



The Borough of Hanover

2017 Budget Presentation

Wednesday, September 21, 2016

Finance and Personnel Committee



Overview of Budgetary Presentations

- 2017 Preliminary Budget consists of operating and capital costs:
 - *Known costs* based on our accounting records and labor contracts
 - *Estimated costs* based on spending trends from previous years, discussions with vendors
 - *Capital costs or major expenditures* based on maintaining current service levels or, in some cases, expanding or improving current service levels.
- Excluding Market House Stall Rental fees, no increases are proposed to existing taxes, user charges, or services.
- New debt proposal limited to lease financing for new financial accounting and management system.



Overview of Budgetary Presentations

- Overview of Budgetary Process (Objectives and Challenges)
- Borough Historical Metrics and 2017 Budget Proposal Comparisons
- Highlights of Individual Borough Fund Budgets
 - General Fund
 - Presentation by Chad Martin, Chief of Police - Police Department
 - Presentation by Jan Cromer, Joint Fire Chief - Fire Department
 - Guthrie Memorial Library Fund
 - Presentation by Lisa Kane, Library Director
 - Regional Wastewater Treatment Fund
 - Water Fund
 - Sanitary Sewer Fund
 - Market House Fund
 - Highway Liquid Fuels Fund
 - Recreation (Board) Fund
- “State of the Borough” Analysis
- Public Comment in Relation to the Budget Presentations



Overview of the Budgetary Process (July to December)



* Required development of budgetary model to handle five-year historical data, 2016 original and adjusted budgets, and 2016 to-date data for projection of 2016 actual results, proposed 2017 activity, and 2018-2021 proposals (five-year budgetary plan).



Objectives and Challenges for the 2017 Budget

- Objectives in preparation of the 2017 budgets:
 - Maintaining essential municipal services at current or enhanced levels.
 - Continued review of service administration and performance (historical and prospective) to seek efficiencies to contain operating costs and overhead.
 - Prioritize improvements to infrastructure and facilities based on current and future service expectations, changes to existing statutes and regulations affecting the Borough (or future changes thereof), and available funding sources.
 - Ensure service rates adequate to protect fund balance and financial reserves.
- Challenges associated with preparation of the 2017 budgets:
 - Limited revenue growth across most categories, including stable but slow-growing assessable real estate tax base, combatting with inflation and Collective Bargaining Agreement personnel costs.



Borough's Operating Funds

- The Borough maintains internal records for 21 funds (excluding those closed 2016/prior) – 11 operating, 2 endowment, 4 capital projects (bond-related), 3 pension, and 1 for year-end full-accrual reporting fund. The following are part of the Borough's Operating Budget (limited to operating funds):
 - Governmental Funds
 - Provision of general services (i.e. licenses, permits, recreation) and public safety to citizens of the Borough, funded primarily through tax revenues. Includes the following reporting funds:
 - General Fund – includes the General (operating), Business Privilege Tax (BPT), Local Service Tax (LST), Equipment, Guthrie Memorial Library, and Recreation Funds. *Presentation will note exclusion of any of these funds in analysis.*
 - Effective January 2017, the BPT, LST, and Equipment Funds will be closed into the General (operating) Fund.
 - Highway Liquid Fuels Fund



Borough's Operating Funds

- The Borough's Operating Budget (continued):
 - Enterprise (Business-Like) Funds
 - Provision of specialized services, typically public utility in nature, where service charges are meant for cost recovery for operations and future infrastructure management. Includes the following reporting funds:
 - Water Fund
 - Distribution, treatment, and maintenance of water within the Borough's municipal region (includes Penn and Conewago Townships and McSherrystown Borough).
 - Regional Wastewater Treatment Fund
 - Regional municipal sewage treatment facilities, serving Hanover Borough, Penn Township, Conewago Township, and McSherrystown Borough.
 - Sanitary Sewer Fund
 - Collection of sewage (for treatment) within the Borough's corporate boundaries.
 - Market House Fund
 - Stall rental for local goods and products.



How Does the Borough Get It's Money?

2017 Revenues proposed at \$30,073,332 (1.15% over 2016 Projections)

Utility Charges
(44%) -
\$13,295,780

Taxes (27%) -
\$8,132,425

Service
Charges (15%)
- \$4,453,886

Gov'tal
Funding (10%)
- \$2,923,950

Other (Rents/Interest
[1%], Donations [1%], and
Other [2%]) - \$1,267,291



Borough Revenue Trends – 2015-2017

- Borough's 2017 major revenue sources and underlying categories:
 - Utility Charges - \$13,295,780 (44%) – 2015-2017 average is 45%
 - Citizens and adjacent municipalities.
 - Water service, sanitary sewer service, and wastewater treatment service.
 - Taxes - \$8,132,425 (27%) – steady at 27% from 2015-2017
 - Citizens, property owners, businesses/service providers in the Borough's corporate boundaries, and non-resident employees.
 - Real estate, per capita, earned income, local service, and business privilege (service) taxes.
 - Service Charges - \$4,453,886 (15%) – steady at 15% from 2015-2017
 - Citizens, service providers within the Borough, and patrons.
 - Charges and fees for licenses, permits, recreation functions, etc.; exchange transactions.



How Does the Borough Spend It's Money?

2017 Expenditures proposed at \$29,674,779 (8.31% over 2016 Projections)

Personnel (50%)
- \$14,891,279

Debt Service
(13%) -
\$3,808,907

Professional
Services (10%)
- \$2,920,536

Supplies,
Repairs &
Maint. (9%) -
\$2,624,875

Capital
Outlays (6%) -
\$1,842,853

Other (Utilities [5%],
Treatment [4%], and
Admin/Misc. [3%] -
\$3,586,329



Borough Personnel Data

- Personnel costs are based on four independent Collective Bargaining Unit Agreements (CBA):
 - Clerical and supervisory positions follow virtually all provisions relating to respective department's CBA.
- All positions are hourly, excluding Department Supervisors/Officers (salaried).

	Full-Time	Part-Time	Seasonal	Total
Police	28	1	0	29
Fire	16	0	0	16
Public Works	33	0	0	33
Code Enforcement	2	1	0	3
Stormwater Management	2	0	0	2
Parks and Recreation	0	2	41	43
Office/Finance + Tax Collector	13	1	0	14
Water	29	0	0	29
Regional Wastewater	12	0	0	12
Market	0	1	0	1
Sanitary Sewer	6	0	0	6
Library	8	8	2	18
	149	14	43	206

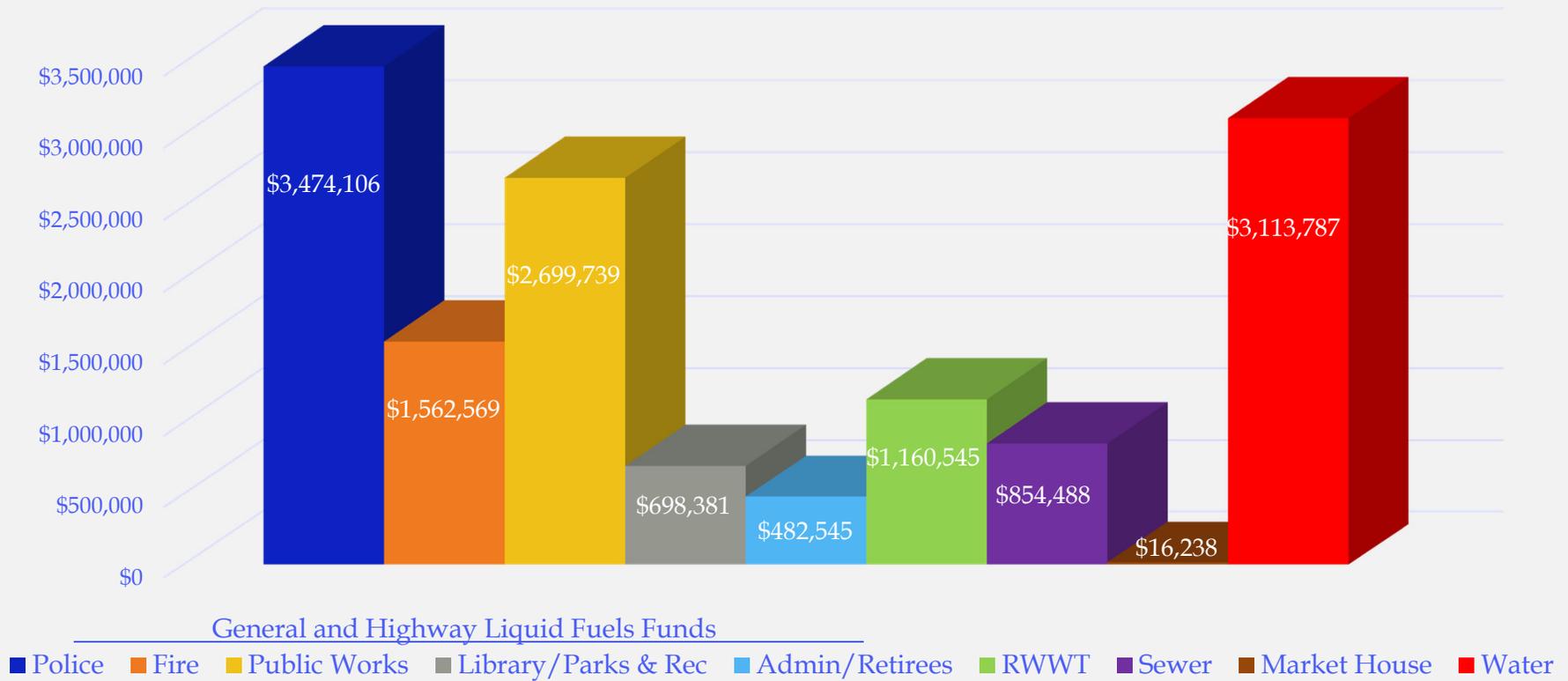
Personnel Cost Trends – 2015-2017

- Payroll Trends
 - **2015** - Labor cost totaled approx. \$8,917,000.
 - **2016 Projections** - Labor cost projected at approx. \$9,298,000:
 - CBA increases ranged from 2% to 3%.
 - Full year for additional staff hired during 2015, and Fire Driver hired in 2016 (approx. 1.19% effect).
 - Overall increase of 4.27% over 2015 results.
 - **2017 Proposals** - Labor cost proposed at approx. \$9,699,000:
 - CBA increases range from 2% to 3%.
 - Two proposed new hires for Police Department (Patrol Officers) (approx. 0.88% effect).
 - Overall increase of 4.32% over 2016 projected results, with overtime cushion.



Personnel Cost Trends – 2015-2017

Proposed Payroll Costs by Relating Fund/Department – 2017



Personnel Cost Trends – 2015-2017

- Health Insurance Trends

- 462 covered members – 147 active employees and their 279 dependents, and 29 retirees and their seven dependents.
- **2015** - Health insurance cost totaled \$2,861,106.
- **2016 Projections** - Health insurance cost projected at \$3,127,250, a 9.30% increase over 2015 results.
 - Anticipated 6.78% increase, which ended up slightly higher.
 - Benefits for hires noted on Payroll slide.
- **2017 Proposals** - Health insurance cost projected at \$3,220,000, a 2.97% increase over 2016 projected results.
 - Preliminary 2.5% increase applied for 2017 budget.
 - Capital Blue renewal proposals being evaluated, and already in discussions regarding RFP for broker of record and insurance providers.



Personnel Cost Trends – 2015-2017

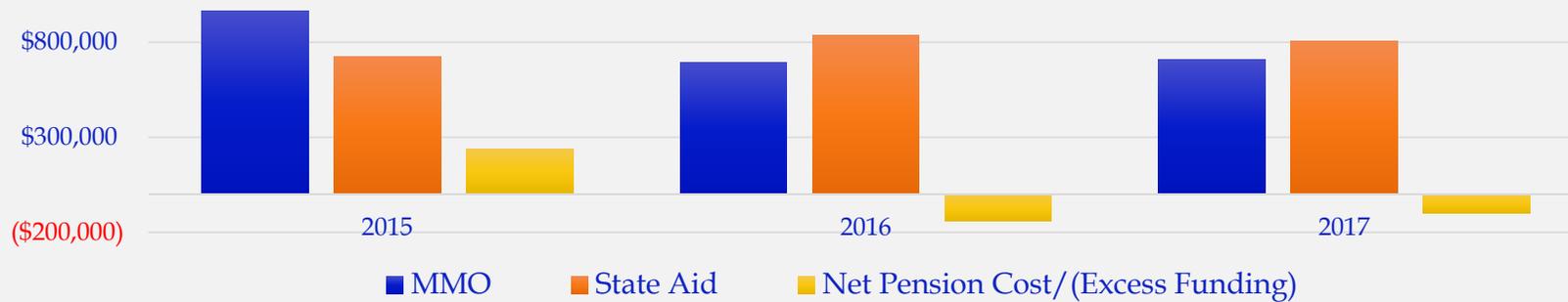
- Pension Trends
 - Annually, the Borough is mandated to contribute the Minimum Municipal Obligation (MMO) to the respective pension funds (Police, Fire, and Non-Uniformed). Based on bi-annual Actuarial Valuation and payroll projections.
 - MMO is (at least) partially offset with General Municipal Pension System State Aid, based on number of (full-time) employee units.
 - State Aid in excess of MMO is mandated to be forwarded to the pension funds as municipality designates.
 - Both 2016 and 2017 are projected for State Aid in excess of the MMO, which will be deposited to the Police Pension Fund to assist with funding coverage.
 - Borough's overall pension plan funded ratio, at December 31, 2015, is 97.8%, well above the State's average for local government defined benefit self-insured pension plans (63.8% funded). Both the Non-Uniformed and Fire pension plans are funded at over 100%.
 - Three plans cover 152 active employees and 81 receiving/deferred benefits.



Personnel Cost Trends – 2015-2017

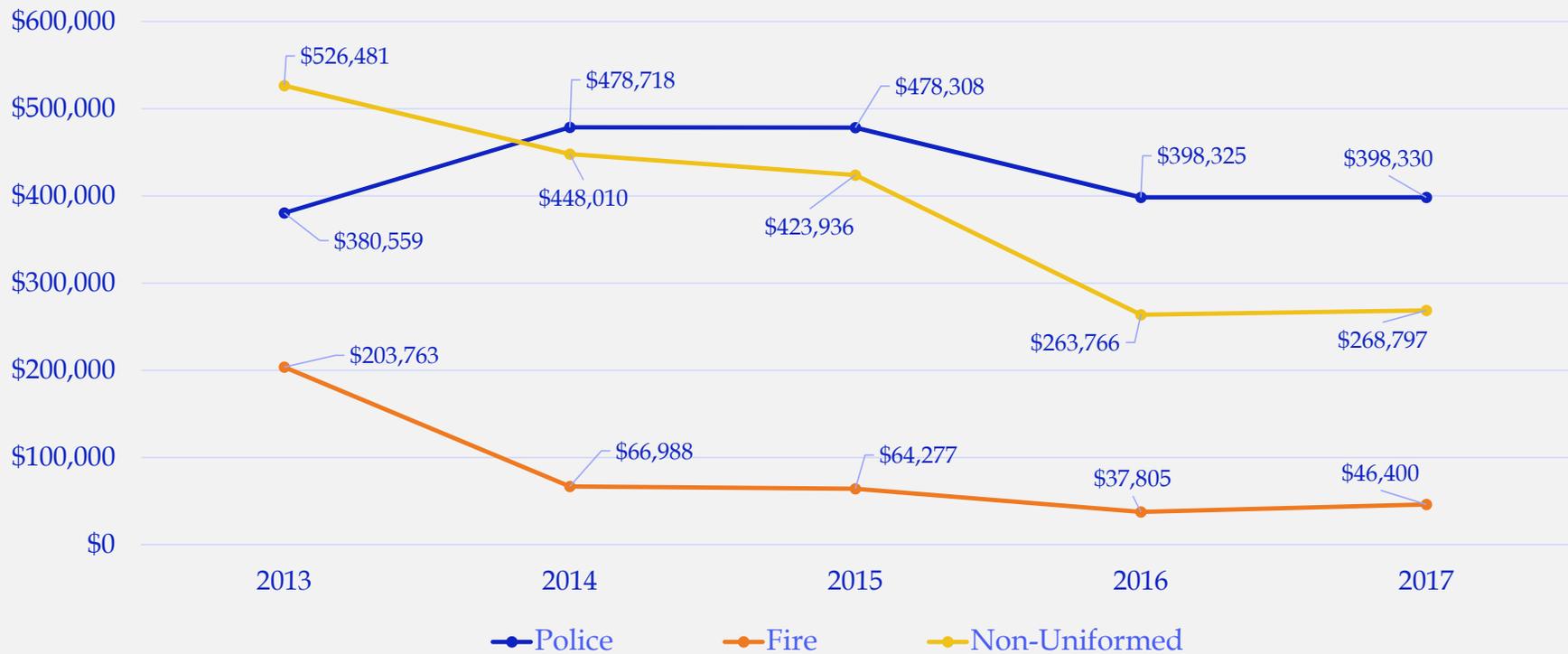
- Pension Trends

- **2015** - Pension cost mandated at \$964,973, and State Aid received was \$727,283. Net Pension cost for the Borough was \$237,690, or 2.67% of payroll.
- **2016 Projection** - Pension cost mandated at \$694,584, and projected State Aid is \$837,184. Net Pension cost for the Borough is \$0, and excess funding received (\$131,288) to help offset Police pension unfunded actuarial liability.
 - Fund performance and annual full-funding by the Borough drastically reduced the MMO requirements in 2016 (which will continue into 2017).
- **2017 Proposals** - Pension cost mandated at \$708,142, and projected State Aid is \$806,376. Net Pension cost for the Borough is \$0, and excess funding received (\$98,234) to help offset Police pension unfunded actuarial liability.



Personnel Cost Trends – 2015-2017

Five-year pension trends for Minimum Municipal Obligations



General Obligation Bond (G.O.B.) Debt of the Borough

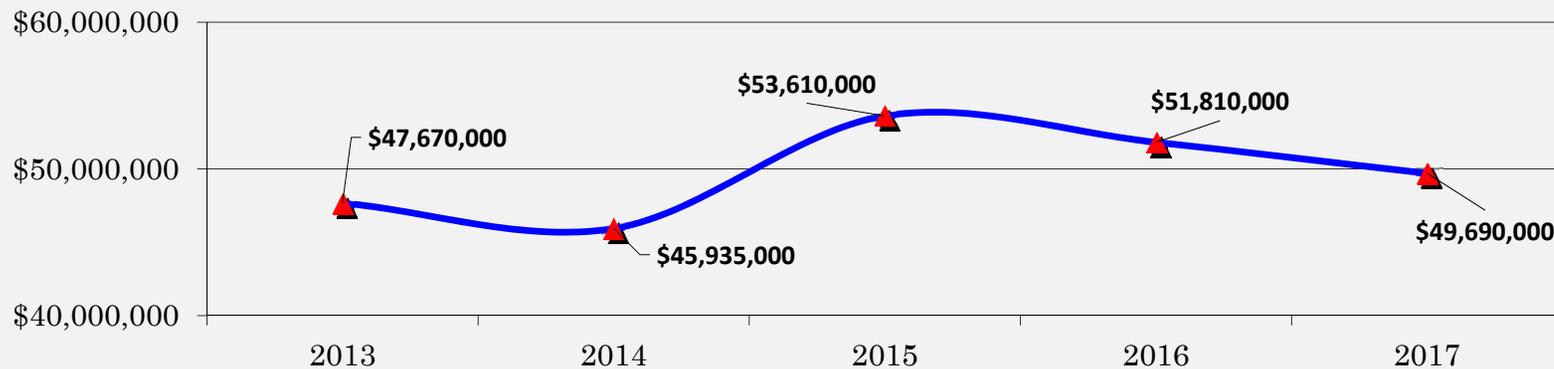
- The Borough's total outstanding general obligation bond (G.O.B.) debt outstanding at December 31, 2016 will be \$51,810,000, consisting of seven separate issues:
 - Of total debt outstanding, only \$6,695,000 (13%) relates to General Fund purposes, of which \$5,820,000 relates to the Library.
 - \$45,115,000 debt is self-liquidating (utility service charges are set at levels to ensure repayment), relating to water and sewer infrastructure projects.
 - No G.O.B. debt for operational needs (all capital-based).
 - Current remaining borrowing capacity, based on the State's Local Gov't Unit Debt Act, is approx. \$27,500,000.
- The Borough's S&P Bond Rating is AA- (4th best of 22 possible rating categories) – High Investment-Grade obligations!



General Obligation Bond (G.O.B.) Debt of the Borough

- Excluding debt refunding (all for interest rate savings), \$10,000,000 in new debt was issued in 2013 (Transfer Station, sanitary sewer, and Phase 1 of Water Filtration Plant improvements) and in 2015 (Phase 2 of Water Filtration Plant Improvements and Lawrence Baker Sheppard Dam evaluation)

Five-year projected trend of the Borough's G.O.B. debt



2017 Budget – Overall Presentation Introduction

- Detail on operating and capital budgets will be presented for each fund
 - Department Supervisor presentations will be provided for Fire, Police, and Library (Public Safety and Services).
- All comparisons for 2017 will be with 2016 projected results, not the 2016 budget.
- Highlights will be provided on the funds, including significant differences from 2016 projected results as well as capital outlay detail.

*** Departmental Presentations ***

Chief Cromer, Joint Fire Commissioner – Fire Department

Chief Martin, Police Chief – Police Department

Ms. Lisa Kane, Library Director – Guthrie Memorial Library Fund



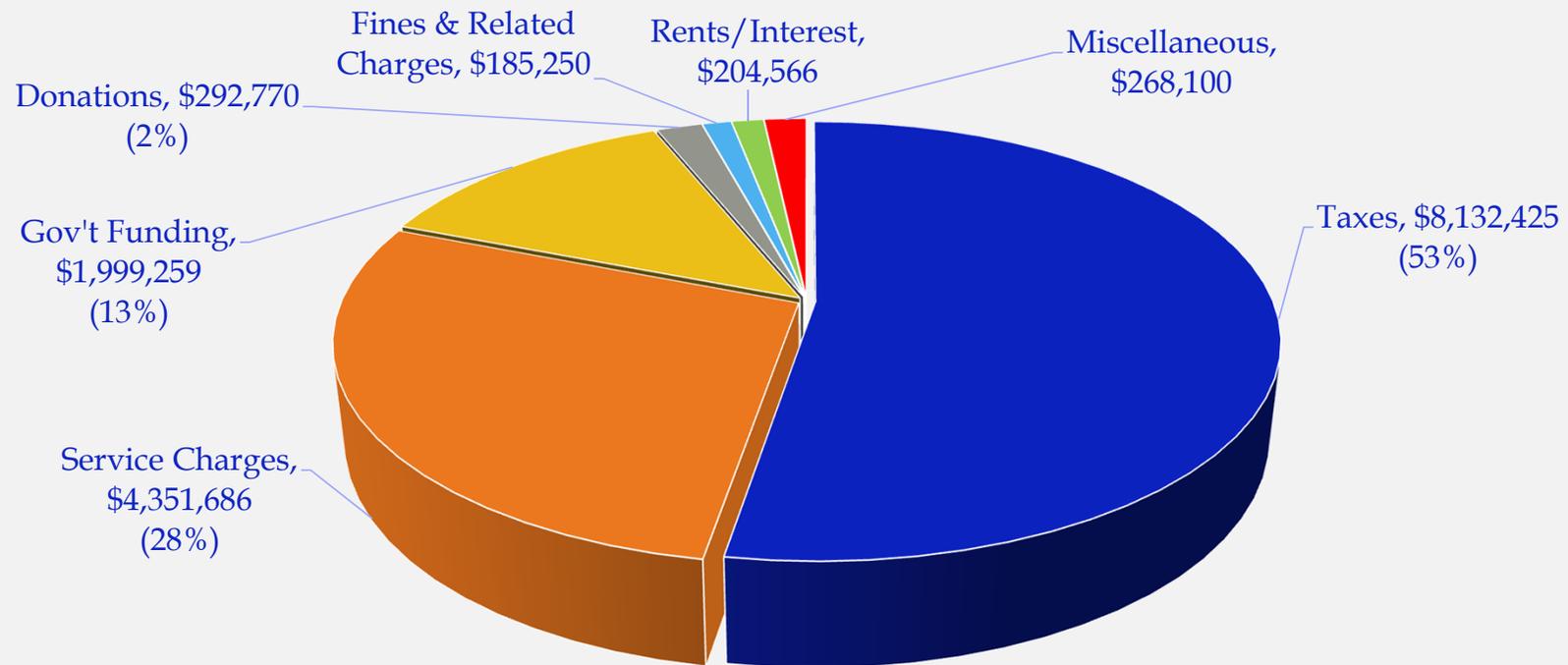
General Fund 2017 Budget

- The following presentation of the 2017 budget for the General Fund includes the Guthrie Memorial Library and Recreation Funds, in addition to the funds to be closed January 1st (BPT, LST, and Equipment).
- The Borough's General Fund revenues are proposed at \$15,434,056, a \$775,482 (5.29%) increase over 2016 projected results; significant factors for increase:
 - No increases in any taxes, fees, or charges currently proposed.
 - \$676,326 increase in Grants and Gov'tal Shared Revenues (shift of CDBG activities for storm water system improvements, and CDBG grant for 219 Baltimore St demolition).
 - Slight growth in tax base anticipated; majority of revenues held conservative based on five-year historical averages.



General Fund 2017 Budget

2017 General Fund Revenues by Type



General Fund 2017 Budget

- The Borough's General Fund expenditures are proposed at \$16,072,729, a \$1,672,918 (11.62%) increase over 2016 projected results; significant factors for increase:
 - \$219,934 increase in debt service, relating to refunding savings taken fully in 2016 on Library debt.
 - \$799,396 increase in CDBG-funded project expenses, with new project activity for Library Roof Improvements (\$70,000) and 219 Baltimore St demolition (\$308,000 net increase) as well as significant projects shifting to 2017 (Joint Zoning Ordinance [\$35,000] and various storm water system improvement projects [\$386,396 net increase]).
 - \$512,239 increase in personnel costs (2 additional proposed Police patrol officers, 2.5% assumed increase in insurance costs, CBA increases between 2% and 3%, and shift in payroll for Public Works labor for snow/ice removal from Liquid Fuels back to General [\$45,034 additional in 2016 relating to significant snow storms]).



General Fund 2017 Budget

- Proposed capital expenditures for General Fund for 2017 - \$870,853:
 - Three-year lease finance for new financial accounting system (est. \$139,626).
 - Three Police vehicles (two cruisers [every two-year cycle] and one SUV [every three-year cycle]); replaced units are anticipated trade-ins (est. \$117,200).
 - Replacement server (one of two) for Police Department (past seven-year warranted period) (est. \$20,000).
 - Non-routine repairs and improvements to fire stations:
 - \$22,850 for Wirt Park Fire Station and \$13,200 for Clearview Fire Station.



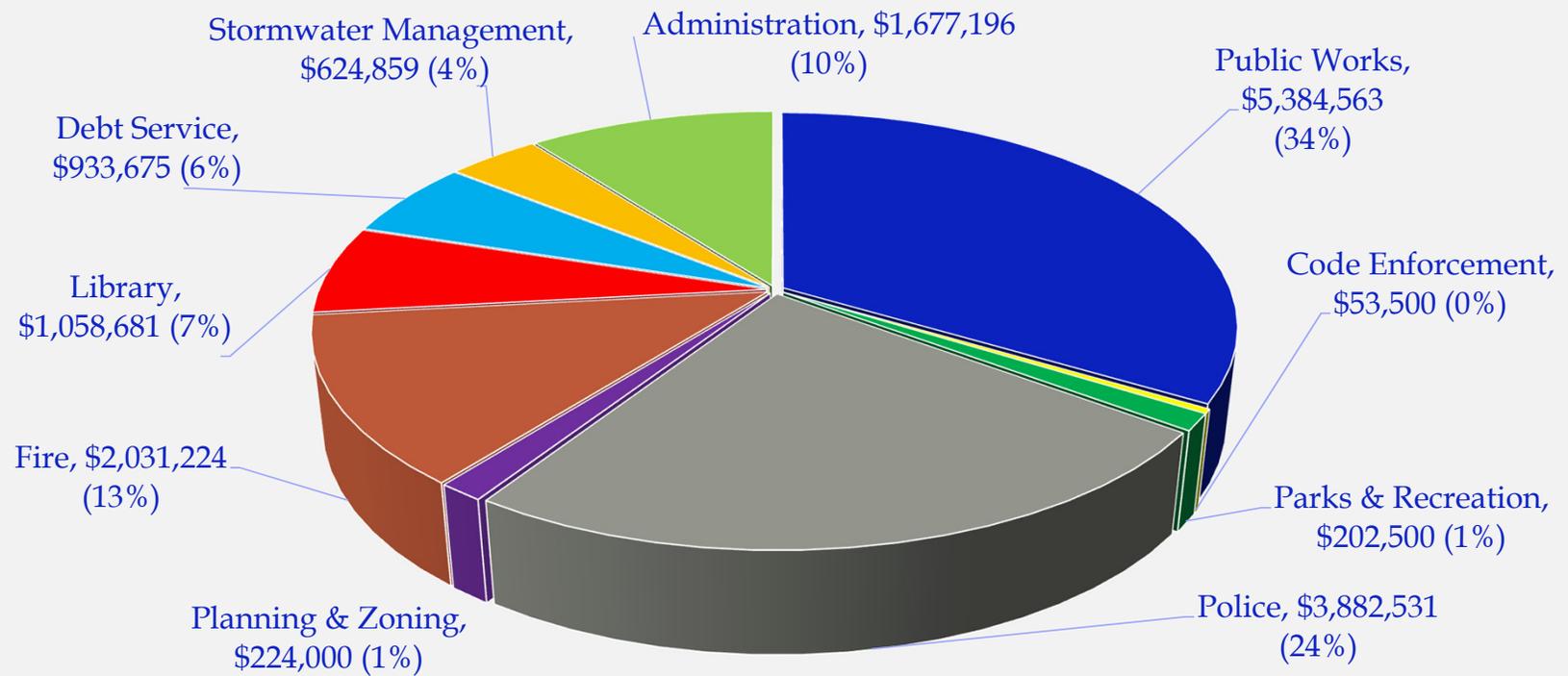
General Fund 2017 Budget

- Proposed capital expenditures for General Fund for 2017 - \$870,853 (continued):
 - Four-wheel drive pick-up with plow for Public Works, to replace T-36 plow (1996 Ford F-250 in poor condition with 90,000+ miles) (est. \$42,000).
 - Used jockey truck for Transfer Station, to replace R-5 (1985 Mack purchased used in 1992, in very poor condition with 300,000+ miles) (est. \$65,000).
 - Continued CDBG funded storm sewer improvement projects (est. \$434,000).
 - Upgraded lighting in Old Eagle building (proposed future Fire Museum site), carried over from 2016 budget unused (est. \$8,000).
 - **NOTE - excludes any cost consideration for Library reconstruction efforts (or any related legal costs) - unknown at this juncture.**



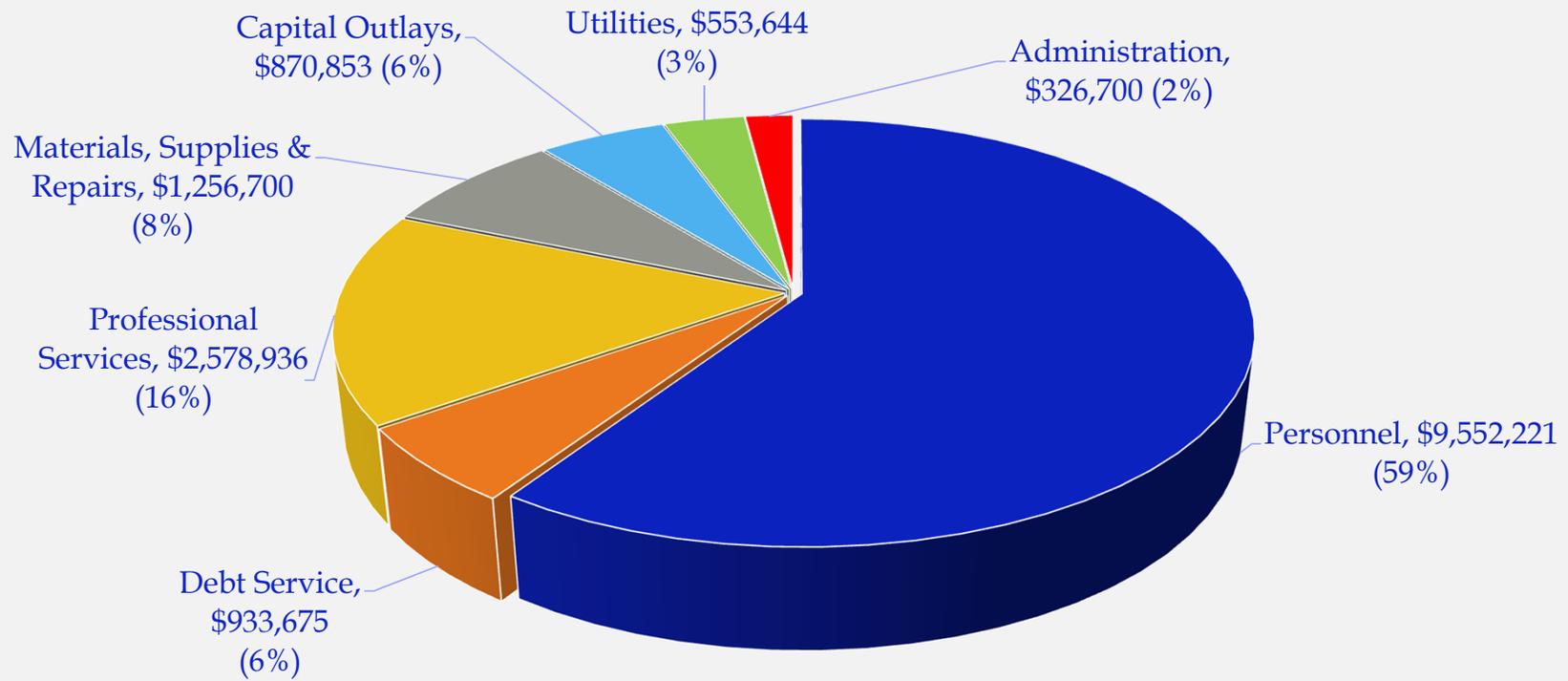
General Fund 2017 Budget

2017 General Fund Expenditures by Department



General Fund 2017 Budget

2017 General Fund Expenditures by Type



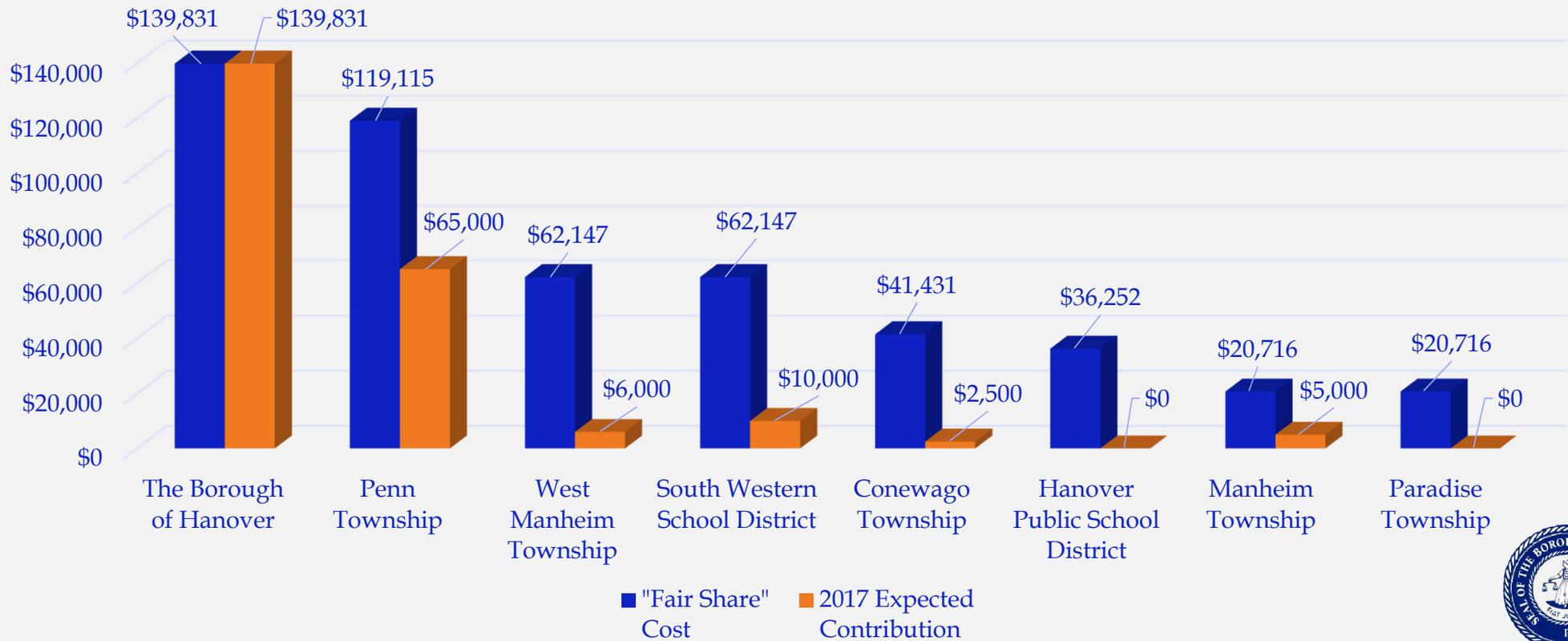
General Fund 2017 Budget – Guthrie Memorial Library Fund

- Guthrie Memorial Library Fund was segregated from the General Fund for internal statements in 2014.
- General Fund, in addition to paying “fair share” allocation of costs (based on citizen patronage), provides annual funding to offset bond principal cost and cover any operating shortfalls. For 2017, total General Fund transfers for Library support are \$987,503 :
 - “Fair share” allocation is \$139,831 (up slightly from \$124,373 in 2016). This represents the cost of Library operations (excludes bond debt principal) divided amongst municipalities and school districts in the regional area, based on patronage of their citizens/students.
 - Bond principal subsidy is \$500,000 (significant increase from \$305,000 due to one-time refunding savings taken in 2016).
 - Operating “shortfall” subsidy proposed to be \$347,672 (up from projected \$219,556 in 2016, relating to increasing proposed expenditures).



General Fund 2017 Budget – Guthrie Memorial Library Fund

“Fair Share” Costs by Municipality/School District vs. 2017 Expected Contributions



General Fund 2017 Budget – Guthrie Memorial Library Fund

- Library revenues (excluding General Fund payments) are proposed at \$705,702, a \$33,111 (4.92%) increase over 2016 projected results; significant factors for increase:
 - \$70,000 CDBG revenues budgeted for roof repairs to the original library building in 2017 offset reduction in fundraising and donations of approx. \$30,250.
- Library expenditures are proposed at \$1,693,205, a \$321,685 (23.46%) increase over 2016 projected results; significant factors for increase:
 - Increase in debt service of \$186,703, following one-time refunding savings.
 - \$70,000 CDBG project expense cost, matched with revenue above.
 - \$40,000 proposed for a Development Specialist, to be hired through the York County Library System management contract (Professional Services).
 - \$21,948 increase in personnel costs, relating to CBA increases (2%), projected health insurance increase (2.5%), and conservative estimate of part-time hours. Overall 3.80% increase.
 - No other capital expenditures (any reconstruction efforts to be funded through General Fund).



Water Revenue Fund 2017 Budget

- The Water Revenue Fund accounts for the treatment, storage, and transmission of public water supply within the Borough as well as Penn Township, McSherrystown Borough, and Conewago Township.
 - Fund accounts for operational and capital activities not related to General Obligation Bond (GOB) financing.
 - Three distinct departments service the water operations:
 - Meter Department – maintain and service metered connections within the regional service area, and perform monthly reading services (and daily read, termination, and testing requests) throughout that area, as well as monitor and maintain Parr’s Hill Pump Station.
 - Filtration – operate the Water Treatment Plant and pumping water into the distribution system, as well as monitor and maintain Slagle Run Pump Station.
 - Dams and Distribution – monitor and maintain the dam storage facilities and watersheds, as well as the main and service line (lateral) connections (including hydrants) throughout the regional service area.



Water Revenue Fund 2017 Budget

- Water Fund revenues are proposed at \$7,999,134, a \$377,001 (4.95%) increase over 2016 projected results; significant factors for increase:
 - \$342,975 is budgeted representing an 85% State cost-share grant to be sought for cement lining along Carlisle/ Baltimore Streets in 2017 before State road is blacktopped by PennDOT.
 - Majority of revenues kept conservatively at 2016 levels (consumption variation should be offset by continued system growth in Conewago and Penn Townships).
- Water Fund expenses are proposed at \$6,849,366, a \$783,923 (12.92%) increase over 2016 projected results; significant factors for increase:
 - Personnel costs proposed at \$3,113,787, as a slight decrease from 2016 (\$20,874, reflecting two positions that will not be refilled offset by CBA increases [3%]).



Water Revenue Fund 2017 Budget

- Water Fund expenses (continued)
 - Filtration Plant Chemicals budgeted at traditional levels (\$250,000), pending change in chemical needs when Phase 1 (and eventually Phase 2) improvements are complete and process changes are fully implemented (2016 projected cost of \$166,734).
 - Majority of difference relates to capital outlays and related projects (\$1,195,000, representing a \$626,917 increase over 2016); significant items are:
 - \$486,000 budget for cement lining Carlisle/Baltimore Streets (\$82,500 and \$98,500 Borough labor and materials, respectively, and \$305,000 professional services for lining), with 85% of Borough materials and professional services cost recognized in grant funding (Borough labor not eligible).
 - \$93,000 budget for cement lining 4th Street (\$15,500 and \$10,000 Borough labor and materials, respectively, and \$67,500 professional services for lining), to correlate pipe work with pending Liquid Fuels paving in upcoming years.
 - \$59,500 budget for known CDA projects (Borough labor and materials) outside of the Borough corporate limits.



Water Revenue Fund 2017 Budget

- Water Fund expenses (continued)
 - Capital outlays and projects (continued):
 - \$268,500 in labor and materials for various Borough main and service line work and related blacktop repair, many continuations/completions from 2016/prior projects.
 - \$60,000 for unknown CDA projects outside of the Borough corporate limits, and \$11,000 in labor and materials for small project main and service lateral work throughout the year.
 - Annual meter purchases and related labor of \$60,000 and \$5,500, respectively, based on need to replace several larger customer meters to comply with PUC regulations, in addition to annual need for customer's meter replacements, repairs, etc.
 - \$48,000 for utility truck, to replace T-30 (1996 Ford F-350 with 80,000+ miles with heavy in-Borough use and in poor condition); T-30 would be traded-in.
 - \$48,000 for four-wheel drive truck with plow (originally in 2016 plan, but forgone), to replace T-44 (2001 Ford F-250 with 180,000+ miles and in poor condition); T-44 would be kept by Public Works for winter season back-up plow.



Sanitary Sewer Fund 2017 Budget

- The Sanitary Sewer Fund (SSF) accounts for the collection of sewer within the Borough, and a portion of Penn Township that flows to the Borough, for treatment at the Regional Wastewater Treatment Plant.
 - The portion of Penn Township that flows to the Borough is metered and billed/collected within the SSF. The SSF then pays the RWWT Fund for the total flow of the Borough and Penn Township.
- The SSF revenues are proposed at \$4,466,751, a \$288,631 (0.61%) decrease over 2016 projected results; significant factors for decrease:
 - Significant connection fees anticipated to close out 2016 for Cherry Tree Phase IV (\$1,268 collection tapping fee times 121 units); could push to 2017.
 - \$150,000 in CDBG main lining sanitary sewer projects began and will complete in 2016; no additional CDBG funds for sanitary sewer projects exist for 2017.



Sanitary Sewer Fund 2017 Budget

- The SSF expenses are proposed at \$4,087,769, a \$501,744 (10.93%) decrease over 2016; significant factors for decrease:
 - \$150,000 in CDBG main lining sanitary sewer projects noted above.
 - Reduction of \$348,516 in treatment charges to the RWWT Fund to \$1,245,079.
 - NOTE – significant reduction related to one-time surplus distribution, and 2018/further projected comparable to 2016 levels (est. \$1,594,000).
 - No capital outlays are budgeted for 2017.



Regional Wastewater Treatment Fund 2017 Budget

- The Regional Wastewater Treatment Fund (RWWT) accounts for the Borough's operation and administration of a regional treatment plant, interceptor system, and pumping station for rendering sewage collection, treatment, and disposal service to the Borough, Penn Township, McSherrystown Borough, and Conewago Township.
- Annual utility charges are determined based on the last full year (2015) flow data for each municipality, and applied as follows:
 - Projecting any surplus or deficiency for the 2016 operation.
 - Adding deficiency to (or offsetting surplus with) 2017 budgeted expenses, less any non-operational revenues (i.e. interest, pension aid).
 - Determining amounts to charge to meet the bullet above, plus keep \$100,000 as financial reserves for unanticipated costs.
 - Each budget year is planned to break even, with \$100,000 retained cushion.



Regional Wastewater Treatment Fund 2017 Budget

- Total revenues of the RWWT fund for 2017 are \$1,710,915, a \$422,010 (19.79%) decrease from 2016; significant factors for decrease:
 - Projected 2016 cash carry-in is \$613,254, due to limited capital costs, efficient operations, and supplemental revenues outside of budget (i.e. State Pension Aid of \$31,587, sales of Nutrient Credits of \$65,000).
 - Flows between municipalities remain comparable - Hanover Borough (which includes Penn Township) fell from 81.34% to 80.85%, McSherrystown Borough fell from 7.99% to 7.52%, and Conewago Township increased from 10.67% to 11.63%.
 - It is anticipated that, as Conewago and Penn Townships continue expansion of serviced properties, the Borough's cost share will continue to decline, thus reducing Sanitary Sewer Fund treatment costs.
 - Overall charges to the municipalities - \$1,245,079 Hanover (\$1,593,595 in 2016), \$176,848 Conewago (\$206,265 in 2016), and \$112,853 McSherrystown (\$151,665 in 2016) - each decreasing by at least 14%.
 - NOTE - 2018 charges expected comparable to 2016. 2017 reflects closure of significant surplus from 2016 projections for operations.



Regional Wastewater Treatment Fund 2017 Budget

- Total expenses of the RWWT fund for 2017 are \$2,224,170, a \$145,877 (6.16%) decrease from 2016 Budget (due to significant operating surplus in 2016, comparison with budget is more meaningful); significant factors for decrease :
 - Treatment and Conveyance System costs remained virtually comparable between both years:
 - Actual need for chemicals could generate additional budgetary surplus or partial draw on financial reserves in 2017.
 - Removed budget for unemployment compensation from prior years (\$12,500) – not used in historical analysis.
 - Capital outlays limited to proposed purchase of a zero-turn mower to replace RE4 (1994 Ferris mower with high mileage) (est. \$11,000). 2016 capital outlays totaled \$135,000, none of which were pursued.



Highway Liquid Fuels Fund 2017 Budget

- The Highway Liquid Fuels (HLF) Fund accounts for annual State Appropriation from Liquid Fuels Taxes required to be segregated from all other fund activities to account for PennDOT-approved roads projects and related costs (i.e. snow/ice removal, signage and traffic signals, maintenance, and reconstruction).
- HLF revenues are proposed at \$425,500, representing a small preliminary increase (2.5%) over 2016's appropriation. Shortly, we will receive notification of the appropriation, which may change the 2017 road paving plan or equipment/vehicle purchase requests.
- HLF expenditures are proposed at \$404,000, a \$28,149 (6.51%) decrease from 2016; significant factors for decrease:
 - Reduction in anticipated labor, and offsetting increase in materials, for snow and ice removal services (labor intensive in 2016, due to Winter Storm Jonas; \$27,049 net reduction).



Market House Fund 2017 Budget

- Borough traditionally increases the Market House stall rentals every-other year, which will be in 2017 (increase of \$10/year).
- Revenues proposed at \$36,976 for 2017, a \$212 increase over 2016, reflecting increased rates coupled with a conservative estimate for unleased stalls.
- Expenses proposed at \$36,745 for 2017, a \$4,062 increase over 2016, relating to consistent budgeting of natural gas utilities and increase for change in allocation payroll for administrative staff (i.e. payroll, accounts payable).
- No capital outlays are budgeted for 2017.



“State of the Borough” Analysis – Financial Health

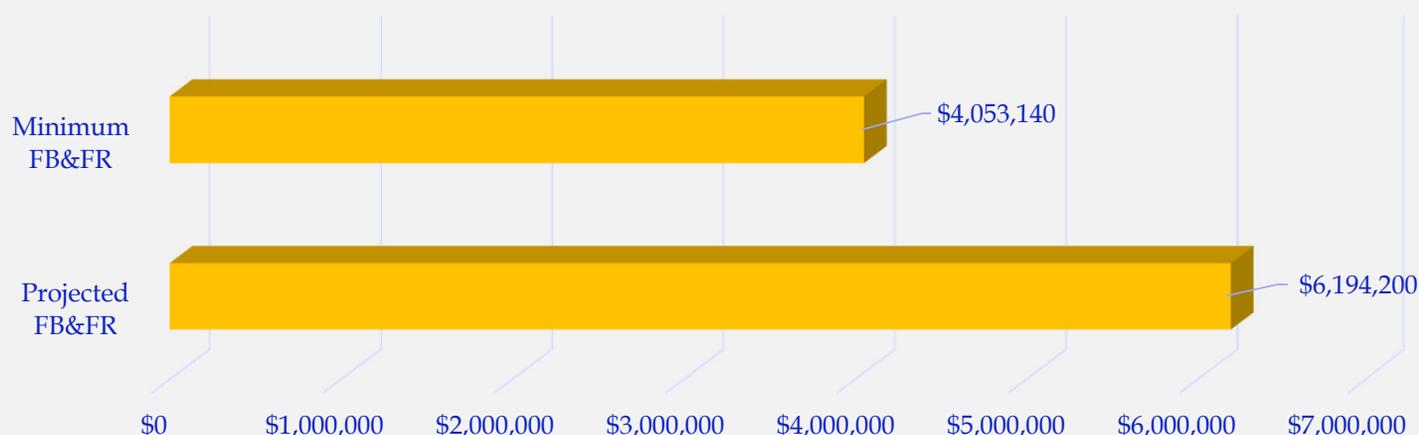
- In July 2016, the Borough Council formally adopted a “Fund Balance and Financial Reserves/Net Position” (FB&FR) Policy to assist in preservation of the financial integrity of the Borough and manage/mitigate financial risk for the future.
- Policy established minimum FB&FR of not less than 25% of the current and/or following year’s budgeted expenditures (whichever greater) for the General Fund and all operational Enterprise Funds (excluding the RWWT Fund) of the Borough.
 - General Fund includes the General (Operating), Guthrie Memorial Library, and Recreation Funds (BPT, LST, and Equipment Funds to be closed effective January 1, 2017).
- Policy assists in review of budget proposals for potential changes to the tax, utility, and/or service charge rates.
 - Five-year plan (currently being constructed) assists in review of foreseeable future to guide near-term decisions on rates and services.



“State of the Borough” Analysis – Financial Health

Fund Balance and Financial Reserves Analysis – General Fund

Projected as of December 31, 2017



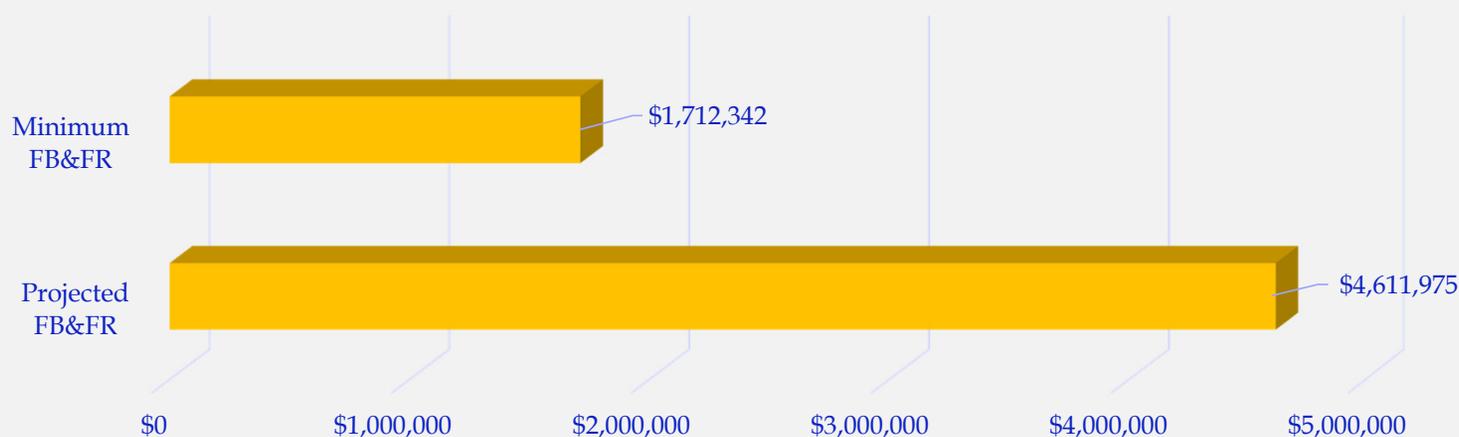
- Projected FB&FR are at 38.21% of 2017 proposed General Fund expenditures, providing adequate cushion against the minimum 25% requirement. *NOTE – this does not include any expenditure assessment for Library reconstruction efforts, nor related legal fees.*
- S&P Bond Ratings provide for a final rating increase for available fund balance exceeding 75% of General Fund expenditures. Available fund balance above 15% receives a “Very Strong” rating.



“State of the Borough” Analysis – Financial Health

Fund Balance and Financial Reserves Analysis – Water Revenue Fund

Projected as of December 31, 2017



- Projected FB&FR are at 67.33% of 2016 projected Water Revenue Fund expenditures, providing adequate cushion against the minimum 25% requirement.
 - Increase in water consumption rates during 2015 were necessary to rebuild FB&FR – 2014 ending FB&FR were \$442,570 – as well as plan for increased debt service costs for needed upgrades to infrastructure and facilities.



“State of the Borough” Analysis – Financial Health

Fund Balance and Financial Reserves Analysis – Sanitary Sewer Fund

Projected as of December 31, 2017



- Projected FB&FR are at 46.75% of 2016 projected Sanitary Sewer Fund expenditures, providing adequate cushion against the minimum 25% requirement.
 - Significant one-time reduction in Treatment Plant charges in 2017 skewing results. Excluding the significant reduction (projecting 2017 with 2016 Treatment Plant charges) would yield \$1,770,147 Projected FB&FR, representing 39.06% of the 2016 projected Sanitary Sewer Fund expenditures.



“State of the Borough” Analysis – Financial Health

Fund Balance and Financial Reserves Analysis – Market House Fund

Projected as of December 31, 2017



- Projected FB&FR are at 87.06% of 2017 proposed Market House Fund expenditures, providing adequate cushion against the minimum 25% requirement.
 - With very little FB&FR, any infrastructure or related capital needs could have significant impact on the Market House’s financial health.



“State of the Borough” Analysis – Financial Health

- General Obligation Bond Debt and Contingent Liabilities
 - S&P strongly monitors several debt ratios to judge the financial health and “score” of the Borough in relation to its General Obligation Bond (G.O.B.) ratings:
 - “General Fund Debt Service as a Percentage of GF Expenditures” – measures annual fixed-cost burden that debt places on the government.
 - 2017 ratio would be 5.81% (S&P’s highest rating is provided when ratio is less than 8%).
 - “General Fund Net Direct Debt as a Percentage of GF Revenues” – measures the total General Fund debt burden on the government’s revenue position.
 - 2017 ratio would be 43.38% (S&P’s second-highest rating is provided when ratio is between 30% and 60%). With no additional General Fund G.O.B. debt planned, ratio falls to 37.33% at 2017’s end.



“State of the Borough” Analysis – Financial Health

- General Obligation Bond (G.O.B.) Debt and Contingent Liabilities
 - Outside of S&P’s direct scoring above, they consider qualitative factors that can increase or decrease ratings.
 - “Overall Net Debt as a Percentage of Market Value”:
 - 2017 ratio would be 5.28%, slight above “less than 3%” mark for a score upgrade, but well below “above 10%” mark for score downgrade. 5.28% falls into the “Moderate” rating category (between 3% and 6%).
 - “Overall Net Debt Per Capita” – a measure of how much G.O.B. debt a government has per citizen:
 - 2017 “Net Debt Per Capita” would be \$3,372, which falls in S&P’s “Moderate” rating category.
 - However, since the majority of debt (88.56%) relates to water and regional wastewater treatment facilities, that debt is borne by the Borough’s service area, which increases the per capita population from 15,365 to 41,531, and reduces overall net debt per capita to \$1,522.
 - Revised computation would place the amount in S&P’s “Low” rating category (“Very Low” being the top rating).



“State of the Borough” Analysis – Financial Health

- Comparisons on Median Income per Household
 - Household income commonly used by U.S. Government and private institutions to describe a household’s economic status, or to track economic trends in the U.S.
 - Median income is the key measure, which identifies the point at which half of households have income above and below that value.
- Median income per household for 2015:
 - The Borough of Hanover - \$59,878
 - York County - \$58,906
 - State of Pennsylvania - \$53,115
 - United States of America - \$53,657

Source Data: Pennsylvania State Data Center (<https://pasdc.hbg.psu.edu>), and U.S. Census Bureau (www.census.gov)



“State of the Borough” Analysis – Financial Health

- Market Value of Taxable Property Per Capita
 - S&P also considers “Market Value of Taxable Property Per Capita” in it’s rating assessments, since it provides an indication of wealth of a community.
 - 2017 “Market Value of Taxable Property Per Capita” would be \$63,920, which falls into S&P’s “Strong” rating category (3rd behind “Very Strong” and “Extremely Strong”).



2017 Budget – Remaining Plan

- September 28th Council Meeting:
 - Approval of the 2017 Regional Wastewater Treatment Fund budget (for supplying to area municipalities).
- October 19th Finance and Personnel Committee Meeting:
 - Narratives on any significant 2016 projection and 2017 proposal changes will be provided.
 - Can occur due to shifting in timing of projects, or additional information gathered.
 - Presentation of five-year budget projections (2017-2021), and five-year Capital Improvement Plan (CIP).
 - Presented for discussion purposes only – will not be adopted through Resolution.
- November 16th Finance and Personnel Committee Meeting:
 - Narratives on any significant 2016 projection and 2017 proposal changes will be provided.
- November 22nd Council Meeting:
 - Motion to publically advertise the 2017 budgets.
- December 21st Finance and Personnel Committee Meeting:
 - Final narratives on any significant 2016 projection and 2017 proposal changes will be provided.
- December 28th Council Meeting:
 - Formal adoption of the 2017 budgets through Resolution.



2017 Budget – Final Remarks

Finance and Personnel Committee Questions?

Public Comment in Relation to 2017 Budget?

