

**MANAGER’S BUDGET MESSAGE**

**November 4, 2019**

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 15<sup>th</sup>. 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.

The most important takeaway is that the budget continues to tighten more each year. Our budgets have been seen a reversal in the trend of growing fund balance in the general fund, flat revenues and rising expenditures. 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.

The proposed real estate tax rate is 1.2 Mills. There is no tax increase proposed for 2020. In 2019 there was a 0.2 mill increase for the Fire Tax and no tax increase for general services, library and/or parks. The Fire Tax funds the Horsham Fire Company and Ambulance Corp and covers the cost of personnel, debt and new equipment. The Fire Company did not have an increase for 18 years. The increase in the Fire Tax will allow Battalion Two, on Horsham Road, to be staffed as well as sustain the Fire Company’s equipment replacement schedule. 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:

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
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	0.22
Fire Tax	0.31	0.31	0.31	0.31	0.51	0.51
Library Tax	0.47	0.47	0.47	0.47	0.47	0.47
<b>Total:</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.20</b>	<b>1.20</b>

The 2020 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 2020 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 eighteen 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 2020 Budget on the same page as the 2019 Budget Year-to-Date, and projected Year-End figures, as well as the actual figures from 2018 and 2017. In that portion of this presentation, I have made some notes.

The projected Revenues are based on a \$2,236,950,554.00 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 to maintain the number of sworn police officers at 41 which allows for a fulltime School Resource Officer at the Hatboro-Horsham High School. The School District has agreed to reimburse the Township for 75% of cost for that officer. In addition, we are maintaining the police department civilian staff at 8. Finally, we are proposing to replace three to four police vehicles 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. In 2020, we are proposing to mill and pave approximately four miles of roadway to include the following streets: Keith Valley Road (Horsham Rd to Davis Grove Rd), Davis Grove Road (Babylon Rd to Keith Valley Rd), Sheehy Drive, Anna Lynn Lane, Lindsey Way, Brantford Circle, Winchester Drive, Victoria Lane, Herman Road and Tennis Avenue. As part of the paving project we will be replacing 31 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 the storm water pipe and inlet project on Rutledge Avenue in the Fox Development.

Finally, in Public Works, we are proposing to replace our tire changer and balancer, purchase a hydraulic thumb for the backhoe, replace guiderails in two locations on Davis Grove Road, and replacement of mobile radios in the vehicles and radio equipment at the garage.

For many years and also in the proposed 2020 budget, our Park Tax Revenues will not cover costs. The Earned Income Tax Revenues will again subsidize the Park General Fund Budget. The purchase of parkland and the many park improvements that have been accomplished are funded by the Park Improvement Fund and Capital Improvement Fund. In 2020, we anticipate on replacing the roofs on the Deep Meadow Park snack stand as well as the Chestnut Creek Park Clubhouse, add a trail along Dresher Rd in front of Lukens Park, replace fencing at Everybody's Playground, pave the Horsham Road side parking lot of Kohler Park, add a fitness gym along the Powerline Trail at Lukens Park, construct four pickleball courts behind the Community Center, the Witmer Road detention basin project and improvements to the property at Horsham Rd and Dresher Rd which will include demolition, tree and stump removal. 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 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 be more efficient by using technology and equipping our personnel with tablets in the field. In addition, we plan to offer a credit card payment feature for building permits, zoning use permits and plumber registration permits. We are also proposing to begin the propose in 2020 to update the Township Comprehensive Plan.

In Economic Development, we are proposing to have our 2<sup>nd</sup> annual restaurant week, a job fair for Horsham businesses, to host a broker breakfast, to advertise ourselves in two prominent journals, to distribute our business attraction brochure and to start the pilot program for our business park shuttle to the SEPTA Ambler station.

In Administration in 2020, we are proposing to televise Council meetings, purchase a vehicle, add a weekly E-newsletter, purchase a drone for advertising and marketing purposes, purchase branding banners for the parking lot lamps at the Township Building, purchase a booth to market the Township at events and to purchase promotional items.

Also, in the General Fund there is a transfer to the Capital Improvement Fund. This 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 2020, we will start the construction for the Blair Mill Road improvements. Also, we will continue the engineering of the Horsham Rd. and Limekiln Pike intersection improvement as well as start the Right-of-Way acquisition process, and we will continue the engineering of the Blair Mill Road improvements as well as start the Right-of-Way acquisition process. Finally, it is expected that the Multi-municipal Welsh Road (PA 63) Corridor Fiber Optic & Signal Upgrade Project. We will have to be very conservative with this fund as we accomplish the Blair Mill Road improvements in 2020/2021 and the Horsham Rd and Limekiln Pike intersection improvements scheduled for 2021/2022. 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 be starting 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 2020.

The debt that the Township will have at the end of 2020 are two bond issues in the total amount of \$8.63 million. The first is the Library Bond Issue in the amount of \$4.650 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 \$3.980 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 1.2 Mills. The average single-family dwelling in 2019 was assessed at \$181,717. The Real Estate Tax paid to the township will be \$218.07, \$92.68 for the Fire Company, \$85.41 of which would be for the Library, and \$39.98 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 2020 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 2020 proposed budget.

William T. Gildea-Walker

Township Manager