NORTH WHITEHALL TOWNSHIP
PRESENTATION OF THE FINAL 2021 BUDGET
December 8, 2020

CURRENT STATUS

The 2020 calendar year has created many challenges, most of which are associated with the COVID-19 pandemic. On March 20, the Township passed a disaster declaration in response to the spread of the Coronavirus. In August the Board of Supervisors passed a budget amendment to account for the COVID related loss of revenue (particularly earned income tax and local services tax) and the unexpected restricted land development revenue. To date, the Township has not seen a significant shortfall in revenue, in fact the year to date revenue has nearly matched the original budgeted revenue, however, as mentioned above that comparison is somewhat skewed due to approximately $1.5 million dollars of traffic and recreation impact fees from the North Valley Trade Center project.

On the expenditure side the Township staff took immediate action in March, putting a freeze on non-essential spending and hiring. The projected shortfall in tax revenue was accounted for by holding off on replacing an employee, capitalizing on material savings from a mild winter and forgoing planned road projects.

Another challenge faced in 2020 was Tropical Storm Isaias which hit the Township on August 4, 2020. The storm caused damage throughout the Township requiring a few weeks' worth of clean up and leaving Grist Mill Road closed due to structural damages to two culverts.

The Township is currently seeking funding from PEMA / FEMA for costs and damages associated with both the COVID-19 pandemic and Tropical Storm Isaias. Lehigh County has also notified the Township that it is eligible for funding under the Families First Coronavirus Relief Act. If acquired, these funding sources would be very welcomed, however it's difficult to determine if or when the funds mays be secured.

REVENUE OVERVIEW

The two largest sources of revenue for the general fund are Earned Income Tax and Real Estate Tax. Combined, they account for nearly 75% of the annual general fund revenue. Figure 1 below represents a summary of the earned income tax and property tax collected over the past five calendar years. In that period of time the total tax collected in these two line items has increased by approximately $270,000 which equates to slightly greater than 1% per year of the total annual revenue. This is far less than the increase in costs the Township has realized in that same time period, specifically for costs associated with employees, materials and services.



Figure 1

The remaining 25% of revenue varies annually and is generated from transfer and local services taxes (approximately 9%), cable franchise fees (approximately 4%), "pass through" reimbursements (approximately 4%), departmental earnings and interest. The 2021 departmental earnings include approximately $150,000 in recreation impact fees projected for Fairland Farms III and the Ridings at Parkland Phase II. These fees are restricted.

Here is a summary of the taxes collected by the Township:

General Property Tax millage - .5 mils
Farmland Preservation Tax millage - .1 mils
Total Property Tax millage - .6 mils (0.0006)
Realty Transfer Tax - 1/2 of 1%
Earned Income Tax - 1/2 of 1%
Local Services Tax - $52.00 from those who work in the Township ($47 to Township, $5 to PASD)

EXPENDITURE OVERVIEW

The projected expenditures in the proposed 2021 budget are designed to maintain or increase the level of service provided to the residents and employers of the Township. Those services include maintenance of roads and bridges, maintenance and improvements to park and recreation assets, planning and code enforcement, yard waste recycling and emergency management services.

Day to day operation of the Township is split into four primary departments; Administration, Public Works, Planning and Zoning. The Township currently employs sixteen full time employees, three part time employees and several seasonal employees. The proposed budget anticipates hiring a full-time employee in the Public Works department to replace an employee that left in 2020, hiring a full-time employee to serve as an administrative assistant for Planning, Administration and Public Works as well as hiring seasonal employees for the summer. Costs associated with salaries, taxes, insurance and benefits comprise over 40% of the annual budget. The Township is currently negotiating with the Public Work's Collective Bargaining Unit whose contract expires at the end of 2020. Each department is highlighted below.

Administrative Department

The Administrative Department is comprised of the Township Secretary / Treasurer, the Administrative Assistant and the Township Manager. This department is responsible for accounts receivable, accounts payable, supporting the Board of Supervisors, financial management, human resources, insurance administration, preparation and submission of annual reports, information technology, administration of the Street Light Fund, administration of the Sewer Fund and the associated billing of collection of those funds.

The proposed budget anticipates the hiring of a full-time employee to provide assistance to this department (as well as the Planning and Public Works departments). The new employee would provide clerical assistance to the Township Manager.

Planning Department

The Planning Department works closely with the Zoning Department and is comprised of the Planning Administrator and a part time Planning Assistant. This department is responsible for subdivision and land development, permit processing and documentation, parks and recreation, the newsletter, yard waste recycling cards, general reception and providing support to the Planning Commission, Senior Day and Veterans Day.

This department has seen significant growth over the last few years. Despite the downturn associated with the COVID-19 Pandemic the department is on pace to exceed their record 2019 workload. Figure 2 below illustrates the increase in subdivision and land development activity by depicting the number of planning commission meetings held each year since 2015. Subdivision and land development activity ultimately leads to an increase in permit activity which is discussed under the Zoning Department.



Figure 2

As previously mentioned, the proposed budget anticipates the hiring of a full time employee to provide assistance to this department. The goal is to move the current Planning Assistant to a receptionist role with reduced hours. The new employee would be responsible for (in part) the newsletter preparation and parks and recreation scheduling.

Zoning Department

The Zoning Department consists of the Zoning Officer and is supported by the Planning Administrator. This department is responsible for ensuring compliance with applicable Township ordinances, issuing permits, reviewing Subdivision and Land Development Plans, communicating reviews with the Planning Commission, building and property maintenance code enforcement, investigating and responding to complaints, managing the Third-Party inspection agencies and providing support to the Zoning Hearing Board.

The Zoning Officer position was created in January 2020 and has become a great asset to the team. From February 1, 2020 to date, the Zoning Department has recorded a total of 81 "Request for Code Services". All of the 81 complaints were acted on, 70 of those complaints were resolved. This equates to an 89% clearance rate and an average of 11.5 requests per month. The Zoning Officer has implemented new procedures and protocol which have increased efficiency. He has also identified sections of ordinances that are in need of updates. The volume of permits has increased to over 800 annually (projected to meet or exceed 800 in 2020). The increase is depicted in Figure 3 below.

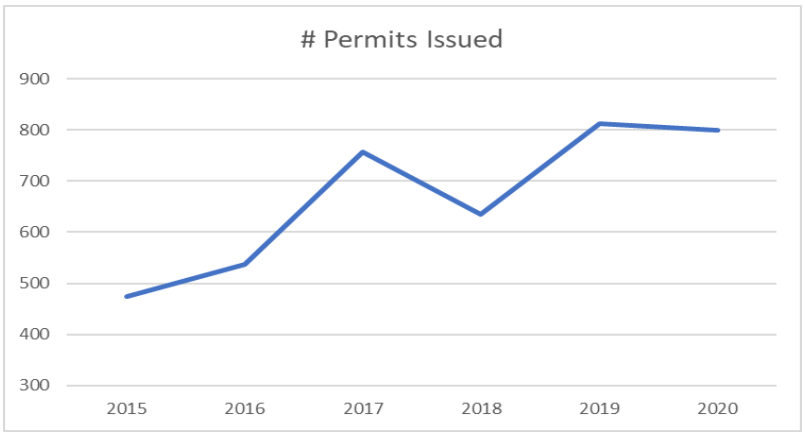


Figure 3

Public Works Department

The Public Works Department consists of the Director of Public Works, three Crew Leaders, seven full time Crewmen and three part time employees. The department also brings on seasonal employees in the summer to help with park maintenance. This department is responsible for winter / summer maintenance of nearly 120 miles of roadway and trails, maintenance of nearly 100 acres of parks and trails, maintenance of municipal buildings and grounds, maintenance of the fleet of equipment and operation of the yard waste facility.

As development continues to occur, the burden on the Public Work Crew continues to grow. With new development comes additional roadways to plow and storm sewer systems to maintain. The crew is equipped to self-perform many projects, which ultimately saves money for the Township.

The proposed budget anticipates the hiring of a full-time employee to provide assistance to this department. The new employee would provide clerical assistance to the Director of Public Works.

2020 ACCOMPLISHMENTS

Despite the challenges before them, the Township staff can boast significant accomplishments in 2020. They are highlighted below.

1. The Girl Scout projects (Dog Park & Accessible Playground) at Kolapechka park were completed in August.
2. Security upgrades including access control, security cameras and a security system were installed at the municipal complex.
3. In the absence of a full-time yard waste coordinator due to retirement, the operational model of yard waste facility was updated to require less manpower. This includes the issuance of over 2,000 yard waste permit cards to residents.
4. A new sewer billing system was put into placing, saving at least 16 manhours per billing cycle.
5. The codification process is nearing completion.
6. A new employee handbook is prepared and currently under review of the Township Solicitor.
7. Several IT improvements were implement including a new remote working platform, a new phone system, high speed internet and a new server.
8. HVAC improvements were installed in the administrative office.
9. The Township website was updated and a new social media platform was created, both in an effort to be more transparent and provide up to date information to those doing business with the Township.
10. A new message sign was installed in the front of the municipal complex.
11. Significant progress was made with the submission of the Township's MS4 permit and progress reports.
12. The safety committee has been reconvened and a high priority is being placed on workplace safety and a reduction in injuries and subsequently, a reduction of insurance premiums.
13. Two grants were obtained, the first a $1,200 Main Street Grant from the Chamber of Commerce and the second a nearly $7,000 grant from the PA Municipal Internship Program for a summer intern.
14. A $40,000 matching DCED Commonwealth Community Partnership Program for a park, recreation and open space plan update was awarded to the Township.
15. The zoning department made progress with enforcement of the property maintenance code, obtaining compliance on a few properties that have historically drawn complaints.
16. The GIS program had laid dormant for a number of years. The program was resurrected in 2020, securing new software and opening up online capabilities for Public Works and Zoning. Maps and data layers were updated and created.

17. The street light account was audited and all street lights were inventoried on GIS by the summer intern. The audit recognized billing opportunities which were forwarded to the tax collector.
18. The Public Works fleet added two new pickup trucks, a new all terrain utility vehicle for park and trail maintenance and a new tracked skid steer loader.

2021 CHALLENGES

The Country as a whole is still in the midst of a global pandemic. There is a presidential election in November 2020. Predicting what could happen in 2021 is truly anyone's guess. The proposed 2021 budget is based on historical revenues and expenditures. In preparing the budget, the staff attempted to balance the historical figures with immediate needs as well as future needs. The evolution of the COVID-19 pandemic as well any economic downturns that could be associated with the election create uncertainty, however the budgeted revenue has been projected based on historical revenue and adjusted slightly based on what we've experienced in 2020 due to the pandemic. I feel that there are four key items that could have major impacts on the Township's budgets over the following five years; sluggish growth of tax revenue, infrastructure improvements (specifically bridges owned by the Township), unfunded mandates (specifically the MS4 permit) and park and recreation improvements.

As mentioned in the Revenue Overview above, nearly 75% of the annual revenue is generated by earned income and property taxes. Over the past five years, with the exception of the Farmland Preservation tax, these taxes have only grown at a rate of approximately 1%. This has not kept pace with the rate of inflation which raises concern for the future. This budget does balance revenue and expenditures and does not propose to dip into General Fund reserves but as we move forward the reserve may be required to bridge the gap.

This budget includes a line item for the Township Engineer to perform inspection of all of the Township owned bridges and prepare a report containing recommendations for future repair, improvement or replacement of the bridges. The report will afford the Township the ability to plan future capital improvements.

This budget also includes funding for the completion and submission of the Township's MS4 permit renewal. This unfunded mandate will require several projects to reduce sediment load discharge into receiving waters. Depending on the scope of the permit, this item could require significant expenditures over the next five years to meet the conditions of the permit.

Lastly, the Township is experiencing growth in the residential and commercial sectors. This growth will likely bring with it a need to upgrade or expand the existing park and recreational offerings. This budget includes funding for an updated to the existing park, recreation and open space plan which is ten years old. The funding assumes that the Township is successful in obtaining a matching grant which was filed in the Spring of 2020. Once the update is completed, the plan will provide recommendations for future upgrades and expansions.

The 2021 budget will carry the Township through an important year in which the major goal will be providing a foundation to make sound financial decisions based on the future needs of the Township as it continues to grow. Successful completion of the bridge study, the MS4 permit process and the update to the park, recreation and open space plan will be key to creating that foundation.

The following 2021 Preliminary Budget and Fiscal Plan is being presented to the Board of Supervisors for review and adoption.

GENERAL FUND

2021 General Fund Revenues are projected at $4,824,450. (2.9% increase over 2020 base budget)

The Earned Income Tax continues to be the major source of revenue for the General Fund accounting for 57% of the revenues. The next highest source of income is the Real Estate Tax which accounts for 16% of the revenues.

2021 General Fund Expenditures are budgeted at $4,824,450.

Public Works / Roads are projected to total $1,330,534 or 33% of the General Fund Expenditures. This constitutes the largest percentage of the expenditures.

The General Fund budget includes the following new line items, increased funding or revisions:

1. 01-400.1500 & 01-414.1300 propose the addition of a full-time planning / public works assistant as discussed above.
2. 01-400.2445 $5,000 has been allocated for employee development, particularly leadership training.
3. 01-411.1000 Fire Company Contributions has been increased by $4,000 ($1,000 per company).
4. 01-412.5400 Ambulance Contribution has been increased by $2,000 to a total of $62,000.
5. 01-414.2450 $75,000 was earmarked for a comprehensive plan update.
6. 01-436.2100 MS4 Program maintains $75,000 in funding. The Township needs to finalize the permit submission and obtain it's permit in 2021. Permit approval will have a large bearing on future capital MS4 projects which are required to comply with the permit. Once identified these projects will be budgeted in the Capital program.
7. 01-438.0060 $10,000 was budgeted for upgrades to the yard waste facility including concrete repairs, electricity, etc.
8. 01-452.1200 has budgeted for four summer seasonal employees.
9. 01-458.5000 allocates a $40,000 match for the C2P2 grant awarded to the Township by DCED to update the Park, Recreation & Open Space Plan.
10. 01-492.3100 Road Machinery Transfer budgets $135,000 to be transferred to the Road Machinery Fund.
11. 01-492.8000 Capital Projects Transfer budgets $135,000 to be transferred to the Capital Fund.

OTHER FUNDS

STREET LIGHT FUND

The Street Light Fund is a special purpose fund, which maintains streetlights in various neighborhoods. The properties benefiting from these lights pay an assessment. This fund was audited internally in 2020. The audit discovered approximately $6,000 in assessments that had not been billed since the turnover of the Tax Collector position. The current fund balance (8/31/20) is $73,752. The total budgeted revenue for this fund is $66,700 and the total budgeted expense for this fund is $65,000.

SEWER FUND

The sewer fund is an enterprise fund for the operation of the public sewer system owned by the Township and operated and maintained by the Public Works Department. It is a gravity system which for the most part was installed in the 1990's. The fund has experienced minimal operating expenses up to this point, but the Township is planning to evaluate the system in detail, beginning with hiring a contractor to inspect the condition of the lines and manholes and submit a report and recommendations for future repairs and capital projects. The inspection has been put on hold until the DEP approves the "Interim" Act 537 plan update

that was submitted by Lehigh County Authority for the Klines Island Sewer System in 2020. After operating at an average deficit of 15% in 2018 & 2019, the rates were increased for 2020. There are still two billing cycles to collect so the impact of this increase will be calculated at the end of the calendar year.

Of the current $348,548 fund balance, $196,599 is set aside for system repair and maintenance. The projected revenue and expenditures are balanced at $206,500.

STATE LIQUID FUELS FUND

The Liquid Fuels Fund supports street and road maintenance and improvements. Funding is received from the state based on Township road miles and population. As such, this fund is audited by the Commonwealth. The current balance is $26,162 which the contracted costs expended on remaining 2020 road program projects. In 2021 the Township has been notified that it will receive $622,550 in Liquid Fuels funds from the Commonwealth. This is an 8.5% reduction due to state budget shortfalls associated with the COVID-19 pandemic. A total of $623,000 in street and road maintenance expenses are projected for 2021. Total road and street maintenance expenses are expected to exceed $623,000 and are included in line item 01-438.000 "Road Maintenance / Supplies" in the General Fund.

ROAD MACHINERY FUND

These funds allocate monies for the purchase of vehicles and major equipment. The current balance as of 10/31/20 is $359,821. The projected funding for this fund includes interest earnings ($3,000), sale of used equipment ($15,000), money from the recreation fee fund ($15,000) and a $135,000 transfer from the General Fund totaling $168,000. The final step in replacing the small vehicle fleet will see a pickup and a utility truck purchased in 2021. Other planned expenses include debt/lease payment for the 2020 rubber tracked skid steer, 2019 backhoe and 2019 Freightliner dump truck. The budget also includes the replacement of a zero turn mower. Beginning in 2021, in an effort to minimize financing larger purchases, the budget includes funding for future replacement of units #1, #5 and #9. Public Works is continuing to experience a need for a jet/vacuum truck, specifically for stormwater related matters. Since the staff has just begun researching the equipment, that purchase is not included in this budget, but is anticipated for 2022.

The total projected expenditures of $390,200 will leave a reserve of $137,621.

EMERGENCY SERVICES LONG TERM CAPITAL RESERVE FUND

This fund was developed with the intent to assist our ambulance corps and the 4 fire companies with the purchase of vehicles through a Township grant program. The current fund balance is $509,639. The projected revenue is $106,000 which includes a $100,000 transfer of revenues from the General Fund and $6,000 in interest. No expenditures are projected for 2021 leaving a fund balance of $615,639.

CAPITAL PROJECTS FUND

The Capital Projects Fund is funded by the General Fund and its purpose is to plan for large projects and upgrades to minimize the budget implications that large projects may impose at any one time on the General Fund. The current fund balance is $1,464,415. The proposed budgeted revenue is a $622,800 which includes interest, a $135,000 transfer from the General Fund, $471,800 from the traffic impact fund and $15,000 from the recreation fee account.

Proposed 2021 expenditures for this fund total $1,210,000 and include remaining security upgrades, heating and cooling upgrades at the municipal complex. The most significant project included in the 2021 Capital Projects fund is the Route 309 / Independence Drive / Pennsylvania Avenue improvements project associated with the North Valley Trade Center (paid for by developer impact fee). Additional

expenditures include Park Valley Road bridge engineering and replacement, drainage improvements and a bridge inspection program.

The projected reserve fund balance as of December 31, 2020 is $877,215.

FARMLAND PRESERVATION FUND

The Farmland Preservation and Open Space Fund began accruing funds in 2020 in accordance with passage of the May 2019 referendum which assessed a 0.1 mil property tax for purposes of farmland and open space preservation. The current balance in that account is $138,616. The projected revenue for 2021 is $145,000. The Farmland Preservation Committee has set up a website and begun to formulate a plan for preservation of farmland and open space. Currently, no expenditures are projected in 2021.

NWT PIB PROJECT FUND

This fund dates back to a loan which was taken out for a previous project. The current fund balance is $462,370. The outstanding balance of the loan is $747,317 at a 1.65% interest rate. The annual principal and interest payments are allocated in the General Fund. The loan is scheduled to be satisfied after the 2023 payment. To pay off the loan a total of $284,947 would need to be taken from the General Fund reserve. Paying off the loan in 2021 would result in a savings of approximately $17,000 of interest in the next 3 years. At their November 2, 2020 meeting, the Board of Supervisors approved paying off the loan.

2021 FINAL BUDGET SUMMARY

The draft General Fund budget as proposed at this is balanced and as such, I do not recommend an increase in Township Real Estate tax, however this is at the discretion of the Board.

The municipal staff and officials are dedicated to continuing to closely monitor the fiscal health of the Township and make necessary improvements for providing quality service in the most efficient and cost-effective manner possible.

The 2021 proposed budget is hereby presented for the Board of Supervisors' review and approval.

The draft preliminary budget was approved at the November 2, 2020 Board of Supervisors meeting. This budget was properly advertised and available for public inspection for at least 20 days prior to adoption. The 2021 budget was adopted at the December 7, 2020 Board of Supervisors meeting.

I want to thank the Supervisors and the Township staff for all their time and effort involved in assisting in the preparation of this budget.

Christopher Garges
Township Manager
North Whitehall Township