

# Township of Lower Merion Proposed 2020 Budget & 2020-2025 Capital Improvement Program



Finance Committee  
November 13, 2019





# Overview of Presentation

- I. 2019 Financial Performance**
- II. Proposed 2020 Budget Overview**
- III. Proposed 2020-2025 Capital Improvement Program (CIP) Overview**
- IV. Updated General Fund Financial Forecast**
- V. Next Steps**



# 2019 Financial Performance





# General Fund Financial Performance

General Fund (Million \$)	2018 Actual	2019 Budget	2019 Estimate	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance (Undesignated)	\$ 21.0	\$ 20.0	\$ 21.2		
Revenues	66.3	64.3	69.9	\$ 5.6	8.7%
Expenses	66.1	68.2	67.6	\$ (0.6)	-0.9%
Surplus/(Deficit)	\$ 0.2	\$ (3.9)	\$ 2.3	\$ 6.2	
Ending Fund Balance (Undesignated)	\$ 21.2	\$ 16.1	\$ 23.5		
Ending FB as a % of Annual Operating Expenditures	32.1%	23.6%	34.8%		

- Revenues higher than budgeted by \$5.6 M; mainly due to higher business tax revenue and other non-recurring revenue
- Expenditures lower than budgeted by \$0.6 M. This is primarily a result of savings in certain personnel categories such as wages, pension contributions (due to higher pension state aid) and delays in certain planned expenditures.
- Healthy surplus will add to fund balance and preserve financial flexibility



# 2019 General Fund Revenue Trends

- 2019 GF Revenue Estimated Actual is \$3.6 M or 5.5% higher than 2018 Actual
- 2019 GF Revenue Estimated Actual is \$5.6 M or 8.8% higher compared to 2019 Budget

General Fund Revenue	2018 Actual	2019 Adopted Budget	2019 Estimated Actual	\$ Variance	% Variance
Business and Mercantile Taxes	\$ 12,147,500	\$ 11,225,000	\$14,500,000	\$3,275,000	29.2%
Reimbursed Expenses	503,588	423,500	2,347,000	1,923,500	454.2%
Police Services	372,310	375,000	780,000	405,000	108.0%
Real Estate Transfer Taxes	4,188,296	4,150,000	4,435,000	285,000	6.9%
All Other Revenues Net	12,663,613	11,245,400	11,628,250	382,850	3.4%
Building and Electrical Permits	2,777,995	2,800,000	2,675,000	(125,000)	-4.5%
Local Services Tax	1,933,382	2,050,000	1,925,000	(125,000)	-6.1%
Real Estate Taxes - Current Year	31,075,263	31,170,000	31,000,000	(170,000)	-0.5%
Ordinance Violations	587,245	815,500	595,000	(220,500)	-27.0%
<b>Net Increase (Forecasted)</b>	<b>\$ 66,249,191</b>	<b>\$ 64,254,400</b>	<b>\$69,885,250</b>	<b>\$5,630,850</b>	<b>8.8%</b>



# 2019 General Fund Expenditure Trends

- General Fund 2019 expenditure performance has been positive compared to budget. Overall projected General Fund expenditures are \$0.6 M or 0.9% lower than budgeted.

	2018 Actual	2019 Adopted Budget	2019 Estimated Actual	\$ Variance	% Variance
<b>General Fund Expenditures</b>					
Other Charges and Transfers	(826,392)	(1,091,652)	(413,314)	678,338	-62.1%
Other Compensation	2,949,050	2,970,579	3,107,659	137,080	4.6%
Machinery and Equipment	332,979	472,367	501,586	29,219	6.2%
Other Expenditures (Net)	19,232,227	20,449,739	20,163,291	(286,448)	-1.4%
Transfers	11,095,690	9,844,989	9,720,381	(124,608)	-1.3%
Contributions	2,184,435	2,277,435	2,150,568	(126,867)	-5.6%
Material and Operating Supplies	1,050,100	1,100,407	972,446	(127,961)	-11.6%
Professional Technical Services	2,240,694	2,124,185	1,841,478	(282,707)	-13.3%
Salaries	27,814,425	30,062,696	29,541,385	(521,311)	-1.7%
<b>Total Expenditures</b>	<b>66,073,207</b>	<b>68,210,745</b>	<b>67,585,480</b>	<b>(625,265)</b>	<b>-0.9%</b>



# Proposed 2020 Budget Overview





# Proposed 2020 Budget

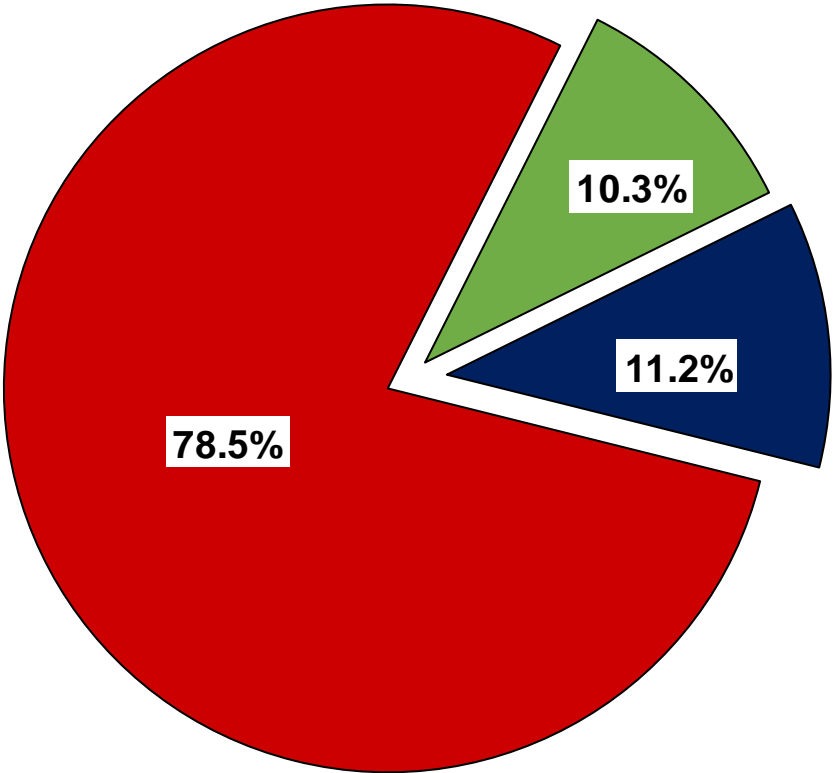
General Fund (Million \$)	2019 Budget	2020 Budget	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance (Undesignated)	\$ 20.0	\$ 23.5		
Revenues	64.3	66.0	\$ 1.7	2.6%
Expenses	68.2	70.6	\$ 2.4	3.5%
Surplus/(Deficit)	\$ (3.9)	\$ (4.6)	\$ (0.7)	
Ending Fund Balance (Undesignated)	\$ 16.1	\$ 18.9		
Ending FB as a % of Annual Operating Expenditures	23.6%	26.8%		

- Proposed 2020 Budget recommends no Real Estate Tax increase for the ninth consecutive year
- Budget includes a \$4.6 million budget gap to be filled by a drawdown on the GF fund balance
- Solid Waste Fees proposed to increase subject to Board approval
- Sewer Rental Fee is not anticipated to change but will be evaluated in April 2020





# 2020 Real Estate Taxes



- **Lower Merion School District**  
**29.4088 Mills** (2019-2020 rate)
- **Montgomery County**  
**3.849 Mills**
- **Lower Merion Township**  
**4.19 Mills**

■ School      ■ County      ■ Township



# 2020 Real Estate Taxes by Assessed Value

<b>Assessed Value</b>	<b>School * 29.4088 mills</b>	<b>County 3.849 mills</b>	<b>Township 4.19 mills</b>	<b>Total 37.4478 mills</b>
\$200,000	\$5,882	\$770	\$838	\$7,490
\$300,000	\$8,823	\$1,155	\$1,257	\$11,234
\$350,000	\$10,293	\$1,347	\$1,467	\$13,107
\$400,000	\$11,764	\$1,540	\$1,676	\$14,979
\$500,000	\$14,704	\$1,925	\$2,095	\$18,724
\$600,000	\$17,645	\$2,309	\$2,514	\$22,469

\*School millage based on 2019-2020 tax year.

- A resident with a single family home assessed at Township average assessment of \$356,000 would pay \$1,492 in Township real estate taxes in 2020 or \$124 per month for Township services
- The same resident would pay \$1,370 to Montgomery County and \$10,470 to the Lower Merion School District



# 2020 General Fund Revenue – Assessed Value

- Total Assessed Value is projected at \$7.746 billion, a 1.32% increase over the 2019 Assessed Value of \$7.645 billion

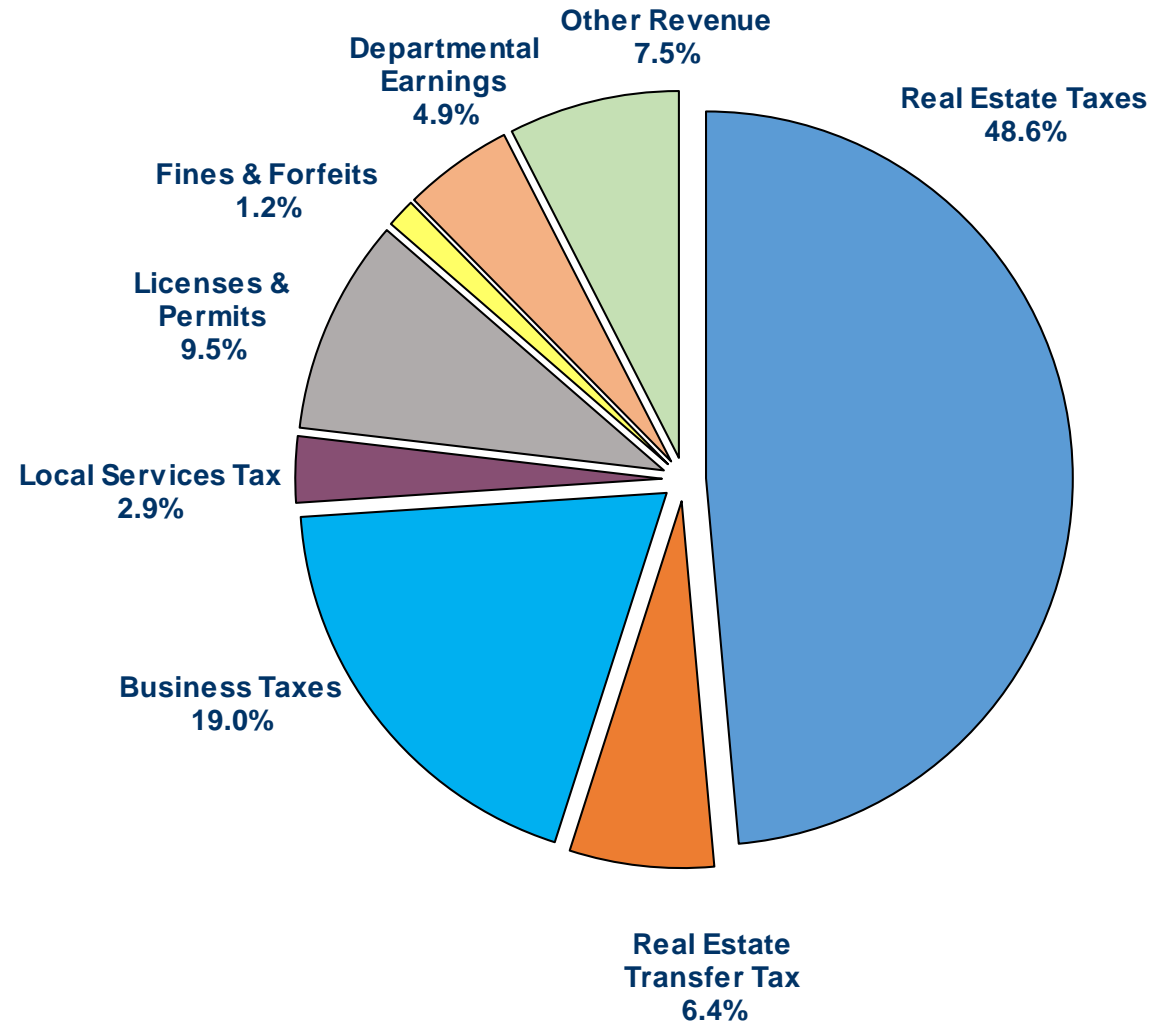
Year	Assessed Valuation	% Inc/Dec	Estimated Market Value
2010	7,480,048,000	-0.46%	12,896,635,100
2011	7,442,249,000	-0.51%	12,003,626,800
2012	7,404,023,000	-0.51%	11,678,270,200
2013	7,430,475,000	0.36%	12,922,564,800
2014	7,471,624,826	0.55%	13,294,706,100
2015	7,491,626,679	0.27%	13,330,296,600
2016	7,532,920,959	0.55%	13,427,666,600
2017	7,568,106,739	0.47%	13,490,386,300
2018	7,614,127,299	0.61%	14,074,172,500
2019	7,644,986,789	0.41%	14,990,170,200
2020	7,745,968,534	1.32%	15,711,903,700



# 2020 General Fund Revenues

## \$66,048,850

- Real Estate Taxes = \$32,085,000
- Real Estate Transfer Tax = \$4,200,000
- Business Taxes = \$12,560,000
- Local Services Tax = \$1,920,000
- Licenses & Permits = \$6,280,250
- Fines & Forfeits = \$835,000
- Departmental Earnings = \$3,195,500
- Other Revenue = \$4,973,100





# 2020 General Fund Revenue

- 2020 GF Revenue Budget is nearly \$66.1 million which is \$1.8 million or 2.8% higher than the 2019 Budget due to increases in business taxes, police services and real estate taxes

	2019 Adopted Budget	2020 Proposed Budget	\$ Change From 2019 Budget	% Change From 2019 Budget
<b>General Fund Revenue</b>				
<b>Business &amp; Mercantile Tax</b>	\$ 11,225,000	\$ 12,560,000	\$ 1,335,000	11.9%
<b>Police Services</b>	375,000	800,000	425,000	113.3%
<b>Real Estate Taxes - Current Year</b>	31,170,000	31,545,000	375,000	1.2%
<b>PMHIC Refund</b>	700,000	900,000	200,000	28.6%
<b>All Other Revenues Net</b>	14,118,900	14,203,850	84,950	0.6%
<b>Building and Electrical Permits</b>	2,800,000	2,675,000	(125,000)	-4.5%
<b>Local Services Tax</b>	2,050,000	1,920,000	(130,000)	-6.3%
<b>Investment Income</b>	1,000,000	860,000	(140,000)	-14.0%
<b>Ordinance Violations</b>	815,500	585,000	(230,500)	-28.3%
<b>Net Increase (Forecasted)</b>	\$ 64,254,400	\$ 66,048,850	\$ 1,794,450	2.8%



# 2020 General Fund Revenue

- 2020 GF Revenue Budget is \$3.8 million or 5.5% lower than 2019 Estimated Actual
- Decline is due to anticipated decrease in reimbursed expenses, business taxes and real estate transfer taxes

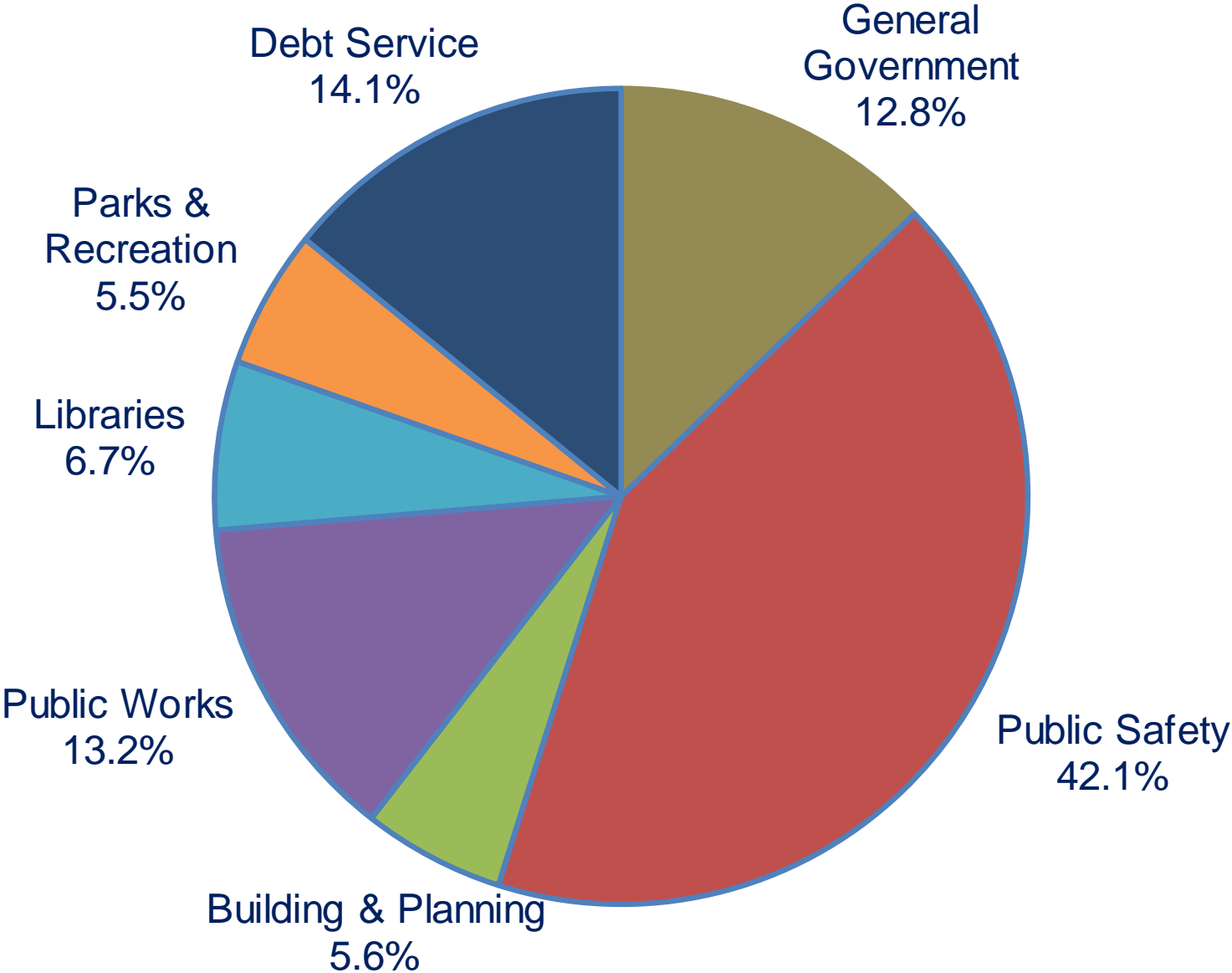
	2019 Estimated Actual	2020 Proposed Budget	\$ Change From 2019 EA	% Change From 2019 EA
<b>General Fund Revenue</b>				
Real Estate Taxes - Current Year	\$ 31,000,000	\$ 31,545,000	\$ 545,000	1.8%
PMHIC Refund	850,400	900,000	49,600	5.8%
All Other Revenues Net	15,482,850	15,366,850	(116,000)	-0.7%
Business Licenses	270,000	195,000	(75,000)	-27.8%
Investment Income	1,000,000	860,000	(140,000)	-14.0%
Real Estate Transfer Taxes	4,435,000	4,200,000	(235,000)	-5.3%
Reimbursed Expenses	2,347,000	422,000	(1,925,000)	-82.0%
Business & Mercantile Tax	14,500,000	12,560,000	(1,940,000)	-13.4%
<b>Net Increase (Forecasted)</b>	<b>\$ 69,885,250</b>	<b>\$ 66,048,850</b>	<b>\$ (3,836,400)</b>	<b>-5.5%</b>



# 2020 General Fund Expenditures

## \$70,624,433

- Police/Fire  
\$29,708,723
- Debt Service  
\$9,991,944
- Public Works  
\$9,287,619
- General Government  
\$9,053,181
- Libraries  
\$4,723,591
- Building & Planning  
\$3,983,626
- Parks & Recreation  
\$3,875,749





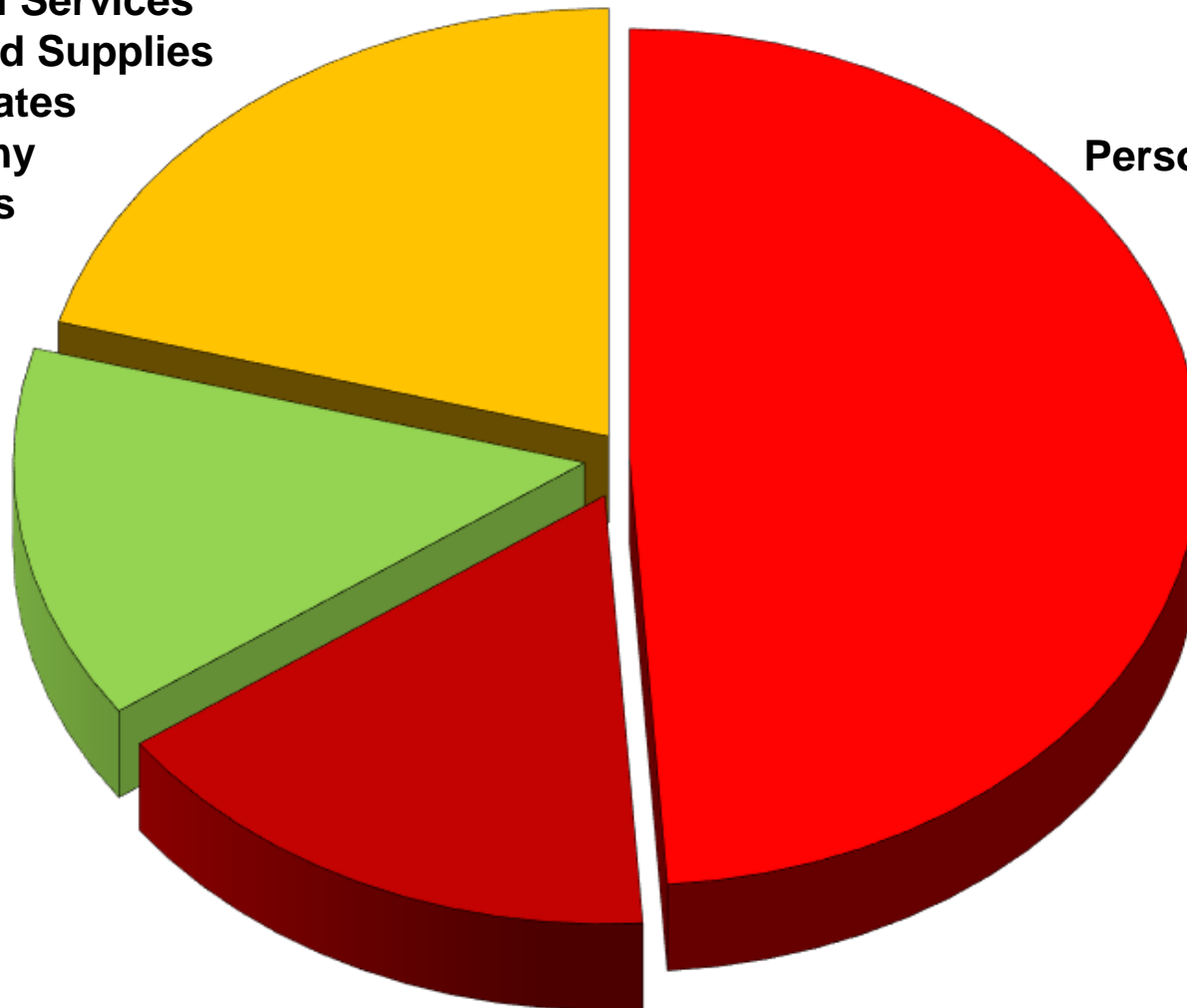
# 2020 General Fund Expenditures

## \$70,624,433

All Other Expenses = 20.8%

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

Debt Service  
14.1%



Personnel Costs - Salaries  
48.9%

Personnel Costs - Benefits  
16.2%





# 2020 General Fund Expenditures

- 2020 General Fund Expenditure Budget is \$2.4 M or 3.5% higher than the 2019 Budget

	2019 Adopted Budget	2020 Proposed Budget	\$ Change From 2019 Budget	% Change From 2019 Budget
<b>General Fund Expenditures</b>				
<b>Salaries</b>	\$ 30,062,696	\$ 31,297,134	\$ 1,234,438	4.1%
<b>Other Compensation</b>	2,970,579	3,267,096	296,517	10.0%
<b>Maint - Equipment Software Furniture</b>	816,886	1,109,973	293,087	35.9%
<b>Employee Benefits</b>	11,221,829	11,456,212	234,383	2.1%
<b>Debt Service/Transfers</b>	9,844,989	10,071,944	226,955	2.3%
<b>Township Equipment Rental</b>	2,048,780	2,240,914	192,134	9.4%
<b>All Other Expenditures (Net)</b>	10,938,316	11,184,329	246,013	2.2%
<b>Equipment Software Furniture</b>	297,915	244,000	(53,915)	-18.1%
<b>Material &amp; Operating Supplies</b>	1,100,407	1,028,082	(72,325)	-6.6%
<b>Other Charges and Transfers</b>	(1,091,652)	(1,275,251)	(183,599)	16.8%
<b>Total General Fund Budget</b>	\$ 68,210,745	\$ 70,624,433	\$ 2,413,688	3.5%



# 2020 General Fund Expenditures

- 2020 GF Expenditure Budget is \$3.0 million or 4.5% higher than 2019 Estimated Actual

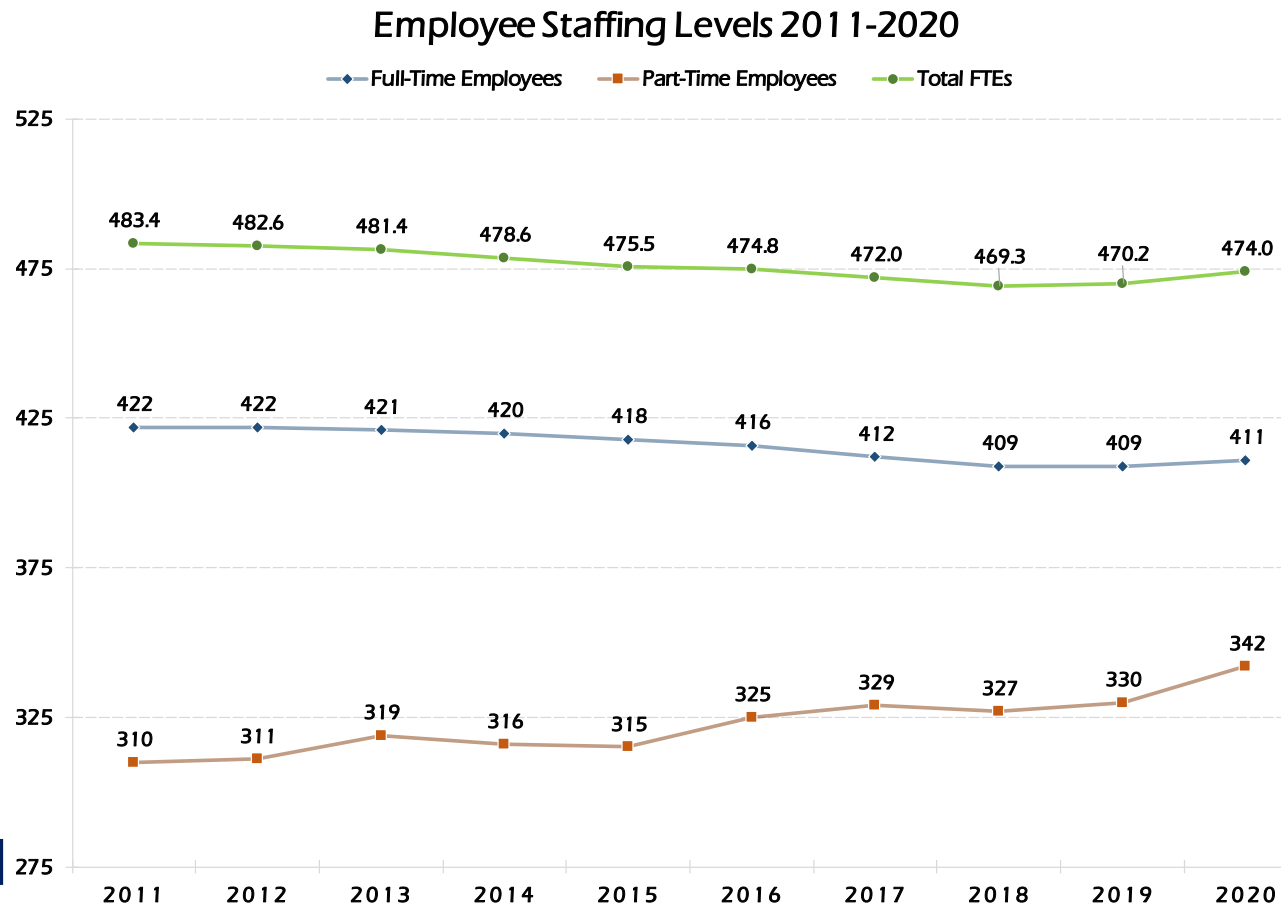
	2019 Estimated Actual	2020 Proposed Budget	\$ Change From 2019 EA	% Change From 2019 EA
<b>General Fund Expenditures</b>				
<b>Salaries</b>	\$ 29,541,385	\$ 30,407,134	\$ 865,749	2.9%
<b>Professional Technical Service</b>	1,841,478	2,199,165	357,687	19.4%
<b>Debt Service/Transfers</b>	9,720,381	10,071,944	351,563	3.6%
<b>Maint - Equipment Software Furniture</b>	791,261	1,109,973	318,712	40.3%
<b>Employee Benefits</b>	11,194,701	11,456,212	261,511	2.3%
<b>Township Equipment Rental</b>	2,048,780	2,240,914	192,134	9.4%
<b>Contributions</b>	2,150,568	2,335,473	184,905	8.6%
<b>Other Compensation</b>	3,107,659	3,267,096	159,437	5.1%
<b>Uniforms and Clothing</b>	46,500	172,050	125,550	270.0%
<b>All Other Expenditures (Net)</b>	6,840,017	7,120,072	280,055	4.1%
<b>Equipment Software Furniture</b>	302,750	244,000	(58,750)	-19.4%
<b>Total General Fund Budget</b>	\$ 67,585,480	\$ 70,624,033	\$ 3,038,553	4.5%

Note: Budgeted vacancy/turnover savings for 2020 are netted against salaries



# 2020 General Fund Expenditures - Personnel

- Full-time staffing is augmented by new positions in Police and Fleet
- Includes \$0.9 M of vacancy/turnover savings
- Contractual wage increase of 3.75% for the FOP
- Budget includes a contingency for increased costs related to a new WA contract and non-union personnel





# 2020 General Fund Expenditures – Employee Benefits

- The Township's transition to the Pennsylvania Municipal Health Insurance Cooperative (PMHIC) using the Independence Blue Cross platform has helped restrain healthcare cost increases
  - Township has received substantial claims fund refunds over the first two years in the program and YTD 2019 claims performance has been encouraging
  - A 1.1% increase for medical and prescription premiums are expected to keep 2020 costs increases modest compared to the 2019 Budget and 2019 Estimated Actual
  - Dental costs are projected to increase due to 6% rate increase
- Township will be required to make an estimated \$478,711 contribution to Township's pension plans in 2020
- Other employee benefit costs are projected to increase minimally



## 2020 General Fund Expenditures - Debt

- \$8.82 M of new money General Obligation bonds were issued in June 2019 to fund CIP projects in 2019-2020
- \$99.7 M in total outstanding debt (principal) for the General Fund and Sanitary Sewer Fund as of 12/31/2019 still a decrease versus recent past
  - General Fund debt service is budgeted to increase by 2.4% or \$237,000 compared to 2019
- The Proposed Capital Budget is project to require additional debt issuance for capital project cash flow needs in 2020. Final size and timing of next debt issuance will be determined by size of Adopted Capital Budget, pace of CIP spending, transfers from reserves, etc.
  - Energy Savings Program funding will be included in Capital Budget and Board will maintain ability in 2020 to complete a transfer from General Fund reserves to provide full funding for the project



# 2020 General Fund Expenditures

- Proposed 2020 Budget is geared towards providing high-quality services to Township residents including
  - Funding to begin to prepare Commercial Area Master Plans in Ardmore and City Avenue
  - Funding to purchase new equipment to support the Township's police force
  - Initiatives to improve the Township's IT infrastructure
- Contributions to Township's six volunteer fire companies are estimated to increase by 2% which would provide a total of nearly \$2.0 M or \$333,737 to each of the six volunteer fire companies
- Contributions to outside agencies that provide services to Township residents were reviewed by the Township's Ad Hoc Contributions to Outside Agencies Committee. The Committee will detail its recommending overall spending to be distributed amongst area organizations throughout the budget process



# **Proposed 2020-2025 Capital Improvement Program (CIP) Overview**





# 2020-2025 Capital Improvement Program (CIP)

- 2020 Proposed Capital Projects Budget includes \$35.2 million of capital projects Township-wide
- Township typically funds CIP with 20-year GO Bonds supplemented with Federal, State, County funds along with recreation development fees, liquid fuels funding and in recent years contributions from reserves
- CIP funding includes the approved energy savings program

	Capital Projects Fund	Sanitary Sewer Fund	Total Capital Budget
<b>Source of Funds:</b>			
<b>Grants, Reimbursements &amp; Other</b>	21,809,000	26,000	21,835,000
<b>Existing Fund Balance &amp; New CIP Financing</b>	6,532,000	6,878,000	13,410,000
<b>Total Funding Sources</b>	<b>28,341,000</b>	<b>6,904,000</b>	<b>35,245,000</b>





# 2020-2025 Capital Improvement Program (CIP)

- Top 10 CIP Projects represent 68% or \$24.1 million of the total 2020 Capital Budget

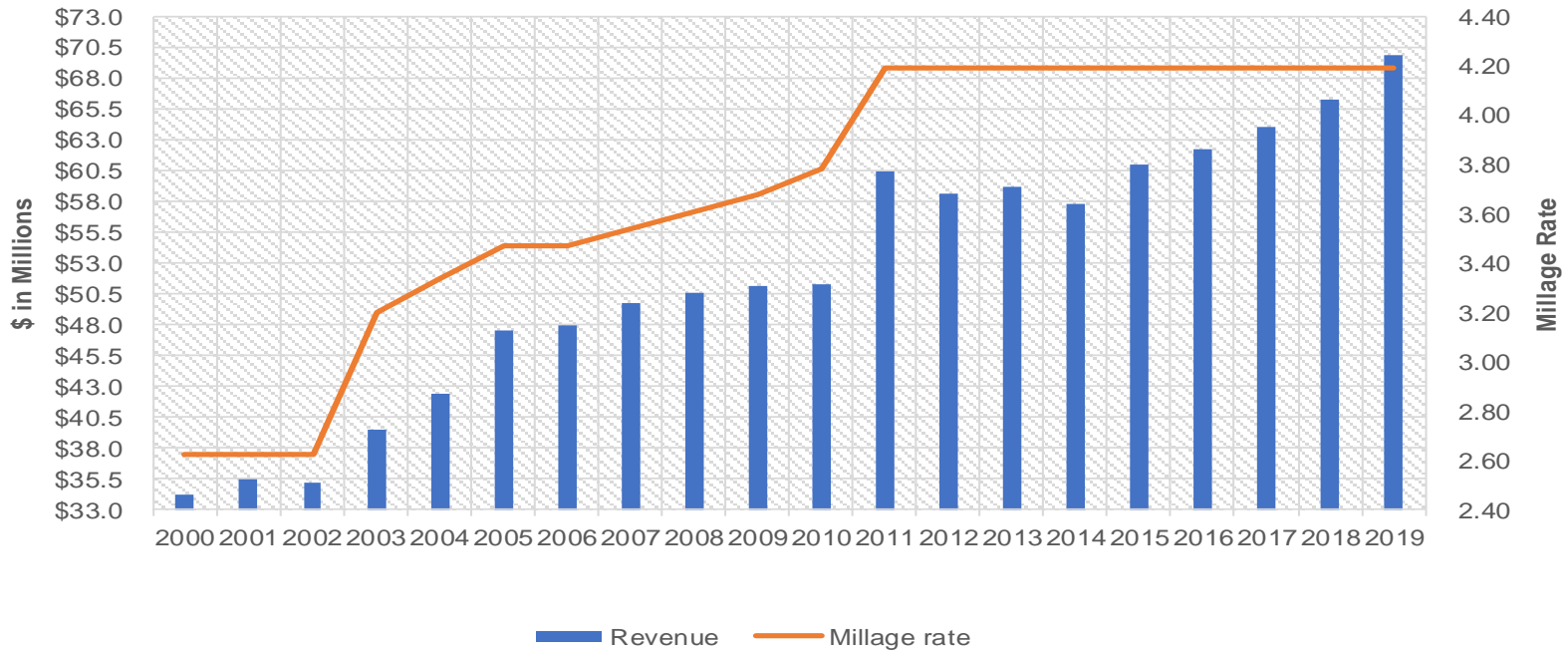
CIP Projects (all revenue sources)		CIP Job Number	2020 Capital Budget
1.	City Avenue Transportation Service Area Improvement Program	4092	\$ 5,268,000
2.	Rock Hill Rd/Belmont Ave Transportation Service Area Improvement Program	4216	3,801,000
3.	Pennswood Road Bridge Reconstruction	4204	3,010,000
4.	Traffic Network Evaluation - Township Wide	4236	2,603,000
5.	Storm Water Facilities Management Project	4652	2,035,000
6.	Hollow Road Force Main	4750	1,540,000
7.	Rotomilling and Road Reconstruction	4210	1,500,000
8.	Union Avenue Bridge Reconstruction	4203	1,486,000
9.	Facilities Improvements	4025	1,417,000
10.	Gulph Creek/Ardmore Pumping Station Studies	4714	1,400,000
<b>Total Top 10 Capital Projects</b>			<b>24,060,000</b>
All other capital projects			11,185,000
<b>Total Capital Projects</b>			<b>\$35,245,000</b>



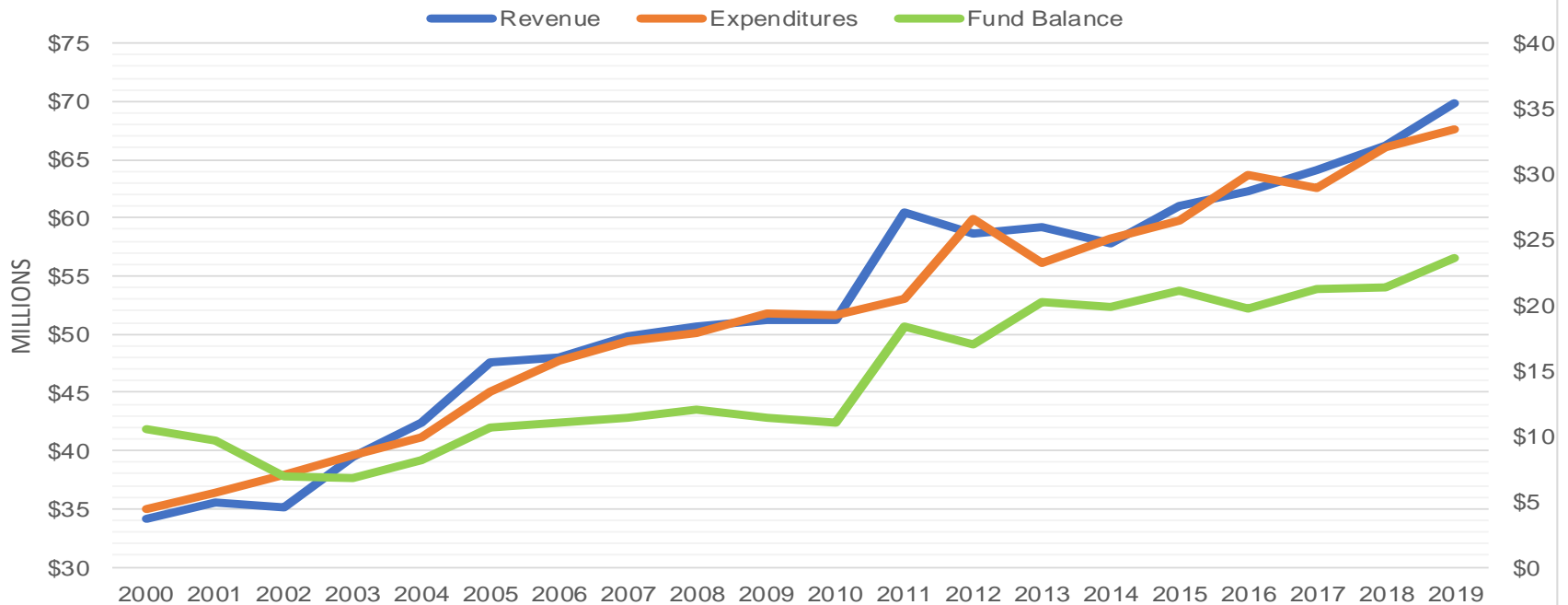
# Updated General Fund Financial Forecast



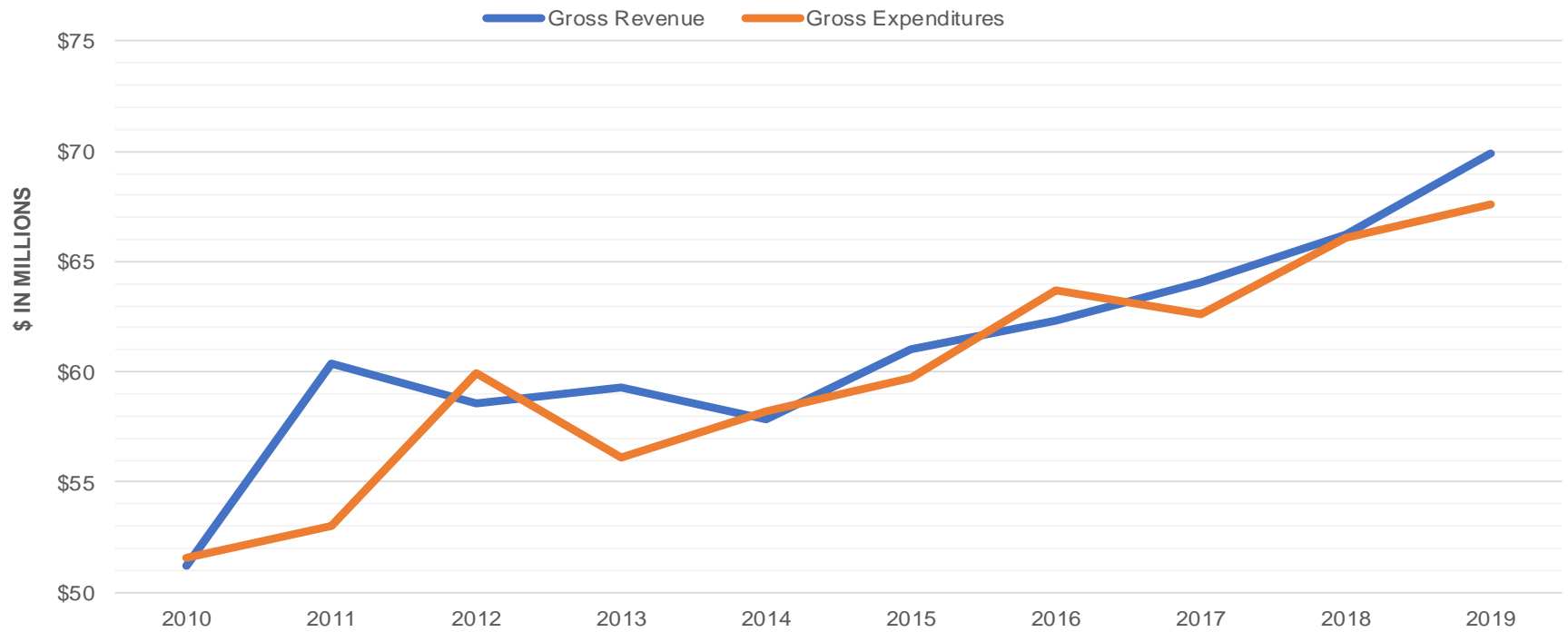
## General Fund Revenue 2000 through 2019



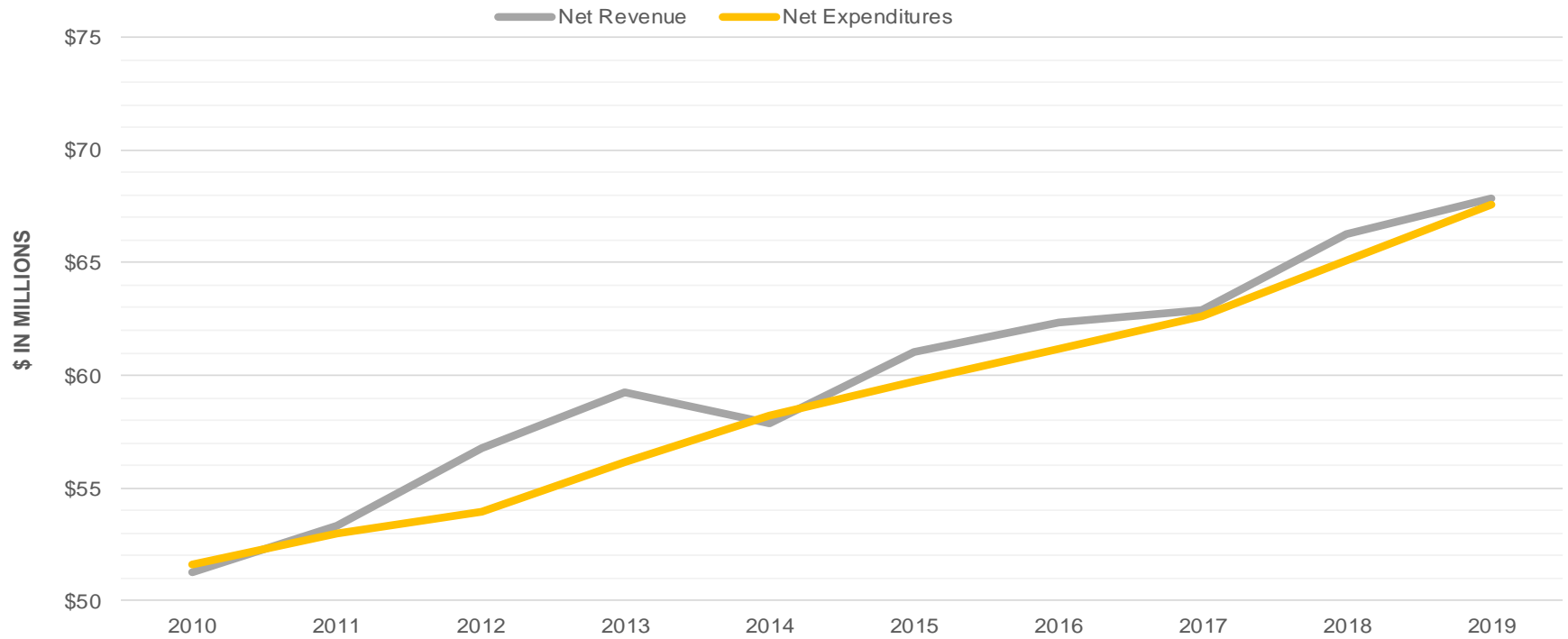
## General Fund Revenue vs Expenditures & Fund Balance



### Revenue vs Expenditures



### Revenue vs Expenditures





# 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 2020 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

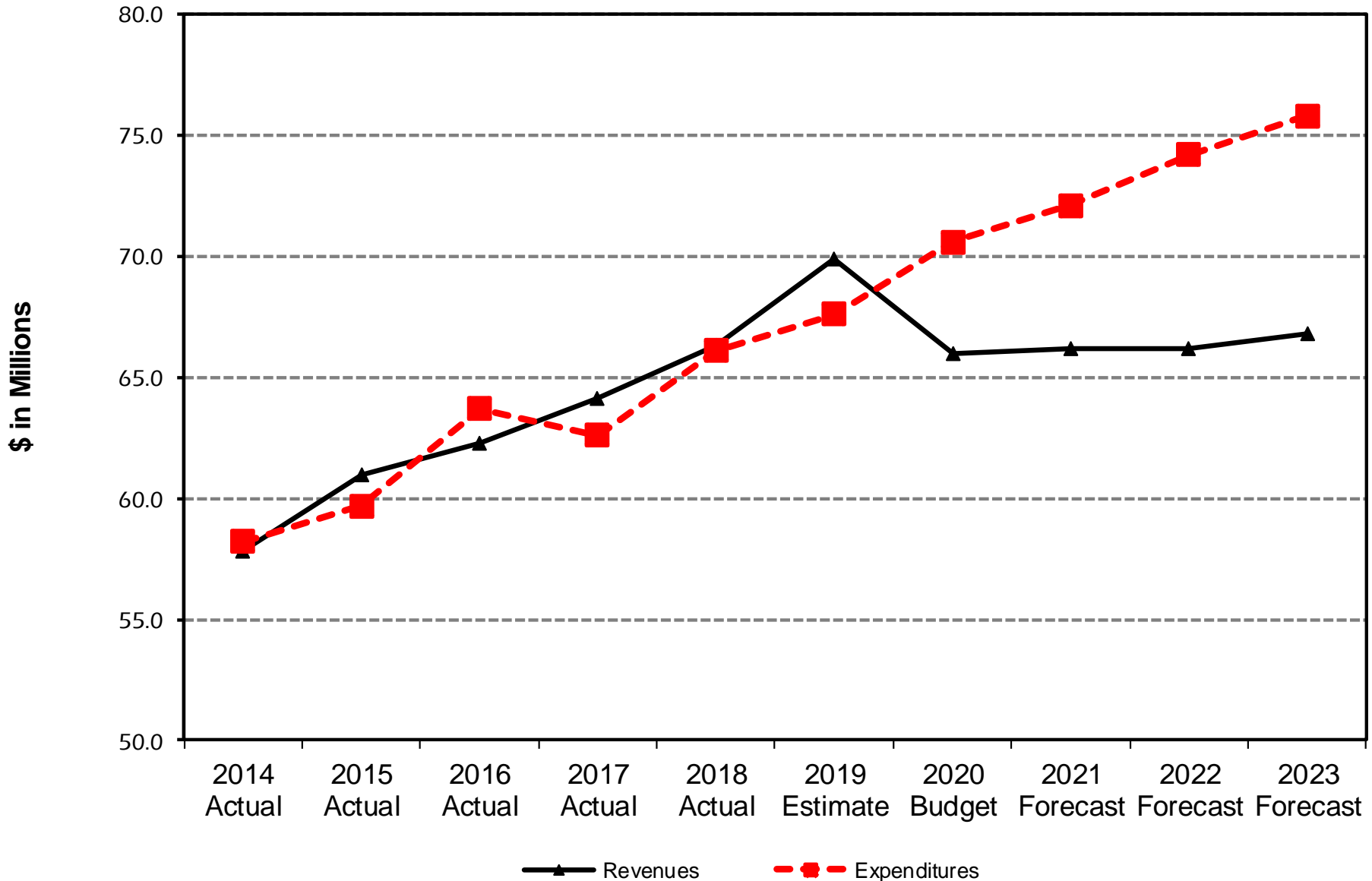
General Fund (Million \$)	2019 Estimate	2020 Budget	2021 Forecast	2022 Forecast	2023 Forecast
Beginning Fund Balance (Undesignated)	\$ 21.2	\$ 23.5	\$ 18.9	\$ 13.0	\$ 5.0
Revenues	69.9	66.0	66.2	66.2	66.8
Expenses	67.6	70.6	72.1	74.2	75.8
Surplus/(Deficit)	2.3	(4.6)	(5.9)	(8.0)	(9.0)
Ending Fund Balance (Undesignated)	\$ 23.5	\$ 18.9	\$ 13.0	\$ 5.0	\$ (4.0)
Ending FB (% of Operating Expenditures)	34.8%	26.8%	18.0%	6.7%	-5.3%
Ending FB (% of Operating Expenditures) @ 18%	\$ 12.2	\$ 12.7	\$ 13.0	\$ 13.4	\$ 13.6
Ending FB (% of Operating Expenditures) @ 15%	\$ 10.1	\$ 10.6	\$ 10.8	\$ 11.1	\$ 11.4
Additional Funds needed to maintain 18% FB	\$ (11.3)	\$ (6.2)	\$ (0.0)	\$ 8.4	\$ 17.6
Additional Funds needed to maintain 15% FB	\$ (13.4)	\$ (8.3)	\$ (2.2)	\$ 6.1	\$ 15.4

- Forecast assumes no real estate tax millage increases
- Growing annual deficits without additional revenue or significant expenditure reductions
- Fund balance levels at 18% of expenditures through 2021



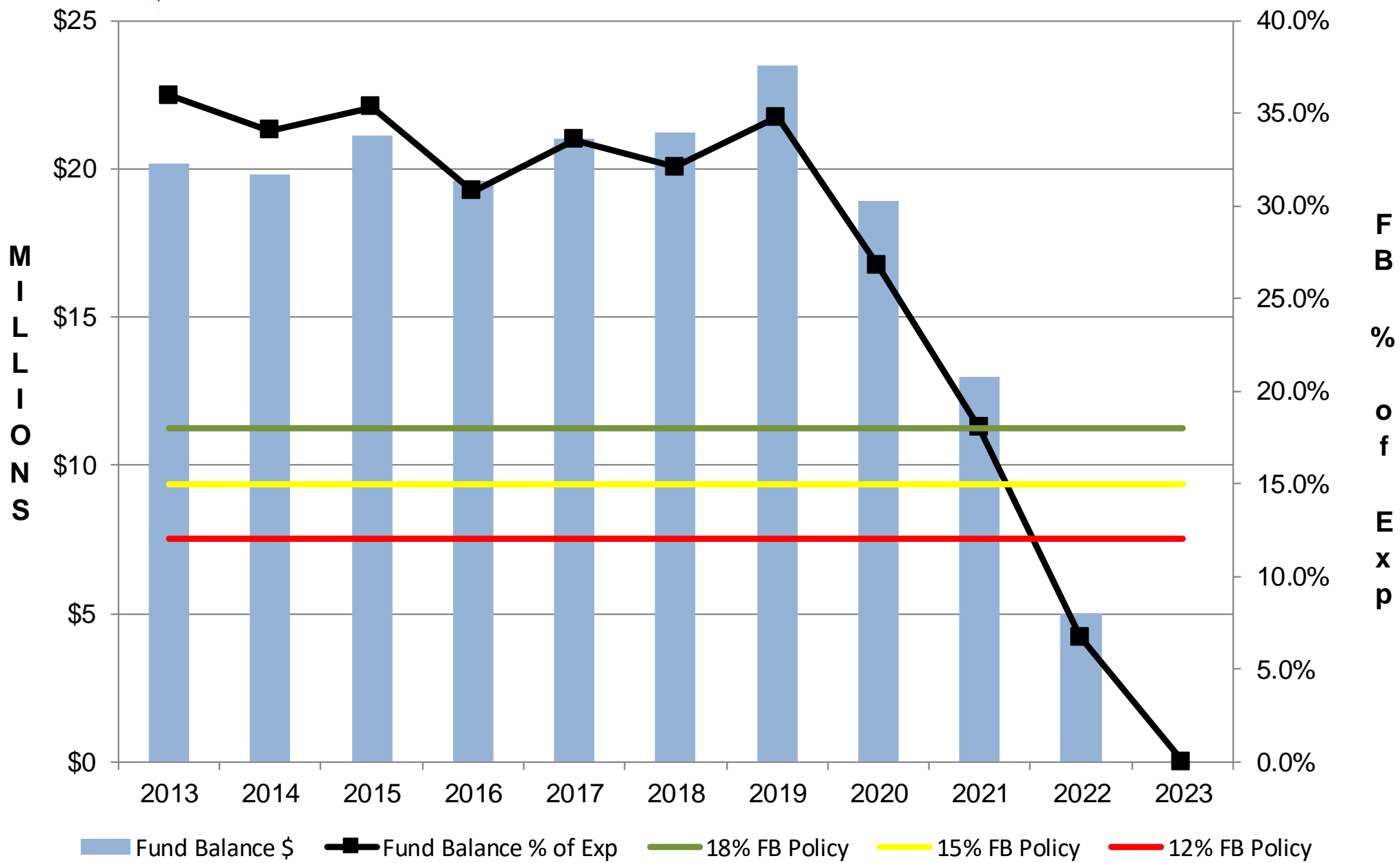
# Updated General Fund Financial Forecast

## General Fund Revenues & Expenditures 2014-2023





# Updated General Fund Financial Forecast







## Next Steps





# Next Steps

- 2020 Tax Levy and Appropriations Ordinance
  - Approves advertisement of the Proposed 2020 Budget Real Estate Tax Millage Rate (4.19 mills)
- 1<sup>st</sup> Public Hearing on Proposed Budget and CIP: Nov 20<sup>th</sup>
- 2<sup>nd</sup> Public Hearing on Proposed Budget and CIP: Dec 4<sup>th</sup>
- Adoption of 2020 Budget and 2020-2025 CIP: Dec 18<sup>th</sup> (part of BOC regular meeting)