MEMORANDUM

To: Borough Council & Mayor
From: Kyle Coleman, Borough Manager
Date: October 7, 2026
Subject: 2027 Budget Message

Greetings:

I am pleased to present the 2027 Borough of Kennett Square Budget, which is balanced across the Borough's operating funds with a total of $13,806,420 in total revenues and total expenditures. This budget reflects our continued commitment to responsible financial management, infrastructure investment, and high-quality municipal services.

The 2027 budget builds on several important financial decisions made in 2026. Most notably, the Borough's decision to pay off the Police Station and Birch Street debt in 2026 reduces our annual debt payments, while keeping a promise made when the debt funding was secured. Also, this budget continues to address the Borough's long-term infrastructure needs, maintain appropriate reserves, and align revenues more closely with the cost of providing services.

As always, we must balance these priorities with the need to manage the cost of government for our residents. The 2027 budget proposes the following tax and rate changes:

- 0.40-mill increase in the General Fund property tax
- 0.60-mill increase in the Emergency Management Fund property tax
- 30% increase in the Sewer Fund use charge
- 20% increase in the Water Fund use charge
- 9% increase in the Solid Waste fee
- 3% increase in the Planning, Zoning & Code Enforcement fees
- $1 increase in the parking garage fees, after the first hour ($1 to $2)

It's important that residents understand the impact of these proposals. Below is the current annual, **average** cost of what a resident pays for property taxes (Borough portion), sewer, water, and trash and what the impact of the proposed increases would be.

- Current average, annual property tax- $1,441 Proposed change- $1,563
- Current average, annual sewer bill- $560 Proposed change- $728
- Current average, annual water bill- $500 Proposed change- $600
- Current average, annual trash bill- $424 Proposed change- $464

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Current average, annual cost of Borough property taxes, water, sewer and trash= $2,925

Proposed average, annual cost of Borough property taxes, water, sewer and trash= 3,355

Proposed total annual increase- $430

As an administration, we don't believe in simply increasing taxes and fees to fund municipal operations. We believe in turning every stone and increasing taxes and fees as a last resort. For example, we first seek outside funding (mainly via grants) and budget reductions as to assist with our finances. We have done an outstanding job in securing grant funding over the past several years, and **the proposed 2027 budget comes with nearly $600,000 in reductions from initial departmental requests.**

We also seek every opportunity to reduce costs by implementing new technology. Some of these reductions in cost came from utilizing such technology to administer our digital forms and budgeting software.

A testament to the Borough's fiscal discipline and reducing costs can be seen in comparing the 2024 budget to the proposed 2027 budget. In 2024, the total general fund cost for the Departments of Administration, Finance, Zoning, Codes, and Streets (including non-profit contributions and non-unform employee pensions) was $2,109,890. In the proposed 2027 budget, these items totaled $1,986,430.

In sum, we only propose an increase in taxes and fees after exhausting all other options. These increases enable the Borough to continue funding essential services and infrastructure while maintaining balanced budgets within each fund.

We thank you for your review and welcome any feedback you may offer.

Kyle Coleman
Borough Manager
Borough Kennett Square, PA

General Fund

Taxes and Financial Stewardship

The 2027 General Fund budget is balanced at approximately $5.8 million, with both revenues and expenditures reduced from the 2026 budget. The proposed General Fund property-tax increase is 0.40 mills. A portion of the additional property-tax revenue reflects a slight increase in the Borough's assessed valuation (+0.7%), while the remainder reflects the proposed millage adjustment.

The proposed budget takes a conservative approach to budgeting several revenue sources; the Earned Income Tax projections have been adjusted to account for new tenants at 128 E. State Street (former Genesis Building), a major developmental project that the Borough played an integral role in facilitating, while Real Estate Transfer Tax projections have been adjusted based on 2026 year-to-date activity.

The budget also includes credit against Borough debt obligations for the sale of available space at Borough Hall to Kennett Area Community Service (KACS), to be applied equally over the remaining 15 years of debt payments. By applying this credit over the remaining 15 years of Borough debt for 600 S. Broad Street, all taxpayers in that period will benefit from this agreement, equally. It's important to note that facilitating the sale of available space at Borough Hall to a reputable community partner was a top Council priority for Borough administration/staff to achieve over the last several years.

The 2027 budget continues our efforts to maintain appropriate reserves. A $63,165 General Fund reserve allocation has been included to maintain the requisite level required by the reserve policy.

Responsible Expenditure Management

As previously mentioned, the 2027 budget reflects a detailed review of departmental requests and includes approximately $599,000 in expenditure reductions from initial department requests.

These have been accumulated across functions. They include general operating cuts, reductions in professional and computer services, elimination of certain discretionary expenses, and adjustments based on actual spending patterns.

Police Department

This is the Borough's largest General Fund expenditure. The 2027 budget continues to provide funding for competitive salaries, benefits, training, and essential police operations. Our services are widely considered exemplary; supporting ethical, professional public safety services is

essential to maintaining a healthy community. To highlight this point, our Police Department is scheduled to achieve accreditation through the Pennsylvania Law Enforcement Accreditation Commission (PLEAC) in late 2027.

The proposed budget removes one vacant uniformed officer position, reducing the initial department request by approximately $164,000 in salaries and associated benefits. This will not impact service as the existing role was not within our regular staffing rotation.

This approach allows the Borough to continue supporting the Police Department while recognizing the need to balance staffing and service levels with available resources.

Employee Benefits and Pensions

Employee compensation and benefits remain a significant component of the Borough's operating budget. The 2027 budget includes funding for existing uniform and non-uniform employee salaries and benefits while also accounting for the actual 2027 pension obligation. Additionally, this budget calls for a 3% increase for all non-uniform employees, and a 3.75% for uniformed employees, per our collective bargaining agreement. Salary increases are a way for the Borough to retain the strong employees currently on staff.

In looking at 2027 (and beyond), staff retention is essential to the Borough's progress and momentum. In 2022 and 2023, we had significant staff turnover across several departments. In the last 30 months, we have had only one employee leave Borough service (excluding police and individuals who retired). This is a testament to the Borough's efforts in attracting talented professionals and building a strong, mission-driven work culture.

Streets & Public Works Division

The 2027 budget continues to provide funding for Streets and Public Works while taking a more targeted approach to staffing and operating expenses.

The budget removes one vacant Public Works position, reduces several operating expenses based on recent spending patterns, and re-allocates several street-related expenses to the Liquid Fuels Fund, including street signs, pavement markings, traffic-light electricity, and traffic-light repairs. This aligns these expenses with the dedicated funding source available for transportation-related improvements, whilst providing relief to the General Fund.

Planning, Zoning & Code Enforcement Fund

The Planning, Zoning & Code Enforcement Fund completes its transition to financial self-sufficiency. This is a major development and accomplishment as this department is now funded

without any tax revenue assistance. This provides relief to the General Fund, which eases our need for additional taxation, and serves as a significant milestone in the Borough's multi-year financial strategy.

The 2027 budget proposes targeted fee increases to better align revenues with the cost of providing services. These include increases in housing inspection fees, building permit revenues, and use & occupancy permit revenues.

The proposed budget includes:

- $9,040 increase in housing inspection fee revenue (3.3% increase)
- $25,000 increase in building permit revenue (3.3% increase)

In addition to revenue growth, the fund's proposed expenses are reduced from approximately $610,214 in 2026 to $496,000 in 2027. These savings have been accomplished while the department's responsibilities have grown. In the last several years alone, the department has undertaken the process of updating the Borough's Comprehensive Plan, establishing regulations for Short-Term Rentals, renewed enforcement of sidewalks, and digitization of the permitting process, to name a few.

It's important to highlight that the number of building permits the department has processed in 2026 is already higher than it did in all of 2025. In addition, commercial registrations, rental registrations, use & occupancy/resales, and zoning/variance permits are also projected to be higher in 2026 as compared to 2025.

These represent substantive improvements to our community's quality of life, a stated priority of the Borough's 2026 Roadmap.

Water Fund

The proposed $2.24 million Water Fund budget continues the Borough's focus on maintaining and improving its aging water infrastructure.

To support these investments, a 20% increase in water use charges is proposed. The additional revenue will allow the Borough to continue funding capital infrastructure while maintaining the financial stability of the Water Fund.

The budget includes approximately $792,000 in capital infrastructure funding, with a projected surplus directed toward a capital reserve allocation in the amount of $316,705. This approach allows the Borough to continue building resources for future water-system improvements rather

than relying solely on annual operating revenues or additional debt (as most grants require local matching funds).

The Borough is in a unique situation as we maintain control of our local water system. The Borough is committed to maintaining a high-quality, publicly owned water system, but investment is critical to address aging infrastructure.

Sewer Fund

The proposed $2.69 million Sewer Fund budget continues significant investment in the Borough's wastewater infrastructure.

A 30% increase in sewer use charges is proposed for Borough customers, with a corresponding 30% increase in sewer use charges for Kennett Township customers. The budget also anticipates additional tap-in revenue associated with new Equivalent Dwelling Units. This additional revenue is necessary to support the Sewer Fund's ongoing operating and capital requirements.

The budget includes approximately $442,000 in capital infrastructure expenditures. The initial request for a pipe relining project has been removed from the 2027 budget, and engineering expenses associated with the wastewater treatment plant have also been reduced to bring the fund's budget into balance. Obviously, we would prefer to fund both items fully; we weighed this desire against the already substantial, proposed fee increase, and settled on this middle path.

Liquid Fuels Fund

This fund will play a larger role in funding Borough transportation-related expenses in 2027.

The budget increases the use of available Liquid Fuels reserves and moves several operating expenses from the General Fund into the Liquid Fuels Fund, including:

- Street signs and supplies
- Street painting and pavement markings
- Traffic-light electricity
- Traffic-light repairs

We also increased funding for snow-removal overtime and materials, based on recent spending trends.

These changes allow the Borough to make better use of its dedicated transportation revenues while reducing the General Fund burden for eligible street-related expenses. However, this is not without downside; this change reduces the capital funds available for street paving by $61,900. We believe

that our ongoing annual capital allocation of roughly $22,000 will provide us sufficient funding to continue to rebuild our road network.

Solid Waste Fund

The Solid Waste Fund proposes a 9% increase in solid waste fees in 2027.

This increase is needed to fund the annual trash collection and disposal contract that the Borough manages (in addition to maintaining our requisite fund reserve).

The Borough is currently nearing the end of its five-year trash collection contract with AJ Blosenski, including a two-year extension option. To evaluate our options and ensure we are receiving the most competitive pricing and services, the Borough will be putting the trash collection contract out to bid this month. The bidding process will allow the Borough to assess current market conditions, explore potential cost savings, and determine the best option for future trash collection services. The results of the bid process will be presented to Borough Council at the November Council meeting for review and consideration.

Parking Fund

The Parking Fund continues to experience challenges for the second consecutive year. Fortunately, these challenges are expected to have a clear end in sight with the development of 101 and 128 E. State Street (the former Genesis buildings). The development of these buildings is projected to yield approximately $350,000 in expected annual parking fund revenue, beginning in the middle to latter half of 2027. To assist with this shortfall for the 2027 budget, we propose increasing the annual and monthly garage parking pass fees by 3% (from $900 to $927) and the hourly parking garage fees to $2 for all hours. This will increase revenue in the 2027 budget by approximately $70,000.

The fund is projected to have a deficit, as it does in 2026. As such, we are proposing a loan from the General Capital Fund to the Parking Fund in the amount of $240,000 (the same was done for 2026, in the amount of $70,000), with repayment to occur once the Parking Fund has regained full revenue.

General Capital Fund

The General Capital Fund reflects our continued commitment to infrastructure investment and prudent, restrained fiscal management. We are carrying forward funds for Cypress Street as needed matching dollars for (hopefully) future grant funding. We set aside $250,000 for this project in 2025, and have done the same for 2026, for a total fund of $500,000 to be carried into 2027. At the same time, our debt costs have been reduced substantially, due to our commitment to pay off

bridge loans in 2026 (taken for the police station and Birch Street projects). Taken together, this demonstrates a continued commitment to reserve and grant funding over debt funding.

The Capital Fund's proposed budget totals approximately $1.54 million. It's important to highlight the significant capital projects the Borough team has achieved over the past several years such as the new Police Station and the Birch Street reconstruction project, in addition to the road improvements that have occurred over the past several years. The emphasis and focus on capital investment follows its prioritization on multiple, consecutive iterations of the Borough Roadmap document (which has spanned multiple Borough Council terms).

Emergency Management Fund

The Emergency Management Fund supports the Borough's commitments to regional fire and emergency medical services.

The 2027 budget proposes a 0.60-mill increase in the Emergency Management Fund property tax to support these obligations. The fund's total proposed budget is approximately $1.08 million.

The budget includes a lower projected payment to the Kennett Regional Fire and EMS Commission (Commission) than was included in the initial departmental request, reflecting a credit due to the Borough receiving a State grant (this credit is projected to be $170,000, to be split between the 2027 and 2028 budgets). We are intentionally applying only half of the credit this year, to smooth our costs over time.

The ability for the Borough to utilize grant funds as credit is due to an agreement the Borough made prior to rejoining the Commission with a portion of grant funds received being applied as credit for the Borough (80%) and the remainder benefiting our neighboring members of the Commission. As such, all sides have substantively benefited from this new partnership as the Borough has secure over $500,000 in grant funding for fire operations over the course of this year. It's important to note, enhancing the working relationship with the Commission was a top Council priority.

This funding ensures that the Borough can continue meeting its commitments as a member of the Commission.

Preparing for the Future

The 2027 budget reflects a continued commitment to reshape the Borough budget to prioritize capital investment. This pivot, taken over the last several years, has been substantial. Clear progress has been made, with more to be done. Our infrastructure systems are a priority as they will serve our residents and community for decades to come.

The payoff of the Police Station and Birch Street debt provides additional flexibility in future capital budgets. At the same time, the Borough is increasing its emphasis on paving, water infrastructure, sewer infrastructure, whilst maintaining appropriate reserves.

As previously referenced, the Borough will also continue its work on the Comprehensive Plan update and other planning initiatives that will help guide growth, development, transportation, infrastructure, and public investment in the coming years.

Our goal remains to make measured, deliberate financial decisions that address current needs while preserving the Borough's ability to respond to future challenges (reducing debt is a key component of this strategy).

Conclusion

The proposed 2027 budget represents continued, responsible investment in Kennett Square while recognizing the need to carefully manage the cost of municipal government.

Thank you for your time and consideration.

Kyle Coleman
Borough Manager
Borough of Kennett Square, PA