

# Township of Lower Merion General Fund 2017 Financial Forecast Update



Finance Committee  
July 26, 2017





# Overview of Presentation

- I. 2016 and Year-to-Date 2017 Financial Performance**
- II. General Fund Revenue Trends**
- III. General Fund Expenditure Trends**
- IV. Updated General Fund Financial Forecast**



# 2016 & YTD 2017 Financial Performance





# General Fund Financial Forecast Update

## Recap Since Previous Financial Forecast (November 2016)

- 2017 Adopted Budget anticipating use of \$2.9 M in fund balance
- 2017 winter storm costs slightly below budgeted levels
- Ongoing effort to revise the Township's financial policies
- CIP Workshop on June 28<sup>th</sup> provided direction on the Board's priorities for the 2018 Capital Budget and the Capital Improvement Plan
  - Based on the CIP Workshop, the Township staff is working with the financial advisor and bond counsel preparing for a planned September 13<sup>th</sup> new money bond issuance to fund capital projects



# 2017 General Fund Financial Results

General Fund (Million \$)	2016 Actual	2017 Budget	2017 Estimate	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance (Undesignated)	\$ 21.1	\$ 19.8	\$ 19.7		
Revenues	62.3	61.3	62.6	\$ 1.3	2.1%
Expenses	63.7	64.2	64.0	\$ (0.2)	-0.3%
Surplus/(Deficit)	\$ (1.4)	\$ (2.9)	\$ (1.4)	\$ 1.5	
Ending Fund Balance (Undesignated)	\$ 19.7	\$ 16.9	\$ 18.3		
Ending FB as a % of Operating Expenditures	30.9%	26.3%	28.6%		

- 2016 financial performance was positive versus budget
- 2017 revenues projected higher than budgeted
  - Revenues projected to exceed budget; mainly due to reimbursed expenses (One Ardmore Place), licenses and permits and intergovernmental revenue
- 2017 expenditures slightly less than budgeted by \$0.2 million, not including any planned transfer to Capital Projects Fund



## General Fund Revenue Trends





# General Fund Revenue Trends

- Growing real estate tax assessment base
  - Increase in Township's assessed value in each of past 5 years
  - Assessed value as of July 1<sup>st</sup> increased slightly over January 1<sup>st</sup>
  - Assessment appeals ongoing but not a major concern
- Business tax base steady, but growth has slowed somewhat
  - Business tax audit revenue supplementing revenue stream
- Real estate transfer tax revenues solid in comparison to previous years, yet trailing the very strong results of 2016
- Licenses and permit revenues continue to grow faster than projected reflecting continued high level of permit activity
- Increased revenue in reimbursed expenses due to One Ardmore Place reimbursement



# General Fund Revenue Trends

- 2017 General Fund Revenue Estimated Actual is \$1.4 million or 2.2% higher than 2017 Budget
  - Positive revenue performance led by reimbursed expenses, licenses and permits and investment income

General Fund Revenue	2017 Adopted Budget	(July 2017) 2017 Forecast	\$ Variance	% Variance
Reimbursed Expenses	\$ 285,000	\$ 1,400,000	\$ 1,115,000	391.2%
Investment Income	165,985	290,000	124,016	74.7%
Plumbing Permits	356,213	475,000	118,788	33.3%
Building and Electrical Permits	2,583,750	2,700,000	116,250	4.5%
Intergovernmental	55,000	145,000	90,000	163.6%
Fines & Forfeits	1,090,800	1,045,000	(45,800)	-4.2%
Real Estate Transfer Taxes	3,903,650	3,700,000	(203,650)	-5.2%
<b>Net Increase (Forecasted)</b>	<b>\$ 61,268,573</b>	<b>\$ 62,638,984</b>	<b>\$ 1,370,411</b>	<b>2.2%</b>





# General Fund Revenue Trends

- 2017 General Fund Revenue Estimated Actual is \$0.3 million or 0.5% higher than 2016 Actual
  - Again, revenue performance led by reimbursed expenses, plumbing permits, investment income
  - Projected decline in real estate transfer and business taxes

General Fund Revenue	2016 Actual	(July 2017) 2017 Forecast	\$ Variance	% Variance
Reimbursed Expenses	\$ 335,852	\$ 1,400,000	\$ 1,064,148	316.9%
Highway Aid	836,941	1,000,000	163,059	19.5%
Investment Income	182,757	290,000	107,243	58.7%
Plumbing Permits	379,981	475,000	95,019	25.0%
Real Estate Taxes - Current	30,684,992	30,769,000	84,008	0.3%
Real Estate Transfer Taxes	3,906,648	3,700,000	(206,648)	-5.3%
Building and Electrical Permits	2,963,969	2,700,000	(263,969)	-8.9%
Business & Mercantile Tax	11,210,666	10,800,000	(410,666)	-3.7%
<b>Net Increase (Forecasted)</b>	<b>\$ 62,321,002</b>	<b>\$ 62,638,984</b>	<b>\$ 317,982</b>	<b>0.5%</b>



# General Fund Expenditure Trends





# General Fund Expenditure Trends

- Personnel costs (wages and benefits)
  - Less personnel turnover versus last year. Positions being filled as promptly as possible; projected savings from negative appropriations (i.e. staff turnover savings) are on target
  - Resolution to labor contracts will help project future baseline Township expenditure levels with more certainty
- Debt Service costs
  - 2016 bond issuance resulted in a decrease in the level of principal debt outstanding and debt service versus previous year
- Utility & Supplies
  - Down overall due to Township energy saving efforts as well as reduced salt usage compared to 2016



# General Fund Expenditure Trends

- 2017 General Fund Expenditure Estimated Actual is \$152,000 or 0.2% less than the 2017 Budget

General Fund Expenditures	2017 Adopted Budget	2017 Estimated Actual	\$ Variance	% Variance
Salaries	\$ 27,946,853	\$ 27,108,975	\$ (837,878)	-3.0%
Professional Technical Services	2,452,157	2,337,657	(114,500)	-4.7%
Materials & Operating Supplies	1,152,377	1,055,167	(97,210)	-8.4%
Contracted Services	911,600	836,600	(75,000)	-8.2%
All Other Expenditures (Net)	22,407,459	22,364,263	(43,196)	-0.2%
Employee Benefits	9,597,116	10,035,412	438,296	4.6%
Office Furniture/Equipment Rep	560,800	648,740	87,940	15.7%
Other Charges and Transfer	(879,995)	(389,995)	490,000	-55.7%
<b>Total Expenditures</b>	<b>64,148,367</b>	<b>63,996,819</b>	<b>(151,548)</b>	<b>-0.2%</b>



# General Fund Expenditure Trends

- 2017 General Fund Expenditure Estimated Actual is \$0.3 million or 0.5% higher than 2016 Actual
  - Excluding the 2016 transfer to the Capital Projects Fund the increase would be \$2.8 million or 4.6%

	2016 Actual	(July 2017) 2017 Forecast	\$ Variance	% Variance
<b>General Fund Expenditures</b>				
Other Compensation	2,870,817	2,719,554	\$ (151,263)	-5.3%
Debt Service Transfers	10,199,707	10,044,982	(154,725)	-1.5%
Employee Benefits	9,762,558	10,035,412	272,854	2.8%
Office Furniture/Equipment Rep	347,881	648,740	300,859	86.5%
Professional Technical Service	1,975,795	2,337,657	361,862	18.3%
Other Charges and Transfers	(838,632)	(389,995)	448,637	-53.5%
All Other Expenditures (Net)	11,172,693	11,491,494	318,801	2.9%
Salaries	25,681,135	27,108,975	1,427,840	5.6%
<b>Total Expenditures</b>	<b>\$ 61,171,954</b>	<b>\$ 63,996,819</b>	<b>\$ 2,824,865</b>	<b>4.6%</b>
CPF Transfer	\$ 2,500,000	\$ -	\$ (2,500,000)	-100.0%
<b>Grand Total Expenditures</b>	<b>\$ 63,671,954</b>	<b>\$ 63,996,819</b>	<b>\$ 324,865</b>	<b>0.5%</b>



# Updated General Fund Financial Forecast





# Updated General Fund Financial Forecast

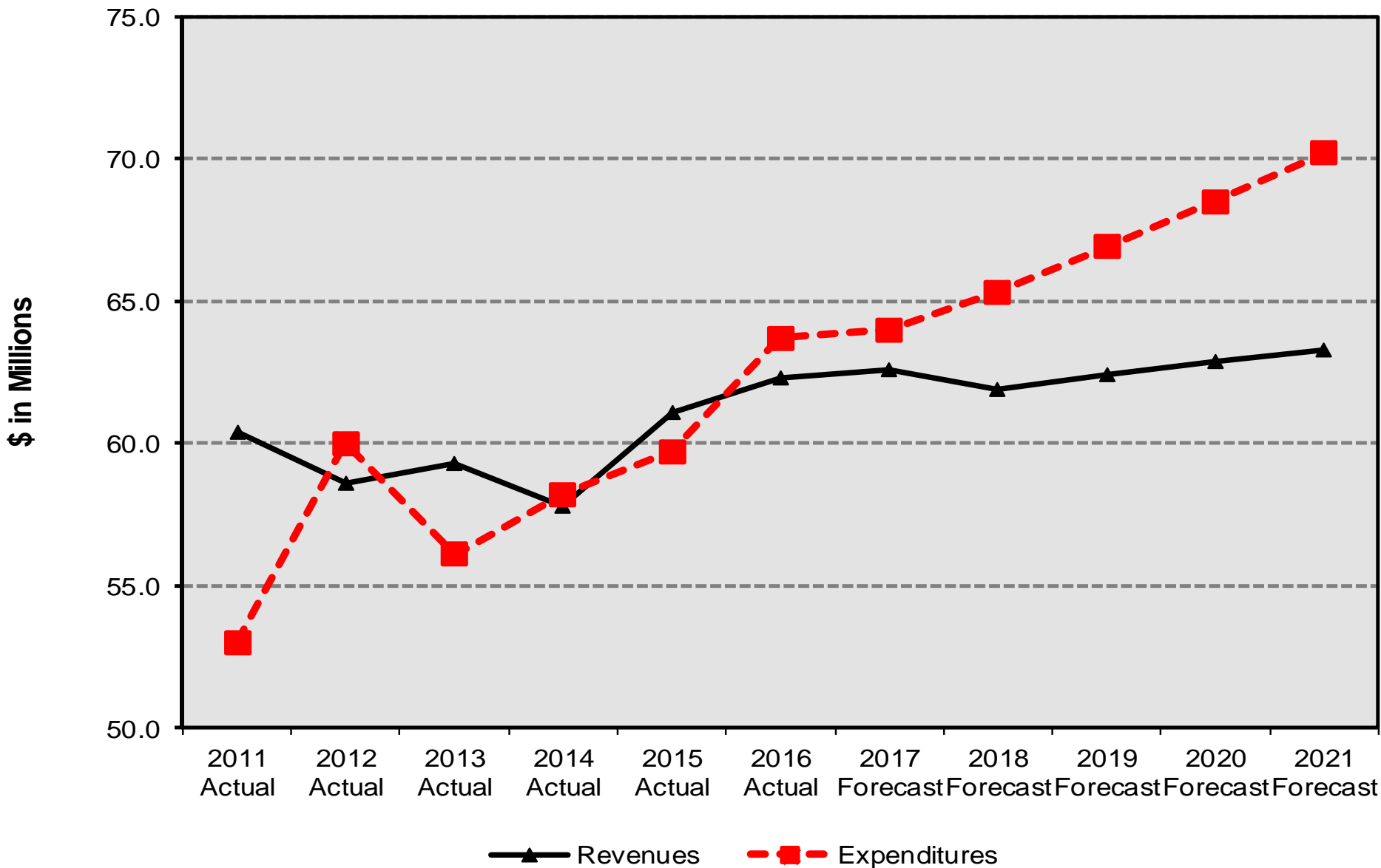
General Fund (Million \$)	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast
Beginning Fund Balance (Undesignated)	\$ 19.7	\$ 18.3	\$ 14.9	\$ 10.4	\$ 4.8
Revenues	62.6	61.9	62.4	62.9	63.3
Expenses	64.0	65.3	66.9	68.5	70.2
Surplus/(Deficit)	(1.4)	(3.4)	(4.5)	(5.6)	(6.9)
Ending Fund Balance (Undesignated)	\$ 18.3	\$ 14.9	\$ 10.4	\$ 4.8	\$ (2.1)
Ending FB (% of Operating Expenditures)	28.6%	22.8%	15.5%	7.0%	-3.0%
Ending FB (% of Operating Expenditures) @ 18%	\$ 11.5	\$ 11.8	\$ 12.0	\$ 12.3	\$ 12.6
Ending FB (% of Operating Expenditures) @ 15%	\$ 9.6	\$ 9.8	\$ 10.0	\$ 10.3	\$ 10.5
Additional Funds needed to maintain 18% FB	\$ (6.8)	\$ (3.1)	\$ 1.6	\$ 7.5	\$ 14.7
Additional Funds needed to maintain 15% FB	\$ (8.7)	\$ (5.1)	\$ (0.4)	\$ 5.5	\$ 12.6

- Assumes no real estate tax increases through forecast period
- Structural deficit remains with growing annual deficits without additional revenue or restraining the growth of expenditures
- Fund balance levels above 15% of expenditures through 2019



# Updated General Fund Financial Forecast

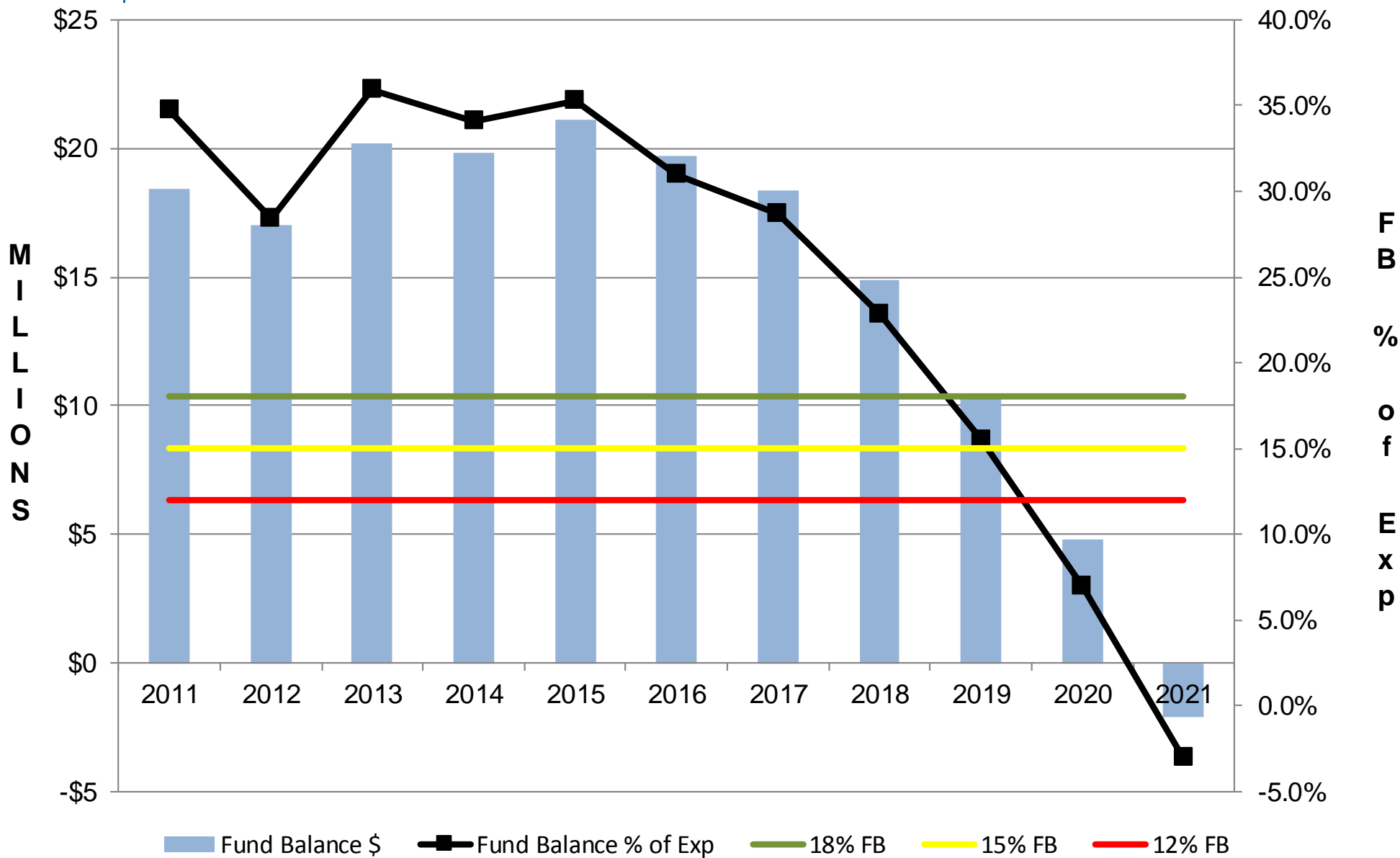
## General Fund Revenues & Expenditures 2011-2021







# Updated General Fund Financial Forecast





# 2018 Budget Calendar (Tentative)

- Budget Workshop scheduled for September 6th
- Distribution of Proposed 2018 Budget and CIP scheduled for Friday, November 3rd
- First Public Hearing on Proposed 2018 Budget: November 15th (BOC regular meeting)
- Second Public Hearing on Proposed 2018: December 6th
- Adoption of 2018 Budget and 2018-2023 CIP: December 20th (BOC regular meeting)
- Questions/comments from the Board of Commissioners