

**OFFICIALS:**

RON STROUSE, Mayor
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Borough of Doylestown
2019 Preliminary Budget

November 19, 2018

BUDGET PROCESS

Doylestown Borough's fiscal year coincides with the calendar year, beginning January 1 and ending December 31, per §1301 of the Borough Code.

The annual Borough budget is developed and analyzed throughout the fiscal year. In many cases, three fiscal-year budgets are being worked on in one fiscal year: closing out the previous year's budget, analyzing and working through the current year's budget, and developing the next year's budget. At the same time, Borough Council and staff continue to monitor the rolling 5-year Capital budget and make additions or deletions as warranted.

The process begins with a comparison of the current budget to actual revenues and expenditures. We are able to learn from any discrepancies and incorporate that knowledge into the proposed budget. We also evaluate current operations and staffing to see if adjustments are needed.

Starting in August, meetings are held with department heads to receive their input and needs for the coming fiscal year. The direction given to department heads is to present what they feel their department needs and estimated costs using the 5-year Capital budget as a starting point. Additional Capital budget requests are also submitted and reviewed. The capital items are then submitted the each Council committee for approval at each committee meeting in September.

Police protection for Doylestown Borough is provided by the Central Bucks Regional Police Department that serves Doylestown, New Britain and Chalfont Boroughs. The Department was formed in 2014 by Doylestown and New Britain Boroughs, with Chalfont Borough joining in 2016. Percentage share contributions from each municipality are reviewed annually and are based on road miles, three-year average call volume, three-year year average crimes and population. Each municipality appoints elected officials to serve on the Police Commission which is responsible for preparing and submitting the police department budget to each municipality annually by September 1. The Boroughs will either accept or reject the budget at that time. If rejected, the Commission must make adjustments and resubmit a budget to the Boroughs by November 1.

After this process, a first draft of the budget is assembled. Once the first draft is ready, and revenue and expenditure numbers solidify, the Borough Manager then makes decisions on what to recommend to the Borough Council. The analysis takes into account the priority of budget requests, impact to the community, and potential tax implications. After the analysis is complete, the Borough Manager finalizes the proposed budget and transmits it to Borough Council. The first budget worksession is held in early October, and is Council's first review of the entire budget and capital requests for all departments.

A second budget worksession is held in early November. Through this process, Council will work with the Manager to understand the proposal and ensure it meets the needs of the community. Council may amend the proposal as they deem fit. When Borough Council is comfortable with the budget, they will formally propose the budget in November and advertise it according to §1308 of the Borough Code.

After Council proposes and advertises a budget, and the required time has passed, they may make final amendments if desired and then adopt the budget no later than December 31. In conjunction with adoption of the budget, Borough Council will establish millage rates and fees for the coming year.

2019 Budget Calendar

Submission of Capital and Operating Budgets by Department Heads to Borough Manager	July - August, 2018
Manager Review	August 14 – September 1, 2018
Council Committee reviews	September, 2018
Central Bucks Regional PD Budget Due	September 1, 2018
First Budget Worksession	October 11, 2018
Budget Changes/Amendments	October 12 – November 2, 2018
Central Bucks Regional PD Amended Budget Due	November 1, 2018
Second Budget Worksession	November 8, 2018
Adoption of Preliminary 2019 Budget	November 19, 2018
Proposed Budget Advertised for Public Inspection	December 2, 2018
Adoption of 2019 Budget and Tax Ordinance	December 17, 2018

EXECUTIVE SUMMARY

Doylestown Borough's General Fund tax millage will change in 2019 for the first time since 0.81 and 0.50 mill reductions in 2016 and 2014, respectively. The 2 mill increase in the Preliminary Budget is the first increase in the General Fund tax rate since 2013. In addition, 0.50 mills will be transferred from the Road Tax Fund to the General Fund.

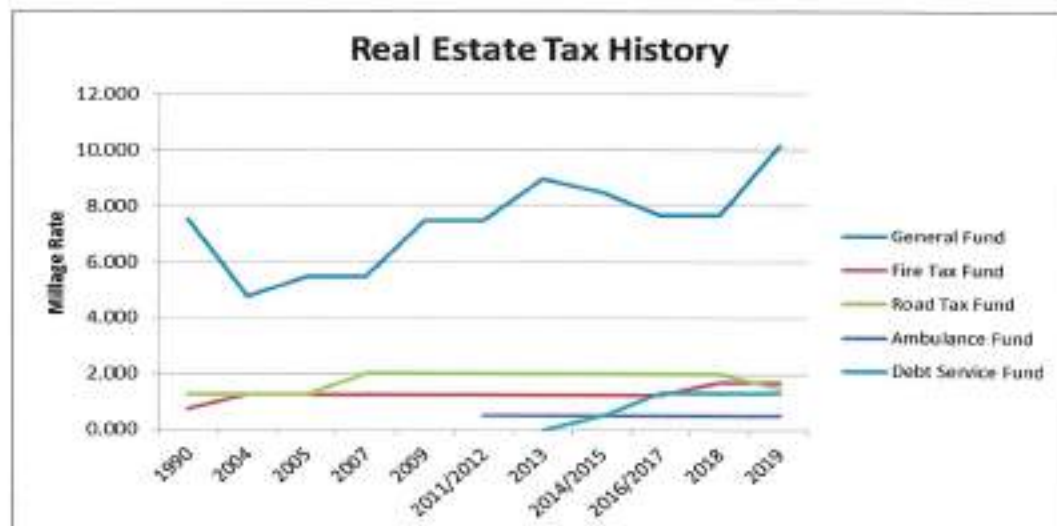
In addition to the Road Tax reduction, the Preliminary Budget holds the line on Fire, Ambulance, and Debt Service Fund taxes.

Since 2014, the Borough's General Fund has run operating budget deficits ranging from \$71,000 to \$153,000 in three of four years. This year's initial operating deficit of \$388,192 was of an amount no longer sustainable, requiring additional revenue and cuts in expenditures.

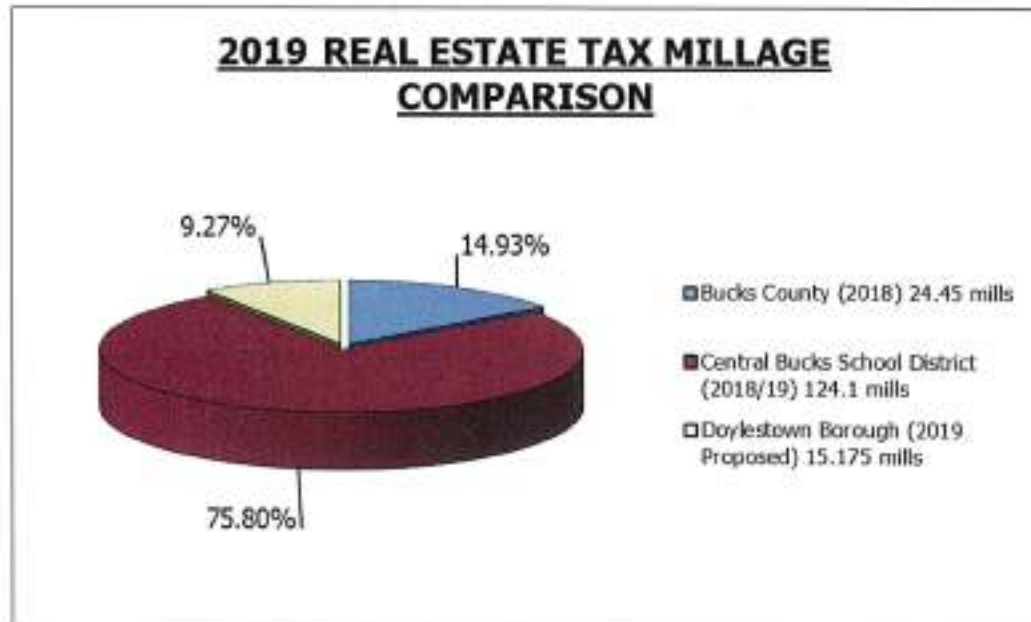
Contributing to the expanding deficit was a 35% increase in the Borough's required contribution to the Central Bucks Regional Police Pension Plan totaling \$52,547, and an \$89,500 combined reduction in parking fine and meter feeding revenue resulting from the successful installation of new "smart" parking meters. Primarily, however, the deficit is a result of the cumulative effect of increased costs and tax reductions since 2013.

The average homeowner will pay \$434.01 in total Borough Real Estate taxes in 2019, an increase of \$57.20 from 2018.

Average Residential Assessment		\$28,600
Dollar Cost of 1 mill of Borough Tax		\$28.60
2019 Total Borough Property Tax for the Average Homeowner:		
\$28.60 per mill x 15.175 total mills of tax	=	\$434.01 per year
General Purposes Tax 10.165 mills (66.9%)	=	\$290.72 per year
Fire Protection 1.70 mills (11.2%)	=	\$ 48.62 per year
Special Road Fund Tax 1.50 mills (9.8%)	=	\$ 42.90 per year
Ambulance & Rescue 0.50 mills (3.3%)	=	\$ 14.30 per year
Debt Service Fund 1.31 mills (8.6%)	=	\$ 37.47 per year



The Doylestown Borough Real Estate Tax continues to be the smallest portion of a Borough homeowner's overall Real Estate Tax bill, accounting for 9.27% of the total taxes paid.



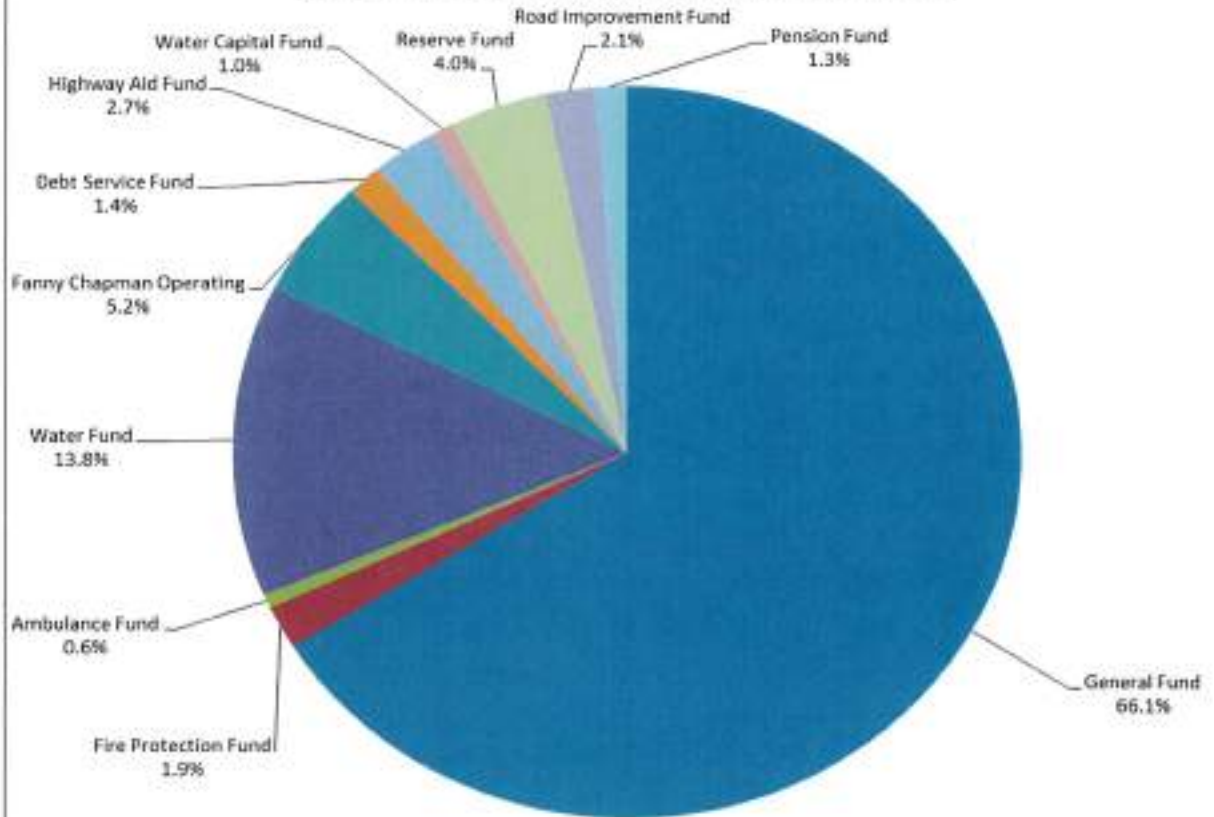
Borough water rates will rank as second lowest in the region in 2019, despite a rate increase.

Borough Council continues to make judicious use of its Reserve Fund in 2019, using it to fund much needed capital projects and equipment purchases without the use of tax revenue despite a challenging investment market. In addition, a new Capital Fund dedicated specifically to the water system will be created in 2019. The Borough's overall 2019 Capital Expenditures will be well below historical averages.

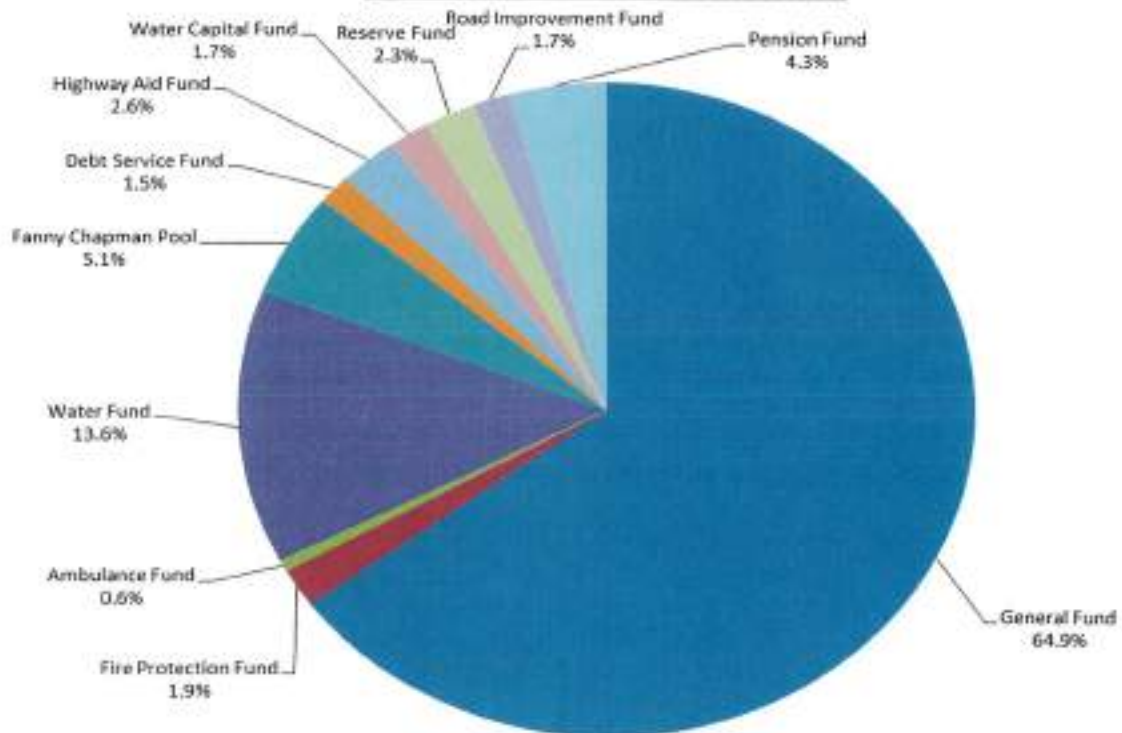
The forecasted total beginning fund balance (all funds) for 2019 is \$9,865,601. A total of \$10,013,584 in revenues is anticipated with \$9,810,327 proposed in expenditures over all eleven funds, leaving a fund balance of \$10,068,858. The breakdown of revenues and expenditures is listed below:

TAX MILLAGE	FUND	BEGINNING BALANCE	2019 REVENUES	2019 APPROPRIATION	ENDING BALANCE
10.165	General Fund	\$ 458,560	\$ 6,496,737	\$ (6,484,926)	\$ 470,371
0	Water Fund	188,171	1,357,400	(1,351,652)	193,919
0	Water Capital	18,313	174,700	(94,000)	99,013
0	Reserve Fund	4,875,520	225,755	(392,850)	4,708,425
1.700	Fire Protection Fund	100	190,100	(190,100)	100
0.500	Ambulance Squad Fund	-	55,900	(55,900)	-
0	Fanny Chapman Pool Fund	100,000	511,100	(511,100)	100,000
1.310	Debt Service Fund	20,933	145,985	(141,473)	25,445
0	Highway Aid Fund	216	260,992	(260,000)	1,208
1.500	Road Improvement Fund	39,520	167,500	(203,700)	3,320
0	Non Uniform Pension Fund	4,164,268	427,415	(124,626)	4,467,057
15.175	TOTAL:	\$ 9,865,601	\$ 10,013,584	\$ (9,810,327)	\$ 10,068,858

2019 APPROPRIATIONS BY FUND



2019 REVENUE BY FUND



GENERAL FUND BUDGET

The **General Fund** is the Borough's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General fund includes appropriations for administration and finance, planning and zoning, code enforcement, public works, parking, parks and recreation, community development, and employee benefits and insurance.

Primary revenue sources for the General Fund are Real Property Taxes, Act 511 taxes (Earned Income, Local Services and Real Estate Transfer taxes), Licenses & Permit fees, Meter Fines and Fees, and State Shared Entitlements and charges. Other sources of revenue in the General Fund include cable TV franchise fees, cell tower rental revenue, and interfund transfers.

The 2019 Budget maintains all services at current levels and includes no increases to staffing levels. This will allow the Borough to continue the high level of service expected by our residents.

Police services will continue to be provided by the Central Bucks Regional Police Department, which serves Doylestown, New Britain and Chalfont Boroughs. The largest expenditure in the General Fund is the Borough's contribution to the Regional Police Department, representing 49.3% of all General Fund expenditures. This year's police department budget increased by 5.1% from the 2018 budget, primarily due to \$52,547 in increased obligations to the Police Pension Fund.

WATER FUND BUDGET

Residents and businesses of the Borough receive water service from Doylestown Borough. The Borough has five supply wells and two water storage standpipes located at Spruce Street (1-million gallon capacity) and South Chubb Drive (500,000 gallon capacity). Billing is quarterly, and the rates are reviewed and set annually.

Borough 2019 water rates will rank as the second lowest in the region when compared to 2018 rates, despite a rate increase. The average residential customer's quarterly bill will increase by \$5.07 to \$51.08. The rate increase is necessary to address an operating budget deficit resulting primarily from decreased water usage and an increase in state agency fees paid by the Borough.

2019 will also see the creation of the Doylestown Borough water system's first dedicated Capital Fund. Comprised initially of one-time water tapping fees, the new fund is anticipated to provide for the Water Department's capital and emergency expenses. The creation of this fund will also eliminate the subsidy the water budget has received from the Borough's Reserve Fund since 2000, a necessary step in preserving the Reserve Fund.

2019 Water Fund Capital expenditures total just \$94,000, below the historic 19-year average of \$106,500.

Quarterly Base Charge Per Meter Size

Meter Size	2018 Base Charge	2019 Base Charge
<1.5" meter	\$ 21.88	\$ 24.29
1.5" meter	\$ 23.00	\$ 25.53
2" meter	\$ 25.22	\$ 28.00
3" meter	\$ 26.33	\$ 29.23
4" meter	\$ 27.45	\$ 30.47

Quarterly Usage Charges

CONSUMPTION	CHARGES - 2018	CHARGES - 2019
0-3,000 gallons	Base Charge	Base Charge
3,001-20,000 gallons	\$3.26/1,000 gal	\$3.62/1,000 gal
20,001 gallons & up	\$4.06/1,000 gal	\$4.51/1,000 gal

WATER RATE COMPARISON

MUNICIPALITY	MINIMUM CONSUMPTION	QTRLY BASE CHARGE	OVERAGE CHARGE	AVG QTRLY BILL (10,400 gallons)	CURRENT RANK
Montgomery Twp. (North Wales Water Auth)	None	\$12.00	\$3.60/1,000	\$49.44	1
Doylestown Borough 2019 RATES	3,000 gallons	\$24.29	\$3.62/1,000 for 3,000-20,000 \$4.51/1,000 over 20,000	\$51.08	2
Horsham Twp (Horsham Twp Water Authority)	None	\$5.25	\$3.19/1,000 to 10,000 \$5.52/1,000 over 10,000 \$1.73/1,000 capacity rental	\$57.36	3
Hilltown Township	None	\$21.00	\$3.72/1,000 to 24,000 \$4.43/1,000 over 24,000	\$59.69	4
Dublin Borough	None	\$25.00	\$3.70/1,000	\$63.48	5
Warrington Township	None	\$15.00	\$4.71/1,000	\$63.99	6
Warwick Township	None	\$25.88	\$3.89/1,000 to 40,000 \$5.82/1,000 over 40,000	\$66.34	7
Quakertown Borough	3,000 gallons	\$13.31/MO	\$4.43/1,000 over 3,000	\$72.72	8
Newtown Borough (Newtown Artesian Water)	None	\$19.38	\$5.394/1,000	\$75.48	9
New Hope Borough (BCWSA)	None	\$10.71/MO	\$2.57/1,000 over 3,000	\$76.85	10
Buckingham Township	3,000 gallons	\$15.45	\$2.57/1,000 over 3,000 +\$45 fixed Capital Reserve Fee	\$79.47	11
Doylestown Township	None	\$20.00	\$5.85/1,000	\$80.84	12
Chalfont Borough	None	\$15.00	\$7.10/1,000	\$88.84	13
Perkasie Borough	None	\$69.50	\$3.65/1,000 to 15,000 \$6.30/1,000 over 15,000	\$107.46	14

*All other municipalities are 2018 rates

RESERVE FUND

The **Capital Projects/Reserve Fund** was created in the early 1990's to provide for emergency expenditures. In 1994, the Borough sold its sanitary sewer system to Bucks County Water and Sewer Authority. Approximately \$7 million of the sale proceeds were deposited to this fund to be used for capital improvements and equipment purchases.

In 2019, the Borough's General Fund Capital Budget will once again be fully funded by the Reserve Fund. Since its creation, \$11.2 million in revenue generated by the fund has been used to support the Borough's budget. This support is equivalent to 100.4 mills (4.1 mills per year).

The Borough will expend only \$313,450 for capital improvements in 2019, significantly below the \$447,000 historic average. The largest expenditure is \$150,000 for a used paver to replace the current outdated model.

OTHER FUNDS

Fire Protection Fund

The Borough levies a 1.7 mill real estate tax dedicated to fire protection services provided by Doylestown Fire Company #1, which will not increase in 2019. For 2019, it is estimated that \$190,100 in real estate taxes and interest will be collected and disbursed to the Fire Company. These receipts are disbursed quarterly to the Fire Company.

Ambulance Squad Fund

The Borough levies a 0.50 mill real estate tax dedicated to ambulance and rescue squad services provided by Central Bucks EMS, which will not increase in 2019. For 2019, it is estimated that \$55,900 in real estate taxes and interest will be collected and disbursed to the Ambulance Squad. These receipts are disbursed quarterly to the Ambulance Squad.

Fanny Chapman Pool Fund

The **Fanny Chapman Pool Fund** is used to account for the financial activity of the Borough's community swimming pool. The Fanny Chapman Pool complex has five pools and operates from Memorial Day to Labor Day. It is overseen by an appointed Board of Managers who has the authority, subject to the approval of Borough Council, to employ and discharge personnel, fix the salaries of employees, establish membership fees, enforce rules and regulations and purchase supplies to maintain the grounds, buildings and equipment of the pool.

There is no increase to their membership fees for 2019. The budgeted expenditures are \$511,100, or \$22,150 (4.1%) lower than 2018 budget. This is primarily due to a smaller capital budget as major facility improvements have been completed.

Debt Service Fund

The **Debt Service Fund** accounts for debt obligations on outstanding bonds and notes. The Borough currently has \$2.5 million in outstanding bonds and notes. Principal payments are approximately \$186,000 each year through 2030. These payments drop to \$89,000 in 2031. The Bonds have an average interest rate of 2.25%.

The current tax levy of 1.31 mills will not increase in 2019 and generates approximately \$146,000 toward debt service principal and interest payments for the general fund, and is sufficient to fund required debt service payments for the term of the issue. The levy was created without the imposition of new taxes, but rather through the reallocation of millage previously dedicated to the General Fund. The remaining principal and interest payments are funded by the Borough's Proprietary Funds (Water & Fanny Chapman Pool funds), and represent their portion of the improvements to their facilities by the bond & note proceeds.

The Borough of Doylestown maintains an AA rating from Kroll Bond Rating Agency, with a *Stable Outlook*.

Highway Aid Fund

The **Highway Aid Fund** accounts for the Borough's share of liquid fuels tax dollars provided by the Commonwealth of Pennsylvania for maintenance of local roadways. The Commonwealth generates funds through a tax on motor fuels. Municipalities receive a percentage of the total collected by the Commonwealth and PennDOT uses the remaining funds to maintain state owned roadways. A formula using population and qualifying road mileage determines the Borough's share. It is estimated that the Borough will receive \$254,000 in 2019.

The Borough also receives \$5,360 each year through a road take-back program, contracting with PennDOT to plow snow on state-owned roads.

These funds are used to reimburse the General Fund for costs associated with winter maintenance services, traffic control devices and street lighting.

Road Reconstruction Fund

The Borough will levy a 1.5 mill real estate tax dedicated to road repairs, reconstruction and paving, a 0.5 mill decrease from prior years. These services are provided primarily by the Doylestown Borough Public Works Department at significant savings to Borough taxpayers. The tax levy will generate approximately \$167,000. Since 2005, approximately 23.5 miles of roads of the total 26.2 road miles in Doylestown have been paved using these tax dollars. This long-term investment in the Borough's streets, along with recently purchased equipment and a focus on extending the life of paved streets, have allowed the Borough to reduce the Road Tax in 2019, while maintaining a high standard of street conditions.

Roads scheduled for paving/reconstruction in 2019 include:

- Green St. (Hillendale to Homestead)
- Kershaw Ave. (Chubb to Miller)
- Cottage St. (Maple to Linden)
- Lacey Ave. (East to parking lot)
- S. Clinton St. (State to Hart)
- Miller Ave. (McLaughlin to Kershaw)
- Belmont Ct. (Belmont Cir. To Court)

Pension Fund

The **Non-Uniformed Pension Fund** is a trust fund that provides monthly defined-benefit pensions to retired employees. An ordinance adopted by Borough Council governs the administration of the plan, and the Council Finance & Pension Committee review investment performance and recommend investment strategies. The committee meets quarterly with the Borough's investment advisor – Univest Municipal Pension Services.

The pension fund consists of a mixed bond and equities portfolio with asset allocations according to an Investment Policy Statement adopted by Borough Council. The Borough's actuary calculates annual required contributions for each plan (Minimum Municipal Obligation) to fund future retirement benefits.

The plan will have assets of approximately \$4.04 million at year-end.

The required Borough contribution to maintain the actuarial soundness of the plan in 2019 is \$125,506. It is anticipated that the Borough will receive an equal amount in State Aid to offset the contribution.

The Non-Uniformed Pension Plan has a 92.28% funding ratio as of the 1/1/2017 Actuarial Valuation. The ratio represents the difference between plan assets and plan liabilities. This funding ratio is an acceptable level, and has been given a Distress Level Code of "0" by the Commonwealth of Pennsylvania, Public Employees Retirement Commission.

Respectfully Submitted,



John Davis
Borough Manager