

**TOWNSHIP OF LOWER MERION
GENERAL FUND FINANCIAL FORECAST
2017 – 2021 (UPDATED JULY 2017)**

EXECUTIVE SUMMARY

On July 26th the Township presented an updated General Fund Financial Forecast in accordance with the Township's stated financial policies. The current forecast shows the Township remains in a strong financial position from a fund balance perspective, with a projected 2017 undesignated ending fund balance of \$18.3 million, or 28.6% of expenditures plus transfers out. The Township's current level of fund balance is still well above its stated fund balance policy, and provides the Township with flexibility to use a portion of the fund balance to eliminate the need for a tax increase as part of the Proposed 2018 Budget.

While the Township's overall financial position remains strong, the forecast still shows a structural budget deficit due to projected expenditures increasing faster than projected revenues. However, the Township has recently been successful in controlling costs below budgeted levels in many respects and an improving economy has driven largely positive revenue growth above original projections in 2016 and again in 2017.

The Adopted 2017 Budget included a planned \$2.9 million drawdown on the Township's fund balance. Over the first half of this year, the Township's revenues exceeded budgeted projections due to higher than expected licenses and permit revenue, investment income and reimbursed expenses. The July update to the financial forecast projected a drawdown on the Township's fund balance in 2017 of only \$1.4 million. In addition, due to very strong real estate transfer taxes in July and updated 2017 expenditure projections after going through budget meetings with all Township departments, it is now estimated the projected drawdown on the fund balance will be less than \$1.0 million in 2017.

This financial forecast assumes no tax or fee rate increases and current levels of staffing and services. The Township will continue to monitor Township-wide spending as well as local economic conditions and will update the financial forecast again in November in concert with the Proposed 2018 Budget.

General Fund Financial Forecast (2017 -2021)

General Fund (Million \$)	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast
Beginning Fund Balance (Undesignated)	\$ 19.7	\$ 18.3	\$ 14.9	\$ 10.4	\$ 4.8
Revenues	62.6	61.9	62.4	62.9	63.3
Expenses	64.0	65.3	66.9	68.5	70.2
Surplus/(Deficit)	(1.4)	(3.4)	(4.5)	(5.6)	(6.9)
Ending Fund Balance (Undesignated)	\$ 18.3	\$ 14.9	\$ 10.4	\$ 4.8	\$ (2.1)
Ending FB (% of Operating Expenditures)	28.6%	22.8%	15.5%	7.0%	-3.0%
Ending FB (% of Operating Expenditures) @ 18%	\$ 11.5	\$ 11.8	\$ 12.0	\$ 12.3	\$ 12.6
Ending FB (% of Operating Expenditures) @ 15%	\$ 9.6	\$ 9.8	\$ 10.0	\$ 10.3	\$ 10.5
Additional Funds needed to maintain 18% FB	\$ (6.8)	\$ (3.1)	\$ 1.6	\$ 7.5	\$ 14.7
Additional Funds needed to maintain 15% FB	\$ (8.7)	\$ (5.1)	\$ (0.4)	\$ 5.5	\$ 12.6