

CHARTIERS TOWNSHIP

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Manager's Budget Message 2016 Final Budget

This Budget Message was prepared in an effort to explain the 2016 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 2016. 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 2016.

The Chartiers Township Board of Supervisors approved the preliminary 2016 Budget at their meeting of November 24, 2015. It was then placed on public display at the Municipal Building for the prescribed 20 days of public review. Adoption of the Final 2016 Chartiers Township Budget was held on Tuesday, December 15, 2015. In preparation, the Board of Supervisors held six (6) budget workshop meeting while preparing the 2016 budget. During this time they reviewed current and projected revenues and expenditures as well as long term financial capital investment and financial management goals and strategies.

This budget is a revenue neutral budget, where the Board accomplished the task of maintaining the current tax rate for the 22nd year in a row while still meeting the demands for increased services. This year the Township continued for the third year with managing a Capital Reserve Fund 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 starting to utilize 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:

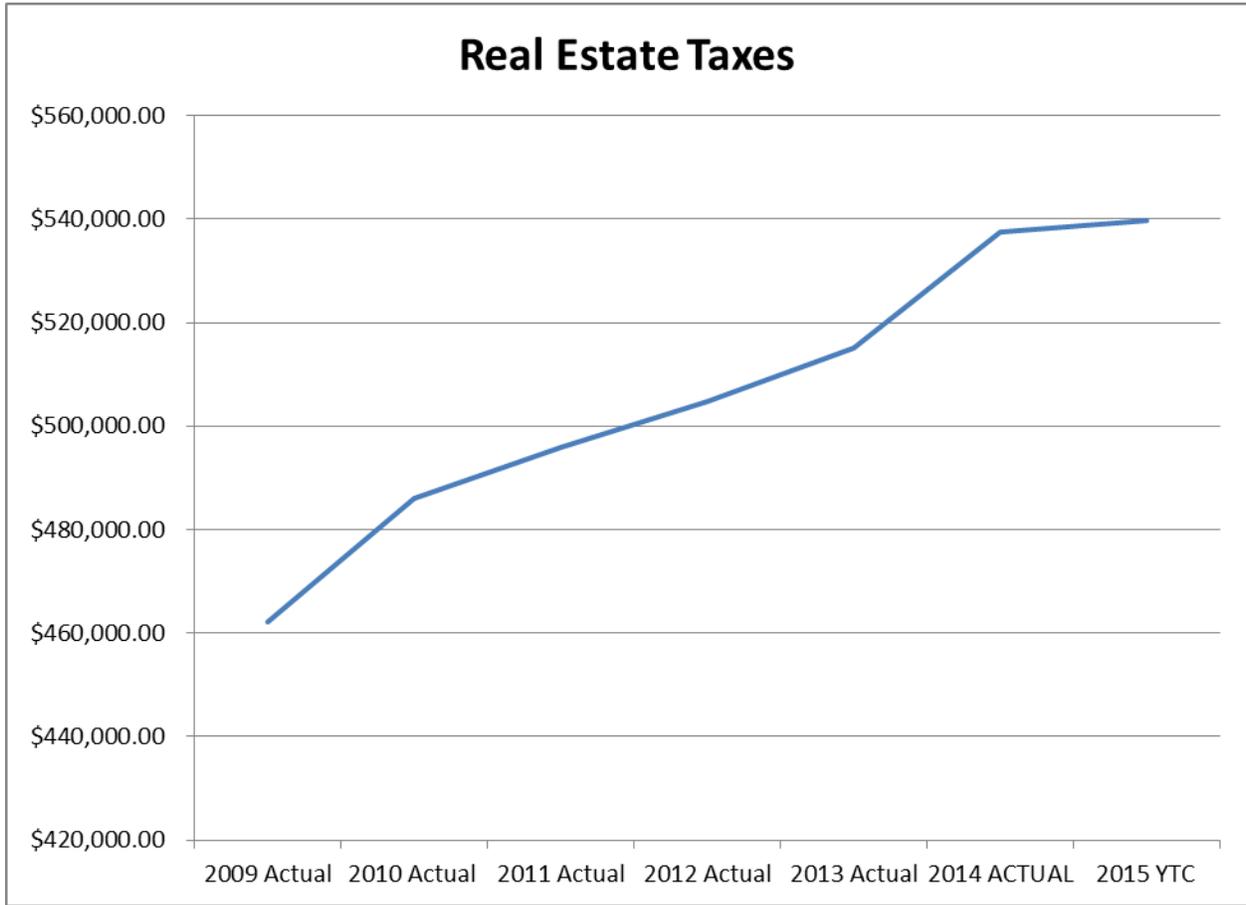
GENERAL FUND

The 2016 General Fund expenditures are projected to be \$3,312,250. This is part of the overall financial strategy to better match our funding streams with operating and capital purchases to ensure that our expenditures aren't exceeding our regular operating revenues. While we have not completely moved to a matched system, we are making strides to that goal. 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 2016.

The Real Estate Taxes continue to grow, despite the level tax rate, due to the continued growth Chartiers Township is experiencing. However at \$540,000, Real Estate Taxes only make up 18% of the Township's General Fund Revenue Stream. However, we conservatively budget \$520,000 in real estate taxes for 2016

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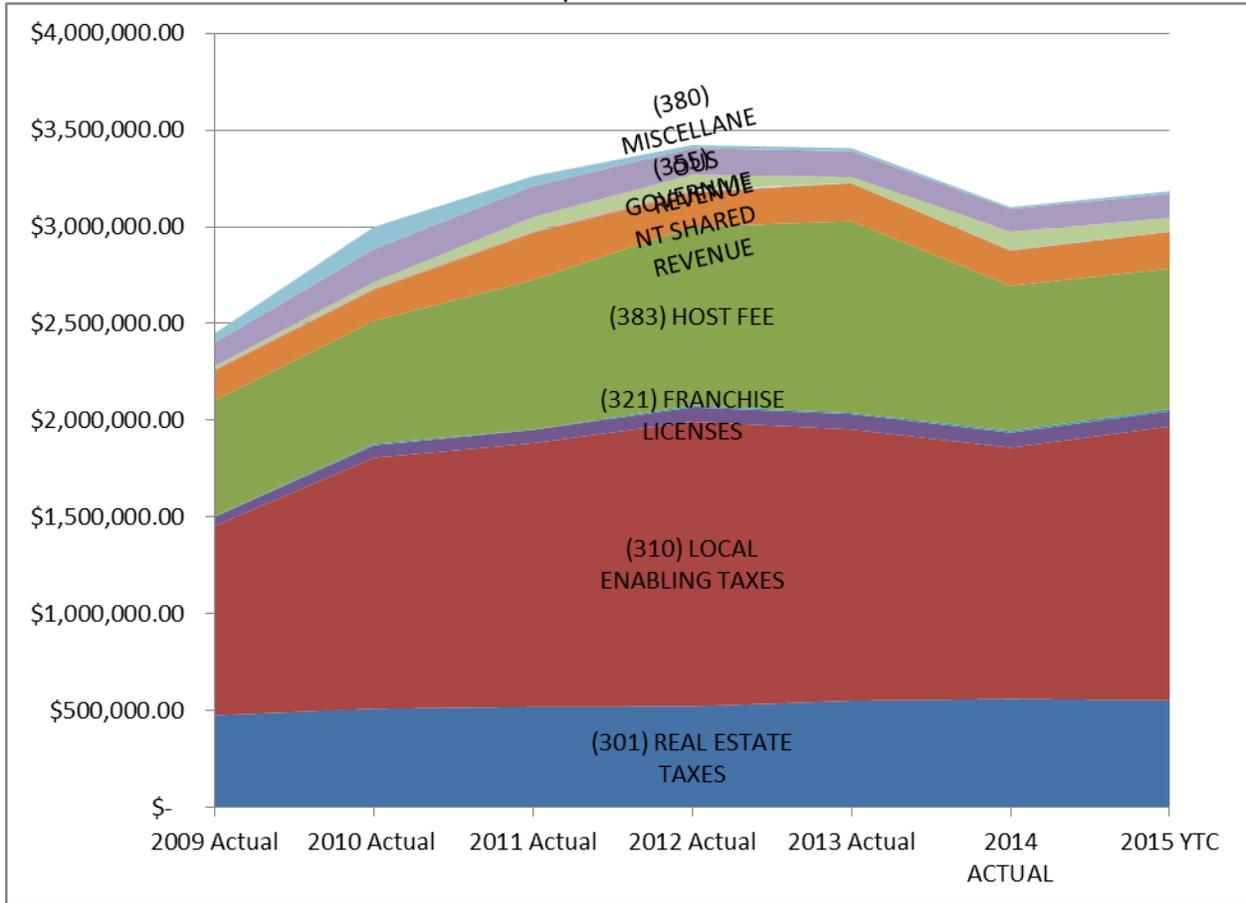


It is worth noting that Earned Income Tax now represents more than twice the revenue stream of Real Estate Taxes at \$1,192,000 vs. \$539,000 respectively. Another primary revenue source is the Host Fees from the Arden Land fill, which topped \$959,000 in 2015. To ensure that the Township is not using the increases that have been realized from these fees due to the increased product from oil and gas development, which is not a long-term, dependable revenue stream, the Township has reduced the amount of this to capital reserve fund to be used to pay for 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 2016 General Fund Revenues.

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Township Revenue Trend



It is important to note that for the average Chartiers Township home, valued at \$142,900, a resident pays approximately \$162 in Township taxes at the current millage rate. Of the average resident's \$2,825 annual tax bill, less than 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. \$0.78 per dollar is attributable to the Chartiers Houston School District and \$0.16 per dollar goes to Washington County.

Your Real Estate Property Tax Dollar



School

County

Township

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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. Administrative and General Government and Tax Collection sections of the budget remain flat. Legal is budgeting a decrease in 2016 to reflect some closed litigation and Engineering is anticipated to be flat. The operating expenses for the municipal building are budgeted for a slight increase due to the increase in utilities we experienced in 2015. The Police Department represents the largest portion of the Township budget with \$1.3 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. It may appear that wages are flat or even slightly decreased from 2015. The reason for that is the anomaly that occurred in 2015 that we had 27 pays in 2015 vs. the standard 26 because of how the calendar fell. The Township made a slight increase to its contribution to the Chartiers Township Volunteer Fire Department this year of \$3,000 from this fund and another \$3,000 from the LST Fund. It should be noted that only part of the contribution to the Fire Department is realized in the General Fund. Additional monies are allocated in the Local Services Tax Fund, Act 13 Fund and the Capital Reserve Fund. The Planning and Zoning Department shows a slight decrease from the 2015 Budget, mainly due to decreased Engineering costs expected due to a new inspection protocol. All other line items in this department remain relatively flat. Sanitation and Recycling is similarly flat. Highway Maintenance is showing an increase due to rentals. We are anticipating renting equipment to undertake some paving and other higher value work vs. contracting out to bring value to the department. Snow and Ice Removal is anticipated is expected be slightly higher than 2015 as we are hoping to hire some additional part time drivers to assist with snow removal when necessary and we've budgeted additional overtime because the last two winters have been severe and we've seen a lot of overtime for snow removal. Traffic Signals & Street Signs is flat and most of these expenditures are being budgeted in other funds now. Storm Sewers and Drains has increased mainly due to compliance with the MS4 mandate. Salaries/ Materials / Supplies for Public Works is slightly decreased from the 2015 Budget, which is primarily due the 27th pay experienced in 2015. Highway Construction is also flat. Culture/Recreation is flat as the Community Center has its own fund and revenues and expenditures associated with the Center are contained in a single fund and we track the degree to which it is self-sustaining and how much it has to be subsidized by the General Fund. The Library contribution remains constant at \$20,000. Other Group Donations remains level. Insurance costs reflect an increase in 2016, mainly due to un Minimum Municipal Obligation (MMO) that the Township had to fund the Uniformed Pension Plan increased by \$48,000. Administrative Benefits are expected to increase in 2016, mainly due to the expected sell back of accumulated sick leave from a retirement. There is a slight decrease to the Community Center Fund to \$30,000, which is reflective of the fact that the Center is increasing in rental and programming revenue, thereby requiring less supplemental funding in the upcoming year.

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LIGHT & HYDRANT FUND

This fund is a consolidation of the prior Light Fund and Hydrant Fund. Overall it reflects a slight increase, mainly due to increased revenues and costs associated with a number of different hydrants being placed on new waterlines installed in the Township. The 2015 budget for this fund is \$149,440.

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 of these funds for 2015 is focusing on road construction. \$600,000 is being allocated to pay down the principal obligation on the loan for the Allison Hollow Road Reconstruction project and another \$225,000 for road construction and repairs. Our goal is to pay down the loan principal given that the future of Act 13 funding is uncertain. This includes bridge and road work. The balance of expenditures include \$109,000 to fund generators for the Police Department and the Community Center in order to enhance emergency response. This will allow the Emergency Evacuation Center to be moved to the Community Center, as well as will allow the police to continue to function in times of outages, especially emergencies. There is a \$76,567 donation to the Chartiers Township Volunteer Fire Department, which includes \$32,000 to pay for a new generator for the Fire Department, which serves as the Emergency Operations Center and is essential to emergency operations. The other \$44,567 is a donation to the Fire Department which will likely help fund the debt service on the 2014 Pumper Truck. Parks and Recreation is funded at a sum \$75,000 for parks/facilities improvements, including potential ballfield improvements to the newly rough graded area of Arnold Park. The balance of the \$93,073 is being reserved for Act 13 Permitted purposes in accordance with the Act.

GAMING FUND

The Township expects to spend its 20156 Gaming Revenues on the repairs and improvements to the municipal building. Additionally, the Township hopes to finally commence the study to determine if Transportation Impact Fees make sense for Chartiers at an anticipated \$60,000, some of which is refundable through the impact fees upon implementation. There is a debt service payment to cover the financing of the 2016 Freightliner Truck purchased in 2015. This is the first year of that two year debt obligation. We have been very successful this year in trimming trees to improve road drainage, winter maintenance, site distance and most importantly safety along our public roads so that service continues to be funded from the fund. Several of the road related items that were removed from the General fund are going to be paid from these funds in 2016, including Street Signs and Markings, Street Maintenance, and the annual Spring Clean Up.

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ARDEN FORCE MAIN FUND

The \$263,00 in this fund for 2015 is unallocated as it is being reserved for future repairs to the Arden Force Main.

SEWER FUND

This fund is budgeted at \$863,953 for 2016. There are no real changes to the operating expenses in this fund used to maintain and operate the Township's sanitary sewer system other than we anticipate an increase in the Canonsburg-Houston Joint Authority's sewer rates for 2016 to cover the costs associated with a repair project at their sewage treatment plant.

ROUTE 18 SEWER FUND

This fund is for the joint sewer project with Canton Township that was constructed in 2012 has a 2016 Budget of \$419,342. The Township will bet refinancing the 2010 project bond issue early in 2016 to take advantage of a favorable interest rate in the bond market and realize a savings. However, this will change some of the budgeted debt payments in this fund,

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 was completed in 2015, with the exception of restoration. 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 Township took out an interim financing loan in 2014 to cover the obligations of this project until resident tap fees are realized. Given the completion of the line so late in the construction season, the Township extended the tap in deadline, which exacerbated the funding timing issues with the PennVest loan. Debt service payments have begun to be realized from this project to cover the loan costs and the interim financing loan that is due to be paid back in 2016. We also anticipate receiving the balance of the PennVest funding in 2016 to help the financial feasibility of this project.

LIQUID FUELS FUND

The expenditures for this fund are similar to other funds restricted by State regulation. From the anticipated \$292,882 to be received from the State, the Township intends to spend a large portion of it on the salt for winter maintenance at \$115,000 as has been the case in the last few years. Additionally, \$130,000 is anticipated to be spent on the 2016 Road Program, which is an increase over the 2015 budget. Other expenditures in this fund include the purchase of guiderail and highway maintenance material.

FRIENDS OF CHARTIERS COMMUNITY PARKS

This group officially received designation as a 501c3, non-profit organization in 2014 from the IRS to receive tax free donations. The expenditures for this fund for 2016

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are budgeted at \$10,750, but are dependent on the fund raising of this group. We anticipate a significant fund raising effort for the Chartiers Township Community Center.

CAPITAL RESERVE FUND

This is a fund that was added in 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 were and will be closed and their fund balances transferred here to be reserved for the purposes for which those funds were created. The Township has moved a large portion of the General Fund Fund Balance into this fund to reserve it for capital purposes. Among the capital purchases anticipated are \$5,000 to replace a furnace at the municipal building and \$50,000 towards much need maintenance to the municipal building; \$27,000 to purchase a police vehicle. We have budgeted a \$9,500 payment to the Fire Department for their purchase of a rescue vehicle. The Township anticipates spending \$9,000 for repairs to the public works garage and hope to bid and construct a small salt storage facility to prevent loss of material, improve employee safety and protect the environment. The largest expenditure is the completion of the Allison Hollow Road project of which the remaining balance is being funded from a loan that was deposited into this fund for that purpose. The Parks and Recreation Expenditures are anticipated to be \$50,000 for construction of a trail at Allison Parkette, \$50,000 for general improvements to Arnold Park including paving the overflow parking at the Community Center and another \$50,000 for field development to finish the field that has been rough graded.

LOCAL SERVICES TAX FUND

In 2014 the Township decided to segregate these funds 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 \$135,000 anticipated to be collected from this tax in 2016, the Township intends to spend a majority of it on Road Construction and / or Maintenance at \$70,000. An additional \$82,000 in road maintenance operating that was similarly previously paid from the general fund is now being paid out of this restricted fund. \$24,500 for police uniforms, guns and vests and ammunition and the \$23,000 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 2016 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 have some final repairs/punchlist items to complete for the Community Center in 2016. We anticipate that when the center is complete the Township will be able to transfer \$362,000 to the Capital Reserve Fund to be reserved for capital expenditures moving forward.

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ARNOLD PARK FUND (TO BE CLOSED)

Since there is no statutory obligation for this fund, the Township intends to transfer the balance of \$128,540 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.

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 \$2,387 to be transferred to Capital Reserve