

**FINANCIAL SUMMARY REPORT
UNION TOWNSHIP
3. REVENUE BASE**

Basic Information: The Township general operating projected revenue for 2005 is approximately \$1.4 million when adjusting for non-recurring grant revenue and proceeds from notes and bonds. Overall revenue has experienced almost no increase over a ten-year period. The primary sources of revenue are Real Estate taxes (27%) and taxes levied under Act 511 and under the Township Code, especially Earned Income Tax (40%).

FINDINGS – Review of Current Year Revenues

Real Estate Taxes – The Township currently levies twelve (12) mills of real estate tax on all property in the Township which generates approximately \$369,000 annually or \$31,000 per mill. In addition, the Township receives about \$15,000 of delinquent real estate tax from the Washington County Tax Claim Bureau each year. In 2005, the Township should meet its projected budget for real estate tax except for the category “Prior Year” which was budgeted at \$4,000 and for which no revenue was recorded. The projection for this category, therefore, is \$4,000 under the 2005 budget.

ACT 511 Enabling Taxes – In this category, the Township currently levies per capita, earned income, realty transfer, and occupational privilege taxes. This is the largest and most important revenue source collected by the Township at 40% of the overall general operating budget. The projections for this category indicate that the Township will collect approximately \$45,000 more than what was budgeted for 2005 for earned income tax. All other taxes are at the target budget numbers.

Licenses and Permits – The largest revenue in this category is for Cable TV Franchise fees – all other licenses and permits are relatively small sources of revenue. In 2005, all items in this category will meet budget projections with the exception of grading permits which were budgeted at \$10,000 and are projected to result in about \$3,500 in revenue. For this reason, this category is projected to be approximately \$6,000 under budget.

Fines & Forfeits – The Township derives revenue from local, state, and magistrate fines in this category. The magistrates fines in this category, already below expected target amounts for the year, will be further negatively impacted by the disbandment of the local

police department. The state police fines will be similarly impacted because there will be little if any local share with the Township. For this reason, the projection for this category is approximately \$30,000 under budget.

Interest & Rents – This is not a major source of revenue and has been low over the past several years due to low interest rate return on investments. This category is estimated to meet budget projections.

Intergovernmental Revenue – Most of the revenue received in this category is “pass through” revenue for pension purposes. This category is estimated to meet budget projections.

Departmental Earnings – Primary revenue sources include building and zoning fees, police department service fees, and the solid waste disposal Act 101 host fees. The zoning fees and building permit fees in this category are not projected to meet the amounts budgeted for 2005. Specifically the zoning fees are estimated to be \$21,000 below budget projections and the building permit fees are projected to be approximately \$18,000 below budget. In addition, the reimbursements from the PAWC for police services will not be collected due to the disbandment of the police department resulting in \$10,000 less than was budgeted. For these reasons, the projection for this category is approximately \$47,000 under budget.

Miscellaneous Revenue – This category is estimated to meet or be close to the budget projections.

Other Sources – This category includes refunds, sale of assets and transfers from other funding sources. The Township transferred approximately \$57,000 from other accounts and from other sources in order to stabilize cash flow at the beginning of 2005. About \$45,000 of these funds must be paid back to the respective original accounts. This liability is shown under the expenditure portion of the report.

The projections for 2004, 2005, 2006 do not include any significant increases in revenue from any current or new sources since historical review would not support such projections. It is assumed, for the purposes of this report that all tax rates and fees remain at the same levels over the next three (3) years.

RECOMMENDATIONS

The following recommendations are made for revenue collection and enhancement:

- ☛ Real estate taxes are one of the Township's most important revenue sources and therefore it is critical for the Township to enhance its real estate market values and encourage responsible development in the Township. It is also important for the Township to maintain accurate calculations and to assess the appropriate amount of millage to support Township expenses. For this reason the following items related to real estate tax collection should be implemented by the Township:

1. Maintain accurate and complete records regarding assessed values, millage rates, delinquent taxes, dollars per mill and rates of collection. Since the millage rate is already close to the statutory limit, the only way for the Township to increase its assessed value is to maximize its current and delinquent collections.
2. Utilize the above calculations to make conservative estimates of projected revenue collection including the proper uncollectable rate. (Example: if the historical collection rate is 92% of the amount billed, budget less than 92% of the estimated tax bills). Set the millage rate at a level that will provide the necessary revenue.
3. Pursue aggressive code enforcement. In any community, code enforcement helps to preserve the older housing stock and increase the value of commercial real estate.
4. Explore with Washington County any economic development opportunities in key areas and continue vigilance for introducing housing improvement programs for declining areas.

*underestimate
revenue in
budget*

- ☛ The most important revenue sources for the Township are ACT 511 taxes, especially the collection of Earned Income Tax. Because the collection rate is at the maximum, the Township has taken steps to enhance collection by hiring an independent contractor to undertake the collection of these taxes. The Township should also consider:

1. Monitor the collection of the EIT tax by periodically creating spreadsheets that track the regular deposits and performance of the EIT collector. Require annual audits of the EIT collection.

2. Encourage responsible development that focuses on attracting new residents who are at the peak of their earning capacity in order to enhance EIT collection. Encourage the development of housing stock that meets the needs of a diverse population by pursuing a long term comprehensive planning strategy.
- ✱ 3. Provide updated information about taxpayers' addresses, contact information, sales of properties, and permit holders to the Township tax collectors on a regular basis.
4. Consider increasing the OPT (now known as the EMST) tax to its statutory maximum of \$52 (less the school district share).

☛ Charges for services, permits, and other revenue items should be reviewed on a regular basis. The following changes should be considered by the Supervisors and staff:

1. Adjust fees for services based on comparisons of fees charged by other communities for services especially for building and zoning.
2. Ensure that the fee charged for every service or item covers the cost of providing that service or item. When possible and where law permits (i.e. the Municipalities Planning Code) pass costs associated with reviews and inspections to the applicant.
3. Undertake aggressive investment of excess funds. This is not always possible for two reasons - excess funds are not available and the interest rates are not attractive. However, as interest rates rise, it is important for the Township to consider alternative short-term investment vehicles such as the PA Local Government Investment Trust (PLGIT) and/or shopping banking institutions with RFP's for the highest rates at the lowest fees.
4. Continue vigilance and pursue every possible grant opportunity to supplement Township services especially in the areas planning and development, public safety, emergency management, recreation, and public works.

☛ *The Budget* - During the budgeting process, the Township should make realistic projections of revenue by using a spreadsheet that includes at least three (3) years of prior revenue history in order to make valid predictions about the future

collections (See Appendix D – 2005 Budget Projections). Some of the areas that have been budgeted incorrectly in the past are noted below:

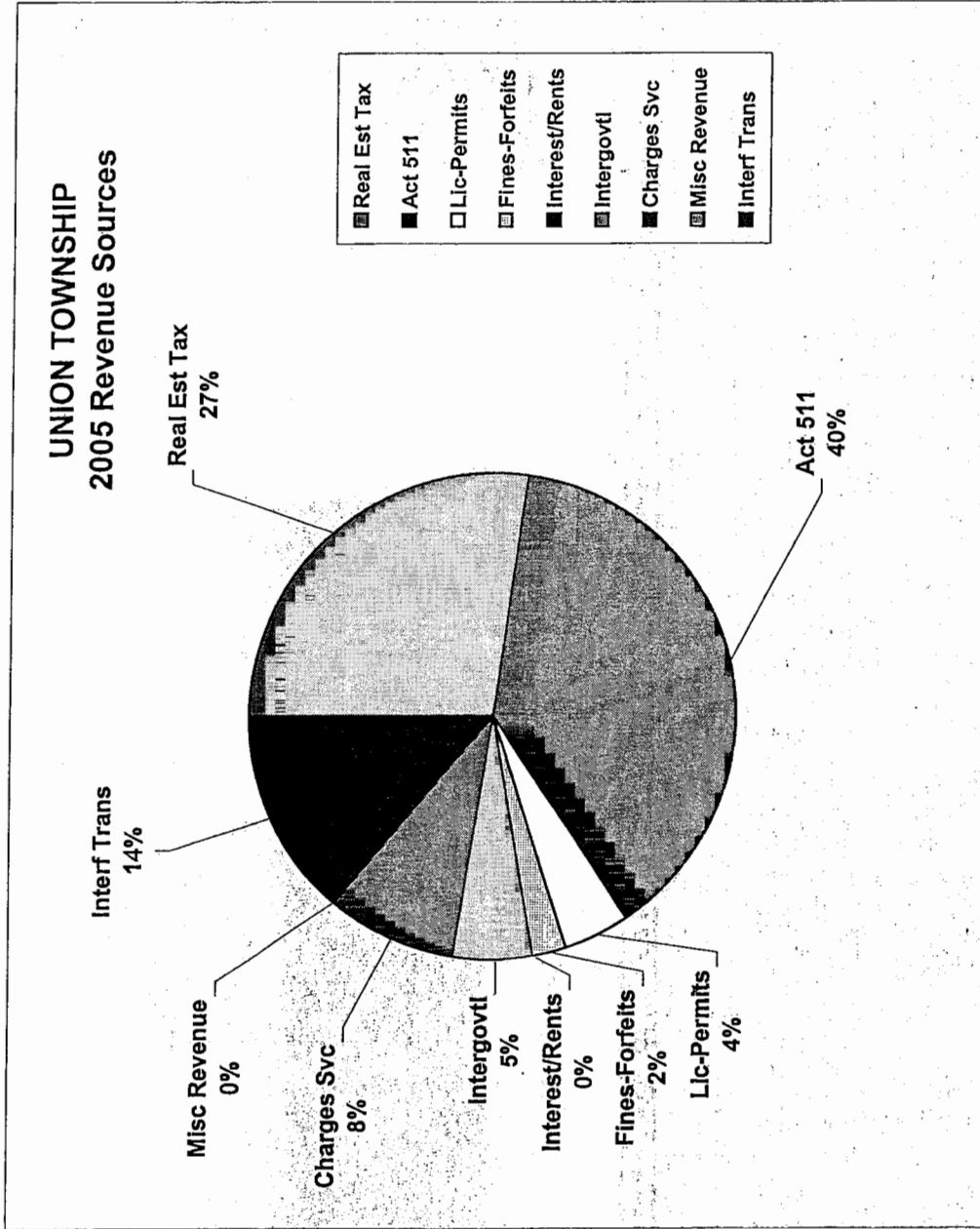
1. The Township has never collected more than \$40,000 for police fines in the Township; yet in 2005, the Township included \$50,000 for police fines.
2. In 2004 the Township budgeted \$200,000 for building permits and collected \$14,793; in 2005, the Township budgeted \$40,000 and will probably collect about \$30,000.
3. In 2004, the Township budgeted a transfer from the State Highway Aid (Liquid Fuels) fund but failed to make the transfer prior to year end.
4. In 2004 and in 2005, The Township budgeted the full amount of pension state aid as revenue but did not include the total corresponding expense. This resulted in an underpayment of the state aid to the respective pension funds.

(See "Budgeting Pitfalls" in Section 5 of this Report)

Exhibits 4 through 17 provide trend analysis for the Township's revenue for a ten (10) year period. A 2005 budget projection that considers this trending information is provided for the Township's use in Appendix D for the 2006 budgeting process.

UNION TOWNSHIP
2005 FINANCE DOCUMENT

Source	YR 2005
Real Est Tax	\$ 382,850
Act 511	\$ 543,450
Lic-Permits	\$ 62,005
Fines-Forfeits	\$ 28,895
Interest/Rents	\$ 2,100
Intergovtl	\$ 74,720
Charges Svc	\$ 119,433
Misc Revenue	\$ 900
Interf Trans	\$ 196,366
TOTAL	\$ 1,410,719



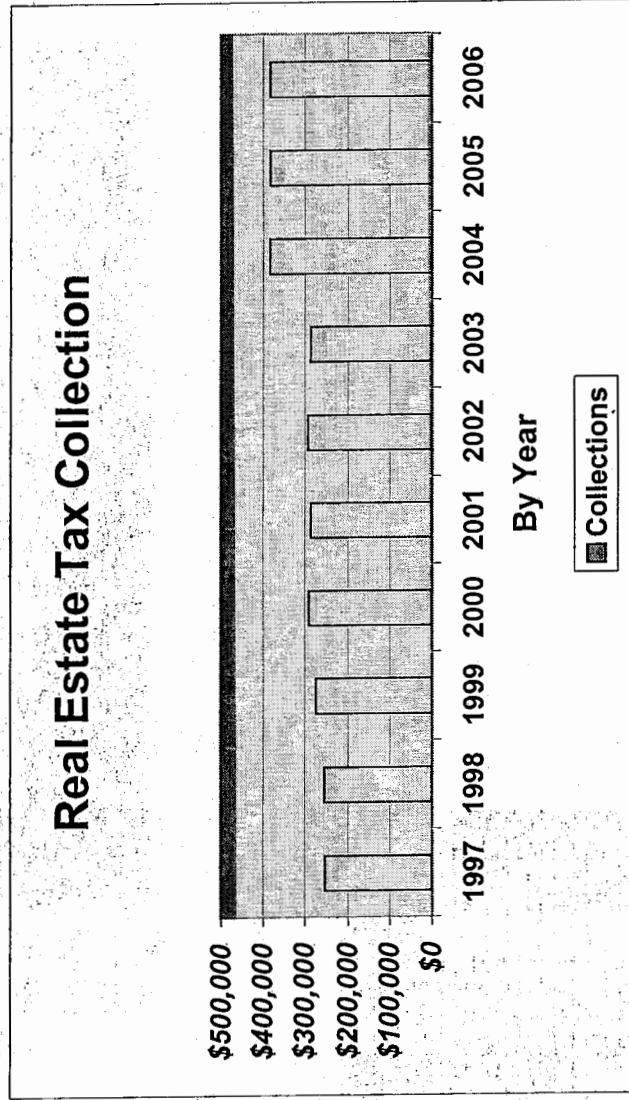
UNION TOWNSHIP REAL ESTATE TAXES

Year	RE Taxes	% Inc/Dec
1997	\$253,118	
1998	\$254,951	0.72%
1999	\$274,760	7.77%
2000	\$291,272	6.01%
2001	\$286,269	-1.72%
2002	\$293,673	2.59%
2003	\$286,285	-2.52%
2004	\$383,114	33.82%
2005	\$382,850	-0.07% (Projection)
2006	\$383,000	0.04% (Projection)

Tax Increase fr. from 9 mills to 12 mills

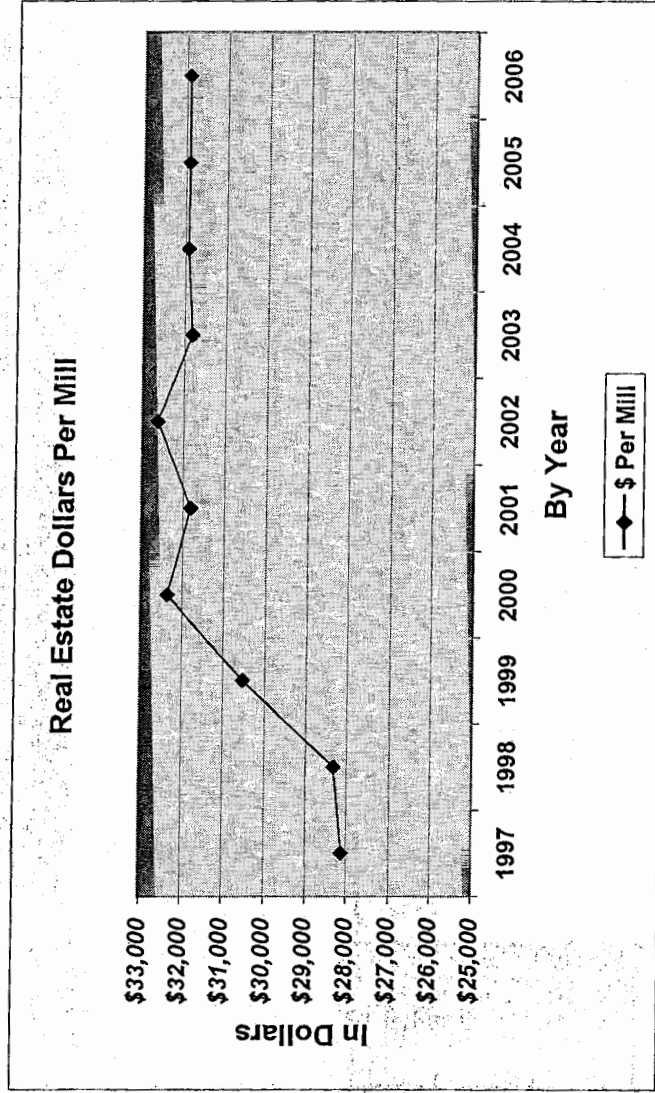
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UNION TOWNSHIP REAL ESTATE COLLECTION DOLLARS PER MILL

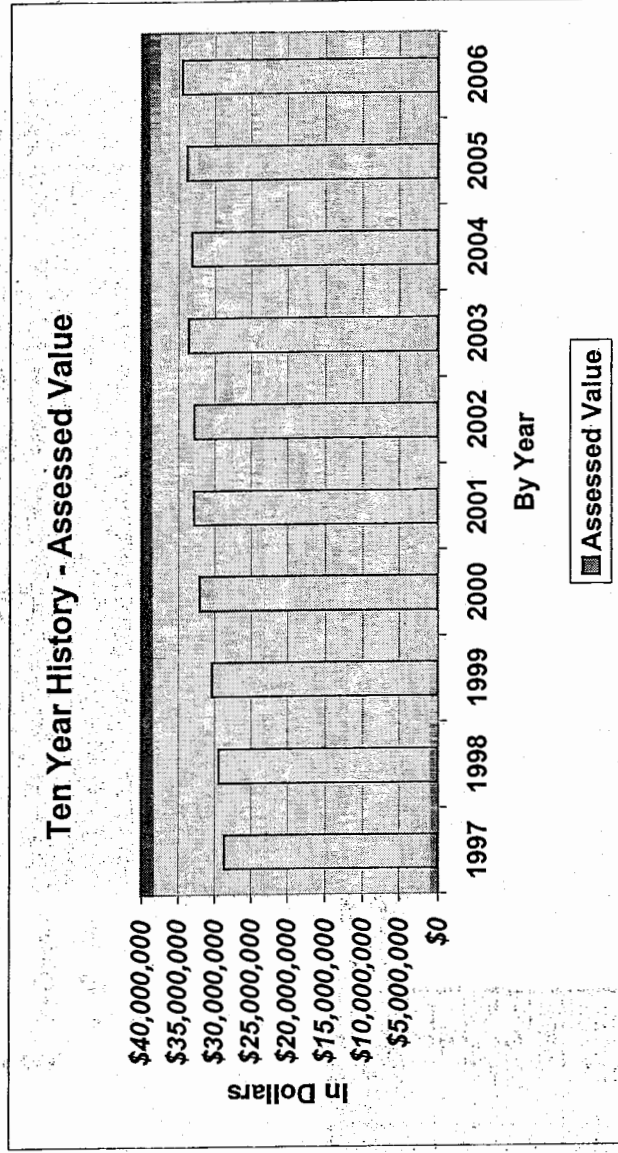
Year	GL Mills	Collection	\$ Per Mill
1997	9	\$253,118	\$28,124
1998	9	\$254,951	\$28,328
1999	9	\$274,760	\$30,529
2000	9	\$291,272	\$32,364
2001	9	\$286,269	\$31,808
2002	9	\$293,673	\$32,630
2003	9	\$286,285	\$31,809
2004	12	\$383,114	\$31,926
2005	12	\$382,850	\$31,904 (Projection)
2006	12	\$383,000	\$31,917 (Projection)



UNION TOWNSHIP TOTAL ASSESSED VALUE

Year	Assessed Value	% Inc/Dec
1997	\$28,665,000	
1998	\$29,410,977	2.60%
1999	\$30,343,331	3.17%
2000	\$32,087,695	5.75%
2001	\$32,830,513	2.31%
2002	\$32,814,951	-0.05%
2003	\$33,635,325	2.50%
2004	\$33,175,888	-1.37%
2005	\$33,839,406	2.00%
2006	\$34,516,194	2.00%

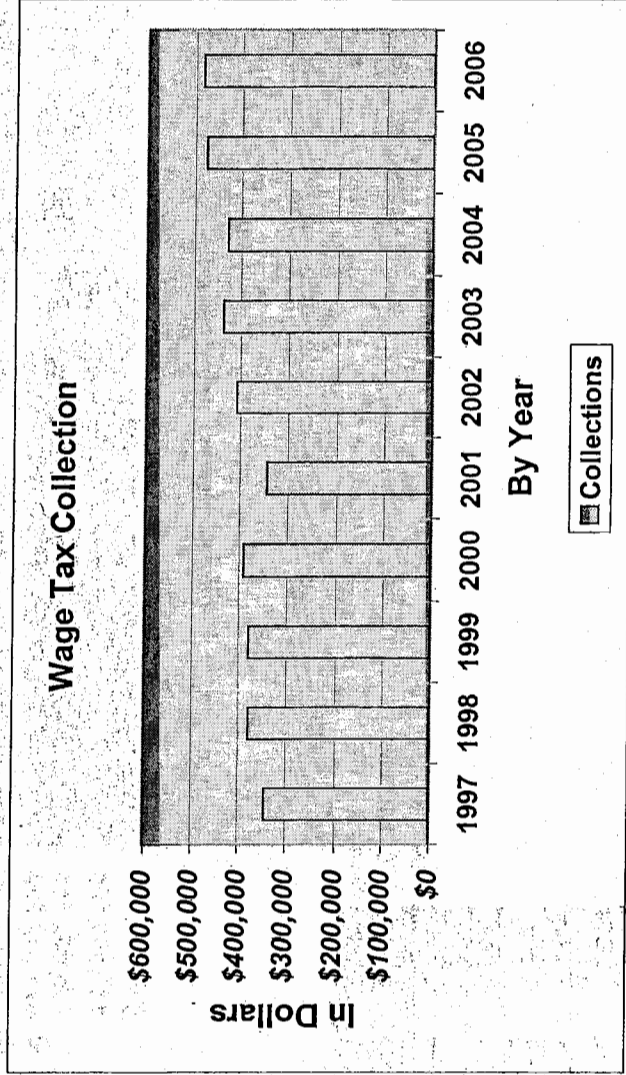
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UNION TOWNSHIP WAGE TAX COLLECTION

Year	Wage Taxes	% Inc/Dec
1997	\$342,371	
1998	\$377,228	10.18%
1999	\$377,710	0.13%
2000	\$390,143	3.29%
2001	\$341,915	-12.36%
2002	\$407,358	19.14%
2003	\$437,253	7.34%
2004	\$428,955	-1.90%
2005	\$475,500	10.85%
2006	\$482,633	1.50%

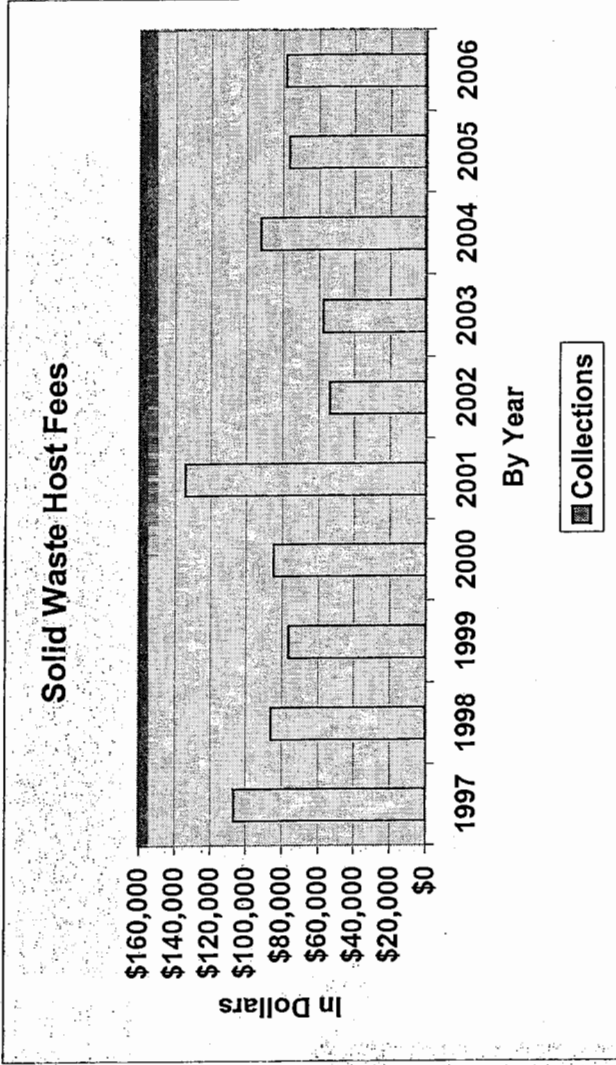
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UNION TOWNSHIP SOLID WASTE DISPOSAL HOST FEES

Year	Solid Waste Fees	% Inc/Dec
1997	\$106,561	-
1998	\$86,084	-19.22%
1999	\$76,435	-11.21%
2000	\$84,881	11.05%
2001	\$134,080	57.96%
2002	\$53,888	-59.81%
2003	\$57,617	6.92%
2004	\$92,166	59.96%
2005	\$76,543	-16.95%
2006	\$78,150	2.10%

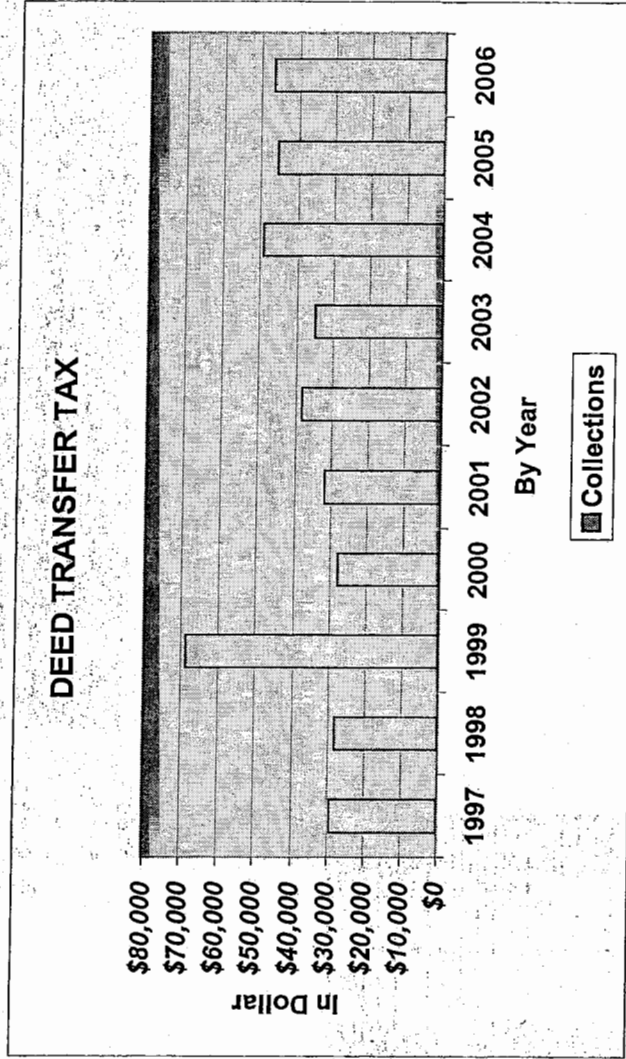
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UNION TOWNSHIP DEED TRANSFER COLLECTION

Year	Deed Transfer	% Inc/Dec
1997	\$29,269	
1998	\$28,171	-3.75%
1999	\$68,756	144.07%
2000	\$27,719	-59.68%
2001	\$31,762	14.59%
2002	\$38,331	20.68%
2003	\$34,992	-8.71%
2004	\$49,013	40.07%
2005	\$45,450	-7.27%
2006	\$46,586	2.50%

(Projection)
(Projection)

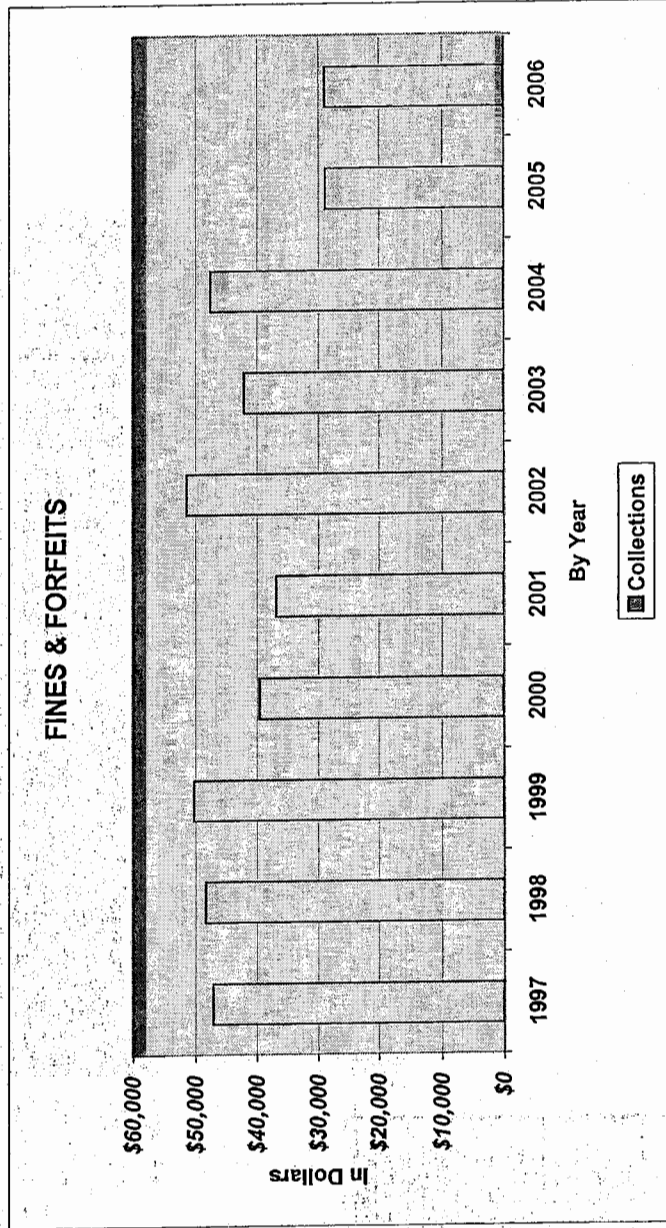


UNION TOWNSHIP
2005 FINANCE DOCUMENT

UNION TOWNSHIP FINES & FORFEITS

Year	Fines/Forfeits	% Inc/Dec
1997	\$47,097	
1998	\$48,336	2.63%
1999	\$50,274	4.01%
2000	\$39,587	-21.26%
2001	\$36,908	-6.77%
2002	\$51,464	39.44%
2003	\$42,092	-18.21%
2004	\$47,581	13.04%
2005	\$28,895	-39.27%
2006	\$29,000	0.36%

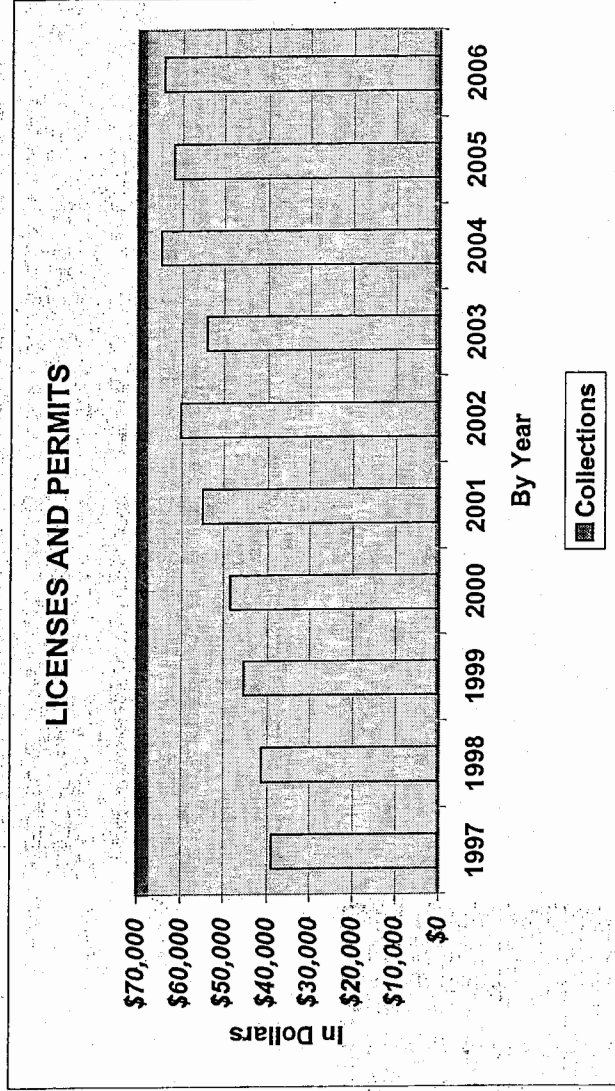
(Projection)
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UNION TOWNSHIP LICENSES AND PERMITS

Year	Lic/Permits	% Inc/Dec
1997	\$38,996	
1998	\$41,245	5.77%
1999	\$45,191	9.57%
2000	\$48,387	7.07%
2001	\$55,037	13.74%
2002	\$60,211	9.40%
2003	\$54,124	-10.11%
2004	\$64,776	19.68%
2005	\$62,005	-4.28%
2006	\$64,175	3.50%

(Projection)
(Projection)

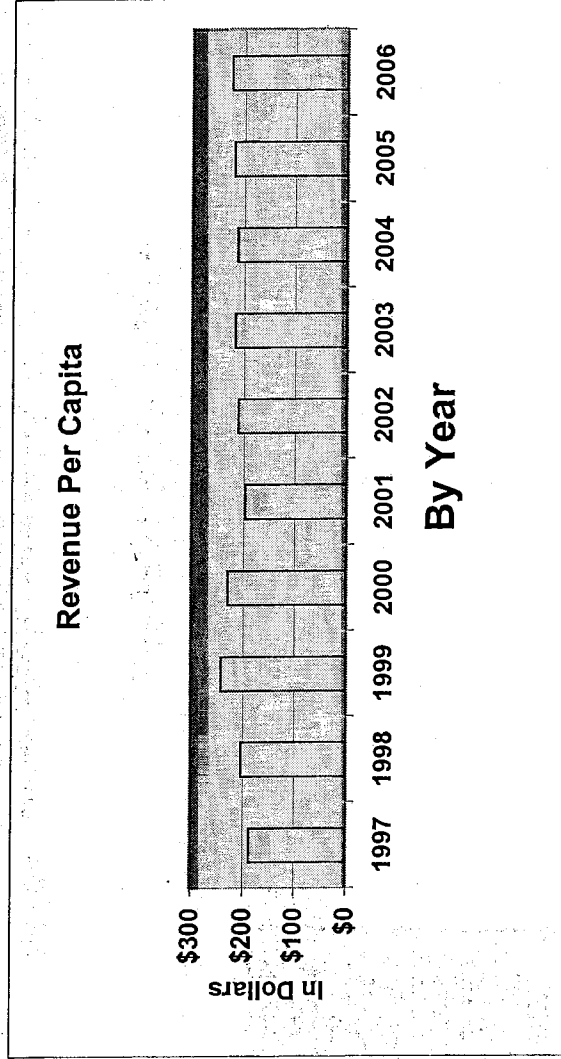


UNION TOWNSHIP REVENUE PER CAPITA

Year	Revenue/Capita	% Inc/Dec
1997	\$188	
1998	\$204	8.51%
1999	\$242	18.63%
2000	\$230	-4.96%
2001	\$198	-14.10%
2002	\$211	6.66%
2003	\$217	2.94%
2004	\$213	-1.97%
2005	\$219	3.11%
2006	\$225	2.50%

(Projection)

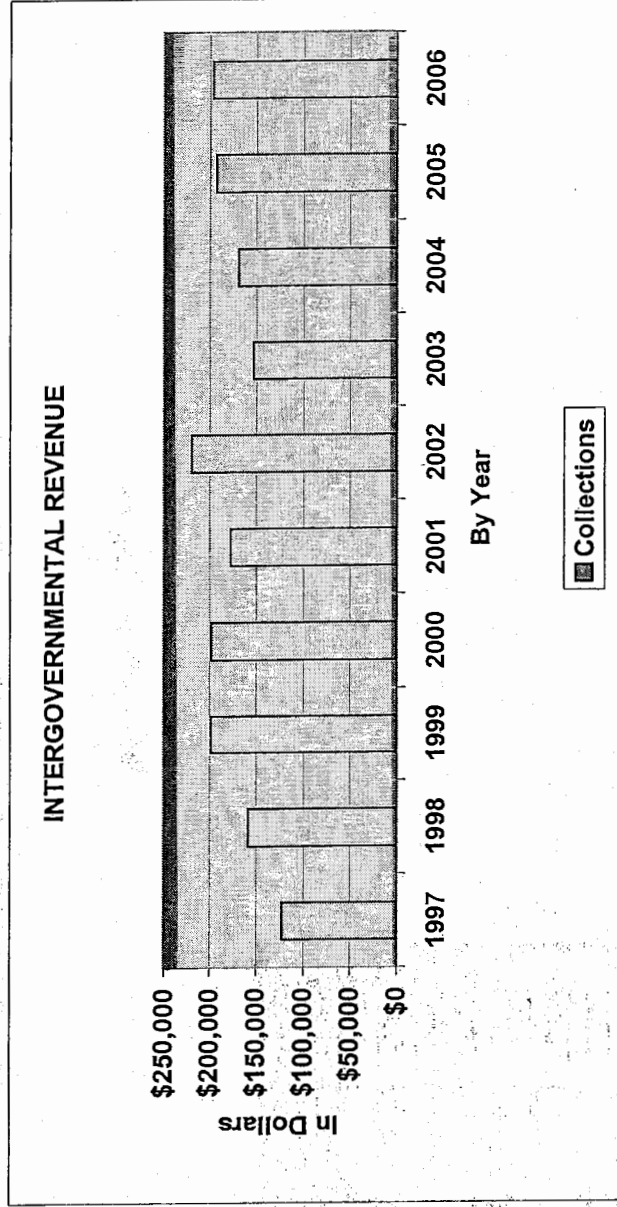
(Projection)



UNION TOWNSHIP INTERGOVERNMENTAL REVENUE

Year	Intergovtl	% Inc/Dec
1997	\$122,001	
1998	\$158,644	30.03%
1999	\$198,218	24.95%
2000	\$197,914	-0.15%
2001	\$177,495	-10.32%
2002	\$219,737	23.80%
2003	\$153,088	-30.33%
2004	\$168,950	10.36%
2005	\$192,720	14.07%
2006	\$196,574	2.00%

(Projection)
(Projection)



UNION TOWNSHIP DEPARTMENT EARNINGS

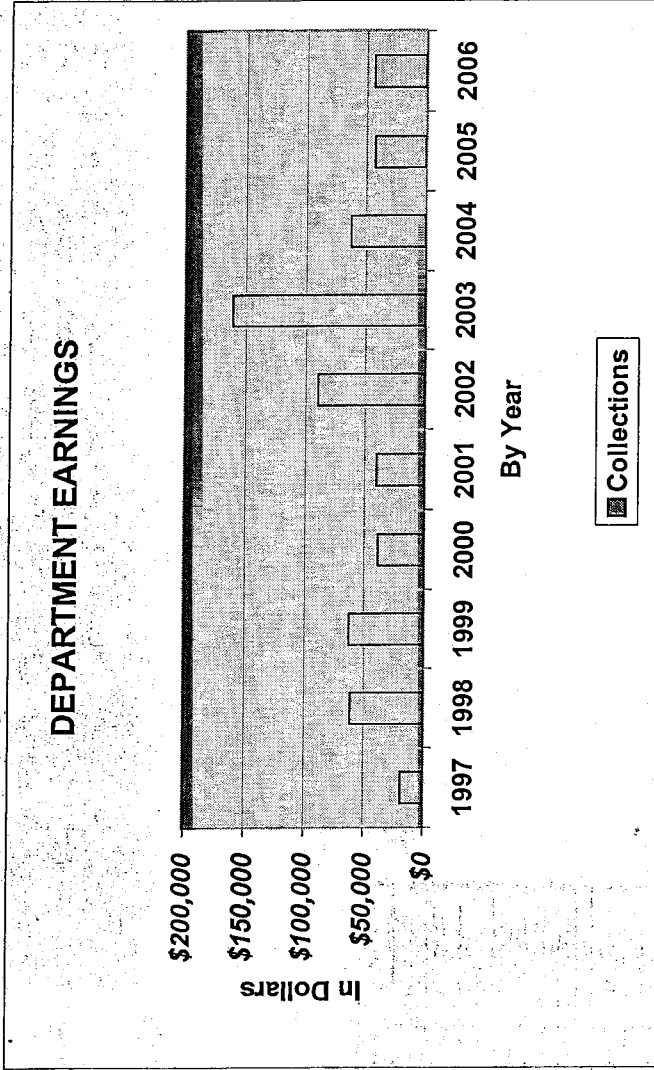
Year	Dept Earnings	% Inc/Dec
1997	\$18,702	
1998	\$61,300	227.77%
1999	\$62,727	2.33%
2000	\$38,186	-39.12%
2001	\$39,872	4.42%
2002	\$89,422	124.27%
2003	\$160,268	79.23%
2004	\$62,579	-60.95%
2005	\$42,875	-31.49%
2006	\$43,518	1.50%

Reimbursement from PAWC

Reimbursement from PAWC

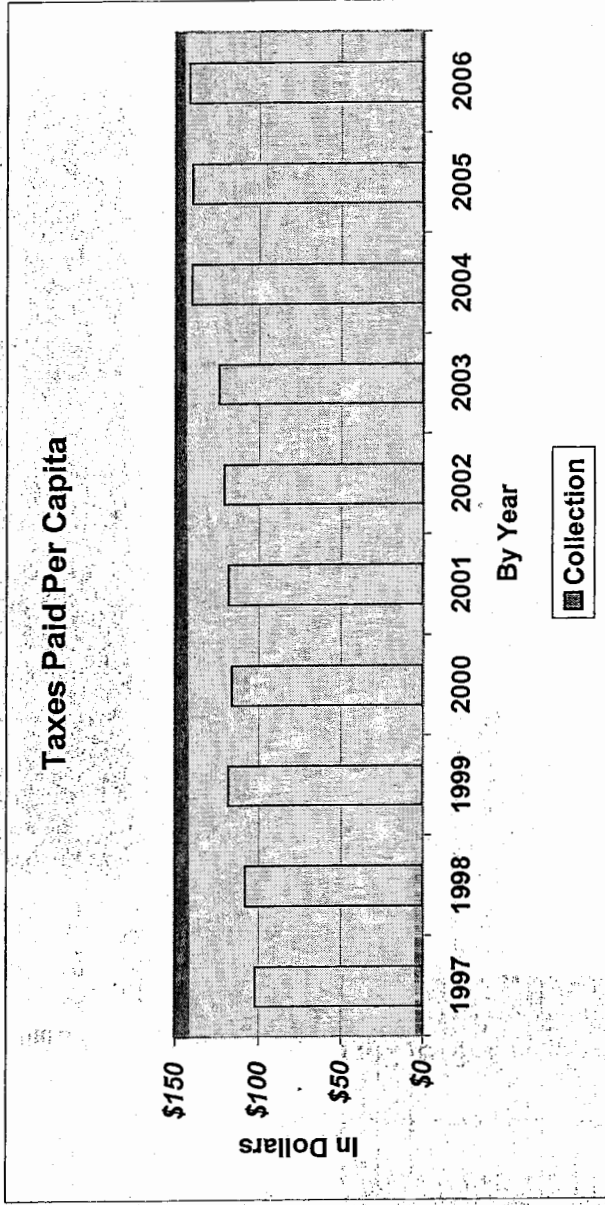
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UNION TOWNSHIP TAXES PER CAPITA

Year	Taxes Per Capita	% Inc/Dec
1997	\$102	
1998	\$108	5.88%
1999	\$118	9.26%
2000	\$116	-1.69%
2001	\$118	1.72%
2002	\$121	2.13%
2003	\$124	2.62%
2004	\$140	13.25%
2005	\$140	-0.29% <i>(Projection)</i>
2006	\$142	1.50% <i>(Projection)</i>



UNION TOWNSHIP TOTAL REVENUE ALL SOURCES

Year	Total Revenue	% Increase
1997	\$1,188,127	
1998	\$1,290,153	8.59%
1999	\$1,428,696	10.74%
2000	\$1,351,753	-5.39%
2001	\$1,248,974	-7.60%
2002	\$1,418,885	13.60%
2003	\$1,523,105	7.35%
2004	\$1,344,286	-11.74%
2005	\$1,386,070	3.11%
2006	\$1,420,722	2.50%

(Projection)
(Projection)

