

# Township of Lower Merion Proposed 2019 Budget & 2019-2024 Capital Improvement Plan



Public Hearing  
November 19, 2018





# Proposed 2019 Budget

General Fund (Million \$)	2018 Budget	2019 Budget	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance (Undesignated)	\$ 18.7	\$ 20.0		
Revenues	62.2	64.3	\$ 2.1	3.4%
Expenses	65.4	68.2	\$ 2.8	4.3%
Surplus/(Deficit)	\$ (3.2)	\$ (3.9)	\$ (0.7)	
Ending Fund Balance (Undesignated)	\$ 15.5	\$ 16.1		
Ending FB as a % of Annual Operating Expenditures	23.7%	23.6%		

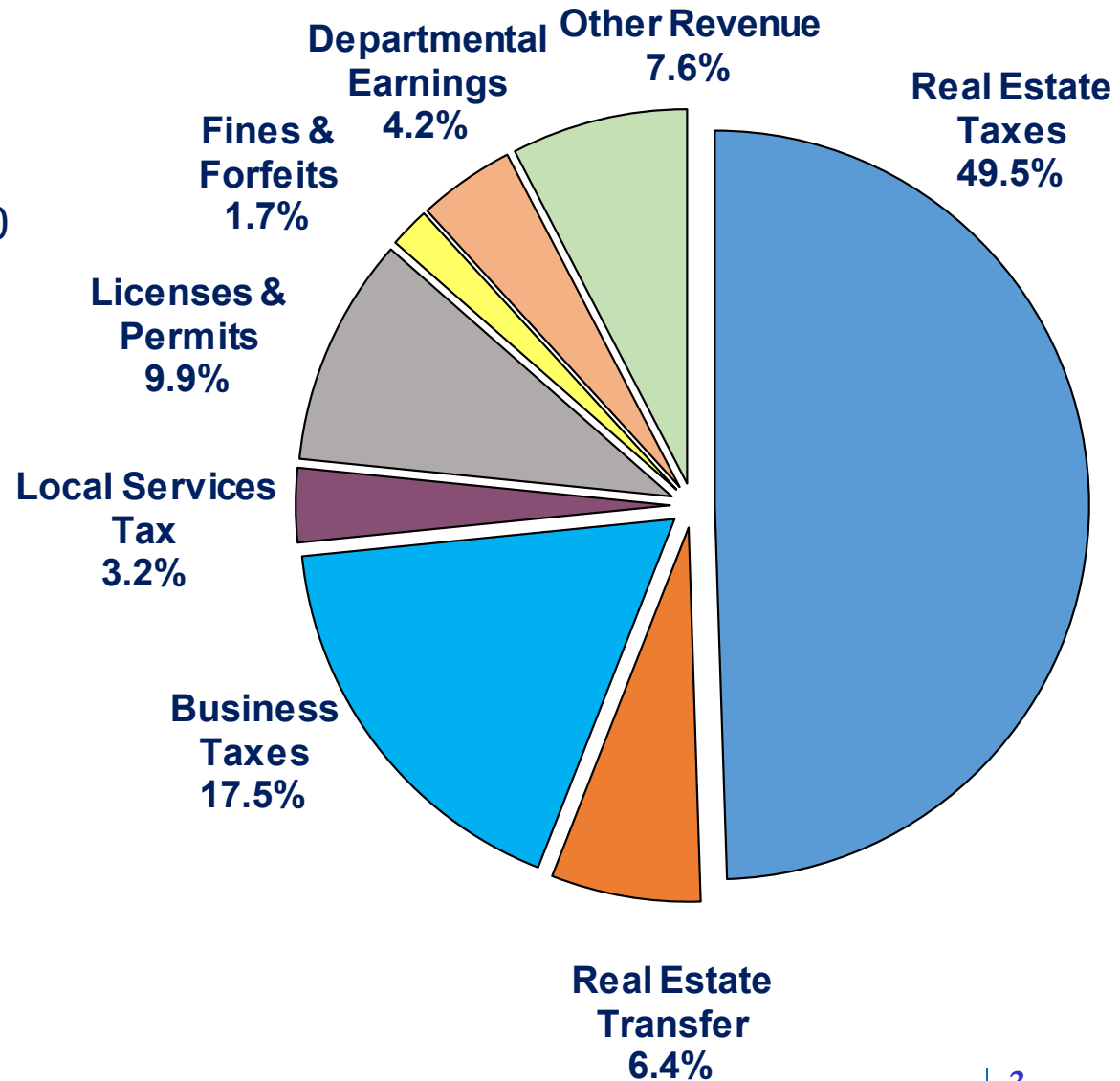
- Proposed 2019 Budget recommends no Real Estate Tax increase for the eighth consecutive year
- Budget includes a \$3.9 million budget gap to be filled by a drawdown on the GF fund balance
- Solid Waste Fees increase 10% across all categories in 2019
- Sewer Rental Fee is not anticipated to change but will be evaluated in April 2019



# 2019 General Fund Revenues

## \$64,254,400

- Real Estate Taxes = \$31,795,000
- Real Estate Transfer Tax = \$4,150,000
- Business Taxes = \$11,225,000
- Local Services Tax = \$2,050,000
- Licenses & Permits = \$6,346,800
- Fines & Forfeits = \$1,115,500
- Departmental Earnings = \$2,681,500
- Other Revenue = \$4,890,600





# 2019 General Fund Revenue

- 2019 GF Revenue Forecast is nearly \$64.3 million which is \$2.0 million or 3.2% higher than the 2018 Budget due to increases in business taxes, investment income and reimbursed expenses

General Fund Revenue	2018 Adopted Budget	2019 Proposed Budget	\$ Change From 2018 Budget	% Change From 2018 Budget
Reimbursed Expenses	\$ 250,000	\$ 926,500	\$ 676,500	270.6%
Investment Income	345,000	1,000,000	655,000	189.9%
Business & Mercantile Tax	10,625,000	11,225,000	600,000	5.6%
Real Estate Taxes - Current Year	30,938,300	31,170,000	231,700	0.7%
Parking	1,050,000	1,250,000	200,000	19.0%
All Other Revenues Net	8,898,800	9,256,100	357,300	4.0%
Real Estate Transfer Taxes	4,200,000	4,150,000	(50,000)	-1.2%
Building and Electrical Permits	2,850,000	2,800,000	(50,000)	-1.8%
Plumbing Permits	550,000	475,000	(75,000)	-13.6%
Franchise Fees	1,575,000	1,400,000	(175,000)	-11.1%
Indirect Costs - Solid Waste	951,800	601,800	(350,000)	-36.8%
<b>Net Increase (Forecasted)</b>	<b>\$ 62,233,900</b>	<b>\$ 64,254,400</b>	<b>\$ 2,020,500</b>	<b>3.2%</b>



# 2019 General Fund Revenue

- 2019 GF Revenue Forecast is \$1.2 million or 1.9% lower than 2018 Estimated Actual
- Decline is due to anticipated decrease in reimbursed expenses (PMHIC refund), business taxes and indirect costs-solid waste

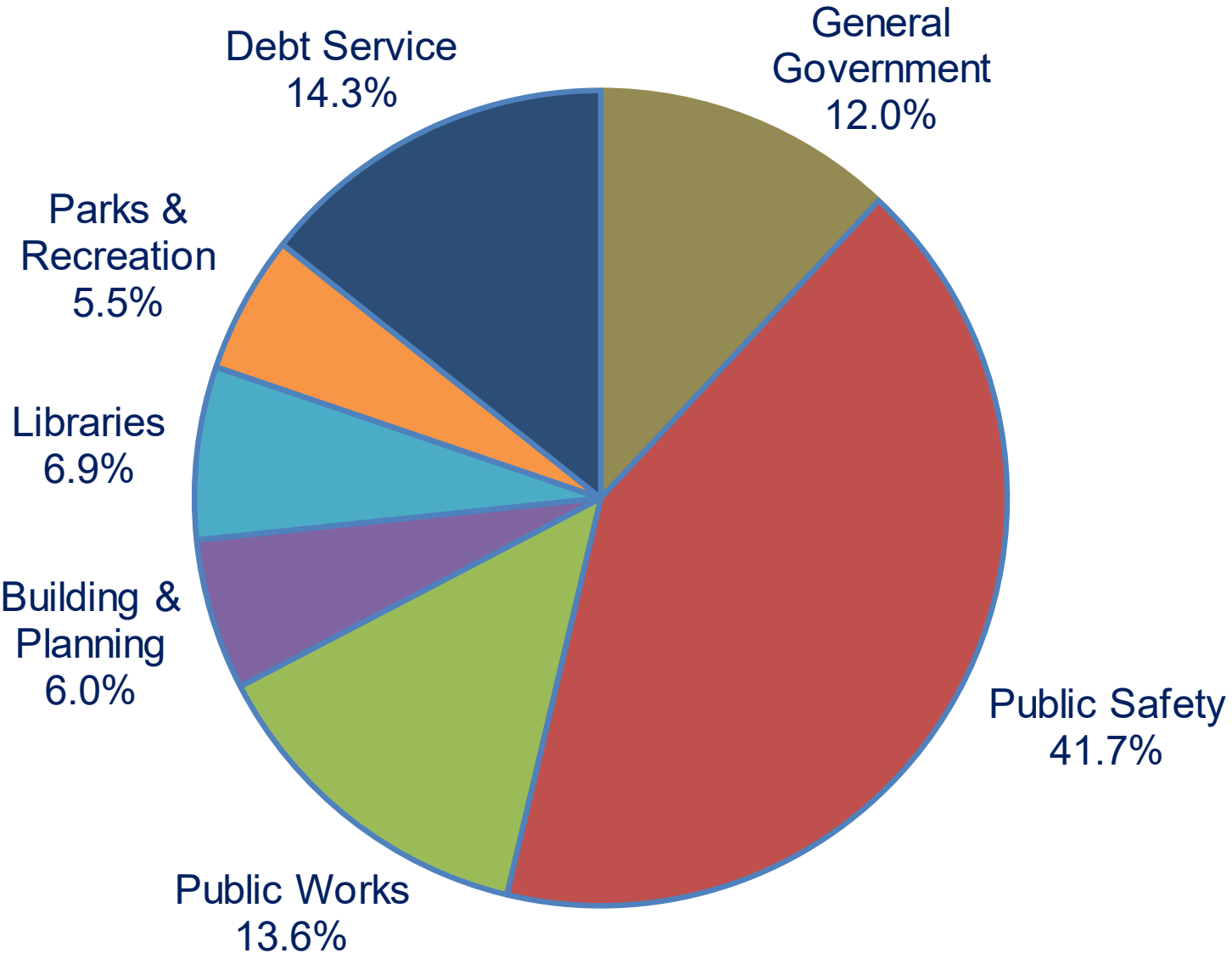
	2018 Estimated Actual	2019 Proposed Budget	\$ Change From 2018 EA	% Change From 2018 EA
<b>General Fund Revenue</b>				
Investment Income	\$ 750,300	\$ 1,000,000	\$ 249,700	33.3%
Ordinance Violations	612,500	815,500	203,000	33.1%
Building and Electrical Permits	2,600,000	2,800,000	200,000	7.7%
All Other Revenues Net	46,756,800	46,885,600	128,800	0.3%
Indirect Costs - Solid Waste	951,800	601,800	(350,000)	-36.8%
Business & Mercantile Tax	11,700,000	11,225,000	(475,000)	-4.1%
Reimbursed Expenses	2,125,000	926,500	(1,198,500)	-56.4%
<b>Net Increase (Forecasted)</b>	<b>\$ 65,496,400</b>	<b>\$ 64,254,400</b>	<b>\$ (1,242,000)</b>	<b>-1.9%</b>



# 2019 General Fund Expenditures

## \$68,186,304

- Police/Fire  
\$28,456,316
- Debt Service  
\$9,754,989
- Public Works  
\$9,303,081
- General Government  
\$8,169,165
- Libraries  
\$4,673,105
- Building & Planning  
\$4,094,893
- Parks & Recreation  
\$3,734,755





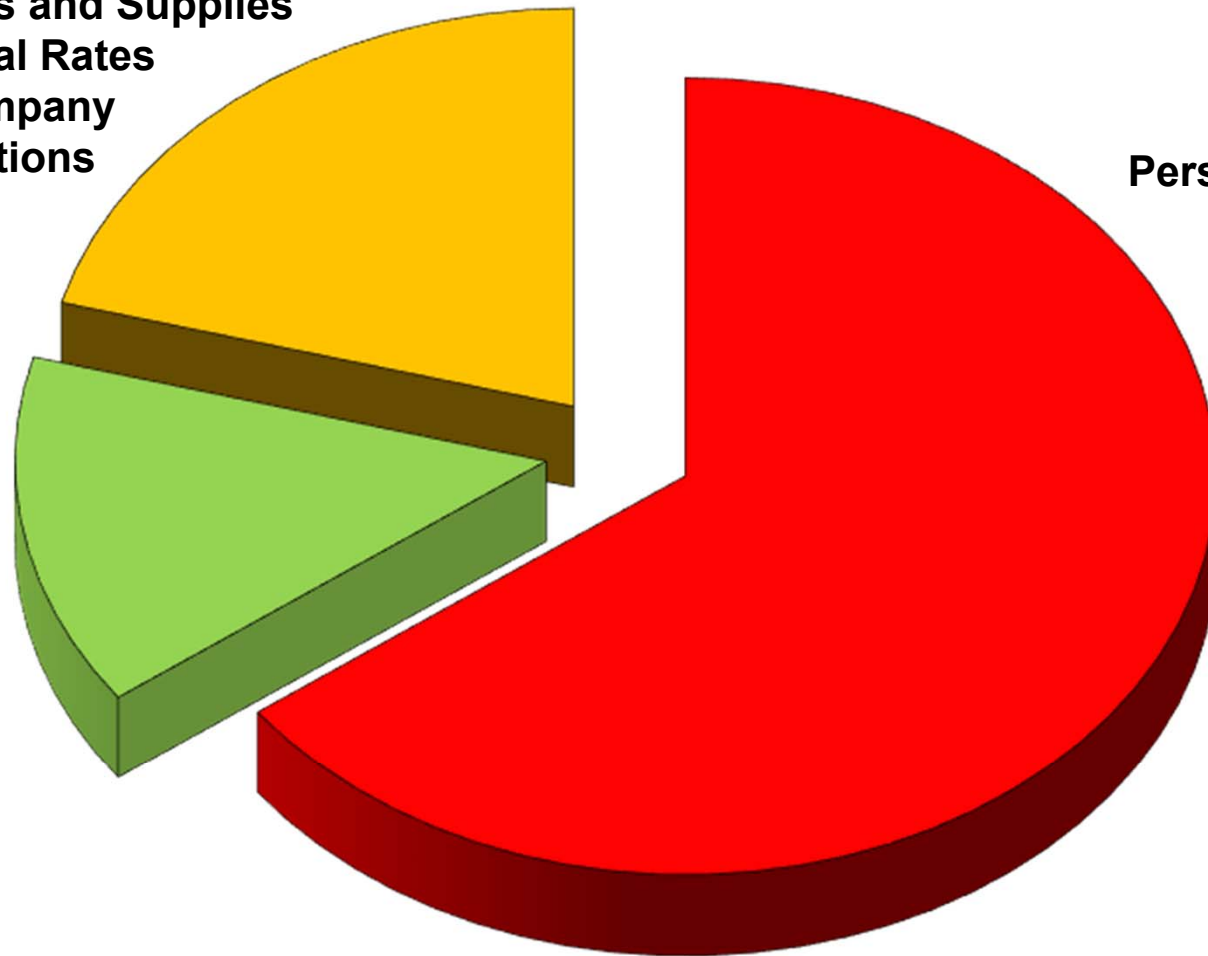
# 2019 General Fund Expenditures

## \$68,186,304

All Other Expenses = 20.8%

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

Debt Service  
14.3%



Personnel Costs  
64.9%



# 2019 General Fund Expenditures

- 2019 General Fund Expenditure Budget is \$2.7 M or 4.2% higher than the 2018 Budget

	2018 Adopted Budget	2019 Proposed Budget	\$ Change From 2018 Budget	% Change From 2018 Budget
<b>General Fund Expenditures</b>				
<b>Employee Benefits</b>	\$ 9,892,068	\$ 11,221,829	\$ 1,329,761	13.4%
<b>Salaries</b>	28,836,033	30,062,696	1,226,663	4.3%
<b>Township Equipment Rental</b>	1,657,559	2,048,780	391,221	23.6%
<b>Equipment Software Furniture</b>	105,200	297,915	192,715	183.2%
<b>Machinery &amp; Equipment</b>	334,458	472,367	137,909	41.2%
<b>All Other Expenditures (Net)</b>	10,041,861	10,155,313	113,452	1.1%
<b>Insurance &amp; Claims</b>	641,198	549,900	(91,298)	-14.2%
<b>Utilities</b>	1,541,650	1,408,330	(133,320)	-8.6%
<b>Professional Technical Service</b>	2,258,514	2,124,185	(134,329)	-5.9%
<b>Debt Service/Transfers</b>	10,141,273	9,844,989	(296,284)	-2.9%
<b>Total General Fund Budget</b>	<b>\$ 65,449,814</b>	<b>\$ 68,186,304</b>	<b>\$ 2,736,490</b>	<b>4.2%</b>





# 2019 General Fund Expenditures

- 2019 GF Expenditure Forecast is \$1.7 million or 2.6% higher than 2018 Estimated Actual; excluding the transfer to the Capital Projects Fund the increase would be \$2.7 million or 4.2% higher than the 2018 Estimated Actual

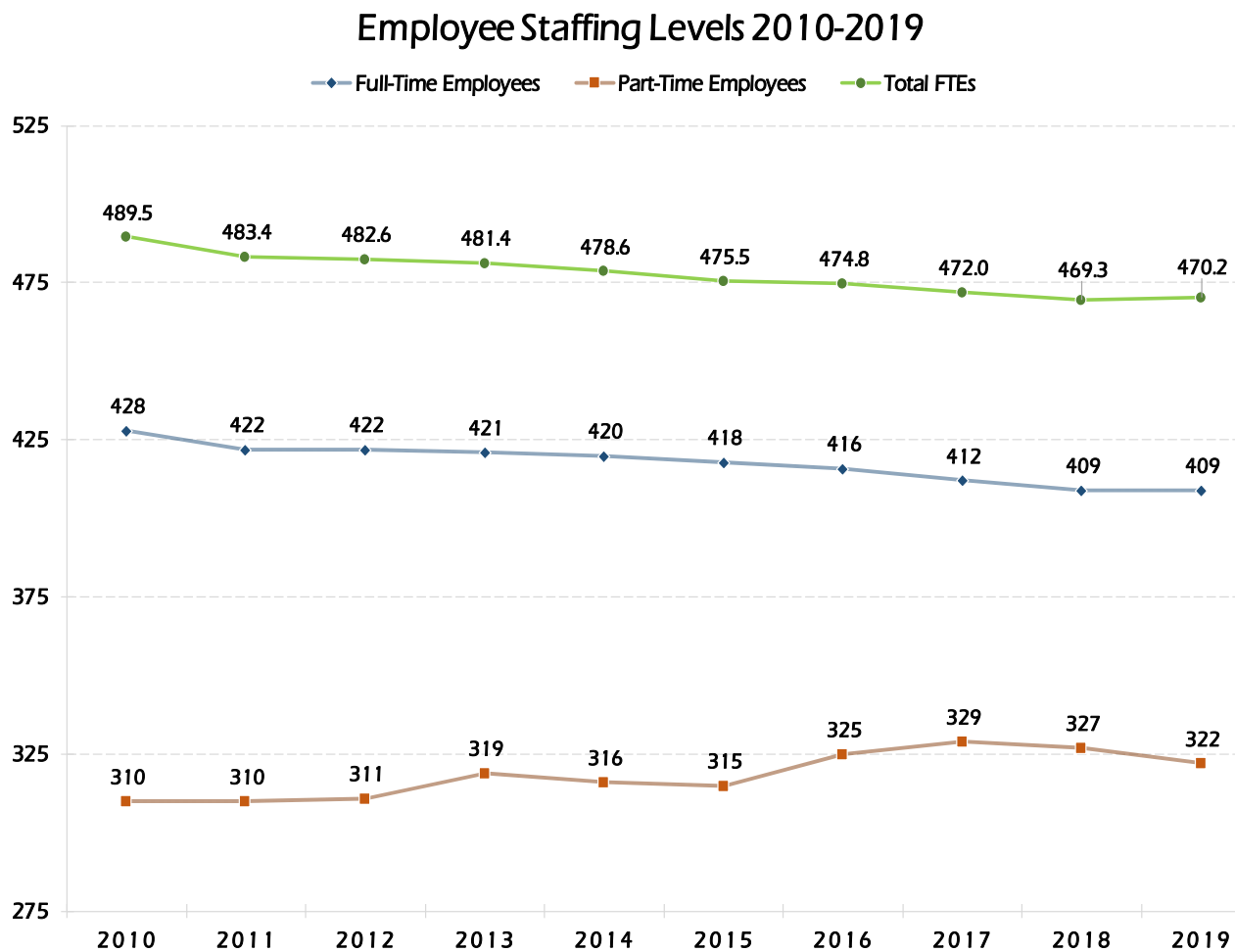
	2018 Estimated Actual	2019 Proposed Budget	\$ Change From 2018 EA	% Change From 2018 EA
<b>General Fund Expenditures</b>				
<b>Salaries</b>	\$ 28,006,604	\$ 29,344,696	\$ 1,338,092	4.8%
<b>Employee Benefits</b>	10,539,501	11,221,829	682,328	6.5%
<b>Township Equipment Rental</b>	1,657,559	2,048,780	391,221	23.6%
<b>Equipment Software Furniture</b>	123,568	297,915	174,347	141.1%
<b>Machinery &amp; Equipment</b>	343,726	472,367	128,641	37.4%
<b>All Other Expenditures (Net)</b>	13,184,710	13,547,398	362,688	2.8%
<b>Utilities</b>	1,477,000	1,408,330	(68,670)	-4.6%
<b>Debt Service/Transfers</b>	11,130,273	9,844,989	(1,285,284)	-11.5%
<b>Net Budget Increase</b>	\$ 66,462,941	\$ 68,186,304	\$ 1,723,363	2.6%
<b>GF Transfer to Capital Projects Fund</b>	\$ 1,000,000			
<b>Grand Total Expenditures</b>	\$ 65,462,941	\$ 68,186,304	\$ 2,723,363	4.2%

Note: Budgeted vacancy/turnover savings for 2019 are netted against salaries



# 2019 General Fund Expenditures - Personnel

- Full-time staffing remains consistent -- includes some departmental changes
- Includes \$0.7 M of vacancy/turnover savings
- Contractual wage increase of 3.5% for WA
- Contractual wage increase of 3.75% for the FOP
- Estimated wage increase of 3.5% for all non-union personnel





# 2019 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 had a tremendous first year (2017) in the program and received a substantial claims fund refund in 2018 as a result of its 2017 claims performance. YTD 2018 claims performance has been encouraging
  - A 0% increase for medical and prescription premiums are expected to keep 2019 costs consistent with the 2018 estimate
  - Dental costs are projected to decline by 5.6% versus the 2018 estimate
- Township will be required to make \$608,240 contribution to Township pension plans for first time in many years
- Other employee benefit costs are projected to increase minimally



## 2019 General Fund Expenditures - Debt

- \$9.805 M of new money General Obligation bonds were issued in September 2017 to fund CIP projects in 2017-2018
- Proposed funding from General Fund and Sewer Fund reserves would enable Township to avoid further debt issuance in 2018
- A total of \$99.2 M in outstanding debt (principal) for the General Fund and Sanitary Sewer Fund as of 12/31/2018
  - Overall decrease of \$8.3 million versus the previous year and the first time since 2012 outstanding debt is below \$100 M
- General Fund debt service is budgeted to decline by over \$285,000 compared to 2018
- The Proposed Capital Budget would require an additional debt issuance for capital project cash flow needs in 2019. Final size of next debt issuance will be determined by size of Capital Budget, pace of CIP spending, etc.



# Updated General Fund Financial Forecast

General Fund (Million \$)	2018 Estimate	2019 Budget	2020 Forecast	2021 Forecast	2021 Forecast
Beginning Fund Balance (Undesignated)	\$ 21.0	\$ 20.0	\$ 16.1	\$ 12.0	\$ 6.7
Revenues	65.5	64.3	64.7	64.9	65.2
Expenses	66.5	68.2	68.8	70.2	71.8
Surplus/(Deficit)	(1.0)	(3.9)	(4.1)	(5.3)	(6.6)
Ending Fund Balance (Undesignated)	\$ 20.0	\$ 16.1	\$ 12.0	\$ 6.7	\$ 0.1
Ending FB (% of Operating Expenditures)	30.1%	23.6%	17.4%	9.5%	0.1%
Ending FB (% of Operating Expenditures) @ 18%	\$ 12.0	\$ 12.3	\$ 12.4	\$ 12.6	\$ 12.9
Ending FB (% of Operating Expenditures) @ 15%	\$ 10.0	\$ 10.2	\$ 10.3	\$ 10.5	\$ 10.8
Additional Funds needed to maintain 18% FB	\$ (8.0)	\$ (3.8)	\$ 0.4	\$ 5.9	\$ 12.8
Additional Funds needed to maintain 15% FB	\$ (10.0)	\$ (5.9)	\$ (1.7)	\$ 3.8	\$ 10.7

- Forecast assumes no real estate tax millage increases
- Growing annual deficits without additional revenue or significant expenditure reductions
- Fund balance levels above 15% of expenditures through 2020



# Next Steps

- ~~2019 Tax Levy and Appropriations Ordinance~~
  - ~~Approves advertisement of the Proposed 2019 Budget Real Estate Tax Millage Rate (4.19 mills)~~
- ~~1<sup>st</sup> Public Hearing on Proposed Budget and CIP: Nov 19<sup>th</sup>~~
- 2<sup>nd</sup> Public Hearing on Proposed Budget and CIP: Dec 5<sup>th</sup>
- Adoption of 2019 Budget and 2019-2024 CIP: Dec 19<sup>th</sup> (part of BOC regular meeting)