

CONSERVATION FINANCE FEASIBILITY STUDY | DECEMBER 2019

WORCESTER TOWNSHIP, PENNSYLVANIA



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ERECTED INTO A TOWNSHIP IN 1733
TOWNSHIP OF WORCESTER
AT THE CENTER POINT OF MONTGOMERY COUNTY
PENNSYLVANIA

1721 Valley Forge Road, Post Office Box 767 Worcester, PA 19490

September 18, 2019

Mr. Will Abberger
Vice President, Director of Conservation Finance
The Trust for Public Land
306 N. Monroe Street
Tallahassee, FL 32301

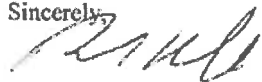
Dear Mr. Abberger:

The Worcester Township Board of Supervisors requests technical advice and assistance from The Trust for Public Land in connection with our efforts to develop and sustain reliable, ongoing sources of funding for land conservation, as set forth in your memorandum dated September 11, 2019.

Information provided to the Worcester Township Board of Supervisors will be public record as a matter of law. This request does not in any way commit public funds to the efforts of The Trust for Public Land related to this request, nor does it require public disclosure of any confidential information of either organization.

This request will continue in effect for any advice you offer or presentations you submit for the use of this body related to such matters. In addition, we would like to take this opportunity to request that you continue to be available to provide technical advice and assistance in this area and on related matters in the future.

Sincerely,



Rick DeLello, Chair
Board of Supervisors

cc: Project File

(610) 584-1410

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Fax: (610) 584-8901

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INTRODUCTION

The Trust for Public Land (TPL) is a national nonprofit organization dedicated to conserving land for people to enjoy as parks, gardens, and natural areas. Since 1972, TPL has conserved more than 3.6 million acres of land nationwide. In Pennsylvania, TPL has helped protect almost 4,600 acres.

To help state agencies and local governments acquire land, TPL assists communities in identifying and securing public financing. TPL's Conservation Finance program offers technical assistance to elected officials, public agencies, and community groups to design, pass, and implement public funding measures that reflect popular priorities.

Since 1996, TPL has been involved in more than 560 successful ballot measures and over twenty successful legislative campaigns that have created over \$75 billion in new public funding for parks, land conservation, and restoration. Voters have approved 82 percent of the ballot measures that have been supported by TPL.

In Pennsylvania, TPL has been involved in the efforts to preserve and increase funding for the Growing Greener program and Keystone Recreation, Park and Conservation Fund. In May 2005 voters approved a \$625 million Growing Greener 2 bond, which included \$300 million for open space and farmland preservation, as well as brownfield redevelopment. The measure passed statewide with 61 percent support, 78 percent support in Montgomery County and 80 percent support in Worcester Township. In addition, TPL provided assistance, in 2003, on a \$150 million open space bond in Montgomery County. The measure passed countywide with 78 percent support and in Worcester Township with 84 percent. TPL is currently working as part of the Growing Greener III Coalition to increase state funding for conservation in Pennsylvania.

Locally in Pennsylvania, TPL most recently assisted in the passage of a \$2 million bond in Smithfield Township (Monroe County). The funds are used for open space, farmland, and watershed protection. The measure passed with 76 percent support in November 2016. TPL also assisted Adams County, in the passage of a \$10 million bond for open space in November 2008. The measure passed with 75 percent support. TPL has recently completed conservation finance feasibility studies for Monroe, Lackawanna, and Lehigh Counties, Upper Saucon Township in Lehigh County, the Sand Hills Area in Dauphin County and the Conewago Mountains Area in York County. Since 1996, TPL has guided nine local conservation measures in Pennsylvania and all nine have passed generating almost \$311 million for new land acquisitions for open spaces and parks.

This study presents several viable local public options for funding parks and land conservation in Worcester Township and provides analysis of which local options and funding levels are feasible, economically prudent, and likely to be publicly acceptable. This research provides a stand-alone, fact-based reference document that can be used to evaluate financing mechanisms from an objective vantage point.

NOTE: the term “dedicated funding” refers to any consistent and stable funding stream for land acquisition and operations, programming, and maintenance for open space, parks, wildlife habitat, farmland, trails and other recreational amenities whether that funding is in perpetuity or is provided with sunset provisions.

This feasibility study is not a legal document and should not be relied upon for legal purposes.

EXECUTIVE SUMMARY








Most funding for parks and land conservation in United States comes from local governments. A dedicated source of local revenue often serves as the foundation to long-term efforts to conserve and maintain land and water and key to leverage grants offered by state and federal programs.

Since 1988, over 130 county and municipal ballot measures that support the acquisition of land for open space, farmland, and recreational purposes have been approved by Pennsylvania voters, generating nearly \$1.2 billion. The overall passage rate for local ballot measures in Pennsylvania is 80 percent. Pennsylvania voters have approved 90 percent of 62 bond measures, 72 percent of 89 earned income tax measures, and 88 percent of 16 property tax measures.¹ Of the eleven county conservation finance measures (all bonds) since 1988, only one (Delaware County, 1996) has failed.

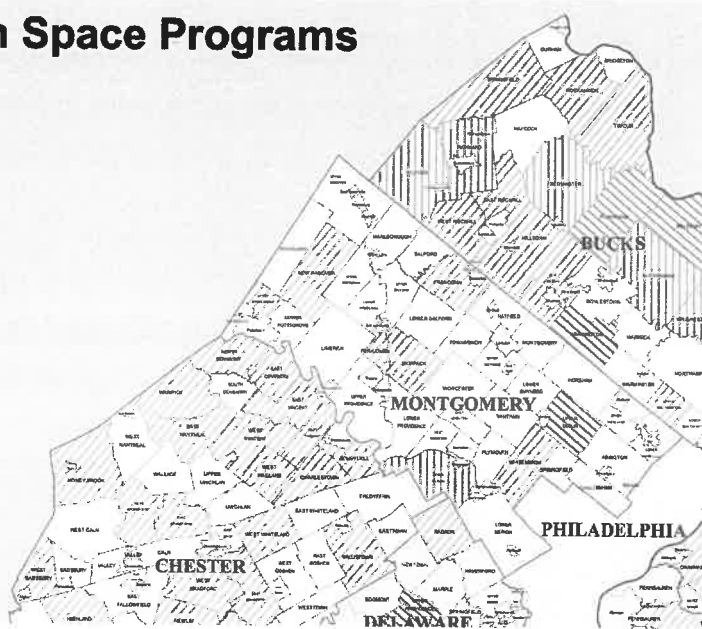
Several municipalities in Montgomery County have a voter- approved source of funding for conservation. In May 2019, voters in Lower Nazareth Township (Northampton), Middletown Township (Delaware), and North Whitehall Township (Lehigh) all approved dedicated funding for open space.

Locally Funded Open Space Programs

2019 Active Programs

-  County Funding - Dedicated Tax
-  County Funding - Bond
-  County Funding - Tax and Bond
-  County Funding - Other
-  Municipal Funding - Dedicated Tax
-  Municipal Funding - Bond
-  Municipal Funding - Tax and Bond

Note: Municipalities that previously issued bonds dedicated for open space and exhausted the funds are not shown.



In Pennsylvania, general obligation bonds are utilized most often by counties for parks and land conservation. A bond issue provides up front funds that will allow for the immediate purchase of

¹ The Trust for Public Land. "LandVote database." <http://www.landvote.org> Accessed October 2019. Measures in LandVote record only measures that include funding for new land acquisitions.

land while it is still available, or for immediate capital needs, and distributes the cost over time so that future beneficiaries also share in the burden. In addition, bond issues are a familiar form of public financing for local capital improvements including park development in Pennsylvania.

At the municipal level, pay-as-you-go taxes such as the property tax, earned income tax have been used, in addition to bonds, to finance land conservation and parks by Pennsylvania townships, predominantly in the southeastern portion of the state.

There are several local finance options—from taxes to bonds—that could be considered as tools for financing parks and land conservation in Worcester. Specifically, this report analyzes the revenue raising capacity of bonds, property taxes, and the earned income tax as conservation finance mechanisms and their associated cost to taxpayers.

- ❖ Worcester could issue \$2 million in general obligation bonds for the protection of natural areas at a cost of about \$31 annually for the average homeowner. This could be done through voter approval or non-electoral means.
- ❖ Worcester could seek a voter-approved increase in its property tax to fund land acquisition for parks and conservation under the open space act of 1996. An increase of .06 mill would generate about \$57,000 annually and cost the average homeowner about \$12 annually. Act 115 of 2013 expanded the use of open space property taxes for the development, design, improvement, and maintenance of acquired open spaces. Up to 25 percent of the funding could be used for these purposes annually.
- ❖ Worcester could seek a voter-approved increase in the earned income tax rate for land conservation under the Open Space Act. An increase of .025 percent could generate about \$130,000 annually and cost the average household about \$29 annually. Act 115 of 2013 expanded the use of open space earned incomes taxes for the development, design, improvement, and maintenance of acquired open spaces up to 25 percent annually.

Next steps should include tailoring a funding source to the needs identified by the township and testing voter attitudes toward a specific set of funding proposals. TPL recommends conducting a public opinion research that tests funding options, ballot language, tax tolerance, and program priorities of Township voters.

DEMOGRAPHICS, GOVERNMENT AND BUDGET

Worcester Township occupies approximately 16.3 square miles at the center of Montgomery County, Pennsylvania, and is bounded by Towamencin, Upper Gwynedd, Whitpain, East Norriton, Lower Providence, and Skippack Townships. The Village of Center Point, in Worcester, is known for being the geographic center of the county. Worcester Township was formed in 1733 when twenty-two landowners petitioned the court to form a new township of about 10,000 acres.

The Township is a suburban residential community and is made up largely of individually owned, single family dwellings. It includes the unincorporated communities of Center Point, Fairview Village and Cedars. The median market value of residential properties in the Township is approximately \$393,500, based on Census estimates.²

According to the Montgomery County Planning Commission, the current population of Worcester Township is 10,442. Between 2010 and 2018 Montgomery County was the eighth fastest growing county in Pennsylvania. According to data provided by the Montgomery County Planning Commission, it is anticipated that Worcester Township will grow by 24 percent between 2015 and 2045, the tenth fastest of all 62 municipalities in the county.³

Municipal-Level Population Forecasts, 2015-2045

Worcester Township, Montgomery County

Absolute Change (2015-2045): 2,508

Percent Change (2015-2045): 24.04%

Absolute Change per Square Mile (2015-2045): 154.29

2015 Population	10,435
2020 Forecast	10,817
2025 Forecast	11,306
2030 Forecast	11,882
2035 Forecast	12,304
2040 Forecast	12,650
2045 Forecast	12,943

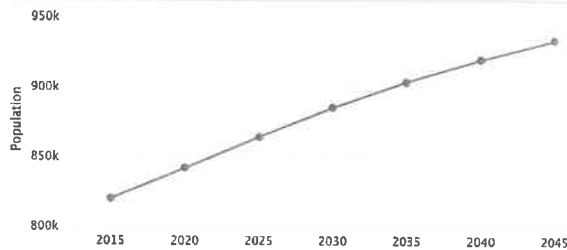
County-Level Population Forecasts, 2015-2045

Montgomery County

Absolute Change (2015-2045): 113,556

Percent Change (2015-2045): 13.90%

2015 Population	818,284
2020 Forecast	840,934
2025 Forecast	863,327
2030 Forecast	884,387
2035 Forecast	903,114
2040 Forecast	918,918
2045 Forecast	932,820



² Official Bond Statement 2016 <https://emma.msrb.org/EP934805-EP725740-EP1127514.pdf>

³ Montco Planning Data Portal <https://webapp02.montcopa.org/planning/dataportal/ForecastPopulation.asp>, DVRPC

Worcester Township is governed by a three-member Board of Supervisors.

Worcester Township Elected Officials		
Seat	Name	Term Ends
Chair	Rick DeLello	2023
Vice Chair	Susan Caughlan	2021
Member	Stephen Quigley	2025

The general fund revenue comes primarily from the property tax, earned income tax, cable television franchise fees, and building permit fees.

The Township's 2020 draft budget did not include any new tax increases and the property tax at 0.05 mills is the lowest among the 62 municipalities in Montgomery County. The owner of a property in Worcester Township that is assessed at \$400,000 pays \$20 in property tax to the Township. This same owner pays \$1,539 in property tax to Montgomery County (3.849 mills), and \$12,151 in property tax to the Methacton School District (30.3781 mills).

Revenue from the earned income tax, the largest revenue source, is assumed to remain flat at \$2.55 million. This tax is assessed on all earned income such as wages, salaries and commissions.

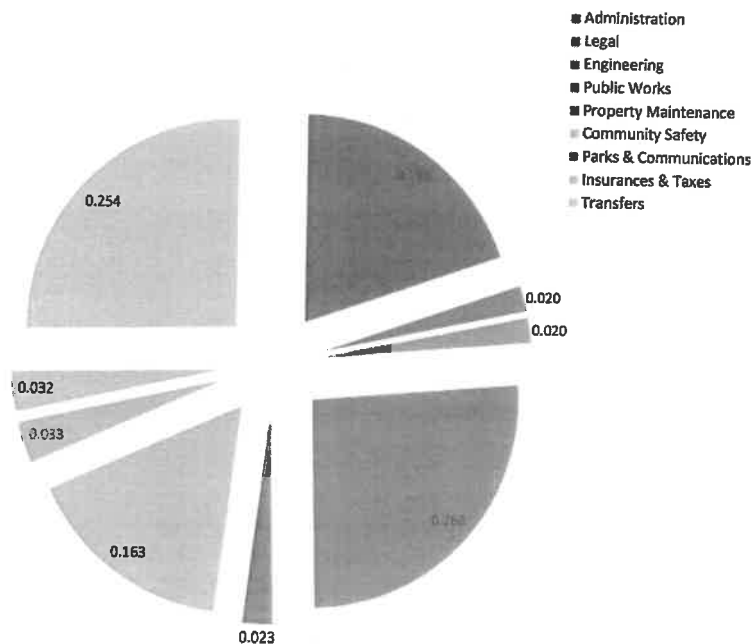
The real estate transfer tax, at the rate of one-half of one percent (0.5 percent), is assessed on the sale of real property. There is no proposed change to this tax rate in 2020, This receipt fluctuates with the number and price of properties sold in the Township. The 2020 budget assumes \$355,000 in revenue from this source.

The 2020 general fund budget is just over \$3.7 million. This is a slight increase from the 2019 budget. The General Fund is the operating budget for the Township, pays the day-to-day expenses like salaries and benefits, utilities, supplies.

RECEIPTS	2018 Actual	2019 Budget	2019 Projected	2020 Proposed
Taxes	\$ 3,103,123.12	\$ 2,878,375.00	\$ 2,936,045.00	\$ 2,952,390.00
Licenses & Permits	\$ 228,623.79	\$ 228,725.00	\$ 227,295.00	\$ 225,725.00
Fines & Forfeits	\$ 4,319.89	\$ 2,900.00	\$ 2,950.00	\$ 2,600.00
Interest & Rents	\$ 187,487.36	\$ 174,569.21	\$ 188,230.00	\$ 187,063.00
Intergovernmental Revenue	\$ 143,981.79	\$ 140,653.79	\$ 147,182.40	\$ 146,523.21
Charges for Services	\$ 192,083.08	\$ 119,965.00	\$ 150,605.00	\$ 167,985.00
Miscellaneous Revenue	\$ 26,333.31	\$ 15,850.00	\$ 25,605.00	\$ 17,250.00
Other Financing	\$ 610.00	\$ 500.00	\$ 1,260.00	\$ 525.00
	\$ 3,866,562.34	\$ 3,561,538.00	\$ 3,679,172.40	\$ 3,700,061.21
EXPENDITURES	2018 Actual	2019 Budget	2019 Projected	2020 Proposed
Legislative	\$ 92,653.76	\$ 99,165.82	\$ 92,950.00	\$ 97,141.86
Management	\$ 198,335.61	\$ 204,873.95	\$ 200,620.00	\$ 202,735.16
Finance	\$ 97,593.48	\$ 97,059.89	\$ 78,045.00	\$ 100,881.68
Tax Collection	\$ 34,527.20	\$ 37,883.59	\$ 37,760.00	\$ 38,388.91
Legal	\$ 67,401.42	\$ 75,000.00	\$ 73,400.00	\$ 73,800.00
Clerical	\$ 185,239.82	\$ 224,274.11	\$ 218,270.00	\$ 287,348.61
Engineering	\$ 19,921.05	\$ 37,000.00	\$ 20,750.00	\$ 34,750.00
Township Building	\$ 26,706.85	\$ 32,604.00	\$ 26,200.00	\$ 33,984.00
Garage	\$ 23,016.46	\$ 27,264.00	\$ 25,365.00	\$ 28,692.00
Community Hall	\$ 9,542.29	\$ 10,212.00	\$ 9,575.00	\$ 11,856.00
Historical Building	\$ 4,555.81	\$ 6,115.00	\$ 5,250.00	\$ 6,183.00
Hollow Road Rental	\$ 1,356.20	\$ 4,282.00	\$ 1,750.00	\$ 4,282.00
Springhouse	\$ -	\$ 1,000.00	\$ -	\$ 1,000.00
Fire Protection	\$ 331,697.02	\$ 366,014.76	\$ 364,400.00	\$ 380,460.65
Code Enforcement	\$ 113,729.86	\$ 172,267.29	\$ 125,075.00	\$ 177,914.18
Zoning Hearing Board	\$ 28,481.95	\$ 39,133.84	\$ 30,430.00	\$ 43,253.84
PA One Call	\$ 1,814.50	\$ 2,700.00	\$ 1,000.00	\$ 2,700.00
Public Works	\$ 599,528.39	\$ 651,031.86	\$ 615,750.00	\$ 704,566.95
Snow Removal	\$ 48,141.34	\$ 42,887.50	\$ 34,200.00	\$ 31,675.00
Traffic Signals	\$ 16,802.64	\$ 22,580.00	\$ 10,350.00	\$ 21,240.00
Machinery & Tools	\$ 83,525.94	\$ 92,064.00	\$ 56,800.00	\$ 92,160.00
Road Maintenance	\$ 104,819.24	\$ 112,915.00	\$ 83,800.00	\$ 109,905.00
Stormwater Management	\$ 5,426.09	\$ 56,400.00	\$ 19,500.00	\$ 37,500.00
Recreation Administration	\$ 17,819.13	\$ 28,335.00	\$ 20,950.00	\$ 23,597.69
Recreation & Culture	\$ 27,377.42	\$ 27,846.00	\$ 27,174.00	\$ 27,794.00
Parks	\$ 26,213.65	\$ 50,788.00	\$ 31,900.00	\$ 48,634.00
Public Relations	\$ 23,389.09	\$ 21,600.00	\$ 20,850.00	\$ 21,300.00
Other	\$ 1,983,665.52	\$ 1,018,240.40	\$ 1,447,058.40	\$ 1,056,306.68
	\$ 4,173,281.73	\$ 3,561,538.00	\$ 3,679,172.40	\$ 3,700,061.21

According to the Township, unfunded mandates continue to challenge the its financial position. If not revised or repealed, stormwater regulations imposed by the United States Environmental Protection Agency and the Pennsylvania Department of Environmental Protection will cost Worcester taxpayers hundreds of thousands of dollars in the coming decade. The Township is working with neighboring municipalities to develop a sensible stormwater management program that protects natural resources at an affordable price.⁴

GENERAL FUND EXPENDITURES, BY PERCENT



The parks department provides for the maintenance of the Township’s parks system, which includes 120 acres of active and passive parklands, and more that 150 acres of natural open spaces. Within the Township budget, parks received about four percent of general fund expenditures. This amounts to nearly \$51,000 for use at Heebner Park, Mt. Kirk Park, Sunny Brook Park, and Heyser Field.

The 2020 budget provides for improvements to three Township parks, including installation of a rain garden at Heyser Field. The budget also provides funds for possible land acquisitions,

⁴ 2020 Township Budget

including \$15,000 for the acquisition of the former North Penn Army Reserve Base on Berks Road. Current open space and parks reserves are shown below.

At the end of each fiscal year, any amount in cash reserves held in excess of \$250,000 shall be transferred to the Capital Fund. Within the Capital Fund exists the Open Space Acquisition Fund and Park & Trail Development Fund. The Capital Fund will begin 2020 with a balance of \$13.356 million. In addition to parks and open space the Fund is used for general government purposes, such as Township building improvements and public works, such as road or trail improvements. The Township Manager sends recommendations to the Board of Supervisors about how much in cash reserves should be transferred to the Capital Fund and the Board of Supervisors decide how much in the Fund is allocated and spent. It should be noted that all reserve balances within the Capital Fund are unrestricted except for the Act 209 Fund, an impact fee to fund certain road projects which is restricted by state law.

The following amounts were transferred from General to Capital Fund from 2015 to 2019

- 2015- \$0
- 2016- \$7,164,820
- 2017- \$1,659,420
- 2018- \$2,115,270
- 2019- \$1,220,660 (projection)

Receipts into the Open Space Acquisition Fund and the Park & Trail Development Fund during these years was approximately \$230,000. No funds were transferred between 2015 and 2017.

Draft 2020 open space and parks reserves are shown below.

Open Space Acquisition Fund		
projected balance 1/1/2020	\$	1,523,600.00
receipts, interest	\$	27,378.26
receipts, non-interest	\$	-
expenditures	\$	-
projected balance 12/31/20	\$	1,550,978.26

Park & Trail Development Fund		
projected balance 1/1/2020	\$	872,900.00
receipts, interest	\$	15,685.53
receipts, non-interest	\$	-
expenditures	\$	-
projected balance 12/31/20	\$	888,585.53

CURRENT OPEN SPACE AND PARK NEEDS AND OUTLOOKS

Over the past twenty years voters in Montgomery County have been extremely supportive of funding land conservation. In November 2003, 78 percent of voters supported the following question:

“Shall debt in the amount of one hundred and fifty million dollars, to be incurred over a ten year period, for the purpose of financing open space preservation, parks, recreation areas, recreational trails, shade trees, farmland preservation, protection and preservation of historic resources, natural habitats, and natural resources such as water, and the expenses of the debt, be authorized to be incurred by Montgomery County as debt approved by the electors?”

The following is excerpted from the township’s Open Space website:

“The theme of “Keep Worcester Green” has been heard for decades in our municipality. Preserving open space is a core initiative in Worcester, reflected in the types of development one sees when traveling through the Township. Through gifts, outright purchases of property, or acquisition of development rights, Worcester has preserved tracts of land which otherwise would be developed into homes. In the long run, it is more advantageous to preserve land than to pay the costs development brings; educational, infrastructure, and support services.

The preservation of properties in Worcester enhances our living environment while producing some very practical results. Neighboring open space makes our community a more desirable place in which to live, work, own a home, and retire. Residents and business owners who stay in such communities help maintain tax bases and reduce the pressures of sprawl. Strategic, planned growth in general reduces traffic problems and mitigates the burdensome effect of development on local school districts and municipalities. Open space also assists in maintaining a stable tax base because it requires minimal infrastructure and few support services.

Studies conducted across Pennsylvania show that controlling development reins in the costs associated with it, resulting in lower, long-term tax burdens. All in all, Worcester is working to maintain the quality of life to which its residents have become accustomed.”

The Township is currently updating its 2008 Comprehensive Plan, and land use, parks, open space and trails as well as natural resource protection will figure prominently in the plan.

Worcester Township has been able to secure several grants from the county conservation program amounting to over \$1.6 million. These projects include **Heebner Park** – 46.02 acres, **Markel Property** – 85.35 acres and **Gerstemeier Property** – 32.5 acres.⁵ Worcester Township preserved land ownership is listed below.

PRESERVED LANDS	ACRES
WORCESTER TOWNSHIP	323.99
MONTGOMERY COUNTY	107.66
COMMONWEALTH OF PENNSYLVANIA	147.67

⁵ <https://www.montcopa.org/640/Municipal-Open-Space-Grant-Programs>

PRIVATE (HOA) OPEN SPACE	369.48
OTHER OPEN SPACE	60.44
CONSERVATION EASEMENTS	817.00
	1826.24
AGRICULTURAL SECURITY AREA⁶	ACRES
WORCESTER TOWNSHIP	1002.45
	1002.45

Since 2001, there have been 11 municipal open space measures on the ballot in Montgomery County, and only two failed to implement an open space funding source. The successful measures generated almost \$83 million for open space, farmland, and other natural lands.

Montgomery County Municipal Open Space Measures Since 2001				
Municipality	Date	Finance Mechanism	Conservation Funds Approved	% Yes
Lower Moreland Township	11/8/2016	Income tax	\$0	35%
Hatfield Township	11/4/2008	Income tax	\$0	43%
Upper Dublin Township	11/4/2008	Bond	\$30,000,000	67%
New Hanover Township	11/7/2006	Income tax	\$3,000,000	57%
Upper Dublin Township	11/7/2006	Bond	Election nullified due to error	65%
Upper Merion Township	11/7/2006	Bond	\$5,000,000	85%
Upper Pottsgrove Township	11/7/2006	Income tax	\$2,720,000	60%
Whitemarsh Township	11/7/2006	Income tax	\$20,000,000	62%
Perkiomen Township	11/2/2004	Income tax	\$4,500,000	69%
Franconia Township	11/6/2001	Income tax	\$8,500,000	68%
Skippack Township	11/6/2001	Income tax	\$8,955,208	57%

⁶ Within an agricultural security area (ASA), a farm is entitled to special protection from condemnation and laws and ordinances that would unreasonably restrict farming operations. Local governments in Pennsylvania may establish ASAs but only in response to petitions from landowners interested in enrolling their land in an ASA.

WORCESTER TOWNSHIP LOCAL CONSERVATION FINANCING OPTIONS

Generally, there are five primary types of revenue sources available to municipalities in Pennsylvania to pay for land conservation. Municipalities can use discretionary annual spending, electoral and non-electoral debt financing, a voter-approved property tax, or the earned income tax. This report will look primarily at voter-approved general obligation bonds, the property tax, and earned income tax, with brief mention of non-electoral debt. The financing options utilized by a community will depend on a variety of factors, such as taxing capacity, budgetary resources, voter preferences, and political will. The ability of local governments to establish dedicated funding sources depends upon state enabling authority. These funding options are not mutually exclusive and can be used in combination—for example, bonds can be issued supported by revenues from a property tax increase.

In 1996, Act 153 was enacted as an amendment to Act 442 of 1967, Pennsylvania's Conservation and Land Development Act. This law broadened the ability of local governments to acquire interests in real property, including development rights. The purposes include the provision of recreation land, as well as the conservation of scenic resources, historic resources, natural resources, farmland, forestlands, and areas for pure and adequate water supply. Local governments may levy a tax on real estate or earned income above the existing limits of the Commonwealth's laws, but they must first receive referendum approval.⁷

Electoral and Non-electoral debt

Non-electoral debt is bonding the municipality issues directly, without voter approval. Non-electoral debt is limited by law. The Local Government Unit Debt Act establishes the limits for non-electoral debt by type of local unit. The amount of non-voted debt that can be issued by a municipality is limited to 250 percent of their borrowing base.⁸ The Act defines the borrowing base as the average annual revenue taken over the last three years.⁹ The Township has a capacity to borrow about \$10 million non-electorally.¹⁰ Though this is an option for parks and land conservation, it is not always ideal, as it must adhere to debt limits and receive majority approval from the township Board of Supervisors. The alternative, voter-approved general obligation bonds, have enjoyed strong support in the Commonwealth. The Township has a \$2.495 million self-liquidating general obligation bond for the Hickory Hill Sewer Expansion Project. These 2016 bonds were rated AA+/Stable by Standard & Poor's.¹¹

⁷<http://www.heritageconservancy.org/wp-content/uploads/2012/02/opportunity-knocks.pdf>

⁸ Local Government Unit Debt Act Section 8022 (a)(2) <http://www.newpa.com/get-local-gov-support/technical-assistance/request-assistance/local-government-unit-debt-act/index.aspx>

⁹ There are some provisions for the issuance of additional debt for certain purposes.

¹⁰ Analysis of Worcester Township recent budgets

¹¹ Official Bond Statement 2016 <https://emma.msrb.org/EP934805-EP725740-EP1127514.pdf>

Requirements for borrowing ¹²

Once a decision has been made to incur debt for a capital project, the municipality must comply with a number of requirements imposed upon it by the Local Government Unit Debt Act for non-electoral debt.

Before a municipality can borrow funds, the governing body must enact an ordinance or a resolution in the case of small borrowings. The ordinance is both an information tool for the municipality's citizens and a means to officially begin the process of incurring debt. Notice of the ordinance must be published both before and after its enactment. ¹³ As with counties, the law requires that the ordinance contain certain items, which include the following:

- an indication of the type of debt to be incurred (electoral, non-electoral, or lease rental debt);
- an indication of the form of debt (general obligation, revenue or guaranteed revenue);
- a repayment schedule and interest rates;
- a covenant;
- a notice whether the bonds will be sold at public or private sale;
- authorization for an officer of the municipality ¹⁴ to prepare a debt statement (which must be submitted to the Department of Community and Economic Development), to execute and deliver the bonds or notes, and to take other official action as may be needed;
- an identification of the project/purpose for which the debt is being issued and its useful life.

Several counties and municipalities in Pennsylvania have gone this route to fund parks or land preservation.

Issuing debt for land conservation

A general obligation bond in Worcester would provide the means to raise a significant amount of money upfront to protect land that might not be available and could be more expensive in the future. A bond could provide the most readily accessible means to meet the Township's park and conservation goals. Bond funds may only be used for capital expenditures, including acquisition of lands or easements, and development or improvement of park and recreational facilities, and not for operations and maintenance expenses. ¹⁵

The chart on the next page includes the general obligation bond projections from a range of potential debt issuances displaying the average annual household cost for each. For example, the Township could issue \$2 million in general obligation bonds at a cost of about \$31 annually per average single-family home.

¹² Section 8102 and 8103

¹³ Section 8003. Must be 3 to 30 days prior to legislative enactment.

¹⁴ Counties are also considered municipalities in Pennsylvania.

¹⁵ Federal IRS rules governing the issuance of tax-exempt bonds limit the use of proceeds to capital purposes such that only a small fraction of bond funds may be used for maintenance or operations of facilities. State and local laws may further limit the use of bond proceeds.

Worcester Township Bond Financing Costs			
<i>Assumes a 20-year bond issues at 4% Interest Rate</i>			
<i>Total Assessed Valuation 2019 (AV)=\$959,935,409</i>			
<i>2018-19 Common Level Ratio of 49.3%</i>			
Bond Issue	Annual Debt Svce	Mill Levy Increase	Cost/Year/ Avg./ House*
\$ 500,000	\$ 36,791	0.04	\$ 7.70
\$ 1,000,000	\$ 73,582	0.08	\$ 15.40
\$ 1,500,000	\$ 110,373	0.11	\$ 23.10
\$ 2,000,000	\$ 147,164	0.15	\$ 30.80
\$ 2,500,000	\$ 183,954	0.19	\$ 38.50
\$ 3,000,000	\$ 220,745	0.23	\$ 46.20
\$ 3,500,000	\$ 257,536	0.27	\$ 53.90
\$ 4,000,000	\$ 294,327	0.31	\$ 61.60
\$ 4,500,000	\$ 331,118	0.34	\$ 69.30

**Based on average taxable assessment of \$200,898, using Common Level Ratio. Does not include exemptions.*

The Trust for Public Land’s bond cost calculations provides a basic estimate of debt service, tax increase, and cost to the average homeowner in the community for potential bond issuances for land conservation. Assumptions include the following: the entire debt amount is issued in the first year and payments are equal until maturity; 20-year maturity; and 4 percent interest rate. The property tax estimates assume that the jurisdiction would raise property taxes to pay the debt service on bonds. However, other revenue streams may be used. The cost per household represents the average annual impact of increased property taxes levied to pay the debt service. The estimates do not take into account growth in the tax base due to new construction over the life of the bonds. The Township’s officials, financial advisors, bond counsel, and underwriters would establish the actual terms of any bond.

Authority ¹⁶

For all local government units, except Philadelphia, the Local Government Unit Debt Act provides the authority and procedure for issuing local government debt. There are no statutory debt limits on the amount of voter-approved (electoral) debt, or self-sustaining debt.

¹⁶ PA Local Government Unit Debt Act Section 8022

Procedure ¹⁷

To obtain voter approval, the governing body of the municipality must first adopt a resolution signifying its intent to issue electoral debt. A copy of the resolution and the form of the question must be certified to the county board of elections at least 45 days before the election. ¹⁸ The date would be **September 21, 2020**. ¹⁹

The question must be phrased substantially as follows:

Shall debt in the sum of [amount] dollars for the purpose of financing [insert brief description of project] be authorized to be incurred as debt approved by the electors?

While the description of purposes should be brief, it should also be clear to the voters and it should authorize all of the intended activities.

Notice of the referendum must be published in one or two newspapers of general circulation beginning no earlier than 21 days before the election and no later than 14 days before the election. The County Board of Elections shall prepare a statement in plain English, which indicates the purpose, limitations and effects of the ballot question to be included in the notice along with the date of the election and the question to be submitted to the voters.

Voter Approved General Obligation Bond

Voter-approved general obligation bonds have enjoyed widespread support in communities throughout Pennsylvania and the country. The passage rate for all land conservation ballot measures in the Commonwealth is 80 percent, which is above the national passage rate of 76 percent for such ballot measures. Over the past three decades, bonds have an even higher success rate in Pennsylvania at 90 percent. In Pennsylvania, 36 counties and municipalities passed land conservation funding bond measures, most with overwhelming support, generating over \$729 million for land conservation. Below is a list of recent land conservation general obligation bonds on the ballot.²⁰

¹⁷ Local Government Unit Debt Act, sections 8041 through 8049 and Center for Local Government Services "Referendum Handbook"

¹⁸ Section 8043 Personal Conversation with Bernadette Barattini, Deputy Chief Counsel, PA Dept. of Economic and Community Development

¹⁹ Debt authorization is governed by the Local Government Debt Act. The section of the act is 53 PS. C.S.A. § 8043 which does state that 45 days is required.

²⁰ The Trust for Public Land, LandVote®, 2019. www.landvote.org

Recent Local Conservation Bond Measures				
Jurisdiction	Date	Conservation Funds		
		Approved	Status	% Yes
Middletown Township (Delaware)	5/21/19	\$8,000,000	Pass	76%
Smithfield Township (Monroe)	11/8/16	\$2,000,000	Pass	76%
Patton Township (Centre)	11/4/14	\$3,500,000	Pass	64%
Warrington Township (Bucks)	11/6/12	\$3,000,000	Pass	66%
Plumstead Township (Centre)	11/3/09	\$4,500,000	Pass	51%
Adams County	11/4/08	\$10,000,000	Pass	75%
Lower Makefield Township (Bucks)	11/4/08	\$15,000,000	Pass	69%
Upper Dublin Township (Montgomery)	11/4/08	\$30,000,000	Pass	67%
Buckingham Township (Bucks)	4/22/08	\$20,000,000	Pass	82%
Bucks County	11/6/07	\$87,000,000	Pass	74%
Milford Township (Bucks)	5/15/07	\$5,000,000	Pass	62%

Voter-approved Property Tax for Land Conservation

The property tax is a familiar revenue source for local governments. Property taxes are usually measured in “mills,” where 1 mill equals \$1 of tax for every \$1,000 of assessed property value. Property taxes provide a steady annual source of revenue regardless of changes in the economy. They are relatively easy to administer at the local level, and the burden is broadly distributed across the tax base. Generally, local property tax rates have limits, requiring voter approval if these limits are exceeded. Statutory rate limitations on property taxes have been established for all classes of taxing jurisdiction in Pennsylvania, except the cities of Philadelphia, Pittsburgh, and Scranton and the Philadelphia School District.²¹ Jurisdictions which have adopted home rule charters under the Home Rule Charter and Optional Plans Law are no longer subject to property tax limits imposed by the legislature in the various local government codes.²² Voters of individual home rule municipalities may establish their own real estate tax rate limits in their local charters.²³ Worcester Township is not a home rule municipality.

Voters in many communities have been willing to use a property tax increase when revenues are specifically earmarked for parks and open space protection.²⁴ Under Act 153 of 1996 (32 P.S. Sections 5001 to 5013), the majority of the funds may only be used for the purposes of acquiring land, including development rights, for open space benefits.²⁵ Funds from a voter-approved

²¹ 53 P.S. 12553, 53 P.S. 23104; First Class City Code, Article XVII, Section 3, Second Class City Code, Article XX, Section 3.

²² 53 Pa. C.S. 2962.

²³ [Pennsylvania Department of Community and Economic Development Taxation Manual Updated January 2016](#)

²⁴ Excerpted from the Heritage Conservancy's <http://www.heritageconservancy.org/wp-content/uploads/2012/02/opportunity-knocks.pdf>

²⁵ 32 P.S. Section 5002 defines open space benefits as follows:

The benefits to the citizens of the Commonwealth and its local government units which result from the preservation or restriction of the use of selected predominantly undeveloped open spaces or areas, including but not limited to: (i) the

property-tax increase can also be used to finance revenue bonds for these purposes. The chart below includes projections for various potential mill increases in Worcester displaying the cost to the average homeowner. For example, the Township could increase its property tax by .06 mills, which would generate almost about \$57,000 annually for land conservation, while costing about \$12 annually for the average home assessed at \$200,898.²⁶

Estimated Revenue and Cost of Additional Mill Levy				
Mill Increase	Taxable Valuation*	Annual Revenue	25% for O and M**	Cost /Year/ Avg. Home ***
0.02	\$959,935,409	\$19,199	\$4,800	\$4.02
0.04	\$959,935,409	\$38,397	\$9,599	\$8.04
0.06	\$959,935,409	\$57,596	\$14,399	\$12.05
0.08	\$959,935,409	\$76,795	\$19,199	\$16.07
0.10	\$959,935,409	\$95,994	\$23,998	\$20.09
<i>*Total assessed valuation for 2019.</i>				
<i>**Allowable under Act 115 of 2013</i>				
<i>***Based on median assessed value of \$200,898 with Common Level Ratio of 49.3% applied. Does not include exemptions.</i>				

Voter-approved Earned Income Tax for Land Conservation

The earned income tax (EIT) is an important source of revenue for local governments.²⁷ The EIT may be more acceptable than the property tax in communities with a large population of retired residents, since the tax is only applied to earned income, not to real estate assets or pensions. Pennsylvania law caps the EIT at 1.0 percent and in most jurisdictions the local school district claims half of this amount. Act 153 of 1996 authorizes voters to approve the levy of an increased earned income tax beyond the 1.0 percent limit, exclusively for the purpose of financing purchases of land or development rights for open space uses which includes existing and planned park, recreation, and conservation sites. Funds can also be used to finance revenue bonds for these purposes. The amount of the additional tax is set by the voters in a referendum.²⁸

Worcester currently collects a 1 percent earned income tax where 0.5 percent of this tax goes to the Township school district. The .5 percent tax for the Township generated approximately \$2.6 million in 2019.²⁹

If Worcester were to place an EIT measure on the ballot, a 0.05 percent increase would generate about \$260,000 annually for parks and land conservation and cost the average household \$58 annually.

protection and conservation of water resources and watersheds, by appropriate means, including but not limited to preserving the natural cover, preventing floods and soil erosion, protecting water quality and replenishing surface and ground water supplies; (ii) the protection and conservation of forests and land being used to produce timber crops; (iii) the protection and conservation of farmland; (iv) the protection of existing or planned park, recreation or conservation sites; (v) the protection and conservation of natural or scenic resources, including but not limited to soils, beaches, streams, flood plains, steep slopes or marshes; (vi) the protection of scenic areas for public visual enjoyment from public rights of way; (vii) the preservation of sites of historic, geologic or botanic interest; (viii) the promotion of sound, cohesive, and efficient land development by preserving open spaces between communities.

²⁶ Pre-determined ratio is 49.3 percent for most homes in Montgomery County.

²⁷ Earned income is defined as salaries, wages, commissions, bonuses, incentive payments, fees, tips and/or other compensation for services rendered, whether in cash or property, and whether paid directly to an individual or through an agent.

²⁸ Excerpted from the Heritage Conservancy's <http://www.heritageconservancy.org/wp-content/uploads/2012/02/opportunity-knocks.pdf>

²⁹ Personal communication with Worcester Township Finance Director, October 2019

Estimated Revenue and Cost of Additional EIT			
EIT Rate %	Annual Revenue*	25% for O and M	Cost /Year/ Avg. Household **
0.0125%	\$65,000	\$16,250	\$14.55
0.025%	\$130,000	\$32,500	\$29.11
0.050%	\$260,000	\$65,000	\$58.21
0.10%	\$520,000	\$130,000	\$116.43

* Based current .5 percent EIT revenue in Worcester of \$2,600,000 **Based on median household income of \$116,429

Referring Tax Measures to the Ballot

The method for placing an earned income or property tax referendum question on the ballot is set forth in Pennsylvania Statutes.³⁰ First, the governing body must pass an ordinance to have the question placed on the ballot. For property and earned income tax measures, the ordinance is then filed with the County Board of Elections at least 13 Tuesdays before the next primary or general election. The question for approval of a dedicated tax must be phrased in the following words:

*“Do you favor the imposition of a [describe the tax in millage or rate] by [local government unit] to be used to [purpose]?”*³¹

The deadline to place a measure on the November 3, 2020 ballot is Tuesday August 5th, 2020.³²

Funding for Park Development, Operations and Maintenance

Act 153 of 1996 contemplates the acquisition of real estate interests for open space uses, which includes park sites. However, that law was amended by Act 115 of 2013 to expand the use of open space property taxes for the development, design, improvement, and maintenance of acquired open spaces. Act 115 of 2013 (32 P.S. § 5007.1) provides that the open space property tax or income tax may be used to develop, design, improve, and maintain open space.³³

Specifically, Section 5007.1(a)(4) provides as follows:

Revenue from the levy may only be used for the following:

- (i) annually, up to 25% of any accumulated balance of the fund from the levy authorized by referendum, to develop, improve, design, engineer and maintain property acquired pursuant to this act for an open space benefit or benefits; or

³⁰ Requirements for a referendum of this type are governed by 53 P.S. § 6924.407, which states that election officials need receipt of the resolution at least 90 days prior to the election to place it on the ballot.

³¹ <https://www.heritageconservancy.org/images/news/publications/pdf/pub-fin.pdf>

³² Personal communication with Director of Voter Services, Chester County

³³ <http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2013&sessInd=0&act=115>

(ii) alternatively, for purposes of allocation, the local government unit may create a maintenance fund into which the local government unit may deposit in an amount up to 25% of the annual revenue from the levy authorized by referendum, to develop, improve, design, engineer and maintain property acquired pursuant to this act for an open space benefit or benefits.

(a.1) in no event, however, shall any revenue in a particular year be used to develop, improve, design, engineer and maintain the property acquired unless the annual debt service under subsection (a)(1) or acquisition fees under subsection (a)(2) will be satisfied. The acquisition fees shall be paid in their entirety at the time of acquisition.

(a.2) nothing in subsection (a)(4) shall prevent a local government unit from using funds set aside for development, improvement, design, engineering and maintenance of real property for acquisition of real property to secure an open space benefit or benefits pursuant to subsection (a)(1).

This section would allow a portion of the funds from either the property tax or earned income tax to be used for maintenance. However, without changes to state law, the bulk of the funding would still have to be used for land acquisition.

TPL recommends that the public opinion survey gauge voter support for varying levels of property and EIT tax increases, with information on the annual cost to the average household, to determine how much voters are willing to pay, and their preferences for different funding mechanisms.

Ballot Language

In addition to the ballot language requirements listed above all language must adhere to PA Election Code, Section 1110. Form of Ballot Labels on Voting Machines.

If the construction of the machine shall require it, the ballot label for each candidate, group of candidates, political party, or question, to be voted on, shall bear the designating letter or number of the counter on the voting machine which will register or record votes therefor. Each question to be voted on shall appear on the ballot labels, in brief form, of **not more than seventy-five words**, to be determined by the Secretary of the Commonwealth in the case of constitutional amendments or other questions to be voted on by the electors of the State at large, and by the county election board in other cases

VOTER REGISTRATION, TURNOUT AND ELECTION RESULTS

As of October 2019, Worcester had approximately 7,487 registered voters.³⁴ At the time of the May primary there were 7,407 registered voters. Of these voters, 51 percent are Republicans and 34 percent are Democrats. On November 8, 2016, the Township supported President Donald Trump with 49 percent support.

³⁴<http://webapp.montcopa.org/voterservices/voters/summary/pollinglocationssummary.asp> Montgomery County Elections

Worcester Township Voter Turnout				
Date	Election Type	Worcester Regist. Voters	Ballots Cast	% Turnout
Nov-19	General Election	7,487	2,885	39%
May-19	Primary Election	7,407	1,380	19%
Nov-18	General Election	7,532	5,330	71%
May-18	Primary Election	7,395	1,631	22%
Nov-17	General Election	7,351	2,215	30%
May-17	Primary Election	7,320	1,670	23%
Nov-16	General Election	7,533	6,130	81%
Apr-16	Primary Election	7,197	3,294	46%
Nov-15	General Election	6,936	2,505	36%
May-15	Primary Election	6,889	1,702	25%
Nov-14	General Election	6,982	3,526	51%
May-14	Primary Election	6,876	1,376	20%
Nov-13	General Election	6,819	1,526	22%
May-13	Primary Election	6,756	620	9%
Nov-12	General Election	6,892	5,462	79%
Apr-12	Primary Election	6,682	1,246	19%
Nov-11	General Election	6,599	2,499	38%
May-11	Primary Election	6,518	1,172	18%
Nov-10	General Election	6,852	3,898	57%
May-10	Primary Election	6,782	1,669	25%
Nov-09	General Election	6,751	1,925	29%
May-09	Primary Election	6,808	1,308	19%
Nov-08	General Election	6,786	5,287	78%

Over the past several years, Worcester Township voters have not seen any local referenda by which to gauge their support for public spending.

In May 2005 voters approved a \$625 million Growing Greener 2 bond, which included \$300 million for open space and farmland preservation, as well as brownfield redevelopment. The measure passed statewide with 61 percent support, 78 percent support in Montgomery County and 80 percent support in Worcester Township.

In November 2008 voters in Worcester supported a statewide \$400 million Water and Sewer Improvements Bond with 59 percent support. It passed countywide with 68 percent support. In 2006, 62 percent supported a \$20 million bond for a Persian Gulf Conflict Veteran's Compensation Fund. The measure passed by the same percentage countywide.

In summary, Worcester is fortunate to have multiple viable funding options for parks, trails, farmland and land conservation that can generate significant revenues at a reasonable cost to taxpayers. The next step is select discrete finance mechanisms and conduct public opinion research to gauge voter preferences and support.

APPENDIX A

Successful Ballot Language

<i>Jurisdiction</i>	Smithfield Township, Monroe County
<i>Election Date</i>	November 8, 2016
<i>Ballot language</i>	Smithfield Township Water Quality, Forest and Wildlife Habitat Fund “Shall debt in the sum of Two Million Dollars (\$2,000,000.00) for the purpose of financing the acquisition of land, development rights and/or conservation easements in the township for the protection of drinking water supplies; water quality in lakes and streams; wetlands that provide flood protection; forest and wildlife habitat be authorized to be incurred as debt approved by the electors?”
<i>Results</i>	Bond, passed 76% yes
<i>Jurisdiction</i>	Adams County, Pennsylvania
<i>Election Date</i>	November 4, 2008
<i>Ballot language</i>	Adams County Water and Land Protection Bond Referendum “Shall debt in a sum not to exceed 10 million dollars be authorized for the purposes of financing land conservation and preservation efforts, including protection of drinking water sources, stream water quality, wildlife habitat, farmland, open space and recreation lands, all for future generations, to be incurred as debt approved by the electors of Adams County, with lands preserved solely in cooperation with willing sellers, and ensuring that an annual independent audit evaluates program success?”
<i>Results</i>	Bond, passed 75% yes

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