

# **PRESIDENT'S BUDGET MESSAGE FOR 2022**

Daniel B. Norris, President  
Board of Commissioners  
November 3, 2021

Good Evening Fellow Residents and Board Members:

I am Daniel B. Norris, President of the Board of Commissioners for Cheltenham Township. The Township's Home Rule Charter requires that the Board President outline the Township's budget and financial plan for the following year. The plan for 2022 that I present tonight includes proposed Operating and Capital Budgets, a State Liquid Fuels Budget, and a Five-Year Capital Program through 2026.

The budgeting process began this summer and continued into October when the Township Manager held various budget meetings with department heads, staff, and representatives from the libraries, and a finance meeting with the Fire Companies. That was followed by a Public Budget Workshops on October 28th, conducted by the Board of Commissioners.

The proposed Operating Budget for next year totals \$40,658,187, which is an increase of \$1.3 million, or 3.5%. While all department heads have held the line on expenses, this increase can be found in numerous areas, but mostly insurance premiums, debt service liability, rising costs for utilities, much needed improvement for the Township's aging infrastructure, and actual wage increases reserved for our three (3) employee collective bargaining associations (the Police, which represent the uniformed officers; the Salaried Association which represents municipal and Police administrative support staff and paramedics; and the Teamsters Local No. 115, which represents our Public Works employees). All three union employee contracts expire at the end of this year. The Commissioners have a fiduciary responsibility to control the Township's costs. We are in negotiations with our collective bargaining groups now, but the question of wages and benefits for these employees remains open at present. Modest increases may be agreed upon in order to gain the support of the employees' bargaining groups for pension, healthcare, and various work-related changes. These issues may remain unresolved at the time of the passage of the budget.

Concerning new land development activity, the Township anticipates it to remain level, but our residential building permit fee activity is projected to increase by about 50% over 2021 budgeted levels. Some revenues in licenses will experience a more modest increase and commercial building permits are expected to maintain the same amount.

Our real estate assessment millage is projected to be flat in 2022 primarily due to the raising of the Earned Income Tax rate last year which was favorable to the Township. We look forward to the possibility of additional tax revenue in future years, as the Township continues to grow in business development.

In order to present a balanced budget this evening, the Township is proposing to streamline operations to ensure the Township can continue to provide vital services. The budget outlined below results from months of meetings between the Township Manager, the Director of Fiscal Affairs and Department Heads

with their staff and also representatives from the Cheltenham Township Library System and the Volunteer Fire Companies.

### **THE BIG PICTURE**

The 2022 proposed operating budget revenue is currently projected to be \$40.6 Million as compared to the 2021 operating budget revenue of \$39.3 Million – a 3.4% net increase in revenue of just over \$1.3 Million.

The proposed operating budget expenses are currently projected to be \$40.6 Million, which is \$1.4 Million or 3.5% more than 2021 budgeted expenses. One of the more notable increases is \$550,000 in liquid fuels wages moved to the operational budget expenses. This change was made to properly reflect these expenses.

This proposed budget is balanced and calls for a 0% tax increase regarding Real Estate Tax Millage. As a result of the cost-saving realized by the many expense cuts implemented in 2020 and continuing into 2021 and the increased revenue from the Earned Income Tax, no reduction of our fund balance is required. The fund balance is an important part of the Township's financial health. Best management practices say that a municipality's fund balance should not be used for ongoing operating expenses but be maintained for one-time unanticipated items.

### **REVENUE**

The following factors have impacted the Township's revenue projections for 2022:

- **Real Estate Tax** revenues are expected to maintain current year levels as there has been no significant change of assessed valuations of properties.
- An increase in **Licenses and Permits** by \$22,500 (2.7%) as construction projects have begun to pick up with the lifting of Pandemic restrictions and residential property development projects commencing.
- **Interest from Bank Investment Balance** is expected to decline \$30,000 (-60%) due to historically low-interest rates.
- The Township anticipates receiving approximately \$1.9 million in revenue from the state and/or federal **Emergency Management** agencies, reimbursing it for expenses or unrealized revenue related to the pandemic.
- **Pool Membership Revenue** has been decreased per actual year-to-date collections, by \$30,000.
- **Curtis Hall Rental Revenue** has been maintained \$80,000 from Jeffery A. Miller Catering's (JAM). Catering venues experienced significant revenue losses in 2021 due to the pandemic. Some events have occurred in 2021, but most have been pushed off until 2022. Between delayed events and new bookings, we are hopeful JAM can meet projections if events are permitted to occur.
- Revenue from **Recreation Programs** has been included in the 2022 budget; however, the decision to run these programs will continue to be made on a case-by-case basis in coordination with health officials' recommendations as well as the ability to operate in Township facilities.
- **Act 511 Taxes** (Earned Income Tax, Local Service Tax, Deed Transfers, and Mercantile/Business Privilege Taxes) are projected to decrease \$250,000 from 2021 to 2022. This projected reduction comes as a result of accepting the projected revenue remittance levels as received from Berkheimer. The 2021 projections were overstated.

## EXPENSES

As explained further in the Expenses sections below, the Township expects to begin returning staffing levels where appropriate while taking measures to maintain or reduce expenses to the greatest extent possible. This includes efforts to maintain or increase staff for 2022, trim services, defer projects where reasonable, and keep some Township facilities temporarily closed.

- In our **Administration Department**, expenses have been increased by 10.9%. This increase is due to Legal fees. The Township anticipates continued utilization and involvement of Labor Counsel and Township Solicitor as we look to review and update policies and procedures and the possibility of carry over of negotiations with all three of its unions.
- In our **Miscellaneous Administration** Cost Center, expenses are expected to decrease -3% overall.
  - Group health insurance premiums are anticipated to remain stable. However, as the Township has gone out for competitive pricing, costs-saving are expected to be realized prior to the adoption of the final budget.
  - The Minimum Municipal Obligation for Employee Pension Plans will increase by roughly \$192,000 or 5%.
  - Transfer to Sinking Fund will increase from \$690,000 to \$963,000 to reflect the new debt repayment schedule following the sewer system sale. Under the new debt repayment schedule, the 2021 payment included a low-interest payment and a principal payment. The 2022 debt schedule will experience a nearly \$275,000 increase, after which the debt payments will level off for the remainder of the roughly 25 to 30-year term of the bonds.
- The **Streets and Bridges** Cost Center shows an increase of 10.9% overall. The reflected increase to this account is mainly due to the combining of salaries from other cost centers, increased costs for preventive maintenance items, annual training expenses, and safety clothing and equipment provided per the Collective Bargaining Agreement.
- The **Street Lights and Traffic Signals** Cost Center shows an increase of 33.4% due to the transfer of our Street Light and Traffic Signals Superintendent's salary from the Liquid Fuels budget to the operations, as well as increases in cost to be offset by insurance reimbursements for Street and Traffic Lighting knockdowns due to accidents.
- The **Stormwater Management** Cost Center shows an increase of nearly 7% due to the necessity to provide the daily materials used to repair collapsed inlets, minor storm pipe repairs, rebuilding brick walls and manholes, and replacing minor sections of broken pipe.
- The **Refuse** Cost Center is increasing by 8.3% or \$158,000 in 2022. Although trash disposal rates remain the same, costs for refuse and recycling disposal are projected to increase 24.3% or \$162,000 in 2022 due to increase tonnage as a result of Covid-19 displacements and increases in the number of teleworking positions. The Montgomery County Consortium is working to secure proposals for transfer station management, operations services, hauling services, and processing services from several qualified vendors.
- The **Police** Cost Center will be increased by 2% or \$182,000. This increase is limited primarily due to retirements and other staffing reductions. As we look to return staffing of officers to appropriate levels, the overall number of officers will continue to be carefully reviewed as we look to close out labor negotiations.
- The **Parks and Recreation** Cost Center will be reduced by nearly -62% or \$1 Million. This significantly reduced Budget comes as a result of moving Public Works Grounds employees out of the Parks & Recreation budget as well as the reduction in programs as a result of the Temporary Community Center closures.
- The **Swimming Pools** Cost Center expenditures will be decreased by \$40,000 or 13.5% due to the one-time maintenance expenditures incurred in 2021. Like with Parks and Recreation, the

decision to open the pools will be made in conjunction with current guidance and consultation with health officials.

- The **Township Building** Cost Center reflects a 55% increase of \$155,000. This is largely due to the reinstatement of one full-time position and one part-time position and increased maintenance costs for deteriorating facilities.
- The **Finance Officer** Cost Center is proposed to increase 54% by \$62,000 due to increase Earned Income Tax collection costs offset by increased receipts from Berkheimer.
- The **Fire & Code** Cost Center will experience a 6.7% increase in expenditures. While the actual expenditures requested came in 5% lower than the current year, continued efforts to increase efficiency and departmental restructuring this Budget has picked up three Staff members, resulting in an overall Budget increase. Although Contributions reflect a decrease of \$68,500, it is proposed in 2022 that the four remaining volunteer **Fire Companies** receive an overall \$100,000 increases in contributions (total contributions increase of \$25,000 per fire company.) On behalf of my fellow Commissioners, I offer our heartfelt thanks to the dedicated men and women who dedicate their lives to saving lives and property at all times of day and night and in all kinds of weather. They *volunteer* their time without pay.
- The **Planning and Zoning** Cost Center will be increased by \$172,000 or 36.7%. Like Fire & Code, this Budget has picked up additional employee costs to increase efficiency and support departmental restructuring.
- The **Emergency Medical Service** Cost Center will experience an increase of 5.4%. However, when excluding increased salary costs, due to the need for additional manpower to maintain pandemic service levels, expenses remain relatively stable with a projected increase of less than 1%.
- The Township will maintain its contribution of \$1.7 Million to the Cheltenham Township **Library** System. Our new library director, who took over the reins amidst the challenges of the pandemic, has ambitious plans for the future of our Library. We look forward to seeing her bring these ideas to fruition.

### **LIQUID FUELS BUDGET**

The Township's Liquid Fuels Budget is derived from funds from the State gas tax utilizing a formula based on population and miles of locally-owned roads; it can be used to support construction, reconstruction, maintenance, and repair of public streets and bridges. Typically, Cheltenham uses Liquid Fuels funding to finance its annual snow removal and milling and paving program, which supports the paving of 2 to 2.5 miles of Township roads each year.

In 2021, the Township's Liquid Fuels allocation decreased 8%, or \$81,000, to \$930,000. Since the Township's Liquid Fuels Budget is financed through taxes on vehicle fuel sales in Pennsylvania, a projected reduction in miles driven and increase in the number of fuel-efficient vehicles will cause the Township's annual allocation to decline over time.

Between the carry-forward balance from 2021, which comes primarily as a result of the deferral of the 2020 milling and paving program, the Township plans to resume its paving program in 2022 as it did this year. The Township also plans to ensure maximum visibility on pedestrian crosswalks and street markings throughout the Township from this account, in addition to adding more mileage to our current Mill and Paving projects. The proposed budget is allocating \$1 million to this effort – doubling the prior annual average paving program funding level. The Township Manager will work closely with Township staff to identify roads for the 2022 paving program and plans to bid the proposed streets out this winter for an optimal bid price.

The 2022 Capital Budget proposes a \$10.8 Million budget. The Township is working to limit its capital expenditures to only items that are necessary for 2022. Where possible, we are pushing capital expenditures to 2023, and beyond to delay issuing a bond, so the first payment on the bond would not come due until 2023. However, the Township will need to seek out funding sources, such as Grants, Donations, Notes, and Bonds, to supplement the much-needed capital infrastructure improvements.

### **OTHER CONSIDERATIONS**

Cheltenham is tirelessly working to position itself as a great place to live, work, and play. Over the past few years, we have worked to set the stage for economic development in the Township by adopting brand-new Zoning and Subdivision & Land Development ordinances. But our work is not done. We are beginning to work with the Montgomery County Planning Commission on an update to our 2005 Comprehensive Plan – a plan that will help us evaluate and shape the future of our Township. We look forward to having our community involved in this 2-to-3-year process.

The Township has been involved in studying the feasibility of implementing a Stormwater Impact Fee to help fund the increasing state and federal water quality requirements and address flooding and other stormwater issues that significantly affect the Township's residents and businesses. We are close to adopting a fee to be implemented in 2022. This will provide a dedicated funding source for stormwater operating and capital expenses that will help protect our residents' health, safety, and welfare and their property.

New development and redevelopment continue to be crucial to Cheltenham's economy, as it brings new jobs, additional tax revenue, and generally improve the quality of life for our residents and businesses. Cheltenham is working hard to support new development in the Township while also protecting the interests of the existing community. Some recent development projects include:

- Greenleaf at Cheltenham is wrapping up a \$50 million investment in Cheltenham. Less than a handful of tenant spaces remain.
- Site work has begun on the Ashbourne Meadows project at the former Ashbourne Country Club this year with the construction of new residential units. A few homes have already been sold with more to come.
- The 115-room boutique hotel and conference center at the Elkins Estate is continuing renovations and should be looking to welcome patrons in the near future.
- We are excited to have other investments in the retail, restaurant, professional office, institution and residential development sectors in the Township, as well.

### **NEXT STEPS**

The Commissioners will continue to work with the Township Manager, Director of Fiscal Affairs, and Township Staff to fine-tune projections, maximize revenues and trim expenditures to reduce the operating budget and help fund recurring shorter capital budget purchases, such as police vehicles, computer equipment, playground equipment, between now and adoption of the Final Budget.

The 2022 Budget proposes to continue implementing recommendations from The PFM Study to help improve its financial position. In 2021, The Board of Commissioners implemented an increase in the Earned Income Tax of 0.5%. The additional revenue realized as a result of this decision allows the current year's operating fund to project a transfer of \$2.78 million to finance capital purchases delaying the need for bond issuance in 2021. This vital action continues to help set the Township on the path of building a healthy financial future.

The following are important dates in the budget process:

- Next Thursday evening, November 11<sup>th</sup> at 6:30 p.m., the Board of Commissioners will review this proposed operating and capital budget.
- On Monday, November 15<sup>th</sup> at 6:30 p.m., the Board of Commissioners will review the proposed budget and make recommendations.
- On Wednesday, November 17<sup>th</sup> at 7:30 pm, the Board of Commissioners is scheduled to adopt the Preliminary Operating and Capital Budgets for 2022.  
The Preliminary Budget will be made available to the public for inspection no later than November 26, 2021. It can be found on the Finances & Taxes page under the Departments & Services tab on the home page of the Township's website.
- On Wednesday, December 8<sup>th</sup> at approximately 8:00 p.m. the Finance Committee will further review and discuss the budget.
- Finally, on Wednesday, December 15<sup>th</sup> at 7:30 p.m. the Board of Commissioners will hear any public comment on the budget before it considers adoption of the Final Budget.

All meetings are open to the public and will be conducted via Zoom. Log-in information for all meetings will be made available on the meeting agendas which are posted on the Township's website. All public input is welcome. This is your budget and your comments are welcome. We are committed to being open and transparent.

I wish you all a safe and Happy Thanksgiving and a healthy holiday season! Please, support your local businesses, and I encourage all residents to give their input to the Commissioners.

Thank you for your attention, and good night!

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