MEMORANDUM

TO: Borough Council & Mayor
FROM: Kyle Coleman, Borough Manager
DATE: November 27, 2024
RE: 2025 Budget Message

Greetings Council & Mayor:

I am pleased to present the 2025 Borough of Kennett Square budget. Over the past year, our dedicated team has worked diligently to ensure that this budget reflects the priorities of our Borough and its residents, with no tax increase, sustained investment in capital infrastructure, and a commitment to public safety.

Key Highlights of the 2024 Budget:

No Tax Increase:

This year's budget continues our trend of fiscal responsibility, maintaining a flat millage rate. Borough residents will not see an increase in their taxes, as we strive to keep financial burdens low while maintaining the services and improvements our community relies on.

Continued Investment in Capital Infrastructure:

We are proud to continue investing in critical infrastructure projects. Our commitment to improving roads, water, and sewer systems remains a priority. These projects ensure the Borough's long-term health and functionality while maintaining an exceptional quality of life for our residents.

Public Safety Investments:

Public safety continues to be one of our top priorities. This budget includes funding for a new five-year police contract, ensuring our officers are properly supported and compensated. Similarly, this budget funds a proposed two-year contract with Longwood Fire Company for fire and EMS services, ensuring they can continue providing critical life-saving services to residents.

Streets:

Additionally, we are expanding staffing within Public Works to support the maintenance and operation of our growing infrastructure needs. This investment ensures that our Borough services keep pace with the increasing demands of a thriving community.

Maintaining a Balanced Budget:

As in previous years, this budget remains balanced, ensuring that all spending is aligned with available revenues and fund balances, while maintaining reserve fund across functional areas. With the prudent management of resources, we are able to address the Borough's needs without increasing taxes, while continuing to attract external funding through grants and partnerships to bolster our financial stability.

Looking Ahead:

As we look forward to 2025, I want to emphasize our ongoing focus on strategic planning and community engagement. This budget reflects our collective values of fiscal responsibility, community safety, and infrastructure development. By continuing our investment in these areas, we are setting Kennett Square up for continued growth and success.

I want to extend my gratitude to the Council, Mayor, and Borough staff, whose hard work has made this budget possible. This includes a special thanks to Nick Baccino and Sonny Greco for their invaluable efforts in compiling and refining this budget document.

We look forward to working together to ensure another successful year for Kennett Square.

Sincerely,

Kyle Coleman
Borough Manager
Borough of Kennett Square

Overview:

Governmental budgeting is built on fund accounting, wherein enterprise or quasi-enterprise (Borough-developed funds that function like enterprise funds) funds hold both the revenues and expenses for individual functional areas. Therefore, to fully understand a government's budget, an in-depth review of each fund's budget is required. A review of each of the Borough's funds is included below:

General Fund:

This is a quasi-enterprise fund, established to fund police, streets, and administrative services in the Borough. Over the last several years, this fund's budget has been restrained, whilst we have grown provided services.

Since 2021, the General Fund budget has grown from $5,011,902 to $6,298,491 (including the new planning, zoning, and code enforcement fund, $5,822,420 and $476,071, respectively), which represents an average, annual increase of 5.9%. This increased funding has allowed us to expand our police team by two full time officers (to a full-time complement), grown our subscriber list to over 10,000 (with an open rate over 6,000), and invested in multiple customer-service enhancements, such as our Kennett Square App. These improvements track our defined Strategic Objectives, which can be found on our website.

We have been able to make these improvements, whilst managing budget growth, in large part because of a variety of staffing changes. We continue to grow our team and refine roles, considering changes and re-allocating efforts, as needed. One such change has been our investment in part-time employees and contractors- in so doing, we have been able to bring highly talented and focused professionals onto our team.

The primary changes included in this budget proposal are provided below:

- Removal of 0.5 full-time equivalent (FTE) in Finance department (existing, but change from current budget)
- Addition of 1.0 FTE in Public Works department (0.5 FTE for administrative functions, 0.5 FTE for streets functions)

The single largest "line item" expense in this fund is our debt service payment for 600 S. Broad Street (Borough Hall). This complex of three buildings requires significant resources (staff and funding) to operate, and at present, does not raise revenue from tenants. The effort to find tenants is ongoing, via the help of our contracted brokers, Emory Hill and KarMar.

Planning, Zoning, and Code Enforcement Fund:

This is a quasi-enterprise fund, established to fund planning, zoning, and code enforcement services in the Borough. This is a new fund for the 2025 budget, reflecting our desire to continue to build out our budget in a transparent, professional manner. The purpose of an enterprise fund is to match revenue and costs to services provided. For example, parking fees fund repairs to our parking garage and water fees fund our water infrastructure. These services differ from general fund services such as policing, road repairs, and plowing, which serve all of our residents.

The planning, zoning, and code enforcement fund has previously operated as a sub-category of the general fund. However, it’s services are substantially narrower in focus. As such, classification and management as a standalone fund is more appropriate.

Over the last serval years, we have expanded our services via greater planning and zoning efforts, and plan to launch an update to our comprehensive plan in 2025, which is a major undertaking. Additionally, in 2025, we will be introducing online forms and payment options for permits, a first for the Borough. Lastly, in 2025, we will be modernizing our internal technology and beginning the task of digitizing decades of paper plans, another first for the Borough.

At the same time, we have reduced our total number of staff by 0.5 FTE and our overall personnel costs by $2,807 ($350,627 to $347,820), dating back to the 2021 budget. More strikingly, perhaps, is the reduction of $118,331, as compared to the 2022 budget. These figures include both staff and contracted personnel costs, for equitable comparison. In many ways, our team is doing more with less.

Public Safety Fund:

This is a quasi-enterprise fund, established to fund fire and ems services in the Borough. The budgeted funds for this account match the tax revenue raised via allocated tax, which is shown on taxpayers annual bill (with limited funds set aside for shared costs).

Our Fire and EMS services are provided via contract with Longwood Fire Company, who also provides services to member townships of the Kennett Regional Fire Commission, in partnership with Kennett and Po-Mar-Lin Fire Companies.

Capital Fund:

This is a quasi-enterprise fund, established to fund capital replacement and improvement in the Borough. This fund was established for the 2023 budget year, following a vote by Borough Council to allocate 1.75 mills to capital funding for 2023. As such, this fund provides approximately

$425,000, annually, to capital services. These funds work in tandem with our grant application process, providing the needed matching funds for the approximately $9 million in awarded grant dollars (since 2022 For example, these combined funds (local and grant-provided) have allowed us to pave approximately two dozen roads over the last two years.

Looking ahead, several primary capital investments for this fund are as follows:
- Cypress Street repaving
- 600 S. Broad Street brickwork repairs

Sewer Fund:

This is an enterprise fund, established to fund sewer services in the Borough. The priority for this fund over the coming years will be our plant's expansion. Such an expansion is necessary, but will require substantial investment by the Borough, partner municipalities, and partners in the private sector. This, like the comprehensive plan update, will be a significant undertaking for our team, but one that we feel is necessary for the future of our community.

Water Fund:

This is an enterprise fund, established to fund water services in the Borough. The priority for this fund over the coming years will be the rebuilding and improvement of our water wells. Such improvements will fund water treatment technology, as well as greater enhancements to their disaster resiliency. Neither issue is a cause for concern today, but rather, are opportunities for improvement.

Parking Fund:

This is an enterprise fund, established to fund parking services in the Borough. This fund is highly reliant on revenue from Genesis Administrative services, due to the high number of parking spaces that they utilize. Unfortunately, this makes the fund prone to substantial growth and decline. The priority for this fund over the coming years will be stabilization of revenue, ideally via distribution of payees, along with investment in improvements to our parking garage.

Liquid Fuels Fund:

This is a quasi-enterprise fund, established to primarily fund road repairs in the Borough. Typically, these funds are collected from the State (our local share of gas tax revenue), and then spent on road repaying efforts across the Borough. Coincidentally, the revenue (approximately $120,000 annually) nearly matches the cost of paving 0.1 miles in the Borough (~$100,000), which nearly matches the length of most Borough alley segments. So, this fund typically provides for the repaving of one section of one alley each year.

Library Services Fund:

This is a quasi-enterprise fund, established to fund library services in the Borough. In 2023, Borough residents approved a referendum to allocate 0.2 mills of their annual tax revenue to the Kennett Library. So, the Borough collects these funds and passes them onto Kennett Library. For 2025, these funds are expected to be approximately $53,229.

Thank you for your time and attention.