

CHALFONT BOROUGH

November 9, 2010

ELECTED OFFICIALS

Mayor

Marilyn J. Becker

Council

President:

Robert M. Cleland

Vice President:

John Abbott

Tracey Bowen

John Engel

Marilyn H. Jacobson

Bill Kuder

Eileen McDonald

APPOINTED

OFFICIALS

Borough Manager

Treasurer

Melissa Shafer

Secretary

Barbara Qualteria

Chalfont Borough Council,

The 2011 Chalfont Borough Preliminary Budget is respectfully submitted to the Council and citizens of Chalfont Borough. As presented, the Budget proposes a 1 mill tax increase from 10.25 to 11.25 mills.

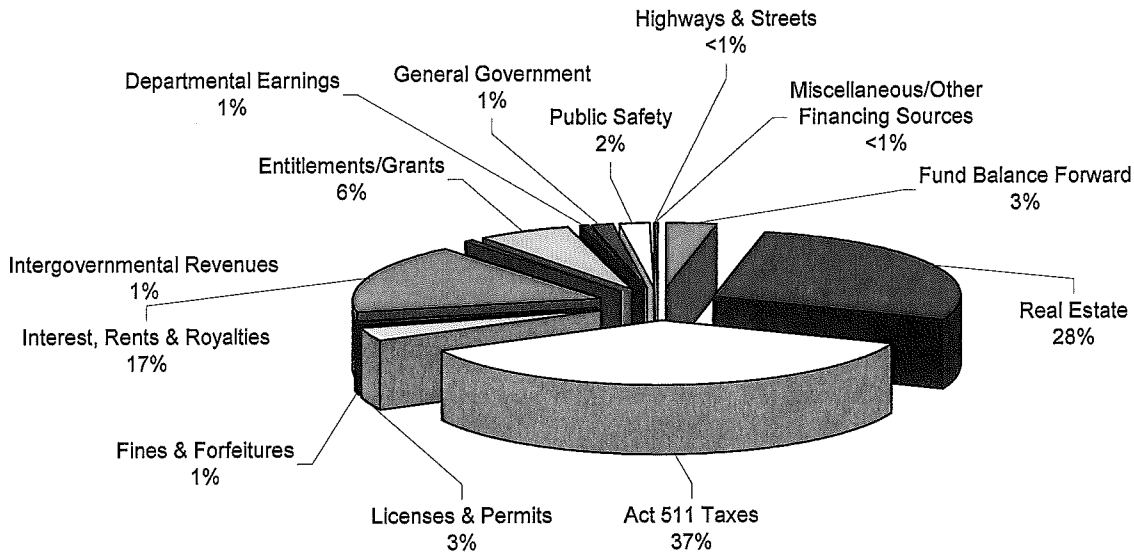
A total of \$2,338,060.05 in revenues is anticipated in 2011 with \$2,107,244.85 proposed in expenditures over all five funds, leaving a fund balance of \$230,835.20. The breakdown of revenues and expenditures is listed below:

<u>Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
General	1,924,900.85	1,924,900.85	0.00
Capital Improvement	24,419.97	15,824.00	8,595.97
Recreation	51,807.58	7,500.00	44,307.58
State Aid	163,681.18	159,000.00	4,681.18
Water Fund Reserve #2	173,250.47	0.00	173,250.47
Total	2,338,060.05	2,107,224.85	230,835.20

General Fund Revenues

The largest two revenue sources in the General Fund are the Act 511 Taxes (Real Estate Transfer, Earned Income, and Local Service Tax) and Real Estate Taxes. Interest, Rents, and Royalties is the third largest, making up 17% of the Borough's Annual Revenue. See the following chart for more information.

General Fund Revenues



Real Estate Tax

The 2011 Budget proposes a General Real Estate Tax of 11.25 mils. This levy equates to an average annual tax of **\$336** for a taxpayer with a property valued at \$30,422, the median assessed housing value in Chalfont Borough. This is up from **\$305** for the average taxpayer in 2010. In 2010, that same property owner paid **\$665.40** in Real Estate Taxes to Bucks County and **\$3614.75** to the Central Bucks School District.

For every dollar spent on Real Estate Taxes in Chalfont Borough, \$.07 goes to Chalfont Borough, \$.15 goes to Bucks County, and \$.78 goes to the Central Bucks School District.

This year, the real estate tax number accounts for the majority of the residents taking advantage of the 2% discount period, which 88% of Chalfont taxpayers did in 2010. This discount was not taken into consideration in past years.

Earned Income Tax

The Chalfont Borough Earned Income Tax rate is one half of 1%. This revenue source is expected to generate \$590,000 in 2011.

According to the 2000 Census, the average annual household income in Chalfont Borough is \$63,491 which translates into an average annual earned income tax payment of \$317. This and other U.S. Census data for Chalfont Borough is included in the Supporting Documents section of the 2011 Budget Packet.

Other Taxes

Real Estate Transfer Tax

The Real Estate Transfer Tax (RETT) is levied at one half of 1% of the value of all real estate that is transferred within Chalfont Borough. Revenue is budgeted for 2011 at \$70,000. This revenue line had been steadily decreasing in the past several years due to the state of the economy. In 2007 the Borough received \$130,744 in RETT, in 2008 it was \$ 104,657, and in 2009 it was \$60,156. However, the housing market has been rebounding in Chalfont and in 2010 we are projecting \$105,000 in the RETT line. The 2011 estimate is an attempt to be conservative, but the hope is that the housing market continues to show improvements.

Local Services Tax (Formerly the Emergency and Municipal Services Tax)

Act 205 of 2007 changed the name of the Emergency and Municipal Services Tax (EMST) to the Local Services Tax. This tax is levied on all individuals that work within a municipality.

Anticipated revenue in 2011 is estimated at \$40,000. Chalfont Borough Council voted in 2009 to support the Chalfont Fire Company and the Chal-Brit EMS by providing them with 25% each of the LST amount.

Fund Balance

The Fund Balance Forward for 2011 is estimated at \$62,082.43. This fund balance has been the result of better than anticipated revenues and containment of expenditures in 2010. It is the intent of the Council to utilize the previous years fund balance to assist in balancing the budget and have transparency in fiscal proceedings.

Intergovernmental Revenues

Intergovernmental Revenues include grant monies which have been awarded but will not be received until project completion. At the end of 2010, we anticipate the following projects to be completed:

- DCNR Tri-Municipal Trail Plan – Joint trail planning project with New Britain Borough and New Britain Township
- CDBG North Main Street and Butler Avenue ADA curb ramps and crosswalks, a new handicap ramp for the entrance of Borough Hall, and a new roof for the train station.

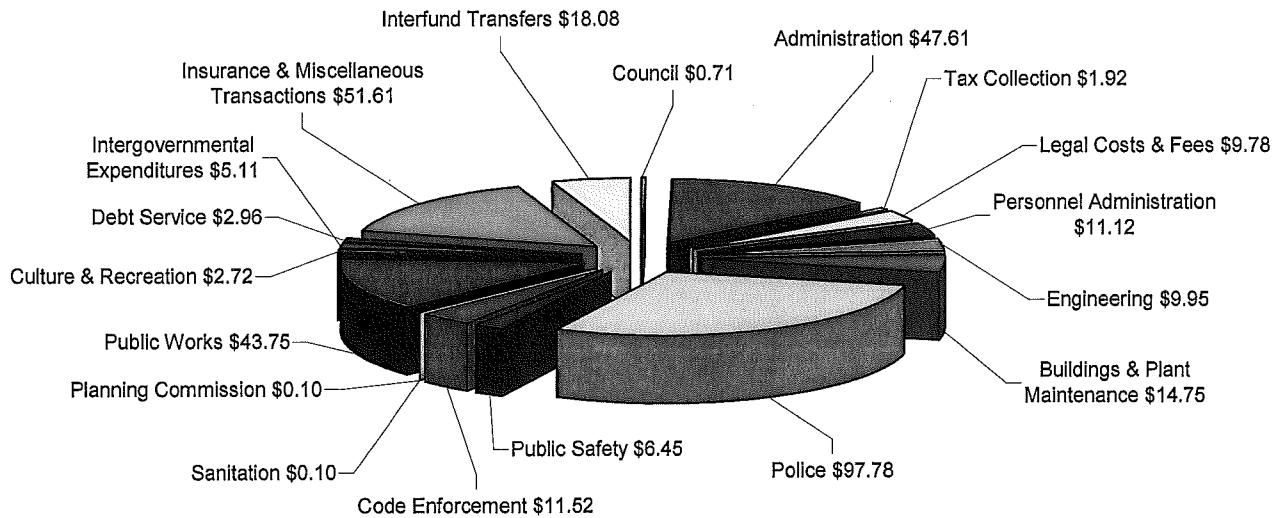
The following grant-funded project is currently underway and will be completed in 2011:

- DCNR Master Site Plan – A 50/50 planning grant to create Master Site Plans for several of the Borough Parks. This will allow us to apply to the DCNR for construction grants for future park development.

General Fund Expenditures

The largest expenditure categories in the General Fund are Police, Insurance, Administration, and Public Works. Instead of simply showing the percentage breakdown of the General Fund, the following chart shows exactly how the average property owner's local tax dollars of \$336 will be spent.

General Fund Expenditures – Average Tax Payer Breakdown



General Fund Expenditure Highlights

Personnel

In 2011, Chalfont Borough will employ 13 full-time and 2 part-time employees. Notable changes from 2010 are the retirement of long time Public Works Director, Michael Bishop, at the end of 2010 and the hiring of a sixth police officer in the beginning of 2011.

The uniformed employees will begin the first year of a four-year collective bargaining agreement with a three and a half percent increase. Non-uniform wages are budgeted for the same.

Pension

The Minimum Municipal Obligation for 2011 is budgeted at \$82,795 for the police and non-uniformed plans. This obligation is offset by \$61,000 (estimate) in revenue from the Commonwealth.

In 2010, we opted to use the 2007 valuation instead of the 2009 (this is called "smoothing"), which will save the Borough \$27,097 in 2011. The Borough's actuary and investment manager both recommended this course of action and are hopeful that the economy movement is positive in the next several years to smooth out our future obligations.

Insurance Costs

Health insurance is purchased through Delaware Valley Health Insurance Trust (DVHIT), a municipal insurance pool. In 2011, we project that health insurance costs will be \$180,618.

DVHIT's increase for 2011 is 9.2%, well below market rates of 15-20%. In 2010 and 2011, Chalfont Borough has opted to utilize our Rate Stabilization Fund. This rate stabilization fund allows DVHIT member municipalities to offset rate increases. Chalfont Borough currently has \$45,279 in the DVHIT rate stabilization fund. Up to fifty percent of the rate stabilization fund may be utilized in any given budget year to offset rate increases. We are opting to use \$20,000 in 2011.

Worker's Compensation, Short Term, Long Term, and Life Insurance is also through the Delaware Valley Insurance Trust (DVIT) and we are estimating little to no increase on those lines.

Liability Insurance is through PIRMA and administered by H.A. Thompson. We are currently working with other insurance companies to obtain new rates for coverage once we eliminate current litigation. We anticipate being able to switch coverage for 2012. The Borough will need to purchase a "nose" policy for two years with any new coverage, as our current insurance through PIRMA does not cover the Borough for any claims made during the PIRMA coverage period after we terminate the policy.

Public Safety

The police department has a budget that will support its operations for 2011. The department will be hiring a sixth officer at the beginning of 2011. This hire will bring the department up to full staffing levels and control overtime costs.

The Fire Safety and Equipment Inspection Program has been updated with a new ordinance in 2010 and inspections are being conducted on an annual basis. We will continue to analyze this program moving forward so eventually the fees offset the expense.

The responsibility of Emergency Management Coordinator (EMC) will be switched from Shawn Curran to Keystone Municipal Services (Dan Jenkins). The EMC position needs to be held by someone who can attend training and coordinate resources during an emergency. As Mr. Curran will be the Public Works Director starting in 2011, it would not be suitable for him to manage both responsibilities if an emergency occurs. This change needs to be approved by the County. The Emergency Operations Plan will be updated once this change goes into effect.

General Government

In 2011 the Borough will update the website for greater communication and usability for our residents. The PEG Channel will also be addressed, and a new, more economical system for updating the TV Channel will be implemented. The staff is also researching methods for electronic document management, a feature that could also be linked to the website for public access to Borough documents.

The major project for the Borough in 2011 will be the expansion and renovation of the Police and Public Works Department at 500 North Main Street. Architectural design should be complete by the end of 2010. Engineering and bid packages should be ready in early 2011. Construction could begin as early as mid-year.

Public Works

For the Lindenfield paving project, \$115,000 will be used from the State Aid Fund and \$45,000 will come out of the General Fund.

For 2011, Shawn Curran will be taking over as the Public Works Director. The Department will continue working with two full-time and one part-time employee. This will allow the Borough to concentrate funding toward improvement projects in-house and with the assistance of private contractors.

The Public Works Department will continue maintenance of the Borough facilities, parks, and other assets while assisting in the rehabilitation of their facility.

Culture and Recreation

Chalfont Borough plans to continue with the Parks and Recreation programs for next year, including senior coffee, movie nights, and story time. The Special Events and Youth committees will be looking into planning events for the community next year, as 2011 is Chalfont Borough's 110th Birthday.

Intergovernmental Expenditures

The Intergovernmental Expenditures include the amount of grant monies anticipated to be spent in 2011 with the addition of the required matching funds. The anticipated matching funds for 2011 are for the DCNR Master Site Plan grant which we should have completed by the middle of next year.

Expenditure Highlights from Other Funds

State Aid

The Borough is planning to use \$115,000 of Liquid Fuels funding to repave the Lindenfield Parkway in 2011.

2011 will be the last year that the Borough will utilize \$25,000 of the Liquid Fuels Fund to pay for the street sweeper lease. We are permitted to use 20% of Liquid Fuels money toward equipment costs, and have opted to do so this year to take pressure off the General Fund.

We are also permitted to use this money for traffic signal maintenance, and have opted to do so as well at a cost of \$4,000.

The last item is the Meadowbrook Culvert loan at \$15,000. This was also moved from the General Fund.

From 2012-2013 the Borough is proposing to utilize the Liquid Fuels Fund for the last two years on the three year loan for the Public Works Dump Truck lease.

Capital Improvement/Equipment Fund

There will be \$10,000 transferred to this fund at the end of 2010. The balance of this fund will be \$24,350 going into 2011. This fund will pay for the first of a three year lease on the Public Works Dump Truck in the amount of \$15,824. The second and third years' lease payments will come from the State Aid Fund.

Recreation Fund

With the 5K Race proceeds, we anticipate having a balance of approximately \$44,307 in the Recreation Fund next year. This will serve the Borough well moving forward with park and trail projects.

Grants Fund

Due to the size of the funds and reporting requirements, the grants the Borough has been awarded but for which we have not received any money yet have been moved out of the General Fund and to a Grants Fund.

- Federal Safe Routes to School Grant – sidewalk and crosswalk installation on Route 202 \$719,734.00.
- Pennsylvania Community and Transportation Initiative Grant (PCTI) – trails and pedestrian bridge at Twin Streams and Blue Jay parks \$463,405.00.

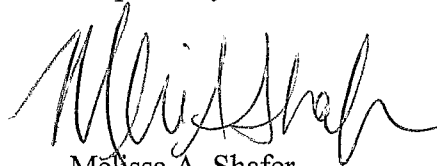
Water Fund Reserve #2

This fund receives 10% of the interest earned from the Water Fund. At the end of 2011, we anticipate the balance of this account to be approximately \$173,250. This fund will also serve the Borough well moving forward with community development projects.

Conclusion

I am confident that this budget is a reliable financial plan for 2011 and that we have put Chalfont Borough in a position to continue to offer first-rate services to its residents and businesses.

Respectfully submitted,



Melissa A. Shafer
Borough Manager