

2016 BUDGET MESSAGE – PRELIMINARY BUDGET

November 2, 2015

In what is good news for the Township, the 2016 General Fund Budget will be essentially the same as the current year's budget. I make that statement because our primary goals and spending plan remain basically the same for 2016. Our continued focus is to address infrastructure needs (roads and bridges) and to adequately provide for emergency services. Those two programs are our two largest program expenditures being \$1,030,536 and \$390,350 respectively. Roads and bridges will also have other resources dedicated to them via the Liquid Fuels and Capital Reserve Funds. Additionally, the Township's other core functions and programs, e.g. codes, planning, open space, etc. are continued in 2016 as well. On the revenue side, there are two items that should be mentioned. First, it is important to state that the 2016 General Fund is balanced with no new taxes or tax increases being proposed. Second, earned income tax (EIT) continues to grow and the budget benefits from this.

Despite the similarities with last year's budget, there are two major and important differences to be mentioned. First, this budget document represents the first time a multi-year budget has been prepared for London Grove Township; covering 2016-2018. Second, the budget significantly increases funds for the annual road program by \$230,000 from last year.

Before providing highlights of the budget, the benefits of multi-year budgets should be reviewed. These benefits are:

- To see where we, where we are going and where we want to be financially
- To achieve long term goals through long term planning
- To provide elected officials and residents with more certainty about the direction of services, finances and taxes
- To better link the Capital Improvements Plan (CIP) to the operating budget

For the Township to take advantage of the benefits of a multi-year budget, we need to:

- Set long term goals and integrate them into budgeting
- Convert those goals into programs and services
- Allocate resources to top priorities
- Maintain discipline to stay with the plan

- Establish reasonable time frames and organizational responsibility to achieve the strategic goals

Shifting back to the 2016 budget, next year will also see significant expenditures focused on infrastructure from other funds as follows:

- McCue Road bridge (\$153,000) – This is the last of the “additional EIT” projects,
- New Public Works facilities, 372 Rose Hill Road property (\$3.5 million via borrowing),
- State Road sidewalk (\$500,000) - We hope to have funds available from the borrowing and/or grants to construct a sidewalk along State Road from Schoolhouse Road to Route 841, and
- Vehicle and equipment purchase (\$346,000) – replacement of the 2004 Freightliner, the 2003 Ford F550, the Steiner mower and the road bank mower on the 6415 tractor.

As noted earlier in this message, the 2016 Budget plans to increase resources devoted to the annual road program (see budget for details of the work planned). A total of \$89,934 was budgeted from the General Fund for contract paving in 2015 compared to a total of \$320,000 in 2016. These additional funds will be used for more resurfacing, repair and improvement projects and will elevate the program to be above what we consider to be the “bare minimum”.

Also, the 2016 Budget does propose a new initiative, which is to increase resources devoted to code enforcement in the community. As London Grove Township continues to grow, it is important to “grow” our services along with the community. I believe it is time to increase code enforcement efforts to help maintain the high quality of life present here. Thus the 2016 Budget proposes to hire a third- party contractor for code enforcement with an associated cost of \$25,000.

Next year will also see continued efforts aimed at maintaining and improving quality of life including: planning (complete update of Zoning Ordinance, Chatham transportation planning) and open space preservation.

These expenditures would obviously not be possible without adequate revenues. Our main sources of revenue are generally forecast to be stable and/or reflect a small percentage of growth. However, the earned income tax is forecast to be significantly greater than what was budgeted in 2015. This is because of continued growth in the community and of the difficulty getting clear figures from the collection agency. The forecasted amount is 5% more than what we project to receive in EIT in 2015, but is \$337,500 over the 2015 budgeted amount. This additional revenue will enable more monies to be funneled towards our primary goals.

The 2016 General Fund budget breaks down as follows:

- Revenues – \$3,420,571
- Expenditures – \$3,420,571
- Fund balance (deficit) – \$0

Looking ahead to 2017 and 2018, the following are some of the assumptions built into the multi-year budget:

- The “new” programs and services (increase in annual road program, debt for Public Works buildings, Code Enforcement) are sustainable because of the forecast growth of the EIT and the potential use of Capital Reserve funds to make debt payments,
- Other major revenues should remain stable or grow slowly assuming building continues in at least the Hills of London Grove and Powers subdivisions,
- Of the Public Works Department road “wish list”, a total of six maintenance projects (\$136,000) will be deferred to 2017 and will complete our “catch-up” efforts of the last few years,
- There are no more “additional EIT” projects,
- The major vehicle and equipment purchases will be behind us and continuing “normal” contributions to the Equipment Replacement Fund should be adequate to fund future purchases, i.e. General Fund dollars will no longer be needed,
- Fire department costs will be stable but EMS service costs will increase,
- Zoning Ordinance and S/LDO updates will be completed,
- A new server will be needed for the office network in 2017,
- MS4/TMDL expenditures are a big unknown; it is possible that engineering and special counsel costs may increase and capital improvements could increase significantly (as a side note, efforts to try to address these unknown requirements are underway; e.g. the riparian buffer ordinance, property owner riparian buffer outreach via the Open Space Committee and a partnership with the University of Delaware and Nature Conservancy) and
- Capital improvements in Chatham may become necessary as a part of the transportation improvements planned by PennDOT.

The budget is, in my opinion, the most important document produced by the Township. The reason for my belief is the budget expresses the goals and priorities of a community for the upcoming year; and now for the next two years as well. The budget makes it clear that our goals and priorities are to maintain our roads and bridges and to delivery high quality emergency services (via funding and partnering).

The following is a summary of the 2016 General Fund major revenues, new and continued expenditures.

MAJOR REVENUES

Line item	Revenue	2016 Budget	Comment
301.01	Real estate tax	\$618,282	Predictable; based on assessed value.
310.10	Real estate transfer tax	\$230,000	This revenue is variable and has been well north of \$200,000 the last five years. It is anticipated that the real estate market will remain the same in 2016 as this year.
310.21	Earned Income Tax – “regular”	\$1,302,500	Keystone estimates that we will receive \$1,530,000 for both regular and Open Space EIT in 2016. We think this is very low. (YTD we have received \$1,076,153) and have budgeted a more realistic figure based on a year-end projection and 5% growth.
361.51	Cable TV franchise fee	\$161,200	Continues to grow by approximately 10% per year.
362.41	Building Permits	\$120,000	New housing starts (average \$2,000 per permit) should remain approximately the same as Inniscrone ends,

			but Rose Hollow, Hills of London Grove and Powers start.
362.60	SECCRA host fee	\$464,000	106,000 tons X \$4 per ton host fee + \$25,000 road contribution + \$15,000 methane-to-electricity contribution

NOTE: These six revenues account for \$2,895,982 representing 85% of expected revenue.

NEW INITIATIVES

Line item	Name/New initiative	Amount	Comment
413.19	Code Enforcement position	\$25,000	For hiring third party contractor to enforce codes, zoning and recently adopted IFC.
438.74	Road maintenance equipment purchase – replace '04 Freightliner, replace '03 Ford F550, replace road bank mower, replace Steiner mower	\$346,000	\$80,000 from GF, \$150,000 from Equipment Replacement and \$116,000 from Capital Reserve
439.45	Contract paving	\$230,066 (\$320,000 total)	Monies above 2015 Budget
440	Capital road and infrastructure projects (additional EIT)	\$153,000	McCue Road bridge
471.10 and .20	Debt service and interest	\$141,513	For new Public Works Buildings (\$102,667) and existing debt
Capital Reserve Fund/Borrowing	New Public Works Department maintenance building and salt shed	\$3.5 million	To construct the new facility at 372 Rose Hill Road. Planned expenditures to be via borrowing from Delaware Valley Regional Finance Authority (see

			471.10 and .20).
Capital Reserve Fund/Borrowing	State Road sidewalk	\$500,000	To plan, engineer and construct a sidewalk from Schoolhouse Road to Route 841.

CONTINUED EFFORTS

Line item	Name/Effort	Amount	Comment
405.13	Professional services	\$20,000	CCGIS - \$5,000 to update sign replacement inventory, Open Space Committee support-\$10,000 and personnel manual update (\$3,000).
408.31	Engineering – Township projects	\$50,000	\$20,000 for engineering necessary to submit MS4 plan/application for permit and to secure the permit
411	Emergency Services	\$390,350	Avondale Fire & Ambulance, West Grove Fire & Ambulance and SCCEMS
414.32	Planning & Zoning professional services	\$15,000	For continuation of work on Zoning Ordinance update and funds for Chatham intersection planning.
421.20	Animal control/LaMancha	\$750	Limited boarding contract with LaMancha.
454.11	Open Space (formerly “Land Preservation”)	\$6,000	For open space easement appraisals ahead of purchase.
456.52	Library contribution	\$30,900	Contribution to

			Avon Grove Library
439.45 and Liquid Fuels	Annual road paving program -	\$531,665	\$320,000 GF, \$186,665 LF & \$25,000 SECCRA contribution

Capital Improvements Budget

As noted throughout this message, monies from this fund are designated for three purposes in 2016. First, is the construction of the new Public Works Department maintenance facility and salt shed. The Township will be borrowing \$4 million from the Delaware Valley Regional Finance Authority to fund the construction of the new facility, with \$3.5 million of that amount is designated for it. The remaining \$500,000 is intended to be used to construct a sidewalk on State Road between Schoolhouse Road and Route 841. The third planned expenditure is to use \$116,000 to help fund the purchase of vehicle and equipment replacements.

In closing, I want to acknowledge the hard work of Township Staff in putting together this very important document. In particular I want to thank Jacqui Guenther, Finance Director, for the initiative and forethought to put together a multi-year budget. Shane Kinsey, Public Works Director, should also be thanked for his efforts. In the 2016 Budget, the Township has a spending plan that is affordable and focused on our primary goals and responsibilities; being infrastructure, emergency services and maintaining the high quality of life in the community.

Respectfully Submitted,

Steven C. Brown
Township Manager