

October 18, 2007

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

2008 Budget Message

Members of the Board:

I am pleased to present the 2008 Budget for the Township of Upper St. Clair, which is submitted in accordance with Article IX, Section 902 of the Home Rule Charter.

The Township Manager and his Staff began preparation of the Proposed Budget in August. Municipal department heads, and the Volunteer Fire Department submitted initial budget requests, and Staff, using these requests together with current year expenditure data, developed the Proposed Budget. The Board will review the Proposed Budget and conduct a public hearing on November 5, 2007. 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 of the budget. A detailed analysis of each budget account can be found in the accompanying text and worksheets.

BUDGET HIGHLIGHTS

What is new for 2008

- A new section has been added to the 2008 Proposed Budget entitled "*Budget Projections for 2009-2012*". This section has been added to provide the Board of Commissioners with a framework from which to chart a course for future Township budgets in the next five years and to inform the taxpayers and residents of future mandates and projects that may need to be funded.
- An additional fund entitled the "*Boyce/Mayview Community Recreation Center Fund*" has been added to account for all financial activities of the operation of the Community Recreation Center (CRC) including the repayment of the debt service on the 30 year bonds needed to construct the facility. It should be noted that no real estate tax increase has been proposed for the 2008 Budget due to the 2007 earned income tax rate increase of .05% which was adopted to pay for the initial costs of the Center.

- In the 2008 Proposed Budget for the Sanitary Sewer Fund, a multiplier of 2.00 is projected 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 for water used that does not flow through the Township sewer system on a more equitable basis and without the expense of the installation of a credit meter: thus, the rate must be slightly adjusted upward to account for a loss of revenue to the fund.

General Fund Budget Overview

The Proposed 2008 Annual Operating Budget would maintain all or most of the 2007 municipal service levels. The real estate tax rate will remain at 2.60 mills and earned income tax rate will stay at .80%. General Fund revenues are projected to increase from \$14,552,345 budgeted for 2007 to \$15,375,592; while 2008 operating expenses will increase from 2007 budget amounts of \$12,822,572 to \$13,117,579. The remaining difference of projected revenues over operating expenses of \$2,258,013 will be used to fund the Debt Service Costs for 2008 of \$1,004,520 and the following transfers:

- | | |
|-------------------------------|--------------------|
| • Capital Projects Fund | \$ 673,703 |
| • Boyce/Mayview Park RAD Fund | \$ 79,790 |
| • Boyce/Mayview Park CRC Fund | <u>\$ 500,000</u> |
| • Total Transfers | <u>\$1,253,493</u> |

The Debt Service Costs for the proposed 2008 Bond Issue for the construction of the CRC is reflected in the newly formed Boyce/Mayview CRC Fund at \$465,580 and will be funded through a transfer from the General Fund.

General Fund operating expenditures have increased by only \$295,007 or 2.3%. This has occurred through a combination of the following reasons:

1. Fulltime personnel salary and wage increases ranged from 3.0% to 3.5%.
2. Health Insurance costs were budgeted to increase by 15%.
3. The pension minimum municipal obligation (MMO) for the police substantially decreased from \$446,805 (2007) to \$222,410 (2008) due to good investment performance in the Police Pension Fund.
4. Workers' Compensation has decreased by 8% due to State mandated ratings and the decrease of the township's experience modifier from .989 to .881.
5. The contractual increase of 3.5% scheduled for 2008 in the refuse collection contract.
6. Other costs and materials have been budgeted to increase at or below the CPI rate.

The 2008 Proposed Budget will maintain the General Fund Balance at a level necessary for the Township to maintain its AA+ Bond Rating.

General Fund Revenues

MAJOR REVENUE SOURCES

	2007 Budget	2007 Estimate	2008 Budget	INCREASE (DECREASE) 2007 Estimate	PERCENTAGE CHANGE	INCREASE (DECREASE) 2007 Budget	PERCENTAGE CHANGE
Real Estate Tax	\$ 4,223,050	\$ 4,266,500	\$ 4,294,440	\$ 27,940	0.65%	\$ 71,390	1.69%
Earned Income Tax	6,888,750	7,530,640	7,672,975	142,335	1.89%	784,225	11.38%
Local Services Tax	335,000	335,000	235,000	(100,000)	-29.85%	(100,000)	-29.85%
Real Estate Transfer Tax	850,000	900,000	850,000	(50,000)	-5.56%	-	0.00%
Public Utilities Tax	19,000	19,000	19,000	-	0.00%	-	0.00%
Local Option Sales & Use Tax	300,000	315,000	305,000	(10,000)	-3.17%	5,000	1.67%
Licenses and Permits	124,150	123,550	125,150	1,600	1.30%	1,000	0.81%
Fees and Fines	358,200	373,285	366,700	(6,585)	-1.76%	8,500	2.37%
Rental Income	68,800	68,900	70,900	2,000	2.90%	2,100	3.05%
Investment Earnings	125,000	172,500	150,000	(22,500)	-13.04%	25,000	20.00%
Service Agreements	273,410	296,251	284,030	(12,221)	-4.13%	10,620	3.88%
Other Non-Tax Revenue	582,000	682,840	618,200	(64,640)	-9.47%	36,200	6.22%
Recreation Fees	404,985	375,765	384,197	8,432	2.24%	(20,788)	-5.13%
Total Revenues	\$ 14,552,345	\$ 15,459,231	\$ 15,375,592	\$ (83,639)	-0.54%	\$ 823,247	5.66%
Fund Reserve	-	-	-	-	0.00%	-	0.00%
Totals	\$ 14,552,345	\$ 15,459,231	\$ 15,375,592	\$ (83,639)	-0.54%	\$ 823,247	5.66%

General Fund Expenditures

MAJOR PROGRAMS

	2007 Budget	2007 Estimate	2008 Budget	INCREASE (DECREASE) 2007 Estimate	PERCENTAGE CHANGE	INCREASE (DECREASE) 2007 Budget	PERCENTAGE CHANGE
General Government	\$ 1,444,597	\$ 1,483,868	\$ 1,480,589	\$ (3,279)	-0.22%	\$ 35,992	2.49%
Public Safety	4,565,703	4,402,163	4,489,595	87,432	1.99%	(76,108)	-1.67%
Community Development	572,312	555,650	612,799	57,149	10.29%	40,487	7.07%
Public Works	3,917,864	3,888,605	4,088,145	199,540	5.13%	170,281	4.35%
Refuse Collection	813,815	822,693	860,700	38,007	4.62%	46,885	5.76%
Recreation and Leisure Services	682,477	656,118	740,615	84,497	12.88%	58,138	8.52%
Library	784,954	761,484	793,146	31,662	4.16%	8,192	1.04%
Unallocated Insurance Costs	40,850	41,544	51,990	10,446	25.14%	11,140	27.27%
Total Operating Expenditures	<u>\$ 12,822,572</u>	<u>\$ 12,612,125</u>	<u>\$ 13,117,579</u>	<u>\$ 505,454</u>	<u>4.01%</u>	<u>\$ 295,007</u>	<u>2.30%</u>
Capital Improvements	537,084	1,910,749	1,253,493	(657,256)	-34.40%	716,409	133.39%
Debt Service Payments	1,192,689	936,357	1,004,520	68,163	7.28%	(188,169)	-15.78%
Sub Total	<u>\$ 1,729,773</u>	<u>\$ 2,847,106</u>	<u>\$ 2,258,013</u>	<u>\$ (589,093)</u>	<u>-20.69%</u>	<u>\$ 528,240</u>	<u>30.54%</u>
Total Appropriations	<u>\$ 14,552,345</u>	<u>\$ 15,459,231</u>	<u>\$ 15,375,592</u>	<u>\$ (83,639)</u>	<u>-0.54%</u>	<u>\$ 823,247</u>	<u>5.66%</u>
Fund Reserve	-	-	-	-	0.00%	-	0.00%
Totals	<u><u>\$ 14,552,345</u></u>	<u><u>\$ 15,459,231</u></u>	<u><u>\$ 15,375,592</u></u>	<u><u>\$ (83,639)</u></u>	<u><u>-0.54%</u></u>	<u><u>\$ 823,247</u></u>	<u><u>5.66%</u></u>

GENERAL FUND BUDGET NOTES

- **Real Estate Taxes** - 27.9% of the revenues needed for the 2008 General Fund Budget. An increase of \$71,390 is projected from this revenue source and is based on anticipated new construction for 2008.
- **Earned Income Taxes** - represent almost 50% of the revenues needed for the 2008 General Fund Budget. The projected increase of \$784,225 is based upon actual collection patterns for 2007 and projected economic conditions for 2008.
- **Real Estate Transfer Taxes** – represent 5.5% of the revenues needed for the 2008 General Fund Budget. The projected collections are based upon actual collection patterns for the past five years.
- **Local Services Tax** – was renamed from the Emergency & Municipal Services Tax by the Pennsylvania State Legislature in 2007 and income exemptions were raised to a state mandated \$12,000 from the Township's exclusion \$3,400. The employer withholding procedure for the tax was also changed to \$1 per week which will slow tax collection. The tax can be spent for public safety, public works and tax reduction. It is levied on all employees who work within the municipality at \$52 for those earning over \$12,000 a year. Due to the changes made by the State Legislature, the Township expects this revenue source to decrease by \$100,000 from 2007.
- **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 2007 collections. The Township is included in the RAD budget for \$500,000 in 2008 for Boyce Mayview Park.
- **Other Revenue and Fees** - account for 13.1% of the revenues needed for the 2008 General Fund Budget. Taken as a whole, there is 6.5% increase projected in this area based on collection patterns for 2007.
- **General Government Appropriations** - represent 9.6% of the 2008 General Fund Budget and are projected to increase by \$35,992 over 2007 budget estimate. Information technology costs are being distributed to each department user based on actual time required; whereas, in past budgets, this service was all charged to General Government.
- **Public Safety Appropriations** - represent 29.2% of the 2008 General Fund Budget and are projected to decrease by 1.67% due to decreases in workers' compensation and pension costs in 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 Appropriations** - represent 4.0% of the 2008 General Fund Budget and are projected to increase by 7.07% due to increases in personnel costs.
- **Public Works Appropriations** - represent 26.6% of the 2008 General Fund Budget and are projected to increase at 4.35% due to increased personnel costs and higher salt costs for snow removal. Boyce Mayview Park development has also impacted Public Works Staffing costs.

GENERAL FUND BUDGET NOTES (CONTINUED)

- **Refuse Collection Appropriation** - represents 5.6% of the 2008 General Fund Budget and are projected to increase by \$46,885 or 5.76% from 2007 budget estimates as per contract.
- **Recreation & Leisure Services Appropriations** - represent 4.82% of the 2008 General Fund Budget and costs are projected to increase by 8.52% due to increased personnel costs. User fees generated by these programs support approximately 52% of this department's cost and almost 76% of actual program costs. This may change in 2008 depending on the Board of Commissioners decision on Boyce Mayview Park development.
- **Library Appropriations** - represent 5.15% of the 2008 General Fund Budget and are projected to increase 1.04% over 2007 budget estimates. It should also 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.
- **Debt Service Appropriations** - represent 6.5% of the 2008 General Fund Budget. The 2008 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, and the 2007 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 2008 General Obligation Bond issue has been budgeted in the newly created Boyce/Mayview CRC Fund.
- **Staffing Levels and Compensation** - The overall staffing level of the Township for 2008 along with salary and wage ranges has been shown in the Appendix section of the 2008 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. Contract negotiations for the wages and benefits for the public works employees have begun because the old contract will expire December 31, 2007. Other staff not covered by a labor agreement has been established in a range of 3.25 to 3.5% which are under the national and regional wage inflation rates.
- **Fringe Benefits** - have been budgeted at contractually or actuarially established rates in all categories. Medical insurance was budgeted to grow at a rate of 15% over 2007. While non represented employees now pay a portion of their respective healthcare premiums, the two major represented labor forces (Police and Public Works) do not. Life insurance and disability insurance will increase at 2.0%. State mandated workers' compensation rates have decreased by 8%. Pension minimum municipal obligations for the police and public works employees have been actuarially determined for 2008 to be \$222,410 and \$124,742, 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.
- **Transfer to from the General Fund** - The 2008 General Fund Budget allocates a \$673,703 transfer to the Capital Project Fund to help finance major capital items, a transfer of \$79,790 to the Boyce/Mayview RAD Park Fund and a transfer of \$500,000 to the Boyce/Mayview CRC Fund.

FUTURE BUDGET ASSUMPTIONS FOR 2009-2012

As stated previously in this budget message, a new section entitled "*Budget Projections for 2009-2012*" has been added for the 2008 Proposed Budget. Detailed budget assumptions have been included in that section but the major assumptions have been highlighted below:

- The current debate over county-wide real estate tax reassessment provides uncertainty for the budget years of 2008 and beyond.
- The current Police Officers' labor agreement expires at the end of 2010 and contains an annual 3.5% increase for 2009 and 2010.
- The Public Works labor agreement expires at the end of 2007 and wages and benefit levels are uncertain at this time.
- In accordance with GASB Statement No. 45, in 2007 the Township must begin 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, on its Statement of Financial Position. This liability will have an impact on future bond ratings. The 2009-2012 budget projections show OPEB contributions increasing by \$200,000+ annually to begin to mitigate the Township's liability in this area.
- The Sanitary Consent Order, the Proposed Township Recreation Center and Aquatic Center, trails and field construction in Boyce/Mayview Park are major projects which the Board has considered funding from a new bond issue. Debt Service payments will impact budgets in budget years in 2008 and beyond.

ANNUAL STREET IMPROVEMENT PROGRAM

<u>Funding Source</u>	<u>2005</u>	<u>2006</u>	<u>2007 Estimate</u>	<u>2008 Budget</u>
Liquid Fuels Fund	\$ -0-	\$ 438,000	\$ 442,000	\$ 490,000
General/Capital Project Funds	<u>1,143,353</u>	<u>665,491</u>	<u>650,000</u>	<u>660,000</u>
 TOTAL	 <u>\$ 1,143,353</u>	 <u>\$ 1,103,491</u>	 <u>\$ 1,092,000</u>	 <u>\$ 1,150,000</u>

The Township recognizes the benefits of well-maintained streets and is committed to a regular schedule of street repairs. Approximately \$19,700,000 has been spent during the past nineteen 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.

SANITARY SEWER FUND

• **Revenues** - for this fund is derived from user fees calculated as a percentage of each resident's ALCOSAN charge. For 2007, staff recommends that the multiplier be increased from 1.80 to 1.85 because ALCOSAN raised its rates by 9% and to account for the implementation of the "Winter Averaging" program.

• **Major Expenses** - for this fund consist of the following items:

1. Personal services represents 7.96% of this budget and increased by \$21,157 due to a revised allocation of human resources to this fund and related fringe benefit cost. This revised personnel allocation is necessitated by additional duties undertaken to meet DEP and EPA requirements.
2. Sewage processing fees from the Allegheny County Sanitary Authority (ALCOSAN) represents 54.7% of the annual Budget. The multiplier used to calculate the fee will increase from 1.80 to 1.85 due to the rate increase of 9% from ALCOSAN in 2008.
3. The debt service payment for 2008 increased from \$543,031 in 2007 to \$616,592 due to the additional borrowing of \$3,800,000 with the 2007 Bond Issue and the Fund Balance at the end of 2008 is projected to be \$1,052,420 from \$1,473,639 as estimated at the end of 2007.
4. Corrective Action Plan - \$600,000 has been allocated to carry on the DEP and EPA mandated repair and reconstruction of sewer lines.
5. The Township is currently proceeding with work mandated under the consent order with the EPA and DEP. Bond proceeds amounting to \$7,350,000 from the 2003 General Obligation Bond Issue and \$3,800,000 from the 2007 General Obligation Bond Issue were allocated to be spent for this purpose and these activities are not reflected in the Sanitary Sewer Fund. The Debt Service payment referred to under item #3 for the borrowed amount for this activity is paid for from this fund.

CAPITAL PROJECTS FUND

• **Revenues** - The bulk of revenues for 2008 come from an appropriation from the General Fund of \$ 673,703. Interest earned for 2008 is budgeted at \$40,000.

• **Major Expenses** - for this fund consists of the Annual Paving Program \$660,000, Police Department vehicles and equipment \$188,600, purchase of data processing equipment and software \$94,500, interior and exterior building maintenance \$249,500 and Public Works vehicles and equipment of \$256,000.

• **Fund Balance** - The bulk of the fund balance, which is estimated to be \$1,438,345 at the end of 2007, will be used to fund a portion of the annual paving program and various other street related projects for 2008.

BOYCE/MAYVIEW PARK RAD FUND

- **Revenues** – For 2008, this fund accounts for the \$500,000 grant that the Regional Asset District Board notified the Township it was including in its 2008 plan for the funding of regional assets for which Boyce/Mayview Park qualified. In 2008, staff projects revenue from other fees and charges to amount to \$8,000 and interest earnings of \$2,000 on idle funds. A transfer of \$79,790 from the General Fund is budgeted for 2008 to cover the projected shortfall of budgeted revenues.

- **Expenses** – Park expenses include operation costs of \$274,790, perimeter and interior trail costs of \$165,000, open space and access improvements of \$78,500 and capital equipment for the maintenance of the newly constructed ball fields and interior trails of \$71,500.

BOYCE/MAYVIEW COMMUNITY RECREATION CENTER (CRC) FUND

- **Revenues** – In 2007, the General Fund transferred \$400,000 to establish this fund as a Township enterprise fund as defined by the Governmental Accounting Standards Board (GASB). Thus, this fund is to be self sustaining through daily admission charges and memberships fees for users of the facility for all areas except for the Center's common area once operations begin in early 2009. Another transfer of \$500,000 from the General Fund is budgeted for 2008 to enable the funding of start-up costs and initial debt service costs. The Township will recoup the budgeted start-up operation costs of \$415,355 after the facility is fully operational and able to be self sustaining.

- **Expenses** – For 2008, CRC expenses will include personnel costs of \$359,355, supplies and other costs of \$56,000, and debt service costs of \$465,580.

SIGNIFICANT ACCOMPLISHMENTS OF 2007

- Completed the design, site approval and bid process of the Proposed Boyce/Mayview Community Recreation and Aquatic Center.
- Completed the Community Recreation and Aquatic Center fee study which was presented to the Board of Commissioners by the Fee Task Force.
- Finalized the financing of the construction Community Recreation and Aquatic Center and other capital projects through the use of the 2007 and 2008 Bond Issues.
- Installed Online Payments and Appliance software to secure internet traffic for Tri-Community South EMS.
- Continued to implement and manage the executed Sanitary Sewer Consent Agreement as submitted to the Allegheny County Health Department and the Department of Environmental Protection.
- Completed a successful Deer Culling Program through the USDA for 2007.
- Conducted the seventh Citizen's Police Academy for the Community.
- Developed the Township's first Traffic Calming Policy as approved by the Board of Commissioners in June of 2007.
- Designed and developed two sidewalk projects including securing PENNDOT Highway Occupancy Permits for the Fort Couch Road and Washington Road Sidewalks.
- Completed Township wide signage upgrades.
- Installed the Morton Valley trail and the Wetlands trail bridge in Boyce/Mayview Park.
- Received the Certificate of Achievement Award for Excellence in Financial Reporting for the year ended 2005 from the Government Finance Officers Association of America and Canada.
- Upgraded financial reporting to the Board of Commissioners by supplying monthly Bill Sheets and financial statements via email.
- Adapted to running technical services within the eiNetwork. All areas of tech services were reengineered. EiNetwork reports are now utilized to maintain and improve the Library's collection.
- Received PALA's Best Practices in Early Learning 2007 for the Library's Ready to Read @ Your Library Early Literacy Program.
- Three staff members were chosen to serve on the eiNetwork and ACLA taskforces.

MAJOR GOALS FOR 2008

- To expand the Township web site to provide eGovernment services to Township residents (online payments and scheduling).
- To complete construction of the Proposed Boyce/Mayview Community Recreation and Aquatic Center.
- To Convert Public Works software to new Database, upgrade Recreation Department software, setup VPN and intranet area for Commissioners to electronically retrieve agendas and other pertinent materials, and implement GIS mapping for the Police Department.
- To continue to participate in the GFOA CAFR Award Program.
- To conduct the eighth Citizen's Police Academy for the Community.
- To continue to implement the 2005 Comprehensive Plan.
- To seek additional funding sources and complete construction phases 1 and 2 of the Boyce Perimeter trail.
- To construct the Public Works Department Annex Storage Building at Boyce/Mayview Park.
- To replace the retaining wall located by the Public Works Building and the third bridge at Wiltshire Park.
- To assist the Regional EEC Corporation in obtaining all necessary private funding to complete the Environmental Education Center at Boyce/Mayview Park.
- To implement projected \$500,000 funding from RAD for Boyce Mayview Park.

UNFUNDED FEDERAL AND STATE MANDATES

As stated in the 2008 Budget Message, unfunded Federal and State mandates continue to remain one of the least visible, but costly areas of our budget. These costs affect every component of the Township Budget and cost the taxpayers of our community hundreds of thousands of dollars annually without any reimbursement from government. The Storm Water (NPDES) program in addition to EPA mandated sanitary sewer reconstruction is underway. At the least, we will continue to support legislation that requires a funding source for these mandated programs; at best, we can hope that our elected representatives will take our problem seriously and do something positive to correct this gross inequity.

DEPARTMENTAL ORGANIZATION

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. We will, however, not hesitate to eliminate unnecessary spending. One of the key responsibilities of the Township Manager and the respective department heads is to insure quality, friendly and polite service to the residents (as our customers) while insuring adherence to laws designed to promote and protect the health, safety and welfare of our community.

CONCLUSION

The 2007 Budget represents a sound but extremely conservative spending plan for Township operations. Staff continues to gauge economic conditions to maintain quality service levels while living within the financial means of our tax base. Department Heads continue to vigorously watch their spending to meet the 2007 Budget targets. Maintaining current service levels including, infrastructure repair will continue to be priorities 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. I urge the community to continue to express their expectations with a consideration of the costs to finance those expectations.

This message is intended only to provide a general overview of the Budget. Please refer to the budget text to provide additional detail on planned expenditures. Special appreciation is extended to August Stache for his role in preparing the budget draft, and to Diana Pifer and Deborah Bakowski for their efforts in preparing the finished document.

Respectfully submitted,

Douglas A. Watkins
Township Manager