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Township Addresses Structural Deficit - Addressing Budget Tax Increase for 2024

Warrington Township Board of Supervisors worked together collectively to address a five-year structural deficit requiring an increase of 8.17 real estate millage for 2024, and the need for a responsible fiscal strategy to sustain vital services for the community. There was much discussion and debate starting in September 2023 regarding the 2024 Budget that needed to be adopted by February 15th, 2024, to be compliant with Second Class Township code.

Considering the evolving economic conditions that have rapidly deteriorated over the past few years and the township's commitment to maintaining essential services, the Board of Supervisors determined that a comprehensive review of the budget was necessary to ensure the long-term financial health of Warrington Township. After a systematic analysis of the township's fiscal position; and a recognition of the challenges posed by the structural deficit that had grown to over \$3 million dollars in the General Fund, it was determined that a tax increase could not be avoided.

A structural deficit means that the General Fund, or operating account that funds essential township services, has expenses consistently exceeding revenues over an extended period. Essential township services to include our police, fire, and public works (infrastructure). Resolution to restore a balanced budget will require a multi-year solution to repair the structural deficit to ensure long-term sustainability of Warrington Township.

During the 2021 Budget discussions the General Fund had a 1.5 millage deficit that had grown to a 6 millage or a \$1.3 million budget deficit during the 2022 budget review. Due to the compounding effect driven by economic conditions, the deficit was \$1.7 million at the end of 2023. Beginning in the fall of 2023 during Board of Supervisors budget discussions it was discovered that the budget compounded to a level requiring a 10 millage increase or \$3 million to **balance** the budget for 2024 which is required by Second Class Township Code. Demonstrated as follows:

- Year 2021 Deficit = \$600,000
- Year 2022 Deficit = \$1,300,000
- Year 2023 Deficit = \$1,700,000
- Year 2024 Deficit = \$3,000,000+

Economic conditions driving this increase include the following:

- Market conditions – inflationary economic conditions.
- Lack of skilled labor increases wages and employee benefits universally.
- Warrington Township's stage of development, including the 611 corridors, has led to the inclusion of big-box retailers that add to increased traffic, crime, and infrastructure needs.
- Five (5) Financial Directors in six (6) years contributed to the absence of effective project management and inconsistency in financial direction.
- Overruns on all capital projects and lack of long-term planning to incorporate new inventory and the maintenance associated with new acquisitions into the General Fund budget.

The Tax Stabilization Fund (TSF) was created in 2019 from the sale of water and sewer provided a one-time non-reoccurring revenue source. Use of this short-term solution to a long-term problem of balancing the budget in prior years. Unfortunately, this approach only postponed the need to address the ever-growing General Fund Deficit that ballooned to over \$3 million dollars in 2023, the equivalent to 10 mills. Despite best efforts to cut the budget, an increase of 8.17 mills was required to balance the budget, and it should be noted that an additional \$700,000 from the TSF was utilized in 2024 that will need to be addressed in 2025.

The 5- year structural deficit that became evident in recent assessments required initiative-taking measures to safeguard the long-term sustainability needed and maintain the quality of life for Warrington residents, especially amid increasing crime coupled with maintenance of existing infrastructure. To address this, the Warrington Board of Supervisors proposed a responsible adjustment to tax rates that will have the ***least amount of impact on the township residents in the long term***. The board adopted the goal of fiscal responsibility, long term sustainability and accountability. Protection of the residents' interests must always come first. This was addressed at the Board of Supervisors meetings scheduled for January 2024, and adopted collectively on February 9, 2024.

The Board acknowledges that any decision to raise taxes is a significant one that was not taken lightly and assures the community that the funds generated will be allocated judiciously to ensure the continued delivery of high-quality services. The additional revenue needed to balance the budget will be invested in critical areas, including public safety improvements, road maintenance, and community development projects that contribute to the well-being of all residents.

The Warrington Township Board of Supervisors recognizes the importance of transparency and community engagement in the budgetary process. The Board of Supervisors has been committed to an open dialogue with the community throughout this process and listened to the needs of the township departments and residents. All feedback has been taken into consideration in the final decision-making.