

Letter of Transmittal

October 22, 2024

To: New Hanover Township Board of Supervisors

Introduction

I am pleased to present the proposed 2025 Budget for your review and consideration. This document is structured into three key sections:

Letter of Transmittal

This letter provides an overview of the budget in a narrative format, offering insights into significant trends, key factors influencing the budget, and areas of financial importance. It aims to guide the Board of Supervisors, township staff, and residents through the budgetary process by highlighting programmatic and service-related priorities, cash flow, and revenue-expenditure projections.

Governmental, Special Revenue, Capital Project, Enterprise, and Fiduciary Fund Budgets

The 2025 Budget proposal details 13 distinct funds, each outlining anticipated revenues and planned expenditures for the year. The historical data includes a three-year overview of actual (audited) revenues and expenditures, alongside estimated year-end figures for the current year. These figures help identify trends, while beginning and ending fund balances provide an understanding of the Township's cash position. A summary of the General Fund, highlighting its revenue and expenditure categories, offers a clear view of the Township's largest operating budget. This is followed by an aggregated summary of all funds, providing a broad financial picture of the Township.

Supporting Data (Budget Schedules)

The budget schedules offer additional granularity for individual line items across all operating budgets. These details offer the Board and administrative staff a clearer understanding of specific budget allocations, with an alphabetical index included where supporting data is available. This transparency aids in making informed decisions regarding service delivery, as well as in considering potential cost-saving measures or revenue adjustments.

The proposed budget is the result of a comprehensive analysis, considering revenue and expenditure trends from prior years, careful review of individual budget items, and the current economic landscape. We have focused on allocating resources efficiently to maintain the high level of service residents expect, while also investing in necessary capital improvements.

This format is designed to provide both high-level and detailed perspectives on Township finances, facilitating a thorough understanding of our fiscal health and strategic priorities

The Budget Format

The budget has been structured using a line-item format based on the Pennsylvania Chart of Accounts, as prescribed by the Department of Community and Economic Development (DCED). This approach ensures consistency in account numbers and titles across all department budgets and operating funds. The uniformity simplifies the monitoring of budget deviations, enabling administrators and department heads to assess variances in budget appropriations more effectively. Additionally, it streamlines the review of monthly financial statements, ensuring greater accuracy in both accounting and budgeting processes.

The proposed budget continues the practice of separating operating and capital funds. This distinction allows for clearer identification of costs associated with government operations and capital projects, offering the Board and residents an easy-to-follow breakdown of resource allocation. It also eliminates distortions caused by one-time capital expenditures that could otherwise impact operating budget fluctuations from year to year.

The **Governmental Funds** include:

- **General Fund:** This fund covers the core governmental operations.
- **Special Revenue Funds:** Address fire and rescue services (Fire Protection Fund), open space preservation (Open Space Fund), transportation improvements (Transportation Impact Fund), parks and recreation services (Recreation Fund), and state highway aid allocations (Liquid Fuels Fund).

Capital Project Funds are categorized as follows:

- **Capital Reserve Fund:** For general capital purposes, supported by interfund transfers and revenue dedicated to capital projects.
- **Road Equipment Capital Fund:** Funded through dedicated millage for road equipment purchases.
- **Recreation Capital Fund:** Used for parks and recreation initiatives, financed by grants, impact fees, and interfund transfers.

Enterprise Funds cover sewer services, with revenues based on rates established by the New Hanover Township Authority Board (Sewer Operating Fund and Sewer Capital Fund). **Fiduciary Funds** account for pension funds, including the Police Pension Fund and the Non-Uniformed Pension Fund.

Within the **General Fund**, the **Result from Operations** (on page 3) reflects the balance between annual revenues and expenditures before considering interfund transfers for capital projects or other operational allocations.

This budget format is designed to standardize accounting practices and simplify budget preparation. It provides readers with the necessary information to understand both the individual revenue and expenditure lines, as well as the broader financial picture of Township operations, fostering informed decision-making and strategic fiscal analysis.

Budget Highlights

Here are key highlights of the proposed 2025 Budget:

The proposed budget maintains current tax rates.

The proposed budget holds the current tax rates steady, with no increase in real estate taxes for the 2025 fiscal year. This marks the 19th consecutive year without a tax hike, following a 5% reduction in 2019. At the current tax levy of 1.587 mills, a homeowner with an average assessed property value of \$154,221 will pay approximately \$244 annually, or about \$20 per month, for Township services.

There are two new staff positions in the proposed budget.

The proposed 2025 Budget includes the addition of two new staff positions: a full-time police officer and a full-time recreation and communications coordinator. The new police officer will help meet the operational needs of the Police Department and reduce reliance on overtime. The recreation and communications coordinator will separate the responsibilities of pool management and event coordination from the administrative assistant role, allowing for a stronger focus on enhancing recreational programs and improving community communication. Aside from these additions, no further staffing increases are expected unless the Board of Supervisors decides to introduce new programs or services. However, adjustments may be made to fill open positions or reassign duties among current employees as needed.

The proposed budget maintains municipal services at current levels.

The budget ensures that the Township will continue to offer the same high level of municipal services that residents have come to expect. Operating appropriations are designed to maintain stability while also enhancing the quality of service across various departments. This includes sustaining police services, road maintenance, recreation programs, park upkeep, and sanitary sewer operations. Additionally, the budget covers debt service on outstanding banknotes and funds for specific infrastructure improvements and capital equipment purchases.

Capital appropriations maintain infrastructure and equipment.

Capital appropriations are dedicated to maintaining and upgrading critical infrastructure and Township equipment. The Management Team annually updates the 10-year Capital Improvement Plan, which is included as Schedule H of the budget. This plan guides the proposed capital expenditures for 2025.

Capital Reserve Fund

The proposed capital appropriations from the Capital Reserve Fund include several key infrastructure projects and equipment investments:

- Engineering and permitting costs to replace/rehabilitate the culvert on Deep Creek Road between Erb Road and Schenkler Road.
- Milling and overlay of Buchert Road from Romig Road to North Charlotte Street

- Architecture and engineering design fees for renovating the Public Works Building
- Continued funding for the Swamp Creek Park Meadows Project and seed money for a conceptual Basin Retrofit Program
- Two replacement fleet vehicles for the Police Department

Recreation Capital Fund

Proposed appropriations from the Recreation Capital Fund focus on upgrades to key recreational facilities:

- Plumbing upgrades to the Hickory Park Bathroom
- Tables and umbrellas for shading and a new pool slide at the Hickory Park Pool

Road Equipment Capital Fund

Planned investments under the Road Equipment Capital Fund aim to enhance operational efficiency and reduce long-term costs:

- A replacement pickup truck for the Public Works Department

Sewer Capital Fund

Capital appropriations from the Sewer Capital Fund will address critical infrastructure and operational upgrades:

- Funding to begin a four-year painting project throughout all owned buildings
- Funds to complete sand blasting and painting of a clarifier
- Variable frequency drives at two the Authority Building and Swamp Creek Pump Station
- Digester Blower Motors design, bidding, and estimated construction costs
- A replacement tractor

Open Space Fund

Key appropriations from the Open Space Fund include:

- Design, permitting, and estimated construction costs for ingress and egress improvements at Hickory Park
- Design costs for a farmland, passive meadows and passive trail system at 342 Moyer Road
- Final design and permitting costs for the first phase of the Wassmer Tract Passive Trail Project

Other Funds

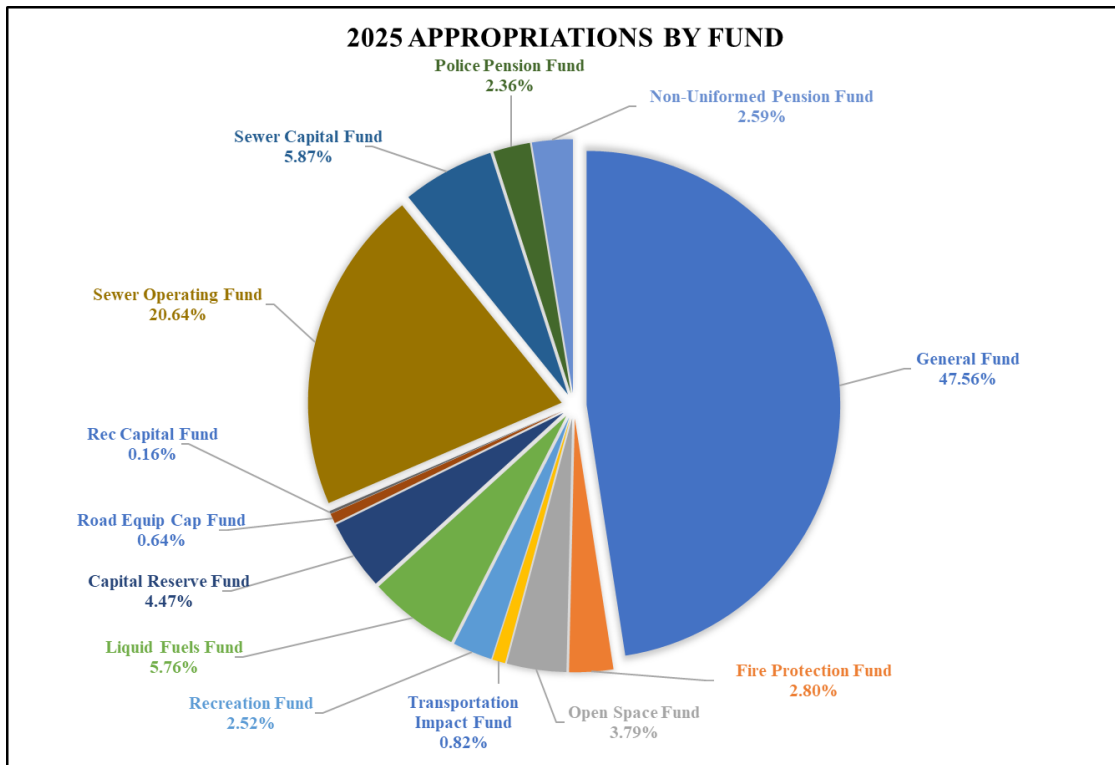
Additional appropriations through the Liquid Fuels Fund and Transportation Impact Fund are included to maintain and enhance Township infrastructure:

- The **Liquid Fuels Fund** will be used to resurface or treat 7.77 miles of Township roads.
- The **Transportation Impact Fund** allocates funds for traffic design services, permitting, and grant writing services for a traffic signal or roundabout at the intersection of Big Road and Layfield Road.

Budget Overview

The proposed 2025 Budget includes 13 distinct funds: 1 Governmental Fund, 5 Special Revenue Funds, 3 Capital Project Funds, 2 Enterprise Funds, and 2 Trust Funds. These funds act as financial channels, designated for specific services, through which revenues and expenditures are allocated. Each fund outlines the beginning balances, projected revenues, proposed expenditures, and ending balances for the new fiscal year, offering a clear picture of the costs associated with each unique government function.

The **General Fund** is the Township's largest operating fund, supporting core local government services such as police protection, planning and zoning, general administration, finance, legal and engineering services, tax collection, and public works maintenance. While General Fund appropriations are flexible and can be used for any legal expenditure, special-purpose tax levies, such as those for fire protection, road equipment, recreation, and open space preservation, are restricted for use solely on those specific purposes.



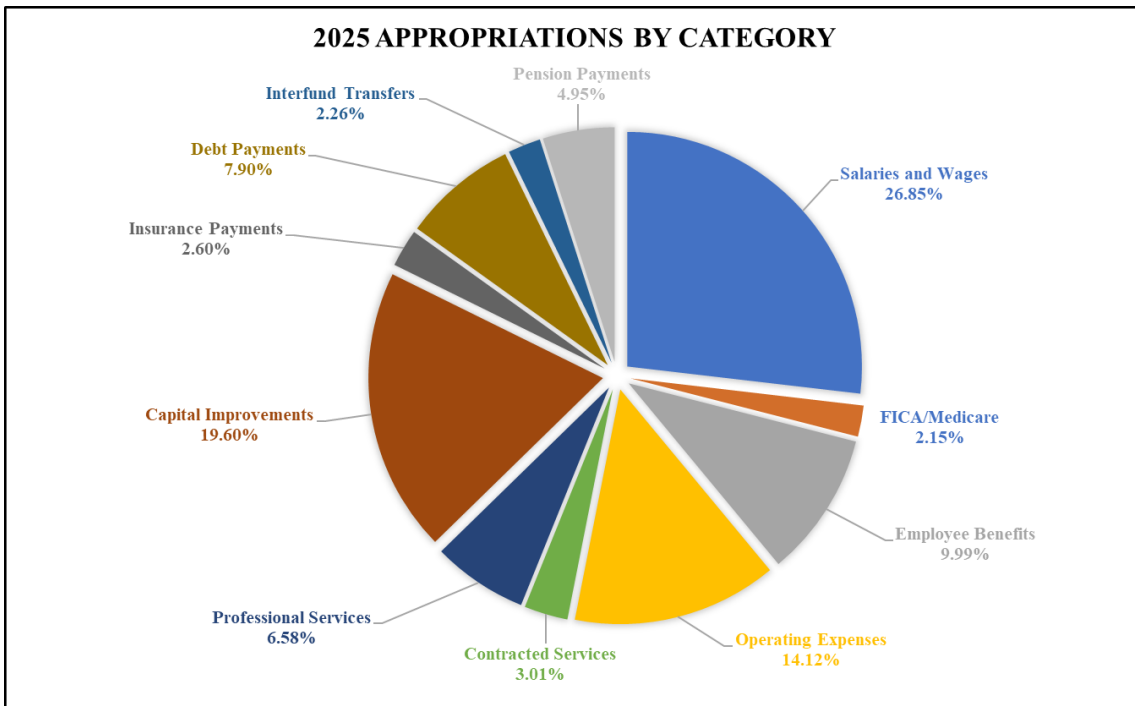
In total, appropriations across all funds in the proposed 2025 Budget amount to approximately \$12.2 million.

- **General Fund** appropriations: \$5.8 million
- **Special Revenue Funds** appropriations:
 - Fire Protection Fund: \$341,500
 - Open Space Fund: \$461,500

- Transportation Impact Fund: \$100,000
- Recreation Fund: \$307,500
- Liquid Fuels Fund: \$702,500
- **Capital Project Funds** appropriations: \$642,500
- **Enterprise Funds** appropriations:
 - Sewer Operating Fund: \$2.52 million
 - Sewer Capital Fund: \$716,000
- **Pension Funds** appropriations: \$603,500

The **General Fund**, **Sewer Operating Fund**, and **Recreation Fund** together account for personnel, fringe benefits, insurance, routine maintenance, and operational costs. Personnel costs are the largest single expense across the operating budgets, representing 44% of total appropriations. Operating expenses, contracted services, professional services, and insurance contribute an additional 26% to the budget. As is typical in local government, personnel and service costs represent the largest portions of expenditures, meaning significant cost reductions could only be achieved through staffing cuts that would directly impact service delivery.

The following chart illustrates the allocation of total appropriations across all funds by category.



The pages that follow provide a detailed narrative summary of each fund's financial position, including discussions on projected revenues and proposed expenditures for 2025.

General Fund (Fund 01)

Revenues

The General Fund serves as the operating budget for general municipal functions, covering expenditures for administration, finance, legal and engineering services, police protection, code enforcement, zoning, planning, technology, highway maintenance, and fleet operations. It also supports the work of various appointed boards and commissions.

Revenue projections for the General Fund are based on tax collection trends, prior year history, contract guarantees, state-shared revenue, and broader economic indicators.

The main revenue sources include real estate taxes, Act 511 taxes (earned income, per capita, local services, and real estate transfer taxes), business licenses, permit fees, grants, state entitlements, and service charges.

The Township levies a 1% earned income tax, which is split equally with the Boyertown School District. Earned income taxes are expected to generate approximately \$3.25 million in 2025, accounting for around 63% of the General Fund's total revenue. Real estate taxes are projected to contribute about \$750,000, or 15% of the total revenue.

Real Estate Transfer Taxes are levied at 2% on property sales within the Township, with 1% allocated to the County and the remaining 1% shared equally between the Township and the Boyertown School District. The real estate market remains strong, with transfer tax receipts for 2025 projected to reach approximately \$336,000, consistent with 2024 figures.

Approximately 225 properties are expected to change ownership in 2025, which represents an increase from the 2024 budget estimates but aligns with the actual data for the year. Transfer activity in 2024 is projected to account for 4.5% of the Township's total property base, with about 235 out of 5,171 properties transferring ownership.

Earned income taxes, transfer taxes, and permit fees are the most significant revenue sources for the General Fund. Other key contributors include cable television franchise fees and state aid for the Township's pension plans.

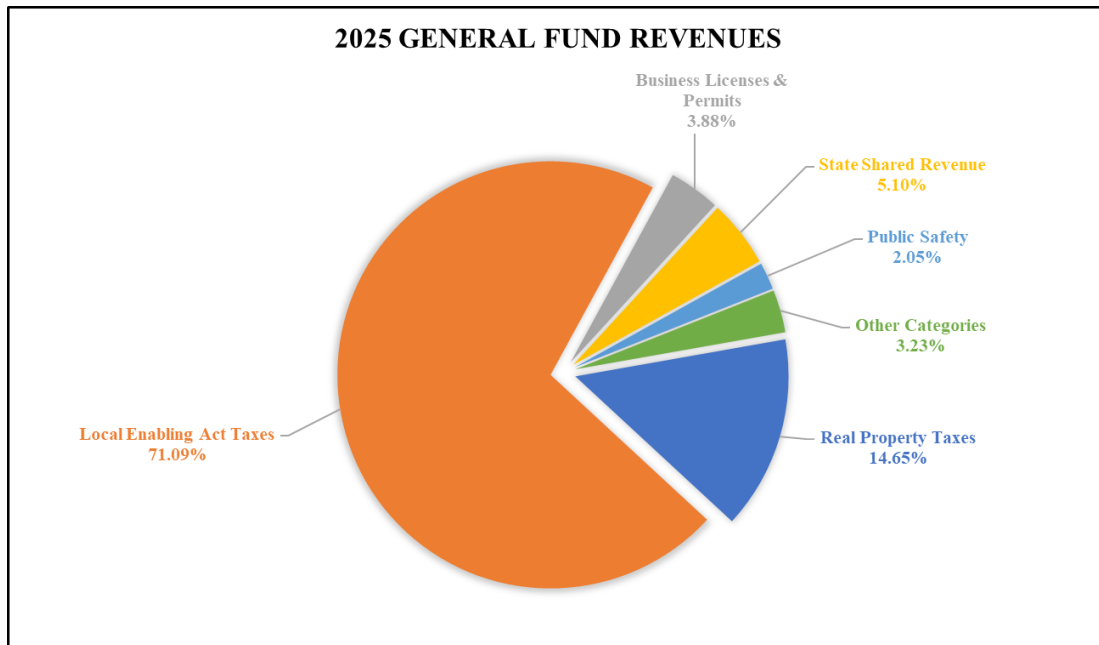
Permit fee revenue in 2025 is projected to remain modest, with most approved developments already completed. Revenue is expected to total \$120,000, including approximately \$28,000 (23% of the total) from an estimated 10 new home permits. This marks a significant drop from the 60 to 100 new home permits issued annually between 2016 and 2021, as new development proposals are still pending approval.

The Township expects to receive approximately \$280,000 in state aid for employee pension plans, covering 91% of the minimum required pension contributions. The non-uniformed defined benefit plan remains well-funded, helping to balance the liabilities in the uniformed plan. Positive investment returns in recent years have also contributed to maintaining the overall health of the pension funds, leading to stable minimum municipal obligations.

Total General Fund revenue for 2024 is projected at \$5.1 million, surpassing the budget by \$244,000. This surplus is primarily due to higher-than-expected earned income taxes, state-shared revenue, and permitting fees.

Total projected General Fund revenue for 2025 is estimated at \$5.1 million, representing a \$245,000 increase over the 2024 budget. Slight growth is expected from earned income taxes (up 6%, or \$191,000), state-shared revenue (\$57,000), and permitting fees (\$31,000).

The following chart provides a breakdown of the General Fund revenue sources that support Township operations:



Expenses

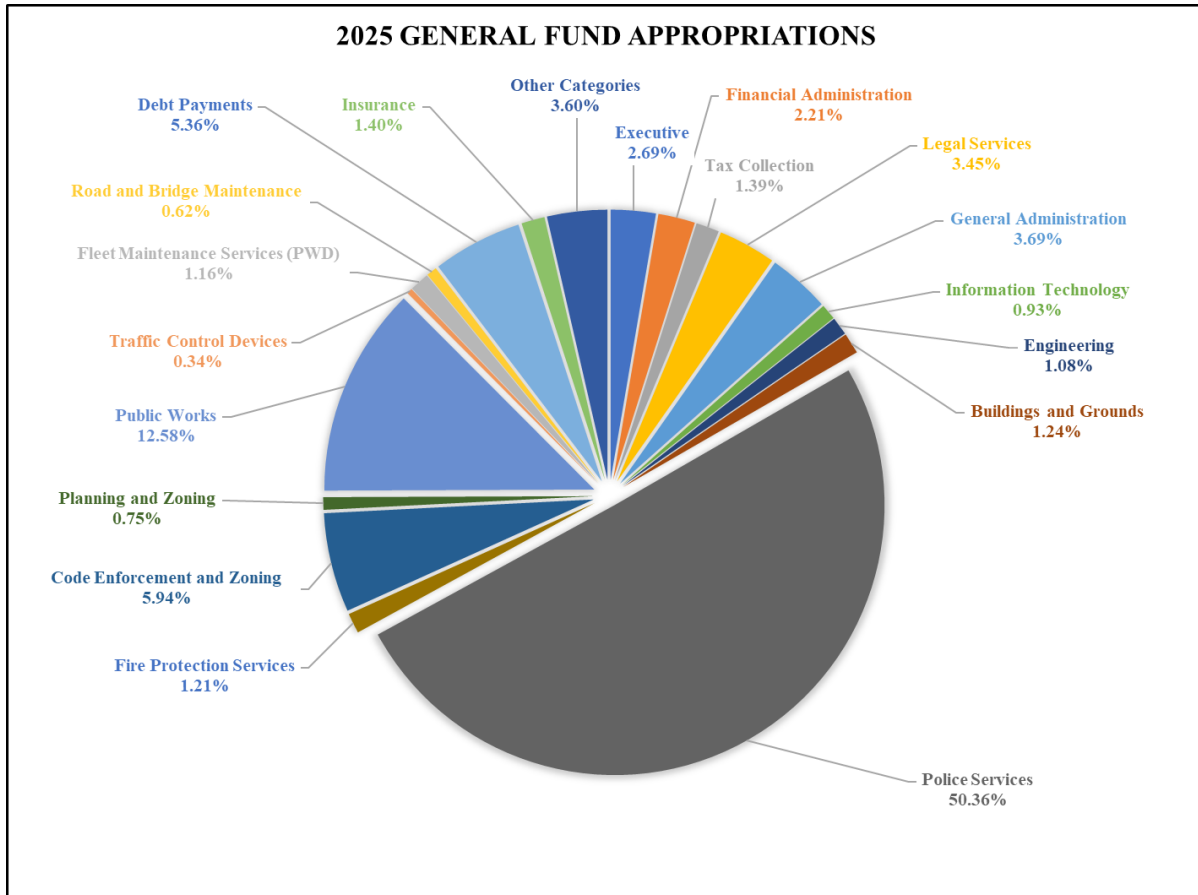
General Fund expenditures for 2024 are projected at \$5.75 million, about \$322,000 over budget. Despite substantial increases in legal expenses (\$205,000) and police services (\$61,000), savings in public works (\$70,000) and higher-than-expected revenue help keep the overall budget under control.

The General Fund is projected to begin 2025 with a reserve balance of approximately \$1.73 million (Fund Balance Forward).

Proposed General Fund appropriations for 2025 total \$5.8 million, prior to interfund transfers, reflecting a significant \$516,000 increase over the 2024 Budget. The majority of this increase is driven by the addition of a full-time police officer and expected contractual wage increases and pension costs (\$110,000), contributing to approximately \$433,000, or 84% of the increase. Other consistent cost drivers include debt payments through 2032 (\$300,000) and the second year of payments for emergency services (\$100,000).

Routine annual increases are also built into certain budget line items, specifically for wages and benefits. Uniformed employees will receive a contractual wage increase (rate to be determined), while non-uniformed employees will receive an average 3% increase, with adjustments based on individual performance. Healthcare costs are set to increase by 6.90%, but program rewards have helped reduce the net impact to about 2.95% for 2025.

The following chart details the proposed General Fund appropriations by category:



Fire Protection Fund (Fund 03)

The Fire Protection Fund serves as the primary revenue source for the operating and capital needs of firefighting services in the Township, provided by New Hanover Volunteer Fire and Rescue Services, a governmental component unit. A 0.310-mill real estate tax is dedicated to fire protection services, expected to generate approximately \$242,500 in 2025. The maximum allowable tax levy is three mills. The Fire Company also receives annual state-shared revenue from foreign fire insurers, which is used for relief or pension funds for fire department personnel. At least 30% of the Fire Company’s total revenue is allocated to a capital improvement fund for apparatus purchases.

New Hanover Volunteer Fire & Rescue, an all-volunteer organization, operates from two fire stations strategically located to optimize response times for providing their services. The North Station (sub-station) which was built in 2019 after being relocated from the Sassamansville Fire Social Club

building, has received official ISO (Insurance Service Organization) recognition recently that has improved New Hanover Township's overall ISO grading to a Four (4).

The Fire Company has 39 active members who continue to train in their disciplines of service that are provided to our community. 75% of the personnel achieved the nationally recognized Firefighter 1 Pro Board certification and over 30 % earned Firefighter 2 certification, totaling over 200 hours of formal fire training. The members also undergo federally mandated Hazardous Materials Operations training. The Department also has 18 administrative support members and offers a Cadet/Junior firefighting program with those community youth interested in preparing for full volunteer firefighter status at age 18.

Open Space Fund (Fund 04)

The Township levies a 0.15% earned income tax, projected to generate approximately \$1,040,000 in 2025. This tax was initially established in 2006 through a resolution to support the conservation of open space and manage growth and development. The tax was later solidified via referendum to finance the purchase of open space and development rights.

Proposed appropriations for 2025 include design, permitting, and estimated construction costs for ingress and egress improvements at Hickory Park; design costs for a farmland, passive meadows and passive trail system at 342 Moyer Road; and final design and permitting costs for the first phase of the Wassmer Tract Passive Trail Project. The Fund is projected to have a balance of about \$3.4 million at year-end.

Currently, the Township has 1,599 acres of permanently preserved open space, 2,038 acres of agricultural security area land (which defers taxes for undeveloped agricultural land), and conservation easements on 82.10 acres.

Sewer Operating Fund (Fund 08)

The Sewer Operating Fund functions as an enterprise fund under a lease agreement between the Township and the New Hanover Township Authority. While the Authority Board sets the sewer rates, the Board of Supervisors approves the budget, and the Township Manager oversees the Authority's employees.

The Fund is projected to start 2025 with a balance of approximately \$1.12 million. Most of its revenue comes from sewer rental billings (EDUs), which are expected to generate at least \$2.12 million in 2025. Estimated expenditures for 2024 are \$2.36 million, about \$154,000 over budget, primarily due to increased legal fees (\$30,000), utilities (\$49,000), and costs associated with inflow and infiltration (\$55,000).

Proposed appropriations for 2025 total \$2.26 million, prior to interfund transfers, representing a \$55,000 increase from the previous year, primarily for salaries, wages, and other plant operations. Additionally, \$250,000 is allocated for interfund transfers to the Sewer Capital Fund to support capital improvements.

Sewer Capital Fund (Fund 10)

The Sewer Capital Fund supports capital equipment purchases and infrastructure improvements. A 10-year Capital Improvement Plan (Schedule H) is updated annually to guide the Fund's long-term needs.

Revenue for 2025 comes from interest earnings (\$20,000) and a \$250,000 interfund transfer from the Sewer Operating Fund.

Proposed capital expenditures for 2025 include funding to begin a four-year painting project throughout all owned buildings; funds to complete sand blasting and painting of a clarifier; variable frequency drives at two the Authority Building and Swamp Creek Pump Station; a Digester Blower Motors design, bidding, and estimated construction cost; and a replacement tractor.

Projected revenues total \$270,000, while capital appropriations amount to \$760,000.

Transportation Impact Fund (Fund 13)

Established in 2005, the Transportation Impact Fund supports transportation improvements driven by development. Revenue is generated from fees on development in designated transportation service areas. The fund's projected beginning balance for 2025 is \$1.9 million.

Projected revenue in 2025 is \$50,000, and appropriations are \$100,000, specific to traffic design services, permitting, and grant writing services for a traffic signal or roundabout at the intersection of Big Road and Layfield Road.

Road Equipment Capital Fund (Fund 19)

This fund manages expenditures for replacing Public Works Department vehicles and heavy equipment. A dedicated 0.140-mill tax levy will generate approximately \$108,000 in 2025. The maximum allowable levy is two mills.

Proposed capital appropriations include the purchase of a replacement pickup truck. Total revenue for 2025 is estimated at \$125,000, while total appropriations amount to \$77,500.

Capital Reserve Fund (Fund 30)

The Capital Reserve Fund is designated for general capital equipment purchases and infrastructure projects, backed by a 10-year Capital Improvement Plan (Schedule H). Revenue is generated through investment returns, grants, and interfund transfers, with no transfer from the General Fund planned for 2025.

Proposed appropriations include engineering and permitting costs to replace/rehabilitate the culvert on Deep Creek Road between Erb Road and Schenkler Road; milling and overlay of Buchert Road from Romig Road to North Charlotte Street; architecture and engineering design fees for renovating the Public Works Building; continued funding for the Swamp Creek Park Meadows Project and seed

money for a conceptual Basin Retrofit Program; and two replacement fleet vehicles for the Police Department.

Total revenue for 2025 is \$40,000, while appropriations are projected at \$545,000.

Recreation Capital Reserve Fund (Fund 31)

The Recreation Capital Reserve Fund is dedicated to the maintenance and improvement of recreation infrastructure. Its revenue sources include investment returns, grants, and interfund transfers, with \$25,000 coming from the Recreation Fund this year.

Planned projects for 2025 include plumbing upgrades to the Hickory Park bathroom, the installation of tables and umbrellas for shade, and a new pool slide at the Hickory Park Pool.

For 2025, revenue is projected at \$32,500, with capital expenditures estimated at \$20,000.

Liquid Fuels Fund (Fund 35)

The Liquid Fuels Fund provides the Township's share of state motor fuel tax dollars, which are allocated for the maintenance of local roads. Pennsylvania generates these funds through a motor fuel tax, with municipalities receiving about 12% of the total collected. The rest is used by PennDOT for state road maintenance.

The Township's share is determined by a formula based on population and the mileage of qualifying roads. Newly dedicated roads that meet specific design standards increase the Township's allocation when submitted to PennDOT.

In 2024, the Township received approximately \$432,000, a decrease of nearly \$7,000 from the previous year. Additionally, the Township received \$64,680 through the road turnback program, which transferred ownership of certain state-owned roads, important to local traffic, to the Township. Expenditures from the Liquid Fuels Fund are strictly regulated by the state and can only be used for road maintenance expenses, such as snow removal, road striping, guiderail installation, street light electricity, and the purchase of salt and paving materials. The fund is audited annually to ensure compliance with these regulations.

The Township is responsible for maintaining at least 80 miles of roads, and typically, roads should last about 20 years. To keep up, the Township aims to maintain at least four miles of road annually. The 2025 Road Maintenance Program will resurface 7.7 miles, with details in Schedule K. Buchert Road, from Romig Road to North Charlotte Street, will also be completed using the Capital Reserve Fund.

Projected revenue for 2025 is \$508,500, with appropriations estimated at \$702,500.

Recreation Fund (Fund 96)

The Recreation Fund supports the operation of recreational programs, managing 302 acres of parks and related services. It is funded through a dedicated tax levy of .180 mills, which will generate \$139,000 in 2025. The budget includes park maintenance and program services like summer camps

and pool operations. The fund expects \$217,500 in revenue and \$282,500 in appropriations for 2025, including a \$25,000 transfer to the Recreation Capital Reserve Fund.

Pension Funds (Internal Fund 60 and Fund 65)

The Police and Municipal Employees Pension Funds are trust funds that provide monthly defined-benefit pensions for retired employees. Each plan is governed by an ordinance adopted by the Board of Supervisors, with oversight from two Pension Plan Advisory Committees. These committees meet quarterly with the Township's Investment Advisor to review performance and recommend investment strategy adjustments as needed.

The Pension Funds are diversified into bonds and equities, with asset allocations guided by an Investment Policy Statement approved by the Board. Annual contributions, known as the Minimum Municipal Obligation (MMO), are calculated by the Township's actuary to ensure adequate funding for future retirement benefits.

In addition to these defined-benefit plans, the Township implemented a defined-contribution plan for non-uniformed employees hired after June 1, 2016. The Township contributes 5% of the employee's compensation annually into the self-directed plan.

The Commonwealth supports pension funding by levying a 2% tax on foreign casualty insurance premiums. In 2025, the Township's required contribution to keep the pension plans actuarially sound is estimated at \$307,625, with an expected \$280,000 in state aid to offset this amount.

As of the last actuarial valuation on January 1, 2023, the Police Pension Plan was 78.9% funded, while the Non-Uniformed Employees' Pension Plan was 115.5% funded. The combined ratio of 97.2% indicates that the Township is considered "not distressed" under Act 44 guidelines.

Future Trends and Outlook

This year marks the seventh iteration of our updated budget template, which clearly outlines how taxpayer dollars will be spent. Six years ago, we came together to develop a collective vision for guiding our expenditures, and now, we are managing the success of that vision while continuing to grow. We remain committed to providing high-quality services and addressing the challenge of finding greater efficiencies.

Remarkably, this will be the 19th consecutive year without a tax increase (with a reduction in 2019), placing us in an enviable position among Montgomery County municipalities. However, Township finances are beginning to show signs of a potential structure deficit, although more information is needed on key variables that are tracked and will be reviewed closely as we review next year's budget. The Government Finance Officers Association (GFOA) recommends that general-purpose governments maintain an unrestricted budgetary fund balance in their general fund of no less than two months' worth of operating revenues or expenditures (16.6%). By the end of 2025, our General Fund will have approximately 18% in reserves—equivalent to a slightly higher than two months of operating expenditures.


While key revenue sources began leveling off in 2023 as current developments reached completion, 2025 is expected to follow a similar pattern. However, future decisions on new development could shift this outlook. Regardless, we anticipate steady growth in real estate and earned income taxes, contributing to this year's maintenance of tax rates. With previous funding for capital projects and a 10-year capital improvement plan in place, the Township maintains a good position to plan future budgets strategically and adjust appropriations to match available resources.

Balancing the need for municipal investment with the goal of keeping taxes low is always a priority—and often a challenge—especially as we grow and invest in infrastructure. Despite our solid financial foundation, Township staff remain focused on cost reduction and efficient resource allocation. Our employees are professional, courteous, and deeply committed to serving the public. Cooperation across departments is strong, morale is high, and everyone understands that our mission is to serve the community.

We are confident that Township residents are satisfied with the services we provide, and this proposed budget reflects our commitment to wise financial management in support of their health, safety, and welfare. The 2025 budget not only maintains the high standard of municipal services but also streamlines operations to enhance efficiency. It provides the resources necessary to meet the goals and priorities set by the Board of Supervisors.

It is my pleasure to present the proposed 2025 Budget for your consideration, which I believe accurately reflects our commitment to delivering top-quality services to the community.

Respectfully submitted,


Jamie L. Gwynn
Township Manager