

Municipalities Financial Recovery Act

Recovery Plan

**Westfall Township
Pike County, Pennsylvania**

Prepared on behalf of the

**Commonwealth of Pennsylvania
Department of Community and Economic Development
Governor's Center for Local Government Services**

As Revised and Filed October 29, 2009

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Chapter I

History of Plan

This Recovery Plan is prepared in accordance with the Municipalities Financial Recovery Act, Act 47 of 1987 (“Act 47”), as amended, and the accompanying regulations of the Commonwealth’s Department of Community and Economic Development (the “Department” or “DCED”).

For reasons explained in Chapter V, on April 10, 2009, Westfall Township (the “Township”) filed a Voluntary Chapter 9 Bankruptcy Petition in the United States Bankruptcy Court for the Middle District of Pennsylvania. Pursuant to Act 47, a municipality which files a municipal debt adjustment action under federal law “shall be deemed to be a financially distressed municipality under the act.” Act 47, § 262(a). On April 14, 2009, upon receipt and review of the Township’s Chapter 9 Bankruptcy Petition, DCED Secretary George E. Cornelius ordered that the Township be deemed to be a distressed municipality under Act 47. By letter dated May 11, 2009, the Secretary appointed Eckert Seamans Cherin & Mellott, LLC as the Recovery Plan Coordinator (the “Coordinator”) for the Township.

Act 47 further requires that the Coordinator formulate the Act 47 recovery plan in cooperation with the bankruptcy court. Specifically, the Township is charged with utilizing the procedures set up under Act 47 “concurrently with the processing of the Federal action, so as to efficiently expedite the formulation of a plan, its timely confirmation by the Federal court having jurisdiction of the Federal action and its adoption by ordinance.” Act 47, § 263(b).

On August 18, 2009, the coordinator filed a Motion To Intervene in the Township’s Chapter 9 Bankruptcy Case in order to fulfill its responsibilities under Act 47. The Bankruptcy Court granted the motion.

On August 25, 2009, the Coordinator toured the Township with Supervisor Buchanan, who outlined the extent and mode of delivery of public services offered by the Township, and then met with the Chairman of the Board of Supervisors, James Muir, Supervisors Buchanan and Fischer, Solicitor Robert F. Bernathy, Township Secretary Lisa Green and Matthew P. Domines, Local Government Policy Specialist, DCED. The discussion included the Act 47 Recovery Plan process, the basic content of the Recovery Plan, the process required to combine the Act 47 Recovery Plan with the Bankruptcy Court Chapter 9 Plan (see Chapter V), and the Township's options to raise the tax revenue required to meet its ongoing financial obligations and those additional obligations set forth in the Chapter 9 Plan.

Following further discussions with the Township Solicitor, Robert F. Bernathy, and the Township Treasurer, Scott Myer, and the Coordinator's review of Township audits, budgets, Bankruptcy Court pleadings and schedules and other information, the Coordinator filed the Recovery Plan with the Township Secretary on September 29, 2009. On that same date, the Township's bankruptcy counsel filed the draft Chapter 9 Plan for public review with the Township Secretary.

On October 19, 2009, the Coordinator held a public meeting in the Township, pursuant to Section 242(e) of Act 47, to receive public comment on the Recovery Plan. Based upon further discussions with the Township Supervisors and staff, the Coordinator filed a revised Plan with the Township on October 29, 2009.

Chapter II

Recovery Plan Goal

As set forth in Chapter IV, the Township has historically balanced its operating budget and met its obligations to vendors and creditors on an annual basis. The only issue driving the Township into municipal distress, bankruptcy and ACT 47 is its obligations to the Katzes resulting from the litigation and settlement described in Chapter V.

In order to meet its cash and sewage pumping station construction obligations to the Katzes, the Township Supervisors have decided to levy a special property tax millage (the "Katz Tax") at the rate of 11.35 mils for 2010. The Township contemplates reducing that special tax millage in 2011 to 7.5 mils to reflect the expected completion of funding for, and construction of, the sewage pumping station by the end of 2010. This Recovery Plan requires that the Township levy the Katz Tax at rates sufficient, from year to year, beginning in 2010, to satisfy its obligations to the Katzes.

The Revenue and Expenditure projections for 2010-2012 set forth in Chapter VII project that with these new or increased tax levies, the Township will meet its obligations to the Katzes, and to its vendors and creditors, and generate small, positive operating balances in each year.

The goal of this Recovery Plan is to assure the Township's initiation of compliance with its obligations to the Katzes in 2010, 2011 and 2012 and to return the Township to the generation of a positive annual operating balance by at least 2012. If these goals are met, the Township should be able to satisfy the conditions set forth in Section 253 of Act 47 and to exit the Distressed Municipalities Program by the end of 2012.

Chapter III

Services and Operations

The Township is a Second Class Township operating under the Second Class Township Code with a five member Board of Supervisors, a Township Secretary and appointed Treasurer, Engineer and Solicitor. The Township's population is 2430 and it comprises 30 square miles. It contains 951 occupied homes or apartments, with 80% of those owner-occupied. The median home/condominium value is \$188,000. The median household income (2007) is approximately \$51,000.

Public Safety

Police services are provided by the Eastern Pike Regional Police Department (the "Department") pursuant to a Regionalization Agreement, effective January 1, 2008, between the Township and the neighboring Borough of Matamoras. Pursuant to the Intergovernmental Cooperation Act, the Township and Borough appoint two representatives each to a regional police commission with a fifth member appointed by the other four members. The costs of the Department are initially shared equally between the Township and Borough with eventual apportionment to be made by population. The Police Chief reports to the Commission which is responsible for hiring and disciplining of officers and setting salaries and benefits. The Township's portion of the Department's cost is budgeted at \$332,000 for 2009.

Fire and ambulance rescue services are provided by two volunteer fire companies operating out of three stations, one of which is a substation located at the municipal building site. The Township's 2009 Fire Safety budget is \$20,000 from the General Fund and \$126,000 from special fire protection millage.

Public Works

The Township provides maintenance and repair, including repaving, and snow and ice control for its public roads and bridges and storm sewer and drain maintenance. Residential garbage services are provided directly to property owners by private contract. The Township's 2009 Public Works budget is \$224,000. A portion of the Township's Public Works budget is funded with state liquid fuels funds.

Utility Services

Most of the Township is served by private septic systems. The commercial properties along Highway 6/209 are served by public sanitary sewers with collection and treatment provided by the Westfall Township Municipal Authority whose members are appointed by the Township Supervisors. Water service is provided through private wells although public water service is provided to the commercial sector by the Matamoras Municipal Authority. A part-time sewage enforcement officer is responsible for inspections of the residential on lot septic systems. The officer reviews and inspects all new systems, special testing, demolitions and modifications.

Code Enforcement

Two part-time employees are responsible for zoning ordinance and building code enforcement and administration.

General Government

The Township Secretary is responsible for the day-to-day operation of the Township office. Legal services are provided by the appointed Solicitor, engineering services by an appointed engineering firm and treasurer services by an appointed Treasurer. Act 511 tax collection services are provided by contract with Berkheimer, and real property taxes are

collected by an elected tax collector. Westfall's current assessed value is \$42,502,290 and its current real property tax collection rate is 93%.

None of the Township's employees are represented by public labor unions.

Chapter IV

Budget and Financial Analysis

Operating Budget

Revenues

The Township's major General Fund revenue sources are real property tax, real estate transfer tax and the Local Services Tax. According to the Township's 2008 Municipal Annual Audit and Financial Report to DCED, these taxes comprised 73% of the Township's General Fund revenue with real property taxes (\$602,000) comprising 75% of total tax revenue. The Township's 2009 budget levies 14 mills of real property tax for General Fund purposes and special tax millages of 4.85 mills for debt service, 3 mills for fire protection and 2 mills for road equipment, for a total of 23.85 mills. The Township does not levy an Earned Income Tax. Other significant revenue sources include Liquid Fuels and Charges for Services (including permit fees). The Township's General Fund budget for 2009 is \$1,353,345.

Expenditures

The Township's three major General Fund expenditure categories are (1) General Government, comprising mostly employee benefits, insurance, public utility services and Board of Supervisor salaries; (2) Public Safety, comprising police services (provided jointly with Matamoras Borough) and fire services (volunteer); and (3) Public Works including road master and road crew salaries, fuel, and road maintenance/repair costs. In the Township's 2009 General Fund Budget, General Government constitutes approximately 8% of expenditures while Public Safety constitutes approximately 26% and Public Works 16.5%.

Balance Sheet/Long Term Debt

The Township's 2008 Municipal Annual Audit and Financial Report submitted to DCED indicates a General Fund balance/retained earnings, as of December 31, 2008, of \$530,638. The 2009 Operating Budget applied \$90,971 of that balance as an "Interfund Operating Transfer" revenue.

The Audit also indicates that the Township has the following long term debt obligations¹ as of December 31, 2008:

<u>Lender</u>	<u>Date</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Balance</u>	<u>Purpose</u>
Dime Bank	2007	2029	\$2,000,000	\$2,000,000	Sewer/Water Construction
Pennstar Bank	2004	2009	\$60,000	\$10,708	Equipment Purchase
Pennstar Bank	2004	2009	\$130,000	\$34,764	Road Fund
Pennstar Bank	2008	2013	\$120,000	\$103,016	Truck Purchase

In 2007, the Township entered into a capital lease with John Deere in the amount of \$25,542. The lease matures in 2011 and the outstanding balance is \$20,075.

Capital Budget

The Township's main capital investments are regular reconstruction/repaving of its public roads. The Projected Revenues and Expenditures set forth in Chapter VII project \$0 in 2010, \$78,000 in 2011 and \$78,475 in 2012 for this purpose.

In addition, as discussed in Chapter V, the settlement of the Katz litigation obligates the Township to fund the construction and installation of a sewage pumping station on a 3.4 acre site owned by the Katzes and other family members. According to the Supervisors and Solicitor, the

¹ See Chapter V for a discussion of how these obligations are addressed in the Township's Chapter 9 Bankruptcy Plan.

Township has entered into an agreement with the Westfall Township Municipal Authority pursuant to which the Authority has agreed to construct the sewage pumping station in 2010 and the Township has fulfilled its obligation to fund the cost of construction. The Katz settlement also obligates the Township to construct sewer and water capacity to the development site. In 2007, the Township borrowed \$2 million to fund that obligation.

The Township has scheduled funding of its long-term debt and its capital requirements as shown on Appendix IV A to this Chapter. The schedule reflects the adjustments to the loan terms set forth in the Township's proposed Chapter 9 Bankruptcy Plan discussed in Chapter V, the loan from the Municipal Authority of the Township of Westfall discussed below and the Township's decision to satisfy early the two Pennstar Bank loans due in 2009.

Financial Analysis

As discussed above, the Township currently carries a General Fund Operating Balance of approximately \$440,000. The Township has generally balanced its operating budget and met its obligations with vendors and creditors on an annual basis. The Township's financial management system, combined with the resources offered by its Treasurer, appears to function well and provide the Township with accurate, current financial results. The only issue driving the Township into municipal distress, bankruptcy and Act 47 is its obligations to the Katzes as a result of the litigation and settlement described in Chapter V.

In order to meet its obligations to the Katzes and others, the Township Supervisors have decided to levy a special real property "Katz Tax" at the rate of 11.35 mils in 2010, reduced to 7.5 mils in 2011 and 2012. In order to meet its other ongoing obligations, the Supervisors will petition the Pike County Court of Common Pleas for authority to increase its 2010 General Fund millage to 15.6 and plan to repeat that request in 2011 and 2012. The Supervisors also intend to

reduce the 2010 Fire Protection special millage to 1 and the Capital Road Projects special millage to 0. The Fire Protection millage is projected to increase to 1.8 mils in 2011 and 2012. The Capital Road Projects millage is projected to increase to 1.9 mils in 2011 and 2012. Hence, the Township's total millage will increase in 2010, 2011 and 2012 to 31.2 from the 2009 total millage of 23.85.

In Chapter VIII (Initiatives) of this Recovery Plan, the Coordinator requires the Township to levy the real property tax rates listed above for 2010 and to continue to levy taxes at the rates required to meet its obligations to the Katzes and its other vendors and creditors and to complete its capital budget discussed herein.

Cash Flow

As a result of increased legal fees tied to the Katz litigation and related bankruptcy proceedings, the payments to Katz and construction obligations required as part of the settlement (See Chapter V), the Township is projected to incur a cash flow deficit in December 2009 of approximately \$71,725. To address this cash flow deficit, the Township intends to borrow \$125,000 from the Municipal Authority of the Township of Westfall before the end of 2009. The loan will be payable in three annual payments of one-third of the total loan amount, plus interest, on or before June 1, 2011, 2012 and 2013. Taking this loan into account, the Township's Treasurer projects a cash shortfall at the beginning of 2010 of approximately \$16,000, growing to a peak of approximately \$148,500 in March, 2010. The Township intends to address the projected 2010 cash shortfall with the balance of the Authority loan, allocation of its operating balance, transfer of other available funds, and by issuing a tax anticipation note in early 2010 to a local bank in the approximate amount of \$150,000. The note will be satisfied

before the end of 2010. The Treasurer's current cash flow analysis is attached as Appendix IV

B.

Appendix IV A
Debt and Capital Schedule

Loan	Bank	Purpose/name	Original Loan Amt	Start Date	Frequency	Payment	Final Maturity Date	Balance 10/29/2009	Annual Pmts 2010	Annual Pmts 2011	Annual Pmts 2012
A)	Dime Bank:	Water Sewer	\$ 2,000,000.00	2007	Monthly	\$ 10,019.00	2039	\$ 1,999,999.99	\$ 120,228.00	\$ 120,228.00	\$ 120,228.00
B)	Pennstar:	Sherwood truck	\$ 120,000.00	2008	Quarterly	\$ 1,344.00	Oct 2016	\$ 91,752.00	\$ 16,128.00	\$ 16,128.00	\$ 16,128.00
C)	Westfall Sewer Authority	A Cash Flow	\$ 125,000.00	Dec 2009	Annual	\$ 47,490.00	June 2013	\$ 125,000.00	\$ -	\$ 47,490.00	\$ 47,490.00
D)	Pennstar	2004 Equipment	\$ 60,000.00	2004	Monthly	\$ 1,096.87	Dec 2009	\$ -	Paid in full		
E)	Pennstar	2004 Road Fund	\$ 130,000.00	2004	Monthly	\$ 2,376.84	Dec 2009	\$ -	Paid in full		
Total								<u>\$ 2,216,751.99</u>	<u>\$ 136,356.00</u>	<u>\$ 183,846.00</u>	<u>\$ 183,846.00</u>

NOTES:

Loan A to Dime Bank. Currently paying interest only in amount of approximately 7,500 a month.

Payment with principal was to start in 2009, did not due to bankruptcy.

Dime bank agreed to extend loan to 30 years. Payment to start in October of 2009 will be \$10,019.

All these payments have special tax mills for a total of 4.85 mills for 2009. (i.e. outside of General Fund)
Special tax (debt service) mills projected to be 3.25 mills for 2010.

Loans D & E. Were paid in full on October 2, 2009.

Appendix IV B
Westfall Township
Cash Flow Forecast - General Fund
October, 2009 through December, 2010

	Without Loan		With Loan		January 2010	February	March
	Oct 15 2009 GF Balance	November GF Balance	December 2009	December 2009			
Beginning Balance General Fund	165,330	112,475	87,225	87,225	53,275	(16,375)	(81,125)
Revenue							
Normal Operations	10,000	14,250	7,500	7,500	29,000	17,750	76,500
1.6 new mills for general fund	0	0	0	0	0	0	0
Transfer from Katz tax fund	0	0	0	0	0	0	0
Reimburse from Liquid Fuels	0	12,500	0	0	0	0	0
Loan - From Sewer Authority into Gen Fund	0	0	0	125,000	0	0	0
Total Revenue	10,000	26,750	7,500	132,500	29,000	17,750	76,500
Expenses							
Normal Operations	18,000	27,000	41,450	41,450	98,650	82,500	68,800
Pre-bankruptcy A/P to pay	22,855	0	0	0	0	0	0
Pepper Hamilton (Aug - Dec Estimate per G. Miller)	22,000	25,000	50,000	50,000	0	0	0
Katz Payment	0	0	75,000	75,000	0	0	75,000
Pump Station	0	0	0	0	0	0	0
Total Expenses	62,855	52,000	166,450	166,450	98,650	82,500	143,800
Profit or Loss	(52,855)	(25,250)	(158,950)	(33,950)	(69,650)	(64,750)	(67,300)
Ending Balance General Fund	112,475	87,225	(71,725)	53,275	(16,375)	(81,125)	(148,425)

Appendix IV B
Westfall Township
Cash Flow Forecast - General Fund
October, 2009 through December, 2010

	April	May	June	July	August	September	October	November	Dec 2010
	(148,425)	230,401	547,135	516,079	519,539	527,919	432,149	329,132	309,102
253,440	190,500	27,000	96,400	26,300	15,500	8,442	7,970	9,970	
28,440	22,120	6,320	3,160	1,580	1,580	0	0	0	
201,746	156,914	33,624	30,000	12,000	8,000	6,041	0	0	
0	0	0	0	0	0	0	0	0	
483,626	369,534	66,944	129,560	39,880	25,080	14,483	7,970	9,970	
104,800	52,800	23,000	126,100	31,500	45,850	117,500	28,000	42,500	
0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	
0	0	75,000	0	0	75,000	0	0	75,000	
0	0	0	0	0	0	0	0	0	
104,800	52,800	98,000	126,100	31,500	120,850	117,500	28,000	117,500	
378,826	316,734	(31,056)	3,460	8,380	(95,770)	(103,017)	(20,030)	(107,530)	
230,401	547,135	516,079	519,539	527,919	432,149	329,132	309,102	201,572	

Chapter V

Katz Litigation and Bankruptcy

Since the early 1990's David H. And Barbara D. Katz (the "Katzes") have been involved in litigation with the Township, centering on development of approximately 740 acres of land owned by the Katzes and other family members plus a separate parcel of 3.4 acres located in the Township (the "Katz Properties"). In 1999, the Katzes and other family members won a \$7 million judgment against the Township. In 2001, the Katzes entered into an Equitable Settlement Agreement and Settlement Agreement/Release with the Township (the "ESA/SAR"), which became an order of the United States District Court for the Middle District of Pennsylvania ("U.S. District Court"), whereby the Katzes compromised the July 26, 1999 judgment plus Katzes' rights and entitlement to statutory interest and litigated costs against the Township and pursuant to which the Township would serve the Katz Properties with central/public sewer and water capacity, services and systems in return for the Katzes compromising the \$7 million judgment against it. In December 2003, after the Township failed to comply with the ESA/SAR, the Katzes filed an action for breach of contract. The U.S. District Court issued a Memorandum and Order, finding that the Township had failed to provide the required sewer and water capacity, services and systems and subsequently issued an August 2005 Order clarifying and defining the requirements under the ESA/SAR, giving the Township an eighteen (18) month extension to comply with them.

The August 2005 Order also provided that the Township's failure to comply with the ESA/SAR and/or the August 2005 Order would result in, among other things, the entry of a money judgment against the Township. Pursuant to the August 2005 Order, the Township Board of Supervisors (the "Supervisors") and the Katzes executed the Stipulated Judgment which the

Katzes were to hold “until such time as there is a breach of the ESA/SAR and/or this Order when the Stipulation may be filed by Katz with the Court Clerk and Judgment will be entered by the Court for Katz” (August 2005 Order).

Claiming various breaches of the ESA/SAR and the August 2005 Order, the Katzes filed the Stipulated Judgment with the U.S. District Court on February 16, 2007. Pursuant to the Stipulated Judgment, the Katzes also filed a Motion for Litigation Costs and Expenses incurred to enforce the ESA/SAR. In response, the Township moved to set aside the Stipulated Judgment under Federal Rule of Civil Procedure 60(b). After a March 29, 2009 hearing, the U.S. District Court issued an order granting the Township’s 60(b) motion and setting aside the Stipulated Judgment. Also denied was the Katzes’ Motion for Litigation Costs and Expenses, without prejudice. On June 4, 2007, the Katzes timely appealed to the United States Court of Appeals for the Third Circuit (“Third Circuit”) requesting that the Stipulated Judgment be reinstated. The Third Circuit concluded, among other things, that the failure of the Township to secure a water service agreement guaranteeing Katz third-party beneficiary status was a breach of the ESA/SAR and the August 2005 Order. The Third Circuit reversed the U.S. District Court’s decision and ordered the U.S. District Court to reinstate the Stipulated Judgment for the Katzes.

The Stipulated Judgment provided, among other things, for monetary damages of \$14,193,646, plus interest compounded annually at a rate of 8% accruing from June 12, 2004, until the total amount is fully paid by the Township and collected by the Katzes. On September 5, 2008, the U.S. District Court reinstated the Stipulated Judgment that the Katzes had filed with the U.S. District Court Clerk on February 16, 2007. On November 4, 2008, the U.S. District Court entered another Judgment and Order against the Township and for the Katzes, awarding litigation costs and expenses in the additional amount of \$492,477.73 with annual interest

accruing at the statutory rate of 1.44% compounded annually until the total amount is fully paid. On August 1, 2008, the Third Circuit entered a Judgment against the Township and for the Katzes in the amount of \$1,012.00, with annual interest accruing at the statutory rate of 2.3%.

The Township has not paid the Katzes any of the money owed under these Katz judgments. In order to compel the Township to pay the amounts owed to the Katzes under the Katz judgments, the Katzes filed with the U.S. District Court a Motion for Order Compelling Township and the Supervisors (in their official capacities) to Pay Money Judgments. That Motion was filed on February 2, 2009 in the form of a Mandamus Motion.

On April 6, 2009, the Katzes and the Township entered into the Stipulation wherein it was agreed that the Township owed the Katzes for the Katz judgments, as of February 2, 2009, the amount of \$20,804,484.93. A hearing on the Mandamus Motion was scheduled for April 13, 2009. The Township filed its Voluntary Chapter 9 Bankruptcy Petition on April 10, 2009. On May 27, 2009, the Katzes filed an Objection to the Township's Voluntary Chapter 9 Petition. Hearings were set by the Bankruptcy Court on the Objection, but postponed at the request of the Katzes and the Township to enable them to participate in settlement discussions. The Katzes and the Township were able to reach a settlement agreement which was completely and fully contained in a U.S. District Court Order entered on August 25, 2009.

Katz Settlement

Pursuant to the settlement reached between the Katzes and the Township, the Township was required to pay to the Westfall Township Municipal Authority the funds necessary to cause the construction and installation of an 18,000 gallon per day sewage pumping station (the "Sewage Pumping Station") on the 3.4 acre site in the Township owned by the Katzes and other family members. The Township paid \$146,000 to the Authority in October, 2009, to satisfy this

payment obligation. The settlement also imposes a series of related deadlines by which the Sewage Pumping Station must be designed, necessary permits applied for and obtained, bids for materials, equipment and construction received, all necessary contracts awarded for construction and installation, and the Sewage Pumping Station placed into full operation. The settlement also required the Township to construct and provide specific sewer and water capacity to the development site.

As to the monetary portion of the settlement, the dollar amounts otherwise owed by the Township to the Katzes under the Katz judgments were set aside by the settlement and replaced with the amount of \$6,000,000 without interest, payable in 80 quarterly installments of \$75,000 each, due and payable to the Katzes on March 31, June 30, September 30 and December 31 of each year beginning with the first payment being made by the Township on September 30, 2009. All payments are required to be made by wire transfer within seven (7) calendar days of each due date. If the Township fails to comply with the terms, obligations and duties of the settlement, then the monetary amount owed to the Katzes reverts to in excess of \$21 million.

In addition, the settlement with the Katzes requires that the Township's comprehensive plan fully incorporate the terms, rights, benefits and entitlements afforded to the Katzes in the agreements, ordinances and other documents referred to in the U.S. District Court order entered on August 25, 2009.

Additional Township Financial Obligations Addressed in Chapter 9 Plan
Dime Bank

In 2007, the Township executed a note to Dime Bank in the principal amount of \$2 million, evidencing a loan to fund sewer and water capacity construction as part of the Katz settlement. Pursuant to the Chapter 9 Plan, the Township's obligations to Dime Bank are suspended until April 10, 2010. The term of the loan is also to be increased by ten years beyond

the original 2029 maturity date to 2039, with the interest rate remaining the same. The required periodic payments are to be reduced accordingly pursuant to a revised amortization schedule.

Pennstar Bank

The Township has executed three notes with Pennstar Bank as follows:

<u>Date</u>	<u>Original Maturity</u>	<u>Original Principal Amount</u>	<u>Balance at Bankruptcy</u>	<u>Purpose</u>
2004	2009	\$ 60,000	\$ 10,708	Equipment
2005	2009	\$130,000	\$ 34,764	Road Fund
2008	2013	\$120,000	\$103,016	Truck

Pursuant to the proposed Chapter 9 Plan, the \$120,000 truck loan term will be extended to 2016 and the amount due deemed to be \$103,016 (current balance: \$91,752). The terms of the remaining two loans will not be extended, although the Township’s Treasurer paid the balances in October, 2009. The required periodic payments on the truck loan are to be adjusted accordingly pursuant to a revised amortization schedule.

John Deere

In 2007, the Township entered into a capital lease with John Deere in the amount of \$25,542. Pursuant to the Chapter 9 Plan, the claim is deemed to be an amount of \$20,075 and the Township is obligated to bring payments current and keep current thereafter until the debt is paid in full in 2011.

Robert A. Dombrosky Claim

Robert Dombrosky is a former Westfall Township police officer who went on leave in August, 2007, after being charged with criminal offenses in New York State. Mr. Dombrosky was later acquitted in New York court and he claims that the Township promised to reinstate him with back pay, if he were acquitted. The Township disputes the claim. The Chapter 9 Plan

provides that the claim holder retains rights in any property in which Dombrosky held a valid and perfected pre-bankruptcy security interest and that to the extent the claim exceeds the value of any Dombrosky collateral in place, the claim will be a general unsecured claim. The Township must continue to monitor this obligation as the litigation proceeds.

Chapter VI

Planning and Open Space

In December, 2007, the Township and Matamoras Borough filed a joint application with Pike County under its Scenic Rural Character Preservation Program. The purpose of the application was to fund a Multi-Municipal Open Space, Greenways and Recreation Plan. At the same time, the Township and Borough applied to the same County program for funding for a Regional Comprehensive Plan, updating the Township's Comprehensive Plan, dating back to 1997, and the Borough's Comprehensive Plan, dating back to the 1960's. The two County grant requests totaled \$55,000. The Open Space Plan will eventually become part of the Regional Comprehensive Plan. As part of the total funding for the two related projects, the Township and Borough also applied for DCED LUPTAP funding in the amount of \$30,000 and Pennsylvania Department of Conservation and Natural Resources (DCNR) funding in the amount of \$30,000.

All of the grants were received and the projects are underway.

The comprehensive planning process will consider the following elements as mandated by the Pennsylvania Municipalities Planning Code:

- Statement of Community Development Objectives
- Land Use Plan
- Natural and Historic Resources Protection Plan
- Housing Plan
- Transportation Plan
- Community Facilities and Utilities Plan (including a Water Supply Plan)
- Statement of the Interrelationships Among the Plan's Components
- Statement of the Plan's Compatibility with Adjoining Municipalities and the County Comprehensive Plan
- Statement of Plan Implementation Strategies

The goals of the Open Space Plan are to promote smart growth and open space, conservation of natural features/resources and to protect historical features.

Both projects are being completed by a Joint Planning Committee with elected official representation from the Township and Borough.

A draft Comprehensive Plan has been completed and is available for public review and comment. As discussed in Chapter V, the Katz Settlement requires that the Township's Comprehensive Plan fully incorporate the terms, rights, benefits and entitlements afforded the Katzes in agreements, ordinances and other documents referred to in the U.S. District Court order entered on August 25, 2009. To the extent necessary, the draft Comprehensive Plan must be revised to comply with this requirement. The Open Space Plan project is underway. The two municipalities intend to have both projects completed by the end of 2009 and the Comprehensive Plan, including the Open Space Plan, submitted to the two municipal planning and governing bodies for review and adoption.

Land Conservation

The Township and Borough also cooperated in the purchase and preservation in 2009 of 708 forested acres located in the Township. The purchase was consistent with the Pike County Open Space Plan, completed in 2008, and protects headwater areas for Bush Kill (Millrift) Creek, a Pennsylvania designated exceptional value watershed. The DCNR, Bureau of Forestry, the Pike County Scenic Rural Character Preservation Program, the Allerton Foundation and the Keystone Conservation Trust combined funding and expertise to make the \$3.1 million purchase. The property will be managed by the Bureau of Forestry.

Chapter VII

Revenue and Expense Projections 2010-2012

The following charts project the Township's revenues and expenditures, including debt and capital, for the years 2010-2012.

The revenue projections include the "Katz Tax" element of 11.35 mils of real property tax in 2010, reduced to 7.5 mils in 2011 and 2012.

The expenditure projections reflect the debt service on long term debt as shown in Appendix IV A and the Township's capital projects and Katz capital obligations as discussed in Chapter V. The 2011 and 2012 expenditure projections reflect historic increases of approximately 3% per year.

The projections for 2010, 2011 and 2012 project small annual operating balances or "Operating Reserve."

**Westfall Township
Revenue and Expense - Projections
2010**

	General Fund (15.6)	Liquid Fuels	Proposed "Katz" Tax (11.35 mills)	Fire Protection Tax (1)	Capital Road Projects - Tax (0)	Special Tax Levy(3.25)	Total (31.2)
INCOME							
301.00 · Real Estate Taxes	616,200.00		448,325.00	39,500.00	0.00	128,386.00	1,232,411.00
301.10 · Delinquent Real Estate Taxes	43,000.00			3,500.00	1,500.00	5,925.00	53,925.00
310.10 · RE Transfer Tax	34,000.00						34,000.00
310.51 · LST	80,000.00						80,000.00
331.00 · Fires and Forfeits	3,000.00						3,000.00
340.00 · Interests, Rents, Royalties	8,000.00						8,000.00
355.00 · State Shared Revenue	4,772.00						4,772.00
356.00 · Payment / Lieu of Taxes	4,000.00						4,000.00
357.03 · SC 1010/1015	4,000.00						4,000.00
360.00 · Charges for Services	25,000.00						25,000.00
392.00 · Interfund Operating Transfers	0.00						
Liquid Fuels	0.00	75,000.00					75,000.00
Special Tax - Debt Service Reserves	0.00			37,500.00		2,045.00	39,545.00
Total Income	\$ 821,972.00	\$ 75,000.00	\$ 448,325.00	\$ 80,500.00	\$ 1,500.00	\$ 136,356.00	\$ 1,563,653.00
EXPENSE							
400.00 · General Government	127,000.00						127,000.00
402.00 · Auditor / Financial Admin	24,795.00						24,795.00
403 · Tax Collector	62,400.00						62,400.00
404.00 · Legal Services	35,000.00						35,000.00
405.00 · Secretary/Clerk	43,225.00						43,225.00
408.00 · Engineering	9,500.00						9,500.00
410.00 · Eastern Pike Regional Police	345,000.00						345,000.00
411.00 · Fire Safety (LST tax)	20,000.00						20,000.00
413.00 · Code Enforcement	37,340.00						37,340.00
430.00 · Public Works	111,145.00	75,000.00					186,145.00
480.00 · Miscellaneous Expenses	0.00						
483.00 · Pension Contributions	2,125.00						2,125.00
Special Tax - Debt Service	0.00					136,356.00	136,356.00
Fire Protection	0.00			80,500.00			80,500.00
Capital Road Projects	0.00				0.00		0.00
KATZ TAX	0.00		300,000.00				300,000.00
Pumping Station (reimburse General Fund)	0.00		146,000.00				146,000.00
Operating reserve (profit)	4,442.00		0.00				4,442.00
Total Expense	821,972.00	75,000.00	446,000.00	80,500.00	0.00	136,356.00	1,559,828.00
Net	\$ -	\$ -	\$ 2,325.00	\$ -	\$ 1,500.00	\$ -	\$ 3,825.00

NOTES:

Current mills 23.85 (GF=14; Katz=0; FP=3;CR=2;SI=4.85)
 2010 mills 31.20 (GF=15.6 Katz=11.35 FD=1;CR=0;SI=3.25)
 Tax increase 7.35 mills
 Westfall assessed value (2009) \$42,502,290 avg collection rate around 93%. Last year 1 mill = 39,500 in revenue

**Westfall Township
Revenue and Expense - Projections
2011**

	General Fund (15.6)	Liquid Fuels	Proposed "Katz" Tax (7.5 mills)	Fire Protection Tax (1.8)	Capital Road Projects - Tax (1.9)	Special Tax Levy(4.4)	Total (31.2)
INCOME							
301.00 · Real Estate Taxes	627,900.00		301,875.00	72,450.00	76,475.00	177,100.00	1,255,800.00
301.10 · Delinquent Real Estate Taxes	43,500.00		750.00	3,250.00	1,525.00	5,500.00	54,525.00
310.10 · RE Transfer Tax	40,000.00						40,000.00
310.51 · LST	80,000.00						80,000.00
331.00 · Fines and Forfeits	3,000.00						3,000.00
340.00 · Interests, Rents, Royalties	5,000.00						5,000.00
355.00 · State Shared Revenue	4,775.00						4,775.00
356.00 · Payment / Lieu of Taxes	4,000.00						4,000.00
357.03 · SC 1010/1015	4,000.00						4,000.00
360.00 · Charges for Services	27,500.00						27,500.00
392.00 · Interfund Operating Transfers							-
Liquid Fuels		75,000.00					75,000.00
Special Tax - Debt Service Reserves						1,246.00	1,246.00
Total Income	\$ 839,675.00	\$ 75,000.00	302,625.00	75,700.00	78,000.00	\$ 183,846.00	1,554,846.00
EXPENSE							
400.00 · General Government	130,810.00						130,810.00
402.00 · Auditor / Financial Admin	25,538.85						25,538.85
403 · Tax Collector	50,232.00						50,232.00
404.00 · Legal Services	36,050.00						36,050.00
405.00 · Secretary/Clerk	45,835.00						45,835.00
408.00 · Engineering	9,500.00						9,500.00
410.00 · Eastern Pike Regional Police	355,350.00						355,350.00
411.00 · Fire Safety	20,600.00						20,600.00
413.00 · Code Enforcement	38,460.20						38,460.20
430.00 · Public Works	115,590.80	75,000.00					190,590.80
480.00 · Miscellaneous Expenses	0.00						-
483.00 · Pension Contributions	2,188.75						2,188.75
Special Tax - Debt Service	0.00					136,356.00	136,356.00
Special Tax - Debt Sewer Auth loan	0.00					47,490.00	47,490.00
Fire Protection	0.00			75,700.00			75,700.00
Capital Road Projects	0.00		300,000.00		78,000.00		378,000.00
KATZ TAX	0.00						0.00
Operating Reserve (profil)	9,519.40		0.00				9,519.40
Total Expense	839,675.00	75,000.00	300,000.00	75,700.00	78,000.00	183,846.00	1,552,221.00
Net	\$ -	\$ -	\$ 2,625.00	\$ -	\$ -	\$ -	\$ 2,625.00

Expenses on average increase over 2010

3%

**Westfall Township
Revenue and Expense - Projections
2012**

	General Fund (15.6)	Liquid Fuels	Proposed "Katz" Tax (7.5 mills)	Fire Protection Tax (1.8)	Capital Road Projects - Tax (1.9)	Special Tax Levy(4.4)	Total (31.2)
INCOME							
301.00 · Real Estate Taxes	631,800.00		303,750.00	72,900.00	76,950.00	178,200.00	1,263,600.00
301.10 · Delinquent Real Estate Taxes	44,250.00		2,300.00	3,250.00	1,525.00	5,500.00	56,825.00
310.10 · RE Transfer Tax	45,500.00						45,500.00
310.51 · LST	82,000.00						82,000.00
331.00 · Fines and Forfeits	3,000.00						3,000.00
340.00 · Interests, Rents, Royalties	5,500.00						5,500.00
355.00 · State Shared Revenue	4,775.00						4,775.00
356.00 · Payment / Lieu of Taxes	4,000.00						4,000.00
357.03 · SC 1010/1015	4,000.00						4,000.00
360.00 · Charges for Services	30,000.00						30,000.00
392.00 · Interfund Operating Transfers	0.00						-
Liquid Fuels	0.00	75,000.00					75,000.00
Special Tax - Debt Service Reserves	0.00					146.00	146.00
Total Income	\$ 854,825.00	\$ 75,000.00	306,050.00	76,150.00	78,475.00	\$ 183,846.00	1,574,346.00
EXPENSE							
400.00 · General Government	134,734.30						134,734.30
402.00 · Auditor / Financial Admin	26,305.02						26,305.02
403 · Tax Collector	50,544.00						50,544.00
404.00 · Legal Services	36,500.00						36,500.00
405.00 · Secretary/Clerk	48,585.10						48,585.10
408.00 · Engineering	8,000.00						8,000.00
410.00 · Eastern Pike Regional Police	365,000.00						365,000.00
411.00 · Fire Safety	20,600.00						20,600.00
413.00 · Code Enforcement	39,613.80						39,613.80
430.00 · Public Works	122,525.40	75,000.00					197,525.40
480.00 · Miscellaneous Expenses	0.00						-
483.00 · Pension Contributions	2,252.50						2,252.50
Special Tax - Debt Service	0.00					136,356.00	136,356.00
Special Tax - Debt Sewer Auth Loan	0.00					47,490.00	47,490.00
Fire Protection	0.00			76,150.00			76,150.00
Capital Road Projects	0.00				78,475.00		78,475.00
KATZ TAX	0.00		300,000.00				300,000.00
Operating Reserve (Profit)	164.88		0.00				164.88
Total Expense	854,825.00	75,000.00	300,000.00	76,150.00	78,475.00	183,846.00	1,568,296.00
Net	\$ 0.00	\$ -	\$ 6,050.00	\$ -	\$ -	\$ -	\$ 6,050.00

Expenses on average increase over 2011

3%

Chapter VIII

Plan Initiatives

I1. Effective January 1, 2010, the Board of Supervisors shall increase the real property tax millage from 23.85 to 31.2. In each year thereafter, the Board of Supervisors shall continue to levy taxes at the rates required to meet the Township's obligations to the Katzes, as set forth in the U.S. District Court's order entered on August 25, 2009 and as set forth in the Township's Chapter 9 Plan as approved by the U.S. Bankruptcy Court for the Middle District of Pennsylvania, and to its other vendors and creditors and to complete its capital requirements discussed herein. The Township shall satisfy its obligations for all its creditors and claimants as finally determined by the Bankruptcy Court in its confirmation of the Township's Chapter 9 Plan.

I2. With specific reference to its obligations to the Katzes, effective January 1, 2010, as a portion of the total 31.2 mills levied in 2010, the Board of Supervisors shall levy a special "Katz Tax" real property tax at the rate of 11.35 mills or at such other rate sufficient to fund the Township's cash and capital construction obligations to the Katzes. In each year thereafter, the Board of Supervisors shall continue to levy a special "Katz Tax" at the rates required to meet its obligations to the Katzes, as set forth in the U.S. District Court's order entered on August 25, 2009 and as set forth in the Township's Chapter 9 Plan as approved by the U.S. Bankruptcy Court for the Middle District of Pennsylvania. All funds collected as a result of the Katz Tax set forth above shall be segregated from other Township funds and deposited in a special fund entitled "Katz Obligation" from year to year until the full satisfaction of the Katz obligations by the Township.

13. For the years 2010, 2011 and 2012, the Township shall petition the Court of Common Pleas of Pike County, pursuant to the Second Class Township Code, for authority to levy General Fund millage at the rate of 15.6 mils, or such other rate in excess of 14 mils required to meet the Township's fiscal obligations.

14. Before the end of 2009, the Township shall continue to pursue and complete a loan in the amount of \$125,000 from the Municipal Authority of the Township of Westfall (or other lender) upon the terms and conditions set forth in this Recovery Plan.

15. The Township shall proceed with an RFP for a Tax and Revenue Anticipation Note (TRAN) for 2010 to meet the cash flow requirements of the Township and to have the TRAN in place as early in 2010 as possible. Any such TRAN shall be in conformance with applicable law and shall be repaid before the end of the year of origin of the TRAN.

16. Reflecting the Township's new and demanding financial obligations over the next few years, the Board of Supervisors shall be provided monthly financial statements at its regular scheduled meeting, which shall list by line item and summary form the previous month and year to date revenues and expenditures along with a comparison to budgeted allocations.

17. It is important that the Township regularly report its progress in implementing this Recovery Plan and the Chapter 9 Plan to the Coordinator. This, in turn, allows the Coordinator, as the agent of the Department to ensure that the Commonwealth is up-to-date on the status of implementation efforts. Therefore, the Township shall provide status reports to the Coordinator no less frequently than monthly during the period it remains in a distressed condition. These reports may be in written form or may take the form of periodic meetings solely for this purpose. Additional on-site and telephonic meetings involving the Coordinator and appropriate officials and employees will also be held on a regular basis to review implementation efforts and to aid in

the overall implementation process. Further, the Township shall routinely provide the Coordinator with all data pertinent to the recovery effort. For example, the annual budget shall be sent to the Coordinator as soon as it is introduced by the Board of Supervisors and again upon its adoption. In addition, material management, administrative and financial decisions made by the Township – which may or may not relate directly to the Recovery Plan – shall also be promptly communicated to the Coordinator before a final decision is made by the Township management or Supervisors. This is particularly important if these actions entail an abrupt change or alteration in the policies or practices of the Township.

18. In cooperation with Matamoras Borough, the Township shall complete and adopt its Regional Comprehensive Plan and Regional Open Space, Greenways and Recreation Plan.

19. The Township's revised Comprehensive Plan shall fully incorporate the terms, rights, benefits and entitlements afforded to the Katzes in the agreements, ordinances and other documents referred to in the U.S. District Court's order entered on August 25, 2009.