



Middle Smithfield Township Supervisors

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Middle Smithfield Township 2013 Budget Presentation December 4, 2012

The 2013 Annual Budget has been prepared by the Board of Supervisors, with the assistance of the staff of Middle Smithfield Township and the many volunteer residents who make up our committees.

If you recall, last year, when your new Supervisors were sworn in, we made a promise to our residents and business owners: we committed to rebuilding our township through cooperation, professionalism and keeping our residents informed along the way. The 2013 proposed budget proves that the Board of Supervisors and all employees of the township made good on these promises made to you.

When we presented the budget last year, we spent time explaining what happened in 2011 and years prior. The past is behind us and the foundation for a brighter future has been laid.

Now we are looking at 2013 as an opportunity to build from that foundation. Noticeable, positive improvements to our township are planned and budgeted for in 2013. More about our plans, and those of our committee's, will be presented at the December 27th meeting.

The Board of Supervisors remains committed to putting in the time, effort, and professionalism needed to accomplish many great things for our township without proposing a tax increase for 2013.

Thank you, on behalf of the Board of Supervisors and Staff of Middle Smithfield Township.

Mike Dwyer,
Supervisor and Treasurer

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1. Year in Review

From a financial perspective, 2012 was a good year for Middle Smithfield Township.

In the beginning of the year, the township was faced with much debt; debt beyond the available funds available. The township had a very little in available funds and well over \$900,000 of debt that was immediately due.

The most urgent financial concern facing the Supervisors was a \$300,000 Tax Anticipation Note (TAN) which was a loan taken out in May, 2011 with a due date of December 31, 2011. The legal consequences of not paying this loan by the due date were significant. The outstanding TAN loan required the 2012 Supervisors to seek a new loan, pay off the 2011 TAN, and then have sufficient funds available to pay bills until taxes and other revenues started to come in (which is typically in late-March or April).

Another significant debt included a \$469,000 bill from the contractor who paved Hidden Lake Road. Had all of the rules been followed when the work was performed, the payment would have easily been made from our Liquid Fuels account. However, the PennDOT Representative disallowed the use of the Liquid Fuels for this debt. During the year, the 2012 Supervisors conducted many meetings, met with the State attorney's, auditors, and other representatives and, eventually, was successful. The State auditor had agreed to allow the use of the Liquid Fuels funds, or reimbursement of General Funds to offset this expense. This final determination has saved the taxpayers over \$500,000.

Other debts incurred in 2011 (and even 2010) became known to the Supervisors during the course of 2012. These debts were paid throughout the year. Legal and engineering expenses were more than anticipated. On the legal front, the township was faced with a number of lawsuits. Some of these lawsuits continue today, however, each lawsuit requires the township to pay high deductibles and or increased insurance premiums (in 2013, professional liability insurance premiums have increased by over 500%).

Numerous Right-To-Know (RTK) requests were received in the beginning of the year from many residents and past employees. These too added to the legal bills. Engineering expenses were spent to address lengthy Conditional/Land Use meetings and reviews.

New cost controls put in place by the current Supervisors have had positive results. The Public Works department now adds to the management of cost controls throughout the year. Public Works has done a tremendous job in getting the job done with fewer funds available. In 2012, all employees accepted the fact the township could not give salary increases.

A large contributor to the success of 2012 was the golf course operations. There were many unknown expenses (such as insurances, elevator contract, etc.) that arose during 2012 that, had the course not been operating and generating some income, the township would have likely expended over \$75,000 more than the budgeted \$277,000. Even with the unknown expenses, the golf course, which experienced its first full-year of operations since the township purchase, saved the township over \$65,000.

During 2012, the township re-established many Committees and Boards that are filled with volunteers. The Parks and Recreation Committee is meeting regularly and our Dog Park has become the most popular park in the region. The Economic Development Committee had its first job fair and is working on many other projects. The Historical Society has been growing and there were many guest speakers brought in this past year to present great stories of our history to our residents.



The Easter Egg Hunt at Resica Park was a great success. At our 8th Annual Memory Makers luncheon we saw the largest attendance ever. The Lehman/Middle Smithfield Township haunted trail was also a success.

Barring any unforeseen major expense, we will end the year in a positive position and have sufficient reserves where a Tax Anticipation Note, to carry us through the beginning months of 2013, will not become necessary.

2. General Funds Accounts

2012 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 Department, and 10% is 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.

State and Federal Income is generally small portions of the respective incomes distributed to each township in the State. The formula for distribution is based upon a number of factors such as size of the township. State and Federal funding is steadily decreasing; the funds made available to municipalities has therefore decreased.

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 2012 was \$3,707,232. Through November, \$3,769,746 has been collected. The most significant reason we have collected more than budgeted is the sale of Hillside Inn and the Flea Market property for the new Price Chopper development; fees and permits were much higher than projected. Other contributing factors to our improved Income projections include: Grant funds received for work on Community Drive, slightly higher than budgeted income from PennDOT for their costs associated with plowing, and collection of property and income taxes has been quite good.

b. General Expenses

Projected expenses for 2012 were \$3,475,736. Through November, expenses were roughly \$3,070,600; projecting another \$270,000 will become due in December, year-end expenses are projected to be roughly \$3,340,600.

There were many successes throughout the year, where expenses were a lot lower than we had budgeted. There were, unfortunately, some areas where the budget was insufficient.



Overall, however, expenses were lower than projected due to:

- Lower than budgeted outside services costs
- Successful negotiation and finalization of PennDOT road paving from 2011
- Accelerated repayment of loans, which saved interest payments
- Use of in-house labor for road projects
- An unusually mild winter

Some areas where expenses exceed our expectations include:

- Statutory expenses, such as insurances, were substantially higher than projected
- Auditing services were originally 100% higher than budget, but negotiated to 50%
- Legal services, primarily due to RTK, lawsuits, and on-going disputes, was higher than budget
- Some professional services, such as the CPA, came in higher than anticipated
- 2011 unpaid expenses resurfacing in 2012

c. Fund Balance

As described above, the 2012 General Fund Account balance, projected at year end, was anticipated to be \$231,496. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a General Fund balance of \$460,000. (You may recall that the year-end 2011 fund balance was roughly \$5,400.)

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 all businesses or residents within the township are connected to this system.

A sewer line extension project was undertaken by the Supervisors in 2011, and this project was substantially completed this year. The extended sewer, along Route 209, will allow new businesses to connect to the central system. The cost of this work was over \$1,300,000.

In addition to the significant sewer extension project, the prior Supervisors chose to purchase additional sewage capacity (Equivalent Dwelling Units) EDU's from Big Ridge Developers for \$1,800,000. The first \$800,000 payment was made through Sewer fund reserves; however, the reserves were then nearly fully depleted. In order to pay this obligation of the Township, this year's Board of Supervisors, with legal and financial consultants, refinanced old debt and "bundled" the remaining \$1,000,000 payment into the refinance.

Although the refinance lowered the final cost of old debt, "Debt Service" or annual amounts to be paid for principal and interest now constitutes more than 50% of the system costs.

a. General Income

Anticipated income from sewer users in 2012 was \$1,471,501. However, actual income has been lower than expected. In the beginning of the year, delinquencies were high and growing. In an effort to increase collection of past due amounts, the township adopted new debt collection policies and procedures (Resolution 2012-06-01). Since the improvements to our collection policies, collection of past due sewer debt has steadily improved.



b. General Expenses

Sewer fund expenses are primarily Operating Costs and Debt Service. In the not so distant past, the Sewer fund had sufficient reserves, should unforeseen items arise during the year. Now, with the excessive debt and increasing costs of operation, these reserves are practically depleted.

It is noted that toward the end of 2012, Hurricane Sandy knocked out power to our sewer plant and pump stations. Fortunately, we did have generators at these locations; however, we did have to expend a significant amount for gas. (Each generator at each pump station consumed nearly 100 gallons per day.)

The major expenses typically expended for the central sewer system include:

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

c. Fund Balance

The 2012 Sewer Fund Account balance, projected at year end, was anticipated to be \$256,000. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a Fund balance of \$401,000. This is a very marginal reserve considering capital improvements will soon be needed.

4. PA State Liquid Fuels Account

Each year, the Commonwealth of Pennsylvania provides funds to each township for road maintenance. The State of Pennsylvania collects this tax through a \$0.12/gallon tax and those funds are provided based upon miles of township roads (73.38 miles) and population (15,997). In 2012, Middle Smithfield Township received approximately \$370,432. (Middle Smithfield Township receives the 4th largest allocation in Monroe County.)

It is worth noting that we should have received slightly more, however, roads acquired in 2010 were not included on the township road calculations until the current Board of Supervisors brought it to the attention of the Commonwealth this year. That resulted in an additional +/- \$15,000 added to our account.

In 2011, however, a road project was performed and was disqualified by the Commonwealth due to technical issues. From November, 2011 through May, 2012, we spent a significant amount of time discussing the debt of \$469,000 due to a paving Contractor for the work performed in 2011. It was the decision of the Supervisors to not pay the Contractor until an amicable resolve was agreed upon by the Township and the State.

As a result of many meetings and discussions, the State finally agreed that either: a) the project would be approved and paid through Liquid Fuels or b) the State would perform an audit of General expenditures from 2011 to compensate the Township for expenses that could have been expended from the Liquid Fuels funds.



This situation delayed our paving projects for 2012, however, the delay was necessary to ensure the Township did not incur an additional debt of \$469,000. (The 2012 Budget assumed that the Township would need to borrow \$500,000 to pay this debt and would commence repayment of over \$50,000/year in 2012.)

The remaining balance of our Liquid Fuels account will be used either for winter plowing and maintenance or carried over to 2013 for future projects.

a. General Income

Typically in November, the State provides the Supervisors with the intended allocation for the following year.

b. General Expenses

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

- Bridge repairs, including removal of pavement, placement of a waterproofing membrane, and repaving
- Paving of approximately 3.5 miles of road on Timothy Lake Road
- Seal-coating and tar and chip placement on Coolbaugh Drive
- Paving of Mt. Nebo Road, in conjunction with the Marshalls Creek Bypass work

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

c. 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 2012, we are also using the Liquid Fuels account as a reserve in anticipation of larger projects that will need to be performed in the next 5 to 7 years.

5. Golf Funds Accounts

When the 2012 Budget was established in December, 2011, there was no income projected to be received from the golf course. The budget was established to cover expenses that the township was obligated to pay, including: a) leased equipment, b) maintenance, and c) payroll expenses. These expenses were projected to be \$277,000.

In early 2012, a group of concerned citizens (later established by Ordinance as the "Golf Advisory Committee") presented a business plan that included projected income and expenses for opening and operating the golf course in 2012. After much debate and open meetings with general public, the majority of the Supervisors approved the opening of the golf course with the provision that only \$277,000 ~ the cost of maintenance ~ would be expended.

In conjunction with the Golf Advisory Committee, this year's Board of Supervisors acknowledged the fact that we did not have the expertise to "run" a golf course and we retained Dr. Richard Hurley, who is a resident of the township and provided us with his expertise as a seasoned golf course developer, professor, and professional who saved us expense.



Without question, the income derived through operating the course is a result of strong community support and 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."

What was once considered by some to be the "Great Experiment" has become a source of township pride, dedication, and enjoyment.

a. General Income

The anticipated general income for 2012 was \$0. It took very little to exceed our budget projection.

Through November, the golf course generated roughly \$324,090 in income. Not only was this the greatest amount ever generated since the township became owner, but it is reflective of the largest number of members since the golf course opened.

b. General Expenses

Projected expenses for 2012 for the golf course are \$537,000. It is important to note that there were substantial unforeseen expenses, which would have had to have been paid by the township, if the golf course did not open.

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. Note that we did not have a \$178,000 land sale to offset expenses, as was credited by prior administrations to the 2011 operations.

c. 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).

It is important to note that, since the majority Supervisors approved opening the golf course, and the course remained open for the entire season, the township **saved more than \$65,000**. If the golf course did not open, more than \$277,000 would have been expended (because of the unknown obligations, such as the elevator contract.)



6. Budget Proposal 2013

I'm sure many of you skipped the preceding pages and started reading here. That's okay. The most important thing to know about the proposed Budget for 2013 is that there is **NO TAX INCREASE PROPOSED FOR 2013**. The proposed budget for 2013 is described in the following:

2013 Budget Summary	General Fund	State Fund Liquid Fuels	Golf Fund	Sewer Fund	Total ALL FUNDS
Cash - Beginning	\$460,000.00	\$53,346.00	\$0.00	\$401,816.00	\$915,162.00
Revenues & Other Financing					
Taxes	\$2,987,778.72				\$2,987,778.72
Licenses-Permits-Franchise Fees	230,000.00				230,000.00
Fines & Forfeits	3,500.00				3,500.00
Interest, Rents & Royalties	1,700.00	0.00			1,700.00
Intergovernmental Revenues	266,580.00	353,820.83	201,918.00		822,318.83
Charges for services	165,400.00		381,710.00	1,574,634.40	2,121,744.40
Total sewer reimbursement	96,958.00				96,958.00
Total other sources	<u>1,500.00</u>				<u>1,500.00</u>
Total Revenues	3,753,416.72	353,820.83	583,628.00	1,574,634.40	6,265,499.94
Total Available	\$4,213,416.72	\$407,166.83	\$583,628.00	\$1,976,450.40	\$7,180,661.94
Expenditures and other uses					
General Government	\$763,846.00			\$93,880.00	\$857,726.00
Public Safety/fire/ems/control	346,647.00				346,647.00
Protective services	139,110.00				139,110.00
Cleanup and recycling	152,000.00				152,000.00
Sewer dept expense	53,180.00		4,770.00	553,230.00	611,180.00
Public works admin	216,520.00				216,520.00
Golf Supplies and other expenses	0.00		440,289.54		440,289.54
Snow removal	55,500.00	50,000.00			105,500.00
Traffic control and improvements	38,245.00				38,245.00
Equipment costs public works	153,500.00	22,100.00	91,077.48	20,000.00	286,677.48
Streets & roads maint .& constr.	365,250.00	235,000.00			600,250.00
Culture and Recreation	280,157.00				280,157.00
Regional parks	11,800.00				11,800.00
Community development	22,500.00				22,500.00
Debt Service & Capital Exp	148,803.00		15,534.38	836,078.76	1,000,416.14
Misc.-Ins. and benefits etc.	<u>621,975.00</u>		<u>31,956.60</u>	<u>19,795.00</u>	<u>673,726.60</u>
Total Expenditure & Uses	\$3,369,033.00	\$307,100.00	\$583,628.00	\$1,522,983.76	\$5,782,744.76
Net income (loss) from operations	\$384,383.72	\$46,720.83	\$0.00	\$51,650.64	\$482,755.19
Fund Balance - Ending 12/31/13	\$844,383.72	\$100,066.83	\$0.00	\$453,466.64	\$1,397,917.19

General Income for 2013 is expected to be almost the same as 2012. Although decreases in property taxes have been accounted for due to reassessments, we expect to receive a Recycling Grant, which we applied for this year, in the range of \$75,000. Decreases in State funding are also budgeted such as State Police fines that will no longer be paid to the municipalities. General expenses are expected to be \$106,700 (3.1%) lower than 2012.

Although line item increases for such items as parks, recycling expenses, and other improvements are included, there are substantial decreases in debt service from 2012 and we do not expect the need for a TAN loan for the beginning of the year.



Sewer user fees are currently anticipated to remain the same as 2012. Although an increase may be necessary in the near future, refinance of debt has lowered some payments. The \$1,000,000 loan necessary to pay for the 2011 acquisition of sewer capacity (EDU's) has had a substantial affect on the annual expenses for the Sewer funds.

PA Liquid Fuels funds are expected to be approximately \$350,000 based upon notification received from the State. Road improvements and capital purchases are planned accordingly.

The Golf Course will be open in 2013. This amenity of the township will be funded just like any other park or amenity and it is anticipated that the expense associated with the operations will decrease in 2013.

7. Acknowledgements

The success of Middle Smithfield Township in 2012 was attributable to the Board of Supervisors, the employees, the volunteers, and all of our residents and business owners. Some of the people that should be acknowledged include, but certainly not limited to:

MST Administration	Michele Clewell, Ray Wolfe, Wayne Rohner, Erin Groome, Lisa Phillips, Joan Woisin, John Lopes, Maria Oliveras, Dave Manter (BIU), Mike Gaul (King Spry), Fred Courtright (Gilmore & Assoc.)
MST Public Works	Cory Lyon, Gary Van Horn, Bud Arnst, Jim Sattur, Brian Widdoss, John Schafft, Joe Les, Gary Possinger, John Tronicke, Keith Buchman, John Robson, Steve Pendola, Bill Parr, Craig Bunnell, Ryan Felmly
MST Planning Commission	Mark Oney, Bob Early, Parin Shah, Carrie Weatherbee, Wayne Bolt, Gary Summers
MST Emergency Management	John Ferro, Bill Trainor, Rick Provasnick
MST Golf Advisory Board	Ray White, Don Henry, Mike Sweeney, Mark Oney, Wayne Bolt, Dr. Rich Hurley
MST Economic Dev. Committee	Deb Kulick, Beverly Brown, Tim O'Donnell, Steve Van Why, Ed Regina, Carrie Weatherbee, Steve Feurer, Parin Shah, Noreen Lowris, Jim Meehan, Phil Williams
MST Historic Society	Steve Kulick, Sue Kulick, Dan Younger, Ed Regina, Gary Summers, Al Decker, Larry Shoemaker, Kim Williams
MST Parks Commission	Joyce Fenical, Bill Suriano, Jeff Reichl, Joyce Bush, Karen Conway
MST Supervisors	Mitchell Marcus, Annette Atkinson, Mike Dwyer

There were also many subcommittee volunteers that we thank.

Middle Smithfield Township is well on our way to rebuilding and restoring the pride, and our township is quickly becoming a model township for our residents, business owners, and visitors.

This is because of all of you.

