

Manheim Borough

2022/2023 Budget Summary Report

James R. Fisher, PE, MPA, 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 continues to maintain at least a 6 month financial reserve. This reserve is separate from the general annual operating fund and capital fund, and serves to protect the Borough from fluctuations in revenues as well as from unexpected expenses associated with disasters or other events. These reserves also provide the Borough with the ability to leverage funds as matches toward various grants, which results in a multiplying effect on the amount and type of public improvement projects the borough undertakes. The Borough Council has established a target of maintaining a minimum 6 month financial reserves in making decisions on expenditures and increases in taxes.

Notes regarding the 2023 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 2023 Manheim Borough budget contains a 0.25 mill increase in real estate tax rates, increasing the existing tax rate to 5.14 mills. For a property assessed at \$200,000, this increase equates to an increase in the annual tax of \$50.00.

- The anticipated budget deficit of \$144,240 will be covered by reserves.

- The Borough's reserves have continued to remain strong, exceeding 6 months of annual budgeted expenses throughout the year. This provides stability to the borough's finances, eliminating the need for tax anticipation loans – and the associated costs. 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 and to provide for required matching funds for grant opportunities. As an example, over the past 7 years, the borough has leveraged approximately \$240,000 to secure \$1.2M in Community Development Block Grants for stormwater, street, and pedestrian accessibility projects.

- The trash and recycling fee is established based on the cost for contract hauling and county's recycling and tipping fees. 2022 was the last year for the existing trash and recycling contract, and these services were bid out with the low bidder again being Waste Industries/GSL. It should be noted that the first round of bidding only resulted in one bid being submitted. Borough Council therefore opened the bids up again, and received multiple bids, with the low bid being lower than the initial low bid. Based on the terms of that contract, and increases in county tipping fees, the 2023 trash and recycling rate was set at \$348/year. These fees are used solely to cover the costs associated with the trash and recycling services, and are not used to fund any other borough function or service.

- **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 2023 from these sources are approximately \$115,000. The projected expenses for parks, which includes insurance, utilities, repairs, and mowing, are approximately \$170,000.

- **For the Pool**, due to major repairs necessary to safely open the pool for the 2022 season and the significant costs associated with these repairs, Borough Council made the difficult decision to close the pool. The competition pool will continue to be available for use by the swim team, who pays to lease the facility and provides their own lifeguards. The borough, along with financial support from the YMCA of the Roses, commissioned an independent study to evaluate options for the pool facility's future. The study has been completed, and the YMCA is currently considering possible options for a partnership with the borough to operate and enhance the services provided at the facility. A statement about the pool closing and its future is available on the borough's website at <https://manheimboro.org/manheim-community-pool/> .

- **Under Code Enforcement**, revenues are generated from permit, application, and license fees. **For 2023, the projected revenue from these sources is approximately \$74,000**. Expenses include Code Enforcement Officer wages and benefits, supplies, legal services, and hearing advertising and stenographer charges. **These expenses are projected to be approximately \$78,000 for 2023.**

- **Under Police Services, the projected expenses for 2023 are approximately \$2.9 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 \$1.8 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, parks and recreation facilities, as well as the replacement of major equipment. **The major need that had been planned for within the capital budget was 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 was anticipated to be approximately \$1.5M. The final cost for the project was approximately \$1.1M. The Borough has received \$1,586,931 through 7 separate grants, and will be expanding the project south of Memorial Park with the remaining grant funds in 2023.** This project is anticipated to fulfill the requirements for at least two 5-year permit cycles.

Funding for the capital budget will come from existing capital funds, as well as from annual 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 2022:

Streets paved this summer include S Oak and S Charlotte Streets.

Proposed Capital Projects for 2023:

Market Square Improvement Project

The borough has been awarded a \$900K grant and \$1.4M in county funding to be used to make major improvements to Market Square. Design, permitting, and bidding will occur in 2023-2024 with construction anticipated in 2024-2025.

East High Street Pedestrian Improvements Project

The Borough was awarded a \$200,000 Community Development Block Grant to extend sidewalks along East High Street from their current endpoints to the RR crossing. This will also connect to the trail that has been constructed as part of the Memorial Park Stream restoration Project.

East High Street storm drainage improvements

This project will extend the storm sewer system that was recently completed to alleviate the ponding of water that frequently occurs.

Park Improvements

Various improvements to baseball fields and the tennis courts are planned, as well as providing an improved camera security system at the covered bridge and Memorial Park pavilion area.

Equipment and Facilities Improvements

A new public works pickup truck will be purchased which will enhance the plowing and salting operations for the borough. The remaining portion of the Public Works Building currently owned by MAWSA will be purchased.

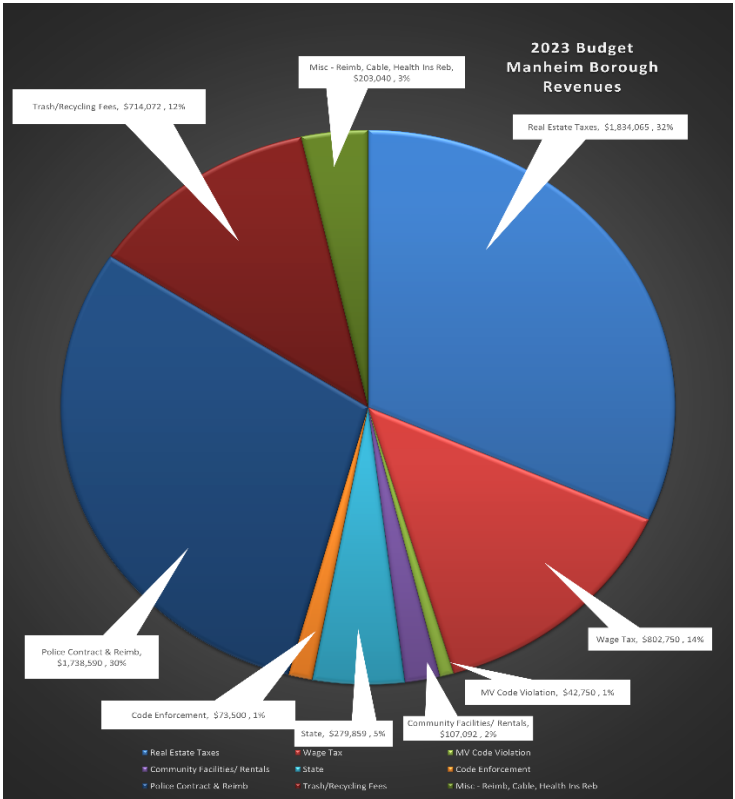
Depending on the outcome of the grant applications and final actual costs for these projects, additional capital projects may be considered in 2023.

General Finances

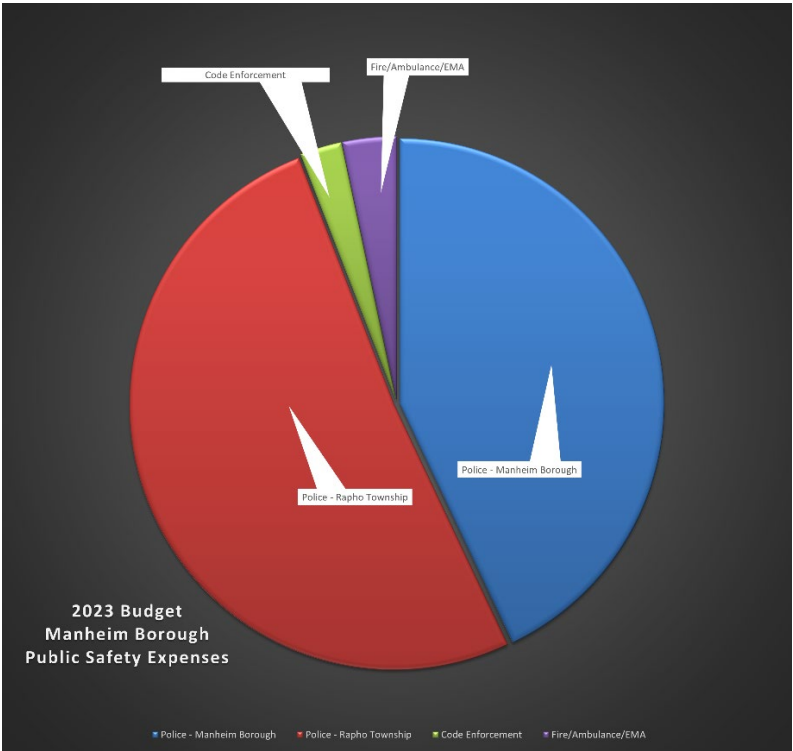
A number of cost-saving and related initiatives have been undertaken (and are ongoing). A sampling of the more significant measures are highlighted below. While many of these began prior to the last year, since they were not one-time savings measures, they are presented here as they represent ongoing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

- Refinancing of existing debt. Due to favorable interest rates, in 2019 the Borough refinanced 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. Because of this rating, the borough realizes 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 – which under current market conditions, would have likely resulted in significantly higher rates and associated costs), and the term of the bonds did not need to be extended beyond the term of the original loan note.
- The **\$1.59M** 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 needed to borrow additional funds.
- Over the past 7 years, the borough has secured approximately \$5M in grants, reducing the need to borrow funds at increased costs, and enabling substantial projects to be completed that otherwise would remain undone.
- 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.
- Energy Audit 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, and with increased energy costs, are now yielding meaningful savings.
- Participation in a self-funded health insurance cooperative with other governmental entities has resulted in **refunds of over \$500,000 of insurance premiums over the past 5 years.** Insurance premiums during that period have increased by approximately **3%/year, well below national and state averages.**
- All non-decorative street lights in the Borough were converted to LEDs, resulting in ongoing cost savings and improved street lighting.

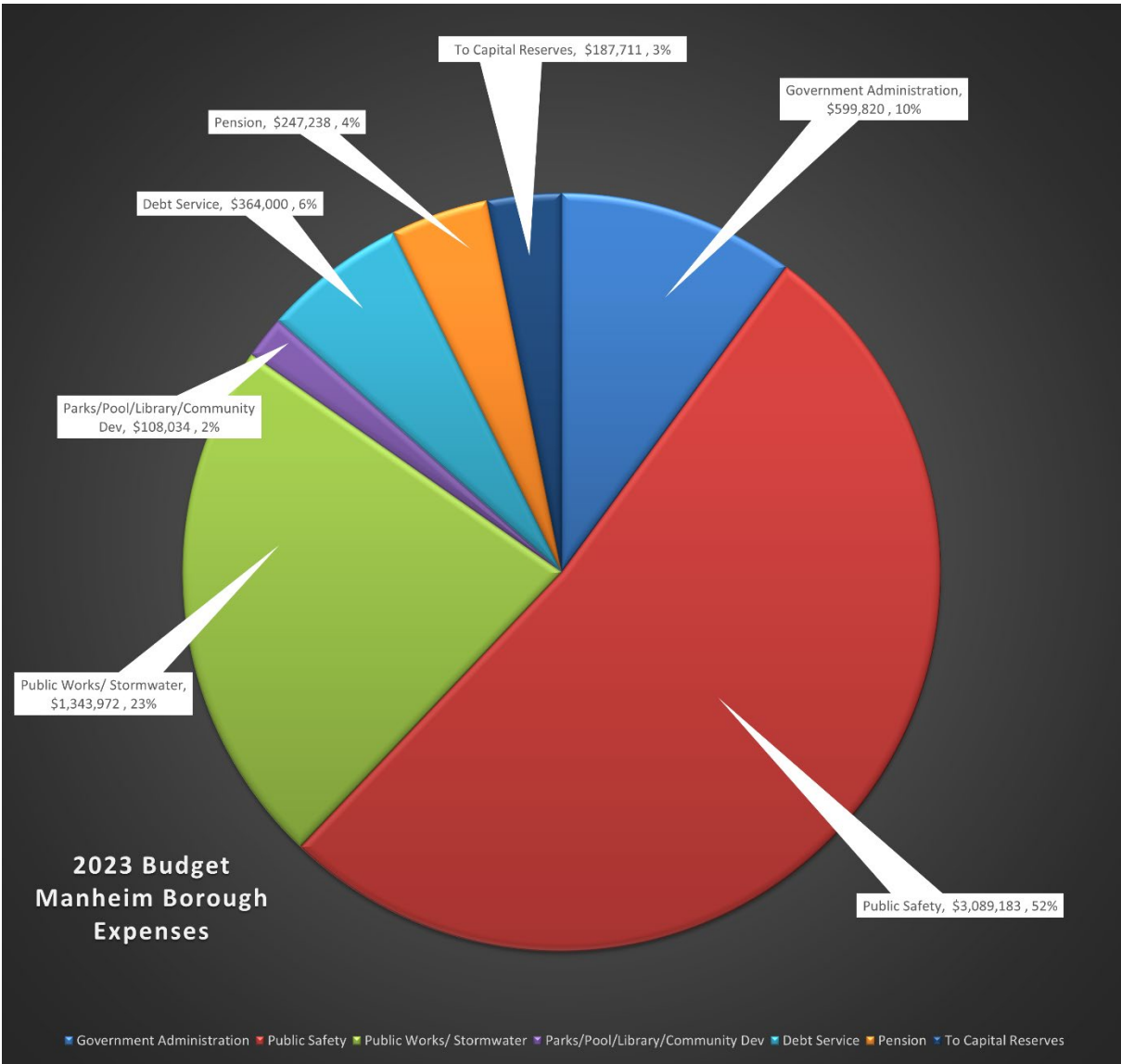
The largest source of revenue is real estate taxes, followed closely by revenues from the police contract with Rapho Twp. A full breakdown of the revenue categories are shown in the chart below.



The largest expense for the Borough is Public Safety (52% of total). Public safety includes police services, 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. A breakdown of expense categories is 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 6%, and pension costs are at 4% (with a majority of pension costs reimbursed by the state).