

Financial Report to the Public
Presentation - June 14, 2010



PENNSYLVANIA
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Borough of West Wyoming
Pennsylvania Economy League Central PA Division

Pennsylvania Economy League



The Pennsylvania Economy League, Inc., is:

- A 70 year old independent, nonprofit, public policy research and development organization with offices throughout the state.
- Working with Pennsylvania's public and private sectors, PEL provides independent research and analysis on emerging issues to stimulate public and private action to make Pennsylvania a better place to live, work, and do business.
- A regionally based statewide organization, PEL's goal is to create a knowledgeable corporate and civic community that will help ensure the economic competitiveness of the Commonwealth and its regions.

Why PEL is here:

- Court approval for the 2009 un-funded debt required an in-depth financial study.
- Borough's bank required an in-depth financial study before any more money would be lent.
- Commonwealth, through DCED, provided funding assistance through the EIP program to support the study.

Scope of Work



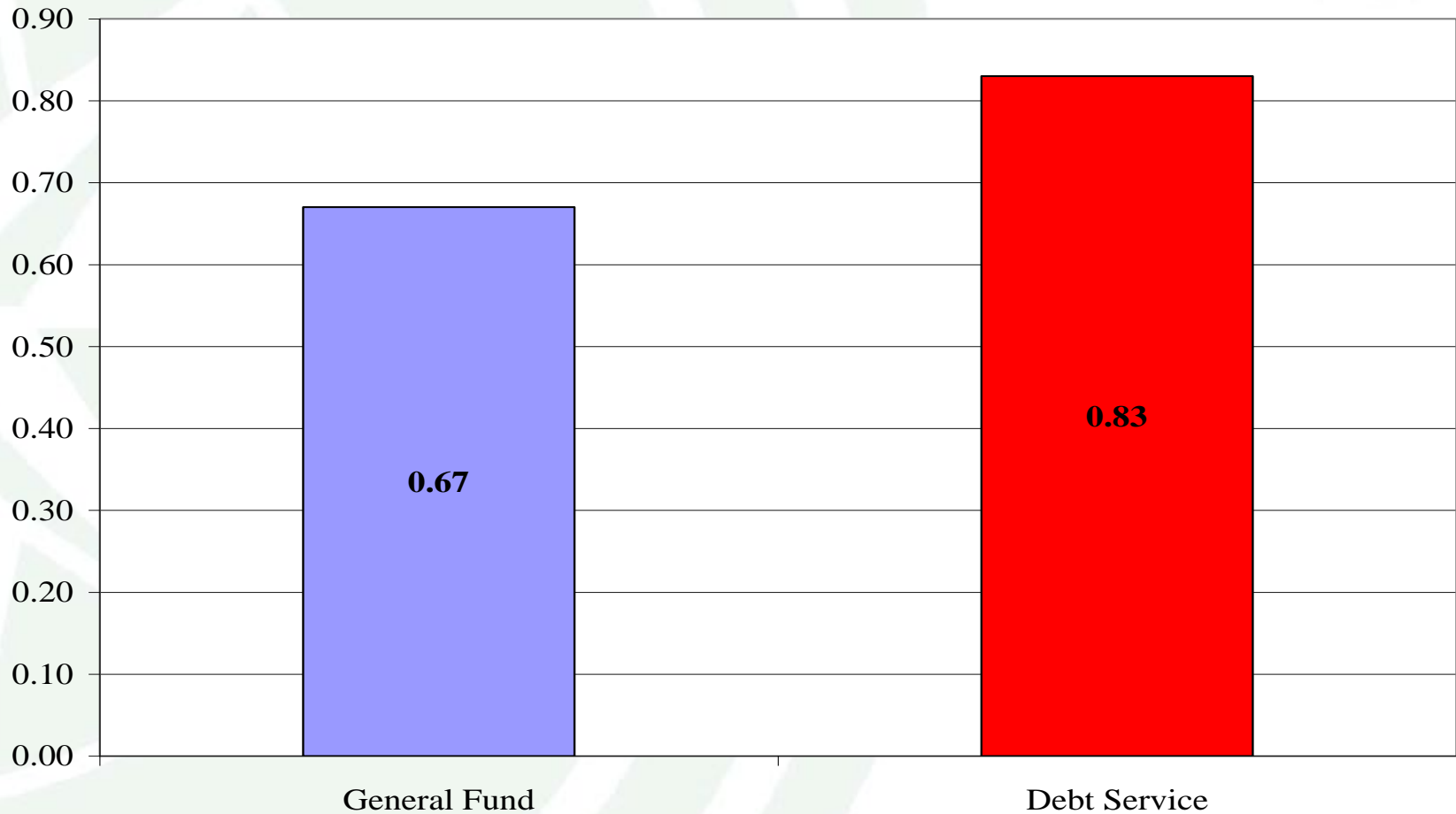
- Fiscal Review and Projection of Borough Finances
- Guide for Fiscal Management Strategy
- Analyzed reports from 2000 through 2008 using Borough and Audit data; 2009 reported and 2010 budgeted figures
- Projected 2011 through 2015 revenue and expenses

West Wyoming Debt



- \$287,000 loan in 2007, annual payments of \$33,900 continue through 2017.
- \$125,000 loan in 2008, annual payments of \$27,540 continue through 2013.
- \$565,000 un-funded debt obligation in 2009, annual payments of \$68,290 continue through 2019.
- Total annual payments of approximately \$130,000 is equal to 0.83 mills of property tax.

West Wyoming Millage



General Fund 2000 - 2009



The Borough has operated at a **loss** for seven of the last ten years.

– Based on Borough data for 2000 – 2009

- 2009 data reconstructed by Albert B. Melone Co.

General Fund	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009
Revenues	728,152	566,763	888,029	794,847	757,401	1,336,988	1,087,426	1,030,700	1,303,258	975,371
Expenditures	782,508	558,092	841,563	839,896	770,158	1,298,191	1,115,731	1,036,099	1,317,819	1,028,677
Surplus/(Deficit)	(54,357)	8,671	46,466	(45,050)	(12,756)	38,797	(28,305)	(5,399)	(14,561)	(53,307)

General Fund

2009 Actual, 2010 Budget & PEL Estimated



In 2009, the Borough's expenditures again exceeded revenues according to numbers prepared by A.B. Melone. The Borough's budget for 2010 shows a slight surplus, however PEL estimates a small deficit of \$10,162.

	Actual	Budget	Estimated
General Fund	2009	2010	2010
Revenues	975,371	882,175	875,995
Expenditures	1,028,677	882,175	886,157
Surplus/(Deficit)	-53,307	0	-10,162

General Fund Revenues

2009 Actual, 2010 Budget, 2010 PEL Estimated



	Actual 2009	Budget 2010	Estimated 2010	Budget vs. Estimated
Revenues				
Real Estate Taxes	209,944	234,925	246,815	11,890
Occupation Taxes	2,958	0	0	0
Earned Income Tax	202,211	273,980	250,000	-23,980
Other Act 511 Taxes	28,014	39,600	39,600	0
Licenses	3,610	0	0	0
Fines	10,516	9,500	9,500	0
Interest Earnings	209	0	0	0
Cable TV	35,791	28,434	28,434	0
Public Utility Tax	729	750	750	0
Federal Grants	36,694	35,747	35,747	0
Intergovernment Grants	2,115	0	0	0
State Shared Revenue	800	400	400	0
Local Government Grants	10,285	9,000	9,000	0
Zoning	1,007	2,000	2,000	0
Building Permits	11,920	2,400	2,400	0
Sanitation Permits	200,380	214,090	220,000	5,910
Miscellaneous Revenue	118,189	31,349	31,349	0
Proceeds-Long Term Debt	100,000	0	0	0
	<u>975,371</u>	<u>882,175</u>	<u>875,995</u>	<u>-6,180</u>

General Fund Expenditures

2009 Actual, 2010 Budget,

2010 PEL Estimated



	Actual 2009	Budget 2010	Estimated 2010	Budget vs. Estimated
Expenditures				
Legislative Body	22,573	18,096	18,125	29
Financial Administration	28,142	27,800	27,800	0
Tax Collection	8,376	15,700	16,274	574
Law	24,262	15,000	15,000	0
Clerk/Secretary	134,949	86,966	76,928	-10,038
Engineer	15,760	10,000	10,000	0
General Govt Bld	95,631	24,100	24,100	0
Police	230,870	195,979	215,991	20,012
Fire	35,251	41,064	41,070	6
Planning And Zoning	1,325	2,000	2,000	0
Building	20,753	0	0	0
Solid Waste Coll/Disposal	145,848	169,500	169,500	0
General Services	8,893	18,433	18,433	0
Cleaning Of Streets/Gutters	27,289	6,000	6,000	0
Snow And Ice Removal	4,098	7,235	7,235	0
Traffic Signals/Street Signs	1,327	0	0	0
Street Lighting	3,120	0	0	0
Highway-Tools/Mach Repair	6,940	2,307	2,307	0
Highway-Maint/Rep-Highways	31,298	54,682	54,682	0
Culture-Rec Administration	4,973	3,500	3,500	0
Natural Resources Conservation	17,690	0	0	0
Debt Service	64,009	136,592	129,992	-6,600
Insurance	66,380	47,221	47,221	0
Other PD Benefits	28,920	0	0	0
Total General Fund Expenditures	1,028,677	882,175	886,157	3,982

Projection Assumptions



Revenues and Other Sources

- The Borough's real estate tax assessment and millage were held constant.
- The real estate tax collection rate was assumed to be 91.7 percent for current collections and 8.3 percent for delinquent collections for each projection year.
- Sanitation (garbage) revenue projections were based on the 2010 Borough budget that estimates \$214,000 will be collected.
- The earned income tax was projected at \$250,000 for 2010 and then increased at 1.5 percent per year throughout the projection period.
- All Act 511 existing tax rates were maintained at the 2010 levels.

Projection Assumptions



Expenditures and Other Uses

- Total personnel count was kept at the 2010 level.
- Wages were projected to increase using existing collective bargaining agreements for all contract years and at an estimated 2.0 percent for post contract years. Non-bargaining unit wages were projected to increase at 2.0 percent per year. Part-time police salaries were projected at \$12.93 per hour, the current rate.
- Medical benefits were projected to increase at the rate of 6.0 percent per year throughout the projection period.
- Capital expenditures were projected to amount to \$100,000 during the projection period and were amortized at the rate of \$20,000 per year plus interest.

General Fund Revenues

2011 – 2015 PEL Projections



	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Revenues					
Real Estate Taxes	246,815	246,815	246,815	246,815	246,815
Earned Income Tax	253,750	257,556	261,420	265,341	269,321
Other Act 511 Taxes	39,600	39,600	39,600	39,600	39,600
Fines	9,500	9,500	9,500	9,500	9,500
Interest Earnings	0	0	0	0	0
Cable TV	28,434	28,434	28,434	28,434	28,434
Public Utility Tax	750	750	750	750	750
Federal Grants	35,747	35,747	35,747	35,747	35,747
State Shared Revenue	400	400	400	400	400
Local Government Grants	9,000	9,000	9,000	9,000	9,000
Zoning	2,000	2,000	2,000	2,000	2,000
Building Permits	2,400	2,400	2,400	2,400	2,400
Sanitation Permits	214,000	214,000	214,000	214,000	214,000
Proceeds-Capital Fund	100,000	0	0	0	0
	<hr/> 942,396	<hr/> 846,202	<hr/> 850,066	<hr/> 853,987	<hr/> 857,967

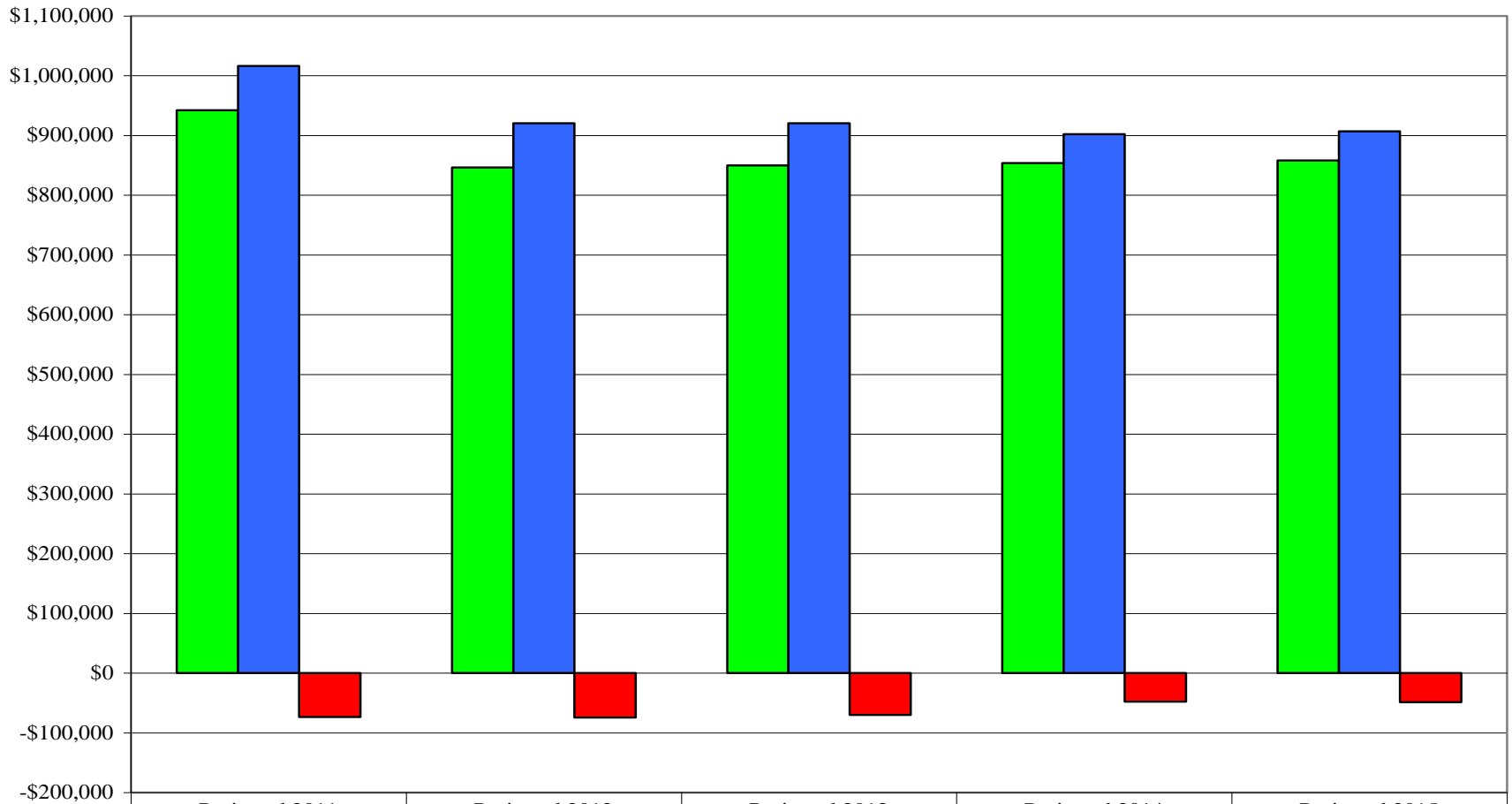
General Fund Expenditures 2011 – 2015 PEL Projections



	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Expenditures					
Legislative Body	18,125	18,125	18,125	18,125	18,125
Financial Administration	27,800	27,800	27,800	27,800	27,800
Tax Collection	16,274	16,274	16,274	16,274	16,274
Law	15,000	15,000	15,000	15,000	15,000
Clerk/Secretary	78,708	79,580	80,495	81,456	82,466
Engineer	5,000	5,000	5,000	5,000	5,000
General Govt Bld	24,100	24,100	24,100	24,100	24,100
Police	217,296	218,647	220,044	221,491	222,989
Fire	41,070	41,070	41,070	41,070	41,070
Planning And Zoning	2,000	2,000	2,000	2,000	2,000
Solid Waste Coll/Disposal	169,500	169,500	169,500	169,500	169,500
General Services	18,433	18,433	18,433	18,433	18,433
Cleaning Of Streets/Gutters	6,000	6,000	6,000	6,000	6,000
Snow And Ice Removal	7,235	7,235	7,235	7,235	7,235
Capital Purchases	100,000	0	0	0	0
Highway-Tools/Mach Repair	2,307	2,307	2,307	2,307	2,307
Highway-Maint/Rep-Highways	56,637	58,682	60,823	63,065	65,414
Culture-Rec Administration	3,500	3,500	3,500	3,500	3,500
Debt Service	160,009	160,009	155,419	132,470	132,470
Insurance	47,221	47,221	47,221	47,221	47,221
Total General Fund Expenditures	1,016,215	920,483	920,347	902,047	906,903

General Fund Surplus/(Deficit)

2011 – 2015 PEL Projections



	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Revenues	942,396	846,202	850,066	853,987	857,967
Expenditures	1,016,215	920,483	920,347	902,047	906,903
Surplus/(Deficit)	(73,819)	(74,281)	(70,281)	(48,060)	(48,936)

General Fund Surplus/(Deficit)

2011 – 2015 PEL Projections

With Real Estate Tax Increase



General Fund	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Revenues	\$ 942,396	\$ 846,202	\$ 850,066	\$ 853,987	\$ 857,967
Expenditures	\$ 1,016,215	\$ 920,483	\$ 920,347	\$ 902,047	\$ 906,903
Surplus/(Deficit)	\$ (73,819)	\$ (74,281)	\$ (70,281)	\$ (48,060)	\$ (48,936)
Current Assessed Value	\$ 165,694,300	\$ 165,694,300	\$ 165,694,300	\$ 165,694,300	\$ 165,694,300
Collection Rate	91.7%	91.7%	91.7%	91.7%	91.7%
Additional Mills needed General Fund	0.35	0.00	0.00	0.02	0.00
Additional Mills needed Debt Service	0.15	0.00	-0.03	-0.16	0.00
Total Mills	1.50	2.00	1.97	1.83	1.83
Revenue	\$ 942,396	\$ 846,202	\$ 850,066	\$ 853,987	\$ 857,967
Additional Real Estate Revenue General Fund	\$ 53,180	\$ 53,180	\$ 53,180	\$ 56,218	\$ 56,218
Additional Real Estate Revenue Debt Service	\$ 22,791	\$ 22,791	\$ 18,233	\$ (6,078)	\$ (6,078)
Total Revenue	\$ 1,018,367	\$ 922,173	\$ 921,478	\$ 904,128	\$ 908,108
Expenditures	\$ 1,016,215	\$ 920,483	\$ 920,347	\$ 902,047	\$ 906,903
Surplus/(Deficit)	\$ 2,151	\$ 1,690	\$ 1,131	\$ 2,080	\$ 1,204

Impact on Average Household



	Budget 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Median Housing Value	\$ 105,300	\$ 105,300	\$ 105,300	\$ 105,300	\$ 105,300	\$ 105,300
Total Mills	1.50	2.00	2.00	1.97	1.83	1.83
Real Estate Taxes	\$ 157.95	\$ 210.60	\$ 210.60	\$ 207.44	\$ 192.70	\$ 192.70
Annual Increase \$		\$ 52.65	\$ -	\$ (3.16)	\$ (14.74)	\$ -
Cumulative Increase \$		\$ 52.65	\$ 52.65	\$ 49.49	\$ 34.75	\$ 34.75
Median Household Income	\$ 46,594	\$ 46,594	\$ 46,594	\$ 46,594	\$ 46,594	\$ 46,594
% of Median Income	0.3%	0.5%	0.5%	0.4%	0.4%	0.4%

Financial Recommendations



Financial Management

- The Borough should continue to work with Albert B. Melone Co. and the borough's independent auditor to complete the reconstruction of the borough's financial information system and accounting system.
- The Borough should consider an application under Phase II of the Early Intervention Program (EIP) for funding **to complete the implementation and to provide for additional training for Borough staff to fully utilize the new financial management system.**

Financial Recommendations



Financial Management

- The Borough has implemented a unified accounting system based on the modified accrual basis of accounting and record keeping. The Borough had previously used a non-unified cash system which is not a generally accepted accounting basis for municipal governments in the United States. **A cash based system can be prone to incorrect budgeting and poor fiscal control for management.**
- As part of the financial management information system, the Borough should adopt and follow the Department of Community and Economic Development (DCED) recommended municipal chart of accounts.

Financial Recommendations



Financial Management

- The Borough's General Fund budget should be developed in greater detail for each operating department including budgeting for total employee costs such as overtime, part time pay, court pay, holiday pay, FICA, and medical/health insurance. **Budgeting total personal expenses by department will allow the Borough to determine the actual cost of providing services.**

Financial Recommendations



Financial Management

- As the financial management information system is implemented, Borough staff should prepare and provide to Borough Council, at a minimum, monthly financial reports for the General Fund, Debt Service Fund, Sewer Fund, and Highway Aid Fund that provide status by month, year-to-date, and variance from the budget.
- Borough Council and its Finance Committee will use these reports and other financial data to assist in the management of the fiscal affairs of the Borough.

Financial Recommendations



Assessed Valuation, Taxes, and Revenues

- The Borough currently levies separate real estate taxes for general operations and for debt service purposes.
- These dedicated tax revenues should continue to be collected and reported in separate funds.

Financial Recommendations



Assessed Valuation, Taxes, and Revenues

- Luzerne County implemented a reassessment effective for 2009. **As a result the Borough now possesses a potential revenue base that was not available under the old property valuation system.**
- The Act 511 taxes collected by the Borough are levied at the maximum rates permitted.
- **Only the Earned Income Tax offers the potential for modest and sustained increases throughout the projection period.**

Financial Recommendations



Debt

- **The Borough borrowed \$950,000 over the past several years to fund operations. Using debt to finance ongoing operations is not an acceptable fiscal practice.**
- The Borough's current debt is approximately \$136,000 for 2010 and shows the significant increase in the debt burden from the past few years. **The Borough must avoid at all costs the use of debt to finance current municipal operations.**
- **Existing debt millage requirements are more than half of all the real estate taxes collected by the Borough.**

Financial Recommendations



Debt

- The Borough must continue to levy a separate debt service millage and account for this revenue source in a separate Debt Service Fund.
- The additional debt projected to meet capital projects will require the Borough to increase debt service millage by approximately 0.15 mils in 2011.
- **Total debt service millage is thus projected at 0.98 mills per year from 2011 through 2013.**

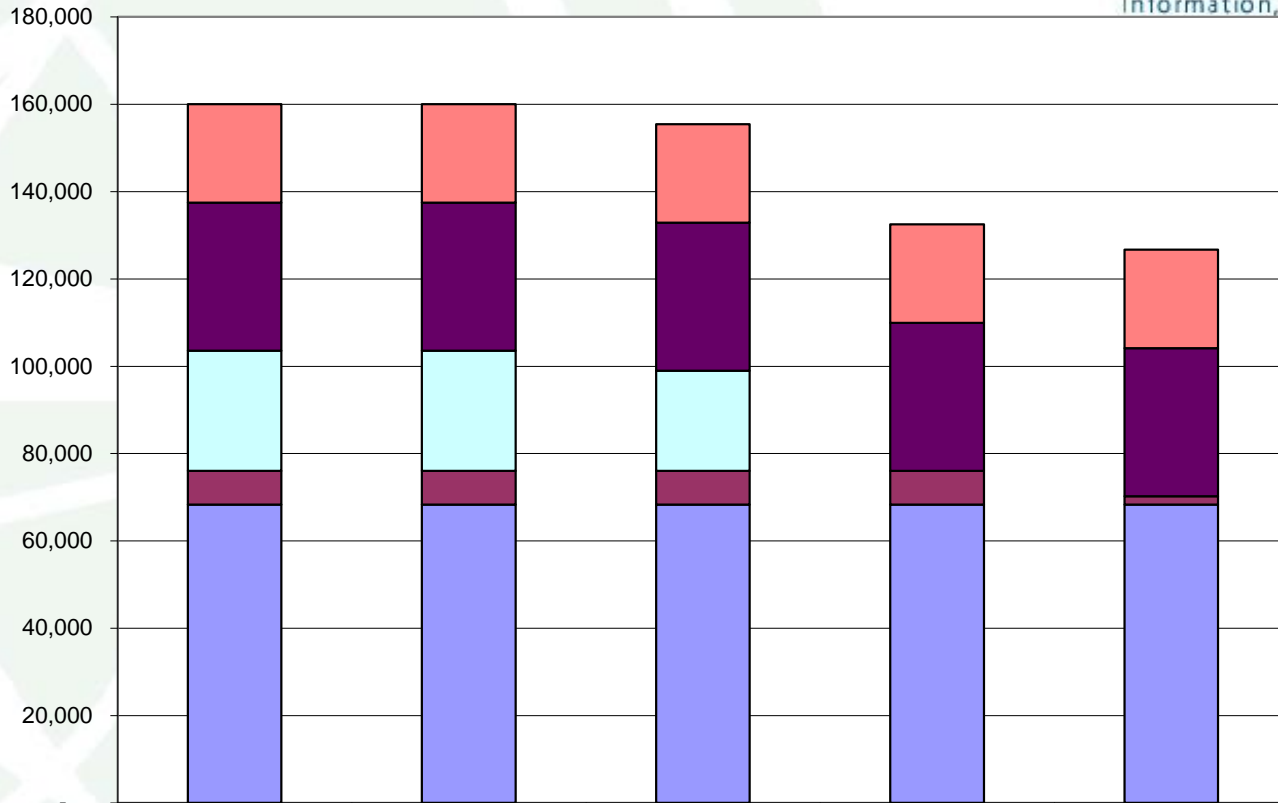


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Debt Service



	2011	2012	2013	2014	2015
■ New Capital	22,552	22,552	22,552	22,552	22,552
■ Note Payable	33,900	33,900	33,900	33,900	33,900
■ General Obligation Series 2008	27,540	27,540	22,950		
■ Fire Truck	7,728	7,728	7,728	7,728	1,932
■ 2009 Debt	68,290	68,290	68,290	68,290	68,290