

MIDDLETOWN TOWNSHIP
DELAWARE COUNTY, PENNSYLVANIA

FINANCE AND ADMINISTRATION COMMITTEE

MONDAY, MARCH 25, 2019
BEFORE COUNCIL MEETING

6:00 p.m. **Finance and Administration Committee**

1. Discussion on draft fiscal policies for Township funds and operations.
2. 2020 Draft Budget timeline; review and approval of schedule.
3. Credit Card usage – consideration to authorize user/convenience fee

MIDDLETOWN TOWNSHIP
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DRAFT Township Fiscal Policies

Effective: TBD

The purpose of the following policies is to present a standardized set of principles that the Township follows in managing its financial and budgetary affairs. These are general statements of policies, which represent the Township’s traditional financial goals and objectives as well as financial management principles and best practices that will be used to guide the Township in maintaining financial stability. With oversight and final approval from Township Council, the Township Manager and the Finance Director shall be charged with the responsibility to ensure the financial objectives of these policies are maintained given the constraints of annual budget approvals.

Revenue Policy

1. The Township will strive to maintain a broad and diversified revenue base that will serve to distribute the burden of supporting Township services and will protect the Township from short-term fluctuations in any one revenue source.
2. The Township will maintain collection systems and implement necessary enforcement strategies in an effort to collect revenues from all available sources in a timely and efficient manner.
3. The Township will establish general fund user fees and charges for services, when feasible, at levels related to the total cost of providing the services. The Township will review the fees and charges at intervals not to exceed two years to ensure such charges continue to support the cost of providing the services. Property Tax Rates are set annually with the passage of the budget.
4. The Township will establish, when feasible, self-supporting enterprise funds and intergovernmental service funds in which a relationship between revenues and expenditures clearly exists.
5. The Township will project current revenues on a conservative basis to ensure that the actual revenues will be sufficient to support budgeted expenditures, including capital expenditures and, contributions to reserves.
6. The Township will maintain a budgetary control system and prepare reports to compare actual revenues to budgeted amounts.
7. The Township shall limit the designation of General Fund revenues for specified purposes to maximize flexibility in budgeting and revenue utilization.

Expenditure Policy

1. Basic and essential services provided by the Township, such as emergency services and streets will receive first priority for funding.

2. The Township shall provide sufficient funding to maintain (in the most effective manner) the Township's physical infrastructure, including streets, buildings and parks.
3. The Township will adopt a balanced budget, by fund, for all funds maintained by the Township, in which total anticipated revenues must equal or exceed the budgeted expenditures for each fund. The beginning budget balance, reserve balances, and unencumbered funds from the prior budget year will not be considered a revenue source for funding ongoing operating costs. However, reserve balances may be carried forward to meet capital expenditures pursuant to approved capital documents.
4. The Township will maintain a budgetary control system to ensure adherence to the adopted budget and will prepare reports to compare actual expenditures to budgeted amounts, with a targeted goal of quarterly financial reporting.
5. The Township shall not budget revenues derived from infrequent and unanticipated transactions for ongoing expenses. Any such receipts shall be set aside for asset replacement, asset acquisition or emergency reserves. Council shall retain the discretion to authorize any type of operating or capital expense through the use of such unanticipated revenue source.

Debt Policy

1. The Township will maintain a debt management policy and practice full disclosure on all financial statement reporting.
2. The Township will maintain communications with bond rating agencies and continue to strive for improvements in the Township's bond rating, to the extent that the benefit of achieving a higher rating is not outweighed by the cost.
3. The Township will adhere to its debt covenants.
4. The Township will review its debt capacity, a minimum of every three years, or any time debt financing is considered as a financing option.
5. The Township will pay for capital projects and capital improvements on a pay-as-you-go basis using current revenues whenever possible. If a project or improvement can not be financed with current revenues, long-term debt, use of reserves, or other long-term financing mechanisms may be recommended.
6. The Township will not issue long-term debt having a repayment term that exceeds the expected useful life of the capital project(s) or equipment being financed.
7. The Township will seek refinancing of outstanding debt if it is determined that the Township will benefit by reduced interest expense, as measured in terms of net present value savings, over the remaining life of the bonds.

Budget Balance/Reserve Policy – General Fund

1. The Township will strive to maintain a minimum Budget Balance of at least 30 days of the current year operating expenditures for the General Fund, plus a minimum of one percent (1%) of the cost basis for all governmental fixed assets, plus one hundred percent (100%) of the current year debt service. Budget balances exceeding 60-days of the current year operating expenditures for the General Fund

may be assessed for transfer out of the Fund for other municipal priorities. The budget balance shall exclude any carry forward balance from the prior year. The purpose of the budget balance is to meet temporary fluctuations in cash flows and to provide a cushion for loss of revenues until operating changes can be implemented. If the existing Budget Balance exceeds the required level, such funds may be used to provide for nonrecurring expenditures when the purchases cannot be accommodated through current year savings or as otherwise designated by Township Council. The Township may use monies in the Budget Balance only in times of fiscal and economic hardship.

Parameter	Minimum Value	Maximum Value
Days' Operating Expenditures	30	60
Current Year Debt Service	100%	100%
Fixed Asset Cost Basis	1.0%	3.0%

2. Once achieved, at no time should the Township's budget balances fall below their specified percentages. If a shortfall occurs in the budget balance and immediately restoring the balances to the specified percentage would cause an extreme burden on the taxpayers, the budget balance may, with the Township Council's approval, be restored to the specified percentage within a maximum of three years.
3. The Township will maintain an Equipment Replacement account for General Fund asset procurements in the Capital Projects Fund. The amount reserved for future asset replacements should equal the annual depreciation of the current assets; such amount will be included in each annual budget. The Township will appropriate excess (amounts greater than budgeted) revenues to fund this account in an effort to reach a minimum of \$50,000 in reserves over and above the equipment replacement reserves, subject to a maximum reserve of twice the annual average of the then-current three-year capital projects for the governmental funds.
4. The Township will maintain a Capital Reserve Fund to account for all General Fund capital projects. The minimum balance should be set equal to twenty percent (20%) of the most recently adopted three-year CIP for all governmental funds. The maximum balance should be set to 1.5 times (150%) of the minimum balance. The Township will provide operating fund transfers, debt proceeds and/or alternative financing proceeds as necessary to support each fiscal year's Capital Investment Plan.
5. At the end of the budget year, the Township will prepare a Budget Revision Resolution that reallocates any budget line items that either exceed or are under the adopted budget amount. Excess funds shall be prioritized for reallocation to the Operating Reserve Fund until such time as this fund represents 5% of the estimated revenues in the Township's General Fund for the current fiscal year.

Investment and Cash Management Policy

1. The Township will deposit all receipts on a timely basis in interest bearing accounts or transaction accounts for which an earnings credit is applied in lieu of interest payments. All balances (in excess of the FDIC coverage limit) in non-interest-bearing transaction accounts must be collateralized by the depository institution. All collateral must be held at a third-party institution or a branch of the Federal Reserve Bank. The value of the pledged collateral must be greater than or equal to 102% of the balance in excess of FDIC coverage. The depository institution shall have the ability to increase the collateral value pursuant to these guidelines, but the Township must approve the reduction of collateral value with the third-party custodian.
2. The Township will strive to maximize the return on its investment portfolio without jeopardizing principal amounts.
3. The Township will limit its investments to the types of securities provided for by Pennsylvania statutes.
4. The Township will diversify its investments by maturity date to protect against market fluctuations.
5. The Township will maintain an Investment Policy based on prudent investment practices and will monitor all investment managers' compliance with policy objectives. Operating cash, surplus cash, and fiduciary funds may be subject to different guidelines or mandates within the investment policy statement.

Capital Improvement Policy

1. The Township will prepare and update a three-year Capital Improvements Program (CIP) on an annual basis, which will provide for the orderly maintenance, replacement, and expansion of capital assets.
2. The CIP will identify long-range capital projects and capital improvements of all types, which will be coordinated with the annual operating budget to maintain full utilization of available revenue sources.
3. When preparing the CIP, the Township will seek to identify all viable capital projects and capital improvements required during the subsequent five-year period. These projects and improvements will be prioritized by year and by funding source.
4. Every attempt will be made to match projects and improvements with available funding sources. Future operating costs and savings associated with a project or an improvement will also be given consideration in the establishment of priorities.
5. The Township will seek Federal, State, and other funding to assist in financing capital projects and capital improvements.
6. The Township will prioritize purchasing capital equipment using available capital funds first and loans second. The leasing of capital equipment is discouraged.

Financial Reporting Policy


1. The Township's accounting system will maintain records in accordance with accounting standards and principles outlined by the Governmental Accounting

Standards Board (GASB), Financial Accounting Standards Board (FASB), and the State of Pennsylvania.

2. The Township will employ an independent accounting firm to perform an annual audit of the Township's finances and make the annual audit available to all required and interested parties in a timely manner.
3. The Township will produce monthly financial statements reporting the current period's activity for all funds maintained by the Township.
4. The Township will prepare an annual budget document that provides a basic understanding of the Township's planned financial operations for the coming fiscal year. Copies of the proposed and final budget will be made available to all interested parties, and opportunities will be provided for citizen input prior to final decisions on the budget.
5. The Township will place continued emphasis on review and maintenance of an accounting system which provides strong internal budgetary and accounting controls designed to provide reasonable, but not absolute, assurance regarding:
 - a. The accountability and safeguarding of assets against loss from unauthorized use or disposition and,
 - b. The reliability of financial records for preparing financial statements and reports.
6. The Township will work towards the submission of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

MIDDLETOWN TOWNSHIP
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March 21, 2019

To: Township Council - Finance & Administration Committee
From: Vince Visoskas, Finance Director 
Re: Credit Card Fee Surcharge Discussion

Staff has recently noticed a spike in customers paying their tax bills, sewer and recycling fees directly at the Township office. The Township bills that were approved - based on last year's language - allow for either in-person or online credit card payments.

The Township partners with the County's online tax payment processor – Point & Pay, which charges a base fee of \$2.50 for direct payments from a bank account or 2.5% fee for credit card payments. We have a different swipe card processor at the Township office, and their fee varies based upon the type of transaction, brand of card, etc. The monthly fee charged to the Township has varied between 1.8-2.9% based on recent fee statements.

These charges resulting from the increased use of in-person credit card transactions were not adequately accounted for in the budget because they were unanticipated. We believe that more people are paying in-person to earn credit card rewards points and to delay having to pay their bill for a month. Because of the cost of these transaction fees we lose expected tax revenues for each customer who chooses to pay in our office.

The situation has become especially problematic for the Sewer Authority as its sewer fee is, on average, proportionately more than our tax amount. Correspondingly, the Authority's Board approved a surcharge of 3% on all credit card payments effective on April 1, 2019.

Staff would like to encourage payments through the online system whenever possible, but still allow those customers who need extra assistance to be able to pay at the Township Building. There should be; however, a balance between the convenience of credit card payment and limiting revenue loss through transaction fees.

STAFF RECOMMENDATION:

We recommend that the Finance & Administration Committee support a credit card fee surcharge in the 2.5 to 3% range, and staff present this topic to Council as a whole for consideration and authorization. We are permitted to do this based upon a 2013 settlement agreement with MasterCard & Visa. It is officially called a "checkout fee" and would not apply to customers using a debit card.