

October 24, 2008

Board of Commissioners
Township of Upper St. Clair
1820 McLaughlin Run Road
Upper St. Clair, PA 15241

2009 BUDGET MESSAGE

Members of the Board:

I am pleased to present the 2009 Budget for the Township of Upper St. Clair, which is submitted in accordance with Article IX, Section 902 of the Home Rule Charter.

Starting in July 2008 the Township Manager and his Staff initiated a budget process with the intended purpose of developing the **2009 Budget into a more comprehensive and functional document**. Much the way the Staff reformatted the Comprehensive Plan several years ago, the budget over the next three years will evolve into a more **functional, reader-friendly tool**. In the 2009 Message alone you will find **examples of these changes**, with the addition of color pie charts and corresponding graphs to each department and revenue categories. Upon adoption, the 2009 Budget will incorporate a budget redesign, budget analysis per department and a broad-based snapshot including data specific to that department. In future years, **financial forecasting and benchmarking** will be integrated into the document, so as to provide a thorough picture of the Township's future financial position and **ability to compete** with other communities.

In preparation for the 2009 Budget, the Staff took a different approach as to the budget requests from each department. In prior years department heads submitted initial budget requests to the Finance Department and using these requests together with current year expenditure data, developed the Proposed Budget. So to provide more focus to the process this year, the Finance Department developed departmental budget worksheets **featuring trend analysis and inflation statistics**. The department heads responded with an acknowledgement of the projections or a justification for a change in a budgetary number. After preparing any changes, Staff then met again with each department to discuss both their operating and capital budget requests. This process gave us the ability to **reduce the 2009 Operating Budget for the General Fund by .09%** from the 2008 Operating Budget.

The Board will review the Proposed Budget and conduct a Public Hearing on November 10, 2008. Modifications resulting from the Board's review and public hearing will be incorporated into the Final Budget. The purpose of this message is to highlight important aspects and proposed changes of the budget. A more detailed analysis of each budget account can be found in the accompanying text and worksheets.

BUDGET HIGHLIGHTS

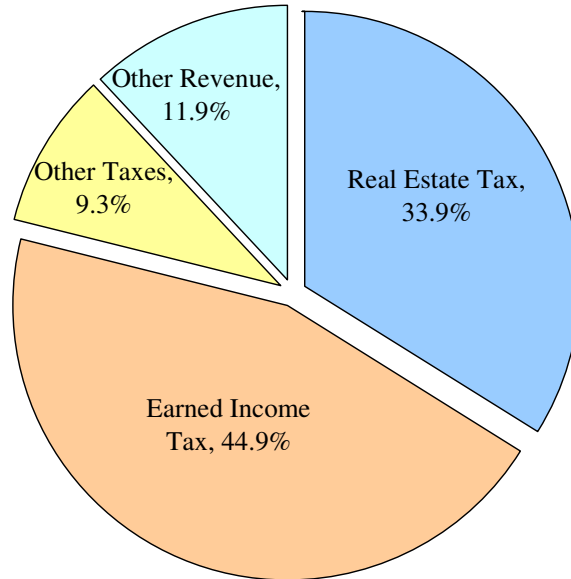
What is new for 2009?

- It is with unsurpassed enthusiasm the Board of Commissioners and Staff welcomes the opening of the Community Recreation Center (CRC) planned for the Spring of 2009. After over ten years of master planning, public meetings, public input, ad hoc committees, and design development the Township will open what can only be considered a one-of-a-kind community recreation and aquatics facility for the Southwestern Pennsylvania region. The “*Boyce/Mayview Community Recreation Center Fund*” has been established to account for all financial activities for its operation and can be found later in the document.
- The Township’s Annual Street Improvement Program has been reduced to \$879,500 for 2009 from \$1,150,000 for 2008.
- As planned with the original approval and financing of the CRC a real estate tax increase has been proposed for the 2009 Budget to cover the debt service and common area expenses of the facility. As originally projected the increase was set at .95 mills. However, with the work of the Staff and the Board of Commissioners through the Budget and Finance Committee the planned increase was lessened to .80 mills. This was accomplished in a fiscal environment that saw unprecedented increases in refuse costs (31%), along with increases in healthcare costs and fuel prices over the previous years.
- Minimum Municipal Obligations (MMO) has remained stable. Due to the economic conditions in 2008 however, it is anticipated the MMO will increase significantly in 2010 and 2011.
- In the 2009 Budget for the Sanitary Sewer Fund, a multiplier of 2.15 is projected over the current figure of 1.85 due mostly to the effects of a program offered by the Pennsylvania American Water Company called “*Winter Averaging*”. This program will offer resident sewer users a credit on a more equitable basis for water used that does not flow through the Township sewer system without the expense of the installation of a credit meter. Therefore, the multiplier must be slightly adjusted upward to account for a loss of revenue to the fund.

GENERAL FUND

Where the Money Comes From

The 2009 major operating revenues include real estate tax and earned income tax. Other taxes include real estate transfer tax, public utilities tax, sales & use tax and local services tax. The balance of operating revenue is comprised of licenses and permits, fines, fees, rental & service agreements, investment earnings, recreation fees and other non-tax revenue.



General Fund revenues are projected to increase from \$15,540,092 budgeted for 2008 to \$16,432,448. This projected increase is due to an increase of the real estate tax rate to 3.40 mills. The earned income tax rate will stay at .80%. The General Fund is also supplemented by a \$3,219,765 Fund Balance. For more information on major funding sources, please refer to the General Fund Budget Notes.

	2008 Budget	2008 Estimate	2009 Budget
Real Estate Tax	\$ 4,294,440	\$ 4,305,000	\$ 5,576,771
Earned Income Tax	7,672,975	7,323,450	7,370,000
Local Services Tax	235,000	229,000	300,000
Real Estate Transfer Tax	850,000	900,000	900,000
Public Utilities Tax	19,000	19,000	19,000
Local Option Sales & Use Tax	305,000	310,000	310,000
Licenses and Permits	125,150	128,850	132,550
Fees and Fines	366,700	377,450	394,700
Rental Income	70,900	71,900	74,450
Investment Earnings	150,000	110,000	125,000
Service Agreements	284,030	166,615	169,817
Other Non-Tax Revenue	618,200	825,206	711,000
Recreation Fees	384,197	391,035	349,160
Total Revenues	\$ 15,375,592	\$ 15,157,506	\$ 16,432,448
Fund Reserve	164,500	-	-
Total Major Revenues	\$ 15,540,092	\$ 15,157,506	\$ 16,432,448

GENERAL FUND (Continued)

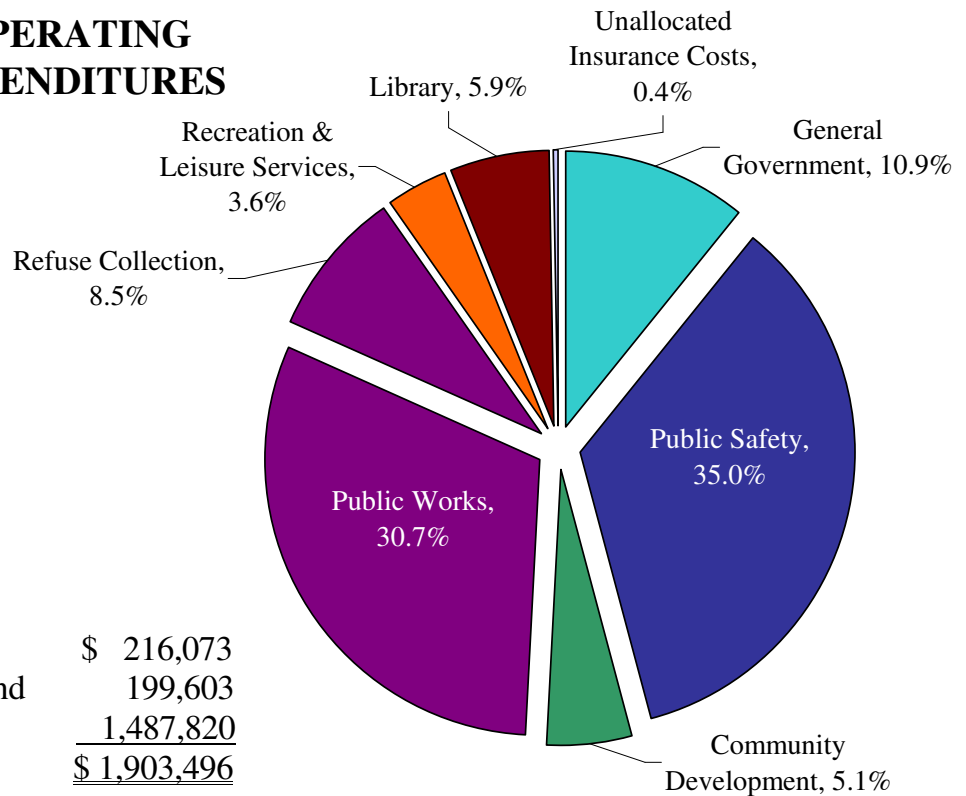
Where the Money Goes

The 2009 operating expenditures will decrease from 2008 budget amounts of \$13,282,079 to \$13,270,190. Public Safety, which includes Police, the Volunteer Fire Department and Animal Control, and Public Works are the largest components of operating expenditures, representing 65.7% of the Operating Budget.

The remaining difference of projected revenues over operating expenses of \$3,162,258 will be used to fund the Debt Service Costs for 2009 of \$1,258,762 and the following operating transfers:

Capital Projects Fund	\$ 216,073
Boyce/Mayview Park RAD Fund	199,603
Boyce/Mayview CRC Fund	<u>1,487,820</u>
Total Transfers	<u>\$ 1,903,496</u>

OPERATING EXPENDITURES



The Debt Service Costs for the construction of the CRC are shown in the Boyce/Mayview CRC Fund and are funded through an operating transfer from the General Fund.

Operating Expenditures Summary

General Fund operating expenditures have decreased by \$11,889 or .09%. This has occurred through a combination of the following reasons:

- Fulltime personnel salary and wage increases were projected at 3.5%.
- Health Insurance costs were budgeted to increase by 5%.
- The pension minimum municipal obligations (MMOs) for the police and public works employees remain substantially the same as 2007 due to good investment performance by both pension plans, as of the last state mandated reporting period (01/01/2007).

GENERAL FUND (Continued)

Operating Expenditures Summary (Continued)

- Total refuse collection costs were budgeted to increase by 31% based on recent bids received by SHACOG.
- Recreation program and administrative costs have decreased by \$267,407 or 36.11% due to the reassignment of costs applicable to the Community Recreation Center.
- General Government expenditures decreased \$184,528 or 11.32% due to costs associated with the retirement of the former Township Manager in 2008.
- Other costs and materials have been budgeted to increase at or below the CPI rate.

The 2009 Budget will maintain the General Fund Balance at a level necessary for the Township to maintain its AA+ Bond Rating. For more information on major programs, please refer to the General Fund Budget Notes.

	2008 Budget	2008 Estimate	2009 Budget
General Government	\$ 1,630,589	\$ 1,593,163	\$ 1,446,061
Public Safety	4,504,095	4,317,921	4,639,011
Community Development	612,799	532,589	675,433
Public Works	4,088,145	3,892,850	4,079,910
Refuse Collection	860,700	860,437	1,128,725
Recreation & Leisure Services	740,615	653,345	473,208
Library	793,146	774,930	776,437
Unallocated Insurance Costs	51,990	29,398	51,405
Total Operating Expenditures	\$ 13,282,079	\$ 12,654,633	\$ 13,270,190
Operating Transfers	1,253,493	1,376,349	1,903,496
Debt Service Payments	1,004,520	1,126,524	1,258,762
Sub Total	\$ 2,258,013	\$ 2,502,873	\$ 3,162,258
Total Appropriations	\$ 15,540,092	\$ 15,157,506	\$ 16,432,448
Fund Reserve	-	-	-
Total Major Programs	\$ 15,540,092	\$ 15,157,506	\$ 16,432,448

GENERAL FUND BUDGET NOTES

Major Revenue Sources

Revenue Source	% 2009 Total Budget	\$ Change from 2008 Estimate	% Change from 2008 Estimate	\$ Change from 2008 Budget	% Change from 2008 Budget
Real Estate Tax	33.9%	\$1,271,771	29.5%	\$1,282,331	29.9%

- Increase due to real estate tax rate of .80 of a mill for the repayment of the debt incurred for the construction of the Community Recreation Center (CRC).

Earned Income Tax	44.9%	\$46,550	0.6%	(\$302,975)	-3.9%
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- The projected increase of \$46,550 is based upon actual collection patterns for 2008 and projected economic conditions for 2009.

Real Estate Transfer Tax	5.5%	\$0	0.0%	\$50,000	5.9%
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- The projected collections are based upon actual collection patterns for the past five years.

Local Services Tax	1.8%	\$71,000	31.0%	\$65,000	27.7%
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- The Local Service Tax is levied on all employees who work within the municipality at \$52 for those earning over \$12,000 a year. The tax can be spent for public safety, public works and tax reduction. The Township expects to collect a total of \$300,000 for 2008.

Local Option Sales & Use Tax	1.9%	\$0	0.0%	\$5,000	1.6%
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- Local Option Sales Tax is a shared revenue source with the County of Allegheny and the Allegheny Regional Asset District (ARAD) and was enacted by the Pennsylvania State Legislature in December 1993 and became effective in Allegheny County on July 1, 1994. The Township is budgeting for a slight increase over the actual 2008 collections. The Township is included in the RAD budget for \$419,000 in 2009 for Boyce Mayview Park.

Other Revenue	11.9%	(\$114,379)	2.0%	(\$42,500)	-32.4%
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- Taken as a whole, there is 2% increase projected in this area based on collection patterns for 2008.

GENERAL FUND BUDGET NOTES (Continued)

Major Program Expenditures

Major Program	% 2009 Total Budget	\$ Change from 2008 Estimate	% Change from 2008 Estimate	\$ Change from 2008 Budget	% Change from 2008 Budget
General Government	8.8%	(\$147,102)	-9.2%	(\$184,528)	-11.3%

- The decrease of \$147,102 under 2008 budget estimate is due mainly to costs associated with the retirement of the former Township Manager in 2008.

Public Safety	28.2%	\$321,090	7.4%	\$134,916	3.0%
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- Public Safety Appropriations are projected to increase by 3% due to increases in personnel costs of the Police Department. The arbitration award for 2007 was for a four (4) year term until December 31, 2010 and gave an annual increase of 3.5% but no increases in pension or any other benefits.

Community Development	4.1%	\$142,844	26.8%	\$62,634	10.2%
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- Community Development Appropriations are projected to increase due to increases in personnel costs and distributed information and technology costs.

Public Works	24.8%	\$187,059	4.8%	(\$8,236)	-0.2%
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- Public Works Appropriations are projected to increase due to increased personnel costs and higher salt costs for snow removal. The assignment of Public Works staffing costs to the Boyce/Mayview RAD Park Fund has impacted the overall Public Works operating budget for 2009.

Refuse Collection	6.9%	\$268,288	31.2%	\$268,025	31.1%
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- Refuse Collection Appropriations are projected to increase due to estimates from the recent SHACOG bids.

Recreation & Leisure Services	2.9%	(\$180,137)	-27.6%	(\$267,407)	-36.1%
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- Recreation & Leisure Services Appropriations are projected to decrease by 36.1% due to the reassignment of program and administrative costs to the Community Recreation Center.

Library	4.7%	\$1,507	0.2%	(\$16,709)	-2.1%
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- Library Appropriations are projected to increase .2% over 2008 budget estimates. It should be noted that the Township is required to maintain the Library's present funding level for it to be eligible to receive current levels of State and Regional Asset District funds.

GENERAL FUND BUDGET NOTES (Continued)

Major Program Non-Operating Expenditures

Major Program	% 2009 Total Budget	\$ Change from 2008 Estimate	% Change from 2008 Estimate	\$ Change from 2008 Budget	% Change from 2008 Budget
Debt Service Payments	7.7%	\$132,238	11.7%	\$254,242	25.3%

- The 2009 debt service appropriations are based on the Debt Service Payment Schedules for the non refunded portion of the 2003 General Obligation Bond issue, the 2006 General Obligation Bond issue, the 2007 General Obligation Bond Issue, and the 2008 General Obligation Bond Issue. The debt repayment of the Sanitary Sewer portion of these general obligation bond issues are paid for from the Sanitary Sewer Fund. The repayment of the majority of the 2008 General Obligation Bond issue has been budgeted in the Boyce/Mayview CRC Fund.

Operating Transfers	11.6%	\$527,147	38.3%	\$650,003	51.9%
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- The 2009 General Fund Budget allocates a \$216,073 transfer to the Capital Projects Fund to help finance major capital items, a transfer of \$199,603 to the Boyce/Mayview Park RAD Fund to fund park activities not covered by the RAD Grant and a transfer of \$1,487,820 to the Boyce/Mayview CRC Fund for payment of the debt service incurred through the 2008 General Obligation Bonds issued to finance the construction of the CRC.

Other Expenditure Considerations

- Staffing Levels and Compensation** - The overall staffing level of the Township for 2009 along with salary and wage ranges has been shown in each individual department's budget and the Appendix section of the 2009 Budget. Compensation levels for the operating budget have been set at rates established by either contract, arbitration or by ranges established by the Board of Commissioners.
- Fringe Benefits** – Fringe Benefits have been budgeted at contractually or actuarially established rates in all categories. Medical insurance was budgeted to grow at a rate of 5% over 2008. While non-represented employees pay a portion of their respective healthcare premiums, the two major represented labor forces (Police and Public Works) do not. The Township also expects to realize a savings due to the healthcare plan changes negotiated with the Public Works Laborers in 2008. Life insurance and long term disability premiums have increased due to an increase in both the life insurance factor of 13.1% and the long term disability factor of 26.1%. Pension minimum municipal obligations for the police and public works employees have been actuarially determined for 2009 to be \$224,544 and \$128,406, respectively. Also, fringe benefits are being distributed to each department by actual category except for the Public Works Department, which allocates costs on actual time spent on various functions within the Department.

CAPITAL IMPROVEMENTS & ENTERPRISE FUNDS

2009 BUDGET CONSIDERATIONS

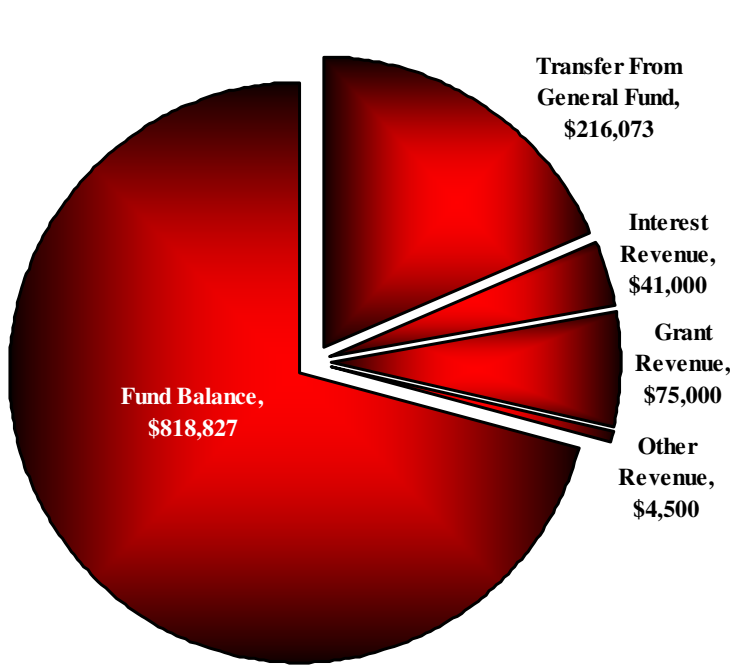
Annual Street Improvement Program

Funding Source	2006 Actual	2007 Actual	2008 Estimate	2009 Budget
Liquid Fuels Fund	\$ 438,000	\$ 442,000	\$ 490,000	\$ 460,000
General/Capital Project Funds	665,491	649,000	660,000	419,500
TOTAL	\$ 1,103,491	\$ 1,091,000	\$ 1,150,000	\$ 879,500

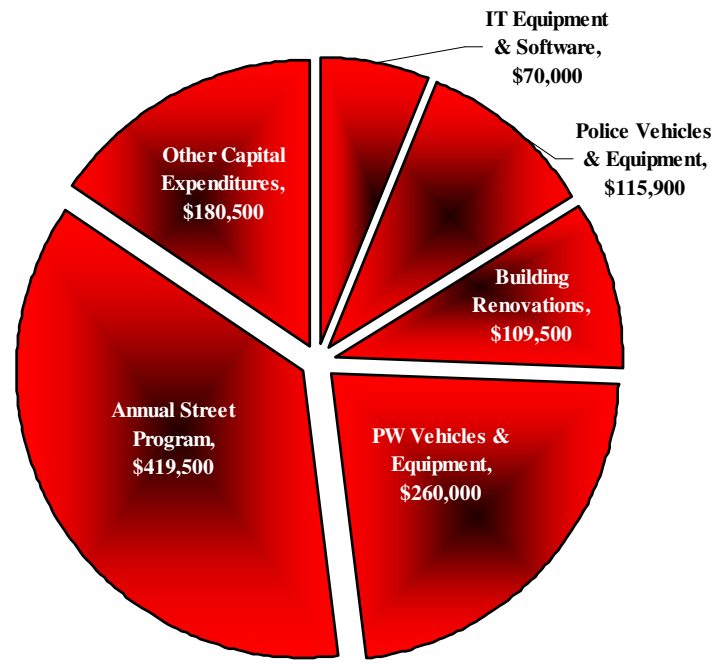
The Township recognizes the benefits of well-maintained streets and is committed to a regular schedule of street repairs. Approximately \$20,800,000 has been spent during the past twenty years. The Township receives many favorable comments regarding the condition of Township streets and roadways, and staff recommends that the paving program be maintained at its current level. It is anticipated that the proposed, one-time reduction will not impact the ability to meet program objectives.

Capital Projects Fund

Projected Revenues

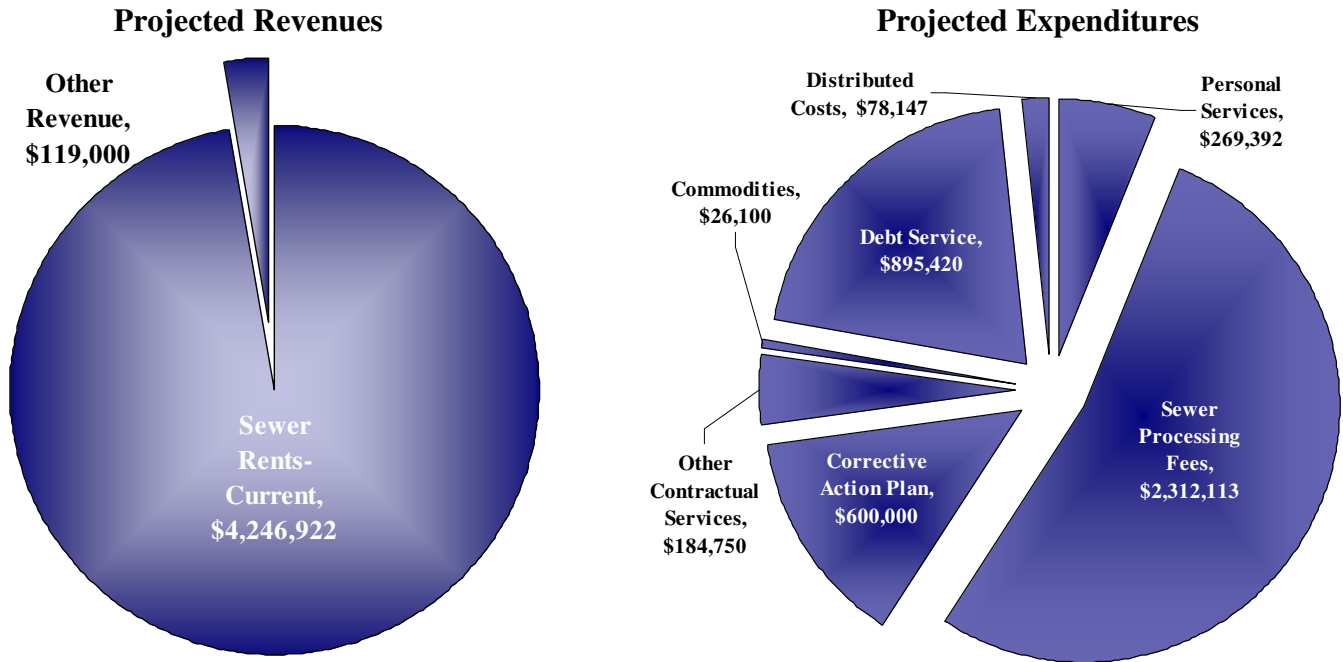


Projected Expenditures



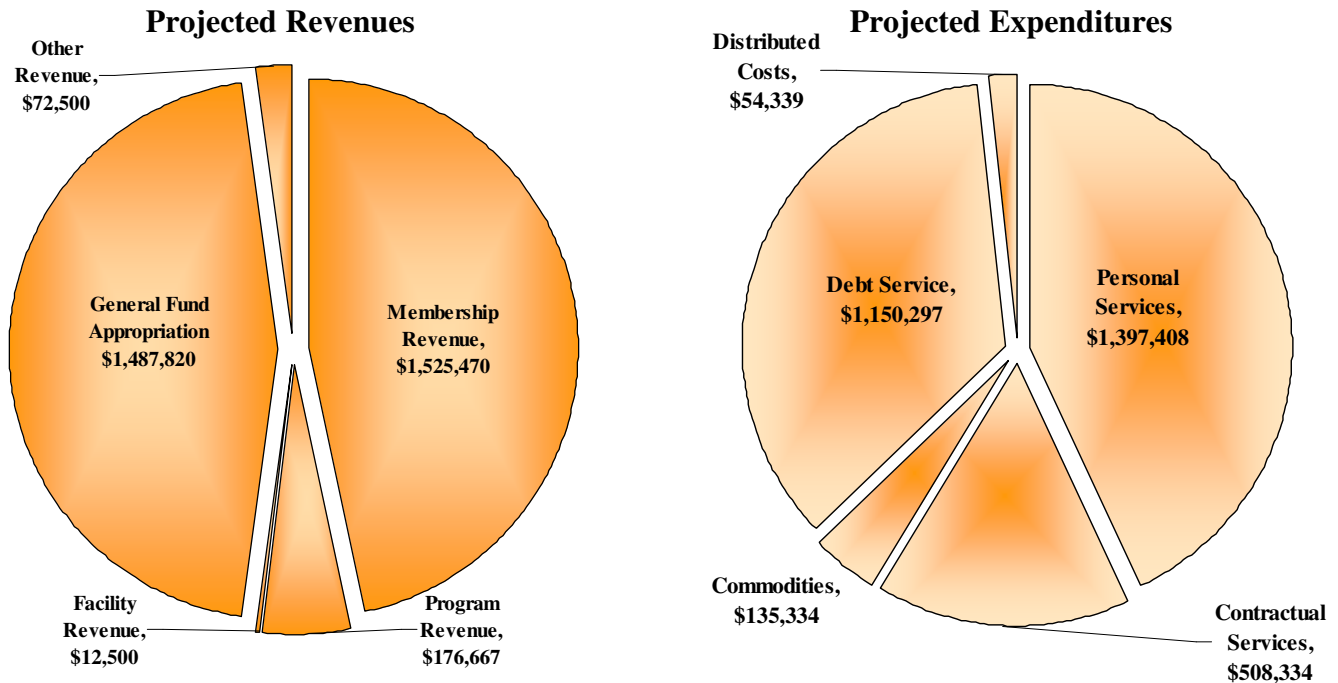
The bulk of the fund balance, which is estimated to be \$1,533,113 at the end of 2008, will be used to fund a portion of the annual paving program and various other street related projects for 2009.

Sanitary Sewer Fund (Enterprise Fund)



Fund Balance at the end of 2009 is projected to be \$520,660.

Boyce/Mayview Community Recreation Center (CRC) Fund (Enterprise Fund)



The Township of Upper St. Clair is excited to have the Community Recreation Center (CRC) open in Spring of 2009. After the years of hard work and preparation in forming the CRC, we are anticipating a great facility for the enjoyment of the Township residents. In preparation of the opening, the Township established this fund in 2007 through two General Fund Transfers. We have used this fund to track the CRC operations prior to the opening in 2009.

Boyce/Mayview Park RAD Fund

Funding Source	2006 Actual	2007 Actual	2008 Estimate	2009 Budget
RAD Funding for Boyce/Mayview Park	\$ 275,000	\$ 499,902	\$ 499,439	\$ 419,000

In 2009, staff projects revenue from other fees and charges to amount to \$2,500. A transfer of \$199,603 from the General Fund is budgeted for 2009 to cover the park expenses not covered by the grant.

Park expenses include operation costs of \$332,103, funding for the Regional Environmental Education Center (REEC) of \$100,000, open space and access improvements of \$163,000 and capital equipment for the maintenance of the newly constructed ball fields and interior trails of \$26,000.

The Township has once again applied for RAD funding in 2009 for components of the park including, a playground, expansion to the Perimeter Trail, batting cages, trail improvements and other related amenities.

LOOKING AHEAD

The Township Administration will continue to evaluate each department on an ongoing basis, to insure that each department has adequate financial and human resources to perform mandated or desired services to the community. The staff will seek alternative funding sources for projects while continuing to effectively manage expenses. Conservative fiscal management is essential as the Township considers future assumptions including:

- The possible legal conclusion of the county-wide real estate tax base year assessment case and the uncertainty for the budget years of 2010 and beyond.
- The requirement under GASB Statement No. 45, for the Township to recognize its legal liability for other post employment benefits (OPEB), such as the healthcare benefits for retired police officers that were granted through arbitration. This liability will have an impact on future bond ratings and the 2010 Budget. Budget projections show OPEB contributions increasing by \$200,000+ annually next year.
- The Sanitary Consent Order, the Township Recreation and Aquatic Center, trails and field construction in Boyce/Mayview Park are major projects which the Board has funded from the recent bond issues. Debt Service payments will impact budgets in years 2009 and forward.
- Salt costs are anticipated to increase significantly, as the Township's current vendor is likely not to accept option years 2010 and 2011 due to increases in energy related costs.

LOOKING AHEAD (Continued)

- The current Police Officers' labor agreement expires at the end of 2010 and contains an annual 3.5% increase for 2010.
- The Public Works labor agreement expires at the end of 2012 and contains an annual 3.5% increase in wages.

The aforementioned assumptions are further detailed under "2010-2013 Budget Projections" within the proposed budget.

CONCLUSION

The 2009 Proposed Budget represents a sound spending plan for Township operations. The Staff continues to gauge economic conditions to maintain quality service levels while living within the financial means of our tax base. Department Heads will continue to vigorously watch their spending to meet the 2009 Proposed Budget targets. Maintaining current service levels including infrastructure repair, will continue to be the priority to promote the health, safety and welfare of Township residents. New revenue is likely to be required to meet public demands, to meet legal requirements, and to address rising inflation. While our current tax base expands slightly, this growth allows us to only fund existing program costs. Our residents are also cautioned that its demands do not come without a cost. Expressed community needs and desires include an expanded program with an emphasis on Boyce/Mayview Park and the Community Recreation Center. I urge the community to continue to express their expectations with a consideration of the costs to finance those expectations.

The staff will continue to strive to meet Board priorities in 2009 including the development of a Commercial Properties Development Study for McLaughlin Run Corridor, development of the Gilfillan Farm/Park Plan, and construction of the Veterans Monument. Other initiatives include completion of the Mayview Road widening project, implementation of neighborhood specific traffic calming measures and the pursuit of a pedestrian/bike link to the Montour Trail. These are further expounded upon within the document.

This message is intended only to provide a general overview of the Budget and its evolution over the next several years. Please refer to the budget text to provide additional detail on planned expenditures. Special appreciation is extended to August Stache and Andrew McCreery for their roles in developing the budget draft, and to Diana Pifer and Deborah Bakowski for their efforts in preparing the finished document.

Respectfully submitted,



Matthew R. Serakowski
Township Manager