

Cracking open the nest egg

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By James McGinnis

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The contingency fund is down to \$400,000.

Annual investment income is down 65 percent.

Three years into a bitter recession, the government of Middletown soon could be operating hand-to-mouth.

Next year's proposed township budget relies on \$1 million from Middletown's \$40 million nest egg. It also represents "a watershed moment" for the community, said township manager Debby Lamanna.

"We've been able to weather this storm because we had reserves. They're gone," said Lamanna. "There was a contingency fund. That's gone.

"We're down to working with current year income," added Lamanna. "We'll be spending money as it comes in."

The \$14 million spending plan would maintain the current tax rate with no cuts to programs, services or staff, Lamanna said. A budget meeting is scheduled for 7:30 p.m., Dec. 19 in the township building, 3 Municipal Way.

Financial documents posted on the township's web site - www.middletowntwpbucks.org - clearly demonstrate the recession's impact.

Middletown's investment fund once generated \$4.3 million from annual interest. This year, officials expect to realize \$1.5 million from investments.

The township plans to contribute \$1.5 million to the police pension fund. The total value of that fund fell to \$20 million from \$24 million during the year 2008.

Taxes on the real estate sales are down 34 percent, or \$400,000, from three years ago.

Mercantile tax revenues from commercial outlets like Oxford Valley Mall are slowly creeping back up to pre-recession levels of about \$1 million per year, according to the budget.

Officials said they need the economy to turn around soon.

"We were able to hold the line on taxes during two very difficult budget years," said Pat Mallon, chairman of township Supervisors.

"Are we going to be able to do it again in 2013? The odds don't look great," continued Mallon. "We are kind of living somewhat hand to mouth."

It's somewhat easier living hand-to-mouth when you have a \$40 million nest egg.

Since 2002, Middletown has maintained the account. The township sold its water and sewer systems to the Bucks County Water and Sewer Authority for a total of \$40 million, with the sewer system going for \$21 million and the water system for \$19 million, officials said.



In better economic times, the fund grew from \$40 million to \$45 million, said Lamanna. The account was supposed to remain untapped except during emergencies.

The board of supervisors declared a 'state of economic emergency' last November, but avoided using any of the \$40 million during the next 12 months, said finance manager Dennis Penko.

The township saw unexpected savings on health care. The unions agreed to coverage changes, which will save an estimated \$866,000 per year.

The chairman of the supervisors said he's hopeful the unions for township employees will agree to some additional contract changes that save Middletown money in 2012.

"We're looking for some contribution to health care costs and we are looking for ways that our staff can help us to control the growing costs of running this business," said Mallon. He declined to discuss specifics of the negotiations in the press.

Collective bargaining agreements for all employees expire Dec. 31. Deals are unlikely to be struck by year's end, Mallon said.

"Cracking open the nest egg" Bucks County Courier Times 09 Dec 2011: A1