

**TOWN OF McCANDLESS  
2016 BUDGET MESSAGE**

October 14, 2015

Dear Members of Council:

Our straight forward, uncomplicated and direct approach to governing has proven time and again to be the right way to do things. This extends to our prudent fiscally stewardship of resources to achieve optimal results. We continue to offer the services that are at the core of what local government does. This budget personifies that methodology.

In September, Town Council adopted an updated policy governing fund balance and the setting of reserve levels. The Town adopted a Fund Balance Policy in January, 2012 to comply with Governmental Accounting Standards Board Statement No. 54, a new statement for governmental fund balance reporting and governmental fund type definitions. The updated policy follows the “Best Practice” recommendation issued by the Government Finance Officers Association (GFOA) entitled “Appropriate Level of Unrestricted Fund Balance in the General Fund”.

The GFOA specifically recommends “that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund. Such a guideline should be set by the appropriate policy body and should provide both a temporal framework and specific plans for increasing or decreasing the level of unrestricted fund balance, if it is inconsistent with that policy.”

The GFOA further recommends “at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.” The Town has applied these principles and reporting components since their implementation.

Fund Balance categories are defined as Non-spendable, Restricted, Committed, Assigned and Unassigned. Town Council places funds in these categories through the budget process unless otherwise permitted by law or our local policy.

It is the Town's stated policy that a minimum Unassigned Fund Balance of two (2) months of the average monthly general fund operating revenues or operating expenditures for the most recent three fiscal years, whichever is greater, as recommended by GFOA be maintained. In the event that a balance drops below the established minimum level, the Town Manager must develop a plan for Town Council approval to replenish the fund balance to the established minimum level within two (2) years. The 2016 Proposed Budget has been prepared in accordance with this direction.

The Town utilizes five funds to operate. The General Fund is the "Master Fund" providing the means for all services to function. Our budget is prepared and presented programmatically. Programs of services are carried out by the Administrative, Police, Building, Code Enforcement and Land Use, Public Works Departments, the Office of the Fire Marshal and Volunteer Fire Departments. The Town funds Northland Library to its proportionate share among municipal partners. The McCandless Township Sanitary Authority and the McCandless-Franklin Park Ambulance Authority operate separately. The Town provided the Ambulance Authority with a small state mandated subsidy covering volunteer workers' compensation costs. We also actively participate in the North Hills Council of Governments and the Allegheny North Tax Collection District.

Throughout the operating budget the reduction of health insurance cost by 1.5% is a welcome occurrence. The Town participates in the Municipal Benefits Services Self-Insured Trust which has kept rates most stable since its metamorphosis from a conventional insurance premium-based system to the Trust's claims administration program experiencing a 4.3% increase in 2013, much of which contributed to trust reserves; 2% in 2014, solely toward trust reserves; 0% in 2015 and the 1.5% decrease in 2016.

Installation of audio visual equipment in the Town Hall meeting rooms is proposed (Program 409). Police vehicles follow our capital purchase plan (Program 410). Cloud technology may be used to enhance the retention, storage and retrieval management of records (Program 409). Support of Public Works administration calls for four desktop and three laptop computers which are all over five years old. A replacement skid steer loader and hydraulic conveyor will facilitate drainage re-landscaping and other chores performed by our public works crew (Program 430), A second round of street sweeping will be scheduled for late summer-early fall (Program 431). Our street sign, makings and traffic signal program will benefit from a replacement "bucket truck" (Program 433), Stormwater management remains a forte; \$150,000 is again budgeted to rehabilitate, upgrade and to simply maintain our stormwater detention facility system. Costs in 2016 to comply with federal and state mandates for reporting our storm sewer system activity is reflected in (Program 446).

Museum operation is slated to begin in September, perhaps on Community Day 2016. Operational costs are shown in (Program 451).

The most significant of our Special Funds is our Capital Improvements Fund (Fund 18). Fund 18's purpose is to segregate and finance major infrastructure improvements independent of the general operating budget. Funding will come first from annual revenue, then reserves, interest earnings in the fund itself, or state or federal governments. With new Governmental Accounting Standards Board requirements for the accounting for infrastructure improvements, and with imminent emphasis being placed on storm water facility maintenance by the federal Environmental Protection Agency, this fund is ideal to serve these purposes. Facilities and projects qualified to appear under this fund include replacement of storm water drainage systems, milling and repaving or rebuilding of Town roads, purchases of land for roads or parks, installation of new roads, installation of recreation facilities, and major renovation and construction of stormwater systems and storm water management facilities and Town owned buildings and structures.

One routine function of road crews throughout western Pennsylvania, resulting largely from our nagging, perennial freeze-thaw cycle, is the patching of road surfaces and berms. Our goal is to diminish this work through comprehensive road and drainage reconstruction and maintenance programs effected yearly and planned on a 15-17 year basis. The capital improvements program devised by the Administration with assistance from its consulting engineers is summarized in Fund 18. A five-year plan targets roads in need of impending heavy maintenance or reconstruction underscored by a Home Rule Charter requirement. The annual repaving, milling and restoration and road construction re-building program receives funding approval in the annual budget and confirmation by Town Council at the time of bidding.

In conjunction with the Town's annual road resurfacing and reconstruction program, Town forces install substantial lengths of storm pipe and inlets, and repair and/or rebuild about 200 catch basins. Outside contractors are utilized for projects exceeding Town crew capabilities. Machine hydro-seeding expedites the force account re-landscaping process. All of this work that is of a capital nature is presented in the capital budget under Fund 18.

All infrastructure projects and improvements that are considered capital in nature are shown in this fund. They are paid for in part by transfers from the State Highway Aid Fund (Fund 35), in part by transfers from the Transportation District Fund, and in part by transfers from the General Fund. We are pleased to see a greater return of gas tax funding to help defray the cost of paving work, nearly \$100,000 more than 2015. Citizen Information (406) reflects two gateway signs

with electronic information boards; one on Route 19 at the Pine Township border (\$16,000) and one on McKnight Road, likely at Peebles Road (\$24,000).

Building and Plant (409) includes \$250,000 to repair and repave the parking lots at Town Hall, and \$100,000 to replace the 1962 vintage floor in the DPW garage.

This budget proposes to place in the committed funds category a transfer to the Capital Improvements Fund (Fund 18) for 2016 and future capital projects in accordance with our Fund Balance and Reserves Policy.

Fund 19, our street, water and sewer assessment Fund maintains a balance sufficient to fund the cost of neighborhood sized projects. The Pennsylvania Department of Transportation will likely complete its right-of-way acquisition process and invoice the Town for its share of the Wexford Flats sidewalk and related right-of-way cost. The Town intends to assess property owners within the project area for the cost of the sidewalk billed to the Town.

**Revenue** to pay for next year's expenses comes from a variety of sources. The bulk emanates from Act 511 taxes. The Earned Income Tax is expected to produce \$5,730,000 out of \$14,868,300, about 38.5% of overall 2016 revenue. Business Privilege Tax growth corresponds with McCandless Crossing's completion, car dealerships and other commercial success to generate an estimated \$1,381,000 or 9.3% of 2016 Revenue. This tax yielded \$991,036 in 2010, growing 39.4%. The Local Services Tax has steadily increased, 24% from \$554,538 in 2010 to next year's projected \$690,000. Our Real Estate Tax rate of 1.296 mills remains unchanged. It is expected to produce \$3,227,400 in 2016, a more modest \$363,420 increase, 12.7% over 2010's collection. This type of growth without increasing taxes helps to keep pace with operating expenses and allows us to continue to fund capital projects and purchases with incurring debt.

Respectfully submitted,

Tobias M. Cordek  
Town Manager

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