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(Cover Page)

Options grow for spending $6.9-million tax windfall

By Cheryl Allison

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Two months into 2012, Lower Merion Township is still working on a plan for what to do with its 2011 business-tax windfall of $6.9 million.

Meanwhile, a list of potential uses has grown, from 32 to 39.

There was more discussion about 14 of those options at a second and final finance workshop meeting Feb. 22. These were suggestions about which township commissioners had requested more information in January.

Vice president Paul McElhaney, who chairs the Finance Committee, said he and co-chairmen will next meet with township manager Douglas Cleland to give him some direction on preferred options.

That meeting, also to be open to the public, should occur in the next month, McElhaney said. Then, following township policy, Cleland will come back to the board with a recommended plan to use or distribute the money.

The plan is required because the infusion of revenue from resolution of disputed business-tax obligations came in December, after Cleland had already presented his proposed 2012 budget.

In action then, the board voted to accept his recommendation to place the money in the General Fund reserves, raising the 2011 ending fund balance to $17.5 million, or 32.5 percent of expenditures, and carrying over to a projected $16 million, or 28.9 percent.

Township policy sets a goal range of 15 to 18 percent, and calls for the township manager to propose a plan to reduce reserves to within that range when they climb higher.

Several of the additions to the list were put forward by the township's volunteer fire companies and include some safety recommendations. ElderNet has also requested a one-time increase in support.

Other options range from the very specific and relatively inexpensive to proposals that would cost in the millions. Some that continue to get significant attention, however, focus on avoiding a future real-estate tax increase or reducing debt-service costs or both.

A first suggestion is to draw down the funds to forestall the need for a tax increase in 2013, or alternatively, in 2014 also.

Presenting the update, chief financial officer Dean Dortone said he had looked at the projected

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impact, assuming that the fund balance would be maintained at 18 percent in 2013. Avoiding a tax increase in that year would leave $3.4 million of the sum available "for other purposes." Extending that proposal to 2014 would take all of the $6.9 million.

Dortone also used the five-year financial forecast included in the 2012 budget to show the effect. If there is no real-estate tax increase in the next two years, he said 2015 could represent "a hard landing," requiring a tax increase of 13 percent or equivalent cost containment.

"These forecasts are illustrative but dated," Cleland acknowledged, noting that they were prepared five or six months ago. Some commissioners also questioned the forecasts' assumptions that township spending would increase by about $2 million each year for the next three years.

Other options in which commissioners have expressed interest involve using some of the windfall to pay down existing township debt or cash-fund some capital projects, suggestions that Dortone said have been looked at in various combinations, each considering a current opportunity to refinance some $14 million in older bonds (see related story) and an anticipated new money bond issue in early 2013.

The scenario that could provide the biggest benefits, he said, is one in which the township refinances the $14 million in bonds in 2012 and makes some "equity contribution" – that is, cash-funding of projects – in 2013 to reduce the amount of the new bond issue. Dortone said it "provides the best opportunity for future debt-service cost-avoidance" and would tend to "smoothe" the township's overall debt over the next years.

Some other options among the 14 include:

■ Funding more traffic-improvement projects than are now included in the Capital Improvement Program. Cleland said there was no new information on this topic, but noted that Commissioner George Manos has proposed using $1.2 million to step up traffic improvements in the City Avenue corridor. They could be included in this option, Cleland said.

■ Creating a revolving-loan program for economic development or historic-preservation purposes. Dortone said Building and Planning Department staff had suggested that a program might be offered with repayment on five- or 10-year terms with zero or low interest. For economic-development purposes, new or expanding township businesses might be eligible; for historic preservation, loans might be used for repairs of residential properties.

The latter is an idea township boards have talked about in the past, Cleland said. It "would be another type of incentive for people to maintain their historic homes," board president Liz Rogan put in.

■ Among several suggestions from the fire companies is one to create a length-of-service award program for volunteer firefighters to support recruitment and retention. Cleland reported that Upper Merion Township recently created a benefit program for fire and rescue volunteers with $40,000 initially. In that program, based on a point system, contributions are to be made to a deferred pension fund with a 10-year vesting requirement, he said.

■ Two relatively low-cost proposals are to shift to a paperless system for board of commissioners' agendas and information, and to initiate online payment of some township fees. In the first proposal, commissioners would be furnished with tablets or other devices, at an estimated initial expense of $20,000. In the second, Dortone said Parking Services might provide the best opportunity for a pilot program, permitting online payment for parking tickets or parking permits.

There are other ideas, but in comments after the presentation, some commissioners wanted to keep the list very short.

"The first part is right on target," said Commissioner Scott Zelov, referring to the tax increase and debt-service reduction and avoidance measures. "I think that is where we should stop."

"We have a process for development of a [capital-improvement program] and an operating budget. Any new ideas should be incorporated into that process. We shouldn't be considering new spending," Zelov said.

"We should be keeping in mind that this money doesn't belong to this government. The taxpayers were overcharged, ... and they should get that money back," said Commissioner Lewis Gould.