



UPPER MERION TOWNSHIP

BOARD OF SUPERVISORS

175 WEST VALLEY FORGE ROAD
KING OF PRUSSIA, PA 19406-1802
610-265-2600
FAX: 610-265-0482
www.umtownship.org

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FIRM OF:
HAMBURG, RUBIN, MULLIN,
MAXWELL & LUPIN, P.C.

November 14, 2013

Board of Supervisors
Upper Merion Township

Dear Board of Supervisors:

It is my pleasure to unveil the 2014 Operating, Capital and Sewer budgets. These budgets represent the culmination of a process that started in June and involved hours of hard work by the Board of Supervisors, department heads and township staff. Without this effort, I would not be able to present these budgets this evening and the contributions of all are gratefully acknowledged.

There was one notable change to this year's budget preparation. Some of the principles of Zero-Based Budgeting were incorporated and I expect more to be followed in the future.

The Board of Supervisors has determined once again to continue with the Homestead-Exclusion Program and exclude a portion of the value of any homestead property from property taxation. The fixed dollar amount to be excluded from taxation for each primary residential Homestead property for the calendar year 2014 is the amount of \$72,500. The savings based on an average assessment of \$150,000 is \$156.00.

The 2014 budget is an ultra-conservative spending plan. The Township will continue to monitor revenue projections and make conservative financial decisions to insure that all revenues will be collected and expenditures monitored.

These budgets maintain all existing programs at current levels. I assure you that the Township will continue to provide the highest level of service possible that exceeds in value the taxes paid by the average property owner.

Operating Budget

The 2014 Operating Budget, totaling \$29,401,539, reflects a 3.2% increase over the 2013 adopted budget. The budget is balanced for 2014 and contemplates no property tax increase. This budget accounts for the day-to-day operations of the Township and consists of the General Fund, Library Fund and Liquid Fuels Fund. The General Fund component has an increase over 2013 of 4.3%. The Township's main revenue source, the Act 511 tax, accounts for over 50% of total General Fund revenues. The Library component has an increase of 1.4% over the adopted 2013 Library budget. There is a subsidy to the Library from the General Fund of \$105,183. The Liquid Fuels component accounts for the township's street resurfacing program. This budget is \$525,840.

In regard to operating revenue, the following is a summary of extraordinary items contained in the detail of the 2014 budget:

- The operating budget did not require funding from the diversion of real estate tax that is normally used for capital purposes. By not employing this measure, the capital budget will see the dedicated funding continued for 2014 of approximately \$660,000.
- Gaming revenue from the casino operation located at the Valley Forge Convention Center continues to grow. In 2014, \$1,600,000 is projected which is up by 30% or \$375,000.
- The Township continues to enjoy a Aaa rating from Moody's Investor's Services. This triple-A rating is a reflection of the Township's sound financial position and strong fiscal management and was reaffirmed with the issuance of bonds in 2013.
- For the second consecutive year, the charge for the depreciation, used to fund the Equipment Replacement Fund, has been calculated back into the operating budget. This charge was not in the budget from 2009 through 2012. The amount budgeted for 2014 is \$468,145.
- The general fund reserve transfer, if needed, is budgeted at \$1,919,160.

As far as the personnel budget is concerned a hiring freeze, except for critical positions, will continue through 2014. It is important to note that since 2008, 21 full-time positions have been eliminated by attrition and have not been replaced. I commend all the employees for picking up the slack. In addition, the 2014 budget calls for continuing the four-day (4-day) work week in the work schedule for employees in the Administration, Safety and Codes Enforcement, and Public Works-Administration departments assigned to the Township Building in addition to certain other divisions of the Public Works Department.

In regard to operating expenses, the following is a summary of noteworthy items contained in the detail of the 2014 budget:

- Administration department decrease of 3.4%.
- Information Technology decrease of 6.2%.
- Police department budget increase of 8.1%.
- Fire & Rescue services overall increase of 1.8%. The township's annual appropriations for fuel and aid to the three volunteer fire companies as well as the Lafayette Ambulance and Rescue Squad are as follows: fuel budget is \$42,000 and remains flat from 2013; the aid allocation is \$453,030 and is an overall increase of 3.1%. \$50,000 is directed to Lafayette for workers compensation insurance premium and remains flat from 2013 and \$403,030 is to be distributed among the fire companies-Kings of Prussia, Swedeland and Swedesburg and that amount reflects an increase of 3.5% from 2013.
- Safety & Codes department increase of 1.8%
- Public Works department (to include the divisions of planning, transportation & parks maintenance) decrease of 4.0%.
- Park & Recreation department increase of 10.7%. However, participant fees pay for the direct costs of the programs offered and the department is maintaining a ratio of costs to revenues of 48%. This department's budget also includes start-up costs associated with the anticipated opening of the Township's new Community Recreation Center around January 2015.
- Library department increase of 1.4%.
- Liquid Fuels accounts for the road and street resurfacing program of the township. The township receives aid from the Commonwealth of PA, which is derived from the gasoline tax, and is used as the primary funding. The resurfacing program, for 2014 is budgeted at \$525,840.

Sewer

The 2014 sewer operating budget, totaling \$6,101,572, reflects an increase of 1.4% over the 2013 adopted budget. This budget is balanced for 2014. The sewer budget is a separate enterprise fund and accounts for the day-to-day operations at the township's two wastewater treatment facilities as well as the wastewater collection system.

For the fourth consecutive year, the Township is implementing a \$2.00 per quarter rental rate increase to establish a capital project fund for capital maintenance to the sewage treatment facilities. The plan is for a five-year phase in of this rate increase. Also, the township will be continuing to phase out the residential garbage grinder rate. This plan also continues over a five year period by gradually raising the rate by \$2.00 per quarter per year. 2014 will be year four of this plan.

Capital Budget

For 2014, the Township's Capital Budget program is in conformance with the guidelines set by the Township Supervisors; and that was to plan for projects that are only critical in nature. The 2014 program totals \$15,324,763, and includes additional funding necessary for the community recreation center project as well as to construct a multi-use trail from Heuser Park to the Valley Forge Park Trail.

Outlook for 2014

I assure the Board of Supervisors and the community that the Township will continue to make prudent financial decisions in 2014. With the renewed cooperation of the Upper Merion community, the staff will continue to provide high quality services in the most cost-effective and efficient manner possible.

I would like to thank the Board of Supervisors and the Township's department heads who assisted in the budget process.

The Board of Supervisors has set December 5, 2013 at 7:30 p.m. for the hearing and adoption of the proposed 2014 budgets.

I respectfully submit and officially post the proposed 2014 Operating, Sewer and Capital Budgets for Upper Merion Township and recommend their adoption.

Sincerely,

A handwritten signature in blue ink, appearing to read 'DK', with a long horizontal flourish extending to the right.

David G. Kraynik,
Township Manager