



MIDDLE SMITHFIELD TOWNSHIP

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The 2016 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 2016 Budget does not include an increase in taxes, in sewer fees, or in other charges. General Funds income for 2016 is projected to be higher than 2015, due to the continued growth of our local economy. We are seeing personal income rise and anticipate commercial development to occur in 2016, as we are the only township in Monroe County that has all commercial and industrial properties within a Local Revitalization Tax Assistance Act (LERTA) zone.

The 2016 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, beautification, and many other township amenities. We expect to invest in our sewer system, by making long over due 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 2015, we also established capital improvement accounts so that needed repairs, project development, and infrastructure upgrades are budgeted for and completed.

In 2015, every budget category (General, Sewer, Liquid Fuels, and Golf) will conclude the year within the budget established in 2014. At year-end 2015, 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 2016 reflects our continued aggressive efforts to apply for and receive State grants. Whether from the Department of Environmental Protection (DEP), Department of Conservation and Natural Resources (DCNR) or other source, we have dedicated volunteers, staff, and professionals working diligently to attain this "free" money.

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 4 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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MIDDLE SMITHFIELD TOWNSHIP 2016 BUDGET PRESENTATION

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1. 2015 Year in Review

In 2015, 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 2015 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 2016.**

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

In 2015, the township applied for numerous grants from the state DEP and DCNR and we have been awarded almost \$295,000. In 2016, we anticipate even more grants to be awarded, with the exception of our recycling grants because the DEP only awards these funds every other year; be assured that we apply for the maximum each grant round.

Income from earned income taxes continues to increase year over year. Prospects for commercial and industrial development and improvement to occur in 2016 are very good, as we are the only township in Monroe County that has all commercial and industrial properties within a Local Revitalization Tax Assistance Act (LERTA) zone. This incentive allows new businesses and renovated businesses to phase in any new taxes on their improvements over a 5 year period. We already have businesses applauding this incentive.

The golf course and banquet facility (which, by the way, is FSBO) generated more income than anticipated which has decreased the amount of offsetting funds provided by the township. Back in 2012, the township's debt was just under \$277,000. In 2016, the projected debt is less than \$218,500 or more than a 21% decrease in 4 years. This helps make the course attractive for a sale, which is the mission for 2016.

The sewer accounts are now in good shape. In 2015, a number of necessary improvements were made throughout the entire system. Most notably, the computer and infrastructure that runs the sewer plant was replaced avoiding a significant and expensive emergency repair.

Cost controls put in place by the current Supervisors continue to have positive results. The 2014 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 2016.

That's right... there will be no tax increase in 2016.



2. General Funds Accounts

2015 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 years ago by a prior administration, has provided income of roughly \$230,000/year. 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.

The Cable Franchise Fee is, however, going to expire in June, 2016, meaning that only half of the annual income will be received. The Board of Supervisors have preliminarily considered not renewing the Cable Franchise Fee and the funds needed will come from general income. *This will reduce the cable bill for residents in our township.*

“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 2015 was \$4,119,460. Through November, \$4,247,870 (103%) has been collected. The most significant reason we have collected more than anticipated income is due to a substantial increase in collection of delinquent taxes and earned income taxes were 13% higher than 2014 levels. Employment and payroll of township residents is increasing.

b. General Expenses

Projected expenses for 2014 were \$3,947,019. Through November, expenses were roughly \$3,488,925; projecting another \$300,000 will become due in December, year-end expenses are projected to be roughly \$3,790,000 or 96% of budget, or 4% less than anticipated.

c. Fund Balance

As described above, the 2015 General Fund Account balance, projected at year end, was anticipated to be \$171,400. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a General Fund balance of \$500,000. That's about 9.5% better than expected.



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 2015, a number of operational expenses were decreased. Electrical consumption at both plants decreased by as much as 12%, electrical per kilowatt costs were negotiated to a lower rate, and capital improvements have already resulted in decreased repair and maintenance costs.

a. Sewer Income

Anticipated income from sewer users in 2015 was \$2,049,342. Based upon year to date collections, we believe we will collect \$100,000 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 2015 will be approximately \$2,000,000; approximately 35% 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 2015 Sewer Fund Account balance, projected at year end, was anticipated to be a \$369,000. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a Fund balance of \$421,000.

However, as you will note in the 2016 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 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 2015, Middle Smithfield Township received approximately \$423,300. (Middle Smithfield Township receives the 4th largest allocation in Monroe County.)

In 2015, our road improvement program (approximately 8 miles per year) was slightly lower than expected due to the Contractor's availability to complete road work prior to October, 2015. We have, however, been assured that the roads contracted will be completed in the Spring 2016, which will keep our program on track.

This year we also completed repairs to one of the bridges owned by the township. Using our own Public Works department, and a donated boat from a township resident, we were able to complete bridge repairs on River Road.

a. Liquid Fuels Income

Typically in November, the State provides the Supervisors with the intended allocation for the following year. For 2016, we expect to receive \$496,912 (assuming the legislators that we elected to keep the State running actually come to a budget agreement).

b. Liquid Fuels Expenses

Projects completed in 2015, and paid for by the Liquid Fuels Account, included:

- Excess payroll expenses during snow removal
- Stripping, regrading and paving on Sellersville Road
- Stripping, regrading and paving on Upper Lakeview Drive
- Stripping, regrading and paving on Chateau Drive
- Road improvements and paving on Church Hill Road
- River Road Bridge repairs

All of the above improvements were performed using our own, in-house, Public Works Crew, rather than outsourcing. Nearly 6 miles of roads (just under 10% of the township roads) were improved in 2015.

Over the last 4 years, since we instituted this plan, we have completed over 43% 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 Funds Accounts

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 2015 exceeded projections and there were over 13,000 rounds of golf played. The event hall also had its best year, with over 30 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. The Golf Advisory Board and staff have, however, risen to the challenges of combatting low membership by offering a variety of savings and even half-memberships. Still, having the golf course open to defray its own costs proved more efficient than shuttering 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, 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 2015 was \$303,525. Through November, the golf course generated roughly \$327,200 in income.

b. Golf Expenses

Projected expenses for 2015 for the golf course were approximately \$528,500. Through November, the golf course expenses were approximately \$30,000 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 \$200,000, 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 2016

If you read all of the information written before this Section, you will know by now that there is NO TAX INCREASE PROPOSED FOR 2016. The proposed budget for 2016 is described in the following:

2016 Budget Summary	2016 General Fund	State Fund Liquid Fuels	Golf Fund	Sewer Fund	Total ALL FUNDS
Cash - Beginning	975,200.00	103,000.00	0.00	421,000.00	1,499,200.00
Revenues & Other Financing					
Taxes	3,340,000.00				3,340,000.00
Licenses-Permits-Franchise Fees	115,000.00				115,000.00
Fines & Forfeits	1,550.00				1,550.00
Interest, Rents & Royalties	6,640.00	100.00			6,740.00
Intergovernmental Revenues	219,307.00	496,911.70	218,250.00		934,468.70
Charges for services	146,200.00		317,325.00	1,960,000.00	2,423,525.00
Total sewer reimbursement	86,719.00				86,719.00
Total other sources	3,055.00			300,000.00	303,055.00
Total Revenues	3,918,471.00	497,011.70	535,575.00	2,260,000.00	7,211,057.70
Total Available	4,893,671.00	600,011.70	535,575.00	2,681,000.00	8,710,257.70
Expenditures and other uses					
General Government	874,701.00			124,940.00	999,641.00
Public Safety/fire/ems/control	390,300.00				390,300.00
Protective services	227,850.00				227,850.00
Cleanup and recycling	75,365.00				75,365.00
Sewer Dept expense	55,965.00		2,100.00	902,950.00	961,015.00
Public Works admin	271,200.00		105,000.00		376,200.00
Golf Supplies and other expenses	103,250.00		338,075.00		441,325.00
Snow removal	183,750.00	100,000.00			283,750.00
Traffic control and improvements	34,585.00				34,585.00
Equipment costs public works	206,300.00	80,000.00	40,000.00	475,000.00	801,300.00
Road Maintenance and Const.	266,275.00	373,000.00			639,275.00
Culture and Recreation	211,520.00				211,520.00
Regional parks	9,600.00				9,600.00
Community development	18,134.00				18,134.00
Debt Service & Capital Expenses	133,838.00		10,400.00	719,051.00	863,289.00
Misc.-Ins. and Benefits etc.	772,065.00		40,000.00	5,500.00	817,565.00
Total Expenditure & Uses	3,834,698.00	553,000.00	535,575.00	2,227,441.00	7,150,714.00
Net income (loss) from operations	83,773.00	(55,988.30)	0.00	32,559.00	60,343.70
Fund Balance - Ending 12/31/16	1,058,973.00	47,011.70	0.00	453,559.00	1,559,543.70



General Income for 2016 is expected to be approximately \$200,000 less than 2015. The expiration of the Cable Franchise Fee in June (\$115,000 for July-December income) and decrease in DEP grants (which allow application for grants every OTHER year) are the primary reasons income is anticipated to be lower.

General expenses are expected to be 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 2016 as we have had positive results for 5 consecutive years.

In 2016, 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 2016. If awarded, many improvements will be accomplished.

Last year we discussed cost of living adjustments (COLA) for our sewer fees or a minimum increase of 2.5%. Based on operational efficiencies experienced in 2015 better than expected collections of past due amounts, and no rise in the Municipal Index, a sewer fee increase is not anticipated in 2016.

State Liquid Fuels funds are expected to be approximately \$496,900 based upon notification received from the State. Road improvements and capital purchases are planned accordingly, with attention to establishing reserves. Although we expect expenses in 2016 to exceed income, we are carrying over \$103,000 from 2015 as work contracted in 2015 will be completed in 2016.

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 2016. The last 4 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.).

7. Acknowledgements

The success of Middle Smithfield Township in 2015 was attributable to the Board of Supervisors, the employees, the volunteers, and all of our residents and business owners.

Over the last 4 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. . .