



South Harrison Township

July 2009

From the Desk of the Mayor

Over the past two years, we have witnessed a significant decline in many of the ongoing revenue streams in our Municipal Budget. In 2009, we have seen and budgeted yet another decline in these revenue streams. As a result of the continuing economic downturn in our country, we are convinced and concerned that there will be additional losses of revenues in 2010 and 2011.

In an effort to keep residents informed and involved on this very important issue, there will be a public meeting on the 2009 and beyond Budget for South Harrison. We encourage everyone to attend this meeting and to get the facts behind the finances of the Township. The last two years have been tough on the Township and its residents. We found ourselves in the news often, and much of it was not flattering to the image of the Town. Often times lost in much of the news was the worsening condition of both the State's and our Town's finances. 2009 has to be the year we as a Town, and more importantly we as your elected representatives, take some honest and tough actions to stem the eroding tide of our financial base. So, I encourage everyone to attend this meeting and get the facts first hand. *Robert S. Campbell*

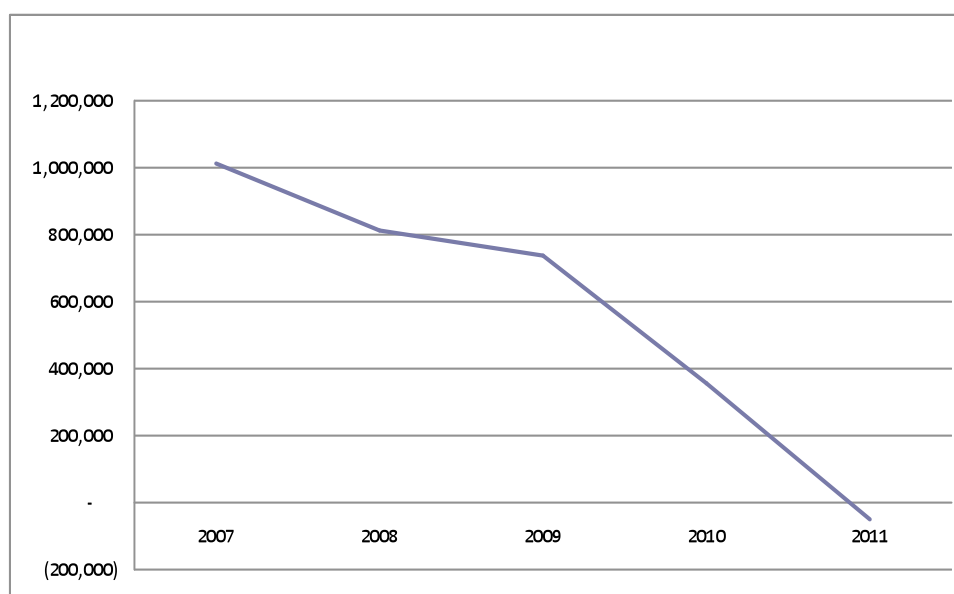
Where and When:

The Township Committee Budget meeting is scheduled for Wednesday, July 22 at 7:00 p.m. in the Township Municipal Building.

Reserve Fund Balances:

In 2008, the Township finances fell back on our Reserve Fund Balances to meet operating shortfalls. The Township Committee members were often at odds on the amount of Reserves that were needed, or what alternative steps could be taken to reverse the trend of shortfalls. In 2007 we raised the Municipal Tax Rate which we were statutorily required to do. But this is not a well we should be going back to unless other steps and alternatives are evaluated as well. The Reserve Fund Balances are the Town's rainy day fund. They are used to repair our roads and for other Capital Improvements and emergencies. If we deplete these Reserves, any such emergency would require us to seek emergency working capital funding, which is a very expensive proposition. In discussions with other towns and with our external auditing firm, I feel that a minimum Reserve Fund Balance for South Harrison is somewhere between \$ 800,000 and \$ 1 million. We had achieved that in 2007; however, we did not take the additional steps needed to maintain that level in 2008 and 2009. So, as you can see from the chart below, based on our 2009 and beyond Budget projections, our Reserve Fund Balances will dissipate rapidly unless significant actions are taken today. If we do nothing, your taxes will be raised significantly in two years.

Reserve Fund Balances Trend



Operating Revenues and Expenses:

Net Operating Revenues are projected to continue their decline over the next two years similar to what we have already been experiencing. The proposed 2009 Budget includes operational savings from actions already implemented which reduced Expenditures for 2009 by \$90,000. This specific action resulted in no tax increase in your local tax rate this year. Even with these savings, it is anticipated that we will need to utilize our Reserves once more unless other actions are taken. Looking forward to 2010 and beyond, the net outflow of funds is even greater. The Township has to make some difficult decisions, sooner rather than later, to prevent the complete evaporation of our Reserve Fund Balances.

	<u>2007 Actual</u>	<u>2008 Actual</u>	<u>2009 Budget</u>	<u>2010 Projected</u>	<u>2011 Projected</u>
Recurring Revenues	2,171,711	1,973,786	1,617,136	1,657,639	1,675,312
Non-Recurring Credit To Revenues			255,973		
Total Revenues	2,171,711	1,973,786	1,873,109	1,657,639	1,675,312
Expenditures	2,123,279	2,168,842	1,950,098	2,038,089	2,081,724
Increase (Reduction) in Reserves	48,432	-195,056	-76,988	-380,449	-406,411
December 31 Fund Balances	1,009,723	814,667	737,679	357,230	-49,181

Call To Action:

So, here we are at the intersection of Transparency and Accountability. At the beginning of this year, I put forth a challenge to myself and my fellow Committee members to place aside the politics, and do the right thing for the Township and our residents. Please come to this meeting, and let us discuss the options available to us. Some of these options will help you, while others will not. Thank you.



South Harrison Township
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