

**BOROUGH OF MACUNGIE
2018 BUDGET SUMMARY**

The Borough of Macungie Council, Mayor and Water Authority present a budget for 2018 that continues a tradition focused on service to the community.

The 2018 budget of programs and services presented includes a .5 mill real estate tax increase, from 3.5 mills to 4 mills. One mill of tax revenue equates to \$228,978 for the Borough of Macungie. Sewer and water rates will remain the same in 2018. There is a decrease in the refuse fee due to the new contract approved in October of 2017 with Advanced Disposal. The tax increase is necessary to continue providing the services to our residents and maintain aging infrastructure.

Property Value	2018 Real Estate Tax Bill	Increase from 2017 Tax Bill
\$100,000	\$400.00	\$50.00
\$125,000	\$500.00	\$62.50
\$150,000	\$600.00	\$75.00
\$175,000	\$700.00	\$87.50
\$200,000	\$800.00	\$100.00

The projected fund balances, which include the beginning cash balances and expenditures for 2018 are as follows:

Fund	2018 Revenues	Beginning Cash Balances	Total 2018 Revenues	2018 Expenditures
General	\$2,525,975	\$300,000	\$2,825,975	\$2,825,894
Water	\$823,313	\$200,000	\$1,023,313	\$863,044
Sewer	\$1,640,871	\$326,123	\$1,966,994	\$1,955,691
State Liquid Fuels	\$84,185	\$84,852	\$169,037	\$109,574

In addition to the above funds, the following fund balances are projected for the end of 2017:

- Contingency Fund balance is \$192,451;
- Debt Service Reserve Fund balance is \$29,800;
- Bond Redemption and Improvement Fund balance is \$145,000;
- Sewer Fund Capital Account balance is \$358,128;
- General Fund Capital Account balance is \$118,000;
- Real Estate Capital Account balance is \$7,365;
- Recreation Fund Account balance is \$6,339;
- Stormwater Management Account balance is \$58,978
- GF Capital Loan Fund balance is \$150,000

General Fund

Other than the tax increase, the General Fund revenue anticipated in 2018 doesn't increase from 2017. Per Capita, Local Services Tax and Earned Income Tax are not expected to increase. \$15,000 in revenues are included from the sale of public works equipment, backhoe, pickup truck and leaf collection machine. Solid waste revenue decreased by \$81,306 due to a new contract being sign in October. There

are no funds budgeted to be transferred from the General Fund Capital Account in 2018. Overall the total revenues budgeted for 2018 are \$146,985 less than 2017.

The Borough continues to pursue grant funding for Borough projects and operating expenses to offset taxpayer dollars. Included in the 2018 General Fund budget is \$576,408 in grant funding which includes:

- \$542,288 in TAP grant funding from the State to install streetscape improvements on Main Street, between the railroad crossing and Pine Alley;
- \$2,500 from Air Products for operating expenses at the Macungie Institute;
- \$7,820 from DEP for the Recycling Performance Grant;
- \$24,300 of CDBG funding for ADA ramp improvements;
- \$2,000 from the Lehigh County Chamber Foundation toward a sign at the Macungie Institute.

In January 2018, the traffic light at the intersection of Church and Main Street will go into operation bringing to a close the Borough's three (3) capital improvement projects. The first capital project was the reconstruction of Lumber Street and the second capital project was the reconstruction of Cotton Street. It is with Borough Council's vision and decision to obtain a capital loan that these needed improvements to the Borough were able to be completed. Borough Council's vision is to continue moving forward with the Main Street Streetscape Improvements to make Main Street walkable and safe for pedestrians. However, these improvements will be completed through grant funding.

The Southwestern Lehigh County Comprehensive Plan Committee was completed in 2017 and adopted by the participating municipalities; Emmaus, Macungie and Alburts Boroughs, Lower Macungie, Upper Milford and Lower Milford Townships. A committee, consisting of representatives from each municipality, will start meeting to implement the plan in 2018.

Over the past several years the Borough has undertaken some major building projects at the Macungie Institute, Borough Hall and the Borough Garage. An emergency backup generator was installed at Borough Hall and the Borough garage for Well #1 in 2015 and the roofs were replaced at Borough Hall and the Macungie Institute because of winter storm damage. Both heating systems at the Borough garage and Borough Hall have been converted to gas for energy efficiency. In 2016 a chimney lining was installed at the Macungie Institute to stop the brick and mortar deterioration from the moisture and the chimney was repointed after the lining was installed. Over a two-year period (2016-2017) the windows were replaced at Borough Hall. In 2018 the Police Department windows are budgeted to be replaced. There is still more work to be done. A new heating and air conditioning system is needed at the Macungie Institute at an estimate of \$73,000 and the air conditioning units need to be replaced at Borough Hall at an estimated of \$34,000. These units are currently working at both location so Borough Council committed to budgeting money for the General Fund Capital Account for these items in addition to funds for the police car and renovations to the police department. Minor building maintenance is proposed to change the parking lot and exterior building lights to LED at both the Macungie Institute and Borough Hall.

With the amount of building maintenance being needed and the proposed renovations for the Police Department, Borough Council has decided to hire a consultant to evaluate the use of the Borough facilities and make a recommendation on how they should be utilized in the future before any funds are spent on capital improvements to the buildings.

With the retiring of the Macungie Institute Building Coordinator, the position was changed from a full-time position with benefits to a part time position of 25 hours per week with no benefits. This

change saved the Borough approximately \$35,000 and decreases the budget deficit for the Macungie Institute.

In 2018 a new Collective Bargaining Agreement with the Macungie Police Department goes into effect. This is a 4-year contract that includes 3.25% wage increase annually; increases in Short Term Disability benefits; life insurance, longevity pay; and the amount of comp time accumulation allowed. The definition of hours worked for overtime now includes vacation time. Court time will not be considered overtime for compensation purposes. The definition of holiday hours has been redefined for compensation purposes. The maximum amount of vacation days that can be carried over into the next year has been defined and officers can request to have vacation time paid out prior to December 1st. Uniform Allowance and shift differential have been amended to address payment if an officer is on disability or unpaid leave. The requirement was added that officers must use 50% of their sick leave before using short term disability benefits. And, new hires after January 1, 2018 will be required to contribute 5% of their wages to the Pension Fund.

The Borough continues to participate in the Pennsylvania Municipal Health Insurance Cooperative and receive significant savings. The Borough's 2018 health insurance premium only increased 3%.

This 2018 budget includes a \$4,500 increase for legal fees and \$49,500 increase for engineering fees, which include \$5,000 for permits, \$20,000 for reimbursement engineering bills, \$25,000 for general engineering, \$5,000 for the NPDES permit work, \$50,000 for the Main Street Streetscape and \$11,500 for CDBG ADA ramps.

As part of the Borough's MS4 Stormwater Management Program, we are required by PaDEP to prepare and implement a Pollution Reduction Plan to reduce the amount of sediment entering the Swabia Creek and Little Lehigh Creek. This plan must be implemented over the next five years at a cost of \$189,500-\$289,000. Borough Council hired ACELA Engineering to prepare this plan, which will be submitted with the Borough's NPDES Permit Renewal in 2018. \$60,000 is budget for engineering to start the design and permitting for the project proposed in the PRP.

Every three years the Borough has an Actuarial Valuation Report prepared of post-employment benefits other than pensions provided by the Borough to its employees. The Police CBA includes provisions that cover healthcare expenses for retirees only until Medicare eligibility at age 65 except when an individual becomes eligible earlier as a result of a Social Security Disability Benefit. The last Actual Valuation Report was prepared as of January 1, 2015. As of that report the expected Net Obligation as of December 31, 2017 was \$231,571. Borough Council is committed to start funding these post-retirement medical benefits and budgeted \$25,000 in this budget to be placed in a Post-Retirement Medical Benefit Fund which will be separate from the general fund and restricted to these benefits only. Another valuation report will be prepared in 2018 which will update the Borough's obligation for the next three years.

The General Fund budget also includes funds for the following:

- 1) Transferring \$48,703 to the General Fund Capital Account;
- 2) Transferring \$50,000 to the Contingency Fund;
- 3) Increased the contribution to the Macungie Ambulance Corp by \$500;
- 4) Repaving W. Chestnut Street, from Church to Race Street and repair S. Church Street.

Sewer Fund

The 2018 Sewer Fund budget maintains the current sewer rates and debt service charge. In February of 2017 the Borough signed a \$3,845,000 loan contract with New Tripoli Bank for 11.5 years at a fixed rate of 2.52% annually. Over the next three years these loan funds will be used to complete Phase 1 of the Borough's Capital Rehabilitation Plan to comply with the EPA Administrative Order. In 2018 the Borough will continue to line sewer mains, rehab manholes and laterals. The SCARP group continues to meet and work cooperatively to address the Administrative Order. In 2017 the Borough implemented a Capital Debt Service Fee of \$64.50 per quarter per billing unit/EDU to fund the capital loan. These funds are tracked and kept in a separate Sewer Debt Service Funds restricted to debt service payment. The only other large budget item for the utilities is the purchase of a new backhoe. The Sewer Fund portion of this purchase is \$25,000.

Water Fund

The 2018 Water Fund budget maintained the current water rates. In 2016 the Authority obtained a loan to complete capital projects which included upgrading the Race Street water line to a 6" pipe from Plum to Locust Streets and repairing the Hillcrest Water Storage Tank, which have both been completed. Still remaining to be completed is to install a new well pump at Well #1, covering the exposed water main at Mountain Creek and Walnut Street, removing the broken valve at Mountain Creek and Poplar Street and continuing to purchase and replace the current water meters with new electronic water meters. As with the Sewer Fund, a portion of the purchase of the new backhoe is coming from the Water Fund. The Water Fund portion is \$25,000.

Liquid Fuels

The 2018 Liquid Fuels budget includes funds to purchase a new backhoe. The total cost to purchase the backhoe is \$105,000. Fifty percent of that cost will come from the accumulated vehicle allocation in the Liquid Fuels Funds. The remaining balance will be split between the water and sewer funds. The Liquid Fuels Fund portion is \$55,000.

Borough Council and the Authority have taken the necessary steps to start maintaining the Borough's aging water, sewer and building infrastructure. The Borough's aging stormwater infrastructure still needs to be addressed. With the Pollution Reduction Requirements, I see the need for this funding to come to the Borough's forefront in the near future. The costs to maintain the aging infrastructure in the Borough make it harder each year to balance the budget funds.

All Departments will be challenged to maintain their budgets and perform their job in the most cost-efficient way. I will continue looking for ways to further reduce our costs through grants, cooperative purchasing and shared programs.

The 2018 Budget along with the 5-Year Capital Plan will continue to serve as a strategic guide for the Borough in the coming year.

Chris L. Boehm
Borough Manager