



TO: The Citizens of Towamencin Township

FROM: Board of Supervisors, Towamencin Township

DATE: November 15, 2012

RE: 2013 Proposed Budget

At their November 14, 2012 meeting, the Towamencin Township Supervisors authorized the advertising and release for public inspection of the Township's 2013 Budget.

The total budgeted expenditure for all fourteen Township funds is \$16,130,851.

This proposed budget is a balanced financial plan that not only meets the Township's legal requirements for the 2013 calendar year, but is also a plan that will enable the Township to continue providing quality service to our community.

Highlights include:

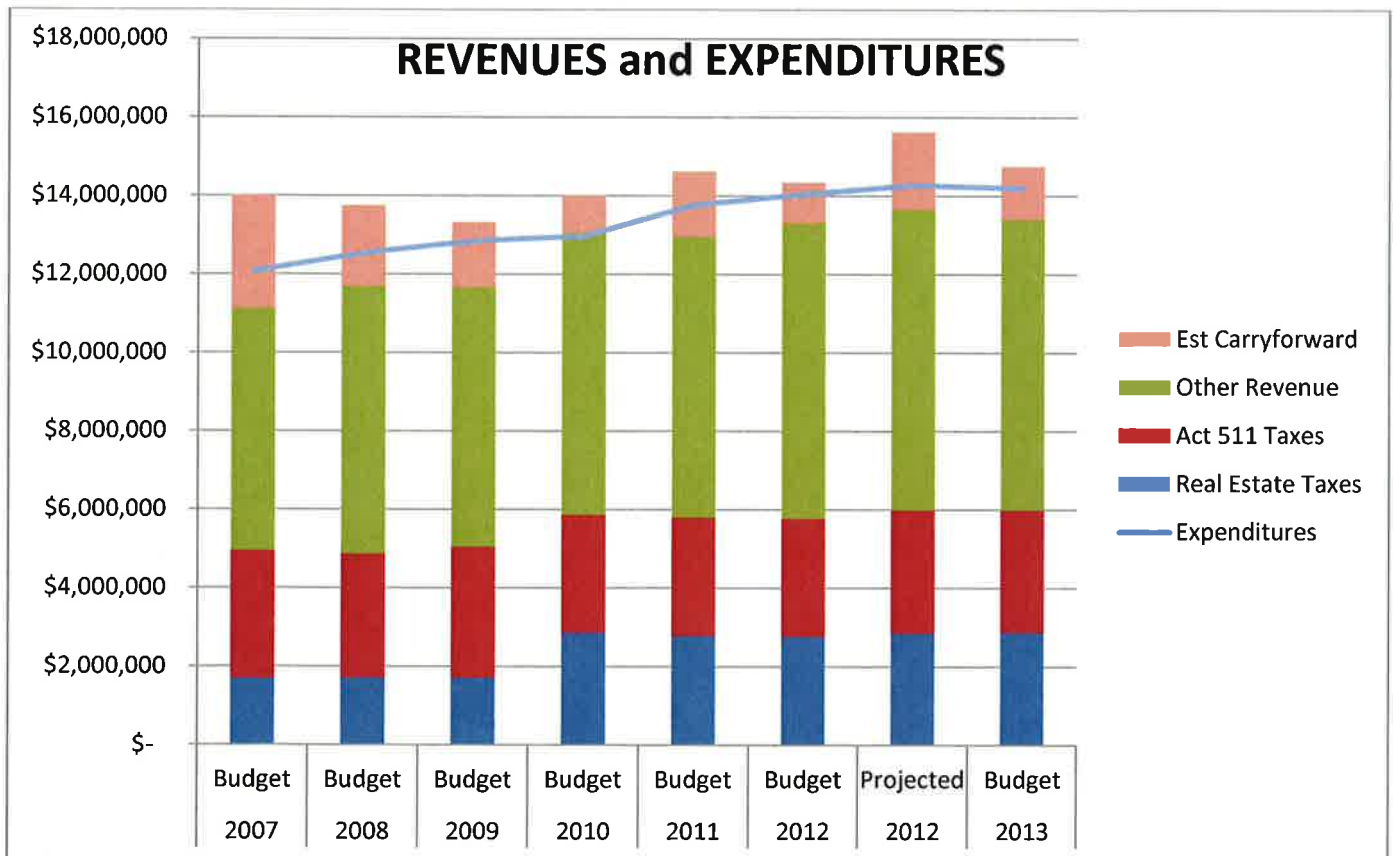
- No tax increases,
- No sewer rate increase,
- Continuation of the Annual Road Paving Program.
- Homestead and Farmstead Exemptions remain at \$59,000 as in past years

The 2013 Budget began as a draft developed by staff, which was then presented to the Board of Supervisors and discussed during four budget workshops held October 3, October 17, November 7 and November 14. During these public work sessions the Board and staff reviewed each category of the budget and made appropriate adjustments, resulting in the Budget that is now being presented for a 20-day public review and comment period. After the public review period, the Board will consider adoption of the Budget on December 12, 2012, during their Regular Board meeting beginning at 7:30PM.

The Township's overall Budget is a compilation of 15 different Funds, which includes the 14 Township Operational and Capital Funds, plus a separate Fund for the Towamencin Township Infrastructure Authority. These funds are operated and managed independently, but work together to provide a full array of services to our community.

Fund #	Fund	2012 Beginning Fund Balance	2012 Projected Revenue	2012 Projected Expenses	Projected Fund Balance 31DEC12	2013 Budgeted Revenue	2013 Budgeted Expenses	Estimated Fund Balance 31DEC13
01	General	\$1,216,397	\$7,317,912	\$7,452,122	\$1,082,187	\$7,067,130	\$7,763,530	\$385,787
02	Street Light	\$68	\$720	\$720	\$68	\$720	\$720	\$68
03	Fire	\$6,031	\$300,454	\$298,902	\$7,583	\$304,775	\$312,325	\$33
05	Park & Rec	\$120,359	\$345,332	\$379,824	\$85,867	\$347,425	\$330,280	\$103,012
06	Pool	\$5,361	\$241,961	\$246,408	\$914	\$231,938	\$231,825	\$1,027
07	Fischer's Park	\$534,705	\$320,540	\$122,650	\$732,595	\$250,540	\$869,520	\$113,615
08	Sewer	\$530,199	\$3,367,900	\$3,778,099	\$120,000	\$3,414,100	\$3,467,792	\$66,308
09	Swr Capital	\$721,244	\$557,912	\$642,000	\$637,156	\$185,120	\$490,000	\$332,276
18	Park Capital	\$272	\$289,796	\$229,774	\$60,294	\$135,612	\$195,624	\$282
19	Public Art	\$115,281	\$110	\$4,800	\$110,591	\$110	\$0	\$110,701
23	Debt Service	\$9,958	\$1,725,864	\$1,715,756	\$20,066	\$1,702,824	\$1,722,876	\$14
30	Gen Capital	\$157,012	\$198,695	\$355,570	\$137	\$293,600	\$293,630	\$107
33	Traffic Imp	\$77,467	\$151,681	\$176,095	\$53,053	\$90,150	\$76,585	\$66,618
35	Liquid Fuels	\$81,298	\$362,672	\$407,798	\$36,172	\$339,972	\$376,144	\$0
Totals		\$3,575,652	\$15,181,549	\$15,810,518	\$2,946,683	\$14,364,016	\$16,130,851	\$1,179,848

Fund #	Fund	2012 Beginning Fund Balance	2012 Projected Revenue	2012 Projected Expenses	Projected Fund Balance 31DEC12	2013 Budgeted Revenue	2013 Budgeted Expenses	Estimated Fund Balance 31DEC13
85	TTIA	\$6,146	\$787,325	\$717,534	\$75,937	\$1,245,358	\$1,308,758	\$12,537



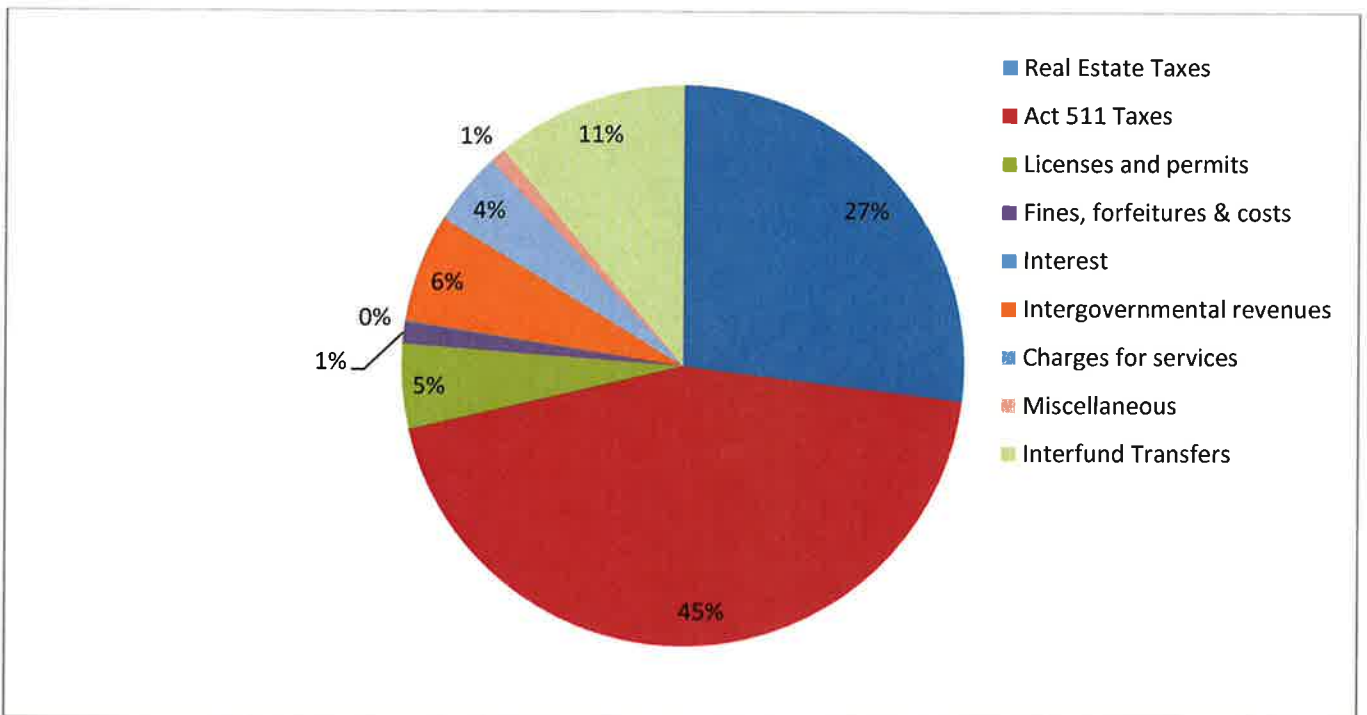
Background

Painfully difficult decisions were made during the preparation of the 2010 Budget to respond to the harsh economy facing not only Towamencin Township, but also the region and the Nation. Throughout the past two years aggressive fiscal management by the Board of Supervisors and Finance Committee allowed the Township to avoid service reductions and further staffing cuts. The Township will continue on the same conservative course for 2013.

REVENUES

Revenue Sources

The Township receives revenues from several sources. As illustrated in the chart below of the General Fund Revenue, it is predominantly through various taxes, charges for services, and interfund transfers. The leading source is Act 511 Taxes (i.e., Earned Income Tax, Realty Transfer Tax, Local Services Tax). The General Fund is used to account for all revenues and expenditures which are not accounted for in other funds and finances the regular day-to-day operations of the Township.

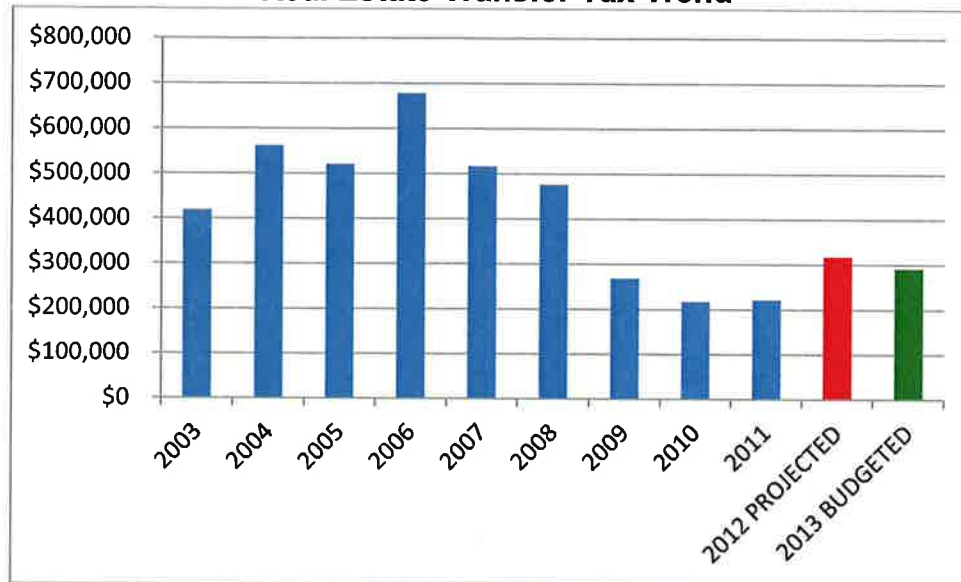


Real Estate Tax

Real Estate Taxes are budgeted at \$1,893,170, which is \$84,550 more than budgeted for 2012. This is due to an estimated increase of \$22,982,435 in property assessments of new homes and businesses and an appeal that resulted in an increase of \$10,528,020 to the Township's total assessed value.

The 2013 budget reflects no increase in real estate taxes with no change to the Homestead/Farmstead exemption of \$59,000. There are currently 4,650 taxpayers utilizing the exemption. The millage allocated to the General Fund is 2.511, approximately 66% of the total proposed millage of 3.808. Real Estate Transfer Taxes for 2013 are projected to be \$291,600 which is 17.3% higher than 2012 budgeted.

Real Estate Transfer Tax Trend



Real Estate Millage

Year	General	Park&Rec	Fire	Debt	Total	
1997	19	1.5	2	2	24.5	
1998	1.055	0.083	0.111	0.111	1.36	County Reassessment
1999	1.055	0.083	0.111	0.111	1.36	
2000	0.679	0.052	0.07	0.07	0.871	
2001	0.679	0.052	0.07	0.07	0.871	EIT Adopted
2002	0.679	0.052	0.07	0.07	0.871	
2003	0.679	0.052	0.07	1.507	2.308	
2004	0.419	0.312	0.07	1.507	2.308	
2005	0.419	0.312	0.07	1.507	2.308	
2006	0.419	0.312	0.07	1.507	2.308	
2007	1.119	0.312	0.07	0.807	2.308	Millage Adjusted
2008	1.119	0.312	0.07	0.807	2.308	
2009	1.011	0.42	0.07	0.807	2.308	
2010	2.511	0.42	0.07	0.807	3.808	Millage Increased
2011	2.511	0.42	0.07	0.807	3.808	
2012	2.511	0.42	0.07	0.807	3.808	
2013	2.511	0.42	0.07	0.807	3.808	Proposed

Assessed Property Values

The property assessment established by Montgomery County is the basis used by the Township to levy real estate taxes by multiplying the millage rate times the assessment. The taxes are the actual dollar amount paid by an individual.

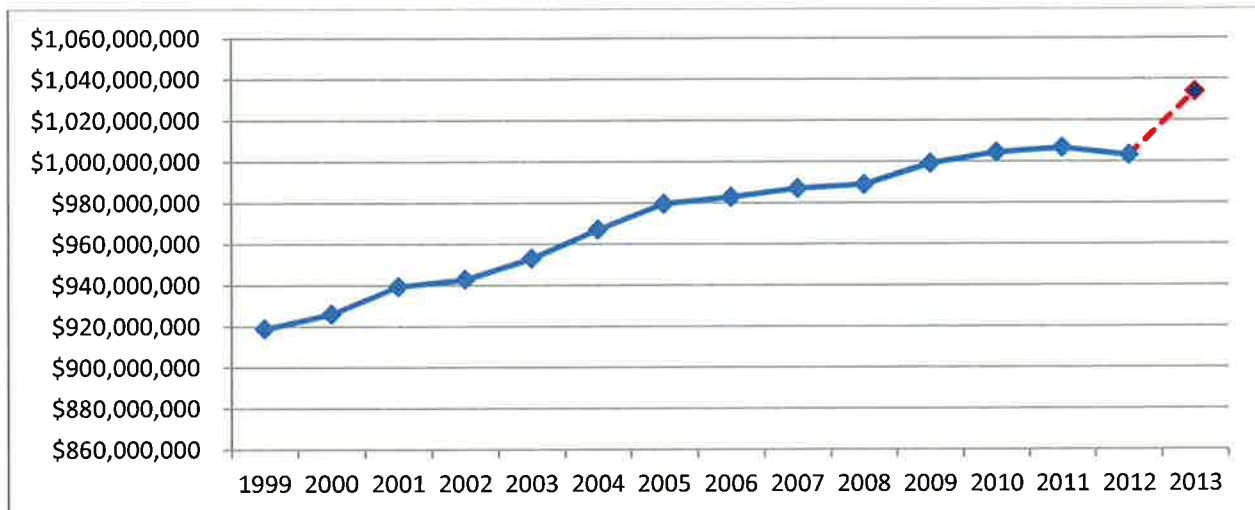
- Market Value x Assessment Ratio = ASSESSMENT
- Assessment x Millage Rate = TAXES

The assessed value of properties within the Township has been relatively flat, but is expected to increase during 2013 due to a significant increase in building within the Township and the settlement of an assessment appeal.

	<u>Assessed Value</u>	<u>% Increase</u>
1999	\$ 918,903,128	
2000	\$ 926,073,438	0.78%
2001	\$ 939,509,268	1.45%
2002	\$ 942,801,308	0.35%
2003	\$ 953,097,118	1.09%
2004	\$ 967,047,800	1.46%
2005	\$ 979,568,898	1.29%
2006	\$ 982,804,798	0.33%
2007	\$ 987,015,118	0.43%
2008	\$ 996,220,998	0.93%
2009	\$ 999,136,288	0.29%
2010	\$ 1,004,417,948	0.53%
2011	\$ 1,006,643,018	0.22%
2012	\$ 1,003,081,478	(0.35%)
2013	\$ 1,034,000,100	3.08%

Assessed Value

2013 \$1,034,000,100 +3.08%



An amendment to the Pennsylvania Constitution, approved by the voters in November 1997, authorized “homestead exclusion.” Local taxing districts, which include counties, municipalities, and school districts, could then exclude from real estate taxation a portion of the assessed value of homestead property. In order to participate, the property must be the primary residence of the property owner. Commercial properties and rental properties do not qualify. The homeowner must register with the County by December 15 for the following tax year. Forms are available at the Township Building and online at www.montcopa.org/boa. The homeowner will receive notification from the County only if the property does not qualify for participation. Once a property is participating, it will remain in the program unless its status changes (i.e. sold or rented). A new buyer is required to register with the County in order to participate.

The Township annually, as a part of its budget process, determines the amount of exemption. Participating homeowners will receive an exemption on the Township portion of their tax bill only. When looking at your tax bill, you will note a County

assessed value and a Township assessed value. If the homeowner is participating, the difference in the two assessed values will be the Homestead Exemption for that year.

The overall assessed value of all properties in the Township projected for 2013 is \$1,034,000,100. With an estimated 4,650 participants in the Homestead Exemption Program continuing at a rate of \$59,000, the assessed value available for the real estate tax is reduced by \$271,540,000 to \$762,460,100. The resulting impact on real estate revenue is reflected below.

	Millage	Without HE	2013 Projected with HE
General	2.511	\$2,596,374	\$1,914,537
Park & Rec	0.42	434,280	320,233
Fire	0.07	72,380	53,372
Debt	0.807	834,438	615,305
Total	3.808	\$3,937,472	\$2,903,447

Based on the average assessed value in the Township, a property participating in the Homestead Exemption will pay \$347 in Township Real Estate taxes for 2013:

Assessed Value - Average Single Family residential	\$150,000
Homestead/Farmstead Exemption	<u>(59,000)</u>
Taxable assessed value	\$91,000
Real Estate Tax:	
Rate 3.808 mills (.003808)	\$347.00

Random Selection of Township Homes

2012

		Assessment	Township Tax Exemption	School millage	County millage	Township millage	Twp Tax Exempted
				22.3256	3.152	3.808	
Bentwood Circle	Walnut Meadows	\$ 33,930	\$ 33,930	\$ 758	\$ 107	\$ -	\$ 129
Ardwick Place	Chatham	68,510	59,000	1,530	216	36	225
Hickory Ct.	Timber Creek	71,060	59,000	1,586	224	46	225
Adams Rd.	Towamencin Condo	75,010	59,000	1,675	236	61	225
Stony Creek Ct.	Morgandale	84,630	59,000	1,889	267	98	225
Runnymede Ct.	Liberty Knoll	90,780	59,000	2,027	286	121	225
Boyd Ave	Inglewood	134,080	59,000	2,993	423	286	225
Bishop Wood Blvd.	Pembleton Farms	146,750	59,000	3,276	463	334	225
Morris Rd.		153,610	59,000	3,429	484	360	225
Cambridge Way	Charlestown	153,610	59,000	3,429	484	360	225
Crossbow Way	Hunter Hill	157,180	59,000	3,509	495	374	225
Eagle Way	Breman	175,750	59,000	3,924	554	445	225
Henning Way		180,960	59,000	4,040	570	464	225
Valley View	Morris Estates	184,640	59,000	4,122	582	478	225
Rampart Lane	Stonebridge	185,370	59,000	4,138	584	481	225
Stoneybrook Ln.	Colonial Village	188,590	59,000	4,210	594	493	225
Steven Lane	Troxel Heights	193,560	59,000	4,321	610	512	225
Candlemaker Way	Gristmill	194,630	59,000	4,345	613	516	225
Misty Meadow Ln.	Mist Meadow Estates	217,830	59,000	4,863	687	605	225
Homestead Circle	Meadow View Towamencin	252,200	59,000	5,631	795	736	225
Maxwell Ct.	Springs	290,250	59,000	6,480	915	881	225
Holly Drive	Denslow	303,890	59,000	6,785	958	933	225
Cheswold Dr.	Cheswold	400,840	59,000	8,949	1,263	1,302	225

\$ 9,923 \$ 5,072

2012 Homestead/Farmstead Exemption List

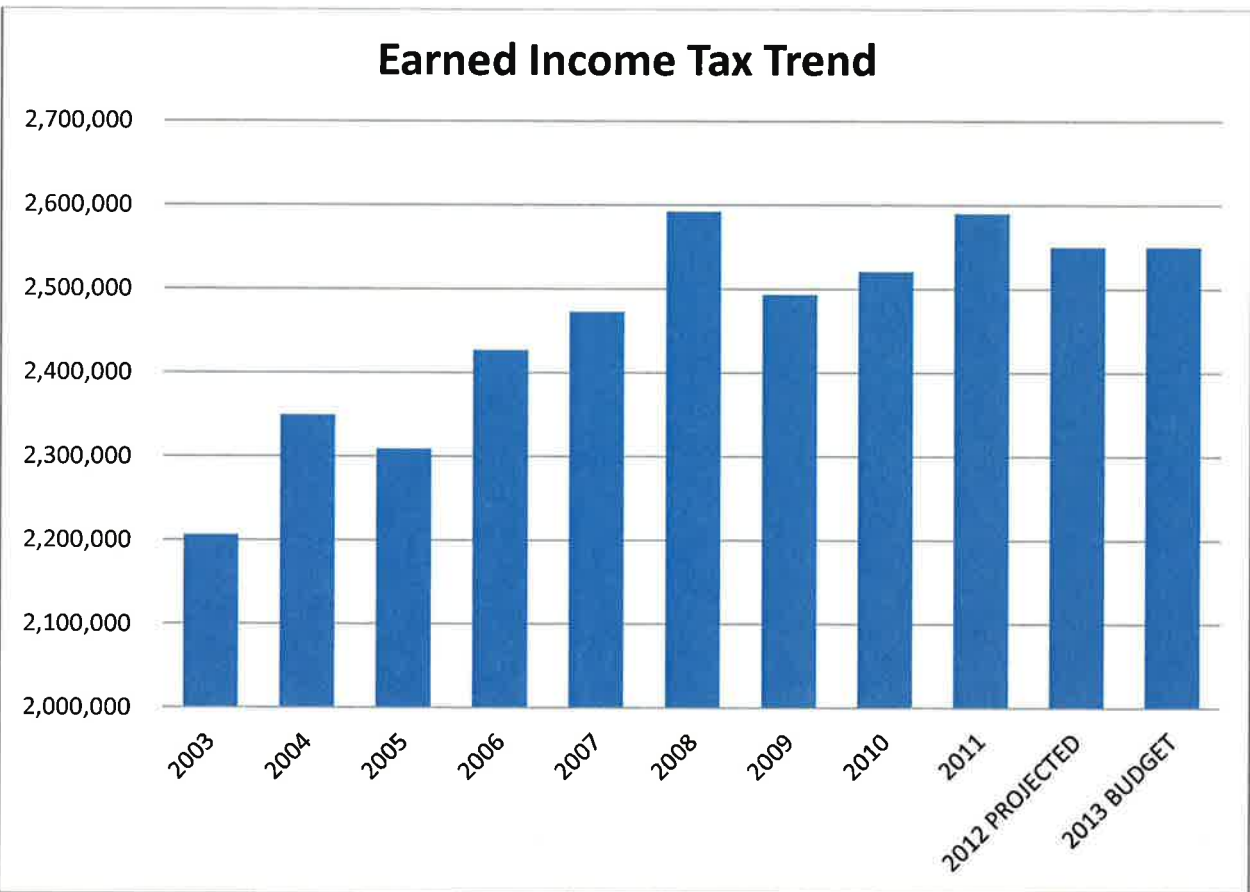
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- * 4650 Exemptions listed
- * Median Assessment = \$152,680
- * Average Assessment = \$149,835
- * Highest Assessment = \$556,000
- * Lowest Assessment = \$17,430
- * # < \$59,000 = 248
- * # < 25,000 = 1

Earned Income Tax ("EIT")

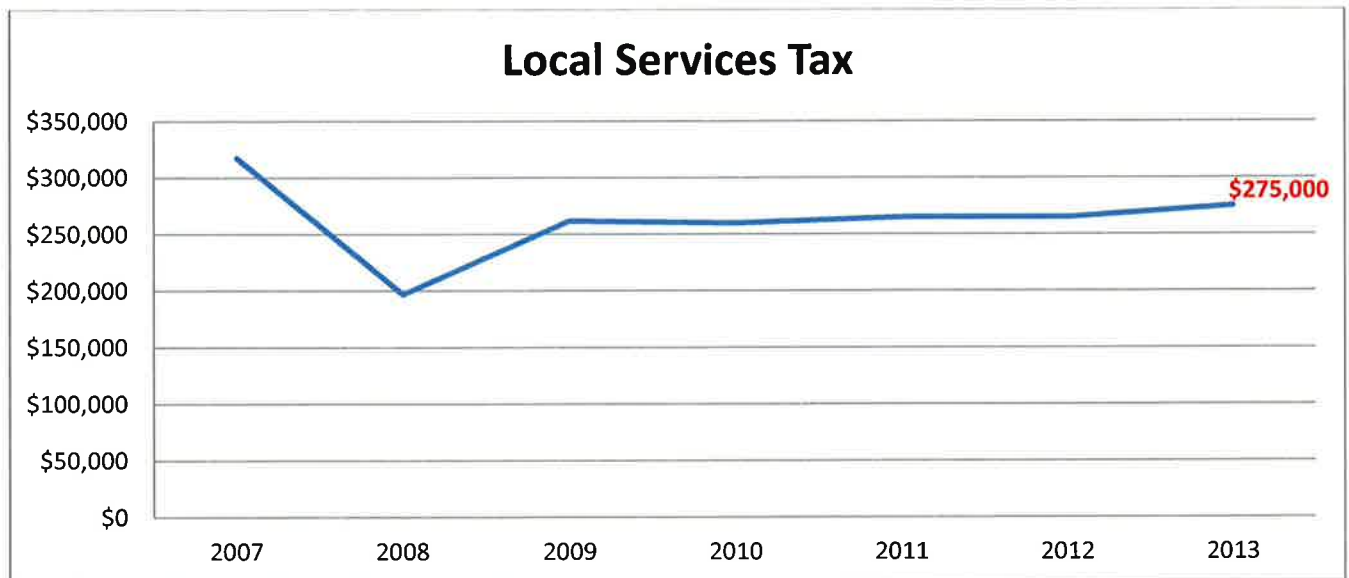
Revenue from Earned Income Tax is budgeted at \$2,550,000, which is a 1% increase of the amount budgeted in 2012. While the Township has experienced some stagnation in Earned Income Tax revenue during the past three years due to current economic conditions, the Tax Collection Committee has advised the Township to expect an increase in efficiency due to the transition to the Act 32 collection of Earned Income Tax (EIT) on a countywide basis effective January 1, 2012.

The Township assesses a ½% tax on earned income of its residents and persons working within the Township boundaries. In July 2002, the North Penn School District enacted its own EIT at a rate of ½%. Therefore, the total tax paid is 1% by an individual, with ½% distributed to the Township and ½% distributed to the School District. Individuals who work in Towamencin Township, but reside in another municipality that also has an EIT pay the tax to their home community.



Local Services Tax [i.e., *Emergency and Municipal Services Tax*]

The 2013 budget continues the “Local Services Tax” (previously named “Emergency Municipal Services Tax”) at \$1 per week per head. This tax helps to fund the costs of services, such as police, fire, emergency services and road maintenance. It is estimated that this tax will generate \$275,000 in revenue during 2013, which is \$10,000 more than budgeted in 2012. Collection of this tax is performed by Berkheimer Associates at a rate of 1.75%.



Franchise Fees

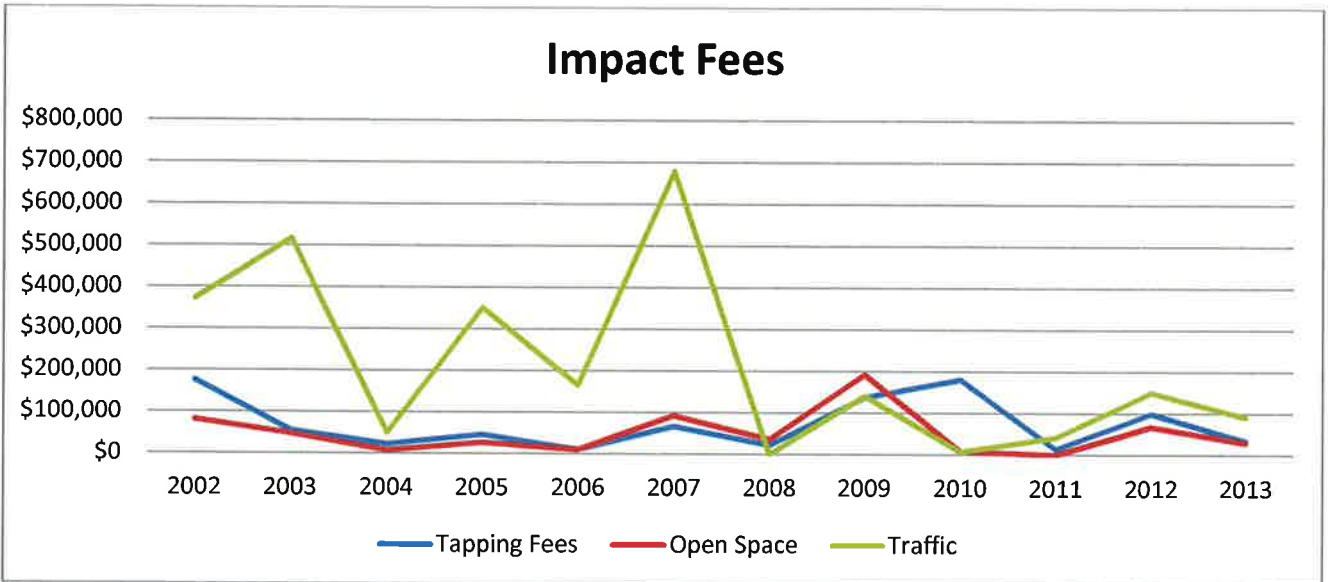
The Township receives CATV (“Cable Television”) franchise fees of 5% of gross revenues from Comcast and Verizon. Fees for 2013 are budgeted at \$343,000 based on receipts for 2012. These fees are paid quarterly in arrears.

Impact Fees

Impact Fees are one time charges applied to new developments. The purpose is to raise revenue for the construction or expansion of capital facilities located outside the boundaries of a new development that benefit that contributing development.

Projections on anticipated development activity in 2013 indicate a decrease over 2012. Fees budgeted to be received in 2013 are associated with the “Greene Tweed” and “Colcor” Development Projects.

	Actual 2010	Actual 2011	Projected 2012	Budgeted 2013
Traffic Impact Fees	\$6,593	\$120,275	\$151,631	\$90,100
Open Space Fees	\$8,000	\$0	\$82,000	\$29,000
Sewer Tapping Fees (to Twp)	\$180,172	\$13,772	\$105,212	\$33,120
Sewer Tapping Fees (to UGTMA)	\$275,959	\$21,090	\$134,479	\$52,454
Miscellaneous Contributions	\$26,000	\$0	0	\$26,432



Sewer Fees

There is no increase in sewer rental fees with the 2013 Budget.

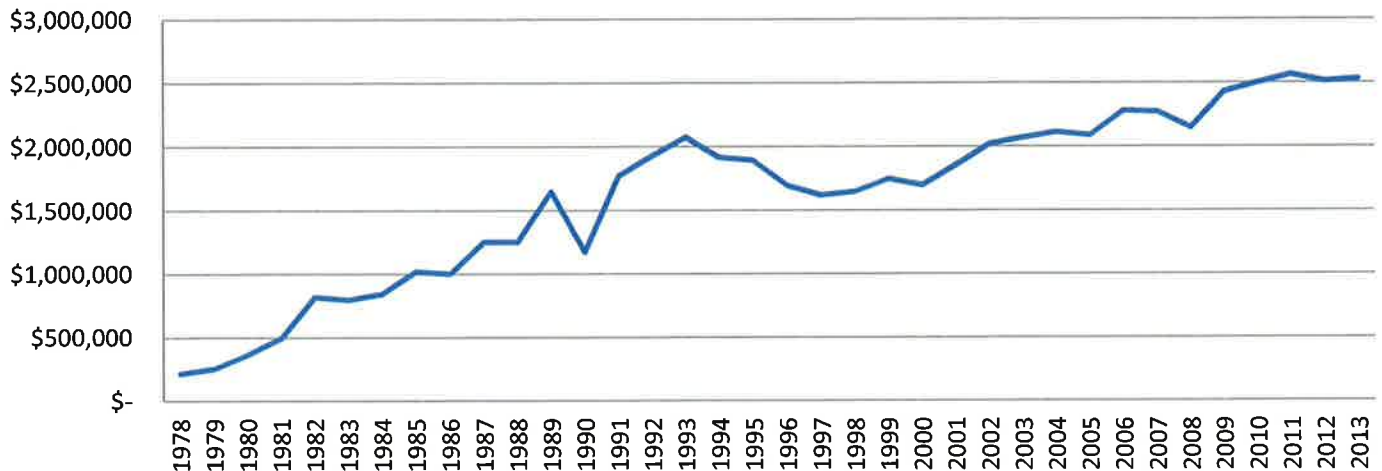
Property owners with on-lot sewer systems will start being charged \$35 annually to cover the costs of inspections required by the Commonwealth of Pennsylvania.

The Township is required by the Commonwealth to ensure that the Township is providing adequate sewage treatment facilities and protecting the public health by preventing the discharge of untreated or inadequately treated sewage. The Pennsylvania Department of Environmental Protection (DEP) requires that the Township's Act 537 Plan address both public sewage facilities and private on-lot septic systems. As directed by this DEP approved Plan, all on-site sewer systems in the Township are required to be inspected at least once every three years. For the past decade, the Township has been successful in receiving grant funds from DEP to offset the cost of this program. In recent years, these grant funds have been continually declining. Consequently, the Township Board will establish a fee schedule, and subsequently collect fees, to cover the cost to the Township of administering this program. Such fees shall be established in the Township's annual fee schedule resolution.

In 2008, the Township established a policy whereby a percentage of rental fees revenue is transferred annually to the Township's Sewer Capital Fund to provide for necessary maintenance to the infrastructure. The 2013 Budget provides for a \$150,000 transfer to the Sewer Capital Fund.

UGTMA Operating Costs

2013 = \$2,530,462

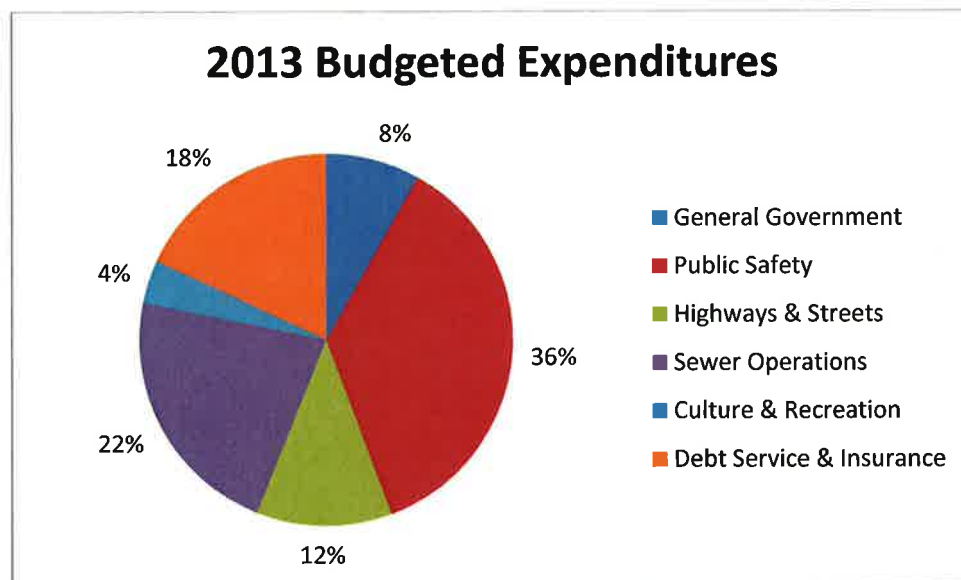


Sewer Capital

The 2013 budget provides \$195,000 for the continuance of the Township's efforts to alleviate the Inflow and Infiltration ("I&I") of stormwater in to the sanitary sewer treatment system.

EXPENSES

As illustrated in the chart below of the General Fund expenses, the predominant expenditure is for "Public Safety" functions. These include the provision of police services provided to the community 24 hours a day throughout the year, criminal processing, emergency management, and enforcement of Property and Fire Codes. Significant expenses under the "General Government" category include administrative departments, data processing, tax collection, and maintenance of the various township owned structures.



Capital Projects

The Finance Committee, Department Heads, and subsequently the Board of Supervisors (*during the initial Budget Workshop Sessions*) made various adjustments to both the revenue and expenditure sides of the budget. Some of the Capital projects that have been deferred during 2012 were brought back in to the active funding cycle for 2013. The amounts budgeted are:

• Building Improvements	\$10,000
• Police Vehicles	\$89,230
• Public Works Trucks	\$98,000
• Other Equipment	\$21,400
• Stormwater	\$70,000
• Furniture & Fixtures	\$ 5,000

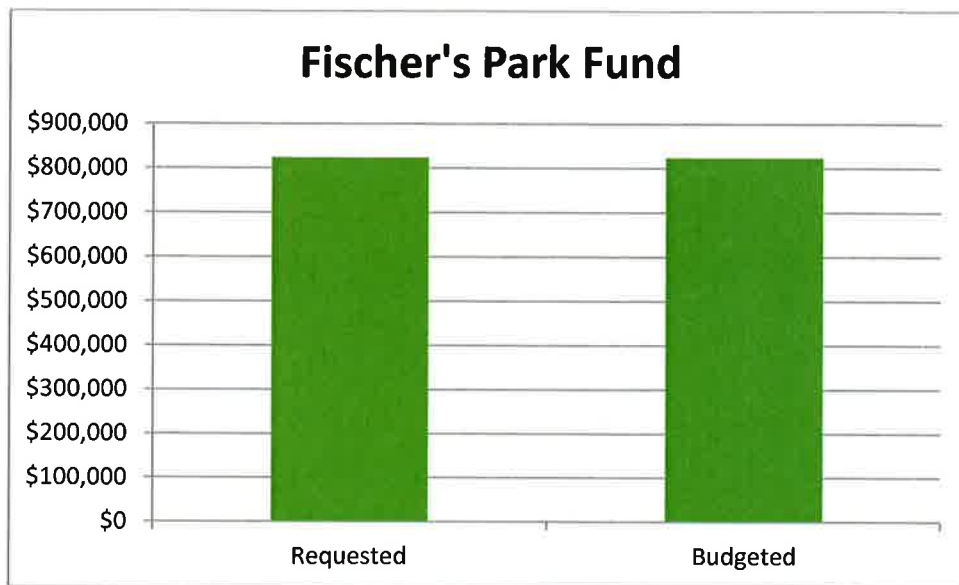
A further detailed breakdown is provided in the General Capital Fund section of the Budget. Nevertheless, several other Capital Requirements have been deferred due to the current economic conditions.

The 2013 Budget also includes continuation of the Annual Road Paving Program that was deferred for one year with the 2010 Budget in order to use \$422,800 from the Liquid Fuels Fund for other highway maintenance expenses as permitted by PennDOT. It was understood, however, that such deferment of regular paving maintenance could not be made beyond 2010 or the conditions of various roads could be degraded significantly requiring more costly repairs in subsequent years.

The streets that are proposed for resurfacing during 2013 have not been determined. During 2012, the following streets were repaved:

- Grist Mill Drive
- Tomlinson Road
- Rittenhouse Road

The Township became the beneficiary of a Trust provided by the Estate of Mrs. Elizabeth Arneth who passed away in June 2010. The funds are restricted by the Trust such that they can only be used for Fischer's Park. A new Fund was established in 2011 to account for Fischer's Park projects. During 2012, the Township was awarded a \$300,000 C2P2 Grant from the Pennsylvania Department of Conservation and Natural Resources. The Township will combine the DCNR and other grant funds with the Township ("Arneth") funds for construction of improvements recommended in the Fischer's Park Master Plan. The improvements to Fischer's Park can be funded in 2013 without impact to the General Park Capital Fund.



Personnel

Due to economic conditions, four full-time positions and seven seasonal positions were eliminated for 2010. During 2013 budget discussions, the police and public works departments requested additional personnel. The 2013 budget does not include these positions.

The budget includes 2% increases effective July 1, 2013 for both non-uniformed and police uniformed employees.

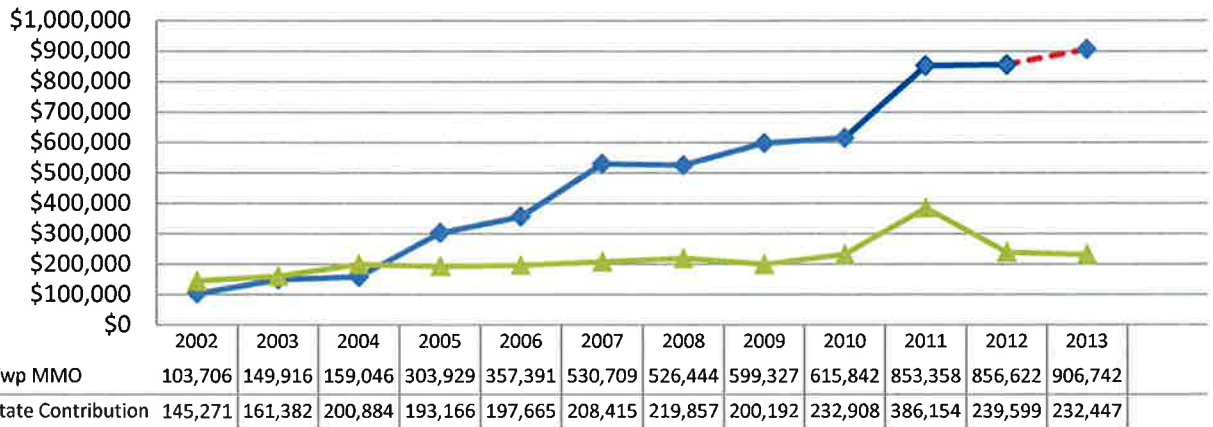
Pensions

The split between the Municipal Minimum Obligation (“MMO”) and the State contribution remains substantial. The Commonwealth of Pennsylvania’s Act 30 of 2002 made significant changes to the minimum level of benefits that were previously encompassed by Act 600 to Police Officers in several key areas. Act 30 mandated survivor benefits, a killed-in-service benefit, and disability benefits at a specific minimum level. The cost of the changes as a whole over time was anticipated to be significant, particularly for smaller municipalities. The Commonwealth of Pennsylvania has since taken over some of these mandated benefits (i.e. survivor and killed in service benefits).

Contributions to the Pension Plans are estimated to be \$906,742 for 2013 and the police payroll contribution will remain at 5%. As predicted, the contribution to the Pension Plans for 2013 rose because of investment losses in prior years and other plan changes. The measurement date affecting the 2013 pension contributions was January 1, 2011 at which time the investments had not fully recovered from prior losses.

The 2013 budgeted expense is equal to the Minimum Municipal Obligation “MMO” adopted by the Board of Supervisors in September 2012. It is expected that the state aid will approximate \$232,447 resulting in a contribution by the general fund of about \$674,295.

MMO Expense Trend



During 2011, the Township received a significant increase in the amount of pension aid from the State. The “inflated amount” was the result of the Pennsylvania Department of Revenue’s enhanced efforts in collecting the Gross Premium Tax that makes up the Act 205 Fund. This was a one-time event that will not occur in future years.

Health Care Costs

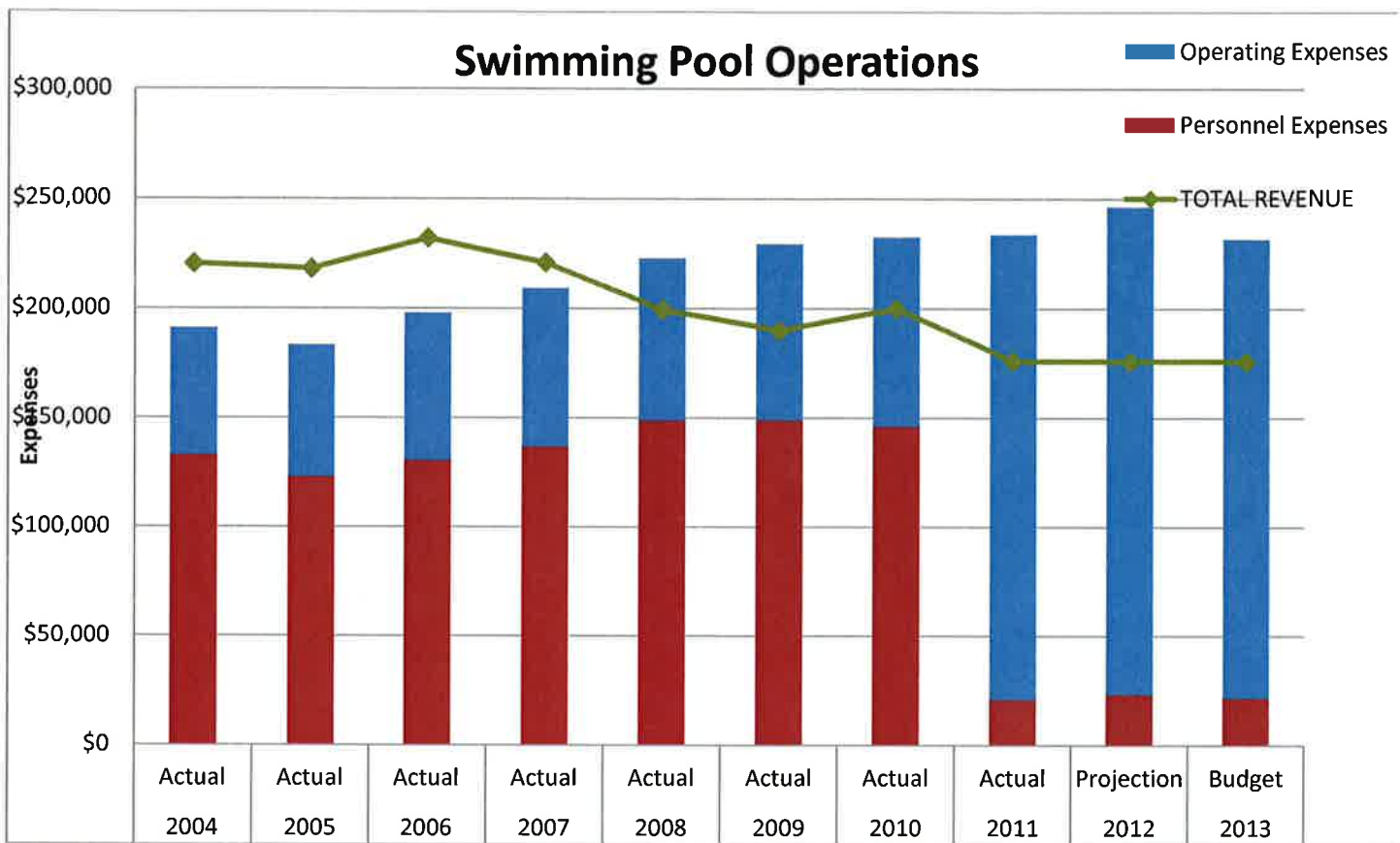
Delaware Valley Health Care Trust has advised that premiums in the aggregate (*health, dental, and prescription*) will increase 10 % in 2013. All employees will pay 10% of their health premium costs. Police Officers have an alternate option to select a high deductible insurance plan with no required contribution. The Township will continue to allow employees to “opt out” of health care benefits should they be covered under a spouse’s plan which would provide additional savings to the Township.

Swimming Pool

Starting with the 2009 Budget, the Towamencin Pool was been broken out as a separate Fund in order to more clearly track expenses and revenues associated with the facility.

Phase II of the Towamencin Township Pool was completed and opened for the 2008 season. The funding for the \$2.6 million construction cost was through the 2007 Bond Series that provided \$3.5 million for pool construction, park capital projects, and the required match for the Montgomery County Open Space Grant. The 2007 Bonds were refunded in November 2012 with a 2.486% fixed-rate note through the Delaware Valley Regional Finance Authority. The overall savings due to the refunding was \$528,000.

Since 2006, the pool membership has been decreasing while operation costs have been increasing.



The cost of the pool operations for 2013 is projected to be \$231,825.

Revenue from Swimming Pool membership fees is budgeted at \$112,150. Guest Fees from daily admissions is budgeted at \$54,000. A transfer of \$56,000 from the Park and Recreation fund is also budgeted.

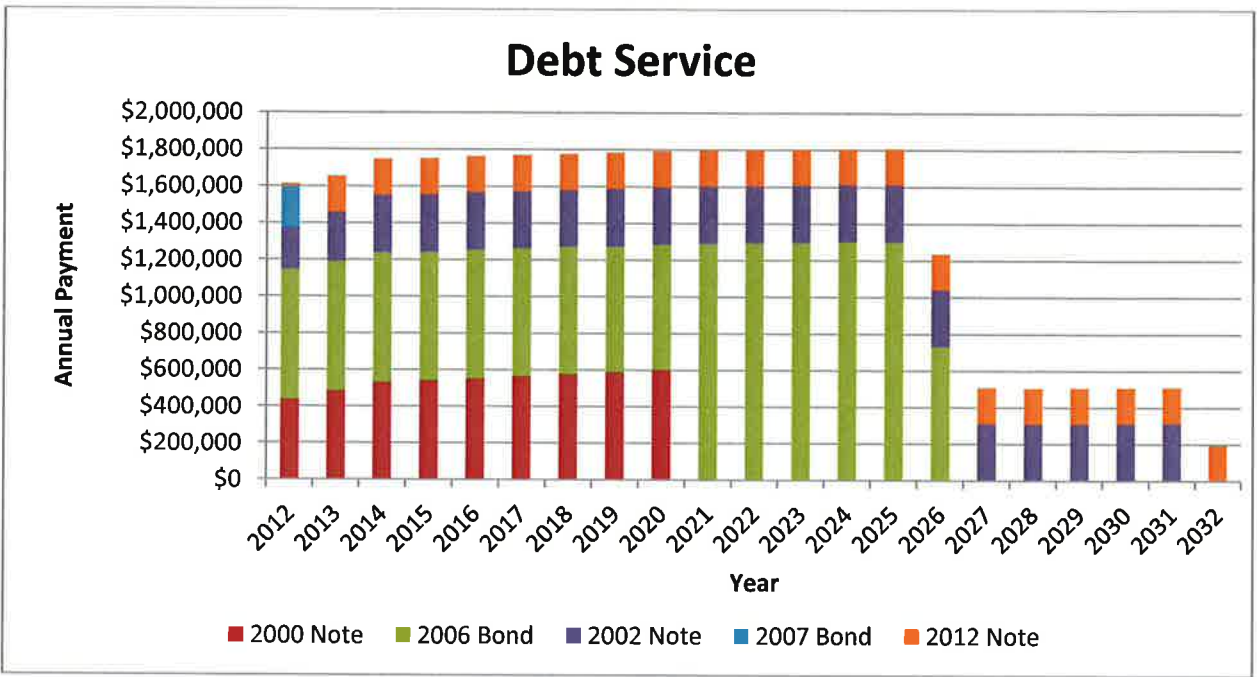
Starting with the 2011 season, the Township contracted with the North Penn YMCA to manage and staff the pool. This contract will be renewed for 2013.

The Towamencin Swim Team will continue to reimburse the Township for part of the cost of the swim team coaches.

DEBT

The Township incurred no new long term debt in 2012, nor is additional borrowing proposed for the 2013 Budget. As previously mentioned, bonds were refunding in 2012 reducing annual interest payments approximately \$26,500. There is a total debt service of \$1,722,876 provided for in the 2013 Budget between the Township and Towamencin Township Infrastructure Authority ("TTIA") notes / bonds:

Township Debt Service 2013	TTIA Debt Service 2013	Total Debt Service 2013
\$1,017,518	\$705,358	\$1,722,876



The Township portion of a property's millage remains a relatively small percentage of the real estate tax:

