

MIDDLE SMITHFIELD TOWNSHIP

2020 PROPOSED BUDGET



December 5, 2019



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The 2020 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.

In the upcoming year of 2020, there remains uncertainty in the amount of income the township will receive in real estate taxes, due to the County reassessments of property values and appeals by property owners. As of November, 2019, there is more than \$10,000,000 in valuation that is being appealed. If the appeals are successful, the township's income will be less than anticipated from the County's valuation figures released on November 15th.

Primarily due to this uncertainty, the 2020 Middle Smithfield Township Budget millage rate is 1.75. This new rate of 1.75, is forecasted to generate 3.5% more in township real estate tax income than in years prior.

General Fund income for 2020 is projected to be slightly higher than 2019, not only due to the new tax millage rate, but we are also seeing continued increases in earned income taxes. In 2020, as always, 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 we had hoped to start in 2019, but we were not awarded grant funds as we had hoped.

The 2020 Budget reflects the township's vision to continue to improve our infrastructure, such as roads and sewer, as well as completion of the new Community and Cultural Center at Echo Lake Park, which will also house the Library of the Smithfields, and Red Cross certified emergency shelter. 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.

The 2020 Golf income is anticipated to be higher than 2019. In 2020, golf rates and membership fees will be slightly higher; however, they will remain as competitive as possible.

In 2019, we expect our General, Liquid Fuels, and Sewer income and expense to be within the budgets we proposed at year end 2018. Golf, on the other hand, is projected to exceed our anticipated loss for 2019, due to substantial repairs made in 2019, decreased rates, and lackluster membership.

At year-end 2019, we expect to have maintained reserves because of the stringent fiscal policies that are followed throughout the year. The overall 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 continue to contribute to the success of our township.

Respectfully Submitted:

Annette Atkinson
Chairperson
Supervisor

Michael Dwyer
Treasurer
Supervisor

Mark Oney
Assistant Treasurer
Supervisor

Raymond Wolfe
Budget & Finance
Manager

December 5, 2019



2020 BUDGET PRESENTATION

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1. 2019 Year in Review

In 2019, Middle Smithfield Township experienced a fairly good financial year once again. Income is expected to be slightly higher than budgeted and expenses were lower than anticipated. (Through November 30, 2019, income is 99.65% of anticipated annual income and expenses are 94.49% of yearly expenses.) Overall, we will end 2019 without reducing reserves.

As every one of our taxpayers has noticed, the County-wide reassessment project has been completed and the change from the millage rate (25% of value) to actual real estate market value. The “value” of each property in the County changed so, effectively, the “millage” or tax rate must change too.

Due to the uncertainty of assessment appeals that are still in progress, the Middle Smithfield Township new tax rate will be 1.75, which will generate 3.5% more real estate tax income than 2019. As the County has tried to explain, taxing authorities (School District, County, Library, and Township) cannot increase expected revenues by more than 10% in a reassessment year. The County has already said that they will decrease reserves to allow for a revenue-neutral budget in 2020, but keep an eye on what happens in 2021. The School District has not given any indication where they are headed, but, we remain optimistic that the school taxes will not increase.

This means. . . **Your new assessed value times 0.175% (or 0.00175) will equal your new local tax.**

In 2019, the township applied for numerous grants from the state DEP and DCNR and had been awarded almost \$300,000. In 2020, we will continue to seek grants where possible and we remain optimistic that we will receive grants for our bridge project from PennDOT.

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 2020, as we already are aware of some sizeable projects that are ready to break ground.

The golf course and banquet facility generated substantially less income than anticipated in 2019; between rain days and subsequent “cart path only” days and substantial repairs made, the number of rounds played was less than prior years. Although many want to see the course remain open, membership is lackluster at best. The banquet hall, however, saw generally the same number of rentals than in prior years.

The sewer accounts remain in good shape. In 2019, a number of necessary improvements were made throughout the entire system. The Board of Supervisors also received DEP approval to expand the sewer service area, which is already seeing increased customers.

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 2018 audit has also validated that our township finances are in good shape.



2. General Funds Accounts

General Income projected in 2019 is expected to be at or close to budget. Through November, 2018, over 99% 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 Earned Income Tax (EIT) 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 2019, over \$1,300,000 in EIT was received, which is slightly higher than prior years.

Cable Franchise Fees provides income of roughly \$230,000/year. These funds are disbursed 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 2019, the township also provided other funds to these organizations.

“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 2019 was \$4,471,612, excluding intergovernmental funds. Through November 30, 2019, \$4,456,000 (99.9%) has been collected and further income is still anticipated by year end. Based on prior years, we expect another \$150,000+/- will be received by year-end bringing the total oncome to over 100% of what had been budgeted.

b. General Expenses

Projected expenses for 2019 were \$4,458,000. Through November 2019, expenses were roughly \$4,254,000; projecting another \$200,000 will become due in December, year-end expenses are anticipated to end the year at budget.

c. Fund Balance

As described above, the 2019 General Fund Account balance, projected at year end, was anticipated to be \$13,612. We believe that the year end Fund Balance will be greater than originally expected.

d. Community & Cultural Center

The new Community & Cultural Center is now being constructed. The Eastern Monroe Public Library has contributed \$1,000,000 toward this facility to house the Library of the Smithfields, which is shown as 2019 Income. Expenses associated with this project, in 2019, are anticipated to be approximately \$850,000. Future Income and Expenses associated with construction will be incurred in 2020.



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 2019, the Act 537 Plan, which regulates our sewer system, was amended to allow for commercial expansion along Route 209. New development, and even some existing properties, on the commercial corridor will be connecting to the sewer system.

In 2019, a number of capital improvements were made to address some of the major pump stations that had deteriorated. A new 300KW generator was installed at the sewer plant.

a. Sewer Income

Anticipated income from sewer users in 2019 was \$1,972,500. Based upon year to date collections, we believe we will collect \$164,000 more than budget primarily due to new users to the system.

b. Sewer Expenses

Sewer fund expenses are primarily Operating Costs and Debt Service. Expenses for 2019 were anticipated to be approximately \$1,909,000; approximately 25% 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 2019 Sewer Fund Account balance, projected at year end, was anticipated to be approximately \$164,000.



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 2019, Middle Smithfield Township received approximately \$567,490. (Middle Smithfield Township receives the 4th largest allocation in Monroe County.)

In 2019, our road improvement program was maintained. As we head into our 8th 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.

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 2019, and paid for by the Liquid Fuels Account, included:

- Some of the payroll expenses during snow removal
- Bridge replacement, Big Ridge Drive
- Paving on Primrose Lane
- Paving on Turkey Ridge Road
- Paving on Denise Lane
- Surface Treatment on Oak Grove Road
- Tar and Chip on Frutchey Road
- Spot paving throughout Wooddale and other Township roads

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 2019.

Over the last 7 years, since we instituted this plan, we have completed over 85% 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.



5. Golf Fund Account

Without question, 2019 was not a good year for golf; particularly at Country Club of the Poconos. In 2019, beyond the constant battle with the weather, substantial repairs were made to the course and, because of the condition of the course, golf rates were dropped to \$25/round, for practically the entire season. In addition, membership rates were halved to accommodate the very few members that continued to patronize the course.

Income from the golf course and banquet hall, in 2019, was approximately \$175,000 compared to anticipated income of \$300,000. The golf course and banquet hall expenses are expected to end the year about \$25,000 over budget. Golf rounds in 2019 were lower than anticipated; there were less than 10,000 rounds of golf played.

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. The viability of keeping the course in operation is continuously evaluated throughout the year.

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 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 2019 was \$290,225. Through November, 2019, the golf course generated roughly \$175,000 in income.

b. Golf Expenses

Projected expenses for 2019 for the golf course were approximately \$511,875. Through November, the golf course expenses were approximately \$8,000 above budget.

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 2020

While every effort is made to decrease expenses, it is inevitable that some expenses will go up in 2020. Also, due to the uncertainty of assessment appeals that are still in progress, the Middle Smithfield Township new tax rate will be 1.75, which is 3.5% higher than 2019. The proposed budget for 2020 is described in the following:

2020 Budget Summary	State Fund				Total All Funds
	General Fund	Liquid Fuels	Golf Fund	Sewer Fund	
Cash - Beginning	\$ 1,338,850.00	\$ 101,427.00	\$0.00	\$ 274,800.00	\$ 1,715,077.00
Revenue & Other Financing					
Real Estate Taxes	2,081,165.00				2,081,165.00
Transfer Fees	300,000.00				300,000.00
Earned Income Taxes	1,325,000.00				1,325,000.00
Licenses, Permits, Fees	263,000.00				263,000.00
Fines & Forfeits	1,500.00				1,500.00
Interest, Rents, Royalties	74,700.00	3,000.00		45,000.00	122,700.00
Grants and Grant Matching Funds	385,000.00			231,000.00	616,000.00
Intergovernmental Revenues	185,200.00	546,256.12	203,115.00		934,571.12
Charges for Services	239,550.00		310,555.00	2,071,500.00	2,621,605.00
Sewer Reimbursement	16,000.00				16,000.00
Other Sources	17,500.00				17,500.00
Total Revenues	\$4,888,615.00	\$549,256.12	\$513,670.00	\$2,347,500.00	\$8,299,041.12
Total Available	\$6,227,465.00	\$650,683.12	\$513,670.00	\$2,622,300.00	\$10,014,118.12
Expenditures and Other Uses					
General Government	1,183,487.00			130,000.00	1,313,487.00
Public Safety	47,000.00				47,000.00
Fire, EMS, Control Center	346,550.00				346,550.00
Protective Services	284,500.00				284,500.00
Cleanup and recycling	95,000.00				95,000.00
Sewer Dept. Expenses	5,500.00		2,100.00	829,540.00	837,140.00
Public Works Dept. Expenses	251,650.00		260,500.00		512,150.00
Golf Supplies and Expenses	238,770.00		240,670.00		479,440.00
Snow Removal	160,000.00	55,000.00			215,000.00
Traffic Control and Improvements	839,495.00	369,000.00			1,208,495.00
Equipment Costs	90,000.00	125,000.00			215,000.00
MS4 Expenses	30,500.00				30,500.00
Culture & Recreation	137,300.00				137,300.00
Debt Service & Capital Expenses	203,794.00		10,400.00	1,087,457.00	1,301,651.00
Misc. Insurances and Benefits	921,720.00				921,720.00
Total Expenditures and Other Uses	\$4,835,266.00	\$549,000.00	\$513,670.00	\$2,046,997.00	\$7,944,933.00
Net Income (Loss) from Operations	\$53,349.00	\$256.12	\$0.00	\$300,503.00	\$354,108.12
Fund Balance - Ending 12/31/20	\$ 1,392,199.00	\$ 101,683.12	\$ -	\$ 575,303.00	\$ 2,069,185.12



General Fund Income for 2020 is expected to be roughly \$67,000 greater than 2019. This increase in revenue may not be entirely accurate depending upon the reassessment appeals that are still pending.

In 2020, the township anticipates expending some of our reserves. Since some of the anticipated expenses in 2020 will not be reoccurring every year thereafter, rather than increase taxes for a one-time expense, we will expend reserve funds.

Although we were not awarded Grant funds to assist in the replacement of the main bridge in CCP, we remain hopeful and will continue to apply for Grants each year. In the meantime, we will continue to develop Diss Way, which will connect Big Ridge Drive to Sellersville Road, just beyond Wawa.

Earned income is, once again, anticipated to increase modestly in 2020 and Transfer Fees are expected to remain at the same level as 2019.

General expenses are expected to be \$53,350 less than income and we hope to conclude the year with a slight addition to reserves; or expend less reserves in 2020.

We are also optimistic that our Standard & Poor's credit rating will improve in 2020 as we have had positive results for 8 consecutive years and our outstanding debts, from prior loans, is steadily decreasing. We also refinanced debts in 2019 which has saved the township over \$700,000 over the debt term.

In 2020, we intend to continue to improve our roads, parks, and infrastructure.

As we said, increase sewer users through commercial development will result in there being no increase in Sewer User Fees in 2020.

State Liquid Fuels funds are expected to be approximately \$549,250 based upon notification received from the State. Road improvements and capital purchases are planned accordingly. We are hopeful that expenses in 2020 to be slightly lower than annual income.

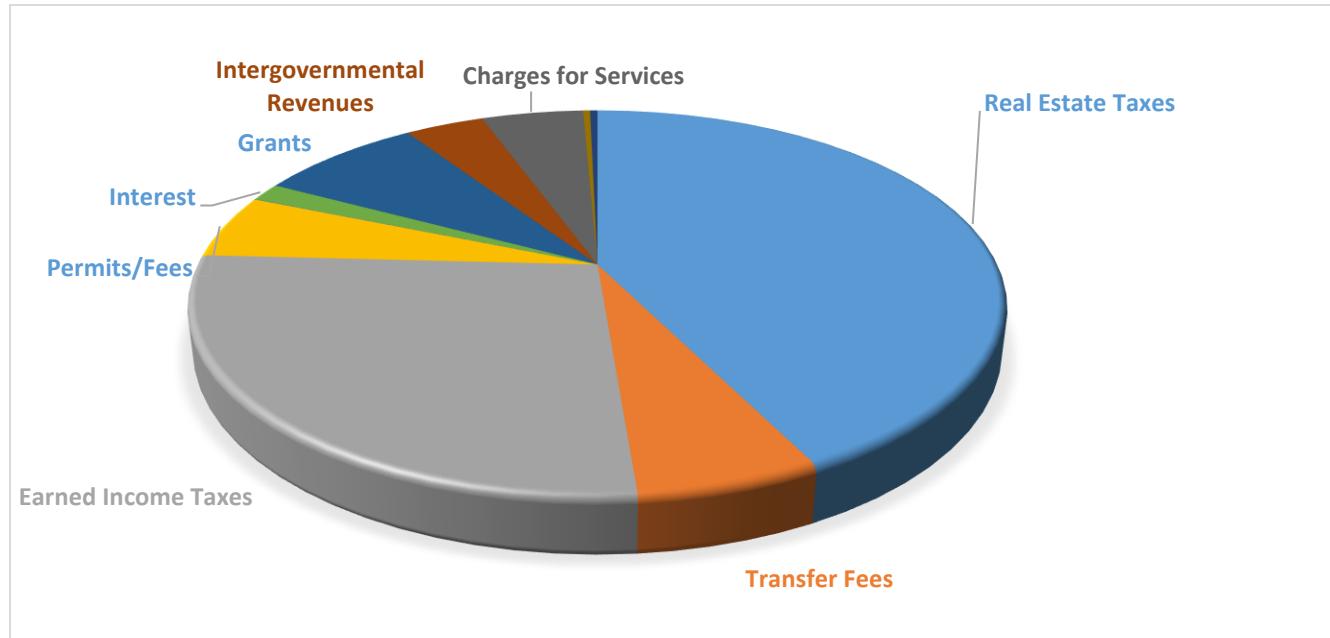
The Golf Course will continue to be funded just like any other park or amenity until it is sold and it is anticipated that the expense associated with the operations will decrease in 2020. It still remains to make positive financial sense to keep the course open and generating income to defray operating costs rather than shutting the facility and having no income at all to pay expenses (and devaluing the asset to \$0.00).



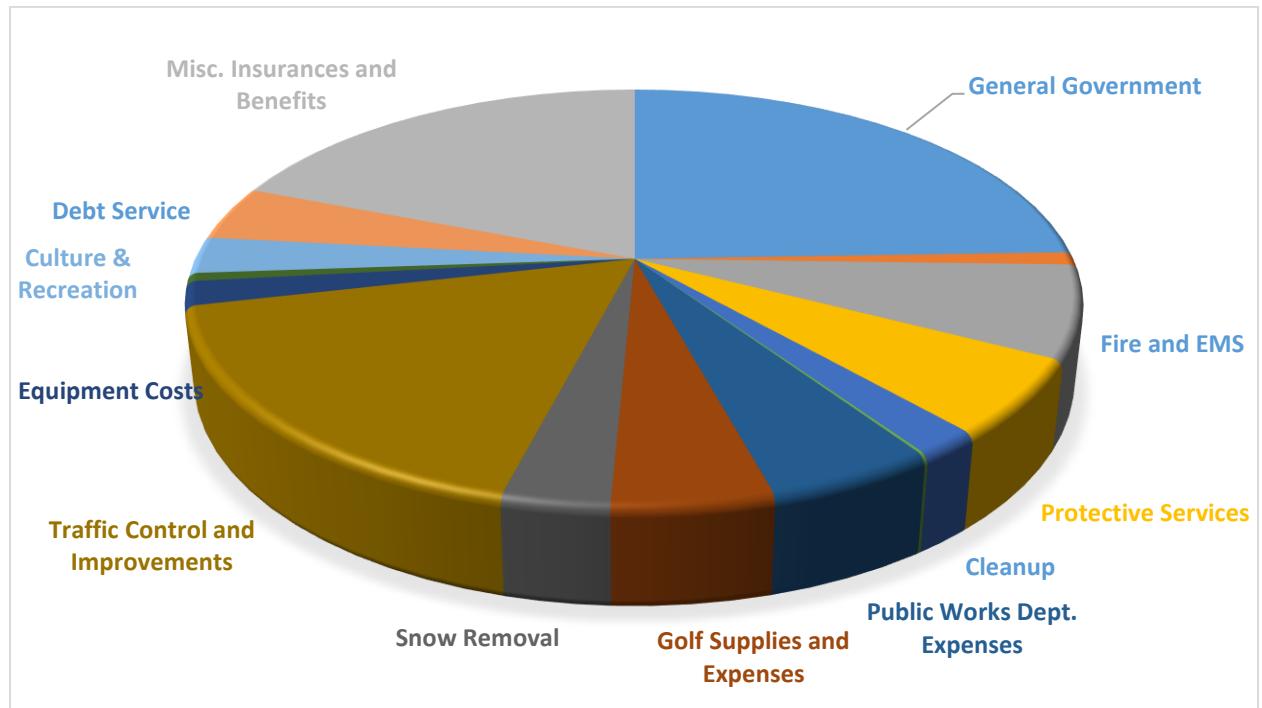
7. Fancy Charts

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

2020 Anticipated Revenues



2020 Anticipated Expenses





8. Acknowledgements

The success of Middle Smithfield Township in 2019 was attributable to the Board of Supervisors, the employees, the volunteers, and all of our residents and business owners.

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