

Letter of Transmittal

November 7, 2019

TO: The Northampton Township Board of Supervisors

Introduction

The Administration is pleased to submit the proposed 2020 Budget for your consideration. The budget document consists of three sections:

Letter of Transmittal

The Letter of Transmittal is an overview of the budget generally referred to as the Budget Message. It provides a narrative review of significant trends and factors affecting the proposed budget, highlights areas of importance in the financial section, and includes a summary of program and service delivery, proposed infrastructure improvements, cash position, and revenue and expense projections.

Operating, Capital, and Trust Funds Budgets

The proposed 2020 Budget includes 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 provide trends for future budget projections, and fund balances show cash position. A summary of the General Fund by revenue and expense category provides a snapshot of the Township's largest operating budget, and a Summary of Operating, Capital, and Trust Funds provides a broader financial picture of Township operations.

Supporting Data/Budget Schedules

The Supporting Data or Budget Schedules offer additional detail for specific line items in each Fund. An alphabetical index provides easy reference where supporting data is available. This information is helpful understanding the cost of Township services and provides meaning to the budget projections.

The Administration analyzes trends in revenues and expenditures from prior years for individual line items, and evaluates programs, services, and current economic conditions when developing the proposed Budget.

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 departments and Funds. Uniformity in the budget format and consistency in posting revenues and expenditures to line item accounts allows the Township staff to monitor variations in budget appropriations from one fiscal year to the next and simplifies review of monthly financial statements. This uniformity also improves accuracy in future Budget projections.

The proposed budget continues the practice of separating operating and capital appropriations.

There are separate operating funds for general government functions, fire and rescue services, refuse collection, library services, senior center operations, parks and recreation services, country club operations, debt service, and state highway aid allocations. Detailing these services in separate funds shows the cost for each of these government functions and provides a clear picture of how resources are allocated for the Township's program of service delivery.

Capital appropriations for general purposes such as facility maintenance (roof replacements, HVAC equipment, furniture, etc.), storm drainage and road improvement projects, fleet acquisitions, and IT equipment are budgeted in the Capital Reserve Fund. Inter-fund transfers from the General Fund and other revenue dedicated for capital projects such as grants and loans, provide funding for budgeted capital purchases or improvements.

Capital appropriations for parks and recreation system improvements are budgeted in the Recreation Capital Fund. Funding for these appropriations are 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.

Appropriating infrastructure improvements in special purpose capital funds, rather than the Township's operating budgets, eliminates fluctuations in 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, simplified the budget preparation process, and provides sufficient detail to understand revenues and expenditure projections from year to year.

The Operating Budgets

The Township maintains eleven Operating Budgets that account for police and fire protection services, emergency medical services, planning and zoning, finance, administration, refuse collection and recycling, library services, the senior center, parks and recreation services, country club operations, road and facility maintenance, and debt service.

Total 2020 appropriations for these government services are proposed at \$36.86 Million, an increase of \$2.1 Million over 2019 appropriations. The increase includes additional funding as follows:

Police Services	\$560,000
Fire Services	\$530,000
Emergency Medical Services	\$220,000
Road Maintenance/Paving	\$390,000
Trash & Recycling Disposal	\$400,000
<hr/>	
	\$2,100,000

Police Services

The cost of police services increases with annual contract obligations and related insurance benefits. The estimated cost of police services in 2020 is \$9.15 Million, or 52% of the General Fund budget.

The department has 44 full-time officers and 10 civilian employees, and was recently accredited by the Pennsylvania Association of Chiefs of Police. It is one of 110 departments out of over 1,200 in the Commonwealth to receive this designation. Accreditation assures that the Department has standardized policies, procedures, and training to enhance its professionalism and reduce potential liabilities.

The Department is now operating out of its new headquarters at 111 Township Road. It is a state-of-the-art facility designed for future growth, and includes the latest technologies used by police professionals.

Fire Services

As mentioned in the 2019 Budget presentation, 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 that the Township began to address in 2008 with the hiring of 4 paid firefighters to supplement daytime service. The implementation of this program resulted in a 50% reduction in response time.

The Township received a \$500,000 grant to start the paid program, and recently received an \$890,000 grant to supplement the paid staff that will allow the Township to hire 5 additional paid firefighters and implement 12-hour shifts. This model is a true “combination” Fire Department, with a mix of volunteers and paid staff, operating under a single command structure.

To further address the reduction in volunteerism, the Township implemented an on-call program this year that reimburses volunteers who agree to be in an “on-call” status during evening and weekend hours. The program has worked well and insures that sufficient personnel are available during fire calls. The cost of this program is approximately \$100,000.

Our Volunteer Fire Company has served the Township for 114 year with minimal funding from taxpayers. That will change as its transitions to a paid department over the next ten years.

Emergency Medical Services

For the past twenty years, the Township has levied a tax for emergency medical services that provided \$70,000 annually for emergency medical services to the Tri-Hampton Rescue Squad. During that time the Squad has grown into a more professional organization with sound financial management and paid staff. Like the transformation now occurring with the volunteer fire service, the Rescue Squad hired full-time paramedics and emergency medical technicians many years ago due to a lack of volunteers. Eventually the paid staff unionized and contractual obligations resulted in increased cost for operations.

Tri-Hampton leadership recently approached the Township to seek additional financial support, acknowledging that the organization was having difficulty in retaining paid staff because similar organizations in the region had much higher pay scales. In fact, Tri-Hampton lost 5 paramedics in the last 12 months to other emergency medical service providers. Despite the difficulties with staff retention, the Rescue Squad has maintained a 99% in-service time, and a response time of approximately six minutes.

The additional funding will allow Tri-Hampton to hire, retain, and equip qualified personnel to continue their current service level. Upper Southampton Township and Lower Southampton Township are also considering increased allocations to the organization.

Road Maintenance/Paving

The provision of a good transportation system is a basic government services dating back to the days of William Penn, and due to the size of its geographic area, the Township has perhaps the largest system in the County with over 180 linear miles.

Our Township Public Works Department is responsible of maintaining the road system and rights-of-way, and has used an in-house paving program to save hundreds of thousands of dollars over the last 20 years. However, available funds provided by the Commonwealth through its Liquid Fuels Program, and appropriations from the Township General Fund only provided enough funding to resurface three to five miles of the system each year.

In the past five years, the Township introduced a micro surfacing program designed to extend the life of roads in good condition by sealing the road surface to minimize future cracking and the formation of potholes. With a 180-mile road system, the Township should be resurfacing or micro surfacing approximately nine miles each year, assuming an average twenty-year life expectancy.

In the last five years, the Township has resurfaced or micro surfaced an average of 7 to 8 miles, including the 12.2-mile resurfacing project paid through a bond issue. Even with the micro surfacing program, which is one-third the cost of resurfacing, the Township is not doing enough to maintain its road system in the long term.

The proposed budget includes an additional \$390,000 to enhance the road maintenance program, and the Township is now using a new technology called RoadBotics that involves taking pictures of road surfaces every ten feet. The information gained from the photographs is then analyzed using pre-developed algorithms to assign ratings from one to five for each road segment. The program will assist in prioritizing our annual program on the roads in worst condition.

Trash and Recycling Disposal

The Township is a member of the Southwest Bucks County Solid Waste Advisory Committee (SWBSWAC), which is a partnership with Upper and Lower Southampton Townships to jointly contract trash and recyclable material collection and disposal.

There are four contracts for our 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 \$170,000, and trash disposal services for \$690,000. 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. This contract expires in December 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 has dropped significantly, and the revenue has disappeared. The market drop has caused what once was a revenue stream to become a cost.

SWBSWAC recently obtained proposals for the disposal of recyclable materials and the lowest bid was from Waste Management at \$75 per ton, even after a credit for material that has value. The Township will incur an additional \$350,000 cost to the program based on an estimated 4,700 tons per year. Our refuse fee has remained at \$264 per year since 2014, and is less than the cost of \$270 per year in 2006.

A survey of refuse and recycling fees charged by municipalities that contract for this service demonstrates that our residents have benefited from participation in SWBSWAC, and the favorable contracts that this partnership has produced. The Township has had the lowest refuse and recycling fees in the area as shown below:

Warminster Township	\$440
Middletown Township	\$401
Bristol Township	\$317
Upper Southampton Township	\$310
Penndel Borough	\$308
Lower Southampton Township	\$300
Northampton Township	\$264

In order to fund the new recycling disposal contract, the refuse fee must be increased by \$35 to \$299 per year.

Service Levels

Operating appropriations in the proposed 2020 Budget will continue the level of service expected by our residents. The appropriations maintain 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, 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.

Capital Appropriations for Infrastructure & Equipment

Appropriations for capital expenditures are set forth in eight Capital Improvement Funds in the Township budget document. These include appropriations for improvements to the Township's road system, public buildings, storm sewers, bridges, traffic signals, park facilities, and Country Club facilities.

Road Improvement Projects

Road improvement projects in design or anticipated for construction in 2020 include:

- The extension of Township Road and construction of a roundabout at Second Street Pike and Bustleton Pike
- Streetscape improvements and widening on Buck Road in Holland, including a new bridge over Mill Creek, and re-alignment of the Old Bristol Road and Buck Road intersection with new left turn lanes
- Installation of a left turn lane on Holland Road at East Holland Road

- Sidewalk installation on both sides of Second Street Pike between Tanyard Road and Crossroads Plaza Drive over Iron Works Creek
- Sidewalk installations in Richboro to connect missing sections and improve existing sections that are in poor condition to improve walkability in the downtown
- Traffic signal upgrades at Almshouse and Jacksonville Roads, Almshouse and Hatboro Roads, Jacksonville and Pulinski Roads, Bustleton Pike and Crossroads Plaza Drive, and Second Street Pike at Tanyard Road, Crossroads Plaza Drive, and Schoolhouse Commons
- Replacing the culvert bridge on Old Jacksonville Road, and engineering to replace the Lower Holland Road bridge through the PennDOT Bridge Bundling Program
- Paving and/or micro surfacing 10 miles of the road system

The Township Road Extension/Roundabout project is in the final engineering design phase and we expect plans to be completed next year, resulting in the issuance of a PennDOT Highway Occupancy Permit that will be conditioned on acquisition of additional right-of-way. The total cost to engineer the project is \$480,000. The Township received a \$350,000 grant and a contribution of \$75,000 from Addisville Commons toward this cost. The Township share is \$55,000. The construction cost is estimated at \$2.5 Million and the Township will seek grant funds toward this cost. There is no anticipated timeline for construction.

The Buck Road improvement project is in the final design phase with construction anticipated in 2021. The Township completed preliminary plans at a cost of \$480,000 this year, and was successful in placing the project on the State Transportation Improvement Plan (TIP). PennDOT will now assume the cost for final design and construction which is anticipated in 2021. The estimated construction cost is \$9 Million. PennDOT has confirmed that two traffic lanes will be open at all times during the construction period.

Design for a left turn lane on Holland Road at East Holland Road is complete, and additional right-of-way has been negotiated with affected property owners. The project was contemplated as an improvement related to the Holland Middle School expansion, and the School District contributed \$20,000 toward the \$100,000 estimated project cost. The Township will bid this project next year.

Preliminary plans for the sidewalk installation project on Second Street Pike between Tanyard Road and Crossroads Plaza Drive over Iron Works Creek were recently completed by the Township at a cost of \$160,000, and a PennDOT grant for \$893,000 will be used to complete final design and construction. We expect PennDOT to complete this project next year. This particular portion of the sidewalk system is complex and costly to construct because the sidewalk must cross Iron Works Creek.

The Richboro Village sidewalk project is in the design phase and we anticipate final plans will be completed next year. The total design cost is \$163,000, and the Township received a \$500,000 grant toward the first phase of construction estimated at \$760,000. We recently filed a second grant application for \$1.1 Million and will know if our application was successful by year end. The Board must decide if any portion of the Township share for this project will be assessed to property owners. Given the timing of the grant application process, and the need for stakeholder meetings, Construction is most likely to occur in 2021.

The Township received two grants totaling \$354,000 to make various traffic signal improvements at seven locations. The signal work will include new signal controllers, video detection, dilemma zone detection, pedestrian signals, and battery backup units. The projects are intended to improve signal operations with the goal of moving traffic more efficiently through the intersections. The Township is responsible for engineering and bidding the projects at an estimated cost of \$40,000.

The Township Road Extension/Roundabout project, the Buck Road Improvement Project, and Sidewalk Projects will improve pedestrian safety, make the villages of Richboro and Holland more walkable, and connect the downtown areas with adjacent residential developments. These improvements are part of the Township's on-going economic development initiative contemplated in the Holland and Richboro Master Plans.

Public Building Improvements

Capital appropriations for facilities include:

- Replacing the walkway entrance at the Township Administration Building
- Replacing carpet in the Township Administration Building
- Replacing the roof, water heater, and one HVAC unit at the Senior Center
- Parking lot and driveway paving at Fire Station #83 in Churchville
- Replacing the irrigation system, banquet room doors, patio awning, and bunker restoration at the Country Club
- Replacing doors on the Public Works garage
- Replacing the front doors, upgrading the electrical system, replacing one HVAC unit, refacing the cupola, new carpeting, and installation of self-service kiosks at the Library

The estimated cost for these projects is \$2.4 Million, with \$1.4 Million for the irrigation system replacement at the golf course. There is approximately \$1.4 Million remaining in the 2018 bond issue from the police station project proposed for the irrigation system project. The Township received a \$50,000 grant to replace the walkway entrance to the Township building, and a \$225,000 grant for improvements to the Library building.

Parks and Recreation System Improvements

Capital appropriations for recreation facility improvements include:

- Installing ballfield lighting on the multi-purpose field, baseball field, and basin practice field at the Civic Center
- Replacing the roof and one HVAC unit, constructing a security wall, and installing a digital sign at the Recreation Center
- Replacing the field house roof and parking lot barriers at Hampton Estates ballfield
- Repairs to the parking lot, ballfield, and common ground at Pheasant Run Park
- Constructing a walking trail from New Road to Municipal Park adjacent to the Maureen Welch Elementary School
- Swim Club renovations including a bath house drinking water system

- Overlaying the hockey rink, installation of a digital sign, and repairs to the volleyball area at Municipal Park
- Construction of an all-inclusive playground at Municipal Park
- Repairs to the parking lot and fence at Big Meadow Park

The estimated cost for these projects is \$1.3 Million. Recreation capital funds from grants, impact fees, and the Parks and Recreation operating fund are available for these projects.

Equipment Acquisitions

Capital appropriations for equipment include computer systems and software, four police vehicles, ballistic vests, a speed timing board, portable radios, tasers, two trucks, mowing equipment, salt spreaders and plows. A portion of these appropriations fund lease purchase payments on vehicles and equipment acquired between 2014 and 2019. 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 total appropriation for equipment replacement is approximately \$1 Million.

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 specifically outlines proposed capital appropriations in the 2020 Budget.

The proposed Township Budget for all funds is \$45.2 Million, with \$36.7 Million for operations, \$6.8 Million for capital and infrastructure improvements, and \$1.7 Million for employee pensions.

Real Estate Taxes

The 2020 Budget includes a real estate tax increase of 3.6 mills as follows:

	<u>Mills</u>	<u>\$ Value</u>
Police Services	.775	\$28
Fire Services	1.950	\$70
Emergency Medical Services	.375	\$14
Road Maintenance	.500	\$20
	<hr/> 3.600	<hr/> \$127

With this proposed increase, the total tax levy is 18.51 mills. For a property assessed at the median value of \$35,480, the total annual real estate tax bill will be \$657 or \$55 per month to support Township services.

Township taxes are approximately nine percent (9%) of the total real estate tax bill and support all local government services. Almost 2-mills of the increase will support the fire services as we continue to transition from an all-volunteer company to a “combination” Fire Department with a mix of paid and volunteer firefighters under a single command structure.

Fund Financials

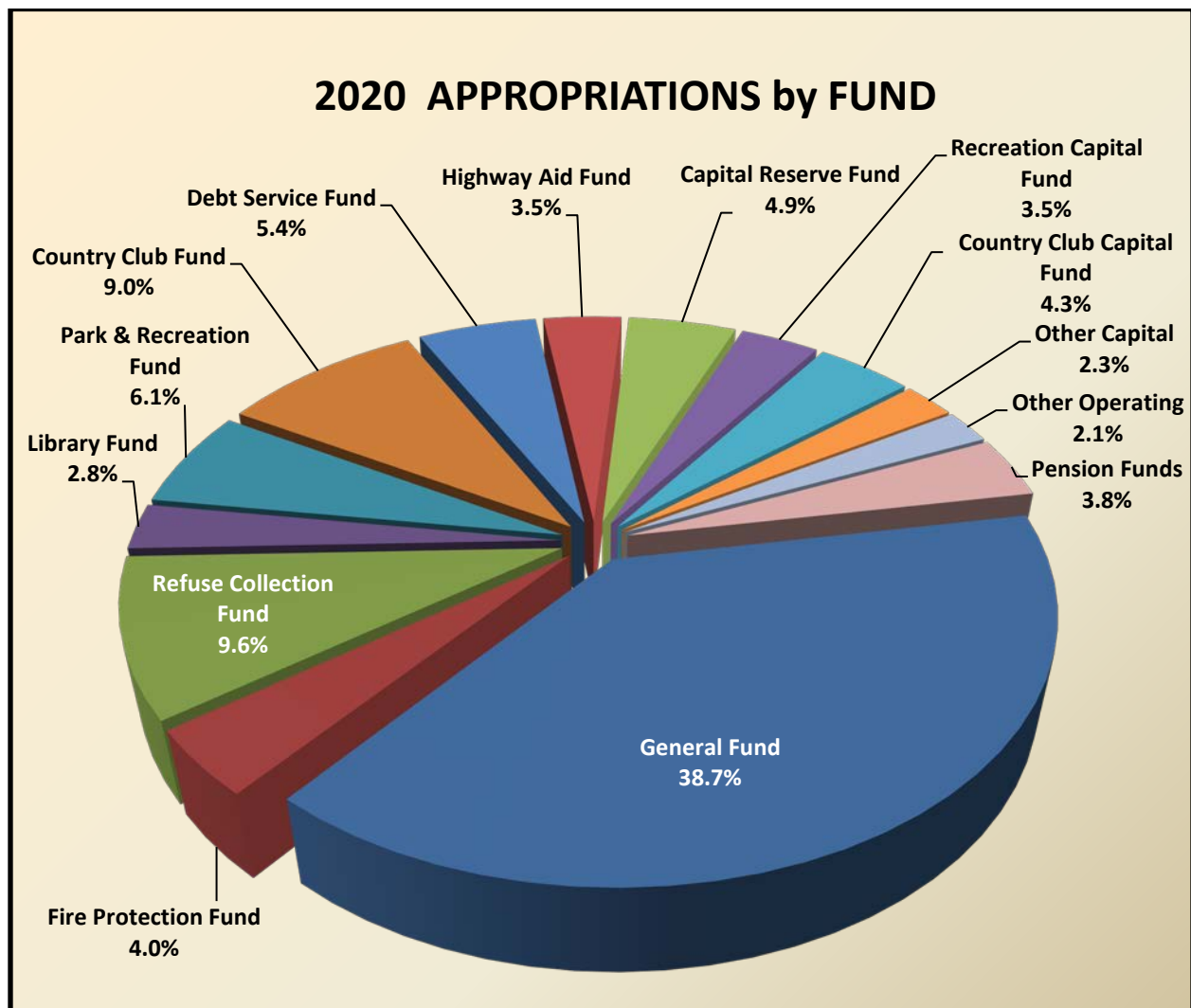
The General Fund is the largest Operating Fund in the Township budget and includes police protection, planning, zoning, and code enforcement, administration and finance, legal and engineering services, information technology and tax collection costs, facility and fleet maintenance, and public works services.

The Fire Tax Fund, Rescue Squad Fund, Parks and Recreation Fund, Library Fund, Road Equipment Fund, and Debt Service Fund are supported by special tax levies restricted to those specific purposes.

The Refuse Fund and Country Club Fund are fee-based operations and considered Enterprise Funds that operate independently from the tax supported funds.

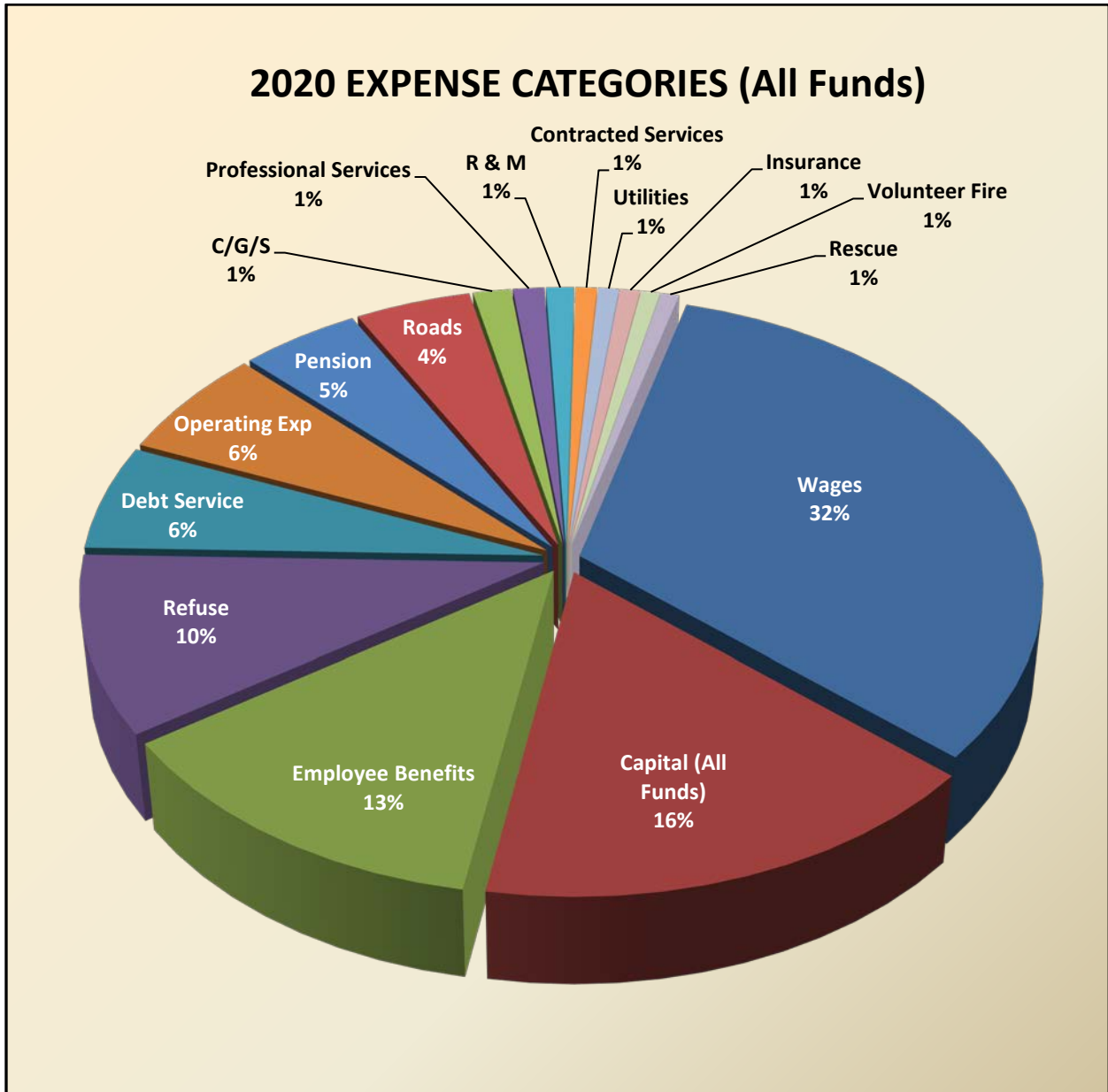
The General Fund, Library Fund, Refuse Fund, Senior Center Fund, and Park and Recreation Fund account for all personnel, fringe benefit, insurance, utilities, maintenance and operational costs. The Capital Funds support infrastructure improvements and equipment replacements. The Trust Funds account for employee pension costs.

The following chart shows proposed total appropriations of \$45.38 Million by Fund:



Examining the budget in broad expense categories for all funds can also be helpful in understanding how the Township budgets its appropriations. Personnel costs including wages, pensions, and employee benefits remain the largest single expense, representing 50% of total appropriations in the Operating Budgets. 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 4%, and the Township will spend 21% 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 of the financial position for each Fund, including commentary on projected revenues and proposed expenditures for 2020:

The 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, , 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, 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 \$7.64 Million in 2020, representing 46% of total revenues, transfer taxes represent 7%, and real estate taxes represent another 20% at \$3.46 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 in 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 2019 will exceed \$1.2 Million, and the estimate for 2020 is the same.

Other sources of revenue in the General Fund include permit fees (\$970,000), cable television franchise fees (\$1 million), and pension system aid (\$742,000). Inter-fund transfers provide an additional \$418,000 in reimbursements for Public Works and Library expenses paid from the General Fund.

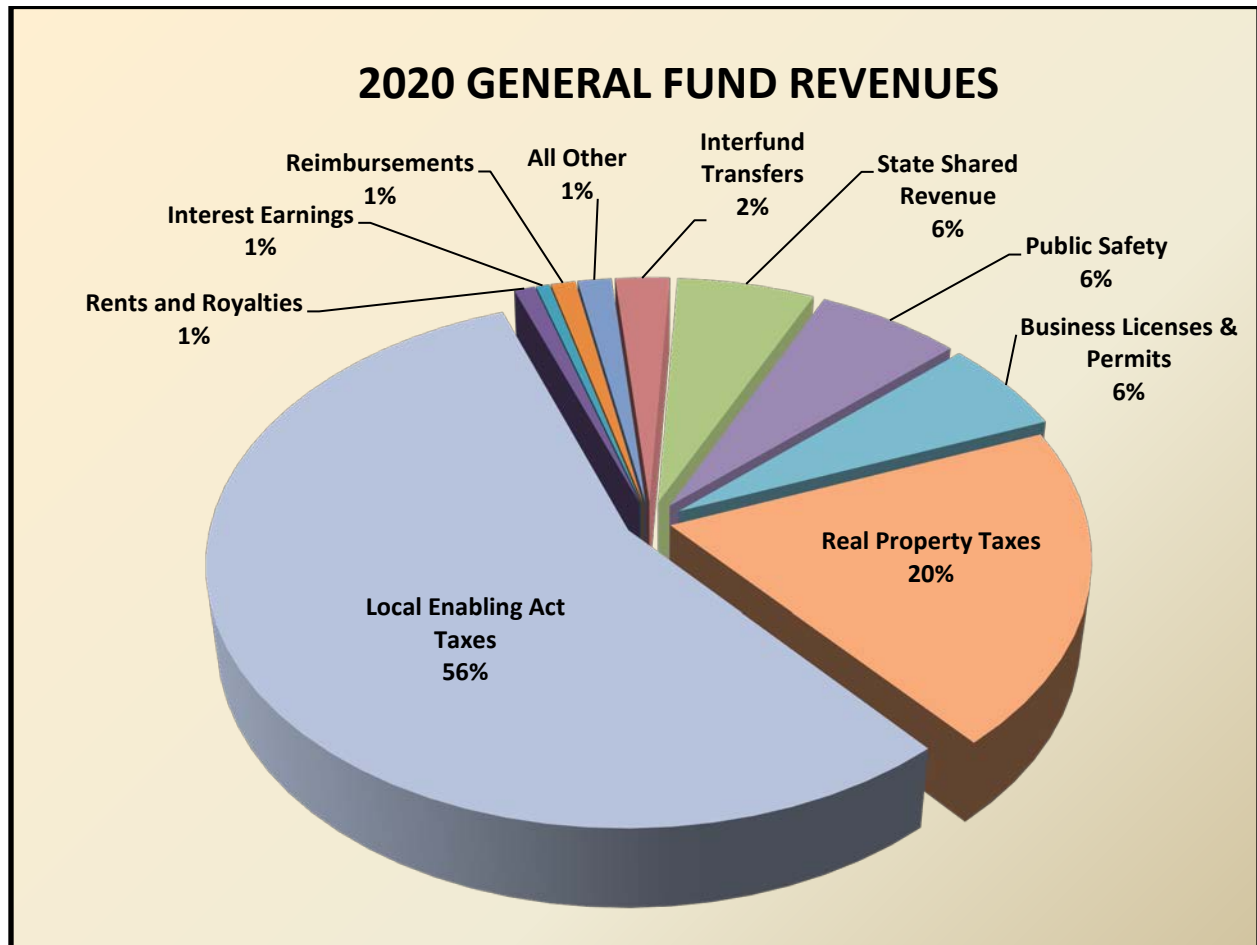
Pension system state aid represents 38% of the minimum required plan contributions. Pension Plan contributions increased by \$270,000 in 2019 due to a required change in the mortality table used in the Actuarial Valuation Report. Plan costs will increase by \$29,000 for 2020. The cost increases for these plans is less than \$200,000 since 2015 due to reductions in required contributions for 2017 and 2018.

Total estimated General Fund revenue in 2019 is \$17.1 Million or \$224,000 over budget.

Projected revenue in the proposed 2020 Budget totals \$17.6 Million, an increase of \$700,000 over the 2019 Budget. Real estate, earned income taxes, and permit fees are the primary drivers of this increase.

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:



Projected General Fund expenditures in 2019 total \$16.8 Million, or \$200,000 over budget. Total expenditures include the transfer of \$227,000 to support the Senior Center and \$584,000 to the Capital Reserve Fund. The fund balance on December 31, 2019 is estimated at \$996,000.

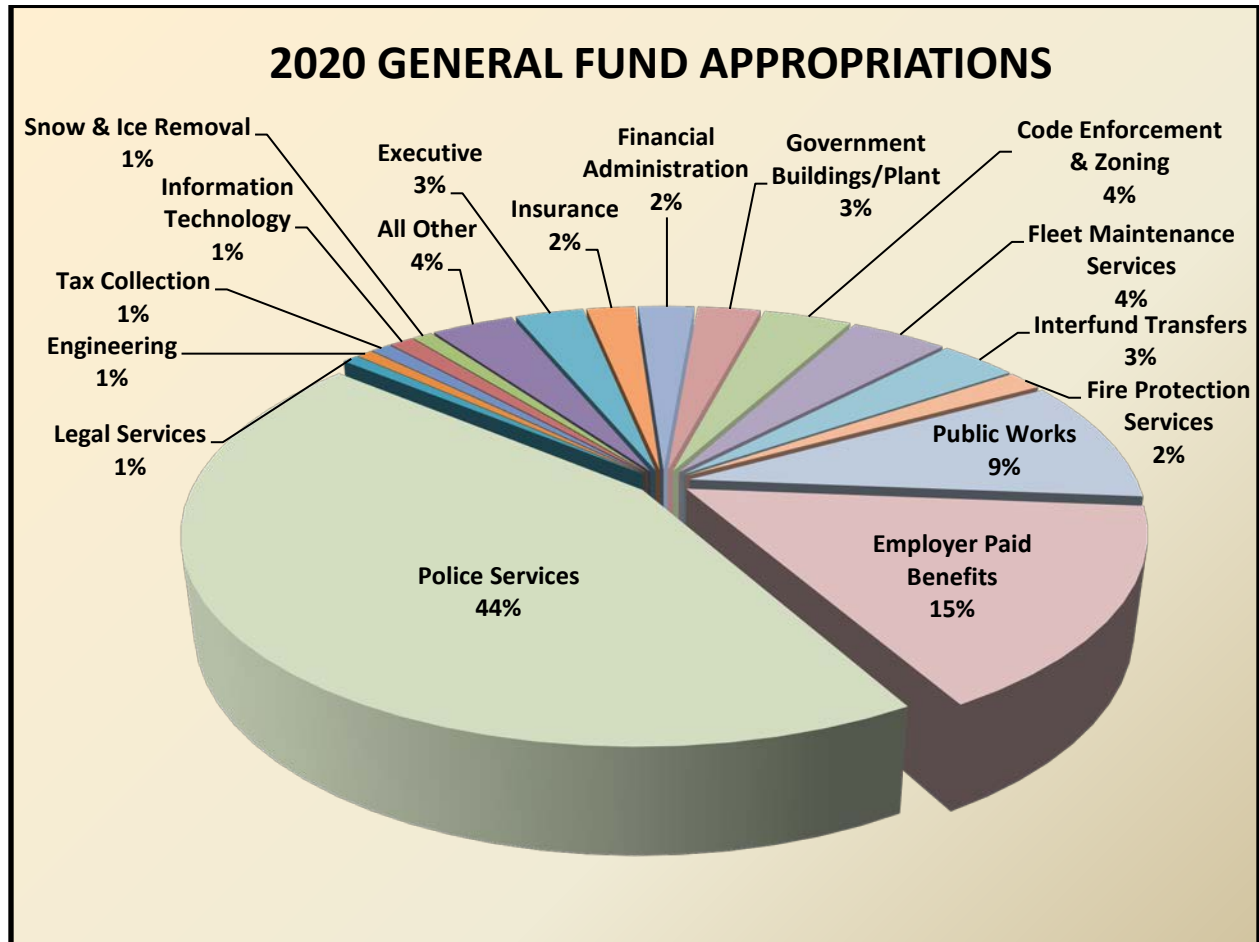
Proposed General Fund appropriations in 2020 total \$17.5 Million or \$160,000 less than the 2019 budget, because appropriations for paid fire services were moved to the Fire Tax Fund for next year.

Salaries and wages in the General Fund represent 48% of total appropriations, with employee benefits accounting for an additional 30%. Police services are 52% of the total budget.

General Liability and workers compensation insurance premiums will increase by less than \$80,000, and contracted services are budgeted at 2019 levels. Utility costs are projected to increase by \$20,000, and professional service fees are budgeted at \$90,000 less than the prior year.

Wage costs will increase by 5.6%, as new police officers move through the contracted wage scale. The police collective bargaining agreement calls for a 3.5% wage increase, the public works contract requires a 3% increase, and non-union employees are budgeted to receive a 3% increase. The inter-fund transfer to the Capital Reserve Fund will be \$334,000 and the Senior Center contribution will increase by \$23,000 to \$250,000.

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 or expense category:



Fire Protection Fund

The Fire Protection Fund is a primary revenue source for the operating and capital needs of the Northampton Township Fire Department. 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.

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. 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 insure adequate response time during overnight and weekend times. It provides a reimbursement to volunteers willing to commit to being “on-call” during designated hours.

The “combination” department current operates with 6 full-time paid firefighters, including a Lieutenant and Deputy Chief, and about 30 active volunteers, who respond to emergencies at least 700 times each year. The volunteer Chief directs the activities of all paid employees and volunteer members. The Township recently received a grant for \$890,000 to hire five additional paid firefighters that will allow the Department to implement 12-hour shifts for its paid employees. The grant will offset wages and benefits over a 3-year period.

The Township currently levies a 1.05-mill real estate tax for fire protection services that generates approximately \$605,000. The proposed budget includes an increase in this tax levy to the maximum allowable three mills. The proposed levy will generate \$1.72 Million for wages, benefits and supplies for the paid employees, and continue to support the volunteer effort.

Total projected revenue for 2020 is \$1.95 Million, and total proposed appropriations are \$1.7 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 is experiencing difficulties in retaining qualified personnel and must adjust its business plan to continue the provided responsive service at a competitive salary rate. The Township has levied a .125-mill tax for the past 20-years that provides about \$70,000 annually toward the organizations \$2.4 Million budget.

The 2020 proposed budget includes an increase in the tax levy of .375 mills to provide an additional \$220,000 in support of this critical Township service. The maximum allowable tax levy is two mills.

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 \$3.3 Million. The Township also receives approximately \$84,000 in state recycling grant funds.

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

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 \$170,000, and trash disposal services for \$690,000. 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. This contract expires 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 recently received proposals for recycling material disposal. A new contract will no longer contain the "floor" on sale of recyclable materials, and the Township will now incur a cost of \$75 per ton to dispose of this material. This will increase the cost of our trash collection and recycling program by \$350,000.

Recent market conditions changed the nature of recycling material disposal. At one time, the Township received payments of up to \$125,000 for the sale of these materials, but with the implementation of single stream recycling, the value of these commodities dropped significantly. The Township has not received a payment for the value of recycled materials in many years.

Township residents have done a commendable job of recycling waste products, recycling approximately 4,700 tons of material each year; however, the quality of recycled materials collected nationally has declined with up to a 25% contamination rate. This means that the recycled materials contain up to 25% of products that should be placed in the trash stream. China, our Country's largest buyer, no longer accepts recycled materials from the United States and the market drop has caused what once was a revenue stream to become a cost. Materials collected in the Township have about a 12% contamination rate.

Waste disposal costs dropped by more than 35% since 2013 due to a favorable bid from Waste Management. The Township will pay \$54.64 per ton to dispose of regular household trash compared to \$50.62 per ton in 2017. The rate is unchanged from the previous year. 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 has been \$264 since 2014, down from \$306 in 2012, and \$340 for the five-year period from 2007 to 2011. This rate must be increased by \$35 per year to pay for the cost of recycling material disposal.

Total projected revenue in 2020 is \$4.1 Million and total proposed expenditures are \$4.3 Million. The shortfall is funded from reserves of approximately \$565,000. This is an unsustainable long-term condition. The refuse fee will need to be increased by an additional \$20 per year by 2022.

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 \$995,000 to support library services. Other revenues include state aid to libraries (\$128,000), fines (\$28,000), and charges for services (\$10,000). The Library Board fundraising effort provides additional \$25,000 for Library services. Total projected revenue in 2020 is \$1.2 Million.

Total proposed expenditures in 2020 are \$1.26 million. With the exception of personnel costs, library expenses are somewhat static. Personnel expenses in 2020 are \$950,000, with library materials and program costs at \$146,000, and utilities at \$68,000. Utility costs were reduced with the conversion of lighting fixtures to LED units, and the installation of automated controls for the HVAC system in the Library building. The Township completed a project this year to replace insulation on exterior HVAC ducts 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 Finance Department currently manages the financial affairs of the Library and the Public Works Department provides in-kind maintenance services.

There are more than 22,000 card-holding patrons and 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. 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 \$227,000 in 2019 and will increase to \$250,000 in the proposed budget.

Other income includes state grants (\$19,000), facility rental (\$34,000), dues (\$20,000), social events (\$20,000), bus trips (\$23,000), 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. Operating costs in 2020 include personnel (\$293,000), utilities (\$22,000), facility maintenance (\$18,000), bus trips (\$20,000) and social events (\$8,000).

Total projected revenue in 2020 is \$385,000 and total appropriations are \$423,000. The Center will begin 2020 with a fund balance of \$100,000, and proposes an allocation of \$38,000 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.

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 currently serves seven municipalities and maintains over 4,600 streetlights.

With the installation of LED fixtures having an estimated 25-year life, the program is no longer viable and will be terminated as of December 31, 2019.

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. Appropriations for Recreation Administration are budgeted at \$341,000 in 2020, an increase of \$26,000 over the current budget.

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 \$1.64 Million in 2020. The cost for these services is consistent from year to year and is adjusted based on program participation. Participant recreation appropriations in 2019 were \$1.6 Million.

More than 5,000 individuals participated in recreation programs this year. There were an additional 800 summer camp participants (with a 50-person waiting list), and estimated 2,800 persons attended the "Sights and Sounds of Summer" series, and almost 2,300 attended a variety of special events and bus trips. 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, over 49,000 people visited the Recreation Center, with almost 19,000 visits by children, 8,900 adults, 17,000 spectators, 3,600 instructors, and 840 individuals either registering for a program or observing Center activities. The facility was open 254 out of the 273 days in the first 9 months of 2019, averaging 12 hours per day with no program and weather-related closures. In addition, 820 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 \$458,000 in 2019, an increase of \$14,000 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. The non-union employees serving in this capacity were merged into the Public Works Department this year.

A 1.628 mill tax generates \$937,000 for parks and recreation services, funding parks maintenance, capital improvements to the park system, and for debt service on capital loans. Current year revenue in the Parks and Recreation Fund of \$2.57 Million will be \$3,000 under budget, and current year expenditures will be \$13,000 under budget.

Total projected revenue in 2020 is \$2.61 Million and appropriations are \$2.74 Million that includes the \$175,000 transfer from the operating budget to the Recreation Capital Reserve Fund.

Projected revenue in 2020 is \$36,000 more than the 2019 Budget and appropriations are \$107,000 more than the current year budget. This Department adjusts its expenditures each year based on anticipated services and program demands. The amount spent on programs and services is based on program participation rates.

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 program. There are 10 full-time employees serving in 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.

The catering facility has events booked through December 2020, and the banquet sales staff continues to sell events and fill out the schedule. Food and beverage services generate approximately 63% of total revenue, with \$2.7 million from banquets, and \$1.5 Million from golf.

Approximately 40,000 rounds of golf are played each year at the Club. 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.

Total projected revenue in 2019 is \$4.24 Million with a projected increase of \$116,000 to \$4.35 Million in 2020. A portion of the revenue is also allocated for capital improvements to the facility, and for debt service on the acquisition loan.

Appropriations for Country Club operations include costs for administration, the golf shop, banquet operations, the clubhouse Grill Room, golf course, and building 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 2019 are \$4 Million, with a projected increase of \$60,000 to \$4.06 Million in appropriations for 2020. These include \$609,000 in cost of goods sold, \$356,000 for administration, \$286,000 for the golf shop, \$1.26 Million for banquet events, \$55,000 for the Grille Room, \$753,000 for golf course maintenance, \$223,000 for facility maintenance, \$115,000 for employee benefits, and \$58,000 for insurance. Appropriations also include \$341,000 for future capital improvements as a transfer to the Country Club Capital Fund. Appropriations for capital improvements in 2019 were \$413,000.

The projected fund balance at the end of 2020 is \$820,000.

Road Maintenance Fund

The 2020 Budget now includes a new Fund dedicated to Road Maintenance. A new .5 mill property tax will generate 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 will supplement the \$1,100,000 allocated from State Liquid Fuels funds.

The 2020 Budget appropriates \$250,000 from this Fund for road maintenance.

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 refinanced 2010 Bond Series B.

The Township issued new debt in 2018 totaling \$22.5 Million to fund 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 portion used to acquire the Country Club property. Capitalizing interest allows the use of surplus operating funds from the Country Club to complete certain capital improvements and build surplus before incurring debt service payments.

The Township has \$39.6 Million in outstanding bonds and notes as of December 31, 2019 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 Reserve Fund

The Capital Reserve Fund accounts for general capital equipment purchases and infrastructure improvement projects. Examples of capital expenditures include roadway and stormwater management 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 a transfer from the General Fund dedicated to capital appropriations.

The General Fund began transferring \$297,000 to the Capital Reserve Fund in 2014. Beginning in 2018, this amount was increased to \$684,000, and \$584,000 was appropriated for capital projects in 2019. These transfers support many infrastructure improvements authorized by the Board of Supervisors. The 2018 bond issue provided \$800,000 in additional funds to complete many of the projects included in the 10-year capital plan.

The 2020 Budget includes \$387,000 in engineering services, \$519,000 for road and traffic signal improvements, \$502,000 for facility improvements (including \$296,000 for the Library building), and \$300,000 for vehicles and equipment.

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.

Total projected revenue in 2020 is \$1.5 Million and total appropriations are \$2.4 Million. The Fund has an estimated \$1 Million reserve as of December 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 \$175,000 transfer to the Recreation Capital Fund in 2019, and a similar amount is budgeted in 2020.

Other revenue sources include Impact fees on new development of \$245,000, a State grant of \$237,000 and \$638,000 in loan proceeds for field lighting at three locations on the Civic Center property.

The \$237,000 Commonwealth Financing Authority (CFA) grant will fund installation of a trailhead on New Road to connect with Municipal Park.

Appropriations in 2020 include \$80,000 for vehicle and equipment replacements, \$149,000 for improvements to the Recreation Center, \$648,000 for lighting at the Civic Center, \$416,000 for improvements at Municipal Park, and \$50,000 to repair the parking lot and fencing at Big Meadow.

Total projected revenue in 2020 is \$1.4 Million with \$1.6 Million appropriated for recreation system improvements.

Fire Company Capital Reserve

Each year the Volunteer Fire Company directs a portion of the revenue from its real estate tax allocation to its Capital Reserve Fund to replace fire trucks and maintain the fire stations. 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 proposed 2020 Budget includes \$110,000 to pave the parking area and driveway at Station #83, and installation of digital messaging signs 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.

The year-end balance in the Fund will remain at approximately \$2.4 Million.

Rescue Squad Capital Reserve Fund

Like the Volunteer Fire Company, the Tri-Hampton Rescue Squad has, in past years, directed a portion of its tax proceeds to a Capital Reserve Fund; however, the organization has indicated a willingness to assume the cost for all future capital needs from its operating budget, and the Township will no longer maintain a reserve fund. All tax proceeds will be paid annually to the Rescue Squad.

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.

The Township purchased a new street sweeper and paver in 2019, and proposed appropriations in 2020 include a replacement dump truck, backhoe, and tanker truck that will be used for our salt brining operation. There is also a \$350,000 appropriation for debt service on vehicles and equipment acquired in prior years.

Total revenue in the proposed 2020 budget is \$695,000 and total appropriations are \$759,000. Revenue includes \$365,000 in proceeds from a short-term loan to fund 2020 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 paid at the gas pump. 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 \$1.34 million in 2019, a \$68,000 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.

The Township also receives \$38,000 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 6.6 miles of the road system this year. The

2020 Road Maintenance Program includes 10 miles of milling/paving, and/or micro surfacing. The estimated cost of this work is \$1.35 Million.

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

Total projected revenue in 2020 is \$1.36 Million and appropriations are \$1.74 Million, leaving a projected fund balance of \$91,000 at the end of 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 Board authorized expenditures of \$20,000 in 2019 to replace computers, purchase Narcan for distribution to the community, and to purchase circulation software. In 2020, the Board is authoring a \$120,000 appropriation to install self-service kiosks, and purchase related book inventory software.

There is no dedicated revenue source for capital needs. The current fund balance is \$89,000 and the Board is authorizing the use of \$53,000 in 2020 for its capital needs.

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 perform accounting and financial management services.

The Township spent \$135,000 from the Fund in 2019 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 toward these capital improvements.

Total appropriations in 2020 are \$61,000 and include a new roof for a portion of the building (\$35,000), replacing one smaller HVAC unit (\$20,000) and replacing the hot water heater (\$6,000).

There is no dedicated revenue source for future Senior Center capital needs. The current fund balance is \$75,000. There will be approximately \$16,000 remaining in the Fund at the end of 2020.

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 provide funds for capital needs. The 2020 Budget includes a \$341,000 transfer from the Country Club Fund, and \$205,000 in proceeds from an equipment loan.

A transfer of \$413,000 from the operating budget in 2019 funded improvements to the Grille Room kitchen and dining area, new equipment for the banquet facility kitchen, and improvements to the maintenance facility.

Appropriations in 2020 total \$1.94 Million and include \$205,000 to replace mowing equipment, \$45,000 for new doors on the banquet facility, \$15,000 to replace the awning on the Grille Room patio, and \$115,000 for debt service. The single largest appropriation is \$1.5 Million to replace the irrigation system and repair bunkers on the golf course. The budget includes \$1.4 Million remaining from the 2018 bond issue to fund this improvement. The Country Club Operating Budget will assume the additional debt service on these funds.

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 2020 is \$1.9 Million. The Township expects to receive \$772,000 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 85.2% 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 next Actuarial Valuation will be submitted to the PA Auditor General by March 31, 2020. 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 \$38.3 Million at year-end.

The Long Term View

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. Many of these improvements will be funded with state and federal grants.

The Board of Supervisors recognized the need to construct a new police facility and replace the existing building designed for 26 officers, but housing 44 officers and 10 civilian personnel. Construction on the new police station was completed this year. The Board is also enhancing its road maintenance program, and continuing to improve park facilities, particularly at the Civic Center.

The many capital improvement projects currently underway or in the planning phase required local investment, and the Board of Supervisors 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 grants 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 \$1.5 Million.

The Township purchased the Northampton Valley Country Club in 2018, preserving 125 acres of additional open space adjacent to its active recreation facilities and Tyler State Park. A full year of operation was completed in September. This large area of active recreation and green space enhances the quality of life for residents in the community. The Township understood that investment in the property was necessary and undertook several capital projects this year to improve facilities on the property. These improvements were funded with proceeds from Club operations.

In addition, the Board of Supervisors purchased a 72-acre conservation easement from the Rook family, adding to the hundreds of acres of preserved farmland and open space in the northwest portion of the Township.

Despite an increase in pension costs in 2019, required contributions to fund our defined benefit pension plans have stabilized once again, and a defined contribution pension plan was put into place in 2016 for new non-union employees to stabilize or reduce future pension obligations. Healthcare costs also remain stable at 2% to 4% annual rate increases, and changes to plan design in recent years has resulted in significant savings. The Township also offers an opt-out program to further reduce annual healthcare costs.

An improved real estate market has had a positive effect on transfer tax and permit revenue. New residential development will bolster earned income and property taxes. All of these projections depend on a strong national economy and the many factors affecting home sales.

In the past ten years, The Board of Supervisors recognized the need to maintain and improve the Township's infrastructure, and 15% to 20% of the total Township budget is dedicated for this purpose each year. With dedicated funding for capital appropriations, and a 10-year capital improvement plan to identify future capital needs, the Township can strategically plan future budgets and adjust appropriations to match available resources.

My long-term view is that Township finances are stable, but will require periodic tax increases to fund basic services, particularly emergency services. Police costs remain the single largest appropriation in the General Fund, and as the Township transitions to a full-time Fire Department, the cost of those services will require additional financial resources. Community Services, including recreation, Library, and Senior Center continue to provide outstanding facilities and programs with minimal need for additional funding, and the Country Club will continue to be self-supporting with no reliance on tax dollars.

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. Township employees remain our greatest asset.

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 2020 Budget enhances emergency services, funds infrastructure improvements consistent with an aggressive economic development initiative, and provides the necessary resources to achieve the goals and priorities established by the Board of Supervisors. 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 2020 Budget for your consideration.

Respectfully submitted,

Robert M. Pellegrino
Township Manager