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Borough of Tatamy

2026 Budget

Budget Funds

General | Refuse | Highway Aid | Capital Reserve



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BOROUGH OF TATAMY **NORTHAMPTON COUNTY, PENNSYLVANIA**

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Hello, Residents of Tatamy, Mayor, and Borough Council:

It is my pleasure to present to you the proposed 2026 Borough of Tatamy Budget. The borough's budget is one of the most important documents created each year. Without a budget, business cannot effectively transpire in our Borough. In a single document your budget allocates funding between departments, authorizes expenses, and communicates priorities to our residents.

Budgeting can be a challenging task today with increasing demand for municipal services and often scarce resources to meet those demands. The 2026 Budget has been established as a balanced General Fund budget ordinance without any property tax increases, including the addition of the Fire / EMS tax. The General-Purpose Tax consists of a tax rate of 12.85 mills and Fire/EMS tax of .65 mills for FY 2026.

Budget Overview with Tax Revenue Commentary

The property tax supports the following key funds: Borough's General Fund, and Capital Reserve funds. The General fund is without any debts, as the Borough satisfied its loan agreement with the Tatamy Borough Sewer Authority, which was a loan for the purchase of the Public Works Utility truck, which was reimbursed from the Statewide Local Share Agreement grant.

Real Estate taxes provide the Borough with 62.1% of the total General Fund operating revenues. As of 1 February 2025, according to Northampton County Tax Assessments, the Borough has an assessed valuation of \$43,622,600, up \$9,224,00.00 from 2020 through 2025. In the last five years, Tatamy has seen an increased assessed property valuation of nearly \$17.91% increase. Much of this has been attributed to the Chrin Commerce Centre and Tatamy Farms developments.

The current tax levy of 13.5 mills generates \$588,905, assuming a 98% collection rate and less than the excepted delinquent taxes of \$8,678.00. The Borough also budgets for the 2% discount of

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\$7,041.00 taken by property taxpayers who pay their real estate taxes during the discount period. This value represents a three-year average of discount payments.

As of the 1 February, 2025, Northampton County Tax Assessments, one mill of property tax in the Borough nets \$43,600.60 in revenue if collected at 100%. The 2026 Borough tax rate is anticipated to be 13.5 mills, a 0.0% increase from the 2025 tax rate. For a Borough homeowner with an average assessed property value of \$61,284.91, the total real-estate tax paid to the Borough is \$827.35, an increase of \$46.39 for the year (or \$6.23 per month) from 2022, which was the year previous to the latest tax rate increase.

Table 1 : 5-Year Borough Tax Millage Rates

Tatamy Property Tax	2022	2023	2024	2025	2026
General Purpose (<i>General Fund</i>)	13.0	13.5	13.5	13.5	13.5

Revenue comes from a variety of sources, Act 511 Taxes, and Earned Income Tax, which accounts for approximately 38.1% of the Borough’s revenue; which is the second highest source of revenue generated next to property taxes. This is followed by permitting fees, rents, state shared revenues, and fees associated with residential/commercial renovations and/or new development.

According to Section 20 of the Local Tax Enabling Act Boroughs may collect from Act 511 taxes, there are overall limits; a total amount equal to the product obtained by multiplying the latest total market value of real estate by 12 mills. Thus, a borough with a market value of \$30,000,000 could legally collect \$360,000 in Act 511 taxes. Act 511 taxes are subject to sharing with the school district. An exemption to this as far as boroughs are concerned is an occupation tax using a millage or percentage as a basis, as opposed to a flat-rate occupation tax.

Earned Income Tax (EIT) collections have fared well for the Borough, The Borough has an added residential unit with working families, which has also strengthened EIT collections.

While EIT collections have been decent for most Lehigh Valley municipalities, the Northampton County Tax Collection Committee is not seeing any signs that collections will level off in 2026 and beyond. This revenue stream will likely continue to outpace COLA in the Southeastern portion of Pennsylvania. The 2026 estimated tax revenue for the EIT tax, as projected from Keystone Collections is \$329,148.00. The proposed budget reflects a lesser amount, while maintaining a balanced budget.

Tatamy’s General-Purpose property tax millage rate of 13.0 has remained flat since 2020. The Borough experienced a slight .5 mill increase in 2023. However, this total increase was allocated directly to capital improvement reserve accounts in 2023 and 2024. Record high national inflation rates, soaring energy prices, and geopolitical conflict abroad has impacts on even the lowest levels of local government in the United States. Fiscal Year 2026 will utilize this mileage to offset the increase in such areas.

For the FY 2026, the Borough will carry over \$23,150 from the previous year’s unused funds, resulting in a surplus of \$68,875.00 again, allocating \$20,000 into Capital Reserve Accounts, and

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\$38,875.00 to create a MS4 Fund, planning for the future of the Borough. The Borough has done an outstanding job in managing expenses and balancing our professional expenses against the appropriate fees. Each facet of the Borough continues to be evaluated, adjusted to changes and are proactively planning for the Borough continues success. I am very proud to be part of this growth, along with my colleagues.

Our single greatest investment is in our **human capital**, ensuring a high-performing support staff by strategically aligning wages with the competitive Southeast Pennsylvania market. This region includes Borough's in Berks, Bucks, Chester, Delaware, Lehigh, Montgomery and Northampton Counties. The Southeast region, is growing at a faster pace than the PA and national average, resulting in a higher Cost of Living Adjustment (COLA) than surrounding regions. Having a sustainable and consistent support staff is vital for both Borough's operations and the Managers success for long term growth and planning. I am proud to report that within the FY 2026 draft budget, COLA adjustments approaches to align all the Borough's support staff to the Southeast average salaries, not to be confused with the median or mean salaries. The entire Public Works department, and the Borough Administrator position, over the past three years have been adjusted to this level. The Police department is in the middle of their current Collective Bargaining Agreement, which expires in 2027. The police Chief and officers are approximately 8 percent below the average for a Borough's in this region. During my research efforts, utilizing PSAB information, hourly positions are for the most part steady across the region, while appointed salary positions are largely based on Council's judgment and budget constraints. I feel that we have positioned the borough to be competitive in this area, while taking in consideration of fringe benefits, such as Health Insurance, Pension, Paid Time Off and Flex Time, as were all adjusted in the latest version of the Borough's employee handbook. At his point, I feel comfortable with the increases for the support staff, over the past three years and in my opinion, have reached a point where the borough can return to COLA yearly increases.

It is very possible the tax increase of 2023 is likely to continue into 2027 or beyond.. The costs of doing business in today's market have increased considerably over the last few years. The other lingering factor is MS4, Stormwater management. While the Borough has renewed its 5-year waiver, there will be a time when we will be responsible for these added state-mandated, yet unfunded directives.

The subject of raising revenues through taxes and fees always arises during budget meetings because the cost of borough operations keeps rising every year. Officials are reluctant to raise taxes for many reasons. There is a maximum tax levy of 30 mills per Borough Code, however there is legislation to raise this threshold.

There are several land development projects that will be presented to the Planning Commission, which include both commercial and residential developments. Chrin Lot SE Lot 2 will be developed in 2026. It is important that we continue to manage the growth and use the added real estate and EIT taxes to maintain an acceptable level of living quality for the entire Borough.

Additionally, the Borough has been successful over the past 3 years in re-aligning its fee schedule to cover professional costs, relocation of funds to cover standard expenses, re-evaluating the purchasing process for all the functional departments of the Borough and creating a month-to-month budget. The Borough had a 3-yr goal to create a suitable operating budget that would carry the first quarter expenses, until tax revenue is received in Arril and May. I am proud of the job each department has done to achieve this goal for the 2026 Budget Year.

The 2026 Budget Discussion

The 2026 budget contains four funds for the borough: General Operating Fund, Refuse Fund, Capital Reserve/Improvement Fund, and Highway Aid Fund.

Budget representations are provided for all four funds. Detailed information will be provided only for the Borough's General Fund.

General Fund

This is the largest and most important of governmental funds. It is considered the 'General Fund' because most of the transactions that occur within this fund are general and cannot be accounted for in any other fund. General government operations such as administration and finance; personnel services, engineering; legal services; code enforcement activities, and plan/permit reviews; zoning administration; technology; some highway and facilities maintenance (not covered under the capital improvement fund or Highway Aid fund), and administration support to appointed boards and commissions are all handled through the General Fund.

2026 Revenues

The General Fund is supported primarily through real-estate taxes, Act 511 taxes, permit fees, grants (if available; not typically entered the budget presentation), state-shared subsidies, and other charges for services.

Again, Act 511 is the 'Local Tax Enabling Act' which allows a municipality to levy taxes such as; Occupation Tax, Per Capita Tax, Occupational Privilege Tax, Local Services Tax, Earned Income Tax, Mercantile or Gross Receipts Tax, Business Privilege Tax, Real Property Transfer Tax, Amusement Admissions Tax, and the Mechanical Devices Tax. The administration estimates Act 511 taxes will generate \$352,574 or approximately 38.1% of the total General Fund revenues. This is calculated from Local Service Tax, Real Property Transfer and Earned Income Tax.

The property tax revenues are anticipated to be \$588,670.00, which reflects a three-year average of tax revenue generation in addition to the .5 mill tax increase of 2023. Property taxes are expected to provide 59.1% of the General Fund revenues. The Borough has budgeted \$8,600 in Real-Estate Interim taxes. Interim taxes are assessed in the event of an increase in the assessment property value, which would have taken place before the next general tax billing cycle. This tax is mainly prompted from zoning permits.

The General Fund has needed an infusion of increased tax revenue for many years. The longstanding philosophy of the Borough was to defer tax increases and examine services and rely on grants to fund necessary projects. The recent development, proposed future development and slight tax increase will assist in the Borough's future planning and operation.

The Borough has significant infrastructure replacement and improvements to make. The road network accounts for approximately \$2- \$3 million in assets. The Borough is considering a five-to-ten-year

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capital improvement plan to stay on top road repairs and reconstruction going forward. This has been a tremendous shift in ideology where the Borough relied heavily on our in-house Public Works Department to repair aging roads with the funds and equipment available to them. Relying on the drying well for grant funding is unsustainable. Public Works needs the necessary equipment.

The Borough has an estimated \$.5 to \$1 million in municipal separate storm sewer systems, (MS4) assets to maintain a potential pollution reduction plan. These are state and federally mandated requirements that have identified thousands of dollars of additional work for the MS4 program over the next five years for Boroughs of Tatamy's size. The council could begin discussions of implementing a stormwater access fee soon. Stormwater fees will need to be collected to maintain roughly 3 miles of underground storm water piping, outlets, fixtures, and basins. In this year's budget presentation, it is proposed to use the property transfer tax, gained from the Village @ Hobson Square to fund the creation of a MS4 fund.

Lastly, it's important to maintain our staff, while balancing what the borough is capable of providing in terms of wages and benefits. The Lehigh Valley has become very competitive in the workforce and has seen the time of tenure with a company reduced to 1.7 years.

As the purchasing power of the dollar has eroded away over the last decade, costs to operate municipal services have risen. The Borough's Information Technology is outdated and insufficient. We are limping our way through daily activities with our current equipment. There are no more services to cut within the Borough without significantly jeopardizing public safety. The only thing left to do is to increase the property tax incrementally (small adjustments) every other year or possibly every third year to meet the demands placed on the Borough of the 21st century. This ideology can be altered with the addition of core development from our Commercial properties, however, with more assets, traditionally means more expenditures and areas to manage.

The Cost-of-Living Adjustment (COLA), for 2024 has been set at 3.2 percent, by the Social Security (SS) and Supplemental Income (SSI) Administrations. The purpose of the COLA is to ensure that the purchasing power of Social Security and Supplemental Security Income (SSI) benefits is not eroded by inflation. It is based on the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a COLA was determined to the third quarter of the current year. If there is no increase, there can be no COLA.

The CPI-W is determined by the Bureau of Labor Statistics in the Department of Labor. By law, it is the official measure used by the Social Security Administration to calculate COLAs.

The change means that inflation no longer drains value from Social Security benefits. Below are the previous 5-year amounts of COLS's.

- January 2020-- 1.6%
- January 2021-- 1.3%
- January 2022-- 5.9%
- January 2023-- 8.7%

- January 2024-- 3.2%
- January 2025 – 2.5 %
- January 2026 – 2.7%

2026 Expenditures

All General Fund expenditures for 2026 are anticipated to be \$1,147,712. The budget is projected to be balanced with \$68875.00 transferred into Capital Reserve Accounts, with no year-end fund balance leftover. This does not include any efficiency gains, aggressive procurement opportunities or grant funding, all of which can positively lower the overall borough expenditures. While the Operating Reserve accounts are part of the General Operating Fund company, these accounts are generally used for emergencies only.

Operating Reserve Fund

2026 Revenues

The anticipated total revenue available for appropriations (if needed) in 2025 is approximately \$262,185.82. This is comprised of the following accounts:

Operating Reserve	\$25,642.58
General Fund Savings	\$41,663.72
Resident Relief Fund	\$7,782.28
Street Paving Funds	\$123,022.70
PW / PD Equipment Funds	\$6,091.19
Building Fund	\$6,897.88
CD Account – 12 Month	\$26,085.47
CD Account – 12 Month	\$25,000.00

2026 Expenditures

There are no planned expenses to be drawn from the reserve fund for 2025.

Municipal Solid Waste & Recycling / Refuse Fund

The Borough's current Municipal Solid Waste & Recycling (MSW) contract expires on December 31, 2026, at midnight. The bidding process for waste and recycling typically occurs well in advance of an expiration contract, 6 to 18 months in advance. This allows for a window of time to handle administrative discrepancies and bid rejections followed by a re-bidding process if necessary. Bidding a contract with less time on an existing and expiring contract is risky. Delays that could lead to a disruption of waste hauling services.

Tatamy entered the MSW/Refuse bidding market at a boisterous time. Inflation was on the rise along with energy prices. Fuel costs reached some of the highest ever recorded levels. Coupled with a labor force drought and a supply chain disruption affecting parts and equipment to operate trash / recycling trucks. These issues made bidders think twice about any MSW contract covering the next three years.

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Tatamy residents have enjoyed relatively low waste and recycling bills over the last three years. In the final year of the current contract, waste and recycling bills were \$220.00 annually.

During the life of the existing MSW / Refuse contract, the Borough has not subsidized costs to operate the MSW program through the General Fund to lower customer prices. Going forward, as a matter of sound business practice, the MSW fund will generate revenues consistent with program expenses, including administrative costs. The Borough has recently added an electronic recycling event to the calendar year that is paid for through the Refuse and Recycling fund. The Borough is also investigating including the yard waste facility services from an adjacent municipality, through the Refuse and Recycling fund for 2026. All costs will be distributed among all customers. This factor, along with a turbulent waste haulers bidding market sent MSW prices much higher, although not unexpected. The current cost to each customer is \$370.00, paid through bi-annual invoices of \$185.00.

2026 Revenues

For the 2026 budget, total revenues are anticipated at \$183,838.00. This considers a 97% collection rate on 507 units that are serviced. There is a budgeted income of \$5,300.00 from Portnoff Collections, relating to delinquent accounts as well as a \$43,200.00 carry over from previous years. It's important to remember that the entire contract was calculated at one rate for residents. As the contracted yearly invoices increase, the rate for the residents remains the same. The borough will collect a surplus for 2.5 years and it will balance the invoices through the last 2.5 years of the contract.

2026 Expenditures

Total contracted services along with administrative expenditures are anticipated at \$195,053.00 leaving a \$16,461.00 fund balance over the five-year contract. Again, the first two years of the contract will result in higher than the five-year average revenues, while the final three years will slightly be reduced as a result of maintaining the same cost to customers over the contract, although the boroughs cost increase each year. This amount covers added expenses incurred by the borough to maintain and operate the borough's municipal solid waste program, leaf recycling and electronic recycling event. The MSW/Refuse fund is healthy, maintaining a one-month reserve balance.

Capital Improvement Fund

2026 Revenues

The Capital Improvement Fund is funded primarily through the General Fund, tax revenues, and grant opportunities. This fund is new to Tatamy Borough and will be the start of long-term planning to fund both planned and unplanned expenses, as well as emergency expenses. This fund will operate independently of the General Fund and will result in not overstating income in the General Fund from Interfund transfers to cover unexpected expenses. The borough simply reimburses the expense line items that were used. This is an acceptable practice with DCED, however is different from GAPP Accounting.

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It is anticipated that the CIF will receive \$68,875 in cash for the upcoming 2026 budget cycle. The entire revenue from the Village @ Hobson Square Realty Transfer tax is being allocated to start a MS4 Fund, to lessen the burden on the residents, when the Borough applies for its NPDES permit. The Recreation fund may receive an influx with more development of Chrin Lots and Hobson Street development. In 2024- 2025, the Borough has invested \$130,000 into its parks and infrastructure, utilizing CIF and grant funds. The CIF is projected to have a combined balance forward to 2025 of \$206,538.00, which includes deposits and current fund balances.

2026 Expenditures

Expenditures included for the CIF are as follows: Master Park Improvement Plan, Municipal Building improvements, Public Works Purchasing Plan, and Tatamy Two Rivers Trail Extension and Grant application matches.

Highway Aid Fund

The Highway Aid Fund is subsidized entirely by the Commonwealth of Pennsylvania's Department of Transportation – Bureau of Municipal Services – Liquid Fuels Funding under Act 655. Fuel taxes (paid at the gas pump) are based on the total miles of locally owned roads and streets in the Borough of Tatamy plus the most recent United States Federal Census figures on record (2020) for population. Tatamy has 4.83 miles of locally owned roads and the population at the time when the 2020 allocation was calculated is 1,203.

2026 Revenues

Total anticipated revenue for the Highway Aid Fund heading into the 202 Budget is projected at \$37,560.00, an approximate 2.43% increase from 2025. The Liquid Fuels anticipated tax revenue is showing signs of a return to normal and vehicle travel expected to increase. However, the price of oil has steadily increased throughout 2025, with uncertainty in Federal Government rebates for electric vehicles, which may continue to stifle consumption and motorist travel behaviors.

The Borough's overall population has increased by roughly 4.3% according to the Borough Offices' estimates. The Borough will also gain more road miles once the dedication of Trolley Line Rd and Tatamy Farms is completed. This will increase the Borough's Liquid Fuel allocation in the future.

2026 Expenditures

Expenditures within the Highway Aid Fund are restricted to equipment purchases; snow and ice control; signs and road striping; road repair and road resurfacing work and street lighting, to summarize the uses. This account is the most audited account for the commonwealth and is the most stringent to comply with. The 2026 Budget anticipates \$32,390 in expenditures with a year-end fund balance of \$18,444.00. The expenditure will solely be on street lighting and electricity for traffic control devices.

Final Thoughts

Through disciplined financial restructuring, the Borough has now secured a **critical financial cushion**, setting the stage for future infrastructure investment without relying on emergency grant funding

The Borough of Tatamy has made historic progress over the three years. While making this progress, general-purpose tax revenue was kept flat for a long period of time. While noble, pursuing the merit badge of 'no tax' increases while responding to community improvement needs under changing economic conditions is a difficult balance of responsibility. At some point, it catches up. Expenses exceed revenues, and a municipality enters a phase of revenue 'catch-up.' Luckily, for us, the recent developments, and added assessment, strategic planning and budget management has paid for all the boroughs increased costs. The Borough continues to add to both capital reserve and operating reserve accounts, creating a much-needed cushion. However, we must continue to judicious risk taking to maintain this level of fiscal responsibility, in order not to fall into the "catch-up" zone.

The Borough has navigated through the pandemic and the economic downturn that ensued and remains a factor today. All while keeping the general-purpose property tax rate flat until 2023. Tatamy's financial success is attributed to three big moves: 1) adjusting the schedule of fee's, ensuring that the Borough is no longer subsidizing engineering, zoning permits, and inspections from the general fund 2) issuing strategic debt obligations to complete necessary infrastructure and equipment improvements and 3) Re-organizing the Borough's entire financial structure, analysis of income and expenditure, while moving to a month to month budget format to match Borough expenses with cash-flow. The continued development of Tatamy Farms and Chrin Commerce Center have increased income; it takes managing that growth to ensure financial stability. These financial moves plugged in many budget shortfalls that built up over the years but also provided the thrust needed to tackle big ticket projects.

The Dollar's Purchasing Power, it's the value of a currency in terms of the amount of goods and services that can be bought with it. As the **price index** (like the CPI) rises, the purchasing power of the dollar falls.

Using the provided formula: **Purchasing Power = 100 / Price Index.**

Let's illustrate this with actual data. If we set a base year of 1982-1984 with a price index of 100, the CPI in January 2024 was 308.417.

$$\text{Purchasing Power} = \$100 / 308.417 = \$0.324$$

This means that a dollar today has the same purchasing power as approximately 32 cents had in the 1982-1984 period.

A more accurate way to phrase this is to compare the value of the dollar from two specific points in time. For example, comparing the purchasing power of the dollar in January 2014 to January 2024:

- **CPI in January 2014:** 233.916
- **CPI in January 2024:** 308.417

To find the decrease in purchasing power, we can calculate: $(\$233.916 - \$308.417) / \$308.417 = -24.29\%$

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This means that the dollar has lost approximately **24.3%** of its purchasing power over the last decade. A dollar today buys 75.7% of what it could have bought ten years ago.

Here's a breakdown based on the Consumer Price Index for All Urban Consumers (CPI-U) from the Bureau of Labor Statistics, which is the standard measure for U.S. inflation:

- Inflation from 2021 to 2024: The cumulative inflation rate from January 2021 to January 2024 was 17.9%. This is a significant difference and highlights the rapid price increases experienced in recent years. This period saw some of the highest inflation rates in decades.
 - Long-Term Inflation (1900-2024): The cumulative inflation from 1900 to 2024 is approximately 3,142%. This means that a basket of goods that cost \$1.00 in 1900 would cost about \$32.42 today.

Why Inflation Matters

The constant erosion of purchasing power due to inflation is a crucial economic concept for several reasons:

1. **Cost of Living:** Inflation directly affects the daily cost of living. As prices for essentials like groceries, housing, and gasoline rise, consumers' budgets are stretched.
2. **Savings and Investments:** Inflation reduces the real value of savings. If your money is in a savings account earning 1% interest, but inflation is 3%, your money is actually losing value in real terms. This encourages people to seek out investments with higher returns.
3. **Wages:** While wages may increase over time, they don't always keep pace with inflation. If your salary increases by 3% but inflation is 5%, your "real" wages have decreased, meaning you have less purchasing power than before.
4. **Economic Policy:** Central banks, like the Federal Reserve in the U.S., closely monitor inflation and use tools like interest rates to try and keep it stable. Their goal is to maintain price stability and ensure the dollar retains its value over time.

The Valley economically might be in a little better shape, based on the EIT deposits in Northampton County and Lehigh County, but generally costs have risen to the highest levels in decades. The governing body of the Borough has a duty to ensure municipal operations are adequately funded, even though it has the toughest financial times.

EIT (Earned Income Tax) deposits are used as a gauge of economic health by me. EIT revenue is directly tied to the total wages and salaries of residents, so a rise in deposits suggests a growing workforce and/or an increase in overall wages. Here are some key economic indicators to build a clear picture, and what I generally use as a gauge to assist me in the analyzing of the municipal budget. This information helps me decide if I need to recommend a tax increase for the next fiscal year.

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- **Population and Economic Growth:** The Lehigh Valley has seen a significant **population surge**, driven by both domestic and international migration. This growth contributes to a larger labor force and a growing economy. In fact, Lehigh and Northampton counties are among the top-performing counties in the U.S. for population growth, which is a strong sign of economic vitality. The region's GDP (Gross Domestic Product) reached a record high of nearly \$56 billion in 2023, growing faster than the state and the nation. This growth is broad-based, with significant contributions from manufacturing, healthcare, and professional services.
 - **Employment:** The employment picture is also strong. The region's workforce is expanding, and key industries like **healthcare, manufacturing, and transportation** are driving job creation. The Lehigh Valley has been recognized as a top mid-sized market for economic development, a testament to its successful job creation and investment projects.
 - **Wages:** We know that median household income has been rising in both Lehigh and Northampton counties. This indicates that wages are, to some extent, keeping up with the rising cost of living, though not necessarily for all residents.

Rising Costs of Living

Despite a robust economy, the summary point about rising costs is accurate. The Lehigh Valley is not immune to the inflationary pressures seen across the nation.

- **Housing:** Housing is a primary driver of rising costs. The average rent and home prices in the region have increased notably. For example, the average rent for an apartment in the Lehigh Valley is above \$1,700, and the median home price is also on the rise. While still more affordable than major metropolitan areas like New York or Philadelphia, the cost of housing is a significant burden for many residents.
- **Overall Cost of Living:** When considering all expenses, housing, food, transportation, and healthcare, the cost of living in the Lehigh Valley is slightly higher than the national average. This means that a dollar here doesn't stretch as far as it might in other parts of the country, though it remains a more affordable option than many larger cities. The rise in costs, especially for essentials, puts pressure on household budgets and can make it difficult for municipalities to manage their finances.

The Role of Local Government

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The last point in the summary, that the local government has a duty to ensure municipal operations are funded, is critical in this environment. As costs rise and the economic landscape shifts, local governments face a balancing act. They must:

1. **Monitor Revenue Streams:** EIT deposits are a vital source of revenue, but we must also keep a close eye on other sources like property taxes, which can be politically sensitive to increase.
2. **Manage Expenses:** With inflation, the costs of providing essential services like police, fire, public works, and sanitation also go up. We must manage these expenses carefully to avoid a deficit.
3. **Plan for the Future:** A growing economy and population present new challenges, such as the need for more infrastructure, schools, and public services. A fiscally responsible we need to plan for these future costs while maintaining a stable financial position.

The unforeseen is not predictable, and it is a problem that does not stop tax revenue. The Borough learned of mandated storm-water sewer upgrades required of Tatamy over the next five years. A bigger question will loom: How does the Borough plan on maintaining all its storm-water sewer facilities (approximately \$1 million in assets) year-over-year? Since the Borough cannot levy taxes or subsidize storm-water sewer improvements through the General Fund, the only other source to pay for these expenses will come from storm sewer user fees. Fees paid by every property owner, whether the property is tax exempt or not. Fortunately, the Borough has received another five-year waiver, but the time will come when we have to address this issue, unless the state mandates are lessened.

The realization is this: as with most places in the U.S., the cost of living is high and continues to rise. Tatamy is no different. It will become more expensive to live in Tatamy next year and probably the year after. The pressures of upward price shifting, and the responsibilities imposed against a municipality of the 21st century is driving a lot of these expenses.

Taxes provide needed revenues, and tax increases do not have to be painful but are necessary from time-to-time. The Borough Council is aware of this responsibility and is re-thinking its financial strategies through incremental tax adjustments instead of withholding increases for decades at a time. While a tax increase is uncomfortable, it is not nearly as painful as funding large shortfalls requiring an all-at-once increase (refer to the Catasauqua's single year 51% property tax rate hike of 2023).

Incremental tax increases are pivotal to the success of future Borough programs. The FY 2026 budget has used the 2023 tax increase to cover the rising cost of employees and their family's health benefits. To this end, the Council contemplated FY 2023 as a revenue catch-up year and should consider small increases every three- five years.

SECTION 3 2026 BUDGET SUMMARY

ESTIMATED FUND SUMMARY
ALL BOROUGH FUNDS – 2026

FUND	2024 Proposed Budget	2025 Proposed Budget	2026 Proposed Budget
General Fund			
Available Assets and Revenues	\$ 1,051,535.00	\$ 1,075,632.00	\$ 1,147,712
Expenditures and Transfers	\$ 1,051,535.00	\$ 1,075,632.00	\$ 1,147,712
Closing Balance	\$ 0.00	\$ 0.0	\$ 0.0
Solid Waste & Recycling Fund / Refuse			
Available Assets and Revenues	\$ 219,533.00	\$ 224,502.82	\$ 223,338.20
Expenditures and Transfers	\$ 190,198.00	\$ 202,750.00	\$ 211,268.00
Closing Balance	\$ 29,335.00	\$ 21,752.82	\$ 21,070.20
<u>Highway Aid Fund</u>			
Available Assets and Revenues	\$ 43,544.48	\$ 46,004.00	\$ 50,834.00
Expenditures and Transfers	\$ 35,100.00	\$ 29,680.00	\$ 32,390.00
Closing Balance	\$ 8,444.48	\$ 16,324	\$ 18,444.00
<u>Capital Reserve Fund</u>			
Available Assets and Revenues	\$ 548,888.00	\$ 266,538.00	\$ 442,530
Expenditures and Transfers	\$ 291,350.00	\$ 60,000	\$ 81,300
Closing Balance	\$ 257,538.00	\$ 206,538.00	\$ 361,230

2026 Budget - SECTION 4 UNDERSTANDING PROPERTY TAX

Understanding Your Personal Property Tax

What is a millage rate? Millage comes from the root word 'mill' meaning 'thousand.' The millage rate is an amount per \$1,000 of assessed property valuation for a taxing authority to calculate your property tax liability; in effect, one mill or \$1 of tax per \$1,000 of tax-assessed value represented as 1/1000th or 0.001. In other words, a house with an assessed value of \$50,000 divided by 1,000 x (the millage rate) = the amount of property tax owed. There are three taxing authorities:

- | | |
|--|-----------------------|
| 1) Local municipality—Borough of Tatamy | 13.5 mills (0.0135) |
| 2) School district—Nazareth Area School District | 58.23 mills (0.05823) |
| 3) County—County of Northampton | 10.8 mills (0.0108) |

BOROUGH OF TATAMY TAX EXAMPLES

Taxing Authority	Assessed Home Valuation	Millage	Annual Tax Bill	% of Tax
Nazareth Area School District	\$50,000	58.23	\$2,911.50	70.6
County of Northampton	\$50,000	10.8	\$540.00	13.1
Borough of Tatamy	\$50,000	13.5	\$675.00	16.3
Total Tax Bill			\$4,126.50	

Taxing Authority	Assessed Home Valuation	Millage	Annual Tax Bill	% of Tax
Nazareth Area School District	\$100,000	58.23	\$5,823.00	70.6
County of Northampton	\$100,000	10.8	\$1,080.00	13.1
Borough of Tatamy	\$100,000	13.5	\$1,350.00	16.3
Total Tax Bill			\$8,253.00	

Taxes and user fees are two distinct instruments which result in money being paid into the Borough's coffers. Black's Law Dictionary defines taxes as "public burdens imposed generally upon the inhabitants of the whole state, or upon some civil division thereof, for governmental purposes, without reference to peculiar benefits to particular individuals or property." There are two forms of taxes "direct" and "indirect." A direct tax is "one which is demanded from the very persons who it is intended or desired, should pay it." Indirect taxes "are those demanded in the first instance from one person in the expectation that he shall indemnify himself at the expense of another."

Taxes are revenue raisers whether it's a real estate tax under the Borough Code or an Act 511 tax (Local Tax Enabling Act), but there is a statutory limit. All taxes must comply with the state's Uniformity Tax Clause, Article VIII, Section 1 of the Pennsylvania Constitution. The provision states "all taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax and shall be levied and collected under general laws." A discriminatory tax is one that exempts a taxpayer from paying the per capita tax based on age. On the other hand, an exemption based on income (less than \$12,000 from all sources) is not considered to be discriminatory because it includes many classes of taxpayers (young and old).

A fee is "a charge fixed by law for services of public officers or for use of a privilege under control of government." Section 1201 (1) of the Specific Powers provision of the Borough Code allow boroughs, "to prescribe reasonable fees for the services of their officers and to enforce payment of the same."

According to various court cases, fees cannot be used as a revenue raiser like taxes. In *Commonwealth v. McFadden* (14 Beaver 242, 44 Mun. 202, 1953) the court ruled "where a fee for a license is assessed, it must be such only as will legitimately assist in the regulation, or it will be struck down." Commonwealth Court also held "fees charged by municipality for services rendered are proper if they are reasonably proportional to cost of regulation or services performed," and "municipality may not use its power to collect fees for service as means of raising revenues for other purposes," (*National Properties, Inc. v. Borough of Macungie*, 595 A.2d 742, 1991).

FIRE / EMS TAX

Public Announcement: Protecting Our Community, Together

Tatamy Borough Council is committed to ensuring the safety and well-being of every person and property in our community. We understand that reliable and well-funded Fire and Emergency Medical Services (EMS) are the backbone of a secure and thriving borough.

To that end, Borough Council recently adopted Tatamy Borough Ordinance No. 311-2025 on 09/03/2025. This ordinance establishes a dedicated tax and reliable revenue stream for our Fire and EMS services. This decision was made with a focus on transparency and long-term stability for these critical departments.

Important details for you to know:

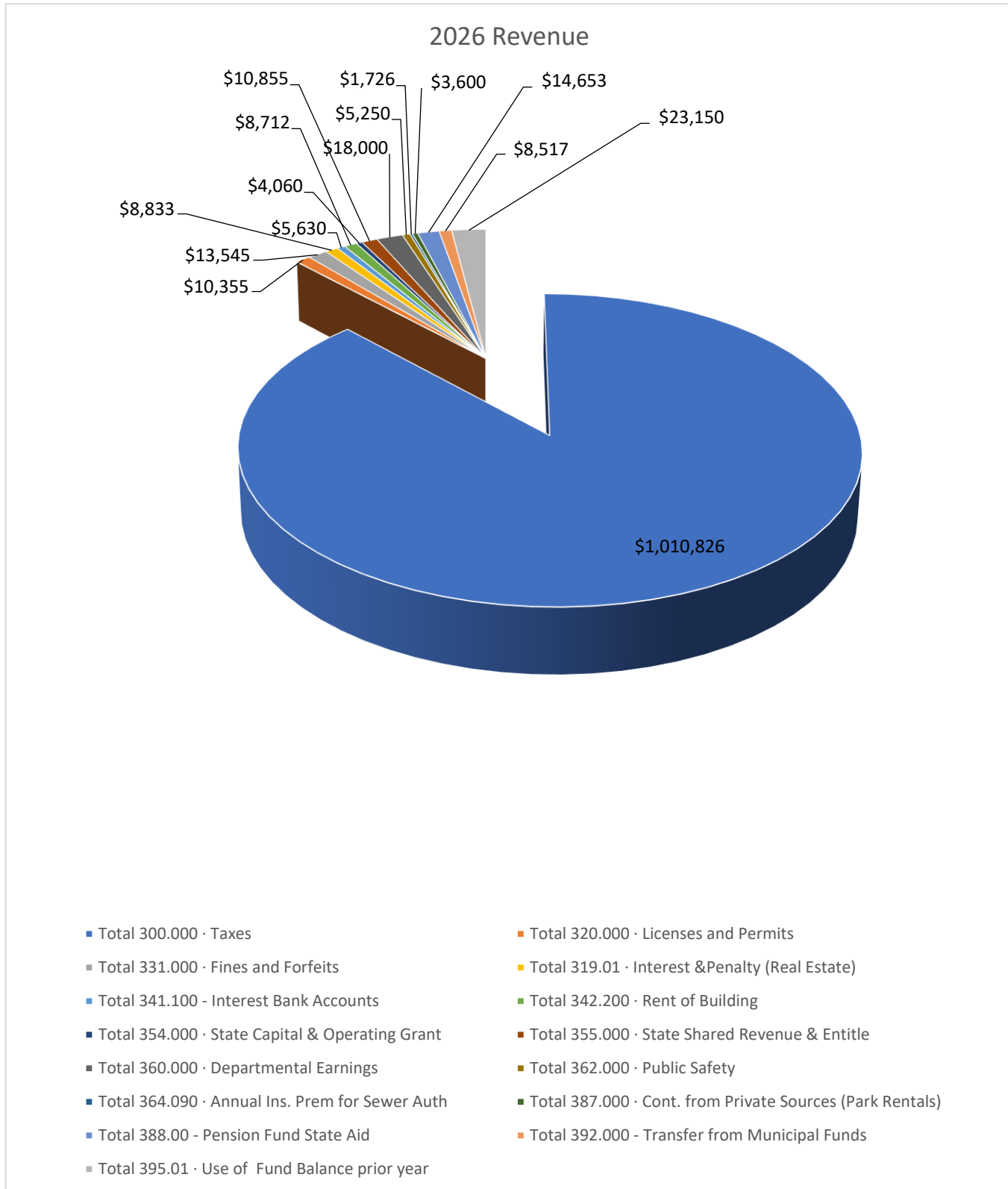
- **Your taxes are not increasing.** The total millage rate for the Borough of Tatamy remains unchanged at 13.5 mills, with .65 mills of that now being directed to support funding for emergency services. Meaning, the General Fund will utilize 12.85 mills, and the Fire tax will utilize .65 mills, maintaining the overall millage rate at 13.5 mills.
- **What this change means:** Historically, our fire and EMS departments have received an annual allocation that is budgeted from the General Fund. Instead, a small portion of your current tax payment will now be directed to a new, dedicated fund specifically for Fire and EMS services.
- **Why this is a positive step:** This new, dedicated fund ensures that our Fire and EMS services have a secure and guaranteed source of funding, allowing the Borough to provide our brave first responders with the equipment, training, and resources they need to continue protecting our community effectively. It also provides greater transparency, allowing you to see exactly where and how your tax dollars for public safety are being allocated and spent.

This action is a strategic step designed to guarantee the longevity and excellence of our emergency services without placing any additional financial burden on our residents. Borough Council is committed to being fiscally responsible while prioritizing the safety of our community.

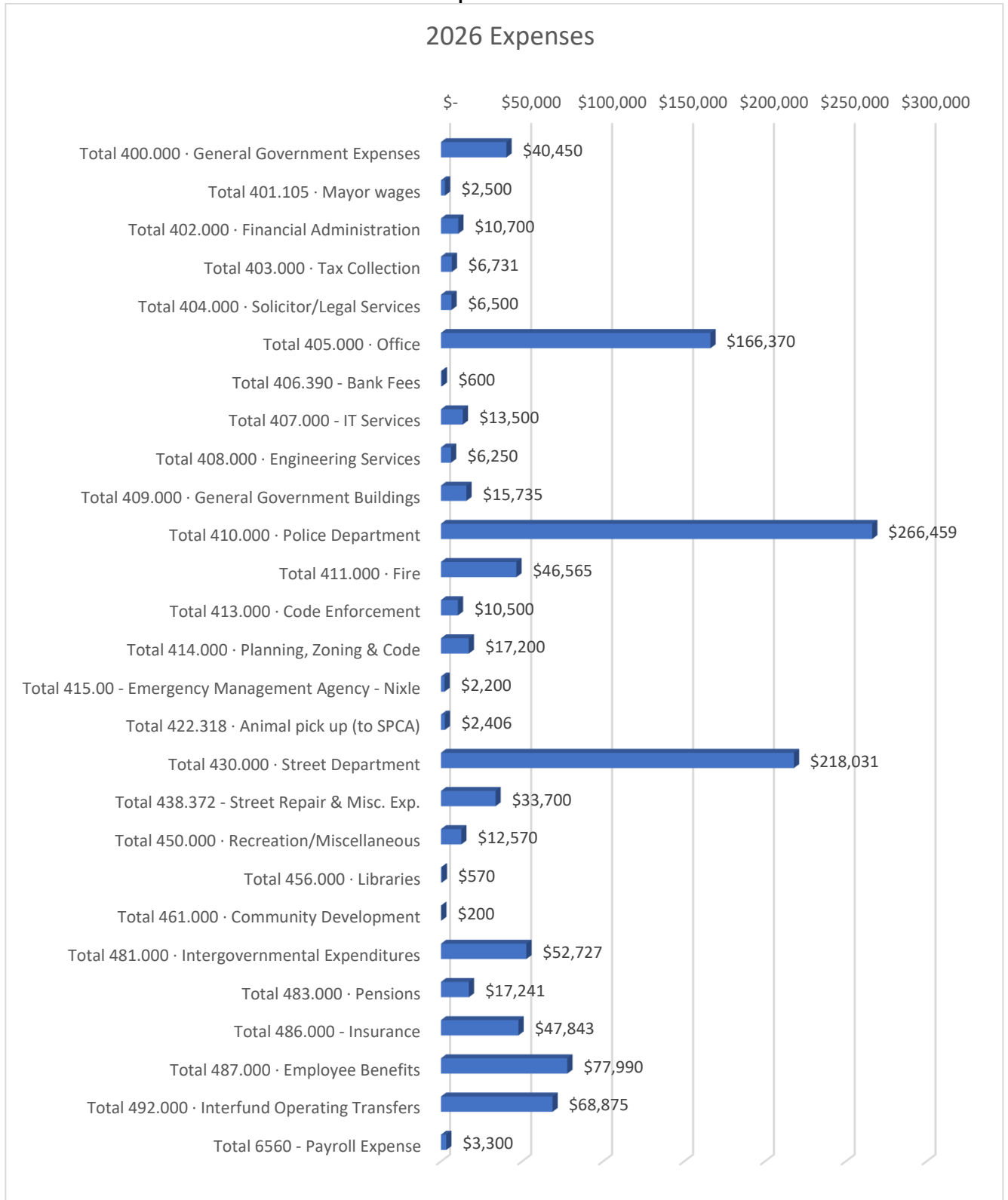
We thank you for your continued support and for being a part of what makes the Borough of Tatamy a wonderful place to live.

If you have any questions, please do not hesitate to contact the Borough office.

2026 Budget - SECTION 5 General Fund Revenue Breakdown Chart



2026 Budget - SECTION 6 General Fund Expense Breakdown Chart



2026 Budget - SECTION 7
Budget Itemizations

- a) General Fund
- b) Refuse Fund
- c) Highway Aid Fund
- d) Capital Improvement Fund

2026 Budget - SECTION 8
Budget Resolutions and/or Ordinance

- Adoption of the 2026 Budget (Resolution)
- Adoption of the 2026 Real Estate Tax Rate (Ordinance)

