

MIDDLE SMITHFIELD TOWNSHIP

2019 PROPOSED BUDGET



December 6, 2018



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The 2019 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 2019 Budget does not include an increase in taxes, in sewer fees, or in other charges.

General Fund income for 2019 is projected to be slightly higher than 2018, as we continue to see year over year growth in residential and commercial property sales and earned income taxes. In 2019, we will continue to pursue as many State and Federal grants as possible. In particular, we are looking to the State and Federal government to assist us in a major bridge replacement that will occur in 2019/2020.

The 2019 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, that include sewer, roads, parks, and other assets, are implemented annually.

In 2018, we expect our General, Liquid Fuels, and Sewer income and expense to be within budgets as established in 2017. Golf, on the other hand, is projected to slightly exceed our anticipated loss for 2018, due to over 90 rain days experienced during the golfing season.

At year-end 2018, we expect to have increased reserves marginally 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.

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

Without question, Middle Smithfield Township is 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:

Annette Atkinson
Chairperson
Supervisor

Michael Dwyer
Treasurer
Supervisor

Mark Oney
Assistant Treasurer
Supervisor

Raymond Wolfe
Budget & Finance
Manager



2019 BUDGET PRESENTATION

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1. 2018 Year in Review

In 2018, Middle Smithfield Township experienced a good financial year once again. Income is expected to be slightly higher than budgeted and expenses were lower than anticipated. Overall, we will end 2018 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; that's 7 years in a row.

This means. . . **THERE IS NO TAX INCREASE FOR 2019.**

The township continues to sustain 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 2018, the township applied for numerous grants from the state DEP and DCNR and had been awarded almost \$270,000. In 2019, we will continue to seek grants where possible.

Income from earned income taxes is anticipated to increase again next year; we are seeing increased employment and salaries throughout the township. We are hopeful that we will see growth in both commercial and industrial development in 2019.

The golf course and banquet facility generated less income than anticipated in 2018; throughout the golf season, over 90 rain days and subsequent "cart path only" days, affected the number of golf rounds played. The banquet hall, however, saw more rentals than prior years.

The sewer accounts remain in good shape. In 2018, a number of necessary improvements were made throughout the entire system. Further improvements are planned for 2019.

The State funded Liquid Fuels account continues to be effectively managed and road improvements continue on-track when compared to our 10 year plan.

Cost controls put in place by the current Supervisors continue to yield positive results. The 2017 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 2019.



2. General Funds Accounts

General Income projected in 2018 is expected to be at or close to budget. Through November, 2018, over 90% of the projected income has been received.

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. In 2018, roughly \$1,315,000 in EIT was received, which indicates our residents income has exceeded \$263,000,000 annually, excluding those who don't pay taxes.

Cable Franchise Fees provides income of roughly \$230,000/year, although this amount has steadily declined over the past few years. These funds are paid directly to local emergency service providers, including Bushkill Ambulance, Bushkill Fire Company, Shawnee Fire Department, Marshalls Creek Fire Company, and 20% of these funds are paid to Monroe County Control Center. In addition to the contributions made from the Cable Franchise Fees, the township has also provided additional funds to these organizations throughout 2018; a generator was purchased for Marshalls Creek Fire Dept., a heat scanner was purchased for Bushkill Fire Dept., and we are assisting Bushkill Ambulance with operating costs.

"Other Income" received by the Township throughout the year includes such items as Permits, Hearing Fees, and inter-fund income.

a. General Income

The anticipated general income for 2018 was \$4,411,880, excluding grants. Through November 30, 2018, \$4,358,000 (98.7%) has been collected and further income is still anticipated by year end. Based on prior years, we expect another \$200,000+/- will be received by year-end bringing the total oncome to over 100% of what had been budgeted.

b. General Expenses

Projected expenses for 2018 were \$4,175,137. Through November 2017, expenses were roughly \$3,850,000; projecting another \$300,000 will become due in December, year-end expenses are projected to be roughly \$4,150,000. Expenses are anticipated to end the year slightly below budget.

c. Fund Balance

As described above, the 2018 General Fund Account balance, projected at year end, was anticipated to be \$52,743. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a General Fund positive balance (income over expenses.)



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. The Township is presently working with the Department of Environmental Protection to expand the sewer system which would increase users.

In 2018, a number of capital improvements were made to address some of the major pump stations that had deteriorated. Expansion of sewer laterals was also completed along Fruthey Drive.

a. Sewer Income

Anticipated income from sewer users in 2018 was \$1,972,500. Based upon year to date collections, we believe we will collect \$91,000 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 2018 are anticipated to be approximately \$1,866,000; approximately 31% of this expense is debt service. The major expenses typically expended for the central sewer system include:

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

c. Sewer Fund Balance

The 2018 Sewer Fund Account balance, projected at year end, was anticipated to be a \$241,210. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a Fund balance of \$405,000.

Major improvements are being planned for the sewer system and operations in the coming year. The Supervisors and staff are working with our Engineers to increase our service area(s) and address the many requests from local businesses to connect to the sewer system. These new connections, once implemented, will increase income and not significantly impact expenses.

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 2018, Middle Smithfield Township received approximately \$549,950. (Middle Smithfield Township receives the 4th largest allocation in Monroe County.)

In 2018, our road improvement program was maintained. As we are now in our 7th year of a 10-year road improvement plan, we are pleased to report that we are well ahead of our projected timeline. Over 8 miles of road within our township were paved, tar and chipped, or sealed.

In addition to road improvements, we completed our storage facility and garage in the Wooddale area of our township. We can now service our township during winter storms with little or no need to return to the Municipal complex to reload with materials, gas/diesel, or return beverages rented during the storm.

a. Liquid Fuels Income

Typically in November, the State provides the Supervisors with the intended allocation for the following year. Once known, public improvements are budgeted.

b. Liquid Fuels Expenses

Projects completed in 2018, and paid for by the Liquid Fuels Account, included:

- Excess payroll expenses during snow removal
- Paving on Charley Drive, Dawn Lane, Denise Lane
- Paving on Turkey Ridge Road
- Paving on Pardees Loop
- Tar and Chip on Michael's Road
- Tar and Chip on Barren Road

The majority of the improvements were performed using our own, in-house, Public Works Crew, rather than outsourcing. We also assisted Smithfield Township with improvements to their roads in 2018.

Over the last 7 years, since we instituted this plan, we have completed over 77% 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 upcoming years. (More about that in a bit.)



5. Golf Fund Account

Each year, since 2012, we have prided ourselves in presenting Golf Fund data that showed improved results. Unfortunately, 2018 was not a good year for our, or anyone else's, golf course. During 2018, over 87 rain days were experienced throughout the season. In other words, over 31% of the season was lost due to inclement weather.

Income from the golf course and banquet hall, in 2018, was approximately \$260,400 compared to anticipated income of \$313,200. The golf course and banquet hall expenses, however, were lower than anticipated, by roughly \$46,000. Golf rounds in 2018 were lower than anticipated; there were less than 10,000 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, supplies, gas, etc.

a. Golf Income

The anticipated general income for 2018 was \$313,225. Through November, 2018, the golf course generated roughly \$260,353 in income.

b. Golf Expenses

Projected expenses for 2018 for the golf course were approximately \$503,580. Through November, the golf course expenses were approximately \$46,000 below budget.

While, as of this writing, end of year expenses are still to be paid (e.g. payroll), the net cost to offset expenses over income, from General Funds, is anticipated to be roughly \$220,000.

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 2019

If you read all of the information written before this Section, you will know by now that there is NO TAX INCREASE PROPOSED FOR 2019. The proposed budget for 2019 is described in the following:

2019 Budget Summary	General Fund	State Fund Liquid Fuels	Golf Fund	Sewer Fund	Total All Funds
Cash - Beginning	1,273,010.00	12,697.00	0.00	130,000.00	1,415,707.00
Revenues & Other Financing					
Real Estate Taxes	2,016,000.00				2,016,000.00
Transfer Fees	350,000.00				350,000.00
Earned Income Taxes	1,287,500.00				1,287,500.00
Licenses-Permits-Franchise Fees	250,000.00				250,000.00
Fines & Forfeits	1,150.00				1,150.00
Interest, Rents & Royalties	35,700.00			75,000.00	110,700.00
Grants and Grant Matching Funds	33,262.00			383,350.00	416,612.00
Intergovernmental Revenues	532,100.00	557,512.80	221,650.00		1,311,262.80
Charges for services	179,400.00		290,225.00	1,897,500.00	2,367,125.00
Total sewer reimbursement	82,500.00				82,500.00
Total other sources	54,000.00				54,000.00
Total Revenues	4,821,612.00	557,512.80	511,875.00	2,355,850.00	8,246,849.80
Total Available	6,094,622.00	570,209.80	511,875.00	2,485,850.00	9,662,556.80
Expenditures and other uses					
General Government	1,171,900.00			110,000.00	1,281,900.00
Public Safety/fire/ems/control	427,550.00				427,550.00
Protective services	246,805.00				246,805.00
Cleanup and recycling	79,000.00				79,000.00
Sewer Dept expense	54,100.00		2,100.00	1,495,340.00	1,551,540.00
Public works oper exp.	342,150.00		179,000.00		521,150.00
Golf Supplies and expenses	231,000.00		253,875.00		484,875.00
Snow removal	160,225.00	40,000.00			200,225.00
Traffic control and improvements	832,100.00	473,000.00			1,305,100.00
Equipment costs	66,000.00	44,000.00	50,000.00		160,000.00
MS4 expenses	20,500.00				20,500.00
Culture and Recreation	92,070.00				92,070.00
Community development	52,500.00				52,500.00
Debt Service & Capital Exp	158,712.00		10,400.00	548,285.00	717,397.00
Misc.-Ins. and benefits etc.	823,845.00	0.00	16,500.00	55,500.00	895,845.00
Total Expenditure & Uses	4,758,457.00	557,000.00	511,875.00	2,209,125.00	8,036,457.00
Net income (loss) from operations	63,155.00	512.80	0.00	146,725.00	210,392.80
Fund Balance - Ending 12/31/19	1,336,165.00	13,209.80	0.00	276,725.00	1,626,099.80

General Fund Income for 2019 is expected to be roughly \$360,000 greater than 2018. But how is that possible without raising taxes? Good question.



In 2019, the township will need to expend some of our reserves. This is primarily due to the deteriorated bridges on Big Ridge Drive and Village Drive that will require near full replacement, costing in excess of \$300,000. These are the types of expenses that reserves are established for; so when the expense is incurred, there is not a need to rush out and raise taxes. The main bridge on Big Ridge Drive will also require extensive work, to the tune of roughly \$3,000,000. We are working with our State and Federal agencies in hopes of receiving funds to complete this project in the near future.

Earned income is, once again, anticipated to increase in 2019 and Transfer Fees are expected to remain at the same level as 2018.

General expenses are expected to be \$63,155 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 improve in 2019 as we have had positive results for 7 consecutive years and our outstanding debts, from prior loans, is steadily decreasing.

In 2019, we intend to continue to improve our roads, parks, and infrastructure.

As we said, operational efficiencies and positive collection rates have, once again, resulted in there being no increase in Sewer User Fees in 2019.

State Liquid Fuels funds are expected to be approximately \$557,500 based upon notification received from the State. Road improvements and capital purchases are planned accordingly. We expect expenses in 2019 to be slightly lower than annual income.

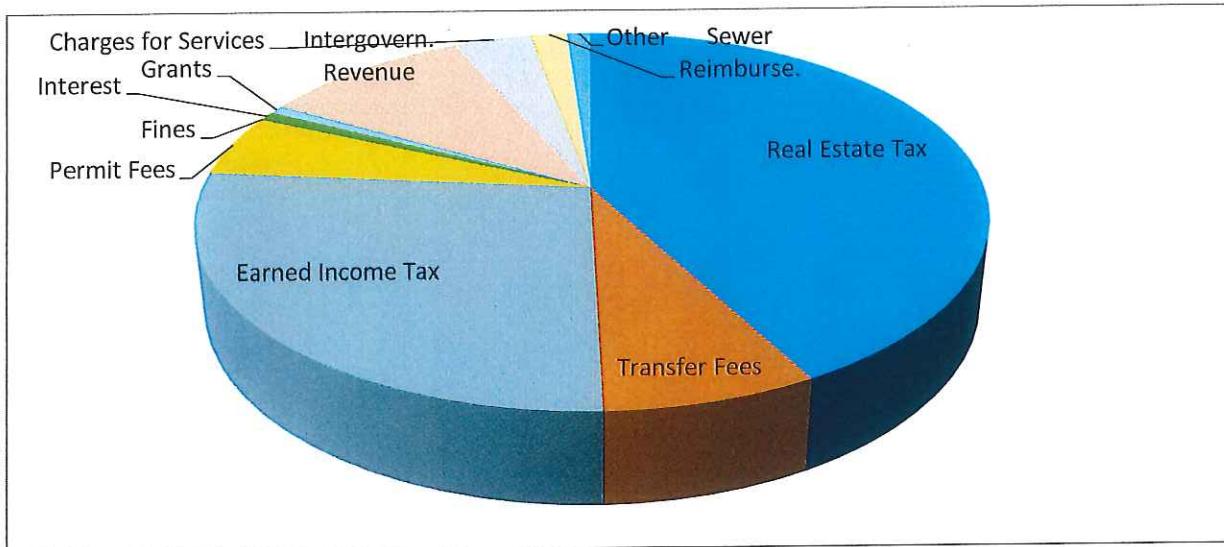
The Golf Course will continue to be funded just like any other park or amenity until it is sold and it is anticipated that the expense associated with the operations will decrease in 2019. The last 7 years have proven our initial calculations that having the facility open and generating income to defray operating costs is more prudent than shuttering the facility and having no income at all to pay expenses (and devaluing the asset to \$0.).



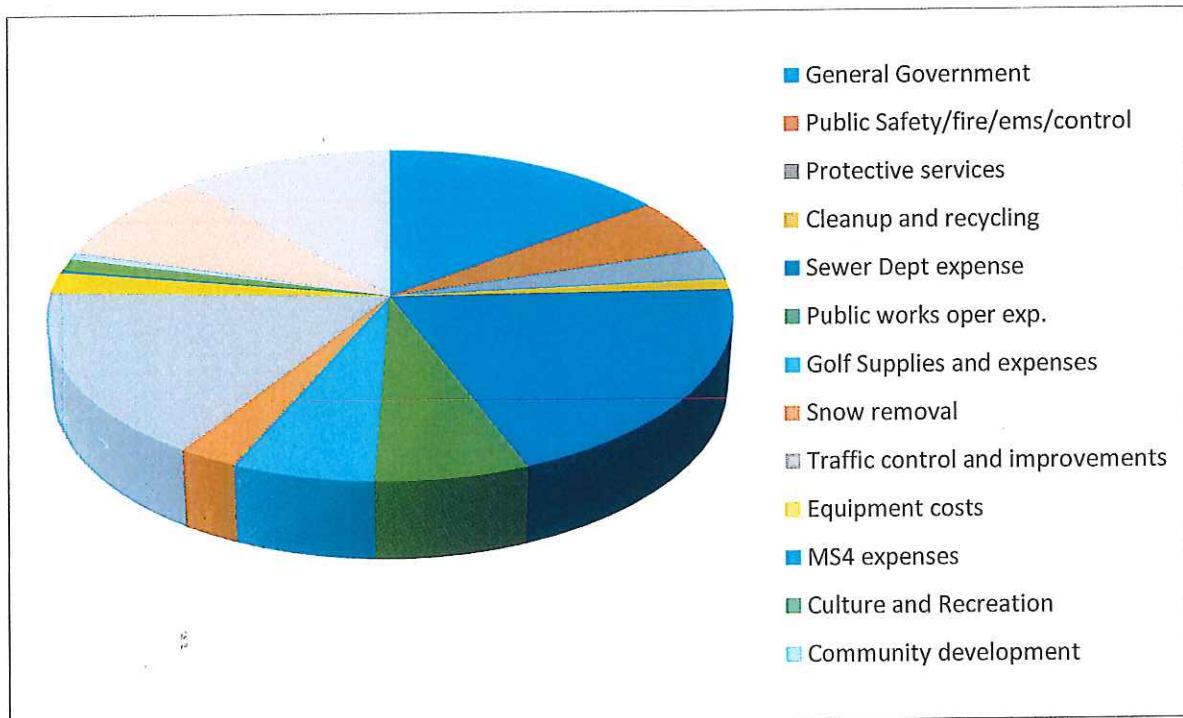
7. Fancy Charts

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

2019 Anticipated Revenues



2019 Anticipated Expenses

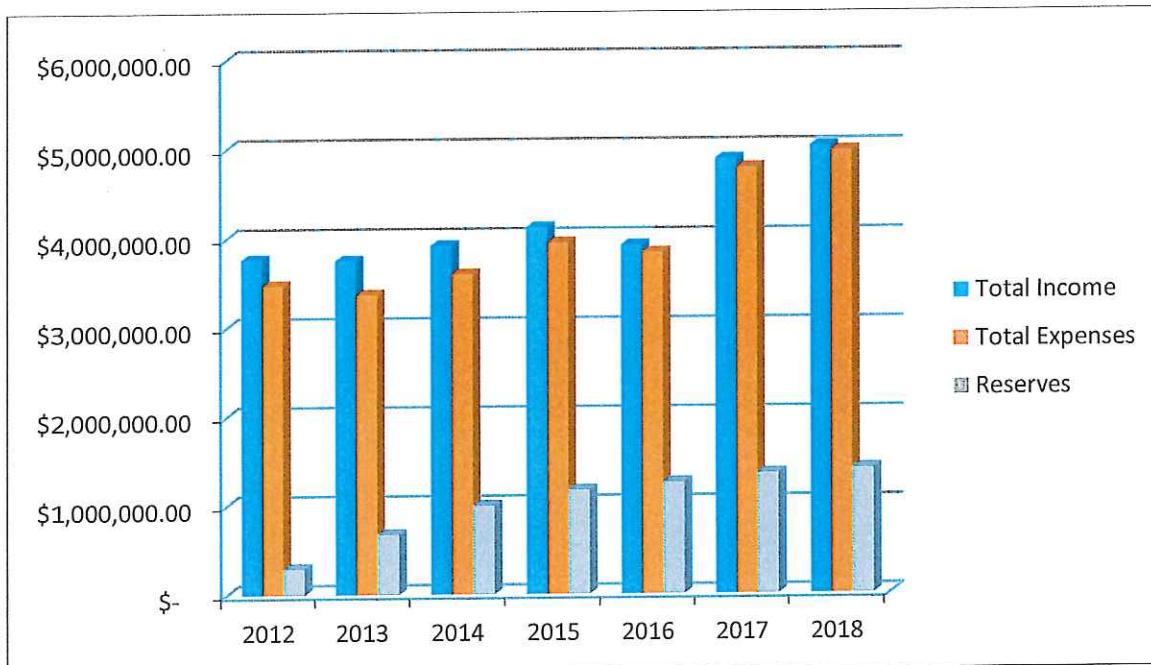




8. Acknowledgements

The success of Middle Smithfield Township in 2018 was attributable to the Board of Supervisors, the employees, the volunteers, and all of our residents and business owners.

As summarized in the following chart, since 2012, Middle Smithfield Township has stayed within budget and increased reserves annually.



Without question, Middle Smithfield Township is the model township throughout the State 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