

CHARTIERS TOWNSHIP

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Manager's Budget Message 2019 Final Budget

This Budget Message was prepared in an effort to explain the 2019 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 2019. 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 2019.

The Chartiers Township Board of Supervisors approved the preliminary 2019 Budget at their meeting of November 27, 2018. It was then placed on public display at the Municipal Building for the prescribed 20 days of public review. Adoption of the Final 2019 Chartiers Township Budget was held on Tuesday, December 18, 2018. In preparation, the Board of Supervisors held seven (7) budget workshop meeting while preparing the 2019 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 for general purposes taxes, where the Board accomplished the task of maintaining the current tax rate of 0.8632 Mills (or it's equivalent prior to reassessment) for the 25th year in a row while still meeting the demands for increased services.

Introduction of a Fire Services Tax

While we able to hold the line on your general purposes taxes for the 25th consecutive year, this year, the Township has enacted a Fire Services Tax in the amount 0.20 Mills to fund the Chartiers Township Volunteer Fire Department. The Board debated many sessions about implementing the Fire Tax, but ultimately deemed it necessary. Several factors went into this decision. Townships in PA are mandated to provide fire services within their municipality. We are fortunate in Chartiers to still have an active, viable volunteer fire department and the Board felt it imperative to support them in their protection of the residents of Chartiers Township. Volunteer Fire Departments are declining across the state. A St. Joseph's University study noted that there over 300,000 volunteer fire fighters in PA in the 1970's and today there are approximately 50,000 today statewide. That's an 83% decline over the last few decades, and Chartiers Township's Volunteer Fire Department is experiencing a similar decline in volunteers. Further their annual fund drive to residents is also declining in donations received, while the costs of equipment and operations increase. Additionally, the Volunteer Fire Department spends many hours fundraising through events like a car cruise, barbeque sale and clay shoot. However, when you consider that a volunteer fire fighter is required to dedicate over 160 hours to training to be able to fight a fire, asking them to donate even more of their time away from their families to fund raise, just so they can

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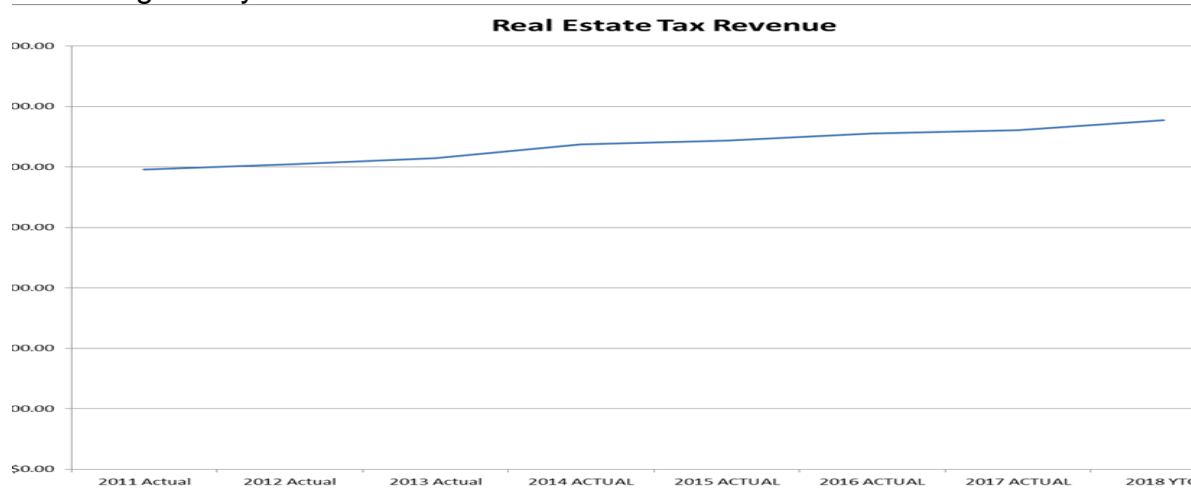
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then volunteer to put their lives on the line to protect their community, seems unreasonable to ask of them. The Township therefore recognized the need to provide our volunteers with a dependable revenue stream to support the needs of the Volunteer Fire Department. As the Township grows, their revenue will grow proportionally to their growing needs and since the fire tax revenues will be segregated in separate fund, they will be guaranteed for only fire services. Additionally, supporting the volunteer fire department in this manner is economically reasonable, especially in comparison to a paid fire department. The fire tax will cost the average homeowner in Chartiers Township \$34/year, that's \$2.83/ month to support your local volunteer fire department. Additionally, businesses in the Township will be providing funding to the fire department through the fire tax, to help share the burden, since it is based on real estate assessment. By comparison, this is the equivalent, of paying for just one paid fire fighter, let alone an entire paid fire department of personnel in paid fire department, if we do not support our volunteers. We hope residents understand that we took this decision very seriously and after weighing the options determined it to be a necessary step to help insure the future of the volunteer fire service here in Chartiers Township to keep both our volunteers and residents safe. The implementation of the fire tax allows Chartiers Township to better meet our public safety needs in both the fire department but by freeing up general fund revenues needed to fund police protection as well.

GENERAL FUND

The 2019 General Fund expenditures are projected to be \$3,757,950. 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 and not over extend our reosurces.

The Real Estate Taxes continue to grow, despite the level tax rate, due to the continued growth Chartiers Township is experiencing. However at \$577,000, Real Estate Taxes only make up 15% of the Township's General Fund Revenue Stream. We conservatively budget \$577,000 in real estate taxes for 2019, to ensure we don't count on growth yet to be built.



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It is important to note that for the average Chartiers Township home, valued at \$169,800, a resident will pay approximately \$180 in Township taxes for the combined general purposes tax and fire tax. Of the average resident's \$2,679 annual tax bill, less than 7% of it is for Township taxes. To put that in perspective if you consider it in terms of each local property tax dollar a resident spends, \$0.07 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 \$0.15 per dollar goes to Washington County.

Your Real Estate Property Tax Dollar



School District

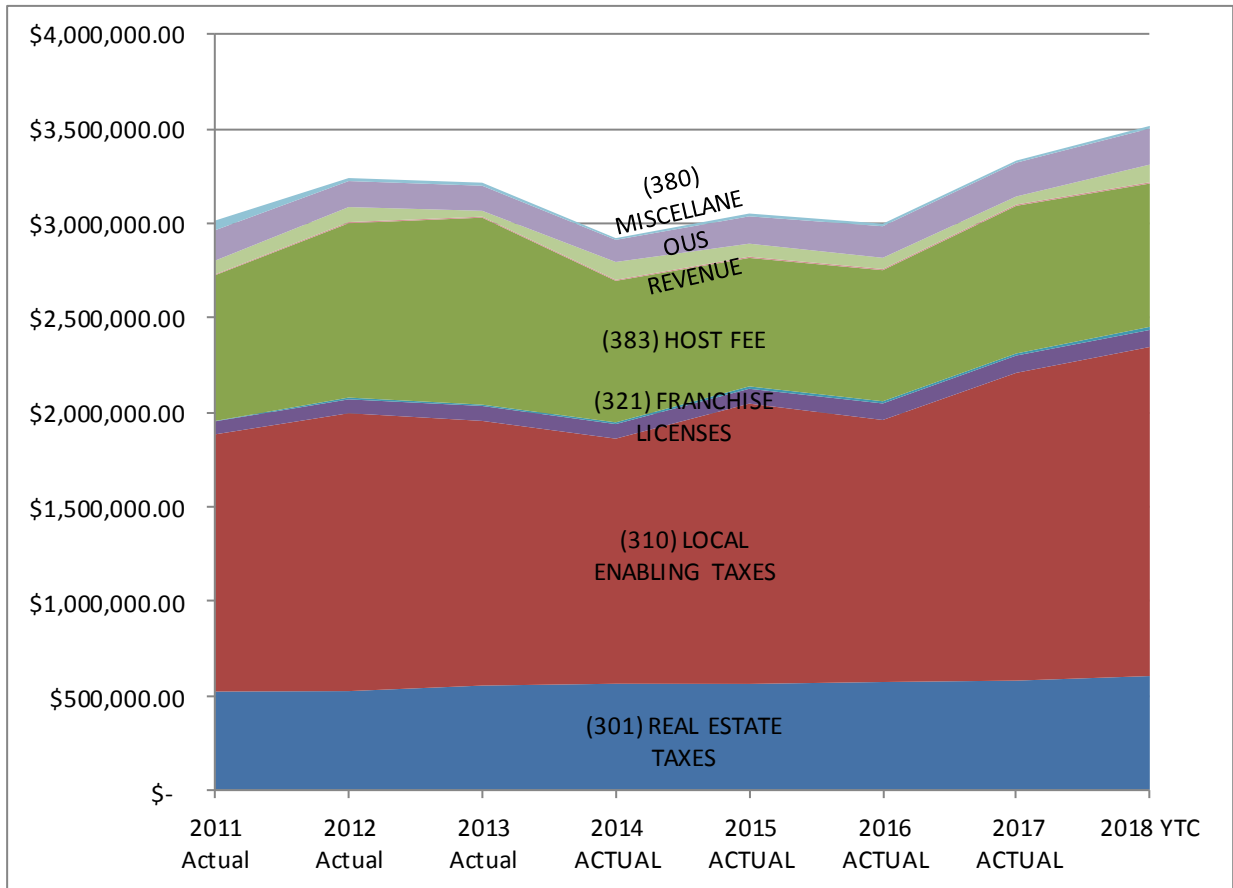
County

Township

It is worth noting that Earned Income Tax now represents more than twice the revenue stream of Real Estate Taxes at \$1,300,000 vs. \$577,000 for 2018 respectively. Another primary revenue source is the Host Fees from the Arden Land fill, which topped \$1,000,000 in 2018. This is a significant increase from 2017's \$946,000 and 2016's record low year of \$771,000. 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 revenues from these fees utilized in the general fund and transferred the balance 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 2019 General Fund Revenues Overall, revenues have increased over the last two years. The chart below shows the trends of the various Township Revenue streams:

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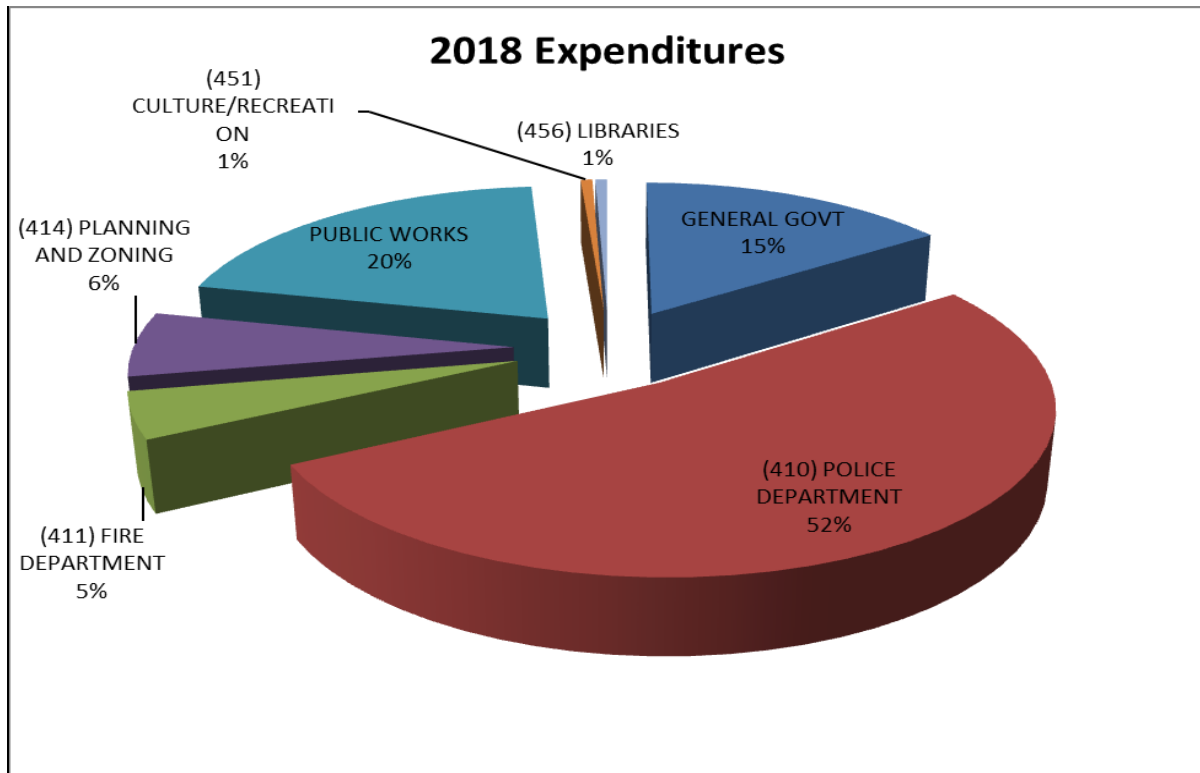


There are no significant increases in General Fund Expenditures, although most differences in individual budget categories are attributable to supplemental personnel additions to meet Township needs. This budget in includes an additional fulltime Police Officer and an additional Public Works Laborer. It is worth noting that with 12 police officers, including the Chief, the Township's officer / resident ratio was under many other similarly situated Townships and given the growth the need to maintain coverage continues to be paramount on the Township's concerns. Additionally, the Chartiers Township Public Works Department is currently made-up of a mere six (6) employees to cover 24 square miles of the Township, including the 57+ road miles of roads, miles of storm sewers and sanitary sewer and four parks. Administrative and General Government and Tax Collection sections of the budget remain virtually flat. The Police Department represents the largest portion of the Township budget with \$1.5 Million in expenditures. A majority of these expenses are personnel related and are contractual. In order to further meet the Township's needs, the Township anticipates supplementing the force by adding an additional officer in the first half of the year. A couple line items in this department are funded by the Local Services Tax, to help make up the 25% of those funds that must be spent on public safety. While a majority of the funding for the Chartiers Township Volunteer Fire Department will come from the fire tax, the Township was committed to maintain the \$20,000 to fund a Volunteer Fire Fighter Stipend to encourage and reward volunteerism of this 100% volunteer department. Additional

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monies are allocated to the Fire Department in the Act 13 Fund and the Capital Reserve Fund. The Planning and Zoning Department shows a slight increase as we have operated with only a part time planner in the last 2 years, but we are returning to having a fulltime Planner/Zoning Officer on staff in 2019, as in prior years. All other line items in this department remain relatively flat. Sanitation and Recycling is showing an increase due to a new recycling contract with a 5% annual increase. The Township-provided recycling program will cost taxpayers over \$100,000 in 2019. Storm Sewers and Drains has decreased mainly due to compliance with the MS4 mandate being funded out of capital reserve to reflect the capital improvements the Township must make in 2019. Salaries/ Materials / Supplies for Public Works is slightly higher than the 2018 Budget, which is primarily due to funding an extra public works employee, anticipated being hired mid-year. Highway Construction is also flat. Culture/Recreation is flat. The Library contribution remains constant at \$20,000. Other Group Donations remains level. Insurance costs reflect an increase in 2019, mainly due to the Minimum Municipal Obligation (MMO) that the State requires the Township fund the Uniformed Pension Plan decreased in 2019 and a very positive modifier for worker’s compensation insurance causing a decrease in the 2019 premium. A general breakdown of General fund expenditures can be seen in the chart below



LIGHT & HYDRANT FUND

This fund is a consolidation of the prior Light Fund and Hydrant Fund. Overall it reflects an increase. The Township added seven new fire hydrants in 2018 to improve

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fire protection throughout the Township, bringing the Township to approximately 80% hydrant coverage. Additionally, it should be noted that the Township switched all of the Township's streetlights to LED lights in 2017, resulting in an energy savings of approximately 40%.

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 2019 is focusing on stormwater and waste water infrastructure \$600,000 budgeted. A close second is budgeted funds on highway construction at \$500,000 to meet our infrastructure needs. The balance of expenditures includes \$44,000 to fund the Police Department and a \$42,156 donation to the Chartiers Township Volunteer Fire Department. Parks and Recreation is funded at a sum \$200,000 for parks/facilities improvements, including potential ballfield improvements and new playground equipment for Arnold Park. The balance of the fund is being reserved for Act 13 Permitted purposes in accordance with the Act.

GAMING FUND

This fund is our local share from the Meadows Casino, from which we expect approximately \$100,000, a majority of these funds are anticipated to be sent on debt service payments for equipment purchased in 2017 and 2018, namely a new front end loader and a dump truck.

ARDEN FORCE MAIN FUND

The \$260,523 in this fund for 2019 is unallocated as it is being reserved for future repairs to the Arden Force Main.

SEWER FUND

This fund is budgeted at \$1,258,207 for 2019. The main expense in this fund is CHJA treatment costs. An increase in those costs is anticipated in 2019. Additionally, the Township is projecting spending \$125,000 in I&I elimination and sewer rehabilitation next year. We also have increased engineering fees to \$125,000 as we anticipate updating the Act 537 plan and designing a public sewage option for Arden Mines Road to replace failed septic systems as required by the DEP.

ROUTE 18 SEWER FUND

This fund is for the Chartiers Township portion of the joint sewer project with Canton Township that was constructed in 2012 has a 2019 Budget of \$180,125. The 2016 refinancing of this debt resulted in the Township realized a significant savings in interest due to a favorable market. The expenditures in this fund are limited to the debt service for the 2016 General Obligation Bond.

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MIDLAND SEWER 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. This fund is running behind on the collection of debt service to meet the PennVest Obligations. To that end, the Township invested \$300,000 in PLGIT Term to improve earnings and will utilize those funds to make up the short fall. This \$300,000 represents the cost of paving the Midland roads post sewer construction, as the Board felt that the residents should not be funding the paving of the roads and have repaid that expenditure to this fund via PennVest. The 2019 budget for this fund is \$154,527.

McCLANE SEWER FUND

This fund was created this year for the McClane Farm Road Sewer Project District. It is solely to finance the debt and expenses directly related to that sewer project which serviced 51 homes along McClane Farm Road. This funds 2019 budget is \$156,288.

LIQUID FUELS FUND

The expenditures for this fund are similar to other funds restricted by State regulation. From the anticipated \$320,000 to be received from the State, the Township intends to spend a large portion of it on the salt for winter maintenance at \$125,000 as has been the case in the last few years. Additionally, \$285,000 is anticipated to be spent on the 2018 Road Program, which is an increase over the 2018 budget. An analysis of our mileage and paving costs indicates that to pave Township roads on a 15 year cycle, we need to spend approximately \$500,000 per year in paving. We are also looking at doing base stabilization to reconstruct roads as necessary as well as traditional paving and have looked at some alternative paving options as we plan for 2019. 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 2018 are budgeted at \$10,000 for a donation to the Community Center and other capital purchases but are dependent on the fund raising of this group.

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 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 host fee from the General Fund Balance into this fund to reserve it for capital purposes. That way if there is a decrease in these funds as there was in 2016, the Township is not dependent on them for operations, but instead can merely forego capital expenditures. The Township anticipates funding an additional \$300,000 in capital savings and investment in this fund

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in 2019. Among the capital purchases anticipated are \$5,000 to start rotating out outdated office computers. We anticipate buying a small truck for the public works department and helping to supplement the road paving program from the capital fund. We also hope to make park improvements via this fund with potential projects of ball field improvements, a gazebo for Arnold Park and trails and perhaps a restroom at Allison Park. We additionally will funding some Geographic Information System additions to our community mapping for not only planning and zoning, but also for sewers and stormwater management to be compliant with MS4 regulations. This fund has accumulated \$1.5 Million in savings to responsibly meet the Township's capital needs long term, by saving for them in small annual increments. This type of responsible, long-range financial planning.

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. The Township anticipates collecting about \$130,000 via Keystone Municipal Collections administration of the \$52/year tax on those that work in Chartiers Township the Township intends to spend a majority of it on Road Construction and / or Maintenance at \$115,000. We also anticipate spending money on salt, and highway maintenance items and approximately \$42,000 or about 27% of 2018's collections on public safety police.

FIRE TAX FUND

The new fire tax introduced at the beginning of this message is expected to bring in \$135,000 for the Chartiers Township Volunteer Fire Department. It will fund equipment, operation and maintenance of the fire house and apparatus as well as other operating expenses as permitted under the Second Class Township Code, to provide for a dependable funding stream for the fire department.