

2008 PROPOSED BUDGET
FOR THE
BOROUGH OF STATE COLLEGE



MAYOR..... Bill Welch

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MANAGER Thomas J. Fountaine, II

November 9, 2007

Catherine G. Dauler, President of Council
Borough of State College
243 S. Allen Street
State College, PA 16801

Dear Ms. Dauler:

As required by Section 904 of the State College Borough Charter, I am transmitting herewith the proposed 2008 operating budget for the Borough of State College.

The general fund budget is balanced with revenues of \$16,428,105, allocation of \$571,050 from unreserved fund balance, and expenditures of \$16,999,155. The total budget for the Borough after adjustments for interfund transfers is \$30,208,373. In presenting this budget, I want to acknowledge the work of the Borough's staff. Their hard work, dedication and professional competence is evident throughout the budget document.

The 2008 budget continues to build on priorities and goals set by Council during its planning session in 2006. Two major themes emerged from Council's planning process, and they continue to be addressed in this budget. A single page summary of Council's 2007-2008 goals is attached with this transmittal.

The first major theme centered on neighborhood preservation and quality of life issues. The Borough has been working on developing programs to improve response to neighborhood issues for the past year. The 2008 budget continues to support this effort by providing resources to support neighborhood quality of life initiatives. Among the programs that will continue to be supported by the budget are the First Eight Weeks initiatives, improved communications between the Borough and the neighborhoods, continuation of the Homestead Exclusion to support homeownership in the neighborhoods, and coordination of the Borough's primary point of contact for neighborhoods within what is now the Department of Health. The Borough will also continue to rely on data collected through surveys and performance measurement to improve service delivery and develop new approaches to addressing the quality of life issues in the neighborhoods of our community.

A second major theme identified by Council is the need for affordable housing in the community. Affordable housing and programs to increase home ownership opportunities have long been a part of the Borough's operating budget. The affordable housing issue continues to be one of the more important issues not only for State College, but for the entire region. The 2008 Borough budget reflects this concern with \$90,000 allocated for the first time homebuyer program. The budget proposal also calls for continued funding for housing and shelter programs through the Community Development Block Grant and HOME programs, and continued support for the State College Community Land Trust.

Among the other issues identified by Council, the Borough started a benchmarking program in 2007. This program will continue to receive funding in the 2008 budget. During 2007, the Borough

Ms. Catherine G. Dauler

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began to collect data for comparison with other communities participating in the ICMA Center for Performance Measurement. The Borough also collected baseline data in 2007 that will help guide future decisions on programs and services in the community.

The Borough is entering 2008 in relatively good financial shape, but there are some serious concerns on the horizon. Over the past few years, Council has implemented a financial plan to bring stability to the Borough's finances and shift the tax burden from home owners. However, there is still concern about the long term financial health of the Borough. A major concern is the action taken by the Pennsylvania Legislature earlier in 2007 to significantly modify the Emergency and Municipal Services Tax. The impact of the legislative changes will result in a reduction of revenue for the Borough of nearly \$400,000 in 2008 and \$500,000 in future years. The 2008 budget proposal includes a real estate tax increase of .87 mills to offset the reduction in EMST.

The 2008 budget also provides for a real estate tax increase of .27 mills for regional parks and pools. The 2007 budget earmarked 0.23 mills of Real Estate Tax for the regional park program. With the addition of regional pools, the total earmark in the 2008 budget for these programs is 0.5 mills, resulting in \$213,652 in revenue. This represents an increase in revenue for regional parks and pools of \$115,371 in 2008.

An additional 0.325 real estate tax increase is included in the proposed budget. This increase will result in additional real estate tax revenue in 2008 of \$138,872 and reflects the overall small amount of growth in the total assessed value of the borough.

The total increase in real estate tax in 2008 will result in an additional tax of \$73 for the average homeowner in the Borough. Homeowners will continue to receive the \$25,000 Homestead Exclusion.

Organizational changes that occurred in 2007 are also reflected in the 2008 budget. Several key staff members retired last year and the impacts are continued into the 2008 budget. The budget shifts the Budget Officer to the Department of Administration. New in 2008 is an Office of Sustainability, a Public Information Officer in the Department of Administration, a Public Works Construction Crew and a student intern. The Office of Sustainability and the Public Works construction crew will be established by shifting existing resources – no new funding will be needed. A new staff position is also established for the Redevelopment Authority, although this new agency is not funded through the General Fund.

A rate increase is proposed in the Refuse Fund. The rate increase will offset increased costs of collecting refuse, recycling and compost operations in the Borough.

As always, as Council reviews the proposed budget over the next several weeks, I will provide additional information on the details of the budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Fountaine", written in a cursive style.

Thomas J. Fountaine, II
Borough Manager

Council Special Meeting 10/9/06
Goals for 2007-2008

Do more to promote intermunicipal cooperation beyond COG	●
Determine how we get in lieu money from Penn State and how much	●●●
Impact of possible changes to EMST and other state tax legislation	
Clear understanding of what CATA faces, especially in State College (trends in ridership and funds [note: this can be done in March as part of CATA's budget review])	
Change presentation/location of "hidden" funds; one page summary in the front of the budget. [For example: parking and sewer fund, working reserves, fund balances]	
Include long-range costs of 2007 projects showing the expected budget impact over the long-term, especially in regards to long-term license fees for software	●●
Maintain an affordable housing stock with links to owner occupants	●●●●●●
Provide data on annual maintenance and operating costs for roads and sewers	●
Quality of life issues: cooperation between Penn State and the District Justice office on enforcing nuisance complaints; policing of neighborhoods; create a neighborhood task force; health and code issues in regards to enforcement.	●●●●●●●
The total number of people paying the earned income tax; show historical and prospective trends	
Delineation of asset replacement	●
Self insurance: How are we doing? Is there enough in reserve?	
Measures of effectiveness: e.g., police, public works. Benchmarks from similar communities.	●●
Provide a report on challenging assessment appeals	
More detail/summary for debt service for future years	●
Estimate of what reassessment would do for Borough tax base	●

2008 BUDGET SUMMARY

The 2008 operating budget for the Borough's General Fund is balanced with revenues of \$16,428,105, the use of fund balance totaling \$571,050, and expenditures of \$16,999,155.

The year-end 2007 General Fund revenue and expenditure outlook is favorable when compared to the budget. The 2007 budget called for the use of \$46,642 from fund balance during the year. The 2007 year-end estimates project that amount to be \$79,864, an increase of \$33,222 when compared to the budget. This increase is due to revenues being less than the budgeted amounts by \$49,523 (0.3%) and expenditures being under the budgeted amounts by \$16,300 (0.1%). Revenue items that are projected to exceed budget amounts in 2007 are the real estate and the emergency and municipal services taxes, and interest earnings. The gain in these items, however, is not sufficient to offset lower than budgeted receipts from the earned income and the realty transfer taxes, fines and costs, intergovernmental revenue, and departmental earnings. All expenditure line items are projected to come in slightly under budget this year. The General Fund Summary of receipts and expenditures provides details on these items.

The 2008 budget includes a recommendation for a 1.465 mill increase in the real estate tax. This increase will be applied to offset the anticipated reduction in revenue from the local services tax (\$375,000 or .870 mills); increased costs for regional parks and pool capital improvements (\$115,371 or .270 mills); and general increases in operating costs (\$138,872 or .325 mills.) In addition, it is recommended that \$571,051 in fund balance be used to balance the budget in 2008. This will enable the Borough to meet its target of maintaining an unreserved, undesignated fund balance equaling 12% of total General Fund expenditures. The need for a General Fund transfer to support capital improvements in 2008 has been eliminated by the application of \$616,011 in proceeds from the land transfer and repurchase agreement for Fraser Centre to the Capital Projects Fund.

The 2008 General Fund Budget totals \$16,999,155, a 7.3% increase when compared to the 2007 budget. A summary of the expense categories that comprise the budget are listed below, and compared to the 2007 budget allocations.

	<u>2008 Budget</u>	<u>2007 Budget</u>	<u>Change</u>
Salaries and Wages	\$8,714,452	\$8,128,545	\$ 585,907
Employee Benefits	\$2,562,147	\$2,354,579	\$ 207,568
Operating Expenses	\$3,063,145	\$2,986,696	\$ 76,449
Debt Repayment	\$ 1,001,361	\$ 980,130	\$ 21,231
Regional Programs	\$ 1,366,190	\$1,230,657	\$ 135,533
First-Time Homebuyer	\$ 90,000	\$ 90,000	\$ -0-
Highway Aid Transfer	<u>\$ 201,860</u>	<u>\$ 68,260</u>	<u>\$ 133,600</u>
Total	\$16,999,155	\$15,838,867	\$ 1,160,288

The following assumptions have been used in preparing the 2008 Budgets:

1. Effective January 1, 2008 the local services tax will replace the emergency and municipal services tax. Changes in the base of the local services tax are expected to reduce the revenue from this levy by \$375,000 in 2008 and \$500,000 in 2009 and thereafter.
2. An Office of Sustainability will be created within the Public Works Department to develop, implement and coordinate sustainable programs in the community. This Office will be funded by grants and savings in operating costs. Thus, there is no impact on operating costs from this program.

3. An in-house construction crew will be created to perform construction and maintenance work previously contracted to private firms. The operating costs of the construction crew will be funded through a commensurate reduction in contracting costs, with a modest decrease in expense.
4. A transfer of \$288,300 from the Insurance Reserve Fund will cover the 2008 municipal pension obligation costs (\$246,300), Police union contract health reimbursement accounts (\$30,500) and employee wellness programs (\$11,500).
5. A Public Information Officer (PIO) is added to improve the consistency and quality of the Borough's public information releases. The PIO will coordinate news releases, manage the Borough's electronic and print newsletters, coordinate public information about construction projects, street closures and other communications necessary to inform the community about Borough activities.
6. A Student Internship Program will be added in the Office of Administration. This program will allow the Borough to provide graduate students an opportunity to work in local government as they begin their careers. The Borough will benefit from the program and the program will help the next generation of local government professionals find opportunities while they complete an important element of their educational experience.
7. A staff member will be added to focus on economic development programs and provide staff support to the Redevelopment Authority. Start-up funding for the Redevelopment Authority will be provided from the Capital Projects Fund, with additional funding from the sale of the Borough's property on Fraser Street. A total of \$265,000 is allocated for the Redevelopment Authority.
8. Funds remaining from the 2005 general obligation bond issue will fund the balance of the library land acquisition costs, which are due in March, 2008.
9. Refuse service fees will increase approximately 10% for residential customers and approximately 7% for commercial users.

In addition to the 2008 General Fund Budget, budgets for Highway Aid, Capital Projects and the various enterprise funds are included as follows:

Highway Aid Fund Budget

The Highway Aid Fund is balanced in amount \$870,940. For 2008, it is proposed to add 3 additional laborers which will be combined with 2 existing employees to create a construction crew. The construction crew will complete routine maintenance work previously contracted to private firms. It is projected that \$145,000 will be needed from the General Fund in 2008 for the projects completed by this new construction crew. In addition, because the state appropriation has not kept pace with eligible highway aid expenditures, it is projected another \$56,860 will be needed from the General Fund in 2008 to fund routine operating costs.

Capital Projects Budget

The Capital Projects Budget totals \$3,097,163 in 2008, with the final closing payment for the Schlow Centre Region Library site of \$1,455,000 being made in March 2008. These funds will be combined with prior authority totaling \$1,663,641 to cover new and on-going capital projects. The revenue from the Penn State University impact fee, interest earnings and grants cover a portion of these costs. In accordance with the terms of the land transfer and repurchase agreement between the Borough and the Downtown Improvement District for the Fraser Centre project, the Borough will receive an initial payment of \$1,000,000 when the land transfer takes place, which is scheduled to occur early in 2008. In addition, \$353,667 was transferred from the General Fund in 2007. These funds will provide adequate funding for the scheduled projects without a 2008 General Fund contribution.

Proceeds from the sale of the former Municipal Building property, Medical Arts Building and Parking Lot on Fraser Street will be allocated between the Capital Reserve Fund, the Redevelopment Authority and the Parking Fund. Funds from the sale of the property will be received in 2008 and 2009. In 2008, \$200,000 will be allocated to the Redevelopment Authority for years 2009-2010. Overall, \$1,530,000 will be allocated to the Capital Reserve Fund, and \$1,545,000 will be allocated to the Parking Fund.

Parking Fund Budget

The Parking Fund Budget totals \$2,866,110. The budget reflects use of fund balance in amount \$413,653 in 2008. This is in addition to the use of \$340,550 of fund balance in 2007. Increased revenues are being forecasted based on the adjustments to the rate structure which were implemented in July 2007. Revenues are expected to increase based on increased activity at the garages. Increases are being generated by stronger customer service programs, public awareness of our increased capacity, marketing, and added events sponsored by the Downtown Improvement District. In 2008, staff will look at testing various rate changes and study the results for the possibility of implementation for the 2009 budget.

Sanitary Sewer Fund Budget

The Sanitary Sewer Fund budget totals \$4,842,476. Sixty-six percent of this budget is for sewage treatment and maintenance of the interceptors and pump stations. Another 16% represents capital costs associated with maintaining an aging sewer system, increasing capacity where the need exists, and replacing equipment.

Refuse Fund Budget

The Refuse Fund budget totals \$2,977,969 in 2008. Revenue from service charges, grants and other fees will cover the projected costs. Approximately 44% of this budget is for tipping and recycling fees at the Centre County Solid Waste Authority.

Compost Operations

The Compost Operations are being separated from the Refuse Collection Budget to track operations and financial activities attributable to the Borough-owned Yard Waste Composting Facility. This budget totals \$897,650 in 2008. Seventeen percent of this budget is reimbursed through revenues and in-kind services from College, Ferguson and Patton Townships. The remaining revenue is attained through grants and sale of compost.

Bellaire Court Fund Budget

The Bellaire Court Fund Budget totals \$83,470 in 2008. Use of \$17,065 in fund balance is budgeted in 2008, primarily for building improvements.

Bus Terminal Fund Budget

The Bus Terminal Fund budget is balanced in amount \$34,715 in 2008. Revenue from rental income and vending commissions cover the operating costs at this facility.

Budget Review

The following budget review schedule is suggested:

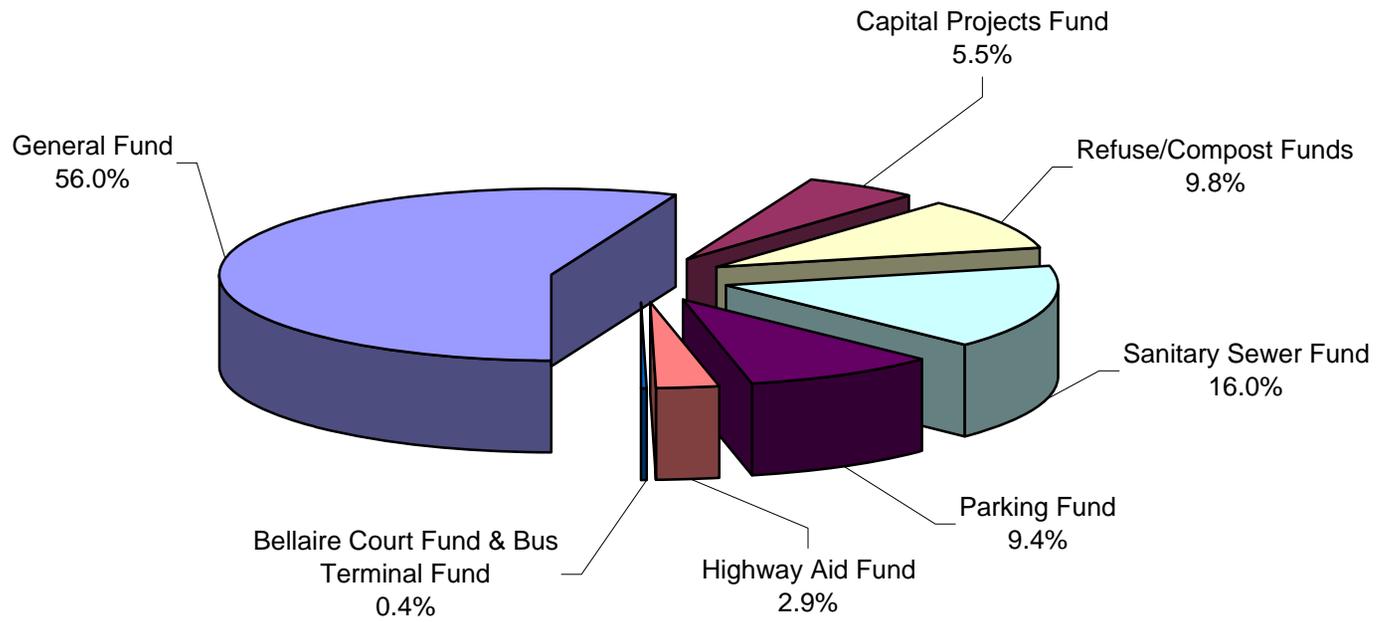
Friday	November 9	(Noon)	Work Session
Wednesday	November 28	(Noon)	Work Session
Monday	December 3	(Evening)	Public Hearing
Wednesday	December 7	(Noon)	Work Session
Monday	December 10	(Evening)	Work Session
Friday	December 14	(Noon)	Work Session (if needed)
Monday	December 17	(Evening)	Regular Meeting – Adopt Budget

BOROUGH OF STATE COLLEGE

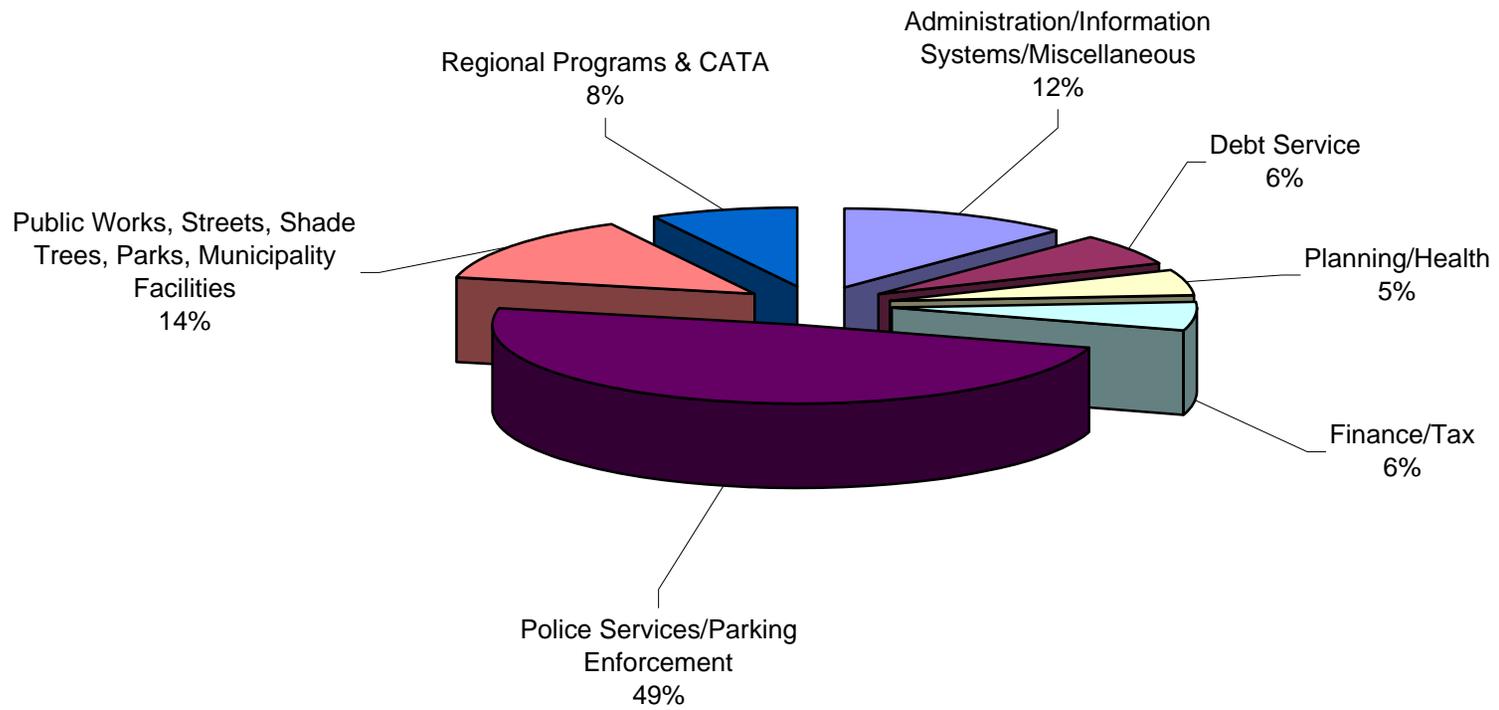
2008 Budget SUMMARY OF ALL FUNDS

	2008	2007	Change from 2007
General Fund	\$ 16,999,155	\$ 15,838,867	\$ 1,160,288
Capital Projects Fund (less Bond Issue)	1,683,663	1,417,810	265,853
Refuse Fund	2,977,969	2,691,559	286,410
Compost Operations Fund	897,650	721,024	176,626
Sanitary Sewer Fund	4,842,476	4,514,574	327,902
Parking Fund	2,866,110	3,035,467	(169,357)
Highway Aid Fund	870,940	675,294	195,646
Bellaire Court Fund	83,470	71,045	12,425
Bus Terminal Fund	34,715	16,456	18,259
Adjustment for Interfund Transfers	(1,047,775)	(888,660)	(159,115)
TOTAL ALL FUNDS	<u>\$ 30,208,373</u>	<u>\$ 28,093,436</u>	<u>\$ 2,114,937</u>

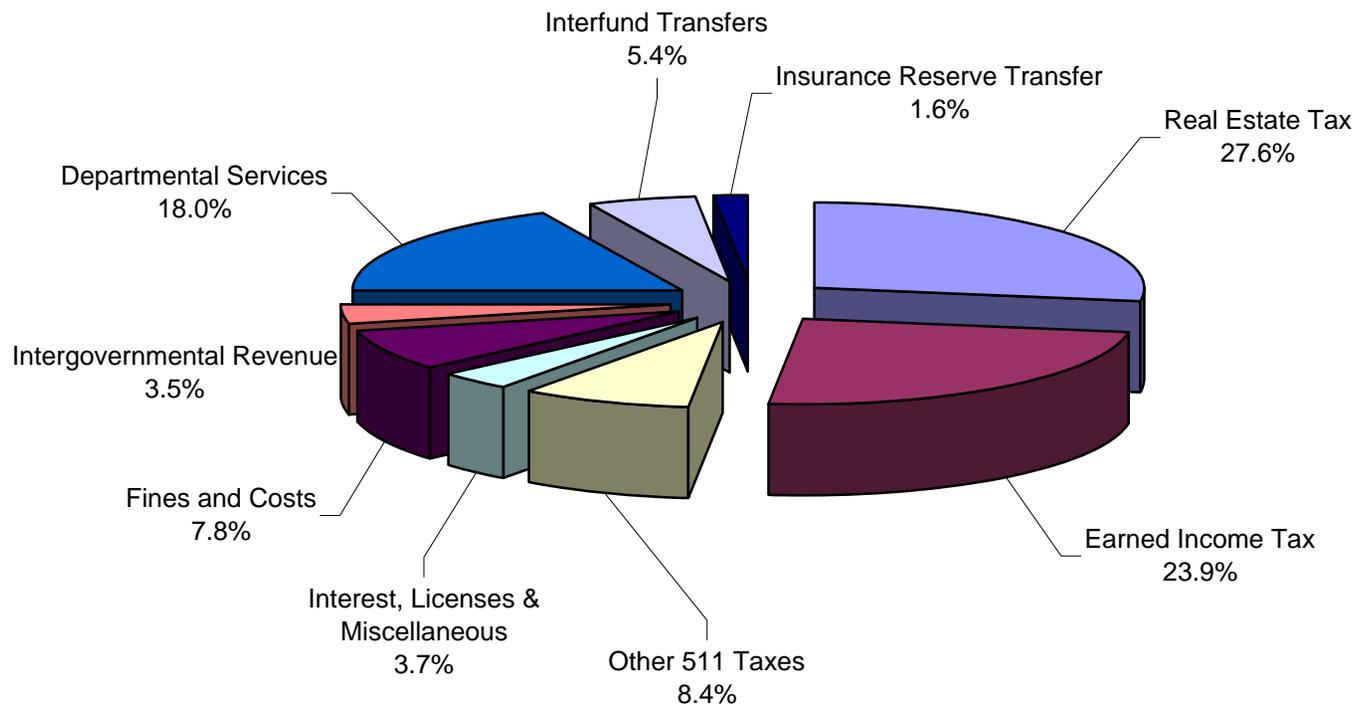
SUMMARY OF ALL FUNDS



2007 General Fund Expenditures



REVENUE



ANNUAL BUDGET

Comparative Detail of Revenues

GENERAL Account	DEPARTMENT:		RECEIPTS			
	Actual Receipts 2005	Actual Receipts 2006	Budgeted Receipts 2007	Year End Estimate 2007	over/(under) budget	Budgeted Receipts 2008
BEGINNING FUND BALANCE	\$ 1,564,059	\$ 2,149,835	\$ 2,084,563	\$ 3,053,142		\$ 2,619,611
RESERVE FOR CAPITAL PROJECTS				(353,667)		
OPERATING FUND BALANCE	\$ 1,564,059	\$ 2,149,835	\$ 2,084,563	\$ 2,699,475		\$ 2,619,611
RECEIPTS						
Real Estate Tax	\$ 3,460,678	\$ 4,238,770	\$ 4,245,000	\$ 4,262,000	\$ 17,000	\$ 4,926,000
Earned Income Tax	3,635,639	3,663,573	3,700,000	3,680,000	(20,000)	3,715,000
Real Estate Transfer Tax	823,195	685,037	650,000	600,000	(50,000)	670,000
EMS Tax/Other 511 Taxes	1,013,695	1,129,767	1,100,000	1,150,000	50,000	775,000
Business Privilege Tax	855,482	25,875	-	2,500	2,500	-
Licenses and Permits	364,271	343,610	341,200	342,224	1,024	345,650
Fines and Costs	1,205,494	1,215,853	1,210,000	1,180,800	(29,200)	1,220,000
Interest Earnings/Rents	219,786	354,915	201,500	245,681	44,181	218,330
Intergovernmental Revenue	342,778	558,120	607,720	565,691	(42,029)	619,740
Departmental Services	2,283,946	2,555,774	2,651,225	2,628,525	(22,700)	2,792,680
Miscellaneous Revenue	22,357	13,524	9,180	8,881	(299)	11,490
Indirect Cost Reimbursement	765,415	790,030	820,400	820,400	-	845,915
Insurance Reserve Fund Transfer	240,050	-	256,000	256,000	-	288,300
TOTAL RECEIPTS:	\$ 15,232,786	\$ 15,574,848	\$ 15,792,225	\$ 15,742,702	\$ (49,523)	\$ 16,428,105

ANNUAL BUDGET
Comparative Detail of Appropriations and Expenditures

GENERAL	DEPARTMENT:		EXPENDITURES			
Account	Actual Expenditure 2005	Actual Expenditure 2006	Budgeted Approp. 2007	Year End Estimate 2007	over/(under) budget	Budgeted Approp. 2008
EXPENDITURES						
Administration	\$ 763,116	\$ 818,657	\$ 969,341	\$ 937,565	(31,776)	\$ 1,151,166
Finance Department	491,641	497,308	486,172	472,333	(13,839)	476,900
Tax Collection	397,231	390,969	433,525	409,911	(23,614)	465,277
Information Technology	417,869	448,488	516,819	509,705	(7,114)	574,626
Police Department	6,421,211	6,791,748	7,290,943	7,177,426	(113,517)	7,725,937
Parking Enforcement	308,920	338,820	393,477	365,193	(28,284)	387,619
Planning/Zoning	342,802	343,320	413,597	370,680	(42,917)	367,453
Health Department	250,949	273,194	339,027	329,693	(9,334)	353,823
Public Works Administration	567,707	565,143	700,383	653,802	(46,581)	806,085
Street Division	333,369	356,318	420,502	411,665	(8,837)	474,052
Municipal Facilities	466,238	566,908	581,832	566,678	(15,154)	608,320
Shade Tree/Park Maintenance	403,896	413,276	467,056	453,901	(13,155)	458,765
Debt Service	775,380	911,345	980,130	980,130	-	1,001,361
Regional Programs	1,040,031	1,108,655	1,230,657	1,224,182	(6,475)	1,366,190
Miscellaneous	287,268	479,277	457,146	455,568	(1,578)	489,721
Transfers:First Time Homebuyers	25,000	90,000	90,000	90,000	-	90,000
Highway Aid	89,797	-	68,260	60,467	(7,793)	201,860
Capital Projects	1,264,585	278,115	-	353,667	353,667	-
TOTAL EXPENDITURES:	\$ 14,647,010	\$ 14,671,541	\$ 15,838,867	\$ 15,822,566	\$ (16,301)	\$ 16,999,155
Add (Use) Reserve	\$ 585,776	\$ 903,307	\$ (46,642)	\$ (79,864)		\$ (571,050)
GRAND TOTAL:	\$ 15,232,786	\$ 15,574,848	\$ 15,792,225	\$ 15,742,702	\$ (16,301)	\$ 16,428,105
ENDING FUND BALANCE	\$ 2,149,835	\$ 3,053,142	\$ 2,037,921	\$ 2,619,611		\$ 2,048,561
					12% reserve	\$ 2,039,899
						\$ 8,662
					10% reserve	\$ 1,699,916