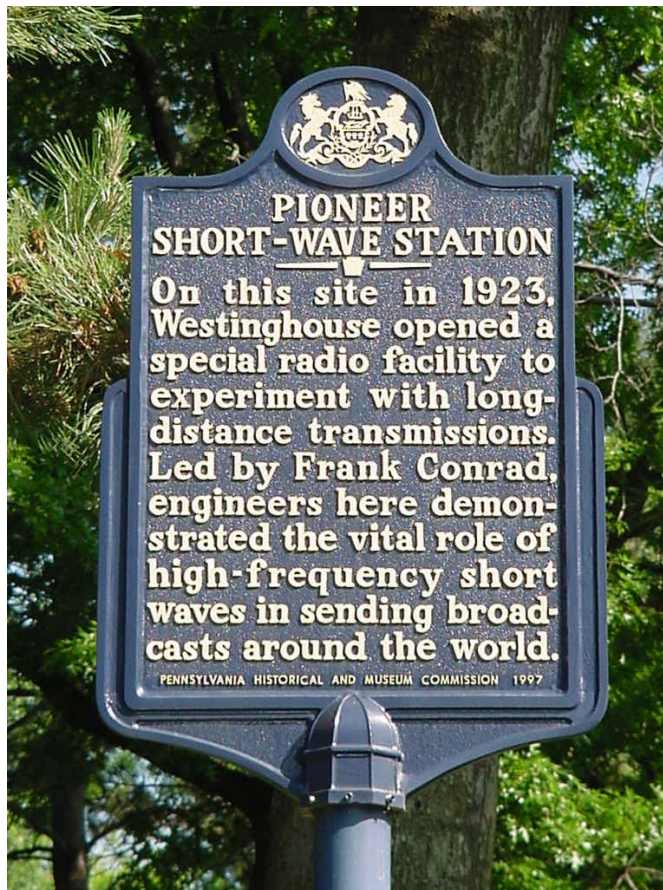


Borough of Forest Hills

2010 BUDGET



Historical marker at the Forest Hills/Westinghouse Recreation Center Lodge



BOROUGH OF FOREST HILLS

2010 BUDGET

Approved: December 16, 2009

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INTRODUCTION

I am pleased to present this first draft of the 2010 budget to council as part of the October 1, 2009 finance committee meeting. The budget presented tonight under draft 1 is balanced without a tax increase although certain fees like those for trash collection are increased to meet related costs. Thanks to the staff for their work in assuring that the budget could be presented on time and without an increase in taxes.

Included with this information are projections for the corrective action budget, road improvement budget and liquid fuels budget. The Capital Improvements Plan is not fully developed yet as proposed projects must go before each related council committee for review prior to inserting them into the mix.

This memo coupled with previous information called the “council committee perspective” and subsequent written information presented during future committee meetings are part of my budget message for 2010 and will be incorporated into the final document. It should be noted that the final budget approved in December or later may be different from the initial budget discussed in this message. Most changes will come in expenditures. I will try to update relevant sections of this message to coincide with the final budget although that will not be possible in all cases in order to ensure that a document is printed soon enough to be useful to all.

As a reminder, a budget passed by council in December may be reopened by council in January as long as a new budget is approved before February 15, 2010. This ability to reopen only occurs in a January following an election year.

Executive Summary – General Fund Budget

There are several key issues you should be aware of as you review the first draft of the budget. Detail is provided in subsequent paragraphs following this executive summary. Issues that helped to create a balanced budget that may require adjustment before approving a final 2010 budget or that otherwise affect the first draft of the budget are as follows:

Revenues

- Real Estate Taxes are based on the assessed valuation as shown in the preliminary budget I gave you last month. That will likely change. In fact, since I printed this copy the county’s website indicated that the assessed value went

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down such that it would reduce revenues I have shown by about \$367. Certainly not a large amount. The point is that there is uncertainty with this figure.

- I adjusted certain revenue items based on projections for end of 2009 numbers. See the detail section for information.
- The draft assumes that the trash fee will increase \$8 per household this year.

Expenditures

- The most significant expenditure adjustments that helped to balance the budget without a tax increase came in our projections on salaries and benefits. Health care costs could change by the time MEIT completes its calculations. Workers Comp numbers may also change when we get the final determination from our insurance company.
- The police department salary and benefit line items presented the largest adjustment from the projections we completed last December. The assumption here is that the department will be staffed by 10 officers including two sergeants and a chief and not 11.
- In the preliminary budget I presented last month, cuts were made in requests from WHEMS, the library (which asked for an increase rather than a reduction), the VFD, the auxiliary police and crime resistance. Those cuts were eliminated in this draft. However, the library's request for additional funding above \$1 per capita was not granted in this budget.
- Other than projected funds for a pension reserve as discussed at the 9/23 meeting, there are no funds from this budget going toward the budget reserve. The reserve will likely contain little or no money by year end 2009 pending final costs for the June storm clean up.
- Very little general fund money is scheduled to go into the Capital Improvements Plan, certainly not enough to fund most major capital improvements.
- At this time, we anticipate no need for a tax anticipation note. However, that may change as we move through October which would then require a line item to cover interest.

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MANAGER'S PERSPECTIVE

Overview

Again this year, staff members were asked to prepare a budget for both the next budget year (2010) and the following budget year (2011). Reasons for preparing both years were explained in my 2009 budget message. The key reason is to provide council with an advance look at future budgets since that may assist you in establishing the 2010 budget. The practice of creating a budget for two years will continue in the future.

I will briefly outline 2011 budget projections first before reporting on the 2010 budget draft included with this budget message.

2011 Budget

Comments on various items in the 2011 budget projection are not included in detail here. The 2011 budget was completed to allow everyone to begin consideration of what may be a difficult budget year since two union contracts will take effect in January of that year.

Council should pay special attention to the following in reviewing 2011 numbers:

Millage Rate – I project a millage increase of .63 mills to 8.98 mill total in 2011. I also assume that the total assessed value may drop slightly in 2011 depending on the direction of any court ordered reassessment.

Trash/Recycling Fee – The fee is shown at the anticipated rate of \$194/household for rate payers with a senior citizen discount that will cost \$143/household and assumes that the borough will pick up the fifth and final option year in 2011 with Waste Management.

Salaries – Salary increases are based on the increases shown in the two current contracts which cover a majority of full time employees. It is difficult to estimate these accurately until labor negotiations are settled with both unions.

Fringe Benefits – Fringe benefit increases are based on contractual salaries and on benefit requirements specified in current contracts. Again, it is difficult to estimate these accurately until labor negotiations have completed. Health care projections are estimated and based on the projected increase for 2010.

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Minimum Municipal Obligation - The projection provided by actuary Mike Pisula earlier this year is the source of the estimate for the 2010 MMO and is extended to 2011.

Police Car Rotation – Based on the assumption that a new car will be leased in 2010 and another new car will be leased in 2011, expenditures will reflect two lease payments in the new budget. The outright purchase of a car in 2009 eliminated the need to carry a third lease.

I restored dollars to the borough's budget reserve as well as the capital improvements plan since both are likely to be needed if 2010 budget reductions in these two items are maintained.

2010 Budget Draft 1

(Note: this section of the manager's perspective may be removed from the final budget document budget message pending council's final decision on the budget)

In past years, I often presented to council alternate budgets that reflected possible tax increases and/or budget cuts or that reflected a deficit to better illustrate budget needs identified by staff members. This 2010 budget is shown alone, balanced and without a tax increase. It stands alone based on the detail provided here and as outlined in the executive summary above.

Budget Reserve

The budget reserve has been severely strained by the June 17, 2009 storm and related clean up. As you know, FEMA refused to grant the borough or its residents any funds for repairs, restoration and cleaning. And there was quite a lot of each to round.

FEMA estimated that damage to borough property and resulting clean up amounted to approximately \$220,000. Coupled with overtime costs and those damaged items that FEMA would not consider for aid, the actual cost to the borough for all storm related damage and work is much close to \$375,000.

Luckily, the borough did amass a budget reserve in excess of \$400,000 by early 2009. This amount was greater than the 7% requirement shown in the policy due to funds that were due the borough in past years that were placed in the budget reserve at least temporarily rather than shown in a general fund line item.

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We are now reimbursing the general fund for storm related costs from the budget reserve as we need cash at year end. In addition, some storm related costs have been removed directly from the budget reserve due to the emergency created by the flooding and heavy rain.

The budget reserve is also the source of funds for the full cost of the new police car purchased as part of the normal rotation of vehicles.

These costs and the borough's cash position in 2009 (see Statistics section of this budget – GS Table 11a & b for a summary of the borough's cash flow in 2009) likely mean that the budget reserve will end 2009 very low on funds. At this time we are uncertain how much may remain but I estimate it will be in the range of \$50,000 to \$100,000. We continue to do some storm repair work that will put a further dent in the reserve. This is work that was held back since it did not create an immediate safety issue.

The 2010 budget does not contribute any additional funds to the reserve so it is possible that the borough will enter 2010 with a budget reserve substantially less than the 7% target in our policy.

Economic Considerations

In approving a budget for 2009, I noted that council must take into account the impact of issues in the national and local economy. They include:

- The national mortgage/investment crisis
- The rising cost of fuel and energy
- The rising cost of salt for winter maintenance
- The continued sanitary sewer issue both within the borough and with ALCOSAN
- The impact of the presidential election on the economy
- Uncertainties in the cost of health care
- An ongoing uncertainty regarding property assessments and related appeals and a recent court case that may affect all Allegheny County communities in determining the propriety of a base year in determining assessed value

While some of the national issues have eased somewhat, the United States continues in a recession that has contributed to unemployment, uncertainty in the investment markets, and some fear in the banking industry.

The cost of salt under the borough's new contract is substantially less than was feared a year ago when prices rose well above \$100/ton for those bidding in 2008. Our current salt contracts find

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the prices at \$52.75/ton (SHACOG bid) and \$52.29/ton (PennDOT-CoStars bid), modest increases above 2009 costs. Last year's prices were at \$45.08/ton although the haulers had the option of increasing that cost to meet any increases in their cost for fuel.

The other issues shown remain active to one extent or another and are outlined in the 2009 budget message. It is enough to say here that the economy remains a long way from returning to stability and council and staff should be cautious as we review, approve, study and evaluate the 2010 budget.

Council Committee Perspective

Members should review the issues raised at each committee meeting in September that presented an update of key issues that may impact the budget and borough finances in 2010 and beyond. This perspective follows after the "conclusions" section.

Conclusions

The issues raised here are my perspective on factors to consider in preparing the 2010 budget and capital improvements plan.

I continue to recommend that council review the existing committee structure and seek to streamline the process but that does not appear to be the will of council so it is not discussed here.

This perspective is offered as a means to assist council in taking a long term view of borough finances and the 2010 budget and capital improvements plan in particular. In the end it is the duty of council to establish policy. However, it is the duty of the manager to provide council with recommendations, ideas and a viewpoint to assist members in their decision making. This perspective is offered in that light rather than as an effort to question council policy.

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COUNCIL COMMITTEE PERSPECTIVE

BOROUGH PROPERTY

Issues for discussion/consideration in preparing the 2010 Budget from a borough property perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?
- **Recreation Fees** (pool admissions/passes, swim team, swim lessons, program fees etc. - also a factor in finance)
 - Are fees adequate to cover the costs of associated programs or should taxes subsidize some or all of the programs offered by the borough (e.g., swimming pool, park & facility rental)?
- **Recreation Center Rental Fees** –
 - Is the borough making enough money on rentals?
 - Does the borough charge enough for a center with the size and features of the recreation center?
 - Should taxpayers subsidize the cost of the recreation center or should fees increase?
- **Pool Lodge/Senior Center Rental Fees** –
 - Is the borough making enough money on rentals?
 - Does the borough charge enough for the lodge and senior center?
 - Should taxpayers subsidize the cost of the lodge and center or should fees increase?
- **Assistant Recreation Director Salary/Hours** (also a factor in finance) –
 - Considering the level of service that the borough wants in recreation, should additional hours be allocated to the assistant recreation director's position?

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- **Marketing & Events Director Salary/Commission/Hours** (also a factor in finance)
 - Should council allocate additional and even substantial dollars to increase marketing activities and improve conditions at borough rental facilities?
 - Does the current employee have sufficient hours allocated by the borough to accomplish her tasks?
 - What change should be made in the current employee's salary, commission and/or hours for 2010?

- **Pool Manager/Assistant Manager & Other Salaries** - (also a factor in finance) –
 - What change should be made in the current salaries for 2010?
 - Can the borough support the level of employment needed at the pool to operated 7 days a week between Memorial Day and Labor Day?
 - What is the status of our certified pool operators? Are certificates up to date? Is further training required?
 - Can the borough support the cost of a part time pool maintenance person or should this work become part of the public works crew's duties? If the work is moved to public works, does the borough have sufficient manpower to complete needed work at the pool or does it require an increase in staff?
 - Should council allow the recreation board to establish salaries or only recommend?

- **Bond Issue & Capital Purchases** –
 - The committee should review related bond issue projects and schedule projects for 2010 if funds are available.
 - What projects should be added to either the bond issue or capital improvements plan for 2010 and beyond?

- **Building Maintenance** –
 - Is the current borough building adequate to meet the needs of all the departments, committees and boards who use it? Limited space affects the overall housekeeping of the borough building. How can storage space be increased or improved?
 - Should the borough create or find a central location for the storage of certain files? For example, a room that would house all sewer related materials with enough space to adequately view materials would improve the current situation in which this information is scattered.
 - Should the borough use a resource like Business Records Management to provide storage for older material and free up space in the borough building? Should the

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- borough build a storage area in the new garage for permanent file storage to free up the room located between the conference room and council meeting room?
- Should the borough consider hiring a full time or part time maintenance person and eliminate the everyday cleaning crew? Should the quarterly window cleaning and carpet cleaning services be discontinued, reduced or contracted separately (staff)? What are the maintenance issues in other borough buildings including the magistrate's building, public works garage, recreation center, senior center and pool lodge?
 - **Parks –**
 - Should the borough consider consolidation or elimination of one or more parks?
 - Should a park be placed at the recreation center or should the main park move there with land for the main park sold or used for other activities?
 - **Pool –**
 - What should the pool look like in the future (may require a citizen task force study rather than simple recreation board review)?
 - Will major renovations require that the pool is abandoned or is the pool still in adequate shape to provide good service to residents?
 - Can funds for major renovations be raised through means other than taxes or fees?
 - **Tennis Courts -**
 - Courts must be repaired extensively each season due to cracks in much of the surface apparently resulting from subsurface material used to build up the site. Should the courts be abandoned, reconstructed elsewhere or reconstructed on site?
 - **Sale of Property –**
 - Should council consider selling one or more pieces of property to return them to the tax rolls? Which properties would council include?
 - **Field and Park Maintenance –** (also a factor in public works)
 - Considering the level of use of borough recreation facilities, the workload of a limited public works staff, the need for specific maintenance of ball fields in the spring, summer and fall and the cost associated with such maintenance should the borough contract out this work? Should the borough increase the size of the public works crew? Can the borough afford to do either?
 - **Magistrate's Building –**

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- Is there an advantage to continuing the relationship with the county in providing office space for the magistrate?
- When the contract concludes in June 2014 should council consider non renewal and other uses for that building? Should council consider negotiating an end to the lease early and find another use for the building?
- Can the borough afford to lose the rental revenue from the magistrate's building (currently at \$1,790/month)?

FINANCE

Issues for discussion/consideration in preparing the 2010 Budget from a finance perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?
- **Overall Budget Preparation** –
 - Is the current system effective in creating a budget? Should the finance committee schedule a separate meeting or should other committees reduce their agenda items for one or two months to devote more time to the budget process with all council in attendance?
 - Is the format used for preparation adequate (forms used, beginning the process in August, the budget calendar, etc.).
 - Do elected officials see the budget process as the basis for all activity within the borough or does it believe that other activities have a higher priority?
- **Taxes/Fees** –
 - Is the tax rate sufficient to manage borough affairs and fund borough activities?
 - Should taxes remain the same with a cut in services? Could council adjust taxes and fees to streamline the tax/fee system?
 - Will earned income tax revenues continue to increase?
 - Will efforts to allow a business privilege and/or mercantile tax in municipalities that did not have one prior to tax changes several years ago succeed in convincing

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the legislature to enact appropriate legislation? If so, should the borough consider instituting these taxes?

- **Services** - If the borough followed a zero based approach to budgeting, each line item would require justification each year. As an alternate, council could review individual services annually to justify their existence. At least, a list of services might be considered to provide a better picture of the many services offered by the borough. Should the borough continue to fund the following services or should the service be reduced or eliminated?
 - Full time manager and office staff with associated office equipment
 - Sewer & trash billing operation
 - Full time public works crew and equipment
 - Complete snow removal services with immediate dispatch of crew
 - Specialized public works crew members
 - Walkway & step maintenance
 - Street repair, replacement and maintenance
 - Street sweeping program
 - Sanitary and storm sewer repair, replacement and maintenance
 - Trash & recycling collection
 - Leaf collection program
 - Brush chipping and collection
 - Full time police department and equipment/vehicles
 - School crossing guard program
 - Crime Alert phone system and crime watch committee
 - Round the clock minimum two man shifts for police services
 - Canine Officer Program
 - Full or partial public safety program funding (fire, EMS, police)
 - Dispatch Center with equipment
 - Tree maintenance, removal, pruning and planting programs
 - Planting and maintenance of flower beds in various locations
 - Reimbursement for tree related sidewalk and sewer damage
 - Quarterly newsletter
 - Code Enforcement Program (contract vs. in-house - building inspection, code enforcement, zoning) & associated planning and zoning activities including comprehensive plan implementation
 - Library branch services
 - Borough building complex and associated buildings and grounds including senior citizen center maintenance

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- Recreation director
- Main Park & neighborhood parks with accompanying playground equipment, buildings, courts and fields
- Fun in the Park program
- Tennis program
- Recreation program including courses, swim teams, swim lessons, etc.
- Concerts in the Park
- Swimming pool complex devoted exclusively to Forest Hills residents
- Marketing specialist with associated promotional activities
- Westinghouse recreation center and ball fields
- Geographic Information System
- Economic development program

- **Sewer Fee and Corrective Action (capital 2) Budget** - (also a factor in public works)
 - The consent decree requires that certain work is accomplished in a timely fashion and perhaps immediately in the case of newly discovered sewer problems. Is the borough's fee sufficient to finance the long term needs of the consent decree plus any emergencies that may occur?
 - Should the borough consider using the fee as collateral for a separate bond issue or loan to fund the long term requirements of the consent decree?
 - Should it consider taking out a larger bond issue that handles other projects in addition to sewers (e.g., another pavement program)?

- **Fees for Services (including all recreation, trash collection) –**
 - Should the trash fee be removed in favor of increased real estate tax millage? Is the quarterly trash fee an improvement over the one time collection used in years prior to 2009? Can the borough continue to afford a senior citizen rate for the trash fee?
 - Are fees adequate to cover the costs of associated programs or should taxes subsidize some or all of the programs offered by the borough (e.g., swimming pool, park & facility rental)?
 - Should council consider a municipal services fee in lieu of a trash fee that would cover several services including fire and police services?

- **Priorities and Planning** (also a factor in operations & policy) –
 - Has council established priorities & policies that provide clear direction for staff and employees?

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- Should council engage in strategic planning to provide direction for the borough?
- Does council have a clear plan for the borough that will maintain its standards?
Has council established policies that clearly describe what borough standards are?
- How does council balance limited revenue sources, the demands of citizens for superior service, and its own desire to maintain a large number of services?
- **All Non Union Salaries (included in other committees: manager, part timers, recreation employees, marketing & events director) –**
 - Should council increase the salaries of non union full time and part time employees in 2010 and, if so, by how much? Traditionally, many part time employees (e.g. life guards) only get a small increase (2%).
- **Improving the Budget Reserve –**
 - Many communities attempt to maintain a budget reserve of 5% to 10% of their total budget for emergencies and potential major projects. Council's new budget reserve policy establishes criteria for such a balance. Once the funding level is reached, funding styles vary as some contribute to the reserve annually only to maintain that level while others maintain a constant stream of funds to allow for a larger reserve and may use the excess eventually for projects or tax reduction.
 - What is the impact on the budget reserve of the cost of clean up and repair following the June 2009 storm? Are funds available to continue using the reserve fund to cover first quarter operations in lieu of a tax anticipation (TAN) loan with accompanying interest payments?
 - A separate fund may also be established as a "capital budget reserve."
- **Bond Issue Purchases –**
 - Council must review all projects and determine if they will remain or if the money will be shifted (e.g. move additional funds to corrective action or pavement improvement). Other capital projects may be added to the bond issue as well.
- **Safety Improvements (also a factor in public works & public safety) –**
 - The worker's compensation carrier will require that we maintain a safe working environment as indeed we should. Council allocates limited funds through a separate line item to maintain a safe workplace. Are these funds adequate? If not, how should safety be funded? This affects public safety as well.

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- **Marketing & Events Director Salary/Commission/Hours** (also a factor in borough property) –
 - Should council allocate additional and even substantial dollars to increase marketing activities and improve conditions at borough rental facilities?
 - Does the current employee have sufficient hours allocated by the borough to accomplish her tasks?
 - What change should be made in the current employee's salary, commission and/or hours for 2010?

- **Assistant Recreation Director Salary/Hours** (also a factor in borough property)
 - Considering the level of service that the borough wants in recreation, should additional hours be allocated to the assistant recreation director's position?

- **Pool Manager/Assistant Manager & Other Salaries** - (also a factor in finance) –
 - What change should be made in the current salaries for 2010?
 - Can the borough support the level of employment needed at the pool to operated 7 days a week between Memorial Day and Labor Day?
 - What is the status of our certified pool operators? Are certificates up to date? Is further training required?
 - Can the borough support the cost of a part time pool maintenance person or should this work become part of the public works crew's duties? If the work is moved to public works, does the borough have sufficient manpower to complete needed work at the pool or does it require an increase in staff?
 - Should council allow the recreation board to establish salaries or only recommend?

- **Legal Fees** (also a factor in operations & policy) –
 - Should council reconsider use of a retainer?
 - Is council happy with the current level of legal services?
 - Is council's use of the solicitor efficient and economical or does the borough rely on its solicitors too often?
 - Should council consider alternatives?

- **Trash Fees** (also a factor in operations & policy) –
 - Should the trash fee be eliminated in whole or part and absorbed by the real estate tax (see discussion from the finance committee on taxes)?
 - Should council raise the fee to cover the cost in whole or in part or allow the budget to absorb the increased cost?

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- **Manager's Salary** (also a factor in operations & policy) –
 - Each year council determines the manager's salary for inclusion in the budget following his annual evaluation, usually held in early August.
- **Tax Anticipation Note (TAN)**
 - For the past several years the borough borrowed carry over funds from the corrective action budget or funds from the budget reserve in order to avoid securing a TAN and thus saving several thousand dollars in potential interest. Such borrowing is especially important under the new program that spreads the trash fee out over 4 quarters rather than collecting the full amount in February/March. The committee must review this issue each year, but especially this year, in order to have sufficient funding to operate during the first 4 months of the new year.

OPERATIONS & POLICY

Issues for discussion/consideration in preparing the 2010 Budget from an operations & policy perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?
- **Legal Fees** (also a factor in finance) –
 - Should council reconsider use of a full retainer or some other method of controlling fees?
 - Is council happy with the current level of legal services?
 - Is council's use of the solicitor efficient and economical or does the borough rely on its solicitors too often?
 - Should council consider alternatives?
- **Environmental Advisory Council Supporting Funds** (also noted partially in public works) -

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- Should funds be set aside to assist in their efforts on public education and public relations on the storm water management (MS4) issue?
- If not, how should this mandatory effort be financed?
- The council has been largely inactive but now has two members. Although there has not been much work for the council, it is still a body that is used for various activities including MS4 requirements. How can council encourage further membership? Who should serve as the council liaison with the EAC? In light of a lack of membership, is the council necessary or is an adjustment necessary in the zoning and subdivision ordinance to reallocate their duties?
- **Trash Fees** (also a factor in finance) –
 - Should the trash fee be eliminated in whole or part and absorbed by the real estate tax (see discussion from the finance committee on taxes)?
 - Should council raise the fee to cover the cost in whole or in part or allow the budget to absorb the increased cost?
- **Manager's Salary** (also a factor in finance) –
 - Each year council determines the manager's salary for inclusion in the budget following his annual evaluation, usually held in early August.
- **Public Relations Expenses** –
 - These expenses involve several items. The quarterly newsletter, the Tree City Times, has become a staple. However, its cost exceeds the revenues raised from advertising sales. Does council wish to implement any changes to the newsletter?
 - The Community Relations Advisory Committee (CRAB) has been dormant. Should funds continue to be allocated for public relations efforts (in the Administration section of the general fund budget)?
- **Tree Issues** (also a factor in public works) –
 - Can the borough continue to afford to reimburse property owners for sewer/sidewalk repairs caused by borough trees?
 - Do we carefully plant new trees to avoid interfering with existing sewer lines?
 - Each year the borough budgets funds to cover pruning, removal and new plantings. Often there are insufficient funds available to handle pruning and removals that are needed. Trees that may be considered dangerous in whole or in part may be neglected without sufficient funding. Does council wish to maintain this policy and, if so, to what extent?
- **Council Structure and Meetings** –

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- Does council operate in an efficient and effective manner under its present structure or should it consider changes to streamline the operation?
- What is council's expectation of the manager's role in meetings?
- Does the committee structure encourage council to micromanage the staff rather than allowing the staff to do what they were hired to do?
- **Priorities and Planning** (also a factor in finance) –
 - Has council established priorities & policies that provide clear direction for staff and employees?
 - Should council engage in strategic planning to provide direction for the borough? Efforts toward developing a strategic plan have been scattered at best. Does council believe it should engage in preparing for the long term and, if so, does it define long term than greater than the election cycle?
 - Does council have a clear plan for the borough that will maintain its standards?
 - Has council established policies that clearly describes what are borough standards?
 - How does council balance limited revenue sources, the demands of citizens for superior service, and its own desire to maintain a large number of services?

PLANNING & ZONING

Issues for discussion/consideration in preparing the 2010 Budget from a planning & zoning perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?
- **Code Enforcement Officer Salary/Expenses** (building inspector/zoning officer/code officer) (also a factor in finance) –
 - Council has considered additional hours in the past and some hours have been added. Should additional dollars be allocated to increase the number of hours of the code officer/building inspector/zoning officer?

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- Is council satisfied with the work of Building Inspection Underwriters?
- Should council consider hiring a full time code enforcement officer to handle building, code and zoning issues?
- **Electrical Inspection Salary –**
 - Should the borough continue with the current inspection system using Building Inspection Underwriters or return to the open system from several years ago? Is the borough required to specify a single inspector under the Uniform Construction Code?
- **Hours for Planning Commission Consultant (also a factor in finance) –**
 - Should Environmental Planning & Design (EPD) be allocated additional hours to assist with implementation of the comprehensive plan and continue to serve as a consultant to the commission?
 - What aspects of the comprehensive plan require updating or council review before implementation? What direction should council provide to the planning commission?
- **Fees for Support of Planning Commission & Zoning Hearing Board –**
 - Both boards have several expenses including those mentioned above. The zoning hearing board needs a new solicitor and may require that a secretary take minutes of meeting operations that do not require a court reporter. In the past, only minimal funds have been allocated here. However, both boards must operate under the Sunshine Act and must have minutes of meetings available for review.
- **Community Development Corporation -**
 - What is the level and scope of interaction needed with the CDC?
 - How much freedom and leeway will council grant the work and plans of the CDC? For example, should their work be exempt from provisions of the zoning ordinance or other borough ordinances? Do borough ordinances place an unnecessary burden on their work?
 - Should there be a stronger relationship with the Planning Commission?
 - Should council require that the CDC adhere to all provisions in the borough's comprehensive plan?
 - When the work of the CDC is completed will the CDC dissolve? Should council provide further direction to the CDC to expand their duties and continue their work?
- **Rental Property Ordinance –**

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- Will council pursue this further and, if so, how extensive will be the provisions of the ordinance?
- Are rental property provisions under the property maintenance code and its adopting ordinance sufficient?

PUBLIC SAFETY

Issues for discussion/consideration in preparing the 2010 Budget from a public safety perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?
- **Overtime & Staffing** (also a factor in finance) –
 - What steps can be taken, if any, to control overtime?
 - Is the police department sufficiently staffed?
 - Will the hiring of a new chief change this feature of the department?
- **Dispatch** –
 - Are any adjustments in the relationship with the county needed or is service adequate?
- **Vehicles/Car Rotation** –
 - Should the borough maintain a regular rotation of vehicles?
 - How will council and the department set up a rotation schedule?
 - How should the fleet be configured as to number of cars and other vehicles?
- **Canine Unit** (including additional dog and maintenance of one or two dogs) –
 - Is the current unit performing as council and mayor expect?
 - Are supplies, insurance and the vehicle sufficient to allow the unit to carry out its duties?
 - Should the borough add a second canine unit? What might be the effect on costs?

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- **Capital purchases** –
 - What capital purchases are required for public safety departments? Little has been added since the capital improvement plan program began several years ago.
 - The police department and volunteer fire department must review their capital needs for the next 5 years or more to allow council to develop a spending plan.

- **Equipment** –
 - Is the police department provided with sufficient equipment of good quality to accomplish its tasks? If not, what equipment should be added?
 - Has the department inventoried its present equipment to provide a record of its age, condition and value?
 - Is the department maintaining a log of new equipment purchased outlining the date purchased, cost, vendor, estimated life and use?

- **Safety Improvements** (also a factor in public works & finance) –
 - The worker's compensation carrier will require that we maintain a safe working environment as indeed we should. Council allocates limited funds through a separate line item to maintain a safe workplace. Are these funds adequate? If not, how should safety be funded?

PUBLIC WORKS

Issues for discussion/consideration in preparing the 2010 Budget from a public works perspective:

- **Programs & Services** (all committees) –
 - Prior to consideration and implementation of any new program or service has the committee reviewed existing services to determine if additional funds are needed or if the program/service remains viable and should remain?
 - Prior to consideration and implementation of any new program or service has the committee determined which existing program/service will be reduced or eliminated to avoid the need for a tax increase or fee or other required increase?

- **Overtime** (also a factor in finance) –
 - This is a difficult item to budget due to uncertainty of weather conditions and potential emergencies. Also, corrective action work frequently involves overtime.

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Such overtime is reimbursed from the corrective action budget periodically throughout the year.

- **Part Time Employees Salaries** (also a factor in finance) –
 - Typically, the few part timers hired by the borough to work with the crew get a minimal salary increase. And, we don't hire part timers on a regular basis due to concerns of the union. Are salaries sufficient to attract good people or should they be adjusted?
- **Crew Size** –
 - Considering the current work load, the issue of military service for one of its members, and the work in Chalfant, should the size of the crew be increased (see following point)? We have the crew doing work that ordinarily a contractor might handle and are consequently backed up on quite a few smaller jobs.
- **Chalfant** –
 - Should the contract for public works services in Chalfant continue?
 - Does the contract create an unnecessary burden on the borough crew or are we staffed adequately to handle the work?
 - If the borough were to cancel the contract with Chalfant where would additional dollars be found to make up for lost fees?
- **Field and Park Maintenance** – (also a factor in borough property)
 - Considering the level of use of borough recreation facilities, the workload of a limited public works staff, the need for specific maintenance of ball fields in the spring, summer and fall and the cost associated with such maintenance should the borough contract out this work? Should the borough increase the size of the public works crew? Can the borough afford to do either?
- **Intern** –
 - Should the budget include funding for an intern from a local college who may assist with items like inventorying equipment, organizing the department and/or administrative tasks that might fit here and under operations & policy?
- **Part Time Secretary** –
 - Should the public works foreman hire a part time secretary to assist with the many duties he has in record keeping, preparation of purchase orders, and maintaining a duty log among other items?

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- **Equipment Purchases** –
 - What purchases are needed for the new year? What capital equipment, not already budgeted or included in the bond issue, should be included in the capital improvements plan?
 - Has the department inventoried its equipment to provide a log of each tool of a certain value that establishes its condition, use and cost to replace?
 - Is the department maintaining a log of new equipment purchased outlining the date purchased, cost, vendor, estimated life and use?

- **Vehicle Purchases** –
 - Has the borough adequately planned to replace aging trucks?

- **Safety Improvements** (also a factor in finance & public safety) –
 - The worker's compensation carrier will require that we maintain a safe working environment as indeed we should. Council allocates limited funds through a separate line item to maintain a safe workplace. Are these funds adequate? If not, how should safety be funded?

- **Pavement Improvement Program** –
 - The borough has established a program through the PASER system to log and evaluate the condition of each street. Is the system adequate to meet the borough's needs?
 - Has council instituted an adequate financial and action plan to provide needed improvements to aging and poor pavement while maintaining good roads in good condition?
 - Does council understand the process of road improvement and the alternatives available for reconstruction of road surfaces?
 - Should temporary measures such as scratch coating street surfaces be instituted to provide short term solutions?
 - Does the condition of neighborhood roads affect property values and therefore affect the dollars collected in real estate taxes by the borough while maintaining a higher standard of living for residents?
 - If liquid fuels funds are used for road resurfacing, has council directed the engineer to ensure that the specifications for each road match those required by PennDOT.

- **Engineering Fees** –

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- Does council consider engineering fees excessive or average and should it investigate alternate methods of employing Gateway Engineers or others to keep costs low?
- **Sewer Fee & Financing the Corrective Action Fund** (also a factor in finance) –
 - The consent decree requires that certain work is accomplished in a timely fashion and perhaps immediately in the case of newly discovered sewer problems. Is the borough's fee sufficient to finance the long term needs of the consent decree plus any emergencies that may occur?
 - Should the borough consider using the fee as collateral for a separate bond issue or loan to fund the long term requirements of the consent decree?
 - Should it consider taking out a larger bond issue that handles other projects in addition to sewers?
- **Corrective Action Work**
 - Is the borough up to date with all consent order work to avoid any penalties and fines?
- **Stormwater Management (MS4) Requirements** (also a factor in operations) –
 - What costs will there be in implementing these requirements next year and in the future?
 - With the lack of membership and activity of the Environmental Advisory Council (EAC) (which had agreed to take on storm water issues among its other duties) how best can these requirements be implemented? Should changes be made in the EAC to provide a body that is responsive to these needs?
- **CDC/Main Street Development**
 - Once the CDC's work is completed in the business district, who will maintain the trees, shrubs, lamp posts and other features installed? If the answer is the public works crew, will additional dollars be allocated to the crew for this service? Will other duties of the crew be transferred to provide time for such work?
- **Tree Issues** (also a factor in operations & policy) –
 - Can the borough continue to afford to reimburse property owners for sewer/sidewalk repairs caused by borough trees?
 - Do we carefully plant new trees to avoid interfering with existing sewer lines?
 - Each year the borough budgets funds to cover pruning, removal and new plantings. Trees that may be considered dangerous in whole or in part may be

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neglected without sufficient funding. Does council wish to maintain this policy and, if so, to what extent?

- **Winter Maintenance** –
 - With escalating salt costs, overtime costs, and use of crew, should the borough consider alternative maintenance methods and winter operations scheduling?
 - Should the borough stockpile additional salt at the end of the winter season for the next season?
 - Should salt costs be allocated to the general fund budget while devoting liquid fuels money to road repair and resurfacing?

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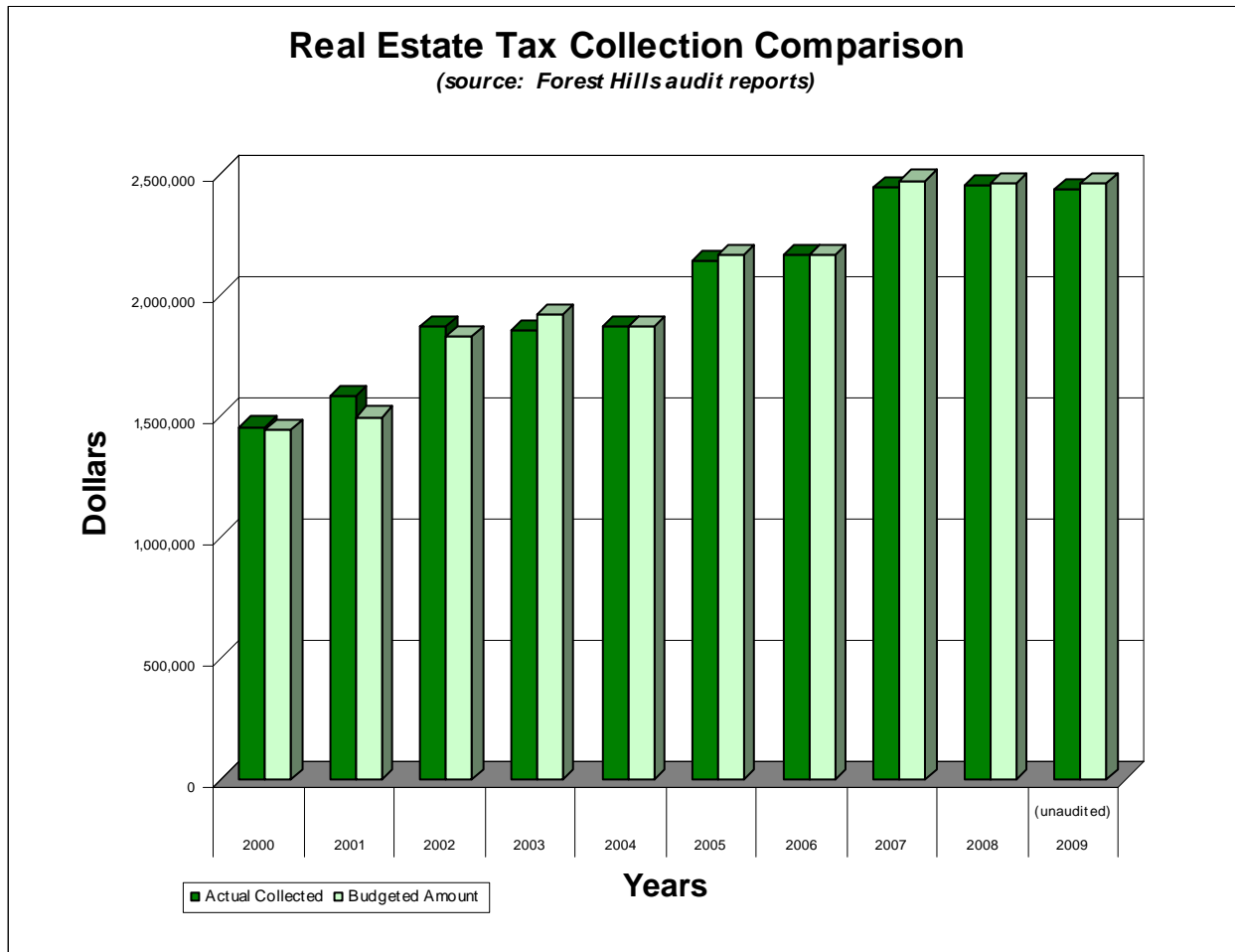
GENERAL FUND COMMENTS

Detail from the 2010 General Fund Budget is provided below.

REVENUES

Acct. 301 Real Property Taxes

Real Estate Current Year is based on the current total assessed valuation provided by the county real estate website (\$307,299,580) as of September 1, 2009. In last year's first



draft of the 2009 budget, the borough's value as set by the county was \$306,867,280. In

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2007, we use an assessed value of \$306,852,880 to calculate the first draft. The final budget uses a figure of \$307,230,280 (source: county website, December 2009).

This number seems to fluctuate monthly. For example, as of January 15, 2009, the county showed the borough's certified taxable assessed value at \$308,318,080. However, when we prepared the 2009 budget in December 2008, the taxable assessed value was established at \$306,824,580. This is the reason for my concern above in the manager's perspective section.

The total shown here assumes that 2% will be uncollectible and that another 2% will be lost due to any appeals. We always temporarily escrow about 5% of all collected funds in a separate account although that does not affect this total (The escrow money is returned to the general fund budget as needed in the 4th quarter of the year and should not be mistaken for a reserve account. The intent is to have ready cash on hand should assessment appeals increase significantly). The revenue shown also includes an estimate for penalties collected, which is why we do not show that number in the budget line item below this one (we do show penalty collections separately listed as a year to date figure for actual collections). As noted at the beginning, the millage rate remains unchanged (8.35 mills).

Real Estate Prior Years and Real Estate Liened Costs are each dependent on delinquent collections and fluctuate from year to year. Over the past 8 years, we averaged \$38,778 in revenues from Real Estate Prior Years and \$25,702 in revenues from Real Estate Liened Costs (see GS Tables 3 & 4 in the statistics section of this booklet).

Acct. 310 Act 511 Taxes

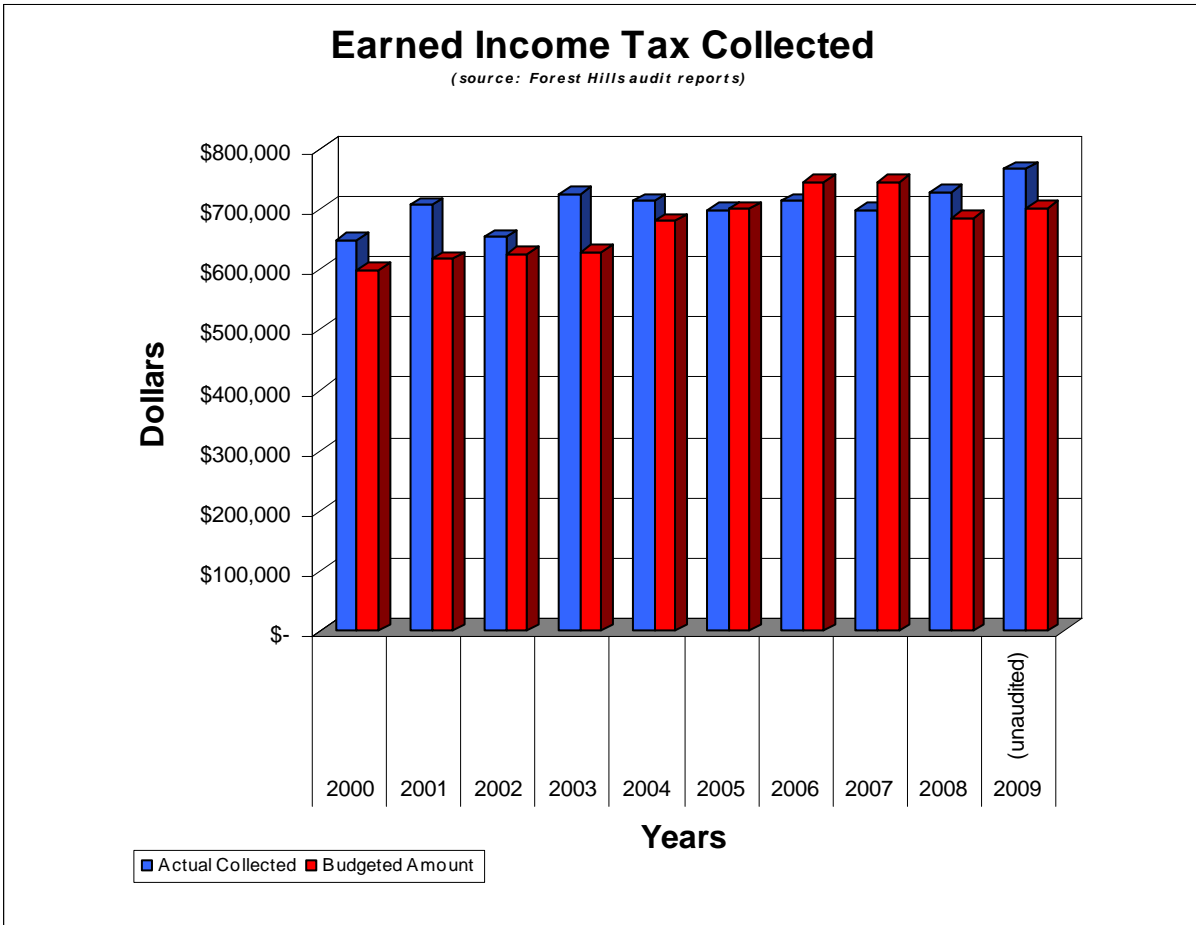
Earned Income Tax collections are approximately \$45,000 ahead of last year's collections through September. In 2008, we collected a total of \$728,703. If this trend holds, we could collect well over that amount this year. Due to the uncertain economy, however, I placed a somewhat conservative figure in the budget for 2010 despite this optimistic view of 2009 figures.

My reason for providing a conservative estimate is that Earned Income Tax is a difficult number to predict. It will be affected by the economy and unemployment as well as the number of retirees in the borough. The trend generally shows an increase in collections each year over the past ten years (see chart next page and GS Table 2 in the statistics section) except for 2005 through 2007. Council may wish to review this number and consider a larger dollar figure for 2010 considering that Forest Hills wage earners may

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not have been impacted by the economy as seriously as others have.



Acct. 321 Cable TV Franchise

We are at the maximum franchise fee of 5% of revenues. However, increasing cable revenues due to higher rates and increased shopping revenue should allow the amount the borough receives to increase slightly in 2010. In addition, the agreement with Verizon should provide revenue here although it is less certain how much this will mean in revenues. That being said, I have included the same dollar figure for 2010 as I did for the 2009 budget.

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Acct. 330 Fees & Fines

Magistrate/State Police Fines have dropped significantly over the past several years and should be reviewed by the mayor and council to determine the cause. This line item brought in approximately \$66,000 in 2002 and \$67,000 in 2003. The borough's share of fines is one method to provide greater revenues.

We are adding two line items here. The first, False Alarm Fees, will log any revenues received from the police department when it bills businesses for false alarms. The second, Rental Inspection Fees, will account for dollars received from landlords paying for this inspection. Council recommended that this fee increase by \$10 per inspection to provide the borough with revenue to cover our costs in handling these inspections with the remainder going to Building Inspection Underwriters. I will make that change in the new fee resolution for council consideration in December.

Acct. 340 Interest, Rents & Royalties

Magistrate's Office Rental figure is based on the amount we take in monthly under the lease agreed to previously. The Greensburg Pike Rec Center Rental reflects the increase in rental fees that council already approved and will ratify again as part of the new fee resolution considered this December. Interest Earnings are likely to decrease considering the economic situation. The mortgage/Wall Street crisis exacerbated an already tenuous banking and investment situation which alone would be sufficient to reduce the amount of interest earned on borough investments.

Acct. 354 State Capital & Operating Grants

Recycling Performance Grant (904) is based on the total reported recycling in the borough for the past year. At one time, this amount was approximately double what is budgeted currently. However, lack of reporting, mainly by commercial entities reduced this amount over the years. We are using code officer Ron Willard to great effect to enforce our ordinance. However, our solicitor informs us that severe enforcement of the ordinance may be problematic. I am working with him to correct these problems.

Other grant numbers shown in this category are estimates although the numbers shown for Snow Removal are based on contractual amounts that become active when winter weather requires it.

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Often, the borough receives grant funds from a local legislator for items or activities that do not remove pressure from the budget.

Acct. 355 State Shared Revenue

Mike Pisula provided the estimate of state revenue for the MMO used here. See Acct. 401 item 01-401-314 and new line item in account 410, 01-410-314, for the estimated MMO and further explanation.

Acct. 357 Local Government Units Capital and Operating Grants

RAD for 2009 is up slightly over last year at this time. Still, the economic conditions make it difficult to estimate dollars here. I am showing a 3% increase in revenues for 2010. As was true last year, a recession normally leads to less spending which will lead to lower taxes collected.

Year to date numbers show collections at \$122,268 vs. \$ 121,901 last year and \$119,375 at the same time in 2007.

I continue to show RAD receipts broken into two categories. The first is the regular RAD account. The second (01-357-011) is used to show that the borough intends to use a portion of the RAD receipts for senior citizen and/or other tax reduction (see also information in Acct. 364).

Acct. 360 Charges for Service

Income from the school district to pay for School Crossing Guards is shown here (they pay half the cost). Fuel Usage Administration Fee represents income from those who use our gas pumps at 25¢ per gallon (see fuel note in expenditures). Council should note that the 25¢ fee was questioned by the state in early 2009 and the borough may be forced to eliminate it in the future. The Tax Verification line item will be eliminated in future budgets as the work involved in preparing the certification is done by the tax collector.

Acct. 362 Public Safety Reimbursements & Acct. 363 Public Works Reimbursements

The contract price for public works and police services in Chalfant are included. Foreign Fire Insurance is a pass through item that is mirrored by the same item in fire department expenses.

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Acct. 364 Sanitation

The Refuse & Recycling Collection Charge incorporates the cost of the fourth option year of the contract with Waste Management. The new rate will amount to \$186/household for regular rate payers (an \$8 annual increase) and \$135 /household for senior citizens (an \$8 annual increase).

We will continue to bill the trash fee quarterly on a trial basis, a practice started in 2009. Cash flow in the borough office is impacted by the quarterly format but a quarterly format assists residents in spreading the cost of the fee over time. We will determine late next year if this practice should continue.

Once again, seniors would qualify for the reduced rate through eligibility in the county's Act 77 tax reduction program. Council adjusted the requirements for Act 77 eligibility earlier in 2008 by establishing a rule that all those eligible for the county program will qualify for the borough's as well, thus simplifying application requirements and saving the borough money and time in preparing and reviewing applications (see also Acct. 357).

Acct. 367 Recreation

All fees and passes (swimming and tennis) reflect any changes recommended by the recreation board and Marketing & Events Director, Cindy Simm. As usual, swimming revenues (including admissions, passes, and concessions) are a factor of the weather. The column showing year to date 2009 revenues generally represent final dollar figures with minor exceptions. The statistics section of the budget document provides a historical comparison of recreation revenues and expenditures and should be reviewed.

Acct. 380 Miscellaneous Revenues

Newsletter revenues are estimated based on current advertising rates. I assume that we will again be able to borrow from either the Corrective Action budget or the budget reserve rather than take out a Tax Anticipation Loan thereby saving interest costs. However, this will be determined in late October (note: the borough determined that it would be necessary to approve a loan in the amount of \$425,000 for 2010). The account also includes the dollars under Transfer from Capital 2 that represents anticipated personnel costs charged to the corrective action budget by the general fund budget. As you may recall from past discussions, personnel costs include the most recent hire in

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public works, personnel costs for crew members working exclusively on sewers (including overtime), a portion of my time (approximately 25%) considering that I attend many meetings related to consent decree activities and a majority of Administrative Assistant Siobhan Nicklow's time (approximately 70%) due to the many hours she spends on sewer billing.

A summary of the 2010 general fund budget revenues and expenditures is shown on the next two pages.

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Borough of Forest Hills					
2010 Budget Summary by Category					
<i>Acc't No.</i>	<i>Revenues</i>	2009 Budget	% of Total Revenues 2009 Budget	2010 Budget	% of Total Revenues 2010 Budget
	Taxes				
301	Real Property	2,524,507	49.26%	2,529,745	45.09%
310	Act 511	873,150	17.04%	902,360	16.09%
	TOTAL TAXES	3,397,657	66.30%	3,432,105	61.18%
320	Licenses & Permits	29,900	0.58%	28,050	0.50%
321	Cable TV Franchise	91,500	1.79%	91,500	1.63%
330	Fees & Fines	56,500	1.10%	60,600	1.08%
340	Interest, Rents & Royalties	91,000	1.78%	86,900	1.55%
	State				
354	Grants	36,800	0.72%	37,600	0.67%
355	Shared Revenue	<u>116,500</u>	2.27%	<u>106,500</u>	1.90%
	TOTAL STATE	153,300	2.99%	144,100	2.57%
357	Local Government Grants (RAD)	147,000	2.87%	152,000	2.71%
360	Charges for Services	190,656	3.72%	190,362	3.39%
	Reimbursements				
362	Public Safety	77,430	1.51%	78,814	1.40%
363	Public Works	<u>45,520</u>	0.89%	<u>46,848</u>	0.84%
	TOTAL REIMBURSEMENTS	122,950	2.40%	125,662	2.24%
364	Sanitation	552,874	10.79%	574,774	10.25%
367	Recreation				
	Pool	104,800	2.05%	107,100	1.91%
	Programs	13,400	0.26%	14,150	0.25%
	Tennis & Misc.	<u>9,700</u>	0.19%	<u>10,200</u>	0.18%
	TOTAL RECREATION	127,900	2.50%	131,450	2.34%
380	Miscellaneous	163,117	3.18%	592,312	10.56%
	TOTAL REVENUES	5,124,354	100.00%	5,609,814	100.00%

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Borough of Forest Hills					
2010 Budget Summary by Category					
<i>Acc't No.</i>	<i>Expenditures</i>	2009 Budget	% of Total Expenditures 2009 Budget	2010 Budget	% of Total Expenditures 2010 Budget
Borough Administration					
400	Legislative	20,394	0.40%	18,878	0.34%
401	Administration	720,458	14.06%	612,651	10.92%
403	Tax Collection	44,229	0.86%	28,491	0.51%
404	Legal Services	<u>75,000</u>	1.46%	<u>69,500</u>	1.24%
	TOTAL ADMINISTRATION	860,081	16.78%	729,520	13.00%
Public Safety					
410	Police	1,383,900	27.01%	1,416,551	25.25%
411	Fire	118,583	2.31%	112,865	2.01%
412	Ambulance	9,689	0.19%	9,574	0.17%
415	Neighborhood Crime Resistance	2,525	0.05%	1,150	0.02%
416	Auxiliary Police	5,000	0.10%	3,500	0.06%
419	School Crossing Guards	<u>52,391</u>	1.02%	<u>49,885</u>	0.89%
	TOTAL PUBLIC SAFETY	1,572,088	30.68%	1,593,525	28.41%
414	Planning & Zoning	43,794	0.85%	42,082	0.75%
Sewage/Sanitation					
429	ALCOSAN	0	0.00%	0	0.00%
427	Refuse Collection	428,220	8.36%	445,788	7.95%
426	Recycling Collection	<u>100,786</u>	1.97%	<u>105,018</u>	1.87%
	TOTAL SEWAGE/SANITATION	529,006	10.32%	550,806	9.82%
Public Works/Maintenance					
406	Magistrate's Office Building	7,950	0%	7,205	0.13%
409	Building Maintenance	97,334	1.90%	96,237	1.72%
430	Public Works	687,758	13.42%	690,089	12.30%
431	Street Maintenance	101,577	1.98%	111,611	1.99%
436	Sewer Maintenance	<u>81,530</u>	1.59%	<u>67,770</u>	1.21%
	TOTAL PUBLIC WORKS/MAINT.	976,149	19.05%	972,912	17.34%
Recreation					
451	Programming	10,041	0.20%	9,545	0.17%
452	Swimming Pool	131,033	2.56%	140,594	2.51%
453	Tennis	11,829	0.23%	11,505	0.21%
454	Parks	110,754	2.16%	97,814	1.74%
459	Recreation Center (Westinghouse)	<u>75,924</u>	1.48%	<u>74,691</u>	1.33%
	TOTAL RECREATION	339,581	6.63%	334,149	5.96%
455	Tree Service	89,133	1.74%	83,030	1.48%
458	Senior Citizen Center	7,900	0.15%	7,390	0.13%
471-475	Debt Service - Capital Projects	392,738	7.66%	825,343	14.71%
492	Reserve for Capital Funds	305,052	5.95%	304,941	5.44%
480/490	Miscellaneous	8,831	0.17%	166,117	2.96%
	TOTAL EXPENDITURES	5,124,353	100.00%	5,609,815	100.00%

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Expenditures

All Salaries/Benefits

Barb Livingstone calculated all salaries and benefits costs by using current contractual requirements. We also estimated a 10% health care benefit increase for 2010. Health care costs are unknown at this time but a figure will be forthcoming from MEIT probably in November. Worker's Compensation charges are also unknown at this time so we used the current rates for this budget.

Other part time employees received increases in this budget unless council overrules. It should be noted that:

- ▶ Included is an increase in Synchro Coach salaries recommended by Steve Karas
- ▶ Police salaries reflect a full complement of 10 members including two sergeants and the Chief of Police
- ▶ The part time pool maintenance/operator position has been moved from the parks budget to the swimming pool budget.

The chart on the next page illustrates suggested changes to these salaries for council's review and approval (Note: the final chart of salaries is different from this one as council considered and approved a maximum 1% increase for all non union employees).

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WAGE INCREASES FOR BUDGET YEARS 2010 & 2011						
PERSONNEL BUDGET DRAFT / 10/1/09						
EMPLOYEE	2009		2010		2011	
	INCREASE	CURRENT SALARY / RATE	INCREASE	2010 SALARY / RATE	INCREASE	2011 SALARY / RATE
CINDY SIMM	3%	\$ 24,761.19	3%	\$ 25,504.03	3%	\$ 26,269.15
COMMISSION		\$ 7,100.00		\$ 8,400.00		\$ 8,400.00
TOTAL		\$ 31,861.19		\$ 33,904.03		\$ 34,669.15
STEVE MORUS	3.50%	\$ 72,866.87	3 5%	\$ 75,417.00	3 5%	\$ 78,057.00
SCHOOL CROSSING GUARDS	2%	\$ 9.31	2%	\$ 9.50	2%	\$ 9.69
MIKE MATTONE	2%	\$ 10.00	2%	\$ 10.20	2%	\$ 10.41
TED GILBERT	3%	\$ 15.52	3%	\$ 15.99	3%	\$ 16.47
MR. PORCO / MAINT	3%	\$ 9.83	3%	\$ 10.13	3%	\$ 10.44
ASST. REC. DIR.	NONE	\$ 15.00	NONE	\$ 15.00	NONE	\$ 15.00
POOL MGR	3%	\$ 13.75	3%	\$ 14.17	3%	\$ 14.60
ASST. POOL MGR	2%	\$ 10.48	2%	\$ 10.69	2%	\$ 10.91
1ST YR GUARD	2%	\$ 7.49	2%	\$ 7.64	2%	\$ 7.80
2ND YR GUARD	2%	\$ 7.63	2%	\$ 7.79	2%	\$ 7.95
3RD YR GUARD + SUBSTITUTE	2%	\$ 7.89	2%	\$ 8.05	2%	\$ 8.22
	2%	\$ 7.44	2%	\$ 7.59	2%	\$ 7.75
SYNCHRO COACH		\$ 736.00		\$ 1,000.00		\$ 1,000.00
SYNCHRO ASST		\$ 460.00		\$ 350.00		\$ 350.00
SYNCHRO ASST		\$ 460.00		\$ 350.00		\$ 350.00
SWIM TEAM COACH		\$ 2,384.50		\$ 2,384.50		\$ 2,384.50
SWIM TEAM ASSIST.		\$ 1,029.85		\$ 1,029.85		\$ 1,029.85
SWIM TEAM ASSIST.		\$ 1,029.85		\$ 1,029.85		\$ 1,029.85
TENNIS COACH	3%	\$ 12.25	3%	\$ 12.62	3%	\$ 13.00
ASST COACH	2%	\$ 7.62	2%	\$ 7.78	2%	\$ 7.94
FUN IN PARK DIR	2%	\$ 11.22	2%	\$ 11.45	2%	\$ 11.68
COUNSELOR-NEW		\$ 7.44	2%	\$ 7.59	2%	\$ 7.75
COUNSELOR-REHIRE		\$ 7.54	2%	\$ 7.69	2%	\$ 7.85
PART TIME P.W.D.						
1ST YEAR	2%	\$ 8.00	2%	\$ 8.16	2%	\$ 8.33
2ND YEAR	2%	\$ 8.50	2%	\$ 8.67	2%	\$ 8.85
3RD YEAR	2%	\$ 9.00	2%	\$ 9.18	2%	\$ 9.37
4TH YEAR	2%	\$ 9.50	2%	\$ 9.69	2%	\$ 9.89
JOHN GRAY	2%	\$ 10.00	2%	\$ 10.20	2%	\$ 10.41
CODE ENFORCEMENT		\$ 15.45		\$ 15.92		\$ 16.40
POLICE CHIEF (estimate)				\$ 79,758.00		

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Other Items

Natural Gas Costs – all buildings/facilities

Earlier this year, the borough enrolled with UGI a natural gas broker which immediately brought about some savings in our gas bills. The current rate per mcf (1,000 cubic feet) is \$7.91. In comparison, Dominion Peoples which serves Forest Hills has been charging \$9.41 per mcf and recently announced that it would move to a lower rate this quarter at \$8.48.

Regardless, utility costs continue to rise. Our phone service is now with a low cost company and we have eliminated and combined phone lines to permit a savings. I have recommended for some time that the borough should pursue a broker for electric rates as well. The problem with using a broker is the bid process. Our solicitor informs us that we must first bid for brokers several times before we may negotiate one on one with a given broker. This takes time and money but is required under the borough code. Most brokers have informed us that they will not bid for such services as their job already involves bidding for the best price they can get from suppliers and the spot market with which they deal would prohibit them from committing to a price and guaranteeing it for a period of time as part of a bid.

Acct. 401 Administration

Website figures include an estimate for the cost of an editor and/or the cost of transferring the site from the Pittsburgh Free Net host to another that has a larger capacity. No Public Relations budget was submitted and is therefore eliminated.

We added a new line item in police to reflect the MMO for police pensions. The dollar figure here in State Aid/Pension Plans is based on Mike Pisula's estimate of \$27,896 for non uniform only. See earlier discussion under revenues (account 355).

Acct. 403 Tax Collection

The numbers here are fixed based on prior agreement approved in ordinance 984.

Act 77/Gentrification has been reduced since under the system started this year the discount amount for qualifying seniors comes directly off the bill they receive from the county. The dollar figure here will be used to account for those applying late to the county for gentrification.

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Acct. 404 Legal Services

The Retainer line item reflects costs associated with the attorney hired to assist with labor negotiations and other personnel matters. Both line items regularly go over budget. While some of this cost is reimbursable (for planning and zoning related matters), most of it is not.

Fuel Line Items – Administration, Police, Public Works

A line item for fuel is included in the above accounts. In addition to the fuel we use we also sell fuel to other area police, fire departments, EMS and public works departments (see account 360 above). During the year, all public safety related fuel costs are charged to police including our own and all public works related fuel costs are charged to public works including our own. Throughout the year and especially near year end, we transfer non-Forest Hills charges to the fuel line item in administration thereby more accurately reflecting the charges to our two departments.

Acct. 409 Building Maintenance

Janitorial Service reflects the amount owed under the current contract with the cleaning company.

Acct. 410 Police

New Vehicle Purchase Replace the canine unit with an existing car and purchase a new 2010 vehicle. Lease costs are approximately 3 payments of \$12,000.

Existing Police Vehicle Lease (see chart on page 37)

Add line item 410-314 State Aid/Pension Plans to account for the MMO costs related to the police pension.

The Canine Unit Per Diem was increased in 2007 from \$4 to \$6 and includes an estimated \$500 to cover veterinarian bills. A slight overall increase is included in the 2010 budget.

Telephone includes cost of 3 cell phones plus cell service for police vehicles.

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The cost for Insurance/Bonds is increasing due to inflation and other factors. Sgt. Williams believes an increase in Training is necessary to meet requirements and council has indicated its concerns here as well.

Acct. 412 Ambulance

I included the same contribution amount (\$1.25 per capita) under Contribution Revised Budget as previous years, the same amount requested by WHEMS. Water and sewer are included as usual because our public works line is tied to theirs and there is no way of determining water usage for each building at this time.

Acct. 414 Planning & Zoning

The salary for the part time code officer is included here. Please see salary information discussed elsewhere. The zoning hearing board requires a secretary and a solicitor that must be paid for through borough funds. Both are included in this section of the budget although neither has been hired.

Building Inspection Underwriters continues to be used for building inspection and zoning matters. Their fees are generally paid through fees and fines collected so there is little cost to the borough.

Acct's. 415 Neighborhood Crime Resistance and 416 Auxiliary Police

Expenses here remain essentially the same as before with only minor changes. Council may wish to review these expenses for additional changes.

Acct's. 426 & 427 Recycling & Refuse Collection

This account includes dollars for the purchase of additional recycling containers. Our supply of containers is almost exhausted as is often true late in the year. Also, costs of accepting the option year contract with Waste Management for services in 2010 are included in both sections. The total increase amounts to almost \$22,000 plus slightly less than \$4,000 for administrative costs, materials, billing, postage, etc. The chart in the statistics section of the budget outlines the cost for each contract year over the past several years and to the end of the current contract. (See also account 364 in revenues).

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POLICE CAR ROTATION – 9/1/09

Paid off in 2009: Car 1
Paid off in 2010: Car 3

Car #	Year	Make	Model	VIN #/DATE DELIVERED/USE	Mileage
1	2007	Dodge	Charger	2B3KA43H17H878171 Traffic details; undercover; backup unit for daily patrol	33,900
2	2006	Ford	Explorer	1FMPU71E06UB63092 September 22, 2006 Daily patrol; officers may double up in this unit during adverse weather	40,750
3	2008	Ford	Crown Vic	2FAFP71VX8X172225 August, 2008 Daily patrol	30,800
4	2009	Ford	Crown Vic	Not yet in service	
K-9 unit	2003	Ford	Crown Vic	2FAFP71WX3X111572 July 11, 2002 Specially equipped for K-9 duty; used only by dog handler.	94,550
	2000	GMC	Yukon	Undercover surveillance & traffic monitoring; used to transport officers to training	63,700
Pub. Works/ code	2005	Ford	Crown Vic	2FAFP71W95X123246 April 15, 2005	

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Acct. 430 Public Works

Item 251, Vehicle Parts, etc., should be maintained at a higher number because three of our trucks are 10 years or more old. Equipment Rental includes estimated cost of equipment needed to create the rec center access road for fill area (also see Miscellaneous under Acct. 455).

Maintenance-Traffic Signals could change with approval of the grant with Southwestern Planning Commission through the Turtle Creek Valley COG. The borough would have a matching share of the work done in timing and replacing signals in the route 30 corridor.

The grant approval was completed this year and we anticipate work beginning in 2010.

Supplies includes the cost of striping and lights for back of the bucket truck plus a power inverter so that we can power other needed equipment.

Acct. 431 Street Maintenance

Signs should be maintained at a higher cost because several of our street name signs need replaced. However, often we exceed this budget number and never get to the street name signs because of other issues that develop. For example, we added a number of “no smoking” signs for borough parks due to the ordinance approved by council. A number of “no hunting” signs have been ordered for posting on borough properties as well.

The Crack Filler line item has been moved to the paving program budget.

Acct. 436 Sewer Maintenance

Since most of these funds, if not all, come from the corrective action program, we are considering eliminating this category and moving all costs to that budget. This would affect the revenue item Transfer from Capital Two in account 392. If a change is made a portion of those dollars would remain to offset sewer related personnel costs as discussed earlier.

Acct. 451 Recreational Programming

In 2008, we kept the hourly salary for the assistant recreation director the same (\$15/hr) but reduced hours from 175 to 146 under Wages, Assistant Recreation Director. That continued in 2009 and will continue in 2010 as well.

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The Program Development line item shows no dollars budgeted and is under consideration for elimination.

Acct. 454 Parks

Wages Part Time is eliminated from this budget (see earlier discussion under salaries). The Travel line item has been eliminated. Supplies includes purchase of 3 loads of Fibar estimated at \$3,800 total. Fibar is used for fall material in the park playgrounds.

Acct. 455 Tree Service

Contingency/damage covers the Borough's share of the cost of correcting tree root damage to sidewalks, sewers, & lawns (resolution number 1090, approved in December 2009, changes what is covered here).

Spraying for insect control has been limited. A number of years ago we decided to keep spraying costs to a minimum. If we have a major infestation the cost of control would be met with special emergency funds. We are discussing this now because we understand that gypsy moths are moving this way from eastern PA. It should be a couple of years before we are faced with this problem; but it is hard to predict.

Miscellaneous The 2009 budget request was increased to cover the cost of tree removal in order to extend ball field no. 1 and to build an access roadway. Also included was planting of trees along Greensburg Pike to shield the storage area between the Pike and ball field no. 2. Due to lack of time, availability and timing restrictions (on planting) neither of these projects was completed in 2009. Planting will not be completed before year end and we are not sure about construction. Furthermore, we are assuming that both projects are still to be completed and therefore are carrying the \$11,000 into 2010. The cost will be removed from the budget when the projects or parts thereof are completed. Other than this our basic request remains at \$3,500 to cover updated training meetings to maintain required licensing, professional membership, and limited tree care at Westinghouse Lodge.

Planting Trees is used to replace removed trees.

Pruning - Most pruning is done for safety reasons including removal of dead and otherwise hazardous branches, elevation of low hanging branches and clearance of service entry wires (not done by Duquesne Light). Actually, we should be doing more pruning than the budget will allow. However, we feel that it is a realistic figure. Prior to

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2008 all pruning was completed by an outside contractor on a time and materials basis determined by bid every two years. We felt we were not getting our money's worth and we had to do too much policing. In 2008, we went to lump sum bids for specific work periodically during 2008 and 2009. This has been very effective in getting more done for the same money. Most of the pruning problems are connected with our 800 Pin Oaks. For your information, none of our replacement trees are Pin Oaks.

All Removals are done for reasons of safety. Our budget for this item has remained constant for the past 3 to 4 years. We feel that it is realistic.

Special Planting is used for Ardmore median tree replacement.

Flower Beds - The Late Bloomers request an increase and have submitted a detailed memo for council review (separate). A brief summary of their reasons:

1. Their areas of responsibility has increased (from 2 beds to 8) with a minimal increase in the budget.
2. Besides inflation, costs have risen due to the number of annuals required and amount of mulch.
3. At one time we had a benefactor from Fox Chapel that donated all the flowers but he passed away about 2 years ago and we no longer have that donation.

Quadro-Pro – the line item name has been changed from Arbotect to Quadra-pro. It is a new name but the same product for control of Dutch Elm disease.

Acct. 458 Senior Citizen Center

Past consideration has been to evaluate the center to determine if the borough should maintain it or sell the building. No final decision has been made though the issue surfaces from time to time.

Acct. 471-475 Debt Service

See the debt service schedule section in the budget document appendix for the full schedule of payments.

Acct. 480 Miscellaneous

See earlier comments on the Budget Reserve and council's policy on the topic. Dollars

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in this line item (\$141,320) represent money that will be reserved for potential future pension requirements. Council decided to accept the lowest MMO valuation presented by the actuary and hold the difference between that valuation and a suggested higher valuation in reserve should it be needed. If it is not needed the funds may be considered for other uses as determined by council. (A discussion on this topic may be found in the September 23, 2009 meeting minutes and may be continued at the October 21, 2009 meeting.)

If council wishes to create a capital improvements plan reserve as it stated previously it may want to increase contributions here. In the future, the only need to include dollars in this line item will come from a change in policy or a diminution of the reserve level for any reserve fund activated.

The Donation for Edgewood Library maintains the same \$1 per person amount although the library indicated previously in a letter and presentation to council that they require additional funds.

Acct. 492 Reserve for Capital Funds

The amount transferred to the capital improvements plan (shown as Capital 1) is split to account for a transfer to the plan and the transfer of 1 mill of taxes to the road improvement program. We no longer use the transfer to the Capital 2 budget since all ALCOSAN related fees were placed there in 2007. The Transfer to Capital 1 line item has been reduced significantly over recent years to save money. Council may wish to revisit this if it plans on including significant capital spending for the year.

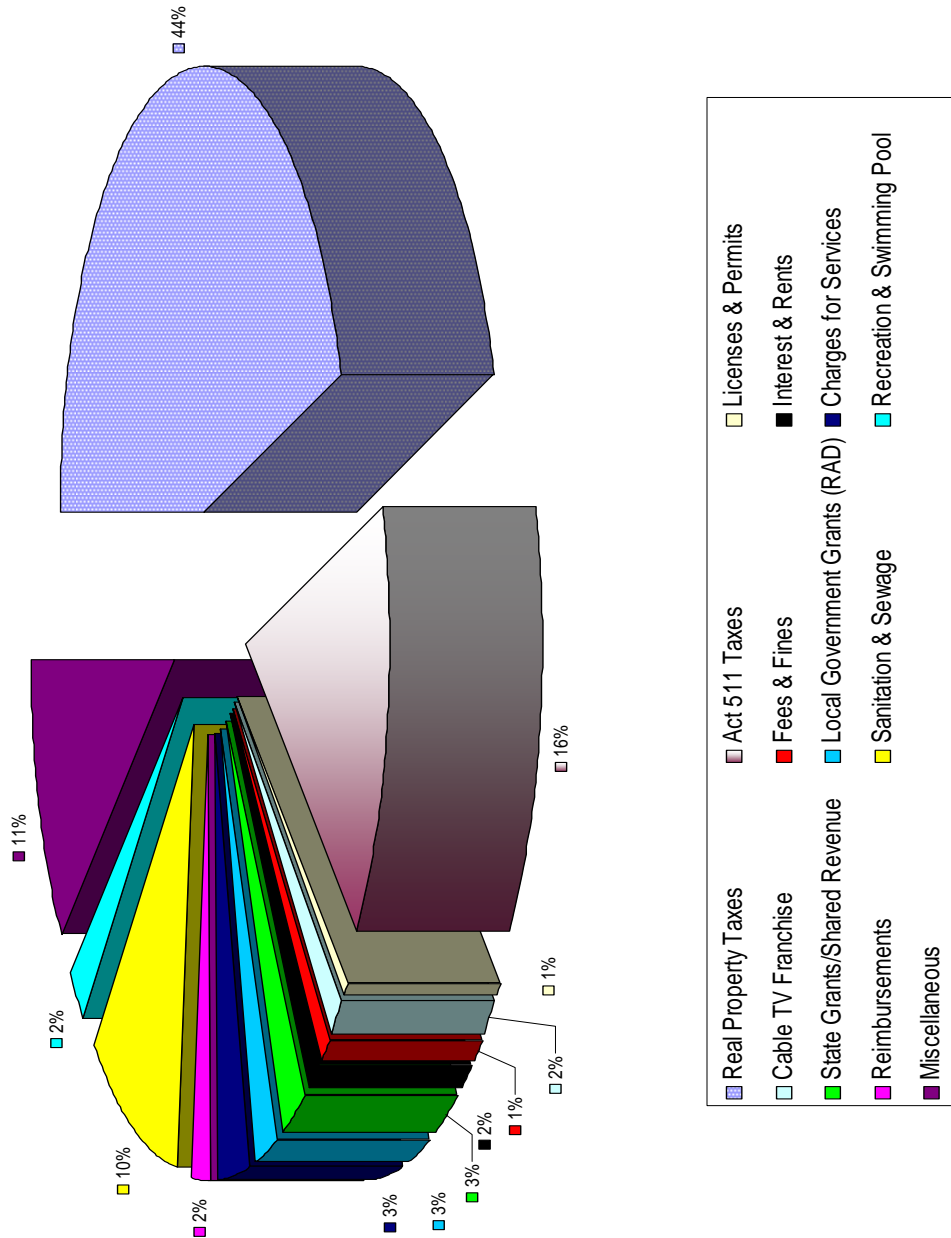
Council will note that there are two audit adjustment line items shown in this section (and elsewhere in the budget) to account for year end adjustments required to convert our accounts from a cash basis to a modified accrual basis of accounting and to correct changes to “due to” and “due from” accounts (these lines may not be shown in the final printed budget).

The pie charts on the following pages illustrate the percentages devoted to general fund budget categories for revenues and expenditures.

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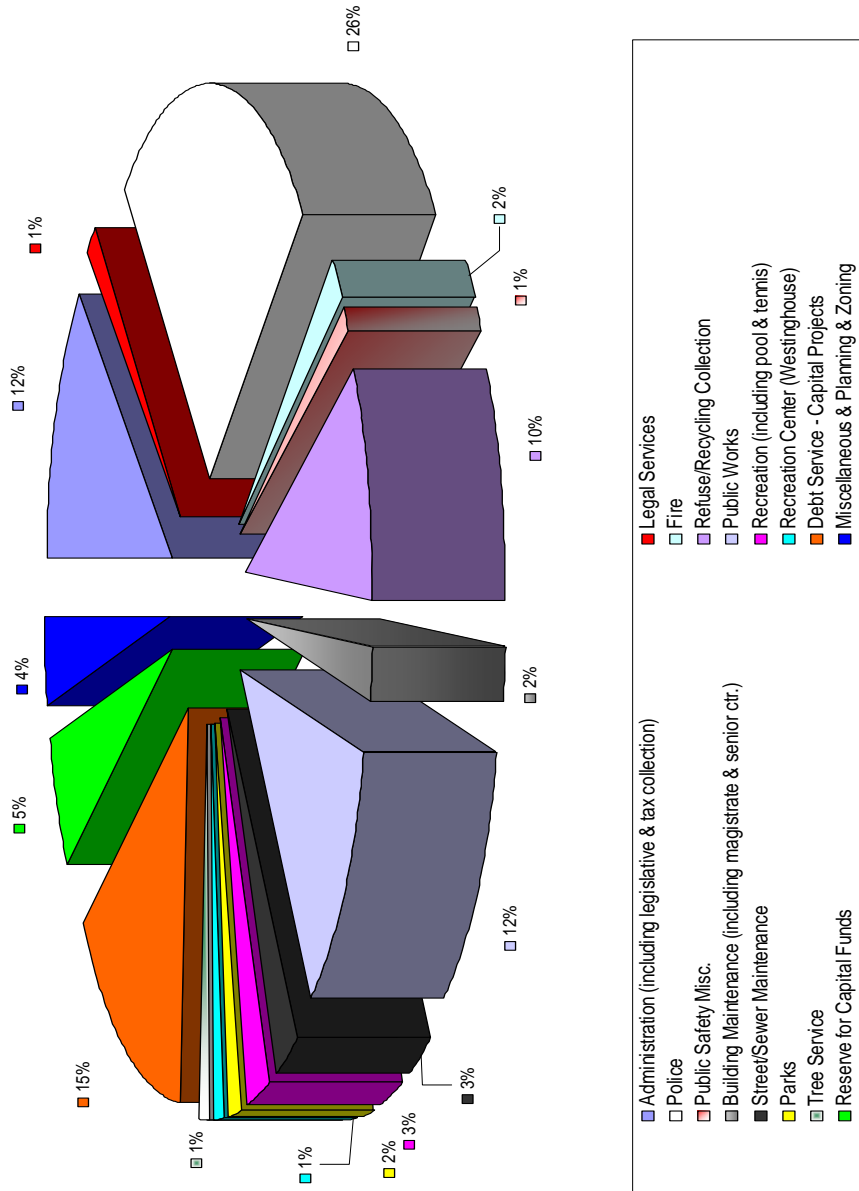
2010 GENERAL FUND REVENUES



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2010 GENERAL FUND EXPENDITURES



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CAPITAL BUDGETS/LIQUID FUELS

Capital Improvements Plan & Road Improvement Program

(See separate booklet for detail)

Capital Improvements Plan - Summary

The **Capital Improvements Plan** (Capital 1) is not presented as part of the initial budget. All department heads were asked to review items in the current plan and resubmit and update any that they wanted to continue as well as include new items. If an item is not resubmitted it will be removed from the plan.

Each capital project sheet will be provided to the appropriate committee for review prior to including it in the draft capital improvements plan. The draft will subsequently be submitted to the finance committee for review and approval before consideration by the full council.

Bond issue items will be discussed separately and included as part of the final plan but are not presented here. However, it should be remembered that one bond issue project is the first five payments on the new fire truck. Council must review and consider its options for funding the remaining ten years.

The **Capital Improvements Plan** may have carryover dollars from projects that were funded but not started. Some of those carryover dollars are from grants which will restrict their use to the items covered in the grant. This will be determined as we get closer to year end.

Road Improvement Program - Summary

The **Road Improvement Program** fund will be maintained as part of the final plan in booklet form but shown separately and accounted for separately. We will update the PASER program and include at least a summary of each road segment rating in the final document. Last year, we included a summary of the road rating system in this booklet.

Some carryover dollars will remain here pending receipt of bills from the two contractors and additional tax collection efforts.

Available funds for 2010 will again be less than prior years. Coupled with the increasing cost of fuel and oil prices that will affect asphalt costs, the number of street segments the borough will

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complete will be reduced over prior years.

I used the current county assessed value to determine the revenue that might be raised by 1 mill of taxes. As was true in the general fund the amount shown assumes a 2% delinquency rate and 2% appeal rate.

Expenditures in the fund include those categories specified by council with a small contingency (\$500) added should any legal costs be incurred. We are adding a separate line item for crack sealing since council has approved that as a valid use of paving fund dollars.

There is also uncertainty as to how work on curb repairs will be allocated between the contractor and the borough crew. The crew may accomplish the work for less money as their salaries and benefits are considered a fixed cost to the borough. However, using the crew to do the work does have a cost – other work that might be accomplished but that is neglected because of time spent on curb repairs.

Corrective Action Budget

The **Corrective Action/Capital 2** Budget for 2010 reflects preliminary numbers at this time. Because this work is ongoing we will not have a determination on the impact on this budget until late in the year. Therefore, this draft will likely change substantially in a few weeks as we determine the amount of work remaining for this year. However, at this time I do believe we will have some carryover dollars, although less than what we have had in the past. Also, it appears that the current sewer fee of \$3 per thousand gallons is sufficient to fund this work and should not be changed.

I created our budget for 2010 in consultation with Gateway Engineers. They have been part of the process and are knowledgeable on work that must be completed and time lines that must be met under the consent decree. All line items from the past remain and no new line items were added in the first draft.

In Expenditures, we continue to budget personnel expenses (19-429-140) that cover one employee hired several years ago through this fund and the eventual transfer of other personnel costs from this fund to the general fund to account for sewer related work undertaken by the public works crew, administrative assistant and manager (see earlier discussion in the general fund budget).

In the section entitled Sanitary Sewer Consent Decree Activities, related engineering costs have

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been included where relevant. We also maintain a separate engineering expense line item (19-429-213) to account for sewer related work not otherwise accounted for. Item 19-429-450 is maintained as a contingency to handle emergencies if and when they arise. If unused, these funds are added into any carryover and maintained as sewer funds.

Liquid Fuels

A **Liquid Fuels** carryover figure is estimated at \$12,000. The state aid figure has not been provided to us by PennDOT at this time but we expect that it will be similar to aid in 2009.

The largest expenditure is shown under salt purchases. I increased this based on the increased cost of the 2010 salt contract and the amount spent in 2009. I also maintained the reserve figure at the bottom which may be spent on salt or other acceptable activities. You will notice that the reserve figure is much lower than past years due to the increase in the salt line item.

During 2007, there was discussion on using the liquid fuels in alternative ways but since there has not been a consensus from council, I have not made any changes here.

SUMMARY

The budget was prepared with the assistance of department heads and staff. All spent countless hours reviewing costs, past budgets and future needs. My thanks to all who assisted in this work, in particular our office staff: Barb Livingstone, Bobbie McGreevy and Siobhan Nicklow. The budget could not have been prepared without their fine work.

The nation's economy played havoc with many municipal budgets, and Forest Hills was certainly affected. The 2009 budget was strained to the limit but the borough's financial situation remains stable thanks to the borough's reserve fund and the work of all employees and officials in reducing spending where possible. The June 17 storm also created many difficulties for Forest Hills but the borough's reserve fund reduced the impact on the 2009 budget.

The strain on the reserve meant that the borough must take a serious look at the 2010 budget and consider possible cuts or tax increases to maintain the level of service that residents find attractive.

In reviewing the 2009 budget, the summary to my budget message could almost be repeated here word for word. It warned of continued downturn in the economy:

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Certainly, the business cycle is in a downward trend now but the U.S. economy and its many components including the stock market and banking and financial industry have proven to be resilient. However, the current economic crisis is global in nature, much more so than ever before. Other countries are heavily invested in United States interests and financial instruments and the fluctuating price of oil will continue to have an impact on the economic situation despite the relative low prices as we finish 2008. The unemployment rate continues to rise. No end is in site at the present time. All of these events will continue to impact the borough and we may find problems down the road as foreclosures continue and job loss grows.

The 2009 budget further outlined the difficult task ahead for staff and officials:

Council, the mayor and staff must continue to monitor the borough's finances and make tough decisions on its direction. The 2010 budget already appears to be a major stumbling block as it is predicted that a significant tax increase would be needed to maintain the current level of services.

Specific issues must be addressed as well. For example, in four years, the borough must come up with a source of funds to pay the remaining ten years on the new fire truck. That will be difficult coupled with the equipment and other needs the borough will have. Long term and creative thinking is essential if the borough is to be prepared while weathering the current economic downturn. No idea should be dismissed as radical or far fetched as any idea may have at least a germ of wisdom or a hint toward a long term solution that will protect the borough from further problems.

In the end, the borough does not need a tax increase for 2010 although the same cannot be said for the outlook for 2011. Taxes did not require an increase because the borough's budget process provides a lot of information and plenty of time to prepare thereby assisting officials in seeking alternatives.

The borough's budget reserve will end 2009 with funds although it will have taken a significant hit due to the factors noted above. Again, the 2009 summary provides words that should be heeded on the borough's reserve fund and is a good place to end this message:

Finally, a note on the budget reserve - no one should misconstrue the intent of or need for a budget reserve. Unlike a private enterprise which can raise funds through issuing stock, government may only provide additional funds through tax and fee revenue increases or borrowing which then must be paid back from tax and fee revenue. Many businesses that remain profitable and that intend to survive the ups and downs of the

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business cycle possess a reserve of funds to use for emergencies and special needs. This is true of government as well.

Because the source of a budget reserve fund is tax revenue, officials must be cautious as to the size and use of such a fund. Forest Hills elected officials have seen the wisdom of preparing a policy that outlines both.

And because tax revenue is the source of this reserve, taxpayers, citizens and employees may reject the need for any type of reserve or feel that the funds should be immediately used to reduce taxes, improve services, raise salaries or improve benefits. What those who feel this way fail to see is that the borough cannot predict accurately the total revenues and expenditures each year. No one can. There will always be unforeseen events that cause an increase in one or another expense or a decline in a revenue source. Without the benefit of a proper reserve fund, such events may cause a decline in service, layoffs, or tax/fee increases or borrowing. A reserve fund serves as another form of risk management to protect the government from losses.

Government cannot truly run like a business in all facets because there are legal limitations placed on it and other distinctions that are not part of the private sector. But to the extent that it can, a modest reserve fund is a valuable tool in protecting a local government from economic downturns and financial uncertainties.

Steven J. Morus, Manager