

**ATTENTION
HONORABLE CITIZENS AND TAXPAYERS
ALLEGHENY TOWNSHIP, WESTMORELAND COUNTY**

THE 2018 BUDGET MESSAGE

I present for review on this day, November 13, 2017 to the Honorable Board of Supervisors, the proposed plan and policy statement for financial operation and fiscal management for Allegheny Township for the year 2018. The accompanying projection of Revenues, Expenditures, Assets and Liabilities with fund balances is provided to show how current economic trends, coupled with Allegheny Township's financial policies, could and may influence future cash balances and tax levies. When creating financial projections, known quantities such as actual revenues, expenditures, and balances interact with a set of key assumptions to determine a possible outcome at the end of the budget process and fiscal year.

Please take into consideration there are a number of unknowns in this statement, which are projected to the best of our ability based on current economic conditions and prior years' history with the budget process of Allegheny Township. It is important to point out that forecasting is a useful tool in financial plan development. Additionally, this financial projection is intended to advise policy-makers regarding the current potential financial conditions of the township. This statement does not however represent a legal obligation of the Township Staff or the Board of Supervisors.

The 2018 spending plan addresses the following:

- 1. The financial requirements for the construction, maintenance, repair and improvements of roads and culverts;**
- 2. The financial obligations of the township to provide zoning protection, legal services and general government services;**
- 3. The financial requirements to provide public safety to the township residents and businesses including police protection, emergency management and fire protection services;**
- 4. Long-Term debt service undertaken by the township for the construction of the police building, renovation of the community building and Public Works capital equipment.**
- 5. Capital projects and expenses to implement designated capital projects, along with the personnel and contracted entities to provide services beyond township in-house capabilities.**

The proposed budget is based on 16.50 mills and indicates NO TAX INCREASE recommended for the 2018 fiscal year. Last year 16.50 mills were levied to provide a similar level of services.

For the 2017 Budget Year, The Board of Supervisors approved a general fund budget of \$3,747,884 which was a 1% increase over 2016. In 2010 the Township implemented a financial plan that include dedicated millage levied to address post-retirement healthcare benefits for the police and paying extra principal toward overall debt. As of this writing we have met our obligation for the Post Retirement Healthcare contributions and have reduced that yearly allocation accordingly. The proposed 2018 spending plan increases over the 2017 budget by 3% or to \$3,845,739. For each mill levied, each property owner pays .01 cent per mill on each dollar of assessed valuation as determined by the Assessment Office of Westmoreland County. Expected revenues for 2017 have been fairly consistent to our projected numbers, with a couple of exceptions, EIT is leveling out after a rise due to a full 3 years of Act 32 Implementation. Four years ago we were under revenue in this account category as the switch over was occurring but as of this date revenue from last year had been fully recovered and is aptly reflected in our year to date column of the spreadsheets. What is clear regarding the EIT is that compliance with Act 32 has shown positive revenue flow in this category for the Township. Although poor economic conditions and the decline in real estate sales coupled with a high unemployment rate have been present throughout the Country, it appears to continue slowly turning around as we emerge from the recession but it has been a contributing factor to revenues that are not consistent to prior years. As of the preparation of this budget Earned Income Tax will come in consistent to last

year, by years end. The Real transfer tax projections are difficult to predict because much of the prediction is based on housing market trends. The line item this year is up from the prior year and appears to be coming in a bit higher than we predicted, which reinforces that it is a difficult line item to project. Regionally it does appear Real Estate Transfers appear to be on the rise again and this trend matches what we are hearing for most municipalities throughout the Commonwealth of Pennsylvania. Real Estate Tax collection has been fairly consistent with our projections and I expect they will remain stable through year's end. Foreign Fire Tax brought a slight decrease as it is calculated from fuel sales to the state formula for distribution.

One of the goals of implementing our financial plan was to eliminate the need for a tax anticipation loan. On schedule to that plan there will be no Tax Anticipation Note required again for 2018. A normal TAN has had the Township securing approximately \$325,000 yearly to meet expense needs through March of any given following budget year. For 2018 we will again be self funding our own Tax Anticipation Note. This is year 4 of not requiring one and a significant achievement in the Township's history as no one can remember in our current operations not having to secure a note for any given year. A big congratulations are due to the Board and staff for meeting this landmark. I cannot with any certainty project the need for a TAN in future years but as a staff our goal will not to move backwards in this achievement but continue to work toward a TAN free Township. It is important to recognize for 2018 that grant dollars we have been successful in procuring for various projects will continue to be tougher to come by for 2018 and beyond as the Commonwealth of Pennsylvania has reduced funding programs significantly in the adoption of the current state budget remains tumultuous at best. Programs traditionally available for this funding such as the Land Use Planning and Technical Assistance Programs, Shared Municipal Services Program, DEP Sewage Enforcement Program, have all been slashed by over 50% or even eliminated for 2011 and beyond. There is no indication that these funding sources will come back either and deals a significant blow to our planning efforts and cooperation with our neighboring municipalities.

REVENUE ASSUMPTIONS

1. Assessed valuation changed from \$93,650,350 in 2017 to \$93,760,550 for 2018. This is an increase of \$110,200 over the year period and will provide approximately an additional \$1,818 to the Operating funds for 2018.
2. 13.35 Mills will be levied to finance existing public services.
3. Ninety-seven percent (97%) of levied real estate taxes will be collected during the year.
4. Liquid Fuels will increase 6% for 2018. This increase as indicated by the Commonwealth is a direct result of a change in legislation on how these funds are to be distributed, higher fuel consumption and new census data being applied to the statewide formula. This revenue originates from fuel sales and accordingly as consumption goes up so does this revenue source.
5. Investments are projected at a slightly higher rate for 2018.
6. Allegheny Township is projecting a 15 percent (15%) or higher year-end fund balance.
7. We are projecting consistent collections in Earned Income Tax for the 2018 budget year based on actual collections in 2017. This was our 6th year of implementation under Act 32, beyond our early implementation. Delinquent Earned Income Tax collections had been lower, and they should continue to decline now that under Act 32 employers are required to withhold the EIT. Eventually we should get next to nothing, or perhaps only those who are self employed and do not report as required.
8. There is some indicated revenue for reimbursements as we enter our 7th year of a fully implemented intergovernmental cooperation agreement with the Municipal Authority of Allegheny Township that has provided better reimbursement for public works time when they do work for the Authority. This line item also increased due to the Township taking over "one-call" duties from the Authority and compensation to the Township for this service. An Intergovernmental Cooperation Agreement and contract for code services to Washington Township will not continue for 2018. An additional Intergovernmental Agreement was reached in 2014 with Oklahoma Borough to provide code enforcement services similar to the Washington agreement. In 2018 we will provide 4 hours a week of services to Oklahoma, generating \$6,000 per year in reimbursement toward our Code Officer Salary.

EXPENDITURE ASSUMPTIONS

1. Personnel services are projected to increase 3% in 2018, reflecting the combined effect of pay increases, staff maintenance, overtime expenses and the legal commitment between the township and its employees' respective collective bargaining agreements. Although 3% has been allocated it will be the Board of Supervisors who will make the final decision on pay increases for the non-union staff.
2. Projected principal and interest on long-term debt has been indicated accordingly. This expenditure reflects a capital expense for the construction of the police facility and as well as renovation of the community building. The Copeland Bridge Debt for the reconstruction of the main bridge in 2010 as well as the replacement of the interior bridge has been retired in 2014. We have committed to adding an additional \$39,000 toward principal of the Building loans to help the debt be reduced quicker. In 2016 we rolled over the amount of payment we were making on the Copeland Bridge and put even more principal on the Building loan bringing additional principal on that loan to \$65,000 as opposed to \$39,000.
3. Commodities are maintained or reduced for 2018.
4. A \$7,500 donation has been indicated for the People's Library of Lower Burrell. This donation has been increased from \$6,500 in 2015 to the present amount.
5. The purchase of one (1) new police vehicles is indicated in the budget. The new vehicle will be the SUV Police unit which is scheduled to be replaced. Our last leased vehicle was paid off in 2016. From this point forward no leased vehicles remain on our payment schedule.
6. Contributions to both fire departments (Allegheny #1 and Markle) have been indicated as well and will remain at ½ mill per department for a total of 1 mill of our tax levy. This amount is slightly higher this year due to increase assessed value within Allegheny Township.
7. Road projects, tar and chip and stone have been indicated in the amount of \$533,000 projected from liquid fuels and the General Fund.
8. A contribution of \$10,000 has been indicated for participation in the WEDIG initiative through Penn State and participating in the hiring of Duane Morris Government Solutions.
9. Computer Hardware and Software expense has been indicated for administration and police as normal operation dictates. New accounting software was indicated in the 2013 spending plan. The change in accounting software saves the Township \$5,000 annually on yearly maintenance fees associated with the previous software. For 2015 an upgrade to Laserfische Software was addressed in the budget. A new server id indicated in the 2018 Budget.
10. Under Planning and Zoning we have indicated \$8,000 to update our codification as we have recently updated the zoning ordinance and land subdivision regulations and they will need to be codified into the existing book. Also dollars have been allocated for the planning consultant as we need his professional expertise from time to time on zoning interpretations.

The following is a summary of capital expenditures for 2017:

1. The purchase of a new SUV for the police department paid outright without a lease.
2. Continued payment of additional principal to accomplish debt reduction goals.
3. Public works major projects on School Road to repair the damage done by KVVPCA in completion of their sewage treatment plant upgrade, as well as a full depth reclamation project, with base and top on Bagdad/Indian Hill roads as the Municipal Authority of Allegheny Township Completed their sewage project.
4. Installation of a new roof top HVAC Unit for the community building
5. Continued work on clearing the Trail
6. Archeological Phase I and II for the TAP Trail project
7. Transferred Per Capita Billing to Berkheimer and billed in partnership with KASD to save mailing costs
8. Continued development of our MS4 Plan which included a conservation partnership with Westmoreland Conservation District
9. Finished Cable negotiations with Comcast and Consolidated as well as a cable audit of Comcast.
10. Awarded 1 Community Development Block Grant project
11. Installed Electronic LED Sign at the Community Building.

The 2018 budget reflects several areas of capital spending in various departments. We are happy to again schedule a paving project for 2018 but the amount of paving we do is minimal to what should be completed due to budget constraints. We continue to strive to provide the township residents quality services within our budget constraints. The year 2018 budget in an overall picture, paints a year of financial stability, as always will be closely monitored throughout the year to continue to build our reserves for future planning. It remains a personal goal for me to be able to forego a Tax Anticipation Note purchase as indicated in the 2018 budget and to assure that the Township should not rely heavily upon operating with acquiring a note.

To reflect on the 2018 budget, as your Township Manager and Treasurer, the coming year displays the economic constraints that have filtered down to Allegheny Township, via insurance increases and other items beyond Township control. Although Allegheny Township takes very seriously our role in managing financial operations successfully the moderate rate of growth that we continue to benefit from has not and will not provide enough revenue to offset several of the massive impact items that have hit our budget over the past several years. The history of Allegheny Township reflects that inflation overall has not been addressed in the yearly budgets which keeps the fund balance from growing year after year. We are correcting that as best as possible but cannot be fixed overnight. Increases in salt, fuel, asphalt and insurance are difficult for us to absorb and appear to be a universal trend among municipalities. To that end we as public servants must step up to the task and get it done with as little inconvenience to our taxpayers as possible.

The breakdown of revenues and expenditures for 2018 General fund is summarized as follows:

<u>REVENUE</u>	<u>EXPENDITURES</u>
Real Estate Taxes.....\$1,249,869	Gov. Admin.....\$577,043
Act 511 Taxes.....\$1,284,750	Police Dept.....\$1,004,533
License/Perm.....\$132,500	Fire Dept.....\$46,350
Fines/Forfeits.....\$25,850	Code Enforcement.....\$81,308
Interest/Rents.....\$20,950	Emer.Mngmnt.....\$16,161
Intergovernmental.....\$134,270	Public Works.....\$1,002,410
Dept. Earnings.....\$57,000	Employee Benefits.....\$385,334
Misc. Revenue\$85,400	Other Uses.....\$366,997
Other Sources.....\$42,500	
Total Revenue.....\$3,033,089.00	Total Expenditures.....\$3,480,136.00
Fund Balance/Cash.....\$812,650.00	Unappropriated Expend..... ..\$365,603.00
Total Revenue Sources..... \$3,845,739.00	Total Appropriated & Unappropriated Expenditures.....3, 845,739.00

Respectfully Submitted,

Gregory A. Primm, Township Manager
Allegheny Township