



Township of Middletown

3 Municipal Way Langhorne, PA 19047-3424
 Ph: 215-750-3800 Fax: 215-750-3801
www.middletowntwpbucks.org

Board of Supervisors

Pat Mallon, Chairperson
 H. George Leonhauser, Vice Chairperson
 Drew Kreiling, Secretary
 Thomas Gallagher
 Bill Oettinger

Stephanie Teoli Kuhls, Manager
 Joseph Pizzo, Esq., Solicitor

November 17, 2014

The 2015 Middletown Township Preliminary Budget is respectfully submitted to the Board of Supervisors and citizens of Middletown Township. As presented, this spending plan will allow Middletown Township to continue to provide municipal services and programs at existing levels, with no proposed tax increase.

This Preliminary Budget is balanced and includes \$32,161,245 in expenditures over fourteen governmental funds, reflecting a **2.9% decrease** from the 2014 proposal, due primarily to the award of a new three-year refuse and recycling collection contract. As result of the renegotiation of this contract, residential trash and recycling fees for township residents will go down **\$56** in 2015 and will remain at that level through 2017.

The Township's fourteen governmental funds include costs to provide typical governmental functions. The 2015 proposed General Fund includes expenditures of \$16,857,383 which represents a 2.7% increase over the 2014 Budget.

Governmental Funds	2015 Proposed Expenditures
General	\$16,857,383
General Street Light	513,473
Fire Protection	1,106,288
Parks and Recreation	1,396,326
Ambulance and Rescue Squad	205,525
Road Machinery	257,234
Fire Hydrant	56,588
Debt Service	2,745,258
Capital Reserve	2,319,600
Investment	1,042,000
Highway Aid	920,889
Sanitation Fund	3,970,142
Curb Assessment	0
Fire Apparatus	770,539
Total	\$ 32,161,245

The Township's Proprietary Funds include the Middletown Country Club Fund and the Farm Fund.

Proprietary/Enterprise Funds	2015 Proposed Expenditures
Middletown Country Club	\$180,337
Farm	43,668
Total	\$224,005

Middletown Township's three Fiduciary Funds report assets held by the Township in a trustee or agency capacity that are not available to support township programs or services.

Fiduciary Funds	2015 Proposed Expenditures
Police Pension	\$2,700,000
Police Post Retirement Benefits	10,000
General Pension	188,000
	\$2,898,000

Budget Overview

The most challenging issue facing Middletown Township over the past several budget cycles has been the recurring structural imbalance which has existed in the General Fund since 2006. Significant progress has been made over the past year to address this imbalance as the Administration has emphasized a culture of cost containment and ongoing review of revenue enhancement. Some examples of these measures include:

- Healthcare insurance costs in 2014 were reduced as a result of soliciting competitive proposals from the marketplace. The decision to change healthcare insurance brokers, coupled with the decision to self-fund slight plan design changes, resulted in a savings of \$240,000 compared to budget.
- Middletown Township moved to the Delaware Valley Workers Compensation Trust in 2012 for workers compensation insurance. In 2014, favorable rates from continued participation in this municipal insurance pool provided \$29,000 in savings compared to budget.
- In early 2014, the Administration conducted a thorough review of all fees charged by the Township. Adjustments to the schedule were recommended and approved by the Board to accommodate for coverage of all Township costs. The impact of this change resulted in more than \$110,000 in revenue.
- A change was made to the electric generation provider during the first quarter of 2014, bringing about a savings of more than \$50,000 compared to budget.
- Staff reductions and deferral of replacement of positions resulted in an estimated savings of approximately \$200,000.
- An Early Retirement Incentive Program (ERIP) was recently launched and has the possibility of saving \$450,000 over the next three years.

I am pleased to report that these efforts, coupled with the implementation of a .5% Earned Income Tax, have resulted in an estimated \$1 million decrease to the budgeted \$2 million transfer from the Investment Fund to General Fund in 2014.

Other significant variables that impact budgeting and financial management:

- In 2014, the Township's Bond rating was once-again reaffirmed by Standard and Poor's Rating Services at AA+. This rating can be seen as a reflection of the Township's sound financial position and strong management.

- Middletown Township was awarded the *Certificate of Achievement for Excellence in Financial Reporting* from the Government Finance Officers Association (GFOA) for the 2012 and 2013 Comprehensive Annual Financial Reports (CAFRs). The attainment of this recognition is a significant financial management accomplishment.
- The 2014 General Obligation Bond Issue refinanced a 2009 borrowing and provided an additional \$4.9 million in funding for major capital infrastructure improvements. Year One of the 15-Year Road Improvement Program was completed in the fall of 2014 and included the paving of more than fifteen miles of township roadways. The 2015 Proposed Budget contemplates the continuation of this program with more than \$2 million dedicated to road paving.
- The Big Oak Road Improvement Project, a long-awaited road reconstruction project, was completed in 2014. The \$1.1 million project cost was underwritten entirely with grant funding, \$750,000 from the Redevelopment Authority (RDA) of Bucks County and \$310,000 from the Commonwealth of Pennsylvania.
- The Township's vehicle and equipment replacement needs have been consistently met by the RDA Grant Program over the past five years. The 2015 RDA grant request includes nine vehicles (six in the police department and 3 in public works) that will cost more than \$450,000.
- Township employees are represented by four separate collective bargaining units: the Police Benevolent Association (PBA), Independent Association of the Department of Public Works (DPW), Teamsters Local 107 and the Crossing Guard Association.

A 2013 Interest Arbitration Award requires a 3.75% wage increase in 2015 for members of the PBA. The current DPW contract outlines a wage increase of \$0.60/hour for all public works employees in 2015. The current Crossing Guard Association Contract calls for a \$0.35/hour increase for crossing guards in 2015. The Teamsters Contract is currently being negotiated.

The Budget Process

The formal process for the 2015 Budget commenced in late August when departmental budget requests were prepared and submitted to the Township Manager and Finance Director for review. After thorough evaluation and revision during the month of September, a draft budget was developed and presented to the Board of Supervisors during two Budget Workshops. These meetings included review of the proposed budget and discussion of long range and capital improvement planning.

Publicly advertised Budget Workshop Meetings held as part of the 2015 budget process occurred on **October 13, 2014 and November 10, 2014**. In addition to the Budget Workshop, the Board of Supervisors conducted departmental site visits to tour facilities and hear about departmental equipment and staffing needs.

The adoption schedule for the 2015 Budget is proposed as follows:

- **November 17, 2014** - Presentation of 2015 Budget to Board of Supervisors and citizens of Middletown Township; Authorization to advertise Preliminary Budget
- **November 24, 2014** - Advertisement for public inspection (20 days prior to adoption)

- **December 15, 2014** - Official adoption of Final 2015 Budget

The budget document, as presented, incorporates input from the Board of Supervisors from the two budget workshops.

General Fund Revenues

Real Estate Tax

The 2015 Middletown Township Real Estate Tax is based on an anticipated total assessed value of \$527,666,530. The proposed rate of **17.570 mills** reflects no change from the 2014 rate.

The average assessment of a residential property in Middletown Township is **\$29,243** which equates to an average Township real estate tax of **\$514**.

There are eight separate funds that receive dedicated funding from the Real Estate Tax. Please see the chart below for a breakdown of the millage across funds.

Tax Fund	2014 Rate	2015 Rate
General Fund	7.340	7.340
General Street Lighting Fund	0.988	0.988
Fire Protection Fund	1.375	1.375
Park & Recreation Fund	1.620	1.920
Ambulance & Rescue Fund	0.395	0.395
Road Machinery Fund	0.300	0.300
Fire Hydrant Fund	0.107	0.107
Debt Service Fund	5.445	5.145
Total Real Estate Tax Millage	17.57	17.57

Although the proposed budget does not include a change in the overall rate, it does include a proposal to reallocate millage from the Debt Service Fund to the Parks & Recreation Fund. This reallocation of revenue will allow the annual transfer from the Investment Fund to the Parks & Recreation Fund to be eliminated.

It should be noted that the Middletown Township portion of a resident's Real Estate Tax bill is minimal compared to the County and School District portion. Please see the chart below for a breakdown of Real Estate Taxes paid by Middletown Township residents.

Total Real Estate Tax Millage	Neshaminy School District	Bucks County	Middletown Township
192.770	152.000	23.200	17.570

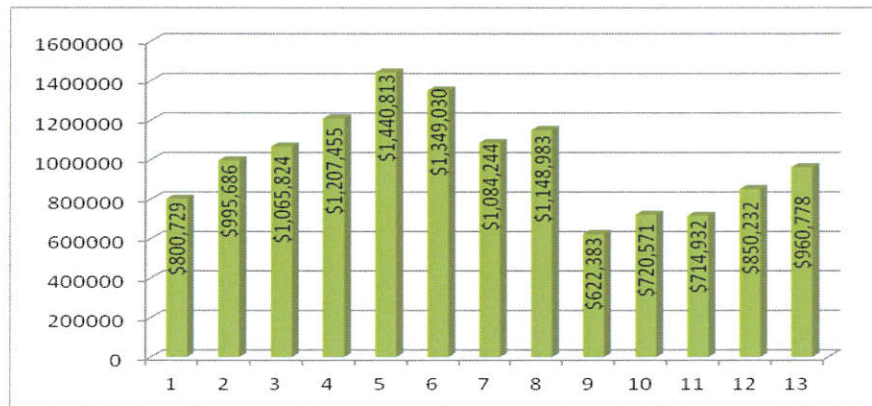
Please see below a table of sample properties that illustrates the portion of the Real Estate Tax bill that would be paid to Middletown Township in 2015 as compared to the School District and County.

Development	Assessment of Sample Property	Total Real Estate Tax Bill	Neshaminy School District	Bucks County	Middletown Township
Snowball Gate	\$29,650	\$5,716	\$4,507	\$688	\$521
Highland Park	\$25,620	\$4,939	\$3,894	\$595	\$450
Maple Point	\$43,600	\$8,405	\$6,627	\$1,012	\$766
Villages of Flowers Mill	\$34,200	\$6,593	\$5,198	\$794	\$601

Real Estate Transfer Tax:

The Real Estate Transfer Tax is levied at 1/2 of 1% of the value of all real estate that transfers within Middletown Township. Revenue from this tax peaked in 2005 at \$1,440,813. This line item is expected to bring in approximately \$960,000 in 2015.

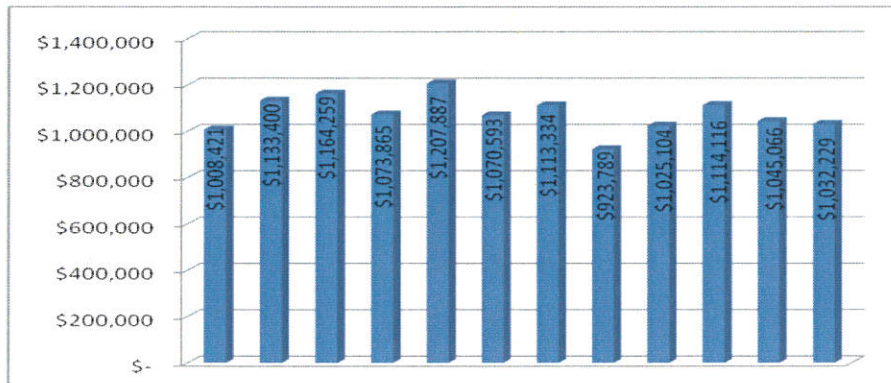
Real Estate Transfer Tax Revenues – 2001- 2013



Mercantile Tax:

The Mercantile Tax is assessed on the gross income of anyone engaged in the sale of goods, wares and merchandise located within the Township. The tax is calculated based upon total gross receipts. The rate is 1/2 mill per \$1,000 gross receipts for wholesale and 3/4 mill per \$1,000 gross receipts for retail. This line item is expected to generate \$1,075,000 in revenues in 2015.

Mercantile Tax Revenues – 2002- 2013



Earned Income Tax: (EIT)

An Earned Income Tax was levied in 2014 at a rate of .5% of earned income on resident and non-resident workers. It is estimated that this tax will generate \$4,000,000 during the 2015 calendar year.

Amusement Tax:

The Amusement tax levies a tax equal to 5% of eligible admission prices to certain places of amusement, entertainment or recreation. In 2015, \$1,300,000 is anticipated in revenue from this source.

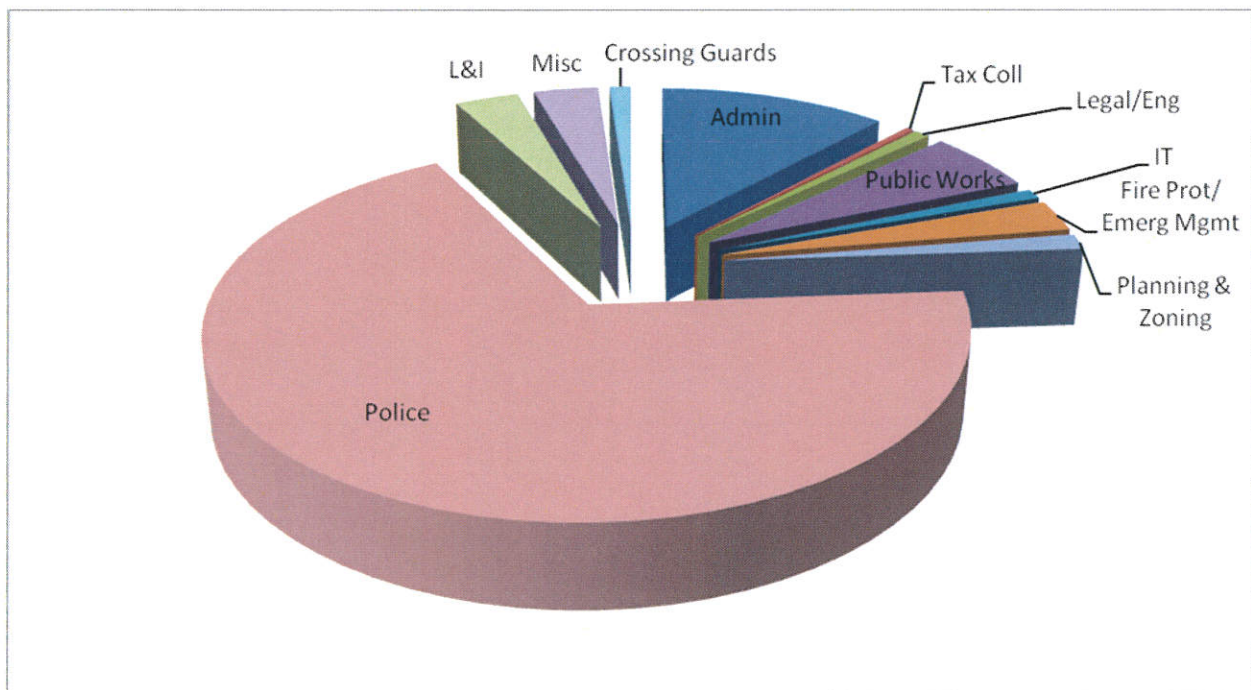
General Fund – Expenditures

The primary expenditure category in the General Fund is Police Protection at \$11,504,112. This category is significantly impacted by salary and benefit costs for the Township’s police force. There are currently 51 officers in the department, down from the full complement of 54 officers. The 2015 budget includes the hiring of three officers to bring the staff back to the full complement of 54 officers.

The contribution required to the Police Pension fund has increased dramatically over the past five years from \$764,346 in 2010 to \$2,285,033 in 2015.

Other significant expenditure categories in the 2015 General Fund include Administration at \$2,000,156; Public Works at \$955,990; Licenses and Inspections at \$563,856 and Fire Protection/Emergency Management at \$482,902.

2015 General Fund Expenditures



Other Fund Highlights:

PARK AND RECREATION FUND

The Park and Recreation Fund includes a total of \$1,396,326 in expenditures for 2015. Of this total, \$632,040 is allocated to park maintenance, \$425,585 to administration and \$306,701 to programs. Revenue in this fund is derived from Real Estate Tax revenue, program fees and charges for service.

INVESTMENT FUND

The Investment Fund holds the assets of the sale of the water and sewer facilities to Bucks County Water and Sewer Authority in 2002. Fund revenue is investment income on fixed income securities, primarily US Treasury Bills, and gains and/or losses from the sale of, or changes in market value thereof. Expenses are budgeted transfers to the General Fund. The 2015 budget includes a transfer of \$1,000,000 to the General Fund.

SANTITATION FUND

Middletown Township has recently awarded a new, three-year contract for solid waste and recycling collection to Waste Management, Inc. that will translate into a reduction in annual costs for residents. Annual costs to the township will decrease from \$4,825,660 in 2014 to \$3,970,142 in 2015. Correspondingly, the cost to residents for Waste Management's collection of trash and recycling will decrease \$56 annually from \$396 in 2014 to \$340 in 2015.

HIGHWAY AID FUND

The Highway Aid Fund includes \$920,889 in proposed expenditures for 2015. The largest category of expense in this fund is \$219,033 for snow removal. Other categories include: street signs/traffic signals at \$173,391; repairs to highways at \$157,733 and repairs to tools/machinery at \$150,443. Anticipated state aid for 2015 is \$1,012,083.

CAPITAL RESERVE FUND

The 2015 Capital Reserve Fund proposes \$2,319,600 in capital projects over four broad categories: General, Park and Recreation, Stormwater and Transportation. A schedule of specific projects proposed in each category is outlined in the 2015 Capital Improvement Program which is attached in the Supporting Documents section of this document.

Conclusion

This budget is the culmination of a collaborative process that started over the summer and involved the efforts of many people – the Board of Supervisors, department directors and township staff.

I am grateful for the dedicated work of the entire township team. Each department director deserves recognition for development of their individual departmental budgets. Special recognition must be given to Finance Director, Dennis Penko for his thorough and meticulous work in preparing this financial plan. Finally, thank you to Bernie Frisch for her administrative support in putting together this document.

I would also like to express my appreciation to the Board of Supervisors for their dedication to the citizens of Middletown Township. They should be commended for the many hours that they have dedicated to the budget process. The annual budget document is the single most important policy document adopted by the Board each year.

This budget will be a valuable tool in making the important decisions that will impact Middletown citizens and township government during the next year. I am honored to serve the Board of Supervisors and citizens in the Middletown community and look forward to the challenges and opportunities ahead in 2015.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Stephanie Teoli Kuhls', with a stylized, cursive script.

Stephanie Teoli Kuhls
Township Manager