



TOWNSHIP OF BETHLEHEM

BOARD OF COMMISSIONERS

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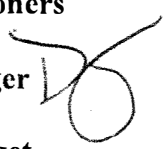
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Doug Bruce

MEMORANDUM

Date: October 16, 2026
To: Board of Commissioners
From: Doug Bruce, Manager 
Subject: 2027 Proposed Budget

On behalf of Bethlehem Township's administration and staff, I am presenting the township's proposed 2027 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 19 regular public meeting and will be discussed at budget hearings Thursday, October 22 (6-8 p.m.); Tuesday, October 27 (6-8 p.m.); and Thursday, November 5 (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 five 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	2023	2024	2025	2026	2027
Revenues	\$20.4M	\$20.9M	\$21.8M	\$22.0M	\$24.0M
Expenses	\$20.2M	\$20.9M	\$21.8M	\$21.8M	\$24.0M

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

Fund	2027 projected revenue	2027 projected expense
General	\$24.0M	\$24.0M
Sewer	\$7.4M	\$7.4M
Capital*	\$7.0M	\$7.0M
Liquid fuels	\$811,000	\$876,000
Fire tax	\$570,000	\$2.3M

* Capital fund revenue includes a \$1 million transfer from the general fund and a \$2.1 million transfer from the fire tax fund.

2. Proposed real estate tax increase: For the past seven years, I have proposed budgets balanced with no real estate tax increases. However, this year I am proposing a real estate tax increase of 1.5 mills or 19.8 percent to balance the 2027 general fund budget. The majority (approximately 80 percent) of this increase is attributable to the proposed termination of the stormwater fund and fee (see below for details) and the transfer of approximately \$1.2 million in stormwater costs back to the general fund. Approximately 20 percent of the proposed tax increase is not attributable to the stormwater situation, but rather to increasing costs in other areas, discussed below.

In rough numbers, the effect of the proposed tax increase for a residential property valued at \$200,000 (and assessed at \$100,000), would be an increase of \$150 in the annual real estate tax bill, from \$759 to \$909. This amount would be partially offset by the termination of the annual stormwater fee, which is \$105 in 2026 for most residential property owners. The net result – for an “average” residential property owner – would be an increased payment to the township of approximately \$45 in 2027.

I understand that any tax increase is a burden on the township's residents and property owners and I do not take lightly this recommendation to raise taxes. As mentioned, this would be the township's first real estate tax increase since 2019; however, in that time, the board also created and increased a fire tax to pay for fire vehicle and operations costs.

As I have noted in previous budget messages, the township's annual expenses and revenues have been running on extremely tight margins for many years. The township has been spending essentially every bit of revenue that comes in. Unfortunately, 2026 has been the year when annual expenses outpaced annual revenues.

Several particular general fund expense lines are projected to increase substantially and are significant contributors to this projected annual deficit. These line items include general liability and worker's compensation insurance premiums (projected up \$206,000 next year), employee health insurance premiums (up \$137,000), pension

contributions (up \$100,000), non-capital funding requests from the fire companies (up \$87,000), and fuel costs (up \$50,000).

3. Stormwater fund: The township's stormwater fund was created by ordinance in December 2021 by the Board of Commissioners. The fund collects revenue from a stormwater fee, also enacted in 2021 and charged to all township property owners. The revenues are used to support improvements to the township's stormwater infrastructure. Those improvements include flood mitigation projects and stormwater quality enhancements (known as MS4 projects) required by state and federal regulations.

After consulting with the Board of Commissioners and the township solicitor, I am proposing a 2027 budget that eliminates both the stormwater fund and fee. There are two reasons for this. First, a recent court ruling has called into question the logistics of the township's stormwater authority and fee. Second, earlier this year, due to increasing project costs, the board directed staff to prioritize MS4 projects and postpone flood mitigation projects.

In recognition of this information, I have proposed bringing all stormwater spending back into the general fund budget, with funding continued for MS4 work but not for flood mitigation projects. The stormwater fee cost the average residential property owner \$105 per year and generated about \$2.2 million in annual revenues. The staff is proposing the transfer of approximately \$1.2 million in continuing stormwater expenses from the stormwater fund to the general fund in 2027. The rough breakdown of these stormwater costs is: \$500,000 for employee wages, salaries, and benefits; \$307,000 for debt service on previously completed construction projects; \$280,000 for operations; and \$100,000 for mandated MS4 work.

4. General fund balance: 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, 33 percent, 34 percent – and the fund balance at the end of 2027 is projected to be 31 percent (assuming the proposed real estate tax is approved by the board).

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 six 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.

In considering the proposed tax increase, the board may also want to consider the alternative of “deficit spending” – dipping into cash reserves to balance the budget. This is certainly not a recommended long-term strategy. But it may have utility in the short term if recent cost increases are reasonably expected to level off. After studying the township’s financial situation and the current unpredictable macroeconomic environment, I recommend a tax increase rather than deficit spending at this time.

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.

4. General fund debt: This is the ninth 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. However, if the stormwater fund is terminated, the general fund will assume all stormwater debt, amounting to \$307,000 in 2027. This debt obligation is split about evenly between two loans taken out for already-completed stormwater projects: the Walnut Street drainage basin improvements (debt expiring in 2046) and MS4-related drainage basin retrofits (debt expiring 2044):

	DEBT SERVICE
2023	2,545,553
2024	1,900,888
2025	930,507
2026	524,388
2027	535,539 (includes \$306,730 in stormwater debt transfer)

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 and reflects the township's continued population growth and economic development. A larger community requires a commensurately larger workforce.

The 2027 budget draft proposes to new full-time positions, with hiring slated for the middle of 2027:

1. Assistant Manager: The Board of Commissioners has discussed with me bringing back the assistant manager position, vacant since 2018. While this position could be tailored to candidates' experience and skills, typically its purview would be human resources, personnel, labor relations, civil service matters, and customer service "troubleshooting."
2. Information Technology Assistant (PPIS): This position, which has been discussed internally for several years, would relieve the PPIS director of many day-to-day IT responsibilities, with a particular focus on police technology.

Lastly in the area of full-time employment, the township's three union contracts (police, Teamsters, and AFSCME) expire at the end of the year with negotiations either on-going or starting soon. As a placeholder in the budget, we have built in a 3 percent across-the-board wage increase for all employees, pending the outcome of negotiations.

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 2027, we are projecting BTCC revenues to increase to nearly \$1.33 million, essentially 100 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 2027 capital spending is \$7.0 million, less estimated grants (\$3.2M), less fire tax fund contribution (\$2.1M), less estimated recreation fund contributions (\$468,000), less liquid fuels fund transfer (\$180,000), 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 (with funding sources):

- \$2.2 million for Johnston mansion renovations (\$2 million grants; \$200,000 from recreation fund);
- \$1.1 million (estimated) for the 50 percent payments due on delivery of two new firetrucks for Nancy Run Fire Company (fire tax fund transfer);
- \$1 million (estimated) for the 50 percent down-payment on a new aerial/ladder firetruck for Nancy Run Fire Company (fire tax fund transfer);
- \$420,641 for four police vehicles (projected grants and/or general fund);
- \$350,000 for Chetwin Park playground equipment replacement (projected grants and recreation fund);
- \$250,781.80 for 23 radios for Nancy Run Fire Company (projected grants);
- \$180,000 for a light dump truck (projected liquid fuels fund transfer);
- \$148,500 for leaf collectors (projected grants);
- \$123,117.96 for 12 radios for Bethlehem Township Volunteer Fire Company (projected grants);
- \$110,000 for replacement breathing apparatus for Nancy Run Fire Company (projected grants); the fire company anticipates similar requests the next four years as it replaces all such apparatus;
- 108,516.84 for Bethlehem Township Volunteer Fire Company EMS squad radios (projected grants).

Through 2025, the annual capital budget typically included all equipment purchases for which the township has requested state Local Share Account (LSA) local and statewide 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 few years, these grant requests have increased dramatically in total dollar amount. In 2023, we requested \$387,091.90 in LSA local grants and received \$403,054 (104 percent, one application received funds from two programs). By 2025, we requested nearly \$1.37 million in LSA local and state grants and received \$628,000 in awards (45 percent of requested amount). This year's requests for LSA local grants totaled \$689,000; the LSA statewide applications are due at the end of November.

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.

A final note on the LSA grants: Recent reports indicate gaming revenues are down at local casinos (theoretically due to competition from out-of-state casinos); if so, the pool for LSA grant awards could shrink accordingly.

Lastly, again due to the tightness of the overall budget, I have left unfunded several departmental capital requests; during discussions with staff, we identified these projects as “maybes” for 2027 with the possibility of being pushed back to 2028. These projects are:

- \$250,000 for replacement of two HVAC units at BTCC; these smaller units are still operating normally but will need to be replaced in the next few years;
- \$200,000 for repair of a sinkhole near the township’s yard-waste drop-off center; this repair was scheduled for spring 2027, so is not immediately urgent; the public works department will monitor and seek alternative remedies;
- \$80,000 for replacement of Nautilus-style weight machines at BTCC; these machines were scheduled for replacement in 2029, but were moved up due to a member complaint about rust; per BTCC staff the rust does not affect the operation or safety of the machines.
- \$60,000 for new shelving in the Community Development storage area; this project was originally projected to cost \$20,000, but a recent estimate came in at three times that amount; the department will investigate cost-saving alternatives.

7. Fire tax: The board increased the fire tax rate each of the last two years to accommodate the purchase of three new firetrucks in a relatively short time frame. The fire tax rate now stands at 0.575 mills and is expected to bring in \$561,856 in revenues in 2027.

As referred to in the capital budget section, 2027 fire tax expenses are expected to include approximately \$1.1 million in expenditures to pay the 50 percent final payments due on the delivery of two new firetrucks for Nancy Run Fire Company (one of those trucks was scheduled for 2026 delivery but has been delayed). Additionally, Nancy Run has asked the board consider moving up the purchase of a new ladder/aerial truck to 2027. This truck was originally scheduled to be replaced in 2035 when it would be at 20 years of service. The fire company estimates the cost of this new truck to be between \$2 million and \$3 million. As such, we have tentatively included a further \$1 million charge to the fire tax fund, representing a potential 50 percent down payment on this truck.

The possible combination of these three payments in one year will completely deplete the fire tax fund in 2027, most likely requiring the use of cash reserves to make the payments.

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 fund 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 2027 allocation is expected to be approximately \$812,000. 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 is no longer sufficient to support the township's road-paving plans.

The major expense in the liquid fuels budget is repair and repaving of township roads. 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 five years the township has budgeted approximately \$750,000 per year from the liquid fuels fund and the general 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 2027 budget proposes spending \$650,000 on road paving, with \$400,000 coming from the liquid fuels fund and \$250,000 coming from the \$900,000 settlement payment received recently from the developers of the medical office building at Easton Avenue and Farmersville Road.

The public works department monitors these roads and develops a prioritized multi-year paving schedule based on pavement conditions. The current schedule has eight projects spread out over the next eight years. The first project on the list, tentatively scheduled for 2027, is projected to cost \$850,000, the next project is projected to cost \$650,000. I recommend the board review the schedule to determine what project or projects should be done next year, understanding there is currently \$650,000 in available funding. Other funds could be made available by using cash reserves or other methods.

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 2027 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 in 2025 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 will build a new training space in the Coolidge Building when the county DUI center is finally 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 2027 dollars. It is mentioned here only as a long-range possibility. The township did submit in late 2025 a preliminary request to qualify for up to \$20 million in state funding for this project; but no action has been taken by the state legislature on this request.

11. Conclusion: As mentioned previously, this is a proposed spending and revenue plan for 2027. During three budget hearings and three regular public meetings scheduled over the next month, board review and public scrutiny are essential to the finalization of a township budget. I look forward to robust and substantive debate as we move forward through public review process.