



TOWNSHIP OF BETHLEHEM

BOARD OF COMMISSIONERS

MUNICIPAL OFFICES
4225 EASTON AVENUE
BETHLEHEM, PENNSYLVANIA 18020-1496

Phone: 610.814.6400
Fax No: 610.814.6408
www.bethlehemtownship.org

Commissioners:
Malissa K. Davis
John K. Gallagher
Michael D. Hudak
John J. Merhottein
Dale A. Sourbeck

Treasurer:
Rosalia Italiano-Cacciabeve

Township Manager:
Doug Bruce

MEMORANDUM

Date: October 14, 2020
To: Board of Commissioners
From: Doug Bruce, Manager
Subject: 2021 Proposed Budget

On behalf of Bethlehem Township's administration and staff, I am presenting the township's proposed 2021 budget for public review and discussion. The annual budget is the spending and revenue plan for the coming year.

The budget will be presented to the board and public at the October 19 virtual public meeting and will be discussed at virtual budget hearings Thursday, October 22 (6-8 p.m.); Tuesday, October 27 (6-8 p.m.); and Saturday, October 31 (9-11 a.m.).

A few notes on the proposed budget:

1. The global coronavirus pandemic has changed the world. In the very small universe of Bethlehem Township government, the pandemic has led to a changed financial environment. We project the township will post a \$1 million general fund loss (a 5 percent operating loss) in 2020 and a \$1.4 million general fund loss (a 7 percent operating loss) in 2021, largely due to effects of the pandemic.

2. Community center operations make up the main component of 2020 lost revenue. Because of the pandemic, the facility was closed completely from mid-March to early July, including closure of the outdoor swimming pool for the summer season. For the past three months the center has been open to members only, with attendance and programming limitations due to the pandemic. As of the end of September, the center had generated just 30 percent of expected revenues, resulting in lost revenue of approximately \$600,000 and is still operating significantly under capacity. This has been partially offset by personnel and operating expense cuts at the facility, which have resulted in approximately \$300,000 less in expenditures.

3. 2020 tax revenues are close to or just slightly under expectations in most categories (including earned income tax, real estate tax, and real estate transfer tax). However, business privilege (aka mercantile) tax revenues are lagging considerably. We are now projecting lost revenue of \$225,000 this year in business privilege tax, which is collected on gross receipts of township businesses. We believe this is a reflection of businesses closing and/or underperforming due to the pandemic.

4. I am not proposing a real estate tax rate increase to support the general fund in 2021. The pandemic has created a difficult financial environment for local government – but it has created a difficult environment for everyone, including the township’s residents. I do not believe now, in the midst of an unprecedented global pandemic, is the right time to ask residents for more tax revenue.

5. I am proposing the township take out a low-interest \$2 million line of credit with its main bank, to use only if there is an operational need. It is my sincere hope the township’s government will be able to weather this financial storm without tapping into borrowed money – but the line of credit will be there if need be.

6. The staff and I, with the support of the board, have attempted to offset lost revenue by cutting expenses this year and next year. We made the difficult decision to lay off most part-time employees for several months and not hire temporary summer employees. We deferred or delayed several capital projects and purchases, including long-awaited building improvements at the community center and public works facility. We purchased two police cars instead of the budgeted three. We cut planned stormwater expenditures (the township’s stormwater engineer assured us that we would still be making enough progress on MS4 requirements while spending less). We kept next year’s departmental spending on contracts and services at or below this year’s levels.

7. The 2021 budget will be balanced using \$1.4 million of the township’s projected \$3.5 million reserve (aka “fund balance”) as of January 1, 2021. This would leave a projected fund balance of \$2.1 million at year-end 2021, or just over 11 percent of general fund spending. Generally speaking, good government budgeting practices recommend fund-balance percentage to be at 10 percent or higher during normal operating circumstances (which, of course, we are NOT in right now, due to the pandemic).

8. The proposed budget maintains a full-time workforce of 85 employees in 2021. The township’s three union contracts (AFSCME, police, Teamsters) are scheduled to expire December 31, 2020. We are negotiating with all three unions for contract extensions. For budgeting purposes, we have included wage increases in the 2 percent range for all employee groups – although thus far only the AFSCME union has agreed to a one-year contract extension at this rate.

9. Projected 2021 capital spending is \$3.046M, less estimated grants (\$1.928M), less estimated park fund match (\$110K), leaving a \$1.01M transfer from the general fund

to cover all capital costs. The capital budget envisions the following major projects and purchases over \$100K:

- \$200,000 for improvements to the public works building, including a complete electrical upgrade;
- \$100,000 for MS4 stormwater engineering and compliance;
- \$500,000 for replacement of the Sculac Road culvert, which was damaged during the August 4 tropical storm and necessitated the ongoing closure of Sculac Road; we will be seeking FEMA reimbursement for this project;
- \$125,000 for the Oakland Road pedestrian crossing project; we will be seeking PennDOT multimodal grants for this project;
- \$125,000 for the Hecktown Road pedestrian crossing project; we will be seeking PennDOT multimodal grants for this project;
- \$550,000 for the third phase of the Housenick trails project; this is a holdover from this year's budget; we will be seeking state grants for 80 percent of costs, with the other 20 percent coming from the recreation fund;
- \$750,000 for the Wilson Avenue/D&L Trail concrete repair project; we are working with the D&L Trail organization to seek grants for this project.

I look forward to robust and substantive debate on this proposed budget as we move through the public hearing process.