

**FINANCIAL SUMMARY REPORT
UNION TOWNSHIP
4. EXPENSES REVIEW**

Basic Information: Union Township's general operating budget is approximately \$1.4 million and includes expenditures for public safety, general government, health and welfare, public works, debt service, pensions, and recreation. Overall expenses for the Township will have increased an average of 2.6% per year over ten years. This is an acceptable level of increase and is lower than most local governments over the same time period. In fact, based on action taken on June 9, 2005 to disband the police department, the Township's expenses will be approximately 35% less in 2006. This estimated savings in expenses is demonstrated in the attached exhibits.

FINDINGS

The Township has worked diligently to control overall expenses. The Township's budget, like most municipal budgets is about 80% personnel and related costs. For this reason, the only way to reduce costs at any meaningful level is to reduce staff. Unfortunately, the general fund revenue, because it has experienced almost no increase over ten (10) years, is not available to support the rising costs of personnel and related benefit costs in the Township.

1. General Government - This category includes general government expenses such as the Township Office, auditors, tax collection, legal, engineering, and building and plants. It is estimated to be approximately \$42,000 over budget projections. Expenses for tax collection are estimated to be at budget or close to budget projections for the year. Legal fees are estimated to be approximately \$46,000 over budget due to a number of legal challenges and actions that have been initiated by the collective bargaining unit where the Township is a Defendant. The expenses for the Township Secretary's office are estimated to be below budget by approximately \$27,000 primarily due to the vacancy in the Clerk's position for most of the year achieving savings in salary and benefits. Engineering costs are estimated to be at budget or close to budget projections for the year. Buildings & Plants expenses are estimated to be over budget by approximately \$5,000 due to the payment of some 2004 bills in 2005 resulting in payments for utilities in excess of budgeted amounts.
2. Expenses for the Police Department are 40% of the general operating budget, are high for a Second Class Township whose main priority should be the maintenance and upkeep of roads. When you include an additional 19% of the budget for insurances and employee benefits, the expense for public safety was well over the 60% mark.

This is higher than any other comparable community in Washington County. For this reason, the Township took action at the June 2005 Supervisor meeting to disband the police department and to utilize the PA State Police services for the Township effective July 9, 2005.

3. Fire service expenses are about 6% of the budget. Most of this expense is related to a pass through grant from the state foreign fire insurance and to payments to the water company for hydrant use. Only about 2% of the budget (about \$22,000) is an actual contribution to the fire company.
4. The Public Works Department makes up 18% of the overall budget and has increased by only about 12% over the past ten years. This is lower than most of the comparable communities of similar size and budget in Washington County and much lower than the normal CPI increases for materials and labor. In 2005, this category is estimated to be under budget by approximately \$73,000 due to the postponement of major street projects to future years. It should be noted that the health benefits for this department are estimated to be approximately \$6,000 over budget and the vehicle expense is estimated to be approximately \$3,000 over budget. These overages are offset by the under expenditure for major road programs.
5. Planning, zoning and code expense have been very low, averaging about 1.5% of the total budget. This is very low for a Township that has large tracts of undeveloped land and is currently experiencing increased development activity.
6. Recreation makes up less than 1% of the overall budget. The Township spends almost nothing for recreation, open space and leisure activities.
7. Debt service expense has remained relatively constant over the past ten (10) years at about 3% of the Township budget. This is extremely low compared to similarly situated communities.
8. Insurance – In 2005, this category is estimated to be over budget by approximately \$41,000 due to the Township's carry over of the 2004 property-casualty-auto insurance premium payment to 2005 and to higher than budgeted workers compensation insurance.
9. Employee Benefits – In 2005, this category is estimated to be over budget by approximately \$9,000 because the Township did not budget for the entire distribution of state aid to be paid into the pension fund. This category will decrease substantially in future years due to the disbandment of the police department.
10. Other Uses – In 2005, this category includes current unbudgeted liabilities in the amount of \$127,750 that are due based on the 2004 audit report and additional transfers of funds from restricted accounts that must be repaid by year end 2005. For

this reason, this category is estimated to be \$127,750 over the projected budget for this category.

RECOMMENDATIONS

Based on the findings above, the Township Supervisors and management should consider:

☛ *Public Safety* - the Township has already taken the very significant step of disbanding the police department and working with the PA State Police to take over the police coverage for the community. In addition to this critical step, the Township Supervisors should consider:

1. Ensure that mutual aid agreements for police and fire are in place so that extraordinary emergencies can be addressed on a regional basis with a cooperative approach. No one community can ever be prepared to address extraordinary disasters or events without assistance.
2. Consider working with the volunteer fire company to provide incentives to volunteers in order to ensure a continued volunteer service that is trained, prepared, and available to the community for public safety coverage.

☛ *Planning & Zoning* - Consider an increase in budget allocations for the areas of planning, zoning, development and code enforcement. These are the most important areas for a community that is beginning to experience some growth. It is critical that the proper planning tools be in place.

1. The Township should budget for a full time zoning and building official that is available during regular business hours for meeting with applicants and reviewing submissions under the Township's zoning, land development and subdivision ordinances. The Zoning Official should also attend Planning Commission meetings, Zoning Hearing Board meetings and occasionally provide updates to the Board of Supervisors.
2. The Township must have access to a professional Planning Consultant on a regular basis to provide advice, plan review and regular updates to the Township's ordinances. The planning consultant should attend all meetings of the Planning Commission.

Should budget this item.

3. The Township should put application and review procedures in place to encourage development and to make the process "user friendly" to its applicants while maintaining the integrity of the planning process.

Other Departments - It is recommended that the Township Supervisors and management should:

- Consider employing at least one additional part-time person in the Secretary's office in order to keep all of the mandated record keeping functions flowing. It is nearly impossible for the Township Secretary to undertake all of the required duties under the Code and to also complete payroll, accounting, budgeting and reporting requirements. A part-time person could at least answer the telephone, make copies, prepare minutes, and take care of resident complaints on a regular basis. This is very important to the smooth operation of the Township's business and to make sure that the residents receive the service that they deserve.
- Attempt to obtain co-pays on insurance premiums from all employees through collective bargaining in order to offset some of the increased health care costs.
- Cross train all road employees to work on all equipment and in the parks so that they can be easily transferred to the area that is most in critical and where resources are most needed.
- Determine what other expenses can be attributed to funds other than general operating-- expenses for services related to development, street lighting, water and sewer services and others might be transferred to other funds.
- Continue a moderate level of borrowing for improvements to streets, bridges, and facilities so that capital project expenses are well planned and properly funded. Debt Service should be spread over the useful life of the planned improvements. If necessary, adopt a special levy for debt service purposes. A community that has no debt is usually not making adequate infrastructure improvements.
- Consider allocations for parks and recreation. These can generally be maximized by matching local allocations with grants and, thereby, doubling the funding for projects in the Township. The quality of life in a community is vastly improved by the provision of adequate recreation and leisure facilities and activities.
- Utilize part-time summer employees for low-level laborer activities that can supplement the regular work force.
- Continue to utilize cooperative purchasing and state contracts for supplies and purchases in order to contain costs.

*★
recommend*

The Budget – It is extremely important in the budgeting process that all costs for programs, services, projects, and purchases are included as proposed expenditures. The Township should undertake the budgeting process by utilizing spreadsheets with at least three (3) prior years of actual expenditures and with input from the department heads and Township staff during the budgeting process. Some of the items that were incorrectly budgeted in the past are noted below:

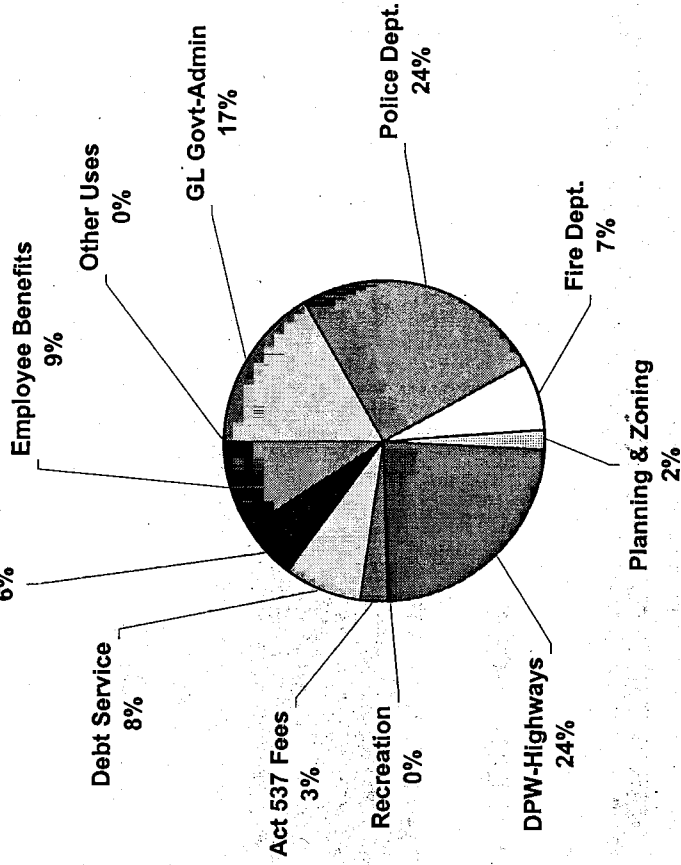
1. Carry over of prior years expenditures are not included in budget allocations.
2. Expense items are routinely under budgeted. Examples are legal fees, expenses for building and plants, benefits and insurance payments.
3. Debt service expense is not clearly defined or budgeted.
4. Pension expenses are not included in the budget for police pension MMO as required by Act 205 and pension expense is not accurately calculated for non-uniform employees. This understates the expense side of the budget.
5. Budget line items are routinely over-expended. Because there is no formal purchasing procedure, department heads and officials routinely purchase items that are not included in the budget. Because there is no system to identify whether a line item has been exceeded, and because the Township accounting system is on a cash basis, the payables are not identified early enough in the process for proper control of expenditures.
6. Additional accounting line items should be set up so that specific expenses related to projects, grants, and pass-through amounts can be properly identified.

(See "Budget Pitfalls" in Section 5 of this report.)

Exhibits 19 through 27 provide trend analysis of Township expenditures for a ten-year period. A 2005 budget projection that considers this ten-year trending information is provided for the Township's use in Appendix D for the 2006 budgeting process.

UNION TOWNSHIP
2004 GL FUND EXPENDITURES

Insurance



EXPENDITURES	2004
GL Govt-Admin	\$ 232,564
Police Dept.	\$ 351,797
Fire Dept.	\$ 96,780
Planning & Zoning	\$ 23,500
DPW-Highways	\$ 326,990
Recreation	\$ 3,365
Act 537 Fees	\$ 38,800
Debt Service	\$ 105,945
Insurance	\$ 81,553
Employee Benefits	\$ 127,750
Other Uses	\$ 450
TOTAL	\$ 1,389,494

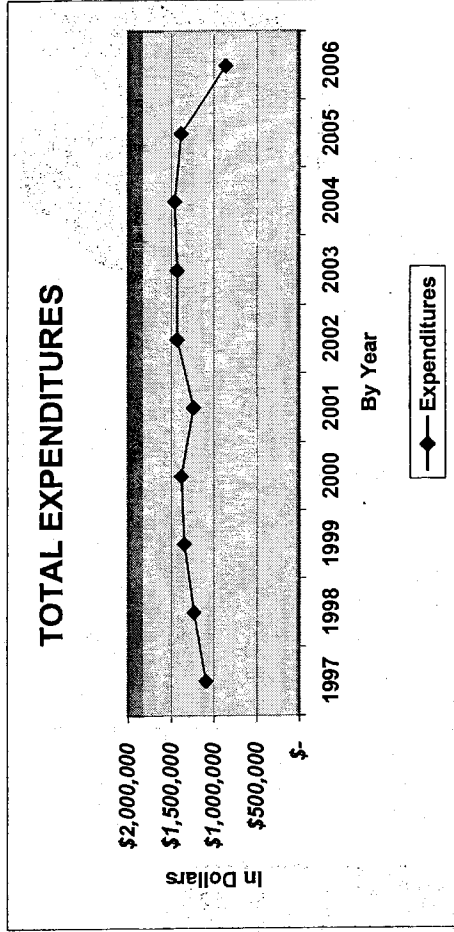
UNION TOWNSHIP
2005 FINANCE DOCUMENT

UNION TOWNSHIP

Summary of Expense Categories
History and Projections 1997-2006

FUND 01

ACCT #	EXPENDITURES	Actual											Projected	Projected	Projected	% Inc
		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2006	2006	Total		
01.400	GL Govt-Admin	\$181,537	\$230,628	\$227,254	\$222,798	\$202,844	\$197,077	\$208,792	\$225,541	\$232,564	\$209,873	\$232,564	\$209,873	15.6%		
01.410	Police Dept.	\$292,110	\$386,062	\$419,387	\$396,440	\$467,001	\$577,098	\$574,495	\$568,524	\$351,797	\$15,000	\$351,797	\$15,000	-94.9%		
01.411	Fire Dept.	\$66,377	\$56,636	\$84,093	\$85,729	\$78,364	\$83,906	\$97,382	\$89,990	\$96,780	\$69,699	\$96,780	\$69,699	5.0%		
01.426	Planning & Zoning	\$22,000	\$21,610	\$23,596	\$28,583	\$28,783	\$24,452	\$29,206	\$14,000	\$23,500	\$25,000	\$23,500	\$25,000	13.6%		
01.430	DPW-Hwys	\$301,430	\$324,905	\$293,611	\$374,519	\$308,216	\$337,199	\$352,371	\$300,545	\$326,990	\$341,705	\$326,990	\$341,705	13.4%		
01.450	Recreation	\$16,386	\$6,618	\$39,727	\$416	\$14,309	\$108,155	\$16,628	\$17,732	\$3,365	\$3,415	\$3,365	\$3,415	-79.2%		
01.470	Debt Service	\$21,885	\$0	\$54,277	\$62,692	\$3,894	\$250	\$-	\$47,282	\$38,800	\$37,505	\$38,800	\$37,505	71.4%		
01.485	Insurance	\$106,269	\$188,553	\$184,136	\$153,460	\$40,624	\$21,993	\$63,954	\$84,603	\$105,945	\$110,125	\$105,945	\$110,125	3.6%		
01.487	Employee Benefits	\$89,605	\$18,662	\$25,894	\$62,041	\$82,069	\$83,245	\$74,118	\$92,168	\$81,553	\$40,777	\$81,553	\$40,777	-54.5%		
01.490	Other Uses	\$0	\$6,028	\$0	\$0	\$19,798	\$-	\$16,711	\$25,000	\$127,750	\$4,000	\$127,750	\$4,000	#DIV/0!		
	TOTAL	\$1,097,599	\$1,239,702	\$1,351,975	\$1,386,678	\$1,245,902	\$1,433,375	\$1,433,657	\$1,465,385	\$1,389,044	\$857,099	\$1,389,044	\$857,099	-21.9%		



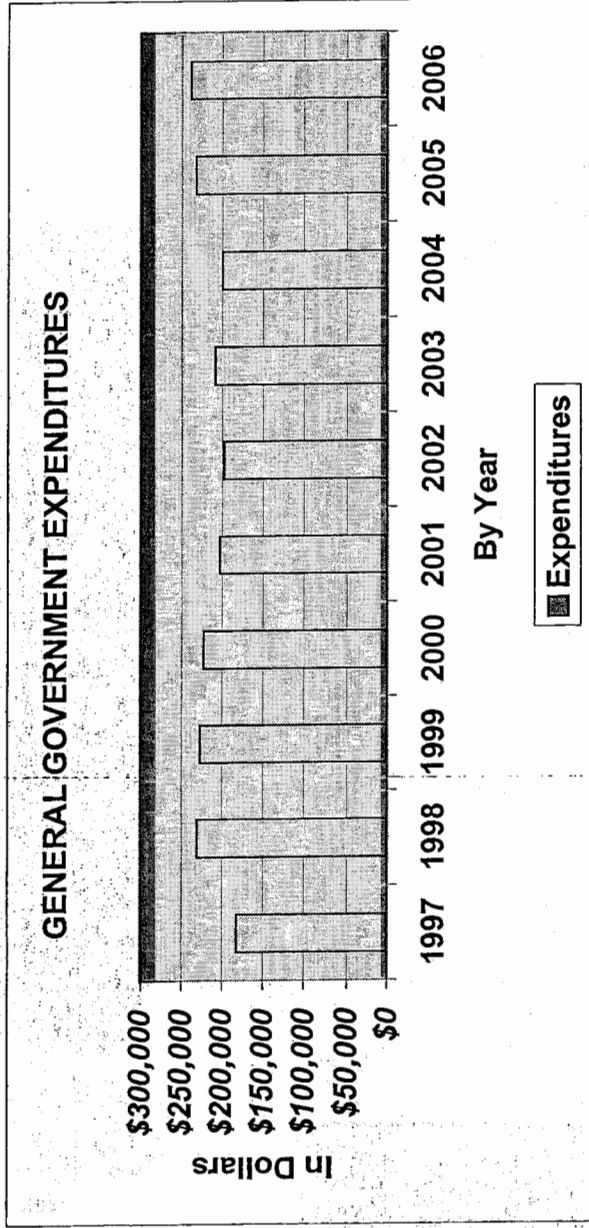
Average
2.6%
Annual
Increase

UNION TOWNSHIP
2005 FINANCE DOCUMENT

UNION TOWNSHIP GENERAL GOVERNMENT EXPENDITURES

Year	General Govt	% Inc/Dec
1997	\$181,537	
1998	\$230,628	27.04%
1999	\$227,254	-1.46%
2000	\$222,798	-1.96%
2001	\$202,844	-8.96%
2002	\$197,077	-2.84%
2003	\$208,792	5.94%
2004	\$199,760	-4.33%
2005	\$232,564	16.42%
2006	\$238,378	2.50%

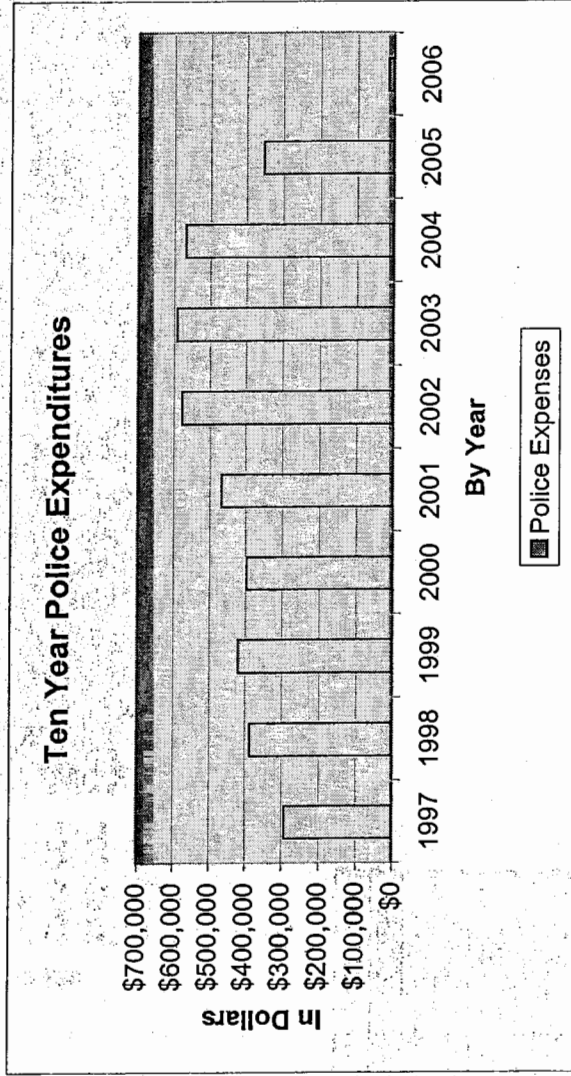
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UNION TOWNSHIP POLICE EXPENDITURES

Year	POLICE	% Inc/Dec
1997	\$292,110	
1998	\$386,062	32.16%
1999	\$419,387	8.63%
2000	\$396,440	-5.47%
2001	\$467,001	17.80%
2002	\$577,098	23.58%
2003	\$591,691	2.53%
2004	\$568,524	-3.92%
2005	\$351,797	-38.12%
2006	\$15,000	-95.74%

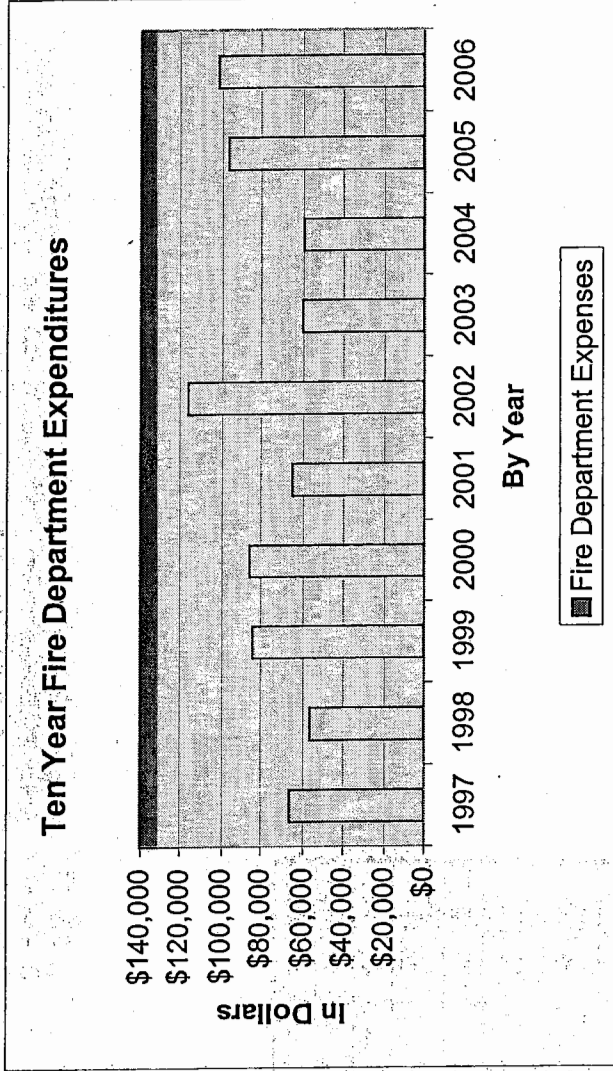
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UNION TOWNSHIP FIRE DEPARTMENT EXPENDITURES

Year	FIRE	% Inc/Dec
1997	\$66,377	
1998	\$56,636	-14.68%
1999	\$84,093	48.48%
2000	\$85,729	1.95%
2001	\$65,081	-24.09%
2002	\$115,990	78.22%
2003	\$60,302	-48.01%
2004	\$59,681	-1.03%
2005	\$96,780	62.16%
2006	\$101,619	5.00%

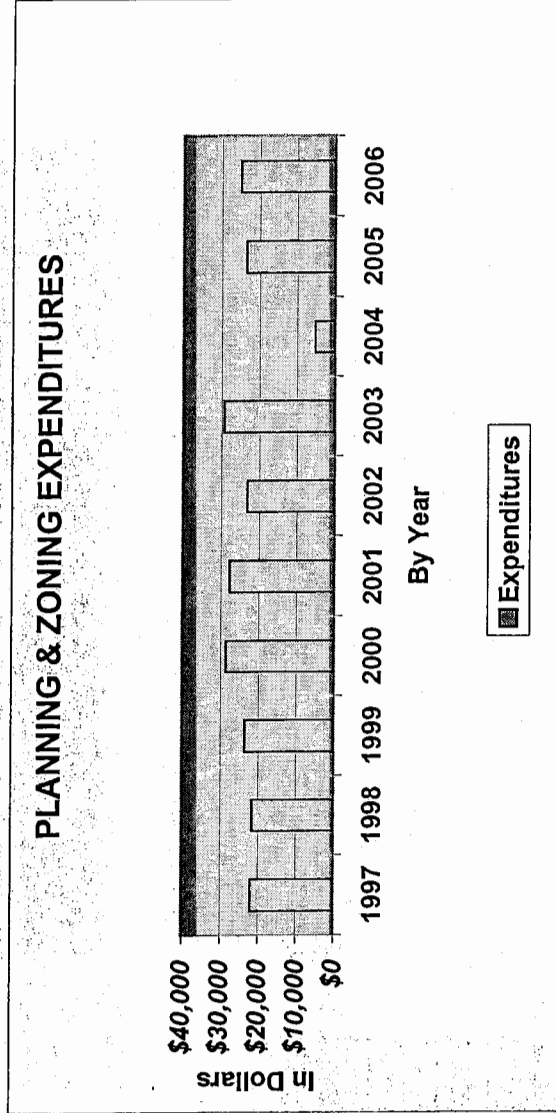
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UNION TOWNSHIP PLANNING & ZONING EXPENDITURES

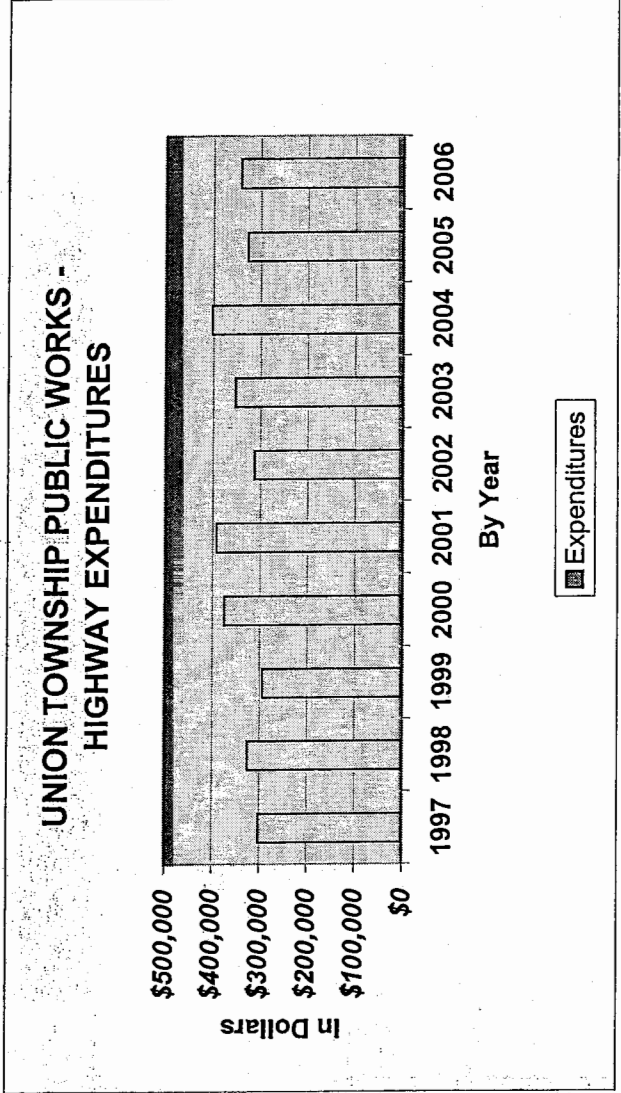
Year	Health/Welfare	% Inc/Dec
1997	\$22,000	
1998	\$21,610	-1.77%
1999	\$23,596	9.19%
2000	\$28,583	21.13%
2001	\$27,647	-3.27%
2002	\$23,162	-16.22%
2003	\$29,206	26.09%
2004	\$5,216	-82.14%
2005	\$23,500	0.00%
2006	\$25,000	0.00%

(Projection)
(Projection)



UNION TOWNSHIP PUBLIC WORKS-HIGHWAY EXPENDITURES

Year	DPW-Highways	% Inc/Dec
1997	\$301,430	
1998	\$324,905	7.79%
1999	\$293,611	-9.63%
2000	\$374,519	27.56%
2001	\$391,694	4.59%
2002	\$311,613	-20.44%
2003	\$352,371	13.08%
2004	\$402,038	14.10%
2005	\$326,990	-18.67% (Projection)
2006	\$341,705	4.50% (Projection)

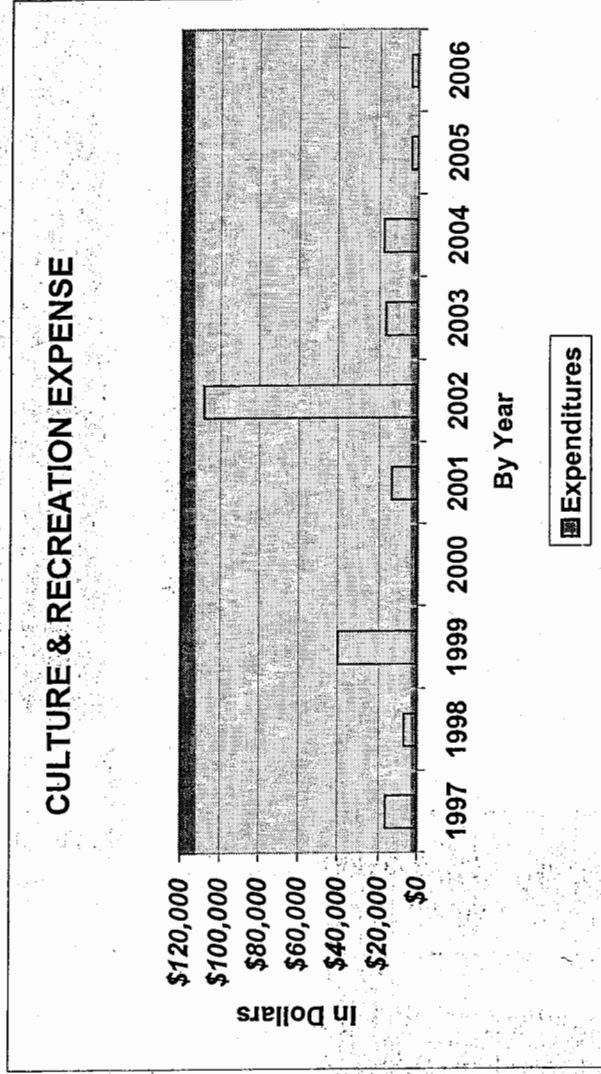


UNION TOWNSHIP CULTURE & RECREATION EXPENDITURES

Year	PARK/REC	% Inc/Dec
1997	\$16,386	
1998	\$6,618	-59.61%
1999	\$39,727	500.29%
2000	\$416	-98.95%
2001	\$13,309	3099.28%
2002	\$108,155	712.65%
2003	\$16,628	-84.63%
2004	\$17,732	6.64%
2005	\$3,365	-81.02%
2006	\$3,415	1.50%

Grant Project

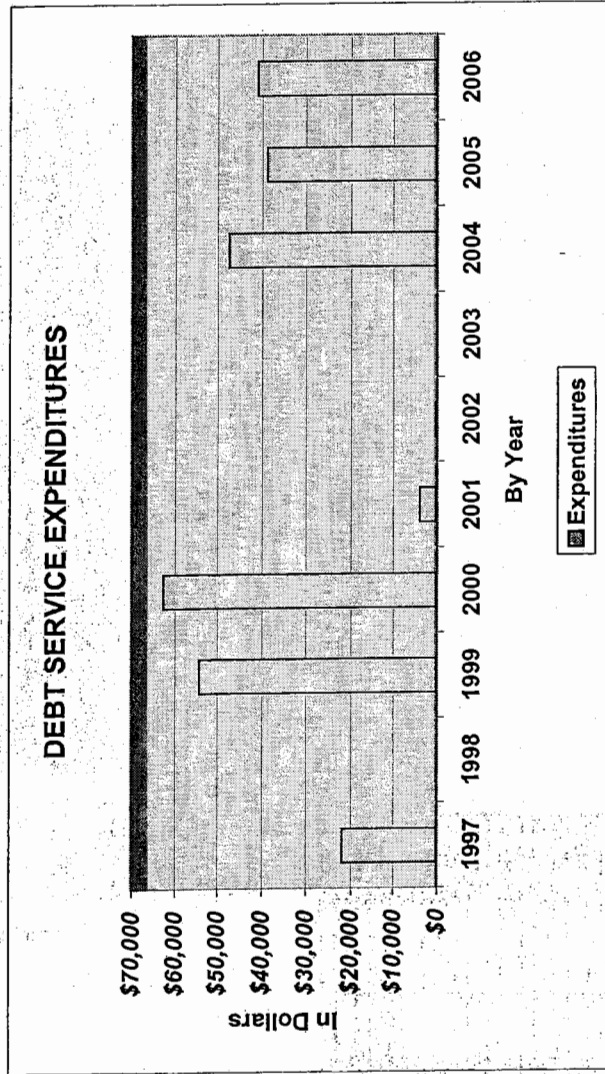
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UNION TOWNSHIP DEBT SERVICE EXPENDITURES

Year	DEBT SERVICE	% Inc/Dec
1997	\$21,885	
1998	\$0	-100.00%
1999	\$54,277	#DIV/0!
2000	\$62,692	15.50%
2001	\$3,894	-93.79%
2002	\$250	-93.58%
2003	\$0	-100.00%
2004	\$47,282	#DIV/0!
2005	\$38,800	17.94%
2006	\$40,934	5.50%

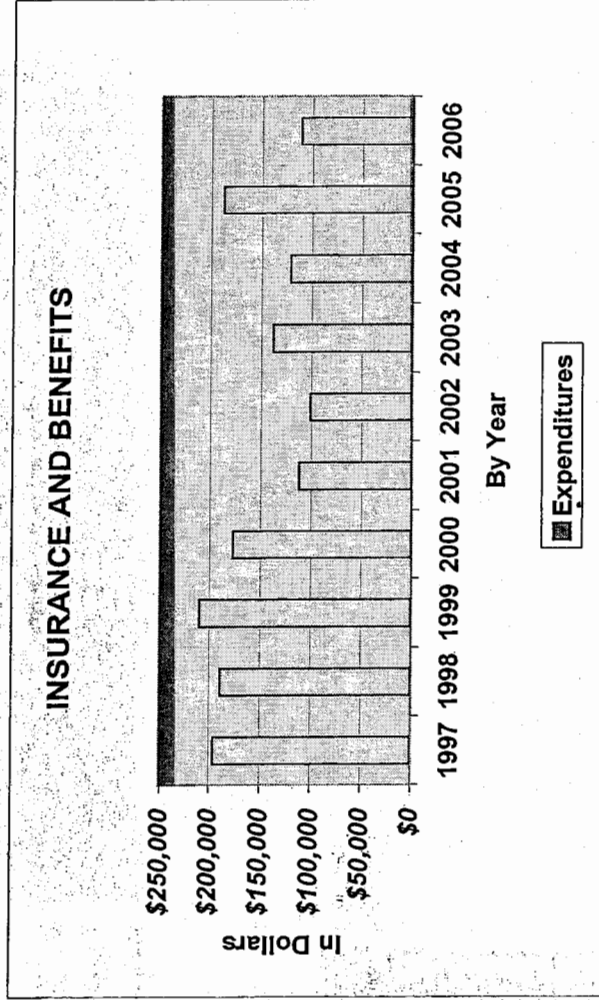
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UNION TOWNSHIP INSURANCE & BENEFITS

Year	Insurance & Ben	% Inc/Dec
1997	\$195,874	
1998	\$188,782	-3.62%
1999	\$210,030	11.26%
2000	\$176,969	-15.74%
2001	\$111,696	-36.88%
2002	\$100,934	-9.64%
2003	\$138,072	36.79%
2004	\$120,900	-12.44%
2005	\$187,498	55.09%
2006	\$110,624	-41.00%

(Projection)
(Projection)



UNION TOWNSHIP TOTAL EXPENDITURE HISTORY

Year	Total Expenditures	% Inc/Dec
1997	\$1,235,337	
1998	\$1,223,301	-0.97%
1999	\$1,273,111	4.07%
2000	\$1,224,255	-3.84%
2001	\$1,245,902	1.77%
2002	\$1,315,081	5.55%
2003	\$1,331,850	1.28%
2004	\$1,426,756	7.13%
2005	\$1,389,044	-2.64%
2006	\$899,500	-35.24%

(Projection)
(Projection)

