

2017 Budget Message

West Pikeland Township is presenting a balanced budget for calendar year 2017. If adopted by the Board of Supervisors, it will not require any changes in tax rates.

Under the laws of the Commonwealth of Pennsylvania, the Township budget must be balanced and it must be approved by the Board of Supervisors no later than December 31st of 2016. The laws also require that the budget be advertised and available for public inspection for twenty (20) days in advance of the adoption of the budget.

A balanced budget is defined as one in which the projected revenues equal or exceed the projected expenses for the calendar year. The monies in the Township's accounts at the end of this year are carried forward into the new year and are considered as "revenue" for 2017 for the purpose of determining whether the budget is balanced.

The Commonwealth of Pennsylvania has guidelines for the preparation of municipal budgets. They are contained within the Chart of Accounts which has been established by the Commonwealth. As prepared, the proposed 2017 Budget meets the requirements of the Chart of Accounts.

The budget is structured to show income and expenses in four categories. They are:

- General Fund
- Liquid Fuels
- Open Space
- Library

Most of the Township's expenses are paid out of the General Fund. The General Fund's revenues come from a variety of sources, but the primary sources are the earned income tax, transfer taxes and a real estate tax. The earned income tax for general fund purposes is 0.50%. The transfer tax, which is levied when property is sold in the Township, is 2.0%, but the Township's portion is 0.50%. The real estate tax is levied on the assessed value of real estate in the Township. The rate is expressed in mills (the "mill rate"), which is the tax rate per each \$1,000 of assessed valuation. The mill rate for general fund purposes is 0.2 mill.

Liquid fuel funds come from the Commonwealth of Pennsylvania, which collects taxes on vehicle fuels sold in the Commonwealth and then distributes them according to a formula to the municipalities in Pennsylvania. Those funds can only be used for snow plowing, traffic control devices and road-related expenditures. Such expenditures can include the purchase of equipment, but the dollars available for such are limited by the Commonwealth.

The Township has a voter approved earned income tax which is dedicated for the preservation of open space. The rate is 0.25%. It also has a voter approved real estate tax of 0.3 mills which is dedicated to funding the Chester Springs Library. Funds raised by the Township are paid to the Library, which then uses them for its operations.

In 2013, the Township issued bonds to fund land acquisition and infrastructure projects. Those funds have been used and continue to be used for funding for parks, roads, equipment, bridges, open space and other key assets of the Township. The Township has a dedicated tax on real estate to pay for capital projects. The mill rate is 0.3 mills.

In 2017, the Township is proposing a number of capital projects which will be funded from a variety of sources including unused bond proceeds which will be carried over into 2017. The major projects are as follows:

- Purchase of a new police vehicle
- Purchase of a sign board for the Police Department
- \$300,000 in projected road repairs
- \$50,000 for the demolition of a house on Township property adjacent to Pine Creek Park
- Phase One of the work to turn the 62-acre parcel on Conestoga Road into a new park for Township residents
- \$800,000 for the replacement of the bridge on Horseshoe Trail which spans the creek near to Route 113
- Replacement of the salt shed, which needs to be removed when the park construction begins

Revenues

The proposed budget first identifies the fund balances which the Township projects that it will have at the end of 2016 which will be then carried forward into 2017.

With respect to property taxes, the Township is not proposing to raise any of the tax rates. It therefore expects that the revenues from real estate taxes will remain relatively unchanged. The anticipated revenues from transfer taxes is projected to increase from the 2016 budgeted number but they are budgeted for less than what had been received to date in 2016. Earned income taxes are expected to increase to reflect the fact that residents will likely see their income increase slightly in 2017.

Revenues from licenses and permits will essentially be unchanged from the 2016 budget. Revenues from fines and forfeits is expected to decrease slightly. Interest earnings are expected to decrease as the Township spends bond proceeds and other funds on the anticipated capital projects. Facility use income is also projected to be static.

In intergovernmental revenues, which are revenues received from other governmental units, the Township expects to receive about \$8,500 in additional liquid fuel funds. It is also anticipating the award and receipt of \$250,000 in grants from DCNR for use in Phase 1 of the park construction.

Charges for services are projected to be down by more than \$30,000. This reflects the use of a contractor, Barry Isett and Associates, to process building permit applications and a proposed change of the fee schedule to reflect decreased costs to process building permits.

The primary change in Miscellaneous Revenues is that the Township anticipates that it will refinance its 2013 bonds, which could provide an anticipated revenue of \$250,000 in 2017 if exercised.

Expenditures

Expenditures which used to be aggregated together under Legislative Governing Body, which is the Township's Board of Supervisors, have now been split out into various sections which now provide more detail on the expenditures. In general, the expenditure levels have not changed. The expenditures for the Township Manager have increased since they now reflect the actual cost of the medical insurance benefits. In Financial Administration, the salary of the bookkeeper is now reflected in that section. The expenses for the Township Secretary/Assistant to the Manager are now accounted for in a separate section.

For Tax collections, the cost of collecting the open space taxes will now be allocated to the open space category. The increased cost reflects the commission paid to collect the increased earned income taxes.

The Legal Services budget is unchanged from 2016. The Information Technology budget has been increased to allow the Township to update its web site.

Engineering Services are expected to be reduced from the 2016 actual expenses but increased from the 2016 budget. The current budgeted amount reflects what the Township believes the level of required engineering services will be in 2017.

With respect to Township Buildings, the Township is looking to repaint the theater in 2017. In 2016, building maintenance was not budgeted for and in 2017, the expectation is that maintenance will cost approximately \$1,000 a month. The cost of heating oil should remain stable in 2017, which will be about one half the 2016 budgeted figure. The Palmer property is now tax exempt, so real estate taxes on that property should be eliminated. In 2017, the Township expects to do maintenance on trails within the Township by contributing \$8,000 to the West Pikeland Land Trust, which will perform the trail maintenance.

With respect to Police Protection, salaries and related expenses are expected to increase by 3%. Medical costs are expected to increase by 7.5%. The Fire Protection costs are expected to increase slightly because of increased costs for workers' compensation coverage for the volunteer fire fighters. Code Enforcement costs should decrease to reflect the cost of using the current contractor to do that work.

With respect to Planning and Zoning, the budget reflects an anticipated decrease in use of a planning consultant. The Emergency Management budget is unchanged.

Recycling Program costs are now reflected in the section for Hazardous Waste Disposal. When residents dispose of hazardous wastes or electronic items at the Chester County run collections, the County bills the Township for such services. The budget reflects that anticipated cost.

The Wastewater Collection/Treatment section reflects only those costs associated with engineering and planning for such disposal. The Township does not operate any wastewater treatment facilities. The costs are expected to increase slightly.

For Public Works, the 2017 budget anticipates increase medical benefit costs. In addition, salaries are expected to increase by 3%. The budget also reflects the use of a part time worker to assist during the summer. Workers compensation costs are now reflected in the budget. The projected cost for snow and ice removal in 2017 is unchanged from 2016. With respect to traffic signs and signals, liquid fuel funds will fund most of the costs in 2017. The increase reflects the anticipated additional cost to replace signs in the Township. With respect to highway materials, the budget is increased slightly for 2017 to reflect anticipated increases.

With respect to Culture and Recreation, the decrease in the budget for Arts & Culture Committee more accurately reflects what the 2017 actual expenses will be.

With regard to Parks, a large decrease is expected. The maintenance on the White property has been much less than expected and Phase 1 for the Park is now under the capital outlays. Community Development for the most part reflects open space costs. While consulting and appraisal fees are expected to decrease, the Township anticipates closing on two major open space projects in 2017.

Debt service is anticipated to decrease slightly in 2017 based upon information provided when the debt was incurred. The expenditures for the library reflects the payment by the Township to the library of the taxes it collected for the library. Capital expenditures are discussed above.

The last section reflects what the Township anticipates fund balances to be at December 31, 2017.