

MANAGER'S BUDGET MESSAGE

November 1, 2021

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 the last several 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. In addition, we still do not know the full economic impacts of the pandemic and its impact to our office parks. It is imperative that we continue our conservative budgeting practices and at the same time it is critical that we don't lose sight of Horsham's vision and long-term goals as we address short-term challenges.

The proposed real estate tax rate is 1.3 Mills. There is no tax increase proposed for 2022. The Real Estate Tax goes to the parks, Fire Company and the library. 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:

	2017	2018	2019	2020	2021	2022
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	0.32	0.32
Fire Tax	0.31	0.31	0.51	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	1.20	1.20	1.30	1.30

The 2022 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 2022 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 2022 Budget on the same page as the 2021 Budget Year-to-Date, and projected Year-End figures, as well as the actual figures from 2020 and 2019. 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 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 the School Resource Officer. We are proposing to replace 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. We like to pave between 3.0 and 4.0 miles of road. In 2022, we are proposing to mill and pave the following streets: Meetinghouse Road (between Moreland Ave and Easton Rd), Moreland Avenue (between Meetinghouse Rd and Blair Mill Rd), Grant Ave, Wilson Ave, Pershing Ave, Nesbitt Rd, Meadowview Court, Indian Creek Way, Evergreen Rd and Willowbrook Road. As part of the paving project, we will be replacing 17 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. At the end of 2022, we will be at or below that balance so starting in 2023 we will be looking to save and increase the balance.

In addition, we are proposing to replace a pick-up truck (truck #38) and to purchase a small excavator. Finally, we are proposing to paint the exterior of the Public Works facility garage.

The Municipal Separate Storm Sewer System (MS4) mandated requirement upon the Township will start to increase in 2022 and in the coming years. Our 2022 budget is proposed to be \$150,000 as compare to our 2021 budget at \$50,000. We were fortunate that we received a DCED grant and a DEP grant to financially assist us in 2022 with the Witmer Road Detention Basin project.

In 2022 in the parks, we again propose to start the design and permitting process to continue the Power Line Trail to Lower State Road once notice to proceed is given by PECO. The permitting process is expected to take approximately 18 months. We are proposing to

replace two older mowers (a brush hog and a zero-turn mower) as well as the repaving of the Kohler Park parking lot off Horsham Road. We continue to fund all engineering costs associated with the Horsham Soccer Association's synthetic turf field project as well as the Horsham Little League's Miracle Field project. Finally, we are proposing to fund a sign company/architect/graphic artist to assist an ad-hoc committee appointed by Council to develop a new design for our park signs. 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.

In our Code Enforcement Department, we are proposing to begin the process in 2022 to update the Township Comprehensive Plan.

In Economic Development, we are proposing to have our 3rd annual restaurant week, a job fair for Horsham businesses, to host a broker breakfast, and to continue advertising ourselves in prominent journals. In addition, we are proposing to host the State of Horsham luncheon, to create a business recognition program and to create a business welcoming program. Finally, we are proposing to start the pilot program for our business park shuttle, HOPS (Horsham Office Park Shuttle), to the SEPTA Ambler train station.

At our Library, we are proposing minor architecture services to design a 'refresh' of the circulation desk (check out) area.

In Administration in 2022, we are proposing to add a weekly E-newsletter and purchase branding banners for the parking lot lamps at the Township Building. We are also proposing security cameras for the Community Center. Finally, we are proposing a new full-time position, Special Events Coordinator.

There is a proposed transfer in the 2021 budget from the General Fund to the Capital Improvement Fund. However, in 2022 there is a small proposed transfer which is a reflection of what was mentioned earlier that our revenues are not keeping up with expenditures. 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 2022, we plan to 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 be completed. We will have to be very conservative with this fund as we accomplish the Blair Mill Road improvements in 2022 and the Horsham Rd and Limekiln Pike intersection improvements scheduled for 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 Walnut Grove Dr. traffic signal. Our Street Light Fund will help kick off our street lamps in the PA Business Campus in 2022.

The debt that the Township will have at the end of 2022 are two bond issues in the total amount of \$8.425 million. The first is the Library Bond Issue in the amount of \$4.610 million. This debt will be paid off in 2042. We refinanced the loan in 2016 and our bonds become callable again in 2026. The second bond issue is the Capital Project Bond Issue in the amount of \$3.815 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 2021 was assessed at \$182,018. The Real Estate Tax paid to the township will be \$236.63, \$92.83 for the Fire Company, \$85.55 of which would be for the Library, and \$58.25 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 2022 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 2022 proposed budget.

William T. Gildea-Walker

Township Manager

October 25, 2021