



POCONO TOWNSHIP PROPOSED FY 2021 BUDGET

Presented by Taylor Muñoz, Township Manager

November 16, 2020

Date: November 16, 2020

To: Pocono Township Board of Commissioners

From: Taylor Muñoz, Pocono Township Manager

Subject: FY 2021 Proposed Budget

INTRODUCTION

On behalf of Pocono Township's administration, please accept the Township's proposed 2021 Budget and accompanying budget message for public review and consideration.

2020 was an unprecedented year as Pocono Township worked diligently to address logistical, financial and health concerns caused by the COVID-19 pandemic. While Township revenues decreased due to the pandemic, the Township leveraged attentive fiscal management and spending controls to mitigate the negative impact.

Our continued focus is to "live within our means" as a Township - exercising spending restraint while funding our critical Public Safety, Public Works and Recreation needs.

The Township Board of Commissioners continues to unfold a vision for the Township where we proactively address infrastructure issues, support our local Police Department, utilize the in-house talent of our Township Public Works Crew to save costs and invest in our parks to provide recreational opportunities for our citizens.

Please review the following narrative regarding the proposed budget.

2020 SUMMARY

While 2020 revenues have remained relatively stable, Pocono Township experienced losses in its three primary revenue categories: the real estate tax, the earned income tax (EIT) and the Local Services Tax (LST).

Real Estate Tax: To assist the residents of Pocono Township during the COVID-19 pandemic, the Board of Commissioners voted this past summer to extend the real estate tax 2% pre-payment discount period through the end of August and to not assess any late payment fees on residents through December 31. This was of great benefit to the Township taxpayers. On the Township financial end this means that, unlike previous years, more tax bills were discounted, and the Township received no late fees to help offset the pre-payment discount. This negatively impacted our real estate tax receipts. We project ending the year with a real estate tax collection rate of approximately 95% of what was originally anticipated.

Earned Income Tax: The Township's EIT has remained relatively stable, despite disruption to area employment due to COVID-19. We anticipate ending the year at approximately 95% of our anticipated EIT revenues.

Local Services Tax: The Township was hit hardest in its LST collections, which may be a direct result of COVID-19 unemployment or temporary furloughs. LST is collected from area employers in the form of \$1 per employee for every week worked. As of the date of this presentation, the Township has received roughly 60% of our budgeted LST for 2020.

Other Revenues

Despite the revenue losses experienced in the Township's three largest sources of revenue, income received from zoning and building permits have outpaced expectations for the year and helped offset losses. The Township also received some grant funds to reimburse COVID-19 related expenditures.

Impact of the County Reassessment

Pocono Township has experienced a significant negative financial impact due to Monroe County's 2019 Reassessment. At the end of 2019, Monroe County provided the Township with its updated 2020 Total Assessed Value, which represents the cumulative value of all taxable properties in Pocono Township and is used to calculate the Townships millage (tax rate).

Throughout the course of 2020, many properties - primarily commercial properties - appealed their County assessments and received significant reductions in their real estate tax. The County granted appeals to numerous properties and lowered Pocono Township's assessed value so significantly that, if the Township keeps its 2020 tax rate, we will face a 6.4% revenue loss in the Township's budget.

To offset the negative budgetary impact of Monroe County granting property tax appeals to commercial properties, Pocono Township will need to adjust the millage rate upward just to break-even with expected 2020 real estate tax revenues.

FY 2021 PROPOSED BUDGET

General Fund Revenue

- Pocono Township received its certified 2021 Total Assessed Value from Monroe County of \$1,395,224,060.00. This is the total value of all taxable properties in Pocono Township and is used to compute the value of one mill, which equals \$1,395,224.06 in real estate tax revenue. This amounts to a 6.4% loss in revenue for the Township due to successful property tax appeals following the 2019 county-wide reassessment. To offset the Township's loss in assessed value and increases in personnel costs, the Township millage rate will move from 2.109 mills to 2.16 mills.

Please Note: This is equivalent to an annual tax increase of \$10 on a \$200,000 home.

- Historically, Pocono Township has provided the Pocono Township Volunteer Fire Company with \$218,000 per year from the Township's General Fund. In response to significant and increasing financial concerns, the Pocono Township Volunteer Fire Company requested that the Township establish an independent fire tax for 2021 to fund future fire operations. The Township has proposed a fire tax millage rate of .201 to provide a total of approximately \$280,000 in funding to the Fire Department. By moving funding for the Fire Company's operations to an independent fire tax, the Township removes \$218,000 from the Township General Fund budget and provides a funding increase to the Fire Company to support their ongoing operations. The fire millage will offset increased operating costs, equipment costs, training needs and decreased fundraising revenue.

Please Note: The fire tax is equivalent to \$40.20 annually on a \$200,000 home.

- In 2020, the Township implemented a new Amusement Tax at a rate of 3% on all amusements within the Township. This user-based tax will largely be paid by tourists attending local attractions and will help offset the Township's Police and Public Works costs (including damage to Township-owned roads and bridges), much of which is driven by a high transient population. The Township has projected using approximately \$600,000 of Amusement Tax revenue to close the operating deficit in the Township's General Fund budget. The Board of Commissioners implemented the Amusement Tax to lessen the financial burden on local taxpayers and ensure the transient tourist population shares in the cost of the Township's critical services.
- In 2020, revenues received from building permits far outpaced the Township's original projections. There was a dramatic increase in homeowners undertaking a variety of projects, including installing decks, pools and additions on their homes. We anticipate continued strong activity in building permits for 2021 and have increased the projected revenue for the Township.

General Fund Expenditures

- Increases in General Fund budget expenditures are largely dictated by the collective bargaining agreements with the Township Police Department and Public Works Department. Per the union contracts, 3% salary increases have been budgeted across the board. Health insurance cost increases have been budgeted at 4%, which reflects historical trends.
- Pocono Township settled a four-year contract with the Police Department in 2020, which lowered the retirement age from 55 to 53. The lowering of the retirement age requires that the Township contribute an additional \$42,125 to the Police pension for 2021. The Township is also beginning the hiring process for three new officers to fill two existing vacancies and the anticipated retirement of an additional officer.
- Department heads worked to keep all non-personnel line items neutral, with reductions made where possible. The cost of contracted services remains virtually the same for our legal and engineering services. The Township projected additional cost associated with Zoning services, as both commercial and residential project activity have increased within the municipality.

Capital Reserve Fund

- The 2021 Capital budget continues to move the Township toward the leasing of both public works and police vehicles. Before any further capital expenditures are considered, the Township must cover its leasing costs for five dump trucks. In addition, the Township will lease three (3) new police interceptors for 2021 through Enterprise Fleet Management. By moving towards a managed lease arrangement, instead of purchasing vehicles outright, the Township will better manage cash flow. In addition, Enterprise will provide critical expertise in terms of purchasing power; managing repair and maintenance costs; and selling used vehicles at the end of their three-year lease, maximizing the Township's return on the vehicles' residual value.
- The Township continues to play catch-up in replacing equipment that has outlasted its useful life, much of which is over a decade old. The capital budget provides for the purchase of a new, or "new-used," boom mower - one of the machines used to mow the 80 miles of Township-owned roads. The budget also provides for a new asphalt roller to use in lieu of our existing unit, which has become a safety concern. A bucket truck is also included in the budget to allow our Public Works Crew to better remove dangerous trees and safely service any issues on Township roadways.
- Pocono Township continues to make progress in paving 10% of the Township roads each year and, to meet the requests and concerns of residents, maintains one of the most aggressive paving schedules in the County. The Township again plans to pave over eight (8) miles of roads in 2021.
- Continued capital investments will also be considered for modernizing Township buildings and improving record retention. The Township plans to repair roof leaks in the municipal complex and continue IT upgrades to the computer system. In addition, the Township will

look to contract with Scantek to begin an extensive process of digitizing township files to reduce reliance on print documents and better preserve critical documents in the future.

- The 2021 Capital Reserve reflects grant monies received for significant infrastructure projects and the Township will continue to apply for additional grant funds to improve our roads and parks.

Liquid Fuels Fund

- Liquid Fuels funds received from the Commonwealth will be used for the sole purpose of paving Township roads. Due to reduced revenues from the state because of COVID-19, Pocono Township has been informed to expect approximately \$50,000 less in Liquid Fuels monies for 2021. We anticipate receiving a total of \$425,000 from the state.

Sewer Operating & Construction Funds

- Pocono Township's Sewer Fund is financially sound. Revenues from sewer fees continue to cover needed expenditures. The Township continues to engage in routine and preventative maintenance to ensure the system's function. Capital projects will focus on replacing pumps and valves; constructing additional sewer laterals; and ensuring the safety of pump station facilities. In addition, the Township plans to construct a new pole building in the municipal complex to house sewer system equipment and provide a work area for necessary sewer projects.

**EXHIBIT 1 - FY 2020 SUMMARY OF
FUNDS**

EXHIBIT 2 - FY 2021 PROPOSED MILLAGE RATE

Total Millage Rate				
1 Mill	Township Millage Rate	Fire Tax	Total Millage Rate	Total Township Real Estate Tax
\$ 1,395,224.06	2.16	0.201	2.361	\$ 3,294,124.01

Total Additional Cost to Taxpayer - FY 2021		
Property Value	Total Township Millage Rate	Total \$ Increase over FY 2019 (Annual)
\$150,000	2.361	\$37.80
\$200,000	2.361	\$50.40
\$250,000	2.361	\$63.00

EXHIBIT 3 - FY 2021 TOWNSHIP REVENUES

2021 SOURCES OF REVENUE

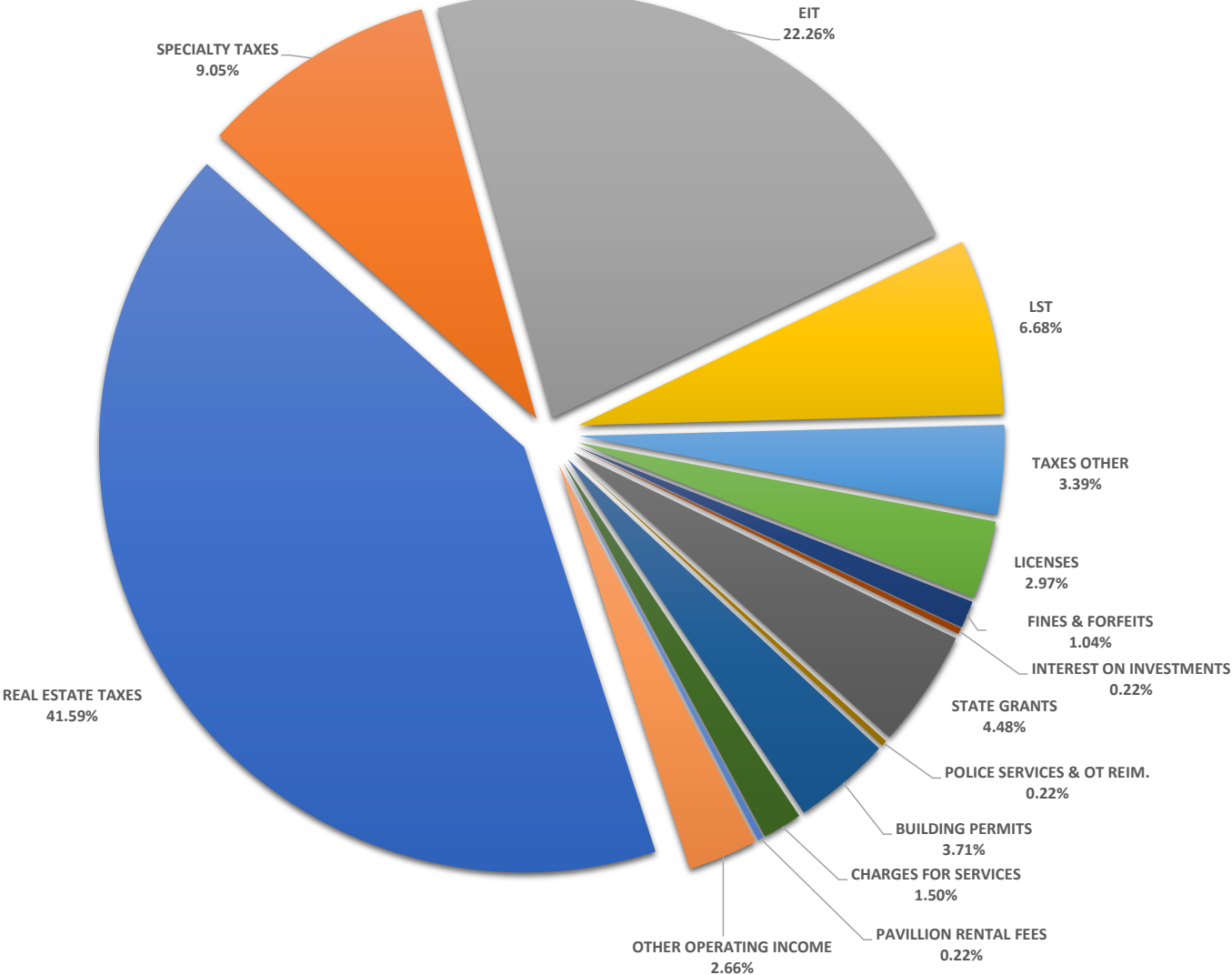
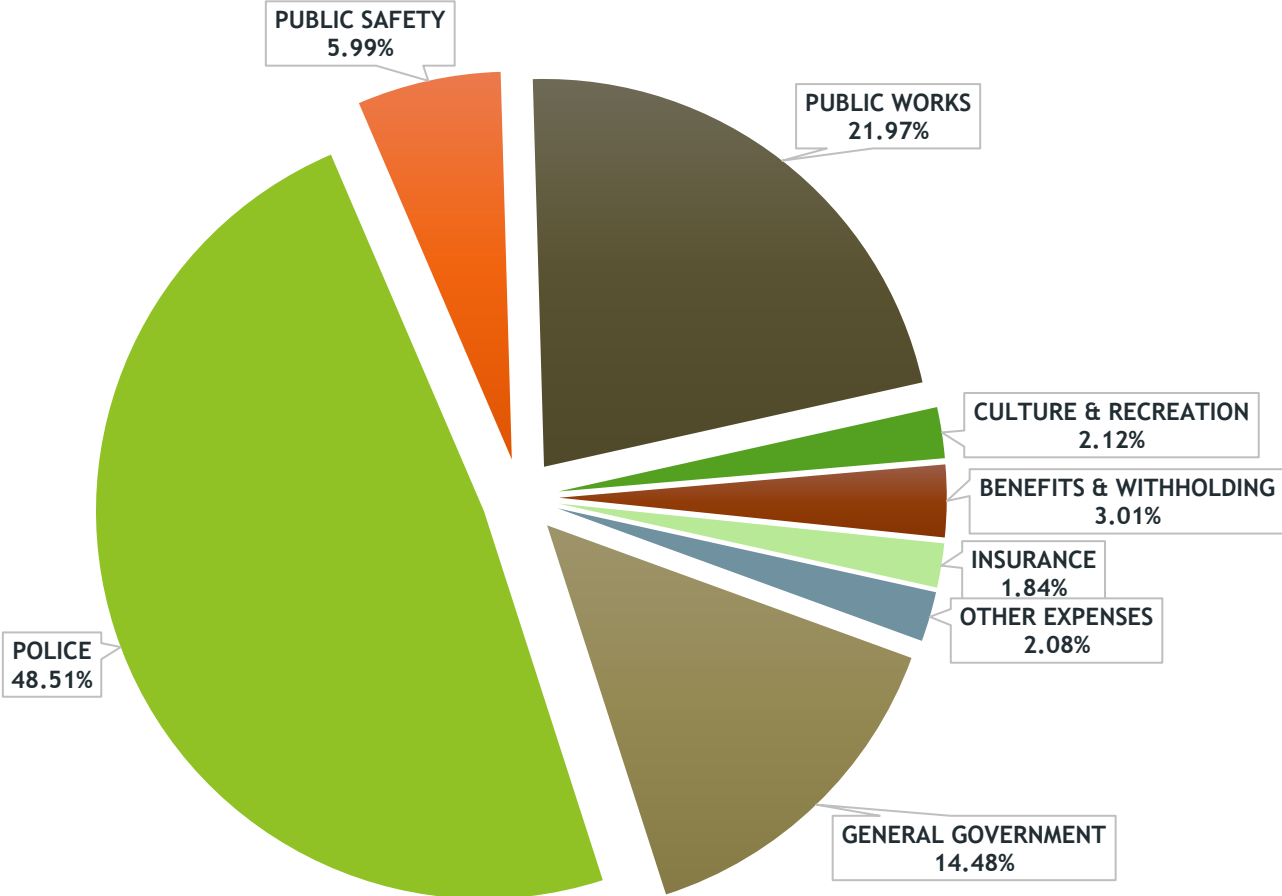


EXHIBIT 4 - FY 2021 TOWNSHIP EXPENDITURES

2021 SOURCES OF EXPENDITURES



FY 2021 PROPOSED BUDGET
GENERAL FUND

FY 2021 PROPOSED BUDGET
CAPITAL RESERVE FUND

FY 2021 PROPOSED BUDGET
LIQUID FUELS FUND

**FY 2021 PROPOSED BUDGET
SEWER OPERATING FUND**

**FY 2021 PROPOSED BUDGET
SEWER CONSTRUCTION FUND**