

Municipality of Murrysville

Analysis of Financial Condition

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Scorecard:

Positive Factors 17

Neutral Factors 10

Negative Factors 12

Analysis of Financial Condition

- Forecasting Techniques
 - Initial forecast obtained through Econometric Analysis
 - Adjustments were made using Expert forecasting

Revenues

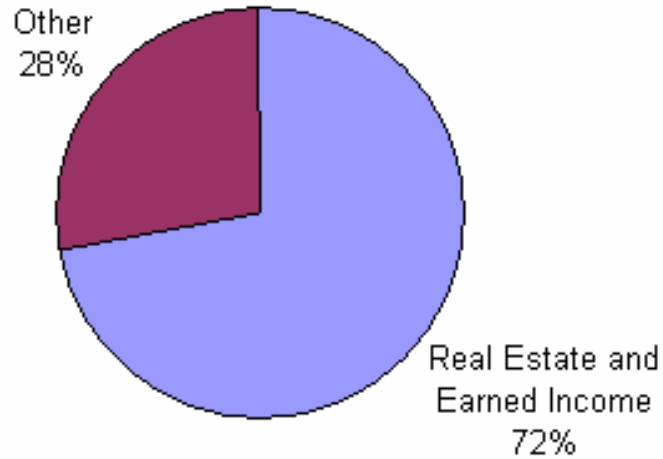
- Introduction:
 - In 2003 Real Estate Taxes and Earned Income Taxes made up 75.6% of 2003 General Fund Revenues
 - During the evaluation period General Fund revenues increased 37.47% or about \$2,000,000
 - Revenues have been above expenditures every year

Revenues

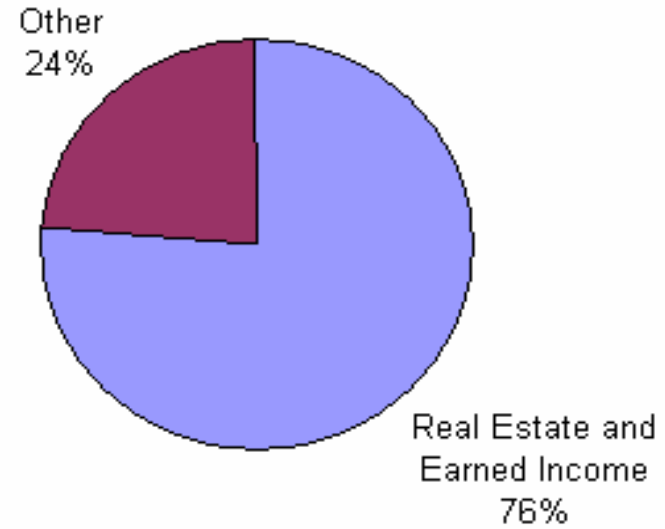
- Warning Sign #1
 - Increasing dependence on Real Estate Taxes and Earned Income Taxes

Increasing level of dependence

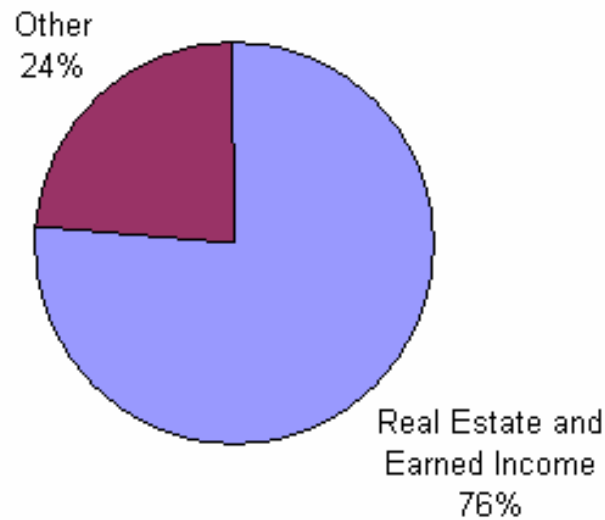
1994



2003



2009



Revenues

- Warning Sign #2
 - Future decline in Earned Income Taxes
 - Slowing of growth in Murrysville hurts Real Estate Tax Revenues

Earned Income Tax

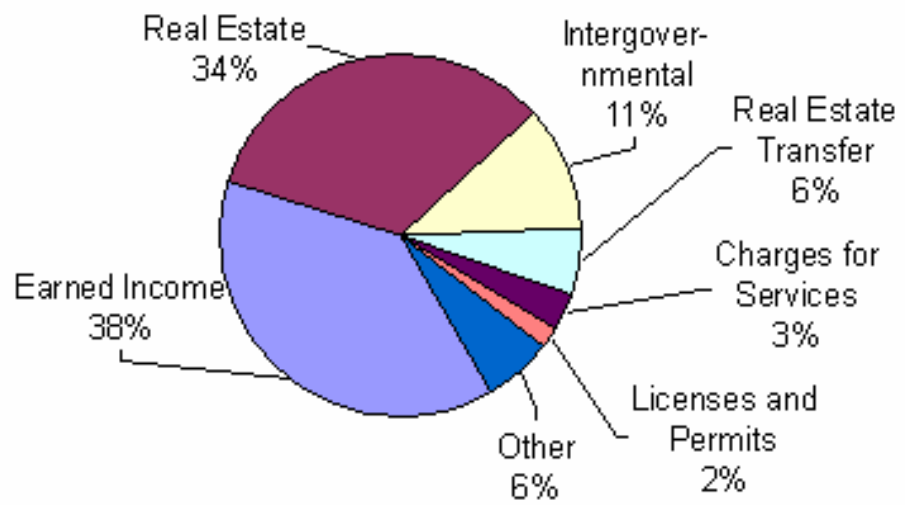
- Introduction:
 - Earned Income Tax is the largest source of revenue making up 42% of General Fund Revenues in 2003
 - Two components of Earned Income Tax are Current (96%) and Prior (4%)
 - Tax base is income of Murrysville residents
 - Impossible to increase taxes because already at legal limit of 0.5%

Earned Income Tax

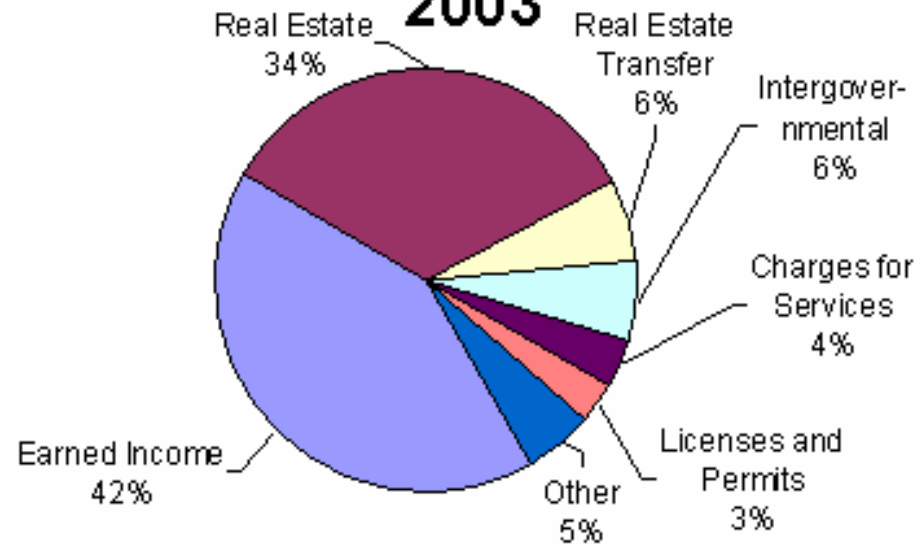
- Problem #1
 - Increasing Dependence on Earned Income Taxes

GENERAL FUND REVENUES

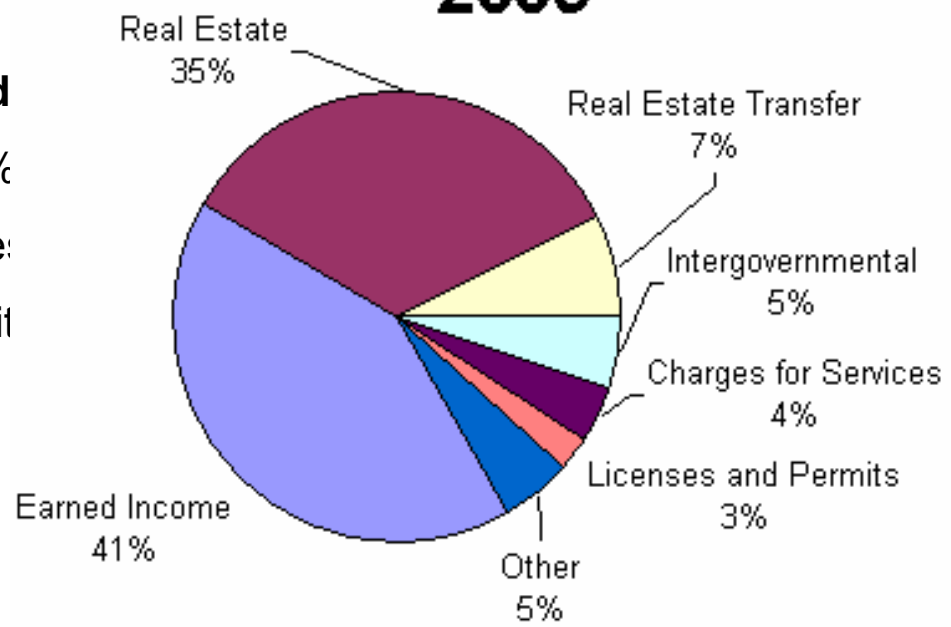
1994



2003



2009

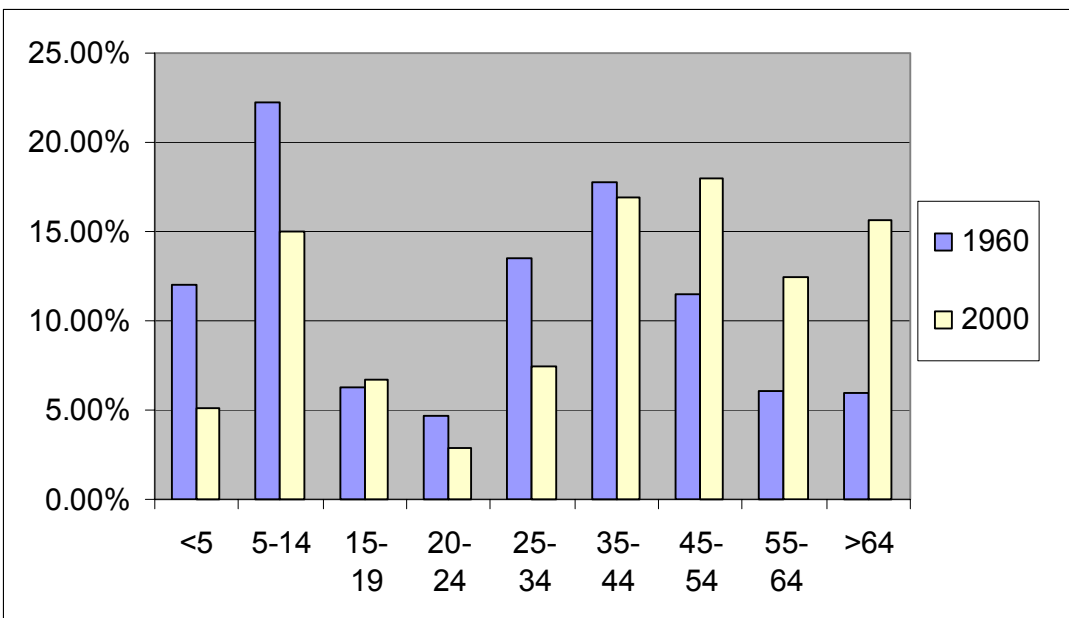


Increasing Depend
 Earned Income +4%
 Charges for Service:
 Licenses and Permit

Change:
 | Estate
 | Estate Transfer

Earned Income Tax

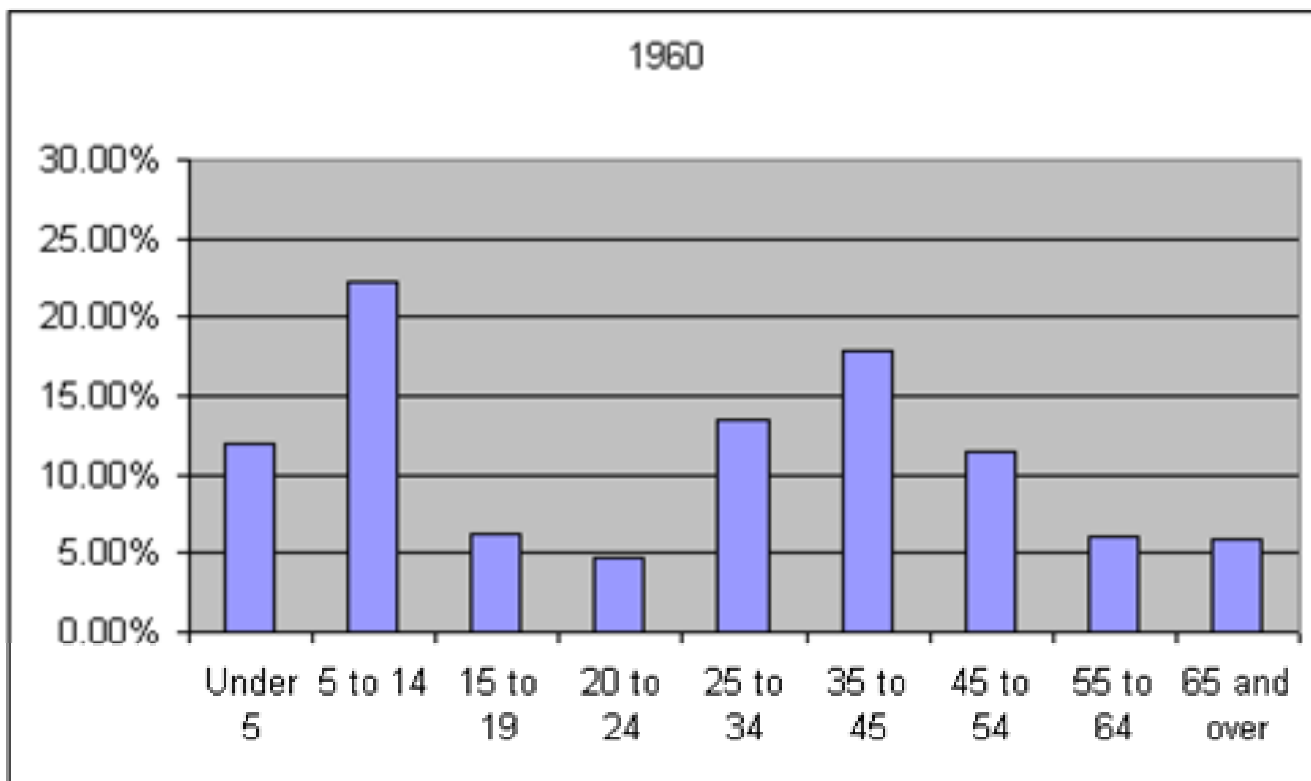
- Problem #2
 - Aging population for Murrysville



	1960		2000		Percentage Change 1960-2000
Under 5	1,022	12.00%	962	5.10%	-57.50%
5 to 14	1,891	22.20%	2,831	15.00%	-32.43%
15 to 19	537	6.30%	1,264	6.70%	6.35%
20 to 24	400	4.70%	547	2.90%	-38.30%
25 to 34	1,150	13.50%	1,397	7.40%	-45.19%
35 to 44	1,516	17.80%	3,189	16.90%	-5.06%
45 to 54	979	11.50%	3,397	18.00%	56.52%
55 to 64	520	6.10%	2,340	12.40%	103.28%
65 and over	503	5.90%	2,944	15.60%	164.41%
Total Population	8,517		18,872		

Source: U.S. Census Bureau

Changes to Age Distributions



Changes in Age Groups 1960-2000

	Working Age (15-64)	Family Stage (20-44)	Younger than 45 Years old	45 Years old and over	Retirement (65 and over)
1960	59.90%	36.00%	76.50%	23.50%	5.90%
1970	58.80%	42.80%	74.50%	25.50%	6.30%
1980	65.70%	35.40%	70.60%	29.40%	6.90%
1990	67.60%	23.50%	62.30%	37.60%	11.10%
2000	64.30%	12.00%	54.00%	46.00%	15.60%
Percent Change	7.35%	-66.67%	-29.41%	95.74%	164.41%

Earned Income Tax

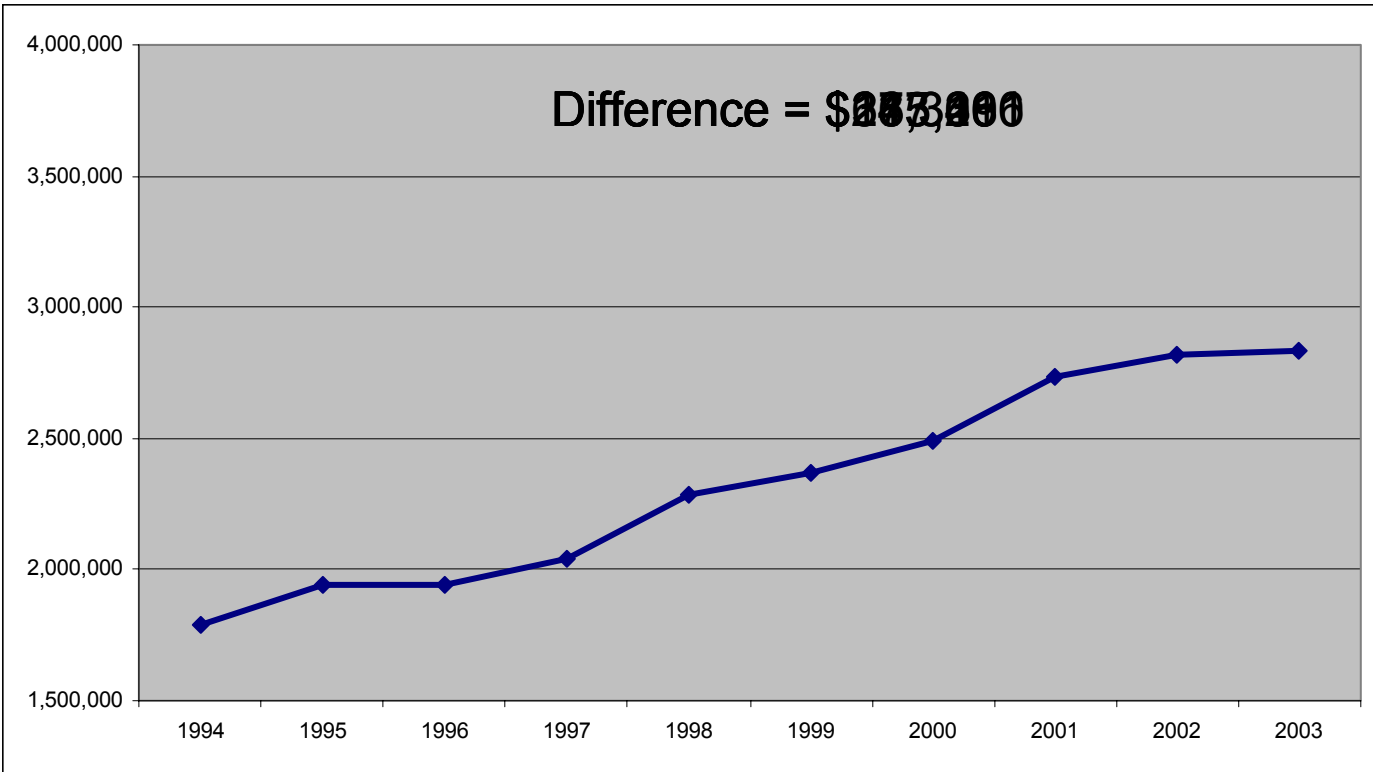
What is the effect of an aging population of Murrysville on Earned Income Tax revenues?

Earned Income Tax

- Forecasted Earned Income:
 - Adjustment of -0.25% per year to compensate for aging population

	Initial Percent Increase	Adjustment	New Percent Increase
2004	3.16%	-1.00%	2.16%
2005	5.88%	-1.25%	4.63%
2006	4.93%	-1.50%	3.43%
2007	4.75%	-1.75%	3.00%
2008	4.36%	-2.00%	2.36%
2009	4.86%	-2.25%	2.61%

Earned Income Tax Revenue



Adjusted Earned Income Tax Revenue Initial Earned Income Tax Revenue

Total Effect of Aging Population = \$965,906

Earned Income Tax

- Summary:
 - Increasing dependence on Earned Income Tax Revenue
 - Aging population of Murrysville's residents
 - Slowing in growth of Earned Income in the future

Real Estate Tax

- Introduction:
 - Real Estate Tax is the second largest source of revenue making up 34% of General Fund Revenues in 2003
 - Three components of Real Estate Tax are Current (96%), Prior (1%), and Delinquent (3%)
 - Only two factors directly effect amount of revenue: Millage and amount of development
 - Any major increase in revenue has to come from Real Estate Taxes in the form of a millage increase

Real Estate Tax

- Problem #1
 - Slowing of “organic growth” leads to slower revenue increases
 - Organic growth is defined as an increase in revenues from an increase in the number of taxpayers (tax base) as opposed to an increase in tax rates

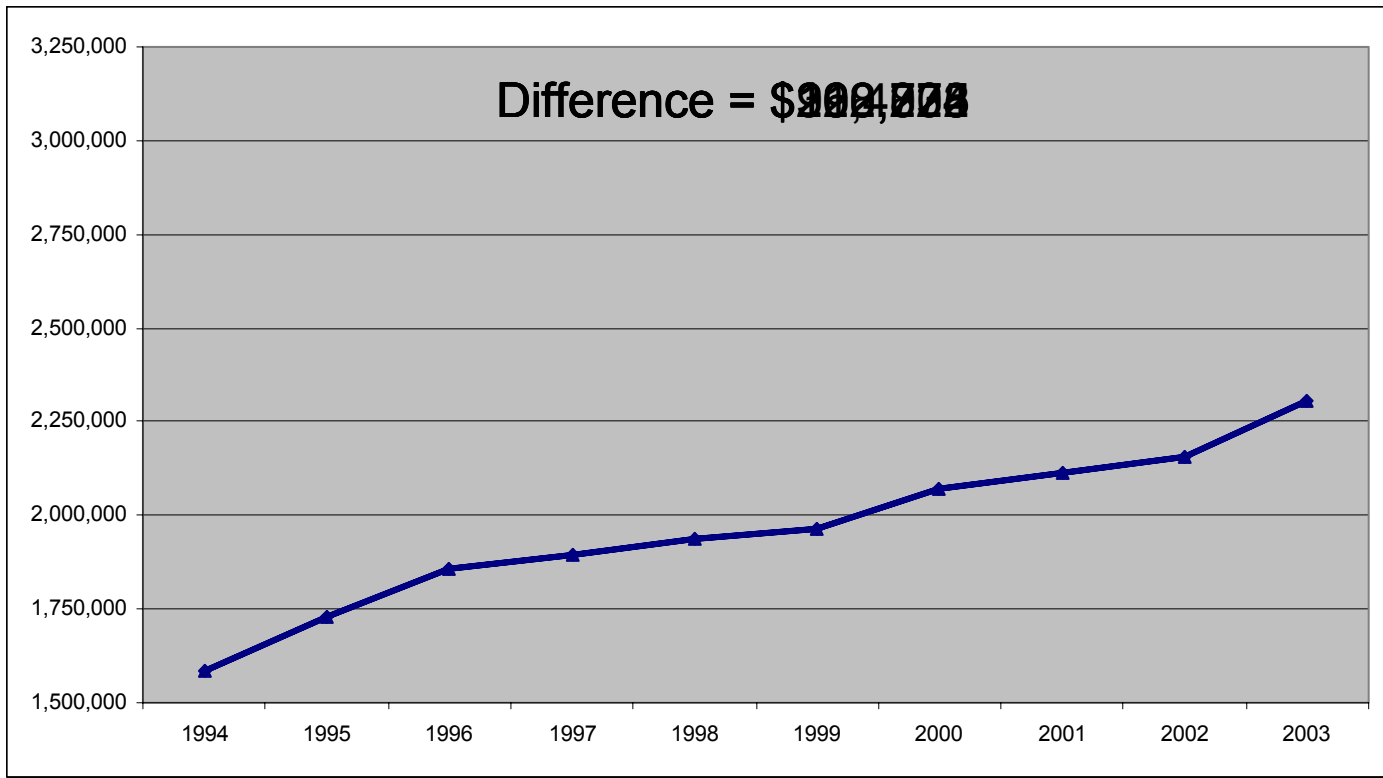
Real Estate Tax

- Problem #2
 - General Fund millage growth behind inflation
 - Real Estate Taxes are not effected by inflation because the Assessed Valuation is not adjusted

Real Estate Tax

	Actual Millage	Inflation Millage	Difference	Value of a Mill	\$ Difference
1994	6.68	6.68	0	\$228,740	\$0
1995	7.15	6.89	0.26	\$239,000	\$61,561
1996	7.45	7.08	0.37	\$246,000	\$91,645
1997	7.45	7.25	0.20	\$256,000	\$50,395
1998	7.45	7.35	0.10	\$261,000	\$24,879
1999	7.45	7.51	-0.06	\$263,000	-\$14,987
2000	7.45	7.76	-0.31	\$269,000	-\$83,612
2001	7.65	7.97	-0.32	\$270,000	-\$86,014
2002	7.75	8.04	-0.29	\$272,000	-\$78,348
2003	7.75	8.20	-0.45	\$280,000	-\$125,916
2004	8.00	8.35	-0.35	\$284,000	-\$99,400
Total			-0.85		-\$259,798
Since 1999			-1.66		-\$488,277

Real Estate Tax Revenue



— Millage with Inflation — No change in millage

Total Difference: \$1,163,543

Real Estate Tax

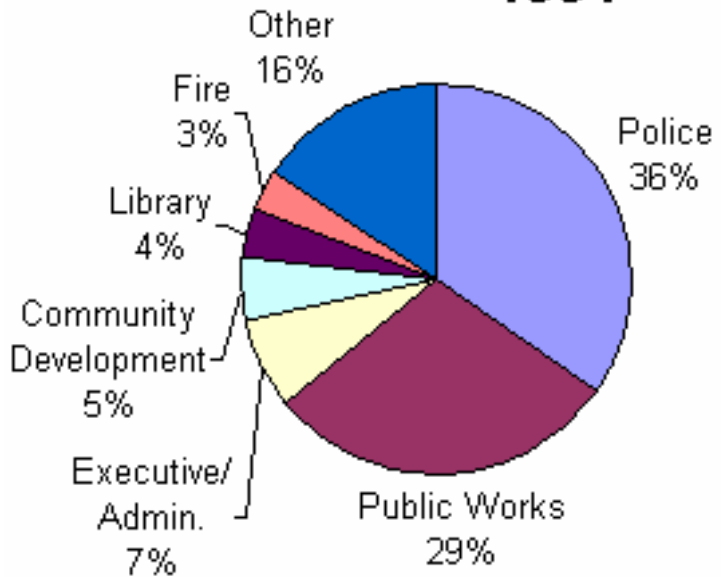
- Summary
 - Slowing of “organic growth” leads to slower increases in tax revenue
 - Millage rate increasing slower than inflation

Expenditures

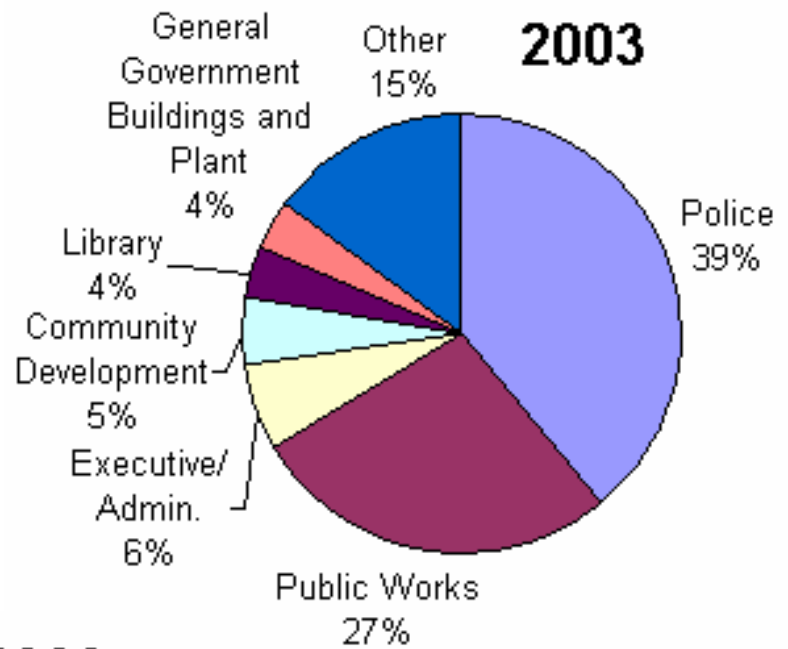
- Introduction:
 - General Fund Expenditures have increased 51.08% over the evaluation period (1994-2003)
 - Majority of increases came from hiring 12 full-time employees and steep increases in fixed costs during the evaluation period

GENERAL FUND EXPENDITURES

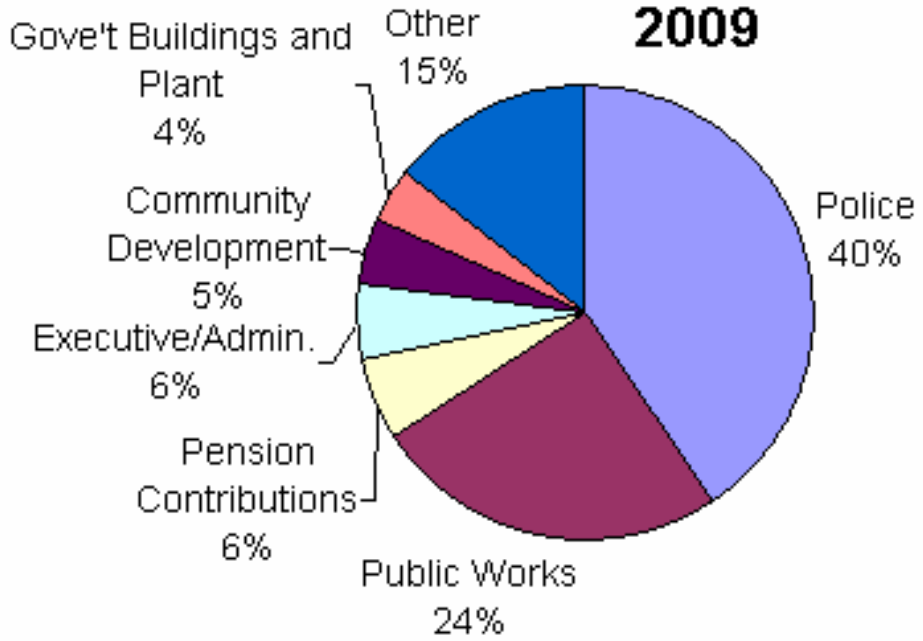
1994



2003



2009



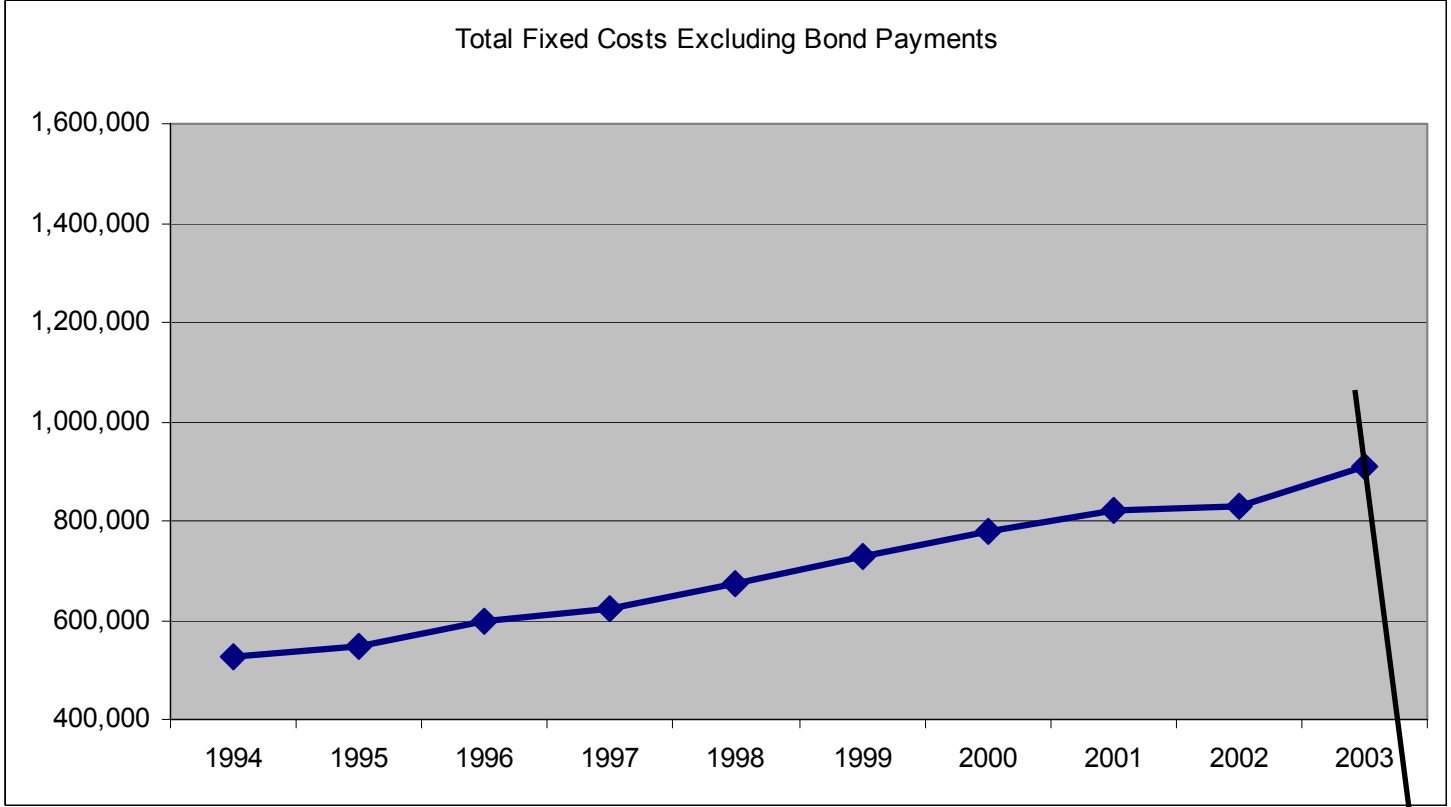
Increasing Perce
 Police 3%
 General Gov't Bui

No Change:
 Community Development
 Library

Expenditures

- Warning Sign
 - Increasing amount of Fixed Costs

Variation of Page 51



Percentage of General Fund Expenditures:

1994 – 12.6%

2003 – 14.4%

2009 – 17.4%

Increase due to Pension Contributions

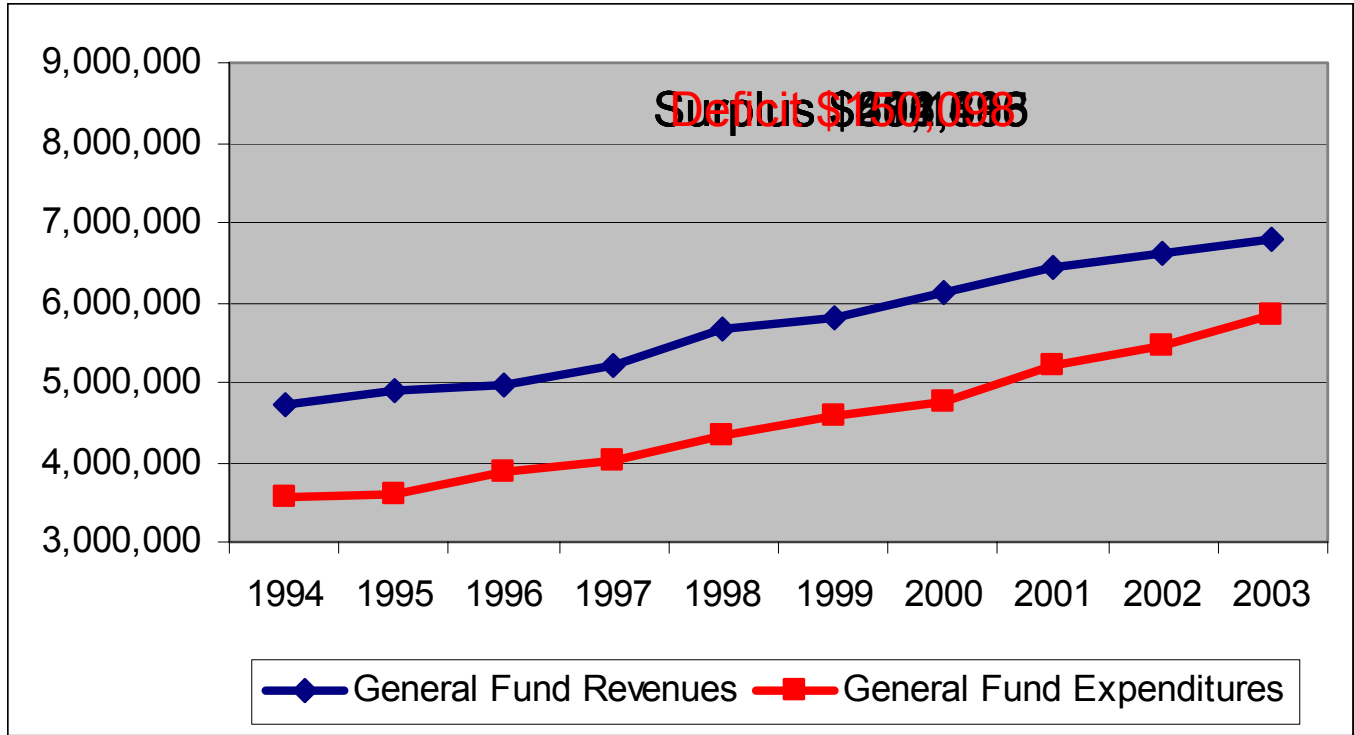
Expenditures

- Summary
 - Increasing amount of Fixed Costs gives Murrysville less flexibility in times of harsh economic conditions

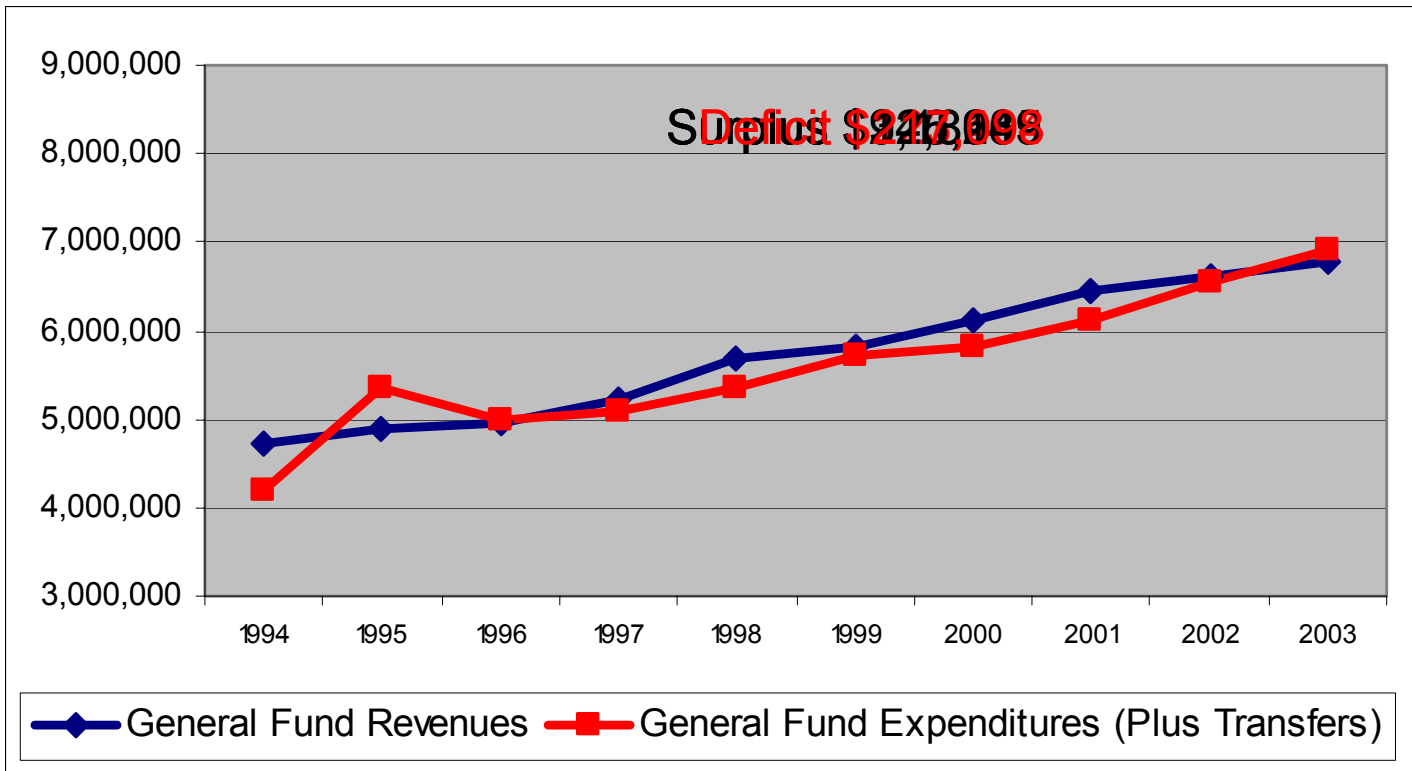
Revenue and Expenditure Comparison

- Introduction:
 - General Fund revenues have increased 37.47% while expenditures have increased 51.09%
 - If projections hold true, operating deficit could occur in 2008

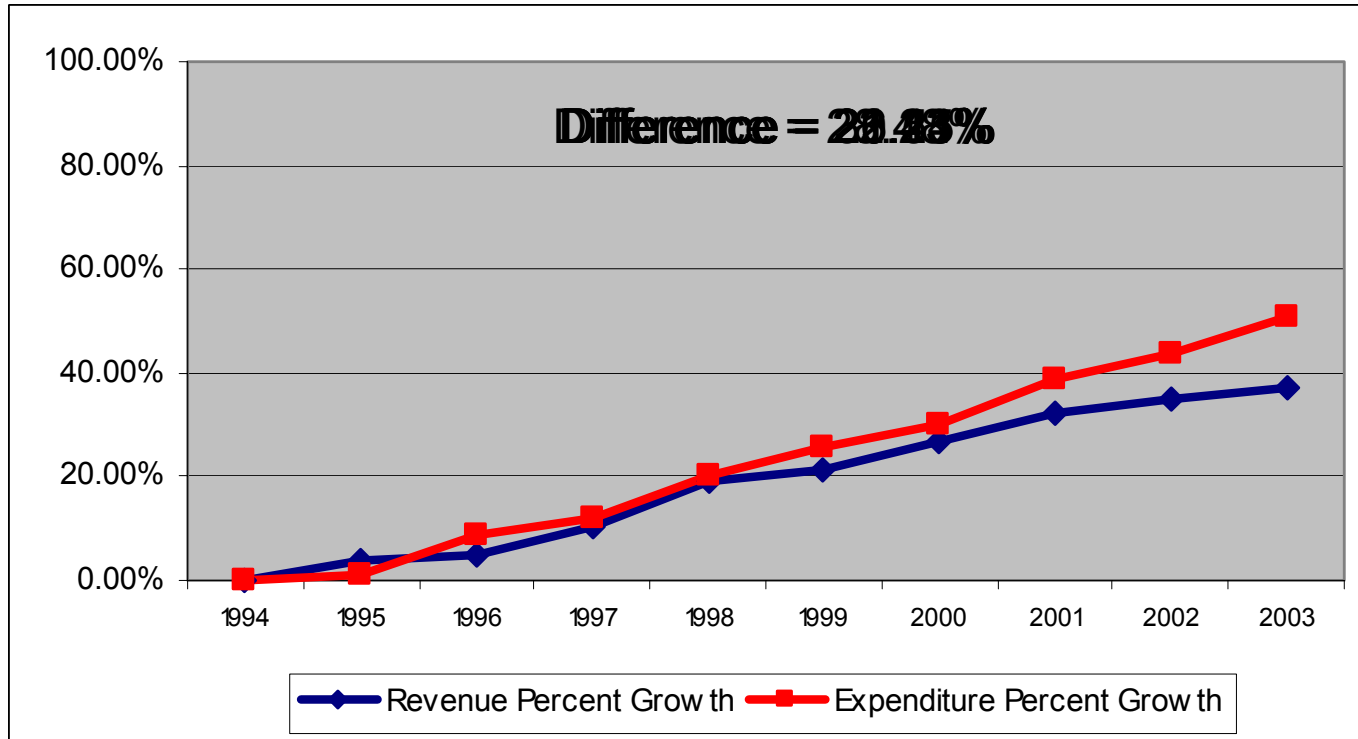
General Fund Revenues Vs. Expenditures



General Fund Revenues Vs. Expenditures (Plus Transfers)



Comparison of Growth between Revenues and Expenditures



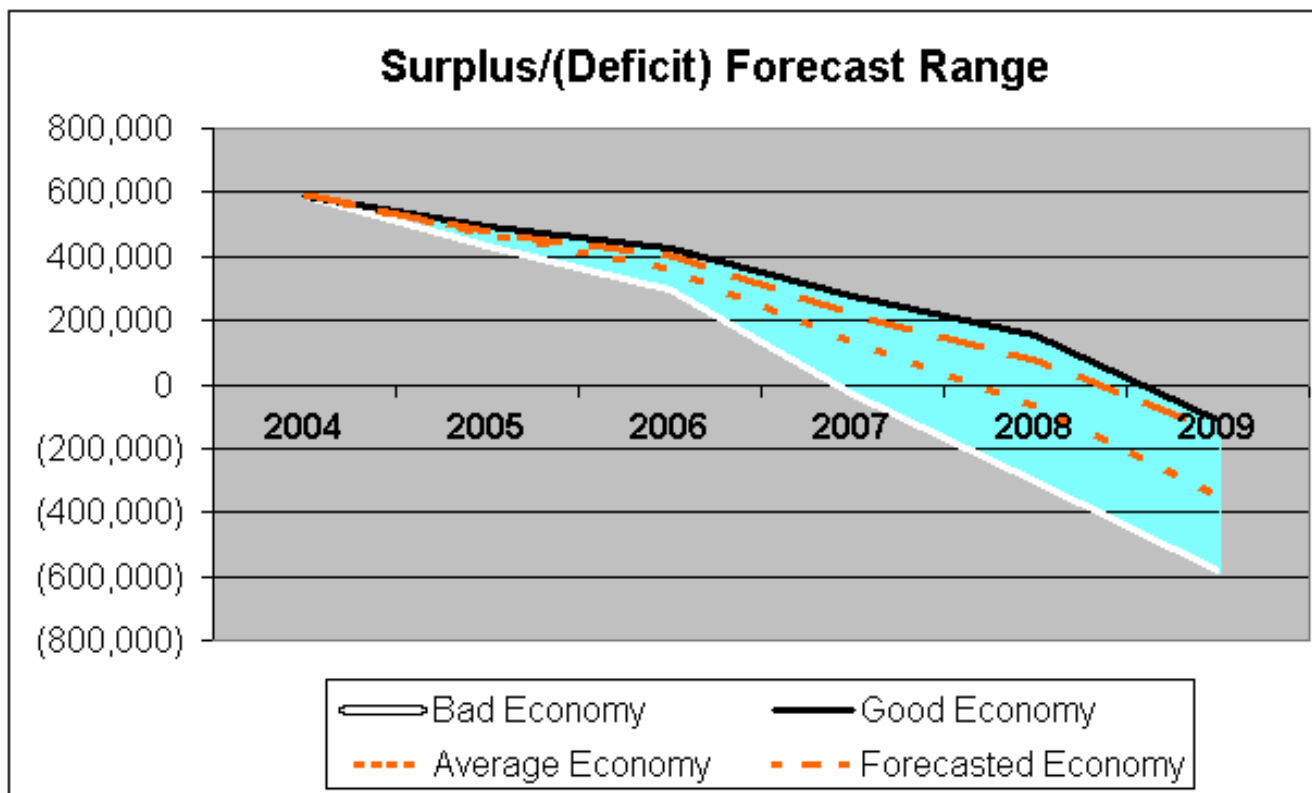
2009 Total Percent Growth from 1994:

Revenues 55.95%

Expenditures 87.19%

Budget Forecast

- Alternative Economic Conditions:
 - Forecasted Economy – Congressional Budget Office economic projections
 - Good Economy – 1996-2000
 - Bad Economy – 2000-2004
 - Average Economy – Averages from Good and Bad



Surplus/(Deficit) excluding all transfers

	Bad Economy	Good Economy	Average Economy	Forecasted Economy
2004	586,196	586,196	586,196	586,196
2005	430,354	496,058	463,206	474,396
2006	293,604	423,174	358,389	401,348
2007	(27,318)	276,601	124,641	212,685
2008	(299,651)	152,668	(73,492)	69,181
2009	(583,428)	(114,670)	(349,049)	(150,098)

Final Recommendations

- General Recommendations:
 - Service level study in 2005
 - Develop a General Fund balance policy

Final Recommendations

- Discussion of Tax increase:
 - Options for delaying a tax increase
 - Consequences of delaying a tax increase
 - Options for a tax increase in 2005
 - Possibility of General Fund tax increase needed in the future

Final Recommendations

- Revenues:
 - Selling unused land assets
 - More commercial and industrial development
 - Development of more retirement living
 - Encourage moderate cost housing
 - Do not create any Nuisance Taxes

Final Recommendations

- Expenditures:
 - Re-examine Fixed Costs yearly
 - No drastic changes made to 2005 Budget and 2005-2009 CIP in service levels