

**AGENDA
EAST GOSHEN TOWNSHIP
BOARD OF SUPERVISORS
LONG-RANGE BUDGET PLANNING SESSION**

Tuesday, June 8, 2021

7:00 pm

TELE-CONFERENCE

Dial In Number: (929) 205 6099

Access Code: 880 7329 8513 # #

During this tele-conference BOS meeting, public comment will be handled as follows:

- **The public will be muted during the meeting when the Board is talking.**
- **For each agenda item that requires a Board vote, the public will be given an opportunity to comment and ask questions.**
- **Participants wishing to comment must state their name and must speak one at a time.**
- **Comments or questions can also be submitted via email to info@eastgoshen.org or by pushing *9 if you are on the phone.**
- **Participants should turn down the volume if they are livestreaming the meeting on YouTube.**

1. Call to Order (7:00 PM)
2. Pledge of Allegiance
3. Moment of Silence
4. Presentation and discussion of Long Range Budget Forecast (7:10 PM to 8:10 PM)
5. Any Other Matter
6. Public Comment (8:10 PM -8:40 PM)
7. Adjournment (8:40 PM)

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Memo

To: Board of Supervisors
From: Dave Ware
Re: June 8, 2021, Long-Range Planning Session
Date: June 3, 2021

Overview

In my time since being fortunate enough to join the East Goshen Township team as the Director of Finance, my philosophy has been to learn as much as I'm able as quickly as possible. Talking with staff, learning the limitations of our current AMS financial system, understanding each member's responsibilities and strengths, reviewing expenditures, and developing my initial Long Range Plan, has afforded me some insights and numerous questions. With a little more than a month to prepare, I decided to begin with the Long Range Planning template left by my predecessor. However, my conclusion of the current process, while sufficient in many regards, still lacks a more rigorous accounting of long term budget solutions. In particular, my belief is that a target of a five to ten year balanced budget should be set and I look forward to working to attain that goal.

Long-Term Projections

As shown in the attached worksheet, I am projecting the Township's General Fund balance, excluding the Operating Reserve Fund, to fall below 20% of revenues—the minimum required under the adopted financial policy—in 2025. When combined with the balance of the Operating Reserve, the combined fund balance will fall below 25% of revenues (i.e. 5% minimum for the Operating Reserve and 20% for the General Fund) in 2027 and run out of money all together in 2029. These dates are one year later than was forecast last year.

To clarify, the Township's financial policy requires the Township's General Fund to not fall below 20% of annual revenues and the Operating Reserve Fund to be funded at 5% of revenues.

Summary of Forecasts of Key Economic Indicators

As summarized below, both private sector and public sector economists project the economy will struggle through at least 2021.

	Final 2021	2022	2023 and beyond
Unemployment	5.6% (PNC); 5.7% (CBO)	4.4% (PNC); 5.0% (CBO)	3.8% (PNC) ; 4.2% (CBO)
GDP	5.9% (PNC); 4.6 (CBO)	4.9% (PNC); 2.9% (CBO)	2.7% (PNC) ; 1.8% (CBO)
CPI/Inflation	2.6% (PNC)	2.6% (PNC)	2.7% (PNC)
Wage growth	3.0% (PNC)	3.4% (PNC)	3.7% (PNC)
Home Prices (Case-Schilling)	2.4%	2.2%	2.1%
Interest Rates (10-year Treasuries)	1.55% (PNC); 1.1% (CBO)	1.75% (PNC); 1.3% (CBO)	1.84% (PNC); 2.6% (CBO)

Sources: PNC= National Economic Outlook, PNC Bank, late April 2021; CBO=Congressional Budget Office, March 2021 Forecast

Forecasting Assumptions

Note that I have revised the 2021 forecast to reflect the following adjustments:

- Revised monthly payroll costs based on current and expected staff as well as a reforecast by month based on number of pay periods per month (Adopted Budget assumed 2019 calendar month % of total).
- Police refund of 2020 surplus was budgeted as a 2021 Revenue of \$220K; reversed to reflect actuality – it is an expense reduction in 2021.
- Removed \$151,860 that was assumed Transfer from Fund Balance in order to balance the 2021 budget.
- Line by line expense review – anomalies vs. timing or trend.
- Goshen Fire - assumes \$29,624 contribution increase in 2021 vs. 2020 and an additional \$66,689 increase in 2022, inflation only increases thereafter.

Variable	2022	2023 and beyond
Inflation	2%	2%
EIT	1%	1.5%
Cable Franchise	-2.5%	-2.5%
Police	Per 5 year Kathy Brill projection	Per 5 year Kathy Brill projection until 2025; 3% thereafter
Fire Company Contribution Increase	Additional \$66,689 in 2022 only	Inflation only
Salaries (including steps)	Based on Dec 2021 weekly average and nominal increase (varies between exempt and non-exempt)	2.5%
Health Insurance	6% (long-term average)	6% (long-term average)
IT/Financial & Permitting System	Additional \$50,000 (\$100,000 in 2021 Budget)	
Miscellaneous new requests	\$220,000 (for Bow Tree I) deferred from prior year; \$2,500 (Tennis/Pickle ball half court net system and windscreens)	Additional \$200,000 in 2027 and 2029 for MS4 Restoration Projects – Ridley Creek & Chester Creek

Points of Discussion (note some of these items are included in the forecast, while others are not)

Hershey’s Mill —Not Included in forecast

- Current estimate is roughly \$1,000,000.

Covid19 ARPA Local Fiscal Recovery Funding—Not Included in forecast

- \$1,899,641.54 – to be disbursed in two tranches of \$949,820.77 each.
 - First tranche June/July 2021; Second tranche 12 months after first tranche.

Financial/permitting system—Included in forecast

We are currently reviewing responses to our RFP. The plan is to collectively narrow the competition to our top 2, at which time we will request another online or in-person presentation. We will weigh the systems functionality, ease of data migration from AMS, possibilities for future growth, and overall ease and integration of payroll, accounting (receivable/payable/GL), permitting, supported by a well-organized database management system. We anticipate a Q3 2021 implementation start date and a completion Q3/Q4 2022.

Long Term Plan

- Overview of Expense breakdown, history, and forecast
 - Forecast average of 2.9% annual increase overall excluding debt
 - Forecast average of 2.7% annual increase overall including debt
- Overview of Revenue breakdown, history, and forecast
 - Forecast average of 1.0% annual increase overall
 - Forecast average of 1.6% annual increase Core revenue only
 - Forecast average of 0.8% annual increase Non-Core revenue only
- How the Comprehensive Plan and Township philosophy would factor into forecasting
- Necessities for a balanced budget
 - Expense review – current vendors & contracts, pricing, opportunities to save
 - Revenue review – current fee structures & pricing, opportunities for new streams

FYI

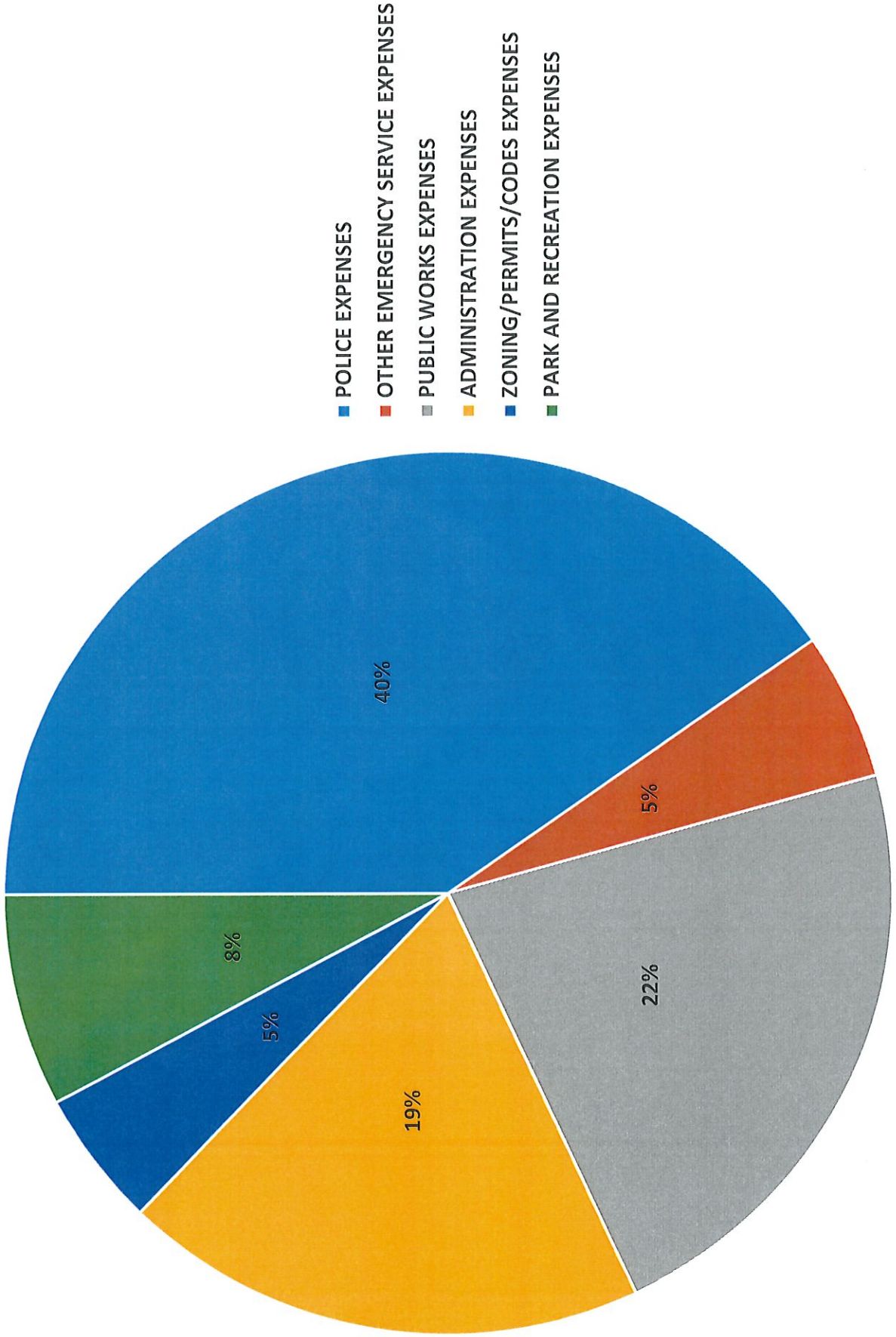
As a simple rule of thumb, each 0.1 mill increase in the real estate tax rate generates about \$160,000 in additional revenue and adds about \$25 to a “typical” homeowner’s real estate bill.

Mill rate of area municipalities

Uwchlan	0.12
Willistown*	0.28
East Whiteland*	0.45
West Whiteland	0.71
East Goshen	1.25
East Bradford	1.50
West Goshen	2.00
Westtown	3.50
Malvern*	4.67
West Chester	6.96

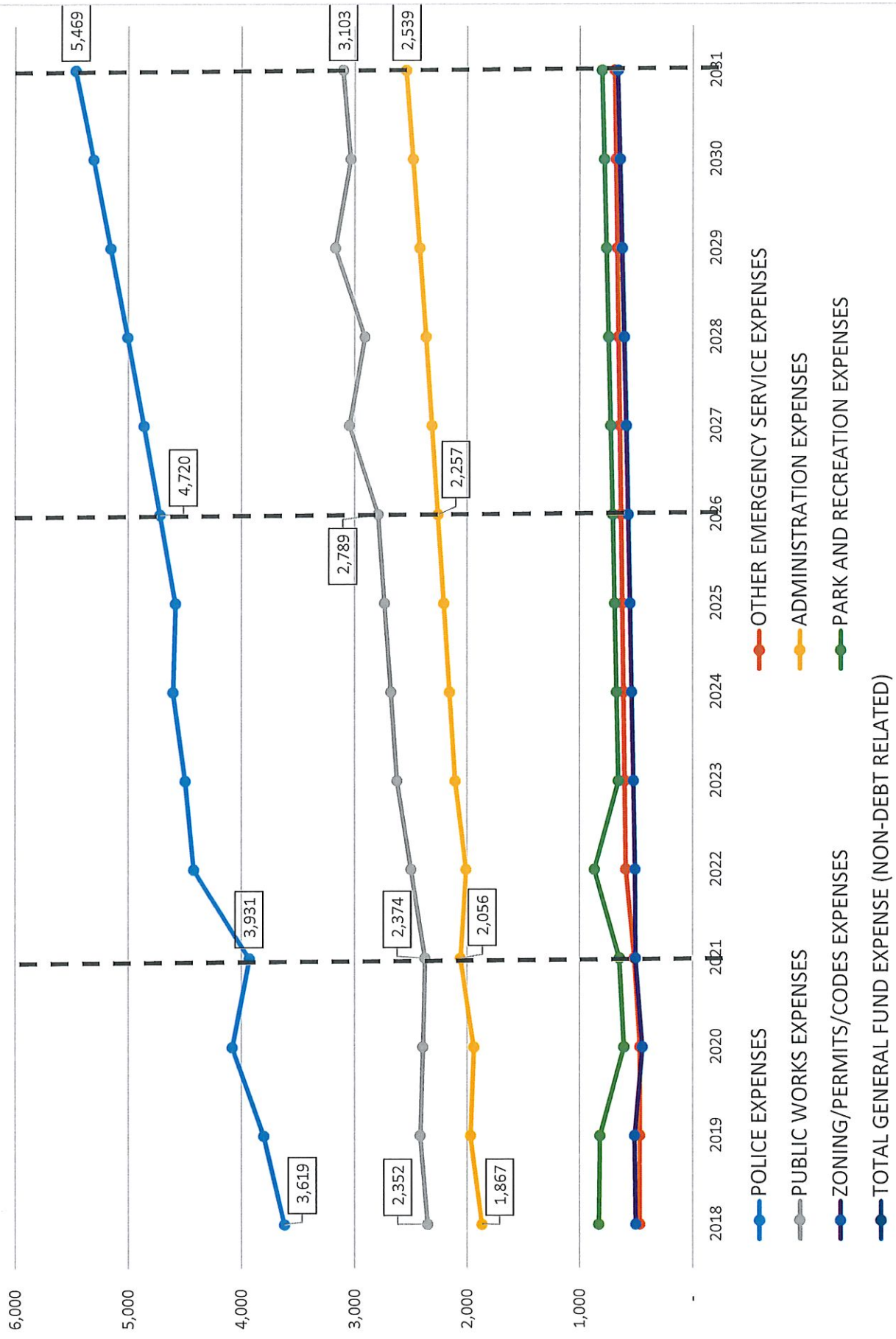
**GVSD municipalities do not share 1% EIT with SD*

General Fund Expense %



General Fund Expenses Trend

*Note: Numbers in Thousands



General Fund Core & Debt Expense Trend

*Note: Numbers in Thousands

