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Anne W. Klepfer

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MEMO TO: Schwenksville Borough Council

FROM: Anne W. Klepfer, Borough Manager

Date: November 13, 2019

Subject: 2020 Draft Budget -November Draft

Attached please find the draft 2020 Schwenksville Borough Operating Budget documents.  
Breakdown of Funds is as follows:

DRAFT 2020 BUDGET SUMMARY					
Municipal Accounting Fund	2019 Budget	2020 Draft Budget	2020 Revenues	2020 Expenditures	2020 Use of Fund Balance
General Fund	\$596,474.00	\$592,290.00	\$592,290.00	\$592,290.00	\$0.00
Capital Project Fund	\$393,840.00	\$1,085,648.00	\$1,058,464.00	\$1,085,648.00	-\$27,184.00
Liquid Fuels Fund	\$69,779.00	\$47,232.00	\$36,199.00	\$47,232.00	-\$11,033.00
Borough Hall Construction Fund	\$1,211,897.00	\$1,035,775.00	\$1,039,290.00	\$1,035,775.00	\$3,515.00
Museum Fund	\$1,755.00	\$7,435.00	\$500.00	\$7,435.00	-\$6,935.00
<b>TOTAL BUDGET</b>	<b>\$2,273,745.00</b>	<b>\$2,768,380.00</b>			

The draft budget is **balanced with no proposed tax increase for General Fund and use of cash reserves from the Capital Project Fund, Liquid Fuels Fund and Fire Co. Museum Fund.** The Borough Hall Construction Fund has a fund balance of \$3,515 based on funds expended in 2019 and projected use of contingency funds. The 2020 Real Estate Tax Rate proposed for adoption is 5.94 Mills General Fund, .36 Mill Fire Tax and .10 Mill Library Tax for a total Borough Tax Rate of 6.4 Mills, the owner of a property assessed at the Borough median home value of \$209,200 would pay \$1,242.65 to the Borough of Schwenksville, \$75.31 to the Fire Company and \$20.92 to the Library for a **total local tax of \$1,338.88.** Based on a revised Total Assessed Value of \$50,693,155 and after adjusting for discounts and penalties, an estimated \$290,000 is projected for general fund real estate tax revenue. Residents frequently ask why their taxes are so high in Schwenksville. To answer that question, I explain to things to people. First, as illustrated in Graph#1 residents pay 15% of their total tax liability to

Schwenksville Borough; the largest portion, 76%, goes to the Perkiomen Valley School District and 9% goes to Montgomery County/MC Community College. Secondly, I explain to them what is illustrated in Graph #2; that Schwenksville's tax base is much smaller than neighboring communities and therefore our millage rate has to be higher to generate sufficient operating revenues because after all we still have the same responsibilities to maintain streets, enforce the building code, perform winter maintenance and maintain the MS4 stormwater system –including the system installed by the Commonwealth of Pennsylvania 40 years ago or more (Townships by contrast are not responsible for stormwater systems in state roads).

### Trends and Projections

- As illustrated in Graph #3, the Borough's total assessed value, commonly referred to as the "Borough's Tax Base", peaked in 2016 and has declined every year since due to property owners appealing the assessed value of their properties.
- As a result of the declining total assessed value of real property in the Borough, the value of a mill has decreased and the amount of dollars at face value based on 5.94 general fund millage, has decreased. Graph #4 illustrates this trend.
- During the same period of time, the Borough's expenditures have increased moderately (\$62,570). Graph #5 illustrates this comparison.
- Graph #6 illustrates in a bar graph that the Borough's other primary revenues; the Earned Income Tax (EIT) and Real Estate Transfer Tax (Transfer Tax) have remained relatively flat over the last five years while Real Estate Tax, adjusted for the current General Fund tax rate of 5.94 mill, has declined. To offset this imbalance incremental tax rate increases were adopted in 2015 (.5 mill) and 2017 (1 mill).

The 2020 Budget, including other financing sources, totals \$2,768,380 and is approximately 22% greater than the 2019 Budget of \$2,273,745.00. This increase is due to the construction projects scheduled for completion in 2020. The Borough completed the Main Street 100 Block Sidewalk and Streetscaping Project, the Main Street Plaza, Meadow Park Phase 2 and the Observation Deck project in 2019. Scheduled for completion in 2020 including the Plaza Lighting/Planting/Pavilion project, the TA-Set-aside Sidewalk and Curb Ramp Project as well as repaving of Pleasantview and a portion of Highland Avenue.

The General Operation Budget decreased by \$4,184 or 1%. The 2020 budget provides for the use of \$45,152 in cash reserves for matching funds and capital projects. Estimated total expenditures for 2020 include \$592,290 in General Fund Expenditures, \$47,232 in Liquid Fuels expenditures, \$7,435 in expenses related to the maintenance of the Fire Company Museum, \$1,085,649 in Capital Fund projects, and \$1,035,775 in expenses related to the renovation and conversion of the old fire house into a new borough hall and community room.

In 2019 the number one challenge was keeping up with the collapsing stormwater sewer pipes beneath both state highways and local roads. Over \$55,000 in repairs were made to the MS4 stormwater system. To put this in perspective, the Borough receives between \$34,000 and \$37,000 annually in Liquid Fuels funds for the borough. The 2020 Budget includes a stormwater project to replace the pipe and inlets along Woodland Avenue. This is an urgent project, but the grant funding applied for is necessary to complete it. In addition other trouble spots include Centennial Street and Second Street.

The Borough continues to try to apply for grants that address needs as well as funds that will help implement the Borough's Revitalization Plan and Main Street Design Guidelines and Streetscaping Plan. Criteria for every grant and funding source are different as is the minimums, maximums and matching fund requirements. This makes it challenging to be selective and not focus all of our resources in just one area. For the past three years we have focused on Main Street and the Park. In 2020 we will have another street repair project to complete (Pleasantview and Highland Ave) and we have applied for funds for Summit Avenue improvements and Woodland Avenue drainage improvements. The Finance Committee recommends a balanced approach to applying for grants to ensure that our roads, stormwater system and streetscaping/community development goals all get implemented or addressed.

Finally, it appears that 2020 will be the year that the Fire House is remodeled and converted into a Borough Hall and Community Center. This project will be financed by a 30 year low interest fixed rate loan from the USDA. The project is possible because 2/3 of the Boroughs Bonds/Loans will be retired in 2021 and 2023 respectively. Additionally, the sale of the current Borough Hall will reduce the amount financed long term. The Borough may also choose to earmark revenue from facilities rentals towards the debt service to pay it off faster without penalties.