

Haverford Township 2021 Preliminary Budget

November 16, 2020

Presented by:

Larry Holmes, Esquire, Chairman, Finance Committee

David Burman, Township Manager/Secretary

Aimee Cuthbertson, CPA, Director of Finance/Assistant Township Manager

2021 Proposed Budget Summary

Fund	2021 Proposed	2020 Adopted	Change (\$)	Change (%)
General (01)	\$47,459,900	\$48,011,100	(\$551,200)	(1%)
Sewer (08)	\$5,050,000	\$4,728,181	\$321,819	7%
Capital Projects (18)	\$28,368,100	\$19,263,255	\$9,104,845	47%
TOTAL	\$80,878,000	\$72,002,536	\$8,875,464	

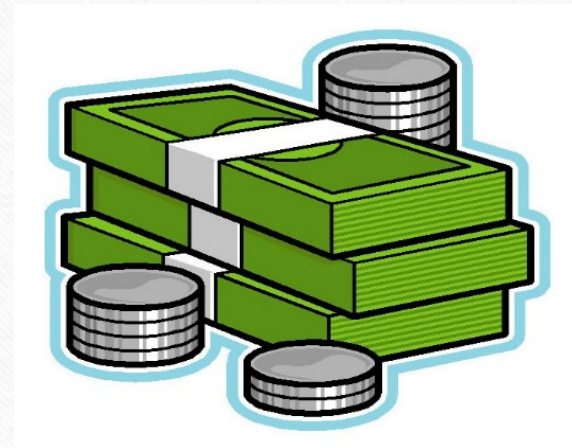
2021 Proposed General Fund Budget Initiative Overview



- Includes funding and practices:
 - To continue keeping our community and employees safe during COVID-19
 - To help our residents through the county-wide reassessment
 - To continue providing our current level of service balancing safety & efficiency with resident needs and expectations
 - To continue providing 3x/year free shredding/"ecycle" events for Township residents
 - To expand and formalize employee sensitivity training
 - To satisfy our contractual obligations to the civilian and police CBA's
 - To continue providing additional investment in the pension plans to improve funding with goal of 90-100% funding by next valuation in 2021
 - To get back on track with some projects deferred due to COVID-19
 - To keep steady as we continue to fight through the economic ramifications of COVID-19

Discussion on General Fund Revenues

- Preliminary budget includes proposed 0% property tax increase
- Preliminary budget includes proposed 0% increase to annual trash/recycling fee
- Reduced pension and liquid fuels monies coming from Commonwealth of PA
- Represents severe reduction with investment earnings
- Using reserves to address budget gaps due to anticipated reductions in business taxes, skatium revenues, and recreation program revenues

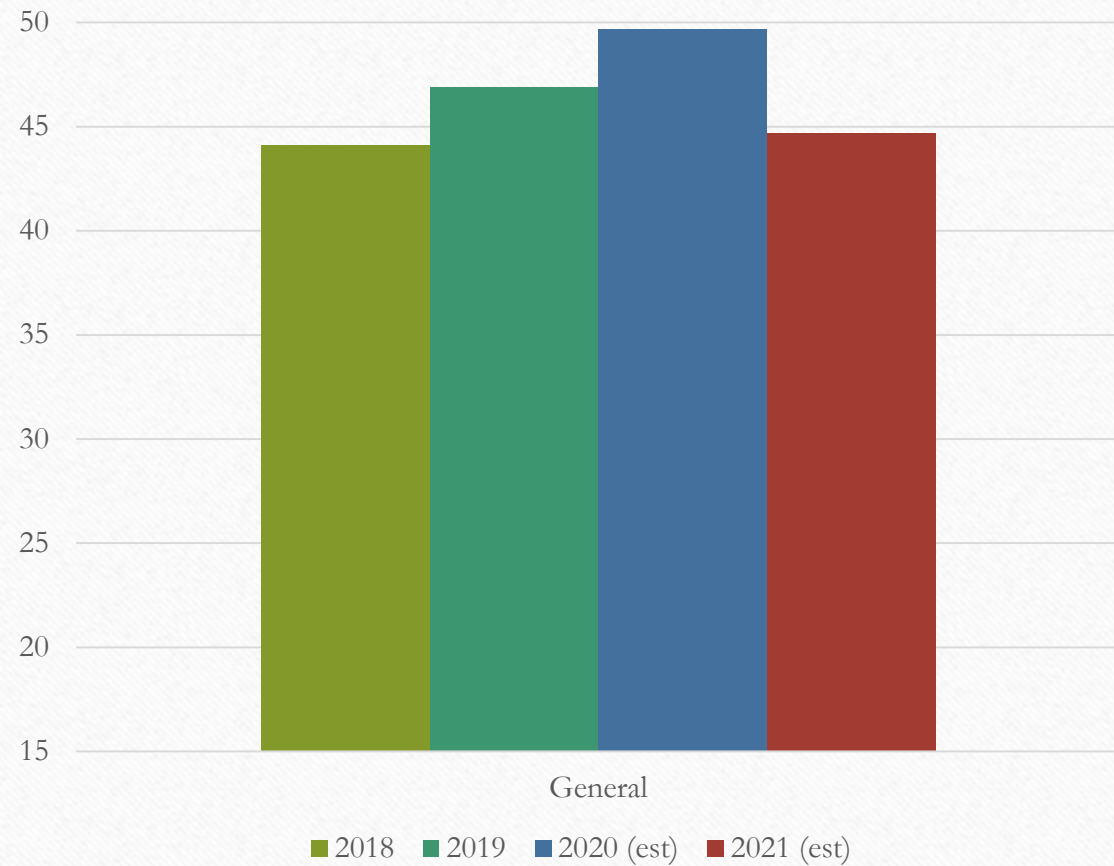


Discussion on Use of General Fund Reserves

When is it appropriate?

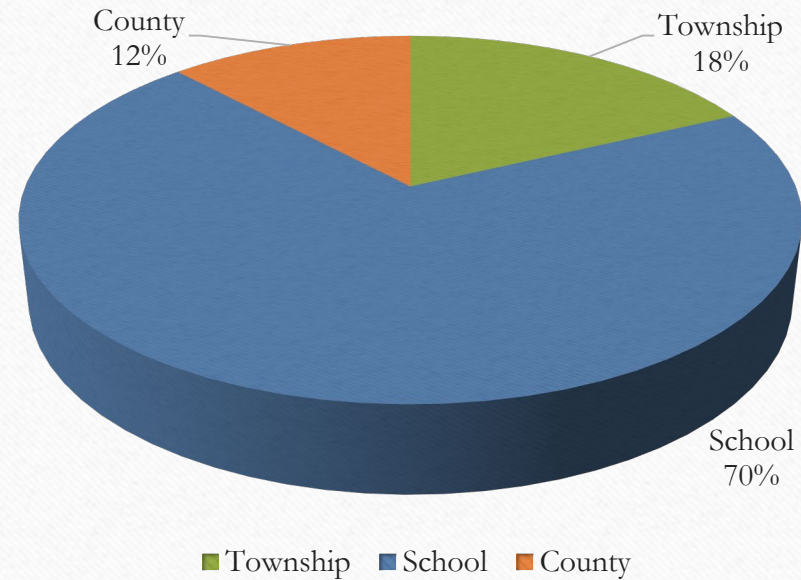
- When additional funds are needed to respond to a crisis or emergency
- When additional funds are needed to address unanticipated short-term revenue shortfalls
- To stabilize tax increases in unusual times

General Fund Reserves (as % of Budgeted Revenues)



Property Tax Structure

Taxing District	Tax Rate
Township	To be reset (but no increase in rate)
School	To be reset (as part of HTSD budget process in the Spring)
County	To be reset (should be announced shortly)



County-Wide Reassessment

- Still using estimated valuation from July 2020 - \$6.366B up from \$3.161B
- Estimated township-wide increase of 101.4%
- 48% of properties are “at or below” the 101.4% average and 52% are above
- County recently announced that final valuations will be sent out to municipalities on November 30 so we can’t officially “reset” until that time
- December 14, 2020 is the formal budget and ordinance adoption

WHAT DOES IT MEAN TO “RESET”... Tax authorities must “reset” the 2020 tax millage rate to generate the same level of tax revenue using the revised assessments BEFORE considering any change in tax rates for 2021 during the normal budget process. This is an example of reset using the **UPDATED** values:

	Original Billing	Reset	Reset
Assessment	\$ 3,161,124,450	\$ 6,365,742,100	\$ 6,365,742,100
Millage Rate <small>(limited to 3 decimal places)</small>	8.487	recalculated	4.215
Tax Revenue <small>(rounded due to decimal limits)</small>	\$ 26,828,463	\$ 26,828,463	\$ 26,828,463
	<small>(same amount of tax revenues)</small>		

REASSESSMENT - ESTIMATE #1 FOR AN INDIVIDUAL PROPERTY

	2020 Original Bill	Reassessment Value with Reset	Change
Assessment	\$ 155,000	\$ 330,000	113%
Millage Rate	8.487	4.215	
Tax Bill	\$ 1,315	\$ 1,391	\$ 76
(assessment * millage/1000)			

REASSESSMENT - ESTIMATE #2 FOR AN INDIVIDUAL PROPERTY

	2020 Original Bill	Reassessment Value with Reset	Change
Assessment	\$ 120,000	\$ 225,000	88%
Millage Rate	8.487	4.215	
Tax Bill	\$ 1,018	\$ 948	\$ (70)
(assessment * millage/ 1000)			

2021 Proposed General Fund Revenues

Revenue Category	2021 Proposed	2020 Adopted	Change (\$)	Change (%)
Property taxes	\$26,393,863	\$26,448,568	(\$54,705)	(.2%)
Act 511 taxes	\$3,626,875	\$3,975,000	(\$348,125)	(9%)
Licenses & permits	\$2,275,500	\$2,257,500	\$18,000	.8%
Fines & forfeitures	\$180,000	\$180,000	--	--
Interest & rents	\$735,617	\$907,120	(\$171,503)	(18.9%)
Grants	\$3,005,542	\$3,457,102	(\$451,560)	(13.1%)
Department earnings	\$6,567,296	\$7,095,738	(\$528,442)	(8.9%)
Other income	\$1,167,305	\$1,055,193	\$112,112	10.6%
Interfund transfers & Other	\$3,507,902	\$2,633,879	\$874,023	33.2%
TOTAL	\$47,459,900	\$48,010,100	(\$550,200)	(1.1%)

Discussion on General Fund Expenditures

- Both CBA's call for 2.5% wage increase for Civilian & Police, respectively
- 1.2% increase in salaries & compensation costs
- 2.8% decrease in health care costs (decrease in self-funded Rx, dental)
- 3.4% decrease in property & casualty coverage premiums
- 12.4% increase in workers compensation coverage premiums
- 0% increase in MMO pension funding (not a valuation year)
- 12.5% increase in debt service (assuming \$20M borrowing in 2021)
- 34.4% decrease in street lighting costs (completed Phase 1/2 EME project)
- 12.4% decrease in gasoline & diesel costs



2021 Proposed General Fund Expenditures

Department	2021 Proposed	2020 Adopted	Change (\$)	Change (%)
Administration (400)	\$949,027	\$1,019,711	(\$70,684)	(7%)
Finance (402)	\$789,930	\$751,420	\$38,510	5%
Human Resources (406)	\$251,182	\$200,588	\$50,594	25%
Info Technology (407)	\$574,121	\$541,686	\$32,435	6%
Facilities (409)	\$1,088,966	\$992,754	\$96,212	10%
Police (410)	\$18,111,060	\$18,018,668	\$92,392	.5%
Fire (411)	\$960,137	\$952,310	\$7,827	.8%
EMS Administration (412)	\$571,382	\$521,339	\$50,043	9%

2021 Proposed General Fund Expenditures

Department	2021 Proposed	2020 Adopted	Change (\$)	Change (%)
Code Enforcement (413)	\$986,890	\$1,083,659	(\$96,769)	(10%)
Community Development (414)	\$524,962	\$751,364	(\$226,402)	(30%)
Sanitation (427)	\$5,169,346	\$5,604,227	(\$434,881)	(8%)
Highways (430)	\$4,707,600	\$4,965,993	(\$258,393)	(5%)
Snow Removal (432)	\$246,930	\$256,930	(\$10,000)	(4%)
Street Lighting (434)	\$589,200	\$818,100	(\$228,900)	(28%)
Auxiliary (440)	\$3,210,707	\$3,319,029	(\$108,322)	(3%)
Parks & Recreation (450)	\$2,008,524	\$2,060,338	(\$51,814)	(3%)

2021 Proposed General Fund Expenditures

Department	2021 Proposed	2020 Adopted	Change (\$)	Change (%)
Ice Skating (451)	\$711,005	\$763,953	(\$52,948)	(7%)
Parks Maintenance (454)	\$1,363,708	\$1,259,712	\$103,996	8%
Debt Service (471/472)	\$4,645,223	\$4,129,319	\$515,904	12%
TOTAL	\$47,459,900	\$48,011,100	(\$551,200)	(1%)

Debt Service

- As of December 2020 – \$47.7m in outstanding general obligation debt
- Current budget includes assumption of \$20m in new borrowing
- Township is currently rated at Aaa by Moody's Investor Services
- Refunded 2014 general obligation issue as planned with net savings of \$1.9m of life of issue (at this time last year, we had anticipated \$1.4m in savings)
- In the 2021 budget, 9.8% of our general fund budget goes to pay debt service

General Fund Wrap Up

In light of significant challenges discussed throughout this presentation (mainly revenue shortfalls), we face a \$2.9million budget gap for 2021.

Given the current health emergency, troubling economic climate and high rate of unemployment, we believe a tax increase could place a significant hardship on our residents and businesses. Therefore, after a great deal of deep consideration, we propose no tax increase and, instead, recommend the utilization of our 2020 surplus and supplemented by a relatively modest draw on reserves to balance the 2021 budget.



2021 Proposed Sewer Fund Budget Overview



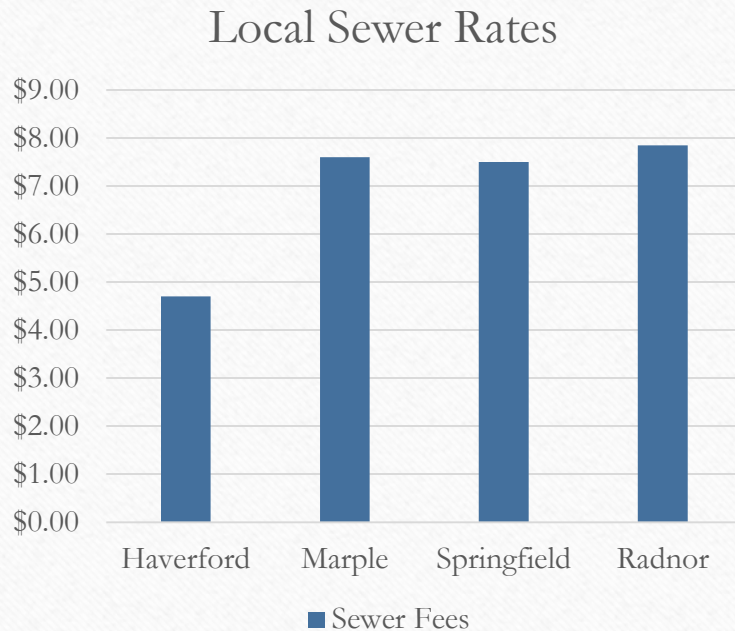
Revenues

- Sewer revenues are based on actual water flows as supplied by Aqua PA (had not received water readings from Aqua as of October 31 when our proposed preliminary budget was distributed)
- Negative trend of about 1.5% reduction in water use each of the last few years but expecting higher this past year due to residents working and staying home during COVID-19
- Reduced water use = reduced revenues, without a rate increase

Expenses

- Our sewer personnel
- Charges from Upper Darby Township as a conduit for the City of Philadelphia – based on metered water flow out of the Township
- Charges from RHM (Radnor-Haverford-Marple Authority) as a conduit for DCJSA – based on metered water flow out of the Township (had not received RHM budget as of October 31 when our proposed preliminary budget was distributed)

2021 Proposed Sewer Fund Budget Overview



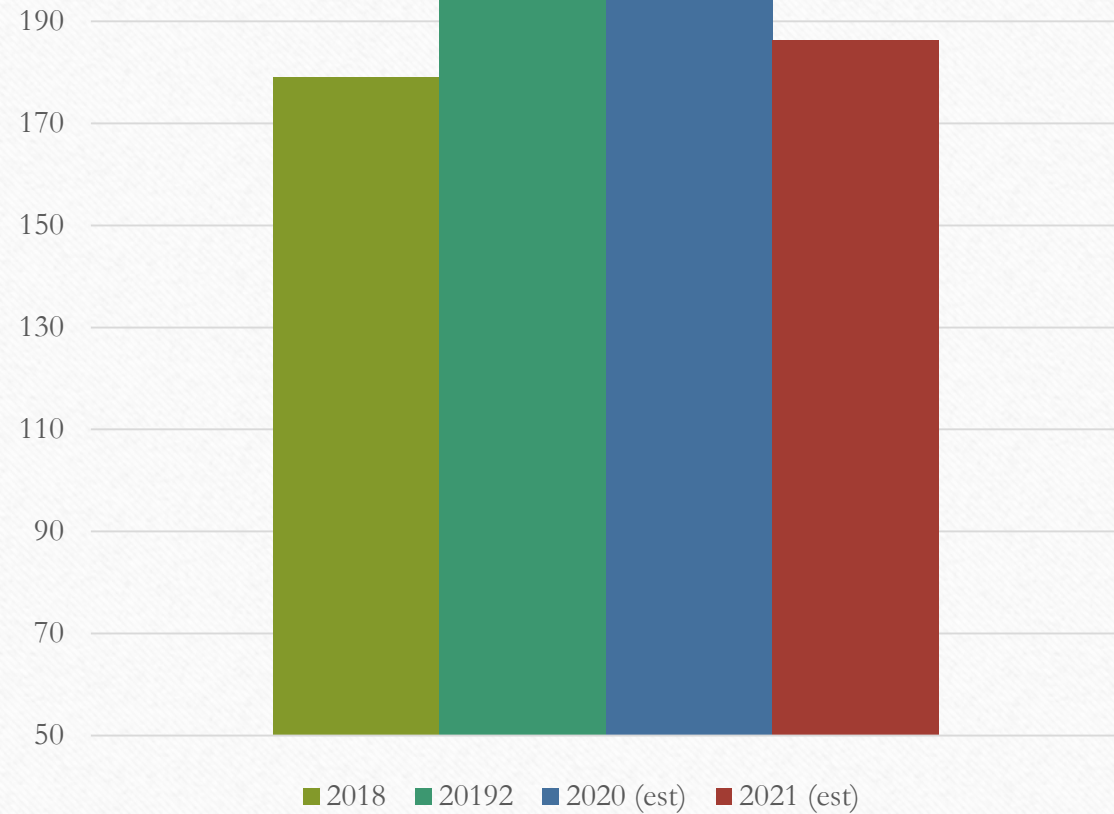
- After a two year reduction in the sewer rate, the 2021 budget includes an increase back to the level we were at in 2017 (\$4.70/1,000g water used); this may not be sustainable in future years.
- We are proposing to use a small amount of our reserves to balance the 2021 budget (\$280,000); still leaving a very healthy reserve for future needs.
- In an ideal situation, only sewage waters would be in the pipes but with aging infrastructure, we have I&I issues which inflate the metered flows out of the Township.
- Future discussion may include a change in billing structure (EDU fees as opposed to basing on water usage).

Discussion on Use of Sewer Fund Reserves

When is it appropriate?

- When additional funds are needed to respond to a crisis or emergency
- When additional funds are needed to address unanticipated short-term revenue shortfalls
- To stabilize rate increases in unusual times

Sewer Fund Reserves (as % of Budgeted Revenues)



Capital Projects

- Includes 2021 Projects:
 - Another EVC station @ CREC (possible 2022)
 - \$25,000 for energy efficiency & usage study
 - Streambank restoration work along Karakung
 - Exploration of solar panel project on select Township facilities
 - Skatium improvements
 - Road paving project estimated at \$1.25m
 - Continued work on park improvements begun in 2019
 - Library renovation project
 - Continued evaluation of Brookline site
 - Continuation of trail projects

Future Planning & Wrap Up

- Future considerations:
 - Collective Bargaining Negotiations (Civilian CBA expires in 2021)
 - Maintaining existing facilities
 - Decisions on capital projects and residual impacts
 - Next steps in budget process – December 14, 2020
 - Comments, questions?