

November 8, 2006

**Hatfield Township Board of Commissioners,**

The 2007 Hatfield Township Preliminary Budget is respectfully submitted to the Board of Commissioners and citizens of Hatfield Township. As presented, the Budget allows Hatfield Township to continue to provide quality services to its residents and businesses, as well as accomplish major improvements.

The most significant change to this year's budget is the addition of the Pool Fund, which will contain revenues and expenditures related to the new Hatfield Aquatic Facility that is scheduled open in 2007.

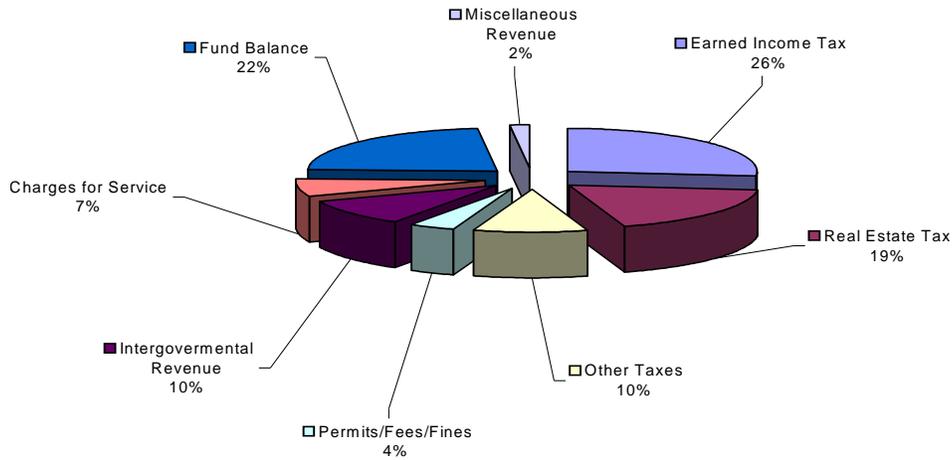
In addition, two important changes are proposed to the township's tax structure: a reduction in the Real Estate Tax rate and an increase in the Municipal Services Tax.

A total of \$17,603,004 in revenues is anticipated in 2007 with \$14,586,997 proposed in expenditures over all six funds, leaving a fund balance of \$3,016,007. The breakdown of revenues and expenditures is listed below:

<b>Fund</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Fund Balance</b>
General	\$ 8,207,534	\$ 7,177,961	\$ 1,029,573
Capital Reserve	\$ 8,008,624	\$ 6,326,500	\$ 1,682,124
Parks and Recreation	\$ 353,501	\$ 235,530	\$ 117,971
Pool Fund	\$ 367,672	\$ 330,506	\$ 37,166
Highway Aid	\$ 481,714	\$ 341,500	\$ 140,214
Fire Protection	\$ 183,959	\$ 175,000	\$ 8,959
<b>Total</b>	<b>\$ 17,603,004</b>	<b>\$ 14,586,997</b>	<b>\$ 3,016,007</b>

**General Fund Revenues**

The largest revenue source in the General Fund is the Earned Income Tax, representing twenty-six percent of fund revenue. Additional revenue sources include: Real Estate Tax (19%), Intergovernmental Revenue (10%), Other Taxes (10%), Charges for Service (7%), Permits, Fees & Fines (4%), and Miscellaneous Revenue (2%).



### Real Estate Tax

At the direction of the Board of Commissioners, the 2007 Budget proposes to **reduce** the General Real Estate Tax rate by 5%. Overall Real Estate Tax rates will be reduced from 1.71 mils to 1.6375 mils.

The Real Estate Tax is broken down as follows:

General	Reduction from 1.45 to 1.3775 mils
Fire Apparatus	.156 mils
Parks & Recreation	.104 mils

This levy equates to an annual tax of **\$256.76** for a taxpayer with a property valued at \$156,800, the median housing value in Hatfield Township. That same property owner pays **\$453.15** in Real Estate Taxes to Montgomery County and **\$2,983.51** to the North Penn School District.

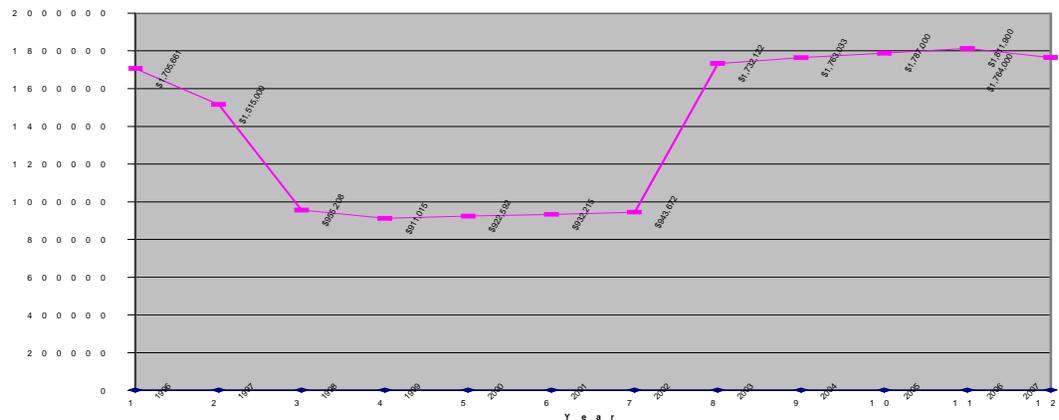
For every dollar spent on Real Estate Taxes in Hatfield Township \$.07 goes to Hatfield Township, \$.12 goes to Montgomery County and \$.81 goes to the North Penn School District.

The proposed 2007 Hatfield Township Real Estate Tax is based on an expected assessed valuation of \$1,110,000,000.

Year	Assessed Valuation
2000	\$ 970,729,261
2001	\$ 984,311,926
2002	\$ 994,119,886
2003	\$ 1,039,693,856
2004	\$ 1,064,104,316
2005	\$ 1,075,938,276
2006	\$ 1,104,343,506

As you will see in the chart below, revenue from the Real Estate Tax in 2007 is anticipated to be only 3% higher than eleven years ago. (\$1,764,000 projected for 2007 as compared to \$1,705,661 collected in 1996).

### Real Estate Tax Revenues – 1996 through 2007\*

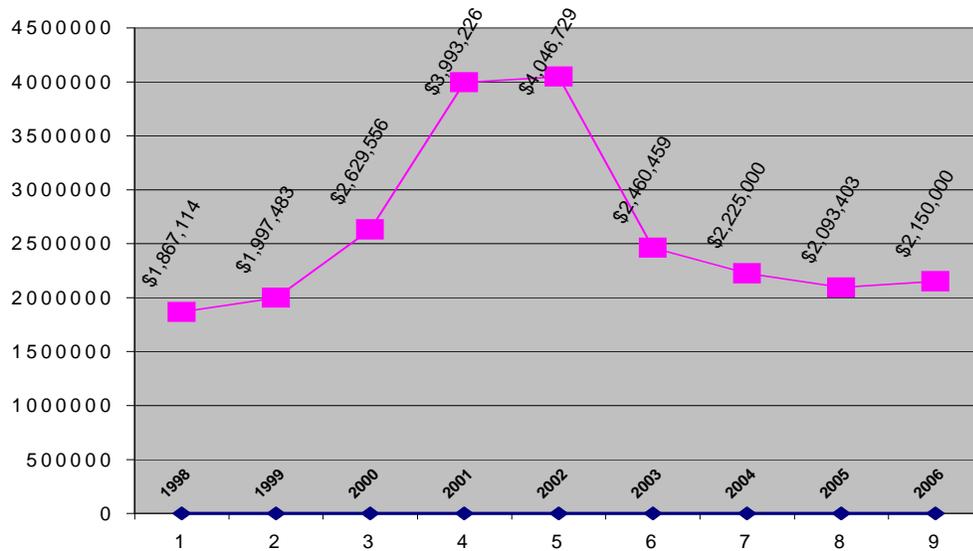


\*2006 and 2007 numbers are estimates

### Earned Income Tax

The Hatfield Township Earned Income tax rate is ½ of 1%. This revenue source is expected to generate \$2,150,000 in 2007.

### Earned Income Tax Revenues – 1998 through 2006\*



*\*2006 numbers are projected*

According to the 2000 Census, the average annual household income in Hatfield Township is \$57,247 which translates into an average annual earned income tax payment of \$286.

## **Other Taxes**

### Real Estate Transfer Tax

The Real Estate Transfer Tax is levied at ½ of 1% of the value of all real estate that transfers within Hatfield Township. Revenue from this tax peaked in 2005 at \$625,542 and has been on the decline since then. Projected revenues for 2006 are down 36% from the 2005 high. It is expected that this decline will continue. The 2007 Proposed Budget estimates revenue in this category at \$225,000.

### Emergency and Municipal Services Tax

State legislation in 2005 called for the renaming of the Occupational Privilege Tax to the Emergency and Municipal Services Tax (EMST) and increased the maximum for this tax from \$10 to \$52 annually. This tax is levied on all individuals that work within a municipality. Revenues derived from this tax are to be spent on services such as police, emergency services, road construction and maintenance. Hatfield Township considered an increase in this tax during last year's budget process.

In an attempt to create a more diverse menu of taxes that spreads revenues across all users of municipal services, the 2007 Proposed Budget includes an increase in the EMST from \$10 to \$52. It is expected that this tax will generate \$500,000 in revenue.

## Fund Balance

Maintenance of a strong fund balance has been a policy goal of the Board of Commissioners for a number of years. This policy is important in order to prepare for unforeseen circumstances or negative economic conditions. In addition, the fund balance maintained in the General Fund allows Hatfield Township to balance the fund without increasing taxes.

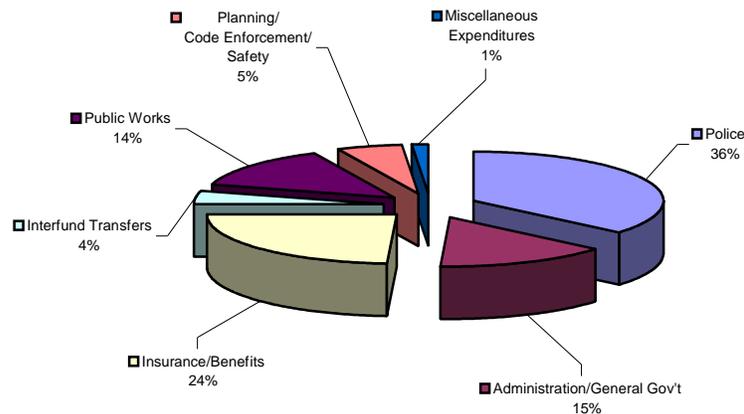
Positive budget performance over the past several years has resulted in increased balances across all funds in our budget. This has been the result of better than anticipated revenues and containment of expenditures.

The fund balances anticipated at the end of the 2007 budget year in each fund are outlined below:

General Fund	\$	1,029,573
Capital Reserve Fund	\$	1,682,124
Parks and Recreation Fund	\$	117,971
Pool Fund	\$	37,166
Highway Aid Fund	\$	140,214
Fire Protection Fund	\$	8,959
<b>Total Fund Balance</b>	<b>\$</b>	<b>3,016,007</b>

## General Fund Expenditures

The largest expenditure category in the General Fund is Police Services, representing thirty-six percent (36%) of budgeted costs. Additional expenditure categories include: Insurance/Benefits (24%), Administration (15%), Public Works (14%), Planning, Safety, Code Enforcement (5%), and Interfund Transfers (4%).



## **Expenditure Highlights**

### Personnel

In 2006, Hatfield Township employed 47 full-time and 10 part-time employees. With the addition of staffing for the Hatfield Community Aquatic Facility, that number will expand to 49 full-time and 45 part-time employees for 2007.

An overall increase in non-uniformed wages is budgeted at 4%, with individual increases attached to job performance. The uniformed employees are in the third year of a four-year collective bargaining agreement, which specifies a 4% wage increase for 2007.

### Pension

The Minimum Municipal Obligation for 2007 is budgeted at \$420,060 for the police and non-uniformed plans. This obligation is offset by \$220,000 in revenue from the Commonwealth.

### Insurance Costs

Hatfield Township participates in three municipal insurance pools: Delaware Valley Insurance Trust (DVIT) for general liability and property; Delaware Valley Workers Compensation Trust (D VWCT); and Delaware Valley Health Insurance Trust (DVHIT). All three trusts have provided stability to our overall insurance costs. In 2007, we project that insurance costs will be \$881,538. This amount represents a 4% increase over 2006 costs.

Actual rates for the three trusts for the 2007 calendar year reflect a reduction in DVIT and D VWCT rates because of positive experience over recent years. DVHIT rates are increasing 5.5%, well below market rates.

In addition, DVIT and D VWCT provide dividends each year, based upon prior year performance. Dividends received in 2006 amounted to \$52,000.

All three trusts also now provide a “rate stabilization” fund, which allows member municipalities to offset future rate increases. Hatfield Township currently has \$27,100 in the D VWCT rate stabilization fund, \$68,300 in the DVHIT rate stabilization fund and \$24,700 in the DVIT rate stabilization fund. Up to fifty percent of the rate stabilization fund may be utilized in any given budget year to offset rate increases.

## **Capital Reserve Fund**

### **Expenditures**

#### Pool Project

The most significant expenditure in the Capital Reserve Fund will be the construction of the new municipal aquatic facility. \$4.7 million of this \$5.2 million project will be spent in 2007. A \$3.5 million borrowing was completed in 2006 to help fund this project.

## Other Expenditure Highlights

### PUBLIC SAFETY—

- Police Vehicles. Replacement of two police vehicles is proposed at \$60,000.
- Police Technology. \$25,000 is budgeted for in-car computers for the police department.
- Police Renovation Project. \$7,500 is budgeted to continue the renovation of the police building.

### GENERAL GOVERNMENT –

- Technology. \$20,000 in funding is proposed to purchase software to track citizen requests and to manage the parks and recreation department. \$10,000 has also been budgeted to upgrade the township's website.
- Township Vehicle. \$20,000 is budgeted for a new vehicle for the Building Inspector's use.

### PUBLIC WORKS –

- Orvilla Road & Koffel Road Intersection. \$10,000 is set aside to make improvements to this intersection.
- Diamond Street Bridge. \$30,000 is allocated to replace the pedestrian bridge that links Diamond Street in Hatfield Borough and Hatfield Township.
- Traffic Calming. \$50,000 is budgeted for a Pilot Project to implement traffic calming measures along Walnut Street.
- County Line Road/Route 309 Intersection. \$100,000 is included in the budget to fund engineering for the realignment of this intersection.

### COMMUNITY DEVELOPMENT –

- Open Space Plan Implementation. \$200,000 is budgeted for acquisition of open space. This money will be utilized to match Montgomery County Open Space grants.
- Broad Street Streetscape Plan. \$70,000 is set aside to begin a pilot project to improve a portion of the streetscape on North Broad Street, to match \$100,000 from the federal government and \$20,000 from the owner of the site.
- Streambank Restoration. \$15,000 is allocated for stream corridor restoration along the Neshaminy Creek.

- Community Gateway Enhancement. \$12,000 is included in the budget to create a gateway at the Snyder's Square parcel.

#### PARKS/RECREATION/TRAILS –

- School Road Park Improvements. \$15,000 is budgeted to complete the new entrance and enlarge parking at this facility.
- Trail Improvements. \$75,000 is allocated to construct the central portion of the Chestnut Street Trail while \$12,000 has been budgeted to complete the northern portion. In addition, \$10,000 is budgeted to complete a Comprehensive Trail Plan with Hatfield Borough.

### **Expenditure Highlights from other Funds**

#### 2007 Roadway Improvement Program

2007 will mark year nine of the ten-year program that was established in 1999 to improve all roadways within Hatfield Township. \$210,000 is budgeted in the General Fund and \$275,000 is budgeted in the Highway Aid Fund for this program.

### **The Budget Process**

The Budget process in Hatfield Township has become a highly interactive process that takes place throughout the entire calendar year. It includes involvement and input from the Board of Commissioners, township staff, volunteer boards and interested residents.

The official “beginning” of the budget process commences with the preparation of the budget document in the Fall and continues as management implements the spending plan in January.

Departmental budget requests are prepared by each department head and submitted to the Finance Department in September. After thorough review of requests by the Finance Director and discussion with the Township Manager, departmental budgets are presented to the Board of Commissioners at the committee level. Committee meetings are held to review departmental budgets beginning in late September and continuing through early November. These meetings include line-item scrutiny and discussion of long range and capital improvement planning. These meetings are open to the public and citizens are encouraged to provide input.

A Preliminary Budget is then prepared that includes input from all review meetings. This proposal is then provided to the Finance Committee for full review prior to the public budget presentation.

Meetings held as part of the budget process this year occurred on the following dates:

- **September 6, 2006** – Finance Committee Meeting
- **September 6, 2006** – Administration Committee Meeting
- **September 19, 2006** – Public Safety Committee Meeting
- **October 18, 2006** – Public Works Committee Meeting
- **October 24, 2006** – Planning and Zoning Committee Meeting
- **November 1, 2006** – Administration Committee Meeting
- **November 1, 2006** – Finance Committee Meeting

The adoption schedule for the 2007 budget is proposed as follows:

- **November 8, 2006** - Presentation of 2006 Budget to Board of Commissioners and citizens of Hatfield Township
- **November 20, 2006** – Authorization to advertise Preliminary Budget
- **November 22, 2006** - Advertisement for public inspection (20 days prior to adoption)
- **December 2, 2006** - Advertisement for public inspection (10 days prior to adoption)
- **December 13, 2005** - Official adoption of Final 2007 Budget

After adoption, the budget serves as a guideline for spending for the coming year. On a month-to-month basis, both the Board of Commissioners and staff monitor spending as compared to the budget. Copies of this report are made available to the public each month.

## **Conclusion**

The preparation of this budget is the culmination of the collaborative efforts of many people – the Board of Commissioners, township staff, volunteer boards and the township citizenry.

I wish to thank and commend the entire township team of employees for their efforts, with special recognition to my senior staff: Finance Director, John Hall for his management of the budget development process, Department Managers Nick DeMeno, Nancy Stock and Mark Toomey for their diligent efforts in developing their respective departmental budgets, and Melissa Shafer and Kate Grubb, for their administrative and organizational efforts in preparing the budget document. I am honored to work with and lead this group of professionals every single day.

I would also like to express my appreciation to the Board of Commissioners for their dedication to the citizens of Hatfield Township. They should be commended for the many hours that they have dedicated to the budget process, gathering citizen input and carefully reviewing each line item. I am confident that this budget is a reliable financial plan for 2007 and that we have put Hatfield Township in a position to continue to offer first-rate services to its residents and businesses.

In conclusion, I am truly honored to serve as Township Manager in Hatfield Township and wish to extend my personal thanks to the Board of Commissioners for their ongoing support and leadership. Hatfield Township continues to be a wonderful community in which to live, work and visit.

Respectfully submitted,

Stephanie Teoli Shafkowitz  
Township Manager