

MIDDLE SMITHFIELD TOWNSHIP

2017 PROPOSED BUDGET



December 1, 2017



December 1, 2016

The 2017 Annual Budget has been prepared by the Board of Supervisors, with the professional assistance of a Certified Public Accountant, consultation with our Solicitor and Engineer, and the staff of Middle Smithfield Township.

The 2017 Budget does not include an increase in taxes, in sewer fees, or in other charges.

General Fund income for 2017 is projected to be higher than 2016, due to the continued growth of our local economy and our expectation that we will be awarded State and Local Grant Funds. For the last 2 years, we have seen personal income rise and we are confident that there will be commercial development occurring in 2017. While some of the prior sources of income have diminished, which is discussed in this report, the other increases more than offset these changes.

The 2017 Budget reflects the township's vision to continue to improve our infrastructure, such as roads and sewer, as well as amenities, such as parks, litter control, and beautification. We expect to invest in our sewer system, by continuing to make capital improvements, look for cost-savings wherever possible, and provide the needed services that our residents and businesses have come to rely on. Capital improvement plans, in sewer, roads, parks, and other assets, are now performed annually, as opposed to when there is a crisis or emergency repair.

In 2016, every budget category (General, Sewer, Liquid Fuels, and Golf) will conclude the year within the budget established in 2015. At year-end 2016, we expect to have increased reserves because of the stringent fiscal policies that are maintained each year. These positive results continue to be confirmed by the annual audits of all accounts, by certified public accountants.

The budget for 2017 reflects our continued aggressive efforts to apply for and receive Grants. While State Grants have been red-lined by the Governor, other Grants continue to become available and we aggressively apply for these funds.

Once again, we appreciate all of our residents and business owners that contribute to the success of our township.

Over the last **5** years, Middle Smithfield Township has undoubtedly become a model township for our residents, business owners, and visitors. Our fiscal policies, our eagerness to work with all businesses, and our resident-friendly approach has made, and will continue to make, Middle Smithfield Township the best place to live, work and play throughout the Poconos and the Commonwealth.

Respectfully Submitted:

Michael J. Dwyer
*Treasurer
Supervisor*

Mark Oney
*Assistant Treasurer
Supervisor*

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*Budget & Finance
Manager*

Annette Atkinson
*Chairperson
Supervisor*

December 1, 2016



2017 BUDGET PRESENTATION

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1. 2016 Year in Review

In 2016, Middle Smithfield Township experienced a very good financial year. Income is expected to be slightly higher than budgeted and expenses were lower than anticipated. Overall, we will end 2016 with a modest surplus in our General Funds, Sewer Funds, and Liquid Fuels account. These positive results will allow us to maintain taxes at the 2012 level for another year. This means... **THERE IS NO TAX INCREASE FOR 2017.**

The township now has sufficient reserves that a Tax Anticipation Note (TAN) is not needed. Since this (Tan) loan was not required to offset expenses during the first quarter of the year, we did not expend unnecessary interest.

In 2016, the township applied for numerous grants from the state DEP and DCNR and awarded almost \$550,000 (which is nearly 85% more than the prior year). In 2017, we anticipate even more grants to be awarded, with the exception of our recycling grants because the Governor has determined that these grants will need to be put on hold until the Commonwealth's financial picture improves.

Income from earned income taxes is anticipated to increase again next year; we are seeing improved employment and improved salaries throughout the township. Prospects for commercial and industrial development and improvement to occur in 2017 are very good. More and more Developers are meeting with our Planning Commission, such as Advance Auto, RetroFitness, and others.

The golf course and banquet facility generated more income than anticipated which has decreased the amount of offsetting funds provided by the township. Back in 2011, the annual loss for the golf and banquet hall was over \$800,000. In 2016, we estimate the loss will be less than \$165,000.

The sewer accounts are in good shape. In 2016, a number of necessary improvements were made throughout the entire system. Further improvements are planned for 2017.

Cost controls put in place by the current Supervisors continue to have positive results. The 2015 audit has also validated that our township finances are in good shape.

There have been many successes in each department in our township and with that, and all of the reasons discussed above, there is no need for a tax increase for 2017.

That's right... there will be no tax increase in 2017.



2. General Funds Accounts

2016 Income was projected to include: Income from Property Taxes, Income Taxes, Realty Transfer Taxes (shared among the township and school district), Cable Franchise Fees, and State and Federal Income sources.

When the budget is established during the prior year, allowances are included in the income projections for doubtful accounts. Primarily, Property Taxes are assumed to be in the 85 – 87% collections for current years and 5% of delinquency is anticipated to be received for the prior years. Income from Personal Income Tax is collected by Berkheimer Associates. This is the 1% Income Tax, shared equally by the School and Local Government. Therefore, 0.5% Income Tax is anticipated to be collected for Middle Smithfield Township.

Cable Franchise Fees provides income of roughly \$230,000/year, although this amount is starting to decline. These funds are paid directly to local emergency service providers, including Bushkill Ambulance, Bushkill Fire Company, Suburban EMS, Shawnee Fire Department, Marshalls Creek Fire Company, and 20% of these funds are paid to Monroe County Control Center.

“Other Income” is the bucket for various income received by the Township throughout the year. Permits, Hearing Fees, and inter-fund income are just a few of the sources of funds within this category.

a. General Income

The anticipated general income for 2016 was \$3,918,451. Through November, \$4,162,534 (103%) has been collected. The most significant reason we have collected more than anticipated income is due to a substantial increase in real estate transfers. In addition, earned income tax revenue is projected to exceed the 2016 budget.

b. General Expenses

Projected expenses for 2016 were \$3,859,008. Through November, expenses were roughly \$3,272,400; projecting another \$300,000 will become due in December, year-end expenses are projected to be roughly \$3,575,000 or 92.6% of budget, or 7.4% less than anticipated.

c. Fund Balance

As described above, the 2016 General Fund Account balance, projected at year end, was anticipated to be \$59,443. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a General Fund balance of \$590,000.



3. Sewer Funds Accounts

The Middle Smithfield Township Sewer Fund is operated as a standalone entity and the operating expenses are paid exclusively by those connected to the central sewer system, not by taxes. Approximately 25% of our businesses and residents within the township are connected to this system.

In 2016, a number of operational expenses were decreased. Use of new chemical treatment, efficiencies in our electrical consumption, and other expenses were decreased.

Capital improvements made in 2016 included the complete rehabilitation of the pump stations on Big Ridge Drive and North Park.

a. Sewer Income

Anticipated income from sewer users in 2016 was \$1,960,000. Based upon year to date collections, we believe we will collect \$150,000 more than budget due to the aggressive collections of past due accounts.

b. Sewer Expenses

Sewer fund expenses are primarily Operating Costs and Debt Service. Expenses for 2016 will be approximately \$1,800,000; approximately 41% of this expense is debt service. The major expenses typically expended for the central sewer system include:

- Operations (Prossor Laboratories)
- Sludge removal
- Chemicals
- Engineering and other professional services

c. Sewer Fund Balance

The 2016 Sewer Fund Account balance, projected at year end, was anticipated to be a \$207,000. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a Fund balance of \$525,000.

As you will note in the 2017 Budget, much of this balance will be expended to fund capital improvements that are needed for our aging sewer system. Capital improvements certainly save on long term maintenance.

The Board of Supervisors, Engineer, Operator, and staff are making every effort to decrease expenses and will continue to look at operational efficiencies where they may exist.



4. PA State Liquid Fuels Account

Each year, the Commonwealth of Pennsylvania provides funds to each township for road maintenance. The State of Pennsylvania had been funding this program through an Oil Franchise Tax that provides Liquid Fuels funds to municipalities. Funds are provided by the State based upon miles of township roads (73.38 miles) and population (15,997). In 2016, Middle Smithfield Township received approximately \$494,000. (Middle Smithfield Township receives the 4th largest allocation in Monroe County.)

In 2016, our road improvement program (approximately 8 miles per year) was higher than expected as the Contractor we retained in 2015 completed road work in 2016.

Over 9.87 miles of road within our township were paved, tar and chipped, or sealed.

a. Liquid Fuels Income

Typically in November, the State provides the Supervisors with the intended allocation for the following year. For 2017, we expect to receive \$519,500.

b. Liquid Fuels Expenses

Projects completed in 2016, and paid for by the Liquid Fuels Account, included:

- Excess payroll expenses during snow removal
- Paving on Frutchey Drive
- Paving on Marjorie Court
- Paving on Tego Lake Road
- Paving on Besecker Drive
- Paving on Cold Springs Road
- Parking lot paving and striping at municipal building

All of the above improvements were performed using our own, in-house, Public Works Crew, rather than outsourcing. Nearly 10 miles of roads (14% of the township roads) were improved in 2016.

Over the last 5 years, since we instituted this plan, we have completed over 53% of our roads, putting us ahead of schedule!

c. Liquid Fuels Fund Balance

We continue to make every effort to maintain our Liquid Fuels funds in anticipation of larger projects that will need to be performed in the next 5 to 7 years.



5. Golf Fund Account

The golf course is for sale. This charm in the middle of the Poconos can be yours!

The golf course experienced its best year since 2009! Golf rounds in 2016 exceeded projections and there were over 13,000 rounds of golf played. The event hall also had its best year, with over 50 events and a number of repeat outings.

The most concerning aspect of the golf course continues to be the decrease in membership. While residents are provided substantial discounts and outings are very competitively priced, the lackluster membership roster does not contribute much to the viability of the golf course.

Without question, the income derived through operating the course is a result of the tireless efforts of the Golf Advisory Committee who put in literally hundreds of volunteer hours to sell memberships, attract golf outings, and help us oversee the operations from "tee to green", to banquet hall, with the goal of offering an attractive asset for sale.

The well maintained golf course and its operations continue to be a source of township pride, dedication, and enjoyment. The banquet hall is a terrific asset for community events. The course and banquet hall contribute to the local economy by providing employment and income for peripheral businesses, such as food service, supplies, gas, etc.

a. Golf Income

The anticipated general income for 2016 was \$338,325. Through November, the golf course generated roughly \$359,900 in income.

b. Golf Expenses

Projected expenses for 2016 for the golf course were approximately \$535,575. Through November, the golf course expenses were approximately \$120,000 below budget. In order to provide a clear picture of how much the golf course costs the township, all expenses including consulting, elevator contracts, insurances, and other real costs were expensed through the golf course budget.

While, as of this writing, end of year expenses are still to be paid (e.g. final cart lease payment), the net cost to offset expenses over income, from General funds, is anticipated to be approximately \$165,000, continuing the trend of decreasing expense year over year.

c. Golf Fund Balance

As the golf course is part of the amenities owned by Middle Smithfield Township, much like our parks, there is no "fund balance" as a separate fund (such as Sewer or Liquid Fuels).



6. Budget Proposal 2017

If you read all of the information written before this Section, you will know by now that there is NO TAX INCREASE PROPOSED FOR 2017. The proposed budget for 2017 is described in the following:

2017 Budget Summary	General Fund	State Fund Liquid Fuels	Golf Fund	Sewer Fund	Total All Funds
Cash - Beginning	1,241,400.00	68,000.00	0.00	614,000.00	1,923,400.00
Revenues & Other Financing					
Taxes	3,472,500.00				3,472,500.00
Licenses-Permits-Franchise Fees	230,000.00				230,000.00
Fines & Forfeits	1,050.00				1,050.00
Interest, Rents & Royalties	6,840.00			67,500.00	74,340.00
Grants and Grant Matching Funds	636,000.00				636,000.00
Intergovernmental Revenues	195,900.00	522,373.92	202,935.00		921,208.92
Charges for services	192,350.00		320,590.00	1,886,000.00	2,398,940.00
Total sewer reimbursement	81,232.00				81,232.00
Total other sources	64,500.00				64,500.00
Total Revenues	4,880,372.00	522,373.92	523,525.00	1,953,500.00	7,879,770.92
Total Available	6,121,772.00	590,373.92	523,525.00	2,567,500.00	9,803,170.92
Expenditures and other uses					
General Government	861,016.80			95,000.00	956,016.80
Public Safety/fire/ems/control	486,000.00				486,000.00
Protective services	271,263.50				271,263.50
Cleanup and recycling	75,905.00				75,905.00
Sewer Dept expense	48,078.00		2,100.00	841,790.00	891,968.00
Public works oper exp.	280,759.00		180,000.00		460,759.00
Golf Supplies and expenses	202,935.00		266,025.00		468,960.00
Snow removal	156,877.00	50,000.00			206,877.00
Traffic control and improvements	451,277.00	373,000.00			824,277.00
Equipment costs	66,000.00	80,000.00	48,000.00		194,000.00
MS4 expenses	44,500.00				44,500.00
Culture and Recreation	109,510.00				109,510.00
Regional parks	7,068.00				7,068.00
Community development	840,000.00				840,000.00
Debt Service & Capital Exp	133,838.00		10,400.00	720,000.00	864,238.00
Misc.-Ins. and benefits etc.	747,426.00	600.00	17,000.00	55,500.00	820,526.00
Total Expenditure & Uses	4,782,453.30	503,600.00	523,525.00	1,712,290.00	7,521,868.30
Net income (loss) from operations	97,918.70	18,773.92	0.00	241,210.00	357,902.62
Fund Balance - Ending 12/31/17	1,339,318.70	86,773.92	0.00	855,210.00	2,281,302.62



General Income for 2017 is expected to be approximately \$950,000 (24%) more than 2016. The most significant increase in income anticipated in 2017 is from State Grants, Capital Reserves, and Real Estate Transfer Taxes. Earned income is also expected to increase by 5%.

General expenses are expected to be \$97,900 less than income and we hope to conclude the year with additional reserves.

We are also optimistic that our Standard & Poor's credit rating will, once again, improve in 2017 as we have had positive results for 5 consecutive years.

In 2017, we intend to continue to improve our roads, parks, and infrastructure. We have already applied for a number of grants, from DEP, Monroe County, and the State, and we are hoping to be awarded a substantial amount of grant funds in 2017. If awarded, many improvements will be accomplished. (If we are not awarded these Grants, the associated expense will not be paid.)

As we said, operational efficiencies and positive collection rates have, once again, resulted in there being no increase in Sewer User Fees in 2017.

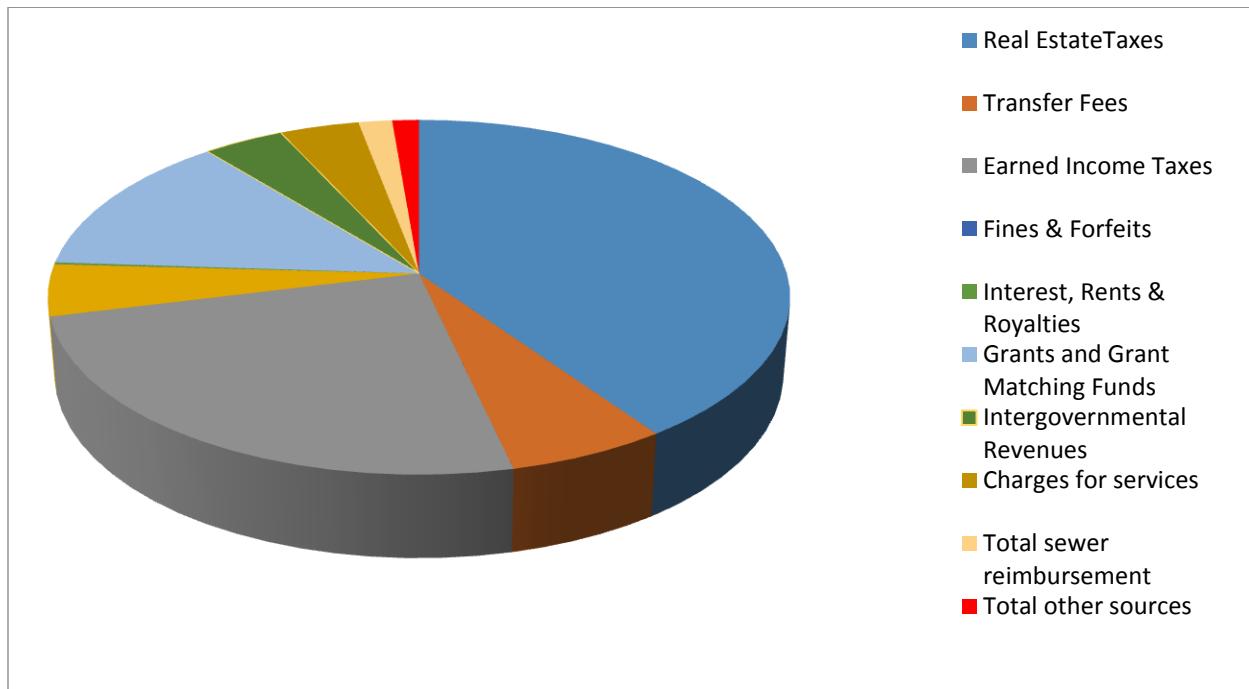
State Liquid Fuels funds are expected to be approximately \$519,500 based upon notification received from the State. Road improvements and capital purchases are planned accordingly, with attention to establishing reserves. We expect expenses in 2017 to be below income, which will result in reserves for major improvements.

The Golf Course will continue to be funded just like any other park or amenity until it is sold and it is anticipated that the expense associated with the operations will decrease in 2017. The last 5 years have proven our initial calculations that having the facility open and generating income to defray operating costs is more prudent than shuttering the facility and having no income at all to defray expenses (and devaluing the asset to \$0.).

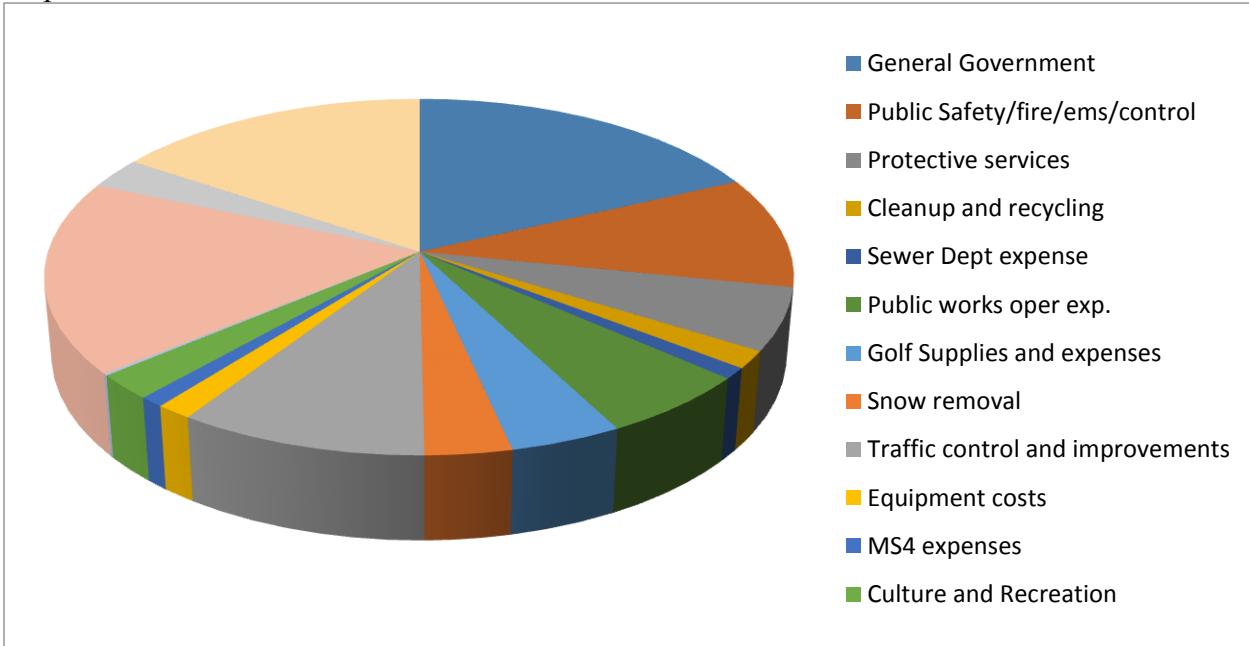


Here are the fancy charts that everyone likes to look at:

Revenues



Expenses





7. Acknowledgements

The success of Middle Smithfield Township in 2016 was attributable to the Board of Supervisors, the employees, the volunteers, and all of our residents and business owners.

Over the last 5 years, Middle Smithfield Township has undoubtedly become a model township for our residents, business owners, and visitors. Our fiscal policies, our eagerness to work with all businesses, and our resident-friendly approach has made, and will continue to make, Middle Smithfield Township the best place to live, work and play throughout the Poconos and the Commonwealth.

Thank you. . .