Maidencreek Township Budget 2011

Revenue

Real Estate Tax Revenue remains steady despite a moderate amount of assessment appeals. We are still seeing an approximate 97% collection rate. Total Township property value declined slightly. Industrial construction projects such as the Fresh Pack Building, Custom Milling and Can Corporation additions should have increased property assessment value in 2011, however two of the entities filed appeals to their assessment which resulted in a reduction of $2,569,200 in assessed value. The Township and School District will appeal this decision. In June of 2011, the Villa at Maidencreek, an assisted living and congregate care facility with a construction cost of $65 million, is expected to open its doors for business. Several housing developments are under construction and the potential for growth in this area remains dependent on the economy.

Earned Income Taxes in the first three quarters of 2010 were 2.5% lower than the first three quarters of 2009 but .5% higher than the same period in 2008. It is believed that the Countywide Tax Collection will begin to collect the Earned Income Tax in 2011 which will make for a smoother transition in 2012 when the new procedures for reporting and collection are required. These new collection requirements may slow revenue in 2012.

Real Estate Transfer Taxes fell again in 2010. The high point for Real Estate Transfer Tax occurred in 2006. Third quarter totals fell 68% from 2006 to 2010.

Special One Time Payments were received or are anticipated from developers of the Villa at Maidencreek, $105,000 for future road improvements, and James Hardie Building Company, $25,000 for dedication of the storm water system to the Township.

Overall, the Township's revenue is expected to be greater in 2011, however much of that revenue is dedicated for special purposes – State Liquid Fuels, Park and Recreation and Special Road Projects and can not be used to cover General Fund Expenditures. Due to the declining revenue streams and an increase in expenses, the Township will levy the Local Services Tax at $52 per employee, the full amount allowed by law.

Expenditures

Township Equipment such as trucks and mowers is for the most part in good to fair condition. The Township last purchased a truck in 2008 and continues to perform routine maintenance on its equipment. Two trucks, the 1995 Top Kick and 1992 GMC 3500 are in poor condition and should be replaced. The two John Deere mowers and

the Exmark Diesel Mower are in fair condition and a schedule should be established to replace these mowers within the next four to seven years. This budget includes replacement of the 1992 GMC 3500, the cost of which would be taken from the State Liquid Fuel Fund ($62,200), which is the maximum amount allowed by Penn DOT regulations, and the remainder ($25000) from the General Fund.

Township Road Work will focus on the Molltown area in 2011 with repairs to Pleasant Hill Road, Water Street, and Buena Vista Road. The West Shore Drive Bridge also requires repair and some of that work has also been included in the budget. Road conditions are fair to good in most areas, but less road work is being performed then in the past.

Northern Berks Regional Police costs will increase in 2011 and continue to be the single largest cost to the municipality. The Regional Police Force consists of Maidencreek Township, Leesport Borough and Ontelaunee Township. In 2009, the US Census Bureau estimated the Township population at 8,936 people. 2009 police costs were $861,527.60 which translates to a per capita cost of $96.41 for police protection. The Board has asked the Police Commission to cut $80,000 from the 2011 budget of 1,923,330.27. Maidencreek continues to pay 47.5% of the overall police budget, which will be $915,710.00 in 2011.

Health Insurance costs will increase by 22% in 2011. Numerous agents submitted alternate plans none of which met the Unions requirements or saved any significant money. The decision was made to stay with the current plan. All other insurance premiums are expected to increase but not as significantly.

Pension costs are uncertain. Maidencreek Township's pension was considered distressed by the State. The market has rebounded and the agent is looking at what needs to be done in order to meet the requirements of the State. One option may be putting additional money into the 2011 Minimum Municipal Obligation. This unknown has not been included in this budget but maybe an item in 2012.

Electric rate caps will be removed for Met Ed customers on January 1, 2011. Initially a 45 to 65% increase was projected but in a recent newspaper article, Met Ed has estimated an 8 to 10% increase. Street light electric cost approximately $86,000 in 2010 and are budgeted at a 20% increase. In addition, work is being done to shop for a new electric supplier but so far, the Township has not received a response from any of the suppliers contacted.

Operating Position

Operating Position is defines as the local government's ability to:

1. Balance its budget on an annual basis

2. Maintain reserves to cover emergency situations – natural disaster, unexpected and generally expensive infrastructure repairs, and
3. Have sufficient cash available for timely payment of bills, especially in times when cash flow is not even.

This factor indicates whether a municipality is operating on a break even basis or is spending down fund balances from previous years to fund current operations. A number more than 1.0 means the municipality operated during the year at a deficit with it current expenditures exceeding its revenues. A result of 1.0 means the municipality broke even or expenses were equal to revenues received. Where the value is less than 1.0, the municipality's current revenues exceeded its expenditures resulting in an operating surplus. This operating surplus is needed to cover the bills for the first two and a half months of the next year when little revenue is received.

The last page shows four indicators of the Township's Operating Position over the last six years. A steady decline in revenue due to the slumping real estate market in 2008 combined with tax cuts and large infrastructure projects in 2008 was beginning to push the Township toward an unfavorable operating position. The Township cut expenses in 2009 by doing less road work and cutting large equipment purchases. A municipality developing patterns of negative operating positions will be considered financially weak. Patterns include: two successive years of an operating deficit, a current year deficit greater than that of the prior year, operating deficits in two of the past five years and a deficit greater than 5 to 10% of the annual operating budget. Operating at a deficit could cause borrowing at higher interest rates when seeking to finance major capital projects.

Financial analysts advocate maintaining an unreserved fund balance equivalent to at least 5% of the general operating budget. In Maidencreek's case this should be about $117,000. Surplus in excess of 5-10% should be used for one time expenses or to fund capital improvements. If the surplus is used to artificially balance next year's budget, the municipality will be forced to raise taxes and other revenue sources or cut basic services when the surplus runs out. Moderate fund balances, though sometimes difficult to achieve are good insurance against an uncertain future.

Looking Beyond 2011

2010 Census results are not yet available. Increased population numbers will increase State Liquid Fuel distribution for the next ten years.

Cable Franchise Agreement has been renewed and the annual franchise fee for 2011 will increase from 3% to 5%. Increased revenue will not be received until 2012.

Cell Tower Lease is under negotiation and the Supervisors hope to increase revenue by 15% for a twenty-five year lease extension.

Balancing the Budget

The 2011 Budget was created based on the input and needs received from individual Board Members and Department Heads. The General Fund had a shortfall of $52,500 and there is no operating reserve fund for emergencies or contingencies. At their November 11th meeting, the Supervisors discussed the best way to address the needs of the Township while balancing the budget. Options included:

- Cutting all services, donations and equipment replacement and Park and Recreation,
- Real Estate Tax Increase, or
- LST Increase.

The Board scheduled a public hearing for November 24th to consider the adoption of a Local Services Tax Ordinance to increase the LST to $52 per employee. The Board felt that this tax was less likely to strain budgets of those Township residents already unemployed, retired or facing foreclosure and the revenue could be used to cover the increase in the police costs and the emergency services donations.

Respectfully,

Diane Hollenbach, Manager

	2009	2008	2007	2006	2005	2004
REVENUE & EXPENDITURE PER CAPITA						
Total Operating Revenue	$ 2,438,796.35	$ 2,314,940.00	$ 2,346,004.00	$ 2,468,283.00	$ 2,501,228.00	$ 2,104,995.00
Total Operating Expenditures	$ 2,262,300.74	$ 2,719,367.00	$ 2,388,227.00	$ 2,366,807.00	$ 2,391,194.00	$ 1,817,083.00
Population	8936	8862	8793	8662	8316	7842
Revenue per Capita	$ 272.92	$ 261.22	$ 266.80	$ 284.96	$ 300.77	$ 268.43
Expenditures per Capita	$ 253.17	$ 306.86	$ 271.61	$ 273.24	$ 287.54	$ 231.71
Difference	$ 19.75	($45.64)	($4.80)	$11.72	$13.23	$36.71

	2009	2008	2007	2006	2005	2004
OPERATING POSTION						
General Fund Operating Expenditures	$ 1,955,934.26	$ 2,335,198.00	$ 2,013,371.00	$ 1,947,826.00	$ 1,921,102.00	$ 1,523,736.00
General Fund Operating Revenue	$ 2,029,137.89	$ 1,895,641.00	$ 1,948,675.00	$ 2,060,607.00	$ 2,097,287.00	$ 1,698,371.00
Operating Position	$ 0.96	1.23	1.03	0.95	0.92	0.90

	2009	2008	2007	2006	2005	2004
REVENUES: BUDGET VS ACTUAL						
Actual Year End Revenue	$ 2,438,796.35	$ 2,314,940.00	$ 2,346,004.00	$ 2,468,283.00	$ 2,501,228.00	$ 2,104,995.00
Budgeted Revenue	$ 2,275,330.00	$ 2,335,640.00	$ 2,310,353.00	$ 2,219,378.00	$ 2,049,229.00	$ 1,768,955.00
Revenue Position	1.07	0.99	1.02	1.11	1.22	1.19

This chart compares estimated revenue with actual revenues. A result of 1.0 indicates break even situation, a result of less than 1.0 indicates revenues were budgeted in excess of actual revenues received.

	2009	2008	2007	2006	2005	2004
PROPERTY VALUE						
Assessed Property Value	468,759,400.00	462,002,300.00	447,196,100.00	417,000,000.00	393,829,200.00	363,528,400.00
Change in Value over previous year	1%	3%	7%	6%	8%	