

CHARTIERS TOWNSHIP

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Manager's Budget Message 2022 Final Budget

This Budget Message was prepared in an effort to explain the 2022 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 2022. 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 2022.

The Chartiers Township Board of Supervisors approved the preliminary 2022 Budget at their meeting of November 23, 2021. It was then placed on public display at the Municipal Building for the prescribed 20 days of public review. Adoption of the Final 2022 Chartiers Township Budget was held on Tuesday, December 21, 2021. In preparation, the Board of Supervisors held seven (7) budget workshop meeting while preparing the 2022 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 2022 and the wide ranging financial and operational impacts of the COVID-19 Pandemic.

Despite revenue shortfalls and increased expenditures to combat the pandemic, the 2022 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 28th 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/home 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 15 funds, the Township's total 2022 budget amounts to \$11,562,473.

GENERAL FUND

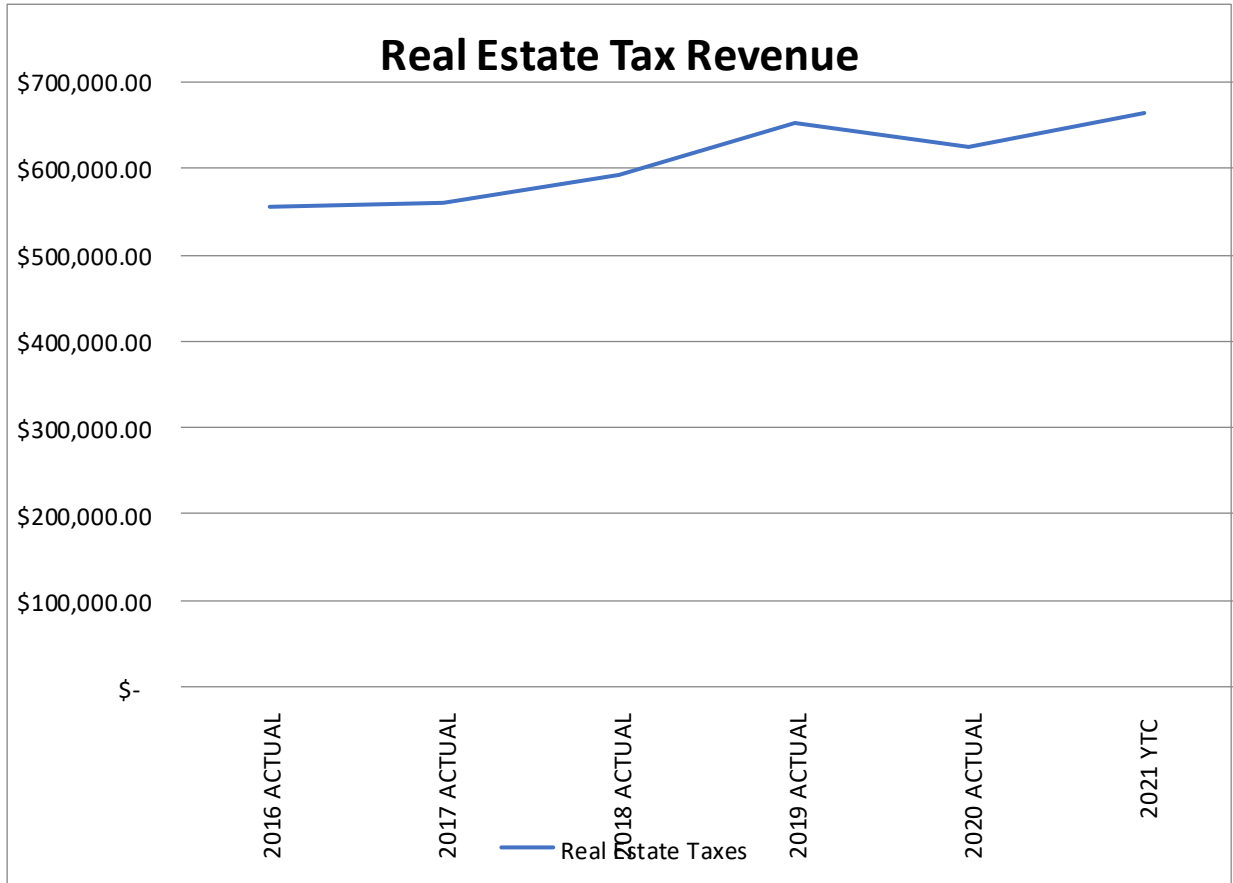
The 2022 General Fund expenditures are projected to be \$4,226,300. The budget represents a conservative budgeting strategy, whereby the Township conservatively estimates its revenues and aggressively anticipates expenditures so that we are on a path to realize a budget surplus and not over extend our resources.

The Real Estate Taxes continue to grow, despite the level tax rate, due to the continued growth Chartiers Township is experiencing. However at \$635,000, Real Estate Taxes only make up 18% of the Township's General Fund Revenue Stream.

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We conservatively budgeted \$635,000 in real estate taxes for 2022 although we received \$664,000, to ensure we don't count on growth yet to be built and do not fall short on our estimates.



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It is important to note that for the average Chartiers Township home, valued at \$184,400, a resident will pay approximately \$196.05 in Township taxes for the combined general purposes tax and fire tax. Of the average resident's \$2,665 annual tax bill, less than 6% 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, \$0.06 of it goes to pay for local government services in Chartiers Township. \$0.80 per dollar is attributable to the Chartiers Houston School District and \$0.14 per dollar goes to Washington County.



School District

County

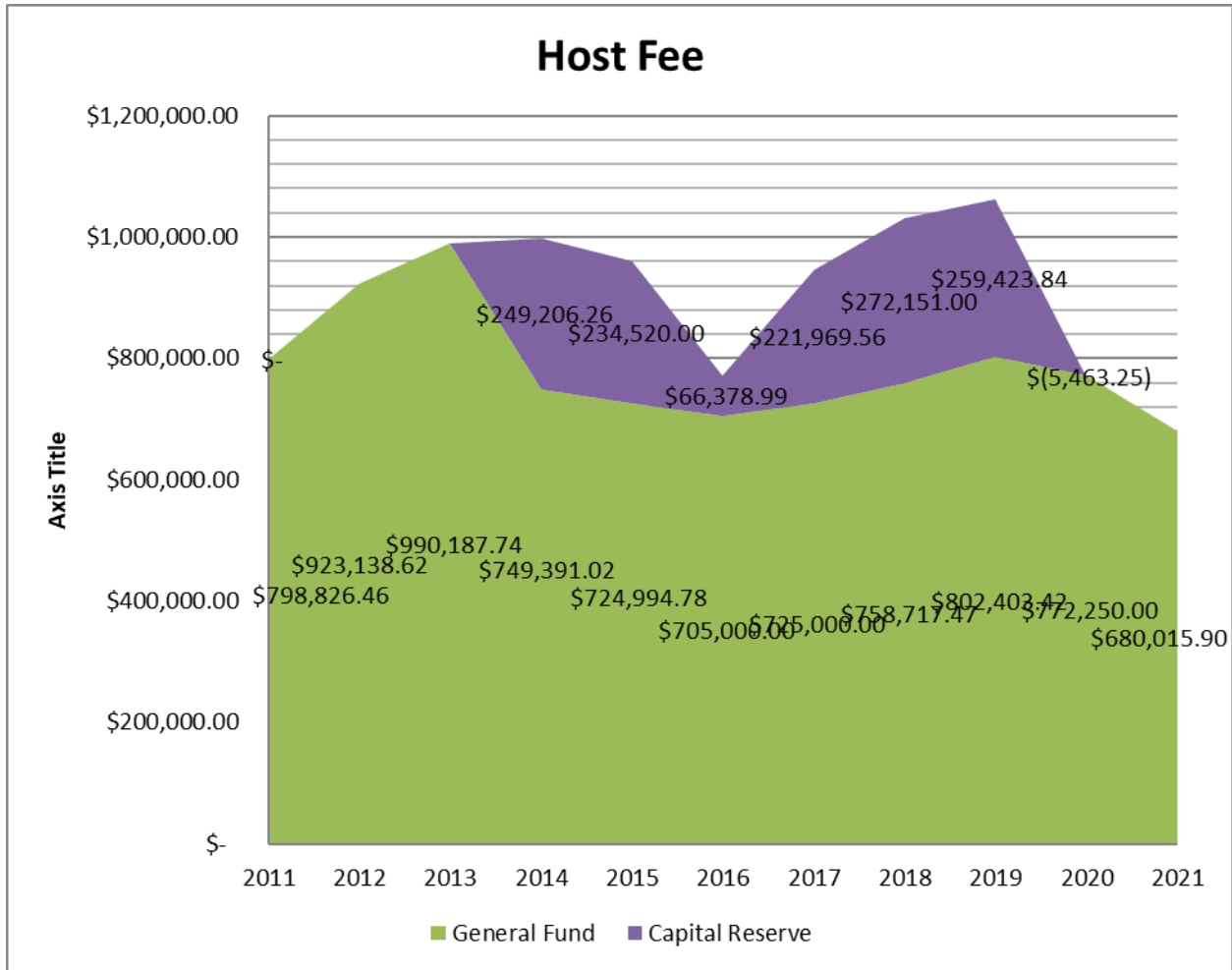
Township

Your Real Estate Property Tax Dollar

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. \$635,000 for 2022 respectively. This revenue stream did not hit it's projected growth in 2021 due to the economic downturn and impacts of COVID-19. We are also conservatively budgeting 2022'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 both 2020 and 2021. It was down over \$381,000 or -36% from 2019's \$1 Million 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 2021, 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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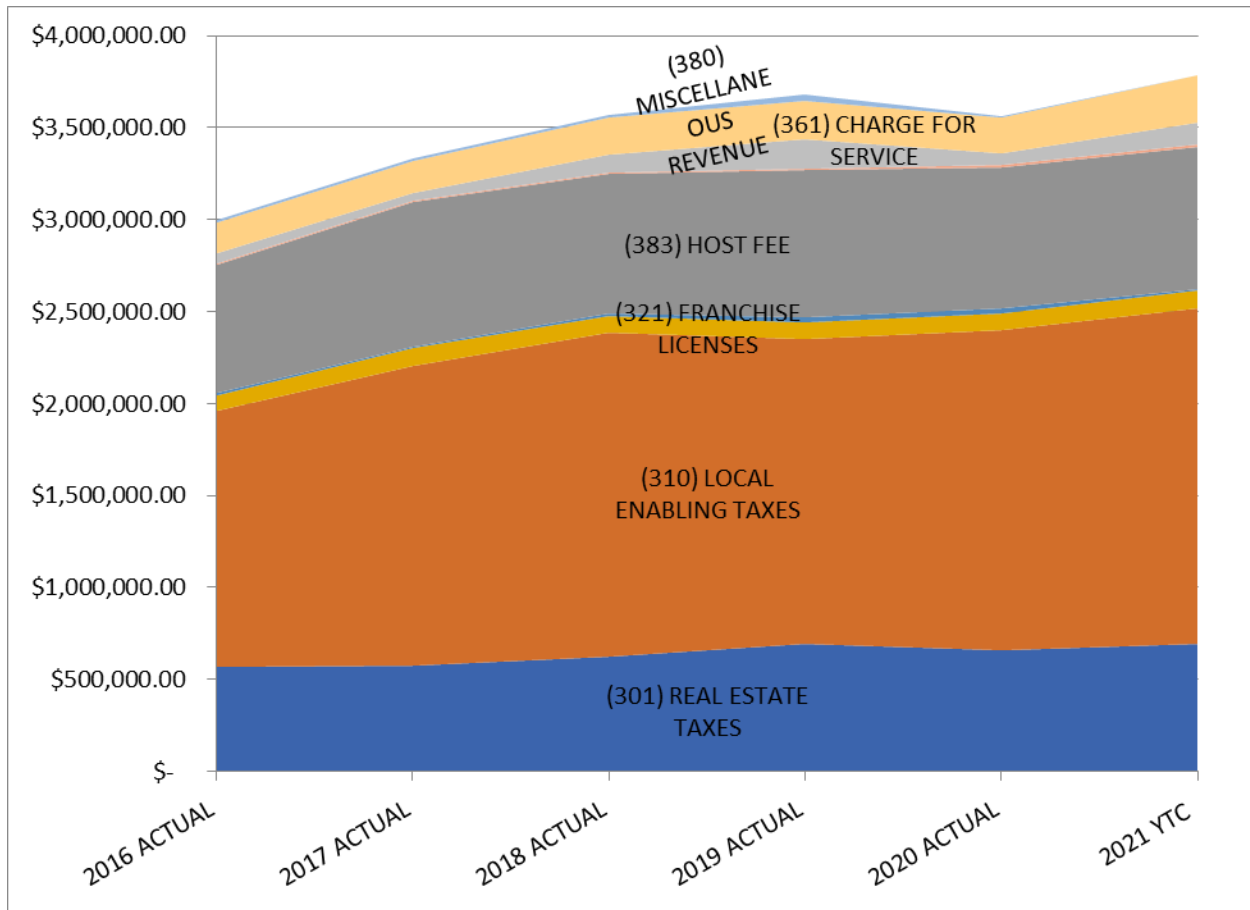


Those are the primary revenue sources for the Township making up two-thirds of the Township's 2022 General Fund Revenues

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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 \$1.7 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 spent on public safety.

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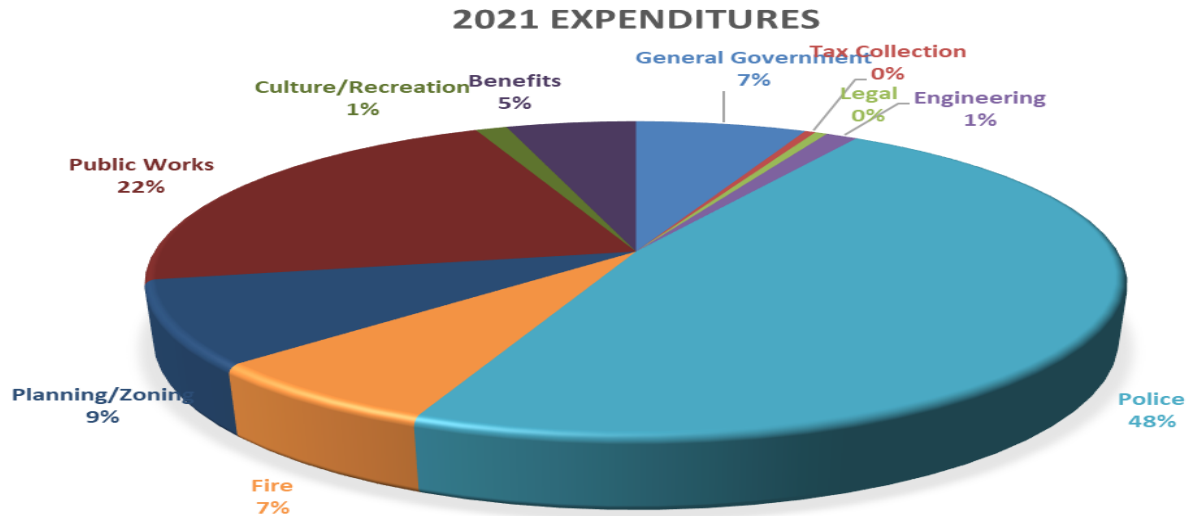
While a majority of the funding for the Chartiers Township Volunteer Fire Department from the Township comes from the fire tax, the Volunteer Fire Fighter Stipend to encourage and reward volunteerism of this 100% volunteer department at \$25,000 for 2022. It should be noted that also in the 2022 budget is a fire services study to look at options to augment the volunteer daytime response. 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 \$110,000 in 2022. Storm Sewers and has stayed relatively flat. Salaries/ Materials / Supplies for Public Works is slightly higher than the 2021 Budget, which is primarily due to contractual obligations and operational increases. Highway Construction is also flat. Culture/Recreation is slightly higher because we had prepaid for several community day vendors when 2020's community day was canceled and those were applied to 2021, thereby reducing 2021's cost. The Library contribution remains constant at \$20,000. Other Group Donations remains level. Insurance costs reflect an increase in 2022, mainly due to the Minimum Municipal Obligation (MMO) that the State requires the Township fund the Uniformed Pension Plan increased in 2022 and we had a payroll adjustment for worker's compensation that included unused leave time compensation into the 2022 premium. Overall, General Fund Expenditures increased by a very modest 1% over the 2021 Budget. A general breakdown of General fund expenditures can be seen in the chart below

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LIGHT & HYDRANT FUND

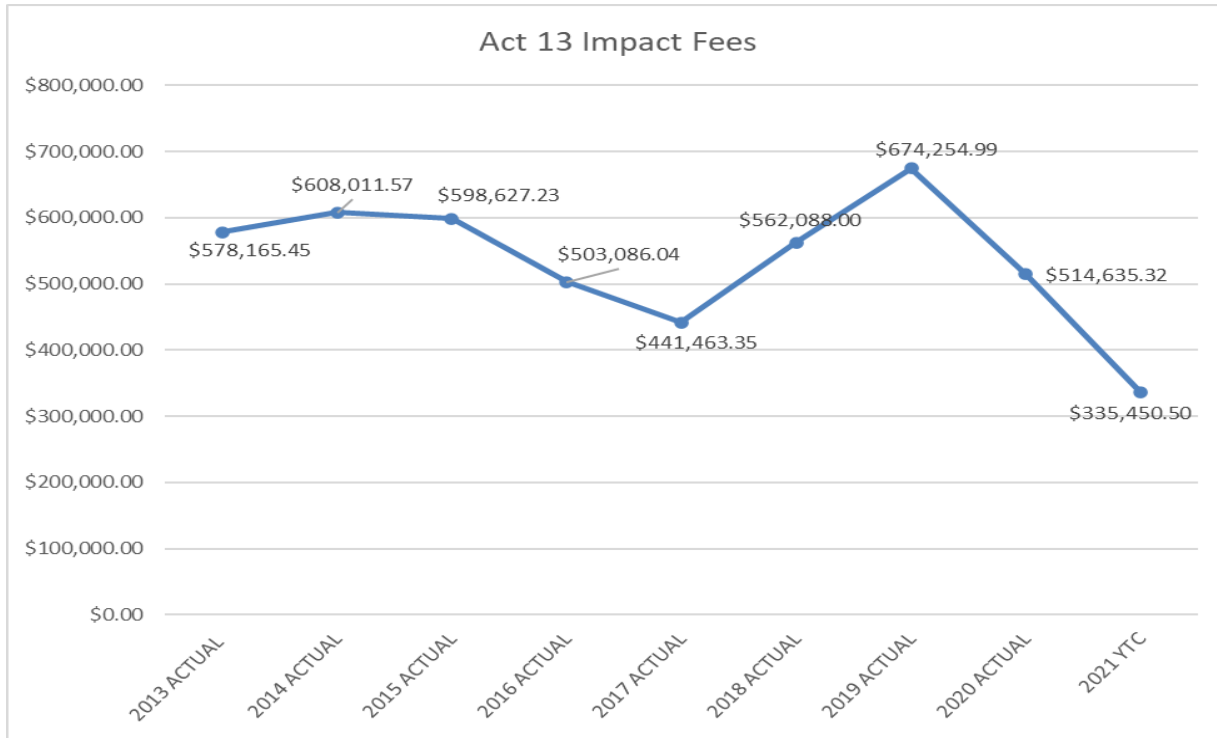
This fund is a consolidation of the prior Light Fund and Hydrant Fund. Overall it reflects an increase. The Township added 13 new fire hydrants in 2021 to improve fire protection throughout the Township, bringing the Township to over 80% hydrant coverage. Additionally, it should be noted that the Township 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. This budget sets at \$242,198 in 2021.

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 the parameters set forth in the legislation. The 2021 impact fee was down -35% or \$180,000 from 2020, following a -24% in 2020. We are expecting a flat or perhaps slight increase in 2022, and therefore have budgeted accordingly. The primary expenditure of these funds for 2022 is focusing on Roadway Construction, followed by Stormwater. The balance of expenditures includes 7.5% a \$25,158 donation to the Chartiers Township Volunteer Fire Department and the Chartiers Police Department, however, since the Police did not spend their 7.5% in 2021, as they did not purchase car, we have funded them at \$50,317 in 2022. Parks and Recreation is funded at a sum \$50,000 for parks/facilities improvements, including potentially a restroom facility for Allison Park. The balance of the fund is being reserved for Act 13 Permitted purposes in accordance with the Act.

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GAMING FUND

This fund is our local share from the Meadows Casino, from which we expect a slight increase due to online gaming to \$118,000. We have budgeted \$65,000 for equipment purchases and \$75,000 for street maintenance.

ARDEN FORCE MAIN FUND

The \$234,064 in this fund for 2022 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 \$2,636,328 for 2022. The main expense in this fund is CHJA treatment costs. An increase in those costs is anticipated in 2022, due to growth as the CHJA sewer rate will remain flat for 2022 in accordance with the court settlement over their proposed increase. 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

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authorities reduced that increase to \$1.34 for three years, \$0.80 was already accounted for in their 2016 increase, making the effective increase \$0.55. Additionally, the Township is projecting spending \$200,000 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 as well as a joint project with South Strabane Township and WEWJA to upgrade the Arden Pump Station..

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 2022 Budget of \$88,158. The 2021 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 2021 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 has consistently run behind on the collection of debt service to meet the PennVest Obligations. The Township refinanced this debt in 2021 to save the project long term costs. Additionally, 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 2022 budget for this fund is \$207,848.

McCLANE SEWER FUND

This fund was created for the McClane Farm Road Sewer Project District, the which was constructed a in 2018. 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 2022 budget is \$139,688.

LIQUID FUELS FUND

The expenditures for this fund are similar to other funds restricted by State regulation. From the anticipated \$300,250 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, \$200,000 is anticipated to be spent on the 2022 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

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approximately \$500,000 per year in paving, however reduced capital spending due to reduced revenues will likely reduce this amount for the coming year. Other expenditures in this fund include the purchase of guiderail and highway maintenance material.

FRIENDS OF CHARTIERS COMMUNITY PARKS

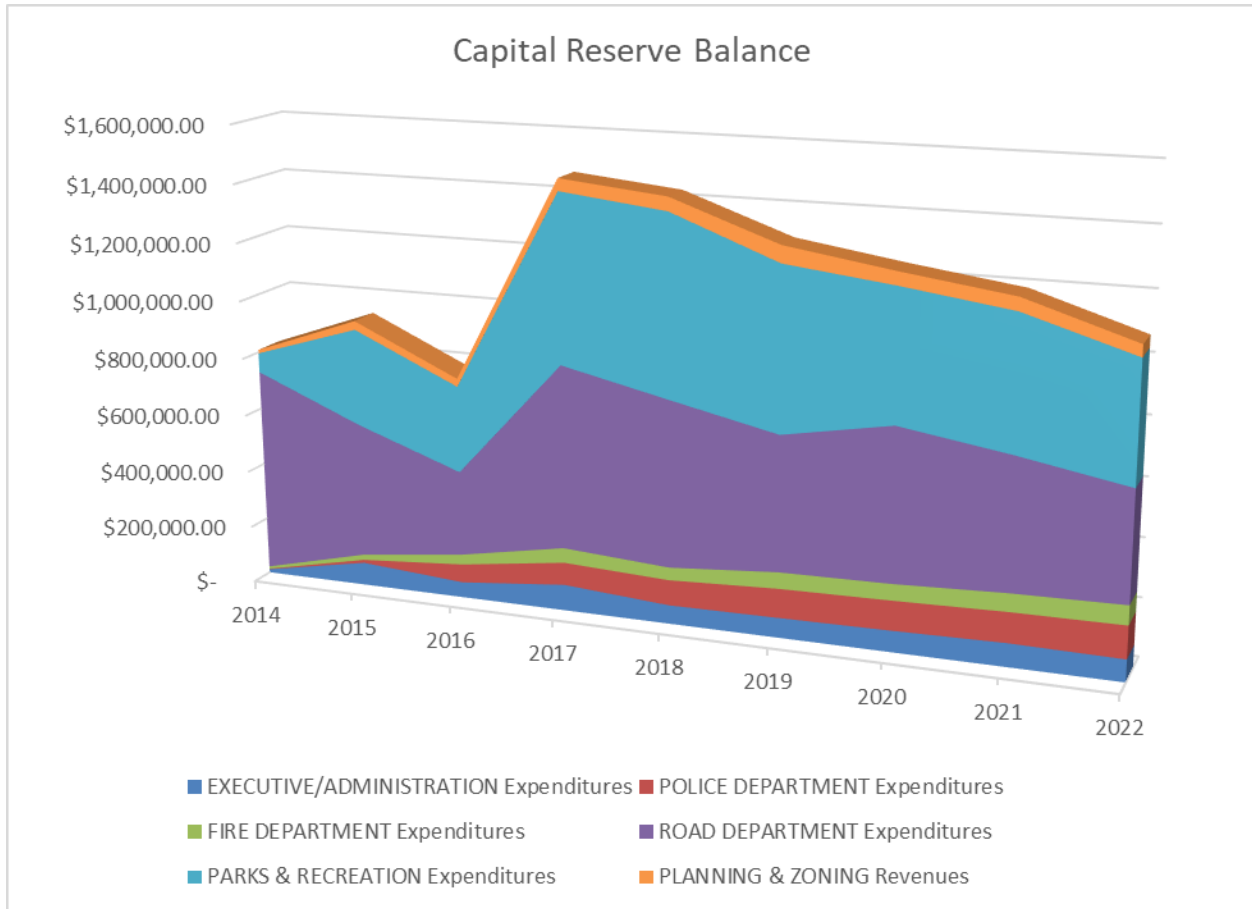
This group officially received designation as a 501c3, non-profit organization in 2014 from the IRS to receive tax free donations. The expenditures for this fund for 2022 are budgeted at \$5,500 for a donation to the Community Center and other capital purchases but are dependent on the fund raising of 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 2020 and 2021, the Township is not dependent on them for operations, but instead can merely forego capital expenditures. The Township anticipates funding an mere \$46,000 in capital savings and investment in this fund in 2022. This is substantially lower than the normal \$200,000-\$300,000.. We also hope to make park improvements via this fund with as a partial match for the LSA Grant for the restroom in Allison Park, should we be successful . We have budgeted a reduced Road Program contribution from Capital at \$50,000 given its reduced fudnign. We additionally will be funding continued Geographic Information System development to enhance 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 \$1.1Million 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 and our 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 these taxes for police, fire or emergency services; road construction or maintenance; or for the reduction of property taxes and that 25% of the revenue garnered be dedicated to “Public Safety”. The Township anticipates collecting about \$145,000 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 \$58,000 or about 40% of 2022’s collections on public safety police, which is in excess of the 25% required by the statute. It should be noted that 2021’s collections and 2022’s budget represent a decrease due to the state of the economy and economic impact of the pandemic.

FIRE TAX FUND

The new fire tax introduced in 2018 and brought in \$151,000 for the Chartiers Township Volunteer Fire Department in 2021 This 0.20 Mill tax funds equipment, operation and

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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. We are budgeted at a conservative \$145,000 for 2022, with hopes that we will see improvements in the economy and this tax.

COMMUNITY CENTER FUND

This fund isolates the operation of the Chartiers Township Community Center and recreational programming be self sustaining to some degree. The pandemic hit the center's revenue streams hard in 2020 and 2021. We are hopeful to be able to get back to optimization of rentals and programming in 2022. The 2022 budget for the center is \$121,395. It is supported by the general fund by about \$26,000 and the Friends of the Park fund by about \$5,000.

AMERICAN RECOVERY ACT FUND

This fund was newly created in 2021 to segregate and manage the American Recovery Act Funding the Township received from the Federal Government in the amount of \$848,578, 50% of which was received in 2021 and 50% is expected in 2022. Nothing has been spent on these funds to date as we await the final guidelines, although we have budget the funds to be tentatively spent of COVID response, COVID lost revenue replacement, and Infrastructure.