



## **BOROUGH COUNCIL'S 2022 BUDGET DIRECTION TO BOROUGH MANAGER, FINANCE DIRECTOR AND DEPARTMENT HEADS**

Hanover Borough Council is committed to:

- Provide the residents and taxpayers of Hanover with necessary municipal services at a reasonable cost.
- Maintain a stable, planned rate of increase in real estate taxes.
- Maximize efficiency in service delivery and customer service through the effective use of all personnel and the introduction of technology when possible.
- Reduce the net cost of services through appropriate user fees.

The General Fund is the major source of funding for core municipal services including Police, Fire, Public Works, Library, and Planning and Codes Enforcement. Beginning in 2021, General Fund expenses are projected to exceed general fund revenues, creating a General Fund budget deficit projected at \$460,000 in 2021, \$766,000 in 2022, \$1.068 million in 2023, \$1.430 million in 2024, and \$1.874 million in 2025.

The cause of the General Fund budget deficit ('structural deficit') is the rapid growth of personnel costs, including wages, health insurance and pension obligations. The only effective cure for the deficit is a reduction in expenses or an increase in revenue.

The General Fund budget deficit cannot be allowed to continue. Communities that fail to address serious budget deficits may be designated as 'financially distressed' Act 47 communities by the Commonwealth and be subject to a plan that may require, for example, lay-offs, wage freezes, higher health insurance contributions by employees, reduction in other benefits and higher and new taxes.

✧ Borough Council to direct its Department Heads and other managers to prepare 2022 budgets that set an initial baseline budget which:

1. Includes no new positions, defined as positions not included in the 2021 budget.
2. Includes no positions that have been vacant for the entire period beginning January 1, 2021.
3. Maintains non-personnel line items at the 2021 budgeted spending levels. (Excludes capital items)
4. Provides a separate capital budget that includes only essential needs for operations in 2022.
5. Provides a separate document in the form requested by the Borough Manager that justifies any requests for other essential operating and capital expenses that fall outside of the above parameters.

After review of the Departmental Budgets, the Borough Manager will make additional budgetary recommendations to Borough Council to achieve a balanced Borough General Fund Budget by 2023. If the Department heads alone are unable to achieve significant progress toward a balanced budget, increased taxes and a reduction in the Borough's personnel force are likely.

Date adopted:

**THE BOROUGH OF HANOVER**

**CHANGE IN RESERVES & RESERVES POLICY ADHERENCE FOR 2021 BUDGET CYCLE - GENERAL FUNDS COMPARISON**

**SCENARIO: 2021 MANAGER PROPOSED BUDGET ADOPTION WITH NO OTHER CHANGES THROUGH 2025**

The following is summarized analysis regarding annual change in reserves for the past two years, current year projected results, next year proposed budget, and year-to-year change over five-year plan, and graphical representation of those changes and our minimum fund balance and financial reserves policy.

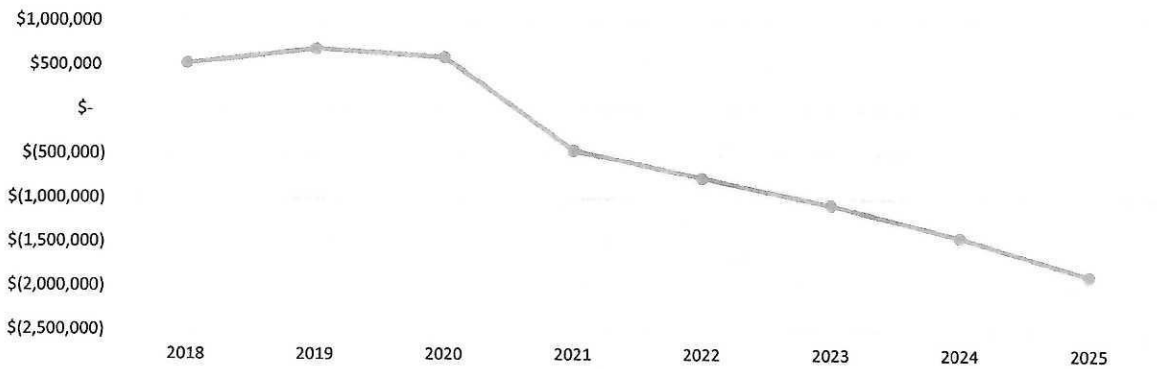
The minimum fund balance and financial reserves policy requires that reserves remain at least at 25% of the larger of current year or next year's expected expenses.

The analysis is limited to the General Funds, which is the combined General, Library, and Recreation Funds.

CHANGE IN RESERVES BY YEAR

2018	2019	2020	2021	2022	2023	2024	2025
\$ 524,691	\$ 682,015	\$ 590,267	\$ (460,079)	\$ (765,865)	\$ (1,067,694)	\$ (1,429,722)	\$ (1,874,462)

**CHANGE IN RESERVES BY YEAR**



BALANCE IN RESERVES, AND COMPARISON WITH MINIMUM RESERVE POLICY

**BALANCE IN RESERVES BY YEAR**

2018	2019	2020	2021	2022	2023	2024	2025
\$ 8,143,720	\$ 8,825,735	\$ 9,747,597	\$ 9,287,518	\$ 8,521,653	\$ 7,453,959	\$ 6,024,238	\$ 4,149,775

**MINIMUM RESERVE REQUIREMENTS BY YEAR, PER POLICY**

2018	2019	2020	2021	2022	2023	2024	2025
\$ 4,105,950	\$ 4,100,868	\$ 4,279,948	\$ 4,369,260	\$ 4,442,663	\$ 4,525,844	\$ 4,617,046	\$ 4,617,046

**BALANCE IN RESERVES, & MINIMUM RESERVES POLICY REQUIREMENTS**

