

Budget Message 2021

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 ending the year in good position given the turmoil in 2020. The tax base of 1.01 mills should hold steady for the next few years with no change in services.

The Capital Reserve Fund, as is typical, will need to be monitored as its health is very much dependent on the General Fund. The 2021 budget reflects a transfer of \$900K for projects. How we fund the construction costs for Centerville Road will need to be a discussion next year for impacts to the 2022 and 2023 budget.

The Golf Fund is in a much-improved state moving in to 2021. While 2020 was difficult, the outlook for golf operations is looking very good with added revenue sources from the banquet lease and micro tower anticipated revenues. This is a significant different outlook from last year's projections.

The Trash Fund will need an increase in the residential trash/recycling fee. This is necessary due to the new trash/recycling contract. It will be the goal to maintain the 2021 fee structure through the next 5 years which is the span of the new contract.

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 \$11,486,134 in revenues (an 8% decrease over anticipated 2020 revenues) and expend \$12,496,049 (a 2.2% increase over anticipated 2020 expenses). We will be using our \$4,404,487 unreserved cash balance to offset the \$1,009,917 deficit in 2021. The reason for the significant deficit is several 2021 expenditure that are one time impacts to the budget (27th payroll, increase in MMO-pensions and third-party inspection fees). These non-recurring items total \$758,000 next year. Municipal budgets perform in waves and we feel that we are riding the low point in 2021 and will begin the climb to the peak in the

coming years. Therefore, 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).

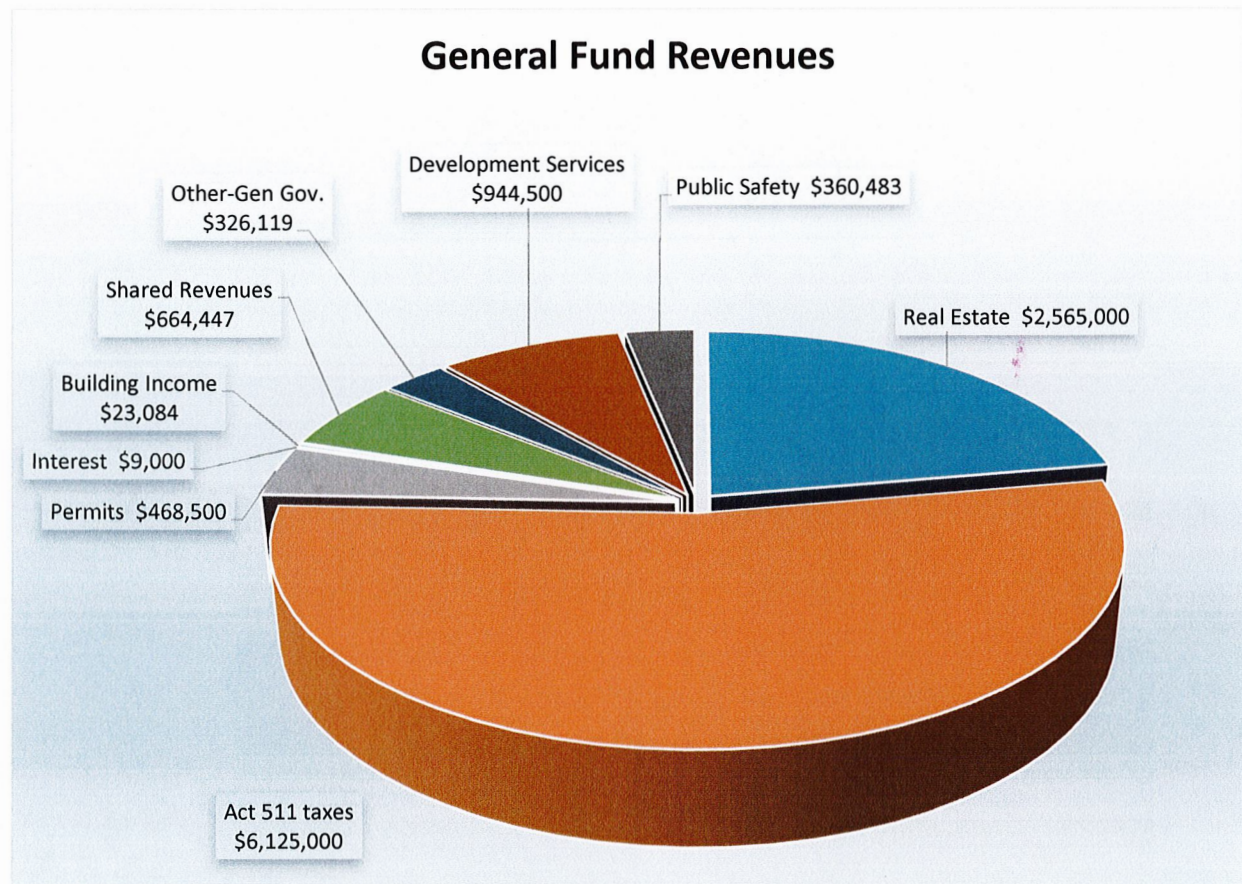


Figure 1 – Major funding sources of the Total Projected General Funds revenues

Revenues – The General Fund derives its primary funding from a combination of taxes: Act 511 (Real Estate Transfer, Earned Income & Local Services) and Real Estate.

Expenses - The varied departments in the General Fund include: General Government, Finance, Police, Fire Services, Development Services, Emergency Services and Public Works. Staff continues to reflect true costs by department.

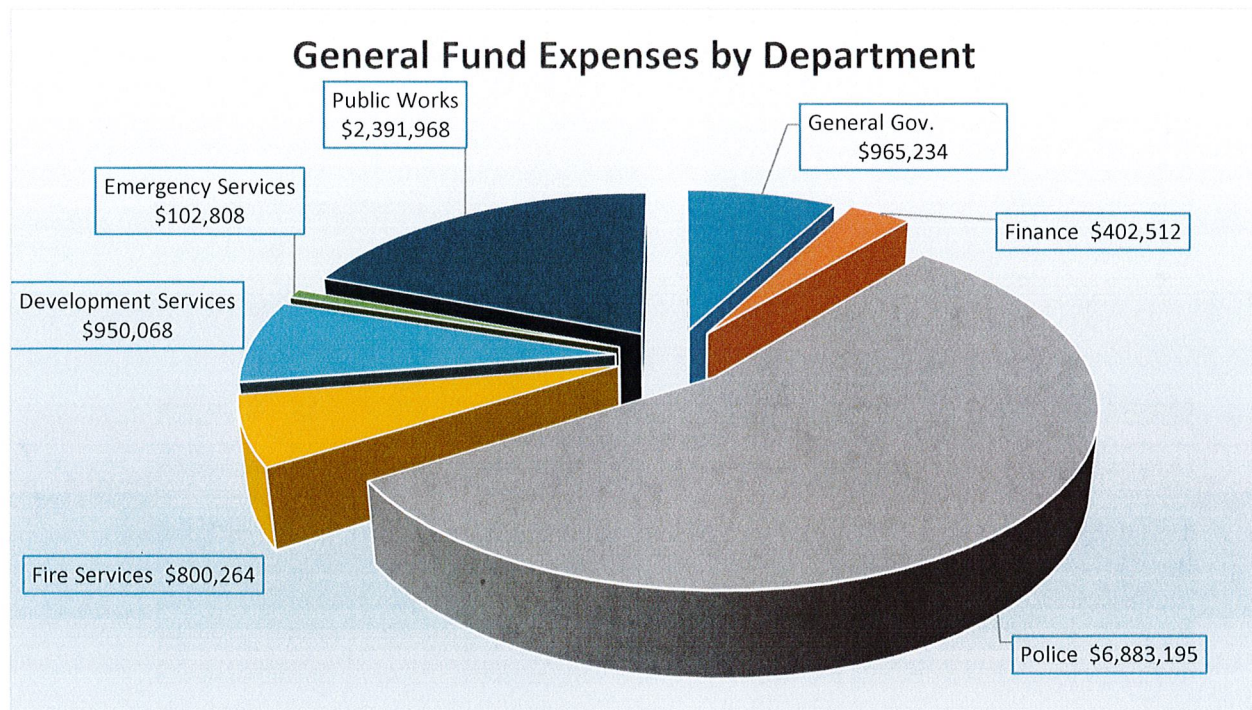


Figure 2 – Department budgeted totals

The Township is fortunate again this year to have a healthy fund balance as we end 2020, anticipated at \$4,404,487. This 2020 fund balance will be used to cover the anticipated deficit in the 2021 and cover expenses for the first quarter of the year until tax revenues are received in 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 concerns in reaching our 2021 budget goals.

The 2021 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).

As equipment and buildings continue to age, each department provides for capital purchases. Totals for the 2021 budget are \$459,989 or approximately 3.7% of the General Fund Budget. In 2020, capital purchases totaled approximately \$451,000 or 4.4% of the 2020 GF budget. Staff was asked and successfully tightened their capital expenditures for 2021.

The General Fund was able to provide funds to the Capital Reserve Fund (\$1,200,000) in 2020. Funding level to the Capital Reserve will return to normal levels in 2021, at \$900,000.

Trash Fund – This fund is used to handle the income and expenses associated with our solid waste collections and disposal. Waste Industries continues as our contracted hauler with a new contract beginning in 2021. This is a 3-year contract with 2 extension years. We were very pleased with the results of the recent bid opening but as was projected last year this fund will need an additional 12% increase in user fees. It is the intent of staff to maintain this fee structure through the end of the 5-year contract term where additional increases may be necessary, dependent on contract bid results. This fund is a pass-

thru fund in that revenues generated are expensed with little need to maintain a fund balance. The Township continues to be in the middle of the pack in terms of their fee schedule.

Resident rates for 2021 are recommended at \$59 qtr./\$218 annual.

Rate history:	2020	\$53.00	\$195
	2018-2019	\$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

Capital Reserve Fund – This fund is used to fund the Township’s capital projects. Many of the projects in this fund span multi-years. The steady funding source into this fund is the 0.16 of the real estate tax millage which is budgeted at \$468,000. The current debt service paid from this fund totals \$388,335 (Infrastructure Loan and Police Expansion loan). The debt service is lower in 2021 due to a restructuring of the police department expansion loan.

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 be 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 \$2.6 million for construction. The project is scheduled to be bid in the fall of 2021 with construction to span the 2022/2023 construction seasons. The Township needs to continue to monitor the progress on this project and anticipate the funding needs as we move into 2021.

Based on our recently completed long-range bridge plan, \$1.2M will be needed in the out years to fund one replacement (Dairy Road) and ongoing maintenance. Additionally, the Township has had a strong overlay/paving program for the roadways, over 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. Another significant component of the Capital Fund is the Stormwater/MS4 projects. The stormwater/MS4 projects listed in the 2021 budget are minimal since we have met our MS4 obligations in our current permit cycle. This will change as the current permit will end in 2023 and new projects, along with cost will be need to comply with the requirements. The Township has been fortunate to have two stream restoration projects being done within our borders which have aided in controlling MS4 project costs.

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.

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 due to horrible weather and revenues were down (\$779,306). 2019 was much improved with mild seasonal weather and revenues increased

(\$916,598). 2020 brought Pandemic issues but we were pleasantly surprised to reach projected revenues of \$898,323.

Due to the successful efforts of the Recreation Authority, the Golf Course is venturing into a new lease arrangement for the banquet facilities and also hope to lease space for a micro cell tower. The anticipated revenues for these two ventures plus the changes in operation of the banquet and snack bar resulted in the 2021 budget reflecting no need for the General Fund to supplement the Golf Fund.

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 in 2018 and 2019. 2020 was \$325,000. No General Fund support is anticipated for the Golf Fund in 2021.

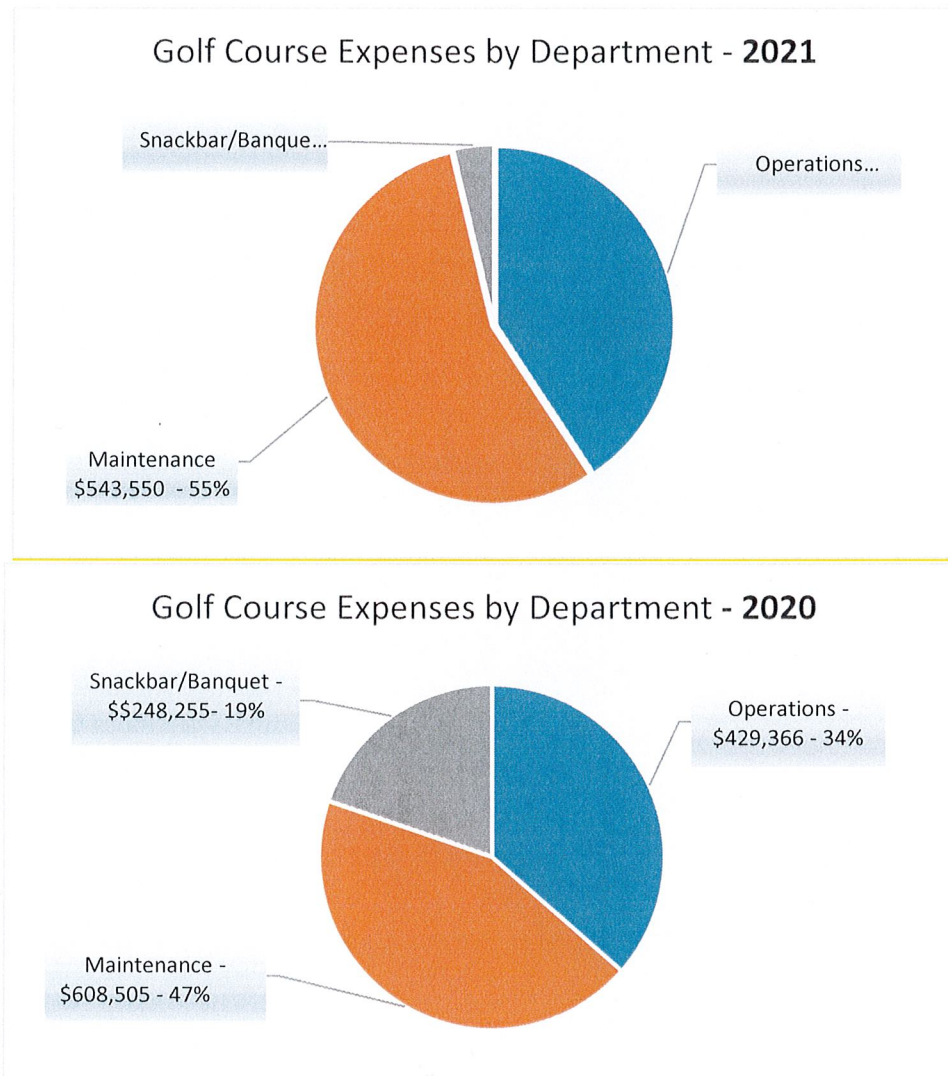


Figure 4 – Golf Fund by department Expenses

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 is restricted to certain expenditures. We anticipate receiving \$761,357 in revenues and will use most of these funds for signals, street lighting, line marking and paving/maintenance projects.

Fire Services Fund shows a transfer from the General Fund of \$125K. Funds are being accumulated to aid the Fire Departments with the capital purchases in future years. One of the priorities in the hiring of the Chief Fire Official will be to re-evaluate the life cycles of the equipment and buildings so that an updated capital improvements plan can be developed for all three fire departments, Rohrerstown, Hempfield and East Petersburg.

Road Improvement Contribution Fund is where developer funds are deposited for future roadwork. 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.

Mandatory Dedication Fund is where a developer's fee in lieu of recreation land is placed. Often 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.

Respectfully provided: Cindy A. Schweitzer, Manager/Secretary