Borough of Hatboro Capital Budget Workshop June 29th, 2026

Presented by Finance Committee of Council

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What is a Capital Budget

A multi-year capital budget identifies and prioritizes expected needs based on a strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. A capital plan should cover a period of at least three years, preferably five or more years.

The capital improvement budget is essential for a thriving community to plan future needs of the community, protect the future financial health, and assures the continued delivery of services to its citizens.

Local governments should prepare and adopt a comprehensive, fiscally sustainable, and multi year capital plans to ensure management of capital assets.

Capital Budget Overview

- Tonight staff will work with Council to develop a schedule, and overall plan for the 2027-2031 Borough of Hatboro Capital Budget. The last Capital Budget was done in May 2018.
- Tonight Council will identify needs: Current vs. Future based on list provided by Department Heads.
- Tonight Council will prioritize projects looking at a rating system that encompasses legal requirements for federal or state mandates, health and safety issues, savings on annual operating costs, grant funding availability and community goals.
- After tonight’s workshop, staff will have a priority list to work from and then can work on costs as well as funding sources.
- Things discussed this evening will include:
  - Current department needs vs. the next 5 years.
  - Future projects that may require more meetings and discussions. Future needs that may not be known this evening.
  - How does the Capital Budget integrate with the current operating budget?
    - The operating budget is adopted yearly per the Borough Code, the capital budget is not required to be adopted. All expenditures discussed or capital related must be discussed at publicly advertised council meetings and a vote taken. Everything that ends up on this document MUST be voted on at a meeting before authorized.
    - Any grant or loan funds that maybe required need to be approved (if not already) by Council at a public meeting.
    - If borrowing is necessary to fund the Capital Budget, additional planning will be necessary to determine borrowing costs and future impacts of public funds. Any borrowing also is required under the Borough Code to be discussed and approved at a advertised public meeting of Council.

Objectives

- Staff working to identify projects and key expenditures.
- Staff working on identifying revenue streams and funding options for council review.
- Identify schedule for purchases.
- Tonight is the start date of the process. Next steps are to present additional information(initial draft, final draft, and end date) for review at a public meeting of Borough Council.
- Of list provided this evening, what defines a Capital Asset (i.e. life span/cost).
- Staff yearly puts together an inventory, physical condition report of all capital assets for our insurance provider. This includes statement of values, year built or purchased, square footage, type of construction, etc… List of all mobile equipment includes year purchased, model, initial cost, actual cost value for replacement, miles, etc.

Example of Capital Purchase: Fire Truck Purchase

Citing an example of equipment costs and what this would look like in a capital budget. Information required in order for Borough Council to include in the capital budget.

- Type of Truck/Cost
- Projected Purchase Date
- Annual Operation Costs
- Annual Maintenance Costs for truck replacing.
- Projected Life Span of replacement truck and new truck.
- Grant or Public Funds to pay for purchase.
- Project Justification: Example – current apparatus is 25 years old and has a transmission that will only last one more year. Replacement costs for transmission and other miscellaneous items is $400.000
- Net Cost

Department Heads will be required to submit with requests so council can evaluate need and not spend to just spend.

Capital Budget Template

As you will see in the next slide is the proposed template used by Staff to present the Capital Budget for 2027-2031. With costs, inflation, mandates, etc. staff and the finance committee felt that 5 years was sufficient for the Borough of Hatboro. If things change after this is approved, we can come back to Council and amend the document to go out to 7 or 10 years.

The template we are using and working with tonight contains the following information:

- Project Title
- Project Description
- Justification: Each department head will need to explain the need for the project and how it aligns with community goals or addresses specific issues.
- Estimated Cost: Staff is asking all to understand that while some of the quotes and prices were obtained now to assist with this process and provide transparency, these costs most likely will increase in 2027 and updated numbers will be provided to council and the public at the time of purchase.
- Funding Sources: We will list all funding sources that are potential or secured, this could change as well and will require Council approval at a meeting.
- Timeline
- Responsible Department

Funding Sources

How are we paying for these needs?

- General Fund Reserves
- Grant Funding Obtained in Previous Years
- New Grant Opportunities
- Other Funds/Reserves
- Financing

Funding Sources – Local Funds

Account Name	Balance Ending 5/31/2026
Hatboro Federal (Authority Proceeds)	$386,078.50
Clock Tower Fund	$11,859.42
EMS Tax Fund	$25,194.28
Escrow Bond Fund	$54,400.90
Escrow Fund	$215,865.81
Events Committee	$0.00
Fire Capital Reserve	$336,174.24
Fire Protection Fund	$353,473.87
Firehouse Improvement Fund	$12.37
General Capital Fund	$511,406.08
General Fund	$4,267,003.11
Highway Aid Fund	$301,016.60
Payroll Fund	$5,978.95
Pennypack Community Center	$14,431.62
Recreation Land Use Fund	$14,509.71
Sinking Fund	$126,854.32
Sinking Fund GOB Note	$709.83
Swimming Pool Improvement Fund	$323.36
Swimming Pool Operating Fund	$67,387.57
Union Library Fund	$151,659.11
Total Balance	**$ 6,844,339.65**

Funding Sources – Grant Funds

- DCED (Offers grant programs covering Transportation Funding, Infrastructure Improvements, Stormwater Improvements, Facility Funding, etc.)
- RACP (Transportation Funding, Infrastructure Improvements, Facility Funding)
- DCNR (Parks and Recreation Project Funding)
- DEP (Recycling Based Grants)
- State Museum Commission (Funding for Historic Structures)
- Federal Funding (HUD Appropriations for Recreation)

Pennsylvania Grant or Low Interest Loan Program Examples available to the Borough

DCED GRANT AND LOW INTEREST LOAN PROGRAMS

- Many grant/low interest loan programs are available through DCED.
- Programs specific to Pennsylvania
  - Local Government Capital Project Loan Program
    - Purpose: Low interest loans to local governments for equipment and facility needs
    - Eligibility: Local governments with populations of 12,000 or less
    - Funding: 50% of the total cost of purchasing equipment up to a maximum of $50K of the total cost for purchase, construction of renovation of municipal facilities up to a maximum of $100K.
    - Terms: 2% interest rate, repaid over 15 years

Pennsylvania Grant or Low Interest Loan Program Examples available to the Borough

REDEVELOPMENT ASSISTANCE CAPITAL PROGRAM – RACP

- The Borough has used this program for the Fire House Project and Borough Hall
- RACP Projects are state-funded projects that cannot obtain primary funding under other state programs. Projects that can obtain funding from PENNDOT, PENNVEST, and DCED are generally restricted from participating in this program.
- RACP project must have a total cost of at least $1million.
- RACP Eligible project is construction, land or equipment
- All grants awarded through RACP must be for projects included in one or more of the Capital Budget Project Itemization Acts passed by the General Assembly and signed into law by the Governor.
- These projects are time consuming and utilizes a lot of man hours for staff and professionals.

Pennsylvania Grant or Low Interest Loan Program Examples available to the Borough

HOW DOES STAFF FIND GRANTS

- PA Municipal League Grant Finder, a real time, online searchable database of more than 7400 eligible grants that local governments can apply. This searchable database tracks federal, state, foundation and corporate grants available to municipalities. The Borough is a member of PA Municipal League and has access to this database.
- Information from Borough Engineer
- Monthly emails from State Representative Guenst with grant opportunities.
- Other information shared from Senator Collett, Representative Dean, PSAB, Montgomery County Consortium, and other local municipalities.

Other Funding Options

- PA Infrastructure Bank (PIB) Loan Program
  - PennDOT administered program that provides low interest loans and lines of credit for specific projects
    - Includes highway and bridge construction, rehabilitation, replacements, traffic signals, drainage, stormwater management, municipal roadways. Loan term up to 10 years, fixed interest rate and funding up to 100% of eligible costs with no minimum or maximum loan amount. Construction projects receive the highest priority.
- Pennsylvania Infrastructure Investment Authority (PENNVEST)
  - Financing Authority that provides low-cost financial assistance to address water, wastewater, and stormwater projects.
    - Application needs to be submitted first for review to determine if project and applicant are eligible for funding, if the project has completed the necessary requirements to receive a funding offer, and to determine which of PENNVEST's funding sources is the most appropriate to finance the project.
    - Applications submitted in July could be considered in October.

Public Borrowing Options

- Bank Loan
- Bond Funding
- Interesting stat – about 90% of state and local capital spending in the United States is financed by debt.
- The Borough has bank loans through TD and M&T for capital items. Bank Loans offer the following:
  - Less Administrative Costs, fees paid upfront, and RFP process used to obtain a competitive loan.
- What is a Municipal Bond – A debt security issued by a state, municipality, or county to finance capital expenditures.
  - Requirements of a Bond – must comply with Local Government Debt Act, several steps involved in this process including a firm who specializes in this (Borough uses PFM Advisors) who work with the finance committee to determine the most cost-effective efficient method to borrow money.
  - PFM will require a capital budget in order to borrow.
- The Borough refinanced their GOB – General Obligation Bond back in 2019 when interest was lower, resulting in savings to taxpayer with lower rate. Some of that debt will be paid during this capital budget period.

Stakeholder Input

- As you can see staff has worked to put together the needs we think are necessary the next 5 years for the Borough.
- Council took the first steps by scheduling the first of a few Capital Budget Workshops.
- Stakeholder Input – An important part of a Capital Budget is receiving buy-in from Council, Community and others.
- After this workshop tonight, the slides and the working document shared tonight will be available on our website for the public to review. We would encourage all to review and ask questions or provide comment at upcoming public meetings. There is no rule of thumb on the level or participation in creating this document. However, the more involvement up front will benefit the overall process.
- Thank you for attending this presentation tonight.
- We will carry a standing item on future council agendas – Capital Budget Update and will provide updates on the process and when council will vote to approve the document.