

CHARTIERS TOWNSHIP

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Manager's Budget Message 2021 Final Budget

This Budget Message was prepared in an effort to explain the 2021 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 2021. 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 2021.

The Chartiers Township Board of Supervisors approved the preliminary 2021 Budget at their meeting of November 24, 2020. It was then placed on public display at the Municipal Building for the prescribed 20 days of public review. Adoption of the Final 2021 Chartiers Township Budget was held on Tuesday, December 15, 2020. In preparation, the Board of Supervisors held seven (7) budget workshop meeting while preparing the 2021 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. The board and staff extensively discussed the uncertainties of 2020 and the wide ranging financial and operational impacts of the COVID-19 Pandemic.

Despite revenue shortfalls and increased expenditures to combat the pandemic, the 2021 budget is a revenue neutral balanced budget for general purposes taxes, where the Board accomplished the task of maintaining the current tax rate of 0.8632 Mills for the 27th year in a row while still meeting the demands for increased services. The Fire Services Tax was introduced in 2018 and was first collected in the 2019 calendar year. Thanks to this 0.20 mill tax, the Fire Department has met their financial obligations this year. This approximate \$2.80 month has been a huge help to meeting the needs for our volunteers and alleviated additional fundraising time so they can focus on emergency response. Across all 14 funds, the Township's total 2021 budget amounts to \$9,455,874. It is worth noting that in total, this is a net decrease from 2020's overall budget of \$9,712,958.

GENERAL FUND

The 2021 General Fund expenditures are projected to be \$4,010,950. 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 resources.

The Real Estate Taxes continue to grow, despite the level tax rate, due to the continued growth Chartiers Township is experiencing. However at \$608,000, Real Estate Taxes only make up 17% of the Township's General Fund Revenue Stream.

2 Buccaneer Drive

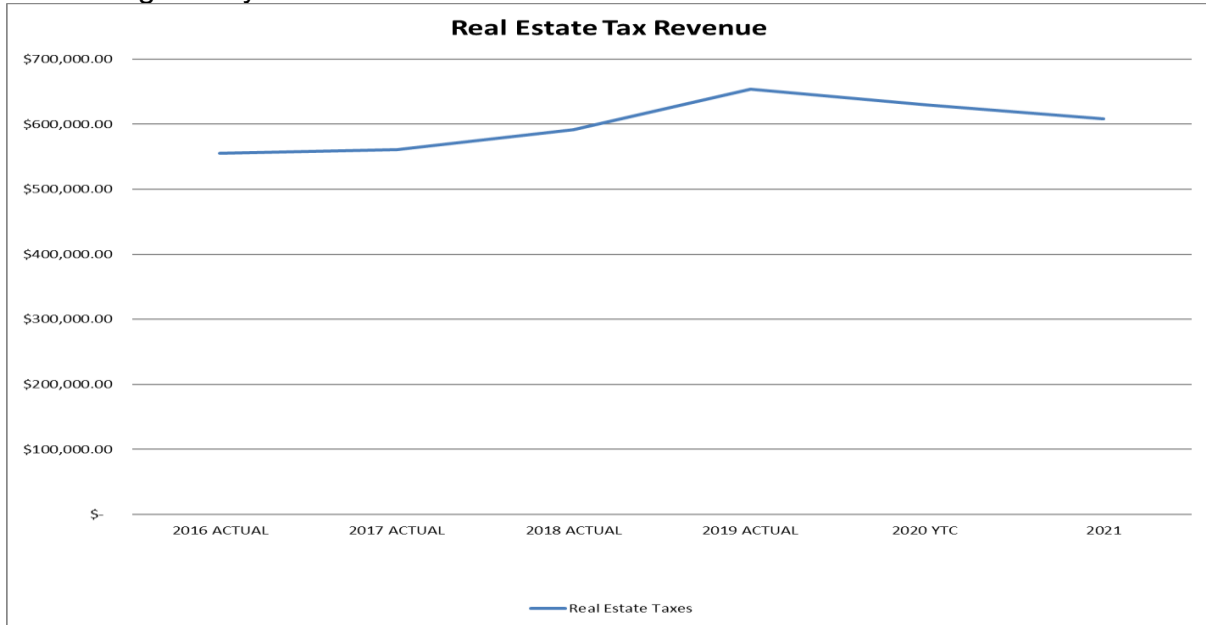
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We conservatively budgeted \$608,000 in real estate taxes for 2021, to ensure we don't count on growth yet to be built and do not fall short on our estimates.



It is important to note that for the average Chartiers Township home, valued at \$165,900, a resident will pay approximately \$176 in Township taxes for the combined general purposes tax and fire tax. Of the average resident's \$2,665 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.

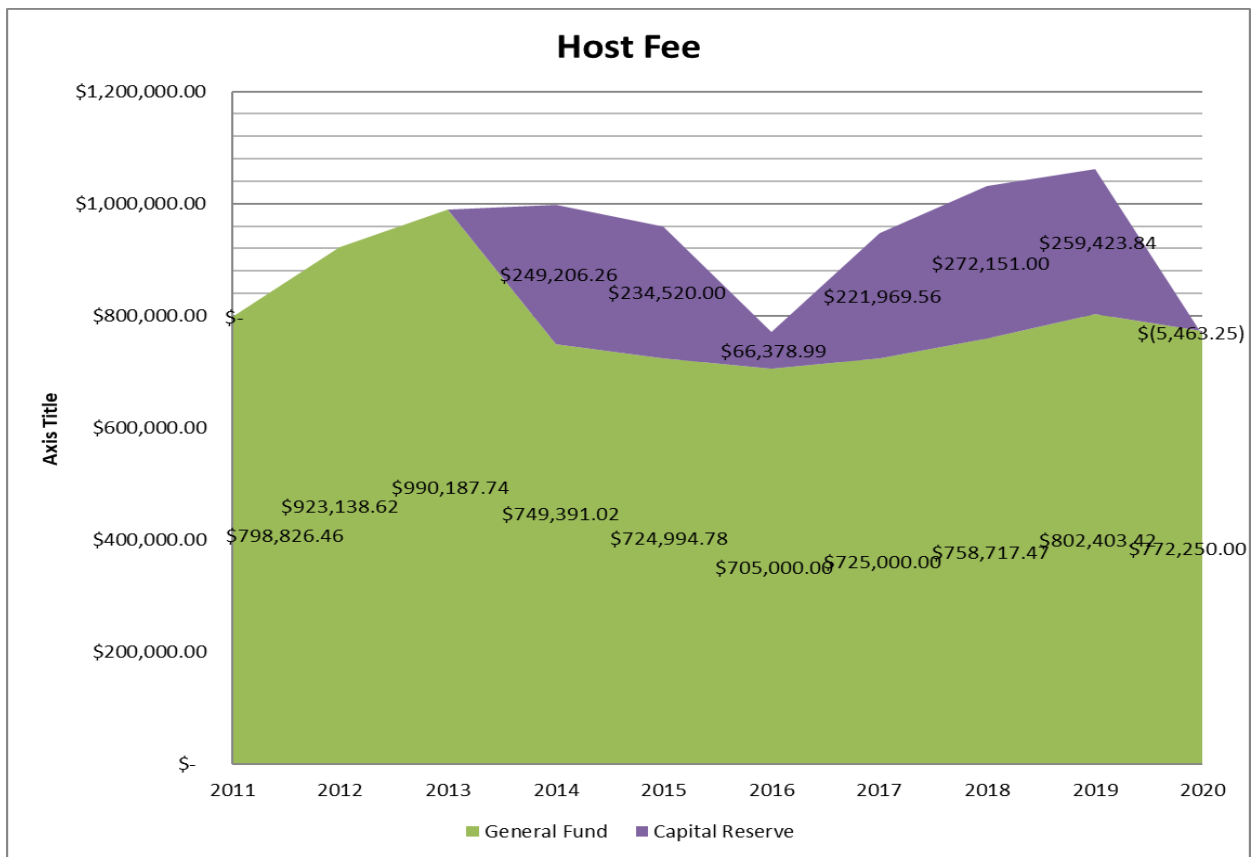


School District
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It is worth noting that Earned Income Tax now represents more than twice the revenue stream of Real Estate Taxes at \$1,300,000 vs. \$600,000 for 2021 respectively. This revenue stream did not hit it's projected growth in 2020 due to the economic downturn and impacts of COVID-19. We are also conservatively budgeting 2021's Earned Income Tax Projections with the continued uncertainty moving into next year. Another primary revenue source is the Host Fees from the Arden Land fill, which took a sharp decline in 2020. It was down over \$295,000 or -28% from 2019's \$1Million revenue source. 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. Thanks to this approach, the reduction in revenue did not impact operations in 2020, but did cause us to forego some planned capital spending. The graph below shows the importance of this practice to ensuring the Township is not dependent on this revenue surplus for operating expenses:

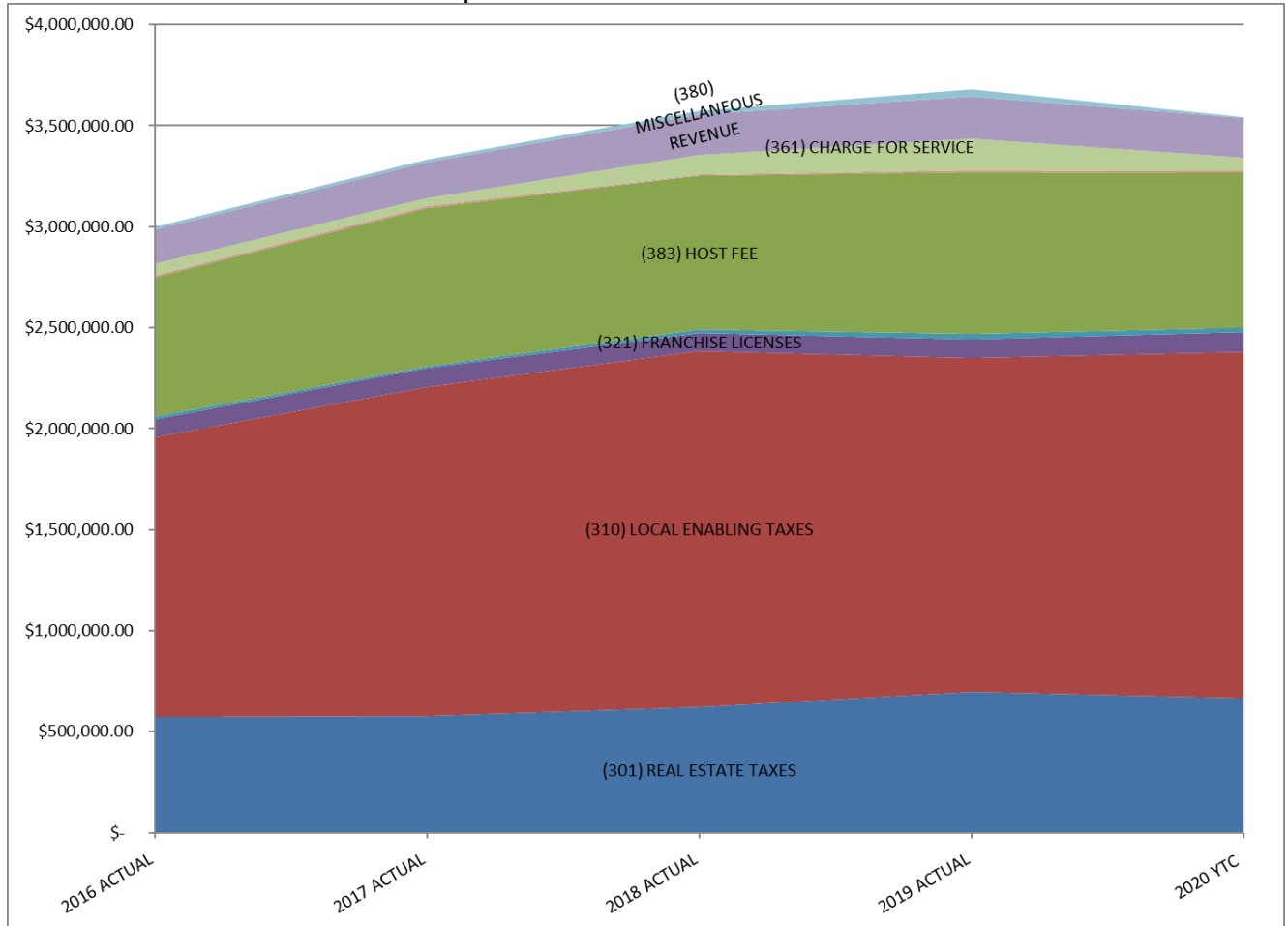


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Those are the primary revenue sources for the Township making up two-thirds of the Township’s 2021 General Fund Revenues

Overall, revenues have increased over the last several years. The chart below shows the trends of the various Township Revenue streams:



There are no significant increases in General Fund Expenditures, although most differences in individual budget categories. It is worth noting that with 13 police officers, including the Chief, the Township’s officer / resident ratio is similar to surrounding Townships and given the growth the need to maintain coverage continues to be paramount on the Township’s concerns to constantly look at staffing levels

Additionally, the Chartiers Township Public Works Department is currently made-up of a mere seven (7) 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 \$1.6 Million in expenditures. A majority of these expenses are personnel related and are contractual. 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

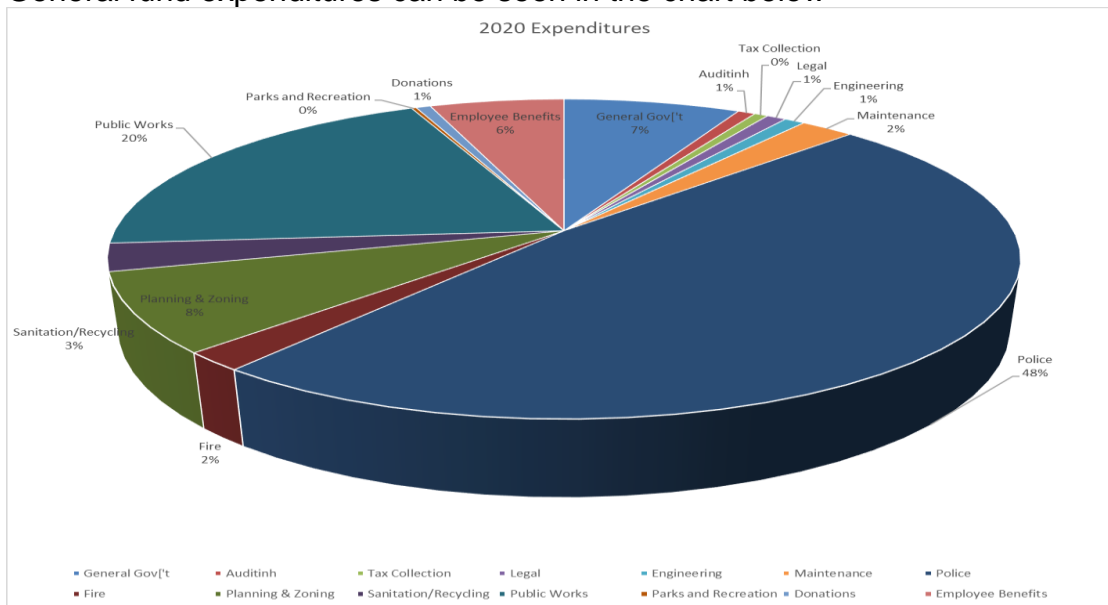
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spent on public safety. While a majority of the funding for the Chartiers Township Volunteer Fire Department from the Township comes from the fire tax, the Volunteer Fire Fighter Stipend to encourage and reward volunteerism of this 100% volunteer department and the Township increased this General Fund contribution to \$25,000 for 2021. Additional monies are allocated to the Fire Department in the Act 13 Fund and the Capital Reserve Fund, where it is reserved for large capital acquisitions. It should be understood that the \$46,000 budgeted as Fire Relief is a State Allocation to the Volunteer Fire Department that is merely passed through the Township. It is generated by a 2% tax on fire insurance companies from outside the Commonwealth and distributed by the State to Fire Departments, and is not a Township contribution.

The Planning and Zoning Department shows a slight increase due to operations and consistently increasing development. Engineering reviews for land development plans are reimbursed by Developers to cover those costs.

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 2021. 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 2021. Salaries/ Materials / Supplies for Public Works is slightly higher than the 2020 Budget, which is primarily due to contractual obligations and operational increases. 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 2021, mainly due to the Minimum Municipal Obligation (MMO) that the State requires the Township fund the Uniformed Pension Plan decreased in 2021 and a very positive modifier for worker’s compensation insurance causing a decrease in the 2021 premium. Overall, General Fund Expenditures increased by 5% % over the 2020 Budget. A general breakdown of General fund expenditures can be seen in the chart below



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LIGHT & HYDRANT FUND

This fund is a consolidation of the prior Light Fund and Hydrant Fund. Overall it reflects an increase. The Township added 11 new fire hydrants in 2020 to improve fire protection throughout the Township, bringing the Township to over 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%, that we continue to realize.

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 2020 impact fee was down -24% or \$160,000 from 2019. We are expecting a proportional decrease for 2021, and therefore have budgeted accordingly. The primary expenditure of these funds for 2021 is focusing on stormwater and wastewater infrastructure \$300,000 budgeted to complete the McClane Farm Stormwater culvert project, which was delayed in 2020. Another large expenditure is highway construction at \$450,000 to meet our infrastructure needs. The balance of expenditures includes 7.5% each or \$38,596 to fund the Police Department and a \$38,596 donation to the Chartiers Township Volunteer Fire Department. Parks and Recreation is funded at a sum \$50,000 for parks/facilities improvements, including potential ballfield improvements. 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 2020, a dump truck. Also we are looking at replacing carpet in the municipal offices, which was installed almost 30 years ago.

ARDEN FORCE MAIN FUND

The \$238,170 in this fund for 2021 is unallocated as it is being reserved for future repairs to the Arden Force Main and pump station. The Township has been proactively working with WEWJA and South Strabane Township to upgrade and increase capacity at this pump station to accommodate future need in an economically responsible manner. That is why the Township has been reserving funds for that purpose for several years, which has provided the more than a quarter million dollars in this fund to date.

SEWER FUND

This fund is budgeted at \$1,558,481 for 2021. The main expense in this fund is CHJA treatment costs. An increase in those costs is anticipated in 2021. It should be noted that originally the proposed increase from CHJA was more than twice the current costs. The injunction filed by Chartiers Township, Cecil Township and North Strabane Township, along with their respective authorities reduced that increase to \$1.34 for the

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next three years, \$0.80 was already accounted for in their 2016 increase, making the effective increase \$0.55. 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 in accordance with the order directive from 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 2021 Budget of \$192,253. 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.

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 Prime 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 2021 budget for this fund is \$175,250.

McCLANE SEWER FUND

This fund was created last 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 2021 budget is \$180,186.

LIQUID FUELS FUND

The expenditures for this fund are similar to other funds restricted by State regulation. From the anticipated \$321,852 to be received from the State, the Township intends to spend a large portion of it on the salt for winter maintenance at \$120,000 as has been the case in the last few years. Additionally, \$215,000 is anticipated to be spent on the 2021 Road Program. 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 2021. 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 2020

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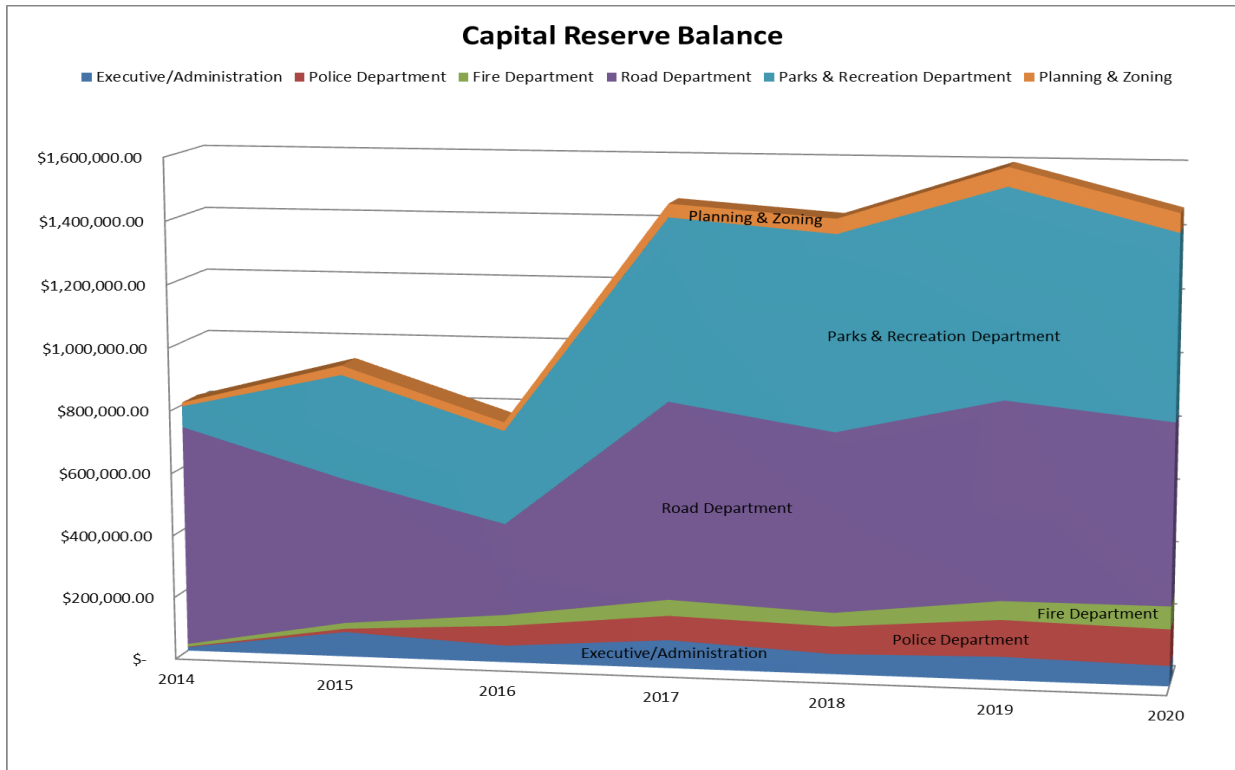
are budgeted at \$8,000 for a donation to the Community Center and other capital purchases but are dependent on the fund raising of this group.

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 in 2021. 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 fund 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 ensures the Township can meet our capital needs with little debt. This year we also initiated the first ever 5 year Capital Improvement Plan for the Township.

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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 \$140,000 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 \$100,000. We also anticipate spending money on salt, and highway maintenance items and approximately \$49,000 or about 35% of 2021’s collections on public safety police.

FIRE TAX FUND

The new fire tax introduced in 2020 and brought in \$147,000 for the Chartiers Township Volunteer Fire Department. This 0.20 Mill tax funds 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.