

East Goshen Township

2021 Proposed Budget



For presentation to the Board of Supervisors on November 10, 2020

East Goshen Township

2021 Proposed General Fund Budget



BUDGET HIGHLIGHTS

- For the 18th consecutive year, no tax increases are proposed in this budget.
 - Net of Pass-throughs, the proposed budget includes \$10,298,475 in revenues and \$11,109,235 in expenses for a deficit of \$810,760, which is reflected in the budget as a transfer from fund balance (revenue) in order to balance the budget.
 - Note that the budget includes three expenses totaling \$318,400 that were deferred from 2020 as a result of the May 19 COVID-related 2020 budget cuts:
 - Bow Tree Pond Dredging and Rehab: \$200,400
 - Marydell Pond Planting: \$18,000
 - Repaving Killern Lane, Eastwick Circle & Great Oak Lane Circle: \$100,000
(note that repaving expenses overall are expected to be unchanged from 2020)
- ➡ Most of the increase in the 2021 budget deficit can be explained by these deferrals
- Items excluded from this proposed budget are included on p9 of this presentation.

East Goshen Township

2021 Proposed General Fund Budget



Key Expense Assumptions

- **Inflation** of 1.3%, equal to the 2021 Social Security increase (CPI-W)
- Selected line items adjusted more/less than inflation based on historical trends.
- One-time costs from 2020 backed out.
- **Health insurance** reflects premium decrease of 2.87%, due to use of DVHT rate stabilization fund and a commitment to remain in trust through 2022
- **Other insurance** is expected to decrease 10%, due substantial reduction in workers comp experience rating (1.042 in 2021, versus 1.203 in 2020); property insurance expected to increase 4%.
- **Salary increases** based on the existing compensation policy, 2017 Salary Survey and a 1.3% COLA
- **Transfers to Capital Reserve Fund** across four categories (office, township building, public works & parks) total \$503,217, continuing 2020 policy of underfunding Capital Reserve Fund by \$100,000 to gradually draw down surplus. The “surplus” (i.e. the Capital Reserve fund balance minus the accumulated “depreciation” of the Township’s fixed assets) should be about \$600,000 as of 12/31/20.



East Goshen Township 2021 Proposed Budget

Revenue Assumptions

- Conservative assumptions across the board
- **Earned Income Tax** up 1.0% or \$50,000 over 2020 year-end projection, but still \$131,800 (-2.5%) below 2020 Adopted levels due to weak job growth.
 - U.S. wage growth projected at -0.4% next year, while unemployment falls to 6.8% by year end
(source: PNC Bank, Sept, 2020)
- **Real Estate Tax** reflects \$2.5m in additional assessments in 2020
- **LST** flat over 2020 year-end projection, but down \$30,000 (-8.7%) versus 2020 Adopted levels, due to more employees working from home.
- **Real Estate Transfer Tax** increased by \$75,000 over 2020 year-end projection
 - Case-Schiller forecast to increase 0.6% in 2021.
 - Continued strong resident demand as interest rates remain at historically low levels.
- **Cable Franchise Tax** decrease of -2.3% over 2020 year-end projection.
 - Franchise Fee revenue continues to decline as more residents move to streaming platforms.
- **Permit** revenue budgeted at \$200,000, in line with recent trends
 - No major commercial or residential development budgeted.
- **Other Income** decrease of \$65,000 (-69.2%), excluding transfer from fund balance
 - Near zero interest rates. Assumes yields of 20 basis points.
 - Other income includes Interest, Public Utility Real Tax, rental income for WEGO substation in District Court building.

East Goshen Township 2021 Proposed Budget

Spending Requests by Department*



Emergency Services

• Police: \$4,114,705, up 0.8%

- Reflects 2021 WEGO budget, v2a. PPU split of 55.5% (EG)/44.5% (WT)
- Funds pension at 110% of MMO, per revised agreement with Westtown
 - EG's share of MMO to be funded 75% from General Fund and 35% from Police Pension Trust; therefore \$225,554 of Police expense is funded off-budget, up from 25% in 2020.
 - Every 1% of MMO paid by this Trust reduces the General Fund outlay by \$6,444
 - Balance of EG's Police Pension Trust is \$1,210,250 as of 8/31/20.
- For 4th year, cost of retiree health insurance to be borne by Police Commission's OPEB Trust
- Total OPEB contribution of \$108,000 only includes cost of retired officer's coverage this year; no additional contribution to the OPEB Trust. The balance of the Trust was \$4,071,943 as of 8/31/20, or about 70% of the OPEB liabilities, which is among the highest funding rates anywhere.
- \$77,319 budgeted for new Record Management System to replace ALERT system, to comply with new FBI directives on crime reporting.
- Conversion of one temporary position to full-time FTE; costs are a wash.

• Fire & Other Emergency Services: \$480,514, up 7.4%

- \$348,815 budgeted for Goshen Fire, an increase of \$29,624 as year 1 of Westtown and East and West Goshen's plan to increase funding by approximately \$276,000 to Goshen over 2 years.
- \$14,122 for Good Fellowship and Malvern Fire Company, with increases based on inflation
- Continue to pass through false alarm fee revenue to fire companies at year end.
- Seven Public Works employees eligible for \$100/month firefighter stipend (same as 2020)
- \$1,000 budgeted for Stray Animal Pick-Up Reimbursement in first year of new ordinance

* Departmental budget numbers are net of core revenues; some individual line items may change more or less than reported here due to netting out one-time costs from 2020 or inflationary adjustments for other expenses charged to a line item.



East Goshen Township 2021 Proposed Budget

Spending Requests by Department*



Public Works—\$1,504,317 up \$172,140 or 12.9% from 2020 year-end projection

Storm Water

- No major storm water projects (besides dams and ponds), although \$132,846 is budgeted for emergency repairs and routine maintenance.

Roads

- \$313,994 budgeted for resurfacing
 - 3.5 miles total, including much of Clocktower Woods (Clocktower Drive, Yarmouth, Jamestown, Cricket), plus Old Orchard Lane and the following streets that were deferred from 2020: Eastwick Circle, Great Oak Circle, Killern Lane, Tulip Drive & Saddlebrook Drive
- State Liquid Fuel revenue projected to decrease 11.1% per PennDOT, as a result of less gas tax collected during COVID shutdowns.
- Elevated tree removal budget (\$90,000 total) requested for emerald ash borer issues
- Vehicle depreciation expense down 6.8% due to continuing draw down of Capital Reserve Fund surplus (see p18 for more information).

Snow

- NOAA projects “above average” temperature and average precipitation in the US Northeast
- Snow expense budget (\$224,905) lowered approximately \$40,000 from 2020 Adopted Budget, due to mild forecast

Refuse

- Reflects County Hazardous Ewaste (\$3,030) and two e-recycling events (\$5,080), but no roadside litter pick-up.

* Departmental budget numbers are net of core revenues; some individual line items may change more or less than reported here due to netting out one-time costs from 2020 or inflationary adjustments for other expenses charged to a line item.



East Goshen Township 2021 Proposed Budget

Spending Requests by Department*



Administration—\$1,741,795, up \$230,507 or 15.3% from 2020 year-end projection

- New capital expenses reflect \$31,000 for radio booster for Township Building (carryover from 2019 & 2020) and \$100,000 for new financial/codes software.
- Reflects elimination of ABC holiday party, clean energy consultants and paper newsletters
- Reflects expected retirement of Township Manager in mid-2021

Parks & Recreation—\$690,556, up \$135,046 or 24.3% from 2020 year-end projection

- Reflects return to normal after COVID
- Reflects expenses and offsetting revenue for proposed full-day camp, as EGE will have air conditioning in 2021.
- \$18,000 budgeted for Marydell pond plantings (deferral from 2020).
- \$200,400 budgeted for Bow Tree I pond project (deferral from 2020).

Zoning & Codes Enforcement—\$239,950, up \$41,650 or 21.0% from 2020 year-end projection

- No new spending requests for 2021.
- Continuation of in-house inspection services after expected retirement in early 2021.
 - Analysis of 3rd party inspection option did not identify savings, and likely would result in worse customer service.
- Reflects elimination of Zoning Consultants for BP, I-1 & I-2 Districts

* Departmental budget numbers are net of core revenues; some individual line items may change more or less than reported here due to netting out one-time costs from 2020 or inflationary adjustments for other expenses charged to a line item.

East Goshen Township 2021 Proposed Budget

ABC Budget Requests



Conservancy Board (Budgeted in Zoning/Code Enforcement)

- Maintained at 2020 Adopted Levels, per September meeting
- \$4,150 total, including \$3,000 for tree plants and \$500 for invasives spraying

Planning Commission (Budgeted in Zoning/Code Enforcement)

- No specific budget items requested/identified

Park & Rec Commission's request is incorporated under the P&R departmental budget.

- Reflects expenses and offsetting revenues associated with full-day camp, see p7

Historical Commission (Budgeted in Zoning/Code Enforcement)

- \$500 requested for misc expenses (e.g. memberships)
- No new ornament purchases in 2021

Pipeline Task Force (Budgeted in Administration)

- None

Sustainability Advisory Committee (Budgeted in Administration)

- \$500 in support of 2021 sustainability seminars

Futurists (Budgeted in Administration & Codes)

- \$5,000 requested for Community Survey (not included in proposed budget, see p9)
- \$5,000 requested for 3-D physical model of Paoli Pike TND hypothetical build-out

East Goshen Township 2021 Proposed Budget

Significant Items Excluded from Budget Proposal



Item	Estimated cost	Notes
Community Survey	\$5,000-\$40,000	\$5,000 requested by Futurists
Clean Energy Consultant (originally deferred from 2020)	\$10,000	Analysis can be managed by Staff, COG and SAC members
Zoning Consultant for BP, I-1 and I-2 Districts (originally deferred from 2020)	\$10,000	Analysis can be managed by Staff, Planning Commission, Futurists and round table discussions with developers
Roadside Litter Pick-up	\$18,000	
ABC Holiday Party	\$13,500	
Paper newsletters (4 issues/year)	\$7,000	
Emergency Access Road Linden Lane	\$50,000-\$100,000	
Total	\$113,500-198,500	



East Goshen Township

General Fund Budget Summary (Core Functions)



Account Title	2020 Adopted	2020 Projected	2021 Proposed	2021 \$ Increase	2021 % Increase
POLICE EXPENSES	3,884,680	4,113,962	4,151,705	37,743	0.9%
OTHER EMERGENCY SERVICE EXPENSES	495,253	469,096	503,160	34,064	7.3%
PUBLIC WORKS EXPENSES	2,760,338	2,444,563	2,479,502	34,939	1.4%
ADMINISTRATION EXPENSES	1,900,680	1,866,806	2,054,516	187,710	10.1%
ZONING/PERMITS/CODES EXPENSES	522,011	449,192	515,621	66,429	14.8%
PARK AND RECREATION EXPENSES	881,005	630,817	852,975	222,158	35.2%
TOTAL CORE FUNCTION EXPENSES	10,443,967	9,974,436	10,557,479	583,043	5.8%
POLICE REVENUES	38,000	32,000	37,000	5,000	15.6%
OTHER EMERGENCY SERVICES REVENUES	34,000	21,646	22,646	1,000	4.6%
PUBLIC WORKS REVENUES	1,000,284	1,112,386	975,185	(137,201)	-12.3%
ADMINISTRATION REVENUES	318,829	355,518	331,050	(24,468)	-6.9%
ZONING/PERMITS/CODES REVENUES	272,870	250,892	275,671	24,779	9.9%
PARK AND RECREATION REVENUES	132,620	75,307	162,419	87,112	115.7%
TOTAL CORE FUNCTION REVENUES	1,796,603	1,847,749	1,803,971	(43,778)	-2.4%
NET POLICE	3,846,680	4,081,962	4,114,705	32,743	0.8%
NET OTHER EMERGENCY SERVICES	461,253	447,450	480,514	33,064	7.4%
NET PUBLIC WORKS	1,760,054	1,332,177	1,504,317	172,140	12.9%
NET ADMINISTRATION	1,581,851	1,511,288	1,723,466	212,178	14.0%
NET ZONING/PERMITS/CODES	249,141	198,300	239,950	41,650	21.0%
NET PARK AND RECREATION	748,385	555,510	690,556	135,046	24.3%
CORE FUNCTION NET SUBTOTAL	8,647,364	8,126,687	8,753,508	626,821	7.7%



East Goshen Township

General Fund Budget Summary (Non-Core Functions)



Account Title	2020 Budget	2020 Y/E Projection (Sept)	2021 Proposed	\$ Variance 2019-2020	% Variance 2019-2020
CORE FUNCTION NET SUBTOTAL	8,647,364	8,126,687	8,753,508	626,821	7.7%
DEBT - PRINCIPAL	349,999	349,999	362,998	12,999	3.7%
DEBT - INTEREST	203,872	203,872	188,758	(15,114)	-7.4%
TOTAL DEBT SERVICE	553,871	553,871	551,756	(2,115)	-0.4%

TOTAL CORE FUNCTION NET	9,201,235	8,680,558	9,305,264	624,706	7.2%
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NON-CORE FUNCTION REVENUE

EARNED INCOME TAXES	5,130,800	4,950,000	5,000,000	50,000	1.0%
REAL ESTATE PROPERTY TAX	2,042,779	2,032,779	2,045,609	12,830	0.6%
REAL ESTATE TRANSFER TAX	650,000	600,000	675,000	75,000	12.5%
CABLE TV FRANCHISE TAX	457,200	440,000	430,000	(10,000)	-2.3%
LOCAL SERVICES TAX	345,000	315,000	315,000	0	0.0%
OTHER INCOME	113,895	93,895	839,655	745,760	794.2%

TOTAL NON CORE FUNCTION REVENUE	8,739,674	8,431,674	9,305,264	873,590	10.4%
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NET RESULT	(461,561)	(248,884)	0		
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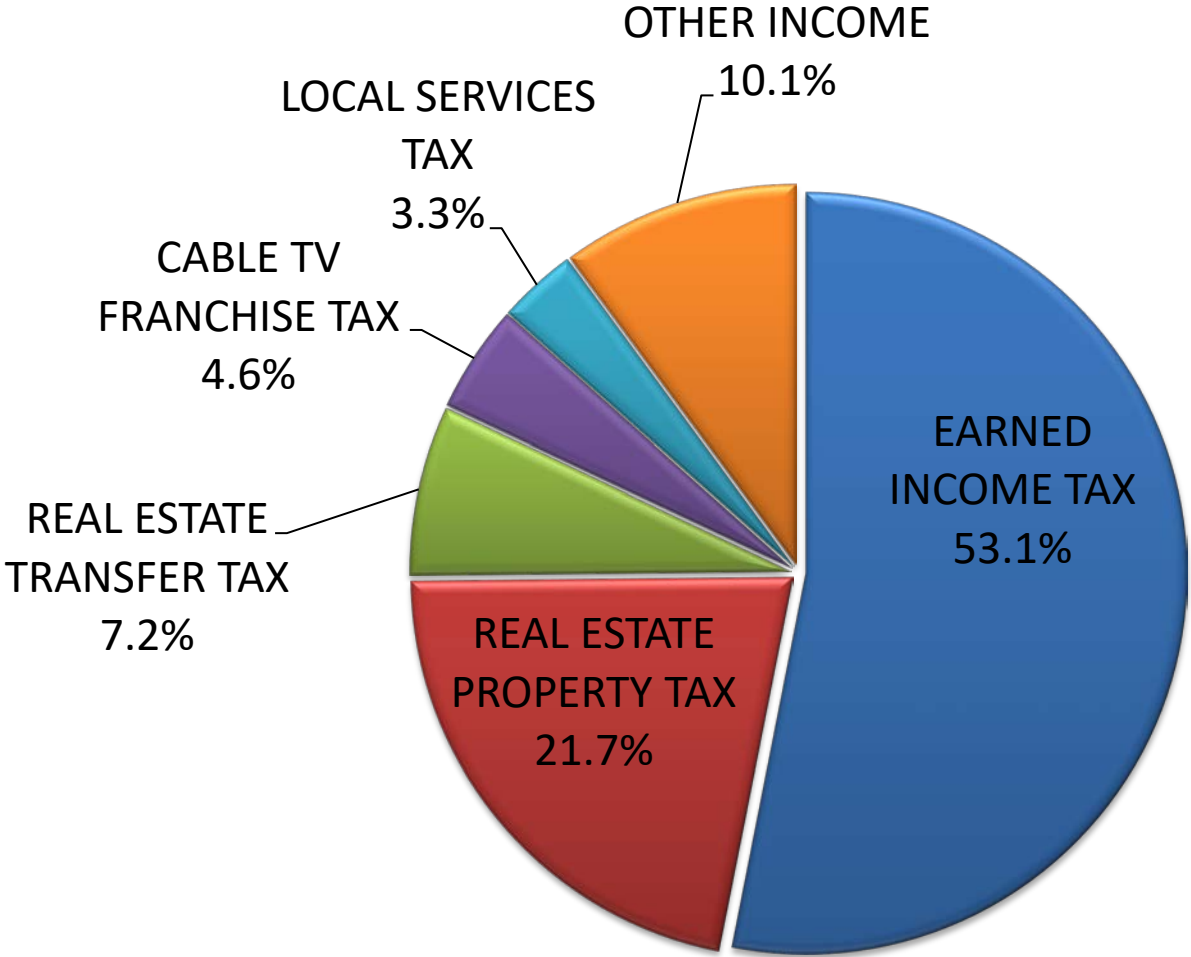
Projected 12/31/20 Fund Balance	\$5,376,988
Projected 12/31/21 Fund Balance (net of transfer from fund balance)	\$4,566,228



2021 Proposed Revenues



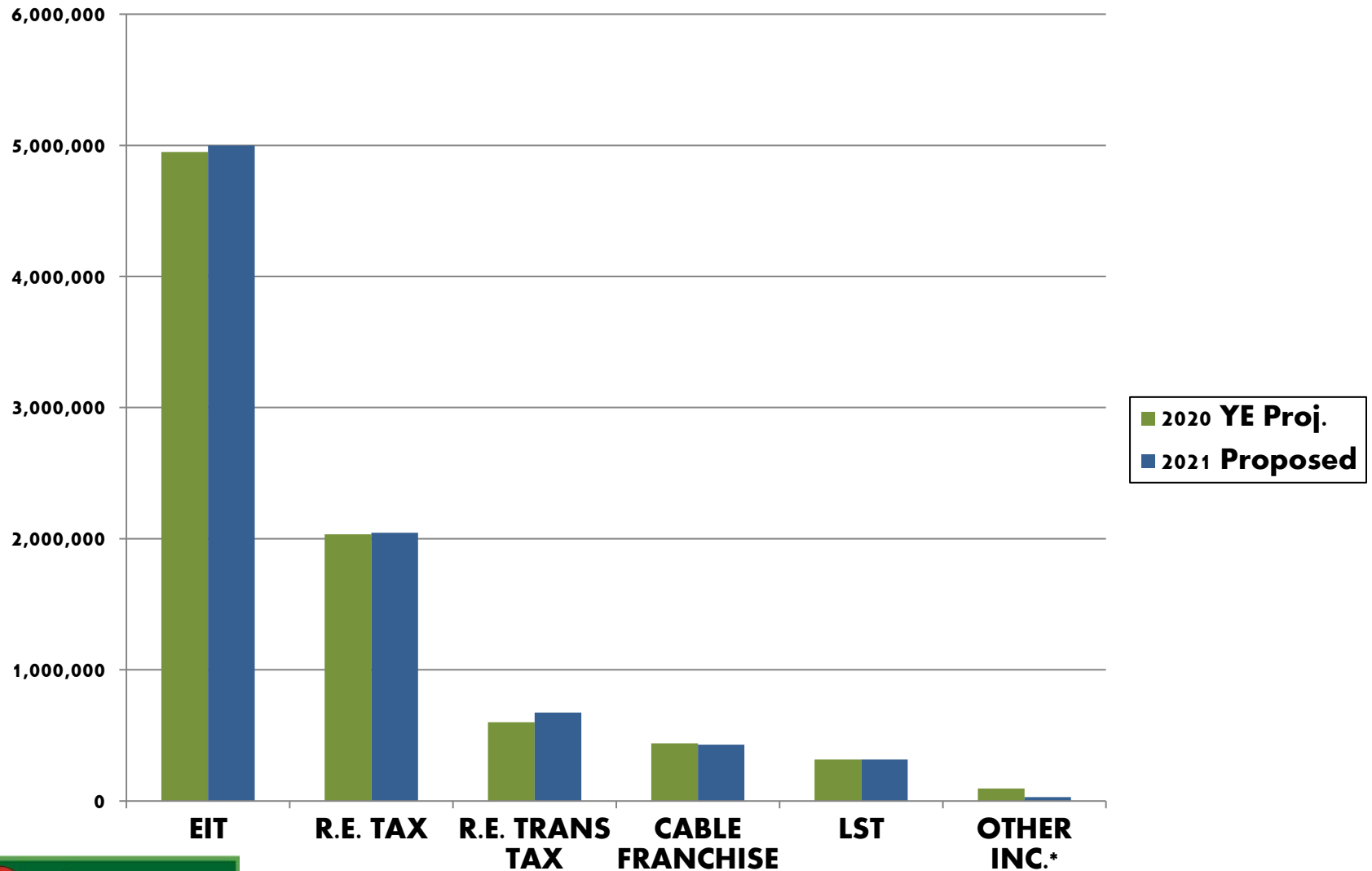
Where the money comes from...



2021 Proposed Revenues



Comparison of 2020 Year-End Projected to 2021 Proposed Revenues



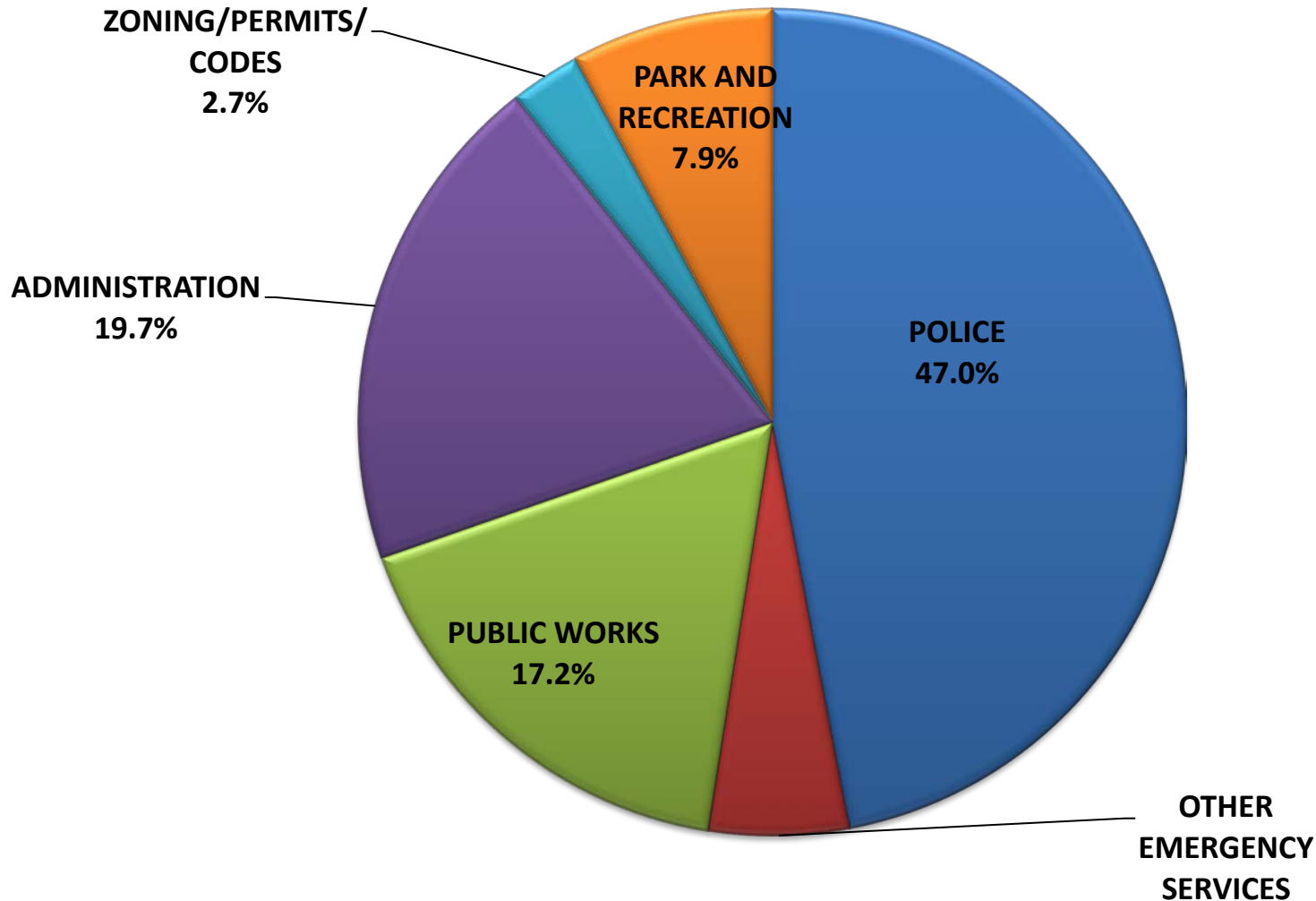
* Other income excludes transfer from fund balance



2021 Proposed Expenses



Where the money goes....



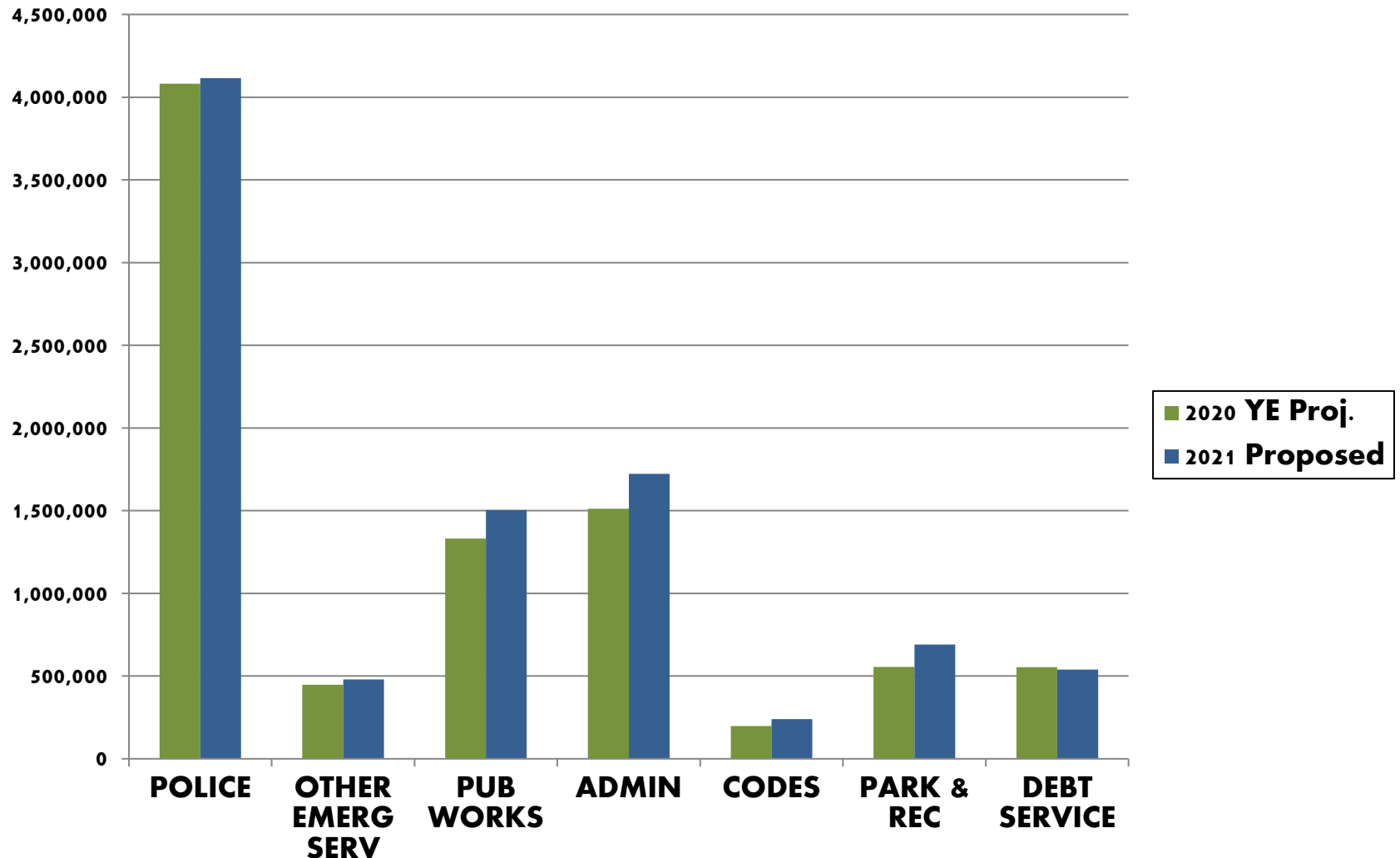
* Excludes debt service



2021 Proposed Expenses



Comparison of 2020 Year-End Projected to 2021 Proposed Expenses



Other Funds Proposed Budgets

- State Liquid Fuels Fund
- Capital Reserve Fund
- Transportation Fund
- Sewer Operating Fund
- Refuse Fund
- Series 2017 Bond Funds (Township & Sewer)
- Municipal Authority
- Sewer Capital Reserve Fund
- Operating Reserve Fund
- Events Fund



STATE LIQUID FUELS FUND

Pennsylvania municipalities receive state funding from the state gasoline tax for the maintenance and repair of streets, roads and bridges. The allocation is based on the number of miles of locally-maintained roads in a municipality and the municipality’s population. Traditionally, East Goshen deposits these state funds into its State Liquid Fuels Fund in late winter and then reimburses the General Fund for eligible maintenance and repair expenses at the end of the year, so that the Liquid Fuels Fund is “zeroed out” by December 31.

- The 2020 Proposed Budget is based on correspondence with PennDOT in September and reflects a 11.1% decrease over the 2020 levels.
- PennDOT forecasts reflect sharp downturn in 2020 fuel tax collections due to COVID
- While we base the budget on PennDOT’s estimate, historically, we have received more than PennDOT’s estimate.

	2020 Adopted	2020 Y/E Projection	2021 Proposed
Starting Fund Balance	\$1,148	\$1,148	\$1,148
Revenues	\$551,604	\$558,940	\$496,668
Expenses	\$551,604	\$558,940	\$496,668
Year-End Fund Balance	\$1,148	\$1,148	\$1,148

CAPITAL RESERVE FUND

East Goshen Township pays for capital assets—generally defined as assets valued over \$5,000 and with a useful life of over 1 year—from the Capital Reserve Fund. This is done so that equipment and other assets can be replaced on a regular cycle without the need to incur debt or raise taxes.

- As outlined on p3, the transfer from General Fund is reduced by \$100,000 to draw down the Capital Reserve Fund Surplus, continuing the 2020 mid-year budget reductions. The “surplus” (i.e. the Capital Reserve fund balance-the accumulated “depreciation” of the Township’s fixed assets) should be about \$600,000 as of 12/31/20.

	2020 Adopted	2020 Y/E Projection	2021 Proposed
Starting Capital Reserve Fund Balance	5,410,535	5,410,535	5,237,456
Revenues	\$2,208,654	3,742,864	\$2,184,959
Expenses	\$3,636,672	3,915,943	\$2,369,872
Year-End Capital Reserve Fund Balance	3,982,517	5,237,456	5,052,543

CAPITAL RESERVE FUND (Continued)

Proposed 2021 Assets

Project/asset	Cost	Category	Useful Life	Replacement or New
Trailers (2; one for \$20,000, other for \$12,000)	\$32,000	Public Works	10	R
Air Jacks	\$6,400	Public Works	10	R
Paving shoulder spreader	\$5,500	Public Works	10	R
Air Compressor	\$7,000	Public Works	10	R
Loader	\$110,000	Public Works	10	R
Forklift	\$15,000	Public Works	10	R
Mowers	\$18,000	Public Works	10	R
Boom Mower	\$90,000	Public Works	10	R
PC replacement	\$8,000	Office	5	R
Large format printer/scanner	\$12,000	Office	10	R
Financial/Permitting System	\$100,000	Office	30	N
Radio Booster	\$31,000	Twp Building	30	N
Total	\$434,900			

Justification for New Assets

- The **radio booster**, a carryover from 2019 and 2020, will ensure that emergency responders can maintain in contact with command and County DES in the event of a police or fire emergency in the Township Building, consistent with the Township ordinance adopted in 2019.
- **Financial/permitting software** needed as existing system is very old, communicates poorly and staff has concerns about on-going support. Existing software not on fixed asset schedule; hence a “new asset”.

TRANSPORTATION FUND

The Transportation Fund consists of developer contributions and transportation “impact fees” as permitted in the Municipal Planning Code. This fund is dedicated to meeting future transportation needs within the Township, such as ensuring adequate transportation infrastructure to meet the demands of a growing community.

	2020 Adopted	2020 Y/E Projection	2021 Proposed
Starting Fund Balance	\$911,724	\$911,724	\$610,336
Revenues	4,000	\$3,093	\$1,000
Expenses	\$185,000	\$304,481	\$165,000
Year-End Fund Balance	\$730,724	\$610,336	\$446,336
<i>Impact Fees</i>	345,443	344,306	345,056
<i>Non-Impact Fees</i>	385,281	266,030	101,280

- \$165,000 for **Boot Road Restriping** to add a NW bound lane without widening existing cartway to ease afternoon congestion approaching Route 202; costs shared 50/50 with West Goshen. Deferral from 2020.

SEWER OPERATING FUND

The Sewer Operating Fund pays for the operation of the Township’s sanitary sewer system and is funded by fees imposed on users of the sewer system. This fund is entirely segregated from the General Fund to ensure that residents with septic systems do not subsidize those on public sewer. The sewer rate consists of a \$9.13/thousand gallon variable rate and a \$32.41/quarter fixed rate. Sewer rates are amended by the Board of Supervisors every year in April, based on winter water consumption and the revenue requirements of sewer operations.

	2020 Adopted	2020 Y/E Projection	2021 Proposed
Starting Fund Balance	\$976,435	\$976,435	\$1,149,772
Revenues	\$3,735,274	\$3,659,125	\$3,820,817
Expenses	\$3,735,274	\$3,485,788	\$3,820,817
Year-End Fund Balance	\$976,435	\$1,149,772	\$1,149,772

See explanations on next page.

SEWER OPERATING FUND (Cont.)

- Overall, proposed **Sewer Fund up \$335,029 (+9.6%) over 2020 year-end projection, but up only 2.3% over the 2020 Adopted Budget due to a number of deferred capital projects**
- No large increases for West Goshen STP O&M anticipated; however, moving forward miscellaneous West Goshen capital costs (i.e. everything except Westtown Way Pump Station) will be borne by the Sewer Operating Fund-- **\$101,590 budgeted for 2021 WGSA capital—detail on next page.**
- The **Transfer to Municipal Authority** line item (\$279,915), reflecting that all capital costs will be paid directly by the Municipal Authority, and would then be reimbursed by the Sewer Operating Fund (for new assets and administrative costs) include:
 - **Caustic Soda Project** (\$37,020, net of DCED grant) to improve worker safety and efficiency at the plant. Currently, caustic soda is manually poured into tanks.
 - **Relining brick manholes and asbestos cement sewer lines** (\$130,000) was identified six years ago as a long term maintenance priority for pre-mid-1970s sewer assets, which are at the end of their useful life. The plan calls for Supplee Valley in 2021.
 - \$5,000 for **Hunt Country Pump Station Bypass Pump** (carryover from 2019 & 2020).
 - Engineering, Legal and Administrative MA expenses of \$108,460.

SEWER OPERATING FUND (Cont.)

West Goshen Sewer Authority Capital Expenses—East Goshen Share

Project	Sewer Operating Expense	Bond Fund/Other (see p28)
Misc. Capital Improvements	\$12,503	
Priority A Interceptor Rehab	\$28,509	
UV Control Upgrade	\$15,003	
Clarifier Drive Replacement & Rehab	\$22,505	
Screw Pump Replacement	\$4,168	
Sludge/Raw Pump	\$6,668	
TMDL Litigation	\$2,834	
Aeration Basin Improvements	\$9,400	
Westtown Way Pump Station		\$1,866,866
Total	\$101,590	\$1,866,866

REFUSE FUND

The Refuse Fund pays for the collection and disposal of household solid waste and recycling and is funded by a user fee on all single-family residences. The current rate is \$75/quarter.

- The current refuse contract will expire at the end of 2021, and the Board will need to provide guidance on service levels for a new contract in mid-2021.

	2020 Adopted	2020 Y/E Projection	2021 Proposed
Starting Fund Balance	\$629,194	\$629,194	\$547,894
Revenues	\$1,058,998	\$1,053,098	\$1,052,198
Expenses	\$1,136,729	\$1,134,398	\$1,150,085
Year-End Fund Balance	\$551,463	\$547,894	\$450,007

REFUSE FUND (cont.)—Rate Comparison

Municipality	Rate per quarter
West Goshen	\$85
Westtown	\$80
East Goshen	\$75
Uwchlan	\$67
East Bradford	\$64.90
West Chester	Pay as you throw, \$3/bag
West Whiteland	Pay as you throw, \$2.50/bag, plus flat annual \$49 fee

BOND FUND

The Bond Fund consists of proceeds from the Township's \$8.1 million Series 2017 General Obligation Bonds. Proceeds are being used for capital costs related to the Paoli Pike Trail, improvements in the Park, the breaching and subsequent improvements to the Milltown and Hershey's Mill dams, and East Goshen's share of improvements at West Goshen's Sewage Treatment Plant. Debt service on the bonds is paid out of the General Fund, with the exception of the portion of the bonds reserved for the West Goshen Sewage Treatment Plant, which is paid from the Sewer Fund.

	2020 Adopted	2019 Y/E Projection	2020 Proposed
Starting Fund Balance	\$3,715,640	\$3,715,640	\$2,803,131
Revenues	\$50,000	\$21,941	\$3,000
Expenses	\$2,374,901	\$934,400	\$2,622,429
Year-End Fund Balance	\$1,390,739	\$2,803,181	\$183,752
<i>General Fund Share</i>	<i>\$625,023</i>	<i>\$2,009,262</i>	<i>\$183,752</i>
<i>Sewer Fund Share</i>	<i>\$765,716</i>	<i>\$793,919</i>	<i>\$0</i>

BOND FUND (Cont.)—General Fund Portion, Budget to Actual & Projected Surplus

Project	Original Budgeted Cost	Total projected interest allocable	Original Budget Adjusted for Interest Income	Current Actual as of 9/30/20	Future Projected Bond Fund Expenditure	Total Projected Spend Actual +Projected	Surplus/ (Deficit)
Paoli Pike Trail Misc Costs (e.g. surveying; ROW)	67,293	2,328	69,621	668,077	165,100	833,177	(763,556)
Segment A-B	922,161	31,907	954,068	488,217	102,253	590,471	363,597
Segment C-E	1,147,666	39,710	1,187,376	666,466	71,012	737,478	449,898
Segment F-G as net cost reimbursement	-	-	-	-	130,326	130,326	(130,326)
Park Playground	189,035	6,541	195,576	276,736	-	276,736	(81,160)
Misc. Park Improvements	79,175	2,740	81,915	47,566	-	47,566	34,349
Milltown Dam	1,903,462	65,861	1,969,323	428,068	1,295,005	1,723,073	246,250
Hershey's Mill Dam	938,298	32,466	970,764	370,059	536,005	1,021,927	64,700
Total General Fund	5,247,090	181,553	5,428,643	2,945,190	2,299,701	5,244,891	183,752



On the General Fund side, there is a forecast surplus of \$183,752 in the Bond Fund. This figure will be revised upon opening the bids for Milltown Dam in 2021

BOND FUND (Cont.)

Sewer Portion of Bond Fund	Original Budgeted Cost	Total projected interest allocable	Original Budget Adjusted for Interest Income	Projected Actual as of 12/31/20	Future Projected Bond Fund Expenditure	Total Projected Spend Actual +Projected	Surplus/ (Deficit)
Improvements to West Goshen STP	2,850,315	132,316	2,982,631	2,188,712	1,866,866	4,055,578	(1,072,947)

- While the General Fund portion of the Bond Fund is projected to have a small surplus, the Sewer Fund portion is projected to run a \$1.07 million deficit on account of substantial cost under-estimates by the West Goshen sewer engineer for the WWTP Phase 2 Project (Comag & Dewatering), which was awarded in 2019, and the Westtown Way Pump Station upgrade, which will be awarded in early 2021.
- East Goshen has a number of options to address this shortfall, including:
 - Borrowing from the Sewer Capital Reserve at 0% (or near 0% interest) and gradually replenishing the fund over 10 years from sewer rates, which would add about \$4.25 per quarter to the average sewer bill; at 20 years, this figure would be less than \$2.50 per quarter.
 - Securing a bank loan. Given the current near 0% interest rates—this is an attractive option, although there would be some closing costs (e.g. Bond counsel)
 - At the July 2022 call date for the 2017 bonds, we could refinance the existing bonds, to take advantage of lower rates (AAA munis are yielding 1.4% for 20 years now, compared to 2.71% in July 2017) to pull out additional funds to cover the shortfall.

MUNICIPAL AUTHORITY

The Municipal Authority, which is a legally separate entity from the Township, is responsible for financing the construction, expansion and upgrade of the Township's sewage collection and treatment infrastructure. Beginning in 2019, all sewer capital purchases are made through the Municipal Authority, with transfers from the Sewer Operating Fund for both general operating costs and new capital assets and the Sewer Capital Reserve for replacement capital assets. Previously, only the MA's operating costs and selected capital expenses were borne by the Municipal Authority.

	2020 Adopted	2020 Y/E Projection	2021 Proposed
Starting Fund Balance	\$24,873	\$24,873	\$24,872
Revenues	\$597,000	\$351,059	\$555,460
Expenses	\$597,000	\$351,059	\$555,460
Year-End Fund Balance	\$24,873	\$24,872	\$24,872

MUNICIPAL AUTHORITY (cont.)

2021 MA Budget highlights include:

- **\$122,000 as a Transfer from the Sewer Capital Reserve Fund** (Replacement assets) for the following expenses:

\$15,000 for Hunt Country Pump Station Mag Meter replacement (deferral)

\$67,000 Hunt County Muffin Monster replacement (deferral)

\$22,000 RCSTP Flow Meter

+\$18,000 RCSTP Filter Feed Pump (deferral)

=\$122,000

- **\$279,915 as Transfer from the Sewer Operating Fund (New Assets & Administrative Expenses)** for the following expenses:

\$37,020, net of \$152,980 DCED Grant, for Caustic Soda Project to improve worker safety and efficiency at the plant. Currently, caustic soda is manually poured into tanks.

\$130,000 for relining AC sewer lines and brick manholes in Supplee Valley

\$5,000 for **Hunt Country Pump Station Bypass Pump** (carryover from 2019 and 2020)

+\$108,460 for the net Engineering, Legal and Administrative expenses

-\$565 in misc MA revenues

=\$279,915



November 10, 2020



SEWER CAPITAL RESERVE FUND

The Sewer Capital Reserve Fund was created to ensure that the Municipal Authority can replace the Authority’s four pump station and pumps, filters and other miscellaneous equipment at the Ridley Creek Sewer Treatment Plant without incurring debt or raising sewer rates. It is funded at a level that the Authority has sufficient reserves to cover the accumulated depreciation of sewer assets, with the exception of the physical plant and most of the sewer lines in the Township.

Beginning in 2019, the Sewer Capital Reserve Fund does not directly pay invoices, but reimburses the Municipal Authority for replacement capital costs incurred through the new **Transfer to Municipal Authority** line item. Note that, importantly, the Sewer Capital Reserve Fund is owned and controlled by the Township, not the MA.

	2020 Adopted	2020 Y/E Projection	2021 Proposed
Starting Fund Balance	\$2,337,788	\$2,337,788	\$2,257,788
Revenues	\$195,000	\$197,000	\$164,516
Expenses	\$277,000	\$277,000	\$122,000
Year-End Fund Balance	\$2,255,788	\$2,257,788	\$2,300,304

SEWER CAPITAL RESERVE FUND (cont.)

For 2021, the following transfers to the Municipal Authority are proposed for replacement capital assets:

\$15,000 for Hunt Country Pump Station Mag Meter replacement (deferral)

\$67,000 Hunt County Muffin Monster replacement (deferral)

\$22,000 RCSTP Flow Meter

+\$18,000 RCSTP Filter Feed Pump (deferral)

=\$122,000 Transfer to Municipal Authority

OPERATING RESERVE FUND

The Second Class Township Code authorizes municipalities to set aside up to 25% of their estimated general fund revenues into an operating reserve fund. East Goshen established an operating reserve fund in 2013.

	2020 Adopted	2020 Y/E Projection	2021 Proposed
Starting Fund Balance	\$2,596,124	\$2,596,124	\$2,630,817
Revenues	\$40,000	\$34,693	\$5,262
Expenses	\$0	\$0	\$0
Year-End Fund Balance	\$2,636,124	\$2,630,817	\$2,636,079