

Fund Detail Narratives

Following is a narrative summary of the financial position for each Fund, including commentary on projected revenues and proposed expenditures for 2020:

The General Fund

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

The Township levies a 1% earned income tax (EIT) 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. EIT collections will fall short of budget projections for 2020 by approximately \$257,000. The projected collection for 2020 is \$7.8 Million, representing 46% of total revenues. The proposed budget for 2021 is \$8.14 Million with no projected increase over the prior year. The tax represents approximately 46% of total revenues. EIT generally increases from between 1.5% to upward of 4% on average from year to year, although the Township experiences periodic revenue shortfalls like the \$400,000 shortfall in 2018. Due to a 1933 law, over 3,000 residents of the Township pay the Philadelphia wage tax and do not pay our local income tax. As a result, the Township loses over \$1.4 Million each year. This situation is unique to Philadelphia. No other municipality in Pennsylvania can claim a priority over local taxes.

Real estate taxes represent approximately 20% of total revenue at \$3.49 Million. The proposed General Fund real estate tax rate is 6.02 mills or 33% of the total Township real estate tax levy.

Transfer taxes are a tax on real estate sales and represent approximately 7% of total revenue at \$1.2 Million. The tax rate is 2% of the sale price. The county government receives 1 percent of the tax proceeds. The Council Rock School District and Township share the remaining 1% equally. Transfer tax receipts depend on the health of the real estate market and fluctuate from year to year. Current projections show transfer tax receipts in 2020 will be \$1.17 Million, and the estimate for 2021 is \$1.2 Million.

Other revenue sources Fund include permit fees, cable television franchise fees, and pension system aid. 2020 permit fees will fall short of budget by \$87,000 caused by the Covid-19 pandemic that halted construction for approximately two months this year. Fees are estimated at \$882,000 compared to the \$969,000 budget. Cable television franchise fees will fall short of the \$1 million budget by \$50,000, while the pension system state-aid increased by \$40,000.

Inter-fund transfers represent an additional \$432,000 in reimbursements for Public Works services for roadway paving and Library expenses paid from the General Fund.

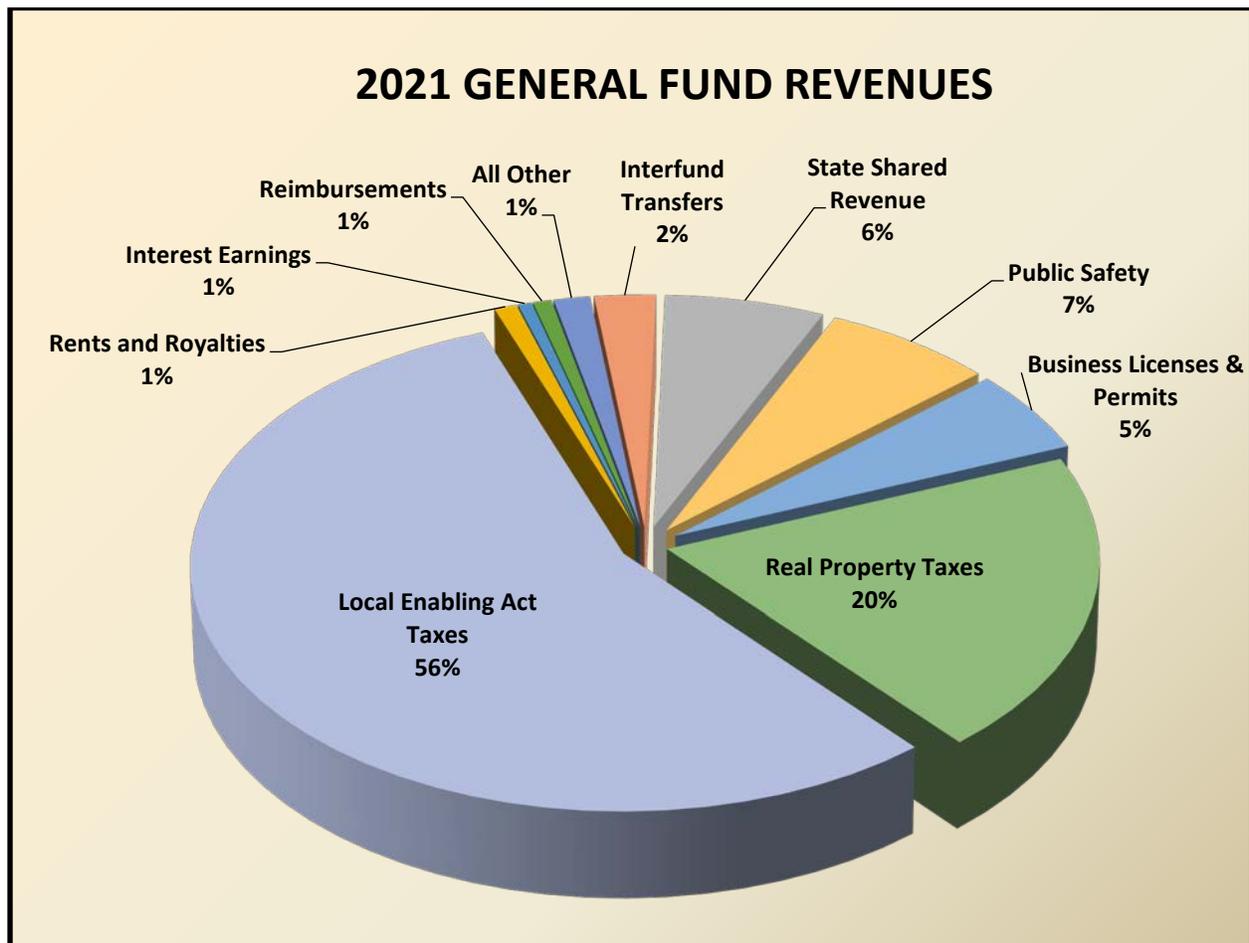
Pension system state aid represents 41% of the minimum required annual contributions to the Police and Non-Uniformed Employee Pension Plans. The required contributions increased by \$29,000 in 2020 and will increase by \$157,000 for 2021. Required contributions are calculated by the Township Actuary, and are based on information in the most recent Actuarial Valuation Report. These are defined benefit pension plans.

The plan for non-uniformed employees was closed to new employees in 2015, and replaced with a defined contribution pension plan applicable to all new hires. The police pension plan is governed by state law and a collective bargaining agreement.

The total estimated General Fund revenue in 2020 is \$17.01 Million or almost \$600,000 under budget due to projected shortfalls in significant revenue sources. There is no projected increase in the 2021 revenues over the current year. They are estimated at \$17.6 Million.

The uncertainties related to the pandemic going into 2021 are cause for concern. Projected revenue will be negatively impacted if another shutdown is mandated based on the recent increase in positive Covid-19 cases. Revenue sources most affected would be real estate and earned income taxes, transfer taxes, and fees. All other revenue sources are expected to remain constant.

The following chart shows the sources of General Fund revenue:



Projected General Fund expenditures in 2020 are \$17.2 Million, or \$338,000 under budget. Total expenditures include the transfer of \$250,000 to support the Senior Center, and \$334,000 for capital appropriations. The fund balance on December 31, 2020, is estimated at \$935,000. The fund balance is estimated at \$576,000 on December 31, 2021. These fund balances are extremely low. According to the Government Finance Officers Association, a fund balance should be between 10% and 15% of appropriations, or \$1.8 Million to \$2.6 Million. Adjustment to appropriations may be necessary for the coming year if revenue is negatively affected by the pandemic.

Proposed General Fund appropriations in 2021 total \$17.97 Million or \$465,000 more than the 2020 budget. This represents a 2.65% increase over the prior year.

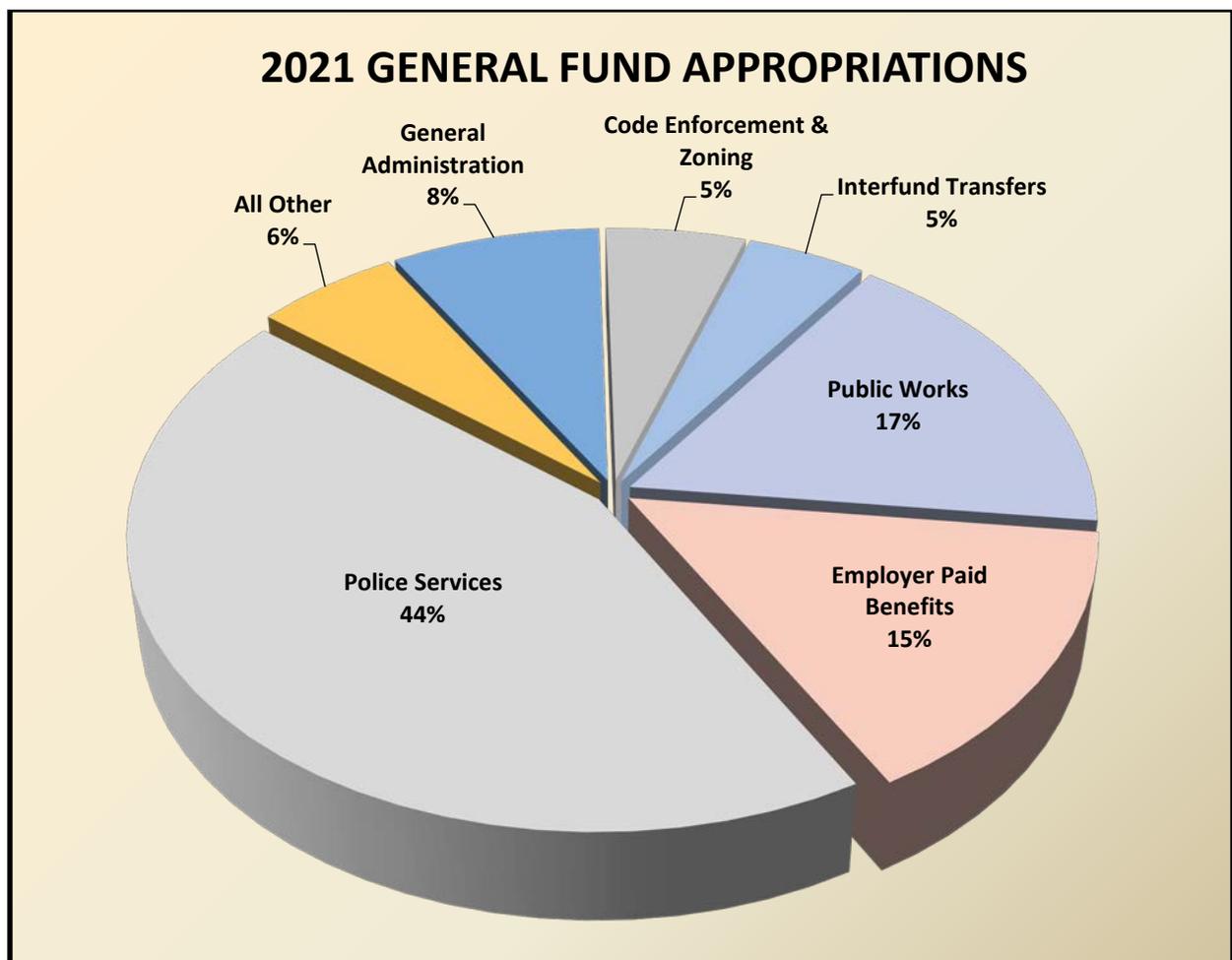
Salaries and wages in the General Fund represent 47% of total appropriations, with employee benefits accounting for an additional 30%. Police services are 53% of the total budget.

General Liability and worker's compensation insurance premiums will not increase for 2021, while contracted services have a budgeted increase of \$95,000 related to IT services and 3rd party-building inspections. Utility costs are projected to decrease by \$20,000, and professional service fees are budgeted at 2020 levels.

Total wage costs will increase by 2.1% across all Funds. A new police collective bargaining agreement is being negotiated, and the public works contract requires a 3% increase. Other non-union employees are budgeted to receive a 3% increase. The inter-fund transfer to the Capital Reserve Fund will be \$561,000 and the Senior Center contribution will increase by \$25,000 to \$275,000.

Other expenses such as supplies, minor equipment, training, advertising, lease costs, and printing are budgeted at prior-year levels.

The following chart shows the proposed General Fund appropriations by department:



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 that includes the cost for paid firefighters. As previously noted, the Volunteer Fire Company has transitioned to a “combination” Fire Department consisting of paid and volunteer firefighters operating under a single command structure.

The Volunteer 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 in tax revenue for these expenses, and \$300,000 for its capital reserve account.

The Fire Company maintains an equipment replacement and facility maintenance program based on a 20-year capital improvement plan. The Fire Company determines the amount of tax revenue for transfer to its capital reserve fund each year.

Each active firefighter has achieved the minimum required 180-hour firefighter-training program, and many have additional certifications.

All appropriations for paid, on-call, and volunteer fire services are now included in the Fire Protection Fund. The on-call program was implemented in 2019 to ensure adequate response time during overnight and weekend times. It provides a small stipend to volunteers willing to commit to being “on-call” during designated hours.

The “combination” department currently operates with 11 full-time paid firefighters, including two Lieutenants, a Deputy Chief, and about 30 active volunteers, who respond to emergencies at least 120 times each year. The volunteer Chief directs the activities of all paid employees and volunteer members. The Township recently received a grant in 2019 for \$890,000 to hire five additional paid firefighters that allowed the Department to implement 12-hour shifts for its paid employees. The grant will offset wages and benefits over 3 years in declining amounts.

The Township currently levies a 3-mill real estate tax for fire protection services that generates approximately \$1.7 Million to cover wages, benefits, and supplies for the paid employees, and continue to support the volunteer effort.

The total projected revenue for 2021 is \$2 Million, and the total proposed appropriations are \$1.9 Million.

Rescue Squad Fund

The Tri-Hampton 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.

The Board of Supervisors designated the Tri-Hampton Rescue Squad as the sole provider of emergency medical services for the Township in 2018, replacing Newtown Ambulance as the primary emergency medical services provider for the southeast portion of the Township.

As previously noted, the Rescue Squad had experienced difficulty in retaining qualified personnel and the Township increased its funding level from \$70,000 to \$290,000 annually by increasing the tax rate from .125 mills to .5 mills. The millage rate had not been increased in twenty years. Years. Tri-Hampton's total budget is approximately \$2.5 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 an annual fee charged to each property owner that generates approximately \$3.4 Million. The Township also receives approximately \$120,000 in state recycling grant funds based on the total tons of recycled material collected from residents each year.

The Township provides trash and yard waste collection once each week and has a single-stream recycling program that allows specific types of recycling materials to be placed into a single receptacle provided to each household as part of the collection contract.

The Township has four contracts for its solid waste management program: J.P. Mascaro & Sons, Inc. provides collection services for \$2.7 Million; Waste Management of Pennsylvania provides yard waste disposal for \$130,000, and recycling disposal for \$352,000; and Wheelabrator, Inc. provides trash disposal services for \$803,000.

The Southwest Bucks County Solid Waste Advisory Committee (SWBSWAC) comprised of Upper Southampton Township, Lower Southampton Township, and Northampton Township publicly bids these contracts.

Recent market conditions and the expiration of a 20-year contract changed the nature of recycling material costs. The Township received payments of up to \$125,000 for the sale of these materials in past years, but the implementation of single-stream recycling caused material values to drop significantly. Residents now bear a cost to dispose of recycled products. Township residents recycle approximately 4,700 tons of material each year.

The Township will pay \$58.64 per ton to dispose of regular household trash in 2021 compared to \$56.64 per ton in 2020. This rate will increase by 60.64 in 2022. The collection contract with J.P. Mascaro & Sons will remain at 2.64 Million in 2021 with no change in the per household collection rate of \$208.68. This rate will not increase through 2022. SWBSWAC will bid for a new contract that year.

The current household fee for trash, yard waste, and recycling collection and disposal is \$299. The rate was \$306 in 2012 and \$340 for the five years from 2007 to 2011.

Total projected revenue in 2021 is \$4.16 Million and total proposed expenditures are \$4.42 Million. The shortfall is funded from reserves of approximately \$330,000. This is an unsustainable long-term condition. A fee increase in 2022 is necessary.

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. The Finance Department manages the financial affairs of the Library and the Public Works Department provides in-kind maintenance services.

A 1.728 mill tax generates \$995,000 to support library services. Other revenues include state aid to libraries (\$129,000), fines (25,000), and charges for services (\$8,000). The Library Board fundraising effort provides an additional \$25,000 for Library services. The total projected revenue in 2020 is \$1.2 Million.

Total proposed expenditures in 2021 are \$1.22 million. Except for personnel costs, library expenses are static. Personnel expenses in 2021 are budgeted at \$736,000, with library materials and program costs at \$140,000, and utilities at \$67,000. Utility costs were reduced with the conversion of lighting fixtures to LED units, and the installation of automated controls for the HVAC system. The Township completed a project in 2019 to replace insulation on exterior HVAC ducts and is replacing an aged HVAC system this year that will improve energy efficiency and reduce energy costs.

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

There are more than 22,000 card-holding patrons and, in normal circumstances, over 40,000 individuals visit the library each year.

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. Of the 1,000 members, 53% are Township residents. Annual dues are currently \$25 per year. The Council Rock Senior Citizen Center Board of Directors has oversight responsibility for Center programs and operations.

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 \$250,000 in 2020 and will increase to \$275,000 in the proposed 2021 budget. Other income sources include state grants, facility rental, dues, social events, bus trips, and fundraising.

The Center has been closed since March with no firm date to re-open to its members or the public. The shutdown negatively impacted revenue in 2020 by \$85,000, and 2021 projections are \$34,000 less than the current year. Similarly, 2021 appropriations are \$39,000 less than in 2020.

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. Operating costs in 2020 include personnel (\$288,000), utilities (\$22,000), facility maintenance (\$18,000), bus trips (\$4,000) and social events (\$5,000). All appropriations are reduced from prior-year levels due to the pandemic and the uncertainty of a re-opening date.

Total projected revenue in 2021 is \$354,000, down from 385,000 in the prior year, and total appropriations are \$386,000, down from \$423,000. The Center will begin 2020 with a fund balance of \$41,000 and proposes an allocation of \$32,000 to balance the proposed budget.

The Township Public Works Department provides in-kind maintenance services to the facility, and the Finance Department provides financial accounting services for all Center operations.

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 costs are associated with the overall management of the department and include administrative staff salaries and fringe benefits. Appropriations for Recreation Administration are budgeted at \$340,000 in 2021. Appropriations in 2020 were \$341,000.

Participant Recreation costs are for all programs promoted by the Department and include summer camp operations and special events, instructor fees, ticket purchases, and other program-related expenses. Program fees fund the cost of participant recreation services.

Participant recreation services are budgeted at \$1.39 Million in 2021, down from \$1.64 Million in 2020. Estimated expenses at year-end are under \$1.1 Million, reflecting the impact of the shutdown on recreation programs. Department employees transitioned to virtual programming this year with great success to maintain service levels to the community. Summer camp served less than one-half of the usual number of registrants, and most outdoor activities such as the "Sights and Sounds of Summer" series were canceled. Department employees did an amazing job providing department services despite the limitations of public gatherings.

Parks Maintenance costs are budgeted at \$451,000 in 2021, a decrease of \$8,000 from the current year. These costs include routine parks and facility maintenance and repairs, supplies, utility costs, and contracted services. Three full-time and four seasonal employees in the Public Works Department maintain 225 acres of parkland, numerous buildings, and other recreation amenities.

A 1.628 mill tax generates \$937,000 for parks and recreation services, funding parks maintenance, capital improvements to the park system, and debt service on capital loans for equipment. The tax rate increased from 1.5 mills to 1.628 mills in 2018, the first increase since 2009.

Current year revenue in the Parks and Recreation Fund is \$1.43 Million, almost \$1.2 Million under budget. Current year expenditures will be \$1.98 Million or \$767,000 under budget.

Total projected revenue in 2021 is \$2.38 Million and appropriations are \$2.29 Million. There was no transfer from the operating budget to the Recreation Capital Reserve Fund, and none is proposed next year.

The Department adjusts its expenditures each year based on anticipated services and program demands. This was the case in 2020. The usual number of seasonal employees, particularly for the summer camp and pool program, were not hired because programs were shut down. The amount spent on programs and services is based on program participation rates.

The Parks and Recreation Fund will operate at a loss of approximately \$76,000 in 2020. This is the first time the Department has ever operated at a loss. The Fund is expected to show a positive fund balance of \$12,000 at the end of 2021.

Country Club Fund

The Country Club Fund accounts for the operation of the Northampton Valley Country Club. The Township assumed ownership of the facility on September 17, 2018. The Country Club operates an 18-hole golf course, clubhouse, and two catering facilities. The property also contains a pool complex used and maintained by the Township's Parks and Recreation Department for its summer camp and pool program. 10 full-time employees are serving in management capacities and, under normal circumstances, approximately 100 seasonal and part-time employees working at the facility, which is open year-round for golf, banquets, and other social events.

Unfortunately, Covid-19 and the shutdown had a significant negative impact on Country Club finances. While golf revenue is projected at \$165,000 under budget, banquet and event revenue is projected at \$1.9 Million under budget for a total shortfall of \$2.1 Million.

Under normal circumstances, about 40,000 rounds of golf are played each year at the Club, and there are numerous and repetitive golf outings and tournaments booked by business entities and individual groups. There are also individual golf memberships available that offer discounts for regular play. This year the golf tee times were booked solidly when golf was permitted to re-open after the initial shutdown; however, golf outings involving food and beverages were limited. Golf outing revenue in 2020 is projected to be \$120,000 under budget.

In the banquet facility, most of the booked events, such as weddings and parties, were either canceled with refunds or postponed until next year. A revenue shortfall in 2020 is projected at \$1.8 Million; however, there is approximately \$1.8 Million in deposits for new events in 2021 as of this date. These booked events are mostly weddings. If golf outings and corporate events are permitted next year, revenue for banquet operation could exceed \$2 Million. While this is not full capacity, the Club is poised to see increased revenue growth in the food and beverage business going forward.

Beginning in 2020, the Grille Room established regular hours and began to serve lunch specials and a dinner menu, which has become popular with residents and other patrons. While Grill Room revenue is projected to be under budget by \$25,000 at year-end, this number is expected to increase in the future. When the Grille Room is permitted to operate at full capacity, annual revenue could exceed \$400,000 compared to the budget of \$250,000 for 2021.

Total projected revenue in 2020 is \$2.2 Million or \$2.1 Million under budget. Total revenue is projected at \$4 Million next year compared with a \$4.3 Million budget in 2020. A portion of the revenue will fund capital appropriations and debt service on the acquisition loan.

Appropriations for Country Club operations include costs for administration, the golf shop, banquet operations, the Grille Room, and golf course and facility maintenance. The Cost of Goods Sold is an appropriation to purchase consumable products such as food, beverages, and Pro Shop inventory. The Country Club resells these items for profit in the Pro Shop, Grille room, and during banquet events.

Total projected expenditures in 2020 are \$3.5 Million, or \$500,000 under budget. Many seasonal and part-time employees were not hired this year as a result of the shutdown.

Total appropriations id 2021 include \$551,000 for the cost of goods sold, \$404,000 for administration, including \$66,000 for Township services, \$340,000 for the Golf Shop, \$1.16 Million for banquet events, \$68,000 for the Grille Room, \$845,000 for golf course maintenance, \$236,000 for facility maintenance, \$167,000 for Employee Benefits, and \$61,000 for insurance. Appropriations also include \$128,000 for debt on equipment loans and \$291,000 for debt service on the acquisition loan.

The Fund will operate at an estimated deficit of \$772,000 at year-end and is projected to have a \$937,000 deficit at the end of 2021. When the limitations on public gatherings are lifted, the Fund is expected to operate at a profit.

Road Maintenance Fund

The Road Maintenance Fund supports the cost of road paving and maintenance. A .5 mill tax generates approximately \$286,000 toward the Township's goal of enhancing its road maintenance program. The goal is to improve at least ten miles of the Township road system each year with resurfacing and/or micro surfacing applications. These additional funds supplement the \$1.1 Million allocated from State Liquid Fuels funds for road maintenance.

The 2021 Budget includes an appropriation of \$250,000 from the Fund for this purpose.

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 the 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 refinanced 2010 Bond Series B.

The Township issued new debt in 2018 totaling \$22.5 Million to fund the acquisition of the Northampton Valley Country Club, complete construction of the new police facility, purchase additional open space (Rook Farm), and for improvements to its roads, facilities, and park system. The proceeds also capitalized interest on the \$12.5 Million portions used to acquire the Country Club property. Capitalizing interest allowed for the use of surplus operating funds from the Country Club to complete certain capital improvements before incurring debt payments.

The Township has \$37.2 Million in outstanding bonds and notes as of December 31, 2020, and pays approximately \$1.8 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 \$2.9 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.

An estimated fund balance of \$644,000 is projected at year-end.

Capital Reserve 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 maintenance.

Revenues in the Capital Reserve Fund come from a variety of sources including grants, loans, developer contributions, and transfers from the General Fund dedicated to capital appropriations.

Projected revenue at year-end is just over \$1 Million that includes grant reimbursements, proceeds of short-term borrowing, and a General Fund Transfer.

Expenditures in 2020 include \$366,000 for engineering services for the Buck Road Streetscape project, the roundabout and Township Road extension project, the Richboro and Iron Works Creek sidewalk projects, and many traffic signal improvement projects. Many of these project costs are partially funded by grants. There were also expenditures of \$249,000 for improvements to the Library, and tree work related to spotted lanternfly and Ash borer infestations.

Appropriations in 2021 include funding for the road and sidewalk projects noted above and completion of the Library facility improvement project totaling \$2.1 Million. This includes \$1.47 Million for the sidewalk projects and \$363,000 for debt service on short term loans to purchase equipment such as dump trucks, a paver, and a backhoe. The budget also includes funding to install a left turn lane at Holland and East Holland Roads, and design of a trail extension on Newtown-Richboro Road that will include a traffic signal at Newtown-Richboro Road and St. Leonard's Road.

Recreation Capital Reserve Fund

The Recreation Capital Fund accounts for improvements to the Township's recreation facilities and parks infrastructure. Revenue to the fund comes from several sources including an inter-fund transfer from the Parks and Recreation Operating Fund. Other revenue sources include Impact fees on new development, State grants, and loan proceeds.

Due to the shortfall in revenue in the Parks and Recreation Operating Fund, there is no transfer for capital improvements to the park system in 2020, and no transfer is proposed in 2021; however, the 2021 budget includes \$430,000 in projected impact fees and \$150,000 from the Miracle League of Northampton Township.

Phase 2 improvements to the Civic Center were completed this year that included new ballfield lights, additional trails, regrading practice fields, parking lot expansion, paving of all asphalt areas, re-configuration of the stormwater basin. These improvements were funded by a DCNR grant of \$220,000 and loan proceeds from the 2018 bond issue. Phase 1 improvements were completed with a \$250,000 grant from DCNR.

The only project proposed for funding in 2021 is the construction of an all-inclusive playground at Municipal Park. The Township received a \$275,000 grant from DCNR for this project. The balance to complete construction will be funded by the Miracle League. The total project cost is estimated at \$600,000. All other projects in the capital improvement plan are deferred to a future year.

The Township received a \$237,000 grant from the Commonwealth Financing Authority (CFA) to install a trailhead on New Road to connect with Municipal Park. The project was bid in 2020 and the low bid was over \$600,000, although our engineers estimated the construction cost at \$280,000. This project is deferred until 2021 while options to the design are considered, including a relocation of the trail away from a wetland area that added \$175,000 to the project cost for a walkway.

Total projected revenue in 2021 is \$581,000. Total Appropriations are \$237,000, including \$137,000 for debt service.

Fire Company Capital Reserve

Each year the Volunteer Fire Company directs \$300,000 of the fire tax to its Capital Reserve Fund to replace fire trucks and maintain the fire stations. The allocation to the Fire Company Capital Reserve Fund is based 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.

There are no proposed appropriations from the Fire Company Capital Reserve Fund proposed in 2021. As previously noted, Township is undertaking the design and construction of two new fire stations to replace Station #3 in Richboro and Station #73 in Holland.

The year-end balance in the Fund will be approximately \$2.8 Million.

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 \$328,000 in revenue to fund the Department's equipment replacement program. The maximum allowable levy is two mills.

The Township purchased a replacement dump truck and backhoe this year. Appropriations in 2021 include a replacement dump truck, loader, and small excavator that will be used in drainage improvement projects. There is also an allocation for replacement snow plows and salt spreaders, and an appropriation for debt service payments on short term loans for equipment purchased in previous years.

Total revenue in the proposed 2021 budget is \$783,000, including \$452,000 in short-term borrowing. Total appropriations are \$777,000, including \$325,000 for debt service.

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 paid at the gas pump. Municipalities receive approximately 12% of the total collected by the Commonwealth. 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 \$1.3 million in 2020. The allocation increased in recent years under the provisions of Act 89 that raised the motor fuel tax to fund road and bridge repairs across the Commonwealth.

The Township also receives \$38,000 each year through a road take-back program and has a contract with PennDOT to clear snow and ice on 17 miles of state-owned roads for an additional \$38,000. This amount will increase to \$46,000 in 2021.

The Commonwealth restricts expenditures from the Fund to road maintenance costs such as snow plowing, road striping, guide rail 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 9.8 miles of the road system this year. The 2021 Road Maintenance Program includes 9.9 miles of milling/paving, and/or micro-surfacing. The estimated cost of this work is \$1.35 Million.

Other appropriations in 2021 include de-icing salt (\$200,000), traffic signal and sign maintenance (\$40,000), street light electricity ((\$37,000), and a transfer of \$250,000 to the General Fund for Public Works Department wages related to the paving program.

Total projected revenue in 2021 is \$1.39 Million and appropriations are \$1.7 Million. The projected fund balance is \$29,000 as of December 31, 2020.

Library Capital Fund

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

The Library Board authorized an expenditure of \$45,000 from the fund in 2020 to install self-service kiosks and purchase-related book inventory software. The total project cost was estimated at \$120,000; however, the Library staff completed the book tagging and system installation in-house during the shutdown and the project was completed for \$87,000. The remaining cost of the project was paid from the Library Operating Fund. There is an appropriation of \$20,000 from the Fund to replace computers in 2021.

There is no dedicated revenue source for capital needs. The estimated fund balance on December 31, 2021, is \$27,000.

The Township owns the Library building and the Department of Public Works provides routine maintenance at no cost.

Senior Center Capital Fund

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, and the Township performs accounting and financial management services.

The Township spent \$122,000 from the Fund in 2020 to replace the main HVAC unit and install software to allow off-site monitoring of the HVAC system for the building. The Center received a grant of \$95,000 in 2019 toward the project cost. An appropriation of \$55,000 is included in the 2021 Budget.

Total appropriations in 2021 are \$55,000 to replace a portion of the building roof and an HVAC unit.

There is no dedicated revenue source for future Senior Center capital needs. The current fund balance is \$62,000. There will be approximately \$8,000 remaining in the Fund at the end of 2021.

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 Operating Fund and proceeds from short-term loans for equipment acquisition provides funds for capital needs.

The Township completed the installation of a new irrigation system this year and made improvements to the banquet facility, including the replacement of a roof and several HVAC units for a total of \$1.8 Million.

There was also an expenditure of \$213,000 to replace mowing equipment. This was the second-year 3-year program to replace golf course maintenance equipment; however, the third-year appropriation is being deferred.

A transfer of \$850,000 from the operating budget in 2020 partially funded these improvements. Also, the Board authorized the use of \$1.1 Million in remaining funds from the 2018 bond issue and borrowed a short-term loan for \$203,000 for equipment replacements.

The 2021 Budget includes a \$128,000 transfer from the Country Club Operating Fund. No other revenue is anticipated.

Appropriations in 2021 total \$128,000, including \$15,000 to replace on HVAC unit in the banquet building, and \$113,000 for debt service. No other projects are contemplated. The fund balance on December 31, 2021, is estimated at \$20,000.

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 2021 is \$1.9 Million. The Township expects to receive \$783,000 in state aid to offset this amount.

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 85.7% funding ratio and the non-Uniformed Employee's Pension Plan has a 75.7% funding ratio based on the last Actuarial Valuation Report dated January 1, 2019. The ratios increased slightly from 2017. The reports are completed by the Township Actuary every two years as required by State law. The next Actuarial Valuation will be submitted to the PA Auditor General by March 31, 2022. 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 \$42.9 Million at year-end.