Pennsylvania State Association of Boroughs

The Leader in Municipal Training and Professional Development

Managing Municipal Finances During an Emergency Declaration Q & A

May 6, 2020

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Upcoming Webinars

Duties of a Zoning Hearing Board   May 13
Duties of a Zoning Officer        May 20
Records Disposition              May 21

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Online Learning

**Police Civil Service Procedures**

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**Public Works Management**

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Managing Municipal Finances in Uncertain Times

Sam Wiser, Esq.
Salzmann Hughes, PC

Pennsylvania State Association of Boroughs
May 6, 2020

Response to Economic Uncertainty

Layoffs and furloughs in West Chester Borough

Franklin County furloughs quarter of workforce temporarily due to coronavirus pandemic

City of Lock Haven Lays Off 24 Employees Due to Coronavirus
The Revenue Stream

- Borough revenues generally come from the following:

1. Real Property Taxes
2. LTEA (511) Taxes
   a. Earned Income Tax
   b. Real Estate Transfer Tax
   c. LST
3. Franchise Fees
4. Permits, Licenses, Fees
5. Fines and Penalties
6. Enterprise / Utility Funds

Factors that may impact the Revenue Stream are:

1. Non-payment or Delinquent Payment of Property Taxes
2. Unemployment
3. Decrease in Building / Land Use Activity
4. Non-payment or Delinquent Payment of Utility / Enterprise Revenue
   a. Sewer, Water, Stormwater Fees
   b. Recreation / Pool Program Revenue
Expenses

- Boroughs may be facing volatility in the following expense categories:
  
  1. Personnel Cost
     a. Overtime for emergency responders
     b. Act 17 Leave
     c. Administrative leave for non-uniformed employees
  
  2. Pension MMOs (2021 impact)
  
  3. Franchise Fees
  
  4. Purchase of Material / Supplies to address COVID-19

What can you do?

- Review your budget and make adjustments as appropriate
  
  1. A COVID-19 Budget impact projection worksheet is available.
  2. Implement increased budget monitoring at frequent intervals

- Communicate with your tax collector to ensure accurate reporting of revenues
What can you do?

- Determine whether adjustments to rates and charges are necessary to boost revenue to meet operational requirements

- Evaluate current debt service obligations and discuss refinancing / modification options with finance team

- Consider spending moratorium on certain line items

- Evaluate the cost efficiency of partial opening of recreational programs / facilities

Projections?

- Boroughs should continue to monitor business activity and unemployment in their geographic area. The budgetary impact will in part depend on the duration of business closures and modified business operations.

- Start planning now for a potential depletion of reserves, increase in required MMO, and delayed or diminished tax revenues.
Managing Municipal Finances in Uncertain Times
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Pennsylvania State Association of Boroughs
May 6, 2020

Funding Operations and Projects

- Two Options
  1. Self-funding/Reserves
  2. Borrowing/Financing
Financing Options

- What can you borrow for?
  - Capital
  - Refinancings
  - Working Capital (subject to limitations)

- Who can you borrow from?
  - Banks
  - Public Investors
  - Governmental Entities

Financing Operations

- Working Capital
  - Tax and Revenue Anticipation Note (TRAN)
  - Unfunded Debt
  - Unfunded Actuarial Accrued Liability
Legal Considerations

- Local Government Unit Debt Act
- Federal Tax Code
- Securities and Exchange Commission Regulations

Potential Federal Assistance

- Municipal Liquidity Facility (MLF) Initiative
- CARES 2
- HHS Supplemental Medicaid Payments
- CDBG Funds
Questions?

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