

**BOROUGH OF MACUNGIE
2017 BUDGET SUMMARY**

The Borough of Macungie Council, Mayor and Water Authority present a budget for 2017 that continues a tradition focused on service to the community with no tax increase.

The projected fund balances, which include the beginning cash balances and expenditures for 2017 are as follows:

Fund	2017 Revenues	Beginning Cash Balances	Total 2017 Revenues	2017 Expenditures
General	\$2,639,035	\$340,000	\$2,979,035	\$2,969,876
Water	\$1,062,024	\$250,000	\$1,312,024	\$1,237,581
Sewer	\$869,113	\$350,000	\$1,219,113	\$1,179,768
State Liquid Fuels	\$80,128	\$49,000	\$129,128	\$52,768
LTD Capital Reserve	\$167,099	\$200	\$167,299	\$95,821

In addition to the above funds, the following fund balances are projected for the end of 2016:

- Contingency Fund balance is \$191,933;
- Debt Service Reserve Fund balance is \$29,618;
- Bond Redemption and Improvement Fund balance is \$119,684;
- Sewer Fund Capital Account balance is \$351,925;
- General Fund Capital Account balance is \$146,579;
- Real Estate Capital Account balance is \$7,321;
- Recreation Fund Account balance is \$24,815;
- Stormwater Management Account balance is \$58,819.

General Fund

During 2015 Borough Council monitored the work performance of the public works department to determine if there was a necessity to hire an additional public works employee. Upon reviewing the department's performance, Council decided it was more efficient and cost effective to outsource some of their duties, providing the public works department more time to perform the technical duties. With the consent of the Teamsters Union in 2016 the Borough outsourced the janitorial services at Borough Hall and the Macungie Institute, leaf collection and street sweeping services. Outsourcing this work provided the Public Works crew the time to complete duties and projects that were not getting done before. Borough Council continued to monitor the department's job performance in 2016 to review the effects of outsourcing and will continue to monitor the workload in 2017 to consider additional ways to cut costs and provide the essential services to the community.

The Borough continues to pursue grant funding for Borough projects and operating expenses to offset taxpayer dollars. Included in the 2017 General Fund budget is \$505,910 in grant funding which includes:

- \$432,000 in TAP funding from the Lehigh Valley Transportation Study to construct curb extensions and crosswalks on Main Street, between Chestnut Street and the railroad crossing, in accordance with the Main Street Streetscape Plan;
- \$2,500 from Air Products for operating expenses at the Macungie Institute;
- \$6,610 from DEP for the Recycling Performance Grant;
- \$20,000 from 904 Recycling Grant to purchase recycling totes;
- \$37,800 from Community Development Block Grant (CDBG) for ADA ramps;
- \$1,000 from the Lehigh County Chamber Foundation for bump-out plantings;
- \$5,000 from the Lehigh County Conservation District for bump-out plantings;
- \$1,000 from Keep Pennsylvania Beautiful for bump-out plantings.

In June 2013 Borough Council obtained a \$1 million loan to construct three (3) capital improvement projects. The first project was the reconstruction of Lumber Street which was been completed in 2014. The second project was the reconstruction of Cotton Street, which was completed in 2016. The third and final project is the installation of the traffic signal at Church and Main Streets. To save approval time and engineering costs on the traffic light, the design and construction was incorporated into the Main Street Streetscape project. In 2014 the Borough received a TAP grant from the Lehigh Valley Transportation Study Committee for construction of the Streetscape. Construction of the project has been held up by PennDOT and Norfolk Southern Railroad approvals. The Borough hopes to bid the Streetscape and traffic light construction in Spring of 2017. If the Streetscape Project does not move forward the Borough will still move forward with the installation of the traffic light in 2017.

Over the past few years the Borough has undertaken several major building projects. Emergency backup generators were installed at Borough Hall and the Borough garage for Well #1 in 2015 and the roofs were completely replaced at Borough Hall and the Macungie Institute. Both heating systems at the Borough garage and Borough Hall were converted to gas for energy efficiency. In 2016 a new chimney liner was installed at the Macungie Institute and the chimney was repointed and new windows were installed on the first floor of Borough Hall. To fit the entire window replacement project into the budget, it was done in two (2) phases. The 2017 budget includes funds to replace the windows on the second floor. The Police Department has outgrown their accommodations and in need of renovations. An estimate was obtained for this work in 2015 for budget purposes and over the next three years, 1/3 of the renovation costs will be specifically allocated to the General Fund Capital Account for the Police Department renovations project. However, to address immediate needs of the department, in 2016 the cubicles were removed, the entire department was repainted, new furniture was purchased and the floors were refinished. In addition, to address heating issues, foam insulation was installed in the ceiling of the department. All these funds were taken from the Police Department renovation funds.

Since the leaving of the Police Chief, Sgt. Kocher has been serving as Office-In-Charge (OIC). Borough Council and Sgt. Kocher have agreed to continue this arrangement in 2017.

The 2017 budget reflects an additional \$1/hr. in Sgt. Kocher's wages to serve as OIC. These funds were taken from the Police Chief wages. The remainder of the Police Chief wages were distributed to the wages for the second 30-hour officer, along with the associated benefits and taxes, with the remaining funds being distributed equally between the part time and overtime wages and associated taxes. The details of the Chief's position will be discussed during contract negotiations, which will take place in 2017.

The General Fund budget also includes funds to:

- 1) Purchase a new public works truck;
- 2) Wages to hire a second 30-hour police officer;
- 3) Repave Fairview Street, from Vine to the cul-de-sac;
- 4) Preparation of a Stormwater Pollution Reduction Plan for the Borough's MS4 Program;
- 5) Paving the walking trail from Cotton Street to Hickory Street;
- 6) Staining the pedestrian bridge at Poplar and Mountain Creek and on Lehigh Street.

Sewer Fund

The 2017 Sewer Fund budget includes an adjustment in the current sewer rate from the flat rate of \$43.54/qtr. to \$23.88/qtr. with the flow rate remaining the same at \$3.54 per 1,000 gallons, along with the addition of a \$64.50/qtr. debt service fee to cover the cost of a capital improvement loan. In 2009, the United States Environmental Protection Agency (USEPA) issued an Administrative Order to all the municipalities served by the Kline's Island Sewer Plant, which includes Macungie Borough. The order requires all municipalities to make significant improvements to the sewer systems to eliminate sewer overflows. Sewer overflows can happen when rainwater, runoff from floods, melting snow or other sources overwhelm the existing sewer system. This is a system-wide problem that will be very costly to fix, and all communities must participate in the solution.

The Borough has diligently been working to upgrade our sewer system since then. Our work has included (but is not limited to):

- Working with all the municipalities in our service area to develop strategies to reduce clear water leakage into our sewer system, called "Inflow and Infiltration," which causes sewer system overflows during period of heavy rain
- Flow monitoring and smoke testing to determine leak locations
- Bolting down manholes and other manhole repairs to prevent rainwater from entering the system
- Camera/video taping of sewer lines to look for cracks and leaks
- Repairing cleanout caps
- Customer outreach and in-home inspections to find unauthorized connections, such as sump pumps and roof drains.
- Cured-In-Place Pipe Lining of existing sewer pipe that has been found to be leaking
- Replacement of the Race Street sewer main between Main and Locust Streets

There's still much more to be done and these upgrades and repairs will cost the Borough approximately \$5,000,000. In 2017 Borough Council will be going out for a Bond Issue or a Capital Loan to perform the capital improvements to the sewer system to comply with the EPA's Administrative Order within the next 10 years. In preparation for the upcoming work, Borough Council found it prudent to adopt the debt service fee effective January 1, 2017. These funds collected from the debt service fee will be put into a special account to pay down the debt of the Bond Issue or Loan.

Water Fund

The 2017 Water Fund budget does not include a rate increase. In 2016 the Authority obtained a loan to complete the following capital projects: 1) Upgrading the Race Street water line to a 6" pipe from Plum to Locust Streets; 2) Repairs to the Hillcrest Water Storage Tank; 3) A new well pump at Well #1; 4) Covering the exposed water main at Mountain Creek and Walnut Street; 5) Removing the broken valve at Mountain Creek and Poplar Street and 6) Purchasing new electronic water meters, which will be installed over a several year time period. The Race Street water line was completed in 2016. In 2017 the Water Operator and the Borough Engineer will work toward completion of the remaining capital projects over the next three years.

Liquid Fuels

The 2017 Liquid Fuels budget does not include any purchases. In 2018 the Borough is scheduled to purchase a new backhoe. 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 general, water and sewer funds.

Conclusion

The Borough is taking on the costs of maintaining aging infrastructure in the Borough. Unfortunately, those costs must be passed on to the users and residents. Borough Council, the Borough Authority, Borough staff and myself will continue looking for ways to further reduce our costs through grants, cooperative purchasing, shared programs and efficient operations.

The 2017 Budget along with the 5-Year Capital Plan will serve as a strategic guide for the Borough in the coming year.

Chris L. Boehm
Borough Manager