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December 10, 2009

Board of Supervisors
Limerick Township

The 2010 Limerick Township Budget is respectively submitted to the Board of Supervisors and the residents of Limerick Township. As presented, the Budget provides for the continuation of the current level of services with **no proposed increase in taxes**. The proposed Budget is balanced across all funds with revenues and expenditures totaling \$14,492,042. Conservative revenue forecasts, along with the continuation of several operational cutbacks enacted during 2009 to deal with the negative impacts of the economy, are maintained within the proposed Budget. The Board's initiatives to reduce the size of the Limerick governmental operation provided positive results in 2009 with year end projections showing a reduction in the use of reserve funds by 87%. Similar expectations for 2010 are not realistic however due to a continued slump in new development applications. With normal operational costs increasing approximately 5%, it is projected that the use of reserve funds will be required to balance the 2010 budget.

As we have done routinely in the past, the Administration is poised to monitor the economic situation very closely in 2010 and adjust operations if warranted. Additional discussion on the specifics of the Budget will be detailed further in this report.

2009 Review and the Budget Process

A Municipal Budget provides the framework by which the organization operates over the course of the fiscal year. As such, the process by which a budget is formulated transcends the basic year-end approval process set forth within the Second Class Township Code. Work on building the 2010 Budget actually began in January of 2009 as the administration began to analyze all Township operations against current Budget projections. A municipal operation is dynamic in nature, and as such the PA Municipal Code allows for changes to the adopted Budget throughout the year. During 2009, the Board approved two Budget Amendments to ensure operational functions were continually tracked through the Budget process. The Administration has found that periodic Budget Amendments provide the Board an ideal method by which they can monitor the performance of the Township against the goals and objectives of the original Annual Budget. Before discussion on the 2010 Budget, it is important to review progress and programs of 2009 and how they will impact future Budget operations.

- A projected \$567,000 operating deficit for 2009 was reduced 87% to \$76,000. The reduction is due in large part to long standing efficiencies of operations and

cost cutting initiatives, short term operational cutbacks enacted in 2009, and unexpected receipts of Earned Income Taxes and permit fees.

- Long term planning initiatives continued with the adoption of a new Township Comprehensive Plan, the preparation of a Lewis Rd. Zoning Overlay Master Plan, and the establishment of a master planning study with Lower Pottsgrove Township. All form the cornerstone of a continued policy by which Limerick will be proactive toward growth, and not reactive.
- Funding continued on the Lewis Road Improvement Project. While design and construction costs continue in line with the project budget, right of way acquisition issues involving two properties have delayed our ability to obtain the required permits from PennDot. Right of way funding will continue in the 2010 Budget which should be the final outstanding obstacle to the issuance of permits and the setting of a schedule for bidding and construction.
- The Township's commitment to road safety continued during 2009 with the completion of Benner Rd. improvements by the Public Works Dept. This completes a three year effort which started with the placement of a new culvert in 2007. With subsequent storm piping, road widening, and paving overlay over the last two summers, this project not only improved the safety of the road but saved the Township approximately \$100,000 by completing the work in house. Also ongoing during the year was the design and permitting of a new traffic signal at Sunset and Ridge and the placement of stop signs at Heffner and Sunset to address a site distance deficiency.

2010 Budget Process and Review

Beginning in September, the Township Manager and Finance Director began discussions with each department to map out specific Budget requirements. Based on the information received, the Board held a public Workshop Meeting on November 7, 2009. The initial presentation was focused on Township operations for 2010 remaining at a status quo level equal to 2009. To balance the Budget the use of reserve funds in the amount of \$762,395 was noted. Departmental unfunded requests were also reviewed along with their impact on the deficit. Although the Board added several unfunded requests to the Preliminary Budget, the implementation of cost saving alternatives reduced the proposed use of reserve funds to \$614,362.

The 2010 Budget highlights the continuing reality of declining revenue attributed to both a slow down in development and the downturn in the economy. Real Estate Transfer Taxes, construction permit fees, and new development applications are all leading indicators as to the level of development within a community. All have been on a steady decline since 2006 which shows development was trending downward well before the current economic meltdown in late 2008. The economic malaise of 2008 exasperated the situation but was not the reason for the overall development decline. This information shows that Limerick has matured to a degree and the benefits of high development fees realized over the past 15 years cannot be expected to continue. Although the use of \$614,000 in reserve funds is not a recommended policy for the long

term, the Township is perfectly positioned to use reserve funds accumulated from development to offset the deficit in the short term. Adequate reserve funds are available to carry the Township for the next few years but caution must be sounded to ensure that reserves are not depleted to a point which would negatively harm the financial stability of the Township.

As with all public and private organizations, belt tightening and a conservative approach to operations are imperative to weather periods of economic instability. Limerick is unique in that these operational policies have been built into the fabric of this administration for several years. Once the economy began to spiral downward in 2008, the impact on Limerick was not as great as it could have been. Same level of services continued in 2009 in spite of declining revenues without the need for additional tax revenues. During the Budget review the Board was steadfast in their determination to maintain the long standing business philosophy of improvements to operational efficiencies to reduce costs, maintain same level of services and seek alternate funding opportunities. The 2010 Budget also reflects the Board's desire to maintain the current level of taxes.

Sound business principals do however dictate responsible financial planning. A year long review of sewer operations has shown that the system has been operating at a deficit because of the decline in new development fees and steady increase in regulations and costs. The declining revenues have reduced the ability of the department to properly continue with routine and longer term capital equipment upgrades. To offset this negative trend, the Board has proposed an 8% sewer rate increase for 2010 in order to fund capital equipment and infrastructure needs for the system. This increase is comparable to biennial rate increases imposed by the former Sewer Authority. The sewer operation has set a high standard of service and this small investment will enable the system to continue at the level to which this community has become accustomed.

While it is difficult to detail every budgetary item, the intent of this budget message is to lay out the overall guiding philosophy established by the Board of Supervisors. As the Township Manager, my duty is to ensure the business operations of the Township are in place so the Board's directives and policies are properly carried out. Although several difficult decisions were required in 2009 to ensure the continued success of the governmental operation, the Township is well poised to meet the current economic challenges and also take advantage of every opportunity the future may hold. I wish to thank the Board of Supervisors for their continued leadership and support, and for the privilege of being able to serve this great Limerick Community. I also would be remiss if I did not thank the members of my staff, residents and volunteers who have assisted me during the past year.

Sincerely,

A handwritten signature in black ink, appearing to read "D. K. Kerr".

Daniel K. Kerr
Township Manager