

Letter of Transmittal

PRESENTED: Preliminary Budget on November 7, 2022
Final Budget on December 13, 2022

TO: Plumstead Board of Supervisors

Introduction

The proposed 2023 Budget is presented here for your review and comment. The document has been prepared in three (3) sections as follows:

Letter of Transmittal

The Letter of Transmittal is an overview of the budget in commentary form, generally referred to as the Budget Message. It is prepared to provide the Board of Supervisors, administrative staff, and Township residents with a narrative review of significant factors affecting the proposed budget and highlight areas of relative importance in understanding the financial section. It also contains a summary of program and service delivery, cash position, and revenue and expense forecasts included in the budget.

Operating and Capital Funds Budgets

The 2023 Budget consists of twelve (12) Funds each detailing in line-item format the projected revenues and proposed expenditures for the forthcoming year. Due to its size, a summary of the General Fund by revenue and expense category is also provided. An overall summary of the twelve (12) funds provides a financial snapshot of the organization.

Supporting Data

The Supporting Data or Budget Schedules offer an additional level of detail for specific line items in each Operating Budget. This information is provided to assist in understanding how specific budget appropriations have been developed. Where supporting data is available, a schedule letter is indicated in the budget document, and an alphabetical index is provided for easy reference. The Supporting Data should assist in further explaining the cost of Township services and provide more meaning to the budget projections.

The budget was developed by analyzing trends in revenues and expenditures from prior years, reviewing line-item details at the highest level, evaluating the appropriateness of current programs and services, and considering present economic conditions. Resources are allocated with the intent of maintaining accustomed service levels and providing needed capital improvements. The budget document is designed to provide the necessary information to understand and evaluate Township services from a financial perspective.

The Budget Format

The budget is presented in a line-item format using the Pennsylvania Chart of Accounts for local governments published by the State Department of Community and Economic Development (DCED). This format provides uniformity of account numbers and titles across department budgets and operating funds. Uniformity in the budget format and consistency in posting revenues and expenditures to the line-item accounts allows the Administration and Department Directors to monitor any variations in budget appropriations from year to year. It also simplifies the review of monthly financial statements and the coding invoices for payment. This translates to improved accuracy in our cost accounting from year to year.

The PA Department of Community and Economic Development (DCED) recommends municipalities maintain a 5% to 10% reserve for unforeseen or emergency expenditures, to balance future budgets, and to avoid wide variations in tax rates from year to year. The 2023 fund balance reserves for all funds are represented on page 1. The 2023 Budget format includes separate operating funds for General, Local Service Tax, Emergency Services, Park & Rec, Water, Open Space, Debt Service, Stormwater, Liquid Fuels and Community Care. By detailing

these services in separate funds, the true costs for these government functions are more easily identified. This provides the Board of Supervisors and Township Residents with a clear picture of how Township resources are allocated and what funding is necessary to continue these services.

Capital appropriations for general purposes are shown in the General Capital Fund and capital appropriates for Fire and EMS are shown in the Fire & EMS Capital Fund. When necessary, inter-fund transfers along with other revenues dedicated for capital projects, provides funding for any proposed capital purchases or improvements.

Separating capital appropriations from operating revenues and expenditures eliminates the potential for wide-spread variations in government appropriations from year to year caused by one-time capital expenses. All operating funds include a line for **Result from Operations** and represents the difference between annual revenues and expenditures before inter-fund transfers. Inter-fund transfers are for capital reserves and appropriations but can also be for appropriations to balance other operating budgets if necessary.

This budget format simplifies the budget preparation process and provides a quick and detailed analysis of the various appropriations and services included in the budget from year to year.

Budget Highlights

The Budget maintains municipal services at current levels

Appropriations in the 2023 Budget provide the resources needed to continue the high level of service our residents have come to expect. The appropriations support accustomed levels of police services, the maintenance of our public roads, park maintenance and water services.

The Budget funds necessary capital infrastructure needs and equipment acquisitions

The proposed budget includes necessary appropriations to the Township's road system, municipal buildings, park equipment and maintenance, and water system. Detailed capital infrastructure needs, and equipment acquisitions can be located on page 24.

The proposed budget also includes a new capital fund called Fire and EMS Capital Fund. This fund will be used to assist the EMS and Volunteer Fire Companies with future capital purchases.

The Budget reflects revenue for funds received from the American Rescue Plan

In 2021 the Township was awarded \$1525,510 from the American Rescue Plan (ARPA). These funds are restricted to specific uses as defined by the U.S. Treasury. The treasury has approved the following categories of expenditures: responding to the public health emergency and economic impacts, providing premium pay to eligible workers, providing government services, and making necessary investments in infrastructure. The U.S Treasury has specific information on what qualifies in those categories. For example, investments in infrastructure does not apply to all infrastructure, it is specific to water, sewer and broadband infrastructure.

The 2023 budget shows an interfund transfer to the Water Fund in the amount of \$657,000 to be used towards ARPA qualified projects and purchases.

Staff positions in the proposed budget

During 2022 the Township hired a full-time public works employee filling a vacancy that was in place for over a year. In 2022 the Township hired (3) new officers replacing an officer who retired in 2022, an officer who will retire in January 2023 and to replace an officer who resigned in 2022. There are no proposed staff reductions in 2023. Unless the Board of Supervisors adds new programs or services, additional staffing is not necessary; however, changes or reassignment of duties among existing employees may occur.

The proposed Budget does not include an increase in Property Taxes

The 2023 budget proposes property taxes to stay at 14.94 mills for 2023, with 2.055 mills being reallocated from the Debt Service Fund to the Open Space Fund, Fire & EMS Capital Fund, Stormwater Fund and Emergency Services Fund. A breakdown of the millage (assuming all taxes are paid in the year they are due) is provided below:

2023 Assessment is \$220,891,970	
<u>Mils</u>	<u>Tax Revenue</u>
General Fund	6.02 \$1,323,704
Emergency Services Fund (Fire)	1.155 \$254,963
Emergency Services Fund (EMS)	0.4 \$88,357
Open Space Fund	0.688 \$168,785
Debt Service Fund	5.177 \$1,132,557
Fire & EMS Capital Fund	1.0 \$217,845
Stormwater Fund	0.5 \$108,823
14.94	\$3,295,134

A homeowner assessed at the average assessment value of 38,929, will pay \$581.60 per year in real estate property taxes, or \$1.59 per day for Township services.

Budget Overview

The Township arranges its functions in the budget among twelve (12) different funds, each with specific purposes. While General Fund monies can be used for any legal expenditure, other funds have restrictions on the use of available dollars. For example, the Liquid Fuels Fund revenue may only be used to support the cost of projects that are approved under the PA State Liquid Fuels Department. These expenses include road maintenance, traffic lights, maintenance materials, drainage structures, roadway paving and reconstruction, and snow supplies (i.e., salt).

Revenues and expenditures in each fund therefore are specific to that fund and its legally allowable purpose(s). Interfund transfers, the transfer of dollars from one fund to another, occur only when appropriate and legally permitted.

The General Fund and Water Fund account for all personnel, fringe benefits and insurance, utilities and routine maintenance and operational expenditures of the Township. Appropriations from other funds are limited to capital improvements or other designated purposes. The proposed budget shows the beginning and ending fund balances, projected revenues, and line-item appropriations for each Fund. The Budget is organized in this manner to show the true cost for these government functions.

A narrative summary of the financial position of each Fund and a highlight of projected revenues and proposed expenditures for the new fiscal year is provided below.

General Fund

The General Fund is the operating budget for general municipal purposes and includes appropriations for general government operations including administration and finance, legal, Board of Supervisors, general engineering and other professional services, buildings and grounds maintenance, public works, parks and open space

maintenance, police and code enforcement operations, planning and zoning administration, technology and repairs of tools and machinery.

The primary revenue sources for the General Fund are Real Estate Taxes, Local Enabling Act (Act 511) taxes, permit fees, grants, state-shared revenue and entitlements, and charges for service. Reimbursements also contribute to General Fund Revenue.

The Township levies a 1.0% earned income tax and shares this tax revenue with the Central Bucks School District (Township gets 0.5% and CBSD gets 0.5%). Act 511 Taxes (Earned Income Tax and Real Estate Transfer Tax) will generate approximately \$4,600,000 in 2023, representing 64.9% of total revenues in the General Fund. Real Estate Taxes represent another 18.6% of total revenue at \$1,332,000.

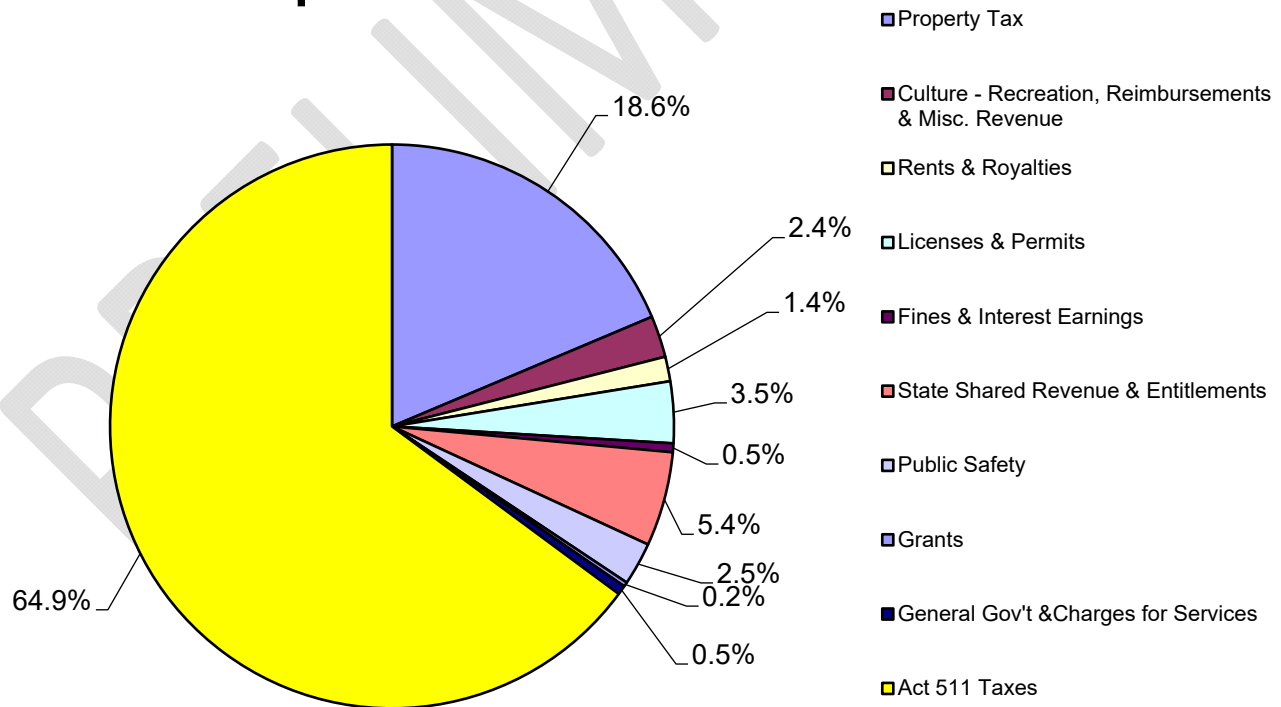
Transfer taxes are a tax on real estate sales within the Township. The tax rate is 2% of the sale price. County government receives 1% of the tax proceeds, and the Central Bucks School District and Township share the remaining 1% equally.

Other significant sources of revenue in the General Fund include cable television franchise fees (\$250,000), cell tower and building rents (\$99,801) and pension system aid (\$238,301).

Revenue projections in the budget are based on an analysis of tax collection experience, prior year collection history, projected state shared revenue and economic trends. Total estimated General Fund revenue for 2023 is \$7,090,899. General Fund Revenue can be located on pages 4-5 of the budget.

The following chart shows the various sources of General Fund revenue used for the operation of Township government:

2023 GF Proposed Revenues

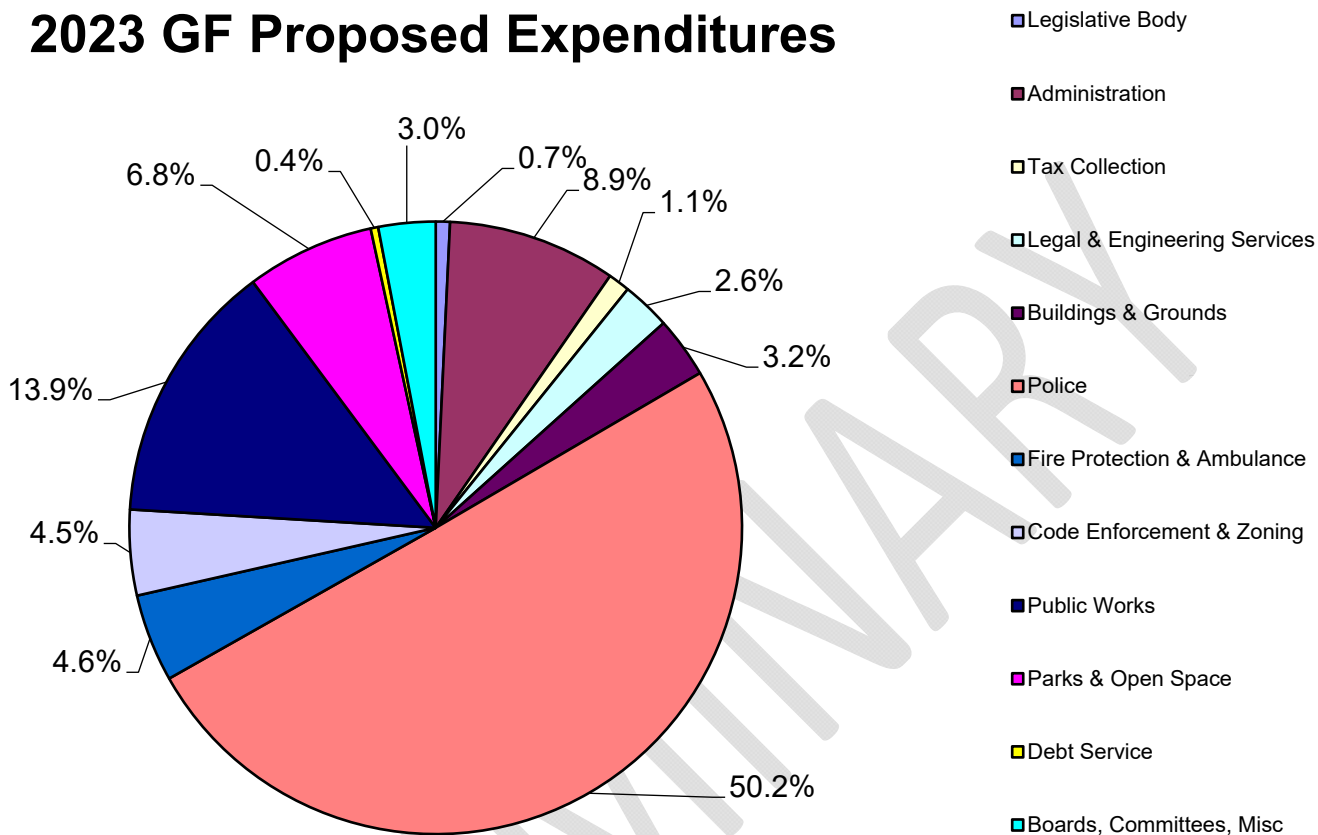


Proposed General Fund appropriations in 2023 total \$7,268,162. Primary drivers, as identified in the expense chart below, are Administration (8.9%), Police (50.2%) and Public Works (13.9%).

General Fund Expenses can be located on pages 6-10 of the budget.

The following chart shows the various sources of General Fund revenue used for the operation of Township government:

2023 GF Proposed Expenditures



Budgeted transfers total \$1,232,000 and include: \$300,000 to the General Capital Fund to be used for equipment purchases, \$657,000 to the Water Fund for ARPA approved purchases and capital projects, and \$275,000 to the LST Fund for road repairs.

For 2023 projected revenue is \$7,090,899 and expenses before interfund transfers is \$7,268,162 resulting in the results from operations being -\$177,263. Therefore, a total of \$177,263 will be used from the Township's fund balance (reserve funds). Projected expenses after interfund transfers are \$8,500,162 providing an ending fund balance of \$3,727,846. Of this fund balance \$774,175 is restricted ARPA Funds and \$36,226 is fees in lieu of for sidewalks, crosswalks and a gateway sign. As stated previously in this document DCED recommends municipalities maintain a 5% to 10% reserve for unforeseen or emergency expenditures, to balance future budgets, and to avoid wide variations in tax rates from year to year. Our fund balance meets this recommendation.

Local Service Tax Fund

The Townships Local Service Tax Fund (LST) is funded by the Local Service Tax charged to those who work in Plumstead Township (\$52 annually). These funds are used for Police and Public Works related capital purchases and projects. The 2023 Budget reflects the purchase of one (1) patrol vehicle, ultra-thin wearing course in Durham Ridge, Bituminous Seal Coat on various roads, storm pipe replacement on various roads and in-house paving and edge repair on various roads. Additionally, there is a lease payment that comes out of the LST fund for the Township's Trackless Tractor that was purchased in 2015. Final payment for this debt will be made in 2023.

For 2023 projected revenue is \$579,200 (includes a \$275,000 transfer from General Fund) and projected expenses are \$734,468, providing an ending fund balance of \$40,743. This fund can be located on page 11 of the budget.

Emergency Services Fund

1.555 mils are collected annually in property taxes which approximately equals \$330,000. Of the collected tax money is distributed to the Plumsteadville Volunteer Fire Company (PVFC), Point Pleasant Volunteer Fire Company (PPVFC), Dublin Volunteer Fire Company (DVFC), Point Pleasant EMS (PPEMS) and Central Bucks EMS (CBEMS). The PVFC and PPVFC split 1.1 mils equally and 0.055 mils is distributed to the DVFC. The remaining 0.4 mils are split between the PPEMS (85%) and CBEMS (15%). This fund can be located on page 12 of the budget.

Park and Recreation Fund

This fund is used for park related capital purchases/improvements. Revenue for this fund generally comes from developer contributions to be used for park improvements. In 2020 the Township received a generous donation in the amount of \$126,717 to be used for future enhancements/improvements to the Jennifer Schweitzer Memorial Park. An additional \$83,656 were received in 2020 and 2021 from developer contributions. A total amount of \$136,959 of these restricted funds remain as of December 31, 2022 of which \$124,152 is restricted for Schweitzer Park and \$12,807 for any other park.

This fund earmarks \$20,500 in expenses for 2023 for the installation of trail segment that connects Jennifer Schweitzer Memorial Park to the trail along Potters Lane, planting of trees and pour n place sealer at Hanusey Park. There is no anticipated revenue, other than interest earned on the fund balance. Ending Fund Balance for 2023 is projected to be \$125,676, of which \$112,152 is reserved for the Jennifer Schweitzer Memorial Park and \$5,307 left from developer contributions, leaving an unrestricted ending balance of \$5,004. This fund can be located on page 13 of the budget.

Water Fund

The Township charges a fee for its services and these revenues support the cost of personnel, supplies and equipment associated with the delivery of water. The funds generated from these fees offset these expenses, water facility operations and supplies, as well as professional management and oversight from Private Utilities Enterprises. Total revenue collection for 2023 from water usage is projected to be \$1,256,656. Total anticipated revenue before interfund transfers for 2023 is \$1,313,224. An interfund transfer in the amount of \$657,000 from the General Fund is budgeted to be used towards capital projects and purchases. The interfund transfer is funds that are dedicated to capital purchases and projects that can be completed using ARPA funds.

The 2023 budget includes capital expenses for \$300,000 for the installation of a green sand filter system at the well in Cabin Run, water meter replacements (\$85,000), upgrades to our SCADA System (\$254,000), a new generator (\$35,000) and the southern water system interconnection (\$1.5 million). The starting fund balance includes \$1.5 million that was borrowed in 2020 for the southern system interconnection project. Other major expenses include a debt service payment in the amount of \$97,174 and the interfund transfer to the debt service fund in the amount of \$150,000.

The budget also reflects \$15,000 budgeted for a water rate study, that will take into account all future capital improvements needed for the Township's water system.

For 2023 projected expenses before interfund transfers are \$3,265,129. After an interfund transfer in the amount of \$150,000 the ending fund balance is \$663,023. This fund can be located on pages 14-16 of the budget.

Open Space Fund

The Township's Open Space fund is used for land preservation, including the annual monitoring of preserved properties. A total of 0.688 mils is collected annually in property taxes which equals approximately \$168,787.

For 2023 projected revenue is \$169,285 and projected expenses are \$20,000 with an ending fund balance of \$207,361. This fund can be located on page 17 of the budget.

Debt Service Fund

5.177 mils are collected annually in property taxes which equals approximately \$1,132,557. Previously 8.232 mils were collected, however due to refunding of bonds and rate resets of existing loans, the Township was able to reallocate 1 mil to the General Fund in 2022 and another 2.055 mils to various funds (Stormwater 0.5mils, Open Space 0.5mils, EMS Fund 0.055mils and Fire & EMS Capital Fund 1mil) to be used for future capital purchases.

Final payment was made on G.O. Bank Note 1 in December of 2022. 2023 Expenses include the principal and interest payments for the Township 2016 General Obligation Bank Note 2; 2020 General Obligation Bond A; and the 2020 General Obligation Bond B. Total debt service to be paid in 2023 equals \$1,255,438. Details on the existing debt service can be located on Schedule D of the Budget Document located on pages 33-34.

For 2023 projected revenue is \$1,287,557 and projected expenses are \$1,256,938 with an ending fund balance of \$2,667,859. This fund can be located on page 18 of the budget.

General Capital Fund

The General Capital Fund accounts for revenues and expenditures related to capital equipment purchases and infrastructure improvement projects authorized by the Board of Supervisors. Revenues in the Capital Fund can come from a variety of sources including grants, loans, contributions from development and interfund transfers. There is no dedicated tax or funding source for capital appropriations.

In 2023, the pedestrian improvement projects along Route 611 in the Plumstead Village will continue. The pedestrian improvements largely funded by the ARLE and MTF Grants that were awarded in 2019 will be completed in early 2023. Total remaining expenses budgeted for 2023 are \$1,070,510 which will all be reimbursed by grant funds. The Township was awarded another MTF grant in 2022 that will complete the pedestrian upgrades needed at the intersection of Old Easton Road, Rt. 611 and the Plumstead Shopping Center. The grant award was \$450,000 which will cover 100% of the cost of the project.

The General Capital Fund also reflects the following: repaving of the Township municipal parking lot (\$75,000), pre-emption installed at the traffic light at Sawmill and N. Easton Road and the traffic light at the Cross Keys Shopping Center and N. Easton Road (\$130,000), the purchase of a John Deere Rubber Tire Wheel Loader (\$253,000), the purchase of a F250 Pickup Truck (\$65,000) and the purchase of a Heavy-Duty Forestry Mower (\$138,252). The budget also reflects the remaining expense of \$93,614 for the Dump Truck that was purchased in 2022.

For 2023 Projected revenue is \$1,824,278, which reflects \$300,000 transferred from General Fund, projected expenses are \$2,296,700. Ending fund balance is \$50,036. This fund can be located on page 19 of the budget.

Fire and EMS Capital Fund

The Fire and EMS Capital Fund is a newly established fund in 2023. This fund will be dedicated to capital purchases and expenses for the EMS and Volunteer Fire Companies. A total of 1 mil is dedicated to this fund.

The budget reflects the purchase of heart monitor for the Point Pleasant EMS in the amount \$36,440.

For 2023 projected revenue is \$217,845 and projected expenses are \$36,400. Ending fund balance is \$181,905. This fund can be located on page 20 of the budget.

Stormwater Fund

The stormwater fund was established in 2021 to be utilized for all state mandated stormwater MS4 projects. The Township was issued a 5-year permit from PADEP that has a total of nine (9) projects that are to be completed over 5 years. Five (5) of the nine (9) projects were budgeted and completed in 2021 and 2022. Two (2) of the remaining (4) projects are budgeted for 2023 at the basins in Landis Greene. The locations of these projects can be found in the 5-year capital plan on pages 25-26. The cost of MS4 reporting is also paid from the Stormwater Fund.

Revenue from this fund is generated from 0.5 mils and the Stormwater Exemption Fee that is collected from projects that are exempt from stormwater management per the Township's ordinance. For 2023 projected revenue is \$119,023 and projected expenses are \$108,500 with an ending fund balance of \$136,651. This fund can be located on page 21 of the budget.

State Liquid Fuels Fund

This fund accounts for the Township's share of Liquid Fuels Tax dollars provided by the commonwealth of PA for maintenance of local roadways. Funds are generated through a tax on motor fuels. The Township's allocation of these tax dollars is estimated to be \$470,168 for 2023. These funds are restricted by the State and can only be used for projects that are approved by the State.

This fund accounts for the cost of maintenance services of the Township's streets and allocates expenditures for street lighting, snow supplies, street cleaning, roadway paving and reconstruction, roadway maintenance, drainage structures, repairs to street signs and traffic control devices, and debt service for the 2019 Peterbilt. Detailed debt service information can be located on Schedule F located on page 36. Road projects budgeted for 2023 are included in the Major Road Construction line item. 2023 projects include the milling and paving of Meeting House Road and Poplar Lane as well as crack sealing in the Township. Details of all township road projects can be located in the 5-year capital plan located on page 25.

For 2023 projected revenue is \$471,118 and projected expenses are \$573,442 with an ending fund balance of \$27,440. This fund can be located on page 22 of the budget.

Community Care Fund

The Community Care Fund is currently used for the Police Departments shop with a cop program. Revenue comes from donations made to the shop with a cop program by local businesses and residents.

For 2023 projected revenue is \$25,050 and projected expenses are \$25,000 with an ending fund balance of \$30,778. This fund can be located on page 23 of the budget.

2023 Capital Projects

Page 24 of the budget provides a summary snapshot of the capital projects proposed in the 2023 budget.

2023 – 2027 Capital Improvement Plan

The Township's budget contains a 5-year capital improvement plan (CIP) that represents a multi-year schedule of major, needed improvements to the Township's physical property, including equipment and infrastructure. Pages 25 and 26 of the budget lists anticipated project costs through the year 2027.

Plumstead Township created a CIP to proactively plan for future capital needs so that the Board can anticipate the Township's upcoming capital needs and prioritize their completion based on available funds. Proactively addressing capital needs also can save the Township money over the duration of the plan.

Having a CIP for Township owned roads helps to extend the life of a road, reduce maintenance, and keep roads in a safe condition for residents to travel on. Replacing aging patrol vehicles can ensure a rapid police response time and having a vehicle replacement plan for public works prevents sudden increases in vehicle maintenance and can prevent lost productivity if a vehicle were to break down while in use. Repairing walking paths and enhancing play systems increases the safety of the residents who use those facilities. It also gives residents an assurance of when to expect major infrastructure changes to occur.

Projects included in the CIP generally have a long-life expectancy and high cost. Some projects involve one-time purchases, such as a vehicle replacement, while others involve multi-year construction plans. Additionally, some projects are replacements or upgrades to existing equipment and facilities, while others bring new assets to the Township.

While projects require funds to complete and, in some cases, maintain, the Township takes careful consideration of how best to allocate resources. Each department has a specific mission and objectives for the upcoming years, and they propose which projects are the highest priorities needed to achieve their goals.

Capital improvements taking place in the current year are included in the budget. Future projects are subject to change as priorities evolve and funds become available and each year, the Township continues to project future capital needs.

Schedule's A – H

The budget document has schedules that show the breakdown of Health Insurance, Workers Compensation Insurance, Property & Liability Insurance and all Debt Service. In the budget document there is a SCH column on each budget page and it will show the corresponding number when a line item is associated with a specific schedule. These schedules can be found on pages 27-38.

Conclusion

A review of the proposed 2023 Budget will show that the Township is maintaining municipal services of public works, administration, police, parks and recreation and water services.

The 2023 Budget does NOT propose a property tax increase or a utility increase.

A homeowner assessed at the average assessment value of 38,928 will pay \$581.60 per year in real estate property taxes, or \$1.59 per day for Township services. Of the total 14.94 mills, 6.02 mills are designated for General Fund purposes and equals approximately \$1,323,704; 1.555 mills are designated for Emergency Services and equals approximately \$343,320; 0.688 is designated for Open Space and Land Preservation and equals approximately \$168,785; 5.177 mills are designated for Debt Service and equals approximately \$1,132,557; 1.0 mills are designated to the Fire & EMS Capital Fund and equals approximately \$217,845 and the remaining 0.5 mills are designated for the Stormwater Fund and generate approximately \$108,823 in revenue annually.

Allocating resources wisely for the health, safety and welfare of the community is a crucial step in maintaining accustomed service levels that will enhance the quality of life currently enjoyed by our residents. The proposed 2022 Budget provides the necessary resources for the Township organization to achieve the goals and priorities established by the Board of Supervisors. This budget document is presented here for your consideration and the Administration will be pleased to address any questions on the document.

Respectfully Submitted,

Angela P. Benner
Township Manager