



# **Multi Year Financial Management Plan (2019-23)**

***October 10, 2018***

# Multi Year Financial Management Plan (2019-23)

Board Selected Public Financial Management to Work with Staff to Develop & Refine Plan:

- Continuous – Meetings with Board & Staff
- October 17, 2017 – Budget Workshop
- November 8, 2017 – Preliminary Budget Approval
- December 13, 2017 – Final Budget Approval; Preliminary Draft Issued
- May 1, 2018 – Revised Draft Report Issued
- July 11, 2018 – Final Report Issued
- July 25, August 28, September 10 and 17, 2018 – Special Board Meetings to Discuss Plan Initiatives & Impacts



# Focus of Major Financial Needs

Employee Compensation

Sustainable Services & Programs

Added Value Services & Programs

Active & Retirement Healthcare

Pensions

Capital Improvements

    Municipal Building - Police & Administration

    Infrastructure - Road Plan

    Fleet Management Plan

Fund Balance Policy

Credit Policy & Rating



# Possible Sources of Funds

## Tax Policy Options

### Real Estate Tax

General Purpose

Homestead Exclusion

Special Purpose

### Earned Income Tax

General Purpose

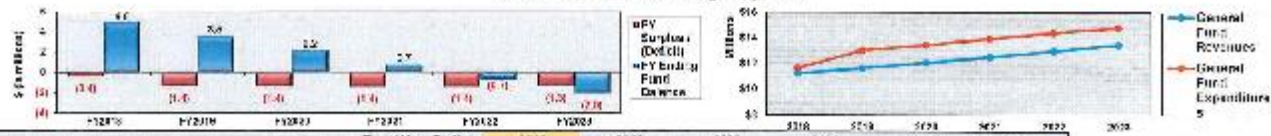
Special Purpose

Sustainable Revenues



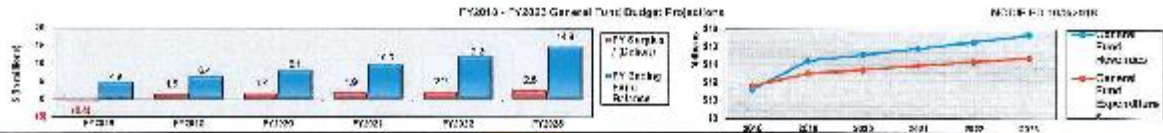


FY2018 - FY2023 General Fund Budget Projections



Description	Fiscal Year Ending:						CAGR 2018-23
	2018 Budgeted	2019 Projected	2020 Projected	2021 Projected	2022 Projected	2023 Projected	
<b>GENERAL FUND SUMMARY</b>							
<b>REVENUES</b>							
Real Estate and Public Utility Taxes	687,735	720,885	714,526	725,034	743,064	757,709	2.0%
Real Estate Transfer Tax	1,000,000	1,020,300	1,020,300	1,020,000	1,020,000	1,000,000	0.0%
Earned Income Tax	5,700,000	5,925,300	6,185,120	6,411,725	6,690,194	6,804,822	4.0%
Local Services Tax	1,200,000	1,350,300	1,458,300	1,574,640	1,700,611	1,858,560	8.0%
License and Permits	1,257,400	1,339,100	1,641,300	1,689,000	1,731,417	1,775,199	2.7%
Intergovernmental Revenue	(95,700)	527,181	510,308	621,187	643,732	565,394	(1.5)
Other Revenue	558,600	553,489	556,486	575,587	570,621	564,161	0.0%
<b>Total General Fund Revenue</b>	<b>11,248,835</b>	<b>11,648,471</b>	<b>12,067,128</b>	<b>12,605,863</b>	<b>12,985,800</b>	<b>13,448,135</b>	<b>3.0%</b>
<i>Check Encum</i>	<i>(100)</i>	<i>(100)</i>	<i>(100)</i>	<i>(100)</i>	<i>(100)</i>	<i>(100)</i>	
<b>EXPENDITURES</b>							
Salaries (full and part-time)	5,256,490	5,626,129	5,857,766	6,001,819	6,191,579	6,369,510	3.5%
Other cash compensation	500,740	519,589	526,311	559,079	579,792	600,590	3.7%
Retirement plan contributions	620,715	1,049,361	1,035,365	1,137,540	1,152,706	1,064,805	11.1%
Health Insurance (self and dependents)	1,658,881	2,140,165	2,273,787	2,415,834	2,559,775	2,727,163	10.1%
Other personnel costs	730,700	744,913	788,696	793,365	818,927	845,437	2.5%
Contracted services	1,045,318	1,022,726	1,026,516	1,051,611	1,075,827	1,102,490	1.1%
Supplies, utilities, equipment, maintenance	1,023,788	1,233,188	1,257,874	1,293,083	1,300,805	1,355,146	3.5%
Debt Service	505,600	504,330	510,630	500,430	508,130	503,190	0.0%
Other expenditures	150,830	199,935	191,064	192,020	193,604	194,517	0.7%
<b>Total Expenditures</b>	<b>11,655,873</b>	<b>13,021,570</b>	<b>13,445,032</b>	<b>13,944,272</b>	<b>14,386,954</b>	<b>14,786,073</b>	<b>4.4%</b>
<i>Check Encum</i>	<i>(100)</i>	<i>(100)</i>	<i>(100)</i>	<i>(100)</i>	<i>(100)</i>	<i>(100)</i>	
<b>Net Surplus/(Deficit)</b>	<b>(417,038)</b>	<b>(1,373,099)</b>	<b>(1,381,903)</b>	<b>(1,438,410)</b>	<b>(1,421,154)</b>	<b>(1,319,939)</b>	
2018 Budgeted Deficit	(417,038)						
Capital Outlays (Bonds & Fee)	(100,000)						
MMO	(620,566)						
OFES	(507,177)						
Net 2019 Growth Rate Assumptions	(39,658)						
<b>2018 Projected Deficit</b>	<b>(1,373,099)</b>						

CAGR = Compound Annual Growth Rate



Projected EIT 4.76% & COST INITIATIVES BROKEN OUT							
Fiscal Year	2019	2020	2021	2022	2023	2024	CAGR 2019-23
	Actual	Projected	Projected	Projected	Projected	Projected	
<b>GENERAL FUND SUMMARY</b>							
<b>REVENUES</b>							
Real Estate and Public Utility Taxes	587,135	784,935	780,028	705,834	812,024	828,700	8.3%
Real Estate Transfer Tax	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	0.0%
Financial Income Tax	8,700,000	8,701,000	8,201,120	9,711,720	10,230,124	10,770,922	13.0%
Local Services Tax	1,250,000	1,350,000	1,458,000	1,574,840	1,698,911	1,829,890	8.0%
Fees and Permits	1,857,400	1,878,100	1,841,900	1,726,000	1,731,417	1,770,030	2.7%
Intergovernmental Revenue	450,720	527,181	616,000	591,147	548,732	528,824	2.3%
Other Revenue	558,520	593,430	560,400	573,557	570,022	564,101	0.2%
<b>Total General Fund Revenue</b>	<b>15,240,815</b>	<b>14,685,471</b>	<b>16,168,128</b>	<b>16,572,838</b>	<b>16,636,830</b>	<b>17,584,158</b>	4.9%
Check Layout	None	None	None	None	None	None	
<b>EXPENDITURES</b>							
Salaries (Full and part-time)	5,258,450	5,834,129	5,817,988	6,007,618	6,151,302	6,305,310	21.5%
Other employee compensation	500,140	518,508	525,211	529,379	579,782	600,590	8.7%
Retirement plan contributions	520,115	1,340,261	1,068,265	1,197,540	1,152,038	1,047,900	13.1%
Health Insurance (active and off-rol)	1,880,240	2,140,100	2,273,707	2,110,521	2,066,773	2,727,168	10.1%
Other personnel costs	730,100	744,319	768,668	798,358	818,322	845,659	2.6%
Contracted services	1,248,518	1,300,728	1,608,833	1,701,511	1,706,797	1,428,700	1.2%
Supplies, utilities, equipment, maintenance	1,000,100	1,000,180	1,207,874	1,288,283	1,308,398	1,325,148	1.6%
Debt Service	505,500	504,030	510,680	508,430	500,100	493,840	0.0%
Other expenditures	148,813	148,816	181,084	182,120	193,604	158,917	0.7%
<b>Total Expenditures</b>	<b>11,866,173</b>	<b>13,021,970</b>	<b>13,449,632</b>	<b>13,344,872</b>	<b>14,286,954</b>	<b>14,788,673</b>	4.9%
Check Layout	None	None	None	None	None	None	
<b>Net Surplus/(Deficit)</b>	<b>(417,436)</b>	<b>1,463,501</b>	<b>2,720,697</b>	<b>3,228,590</b>	<b>2,218,346</b>	<b>2,696,081</b>	
Cost of Plan - Full (Supplies 4.6-30000 Disabled)		102,000	104,500	107,500	109,500	112,000	
Cost of Plan - Reduced (Supplies 4.6-30000 Disabled)		75,000	80,000	85,000	90,000	95,000	
Other (Supplies 4.6-30000 Disabled) (Non-Medicare funding)		100,000	105,000	110,500	121,000	129,000	
OPIC Funding (Long Term Job Aid)		100,000	125,000	160,000	175,000	200,000	
Other (Supplies 4.6-30000 Disabled) (Non-Medicare funding)			11,000	11,000	11,000	11,000	
Non-App. Budget Revisions		100,000	500,000	500,000	500,000	500,000	
<b>Total Cost of Initiatives</b>		<b>477,000</b>	<b>838,000</b>	<b>1,400,415</b>	<b>1,462,700</b>	<b>1,625,260</b>	
<b>Net Surplus/(Deficit)</b>	<b>(417,035)</b>	<b>506,501</b>	<b>204,697</b>	<b>428,100</b>	<b>656,086</b>	<b>869,811</b>	

# Pension & OPEB (Retirement Health) Funds

Year	Police	Non-uniformed	Fire	Annual Budget	% Change
2015	\$341,597	\$343,163	\$75,802	\$760,562	10%
2016	\$353,111	\$344,313	\$85,040	\$782,464	3%
2017	\$301,808	\$229,024	\$104,772	\$635,604	(18.8%)
2018	\$306,487	\$217,572	\$105,280	\$629,339	(0.01%)
<b>2019</b>	<b>\$516,890</b>	<b>\$414,107</b>	<b>\$162,508</b>	<b>\$1,093,505</b>	<b>73.8%</b>

Net Pension Liability - \$3.2 Million (84.7% Funded)

Net OPEB Liability - \$12 Million (12% Funded But Temporarily Suspended)



# 2018 Personnel Costs: Annual Rate Increases

	2014	2015	2016	2017	2018
Police*	3.75%	3.95%	3.95%	4.0%	4.0%
Firefighters EMTs **	3.5%	3.5%	3.5%	3.5%	3.5%
Codes & Life Safety	3.95%	3.0%	3.0%	3.0%	3.0%
Public Works*	3.95%	3.0%	3.0%	3.0%	3.0%
Administration	3.95%	3.0%	3.0%	3.0%	3.0%

\*Collectively Bargained

\*\*Arbitration (Act 111) Award in September 2018; Includes Significant Concessions (Healthcare & DROP)





# Real Estate Property Tax Rates

- **Current Tax Rate:** \$0.445 for Every \$1,000 in Assessed Value
- **No Proposed Increase in 2019**
  - In 1996 (23 Years Ago), Real Estate Rate Increased from 23.4 to 24.2 Mills, or a Total Revenue Increase of \$11,639
  - In 1996, Chester County Conducted County Wide Reassessment. Real Estate Rate Decreased a total of 98.2%, from 24.2 to 0.445 Mills
  - In 1996, Earned Income Tax (EIT) was adopted at 0.5% and has remained steady for 23 Years



# Real Estate Property Tax Rates

## ➤ Facts

- Median Residential Assessment - \$188,090 (May 2018)
- Average Annual Township Taxes = \$83.70
- Rate is 11<sup>th</sup> lowest of 73 Municipalities in Chester County
- No Gross Receipts (Business Privilege or Mercantile) Tax



# Earned Income Tax – Potential Impact

- **Current Tax Rate:** 0.5% of Earned Income
- **Proposed Tax Rate in 2019:** 0.75% of Earned Income
- **Average Annual Earnings:** \$59,432
- **Average Annual Tax Increase:** \$148.58



# Earned Income Tax Increase: \$2,775,000 in 2019

	Live in	
Work in:	East Whiteland	Elsewhere
EWT	2,200 people \$327,000	8,100 people \$1,500,000
Elsewhere with tax >.5% now	3,400 people \$375,000 (tax shift only)	N/A
Elsewhere with tax <.5% now	2,000 people \$297,000	N/A

Figures based on 2016 numbers. Additional \$276,000 expected to come from inflation and job growth estimates.

# Multi Year Financial Management Plan (2019-23)

- Thursday October 11, 2018 – Legal Ads for 3 Successive Weeks Regarding Consideration of EIT Increase by Township Ordinance
- Monday October 22 & 29 and November 5, 2018 – 2019 Budget Workshops
- Wednesday November 14, 2018 – 2019 Preliminary Budget Approval; Includes Consideration of EIT Increase by Township Ordinance
- Wednesday December 12, 2018 – 2019 Final Budget Approval
- Tuesday January 1, 2019 – Implementation of EIP, Including Possible EIT Increase





# Comments and Questions

East Whiteland  
Township