

# East Goshen Township

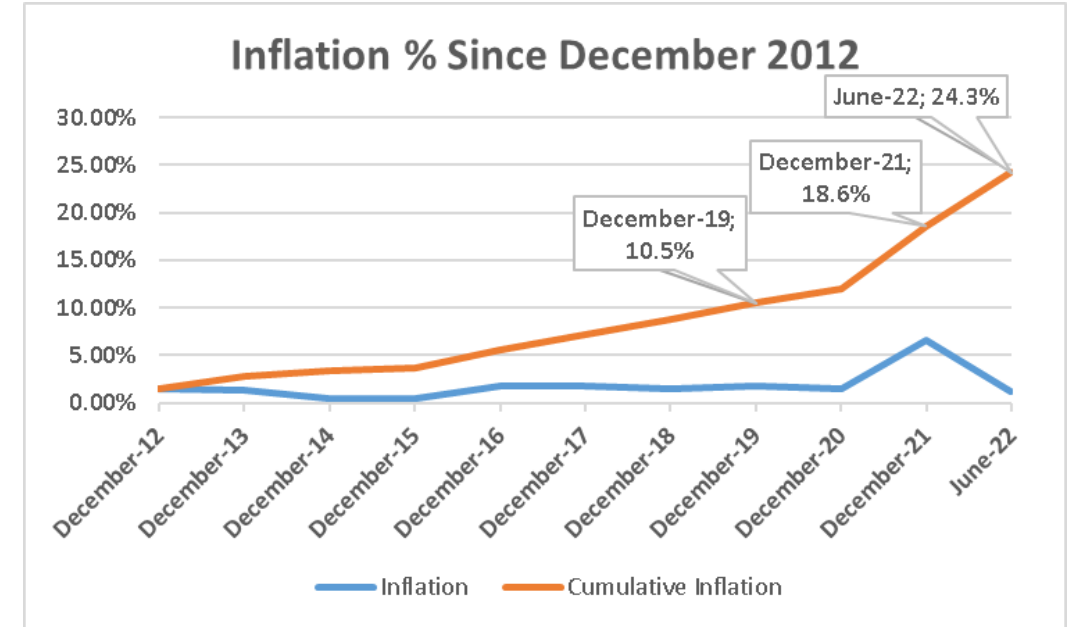
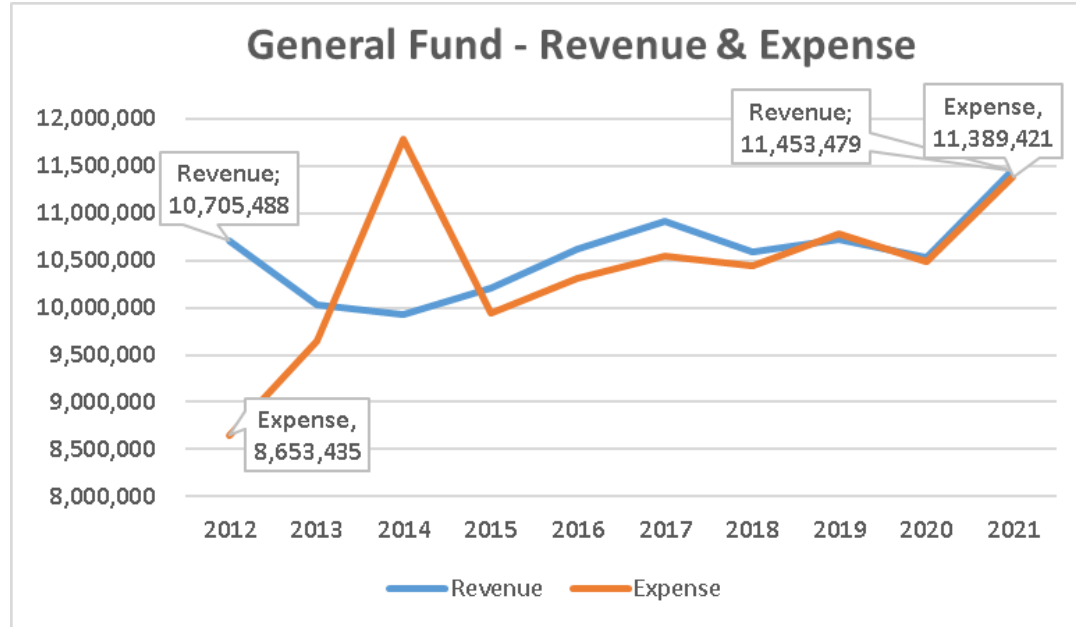
2023 Preliminary General Fund Budget

September 13, 2022



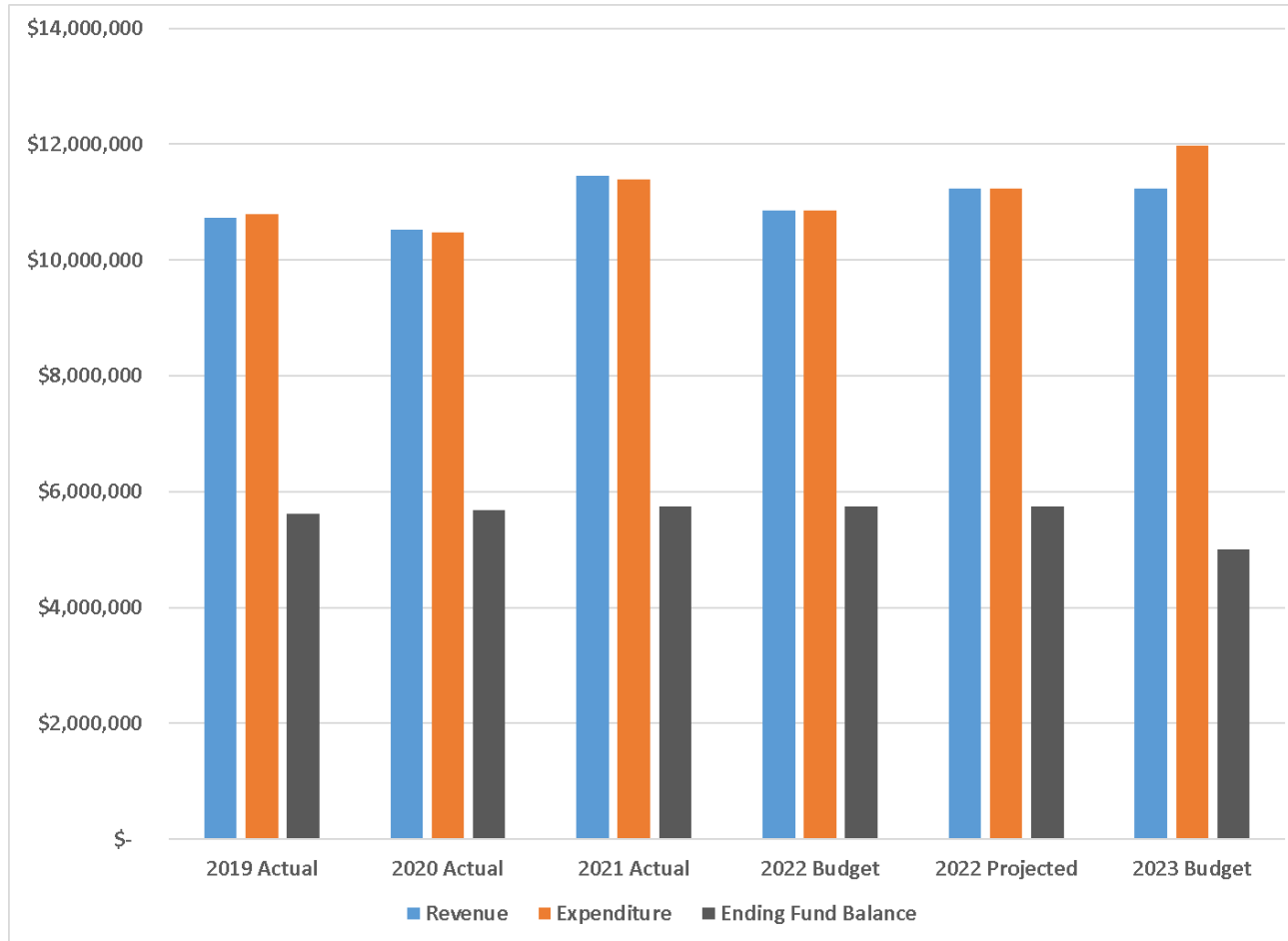
# General Fund: Revenues, Expenditures & Ending Fund Balance

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Growth 2021 vs 2012
Revenue	10,705,488	10,037,148	9,926,667	10,204,193	10,616,652	10,912,500	10,595,166	10,728,525	10,529,234	11,453,479	7.0%
Expense	8,653,435	9,650,240	11,775,455	9,943,988	10,309,806	10,539,971	10,436,261	10,785,646	10,484,018	11,389,421	31.6%
Net Result	2,052,054	386,908	(1,848,788)	260,205	306,846	372,530	158,905	(57,121)	45,216	64,058	



Cumulative inflation since December 2012 is nearly 25%. General Fund expenses have increased roughly the same amount over the same time frame. Through strategic resource planning, past budget surpluses were put into the Operating Reserve Fund (about \$2.5M in 2013 and 2014), created and grew an Infrastructure Sustainability Fund, allowed East Goshen to continue funding our Capital Reserve Fund for new and replacement capital costs and projects, support our first responders (WEGO police, Goshen Fire Company, Malvern Fire Company, and Good Fellowship EMS), and borrow money at a lower cost as a AAA Bond rated municipality.

# General Fund: Revenues, Expenditures & Ending Fund Balance



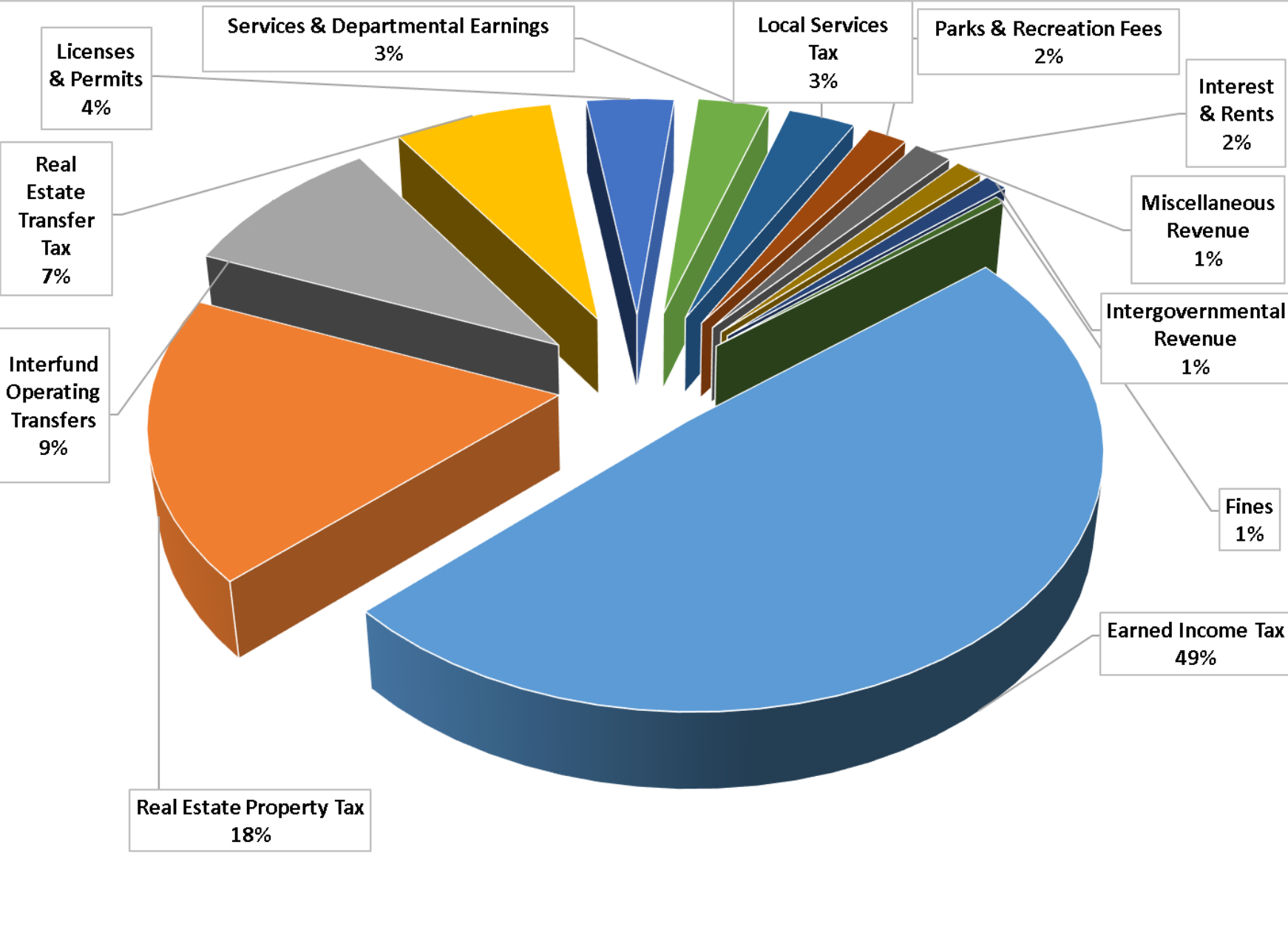
The 2023 Budget year brings challenges and difficult choices as we need to find a path to close the \$740K current gap between revenue and expense.

- Are we aggressive enough with our revenue forecast?
- Where can we propose cost savings?
- What are the major factors driving our revenue and expense?

<u>Year</u>	<u>Revenue</u>	<u>Expenditure</u>	<u>Ending Fund Balance</u>	<u>Annual Surplus/(Deficit)</u>
<b>2019 Actual</b>	<b>\$ 10,728,525</b>	<b>\$ 10,785,646</b>	<b>\$ 5,625,871</b>	<b>\$ (57,121)</b>
<b>2020 Actual</b>	<b>\$ 10,529,234</b>	<b>\$ 10,484,069</b>	<b>\$ 5,676,091</b>	<b>\$ 45,164</b>
<b>2021 Actual</b>	<b>\$ 11,453,479</b>	<b>\$ 11,389,421</b>	<b>\$ 5,739,288</b>	<b>\$ 64,058</b>
<b>2022 Budget</b>	<b>\$ 10,850,407</b>	<b>\$ 10,850,407</b>	<b>\$ 5,739,288</b>	<b>\$ (0)</b>
<b>2022 Projected</b>	<b>\$ 11,233,934</b>	<b>\$ 11,235,176</b>	<b>\$ 5,738,046</b>	<b>\$ (1,242)</b>
<b>2023 Budget</b>	<b>\$ 11,239,669</b>	<b>\$ 11,981,269</b>	<b>\$ 4,996,446</b>	<b>\$ (741,600)</b>



# General Fund – 2023 Budget % of Revenue

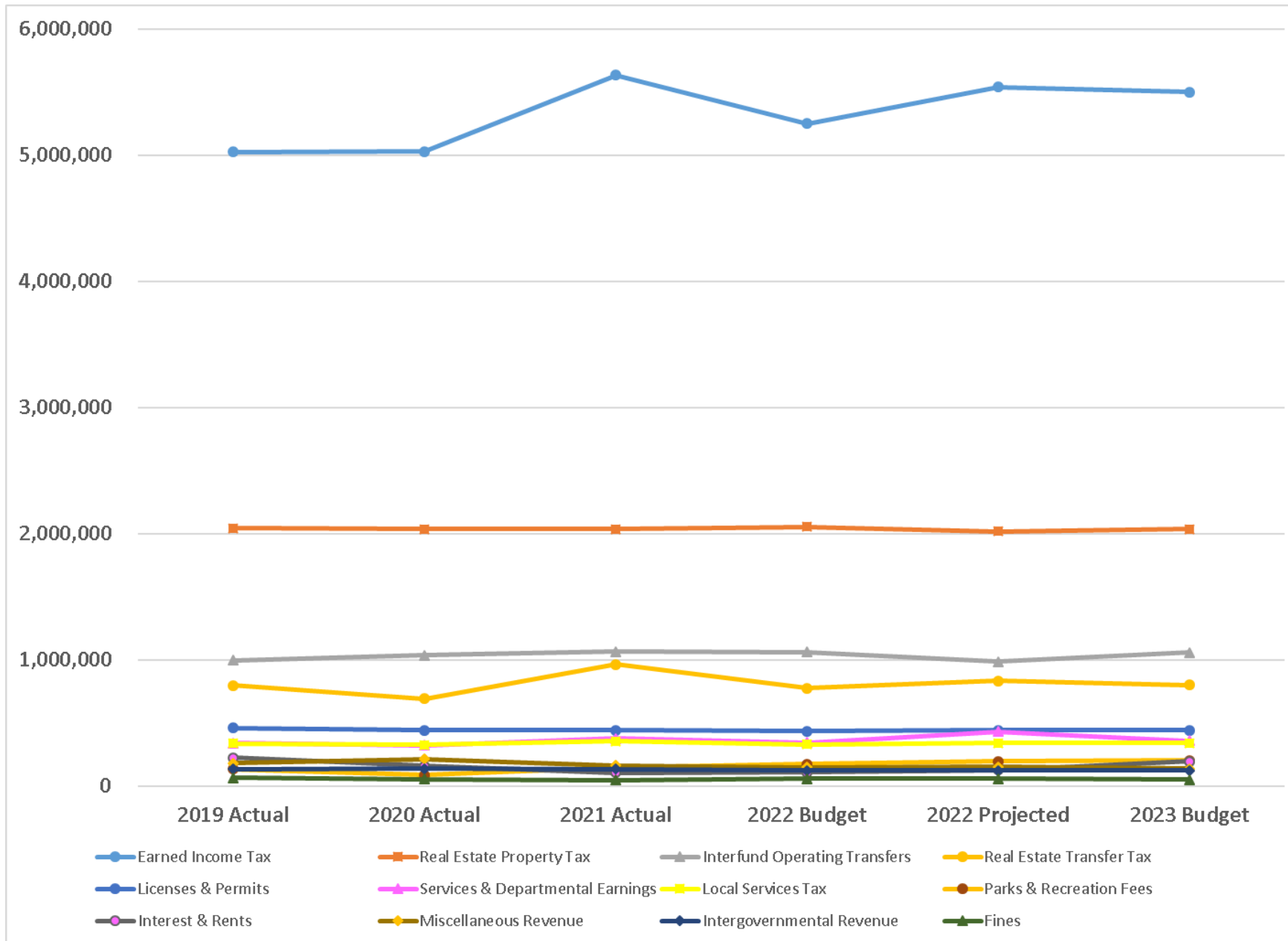


## BUDGETED REVENUE 2023

Earned Income Tax	\$ 5,500,000
Real Estate Property Tax	\$ 2,035,000
Interfund Operating Transfers	\$ 1,057,000
Real Estate Transfer Tax	\$ 800,000
Licenses & Permits	\$ 441,099
Services & Departmental Earnings	\$ 359,143
Local Services Tax	\$ 340,000
Parks & Recreation Fees	\$ 202,362
Interest & Rents	\$ 195,658
Miscellaneous Revenue	\$ 138,157
Intergovernmental Revenue	\$ 121,250
Fines	\$ 50,000
	<hr/>
	<b>\$ 11,239,669</b>

- EIT receipts make up half of East Goshen Township's annual revenue
  - The amount varies based on demographics, # of employers located in the Township, and how much residents earn
- The next largest revenue source is RE Property Tax
  - Currently 1.25 mils, this is really the only revenue source we can control

# General Fund – Revenue Trends



# General Fund – Revenue Trends

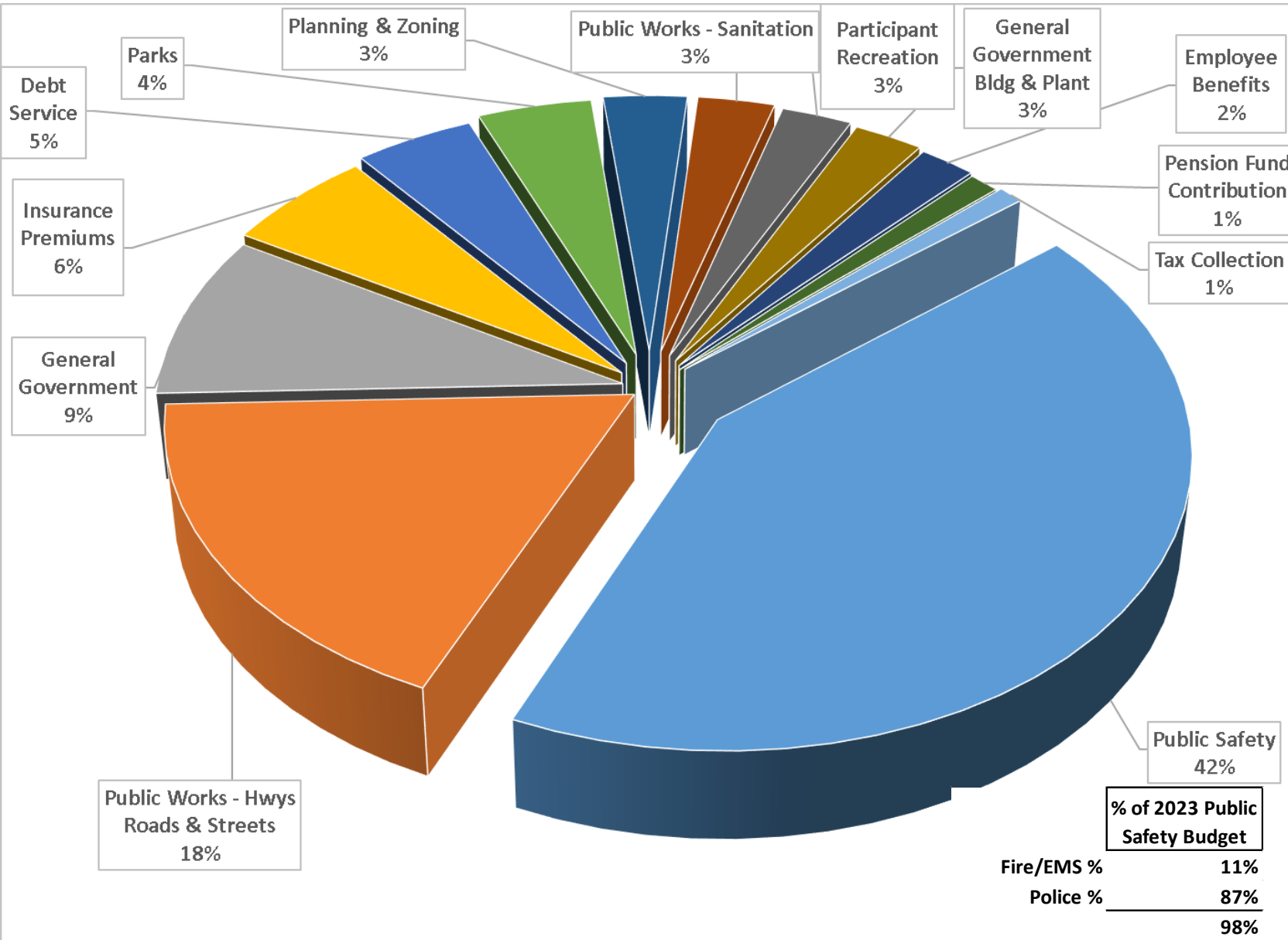
	2019 Actual	2020 Actual	2021 Actual	2022 Budget	2022 Projected	2023 Budget	'23 Bud vs '22 Proj	
Earned Income Tax	5,024,881	5,030,129	5,631,975	5,250,000	5,539,765	5,500,000	-1%	
Real Estate Property Tax	2,043,076	2,035,611	2,036,543	2,053,136	2,018,230	2,035,000	1%	
Interfund Operating Transfers	996,661	1,035,173	1,064,056	1,060,871	982,685	1,057,000	8%	→
Real Estate Transfer Tax	797,672	689,080	963,967	775,000	833,058	800,000	-4%	
Licenses & Permits	459,700	442,473	440,810	432,733	440,475	441,099	0%	
Services & Departmental Earnings	339,024	321,076	374,703	342,690	429,206	359,143	-16%	→
Local Services Tax	337,315	326,115	352,181	330,000	338,835	340,000	0%	
Parks & Recreation Fees	132,546	84,670	145,109	173,361	195,021	202,362	4%	
Interest & Rents	222,679	159,808	104,024	106,568	125,792	195,658	56%	→
Miscellaneous Revenue	179,377	213,267	162,702	148,146	151,875	138,157	-9%	→
Intergovernmental Revenue	131,901	137,090	132,289	120,903	121,483	121,250	0%	
Fines	63,695	54,742	45,121	57,000	57,510	50,000	-13%	
<b>Total Revenue</b>	<b>10,728,525</b>	<b>10,529,234</b>	<b>11,453,479</b>	<b>10,850,407</b>	<b>11,233,934</b>	<b>11,239,669</b>	<b>0%</b>	

- Lower 2022 Sewer Recharges; Increased 2023 Liquid Fuels Estimate
- Spray Irrigation Loan Complete; Unprecedented Building Permit Revenue
- Interest Rates Increasing
- \$0 Insurance Claims Budgeted

• We are currently forecasting 2023 revenue flat with our projected 2022 revenue, although 2% lower than 2021.

- Current revenue risks:
  - More retirements offset wage growth driving EIT lower
  - The housing market slows as supply shrinks and borrowing costs rise
  - Demand for building permits decreases

# General Fund – 2023 Budget % of Expenses



## BUDGETED EXPENSES 2023

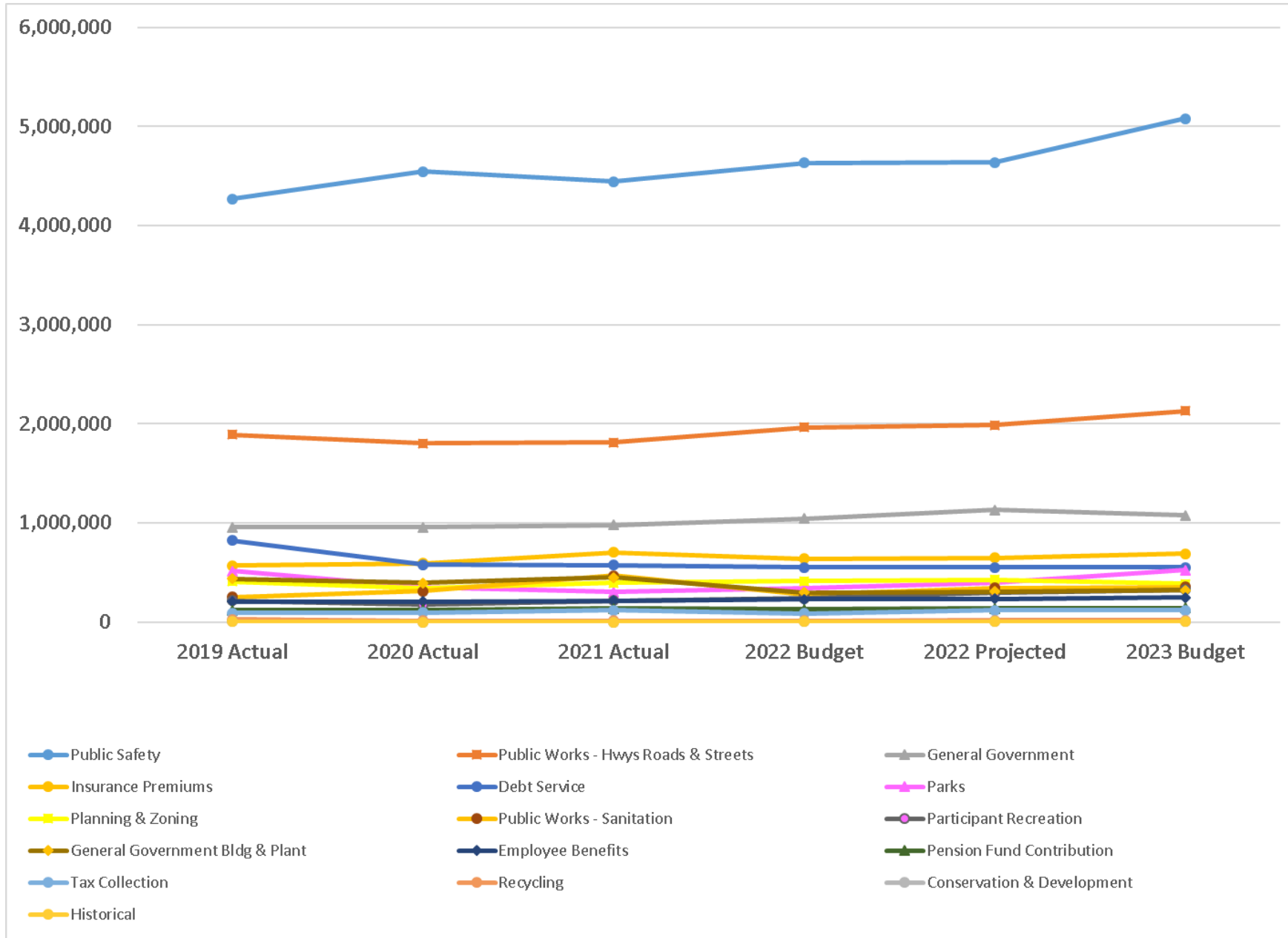
Public Safety	\$ 5,080,714
Public Works - Hwys Roads & Streets	\$ 2,129,861
General Government	\$ 1,076,678
Insurance Premiums	\$ 690,267
Debt Service	\$ 548,789
Parks	\$ 525,340
Planning & Zoning	\$ 386,003
Public Works - Sanitation	\$ 354,968
Participant Recreation	\$ 324,605
General Government Bldg & Plant	\$ 319,223
Employee Benefits	\$ 261,292
Pension Fund Contribution	\$ 141,100
Tax Collection	\$ 118,129
Recycling	\$ 17,000
Conservation & Development	\$ 4,000
Historical	\$ 3,300
	<b>\$ 11,981,269</b>

- Public Safety is over 40% of Budget expenses
- A 10% increase in Police, Fire, and EMS from 2022 to 2023 make up 60% of EGT's expense increase.

## BUDGETED EXPENSES 2023







Fire/EMS	\$ 545,595
Police	\$ 4,431,920
	<b>\$ 4,977,515</b>

# General Fund – Expense Trends





# General Fund – Expense Trends

	2019 Actual	2020 Actual	2021 Actual	2022 Budget	2022 Projected	2023 Budget	'23 Bud vs '22 Proj	
Public Safety	4,268,886	4,545,069	4,444,762	4,632,242	4,635,522	5,080,714	10%	 • See detail chart below
Public Works - Hwys Roads & Streets	1,891,499	1,803,605	1,812,565	1,962,633	1,988,228	2,129,861	7%	
General Government	956,974	957,409	979,121	1,045,226	1,129,972	1,076,678	-5%	
Insurance Premiums	570,106	591,722	701,393	638,147	647,998	690,267	7%	 • 6.5% Medical increase assumed
Debt Service	824,658	578,190	576,090	550,075	550,353	548,789	0%	
Parks	515,075	349,221	304,147	337,783	396,357	525,340	33%	 • \$95K Capital purchases - Pickle ball/tennis courts, playground, fencing
Planning & Zoning	409,591	341,646	395,445	413,816	428,690	386,003	-10%	
Public Works - Sanitation	251,043	312,252	469,210	274,529	343,409	354,968	3%	
Participant Recreation	217,436	172,411	215,389	239,375	292,803	324,605	11%	 • Full year program coordinator
General Government Bldg & Plant	434,034	396,011	451,488	295,806	307,111	319,223	4%	
Employee Benefits	205,727	204,178	213,833	226,746	233,554	261,292	12%	 • Taxes
Pension Fund Contribution	119,422	123,835	136,373	126,000	138,277	141,100	2%	
Tax Collection	88,880	93,412	119,639	86,044	118,707	118,129	0%	
Recycling	26,884	13,619	13,760	14,853	16,853	17,000	1%	
Conservation & Development	1,398	378	471	4,886	4,234	4,000	-6%	
Historical	4,034	1,110	914	2,248	3,108	3,300	6%	
Interfund Transfers	0	0	554,822	0	0	0		
	<b>10,785,646</b>	<b>10,484,069</b>	<b>11,389,421</b>	<b>10,850,407</b>	<b>11,235,176</b>	<b>11,981,269</b>	<b>7%</b>	
	2019 Actual	2020 Actual	2021 Actual	2022 Budget	2022 Projected	2023 Budget	'23 Bud vs '22 Proj	
Malvern Fire Contribution	13,694	13,913	14,122	15,535	15,535	17,865	15%	
Good Fellowship EMS Contribution	0	13,913	14,122	15,535	15,535	34,852	124%	
Goshen Fire Contribution	283,841	288,382	348,815	361,024	361,024	432,165	20%	
Goshen Fire Alarm Revenue Passed	26,000	17,000	6,000	16,654	16,654	15,000	-10%	
Goshen Fire - Volunteer FF Workman'	57,819	42,644	44,489	42,327	45,411	45,713	1%	
<b>Total Fire &amp; EMS</b>	<b>381,354</b>	<b>375,852</b>	<b>427,548</b>	<b>451,075</b>	<b>454,159</b>	<b>545,595</b>	<b>20%</b>	
Police - General Expense Contribution	3,659,957	3,938,457	3,782,629	3,939,079	3,939,079	4,286,119	9%	 • Includes 2 New Patrol FTE, 1 New SRO FTE, 1 New Admin FTE, \$30K new shed
Police - Building Loan Interest	11,772	10,047	6,256	6,025	10,109	5,524	-45%	
Police - Building Loan Principal	115,000	115,000	117,183	120,000	113,860	119,177	5%	
Police - Capital Contribution	15,400	15,750	20,100	20,600	20,600	21,100	2%	
<b>Total Police</b>	<b>3,802,129</b>	<b>4,079,254</b>	<b>3,926,168</b>	<b>4,085,704</b>	<b>4,083,648</b>	<b>4,431,920</b>	<b>9%</b>	
<b>Total Police, Fire, &amp; EMS</b>	<b>4,183,483</b>	<b>4,455,106</b>	<b>4,353,716</b>	<b>4,536,779</b>	<b>4,537,807</b>	<b>4,977,515</b>	<b>10%</b>	

# Conclusion and Options to Consider (page 1)

## Closing the gap on the Negative 2023 Budget Result

**(741,600) Current Gap**

- Revenue Considerations:
    - \$100K; Additional \$100K paid for Police Contribution from Police Trust vs. General Fund; prelim Budget is \$40K
    - \$100K; Increase EIT Projection by \$100K; 2022 Projection is conservative based on YTD Actual vs. YTD Budget
    - \$100K; Anticipated FEMA money delayed from 2022 fiscal year
    - \$75K; Anticipated renewal payment delayed from 2022 fiscal year for Wireless Land Lease Agreement
    - \$25K; Increase Building Permit Projection by \$25K
    - Real Estate Tax increase? Detail below
  - \$400K Total
- 
- Real Estate Tax Increase:
    - Each 0.1 millage increase to the current tax of 1.25 is equivalent to roughly \$160K additional Township revenue
    - Average EGT assessed value of a single family dwelling is \$250K. That is a current average of \$312.50 per year in real estate property tax
    - Impact of a suggested 0.3 millage increase (24%) in EGT is \$480K of revenue per year at an average increase of \$75 tax/year
    - Examples in East Goshen:
      - Summit House/Cider Knoll - \$75K average assessment; 0.3 mil increase would be @ \$22.50/year; currently paying @ \$93.75/year
      - Williams Way - \$200K average assessment; 0.3 mil increase would be @ \$60/year; currently paying @ \$250/year
      - Villages at Hershey's Mill - \$100-\$200K average assessment; 0.3 mil increase would be @ \$30-\$60/year; currently paying @ \$125-\$250/year
      - Bow Tree - \$275K average assessment; 0.3 mil increase would be @ \$82.50/year; currently paying @ \$343.75/year
      - Clocktower - \$375K average assessment; 0.3 mil increase would be @ \$112.50/year; currently paying @ \$468.75/year

# Conclusion and Options to Consider (page 2)

## Closing the gap on the Negative 2023 Budget Result

**(741,600) Current Gap**

- Expense Considerations:
  - \$220K; Withhold 2023 Transfer for Capital Replacement costs from General Fund to Capital Reserve Fund
  - \$167K; Withhold 2023 Transfer for Capital Purchase costs from General Fund to Capital Reserve Fund
  - \$50K; Examine 2023 Fire/EMS Budget - Reduce total from \$500K to \$450K
  - \$25K; Reduce Paving Materials Budget from \$300K to \$275K
  - \$20K; Reduce Snow Materials Budget from \$90K to \$70K
  - \$20K; Reduce Storm Water Materials Budget from \$100K to \$80K
  - \$19K; Reduce Employee Wages Budget increase by 1%; current 2023 Budget adjusted payroll is 3% above 2022 Projection
  - \$15K; Remove ABC Celebration Event
  - \$12K; Remove Printed Newsletter from 2023 Budget
  - \$10K; Reduce Tree Removal Budget from \$150K to \$140K
  - \$10K; Remove Milltown pocket park placeholder
  - \$5K; Remove Roadside Littering pick-up from Budget
  - \$5K; Reduce Traffic Signals Repair Budget from \$48K to \$43K
  - \$5K; Reduce Snow Equipment Rental Budget from \$25K to \$20K
  - \$5K; Reduce Paving Equipment Rental Budget from \$86K to \$81K
  - \$5K; Reduce Storm Water Engineering Budget from \$17.5K to \$12.5K
  - \$5K; Reduce Malvern Library Budget from \$30K to \$25K that was requested
  - \$4K; Eliminate Conservancy Budget
  - \$3.5K; Remove Futurist Street Tree request along PPT (Boot to N. Chester Rd)
  - \$3.3K; Eliminate Historical Budget
- \$608.8K Total

# Summary of Revenue and Expense Considerations

## Closing the gap on the Negative 2023 Budget Result

**(741,600) Current Gap**

- Revenue Considerations:
  - Opposed to past years, I feel that we are fairly aggressive in our current Revenue Budget for 2023. However, from historical research and recent experience, we know that we could have a windfall commercial real estate purchase, a police budget surplus resulting in a credit, continued strong permit fees, a slowly expanding EIT base, insurance claim \$, etc...
  - It's not a great time in my opinion with current market conditions to withdraw additional funds from the Police Trust. A normal year provides \$150K value growth, but we are currently (\$115K) in value for 2022. This will bounce back in time if allowed.
  - EIT is always uncertain and therefore normally more conservatively estimated.
  - I am comfortable increasing anticipated permit fees, but am currently unsure if FEMA \$ and the lease renewal payment will be in 2022 or 2023.
  - While always a divisive topic, a real estate tax increase should be seriously considered to provide guaranteed revenue to offset inflationary pressures and steady annual public safety cost increases for WEGO police, Goshen Fire, Malvern Fire, and Good Fellowship EMS.
- Expense Considerations:
  - EGT has deferred \$500K in transfers from 2020-2022 due to General Fund budget concerns. The Capital Reserve Fund balance has decreased \$1.7M since 2013, from \$6.6M to \$4.9M in 2021 primarily due to Paoli Pike Trail capital costs and capital replacement vehicles and equipment. As of August 31, 2022 the Capital Reserve Fund balance is \$4.4M. I have consulted our auditor and EGT is not required to transfer funds from the General Fund to Capital Reserve Fund for capital funds expended. However, continually underfunding the reserve undermines the prudent fiscal policy that EGT has maintained for decades. In addition, the Milltown Dam/Park project, East Goshen Park improvements, a proposed Milltown pocket park, and Paoli Pike Trail alternate route B/neighborhood connections will necessitate Capital Reserve Fund drawdowns which should be replenished from the General Fund.
  - At the end of the day, we need to examine the expense options for needs versus wants in my opinion, focusing on needs. Although we can budget less money for projects and materials, when the invoices come we will have to pay the cost. The alternative is deferring paving and storm water projects that have already been deferred and delayed. Residents count on the numerous municipal services that our Township provides and our Public Works department is a huge part of that. Even when managed closely, inflationary pressures could push costs higher than budgeted and continual increased need from WEGO and our Fire/EMS services stresses our limited revenue streams.