



Board of Supervisors of Willistown Township  
Chester County

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**Memorandum**

**To:** Board of Supervisors  
**From:** David R. Burman, Township Manager  
**Date:** November 29, 2016  
**Subject:** 2017 Budget Proposal

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Please find attached the 2017 Budget Proposal for Willistown Township, which is available for public inspection in the Township offices and at [www.willistown.pa.us](http://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 in considering the proposed budget, along with a detail of the proposed capital expenditures.

The 2017 Budget, as proposed, will allow us to continue providing the high level of service our residents have grown accustomed to receiving. The Budget Proposal includes funding for one additional patrol officer in the police department, as part of an organizational transition plan to gradually replace several officers who are in their final 60-months of service to Willistown Township. Otherwise, there are no proposed changes to the approved headcount.

The Budget Proposal includes the allocation of capital funding to cover the balance of costs relating to the construction of the Police Building and the renovations to the Administration Building. In addition, we will complete some final items of work on the Public Works facilities. The consolidation of our operations is the culmination of years of planning and construction to upgrade our facilities to better and more efficiently serve the Township.

Like our residents, the Township must adapt to uncertain economic times. The 2017 Budget Proposal reflects potential volatility in many cost categories, including fuel, utilities, equipment, healthcare benefits and post retirement commitments. At the same time, we continue to explore and implement 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 2017 Budget Proposal includes no increase in the real estate tax rate. Instead, we propose a drawdown of the General

Fund to satisfy the projected operating budget deficit of approximately \$167,000. In addition, the 2017 Budget Proposal includes the planned drawdown of the Capital Reserve Fund by \$818,000. This planned drawdown includes completion of the Sugartown Road campus, replacement of two police vehicles, and completion of the 2017 drainage and resurfacing programs. Willistown's projected unreserved balance in the general fund at the end of 2017 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.

## 2017 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 to the Malvern and Paoli Libraries, as well as the Malvern, Paoli, Goshen and Newtown Square 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 2017 Budget Proposal distinguishes operating expenditures from capital expenditures. For budgeting purposes, Willistown defines operating expenditures as those that are required to support ongoing, day-to-day operations. Again, for budgeting purposes only, Willistown defines capital expenditures as major purchases of goods or services that are less frequent in nature and, while very important, are 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, Bartram 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 70% 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. The Township experienced an increase in healthcare premiums of roughly 13% on average, notwithstanding plan modifications in recent years aimed at mitigating the impact of changes in the health insurance market. 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 2017 Budget Proposal includes the drawdown of General Fund reserves to fund the projected operating budget deficit of \$167,000, 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 2017 Budget Proposal includes no significant change to the Operating Reserve Fund. We project an ending balance of \$1.8 million in the Operating Reserve Fund at the conclusion of 2017.

### **Capital Reserve Fund**

As stated earlier in this budget message, the 2017 Budget Proposal includes a planned drawdown of \$818,000 from the Capital Reserve Fund. This drawdown to the Capital Reserve Fund includes the final items of work at the Sugartown Road campus, a portion of the 2017 drainage and resurfacing program, and the replacement of two police vehicles. We project an ending balance of just under \$500,000 in the Capital Reserve Fund at the conclusion of 2017.

### **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 2017, we anticipate very little change to the fund balance.

### **Bartram Bridge Fund**

The Bartram 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 2017 Budget Proposal includes minimal costs to cover the operating costs for administration, electricity, and an alarm system.

## **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 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 in 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 have paid 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 2017 Budget Proposal.

As indicated earlier in this budget message, the Township's 2017 Budget Proposal includes a 3.6% increase 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 at the Valley Forge Sewer Authority's sewage treatment plant. In 2017, the Township will participate in capital improvements at the treatment plant. Willistown's share of those costs is based on an Intermunicipal Agreement dating back nearly fifty years. Bond proceeds also will be utilized to support the Township's ongoing Inflow and Infiltration Reduction Program.

## **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 2017, 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, replacement of a dump truck and asphalt roller; and, for a portion of the 2017 road resurfacing program. All of these expenditures qualify as allowable highway expenditures under state law.