



Cheltenham Township Board of Commissioners **VIRTUAL TOWN HALL**

*Regarding a Voter Referendum to Permit the Increase
of the Cheltenham Township Earned Income Tax*

Thursday, July 23, 2020, 7:30 p.m.



- 1) Call to Order
- 2) Presentation on the Township's Fiscal Situation and Proposal for an Increase in the Earned Income Tax
- 3) Announcement of Special Meetings of the Finance Committee and Board of Commissioners on Wednesday, July 29, 2020, to consider the adoption of an Ordinance initiating a public referendum to amend the Township Home Rule Charter to allow an increase in the Earned Income Tax rate up to 1%.
- 4) Citizen's Forum
- 5) Adjournment

Meeting Etiquette: Please mute yourself upon entering the meeting and remain muted until Citizen's Forum. At that time, if you wish to ask a question or provide a comment, please raise your hand and wait to be acknowledged. You can also type a comment or question in the meeting chat box, including your name and address, and it will be read aloud by a meeting moderator. If you are calling in via telephone, you can dial *9 to request to speak. Once you are recognized to speak, please state your name and address for the record.

This meeting will be recorded and the recording will be posted on the Township's website, YouTube and Facebook pages.



Not Business as Usual Anymore

Over the past decade, you've seen the Township Struggling with:

- Aged-out Infrastructure Requiring Replacement, Repairs and Upgrades
 - Stormwater and flooding
 - Bridges and Roads
 - Buildings
 - Recreational Assets (pools and playgrounds)





Not Business as Usual Anymore

Over the past decade, you've seen the Township Struggling with:

- Maintaining Exemplary Services
 - Lacking technological efficiencies/records
 - Innovations
 - First Responder: Fire, Community Policing, Emergency Medical Services
 - Programming: Libraries, Historic Assets, Recreation, Sports





Not Business as Usual Anymore

Over the past decade, you've seen the Township Struggling with:

- Fixed Costs, Lean Spending
- Static/Shrinking Revenue Base
 - Unattractive real estate tax burden, real estate valuation
 - Insufficient commercial appeal
 - Large proportion of tax-exempt properties
 - Lack of “destination” image; cut through to elsewhere

As if that weren't enough ...
enter the COVID-19 Pandemic



Township Efforts to Address Challenges

Cost Cutting

- Reduced department and service funding
- Unfilled staff vacancies, plus furloughs during pandemic
- Pursuit of more favorable insurance arrangements
- Delayed/dropped capital projects
- Sale of sanitary sewer system
- Stricter oversight of contracts and cost overruns
- Stricter oversight of necessity for matching grant investments



Township Efforts to Address Challenges

Improve Cheltenham's Appeal

- Greater enforcement/improved property maintenance
- Revised/streamlined Zoning Code
- Revised/streamlined Subdivision & Land Development Code
- Tax incentives to developers
- Traffic calming efforts
- Greater role for citizen advisory groups and volunteers
- Collaborative efforts for parks, stream bank restoration, etc.



Township Efforts to Address Challenges

Revenue Generation

- Repurpose, lease, sell Township properties and assets
- Recruit businesses
- Close tax loopholes/pursue scofflaws
- Update user fees, penalties for violations (to cover costs)
- Revisit codes to consider new fees



Initiatives to Provide Objective Recommendations

- Strategic Financial Management Plan
- Fire Services Study
- Pool Study
- Stormwater Management Utility



Cheltenham Township Fiscal Situation

Recent PFM Study Identified Significant Financial Issues/Challenges

- 2/3 of Township expenses are tied to personnel and commitments requiring collective bargaining to institute any changes
- Projected revenues have been shrinking as a result of local and regional business and employment conditions, lower real estate valuations and revised municipal accounting practices
- Continuing complications of the COVID-19 Pandemic dramatically increase Township expenses (PPE and safety costs, necessary overtime, etc.) and adds to projected revenue shortfalls

Anticipated funding shortfalls will leave the 2020 budget as much as \$1.5 million below the projected budget levels

- Loss of revenues from taxation, fees and fines

2021 Projected deficits could be as high as \$2.5 - \$4.0 million resulting from existing obligations

- Maintaining core services while 2020 income and tax revenues, along with business declines, will surface in the 2021 fiscal picture

Traditional sources of Township revenues are unlikely to materialize this or next year requiring the Board and Township Management to Explore Funding Alternatives.



Cheltenham's Finances have a Structural Imbalance

- Limited revenue growth which is driven by flat Real Estate assessments; modest Earned Income Tax growth of about 2%; and low revenues from other channels such as fees and fines.
- Employee compensation and health benefits contribute to a growing structural deficit in the Township's operating budget
- The Township's debt service has been another cost driver – *Historically, the Township issued debt approximately every other year to pay for capital projects, resulting in large annual increases in debt service payments.*



Board Actions and Options

Major expense cuts/reductions

- *Township has already initiated significant cost cutting measures*
 - Furloughs and layoffs have reduced payroll and healthcare/pension obligations
 - Eliminated or delayed all but essential capital expenditures
 - No frills budgets and department cuts over the past few years

Business as Usual Won't Work Anymore

- *Passing on increases via Raising Property Tax Millage*
 - Impacts every property owner, even renters, regardless of age, employment status, or ability to pay
 - Increases the financial burdens on those hard-pressed to incur bigger tax payments
- *Other revenue sources can't compensate*
 - Market Conditions (COVID-19/Layoffs/Business Closures) will reduce tax revenues
 - Federal, state and county funding sources are limited and not expected to increase
 - Alternate revenue channels are under duress, many even underperforming



Board, Leadership and Consultant Recommendation

Implement an Earned Income Tax Increase of up to 0.5% for the Township

- Our best short term option which was recommended by PFM is the proposed increase in the Earned Income Tax up to 1% to the Township for a potential total of 1.5%. Currently 1% (0.5% to both the Township and School District).
- Township EIT increases have been implemented in some neighboring municipalities:
**Township Portions: Norristown – 1.6% of 2.1% /
Coatesville – 2.0% of 2.5% / Allentown 1.475% of 1.975%**
- EIT represents a more reliable, predictable source of operating funds to maintain essential Quality of Life services such as: Libraries, Parks/Trails, Leaf Collections, Pools, etc.
- EIT increase will strengthen our tax base and protect the Township services we've all come to expect.
- Proposed increase only impacts those receiving a paycheck; avoids assessing those with fixed incomes (retirees and seniors) living on Social Security, Pensions and Investments
- Township residents working in Philadelphia benefit from the Sterling Act and don't pay Township EIT

Hence, the recommendation for the Referendum to allow the EIT increase and the reason for tonight's Town Hall



Voter Referendum Process

**** Governor Wolf signed SB1188 into law July 23, 2020 allowing municipalities to increase EIT without a referendum, nullifying this timeline. The Board of Commissioners will likely consider an Ordinance increasing the EIT sometime this fall.****

- **July 29, 2020:** Board of Commissioners make a decision regarding the adoption of an Ordinance placing a referendum on the 2020 Ballot to amend the Home Rule Charter to permit the increase of the EIT.
- **August 4, 2020:** Referendum Ordinance must be filed with the Board of Elections.
- **October 4 through November 2, 2020:** A notice of the election will be published in at least one newspaper of general circulation once a week for three consecutive weeks.
- **November 3, 2020:** Voters vote to approve or deny the referendum. A majority of votes is required for the referendum to pass.
- **By January 2021:** The Board of Commissioners must advertise, hold public meetings to discuss an EIT increase and vote to implement an increase for the 2021 calendar year.



Announcement

Special Meetings of the **Finance Committee** and **Board of Commissioners** will be held on **Wednesday, July 29, 2020, 7:30 p.m.**, via Zoom

CANCELLED
to consider the adoption of an Ordinance initiating a public referendum to amend the township Home Rule Charter to allow an increase in the earned income tax rate of up to 1% (currently 0.5% for Cheltenham Township)



Questions Already Posed to the Board

- 1. What other taxing or revenue generation increase options are available to the Township?**
- 2. Why conduct the referendum in a Presidential Election Year?**
 - Maximize community awareness and voter participation
- 3. What and how much did the Township save in the cuts, furloughs and layoffs it made (\$875,000 to date)?**
 - Are there other cuts/reductions you can make?
- 4. How will basic and/or other services be impacted if the referendum fails to pass?**
- 5. Is there an alternative to the referendum and Charter amendment?**
 - SB 1188, which permits municipalities to increase their EIT without a referendum, has passed the State Senate, but is stalled in the PA House.
- 6. What about sharing the increase with the School District?**



Before Citizens' Forum

If the referendum fails to pass, what are the Board's options?

1. Potentially significant reductions in Township Quality of Life services such as libraries, parks, trails, leaf collection, pools and other services and amenities.
2. Potentially dramatic increases in the Township Real Estate Tax Millage rates.
 - Will be in addition to any School District tax increases
 - Applies to every homeowner (seniors; retirees; the unemployed)
 - Will likely be passed on by landlords to renters
3. May necessitate increases in commercial tax rates which might hurt business investment, retention and/or expansion.
 - Overall 2021 commercial revenues reduced as a result of COVID-19
 - Less predictable source of revenues through Fiscal 2022



Citizens' Forum

Ground Rules for Town Hall Participants

- Raise your hand and wait to be acknowledged by a moderator before speaking.
- If you wish, you may type your question or comment in the comments section for a moderator to read aloud. Please include your name and address with your comments.
- State your Name and Address before asking questions or making comments.
- Try to be brief.
- Avoid being redundant .
- Please restrict comments and critiques to the subject of the EIT Referendum and Proposed Increase.

This is the second of a number of sessions we plan to have, so all of your questions may not have an answer tonight