



**MEMORANDUM**

**TO:** Borough Council  
Mayor Burton

**FROM:** Christopher Bashore, Borough Manager

**DATE:** May 1, 2020

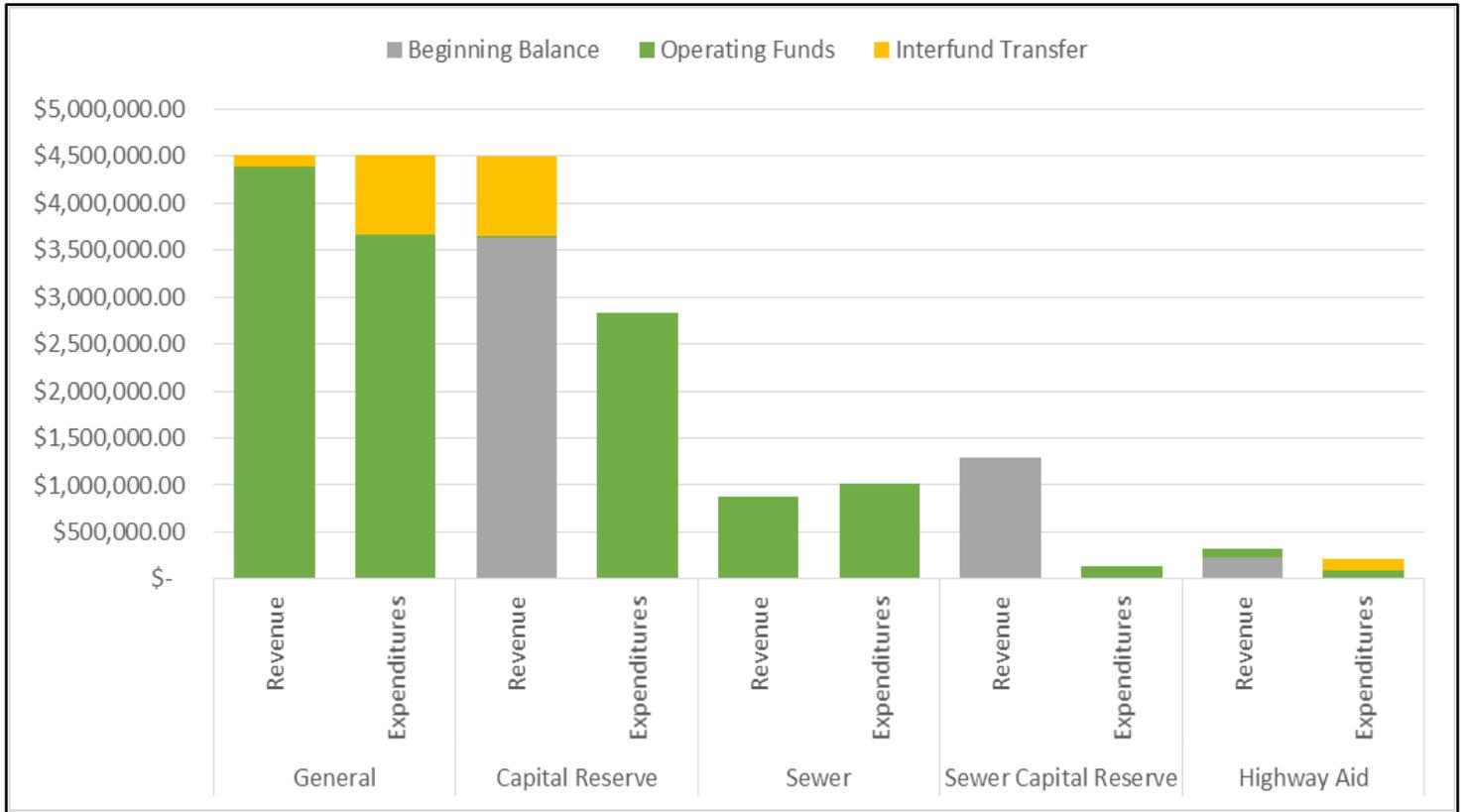
**RE:** 2020 Operating Budget  
First Quarter Report

This report will provide Borough Council with a status update on budget activity through the first quarter of 2020. The 2020 Budget was approved by Borough Council at the December 17, 2019 meeting through the adoption of Ordinance No. 2019 – 11.

**1. 2020 Budget – Summary**

The Borough’s 2020 Budget contains five (5) operating funds as outlined below:

Fund	Type	Beginning Balance	Operating Funds	Interfund Transfer	Total
<b>General</b>	Revenue	\$ -	\$ 4,386,018	\$ 125,000	\$ 4,511,018
	Expenditures		\$ 3,669,302	\$ 841,716	\$ 4,511,018
<b>Capital Reserve</b>	Revenue	\$ 3,635,226	\$ 16,000	\$ 841,716	\$ 4,492,942
	Expenditures		\$ 2,834,769	\$ -	\$ 2,834,769
<b>Sewer</b>	Revenue	\$ -	\$ 872,009	\$ -	\$ 872,009
	Expenditures		\$ 1,014,608	\$ -	\$ 1,014,608
<b>Sewer Capital Reserve</b>	Revenue	\$ 1,294,166	\$ -	\$ -	\$ 1,294,166
	Expenditures		\$ 135,000	\$ -	\$ 135,000
<b>Highway Aid</b>	Revenue	\$ 226,592	\$ 91,716	\$ -	\$ 318,308
	Expenditures		\$ 85,000	\$ 125,000	\$ 210,000



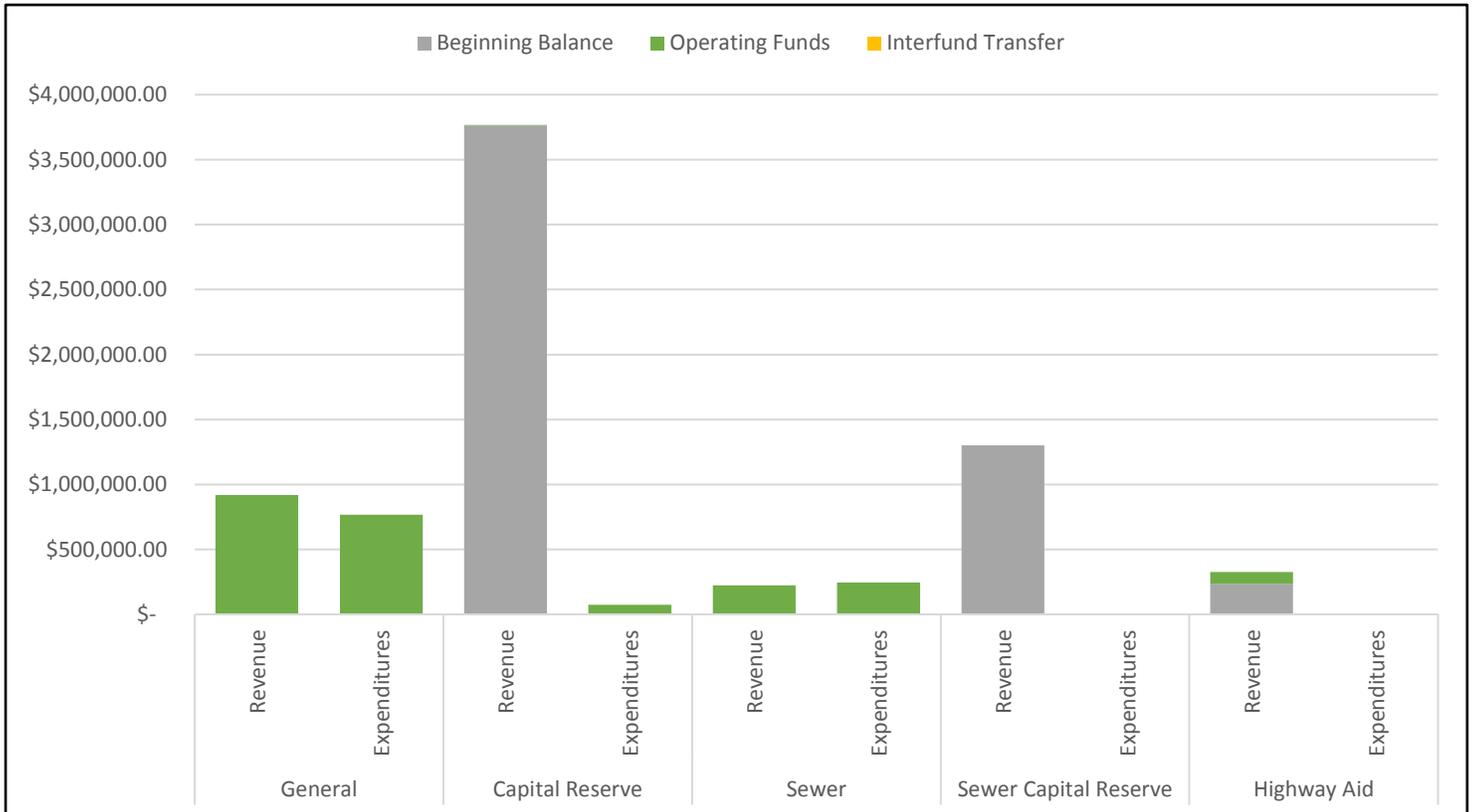
**Total Revenue** – \$11,488,443

**Total Expenditures** – \$8,705,395

Across all funds, **revenue has exceeded expenditures by \$149,639.87**. The information below outlines a per fund breakdown of the Borough’s revenue and expenditures during the first quarter of 2020, including the beginning balances from the end of 2019:

Fund	Type	Beginning Balance	Operating Funds	Interfund Transfer	Total
General	Revenue	\$ -	\$ 918,896.62	\$ -	\$ 918,896.62
	Expenditures		\$ 767,905.19	\$ -	\$ 767,905.19
Capital Reserve	Revenue	\$ 3,763,207.00	\$ 2,825.80	\$ -	\$ 3,766,032.80
	Expenditures		\$ 73,779.42	\$ -	\$ 73,779.42
Sewer	Revenue	\$ -	\$ 222,217.12	\$ -	\$ 222,217.12
	Expenditures		\$ 244,896.56	\$ -	\$ 244,896.56

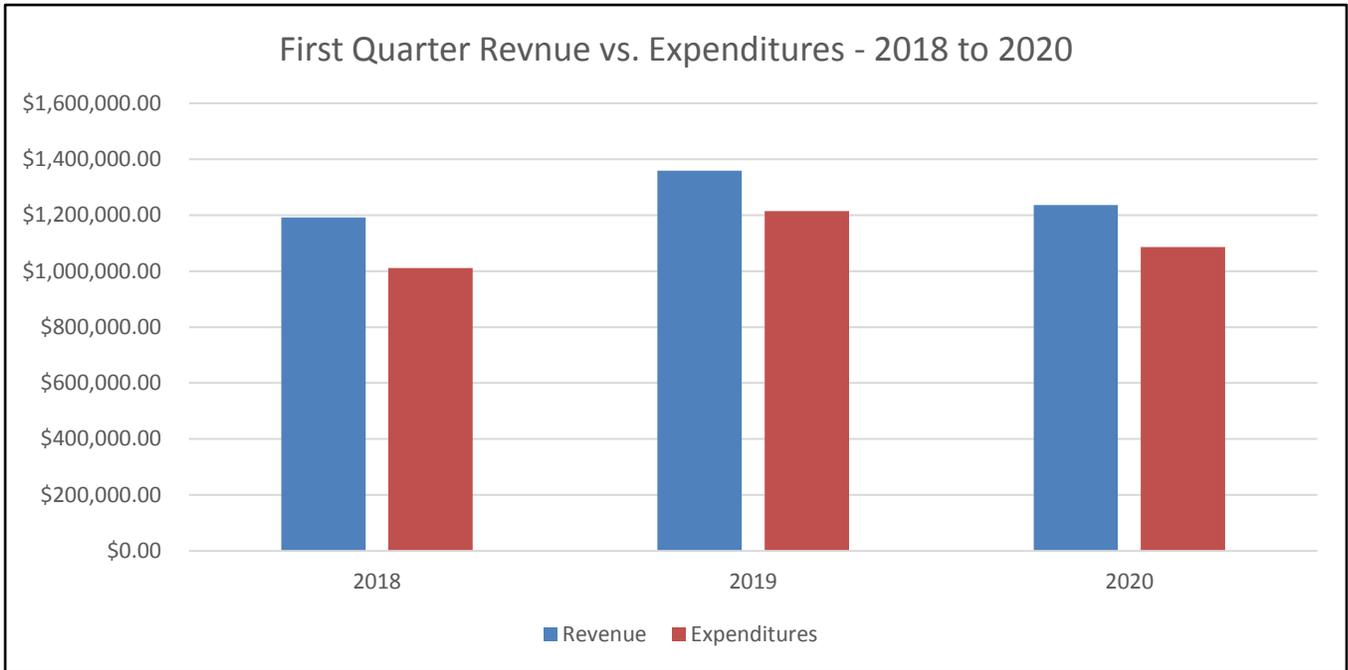
<b>Sewer Capital Reserve</b>	<b>Revenue</b>	<b>\$ 1,300,230.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,300,230.00</b>
	<b>Expenditures</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Highway Aid</b>	<b>Revenue</b>	<b>\$ 234,410.33</b>	<b>\$ 92,281.50</b>	<b>\$ -</b>	<b>\$ 326,691.83</b>
	<b>Expenditures</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



Total revenue through the first quarter of 2020 is \$1,236,221.04 (20% of budgeted revenue across all Borough funds). This is \$122,894.67 lower when compared to the first quarter of 2019. Please be advised that the Borough received a grant reimbursement of \$78,920.57 from Chester County for the Woodland Avenue Streetscape Project in the first quarter of 2019, which is the primary factor in this difference.

Total expenditures through the first quarter of 2020 are \$1,086,581.17 (12% of budgeted expenditures across all Borough funds). This represents a decrease of \$127,750.53 compared to the first quarter of 2019. Contributing factors to this decline include reduced costs for professional services (e.g., Borough solicitor, engineer), no purchases for roadway de-icing salt, delayed equipment replacement in the Public Works Department, and no expenditures for capital projects for the Borough’s sanitary sewer system.

The chart below outlines revenue and expenditure comparisons across all Borough funds through the first quarter of the year from 2018 to 2020:



Total revenue collection during the first quarter of 2020 is \$122,894.67 (9%) lower than compare to the first quarter of 2019; however, revenue collection is comparable to the first quarter of 2018. Expenditures are \$127,750.53 (11%) lower when compared to the first quarter of 2019, but are \$75,295.52 (7%) higher when compared to the first quarter of 2018.

In comparing the first quarter statistics over the previous years, I would note the following:

1. The chart indicates that revenue collection during the first quarter of 2020 is 9% lower than during the first quarter of 2019. This may be attributed to the following factors:
  - a. Collection of Act 511 taxes is approximately 6% lower overall through the first quarter of 2020 compared to the first quarter of 2019. The most significant factor to this is a decline witnessed in Real Estate Transfer Tax revenue. This revenue source is approximately 25% lower (\$5,938.65) when compared to the first quarter of 2019.
  - b. Revenue from permit fees is approximately 20% lower (\$13,468.43) when compared to the first quarter of 2019. This has been primarily witnessed in Rental License fees and franchise fee revenue.
  - c. Receipt of grant revenue from Chester County for the Woodland Avenue Streetscape Project.
2. Expenditures are approximately 11% lower when compared to the first quarter of 2019. This may be attributed to the following:
  - a. Costs associated with the Borough's professional services are lower compared to the first quarter of 2019. Legal fees are approximately 6% (\$1,753.74) lower and engineering services are approximately 45% lower (\$10,432.03) compared to the first quarter of 2020.

- b. Purchases for the Public Works Department in the General Fund are significantly lower when compared to the first quarter of 2019. There were no purchases of roadway de-icing salt during the first quarter of 2020 and the equipment purchases allocated in the 2020 budget have not yet occurred.
- c. There have been no expenditures from the Sewer Capital Reserve Fund.

The information below will provide a report on each fund in the 2020 budget, including standing through the first quarter, projections through the balance on 2020, and recommendations for Borough Council to consider in the coming months. The reports throughout the year may also serve as a guide to assist in preparation of the 2021 budget.

**2. Significant purchases in the first quarter**

The following significant expenditures were made by the Borough during the first quarter of 2020:

- Purchase of new computes (2) for the Police Dept.: \$2,536.70
- CODY Computer Services Annual Fee: \$3,202.42
- Repair to Borough Hall plumbing: \$2,507.40
- Streetlight repairs and maintenance: \$2,592.18
- Replacement of picnic table & benches in Burke Park: \$4,733.81
- General Liability & Property Insurance: \$55,995.00
- Sewage disposal costs: \$120,816.10
- N. Warren Ave. Transit Project: \$19,805.06
- Randolph Woods Master Plan Preparation: \$5,323.50
- Debt Service (Principal & Interest): \$33,953.80

Several other expenses through the first quarter include general operating costs for the Borough, which include employee salaries and benefits, insurance costs, general maintenance of the Borough’s infrastructure, and contracted costs (e.g., professional services, trash and recycling collection).

Several major expenditures are planned for the balance of 2020. Projects outlined include the following:

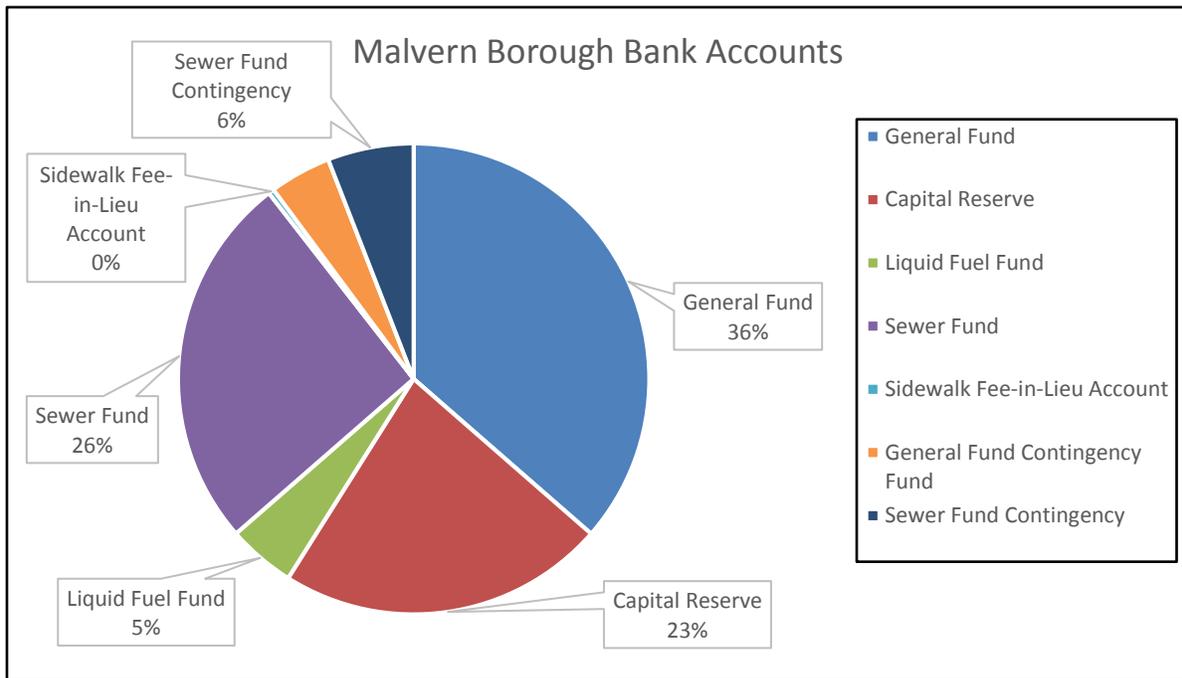
- Purchase of a new Public Works Department vehicle: \$76,000 – budgeted
- 2020 Paving Program (E. King St. & N. Warren Ave.): \$95,259 – based on bid results
- N. Warren Ave. Transit Project: \$910,428.75 – project cost
- Randolph Woods Master Plan: \$21,997 – project cost
- Improvements to Quann Park: \$175,000 – budgeted

Please be advised that the Borough has received \$560,000 in grant funding for the N. Warren Ave. Transit project from the PA Department of Community and Economic Development and the PA Department of Transportation. A grant in the amount of \$10,000 has been awarded through the PECO Green Region Grant Program for the development of a master plan for the Randolph Woods Nature Preserve. The Borough was successful in securing \$21,279 from Chester County for the Quann Park Improvement Project and is seeking additional funding for this project through the PA Department of Conservation & Natural Resources.

### 3. Cash Reserve Balance

The Borough's cash reserve balance through the first quarter of 2020 is **\$7,026,846.63**. This represents a decrease of \$114,264.63 compared to the balance through the first quarter of 2019 (\$7,141,111.26). Currently, the cash reserve balance for the Borough represents **81% of budgeted expenditures in 2020**. This balance represents all funds, including restricted accounts. The Borough's unrestricted cash accounts (General, Capital Reserve, Highway Aid, and Sewer/Sewer Capital Reserve Funds) through the first quarter of 2020 have a balance of **\$6,286,914.77**. This represents an increase of \$191,130.99 (3%) in the unrestricted cash accounts compared to the first quarter of 2019 (\$6,095,784.68).

The chart below illustrates a breakdown of the Borough's bank accounts:



Please note that the Sewer Fund bank account constitutes both the sewer operating and capital funds. The contingency account is used to supplement the operating fund.

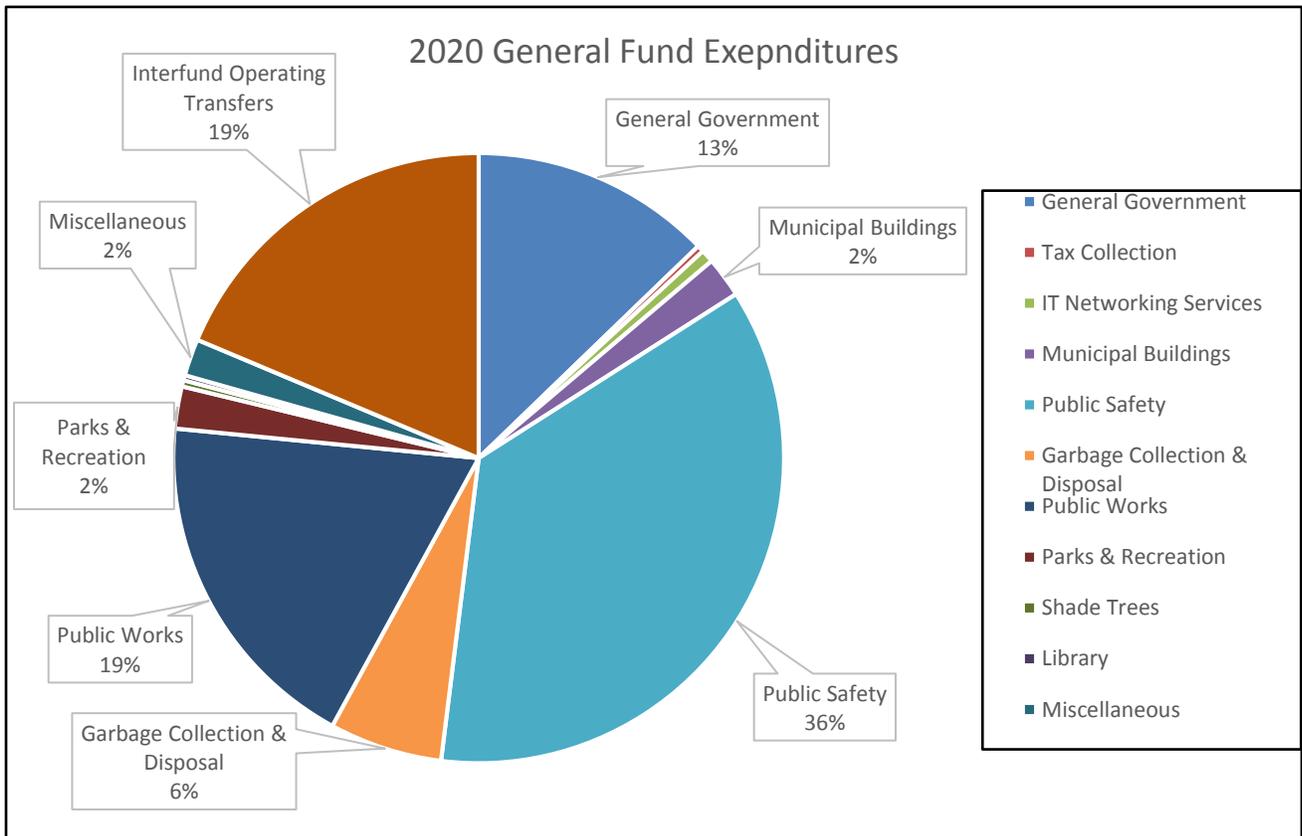
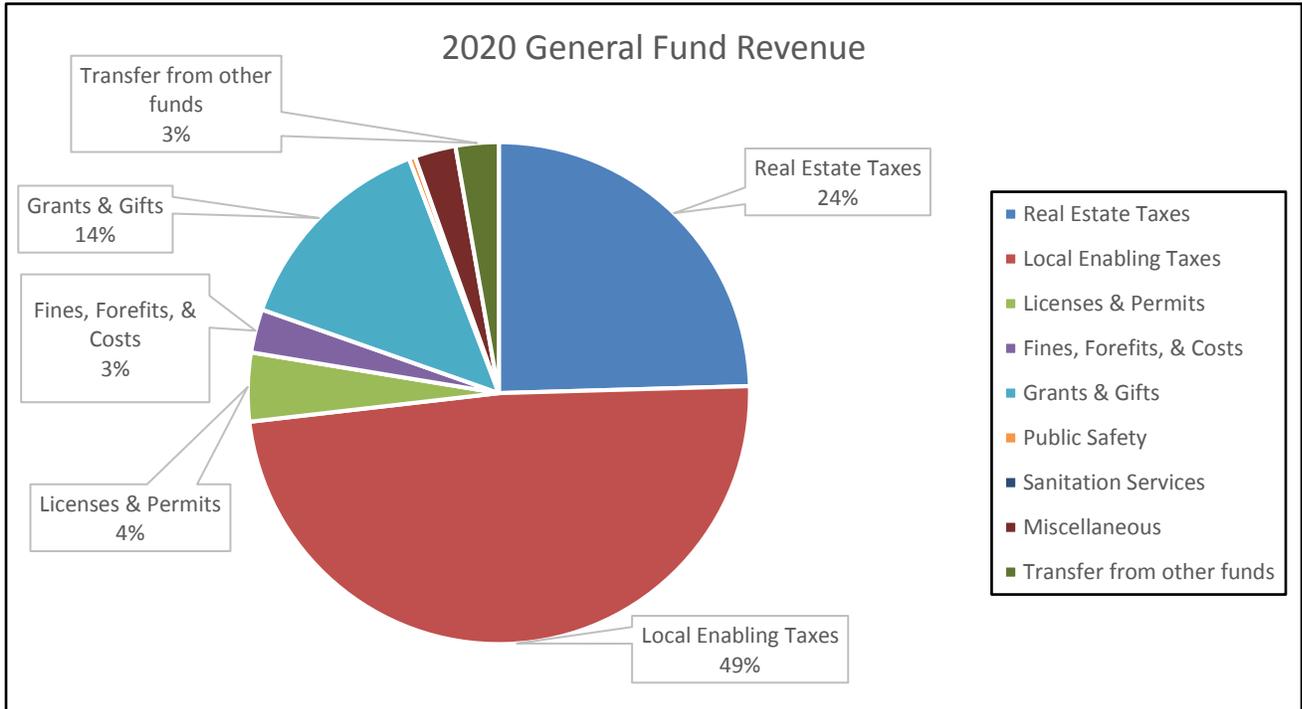
The Governmental Finance Officers Association (GFOA) recommends that municipalities maintain a general reserve fund balance of 5% to 15% of regular general fund operating revenues. The current fund balance represents **45% of the projected 2020 revenue for the General Fund**. This represents a strong reserve capacity for the Borough.

### 4. 2020 Budget – Fund Report

#### a. **General Fund**

The General Fund is the largest fund in the 2019 budget. This fund constitutes 69% of revenue received by the Borough and 50% of the Borough's annual expenditures. The charts below

provide a visual representation of the breakdown of the Borough's revenues and expenditures per category of the General Fund budget:



As outlined in the revenue chart above, the primary source of revenue for the Borough are taxes, which constitute 73% of all projected revenue in 2020. These include real estate, local services, per capita, and earned income taxes. The Borough's largest tax revenue source is generated through the Earned Income Tax, which represents 59% of projected tax revenue in 2019.

The largest expenditure for the Borough is the Police Department, which represents the largest governmental function expenditure in the General Fund at 36%.

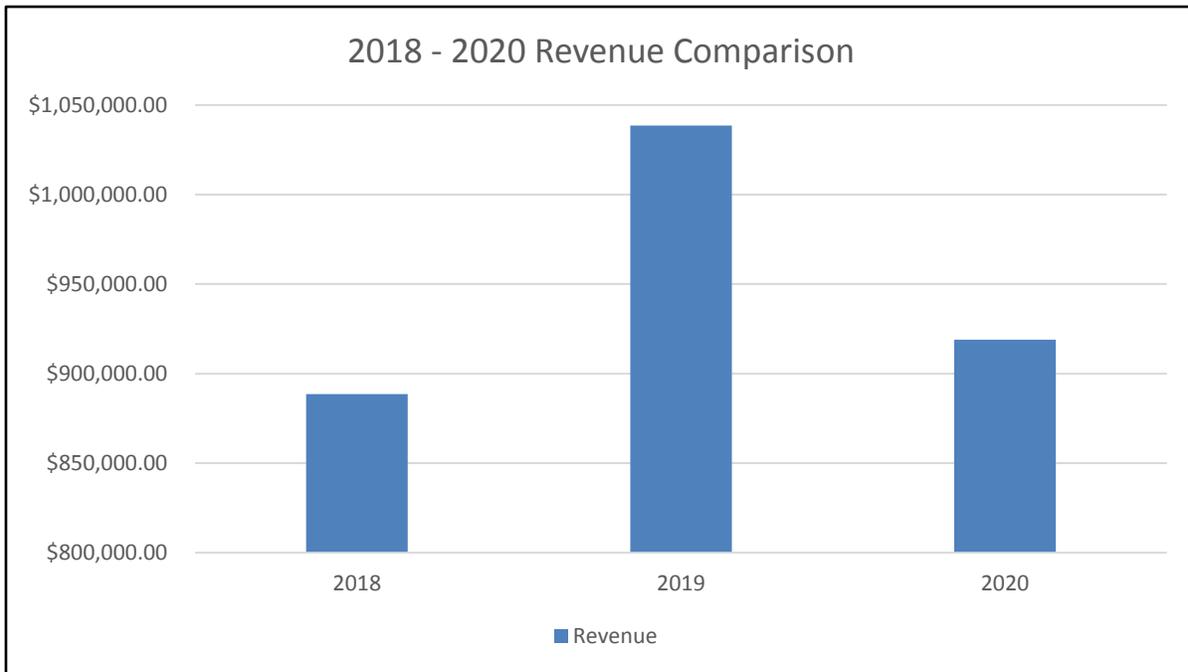
Overall, through the first quarter of 2020, **revenue has exceeded expenditures by \$150,991.43 in the General Fund.** The information below will provide a more detailed examination of revenue and expenditure standing through the first quarter of 2020.

i. **Revenue**

Revenue during the first quarter of 2020 is at 20% of budget (\$918,896.62). This represents a decline of 12% compared to the first quarter of 2019, but is 3% higher when compared to the first quarter of 2018. Revenue collection overall is \$119,706.28 lower than the first quarter collections in the General Fund compared to the first quarter of 2019. The decrease in revenue may be attributed to the following:

1. The receipt of grant revenue from Chester County for the Woodland Avenue Streetscape Project, which totaled \$78,920.57.
2. Receipt of payment for Willistown Township's portion of the workers compensation insurance premium for 2018 at the beginning of 2019, which totaled \$12,252.50.
3. A reduction in permit fee revenue during the first quarter of 2020, most notably, lower housing license and franchise fees.
4. Lower Act 511 tax collection, most notably Real Estate Transfer Tax revenue, which is approximately 6% lower when compared to the first quarter of 2019.

The chart below outlines a revenue comparison for the first quarter from 2018 to 2020:



As noted in the chart above, the Borough’s revenue collection during the first quarter of 2020 is lower than where it was through the first of 2019. However, the primary factor contributing to this is the receipt of grant revenue from Chester County, which represents approximately 66% of the difference between the two (2) years. The Borough is in a comparable position to the first quarter of 2018, when this revenue was not received. That being said, the COVID-19 pandemic is undoubtedly going to have an impact on the Borough’s revenue sources. As such, I anticipate a decline witnessed during the second quarter of this year as the data represented in this report only takes into account an abbreviated period of the pandemic.

Revenue from Real Estate Taxes is currently at 22% of budget overall. This represents a 2% increase when comparing budget figures to the first quarter of 2019; when measuring actual funds collected, this budget category is approximately 7.4% higher (\$16,707.77). Current year Real Estate Taxes is the primary contributor to this increase. This revenue source is 8.7% higher (\$19,041.47) higher when compared to the first quarter of 2019. Delinquent Real Estate Tax payments are lower when compared to the first quarter of 2019. Revenues from this source are approximately 21% lower when compared to the same time in 2019. I would attribute this reduction to the fact that the Borough turned over less tax payments at the end of 2019 to Chester County for payment than in past years. Additionally, with the current pandemic situation, Chester County may have paused its delinquent collection program, as did other collection groups. If/when the pandemic situation eases, we may witness an increase in revenue from delinquent real estate taxes.

Act 511 tax revenue is approximately 6% lower when compared to the first quarter of 2019. Earned Income Tax revenue (both current and prior year) is at 27% of budget; this is approximately 2% lower when compared to the first quarter of 2019. Please be advised

that this only accounts for a small period of the COVID-19 pandemic. I am anticipating the Borough will witness a decline in this revenue source as the impact of the COVID-19 pandemic continues to be evaluated. The second quarter (May is traditionally the largest distribution month for Earned Income Tax revenue) will be when we can fully assess the impact this has had on this revenue source.

Real Estate Transfer Tax revenue has also witnessed a decline compared to the first quarter of 2019. Through the first quarter of 2020, the Borough realized 19% of budgeted revenue from this source. This is approximately 7% lower when compared to the first quarter of 2019. With most settlements being delayed/cancelled due to the COVID-19 pandemic and the halt of construction activity, I anticipate that this revenue source will finish under budget. Please note that this revenue source is in a comparable position to the first quarter of 2018. If the situation subsides, the Borough may witness a rebound in home sales, but that still remains to be witnessed. Please note that we are continuing to receive calls for inspections with the ongoing situation.

Permit fee revenue is approximately 7% lower when compared to the first quarter of 2019. Across all line-items, this category is at 27% of budget. Housing license revenue is approximately 37% lower when compared to the first quarter of 2019; however, please be advised that these bills went out slightly later than in past years and there were posting issues with the Borough's financial software during the first quarter that has been corrected. The Borough is continuing to receive payment for these licenses. All other line-items in this category are in a comparable position compared to previous years.

The COVID-19 pandemic will undoubtedly have an impact on the Borough's revenue sources; however, I do not believe that we can fully assess the impact at this time. Particular attention should be paid to Earned Income and Real Estate Transfer Tax revenues. The Borough traditionally realizes 64% of its revenue for the year in the second and third quarters. While the Borough has continued processing Real Estate Tax payments and received deposits for Earned Income Tax payments from Keystone Collections Group, I am anticipating a reduction will be witnessed, but I cannot assess what that impact will be until the data is received. Traditionally, May is our largest distribution month for Earned Income Tax. As such, I am anticipating the impact will be witnessed after the Borough can adequately assess the collection that has occurred.

## ii. **Expenditures**

Expenditures in the General Fund are currently at 17% of budget (\$767,905.19). This is comparable to the levels witnessed during the first quarter of 2019. Please be advised that, during the month of March 2020, expenditures in the General Fund were \$100,918.61 less than in March 2019. Major expenditures from the General Fund during the first quarter included the following:

- Renewal of the Borough's property and liability insurance (60% of this cost is allocated in the General Fund, while the remaining 40% is allocated in the Sewer Fund)
- Repairs to Borough streetlights
- Renewal of the Police Department's CODY licenses

An item worth noting is the impact that the winter had on the Borough's expenditures. Please be advised that no purchases of roadway de-icing salt were made during the first quarter of 2020 (line-item 01.432.020). Additionally, overtime costs in the Public Works Department are 66.5% (\$6,776.94) lower when compared to the first quarter of 2019.

Fees for professional services (e.g., solicitor, engineer) are lower when compared to the first quarter of 2019. Through the first quarter of 2020, expenditures for legal services are at 21% of budget. Overall, this category is 6% (\$1,753.74) lower when compared to the first quarter of 2019. Engineering services are currently at 10% of budgeted expenditures. Total expenditures are 59.5% (\$10,801.03) less compared to the first quarter of 2019. The reduction, particularly in the case of the Borough's engineering costs, may be attributed to the reduced workload during the first quarter as a majority of the planning work for major capital projects was completed in 2019. A significant portion of the engineering costs for the Borough are reimbursable and a large portion are allocated in the Capital Reserve Fund for various projects.

Please note that professional services are also budgeted in the Sewer Fund. Additionally, it should be noted that a significant portion of the expenditures in the General Fund through the first quarter of 2020 have been operating costs, primarily personnel costs. Major projects will be realized in the second and third quarters of the year.

Projects on the horizon for the latter portion of 2020 include the following:

- 2020 Paving Program – E. King Street: \$43,541.84 (based on bid results)
- Purchase of new Public Works vehicle: \$75,822.00 (to be paid by the Highway Aid Fund)

Personnel changes occurred in the first quarter that will be reflected in the second quarter. The new Assistant Manager began on April 6, 2020 and the new Laborer position in the Public Works Department will begin in late May. I do not anticipate any other personnel changes in 2020.

Expenditures are currently in a comparable position when examining previous years. With the current COVID-19 pandemic, I have been evaluating certain large-scale expenditures. Please note the following:

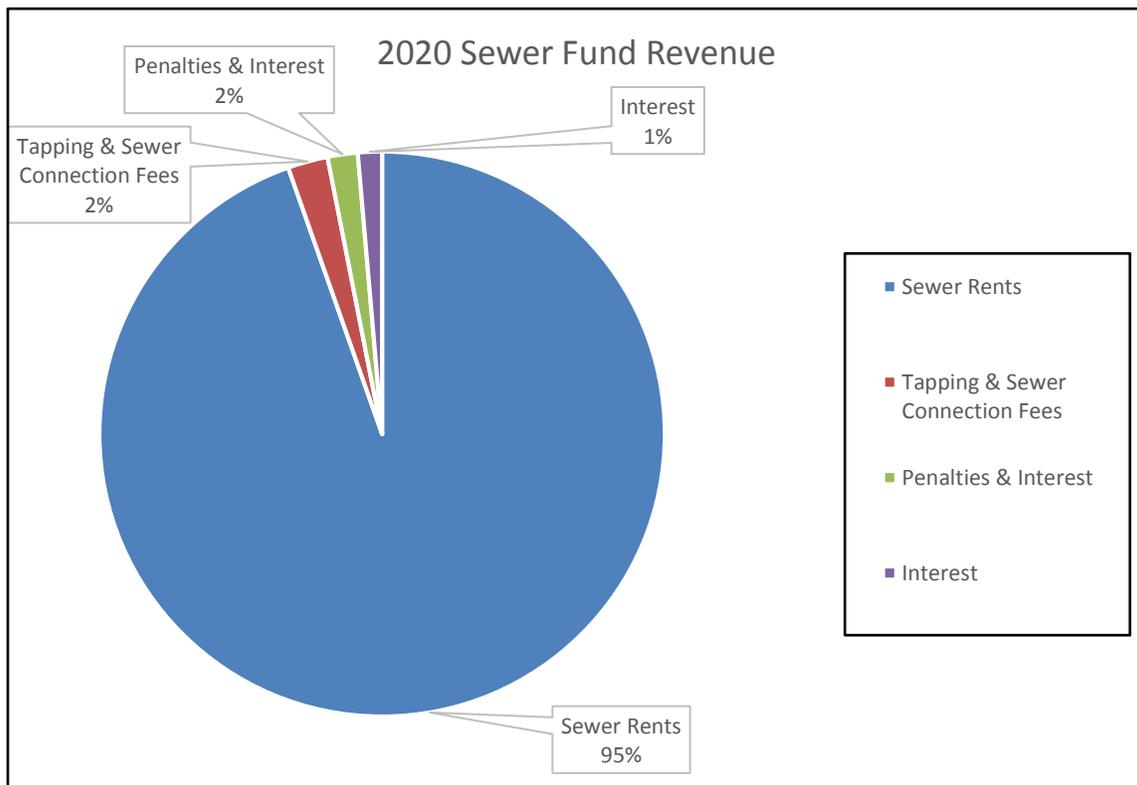
- The Borough Engineer has been advised not to bid out the budgeted paving projects on W. King Street and Malvern Avenue at this time.
- The allocated part-time positions for the proposed Permit Clerk and summer laborers for the Public Works Department will not be filled. After speaking with the Superintendent of Public Works, we agreed that bringing on the additional full-time laborer in the Public Works Department will negate the need for any additional part-time support.
- The Chief of Police has worked to significantly scale back the use of part-time officers during the crisis.

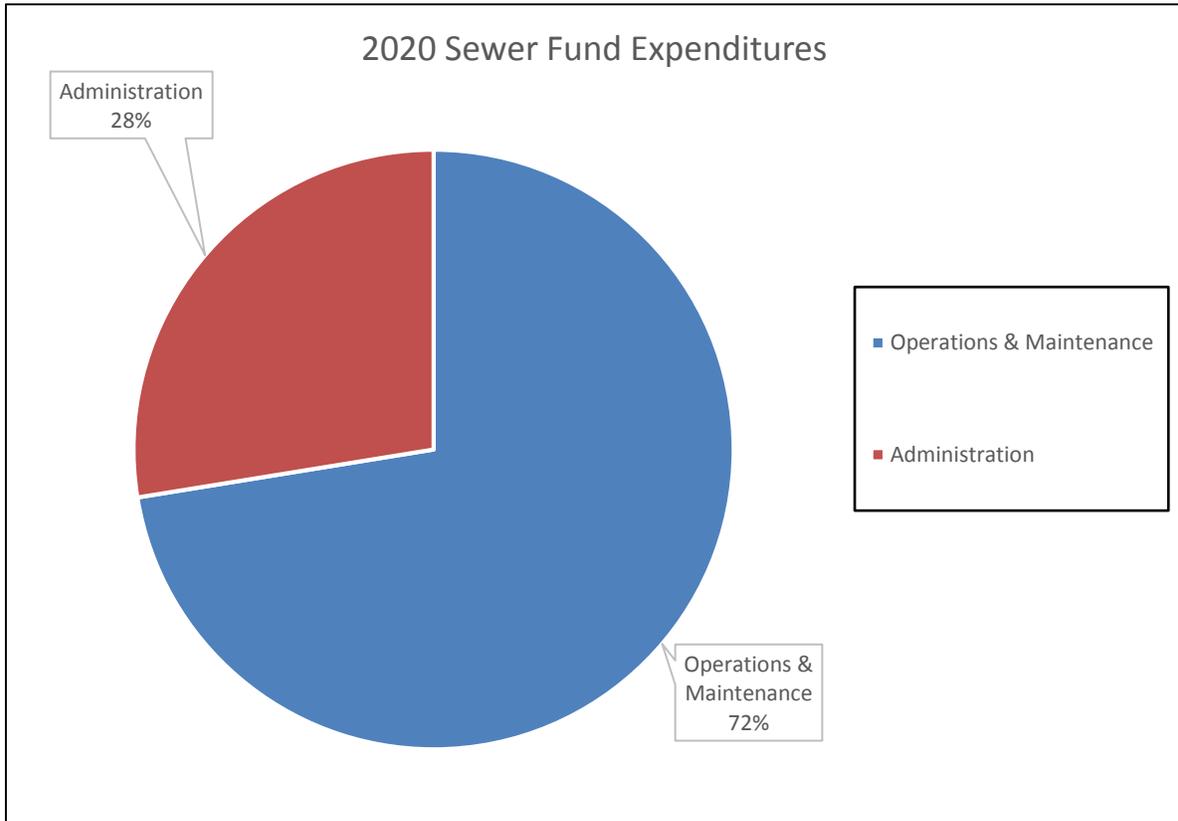
- Parks and recreational activities are anticipated to be reduced due to the guidelines regarding occupancy limitations for gatherings.

All departments within the Borough will continue to monitor expenditures regularly and advised on necessary adjustments as we navigate this situation.

**b. Sewer Fund**

The Sewer Fund represents 14% of revenue and 12% of expenditures in the Borough’s 2020 budget. This fund covers all non-capital costs related to the Borough’s sanitary sewer system, including maintenance, treatment/disposal, and engineering. The primary source of revenue for this fund are sewer rental charges and tapping/connection fees. The charts below provide a visual representation of the breakdown of the Borough’s revenues and expenditures per category of the Sewer Fund budget:





Sewer rents (user fees & charges) constitute 95% of all revenue realized by the Sewer Fund. This is a standard practice as there is no tax levy for this fund. Tapping fees related to new construction is the other major revenue source, but not near the same level as user fees.

This fund was not balanced as part of the 2020 budget. In order to balance the budget, the Borough is utilizing a projected \$142,599 of reserve funds. These were derived from the sale proceeds of the Valley Creek Trunk Sewer (VCTS) line, which were received in 2019 and placed into a CD. When the CD matured in January, the funds were transferred into the sewer operating checking accounting.

Overall, through the first quarter of 2020, expenditures have exceeded revenue by \$22,679.44. Revenue is at the same budgetary level (25%) compared to the first quarter of 2019, but is \$1,193.88 below compared to the first quarter of 2019 when examining actual funds collected. Expenditures are \$9,163.05 ahead compared to the first quarter of 2020.

The information below will provide a more detailed examination of revenue and expenditure standing through the first quarter of 2020. This section will also include a comparison with 2019.

**i. Revenue**

Total revenue through the first quarter of 2020 is **\$222,217.12 (25% of budget)**. Revenue in the Sewer Fund is derived from four (4) sources: sewer rental fees, tapping fees, penalties, and interest earnings.

Sewer rental fees, which represents 95% of revenue for this fund, is currently at 25% of budgeted revenue. Please note that billing is done on a quarterly basis. Total revenue

collected in this category is approximately \$11,000 lower compared to the first quarter of 2019. Unfortunately, I cannot determine an appropriate reason for this reduction, but my best estimate is due to a reduction in water usage during the time the meter readings were conducted. The current revenue numbers are comparable with the levels during the first quarter of 2018. During the first quarter of 2020, the Borough received one (1) tapping fee payment for the residential development project on Rutland Avenue.

Interest earnings are considerably higher compared to the first quarter of 2020. This revenue source is at 91% of budget. Through the first quarter of 2019, this revenue source was at 49% of budget. This may be attributed to the interest received when the CD for the Valley Creek Trunk Sewer (VCTS) line matured in January. I anticipate that this category will level-out due to the current economic environment.

Revenue in the sewer fund finished 2019 ahead of budget by approximately 14%. In reviewing trends, this fund traditionally ends the year approximately 5% to 8% above projections. As construction begins to return, I anticipate that the Borough will begin to realize tapping fee revenue as stalled projects due to the COVID-19 pandemic resume. However, the full impact remains to be witnessed.

## ii. Expenditures

Total expenditures through the first quarter of 2020 is **\$244,896.56 (24% of budget)**. This is approximately 3% lower compared to the first quarter of 2019. The information below provides an examination of each of the budgetary categories:

- **Operation & Maintenance:** Through the first quarter of 2020, operation and maintenance costs are at 24% of budgeted expenditures. This is approximately 4% lower compared to the first quarter of 2019. Sewage disposal and treatment costs represent approximately 71% of expenditures and is currently at 24% of budget through the first quarter of 2020. Actual expenditures for sewage disposal and treatment is approximately 9.5% higher compared to the first quarter of 2019. This may be attributed to cost increases paid to outside organizations for treatment. Quarterly costs paid to East Whiteland Township are 9% higher for 2020; however, the Borough's quarterly treatment cost paid to the Valley Forge Sewer Authority (VFSA) are comparable. Additionally, the fee paid to Aqua for transmission through the VCTS line is in the second year of the three-year rate hold.

Maintenance and repair costs are currently at 41% of budget. This is approximately 24% higher compared to the first quarter of 2019. The increased maintenance costs are due to pump station repairs that were completed in the first quarter.

- **Administration:** Administrative costs budgeted in the Sewer Fund include costs related to such items as engineering, communications systems at the pump stations, a portion of personnel costs, and insurance. Through the first quarter of 2020, administration costs are at 33% of budgeted expenditures. This is approximately 6% higher compared to the first quarter of 2019. This is due to

higher personnel costs in the Sewer Fund, including increased costs for Workers Compensation insurance, employee benefits (e.g., health insurance), and salaries.

**c. Sewer Capital Reserve Fund**

Revenue for the Sewer Capital Reserve Fund is derived from interfund transfers from the Sewer Operating Fund and the beginning balance. Total budgeted revenue for 2020 in this fund is \$1,294,166, which represents the beginning cash balance. There are no transfers from the Sewer Operating fund budgeted. However, any additional revenue over expenditures will be transferred from the Sewer Operating Fund to the Sewer Capital Reserve Fund.

Expenditures in the Sewer Capital Reserve Fund total \$135,000. Budgeted projects include repair to the sewer laterals, payment into the construction fund for the Valley Forge Sewer Authority, repair of joints to address inflow and infiltration, and replacement of the check valve at Pump Station #2. Through the first quarter of 2020, there have been no expenditures from this fund.

**d. Capital Reserve Fund**

Revenue for the Capital Reserve Fund is derived from the beginning cash balance and interfund operating transfers from the Borough's General Fund, interest, and grant funds. Through the first quarter of 2020, total revenue is \$2,825.80. This has included interest (\$1,855.38) and a refund for an overpayment on the Borough's debt service (\$970.42). This overpayment was due to an error from the Delaware Valley Regional Financing Authority.

The Capital Reserve Fund serves as a savings account for major projects, including building renovations, infrastructure improvements, and debt service obligations. Total expenditures through the first quarter in this fund are **\$73,779.42 (3% of budgeted expenditures)**. Costs expended out of this fund include engineering and mobilization costs related to the N. Warren Ave. Transit, updates to the Borough's zoning ordinance, debt service principal and interest costs, traffic engineering costs, design work for the improvements to Old Lincoln Highway, design work for the improvements to Quann Park, and work related to the development of a Master Plan for the Randolph Woods Nature Preserve.

Several projects are slated to be completed of this fund in 2020. The following notable expenditures are projected for the balance of the year:

1. Completion of the N. Warren Ave. Transit Project – Budgeted at \$930,000 (\$560,000 being funded through grants from the PA Department of Transportation and the PA Department of Community and Economic Development)
2. Improvements to Quann Park – Budgeted at \$175,000 (\$21,279 in grant funding secured from Chester County; \$92,000 in grant funding being sought from the PA Department of Conservation & Natural Resources.
3. Completion of the Randolph Woods Master Plan – \$21,997 (\$10,000 in grant funding received from the PECO Green Region Grant program).
4. Upgrades to the Borough's streetlight network – \$80,000 budgeted

Due to the fact that these projects are longer term, it is difficult to project the final expenditure level for this fund. A better projection may be made in the second and third quarters of 2020.

However, due to the COVID-19 pandemic, the Borough should evaluate projects and the Borough may need to move projects to 2021.

**e. Highway Aid Fund**

The Highway Aid Fund receives revenue from the Pennsylvania Liquid Fuels Tax Fund. This is the only revenue source for this fund. The Borough's Liquid Fuels Tax Funding for 2020 is \$91,983.51 and was deposited on March 1, 2020. This represents a 3% decrease from 2019. The PA Department of Transportation advised the Borough that Liquid Fuels Tax Funding would decline due to reduced gasoline sales.

Budgeted expenditures include the paving of N. Warren Avenue (from Pennsylvania Avenue to the Borough boundary), replacement of the 2005 Freightliner in the Public Works Department with an F-550 truck, and costs for the Borough streetlights; the latter two (2) will be an interfund transfer to the General Fund. This vehicle has been ordered, but not paid for at this time. The budgeted interfund transfer is to reimburse the General Fund for the cost of this purchase and street lighting. To date, this transfer has not occurred. The bid results for the N. Warren Avenue paving project indicate that this project will cost approximately \$51,717.16, which is approximately \$34,000 under budget. This project is awaiting awarding by Borough Council.

While this report indicates that the 2020 budget is in a comparable position to previous years, it does not take into account the potential impacts of the COVID-19 pandemic. The Borough entered this situation in a strong financial position; however, I do not want to present an overly optimistic picture. I am confident that the Borough will be impacted, primarily in terms of Earned Income and Real Estate Transfer Tax revenues. The second quarter will provide the Borough with a better understanding. We have taken steps to monitor and reduce expenditures where we can and the Borough administration will continue to explore cost reduction opportunities and efficiency measures. I commend our staff members for working diligently to find and secure grant funding in order to implement projects that are on our radar. I also commend all departments for monitoring costs and believe that it is important that we make decisions based on the facts when navigating this situation and not resort to quick reactions given the current climate. Prudent financial management over the course of the last 20 years has placed the Borough in a position to weather a storm such as this and I am confident that Borough Council and the staff will make the right decisions at the appropriate time.

Please let me know if you have any questions. Thank you.

Respectfully submitted by,

*Christopher Bashore*

Christopher Bashore  
Borough Manager