

November 14, 2017

To Members of the Upper Makefield Township Board of Supervisors:

We are pleased to present the 2018 Upper Makefield Township Preliminary Budget to the Board of Supervisors and the citizens of Upper Makefield Township. As presented, this budget will allow Upper Makefield Township to continue to provide a high-level quality of services to its residents.

The Budget Process

The budget process for the 2018 Budget began in August, when the Township staff began formalizing budget requests. Departmental budget requests were prepared and reviewed individually by the Township Manager and Finance Officer with each respective department head. After thorough evaluation and revision, draft budgets were presented to the Board of Supervisors during publicly advertised Budget Workshop meetings on October 9, 2017 and October 23, 2017. These meetings included line-item scrutiny and discussion of capital improvement planning, the Township debt repayment schedule and Riparian Fund investment options.

The adoption schedule for the 2018 Budget is as follows:

- **October 9, 2017** - Presentation of the 2018 Proposed Budget to Board of Supervisors and citizens of Upper Makefield Township
- **October 23, 2017** - Presentation of the 2018 Proposed Budget to Board of Supervisors and citizens of Upper Makefield Township
- **November 14, 2017** – Presentation and authorization to advertise the Preliminary Budget
- **December 12, 2017** - Official adoption of the Final 2018 Budget

The budget document, as presented here, incorporates input and direction from the Board of Supervisors during the Budget Workshop meetings.

The Funds

This proposal includes \$10,302,539 in expenditures over eleven Governmental Funds, including \$6,847,916 in expenditures for the General Fund, and \$8,592,355 in General Fund revenues. Governmental Funds include costs to provide typical governmental functions.

Governmental Funds	2018 Proposed Revenues	2018 Proposed Expenditures	Fund Balance
General	\$8,592,355	\$6,847,916	\$1,744,439
Fire	190,053	177,000	13,053
Open Space	1,935,057	1,935,057	0
Building Construction	224,890	135,183	89,707
Park and Recreation	102,610	62,000	40,610
Park and Recreation Capital	382,700	107,502	275,198
Capital Reserve	1,143,185	469,081	674,104
Liquid Fuels	481,468	448,800	32,668
Tree	97,540	15,000	82,540
Emergency Services	134,572	100,000	34,572
Riparian Restoration Grant	1,770,022	5,000	1,765,022
Total	\$15,054,452	\$10,302,539	\$4,751,913

The Township's Proprietary Funds include six Water/Sewer Enterprise Funds that account for services provided to the public on a user charge basis.

Proprietary Funds	2018 Proposed Revenues	2018 Proposed Expenditures	Fund Balance
Heritage Hills Water & Sewer Fund	\$494,144	\$446,580	\$47,564
Heritage Hills Capital Reserve Fund	861,973	263,070	598,903
Dutchess Farm Sewer Fund	92,153	88,000	4,153
Dutchess Farm Capital Reserve Fund	23,026	0	23,026
Enclave Water & Sewer Fund	235,015	152,700	82,315
Enclave Capital Reserve Fund	124,020	1,000	123,020
Total	\$1,830,331	\$951,350	\$878,981

Upper Makefield Township's three Fiduciary Funds report assets held by the Township in a trustee or agency capacity and are not available to support Township programs or services. Both pension plans are funded in excess of 100%.

Fiduciary Funds	2018 Proposed Revenues	2018 Proposed Expenditures	Fund Balance
Police Pension	\$9,351,753	\$1,044,700	\$8,307,053
Non Police Pension	3,893,345	493,800	3,399,545
Grading Escrow	349,762	12,000	337,762
Total	\$13,594,860	\$1,550,500	\$12,044,360

2018 Budget Overview

We are pleased to report that the Township is projected to end this year with lower than budgeted expenditures. This is due to the prudent financial planning by the Board of Supervisors and the diligence of Township staff, who consistently work to contain costs and reduce overall expenditures.

For 2017, the General Fund revenue totals are projected to be approximately \$313,839 less than budgeted and expenditures are projected to be approximately \$366,597 less than budgeted. The Planning & Zoning and Public Works Departments are all projected to end the year with expenditures under budget. This is a credit to the Township staff, who work hard all year to contain costs. We are living within our means, while working to provide services at the level expected by our residents, maintaining our positive fund balances, and planning for the future with Township-wide capital improvement plans.

This budget season, the Board of Supervisors continues its policy of keeping a minimum of 25% of expenditures in the General Fund as a reserve for operating needs.

The Board of Supervisors continues to adopt a five-year Capital Improvement Plan for Administration/Facilities, Police, and Public Works. This budget continues to fund the Capital Improvement Plan at 100% with the transfer of \$197,825 from the General Fund.

This budget implements the Financial Advisory Committee's 2015 recommendation to move our non-union staff to the same PPO platform for healthcare provided to our Police Dept.

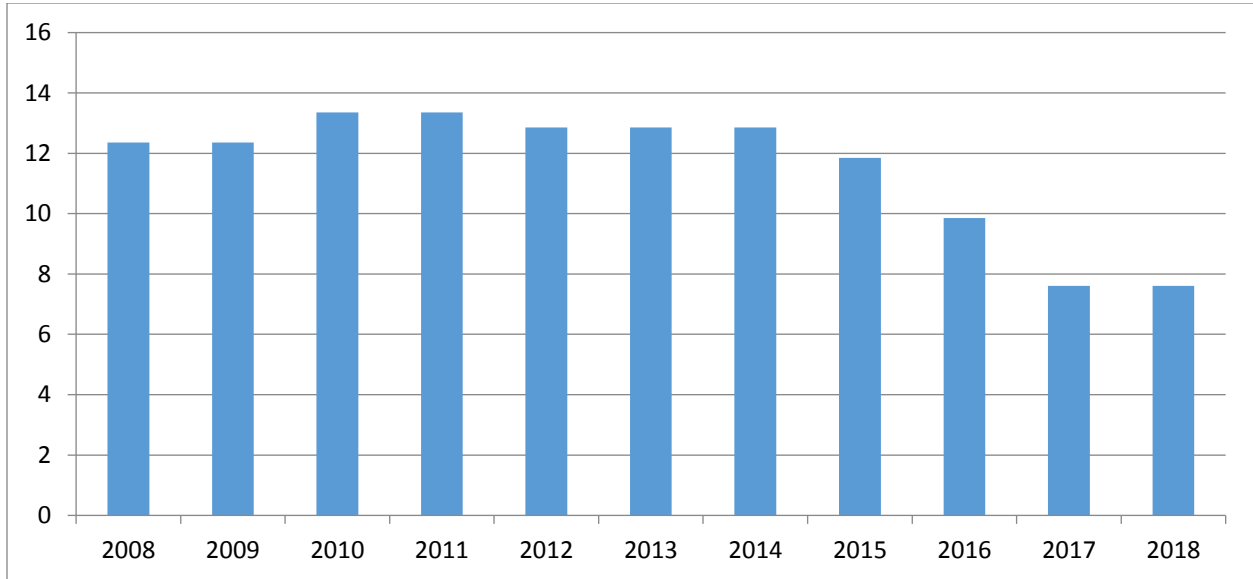
The 2018 budget contains funds for one additional police officer. Currently, the Township employs 28 full-time and 3 part-time employees. Six years ago, staffing levels were 30 full-time and 3 part-time employees.

The Township has been able to continue stabilized taxes while at the same time fully funding a Five Year Capital Improvement program and maintaining a minimum 25% fund balance, as recommended by the General Finance Officers Association, with no impact to the services provided to our residents.

Upper Makefield Township's real estate tax have been reduced steadily from a high of 13.3525 mils to the proposed level of 7.6025 mils.

TOTAL MILLAGE

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
12.3525	12.3525	13.3525	13.3525	12.8525	12.8525	12.8525	11.8525	9.8525	7.6025	7.6025



As proposed, the Real Estate Tax would be broken down as follows:

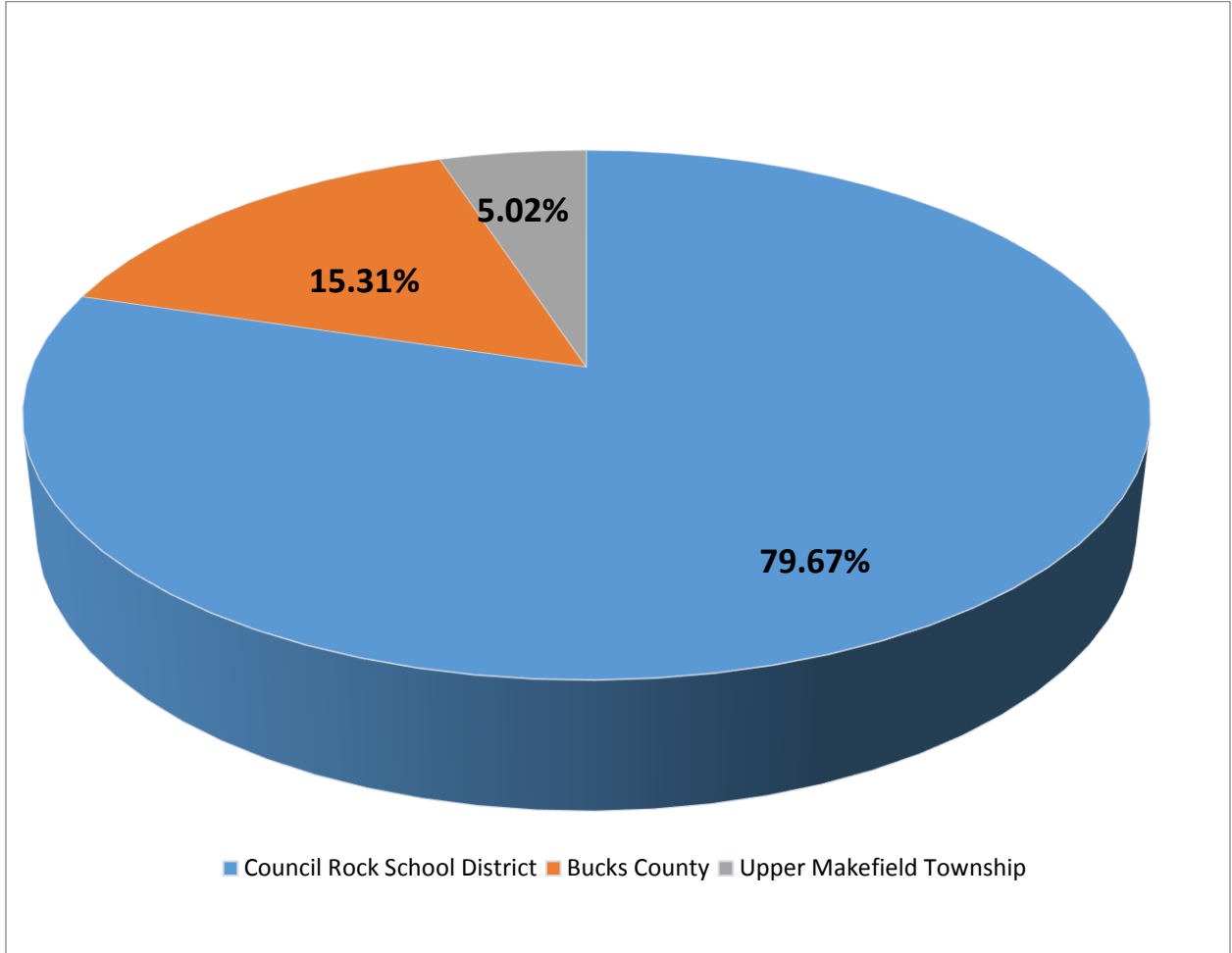
- General Fund 0.0000 mils
- Open Space Fund 6.3525 mils
- Fire Fund 0.7500 mils
- Building Construction Fund 0.5000 mils

TOTAL 7.6025 mils

The proposed 2018 Upper Makefield Township Real Estate Tax is based on the total assessed value of real estate in the Township. According the Bucks County Board of Assessment, the total assessed value as of September 2017 is \$239,583,950.

The average assessment of a residential property in Upper Makefield Township is **\$65,748**, which equates to an average Township real estate tax of **\$500**.

2018 TAX MILLAGE



	<u>2017-2018</u> <u>Millage</u>	<u>Percentages</u>
Council Rock School District	120.7100	79.67%
Bucks County	23.2000	15.31%
Upper Makefield Township	7.6025	5.02%
Total	151.5125	100.00%

It should be noted that the Upper Makefield Township portion of a resident's Real Estate Tax bill is only 5.02% as compared to the County (15.31%) and School District (79.67%) portions.

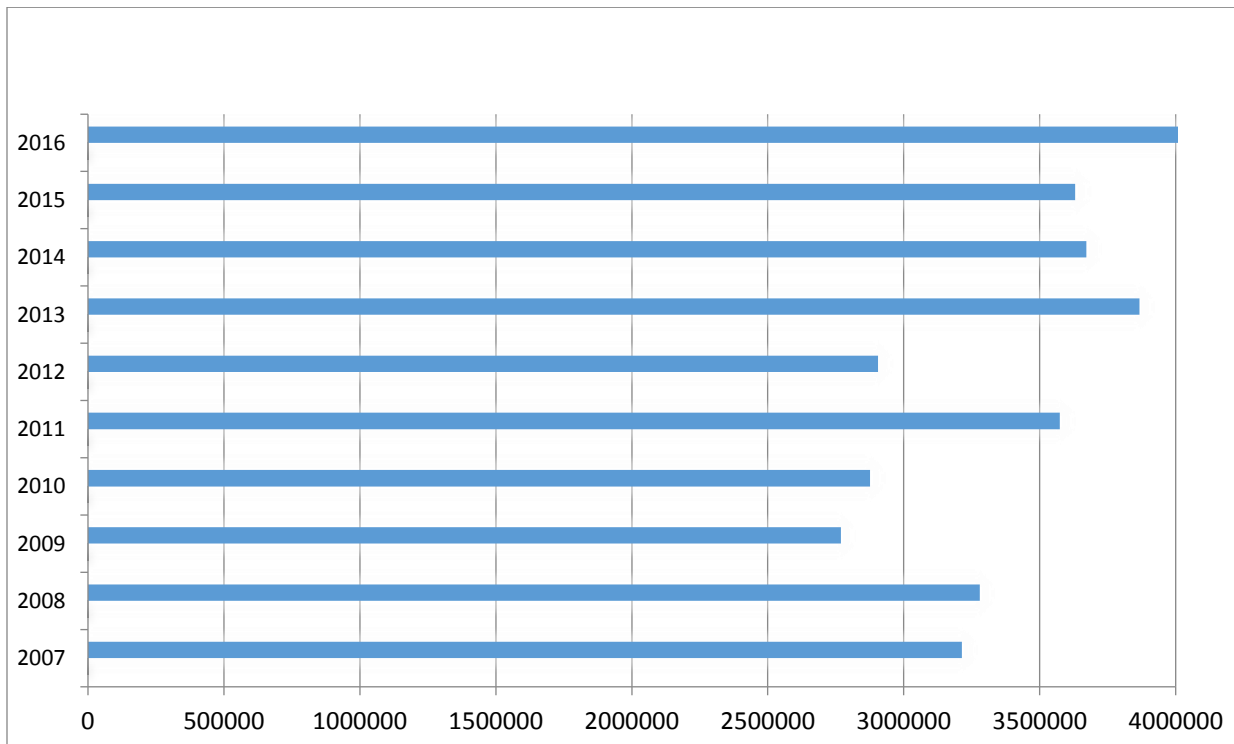
General Fund – Revenues

Earned Income Tax:

The Upper Makefield Township Earned Income tax rate is ½ of 1% with the other ½ of 1% going to the Council Rock School District. This revenue source is budgeted at \$4,000,000 in 2018, an increase of \$100,000.

According to the 2010 Census, the median income for a family in Upper Makefield Township is \$159,203, which translates into an annual Earned Income Tax payment of \$796.01.

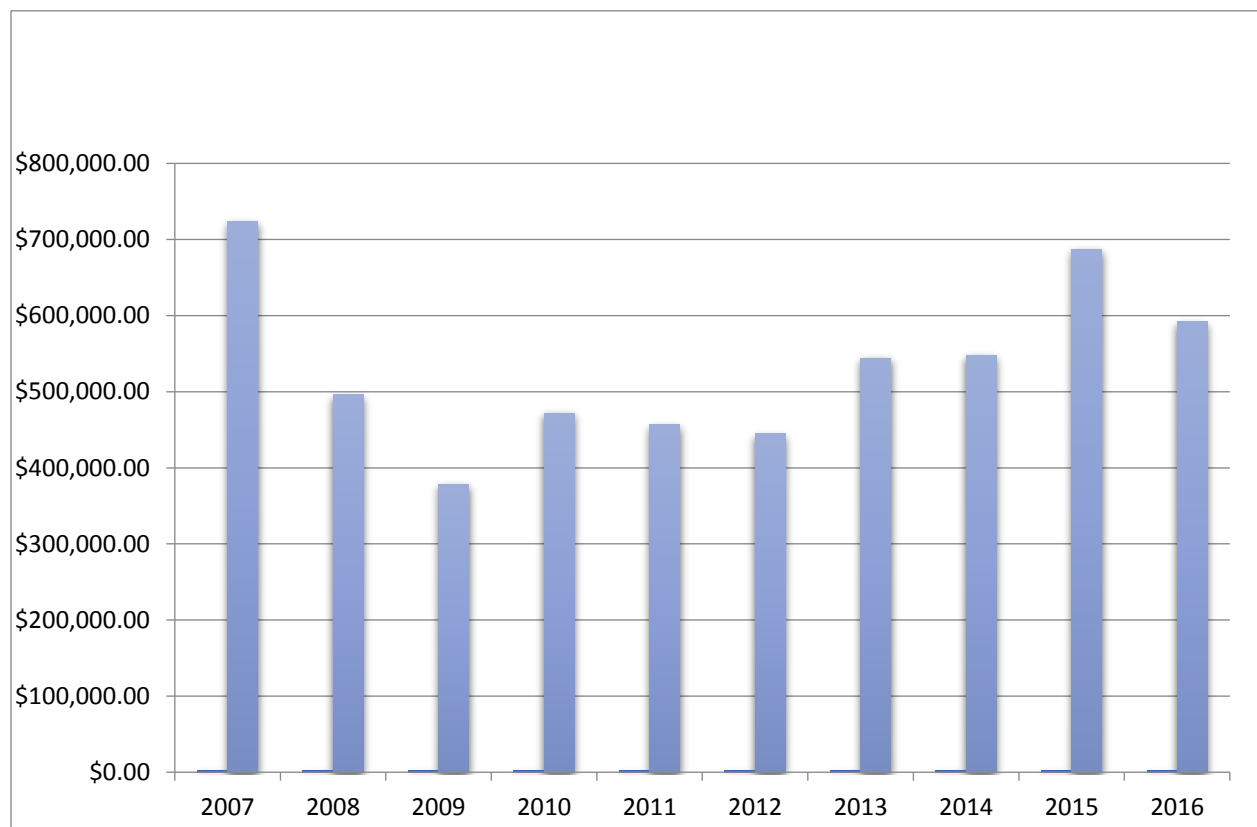
Earned Income Tax Revenues – 2007 through 2016



Real Estate Transfer Tax:

Upper Makefield Township receives ½ of the 1% of the value of all real estate that transfers. This line item is estimated to bring in approximately \$600,000 in 2018, as illustrated by the following graph.

Real Estate Transfer Tax Revenues – 2007 through 2016

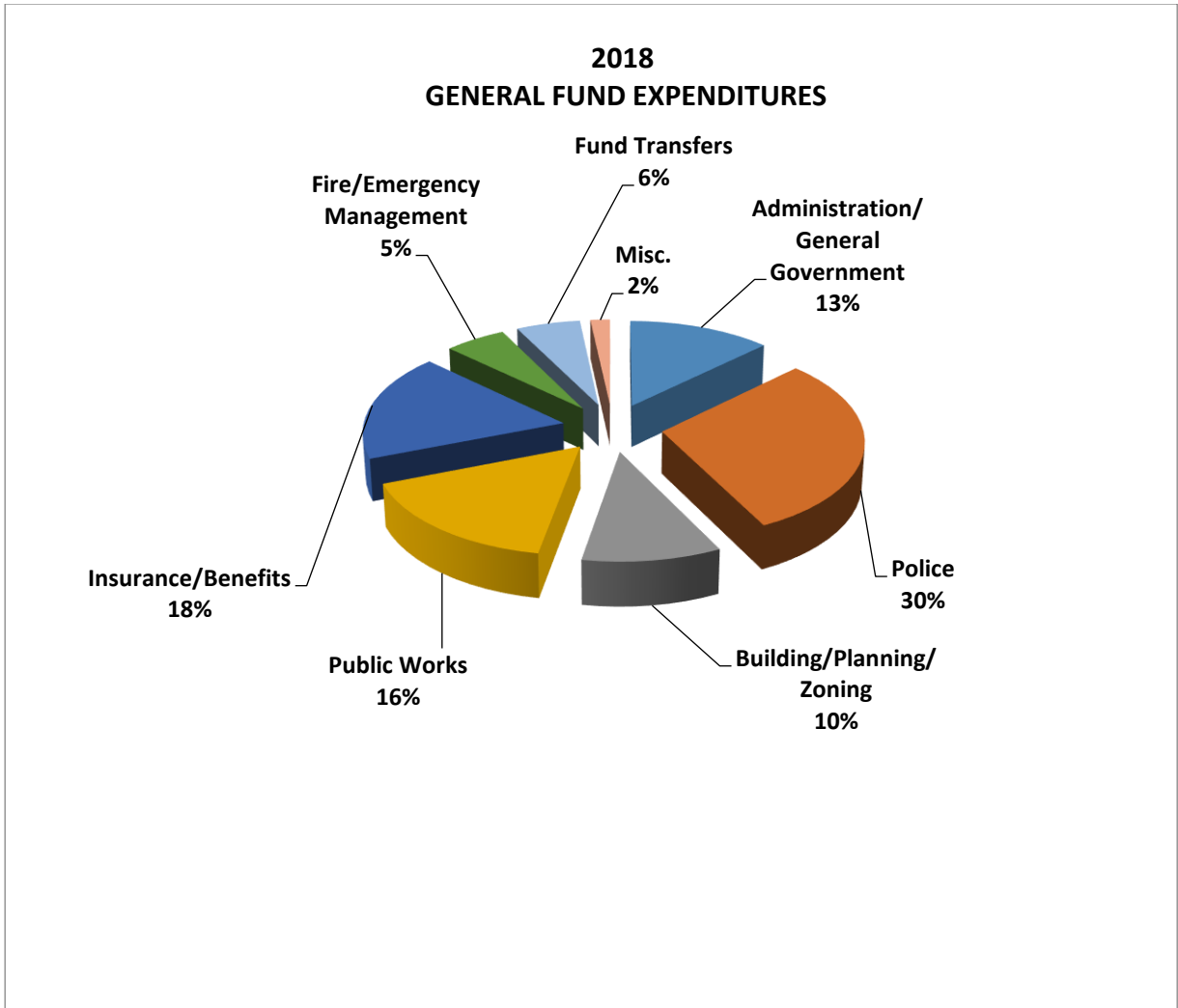


General Fund – Expenditures

The largest expenditure category in the General Fund is Police Services, representing 30% of budgeted costs. Additional expenditure categories include: Insurance/Benefits at 18%, Administration/General Government at 13%, Building/Planning/Zoning at 10%, Public Works at 16%, Fund Transfers at 6%, Fire/Emergency Management at 5% and Miscellaneous at 2% .

2018 GENERAL FUND EXPENDITURES

Administration/General Government	\$ 872,281
Police	\$2,047,554
Building/Planning/Zoning	\$ 695,409
Public Works	\$1,114,406
Insurance/Benefits	\$1,232,077
Fire/Emergency Management	\$ 376,639
Fund Transfers	\$ 390,425
Misc.	<u>\$ 119,125</u>
<i>Total Expenditures</i>	\$6,847,916



Other 2018 Fund Expenditures Highlights

PERSONNEL

In 2018, the Upper Makefield Township budget funds the employment of one additional full-time employee. The Public Works contract expires December 31, 2018 and the Police contract expires December 31, 2019. In total Non-uniformed, nonbargaining wage increases are budgeted at 3.25%.

PENSION

The Minimum Municipal Obligation (MMO) for 2018 is budgeted at \$134,610 for the Police Pension Fund and \$69,232 for the Non-Police Pension Plan for a total MMO of \$203,842. This obligation is offset by \$188,050 in anticipated revenue from the Commonwealth.

FIRE FUND

\$156,000 is budgeted for the Upper Makefield Fire Company and \$21,000 for the Lingohocken Fire Company.

WATER/SEWER CAPITAL IMPROVEMENT

In 2018, \$50,000 is proposed to be transferred from Water/Sewer Fund to partially fund the Water/Sewer Capital Fund. \$208,000 is budgeted for upgrades to the Heritage Hills Water Booster Pumping Station: Jockey/Main Service Pumps and Electrical/Instrumentation Systems and \$8,000 is budgeted for year 6 of an 8 year maintenance contract for Heritage Hills Water Storage Tank.

PUBLIC WORKS

\$644,000 is allocated from the General Fund for the 2018 Road Improvement Program. The following roads are slated for improvement: Weatherfield Drive, Georgetown Circle, Paul Douglas Court, a portion of Thompson Mill Road, Brownsburg Road West, Bridlewood Drive, Devon Drive, Buttonwood Drive, Chestnut Lane, and spot base repair on Woodhill Road from Eagle Road to Taylorsville Road.

LIQUID FUELS FUND

- \$200,000 is allocated for road repair and resurfacing projects.
- \$65,000 is allocated for road maintenance and stream bank stabilization.
- \$93,000 is allocated for snow removal and snow removal overtime

PARK AND RECREATION FUNDS

In the Park and Recreation Fund, \$60,000 is allocated for general maintenance of both Lookout and Brownsburg Parks (i.e., field maintenance, trash removal, cleaning of restrooms, repairs as needed).

Of the \$77,502 budgeted in the Park and Recreation Capital Fund, \$3,100 is allocated for the purchase of 6 park benches for Lookout and Brownsburg Parks, \$40,000 for the irrigation of Brownsburg Park Fields 5 and 6 and \$34,402 for the Lookout Park Trails, which is a 25% match of Buck County Open Space Funds.

OPEN SPACE FUND

\$1,899,152 is allocated for repayment of debt, including interest.

CAPITAL RESERVE FUND

\$197,825 is proposed to be transferred from the General Fund to continue to fully fund the Five-Year Capital Improvement Plan.

- \$100,800 is budgeted for the replacement of two (2) police vehicles
- \$140,656 is budgeted for replacement of a 10 Ton Dump Truck
- \$78,000 is budgeted for replacement of a 2006 Dump Truck
- \$25,000 is budgeted for a Pickup Truck
- \$10,000 is budgeted for a Public Works Trailer
- \$6,825 is budgeted to upgrade Garage Lighting
- \$15,000 is budgeted for Police Radios
- \$9,700 is budgeted for 2 radar signs
- \$80,100 is budgeted for Administration Building renovations
- \$3,000 is budgeted for Fire House 81 HVAC maintenance and painting

BUILDING CONSTRUCTION FUND

\$135,183 is allocated for repayment of debt , including interest, for the Police Building. Real Estate millage is 0.5 mils.

Conclusion

Staff wish to sincerely thank the Board of Supervisors, volunteers and residents for their continued support. The preparation of this budget is the culmination of the collaborative efforts of many people: the Board of Supervisors, Township staff, volunteer boards and residents.

The entire Township team of employees should be commended for their efforts. With this year's ongoing work to continue to control costs and contain spending, Township staff has exhibited their dedication to serving the residents of Upper Makefield. Special recognition should be given to the following members of the Township's Executive Staff for assistance in crafting this document: Judy Caporiccio, Bob Johnson, Dave Kuhns, Chief Mark Schmidt and Sandy Wenitsky.

The Board of Supervisors should also be recognized for the many hours that they have dedicated to the budget process, gathering input and carefully reviewing each line item.

This document should be a valuable tool in making the important decisions that will impact Upper Makefield citizens and Township government in the coming year. I remain grateful for the opportunity to serve the Board of Supervisors and citizens in the Upper Makefield community.

Respectfully submitted,

David R. Nyman
Township Manager