



# Waynesboro Borough Strategic Management Planning Program

Final Presentation  
October 28, 2020





# **Pennsylvania Economy League**

- Pennsylvania's leading independent, nonprofit, public policy research organization for over 80 years
- PEL provides technical assistance and consulting to municipalities of all sizes and types throughout the state
- PEL works to foster good government that provides the most efficient core public services that meet local resident needs at the lowest cost
- We believe healthy local governments assist in creating a sustainable Pennsylvania economy that can keep and attract residents and businesses

# Strategic Management Planning Program

## Scope of Work

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Analyzed Waynesboro's financial history and demographics



Projected revenues and expenditures



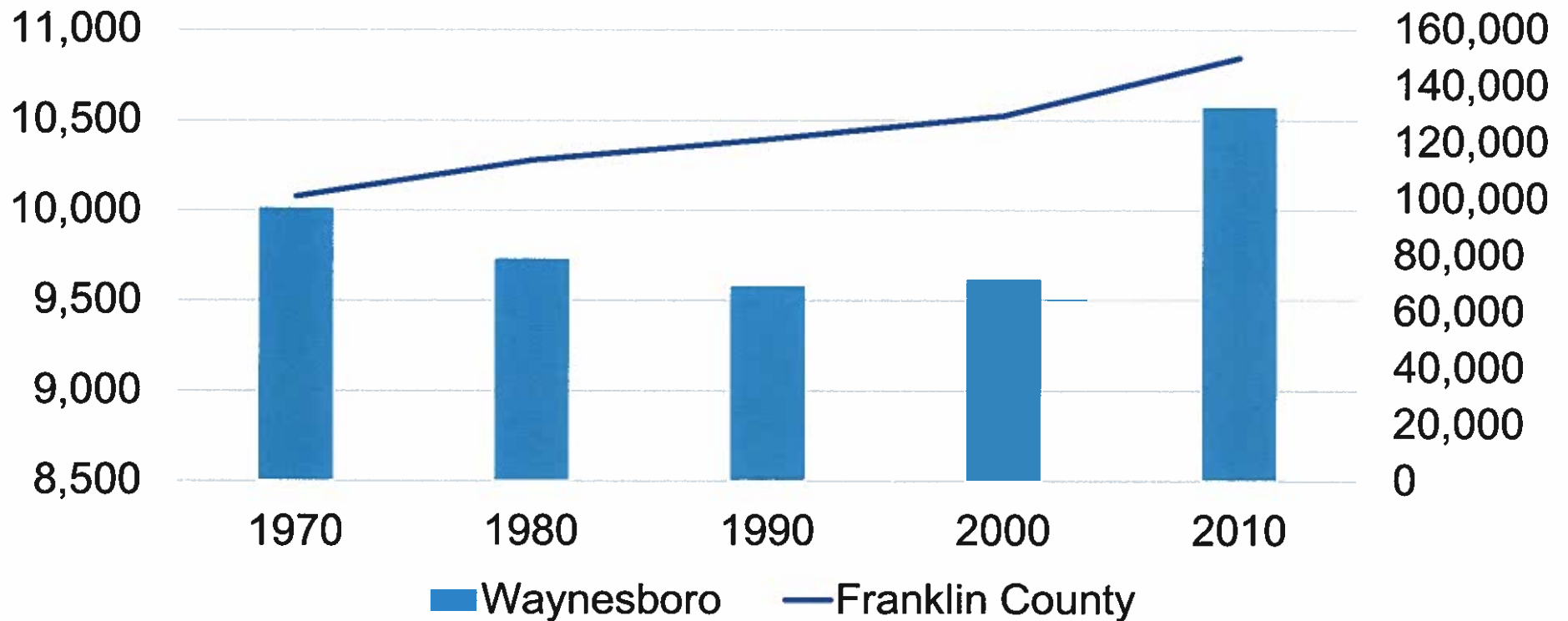
Reviewed administration, public safety, public works and labor/collective bargaining



Compiled recommendations for all areas

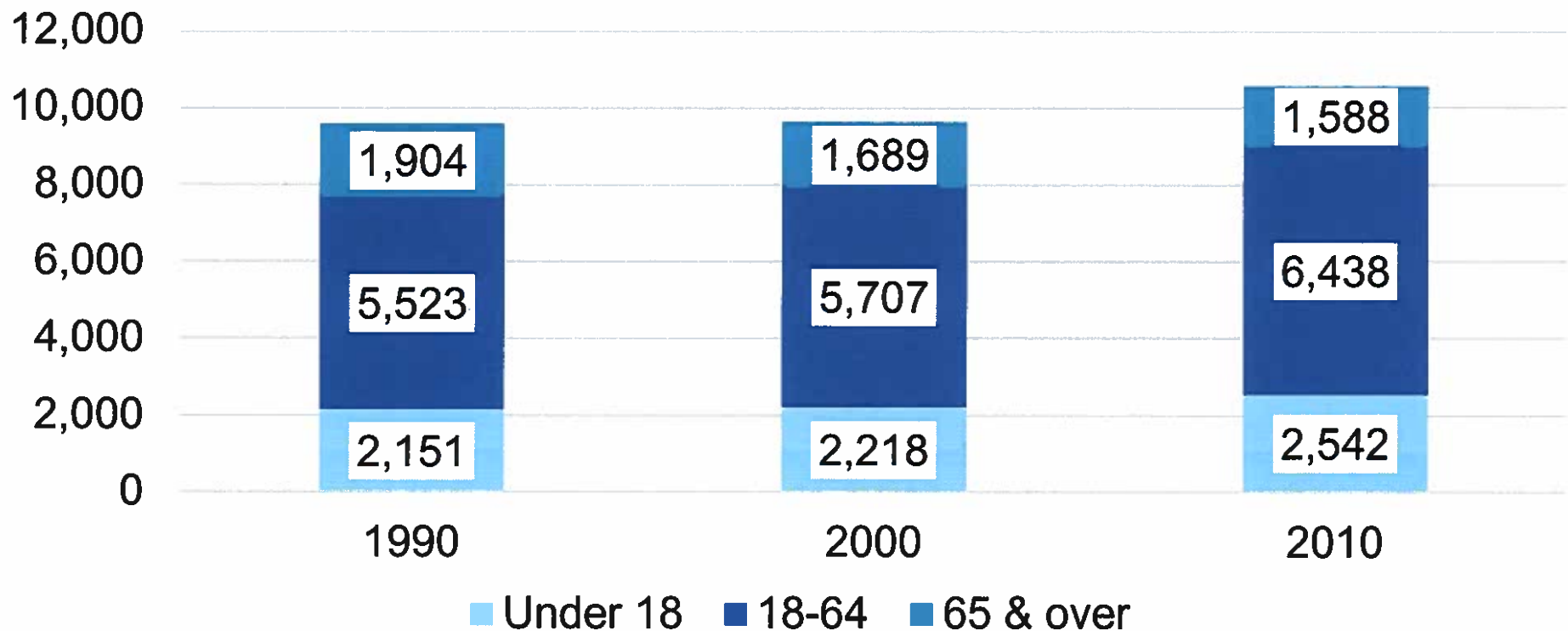
# Demographics Population 1970 to 2010

- Waynesboro population declined from 1970 to 1990 and then experienced growth
- Franklin County experienced steady growth during same time period



# Demographics Population by Age

- Slight growth in proportion of working age population and under age 18
- Slight decline in under age 65 population
- 18 to 64 population are primary taxpayers



# Demographics

## Net Migration

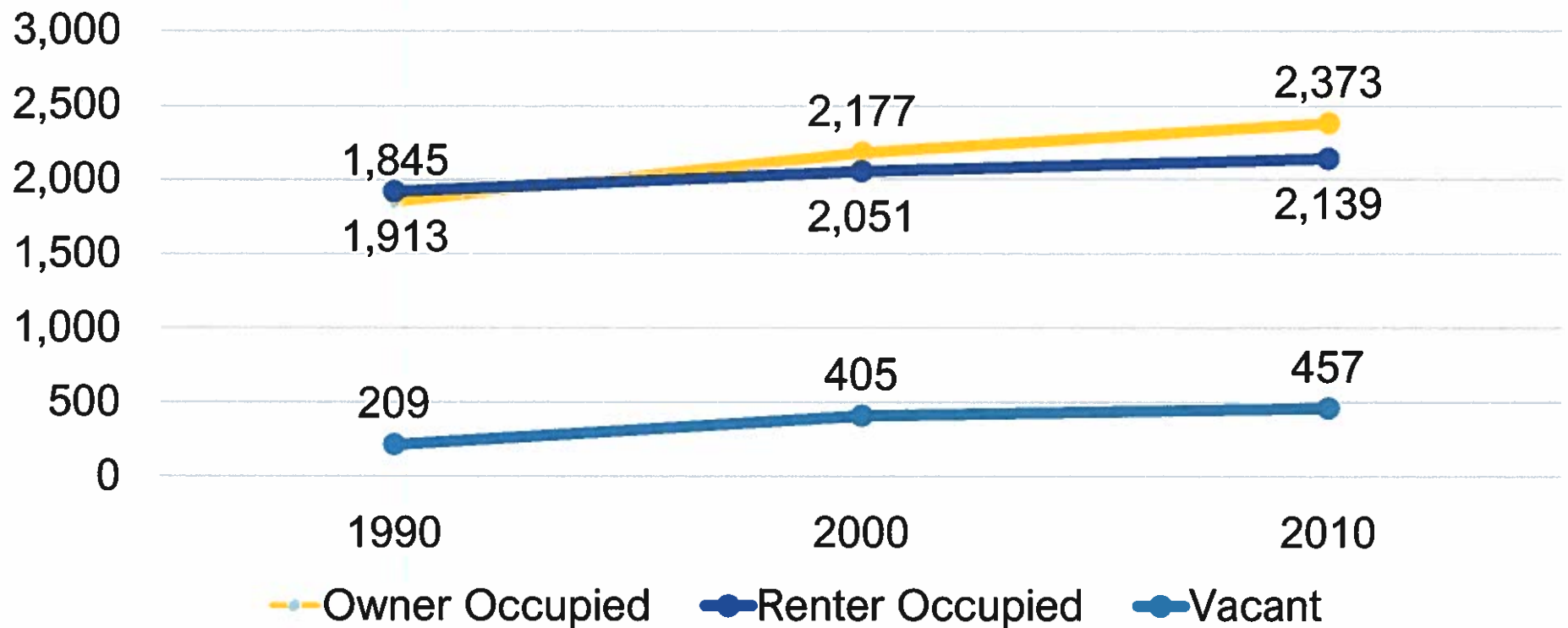
- Increase in population is the result of natural growth (births greater than deaths)
- Pattern shows residents leaving borough despite population growth

	1990 to 1999	2000 to 2009	2010 to 2017	1990 to 2017
<b>Total Population (start)</b>	9,578	9,614	10,568	9,578
<b>Total Population (end)</b>	9,614	10,568	10,793	10,793
<b>Total Population Change (a)</b>	36	954	225	1,215
<b>Births</b>	1,448	2,035	1,433	4,916
<b>Deaths</b>	1,102	1,060	1,021	3,183
<b>Natural Pop. Change (b)</b>	346	975	412	1,733
<b>Net Migration (a minus b)</b>	<b>-310</b>	<b>-21</b>	<b>-187</b>	<b>-518</b>



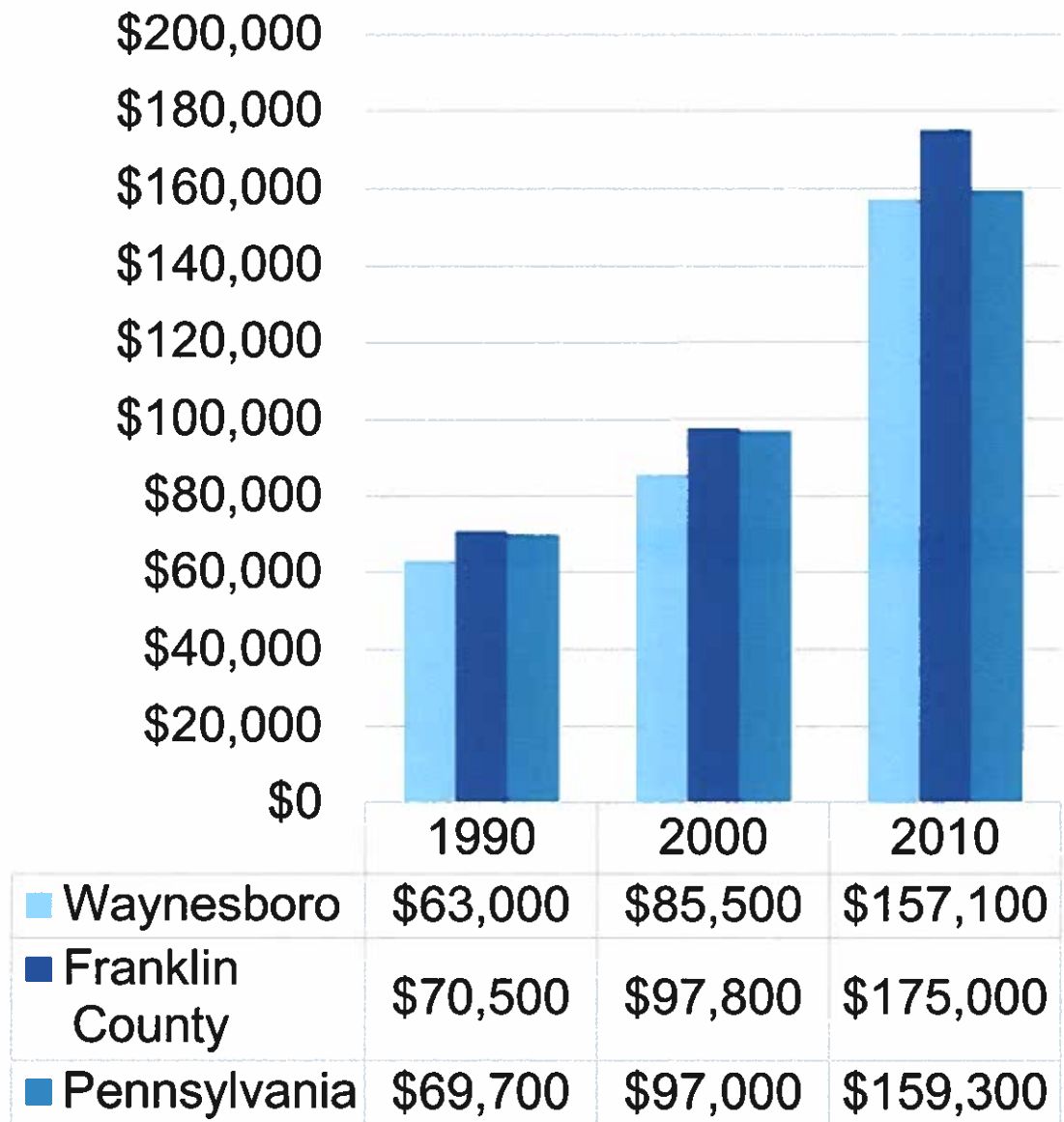
# Demographics Housing Units

- Slight increase in owner-occupied; decline in renter-occupied
- Number of vacant units more than doubled



## Demographics Median Home Value

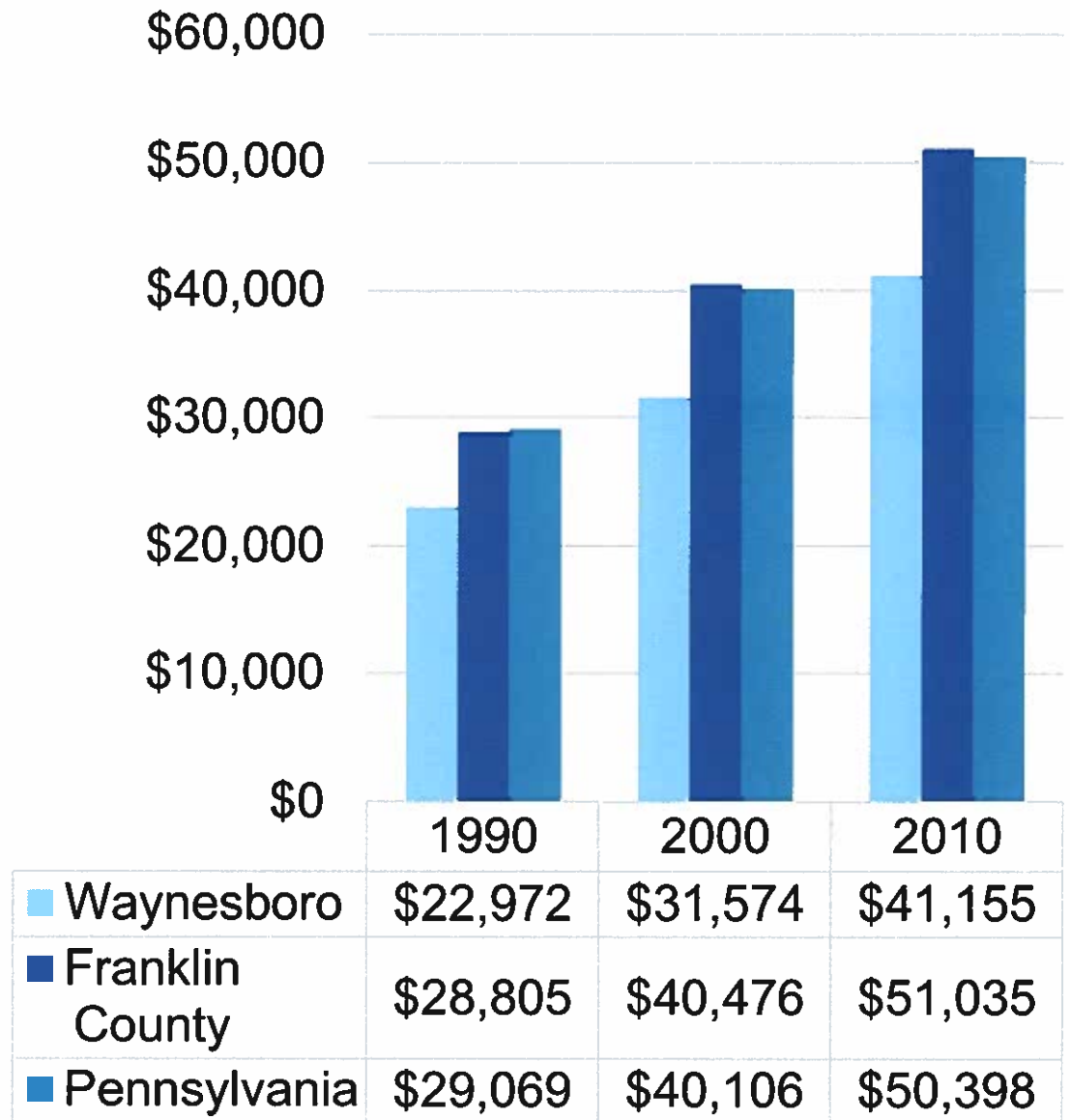
- Waynesboro median home values are lower than both the state and Franklin County as a whole





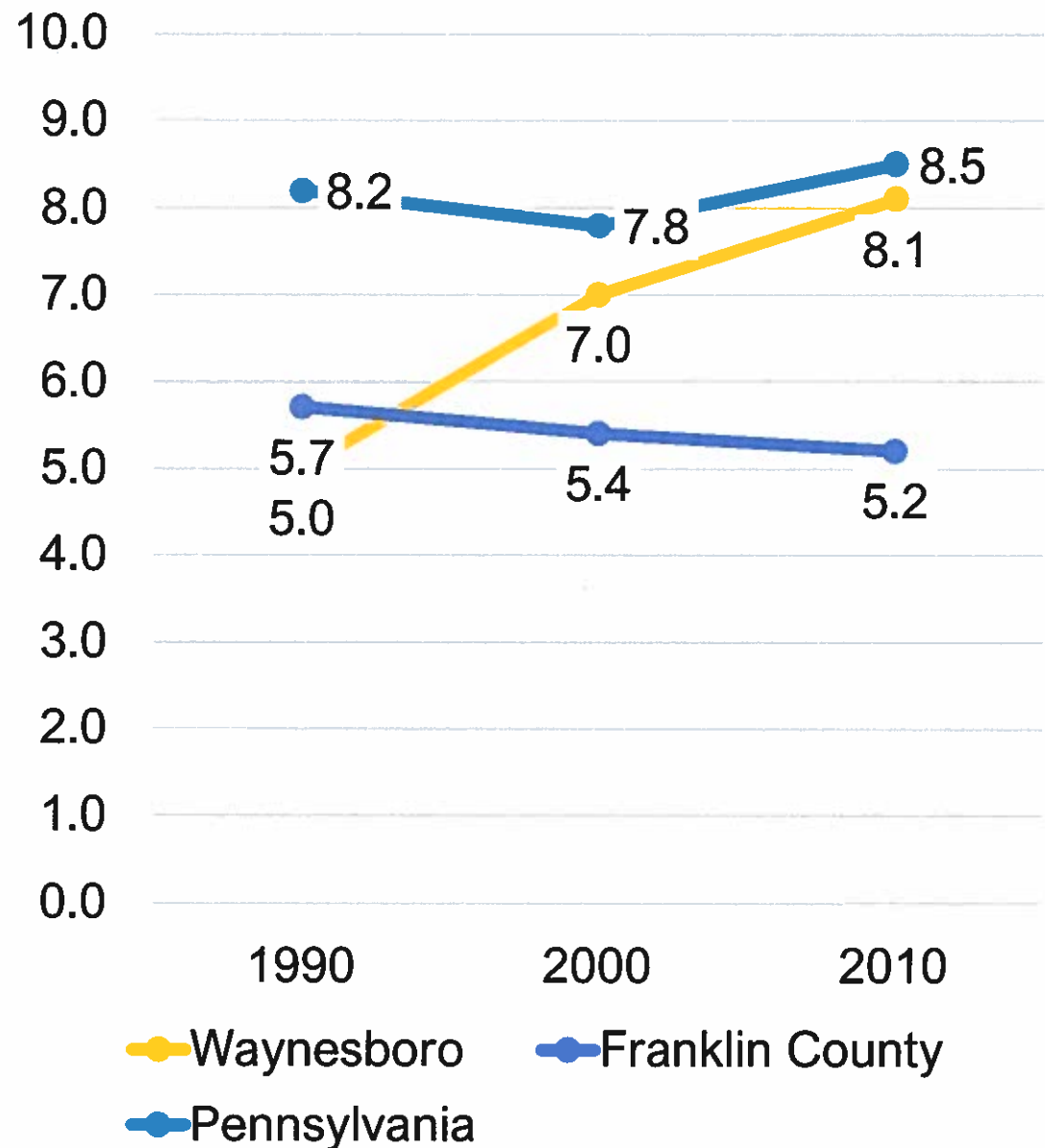
## Demographics Median Household Income

- Same pattern in household income
- Waynesboro is below both the state and the county as a whole



## Demographics Poverty Level

- Borough's percentage of families in poverty steadily increased from 5 to 8 percent
- Franklin County poverty trend was flat to declining
- Borough's poverty rate remains below the state in contrast to other wealth measurements



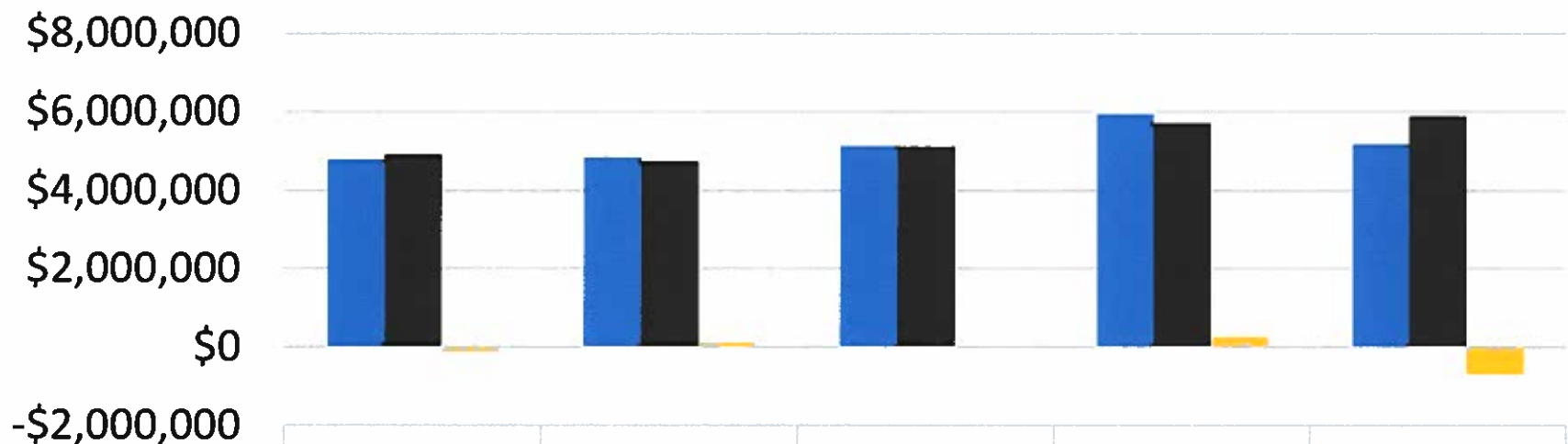
## **Demographic Findings and Tax Base Implications**

- Population has rebounded after decline from 1970 to 1990; increase is due to natural growth
- Growth in proportion of working age and under age 18; decline in over 65; positive sign for tax base
- Positive trend of owner-occupied housing just under 50 percent of total and increasing compared to renters
- Vacancies bear watching; borough has focused on code enforcement
- Most wealth measurements below state and county



## Historical Financial Summary

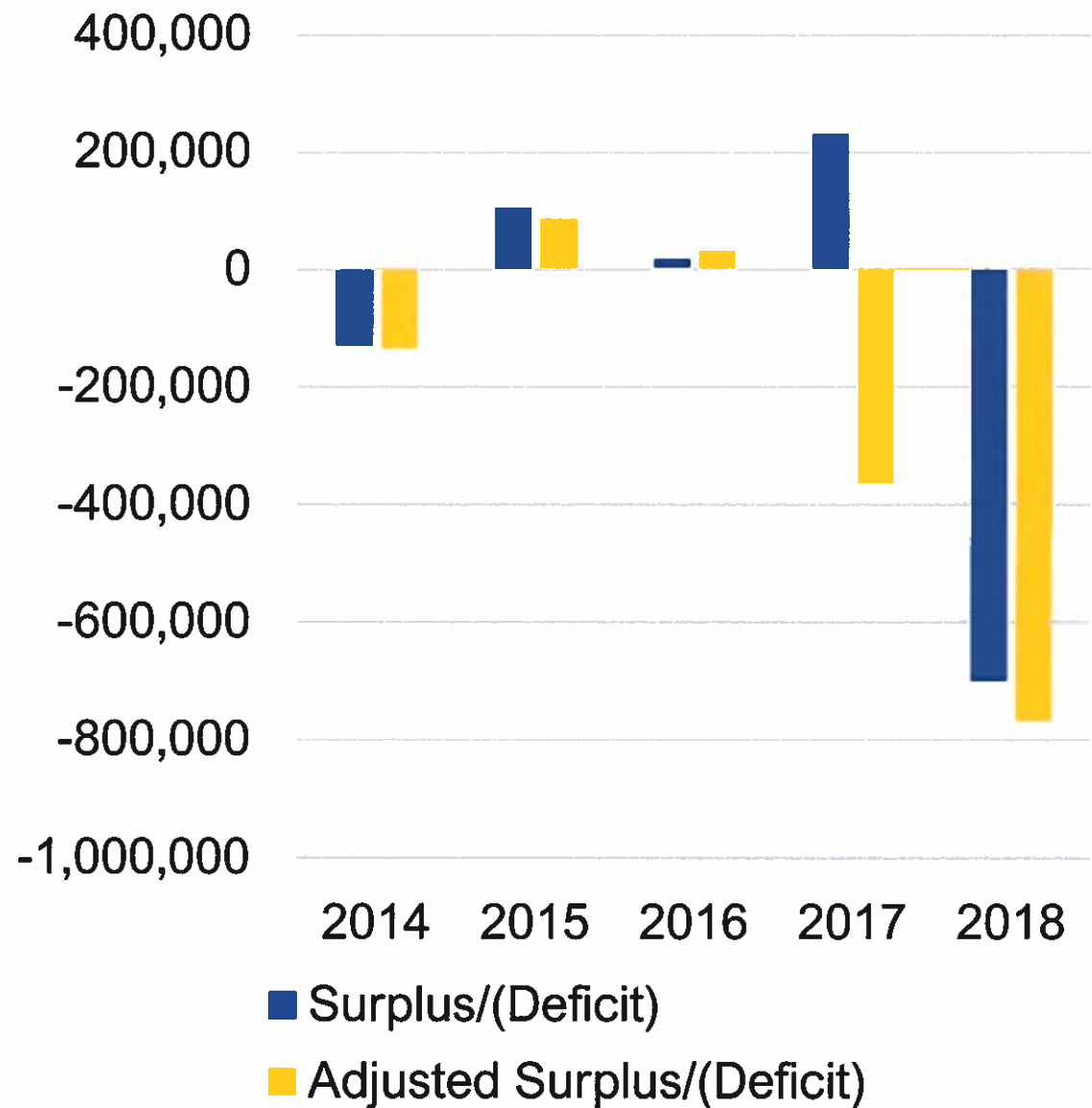
- 2017 surplus is result of one-time grant funds
- Deficits in two out of five years



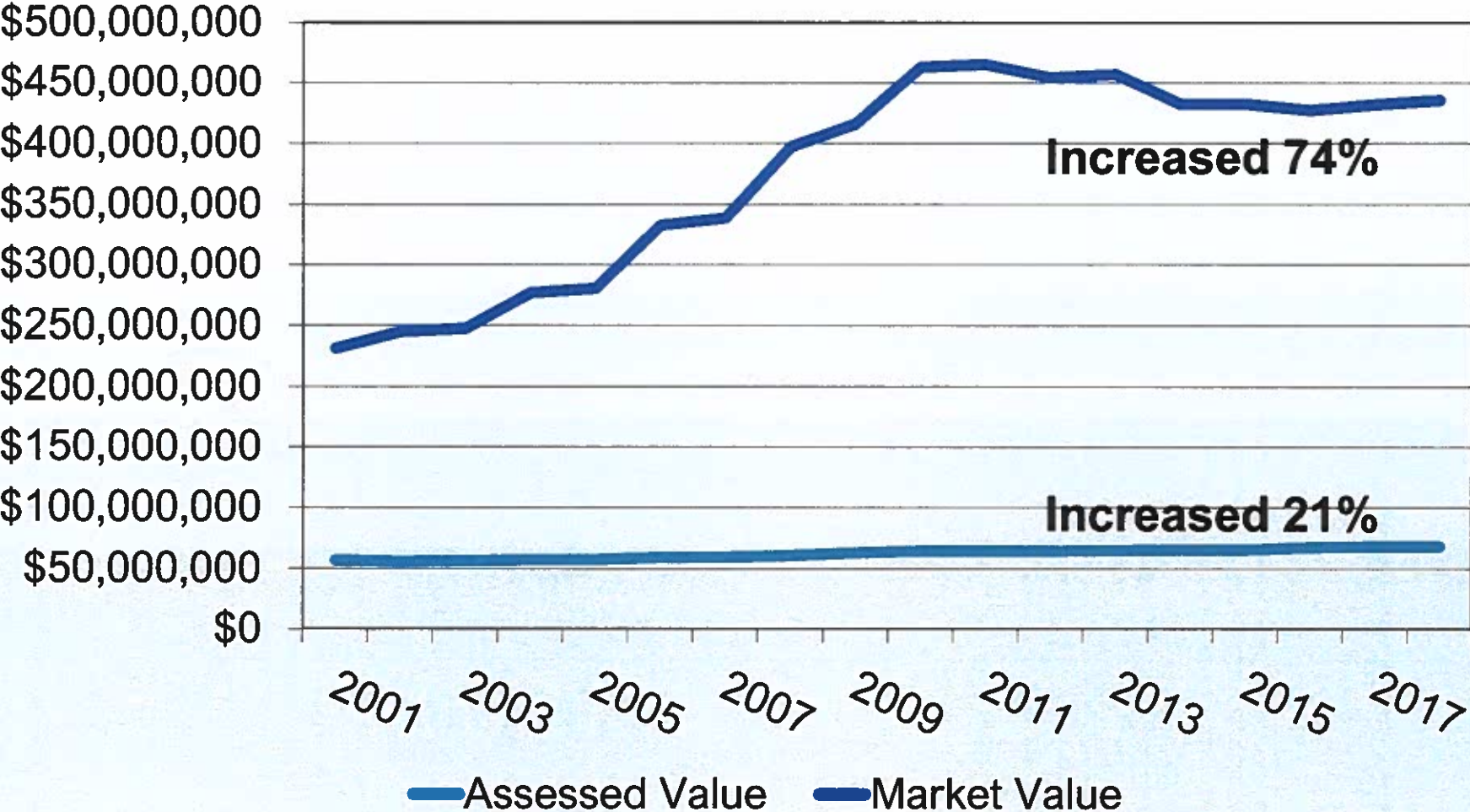
	2014	2015	2016	2017	2018
■ Revenues	\$4,771,926	\$4,837,884	\$5,116,966	5,926,250	5,167,977
■ Expenditures	4,901,925	4,732,464	5,100,411	5,695,288	5,867,976
■ Surplus/(Deficit)	-129,998	105,420	16,555	230,962	-699,999

## Surplus/Deficit and Adjusted Surplus/Deficit

- Removing one-time revenues and expenditures results in:
  - Deficit in 2017 instead of a surplus
  - Larger deficit in 2018
- Adjusted revenue growth is 6 percent
- Adjusted expenditure growth is 18 percent



# Market vs. Assessed Value 2001 to 2018



# Historical Tax Revenue

- Taxes are just under half of total revenues
- Real estate is main revenue source but shows little growth
- Largest growth is in EIT
- Per capita and mechanical devices taxes eliminated in 2017

	2014	2015	2016	2017	2018	Change 2014 to 2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
<b>Real Estate Taxes</b>	\$1,181,995	\$1,167,461	\$1,206,414	\$1,248,662	\$1,228,148	46,153	3.9
<b>Real Estate Transfer</b>	104,906	100,139	143,955	135,546	137,690	32,784	31.3
<b>Earned Income Tax</b>	<b>837,014</b>	<b>867,706</b>	<b>892,050</b>	<b>891,983</b>	<b>1,010,642</b>	<b>173,628</b>	<b>20.7</b>
<b>Local Services Tax</b>	174,249	171,447	217,408	163,278	180,422	6,173	3.5
<b>Per Capita and Mech. Dev.</b>	15,021	17,635	17,937	7,232	2,600	-12,421	-
<b>Total Tax Revenue</b>	<b>\$2,313,185</b>	<b>\$2,324,387</b>	<b>\$2,477,765</b>	<b>2,446,701</b>	<b>\$2,559,502</b>	<b>246,317</b>	<b>10.6</b>



# Historical Non-Tax Revenue

- Interfund transfers from sewer and water are largest non-tax revenue source
- Refuse fees are bulk of historical charges for services; moved to own fund in 2019

	2014	2015	2016	2017	2018	CHANGE 2014 - 2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
<b>Interfund Transfers</b>	1,112,887	1,129,549	1,234,921	1,367,745	986,089	-126,798	-11.4
<b>Charges for Services</b>	1,109,204	1,131,166	1,175,126	1,004,836	1,022,338	-86,866	-7.8
<b>Intergovernmental Rev.</b>	34,130	35,953	18,360	796,887	140,043	105,913	310.3
<b>Other Financing</b>	50,431	43,666	51,508	115,959	281,714	231,283	458.6
<b>Licenses and Permits</b>	91,042	105,466	98,998	128,580	97,142	6,100	6.7
<b>Fines and Forfeits</b>	52,103	59,361	49,960	55,039	66,873	14,770	28.3
<b>Interest, Rents</b>	8,945	8,336	10,328	10,502	14,276	5,331	59.6
<b>Total Non-Tax Rev.</b>	<b>2,458,741</b>	<b>2,513,497</b>	<b>2,639,201</b>	<b>3,479,549</b>	<b>2,608,475</b>	<b>149,734</b>	<b>6.1</b>

# Historical Transfers

- Transfers account for 40 to 45 percent of borough revenue
- Transfers offset water and sewer expenditures that are paid from the General Fund

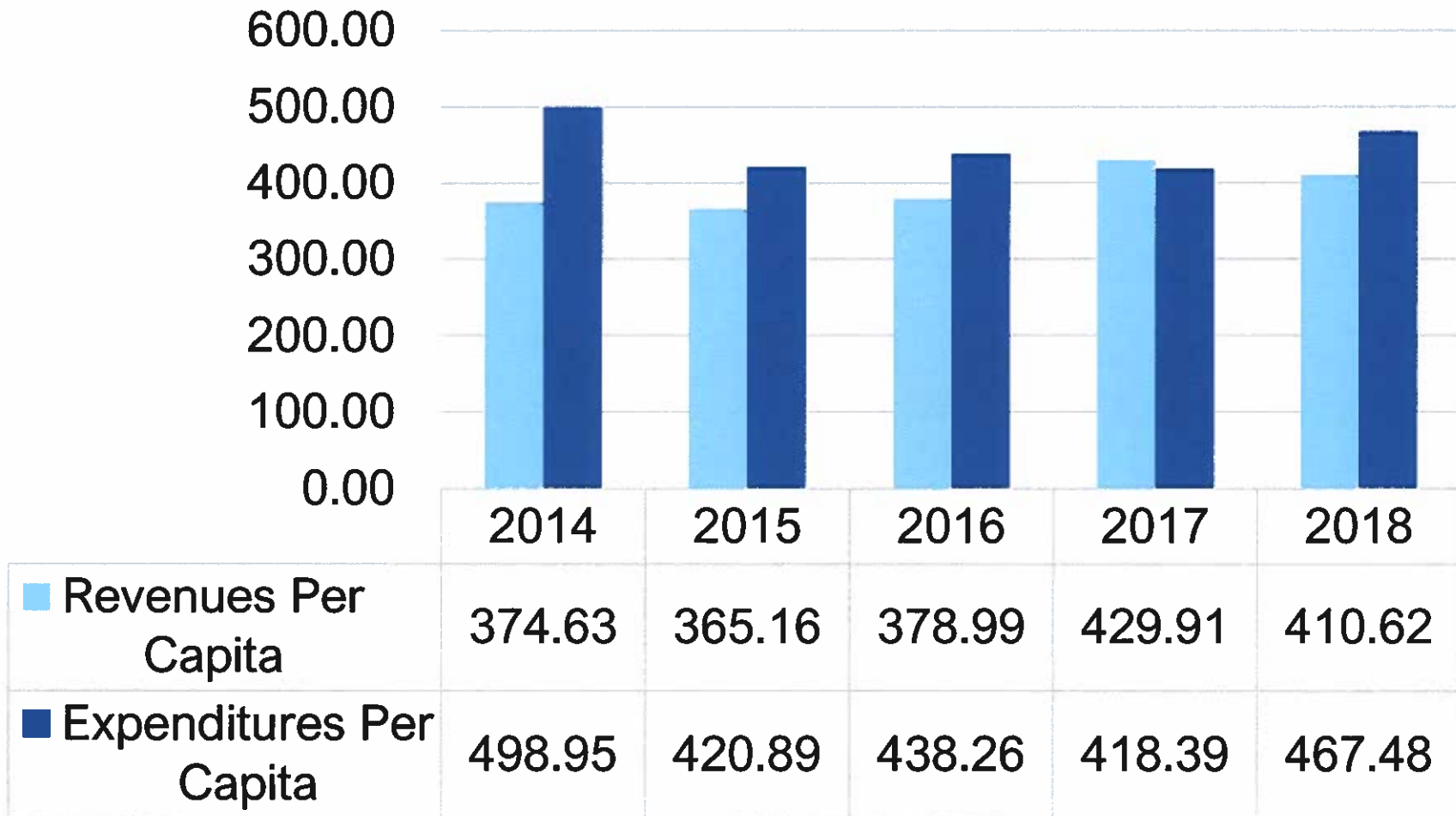
	2014	2015	2016	2017	2018	CHANGE 2014 - 2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
Trans from Water Fund	\$639,574	\$641,154	\$742,479	\$770,501	\$634,693	-4,881	-0.8
Trans from Sewer Fund	473,312	488,395	492,442	577,243	351,396	-121,916	-25.8
Street Light Fund Transfer	0	0	0	20,000	0	0	0.0
<b>Total Interfund Transfers</b>	<b>\$1,112,887</b>	<b>\$1,129,549</b>	<b>\$1,234,921</b>	<b>\$1,367,745</b>	<b>\$986,089</b>	<b>-126,798</b>	<b>-11.4</b>

# Historical Expenditures

- Public safety including police and fire is the largest cost center; experienced most growth
- Police expenditures grew from \$1.1 million to \$1.4 million
- Fire expenditures grew by around \$400,000
- Next highest cost centers are employee benefits and public works

	2014	2015	2016	2017	2018	CHANGE 2014 - 2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
<b>Gen. Government</b>	1,000,883	1,163,067	982,625	1,079,117	1,155,594	154,711	15.5
<b>Public Safety</b>	<b>1,587,652</b>	<b>1,590,357</b>	<b>1,875,440</b>	<b>1,858,936</b>	<b>1,993,240</b>	<b>405,588</b>	<b>25.5</b>
<b>Health</b>	15,000	10,000	10,000	5,929	6,976	-8,024	-53.5
<b>Public Works</b>	893,171	828,227	874,071	995,980	1,143,922	250,751	28.1
<b>Culture &amp; Rec</b>	61,022	53,966	80,213	202,795	57,382	-3,640	-6.0
<b>Employee Benefits</b>	1,246,221	1,103,500	1,220,875	1,500,761	1,453,634	207,412	16.6
<b>Transfers</b>	97,976	-16,654	57,187	51,771	57,228	-40,748	-41.6
<b>Total Expenditures</b>	<b>4,901,925</b>	<b>4,732,464</b>	<b>5,100,411</b>	<b>5,695,288</b>	<b>5,867,976</b>	<b>966,051</b>	<b>19.7</b>

# Revenues and Expenditures Per Capita





# 2019 Budget vs. Actual

- 2019 Actual includes sewer and water transfers approximately \$300,00 higher than budgeted; increase in transfers meant borough did not have to use admin reserve
- Revenues include 3 mill General Fund property tax increase in 2019; total millage grew from 25.19 in 2018 to 29.68 including a 1.5 mill new levy for fire

	<b>2019 Actual</b>	<b>2019 Budget</b>
Revenues*	\$6,406,153	\$7,202,007
Expenditures	\$6,448,648	\$7,173,519
Surplus/(Deficit)	-\$42,495	-\$28,488

# 2019 Millage Comparison

	<b>MUNICIPAL</b>	<b>SCHOOL</b>	<b>TOTAL</b>
Waynesboro Borough	29.680	97.518	127.198
Quincy Twp	1.600	97.518	99.118
Washington Twp	6.400	97.518	103.918
Mont Alto Borough	9.550	97.518	107.068



# Historical Findings 2014 through 2019

- Four years of deficits since 2014 once one-time events removed
- Borough depleted its fund balance in 2018
- Property taxes show minimal growth
- Earned Income taxes up 20 percent
- Second largest revenue is interfund transfers
- Public safety is the largest cost center at 40 percent of total expenditures and accounts for largest growth
- Limited property tax base growth due to outdated assessments
- Surrounding communities have lower taxes



# Baseline Projection Revenue Assumptions 2020 to 2024



- Tax rates and fees held at 2020 levels
- 0.5 percent annual increase in Real Estate Tax revenue based on assessment increases
- Realty Transfer Taxes held at 2020 level
- 1.5 percent annual growth in Earned Income Tax revenue
- 0.8 percent annual growth in Local Services Tax revenue
- Fees, certain other revenues increased by 0.5 percent to 2 percent annually
- Transfers from Water and Sewer Funds increased by 3 percent annually
- Transfer from Sanitation Fund increased by 2.3 percent annually
- Other revenues held at 2020 levels

**IMPACT OF COVID-19 NOT WELL KNOWN AT THIS TIME**

# Baseline Projection Expenditure Assumptions 2020 to 2024



- Employee position count remains at 2020 budgeted levels
- Union employee wages and salaries increased at contractual rate through December 2020 and then 2.5 percent annually
- Non-union employees increased same as CBA with those eligible to receive performance-based step increases every other year
- Health insurance increased between 5 percent and 6 percent annually based on Center for Medicare and Medicaid Services' projected annual growth rates for state and local government insurance premium
- Debt based on debt service schedules with no new debt incurred
- Other annual expenditure growth rates were based on historical patterns and/or projected annual inflation rates
- USDA CPI Projection for 2020 is 2.25 percent and for 2021-2024 is 2.3 percent

# Pre-Pandemic Projection Summary

- 2020 budget includes use of one-time admin reserve funds of \$300,000 in order to balance
- Considerable one-time capital revenues and expenditures are included in the 2020 budget

	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected
Revenues	\$7,134,750	\$5,344,476	\$5,394,370	\$5,445,882	\$5,459,388
Expenditures	7,134,385	5,505,427	5,662,250	5,919,935	6,053,153
Surplus/(Deficit)	<b>\$365</b>	<b>-\$160,951</b>	<b>-\$267,880</b>	<b>-\$474,053</b>	<b>-\$593,765</b>

# Pandemic Scenarios

- Methodology developed by University of Pittsburgh, PEL and western PA municipal managers estimating percentage loss for each revenue type
- Trend for municipal EIT loss in August has been on the lower end of the pandemic scenario but impacts are still not well known

	2020 Projected	2020 Low Impact	2020 Medium Impact	2020 High Impact
Total Revenues	7,134,750	7,134,750	7,134,750	7,134,750
Est Revenue Loss	0	-123,403	-330,173	-557,946
Net Revenue	7,134,750	7,011,347	6,804,576	6,576,804
Expenditures	7,134,385	7,134,385	7,134,385	7,134,385
Surplus/(Deficit)	<b>365</b>	<b>-123,038</b>	<b>-329,809</b>	<b>-557,581</b>

# Pandemic Scenarios

- Methodology based on the lag inherit in the various revenue types and assumption that employment gradually returns to pre-COVID-19 levels
- Question of 2021 property tax impact remains
- 2021 Liquid fuels reimbursement from state expected to be lower

	2021 Projected	2021 Low Impact	2021 Medium Impact	2021 High Impact
<b>Total Revenues</b>	5,344,476	5,344,476	5,344,476	5,344,476
<b>Est Revenue Loss</b>	0	-30,025	-117,378	-211,028
<b>Net Revenue</b>	5,344,476	5,314,451	5,227,099	5,133,448
<b>Expenditures</b>	5,505,427	5,505,427	5,505,427	5,505,427
<b>Surplus/(Deficit)</b>	<b>-160,951</b>	<b>-190,976</b>	<b>-278,329</b>	<b>-371,979</b>

# COVID 19 Impact 2021 Budget Considerations

## Revenue:

### Real Estate Taxes

- Consider lowering the collection rate assumptions
  - Review delinquent taxes at year end.
- For those not paid by escrow, consider cash flow impact from the later payment cycle
- Consider a millage increase

### Earned Income Tax

- EIT for 2021 may need to be reduced or kept at 2020 levels depending on the amount received in November 2020; decrease has been around 3 percent
- Consider 2021 budget adjustment to hold 2020 revenue steady or decrease by 1 percent

# COVID 19 Impact 2021 Budget Considerations

## **Expenditures**

- Payroll is biggest expense
- Consider essential staffing levels
- Delay discretionary and/or capital purchases

## **Budget Development**

- Consider developing two “budgets”
  - Normal operating budget for adoption
  - Contingency budget that plans only for vital and necessary services



# Projected Tax Revenues

- Property tax growth is projected to be relatively flat
- Largest growth is anticipated in EIT

	2020	2021	2022	2023	2024	Change 2020-2024	
	Projected	Projected	Projected	Projected	Projected	\$	%
<b>Real Property Taxes</b>	\$1,531,270	\$1,538,676	\$1,546,119	\$1,553,600	\$1,561,118	29,848	1.9
<b>Earned Income Tax</b>	965,000	979,475	994,167	1,009,080	1,024,216	59,216	6.1
<b>Local Service Tax</b>	172,000	173,376	174,763	176,161	177,570	5,570	3.2
<b>Real Estate Transfer Tax</b>	130,000	130,000	130,000	130,000	130,000	0	0.0
<b>Total Tax Revenue</b>	<b>\$2,800,270</b>	<b>\$2,821,527</b>	<b>\$2,845,049</b>	<b>\$2,868,841</b>	<b>\$2,892,904</b>	<b>92,635</b>	<b>3.3</b>

# Projected Non-Tax Revenues

- Interfund transfers are the largest non-tax revenue source and second largest General Fund revenue after taxes at 33 percent of total revenues
- Intergovernmental revenues and other financing decline from 2020 mostly due to various one-time revenues

	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected
<b>Interfund Transfers</b>	\$1,963,142	\$1,695,838	\$1,744,924	\$1,795,442	\$1,847,433
<b>Charges for Services</b>	254,234	254,434	254,638	254,846	255,058
<b>Intergovernmental Revenues</b>	936,115	14,602	14,573	14,545	14,517
<b>Other Financing</b>	911,700	286,700	261,700	236,700	171,700
<b>Licenses and Permits</b>	192,748	194,211	195,691	197,189	198,704
<b>Fines and Forfeits</b>	57,195	57,751	58,312	58,880	59,452
<b>Interest, Rents and Royalties</b>	19,346	19,414	19,482	19,551	19,620
<b>Total Non-Tax Revenue</b>	<b>\$4,334,480</b>	<b>\$2,522,949</b>	<b>\$2,549,321</b>	<b>\$2,577,151</b>	<b>\$2,566,484</b>

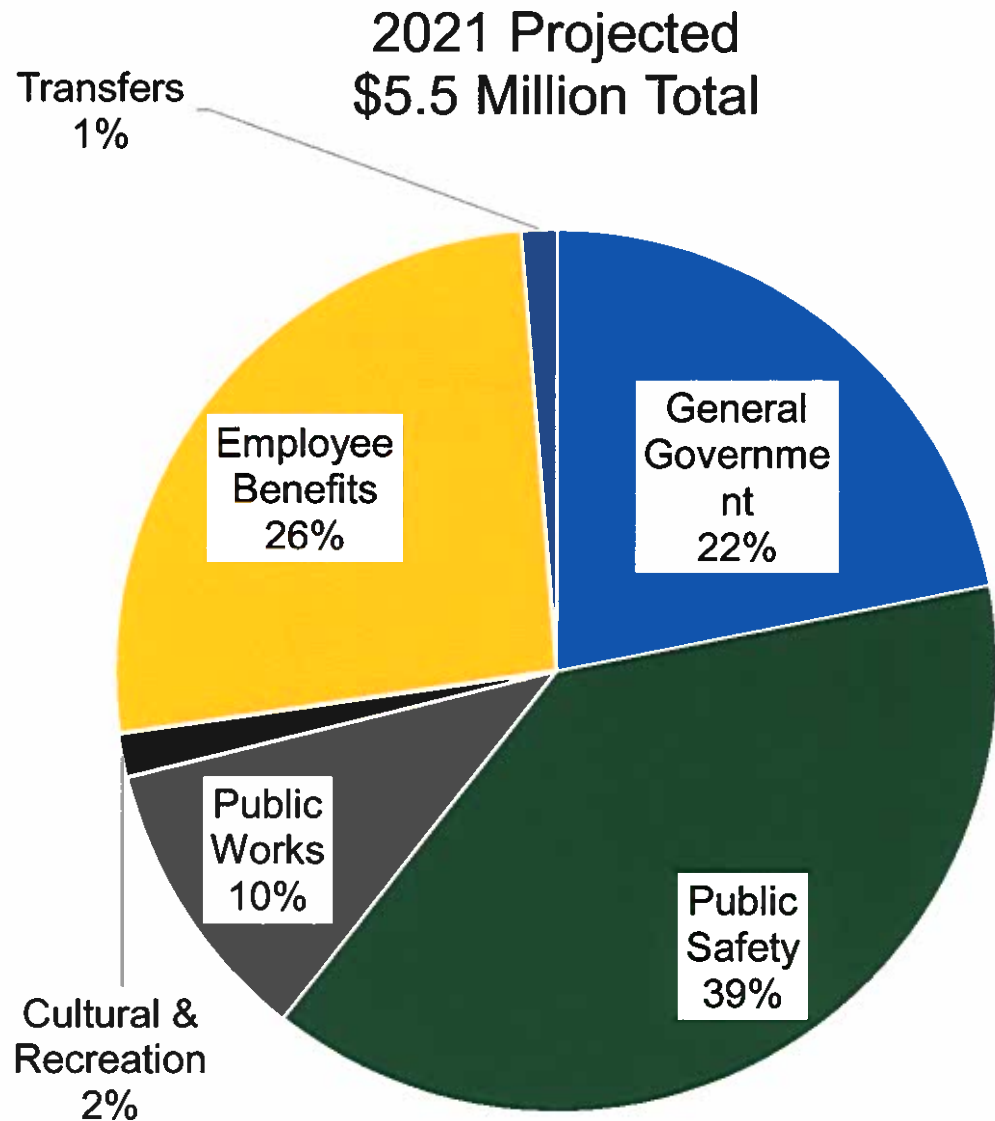
# Personnel and Non-Personnel Expenditures

- Personnel is 80 percent of General Fund costs
- Personnel is projected to increase over \$700,000 or 17.7 percent by 2024
- Salaries expected to rise by 15.3 percent; health insurance anticipated to grow 25 percent
- Personnel currently compensated below market rate for the area

	2020	2021	2022	2023	2024
	Projected	Projected	Projected	Projected	Projected
<b>Personnel</b>	\$4,156,207	\$4,327,963	\$4,505,706	\$4,693,759	\$4,886,781
<b>Non-Personnel</b>	2,478,742	1,065,709	1,043,266	1,111,341	1,049,947
<b>Transfers</b>	485,000	70,805	72,329	73,885	75,475
<b>Debt Service</b>	14,435	40,950	40,950	40,950	40,950
<b>Total Expenditures</b>	<b>\$7,134,385</b>	<b>\$5,505,427</b>	<b>\$5,662,250</b>	<b>\$5,919,935</b>	<b>\$6,053,153</b>

## Projected 2021 Departmental Expenditures

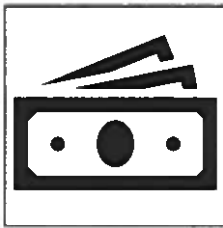
- 2021 shown because 2020 public works budget includes one-time capital projects funded by grants and loans that skew actual costs



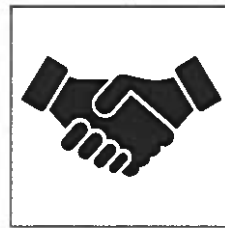
# Financial Findings and Challenges

- Highest expenditures in personnel but wages remain below market for area
- Stagnate tax base struggles to pay for services
- Highest cost center is public safety reflecting borough's robust services of full-time, paid police and full-time fire drivers
- Potential revenue loss from COVID-19 remains unknown
- Transfers from water and sewer funds are critical to Borough operations
- Pooled account prevents Borough from needing a Tax Anticipation Note

# Administrative Review



Some financial accounting practices unduly distort true General Fund costs in relation to the Water and Sewer funds



Strong institutional knowledge, good working relationship with Waynesboro Borough Authority and proactive approach to code enforcement.



Need more proactive approach to day-to-day financial operations including access to financial system now under third-party management and stronger purchase order policy

# Public Works Review



Robust day-to-day public works operations are carried out by several departments and encompass sewer and water functions.



Largest issue is a lack of capital planning



Borough has made steps in this direction by completing an internal road ranking project. Comparative review should be extended to other needs such as equipment and facilities.



# Public Safety Review

- Police
  - 20 full-time officers in 24/7 department
  - Proactive drug enforcement in response to opioids
  - No-cost mutual aid to neighbors including overnight to Washington Township
  - Outdated facilities
  - Regionalization talks stalled
- Fire
  - Five full-time drivers; volunteer chief/firefighters
  - Fire protection agreements with Quincy and Washington Townships
  - Unclear if agreements cover costs

## Immediate Recommendations

Plan

Plan for revenue losses associated with the COVID-19 pandemic

Seek

Seek a comprehensive study through STMP Phase II to review options for providing public safety services.

Approach

Approach Franklin County about conducting a property reassessment

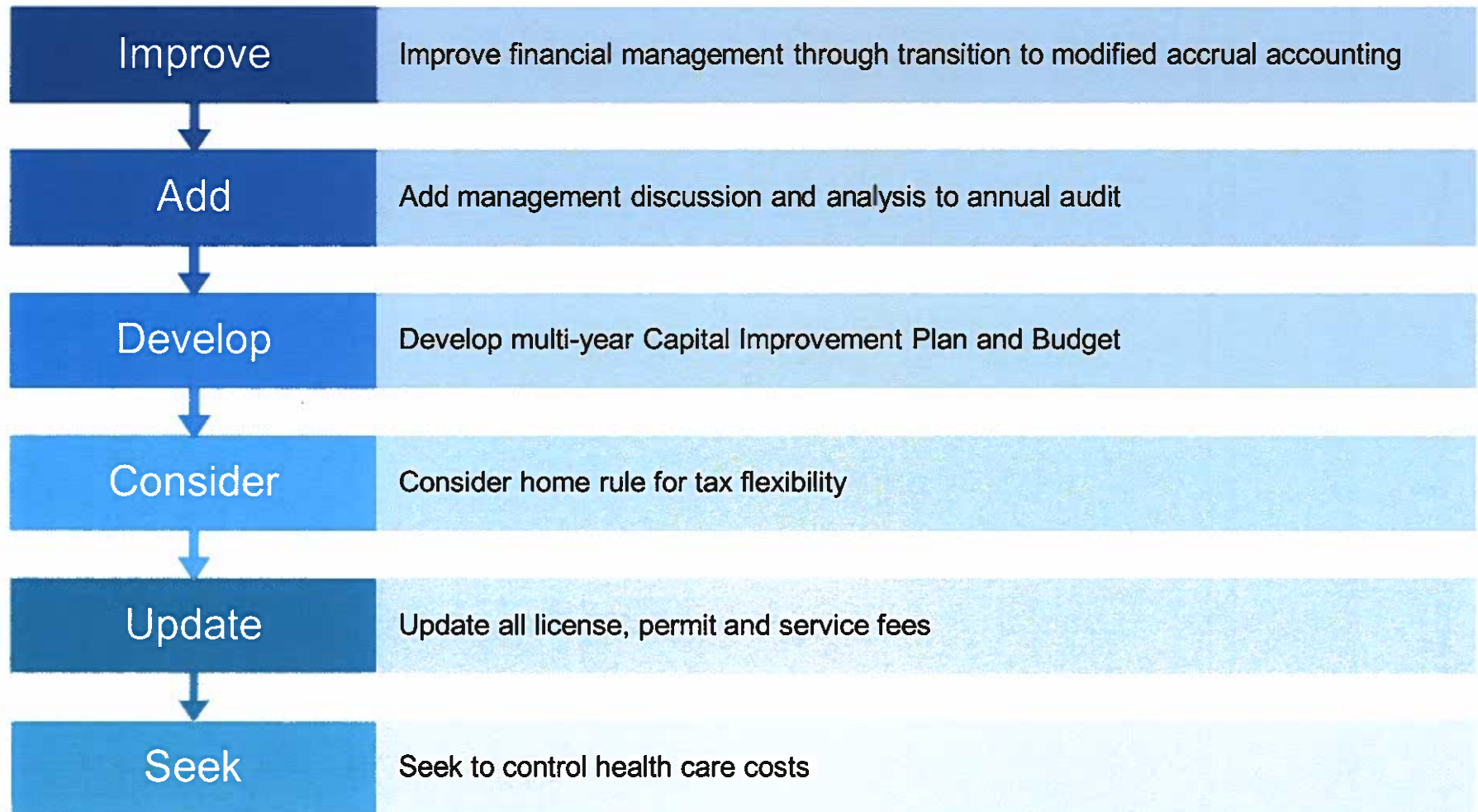
Eliminate

Eliminate interfund transfers and complete a cost allocation study

Ensure

Ensure provisions of the intergovernmental fire services agreements with Quincy and Washington Townships are followed

# Short-Term and Long-Term Financial Recommendations



# Short-Term and Long-Term Operational Recommendations





## Next Steps and Questions



Finalize draft STMP report



Recommendations indicate  
timeline and implementation  
responsibility



Work with DCED  
representative on STMP  
Phase II funding



Questions?