



Board of Supervisors of Willistown Township

Chester County

688 Sugatown Road
Malvern, PA 19355

Memorandum

To: Board of Supervisors
From: David R. Burman, Township Manager
Date: November 25, 2015
Subject: 2016 Budget Proposal

David B.

Please find attached the 2016 Budget Proposal for Willistown Township, which is available for public inspection in the Township offices and at www.willistown.pa.us. In accordance with the Second Class Township Code, the proposed budget includes the major classes of revenues and expenditures within each fund. A schedule of Expenditures by Category within each department and within each fund is also attached for your use and information in considering the proposed budget, along with a detail of the proposed capital expenditures.

The 2016 Budget Proposal allows us to continue providing the high level of service our residents have grown accustomed to receiving. In addition, we have included funding for such initiatives as a Township-wide Strategic Stormwater Management Plan and a Township-wide Strategic Traffic Engineering Plan.

The Budget Proposal includes the allocation of capital funding to cover the balance of costs associated with renovations to the 688 Sugartown Road campus. The recent return of the Township's Administrative Offices to Sugartown Road is the culmination of years of planning and construction to upgrade our facilities to better and more efficiently serve the Township.

While this has been a busy and exciting time for the Township, we remain focused on emerging financial and economic trends. Willistown continues to experience volatility in expenditures for fuel, utilities, equipment, healthcare benefits and post retirement commitments. In addition, we remain vigilant for the anticipated impacts of the Affordable Care Act. As the national economy continues to improve, we will explore long-term budgetary policies intended to maintain healthy fund balances while easing the burden on our residents.

Given the continued healthy reserve levels in the General Fund, the 2016 Budget Proposal includes no increase in the real estate tax rate. We instead propose a drawdown of the strong balance in the General Fund to satisfy the projected operating budget deficit of approximately \$119,000. In addition, the 2016 Budget Proposal includes the planned drawdown of the Capital Reserve Fund by \$687,000. This planned drawdown includes completion of the

Sugartown Road campus, the replacement of a playground set at Garrett Mill Park, and the replacement of two dump trucks for winter weather and other public works operations.

Ultimately, best practices in government finance call for an unreserved fund balance in the general fund of no less than five to fifteen percent of regular general fund operating revenues, or no less than one to two months of regular general fund operating expenditures. Willistown's projected unreserved balance in the general fund at the end of 2016 is healthy by any standard.

The Budget Proposal does include a modest increase in sanitary sewer rates. Continuing with the plan laid out several years ago, the Township has closely monitored the financial performance of our sanitary sewer funds and reexamined our rates. Instead of waiting several years and then hitting our sewer customers with a large rate increase, we propose a 3.6% increase in rates for both our Valley Forge Sewer Customers and our Penns Preserve Sewer Customers. The proposed rates will allow us to continue operating a fiscally healthy sanitary sewer system, while remaining sensitive to the environmental impacts of our operations.

2016 Budget Overview

Willistown Township provides a range of services including, but not limited to: police, public works, sanitary sewers, parks & recreation, planning & zoning, finance & administration, and code enforcement. In addition, the Township provides financial support for the libraries and the volunteer fire companies.

The Township prepares its budget on a Cash Basis. That is, revenues are budgeted when they are anticipated to be received and expenses are budgeted when they are expected to be paid.

Willistown's 2016 Budget Proposal distinguishes operating expenditures from capital expenditures and provides a detail of all proposed expenditures by category and by fund. For budgeting purposes, Willistown defines operating expenditures as those that are required to support ongoing, day-to-day operations. For this purpose only, Willistown defines capital expenditures as those that are less frequent in nature and, while very important, not necessarily part of our day-to-day operations.

The proposed budget includes only those funds which are available to the Board of Supervisors for appropriation. For budgeting purposes, the Township distinguishes funds in the following manner:

1. **Governmental Funds for General Appropriation** – General Fund, Operating Reserve Fund, Capital Reserve Fund. It should be noted that these funds are consolidated in the audited financial statements.
2. **Governmental Funds for Restricted Purposes** – Open Space Fund, Bartrams Bridge Fund, Municipal Life Insurance Fund, State Liquid Fuels Fund.
3. **Proprietary Funds for Restricted Purposes** – Valley Forge Sewer Fund, Penns Preserve Sewer Fund, Low Pressure Sewer Fund.

General Fund

The General Fund is the Township's primary operating fund which accounts for all financial resources except those that are legally or administratively required to be accounted for in another fund. The largest source of revenue in the General Fund is the Earned Income Tax, which accounts for 68% of total General Fund Revenue. This revenue stream has experienced some growth after the economic recession, and this is reflected in the proposed budget. However, it is difficult to predict significant growth in the other sources of revenue in the General Fund.

At the same time, the Township has experienced steady increases in General Fund expenditures. Salaries and benefits comprise roughly 71% of budgeted expenditures in the General Fund. While the future impacts of the Affordable Care Act are somewhat unknown, the Township experienced an increase in healthcare premiums of under 10% on average. Still, employee benefits represent 28% of total costs in the General Fund. With these and other factors in mind, we continue to seek creative ways of providing a comprehensive and competitive benefits program.

In order to maintain the current level of services for the residents of Willistown, the 2016 Budget Proposal includes the drawdown of General Fund reserves to fund the projected operating budget deficit of \$119,000, which will not compromise the financial stability of the Township. Notwithstanding the foregoing, the Township administration continues to analyze all of our operations in the most fundamental way, to ensure that we are providing the most cost-effective services to the residents of Willistown.

Operating Reserve Fund

The 2016 Budget Proposal includes no significant change to the Operating Reserve Fund. We project an ending balance of \$2.2 million in the Operating Reserve Fund at the conclusion of 2016.

Capital Reserve Fund

As stated earlier in this budget message, the 2016 Budget Proposal includes a planned drawdown of \$686,000 from the Capital Reserve Fund. This drawdown to the Capital Reserve Fund includes the completion of the Sugartown Road campus, the replacement of a playground set at Garrett Mill Park, and the replacement of two dump trucks for winter weather and other public works operations. We project an ending balance of \$284,000 in the Capital Reserve Fund at the conclusion of 2016.

Open Space Fund

The Open Space Fund is largely restricted to the acquisition of parkland and open space for the benefit of the public. Unless the Supervisors take action to acquire such property, the expenditures in this fund are limited to administrative costs and debt service. In the absence of any such land acquisition in 2016, the revenues are expected to exceed expenditures by approximately \$877,000, which includes an \$850,000 grant reimbursement from the Commonwealth of Pennsylvania for the acquisition of the 22 acre Serpentine Preserve along Line Road in calendar year 2013. We project an ending balance of \$3.4 million in the Open Space Fund at the conclusion of 2016.

Bartrams Bridge Fund

The Bartrams Bridge Fund is utilized to account for the operating and capital expenditures associated with the Bartram Bridge Joint Preservation Board. The Joint Preservation Board identifies problems and recommends plans and programs to the respective governing bodies of Willistown and Newtown Townships for the repair, supervision, operation

and maintenance of the Bartram Covered Bridge. The 2016 Budget Proposal includes minimal costs to cover the operating costs for such items as electricity and an alarm system at the bridge.

Municipal Life Insurance Fund

The Municipal Life Insurance Fund was established many years ago to account for expenditures related to the life insurance for municipal employees and interest earned when such policies are cancelled.

Sewer Funds

The Valley Forge Sewer Fund, the Penns Preserve Sewer Fund, and the Low Pressure Sewer Fund are used to account for transactions related to the billing and collection of the sanitary sewer fees and expenditures related to the collection, conveyance and treatment of waste water.

The majority of Willistown's sewage is conveyed by the Valley Creek Trunk Sewer (Tredyffrin Township) to the Valley Forge Sewer Authority for treatment. During 2013, the Township issued bonds to cover costs of an upgrade and expansion at both the Valley Creek Trunk Sewer and the Valley Forge Treatment Plant. Bond proceeds also pay for projects within the Township's sanitary sewer systems, including upgrades to Pump Station #3 and implementation of a strategic inflow and infiltration reduction program. The costs for the debt service associated with the proposed bond issue have been included in the 2016 Budget Proposal.

As indicated earlier in this budget message, the Township's 2016 Budget Proposal includes a 3.6% in both the base fee and the consumption component for customers in the area of the Township whose sewage is conveyed through Tredyffrin's Valley Creek Trunk Sewer for treatment by the Valley Forge Sewer Authority. In 2016, the Township will participate in a emergency rehabilitation of the Valley Creek Trunk Sewer. Willistown's share of those costs are not fully known, but the 2016 Budget Proposal includes the disbursement of those funds from the 2013 Sewer Bond Fund.

State Liquid Fuels Fund

Also known as the State Highway Aid Fund, the State Liquid Fuels Fund is utilized to account for receipts from the State Motor License Fund and allowable highway expenditures. For 2016, the Township proposes to utilize this fund for the cost of salt, anti-skid and magnesium chloride; electricity for traffic lights and street lights; and, approximately \$215,000 for roads and similar improvements. All of these expenditures qualify as allowable highway expenditures under state law.