

Township of Warminster Final Budget 2011

Executive Summary

12/28/2010

I am pleased to present the Final Budget for Warminster Township for calendar year 2011. The total expenditures for the 2011 final budget are \$23,960,915, an increase of \$1,647,716 over 2010 expenses and an increase of \$417,328 over the Preliminary Budget of \$23,543,587 presented on November 18, 2010.

The table below shows the actual and projected totals by Fund for 2010 and the final budget amounts for 2011. The total millage has been increased by 5 mills for 2011 from 12.07 to 17.07 mills with 4.43 mills allocated to the General Fund, .07 mills to Ambulance and .50 mills to debt service. The increase in Debt Service millage reflects an increase for 2011 as the 2010 long-term obligations were reduced by savings generated from bond refinancing in 2009.

Fund #	Fund Name	Millage Distribution	2010 Expenses	Millage Distribution	2011 Expenses	Increase/ (Decrease)
1	General	6.61	12,380,395	11.04	13,491,425	1,111,030
2	Ambulance	0.06	60,909	0.13	59,212	(1,697)
3	Fire	1.25	732,113	1.25	739,602	7,489
4	Library	1.25	459,844	1.25	464,807	4,963
5	Parks & Recreation	1.85	1,219,460	1.85	1,530,938	311,478
7	Stormwater Mgmt	0.25	52,367	0.25	340,061	287,694
8	Sanitation	0	3,744,848	0	3,745,917	1,069
15	Five Ponds Golf	0	2,381,562	0	2,287,210	(94,352)
18	Open Space Fund	0	750	0	0	(750)
20	Debt Service	0.8	438,023	1.30	533,292	95,269
31	Hwy Traffic Imp	0.0	62,088	0	0	(62,088)
35	Hwy Aid	0	780,840	0	768,451	(12,389)
Totals		12.07	22,313,199	17.07	23,960,915	1,647,716

A summary of the changes from the Preliminary to the Final are presented in the table below:

Fund #	Fund Name	Millage Distribution	Preliminary Expenses	Millage Distribution	Final Expenses	Increase/ (Decrease)
1	General	10.04	13,041,000	11.04	13,491,425	450,425
2	Ambulance	0.13	59,212	0.13	59,212	0
3	Fire	1.25	739,602	1.25	739,602	0
4	Library	1.25	464,807	1.25	464,807	0
5	Parks & Recreation	1.85	1,545,945	1.85	1,530,938	(15,007)
7	Stormwater Mgmt	0.25	340,061	0.25	340,061	0
8	Sanitation	0	3,745,917	0	3,745,917	0
15	Five Ponds Golf	0	2,305,300	0	2,287,210	(18,090)
18	Open Space Fund	0	0	0	0	0
20	Debt Service	1.30	533,292	1.30	533,292	0
31	Hwy Traffic Imp	0	0	0	0	0
35	Hwy Aid	0	768,451	0	768,451	0
Totals		16.07	23,543,587	17.07	23,960,915	417,328

While there appears to be a sharp increase in spending for 2011 of \$1,647,716 as compared to the 11 months actual and 1 month projected 2010 numbers, the increase is a result of primarily the following extraordinary items impacting the budget year 2011:

- Increased pension obligations of \$624,259
- Increased short-term borrowings and interest of \$1,019,104
- Capital projects deferred from 2010 of \$206,500 for Park & Rec
- Capital projects deferred from 2010 of \$290,000 for Stormwater

The capital projects were originally budgeted for 2010 but were deferred when the revenue collections projected for 2010 were less than anticipated and spending cuts had to be made. The increased pension obligations are a result of the losses in the investment portfolios over the past two years, resulting in greater funding levels required to support the actuarial liabilities of the plans. Finally, the increased short-term borrowings are required so as not to further deplete cash reserves from other township funds to finance operations during the first quarter of the year.

Absent these extraordinary items totaling \$2,139,863, the overall spending for 2011 would be \$21,821,052, a decrease of \$492,147 from 2010 spending. This decrease is primarily a result of agreements reached with the collective bargaining units to commit to a wage freeze and to participate in health care costs in 2011. Contract extensions and future salary increases were agreed to with the Township in exchange for the 2011 concessions.

The Township took action in 2009 when signs of the troubled economy were evident and implemented the following in 2010:

1. Refinanced outstanding bonds, netting a savings of over \$200,000 in debt service payments for 2010.
2. Reorganized and restructured the golf course operations, realizing over \$200,000 in savings in personnel and benefit costs. The bottom line net operating results for Five Ponds in 2010 will be the best they have seen since 2001.
3. Exercised its option to extend the waste hauling contract with reduced rates for 2010 and 2011. Township residents saved \$20 per year on their trash bill for 2010 and will realize the same savings for 2011.
4. Engaged an independent CPA to conduct an audit of the Business Privilege tax filers in the Township. Initial assessments were mailed in early December to delinquent filers with taxes owed to the Township of approximately \$112,000.

In preparing for 2011, the initial draft budgets presented a deficit of approximately \$3.4M. This was reduced to about \$2.2M and with negotiations with our labor unions, the Township was able to amend the labor contracts in an effort to gain concessions on wages and benefits and limit the proposed tax increase to 5 mills in 2011.

The following pages provide a more thorough explanation of revenues and expenses by funds.

OVERVIEW – where does the money go?

The budget for the Township of Warminster is a collection of 12 separate and distinct funds, each designed to serve a specific purpose for ensuring the provision of municipal services for all residents and business owners within the Township.

The numbers and names of the funds are as follows:

<u>Fund #</u>	<u>Fund Name</u>	<u>Fund #</u>	<u>Fund Name</u>
1	General	8	Sanitation
2	Ambulance	15	Five Ponds Golf
3	Fire	18	Open Space Fund
4	Library	20	Debt Service
5	Parks & Recreation	31	Highway Traffic Improvement
7	Stormwater Management	35	Highway Aid

General Fund

The General Fund is the largest of the funds, accounting for the majority of municipal services provided by the Township. Included here are personnel and operating costs for the Police department, Public Works, Licenses & Inspection, Emergency Management & Fire Marshall's office, and Administration & Finance. Of the 98 full-time employees in the Township, 81 are employed across these departments in the General Fund.

Also included in this fund are costs for services of the tax collector and members of the zoning hearing board, planning commission and the Board of Supervisors.

The General Fund also accounts for the costs of the outside professionals as appointed by the Board of Supervisors. These include Township Solicitor, Township Engineer, Outside Accountant and Independent Auditor.

Finally, the General Fund accounts for the short-term debt known as the TRAN or Tax Revenue Anticipation Note. In prior years, short term debt service payments and certain long-term debt service payments not separately allocated to other funds were accounted for in the General Fund – these costs are now accounted for in the Debt Service Fund.

Ambulance, Fire and Library Funds

The Ambulance, Fire and Library Funds are essentially pass-thru funds whereby local real estate tax revenues are allocated and deposited to these Funds, then paid to the respective organizations to help support their operations.

Each of these organizations is a separate, independent entity with a governing board, management team and staff that is independent of township employees. The township contracts with the Fire and Ambulance Corps for services and supports the Library operations for the benefit of residents.

Parks & Recreation and Five Ponds Golf Course

The Township maintains a Park & Recreation department to manage the 426 acres of park and open space and to provide services and summer camp programs for the recreational benefit of residents. In addition, Five Ponds Golf Course has been owned and operated by the Township since 1988 providing further recreational benefits to the community.

The Park and Recreation department receives approximately 40% of its revenues from taxes and the remainder from building rents, recreation fees, and grants and donations for the preservation and maintenance of the Township's parks and open space.

Five Ponds Golf Course operates as a business or enterprise type fund which generates revenue from golf and clubhouse operations to support the staff and operating expenses and to contribute to the Township's debt service obligations each year. Surpluses from this operation are budgeted to support General Fund expenses.

Stormwater Management & Highway Traffic Improvement Funds – part of General Fund

Real estate taxes have been the primary source of revenues for the Stormwater Management and Highway Traffic Improvement Funds. Monies allocated to these funds are earmarked for the completion of designated stormwater projects and their related engineering and design costs.

Highway Aid Fund

The Highway Aid Fund receives specific funding from the state of PA under the Liquid Fuels program for the cost of equipment, maintenance and paving of the Township's roads and the costs for salt and snow removal.

Sanitation Fund

The Sanitation Fund collects monies paid by residents for waste hauling services provided under a Township contract with the hauler. Residents are billed by the tax collector each year on their real estate tax bill. This is a contract based fee charged directly to residents and has no relationship with the Township's real estate taxes.

Debt Service Fund

The Debt Service Fund had received interfund transfers to pay the annual principal and interest charges on the Township's long-term debt each year. Beginning in 2010, an allocation of tax millage direct to this fund will be used to pay a portion of the debt service and the remaining debt service is paid by the General Fund, Ambulance, Fire, and Golf Course funds.

Open Space Fund

The Open Space Fund was approved and created in 2009. Tax millage assigned to this fund will be for the purpose of accumulating funds for the purchase of remaining and available parcels of open space within the Township.

REVENUES – where does the money come from?

Contrary to popular belief, the Township does not control the majority of real estate taxes paid by residents. In actuality, only about 9% of the total real estate taxes paid by residents is assessed by the Board of Supervisors. The School District, a separate legal entity and governing body, determines the amount of school taxes that residents pay. This amount represents approximately 74% of your total real estate tax bill. The County assesses a real estate tax which is about 17% of your total while the Township collects the lowest percentage, which is approximately 9%.

In the Township’s annual budget of approximately \$23.96M, your local taxes, with the proposed assessed amount at 17.07 mills, represents just over \$5.6M or 24% of the total revenue of the budget. Of this amount, approximately \$3.7M, or 11.04 mills supports the General Fund expenses, where the majority are costs and services are accounted for, while the remaining 6.03 mills is divided among the Ambulance, Fire, Library, Park & Recreation, Stormwater Management and Debt Service funds.

The overall revenue required to support General Fund operations for 2011 is summarized below:

Earned Income Tax	\$3,600,000	
Real Estate Taxes – 11.04 mills	\$3,700,120	
Business & LST Tax	\$1,025,000	
Transfer Tax	<u>\$ 415,000</u>	
Sub-Total		\$8,740,120
Building Permits and Related Fees	\$1,351,351	
Impact Fees	\$ 435,000	
Reimbursements	\$ 270,000	
Penalties, Fines, Reports & Interest	<u>\$ 193,436</u>	
Sub-Total		\$2,249,767
State & County Funds	\$ 746,950	
All other	\$ 254,588	
Transfer from other Funds	<u>\$ - 0 -</u>	
Sub-Total		\$1,001,538
Loan Proceeds		<u>\$1,500,000</u>
Total General Fund Revenues		\$13,491,425