

FINANCIAL ANALYSIS

Introduction

This section evaluates the recent financial information of the Borough and Township to identify trends, strengths and weaknesses, and to assess overall financial condition. Financial information was obtained from municipal audit reports and the Pennsylvania Department of Community and Economic Development.

Taxing Authority

The Pennsylvania Second Class Township Code and the Borough Code establish the maximum rate for real estate taxes which may be levied, setting the maximum annual rate at fourteen mills for townships and thirty mills for boroughs. One levied mill equals one dollar

of property tax on one thousand dollars of assessed value. Upon approval of the County Court, a township or borough may increase the millage as much as five mills for general purposes to meet the needs of an approved budget. The Codes also permit townships and boroughs to assess additional real estate tax millage for special purposes such as fire protection, municipal building construction, road maintenance equipment, recreation and street lighting. Municipalities in Pennsylvania are also authorized, under the Local Tax Enabling Act (Act 511) to levy a number of other taxes including income, per capita, mercantile license, business privilege, amusement, occupation privilege, occupation, and mechanical devices. (See following sidebars.)

TAX RATES IN PIKE COUNTY							
	1997	2004	2005				
	Real Estate (mills)	Real Estate (mills)	Real Estate (mills)	Real Estate Transfer (%)	Resident Earned Inc (%)	Non-Res Earned Inc (%)	Occupation Privilege (\$)
Blooming Grove Township	0.8	0.8	0.8	0.5	0	0	0
Delaware Township	5.9	6.68	6.68	0.5	0	0	0
Dingman Township	4.0	5.0	5.0	0.5	0	0	0
Greene Township	3.0	3.0	3.0	0.5	0	0	0
Lackawaxen Township	3.14	6.0	6.75	0.5	0	0	0
Lehman Township	3.5	3.0	3.0	0.5	0.5	0.5	5.00
Matamoras Borough	23.2	29.0	32.75	0.5	0	0	0
Milford Borough	19.8	25.0	30.0	0.5	0	0	0
Milford Township	4.9	6.9	8.0	0.5	0	0	0
Palmyra Township	1.89	2.1	2.1	0.5	0	0	0
Porter Township	0.25	0.5	0.5	0.5	0.5	1.0	0
Shohola Township	5.6	7.35	8.25	0.5	0	0	0
Westfall Township	16.75	19.38	20.38	0.5	0	0	0
Pike County	11.5	14.17	14.17	0.5	0	0	0
Delaware Valley School	74.63	89.28	89.28	0.5	0	0	0

Second Class Townships

Potential Tax Sources	Legal Limit ¹	Citation
GENERAL PURPOSE TAX LEVIES		
Real Estate	14 mills ²	53 P.S. 68205
Act 511 Taxes		53 P.S. 6901
Per Capita	\$10 ³	
Occupation (Flat Rate)	\$10 ³	
Occupation (Millage)	no limit	
Occupational Privilege	\$10 ³	
Earned Income	1 percent ³	
Realty Transfer	1 percent ³	
Mechanical Devices	10 percent ³	
Amusement ⁴	10 percent ³	
Business Gross Receipts ⁵	1 mill wholesale ³ 1½ mills retail ³ no limit other businesses	
SPECIAL PURPOSE TAXES		
Municipal Building	½ general rate	53 P.S. 68205
Firehouses and Equipment	3 mills ⁶	53 P.S. 68205
Recreation	no limit	53 P.S. 68205
Debt Service	no limit	53 P.S. 68205
Permanent Improvement Fund	5 mills	53 P.S. 68205
Road Machinery Fund	2 mills	53 P.S. 68205
Library	no limit	24 P.S. 4401
Ambulance and Rescue Squads	½ mill ⁶	53 P.S. 68205
Fire Hydrants for Township	2 mills	53 P.S. 68205
Street Lights for Township	5 mills	53 P.S. 68205
Debt Payment ⁷	no limit	53 P.S. 68205
Open Space (real estate or earned income) ⁸	set by voters	32 P.S. 5007.1
Community Colleges	(9)	24 P.S. 19-1909-A
Distressed Pension System Recovery Program	no limit	53 P.S. 895.607(f)
Municipalities Financial Recovery Program ⁷	no limit	53 P.S. 11701.123(c)

1. Home rule townships may set rates higher than the limits provided in state law for property taxes and for personal taxes levied on residents. They may not create new subjects of taxation
2. Five additional mills available with court approval.
3. Maximum rate subject to sharing with school district.
4. For taxes first levied after December 31, 1997, maximum rate is 5 percent.
5. Only if enacted before December 1, 1988.
6. Higher rate may be approved by voters in referendum.
7. Levied only on court order.
8. Requires approval of voters in referendum.
9. Local sponsors may levy any tax permitted by law to support a community college. Revenues from the tax cannot exceed 5 mills of the market value of real estate.

Township Tax Sources (PA Department of Community and Economic Development, *Taxation Manual*)

Boroughs

Potential Tax Sources	Legal Limit ¹	Citation
GENERAL PURPOSE TAX LEVIES		
Real Estate *	30 mills ²	53 P.S. 46302
Occupation	30 mills ²	53 P.S. 46302
Act 511 Taxes*		53 P.S. 6901
Per Capita	\$10 ³	
Occupation (Flat Rate)	\$10 ³	
Occupation (Millage)	no limit	
Occupational Privilege	\$10 ³	
Earned Income	1 percent ³	
Realty Transfer	1 percent ³	
Mechanical Devices	10 percent ³	
Amusement ⁴	10 percent ³	
Business Gross Receipts ⁵	1 mill wholesale ³ 1½ mill retail ³ no limit other businesses	
SPECIAL PURPOSE TAXES		
Debt Service*	no limit	53 P.S. 46302
Pensions and Retirement*	½ mill	53 P.S. 46302
Shade Trees*	1/10 mills	53 P.S. 46302, 47729
Street Lighting*	8 mills	53 P.S. 46302
Library*	no limit	24 P.S. 4401, 53 P.S. 46302
Special Road Fund	5 mills	53 P.S. 46304
Recreation*	no limit	53 P.S. 47712
Fire Equipment & Firehouses	3 mills ⁶	53 P.S. 46302, 49235
Gas, Water, Electric Light ⁷	8 mills	53 P.S. 46302, 49231
Firehouse, Lockup or Municipal Building ⁷	2 mills	53 P.S. 46302, 49241
Community College*	(8)	24 P.S. 19-1909-A
Debt Payment ⁹	no limit	53 P.S. 46303
Ambulance and Rescue Squads	½ mill ⁶	53 P.S. 46302
Open Space (real estate or earned income) ^{7*}	set by voters	32 P.S. 5007.1
Distressed Pension System Recovery Program*	no limit	53 P.S. 895.607(f)
Municipalities Financial Recovery Program ^{9*}	no limit	53 P.S. 11701.123(c)

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*These taxes are also authorized for the incorporated town of Bloomsburg, 1972, P.L. 1441, No. 320.

Borough Tax Sources (PA Department of Community and Economic Development, *Taxation Manual*)

ASSESSED VALUATION INCREASES				
	2000 ASSESSED VALUE	2005 ASSESSED VALUE	2000 -2005 INCREASE	PER MILL TAX RECEIPT INCREASE
Milford Boro	\$ 19,639,730	\$ 19,946,830	\$ 307,100	\$ 307
Milford Twp	\$ 23,427,440	\$ 26,863,190	\$ 3,435,750	\$ 3,436

The *Tax Rates in Pike Table* shows the types and rates of taxes collected by the municipalities in Pike County in 2005. Millages for second-class townships taxing real estate in Pike County range from a low of 0.8 mills in Blooming Grove Township to a high of almost twenty mills in Westfall Township. The highest local municipal real estate tax rate in the County is in Matamoras Borough at twenty-nine mills. In the Milford Planning Area, the Borough’s 2005 tax rate is twenty-five mills and the Township’s is eight mills. Borough tax rates are typically higher than townships given the limited potential for increases in assessed valuation to meet increasing municipal costs. Most townships can rely on a higher base assessed valuation, and with more vacant land, the additional tax revenue generated by new development and construction, to offset some of the tax increases needed to meet escalating costs. See the *Assessed Valuation Increases Table* which clearly shows this effect in Milford Borough. As costs of local government increase, the Borough will clearly need to address the shortfall of increased revenues from a relatively fixed assessed valuation base.

All municipalities in the County assess the 0.5 percent realty transfer tax as authorized by Act 511. Porter Township and Lehman Township are the only municipalities which assess other Act 511 taxes; Lehman assessing both the earned income tax and occupational privilege tax, and Porter the earned income tax. The County real estate tax rate in 2005 was _____ mills, the Delaware Valley School District was 89.28 mills for the 2004-2005 fiscal year. The School District also collects the 0.5 percent realty transfer tax.

In addition to the funds generated by local taxes, municipalities receive a variety of funds from the state, including for example, various grants such as the Dirt and Gravel Road Program, payments in-lieu of taxes on state forest and game lands, Public Utility Realty

Tax Act funds, alcoholic beverage license receipts, certain fines collected by the State Police, and State Liquid Fuels Highway Aid Fund allocations. The Liquid Fuels allocation, based on the local municipal population and road miles, is generally the largest annual amount of state funds received by a municipality. The funds must be used for road maintenance and construction, and must be maintained in an account separate from the municipality’s general funds.

Revenue and Expenditures

General fund revenue and expenditures, as reported in the *Annual Audit and Financial Reports* for 2002 and 2003, are detailed for Milford Borough and Milford Township in the *Audit Report Summary Table*. Budgets for 2004 and 2005 are not significantly different than 2003 revenues and expenditures. Year 2002 tax revenue for all Pike County local municipalities is shown in the *Tax Revenues Table*. In terms of revenue available for meeting general operating expenses, the real estate tax generates the most revenue in Milford Borough and Milford Township, and all Pike County municipalities except Porter Township. The realty transfer tax, assessed by all Pike County municipalities, varies from year to year depending on the level of real estate sales, but accounts for significant revenue in the both the Township and Borough.

On the expenditure side (See the *Audit Report Summary Table*), road maintenance accounts for the highest proportion of real spending (as opposed to fund transfers) in Milford Township, and a significant proportion in Milford Borough. In addition to general funds, each municipality receives an annual allocation in Liquid Fuels Funds from the Commonwealth which are spent on road improvements and maintenance and equipment. In recent years the Township has received an annual allocation of some \$31,000 and the Borough has received some \$24,000.

MILFORD BOROUGH GENERAL FUND AUDIT REPORT SUMMARY			
REVENUES	audit reports for ° ° °	2002	2003
	Taxes - real estate	\$380,590	\$451,290
	Taxes - real estate transfer	\$68,900	\$35,710
	Licenses and Permits	\$4,890	\$5,570
	Fines and Forfeits	\$36,850	\$32,080
	Interest and Rents	\$4,340	\$2,560
	Intergovernmental (federal, PURTA, alcoholic beverage licences, state pension aid, other)	\$25,770	\$24,730
	Charges for Services (general government, public safety, other)	\$58,470	\$27,680
	Miscellaneous (private sector contributions, other)	\$15,050	\$7,500
	Other Sources (interfund, fixed asset distribution, debt proceeds, refunds)	\$720	\$91,470
	Total Revenues	\$595,580	\$678,590
EXPENDITURES	audit reports for ° ° °	2002	2003
	General Government (legis/gov body, accounting, tax collection, legal, staff, engineering, buildings)	\$116,720	\$190,030
	Public Safety (police, fire, inspections, planning)	\$301,190	\$295,190
	Public Works (solid waste, electric system)	\$126,290	\$70,760
	Streets and Highways (general services, winter maintenance, street lights, equipment repairs)	\$26,430	\$89,580
	Culture and Recreation, Libraries	\$0	\$0
	Planning and Development	\$0	\$0
	Debt Service	\$0	\$590
	Miscellaneous (inter-govt, pension, insurance, payroll taxes, employee benefits, other)	\$36,600	\$50,160
	Other Financing Uses (refund of prior year revenue, interfund operating transfers)	\$57,480	\$45,120
	Total Expenditures	\$664,710	\$741,430
Excess/Deficit (total revenues - total expenditures)		(\$69,130)	(\$62,840)

MILFORD TOWNSHIP GENERAL FUND AUDIT REPORT SUMMARY			
REVENUES	audit reports for ° ° °	2002	2003
	Taxes - real estate	\$176,580	\$175,340
	Taxes - real estate transfer	\$56,110	\$46,090
	Licenses and Permits (cable TV franchise, other)	\$4,230	\$4,970
	Fines and Forfeits	\$3,790	\$4,770
	Interest and Rents	\$400	\$520
	Intergovernmental (alcoholic beverage licences, state forest in-lieu, other)	\$17,590	\$19,580
	Charges for Services (general government, public safety, solid waste)	\$29,360	\$47,390
	Miscellaneous (private sector contributions, other)	\$2,270	\$0
	Other Sources (interfund, refunds)	\$22,000	\$23,820
	Total Revenues	\$312,330	\$322,480
EXPENDITURES	audit reports for ° ° °	2002	2003
	General Government (legis/gov body, accounting, tax collection, legal, staff, engineering, buildings)	\$74,500	\$61,670
	Public Safety (fire, inspections, planning)	\$41,420	\$61,470
	Public Works (solid waste clean-up day)	\$1,710	\$2,400
	Streets and Highways (general, construction, winter mntc, signals, street lights, equipment repairs)	\$83,690	\$68,040
	Culture and Recreation, Libraries	\$5,500	\$6,050
	Debt Service	\$0	\$0
	Miscellaneous (inter-govt, pension, payroll taxes, employee benefits, other)	\$7,690	\$23,370
	Other Financing Uses (refund of prior year revenue, interfund operating transfers)	\$89,560	\$68,480
	Total Expenditures	\$304,070	\$291,480
	Excess/Deficit (total revenues - total expenditures)	\$8,260	\$31,000

TAX REVENUES - YEAR 2002 (Pennsylvania Department of Community and Economic Development)					
	Total Taxes	Real Estate	Real Estate Transfer	Earned Income	Occupation Privilege
Blooming Grove Township	\$286,513	\$84,902	\$201,611	\$0	\$0
Delaware Township	\$687,019	\$512,250	\$174,769	\$0	\$0
Dingman Township	\$910,435	\$637,106	\$273,329	\$0	\$0
Greene Township	\$273,663	\$188,767	\$84,896	\$0	\$0
Lackawaxen Township	\$578,501	\$429,636	\$148,865	\$0	\$0
Lehman Township	\$1,067,564	\$445,677	\$246,411	\$371,826	\$3,650
Matamoras Borough	\$531,403	\$507,575	\$23,828	\$0	\$0
Milford Borough	\$449,493	\$380,589	\$68,904	\$0	\$0
Milford Township	\$232,689	\$176,583	\$56,106	\$0	\$0
Palmyra Township	\$426,058	\$239,566	\$186,492	\$0	\$0
Porter Township	\$36,847	\$6,753	\$17,451	\$12,643	\$0
Shohola Township	\$300,695	\$241,385	\$59,310	\$0	\$0
Westfall Township	\$790,622	\$718,962	\$71,660	\$0	\$0
TOTAL	\$6,571,502	\$4,569,751	\$1,613,632	\$384,469	\$3,650

The higher level of spending on roads is not uncommon in less populated townships where road maintenance and improvement have historically been a principal governmental responsibility. In the case of the Borough, public safety, which includes police protection, is the highest spending category. The *general government* category, which includes the costs of administration and building maintenance, and the *insurance, payroll taxes employee benefits* account for most of the other expenditures in both municipalities.

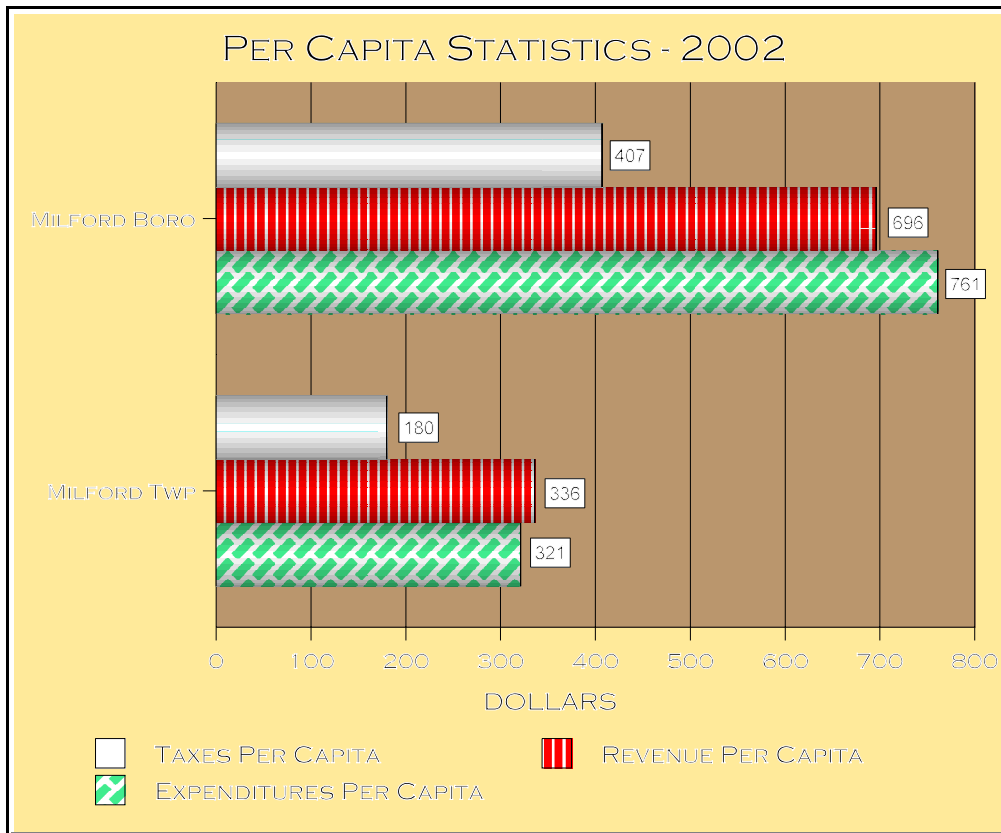
Municipal Comparisons

Comparing the Township and Borough to the other municipalities in the County is another means of assessing financial condition. The *Financial Statistics Table* presents per capita financial data for all municipalities in Pike County and the *Per Capita Statistics Figure*, presents per capita financial data for Milford Township and Milford Borough. The data, obtained from the Pennsylvania Department of Community and Economic Development, is the most recent which is readily available for all municipalities. The per capita data for the Township and Borough for more recent years is not significantly different.

While this data is useful to compare municipalities, it does not necessarily rank the financial management abilities of individual townships and boroughs. The level of facilities and services provided by each jurisdiction varies considerably and directly affects expenditures and the amount of revenue required. For example, the police and debt service costs accrued in some municipalities are not a factor in the budgets of many of the townships in the County, and the length of roads maintained varies. In the case of the boroughs, the costs of services are supported by a much lower assessed valuation.

In 2002, Milford Township and Milford Borough were about equal in market value of real estate per capita. However, given the fixed costs of local government and the range of facilities and services provided by the Borough, its per capita taxes, revenue, and expenditure were significantly higher than Milford Township and the other municipalities in the County. As noted earlier and as evidenced by the per capita statistics, as demand for facilities and services increases Milford Borough will have a much more difficult time balancing its budget than most other Pike County municipalities.

FINANCIAL STATISTICS - YEAR 2002 (Pennsylvania Department of Community and Economic Development)							
	Mkt Val per Capita	Taxes per Capita	Revenue per Capita	Rev : Tax Per Capita	Expend per Capita	Total Debt	Debt Per Capita
Blooming Grove Township	\$119,048	\$79	\$145	1.8	\$111	\$0	\$0
Delaware Township	\$55,843	\$109	\$178	1.6	\$155	\$4,748	\$1
Dingman Township	\$58,408	\$104	\$171	1.6	\$144	\$0	\$0
Greene Township	\$79,406	\$87	\$153	1.8	\$138	\$59,006	\$19
Lackawaxen Township	\$111,172	\$139	\$234	1.7	\$229	\$0	\$0
Lehman Township	\$81,845	\$142	\$181	1.3	\$159	\$0	\$0
Matamoras Borough	\$34,099	\$230	\$308	1.3	\$323	\$0	\$0
Milford Borough	\$73,824	\$407	\$696	1.7	\$761	\$0	\$0
Milford Township	\$75,526	\$180	\$336	1.9	\$321	\$0	\$0
Palmyra Township	\$196,115	\$135	\$233	1.7	\$192	\$0	\$0
Porter Township	\$150,511	\$96	\$208	2.2	\$185	\$0	\$0
Shohola Township	\$77,327	\$144	\$218	1.5	\$240	\$98,566	\$47
Westfall Township	\$59,402	\$325	\$513	1.6	\$466	\$223,034	\$92



REAL ESTATE TAX REVENUE POTENTIAL – 2005						
	TOTAL REAL ESTATE TAX MILLAGE	ASSESSED VALUE	GENERAL PURPOSE GROSS TAX RECEIPTS	AVAIL GENERAL PURPOSE MILLS*	POTENTIAL ADDITIONAL GENERAL PURPOSE GROSS TAX RECEIPTS	5-MILL COURT APPROVED ADDITIONAL GENERAL PURPOSE GROSS TAX RECEIPTS
Milford Boro	30.0	\$ 19,946,830	\$ 598,405	0.0	\$0	\$ 99,734
Milford Twp	8.0	\$ 26,863,190	\$ 214,906	6.0	\$ 161,179	\$ 134,316

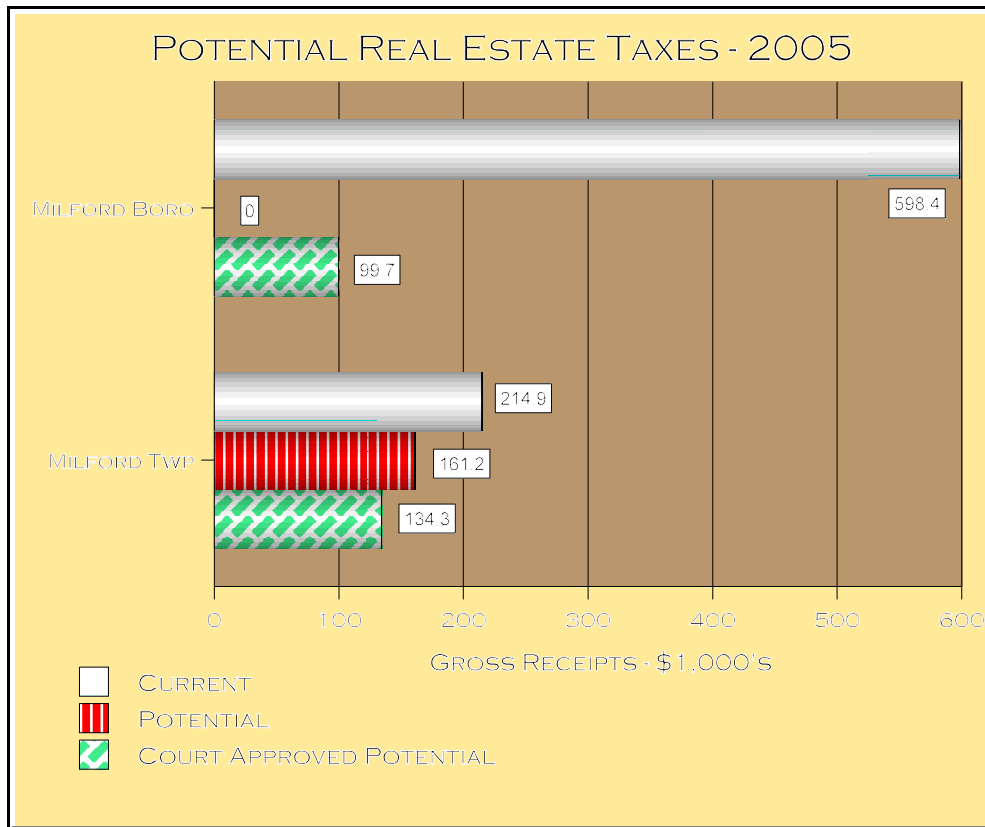
*State law sets the real estate tax limit for general purposes at 30 mills for boroughs and 14 mills for townships of the second class. The Court may grant up to 5 mills additional if the taxing body shows it is necessary to meet an approved budget.

The ratio of total revenues to tax revenues provides a measure of the level of non-local funds used for municipal operations. The higher the ratio, the greater the proportion of non-local tax funds. In 2002, the Borough and Township were on par with most of the other municipalities in the County.

Real Estate Tax Potential

As the Milford Planning Area population changes in character and increases, the cost of facilities and

services will also increase. Additionally, inflation will increase the cost of maintaining the current level of facilities and services. Local governments throughout the Commonwealth must deal with raising additional funds for their operations. In any case, increased spending must be assessed in terms of the total local tax burden (borough/township, county, and school district) and the real need and demand for additional facilities and services.



The demand for increased levels of normal facilities and services is often associated with a dramatic increase in residential development. Concurrently, the assessed valuation would be increasing, which could partially offset the need for an increase in millage. However, studies have shown that residential development generates the need for more public expenditures than it does tax receipts to cover such costs. The School District's perspective is the most obvious example; an increase in population and number of school children would directly result in increased costs.

One good indicator of a municipality's financial position is the balance of annual revenues and expenditures considered in terms of additional available taxing power. The *Real Estate Tax Revenue Potential Table* and the *Potential Real Estate Taxes Figure* report current real estate tax rates, and potential additional tax revenue with millages at the state statutory limit and with court approval. The intent is simply to provide a measure of each jurisdiction's ability to generate additional real estate tax revenue should such funds be required for unanticipated emergency expenditures, rather than as a means of planning for tax increases.

Given its higher assessed valuation and lower millage, Milford Township has the greatest potential for additional tax revenues. The Township will certainly be able to meet its revenue needs withing its current tax structure for many years. Owing largely to its relatively fixed real estate valuation, Milford Borough has reached the 30-mill limit, a position shared by many mature, small boroughs in the Commonwealth. Increased costs of governance will obviously require the Borough to find additional revenue sources. Of course, the critical question is how much are residents and businesses willing, and able, to pay for local government services.

Another important factor in the financial condition of a municipality is long-term debt. Neither the Borough nor the Township has any long-term debt.

Other Revenue Sources

In addition to the potential from the general fund levy, the Act 511 (Local Tax Enabling Act) taxes can be used for general fund purposes; and, the Special Purpose Taxes provide funding for a variety of specific facilities and services. (See the *Borough Tax Sources Figure*.) One option for increased revenue

would be to make special levies for streets, emergency services, recreation and other authorized purposes thereby shifting the expenditures from the general fund and freeing the associate millage.

Act 511 offers both flat rate and proportional taxes. Based on the relatively low individual assessment, \$10 if not shared with the school district, the potential for significant additional revenue from the occupational privilege, per capita, and flat rate occupation taxes is limited by the small population base of the Borough. The earned income occupation millage and business gross receipts, all proportional taxes, hold the potential for the generation of more significant revenues. The mechanical devices (video games, juke boxes, coin operated pool tables, etc.) and amusement (recreation and entertainment) taxes, also graduated, have limited applicability in the Borough. Detailed discussion of Act 511 and all other taxes is found in the *Taxation Manual* published by the Pennsylvania Department of Community and Economic Development.

The earned income tax holds the greatest potential for increased revenue. However, this would be a major change in tax structure for the Borough. Except in financially distressed communities and where voters approve an additional tax for open space purposes, the rate is limited to one percent. Tax collection costs typically consume a small portion of the tax levy and the Local Tax Enabling Act requires 50/50 sharing with school districts that assess the tax. Local employers must withhold the taxes. The system often becomes confusing because municipalities which levy taxes on nonresidents working in the municipality are required to grant a credit for any income tax levied at the place of residence. Similar to an increase in real estate taxes, the imposition of an earned income tax would likely be viewed with great concern by many residents. The same can be said for the occupation millage and business gross receipts.

Fees and user charges are important in terms of ensuring that the costs of certain municipal services provided to residents and property owners are covered. For example, the Borough and Township must set fees for permits high enough to cover administrative expenses. In the case of water service, the Milford Water Authority assesses charges to cover the cost of operation and long-term capital improvements.

Future Considerations

Continued careful financial management, setting spending priorities, and planning for necessary capital expenditures are critical. A capital budget with earmarked reserve funds is an invaluable tool for anticipating and funding large expenditures such as equipment, buildings and parks, and the Township and Borough should develop a budget for any such expenditures. This *Comprehensive Plan* will serve to identify and prioritize community facility and service needs which can be incorporated into financial planning and budgeting. The *Plan* can also strengthen grant applications for specific facilities and grant funding must be used as much as possible. Finally, the municipalities must continue to work together on providing facilities and services to use area wide resources most efficiently.