

CHARTIERS TOWNSHIP

"Working together for the betterment of our community"

Manager's Budget Message 2014 Final Budget

This Budget Message was prepared in an effort to explain the 2014 Chartiers Township Budget to Board of Supervisors and General Public who may be interested in the Township's finances. It was intended to provide a general overview and summary of the various Township funds and anticipated revenues and expenditures for 2014. It is not intended to be a detailed analysis, but to provide the reader with the overarching concepts contained in the Township's budget, which can be characterized as the means to accomplish the Township's goals and objectives for 2014.

The Chartiers Township Board of Supervisors approved the preliminary 2014 Budget at their meeting of November 19, 2013. It was then placed on public display at the Municipal Building for the prescribed 20 days of public review. Adoption of the Final 2014 Chartiers Township Budget is scheduled for Tuesday, December 17, 2013. In preparation, the Board of Supervisors held seven (7) budget workshop meeting while preparing the 2014 budget. During this time they met with department heads and community groups regarding budget requests. Additionally, they reviewed the 2013 Year to Complete Estimates, 2014 Projected Revenues, 2014 General Fund Expenditures and 2014 all other funds.

This budget is a revenue neutral budget, where the Board accomplished the task of maintaining the current tax rate for the 20th year in a row while still meeting the demands for increased services. This year, the Township developed some financial initiatives to improve and streamline the Township's financials. In particular, we closed and consolidated superfluous funds, where possible. Additionally, the Township created a Capital Reserve Account to begin saving the Township's fund balance to meet our capital needs. Additionally, it ensures that we are not using potential one time revenue sources, such as host fees from the landfill, to cover our operating expenses. Instead, we are utilizing these funding streams to pay for capital purchases and maintain our operating expenses from more steady tax revenue and other sources, such as tax base and our growth. The Township has multiple funds which were budgeted as summarized below:

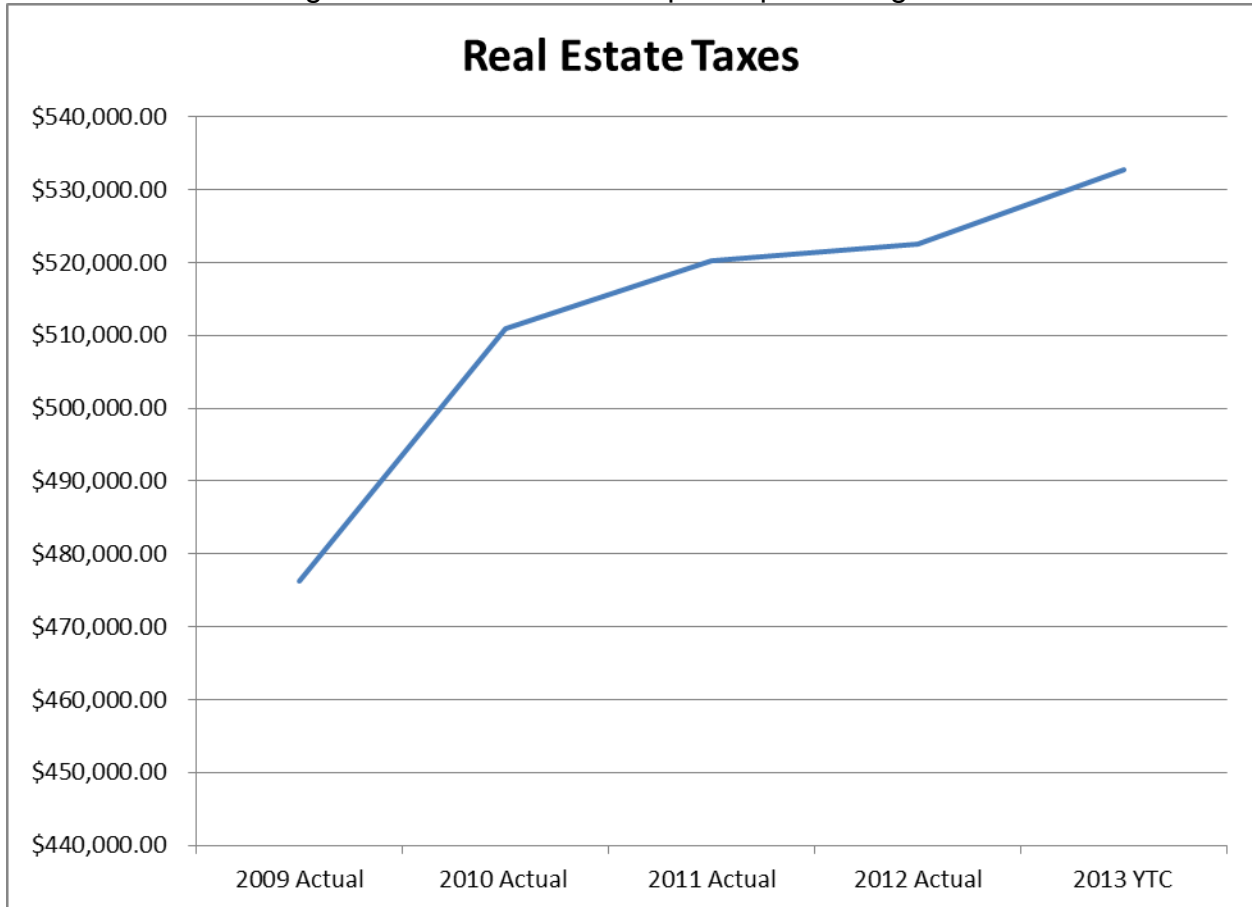
GENERAL FUND

The 2014 General Fund expenditures are projected to be \$3,589,908.27 which is less than the 2013 Year to Complete estimate and only a slight increase (3%) over the 2012 actual expenditures. The budget represents a conservative budgeting strategy, whereby the Township conservatively estimates its revenues and aggressively anticipates expenditures so that we are on a path to realize a budget surplus for 2014.

CHARTIERS TOWNSHIP

"Working together for the betterment of our community"

The Real Estate Taxes continue to increase, despite the constant of the same tax rate, due to the continued growth Chartiers Township is experiencing.

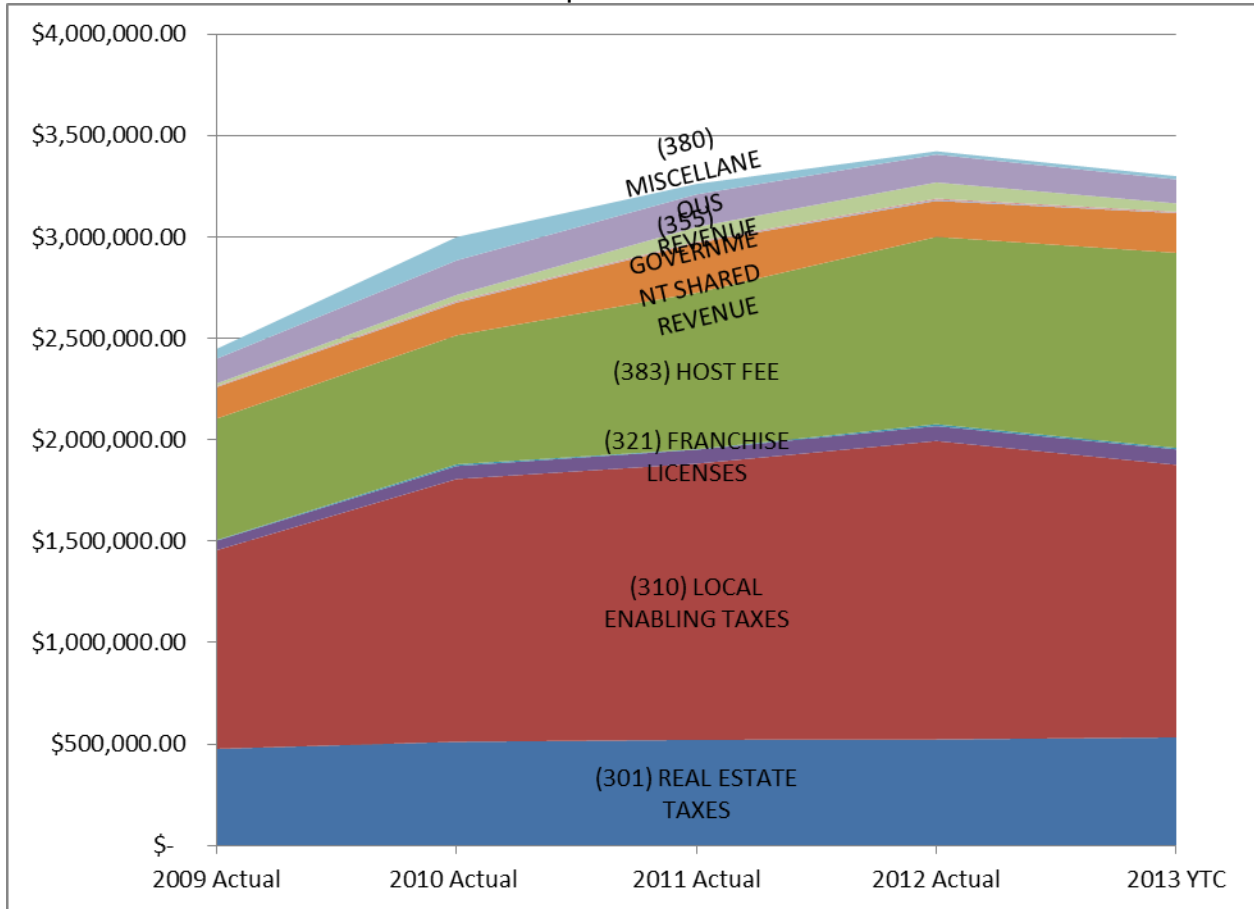


It is worth noting that Earned Income Tax now represents more than twice the revenue stream of Real Estate Taxes at \$1,044,000 vs. \$512,000 respectively. Another primary revenue source is the Host Fees from the Arden Land fill, which topped \$961,000 in 2013. To ensure that the Township is not using the increases that have been realized from these fees due to the increased product from oil and gas development, the Township is transferring the anticipated revenue in excess of normal host fee revenue (\$300,000) to capital reserve funds to be used to fund one-time capital purchase and not our operating expenses. Those are the primary revenue sources for the Township making up two-thirds of the Township's 2014 General Fund Revenues. The Local Services Tax has been removed from the General Fund to a separate fund, as expenditures from these taxes are restricted for use as outlined in the enabling legislation for this tax.

CHARTIERS TOWNSHIP

"Working together for the betterment of our community"

Township Revenue Trend



It is important to note that for the average Chartiers Township home, valued at \$142,900, a resident pays approximately \$321 in Township taxes at the current millage rate. Of the average resident's \$5,189 annual tax bill, only 6% of is for Township taxes. To put that in perspective if you consider it in terms of each local property tax dollar a resident spends, \$0.06 of it goes to pay for local government services in Chartiers Township. \$0.76 per dollar is attributable to the Chartiers Houston School District and \$0.17 per dollar goes to Washington County.

Your Real Estate Property Tax Dollar



CHARTIERS TOWNSHIP

"Working together for the betterment of our community"

There are no significant increases in General Fund Expenditures, although most differences in individual budget categories are attributable to the change in budgeting methodology whereby many line items are being paid in other funds. Administration has a slight increase for 2014 due to increased personnel costs, in particular the budgeting for the possibility of some part-time administrative assistance if necessary. General Government's increase is anticipated to cover increased insurance costs for the new Community Center, other than that, most General Government line items are essentially flat. Auditing / Comp- Office Equipment is slightly higher to accommodate the anticipated replacement of the office copier which is approximately 20 years old. Tax Collection expenses are decreased in 2014 due to the expenses related to collection of the Local Services Tax being taken out of the Local Services Tax Fund. Additionally, the Township had previously had significant non-resident refunds, which due to the County-wide tax collection system, we no longer encumber and so that line item is not funded in 2014. Both Legal and Engineering expenses are level in 2014. The operating expenses for the municipal building are similarly expected to remain flat. The Police Department represents the largest portion of the Township budget with \$1.2 Million in expenditures. A majority of these expenses are personnel related and are contractual. A couple line items will now be funded by the Local Services Tax, to help make up the 25% of those funds that must be spent on public safety. Other than that most line items in this department remain flat, with the exception of contractual increases. The Fire Department expenses are relatively flat. This is realized because although the 2014 contribution to the Fire Department from the General Fund shows a decrease from \$80,000 to \$60,000, the Township's contribution to the Department remains flat at \$80,000 with the remaining \$20,000 coming from the Local Services Tax Fund to again make up the 25% expenditure of those funds on public safety. Despite that decrease from the general fund, this department's expenditures remains flat due to the increase in cost of providing worker's compensation insurance through the State fund for the volunteer fire fighters. The Planning and Zoning Department shows a slight increase over the 2013 Budget, but is less than the 2013 Year to Complete Estimates, and that is because the 2013 Budget did not adequately reflect the contractual expenses of UCC Inspections which are 80% of revenues. Therefore, this expense in 2014 is budgeted at 80% of the expected revenues for building permits. All other line items in this department remain relatively flat. Sanitation and Recycling is similarly flat, despite the fact that the Township embarked on a DEP approved leave composting program in 2013 by utilizing the Ag-Recycle center in North Strabane and the Township intends to expand collection to not only include a Spring Leaf collection, but also additional yard collection. Highway Maintenance is general flat with the exception of the need to purchase a new base radio to be FCC compliant. Snow and Ice Removal is anticipated to be the same as 2013 at around \$55,000 from the General Fund. Traffic Signals & Street Signs has increased slightly to accommodate the need to place additional guide rail throughout the Township and our purchase of street signs that are PennDOT reflectivity compliant throughout the Township. Storm Sewers and Drains has increased by \$3,500 and that is to purchase additional pipe to deal with the multitude of

CHARTIERS TOWNSHIP

"Working together for the betterment of our community"

stormwater complaints that have arisen in 2013 and the expenses related to the MS4 Program, which is state mandated. Vehicle Op/Rep/Maint/Purch is anticipated to flat from the 2013 Year to Complete estimate and slightly under the 2013 budget. Salaries/ Materials / Supplies for Public Works is slightly increased from the 2013 Budget, which is primarily due to contractual obligations. Highway Construction is significantly decreased for 2014, which is primarily reflective of road construction being classified as a capital expense and therefore not being partially paid from the General Fund as in prior years. Culture/Recreation has seen the biggest percentage jump in 2014 and that is to accommodate the expected expenditures related to the operation of the new Chartiers Township Community Center. The Library contribution remains constant at \$20,000. Other Group Donations has increased to partially respond to the request for local funding from the Washington City Transit Association to fund public transportation in the Township. Insurance costs reflect a slight increase in 2014, which is a roll-up factor from wage increases and premium increases. Administrative Benefits are expected to be slightly under the 2013 Year to Complete estimate. There was an employee sick day buy-back one-time expenditure in 2013 due to the separation of service of an employee with accumulated sick leave. Interfund Operating Expenditures is higher than normal to reflect the \$300,000 transfer to the Capital Reserve Fund from the General fund discussed earlier.

LIGHT & HYDRANT FUND

This fund is a consolidation of the prior Light Fund and Hydrant Fund. Overall it is flat with the two (2) funds 2013 budget, it is just now the revenues and expenditures are contained in a single fund to streamline finances. The 2014 expenditures for this fund are \$124,302 versus 2013 budgets from Light Fund at \$82,710 and the Hydrant Fund \$48,701.

ACT 13 FUND

This fund has statutorily created expenditure restrictions contained in Act 13 of 2012. The Township has allocated the expenditures for this fund in accordance with those obligations. The primary expenditure will be \$1,000,000 to cover road construction and debt service obligations to reconstruct Allison Hollow Road. The balance of expenditures include \$16,700 to fund a new generator and computers for the Police Department and a \$42,386.45 donation to the Chartiers Township Volunteer Fire Department, both falling under the Public Safety category. Parks and Recreation is funded at a sum \$255,000 for completion of furnishing and equipping the community center, a \$20,000 capital donation to the Chartiers-Houston Public Library and \$25,000 for Parks to utilize to fund a study or facility improvement. The balance of the \$133,339.17 is being reserved for Act 13 Permitted purposes in accordance with the Act.

GAMING FUND

The Township expects to spend its 2014 Gaming Revenues on the repair/replacement of the municipal building roof. Additionally, the Township will commence the study to determine of Transportation Impact Fees make sense for

CHARTIERS TOWNSHIP

"Working together for the betterment of our community"

Chartiers at an anticipated \$60,000, some of which is refundable through the impact fees upon implementation. The Final expenditure in this fund is for Public Works Vehicles. The Township anticipates purchasing a used truck for the Public Works Department early in 2014. The balance is to fund the financing of the 2014 Ford F-550 authorized in 2013 to be acquired.

ARDEN FORCE MAIN FUND

The \$246,990.84 in this fund for 2014 is unallocated as it is being reserved for future repairs to the Arden Force Main.

SEWER FUND

This fund is budgeted at \$760,777.12 for 2014, which is significant under the 2013 budget, but is reflective of the Township retiring the debt from McClane Farms water project which resulted in a savings of over \$140,000 in interest for the Township. Other than that the 2014 Sewer Fund represents expected revenue and expenditures of maintaining and repairing the Township Sanitary Sewer System.

ROUTE 18 SEWER FUND

This fund is for the joint sewer project with Canton Township that was constructed in 2012 has a 2014 Budget of \$529,484.50, most of which is a balloon debt service payment due in August 2014. The Township anticipates that additional funding will have to be sought or the 2010 project bond issue be advance refunded to meet the 2014 debt service obligations for the project. The Township continues to work with Canton Township to solve this financing dilemma ahead of the 2014 debt payments.

MIDLAND SEWER FUND (NEW FUND)

This fund was created for the 2014 budget to reflect the anticipated revenues and expenditures of the Midland Sewer Project which is slated to begin construction in early 2014. The Township was the recipient of a \$1,000,000 Local Share Account Grant and a \$2,000,000 PennVest low interest loan to fund the construction of this \$3.6 Million project. The balance of the costs will come from resident tap-ins and a contribution by the Chartiers Industrial Park.

LIQUID FUELS FUND

The expenditures for this fund are similar to other funds restricted by State regulation. From the anticipated \$208,920.18 to be received from the State, the Township intends to spend a majority of it on the salt for winter maintenance at \$105,000. Additionally, \$95,000 is anticipated to be spent on the 2014 Road Program, which is a slight increase over 2013. Other expenditures in this fund include the purchase of guiderail and highway maintenance material.

FRIENDS OF CHARTIERS COMMUNITY PARKS

The expenditures for this fund for 2014 are budgeted at \$10,025, but are dependent on the fund raising of this group. We anticipate a significant fund raising effort for the Chartiers Township Community Center in the form of a donation tree in the

CHARTIERS TOWNSHIP

"Working together for the betterment of our community"

lobby. However, consistent with our conservative budgeting practice we are budgeting for a conservative effort in 2014.

CAPITAL RESERVE FUND (NEW FUND)

This is a new fund for 2014 to help the Township fund our capital needs over time by annual savings from one-time revenue sources as a result of our effort to reflect responsible budgeting. Several funds will be closed and their fund balances transferred here to be reserved for the purposes for which those funds were created. We anticipate an \$803,376 beginning balance for this fund. It is worth noting that the General Fund transfer will not occur until after the Real Estate Tax Revenue is realized in the second quarter of 2014 to ensure the general fund has a balance to cover the Township's first quarter expenses. Of that balance, the Township has planned to invest \$197,800 in capital purchases in 2014 and to reserve the balance for future capital needs. Among the capital purchases anticipated are \$50,000 to cover the balance of roof replacement for the municipal building; \$10,000 for the replacement of a furnace for the municipal building; \$27,000 to purchase a police vehicle; \$14,000 for computers for the police department and \$6,800 for truck scales. The latter two expenses are expected to be funding from a multi-municipal Local Share Grant received in prior years. The Township anticipates spending \$10,000 to repairs to the public works garage. The Parks and Recreation Expenditures are anticipated to be \$50,000 for field development and \$25,000 to fund the balance of a Parks Recreation and Open Space Study. The only other capital expenditure anticipated is an additional \$5,000 for the Transportation Impact Fee Study as a precaution for any project overruns, such as additional meetings, etc.

LOCAL SERVICES TAX FUND (NEW FUND)

As previously indicated this fund is new for 2014 to ensure that the Township spends these funds in accordance with Act 222 of 2004 which requires that municipalities use funds for police, fire or emergency services; road construction or maintenance; or for the reduction of property taxes. Of the \$130,00 anticipated to be collected from this tax in 2014, the Township intends to spend a majority of it on Road Construction and / or Maintenance at \$70,000. An additional \$22,800 in road maintenance operating that was similarly previously paid from the general fund is now being paid out of this restricted fund. \$13,500 for police uniforms, guns and vests and the \$20,000 donation to the Fire Department make up the 25% that is required to be spent on Public Safety.

OPERATING RESERVE FUND (TO BE CLOSED)

The Township anticipates closing this the fund in 2014 and transferring the balance to the Capital Reserve Fund. This will not occur until the Community Center construction expenses and reimbursements from grant funding sources is received. Any balance that remains within the operating reserve fund will be consistent with State law and not exceed 5% of General Fund Expenses. We anticipate that when the center is complete the Township will be able to transfer \$350,000 to the Capital Reserve Fund to be reserved for capital expenditures moving forward.

CHARTIERS TOWNSHIP

"Working together for the betterment of our community"

ARNOLD PARK FUND (TO BE CLOSED)

Since there is no statutory obligation for this fund, the Township intends to transfer the balance of \$130,000 to Capital Reserve to be reserved for development, repair and maintenance to Arnold Park. This balance will be reserved specifically for Arnold Park, consistent with the fund, but it allows us to close this unnecessary Fund.

HYDRANT FUND (TO BE CLOSED)

As mentioned previously this fund has been consolidated with the Light Fund to form the Light and Hydrant fund. The \$910 balance will be transferred to that fund and the 2014 Revenues and Expenditures for the Township's hydrant service will be recorded in the new fund.

MUNICIPAL IMPROVEMENT FUND (TO BE CLOSED)

The Township anticipates closing this fund in 2014 as it has no specific purpose and the intentions of this fund can be fulfilled by the Capital Reserve Account. To that end, the \$340 balance in the fund will be transferred to the Capital Reserve Account.

GROWING GREENER FUND (TO BE CLOSED)

The Township anticipates closing this account upon completion of the community center as this fund has been used to cover the soft costs for the center which are not eligible for RACP grant reimbursement. At this point we expect a balance of \$68,000 to be transferred to Capital Reserve