



BOROUGH OF STATE COLLEGE

243 South Allen Street, State College, PA 16801-4806

Five-Year Financial Forecast 2011-2015

August 16, 2010

Executive Summary

This multi-year financial forecast projects revenues and expenditures of the Borough's General Fund from 2011–2015. It is offered as Council gives consideration to the impacts that near-term budgetary decisions and policies will have on the Borough's long-term financial health and performance. Considered in conjunction with the Financial Trend Monitoring System and Capital Improvement Plan, this report offers a framework for discussions of policy in terms of Capital Planning, Balanced Budgeting, Taxation, Programs and Services and Fund Balance in advance of the Annual Operating Budget process.

The forecast models the Borough's General Fund, 2011 through 2015, based upon an "image" of 2010. The specific "image" is the 2010 Year-End projection which has been developed with particular care and consideration by Borough staff. The 2010 Year-End projection represents the most accurate "image" of the General Fund and accounts for recent changes in both internal and external environments which have impact on overall budgetary performance.

The forecast also assumes that revenues and expenditures will generally follow the trend paths of prior years as more fully described in the Financial Trend Monitoring System report. However, many things can change from year to year, so staff has again reviewed the revenue and expenditure assumptions for accuracy and made changes where warranted.

This year's model reveals that the underlying financial challenges that existed last year remain:

- **Flat Tax Base**
 - Over fifty-percent (50%) of the Borough's General Fund revenue is derived from three tax revenue sources that grow at a rate of approximately one percent (1.0%):
 - Real Estate, Earned Income and Local Services taxes
- **Revenue growth does not meet Expenditure growth**
 - Absent tax rate increases, maintaining the principle of a Balanced Budget will be out of reach in 2013-2015.
 - In order to balance the budget, Staffing Levels will need to continue to contract.
 - As Staffing Levels continue to decline, Programs and Services Performance will likely be impacted.
- **Capital Improvements "investing" will require strict discipline and deliberate focus**
 - Capital needs at the Regional level are now in competition for funding with local projects.

Five-Year Financial Forecast 2011-2015

	2011	2012	2013	2014	2015
Beginning Fund Balance	\$ 2,337,448	\$ 1,667,826	\$ 446,882	\$ (1,871,843)	\$ (4,921,455)
Revenues	\$ 18,856,001	\$ 19,514,958	\$ 19,628,596	\$ 19,859,587	\$ 20,093,983
Expenditures	\$ 19,525,623	\$ 20,735,902	\$ 21,947,321	\$ 22,909,199	\$ 24,124,076
Revenues less Expenditures	\$ (669,622)	\$ (1,220,944)	\$ (2,318,725)	\$ (3,049,612)	\$ (4,030,093)
Ending Fund Balance	\$ 1,667,826	\$ 446,882	\$ (1,871,843)	\$ (4,921,455)	\$ (8,951,548)
Fund Balance Reserve Goal (12%)	\$ 2,343,074.76	\$ 2,488,308.24	\$ 2,633,678.52	\$ 2,749,103.88	\$ 2,894,889.12

Capital Planning

- Capital Improvements Funding is sustained **without** General Fund contributions
- Includes Future Debt Service and Operating Costs for Regional Parks
- Includes Future Debt Service as approved in the 2011-2015 Capital Improvements Plan to fund “needed and necessary” local capital projects:

BD052, Municipal Service Facility	IT111, Integrated Operations Management
OP053, West End Revitalization	OP071, 800 mHz Radio Replacement
OP151, Housing Trust	ST001, Street Reconstruction

Balanced Budgeting

- Annual expenditures exceed annual revenues in all 5 years

Tax Policy

- Maintains current levies in 2011:
 - Real Estate Tax 11.04 mills
 - Earned Income Tax 1.3%
 - Local Services Tax \$47.00
 - Real Estate Transfer Tax 1.25%
- Real Estate tax increase in 2012:
 - 1.0 mills to fund Regional Parks capital and operating costs

Programs and Services

- Maintains programs and levels of services at current rates

Fund Balance

- Uses \$669,000 of available Fund Balance in 2011, \$1.2 million in 2012 and the remaining \$446,000 in 2013.

Five-Year Financial Forecast
2011-2015

	2011 Forecast	2012 Forecast	2013 Forecast	2014 Forecast	2015 Forecast
Real Estate Assessed Valuation	\$ 445,747,309	\$ 448,464,291	\$ 451,197,834	\$ 453,948,039	\$ 456,715,007
Real Estate Millage	0.01104	0.01104	0.01104	0.01104	0.01104
Debt Service Millage (Future)	0	0	0	0	0
Pension Millage	0	0	0	0	0
Capital Improvements Millage	0	0	0	0	0
Regional Parks Millage	0	0.001	0.001	0.001	0.001
Total Millage	0.01104	0.01204	0.01204	0.01204	0.01204

Beginning Fund Balance	\$ 2,337,448	\$ 1,667,826	\$ 446,881	\$ (1,871,844)	\$ (4,921,457)
REVENUES					
Real Estate Taxes	\$ 4,798,024	\$ 5,264,522	\$ 5,296,611	\$ 5,328,896	\$ 5,361,377
Fraser Centre Real Estate Tax	\$ -	\$ -	\$ 118,495	\$ 118,495	\$ 118,495
DID Contribution	\$ -	\$ -	\$ 27,500	\$ 27,500	\$ 27,500
Earned Income Taxes	\$ 3,891,207	\$ 3,932,854	\$ 3,974,948	\$ 4,017,492	\$ 4,060,491
Other Taxes	\$ 1,883,650	\$ 1,902,487	\$ 1,921,511	\$ 1,940,726	\$ 1,960,134
Licenses & Permits	\$ 550,898	\$ 565,867	\$ 581,243	\$ 597,037	\$ 613,260
Fines & Costs	\$ 1,459,118	\$ 1,477,977	\$ 1,497,079	\$ 1,516,428	\$ 1,536,028
Interest & Rents	\$ 93,998	\$ 94,468	\$ 94,940	\$ 95,415	\$ 95,892
Intergovernmental Revenue	\$ 583,308	\$ 585,354	\$ 587,407	\$ 589,467	\$ 591,534
Department Earnings	\$ 4,227,325	\$ 4,311,871	\$ 4,398,109	\$ 4,486,071	\$ 4,575,792
Miscellaneous	\$ 11,615	\$ 11,731	\$ 11,848	\$ 11,967	\$ 12,087
One Time Transfers	\$ 260,000	\$ 260,000	\$ -	\$ -	\$ -
Interfund Transfers	\$ 1,096,858	\$ 1,107,827	\$ 1,118,905	\$ 1,130,094	\$ 1,141,395
Insurance Reserve					
TOTAL REVENUES	\$ 18,856,001	\$ 19,514,958	\$ 19,628,596	\$ 19,859,587	\$ 20,093,983

Five-Year Financial Forecast
2011-2015

	2011 Forecast	2012 Forecast	2013 Forecast	2014 Forecast	2015 Forecast
EXPENDITURES					
Administration	\$ 1,005,083	\$ 1,041,677	\$ 1,079,603	\$ 1,118,910	\$ 1,159,649
Finance	\$ 511,765	\$ 530,690	\$ 550,314	\$ 570,663	\$ 591,765
Tax Collection	\$ 492,620	\$ 505,924	\$ 519,586	\$ 533,618	\$ 548,029
Information Technology	\$ 596,586	\$ 644,312	\$ 695,857	\$ 751,526	\$ 811,648
Police	\$ 8,591,933	\$ 9,075,658	\$ 9,586,618	\$ 10,126,345	\$ 10,696,458
Planning and Zoning	\$ 622,860	\$ 661,602	\$ 702,754	\$ 746,465	\$ 792,895
Parking Enforcement	\$ 362,866	\$ 379,195	\$ 396,259	\$ 414,090	\$ 432,724
Department of Health	\$ 326,613	\$ 341,310	\$ 356,669	\$ 372,719	\$ 389,492
Public Works	\$ 3,780,015	\$ 3,950,115	\$ 4,127,871	\$ 4,313,625	\$ 4,507,738
Regional Programs	\$ 1,179,485	\$ 1,202,932	\$ 1,226,845	\$ 1,251,233	\$ 1,276,106
Regional Parks Operating	\$ 25,000	\$ 330,000	\$ 330,000	\$ 330,000	\$ 330,000
Regional Parks Debt Service	\$ 116,185	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Regional Pools Debt Service	\$ 154,100	\$ 153,665	\$ 153,089	\$ 153,694	\$ 153,694
Debt Service	\$ 968,488	\$ 955,362	\$ 953,907	\$ 952,934	\$ 955,020
Fraser Centre Debt Service	\$ -	\$ -	\$ 75,231	\$ 75,231	\$ 75,231
Projected Future Debt	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 700,000
Interfund Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Improvements	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Pension Obligation	\$ 260,000	\$ 276,115	\$ -	\$ -	\$ -
Miscellaneous	\$ 208,823	\$ 210,911	\$ 213,020	\$ 215,150	\$ 217,302
Pass-thru Grants	\$ 323,202	\$ 326,434	\$ 329,698	\$ 332,995	\$ 336,325
TOTAL EXPENDITURES	\$ 19,525,623	\$ 20,735,902	\$ 21,947,321	\$ 22,909,199	\$ 24,124,076
Net Budget Performance	\$ (669,622)	\$ (1,220,945)	\$ (2,318,725)	\$ (3,049,613)	\$ (4,030,093)
Actual Ending Fund Balance	\$ 1,667,826	\$ 446,881	\$ (1,871,844)	\$ (4,921,457)	\$ (8,951,550)
Add/(Use) Fund Balance	\$ (669,622)	\$ (1,220,945)	\$ (2,318,725)	\$ (3,049,613)	\$ (4,030,093)
Fund Balance Percentage	8.54%	2.16%	-8.53%	-21.48%	-37.11%

Debt Policy Limits					
General Debt (10% Maximum)	5.14%	4.90%	7.79%	7.69%	8.61%
Regional Debt (2% Maximum)	1.43%	1.56%	1.54%	1.53%	1.51%
	6.57%	6.45%	9.33%	9.22%	10.12%