



MIDDLE SMITHFIELD TOWNSHIP

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The 2015 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 2015 Budget does not include an increase in taxes, in sewer fees, or in other charges. The improved Income within the General Funds is primarily a function of an improved economy within our township. Personal income is improving, home sales are starting to show signs of improvement, and businesses are looking at areas of township for expansion. The anticipated enactment of the Local Revitalization Tax Abatement Act (LERTA) in concert with the School District and County is also expected to have a significant positive impact within our township.

The 2015 Budget reflects the townships ability to now look to the future for opportunities to improve our parks, our roads, and many other township amenities. We expect to invest in our sewer system, by making long-awaited capital improvements, look for cost-savings wherever possible, and continue to provide the needed services that our residents and businesses have come to rely on.

In 2014, every budget category (General, Sewer, Liquid Fuels, and Golf) will conclude the year within the budget established in 2013. With such a positive financial position, we are optimistic that the township credit rating will once again improve, as it had gone from A- to A positive in February, 2014. Improved reserves, stringent fiscal policies, positive audits of all accounts continue to be the norm.

As we said when we presented the budget for 2014, a mid-year sewer user fee increase was needed. While it is a difficult decision to increase any fees or taxes, in order to maintain sufficient income to fund expenses, increases are necessary. Every taxpayer feels a tax increase and every sewer user feels the impact of increased sewer fees. These are hard truths that must be acknowledged. Steadily improving reserves is sounds fiscal policy to save money over time rather than require an assessment.

The Board of Supervisors has worked with the staff, Solicitor, Accountants, and others to minimize expenses and continue to make changes in operations where efficiencies exist.

The willingness of residents and business owners to contribute to the success of our township does not go unnoticed. Those who volunteer their time on our committees are commended. These are the people who want to see our township improve, work as a team, and do not ask for praise.

Over the last 3 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.

Submitted:

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Treasurer
Supervisor

Annette Atkinson
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MIDDLE SMITHFIELD TOWNSHIP 2015 BUDGET PRESENTATION

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1. 2014 Year in Review

In 2014, Middle Smithfield Township experienced a very good financial year. Income is expected to be as budgeted and expenses were lower than anticipated. Overall, we will end 2014 with a modest surplus (reserve) which will allow us to maintain taxes at the 2012 level for another year. This means... **THERE IS NO TAX INCREASE FOR 2015.**

As was the case in 2013, in the beginning of 2014 the township had sufficient reserves that a Tax Anticipation Note (TAN) was not needed. Since this loan was not required to offset expenses during the first quarter of the year, we did not expend unnecessary interest. Throughout the year, the Supervisors, staff, and some of our committee members sought Grants for many projects and expenditures. In addition, a collaborative effort with our neighboring townships for mandated leaf collection and disposal has offset expenses that would otherwise be solely borne by our residents and business owners.

Income from earned income taxes is increasing slowly year over year. While some may look at the business climate to be weak, Middle Smithfield Township has been working with businesses and our own business climate is improving. Prospects for further commercial and industrial development and improvement in 2015 look even better. We fully expect that the Local Economic Revitalization Tax Assistance (LERTA) program will be ratified in early-2015.

Home sales are also improving. Obviously, home prices are not what they were prior to the Great Recession, but people are now buying homes in Middle Smithfield Township. Also, many residents have already been reassessed and their property taxes have gone down.

Grants received in 2014 include Dirt and Gravel Road Grants in excess of \$150,000 and Oak Grove facility improvement grant of more than \$220,000.

Through the end of November, we have collected over 96.3% of what we expected to collect for 2014. We anticipate that the remaining 3.7% will be received by year-end. Also through November, we are under budget on expenses. Based upon anticipated expenses to year-end, we expect to end the year with ample reserves going into 2015.

Cost controls put in place by the current Supervisors continue to have positive results. In February, 2014, the Middle Smithfield Township credit rating improved from "A" to "A+ positive" which decreases interest rates on any loan we may have to secure. We are also quite hopeful that our rating will increase again in 2015. The 2013 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 not a need for a tax increase for 2015.

That's right... there will be no tax increase in 2015.



2. General Funds Accounts

2014 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, enacted a few years ago, is generally about \$230,000/year. These funds are paid directly to local emergency service providers, including Bushkill Ambulance, Bushkill Fire Company, Shawnee Fire Department, Marshalls Creek Fire Company, and 10% are paid to Monroe County Control Center. These essential services must be preserved and the entire amount of the Cable Franchise Fee that the Township receives is paid to the service providers.

The township also contributes to many events and special requests of each of these organizations.

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 2014 was \$3,918,025. Through November, \$3,774,084 (96.3%) has been collected. The most significant reason we have collected slightly less than anticipated income is due to timing of the State Grant reimbursements. All grants are "reimbursement grants" meaning that the funds must be expended prior to receiving the grant funds. This year, we are still awaiting approximately \$148,000 which should be received by year end.

b. General Expenses

Projected expenses for 2014 were \$3,697,627. Through November, expenses were roughly \$3,033,518; projecting another \$520,000 will become due in December, year-end expenses are projected to be roughly \$3,550,000 or 96% of budget, or 4% less than anticipated.

There were many successes throughout the year, where expenses were lower than we had budgeted. There were, unfortunately, some areas where the budget was insufficient. The most significant budgeted expense variance was specifically due to the excessive winter we experienced in 2013/2014. However, we did manage our Liquid Fuels funds where we used a portion of these funds to offset higher than expected labor costs.



c. Fund Balance

As described above, the 2014 General Fund Account balance, projected at year end, was anticipated to be \$220,000. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a General Fund balance of \$240,000. That's about 9.5% better than expected.

Note that we stated last year that our target reserves are 20% of annual income and, we are pleased to report, that we achieved that goal in 2014!

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.

As we said in 2013*, "A sewer fee increase will be presented to the public before mid-year 2014" which was necessary to offset increased expenses. (*Copies of the 2013 Treasurer's Report are available upon request.)

a. Sewer Income

Anticipated income from sewer users in 2014 was \$1,716,672. Based upon year to date collections, we believe we will be very close to collecting what had been budgeted. With respect to past due accounts, liens have been filed and collection efforts are working.

b. Sewer Expenses

Sewer fund expenses are primarily Operating Costs and Debt Service. Expenses for 2014 will be approximately \$1,650,000; over 40% 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 2014 Sewer Fund Account balance, projected at year end, was anticipated to be a mere \$76,000. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a Fund balance of \$310,400.

However, as you will note in the 2015 budget, much of this balance will be needed to fund capital improvements that are desperately needed and long overdue for our aging sewer system.



The Board of Supervisors, Engineer, Operator, and staff are making every effort to decrease expenses and will continue to look at operational efficiencies such as the most recent addition of electrical upgrades that should reduce consumption by over 10%.

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 a \$0.12/gallon tax; however, a new Oil Franchise Tax is being phased in that will eliminate the per-gallon gas tax but increase the Liquid Fuels funds available to municipalities. Funds will continue to be provided based upon miles of township roads (73.38 miles) and population (15,997). In 2014, Middle Smithfield Township received approximately \$393,500. (Middle Smithfield Township receives the 4th largest allocation in Monroe County.)

As we said last year, we are now building reserves within our Liquid Fuels account as we anticipated major expenses in the next few years; for example, the township now owns 3 bridges that will soon require repair.

a. Liquid Fuels Income

Typically in November, the State provides the Supervisors with the intended allocation for the following year. For 2015, we expect to receive \$420,419.

b. Liquid Fuels Expenses

Projects completed in 2014, and paid for by the Liquid Fuels Account, included:

- Excess payroll expenses during snow removal
- Stripping, regrading and paving on McCole Road
- Stripping, regrading and paving on Barren Road
- Stripping, regrading and paving on Brushy Mountain Road
- Road improvements and paving on Zion's Church Road
- Big Ridge Drive overlay

All of the above improvements were performed using our own, in-house, Public Works Crew, rather than outsourcing. Nearly 8 miles of roads (or over 10% of the township roads) were improved in 2014. You may recall, in 2012 we said that our plan was to improve all 74 miles of road within our township over a 10 year period. Over the last 3 years, since we instituted this plan, we have completed over 37% of our roads, putting us ahead of schedule!

c. Liquid Fuels Fund Balance

Typically, the Liquid Fuels account balance at year-end is carried over to the following year for further projects. While we will continue to carry over the balance from 2014, we are making 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 Funds Accounts

In 2014, the golf season started off with substantial rain and the outlook was concerning. However, throughout the rest of the year, golfers and outings filled the course often. In 2014, the number of rounds played was slightly ahead of 2013.

The most concerning aspect of the golf course has 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 despite having competitive and aggressive pricing. Still, having the golf course open to defray its own costs proved more efficient than shutting it with no income at all and only the expenses to bear.

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, sell sponsorships, 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 2014 was \$345,525. Through November, the golf course generated roughly \$340,000 in income.

b. Golf Expenses

Projected expenses for 2014 for the golf course were approximately \$550,000. Through November, the golf course expenses are on 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 \$225,000, 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 2015

If you read all of the information written before this Section, you will know by now that there is NO TAX INCREASE PROPOSED FOR 2015. The proposed budget for 2015 is described in the following:

2015 Budget Summary	General Fund	State Liquid Fuels Fund	Golf Fund	Sewer Fund	Total ALL FUNDS
Cash - Beginning	\$865,400.00	\$25,230.00	\$0.00	\$235,400.00	\$1,126,030.00
Revenues & Other Financing					
Taxes	\$3,180,000.00				\$3,180,000.00
Licenses-Permits-Franchise Fees	230,000.00				230,000.00
Fines & Forfeits	1,600.00				1,600.00
Interest, Rents & Royalties	5,600.00	110.00			5,710.00
Intergovernmental Revenues	482,500.00	423,299.78	225,000.00		1,130,799.78
Charges for services	121,550.00		303,525.00	2,049,341.81	2,474,416.81
Total sewer reimbursement	95,710.00				95,710.00
Total other sources	2,500.00			75,000.00	77,500.00
Total Revenues	\$4,119,460.00	\$423,409.78	\$528,525.00	\$2,124,341.81	\$7,195,736.59
Total Available	\$4,984,860.00	\$448,639.78	\$528,525.00	\$2,359,741.81	\$8,321,766.59
Expenditures and other uses					
General Government	\$828,808.70			\$127,510.00	\$956,318.70
Public Safety/fire/ems/control	384,000.00				384,000.00
Protective services	214,230.00				214,230.00
Cleanup and recycling	310,530.00				310,530.00
Sewer Dept. expense	55,720.00		2,050.00	963,050.00	1,020,820.00
Public works admin	269,035.00		105,000.00		374,035.00
Golf Supplies and other expenses	99,400.00		322,075.00		421,475.00
Snow removal	145,000.00	100,000.00			245,000.00
Traffic control and improvements	30,220.00				30,220.00
Equipment costs public works	182,000.00	75,000.00	47,000.00	145,000.00	449,000.00
Streets & roads maint & constr	315,150.00	200,000.00			515,150.00
Culture and Recreation	249,200.00				249,200.00
Regional parks	9,600.00				9,600.00
Community development	3,600.00				3,600.00
Debt Service & Capital Exp	138,100.00		10,400.00	733,500.00	882,000.00
Misc.-Ins. and benefits etc.	712,425.00		42,000.00	21,500.00	775,925.00
Total Expenditure & Uses	\$3,947,018.70	\$375,000.00	\$528,525.00	\$1,990,560.00	\$6,841,103.70
Net income (loss) from operations	\$172,441.30	\$48,409.78	\$0.00	\$133,781.81	\$354,632.89
Fund Balance - Ending 12/31/15	\$1,037,841.30	\$73,639.78	\$0.00	\$369,181.81	\$1,480,662.89



General Income for 2015 is expected to be approximately 5.1% (\$214,000) greater than 2014. Although decreases in property taxes the township receives have been accounted for due to reassessments, we expect to receive further Grants, which we applied for this year, in the range of \$225,000, earned income tax revenues are now increasing, and real estate transfer taxes have shown signs of improvement.

General expenses are expected to be less than income and we hope to conclude the year with additional reserves.

We are optimistic that our Standard & Poor's credit rating will, once again, improve in 2015.

For 2015, the latest sewer increase will sustain the sewer system, barring any unforeseen significant expense such as an unexpected repair. For the 2% of sewer users who provided feedback on the increase in July, we heard you – small incremental sewer increases are preferable to larger increases after long stretches (one as long as 14 years), without an increase.

Therefore, beyond 2015, we believe that the sewer fee should increase by a nominal 2.5% a year to offset annual operating cost increases and keep pace with the municipal cost index, cost of living, and inflation. We will continue to explore the opportunity to decrease our debt service, but the new sewer loans that were obtained in the recent past are too new to refinance. We will also continue to explore operational efficiencies, such as technological improvements to our electrical usage, which guarantees an 11% savings in utility cost.

PA Liquid Fuels funds are expected to be approximately \$420,400 based upon notification received from the State. Road improvements and capital purchases are planned accordingly, with attention to establishing reserves.

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 2015. The last 3 years have proved 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.

7. Acknowledgements

The success of Middle Smithfield Township in 2014 was attributable to the Board of Supervisors, the employees, the volunteers, and all of our residents and business owners.

Over the last 3 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.

Thank you. . .

