STRATEGIC FINANCIAL PLAN

Mt. Lebanon, Pennsylvania

DRAFT

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Prepared By:

TischlerBise
Fiscal, Economic & Planning Consultants

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TABLE OF CONTENTS

TischlerBise
Fiscal, Economic & Planning Consultants

4701 SANGAMORE ROAD | SUITE S240 | BETHESDA, MD 20816
T: 800.424.4318 | F: 301.320.4860

43460 RIDGE PARK DRIVE | SUITE 200W | TEMECULA, CA 92590
T: 951.719.8478 | F: 301.320.4860

WWW.TISCHLERBISE.COM

EXECUTIVE SUMMARY

TischlerBise, Inc. is under contract with the Municipality of Mt. Lebanon to prepare a Strategic Financial Plan. This Strategic Financial Plan is envisioned to provide the basis for a greater understanding of the Municipality's financial future and a guide for setting level of service standards, resulting in a sustainable budget strategy.

The Council has acknowledged that the Municipality has a limited and relatively fixed General Fund revenue base, yet the cost of providing services to residents increases each year, and the Council wishes to maintain, at a minimum, the current level of service that residents have come to expect.

The 2010 Strategic Financial Plan represents a "point in time" snapshot of the Municipality's current fiscal position and provides an overview of the Municipality's future anticipated revenues, financial expenditures and potential issues that may impact the Municipality's resources. This Strategic Financial Plan discusses the very real fiscal challenges faced by the Municipality, possible trends for the future based on past experiences and known conditions, principles to guide the strategy, policy options, implementation issues and future budget scenarios. The purpose of this Plan is to set forth the basic elements of the Municipality's financial situation, explain revenue constraints, cost control options, and revenue enhancement opportunities. The Strategic Financial Plan provides a ten-year budget forecast, and it is anticipated that this document will serve to guide budget choices and policy as the Council reviews annual draft budgets for the coming years. The Study is a multi-part effort that includes the following studies:

- *Mt. Lebanon Demand Forecast and Market Position:* A forecast of market demand as well as a comparative assessment of Mt. Lebanon to similar communities to 1) obtain a better understanding of the Municipality's current economic condition, 2) identify potential opportunities, and 3) gain a better understanding of what differentiates Mt. Lebanon from other communities from a market perspective.
- *Mt. Lebanon Services Survey Results:* An evaluation of community perception regarding the quality of service offered by Mt. Lebanon.

STRENGTHS, WEAKNESSES, OPPORTUNITIES & THREATS

The public input meetings and the focus group sessions conducted as the first step in this Strategic Financial Plan process focused on identifying what makes Mt. Lebanon a quality place to live, or its strengths, as well identifying what are perceived as weaknesses, opportunities and threats. It is important to note, that attendance at the two public input sessions was very low and some attendees chose to attend both sessions.

The most important strength has in the past and continues to be at present the quality of the school system in the area. Although there is controversy over some recent decisions by the School District and many residents fear the implication of the recent decisions relative to tax increases associated with the construction of a new high school, the schools have always been the primary reason residents are attracted to the area. The real estate industry representatives that attended the focus group sessions stated that the majority of those who are attracted to the area at this time either have school age children or are likely to have such children in the next few years.

While the schools are not controlled by the Municipality; the factors that are largely controlled by Mt. Lebanon of critical importance to decisions on locating in the community relate to its “walkability” and “character” as defined by participants. In general, there was a sense that the community is pretty well managed at this point in time, but that services must be maintained to insure its future.

There were also some “threats” and “weaknesses” that were defined by the public participants. The two threats are the potential for significant increases in taxes as a result of the overspending on a new school. While recognized that new schools are important, there was concern of “going overboard” on amenities instead of sticking to basic “bricks and mortar.” The second perceived threat revolved around the potential for diminished services and maintenance in housing in the area should enforcement and related administrative activity be cut due to stagnating revenues.

Other weaknesses noted during the focus groups and community forums mirrored those observed with the telephone surveys conducted as part of this process. Younger participants expressed concern for the maintenance of the pool and its increasing disadvantage compared to newer nearby community facilities. A number of participants also expressed concern for the need to go outside the area for some basic commercial services due to the closure of a food store in the area. Also there was expressed concern for maintaining library services.

A summary of what are perceived as strengths, weaknesses, opportunities and threats are summarized below:

Strengths

- ✓ Viability of Uptown and commercial activity (character for the buildings, quality of the business operations, maintaining independent operations.)
- ✓ Perceptions of distance and availability of activities, functions, events, and facilities (proximity to lots of opportunities)
- ✓ Quality of school system
- ✓ Streetlights
- ✓ Sidewalks (walkability)
- ✓ Perception of safety (considered very safe at present)
- ✓ Availability or proximity to services (range of service opportunities considered good)
- ✓ Availability or proximity to jobs (near downtown)
- ✓ Municipality has been proactive in streamlining its operations in order to reduce costs

Weaknesses

- ✓ Conflicts between pedestrian and vehicular movement and traffic
- ✓ Tax base is primarily residential in nature

Opportunities

- ✓ Strategic Financial Plan is an opportunity to set long-term service expectations and financial goals
- ✓ Changing national/local demographics represent an opportunity
- ✓ Density of development (maintaining current densities to maintain the character and small community feel)
- ✓ Maintaining land use activity and compatibility
- ✓ Maintenance of property (important to enforce and continue as structures age)
- ✓ Attracting more specialty and “high end” stores to Uptown

Threats

- ✓ Uncertain State budget situation may affect local governments
- ✓ Deteriorating levels of service due to increasing demand
- ✓ Unsustainable pension situation
- ✓ Current economic situation’s impact on Uptown

- ✓ Limits on natural growth of assessment base
- ✓ Sidewalk conditions (concern for future, but lighting considered good/safe at this time)
- ✓ Residents are concerned about the ability of local government to budget/spend efficiently (borrowing money)

STRATEGIC FINANCIAL PLAN SCENARIOS

The base point used for modeling the Strategic Financial Plan is the FY2010 Budget. Five scenarios were developed by Council and Municipal staff, based on input collected from the survey efforts undertaken as part of this analysis. The scenarios modeled as part of this effort are discussed below.

Scenario One (Reduced Road Reconstruction)

This scenario assumes Mt. Lebanon reduces the amount of money spent on reconstructing roads. The assumption is that Municipality reconstructions one third of a mile annually, which is estimated at $600,000. The Municipality is currently reconstructing approximately one mile at a cost of $1.8 million.

Scenario Two (Status Quo)

This scenario assumes Mt. Lebanon maintains the current level of Municipal services over the next ten years. This scenario also assumes a base level of capital improvement expenditures of $500,000 annually (not including road reconstruction). In addition to this annual amount it is further assumed improvements to Wildcat and Middle Fields ($1,033,090) and the Swim Center Renovations ($4,372,000) are completed over the next five years with a bond issue.

Scenario Two A (Status Quo with Garbage Assessment)

In addition to the assumption current Municipal service levels are maintained, this scenario further assumes Mt. Lebanon's garbage collection function becomes a fee-sustained (assessment) operation, thereby reducing the burden on General Fund revenue support. This scenario also assumes a base level of capital improvement expenditures of $500,000 annually.

Scenario Two B (Status Quo with Storm Sewer Assessment)

In addition to the assumption current Municipal service levels are maintained, this scenario further assumes Mt. Lebanon's stormwater function becomes a fee-sustained (assessment) operation, thereby reducing the burden on General Fund revenue support. This scenario also assumes a base level of capital improvement expenditures of $500,000 annually.

Scenario Three (Higher Levels of Service)

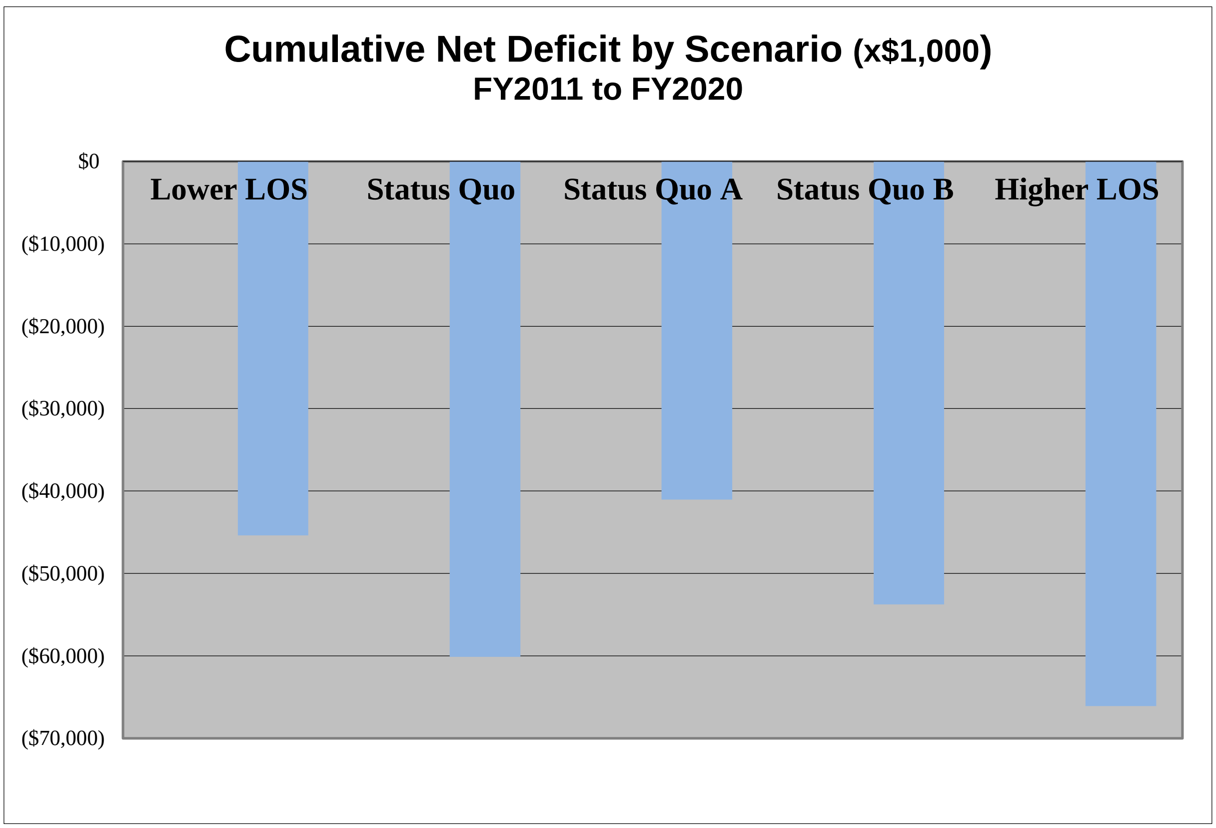
This scenario assumes Mt. Lebanon increases the level of service in four different service areas: stormwater, recreation facilities, library and economic development.

FINDINGS

The primary findings from this extensive evaluation include:

- The 10-year Strategic Financial Plan projections indicate that the Municipality will not have sufficient revenue under its current structure to continue to provide all its current services at today's levels. Maintaining current levels of service will require changes to the Municipality's revenue structure (additional revenue sources) or increases to existing rates (higher property taxes). As shown below in Figure 1, cumulative deficits are generated under all five scenarios

Figure 1: Cumulative Deficits by Scenario



- The ten-year financial projections illustrate the seriousness of the structural issues that have plagued the Municipality the last few years – a relatively stagnant revenue base that has relied on the use of surplus/fund balance in order to balance the budget the past two fiscal years. Cost for fringe benefits – health insurance and pension have increased substantially over the same period. For example, health insurance costs increased 25.4% from 2008 to 2009 and 12% from 2009 to 2020. The Municipality's pension costs have increased by $1.6 million.

- Related to the above bullet point, Mt. Lebanon has been aggressive in sharing premium costs with employees. Employees currently pay 10% of the insurance premium. The ten-year financial projections suggest this policy may need to be revisited.
- The analysis illustrates the benefit to the Municipality of funding refuse collection and storm sewer operations through an assessment. This is illustrated under Status Quo A and Status Quo B, respectively. If these two functions were funding through an assessment today, the cumulative net deficit under Status Quo would be reduced by over $25 million.
- The Municipality has had problems maintaining its road reconstruction program as a pay-as-you-go expenditure. The Municipality reconstructs roads to a very high standard relative to other communities. The ten-year financial projections indicate that unless the Municipality's revenue situation improves dramatically, the Municipality will have to either 1) reduce operating expenses in other areas (and levels of service) to fund the current level of road reconstruction, 2) reduce the standard of reconstruction, or 3) consider debt financing the annual cost.
- The most necessary and critical function of Municipal government is public safety (police and fire). This is also the Municipality's largest expense. Municipal revenues should first and foremost be focused on ensuring public safety.
- The public outreach effort conducted as part of this analysis found there is essentially no expressed support for cuts to recreation, library, fire, storm sewer, street maintenance, garbage collection and snow removal.
- There is little opportunity for enhancing revenue through additional or increased user fees. The Municipality is essentially covering its direct costs for service in its recreation department – the department that provides the majority of fee-based services.
- Exacerbating Mt. Lebanon's long-term financial situation is the fact the Municipality has a relatively small staff providing a high level of basic services. The Municipality has consciously reduced expenditures and staff over the last five years. In other words, there is no "fat" in the budget nor extra frills to eliminate. As a result, further decreases in staff as a cost savings method would negatively impact current service levels.
- Inter-jurisdictional and regional cooperation in providing certain local government services has been a popular method for reducing costs and increasing efficiency for local governments. This has particularly been the case for public safety. Because of the high level of service provided by Mt. Lebanon for public safety, any attempt at regional cost sharing will most certainly reduce the level of service enjoyed by Mt. Lebanon residents. Many of residents that participated in the community forums and focus groups were against regional cost sharing for exactly that reason.

RECOMMENDED SUSTAINABLE BUDGET STRATEGY

For the budget to be sustainable, it must provide a "balance" of revenues and expenditures, while simultaneously maintaining an appropriate level of reserves. A sustainable budget strategy must take steps to either reduce costs (and levels of service) or generate more revenue through enhancements or increases. The strategy presented here calls for a combination of revenue and expenditure policies and actions.

No Single Solution

What should be made clear is that there is no one "silver bullet" to solve the Municipality's budgetary problems. A successful strategy must entail a realistic view of the challenges and recommend reasonable plans to overcome them. At this point in Mt. Lebanon's financial history, the "easy choices" have already been made. Therefore, implementing a sustainable budget strategy involves making difficult choices.

Principles to Guide a Sustainable Budget Strategy

In order to guide future budget choices, it is important that the Council set forth guiding principles for future budgets. The following principles are recommended in order for the Municipality to move forward systematically, in a way that reflects the values of the community.

- ✓ Existing levels of service provided to residents should be maintained. The findings from the surveys and focus groups indicate the Municipality's levels of service are a strong factor contributing to its attractiveness as a place to live and do business.

- ✓ No new services will be provided by the Municipality without an identifiable and sustainable source of funding.

- ✓ Although it is recognized that Mt. Lebanon is at a competitive disadvantage due to its relative affluence, the Municipality should aggressively pursue grant funding opportunities when appropriate.

- ✓ Municipal services that benefit the individual should be paid for by user fees and charges.

- ✓ Unless there are unforeseen circumstances, the Municipality should budget expenditures less than projected revenues.

- ✓ As noted previously, the analysis shows the benefit of moving the Municipality's storm sewer and garbage operations to an assessment (garbage) or utility (storm sewer) based funding mechanism. It is worth noting that very few of our municipal clients fund garbage collection and recycling through general tax dollars and roughly half fund storm sewer costs through utility (fee-sustained) operations.

TischlerBise recommends Mt. Lebanon strongly consider funding several of its road maintenance programs (e.g., snow removal, street maintenance) through an assessment-based program.

- ✓ Mt. Lebanon has no dedicated revenue sources for Municipal infrastructure (ALCOSAN costs are not included in this analysis). Instead, the Municipality transfers funds annually from the General Fund to fund required improvements based on what it can afford in a given fiscal year. The Municipality should consider dedicating a portion of its tax rate to funding infrastructure needs, especially if the tax rate were to be increased.
- ✓ As the input from the community outreach and surveys indicates, Mt. Lebanon has many community assets upon which to build a strong future. Mt. Lebanon should consider facilitating a public/private initiative focused on raising the profile of Mt. Lebanon. Significant attention should be given to promoting the many existing assets of the community. This effort will serve to ensure that Mt. Lebanon continues to attract young, middle class families and make Mt. Lebanon an attractive investment for nonresidential development.

CURRENT FISCAL CONDITION

The Municipality's budgeting structure, in accordance with generally accepted accounting principles for local governments, contains a General Fund, Capital Projects Fund, Special Revenue Funds for state highway aid and sewage assessments for ALCOSAN, and a Debt Service Fund. The General Fund is the major fund of the Municipality and is considered the "operating fund;" it consists of discretionary revenue spent on providing for services that the Municipality is mandated, obligated, and expected to provide. The General Fund is the source of most employees' salaries and benefits, supplies and services needed to operate Municipal government and serve the residents. The General Fund, along with bond proceeds and sewage assessments, is also a primary source of funding for the Capital Projects Fund.

Because the General Fund is core to the ability to provide services and operate as a Municipality, this Strategic Plan focuses on the General Fund. Sewage assessments (ALCOSAN) are not factored since these are essentially "pass through" monies.

The Municipality's total budget for FY2010 totals $43.6 million. Of that amount, approximately $30.4 million is in the General Fund. Difficult decisions were made in order to balance the Municipality's budget. Highlights from the FY2010 Budget are as follows:

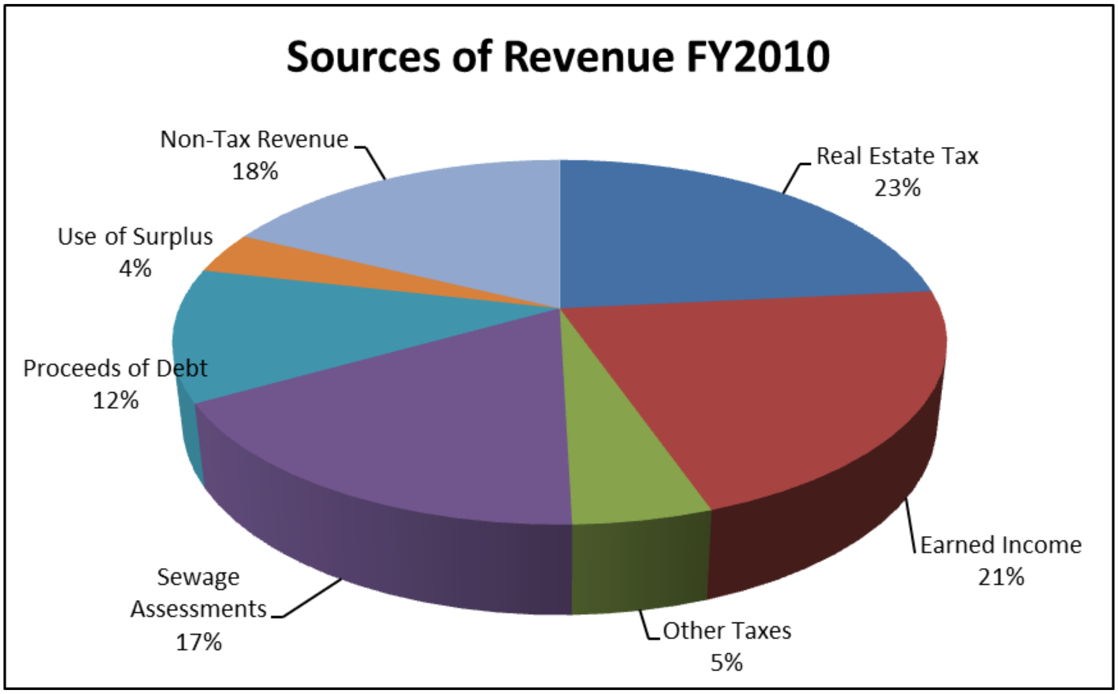
- There are no increases to the Municipality's property tax, earned income or deed transfer tax rates.
- The FY2010 Budget was balanced using a combination of ongoing revenue and available reserves.
- The use of reserves, or fund balance, is to cover rising pension costs and health insurance costs. Like most local governments, these costs are increasing at a much faster rate than revenue. By way of example, employer pension costs increased 64% from FY2009.
- There is no change in the number of full-time employees.
- The FY2010 Budget contains a 1.4% increase in operating budget spending over FY2009.

Figure 2 – Total Revenue by Source in FY2010

REVENUES	General Fund	Special Revenue Fund	Capital Projects Fund	TOTAL
Taxes				
Real Estate	$10,241,710			**$10,241,710**
Earned Income	$9,293,610			**$9,293,610**
Local Services	$324,000			**$324,000**
Real Estate Transfer	$1,150,000			**$1,150,000**
County Sales	$645,000			**$645,000**
Utility	$27,850			**$27,850**
Total Taxes	$21,682,170			**$21,682,170**
Non-Tax Revenue				
Licenses, Permits & Fees	$881,400			**$881,400**
Fines, Forfeitures & Penalties	$146,460			**$146,460**
Investment & Rental	$12,000	$28,700		**$40,700**
Intergovernmental	$1,745,140	$638,390		**$2,383,530**
Recreation	$2,479,580			**$2,479,580**
Charges for Service & Other R	$1,819,080			**$1,819,080**
Sewage Assessment		$7,539,830		**$7,539,830**
Transfers Between Funds		($3,007,430)	$2,907,430	**($100,000)**
Proceeds of Debt			$5,150,500	**$5,150,500**
Use of Surplus/Fund Balance	$1,614,540			**$1,614,540**
Total Non-Tax Revenues	$8,698,200	$5,199,490	$8,057,930	$21,955,620
TOTAL REVENUES	**$30,380,370**	**$5,199,490**	**$8,057,930**	**$43,637,790**

Figure 3 shows the distribution of Municipal revenue by source. As Figure 3 indicates, the Municipality's largest individual revenue source is the real estate tax, which comprises 23% of total revenue. This is followed closely by earned income tax at 21%. Mt. Lebanon is fortunate that it has a stable real estate base. Real estate taxes are only down 1.5% over FY2010. As one would expect due to the current economic situation, the number of property transfers is down and real estate transfer tax is down accordingly, 11.5% over FY2009.

Figure 3 – Total Revenue by Percentage in FY2010 (All Funds)



EXPENDITURE CHALLENGES

The Municipality faces several expenditure challenges as summarized as follows:

- Mt. Lebanon has a relatively small staff providing a relatively high level of basic services. The Municipality has consciously reduced expenditures and staff over the last five years. In other words, there is no "fat" in the budget nor extra frills to eliminate. As a result, further decreases in staff would negatively impact current service levels.
- Over the last several years the demand from the community continually outpaces the resources to fund them. As mentioned previously, the FY2010 Budget was balanced using a combination of ongoing revenue and available reserves.
- Public safety expenditures (Police and Fire) represent approximately 40% of the total operating budget.
- The Municipality has had problems maintaining its road reconstruction program as a pay-as-you-go expenditure. The Municipality reconstructs roads to a very high standard relative to other communities.
- Mt. Lebanon has a solid track record of fully funding its pension obligations. The Municipality's required pension obligations have increased by $1.6 million. Recently passed legislation will give the

Municipality some relief in the short-term by allowing deferral of certain pension costs. However, any deferral of today's costs will result in higher payments in future years.

- Few expenditures have grown as quickly and had a more dramatic impact on Municipal government expenditures than health insurance. The average increase for Mt. Lebanon's premiums from 2005 to 2009 was 3.2%. The increase in FY2010 is 12%.

HOW ARE CITIES RESPONDING TO FISCAL CRISIS?

The current economic crisis the country is experiencing is deeper and more severe than what has been experienced in the past 50 years. While different areas of the country are experiencing the downturn differently, all levels of government are being impacted by dramatic revenue reductions. Figure 4 illustrates examples of the type of fiscal distress facing cities across the country.

Figure 4 – Examples of City Fiscal Distress Reported by the National League of Cities

EXAMPLES OF FISCAL DISTRESS IN CITIES

Augusta, Maine: Mid-year budget shortfall and decreasing budget for next fiscal year, resulting in layoffs, reductions in police and fire overtime and reductions in services.

Baltimore: $127 million shortfall, likely resulting in a next round of layoffs and furloughs after already having eliminated more than 500 positions.

Bossier City, La.: $6.5 million deficit in the city's current $50.3 million budget, resulting in proposed elimination of 117 out of 897 positions, including 80 police and fire positions.

Boston: $130 million shortfall, resulting in layoffs of more than 500 municipal employees.

Cleveland: $23 million shortfall, and the city estimates that for every $1 million about 20 general city employees or 12 police and firefighters would have to be laid off.

Columbia, Mo.: $4 million budget shortfall in 2009-10, covered through cutbacks in personnel and programs.

Dallas: $190 million budget shortfall; 637 full-time positions to be eliminated, including 347 layoffs, and cuts to street repairs, libraries and senior services.

Denver: $120 million shortfall, resulting in layoffs of 80 positions and early retirement of 322 city workers.

Dover, Del.: Budget decrease of $10.5 million from last year, covered by requiring all city employees to take 12 unpaid furlough days and the deferral of capital improvements.

East Providence, R.I.: Reduced city positions by 55, including 16 in the police department and 28 in the fire department.

Little Rock, Ark.: $2.8 million shortfall, resulting in $200,000 cut in police services and $450,000 cut in fire services.

Los Angeles: $98 million shortfall in 2009-10, $408 million in 2010-11, and predicting total shortfall near $1 billion by 2013; the city has already removed 2,400 positions from the city payroll through early retirement, furloughs and other workforce reductions.

Sacramento, Calif.: General fund revenues declined by $15 million, resulting in eliminating funding for 387 positions.

San Francisco: $436 million shortfall and expecting $80-100 million more due to declining revenue collections and state cuts; mayor asked city departments for 25 percent cuts.

Seattle: $72 million budget shortfall, resulting in the elimination of 310 positions and the city using $25.4 million of a $30.6 million fiscal stabilization ("rainy day") fund.

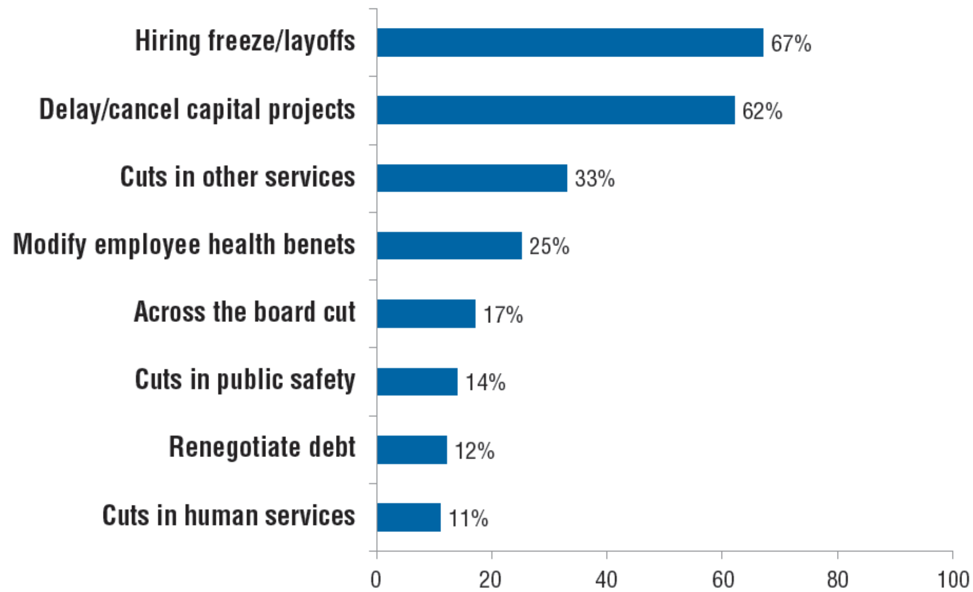
Springfield, Ill.: $8.5 to $12 million shortfall in next fiscal year, which would mean eliminating 136 to 192 positions.

Springfield, Mo.: $13.7 million in budget cuts, resulting in four positions eliminated and furloughs of 158 employees.

The impact has been so significant that a recent National League of Cities survey found that 9 out of every 10 local government finance officers surveyed reported that their agencies are less able to meet fiscal needs in 2009 than in the previous year *(Research Brief on America's Cities, National League of Cities, September 2009).* To make matters worse, respondents project that 2010 will be worse due to further declines in property, sales and income tax receipts, deferred or reduced impact fees, and growing voter discontent for new taxes.

In response to these conditions, many local governments are cutting expenditures where feasible, including hiring freezes, salary reductions, furloughs, and deferring capital projects. Projects under construction may have funds appropriated for them, but O&M requirements for these projects and other services are not funded. Given the resistance to tax increases due to the current economic situation, the most common responses to enhance local coffers are increases in user fee levels and implementation of new user fees. According to the NLC survey, 45 percent of respondents increased their community's fee levels while 27 percent increased the number of fees charged to service users.

Figure 5– City Spending Cuts in 2009 from the National League of Cities



Unlike libraries, parks and schools, police and fire departments have largely been protected from local budget crises in cities across the country — until now. Police and fire departments across the U.S. are getting hit hard as municipalities face huge cuts in state aid as money from the federal government dries up. This is resulting in layoffs, salary cuts or freezes and reductions in benefits including uniform allowances. According to 2009 data obtained from the National League of Cities (see Figure 5), one in seven cities (14 percent) has already made cuts to public safety services – police, fire, and emergency – a number that will inevitably rise as the municipal budget shortfalls increase. A more recent survey by the National League of Cities found that 22% of cities say they are planning to cut police and fire-protection budgets in the next fiscal year.

WHAT DOES THE FUTURE HOLD FOR MT. LEBANON?

The fiscal condition of individual cities varies greatly depending on differences in local tax structure and the extent of each jurisdiction's reliance. The overwhelming majority of cities in the US (particularly east of the Mississippi) impose a local property tax. Many local governments are fortunate enough to have an additional growth-related revenue source such as a local sales tax or local income tax. Few are lucky enough to have all three revenue sources, as Mt. Lebanon does.

City fiscal conditions typically lag economic conditions, particularly in those cities that rely heavily on property tax. Property tax collections lag the real estate market because local assessment practices take time to catch up with changes in the market. As a result, current property tax bills and property tax collections typically reflect values of property anywhere from 18 months to several years prior. For example, the recession began in December 2007 (according to the National Bureau of Economic Research). According to data compiled by the National League of Cities, property tax collections for 2008 continued to increase in most jurisdictions as assessments caught up with the previous growth in the real estate market. Nationally, property tax revenues increased in 2008 by 6.9 percent, compared with 2007 levels. Projected property tax collections for 2009, however, point to some of the impact of the downturn in real estate values. Collections for 2009 are projected to grow by only 1.7 percent. Although recent economic indicators suggest that the U.S. economy has recently passed the low point of the current recession, the full weight of the decline in housing values has yet to be experienced by many cities, and property tax revenues will likely decline in 2010, 2011 and 2012 as declining property values are reflected in city property tax rolls.

In many ways Mt. Lebanon is fortunate that it did not experience the housing boom many parts of the country experienced. As a result, real estate taxes are only projected to decrease 1.5% over FY2009, a much lower decline than most of our clients elsewhere are experiencing. Earned income tax is Mt. Lebanon's second largest revenue source. Nationally, city income tax receipts increased by 3.0 percent in 2009 over 2008. In Mt. Lebanon, earned income tax is expected to increase 1.5% in the FY2010 Budget. Mt. Lebanon is fortunate that it does not rely heavily on sales tax to fund general operations. Sales tax is a particularly volatile revenue source for local governments when compared to property tax and income tax. The majority of local governments that rely heavily on sales tax to fund general government operations have been more severely impacted than those that do not.

In Mt. Lebanon, intergovernmental revenue is increasing almost 37% in the FY2010 Budget. A major factor that Mt. Lebanon should be concerned about relative to its long-term revenue picture is actions state governments take in response to their own budget shortfalls. The Center on Budget and Policy Priorities estimates state budget gaps of $190 billion for 2010, $180 billion for 2011 and $118 billion for 2012.4. As a means of covering these gaps, many state governments have made cuts in transfers to local governments and more are likely to do the same. Similar actions were taken in response to the 2001 recession, coming mainly in 2003 and 2004. According to the *Government Finance Review*, states reduced total transfers to cities by 9 percent over that two-year period. This is already happening in California, Arizona and New Jersey. By comparison, the current economic downturn is much more far reaching and severe when compared to the recession of 2001. This suggests that state cuts in transfers to cities will, if anything, be more severe as well.

A factor that should strongly be considered related to the future of intergovernmental revenue is the impact the American Recovery and Reinvestment Act (Stimulus Act) and the Patient Protection and

Affordable Care Act will or will not have on state finances, which in turn, impacts state aid to local governments. Critics of both Acts claim that both will have significant impacts on States budgets. For example, several Governors as well as the *Wall Street Journal* claim that stimulus dollars came with strings attached that will cause enormous budget headaches, particularly "maintenance of effort" spending requirements for social programs. In particular, critics of the Patient Protection and Affordable Care Act claim the Act will greatly increase state Medicaid costs in coming years. However, the long-term effects are unknown at this time.

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SURVEY OF MT. LEBANON SERVICES

As the first step in this Strategic Financial Planning process, TischlerBise evaluated community perception regarding the quality of service offered by the Municipality. (More detail can be found in the separate document entitled *Mt. Lebanon Services Survey Results*.) A significant community input process was used to solicit opinions and obtain guidance. The means of gathering opinions included:

- Online survey of residents
- A telephone survey of residents
- Four focus group sessions
- Two community input meetings

The combination of telephone and web-based surveying yielded a total of 720 responses, a large sample base for a community the size of Mt. Lebanon.

The following is a synopsis of the findings of the online and telephone surveys related to Mt. Lebanon's services. Where appropriate, additional or supportive qualitative information is provided from the focus group and community input meetings. It is noted that the online and telephone survey gathered spending and demographic information used to project demand for goods and services that in turn impacts future land use options.

With respect to Municipal services provided by Mt. Lebanon:

- ✓ Fire services and the library were rated "excellent" by about two-thirds of all respondents, with the proportion rating fire protection related services being the highest.

- ✓ Police were rated highest by the third largest proportion, exceeding 50% of all respondents. Other than for garbage collection and snow removal services, there is a precipitous drop in the proportion rating any other service "excellent."

- ✓ About 50% of the residents rate the parks facilities and the festivals and events as being "very good." 40% or more of the households rated garbage collection, leaf collection, street maintenance, snow removal, street lighting, recreational facilities, public information and uptown parking as being "very good."

- ✓ Collectively, "high marks" are awarded to:

- Police;
- Fire;
- Garbage collection;
- Library;
- Snow removal; and
- Festival and events.

Each service is defined by 80% or more of the residents as being "excellent" or "very good." Figure 6 below is an output from the survey. In this table, Mt. Lebanon residents were asked to define their opinions on a variety of services provided by the Municipality. Respondents ranked the services by excellent, very good, just OK, poor or not familiar.

Figure 6: Services Question 1 "Mt. Lebanon provides a range of services to its residents. Please define for each that will be provided which you feel is excellent, very good, just OK or poor."

Answer Options	Excellent	Very Good	Just OK	Poor	Familiar
% Police	57%	32%	7%	1%	3%
% Fire Response	**69%**	21%	2%	0%	8%
% Storm Sewer	22%	31%	21%	6%	21%
% Garbage Collection	43%	45%	11%	2%	0%
% Leaf Collection	35%	42%	16%	3%	4%
% Library	**67%**	25%	4%	1%	3%
% Street Maintenance	19%	41%	**32%**	8%	1%
% Forestry	13%	31%	26%	7%	24%
% Snow Removal	41%	41%	15%	2%	1%
% Street lighting	25%	44%	25%	5%	1%
% Zoning Code Enforce	15%	31%	19%	6%	28%
% Future Planning	9%	25%	28%	**13%**	25%
% Parks	26%	**49%**	21%	3%	1%
% Recreation Facilities	27%	43%	22%	6%	3%
% Animal Control	19%	37%	14%	3%	27%
% Public Information	33%	43%	18%	3%	3%
% Econ. Development	10%	29%	26%	**10%**	25%
% Parking Uptown	11%	41%	**37%**	9%	3%
% General Admin.	13%	33%	17%	4%	**34%**
% Vehicle/Equipment	10%	23%	11%	1%	**54%**
% Festivals/Events	31%	**49%**	15%	2%	2%

It is important to note that many of the responses shown above in Figure 6 are skewed by whether or not the residents have familiarity with the particular service. Most have familiarity with the common services or facilities with which they have regular interaction. However, for other services, the proportions not having knowledge or familiarity impacts the proportions defining the service as being "excellent" or "very good" significantly.

Further input was then obtained as to areas where residents feel that Mt. Lebanon might spend less money in a budget "crunch." The results of this question indicate that:

✓ About one-third of the respondents would rather see taxes and fees raised than any cuts in services. Therefore, there are a substantial number of people that do not want to see any cuts even if they pay more for the existing services they have now. While they are not the majority, there are a sizable minority that should not be overlooked.

✓ There is essentially no expressed support for cuts in the following services.

- Parks
- Library
- Fire
- Storm Sewer
- Street Maintenance
- Garbage Collection
- Snow Removal

✓ There is little expressed support for cuts in the following services. (It is noted that one important factor is the lack of familiarity with some of these services, such as vehicle/equipment maintenance, economic development and future planning.)

- Recreation Facilities
- Street Lighting
- Vehicle/Equipment Maintenance
- Economic Development
- Planning for the Future

✓ About one-fourth of the respondents expressed support in difficult budget conditions for potential decrease in services associated with festivals and events as well as code enforcement. It is noted that one of these as well as a number of services found in "Services 2" question that follows (shown below in Figure 7) had between 15% and 20% of the respondents indicating "less spending" are also impacted by the "familiarity factor as well as that most are "support" activity not used or "seen" by the average resident on a daily basis.

Figure 7: Services Question 2 "If you controlled the budget and had to lower spending for certain efforts or programs, which of the following services provided by Mt. Lebanon do you feel should receive LESS spending."

Answer Options	%
None should be cut even if it means raising taxes and fees	**32%**
Festivals, Events & other Civic Activities	25%
Zoning Code Enforcement	24%
Parking in Uptown	20%
Forestry	20%
Public Information	17%
Animal Control	16%
General Management/IT	16%
Police	11%
Leaf Collection	11%
Recreation Facilities	10%
Street Lighting	9%
Vehicle/Equipment Maintenance	9%
Economic Development	9%
Planning for the Future	8%
Parks	5%
Library	5%
Fire	5%
Storm Sewer	3%
Street Maintenance	2%
Garbage Collection	1%
Snow Removal	1%

With a few exceptions, there is little support for more spending on any services. The two exceptions are the library and the recreational facilities. More than one-quarter of the respondents noted that these two service areas should receive additional spending.

Clearly, even with factoring in the lack of familiarity with some of the services, the "high quality" ranking for others, there is little general support for increases in spending on local services with the exception of the library and recreational facilities. Furthermore, those supporting such increases (based on the responses to the questions), while not being the majority, a significant minority. Yet, there is also little support for cutting services. This validates the need to maintain levels of service while maintaining current costs. These responses are shown in Figure 8 below.

Figure 8: Services Question 3 "Which of the following services provided by Mt. Lebanon do you feel should receive MORE spending?

Answer Options	%
Library	**30%**
Recreation Facilities	**27%**
None	22%
Street Maintenance	20%
Parks	18%
Planning for the Future	16%
Economic Development	14%
Police	13%
Fire	13%
Storm Sewer	8%
Snow Removal	8%
Street Lighting	8%
Festivals, Events & other Civic Activities	8%
Forestry	7%
Parking in Uptown	5%
Zoning & Code Enforcement	5%
Leaf Collection	3%
Public Information	3%
Animal Control	3%
General Management/IT	3%
Vehicle/Equipment Maintenance	3%
Garbage Collection	2%

Within this general context, additional information was obtained that provides further guidance and is consistent with the previous findings. As previously noted, support for recreational facilities is strong as expressed in a number of ways. When asked about specific major recreation facilities, the largest proportion of residents defined all as being "very good" but not excellent. The greatest proportion of residents defined the ice rink as being in that category.

As with other services, there are a significant number of residents that are not familiar with the quality of the golf course or tennis center as they do not likely participate in those related sports or recreation form. In fact, if those not familiar were excluded, those defining these two facilities as being "very good" or better would exceed three-fourths of the respondents.

Figure 9: Services Question 4 "Mt. Lebanon provides a range of facilities to its residents. Please define for each that will be provided which you feel are excellent, very good, just OK or poor."

Answer Options	Excellent	Very Good	Just OK	Poor	Not Familiar
Ice Rink	16%	**41%**	22%	3%	18%
Swimming Center	14%	**35%**	29%	10%	13%
Golf Course	10%	**30%**	13%	1%	**46%**
Tennis Center	**22%**	**38%**	7%	0%	**33%**
Other Recreational	10%	**38%**	24%	3%	26%

The survey findings that follow are also reinforced by focus group and public work sessions that were held during the community input process. These other processes defined desires of certain users to see swimming pool enhancements that would better accommodate families with mixed ages of children, storm water management in targeted areas that are prone to flooding, and modernization of other recreational facilities to maintain competitiveness.

As noted, there are a significant minority who would support increased taxes or fees to pay for certain enhancements. Some of those opportunities are found in the table that follows in Figure 10. In all but one case, there was majority support for borrowing of funds to pay for improvements. However, this should not be interpreted as indicating support for increased taxes or fees to pay for increased borrowing. It is not known whether those "dots are connected" in people's minds. A bond referendum outlining specific capital projects would reveal definitely if there is support or not. What can only be said is that there is general support for the use of bonding for capital projects.

Figure 10: Services Question 5 "Which of the following would you be likely to support the borrowing of funds for capital improvements?"

Answer Options	Yes	No
Swimming Pool Renovations	55%	45%
Street Reconstruction	56%	45%
Storm Water Improvements	60%	40%
Construction of Athletic Fields	**31%**	**69%**
Parks and Recreation	53%	47%
Traffic Signal Improvements	55%	45%

Residents were given a follow-up opportunity to rank the overall feelings about the current quality of services offered by the Municipality after thinking about individual services. Once again, more than eight out of every ten defined the general services as being "good" or better, with about one-half of these indicating "good" and the other half indicating "great." This is an overwhelming majority.

Figure 11: Services Question 6 “Which of the following best describes your general feelings about services provided by Mt. Lebanon in general?”

Answer Option	%
Great	40%
Good	**42%**
OK or OK given our tax rate	14%
Fair	3%
Poor or Inadequate	1%
Uncertain	0%

Respondents were also asked “if there was ONE change in services that you would most like to see, what would it be?” **It is noted that 35% did not or chose not to answer this question because they are either satisfied with current services or were unable to come up with an answer.** For those that did respond, the following are provided in order of their frequency:

- ✓ Parks and Recreation. (Ice rink and pool mentioned often (23% of the combined sample). General concern expressed for the need to modernize the facilities to bring them up to a competitive standard and to enhance convenience for families with children of varied ages. One example is to change the pool so young children can play in it as well as older children and adults by creating a sloped, “walk into” situation.)

- ✓ Street Maintenance and Traffic Control. (Better signage, crossing guards, lower speed limits, more speed bumps, more police vigilance on traffic violations, etc. Repair roads where plant growth blocks vision of oncoming traffic or signage. (18% of sample.)

- ✓ Budgeting. (Lowering taxes, balancing municipality and school district spending. Stop borrowing money. Residents are concerned about the ability of local government to budget/spend efficiently.) (8% of sample.)

- ✓ School Improvements. (NOT the purview of the Municipality). (15% of sample.)

- ✓ Library. (Better hours - evenings and Sundays.) (12% of sample.)

- ✓ Trash/ Recycling/Compost. (All of which should be picked up more frequently and local government should encourage community to recycle. Also, complaints about heavy littering and not much done to clean it up or prevent it.)

- ✓ Police, Fire, and EMS. (Complaints about Police attitude toward community, want them to take sensitivity training, request for volunteer fire dept. and EMS increased personnel. More support for Fire Dept and EMS.

- ✓ Infrastructure/Water/Sewage improvements. (Complaints about flooding and "ice dams" in the winter.)

- ✓ Parking. (Better directional signage to off-street parking, more lenient on parking tickets and overnight parking, pay stations in garages instead of cashiers.)

- ✓ Improved Commercial Areas. (Less “dollar” stores and more specialty stores. More “high-end” restaurants, “Whole Foods” grocery stores, and better retail choices requested.)

- ✓ Pedestrian and Bicycle Riders. (Want better maintained sidewalks and pathways as well as bike lanes created on busier roads; safer for kids to ride bikes to schools; and improved sidewalk maintenance.)

- ✓ Beautification Services. (Complaints about leaf collection, snow removal, and tree trimming not being done frequently enough. Seen as dangers - leafs cause road blocks/slippery; snow is plowed lazily/inefficiently; and trees are not trimmed properly. Residents want codes enforced so neighborhoods look nicer.)

Based on the above “complaints” or desired “enhancements,” a follow up question presented the option of paying additional taxes or fees to obtain their specific enhancements or solve their problems. A significant minority of residents are willing to do so. The table that follows (Figure 12) identifies about 44% stating a willingness to do so. However and importantly, 35% of all respondents did not desire any change in service. If these 35% are excluded from the sample, only about 25% of the total of all survey respondents stated a definitive willingness to pay additional taxes and fees.

Figure 12: Services Question 7 “If such an improvement is possible, would you be willing to pay additional taxes or fees to obtain the improvement you identified?”

Answer Options	%
Yes	**44%**
No	26%
Uncertain	30%

In spite of any individual issues, as shown below in Figure 13 the overwhelming majority of residents find Mt. Lebanon to be at least a “very good” place to live, with about one-half of residents defining it as an “excellent” place to live. In fact, less than 8% see it as simply “ok” or a “poor” place in which to live. There are many reasons for this, not the least of which is the quality of services as expressed in the focus group sessions and public meetings as well as these surveys.

Figure 13: Services Question 8 "Which of the following best describes Mt. Lebanon as place to live?"

Answer Options	%
Excellent	**49%**
Very Good	44%
Just OK	8%
Poor	0%

It is further noted that the public input meetings and the focus group sessions provide further detail on the reason Mt. Lebanon is viewed as a quality place to live. The most important factor mentioned is the quality of the school system in the area. Although there is controversy over some recent decisions and many residents fear the implication of decisions by the School Board on their taxes, the schools have always been the primary reason residents are attracted to the area.

However, the schools are not controlled by the Municipality. The factors that are largely controlled by Mt. Lebanon of critical importance to decisions on locating in the community relate to its "walkability" and "character." Unlike the schools, these are under the control of the jurisdiction and involve a myriad of functions, services and management. These include but are not necessarily limited to:

- Density of development
- Viability of Uptown and commercial activity
- Land use activity and compatibility
- Street lighting
- Sidewalk conditions
- Conflicts between pedestrian and vehicular movement and traffic
- Maintenance of property
- Perception of safety
- Availability or proximity to services
- Availability or proximity to jobs
- Perceptions of distance and availability of activities, functions, events, and facilities

COMPARATIVE ANALYSIS

As part of the Strategic Financial Plan process, TischlerBise prepared a forecast of market demand as well as a comparative assessment of Mt. Lebanon to similar communities to 1) obtain a better understanding of the Municipality's current economic condition, 2) identify potential opportunities, and 3) gain a better understanding of what differentiates Mt. Lebanon from other communities from a market perspective. (More detail can be found in the separate document entitled *Mt. Lebanon Demand Forecast and Market Position*.)

There are several means by which any established jurisdiction can "balance the budget" or pay for the goods and services either desired or anticipated by their residents. These are basically:

- Increase efficiency
- Lower levels of service
- Change fees or tax structures
- Change land use to enhance revenues

With respect to the latter, TischlerBise has prepared over 700 fiscal impact evaluations across the nation. The large majority of these analyses indicate that adding additional housing units does not generally yield a return that exceeds the cost of services. On the other hand, in almost all cases, expansion of non-residential or commercial activity increases revenues beyond the cost of services provided.

To explore the option of adding or changing land use, several types of analyses were conducted, including market analysis. These analyses reveal the potential for additional non-residential activity generated by local residents or those living nearby. While Mt. Lebanon has little available land that is not developed, increased intensity of activity where non-residential development currently exists, such as in Uptown, and perhaps the creation of added commercial space in other areas may be options that could be addressed from a physical planning perspective. This could result in added revenues at minimal increased service cost to the municipality.

Basic spending and demographic information that was employed to estimate demand for goods and services was defined through telephone and on-line surveys. The salient information generated from those surveys indicate there are reasonable opportunities to expand non-residential activity in Mt. Lebanon that could positively impact fiscal conditions through additional revenue generation through existing taxes and fees. The results of the analyses indicate opportunities for:

- Food operations, such as a supermarket.
- Food services operations, such as restaurants and "fast food" or limited service providers.

- General merchandiser, such as a larger "box" store, like Target*
- Transportation entities that include either or both vehicle dealerships and vehicle services
- Drugstores, such as one of the national chains like Walgreen's
- Hardware or home improvement center*
- Sporting goods operations.
- Gift and novelty stores.

**(It is noted that many of the national chains are now building units that are smaller in scale to fit better in established commercial areas and communities.)*

Further, the market analysis indicates that there is substantial opportunity to recapture dollars that are currently exported by residents of Mt. Lebanon and to capture additional dollars from secondary markets to expand the commercial base.

Some of this space could be developed or attracted to areas like Uptown, while others are more likely to be situated in "shopping center" formats within or near neighborhoods and communities. Furthermore:

✓ There is no reason to believe that such activity could not be developed without any financial public sector injection.

✓ Increases in commercial activity would yield substantial local tax revenues.

✓ There are other advantages that accrue from increased commercial activity including;

- Diminished distances traveled by residents for basic services
- Less traffic congestion
- Lesser road maintenance
- Transportation cost savings by residents
- Increased walking and "walkability"

FINANCIAL MODELING ASSUMPTIONS

The Municipality of Mt. Lebanon Strategic Financial Plan 2011-2020 has been developed using a 10-year Financial Model developed for this assignment by TischlerBise. The financial model is a dynamic tool which models financial trends over a ten year future period based on a range of assumptions and produces a means by which Administration and Council can assess its financial requirements balanced with its strategic objectives. The Strategic Financial Plan is a living document, which should be reviewed continuously and presented to Council annually.

The base point used for modeling the Strategic Financial Plan is the FY2010 Budget. Five scenarios were developed by Council and Municipal staff, based on input collected from the survey efforts undertaken as part of this analysis. The scenarios modeled as part of this effort are discussed below.

Scenario One (Reduced Road Reconstruction)

This scenario assumes Mt. Lebanon reduces the amount of money spent on reconstructing roads. The assumption is that Municipality reconstructions one third of a mile annually, which is estimated at $600,000. The Municipality is currently reconstructing approximately one mile at a cost of $1.8 million.

Scenario Two (Status Quo)

This scenario assumes Mt. Lebanon maintains the current level of Municipal services over the next ten years. This scenario also assumes a base level of capital improvement expenditures of $500,000 annually (not including road reconstruction). In addition to this annual amount it is further assumed improvements to Wildcat and Middle Fields ($1,033,090) and the Swim Center Renovations ($4,372,000) are completed over the next five years with a bond issue.

Scenario Two A (Status Quo with Garbage Assessment)

In addition to the assumption current Municipal service levels are maintained, this scenario further assumes Mt. Lebanon's garbage collection function becomes a fee-sustained (assessment) operation, thereby reducing the burden on General Fund revenue support. This scenario also assumes a base level of capital improvement expenditures of $500,000 annually.

Scenario Two B (Status Quo with Storm Sewer Assessment)

In addition to the assumption current Municipal service levels are maintained, this scenario further assumes Mt. Lebanon's stormwater function becomes a fee-sustained (assessment) operation, thereby reducing the burden on General Fund revenue support. This scenario also assumes a base level of capital improvement expenditures of $500,000 annually.

Scenario Three (Higher Levels of Service)

This scenario assumes Mt. Lebanon increases the level of service in four different service areas: stormwater, recreation facilities, library and economic development. The operating budget assumptions for this scenario are shown in Figure 14 table below:

Figure 14: Scenario Three Assumptions Operating Cost Assumptions

Service	Current Service Level	Increased Service Level
Stormwater	$86,890 (S/L 4)	$181,890 (S/L 6)
Library	$1,051,372 (S/L 3)	$1,066,372 (assumes $15K increase for additional Sunday hours)
Economic Development	$147,740 (S/L 1)	$75,000 to implement TRID recommendation and $50,000 for a Washington Rd. traffic study

In addition to the base level of capital improvement expenditures of $500,000 annually, the capital budget assumptions for this scenario are shown in Figure 15 below:

Figure 15: Scenario Three Assumptions Capital Cost Assumptions

Service	Increased Service Level
Recreation	Golf Course Improvements ($2,878,060)
	Tennis Center Improvements ($579,940)
	Ice Center Enhancements ($106,800)
	Ice Rink Floor and Restroom Repairs ($231,500)
	Ice Rink Locker Room Addition ($250,000)
Stormwater	Maintain level of Expenditure in CIP ($1,827,750 over 5 year period)

Key Assumptions of the 10-Year Financial Model

The assumptions used in the 10-Year Financial Model are:

- Existing service levels will be maintained
- Property tax revenue will increase at a rate of 0.5% annually (it is further assumed that the base increases by 5% with the 2012 reassessment with a 5% increase every subsequent three years)
- Earned income tax will increase at a rate of 1.5 % annually
- Local services tax will remain flat
- County sales tax will increase at a rate of 1.5% annually
- Deed transfer tax will remain will increase at a rate of 1% annually (the FY2011 projected revenue of $1.3 million is used as the base going forward flat
- Investment income will remain flat
- License and permits will increase at a rate of 5% annually
- Fines and forfeitures will increase at a rate of 1.5% annually
- Intergovernmental revenue will remain flat
- Recreation charges will increase at a rate of 1% annually
- Health insurance costs are assumed to increase at a rate of 12% annually
- Net staffing levels will remain constant in line with current service provision
- Staff costs will increase at a rate of 3% annually
- Part-time wages will remain flat
- Fringe benefits will increase at a rate of 15% annually
- Contractual services will remain flat
- Commodities will increase at a rate of 1% annually
- Interest rates on new debt service is assumed at 4.25% for a 20-year period

10-YEAR REVENUE/EXPENDITURE FORECAST

This section discussed the 10-Year revenue and expenditure projections for the five scenarios modeled as part of the Strategic Planning Process.

Scenario One (Reduced Road Reconstruction)

The ***annual*** (year to year) revenue and expenditure forecast from FY2011 to FY2020 for the Reduced Road Construction scenario are shown in Figure 16. Each year reflects total revenues generated minus total expenditures incurred in the same year. The cash flow does not include costs and revenues associated with ALCOSAN. As Figure 16 indicates, deficits are generated in each of the ten years of the analysis period.

Figure 16: Scenario One (Reduced Road Reconstruction) 10-Year Forecast

REVENUES	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Taxes											
Real Estate	$10,293	$10,808	$10,862	$10,916	$11,462	$11,519	$11,577	$12,155	$12,216	$12,277	**$124,326**
Earned Income	$9,479	$9,665	$9,851	$10,037	$10,223	$10,409	$10,595	$10,781	$10,966	$11,152	**$112,453**
Local Services	$324	$324	$324	$324	$324	$324	$324	$324	$324	$324	**$3,564**
Real Estate Transfer	$1,313	$1,326	$1,339	$1,352	$1,365	$1,378	$1,391	$1,404	$1,417	$1,430	**$15,015**
County Sales	$655	$664	$674	$684	$693	$703	$713	$722	$732	$742	**$7,627**
Utility	$28	$28	$28	$28	$29	$29	$29	$29	$29	$29	**$314**
Total Taxes	$22,092	$22,815	$23,078	$23,341	$24,096	$24,362	$24,628	$25,415	$25,685	$25,955	**$263,299**
Non-Tax Revenue											
Licenses, Permits & Fees	$925	$970	$1,014	$1,058	$1,102	$1,146	$1,190	$1,234	$1,278	$1,322	**$12,119**
Fines, Forfeitures & Penalties	$149	$151	$153	$155	$157	$160	$162	$164	$166	$168	**$1,732**
Investment & Rental	$41	$41	$41	$41	$41	$41	$41	$41	$41	$41	**$448**
Intergovernmental	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	**$26,575**
Recreation	$2,509	$2,534	$2,559	$2,583	$2,608	$2,633	$2,658	$2,683	$2,708	$2,732	**$28,691**
Charges for Service & Other Rev	$1,837	$1,855	$1,874	$1,892	$1,910	$1,928	$1,946	$1,965	$1,983	$2,001	**$21,010**
Use of Surplus/Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$1,459**
Total Non-Tax Revenues	$7,877	$7,966	$8,056	$8,145	$8,234	$8,323	$8,413	$8,502	$8,591	$8,681	**$92,034**
TOTAL REVENUES	**$29,969**	**$30,782**	**$31,134**	**$31,486**	**$32,330**	**$32,685**	**$33,041**	**$33,917**	**$34,276**	**$34,635**	**$355,333**
EXPENDITURES											
Operating											
General Government	$4,449	$4,672	$4,895	$5,118	$5,340	$5,563	$5,786	$6,008	$6,231	$6,454	**$58,743**
Community Development	$908	$949	$991	$1,033	$1,074	$1,116	$1,158	$1,200	$1,241	$1,283	**$11,819**
Public Works	$7,171	$7,372	$7,573	$7,774	$7,975	$8,176	$8,377	$8,578	$8,779	$8,980	**$87,722**
Human Services	$1,325	$1,355	$1,385	$1,415	$1,445	$1,475	$1,505	$1,535	$1,565	$1,595	**$15,895**
Recreation	$2,775	$2,836	$2,897	$2,958	$3,019	$3,080	$3,141	$3,202	$3,263	$3,324	**$33,206**
Public Safety	$11,784	$12,417	$13,050	$13,683	$14,317	$14,950	$15,583	$16,216	$16,849	$17,482	**$157,483**
Total Operating	$28,411	$29,601	$30,791	$31,980	$33,170	$34,359	$35,549	$36,739	$37,928	$39,118	**$364,867**
Capital Improvements	$1,116	$1,120	$1,171	$1,120	$1,090	$1,185	$1,136	$1,188	$1,170	$1,068	**$11,253**
Debt Service	$2,579	$2,573	$2,350	$1,877	$1,875	$1,882	$1,877	$1,879	$1,873	$1,874	**$23,228**
TOTAL EXPENDITURES	**$32,106**	**$33,294**	**$34,311**	**$34,977**	**$36,136**	**$37,426**	**$38,562**	**$39,805**	**$40,972**	**$42,060**	**$399,348**
SURPLUS (DEFICIT)	***($2,137)***	***($2,512)***	***($3,178)***	***($3,491)***	***($3,806)***	***($4,741)***	***($5,521)***	***($5,888)***	***($6,695)***	***($7,424)***	

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Scenario Two (Status Quo)

The ***annual*** (year to year) revenue and expenditure forecast from FY2011 to FY2020 for the Status Quo scenario are shown in Figure 17. Each year reflects total revenues generated minus total expenditures incurred in the same year. The cash flow does not include costs and revenues associated with ALCOSAN. As Figure 17 indicates, deficits are generated in each of the ten years of the analysis period.

Figure 17: Scenario Two (Status Quo) 10-Year Forecast

REVENUES	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Taxes											
Real Estate	$10,293	$10,808	$10,862	$10,916	$11,462	$11,519	$11,577	$12,155	$12,216	$12,277	**$124,326**
Earned Income	$9,479	$9,665	$9,851	$10,037	$10,223	$10,409	$10,595	$10,781	$10,966	$11,152	**$112,453**
Local Services	$324	$324	$324	$324	$324	$324	$324	$324	$324	$324	**$3,564**
Real Estate Transfer	$1,313	$1,326	$1,339	$1,352	$1,365	$1,378	$1,391	$1,404	$1,417	$1,430	**$15,015**
County Sales	$655	$664	$674	$684	$693	$703	$713	$722	$732	$742	**$7,627**
Utility	$28	$28	$28	$28	$29	$29	$29	$29	$29	$29	**$314**
Total Taxes	$22,092	$22,815	$23,078	$23,341	$24,096	$24,362	$24,628	$25,415	$25,685	$25,955	**$263,299**
Non-Tax Revenue											
Licenses, Permits & Fees	$925	$970	$1,014	$1,058	$1,102	$1,146	$1,190	$1,234	$1,278	$1,322	**$12,119**
Fines, Forfeitures & Penalties	$149	$151	$153	$155	$157	$160	$162	$164	$166	$168	**$1,732**
Investment & Rental	$41	$41	$41	$41	$41	$41	$41	$41	$41	$41	**$448**
Intergovernmental	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	**$26,575**
Recreation	$2,509	$2,534	$2,559	$2,583	$2,608	$2,633	$2,658	$2,683	$2,708	$2,732	**$28,691**
Charges for Service & Other Rev	$1,837	$1,855	$1,874	$1,892	$1,910	$1,928	$1,946	$1,965	$1,983	$2,001	**$21,010**
Use of Surplus/Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$1,459**
Total Non-Tax Revenues	$7,877	$7,966	$8,056	$8,145	$8,234	$8,323	$8,413	$8,502	$8,591	$8,681	**$92,034**
TOTAL REVENUES	**$29,969**	**$30,782**	**$31,134**	**$31,486**	**$32,330**	**$32,685**	**$33,041**	**$33,917**	**$34,276**	**$34,635**	**$355,333**
EXPENDITURES											
Operating											
General Government	$4,449	$4,672	$4,895	$5,118	$5,340	$5,563	$5,786	$6,008	$6,231	$6,454	**$58,743**
Community Development	$908	$949	$991	$1,033	$1,074	$1,116	$1,158	$1,200	$1,241	$1,283	**$11,819**
Public Works	$7,171	$7,372	$7,573	$7,774	$7,975	$8,176	$8,377	$8,578	$8,779	$8,980	**$87,722**
Human Services	$1,325	$1,355	$1,385	$1,415	$1,445	$1,475	$1,505	$1,535	$1,565	$1,595	**$15,895**
Recreation	$2,775	$2,836	$2,897	$2,958	$3,019	$3,080	$3,141	$3,202	$3,263	$3,324	**$33,206**
Public Safety	$11,784	$12,417	$13,050	$13,683	$14,317	$14,950	$15,583	$16,216	$16,849	$17,482	**$157,483**
Total Operating	$28,411	$29,601	$30,791	$31,980	$33,170	$34,359	$35,549	$36,739	$37,928	$39,118	**$364,867**
Capital Improvements	$2,316	$2,320	$2,371	$2,320	$2,290	$2,385	$2,336	$2,388	$2,370	$2,268	**$23,253**
Debt Service	$2,579	$2,652	$2,430	$1,956	$2,291	$2,298	$2,293	$2,295	$2,289	$2,290	**$25,959**
TOTAL EXPENDITURES	**$33,306**	**$34,573**	**$35,591**	**$36,257**	**$37,751**	**$39,042**	**$40,177**	**$41,421**	**$42,587**	**$43,675**	**$414,079**
SURPLUS (DEFICIT)	***($3,337)***	***($3,792)***	***($4,457)***	***($4,771)***	***($5,421)***	***($6,357)***	***($7,137)***	***($7,503)***	***($8,311)***	***($9,040)***	

Scenario Two A (Status Quo with Garbage Assessment)

The ***annual*** (year to year) revenue and expenditure forecast from FY2011 to FY2020 for the Status Quo with Garbage Assessment scenario are shown in Figure 18. Each year reflects total revenues generated minus total expenditures incurred in the same year. The cash flow does not include costs and revenues associated with ALCOSAN. As Figure 18 indicates, deficits are generated in each of the ten years of the analysis period.

Figure 18: Scenario Two A (Status Quo with Garbage Assessment) 10-Year Forecast

REVENUES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Taxes												
Real Estate	$10,242	$10,293	$10,808	$10,862	$10,916	$11,462	$11,519	$11,577	$12,155	$12,216	$12,277	**$124,326**
Earned Income	$9,294	$9,479	$9,665	$9,851	$10,037	$10,223	$10,409	$10,595	$10,781	$10,966	$11,152	**$112,453**
Local Services	$324	$324	$324	$324	$324	$324	$324	$324	$324	$324	$324	**$3,564**
Real Estate Transfer	$1,300	$1,313	$1,326	$1,339	$1,352	$1,365	$1,378	$1,391	$1,404	$1,417	$1,430	**$15,015**
County Sales	$645	$655	$664	$674	$684	$693	$703	$713	$722	$732	$742	**$7,627**
Utility	$28	$28	$28	$28	$28	$29	$29	$29	$29	$29	$29	**$314**
Total Taxes	$21,832	$22,092	$22,815	$23,078	$23,341	$24,096	$24,362	$24,628	$25,415	$25,685	$25,955	**$263,299**
Non-Tax Revenue												
Licenses, Permits & Fees	$881	$925	$970	$1,014	$1,058	$1,102	$1,146	$1,190	$1,234	$1,278	$1,322	**$12,119**
Fines, Forfeitures & Penalties	$146	$149	$151	$153	$155	$157	$160	$162	$164	$166	$168	**$1,732**
Investment & Rental	$41	$41	$41	$41	$41	$41	$41	$41	$41	$41	$41	**$448**
Intergovernmental	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	**$26,575**
Recreation	$2,484	$2,509	$2,534	$2,559	$2,583	$2,608	$2,633	$2,658	$2,683	$2,708	$2,732	**$28,691**
Charges for Service & Other Rev	$1,819	$1,837	$1,855	$1,874	$1,892	$1,910	$1,928	$1,946	$1,965	$1,983	$2,001	**$21,010**
Refuse Assessment	$1,907	$1,907	$1,907	$1,907	$1,907	$1,907	$1,907	$1,907	$1,907	$1,907	$1,907	**$20,982**
Use of Surplus/Fund Balance	$1,459	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$1,459**
Total Non-Tax Revenues	$11,154	$9,784	$9,874	$9,963	$10,052	$10,142	$10,231	$10,320	$10,409	$10,499	$10,588	**$113,016**
TOTAL REVENUES	**$32,986**	**$31,876**	**$32,689**	**$33,041**	**$33,393**	**$34,237**	**$34,592**	**$34,948**	**$35,825**	**$36,184**	**$36,543**	**$376,315**
EXPENDITURES												
Operating												
General Government	$4,227	$4,449	$4,672	$4,895	$5,118	$5,340	$5,563	$5,786	$6,008	$6,231	$6,454	**$58,743**
Community Development	$866	$908	$949	$991	$1,033	$1,074	$1,116	$1,158	$1,200	$1,241	$1,283	**$11,819**
Public Works	$6,970	$7,171	$7,372	$7,573	$7,774	$7,975	$8,176	$8,377	$8,578	$8,779	$8,980	**$87,722**
Human Services	$1,295	$1,325	$1,355	$1,385	$1,415	$1,445	$1,475	$1,505	$1,535	$1,565	$1,595	**$15,895**
Recreation	$2,714	$2,775	$2,836	$2,897	$2,958	$3,019	$3,080	$3,141	$3,202	$3,263	$3,324	**$33,206**
Public Safety	$11,151	$11,784	$12,417	$13,050	$13,683	$14,317	$14,950	$15,583	$16,216	$16,849	$17,482	**$157,483**
Total Operating	$27,222	$28,411	$29,601	$30,791	$31,980	$33,170	$34,359	$35,549	$36,739	$37,928	$39,118	**$364,867**
Capital Improvements	$468	$2,316	$2,320	$2,371	$2,320	$2,290	$2,385	$2,336	$2,388	$2,370	$2,268	**$23,253**
Debt Service	$2,588	$2,579	$2,652	$2,430	$1,956	$2,291	$2,298	$2,293	$2,295	$2,289	$2,290	**$25,959**
TOTAL EXPENDITURES	**$30,278**	**$33,306**	**$34,573**	**$35,591**	**$36,257**	**$37,751**	**$39,042**	**$40,177**	**$41,421**	**$42,587**	**$43,675**	**$414,079**
SURPLUS (DEFICIT)	***$2,709***	***($1,430)***	***($1,884)***	***($2,550)***	***($2,863)***	***($3,514)***	***($4,449)***	***($5,229)***	***($5,596)***	***($6,403)***	***($7,132)***	

Scenario Two B (Status Quo with Storm Sewer Assessment)

The ***annual*** (year to year) revenue and expenditure forecast from FY2011 to FY2020 for the Status Quo with Storm Sewer Assessment scenario are shown in Figure 19. Each year reflects total revenues generated minus total expenditures incurred in the same year. The cash flow does not include costs and revenues associated with ALCOSAN. As Figure 19 indicates, deficits are generated in each of the ten years of the analysis period.

Figure 19: Scenario Two B (Status Quo with Storm Sewer Assessment) 10-Year Forecast

REVENUES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Taxes												
Real Estate	$10,242	$10,293	$10,808	$10,862	$10,916	$11,462	$11,519	$11,577	$12,155	$12,216	$12,277	**$124,326**
Earned Income	$9,294	$9,479	$9,665	$9,851	$10,037	$10,223	$10,409	$10,595	$10,781	$10,966	$11,152	**$112,453**
Local Services	$324	$324	$324	$324	$324	$324	$324	$324	$324	$324	$324	**$3,564**
Real Estate Transfer	$1,300	$1,313	$1,326	$1,339	$1,352	$1,365	$1,378	$1,391	$1,404	$1,417	$1,430	**$15,015**
County Sales	$645	$655	$664	$674	$684	$693	$703	$713	$722	$732	$742	**$7,627**
Utility	$28	$28	$28	$28	$28	$29	$29	$29	$29	$29	$29	**$314**
Total Taxes	$21,832	$22,092	$22,815	$23,078	$23,341	$24,096	$24,362	$24,628	$25,415	$25,685	$25,955	**$263,299**
Non-Tax Revenue												
Licenses, Permits & Fees	$881	$925	$970	$1,014	$1,058	$1,102	$1,146	$1,190	$1,234	$1,278	$1,322	**$12,119**
Fines, Forfeitures & Penalties	$146	$149	$151	$153	$155	$157	$160	$162	$164	$166	$168	**$1,732**
Investment & Rental	$41	$41	$41	$41	$41	$41	$41	$41	$41	$41	$41	**$448**
Intergovernmental	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	**$26,575**
Recreation	$2,484	$2,509	$2,534	$2,559	$2,583	$2,608	$2,633	$2,658	$2,683	$2,708	$2,732	**$28,691**
Charges for Service & Other Rev	$1,819	$1,837	$1,855	$1,874	$1,892	$1,910	$1,928	$1,946	$1,965	$1,983	$2,001	**$21,010**
Storm Sewer Assessment	$911	$911	$911	$911	$911	$911	$911	$911	$911	$911	$911	**$10,023**
Use of Surplus/Fund Balance	$1,459	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$1,459**
Total Non-Tax Revenues	$10,158	$8,788	$8,877	$8,967	$9,056	$9,145	$9,235	$9,324	$9,413	$9,502	$9,592	**$102,057**
TOTAL REVENUES	**$31,990**	**$30,880**	**$31,693**	**$32,045**	**$32,397**	**$33,241**	**$33,596**	**$33,952**	**$34,829**	**$35,187**	**$35,546**	**$365,356**
EXPENDITURES												
Operating												
General Government	$4,227	$4,449	$4,672	$4,895	$5,118	$5,340	$5,563	$5,786	$6,008	$6,231	$6,454	**$58,743**
Community Development	$866	$908	$949	$991	$1,033	$1,074	$1,116	$1,158	$1,200	$1,241	$1,283	**$11,819**
Public Works	$7,006	$7,207	$7,408	$7,609	$7,810	$8,011	$8,212	$8,413	$8,614	$8,815	$9,016	**$88,124**
Human Services	$1,295	$1,325	$1,355	$1,385	$1,415	$1,445	$1,475	$1,505	$1,535	$1,565	$1,595	**$15,895**
Recreation	$2,714	$2,775	$2,836	$2,897	$2,958	$3,019	$3,080	$3,141	$3,202	$3,263	$3,324	**$33,206**
Public Safety	$11,151	$11,784	$12,417	$13,050	$13,683	$14,317	$14,950	$15,583	$16,216	$16,849	$17,482	**$157,483**
Total Operating	$27,258	$28,448	$29,638	$30,827	$32,017	$33,206	$34,396	$35,586	$36,775	$37,965	$39,154	**$365,270**
Capital Improvements	$468	$2,923	$2,354	$2,403	$2,834	$2,590	$2,418	$2,369	$2,420	$2,883	$2,568	**$25,651**
Debt Service	$2,588	$2,579	$2,652	$2,430	$1,956	$2,291	$2,298	$2,293	$2,295	$2,289	$2,290	**$25,959**
TOTAL EXPENDITURES	**$30,314**	**$33,950**	**$34,643**	**$35,659**	**$36,806**	**$38,088**	**$39,112**	**$40,248**	**$41,489**	**$43,137**	**$44,012**	**$416,880**
SURPLUS (DEFICIT)	***$1,676***	***($3,069)***	***($2,951)***	***($3,615)***	***($4,409)***	***($4,847)***	***($5,516)***	***($6,296)***	***($6,661)***	***($7,950)***	***($8,465)***	

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Scenario Three (Higher Levels of Service))

The ***annual*** (year to year) revenue and expenditure forecast from FY2011 to FY2020 for the Higher Levels of Service scenario are shown in Figure 20. Each year reflects total revenues generated minus total expenditures incurred in the same year. The cash flow does not include costs and revenues associated with ALCOSAN. As Figure 20 indicates, deficits are generated in each of the ten years of the analysis period.

Figure 20: Scenario Three (Higher Levels of Service) 10-Year Forecast

REVENUES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Taxes												
Real Estate	$10,242	$10,293	$10,808	$10,862	$10,916	$11,462	$11,519	$11,577	$12,155	$12,216	$12,277	**$124,326**
Earned Income	$9,294	$9,479	$9,665	$9,851	$10,037	$10,223	$10,409	$10,595	$10,781	$10,966	$11,152	**$112,453**
Local Services	$324	$324	$324	$324	$324	$324	$324	$324	$324	$324	$324	**$3,564**
Real Estate Transfer	$1,300	$1,313	$1,326	$1,339	$1,352	$1,365	$1,378	$1,391	$1,404	$1,417	$1,430	**$15,015**
County Sales	$645	$655	$664	$674	$684	$693	$703	$713	$722	$732	$742	**$7,627**
Utility	$28	$28	$28	$28	$28	$29	$29	$29	$29	$29	$29	**$314**
Total Taxes	$21,832	$22,092	$22,815	$23,078	$23,341	$24,096	$24,362	$24,628	$25,415	$25,685	$25,955	**$263,299**
Non-Tax Revenue												
Licenses, Permits & Fees	$881	$925	$970	$1,014	$1,058	$1,102	$1,146	$1,190	$1,234	$1,278	$1,322	**$12,119**
Fines, Forfeitures & Penalties	$146	$149	$151	$153	$155	$157	$160	$162	$164	$166	$168	**$1,732**
Investment & Rental	$41	$41	$41	$41	$41	$41	$41	$41	$41	$41	$41	**$448**
Intergovernmental	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	$2,416	**$26,575**
Recreation	$2,484	$2,509	$2,534	$2,559	$2,583	$2,608	$2,633	$2,658	$2,683	$2,708	$2,732	**$28,691**
Charges for Service & Other Rev	$1,819	$1,837	$1,855	$1,874	$1,892	$1,910	$1,928	$1,946	$1,965	$1,983	$2,001	**$21,010**
Use of Surplus/Fund Balance	$1,459	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$1,459**
Total Non-Tax Revenues	$9,247	$7,877	$7,966	$8,056	$8,145	$8,234	$8,323	$8,413	$8,502	$8,591	$8,681	**$92,034**
TOTAL REVENUES	**$31,078.740**	**$29,969**	**$30,782**	**$31,134**	**$31,486**	**$32,330**	**$32,685**	**$33,041**	**$33,917**	**$34,276**	**$34,635**	**$355,333**
EXPENDITURES												
Operating												
General Government	$4,227	$4,449	$4,672	$4,895	$5,118	$5,340	$5,563	$5,786	$6,008	$6,231	$6,454	**$58,743**
Community Development	$866	$908	$949	$991	$1,033	$1,074	$1,116	$1,158	$1,200	$1,241	$1,283	**$11,819**
Public Works	$7,065	$7,269	$7,474	$7,679	$7,884	$8,089	$8,294	$8,498	$8,703	$8,908	$9,113	**$88,976**
Human Services	$1,361	$1,393	$1,425	$1,457	$1,489	$1,521	$1,553	$1,585	$1,617	$1,649	$1,681	**$16,734**
Recreation	$2,714	$2,775	$2,836	$2,897	$2,958	$3,019	$3,080	$3,141	$3,202	$3,263	$3,324	**$33,206**
Public Safety	$11,151	$11,784	$12,417	$13,050	$13,683	$14,317	$14,950	$15,583	$16,216	$16,849	$17,482	**$157,483**
Total Operating	$27,383	$28,579	$29,774	$30,969	$32,165	$33,360	$34,555	$35,751	$36,946	$38,142	$39,337	**$366,961**
Capital Improvements	$468	$3,198	$3,000	$2,642	$3,353	$3,471	$2,385	$2,336	$2,388	$2,370	$2,268	**$27,299**
Debt Service	$2,588	$2,579	$2,652	$2,430	$1,956	$2,291	$2,298	$2,293	$2,295	$2,289	$2,290	**$25,959**
TOTAL EXPENDITURES	**$30,439**	**$34,355**	**$35,426**	**$36,042**	**$37,474**	**$39,122**	**$39,238**	**$40,379**	**$41,628**	**$42,801**	**$43,894**	**$420,219**
SURPLUS (DEFICIT)	***$640***	***($4,386)***	***($4,644)***	***($4,908)***	***($5,988)***	***($6,792)***	***($6,553)***	***($7,339)***	***($7,711)***	***($8,524)***	***($9,259)***	