

Manheim Borough

2020/2021 Budget Summary Report

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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 7 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 2021 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 2021 Manheim Borough budget contains NO increase in real estate tax rates, maintaining the existing tax rate of 4.89 mills. For a property assessed at \$150,000, this millage equates to an annual tax of \$733.50 – for a property assessed at \$250,000, the tax would be \$1,222.50.

- The anticipated budget deficit will be covered by prior years' surplus/reserves. Note that the budget deficit is broken down into two distinct parts. The first is the regular operating budget, not including transfers to the capital fund, which amounts to \$65,773. The second part is specifically for the transfer to the capital fund to cover expenses identified and described below under the "Capital Plan and Budget" section of this report, which amounts to \$700,000. Depending on the outcome of an outstanding grant application and the final actual costs for the stream restoration project, this value may change. The value of the reserves needed to cover this total deficit would be approximately 1.7 months. This would still allow the borough to maintain a minimum reserve value of 6 months throughout the year.

- The Borough's reserves have continued to remain strong at a minimum of 7.7 months of annual budgeted expenses. This provides stability to the borough's finances, eliminating the need for tax anticipation loans – and the associated costs - 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/GSL. Based on the terms of that contract, the 2020 trash and recycling rate was set at \$220/year. Although there have been recent changes to the county's recycling program and tipping charges, **the 2021 annual rate will increase by only \$4, to \$224/yr**, which continues to remain lower than the rate that existed in 2016. **Also, beginning in 2021, yard waste tags will no longer being required.** 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 user charges and fees.

- **For Parks**, revenues are 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 2021 from these sources are approximately \$95,000. 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 2021 from these sources are approximately \$88,000. The projected expenses for the pool, which includes the Lancaster YMCA operation and maintenance support contracts, utilities, chemicals, supplies, maintenance and repairs are approximately \$207,000 (approximately \$182,000 general fund expenses, \$20,000 public works expenses, and \$5,000 short-term repair expenses.** Note that the budget line items reflect the terms of the YMCA contract in that the YMCA will collect and retain revenue and invoice

the borough for the YMCA contract, which is \$129,000, yielding the Pool Contract net amount of \$41,000.

- **Under Code Enforcement**, revenues are generated from permit, application, and license fees. **For 2021, 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 2021 are approximately \$2.8 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 \$1.7 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 plan is updated annually. 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 the 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 \$1,149,000 through 6 separate grants to date, and one additional grant application is pending. This project is anticipated to fulfill the requirements for at least two 5-year permit cycles.

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 or substantially completed in 2020:

East Stiegel Street Bridge Repair Project. This project involved making structural repairs and related improvements as identified in the biannual state bridge inspection.

South Oak St. Resurfacing Project. This project involved base repairs, levelling, and resurfacing of the street between Fruitville Pike and the bridge at Hostetter Road. This was a joint project with Penn Township, and has been completed.

North Linden and East High Streets Storm Drainage Improvement Project. This project will replace inadequately sized storm drains at and near this intersection to alleviate the ponding of water that frequently occurs. The storm drainage work will be completed in 2020 with restoration work carried over to 2021.

East Adele Ave. Stormwater Improvement Project. **The Borough was awarded a \$200,000 Community Development Block Grant** to provide stormwater improvements in this area. The bulk of this work will be completed in 2020, with some of the work being carried over to 2021.

New Charlotte St. Storm Drainage Project: This project involved the replacement of a storm sewer under an existing sidewalk, and sidewalk replacement. This project was performed by our Public Works crew, and is complete.

West Gramby St. Sidewalk Replacement Project: This project involved the removal of unhealthy trees that were damaging the adjacent sidewalk, and replacement of the damaged sidewalk.

Proposed Capital Projects for 2021:

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. One grant application is pending in addition to the 6 grants which have already been awarded.

Traffic Signal Pole Replacements. This project will include replacement of outdated poles which have been identified by PennDOT as being potentially problematic. The anticipated cost is approximately \$150,000. A grant will be applied for to cover costs associated with this project.

Depending on the outcome of the grant applications and final actual costs for these projects, additional capital projects may be considered in 2021.

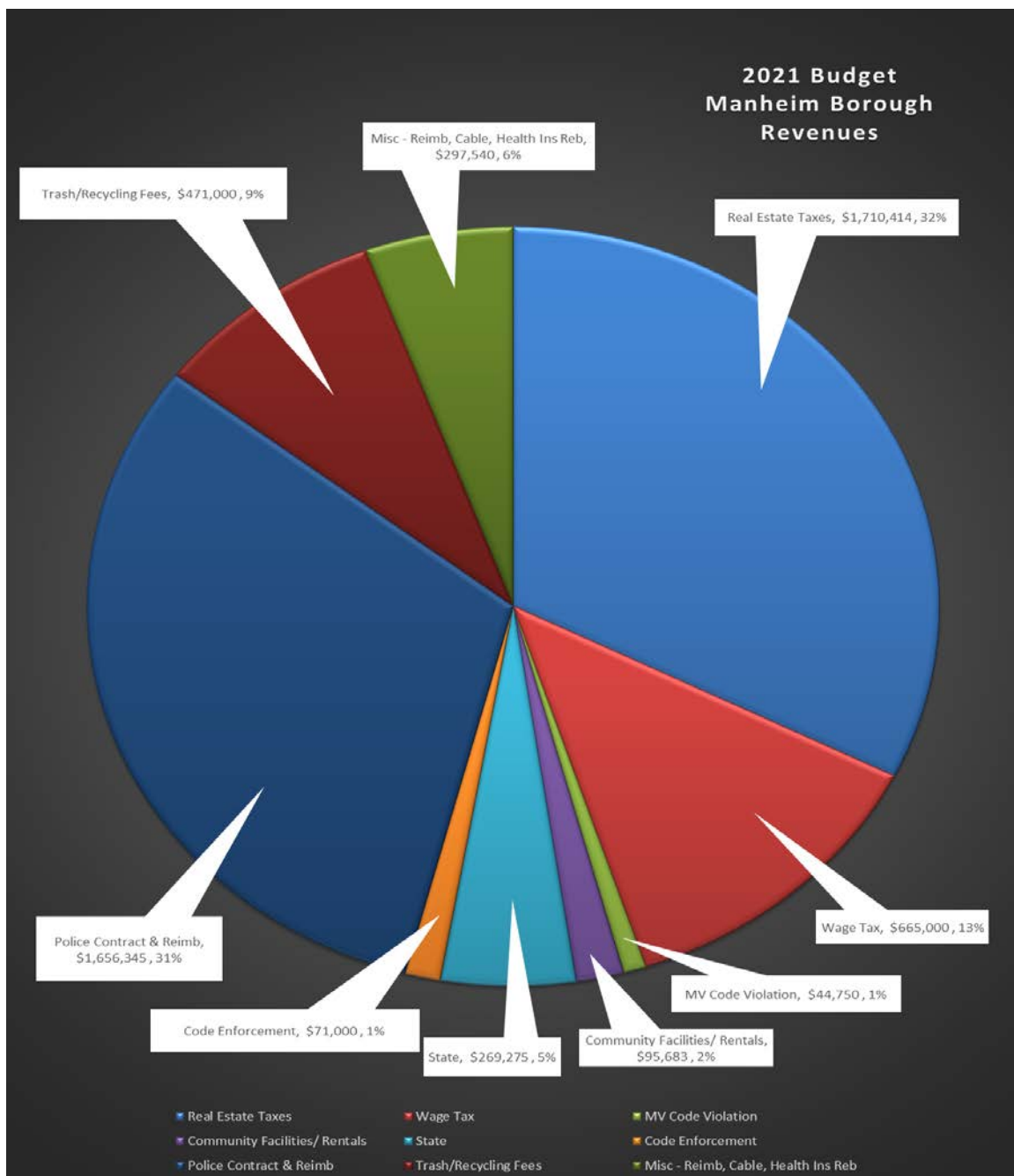
General Finances

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:

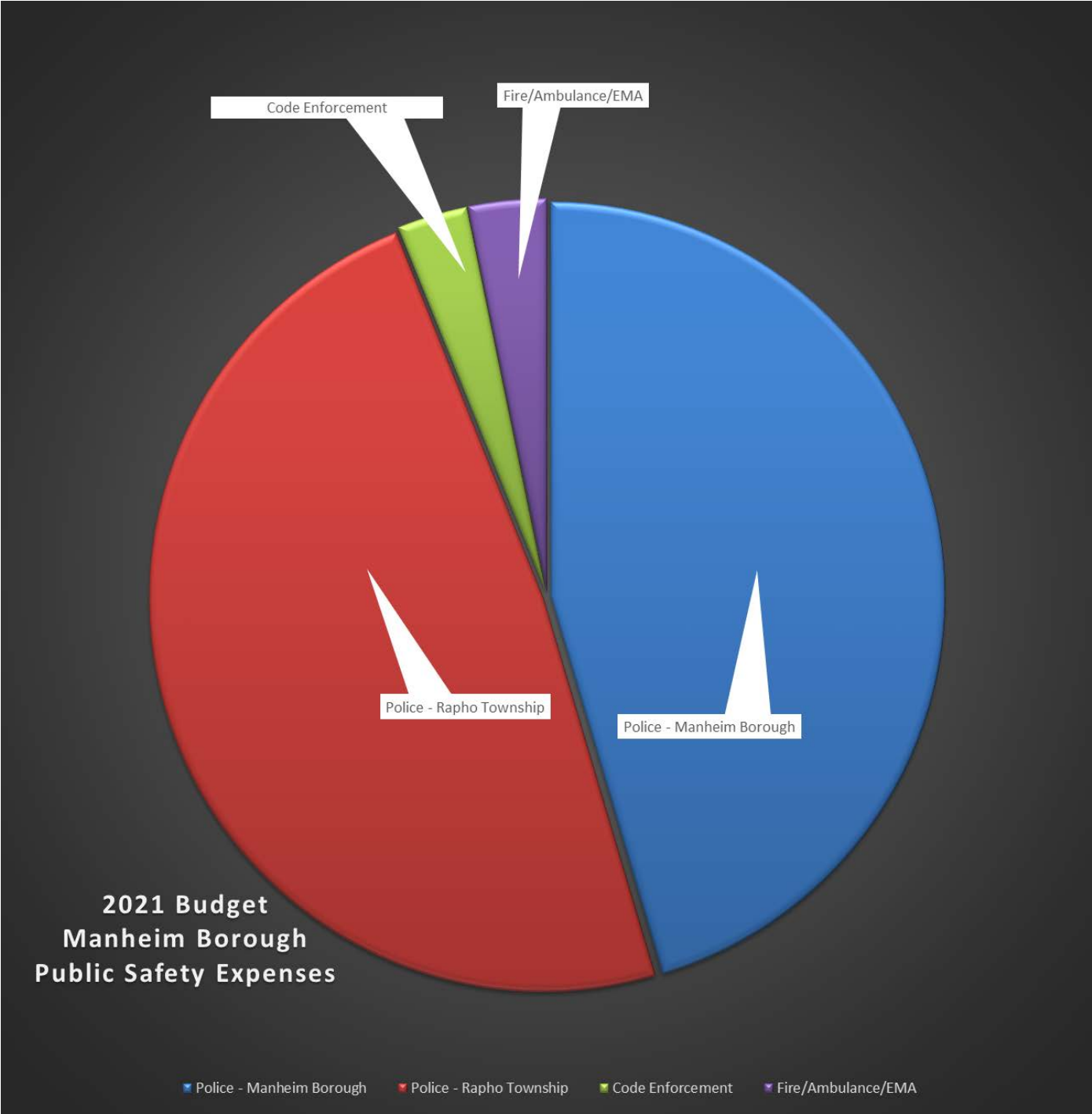
- Refinancing of existing debt. Due to favorable interest rates, the Borough evaluated refinancing the existing General Obligation Note that was issued in 2015. The Borough went through the process to obtain a bond rating, which resulted in a AA- Rating from S&P Global Ratings. This is considered a very 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 **\$1,149,000** 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. 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 a health insurance cooperative with other governmental entities resulted in a **refund of over \$142,000 of insurance premiums for 2020**. Insurance premiums will remain **unchanged** for 2021. This follows a slight **decrease** in premiums in 2020.
- All non-decorative street lights in the Borough were converted to LEDs, resulting in ongoing cost savings and improved street lighting.

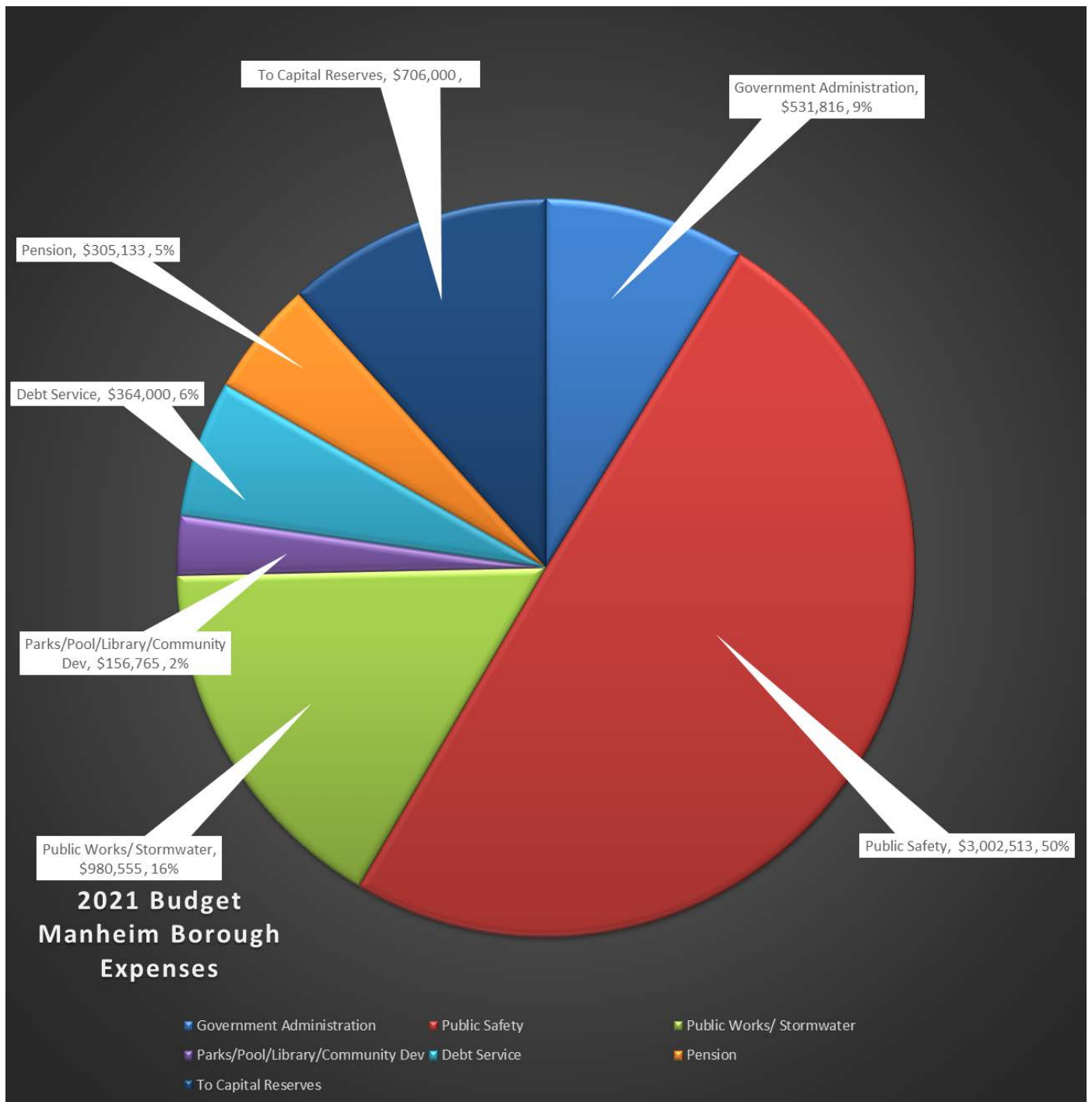
The largest source of revenue for the Borough is real estate taxes, followed closely by revenues from the police contract with Rapho Township. A full breakdown of the revenue categories are shown in the chart below.



The largest expense for the Borough is Public Safety (50% of total expenses). Public safety includes police services, as well as fire/ambulance services support, and code enforcement. The chart below illustrates the 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 16% 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 9% of the budget, debt service is at 6%, and pension costs are at 5% (with a majority of pension costs reimbursed by the state).