EAST MANCHESTER TOWNSHIP

Understanding the 2027 Budget & Proposed Real Estate Tax Increase

Why is the Township proposing to increase the real estate tax rate from 2.0 mills to 2.1 mills?

The Board of Supervisors is working to maintain essential municipal services while addressing rising costs, changes in available revenue, and the Township's long-term financial stability.

At the October 20, 2026, budget meeting, the Board selected a three-prong approach to address the proposed 2027 General Fund budget deficit while limiting the immediate impact on taxpayers.

WHY IS ADDITIONAL FUNDING NEEDED?

Several factors have affected the Township's General Fund:

- **Nonrecurring budget revenue:** A prior budget included $718,000 under “Proceeds from Debt Issuance.” This amount is not recurring operating revenue that can be relied upon to fund annual expenses in 2027. The revised budget removes that amount from projected 2027 receipts.
- **LERTA-related tax revenue:** Properties participating in the Local Economic Revitalization Tax Assistance (LERTA) program receive tax reductions according to the applicable program terms. The Township's real estate tax projections have been adjusted to reflect these reductions and their effect on available revenue.
- **Eliminated taxes:** The fire hydrant tax was eliminated effective in 2026, and the per capita tax was eliminated effective in 2027. This reduces revenue available to support municipal expenses. Fire hydrant-related costs must now be supported through other available funding, including the General Fund.
- **Increasing operating costs:** The Township must continue to fund public safety, road maintenance, equipment, buildings, employee-related costs, and other essential municipal services.

The initial 2027 budget draft reflected a projected deficit of approximately $1.1 million. Following an extensive internal budget review with Supervisor Kohr and subsequent adjustments, the Township continued evaluating ways to reduce the gap while maintaining necessary services.

THE BOARD'S THREE-PRONG APPROACH

1. Reduce the Capital Highway budget

The Board reduced the proposed Capital Highway expense from $250,000 to $50,000, a $200,000 reduction.

The Township has a bucket truck that is more than 20 years old and needs replacement. Rather than fully funding a replacement in the 2027 budget, the Board believes it is more prudent to explore leasing or financing options.

2. Use a portion of available cash reserves

The Board will use available cash reserves to supplement the budget and help address the remaining deficit.

The Township has only a little over $1.5 million in cash reserves available as a financial cushion. These funds provide protection against emergencies, unexpected expenses, and revenue shortfalls. Using reserves can help limit an immediate tax increase, but reserves are finite and cannot sustainably replace recurring revenue year after year.

3. Increase real estate taxes by 0.1 mill

The Board is proposing to increase the real estate tax rate from 2.0 mills to 2.1 mills.

This is intended to provide additional recurring revenue while balancing the need to fund municipal services with the desire to limit the immediate financial impact on property owners.

WHAT DOES THIS MEAN FOR PROPERTY OWNERS?

The proposed increase is 0.1 mill, or $10 annually for every $100,000 of taxable assessed property value.

Taxable assessed value	Annual increase
$100,000	$10
$200,000	$20
$300,000	$30

These figures represent the estimated increase in Township real estate taxes only, based on taxable assessed value.

WHY MAY FUTURE TAX INCREASES STILL BE NECESSARY?

In 2026, the Township's real estate tax rate increased from 1.04 mills to 2.0 mills. During this period, the fire hydrant tax was eliminated effective in 2026, and the per capita tax was eliminated effective in 2027.

Although eliminating these taxes reduces separate tax obligations, it also reduces revenue available to support Township services. The General Fund must now absorb expenses previously supported by the fire hydrant tax, while the loss of per capita tax revenue further reduces available funding.

The Township must also account for the effect of LERTA properties on real estate tax collections and ensure that budgeted revenue reflects what the Township can reasonably expect to receive.

Small, incremental tax increases may be necessary in future years to keep pace with operating costs and maintain essential services, particularly if the Township continues to rely on reserves to supplement annual revenue.

The Board will need to evaluate future budgets, revenue projections, expenditure reductions, equipment needs, and reserve levels each year before determining whether additional adjustments are necessary.

THE TOWNSHIP'S COMMITMENT

The goal is to adopt a responsible budget that maintains essential services, addresses necessary equipment needs, and protects the Township's long-term financial health.

The Board's three-prong approach combines expenditure reductions, a limited use of available reserves, and a modest increase in recurring revenue. This approach is intended to reduce the immediate burden on taxpayers while recognizing that the Township must establish a sustainable way to fund its ongoing responsibilities.

East Manchester Township appreciates the public's interest and encourages residents to participate in the budget process.