

# Letter of Transmittal

**November 7, 2014**

**TO:** The Northampton Township Board of Supervisors

## **Introduction**

The Administration is pleased to submit the proposed 2015 Budget for your review and comment. 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 and highlight areas of importance in the financial section. It also contains a summary of program and service delivery, cash position, and revenue and expense forecasts.

### **Operating, Capital, and Trust Funds Budgets**

The proposed 2015 Budget consists of 19 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 the 19 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.

Analyzing trends in revenues and expenditures from prior years, reviewing line item details at the highest level, evaluating the appropriateness of current programs and services, and considering present economic conditions are considered when preparing the proposed budget. The intent of resource allocation is to maintain accustomed service levels and provide needed capital improvements.

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 translates to improved accuracy in accounting and budgeting.

The proposed 2015 Budget includes separate operating funds for general government, fire and rescue services, refuse collection, library services, senior center operations, contracted street lighting, parks and recreation services, debt service, and state highway aid allocations. Detailing these services in separate funds allows the costs for these government functions to be easily identifiable, providing the Board of Supervisors and Township residents with a clear picture of how the Township allocates resources for its program of service delivery.

The proposed budget continues the practice of separating operating and capital budgets. 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 Reserve Fund. Funding for these appropriations can be from a variety of sources including inter-fund transfers, grants, and impact fees.

Capital reserves for fire and rescues equipment, road equipment, and library building improvements are included in separate funds and limited to those specific expenditures. The Library Board can choose to fund capital appropriations using its available capital fund balance or by transfers from the Library operating budget.

The proposed 2015 Budget now includes a new capital fund for Senior Center improvements, established with funds previously held by the Senior Center Board of Directors. Use of these funds is limited to building renovations and capital maintenance at the facility.

Separating capital appropriations from operating revenues and expenditures eliminates the variations 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 standardizes the accounting function and simplifies the budget preparation process. The Administration believes that it provide sufficient detail to identify how tax revenue is appropriated and further provides an broad overview of the financial operations of Township government

## **Budget Highlights**

Following are highlights of the proposed 2015 Budget:

### ***The budget maintains municipal services at current levels***

Operating appropriations in the proposed 2015 Budget provide the resources needed to continue the high level of expected service from 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 Library and Senior Center. The appropriations also include debt payments on outstanding bonds, and funding for certain infrastructure improvements and capital equipment purchases. There are no proposed reductions in Township services.

### ***Capital appropriations maintain critical infrastructure and equipment***

Proposed capital appropriations include on-going computer system replacements and software upgrades, installation of energy saving light fixtures in the public works building, video equipment for the meeting room, a new gas pump system, replacement vehicles for the Police and Public Works departments, ballistic vests, bridge repairs, cameras for the police vehicles, and traffic signal upgrades. The budget also includes funding to resurface or treat approximately 4 miles of Township roads, replace curbs, and fund lease purchase payments on vehicles and equipment acquired between 2011 and 2014. All 2010 lease obligations are satisfied. The lease purchase contracts have three, five, and seven year terms depending on the life expectancy of the equipment.

Capital appropriations for the Parks and Recreation Department include new playground equipment and front doors at the Recreation Center, gymnasium fans, bleachers, stone lot resurfacing at Pheasant Run, native plantings at the 39-acre site, storage building construction (deferred from 2014), resurfacing basketball courts, and on-going lease purchase payments for vehicles and equipment.

With completion of the parks and recreation comprehensive plan update and the adoption of a master plan for the Civic Center, the budget also includes funding for a portion of phase 1 improvements at the Civic Center funded with a grant from the Pennsylvania Department of Conservation and Natural Resources and a five (5) year loan.

The Finance Department developed a ten (10) year capital improvement plan in 2012 that serves as a guide when programming capital appropriations. The Department updates the plan annually with input and advice from each Department Director and the Township Manager. The plan is included under Schedule J of the budget document and is the basis for proposed capital appropriations in the 2015 budget. Prudent investment in the Township infrastructure and equipment replacements is a critical to the mission of providing quality municipal services.

### ***There are no new staff positions in the proposed budget***

Present staffing levels are adequate to maintain Township services in the near future and there are no new positions proposed in the 2015 budget. There are also no proposed staff reductions. Unless the Board of Supervisors adds new programs or services, additional staffing is not necessary; however, changes or reassignment of duties among existing employees may be required from time to time.

### ***The proposed budget maintains real estate taxes at 2014 levels***

With dedicated funding for capital facilities and equipment replacements, there is no need for additional tax revenue to fund current operating and capital appropriations and there is no proposed real estate tax increase for the 2015 fiscal year.

At the proposed tax levy of 12.9275 mills, real estate taxes for a home assessed at the median value of \$35,600 will pay \$460 per year or \$38 per month for Township services.

### **Budget Overview**

The General Fund is the largest operating fund and accounts for many common local government services. These include police services, 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 the fire and rescues services, parks and recreation services, library services and debt payments are available only for that 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, utility and routine maintenance and operational expenditures. Appropriations from other funds are limited to capital improvements or other specified purposes. Examples include debt payments; refuse collection costs, emergency medical services and volunteer fire company support.

Each proposed budget shows beginning and ending fund balances, projected revenues, and line item appropriations by category and illustrates the cost for these separate and distinct government functions.

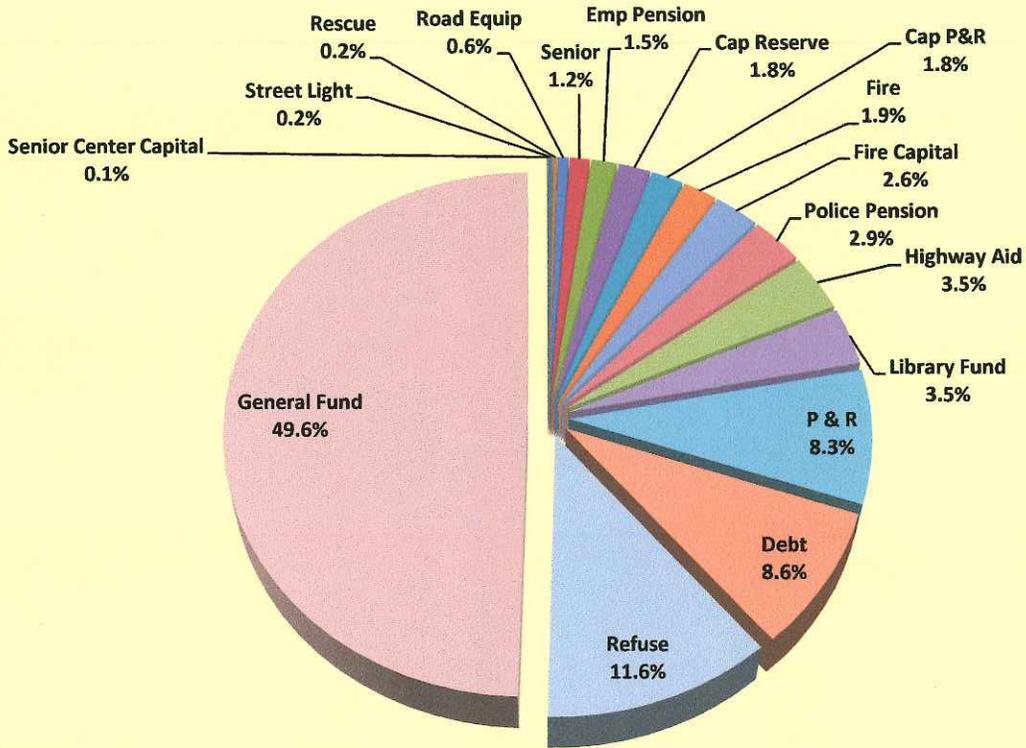
Personnel costs remain the largest single expense in the operating budgets representing 76 percent of total appropriations in the operating funds. Insurance, utilities, professional services, and contracted services (not including refuse collections) account for an additional 8 percent of budgeted expenditures. These percentages are typical in local governments as public service agencies and demonstrate that significant budget reductions can only occur with staff reductions that directly affect service delivery.

### **Appropriations in 2015 proposed budget for all funds is \$30.8 million.**

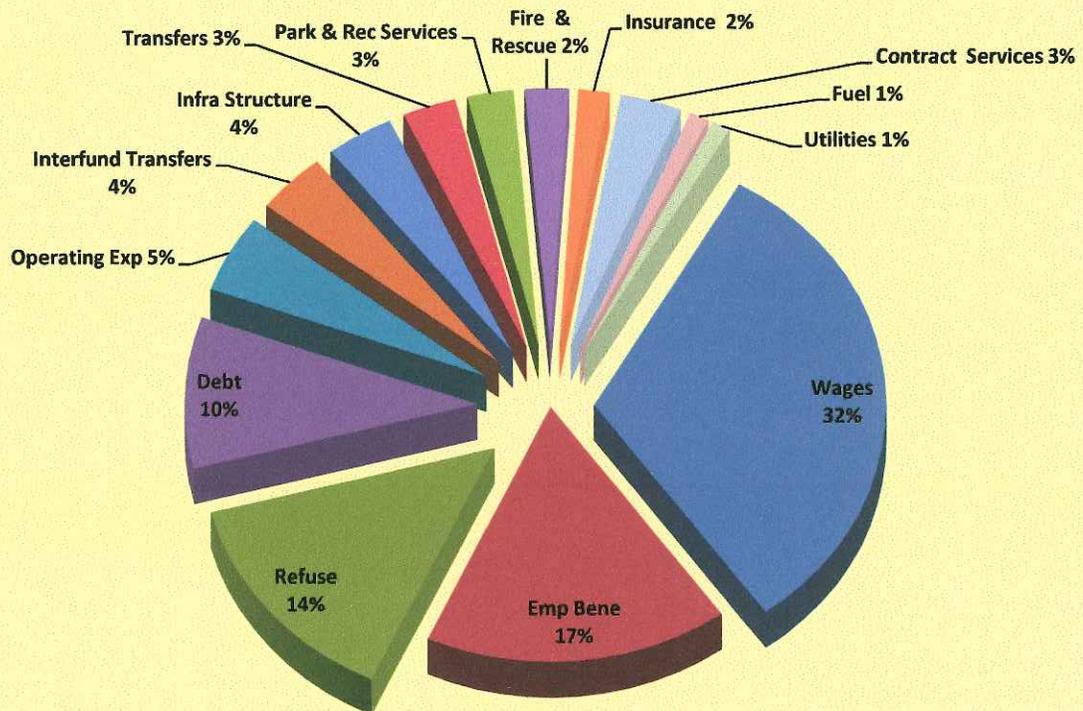
The General Fund totals \$15.3 Million. Other operating budgets include the Fire Protection Fund (\$598,000), Rescue Squad Fund (\$72,000), Refuse Collection Fund (\$3.57 Million), Library Fund (\$1.09 Million), Senior Center Fund (\$355,000), Street Light Fund (\$59,000) Parks and Recreation Fund (\$2.55 Million), Debt Service Fund (\$2.67 Million) and Highway Aid Fund (\$1.084 Million). Combined capital funds total \$2.15 Million and pension funds total 1.35 Million.

The charts on the following page show proposed appropriations by fund and major expense category:

## 2015 APPROPRIATIONS BY FUND



## 2015 EXPENSE CATEGORIES



A narrative summary of the financial position of each fund and a highlight of projected revenues and proposed expenditures for the new fiscal year follows:

### **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, Act 511 taxes (earned income, per capita, local services, and transfer taxes), business licenses, permit fees, grants, state-shared entitlements, and charges for service.

Earned income taxes represent one-half (1/2) percent of earned income. Township residents and non-residents working in the Township pay the tax unless their home municipality levies it. Earned income taxes will generate an estimated \$7.6 Million in 2015, representing 51 percent of total revenues in the General Fund. Real estate taxes represent another 15.3% of total revenue at \$2.26 million. The proposed General Fund real estate tax rate is 3.9845 mills.

Transfer taxes are a tax on real estate sales within the Township. The tax rate is 2% of each sale price. The county government receives 1% of the tax proceeds, and the Council Rock School District and Township share the remaining 1 percent equally. Transfer tax receipts steadily declined since 2006 when collections exceeded \$1.5 Million. Transfer taxes dipped to a low of \$607,000 in 2011; however, an improved real estate market has steadily increased transfer tax receipts since that time. Current projections indicate that transfer taxes in 2014 will reach \$1 Million and the 2015 projection is slightly higher.

About 500 properties will transfer ownership in 2014. This represents an increase of 185 transfers from the low of 315 in 2011. Five percent of the existing housing stock (600 properties) typically transfers each year. New home construction further enhances transfer tax revenue and new home construction will increase with the Leehurst Farms and Waverly subdivision soon to be under construction. Any increase in transfer tax receipts minimizes the need to increase the real estate tax.

Other significant sources of revenue in the General Fund include permit fees, cable television franchise fees, and pension system aid. Interest earnings have virtually disappeared as market rates on short-term instruments remain below 1 percent.

Revenue from permit fees reached a low of \$264,000 in 2009 but has steadily increased since that time. The Township issued permits for ten new homes in 2014. There were three permits for new homes issued in 2012. Permit fee revenue in 2014 will exceed \$584,000, down from \$664,000 last year; however, new home construction and commercial development will boost permit revenue in 2015. There is also a steady demand for addition and alteration permits. From 2008 through 2014, the Township issued an average of 905 permits for these types of improvements.

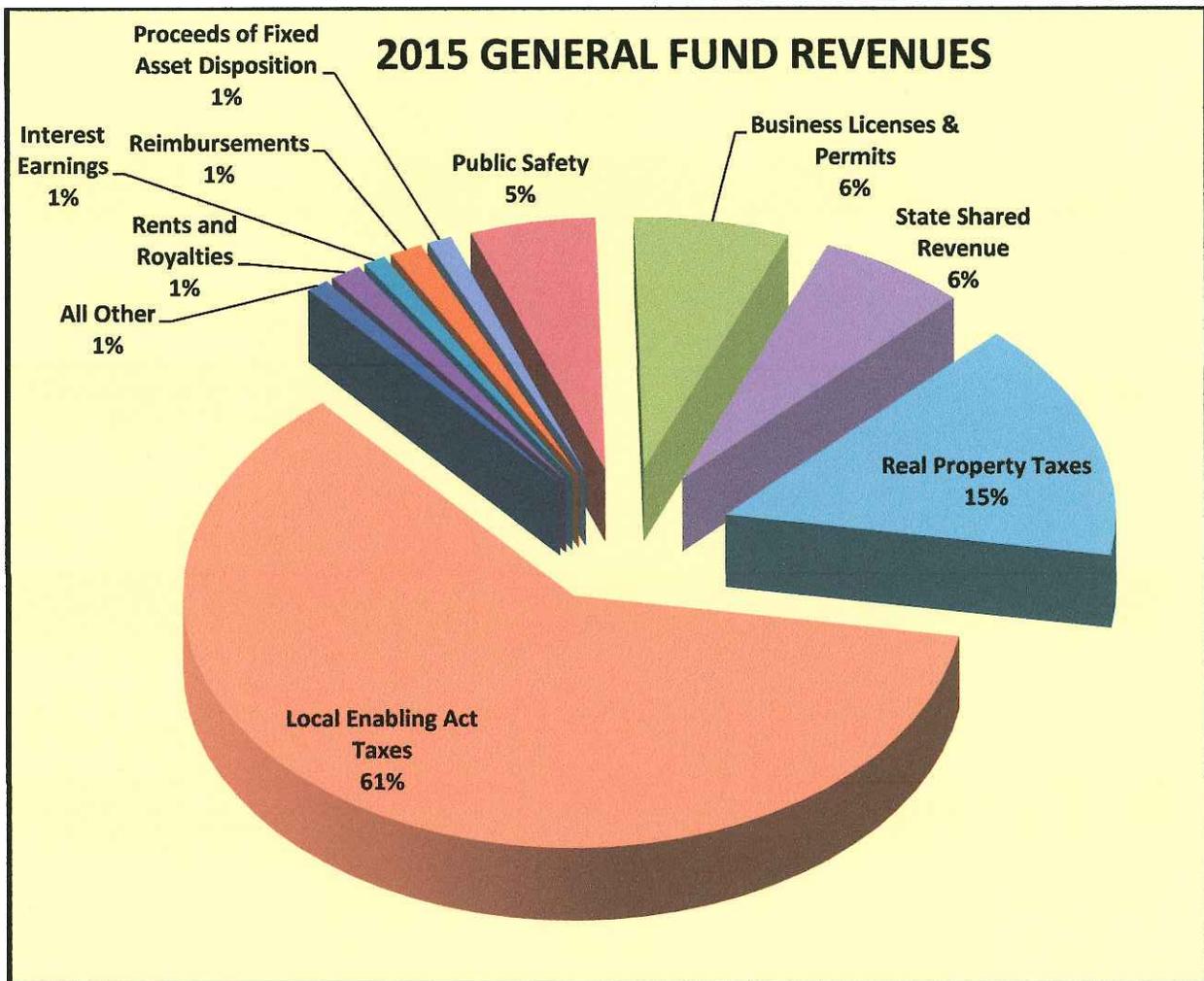
The Township will receive \$542,000 in state aid for its employee pension plans that represent 32 percent of the minimum required plan contributions. Cable television franchise fees continue to increase steadily each year by between \$30,000 and \$50,000. The 2015 projection is \$950,000.

Total estimated general fund revenue in 2014 is \$14.57 Million and \$507,000 over budget. Act 511 taxes (\$619,000), cable television franchise fees (\$50,000), and transfer taxes (\$54,000) are major contributors. Real estate tax collections will be under budget by an estimated \$30,000. There is also a reduction in the use of special police services (\$26,000) and permit fees (\$30,000).

Projected revenue in the proposed 2015 Budget totals \$14.9 Million and represents a 6 percent increase over the 2014 budget. Earned income taxes (\$689,000), cable franchise fees (\$50,000), local services taxes (\$92,000) and transfer taxes (\$54,000) are significant contributors. The budget includes \$55,000 in contributions from non-uniformed employees toward health insurance premiums.

Tax collection experience, prior year collection history, contract guarantees, projected grants, state shared revenue, and economic trends are the basis for future revenue projections. Earned income taxes, transfer taxes, and permit fees have the most significant financial impact on General Fund revenue from year to year.

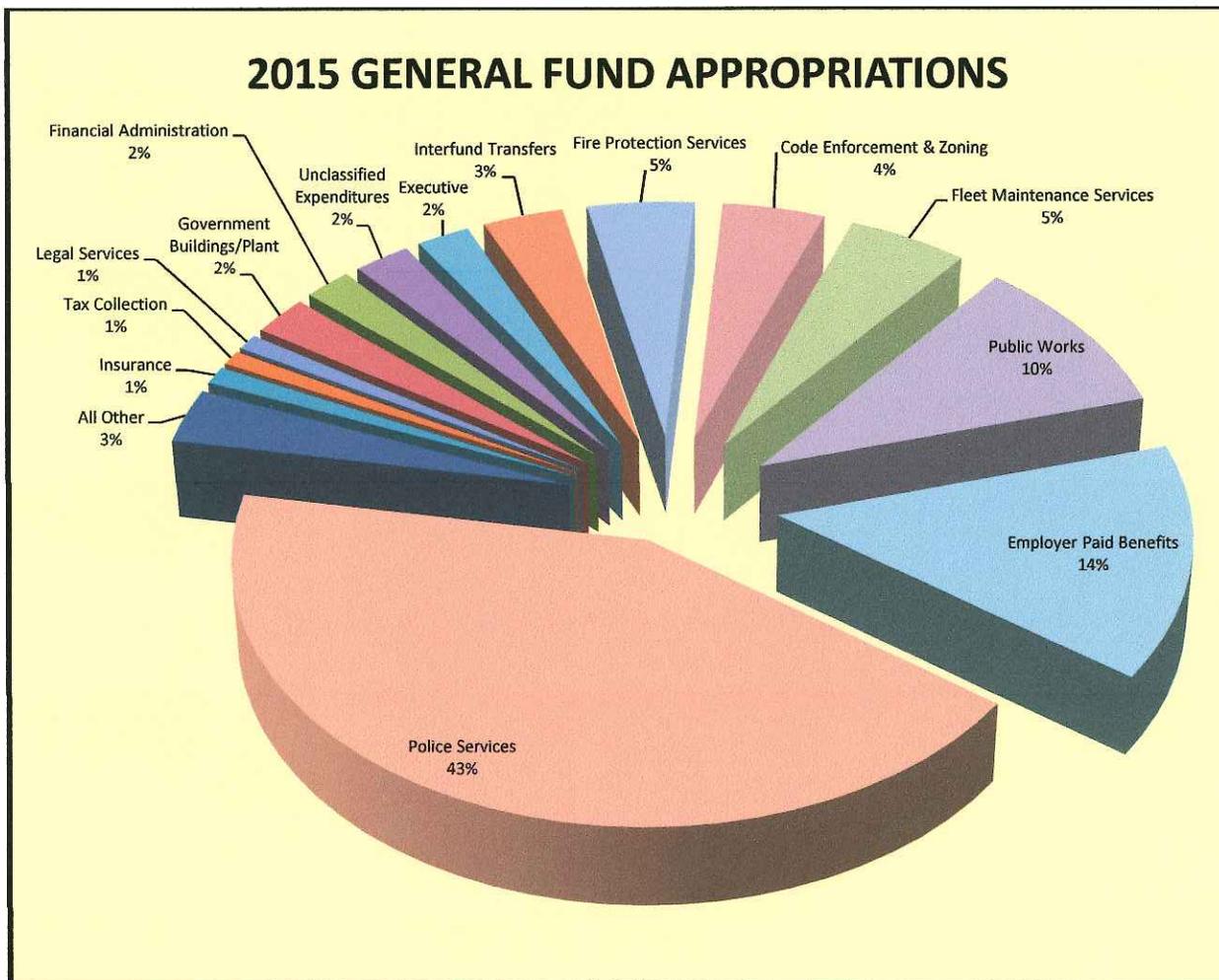
The following chart shows the sources of General Fund revenue used for the operation of Township government:



Projected General Fund expenditures in 2014 total \$14.7 Million and are consistent with budget appropriations. Many departments, including the police, will be under budget for the year and there is an overall positive result from operations of \$393,000 *before transfers*. With the transfer of \$210,000 to support the Senior Center and \$297,000 transferred to the Capital Reserve Fund, the ending fund balance from 2013 to 2014 will decrease from \$2.4 Million to \$2.29 Million or \$116,000 at year-end. Building and fleet maintenance costs will exceed budget appropriations by about \$70,000. The harsh winter contributed to these budget overruns.

Proposed General Fund appropriations in 2015 total \$15.3 Million, a 4% increase over the 2014 budget. The appropriations include a \$397,000 transfer for capital projects and equipment replacements. Wages and employee benefits account for most of this increase at \$475,000. Total wage costs will increase 2.13%. The police wage scale increases by 3.25%, public works employees will see an average 2.6% increase, and 3% is budgeted for all non-union employees.

Healthcare costs will increase 12.4 percent from 2014 although rates increased by 9 percent. Workers compensation and liability insurance costs will increase only slightly, and utility costs are flat for next year. The Senior Center contribution will increase by \$15,000 to \$227,000, and required pension plan contributions will increase by \$87,000. The budget for legal services increased by \$35,000 in anticipation of police contract negotiations. Other expenses like 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:



### ***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 currently levies a 1.05-mill real estate tax dedicated to fire protection services that generates approximately \$596,000. The maximum tax levy is three mills.

The Fire Company has three parts to its operating budget; an administrative budget for utilities, dues, insurance, and supplies; an operations budget for fire truck maintenance, fuel, fire hose, uniforms, tools and training; and a facilities budget for cleaning services, building repairs, and general maintenance. The company uses \$296,000 of its tax revenue for these expenses.

A portion of the tax receipts fund a capital equipment replacement and facility improvements program. Capital reserve funds support equipment acquisitions and facility improvements in accordance with a 20-year capital improvement plan. The fire company directed that \$300,000 of tax revenue be transferred to its capital reserve fund in 2015.

The 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 70 active members training each week and volunteering their time to support the community. Each active firefighter has achieved the minimum required 180-hour firefighter-training program, and many have additional certifications.

The Township disburses tax receipts semi-annually to the Fire Company.

### ***Rescue Squad Fund***

The Township levies a .125-mill tax levy to support emergency medical services provided by the Tri-Hampton Rescue Squad. The tax levy generates approximately \$72,000. Like the fire company, the rescue squad uses a portion of the tax proceeds, disbursed semi-annually, for its capital equipment replacement program. The maximum 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.

Total revenue for 2015 is \$73,000 and total appropriations are \$72,000. The organization has an annual operating budget of \$1.5 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 annual fees charged to each property owner receiving services. The current fee is \$264 per residential household that generates over \$3.2 Million. The Township also receives approximately \$48,000 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 \$2.44 Million; Waste Management of Pennsylvania provides yard waste and trash disposal services for \$843,000, and they also provide recycling material disposal and pay the Township for the materials at market pricing.

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 Township approved a new waste collection contract in 2012 that changed the collection schedule from twice weekly to once each week, and each household received a wheeled recycling container as part of the contract. In addition, the Township instituted a single stream recycling program so residents can place all types of recycling materials into a single receptacle. These changes increased recycling collections by 31 percent, but caused a reduction in revenue from the sale of recycled materials due to increased supply.

Waste disposal costs dropped by more than 35 percent in 2014 due to a favorable bid from Waste Management. The Township will pay \$46.80 per ton in 2015 to dispose of regular household trash. The rate in 2013 was \$68.91 per ton. The collection contract with J.P. Mascaro & Sons will remain at \$195.84 per household for the third straight year. Two additional options years on the contract will increase the household rate to \$208.32 and \$215.04 respectively.

The current household fee for trash, yard waste, and recycling collection and disposal will remain at \$264 in 2015, down from \$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 1.6 mill tax levy generates \$908,000 and is the single most significant revenue source to support library services. Other revenue sources include state aid to libraries (\$116,000), fines (33,000), and charges for services (\$14,000).

The current tax rate is sufficient to support library services for at least one more year.

With the exception of personnel costs, library expenses are somewhat static. Total proposed expenditures in 2015 are \$1.09 Million with personnel costs at \$796,000, library materials and program costs at \$133,000, and utilities at \$92,000. This is a 4.4% increase over the 2014 budget. In order to receive state aid, the Library must budget at least 12% of all operating expenses for program supplies

The Finance Department currently manages the financial affairs of the Library and the Public Works Department provides maintenance services at no additional cost.

Total projected revenues in 2015 are \$1.077 Million and appropriations are \$1.090 Million.

There are 22,000 card-holding patrons and over 500 people visit the library on an average day.

### **Senior Center Fund**

The Senior Center Fund accounts for the operation of the James E. Kinney, Jr. Senior Center. The Center has almost 1,000 active members, and over 2,800 individuals participate in program activities each month. Annual dues are \$20.00.

There is no dedicated tax to support Senior Center operations. An inter-fund transfer from the Township General Fund is the primary revenue source for Center operations. This transfer was \$212,000 in 2014 and will increase to \$227,000 next year.

In addition to the Township contribution, Newtown Township and Upper Makefield Township each contribute \$1,000 to the Senior Center. Other income includes a state grants (\$18,500), facility rental (\$28,000), dues (\$16,000), social events (\$22,000), and bus trips (\$19,000).

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. Significant operational costs include utilities (\$26,000), equipment maintenance (\$12,000), bus trips (\$14,000), social events (\$12,000) and Contracted services (\$14,500). The Public Works Department provides in-kind maintenance services as needed.

The Township assumed responsibility for financial accounting of all Center operations as of July 2014 and the 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 on the Township's financial accounting system now includes revenues and expenditures previously managed by Center staff. The Township also added four part-time employees to its payroll. The Senior Center Board of Directors previously paid these employees directly.

Total projected revenue in 2015 is \$345,000 and total appropriations are \$355,000.

### ***Street Light Enterprise Fund***

The Street Light Enterprise Fund accounts for the cost of contracted services provided by the Public Works Department to other municipalities for street lighting maintenance. 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 14 percent of their time on the program.

Fees support the cost of personnel, supplies, and equipment. Since employee salaries are a budgeted item, the fees offset a portion of the Township's fixed costs for public works personnel. Periodic fees adjustments fund cost increases and build reserve for an eventual vehicle replacement.

Total projected revenue in 2015 is \$65,000 and appropriations are \$59,000.

### ***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 accounts for general costs associated with the overall management of the department and includes administrative staff salaries and fringe benefits. Recreation Administration costs are budgeted at \$315,000 in 2015.

Participant Recreation includes the cost for summer camp operations, instructor fees, ticket purchases, and other program related expenses. Program fees and charges fund the cost of participant recreation services total \$1.58 Million. More than 5,500 individuals participated in recreation programs this year. There were an additional 750 summer camp participants.

Parks Maintenance costs are budgeted at \$451,000 in 2015. They 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 1.5 mill tax generates \$852,000 for parks and recreation services. This tax rate has remained the same since 2009.

Total projected revenue in 2015 is \$2.48 Million and total appropriations are \$2.55 Million. The appropriations include a \$100,000 transfer to the Recreation Capital Reserve Fund.

### ***Debt Service Fund***

The Debt Service Fund accounts for debt obligations on outstanding bonds, notes, and loans. The Township has \$16.3 Million in outstanding bonds as of December 31, 2014. These bonds were issued in May and October 2010 that refinanced four prior bond issues. The May 2010 bond issue will be retired in 2018 and the October 2010 issue will be retired in 2021. Each bond issue has a 3 percent average interest rate. The prior bond issues funded capital improvements including the Library expansion, Senior Center construction, stormwater system upgrades, and Municipal Park construction.

The Township will pay \$2.1 Million in debt principal in 2015. The outstanding principal balance will be \$16.3 Million as of December 31, 2014.

The current tax levy of 4.303 mills generates approximately \$2.44 Million toward debt service payments and is insufficient to fund required debt service payments beyond the first principal payment in 2016. A tax levy adjustment is required to fund remaining debt obligations unless the bonds are refinanced.

### ***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 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 (\$297,000) dedicated to capital appropriations.

A ten (10) year Capital Improvement Plan identifies capital needs on a long-term basis. The plan is updated annually and is currently funded through 2016. The Township will receive \$165,000 from a PennDOT grant to fund a \$230,000 crosswalk and handicapped ramp project in Richboro next year.

Other appropriations in the 2015 capital budget include replacement police vehicles, data processing equipment and software, ballistic vests, bridge and curb repairs, traffic signal improvements, a fuel dispensing system, energy efficient lights in the public works and recreation maintenance buildings, and loan payments on vehicles and equipment purchased since 2011. Payments on a new county radio system are deferred until 2016.

Total projected revenue in 2015 is \$506,000 and appropriations are \$602,000.

### ***Recreation Capital Reserve Fund***

The Recreation Capital Fund provides financial resources to maintain and improve recreation facilities and infrastructure. An inter-fund transfer from the Parks and Recreation Operating Fund to the Recreation Capital Fund supports capital improvements. This is similar to the Volunteer Fire Company saving a portion of its tax revenue to replace fire apparatus. The operating fund transferred \$150,000 to the capital fund in 2014. Assessment fees on new development will provide additional revenue as the real estate market improves.

The Parks and Recreation Department spent \$50,000 in 2014 on engineering design for the Civic Center improvement project and \$60,000 replacing vehicles and equipment.

The proposed 2015 Budget includes new playground equipment and front doors at the Recreation Center, gymnasium fans, sidewalk repairs, bleachers at Big Meadow Park, stone lot resurfacing at Pheasant Run, native plantings at the 39-acre site, construction of a storage building (deferred from 2014), resurfacing basketball courts at Municipal Park and on-going lease purchase payments for vehicles and equipment. There is also \$326,000 appropriated for a portion of Phase 1 improvements at the Civic Center. The \$610,000 project is partly funded by a \$250,000 grant from the PA Department of Conservation and Natural Resources. It includes entryway and parking lot improvements, relocated fields, trails, and storm water management.

Total projected revenue in 2015 is \$226,000 and appropriations are \$563,000.

### ***Fire Company Capital Reserve***

Each year the Northampton Township 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 proceeds are held by the Township in a separate fund and appropriations are budgeted based on the needs of the organization.

The Fire Company bases the amount transferred from the Fire Tax Fund to the Fire Company Capital Reserve Fund on its capital needs as identified in a 20-year capital plan. The fire company will spend \$96,000 this year to replace the roof on station #83.

Appropriations for 2015 include floor resurfacing and boiler replacement at Station 83, concrete pad replacement at Station #3, and purchase of a Quint to replace the existing ladder truck. These costs are included in the proposed budget at a cost of \$100,000. The new truck is budgeted at \$700,000. The current fund balance is over \$1.7 Million.

Total projected revenue in 2015 is \$750,000 and total appropriations are \$800,000.

### ***Rescue Squad Capital Reserve***

Like the 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 \$24,000. The reserve funds acquisition of new or replacement emergency medical vehicles and equipment.

There are no budgeted appropriations in 2015. The most recent expenditure from the fund was in 2012 for equipment acquisition.

### ***Road Equipment Capital Fund***

The Road Equipment Capital Fund accounts for expenditures to replace Public Works Department vehicles and heavy equipment. A dedicated tax levy of .365 mills generates \$207,000 in revenue. The maximum levy is two mills.

Appropriations in 2015 include the acquisition of two dump trucks (with snowplows and salt spreaders), a trailer and funding of on-going lease purchase payments on vehicles and equipment purchased since 2012. Annual appropriations are based on a ten (10) year equipment replacement plan. The plan is updated each year.

Total appropriations in 2015 are \$190,000.

### ***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.

The Township share is determined by a formula using population and qualifying road mileage. The Administration forwards information on any newly dedicated roads to PennDOT and the additional mileage increases the grant amount. New roads must meet specific design criteria to qualify for funding.

The Township received \$926,000 in 2014, an increase of \$66,000 from the prior year. The grant amount will increase over the next five years under Act 89, which increased the tax on motor fuels to fund road and bridge repairs across the Commonwealth. The Township also receives \$37,000 each year through a take back program and \$30,000 to plow state roads under contract.

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 to ensure compliance with state regulations.

The Township purchases paving materials from the fund for its annual road-paving program. In prior years, the Highway Aid Fund reimbursed the General Fund for labor costs associated with paving operations. This practice was eliminated in 2014 to provide additional funding for road maintenance.

The Township will resurface 2.7 miles and micro-surface 1.5 miles of its road system in 2015. Given that the estimated life of a road surface is 20 years, the Township should resurface or treat eight to ten miles each year in order to maintain its 180-mile road system.

Appropriations in 2015 include de-icing salt (\$160,000), contracted services such as line painting, snow plowing (\$100,000), traffic signal maintenance (\$25,000), line painting, and bituminous paving materials (\$600,000).

Total projected revenue in 2015 is \$1,057,000 and appropriations are \$1,084,000.

### ***Library Capital Fund***

The Library Capital 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. This action completed the transfer of all funds previously managed by the Library Board as part of a program to have the Township perform accounting and financial management services.

The Library Capital Fund accounts for the cost of equipment and improvements for the facility. The Library Board of Directors determines appropriations each year and directs expenditures of the funds.

The current fund balance is \$105,000 and the Library Board is appropriating \$10,000 for carpet to replace the existing cork floor. A portion of the floor was replaced in 2014.

There is no direct revenue source for capital needs. The Township owns the Library building and the Department of Public Works provides routine maintenance at no cost to the Library Board.

### ***Senior Center Capital Fund***

The Senior Center Capital Fund became part of the Township 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 equipment and improvements for the facility. The Senior Center Board of Directors determines appropriations each year and directs expenditures of the funds.

The current fund balance is \$147,000. Appropriations totaling \$26,000 include painting the building interior, replacing carpets, and acquiring two picnic tables.

There is no direct revenue source for future Senior Center capital needs. The Township owns the Senior Center building and the Department of Public Works provides routine maintenance at no cost.

### ***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 two Pension Plan Advisory Committees review investment performance and recommend investment strategies. The Committees meets quarterly with the Township Investment Advisor to review investment performance.

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 plans have combined assets of approximately \$32.1 Million as of December 31, 2014.

The required Township contribution to maintain the actuarial soundness of the plans in 2015 is \$1.7 Million. The contribution increased slightly from 2014 levels. The Township will receive \$542,000 in state aid to offset this amount. The Commonwealth levies a 2 percent tax on foreign casualty insurance premiums (insurance policies written by out-of-state insurance companies) to assist municipalities with pension plan funding.

### *Final Commentary*

The Township is in sound financial condition. There has been a steady increase in revenue from earned income tax collections since 2010, and fund balances have grown to acceptable levels. There is also noticeable improvement in the real estate market that will increase transfer taxes, permit revenue, and business licenses in future years.

Dedicated funding for needed capital appropriations is now in place and a 10-year capital improvement plan identifies future obligations, allowing costs to be programmed and strategically planned in future budgets.

The Township avoided layoffs during the economic downturn by temporarily reducing staff through attrition that helped balance budgets and avoid tax increases while maintaining accustomed service levels as much as possible. The Township also used a variety of financing methods to acquire critical capital equipment during this time that allowed it to fund those costs with existing available dollars.

Township employees are more dedicated than ever and provide professional, courteous, and responsive public service to residents. 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.

Balancing the needs of a municipal organization and maintaining low tax rates is always a significant challenge. The Administration believes Township residents are pleased with our service delivery and understand the Township wisely allocates its financial resources for their health, safety, and welfare. Maintaining accustomed service levels enhances the quality of life our residents currently enjoy.

The proposed 2015 Budget maintains municipal services at present levels and provides the necessary resources to help the Township organization achieve the goals and priorities established by the Board of Supervisors. It represents an accurate estimate in dollar terms of the Township's commitment to deliver quality municipal services to the Northampton Township community.

The Administration is pleased to present the proposed 2015 Budget for your consideration.

Respectfully submitted,



Robert M. Pellegrino  
Township Manager