

Budget Message 2020

Introduction and General Comments – The yearly budget message is important in order to give elected officials and the taxpayers an understanding of the financial and functional condition of the Township in a concise manner. It also reflects staff's plans and recommendations as the Township moves into the new calendar year.

The General Fund is doing well and the tax base of 1.01 mills should hold steady for the next few years.

The Capital Reserve Fund will need to be monitored as its health is very much dependent on the General Fund. Currently the expectation is that the General Fund will supplement the Capital Reserve Fund, \$900K each year.

The Golf Fund needs at a minimum \$200K of assistance from the General Fund for the foreseeable future and this number could be higher if infrastructure improvements are found necessary.

The Trash Fund will need an increase in the residential trash/recycling fee. This is necessary due to the significant changes in that industry.

The budget consists of the following funds:

General Fund (GF) - This fund is the main operating account for the Township. It is anticipated to generate \$12,504,359 in revenues (a 14% increase over anticipated 2019 revenues) and expend \$12,101,240 (a 7.7% increase over anticipated 2019 expenses). Taxes are budgeted to remain unchanged with Real Estate millage set at 1.01 mills (0.85 to General Fund and 0.16 to Capital Reserve).

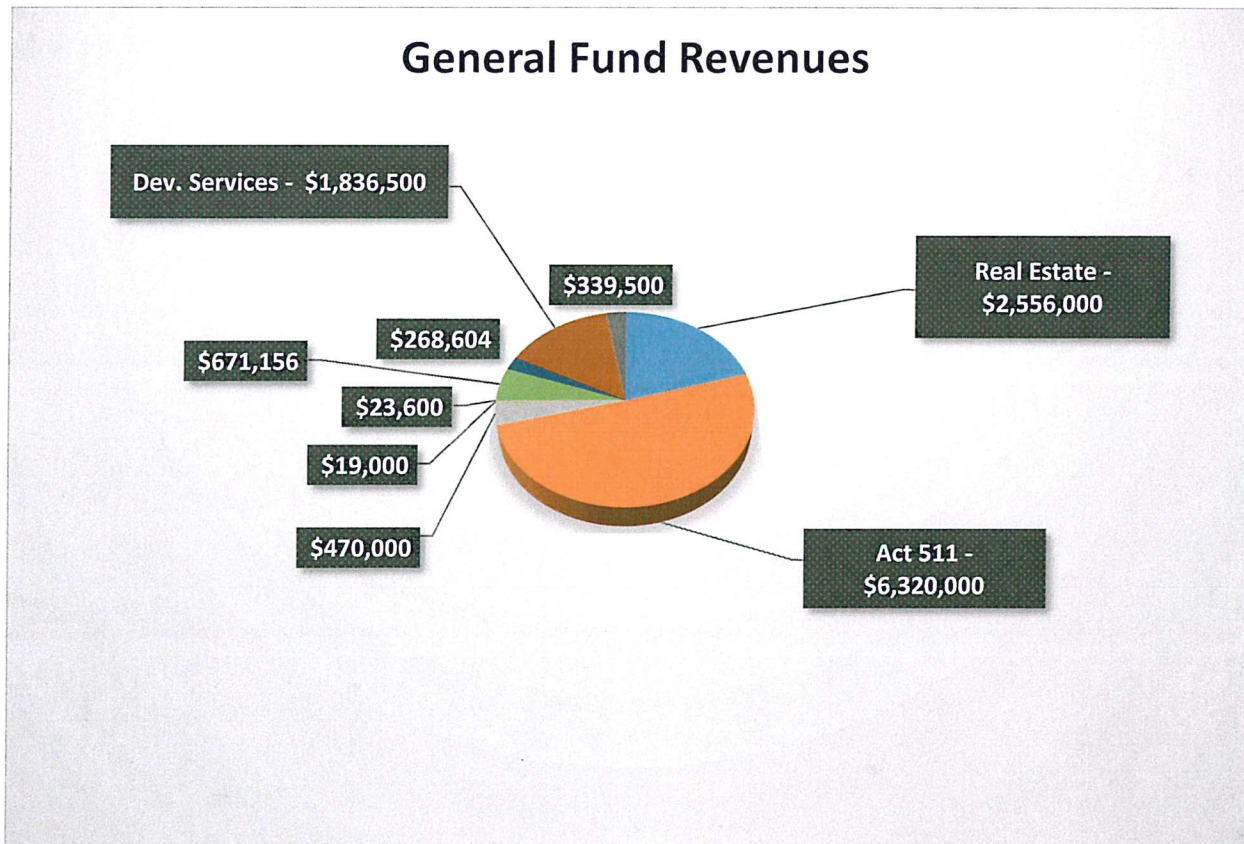


Figure 1 – Major funding sources of the Total Projected General Funds revenues

Revenues – The General Fund derives its primary funding from a combination of taxes: Act 511 (Real Estate Transfer, Earned Income & Local Services), Real Estate and next year we anticipate Development Services to be a major contributing factor through Building Permit fees (*see figure 1 on page 1*).

Expenses - The varied departments in the General Fund include: General Government, Finance, Police, Fire Services, Development Services, Emergency Services and Public Works. Please note that the budget reflects an additional separation of Emergency and Fire Services (new for 2020). This is staff's efforts to reflect the true cost of operating each of the departments under the General Fund umbrella (*see figure 2, below*).

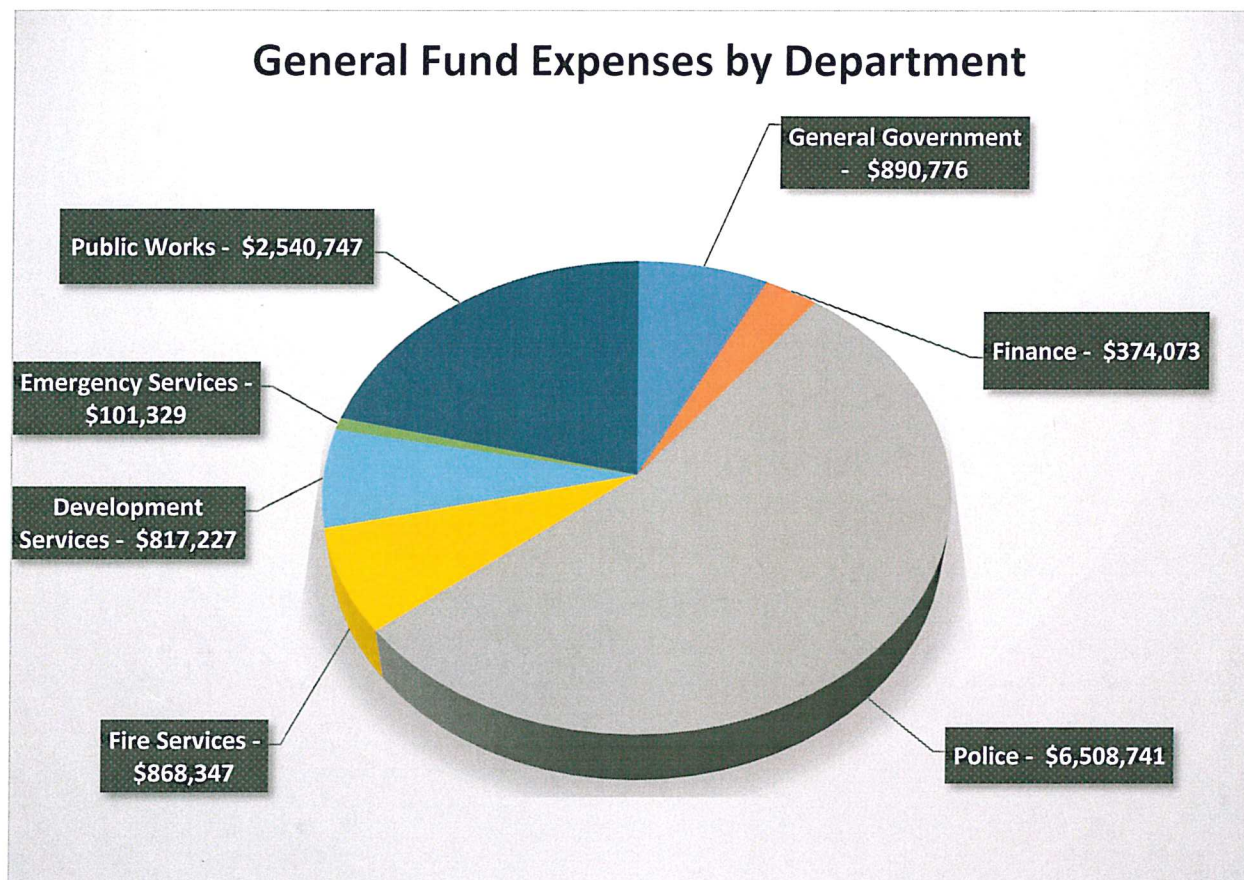


Figure 2 – Department budgeted totals

The Township is fortunate to have a healthy fund balance as we end 2019, anticipated at \$4,618,443. This fund balance is used to cover expenses for the first quarter of the year as the bulk of the tax revenues are not received until March/April.

Staff presents a conservative budget regarding revenues and a realistic budget concerning expenses. We do not foresee any challenges with the General Fund budget as each department head is tasked with the goal to keep their expenditures within the listed budget parameters. Historically this has not been an issue and I do not anticipate any road blocks to operate the Township within the budget outlined for 2020.

The 2020 budget does include a 3% wage pool to be used for non-uniformed employee increases and reflects the contracted 3% wage increase for the uniformed employees. Staffing is budgeted for 34 sworn officers and 31 non-uniformed positions (excludes golf). The non-uniformed positions are an increase

over 2019 because of the anticipated hiring of a Chief Fire Official and moving the part-time Emergency Management Coordinator to full-time status.

As equipment and buildings continue to age, each department provides for capital purchases. Totals for the 2020 budget are \$542,934 or approximately 4.4% of the General Fund Budget. In 2019 capital purchases totaled approximately \$451,000 or 4% of the 2019 GF budget.

The GF does show a fairly large decrease in the anticipated fund balance at the end of 2020 which can be explained by the \$1.9M transfer we are suggesting into the Capital Reserve account to assist with these projects. In recent years the transfer to the Capital Reserve account from the General Fund has been \$900K.

Trash Fund – This fund is used to handle the income and expenses associated with our contracted waste hauler, Waste Industries. 2020 will put us in the final year of a 3-year contract and staff will be preparing bidding documents at the end of 2020 for a new contract as the hauler has indicated no interest in extending the contract. The current contract reflected excellent pricing which has allowed the Township to offer trash and recycling to residents at a very low cost when compared to other municipalities. Tracking other bid contracts in the County, we feel our unit price of just under \$100 will see an increase in the 30-40% range. Based on this, the Trash Fund reflects the need for a 12% increase in resident fees in 2020.

Resident rates for 2020 are recommended at \$53 qtr./\$195 annual.

2019 rates were \$47 qtr./\$173 annual.

It is important to note what has historically been occurring in this fund over the past several years. Staff has been monitoring the fund balance and felt in 2014 that resident fees could be lowered. We continued this trend for the next few years reaching a low in 2016 and 2017 and then having an increase in 2018 (see figure 3, below).

Rate history:	2018	\$47.00	\$173
	2016 - 2017	\$42.50	\$150
	2015	\$45.00	\$160
	2013 - 2014	\$47.50	\$180
	2008 - 2012	\$50.00	\$190

Figure 3 – Trash/Recycling Rate history

Long range view of this fund will change as we move into 2021. The long-range view currently shows another 12% increase in 2021 with the potential need for further increases in subsequent years.

Capital Reserve Fund – This fund is used to track the Township's capital projects. Many of the projects in this fund span multi-years. The steady funding source is the 0.16% of the millage rate which is budgeted at \$468,000. The current debt service paid from this fund totals \$400,221 (Infrastructure Loan and Police Expansion loan). For the past several years the General Fund has also been able to provide funds into the Capital Reserve. While typically in the \$800K-\$900K range, in 2020 it is being suggested that \$1.9M be transferred to cover pending projects such as the Centerville South project.

The biggest project looming in this fund is the Centerville Road – South project. PennDOT is taking the lead in this project because of the significant improvements to the bridge interchange. The western and eastern portions of the Township roadway will see widening to match the bridge. The project is an 80/20 split but the 20% portion of the Township's share will be significant (estimated at \$2.7M). Fortunate for us the capital outlay for this project will span several years.

Additional projects always listed in this fund is Overlay/Paving and Stormwater/MS4 projects. The Township has had a strong overlay/paving program the past several years and staff feels that this needs to continue for the foreseeable future. While the Overlay/Paving program continues to be funded at a fairly level pace, the Stormwater/MS4 projects are anticipated to become a more significant part of the Capital Reserve Budget.

The funding level in this account is a direct reflection on the health of the General Fund, as General Funds become tighter, the transfer to the Capital Reserve Fund will be proportionately more difficult.

Long range view of this fund does not assume the \$900K contribution from the General Fund. Without that transfer the fund shows a negative ending balance beginning in 2022.

Golf Fund – This fund reflects the revenues and expenses of the Four Seasons Golf Course and Banquet Center and as we all know the revenues are very dependent on seasonal weather.

2018 was billed as one of the worst years for the golf facility. The weather was wet and revenues were down (\$779,306). 2019 was much improved seasonal weather and revenues are expected to exceed \$850,000.

The 2020 budget reflect another positive outlook with incomes projected at \$908,720. Adding in the consistent number for the snack bar/banquet area of \$163,500 places total income at \$1,072,220 in 2020.

The Golf Course expenses fall into 3 department buckets, golf operations, golf maintenance, snackbar/banquet (see figure 4, below). It has been necessary to make a fund transfer from the General Fund to the Golf Fund of \$250,000 each year. That funding has been shown as continuing for 2021.

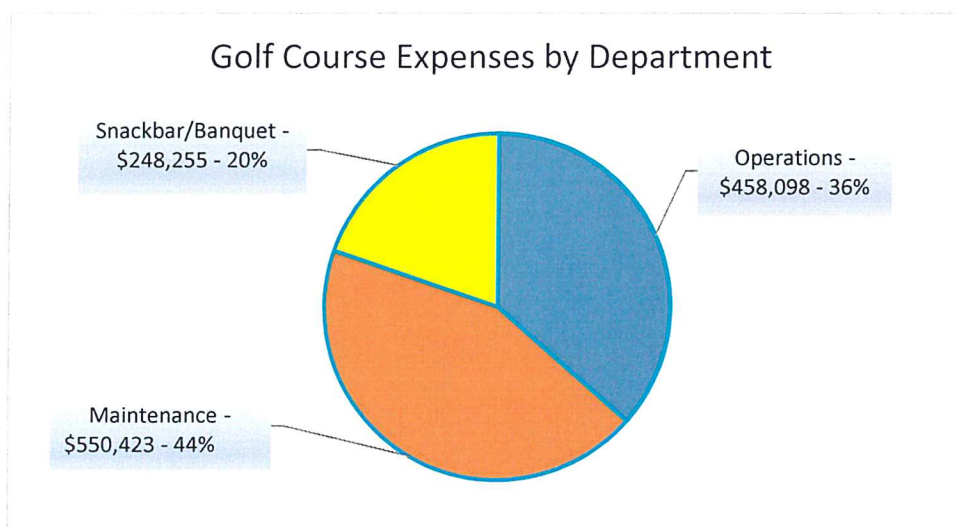


Figure 4 – Golf Fund by department Expenses

Long Range – The long-range view of income is difficult to predict given the dependence on weather. It does show the \$250K transfer into the fund and consequently shows the fund balance growing slightly. It is necessary to understand that no funding is being set aside for major infrastructure improvement which may be needed, should facility leasing occur in future years so carrying a small fund balance is good fiscal planning.

The Recreation Authority will begin its second full year of operations and is working on several avenues for additional revenues (lease of the land at the corner of Church and Stony Battery as well as discussions with several businesses concerning the lease of the banquet/kitchen space). The potential for additional revenue may carry with it the need for necessary infrastructure improvements.

Other Funds - Liquid Fuels, Fire Services, Road Improvement Contribution and Mandatory Dedication Funds are group under 'Other Funds'. These funds are generally small in nature and perform a specific purpose for tracking revenues.

Liquid Fuels is the holding account for our annual State Allocation. The use of these funds are restricted to certain expenditures. We anticipate receiving \$866,920 in revenues and will use most of these funds for signals, street lighting, line marking and paving/maintenance project.

Fire Services Fund shows a transfer from the General Fund of \$225K and is then used to track fire company capital purchases. Most of the equipment loans have been paid off. What remains is a small debt payment for the Rohrerstown 2011 truck and new for 2020 is a placeholder signifying assistance to Hempfield Fire Company as they contemplate a new engine purchase toward the end of 2020.

Road Improvement Contribution Fund is where any developer contributions for roadwork is placed. This money is held by the Township until a roadway project is considered in the area that was developed. Mr. Robinson maintains a spreadsheet of contributors. In 2020 the budget reflects a transfer of \$907,427 to the capital reserve fund to be used for the Centerville Road project and the Farmingdale long-term improvements project.

Mandatory Dedication Fund is where a developer's fee in lieu of recreation land is placed. Many times a developer would prefer to pay a fee in lieu of rather than provide the required recreation space. These funds are maintained in this account until needed for a recreation project. In 2020 it is proposed that \$75,000 be used to create a 2nd pavilion at the A. Herr Park.

Respectfully provided: Cindy A. Schweitzer, Manager/Secretary

A. Liquid Fuels Fund

2020

1. Annual funding from the State is projected at \$860K which is the major funding source for this fund.
2. Electricity costs for the 36 traffic signals and the street lights throughout the Township equates to \$166K per year.
3. For next year \$640K is requested for paving to supplement the Capital Reserve Fund funding of \$875K for a total paving budget of \$1,515K in order to continue to address the maintenance of 117 miles of Township roads.

Projections

4. The long-range forecast allows for providing all the same services through 2023.

East Hempfield Township Financial Projections - Discussion Points 10/16/2019

B. Trash / Recycling Fund

2020

1. For next year, we are proposing a 12% increase in the trash rate.

2020 Quarterly rate = \$53 (\$212) Paid annually = \$195

2019 Quarterly rate = \$47 (\$188) Paid annually = \$173

Rate history:	2018	\$47.00	\$173
	2016 - 2017	\$42.50	\$150
	2015	\$45.00	\$160
	2013 - 2014	\$47.50	\$180
	2008 - 2012	\$50.00	\$190

2. Higher rates will continue to be competitive, see the spreadsheet attached.
3. Trash fees from the 7,600 customers will generate \$1,560K in revenue next year.
4. The Unit price on the Township's 3rd and final year of the Waste Industries contract is \$100.20/unit.
5. LCSWMA trash tipping fees are increasing to \$5/ton for a rate of \$81/ton.
6. 2020 budget includes a recycling grant and subsequent purchase of leaf handling equipment. \$82K grant award/\$92K equipment purchase, a 90% grant.

Projections

7. Staff feels that residents should be prepared for another rate increase in 2021. The projections list another 12% increase but that amount is dependent on the outcome of the trash/recycling bid to be completed at the end of 2020.
8. The Township anticipates having to seek bids for the trash collection service next year for the 2021 budget year.

C. General Fund

2020

1. We added a Fire Services Department and segregated expenses between fire and emergency services (pages 8 and 10). Additionally, all departments were reviewed to segregate true department costs such as pension and employee costs. This provides a truer reflection of individual department incomes and expenses.
2. Revenues higher than anticipated/Expenses lower than anticipated. Therefore, the opening fund balance is projected at \$4,618K, \$1,369K higher than originally anticipated.
2019 opening fund balance and revenues exceeding the budget by \$868K.
Operating expenses/transfers out under budget by \$501K.
3. No changes to the current millage of 1.01 mills (85% General Fund, 16% Capital Reserve Fund). Our last tax increase was in 2008.
4. Building permits continue to fluctuate contingent on development activity levels.
2019 projection is \$870K, budgeted at \$500K. We anticipate \$1.7M in 2020 due to projected development which will allow \$1M to be moved to the capital reserve fund.
5. Total 2020 revenues are projected at \$12,504K - 14% higher than 2019, primarily due to Act 511 tax receipts and building permit fees.
6. Total 2020 expenditures for next year are projected at \$12,101K - 7.7% higher than 2019, primarily due to: \$115K police payroll, non-uniformed payroll \$173K (includes adding two FT positions), \$200K for new road maintenance program, \$159K in capital purchases, \$140K professional services and all other line item costs increasing \$79K.
7. The pension MMO funding for 2020 increased by \$15K. In addition, next year's budget again includes \$200K of additional funding for the Police Pension Plan.
8. 2020 staffing levels consist of (34) police officers and (31) non-uniformed positions (an increase of 2 positions - EMC-fulltime, Fire Service Chief at ½ year).
9. Non-uniformed wage increase pool is set at 3%
10. Uniformed staff reflect a 3% increase for 2020 per the contract.

East Hempfield Township Financial Projections - Discussion Points 10/16/2019

11. 6th year of the choice program (PPO and QHDHP). The 2020 budget reflects a 3.8% increase in premiums. Currently 86% of the employees are enrolled in the QHDHP, 11% in the PPO plan, with 3% of employees opting out of health coverage. Township contribution to Health Savings Accounts will be lowered to 65% of deductible, \$975/\$1,950 (\$1500/\$3000). 2019 it was 70% contribution.
12. Fire Services (page 8) reflects the hiring of a Chief Fire Official for ½ year as well as costs associated with outfitting the Chief with necessary equipment.
The funding levels/contributions are listed at \$100K for Rohrerstown to assist with underwriting their paid staff coverage from Manheim Fire. The \$30K represents a pool of money for various budgetary needs expressed by the departments. It would be the intent that the Commission would oversee the distribution of these funds.
13. Emergency Services (page 10) reflects moving the EMC position to full-time.
14. Capital items are requested at \$543K (refer to the last page Capital Equipment Requests).

C. General Fund

Projections

15. Tax revenues assume a 1% 'natural' growth rate.
16. Uniformed wages including step and longevity increases, projected at a 3.25% annual growth rate with a force of (34) officers.
17. Non-uniformed wages reflect a 2.5% growth rate.
18. Future pension costs assume 5% growth in the required MMO funding in the out years, as well as \$200K annually for additional funding of the Police Pension Plan.
19. Fire services line items will continue to be funded as in the past with anticipated new equipment loans and operating support factored in.
20. Most other operating costs reflect a 3% yearly increase.
21. Capital equipment funding shows \$375K per year for 2021-2023.
22. The long-range forecast indicates that the Township should be able to continue to provide the same level of services to residents for at least the next two years without a tax increase.

D. Golf Fund

2020

1. The financial performance for 2019 is estimated to exceed the original projection by \$40,000, resulting in a carryover balance of \$50,000.
2. Revenues for golf are projected at \$908K, with the snack bar/banquet area projected at \$164K for a total of \$1,072K.
3. Expense projections are \$1,009K for golf course operations and \$248K for the snack bar/banquet area for a total of \$1,257K.
4. Staffing levels remain at (6) fulltime positions.
5. 2020 Capital items totaling \$23K include existing commitments of - (lease/purchase), \$18K for (2) rough mowers (l/p), \$5 zero turn mower (l/p).
New requests for 2020 include \$45K for additional netting for the driving range and \$17K for (2) greens mowers (l/p).
6. The Transfer from General Fund is proposed to remain at \$250K due to possible needs in necessary upgrades to the facility expected by lease/rentals.

Projections

7. The East Hempfield Township Recreation Authority continues to explore options for additional revenue sources to complement the current golf course and banquet facility operational income, with the goal of having the Four Seasons complex become more self-sufficient.
8. 1.0% growth is anticipated in revenues over the next several years.
9. For 2020 and beyond payroll costs reflect a 2.5% growth rate.
10. Future capital funding for equipment and projects is projected at \$75K per year.
11. Expenses are anticipated to be higher than revenues through 2023.
12. The long-range forecast shows a continued need for supplemental funding from the General Fund.

E. Capital Reserve Fund

2020

1. The projected opening fund balance is \$1,026K for next year.
2. For 2020, the tax revenues are projected to total \$471K. This is the only committed funding into this account (0.16 millage).
3. The 2020 inter-fund transfer is budgeted at \$1,900K, compared to the \$900K transferred last year. The additional \$1M is reflective of anticipated building permit fees.
4. \$700K is requested for next year for engineering and right-of-way costs associated with the Centerville Road South project.
5. Stormwater project/MS4/PRP's, we anticipate to reach \$400K in 2020 and \$700K moving forward (Randy Road/Aquilla Gardens/Golf Course, Harrisburg Pike, Stone Gate Condos).
6. \$875K for paving to supplement the \$640K in Liquid Fuels for a total paving budget of \$1,515K. The Township anticipates a reimbursement of \$330 from Lancaster City and West Hempfield Township for two joint paving ventures.
7. The Farmingdale Road project is estimated to cost \$850K in 2020.
8. Next year total debt service is \$400K, consisting of \$140K for the police station expansion loan and \$260K for the PIB loan.

Projections

9. Looking to 2021-2023 the Township should annually be providing \$625K for paving roads and \$700K for storm water/MS4 projects (\$1.325K).
10. The long- range forecast indicates that the Township currently ***does not have a funding mechanism in place*** to sustain the on-going needs of the Township. Currently the 0.16 mill of real estate tax revenue covers the annual debt service requirements on existing infrastructure loans, but not much beyond. Funding for new projects such as roads, bridges, stormwater and other infrastructure needs remains undetermined.

East Hempfield Township Financial Projections - Discussion Points 10/16/2019

F. Other Funds

2020

1. Fire Services – reflects a \$225K transfer-in from the General Fund for “future” equipment needs.
2. Fire Services – existing loan commitments consist of \$55K for Rohrerstown FD Truck.
3. Fire Services - For next year, up to \$70K is budgeted as a potential loan commitment for a new Hempfield Engine.
4. Road Improvement - For 2020, planning on utilizing developer funds for improvements to Farmingdale Road, budgeted at \$850K.
5. Mandatory Dedication - \$75K is planned to build a second pavilion at the Amos Herr Park.