

# Memo

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To: Board of Supervisors  
From: Jon Altshul  
Re: March 2020 Financial Report  
Date: April 8, 2020

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As of March 31<sup>st</sup>, the general fund had revenues of \$3,683,977 and expenses of \$2,547,964 for a year-to-date surplus of \$1,136,013 and a negative budget variance of \$27,635. As of March 31<sup>st</sup>, the general fund balance is \$6,269,251. Please note that because of the March 31<sup>st</sup> real estate tax discount window, March 31 is the high water mark for the General Fund's cash flow.

On the expense side, Public Works is well under budget (-\$113,307) due to the lack of snow this winter, with those savings partially offset by the cost of the Forrest Lane bridge improvements and tree removal. Codes is also under-budget due to a strong start to permitting activity, prior to the shut down. Parks and Recreation is \$32,386 over-budget due to Public Works personnel costs for work on Segments F&G of the Paoli Pike Trail and the timing of engineering invoices for the Bow Tree Pond project. Administration and Emergency Services are both modestly over budget.

On the revenue side, Earned Income Tax is more or less on target (-\$4,276), while Real Estate Property Tax (-\$56,712 or -3.1%) and Real Estate Transfer Tax (-\$59,079 or -40.7%) are underperforming. Real Estate Property Tax underperformed presumably due to residents' preoccupation with the current crisis; Real Estate Transfer Tax, which at this point only reflect transactions through the end of February, underperformed because of slow wintertime sales, and not the current crisis.

## Other funds

- The **State Liquid Fuels Fund** had \$551,589 in revenues and \$0 in expenses. The fund balance was 552,737.
- The **Capital Reserve Fund** had \$89,749 in revenues and \$393,465 in expenses. The fund balance was \$5,106,818.
- The **Transportation Fund** had \$1,472 in revenues and \$305,342 in expenses. The fund balance was \$607,854.
- The **Sewer Operating Fund** had \$880,417 in revenues and \$687,311 in expenses. The fund balance was \$1,169,540.
- The **Refuse Fund** had \$260,248 in revenues and \$268,796 in expenses. The fund balance was \$620,646.
- The **Bond Fund** had \$14,928 in revenues and \$118,518 in expenses. The fund balance was \$3,612,050.
- The **Sewer Capital Reserve Fund** had \$3,245 in revenues and \$50,551 in expenses. The fund balance is \$2,290,482.
- The **Operating Reserve Fund** had \$9,308 in revenues and no expenses. The fund balance is \$2,605,431.

## Accounts Receivable

Utility accounts receivables were \$157,147, which is a record low. I suspect this decrease is due to the success of the new Paymentus platform. However, I would expect this figure to drift upwards due to the current crisis.

2020 Real Estate Tax receivables were about \$60,000 above where they were at this point last year, presumably due to the current crisis, but still approximately where there were as recently as 2014.

### **Yield on Township Funds**

The yield on Township funds has drifted down to 1.42%, compared to 1.71% at the end of 2019, due to the Federal Reserve's recent rate cutting actions. The average time until maturity of illiquid funds was 84 days, which has also fallen substantially, as the rates on CDs and other illiquid municipal products are no longer competitive with liquid accounts. Accordingly, I am not rolling maturing investments into new CDs or other illiquid investments for the time being.

### **Thoughts on the Impact of the Shutdown on Township Finances**

There is no question that the Coronavirus situation will impact Township revenues, although the extent of the shutdowns and economic slowdown will not be known for several months. Specifically:

- **Earned Income Tax**, which represents about 50% of our revenues, will undoubtedly be impacted, although the full impact will not be known until November, when we receive Q3 remittances.
  - Historically, May remittances are 30%-40% higher than February, August and November remittances due to the revenue bump caused by the April 15<sup>th</sup> filing deadline.
  - The later July 15<sup>th</sup> filing deadline will mean that our May (Q1) remittances will appear much lower than normal, but this dip will be offset by our August (Q2) remittances, which will be anomalously high.
  - Regardless, business payrolls for Q1 were materially finished before any large scale layoffs may have started.
  - 1099 workers and workers primarily compensated by tips (waiters, hairdressers, etc) will be disproportionately impacted by the downturn, but it is unknown how much tipped income is subject to EIT in the first place.
  - Larger companies laying off employees may be more likely to provide significant severance packages, which may cause increases in EIT receipts in the short-term.
  - So, the bottom line is that it will be hard to make sense of any EIT trends for some time.
  
- **Real Estate Transfer Tax** is likely to be substantially impacted in the short-term, as Real Estate agents can't legally show houses, and buyers and sellers can't close on contracts signed after mid-March. In other words, the spring real estate market will simply not exist this year. While pent up demand may result in a very busy fall real estate season, the impact on our 2020 receipts will be significant.
  
- Other vulnerable income streams include **interest income** and **building permits**.

### **Date for Long-Range Budget Planning Session**

With all that said, the annual long-range planning session is going to be much more critical this year than in normal years. I would suggest that we aim for **Wednesday, June 10 at 10am** for this meeting. Please advise if there are any specific issues or items that you would like to discuss at this meeting.

**EAST GOSHEN TOWNSHIP  
GENERAL FUND SUMMARY  
As of March 31, 2020**

Account Title	2020 Annual Budget	2020 YTD Budget	2020 YTD Actual	\$ Variance	% Variance
EMERGENCY SERVICES EXPENSES	4,379,933	1,162,512	1,169,674	7,162	0.6%
PUBLIC WORKS EXPENSES	2,774,562	578,728	506,431	(72,297)	-12.5%
ADMINISTRATION EXPENSES	1,886,456	543,218	576,630	33,412	6.2%
CODES EXPENSES	522,011	129,568	110,040	(19,528)	-15.1%
PARK AND RECREATION EXPENSES	881,005	129,687	169,439	39,752	30.7%
<b>TOTAL CORE FUNCTION EXPENSES</b>	<b>10,443,967</b>	<b>2,543,713</b>	<b>2,532,213</b>	<b>(11,500)</b>	<b>-0.5%</b>
EMERGENCY SERVICES REVENUES	72,000	7,375	5,816	(1,559)	-21.1%
PUBLIC WORKS REVENUES	1,000,284	127,297	168,307	41,010	32.2%
ADMINISTRATION REVENUES	318,829	44,471	71,129	26,658	59.9%
CODES REVENUES	272,870	44,043	56,901	12,858	29.2%
PARK AND RECREATION REVENUES	132,620	24,651	30,622	5,971	24.2%
<b>TOTAL CORE FUNCTION REVENUES</b>	<b>1,796,603</b>	<b>247,837</b>	<b>332,775</b>	<b>84,938</b>	<b>34.3%</b>
<b>NET EMERGENCY SERVICES</b>	<b>4,307,933</b>	<b>1,155,137</b>	<b>1,163,857</b>	<b>8,720</b>	<b>0.8%</b>
<b>NET PUBLIC WORKS</b>	<b>1,774,278</b>	<b>451,431</b>	<b>338,124</b>	<b>(113,307)</b>	<b>-25.1%</b>
<b>NET ADMINISTRATION</b>	<b>1,567,627</b>	<b>498,747</b>	<b>505,501</b>	<b>6,754</b>	<b>1.4%</b>
<b>NET CODES</b>	<b>249,141</b>	<b>85,525</b>	<b>53,139</b>	<b>(32,386)</b>	<b>-37.9%</b>
<b>NET PARK AND RECREATION</b>	<b>748,385</b>	<b>105,036</b>	<b>138,816</b>	<b>33,780</b>	<b>32.2%</b>
<b>CORE FUNCTION NET SUBTOTAL</b>	<b>8,647,364</b>	<b>2,295,876</b>	<b>2,199,438</b>	<b>(96,438)</b>	<b>-4.2%</b>
DEBT - PRINCIPAL	349,999	-	-	0	0.0%
DEBT - INTEREST	203,872	15,590	15,753	163	1.0%
<b>TOTAL DEBT</b>	<b>553,871</b>	<b>15,590</b>	<b>15,753</b>	<b>163</b>	<b>1.0%</b>
<b>TOTAL CORE FUNCTION NET</b>	<b>9,201,235</b>	<b>2,311,466</b>	<b>2,215,191</b>	<b>(96,275)</b>	<b>-4.2%</b>
<b>NON-CORE FUNCTION REVENUE</b>					
EARNED INCOME TAX	5,130,800	1,244,996	1,240,720	(4,276)	-0.3%
REAL ESTATE PROPERTY TAX	2,042,779	1,859,287	1,802,575	(56,712)	-3.1%
REAL ESTATE TRANSFER TAX	650,000	145,000	85,921	(59,079)	-40.7%
CABLE TELEVIS.FRANCHISE	457,200	114,300	109,274	(5,027)	-4.4%
LOCAL SERVICES TAX	345,000	84,931	88,081	3,150	3.7%
OTHER INCOME	575,456	26,598	24,631	(1,967)	-7.4%
<b>TOTAL NON CORE FUNCTION REVENUE</b>	<b>9,201,235</b>	<b>3,475,112</b>	<b>3,351,201</b>	<b>(123,911)</b>	<b>-3.6%</b>
<b>NET RESULT</b>	<b>0</b>	<b>1,163,646</b>	<b>1,136,011</b>	<b>(27,635)</b>	

SUMMARY OF FUNDS REPORT (AKA "JOE REPORT")

ALL FUNDS MARCH 2020

\* NOTE: GENERAL FUND INCLUDES PASS-THROUGH ACCOUNTS

	GENERAL FUND*	LIQUID FUELS STATE FUND	CAP RESV FUND	TRANSPORT. FUND	SEWER OP. FUND	REFUSE FUND	SEWER CAP RESV FUND	OPERATING RESERVE	TOWNSHIP FUNDS	MUNICIPAL AUTHORITY	BOND FUND
<b>01/01/20 BEGINNING BALANCE</b>	<b>\$5,625,871</b>	<b>\$1,148</b>	<b>\$5,410,535</b>	<b>\$911,724</b>	<b>\$976,435</b>	<b>\$629,194</b>	<b>\$2,337,788</b>	<b>\$2,596,124</b>	<b>\$18,488,820</b>	<b>\$24,873</b>	<b>\$3,715,640</b>
<b>RECEIPTS</b>											
310 TAXES	\$3,223,398	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,223,398	\$0	\$0
320 LICENSES & PERMITS	\$110,060	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$110,060	\$0	\$0
330 FINES & FORFEITS	\$14,016	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,016	\$0	\$0
340 INTERESTS & RENTS	\$46,747	\$94	\$11,381	\$1,472	\$2,772	\$1,389	\$3,245	\$9,308	\$76,406	(\$43)	\$14,928
350 INTERGOVERNMENTAL	\$600	\$551,495	\$78,368	\$0	\$0	\$0	\$0	\$0	\$630,463	\$3,231	\$0
360 CHARGES FOR SERVICES	\$92,162	\$0	\$0	\$0	\$876,960	\$258,859	\$0	\$0	\$1,227,980	\$846	\$0
380 MISCELLANEOUS REVENUES	\$49,122	\$0	\$0	\$0	\$685	\$0	\$0	\$0	\$49,807	\$423	\$0
390 OTHER FINANCING SOURCES	\$167,311	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$167,311	\$52,002	\$0
	\$3,703,415	\$551,589	\$89,749	\$1,472	\$880,417	\$260,248	\$3,245	\$9,308	\$5,499,440	\$56,459	\$14,928
<b>EXPENDITURES</b>											
400 GENERAL GOVERNMENT	\$378,213	\$0	\$63,658	\$0	\$0	\$0	\$0	\$0	\$441,871	\$0	\$0
410 PUBLIC SAFETY	\$1,675,307	\$0	\$6,955	\$0	\$0	\$0	\$0	\$0	\$1,682,261	\$0	\$0
420 HEALTH & WELFARE	\$40,751	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,751	\$0	\$0
426 SANITATION & REFUSE	\$0	\$0	\$0	\$0	\$609,728	\$268,796	\$0	\$0	\$878,524	\$75,979	\$0
430 HIGHWAYS,ROADS & STREETS	\$399,008	\$0	\$277,738	\$305,342	\$0	\$0	\$0	\$0	\$982,088	\$0	\$0
450 CULTURE-RECREATION	\$145,932	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$145,932	\$0	\$118,518
460 CONSERVATION & DEVELOPMENT	\$329	\$0	\$45,114	\$0	\$0	\$0	\$0	\$0	\$45,443	\$0	\$0
470 DEBT SERVICE	\$16,242	\$0	\$0	\$0	\$76,132	\$0	\$0	\$0	\$92,373	\$0	\$0
480 MISCELLANEOUS EXPENDITURES	\$412,189	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$412,189	\$0	\$0
490 OTHER FINANCING USES	\$0	\$0	\$0	\$0	\$1,451	\$0	\$50,551	\$0	\$52,002	\$0	\$0
	\$3,067,970	\$0	\$393,465	\$305,342	\$687,311	\$268,796	\$50,551	\$0	\$4,773,435	\$75,979	\$118,518
<b>2020 SURPLUS/(DEFICIT)*</b>	<b>\$635,444</b>	<b>\$551,589</b>	<b>(\$303,716)</b>	<b>(\$303,870)</b>	<b>\$193,105</b>	<b>(\$8,548)</b>	<b>(\$47,306)</b>	<b>\$9,308</b>	<b>\$726,005</b>	<b>(\$19,520)</b>	<b>(\$103,590)</b>
<b>CLEARING ACCOUNT ADJUSTMENTS</b>	<b>\$7,935</b>										
<b>03/31/20 ENDING BALANCE</b>	<b><u>\$6,269,251</u></b>	<b><u>\$552,737</u></b>	<b><u>\$5,106,818</u></b>	<b><u>\$607,854</u></b>	<b><u>\$1,169,540</u></b>	<b><u>\$620,646</u></b>	<b><u>\$2,290,482</u></b>	<b><u>\$2,605,431</u></b>	<b><u>\$19,222,760</u></b>	<b><u>\$5,353</u></b>	<b><u>\$3,612,050</u></b>