

Memo

To: Board of Supervisors
From: Jon Altshul
Re: Consider Proposed Budget Cuts
Date: May 11, 2020

The impact of COVID-19 on Township revenues, while very difficult to project now, will certainly be significant. All total, I think it's reasonable to anticipate a \$500,000 decline in Township revenues, or a little less than 5% of the General Fund budget.

As you know, the national unemployment rate hit 14.7% in April, and forecasters expect elevated unemployment levels to continue through 2021. Below find recent actual and projected future national unemployment rates for the next two and a half years.

February 2020 (Actual; pre-shutdowns)	March 2020 (Actual; shutdowns started in mid-March)	April 2020 (Actual)	Q2 2020 projected*	Q3 2020 projected*	Q4 2020 projected*	2021 projected*	2022 projected*
3.5%	4.4%	14.7%	15.0%	12.0%	9.0%	6.6%	4.7%

* Source: PNC Bank, National Economic Outlook, late April 2020

However, analyzing both BLS and PNC data more closely (and at the risk of putting a positive spin on a terrible economic tragedy), these job losses are disproportionately impacting lower wage earners who pay less EIT. In other words, the impact of COVID may be somewhat less than the unemployment rate would indicate. So, overall I would project that COVID-19 will result in a decline of about 5-8% in EIT receipts for the last 6 months of 2020, or 2.5%-4% for the year, which corresponds with about \$125,000-\$200,000. Because of the time lag between a worker earning money and the taxes disbursed back to taxing districts, we will not begin to register less EIT cash flow until August.

When coupled with likely losses from Transfer Tax, building permits, and interest income, it's reasonable to expect that revenues will be as much as \$500,000 below budget levels.

To that end, staff has proposed and the Finance Committee has recommended \$473,931 in budget cuts that can be implemented now that approximately offset these anticipated revenue declines:

Description	Category	Savings	Notes
Defer Bow Tree Pond Dredge	Park Maintenance	155,885	Net of engineering expenses to date
Defer Marydell Pond planting	Park Maintenance	30,000	
Cancel Conservancy Board planting	Park Maintenance	4,000	
Go to electronic newsletters for remainder of year	Admin	6,956	Summer newsletter already to be electronic
Cancel PSATS	Admin	11,000	Already effectively done
Defer hiring clean energy consultant	Admin	10,000	
Cancel neighborhood University	Admin	639	
Cancel ABC Appreciation Event	Admin	13,849	Note that on a cash basis the 2019 event was paid in early 2020
Cancel Roadside Litter Pick-up	Public Works	18,000	
Moratorium on ABC expenditures	Various	7,695	e.g. no ornaments (historical), educational materials (pipeline); hemp bags (SAC)
10% reduction in Misc Park Events	Parks	400	
10% reduction in Park Event (CD, Pumpkin, etc)	Parks	3,055	Assumes that Friends will not cover entire cost of events (which, frankly, is unlikely)
Eliminate a Preschool Entertainment event	Parks	297	
Eliminate consultant for BP Zoning District Analysis	Codes	10,000	
Defer paving of Killern Lane, Eastwick Circle & Great Oak Lane	Public Works	102,155	These streets would be deferred until 2021
Reduce Transfer to Capital Reserve Fund by \$100,000	Various	100,000	The Capital Reserve Fund has about \$850,000 more than the accumulated depreciation of Township assets. A more responsible approach might be to transfer \$100,000 to \$150,000 less than the formula calls for in 2020.
Total		473,931	

Note that we expect to receive the analysis of the Police Department arbitration award by the first meeting in June. At that time, the Board can formally amend the 2020 budget to reflect both that award and these proposed cuts. In the meantime, by adopting the recommended motion, staff can formally change its work plans for the remainder of the year and communicate the changes to impacted groups.

Recommended motion: Mr. Chairman, I move that the Township implement the budget reductions outlined in the table above.