



MEMORANDUM

TO: Borough Council
Mayor Burton

FROM: Christopher Bashore, Borough Manager

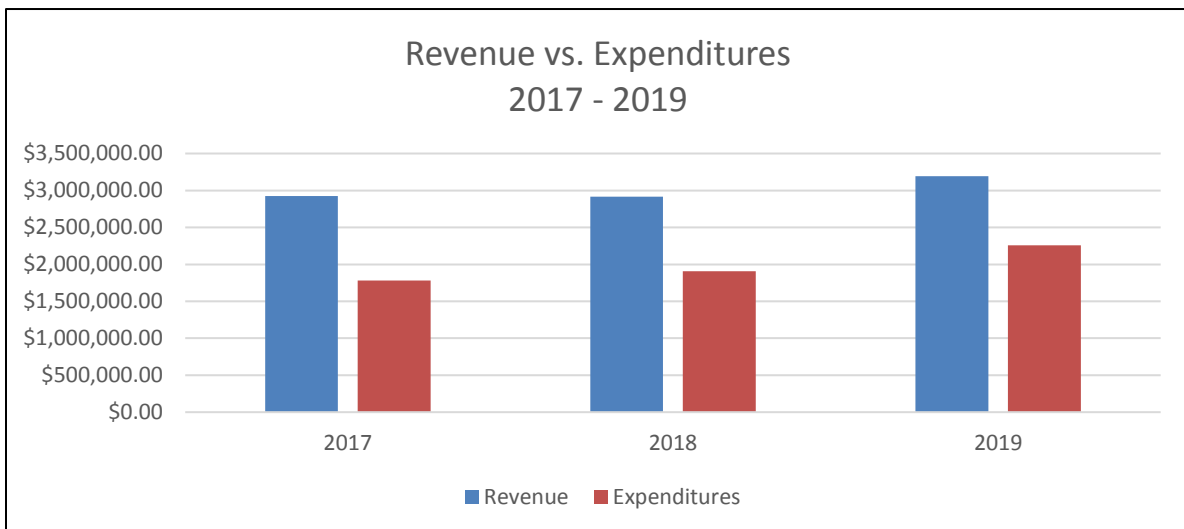
DATE: July 26, 2019

RE: 2019 Operating Budget
Second Quarter Report

This report will provide Borough Council with a status update on budget activity through the second quarter of 2019. The 2019 Budget was approved by Borough Council at the December 18, 2018 meeting. The report outlines the standing of revenue and expenditures, both on an overall and per fund basis. In addition to providing a status report on the 2019 budget, a calendar for the 2020 budget process has also been provided at the end of this report.

1. Revenue & Expenditures during the second quarter of 2019

Through the second quarter of 2019, revenue has exceeded expenditures by **\$936,426.52**. During the second quarter, revenue exceeded expenditures by **\$791,642.51**. The chart below outlines the comparison between revenue and expenditures through the second quarter of the last three (3) years:



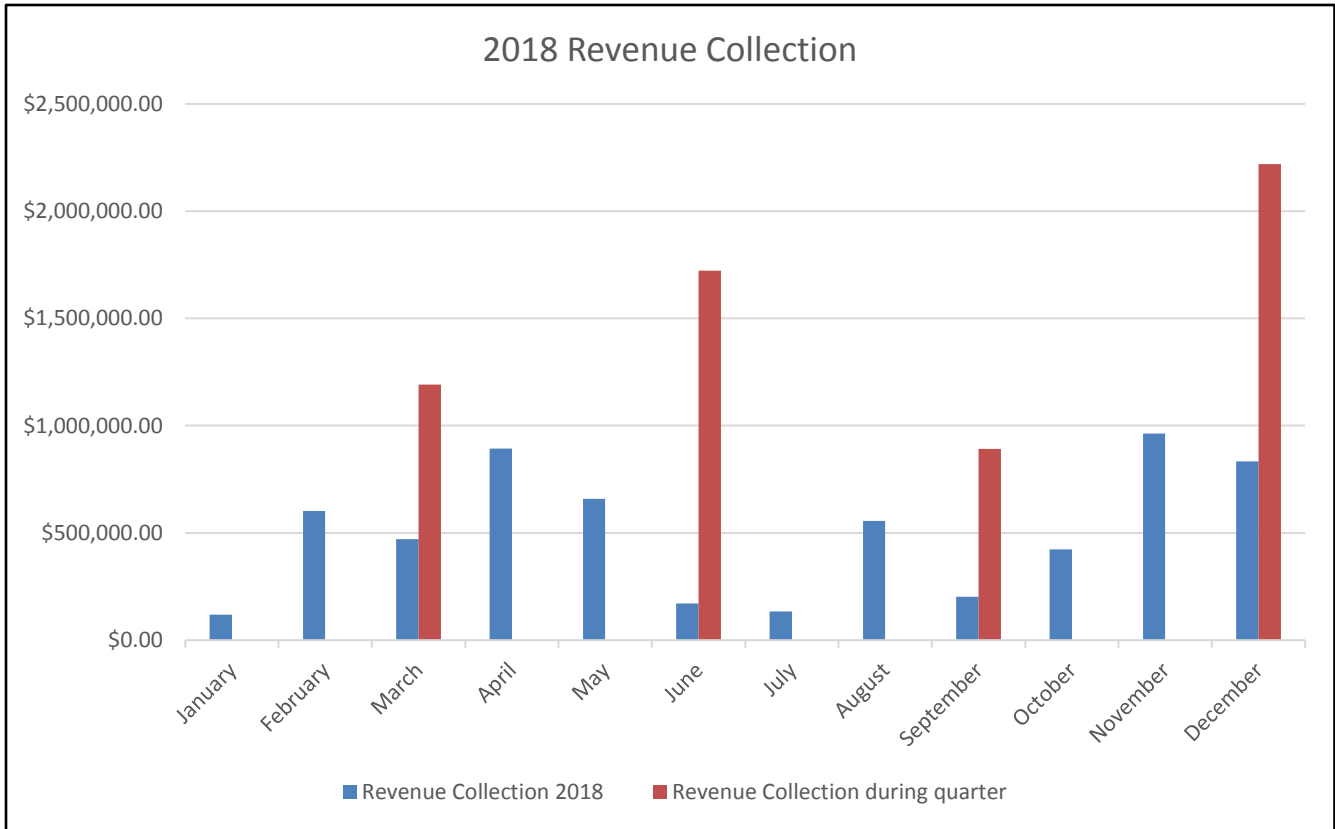
As displayed in the chart above, revenue generally exceeds expenditures during the first half of the year. This is due to the receipt of tax revenue and the fact that major projects (e.g., paving, construction) traditionally occurs during the second half of the year in the summer. I anticipate that the gap will close in the third quarter as major projects are underway.

The information below will outline general revenue and expenditure information through and during the second quarter of 2019.

a. Revenue

Total revenue collection across all Borough funds through the second quarter was **\$3,194,509.96 (49% of budgeted revenue)**. During the second quarter, revenue collection totaled **\$1,835,394.25 (57.5% of revenue collected to date occurred during the second quarter)**. Revenue collection during the second quarter of 2019 is approximately 6.5% higher when compared to the second quarter of 2018. Additionally, total revenue collection is approximately 9.6% higher than in 2018 through the second quarter. An influx in revenue collection is typically witnessed in the second quarter due to the mailing of the real estate tax bills. Tax bills were mailed out in March 2019. This is comparable to previous years. In comparing the second quarters of 2018 and 2019, the Borough is in a comparable position in terms of revenue collection. Through the first quarter of 2018, the Borough had collected 40% of budgeted revenue, with 59% of revenue collected during the second quarter.

Revenue collection tends to increase in the second quarter of the year due to real estate tax payments. As an example of revenue trends, the chart below outlines the trend in revenue during 2018:



The chart above indicates that the Borough’s revenue collection increased from the first quarter to the second quarter of the year. Using 2018 as an example, revenue collection increased by 44.6% from the first quarter to the second quarter. A similar trend occurred in the second quarter of 2019, where revenue collection increased by 35% compared to the first quarter of the year. As previously noted, this is primarily attributed to the influx of real estate tax payments received in the second quarter. Revenue collection traditionally declines in the third quarter of the year and increases in the fourth quarter. This is primarily due to increased payments for Act 511 taxes and real estate taxes, the latter being higher to avoid the tax bills being forwarded to Chester County for collection.

Please note that I anticipate similar trends in 2019. The fourth quarter of 2018 displaying the highest level of revenue collection should be considered an anomaly. The chart displays an influx in revenue collection due to the receipt of grant reimbursements from Chester County for the Borough’s Community Revitalization Program grant and proceeds from the sale of the Valley Creek Trunk Sewer line.

b. Expenditures

Total expenditures across all Borough funds during the second quarter was **\$2,258,083.44 (25% of budgeted expenditures)**. This is \$349,093.97 (18.3%) higher

compared to second quarter of 2018. The reason for this difference may be attributed to the following:

1. Increased cost for professional services, most notably engineering services.
2. Purchase of new vehicles for the Police and Public Works Departments.
3. Increased costs for the disposal and treatment of sewage.
4. Increased costs in the Sewer Capital Reserve Fund, most notably the payment of the Borough's proportionate share to the Valley Forge Sewer Authority.
5. Final payments for the Woodland Avenue Streetscape Project.

During the second quarter, expenditures totaled **\$1,043,751.74 (46% of expenditures to date occurred during the second quarter)**. In comparison to the second quarter 2018, expenditures during the second quarter of 2019 are comparable to where they were during the second quarter of 2018.

During the second quarter of 2019, the following significant expenditures occurred:

- Purchase of a new vehicle for the Police Department – \$33,646.00¹
- Budgeted civic contributions to area organizations – \$14,500.00 (\$41,000 budgeted – \$26,500.00 remaining for release)
- Renewal of the Borough's Property & Liability Insurance – \$53,909.00²
- Sewage Treatment & Disposal Costs – \$117,708.00³
- Payment to the Valley Forge Sewer Authority for Capital Projects – \$21,111.00
- Final payment for the Woodland Avenue Streetscape Project – \$30,000.00

In addition, the following contracts were awarded by Borough Council:

- 2019 Paving Program⁴
 - Green St. (from Church St. to First Ave.) – Awarded to John A. DiRocco Contractors, Inc. – \$28,173.40 (labor = \$14,673.40, material = \$13,500.00)
 - W. King St., Burke Park walking trails, and parking lots (Burke Park and King St.) – Awarded to S.A. Macanga, Inc. – \$103,275.86 (labor = \$61,775.86, material = \$41,500.00)
- E. King Street Pedestrian Signals – Awarded to Charles A. Higgins, Inc. – \$82,894.80
- Ruthland Ave. Force Main Replacement Project – Awarded to Delaware Valley Utility Contractors, Inc. – \$309,475.48

¹ Budgeted amount was \$40,000.00.

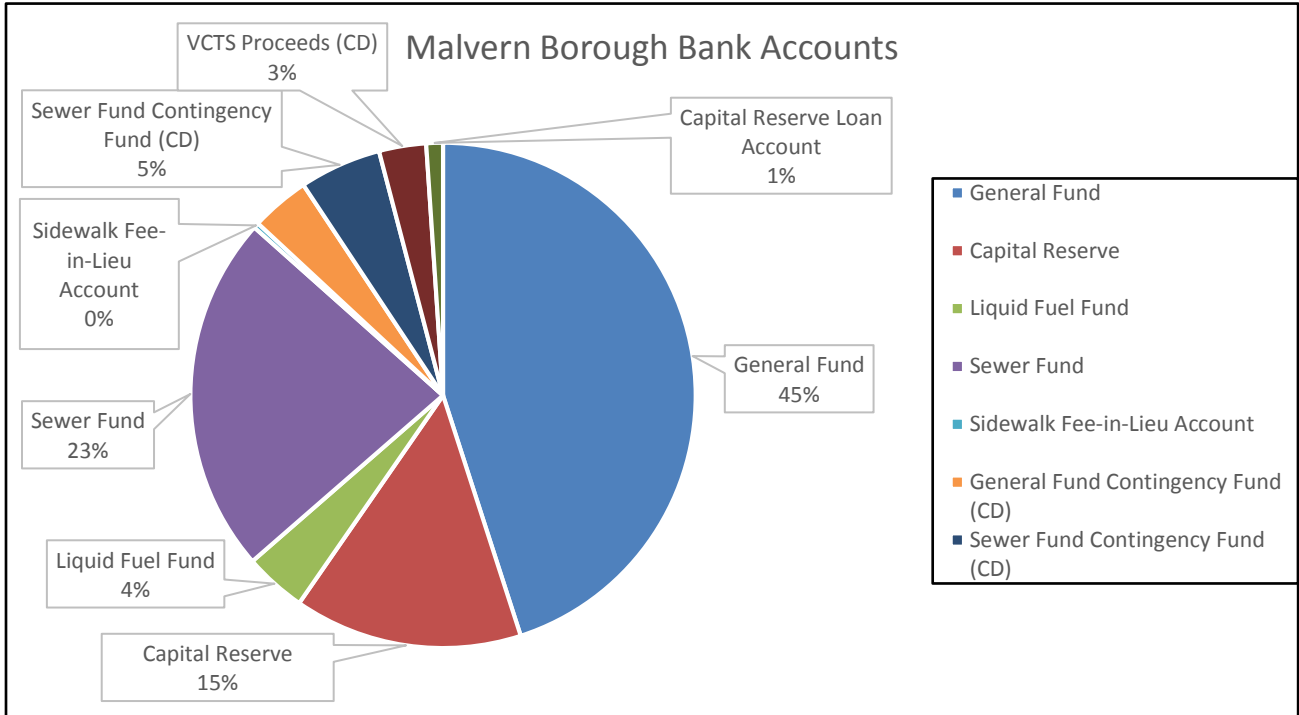
² Costs for property & liability remained comparable to 2018.

³ Costs for sewage disposal and treatment has witnessed a \$29,848.00 increase compared to the second quarter of 2018.

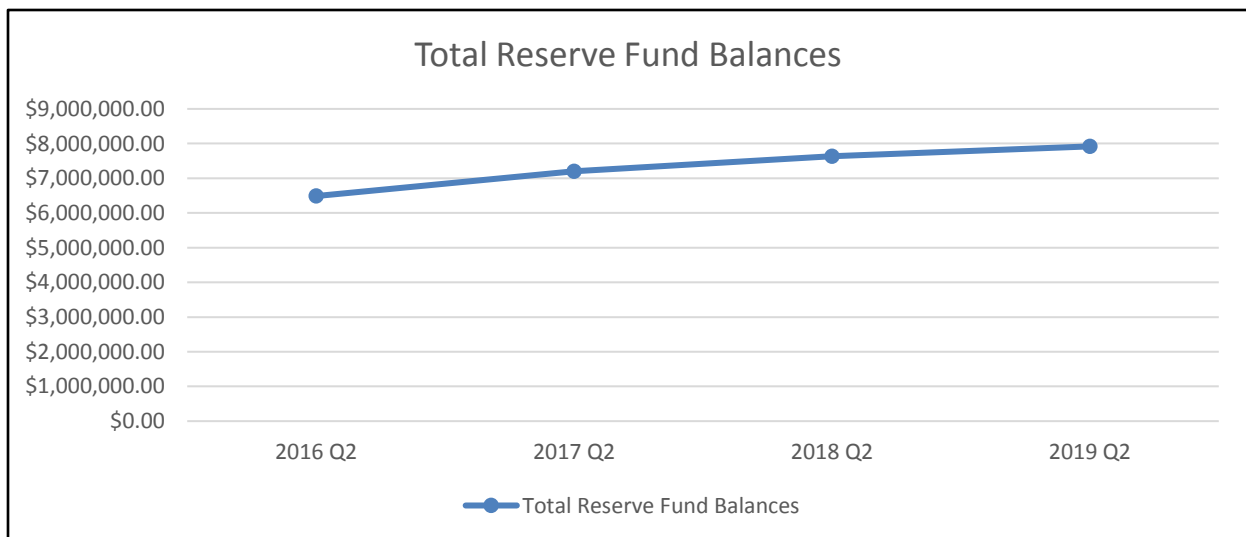
⁴ Funds for these projects allocated in both the General Fund and the Capital Reserve Fund.

2. Cash Reserve Balance

The Borough's cash reserve balance through the second quarter of 2019 is **\$7,918,910.18**. This represents an increase of \$287,248.93 (a 4% increase) compared to the balance through the second quarter of 2018 (\$7,631,661.25). Currently, the cash reserve balance for the Borough represents **88% of budgeted expenditures in 2019**. This balance represents all funds, including restricted accounts. The chart below illustrates a breakdown of the Borough's bank accounts:



The chart below outlines the increases in the Borough's reserve funds through the second quarters of 2016 – 2019:



As indicated by the chart above, the Borough's reserve fund balances have increased steadily when examining the balances through the second quarter of the last three (4) years. This may be attributed to the following:

- Cost saving initiatives, primarily through changes to employee benefits and adjustments in Borough insurance policies.
- Increases in certain revenue categories, most notably witnessed in the collection of earned income taxes.
- Increased development and construction activity has proceeded higher assessment values for properties, resulting in higher property tax revenue. While the increases in the Borough's overall assessment has begun to plateau, it has still increased in the last few years. The most significant increase was witnessed from 2014 – 2016.

Please be advised that I anticipate a decline in the Capital Reserve Fund as major projects begin construction, most notably the N. Warren Ave. Transit Project. These funds will be replenished as grant reimbursement is received.

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.

Please be advised that certain funds are restricted in use. The total amount of restricted funds is \$208,164.19 (3% of available cash reserves). These funds are as follows:

- Sidewalk Fee-In-Lieu Account – \$27,233.71 (<1% of the total fund balance) ⁵
- Capital Reserve Account – \$84,593.55 (1% of the total fund balance) ⁶

In addition, the Borough has two (2) contingency accounts that serve as an emergency fund. These accounts are as follows:

- General Fund Contingency – \$297,576.63
- Sewer Fund Contingency – \$414,977.48

Please be advised that these accounts are in a 12-month CD with the National Bank of Malvern at a 2.50% interest rate.

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 **68% of the projected 2019 revenue for the General Fund**. This represents a strong reserve capacity for the Borough.

⁵ These are funds deposited with the Borough in lieu of constructing sidewalks. Funds in this account may only be used for building/maintaining sidewalks.

⁶ The funds in this account are from the 2013 General Obligation Note issued to finance the construction of the Public Works Department pole barn and salt shed.

3. 2019 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. Overall, through the second quarter of 2019, **revenue has exceeded expenditures by \$1,101,792.48 in the General Fund.** Revenue in the General Fund has totaled \$2,621,771.92 and expenditures have totaled \$1,519,979.44. The information below will provide a more detailed examination of revenue and expenditure standing through the second quarter of 2019. This section will also include a comparison with 2018.

i. Revenue

Revenue in the General Fund is at 58% of budget overall through the second quarter of 2019. Through the second quarter of 2018, revenue was at 50% of budget. Real estate tax bills were mailed to property owners in March 2019, with primary collection occurring in April and May 2019.

The Borough's revenue from real estate taxes is in a comparable position compared to the second quarter of 2018. Overall, revenue from real estate taxes is at 98% of budgeted revenue, while it was at 97% of budget through the second quarter of 2018. Current year real estate taxes are at 98% of budgeted revenue (\$1,067,248.67). Revenue collected from delinquent real estate taxes is at 4.6% lower than through the second quarter of 2018 when examining the actual funds collected. Through the second quarter of 2019, delinquent real estate tax revenue is at 96% of budget compared to 115% of budget during the second quarter of 2018. Interim real estate tax revenue is significantly lower through the second quarter of 2019 compared to the second quarter of 2018. This revenue source is 43% lower when comparing the second quarters of 2019 and 2018. Through the second quarter of 2019, interim real estate tax revenue is at 4% of budget.

Local Enabling Tax revenue (e.g., Per Capita, Earned Income, Real Estate Transfer, and Local Service taxes) is currently at 57% of budget through the second quarter of 2019. This is approximately 5% higher compared to the second quarter of 2018. Real Estate Transfer Tax revenue is rebounding compared to the second quarter of 2018. In my 2018 second quarter report to Borough Council, this revenue source had declined 33% compared to the previous year. Revenue from Real Estate Transfer Tax is up 30.7% compared to the second quarter of 2018. This may be attributed to the completion of approved subdivision and land development projects and a rebound in the sale price for houses in the Borough.

Total combined Earned Income Tax revenue (current and prior years) is at 56.6% of budget. This represents a 10.2% increase in revenue collected when compared

to the second quarter of 2018. Current year Earned Income Tax revenue is up 20.8% (\$102,011.65) during the second quarter of 2019 compared to the second quarter of 2018. Through the second quarter of 2019, current year Earned Income Tax revenue is at 40% of budget. While still below the revenue collection level witnessed through the second quarter of 2017, this represents a marked improvement compared to the second quarter of 2018. Prior year Earned Income Tax revenue is currently at 111% of budget. Compared to the second quarter of 2018, this revenue source is in a comparable position.

Revenue from the Local Services Tax is currently at 64% through the second quarter of 2019. Please note that this includes both current and prior year Local Services Tax revenue. This is 5% higher when compared to the second quarter of 2018. Current year Local Services Tax revenue is currently at 51% of budget, which is a 5% increase compared to the second quarter of 2018. Please that this revenue category was increased in the 2019 budget. Actual funds collected represents a 28.8% increase (\$11,327.06) compared to the second quarter of 2018. When examining prior year Local Services Tax revenue, this category is at 117% of budget. This represents a 6% increase compared to the second quarter of 2018. As was the case with current year Local Services Tax revenue, this category was increased in the 2019 budget. Examining actual funds collected indicates that the Borough has witnessed a 21.5% increase (\$5,197.87) in prior year Local Services Tax revenue.

Permit fee revenue is in a comparable position through the second quarter of 2019 compared to the second quarter of 2018 when examining actual collections overall. However, in terms of a budget-to-budget comparison, this revenue category is 3% lower compared to the second quarter of 2018. Revenue from building permit fees is currently at 103% of budget and is 3.8% higher when comparing actual collections from the second quarter of 2018 to the second quarter of 2019. Please be advised that I do not anticipate this overall revenue category finishing at the levels witnessed in 2018 as a significant factor was the revenue witnessed for permit fees associated with the construction at Malvern Preparatory School.

Revenue from Zoning and Subdivision/Land Development applications is at 53% of budget. This represents a marked decline as this category was at 146% of budget through the second quarter of 2018. The number of applications to the Zoning Hearing Board has witnessed a decline compared to the same time period as last year. In addition, the number of Subdivision & Land Development applications has also declined due to the reduction in available land for development.

Earnings on investments are at 171% of budget and actual revenue is 102% higher when examining actual collections. The total revenue realized through the second

quarter of 2019 is \$20,455.04. The increase in this revenue is the result of investment decisions made by Borough Council and increases to the Borough's interest rate with deposits with the National Bank of Malvern.

In reviewing the Borough's revenue trends, I anticipate collections levels to decline during the third quarter of the year. As noted previously, the second quarter traditionally witnesses a spike in revenue as real estate tax payments are received. Please note that Earned Income Tax revenue typically increases in the third quarter. Based on a review, I anticipate certain revenue categories to finish ahead of 2018 based on the performance during the first half of the year. Act 511 tax revenue is 12% higher when comparing actual revenue received and certain categories are higher than at the same point in 2018. Specifically, Earned Income Tax revenue is higher than at the same point in 2018; however, it is behind where it was at the same point in 2017. Real Estate Transfer Tax revenue appears to be rebounding from 2018, but, as with Earned Income Tax revenue, is not at the same levels as was witnessed in 2017. Additional information will be included in the third quarter report to Borough Council.

ii. **Expenditures**

Expenditures in the General Fund are currently at 34% of budgeted projections. This is 5% ahead of expenditure levels compared to 2018. Major expenditures in the General Fund during the second quarter of 2019 included the purchase of a new vehicle for the Police Department, renewal of the Borough's property and liability insurance (this expense is split between the General Fund and the Sewer Fund, with 60% allocated to the General Fund), and civic contributions to area non-profit organizations.

Certain expenditures are down in 2019 when compared to previous years. Overall costs for maintaining the Borough's facilities (e.g., buildings) are down 42.2% through the second quarter of 2019 compared to the second quarter of 2018. Utility costs for Borough facilities are down 48.3% (\$9,091.53) through the second quarter of 2019 compared to the second quarter of 2018. This may be primarily attributed to the upgrades completed to the HVAC system in the third quarter of 2018, most notably converting to natural gas. Repair costs are also down 14.6% compared to the same time as 2018.

Expenditures pertaining to solid waste collection are in a comparable position when examining 2018 and 2019. However, it is worth noting that costs for landfill fees are approximately 15% higher compared to the second quarter of 2018. This is attributed to the costs being paid to process recyclables collected in the Borough. Previously, the Borough was paid for recyclables. Recent shifts in the recycling market have resulted in having to pay to process recycling material. This was noted in the contract that was approved by Borough Council with the Chester

County Solid Waste Authority. Additionally, the charges were recently increased, pursuant to the contract. This category will continue to be monitored.

The Borough's costs related to professional services (e.g., solicitor, engineer, labor counsel) are in a comparable position through the second quarter of 2019 compared to the second quarter of 2018. Legal services are currently at 60% of budget expenditures, compared to 72% of budgeted expenditures in the second quarter of 2018. However, please note that this expenditure category was increased by \$15,000 in order to accommodate the negotiations with the Malvern Police Department. Please note the following have contributed to the legal expenditures during the first half of 2019:

- Negotiations on a new Collective Bargaining Agreement with the Malvern Police Officers' Association
- Code enforcement matters that required legal assistance, including the filing of non-traffic citations and court appearances
- Preparation for hearings for which representatives from the Borough are being called as a witness
- Negotiations of a new franchise agreement with Verizon FiOS
- Preparation of ordinances

The breakdown among legal services is as follows:

- Zoning Hearing Board Solicitor – \$1,115.72
- Borough Solicitor – \$60,026.15
- Alternate Borough Solicitor – \$2,310.00
- Labor Counsel – \$4,782.42
- Legal Counsel for franchise agreement – \$1,283.33

Costs related to engineering services are higher than compared to the second quarter of 2019. Expenditures related to engineering services are at 57% of budget, as compared to 14% of budget through the same period in 2018. Significant engineering expenses in the General Fund have included administration of the Borough's MS4 permit requirements (including the investigation of drainage complaints), design work related to Borough projects (most notably, work related to the Old Lincoln Highway drainage improvements), and evaluations related to the 2019 paving program. Please note that a large portion of engineering costs have been witnessed in the Sewer Capital Reserve and the Capital Reserve Funds for projects allocated in that portion of the budget.

Costs for the Malvern Police Department are at 48% of budget and are 19% higher when doing a dollar-to-dollar comparison. Please note that this budget category was increased by 6% in 2019 due to the need to replace a vehicle, expansion of

the part-time officer pool, increases to employee benefits, and mandatory salary increases under the existing Collective Bargaining Agreement.

Projects on the horizon for the latter portion of 2019 include the following:

- Completion of the 2018 paving program – Total amount of projects awarded is \$71,410.44
- Contribution to the Malvern Fire Company – budgeted at \$115,000.00
- Release of remaining Civic Contributions – \$25,000
- Transfer to the Capital Reserve Fund – budgeted at \$1,007,566

Expenditures in 2018 finished the year 25% under budget. Based on the current level of expenditures, it would be safe to project expenditures in the General Fund to finish the year in line with the budget in 2019.

b. Sewer Fund

The Sewer Fund represents 14% of the Borough's 2019 budgeted revenue and 10% of the 2019 budgeted expenditures. 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. Sewer rents (user fees & charges) constitute 94% 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.

The most significant expenditure in the Sewer Fund is related to the operation and maintenance of the Borough's sanitary sewer system. Approximately 68.2% of this cost is related to sewage treatment and disposal. These include fees paid to Aqua Resources, Inc., Willistown, and East Whiteland Township for conveyance, as well as the Valley Forge Sewer Authority for treatment. The remaining costs relate to general maintenance and operations for the Borough's sanitary sewer system.

Overall, through the second quarter of 2019, revenue has exceeded expenditures by **\$35,752.17**. Revenue is \$44,154.41 higher compared to the second quarter of 2018. The reason for this disparity is due to the receipt of tapping fee payments, most notably from the new Brick & Brew restaurant on King St.

Expenditures are approximately 7% behind where they were through the second quarter of 2018 in performing a budget-to-budget examination. In terms of examining actual dollars expended, total expenditures are 18.6% higher (\$68,679.92) when compared to the same time period in 2018. Through the second quarter of 2019, expenditures in the Sewer Fund are at 50% of budget. The most significant expenditure through the second quarter of 2019 is for sewage disposal and treatment costs, which represents 67.8% of

expenditures through the second quarter of 2019. Please note that operation and maintenance costs constitute 67% of budgeted expenditures in the Sewer Fund, with sewage disposal costs representing 68.2% of those expenditures.

The information below will provide a more detailed examination of revenue and expenditure standing through the second quarter of 2019. This section will also include a comparison with 2018.

i. Revenue

Total revenue through the second quarter of 2019 is **\$473,647.08 (54% 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 94% of revenue for this fund, is currently at 52% of budgeted revenue. Please note that billing is done on a quarterly basis. Through the second quarter billing on 2019, the current delinquent amount is \$17,475.92, which represents approximately 8% of the Borough's accounts being delinquent. Please note that several delinquent accounts are in bankruptcy, limiting the actions that the Borough is able take to collect outstanding fees. Through the second quarter of 2019, the Borough has received \$25,726.05 in tapping fee revenue. This represents tapping fees paid for the Brick & Brew restaurant on King St. and the Wolfe subdivision on Channing Ave. Other projects projected to pay tapping fees in 2019 include 156 W. King St., LaGrie, LLC, 13 Lovers Lane, 51 Ruthland Ave., and 11 Griffith Ave. **Overall, revenue through the second quarter of 2019 is \$44,154.41 (10.3%) higher when compared to the second quarter of 2018.** Please be advised that the Borough is awaiting to receive a refund from the Valley Forge Sewer Authority of approximately \$58,000. This will be reflected in the third quarter budget report.

Total revenue in the Sewer Fund in 2018 finished 32% above budgeted projections. Please note this was due to the receipt of the sale proceeds for the Valley Creek Trunk Sewer Line. In looking back at 2017, revenue in this fund finished 8% above budgeted projections. As revenue through the second quarter of 2019 is in a similar position, I anticipate that the Borough will finish 2019 5% to 8% above projections.

ii. Expenditures

Total expenditures through the second quarter of 2019 is **\$437,894.91 (50% of budget)**. This is 7% higher when compared to the second quarter of 2018. The information below provides an examination of each of the budgetary categories:

- **Operation & Maintenance:** Through the second quarter of 2019, operation and maintenance costs are at 54% of budgeted expenditures (\$316,023.16). This is approximately 23% higher than the total expenditures in this category through the second quarter of 2018. Sewage disposal and treatment costs represent approximately 72% of expenditures to date and is currently at 57% of budget through the second quarter of 2019. Sewage disposal and treatment costs are approximately 30% higher in 2019 compared to the second quarter of 2018. This is primarily due to increased disposal and treatment costs to both the Valley Forge Sewer Authority and East Whiteland Township. Maintenance and repair costs to the sewer system are down considerably compared to 2018. This may be attributed to the extensive repair work that was done to pump stations #1 and #2 in 2018.

Based on the increased costs for sewage treatment and disposal, Borough Council may need to consider increasing sewer rates in 2020. I anticipate these costs continuing to increase. I will be able to provide Borough Council with a better recommendation on this matter during the budgeting process.

- **Administration:** Administrative costs budgeted in the Sewer Fund include costs related to such items as engineering, communications systems at the pump stations, and insurance. Through the second quarter of 2019, administration costs are 44.5% of budgeted expenditures (\$121,871.75). This is slightly behind the total expenditures in this category through the second quarter of 2018 (49%). Due to a re-allocation of employee salaries, the burden of salaries and associated payroll taxes have been reduced. Insurance costs, however, have been increased to a 60%/40% split between the General Fund and the Sewer Fund. Overall, costs in this category remain relatively stable.
- **Interfund Operating Transfers:** Budgeted interfund operation transfers have not occurred in the second quarter of 2019. These will typically be done in the third and fourth quarters of the year.

Total expenditures finished 2018 at 88% of budget. Based on the increased costs for sewage disposal, I am anticipating that the gap between budget and actual will be narrowed.

c. Sewer Capital Reserve Fund

Revenue for the Sewer Capital Reserve Fund is derived from interfund transfers from the Sewer Operating Fund. Total budgeted revenue for 2018 in this fund is \$1,268,545, including the beginning cash balance. Through the second quarter of 2019, there have

been no transfers into the Sewer Capital Reserve Fund. This was the case in 2018. Transfers are typically done near the end of the year.

Expenditures in the Sewer Capital Reserve Fund total \$430,000. Budgeted projects include repair to the sewer mains, upgrades to the Ruthland Avenue force main, repairs to pump station #1 (Crestside Way), inflow and infiltration work, and payment into the construction fund for the Valley Forge Sewer Authority. Several of these projects have rolled-over from previous years, most notably the upgrade to the Ruthland Avenue pump station. Through the second quarter of 2019, total expenditures in the Sewer Capital Reserve Fund are \$35,051.91. These costs represent the Borough's proportionate share of capital costs to the Valley Forge Sewer Authority and engineering work related to the Ruthland Ave. Force Main project. Borough Council has awarded the contract for the upgrade to the Ruthland Ave. Force Main in the amount of \$309,475.48. While this is above the budgeted level for this project, there are adequate funds reserve to complete this work.

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, Building Renovations Fund, and Capital Reserve Fund. This includes proceeds from the 2002 and 2013 General Obligation Notes. Through the second quarter of 2019, there have been no transfers into this fund; all revenue has been in the form of interest earnings.

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 second quarter of 2019 in this fund are **\$265,157.18 (8% of budgeted expenditures)**. Costs expended out of this fund include codification of the Borough's ordinances, payments for mold remediation in the Police Department, engineering costs related to the to the N. Warren Avenue Transit Project, payments to the Borough Traffic Engineer, debt service principal payments, and final payments for the Woodland Avenue Streetscape Project.

Several significant projects are slated to be completed this year. These include the following awarded projects:

- E. King St. Pedestrian Signals – \$82,894.80
- Improvements to Burke Park (parking lot and walking trails) – \$42,881.10 (labor = \$24,881.10, materials = \$18,000)
- Paving of the E. King St. Parking Lot – \$17,157.72 (labor = \$12,657.72, material = \$4,500)

Please be advised that the N. Warren Avenue Transit Project is currently out for bid. This project is slated to be before Borough Council for awarding at the August 20, 2019 meeting.

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 2019 is \$95,108.99 and was deposited on March 1, 2019. This represents a 2.6% increase from 2018.

The only expenditure budget in this fund is an interfund transfer to the General Fund. The Borough uses these funds to cover the costs of vehicles used in the maintenance of the Borough's road network and the costs associated with electricity service for the Borough's street lighting. The budgeted interfund transfer is to reimburse the General Fund for the cost of the purchase of a new vehicle for the Public Works Department and the cost of street lighting. To date, this transfer has not occurred.

5. 2020 Budget Calendar

The following is an outline of the calendar for the completion of the 2020 budget:

- **Budget process per the Home Rule Charter:**
 - 1) At the time the Manager submits the proposed budget to Council, we will submit tentative financial projections for at least the next five (5) years for long range planning purposes.
 - 2) At least by the first Regular Meeting in November, the Manager will prepare and submit a proposed budget for the following year.
 - 3) At least by the first Regular Meeting in December, the Council shall complete considerations of the Manager's proposed budget, modify as necessary, and adopt a preliminary budget.
 - 4) At least by the last Regular Meeting in December, Council shall adopt the budget for the following year.
 - 5) On or before the adoption of the operating budget, Council shall adopt a capital program and a capital budget.

- **Proposed budgetary timeline:**
 - 1) First week of August – Borough staff will meet to discuss recommended projects and purchases for the 2020 budget.
 - 2) 2nd meeting of August – Preliminary year-end projections will be provided to Council
 - 3) 1st meeting of September – Cost estimates would be provided to Finance & Administration Committee
 - 4) 2nd meeting of September – Discussion/review of Capital Projects
 - 5) 2nd meeting in October – First public presentation of the draft budget
 - 6) 1st meeting in November – Complete budget package with comments to Finance & Administration Committee
 - 7) 2nd meeting of November – Final budget numbers provided to Council for comment and authorization to advertise
 - 8) 1st meeting of December – Complete budget package with comments to Council, public hearing on the budget as required, and adoption of the preliminary budget
 - 9) 2nd meeting of December – Council to adopt Budget and the tax levy ordinance
- **Additional information:**
 - 1) Real Estate Valuations come in November – that gives us the assessment information and we determine how much money we expect in 2020 based on millage
 - 2) The Minimum Municipal Obligation for Pensions comes in September
 - 3) Pension contribution comes the end of September (State Aid)

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

Respectfully submitted by,

Christopher Bashore

Christopher Bashore
Borough Manager