

BUDGET NARRATIVE

The budget process began in October with the submission of budget requests from all departments. The Finance committee started in November and worked up through this past week identifying budget requests that are priorities. Those include:

Personnel costs and succession planning

Health Benefits

Pension costs

Insurance costs

Debt service

The Finance Committee prioritized the following items:

- Succession planning as a result of the retirement of the Borough Clerk / Assistant CFO and the CFO/Tax Collector. This has been a challenge and has resulted in the need for redistribution of duties and the creation and hiring of new personnel while maintain all existing services and staff.
- IT upgrades including an upgrade to Microsoft 365
- Maintenance of a balance of \$200,000 in surplus
- Bringing the budget in under the Spending Cap and the Tax Levy Cap

To effectuate the budget costs associated with these priorities, the Finance Committee looked long and hard at each line item in the 2025 budget to compare budgeted amounts versus amount spent.

Some hard decisions were made including:

- reductions in requested amounts in all department budgets including Administration, DPW and Police
- elimination of a leased police vehicle for 2026
- reallocation of a feasibility study for the First Aid Building to Capital
- Use of \$67,500 in Water/Sewer Surplus

In summary, the 2026 budget that is being introduced provides for the necessary succession plan for Statutory positions, the required upgrades for IT requirements, is within the spending cap and the tax levy cap and allows for the retention of \$200,000 in surplus for 2027.

2026 MUNICIPAL BUDGET OVERVIEW

The 2026 Municipal Budget totals \$4,964,293.86. The municipal tax rate will increase from .575 (2025) to .5975, an increase of 2.25 cents per \$100 of assessed value. Based on the Borough's average assessed home value of \$490,618, the estimated annual municipal tax impact on the average homeowner is approximately \$110.39.

Key highlights of the 2026 Municipal Budget include:

- New positions added for succession planning to ensure continuity of Borough operations
- No cuts to municipal services at this time
- No cuts to Borough personnel at this time
- The budget is within the State-mandated appropriation cap
- The budget is within the State-mandated tax levy cap

COMBINED TAX RATE SUMMARY (Municipal and Library combined)

Including the Library Tax, the total combined 2026 tax rate is .645, compared to .621 in 2025. The Library Tax rate will increase from .046 to .0475. The estimated total annual tax increase for the average assessed homeowner, including the Library Tax is \$117.75.

Municipal Tax Rate: .575 (2025) to .5975 (2026)

Library Tax Rate: .046 (2025) to .0475 (2026)

Total Combined Rate: .621 (2025) to .645 (2026)

2026 WATER AND SEWER UTILITY BUDGET OVERVIEW

The 2026 Water and Sewer Utility budget represents a modest increase of \$137,407. from the prior year. The budget includes \$307,000 in capital funds dedicated to continuing infrastructure improvements and maintenance requirements across the Borough's water system.

The public is welcome to attend the meeting via Zoom. For the Zoom link, please visit the Borough's website at penningtonboro.org.