

TOWNSHIP BUDGET HIGHLIGHTS

In the recent newsletter, you were advised that the Supervisors are preparing to balance the '05 budget by a combination of borrowing, a .2 mil property tax increase and a .17% earned income tax. Following are some factors in this decision.

GENERAL

- At the recommendation of the Audit Committee in the mid 90's, the township has followed a practice of holding taxes level and while using a previously accumulated surplus to cover expenses in excess of revenue. This deficit financing strategy reduced the surplus from \$617,000 in '98 to \$75,000 at year end 04. With the low surplus at year end '04, a tax anticipation loan will be used to cover our cash needs for the first quarter until property tax revenues are received in April. This loan will be paid in full by year end '05..
- The Pennsbury Comprehensive Plan strongly urges that the township always maintain a cash surplus equal to 25% of operating revenue. We have budgeted a \$75,000 surplus for '05, and believe a similar budget item should be included in the '06 and '07 financial plans to restore our surplus to a proper level.

REVENUE

- With a constant .4 mil tax and inflating property values, property tax revenue in '98 (year of reassessment) was 34% of total revenue (\$206,000) but has declined to 22% (\$146,000) in '04.
- The other major source of revenue, (transfer taxes on property sales), were 22% (\$140,000) of total revenue in '98 and 23% (\$142,000) in '04. The '05 forecast anticipated only 20% (\$125,000). This revenue varies with the number and value of property sales.
- In '04 property taxes plus transfer taxes provided 45% of total revenue. This is expected to grow to 66% in '05 with the new taxes.
- The cell tower revenue, originally used to restore a historic hydroelectric mill, will now be used to offset operating expenses. This will result in a one time operating capital contribution of \$44,000 (from an accumulated surplus in the Cell Tower account) and an ongoing annual revenue increase of \$31,000.
- There have been 1 tax reduction and no tax increases since 1980, (excluding library tax and open space tax).
- The proposed new property tax rate of .6 mil and .17% EIT combined remain among the lowest municipal tax rates in the county.
- .2 mil property tax increase on a property appraised at \$400,000 equals an \$80 tax increase.
- .17% tax on earned income on \$100,000 of taxable income results in a \$170 tax increase.
- By contrast, the school tax on a property appraised at \$400,000 is \$7960 while township property taxes are only \$240.

- We are currently examining all township fee schedules to be sure we compare appropriately to fee schedules in other municipalities.
- We are exploring new revenue generation options such as an emergency management service tax of \$52 per person on people employed in the township.

EXPENSES

- '05 budget includes \$20,000 of interest and fees to service a \$700,000 long term loan with a variable interest rate of less than 2%. This loan will be used as follows:
 - \$120,000 to complete the next phase of the Chadds Ford Knoll storm water improvement project. Total additional future costs are expected to be around \$300,000.
 - \$70,000 to recapture part of the cost (\$133,000) of the work done in '04 on the Chadds Ford Knoll storm water improvement project
 - \$60,000 to replace a single axle 17,000 gvw dump truck. The remaining two trucks have an average age of 14 years and are scheduled for replacement in '06, '07.
 - \$20,000 for exterior maintenance of township building.
 - \$30,000 for miscellaneous contingent expenses associated with the above project.
 - Bids are currently being received to begin development of the park. If it is decided to proceed with the park plan, \$400,000 of loan proceeds will be added to \$350,000 in grants presently available from Chester County to complete this phase.
 - Any loan principle not used on the above projects will be returned to the lender.
- Expenses incurred by fire and emergency service providers have increased resulting in a funding request by Longwood Fire Company for \$90,000. '04 funding was \$32,000. '05 budget includes an increase to \$60,000.
- Current employee costs are 24% (\$209,000) of total expenditures.
- No full time maintenance personnel have been added since '94 despite a 15 to 20% increase in roads maintained by the township.
- The scheduled paving of Chandler Road (\$55,000) has been postponed. Routine road tar and chipping schedule will be maintained.

Copies of the budget are available at the township building.