



2015 Budget Message

Overview

The proposed 2015 Budget for the Township has been developed over the past three months. It has gone through three public budget work sessions with the Board of Supervisors prior to being advertised for formal public review. The goal of this Budget is to present a clear picture of the operations and the financial plan of West Pikeland Township; especially in regard to longer term infrastructure needs that have not been adequately planned for in the past.

The Township finances have stabilized considerably since the brunt of the recession affected us in 2010. Through a combination of staff downsizing, prudent spending and fiscal policies, creation of a rainy day fund, and an uptick in tax revenues we have managed to secure a AA+ municipal bond rating by Standard & Poor's. This is a significant achievement. There are only five Townships in Pennsylvania that have achieved a higher rating.

The Township's real estate assessed valuation is stable with new construction / home improvements balancing out homeowner appeals of real estate assessments. This real estate assessed value decrease appears to be moderating and leveling off. Real Estate Transfer taxes are beginning to increase again as more homes change ownership.

The voters of the Township passed a referendum in May of 2014 imposing a 0.3 mil Library Tax. This is expected to generate \$111,200 in revenue for the Chester Springs Library, but does not provide any revenue to Township operations other than an offset of the \$10,000 voluntary contribution that the Township provided in 2014.

Given these financial circumstances, the Township administration has continued to either hold or reduce some general fund expense categories over previous levels. Because of this, and the stabilization of the earned income revenue, the proposed 2015 Budget will not raise taxes for our residents.

This respite may be short-lived, however, as the deferred maintenance on the Township's infrastructure – roads, storm sewers, buildings, and parks - will need to be taken care of in future budget cycles. That being said, any future increases can be lessened by proper long term infrastructure and financial planning.

Key Projects & Services Provided

Public Works

In 2014, we undertook several public works projects geared towards maintaining our 26 miles of Township roads and other facilities. Elbow Lane, Messner Road, Upper Pine Creek Road, and portions of Art School Road were microsurfaced and drainage swales cleaned. A damaged bridge abutment was repaired at the intersection of Hunt Club Lane and Route 113.

We continued the implementation of portions of the 2012 Public Works Study Group's recommendations by selling surplus equipment while maintaining and replacing other equipment needed to continue to provide everyday services to our residents. A new small dump truck was purchased as replacement to an 18-year old truck. With the purchase of the White Property and the reservation of 5 acres for general township use, an existing pole barn on the property was converted to store 300 tons of roadway deicing salt. These items will improve the efficiency of our roadway deicing operations.

One full time, Public Works employee was hired to compliment our part-time Public Works Foreman; bringing our Public Works staff up to their full complement of two permanent employees.

The engineering and environmental permitting for the replacement of the bridge on Horseshoe Trail near Chantilly Lane began in 2014 and is expected to be completed during 2015. This is expected to allow construction to begin in 2016. The new bridge and roadway will be designed to minimize flooding issues on the road.

For 2015, the Township's road maintenance program continues based upon our *Road Maintenance and Planning Program*. The program prioritizes improvements based upon the physical conditions of the roads, the traffic volume of the roadway, and the most effective way to maintain the roads. It may seem counterintuitive, but the worst roads do not necessarily show up as the first roads to be rebuilt. For the long term road program to work effectively - and at the ultimate lowest cost to the taxpayer, the maintenance costs must be spread out over the entire road network. To rebuild a road is much more costly than to extend its life. If we are able to tar and chip or microsurface a road and then get 5 to 7 more years out of it instead of putting our yearly fund allocation into rebuilding a third of that same road, then over time we will have enough funds to rebuild the poorest roads correctly. This puts us on the path to a cost-effective, long-term sustainable approach to our road funding. The Township only receives about \$125,000 per year in gasoline taxes from the Commonwealth. This amount is usually only enough to pay for the resurfacing of one mile of road and to cover our snow removal operations for one season.

In the 2015 budget, public works projects such as the rehabilitation of Matthews Run Road and the rebuilding of Bodine Road from Evergreen Lane to Yellow Springs Road have been funded.

Public Safety

The budget continues to support critical public safety activities such as Township Police and the volunteer fire companies that serve the Township at previous financial levels. This year's budget continues the existing Township Police coverage. The Township Police Chief continues to strive to provide important policing and quality of life services to our residents using less tax payer resources than many of our larger neighbors. A small increase in the Township's contribution to the Kimberton

Fire Company was approved. Additional training was budgeted in 2015 for the Township Emergency Operation's Center.

Municipal Campus

In 2013, the Township began an investment into rehabilitating the Township Building and Cultural Center. Phase I of this effort strived to increase the usability and marketability of the theater by refinishing the theater flooring, removing the permanent risers, replacing inefficient lighting, and replacing a deteriorated picture window in the theater foyer. In 2014 capital projects that were completed included removing the deteriorated earthwork pillars, replacement of half of the air conditioning system in the theater, a new digital lighting control board for the theater, a new oil tank for the police station, the migration of our phone system to a new Voice over IP technology, and the installation of an emergency generator system.

The 2015 budget allocates capital funding to continue this effort. It includes the replacement of the remainder of the theater air conditioning system and the construction of an additional handicapped parking space adjacent to the lower level public meeting room.

Open Space & Recreation

The Township's Open Space program is funded by a voter approved, 0.25% earned income tax. The Township Open Space Committee continues to talk to township landowners about preserving their properties. Under this program in 2014, the Township conserved an additional 11.5 acres of private land for open space and trail use.

In late 2013, the Township purchased the 67 acre White Property near the intersection of Routes 401 and 113. This will eventually become our second community park along with other municipal uses. A bond issue was completed to pay for the community park acquisition and the debt service will be paid from the dedicated open space tax.

During 2014 consultants were selected for the preparation of a Park Master Plan, a twelve member task force was appointed to participate in the plan's development, and two public meetings were held soliciting input on the park design. The plan is anticipated to be adopted by the Board of Supervisors in early 2015. The Board has directed Township staff to apply for grant funds in 2015 to be used towards the development of this parkland.

This budget set asides funding for the engineering, design, and bidding of our new park. It also continues funding for the maintenance of Pine Creek Park. The budget has available funding for select conservation easement purchases should the opportunity present itself.

Under a new law, the Board of Supervisors began a policy in 2014 of setting aside 25% of the open space earned income tax to be used either towards the development of open space or the preservation of additional lands. This set aside is expected to generate \$147,000 per year. Should this available revenue be used to fund park development, the maximum loan it could fund as debt service would be approximately \$2 million dollars. This amount could not be expected to fully fund the development of a second community park and would need to be paired with grants and general fund tax dollars to complete the park.

Conclusion

The Township finances have improved since the recession due to the cost cutting, economic improvement, and financial planning that has taken place over the past three years. However, the Township is at a fiscal crossroads. This is mainly due to the expected infrastructure costs that will likely be thrust upon it within the next five years.

A 5-year Financial Plan has been drafted, vehicle and equipment capital depreciation schedules have been implemented, and an Operational Reserve (Rainy Day) Fund has been created. While our financial situation has improved and the Township has stable month to month finances, changing demographic, economic, and land use trends will require us to change the way we operate to meet the service needs of our residents in the future. Our biggest future challenge will be maintaining our infrastructure with a primarily residential tax base and limited growth.

Future budgets should continue to work towards establishing a sustainable financial future for the Township - given the new economic realities and the service needs of our residents. This will not happen overnight. It will take many years to accomplish. Initially, this means prioritizing the core functions of local government, such as public safety and road maintenance - then slowly developing financial reserves. Decisions on the levels of core services needed and the provision of optional services to our residents will need to be balanced by the realization that this cannot be accomplished without an increase in taxes. We recognize the requirement to keep the residents informed as we evolve our long term financial needs. Outreach to residents to let them know that local government produces the most "bang for the buck" when providing services for the amount of taxes paid must be conducted. When it comes out of their paycheck or mortgage payment, people tend to lump all taxes together. The true picture is that for real estate taxes, the School District share represents 85.4 % of the tax burden, the County is 13.1 %, and the Township is only 1.5 %.

When developing and implementing policy in the future, our Township officials and staff must strive to provide cost effective services that are responsive to needs today while avoiding long term liabilities. To get to long term financial sustainability for the Township - a reevaluation of the core services that we provide and the financial means to support them is needed.