

Middletown Township Board of Supervisors Budget Workshop

*October 19, 2020
7:00 p.m.*

1. Call to Order and Pledge of Allegiance

Mr. Ksiazek called the meeting to order at 7:05 p.m. All Board members were present along with the Township Manager Stephanie Teoli Kuhls, Finance Director Mega Bhandary, several department directors, and various staff.

2. Public Comment

None.

3. 2021 Budget Process

Ms. Teoli Kuhls outlined the agenda and explained the work completed to this point in the budget process. She also shared that a second budget workshop will be held in one week on October 26, 2020. The preliminary budget will be presented to the public on November 16 and final approval can be made at either the December 7 or December 21 meetings.

4. Overview of Proposed 2021 Budget

Ms. Teoli Kuhls shared that the COVID-19 pandemic and ensuing economic downturn has caused revenue shortfalls in 2020. The Township was able to maintain a high level of service despite anticipated loss of revenue. The proposed 2021 budget contemplates a similar budget to the original 2020 budget.

Ms. Bhandary shared that the Investment Fund is not shown in the overview since it is not considered an operating fund.

5. General Fund

Ms. Teoli Kuhls provided an overview of the General Fund including projections and trends in revenue and expenditures. She indicated that the Township was in the best possible financial position to respond to a struggling economy having recently earned a triple-A bond rating and a strong fund balance in the General

Fund. Since March, Township staff has been working to reduce operating expenses and defer capital projects. The positive impact of both the 2019 police early retirement incentive program (ERIP) and 2020 non-uniform ERIP is felt in 2020.

Since moving to the Delaware Valley Health Trust in 2020, the Township has been given a net insurance premium renewal of 3% for health insurance in 2021, which is significantly lower than the past several years.

The draft of the 2021 budget includes filling all vacant part-time and full-time positions, as well as contracted wage increases of 3.5%.

Ms. Bhandary shared that the Earned Income Tax (EIT) is expected to be the least-affected revenue source by the end of 2020.

Ms. Strouse asked if residents working for Philadelphia businesses who started working from home would still be required to pay the Philadelphia Wage Tax.

Ms. Teoli Kuhls shared that residents working for Philadelphia businesses from home would be able to pay the Middletown EIT and not the Philadelphia Wage Tax. Some Philadelphia businesses have made this change for their employees while others can account for this change when filing tax returns in the spring.

The largest revenue shortfalls are expected to be Amusement Tax, Real Estate Transfer Tax, and fees from permits and inspections. Ms. Teoli Kuhls added that the Cable Television Franchise Fee is likely to continue on a downward trend as more people move away from traditional cable services.

Ms. Teoli Kuhls shared a breakdown of the Township's Real Estate Tax millage. While reallocating the breakdown of the millage in recent years, the Township has not raised real estate taxes since 2010.

By the end of 2020, the Township is expecting a \$3 million shortfall in General Fund revenues, offset by a reduction in expenditures. The net General Fund shortfall is expected to be \$2 million.

Ms. Bhandary shared a three-year budget projection. Ms. Quirple asked why the revenues peak in 2021. Ms. Bhandary shared that a \$1 million transfer from the Investment Fund to the General Fund in 2021 causes this peak. Ms. Teoli Kuhls shared that a transfer from the Investment Fund would only be made if necessary.

6. Fund Balances

Ms. Bhandary shared the fund balances of all funds projected by the end of 2020. The Capital Fund balance reflects proceeds of \$2.9 million from the 2020 General Obligation Bond that has not yet been spent.

Mr. Valla clarified that the bond proceeds must be spent on infrastructure.

Ms. Payne inquired about the Country Club Fund.

Ms. Teoli Kuhls shared that the Country Club Fund contains the rent revenues from the Township's lease of the Middletown County Club.

In 2020, the budget will be balanced by reducing the fund balance of the General Fund by approximately \$2 million.

In 2021, the budget will be balanced by transferring \$1 million from the Investment Fund to the General Fund. By the end of 2020, it is expected that the Investment Fund will have a balance of \$4.5 million on top of the \$40 million principle.

7. Capital Project Priorities

Ms. Teoli Kuhls provided a list of all capital improvement projects with a recommended priority level to the Board of Supervisors. Projects will be discussed in detail at the next budget workshop.

8. Stormwater Authority

Ms. Teoli Kuhls shared the possibility of creating a stormwater authority to better address stormwater infrastructure needs. She added that stormwater management is a significant unfunded mandate made by the Commonwealth. The Township currently spends \$500,000 to \$1 million per year to address stormwater issues. She shared that the Township could designate a separate stormwater authority that has the option to levy a stormwater fee to fund improvements. She shared that this could free up the Township's funds for other projects.

Mr. Tosti expressed concern that a stormwater fee would in reality be a "rain tax." He also noted that if we participated in a consortium or group it would mean that our residents contributions might be spent in another municipality.

Ms. Teoli Kuhls added that fees are typically assessed equally to residents, or based on the amount of impervious surface on a given property.

Mr. Ksiazek asked about the leadership of the authority.

Ms. Teoli Kuhls shared that the Township could choose to create its own authority, or to consider joint ventures with other municipalities, or working by watershed. The Township would be able to appoint board members to lead the authority, which could be staffed by its own employees or by Township staff.

9. Other Business

Mr. Appleton of the Financial Advisory Committee shared that Middletown Township is receiving the largest share of COVID-19 relief granted by Bucks County.

10. Adjournment

Mr. Tosti moved to adjourn the meeting at 8:10 p.m., seconded by Ms. Quirple, carried by a vote of 5-0.