



# TREDYFFRIN TOWNSHIP MEMORANDUM

**TO:** Board of Supervisors

**FROM:**

A handwritten signature in blue ink, appearing to read "J. DiRocco".

Joseph F. DiRocco, CPA  
Assistant Township Manager/Finance Director

A handwritten signature in blue ink, appearing to read "William F. Martin".

William F. Martin  
Township Manager

**SUBJECT:** 2024 Preliminary Budget

**DATE:** October 2, 2023

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The Township Administration respectfully submits the 2024 Preliminary Budget and the 2024-2028 Capital Improvement Plan. The budget provides the appropriations for the General Fund, the Sewer Fund, Stormwater Fund and Emergency Services Fund, as well as the 2024-2028 Capital Improvement Plan (CIP).

This Preliminary Budget for the General Fund as presented proposes no tax increase. We are presenting this budget by proposing to increase the RE Tax Millage rate for the Stormwater Management Fund and the Emergency Services Fund.

Over the past year, our departments have continued to deliver excellent services, while navigating rising costs in all areas of operations. Like many other organizations, we must continue to grapple with the effects of inflation, which are primarily represented by higher prices for goods and services. This budget balances our ongoing needs to maintain a high level of service with the realities of the current economic environment.

A projected operating surplus in 2023 can be attributed to a very mild winter and various staff vacancies throughout the year. Due to the lack of salt purchases and use of outside contractors for snow removal, the Township is anticipating saving over \$200k in our winter ops budget. While we anticipate meeting the budget for both RE Transfer Tax and Building Permit revenues, as expected, we are realizing a decline compared to the prior year. For Real Estate Transfer Taxes, this can be attributed to the steady increase of interest rates. For Building Permit revenue, we attribute the decline to both the interest rate environment and decrease in approved Land Development projects. Both line items play a big factor in our overall budget.

While we anticipate a surplus for operations, any operating surplus will offset the use of General Fund Reserves for Capital.

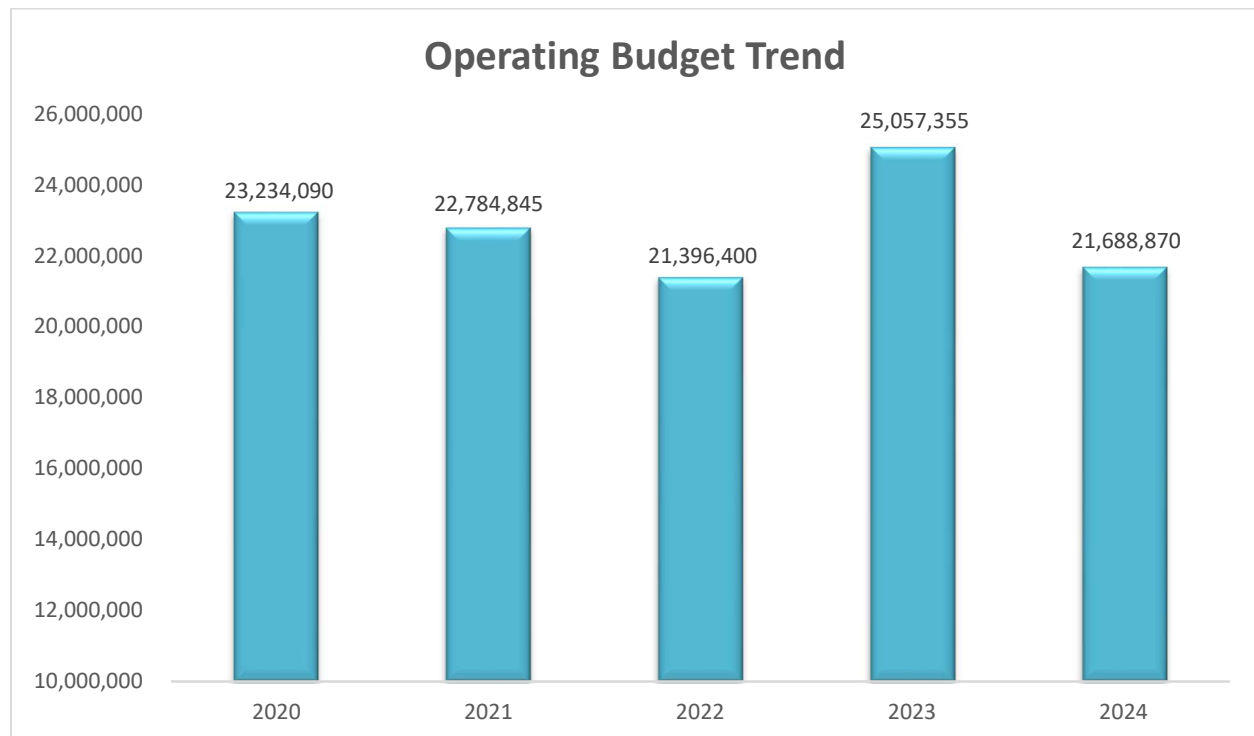
To balance the 2024 General Fund Operating budget, we are planning to use \$794,070 from reserves. This is down \$50,930 or 6% from 2023's budget of \$845,000.

As of December 31, 2022, our Unassigned Fund Balance was \$17,030,169 or 79% of the 2024 Preliminary Budget. Our Fund Balance level continues to exceed our goal of 30-35%, which is outlined in our Fund Balance Policy.

### **2024 General Fund Operating Budget**

The 2024 General Fund Operating Budget is \$3,368,485 lower than the 2023 Budget. The main reason for the decrease was the moving of the Fire/EMS contributions and related expenses to its own fund. Offsetting those savings are the budgeted increases to salaries and benefits of \$818,970 or 4.94%. Of that, our pension expense has increased \$239,100 or 13.1% over the prior year. The increase to our Property, Casualty & Liability Insurance was significant at \$75,800 or 19% for 2024 and is a result of the reinsurance market.

Overall, despite increases in some key expense areas, we were able to deliver a budget with no tax increase for General Fund operations.



### **General Fund Revenues**

As previously stated, the 2024 Preliminary Operating Budget does not propose a tax increase for General Fund operations. The average residential tax bill is expected to be \$624.71. Real Estate Tax revenue remains our largest source of income and represents 47% of the total General Fund Revenue Budget. For 2024, Transfer Tax Revenue and Local Services Tax, combined make up over 26% of the overall budget. With mortgage interest rates over 8% currently, we have reduced the RE Transfer Tax revenue budget from \$3.85M down to \$3.7M. We expect that rates will continue to weigh down the number of transactions. Additionally, we expect that Building Permit revenue will continue to slow and decrease over the next. Based on those beliefs, we have reduced our revenue by \$100k to \$1.7M for 2024. One area

where we have increased our revenue expectation is investment income. We increased the budget to \$560k for 2024, up from \$180k in 2023. The Township's savings rates are at a minimum of 4%. We will continue to try and manage our cash flow, and thus, maximize returns on the cash the Townships holds.

While we have further reduced our use of Reserves to balance the budget, we are anticipating using \$794,070 or 3.66% of the Operating Budget, which is well below our allowed use of 7.5%.

### **General Fund Expenses**

As shown above in the Operating Budget Trend, the budget is scheduled to decrease by \$3,444,285 in 2024. Salaries, which include our contractual obligations to our three unions (Police, AFSCME, MEA) are set to increase by \$242,700 in 2024. We have also budgeted for a 5% increase in health premiums but as of this date, we have not received the renewal. We have also included an increase of \$170,850 in debt service in anticipation of a General Obligation Bond Offering. One of the largest components of our budget is retirement health. When combined with the Township's OPEB contribution, the budget for retirement health totals \$2,228,940. This totals over 10% of the total operating budget. We will be able to reduce this impact in the future once the Trust has reached a minimum 50% funding level. As of 12/31/2022, the Plan was 34.2% funded.

### **2024-2028 Capital Plan**

The 2024-2028 Capital Plan reflects \$65.7M in spending, with 15% or \$9.8M set to come from General Fund Reserves, which is not sustainable. In 2024 alone, we are set to spend \$3.6M out of reserves to fund both projects and vehicles and equipment. We will continue to search for ways to reduce the use of the General Fund Reserves, mainly by seeking out additional grants and funding sources.

The largest Capital Plan is the Township's investment of \$22.4M into our sanitary sewer system. This includes the continued upgrading and replacement of pump stations, as well as the planned replacement of various force mains. The Capital Plan details the targeted dates of the vital infrastructure upgrades.

This plan calls for a \$11.3M investment in our bridges, roads, and culverts. In 2024, we will finish work on the Traffic & Pedestrian Improvements along Valley Forge Road. We were awarded a Green-Light-Go Grant for \$976,880 which will cover 80% of the construction costs. We have already begun the design and engineering for the replacement of the northern Glenhardie Road Bridge. We anticipate funding the \$1.6M project with Bonds. With \$1,000,000 in funding from Liquid Fuels (PA DOT) we are planning on investing \$1.3M into our paving program next year. We are also planning on finishing the necessary repairs to the Warner Spur Bridge which we anticipate costing \$600k, which is partially offset by \$289k from PEMA.

Over the next five years, we will continue to invest in our Parks with \$2.7M dedicated. Of the \$2.7M in projects, \$1M will be paid from a DCNR grant and another \$1M from the 2019 GO Bonds. We are hopeful that will be under construction for the planned Wilson Farm Park project next year. We will be finishing our major court resurfacing project next year, with the repaving of the basketball courts at TeeGarden Park. We will also continue to upgrade the fencing around the courts. 2024 also has funding for a master plan for Friendship Park.

Next year, we have \$1.3M dedicated to improvements at the Township Complex. \$950k of that is to replace the roofs on two of the Public Works Garages. We also have funding to replace the fuel system,

which is in desperate need of upgrades, and funding to repave the entire complex. We also have \$25k allocated for a feasibility study for Electric Vehicles to incorporate into the Police Department fleet.

The Capital Plan calls for \$14.2M of investment into Stormwater related projects, \$1.8M of which will come from ARP funds and \$3.7M from grants. We have many projects under design with plans to move into the construction phase within the next couple of years. Our approach over the next several years is to complete the identified projects and work on a Stormwater Master Plan, as well. The Master Plan will then become the guiding document on selecting projects to help achieve our goal of reducing pollution and flooding throughout the Township.

Finally, the Township has funding in this Capital Plan to fund our share of the replacement of the Fire Station located at 23 Bridge Avenue. Together with Easttown Township, we will fund the entire cost, which is anticipated to be about \$9M. Our share, or \$6.3M, will be funded through grants, bonds and cash reserves.

The Township continues to invest in the steady replacement of various vehicles and equipment to ensure the most efficient and effective delivery of services. We are planning on investing \$5.6M in various vehicles, equipment, and IT infrastructure over the next 5 years. Included in the 2024 Capital Budget are funds for the Township Administration to purchase its first electric vehicle.

As usual, this plan is very aggressive and as mentioned previously, funding is a concern. The necessity for a sustainable funding model for capital investments remains critical. All the items in this Plan are prioritized, which will help with another area of concern, staff bandwidth. While the Board and staff continue to seek new initiatives, we are ever more aware of the time required to take them from initiation to completion and that it can span many months, if not years. As always, staff and the Board remain dedicated to making the necessary investment of capital into all areas of the Township.

### **Sewer Fund**

As of now, we have not received any information on any increases in our conveyance and treatment costs for 2024. The Township has remained committed to investing in the upgrading and replacement of key infrastructure. We do not anticipate any increase in sewer rates in 2024. As mentioned in our Capital Plan section above, we remain committed to investing significant dollars into the System.

### **Stormwater Fund**

During 2023, staff and a subcommittee of the Board worked closely with various stakeholders to develop recommendations on a Stormwater Management Fee and Program. The Stormwater Advisory Group played an essential role in helping formulate the direction for stormwater funding. During the year, due to litigation between the State and West Chester Borough, the Board, with the guidance from Township's solicitor, the Board voted to increase the real-estate millage rate rather than enact a fee based on several factors that were discussed extensively at a Board meeting. This budget proposes a millage rate of 0.68 mills. For the average homeowner, this reflects an average tax of \$158. The revenue generated will be dedicated to this fund only and not made available to the General Fund.

### **Emergency Services Fund**

Another important area that staff and the Board have been working especially hard on in 2023 was working with a consultant, Dr. Robert Andrews, on a [two phase fire study](#). Working closely with Easttown,

the Township has recognized the need to increase funding for our Volunteer Fire Companies to meet our public safety goals. This budget proposes the creation of an Emergency Services Fund with a dedicated millage rate of 0.605 mills to fund our commitments and obligations. This budget provides the funding necessary to move us in the direction of having EMS coverage 24/7/365. By creating this fund, we will remove all Fire/EMS funding and related expenditures from the General Fund Budget. For the average homeowner, this reflects an average tax of \$141. The revenue generated will be dedicated to this fund only and not made available to the General Fund.

### **Opportunities for 2024 and Beyond**

Based upon the results of the Fire Study, the Township will continue to work with Easttown Township on a long-term plan for Fire & EMS Services. There remains more work to be done on how to structure our Fire/EMS services in the future to provide the best possible service in an efficient and cost-effective manner.

As mentioned above, the 2024 Budget proposes using \$3.6M of General Fund Reserves to fund Capital Projects. Identifying secure and recurring long-term funding will be necessary to sustain continued required investments in the Townships vast infrastructure. One solution is that we continue to prioritize obtaining grants to offset our costs when planning projects. Staff will continue to work with the Board on developing a funding solution.

Our strong Fund Balance and cash reserves continue to provide the Township with the flexibility to face short-term issues while working on long-term planning.

### **Completing the 2024 Budget Process**

The presentation of the draft budget starts the formal part of the budget process. On Monday, October 23<sup>rd</sup>, the Board will discuss the Preliminary Budget. At the November 1<sup>st</sup> Board meeting, the Preliminary Budget will be approved during a Public Hearing and any changes for the Final Budget will be discussed and requested. At the November 13<sup>th</sup> Board meeting, staff will discuss any changes to the Preliminary Budget. The Final Budget and 2024 Millage Rate will be adopted at the December 18<sup>th</sup> Board meeting via Public Hearing.