Memo

To: Board of Supervisors
From: Jon Altshul
Re: Long range planning memo, May 24th at 10:30am
Date: May 19, 2017

This memo lays out various issues for discussion at the long-range financial planning session:

1) General Fund Projection through 2027, with five "What If" scenarios.
2) New budget proposals in 2018
3) The pros & cons of competitive and negotiated bond sales
4) Analysis of different bond terms and structures
5) The pros & cons of a storm water fee
6) Proposal on Police Pension Trust
7) Proposal on Police Other Post-Employment Trust
8) Summary of Economic Forecasts/Projections from PNC Bank and the Federal Reserve

PFM will be present to facilitate the discussion on items 3-4 and therefore these items should be discussed first at the meeting. In addition, I have attached a local economic development primer and a draft investment policy statement for your consideration at the end of the meeting.

General Fund Projection Through 2027

Based on the best available information, I am currently projecting that the general fund will be able to maintain sufficient cash reserves to avoid a tax increase until 2026, when the available fund balance will fall below 25% of annual expenditures. As you know, one of the Township's financial policies adopted in 2013 requires that the general fund maintain a balance of at least 20% and the operating reserve fund maintain a balance of 5%, for a total of 25%. However, this baseline projection forecasts that the general fund remains in the black for the next decade with no tax increase.

This forecast makes the following high-level assumptions:

1) The Township ends 2017 with a balanced budget due to strong real estate transfer tax.

2) **CPI** of 2.5%, which is somewhat higher than what is projected in the medium term.

3) Some line items—e.g. insurance, salaries, existing debt service, etc—increased more (or less) than this to reflect **long-term DVHT trends, anticipated attrition and contractual obligations**.

4) Long-term **Police** expenses based on recent WEGO projections; contributions for Police **OPEB** and **Pension** Plans as proposed in this memo.

5) **Depreciation** expenses increasing more quickly as new Park and Trail assets come on line; assumes $85,000 in new capital assets per year (excluding projects financed by bonds).

6) Additional $100,000 for Hunter Run **storm water improvement** in 2018, with storm water expenses at 2015 levels through 2022 and then increasing for the future MS4 permit.

7) In 2018, $10,000 increase for new Administration and Parks & Recreation expenses and $30,000 increase for new Public Works expenses, increasing by inflation thereafter.

8) Debt Service on **Series 2017 GO bonds** based on PFM Option #4 (20-year wrap).

9) **Earned Income Tax, Real Estate Transfer Tax and Cable Franchise** increases 2.5% annually.

10) **Real Estate Tax** and most fees flat through 2027.

11) **Interest** rates gradually increasing, but offset by lower available fund balances to invest.

What If Scenario #1—If we use a 20-year level debt service structure on the Series 2017 bonds, we will breach the 25% threshold in 2024-2025, about a year and a half earlier than with the 20-year wrapped debt.

What If Scenario #2—If we use a 25-year level debt service structure, we will breach the 25% threshold in 2025, about a year earlier than with the 20-year wrapped debt.

What If Scenario #3—If we use a 15-year tight wrap, we will breach the 25% threshold in 2025 and the fund balance will be depleted more quickly after 2025 than under the baseline assumption.

What If Scenario #4—This is the baseline assumption plus a .25 mill tax rate increase in 2024, which allows the Township to stay above the 25% threshold for the next decade.

What If Scenario #5—This is the baseline assumption plus funding the Police OPEB and Police Pension Trusts at 2017 levels. Under this scenario, we breach the 25% threshold in 2023 and run out of money in 2026-2027.

New Budget Proposals for 2018:

- Hunters Run Stream Restoration per MS4 Permit—$100,000
- Conveyor system for soda ash at Ridley Creek STP ($150,000 from Sewer Fund/MA). Currently soda ash is poured manually into the SBRs, a process that is inefficient. Accordingly, the MA has proposed constructing a conveyor system. In addition, Mark has proposed purchasing a forklift from state surplus for around $5,000 (purchased from Sewer Sinking) for this project and to keep at the plant permanently afterwards.
- Paver ($110,000 net of trade-in). By next year about $85,000 of the existing Lee Boy Paver (purchased in 2011) will have depreciated. Mark would like to purchase a new paver that is a traditional road paver, as opposed to a patch paver that we have currently. A larger paver will allow us to pave most of the major roads in the Township, without having to rent a paver.
    - Currently, we pay Macanga $450/hour to rent a paver with operators for an estimated 100 hours per year, or $45,000 total.
    - By contrast, the FEMA rate for a 100 HP paver is $135/hour and the cost of two Public Works laborers to operate it would be about $100/hour, or $235/hour total. Thus, the savings would be about $21,500 per year.
- Mark is proposing a small stipend for Township employees who run fire and EMS calls with the Goshen Fire Company. Currently, the Township pays Public Works employees who are also volunteer fire fighters to respond to fire calls during regular work hours, as well as for County fire trainings scheduled during regular working hours, but no stipend beyond that. For perspective:

- Uwchlan pays employees who are active members of Lionville Fire Company a $2,500 stipend per year.
- West Whiteland pays employees who are active members of West Whiteland Fire Company a stipend of $100 per month.

Public Works has four employees who run with Goshen.

- More information about the usage of a bathroom in Applebrook Park (estimated construction cost of $125,000) will be available in mid-to-late summer, after temporary facilities installed and the need is justified.

The pros & cons of competitive and negotiated bond sales

The Board needs to formally decide what method of sale to use for the Series 2017 GO Bonds. The table below outlines a number of pros and cons of negotiated and competitive sales.

	Competitive Sale	**Negotiated Sale**
Description	Auction style bidding process where underwriters from across the region, state and nation are invited to bid on the bonds. Winner is selected based on True Interest Cost, which is a combination of interest rates and underwriter's discount. Popular for simple structures, short to medium maturities, and highly rated issuers.	The issuer pre-selects an underwriter for the Township and its Financial Advisor to negotiate with directly in terms of interest rates, underwriter's discount, etc. Underwriter can be selected via RFP process or other method. Often used during volatile market conditions, for non-traditional credits and for medium to long maturities.
Pros	• Competitive process that determines the lowest overall cost for the Township (combines interest rates and underwriter's discount) • Underwriters can bid multiple times • Transparent process where the most cost effective underwriter is selected • Leverages most advantageous view of the market on that day	• Can have the ability to offer a portion of the bonds for retail sale to local residents • Additional quantitative support for bond issue structuring and ongoing needs (although the Township has a Financial Advisor) • Known underwriter's discount (fee) • Ability to structure the bonds with certain coupons, which can be used to artificially enhance future refundings.[1]
Cons	• No guarantee that local retail investors would be able to purchase bonds (although they could still be purchased through a broker, if available) • Potential for a higher underwriter's discount (fee) • Does not establish long term relationship with underwriter • Inability to determine coupon structure on bonds, which could affect ability to refund in future.[1]	• Typically higher interest rates compared to a competitive sale • Less transparent process for stakeholders and members of public • More due diligence and compliance burden on Township staff

[1] Bonds are sold with two interest rates – yields and coupons. Yields are market driven and represent the true cost to the issuer. Coupons are used to determine the nominal amount of annual interest that is paid and is determined by the underwriter. Coupons can be higher, lower, or the same as the yield on the bonds. If they are higher, they are sold as "premium bonds", meaning the coupon payment is higher than current

Decision point for Board of Supervisors: which bond sale option should the Township select?

Analysis of Different Bond Structures

As outlined in the long-range forecast section, as well as in the What If scenarios, it would appear that the 20-year wrapped debt service structure is the most appropriate for the Township over the next 10 years.

For the Municipal Authority debt and sewer revenue debt in general, it is unusual to wrap the debt service and, moreover, the existing Municipal Authority debt does not lend itself to a wrapped structure. For perspective, the 20-year level debt service structure proposed by PFM would raise the variable rate by $.45/TG in 2018 and another .41/TG thereafter; these figures correspond with about a $6.35/quarter increase in the average sewer bill in 2018 and another $5.80/quarter thereafter. The 25-year level debt service structure proposed by PFM would raise the variable rate by $.41/TG in 2018 and another .34/TG thereafter; these figures correspond with about a $5.80/quarter increase in the average sewer bill in 2018 and another $4.80/quarter thereafter.

I have attached copies of the options from PFM's May 2nd presentation to the end of this memo. It is important to note that there are theoretically an infinite number of ways to structure an amortization schedule; the options presented here are just the basis for discussion, and there's no way to know until the bonds are priced what the actual debt service will be.

The Board also needs to be cognizant that the term of the financing for the respective may not exceed the useful life of the assets. The sewer, dam and trail improvements will have a useful life in excess of 25 years; however, most of the proposed park assets will have useful lives of 20 years or potentially less.

Decision point for Board of Supervisors: what general term and structure should the Township should the Township use?

Pros and Cons of Implementing a Storm Water Fee

At the May 2nd meeting, we agreed to discuss the possibility of levying a storm water fee based on the amount of impervious coverage on every parcel in the Township.

The Township has 1,227 square feet of impervious coverage, which corresponds with 53.4 million square feet. Therefore, for an annual stormwater budget of $200,000-$250,000 (excluding debt service on the dam projects) would be between about $0.37 and $0.47 per 100 square feet. Including the dam-related debt service would add about $0.18 per $100 square feet.

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market rates. The difference between the coupon rate and the market yield is paid up front by the investor (when the coupon is greater than the yield) or by the Issuer (when the coupon is less than the yield) and is known as "net original issue premium/discount". By issuing bonds with premium coupons, the Issuer can artificially enhance its ability to refund its debt in the future, **however it bears the risk that if market conditions are not favorable for refinancing at the call date, it will have paid a higher coupon rate over the life the bonds than it would have otherwise in a par bond (coupon = yield) or discount bond (coupon is less than yield).**

Pros	Cons
More equitable way of paying for storm water costs than existing tax structure	Not all pervious surface is equal. For example, a wooded lot or a rain garden mitigates stormwater better than grass.
Allows the Township to collect fees from tax – exempt properties	Tax-exempt properties represent only 2.5% of the Township's tax base, including Township-owned parcels.
County GIS mapping can identify impervious surfaces for which there is no associated permit (e.g. decks, sheds, etc)	Storm water fees are not tax deductible
	A substantial educational and customer service effort would be need to roll out the program in year 1. This fee wouldn't be easy for the public to understand, and would could cause public resentment.
	New AMS module would be needed, as well as associated printing, postage, invoice costs.
	The Township would need to develop an appeals process for stormwater fees and/or credit program for storm water improvements (installation of rain garden, barrels, etc)
	As shown in this memo, the Township has sufficient reserves to pay for operations over the medium term without a storm water fee.
	A few major fee would put an additional burden on our A/R collections process.
	Except for Hunters Run, there are no major storm water costs identified in this MS4 Permit cycle for which a new funding source is needed.

Decision point for the Board: How should the Township proceed?

Police Pension Funding Policy

- It has been proposed by the Police Finance Committee that the Inter-municipal Agreement be revised so that the assumed rate of return on the police pension plan drops from 8% to 7.5%.
    - Based on the actuarial report, it is expected that doing so will increase the 2018 MMO by $120,000 (EGT's share would be about $67,000).
- And further, that both East Goshen and Westtown continue to deposit the annual police credit into the Pension Fund. For perspective, the total credit (divvied between WT &EG) has been:

2016	$385,350
2015	$201,348
2014	$51,104
2013	$103,005

- And further, that some additional percentage of the market value MMO be contributed to the pension plan, such as market value plus 20% (the exact percentage to be determined later).

- For perspective, the <u>estimated</u> 2018 market rate MMO at 7.5% is $1,089,135.
- Pending an agreement with Westtown that we will jointly contribute these additional funds to the Pension Plan, **I would propose that we end contributions to East Goshen's Police Pension Trust and gradually move the balance of that trust directly to the WEGO Pension Plan, such that about half of our additional contribution comes from the balance of East Goshen's Police Pension Trust (which has a balance of $1.2 million), with the remaining funds coming directly from the General Fund.** Doing so would gradually deplete our Trust within 12 or so years, while freeing needed annual revenues to fund on-going Township operating expenses.
- Depending on the precise percentage of additional contribution, the amount of the annual credits, and assuming no major market downturns (e.g. 2008) or early retirements, this joint strategy could eliminate the unfunded liability in as little as a decade.

<u>Police Other Post Employment (OPEB) Trust</u>

- All parties agree that the way we fund the Police OPEB liability is haphazard.
- Pending formal agreement with Westtown, Westtown and East Goshen staff would propose merging the balance of East Goshen's OPEB Trust and a proportionate share of Westtown's Designated Fund Balance into the Police Commission's OPEB Trust—or a total of about $2.5 million—to bring the balance of the Police Commission's trust to about $3m.
- For perspective, the total OPEB liability was $5.1 million as of 1/1/16; these transfers would leave an unfunded OPEB liability of about $2,100,000.
- Working with Westtown staff, we are proposing a joint solution for future OPEB funding that allows both townships to meet current operating costs while aggressively addressing future liabilities. For estimation purposes, I have used $126,000 as East Goshen's share of OPEB in 2018 and beyond; the exact figure is a discussion point that needs agreement with Westtown. In any event, as with the pension issue, we would no longer fund East Goshen's separate OPEB trust.
- Based on the current WEGO census, there is no major spike anticipated for retiree health insurance for retired officers, as they are only eligible for coverage from retirement age until age 65, so there is no immediate need to fund these costs from the Police Commission's OPEB Trust. Instead, we should be able to fund these costs as operating expenses for the foreseeable future.
- Finally, it is important to stress that even with new GASB rules on this issue, neither Westtown nor East Goshen need to report WEGO's OPEB as a liability in our financial statements.
- I have attached a table showing how other area municipalities are funding OPEB

Decision point for the Board: Are the broad proposals, if not the specific numbers, reasonable solutions to address the Township's police liabilities, while ensuring sufficient cash flow for today's needs?

Summary of Economic Forecasts/Projections from PNC Bank and the Federal Reserve

Variable	Source	2017	2018	2019	Long run
GDP	Federal Reserve	2.1%	2.1%	1.9%	1.8%
	PNC	2.3%	2.9%	2.3%	
Inflation	Federal Reserve (Core)	1.9%	2.0%	2.0%	
	PNC (CPI)	2.5%	2.4%	2.4%	
Unemployment	Federal Reserve	4.5%	4.5%	4.5%	4.7%
	PNC	4.5%	4.4%	4.4%	
Interest rate (10 year Treasury)	PNC	2.67%	3.07%	3.43%	
Wage growth	PNC	2.3%	2.8%	2.4%	
Housing	Case Schiller	4.6%	2.3%	2.8%	

Investment Policy Statement

Attached please find a draft investment policy statement (IPS) for the Board's consideration. Currently, the Township does not have a formal IPS for Township funds, although we do have one for the various pension funds and trusts. This has been reviewed by the solicitor.

Local Economic Development Primer

I was asked to develop recommendations on the various tools available to communities to spur economic growth. To that end, I have attached a brief primer for the Board's consideration.

Annual Planning Session Forecast, 2018-2027

Account Title	2014 Actual	2015 Actual	2016 Actual	2017 Budget	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	Avg Inc. 2018-2027
BEGINNING FUND BALANCE*				7,589,710	7,589,710	7,589,710	7,061,790	6,567,110	6,240,808	5,822,897	5,393,230	4,441,639	3,961,588	3,436,837	2,757,839	
EMERGENCY SERVICES EXPENSES	4,029,662	4,090,894	4,156,575	4,520,632	4,520,632	4,465,952	4,555,298	4,674,507	4,804,276	4,937,287	5,092,334	5,111,022	5,260,726	5,416,900	5,579,435	2.5%
PUBLIC WORKS EXPENSES	2,436,092	2,556,554	2,782,793	2,615,463	2,615,463	2,870,823	2,853,667	2,922,220	2,992,509	3,047,698	3,229,212	3,267,775	3,298,443	3,436,275	3,471,331	2.1%
ADMINISTRATION EXPENSES	1,793,139	1,606,092	1,692,968	1,883,346	1,883,346	1,695,555	1,748,462	1,801,663	1,863,326	1,928,369	1,908,266	1,952,730	1,998,349	2,045,155	2,093,182	2.4%
ZONING/PERMITS/CODES EXPENSES	392,097	518,582	391,629	413,748	413,748	430,078	438,674	448,177	460,964	474,192	486,744	499,708	513,100	526,935	541,228	2.6%
PARK AND RECREATION EXPENSES	549,468	541,579	654,697	682,542	682,542	650,381	673,663	694,221	713,310	731,895	751,014	770,682	790,917	811,736	833,158	2.8%
TOTAL CORE FUNCTION EXPENSES	**9,200,457**	**9,313,701**	**9,678,663**	**10,115,731**	**10,115,731**	**10,112,789**	**10,269,764**	**10,540,788**	**10,834,385**	**11,119,441**	**11,467,570**	**11,601,917**	**11,861,535**	**12,237,001**	**12,518,335**	2.4%
EMERGENCY SERVICES REVENUES	72,302	71,533	61,694	61,480	61,480	62,158	62,852	63,564	64,294	65,042	65,808	66,594	67,400	68,225	69,071	1.2%
PUBLIC WORKS REVENUES	870,332	832,631	1,149,265	1,005,147	1,005,147	1,031,873	1,059,336	1,087,554	1,116,549	1,121,585	1,152,200	1,183,659	1,215,985	1,249,202	1,283,335	2.5%
ADMINISTRATION REVENUES	508,068	353,853	369,365	377,720	377,720	331,616	337,387	343,291	349,332	447,071	378,264	384,733	391,353	398,125	405,056	2.7%
ZONING/PERMITS/CODES REVENUES	397,559	439,042	336,600	279,875	279,875	279,875	279,875	279,875	279,875	279,875	279,875	279,875	279,875	279,875	279,875	0.0%
PARK AND RECREATION REVENUES	112,394	144,785	148,778	272,435	272,435	201,933	206,544	211,270	216,115	221,080	226,169	231,386	236,733	242,214	247,832	2.3%
TOTAL CORE FUNCTION REVENUES	**1,960,656**	**1,841,843**	**2,065,702**	**1,996,657**	**1,996,657**	**1,907,456**	**1,945,994**	**1,985,554**	**2,026,164**	**2,134,653**	**2,102,316**	**2,146,247**	**2,191,345**	**2,237,641**	**2,285,169**	2.0%
NET EMERGENCY SERVICES	**3,957,360**	**4,019,361**	**4,094,881**	**4,459,152**	**4,459,152**	**4,403,795**	**4,492,446**	**4,610,943**	**4,739,983**	**4,872,245**	**5,026,525**	**5,044,427**	**5,193,326**	**5,348,675**	**5,510,364**	2.5%
NET PUBLIC WORKS	**1,565,759**	**1,723,923**	**1,633,528**	**1,610,316**	**1,610,316**	**1,838,949**	**1,794,331**	**1,834,666**	**1,875,960**	**1,926,112**	**2,077,012**	**2,084,116**	**2,082,459**	**2,187,074**	**2,187,996**	2.0%
NET ADMINISTRATION	**1,285,071**	**1,252,239**	**1,323,603**	**1,505,626**	**1,505,626**	**1,363,939**	**1,411,075**	**1,458,372**	**1,513,994**	**1,481,298**	**1,530,003**	**1,567,997**	**1,606,996**	**1,647,030**	**1,688,126**	2.4%
NET ZONING/PERMITS/CODES	**(5,463)**	**79,539**	**55,029**	**133,873**	**133,873**	**150,203**	**158,799**	**168,302**	**181,089**	**194,317**	**206,869**	**219,833**	**233,225**	**247,060**	**261,353**	6.3%
NET PARK AND RECREATION	**437,073**	**396,794**	**505,919**	**410,107**	**410,107**	**448,447**	**467,119**	**482,951**	**497,196**	**510,815**	**524,844**	**539,296**	**554,184**	**569,522**	**585,326**	3.0%
CORE FUNCTION NET SUBTOTAL	**7,239,801**	**7,471,857**	**7,612,960**	**8,119,074**	**8,119,074**	**8,205,333**	**8,323,770**	**8,555,234**	**8,808,221**	**8,984,788**	**9,365,253**	**9,455,670**	**9,670,190**	**9,999,360**	**10,233,166**	2.5%
TOTAL DEBT SERVICE	**645,723**	**646,420**	**648,271**	**650,197**	**650,197**	**838,023**	**837,920**	**593,443**	**591,311**	**589,730**	**888,497**	**488,034**	**488,993**	**489,243**	**488,892**	-2.7%
TOTAL CORE FUNCTION NET	**7,885,523**	**8,118,277**	**8,261,231**	**8,769,271**	**8,769,271**	**9,043,356**	**9,161,690**	**9,148,677**	**9,399,532**	**9,574,518**	**10,253,750**	**9,943,704**	**10,159,183**	**10,488,603**	**10,722,058**	1.9%
NON-CORE FUNCTION REVENUE																
EARNED INCOME TAXES	4,617,402	4,603,401	4,957,049	4,916,400	4,916,400	5,039,310	5,165,293	5,294,425	5,426,786	5,562,455	5,701,517	5,844,055	5,990,156	6,139,910	6,293,408	2.5%
REAL ESTATE PROPERTY TAX	2,007,210	1,999,431	2,032,973	2,027,128	2,027,128	2,027,128	2,027,128	2,027,128	2,027,128	2,027,128	2,027,128	2,027,128	2,027,128	2,027,128	2,027,128	0.0%
REAL ESTATE TRANSFER TAX	539,481	1,043,058	686,792	525,000	963,712	538,125	551,578	565,368	579,502	593,989	608,839	624,060	639,662	655,653	672,044	2.5%
CABLE TV FRANCHISE TAX	450,651	462,319	470,236	473,690	473,690	485,532	497,671	510,112	522,865	535,937	549,335	563,069	577,145	591,574	606,363	2.5%
LOCAL SERVICES TAX	315,862	324,382	374,624	348,000	348,000	355,000	355,000	355,000	355,000	355,000	355,000	355,000	355,000	355,000	355,000	0.0%
OTHER INCOME	35,585	30,852	33,682	40,341	40,341	70,341	70,341	70,341	70,341	70,341	60,341	50,341	45,341	40,341	40,341	-5.7%
TOTAL NON CORE FUNCTION REVENUE	**7,966,191**	**8,463,444**	**8,555,356**	**8,330,559**	**8,769,271**	**8,515,436**	**8,667,010**	**8,822,374**	**8,981,622**	**9,144,850**	**9,302,160**	**9,463,652**	**9,634,432**	**9,809,606**	**9,994,284**	1.8%
NET RESULT	**80,667**	**345,167**	**294,124**	**(438,712)**	**0**	**(527,920)**	**(494,680)**	**(326,303)**	**(417,910)**	**(429,668)**	**(951,590)**	**(480,052)**	**(524,751)**	**(678,997)**	**(727,773)**	
ENDING FUND BALANCE				7,150,998	7,589,710	7,061,790	6,567,110	6,240,808	5,822,897	5,393,230	4,441,639	3,961,588	3,436,837	2,757,839	2,030,066	
ENDING FUND BALANCE AS % OF EXP				66.4%	70.5%	64.5%	59.1%	56.1%	51.0%	46.1%	35.9%	32.8%	27.8%	21.7%	15.6%	

Assumptions

1) The Township ends 2017 with a balanced budget due to strong real estate transfer tax.
2) **CPI** of 2.5%, which is somewhat higher than what is projected in the medium term.
3) Some line items—e.g. insurance, salaries, existing debt service, etc—increased more (or less) than this to reflect **long-term DVHT trends, anticipated attrition and contractual obligations.**
4) Long-term **Police** expenses based on recent WEGO projections; contributions for Police **OPEB** and **Pension** Plans as proposed in this memo.
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10) **Real Estate Tax** and most fees flat through 2027.
11) **Interest** rates gradually increasing, but offset by lower available fund balances to invest.

What If #1: Level 20-Year Debt Service on Series 2017 GO Bonds

Year	Expenditures	Revenues	Surplus/(Deficit)	Beginning Fund Balance[1]	Ending Fund Balance[1]	Ending Fund Balance as % of Expenditures
2017	10,765,928	10,765,928	-	7,589,710	7,589,710	70.50%
2018	10,977,550	10,422,892	(554,658)	7,589,710	7,035,052	64.09%
2019	11,303,678	10,613,004	(690,674)	7,035,052	6,344,378	56.13%
2020	11,331,067	10,807,928	(523,139)	6,344,378	5,821,240	51.37%
2021	11,622,995	11,007,786	(615,209)	5,821,240	5,206,030	44.79%
2022	11,906,542	11,279,503	(627,039)	5,206,030	4,578,992	38.46%
2023	12,553,038	11,404,476	(1,148,561)	4,578,992	3,430,430	27.33%
2024	11,986,080	11,609,900	(376,181)	3,430,430	3,054,250	25.48%
2025	12,243,399	11,825,777	(417,622)	3,054,250	2,636,628	21.54%
2026	12,621,124	12,047,247	(573,877)	2,636,628	2,062,750	16.34%
2027	12,899,207	12,279,453	(619,753)	2,062,750	1,442,997	11.19%

What If #2: Level 25-Year Debt Service on Series 2017 GO Bonds

Year	Expenditures	Revenues	Surplus/(Deficit)	Beginning Fund Balance[1]	Ending Fund Balance[1]	Ending Fund Balance as % of Expenditures
2017	10,765,928	10,765,928	-	7,589,710	7,589,710	70.50%
2018	10,953,548	10,422,892	(530,656)	7,589,710	7,059,054	64.45%
2019	11,255,327	10,613,004	(642,323)	7,059,054	6,416,731	57.01%
2020	11,283,904	10,807,928	(475,976)	6,416,731	5,940,756	52.65%
2021	11,577,098	11,007,786	(569,312)	5,940,756	5,371,443	46.40%
2022	11,856,989	11,279,503	(577,486)	5,371,443	4,793,958	40.43%
2023	12,505,045	11,404,476	(1,100,568)	4,793,958	3,693,389	29.54%
2024	11,939,738	11,609,900	(329,839)	3,693,389	3,363,551	28.17%
2025	12,198,799	11,825,777	(373,022)	3,363,551	2,990,529	24.51%
2026	12,573,390	12,047,247	(526,143)	2,990,529	2,464,385	19.60%
2027	12,853,573	12,279,453	(574,119)	2,464,385	1,890,266	14.71%

What If #3: 15 Year Tight-Wrap Debt Service on Series 2017 GO Bonds

Year	Expenditures	Revenues	Surplus/(Deficit)	Beginning Fund Balance[1]	Ending Fund Balance[1]
2017	10,765,928	10,765,928	-	7,589,710	7,589,710
2018	10,937,056	10,422,892	(514,164)	7,589,710	7,075,546
2019	11,093,928	10,613,004	(480,924)	7,075,546	6,594,622
2020	11,120,475	10,807,928	(312,547)	6,594,622	6,282,076
2021	11,411,940	11,007,786	(404,154)	6,282,076	5,877,921
2022	11,720,415	11,279,503	(440,912)	5,877,921	5,437,010
2023	12,366,711	11,404,476	(962,234)	5,437,010	4,474,775
2024	12,329,960	11,609,900	(720,061)	4,474,775	3,754,715
2025	12,588,703	11,825,777	(762,926)	3,754,715	2,991,789
2026	12,966,957	12,047,247	(919,710)	2,991,789	2,072,078
2027	13,244,840	12,279,453	(965,386)	2,072,078	1,106,692

What If #4: Baseline Assumption and .25 mill tax increase in 2024

Year	Expenditures	Revenues	Surplus/(Deficit)	Beginning Fund Balance[1]	Ending Fund Balance[1]	Ending Fund Balance as % of Expenditures
2017	10,765,928	10,765,928	-	7,589,710	7,589,710	70.50%
2018	10,950,812	10,422,892	(527,920)	7,589,710	7,061,790	64.49%
2019	11,107,684	10,613,004	(494,680)	7,061,790	6,567,110	59.12%
2020	11,134,231	10,807,928	(326,303)	6,567,110	6,240,808	56.05%
2021	11,425,696	11,007,786	(417,910)	6,240,808	5,822,897	50.96%
2022	11,709,171	11,279,503	(429,668)	5,822,897	5,393,230	46.06%
2023	12,356,067	11,404,476	(951,590)	5,393,230	4,441,639	35.95%
2024	12,089,951	12,014,825	(75,126)	4,441,639	4,366,513	36.12%
2025	12,350,528	12,230,703	(119,825)	4,366,513	4,246,688	34.38%
2026	12,726,244	12,452,173	(274,072)	4,246,688	3,972,616	31.22%
2027	13,007,227	12,684,379	(322,848)	3,972,616	3,649,768	28.06%

What If #5: Baseline Assumption, with 2017 Contributions to Police Pension and OPEB Trust

Year	Expenditures	Revenues	Surplus/(Deficit)	Beginning Fund Balance[1]	Ending Fund Balance[1]	Ending Fund Balance as % of Expenditures
2017	10,765,928	10,765,928	-	7,589,710	7,589,710	70.50%
2018	11,245,379	10,422,892	(822,487)	7,589,710	6,767,223	60.18%
2019	11,402,251	10,613,004	(789,247)	6,767,223	5,977,976	52.43%
2020	11,428,798	10,807,928	(620,870)	5,977,976	5,357,107	46.87%
2021	11,720,263	11,007,786	(712,477)	5,357,107	4,644,629	39.63%
2022	12,003,738	11,279,503	(724,235)	4,644,629	3,920,395	32.66%
2023	12,650,634	11,404,476	(1,246,157)	3,920,395	2,674,237	21.14%
2024	12,384,518	11,609,900	(774,619)	2,674,237	1,899,619	15.34%
2025	12,645,095	11,825,777	(819,318)	1,899,619	1,080,301	8.54%
2026	13,020,811	12,047,247	(973,564)	1,080,301	106,736	0.82%
2027	13,301,794	12,279,453	(1,022,340)	106,736	(915,604)	-6.88%

EAST GOSHEN TOWNSHIP 2016-2020 CASH FLOW FOR MAJOR CAPITAL PROJECTS AS OF 4/25/17

PAOLI PIKE TRAIL		2016	2017	2018	2019	2020	Total 2016-2020
Trail expenses	Segment A-B Eng.[1]		303,000	303,000	303,000		**909,000**
	Segment A-B Const.[1]					-	**-**
	Segment C Eng.	98,580	240,874	237,354			**576,808**
	Segment C Const.				492,000	492,000	**984,000**
	Segment D-E Eng.		285,429	285,429			**570,858**
	Segment D-E Const.				868,000	868,000	**1,736,000**
	Segment F-G Eng.	1,000	152,400				**153,400**
	Segment F-G Const.		200,000				**200,000**
	Misc Trail expenses (surveying, etc)	67,293					**67,293**
Subtotal trail expenses		*166,873*	*1,181,703*	*825,783*	*1,663,000*	*1,360,000*	***5,197,359***
Trail grants	TAP-Segment C[2]				492,000	492,000	984,000
	CMAQ-Segment D-E				868,000	868,000	1,736,000
	Chester County-Segments F-G		150,000				150,000
	DCNR C2P2-Segments F-G[2]		202,400				202,400
Subtotal trail grants		*-*	*352,400*	*-*	*1,360,000*	*1,360,000*	***3,072,400***
Net cost trail		**166,873**	**829,303**	**825,783**	**303,000**	**-**	**2,124,959**

PARK MASTER PLAN		2016	2017	2018	2019	2020	Total 2016-2020
Park expenses	Tennis Court Resurfacing		32,175				**32,175**
	Playground Eng.[3]		52,000				**52,000**
	Playground Const.		622,035				**622,035**
	Picnic Grove		42,205				**42,205**
	Signage			14,720			**14,720**
	Amphitheater			25,300	108,675		**133,975**
	Sports fields			20,700			**20,700**
	Area around playground				100,337		**100,337**
	Misc mid-term improvements					55,849	**55,849**
	Park Cameras				12,750		**12,750**
	Misc long-term improvements						**-**
Subtotal Park expenses		*-*	*748,415*	*60,720*	*221,762*	*55,849*	***1,086,746***
Park grants	DCNR C2P2 Playground		250,000				250,000
	DCED RTP Playground		225,000				225,000
Subtotal Park grants		*-*	*475,000*	*-*	*-*	*-*	*475,000*
Net cost Park		**-**	**273,415**	**60,720**	**221,762**	**55,849**	**611,746**

MILLTOWN & HERSHEY'S MILL DAMS		2016	2017	2018	2019	2020	Total 2016-2020
Dams-Expenses	Milltown Engineering[4]	41,120	121,010				**162,130**
	Milltown Construction			678,000			**678,000**
	Milltown Land Imp Eng.				86,308		**86,308**
	Milltown Land Improvements				1,304,972		**1,304,972**
	Hershey's Mill Engineering[5]	36,063	67,437				**103,500**
	Hershey's Mill Construction			430,000			**430,000**
	Hershey's Mill Land Imp. Eng.				26,460		**26,460**
	Hershey's Mill Land Improv.				215,206		**215,206**
Subtotal Dam Expenses		**77,183**	**188,447**	**1,108,000**	**1,632,946**	**-**	**3,006,576**
Dam Grants	Milltown DCNR (C2P2) & DCED-Pending[6]				500,000		500,000
	Hershey's Mill-Unknown grant/pending				-		-
Subtotal Dam Grants		-	-	-	**500,000**	-	**500,000**
Net Dams		**77,183**	**188,447**	**1,108,000**	**1,132,946**	**-**	**2,506,576**

Total Trail, Park & Dam (Township) Net Expenses	**244,056**	**1,291,165**	**1,994,503**	**1,657,708**	**55,849**	**5,243,281**

WEST GOSHEN WTP UPGRADES (EGMA Costs)		2016	2017	2018	2019	2020	Total 2016-2020
WGSTP capital expenses	2016 Santitary Sewer Repairs		1,437				**1,437**
	WWTP Emergency Generator Replacement		117,524				**117,524**
	Headworks Improvement		364,819				**364,819**
	Anaerobic Digester			716,102			**716,102**
	Westtown Rd Pump Station		72,361		547,950	547,950	**1,168,261**
	Sanitary Sewer Improvements		160,632	85,350			**245,983**
	Enhanced Chemical Addition		48,801				**48,801**
	Phase 2 Plant Improvements, if lower TP levels needed[7]			409,126	409,126	409,126	**1,227,379**
	Engineering costs		118,024	118,024	118,024		**354,071**
Subtotal MA capital expenses WGSTP (worst case)			**883,598**	**1,328,602**	**1,075,100**	**957,076**	**4,244,377**
Existing funding sources	DEP Grant WGSA (EG's share)			**48,333**			**48,333**
	Available MA bond proceeds from 2013 DelVal note		**883,598**	**466,402**			**1,350,000**
Subtotal existing funding WGSTP			**883,598**	**514,735**			
Net cost/new borrowing needs MA (worst case)			**-**	**813,867**	**1,075,100**	**957,076**	**2,846,043**

	2016	2017	2018	2019	2020	Total 2016-2020
Total Net Costs Township & MA combined	**244,056**	**1,291,165**	**2,808,370**	**2,732,808**	**1,012,925**	**8,089,324**

Notes

[1] The East Goshen BOS has not formally decided on whether to proceed with Segment A-B engineering. For planning purposes, it is assumed that the Township adborbs all the costs for engineering these segments (2017-2019) and that at least some grant funding will be available for construction after 2020. No contruction costs for this segment are envisioned with this bond financing.
[2] The TAP Grant (Segment C) was for $1,000,000. However, the funding is reduced by $8,000 per year to reflect that project costs are $984,000
[3] DCNR C2P2 grant is for $268,000, which brings total F-G segment grants to $418,000; however, the total projct cost is not expected to exceed $352,400; therefore, for planning purposes, this grant is shown as $202,400 so that grants do not exceed costs.
[4] Playground engineering expense reflects an estimate for to-be determined work of $10,000
[5] Milltown Dam engineering expense reflects $38,700 for bog turtle study/removal
[6] Hershey's Mill engineering reflects $6,000 for historical review
[7] This is a mid-range estimate. The Township has applied for $500,000 in grants through DCNR and plans to submit a $250,000 grant application through DCED in May.
[8] Phase 2 Plant improvements reflects the cost of West Goshen needing to conform with total phosphorus (TP) levels of .04 mg/L. West Goshen and DEP are currently in court over this issue. If the judge rules in West Goshen's favor, the cost of this project will fall substantially.

EAST GOSHEN TOWNSHIP

Summary of New Money Options

GENERAL FUND PROJECTS ONLY

	1	2	3	4
	OPTION 1	*OPTION 2*	*OPTION 3*	*OPTION 4*
Principal	$5,340,000	$5,340,000	$5,340,000	$5,340,000
Structure	Level	Level	Tight Wrap	Wrap
Maturity Length	20 Years	25 Years	15 Years	20 Years
Assumed Timing	July 2017	July 2017	July 2017	July 2017
Assumed Rates [1]	Current conservative	Current conservative	Current conservative	Current conservative
Total Estimated Interest [1]	$2,203,942	$2,947,351	$1,893,624	$2,662,516

5	6	7	8	9	10	11	12	13	14
Fiscal Year Ending	Existing General Fund Debt Service [2]	Estimated Pro-Rata Debt Service	Total General Fund Debt Service	Estimated Pro-Rata Debt Service	Total General Fund Debt Service	Estimated Pro-Rata Debt Service	Total General Fund Debt Service	Estimated Pro-Rata Debt Service	Total General Fund Debt Service
12/31/2017	557,533	42,150	599,683	44,900	602,433	42,027	599,560	45,466	602,999
12/31/2018	560,340	213,602	773,941	189,600	749,940	173,108	733,448	186,864	747,204
12/31/2019	559,162	382,765	941,926	334,414	893,576	173,015	732,177	186,771	745,933
12/31/2020	556,138	383,508	939,645	336,345	892,483	172,916	729,054	186,672	742,810
12/31/2021	557,225	383,866	941,090	337,969	895,194	172,811	730,035	186,567	743,791
12/31/2022	529,012	383,826	912,837	334,273	863,285	197,699	726,710	186,455	715,466
12/31/2023	530,165	383,306	913,470	335,313	865,478	196,979	727,143	186,335	716,499
12/31/2024		382,337	382,337	335,995	335,995	726,217	726,217	486,208	486,208
12/31/2025		380,905	380,905	336,305	336,305	726,209	726,209	488,034	488,034
12/31/2026		383,873	383,873	336,139	336,139	729,706	729,706	488,993	488,993
12/31/2027		381,223	381,223	335,589	335,589	726,856	726,856	489,243	489,243
12/31/2028		383,189	383,189	334,718	334,718	728,007	728,007	488,892	488,892
12/31/2029		384,576	384,576	333,498	333,498	727,910	727,910	487,886	487,886
12/31/2030		385,364	385,364	336,918	336,918	726,525	726,525	491,207	491,207
12/31/2031		385,562	385,562	334,820	334,820	728,879	728,879	488,701	488,701
12/31/2032		385,152	385,152	337,359	337,359	284,763	284,763	490,515	490,515
12/31/2033		384,147	384,147	334,372	334,372			486,492	486,492
12/31/2034		382,563	382,563	336,046	336,046			486,831	486,831
12/31/2035		385,419	385,419	337,214	337,214			486,375	486,375
12/31/2036		382,516	382,516	332,864	332,864			490,106	490,106
12/31/2037		384,097	384,097	333,225	333,225			487,907	487,907
12/31/2038				333,128	333,128				
12/31/2039				337,568	337,568				
12/31/2040				336,374	336,374				
12/31/2041				334,734	334,734				
12/31/2042				337,675	337,675				
12/31/2043									
12/31/2044									
12/31/2045									
TOTAL	3,849,573	7,543,942	11,393,516	8,287,351	12,136,924	7,233,624	11,083,197	8,002,516	11,852,089

[1] *For these purposes, assumes a conservative estimate of current market conditions as of April 24th, 2017. Actual rates subject to market changes until pricing of Bonds*

[2] *Existing non-electoral debt service from General Fund only*

EAST GOSHEN TOWNSHIP

Summary of New Money Options

SEWER FUND PROJECTS ONLY

	1	2	3	4
	OPTION 1	OPTION 2	OPTION 3	OPTION 4
Principal	$2,900,000	$2,900,000	$2,900,000	$2,900,000
Structure	Level	Level	Tight Wrap	Wrap
Maturity Length	20 Years	25 Years	17 Years	20 Years
Assumed Timing	July 2017	July 2017	July 2017	July 2017
Assumed Rates [1]	Current conservative	Current conservative	Current conservative	Current conservative
Total Estimated Interest [1]	$1,196,584	$1,597,706	$1,550,366	$1,968,258

5	6	7	8	9	10	11	12	13	14
Fiscal Year Ending	Existing Sewer Fund Debt Service [2]	Estimated Pro-Rata Debt Service	Total Sewer Debt Service	Estimated Pro-Rata Debt Service	Total Sewer Debt Service	Estimated Pro-Rata Debt Service	Total Sewer Debt Service	Estimated Pro-Rata Debt Service	Total Sewer Debt Service
12/31/2017	882,065	22,891	904,956	24,372	906,437	25,067	907,132	26,906	908,971
12/31/2018	1,064,941	111,565	1,176,506	102,489	1,167,430	105,268	1,170,209	112,624	1,177,565
12/31/2019	963,855	211,193	1,175,047	182,396	1,146,250	105,175	1,069,029	112,531	1,076,386
12/31/2020	737,750	208,817	946,566	180,713	918,462	160,076	897,825	112,432	850,182
12/31/2021	738,386	206,285	944,671	183,919	922,305	158,810	897,196	112,327	850,713
12/31/2022	737,355	208,597	945,951	181,903	919,258	157,466	894,820	112,215	849,569
12/31/2023	737,649	210,597	948,246	184,743	922,392	156,026	893,675	112,095	849,744
12/31/2024	738,208	207,295	945,503	182,330	920,538	159,502	897,710	111,968	850,176
12/31/2025	738,012	208,811	946,822	184,784	922,796	157,760	895,771	111,834	849,845
12/31/2026	738,040	209,936	947,976	181,914	919,954	155,894	893,934	111,690	849,730
12/31/2027	737,273	210,736	948,009	183,914	921,187	158,944	896,217	111,540	848,813
12/31/2028	737,683	206,256	943,939	180,670	918,353	156,781	894,464	111,386	849,069
12/31/2029	737,216	206,630	943,846	182,320	919,536	154,548	891,764	111,226	848,442
12/31/2030	737,847	206,695	944,542	183,701	921,548	157,245	895,092	111,062	848,909
12/31/2031	780,663	206,456	987,119	179,814	960,477	114,710	895,373	110,893	891,555
12/31/2032	780,603	210,904	991,507	180,824	961,427	113,496	894,099	110,719	891,322
12/31/2033	169,796	209,869	379,665	181,564	351,360	727,253	897,049	495,542	665,338
12/31/2034		208,534	208,534	182,039	182,039	898,723	898,723	666,424	666,424
12/31/2035		206,910	206,910	182,255	182,255	627,627	627,627	665,264	665,264
12/31/2036		209,991	209,991	182,206	182,206			668,011	668,011
12/31/2037		207,620	207,620	181,914	181,914			669,575	669,575
12/31/2038				181,389	181,389				
12/31/2039				180,629	180,629				
12/31/2040				179,646	179,646				
12/31/2041				183,438	183,438				
12/31/2042				181,825	181,825				
12/31/2043									
12/31/2044									
12/31/2045									
TOTAL	12,757,342	4,096,584	16,853,926	4,497,706	17,255,048	4,450,366	17,207,709	4,868,258	17,625,600

[1] For these purposes, assumes a conservative estimate of current market conditions as of April 24th, 2017. Actual rates subject to market changes until pricing of Bonds

[2] Existing debt service from Sewer Fund only

East Goshen Township Investment Policy Statement

Purpose

It shall be the policy of the Board of Supervisors to optimize its return through the investment of cash balances in such a way as to minimize non-invested balances and to maximize return on investments. This investment policy statement only pertains to the investment and/or deposit of public funds in the Township's governmental and proprietary (enterprise) funds, as those terms are defined in the Township's annual financial report that is required by law. Deposits in pension funds and irrevocable trusts of the Township are governed by a separate investment policy statement.

The primary objectives of the Township's investment activities, in priority order, shall be:

Legality - All deposits and investments shall be made in accordance with applicable laws of Pennsylvania. In particular, the Township Treasurer shall ensure that all bank deposits in excess of $250,000 (or the FDIC insurance limit) are collateralized pursuant to Act 72 and that all deposits and investments comply with the Pennsylvania Second Class Township Code and Act 10.

Safety - Safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be ensured through the mitigation of credit risk and interest rate risk. The Township Treasurer shall annually take reasonable steps to ensure that Township-approved depository banks are well capitalized.

Liquidity – The Township shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year's anticipated cash flow shall be developed so that investments can be made as early as possible, with maturities concurrent with anticipated cash demands. Forecasts for medium-term and long-term liquidity needs shall be conducted as part of the Township's annual budget planning session in the spring and forecasts for the next fiscal year shall be conducted as part of the budget process in the fall. These forecasts shall guide decisions about liquidity needs.

Yield - Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. The Treasurer shall analyze the potential for interest rate increases to impact the value of investments prior to investing in any fixed income security. The Treasurer shall annually review the yield on checking, savings and money market accounts, certificates of deposit and pooled investment trusts to ensure that rates on those products are competitive with rates offered through other banks and financial institutions.

Diversification - Investments shall be diversified by avoiding concentration in obligations of a specific issuer (excluding U.S. Treasury securities).

Delegation of Responsibility

The Township Treasurer has the responsibility for managing the Township's investment program, in accordance with this investment policy statement.

The Treasurer shall report quarterly to the Board the cash balance of every Township Fund, along with the interest rate on each account and/or investment; the terms of investment and maturity date, if applicable; the names of the institutions where investments are placed; the average weighted maturity of investments; and the average weighted return on all Township deposits and investments.

The Treasurer shall also prepare a long-range forecast for the annual budget planning session in the spring in order to anticipate medium and long-term liquidity needs, and a forecast for the next fiscal year as part of the budget process in the late fall.

Permitted Investments

The Treasurer may deposit available cash balances in any of the following accounts and investments:

1. Federal Deposit Insurance Corporation (FDIC) insured accounts, be they checking accounts, savings accounts, money market accounts, certificates of deposit (CDs) or any other type of account bearing FDIC insurance provided it is permitted under Act 10 and the Second Class Township Code, with the following conditions:

   a. All deposits in checking accounts, savings accounts and money market accounts shall be collateralized pursuant to Act 72 to the extent that total deposits with any one depository exceed the greater of $250,000 or the current limit for FDIC insurance.
   b. The Treasurer may invest in CDs either directly from approved Township depositories or through CD purchase programs offered by the Township's approved depositories, provided that any individual CDs are in increments of $250,000 or less to ensure the FDIC guarantee. Examples of CD purchase programs include the Certificate of Deposit Account Registry Service (CDARS) program and the Pennsylvania Local Government Investment Trust (PGLIT) CD Purchase Program.
   c. To the extent that the Township purchases CDs from or through multiple approved Township depositories, the Treasurer will ensure that each depository is made aware of all the underlying CDs of the other(s) to avoid inadvertently breaching the $250,000 threshold with any one bank.

2. Local government investment pools, either state-administered or developed through intergovernmental agreement legislation, provided:

   a. The local government investment pool is rated in the highest tier by a nationally recognized rating agency.
   b. The local government investment pool restricts investments to those permitted under Act 10 and the Second Class Township Code. The maturity date on any deposit or investment does not exceed 397 days.
   c. The local government investment pool is an approved Township depository.

3. U.S. Treasury bills.

4. Obligations of the Federal Government or its agencies or instrumentalities backed by the full faith and credit of the United States of America.

5. Obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth or of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

6. Any other investments expressly permitted by Act 10 or the Second Class Township Code, including, but not limited to the following types of securities, provided that the Treasurer performs reasonable due diligence on the viability of their respective secondary markets:

a. Obligations, participations, or other instruments of any Federal agency, instrumentality, or U.S. government-sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities, or U.S. government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two (2) nationally recognized statistical ratings organizations.
b. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the issuing corporation or business entity is rated in the top short-term category by at least two (2) nationally recognized statistical ratings organizations.
c. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
d. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two (2) nationally recognized statistical ratings organizations.
e. Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, provided that the following are met:

    i. Such investment companies must restrict their investments to those listed in this section.
    ii. The investment company is managed so as to maintain the value of its shares at a constant net asset value in accordance with federal regulations relating to money market funds.
    iii. The investment company is rated in the highest category by a nationally recognized rating company.

Bond Proceeds

Bond proceeds shall be invested in accordance with the Local Government Unit Debt Act, applicable federal and state laws and this investment policy statement, subject to approval by bond counsel. Except where further restricted by bond covenants and indentures, all investments listed in Permitted Investments of this Investment Policy are permitted investments for funds related to the proceeds of a specific bond issue, including project or construction funds, capitalized interest, debt service, and any other related funds.

Ownership Records, Security Purchases, and Securities

All securities shall be purchased in the name of the Township, and custody of the securities shall be specified within the Township's investment program. Securities will be held by a custodian that has been approved by the Board of Supervisors and is listed as an approved Township depository.

Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the Township to meet all projected obligations. Investments of Township funds shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the Township. Therefore, operating funds shall generally be limited to investments with maturities of one-year or less.

Ethics and Disclosure

Members of the Board of Supervisors and Township staff involved in the investment process shall refrain from personal relationships or personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

Members of the Board of Supervisors and Township Staff involved in the Township's investment process shall disclose any personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions.

SO RESOLVED AND ADOPTED by this ___ day of _____, 2017.

Attest	*Signatures*
______________________________	______________________________
Township Secretary	______________________________
	______________________________
	______________________________
	______________________________

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East Goshen Township

White Paper on Local Economic Development Option

Background: East Goshen Township (population 18,026) is a Township of the Second Class located in eastern Chester County, between Malvern and West Chester.

Approximately 12% of the Township is zoned for commercial and/or industrial uses. A number of large businesses are headquartered or have a large presence in East Goshen, including DePuy Synthes (a division of Johnson & Johnson), QVC, CTDI, Acero Precision, Zeks Compressed Air Solutions (a division of Ingersoll Rand) and Tecniplast. Collectively, businesses in the Township employ approximately 7,200 people. However, the Township has historically struggled to attract and retain a vibrant retail sector along either Paoli Pike and West Chester Pike, the two corridors that are zoned for this type of use.

This White Paper describes some economic development tools that the Township may want to consider to ensure that East Goshen can continue to attract and retain businesses, in order to provide local employment options for residents, a wide variety of retail and restaurant options to enhance residents' quality of life, a strong tax base which obviates the need for future tax increases, and, most importantly, robust growth in home values.

Clearly, East Goshen has a number of strategic advantages that prime it for economic growth. These advantages include:

- Abundance of parks and open space, including the conjoined Township and Applebrook parks.
- A first-rate public school system, as well as proximity to excellent private and parochial school options.
- Excellent housing stock, primarily built within the last 50 years.
- Diversity of housing stock—22% apartments; 36% condos/townhomes; 42% single family detached—makes East Goshen welcoming to workers from all income brackets.
- Proximity to SEPTA regional rail (Malvern), Route 202, 3 & 30 commercial corridors and Philadelphia and Wilmington employment hubs.
- Strength of industrial base (QVC, CDTI, DePuy Synthes, Tecniplast, Acero, etc)

At the same time, as a traditional suburban bedroom community, East Goshen has a number of impediments to economic growth, including:

- Limited walkability/bike-ability (although the proposed Paoli Pike Trail and feeder trail network will improve the Township's walkability score)
- Transportation infrastructure is heavily car-oriented and commutes to and from both Wilmington and Philadelphia can be time-consuming
- Shortage of restaurants, particularly "fit for foodie" type restaurants. The Township has not allowed sale of alcohol since 1939, which impedes economic growth particularly in the restaurant sector.

Economic Development Activities Already Underway

Many of the strategies and projects to spur and sustain economic development in the Township are already well underway. These strategies and projects include:

- The 2.7 mile Paoli Pike Trail, as well as a proposed feeder trail system, which will improve access to and foot traffic along Paoli Pike and help businesses in the Township attract and retain key talent.
- Improved signage and branding of the Township along Paoli Pike to build a "sense of place", which will assist in the Township's marketing efforts to new businesses.
- Improvements to the Township Park, as outlined in the Park Master Plan, which will cement East Goshen's reputation as a great place to live, work and play.
- Local Economic Revitalization and Tax Assistance designation along West Chester Pike will help facilitate the development and or redevelopment of the Route 3 corridor and the corporate parks.
- Collectively, these initiatives demonstrate that East Goshen is fully committed to investing in its future success.

Economic Development Tool	**Allow for alcohol sales (via public referendum)**
Overview	In 1939, East Goshen residents voted to be a dry Township, and today we remain one of only 530 municipalities in Pennsylvania (out of 2,562) to be completely dry, with the exception of at private golf clubs. To change this, a petition signed by at least 25% of the electors of the highest vote cast for any office in the last general election would need to be submitted to the County Board of Elections, who would place the question on a voter referendum.
Pros	• Allowing alcohol sales could attract new restaurants to East Goshen • Improves the quality of life for residents who may prefer to stay close to home for a night out rather than going to West Chester. • Improves overall business climate, by providing Township businesses with local options for business meals
Cons	• Concern about public safety. • Logistically difficult to get matter on ballot and potentially controversial issue.
Applicable to East Goshen?	• Yes
Recommendation	• None. This is a public policy matter that is explicitly delegated to electors and is therefore outside the purview of the Board of Supervisors.

Economic Development Tool	Tax-Increment Financing (TIF)
Overview	A specific "blighted" area of a community is designated as a TIF district. A redevelopment authority then issues TIF bonds to make improvements (e.g. retail complex). Those bonds are then secured by the additional real estate tax revenue generated from any new project. The Commonwealth Financing Authority (CFA) also guarantees the bonds up to $5 million. As an example, a TIF district has an assessed value of $2m before redevelopment, and a combined school district, township and county millage rate of 25 mills, meaning that it generates $50,000 currently in real estate tax. However, after proposed redevelopment the new improvements will cause the assessed value to increase to $10m, which corresponds with $250,000 in real estate tax revenue annually, an increase of $200,000. This $200,000 increment would be used to pay debt service on the debt.
Pros	• Issuance of debt through a redevelopment authority insulates the Township from liability. Guarantee of CFA ensures low interest rate.
Cons	• Not much "blight" in East Goshen. School district, county and township must jointly agree to forego additional tax revenue, which may prove difficult. Must create a redevelopment authority. CFA guarantee takes burden off developer to complete project.
Applicable to East Goshen?	• Almost certainly not. It would be very difficult to have a formal finding of a "blighted" area in East Goshen. These types of large-scale redevelopment projects were not envisioned in the last Comp Plan, which are also a criterion for approval.
Recommendation	• None

Economic Development Tool	Neighborhood Improvement District (NID)
Overview	NIDs are intended as a way to finance projects for which there is substantial public benefit concentrated in one area, but less benefit across the entire municipality. Examples of typical NID projects could be the extension of a sewer line or the acquisition and development of a "pocket park". Unless more than 40% of the affected property owners in a proposed NID object, a municipality may by ordinance establish a NID and assign management responsibilities to a non-profit. Once a NID is created, a municipality can levy additional assessments on property owners in the NID. NIDS can also be used by developers to finance public infrastructure.
Pros	• NID ensures that the primary users of infrastructure pay for it, rather than spreading the cost across an entire tax base. This is an effective way to pay for improvements or the preservation of existing resources that some residents care a lot about, but most do not.
Cons	• Potential for NIDs to become highly politicized and divisive within a community. May be difficult in some cases to determine where the boundaries of a NID should be located. Creation or hiring of non-profit agency to manage the NID likely adds to expense. It is relatively easy for affected property owners to prevent NIDs from being created (40% threshold).
Applicable to East Goshen?	• Potentially. The envisioned feeder trail system to the Paoli Pike Trail might, in some circumstance, be a good candidate for one or more NIDs. Improvements to the areas above the Milltown and Hershey's Mill dams might also be good candidates.
Recommendation	• The Township should explore the opportunity to develop NIDs to pay for improvements above the dams and the envisioned feeder trail system.

Economic Development Tool	**Local Economic Revitalization and Tax Assistance (LERTA Program)—*Note East Goshen currently has an active LERTA proposal***
Overview	LERTA allows taxing authorities (municipalities, counties and school districts) to exempt all or a portion of real estate taxes levied on improvements and/or new construction for up to 10 years, if the property is located in a "deteriorated" area. For example, the assessed value of a property in a LERTA district in year 1 is \$200,000 and the combined municipality, county and school district tax rate is 25 mills (2.5%), meaning that the property has a real estate tax liability of \$5,000. A property owner then makes improvements to the property that causes the assessment to increase to \$500,000, which corresponds with a real estate tax bill of \$12,500. However, the property owner continues to pay only \$5,000 for some period of time, after which the levy eventually increases to \$12,500.
Pros	• Encourages revitalization of deteriorated areas.
Cons	• Difficult to reach consensus with County and School District stakeholders about authorizing a LERTA district.
Applicable to East Goshen?	• Yes
Recommendation	• Continue to work with WCASD and Chester County to implement a LERTA district in East Goshen.

Economic Development Tool	Keystone Innovation Zones
Overview	The Goshen Corporate Park, the Goshen Corporate Park West, the Caleco and Mars Drinks parcels, as well as the undeveloped land extending east from Mars Drinks north of Wilson Drive are part of the Chester/Delaware County Keystone Innovation Zone (KIZ). Businesses in the KIZ that are less than 8 years old and are in selected high-tech industries, such as life sciences, IT and communications are eligible to participate. Qualifying businesses are eligible for a state tax credit of up to $100,000 over the previous two years. Businesses with a credit, but no tax liability can sell their credit to other businesses.
Pros	• Incentivizes business creation in highly technical and profitable industries.
Cons	• Start-up companies have high rates of failure. A maximum $100,000 tax credit, while significant, is no guarantee that a start-up will succeed in the long-term.
Applicable to East Goshen?	• Possibly. One business in East Goshen takes advantage of the program (Unifeyed in the Goshen Executive Center). Most businesses in East Goshen are either too established (over 8 years old) or in non-qualifying industries.
Recommendation	• The Township should advertise and market the KIZ to attract and retain existing businesses in the existing KIZ areas.

Economic Development Tool	Keystone Opportunity Zones (Not currently being approved by state)
Overview	An area of not more than 350 acres is designated as a KOZ by the state and becomes eligible for partial or full exemption from most state and local taxes (including EIT and real estate tax) for a specified period of time.
Pros	• Incentivizes economic development or redevelopment
Cons	• Loss of local tax revenue
Applicable to East Goshen?	• No. Program has been frozen and even if it wasn't, corporate parks in eastern Chester County would be very poor candidates for this type of program.
Recommendation	• None

Economic Development Tool	Industrial Development Authority (IDA)
Overview	Some PA municipalities (e.g. Uwchlan Township) have their own IDA, which allows the IDA to issue tax-exempt loans to qualifying borrowers, including manufacturers, first time farmers and 501(c)(3) organizations. IDAs are generally limited to issuing $10 million in loans per year.
Pros	• IDAs can be a powerful tool for economic development, allowing certain organizations access to capital at much lower interest rates than they'd otherwise be eligible for. The creation of the IDA as a financing conduit ensures that the Township has no financial exposure in the event of a default.
Cons	• Depending on the volume or applications and/or the interest rate environment in any given year, serving on an IDA Board is challenging work that involves a major time commitment and a special set of skills. • Legal and administrative start-up costs may be substantial. • The Chester County IDA already serves this capacity.
Applicable to East Goshen?	• Potentially, particularly if there is a liquidity crunch that makes IDA financing attractive to manufacturers. There is obviously no or very limited capacity for first-time farmers in East Goshen.
Recommendation	• Engage manufacturing sector in whether there is any economic development benefit to a local IDA.