

2009 PROPOSED BUDGET

The bottom of the slide features two horizontal bars. The left bar is a light sage green and is shorter, while the right bar is a darker forest green and extends across the rest of the width of the slide.

Township Funds

Funding Source	Amount	%	Use of Funds
Gen. Fund	\$18.7M	50%	Operating and cap (non-sewer)
Bonds	\$6.5M	17%	Capital projects
Cap. Reserve	\$0.3M	1%	Capital projects
Sewer Utility	\$7.1M	19%	Sewer, signals, street lights
VC Trunk Sewer	\$1.2M	3%	Sewer
Municipal Auth.	\$1.2M	3%	Sewer, highway bond payments
Gen. Reserve	<u>\$2.2M</u>	<u>7%</u>	Reserves to fill deficit
	\$37.2M	100%	

The General Fund Story

- Short-term (hopefully): national economy impacts Tredyffrin Township revenues
- Long-term (definitely): structural operating deficit continues

The Economy

2009 GF Revenue Decrease

- \$1.3M decrease from 2008 budget
 - Transfer tax down for 2008, expected to continue to decline in 2009
 - Local services tax forecasted for small decrease due to possibility of job losses
 - General reserve fund operating transfer down because deficit drawdown and no large commercial transfers

GR Fund Operating Transfer

- Transfer tax receipts from large commercial properties deposited in General Reserve Fund
- Each year, 10% of GR Fund transferred to General Fund as operating revenue
- 2008: no large transfer tax receipts so far
\$1.6M withdrawal for deficit
- 2009: no large transfer tax receipts expected
- Result: transfer \$250K less than in 2008

Offset by deferring GF expenditures

- GF expenditures increase by only 0.6% from 2008 spending (and 2% less than 08 budget)
 - Eliminate police captain position, defer filling 2 police and 1 inspector vacancies in 2009
 - Defer purchasing all scheduled Public Works vehicles and equipment, and police vehicles ex. patrol cars
 - Reduce medical benefits so no increase over 2008 level (usually around 1.1% increase)
 - No Community Day unless outside funding found

**Most 2009 deferrals
are one-time events**

Structural Deficit

Structural Deficit

- Expenses have increased – through inflation and other approved increases
- Operating revenue has been stable – not decreasing, but not increasing much
- Deficit filled by various means: high transfer taxes, increase in local services tax, reserves

Expenses go up

- Approx. \$600K/year just from inflation
 - Staff raises, medical inflation
 - Utilities, fuel, materials, etc.
- Other needs and choices
 - Library addition (debt service and operating cost)
 - Fire companies capital funding
 - New parks (debt service and operating cost)
 - Funding for retiree medical costs

Non-RE taxes fluctuate, small % of GF

	Transfer Tax	% GF	Local Services	% GF
2004	2,963,212	18%	375,341	2%
2005	3,160,204	19%	1,695,345	10%
2006	2,919,171	17%	1,968,602	12%
2007	2,859,373	16%	2,115,262	12%
2008 (proj)	2,250,000	13%	1,900,000	11%
2009 (budget)	2,025,000	12%	1,837,600	11%

Real Estate Taxes stay level

- Half of General Fund from RE tax
- Based on assessed value, not market value
 - Chester County assesses properties – last done in 1997
 - Not impacted by sales of properties or increases in property values
- Only small growth in tax base
 - Little new development expected next few years
 - Assessed value changes only when buildings constructed, bldg permits issued or property owner appeals assessment
- Since 2005, tax grew at 1.3% annualized basis

Level revenue + increasing
expenses = growing deficit

Need to increase real estate tax
rates regularly to balance the
budget at current service levels

RE tax rates for Tredyffrin prop owners

	Tredyffrin		Chester County		TE School District	
	Millage	% incr	Millage	% incr	Millage	% incr
1998	1.80		2.348		10.75	
1999	1.88	4.4%	2.348	0.0%	11.38	5.9%
2000	1.88	0.0%	3.014	28.4%	12.03	5.7%
2001	1.88	0.0%	3.103	3.0%	12.93	7.5%
2002	1.88	0.0%	3.178	2.4%	14.16	9.5%
2003	2.00	6.4%	3.273	3.0%	14.92	5.4%
2004	2.11	5.5%	3.414	4.3%	14.92	0.0%
2005	2.11	0.0%	3.558	4.2%	15.13	1.4%
2006	2.11	0.0%	3.699	4.0%	15.73	4.0%
2007	2.11	0.0%	3.804	2.8%	16.26	3.4%
2008	2.18	3.3%	3.804	0.0%	16.97	4.4%
CAGR	1.9%		4.9%		4.7%	

CAGR: Compounded Annual Growth Rate

Tredyffrin Taxes Still Low

2008	RE Millage	Earned Inc Tax?	Business Privilege Tax?	Local Services Tax?
Tredyffrin	2.180	N	N	Y
Upper Merion	2.086	N	Y	Y
Radnor	3.010	N	Y	Y
Easttown	3.241	N	N	N
Lower Merion	3.610	N	Y	Y

A tax increase is necessary

because of the large, growing deficit and shrinking reserves

Need additional revenue in 2009

- Because RE tax base does not increase, the tax rate must go up to increase revenue
- 5% increase in RE millage to 2.29 mills would raise an additional \$382,000
 - For homeowner with average assessment (\$220,619), = \$24 annual increase

Need additional revenue in 2009

- With tax increase: deficit \$2.2M
- Without tax increase: deficit \$2.6M
- Tax increase will slow the drawdown of reserves and provide more time resolve the imbalance

Approaching \$3M deficit

If we wait until reserves run out in 2011-12 to close the gap, we will need:

- 37% RE tax increase – on top of a 2009 increase or
- 15% reduction in expenditures – on top of 2009 deferrals

Need plan to eliminate deficit

□ 2009

- Tighten expenditures (limit to 0.6% increase)
- Raise RE tax revenue (5% increase)
- Draw on reserves (\$2.2 million)

□ 2010-2011

- Look for permanent savings
 - Most 2009 deferrals are one-time savings
- Evaluate desired level of service v. available revenue
- Address declining reserves

Need plan to eliminate deficit

- Recommendation: Finance Committee meet monthly to thoroughly examine major revenue and expenditures, report monthly to full BOS
 - All potential taxes
 - Other revenue sources
 - Major spending categories
 - Desired levels of service
 - Future budget projections

GOAL: Long-term plan for achieving and sustaining a balanced budget with healthy reserves