



Warminster Township
2019 Township Manager Proposed Budget

October 1, 2018

Warminster Township 2019 Township Manager Proposed Budget

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Section One

Introduction

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The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Warminster Township, Pennsylvania, for its annual budget for the fiscal year beginning January 1, 2017.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and will be submitting it to GFOA to determine its eligibility for another award.

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Board of Supervisors,

Presented here is the Township Manager Proposed Warminster Township 2019 Budget. This budget proposes changes to improve both the immediate financial outlook of budgetary funds and position the Township for future growth in certain areas. The past two years have seen a reversal in the trend of growing fund balance in the general fund, flat revenues and rising expenditures. Our financial models indicate we should expect a significant growth in expenditures and a decline in revenue next year and beyond. It is imperative that we deal with current deficits as soon as possible.

The expenditure growth can be mostly attributed to several areas. The first is our rising pension costs associated with past investment performance coupled with the smoothing method of funding. This has led to a spike in our pension costs. Another area is the police department. The existing contract calls for several years of a 3.5% increase in wages. Multiplied by the number of officers and the other line items impacted by wage increases, we will continue to see the cost of our police department to rise. Debt is also an area of expenditure growth. 2019 will be the final year of stable debt service payments before larger repayments of the 2017 General Obligation Note are necessary. This is the \$7 million in debt the Township approved to fund certain projects which will be largely underway in 2019. This includes the long term debt to fund the acquisition of Shenandoah Woods and the associated remediation and reclamation of the property as well as short term debt for the development of Warminster Community Park. A significant portion of the latter project is grant funded, but much of those funds will not be received until project completion which necessitates short term financing. Once Warminster Community Park is developed, I anticipate additional annual costs to maintain the park.

Warminster has been experiencing higher than normal revenues over the last couple of years due to the high volume of development. A good portion of this revenue is one-time for each project. Building and zoning permits, impact fees, transfer tax, and other fees occur only once per project. While we will see residual revenue increases from property tax, business taxes, and earned income tax, it will not replace the level of one-time revenues we are experiencing. As the development slows down, revenues will decline.

The increase of revenues and expenditures has created an unsustainable financial situation. Our fund balance, which was healthy, has been depleted over the last two years as expenditures exceeded revenues. We have worked with PFM to create a financial model for the next few years and we could see a complete depletion of our fund balance within two the next years.

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My 2019 Township Manager Proposed Budget includes a significant tax increase in the general fund to control this problem. Over the next few years the fund balance will be depleted absent a significant influx of revenue. Without a tax increase and no fund balance, elimination of positions and services will be necessary.

Our general fund budgeted deficit for 2018 was more than \$1.6 million and is budgeted to be more than \$2.4 million in 2019, without any tax increase or major change in services. The more than \$500,000 growth in the deficit can be contributed to an increase in the MMO requirement for the police pension fund, rising costs in the police department mainly related to contractual increases, and further erosion of some revenues. The uniform MMO has been proposed on the smoothing method to give the Township more flexibility in 2019. However, a contingency payment to bring the contribution to the police pension to market value has been included. Continuing to place this pension plan on the smoothing method will only cause ever rising costs in future years.

Looking towards the future, in late 2017 the Township took on a \$7 million dollar draw down loan to finance the improvements at Warminster Community Park and the acquisition, remediation and reclamation of Shenandoah Woods. In 2019, there will still only be a small impact to the debt service fund, but this obligation will drastically increase in 2020 and beyond as principal repayments are made. The grants received for the WCP project will repay close to half of this obligation with the rest being the responsibility of the Township to repay. In addition, costs for maintaining the newly developed park will also rise in future years in addition to all other contractual personnel obligations and benefits.

Proper maintenance of our infrastructure is a core function of government. Roads, vehicles, equipment, and buildings all require regular repair or replacement. This proposed budget accounts for five police cruisers, updated police software, an asphalt roller, and nearly five miles of roadwork.

All other funds and operations remain mostly unchanged with their budgets adjusted due to changing costs, contractual obligations, and Township needs. A slight exception is the fire fund, where a 0.23 mill increase is proposed to cover the addition of worker's compensation insurance to the fund. Funding sources for the growing expenditures in both the Parks and Recreation Fund and the Debt Service fund in 2020 and beyond will need to be addressed in the coming years as well.

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There is no doubt that we face a challenge over the next couple of years due to this increasing deficit but I know that working together we can solve this problem.

With the presentation of this proposal to you, the 2019 budget is now in your hands. I will gladly support any efforts to review and/or amend this proposal.

Sincerely,



Gregg Schuster
Township Manager

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HIGHLIGHTS

- Proposed real estate tax increase in the general fund to 18.69 mils.
- Proposed real estate tax increase in the fire fund of 0.23 mils.
- Both the Uniform and Non-Uniform pension MMO have been budgeted on the smoothing method. A contingency payment to bring the level of funding of the police pension to Market Value has also been included.
- The 2019 budget proposes a reduction in the number of full time staff in non-uniform positions by three.
- Five new police vehicles and updated police software
- Purchase of an asphalt roller for paving
- Five miles of road work
- Debt fund reflects new \$7 million draw down loan repayment to be repaid over the next 20 years. Only interest will be paid in 2019.

SUMMARY OF FUNDS

Provided below is a brief description of each fund and the challenges we face in the upcoming year.

General Fund

After years of benefiting from large one time revenues associated with construction, the General Fund expenditures are now rapidly out pacing revenues. This led to a large fund balance appropriation in 2018. In 2019, a tax increase from 11.09 mils to 18.69 mils is proposed to compensate for this. Without a tax increase, reductions in expenditures in the general fund will need to be cut by 15%. With no change to the budget, fund balance will be exhausted by 2020.

The increases in our defined benefit pension funding obligation are a significant factor in the growth of the expenditure side of the budget. We have elected to utilize the smoothing method for both the police and non-uniform pensions. That choice, coupled with an aggressive assumed rate of return, has led to underfunding of both pensions. In 2019, both pensions are budgeted to use the smoothing method again, with a contingency to add an additional contribution to the police pension.

The budgeted structural deficit remains in the General Fund, and has increased from \$654,566 in 2017 to over \$1.6 million in 2018. In 2019, with no changes, this deficit will be even higher. It is not possible to fund all of our priorities and keep the tax rate stable without this deficit. The 2019 budget proposes a tax increase to work towards

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eliminating this deficit now and in the coming years, preserve the remaining fund balance, and keep services intact.

The 2019 budget takes a realistic approach to projecting revenue. We are using the realized tax collection rate in 2017 of 98.6% for Real Estate Taxes. We will likely experience another small rise in Property Taxes due to the new residential construction. However, the recent significant development and redevelopment occurring in the Township and higher fees collected will begin to slow in 2019, with this slowing trend anticipated to continue in future years. All other indications point to slow growth in our other revenue streams.

The total Township assessment since 2017 has been increasing as many of these new projects are being constructed. Earned income tax increases can be expected over time with the increased residential units, and then stabilize.

The Ambulance and Fire Funds

The Ambulance and Fire Funds are used to pass through tax monies designated for Ambulance and Fire purposes along with grant monies received from the Commonwealth on behalf of the Fire Companies.

The fire fund budget structure remains unchanged. In 2019, the cost for workers compensation insurance for the fire departments has been moved to the fire fund, adding an additional expense. A 0.23 mil rate increase has been proposed to compensate for this.

Though the Township changed Ambulance providers in 2017, the Ambulance Fund structure will remain unchanged from the 2019 Budget as well.

Library Fund

The Warminster Community Library had been primarily funded with a 1.25 mil Real Estate Tax for a decade. Over time, a structural deficit had emerged in this budget and funds from the General Fund had been utilized to offset the imbalance. Additionally, the fund balance has been nearly depleted because of the structural deficit. In 2017, the Tax Rate was increased to 1.85 mills to improve the structural deficit. No deficit is budgeted in the library fund in 2019.

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Parks and Recreation

2019 will continue the partnership with the YMCA. The majority of the proposed Parks and Recreation budget is allocated for oversight and maintenance of our extensive park system. Most grant funding for park improvements will now flow through the Capital Reserve Fund. This will allow the Parks and Recreation Fund to show only the operational cost of the park system without intermingling one-time grant funding. A structural deficit continues in this fund. With the new Warminster Community Park development to be underway in 2019, maintenance costs will likely rise of the coming years to support these developments. Additional personnel will also be need in future years to maintain the new development of Warminster Community Park.

Sanitation Fund

The sanitation fund's primary source of revenue is the sanitation fee collected by the Elected Tax Collector. In 2018, this fee was set at \$353 annually, with the senior discount set at \$55.00. For 2019, this fee will likely change to reflect a difference in cost with the new waste hauling contract to begin in 2019. This fee will be determined before the December 20, 2018 Board of Supervisors meeting.

Golf Fund - Five Ponds Golf Course

The finances of Five Ponds Golf Course have improved over the last couple of years. The course is now cash flow positive and is beginning to repay its debt to the General Fund. The 2018 budget reflected the new agreement with Spirit Golf to manage the entire golf course including food and beverage operations and personnel. This has led to a significant restructuring of the Fund for 2018. In 2019, this structure will continue. Please note, the budget for the golf course has been completed on a cash basis of accounting.

Debt Service Fund

The 2017 budgeted increased the Real Estate tax to 0.75 mills for this fund. In late 2017, the Township approved a \$7 million loan to finance the development of Warminster Community Park and the acquisition, remediation and reclamation of Shenandoah Woods to be repaid over the next 20 years. In 2018, the Township was only obligated to pay the interest on this loan, resulting in a small deficit. In 2019, this obligation has increased slightly but will increase significantly in outgoing years as principal repayments are made.

Capital Reserve Fund

This fund is used to account for township wide capital expenditures. These expenditures are usually in excess of \$5,000 and have a useful life beyond one year. The

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fund receives transfers from other funds or departments for specific purposes. The Township's new debt financing will fund two large capital projects in 2019: the development of Warminster Community Park and the acquisition, remediation and reclamation of Shenandoah Woods. A police IT project, purchase of a Public Works Asphalt roller, the purchase of five police vehicles, and other Park Improvements are budgeted for as well.

Highway Traffic

This fund is used to account for traffic contributions made on behalf of developers which are then used to make needed traffic improvements. No such revenue is expected in 2019. The fund is also utilized for the repair of damaged traffic signals and the receipt of any insurance revenue.

Highway Aid

The Highway Aid Fund is the fund that is used to account for Pennsylvania Liquid Fuels money allotted to the township to help us accomplish our road paving program and buy needed equipment. In 2019, we are expecting to be able allocate in excess of \$575,000 for road paving.

Operating Reserve Fund. *(Note; there are no revenues or expenditures planned for this fund in 2018 and therefore no supporting schedules are attached.)*

This Fund was first created in 2014 with a transfer from the General Fund in the amount of \$543,654. This operating reserve will be used for any unforeseen emergency expenditures which may arise. The possible use of these funds in 2018 may be beneficial. The future of this fund should be discussed.

Public Safety Equipment *(Reserve Fund - No schedules attached)*

From time to time the Police Department and Township receive donations for public safety equipment and these donations are deposited in an account in the Public Safety Equipment Fund and used when a specific need is identified. There are no revenues or expenditures planned for this fund in 2019 and thus there are no supporting schedules.

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Township Description

Located in central Bucks County, Pennsylvania, Warminster Township is a vibrant community to live, work, and play. There are over 32,000 residents and more than 900 commercial businesses. Warminster is easily accessible to the Pennsylvania Turnpike, I-95, and major regional bus and train corridors.

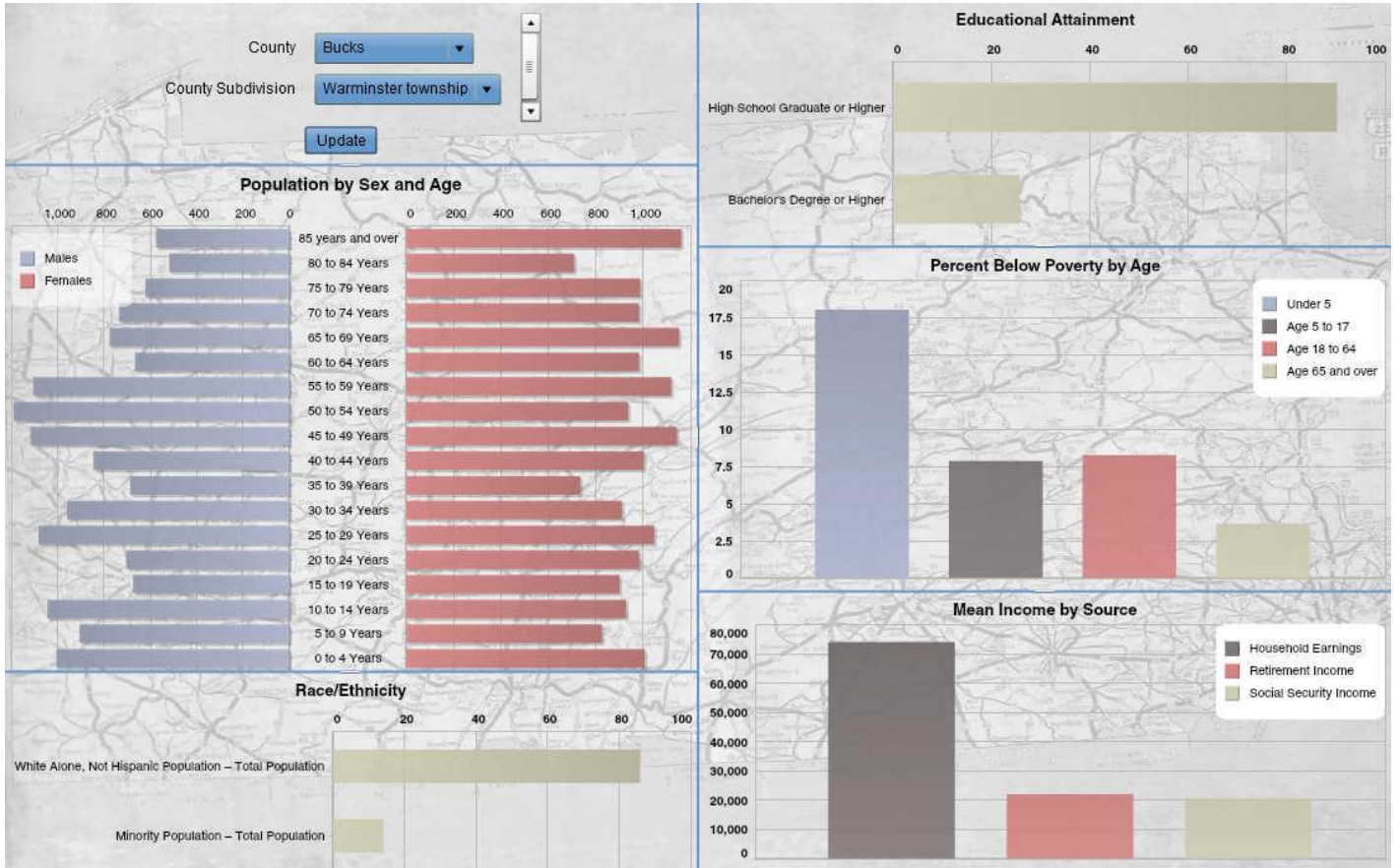
In 1711, Warminster Township was founded and later organized as a Second-Class Township. This designation of a Second-Class Township outlines the powers granted by the Commonwealth of Pennsylvania to the Township. Warminster's authority is restricted to those powers specifically authorized by the Commonwealth. Historically, Warminster was an agricultural community, but in the 20th century to present, has emerged as a suburban/urban environment.

The Township provides a variety of leisure services including 409 acres of passive and active parks, Benjamin Wilson Senior Center, and Five Ponds Golf Club, to name a few. Warminster also prides it's self in fostering strong business organizations including the Warminster Rotary Club and Warminster Kiwanis. Warminster Township is also part of the larger Centennial School District serving elementary school through high school, providing opportunities for education and learning. Warminster's business campus and office/professional industrial business areas offer a variety of commercial uses and provide many economic development opportunities. Warminster is also a hub on the SEPTA regional rail line, allowing easy access to and from Philadelphia.

Although Warminster's historical roots run deep, the Township is an emerging leader in environmental, technological, and economic practices.

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Township Profile



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Government Description

Warminster Township has a Council/Manager form of government with a Board of Supervisors consisting of five elected members serving staggered six-year terms. Powers and privileges are conferred and granted to the Township by the Pennsylvania Second Class Township Code.

Legislative power is vested with the Board of Supervisors. The annual budget and all appropriations are approved by the Board. The Board also adopts and amends ordinances as needed.

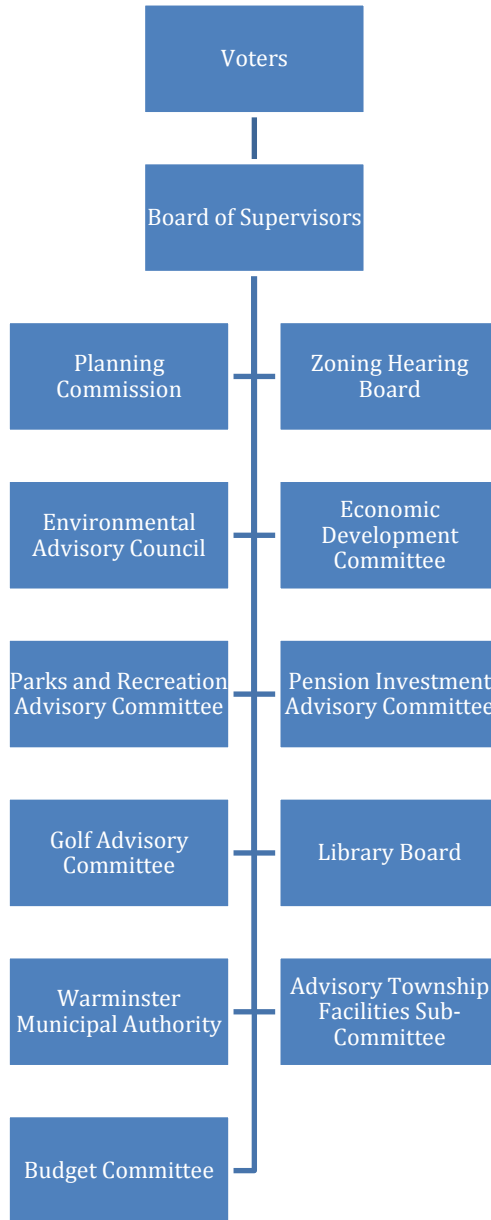
The Township Manager is the Chief Administrative Officer of the Township. He/she attends and participates in all Board meetings but has no vote. The Township Manager is responsible for the direction and activities of all departments.

Municipal sewer and water is provided by the Warminster Municipal Authority which is a separate entity from the Township. It is governed by a board which is appointed by the Board of Supervisors. The Township Manager is not responsible for the authority.

The Centennial School District is governed by an elected board. That board, and all operations of the school district, is separate from the municipal government. The District is a separate taxing authority.

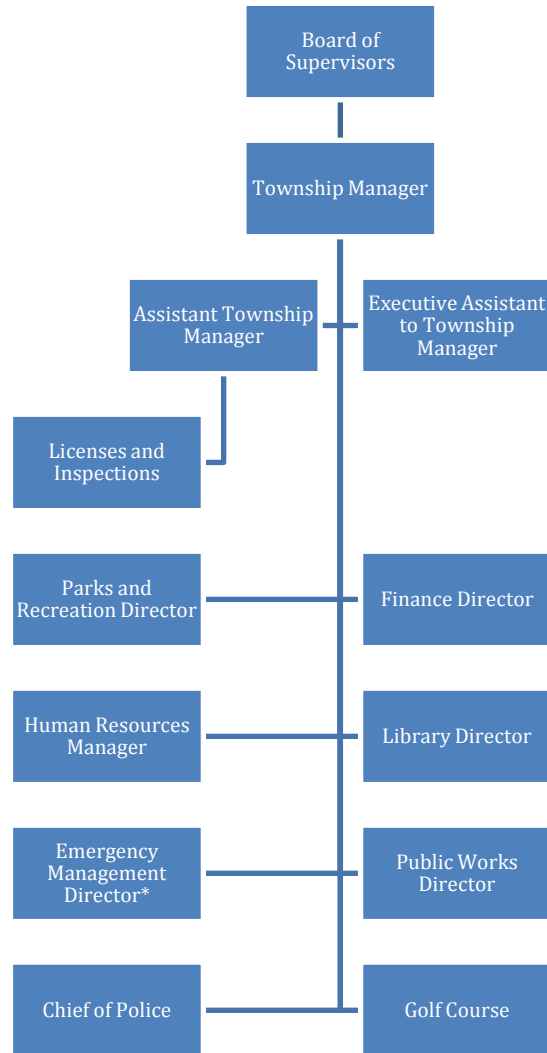
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Organizational Chart - Boards and Committees



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Organizational Chart - Management Staff



*Fire Services include the Warminster Fire Department and Hartsville Fire Department. Both are fully volunteer fire departments.

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Organizational Matrix

Department Assignment by Fund

This annual budget is presented by fund. This matrix shows the assignment of departments by fund within the budget. Listed across the top of the matrix are the operating funds. The departments are shown in the left column of the matrix. The divisions are listed within the matrix as they correspond to their present department and operating fund. This chart is continued onto the next page.

Department	01-General Fund	02-Ambulance Fund	03-Fire Fund	04-Library Fund	05- Parks & Recreation Fund	08-Sanitation Fund
	Board of Supervisors					
Township Manager	Township Manager's Office-includes Legal & Lawsuits, Human Resources, Insurances					Municipal Waste & Recycling
Finance	Finance-Admin, Transfers, Tax Collector					
Licenses and Inspections	Planning, Zoning, Code Enforcement, incl. Animal Control					
Parks and Recreation					Parks and Recreation Services	
Library				Library Services		
Emergency Management	EMA-Admin, Training, Prevention, Fire Services	Coordinates with Bucks County EMS (independent)	Coordinates with Hartsville FD & Warminster FD (volunteers)			
Public Works	Public Works-Admin, Road/Traffic /Fleet Maintenance, Facilities, IT, Stormwater, Engineering, Senior Center (Facilities)					
Police Department	Police-Administration & Services					
Golf Course						

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Organizational Matrix

Department Assignment by Fund

(Continued) This annual budget is presented by fund. This matrix shows the assignment of departments by fund within the budget. Listed across the top of the matrix are the operating funds. The departments are shown in the left column of the matrix. The divisions are listed within the matrix as they correspond to their present department and operating fund.

Department	20-Debt Service Fund	30-Capital Reserve Fund	31-Highway Traffic Improvement Fund	35-Highway Aid Fund	15-Golf Fund*
Township Manager			Insurance Recovery Admin		
Finance	Debt Service				
Licenses and Inspections					
Parks and Recreation					
Library					
Emergency Management					
Public Works		CIP Development for all Departments (excluding golf as an enterprise fund)	Traffic Improvements	PA Liquid Fuels-Road program, Equipment purchase, Winter Storm maintenance	
Police Department					
Golf Course					Golf Course-Operation & Maintenance

*enterprise fund

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Principal Municipal Officials

Board of Supervisors

Mark McKee, Chairman
Jason Croley, Vice Chairman
Daniel McPhillips, Secretary
Brian Munroe, Member
Katherine Frescatore, Member

Tax Collector

Barbara "Bobbie" Loftus

Township Staff

Gregg Schuster, Township Manager
Amanda Zimmerman, Assistant Township Manager
Megan Weaver, Human Resources Manager
John Marcarelli, Director of Finance
James Donnelly, Chief of Police
Eric Hinz, Director of Public Works
Tracey Reed, Director of Library Services
Karen Whitney, Director of Parks and Recreation
Joe Velten, Director of Emergency Management

Township Solicitor

Frank Bartle, Dischell Bartle Dooley PC

Township Engineer

Craig Kennard, Gilmore & Associates

A special note of thanks to Katherine McGovern, Executive Assistant to the Township Manager,
for her assistance in preparing this document.