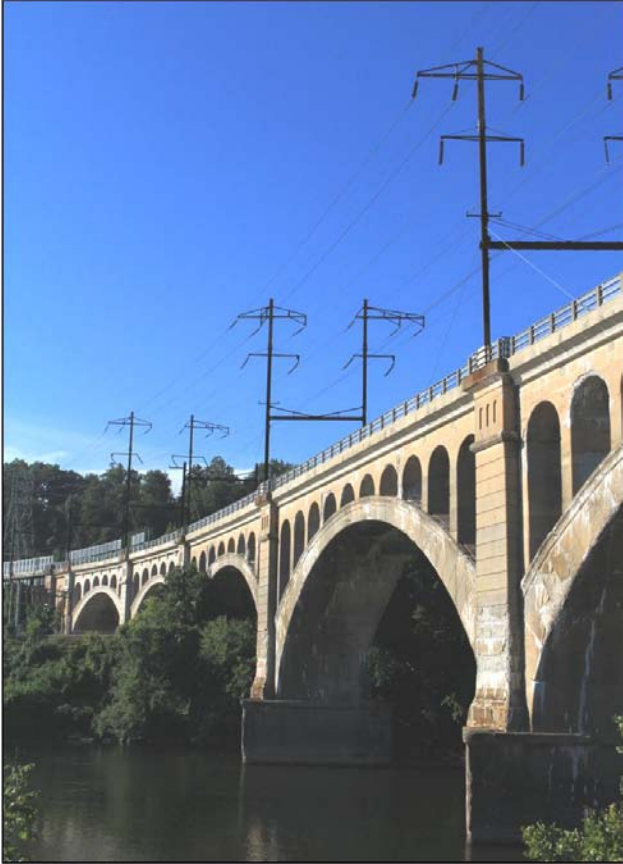


Township of Lower Merion Proposed 2016 Budget & Capital Improvement Plan



Finance Committee
November 11, 2015





Overview of Presentation

- I. 2015 Financial Performance**
- II. Proposed 2016 Budget Overview**
- III. Proposed 2016-2021 Capital Improvement Plan (CIP) Overview**
- IV. Updated General Fund Financial Forecast**
- V. 2016 Budget Calendar**



2015 Financial Performance





2015 General Fund Financial Results

General Fund (Million \$)	2014 Actual	2015 Budget	2015 Estimate	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance (Undesignated)	\$ 20.0	\$ 18.3	\$ 19.6		
Revenues	57.8	58.2	59.9	\$ 1.7	2.9%
Expenses	58.2	60.4	61.0	\$ 0.6	1.0%
Surplus/(Deficit)	\$ (0.4)	\$ (2.2)	\$ (1.1)	\$ 1.1	
Ending Fund Balance (Undesignated)	\$ 19.6	\$ 16.1	\$ 18.5		
Ending FB as a % of Annual Operating Expenditures	33.7%	26.7%	30.4%		

2015 Estimates

- Revenues higher than budgeted by nearly \$1.7 M
 - Revenues currently projected to exceed budget; mainly due to higher than expected business tax payments
- Expenditures higher than budgeted by approximately \$600,000
 - Expenditures forecasted slightly above budget due to winter storm costs and Papal expenses



2015 General Fund Revenue Trends

- 2015 GF Revenue Estimated Actual is \$2.1 M or 3.6% higher than 2014 Actual
- 2015 GF Revenue Estimated Actual is \$1.7 M or 2.9% higher compared to 2015 Budget

	2014 Actual	2015 Adopted Budget	2015 Estimated Actual	\$ Variance	% Variance
General Fund Revenue					
Business and Mercantile Taxes	\$ 8,993,921	\$ 9,162,000	\$ 10,950,000	\$1,788,000	19.5%
All Other Revenues Net	15,137,848	15,284,600	15,440,726	156,126	1.0%
Streets	160,178	200,000	300,000	100,000	50.0%
Building and Electrical Permits	2,301,966	2,000,000	2,075,000	75,000	3.8%
Other Revenue	307,652	320,000	250,000	(70,000)	-21.9%
Real Estate Taxes - Current Year	30,366,570	30,547,000	30,384,304	(162,696)	-0.5%
Real Estate Taxes - Prior Year	567,328	720,000	500,000	(220,000)	-30.6%
Net Increase (Forecasted)	\$ 57,835,463	\$ 58,233,600	\$ 59,900,030	\$1,666,430	2.9%



2015 General Fund Expenditure Trends

- Currently project 2015 expenditures at \$572,855 or 0.9% higher than 2015 Adopted Budget
- Personnel costs (wages and fringe benefits)
 - Projected savings from maintaining vacant positions (negative appropriations) are on target
- Significant storm related personnel costs
 - OT for winter storms totaled over \$391,000
 - Salt expenses were over \$453,000 more than budgeted
- Papal Visit expenses
 - OT expenses of \$147,685
 - Other non-personnel papal expenses of \$25,338



2015 General Fund Expenditure Trends

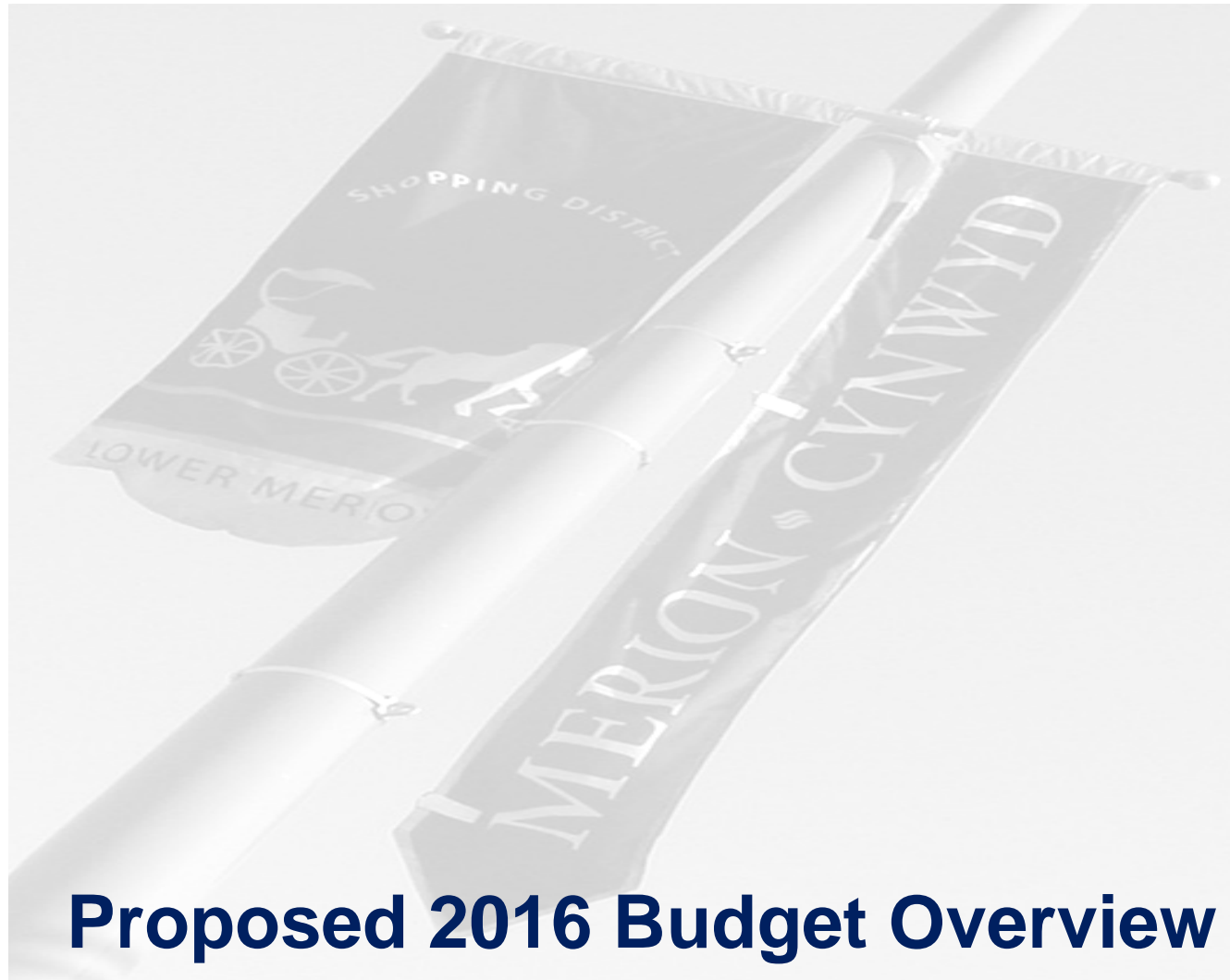
- GF 2015 Estimated Actual is largely driven by additional overtime and salt expenses versus 2015 Adopted Budget

General Fund Expenditures	2014 Actual	2015 Adopted Budget	2015 Estimated Actual	\$ Variance	% Variance
Salaries	\$ 24,431,659	\$ 26,512,823	\$ 25,557,589	\$ (955,234)	-3.6%
Employee Benefits	9,113,219	10,284,976	9,424,821	(860,155)	-8.4%
Other Charges and Transfer	(486,601)	(493,100)	(710,324)	(217,224)	44.1%
Other Personal Services	815,312	918,776	783,648	(135,128)	-14.7%
Other Expenditures	17,799,621	18,139,994	18,192,180	52,186	0.3%
Machinery and Equipment	240,996	556,656	652,003	95,347	17.1%
Professional Technical Services	1,757,523	1,862,414	1,973,659	111,245	6.0%
Insurance and Bonding	580,024	532,526	684,004	151,478	28.4%
Other Compensation	2,774,110	2,531,724	2,977,904	446,180	17.6%
Material and Operating Supplies	1,152,410	974,140	1,458,303	484,163	49.7%
Total Expenditures	58,178,271	61,820,929	60,993,787	(827,142)	-1.3%
Negative Appropriation		(1,400,000)			
Grand Total Expenditures	\$ 58,178,271	\$ 60,420,929	\$ 60,993,787	\$ 572,858	0.9%



2015 General Fund Expenditure Trends

Department	2015 Budget	2015 Est. Actual	% Spent
Police	\$ 21,913,505	\$ 21,066,792	96.1%
Debt Service	9,567,420	9,559,325	99.9%
Public Works	8,247,539	9,090,200	110.2%
Libraries	4,465,771	4,228,048	94.7%
Parks & Recreation	3,479,176	3,286,635	94.5%
Other	3,244,369	3,282,952	101.2%
Building & Planning	3,138,486	2,832,564	90.3%
Fire	3,162,181	3,054,367	96.6%
Finance	2,061,226	2,060,379	100.0%
Information Services	1,319,659	1,378,776	104.5%
Parking	1,120,597	1,052,749	93.9%
Transfer Out	101,000	101,000	100.0%
Negative Appropriation	(1,400,000)	-	-
GRAND TOTAL	\$ 60,420,929	\$ 60,993,787	100.9%



Proposed 2016 Budget Overview





Proposed 2016 General Fund Budget

General Fund (Million \$)	2015 Budget	2016 Budget	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance (Undesignated)	\$ 18.3	\$ 18.5		
Revenues	58.2	59.1	\$ 0.8	1.4%
Expenses	60.4	61.8	1.4	2.3%
Surplus/(Deficit)	\$ (2.2)	\$ (2.7)	(0.6)	
Ending Fund Balance (Undesignated)	\$ 16.1	\$ 15.8		
Ending FB as a % of Annual Operating Expenditures	26.7%	25.5%		

- Proposed 2016 Budget recommends no Real Estate Tax increase for the fifth consecutive year
- Budget includes a \$2.7 million budget gap to be filled by a drawdown on the GF fund balance
- Solid Waste Fees are unchanged for 2016
- Sewer Rental Fee will be evaluated in early 2016



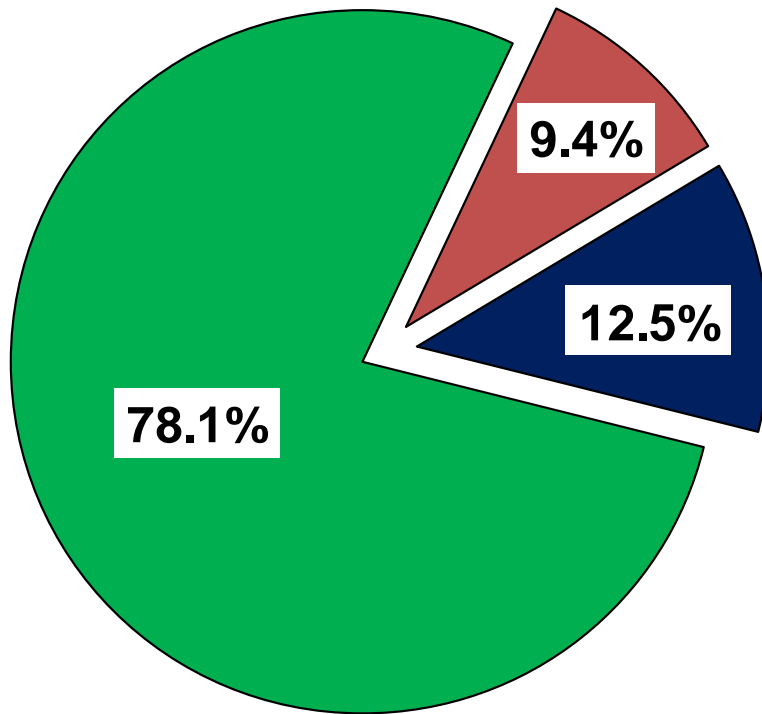
2016 General Fund Revenue – Assessed Value

- Total Assessed Value is projected at \$7.507 billion a slight increase over the 2015 Assessed Value of \$7.492 billion

Year	Assessed Valuation	% Inc/(Dec)	Estimated Market Value
2007	7,446,874,000	1.0%	14,659,201,500
2008	7,501,357,000	0.7%	13,891,402,000
2009	7,514,754,000	0.2%	13,395,283,900
2010	7,480,048,000	(0.5%)	12,896,635,100
2011	7,442,249,000	(0.5%)	12,003,626,800
2012	7,404,023,000	(0.5%)	11,678,270,200
2013	7,430,475,000	0.4%	12,922,564,800
2014	7,471,624,826	0.6%	13,294,706,100
2015	7,491,626,679	0.3%	13,330,296,600
2016	7,506,609,932	0.2%	13,356,957,200



2016 Real Estate Taxes



■ School ■ County ■ Township

- **Lower Merion School District 26.232 Mills**
(2015-2016 rate)
- **Montgomery County 3.152 Mills**
- **Lower Merion Township 4.19 Mills**



2016 Real Estate Taxes by Assessed Value

Assessed Value	* School 26.232 mills	County 3.152 mills	Township 4.19 mills	Total 33.574 mills
\$200,000	\$5,246	\$630	\$838	\$6,715
\$300,000	\$7,870	\$946	\$1,257	\$10,072
\$350,000	\$9,181	\$1,103	\$1,467	\$11,751
\$400,000	\$10,493	\$1,261	\$1,676	\$13,430
\$500,000	\$13,116	\$1,576	\$2,095	\$16,787

*School millage based on 2015-2016 tax year

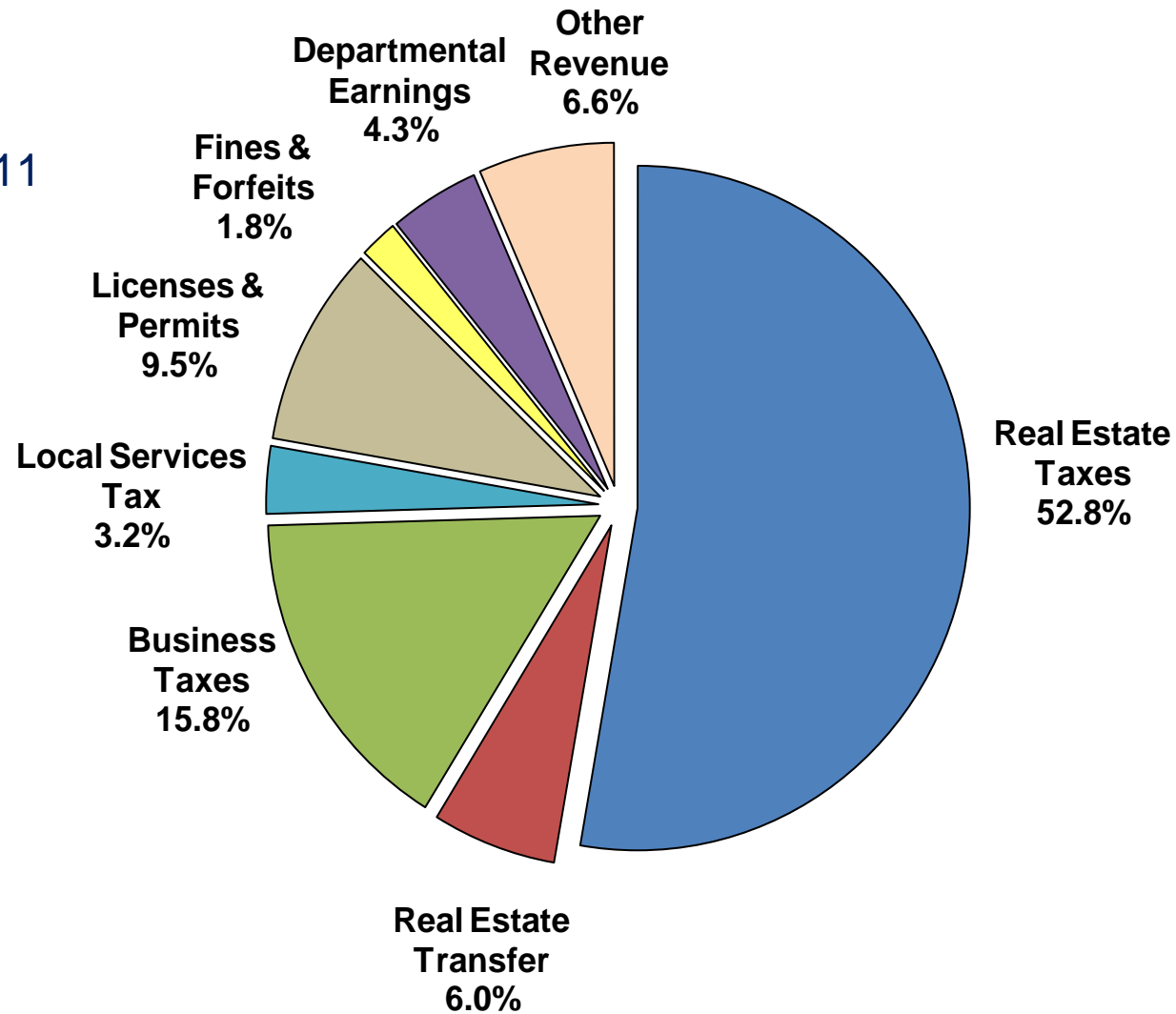
- A resident with a home assessed at Township average assessment of \$360,000 would pay \$1,508 in Township real estate taxes in 2016 or \$125.67 per month for all Township services



2016 General Fund Revenues

\$59,071,644

- Real Estate Taxes = \$31,171,405
- Real Estate Transfer Tax = \$3,565,411
- Business Taxes = \$9,307,500
- Local Services Tax = \$1,868,500
- Licenses & Permits = \$5,609,370
- Fines & Forfeits = \$1,088,500
- Departmental Earnings = \$2,565,000
- Other Revenue = \$3,895,958





2016 General Fund Revenue

- 2016 GF Revenue Forecast is \$59.1 million which is \$838,044 or 1.4% higher than 2015 Budget
- Increases primarily due to real estate transfer taxes, permits and increases in highway aid funding

General Fund Revenue	2015 Adopted Budget	2016 Proposed Budget	\$ Change From 2015 Budget	% Change From 2015 Budget
Real Estate Transfer Taxes	\$ 3,360,000	\$ 3,565,411	\$ 205,411	6.1%
All Other Revenues Net	8,837,000	9,016,781	179,781	2.0%
Building and Electrical Permits	2,000,000	2,172,438	172,438	8.6%
Highway Aid	1,360,600	1,514,160	153,560	11.3%
Business & Mercantile Tax	9,162,000	9,307,500	145,500	1.6%
Franchise Fees	1,442,000	1,534,000	92,000	6.4%
Streets	200,000	275,000	75,000	37.5%
Recreation	285,000	357,450	72,450	25.4%
Other Revenue	320,000	262,500	(57,500)	-18.0%
Real Estate Taxes - Prior Year	720,000	625,000	(95,000)	-13.2%
Real Estate Taxes - Current Year	30,547,000	30,441,405	(105,595)	-0.3%
Net Increase (Forecasted)	\$ 58,233,600	\$ 59,071,644	\$ 838,044	1.4%



2016 General Fund Revenue

- 2016 GF Revenue Forecast is \$828,386 or 1.4% lower than 2015 Estimated Actual
- Business tax decline attributable to projected decrease from largest business taxpayer that had a significant increase in 2015 payments

General Fund Revenue	2015 Estimated Actual	2016 Proposed Budget	\$ Change From 2015 EA	% Change From 2015 EA
Real Estate Transfer Taxes	\$ 3,428,280	\$ 3,565,411	\$ 137,131	4.0%
Real Estate Taxes - Prior Year	500,000	625,000	125,000	25.0%
Highway Aid	1,402,000	1,514,160	112,160	8.0%
All Other Revenues Net	8,050,446	8,160,331	109,885	1.4%
Building and Electrical Permits	2,075,000	2,172,438	97,438	4.7%
Franchise Fees	1,475,000	1,534,000	59,000	4.0%
Real Estate Taxes - Current Year	30,384,304	30,441,405	57,101	0.2%
Reimbursed Expenses	100,000	155,000	55,000	55.0%
Indirect Cost - Solid Waste	880,000	915,200	35,200	4.0%
Indirect Cost - Sewer	655,000	681,200	26,200	4.0%
Business & Mercantile Tax	10,950,000	9,307,500	(1,642,500)	-15.0%
Net Increase (Forecasted)	\$ 59,900,030	\$ 59,071,644	\$ (828,386)	-1.4%



2016 General Fund Revenue Trends

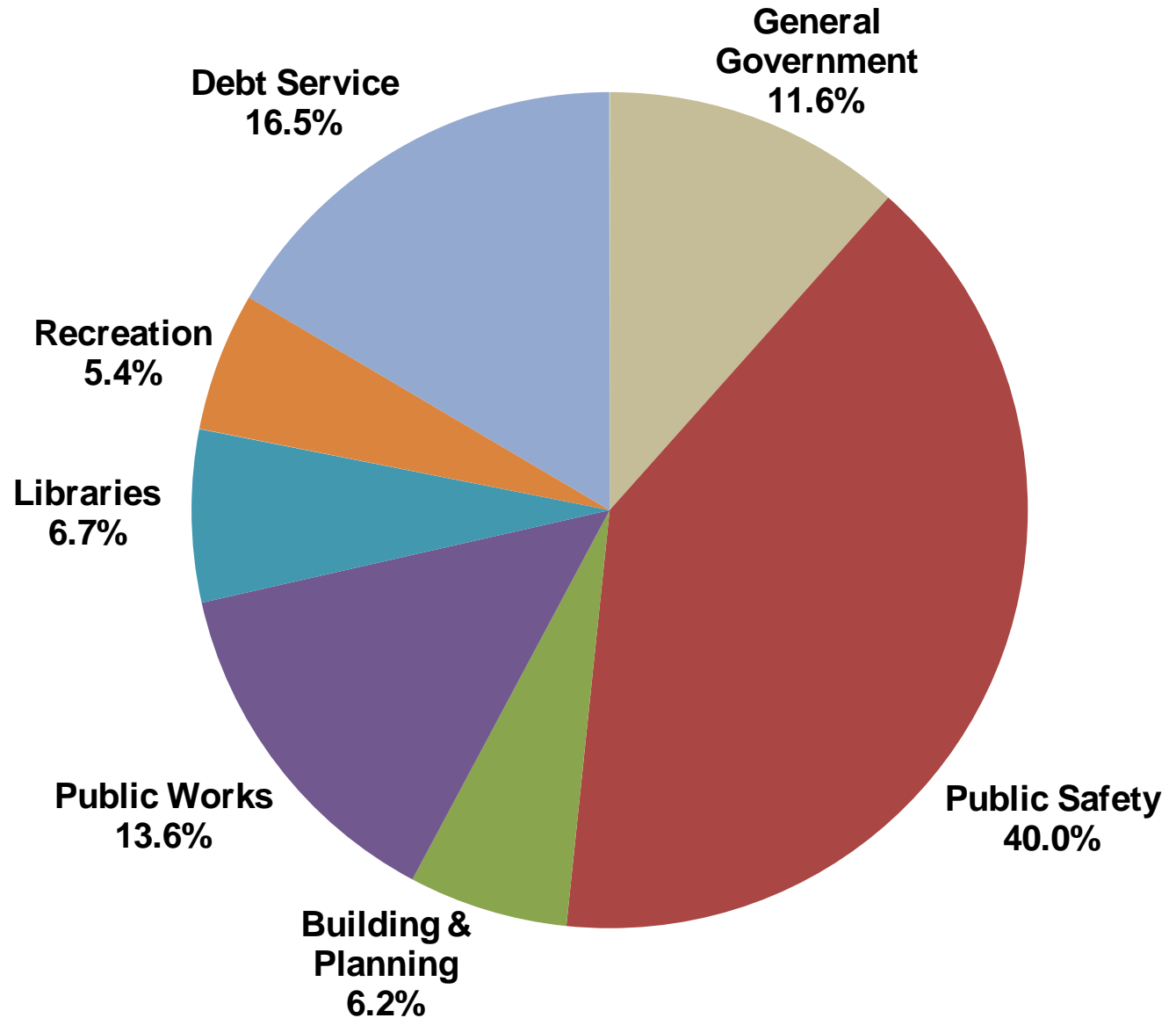
- Real estate tax continues to be stable reliable revenue stream
- Growth in other taxes
 - Business tax base is growing aside from one-time revenues
 - Transfer tax is projected to increase steadily in 2016
 - Local Services tax base is growing consistent with local employment levels
- Limited growth elsewhere
 - Highway aid revenues have grown due to Act 89
 - Franchise fees have grown on average over 4% in recent years
 - Permits/fees projected to grow where fee adjustments are approved otherwise primarily flat



2016 General Fund Expenditures

\$61,821,504

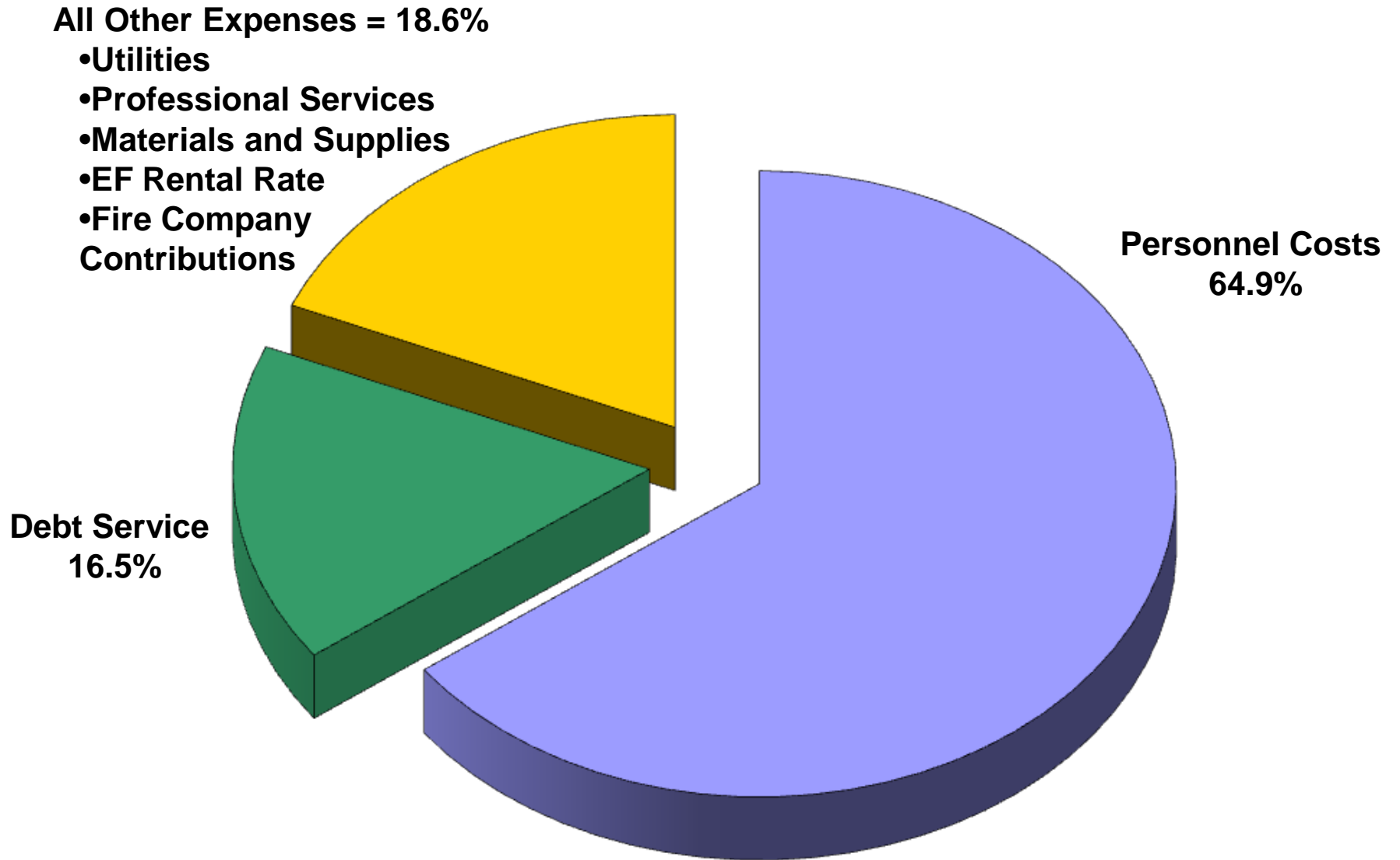
- Police/Public Safety
\$24,762,682
- Building & Planning
\$3,810,972
- Public Works
\$8,424,944
- Libraries
\$4,126,328
- Recreation
\$3,321,430
- Debt Service
\$10,207,732
- General Government
\$7,167,416





2016 General Fund Expenditures

\$61,821,504





2016 General Fund Expenditures

- 2016 GF Revenue Forecast is \$1.4 M or 2.3% higher than 2015 Budget

General Fund Expenditures	2015 Adopted Budget	2016 Proposed Budget	\$ Change From 2015 Budget	% Change From 2015 Budget
Debt Service Transfers	\$ 9,567,420	\$ 10,207,732	\$ 640,312	6.7%
Salaries	26,512,823	26,941,984	429,161	1.6%
Other Charges and Transfers*	(1,792,100)	(1,499,380)	292,720	-16.3%
Professional Technical Service	1,862,414	2,152,615	290,201	15.6%
Office Furniture/Equipment	290,286	493,285	202,999	69.9%
Other Compensation	2,531,724	2,719,615	187,891	7.4%
Material & Operating Supplies	974,140	1,157,742	183,602	18.8%
All Other Expenditures (Net)	8,713,814	8,829,124	115,310	1.3%
Other Personal Services	918,776	813,967	(104,809)	-11.4%
Machinery & Equipment	556,656	371,030	(185,626)	-33.3%
Employee Benefits	10,284,976	9,633,790	(651,186)	-6.3%
Net Budget Increase	\$ 60,420,929	\$ 61,821,504	\$ 1,400,575	2.3%

*Includes \$1.4 million of negative appropriations in 2015 and \$1.2 million in 2016



2016 General Fund Expenditures

- 2016 GF Expenditures Forecast is \$827,717 or 1.4% higher than 2015 Estimated Actual

General Fund Expenditures	2015 Estimated Actual	2016 Proposed Budget	\$ Change From 2015 Budget	% Change From 2015 Budget
Salaries	\$ 25,557,589	\$ 26,941,984	\$ 1,384,395	5.4%
Debt Service Transfers	9,660,325	10,207,732	547,407	5.7%
Employee Benefits	9,424,821	9,633,790	208,969	2.2%
Professional Technical Service	1,973,659	2,152,615	178,956	9.1%
Office Furniture/Equipment	324,948	493,285	168,337	51.8%
All Other Expenditures (Net)	8,990,555	9,111,126	120,571	1.3%
Insurance & Bonding	684,004	531,965	(152,039)	-22.2%
Other Compensation	2,977,904	2,719,615	(258,289)	-8.7%
Machinery & Equipment	652,003	371,030	(280,973)	-43.1%
Material & Operating Supplies	1,458,303	1,157,742	(300,561)	-20.6%
Other Charges and Transfers*	(710,324)	(1,499,380)	(789,056)	111.1%
Net Budget Increase	\$ 60,993,787	\$ 61,821,504	\$ 827,717	1.4%

**Includes \$1.4 million of negative appropriations in 2015 and \$1.2 million in 2016*



2016 General Fund Expenditures

The Proposed 2016 General Fund Expenditure Budget Highlights

- Includes projected deficit of \$2.7 million to be closed through use of a portion of Township's GF fund balance
- Staffing changes
 - Elimination of 4 full-time positions
 - One new full-time position in B&P; several new part-time positions
- Includes \$1.2 M of negative appropriations compared to \$1.4 million in 2015 Budget
- Contractual wage increases
 - Fraternal Order of Police (2.0% January 1st; 1.75% July 1st)
 - All additional wage increases will further increase the projected budget deficit



2016 General Fund Expenditures

- The Delaware Valley Health Trust provides the Township's medical insurance for all employees and retirees
 - Premiums increasing 2.0% in 2016; total cost increase is 3% compared to 2015 estimate based on expected number of covered employees
- Prescription costs (self-insured) decreased 3% compared to 2015 estimate due to cost containment, discounts and rebates
- Dental costs (self-insured) and vision costs increase 12.8% and 6.4% respectively compared to 2015 estimate
- After many years of significant cost increases in medical and prescription premiums, this year's overall medical and prescription premium increases are the lowest in many years and are not a significant cost driver for the Proposed 2016 Budget



2016 General Fund Expenditures

- Several new initiatives are included in the Proposed 2016 Budget
 - Citizen satisfaction survey to help measure (resident/taxpayer) satisfaction based on National Citizen Survey
 - Innovation fund for projects that would generate cost savings and lead to a more structurally balanced budget
 - Funding to rewrite the Township's zoning code
 - IT investments including a document management service with advanced workflow and transition to Microsoft Office365
- Contributions to Township's six volunteer fire companies proposed to increase by 2% (CPI currently flat) which would provide \$305,328 to each of the six volunteer fire companies
- Contributions to outside agencies that provide services to Township residents proposed to increase from \$96,500 to \$98,000



2016 General Fund Expenditures – Debt Service

Year	Sanitary		Total
	General Fund	Sewer Fund	
2016	\$ 5,413,785	\$ 981,215	\$ 6,395,000
2017	6,515,770	1,119,230	7,635,000
2018	6,541,125	1,118,875	7,660,000
2019	6,496,800	1,158,200	7,655,000
2020	6,559,365	1,160,635	7,720,000
2021	6,578,775	1,101,225	7,680,000
2022	6,487,140	1,107,860	7,595,000
2023	6,421,785	1,043,215	7,465,000
2024	6,175,560	934,440	7,110,000
2025	5,776,735	838,265	6,615,000
2026	5,220,190	824,810	6,045,000
2027	4,604,620	700,380	5,305,000
2028	3,920,950	619,050	4,540,000
2029	3,247,000	558,000	3,805,000
2030	2,695,000	465,000	3,160,000
2031	2,235,500	339,500	2,575,000
2032	1,917,000	213,000	2,130,000
2033	1,539,000	171,000	1,710,000
2034	1,107,000	123,000	1,230,000
2035	589,500	65,500	655,000
Total	\$ 90,042,600	\$ 14,642,400	\$ 104,685,000

- Township issued \$9.595 million (General Obligation Bonds Series B) in January 2015
- \$104.7 million in outstanding principal for both the General Fund and Sanitary Sewer Fund as of 1/1/2016
- If adopted the Proposed CIP would require an additional \$9 million for cash flow needs around mid-year 2016
- Board guidance on preferred financing method to be discussed in early 2016



Proposed 2016-2021 Capital Improvement Plan (CIP) Overview





2016-2021 Capital Improvement Plan (CIP)

- 2016 Proposed Capital Projects Budget includes \$43.5 million of capital projects Township-wide
- Township typically funds CIP with 20-year GO Bonds
- Approximately \$9 million in new money to fund the Proposed CIP will be necessary around mid-year 2016

	Capital Projects Fund	Sanitary Sewer Fund	Total Capital Budget
2016 Projects	\$ 39,831,000	\$ 3,663,000	\$ 43,494,000
Source of Funds:			
Grants, Reimbursements & Other	31,076,000	19,000	31,095,000
Existing Fund Balance & New CIP Financing	8,755,000	3,644,000	12,399,000
Total Funding Sources	39,831,000	3,663,000	43,494,000



2016-2021 Capital Improvement Plan (CIP)

- Top 10 CIP Projects Represent 85% or \$36.9 million of the total 2016 Capital Budget

CIP Projects (all revenue sources)	CIP Job Number	2016 Capital Budget
Ardmore Transit Center	4021	\$ 22,400,000
City Avenue Transportation Improvement Program	4092	3,746,000
Union Avenue Bridge Reconstruction	4203	2,040,000
Pennswood Road Bridge Reconstruction	4204	2,040,000
Rotomilling and Road Reconstruction	4210	2,000,000
Gladwyne Library Renovations	4083	1,589,000
Righters Ferry Road Pump Station	4741	1,265,000
Storm Water Facilities Management Project	4652	635,000
Rock Hill Rd/Belmont Ave Transportation Program	4216	615,000
Belmont Pump Station Upgrades	4735	590,000
Total Top 10 Capital Projects		36,920,000
All other capital projects		6,574,000
Total Capital Projects		\$ 43,494,000



2016-2021 Capital Improvement Plan (CIP)

- Township owns significant assets some of a historical nature
- Aging infrastructure typical of a first-ring suburb demands consistent reinvestment to maintain governmental assets
- These factors combined with accelerated deterioration of Township streets after successive harsh winters make curtailing the CIP a more difficult task
- However, there is a need moving forward to find appropriate balance between investments made through the CIP and growing debt service
 - Debt service is second largest GF expense
 - Need to come to consensus on suitable level of new debt on an annual basis and develop long-range policy to restrain growth and/or reduce Township's outstanding debt



Updated General Fund Financial Forecast





Updated General Fund Financial Forecast

Forecast Assumptions:

- Revised revenue and expenditure growth assumptions based on current economic conditions and projected future cost increases
- Assumes current levels of Township services and staffing
- Anticipates new money borrowings of \$10 million annually
- Continuation of the General Fund asset replacement contribution to the Equipment Fund at 50% level
- Affordable Care Act (ACA) “Cadillac Tax”
 - Still excluded due to lack of regulatory clarity; however, “Cadillac Tax” beginning in 2018 will be a significant cost to the Township without further modifications to medical and prescription plans to reduce annual invoiced cost of coverage



Updated General Fund Financial Forecast

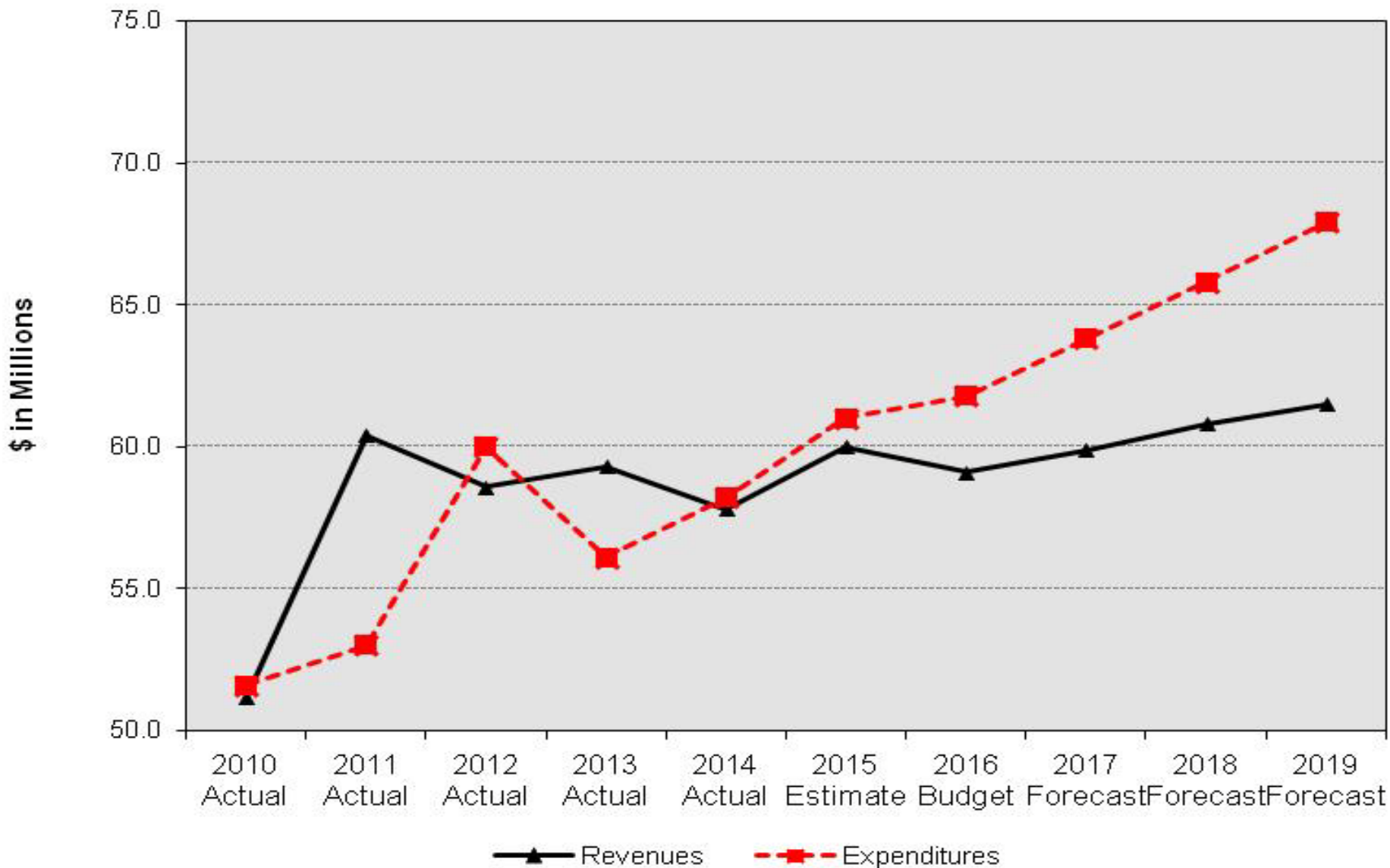
General Fund (Million \$)	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
Beginning Fund Balance (Undesignated)	\$ 19.6	\$ 18.5	\$ 15.8	\$ 11.9	\$ 6.9
Revenues	59.9	59.1	59.9	60.8	61.5
Expenses	61.0	61.8	63.8	65.8	67.9
Surplus/(Deficit)	(1.1)	(2.7)	(3.9)	(5.0)	(6.4)
Ending Fund Balance (Undesignated)	\$ 18.5	\$ 15.8	\$ 11.9	\$ 6.9	\$ 0.5
Ending FB (% of Operating Expenditures)	30.4%	25.5%	18.7%	10.5%	0.7%
Ending FB (% of Operating Expenditures) @ 18%	\$ 11.0	\$ 11.1	\$ 11.5	\$ 11.8	\$ 12.2
Ending FB (% of Operating Expenditures) @ 15%	\$ 9.2	\$ 9.3	\$ 9.6	\$ 9.9	\$ 10.2
Additional Funds needed to maintain 18% FB	\$ (7.5)	\$ (4.7)	\$ (0.4)	\$ 4.9	\$ 11.7
Additional Funds needed to maintain 15% FB	\$ (9.4)	\$ (6.5)	\$ (2.3)	\$ 3.0	\$ 9.7

- No real estate tax increases
- Growing annual deficits without additional revenue or significant expenditure reductions
- Fund balance levels above 18% of expenditures through 2017



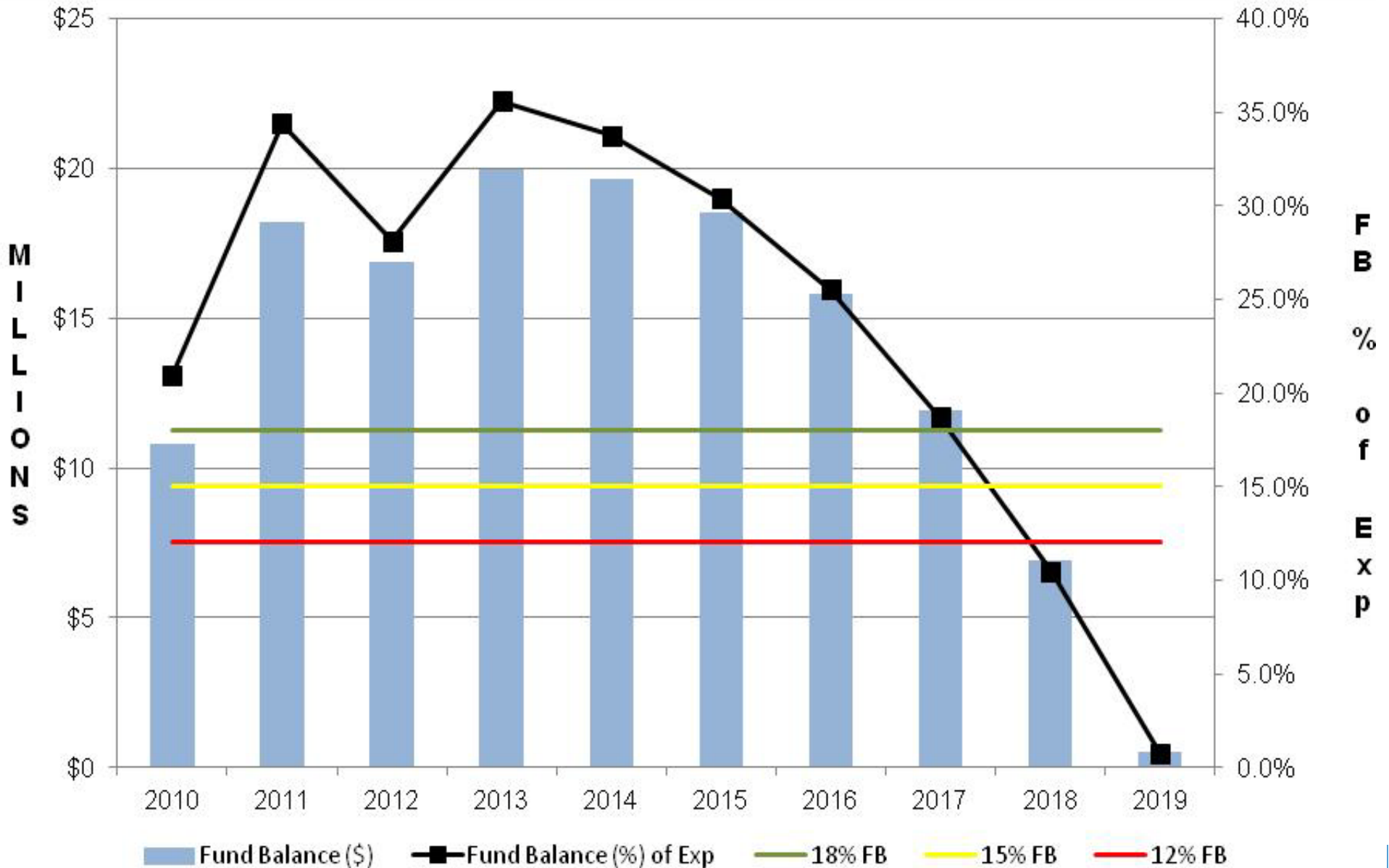
Updated General Fund Financial Forecast

General Fund Revenues & Expenditures 2010-2019





Updated General Fund Financial Forecast





2016 Budget Calendar





2016 Budget Calendar

- 2016 Tax Levy and Appropriations Ordinance
 - Approves advertisement of the 2016 Proposed Budget Real Estate Millage Rate (4.19 mills)
- First Public Hearing on Proposed 2016 Budget and 2016-2021 CIP: Nov 18th
- Second Public Hearing on Proposed 2016 Budget and 2016-2021 CIP: Dec 2nd
- Adoption of 2016 Budget and 2016-2021 CIP: Dec 16th (BOC regular meeting)



Conclusion

- The Proposed 2016 Budget maintains essential services without raising the real estate tax rate for the 5th straight year
- Township's multi-year projections show growing budget gaps in future years which will reduce the Township's GF fund balance
 - Township will need to consider revenue adjustments in future years absent **a reduction in spending**
 - Outcome of contract negotiations with the WA and the FOP will have a significant impact on Township's future costs
 - Funding Township capital needs while limiting debt will be a significant issue over the next several years
- Lower Merion has maintained a strong financial position yet will face challenges in the coming years to restrain costs in order to provide high-quality services residents demand within existing revenues