



# Township of Cheltenham Five-Year Financial Management Plan

## Progress Update

Presented by Veen Leung

February 12, 2020

---

PFM Group Consulting

---

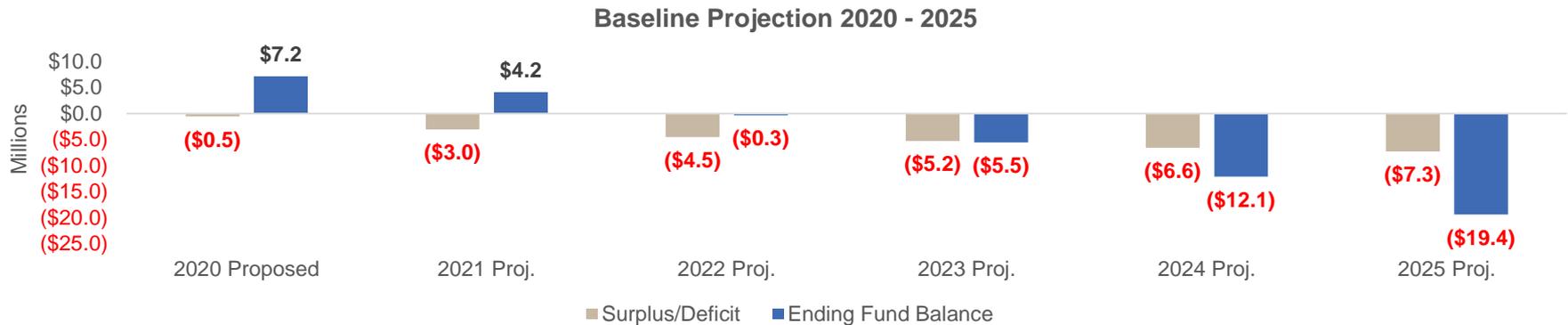
1735 Market Street,  
Philadelphia, PA 19103

---

215-567-6100



## Refresher: Baseline projection



The baseline projection shows annual deficits growing from \$0.5 million in the 2020 to \$7.3 million by 2025. The \$7.2 million ending fund balance in 2020 is based on \$5.7 million in unrestricted fund balance as of the end of 2019<sup>1</sup> and estimated sewer proceeds of approximately \$2.0 million after paying down the sewer-related debt and additional GO debt. The Township anticipates using \$0.5 million in reserves to balance the 2020 budget, leaving \$7.2 million in fund balance at the end of 2020. According to the baseline projection, even with the deposit of \$2.0 million in sewer proceeds to the General Fund, the Township will exhaust its fund balance by 2022 absent corrective action.

On the revenue side, the baseline projection assumes no increase to the real estate tax rate or fees. Beginning in 2020, almost all sewer revenues and associated expenditures are eliminated. On the expenditure side, the baseline assumes wage increases according to the provisions in the existing labor agreements. Once the labor agreements expire, the baseline assumes wage increases to continue at the historical rates (3.5% for police and 3.0% for civilians). These wage increase patterns are not a recommendation, but rather reflective of the Township's historical trends absent corrective action.

The baseline also assumes that the Township will issue \$10 million in debt in 2020 and again in 2023. As a result of the debt issuances, the Township's annual debt service payment is projected to grow from \$0.4 million in 2020 to \$2.1 million in 2025.



## Mission review

While helping Cheltenham Township gain fiscal stability is the primary goal of this Five-year Plan, this should not be the ultimate goal of Township government. As evidenced in the Township's current mission statement, good stewardship of the Township's financial resources is one of the key goals of Township government, but the ultimate mission is much broader.

**It is the mission of the Township of Cheltenham to provide outstanding municipal governance and services that meet the needs of our residents and businesses in a cost-effective and professional manner. It is the Township's vision to celebrate our vibrant, diverse, and historic community, to enhance and maintain quality of life, and to achieve economic and environmental sustainability by promoting actions and opportunities consistent with good stewardship of our natural and financial resources.**

When we met with the commissioners earlier this year, they expressed interest in refining this mission statement to more accurately reflect their vision for the Township, which we encourage the Township to do as a priority this year. The mission statement is also not a static, unchanging decree. It should and will change over time as the Township's priorities, circumstances, and performance do. But it provides an important starting point for the rest of the recommendations in this Plan.



## From mission to measurement

While the current mission statement is only a starting point and will be further refined by the commissioners, Township leaders should be able to start identifying the largest obstacles to fulfilling its mission. Then government leaders can set a limited number of goals intentionally chosen to overcome those obstacles. The goals then inform the strategies, which are the actions that specific units of Township government will take to achieve these goals and advance the mission.

Having a strategy does not guarantee that it will be successfully executed, or even that successful execution will advance the mission as intended. So, whenever possible, the Township should have measures so leaders can gauge whether a strategy is working. The combination of goals, strategies, and performance measures provides a framework for evaluating what works and deciding how to allocate the Township's limited resources accordingly.

The financial condition assessment identifies a number of obstacles that the Township is facing from a financial perspective. Unless the Township finds a way to overcome those obstacles using the goals and strategies as outlined in this Plan, Cheltenham Township government will continue to incur large deficits and struggle to deliver quality municipal services absent large tax increases. It will also lack the resources to make the strategic investments it needs to maintain its infrastructure and attract businesses and residents to live, work, and play in the Township.

But if Cheltenham is able to make the hard decisions as outlined in this Plan, it will be able to start addressing the structural issues as identified in the financial condition assessment. It will also be able to be a constructive partner in addressing larger community issues such as environment protection and preserving its recreational assets. The ultimate goal of this multi-year plan, therefore, is not only to improve Cheltenham's financial position. It is to strengthen the Township's financial position so that it can make the investments it needs to make so that it can continue to deliver quality services and celebrate its diversity and history.





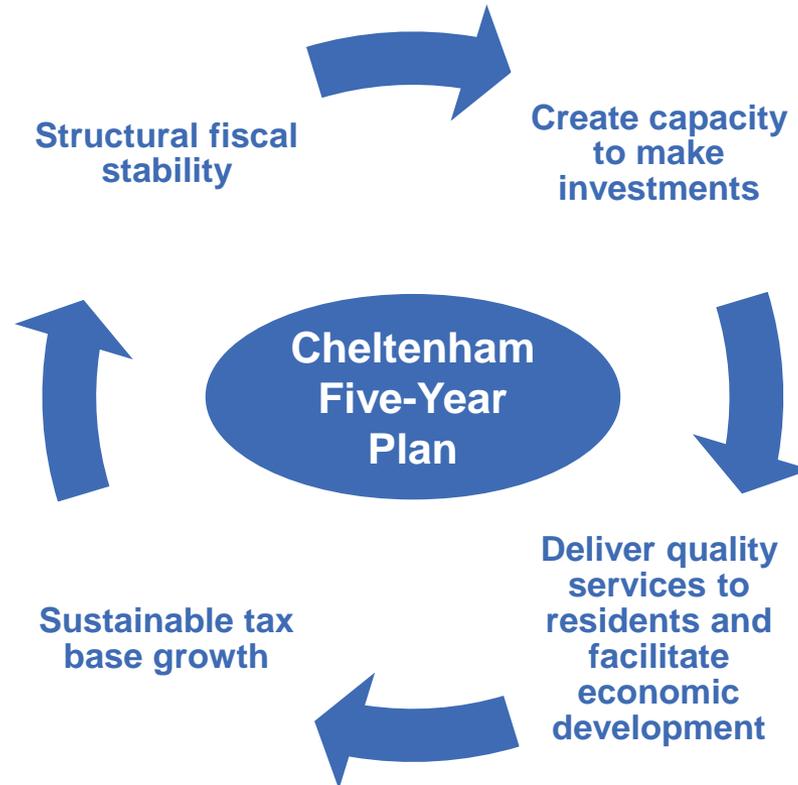
## Two goals and four strategies

### Two Plan Goals

- Achieve structural sustainability and maintain sufficient reserves
- Make strategic investments

### Four Plan Strategies

- Revenue enhancement
- Expenditure control
- Program prioritization
- Strategic investments





## Next steps

- We will start developing initiatives based on the two plan goals and four plan strategies. We will next present draft recommendations to the Township as potential options for Cheltenham to close part of the projected budget gap. That presentation will be sometime in March.
- Once we have delivered the draft recommendations to the Township, we will receive input on the draft recommendations and begin drafting the Plan document and deliver the Plan document to the Township in April. Once we have completed the Plan document, we will come back for final plan delivery and presentation.