



# TOWNSHIP OF BETHLEHEM

## BOARD OF COMMISSIONERS

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**Township Manager:**  
Doug Bruce

### MEMORANDUM

**Date:** October 18, 2024  
**To:** Board of Commissioners  
**From:** Doug Bruce, Manager  
**Subject:** 2025 Proposed Budget

On behalf of Bethlehem Township's administration and staff, I am presenting the township's proposed 2025 budget for public review and discussion. The annual budget is the spending and revenue plan for the coming year.

The budget will be presented to the board and public at the board's October 21 regular public meeting and will be discussed at budget hearings Thursday, October 24 (6-8 p.m.); Tuesday, October 29 (6-8 p.m.); and Thursday, November 7 (6-8 p.m.). All those meetings will be in-person with virtual attendance options.

A few notes on the proposed budget:

**1. General Fund:** The general fund is the largest of the township's six budget funds. Its main sources of revenue are the real estate tax, earned income tax, real estate transfer tax, and community center (BTCC) fees. Major expenditures paid from the general fund include most of the police, community development, finance, public works, administrative, and BTCC budgets and contributions to the fire companies. Proposed general fund projected revenues and expenses over the past five years:

Year	2021	2022	2023	2024	2025
Revenues	\$18.9M	\$20.6M	\$20.4M	\$20.9M	\$21.8M
Expenses	\$20.3M	\$19.3M	\$20.2M	\$20.9M	\$21.8M

The proposed overall budget projects the following revenues and expenses for the township's six funds:

Fund	2025 projected revenue	2025 projected expense
General	\$21.8M	\$21.8M
Sewer	\$6.72M	\$6.72M
Capital*	\$3.2 M	\$3.2M
Stormwater	\$2.18M	\$2.19M
Liquid fuels	\$859,000	\$822,000
Fire tax	\$143K	\$600K

\* Capital fund revenue includes a \$1.3M million transfer from the general fund.

The 2025 budget proposes no increases in real estate tax rate, sewer fees, fire tax rate, or stormwater fees.

**2. Fund balance:** Generally speaking, good government budgeting practices recommend a general fund balance percentage to be at 10 percent or higher of total revenues during normal operating circumstances. The fund balance is essentially the money the township has “on hand” or “in reserve.” For many years, up until 2021 (when the first federal pandemic-related ARPA payment was received and the township’s pension obligations decreased significantly), the projected year-end fund balance was usually in the range of 10 to 15 percent. The 2022 projected year-end balance was nearly 26 percent, the 2023 balance was projected at more than 32 percent, the 2024 balance was projected at 38 percent, and the 2025 ending balance is projected at 33 percent.

While these historically large projected fund balances are unquestionably a good thing for the township, there is reason to believe they are a short-term aberration, as noted in the last several budget messages. These general fund balances are largely based on (1) \$2.5 million in federal ARPA “pandemic bailout” money provided in two payments, one in 2021 and one in 2022; (2) a \$1 million drop in pension obligations three years ago due to strong investment returns prior to 2022; and (3) moving more than \$400,000 in annual general fund spending to the new stormwater fund starting in 2022.

However: The federal ARPA payments are done. There are no additional general fund expenditures due to be transferred to the stormwater fund. And the township’s annual pension obligation is again increasing. Due to investment losses in 2022, the pension funds went from being 96.9 percent funded (1/1/21 valuation) to 86.6 percent funded (1/1/23 valuation). As such, the township’s pension contribution will increase from \$1.229 million this year to \$1.917 million in 2025.

On the positive side, the township continues to retire general fund debt while, for the seventh straight year, not adding any new general fund borrowing or debt obligations. In 2025 the township’s payments on general fund debt will drop more than \$900,000 from this year.

Several years ago I wrote in a budget message: “This is the stark financial picture of Bethlehem Township... a mature, nearly built-out municipality where annual revenues have not quite been keeping up with annual expenses for the better part of a decade.” I think this continues to be the case. Despite the large projected fund balances of the past few years, which I believe to be a short-term anomaly, the annual balance between revenues and expenses remains extremely tight.

**3. Balanced budget:** The staff is projecting a balanced budget again for 2025, with revenues and expenses both at \$21.8 million. Both projected revenues and expenses represent increases of 4.3 percent from 2024 projections. As mentioned previously, the 2025 budget proposes no increases in real estate tax rate, sewer fees, fire tax rate, or stormwater fees.

Several “fixed-cost” expense increases have contributed to another “extremely tight” budget. As mentioned, the township’s 2025 contribution to employee pensions is increasing by \$688,000 or nearly 56 percent from this year. The township’s premium for employee health insurance will increase by \$401,000 or nearly 18 percent next year, due in part to unusually high insurance claims so far this year. The township’s general insurance policies (not including workers compensation coverage) will increase by \$56,000 or 16 percent next year. And the township’s membership fees for the Bethlehem Area Public Library will increase \$29,000 or 5.5 percent next year.

**4. General fund debt:** This is the seventh consecutive budget with no new general fund borrowing or debt proposed. With the board’s support, we have emphasized a “pay as you go” approach to capital spending and prioritized reducing the township’s general fund debt. Overall general fund debt service will drop significantly again in 2025, as previous borrowings are retired, if the township avoids new debt:

	DEBT SERVICE	REDUCTION FROM 2023
2023	2,545,553	
2024	1,900,888	644,665
2025	930,507	1,615,046
2026	524,388	2,021,165
2027	228,809	2,316,744

**5. Full-time employment:** Since 2022, I have proposed and the board has approved the creation of nine new full-time positions:

- Three entry-level police officers
- Assistant finance director
- Community development clerk
- Finance clerk
- Assistant director of the community center

Police clerk  
Assistant zoning officer

These new positions have increased the number of full-time employees to 95, which equals the highest number in township history, last reached in 2008. After the recession of 2008, the board and staff worked together to cut full-time employment by nearly 10 percent through attrition, without lay-offs, in an effort to “right-size” the township staff.

However, from 2010 to 2020, the township’s population grew by more than 9 percent – and general fund revenues grew from \$14.9 million in 2010 to a projected \$21.8 million in 2025 (a 71 percent increase). As manager, I have emphasized austerity and “doing more with less.” But I also trust the township’s department heads to assess accurately their staffing needs and to justify requests for new positions. And they have been telling me for several years now they need more staff to adequately provide basic services in a growing municipality.

This year I have received and am supporting requests for four additional full-time positions: two public works truck drivers and two entry-level police patrol officers.

The public works department has 19 employees – a director, assistant director, and 17 AFSCME union employees in classifications including crew leader, heavy equipment operator, light equipment operator, and truck driver (essentially the entry-level position in the department). The department had 21 total employees as recently as 2008, after which two positions were left vacant through attrition.

In the intervening 16 years, the township has added seven miles of new public roads, bringing the total to 115 miles of roadway maintained by the department. The township has also added the 50-acre Housenick Memorial Park and trail system, bringing the total area of township property to more than 350 acres, all of which is maintained by public works. In the near future, the township expects to be taking over new public roads in the River Hills and Nancy Run Estates (Phases 7-10) developments.

Public works director Rich Kanaskie stated in his annual budget request: “Under current staffing, we keep up with day-to-day maintenance but cannot routinely perform preventive maintenance work such as inlet repair, crack sealing, pavement repair.... Our current staffing levels are just meeting the demands for service with little to no surplus capacity for future development.” As such, I am supporting Mr. Kanaskie’s request for the addition of two new entry-level public works positions, to be filled in the second half of 2025.

As mentioned, the board created three new entry-level police positions in 2022, bringing the number of sworn officers in the police department to 38. According to the FBI, the national average for sworn officers per 1,000 inhabitants is 2.4; other law enforcement organizations suggest a ratio of 1.7 to 1.9 is optimal; the township’s current ratio is 38 officers per 25,868 residents, or 1.47. The further addition of two new entry-

level patrol officer positions would bring the department up to 40 officers and a ratio of 1.54 officers per 1,000 inhabitants.

In the past 10 years, the department's annual call volume has increased 30 percent from 7,237 to 9,420; the call volume increased 7.3 percent alone from 2022 to 2023. During that same period, the township's population has grown, more public roads have been dedicated, a major health center has expanded, and more people are visiting and working in the township's commercial and business districts. The police department is responsible for providing public safety services to more people, more residences, more roads, and more workplaces. As such, I am supporting Chief Greg Gottschall's request for two new patrol office positions, to be filled as soon as possible.

These four new proposed positions, which would add about \$300,000 in personnel costs in 2025, would bring the township's number of full-time employees to 99, an all-time high and 15 percent higher than three years ago. I believe this recent employment growth has been necessary to continue to provide the municipal services rightly expected by those who live, work, and visit in Bethlehem Township. However, I also believe with these four new positions the township will have "right-sized" its full-time employment base for the near future.

Lastly in the area of full-time employment, and per contractual obligations, the following wage increases are factored into the proposed 2025 budget: 3 percent for AFSCME employees; 3 percent for Teamsters employees; and 3.5 percent for police union members. Additionally, I have proposed a 3.5 percent salary increase for non-union employees.

**6. Community center budget:** The community center budget continues to rebound from pandemic-related problems. In the 2020 budget (approved before the pandemic), BTCC revenues were projected at \$1.32 million based on prior years' experience. When the pandemic hit in early 2020, the facility was closed for several months altogether, the outdoor pool was not opened that summer, and actual 2020 revenues were just \$288,000. Actual 2021 revenues increased to \$474,000 as the pandemic lingered. Actual 2022 revenues were \$829,000 as the facility returned to relatively normal operations. This year actual revenues are tracking at nearly \$950,000, already exceeding original projections.

For 2025, we are projecting BTCC revenues to increase to \$1.12 million, approximately 85 percent of pre-pandemic numbers. This marks a remarkable financial recovery, thanks greatly to the hard work, professionalism, and expertise of the BTCC staff and to the board's commitment to updating the building's infrastructure and amenities.

**7. Capital budget:** Projected 2024 capital spending is \$3.2 million, less estimated grants received (\$1.01 million), less estimated park fund use (\$305,000), less estimated fire tax fund use (\$600,000), leaving a \$1.28 million transfer from the general fund to

cover all capital costs. The capital budget – which is used for major purchases and projects – envisions the following major items over \$100,000:

- \$600,000 for 50 percent down payment, BTVFC firetruck (fire tax fund)
- \$290,000 for new BTVFC EMS ambulance
- \$287,000 for new BTVFC radios
- \$287,000 for new NRFC radios
- \$255,000 for three new police patrol cars
- \$160,000 for new public works three-wing mower
- \$125,000 for design and engineering of a dog park in the Vineyards open space
- \$110,000 for a new public works chipper
- \$106,000 for renovation of the police men's locker room
- \$101,000 for a police supervisor's vehicle

Please note the costs next year of buying digital-capable radios for the fire companies (\$574,000). As part of a federal initiative, Northampton County is planning to transition over the next few years to all-digital emergency communications – and necessitating police, fire, and EMS squads in the county to similarly upgrade all radios. Each such radio, with related equipment, currently costs more than \$10,000.

The police department has been upgrading its radios in the past few years and this year received a \$225,000 federal grant toward that effort. The fire companies both anticipate having to purchase 40 to 50 new radios in the near future. The capital budget proposal includes plans to purchase approximately 25 radios each for the fire companies, with half of that money coming from grants. We have and will continue to seek grants for the radios, but we will be competing with every other municipality, police department, and fire company in Northampton County. This is a significant multi-year capital expenditure, in some ways an “unfunded mandate” as part of a federal initiative and the county radio network upgrade.

**8. Fire tax:** The township's fire tax is projected to take in \$143,000 in 2025 revenues, bringing the fund's holdings to just under \$700,000. The fund was created several years ago to pay for major fire apparatus purchases for the township's two volunteer fire companies (Bethlehem Township Volunteer Fire Company and Nancy Run Fire Company).

The two companies were scheduled to replace three firetrucks in the period of 2023-2028. This schedule was accelerated several times in the past two years because of the condition of current trucks and the extremely long delivery times (typically 1,000 days from purchase) for new trucks.

The first new truck (NRFC) was purchased in 2023 and the 50 percent down payment of \$591,496 was charged to the fire tax fund. The second new truck (also NRFC) was purchased in early 2024 and the 50 percent down payment of \$611,931 was charged to the general fund because the fire tax fund had insufficient resources. The third truck (BTVFC) is now scheduled for purchase in February 2025 with the approximate

\$600,000 down payment scheduled to come from the fire tax fund, which will then be left with just under \$100,000.

Based on the 1,000-day delivery scheduled, the second payments (totaling approximately \$1.8 million) on these trucks will be due in 2026-2028. Obviously, a fund that brings in \$143,000 a year in revenues cannot support three major purchases totaling \$3.6 million in a five-year period. As such, at this point the administration is planning on using general fund cash reserves to make these second payments.

**9. Road paving:** For several years, the Board of Commissioners and staff have discussed increasing the township's annual road paving program. In recent years, the township has budgeted approximately \$500,000 from the liquid fuels fund for repaving township roads. The public works department monitors these roads and develops a prioritized five-year road paving schedule based on pavement conditions.

The 2025 budget proposes a \$425,000 paving project in the River View Estates and Overlook Estates developments, to include Timothy Lane, Quarry Road, Pheasant Lane, and Meadow Lane. Also included is a portion of Sculac Road just south of Lehigh Street, an area subject to a stormwater problem that would be improved by repaving the road.

The condition of Church Road continues to be a concern; repaving the road would cost about \$600,000 and is a potential alternate/supplemental paving project for next year. The large commercial development (Penn Center 33, formerly known as Mill Creek) along Church Road is currently not moving forward. That development calls for widening and storm sewer work on Church Road. Without this outstanding work being completed, the township would run the risk of repaving Church Road, then having development construction damage the road again.

**10. Stormwater fund:** As mentioned, this budget proposes no change to the stormwater fee. When the stormwater fund was created in late 2021, the board based the fee on a four-year financial model, with revenues set at approximately \$2.1 million per year and expenses increasing over four years as pollutant reduction and flood mitigation construction projects began. The 2025 budget projects annual stormwater revenues of \$2.18 million and expenditures of \$2.19 million

In 2021, the board pledged publicly to hold the stormwater fee at a level rate for the first four years (2022-2025) of the program. When year five (2026) of the program comes along, the board will almost certainly have to revisit that fee, based on the aggressive construction schedule approved by the board and the municipal authority in the capital improvement plan.

**11. Public works master plan and other long-range building considerations:** The board received in early 2023 a study prepared by MKSD Architects about the feasibility and cost of renovating the existing public works facility or building a new facility. Cost estimates ranged from \$10 million for on-site renovation to \$15 million for

construction of a new building at the township's Hope Road property. The proposed 2025 budget does not include any capital spending related to this master plan. At this time and until the board directs otherwise, the staff and I will plan on utilizing the existing facility and proposing any improvements/upgrades on an as-needed basis. The condition of the salt shed and the municipal fuel pumps appear to be the items most in need of attention in the near future.

Moving forward, there is also a need to consider potential new space requirements for the police department, which in the last 25 years has outgrown the original police station area of the municipal building. The department now utilizes other parts of the building for offices and training space, and in 2025 may look to other township buildings for further training space.

Additionally there has been longstanding interest from the two fire companies about creating a centralized "substation" in the eastern part of the township, since both companies have fire stations in the western side of the township.

For all of these situations, a potential long-term solution would be a new "public safety" complex on the Hope Road property. This entirely speculative complex could include a new public works building, garage, and salt shed; a new police station or substation; a fire/EMS substation; and relocated fuel pumps for township vehicles. A construction project of this size would cost upwards of \$40 million or more in 2025 dollars. It is mentioned here only as a long-range possibility.

I look forward to robust and substantive debate on this proposed budget as we move through the public hearing process.