



TOWNSHIP OF BETHLEHEM

BOARD OF COMMISSIONERS

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MEMORANDUM

Date: October 17, 2025
To: Board of Commissioners
From: Doug Bruce, Manager
Subject: 2026 Proposed Budget

On behalf of Bethlehem Township's administration and staff, I am presenting the township's proposed 2026 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 board's October 20 regular public meeting and will be discussed at budget hearings Thursday, October 23 (6-8 p.m.); Tuesday, October 28 (6-8 p.m.); and Thursday, November 6 (6-8 p.m.). All those meetings will be in-person with virtual attendance options.

A few notes on the proposed budget:

1. General Fund: The general fund is the largest of the township's six budget funds. Its main sources of revenue are the real estate tax, earned income tax, real estate transfer tax, and community center (BTCC) fees. Major expenditures paid from the general fund include most of the police, community development, finance, public works, administrative, and BTCC budgets and contributions to the fire companies. Proposed general fund projected revenues and expenses over the past five years:

Year	2022	2023	2024	2025	2026
Revenues	\$20.6M	\$20.4M	\$20.9M	\$21.8M	\$21.9M
Expenses	\$19.3M	\$20.2M	\$20.9M	\$21.8M	\$21.9M

The proposed overall budget projects the following revenues and expenses for the township's six funds:

Fund	2026 projected revenue	2026 projected expense
General	\$21.9M	\$21.9M
Sewer	\$7.2M	\$7.2M
Capital*	\$7.4M	\$7.4M
Stormwater	\$2.4M (10% fee increase)	\$2.4M
Liquid fuels	\$0.8M	\$1.1M
Fire tax	\$443K	\$552K

* Capital fund revenue includes a \$1 million transfer from the general fund.

The 2026 budget proposes no increases in real estate tax rate, sewer fees, or fire tax rate. There is, however, a proposed 10 percent increase in the annual stormwater fee to pay for the aggressive construction schedule previously approved by the board and the municipal authority in the capital improvement plan.

2. Balanced budget and fund balance: The staff is projecting a balanced budget again for 2026, with revenues and expenses both at \$21.9M. Both projected revenues and expenses represent increases of less than one-half of one percent percent from 2025 projections.

Despite the projected balanced budget, annual expenses and revenues remain extremely tight. On an annual operating basis, the township is essentially spending every bit of revenue that comes in – in other words, there is no projected operating surplus

Several particular expense lines are projected to increase substantially. Employee health insurance premiums will increase by \$226,000, or 19.8 percent, due to unusually high insurance claims over the past two years. This reflects a national trend toward higher and more frequent use of medical insurance, along with stiff inflation in medical costs. The township's two volunteer fire companies have increased their annual request to support operations by \$180,000, or nearly 30 percent, reflecting the rising cost of providing volunteer fire services. This increase is separate from both projected fire tax fund spending of \$552,000 to pay for 50 percent of a new firetruck scheduled for delivery and from proposed capital spending for new radios for firefighters.

Generally speaking, good government budgeting practices recommend a general fund balance percentage to be at 10 percent or higher of total revenues during normal operating circumstances. The fund balance is essentially the money the township has "on hand" or "in reserve."

For many years, up until 2021 (when the first federal pandemic-related ARPA payment was received and the township's pension obligations decreased significantly due to strong investment returns), the projected year-end fund balance was usually in the

range of 10 to 15 percent. Since 2022, the projected year-end balances have been 26 percent, 32 percent, 38 percent, and 33 percent – and the fund balance at the end of 2026 is projected to be 34 percent.

While these historically large projected fund balances are unquestionably a good thing for the township, as I have mentioned in previous annual budget messages, they are most likely a short-term aberration. As noted above, in the past four years projected expenses and revenue have been approximately equal, with no resulting operational surplus to add to cash reserves. Because we budget conservatively, we usually spend slightly less than 100 percent of projected expenses and collect slightly more than 100 percent of projected revenues. But that is not a recipe for growing or even maintaining such large fund balances.

Several years ago I wrote in a budget message: “This is the stark financial picture of Bethlehem Township... 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.” I think this continues to be the case. Despite the large projected fund balances of the past few years, which I believe to be a short-term anomaly, the annual balance between operating revenues and expenses remains too close for comfort.

3. General fund debt: This is the eighth consecutive budget with no new proposed general fund borrowing or debt. With the board’s support, we have emphasized a “pay as you go” approach to capital spending and prioritized reducing the township’s general fund debt. Overall general fund debt service will drop significantly again in 2026, as previous borrowings are retired, if the township avoids new debt:

	DEBT SERVICE	REDUCTION FROM 2023
2023	2,545,553	
2024	1,900,888	644,665
2025	930,507	1,615,046
2026	524,388	2,021,165
2027	228,809	2,316,744

4. Full-time employment: Since 2022, I have proposed and the board has approved the creation of nine new full-time positions:

- Five entry-level police officers
- Assistant finance director
- Community development clerk
- Finance clerk
- Assistant director of the community center
- Police clerk
- Assistant zoning officer
- Two public works truck drivers or laborers

These new positions have increased the number of full-time employees to 99, the highest number in township history. I believe this recent employment growth has been necessary to continue to provide the municipal services rightly expected by those who live, work, and visit in Bethlehem Township. At the same time, I also believe the township has “right-sized” its full-time employment base for the near future. The proposed budget includes no new full-time positions.

Lastly in the area of full-time employment, and per contractual obligations, the following wage increases are factored into the proposed 2026 budget: 3 percent for AFSCME employees; 3.25 percent for Teamsters employees; and 4 percent for police union members. Additionally, I have proposed a 4 percent salary increase for non-union employees.

5. Community center budget: The community center budget continues to rebound from pandemic-related problems. In the 2020 budget (approved before the pandemic), BTCC revenues were projected at \$1.32 million based on prior years’ experience. When the pandemic hit in early 2020, the facility was closed for several months altogether, the outdoor pool was not opened that summer, and actual 2020 revenues were just \$288,000. Actual 2021 revenues increased to \$474,000 as the pandemic lingered. Actual 2022 revenues were \$829,000 as the facility returned to relatively normal operations. This year actual revenues are tracking at more than \$1.1 million through the end of September, already exceeding original projections.

For 2026, we are projecting BTCC revenues to increase to nearly \$1.2 million, approximately 92 percent of pre-pandemic numbers. This marks a remarkable financial recovery, thanks greatly to the hard work, professionalism, and expertise of the BTCC staff and to the board’s commitment to updating the building’s infrastructure and amenities.

6. Capital budget: Projected 2026 capital spending is \$7.4 million, less estimated grants (\$3.1M), less traffic-impact fee contributions (\$2.5M), less fire tax fund contribution (\$550,000) less estimated recreation fund contributions (\$230,000), leaving a \$1M transfer from the general fund to cover all capital costs. The capital budget – which is used for major purchases and projects – envisions the following major items over \$100,000:

- \$2.5 million for Church Road improvements (traffic impact fees)
- \$2.2 million for Johnston mansion renovations (\$2 million grants; \$200,000 from recreation fund)
- \$551,000 for a firetruck payment (fire tax fund)
- \$320,000 for four police vehicles (projected grants and/or general fund)
- \$276,000 for BTVFC radios (projected grants and/or general fund)
- \$264,000 for NRFC radios (projected grants and/or general fund)
- \$259,000 for EMS ambulance remount (projected grants)
- \$250,000 for municipal building parking lot renovations (general fund)

The annual capital budget has typically included all equipment purchases for which the township has requested state Local Share Account (LSA) local gaming grants. The board and staff have focused these grant applications almost exclusively on public safety equipment for the police department and volunteer fire companies (including the EMS squad).

However, in the last two years, these grant requests have increased dramatically in total dollar amount. In 2023, we requested \$387,091.90 in grants and received \$403,054 (104 percent, one application received funds from two programs). In 2024, we requested \$805,634.04 and received \$380,122 (47 percent of requests). This year we've requested \$1.02 million from this grant program. Additionally, we have another \$600,000 in requests in to the separate LSA statewide grant program.

I have always tried to present these line items with realistic expectations for grant funding. At this point, however, I do not reasonably expect to get grants to cover all these requests. And the total cost of these requests cannot be covered by general fund transfers without unbalancing the overall budget. There are simply too many requests for public safety equipment and not enough money (grants or general fund transfers) to pay for them, without cutting into cash reserves. As such, I have designated many of these LSA grant request items as completely grant-contingent as a necessity to balance the budget.

7. Fire tax: The board's decision last year to increase the fire tax rate will allow that fund to accommodate the pending second payments for three firetrucks currently on order. Based on the current apparatus replacement schedule provided by the fire companies, the next major vehicle purchase is currently scheduled for 2031.

2025-2030 FIRE TAX FUND ANALYSIS

YEAR	OPENING	REVENUE	EXPENSE	CLOSING	NOTE
2026	310,000	440,000	(544,000)	206,000	NR truck
2027	206,000	450,000	(549,000)	107,000	NR truck
2028	107,000	460,000	(585,000)	(18,000)	BT truck
2029		(18,000)	470,000	452,000	
2030		452,000	480,000	932,000	

8. Road paving and liquid fuels fund budget: The state government provides money to municipalities for the local transportation system through the distribution of a portion of the oil company franchise tax collected on gasoline. The amount allocated to each municipality is based on the total municipal population and road mileage. Funds are to be used for the construction, maintenance, and repair of municipal roads and bridges.

This annual state allocation is placed in the township's liquid fuels budget and pays for road paving projects, public works trucks, and street light costs. The township's annual allocation peaked in 2019 at \$850,000 and has since never been higher than \$830,000, as gasoline usage has leveled off due to the rise of remote work and electric

vehicles. The 2026 allocation is expected to drop below \$800,000. During the same time, road paving, vehicle purchase, and street light costs have all increased significantly.

The result is the township's liquid fuels budget is now running an annual deficit. Assuming no significant increases in the state allocation in the near future, the liquid fuels budget will need significant general fund support to cover expenses by 2027.

The major expense in the liquid fuels budget is repair and repaving of township roads. The public works department monitors these roads and develops a prioritized five-year paving schedule based on pavement conditions. For several years, the Board of Commissioners and staff have focused on increasing the township's annual road paving program. As a result, in the last four years the township has budgeted approximately \$750,000 per year from the liquid fuels fund for repaving township roads; this represents a near-50 percent increase from past years. With vehicle lease/purchases and street light costs now approaching \$400,000 annually, liquid fuels fund expenses are higher than revenues.

The 2026 budget proposes \$630,000 in road paving costs, with the annual paving project on the following roads: Reeves Drive From Easton Avenue to Easton Avenue; Windswept Drive from Reeves Drive to Hilltop Place; Hilltop Place From Reeves Drive to cul-de-sac; and Falmer Drive From Easton Avenue to the storage facility.

Additionally, the township engineer recently presented information on several proposed road improvement projects utilizing the township's \$3.5 million in available Act 209 traffic-impact fees. My recommendation is to use \$2.2 million to \$2.6 million in Act 209 funds for a complete repaving and improvement of Church Road from Easton Avenue to Country Club Road.

9. Stormwater fund: As mentioned, this budget proposes a 10 percent increase in the stormwater fee, which would raise the annual fee for the typical residential property owner from \$103.20 to \$116.37. This change was recommended by the township's internal stormwater committee.

When the stormwater fund was created in late 2021, the board based the fee on a four-year financial model, with revenues set at approximately \$2.1 million per year and expenses increasing over four years as pollutant reduction and flood mitigation construction projects began. The 2026 budget projects annual stormwater revenues of \$2.4M with the proposed fee increase and expenditures of \$2.4M.

In 2021, the board pledged publicly to hold the stormwater fee at a level rate for the first four years (2022-2025) of the program. During that time, the board has approved an aggressive stormwater capital improvement plan calling for \$28.5 million in township spending on major flood mitigation and pollutant reduction projects. This extrapolates to approximately \$33 million in borrowing and debt service payments over the next 25 years. The township's stormwater engineer has also identified a need to spend

substantially on infrastructure improvement – specifically repairing aging or damaged underground pipes.

As mentioned, the stormwater fee brings in \$2.1 million a year, with about 50 percent used for annual operations and maintenance, and the other 50 percent being available for debt service or “pay as you go” construction projects. Even with the proposed 10 percent fee increase, the stormwater fund will be hard-pressed to fund all of the planned capital spending for years to come.

10. Public works master plan and other long-range building considerations:

The board received in early 2023 a study prepared by MKSD Architects about the feasibility and cost of renovating the existing public works facility or building a new facility. Cost estimates ranged from \$10 million for on-site renovation to \$15 million for construction of a new building at the township’s Hope Road property. The proposed 2026 budget does not include any capital spending related to this master plan. At this time and until the board directs otherwise, the staff and I will plan on utilizing the existing facility and proposing any improvements/upgrades on an as-needed basis. The small and aging salt shed continues to be a particular concern, but the public works department built a smaller accessory storage facility this year to alleviate any immediate problems on that front.

Moving forward, there is also a need to consider potential new space requirements for the police department, which in the last 25 years has outgrown the original police station area of the municipal building. The department now utilizes other parts of the building and in early 2026 will build a new training space in the Coolidge Building when the county DUI center is relocated from that facility.

Additionally there has been longstanding interest from the two fire companies about creating a centralized “substation” in the eastern part of the township, since both companies have fire stations in the western side of the township.

For all of these situations, a potential long-term solution would be a new “public safety” complex on the Hope Road property. This entirely speculative complex could include a new public works building, garage, and salt shed; a new police station or substation; a fire/EMS substation; and relocated fuel pumps for township vehicles. A construction project of this size would cost upwards of \$50 million or more in 2026 dollars. It is mentioned here only as a long-range possibility.

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