



Middle Smithfield Township Supervisors

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**Middle Smithfield Township
2014 Budget Presentation
December 5, 2013**

The 2014 Annual Budget has been prepared by the Board of Supervisors, with the staff of Middle Smithfield Township and the many volunteer residents who make up our committees.

During 2013, there were many improvements made within our township. More roads were repaired and repaved, our parks were expanded with improvements at each and the new pavilion at Echo Park, and many internal communication improvements were made to serve our residents better.

The Board of Supervisors and staff remain committed to provide our residents and business owners a respectful, transparent, and welcoming government. Our township continues to be cooperative, professional and we keep our residents informed along the way.

The 2014 proposed budget proves that the Board of Supervisors and all employees of the township remain responsive to you.

When we presented the budget last year, we said we were looking at 2013 as an opportunity to build from the foundation built in 2012. Noticeable, positive improvements to our township have been made on the last few years and more are planned and budgeted for in 2014. More about our plans, and those of our committees, will be presented at the 2014 Annual 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 2014.

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

Mike Dwyer,
Supervisor and Treasurer

Annette Atkinson,
Supervisor and Assistant Treasurer

Mitchell Marcus,
Supervisor

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1. Year in Review

From a financial perspective, 2013 was a good year for Middle Smithfield Township.

In the beginning of 2013, the township had sufficient reserves established from 2012, 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 Federal Grants for many projects and expenditures. In 2013, the township received in excess of \$350,000 in grant funds. Further grants have been applied for and we are hopeful that we will be awarded further grants in 2014.

Income in 2013 was at or close to what had been budgeted. We anticipate closing out the year with a reserve of approximately 18% of general expenses. As you may recall, just a few years ago, we did not have reserves to cover expenses.

As we have said, over the last 2 years we have been paying off old debts early and not taking new loans to pay these debts. This improves the townships finances and increases our bond rating should an unexpected expense arise and we need a short term loan or need to acquire bond funds.

Expenses for 2013 were also at or slightly below budget. We have had a number of special events, constructed a new pavilion at the park, and have made many upgrades to our infrastructure and operations to respond to our citizens more effectively and efficiently.

Cost controls put in place by the current Supervisors continue to have 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.

The 2012 audit has also validated that our township finances are in good shape.

Beyond just Middle Smithfield Township, we are working with neighboring townships to save all of our citizen's expense. The new, soon-to-be, leaf collection facility is being operated by 3 townships, not just us. During the year we also worked with neighbors in Smithfield, Lehman, Coolbaugh, Stroud, and many other townships where we shared equipment or borrowed theirs, rather than purchasing unnecessarily. We have also offered some manpower assistance to our neighbors and they have provided us with manpower when we needed it too. PennDOT is also working with us on many collective projects.

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 2014.

That's right...there will be no tax increase in 2014.



2. General Funds Accounts

2013 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 have 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 2013 was \$3,993,417. Through November, \$4,038,412 has been collected. The most significant reason we have collected more than budgeted is real estate transfers were higher than anticipated and fees and permits were higher than projected. Other contributing factors to our improved Income projections include: Grant funds received for work on Freeman Tract, higher than budgeted earned income as employment in our township has improved, and collection rates remain at acceptable levels.

b. General Expenses

Projected expenses for 2013 were \$3,602,133. Through November, expenses were roughly \$2,993,423; projecting another \$480,000 will become due in December, year-end expenses are projected to be roughly \$3,475,000. There were many successes throughout the year, where expenses were a lot lower than we had budgeted. There were some areas where the budget was insufficient.

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

- Winter snow plowing expenses were lower than budgeted
- Worker's compensation expenses were lower than prior years
- Use of in-house labor for road projects
- The pavilion construction, which is nearly complete, was 50% of what had been budgeted



Some areas where expenses exceed our expectations include:

- Building repairs (the HVAC system is continuously being repaired.)
- Insurances continue to increase
- Legal expenses are slightly higher due to ongoing issues

c. Fund Balance

As described above, the 2013 General Fund Account balance, projected at year end, was anticipated to be \$391,000. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a General Fund balance of \$500,000. (Our target reserves are 20% of annual income and, if we do not have a major unforeseen expense, we should achieve that target by 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 all businesses or residents within the township are connected to this system.

As we said in 2012, a sewer line extension project undertaken by the Supervisors in 2011, cost the township over \$1,300,000. The prior Supervisors chose to have the township, not the commercial enterprises for which the line was being run, pay for the project. The prior Supervisors also chose to purchase additional sewage capacity (Equivalent Dwelling Units) EDU's from Big Ridge Developers for \$1,800,000.

Although refinancing debts in 2012 lowered the final cost of old debt, "Debt Service" or annual amounts to be paid for principal and interest now constitutes nearly 50% of the entire system costs.

a. Sewer Income

Anticipated income from sewer users in 2012 was \$1,574,634. However, actual income has been lower than expected. Although collection of past due sewer debt has steadily improved since 2012, there still remain a larger than sustainable amounts past due.

b. Sewer 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, such as repairs, arise during the year. Now, with the excessive debt and increasing costs of operation, these reserves are practically depleted.

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 2013 Sewer Fund Account balance, projected at year end, was anticipated to be \$51,000. We have every reason to believe, barring any significant unforeseen expenses, we will end the year with a Fund balance of \$337,850. Eventually our sewer revenue will not keep pace with sewer expenses. This will happen once the combination of outstanding job in sewer collections, decrease in expenses and increase in operational efficiencies level off. Currently, all the new connections the sewer department received this year from new construction purchasing EDU's has helped revenue not be overtaken by expenses.

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 2013, Middle Smithfield Township received approximately \$370,000. (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 anticipate major expenses in the next few years.

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:

- Stripping, regarding and paving on Mt. Nebo Road (with our own forces)
- Stripping, regarding and paving on Keystone Road (with our own forces)
- Final paving of Timothy Lake Road
- Seal-coating of Hidden Lake Road

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 a balance from 2013, 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, for items such as bridge repairs.



5. Golf Funds Accounts

In 2013, 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 2013, the number of rounds played increased by 10% compared to 2012.

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."

a. General Income

The anticipated general income for 2013 was \$349,000. Through November, the golf course generated roughly \$322,000 in income.

b. General Expenses

Projected expenses for 2013 for the golf course are \$535,800. Through November, the golf course expenses are more than \$67,500 below budget, which more than covers the income falling slightly less than expected

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 \$210,000. This is the lowest amount since the township acquired the golf course in 2010.

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).



6. Budget Proposal 2014

If you read all of the information written before this Section, you will know by now that there is **NO TAX INCREASE PROPOSED FOR 2014**. The proposed budget for 2014 is described in the following:

<u>2014 Budget Summary</u>	<u>General Fund</u>	<u>State Fund Liquid Fuels</u>	<u>Golf Fund</u>	<u>Sewer Fund</u>	<u>Total ALL FUNDS</u>
Cash - Beginning	\$655,000.00	\$97,075.00	\$0.00	\$337,850.00	\$1,089,925.00
Revenues & Other Financing					
Taxes	\$3,041,225.00				\$3,041,225.00
Licenses-Permits-Franchise Fees	230,000.00				230,000.00
Fines & Forfeits	2,500.00				2,500.00
Interest, Rents & Royalties	8,500.00				8,500.00
Intergovernmental Revenues	403,050.00	366,322.84	203,765.00		973,137.84
Charges for services	131,250.00		345,525.00	1,716,672.00	2,193,447.00
Total sewer reimbursement	100,000.00				100,000.00
Total other sources	<u>1,500.00</u>				<u>1,500.00</u>
Total Revenues	<u>3,918,025.00</u>	<u>366,322.84</u>	<u>549,290.00</u>	<u>1,716,672.00</u>	<u>6,550,309.84</u>
Total Available	\$4,573,025.00	\$463,397.84	\$549,290.00	\$2,054,522.00	\$7,640,234.84
Expenditures and other uses					
General Government	\$797,178.00			\$80,580.00	\$877,758.00
Public Safety/fire/ems/control	357,000.00				357,000.00
Protective services	154,310.00				154,310.00
Cleanup and recycling	116,900.00				116,900.00
Sewer dept expense	60,140.00		9,540.00	790,700.00	860,380.00
Public works admin	251,526.00		138,000.00		389,526.00
Golf Supplies and other expenses	110,000.00		294,350.00		404,350.00
Snow removal	87,500.00	50,000.00			137,500.00
Traffic control and improvements	30,220.00				30,220.00
Equipment costs public works	173,500.00	22,100.00	47,000.00	6,100.00	248,700.00
Streets & roads maint .& constr.	348,500.00	244,250.00			592,750.00
Culture and Recreation	248,750.00				248,750.00
Regional parks	14,600.00				14,600.00
Community development	3,600.00				3,600.00
Debt Service & Capital Exp	138,000.00		10,400.00	760,055.00	908,455.00
Misc.-Ins. and benefits etc.	<u>720,803.00</u>		<u>50,000.00</u>	<u>19,100.00</u>	<u>789,903.00</u>
Total Expenditure & Uses	<u>\$3,612,527.00</u>	<u>\$316,350.00</u>	<u>\$549,290.00</u>	<u>\$1,656,535.00</u>	<u>\$6,134,702.00</u>
Net income (loss) from operations	\$305,498.00	\$49,972.84	\$0.00	\$60,137.00	\$415,607.84
Fund Balance - Ending 12/31/14	\$960,498.00	\$147,047.84	\$0.00	\$397,987.00	\$1,505,532.84



General Income for 2014 is expected to be almost the same as 2014. Although decreases in property taxes have been accounted for due to reassessments, we expect to receive Recycling Grants, which we applied for this year, in the range of \$150,000. Decreases in State funding are also budgeted. General expenses are expected to be \$99,200 (2.8%) higher than 2013.

Although line item increases for such items as parks, recycling expenses, and other improvements are included, there are substantial decreases in debt service from 2013 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 but as we said last year, an increase may be necessary. We always knew that the costs associated with the 2011 acquisition of sewer capacity (EDU's) would negatively affect annual expenses for the Sewer funds.

PA Liquid Fuels funds are expected to be approximately \$366,000 based upon notification received from the State. Road improvements and capital purchases are planned accordingly, with attention to establishing reserves.

We expect next year to follow the trend set in the last two year, and the expense associated with the Golf Course operations will decrease in 2014.

7. Acknowledgements

The success of Middle Smithfield Township in 2013 was attributable to the Board of Supervisors, the employees, the volunteers, and all of our residents and business owners.

In just 2 years, Middle Smithfield Township has, in many respects, become a model township for our residents, business owners, and visitors. The foundation has been built by residents coming together, and government working for the people.

Thank you. . .

