
I. Municipal Financial Analysis

MUNICIPAL FINANCIAL ANALYSIS

One of the most important factors facing local governments is the state of their financial resources. Very few services can be provided without knowing the amount of money there is available to spend. Infrastructure such as roads and sewers, services such as police protection and refuse collection, capital expenditures for new equipment, and general government services all depend on the municipality's operating budget for their funding.

With that in mind, this section will attempt to serve as an "early-warning system," based on historical data, to bring attention to potential problem areas within the municipal financial structure of Rice's Landing Borough. This section should help make sense of the many factors that affect financial conditions and present them in a straightforward manner. An overall picture of the Boroughs strengths and weaknesses and emerging problems should develop. The data for this section was gathered from the Borough's annual audit reports for the years 1993 through 1995 and the 1996 and 1997 budget estimates. At the time this section was authored the audit reports for 1996 were not available. Additional data for 1993 was taken from the Local Government Financial Statistics published by the Commonwealth of Pennsylvania and the Department of Community Affairs (currently the Department of Community and Economic Development). Information from this publication serves as a benchmark for the Borough and allows for comparisons to other boroughs and townships.

Revenues and Expenditures

Revenues determine the capacity of a municipality to provide services. Revenues should grow at a rate equal to or greater than expenditures. Revenues should also be diversified so as to not be overly dependent on any one source. Expenditures are a rough measure of a municipality's service output. In general, the more money a local government spends, the more services it is providing. However, this does not take into account how effective the services are or how efficiently they are distributed.

Total revenues for a borough are derived from two categories: 1) taxes and 2) miscellaneous revenues. Revenues are derived by Rice's Landing Borough primarily from tax collection. In 1993 the Borough of Rice's Landing reported that out of \$66,878 dollars in total revenue, over 47 percent were derived from tax collection. Of the 47.2 percent of revenue, 57.8 percent were collected from taxes on real estate and another 39 percent from earned income taxes. In comparison 42.2 of the total revenues for boroughs in Greene County were derived from tax collection, of which an identical 57.8 percent came from real estate taxes, but a much lower 32.3 percent came from earned income taxes. In short Rice's landing is more dependent on tax collection, especially taxes on earned income, than most boroughs in Greene County.

Boroughs in Greene County have a much greater percentage of their income derived from miscellaneous revenue sources such as sanitary sewer rents and charges, state highway aid, waste and refuse disposal fees, and fines or forfeits. In fact, the average for Greene County boroughs is slightly less than 58 percent of their entire revenues are considered to be subcategories of miscellaneous revenues and not tax based. The largest of the miscellaneous revenues are clearly the sewer rents and charges. Local boroughs derived over half of all revenues from sewer rents and charges. However,

this figure is misleading in Greene County because Waynesburg was the only municipality with any income in this category. Instead, local, small boroughs like Rice's Landing received the majority of their miscellaneous income from state and federal grants and state highway aid. If we subtract the \$477,624 Waynesburg received for their sewer rents and charges from the total miscellaneous revenues we find that local boroughs, including Waynesburg, derived almost 29 percent of other income from state and federal grants. Additionally, 20 percent of their income was aid to help them maintain state highways. Rice's Landing is even more dependent on grant money. The Borough derived half of its miscellaneous income from state and federal grants and another 21 percent from state highway aid money. Overall, Rice's Landing is dependent on state and federal money for over 40 percent of their total revenue.

Table I-1 shows detailed revenue of the Borough's general fund taken from the local budget for the years 1993 through 1997. Compared to 1993, the percentages of income derived from taxes are similar for the years 1994-1997. The high percentage of income derived from taxes, especially real estate and earned income taxes are typical of small boroughs without sewer rents and charges. Conversely many of the expenses for a borough are operating the sewer services. However, Rice's Landing's income from real estate has increased since 1993. In 1993 the income from real estate was just under \$19,000, around 28 percent of the total revenues for the Borough. In 1996 it is estimated to be \$44,000 making up over 44 percent of the total revenues. Projections for the 1997 budget show a slight decline with real estate taxes as more than 40 percent of total revenues. After combining earned income taxes, which have remained relatively steady, with real estate, explained are greater than 55 percent of all revenues for the Borough.

The Borough of Rice's Landing should be aware of the need to increase revenue from other sources and not be as dependent on state and federal money. Interestingly, Rice's Landings has accomplished much of this through increases in revenue from taxes. Additionally, income from licencing and permits and intergovernmental revenue has increased nicely since 1994 growing from nothing to currently amassing from 5 to 6 percent of the total revenues.

TABLE I-1

Revenue Receipts, 1994-1997 Rice's Landing Borough					
General Fund Revenue	1993	1994	1995	1996*	1997*
Real Estate Taxes	\$18,283.00	\$22,610.00	\$24,535.06	\$44,042.00	\$38,000.00
Occupation Tax	0.00	0.00	0.00	0.00	0.00
Per Capita	0.00	0.00	0.00	0.00	0.00
Earned Income Tax	12,314.00	14,793.00	13,338.85	10,400.00	13,750.00
Occupational Privilege Tax	116.00	199.00	194.00	200.00	200.00
Mechanical Device Tax	0.00	0.00	0.00	0.00	0.00
Real Property Taxes - Penalty and Int.	0.00	0.00	0.00	1,000.00	1,000.00
Occupation Taxes - Penalty and Int.	0.00	0.00	0.00	0.00	0.00
Per Capita Taxes - Penalty and Int.	0.00	0.00	0.00	0.00	0.00
Real Estate Transfer Tax	870.00	659.00	962.71	600.00	750.00
Licenses and Permits	1,739.00	1,874.00	1,918.72	2,000.00	2,000.00
Fines and Forfeits	610.00	629.00	629.33	600.00	600.00
Interest, Rents, and Royalties	371.00	233.00	182.84	400.00	300.00
Intergovernmental Revenue	4,706.00	4,834.00	5,550.68	2,500.00	3,000.00
Charges for Services	5.00	621.00	0.00	400.00	250.00
Miscellaneous Revenues	5,340.00	2,670.00	8,520.88	0.00	0.00
Other Financing Sources	420.00	403.00	25,396.00	7,826.92	8,032.65
Totals	44,774.00	49,526.00	81,229.07	69,968.92	67,882.65
<i>Cash January 1</i>	<i>14,851.00</i>	<i>20,296.00</i>	<i>11,348.14</i>	<i>24,340.16</i>	<i>29,549.80</i>
Total Cash and Revenues	59,625.00	69,821.00	92,577.72	94,309.08	97,432.45
* 1996 and 1997 budget figures have been estimated by the Borough					
Source: Rice's Landing Borough					

Expenditures from the general fund indicate the expenses the local borough has in operating the borough functions. The majority, over 80 percent, of expenditures for boroughs in Greene County come from total operation and borough maintenance. Within that 80 percent are a wide variety of expenses such as general administration, sewer and sewage treatment, refuse collection, health service, police, fire, streets and highways, libraries, and parks and recreation. The largest category in most boroughs are the outlay for capital expenditures and streets and highways. Rice's Landing's largest expenditure by far is their outlay for streets and highways over, 26 percent. Other boroughs average almost 31 percent of this category. Another large expenditure for Rice's Landing is the outlay for general administration at almost 24 percent; almost 16 percent higher than other local boroughs. Additional outlays for the Borough are 17 percent for police and fire protection and over 25 percent classified as "other". Police protection is very much even compared to other boroughs but the "other" expenditures are much higher. This category usually includes expenditures such as workers compensation, insurance, employee benefits, and payroll taxes. Overall, Rice's Landing spends less than it receives but the expenditures are basically committed to three sources, streets and highways, general administration, and other costs such as payroll and workers compensation. Together these three categories amass almost 80 percent of the total expenditures.

TABLE I-2

Expenditures, 1994-1997					
Rice's Landing Borough					
General Fund Expenditures	1993	1994	1995	1996*	1997*
General Government	\$13,176.00	\$34,139.00	\$29,529.00	\$35,000.00	\$35,000.00
Public Safety	9,569.00	8,061.00	4,044.17	6,000.00	10,400.00
Public Works - Highways	4,153.00	24,824.00	28,760.41	35,000.000	35,000.000
Recreation and Culture	1,236.00	1,303.00	275.00	6,000.00	1,000.00
Debt Service	0.00	2.00	4,862.58	5,800.00	5,800.00
Miscellaneous:	10,200.00	1,589.00	770.29	2,000.00	2,500.00
Other Financing Uses	70.00	85.00	0.00	6,954.00	6,236.07
Totals Expenditures and Other Uses	39,329.00	58,473.00	68,237.05	96,754.00	96,936.07
<i>Cash December 31, 1995 and 1996</i>	<i>20,296.00</i>	<i>11,348.00</i>	<i>24,340.16</i>	<i>4,062.20</i>	<i>1,496.38</i>
Total Cash, Expenditures, and Other Uses	59,625.00	69,821.00	92,577.21	100,816.20	97,432.45
* 1997 budget figures have been estimated by the Borough					
Source: Rice's Landing Borough					

Revenues and expenditures per capita are found by dividing the population into total revenues and expenditures. This figure will be derived by dividing the 1990 population of 457 persons by the years revenues. Rice's Landing per capita revenue has increased 81.4 percent from 1993 to 1995. A large variation occurred in 1995 due to loan from National City for over \$25,000 to purchase a truck for the Borough and a larger miscellaneous revenue. Other wise, revenues in the Borough's most important category, real estate taxes, has increased over \$6,000 since 1993. Budget figures for 1996 and 1997 indicate a much greater increase in real estate taxes making up the large increase in revenue per capita. When the 1996 audit figures become available the increase in real estate taxes will be much lower than the \$20,000 predicted. Thus, the Borough's revenues are increasing at a consistent rate with a slight decline predicted for 1997. Tables I-3 and I-4, below show the revenue and expenditures per capita from 1993-1997.

TABLE I-3

Revenue Per Capita, 1993-1997			
Rice's Landing Borough			
Year	General Fund Revenue	Population	Revenue Per Capita
1993	\$44,774	457	\$97.97
1994	49,526	457	108.37
1995	81,229	457	177.74
1996*	69,698	457	152.51
1997*	67,882	457	148.54
* 1996 and 1997 budget figures have been estimated by the Borough			
Source: 1993 - 1996 Local Government Financial Statistics			

Expenditures per capita have consistently increased since 1993. In 1993 a low expenditure on general government functions allows for a large cash reserve going into fiscal year 1994. The large amount of expenditures in 1996 and 1997 have been predicted with large expenditures budgeted for recreation and culture, other financing sources, and miscellaneous functions with little cash reserves.

TABLE I-4

Expenditures Per Capita, 1993-1997 Rice's Landing Borough			
Year	General Fund Expenditures	Population	Expenditures Per Capita
1993	\$39,329	457	\$86.06
1994	58,473	457	127.95
1995	68,237	457	149.32
1996*	96,754	457	211.72
1997*	96,936	457	212.11
* 1997 budget figures have been estimated by the Borough			
Source: 1993 - 1996 Local Government Financial Statistics			

Tax Rates

Tax rates have remained consistent since 1993. Compared to other borough's in Greene County the rates are moderate to low. Clarkesville, Greensboro, and Jefferson are lower but only by a few mills. On the other hand, Waynesburg is much higher at 21.3 mills and Carmichaels is higher at 14.0 mills. Overall, Rice's Landing's taxes remain low comparable more to townships than many borough's in the State.

TABLE I-5

Rice's Landing Borough Tax Rates, 1993-1996					
Tax Rate	1993	1994	1995	1996	1997
General Purposes	9.7	9.7	9.7	9.7	9.7
Debt	-	-	-	-	-
All Other	1.3	1.3	1.3	1.3	1.3
Total	11	11	11	11	11
Source: 1993 - 1996 Local Government Financial Statistics, Greene County					

Operating Position

Another factor that investigates the relationship between expenditures and revenues is operating position. Operating position is calculated by dividing total expenditures by total revenues. This provides a picture of a borough's ability to balance its budget, reserve finances for future emergencies, and pay its short-term bills. An operating position greater than one indicates that revenues exceeded expenditures for that given year, and a borough operated at a budgetary surplus. An operating position of less than one indicates that a borough's expenditures exceeded revenues and operate data deficit for that year. The larger the operating position, the greater the surplus (see Table I-5 below). The operating position is up and down for 1993 through 1995 because of financing sources as revenue. Over the three year period the deficit for 1994 evens out as the operating position averaged 1.06. The severe budget deficits are misleading because of the large capital reserves predicated being spent and these reserves are not included in the revenue figures. However, the actual figures for the 1996 and 1997 budgets will not be as high as estimated.

TABLE I-6

Operating Position, 1993-1997 Rice's Landing Borough			
Year	Total Revenue	Total Expenditures	Position
1993	\$44,774	\$39,329	1.14
1994	49,526	58,473	.85
1995	81,229	68,237	1.19
1996	69,698	96,754	.72
1997*	67,882	96,936	.70
* 1997 budget figures have been estimated by the Borough			
Source: 1990 - 1996 Local Government Financial Statistics			

Some financial analysts warn that financial weakness may result from practices such as: operating two or more years with an operating deficit, a current year deficit greater than that of the prior year, operating deficits in two of the past five years, and a deficit greater than 5-10 percent of the annual operating budget. The factors could impact a community by forcing the municipality to pay higher interest rates on money it borrows or greater debt services in general.

In order to combat future operating deficits, financial analysts recommend maintaining a fund balance of 5 percent of the general operating budget. Any surpluses greater than 5 percent should be used to fund one-time capital expenditures. If surpluses are used to artificially balance the budget, the Township would have to raise enough revenues to cover the surpluses when they run out. Although difficult to achieve, moderate fund balances are good insurance.

One practice that should always be avoided is borrowing money for greater than one year to fund operating expenses. This practice allows a municipality to avoid the reality of either cutting services or raising revenues sufficient to pay for current service levels. This practice is discussed in depth in the next section, Debt.

Debt

Debt is important to analyze because it is an expenditure obligation which must be paid when due. Debt is an effective means of financing capital improvements, but its misuse can cause serious financial repercussions. Even temporary inability to repay incurred debt can result in loss of credit rating and increased cost of future borrowing.

Currently, Rice's Landing has a loan from National City acquired in 1995, for slightly over \$25,000 used to purchase a Borough truck. Also, more the Borough maintains a credit line with the State and makes \$600.00 quarterly payments. Overall, barring a major investment need, such as a new mower, the Borough will be debt free for the new millennium.

TABLE I-7

Debt, 1993-1997 Rice's Landing			
Year	Debt Service	General Fund Revenue	Debt Service as a Percentage of Revenue
1993	\$0.00	\$44,774	0.0%
1994	2.00	49,526	0.1%
1995	4,862.58	81,229	6.0%
1996*	4,862.58	69,698	7.0%
1997*	4,862.58	67,882	7.2%
Source: 1993 - 1997 Local Government Financial Statistics			

Property Value

This factor measures the growth in property value over time and is designed to indicate growth from year to year. Since property taxes represent a major source of revenue for local governments in Pennsylvania, growth in property value is considered a key sign of economic health. The property value factor is calculated by taking the current year's assessed property value, subtracting last year's assessed property value and dividing by last year's assessed property value. For this factor, any positive number indicates a percentage growth in the assessed property value.

Rice's Landing's property values have remained relatively steady for the past 5 years with a slight trend of decline. Since 1993 the total assessed value has dropped 1.4 percent or slightly over \$27,500 dollars. It should be noticed that the large growth found in from 1992 to was 1993 because of a County wide reassessment. There were no major changes in actual properties in the Borough in taxable real estate. Pittsburgh coal assessments are separate from the real estate estimates and changed dramatically that year also due to a devaluation of the property owned by Consolidated Coal Company.

TABLE I-8

Rice's Landing Borough Rate of Change in Property Value, Taxable Real Estate, 1993-1997			
Year	Current Year Assessed Property Value (\$000)	Previous Year's Assessed Property Value (\$000)	Rate of Change of Property Value
1993	\$2,025,615	\$1,170,000	73.2%
1994	\$2,015,545	\$2,025,615	-0.5%
1995	\$1,991,265	\$2,015,545	-1.2%
1996	\$2,000,625	\$1,991,265	0.5%
1997	\$1,998,075	\$2,000,625	-0.1%
Source: 1993 - 1996 Local Government Financial Statistics, Greene County			

Fiscal capacity

Fiscal capacity computes the relationship between population and the assessed property value in the Township. This gives an idea of the contribution of property value to the ability of the community to meet its obligations. Fiscal capacity is calculated by dividing the assessed valuation of real estate by population as a measure of the growth in assessed valuation per capita.

TABLE I-9

Fiscal Capacity Rice's Landing, 1993-1997			
Year	Assessed valuation of real estate (\$000)	Population	Fiscal Capacity
1993	\$2,025,615	457	4.43
1994	\$2,015,545	457	4.41
1995	\$1,991,265	457	4.36
1996	\$2,000,625	457	4.38
1997	\$1,998,075	457	4.37

Source: 1990 - 1995 Local Government Financial Statistics

Findings

- Revenues are derived by Rice's Landing Borough primarily from tax collection. In 1993 the Borough of Rice's Landing reported that out of \$66,878 dollars in total revenue over 47 percent was derived from tax collection. Of the 47.2 percent of revenue 57.8 percent were collected from taxes on real estate and another 39 percent from earned income taxes. In short Rice's landing is more dependent on tax collection, especially taxes on earned income, than most boroughs in Greene County.
- The high percentage of income derived from taxes, especially real estate and earned income taxes are typical of small boroughs without sewer rents and charges. Conversely many of the expenses for a borough are operating the sewer services. However, Rice's Landing's income from real estate has increased since 1993. In 1993 the income from real estate was just under \$19,000, around 28 percent of the total revenues for the Borough. In 1996 it is estimated to be \$44,000 making up over 44 percent of the total revenues. Projections for the 1997 budget show a slight decline with real estate taxes as more than 40 percent of total revenues. After combining earned income taxes, which have remained relatively steady, with real estate, explained are greater than 55 percent of all revenues for the Borough.
- Rice's Landing's largest expenditure by far is their outlay for streets and highways over, 26 percent. Other boroughs average almost 31 percent of this category. Another large expenditure for Rice's Landing is the outlay for general administration at almost 24 percent; almost 16 percent higher than other local boroughs. Additional outlays for the Borough are 17 percent for police and fire protection and over 25 percent classified as "other".
- The operating position is up and down for 1993 through 1995 because of financing sources

as revenue. Over the three year period the deficit for 1994 evens out as the operating position averaged 1.06.

- Rice's Landing's property values have remained relatively steady for the past 5 years with a slight trend of decline. Since 1993 the total assessed value has dropped 1.4 percent or slightly over \$27,500 dollars.

J. Analysis of Strengths and Weaknesses

ANALYSIS OF STRENGTHS AND WEAKNESSES

Communities are known for their strengths and weaknesses. People will identify communities with their distinctive characteristics; for example, a community has a good school district or a community has poor roads. As part of the Rice's Landing Borough 1997 Comprehensive Plan, an analysis of the strengths and weaknesses of the Borough has been undertaken. This section of the plan reviews those strengths and weaknesses.

Strengths

Strengths are positive attributes of a municipality. Rice's landing Borough has many strengths that make it an attractive place to live and work.

Weaknesses

Weaknesses are deficiencies, problems or undesirable conditions in Rice's Landing. Identification of these weaknesses provides the basis for formulating future recommendations in the comprehensive plan.

TABLE J-1

STRENGTHS AND WEAKNESSES OF RICE'S LANDING		
CATEGORY	STRENGTHS	WEAKNESSES
Physical Terrain	Access to Monongahela River.	Steep slopes along downtown and Pennsylvania Railroad.
	Upper plateau are: flat land with open lots and good (hydric) soil.	Flood plain bordering downtown along Main Street and River Road.
Land Use	Large sufficient amounts of inactive industrial lands.	95 percent of industrial land is owned by Consol and currently not available for development.
	Land available for development along Crucible Road.	Few existing community structures in downtown.
	Many open residential lots in upper plateau area.	Lack of available land for construction in downtown - highly residential.
Housing	Housing is generally in good condition.	High percent of homeowners are elderly.
	Low turnover and low vacancy rates.	Lack of available housing. (Lack of starter homes)
	Homes are all R-1. single-family residential.	Lack of rental opportunities.
		Lack of alternative housing for elderly.
		Majority of housing is pre-1939 and requires constant maintenance.
Economic Development	Highly residential, quiet, and safe attracting long term occupancy (commuter friendly).	Lack of commercial activity in Borough.
	Access to Mon-Valley Expressway.	Lack of business incubator or civic groups supporting activity.

STRENGTHS AND WEAKNESSES OF RICE'S LANDING

CATEGORY	STRENGTHS	WEAKNESSES
Economic Development (cont.)	Access to shopping and other commercial activities only 2 miles away.	Consolidated coal owns most of the land and is holding the land inactive.
Transportation	Access to Mon-Valley via Route 88.	Lack of access to major highways.
	River access via (landing, boat launch).	No docking facilities.
Public Utilities	Public water supported by Monongahela	No public sewage services.
Community Facilities	Adequate fire and ambulance services.	No local police protection.
	Under 911 coverage. No local emergency center.	
	Access to many local facilities for private rental or social gatherings.	
	Educational facilities are in good condition and serve the area well.	
	Medical facility services within 20 miles of borough plus helicopter services available.	
	The Borough has its own building.	
Parks and Green Space	Access to Mon via boat ramp.	No dock for boat landings.
	Large park area with private rental pavilion.	Lack of recreational facilities in Pumpkin Run Park. lack of improved trails, playground equipment, parking.
	Fishing Rial along Mon River.	
	Access to many significant recreational facilities within 10 miles of Borough. (Wanabee and Ryerstown)	