

PRESIDENT'S BUDGET MESSAGE FOR 2020

Daniel B. Norris, President

Board of Commissioners

November 6, 2019

Good Evening Township Residents and Township Staff:

My name is Daniel B. Norris. I am President of the Board of Commissioners of Cheltenham Township. The Township's Financial Plan that I am presenting to you this evening for 2020 is in accordance with the Cheltenham Township Home Rule Charter, which requires the Board President to outline the Township's proposed budget and financial plan for the upcoming year. This includes the proposed Operating and Capital Budgets, the State Liquid Fuels Budget, and the Five-year Capital Program for equipment and infrastructure needs from 2020-2025.

The preparation of the budget began in August and continued into October when the Township Manager and Director of Fiscal Affairs held various budget meetings with Department Heads, Township Staff, representatives from the Cheltenham Township Library System, and a finance meeting with the five Volunteer Fire Companies. These meetings were followed by two Public Budget Workshops; the first being an all-day session on October 3, the second being an afternoon and evening session on October 30. Both open workshops were conducted by the Board of Commissioners.

The 2020 proposed operating budget revenue is currently projected to be \$36,075,269 as compared to the 2019 operating budget of \$45,056,304, a net

decrease in revenue of \$8,981,035 for next year due to the sale of the Sanitary Sewer System to Aqua Pennsylvania Wastewater, Inc. for \$50.25 million. Offsetting the revenue decrease is a \$4.3 million reduction in debt payment, plus the elimination of approximately \$4 million of our sewer operating expenses, primarily due to Philadelphia Water Department's Wastewater Treatment costs.

I am happy to report that on October 24, 2019 the Pennsylvania Utility Commission (PUC) voted 3-1 to formally approve the sale of the Township's Sanitary Sewer System and the tentative date for the closing has been scheduled for Friday, December 6, 2019 which at midnight on that date all assets will officially transfer to Aqua. Until that time, the system will continue to be maintained by the Township and all sewer calls should be directed to the phone number still listed on the Township website for the on-call supervisor and sewer employees which will then be assigned to handle daily calls and emergencies. Upon the conclusion of the transfer, several sewer employees will be reassigned new duties which will include handling and addressing storm water management needs for the Township.

With the sale of the sewer system being consummated there will be \$29.3 million in sewer debt being paid off and roughly \$17.5 million being used to retire a portion of other non-sewer related bond debt. The Commissioners voted on Wednesday, October 23rd at its legislative meeting to hold aside \$2 million of its net sewer sale proceeds to be placed into the general operating fund balance for use in helping to reduce the 2020 budget short fall, and for future consideration to reduce tax increase scenarios over the next several years, if warranted.

Based on healthcare and workers compensation plan cost reductions, other changes and significant cuts made at earlier budget workshops, the 2020 original

budget proposed expenditures have been reduced by a total of \$1,484,518. With input from our financial consultants, PFM and Acacia Financial Group, the Township has also been able to rework and reduce the existing debt payment schedule by roughly \$403,305 for 2020. Through the implementation of these cost saving measures and the use of \$17.5 million of net sewer sale proceeds to further reduce down significant portions of the Township's outstanding bond debt, the current revenue to expenditure budget shortfall for 2020 that still needs to be addressed is \$1,230,609.

The Township has already elected to increase its operating fund balance by setting aside \$2 million of the sewer sale proceeds and intends to use \$500,000 of these new reserves to reduce down the revenue to expenditure budget gap of \$1,230,609 to an even \$730,609. Efforts will continue between now and December 18th to find additional cost savings and revenue resources to further reduce down the remaining budget gap of \$730,609. Should the current budget shortfall remain unchanged, the 2020 budget will be balanced by authorizing a tax increase of \$58.65, or \$4.89 per month for a property owner with an average assessed value of \$150,000.

Offsetting a portion of the proposed non-sewer related revenue decreases are several revenue sources that are reflecting increases as compared to the prior budget year. For 2020 we are projecting an increase of \$31,975 in current year and \$20,000 in prior year real estate tax collections; an increase of \$35,000 in residential building permit fees; an increase of \$20,000 in electrical and gas street opening permit fees; an increase of \$109,900 in PA State Pension Fund Aid; an increase of \$20,000 in prior year liened real estate tax collections; an increase of \$20,000 in Police Special Detail service revenue; an increase of \$10,000 in Curtis Hall rental income from Jeffrey Miller Catering; an increase of \$19,040 in PA

State Act 205 fire company funding; and an increase of \$95,000 in municipal services contributions.

However, the proposed new revenue increases are projected to be offset by several negative adjustments in income due to the following trends:

- Decrease of \$40,000 in the Township's current year interim real estate collections.
- A reduction of \$113,000 in current and delinquent mercantile/business privilege tax collection.
- Decrease of \$25,000 in institutional building permit fees.
- A reduction of \$10,000 in water street opening permits.
- A loss of EDU income totaling \$211,750.
- A decrease of \$50,000 in investment income.
- A decrease of \$30,000 in prior year refuse fee collection.
- A decrease of \$20,000 in parking meter fees.
- A decrease of \$12,000 in Glenside Hall rental income.
- A reduction of proposed annual local service tax in the amount of \$50,000.
- A reduction of \$10,000 in drug task force income.

The Township's current assessed value valuation stands at \$1,868,487,000 based on recent information from the Montgomery County Board of Assessment. Throughout the fiscal year, the Township's 2019 real estate assessed valuation has continued to reflect some small, incremental net positive increases in real estate property assessed values based on new construction leading to increased assessed valuation by Montgomery County upon completion of the projects. However, this recent trend, limited as it is, will unfortunately have reversed itself before the 2020

budget is finalized and adopted in December because there are a significant number of assessment appeals before the County Board of Assessment that will likely be approved and lower the Township's assessed valuation.

The Township's actual budgeted expenditures for 2020, when the sewer expenses are factored out of the equation, based on the approval of the recent sewer sale to Aqua, is reflecting an increase in expenditures totaling \$554,128 comprising of contractual wage increases for employees, healthcare, benefit costs, the Township's Minimal Municipal Obligation Payment toward employee pensions and a FICA/Medicare increase imposed by the federal government.

Again, in order to present a plan for a balanced budget this evening and fill our revenue to expenditure shortfall of \$730,609, a net increase in tax millage of 4.26% is being proposed (9.1785 mills to 9.5695 mills), and will reflect in an average of \$58.65 tax increase. The Commissioners will continue to work with the Township Administration to identify reoccurring revenue sources and cost savings so that any tax increase might be reduced between now and when the budget is adopted on Wednesday, December 18, 2019.

The proposed budget for 2020 assumes no increases or reductions in the contributions to the five volunteer Fire Companies, for general operational expenses (total contributions will remain at \$832,500). It is important to point out that our local fire fighters are all volunteers. Their devotion and commitment to saving lives and property is tremendous. They spend hundreds of hours in training and responding to calls at all times of the day and night and in all kinds of weather. We thank them for their selfless service. Please contribute generously to their annual fundraising letters.

The administration cost center will see a reduction of \$390,325 for some savings based on administrative changes to healthcare plans and about \$100,000 in police salaries for not filling a retired patrol officer's position. We will look at ways to pay for that position by developing a cost share program in partnership with numerous businesses. The Library Board will use some portion of its fund balance for needed capital improvements, therein reducing \$165,000 of their existing unallocated appropriations.

As has been the case for the last several years, every effort was once again made to hold the line on increasing any of the departmental operational expenditures for 2020. Department expenditures are projected to only increase by 1% overall.

It is important to note that the operation and maintenance of the Sanitary Sewer System is no longer the Township's responsibility. The Superintendent of the Sewer Department is being eliminated while other Public Works employees will be migrated to either the Parks Maintenance or handle new and additional responsibilities toward stormwater management. This will help the Township address our increasing responsibilities with the Municipal Separate Storm Sewer System (MS4) Program requirements. It will also help better manage and maintain the Township's facilities that collect and discharge stormwater that flows through the municipal system to the open waterways and rivers. Dedicated personnel will help with the operation and the maintenance of new stormwater and flood control facilities like those being evaluated and proposed in partnership with the U.S. Army Corps of Engineers (a locally-preferred 6-basin plan to control stormwater in specific neighborhoods of the headwaters of the Tookany Creek), and the enhancements being proposed by the Pennsylvania Department of Environmental Protection to include physical changes to the Glenside Flood Control Project from

Brookdale Avenue down to North Avenue. Both draft plans are on the Township website and are proposed for advancement in engineering and design in 2020. Both projects once built will become the responsibility of the Township for ownership and maintenance.

Many of you will recall earlier in the summer, the Township had a presentation by the Montgomery County Planning Commission on proposed text amendments to the Township's development standards in its subdivision and land development. These regulations are being rewritten to encourage green infrastructure, sustainable development and retaining our natural features, respecting the environment, addressing stormwater in a more responsible manner and adaptive reuse and retrofitting of our historic buildings. The draft SALDO Ordinance will be discussed publically at the December 4, 2019 Building and Zoning Committee meeting at 8:00 p.m. at Curtis Hall. The Township is also exploring a local economic tax incentive program under the states' LERTA Program to give property owners a tax abatement on the value of their investment toward physical improvements to the existing building. Look for this Ordinance to be introduced in early 2020 for discussion and consideration.

The Township Commissioners have also committed to letting a request for proposals to 1) hire a professional consultant in 2020 to undertake a stormwater management study for purposes of raising new revenue to pay for capital improvements to stormwater infrastructure, flood control and streambank stabilization based on impervious coverage ratios and 2) undertake a transportation impact study to help the Township collect fees from developers that will be earmarked for offsite transportation improvements based on land development impacts. The goal of these studies is to raise revenue for dedicated capital improvement projects that would otherwise have to be paid with borrowed bond

funds. We will also have by the end of the first quarter in 2020, our completed draft of the strategic management plan currently being implemented by PFM, and a completed comprehensive fire study of our five volunteer fire companies. Both studies will look at long term capital and operational needs of the Township operations and fire delivery services and make recommendations for prioritizing funds, personnel and capital expenses.

Some new development opportunities that are underway that are worth noting include:

- A 5,051 square foot Wawa Food Market building with indoor seating and ten fueling pumps on five lots that will be consolidated at South Easton Road and Waverly Road, which will be reviewed later this evening on the Public Works Committee agenda.
- A new 25,152 square foot Planet Fitness is slated to open in early 2020 at Cedarbrook Plaza on Cheltenham Avenue and Easton Road.
- Land development plans have been submitted for the 40 acre Elkins Estate located at 1250 Ashbourne Road. This project consists of a 115 room boutique hotel, conference center, restaurant with indoor and outdoor dining, distillery, a culinary training center and kitchen with classrooms, a recording studio, a band shell and helipad. The opening for the hotel is expected by the end of next year.
- Over 30 additional bookings have been planned for Curtis Hall in 2020 based on the recent exclusive lease the Township signed with Jeffrey A. Miller Catering.
- The Matrix owned Ashbourne Country Club was recently sold to Liberty Properties for \$9 million. Liberty will begin later this year with site work for the construction of 166 residential units (combination of townhouses

and singles) which are projected to begin pulling building permits in the summer of 2020.

With respect to our Sustainability Report Card, I am happy to report that the Township continued to receive numerous greening initiatives again this year:

- A Sustainability Award at the Diamond Level from the Greater Valley Forge Transportation Management Association.
- Being recognized by the National Arbor Day Foundation for our 20th consecutive year as a part of the Tree City USA Program.
- Participation on the development of a Water Quality Improvement Plan for the Township's ongoing support of the clean water partnership for the Wissahickon watershed.
- Exploring ways to reduce vehicle congestion and promote walkable and bikeable communities and encouraging carpooling by exploring such programs as Green Spot and similar transportation initiatives that work with municipalities to promote consideration of electric vehicles.
- Participation in a Clean Energy Transition Program and passing a Resolution to commit by the year 2030 to transition to 100% sustainable clean energy with a regional effort known as Ready for 100.

In addition to our \$36,805,878 operating budget, the Township is also projecting a Capital Budget of \$12.4 million for 2020. There are 95 capital projects and acquisitions planned, including the replacement of public works vehicles that are part of the municipal fleet, replacement of Jenkintown Bridge, stormwater management improvements throughout the Township, improvements to our fourteen municipal buildings, upgrades to our two municipal pools, our

playgrounds and our park facilities, updates to our traffic signals and controller boxes, and flood control improvements to name a few.

The Township continues to offset its costs by maximizing grants from federal, state and county agencies. During the past 12 months, the Township has secured over \$3,527,625 in grants and corporate donations and is always looking to do more to increase that major source of revenue. Most of these projects are identified in the fall newsletter which was mailed to all property owners a few weeks ago and can be found on the Township's website.

The Township's Liquid Fuels Budget provides funds for snow removal and paving municipal roadways. These are direct pass-through funds from the State utilizing a formula based on population and municipal road miles. Next year's State contribution of \$1,009,366 is slightly lower by 2% and we are hopeful, if bid prices are favorable, we will be able to maintain an average annual amount of roadway milling and paving which equates to approximately 2 to 2.5 miles.

It is also important to note that the Township has been working with members of the Census Bureau to assist us in emphasizing to the residents the importance of the upcoming 2020 Census and our goal for achieving a complete count. The higher our population the more state and federal aid and grants will be available to the Township to help fund projects.

The Commissioners will be working with the Township Manager, Director of Fiscal Affairs and Township Staff between now and the final budget adoption on Wednesday, December 18, 2019 to continue to fine tune our projections, maximize revenues and trim expenditures.

Next Wednesday evening, November 13th, the Finance Committee will review this proposed budget at 8:00 pm. On Wednesday, November 20th at 7:30 pm, the Board of Commissioners is scheduled to adopt the preliminary Operating and Capital Budgets for 2020. On Wednesday, December 11th at 8:00 pm at the Finance Committee, the budget will be reviewed and discussed further. On Wednesday, December 18th at 7:30 pm the Board of Commissioners will conduct a formal Public Hearing to consider adoption of the final budget. All meetings are open to the public and held at Curtis Hall. All public input is welcome.

Thank you for your attention. Have a good evening, a Happy Thanksgiving, and a safe and enjoyable holiday season!
