



UPPER MERION TOWNSHIP BOARD OF SUPERVISORS

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November 13, 2014

Board of Supervisors
Upper Merion Township

Dear Board of Supervisors:

It is my pleasure to unveil the 2015 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 and appreciated.

As begun last year, this year's budget preparation included the continued application of Zero-Based Budgeting principles.

The Board of Supervisors has determined once again to continue with the Homestead-Exclusion Program and to 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 2015 is the amount of \$72,500. The savings based on an average assessment of \$150,000 is \$156.00.

The 2015 budget is a conservative spending plan, which maintains all existing programs at current levels. I can 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 2015 Operating Budget, totaling \$31,384,442, reflects a 6.74% increase over the 2014 adopted budget. **The budget is balanced for 2015 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 2014 of 6.71%. The Township's main revenue source, the Act 511 tax, accounts for over 40% of total General Fund revenues. The Library component has an increase of 3.6% over the adopted 2014 Library budget. There is a subsidy to the Library from the General Fund of \$151,678. The Liquid Fuels component accounts for the township's street resurfacing program. That budget is \$631,102.

In regard to operating revenue, the following is a summary of notable items contained in the detail of the 2015 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 2015 of approximately \$670,000.
- Gaming revenue from the casino operation located at the Valley Forge Convention Center continues to grow. In 2015, \$2,100,000 is projected which is up by 31% or \$500,000.
- 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 2014.
- For the third 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 2015 is \$730,691 and is \$262,546 or a 56% increase over 2014.
- The general fund reserve transfer, if needed, is budgeted at \$1,816,131 and is \$103,029 or 5.4% less than the 2014 budget.

As far as the personnel budget is concerned a hiring freeze, except for critical positions, will continue through 2015. It is important to note that since 2008, 22 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 2015 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 2015 budget:

- Police Department budget increase of 4.5%.
- Fire & Rescue services overall increase of 0.5%. 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 2014; \$50,000 is directed to Lafayette for workers compensation insurance premium and remains flat from 2014 and \$423,182 is to be distributed among the fire companies-Kings of Prussia, Swedeland and Swedesburg and that amount reflects an increase of 5% from 2014. And in the capital budget, funds have also been allocated for an independent study of the Fire and Rescue Services, to in part, garner recommendations on the appropriate allocation of resources as certain development occurs in the Township.
- Safety & Codes department increase of 4.3%
- Public Works department (which includes the divisions of planning, transportation & parks maintenance) increase of 4.6%.
- Park & Recreation department increase of 7.69%. Participant fees pay for the direct costs of the programs offered and the department is maintaining a ratio of costs to revenues of 64%. This department's budget also includes start-up costs associated with the anticipated opening of the Township's new Community Center around July 2015.
- Other important studies slated to occur in 2015 include a township-wide sustainability plan, a new comprehensive plan, a comprehensive storm-water management plan and the on-going revision and updating of the Township's zoning code.

This year alone, the Township has secured over \$2.8M in grants for various township improvements and projects.

Sewer

The 2015 sewer operating budget, totaling \$6,901,725, reflects an increase of 13.1% over the 2014 adopted budget. This budget is balanced for 2015. 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 fifth 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. Also, the township will continue to phase out the residential garbage grinder rate. 2015 will be the last year of this plan.

Capital Budget

For 2015, 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 2015 program totals \$19,802,434, and includes all the funding necessary for the community center project as well as to construct a multi-use trail from Heuser Park to the Valley Forge Park Trail.

Outlook for 2015

I assure the Board of Supervisors and the community that the Township will continue to make prudent financial decisions in 2015. 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, in particular Finance Director Nick Hiriak.

The Board of Supervisors has set December 4, 2014 at 7:30 p.m. for the hearing and adoption of the proposed 2015 budgets.

I respectfully submit and officially post the proposed 2015 Operating, Sewer and Capital Budgets for Upper Merion Township and recommend their adoption.

Sincerely,



David G. Kraynik,
Township Manager