

MANAGER'S BUDGET MESSAGE

November 2, 2020

The provisions of the Home Rule Charter for Horsham Township require that the Manager formally submit to Council, a Budget for the ensuing year, prior to November 15th. The enclosed proposed Budget is offered for discussion purposes. There will be revisions forthcoming.

In compliance with the Home Rule Charter, the Manager must also present to Council a Budget Message. The Manager shall outline the proposed financial policies for the Township for the ensuing fiscal year, describing the important features of the Budget and indicating any major changes from the current year, in financial policies, expenditures and revenues, together with the reasons for such change, summarize the Township's debt position and include such other material the Manager deems desirable.

As mentioned in previous budget messages the most important takeaway is that the budget continues to tighten more each year. Our revenue stream has not been able to keep pace with our community's growth and the costs for service delivery, maintenance and ability to address future needs and projects. Our outlook is expected to see more growth in expenditures and further decline in revenues. It is imperative that we continue our conservative budgeting practices.

This is not a typical budget year. This has been the most challenging and difficult budget season that I have been involved in during my 28 years with Horsham. The COVID-19 pandemic which has now been impacting us for over eight months has touched and transformed nearly every aspect of life, not the least of which is the operation and financing of our municipality. Unfortunately, we now know that the pandemic is likely to be with us through next spring, if not longer, and that the economic effects of the pandemic may continue well beyond that. We have had to make assumptions about this year and next year as we developed a proposed budget that is achievable in 2021 and is realistic going forward. The financial conditions facing our 2021 budget include high unemployment, unknown state funding, closed retail/commercial businesses, and the impact to our office parks to name a few are forcing difficult decisions. We really do not know the true economic impact because it is being delayed due to stimulus monies received by individuals and businesses. Sadly, we do not have a crystal ball, so we will stick to the core functions of local government and continue our conservative budgeting.

It is critical that we don't lose sight of Horsham's vision and long-term goals as we address short-term challenges. As a result, this budget focuses on meeting the significant challenges while positioning the Township to meet future strategic needs.

The proposed real estate tax rate is 1.3 Mills. This is a 0.1 tax increase proposed for our parks, open space and trail system in 2021. There is no tax increase for general services, fire, and/or library. For many years and also in the proposed 2021 budget, our Park Tax Revenues

will not cover costs. The Earned Income Tax Revenues will again subsidize the Park General Fund Budget. Although this increase will help address short term challenges, the reason I am recommending it has much more to do with positioning the Township to meet long term needs and addressing operational challenges. There has not been a tax increase for the park system since 1989. The Home Rule Charter sets the maximum real estate tax rate at the 1976 Tax Level of the Township of the Second Class, which permitted 14.0 Mills.

The proposed Millage is broken down as follows:

	2016	2017	2018	2019	2020	2021
General Purposes	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service	0.00	0.00	0.00	0.00	0.00	0.00
Parks	0.22	0.22	0.22	0.22	0.22	0.32
Fire Tax	0.31	0.31	0.31	0.51	0.51	0.51
Library Tax	0.47	0.47	0.47	0.47	0.47	0.47
Total:	1.00	1.00	1.00	1.20	1.20	1.30

The 2021 Budget contemplates a continuation of the Real Estate Transfer Tax of 1%, our \$52.00 Local Services Tax (LST), a Street Lighting Assessment of \$0.59 per front footage and a .03 Mill Hydrant Tax for those properties so serviced.

The Streetlight Assessment was enacted in 1978. No rate increase is proposed for 2021 so the rate is proposed to continue at \$0.59 per front footage. It has been at this rate since 2011. This fund maintains approximately 500 township-owned street lights as well as pays electric for same.

The Local Services Tax, enacted in 1975, is proposed to continue at \$52 per year for those individuals earning more than \$12,000 annually. The LST tax will continue to provide a means for the people who work in the Township to pay their fair share of the expenses we incur due to the businesses located in town.

The Fire Hydrant Tax is proposed to continue at 0.03 Mills. The Fire Hydrant Tax is assessed to those properties serviced by hydrants. The receipts pay for the hydrants supplied by Aqua PA and the balance of the receipts are forwarded to the Horsham Water and Sewer Authority.

Horsham Township is a major employment center in the region, and we have previously benefited significantly from the enactment of the earned income tax in 1991, due to the fact that many of the employees working in Horsham lived in municipalities that did not have an earned income tax. Since that time, however, most of the communities have enacted the EIT and our revenues have dropped significantly. The enclosed proposed Budget also encompasses the Revenues associated with the 1% Earned Income Tax. Horsham Township Council enacted the Earned Income Tax in December of 1991, at the rate of 1/2%. That taxation went into effect on January 10, 1992. Our School District's 1/2% Earned Income Tax went into effect in July of

1992. Thus, every resident in Horsham Township is taxed at the rate of a full 1%, 1/2 of which goes to the School District.

In August of 1992, Council raised our rate of taxation to 1%; since the State Law and our Home Rule Charter provide for a maximum of 1% Earned Income Tax. The result of the action had no impact to the residents. However, our non-resident employees are taxed at the full 1%, rather than the previously enacted 1/2%. Since this is a reciprocal tax, the proceeds from this tax are very difficult to project, inasmuch as we have no control over the number of Municipalities that enact an Earned Income Tax at 1%. It has also become a very competitive office market with retaining and attracting employers with good, high paying jobs.

Most Municipalities and/or School Districts in the Commonwealth have an Earned Income Tax. It has only been within the last twenty years that the tax has been adopted by most of the Southeastern Pennsylvania Municipalities, which are significantly impacted by the Sterling Act. This Act is a favorable piece of legislation for Philadelphia's benefit, as it provides that the City does not have to reciprocate with other Municipalities.

In January 2010, the Montgomery County Tax Collection Committee ("TCC") was created and organized under Act 32 of 2008. Under Act 32, the TCC is required to collect earned income and possibly other taxes on a county-wide basis, and to oversee tax collection within the Montgomery Tax Collection District ("TCD"). In the beginning we experienced a slow increase in EIT revenue with the new collection process, which was expected but now the revenue has leveled off. We need to address this as expenditures are outpacing our revenues.

In terms of format, you will find the proposed 2021 Budget on the same page as the 2020 Budget Year-to-Date, and projected Year-End figures, as well as the actual figures from 2019 and 2018. In that portion of this presentation, I have made some notes.

The projected Revenues are based on a \$2,248,308,307.00 Real Estate Assessment. The County is expected to notify us of the Township assessed value in late November. The above figure is our estimate. Once the figure is received, we may revise the Tax Receipts. Our assessed value has slowly been decreasing over the last few years. Private property owners, both residential and commercial/institutional, continue to challenge their assessments and receive favorable rulings from the Montgomery County Board of Assessments.

Proper maintenance of our infrastructure is a core function of government. Roads, parks, vehicles, equipment, and buildings all require regular repair or replacement.

We are proposing the number of sworn police officers at 40 which allows for a fulltime School Resource Officer at the Hatboro-Horsham High School. Due to our revenue issues, we are leaving the 41st officer position frozen and not funded for 2021. The School District has agreed to reimburse the Township for 75% of cost for the School Resource Officer. In addition, we are reducing the police department civilian staff to 7 and eliminating 1 civilian position. Finally, we are proposing to replace three police vehicles, rather than our normal four, to maintain our rotation cycle that provides us savings from reduced mileage, repair bills, better trade-in values and not having to rehab vehicles for the detective division.

In our Public Works Department, we are once again proposing a significant expenditure from the State Aid Fund for construction materials, as we have in the past. This expenditure will provide for continuation of our aggressive paving schedule, so as to ensure the quality of our roads. Due to our decrease in revenue we have slightly reduced the total mileage of roads to 2.81 for 2021. Normally we like to pave between 3.0 and 4.0 miles of road. In 2021, we are proposing to mill and pave approximately 2.81 miles of roadway to include the following streets: Woodbridge Circle, Cheswyck Circle, Wynmere Drive, Wexford Circle, Rolling Glen Drive, Glenview Drive, Gregory Drive, Watson Avenue, Wayne Avenue, Washington Avenue and Homestead Lane. As part of the paving project we will be replacing 18 ADA ramps. In the State Aid Fund, we have been trying to keep a balance of \$1,000,000 in this fund to act as a cushion should there be any unexpected capital expense on our roads, bridges and storm water system that the General Fund would be unable to cover.

In addition, we have budgeted funds for to replace storm water pipes and inlets on McKean Road. Due to age the pipes have rotted away and/or are collapsed. Also, in Public Works, we are proposing to replace our tar machine and a one-ton dump truck (truck #4).

Finally, in Public Works, due to revenue, two positions will be frozen and not funded for 2021 included the Assistant Director and a Laborer. We also eliminated four seasonal positions.

In 2021, we propose to start the design and permitting process to continue the Power Line Trail to Lower State Road. The permitting process is expected to take approximately 18 months so construction will likely take place in 2022. We try to keep a balance of \$500,000 in the Park Improvement Fund to act as a cushion should there be any unexpected capital expense in our parks and trail system that the General Fund would be unable to cover. At the end of 2020, we will be at or below that balance so starting in 2021 we will be looking to save and increase the balance.

In our Code Enforcement Department, we are planning to offer a credit card payment feature for building permits, zoning use permits and plumber registration permits. We are also proposing to begin the process in 2021 to update the Township Comprehensive Plan.

In Economic Development, we are proposing to have, in the Fall of 2021 and if the COVID conditions allow for, our 2nd annual restaurant week, a job fair for Horsham businesses, to host a broker breakfast, to continue advertising ourselves in prominent journals, and to continue to distribute our business attraction brochure.

In Administration in 2021, we are proposing to add a weekly E-newsletter and purchase branding banners for the parking lot lamps at the Township Building. Due to our revenue, the Administrative Secretary position will remain frozen and not funded in 2021.

Due to lack of revenue there will be no General Fund transfer in 2020 to the Capital Improvement Fund. There is a proposed transfer in the 2021 budget. The Capital Improvement Fund is our cash reserves fund and the fund is utilized to pay for major expenses. I would hope that Council will agree that we should have a strong cash reserve. This reserve is needed in order to provide a cushion so that if in any year our projected receipts are not received, we can

continue the year without a loan. In addition, this fund helps us maintain our high bond rating, Aa1, from Moody's. In 2021, we will complete the right-of-way acquisition and start the construction for the Blair Mill Road improvements. Also, we will continue the engineering and right-of-way acquisition of the Horsham Rd. and Limekiln Pike intersection improvement. It is expected that the Multi-municipal Welsh Road (PA 63) Corridor Fiber Optic & Signal Upgrade Project will start. New sidewalks are proposed for the corner of Witmer Road and Prudential Road. Finally, we propose to start televising Council Meetings in 2021 and will need to purchase equipment for same. We will have to be very conservative with this fund as we accomplish the Blair Mill Road improvements in 2021/2022 and the Horsham Rd and Limekiln Pike intersection improvements scheduled for 2022/2023. We try to keep a balance of \$3,000,000 in the Capital Improvement Fund to act as a cushion should there be any unexpected expense in our General Fund that the Fund would be unable to cover.

Through our Act 209 Fund, we will complete the intersection improvements to the Dresher Rd and Horsham Rd traffic signal as well as running fiber optics to the Dresher Rd. signals. Our Street Light Fund will help kick off our street lamps in the PA Business Campus in 2021.

The debt that the Township will have at the end of 2021 are two bond issues in the total amount of \$8.385 million. The first is the Library Bond Issue in the amount of \$4.485 million. This debt will be paid off in 2042. We refinanced the loan in 2016 and our bonds become callable again in 2021. The second bond issue is the Capital Project Bond Issue in the amount of \$3.90 million. The bond becomes callable in 2023. This debt will be paid off in 2048.

In summary, at this time I propose that the Real Estate Tax be 1.3 Mills. The average single-family dwelling in 2020 was assessed at \$182,172. The Real Estate Tax paid to the township will be \$236.82, \$92.68 for the Fire Company, \$85.41 of which would be for the Library, and \$58.73 towards Parks. All Real Estate Tax will be devoted to the Library, Fire Company and our Parks.

The enclosed is presented to you as a basis for our continued discussion on the 2021 Budget. It is anticipated that this Budget will be revised several times prior to enactment.

We solicit your indulgence as we continue to fine-tune both the Revenue and Expenditure projections as well as the 2021 proposed budget.



William T. Gildea-Walker

Township Manager

October 26, 2020