

# Manheim Borough

## 2019/2020 Budget Summary Report

James R. Fisher, PE, CBO

Chief Administrative Officer, Borough Manager, Treasurer

Council and staff continue to place an emphasis on maintaining and improving the efficient functioning of the Borough. The Borough remains in good financial condition, and has continued to maintain at least a 6 month financial reserve. This reserve is separate from general annual operating funds and capital funds, and serves to protect the Borough from fluctuations in revenues as well as from unexpected expenses associated with disasters or other events.

### Notes regarding the 2020 Budget

Total Real Estate Taxes for any given property consist of three parts: Borough, County, and School District. The breakdown of the percentage of an annual real estate tax bill is illustrated below.



- The 2020 budget contains a 5% increase in real estate tax rates, increasing the millage rate from 4.64 to 4.89. For a property assessed at \$200,000, this equates to an increase of \$50. It is important to note that there was no increase in real estate taxes last year.

- Even with this increase, a small budget deficit still exists. The finance committee's recommendation was to make up the difference with the prior years' surplus/reserves, and this recommendation has been approved by Council.

- The Borough's reserves have continued to remain strong at a minimum of 6 months of annual budgeted expenses. This provides stability to the borough's finances, eliminating the need for tax anticipation loans early in the year. The reserves also provide the flexibility to "borrow" from ourselves when the need or opportunity arises, such as to cover unexpected costs or to take advantage of special pricing for planned purchases.

- The trash and recycling fee was reduced in 2017 by \$60/yr (going from \$250/yr to \$190/yr). 2019 was the last year for the existing trash and recycling contract, and these services were bid out with the low bidder being Waste Industries. **Based on the newly awarded contract, along with recent changes to the county's recycling program and tipping charge increases, the new annual rate will be \$220/yr, which remains lower than the rate that existed in 2016.** Trash and recycling expenses (contract hauler, tipping fees, disposal charges, administration) are covered by the biannual trash and recycling fees charged to Borough property owners, as well as by a small state recycling grant.

- Under Culture and Recreation, which includes the parks and the community pool, expenses are covered in part by usage charges and fees.

- **For Parks**, revenues are primarily derived from pavilion and field rentals, as well as lease revenues from Manheim Central School District and the operator of Kauffman Park (The Shack mini-golf facility). The projected revenues for 2020 from these sources are approximately \$94,000. The projected expenses for parks, which includes insurance, utilities, repairs, and mowing, are approximately \$110,000.

- **For the Pool**, revenues are primarily derived from memberships, day passes, and from Aaron's Acres and swim team leases. **The projected revenues for 2020 from these sources are approximately \$110,000. The projected expenses for the pool, which includes the Lancaster YMCA operation and maintenance support contracts, utilities, chemicals, supplies, maintenance and repairs are approximately \$242,000 (approximately \$182,000 general fund expenses, \$20,000 public works expenses, and \$40,000 short-term repair expenses).**

- **Under Code Enforcement**, revenues are generated from permit, application, and license fees. **For 2020, the projected revenues from these sources is approximately \$71,000.** Expenses include Code Enforcement Officer wages and benefits, supplies, legal services, and hearing advertising and stenographer charges. **These expenses are projected to be approximately \$87,000 for 2020.**

- **Under Police Services**, the projected expenses for 2020 are approximately \$2.7 million. In addition to taxes, these expenses are primarily covered by the Rapho Township contract for police coverage, reimbursement from the County and the Manheim Central School District, and from fines. **These reimbursements are projected to be approximately \$1.6 million.**

## **Capital Plan and Budget**

A 10 year Capital Plan and Budget was created in 2017 to address the capital needs of the Borough. This budget includes necessary repairs to streets, bridges, the pool, as well as the replacement of major equipment. **The current major need that has been planned for within the capital budget is the construction of a stream restoration project at Memorial Park. This project is the result of an unfunded mandate that has been placed on the Borough (and other municipalities) by the state and the EPA to reduce the adverse effects of Stormwater runoff into the Chiques Creek and the Chesapeake Bay. The costs for this mandated project is anticipated to be approximately \$1.5M. The Borough has received \$949,000 through 5 separate grants to date, and two additional grant applications are pending.** Funding for the capital budget will come from reserves and existing capital funds, as well as from periodic transfers from the annual operating budget. Grants will continue to be pursued whenever possible. **This long range planning strategy is intended to fund the major capital improvements of the Borough without the need for taking on additional debt.**

### **Capital Projects that have been completed in 2019:**

Reconstruction/resurfacing of North Linden Street by the new Baron Elementary School, and South Hazel Street (which also included storm drainage improvements).

South Oak St. Bridge received necessary repairs as identified through federally mandated biannual inspections.

Equipment purchase – crack sealer: Through a joint purchase agreement with Penn and Rapho Townships, the Borough now has a crack sealer available to perform this essential pavement maintenance activity.

**The Borough was awarded a \$200,000 Community Development Block Grant** to provide ADA ramp upgrades throughout the Borough along the Baron Elementary designated walk-so-school route, as well as at the Wolf and High Street intersection adjacent to the Wolf Street public parking lot. The bulk of this work will be completed in 2019, with some of the work being carried over to 2020.

### **Proposed Capital Projects for 2020:**

**Memorial Park Stream Restoration Project.** In addition to the mandated stream improvements related to water quality as required by DEP and EPA as previously described, this project will also include trails and other related improvements, and will provide some flood mitigation. Two grant applications are pending in addition to the 5 grants which have already been awarded.

**North Linden and East High Street intersection storm drainage improvements.** This project will include upgraded storm sewers and inlets to significantly reduce the ponding that regularly occurs at this intersection during rain events. A grant has been applied for and is pending which would cover approximately 85% of the costs of this project.

**New Charlotte Street storm drainage project.** This project will include the replacement of a deteriorated storm culvert. A majority of this work will be performed by the Borough's Public Works Crew which will reduce costs to the Borough.

**South Oak Street resurfacing.** This will be a joint project with Penn Township to resurface South Oak Street from the bridge near Hostetter Road to Fruitville Pike. South Oak Street in this area is both a Manheim Borough and Penn Township Road (the Borough owns the east side of the road, and Penn Township owns the west side).

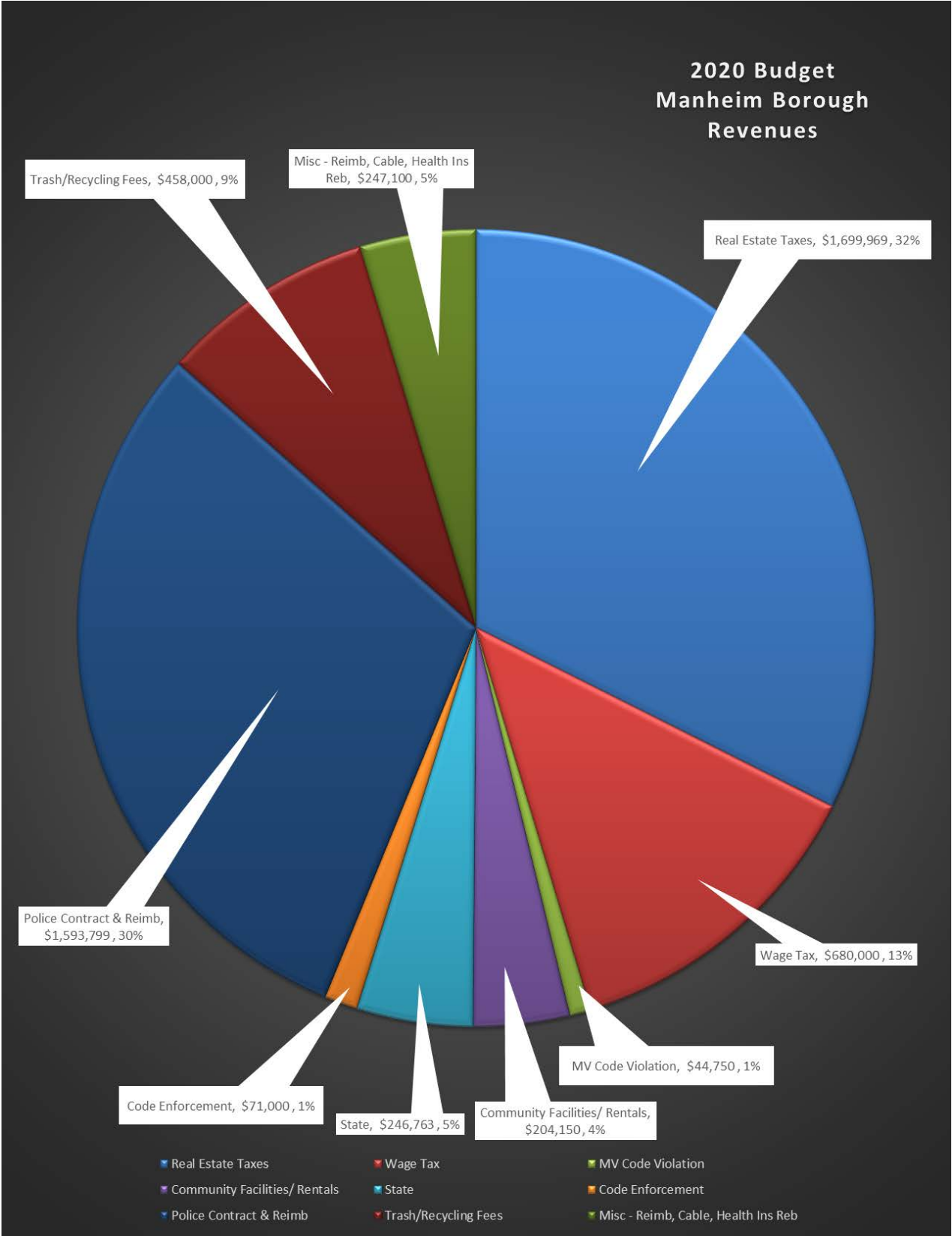
**East Stiegel Street Bridge Repairs.** This project will implement necessary repairs as identified through federally mandated biannual inspections.

### **General Finances**

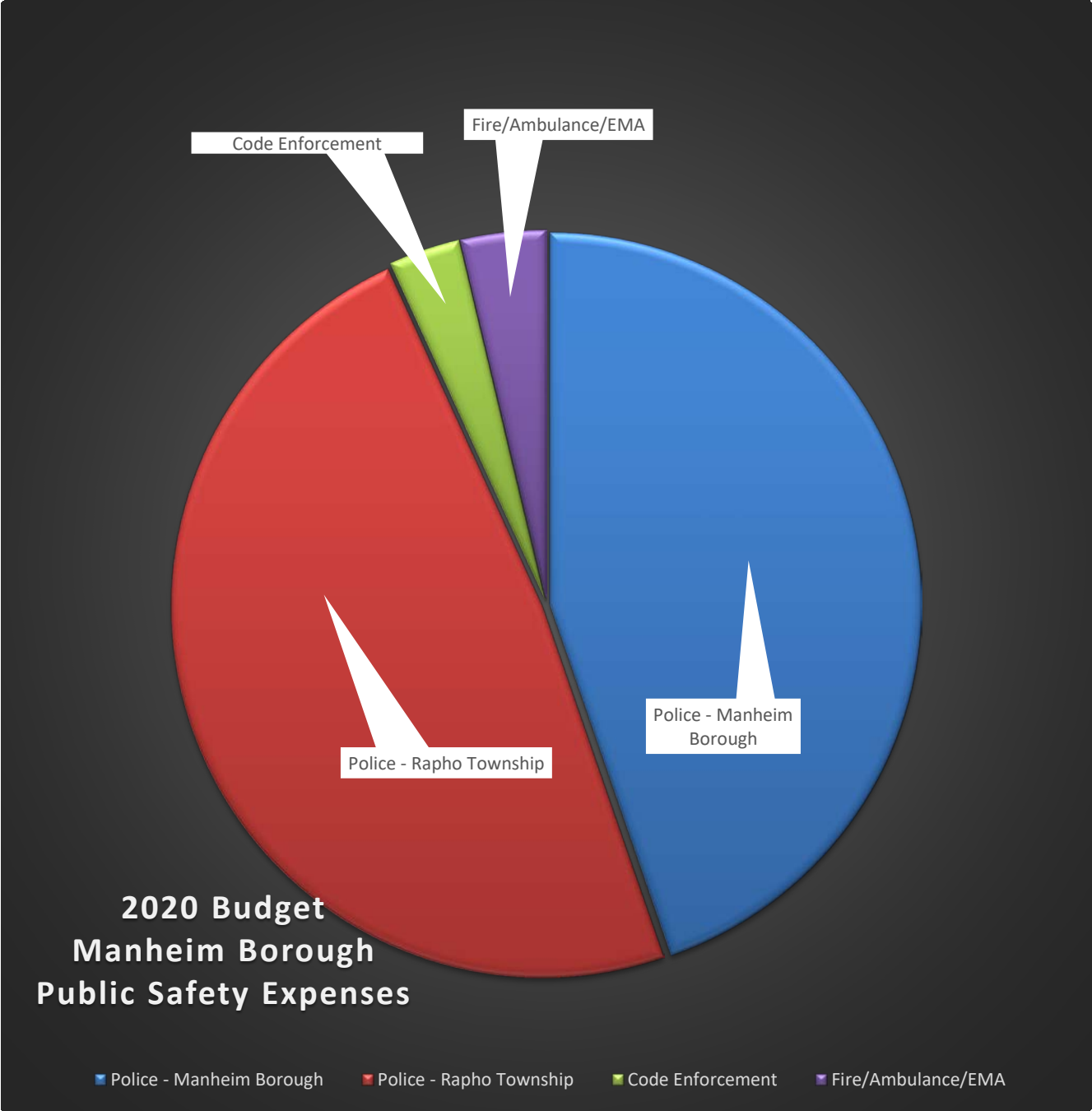
A number of cost-saving and related initiatives have been undertaken (and are ongoing). A sampling of the more significant measures are highlighted below. While many of these began prior to the last year, since they were not one-time savings measures, they are presented here as they represent ongoing efficiencies:

- **Refinancing of existing debt.** Due to favorable interest rates, the Borough evaluated refinancing the existing General Obligation Note that was issued in 2015. The Borough went through the process to obtain a bond rating, which resulted in a AA- Rating from S&P Global Ratings. This is considered a very good rating, especially for a municipality the size of Manheim Borough. **Because of this rating, the Borough was able to secure a bond sale that yielded an immediate savings in 2019 of nearly \$270,000, an annual savings of several thousand dollars, a fixed rate and payment amount for the duration of the term (the previous loan had a fixed rate for the first few years and then converted to a variable rate), and the term of the bonds did not need to be extended beyond the term of the original loan note.**
- The \$949,000 in grants referenced under capital projects have significantly reduced the burden on the Borough's taxpayers for the Memorial Park Stream Restoration Project. Without the grants, the Borough would have needed to draw down the Borough's reserves substantially, and would have likely needed to borrow additional funds.
- Contracted energy audit and other services with no cost to Borough. Audits of past invoices revealed that we were being charged state sales tax, which has now been corrected. Energy suppliers' quotes are sought upon completion of existing contracts to assure that the Borough is receiving the lowest possible energy costs for both gas and electric service. The initial request for proposal that was issued received very competitive rates, which resulted in approximately \$9,000/year savings just for electric.
- Energy Audit for windows/doors, resulting in measures that have reduced energy costs with an 18% return on investment and less than a 6 year payback period. Measures were installed in 2017.
- Participation in health insurance cooperative with other governmental agencies resulted in a **refund of over \$170,000 of insurance premiums for 2019.** Insurance premiums will also be **decreased** for 2020.
- All non-decorative street lights in the Borough were converted to LEDs, resulting in cost savings and improved street lighting.

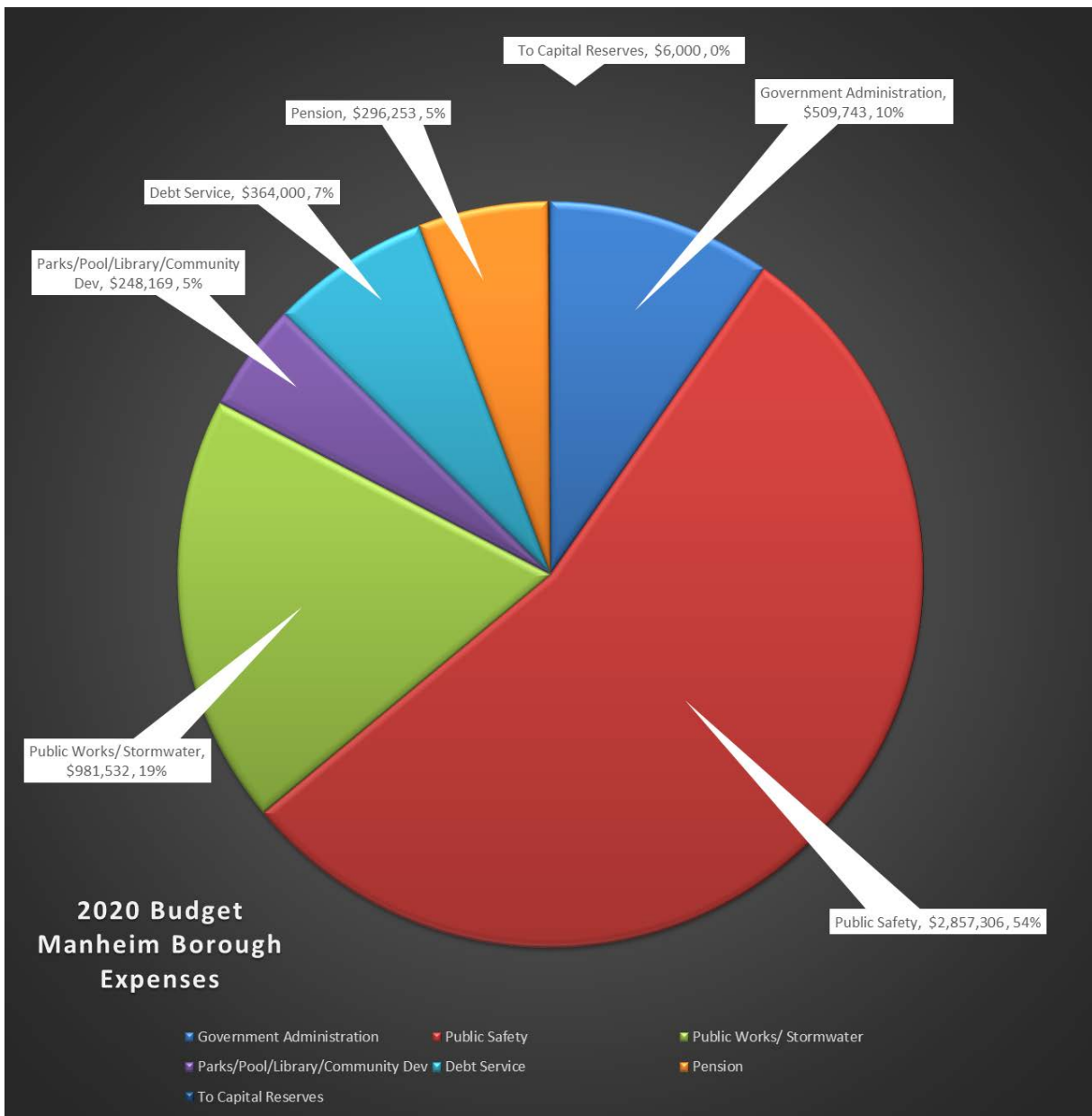
The largest source of revenue for the Borough is real estate taxes, followed closely by revenues from the police contract with Rapho Township. A full breakdown of the revenue categories are shown in the chart below.



The largest expense for the Borough is Public Safety (55% of total expenses). Public safety includes police services, as well as fire/ambulance services support, and code enforcement. The chart below illustrates the full breakdown, including the Manheim and Rapho portions of the police expense.



Public Works, which includes streets, stormwater facilities, bridges, and other Borough-owned facilities, accounts for the next largest expense category at approximately 19% of total Borough expenses. A breakdown of expense categories are shown in the chart below.



Public welfare and safety, the essential function of local government, represents the vast majority of the total budget. As can be seen in the above chart, general administration only represents 10% of the budget, debt service is at 7%, and pension costs are at 4% (with a majority of pension costs reimbursed by the state).

Some highlights of recent public welfare and safety improvements are as follows:

- The Borough was awarded a Community Development Block Grant in the amount of \$200,000 to install storm sewers on North Main Street in order to alleviate the



excessive water on the surface of the street. This water had resulted in splash from vehicles affecting adjacent buildings and making it virtually impossible to walk on the sidewalks. This project was completed in 2018 in advance of the PennDOT paving of Main Street.

- The Borough was also awarded a \$200,000 Community Development Block Grant to provide ADA ramp upgrades throughout the Borough along the Baron Elementary designated walk-so-school route, as well as at the Wolf and High Street intersection adjacent to the Wolf Street public parking lot. This work is currently underway and is anticipated to be completed in the Spring of 2020.
- Code Enforcement has been a high priority and numerous steps are beginning to be implemented to ensure all of the Borough's codes are enforced fairly and firmly. The Borough hired an in-house code enforcement officer in January of 2017 in order to provide full-time service in this important function of the Borough.
- The Borough was awarded a state grant (Green-Light-Go grant) to provide battery backup for the traffic signals within the Borough. This has provided additional safety and has virtually eliminated the need for police and fire personnel during power outages. This project was completed in September of 2018.
- South Hazel Street had originally been scheduled to be reconstructed in 2018. However, due to various circumstances, including UGI's plans for replacing an aging gas main, this project was postponed until 2019. This project has been completed, and also included ADA ramps upgrades as well as storm sewer upgrades.
- The reconstruction of North Linden Street was also completed in 2019. This project was critical due to the opening of the adjacent newly constructed Baron Elementary School.
- Needed repairs to the Borough owned bridge on S Oak Street were also completed in 2019. These repairs resulted in the elimination of the need for the bridge to be posted with a weight limit.

2019, while not as an extreme year for precipitation and associated flooding as 2018, began as another wet year in the area. Recently completed projects – Logan Park and the dredging under the bridge on PA 72 - certainly helped reduce the impact, but due to our location and topography, the Borough remains susceptible to flooding. The Borough has undertaken measures to improve our flood insurance rating in order to reduce flood insurance rates for our residents. The application to FEMA was submitted in early 2019, with the associated rate reductions tentatively taking effect in 2021.

Additionally, the results of a flood resiliency study prepared by the Susquehanna River Basin Commission and the Army Corps of Engineers identified several measures that can further reduce flooding impacts in the Borough. The selected alternative is currently proceeding through the necessary phases to bring this project to fruition within the next 5 - 7 years.



The Borough is also subject to state and federal requirements to improve the water quality of the Chiques Creek and the Chesapeake Bay. These mandated sediment reduction requirements will result in the Borough undertaking a stream bank and flood plain restoration project on the Chiques Creek in Memorial Park. This project is also being designed to include some flood mitigation measures, as well as trails and other park area improvements. The total cost of this project, which is expected to cover at least 2 permit cycles, is anticipated to be approximately \$1.5 million dollars. The Borough has applied for grants to help defray the costs to Borough taxpayers, and to date the Borough has been awarded \$949,000 in grants.