

# Township of Lower Merion Proposed 2018 Budget & 2018-2023 Capital Improvement Plan



Finance Committee  
November 8, 2017





# Overview of Presentation

- I. 2017 Financial Performance**
- II. Proposed 2018 Budget Overview**
- III. Proposed 2018-2023 Capital Improvement Plan (CIP) Overview**
- IV. Updated General Fund Financial Forecast**
- V. Next Steps**



## 2017 Financial Performance





# General Fund Financial Performance

General Fund (Million \$)	2016 Actual	2017 Budget	2017 Estimate	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance (Undesignated)	\$ 20.9	\$ 19.6	\$ 19.5		
Revenues	62.3	61.3	62.9	\$ 1.6	2.6%
Expenses	63.7	64.2	63.7	\$ (0.5)	-0.8%
Surplus/(Deficit)	\$ (1.4)	\$ (2.9)	\$ (0.8)	\$ 2.1	
Ending Fund Balance (Undesignated)	\$ 19.5	\$ 16.7	\$ 18.7		
Ending FB as a % of Annual Operating Expenditures	30.6%	26.0%	29.4%		

- Revenues higher than budgeted by over \$1.6 M; mainly due to higher licenses and permit revenue, real estate transfer taxes and reimbursed expenses
- Expenditures lower than budgeted by approximately \$0.5 M. This is primarily a result of salary savings from turnover that was greater than projected as well as savings in materials and supplies



# 2017 General Fund Revenue Trends

- 2017 GF Revenue Estimated Actual is \$0.6 M or 1.0% higher than 2016 Actual
- 2017 GF Revenue Estimated Actual is nearly \$1.65 M or 2.7% higher compared to 2017 Budget

	2016 Actual	2017 Adopted Budget	2017 Estimated Actual	\$ Variance	% Variance
<b>General Fund Revenue</b>					
Reimbursed Expenses	\$ 531,942	\$ 488,380	\$ 1,587,200	\$ 1,098,820	225.0%
Building and Electrical Permits	2,963,969	2,583,750	2,850,000	266,250	10.3%
Real Estate Transfer Taxes	3,906,648	3,903,650	4,125,000	221,350	5.7%
Plumbing Permits	379,981	356,213	550,000	193,788	54.4%
Grants and Gifts	250,479	55,000	155,000	100,000	181.8%
All Other Revenues Net	41,846,583	41,893,581	42,101,200	207,619	0.5%
Parking Meters	1,230,734	1,188,000	1,050,000	(138,000)	-11.6%
Business and Mercantile Taxes	11,210,666	10,800,000	10,500,000	(300,000)	-2.8%
<b>Net Increase (Forecasted)</b>	<b>\$ 62,321,002</b>	<b>\$ 61,268,573</b>	<b>\$ 62,918,400</b>	<b>\$ 1,649,827</b>	<b>2.7%</b>



# 2017 General Fund Expenditure Trends

- General Fund 2017 expenditures projected at \$0.5 M or 0.7% lower than budgeted
- Salary savings due to vacancies and lower than projected expenditures for materials and supplies (salt and asphalt) were the primary drivers of the expenditure results

	2016 Actual	2017 Adopted Budget	2017 Estimated Actual	\$ Variance	% Variance
<b>General Fund Expenditures</b>					
Other Charges and Transfers	(838,641)	(879,995)	(349,572)	530,423	-60.3%
Employee Benefits	9,765,932	9,597,116	9,760,681	163,565	1.7%
Other Expenditures (Net)	27,136,929	25,402,800	25,496,488	93,688	0.4%
Insurance and Claims	632,825	640,443	579,029	(61,414)	-9.6%
Rentals	292,994	288,773	220,865	(67,908)	-23.5%
Material and Operating Supplies	1,021,566	1,152,377	1,022,822	(129,555)	-11.2%
Salaries	25,681,135	27,946,853	26,943,848	(1,003,005)	-3.6%
<b>Total Expenditures</b>	<b>63,692,740</b>	<b>64,148,367</b>	<b>63,674,161</b>	<b>(474,206)</b>	<b>-0.7%</b>



# Proposed 2018 Budget Overview





# Proposed 2018 Budget

General Fund (Million \$)	2017 Budget	2018 Budget	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance (Undesignated)	\$ 19.6	\$ 18.7		
Revenues	61.3	62.2	\$ 0.9	1.5%
Expenses	64.2	65.4	1.2	1.9%
Surplus/(Deficit)	\$ (2.9)	\$ (3.2)	\$ (0.3)	
Ending Fund Balance (Undesignated)	\$ 16.7	\$ 15.5		
Ending FB as a % of Annual Operating Expenditures	26.0%	23.7%		

- Proposed 2018 Budget recommends no Real Estate Tax increase for the seventh consecutive year
- Budget includes a \$3.2 million budget gap to be filled by a drawdown on the GF fund balance
- Solid Waste Fees remain unchanged for 2018
- Sewer Rental Fee is not anticipated to change but will be evaluated in April 2018





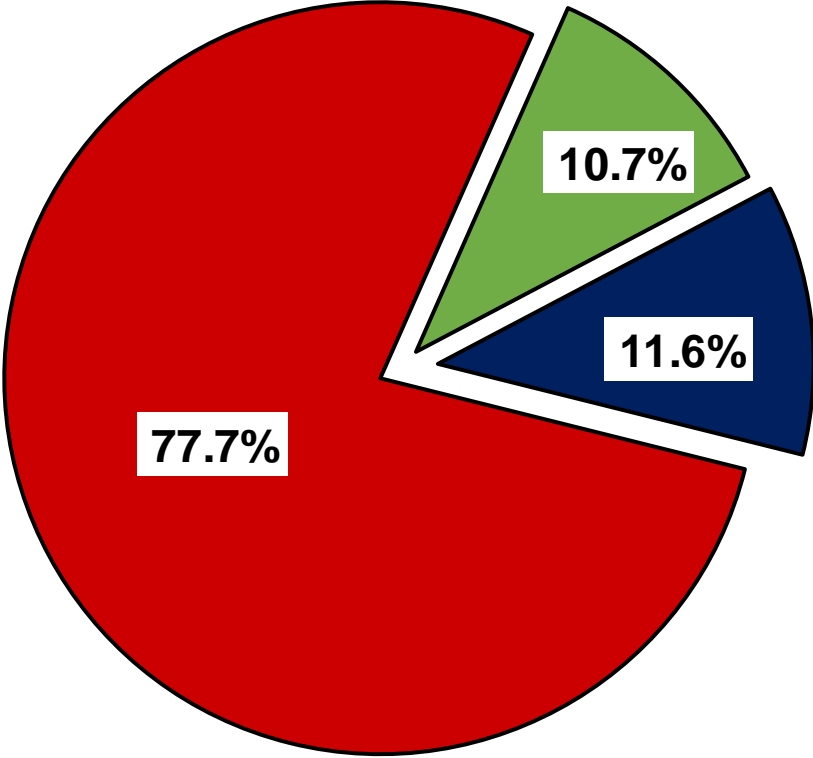
# 2018 General Fund Revenue – Assessed Value

- Total Assessed Value is projected at \$7.609 billion a modest increase over the 2017 Assessed Value of \$7.568 billion

Year	Assessed Valuation	% Inc/Dec	Estimated Market Value
2009	7,514,754,000	0.18%	13,395,283,900
2010	7,480,048,000	-0.46%	12,896,635,100
2011	7,442,249,000	-0.51%	12,003,626,800
2012	7,404,023,000	-0.51%	11,678,270,200
2013	7,430,475,000	0.36%	12,922,564,800
2014	7,471,624,826	0.55%	13,294,706,100
2015	7,491,626,679	0.27%	13,330,296,600
2016	7,532,920,959	0.55%	13,427,666,600
2017	7,568,106,739	0.47%	13,490,386,300
2018	7,609,731,326	0.55%	14,066,046,800



# 2018 Real Estate Taxes



- **Lower Merion School District**  
**28.074 Mills** *(2017-2018 rate)*
- **Montgomery County**  
**3.849 Mills**
- **Lower Merion Township**  
**4.19 Mills**

■ School    ■ County    ■ Township



# 2018 Real Estate Taxes by Assessed Value

<b>Assessed Value</b>	<b>School * 28.074 mills</b>	<b>County 3.849 mills</b>	<b>Township 4.19 mills</b>	<b>Total 36.113 mills</b>
\$200,000	\$5,615	\$770	\$838	\$7,223
\$300,000	\$8,422	\$1,155	\$1,257	\$10,834
\$350,000	\$9,826	\$1,347	\$1,467	\$12,640
\$400,000	\$11,230	\$1,540	\$1,676	\$14,445
\$500,000	\$14,037	\$1,925	\$2,095	\$18,057

\*School millage based on 2017-2018 tax year

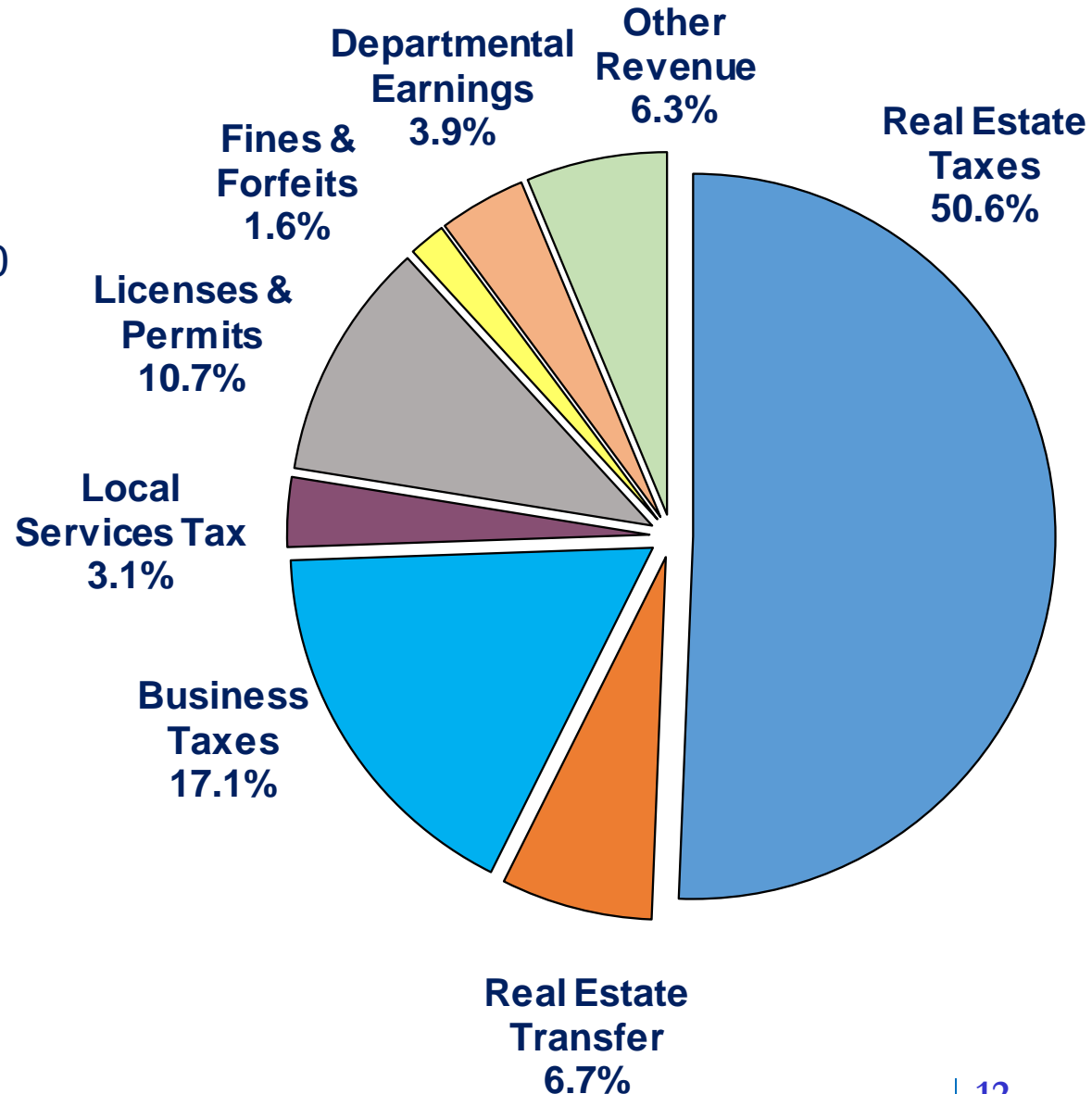
- A resident with a home assessed at Township average assessment of \$360,000 would pay \$1,508 in Township real estate taxes in 2018 or \$125.67 per month for all Township services
- The same resident would pay \$1,386 to Montgomery County and \$10,107 to the Lower Merion School District



# 2018 General Fund Revenues

## \$62,233,900

- Real Estate Taxes = \$31,508,300
- Real Estate Transfer Tax = \$4,200,000
- Business Taxes = \$10,625,000
- Local Services Tax = \$1,925,000
- Licenses & Permits = \$6,638,800
- Fines & Forfeits = \$1,020,000
- Departmental Earnings = \$2,411,500
- Other Revenue = \$3,905,300





# 2018 General Fund Revenue

- 2018 GF Revenue Forecast is \$62.2 million which is nearly \$1.0 million or 1.6% higher than the 2017 Budget due to increases primarily licenses and permits and real estate transfer taxes

	2017 Adopted Budget	2018 Proposed Budget	\$ Change From 2017 Budget	% Change From 2017 Budget
<b>General Fund Revenue</b>				
Real Estate Transfer Taxes	\$ 3,903,650	\$ 4,200,000	\$ 296,350	7.6%
Building and Electrical Permits	2,583,750	2,850,000	266,250	10.3%
Real Estate Taxes - Current Year	30,720,738	30,938,300	217,562	0.7%
Plumbing Permits	356,213	550,000	193,787	54.4%
Investment Income	165,985	345,000	179,016	107.9%
Zoning & Subdivision Fees	510,774	575,000	64,226	12.6%
Local Services Tax	1,868,500	1,925,000	56,500	3.0%
Grants & Gifts	55,000	110,000	55,000	100.0%
All Other Revenues Net	8,755,963	8,755,600	(363)	0.0%
District Justice	360,000	310,000	(50,000)	-13.9%
Parking Meters	1,188,000	1,050,000	(138,000)	-11.6%
Business & Mercantile Tax	10,800,000	10,625,000	(175,000)	-1.6%
<b>Net Increase (Forecasted)</b>	<b>\$ 61,268,573</b>	<b>\$ 62,233,900</b>	<b>\$ 965,327</b>	<b>1.6%</b>



# 2018 General Fund Revenue

- 2018 GF Revenue Forecast is \$0.7 million or 1.1% lower than 2017 Estimated Actual
- Decline is due to reimbursed expenses (One Ardmore Place, Papal Visit expense reimbursement) that will not recur in 2018

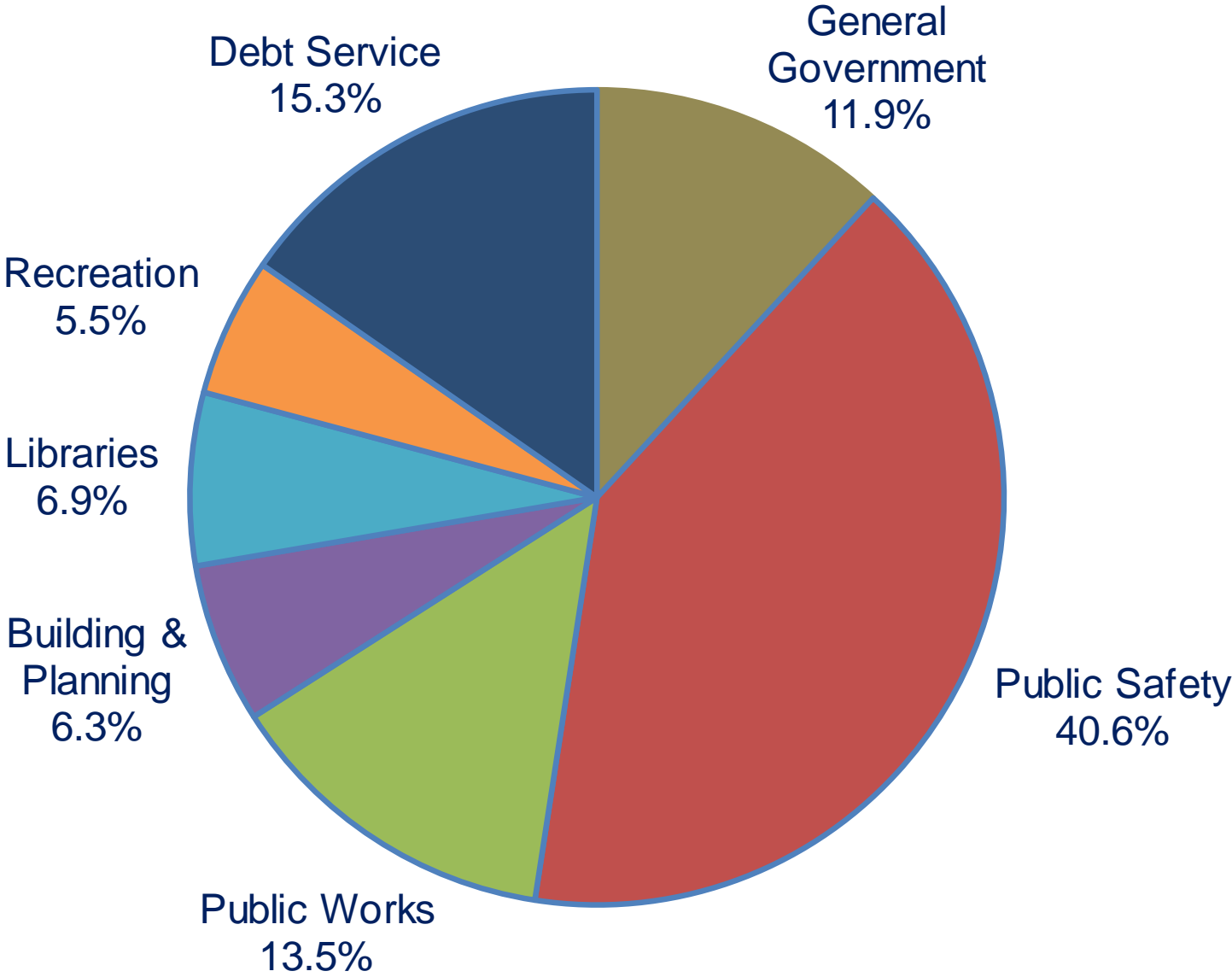
General Fund Revenue	2017 Estimated Actual	2018 Proposed Budget	\$ Change From 2017 EA	% Change From 2017 EA
Real Estate Taxes - Current Year	\$ 30,769,000	\$ 30,938,300	\$ 169,300	0.6%
Business & Mercantile Tax	10,500,000	10,625,000	125,000	1.2%
All Other Revenues Net	14,249,500	14,335,600	86,100	0.6%
Real Estate Transfer Taxes	4,125,000	4,200,000	75,000	1.8%
Franchise Fees	1,532,700	1,575,000	42,300	2.8%
Grants & Gifts	155,000	110,000	(45,000)	-29.0%
Reimbursed Expenses	1,587,200	450,000	(1,137,200)	-71.6%
<b>Net Increase (Forecasted)</b>	<b>\$ 62,918,400</b>	<b>\$ 62,233,900</b>	<b>\$ (684,500)</b>	<b>-1.1%</b>



# 2018 General Fund Expenditures

## \$65,441,513

- Police/Public Safety  
\$26,546,574
- Debt Service  
\$10,040,273
- Public Works  
\$8,846,005
- General Government  
\$7,769,739
- Libraries  
\$4,484,075
- Building & Planning  
\$4,153,652
- Recreation  
\$3,601,195





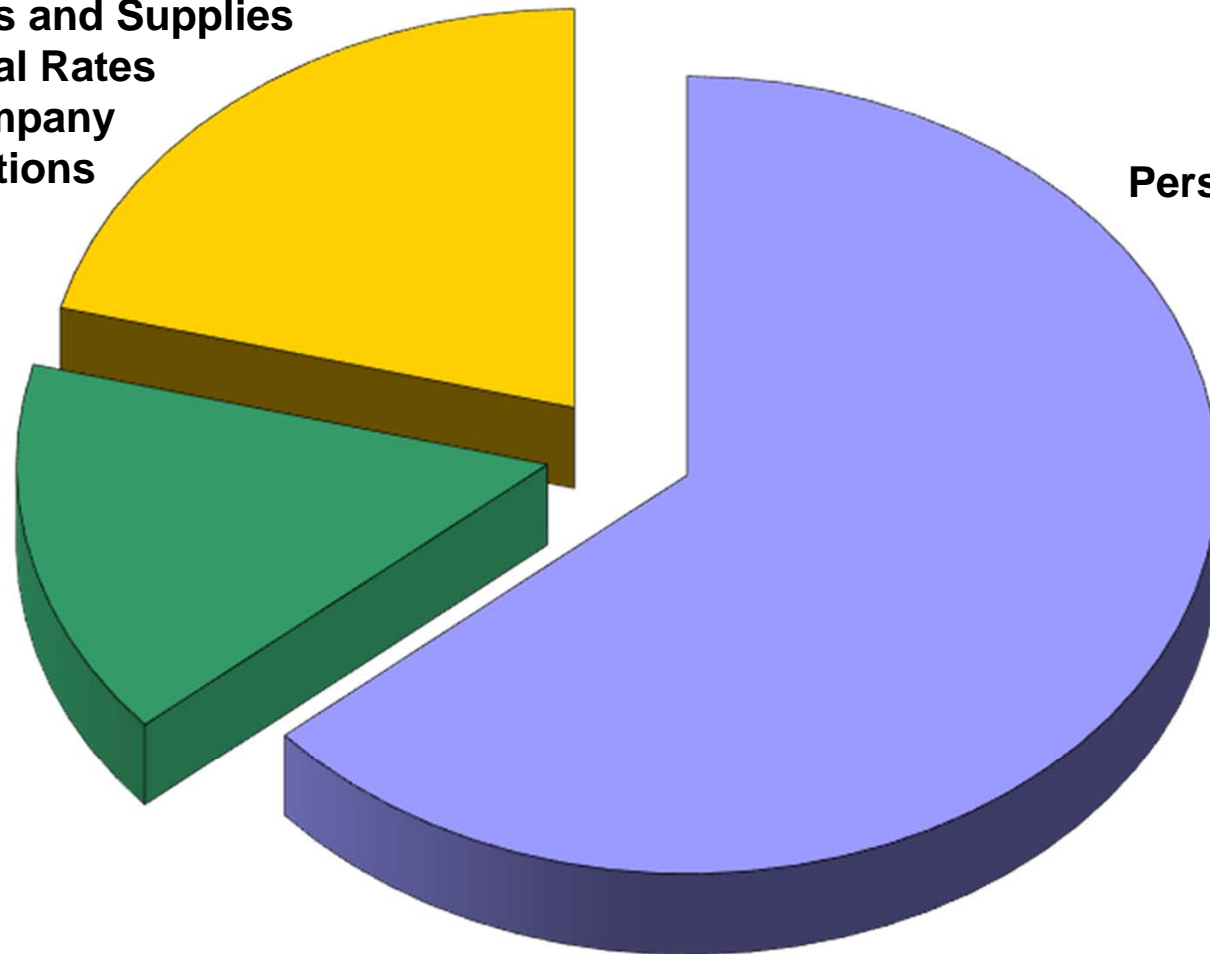
# 2018 General Fund Expenditures

## \$65,441,513

All Other Expenses = 21.0%

- Utilities
- Professional Services
- Materials and Supplies
- EF Rental Rates
- Fire Company Contributions

Debt Service  
15.3%



Personnel Costs  
63.7%





# 2018 General Fund Expenditures

- 2018 General Fund Expenditure Budget is \$1.3 M or 2.0% higher than the 2017 Budget

	2017 Adopted Budget	2018 Proposed Budget	\$ Change From 2017 Budget	% Change From 2017 Budget
<b>General Fund Expenditures</b>				
<b>Salaries</b>	\$ 27,946,853	\$ 28,838,730	\$ 891,877	3.2%
<b>Employee Benefits</b>	9,597,116	9,892,068	294,952	3.1%
<b>Maint - Equipment Software Furniture</b>	560,800	797,170	236,370	42.1%
<b>Communication Expenses</b>	739,054	964,499	225,445	30.5%
<b>Other Compensation</b>	2,755,528	2,951,463	195,935	7.1%
<b>Contracted Services</b>	911,600	1,016,237	104,637	11.5%
<b>All Other Expenditures (Net)</b>	17,982,851	18,035,358	52,507	0.3%
<b>Township Equipment Rental</b>	1,807,318	1,657,559	(149,759)	-8.3%
<b>Equipment Software Furniture</b>	275,085	105,200	(169,885)	-61.8%
<b>Other Charges and Transfers*</b>	(879,995)	(1,064,285)	(184,290)	20.9%
<b>Professional Technical Service</b>	2,452,157	2,247,514	(204,643)	-8.3%
<b>Net Budget Increase</b>	\$ 64,148,367	\$ 65,441,513	\$ 1,293,146	2.0%

*\*Includes \$0.5 million of vacancy savings in 2017 and \$0.7 million in 2018*



# 2018 General Fund Expenditures

- 2018 GF Expenditure Forecast is \$1.8 million or 2.8% higher than 2017 Estimated Actual

	2017 Estimated Actual	2018 Proposed Budget	\$ Change From 2017 EA	% Change From 2017 EA
<b>General Fund Expenditures</b>				
<b>Salaries</b>	\$ 26,943,848	\$ 28,162,230	\$ 1,218,382	4.5%
<b>All Other Expenditures (Net)</b>	17,381,076	17,647,573	266,497	1.5%
<b>Communication Expenses</b>	735,187	964,499	229,312	31.2%
<b>Maint - Equipment Software Furniture</b>	601,709	797,170	195,461	32.5%
<b>Other Compensation</b>	2,781,369	2,951,463	170,094	6.1%
<b>Employee Benefits</b>	9,760,681	9,892,068	131,387	1.3%
<b>Contracted Services</b>	890,767	1,016,237	125,470	14.1%
<b>Township Equipment Rental</b>	1,807,318	1,657,559	(149,759)	-8.3%
<b>Equipment Software &amp; Furniture</b>	288,507	105,200	(183,307)	-63.5%
<b>Professional Technical Service</b>	2,483,699	2,247,514	(236,185)	-9.5%
<b>Net Budget Increase</b>	\$ 63,674,161	\$ 65,441,513	\$ 1,767,352	2.8%

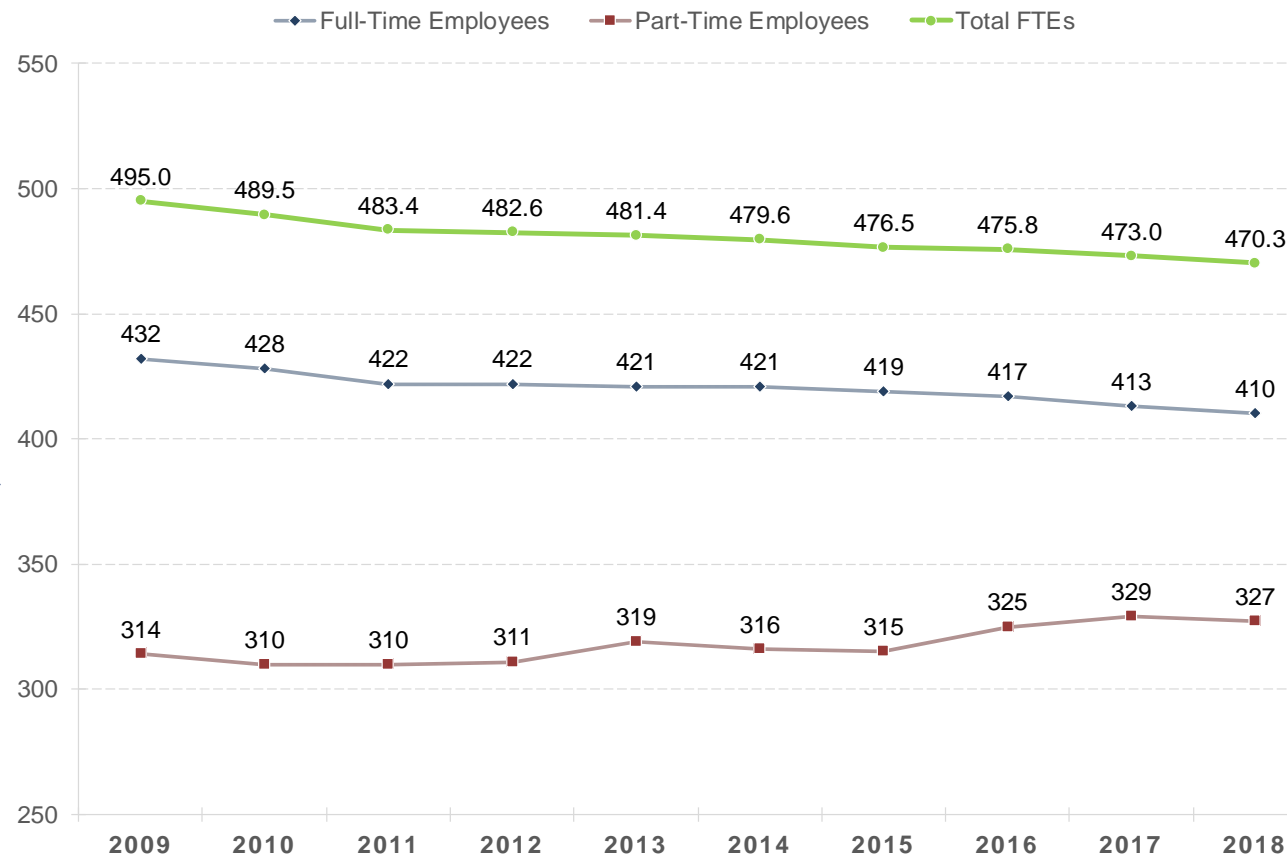
Note: Budgeted vacancy/turnover savings for 2018 are netted against salaries



# 2018 General Fund Expenditures - Personnel

- Staffing changes include elimination of 3 full-time positions
- Includes \$0.7 M of vacancy/turnover savings
- Contractual wage increase of 3.25% for WA
- Contractual wage increase of 3.75% for the FOP
- Proposed wage increase of 3.25% for all non-union personnel

Employee Staffing Levels 2009-2018





## 2018 General Fund Expenditures - Debt

- Township issued \$9.805 million of new money General Obligation Bonds in September
- A total of \$107.5 million in outstanding principal for the General Fund and Sanitary Sewer Fund as of 1/1/2018
  - An increase of \$1.7 million or 1.6% versus the previous year, but by the end of 2018 outstanding debt will decrease
- General Fund debt service is budgeted to decline minimally by \$4,700 compared to 2017 due to Sewer Fund paying a higher portion of 2017 bonds
- The Proposed Capital Budget would require an additional \$4.5 million for capital project cash flow needs in 2018
  - Final need for additional debt will be determined by size of Capital Budget, pace of CIP spending and potential use of GF reserves to supplement bond funding



# 2018 General Fund Expenditures – Employee Benefits

- In 2017 the Township transitioned its medical, prescription and dental plans to the Pennsylvania Municipal Health Insurance Cooperative (PMHIC) using the Independence Blue Cross platform
  - Township remains confident the partially self insured model will provide the Township with lower renewals over time while also providing potential claims fund refunds
  - Preliminary results for 2017 are encouraging and overall medical and prescription costs are expected to increase modestly (1.4%) versus 2017
- Dental costs are projected to decline by \$24,000 or 7.1%
- Other employee benefit costs are projected to increase by a total of 1.4% versus the 2017 Budget



# 2018 General Fund Expenditures

- Major Initiatives included in the Proposed 2018 Budget
  - Funding to finish the update of Township's zoning code by DPZ in conjunction with Township staff (\$100,000)
  - Increase in tree removal contract of \$125,000 to remove endangered ash trees throughout the Township
- Contributions to Township's six volunteer fire companies are proposed to increase by 2% which would provide a total of \$355,784 to each of the six volunteer fire companies
- Contributions to outside agencies that provide services to Township residents were recently reviewed by the Township's Ad Hoc Contributions to Outside Agencies Committee. The Committee is recommending overall spending of \$103,000 in 2018 which would be distributed amongst twelve area organizations



# Proposed 2018-2023 Capital Improvement Plan (CIP) Overview





# 2018-2023 Capital Improvement Plan (CIP)

- 2018 Proposed Capital Projects Budget includes \$39.6 million of capital projects Township-wide
- Township typically funds CIP with 20-year GO Bonds
- Level and overall need for additional debt in 2018 will be determined by pace of CIP spending, potential use of GF reserves as an additional CIP funding source and size of final Capital Budget

	<b>Capital Projects Fund</b>	<b>Sanitary Sewer Fund</b>	<b>Total Capital Budget</b>
<b>2018 Projects</b>	\$ 35,047,000	\$ 4,562,000	\$ 39,609,000
<b>Source of Funds:</b>			
<b>Grants, Reimbursements &amp; Other</b>	21,710,000	19,000	21,729,000
<b>Existing Fund Balance &amp; New CIP Financing</b>	13,337,000	4,543,000	17,880,000
<b>Total Funding Sources</b>	<b>35,047,000</b>	<b>4,562,000</b>	<b>39,609,000</b>





# 2018-2023 Capital Improvement Plan (CIP)

- Top 10 CIP Projects represent 74% or \$29.2 million of the total 2018 Capital Budget

CIP Projects (all revenue sources)	CIP Job Number	2018 Capital Budget
Ardmore Transit Center	4021	\$ 10,250,000
Union Avenue Bridge Reconstruction	4203	4,010,000
Rock Hill Rd/Belmont Ave TSA Improvement Program	4216	3,950,000
Belmont Hills Library Renovations	4082	2,802,000
Traffic Network Evaluation - Township Wide	4236	1,787,000
Rotomilling and Road Reconstruction	4210	1,500,000
City Ave TSA Improvement Program	4092	1,263,000
Belmont Pump Station Upgrades	4735	1,250,000
Fire Apparatus Replacement Fund	4404	1,200,000
Storm Water Facilities Management Project	4652	1,150,000
<b>Total Top 10 Capital Projects</b>		<b>29,162,000</b>
<b>All other capital projects</b>		<b>10,447,000</b>
<b>Total Capital Projects</b>		<b>\$ 39,609,000</b>



# Updated General Fund Financial Forecast





# Updated General Fund Financial Forecast

## Forecast Assumptions:

- Revised revenue and expenditure growth assumptions based on current economic conditions (e.g. employment levels) and projected known future cost increases (e.g. wage increases)
- Forecasted growth in total assessed value based upon status of current developments offset partially by expected assessment challenges from property owners
- Assumes current levels of Township services and staffing as included in Proposed 2018 Budget
- Anticipates minimal changes to Township overall debt outstanding and debt service levels
- Continuation of the General Fund asset replacement contribution to the Equipment Fund at the current 50% level



# Updated General Fund Financial Forecast

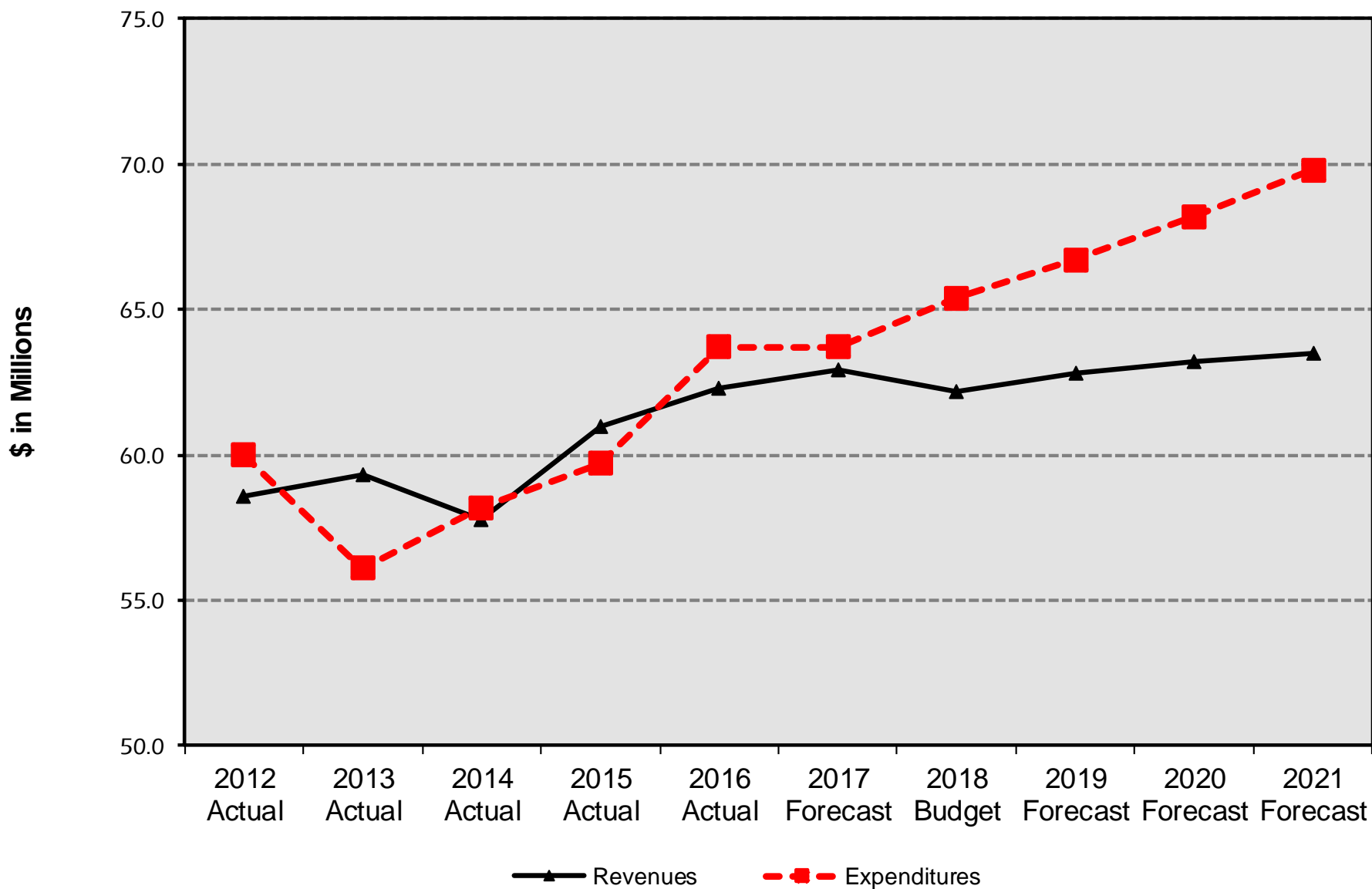
General Fund (Million \$)	2017 Forecast	2018 Budget	2019 Forecast	2020 Forecast	2021 Forecast
Beginning Fund Balance (Undesignated)	\$ 19.5	\$ 18.7	\$ 15.5	\$ 11.6	\$ 6.6
Revenues	62.9	62.2	62.8	63.2	63.5
Expenses	63.7	65.4	66.7	68.2	69.8
Surplus/(Deficit)	(0.8)	(3.2)	(3.9)	(5.0)	(6.3)
Ending Fund Balance (Undesignated)	\$ 18.7	\$ 15.5	\$ 11.6	\$ 6.6	\$ 0.3
Ending FB (% of Operating Expenditures)	29.4%	23.7%	17.4%	9.7%	0.4%
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	\$ 10.2	\$ 10.5
Additional Funds needed to maintain 18% FB	\$ (7.2)	\$ (3.7)	\$ 0.4	\$ 5.7	\$ 12.3
Additional Funds needed to maintain 15% FB	\$ (9.1)	\$ (5.7)	\$ (1.6)	\$ 3.6	\$ 10.2

- No real estate tax increases
- Growing annual deficits without additional revenue or significant expenditure reductions
- Fund balance levels above 15% of expenditures through 2019
- Improved forecast results versus July and last November



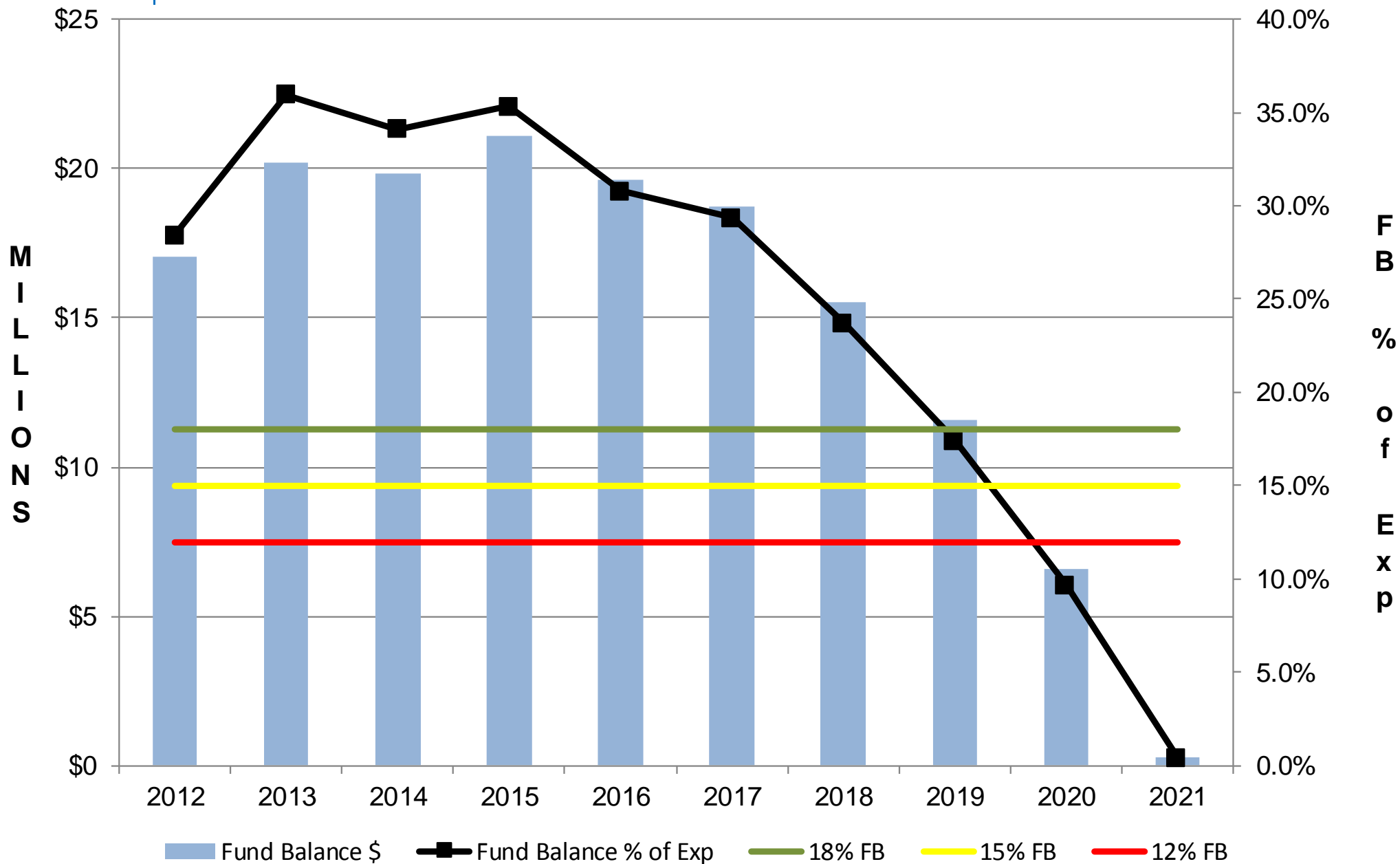
# Updated General Fund Financial Forecast

## General Fund Revenues & Expenditures 2012-2021





# Updated General Fund Financial Forecast





## Next Steps





# Next Steps

- 2018 Tax Levy and Appropriations Ordinance
  - Approves advertisement of the Proposed 2018 Budget Real Estate Tax Millage Rate (4.19 mills)
- 1<sup>st</sup> Public Hearing on Proposed Budget and CIP: Nov 15<sup>th</sup>
- 2<sup>nd</sup> Public Hearing on Proposed Budget and CIP: Dec 6<sup>th</sup>
- Adoption of 2018 Budget and 2018-2023 CIP: Dec 20<sup>th</sup> (part of BOC regular meeting)
- Lower Merion maintains a strong financial position yet will face fiscal challenges in the coming years to restrain costs in order to continue to provide the high-quality services residents demand within existing revenues