

**TOWNSHIP OF LOWER MERION**  
*Office of the Township Manager*

**MEMORANDUM**

**TO:** President and Members of the Board of Commissioners

**FROM:** Ernie B. McNeely, Township Manager

**SUBJECT:** 2018 Budget Workshop - September 6, 2017

**DATE:** September 1, 2017

The Budget Workshop scheduled for September 6<sup>th</sup> at 6:00 p.m. is an early step in the budget adoption process designed to provide the Board of Commissioners with a first look at departmental budget requests and to seek policy guidance to aid staff in preparing the Proposed 2018 Budget. The development of an annual budget is a team effort and requires an extended process. The budget is the essential translation of the goals and objectives for the community into an action plan for the upcoming year. It is the Board of Commissioners that establishes the budgetary goals and objectives for the community, while the Township staff provides input to aid the Board in that process plus the technical ability to translate those objectives into action.

This budget development process works well and follows a process that began in June. Departments submitted their proposed budgets for 2018 to the Finance Department and attended a series of meetings over the summer where each department and division is required to review their budget request in detail. In addition, the summer meetings include in-depth discussions on department performance measures plus goals for the new year. Alternative performance measures are also discussed to potentially incorporate into upcoming budgets to better reflect departmental operations.

In many areas, budget revisions have already been required because of those meetings and revised submissions prepared for use at the Budget Workshop. The 2018 Budget numbers are still preliminary and will be further revised before the formal proposed budget submission in November. In general, the 2018 Budget submissions appear to reflect the General Fund Financial Forecast (Exhibit A) presented in July 2017. Like last year, and now for the seventh year in a row, current services can be maintained in 2018 without the need for a tax increase. That of course still depends on policy decisions to be made by the Board of Commissioners and conclusion of this current year without any major budgetary setbacks.

The real objective for this Budget Workshop meeting is to give the Board a preliminary look at the budget in draft and to obtain policy direction on certain issues. The Board of Commissioners has been provided with a Preliminary 2018 Budget Workbook that includes departmental organizational charts, goals and budget summaries. The departmental summaries include 2016 Actual, 2017 Budget, 2017 Estimated Actual and 2018 Requested Budget. The wages for 2018 are already established for the Workers' Association members per the WA contract reflecting a 3.25% increase. The wages for 2018 are also already established for the FOP (Fraternal Order of Police) members per the collective bargaining agreement reflecting a 3.75% increase. The Board of

Commissioners over the coming months will need to determine 2018 wage increases for management and non-union employees.

This year's Budget Workshop will follow a similar format as used last year. Presentations will be organized by functional area and will focus on 2018 objectives and any significant changes requested in the budget for the coming year. The presentations will also be designed to target policy questions and issues where Board of Commissioners direction will be helpful in crafting a Proposed 2018 Budget to align with Board priorities. Not every department will make a full presentation to the Board at the Budget Workshop since some departments have very limited changes to operations planned; however, the Board will retain the ability to ask questions of any department.

The following are policy questions or issues that the Board is asked to consider most of which will be addressed in the scope of the presentations. If the Board is not prepared to provide policy direction to staff at the Budget Workshop and requires more time or information to provide policy guidance, we plan to discuss these topics again at future Finance Committee meetings.

### **2018 Budget Policy Issues and Questions**

#### **Broad Policy Direction**

The General Fund Financial Forecast projects an undesignated fund balance of \$18.3 million for January 1, 2018. As was the case last year, a small portion of that fund balance (which at over 28% is well over the fund balance policy target range of 15% to 18%) can be used to avoid a tax rate increase in 2018. ***Unless directed otherwise by the Board of Commissioners, Township staff will develop the Proposed 2018 Budget under the assumption that the Board of Commissioners wishes to maintain current service levels in all areas and avoid a tax rate increase in 2018 by use of a portion of the Township's undesignated fund balance.***

The Township discussed its debt levels at the CIP Workshop in June and again more recently at Finance Committee meetings in preparation for the September 13<sup>th</sup> new money bond issuance. Given the planned borrowing in September, the Capital Projects Fund will not require any funding from the General Fund in 2017. However, the Board has discussed using some portion of its fund balance to reduce the need to borrow in 2018 in order to achieve continued reductions in the Township's outstanding debt. ***Does the Board of Commissioners wish to incorporate a planned transfer from the General Fund to the Capital Projects Fund as part of the Proposed 2018 Budget or would it prefer to discuss potential financing approaches in 2018 once staff has a better projection regarding when the 2017 new money proceeds will be exhausted?***

As part of the 2017 Capital Budget the Board of Commissioners approved \$100,000 in funding for pedestrian mobility and traffic flow projects. This funding was included within CIP project #4236, Traffic Network Evaluation – Township Wide. The potential projects included new sidewalk projects (e.g. Trent Road between Suffolk and Remington and Spring Avenue from Wynnewood to Sussex) that were discussed at the July 26<sup>th</sup> Public Works Committee meeting. Since this was a pilot project for 2017 no funds are currently budgeted in the draft CIP for 2018 or any out years. ***Does the Board of Commissioners wish to continue this approach for funding***

***small infrastructure projects to improve pedestrian mobility and traffic flow? If so at what level and in what years should funding be added to the draft CIP?***

### **Staffing Policy Direction**

As part of the 2017 Budget the Board of Commissioners made final determinations on the negative appropriation positions that had been a part of the Township's budget for several years. This action clarifies the Township's staffing levels and is more transparent. There are minimal requests for new positions this year. Parks and Recreation would like to fill the budgeted but vacant Recreation Supervisor position which has been open since Donna Heller assumed leadership of the Parks and Recreation Department. Building and Planning has requested expanded (part-time) use of an intern to assist with planning administrative work.

Finally, the Information Services/Technology Department will also detail to the Board its plan to eliminate two vacant full-time positions that will be replaced via outside contractors and other departmental initiatives. All departments will address these staffing issues during their presentation to the Board of Commissioners and the justification memos for each new/upgraded position are included as Exhibits D-1 and D-2.

### **Fire Company Operating Funding**

The Fire Company operating funding allocation had historically been increased at a rate matching the CPI (Consumer Price Index). However, in the past four budgets the Board of Commissioners has approved increases above CPI (the 2017 increase was 2%) since CPI growth has been minimal. The six fire companies have submitted 2018 budgets with requests for funding increases from the Township that range from 0% to 5.75%. Both the CPI and MCI (Municipal Cost Index) are up slightly through the first half of 2018 and the CPI has increased 1.5% versus the previous year. Each one percent increase to the fire company operating allocation totals \$3,177 to one fire company or \$19,060 to the Township overall. Township staff will discuss this issue during the Fire Department presentation.

### **Non Profit Budget Requests**

There have been 15 requests submitted by non-profits for Township funding in 2018. This year's requests total \$154,510 compared to 12 non-profits funded at \$119,500 in the 2017 Adopted Budget. The policy on General Fund Contribution to Outside Agencies adopted in November 2014 set a maximum annual total of all contributions at \$120,000 (although the Board of Commissioners does have flexibility to adjust that amount). The Board of Commissioners will need to determine the recipient agencies and funding levels for 2018. A list of the budget requests (Exhibit C) has been provided to the Board of Commissioners and the Ad Hoc Contributions to Outside Agencies Committee will be scheduling a meeting to review and discuss the 2018 requests.

### **Township Fee Levels**

Township Departments annually review the rates for fee supported services for Board consideration and inclusion in the Township Budget. Departments will be starting the process of

reviewing their fees to identify what fees may be adjusted. The Board of Commissioners will need to decide on fee revisions for 2018.

In addition to the fee increases which have been part of this process previously, Board of Commissioner feedback will be sought at the Budget Workshop related to two additional fee related issues. One is an increase (from \$10 to \$20) to the administrative fee charged by Parks and Recreation when an enrolled individual cancels participation in a program. The other potential increase for consideration is to raise Township parking ticket fines from \$20 to \$30. As discussed annually when adjusting fees each October, these are opportunities to make real structural changes to the Township's budget that, when combined with other revenue and expenditure actions, will yield a more sustainable budget outlook. For example, the increase in parking ticket fines would yield approximately \$350,000 annually in additional General Fund revenue. This additional revenue might also be used to invest in the Township's parking lot infrastructure which has deteriorated over the last several years and is need of further investment. Further details on both these items will be provided at the Budget Workshop as part of the departmental presentations to solicit feedback from the Board.

### **Public Works Operational Changes**

There are two issues within Public Works that will have a substantial financial impact or significant operational shift that should be highlighted for the Board of Commissioners. The Shade Tree Division's budget contains an expenditure for \$125,000 for necessary ash tree removals due to the impact of the Emerald Ash Borer. At this point, Township staff believes this will only be the first year in a multi-year effort to address this situation which will come with a substantial financial cost since there is no known cure for ash trees once they are infected.

The Board of Commissioners has expressed an interest in maintaining and potentially expanding crosswalks throughout the Township to promote walkability. The Highway Division recently received quotes from contractors to complete the Township's annual yellow line painting at a very attractive price. The Director of Public Works believes the Township may be better served to contract out yellow line painting operations moving forward and then redeploy Township resources to address crosswalk issues throughout the Township. This issue will be addressed during the Public Works-Highway Division presentation.