

Township of Lower Merion General Fund 2019 Financial Forecast Update



Finance Committee
July 24, 2019





Overview of Presentation

- I. 2018 and Year-to-Date 2019 Financial Performance**
- II. General Fund Revenue Trends**
- III. General Fund Expenditure Trends**
- IV. Updated General Fund Financial Forecast**



2018 & YTD 2019 Financial Performance





General Fund Financial Forecast Update

Recap Since Previous Financial Forecast (November 2018)

- 2019 Adopted Budget anticipating use of \$3.96 M in fund balance
- 2019 winter storm costs modest through first part of the year
- Provided financial update presentation to Finance Committee on April 3rd
- Completed General Obligation Bond Series A and B of 2019
- Capital Improvement Plan (CIP) Workshop on June 26th provided direction on the Board's priorities for the 2020 Capital Budget and the 2020-2025 CIP
 - Township staff will work to gather information on outstanding issues in preparation for the Proposed CIP



General Fund Financial Status

General Fund (Million \$)	2018 Actual	2019 Budget	2019 Estimate	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance	\$ 21.2	\$ 20.2	\$ 21.4		
Revenues	66.3	64.3	68.1	\$ 3.8	5.9%
Expenses	66.1	68.2	67.9	\$ (0.3)	-0.4%
Surplus/(Deficit)	\$ 0.2	\$ (3.9)	\$ 0.2	\$ 4.1	
Ending Fund Balance	\$ 21.4	\$ 16.3	\$ 21.6		
Ending FB as a % of Operating Expenditures	32.4%	23.9%	31.8%		

- 2018 General Fund financial performance very positive versus especially considering \$1.0 million transfer to Capital Projects Fund
- 2019 revenues now projected significantly higher than budgeted
 - Revenues increased mainly due to reimbursed expenses, business taxes and licenses and permits
- 2019 expenditures forecasted to be less than budgeted by \$0.3 million due to lower personnel, contractual and utility costs



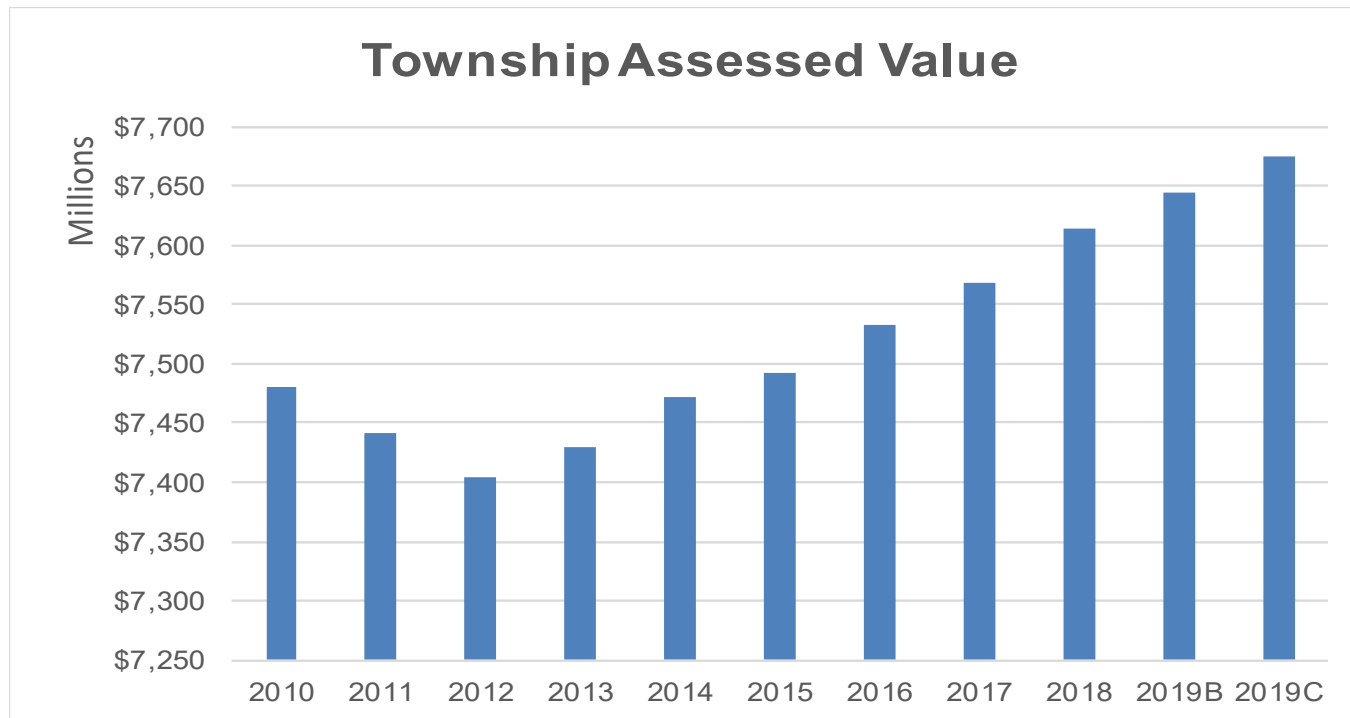
General Fund Revenue Trends





General Fund Revenue Trends

- Growing real estate tax assessment base
 - Township's assessed value has increased each of past 7 years
 - Assessed value as of July 1st increased \$30.4 million or 0.4% versus January 1st which is already more than was projected for the entire year. However, assessment appeals will hinder growth the rest of the year.





General Fund Revenue Trends

- Business tax base showing significant growth year-to-date without significant business tax audit revenue
- Licenses and permit revenues have shown substantial growth versus 2018 results and 2019 budget
- Real estate transfer tax revenues strong compared to budget and previous years, although growth driven by some large transactions
 - July/August results will be revealing to see how much revenue growth occurs in 2019
- Increased revenue in reimbursed expenses due to \$2.0 million payment received upon the sale of One Ardmore Place to new ownership.
 - PHMHIC refund and higher investment income have also contributed to positive results versus previous years



General Fund Revenue Trends

- 2019 General Fund revenue forecast is \$3.84 million or 6.0% higher than the 2019 Budget
 - Positive revenue performance led by reimbursed expenses, business taxes, real estate transfer taxes and building permits

	2019 Adopted Budget	(July 2019) 2019 Forecast	\$ Variance	% Variance
General Fund Revenue				
Reimbursed Expenses	\$ 226,500	\$ 2,150,000	\$ 1,923,500	849.2%
Business & Mercantile Tax	11,225,000	12,750,000	1,525,000	13.6%
Real Estate Transfer Taxes	4,150,000	4,350,000	200,000	4.8%
Building and Electrical Permits	2,800,000	3,000,000	200,000	7.1%
Police Services	375,000	535,000	160,000	42.7%
PMHIC Refund	700,000	850,450	150,450	21.5%
All Other Revenues (Net)	10,742,400	10,842,750	100,350	0.9%
Real Estate Taxes - Current	31,170,000	31,050,000	(120,000)	-0.4%
Local Services Tax	2,050,000	1,920,000	(130,000)	-6.3%
Ordinance Violations	815,500	650,000	(165,500)	-20.3%
Net Increase (Forecasted)	\$ 64,254,400	\$ 68,098,200	\$ 3,843,800	6.0%



General Fund Revenue Trends

- 2019 General Fund revenue forecast is impacted by one-time revenues in several categories

	2019 Adopted Budget	(July 2019) 2019 Forecast	\$ Variance	% Variance
General Fund Revenue				
Reimbursed Expenses	\$ 226,500	\$ 2,150,000	\$ 1,923,500	849.2%
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Ordinance Violations	815,500	650,000	(165,500)	-20.3%
Net Increase (Forecasted)	\$ 64,254,400	\$ 68,098,200	\$ 3,843,800	6.0%
One-time Reimbursed Expenses	-	(2,000,000)	-	-
One-time Real Estate Transfer Taxes	-	(547,000)	-	-
Net Increase (Forecasted)	\$ 64,254,400	\$ 65,551,200	\$ 1,296,800	2.0%



General Fund Revenue Trends

- 2019 General Fund revenue forecast is \$1.85 million or 2.8% higher than 2018 Actual
 - Again, revenue performance led by reimbursed expenses, business taxes, licenses and permits and real estate transfer taxes

	2018 Actual	(July 2019) 2019 Forecast	\$ Variance	% Variance
General Fund Revenue				
Reimbursed Expenses	\$ 306,654	\$ 2,150,000	\$ 1,843,346	601.1%
Business & Mercantile Tax	12,147,500	12,750,000	602,500	5.0%
Building and Electrical Permits	2,777,995	3,000,000	222,005	8.0%
Police Services	372,310	535,000	162,690	43.7%
Real Estate Transfer Taxes	4,188,296	4,350,000	161,704	3.9%
All Other Revenues (Net)	43,533,193	43,860,950	327,757	0.8%
Indirect Costs-Solid Waste	951,800	601,800	(350,000)	-36.8%
PMHIC Refund	1,971,443	850,450	(1,120,993)	-56.9%
Net Increase (Forecasted)	\$ 66,249,191	\$ 68,098,200	\$ 1,849,009	2.8%



General Fund Expenditure Trends





General Fund Expenditure Trends

- Personnel costs (wages and employee benefits)
 - Personnel turnover has been steady. Open positions being filled as necessary; projected vacancy savings as a result of staff turnover are projected to exceed what was budgeted
 - Overtime expenses are projected higher than budgeted; mainly due to police special duty expenses (which are reimbursed by requested party)
 - Employee benefits forecasted to increase slightly versus budget
- Debt Service costs
 - While still a sizable portion of expenditures, General Fund debt service expenditures are projected to be 14.4% of total GF spending which is the lowest percentage over the last nine years and first time they will be less than 15% of expenditures



General Fund Expenditure Trends

- 2019 General Fund expenditure forecast is \$296,200 or 0.4% less than the 2019 Adopted Budget

General Fund Expenditures	2019 Adopted Budget	(July 2019) 2019 Forecast	\$ Variance	% Variance
Salaries	\$ 30,062,696	\$ 29,095,342	\$ (967,354)	-3.2%
Professional Technical Services	2,124,185	1,992,935	(131,250)	-6.2%
Utilities	1,408,330	1,332,930	(75,400)	-5.4%
Materials & Operating Supplies	1,100,407	1,027,877	(72,530)	-6.6%
Contracted Services	1,076,377	1,017,266	(59,111)	-5.5%
All Other Expenditures (Net)	19,337,994	19,263,045	(74,949)	-0.4%
Employee Benefits	11,221,829	11,341,829	120,000	1.1%
Other Compensation	2,970,579	3,181,937	211,358	7.1%
Other Charges and Transfer	(1,091,652)	(338,652)	753,000	-69.0%
Total GF Expenditures	68,210,745	67,914,509	(296,236)	-0.4%



General Fund Expenditure Trends

- 2019 General Fund expenditure forecast is \$1.8 million or 2.8% higher than 2018 Actual, removing the \$1.0 million transfer in 2018 would result in a 4.4% increase
 - Generally expenditure forecast declines throughout the year

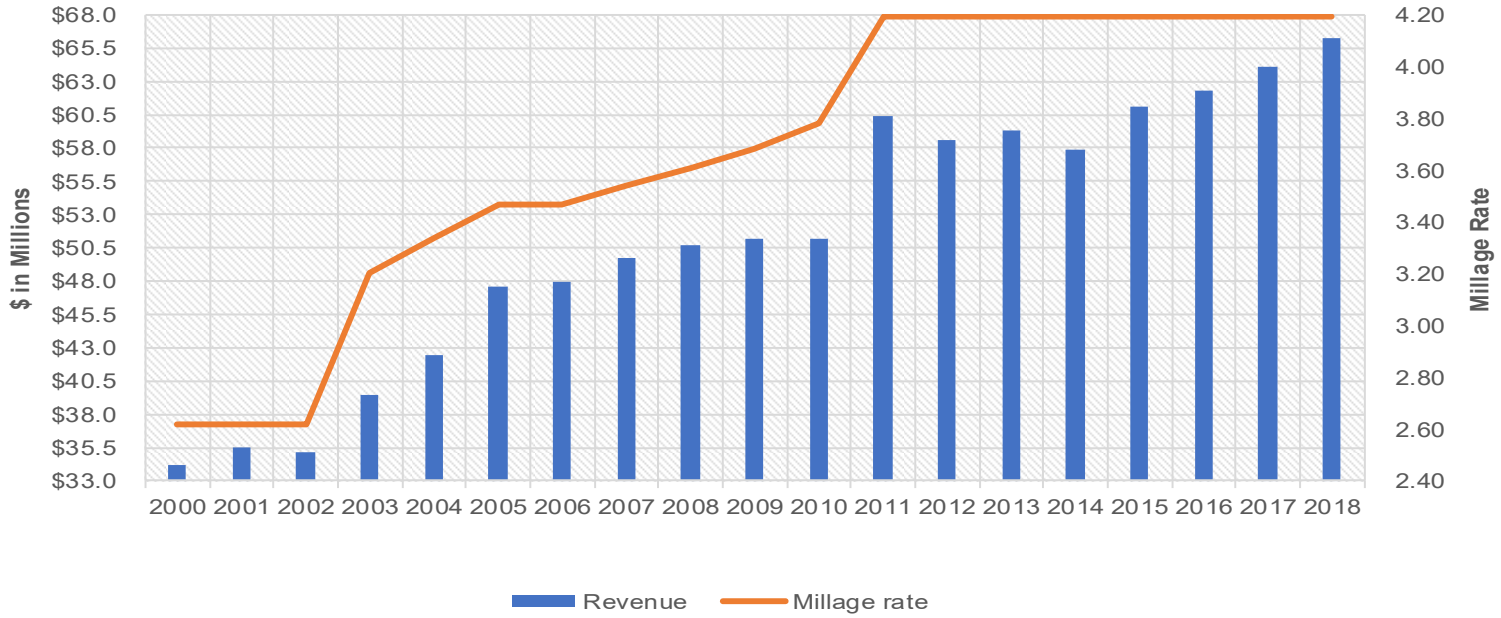
	2018 Actual	(July 2019) 2019 Forecast	\$ Variance	% Variance
General Fund Expenditures				
Debt Service & Transfers	\$ 11,095,690	\$ 9,834,989	\$ (1,260,701)	-11.4%
Professional Technical Service	2,240,694	1,992,935	(247,759)	-11.1%
Utilities	1,538,844	1,332,930	(205,914)	-13.4%
All Other Expenditures (Net)	8,676,212	9,424,419	748,207	8.6%
Other Compensation	2,949,050	3,181,937	232,887	7.9%
Township Equipment Rental	1,657,559	2,048,780	391,221	23.6%
Employee Benefits	10,927,127	11,341,829	414,702	3.8%
Other Charges and Transfers	(826,392)	(338,652)	487,740	-59.0%
Salaries	27,814,425	29,095,342	1,280,917	4.6%
Total Expenditures	\$ 66,073,208	\$ 67,914,509	\$ 1,841,301	2.8%



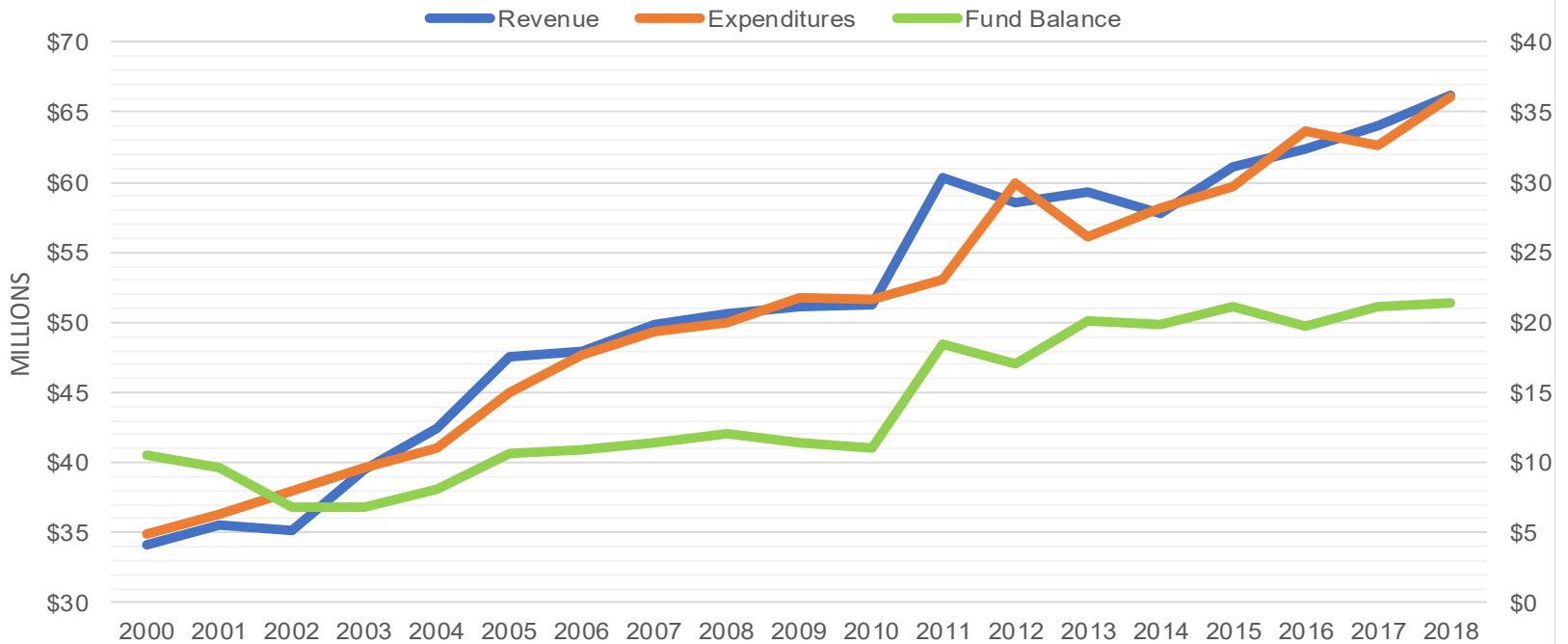
Updated General Fund Financial Forecast



General Fund Revenue 2000 though 2018

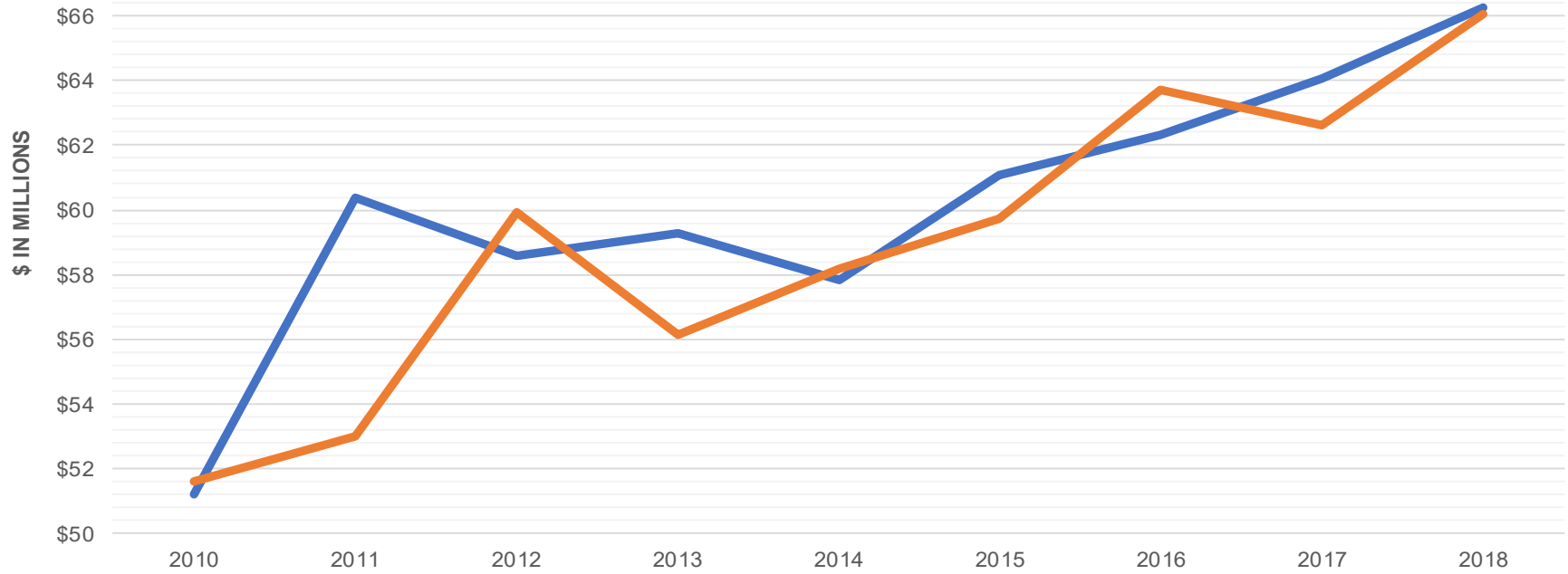


General Fund Revenue vs Expenditures & Fund Balance



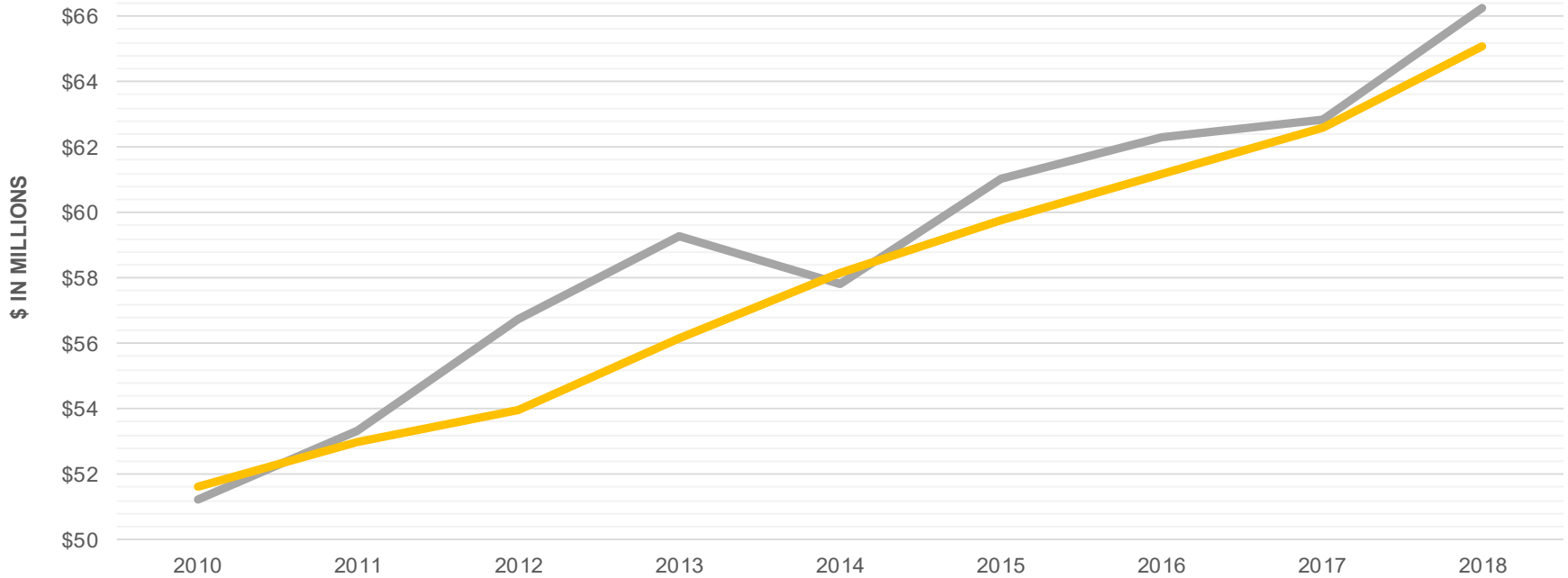
Revenue vs Expenditures

Gross Revenue Gross Expenditures



Revenue vs Expenditures

Net Revenue Net Expenditures





Updated General Fund Financial Forecast

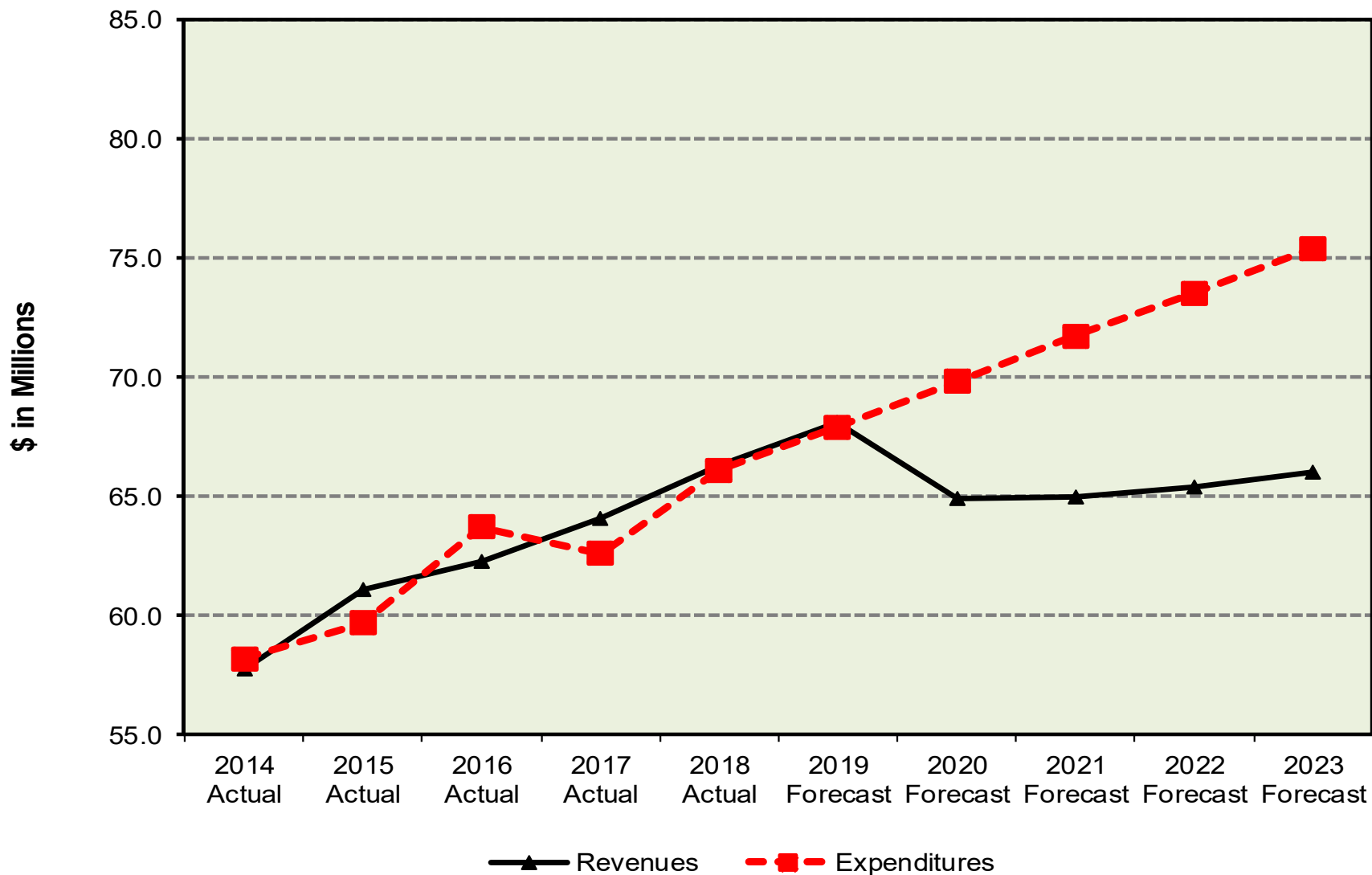
General Fund (Million \$)	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
Beginning Fund Balance	\$ 21.4	\$ 21.6	\$ 16.7	\$ 10.0	\$ 1.9
Revenues	68.1	64.9	65.0	65.4	66.0
Expenses	67.9	69.8	71.7	73.5	75.4
Surplus/(Deficit)	0.2	(4.9)	(6.7)	(8.1)	(9.4)
Ending Fund Balance	\$ 21.6	\$ 16.7	\$ 10.0	\$ 1.9	\$ (7.5)
Ending FB (% of Operating Expenditures)	31.8%	23.9%	13.9%	2.6%	-9.9%
Ending FB (% of Operating Expenditures) @ 18%	\$ 12.2	\$ 12.6	\$ 12.9	\$ 13.2	\$ 13.6
Ending FB (% of Operating Expenditures) @ 15%	\$ 10.2	\$ 10.5	\$ 10.8	\$ 11.0	\$ 11.3
Additional Funds needed to maintain 18% FB	\$ (9.4)	\$ (4.1)	\$ 2.9	\$ 11.3	\$ 21.1
Additional Funds needed to maintain 15% FB	\$ (11.4)	\$ (6.2)	\$ 0.8	\$ 9.1	\$ 18.8

- 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
- Forecast shows fund balance levels above 18% of expenditures through 2020



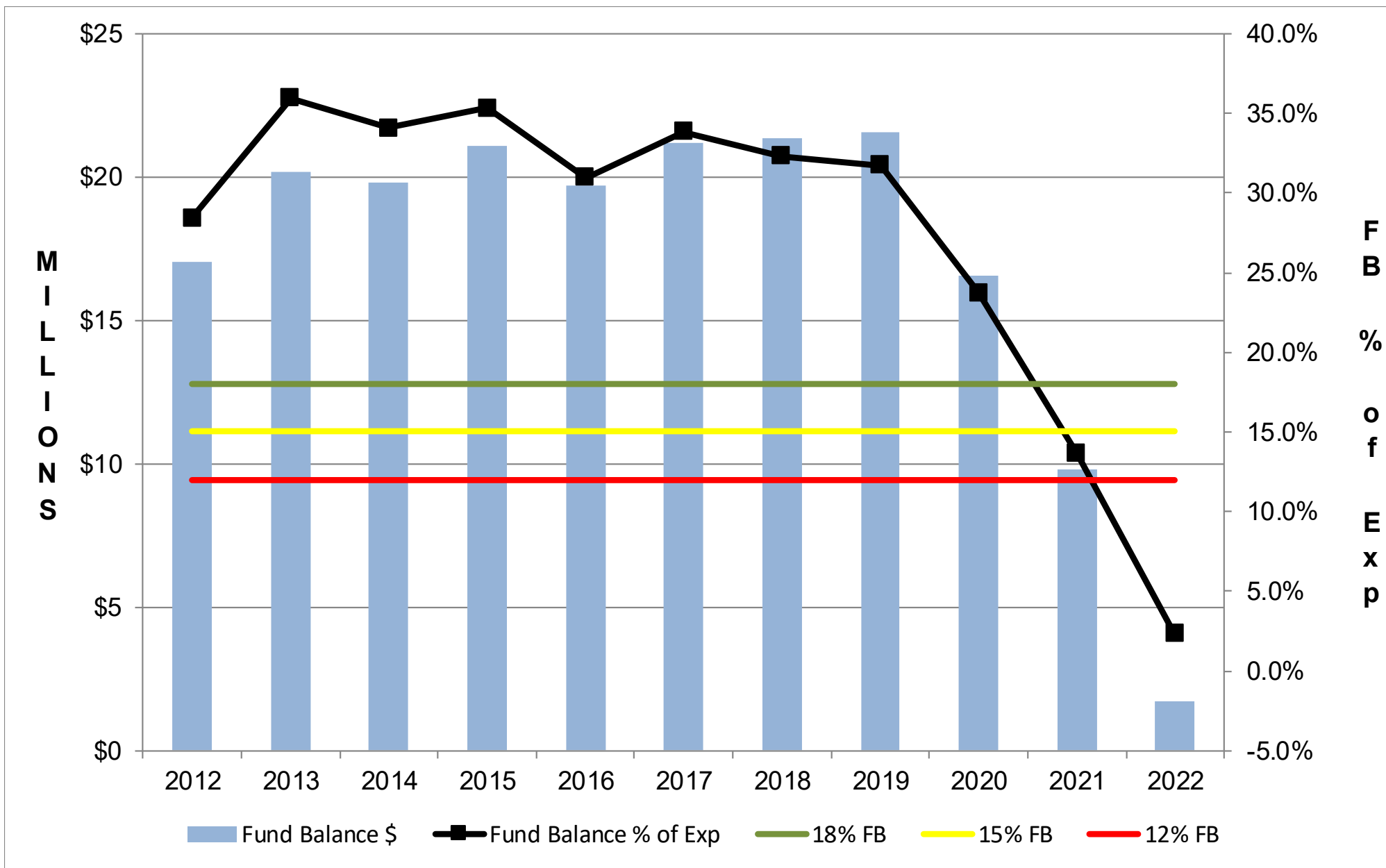
Updated General Fund Financial Forecast

General Fund Revenues & Expenditures 2014-2023





Updated General Fund Financial Forecast





2020 Budget Calendar

- Budget Workshop scheduled for September 4th
- Distribution of Proposed 2020 Budget and 2020-2025 CIP scheduled for Friday, November 8th
- November 13th Finance Committee Meeting presentation of the Proposed Budget
- Public Hearings on Proposed Budget
 - November 20th
 - December 4th
- Adoption of 2020 Budget and 2020-2025 CIP: December 18th (BOC regular meeting)
- Questions/comments from the Board of Commissioners