

2026 Budget



Prepared by Finance Committee Chairman
William McAllister

Executive Summary

Introduction & General Comments

On October 23, 2025, the Pennsylvania Economy League (PEL) presented their draft report at a public meeting. At the conclusion of their presentation: they indicated they will provide a finalization of the draft report, conduct a meeting with the Department of Community and Economic Development to determine STMP Phase II initiatives, and provide any explanations the Borough Council may have regarding the suggested recommendations and the key initiatives they provided in their report. Their report was comprehensive and included demographics about the community including - population, housing, wealth measurements, and education. The study also included an analysis of historical, current and projected financial matters regarding sources and uses of funds in the operation of the borough. The report summarized key financial risks, suggestions for revitalization and regional planning regarding public works and public safety. The report also provided a substantial number of key initiatives and more than 90 individual recommendations provided for council's evaluation.

The Finance, Grants, and Economic Revitalization Committee will attempt to secure public input and participation in various meetings with the Greater Honesdale Partnership to enhance the acceptance of the planned development regarding downtown revitalization. The committee will discuss and evaluate the suggestions provided by PEL. The complete report will be available to the public after the final report is provided to the council and formally accepted. Citizens are encouraged to provide any suggestions or comments regarding the final report provided by submitting their concerns in writing to: Chairman of the Finance Committee, Borough of Honesdale 958 Main Street, Honesdale, PA 18431.

Fiscal Year (FY) 2026 Challenges

Challenges confronting the Borough in FY 2026 operations will include but not be limited to the following:

- Negotiations to employ a Chief Administrative Officer
- Development of a Capital Improvement Plan which includes many of the issues cited below
- Retaining walls, stormwater issues, and infrastructure repairs and improvements
- Local and regional stormwater repairs must be addressed.

- Street paving and repairs are expected to increase for materials and labor
- Payments in Lieu of Taxes will be addressed with non-taxable property owners
- Nationwide increased cost of human resources has led to engaging outside contractors to perform certain services at a lesser cost than on premise personnel.

2026 Highlights

- Public Works for FY2026 basic operations for streets, sidewalks, and other borough maintenance is expected to cost \$590,295 repair of roads is expected to cost an additional \$711,000 resulting in \$1,301,295 public works expenses.
- Parking Facilities and Meters are expected to cost \$82,914.
- Stormwater repairs are scheduled to be \$434,500
- It is anticipated the general fund will subsidize parks and recreation \$104,929 to ensure our citizens enjoy the scenic and treasured parks of our community. The pool has provided a special resource for the community.

Taxes

In FY 2025 the Council added 1 mil to the tax rate resulting in a 15.20% increase in the millage assessment. Although the proposed FY 2026 does not include an increase in milage, it is no longer possible to avoid enacting the Earned Income Tax at a rate of 1%. Berkheimer Tax Administration has identified that 553 residents of the Borough are paying other communities nearly \$150,000 in EIT where they are employed and these funds would be payable to the Borough. The tax is expected to generate approximately \$400,000 in FY 2026 and between \$530,000 to \$560,000 in 2027. To accomplish the necessary repairs, maintenance, and improvements for sound fiscal responsibility it will be necessary to secure a substantial amount of financing which requires a sinking fund for the repayment of debt.

Taxation in the Borough for FY 2026 is proposed as follows: (an allocation to street lighting has been created and was included by reducing the general fund allocation)

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|---------------------|--------------------------|---------------------|---------------------------|
| General Fund: | 5.87 Mills | expected revenue is | \$2,378,582 |
| Fire Tax: | 0.35 Mills | expected revenue is | \$ 137,866 |
| Parks & Recreation: | 0.38 Mills | expected revenue is | \$ 162,372 |
| Street Lighting: | 0.20 Mills | expected revenue is | \$ 82,691 |
| Pension Tax: | 0.32 Mills | expected revenue is | \$ 126,123 |
| Debt Service Tax: | <u>0.46 Mills</u> | expected revenue is | <u>\$ 190,337</u> |
| Totals: | <u>7.58 Mills</u> | | <u>\$3,065,370</u> |

At the time of preparation of the FY 2026 Budget, each mill for the borough is valued at \$413,452.00 per the Wayne County Tax Assessment office.

Per Capita Tax is assessed on all residents is expected to generate \$11,048 for FY 2026.

A Real Estate Transfer Tax of .005 is imposed for real estate transactions within the Borough. We estimate FY 2026 Real Estate Transfer Tax revenues to be \$60,500.

A Local Services Tax of \$52 per individual withheld by the employer within the Borough is charged annually. We estimate that this will generate total revenue of \$171,911 for FY 2026 with \$43,110 in that total coming from prior year collections.

Sources of Income

Honesdale Borough has evaluated various sources of revenue that may be collected: (1) Real Property Taxes (2) Local Services Tax (3) Fines, Fees, and Charges (4) Parking Meters & Fees, and (5) a variety of Grants.

Overall Fiscal Situation

Overview

The Borough continues its commitment to prudent and frugal government spending practices. Our staff works diligently to ensure that protocols are followed when expensing funds and are always conscious of where (planned and unforeseen) expenses fit into the budget. This has allowed us to often remain under budget in recent fiscal years.

However, our carryover balances have declined in recent years and are continuing to decline. Thus, having the Borough consider increasing Real Property Taxes and/or finding alternate revenue sources. Rising costs across the board as well as deferred maintenance on borough properties and infrastructures have exacerbated this matter. The PEL conducted the STMP (Strategic Management Planning Program) and reviewed the past 5 years of activity of the borough including: resolutions & ordinances, and operating procedures regarding administration of the various departments of the Borough.

Capital Improvement Plan

One of our most important functions as a borough is the preservation and maintenance of Borough infrastructure and assets for the ultimate benefit of residents & businesses. The current council

has been striving to prioritize the future needs regarding the primary objectives of the citizens of the Borough. Consequently, council is implementing a Capital Improvement Plan (CIP), which attempts to outline capital needs: borough buildings & equipment, and address funding needs to acquire or repair the borough assets. The plan is continually updated to place enough funds aside to acquire and maintain the Borough assets. Grants will be sought from the County, State, and Federal Authorities. Officials and constituents should note that while the CIP is our best attempt at predicting future needs, there will likely be times when these funds may need full or partial reallocation to more pressing needs.

Police & Public Safety

The Borough will continue with the previously agreed bargaining agreement with the HPOA for an additional year and will continue through the coming year. Arbitration will aid in the resolution of future contract requirements. In addition, we have continued to include police vehicles in our capital budget to ensure that the department will be able to maintain a fleet of vehicles in good condition.

Once again, the main problem facing the department is recruitment. The Finance Committee as well as the Public Safety Committee will continue to strive to provide, and incrementally increase, funding for the police department. We look to department leadership to continue to aid in recruitment efforts. Public Safety is of utmost importance to the Finance Committee & we believe we've produced a budget that continues to reflect that view.

Fire Department

Honesdale Borough continues to provide aid to the fire departments. In addition to collecting a fire tax assessment, the borough pays expenses for fire hydrants and workers compensation insurance. Our fire service is currently staffed solely by volunteers. Our volunteers give of their time and efforts selflessly and are an incredible asset to our community. The fire department continues to warn the Borough that if the number of volunteers does not increase, eventually the Borough may be forced to shift to staffing our fire departments with paid employees. There is also a possibility of a regional Fire Department with neighboring municipalities. Either of these options would come at an incredible cost to residents. Borough officials urge members of the community to consider volunteering with our fire department.

Parks and Pool

Honesdale has some great parks and public areas open for the use of our residents and visitors. While the committee is thankful for such wonderful gathering spaces, we are also very conscious of the costs associated with maintaining and improving our parks and recreation facilities. The Parks and Recreation Committee has been working alongside the Grants Committee to find alternate

funding sources for park improvements with much success. The expected expenditures for the operation of the pool and maintenance of the parks are budgeted at \$297,291, The property tax revenue to be collected for FY 2026 is \$149,771. Pool operations are anticipated to cost \$204,191 and \$93,100 for park operations. Admission fees, grants and other sources of revenue are expected to generate about \$42,591 and \$149,711 from property taxes resulting in a use of approximately \$104,929 from general funds. The opening of the dog park on December 9, 2024, was a new addition to the various parks and scenic places to enjoy in the community.

Zoning and Code Enforcement

The borough has been fortunate to be able to partner with BHW Consulting to provide continuous services for our Zoning and Code Enforcement needs. This is an active and important role in the borough given our population density and many close neighbors and responsibility now lies with BHW to enforce Borough ordinances relating to zoning, property maintenance, etc. BHW's services have proven to be helpful in improving efficiency and compliance with Zoning and Code enforcement.+

Downtown Revitalization and the Greater Honesdale Partnership

The Borough also enjoys a working relationship with the Greater Honesdale Partnership (GHP) and the organization has been integral in the process of Downtown Revitalization. This project has the potential to encourage grant funding within the borough as well as provide economic stimulus and improve the appearance of our downtown area. The borough is also happy to continue allocating \$15,000 annually to be used by the GHP (with borough approval) for administrative expenses.

Stormwater Management

Flooding and stormwater management is a very important issue that has consumed a growing portion of our budget for many years. For FY 2026, the Borough allocated \$434,500 (up from \$385,500 for FY 2025) for stormwater repairs. While we do not assert that this will be sufficient, it is in line with the goal of continual stormwater improvement. In addition, the borough has begun to work with neighboring municipalities to address stormwater issues and will continue to work with them in the coming years. The Borough is also working in conjunction with CWRA to help defray costs in Stormwater improvements as well as paving in the Borough. The relationship between entities is a very important one.

Legal Services

Borough officials are confident in the skills of both our Borough Solicitor and our Labor Attorney firm, which has represented Honesdale Borough well in the past. Legal Services are an integral part of the Borough operations. Certain litigation has caused an increase in legal services and council is making every effort to ensure the benefits of qualified and experienced providers are engaged to secure the optimum results regarding any settlements or costs related to legal matters.