

BOROUGH OF FOREST HILLS

2016 BUDGET

Approved: December 16, 2015

2016 BUDGET MESSAGE

2016 Budget

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Budget Message Note

This document incorporates the memo distributed to borough council via the finance committee with the first draft of the 2016 budget in October 2015. Consequently, information contained here may not fully reflect the final budget and the statistical information contained in this booklet since council approves a final budget in December. Where possible, I have updated text information for this booklet. However, much of the content refers to that first draft and is unchanged. The budget itself and all information that follows this budget message are final as approved by council in December. I provided a brief update via memo to council in November/December 2015 at the finance committee meetings and incorporated that memo near the end of this message to serve as an update.

INTRODUCTION

I am pleased to present this first draft of the 2016 budget to council as part of the October 13, 2015 finance committee meeting. The budget presented tonight under draft 1 is balanced without a tax increase although certain fees may be altered to meet related costs. Thanks to the staff for their work in assuring that the budget could be presented on time and without an increase in taxes.

Included with this information are projections for the corrective action budget, road improvement budget, fire services fee budget, and liquid fuels budget (Road and Fire budgets were discussed previously under Public Works committee and Public Safety committee respectively).

The Capital Improvements Plan as you know is handled separately and is not fully addressed here. As the budget preparation process continues, capital projects must be moved or altered to accommodate the expected revenue for the fund.

This memo coupled with previous information called the “council committee perspective” and subsequent written information presented during future committee meetings are part of my budget message for 2016 and will be incorporated into the final document. In addition, the statistics section of the current budget document will be helpful in understanding projections made for the 2016 budget as well as the overall operation of the borough. These statistics will be updated and included in the 2016 budget booklet.

It should be noted that Accufund replaced our old accounting system (Fundware) beginning in 2015. We continue to learn the new system which may affect how some line items appear in the 2016 budget as noted below.

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Executive Summary – 2016 General Fund & Other Budgets

There are several key items you should be aware of as you review the first draft of the budget. Detail is provided in sections following this executive summary. This budget includes total revenues and expenditures at \$5,758,255. This represents a 1.1% increase compared with the 2015 budget and is due to anticipated increased revenues in several categories described in detail here.

The statistics section of the current budget booklet should be reviewed when considering the 2016 budget. These will be updated and some charts placed with this budget message when the final booklet is published.

Budgets for other funds as follows:

Road Improvement	\$310,100 (\$260,000 estimate for actual paving/resurfacing work)
Liquid Fuels	\$167,030
Fire Services Fee	\$210,100
Corrective Action	(to be determined after review by engineer but estimated to be \$2,000,000)

Factors that influenced this balanced budget are outlined below. Note that the budget shows some line items that have no dollar figure for 2016 but that remain here as we adjust to the new accounting software installed for this year. In some cases, a line that may have been eliminated is shown here if there are dollars from a past year remaining.

New Line Items

The following line items will be added to the budget this year, pending council approval (line item numbers will be added later by staff if not already included in this draft):

General Fund

Revenue Lines:

01-301-200 2013 RE Taxes Escrowed only – reflects payments made as a tax credit from the

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escrow accounts as well as any remaining payments from 2013 appeals.

01-330-096 Preliminary/Final Plan App. Fee – used to account for land development/subdivision application fees

01-340-028 Other Rental Income – a miscellaneous category reflecting income from occasional rental of other borough property or land based on agreements signed with those leasing property.

01-340-029 Park & Ride Rental – described later in this document.

01-355-009 Act 13 PA UGW Dist5 – funds received from the state under Act 13 as part of the distribution from impact fees collected from gas drilling companies.

Also, the recreation income funds are reorganized to provide an easier way to compare these revenues with related expenditure line items.

Expenditure Lines:

01-401-197 Employer Paid Pension Fees

01-476-000 2015 Bond Issue Principal – Any payment on the principal for the new bond issue will be shown here based on the debt service schedule.

01-477-000 2015 Bond Issue Interest – Any payment on interest for the new bond issue will be shown here based on the debt service schedule.

Corrective Action Budget

New line items may be suggested by the engineer as needed to account for any number of sewer projects required to meet state law and the consent decree.

Capital Improvements Plan

As projects are created, moved or changed each year new line items may be created and line items from completed projects deleted as needed.

New Borough Building

Council approved a \$3.5 million bond issue in July 2015 to construct a new building for

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administration and police at borough property located on Greensburg Pike. No funds from the general borough budget are allocated at present for this construction. Therefore, there is little discussion here of the new building or sale of existing property where the old building and magistrate's building are located. The main impact on the 2016 general fund budget will be in the area of debt service.

Further discussion of this project and subsequent sale of property may be included in the 2016 Capital Improvements Plan and/or future budget documents as plans progress. Planning for the building began in September 2015 in conjunction with Pfaffmann and Associates Architects and it is anticipated that construction could begin as early as spring 2016.

General Fund

Revenues

- Real Estate Taxes are based on the county's reported taxable assessed value as of October 2, 2015 which is reported on their website as \$382,868,040. The total budgeted for 2016 as an estimate in this budget is slightly higher than 2015 because the collection rate and rate of appeals have been better than expected.
- Year to date Real Estate Tax collection numbers do not reflect the tax credit reimbursement from the escrow account. Likewise, the revenue shown for 2016 Real Estate Taxes illustrates the full anticipated collection amount due and does not show a potential tax credit from remaining escrow account funds.
- Earned Income Tax (EIT) collection continues to show an increase each year under the new collection system though that is slowing with reported collections this year.
- Magistrate office rental revenue has been eliminated with the conclusion of the lease in July of this year though the line item is shown to report 2015 income.
- The draft assumes that the trash fee will increase based on the amount in the new contract with Waste Management. As of this draft, the annual increase is projected at \$10 per household.
- Chalfant revenues reflect current agreements.
- The estimate for state aid for the pension fund is based on estimates from Mockenhaupt representatives and is not guaranteed.
- Overall, many revenue estimates for 2016 are based on projections for revenues through year end 2015. These may change over time and the final budgeted revenues submitted for review

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and approval may be adjusted as further information is available.

Expenditures

- All salaries are based on the current contract agreements. Part time and nonunion full time salaries show an estimated increase pending council review. Note that the usual charts I show with salaries are not included here at this time pending council decision. Also, note that the preliminary budget draft submitted in November for consideration may change once council makes a final decision on part time and nonunion full time salaries.
- Dollars allocated to WHEMS, the library, the auxiliary police and crime resistance remain the same as 2015. Both WHEMS and the library use the 2010 census figure (6,518) to calculate the donation at \$1.25 per capita.
- The budget reserve line item includes additional dollars necessary to fully fund the pension funds under the MMO presented to council in September 2015. The pension numbers shown in Administration (01-401-314 for non-uniform) and Police (01-410-314) assume 75% funding making the figure in the budget reserve an additional 25%. The pension funds here are later transferred to a separate pension reserve account.
- The Capital Improvements Plan allocation includes \$21,812.50 representing the difference between the debt service attributed to the 2007 bond issue and the debt service attributed to the 2012 bond issue refinancing. These savings are required to fund capital items.
- Incidental items like postage may increase in 2016. In some cases we have taken that into account and in others we have not. For example, the numbers shown in Tax Collection were specified by council as costs the borough would cover and do not show a possible postage increase.
- Swimming pool costs and revenues continue to concern council. See detailed discussion later in this document.

Other Funds

Road Improvement

- 2016 Budget, Draft 1: \$310,100
- Funds shown are dependent on collection activity and funds may not be available until late summer.
- Most available funds for 2015 were spent on road projects and we anticipate very little carry

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over if any.

Corrective Action

- 2016 Budget, Draft 1: is incomplete at this time.
- No sewer fee adjustment is anticipated or requested for 2016. That budget is in the hands of the engineer and is incomplete at this time.

Fire Protection Services Fund

- 2016 Budget, Draft 1: \$210,100
- Assumes there will be no reduction in the fee in 2016.
- The budget for 2016 anticipates little if any carryover of funds from the current year.
- All funds received in this fund and any funds carried over are dedicated exclusively to paying lease costs on the fire truck, fire expenses as outlined in the budget and the cost of billing and administration of the fee.

Liquid Fuels Fund

- 2016 Budget, Draft 1: \$167,030
- Salt bid prices stabilized for the 2015-16 winter. Salt purchases for the 2014-15 winter were much higher than anticipated and there will be little carry over dollars for the 2016 budget.
- The state's budget crisis could affect receipt of these funds.

MANAGER'S PERSPECTIVE

Overview

As with previous years, staff members were asked to prepare a budget for both the next budget year (2016) and the following budget year (2017). Reasons for preparing both years were explained in my 2009 budget message. The key reason is to provide council with an advance look at future budgets since that may assist it in establishing the 2017 budget and because the borough faces budget constraints more so now than it has in the past. The practice of creating a budget for two years will continue.

I will briefly outline 2017 budget projections before reporting on the 2016 budget draft included with this budget message.

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Comments on various items in the 2017 budget projection are not included in detail here. The 2017 budget was completed to allow everyone to have the time to prepare for future spending and to consider the economic impacts.

Council should pay special attention to the following in reviewing 2017 numbers:

Millage Rate – No increase in millage is projected for 2017 at this time though in the past that has been a factor in creating a 2 year projection. I also assume that the total assessed value will remain the same as it is projected for 2016. Of course, these assumptions may change as appeals for the new property assessment system are settled. We believe that almost all appeals from the reassessment several years ago have been settled and while there will always be appeals, the large number created by the reassessment are unlikely to reappear under present circumstances. Many factors will affect a final decision on the actual millage rate for 2017, however.

Trash/Recycling Fee – The fee is dependent on the agreement with Waste Management which remains in effect through 2016. It will show an increase per household estimated at \$10.00 annually but that is subject to adjustment next year when council considers a new contract.

Fringe Benefits – Fringe benefit increases are based on contractual salaries and on benefit requirements specified in current contracts. Health care projections are estimated and assume an increase for 2017.

Minimum Municipal Obligation - The projection provided by the current actuary this year is the source of the estimate for the 2016 MMO and is extended to 2017. Again these numbers may be overly optimistic.

Police Car Rotation – Based on the assumption that a new car will be leased in 2016 and another new car will be leased in 2017, expenditures will reflect these lease payments in the new budget.

2016 Budget - Draft 1

(Note: this section of the manager's perspective may be amended or removed entirely from the final budget document budget message pending council's final decision on the budget)

The 2016 budget is provided to council's finance committee today, balanced and without a tax

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increase. It is a typically lean budget with little room for adjustment other than to reallocate funds from one line item to another. It was established based on the detail provided here and as outlined in the executive summary above. Total estimated general fund spending and revenues in this draft amounts to \$5,758,255, an increase over 2015 of 1.1%.

Budget Reserve

Council policy is to maintain a budget reserve account at an average of 7% of the total general fund budget. The dollars allocated in this draft accomplish that task. As noted earlier, a portion of the reserve is dedicated to funding 25% of the pension obligation since council's preference has been to accept the state's 4 year offer of funding 75% of the pension obligation each year with the understanding that a final accounting will be required after that time and the full obligation may be due if calculations by the actuary confirm that those funds are needed.

Remaining reserve funds are provided to meet the state's recommendation that between 5% and 10% of reserve funds are kept on hand as a "rainy day" fund for emergencies and other contingencies.

At this time, the budget reserve fund is stable and maintains at least the average of 7% of the general fund budget as required under council policy.

Economic Considerations

In approving recent budgets since the economic collapse in late 2008, I noted that council must take into account the impact of issues in the national and local economy. The economy has stabilized generally and a number of those issues are not a current factor in preparing this year's budget, although sudden changes in the economy will impact the borough's ability to raise revenues and have sufficient funds to operate.

General economic concerns or characteristics that may impact the borough's budget both favorably and negatively include:

- The impact of the federal deficit and resulting fiscal policy implemented by the federal government
- The impact of any government shutdown, debt limit restrictions or other action by the federal government or state of Pennsylvania
- The declining cost of fuel and energy
- Uncertainties in the cost of health care
- Uncertainty as to the status of interest rates controlled by the Federal Reserve

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- The continued sanitary sewer issue both within the borough and with ALCOSAN

The national and regional issues will always raise concerns even though the economy has improved since the 2008 meltdown. The problems of unemployment, uncertainty in the investment markets, and uncertainty in the banking industry continue to impact all citizens and local governments. However, investment markets continue to show significant improvement this year and speculation is that will continue in 2016 pending changes to the Federal Reserve's monetary policy and interest rate policy.

The state's budget crisis could have an impact on the borough although the lack of a budget through the end of 2015 has not affected Forest Hills directly. It remains to be seen what effect a further stalemate could have on revenues received via liquid fuels or other state sources.

These issues remain active to one extent or another and were discussed in more detail in previous budget messages. The economy remains a concern and council and staff should continue to exercise caution in budgeting and spending.

Council Committee Perspective

Members should review the issues raised at each committee meeting in October that presented an update of key issues that may impact the budget and borough finances in 2015 and beyond.

This list was created several years ago and since updated each year as a way of helping committee members to consider all aspects of borough operations to be better able to prepare a budget for the new year. It is not meant to advocate change but it is meant to consider it. By that I mean, any organization grows in several ways and often does so by changing in one way or another. Of course, an organization can also grow by continuing along the same course if there is nothing wrong with current operations and goals.

The items in this list reflect that idea by allowing members to ask: Can we do something better by doing it differently? Should we be doing it at all? Is it best to continue the current course which will result in continued improvements or can we improve the borough by changing course? Are we changing something just for the sake of change and not because change will benefit the borough?

The list is only meant as a guide in considering all aspects and functions of the borough and not necessarily a call to action. It is not intended to be comprehensive nor is it intended to promote a particular policy.

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COUNCIL COMMITTEE PERSPECTIVE

BOROUGH PROPERTY

Issues for discussion/consideration in preparing the 2016 Budget from a borough property perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?
- **Recreation Fees** (pool admissions/passes, swim team, swim lessons, tennis passes, program fees etc. - also may be a factor in finance)
 - Are fees adequate to cover the costs of associated programs or should taxes subsidize some or all of the programs offered by the borough (e.g., swimming pool, park & facility rental)?
- **Recreation Center Rental Fees** –
 - Is the borough making enough money on rentals?
 - Does the borough charge enough for a center with the size and features of the recreation center?
 - Should taxpayers subsidize the cost of the recreation center or should fees increase?
- **Pool Lodge/Senior Center Rental Fees** –
 - Is the borough making enough money on rentals?
 - Does the borough charge enough for the lodge and senior center?
 - Is the deposit sufficient to cover damages?
 - Are there sufficient pool employees to safely staff rental events?
 - Should taxpayers subsidize the cost of the lodge and center or should fees increase?
- **Assistant Recreation Director Salary/Hours** (also may be a factor in finance) –
 - Considering the level of service that the borough wants in recreation, should additional hours be allocated to the assistant recreation director's position?

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- **Marketing & Events Director Salary/Commission/Hours** (also may be a factor in finance)
 - Should council allocate additional and even substantial dollars to increase marketing activities and improve conditions at borough rental facilities?
 - Does the current employee have sufficient hours allocated by the borough to accomplish her tasks?
 - What change should be made in the current employee's salary, commission and/or hours for 2016? Should commissions be eliminated in favor of providing benefits?

- **Pool Manager/Assistant Manager & Other Salaries** - (also a factor in finance) –
 - What change should be made in the current salaries for 2016 (includes coaches, guards, etc.)?
 - Can the borough support the level of employment needed at the pool to operate 7 days a week between Memorial Day and Labor Day?
 - Should the borough consider closing the pool one day a week to save money?
 - What is the status of our certified pool operators? Are certificates up to date? Is further training required? The assistant pool manager is required to serve as a pool operator. Should this practice continue? Does council understand the responsibilities of a certified pool operator and the requirements needed to physically place chlorine tablets into the system?
 - Can the borough support the cost of a part time pool maintenance person or should this work become part of the public works crew's duties? If the work is moved to public works, does the borough have sufficient manpower to complete needed work at the pool or does it require an increase in staff? Can the borough afford any overtime necessary for a crew member to work the pool on weekends?
 - Are members aware of the effort needed to place the chlorine tablets in the feeder system and the need to have an individual capable of lifting the heavy container safely to the feeder? Can employees transfer tablets safely to smaller containers to access the feeder?
 - Should council allow the recreation board to establish salaries or only recommend?

- **Bond Issue & Capital Purchases** –
 - How should the borough fund requested capital items for the next 5 years?

- **Borough Building** –
 - Will the new borough building have sufficient space for all administrative and police needs including but not limited to:

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- Storage
 - Office space
 - Community events
 - Library
 - Meeting space
 - Work space
-
- **Building Storage –**
 - Is the borough building adequate to meet the needs of all the departments, committees and boards who use it? Limited space affects the overall housekeeping of the borough building. How can storage space be increased or improved?
 - Should the borough create or find a central location for the storage of certain files? For example, a room that would house all sewer related materials with enough space to adequately view materials would improve the current situation where this information is scattered.
 - Should the borough use a resource like Business Records Management to provide storage for older material and free up space in the borough building? Should the borough build a storage area in the new garage for permanent file storage to free up the room located between the conference room and council meeting room?

 - **Building Maintenance -**
 - We eliminated window cleaning and carpet cleaning services to save money. Should these services be restored? What are the maintenance issues in other borough buildings including the public works garage, recreation center, senior center and pool lodge? Is the borough gaining sufficient value in having a part time employee handle this work and pool work?
 - A number of maintenance items have been ignored for years as noted above. Is council satisfied with the condition of the building? Has this condition created an unsafe situation (e.g., frayed rugs, rugs becoming stretched and lumpy, deteriorating rug on the police steps, etc.)? Is the building safe for employees and those who visit?

 - **Parks –**
 - Should the borough consider consolidation or elimination of one or more parks? Would elimination of a park allow the borough to convert the land to taxable private use – either commercial or residential? Is there a market for such land?
 - Should a park be placed at the recreation center or should the main park move there with land for the main park sold or used for other activities?
 - Are parks well used? Is there park land that is under used?

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- **Pool –**
 - What should the pool look like in the future (may require a citizen task force study rather than simple recreation board review)?
 - Will major renovations require that the pool is abandoned or is the pool still in adequate shape to provide good service to residents? How should council plan for future needs (does the capital improvements plan address these needs adequately)?
 - Should a water/spray park be constructed at the pool to increase its use and interest of the public?
 - Can funds for major renovations be raised through means other than taxes or fees?
 - What ideas could be implemented that will allow pool revenues to exceed pool expenditures?

- **Tennis Courts -**
 - Courts have been reconstructed and a card key system implemented for those that pay the fee for a tennis pass. Should council consider changes to tennis pass requirements, add an employee to monitor the courts and check passes, or eliminate the pass requirement?

- **Sale of Property –**
 - Should council consider selling one or more pieces of property to return them to the tax rolls? Which properties would council include?

- **Field and Park Maintenance –** (also a factor in public works)
 - Considering the level of use of borough recreation facilities, the workload of a limited public works staff, the need for specific maintenance of ball fields in the spring, summer and fall and the cost associated with such maintenance should the borough contract out this work? Should the borough increase the size of the public works crew? Can the borough afford to do either?

- **General Items –**
 - Should council consider an ordinance that protects borough owned green space?
 - Can council develop a policy that will make borough roads “biker friendly?”
 - Should the borough enhance the various trails and walking paths in and around the parks or allow them to evolve naturally?
 - Are sufficient funds allocated to maintain borough owned walkways and steps or should one or more be abandoned?

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FINANCE

Issues for discussion/consideration in preparing the 2016 Budget from a finance perspective:

- **County Assessment System -**
 - ⊖ The county court ordered reassessment is now effective with most appeals completed. How will that affect the borough's taxable assessed valuation?
 - Will the current assessment system allow for natural changes in property values requiring the borough to adjust its tax rate?
 - What impact on the budget will result from appeals? If pending appeals continue will council include a factor for potential reductions in taxes that result when calculating the borough's millage rate?

- **Programs & Services (all committees) –**
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?

- **Overall Budget Preparation –**
 - Is the current system effective in creating a budget? Should the finance committee schedule a separate meeting or should other committees reduce their agenda items for one or two months to devote more time to the budget process with all council in attendance?
 - Is the format used for preparation adequate (forms used, beginning the process in August, the budget calendar, etc.)?
 - Do elected officials see the budget process as the basis for all activity within the borough or does it believe that other activities have a higher priority?

- **Taxes/Fees –**
 - Is the tax rate sufficient to manage borough affairs and fund borough activities?
 - Should taxes remain the same with a cut in services? Could council adjust taxes and fees to streamline the tax/fee system?
 - Will earned income tax revenues increase? Has the centralized earned income tax collection system benefited the borough and can it be expected to continue? Is the new collection system correctly sending dollars from borough resident's tax bills to the borough in a timely fashion?

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- Will efforts to allow a business privilege and/or mercantile tax in municipalities that did not have one prior to tax changes several years ago succeed in convincing the legislature to enact appropriate legislation? If so, should the borough consider instituting these taxes?
- Is council happy with the fire protection services fee as it exists or should it make changes in the process? Is council aware of how the fee as it exists now funds all fire costs including the new truck?
- **Services** - If the borough followed a zero based approach to budgeting, each line item would require justification annually. As an alternate, council could review individual services annually to justify their existence. At least, a list of services might be considered to provide a better picture of the many services offered by the borough. Should the borough continue to fund the following services or should the service be reduced or eliminated (services shown may not include all borough services available at the time this is published)?
 - Full time Administrative staff with associated office equipment
 - Fee billing operation
 - Full time public works crew and equipment
 - Complete snow removal services with immediate dispatch of crew
 - Specialized public works crew members (i.e., those with special skills)
 - Walkway & step maintenance
 - Street repair, replacement and maintenance
 - Street sweeping program (as needed rather than specifically scheduled)
 - Sanitary and storm sewer repair, replacement and maintenance
 - Trash & recycling collection
 - Leaf collection program
 - Brush chipping and collection
 - Yard waste collection
 - Full time police department and equipment/vehicles
 - School crossing guard program
 - Crime Alert phone/computer system and crime watch committee
 - Round the clock minimum two man shifts for police services
 - Canine Officer Program
 - Full or partial public safety program funding (fire, EMS, police)
 - Tree maintenance, removal, pruning and planting programs
 - Planting and maintenance of flower beds in various locations
 - Reimbursement for tree related damage
 - Quarterly newsletter

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- Code Enforcement Program (contract vs. in-house - building inspection, code enforcement, zoning) & associated planning and zoning activities including comprehensive plan implementation
- Library branch services
- Borough building complex and associated buildings and grounds including senior citizen center maintenance
- Recreation director
- Main Park & neighborhood parks with accompanying playground equipment, buildings, courts and fields
- Tennis program
- Recreation program including courses, swim teams, swim lessons, etc.
- Concert(s) in the Park
- Swimming pool complex devoted exclusively to Forest Hills residents
- Marketing specialist with associated promotional activities
- Westinghouse recreation center and ball fields
- Geographic Information System
- Economic development program
- **Sewer Fee and Corrective Action (capital 2) Budget** - (also a factor in public works)
 - The consent decree requires that certain work is accomplished in a timely fashion and perhaps immediately in the case of newly discovered sewer problems. Is the borough's fee sufficient to finance the long term needs of the consent decree plus any emergencies that may occur?
 - Is the borough up to date with all consent order work to avoid any penalties and fines?
 - Should the borough consider using the fee as collateral for a separate bond issue or loan to fund the long term requirements of the consent decree?
 - Should it consider taking out a larger bond issue that handles other projects in addition to sewers (e.g., another pavement program)?
 - Does council wish to change the policy on use of the fee for in-house sewer work? Does council wish to change the policy for paying personnel costs related to sewer work which currently reimburses the general fund for crew regular and overtime sewer work? The current practice, authorized by council, allows public works crew members to work overtime hours on sewer work (in conjunction with hours during the normal work day) because the engineer has determined that it is cheaper than contracting needed work. The sewer budget then reimburses the general fund for salary and benefits charged to overtime work. The engineer and foreman should continue to monitor to ensure that such work continues to be less expensive and the committee (and council) should review this practice annually.

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- Will the equipment sharing relationship with Wilkins continue? What is the expected life of the equipment we share and will both municipalities agree to replace when necessary?
- **Fees for Services (including all recreation, trash collection) –**
 - Should the trash fee be removed in favor of increased real estate tax millage? Is the quarterly trash fee an improvement over the one time collection used in years prior to 2009? Can the borough continue to afford a senior citizen rate for the trash fee?
 - Are fees adequate to cover the costs of associated programs or should taxes subsidize some or all of the programs offered by the borough (e.g., swimming pool, park & facility rental)?
 - Is the new recycling rewards program a benefit and worth the additional cost?
- **Priorities and Planning (also a factor in operations & policy) –**
 - Has council established priorities & policies that provide clear direction for staff and employees?
 - Does council have a clear plan for the borough that will maintain its standards? Has council established policies that clearly describe what borough standards are?
 - How does council balance limited revenue sources, the demands of citizens for superior service, and its own desire to maintain a large number of services?
- **All Non Union Salaries (included in other committees: manager, part timers, recreation employees, marketing & events director) –**
 - Should council increase the salaries of nonunion full time and part time employees in 2016 and, if so, by how much? Traditionally, many part time employees (e.g. life guards) only get a small increase.
- **Improving the Budget Reserve –**
 - Many communities attempt to maintain a budget reserve of 5% to 10% of their total budget for emergencies and potential major projects. Council's budget reserve policy establishes criteria for such a balance. Once the funding level is reached, funding styles vary as some contribute to the reserve annually only to maintain that level while others maintain a constant stream of funds to allow for a larger reserve and may use the excess eventually for projects or tax reduction.
 - A separate fund capital budget reserve fund was established in 2015. It is adequate and should it continue?
- **Bond Issue Purchases –**

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- Council must review all projects for any remaining bond issue dollars (unrelated to the borough building project) and determine if they will remain or if the money will be shifted (e.g. move additional funds to corrective action or pavement improvement). Other capital projects may be added to the bond issue as well.
- Council must decide a policy it wants to follow on bond issue spending. A rule of thumb is that money spent from the bond issue should be directed toward capital items that will have a life that at least equals the life of the years remaining to pay off the bond issue.
- **Marketing & Events Director Salary/Commission/Hours** (also a factor in borough property) –
 - Should council allocate additional and even substantial dollars to increase marketing activities and improve conditions at borough rental facilities?
 - Does the current employee have sufficient hours allocated by the borough to accomplish her tasks?
 - What change should be made in the current employee's salary, commission and/or hours for 2016? Should commissions be eliminated in favor of providing benefits?
- **Assistant Recreation Director Salary/Hours** (also a factor in borough property)
 - Considering the level of service that the borough wants in recreation, should additional hours be allocated to the assistant recreation director's position?
- **Pool Manager/Assistant Manager & Other Salaries** - (also a factor in finance) –
 - What change should be made in the current salaries for 2016 (includes coaches, guards, etc.)?
 - Can the borough support the level of employment needed at the pool to operate 7 days a week between Memorial Day and Labor Day?
 - Should the borough consider closing the pool one day a week to save money?
 - What is the status of our certified pool operators? Are certificates up to date? Is further training required? The assistant pool manager is required to serve as a pool operator. Should this practice continue? Does council understand the responsibilities of a certified pool operator and the requirements needed to physically place chlorine tablets into the system?
 - Can the borough support the cost of a part time pool maintenance person or should this work become part of the public works crew's duties? If the work is moved to public works, does the borough have sufficient manpower to complete needed work at the pool or does it require an increase in staff? Can the borough afford any overtime necessary for a crew member to work the pool on weekends?
 - Are members aware of the effort needed to place the chlorine tablets in the feeder system and the need to have an individual capable of lifting the heavy container

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- safely to the feeder? Can employees transfer tablets safely to smaller containers to access the feeder?
- Should council allow the recreation board to establish salaries or only recommend?
- **Legal Fees** (also a factor in operations & policy) –
 - Should council reconsider use of a retainer or has that method been a success?
 - Is council happy with the current level of legal services?
 - Is council's use of the solicitor efficient and economical or does the borough rely on its solicitors too often?
 - Should council consider alternatives?
- **Trash Fees** (also a factor in operations & policy) –
 - Should the trash fee be eliminated in whole or part and absorbed by the real estate tax (see discussion from the finance committee on taxes)?
 - Should council raise the fee to cover the cost in whole or in part or allow the budget to absorb the increased cost?
- **Tax Anticipation Note (TAN)**
 - Several years ago the borough borrowed carry over funds from the corrective action budget or funds from the budget reserve in order to avoid securing a TAN and thus saving several thousand dollars in potential interest. Such borrowing is especially important under the new program that spreads the trash fee out over 4 quarters rather than collecting the full amount in February/March. The committee must review this issue each year in order to have sufficient funding to operate during the first 4 months of the new year.

OPERATIONS & POLICY

Issues for discussion/consideration in preparing the 2016 Budget from an operations & policy perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?

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- **Legal Fees** (also a factor in finance) –
 - Should council reconsider use of a retainer or has that method been a success
 - Is council happy with the current level of legal services?
 - Is council's use of the solicitor efficient and economical or does the borough rely on its solicitors too often?
 - Should council consider alternatives?

- **Environmental Advisory Council Supporting Funds**
 - Should funds be set aside to assist in their efforts on public education and public relations on the storm water management (MS4) issue?
 - If not, how should this mandatory effort be financed?

- **Trash Fees** (also a factor in finance) –
 - Should the trash fee be eliminated in whole or part and absorbed by the real estate tax?
 - Should council raise the fee to cover the cost in whole or in part or allow the budget to absorb the increased cost?

- **Public Relations Expenses** –
 - These expenses involve several items. The quarterly newsletter, the Tree City Times, has become a staple. However, its cost exceeds the revenues raised from advertising sales. Does council wish to implement any changes to the newsletter?
 - Should other public relations efforts be funded in future budgets (website, twitter, etc.)?

- **Tree Issues** (also a factor in public works) –
 - Do we carefully plant new trees to avoid interfering with existing sewer lines?
 - Each year the borough budgets funds to cover pruning, removal and new plantings. Often there are insufficient funds available to handle pruning and removals that are needed. Trees that may be considered dangerous in whole or in part may be neglected without sufficient funding. Does council wish to maintain this policy and, if so, to what extent?
 - How should funding for removals/pruning due to storm damage or other emergencies be funded? A "storm damage" line item was added in the 2015 budget to use rather than taking funds from removal and pruning line items.

- **Council Structure and Meetings** –

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- Does council operate in an efficient and effective manner under its present structure or should it consider changes to streamline the operation?
- What is council's expectation of the manager's role in meetings? Does the manager do enough to ensure productive use of time during committee and other meetings?
- Is the committee of the whole used correctly or does it result in duplicate discussion of some items?
- Does the committee structure encourage council to micromanage the staff rather than allowing the staff to do what they were hired to do?

- **Priorities and Planning –**
 - Has council established priorities & policies that provide clear direction for staff and employees?
 - Does council have a clear plan for the borough that will maintain its standards? Has council established policies that clearly describe what borough standards are?
 - How does council balance limited revenue sources, the demands of citizens for superior service, and its own desire to maintain a large number of services?

- **Labor Negotiations -**
 - Should council and unions consider the establishment of labor-management committees that would meet regularly during the course of a contract period to discuss mutual interests and problems?

- **Worker/Workplace Safety -**
 - The worker's compensation carrier requires that we maintain a safe working environment as indeed we should. Council allocates limited funds through a separate line item to maintain a safe workplace. Are these funds adequate? If not, how should safety be funded?
 - Should council develop a specific policy on worker safety (in all departments) or amend existing policy to include such language?

- **Contracts & Contractors –**
 - The borough has a number of agreements with various contractors including, among others, for insurance services, cleaning (rec center), computer & IT services, legal services, engineering, auditing, investing, banking, actuarial services, etc. Should council establish a policy for regular review of these services?
 - Should council establish a regular schedule wherein it requests proposals from contractors in a particular service at certain intervals or based on certain criteria?

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PLANNING & ZONING

Issues for discussion/consideration in preparing the 2016 Budget from a planning & zoning perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?

- **Code Enforcement Officer: Duties & Salary/Expenses** (building inspector/zoning officer/code officer) –
 - Council has considered additional hours in the past and some hours have been added. Should additional dollars be allocated to increase the number of hours of the code officer/building inspector/zoning officer?
 - Is council satisfied with the work of Building Inspection Underwriters?
 - Should council consider hiring a full time code enforcement officer to handle building, code and zoning issues?
 - Should zoning duties be handled by a person other than the contractor?

- **Electrical Inspection Salary** –
 - Should the borough continue with the current inspection system using Building Inspection Underwriters or return to the open system from several years ago? Is the borough required to specify a single inspector under the Uniform Construction Code?

- **Planning Commission & Consultant**–
 - Should Environmental Planning & Design (EPD) be allocated additional hours to assist with implementation of the comprehensive plan and continue to serve as a consultant to the commission?
 - What aspects of the comprehensive plan require updating or council review before implementation? What direction should council provide to the planning commission?
 - Should council consider a joint comprehensive plan with neighboring municipalities?
 - When should council schedule work on a new comprehensive plan?

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- **Fees for Support of Planning Commission & Zoning Hearing Board –**
 - Both boards have several expenses including those mentioned above. The zoning hearing board may require that a secretary take minutes of meeting operations that do not require a court reporter. In the past, only minimal funds have been allocated here. However, both boards must operate under the Sunshine Act and must have minutes of meetings available for review. At the same time, we have had difficulty finding someone to take on the secretary role as it is part time and allows for irregular hours.

- **Community Development Corporation -**
 - Should the CDC remain as an active 501.c.3 corporation now that its work is concluded to enable council to utilize such an organization for receipt of grants? What, if anything, should replace it? Does an active CDC allow the borough an avenue for grant applications and other items that are better handled by a nonprofit than a government entity?
 - Now that the CDC's work is concluded and maintenance for items like the arches moves to the borough how will council allocate funds and manpower to care for these assets?

- **Rental Property Ordinance –**
 - Will council pursue this further and, if so, how extensive will be the provisions of the ordinance?
 - Are greater controls by ordinance a solution that ensures that properties are maintained?
 - Are rental property provisions under the property maintenance code and its adopting ordinance sufficient?

- **Occupancy Inspections –**
 - The borough conducts rental property inspections but does not have a program for inspections when a home is sold. Should this be implemented to allow the borough to better control housing stock and condition?

PUBLIC SAFETY

Issues for discussion/consideration in preparing the 2016 Budget from a public safety perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or

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- if the program/service remains viable and should remain?
- Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?
- **Overtime & Staffing –**
 - Have the steps implemented by the Chief and committee been successful in controlling overtime costs?
 - Is the police department sufficiently staffed?
 - What is the impact of part time officers and what is the appropriate number of part timers and full timers needed to effectively control overtime and serve the public while meeting the requirements of the collective bargaining agreement?
- **Dispatch - 911 –**
 - Are any adjustments in the relationship with the county needed or is service adequate?
- **Vehicles/Car Rotation –**
 - Should the borough maintain a regular rotation of vehicles?
 - How will council and the department set up a rotation schedule?
 - How should the fleet be configured as to number of cars and other vehicles?
- **Canine Unit** (including additional dog and maintenance of one or two dogs) –
 - Is the current unit performing as council and mayor expect?
 - Are supplies, insurance and the vehicle sufficient to allow the unit to carry out its duties?
 - Should the borough add a second canine unit as had been considered when the program began?
 - Should council considering eliminating the canine program if it feels the unit is lacking or the costs of the unit are excessive for a borough the size of Forest Hills? What might be the effect on costs?
 - Is council prepared to maintain the canine program in the future when the current dog is retired?
- **Capital purchases –**
 - What capital purchases are required for public safety departments? The police department must review capital needs for the next 5 years or more to allow council to develop a spending plan.

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- Are capital purchases funded by the borough in full or in part necessary for other borough public safety entities?
- **Equipment** –
 - Is the police department provided with sufficient equipment of good quality to accomplish its tasks? If not, what equipment should be added?
 - Has the department inventoried its present equipment to provide a record of its age, condition and value?
 - Is the department maintaining a log of new equipment purchased outlining the date purchased, cost, vendor, estimated life and use?
- **Safety Improvements** (also a factor in public works) –
 - The worker's compensation carrier will require that we maintain a safe working environment as indeed we should. Council allocates limited funds through a separate line item to maintain a safe workplace. Are these funds adequate? If not, how should safety be funded?
 - Should council develop a specific policy on worker safety (in all departments) or amend existing policy to include such language?
- **Public Safety Budgeting** –
 - Does council annually review revenues and expenditures involving public safety items?
 - Is the fire fee sufficient for the borough's needs? Should the fee's proceeds be prioritized differently?
 - How effective is the consolidation of all fire costs and revenues into one budget (Fire Protection Services Fee budget)?
 - Is the borough providing proper funding for EMS services?

PUBLIC WORKS

Issues for discussion/consideration in preparing the 2016 Budget from a public works perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated

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to avoid the need for a tax increase or fee or other required increase?

- **Overtime** –
 - This is a difficult item to budget due to uncertainty of weather conditions and potential emergencies. Also, corrective action work may involve overtime. Such overtime had been reimbursed from the corrective action budget periodically throughout the year in past budgets. That policy was eliminated beginning in 2011 for overtime and regular time then reinstated in 2013 at the recommendation of the engineer who determined that such work was cheaper to do in house than to bid.
 - Should council establish a policy for snow removal activities or other emergencies to reduce overtime? (See also Winter Maintenance later in this list).

- **Crew Size** –
 - Considering the current work load, the issue of military service for one of its members, and the work in Chalfant, should the size of the crew be increased (see following point)?
 - We have the crew doing work that ordinarily a contractor might handle and are consequently backed up on quite a few smaller jobs. Should this practice change and should the borough rely on contractors for certain functions?

- **Chalfant** –
 - Should the contract for public works services in Chalfant continue?
 - Does the contract create an unnecessary burden on the borough crew or are we staffed adequately to handle the work?
 - If the borough were to cancel the contract with Chalfant where would additional dollars be found to make up for lost fees?

- **Field and Park Maintenance** – (also a factor in borough property)
 - Considering the level of use of borough recreation facilities, the workload of a limited public works staff, the need for specific maintenance of ball fields in the spring, summer and fall and the cost associated with such maintenance should the borough contract out this work?

- **Intern** –
 - Should the budget include funding for an intern from a local college who may assist with items like inventorying equipment, organizing the department and/or administrative tasks that might fit here and under operations & policy?

- **Equipment Purchases** –

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- What purchases are needed for the new year? What capital equipment, not already budgeted or included in a bond issue, should be included in the capital improvements plan? How will council fund the capital improvements plan to purchase capital equipment?
- Has council established a policy covering the expected life of a vehicle or other equipment to guide staff in preparing for turnover in equipment and making purchasing recommendations?
- Has the department inventoried its equipment to provide a log of each tool of a certain value that establishes its condition, use and cost to replace?
- Is the department maintaining a log of new equipment purchased outlining the date purchased, cost, vendor, estimated life and use?

- **Vehicle Purchases –**
 - Has the borough adequately planned to replace aging trucks?
 - Should any part of the borough's fleet be eliminated? Should the borough keep trucks and other equipment for a set minimum amount of time? How will this decision affect maintenance costs?

- **Safety Improvements** (also a factor in finance & public safety) –
 - The worker's compensation carrier will require that we maintain a safe working environment as indeed we should. Council allocates limited funds through a separate line item to maintain a safe workplace. Are these funds adequate? If not, how should safety be funded?
 - Should council develop a specific policy on worker safety (in all departments) or amend existing policy to include such language?

- **Pavement Improvement Program –**
 - The borough has established a program through the PASER system to log and evaluate the condition of each street. Is the system adequate to meet the borough's needs? Should council rely on this system, create another or eliminate any formal system? Is PASER updated each year by the engineer and staff?
 - Has council instituted an adequate financial and action plan to provide needed improvements to aging and poor pavement while maintaining good roads in good condition?
 - Does council understand the process of road improvement and the alternatives available for reconstruction of road surfaces?
 - Should temporary measures such as scratch coating street surfaces be instituted to provide short term solutions?

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- Does the condition of neighborhood roads affect property values and therefore affect the dollars collected in real estate taxes by the borough while maintaining a higher standard of living for residents?
- If liquid fuels funds are used for road resurfacing, has council directed the engineer to ensure that the specifications for each road match those required by PennDOT.
- Can the borough save dollars by undertaking joint bidding on projects like pavement improvement with neighboring municipalities?
- Can improved cooperation with utilities re: street openings (other than for emergencies) allow the borough to better utilize paving funds by resurfacing streets using utility funds that would otherwise be used by them to restore pavement following work?
- **Engineering Fees –**
 - Does council consider engineering fees excessive or average and should it investigate alternate methods of employing the engineer or others to keep costs low?
- **Sewer Fee and Corrective Action (capital 2) Budget -**
 - The consent decree requires that certain work is accomplished in a timely fashion and perhaps immediately in the case of newly discovered sewer problems. Is the borough's fee sufficient to finance the long term needs of the consent decree plus any emergencies that may occur?
 - Is the borough up to date with all consent order work to avoid any penalties and fines?
 - Should the borough consider using the fee as collateral for a separate bond issue or loan to fund the long term requirements of the consent decree?
 - Should it consider taking out a larger bond issue that handles other projects in addition to sewers (e.g., another pavement program)?
 - Does council wish to change the policy on use of the fee for in-house sewer work? Does council wish to change the policy for paying personnel costs related to sewer work which currently restricts sewer personnel costs to one individual hired in public works via the sewer fund? The current practice, authorized by council, allows public works crew members to work overtime hours on sewer work (in conjunction with hours during the normal work day) because the engineer has determined that it is cheaper than contracting needed work. The sewer budget then reimburses the general fund for salary and benefits charged to overtime work. The engineer and foreman should continue to monitor to ensure that such work continues to be less expensive and the committee (and council) should review this practice annually.
 - Will the equipment sharing relationship with Wilkins continue? What is the expected life of the equipment we share and will both municipalities agree to replace when necessary?

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- **Geographic Information System (GIS)**
 - Has the engineer maintained and updated the system regularly (at least annually) to account for changes in property ownership (via tax rolls), sewer changes, road changes, etc.?
 - At this time only the manager has access to the full system. What other staff members require access (police, code enforcement, office staff, etc.)?
 - Are there packages for the system that could be added to increase its usefulness (e.g., logging and identifying signs, location of trees, etc.)?

- **Stormwater Management (MS4) Requirements -**
 - What costs will there be in implementing these requirements next year and in the future?
 - With an active Environmental Advisory Council (EAC) what is the best way to implement these requirements?

- **CDC/Main Street Development**
 - Since the CDC's work is completed in the business district, the borough must maintain the trees, shrubs, lamp posts and other features. How should the borough cover these costs? Plantings are monitored by the Tree & Shrub Committee and Arborist and related work on these and other assets come under the jurisdiction of the foreman as monitored by the manager and council's public works committee.

- **Tree Issues** (also a factor in operations & policy) –
 - Do we carefully plant new trees to avoid interfering with existing sewer lines?
 - Each year the borough budgets funds to cover pruning, removal and new plantings. Trees that may be considered dangerous in whole or in part may be neglected without sufficient funding. Does council wish to maintain this policy and, if so, to what extent?

- **Winter Maintenance** –
 - With escalating salt costs, overtime costs, and use of crew, should the borough consider alternative maintenance methods and winter operations scheduling?
 - Should the borough stockpile additional salt at the end of the winter season for the next season?
 - Should salt costs be allocated to the general fund budget while devoting liquid fuels money to road repair and resurfacing?

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Conclusions

The issues raised here are my perspective on factors to consider in preparing the 2016 budget and capital improvements plan.

This perspective is offered as a means to assist council in taking a long term view of borough finances and the 2016 budget and capital improvements plan in particular. In the end it is the duty of council to establish policy. However, it is the duty of the manager to provide council with recommendations, ideas and a viewpoint to assist members in their decision making. This perspective is offered in that light rather than as an effort to question or establish council policy.

Swimming Pool

This feature deserves emphasis considering the nature of the pool as a borough amenity along with the increasing cost of maintaining it and so is raised here separate from other issues. The pool is discussed in detail below as well as noted in the 2016 Capital Improvements Plan.

As is true with most public pools, expenses can greatly exceed revenues for a number of reasons. Forest Hills pool is unique in that it is restricted to use by borough residents and their guests. This means that admission costs may be higher than other public pools in the area to accommodate this restrictive policy.

Also, the pool was built in 1968 and now faces constant maintenance issues due to the manner in which it was constructed. For example, the joints must be maintained by periodic re-caulking to prevent leaks (see 2016 Capital Improvements Plan). The scum gutter around the pool's perimeter requires repair and at this time is the source of some water leaks that, along with the joints, caused the water expense to be quite high in 2015. Both have been recurring problems and raise questions on the remaining useful life of the pool as constructed. There could be other issues with lines buried underground considering the pool's age. Consideration has been given to lining the pool to reduce the joint problem. Consideration has been given to replacing the scum gutter with a stainless steel gutter mechanism.

Pool capacity is relatively small compared to some public pools and attendance is affected by weather as is true of all outdoor pools. These issues create a concern and council is advised to monitor the situation each year. The Council Committee Perspective noted previously includes several key questions on the pool that should be asked each year in considering a new budget.

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GENERAL FUND COMMENTS

Detail from the 2016 General Fund Budget is provided below.

REVENUES

Acct. 301 Real Property Taxes

Real Estate Current Year is based on the current total assessed valuation provided by the county of \$382,868,040 as of October 2, 2015 (compared to \$384,789,640 as of September 19, 2014 which influenced the first draft of the 2015 budget). What is important to note is that the appeal process appears to have stabilized to the point where council granted a tax credit on real estate tax bills this year with funds coming from dollars escrowed under the last reassessment. The county estimated the borough's total taxable assessed value under the new format at \$421,815,300 in winter 2012 so there has been a substantial drop. A few appeals remain outstanding including commercial appeals though many appeals now appear to be settled.

Real Estate Tax budgeted for 2016 amounts to \$2,765,500 in the first draft, based on the amount budgeted for 2015 and the improving collection rate and declining appeal rate in 2015.

Council must be careful in determining a further tax credit as it will exhaust funds escrowed from the 2013 reassessment. It must take potential appeals into consideration in establishing a new millage rate though under this budget it appears that no change in the current 8.0 millage rate is required. In addition, the borough traditionally assumes that 2% will be uncollectible and that approximately 2% will be lost due to any appeals unrelated to the new assessment system. Both uncollectible and appeal rates have been adjusted downward in this budget as noted above.

We temporarily escrow about 5% of all collected funds in a separate account although that does not affect this total. That escrow money is returned to the general fund budget as needed in the 4th quarter of the year and should not be mistaken for a reserve account. The intent is to have ready cash on hand should assessment appeals increase significantly. This revenue shown also includes an estimate for penalties collected, which is why we do not show that number in the budget line item below this one (we do show penalty collections separately listed as a year to date figure for actual collections). At this time, the actual millage rate required to achieve the budgeted figure is uncertain and will be calculated as close to the final approval date in December as possible. Council indicated it may choose to

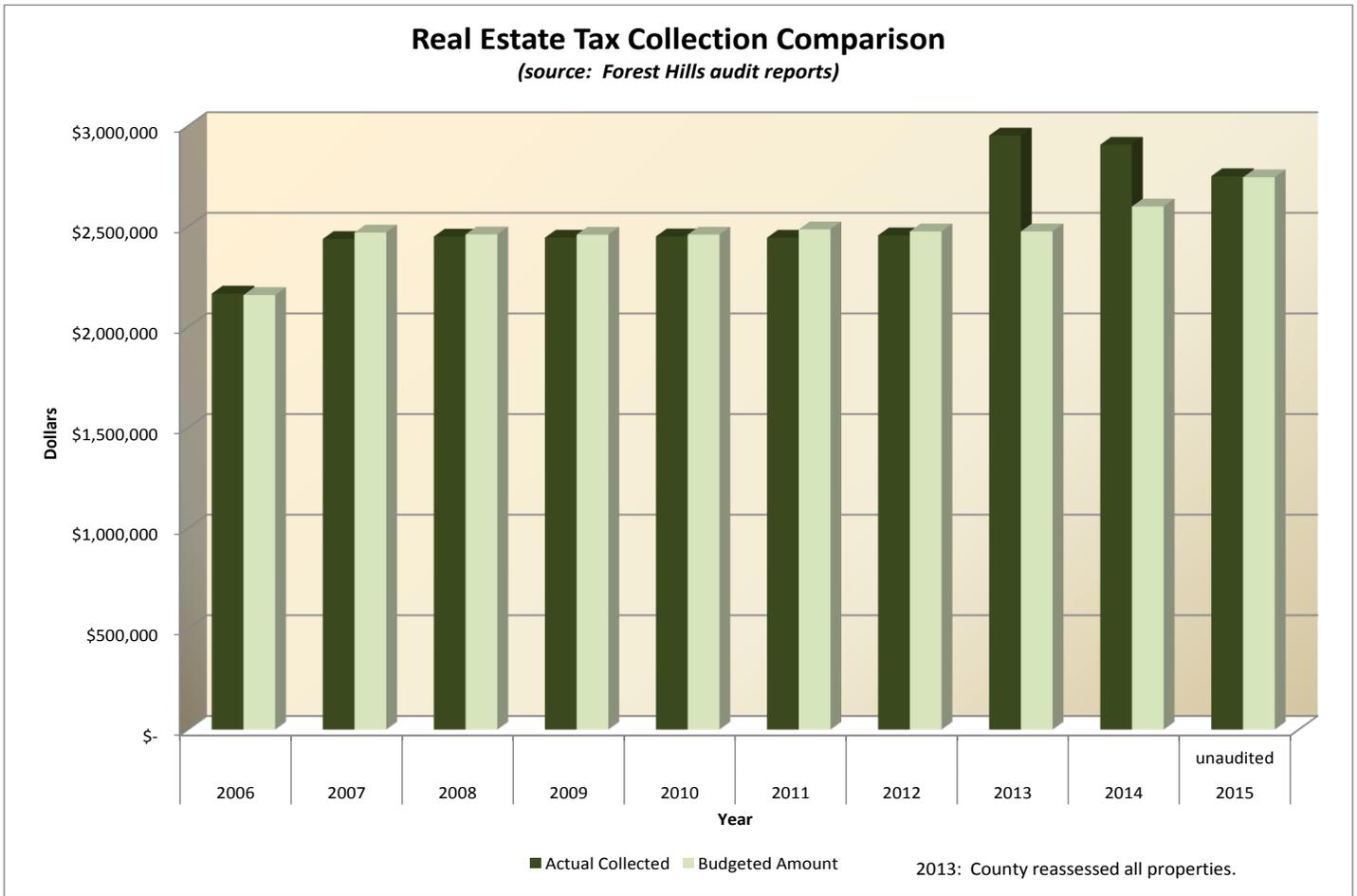
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use the remaining escrow based on the 2013 appeals to provide tax relief to property owners in 2016. The method for achieving that continues to be discussed among council members and does not affect 2017 in this draft (which assumes a millage rate of at least 8 mills).

Real Estate Prior Years and Real Estate Liened Costs are each dependent on delinquent collections and fluctuate from year to year. Over the past 10 years, we averaged \$42,199 in revenues from Real Estate Prior Years and \$25,440 in revenues from Real Estate Liened Costs (source: borough audit reports). Prior Years collections have ranged from a high of \$61,678 (2008) to a low of \$17,985 (2005). Liened Costs amounts range from a high of \$43,890 (2012) to a low of \$17,186 (2005). Budgeting for these numbers is based on this range but past performance is not an indication of future results and that is taken into account for both revenues.

See collection comparison below and also GS Table 1 in statistics section of this document.



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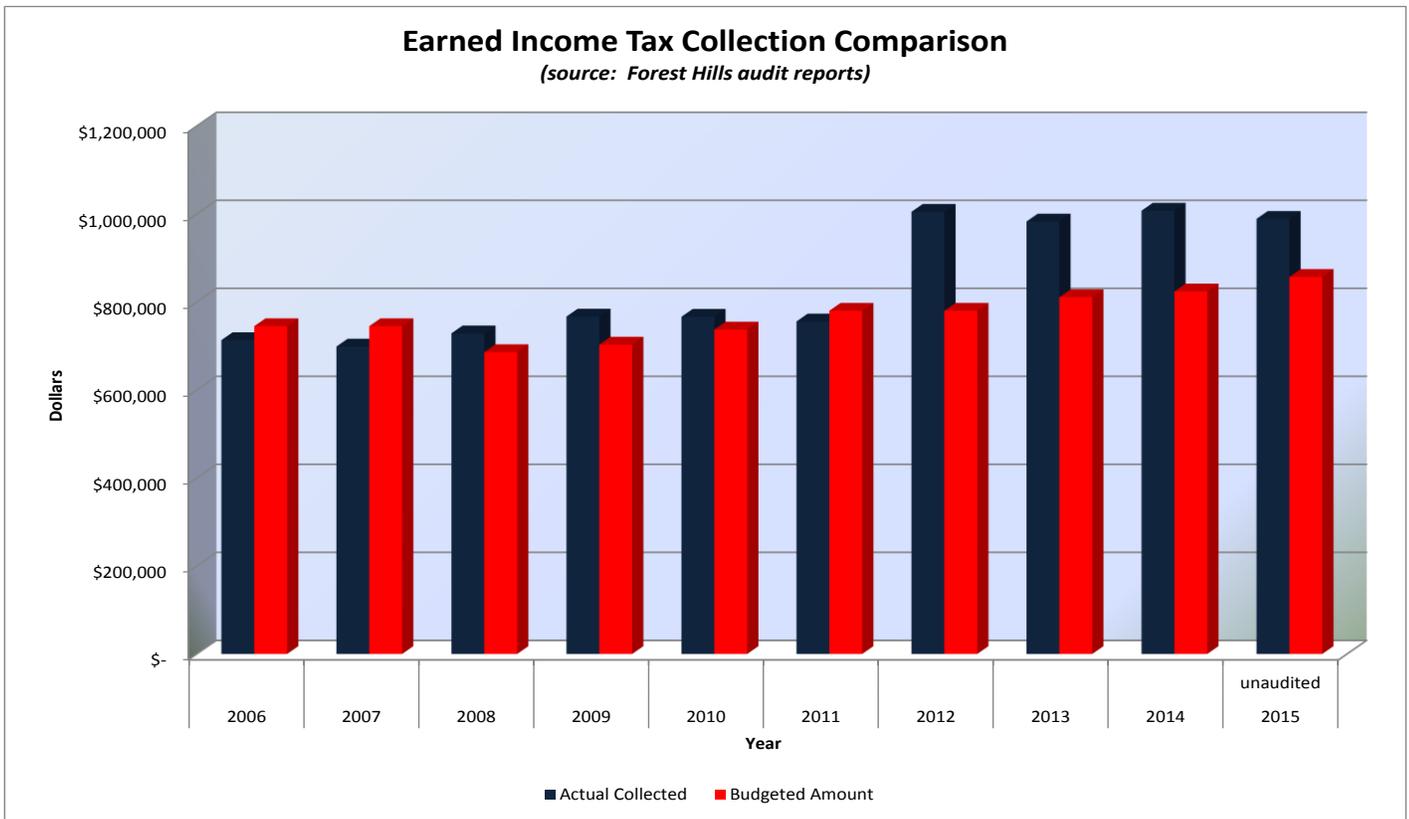
Acct. 310 Act 511 Taxes

The change in Earned Income Tax (EIT) collector and method resulted in an improvement in dollars collected in 2014. That continued in 2015 though to a lesser extent. Funds have been received in a timely fashion and have exceeded what was anticipated.

We anticipate that EIT collections will hit the budget target for 2015 and possibly exceed it. However, we anticipate that future receipts will level out and may increase only modestly depending on economic conditions and this budget reflects that concern.

Through September the borough was \$20,061 behind last year's collections. As in previous budgets, we expect that there will be an increase in collections in 2016 as salaries increase. In the last 10 years, the borough has exceeded the amount budgeted 5 times but in the 5 years when the budget fell short, it only did so by 2.2% or less.

Earned Income Tax is a difficult number to predict and is affected by economic conditions, unemployment, retirement and other factors. See chart below and GS Table 2 in the



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statistics section.

Acct. 321 Licenses and Permits

The borough created new line items for 2014 to take into account an amendment to the borough's code of ordinances which permits residents to raise a limited number of chickens and keep bees. Both activities require that residents secure permits (Chicken Raising Permit and Beekeeping Permit) from the borough's zoning officer and renew those permits each year with the code enforcement officer. It is difficult to estimate at this time what the level of interest will be in both activities although it appears that interest has leveled off. The permits shown here are also hard to predict and fluctuate based on certain activities (building & zoning for example) and interest in renting parks and the pool lodge.

Acct. 321 Cable TV Franchise

We are at the maximum franchise fee of 5% of revenues. However, increasing cable revenues due to higher rates and increased shopping revenue should allow the amount the borough receives to increase in 2016. In addition, the agreement with Verizon should provide revenue although it is less certain how much this will mean in revenues as Verizon continues to build out. A new agreement with Comcast was approved in 2012.

Acct. 340 Interest, Rents & Royalties

Magistrate's Office Rental ended in July 2015 with the move of this office to a Yost Blvd. location. Council previously determined that entering into a new lease with the county for this building was not worth the cost of needed repairs and so notified the county. However, the county delayed in finding other offices and the borough agreed to an indefinite extension.

Park & Ride Rental (line 01-340-029) covers the monthly payment of the Port Authority to the borough for use of the space at Ardmore and Avenue B under an agreement completed in 2015. The borough acquired this lot from the Silversmith group and determined it would remain a parking lot for this use.

Acct. 354 State Capital & Operating Grants

Recycling Performance Grant (904) is based on the total reported recycling in the borough for the past year. At one time, this amount was approximately double what is budgeted currently. However, lack of reporting, mainly by commercial entities coupled with changes in the state allocation calculation reduced this amount over the years. We are using the code

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officer to enforce our ordinance.

Other grant numbers shown in this category are estimates although the numbers shown for Snow Removal are based on contractual amounts that become active when winter weather requires it.

Often, the borough receives grant funds from a local legislator for items or activities that do not remove pressure from the budget. Such a grant may be included here.

Acct. 355 State Shared Revenue

The actuary provided the estimate of state revenue for the MMO used here. See Acct. 401 item 01-401-314 and line item in account 410, 01-410-314, for the estimated MMO and further explanation. In 2015, state aid came in a little over \$6,000 higher than expected. However, Mockenhaupt's estimate for state aid comes in lower than the amount budgeted previously.

Act 13 PA UGW Dist (line 01-355-009) accounts for funds received from the state under Act 13 as part of the distribution from impact fees collected from gas drilling companies.

Acct. 357 Local Government Units Capital and Operating Grants

The economic conditions make it difficult to estimate dollars here though the trend has been an increase in income.

I continue to show RAD receipts broken into two categories. The first is the regular RAD account. The second (01-357-011) is used to show that the borough intends to use a portion of the RAD receipts for senior citizen and/or other tax reduction (see also information in Acct. 364).

Acct. 360 Charges for Service

Income from the school district to pay for School Crossing Guards is shown here (they pay half the cost). However, we have reduced the need for guards and have reduced the number significantly. Fuel Usage Administration Fee represents income from those who use our gas pumps at 25¢ per gallon (see fuel note in expenditures).

Acct. 362 Public Safety Reimbursements & Acct. 363 Public Works Reimbursements

The contract price for public works and police services in Chalfant are included here.

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Acct. 364 Sanitation

The Refuse & Recycling Collection Charge is calculated using the figure in the Waste Management contract (\$15.53 per unit per month) plus administrative and material costs (note: this is the final year of the contract). The new trash fee per household will increase to \$220 for most homeowners and \$170 for qualifying seniors. These costs include additional estimated 53¢ per unit/per month for a recycling incentive program.

We will continue to bill the trash fee quarterly, a practice started in 2009. Cash flow in the borough office is impacted by the quarterly format but a quarterly format assists residents in spreading the cost of the fee over time.

Once again, seniors would qualify for the reduced rate through eligibility in the county's Act 77 tax reduction program. Council adjusted the requirements for Act 77 eligibility in 2008 by establishing a rule that all those eligible for the county program will qualify for the borough's as well, thus simplifying application requirements and saving the borough money and time in preparing and reviewing applications (see also Acct. 357).

Acct. 367 Recreation

All fees and passes (swimming and tennis) reflect any changes recommended by the recreation board and Marketing & Events Director, Cindy Simm. As usual, swimming revenues (including admissions, passes, and concessions) are a factor of the weather. The column showing year to date 2015 revenues generally represent final dollar figures with minor exceptions. The statistics section of the budget document provides a historical comparison of recreation revenues and expenditures and should be reviewed. See also Account 452 Swimming Pool for further information.

To make the general fund revenue numbers easier to compare with corresponding general fund expenditure numbers we adjusted the way recreation revenues are grouped. In making any comparison note that numbers shown in the statistics section of the budget message do not include capital spending or bond issue spending (if any). Both should be viewed in gathering a full picture of the cost of pool operations.

Acct. 380 Miscellaneous Revenues

Newsletter revenues are estimated based on current advertising rates. The account also includes the dollars under Transfer from Capital 2 (account 01-392-019) that represents anticipated personnel costs charged to the corrective action budget by the

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general fund budget to account for one public works crew member as originally planned by council in 2004. As you may recall from past discussions, personnel costs at one time included here the most recent hire in public works, personnel costs for crew members working exclusively on sewers (including overtime), a portion of my time (approximately 25%) considering that I attend many meetings related to consent decree activities and a majority of the Administrative Assistant – Finance employee's time (now reduced from previous years thanks to the new software program to approximately 60%) due to the many hours she spends on sewer billing.

After reviewing costs with the engineer, council has returned to the concept that performing some of these tasks in house by public works personnel is actually less expensive than contracting out, even when the work is done on overtime. Therefore, the 2016 budget takes this into account and certain work may be reimbursed to the general fund from the corrective action fund. Council may wish to further adjust this number to return administrative costs (manager and office staff) to the amount transferred since those costs will continue in the future. The transfer of funds also reflects costs for stormwater management requirements.

Note that 2016 continues the practice of including line items for Legal Cost Reimbursable and Engineering Cost Reimbursable to account for those times when a fee or escrow amount for a planning or zoning type permit includes attorneys and engineer costs. Related line items can be found in expenditure accounts number 404 and 414.

A summary of the 2016 general fund budget revenues and expenditures is shown on the next two pages (any differences due to rounding).

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Borough of Forest Hills						
2016 Budget Summary by Category						
		2015	2015	% of Total Revenues	2016	% of Total Revenues
<i>Acc't No.</i>	<i>Revenues</i>	<i>Budget</i>	<i>Actual to 12/31/15</i>	2015 Budget	<i>Budget</i>	2016 Budget
	Taxes					
301	Real Property	2,812,000	2,795,063	49.36%	2,942,500	50.04%
310	Act 511	<u>1,010,000</u>	<u>1,171,772</u>	17.73%	<u>1,008,600</u>	17.15%
	TOTAL TAXES	3,822,000	3,966,835	67.09%	3,951,100	67.20%
320	Licenses & Permits	34,350	26,302	0.60%	33,150	0.56%
321	Cable TV Franchise	136,000	157,091	2.39%	142,000	2.42%
330	Fees & Fines	54,000	48,639	0.95%	55,200	0.94%
340	Interest, Rents & Royalties	65,500	91,662	1.15%	89,600	1.52%
	State					
354	Grants	34,000	29,782	0.60%	32,000	0.54%
355	Shared Revenue	<u>111,200</u>	<u>119,282</u>	1.95%	<u>111,950</u>	1.90%
	TOTAL STATE	145,200	149,064	2.55%	143,950	2.45%
357	Local Government Grants (RAD)	190,000	219,964	3.34%	191,000	3.25%
360	Charges for Services	200,185	132,862	3.51%	201,500	3.43%
	Reimbursements					
362	Public Safety	49,652	49,512	0.87%	51,390	0.87%
363	Public Works	<u>60,201</u>	<u>57,091</u>	1.06%	<u>59,978</u>	1.02%
	TOTAL REIMBURSEMENTS	109,853	106,603	1.93%	111,368	1.89%
364	Sanitation	647,050	629,700	11.36%	661,637	11.25%
367	Recreation					
	Pool	102,800	105,364	1.80%	108,000	1.84%
	Programs	14,700	13,703	0.26%	13,800	0.23%
	Tennis & Misc.	<u>8,540</u>	<u>27,146</u>	0.15%	<u>9,050</u>	0.15%
	TOTAL RECREATION	126,040	146,213	2.21%	130,850	2.23%
380	Miscellaneous	166,300	112,138	2.92%	168,500	2.87%
	TOTAL REVENUES	5,696,478	5,787,074	100.00%	5,879,855	100.00%

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Borough of Forest Hills						
2016 Budget Summary by Category						
		2015	2015	% of Total Expenditures	2016	% of Total Expenditures
Acc't No.	Expenditures	Budget	Actual to 12/31/15	2015 Budget	Budget	2016 Budget
Borough Administration						
400	Legislative	21,118	20,675	0.37%	22,118	0.38%
401	Administration	700,621	698,191	12.30%	728,499	12.39%
403	Tax Collection	28,715	29,937	0.50%	28,715	0.49%
404	Legal Services	119,500	120,301	2.10%	119,500	2.03%
	<i>TOTAL ADMINISTRATION</i>	869,954	869,103	15.27%	898,832	15.29%
Public Safety						
410	Police	1,765,325	1,653,765	30.99%	1,680,623	28.58%
412	Ambulance	9,673	10,007	0.17%	9,798	0.17%
415	Neighborhood Crime Resistance	8,950	4,900	0.16%	8,950	0.15%
416	Auxiliary Police	5,000	1,500	0.09%	5,000	0.09%
419	School Crossing Guards	11,019	10,515	0.19%	10,769	0.18%
	<i>TOTAL PUBLIC SAFETY</i>	1,799,967	1,680,686	31.60%	1,715,139	29.17%
414	Planning & Zoning	44,717	66,691	0.78%	46,652	0.79%
Sewage/Sanitation						
427	Refuse Collection	592,188	531,067	10.40%	606,096	10.31%
426	Recycling Collection	4,200	2,682	0.07%	4,700	0.08%
	<i>TOTAL SEWAGE/SANITATION</i>	596,388	533,749	10.47%	610,796	10.39%
Public Works/Maintenance						
406	Magistrate's Office Building	2,375	3,210	0%	400	0.01%
409	Building Maintenance	98,210	92,696	1.72%	99,348	1.69%
430	Public Works	615,351	597,211	10.80%	664,288	11.30%
431	Street Maintenance	90,200	87,252	1.58%	91,250	1.55%
436	Sewer Maintenance	80,413	85,392	1.41%	82,649	1.41%
	<i>TOTAL PUBLIC WORKS/MAINT.</i>	886,549	865,760	15.56%	937,935	15.95%
Recreation						
451	Programming	6,516	6,562	0.11%	7,516	0.13%
452	Swimming Pool	165,508	194,025	2.91%	178,820	3.04%
453	Tennis	7,873	5,125	0.14%	7,822	0.13%
454	Parks	111,144	113,184	1.95%	115,918	1.97%
459	Recreation Center (Westinghouse)	66,652	65,814	1.17%	72,333	1.23%
	<i>TOTAL RECREATION</i>	357,694	384,709	6.28%	382,409	6.50%
455	Tree Service	102,054	59,460	1.79%	103,815	1.77%
458	Senior Citizen Center	12,975	11,310	0.23%	12,550	0.21%
471-475	Debt Service - Capital Projects	368,639	394,000	6.47%	486,195	8.27%
492	Reserve for Capital Funds	491,541	371,287	8.63%	425,405	7.23%
480/490	Miscellaneous	166,000	171,183	2.91%	260,127	4.42%
	TOTAL EXPENDITURES	5,696,478	5,407,938	100.00%	5,879,855	100.00%

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Expenditures

All Salaries/Benefits

All salaries and benefits costs were calculated using current contractual requirements. Nonunion and part time salary and benefit costs are estimated pending council review. All Health Insurance line item numbers represent actual amounts estimated for 2016 by MBS (formerly MEIT). Worker's Compensation charges are unknown at this time so we used estimated rates for this budget.

Other salary highlights:

- ▶ We estimate that part time and nonunion full time salaries will increase slightly for 2016 pending approval by council (note that the next budget draft will include any adjustments in salaries and any corresponding line item adjustments to fund changes).
- ▶ Police salaries reflect the current complement of 9 full time and 3 part time members including one sergeant and the Chief of Police.
- ▶ Non uniform salaries will increase based on the new contract beginning this year.

The chart on the next page illustrates suggested changes to the nonunion salaries for council's review and approval.

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WAGE INCREASES FOR BUDGET YEAR 2016				
EMPLOYEE	2015		2016	
	CURRENT			2016
	SALARY / RATE	SALARY / RATE	INCREASE	
MARKETING & EVENTS DIRECTOR	\$ 27,061.80	\$ 27,603.04	2%	
COMMISSION (estimated)	\$ 9,700.00	\$ 8,026.96	(estimate)	
TOTAL	\$ 36,761.80	\$ 35,630.00		
BOROUGH MANAGER	\$ 80,662.40	\$ 82,275.65	2%	
POLICE CHIEF	\$ 97,487.52	\$ 99,437.27	2%	
Hourly Salaries Shown Below				
SCHOOL CROSSING GUARDS	\$ 9.50	\$ 9.50	0%	
ARBORIST	16.98	15.00		
PT SECRETARY/RECEPTIONIST	\$ 12.24	\$ 13.50	10%	
PT BUILDING MAINTENANCE I	\$ 7.75	\$ 7.91	2%	
PT BUILDING MAINTENANCE II	\$ 9.00	\$ 9.18	2%	
POOL OPERATOR/CUSTODIAN	\$ 14.50	\$ 14.79	2%	
ASST. REC. DIR.	\$ 15.00	\$ 15.00	0%	
POOL MGR	\$ 18.04	\$ 18.40	2%	
ASST. POOL MGR	\$ 11.38	\$ 11.61	2%	
1ST YR GUARD	\$ 8.28	\$ 8.45	2%	
2ND YR GUARD	\$ 8.44	\$ 8.61	2%	
3RD YR GUARD	\$ 8.71	\$ 8.88	2%	
SUBSTITUTE	\$ 8.23	\$ 8.39	2%	
SYNCHRO COACH	\$ 2,530.45	\$ 2,581.06	2%	
SYNCHRO ASST	\$ 1,371.46	\$ 1,398.89	2%	
SYNCHRO ASST				
SWIM TEAM COACH	\$ 2,530.45	\$ 2,581.06	2%	
SWIM TEAM ASSIST.	\$ 1,371.46	\$ 1,398.89	2%	
SWIM TEAM ASSIST.	\$ 1,371.46	\$ 1,398.89	2%	
TENNIS COACH	\$ 2,530.45	\$ 2,581.06	2%	
ASST COACH	\$ 1,371.46	\$ 1,398.89	2%	
PART TIME P.W.D.				
1ST YEAR	\$ 8.49	\$ 8.66	2%	
2ND YEAR	\$ 9.03	\$ 9.21	2%	
3RD YEAR	\$ 9.55	\$ 9.74	2%	
4TH YEAR	\$ 10.09	\$ 10.29	2%	
Regular Part Time	\$ 10.40	\$ 10.61	2%	
CODE ENFORCEMENT	\$ 14.86	\$ 15.16	2%	

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EMPLOYEE (union)			2016
			REGULAR
			<u>SALARY / RATE</u>
POLICE			
<i>(does not include overtime, employee contribution to pension fund & certain benefits)</i>			
Sergeant Base Salary			\$ 84,240.00
Health Care Benefit (assuming top rate-Family)			\$ 16,543.56
FICA			\$ 6,444.36
Uniform Allowance			\$ 950.00
Holiday / Overtime / Court Time (variable & not shown)			
Worker's Comp (est. on base salary only)			\$ 5,425.06
Disability Insurance			\$ 438.84
Longevity (eliminated)			\$ -
Life Insurance			\$ 255.96
Less Hospitalization paid by employee			\$ (114.40)
Total Sergeant			\$ 114,183.38
Patrolman II Base Salary			\$ 80,246.40
Health Care Benefit (assuming top rate-Family)			\$ 16,543.56
FICA			\$ 6,138.85
Uniform Allowance			\$ 950.00
Holiday / Overtime / Court Time (variable & not shown)			
Worker's Comp (est. on base salary only)			\$ 5,167.87
Disability Insurance			\$ 438.84
Longevity (eliminated)			
Life Insurance			\$ 255.96
Less Hospitalization paid by employee			\$ (114.40)
Total Patrolman II			\$ 109,627.08
Part Time Police Officer (per hour at most senior officer rate)			\$ 24.90
Health Care Benefit (assuming top rate-Family)			\$ -
FICA (per hour)			\$ 1.60
Total Part Time			\$ 26.50

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EMPLOYEE (union)	2016 REGULAR SALARY / RATE
PUBLIC WORKS <i>(does not include overtime, employee contribution to pension fund & certain benefits)</i>	
Maintenance Man II Base Salary	\$ 56,328.55
Health Care Benefit (assuming top rate-Family)	\$ 16,543.56
FICA	\$ 4,309.13
Uniform Allowance	\$ 350.00
Worker's Comp (est. on base salary only)	\$ 4,725.97
Longevity (contractual average; depends on yrs. employed)	\$ 982.86
Life Insurance	\$ 196.32
Less Hospitalization paid by employee	\$ (411.58)
Total Maintenance Man II	\$ 83,024.81
Laborer Base Salary	
Maintenance Man I Base Salary	\$ 39,000.00
Health Care Benefit (assume single rate)	\$ 5,566.32
FICA	\$ 2,983.50
Uniform Allowance	\$ 350.00
Worker's Comp (est. on base salary only)	\$ 3,272.10
Longevity (contractual average; depends on yrs. employed)	\$ -
Life Insurance	\$ 196.32
Less Hospitalization paid by employee	\$ (411.58)
Total Laborer	\$ 50,956.66
Head Groundskeeper Base Salary	
Head Groundskeeper Base Salary	\$ 57,476.01
Health Care Benefit (assuming top rate-Family)	\$ 16,543.56
FICA	\$ 4,396.91
Uniform Allowance	\$ 350.00
Worker's Comp (est. on base salary only)	\$ 4,822.24
Longevity (contractual average; depends on yrs. employed)	\$ 982.86
Life Insurance	\$ 196.32
Less Hospitalization paid by employee	\$ (411.58)
Total Head Groundskeeper	\$ 84,356.32
Foreman Base Salary	
Foreman Base Salary	\$ 63,740.14
Health Care Benefit (assuming single rate)	\$ 5,578.32
FICA	\$ 4,876.12
Uniform Allowance	\$ 350.00
Worker's Comp (est. on base salary only)	\$ 5,347.81
Longevity (contractual average; depends on yrs. employed)	\$ 982.86
Life Insurance	\$ 196.32
Total Foreman	\$ 81,071.57

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EMPLOYEE			2016 REGULAR
			SALARY / RATE
OFFICE STAFF			
<i>(does not include overtime, employee contribution to pension fund & certain benefits)</i>			
Treasurer Base Salary			\$ 44,408.25
Health Care Benefit (assuming Husband/Wife rate)			\$ 15,270.48
FICA			\$ 3,397.00
Worker's Comp (est. on base salary only)			\$ 102.14
Longevity (contractual average; depends on yrs. employed)			
Life Insurance			\$ 196.32
Less Hospitalization paid by employee			\$ (114.40)
Total Treasurer			\$ 63,259.79
Administrative Assistant - Finance, Base Salary	(union)		\$ 35,823.44
Health Care Benefit (assuming parent/child rate)			\$ 11,451.60
FICA			\$ 2,740.00
Worker's Comp (est. on base salary only)			\$ 82.39
Longevity (contractual average; depends on yrs. employed)			\$ 220.00
Life Insurance			\$ 196.32
Less Hospitalization paid by employee			\$ (411.58)
Total Administrative Assistant - Finance			\$ 50,102.17

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Other Items

Utility Costs – all buildings/facilities

The contract with Liberty Power providing electricity continues for most bills. The contract for electricity supplier for street lights and traffic lights with Direct Energy ended and we are using Constellation for those accounts through the PA Municipal League program. UGI continues to serve as the borough’s natural gas broker.

And as noted several years ago, changes in phone service over the past 9 years continues to provide savings via a low cost company for local and long distance service. Chaney and Associates continues to monitor our phone usage and regularly reviews and advises of better opportunities at no cost to the borough. As noted elsewhere, water expenditures were high in 2015 due to leaks discovered at the swimming pool (*see page 30 and below and the Capital Improvements Plan in a separate book*).

A summary of utility costs is shown below:

		Pre-Audit		
	2015	2015	2016	2017
<u>Utility Summary</u>	<u>Budget</u>	<u>Actual to 12/31/15</u>	<u>BUDGET</u>	<u>BUDGET</u>
Water	11,055	27,735	10,850	11,425
Sewer	5,075	5,965	6,700	6,800
Electricity	50,975	50,391	50,450	51,400
Natural Gas	34,200	27,073	31,700	32,200
Telephone	20,100	19,855	21,100	21,600
TOTAL	121,405	131,019	120,800	123,425

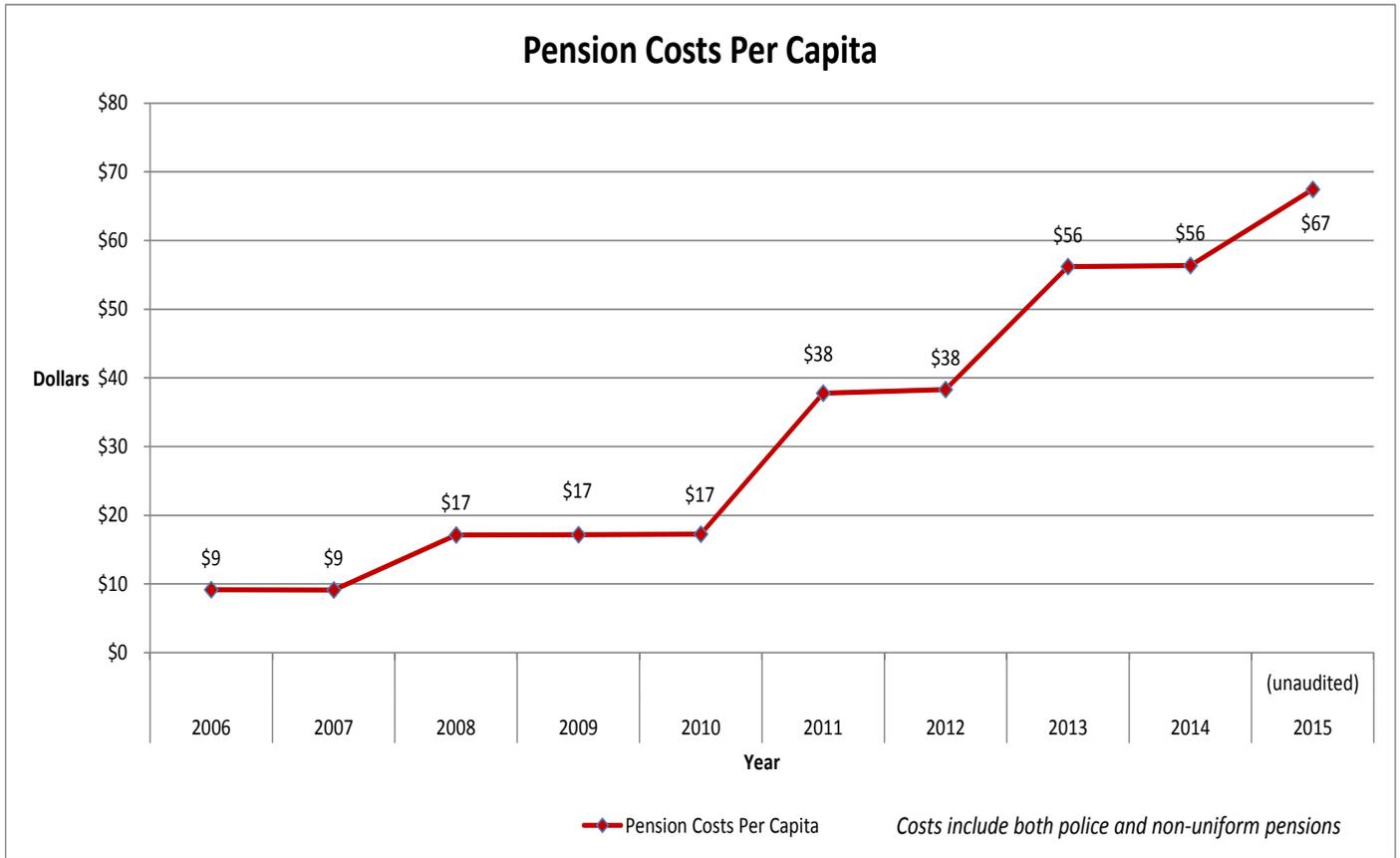
Acct. 401 Administration

Website figures include the cost of an editor to assist in maintaining the site. The amount shown provides a stipend of \$100 for this assistance. Council may wish to consider increasing funds here to allow the site to move from the Pittsburgh Free Net host to another that has more capacity to meet the borough’s informational needs. In addition, we are considering a redesign of the borough’s website to make it more useful and easier to view. That could require more funding and/or a move to another host.

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The dollar figure here in State Aid/Pension Plans is based on the actuary's estimate for non-uniform only. Note that council accepted 75% of the actuary's MMO calculation based on the information provided by them in September allowing the borough with the option of using a reduced calculation (approximately 75%) in 2016 extended for three years. That will simply defer the difference owed into future years. As was true in 2015, the budgeted amount here and again in the same category under Police shows the 75% estimated dollar figure. The amount that equals the difference between 75% of what is owed and 100% owed will be placed in the budget reserve account. See earlier discussion under revenues (account 355) and charts on pension costs in the statistics section of the budget. A chart on funding pensions as shown by per capita costs is found below.



Note that we are uncertain as to Postage costs at this time though no increase has been proposed by the postal service as far as can be determined.

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Conference/Seminar includes the costs associated with attendance at several conferences and training programs throughout the year as authorized by council to allow me to maintain my “credentialed manager” status under ICMA (International City/County Management Association). This number was increased to reflect council’s long standing belief in the need for training for staff and to permit the Treasurer and/or Administrative Assistant-Finance to join and attend PA Government Finance Officers Association (GFOA) programs.

We are changing how we account for insurance expenditures (01-401-350 Insurance). Previously this expenditure split between Administration and Police but it is difficult to determine specific allocation in some cases. Therefore, staff prefers to account for it under one line item so the 2 have been combined and entered here though we will continue to show the line item in police for now.

Acct. 403 Tax Collection

The numbers here are fixed based on prior agreement approved in ordinance 984.

Act 77/Gentrification has been reduced under the system started in 2010 since the discount amount for qualifying seniors comes directly off the bill they receive from the county. The dollar figure here will be used to account for those applying late to the county for gentrification.

Acct. 404 Legal Services

The Retainer line item reflects costs associated with the attorney hired to assist with labor negotiations and other personnel matters. These line items regularly go over budget. While some of this cost is reimbursable (for planning and zoning related matters), most of it is not. The solicitor suggested a retainer feature for the 01-404-314 Legal Cost line item in 2014 that allows the borough to control costs while maintaining certain service features provided by the solicitor. That continues in this budget.

Members requested the addition of a new line item Labor Costs: Contract Issues/Grievances in 2012 to better track those costs. Legal Costs Reimbursable was created to log such costs that are repaid to the borough from work related to planning/zoning development activities involving the solicitor and are associated with revenue account 01-380-031

Fuel Line Items – Administration, Police, Public Works

A line item for fuel is included in the above accounts. In addition to the fuel we use we also sell fuel to other area police, fire departments, EMS and public works departments (see

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account 360 above) as a courtesy to them. During the year, all public safety related fuel costs are charged to police including our own and all public works related fuel costs are charged to public works including our own. Throughout the year and especially near year end, we transfer non-Forest Hills charges to the fuel line item in administration thereby more accurately reflecting the charges to our two departments in their respective accounts.

Acct. 409 Building Maintenance

Janitorial Service ended in early 2014 as the borough replaced the cleaning company with a part time hire (Pool Operator/Custodian) who doubles as pool operator. Cost of the new maintenance hire is reflected as separate line items in this account and in the pool account with 75% of the individual's costs included here and 25% included in the pool account.

Acct. 410 Police

Continue line item 410-314 State Aid/Pension Plans to account for the MMO costs related to the police pension. Note that council accepted 75% of the actuary's MMO calculation (see discussion above under Administration).

The amount budgeted for Overtime is based on an estimate provided by the Chief and in consideration of revised scheduling practices and the addition of part time officers.

See *Acct. 401, Administration* (above) for a discussion of Insurance/Bonds (line item 01-410-350), merged with the same account there under line 01-401-350.

The Canine Unit Per Diem remains at \$6 and includes an estimated \$500 to cover veterinarian bills. K-9 vehicle has been replaced.

New Vehicle Purchase - Replace the oldest car with a new vehicle. Lease costs are approximately 3 payments of \$16,000. Car to be replaced will be determined by the Chief.

Existing Police Vehicle Lease (see chart on following page) reflects the next payment on the vehicles purchased in previous years.

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<u>POLICE CAR ROTATION – 9/4/2015 to be prepared by Chief</u>					
Car #	Year	Make	Model	VIN #/DATE DELIVERED/USE	Mileage
1	2015	Dodge	Charger	Traffic details; undercover; backup unit for daily patrol	5,740
2	2013	Ford	Explorer	Daily patrol	53,740
3	2010	Ford	Crown Vic	Daily patrol	93,600
4	2014	Ford	Explorer	Daily patrol	36,420
K-9 unit	2007	Ford	Expedition	Specially equipped for K-9 duty; used only by dog handler.	35,425
Code/Police	2000	GMC	Yukon	Undercover surveillance & traffic monitoring; used to transport officers to training; used by code enforcement officer	77,695

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Acct. 412 Ambulance

I included the same contribution amount (\$1.25 per capita) under Contribution Revised Budget as previous years. The per capita figure is based on the 2010 census which shows a reduction in the borough's population to 6,518. Water and sewer are included as usual because our public works line is tied to theirs and there is no way of determining water usage for each building at this time.

Acct. 414 Planning & Zoning

The salary for the part time code officer is included here. Please see salary information shown elsewhere. The zoning hearing board requires a secretary and a solicitor that must be paid for through borough funds. Both are included in this section of the budget although only a solicitor has been funded.

Building Inspection Underwriters continues to be used for building inspection and zoning matters. Their fees are generally paid through fees and fines collected so there is little cost to the borough. As manager, I have become more involved in zoning and code matters this year to assist the two officers as has the solicitor's office.

Acct's. 415 Neighborhood Crime Resistance and 416 Auxiliary Police

Expenses here remain essentially the same as before with only minor changes. Council may wish to review these expenses for additional changes since funds to pay Swiftreach for crime alert services come from this budget as well. Our use of the system is increasing.

Acct's. 426 & 427 Recycling & Refuse Collection

This account includes dollars for the purchase of additional recycling containers. Our supply of containers is almost exhausted as is often true late in the year.

A new line item added in 2014 continues: Recycling: Yard Waste to cover the cost of a container for collecting materials for this new program.

Costs shown are based on the lowest bid provided by Waste Management for a new trash/recycling contract. The last option year under the new contract is 2016 and, therefore, council must seek bids on a new contract during 2016.

Because the new contract required a combined price for both, we no longer show a dollar

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figure in account 426 for recycling collection costs. (See also account 364 in revenues).

Acct. 430 Public Works

Item 251, Vehicle Parts, etc., should be maintained at a higher number because several trucks are 10 years or more old and costs have increased due to state inspection requirements. Council included a plan for lease purchase methods in the 2015 Capital Improvements Plan to begin replacing some older vehicles and equipment on a regular basis after discussing a replacement timeline with the foreman. The timeline has been updated for 2016 and will continue in the 2016 plan.

Equipment includes the purchase of new hand tools (shovels, picks, etc.).

Supplies includes the cost of striping and lights for back of the bucket truck (carried over from 2014 and 2015 as other supplies were required that prevented this purchase).

Electricity – Traffic Signals is split between this budget and liquid fuels. However, liquid fuels funds are most used for salt purchases in the past few budgets and we anticipate that may continue in 2016 with salt prices continuing to rise and the number of small “nuisance” snows requiring more material. Direct Energy was removed as a supplier because their costs are higher than Duquesne Light’s and were replaced in 2015 with Constellation through the PA Municipal League program.

Maintenance – Traffic Signals includes the cost of 3 LED light heads for the decorative lamp posts in the business district.

Acct. 431 Street Maintenance

Signs should be maintained at a higher cost because several of our street name signs need replaced. However, often we exceed this budget number and never replace the street name signs because of other issues that develop. Certain critical traffic signs continue under this mandate and the borough must consider their replacement over the next several years. This line item should be considered for increased funding in the next year or two though this budget considers only a slight increase over the 2015 budget.

Line Painting may include use of tape for more permanent lane markings in select locations.

In prior years, the Crack Filler and Paint line items were moved with crack filler going to the paving program budget and paint expenses to the public works budget. Hot Patch is now in the liquid fuels budget or the road improvement fund. Cold Patch is covered in liquid fuels.

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However, these important items are continued here though the amount is shown at zero should council decide to move them back to the general fund in the future due to a shortage of dollars in liquid fuels. See also comments under liquid fuels later in this document. The liquid fuels fund is no longer permitted to cover the cost of Bag Calcium Chloride.

Acct. 436 Sewer Maintenance

Since most of these funds, if not all, come from the corrective action program, most of the dollars here have been eliminated. See also sewer related personnel costs as discussed in revenue under Miscellaneous Revenue.

Acct. 451 Recreational Programming

The hourly salary for the assistant recreation director remains the same (\$15/hr.) as it has since 2008 (Wages, Assistant Recreation Director). Also, the Marketing and Events Director anticipates additional wages for those holding and instructing recreation programs as costs increase.

Acct. 452 Swimming Pool

The pool is considered an amenity in the borough and council recognizes that the expenditures devoted to it often exceed the revenue generated. There are several reasons for this including the policy that generally restricts the pool to use by borough residents and their guests and the need to keep admission prices as reasonable as possible. The policy restricts the borough's ability to receive grant funds and also keeps admission prices somewhat higher than other area pools since there is a smaller population from which to draw (see statistics on pool revenues and expenditures in that section of the budget booklet). When reviewing costs of pool operation, the Capital Improvements Plan as well as recent bond issue spending should be reviewed to gather a complete picture.

Another concern remains having sufficient staff to safely maintain the pool throughout the season. The need includes general pool maintenance, chemical applications, water quality monitoring, protecting patrons while in the water and other duties. Because many hires are high school and college students with other interests, a number may be unavailable at times during the season, especially in August, to provide sufficient staffing. Pool management monitored that issue this year and was able to cover shifts as required though late season hours were restricted. However, it remains a concern each year as some guards leave by mid-August to return to school. We follow the safety requirements of the health department and state of Pennsylvania in staffing the pool.

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Uniform Purchases line item was added in 2011 to provide a standard uniform for staff identity and continues with this budget.

Line items including Equipment, Supplies and Miscellaneous include the following non capital items requested for purchase:

Vacuum	\$2,500
Double hung window for office	\$ 200
Exhaust fan for filter room	\$ 300
Umbrella for cashier booth	\$ 100
Power-washer head	\$ 100
Paint for locker room and concession stand floors	\$ 500
Water grabber pole	\$ 60
Total	\$3,760

Acct. 454 Parks

Supplies Includes purchase of 2 loads of Fibar est. at \$3,900 total. Also includes ball field dirt and field dry since there is no grant to cover the purchase.

Maintenance/Repair includes needed electrical upgrades at Main Park and Koch. Also used for cost of parts for mowing related equipment in parks.

Equipment includes purchase of push mowers, weed eaters and hand blowers when needed.

Acct. 455 Tree Service

The following are based on past comments from the arborist. At this time, arborist Ted Gilbert intends to retire and the borough is seeking a certified arborist to fill the post. We continue to use Mr. Gilbert as a consultant while the hiring process moves forward although temporarily many tree issues are handled by the manager, foreman and code officer in conjunction with the arborist employed by our contractors. This interim period resulted in less spending on this account in 2015 than normal (see budget document for numbers).

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Contingency/damage covers the Borough's share of the cost of correcting tree root damage to sidewalks, sewers, & lawns under the 2010 revisions to the controlling resolution which eliminated certain reimbursements and placed more responsibility on the part of the property owner.

Spraying includes insect control on trees. We seldom use this but insects come without warning and we want to be prepared when they do.

Miscellaneous includes educational supplies, professional membership, special planting projects, Westinghouse Lodge, and possible unplanned planting projects.

Planting Trees is used to replace removed trees.

Pruning – An increase here was requested by the arborist. The arborist notes that there is an increasing work load here as work is pushed back from year to year and that the concern is a number of dead branches in borough trees as well as some that interfere with proper growth.

All Removals are done for reasons of safety because of dead, diseased and hazardous trees.

Storm Damage was added as a line item in 2015. Each year some storm damage occurs and funds are usually taken from removals or pruning. Projecting needed costs here may allow the borough to maintain its normal pruning and removal program which is already somewhat behind due to budget cuts over the years. The arborist notes:

“This damage has not been excessive but enough to upset our overall budget. Damage cannot be predicted but there is a good chance that it will happen. In most cases, we must call in outside contractors on an emergency basis. We felt it is desirable to have a separate line item. This is to be used only for that purpose.”

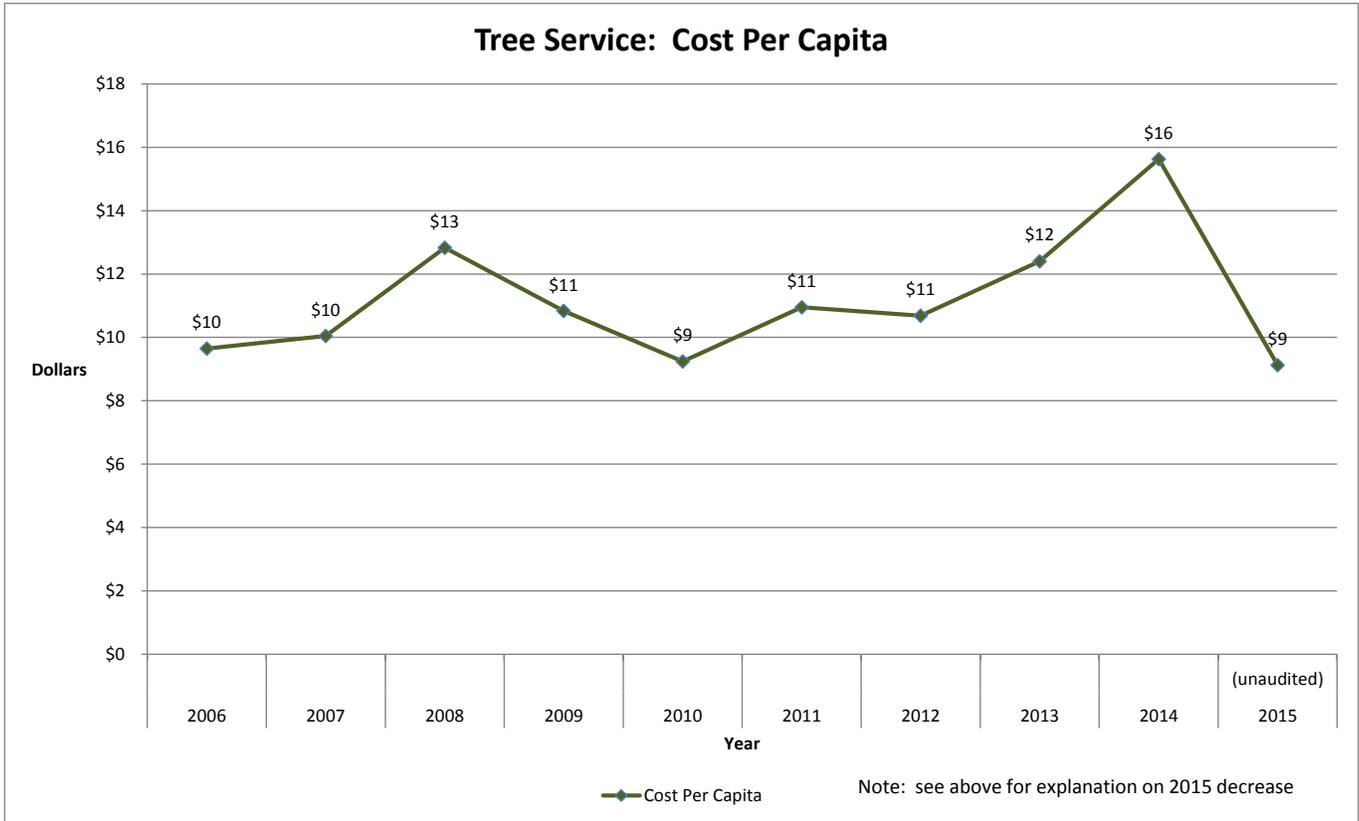
Special Planting is used for Ardmore median tree replacement. However, the line item entitled Tree Maintenance: Marion & Sumner is described by the Arborist as follows:

“Maintenance of plantings from Marion to Sumner in Ardmore Business District. Mainly removal and replacing dying trees. Possibly replacing sidewalk trees with planters and associated preparation.”

A chart on the next page illustrates the cost per capita of funding tree serves based on actual spending as shown in borough audit reports.

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Acct. 458 Senior Citizen Center

Past consideration has been to evaluate the center to determine if the borough should maintain it or sell the building. No final decision has been made though the issue surfaces from time to time. Several pending projects for repairs are included in the Capital Improvements Plan. With a new borough building in the planning stages, the center may be considered for sale and senior activities moved to the new building.

Acct. 471-475 Debt Service

Council refinanced the bond issue in 2012, lowering the debt service payment each year while maintaining the same expiration date (2025). Debt Service for 2015 is shown at \$371,738 (including interest) for the 2012 bond issue versus the old debt service of \$393,550 for a savings of \$21,812. This savings is shown as part of the transfer to the Capital Improvements Plan (line 01-492-018) in 2016. Future savings will also transfer to

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this line item each year through the life of the debt.

In 2015, council approved a \$3.5 million bond issue to cover construction of a new borough building. Line items to account for this new debt service are included in the 2016 budget for the first time and show a debt service payment due of \$113,458.

See the debt service schedule section in the budget document for the full schedule of payments. We added a line item in 2014 that continues here to account for annual fees rather than including it in the overall cost.

Acct. 480 Miscellaneous

See earlier comments on the Budget Reserve and council's policy on the topic. The total reserve includes \$77,199 (police) and \$14,080 (non uniform) for pension contributions due to the decision to budget for 75% of the total owed (per Mockenhaupt) for 2016. See 2011 through 2015 budgets for information on other funds reserved for pensions. Savings from budget changes elsewhere include \$52,000 total, some of which council may choose to earmark or simply keep as additional reserve funds.

The Donation for Edgewood Library maintains the same \$1.25 per person amount allocated in previous years. The per capita figure is based on the 2010 census which shows the borough population at 6,518. Budget Contingency is used for items like the annual volunteer/employee picnic in August and unexpected items. Council established Community Day Donation as a line item in 2015 to provide some funds for event organizers (we also donate postage to them for mailing information to residents).

Acct. 492 Reserve for Capital Funds

The Transfer to Capital 1 line item has been reduced over recent years to save money. Council may wish to revisit this if it plans on including significant capital spending for the year. With the bond refinancing in 2012 this line item includes dollars from the year to year savings realized with the reduction in interest payments from that refinancing (see debt service discussion above). The amount shown for 2016 should be sufficient to cover what I considered to be mandatory capital spending in the proposed plan.

Transfer to Road Improvement Fund may change pending decisions made by council in allocating millage to this fund. At this time, I am using a number based on the current 2015 valuation and assuming that there will be some loss in income due to appeals and delinquent taxpayers. As noted in 2015, Capital Reserve is a new line item designed to begin saving money for capital purchases shown in future years in the Capital Improvements Plan

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(previously shown under Account 480).

Council will note that there are two audit adjustment line items shown in this section (and elsewhere in the budget) to account for year-end adjustments required to convert our accounts from a cash basis to a modified accrual basis of accounting and to correct changes to “due to” and “due from” accounts. These are rarely used but kept here since the auditor determines if we will need to include them.

Costs Per Capita

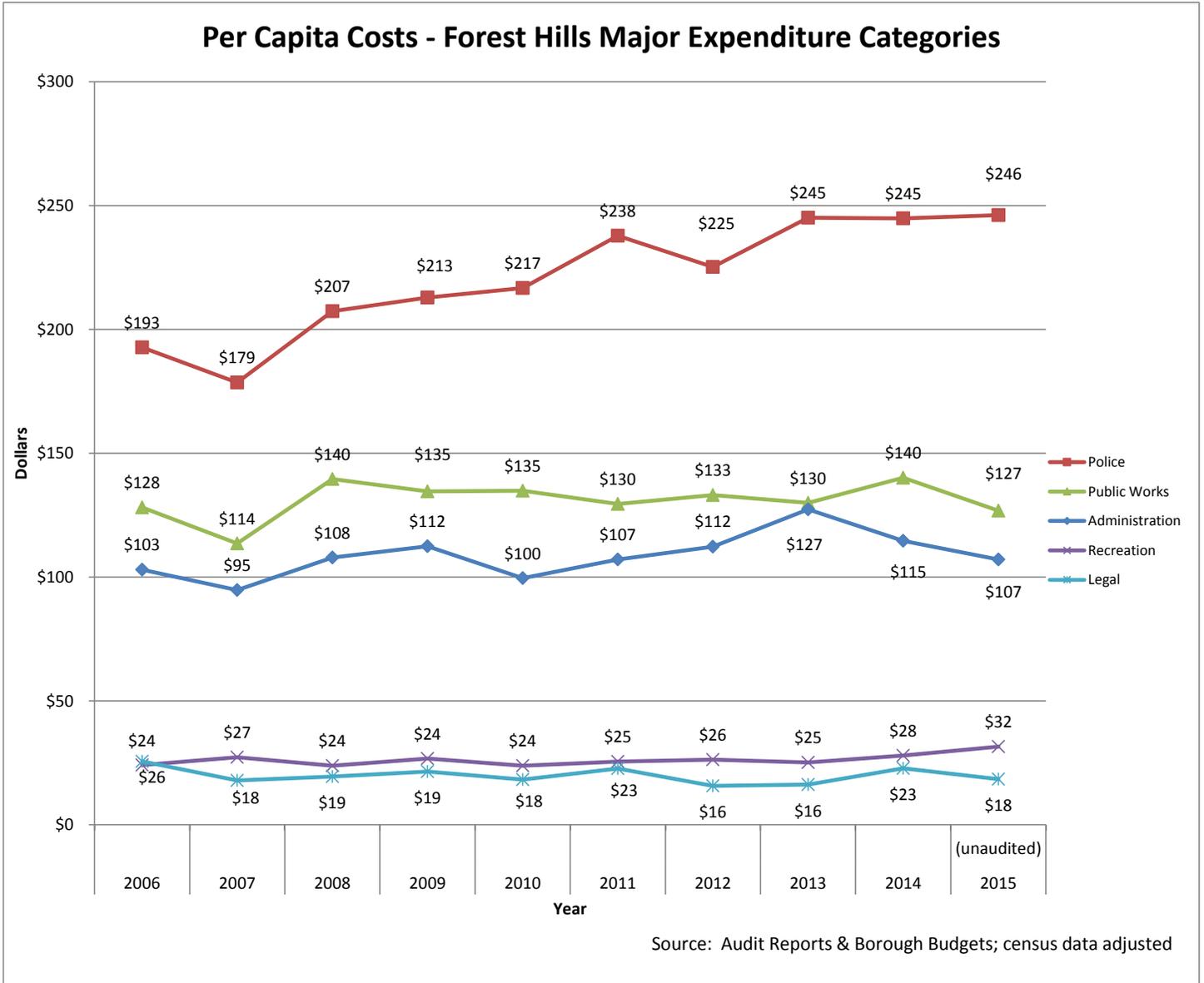
As started in 2014, an illustration of the per capita costs of major expenditure categories is shown on the next page. It is calculated by comparing the actual cost (from the borough audit for a year except as noted) for the function shown with the borough’s population numbers. Census figures used to determine population come from the US Census Bureau which previously included adjustments in borough population estimates since the 2000 census. With numbers from the 2010 census available, the calculation has been adjusted to reflect that information. Financial data comes from borough audit reports except in the case of recreation figures and 2015 data. Source of the latter two items is the borough’s annual budget.

The chart illustrates the cost per resident of major functions of Forest Hills’ government from 2004 through 2014. Census figures show the borough’s population at 6,831 as calculated by the 2000 census, adjusted to 6,518 with the 2010 census.

The statistics section of the 2016 budget booklet shows a separate chart for several of the categories for further comparison.

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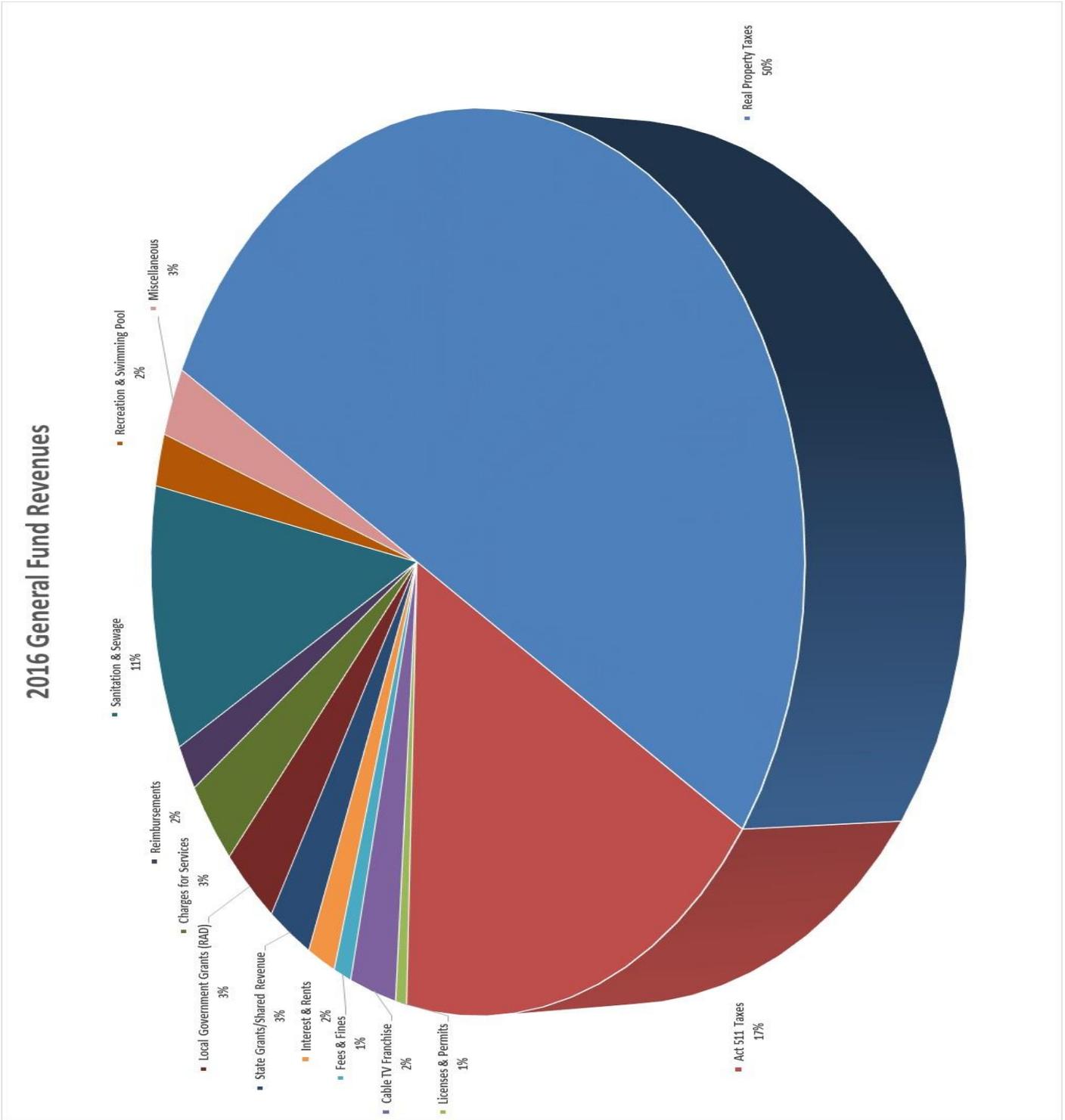


The pie charts on the following pages illustrate the percentages devoted to general fund budget categories for revenues and expenditures.

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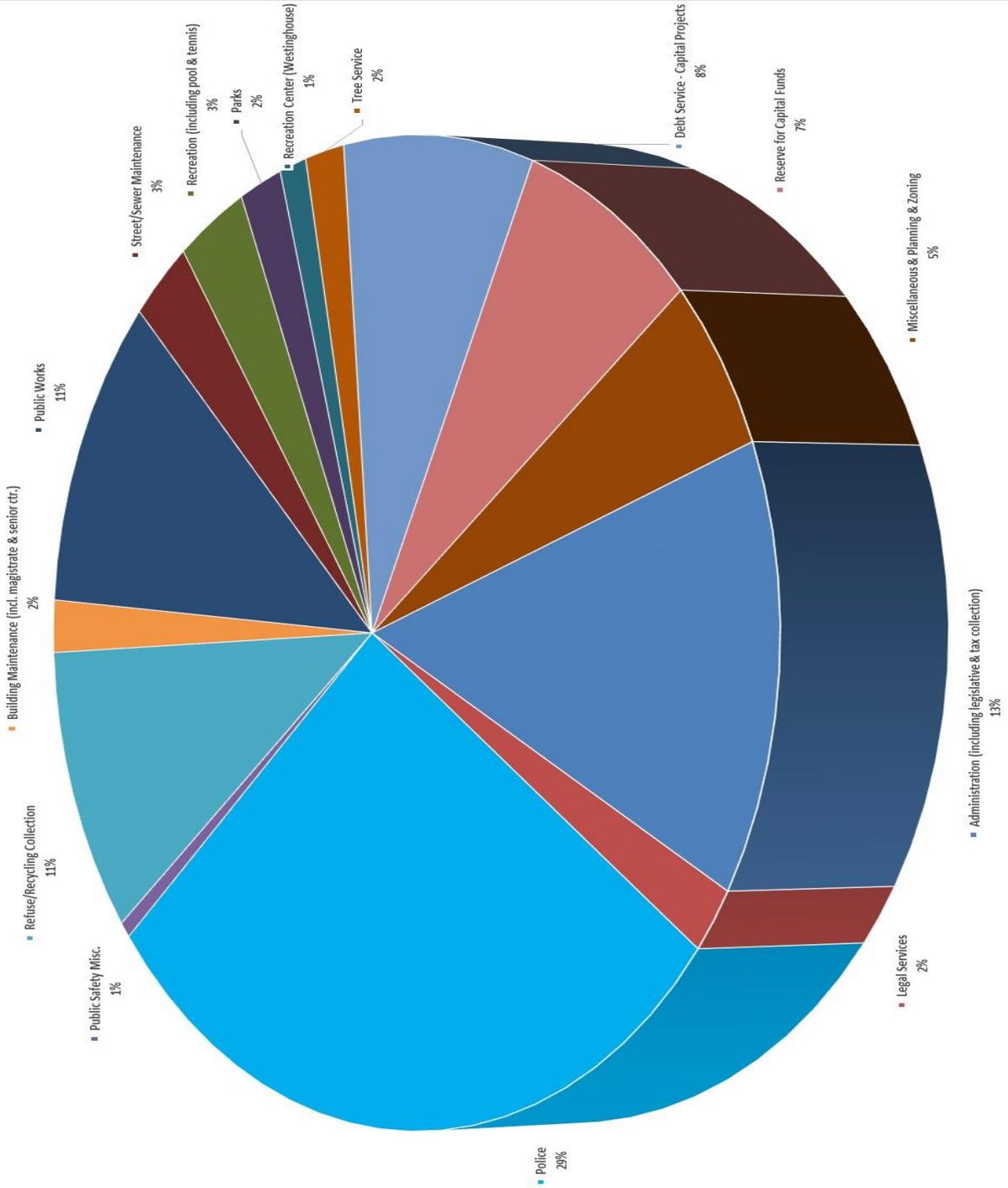


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2016 General Fund Expenditures



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CAPITAL BUDGETS/LIQUID FUELS/FIRE PROTECTION SERVICES FEE FUND

(This information will be repeated in a separate booklet)

Capital Improvements Plan & Road Improvement Program

Capital Improvements Plan

The **Capital Improvements Plan** (Capital 1) preparation began in May 2016 and will be shown separately. As before, it includes projects at several different levels:

- Those that are funded by grants in full or part (most grant dollars have expired)
- Those that were not completed in the current year and are carried over to the next year
- Those that are existing projects shown in the 2015 plan that have been resubmitted by staff or officials
- Those that are new

All department heads as well as council members were asked to review items in the current plan and resubmit and update any that they wanted to continue as well as include new items. If an item is not resubmitted it will be removed from the plan.

Each capital project sheet is provided to the appropriate committee for review prior to including it in the final capital improvements plan. Projects will subsequently be submitted to the finance committee for review and approval then submitted to the full council for approval with the final budget.

Bond issue items will be discussed separately and included as part of the final plan but are not presented here (there are very limited funds remaining from the 2012 issue). Other items submitted for the Capital Improvements Plan could be funded by limited remaining bond issue dollars if that is council's preference. When council refinanced the 2007 bond issue in 2012 (noted above) it did not include additional funds for projects. However, due to tennis court construction – completed in 2015 - most bond issue dollars have been spent. The USTA funded a grant for tennis court reconstruction and those grant dollars were returned to the bond issue this year for other projects. And some dollars remain from an old bond issue that was to be used for improvements at the borough garage (upgrade to restrooms/shower room and storage).

The Capital Improvements Plan may have carryover dollars from projects that were funded but not started. Some of those carryover dollars are from grants or specific donations which will restrict their use to the items covered. Full dollar amounts in these cases will be determined as we get

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closer to year end. Any carryover shown, however, will be an estimate until all bills are paid at the end of this year.

Road Improvement Program

The **Road Improvement Program** fund will be maintained as part of the final plan in booklet form but shown separately and accounted for separately. We will update the PASER program and include at least a summary of each road segment rating in the final document. Last year, we included a summary of the road rating system in this booklet. The total 2016 budget amounts to \$310,100 or \$30,025 less than 2015 as a somewhat larger paving program occurred resulting in significantly less carry over for 2016 if any (all funds earmarked for paving remain in this budget from year to year if unspent).

Caution is advised, however, as funds for this program may not be readily available due to reassessment issues as well as collection issues. Because this is funded by taxes collected during the year and revenues come in over a 6 month period beginning in March, the budget may not be fully funded until late summer.

I used the current 2015 county assessed value to determine the revenue that might be raised by 1 mill of taxes. As was true in the general fund the amount shown assumes a 2% delinquency rate and an appeal rate. We anticipate that appeals may be lower this year than prior years.

Expenditures in the fund include those categories specified by council. As before a separate line item for crack sealing is included since council has approved that as a valid use of paving fund dollars and costs for hot patch will come from this or the contractor line item as well.

There is also uncertainty as to how work on curb repairs will be allocated between the contractor and the borough crew. The crew may accomplish the work for less money as their salaries and benefits are considered a fixed cost to the borough. However, using the crew to do the work does have a cost – other work that might be accomplished but that is neglected because of time spent on curb repairs. A line item for curb work is included nevertheless. Council has also determined that most, if not all, curbs should be replaced with asphalt rather than concrete. This will also result in savings if followed. In addition, council began a practice in 2013 that allowed the crew to handle some curb work on overtime with dollars from this fund used to reimburse general fund salary costs. Council believes that accomplishing this work in house is cheaper than bidding the work separately or including it in an overall pavement bid.

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CAPITAL TWO – CORRECTIVE ACTION

Corrective Action Budget

The **Corrective Action/Capital 2 Budget** for 2016 is incomplete at this time. It is prepared in conjunction with the borough engineer. It is difficult to project revenues from the borough's sewer fee as that is dependent on several factors including water usage and the number of delinquencies. We are taking an aggressive stance on collecting delinquent sewer funds and continue to pursue delinquent ratepayers with follow up bills and notices of potential water shut offs. A number have entered into payment plans with the borough.

No Sewer Fee change is anticipated or requested for 2016. Detail on the sewer fee, its uses and billing can be found in a recent edition of the Tree City Times.

Dollars shown for the ALCOSAN charge will be adjusted once the estimate from the authority is received. This is shown as both a revenue and expenditure as required by the authority.

OTHER FUNDS

Liquid Fuels

Salt costs from the past winter were excessive (\$192,000) and exhausted quite a bit of the funds here. Only a small carryover of \$5,000 is anticipated for 2016 revenues.

The state aid projection for 2016 has not been received from PennDOT and an estimate is included in this budget. Note that it is estimated to be less than that received in 2015 and the same amount as budgeted this year.

The largest expenditure is shown under Salt Purchases. The borough has a supply of salt on hand as we enter the winter months of 2015 due to purchases made late last season.

Salt bids are lower for the 2015-16 winter season and weather predictions for winter are for average at best snowfall so we are budgeting only a slight increase over the 2015 budget for salt expenses. As usual, the borough secured two salt suppliers by participating in the SHACOG bid (which covers the bulk of salt purchases) and the CO-STARS bid which piggybacks on the PennDOT bid and came in at a cost slightly lower than SHACOG.

The bid via SHACOG amounts to \$69.29/ton, a \$10 per ton reduction over last year's bid price. The CO-STARS price for this winter is \$68.78 per ton or about \$3.51 more per ton than last year's

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bid price.

We are required to use both sources for salt because we had to commit in advance for an estimated amount prior to each entity soliciting bids. We estimated 1,200 tons ordered from CO-STARS with the requirement that we must purchase at least 60% of that amount and can purchase as much as 140%. SHACOG purchase estimate provided is 1,700 tons and requires at least 80% of that amount must be purchased to a maximum of 125%.

	Estimate to Order	60% of Order	140% of Order	80% of Order	125% of Order
SHACOG	1,700			1,360 (\$94,234)	2,125 (\$147,241)
Co-Stars	1,200	720 (\$49,522)	1,680 (\$115,550)		

Because salt purchases are uncertain at this time and dollars are short, it is possible that other items budgeted in 2016 will not be used for the items specified. Total first draft budget for liquid fuels amounts to \$167,030

Fire Protection Services Fee Fund

At minimum it should be noted that this fund is strictly limited to funding remaining payments for the large ladder truck owned by the borough, funding for the fire department and paying for any administrative, mailing and similar costs directly related to billing for this fee. It is not used for any other purpose and funds unspent in one year, if any, remain in the fund for future needs.

The final 2014 budget removed all fire related expenditures from the general fund budget and placed them in this budget. Consequently, it is important that council takes care in adjusting the fire fee if it so chooses as the budget is extremely tight.

The budget of \$210,100 includes an estimated carryover of \$14,000 from 2015 into 2016 as well as a number of items previously covered by the general fund. For comparison, we carried over almost \$100,000 from 2014 to 2015 but exhausted most of the money with normal expenditures plus repairs to the building and bills submitted to council by the department.

Foreign Fire Insurance is shown as both a revenue and expenditure as this is a pass through item with funds coming from the state insurance fund to the borough which must then pass on the full amount received to the Forest Hills Volunteer Fire Department. Revenues estimated for collection include a separate line item for Delinquent Fire Services Fee. The estimate of \$150,000 for Muni. Services Fee is based on the amount billed each year to all property owners.

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Expenses allow for \$11,000 to cover fire department bills submitted to council (20-411-530 VFD Expense Escrow) in 2016 whereas as of the date of this draft we compensated the department \$29,476 for bills submitted in 2015.

YEAR END INFORMATION/UPDATES

The following represents an update and information on a second budget draft provided to the finance committee at their November 2015 meeting:

November 2015

Adjustments were made as requested to salaries and associated fringe benefits/FICA which altered the first draft of the budget to a new total of \$5,771,255 (increased from \$5,758,255). Adjustments were made in some revenues including Real Estate Tax as they have shown a trend toward increasing as we approach year end (items adjusted were highlighted in yellow in this draft though only a few changes were made).

Also, from the previous committee meeting (October 2015), note the following reminders:

- Budgeting is not a science since it involves a lot of planning by speculation and supposition based on facts from recent years and experience. But things that may have occurred with recent budgets won't necessarily occur again.
- The budget is a plan and not a guarantee of funding since spending depends on how successful we are in predicting expected revenues. Therefore, funds in any one line item in any budget (general fund, fire, etc.) are dependent on whether other line items meet expectations.
- Once the budget is approved, the overall total cannot be changed but items within the budget can be adjusted or moved.
- Because 2015 is a local election year, council may reopen the budget in January as long as it has a new budget in place by Feb. 15, 2016.
- The escrow accounts will have a balance remaining at year end from which council may again provide a tax credit (amount uncertain at this time) if it so chooses. We will have a final number at year end and council may establish the tax credit at its January meeting. Last month's report provided the following report on the escrow accounts:
 - The current balance in the 2 escrow accounts from 2013 total as follows (pending any further appeals that may reduce the balances and any further credits issued due to late payments):

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Real Estate Escrow remaining:	\$153,662.37 (started with: \$305,335.91; difference: \$151,673.54)
Road Improve. Escrow remaining:	\$ 30,385.78 (started with: \$ 50,905.65; difference: \$ 20,519.87)

Council advertised this draft as the Preliminary Budget following approval at the November 2015 business meeting.

*The following represents an update and information on a Third budget draft provided to the **finance committee** at their **December 2015 meeting**:*

December 2015

I have not provided a new budget printout because the changes to the preliminary budget are minor and outlined below

Note changes from Preliminary Budget:

- Adjusted tax revenues and placed funds for pool consultant under pool budget – maintenance and repair (change made in preliminary budget before posting and advertising)
- Added 3 line items to cover potential costs of required clearances & checks for possible interaction with children under state law Act 153; added to:
 - Swimming Pool
 - Tennis
 - Public Works
- Changes shown increased the general fund budget from \$5,776,255 (preliminary) to \$5,779,855 (potential final budget)
- To compensate, estimated revenues for 2016 were increased in 2 categories because they appear to have been underestimated based on the dollars collected to date in 2015: Cable TV Franchise (increase by \$2,000) and Earned Income Tax (increase by \$1,600)
- Discussion on pool repairs/improvements needed if consideration for 2016 work is made. We will look at options including borrowing or adjusting other funds to keep the pool operational. About \$125,000 is needed to take care of the gutters and that would reduce the leakage significantly.

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Note escrow refunded as a tax credit as of today:

	<i>Refunded as credit to 12/7/15</i>	<i>Balance Remaining</i>
Real Estate Tax Escrow	\$144,221.69	\$145,371.37
Road Improvement Escrow	\$ 20,603.10	\$ 20,515.89

Note that as part of a fourth budget draft, adjustments were made to account for potential pool repairs in the general fund revenue estimates for taxes and general fund expenditure estimates for budget reserve to create the final budget approved at the December 2015 business meeting. At the same meeting, council deferred consideration of the new comprehensive 2016 fee resolution until January so as to review charges for swimming pool admissions. However, the increase in the trash fee to \$220 was included as part of the 2016 budget approval.

Note that at the December 2015 Committee of the Whole meeting, Bob Zischkau of Glenn Engineering reviewed the provisions of a new sanitary sewer consent decree and briefly discussed the Corrective Action Budget and sewer fee requirements (no increase was recommended and none approved for this fee).

Council will determine any tax credit from the remaining escrowed funds noted above at their January committee and business meetings.

BUDGET ADJUSTMENTS/ALTERNATIVES

Note: In preparing past budgets, this section was presented to assist council in considering its choices in preparing a final budget. It is repeated and updated here to offer similar assistance.

This section summarizes or expands on ideas presented earlier in this document. Council may wish to consider the following adjustments in preparing a preliminary and final budget document:

- Realize that the budget is a plan for spending anticipated revenues in a given period and not a guarantee of funding or funds available.
- In looking at revenue estimates in the budget, find line items where an estimate was created that is more conservative than necessary. Estimating additional revenues in certain line items, done responsibly and with some basis in fact, would allow for additional appropriated dollars in the general fund, the budget reserve or in transferring to another fund's budget.
- Rather than allocating a full mill of taxes to paving in 2016, allow any carryover from 2015 savings to fund a program that paves the same number of roads and reduce the millage allocation appropriately with the extra funds used as part of the general fund or in transferring to another fund's budget.

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- Use some liquid fuels money for the paving program and reduce the 1 mill allocation to compensate, allowing the extra funds to be used in the general fund or another fund (this may be difficult due to limited liquid fuels funds – see discussion above).
- Return dollars to the line item in the corrective action budget to account for administrative personnel costs and transfer those funds to the general fund budget.
- If extra dollars are found, either in this budget or at year end in the 2015 accounts, move them to the budget reserve to replenish that fund, provide protection against emergencies and protect against a serious increase in borough pension obligations in 2016 and later.
- If council feels that taxes must increase, consider an increase that is only a portion of a mill rather than a full mill. An incremental chart showing dollars collected at various millage rates can be provided to council separately if it wishes to consider this alternative.
- Transfer capital projects and spending from the Capital Improvements Plan to the remaining, though very limited, bond issue funds (bonds prior to 2015) and eliminate projects listed there that may be unnecessary at this time. This could allow expansion of capital spending or could reduce the amount transferred from the general fund to the CIP for use in the general fund or elsewhere.
- Consider a new bond issue for capital projects or some other type of borrowing.
- Use additional funds that may be found in the budget contingency line item to allow for emergencies and the minor, unexpected spending issues that always come up during the year.
- In early 2016, begin a review of the sewer fee with the engineer to determine if additional funds may be necessary in 2017 or 2018. Advance planning could allow for incremental increases rather than large, abrupt increases.
- In early 2016 and throughout the year, take a serious look at funding for various entities including the library, senior center, recreation programs, pool, etc. Review borough real estate holdings to determine if something better could be done with the land. Take a long term financial approach whose focus is not just on 2016 or 2017 but which focuses over the next five to ten years to determine what the borough can reasonably sustain without increasing taxes.

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SUMMARY

As is true every year, the budget is prepared with the assistance of the finance staff, department heads, and the finance committee chair. All provide information on spending, input on revenues, recommendations on fees and suggested changes. And again, I want to especially thank our treasurer, Wendy Archer, and finance administrative assistant, Allison Serakowski, for their help in providing needed data and information and reviewing items before they are published. The borough engineer contributes by reviewing all corrective action budget information and developing numbers for the new budget year while calculating whether sufficient revenues are available from the borough's sewer fee.

The borough's finances are in good hands, with qualified staff that pays attention to detail and members of council that provide oversight and review financial data monthly. The borough has a sufficient reserve account and is able to address needs like road paving and recreation while maintaining budgetary control.

It is the attention to detail in preparing a budget along with a review of successes and shortcomings each year and a review of the borough's financial status through the independent audit process that allows the borough to be successful in its efforts to manage its finances. This is a credit to the oversight of the elected officials in the total financial process as they ensure that taxpayer dollars are protected and used wisely.

Steven J. Morus, Manager