

2025 Willistown Township Budget

Responses to Public Comments/Questions

December 16, 2024

SEWER

SEWER CAPITAL COSTS

It has been suggested that some operational costs related to sewer, including staff time, consultants, and facility/infrastructure maintenance, should be capitalized. The Township does not view these costs as capital costs, but instead as costs required for the continued operation and maintenance of the sewer system. The Township's legal and financial consultants indicate the Township is permitted to classify costs in this manner. I understand some residents disagree, but it is incumbent upon the Township Board and staff to rely upon the duly appointed experts in their fields.

SEWER RATE INCREASE

The increase is not an arbitrary percentage, or an increase based upon inflation; the rate proposal is based upon 2025 budgeted costs for infrastructure, conveyance, and treatment expenses.

The rates are not based on financial statements of past year bills paid, but it's worth noting that numbers shared by residents indicating cash balances fail to take into consideration bills yet to be received, e.g., bills from AQUA for conveyance that are still expected for the entirety of 2024.

Bottom line: the rates proposed have increased over last year because: 1) Contractual AQUA trunk line costs have increased 2) operational and construction costs at VFSA have increased, and 3) operational costs at the Penns Preserve plant have increased.

SEWER STAFF ALLOCATION

Commentors have inquired regarding the payroll allocations – including salary and benefits – for sewer. These are broken down in the 2025 Budget as follows based upon staff time estimates.

Payroll Allocations for Sewer – Administration

- 20% of Manager, Treasurer, and Assistant to the Township Manager
- 100% of P/T Sewer Billing Clerk
- 10% of Staff Accountant

Payroll Allocation for Sewer – Public Works

- 40% of Director of Public Works
- 100% of 2 new sewer employees
- 20% of PW Foreman

Given the anticipated time spent on the establishment of an Authority in 2025, and expected transition of current projects, the administrative allocations have remained the same. With the addition of a Sewer System Administrator in 2025, and the planned addition of a third full-time sewer

employee in 2026, we anticipate the allocation from administration and the PW Foreman will decrease in 2026 and beyond. The breakdown will also begin to be more specifically allocated on timesheets following the establishment of the Wastewater Authority.

These allocations are further broken down between the Valley Forge and Penn's Preserve Sewer accounts based upon customer accounts. 91.5% is charged to Valley Forge and 8.5% charged to Penn's Preserve. Why is it broken down this way rather than by, for example, flow, EDUs, or fixed units? Some costs have an impact based upon flow. Staff time is more likely to be impacted based upon customer counts. Each customer represents one bill, likely a single caller with questions, a single account, etc. Are there other ways this could be broken down? Sure – like the aforementioned flow. Or perhaps by staff time spent in regular service to pump stations. Penn's Preserve represents 1/5th of the daily pump station checks in the Township, or 20%. Bottom line, there are a few ways that this could be broken down, but we believe the selected method is the most accurate. Whenever work is done specifically for a sewer district, it's charged directly to that sewer account, not split.

Staff time spent on sewer-related Right to Know Requests, which have been significant in recent years, has been absorbed by the General Fund. The Township may need to consider bringing on a full-time employee for records request management, but that's not budgeted for 2025.

FINANCING

It has been suggested that the Township is not financing for sewer improvements. This is untrue. The Township specifically included in the budget presentation an explanation of the expected 2025 borrowing of \$6 million for sewer improvements. There is no debt service payment expected in 2025; this was deferred for the very purpose of keeping rate increases as low as possible. The Township is also pursuing and researching other avenues, including grant funding, to help keep rates low.

FINANCING DECISION-MAKING

It's been asked why, if the Township's fund balance exceeds the \$12 million amount of borrowing for 2025, the Township does not simply pay for financed projects directly.

First, it should be noted that half of the borrowing is for sewer projects. Those projects would not be funded by the General Fund. For the remaining \$6 million, the Board decided to finance this work, specifically, the building of the new Public Works facilities, so that the current and future resident beneficiaries of those facilities are the taxpayers funding those projects through debt payments. You may recall this was a suggestion related to the sewer fund as well and certainly applies to the bond or borrowing for that work.

SURPLUS and CONSERVATIVE BUDGETING

We received several questions about the surplus, which primarily comes from EIT revenue. It was even suggested that the surplus is somehow hidden. This is certainly not the case. The budget presentation mentioned the 2024 surplus several times, including an estimated total and proposed uses of that surplus. Furthermore, the interfund transfers necessary for those proposed uses are allocated by Board Resolution at a public meeting.

The source of the surplus is primarily EIT, which has raised the question of why the Township budgets conservatively for that income. A conservative budgeting philosophy is one that Boards of Willistown Township have held for some time. I recognize that this is not a philosophy that everyone will agree with the Board on, and that's ok. The Board has opted for this strategy for a few reasons:

1. The potential impact of taxing changes from other taxing entities – The GV School District was mentioned by one commentor, and yes, there is an impact of increased School district taxes, though it is slight. The greater impact comes from the potential enactment of EIT from municipalities whose residents work in Willistown. For example, Willistown currently receives about \$90,000 in EIT from residents of Easttown who are employed in Willistown Township. Now that Easttown has enacted an EIT of 0.5%, this can be expected to decrease by more than half. Should other municipalities increase their EIT, or newly enact an EIT, the collections from non-residents will decrease.
2. The top 50 tax accounts of Willistown residents account for approximately \$2 million in EIT collections.
 - a. 2023 - \$2,087,000 from the top 50 accounts, with over \$1 million from the top five accounts alone
 - b. 2022 - \$2,050,000 from the top 50 accounts, with about \$950,000 from the top five accounts alone
 - c. 2021 - \$2,232,000 from the top 50 accounts, with over \$1 million from the top five accounts alone

While the Township does not have specific resident data associated with these accounts, it is noted that these are not the same accounts each year. A change in status for just a handful of residents could impact EIT collections in Willistown Township to tune of over \$1 million. Particularly noting our aging population, we recognize the possibility that some of these taxpayers may retire, move, or pass away. Their job locations may change, or they may simply switch to a job with lower taxable income. We saw an increase in collections after COVID and a slight decline since then, possibly due to remote work and subsequent returning to the office at locations which collect EIT or the City of Philadelphia Wage Tax. Increases often are in conjunction with movement of the stock market, which is unpredictable. If there is a decrease in taxable bonuses received by executives, this could have a significant impact.

Point being, the conservative budgeting is not without forethought, and the allocation of surpluses is made for Township purposes, in public, by the elected officials.

MISCELLANEOUS

One of the supporting breakdown pages – page 2 – had a typo. The line item for sewer construction was \$3,000 higher on page 2. The top line budget total of \$1,113,510 is correct.

The LSA Grant for the interceptor is not listed in the 2025 budget because, as was stated in the Budget Presentation, that is planned for 2026. The Township has applied for another LSA grant we hope will cover additional costs of this project.

The new Sewer Administrator is budgeted at \$150/hour for a P/T position estimated at 20 hours/week. Split between PP and VFSA at the payroll allocations described above.

We had an inquiry for examples of General Expenses for sewer – These include: In line 400 - Dallas Data Systems (Utility Billing Support and Customer Service for Rate Payers), Meter Reading for AQUA water customers, and Meeting advertisements; and in line 429 – Processing fees for payments made by rate payers – credit card and online payments.

We had an inquiry regarding the miscellaneous - Capital Reserve Fund revenue in the amount of \$1,165,702. This includes funding through the Green Light Go grant for the interconnect project, ARPA funding for the Stormwater Truck, and the Garrett Mill Road Bridge DVRPC Grant.

We received an inquiry regarding insurance cost increases. These are increasing across the board. While we hope some premium costs will be stemmed by our new insurance providers recently approved by the Board of Supervisors, some increases, particularly workers' comp, are going to increase with additional employees, particularly for sewer.

We received an inquiry regarding the reason why usage rates for VFSA increased at a greater percentage than conveyance and treatment costs increased. It is the result of an update to the average billable usage calculation. In other words, billable usage, which is an average based on the last four years, has decreased, while costs increased, and at a greater rate than we can fix with infiltration and inflow repairs. Billable usage has decreased at a greater rate than the flow that is being conveyed and treated.

We received an inquiry regarding the Township-wide circulation study; \$50,000 was budgeted in the consultant line item for this planning project.

Shanna Lodge, Township Manager
