

MIDDLE SMITHFIELD TOWNSHIP

2018 PROPOSED BUDGET



December 4, 2017



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The 2018 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 2018 Budget does not include an increase in taxes, in sewer fees, or in other charges.

General Fund income for 2018 is projected to be higher than 2017, as we continue to see year over year growth in residential and commercial property sales. We are also pleased to see personal income is rising in our township, which provides a slight increase in income to the township as well. Once again, we remain optimistic that Middle Smithfield Township will be awarded State and Federal grants; a tremendous effort is put in each year by the staff to apply for a variety of grants.

The 2018 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 2017, every budget category (General, Sewer, Liquid Fuels, and Golf) will conclude the year within the budget established in 2016. At year-end 2017, 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.

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:

Michael J. Dwyer
Treasurer
Supervisor

Mark Oney
Assistant Treasurer
Supervisor

Raymond Wolfe
Budget & Finance
Manager

Annette Atkinson
Chairperson
Supervisor

December 4, 2017



2018 BUDGET PRESENTATION

TABLE OF CONTENTS

	<u>PAGE</u>
1. 2017 Year in Review.....	1
2. General Fund Accounts.....	2
a. 2017 General Income Assumptions vs. Actual	
b. 2017 General Expense Assumptions vs. Actual	
c. Fund Balance	
3. Sewer Fund Accounts.....	3
a. 2017 Sewer Income Assumptions vs. Actual	
b. 2017 Sewer Expense Assumptions vs. Actual	
c. Fund Balance	
4. PA State Liquid Fuels Accounts.....	4
a. 2017 Liquid Fuels Income Assumptions vs. Actual	
b. 2017 Liquid Fuels Expense Assumptions vs. Actual	
c. Fund Balance	
5. Golf Course Account.....	5
a. 2017 Golf Course Income Assumptions vs. Actual	
b. 2017 Golf Course Expense Assumptions vs. Actual	
c. Fund Balance	
6. Budget Proposal 2018.....	6
a. General Funds Accounts	
b. Sewer Funds Account	
c. PA State Liquid Fuels Account	
d. Golf Course Accounts	
7. Acknowledgements.....	8



1. 2017 Year in Review

In 2017, Middle Smithfield Township experienced a good financial year. Income is expected to be slightly higher than budgeted and expenses were lower than anticipated. Overall, we will end 2017 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 2018.**

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 2017, the township applied for numerous grants from the state DEP and DCNR and had been awarded almost \$270,000. In 2018, we anticipate even more grants to be awarded.

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 2018 remain strong.

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 2017, we estimate the loss will be less than \$150,000. This is a remarkable achievement, considering that in 2017 over 30 days were lost due to weather and memberships have been lackluster.

The sewer accounts remain in good shape. In 2017, a number of necessary improvements were made throughout the entire system. Further improvements are planned for 2018. In 2018, the sewer debt service payment (from prior loans) will be roughly \$177,000 less than prior years.

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 2016 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 2018.

That's right . . . there will be no tax increase in 2018.



2. General Funds Accounts

2017 General 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, 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 2017 was \$4,268,672, excluding grants. Through November 30, 2017, \$4,641,314 (113.4%) has been collected and further income is still anticipated by year end. Based on prior years, we expect another \$300,000+/- will be received by year end and these funds will increase reserves.

b. General Expenses

Projected expenses for 2017 were \$3,987,948. Through October, expenses were roughly \$3,983,813; projecting another \$300,000 will become due in November/December, year-end expenses are projected to be roughly \$4,184,000. While expenses exceeded projections, expenditures were made based on income.

c. Fund Balance

As described above, the 2017 General Fund Account balance, projected at year end, was anticipated to be \$96,924. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a General Fund balance of \$400,000.



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 2017, a number of capital improvements were made to address some of the major pump stations, storage tanks, and other appurtenances that had deteriorated.

a. Sewer Income

Anticipated income from sewer users in 2017 was \$1,953,500. Based upon year to date collections, we believe we will collect \$250,000 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 2017 are anticipated to be approximately \$1,750,000; approximately 43% 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 2017 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 \$615,000.

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 2017, Middle Smithfield Township received approximately \$532,000. (Middle Smithfield Township receives the 4th largest allocation in Monroe County.)

In 2017, our road improvement program was maintained. Significant safety improvements were made at the intersection of Coolbaugh Road and Route 402 (Resica Falls Road) and paving was completed on many secondary roads.

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 2017, and paid for by the Liquid Fuels Account, included:

- Excess payroll expenses during snow removal
- Paving on Coolbaugh Road
- Paving on Cold Springs Road
- Paving on Marjorie Court
- Tar and Chip on Barren Road
- Tar and Chip on Hidden Lake Road

The majority of the improvements were performed using our own, in-house, Public Works Crew, rather than outsourcing.

Over the last 6 years, since we instituted this plan, we have completed over 65% 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 and banquet hall expenses were lower than anticipated. Golf rounds in 2017 were lower than anticipated; there were over 11,000 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 2017 was \$320,590. Through October, 2017, the golf course generated roughly \$322,900 in income.

b. Golf Expenses

Projected expenses for 2017 for the golf course were approximately \$523,575. Through October, the golf course expenses were approximately \$105,000 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. payroll), the net cost to offset expenses over income, from General funds, is anticipated to be less than \$150,000, 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 2018

If you read all of the information written before this Section, you will know by now that there is NO TAX INCREASE PROPOSED FOR 2018. The proposed budget for 2018 is described in the following:

2018 Budget Summary	General Fund	State Fund Liquid Fuels	Golf Fund	Sewer Fund	Total All Funds
Cash - Beginning	1,350,200.00	140,800.00	0.00	493,500.00	1,984,500.00
Revenues & Other Financing					
Real Estate Taxes	1,990,000.00				1,990,000.00
Transfer Fees	350,000.00				350,000.00
Earned Income Taxes	1,300,000.00				1,300,000.00
Licenses-Permits-Franchise Fees	250,000.00				250,000.00
Fines & Forfeits	1,250.00				1,250.00
Interest, Rents & Royalties	15,700.00			72,500.00	88,200.00
Grants and Grant Matching Funds	611,000.00				611,000.00
Intergovernmental Revenues	194,475.00	549,959.00	190,355.00		934,789.00
Charges for services	167,100.00		313,225.00	1,900,000.00	2,380,325.00
Total sewer reimbursement	72,855.00				72,855.00
Total other sources	70,500.00				70,500.00
Total Revenues	5,022,880.00	549,959.00	503,580.00	1,972,500.00	8,048,919.00
Total Available	6,373,080.00	690,759.00	503,580.00	2,466,000.00	10,033,419.00
Expenditures and other uses					
General Government	1,049,122.00			95,000.00	1,144,122.00
Public Safety/fire/ems/control	429,550.00				429,550.00
Protective services	245,200.00				245,200.00
Cleanup and recycling	75,265.00				75,265.00
Sewer Dept expense	43,000.00		2,100.00	1,041,390.00	1,086,490.00
Public works oper exp.	316,225.00		172,265.00		488,490.00
Golf Supplies and expenses	215,400.00		254,315.00		469,715.00
Snow removal	150,700.00	40,000.00			190,700.00
Traffic control and improvements	451,405.00	448,000.00			899,405.00
Equipment costs	66,000.00	92,940.00	48,000.00		206,940.00
MS4 expenses	43,800.00				43,800.00
Culture and Recreation	111,570.00				111,570.00
Community development	863,550.00				863,550.00
Debt Service & Capital Exp	156,000.00		10,400.00	542,670.00	709,070.00
Misc.-Ins. and benefits etc.	753,350.00	0.00	16,500.00	55,500.00	825,350.00
Total Expenditure & Uses	4,970,137.00	580,940.00	503,580.00	1,734,560.00	7,789,217.00
Net income (loss) from operations	52,743.00	(30,981.00)	0.00	237,940.00	259,702.00
Fund Balance - Ending 12/31/18	1,402,943.00	109,819.00	0.00	731,440.00	2,244,202.00



General Income for 2018 is expected to be roughly \$150,000 greater than 2017. Earned income is anticipated to increase by 5% and Transfer Fees are expected to be 10% greater; these are offset by less income projected from Grants.

General expenses are expected to be \$52,750 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 2018 as we have had positive results for 6 consecutive years and our outstanding debts, from prior loans, is decreasing.

In 2018, 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 some grant funds in 2018. 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 2018.

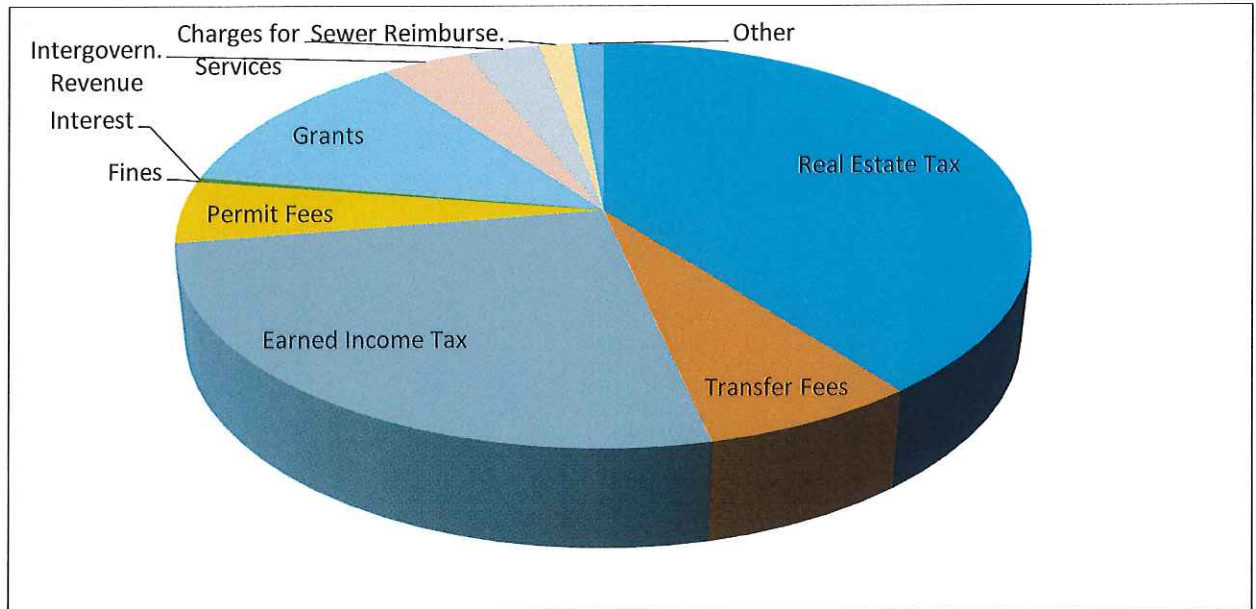
State Liquid Fuels funds are expected to be approximately \$550,000 based upon notification received from the State. Road improvements and capital purchases are planned accordingly, with attention to establishing reserves. We expect expenses in 2018 to be slightly higher than annual income. We will use a portion of our Liquid Fuels reserves to pay for a bridge replacement project and a salt/cinder storage facility in Wooddale.

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 2018. The last 6 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.).

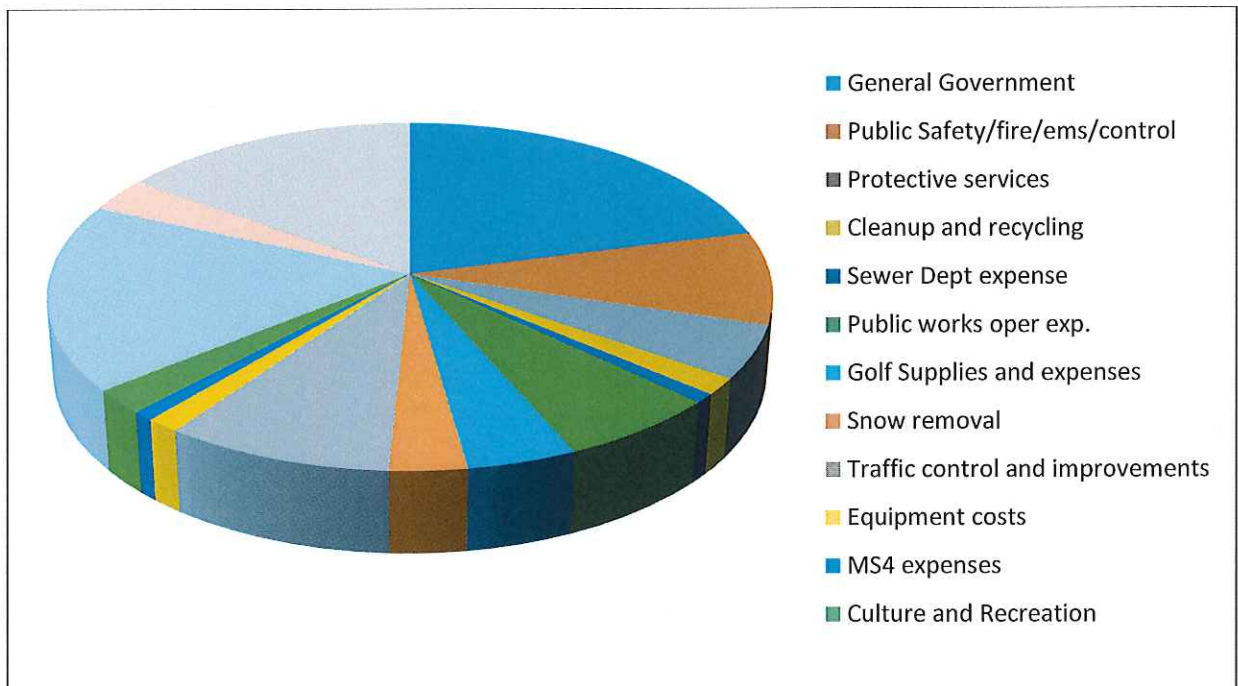


Here are the fancy charts that everyone likes to look at:

2018 Anticipated Revenues



2018 Anticipated Expenses





7. Acknowledgements

The success of Middle Smithfield Township in 2017 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. . .