

FINANCIAL ANALYSIS

Introduction

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

Taxing Authority

The Pennsylvania Second Class Township Code establishes the maximum rate for real estate taxes which may be levied, setting the maximum annual rate at fourteen mills for townships and thirty mills for boroughs. One levied mill equals one dollar of property tax on one thousand dollars of assessed value.

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

TAX RATES					
	2007				
	Damascus	Manchester	Oregon	County	School
Real Estate (mills)					
general purpose	0.75	1.0000	0.75	2.786	11.563
ambulance and rescue	0	0.0323	0	0	0
fire equipment and firehouses	0.20	0.258	0	0	0
special road fund	0.20	0.387	0	0	0
TOTAL	1.15	1.6773	0.75	0	0
Realty Transfer (percent)	0.50	0.50	0.50	0	0.50
Occupation (mills)	20	0	0	0	300
Per Capita (dollars)	5.00	0	5.00	0	10.00

RECENT REAL ESTATE TAX RATES									
	Damascus			Manchester			Oregon		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
general purpose	0.95	0.75	0.75	1.1903	1.0000	1.0000	0.50	0.75	0.75
ambulance and rescue	0	0	0	0	0.0323	0.0323	0	0	0
fire equip and firehouses	0	0.10	0.20	0	0.1290	0.258	0	0	0
road machinery	0	0.10	0.20	0	0.1290	0.387	0	0	0
TOTAL	0.95	0.95	1.15	1.1903	1.2903	1.6773	0.5	0.75	0.75

Second Class Townships

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

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

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

2007 WAYNE COUNTY MILLAGES for REAL ESTATE, OCCUPATION & PER CAPITA									
MUNICIPALITY	REAL ESTATE				TOTAL	OCCUPATION / PER CAPITA			
	DIST. #	TOWNSHIP / BOROUGH		2006/2007 SCHOOL	CTY,TWP BORO,SCH	TOWNSHIP / BOROUGH		SCHOOL	
		COUNTY				OCC	PER CAPITA	OCC	PER CAPITA
BERLIN TWP.	01-0	0.002786	0.0013750	0.0115630	0.0157240	-	\$ 5.00	0.300	\$ 10.00
BETHANY BORO.	02-0	0.002786	0.0008400	0.0115630	0.0151890	0.01400	\$ 5.00	0.300	\$ 10.00
BUCKINGHAM TWP.	03-0	0.002786	0.0013500	0.0115630	0.0156990	-	\$ -	0.300	\$ 10.00
CANAAN TWP.	04-0	0.002786	0.0005000	0.0125170	0.0158030	0.00050	\$ 10.00	-	\$ -
CHERRY RIDGE TWP.	05-0	0.002786	0.0006100	0.0115630	0.0149590	-	\$ -	0.300	\$ 10.00
CLINTON TWP. #1	06-1	0.002786	0.0007000	0.0125170	0.0160030	-	\$ 10.00	-	\$ -
CLINTON TWP. #2	06-2	0.002786	0.0007000	0.0122000	0.0156860	-	\$ 5.00	-	\$ 10.00
DAMASCUS TWP.	07-0	0.002786	0.0011500	0.0115630	0.0154990	0.02000	\$ 5.00	0.300	\$ 10.00
DREHER TWP.	08-0	0.002786	0.0006500	0.0104400	0.0138760	-	\$ -	-	\$ -
DYBERRY TWP.	09-0	0.002786	0.0006000	0.0115630	0.0149490	-	\$ 5.00	0.300	\$ 10.00
HAWLEY BORO.	10-0	0.002786	0.0024000	0.0104400	0.0156260	0.02800	\$ 5.00	-	\$ -
HONESDALE BORO.	11-0	0.002786	0.0033000	0.0115630	0.0176490	-	\$ 5.00	0.300	\$ 10.00
LAKE TWP.	12-0	0.002786	0.0005500	0.0125170	0.0158530	-	\$ -	-	\$ -
LEBANON TWP.	13-0	0.002786	0.0008000	0.0115630	0.0151490	-	\$ -	0.300	\$ 10.00
LEHIGH TWP.	14-0	0.002786	0.0003790	0.0181000	0.0212650	-	\$ -	-	\$ -
MANCHESTER TWP.	15-0	0.002786	0.0016773	0.0115630	0.0160263	-	\$ -	0.300	\$ 10.00
MT. PLEASANT TWP.	16-0	0.002786	0.0006370	0.0122000	0.0156230	-	\$ 5.00	-	\$ 10.00
OREGON TWP.	17-0	0.002786	0.0007500	0.0115630	0.0150990	-	\$ 5.00	0.300	\$ 10.00
PALMYRA TWP.	18-0	0.002786	0.0009000	0.0104400	0.0141260	-	\$ -	-	\$ -
PAUPACK TWP.	19-0	0.002786	0.0007233	0.0104400	0.0139493	-	\$ -	-	\$ -
PRESTON TWP.	20-0	0.002786	0.0007500	0.0115630	0.0150990	-	\$ 5.00	0.300	\$ 10.00
PROMPTON BORO.	21-0	0.002786	0.0009000	0.0115630	0.0152490	-	\$ 5.00	0.300	\$ 10.00
SALEM TWP.	22-0	0.002786	0.0005200	0.0125170	0.0158230	-	\$ -	-	\$ -
SCOTT TWP.	23-0	0.002786	0.0013400	0.0115630	0.0156890	-	\$ -	0.300	\$ 10.00
SO. CANAAN TWP.	24-0	0.002786	0.0008300	0.0125170	0.0161330	-	\$ 5.00	-	\$ -
STARRUCCA BORO.	25-0	0.002786	0.0008900	0.0098900	0.0135660	-	\$ -	-	\$ 10.00
STERLING TWP.	26-0	0.002786	0.0009749	0.0125170	0.0162779	-	\$ -	-	\$ -
TEXAS TWP. #1 & #2	27-0	0.002786	0.0006000	0.0115630	0.0149490	0.01400	\$ 5.00	0.300	\$ 10.00
TEXAS TWP. #3	27-3	0.002786	0.0006000	0.0104400	0.0138260	0.01400	\$ 5.00	-	\$ -
WAYMART BORO.	28-0	0.002786	0.0017100	0.0125170	0.0170130	-	\$ -	-	\$ -

Municipal Tax Rates (Note: to convert the rates to millage multiply by 1,000.) (Source: Wayne Co. Tax Assessment Office.)

The *Municipal Tax Rates Table* shows the types and rates of taxes collected by the municipalities in Wayne County in 2007. Real estate tax millages for the municipalities in the County range from a low of 0.379 mills in Lehigh Township to a high of almost 3.3 mills in Honesdale Borough. In general, tax rates are a reflection of relationship of the assessed valuation of the taxable property in the municipality to the demand for facilities and services. For example, Lehigh Township maintains only 2.26 miles of roads yet has an assessed valuation of some \$182,000,000, more than half of the Damascus valuation where the Township maintains ninety-five miles of roads.

The taxes assessed by the three ECWC Townships, Wayne County and the Wayne Highlands School District are detailed in the *Tax Rates Table*, with Township real estate taxes for 2005 through 2007 reported in the *Recent Real Estate Tax Rates Table*. Damascus Township and Manchester Township have opted to assess dedicated millages, each Township for fire equipment and firehouses, and road machinery, and Manchester also for ambulance and rescue purposes. Oregon Township does not assess any dedicated millages, instead choosing to operate solely from the general fund. Municipalities may support fire and ambulance companies directly from the general fund as does Oregon Township.

A Note About Millage

One mill equals 1/1000th of one dollar. To convert the fractions reported in the *Municipal Tax Rates Table* to mills, multiply by 1,000. The property reassessment in Wayne County required all municipalities to adjust millages downward so that the resultant tax increase did not exceed five percent in the first year. This resulted in many of the millages going to several decimal places.

All municipalities in the County assess the 0.5 percent realty transfer tax as authorized by Act 511, as does the Wayne Highlands School District. Damascus Township assesses the occupation tax at twenty mills, and Damascus Township and Oregon Township each assess the \$5.00 per capita tax.

DAMASCUS TOWNSHIP GENERAL FUND AUDIT REPORT SUMMARY				
REVENUES	audit reports for →→→	2004	2005	2006
	Taxes - Real Estate	\$245,390	\$244,415	\$253,910
	Taxes - Occupation	\$12,375	\$11,135	\$11,490
	Taxes - Per Capita	\$4,980	\$5,145	\$5,930
	Taxes - Real Estate Transfer	\$72,135	\$118,810	\$93,920
	Fines and Forfeits	\$15,935	\$13,015	\$16,570
	Interest and Rents	\$3,390	\$9,860	\$14,180
	Intergovernmental (federal, PURTA, alcoholic beverage licences, in lieu of taxes, other)	\$150,535	\$225,120	\$32,920
	Charges for Services (general government, public safety, other)	\$58,475	\$84,405	\$74,970
	Miscellaneous (private sector contributions, other)	\$380	\$3,500	\$1,405
	Other Sources (interfund, fixed asset distribution, debt proceeds, refunds)	\$9,505	\$0	\$13,350
	Total Revenues	\$573,100	\$715,405	\$518,645
EXPENDITURES	audit reports for →→→	2004	2005	2006
	General Government (legis/gov body, accting, tax collection, legal, staff, engineering, buildings)	\$84,320	\$87,065	\$92,940
	Public Safety (fire, ambulance, inspections, planning/zoning, emergency mngt)	\$68,180	\$107,755	\$110,810
	Highways and Streets (general services, winter maintenance, street lights, equipment repairs)	\$110,090	\$362,590	\$312,920
	Culture and Recreation, Libraries	\$2,140	\$0	\$1,365
	Debt Service	\$0	\$0	\$605
	Miscellaneous (inter-govt, pension, insurance, payroll taxes, employee benefits, other)	\$143,550	\$105,085	\$121,715
	Other Financing Uses (refund of prior year revenue, interfund operating transfers)	\$20,240	\$0	\$0
	Total Expenditures	\$428,520	\$662,495	\$640,355
Excess/Deficit (total revenues - total expenditures)		\$144,580	\$52,910	(\$121,710)

MANCHESTER TOWNSHIP GENERAL FUND AUDIT REPORT SUMMARY				
REVENUES	audit reports for →→→	2004	2005	2006
	Taxes - real estate	\$108,830	\$118,110	\$134,785
	Taxes - real estate transfer	\$24,065	\$22,115	\$18,720
	Licenses and Permits	\$0	\$0	\$0
	Fines and Forfeits	\$10,815	\$7,460	\$7,110
	Interest and Rents	\$660	\$1,045	\$2,520
	Intergovernmental (federal, PURTA, alcoholic beverage licences, In lieu of taxes, other)	\$195,700	\$119,275	\$34,605
	Charges for Services (general government, public safety, other)	\$13,840	\$6,275	\$6,490
	Miscellaneous (private sector contributions, other)	\$0	\$10	\$0
	Other Sources (interfund, fixed asset distribution, debt proceeds, refunds)	\$0	\$3,150	\$99,610
	Total Revenues	\$353,910	\$277,440	\$303,840
EXPENDITURES	audit reports for →→→	2004	2005	2006
	General Government (legis/gov body, accting, tax collection, legal, staff, engineering, buildings)	\$32,205	\$28,765	\$25,060
	Public Safety (fire, ambulance, inspections, planning/zoning, emergency mngt)	\$21,740	\$89,180	\$24,960
	Health and Human Services	\$0	\$4,345	\$5,110
	Highways and Streets (general services, winter maintenance, street lights, equipment repairs)	\$112,535	\$106,230	\$123,285
	Culture and Recreation, Libraries	\$0	\$0	\$0
	Community Development	\$0	\$0	\$0
	Debt Service	\$12,555	\$12,555	\$12,555
	Miscellaneous (inter-govt, pension, insurance, payroll taxes, employee benefits, other)	\$100,535	\$0	\$86,225
	Other Financing Uses (refund of prior year revenue, interfund operating transfers)	\$42,355	\$0	\$5,420
	Total Expenditures	\$321,925	\$241,075	\$282,615
	Excess/Deficit (total revenues - total expenditures)	\$31,985	\$36,365	\$21,225

OREGON TOWNSHIP GENERAL FUND AUDIT REPORT SUMMARY				
REVENUES	audit reports for →→→	2004	2005	2006
	Taxes - Real Estate	\$33,525	\$34,430	\$49,570
	Taxes - Per Capita	\$2,615	\$2,540	\$2,355
	Taxes - Real Estate Transfer	\$9,260	\$21,040	\$10,985
	Licenses and Permits	\$4,155	\$7,265	\$9,380
	Fines and Forfeits	\$2,130	\$2,390	\$3,405
	Interest and Rents	\$280	\$220	\$205
	Intergovernmental (federal, PURTA, alcoholic beverage licences, In lieu of taxes, other)	\$25,020	\$10,885	\$6,600
	Charges for Services (general government, public safety, other)	\$2,145	\$3,095	\$2,390
	Miscellaneous (private sector contributions, other)	\$0	\$2,500	\$0
	Other Sources (interfund, fixed asset distribution, debt proceeds, refunds)	\$35,145	\$43,995	\$385
	Total Revenues	\$114,275	\$128,360	\$85,275
EXPENDITURES	audit reports for →→→	2004	2005	2006
	General Government (legis/gov body, accting, tax collection, legal, staff, engineering, buildings)	\$23,030	\$27,345	\$31,665
	Public Safety (fire, ambulance, inspections, planning/zoning, emergency mngt)	\$6,115	\$6,945	\$7,260
	Recycling	\$345	\$365	\$430
	Highways and Streets (general services, winter maintenance, street lights, equipment repairs)	\$46,705	\$89,600	\$16,660
	Debt Service	\$7,755	\$15,145	\$14,515
	Miscellaneous (inter-govt, pension, insurance, payroll taxes, employee benefits, other)	\$11,070	\$11,860	\$11,595
	Other Financing Uses (refund of prior year revenue, interfund operating transfers)	\$0	\$0	\$0
	Total Expenditures	\$95,020	\$151,260	\$82,125
Excess/Deficit (total revenues - total expenditures)		\$19,255	(\$22,900)	\$3,150

In addition to the funds generated by local taxes, municipalities receive a variety of funds from the state, including for example, various grants such as the Dirt and Gravel Road Program, payments in-lieu of taxes on state forest and game lands, Public Utility Realty Tax Act funds, alcoholic beverage license receipts, certain fines collected by the State Police, grants for specific projects, and State Liquid Fuels Highway Aid Fund allocations.

Revenue and Expenditures

General fund revenue and expenditures, as reported in the *Annual Audit and Financial Reports* for 2004, 2005 and 2006 are detailed for each Township in the *Audit Report Summary Tables*. Budgets for 2007 are not significantly different than 2006 revenues and expenditures. In terms of local revenue available for meeting general operating expenses, the real estate tax generates the most revenue in the ECWC. The realty transfer tax varies from year to year depending on the level of real estate sales, but accounts for significant revenue in all three Townships. The occupation tax in Damascus Township, amounting to about \$12,000 accounts for only a fraction of total revenues, as do the per capita taxes in Damascus and Oregon Townships. Intergovernmental funding, particularly in Damascus Township and Manchester Township, was very high in 2004 and 2005 owing to the flood damage reimbursements from the Commonwealth to partially cover costs of road repairs.

On the expenditure side (See the *Audit Report Summary Tables*), road maintenance accounts for the highest proportion of spending in the Townships. In addition to general funds, each municipality receives

an annual allocation in Liquid Fuels Funds from the Commonwealth which must be spent on road improvements, maintenance and equipment. The Liquid Fuels allocation, based on the local municipal population and road miles, is generally the largest annual amount of state funds received by a municipality, and must be maintained in an account separate from the municipality’s general funds. In recent years the approximate amounts received by the three ECWC Townships are: Damascus - \$240,000, Manchester - \$135,000 and Oregon - \$37,000. The higher level of spending on roads is not uncommon in less populated townships where road maintenance and improvement have always been the principal governmental responsibility. The *general government* category, which includes the costs of administration and building maintenance, and the *insurance, payroll taxes employee benefits* account for most of the other expenditures.

Each of the three Townships has maintained reserve funds in the general account to handle any but the most extreme unexpected expenditures. The reserves are more than reasonable as a proportion of the annual budgets. None of the Townships have found it necessary to borrow for general operations.

Municipal Comparisons

Comparing Damascus Township, Manchester Township and Oregon Township to other communities in the County is another means of assessing financial condition. The *Financial Statistics Table* compares per capita financial data for the three ECWC Townships to Honesdale Borough, the most populous municipality in the County, and to Paupack Township,

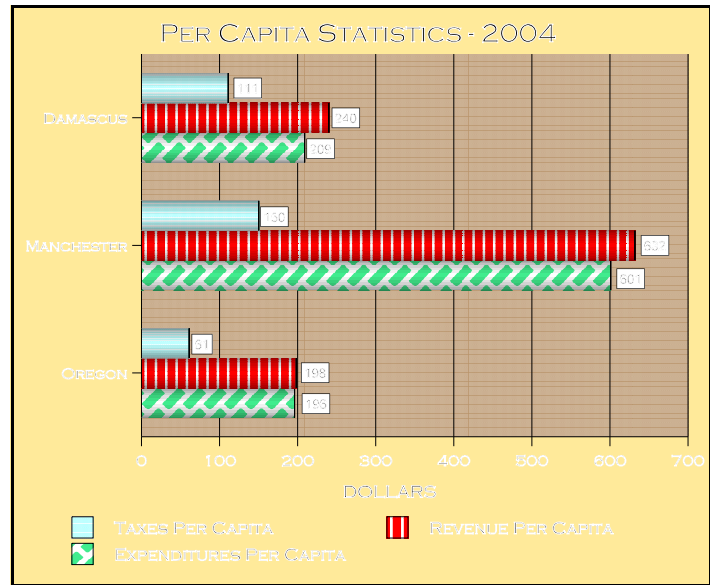
FINANCIAL STATISTICS - YEAR 2004 (Pennsylvania Department of Community and Economic Development)							
	Mkt Val per Capita	Total Taxes per Capita	Total Revenue per Capita	Rev : Tax Per Capita	Total Expend per Capita	Total Debt	Total Debt Per Capita
Damascus	\$62,015	\$111	\$240	2.16	\$209	\$18,537	\$5
Manchester	\$91,314	\$150	\$632	4.21	\$601	\$72,190	\$81
Oregon	\$60,027	\$61	\$198	3.25	\$196	\$38,879	\$52
Honesdale	\$37,989	\$197	\$394	2.00	\$394	\$544,545	\$112
Paupack	\$177,650	\$208	\$346	1.66	\$357	\$0	\$0

where intense development and high property values are associated with Lake Wallenpaupack. The *Per Capita Statistics Figure* presents per capita financial data for the three ECWC Townships. The data, obtained from the Pennsylvania Department of Community and Economic Development, is the most recent which is readily available for all municipalities.

While this data is useful to compare municipalities, it does not necessarily rank the financial management abilities of individual townships and boroughs. The level of facilities and services provided by each jurisdiction varies considerably and directly affects expenditures and the amount of revenue required. For example, the police and debt service costs accrued in some municipalities are not a factor in the budgets of many townships and the length of roads maintained varies. In addition, unexpected large expenditures, such as the flood damage repairs noted earlier, would have a dramatic effect on a particular year. In any case, the ratio of total revenues per capita to total tax revenues per capita provides a measure of the level of non-local funds used for municipal operations. The higher the ratio, the greater the proportion of non-local funds in the operating budget.

Real Estate Tax Potential

As the East Central Wayne County Planning Area population increases and changes in character, the cost of facilities and services will also increase. Additionally, inflation will increase the cost of maintaining the current level of facilities and services. Local governments throughout the Commonwealth must deal with raising additional funds for their operations. In any case, increased spending must be assessed in terms of the total local tax burden (township, county, and school district) and the real need and demand for additional facilities and services. The demand for increased levels of normal facilities and services is often associated with a dramatic increase in residential development. Concurrently, the assessed valuation would be increasing, which could partially offset the need for an increase in millage. However, studies have shown that residential development generates the need for more public expenditures than it does tax receipts to cover such costs. The School District’s perspective is the most obvious example; an increase in population and number of school children would directly result in increased costs.



TOTAL ASSESSED VALUATION (Wayne County Assessment Office)		
July 2005	July 2006	March 2007
Damascus		
\$339,858,100	\$351,112,200	\$356,874,100
Manchester		
\$103,897,200	\$109,640,800	\$108,167,600
Oregon		
\$68,203,200	\$70,469,300	\$69,608,800

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

Given the higher assessed valuations following the 2004 reassessment, each of the three Townships has great potential for additional tax revenues. Each Township will certainly be able to meet revenue needs within its current tax structure for many years. The

REAL ESTATE TAX REVENUE POTENTIAL – 2007						
	TOTAL GENERAL PURPOSE REAL ESTATE TAX MILLAGE	03/20/07 TAXABLE ASSESSED VALUE	GENERAL PURPOSE GROSS TAX RECEIPTS	AVAIL GENERAL PURPOSE MILLS*	POTENTIAL ADDITIONAL GENERAL PURPOSE GROSS TAX RECEIPTS	5-MILL COURT APPROVED ADDITIONAL GENERAL PURPOSE GROSS TAX RECEIPTS
Damascus	0.7500	\$ 345,654,600	\$ 259,241	13.2500	\$ 4,579,923	\$ 1,728,273
Manchester	1.0000	\$ 105,761,700	\$ 105,762	13.0000	\$ 1,374,902	\$ 528,809
Oregon	0.7500	\$ 69,346,800	\$ 52,010	13.2500	\$ 918,845	\$ 346,734

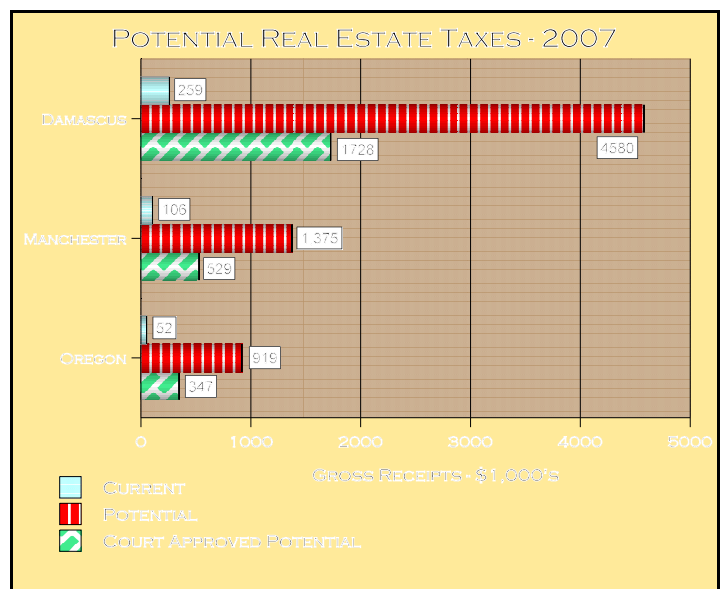
*State law sets the real estate tax limit for general purposes at 14 mills for townships of the second class. The Court may grant up to 5 mills additional if the taxing body shows it is necessary to meet an approved budget.

real critical question is, of course, how much are residents and businesses willing, and able, to pay for local government services. Another important factor in the financial condition of a municipality is long-term debt. Damascus Township and Manchester Township each carry a short-term loans for road machinery, but the payments can easily be handled within current budgets.

Other Revenue Sources

In addition to the potential from the general fund real estate levy, the Act 511 (Local Tax Enabling Act) taxes can be used for general fund purposes. The Special Purpose Taxes can provide funding for a variety of specific facilities and services, and as noted earlier, Damascus and Manchester have instituted such levies. (See the *Township Tax Sources Figure* and the *Tax Rates Table*.) One option for increased revenue would be to make levies for other special purposes, thereby shifting the expenditures from the general fund and freeing the associate millage. This approach, rather than relying on the general levy, assures the electorate that the funds will be used for the specified purpose.

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



applicability in ECWC. Detailed discussion of Act 511 and all other taxes is found in the *Taxation Manual* published by the Pennsylvania Department of Community and Economic Development.

The earned income tax holds the greatest potential for increased revenue. However, this would be a major change in tax structure. Except in financially distressed communities and where voters approve an additional tax for open space purposes, the rate is limited to one percent. Tax collection costs typically consume a small portion of the tax levy and the Local Tax Enabling Act requires 50/50 sharing with school districts that assess the tax. Local employers must withhold the taxes. The system often becomes confusing because municipalities which levy taxes on nonresidents working in the municipality are required to grant a credit for any income tax levied at the place

of residence. Similar to an increase in real estate taxes, the imposition of an earned income tax would likely be viewed with great concern by many residents. The same can be said for the occupation millage and business gross receipts.

Fees and user charges are important in terms of ensuring that the costs of certain municipal services provided to residents and property owners are covered. For example, the Townships must set fees for permits high enough to cover administrative expenses.

Future Considerations

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

