

# Township of Lower Merion General Fund 2018 Financial Forecast Update



Finance Committee  
July 25, 2018





# Overview of Presentation

- I. 2017 and Year-to-Date 2018 Financial Performance**
- II. General Fund Revenue Trends**
- III. General Fund Expenditure Trends**
- IV. Updated General Fund Financial Forecast**



# 2017 & YTD 2018 Financial Performance





# General Fund Financial Forecast Update

## Recap Since Previous Financial Forecast (November 2017)

- 2018 Adopted Budget anticipating use of \$3.2 M in fund balance
- 2018 winter storm costs above budgeted levels
- Capital Improvement Plan (CIP) Workshop on June 27<sup>th</sup> provided direction on the Board's priorities for the 2019 Capital Budget and the 2019-2024 CIP
  - Township staff will work to gather information on outstanding issues in preparation for the Proposed CIP
  - Finance will monitor Capital Projects Fund spending and come back to the Board later in the year with options to provide adequate funding for the CIP



# General Fund Financial Status

General Fund (Million \$)	2017 Actual	2018 Budget	2018 Estimate	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance	\$ 19.7	\$ 19.0	\$ 21.2		
Revenues	64.1	62.2	65.6	\$ 3.4	5.5%
Expenses	62.6	65.4	65.2	\$ (0.2)	-0.3%
Surplus/(Deficit)	\$ 1.5	\$ (3.2)	\$ 0.4	\$ 3.6	
Ending Fund Balance	\$ 21.2	\$ 15.8	\$ 21.6		
Ending FB as a % of Operating Expenditures	33.9%	24.2%	33.1%		

- 2017 General Fund financial performance was very positive versus budgeted levels
- 2018 revenues now projected significantly higher than budgeted
  - Revenues increased mainly due to reimbursed expenses (PMHIC refund), business taxes and investment income
- 2018 expenditures slightly less than budgeted by nearly \$0.3 million despite higher overtime and winter storm costs



## General Fund Revenue Trends





# General Fund Revenue Trends

- Growing real estate tax assessment base
  - Township's assessed value has increased each of past 6 years
  - Assessed value as of July 1<sup>st</sup> increased \$17.6 million or 0.23% versus January 1<sup>st</sup>. Assessment appeals beginning, but not yet a major concern at this point
- Business tax base showing substantial growth at this time without significant business tax audit revenue
- Real estate transfer tax revenues strong compared to budget and previous years, awaiting important July/August results
- Licenses and permit revenues has slowed somewhat
- Increased revenue in reimbursed expenses due to PHMHIC refund and higher cash balances and increasing interest rates have fueled increases in investment income



# General Fund Revenue Trends

- 2018 General Fund Revenue Estimated Actual is \$3.35 million or 5.4% higher than the 2018 Budget
  - Positive revenue performance led by reimbursed expenses, business taxes and investment income

General Fund Revenue	2018 Adopted Budget	(July 2018) 2018 Forecast	\$ Variance	% Variance
Reimbursed Expenses	\$ 250,000	\$ 2,200,000	\$ 1,950,000	780.0%
Business & Mercantile Tax	10,625,000	12,000,000	1,375,000	12.9%
Investment Income	345,000	530,000	185,000	53.6%
Real Estate Transfer Taxes	4,200,000	4,300,000	100,000	2.4%
Parking Revenue	1,050,000	1,150,000	100,000	9.5%
All Other Revenues (Net)	40,763,900	40,668,100	(95,800)	-0.2%
Building and Electrical Permits	2,850,000	2,750,000	(100,000)	-3.5%
Franchise Fees	1,575,000	1,490,000	(85,000)	-5.4%
Zoning & Subdivision Fees	575,000	500,000	(75,000)	-13.0%
<b>Net Increase (Forecasted)</b>	<b>\$ 62,233,900</b>	<b>\$ 65,588,100</b>	<b>\$ 3,354,200</b>	<b>5.4%</b>





# General Fund Revenue Trends

- 2018 General Fund Revenue Estimated Actual is \$1.5 million or 2.4% higher than 2017 Actual
  - Again, revenue performance led by business taxes, reimbursed expenses and investment income
  - Projected declines in permit related categories

General Fund Revenue	2017 Actual	(July 2018) 2018 Forecast	\$ Variance	% Variance
<b>Business &amp; Mercantile Tax</b>	\$ 10,411,124	\$ 12,000,000	\$ 1,588,876	15.3%
<b>Reimbursed Expenses</b>	1,544,541	2,200,000	655,459	42.4%
<b>Investment Income</b>	421,458	530,000	108,542	25.8%
<b>Real Estate Taxes - Current</b>	30,838,661	30,940,000	101,339	0.3%
<b>All Other Revenues (Net)</b>	16,566,180	16,118,100	(448,080)	-2.7%
<b>Building and Electrical Permits</b>	2,896,718	2,750,000	(146,718)	-5.1%
<b>Zoning &amp; Subdivision Fees</b>	625,862	500,000	(125,862)	-20.1%
<b>Intergovernmental</b>	180,956	75,000	(105,956)	-58.6%
<b>Plumbing Permits</b>	576,636	475,000	(101,636)	-17.6%
<b>Net Increase (Forecasted)</b>	\$ 64,062,136	\$ 65,588,100	\$ 1,525,964	2.4%



# General Fund Expenditure Trends





# General Fund Expenditure Trends

- Personnel costs (wages and benefits)
  - Personnel turnover has slowed somewhat versus previous two years. Open positions being filled; projected vacancy savings as a result of staff turnover are on target
  - Overtime expenses are projected higher than budgeted due to severe winter weather
  - Employee benefits have increased due to higher benefit enrollment and higher overtime driving increased payroll taxes
- Debt Service costs
  - While still a sizable portion of expenditures, overall debt service supported by the General Fund has decreased on a budgetary basis the past two years with the potential to decrease even further in 2019 if no new debt is issued in 2018



# General Fund Expenditure Trends

- 2018 General Fund Expenditure Estimated Actual is \$281,760 or 0.4% less than the 2018 Adopted Budget

General Fund Expenditures	2018 Adopted Budget	2018 Estimated Actual	\$ Variance	% Variance
Salaries	\$ 28,836,033	\$ 27,850,636	\$ (985,397)	-3.4%
Professional Technical Services	2,258,514	2,109,814	(148,700)	-6.6%
Contracted Services	1,016,237	936,237	(80,000)	-7.9%
Insurance and Claims	641,198	584,730	(56,468)	-8.8%
All Other Expenditures (Net)	19,820,884	19,748,937	(71,947)	-0.4%
Materials & Operating Supplies	1,097,702	1,151,250	53,548	4.9%
Other Compensation	2,951,463	3,041,033	89,570	3.0%
Employee Benefits	9,892,068	10,113,202	221,134	2.2%
Other Charges and Transfer	(1,064,285)	(367,785)	696,500	-65.4%
<b>Total GF Expenditures</b>	<b>65,449,814</b>	<b>65,168,054</b>	<b>(281,760)</b>	<b>-0.4%</b>



# General Fund Expenditure Trends

- 2018 General Fund Expenditure Estimated Actual is \$2.6 million or 4.1% higher than 2017 Actual
  - Generally Estimated Actual declines throughout the year

	2017 Actual	(July 2018) 2018 Forecast	\$ Variance	% Variance
<b>General Fund Expenditures</b>				
Employee Benefits	\$ 2,870,817	\$ 2,719,554	\$ (151,263)	-5.3%
Township Equipment Rental	1,807,318	1,657,559	(149,759)	-8.3%
Equipment, Software, Furniture	240,631	124,700	(115,931)	-48.2%
All Other Expenditures (Net)	26,776,762	27,083,666	306,904	1.1%
Materials and Operating Supplies	976,274	1,151,250	174,976	17.9%
Contracted Services	745,205	936,237	191,032	25.6%
Communication Expenses	744,333	971,204	226,871	30.5%
Other Charges and Transfers	(684,954)	(367,785)	317,169	-46.3%
Other Compensation	2,639,752	3,041,033	401,281	15.2%
Salaries	26,478,776	27,850,636	1,371,860	5.2%
<b>Total Expenditures</b>	<b>\$ 62,594,914</b>	<b>\$ 65,168,054</b>	<b>\$ 2,573,140</b>	<b>4.1%</b>



# Updated General Fund Financial Forecast





# Updated General Fund Financial Forecast

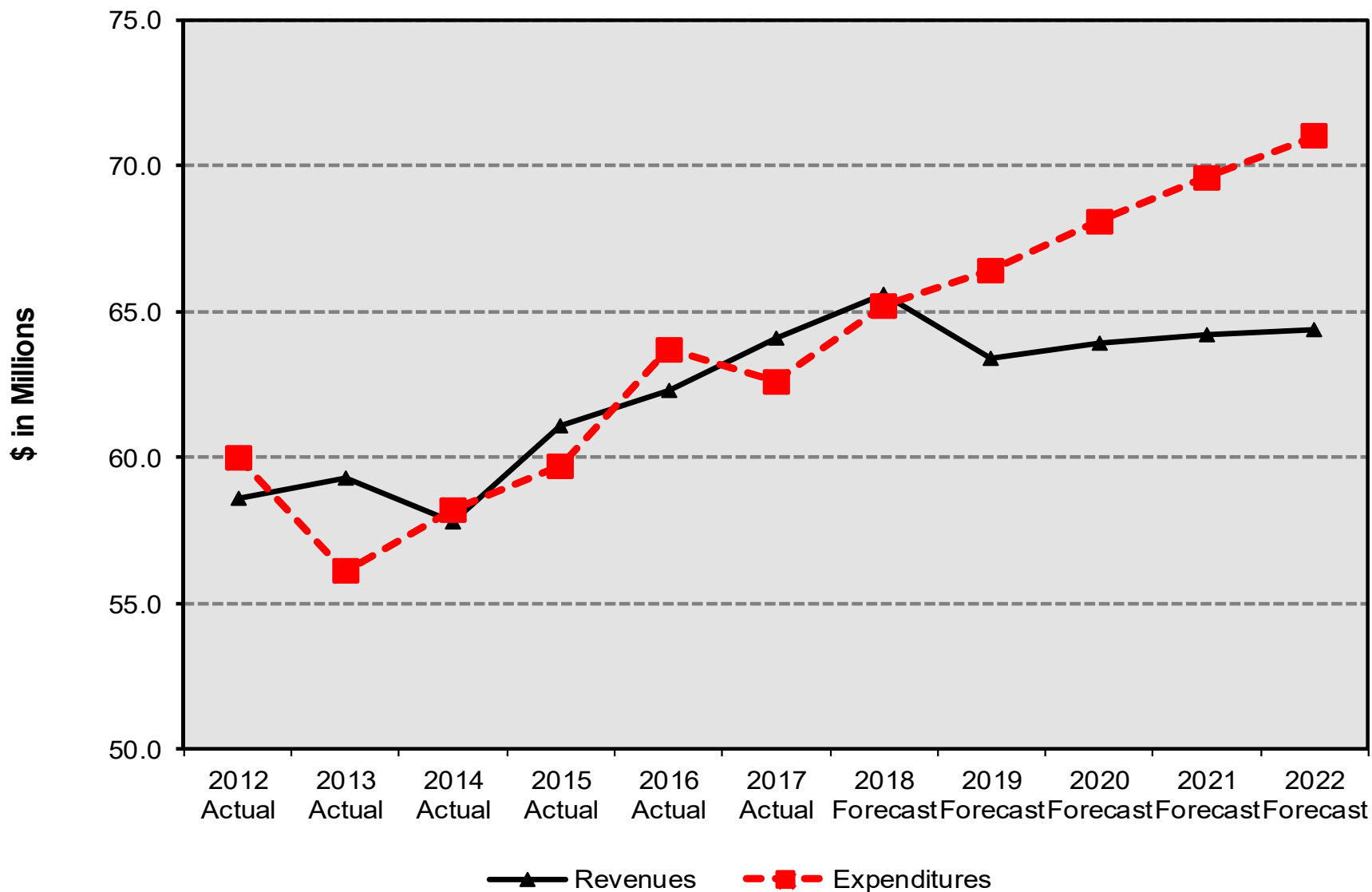
<b>General Fund (Million \$)</b>	<b>2018 Forecast</b>	<b>2019 Forecast</b>	<b>2020 Forecast</b>	<b>2021 Forecast</b>	<b>2022 Forecast</b>
Beginning Fund Balance	\$ 21.2	\$ 21.6	\$ 18.6	\$ 14.4	\$ 9.0
Revenues	65.6	63.4	63.9	64.2	64.4
Expenses	65.2	66.4	68.1	69.6	71.0
Surplus/(Deficit)	0.4	(3.0)	(4.2)	(5.4)	(6.6)
Ending Fund Balance	\$ 21.6	\$ 18.6	\$ 14.4	\$ 9.0	\$ 2.4
Ending FB (% of Operating Expenditures)	33.1%	28.0%	21.1%	12.9%	3.4%
Ending FB (% of Operating Expenditures) @ 18%	\$ 11.7	\$ 12.0	\$ 12.3	\$ 12.5	\$ 12.8
Ending FB (% of Operating Expenditures) @ 15%	\$ 9.8	\$ 10.0	\$ 10.2	\$ 10.4	\$ 10.7
Additional Funds needed to maintain 18% FB	\$ (9.9)	\$ (6.6)	\$ (2.1)	\$ 3.5	\$ 10.4
Additional Funds needed to maintain 15% FB	\$ (11.8)	\$ (8.6)	\$ (4.2)	\$ 1.4	\$ 8.2

- Assumes no real estate tax increases through forecast period
- Structural deficit remains (while lower than past forecast) with growing annual deficits without additional revenue or restraining the growth of expenditures
- Fund balance levels above 15% of expenditures through 2020



# Updated General Fund Financial Forecast

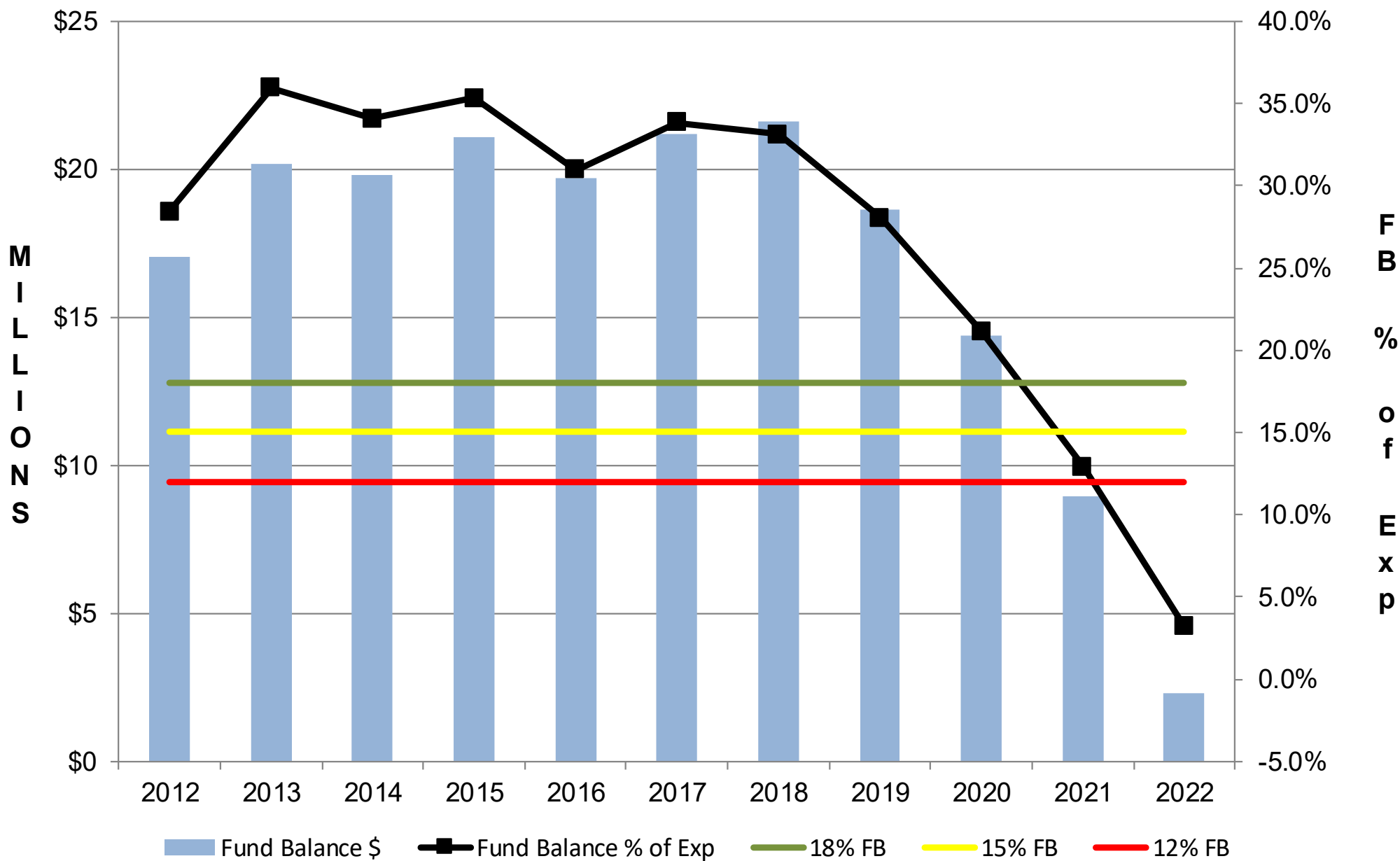
## General Fund Revenues & Expenditures 2012-2022







# Updated General Fund Financial Forecast





# 2019 Budget Calendar

- Budget Workshop scheduled for September 5th
- Distribution of Proposed 2019 Budget and 2019-2024 CIP scheduled for Friday, November 2nd
- First Public Hearing on Proposed 2019 Budget: November 14th (BOC regular meeting)
- Second Public Hearing on Proposed 2019 Budget: December 5th
- Adoption of 2019 Budget and 2019-2024 CIP: December 19th (BOC regular meeting)
- Questions/comments from the Board of Commissioners