



TOWNSHIP OF BETHLEHEM

BOARD OF COMMISSIONERS

MUNICIPAL OFFICES
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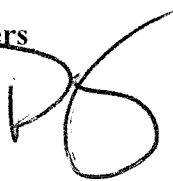
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Township Manager:
Doug Bruce

MEMORANDUM

Date: October 15, 2021
To: Board of Commissioners
From: Doug Bruce, Manager 
Subject: 2022 Proposed Budget

On behalf of Bethlehem Township's administration and staff, I am presenting the township's proposed 2022 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 18 regular public meeting and will be discussed at budget hearings Thursday, October 21 (6-8 p.m.); Tuesday, October 26 (6-8 p.m.); and Saturday, October 30 (9-11 a.m.). All those meetings will be hybrid with in-person and virtual attendance options.

Additionally, there will be two virtual-only public information sessions on the proposed stormwater management program/fee at 3 p.m. and 6 p.m. Thursday, October 28.

A few notes on the proposed budget:

1. At the direction of the Board of Commissioners, the 2022 proposed budget includes a new stand-alone fund to support improvements to the township's stormwater system. The fund projects average annual revenues and expenses of \$2.1 million over the next four years and would draw revenue from a new stormwater fee charged to all property owners. The average residential stormwater fee is currently proposed at \$8.60 per month and would be implemented effective January 1, 2022.

2. The proposed general fund budget looks much different this year than last. For 2021 general fund revenues were projected at \$18.9 million and expenses at \$20.3 million, with revenue shortfalls (particularly in the business privilege tax and at the

community center) caused by the pandemic. For 2022, projected revenues are \$20.6 million and expenses are \$19.3 million. There are three major reasons for these changes:

A. In 2022 the township is scheduled to receive its second and final payment of \$1.25 million from the American Rescue Plan Act (ARPA), the federal legislation providing funds to offset pandemic-related revenue losses in municipal governments.

B. The township's minimum municipal obligation (MMO) for its pension funds is dropping from \$2.1 million in 2021 to \$1.1 million in 2022. This reflects the relatively high funding level of the township's pension funds, which have seen strong growth in recent years due to the booming stock market.

C. The new stormwater fund will be absorbing approximately \$428,000 in spending previously supported by the general fund. These expenditures go toward labor and materials to maintain the township's stormwater infrastructure: basins, detention ponds, retention ponds, pipes, inlets, outlets, and road surfaces.

3. A year ago the township's 2021 year-end fund balance was projected to be 11 percent of projected revenue. The actual year-end balance will likely be much higher, due in part to the first ARPA payment of \$1.25 million received earlier this year. Generally speaking, good government budgeting practices recommend fund-balance percentage to be at 10 percent or higher during normal operating circumstances. Because of the major revenue and expense changes mentioned above, the year-end 2022 fund balance is projected to be nearly 26 percent, the highest such number in many years.

4. While the healthy projected fund balance is unquestionably a good thing for the township, there is reason to believe it may be a short-term aberration. As mentioned, the fund balance is based largely on (a) a one-time pandemic "bailout" from the federal government, (b) a sudden drop in pension obligations due to strong investment returns, and (c) moving \$428,000 in spending to the new stormwater fund. Meanwhile, our auditing firm has recently estimated the township lost \$4.5 million in revenues due to the pandemic. Prior to the pandemic, the township's budgets had been extremely tight for more than 10 years, dating back to the recession of 2008. I wrote in a previous budget message: "This is a stark financial picture of Bethlehem Township in 2018 – a mature, nearly built-out municipality where annual revenues have not quite been keeping up with annual expenses for the better part of a decade." Despite this year's large fund balance, I think there will be a return in the future to much tighter budgets.

5. With such a robust general fund balance and with the proposal of a new stormwater fee, there is no need for a real estate tax increase. However, due to what I believe is the temporary nature of the current financial situation, I am also not proposing a real estate tax cut, nor am I proposing any extra spending. As much as I would like to spend more on selected capital projects (especially road paving), I believe it is wise to wait out the current unusual financial circumstances before making major changes in revenues or expenses.

6. The community center budget continues to be affected negatively by the ongoing pandemic. In the 2020 budget (approved before the pandemic), BTCC revenues were projected at \$1.32 million based on prior years' performance. But then the pandemic hit, the facility was closed for several months altogether, the outdoor pool was not opened that summer, and actual 2020 revenues were just \$288,000. For 2021, projected revenues were \$1.18 million, based on the hope the pandemic would be largely over this year and operations would return to normal. Unfortunately, that has not been the case. While the facility has been open, the early part of the year included strict COVID operating protocols and patrons have been slow in returning to use the facility. Through the end of September, BTCC revenue is at less than \$400,000. For 2022, we are projecting BTCC revenues at \$827,000, reflecting continuing uncertainty in the operating environment.

7. The proposed budget maintains a full-time workforce of 85 employees in 2022. The township's three union contracts (AFSCME, police, Teamsters) are scheduled to expire December 31, 2021. Contract negotiations are ongoing with two of those unions. For budgeting purposes, we have included wage increases in the 2 percent range for all employee groups.

8. Projected 2021 capital spending is \$2.32 million, less estimated grants (\$808,000), less estimated park fund match (\$165,000), leaving a \$1.351 million transfer from the general fund to cover all capital costs. The capital budget envisions the following major projects and purchases over \$100K:

- \$600,000 for the third phase of the Housenick Park Trails project (paid via grants and park funds);
- \$465,000 for building improvements at the community center (including the deferred gym roof replacement);
- \$210,000 for an ambulance and stretcher replacement for Bethlehem Township Volunteer Fire Company EMS;
- \$125,000 for a feasibility study and design of a new salt/storage shed for the public works department.

9. With the proposed addition of a stormwater fund, the township now has six separate budget funds:

Fund	2022 projected revenue	2022 projected expense
General	\$20.59 million	\$19.30 million
Sewer	\$5.86 million	\$5.86 million
Capital	\$2.3 million *	\$2.3 million
Stormwater	\$2.12 million	\$1.46 million
Liquid fuels	\$761,000	\$775,000
Fire tax	\$167,000	\$0

* Capital fund revenue includes a \$1.35 million transfer from the general fund.

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