capital improvements and infrastructure maintenance, including road resurfacing.

The following chart shows total appropriations by expense category:



Following is a narrative summary and highlights of the financial position of each fund, including an analysis of projected revenues and proposed expenditures for 2019:

General Fund

The General Fund is the operating budget for general municipal purposes and includes appropriations for general government operations such as administration and finance, legal, engineering and other professional services, police and code enforcement, paid emergency rescue and fire services, planning and zoning administration, technology, highway facilities and fleet maintenance. There are also appropriations to support the work of appointed boards and commissions.

The primary revenue sources for the General Fund are real estate taxes, Local Enabling Act (Act 511) taxes (earned income, per capita, local services, and transfer taxes), business licenses, permit fees, grants, state-shared entitlements, and charges for service. Reimbursements and inter-fund transfers also contribute to General Fund revenue.

The Township levies a 1% earned income tax and equally shares this tax revenue with the Council Rock School District. Non-residents working in the Township pay the full 1% tax unless their home municipality levies it. In the General Fund, earned income taxes will generate \$7.84 Million in 2019, representing 46% of total revenues, transfer taxes represent 8%, and real estate taxes represent another 18% at \$3 Million. The proposed General Fund real estate tax rate is 5.2494 mills, or 35% of the total Township real estate tax levy.

Transfer taxes are a tax on real estate sales within the Township. The tax rate is 2% of the sale price. County government receives 1 percent of the tax proceeds, and the Council Rock School District and Township share the remaining 1% equally. Transfer tax receipts have steadily increased since 2014, when the Township collected \$914,000. Current projections show transfer tax receipts in 2018 will exceed \$1.3 Million, and the estimate for 2019 is \$1.4 Million.

The projected increase in property transfers is due to new real estate development. The Township has many new residential developments in the approval process or under construction. This includes the Waverly property on East Holland Road (15 units), the DeLuca property on Old Jacksonville Road (18 units), the Russel tract on New Road (5 units), the St. Leonard's Road tract (9 units), and the recently approved Spring Mill subdivision (175 units).

There has also been an increase in non-residential development, particularly in downtown Richboro. Addisville Commons is nearing completion with a 20,000 square foot medical office facility operated by Holy Redeemer Hospital, a 10,000 square foot Wine & Spirits Shoppe, and three new restaurants, including an Irish Pub, Bacco Bistro, and Be Well Café. The McDonald's Restaurant is planning a renovation as well. Redevelopment of the former Mill Race Inn in Holland is also in the planning process with approvals expected next year. The developer intends to restore the historic mill and re-open it as a high-end restaurant.

An estimated 590 properties will transfer ownership in 2019, or 150 more units than 2018. Approximately 400 properties sell each year, or 3% of the existing housing stock, not including new development. Construction activity enhances transfer tax revenue and new construction increases assessed valuation and real estate tax revenue. This activity minimizes the need for additional tax revenue in future years.

Other significant sources of revenue in the General Fund include permit fees (\$737,000), cable television franchise fees (\$1 million), insurance dividends (\$146,000) and pension system aid (\$638,000). Inter-fund transfers provide an additional \$379,000 in reimbursements for Public Works and Library expenses paid from the General Fund, while interest earnings have virtually disappeared as market rates on short-term instruments remain at or below 1%.

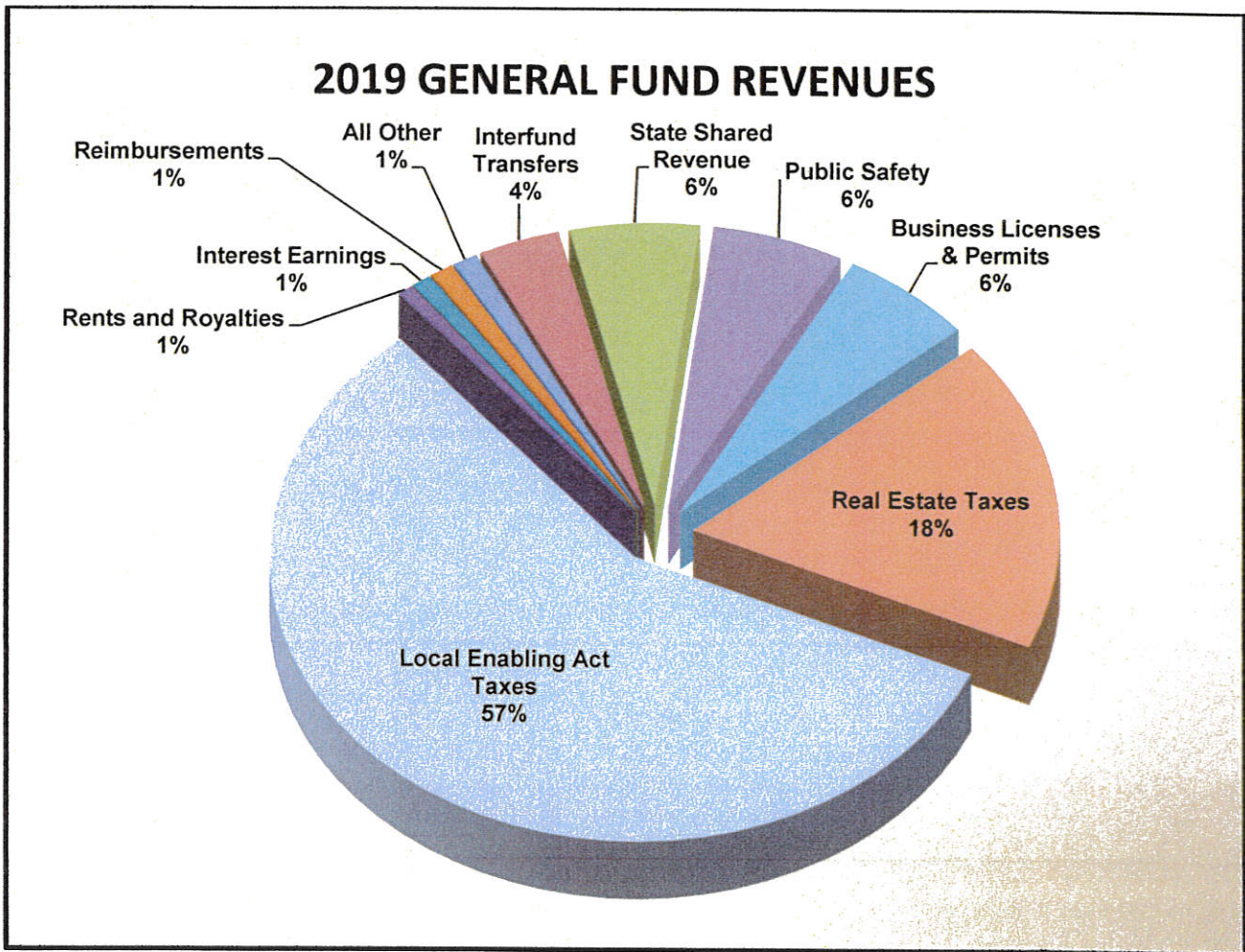
Revenue from permit fees reached a low of \$264,000 in 2009, but steadily increased as the real estate market improved. The Township has averaged 15 to 20 permits for new homes since 2013, with 40 permits issued in 2018, and 30 permit applications projected next year. Permit fees in 2018 will exceed \$900,000 while new home construction and commercial development should generate permit fees of \$850,000 in 2019. There is also a steady demand for addition and alteration permits with an average of 900 permits issued each year for these types of improvements since 2011. The Township issued almost 800 permits for additions and alterations in 2018 and the budget assumes 900 addition and/or alteration permits in 2019.

The Township will receive \$670,000 in state aid for its employee pension plans, representing 36% of the minimum required plan contributions. Pension Plan contributions have decreased in recent years and the funding level remained stable since 2013; however, the pension obligation increased by \$270,000 for 2019 due to a change in the mortality table used in the Actuarial Valuation Report.

Total estimated General Fund revenue in 2018 is \$16.64 Million or \$20,000 over budget. However, the Township experienced a drop in earned income taxes for the year because several large taxpayers had reduced incomes or relocated out of the community, accounting for a \$200,000 revenue shortfall.

Projected revenue in the proposed 2019 Budget totals \$16.9 Million and represents an increase of \$300,000 over the 2018 Budget. Earned income taxes, transfer taxes, and permit fees account for a significant portion of the projected revenue. State shared revenue of \$968,000 is also a significant funding source. This includes pension state aid and fire relief funds. The Township eliminated the per capita tax in 2016 following a similar action by the Council Rock School District. That tax generated approximately \$150,000 in revenue.

Earned income taxes, transfer taxes, and permit fees have the most significant financial impact on General Fund revenue from year to year. Tax collection experience, prior year collection history, contract guarantees, projected grants, state shared revenue, and economic trends are the basis for future revenue projections. The following chart shows the sources of General Fund revenue used for the operation of Township government:



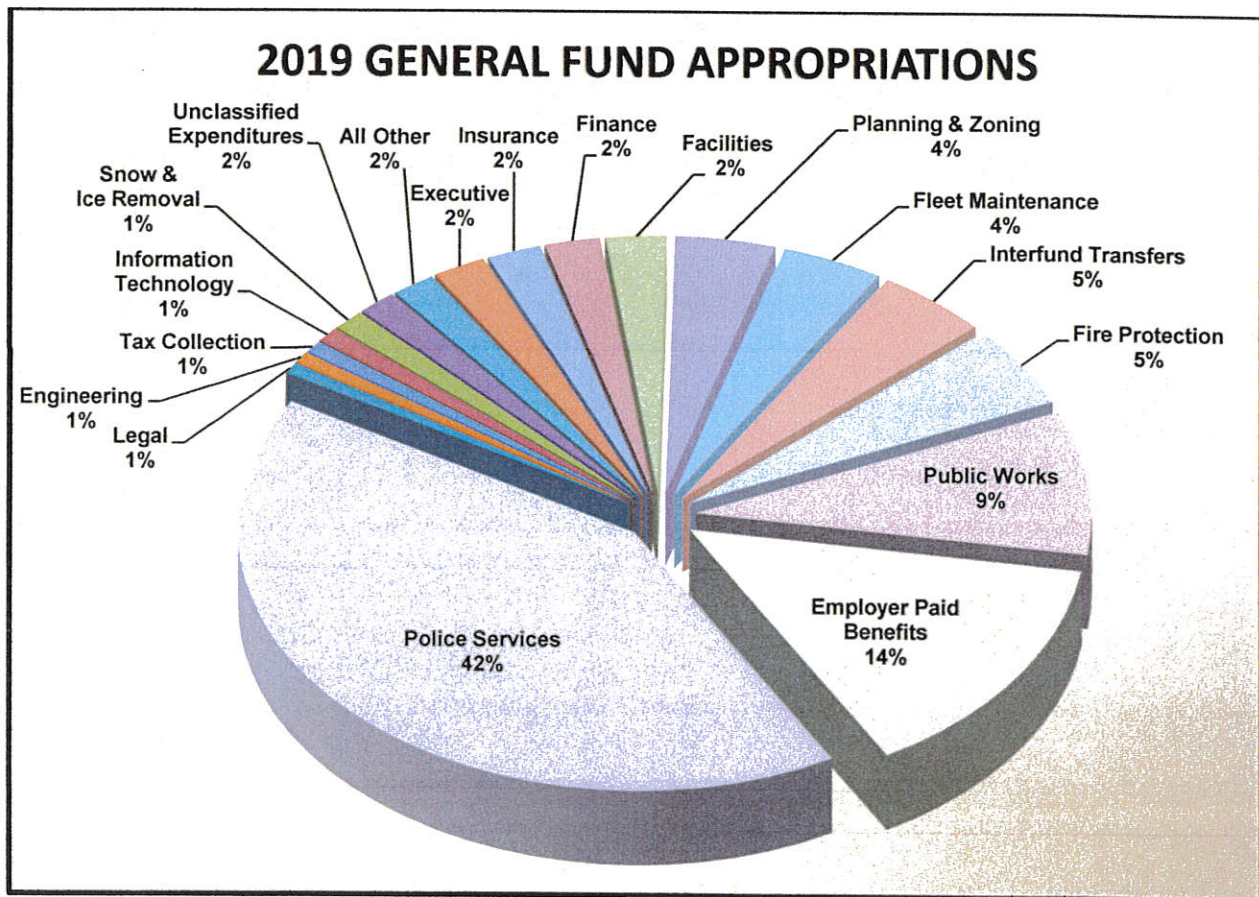
Projected General Fund expenditures in 2018 total \$16.6 Million, or \$200,000 under budget. Total expenditures include the transfer of \$227,000 to support the Senior Center and \$684,000 to the Capital Reserve Fund. The fund balance on December 31, 2018 will remain at approximately \$2.1 Million, similar to the prior year.

Proposed General Fund appropriations in 2019 total \$17.6 Million or \$843,000 over the 2018 budget. Police and Firefighter wages (\$482,000), and employee benefits (\$315,000) account for a significant portion of the increase. An additional \$100,000 for firefighter wages will support a paid on-call program for the volunteer Fire Company.

Liability insurance premiums to the General Fund will increase by \$25,000, workers compensation insurance premiums by \$33,000, and contracted services by \$100,000. The increase in contracted services consists of \$75,000 for projected snow and ice control costs. Utility costs will not change from the prior year, and professional service fees are budgeted at \$504,000 or \$75,000 less than the 2018 budget.

Wage costs will increase by 5.7%, primarily due to new police officers moving through the contracted wage scale and additional wages for the fire service on-call program. The police collective bargaining agreement calls for a 3.5% wage increase, the public works contract requires a 2.6% increase, and non-union employees are budgeted to receive a 3% increase. The inter-fund transfer to the Capital Reserve Fund will be \$584,000 and the Senior Center contribution will remain at \$227,000.

Other expenses such as supplies, minor equipment, training, advertising, lease costs, and printing are budgeted at prior year levels. The following chart shows proposed General Fund appropriations by department:



Police Services are 42% of total appropriations, with employee benefits and Public Works services accounting for an additional 23%.

Fire Protection Fund

The Fire Protection Fund is a primary revenue source for the operating and capital needs of the Northampton Township Volunteer Fire Company, a component government unit. The Township levies a 1.05-mill real estate tax dedicated to fire protection services that generates approximately \$605,000. The maximum allowable tax levy is three mills.

The Fire Company has three parts to its operating budget: 1) an administrative budget for utilities, dues, insurance, and supplies; 2) an operations budget for fire truck maintenance, fuel, fire hose, uniforms, tools and training; and 3) a facilities budget for cleaning services, building repairs, and general maintenance. The company will use \$300,000 of its tax revenue for these expenses.

The remaining \$300,000 of tax receipts typically fund a capital equipment replacement and facility maintenance program based on a 20-year capital improvement plan. The Fire Company directs the amount of tax revenue for transfer to its capital reserve fund each year. However, the Fire Company has agreed to use \$220,000 of this allocation in 2019 to fund the first year of the paid "on-call" program, with the remaining \$80,000 transferred to the Fire Equipment Capital Fund.

The Volunteer Fire Company responds from three stations strategically located in different areas of the Township to provide the most effective response to emergency calls. The company has over 100 members with 65 active members that train each week and volunteer their time to support the community. Each active firefighter has achieved the minimum required 180-hour firefighter-training program, and many have additional certifications. As previously noted, the Fire Company has experienced a reduction in the number of volunteers in recent years and is implementing an "on-call" program to insure adequate staffing for emergency response.

Rescue Squad Fund

The Township levies a .125-mill tax levy dedicated to emergency medical services provided by the Tri-Hampton Rescue Squad. The tax levy generates approximately \$73,000. The maximum allowable tax levy is two mills.

The Rescue Squad provides advanced life support (ALS) services in Northampton, Upper Southampton and Lower Southampton Townships using paid and volunteer employees. Each community provides financial support to the organization. The squad operates in Northampton Township from a facility on Township Road and uses "phantom" stations to provide broader service and faster response times during emergencies.

In September 2018, the Board of Supervisors designated the Tri-Hampton Rescue Squad as the sole provider of emergency medical services in the Township, replacing Newtown Ambulance as the primary emergency medical services provider for southeast portion of the Township. The designation will increase Tri-Hampton's call volume and annual revenue, and minimizes the need for an increase in the Rescue Squad tax.

Like the Fire Company, the Rescue Squad uses a portion of the tax proceeds for its capital equipment replacement program. Total revenue for 2018 is \$73,000 and total appropriations are \$72,000. The organization has an annual operating budget of \$2.3 Million.

Refuse Collection Fund

The Refuse Collection Fund accounts for the cost of contracted refuse collection and recycling services in the community. Revenues to the fund include annual fees charged to each property owner receiving services. The current fee is \$264 per residential household that generates approximately \$3.3 Million. The Township also receives approximately \$100,000 in state recycling grant funds.

The Township has four contracts for its solid waste management program: J.P. Mascaro & Sons, Inc. provides collection services for \$2.7 Million, and Waste Management of Pennsylvania provides yard waste disposal for \$165,000, and trash disposal services for \$665,000. Waste Management also provides recycled material disposal. Under this agreement, the Township receives payment for the market value of recycled materials, but does not incur cost in a negative market condition. All of the Waste Management contracts expire in December 2019.

The Southwest Bucks County Solid Waste Advisory Committee (SWBSWAC) comprised of Upper Southampton Township, Lower Southampton Township, and Northampton Township publicly bids these contracts. The Committee will re-bid contracts for household waste disposal, yard waste disposal, and recycling material disposal in 2019.

Recent market conditions have changed the nature of recycling material disposal. At one time, the Township received up to \$125,000 for the sale of its recycled materials, but with the implementation of single stream recycling, the value of these commodities dropped significantly, the Township received no payments in recent years.

Our residents have done such a good job of recycling that the material now collected is so contaminated that China, our Country's largest buyer, will not accept it. The market drop has caused what once was a revenue stream to become a cost. The current SWBWAC contract provides a floor for sale of these materials so the Township does not pay to dispose of them; however, this contract expires in December 2019, and a cost increase to the program is likely. Waste Management recently informed the members of SWBSWAC that it could cost over \$70 per ton in future years to dispose of recycled materials. This equates to about \$200,000 in additional cost for our program, or \$15 to \$20 per household per year. The Board may need to consider an increase in the refuse fee to offset this cost.

The Township provides trash and yard waste collection once each week, and each household receives a wheeled recycling container as part of the contract. In addition, the Township offers a single stream recycling program so residents can place all types of recycling materials into a single receptacle. This latter change increased recycling collections, but caused a reduction in revenue from the sale of recycled materials due to increased supply.

Waste disposal costs dropped by more than 35% in 2014 due to a favorable bid from Waste Management. The Township will pay \$52.64 per ton to dispose of regular household trash compared to \$50.62 per ton in 2017. The 2013 rate was \$68.91 per ton. This rate will not increase through 2022.

The collection contract with J.P. Mascaro & Sons will remain at 2.64 Million in 2019 with no change in the per household collection rate of \$208.68. This rate will not increase through 2022.

The current household fee for trash, yard waste, and recycling collection and disposal will remain at \$264 in 2019 for the sixth straight year, down from \$306 in 2012 and 2013, and \$340 for the five-year period from 2007 to 2011.

Library Fund

The Library Fund accounts for the operation of the Free Library of Northampton Township and a Library Board of Directors (appointed by the Board of Supervisors) has oversight of library operations and finances. A 1.728 mill tax generates \$988,000 to support library services. Other revenues include state aid to libraries (\$118,000), fines (30,000), and charges for services (\$8,000). The Library Board fundraising effort provides additional \$25,000 for Library services. Total projected revenue in 2019 is \$1.18 Million.

Total proposed expenditures in 2019 are \$1.19 million. With the exception of personnel costs, library expenses are somewhat static. Personnel expenses in 2019 are \$1.09 Million, with library materials and program costs at \$136,000, and utilities at \$68,000. Personnel appropriations include the cost for additional Library hours on Fridays using existing employees. Utility costs reduced significantly with the conversion of lighting fixtures to LED units in 2017, and installed automated controls this year to manage all HVAC units serving the building and reduce energy costs. The Township intends to replace insulation on exterior HVAC ducts in 2019 to further enhance energy saving.

The Commonwealth requires libraries receiving State funding to budget at least 12% of all operating expenses for program supplies as a requirement for receive the state aid. The appropriation for materials complies with this requirement.

The Finance Department currently manages the financial affairs of the Library and the Public Works Department, along with the Parks and Recreation Maintenance staff, provides maintenance services at no additional cost.

There are more than 22,000 card-holding patrons and over 500 people visit the library each day.

Senior Center Fund

The Senior Center Fund accounts for the operation of the James E. Kinney Senior Center. The Center has more than 1,000 active members, and over 2,800 individuals participate in program activities each month. Annual dues are currently \$20.00 but the Board of Directors approved and increase to \$25 per year beginning January 1, 2019.

There is no dedicated tax to support Senior Center operations. An inter-fund transfer from the General Fund is the primary revenue source for Center operations. This transfer was \$227,000 in 2015 and will remain the same next year.

In addition to the Township contribution, Upper Makefield Township contributed \$2,000 and the Center received an additional \$1,000 in donations. Other income includes state grants (\$18,500), facility rental (\$38,000), dues (\$21,000), social events (\$19,000) and bus trips (\$22,000), and fundraising (\$25,000).

The Senior Center operates with two full-time employees, four part-time employees and numerous volunteers to provide a variety of services and programs for its members. A fifth part-time employee in 2019 will further support Center operations and programs. Significant operating costs in 2019 include personnel (\$266,000), utilities (\$22,000), facility maintenance (\$24,000), bus trips (\$18,000) and social events (\$9,500). The Public Works Department, along with Parks and Recreation Maintenance staff, provides in-kind maintenance services on the Township owned building.

The Township assumed responsibility for financial accounting of all Center operations in July 2014, and its Board of Directors transferred \$72,000 in operating fund balance and \$146,000 in capital funds to the Township. As part of the transition, the Senior Center budget is on the Township's financial accounting system including revenues and expenditures previously managed by Center staff. This change has proved beneficial for the Senior Center Board of Directors, its staff, and the Township.

Total projected revenue in 2019 is \$363,000 and total appropriations are \$390,000. The Center will begin 2019 with a fund balance of \$119,000, and proposes an allocation of \$27,000 to balance the proposed budget.

Street Light Enterprise Fund

The Street Light Enterprise Fund accounts for the cost of contracted services provided by the Public Works Department for street lighting maintenance in other municipal jurisdictions. The Township established the program in 1988 through the Bucks County Consortium after municipalities began purchasing their street lighting systems from PECO and assumed maintenance responsibility for those systems. The Township presently serves seven municipalities and maintains over 4,600 streetlights, including 320 lights in Northampton Township. Two public works employees experienced in the maintenance and operation of streetlights spend approximately 10% of their time on the program.

Fees support the cost of personnel, supplies, and equipment for the contracted work. Since employee salaries are a budgeted item, the fees offset a portion of the Township's fixed costs for public works department personnel. Periodic fees adjustments fund cost increases. The current rate structure will remain the same for 2019. The General Fund may absorb this enterprise in the future, as communities change their streetlights to LED fixtures, which have an estimated 25-year life.

Total projected revenue in 2019 is \$41,000 and appropriations are \$33,000. The projected fund balance as of December 31, 2018 is \$6,700.

Park and Recreation Fund

The Park and Recreation Fund is the operating budget for recreation programs and services. The Fund has three main sections: Recreation Administration, Participant Recreation, and Parks Maintenance.

Recreation Administration is the general costs associated with the overall management of the department and includes administrative staff salaries and fringe benefits. Recreation Administration costs is budgeted at \$315,000 in 2019, an increase of \$2,500 from the current year. The smaller increase is due to an employee opt-out on our medical benefits program.

Participant Recreation includes the cost for all programs including summer camp operations and special events, instructor fees, ticket purchases, and other program related expenses. Program fees and charges fund the cost of participant recreation services. Participant recreation services are budgeted at \$1.593 Million in 2019. The cost for these services is somewhat consistent from year to year and is adjusted based on program participation. More than 5,100 individuals participated in recreation programs this year. There were an additional 722 summer camp participants (with an 80-person waiting list), 2,800 attended the "Sights and Sounds of Summer" series, and almost 2,300 attended the new Community Yard Sale event. The Department also offered over 120 programs throughout the year and sold more than 3,000 discount tickets.

Township recreation programs remain popular with residents. As of Sept 30, approximately 48,000 people visited the Recreation Center, with almost 19,000 visits by children, 8,900 adults, 16,500 spectators, 3500 instructors, and 650 individuals either registering for a program or observing Center activities. The facility was open more than 3,000 hours during the first 9 months of 2018, averaging 12hours per day with no program and weather related closures. In addition, 800 new households opened accounts on the Recreation Department website, or 66 more households than the same period in 2017.

Parks Maintenance costs are budgeted at \$443,000 in 2019, an increase of \$19,000 from the current year and only \$10,000 more than the actual cost in 2015. These costs include routine parks and facility maintenance and repairs, supplies, utility costs, and contracted services. Three full-time and four seasonal employees maintain 225 acres of parkland, numerous buildings and other recreation amenities.

A 1.628 mill tax generates \$930,000 for parks and recreation services. This tax rate includes an allocation of \$75,000 for capital improvements to the park system to fund the debt service on an \$800,000 loan to complete work at the Civic Center, including new ball field lights, trail extensions, parking lot improvements, and associated storm water facilities. The Township received a grant award of \$220,000 toward the total project cost. Loan proceeds will also fund improvements at Pheasant Run Park and Municipal Park.

Current year revenue in the Parks and Recreation Fund will be \$40,000 over budget and current year expenditures will be \$28,000 over budget, adding \$13,000 to the fund balance.

Total projected revenue in 2019 is \$2.58 Million and appropriations are \$2.58 Million that includes a \$125,000 transfer from the operating budget to the Recreation Capital Reserve Fund. Projected revenue is \$47,000 more than the 2018 Budget and appropriations are \$95,000 more than the current year. These minor variations result from department adjustments to its budget each year based on anticipated services and program demands.

Country Club Fund

The Country Club Fund accounts for the operation of the recently acquired Northampton Valley Country Club from its long time owners. The Township completed the acquisition on September 17, 2018 and paid \$12.5 Million for the 125-acre property, all facilities, and equipment. The Country Club operates an 18-hole golf course, clubhouse, and two catering facilities. The property also contains a pool complex used for many years by the Township's Parks and Recreation Department for its summer camp program. There are 9 full-time employees serving in various management capacities and approximately 120 seasonal and part-time employees working at the facility, which is open year round for banquets and other social events. All employees became members of the Township staff on the date of settlement.

The catering facility currently has events booked through December 2020, and the banquet staff continues to sell events to fill out the schedule. Food and beverage services generate approximately 65% of total revenue, with \$2.7 million from banquets, \$478,000 from golf outings, and \$260,000 from the Clubhouse Grill Room.

Golfers play approximately 40,000 rounds of golf each year at the Club, and there are numerous and repetitive golf outings and tournament booked by business entities and individual groups. Golf operations generate almost \$1.5 Million in revenue. There are also individual golf memberships available that offer discounts for regular play.

Total projected revenue in 2018 is \$4.65 Million with a projected increase of \$84,000 to \$4.73 Million in 2019.

Appropriations for Country Club operations include costs for Administration, the Golf Shop, Banquet Operations, the Clubhouse Grill Room, Golf Course Maintenance, and Building Maintenance. The Cost of Goods Sold is an appropriation to purchase consumable products such as food and beverages, and Pro Shop inventory. The Country Club resells these items in the Pro Shop and during banquet operations.

Total projected expenditures in 2018 are \$3.7 Million, with a projected increase of \$53,000 to \$3.53 Million in appropriations for next year. These include \$667,000 in Cost of Goods Sold, \$374,000 for Administration, \$337,000 for the Golf Shop/Grill Room, \$1.2 Million for Banquet Operations, \$689,000 for Golf Course Maintenance, \$237,000 for Facility Maintenance, \$138,000 for Employee Benefits, and \$57,000 for Insurance. Appropriations also include \$300,000 for future capital improvements as a transfer to the Country Club Capital Fund.

The projected fund balance at the end of 2019 is \$1.08 Million.

Revenue and expenditure projections for the Fund are based financial data for Club operations from the prior owner's records converted to the Township's budget format and account code structure. The Administration intends to adjust its projections in future years based on the Township's operating costs and revenues as the new Club owner.

Debt Service Fund

The Debt Service Fund accounts for debt obligations on outstanding bonds, notes, and loans. The Township refinanced existing debt and borrowed an additional \$10 Million in 2015 for several capital projects. These included construction of a new police station, additions and modifications to the public works buildings, installation of left turn lanes on Newtown-Richboro Road, Civic Center park improvements, and road resurfacing. These Bonds and Notes are known as 2015 Bond Series A & B, and 2015 Note Series A & B. The proceeds also refinanced 2010 Bond Series A.

The Township issued new debt in 2018 totaling \$22.5 Million to fund acquisition of the Northampton Valley Country Club, complete construction of a new police facility, and make various improvements to its road and park systems. The proceeds also capitalized interest due on the portion of funds used to acquire the Country Club. Capitalizing the interest allows the Club to build reserves in the first 4 years of operation, and complete certain capital improvements at the facility.

The Township has \$41.46 Million in outstanding bonds and notes as of December 31, 2018 and pays approximately \$2 Million in principal payments each year toward its debt obligations. The 2015 Bonds and Notes have an average interest rate of 3 percent, and the 2018 Bonds have an average interest rate of 3.75%. The last bond payment is in 2043.

The current tax levy of 4.56 mills generates approximately \$2.6 Million and will fund required debt service payments for the term of the current issues. The Country Club Fund will begin making debt service payments in 2021 on the 2018 Bond Series.

Capital Projects Fund

The Capital Reserve Fund accounts for general capital equipment purchases and infrastructure improvement projects. Examples of capital expenditures include roadway and drainage facility improvements, traffic signal enhancements, equipment acquisition, property acquisition and facilities construction and repair.

Revenues in the Capital Reserve Fund come from a variety of sources including grants, loans, developer contributions and a transfer from the General Fund dedicated to capital appropriations. The General Fund transferred \$297,000 to the Capital Reserve Fund each year since 2014. Beginning in 2018, this amount increased to \$684,000, and \$584,000 is the budgeted transfer next year. These transfers support many infrastructure improvements authorized by the Board of Supervisors. The 2018 bond issue will provide \$800,000 in additional funds to complete many of the projects included in the 10-year capital plan.

The projects include engineering design for the extension of Township Road to the intersection of Second Street Pike and Bustleton Pike and construction of a roundabout to replace the existing traffic signal. The Richboro Master Plan identifies this project as a key component of the Township's economic development initiative to relieve congestion at the intersection of Second Street Pike and Almshouse Road and improve pedestrian safety.

Another project involves streetscape and roadway improvements to Buck Road in Holland. The Township was successful in having this project included on the State Transportation Improvement Plan (TIP), and it was the only project in Bucks County selected for inclusion on the TIP. The project involves constructing a new bridge over Mill Creek with additional lanes, re-alignment of the Buck Road and Old Bristol Road intersection, and adding left turn lanes in all directions. It also includes streetscape improvements such as sidewalks, street trees, and ornamental street lighting along a portion of Buck Road. This is the first phase of a Buck Road improvement project contemplated in the Holland Master Plan. The Township is responsible for preliminary engineering costs of \$450,000, with final engineering and construction paid with Federal Transportation Funds administered by PennDOT. The estimated cost for final engineering and construction is \$9 Million.

The Township has also undertaken two sidewalk improvement projects in Richboro. The first involves construction of sidewalks in areas where none exist and replacing existing sidewalks that do not meet current ADA standards. This phase requires \$161,000 for engineering design and \$1 Million for construction. The Township applied for a \$790,000 grant to fund final design and construction costs, and received \$500,000 toward the project cost. An assessment to affected property owners will pay for the balance of construction cost.

The second project addresses the need for sidewalks on Second Street Pike from Tanyard Road to Crossroads Plaza Drive. This second phase of the sidewalk initiative will address the more difficult and costly problem of crossing Iron Works Creek and installing sidewalks along Iron Works Creek Park on Second Street Pike. Engineering design is \$165,000 and the construction cost is \$800,000. The Township is funding the engineering design and received a PennDOT TAP Program to fund the project cost.

Another important project in the 2019 Budget is an upgrade to the traffic signal at Jacksonville and Almshouse Roads to improve its efficiency. The Township received a \$208,000 grant toward the project cost of \$264,000. This project is the first phase of a larger project to add left turn lanes at the intersection. The Township was fortunate to have the project added to the TIP, and PennDOT will assume the entire cost for engineering and construction. PennDOT will complete engineering design and permitting in 2020, with construction scheduled in 2021.

Other budgeted appropriations include traffic signal improvements in Richboro (\$137,000), repairs to the front walkway of the Township Administration Building (\$50,000), emerald Ash tree removal (\$50,000), implementation of a computerized asset management program (\$10,000), and conversion of streetlights to LED technology (\$35,000). State grants will fund the Richboro traffic signal improvements and Township building walkway projects.

Appropriations in the 2019 capital budget for equipment include replacement police vehicles and computer systems, ballistic vests, traffic signal improvements, and payments on vehicles and equipment loans acquired through lease purchase contracts and the County loan to replace police, fire and EMS radios. There is also an appropriation of \$75,000 to replace the emergency generator at the Township building, and a \$65,000 appropriation to upgrade the electrical system at the Library.

The ten (10) year Capital Improvement Plan identifies capital needs on a long-term basis. The Township updates the plan each year for changing conditions.

There is \$3.7 Million in projected revenue and \$3.9 Million in capital appropriations in 2019.

Recreation Capital Reserve Fund

The Recreation Capital Fund provides financial resources to maintain and improve recreation facilities and parks infrastructure. An inter-fund transfer from the Parks and Recreation Operating Fund to the Recreation Capital Fund supports capital improvements. There was a \$125,000 transfer to the Recreation Capital Fund in 2018, and a similar amount is budgeted in 2019. The amount includes proceeds from a .1284 mill tax increase in 2018 generating an additional \$75,000 for capital projects.

Other revenue sources include Impact fees on new development (\$120,000), a Department of Conservation and Natural Resources (DCNR) grant (\$55,000), a Department of Community and Economic Development (DCED) grant (\$50,000), and proceeds from a short-term loan to fund replacement equipment.

The Township received a DCNR grant for \$220,000 and spent \$110,000 in 2017 on improvements to the Civic Center. The remaining balance will fund additional improvements in 2019 and 2020. The proposed budget also includes a \$300,000 grant from DCNR, a \$300,000 donation from the Miracle League for an all-inclusive playground, and a \$237,000 Commonwealth Financing Authority (CFA) grant for the trailhead on New Road to connect with Municipal Park. Proceeds from the 2018 bond issue provide an additional \$800,000 for these proposed capital projects.

The Township will complete construction of outdoor restrooms at the Civic Center this year.

Appropriations in 2019 include field lighting, trail extensions, and parking lot improvements at the Civic Center (\$924,000); parking barriers and security netting at Hampton Estates (\$30,000); baseball field repairs at Pheasant Run (\$10,000); and playground equipment at the Recreation Center (\$75,000). The proposed budget also includes construction of an all-inclusive playground and trail extension at Municipal Park (\$880,000), repairs to the parking lot at Big Meadow (\$50,000), and loan payments on vehicles and equipment (\$38,000).

Total projected revenue in 2019 is \$1.4 Million with \$2.5 Million available for appropriation. Total proposed expenditures \$2.4 Million.

Fire Company Capital Reserve

Each year the Volunteer Fire Company directs a portion of the revenue from the 1.05 mill tax to its Capital Reserve Fund for equipment replacement and facilities construction or maintenance. The Fire Company bases the amount transferred from the Fire Tax Fund to the Fire Company Capital Reserve Fund on its capital need projections as identified in a 20-year capital plan. The Township holds these tax proceeds in a separate fund and appropriations are budgeted based on the needs and requests of the organization.

The Fire Company completed improvements to Station #3 in Richboro and Station #83 in Churchville in 2018. These included raising door overhangs at Station #3, and replacing man doors at both facilities. A \$13,500 grant partially funded the improvements.

The proposed 2019 Budget includes \$130,000 to pave the parking area at Station #83, replacing the concrete pad at Station #73 in Holland, and installing new signs with messaging at all three stations. The signs will display various announcements about Fire Company events such as its open house, and fire prevention week, and important safety information during emergencies.

For many years the Fire Company directed a \$300,000 transfer to the Capital Reserve Fund from the Fire Tax Fund; however, the Company agreed to a \$100,000 transfer to the Capital Fund in 2019, and use \$220,000 toward the cost of its proposed "on-call program. The year-end fund balance in the Capital Fund will remain at approximately \$2.1 Million.

Rescue Squad Capital Reserve

Like the Volunteer Fire Company, the Tri-Hampton Rescue Squad directs a portion of the revenue from a .125 mill tax to its Capital Reserve Fund for future capital needs.

The current fund balance is \$7,800. The reserve funds acquisition of new or replacement emergency medical vehicles and equipment. The Rescue Squad spent \$20,000 in 2015 toward acquisition of a new emergency medical response vehicle. There were no budgeted appropriations in 2016, 2017, or 2018, and the Squad has not requested funding in 2019.

Road Equipment Capital Fund

The Road Equipment Capital Fund accounts for appropriations to replace Public Works Department vehicles and heavy equipment. A dedicated tax levy of .57 mills generates \$326,000 in revenue to fund the Department's equipment replacement program. The maximum allowable levy is two mills.

There were no equipment purchases in 2018; however, the Fund paid \$238,000 on loans from the acquisition of equipment in prior years.

Appropriations in the 2019 Budget include replacement of the street sweeper (\$260,000), purchase of a small paving unit (\$185,000), salt spreader and snowplow replacements (\$20,000), and debt service on vehicles and equipment acquired in prior years (\$285,000).

Total revenue in the 2019 budget is \$774,000 and total appropriations are \$749,000. Revenue includes \$445,000 in proceeds from a short-term loan to fund 2019 equipment acquisitions.

Highway Aid Fund

The Highway Aid Fund accounts for the Township share of liquid fuels tax dollars provided by the Commonwealth of Pennsylvania for maintenance of local roadways. The Commonwealth generates funds through a tax on motor fuels. Municipalities receive approximately 12 percent of the total collected by the Commonwealth, and PennDOT uses the remaining funds to maintain state-owned roadways.

A formula using population and qualifying road mileage determines the Township share of liquid fuels funds. The additional mileage from newly dedicated roads increases the grant amount. New roads must meet specific design criteria to qualify for funding. The Township currently owns and maintains a 180-mile road system.

The Township received \$1.27 million in 2018, a \$20,000 increase from the prior year. The allocation increased in recent years under the provisions of Act 89 that raised the motor fuels tax to fund road and bridge repairs across the Commonwealth. Future increases are uncertain.

The Township also receives \$37,000 each year through a road take-back program and contracts with PennDOT to clear snow and ice on 20 miles of state-owned roads for an additional \$38,000. This amount can increase to \$60,000 for severe winter storms when the Township documents its costs.

The Commonwealth restricts expenditures from the Fund to road maintenance costs such as snow plowing, road striping, guiderail installation, street light electricity and the purchase of de-icing salt and paving materials. The Commonwealth audits the fund annually.

The Township purchases paving materials from the fund for its annual road-paving program. The Public Works Department paved or micro-surfaced almost nine miles of the road system this year. The 2019 Road Maintenance Program includes 4 miles of milling and paving, and 2.6 miles of micro surfacing. The estimated cost of this work is \$957,000.

Other appropriations in 2019 include de-icing salt (\$250,000), line painting (\$10,000), traffic signal maintenance (\$10,000), equipment rental (\$20,000) and traffic control (\$5,000), and a transfer of \$200,000 to the General Fund for wages for the paving program.

Total projected revenue in 2019 is \$1.36 Million and appropriations are \$1.65 Million, leaving a projected fund balance of \$203,000.

Library Capital Fund

The Library Capital Fund accounts for the cost of equipment and certain improvements to the facility. The Fund became part of the Township budget when the Library Board of Directors transferred the proceeds of its Building Fund to the Township in 2014 and the Township began to perform financial management services for Library operations. The Library Board of Directors determines appropriations from the Capital Fund each year.

The Board authorized the expenditure of approximately \$2,000 in 2017 for minor equipment used by the library staff. There were no expenditures from the Fund this year. In 2019, the Library Board is appropriating \$7,000 to replace computer systems.

There is no dedicated revenue source for capital needs. The current fund balance is \$93,000.

The Township owns the Library building and the Department of Public Works, along with Parks and Recreation Maintenance staff, provides routine maintenance at no cost.

Senior Center Capital Fund

The Senior Center Capital Fund became part of the Township's budget when the Senior Center Board of Directors transferred the proceeds of its Building Fund to the Township in 2014. This action completed the transfer of all funds previously managed by the Senior Center Board as part of a program to have the Township perform accounting and financial management services.

The Senior Center Capital Fund accounts for the cost of certain equipment and improvements to the facility. The Senior Center Board of Directors determines appropriations each year from the Fund.

There were no expenditures from the Fund in 2018. Total appropriations in 2019 are \$127,000 and include a new roof for a portion of the building (\$35,000), HVAC unit replacements with automated controls (\$75,000), security cameras (\$5,000) and tile flooring (\$8,000). The Center received a grant of \$95,000 toward these capital improvements.

There is no dedicated revenue source for future Senior Center capital needs. The current fund balance is \$127,000, with \$32,000 appropriated in 2019 for capital projects.

Country Club Capital Fund

The Country Club Capital Fund accounts for appropriations to improve Club facilities and replace equipment. A transfer from the Country Club Fund and proceeds from short-term loans for equipment acquisition provide funds for capital needs. The 2019 Budget includes a \$300,000 transfer from the Country Club Fund, and \$225,000 in proceeds from an equipment loan.

Appropriations in 2019 total \$504,000 and include \$225,000 to replace mowing equipment, \$45,000 to relocate a well for the irrigation system, \$40,000 to insulate the maintenance building, \$15,000 to replace an HVAC unit, \$50,000 for pool repairs, \$22,000 to replace the pool house roof, \$50,000 to pave the parking lot, and \$50,000 for debt payments on the equipment loan.

Pension Funds

The Police and Municipal Employees Pension Funds are trust funds that provide monthly defined-benefit pensions to retired employees. An ordinance adopted by the Board of Supervisors governs the administration of each pension plan, and the Pension Plan Advisory Committees review investment performance and investment strategies. The Committees meet quarterly with the Township's Investment Advisor to review investment performance and adjust asset allocations.

The Pension funds consist of a mixed bond and equities portfolio with asset allocations according to an Investment Policy Statement adopted by the Board of Supervisors. The Township Actuary calculates annual required contributions for each plan (Minimum Municipal Obligation) to fund future retirement benefits.

The required Township contribution to maintain the actuarial soundness of the plans in 2019 is \$1.88 Million. The Township expects to receive \$670,000 in state aid to offset this amount. The contribution requirement increased from the prior year by \$270,000 due to a change in the mortality tables used in the Actuarial Valuation Report. The new mortality tables reflect a longer life expectancy that increases the funding requirement.

The Commonwealth levies a 2% tax on foreign casualty insurance premiums (insurance policies written by out-of-state insurance companies) to assist municipalities with pension plan funding.

The Police Pension Plan has an 85.2% funding ratio and the non-Uniformed Employee's Pension Plan has a 74.5% funding ratio based on the last Actuarial Valuation Report dated January 1, 2017. The reports are completed by the Township Actuary every two years as required by State law. The ratio represents the difference between plan assets and plan liabilities. These funding ratios are at acceptable levels.

The plans will have combined assets of approximately \$36.8 Million at year-end.

Future Trends and Outlook

The Township has embarked on an aggressive economic development initiative intended to revitalize the villages of Richboro and Holland as walkable town centers with increased density for commercial uses, making goods and services available locally for township residents. Planning tools such as the Richboro and Holland Master Plans form the blueprints for future growth and development in these areas.

A significant part of the revitalization initiative involves infrastructure improvements to enhance the appearance, safety, and walkability of the villages. These improvements include road projects such as the proposed extension of Township Road and roundabout construction, the Buck Road streetscape project, sidewalk improvement projects, and traffic signal upgrades. The roadway, sidewalk, and signal projects will improve traffic flow, reduce congestion, improve pedestrian safety and walkability, and create attractive downtown areas to promote and encourage shopping, dining, and entertainment.

The Board of Supervisors recognized the need to construct a new police facility and replace the existing building designed for 26 officers, now housing 43 officers and 10 civilian personnel. The Board also recognized the need to maintain its existing road and park systems, enhancing its road-paving program, preserve additional open space, and improve park facilities.

The many capital improvement projects currently underway or in the planning phase required local investment, and the Board of Supervisors wisely committed financial resources to complete concept plans and preliminary engineering design to secure grants for these projects. This effort has led to millions of dollars in grant funds from the state and federal government to fund all or a portion of the proposed projects.

The Township has also been successful in having two projects included on the State Transportation Plan, using federal transportation funds. The Township's initial investment in preliminary engineering for the Buck Road Streetscape and Bridge Replacement Project will return \$9 Million to the community. Our \$25,000 investment in concept plans for the Jacksonville and Almshouse Road intersection will return another \$2 Million.

The new police facility is under construction and scheduled for completion in May 2019. The Township also completed Phase 1 improvements at the Civic Center last year, with phase 2 improvements scheduled in 2019.

The Township also purchased the Northampton Valley Country Club, preserving 125 acres of additional open space adjacent to its active recreation facilities and Tyler State Park. This large area of green space enhances the quality of life for residents in the community. In addition, the Board of Supervisors approved the preservation of a 75-acre farm owned by the Rook family, adding to the hundreds of acres of preserved farmland in the northwest portion of the Township.

The Administration believes Township finances are stable and that revenue to support Township services will remain strong, despite the short-term decline in earned income taxes. The decrease in EIT revenue experienced in 2018 should be a one-time event; however, as a conservative practice, the budget only projects a 1% increase in the next year.

Although Township pension costs for the defined benefit pension plans rose significantly in 2018, a defined contribution pension plan is in place for new non-union employees to stabilize or reduce future pension obligations. The increased experienced this year should not be repeated. Healthcare costs remain manageable at 2% to 4% annual rate increases, and changes to plan design in recent years has resulted in significant saving. The Township also offers an opt-out program that result in reduced healthcare costs.

An improved real estate market has had a positive effect on transfer tax and permit revenue, and new residential development will bolster earned income taxes provided the real estate market continues at its current pace. All of these projections, of course, depend on a strong national economy and the many factors that affect home sales.

With dedicated funding for capital appropriations and a 10-year capital improvement plan to identify future capital needs, the Township positioned itself to strategically plan future budgets and adjust appropriations to match available resources.

During the economic downturn from 2008 and 2012, the Township temporarily reduced staff through attrition. This helped balance budgets and avoid tax increases. It also demonstrated that the organization is responsive to external influences affecting its financial condition.

Balancing the needs of a municipal organization and maintaining low tax rates is always a goal but also a significant challenge. Township employees always seek ways to reduce cost and spend resources efficiently. They are professional, courteous, and responsive public servants. Departments coordinate and cooperate in programs and services. Morale is high and there is a clear recognition that our single mission is to serve the public.

The Administration believes Township residents are pleased with our services and understand the Township wisely allocates its financial resources for their health, safety, and well-being. Maintaining accustomed service levels enhances the quality of life our residents currently enjoy.

The proposed 2019 Budget maintains municipal services at present levels and provides the necessary resources to achieve the goals and priorities established by the Board of Supervisors. In my opinion, it represents, in dollar terms, an accurate estimate of the Township's commitment to deliver quality municipal services to the community.

The Administration is pleased to present the proposed 2019 Budget for your consideration.

Respectfully submitted,



Robert M. Pellegrino
Township Manager