

PATTON TOWNSHIP



FINANCIAL TREND MONITORING SYSTEM REPORT

FOR THE PERIOD

2013 - 2023

JUNE 2024

FINANCIAL TRENDS MONITORING SYSTEM

2024 marks the fifteenth year this report has been produced. It encompasses fifteen years of statistics and incorporates the preliminary data released by the US Census Bureau for the 2020 census, updated with annual estimate releases. Since the economy is still feeling the effects of the recession due to the COVID-19 pandemic, it is especially important to analyze the impact it has had on the Township and the community. The financial condition of a government, in its broadest definition, is the ability to finance services on a continuing basis, without interruption. This refers to a government's ability to maintain existing service levels, weather economic disruptions, be prepared to act in the event of an emergency and meet the demands of change in the community.

The evaluation of the Township's financial condition is based on the Financial Trend Monitoring System as described in the International City/County Management Association publication, "Evaluating Financial Condition: A Handbook for Local Government", as well as the Pennsylvania Governor's Center for Local Government Services publication, "Financial Monitoring Workbook".

This system is a management tool which gathers information from the budget and financial reports, combines it with economic and demographic data and creates a series of financial indicators, which plotted over time, can be used to monitor changes in financial condition and alert staff to potential future problems. Although the results of these measurements cannot explain why a problem may exist, they can serve as flags to take action to resolve problems.

These handbooks illustrate several measurements and indicators. This report looks at several factors relevant to Patton Township. For the most part, the measurements included in this report cover the period 2013 to 2023, unless otherwise indicated.

Population Growth

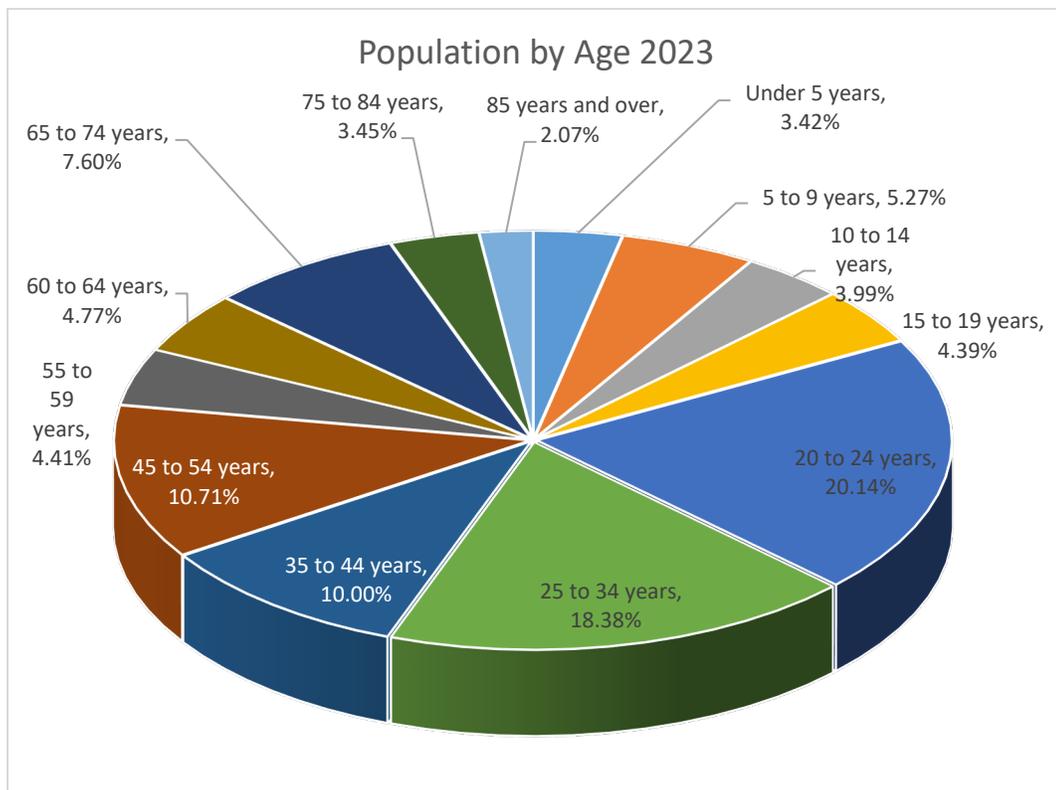
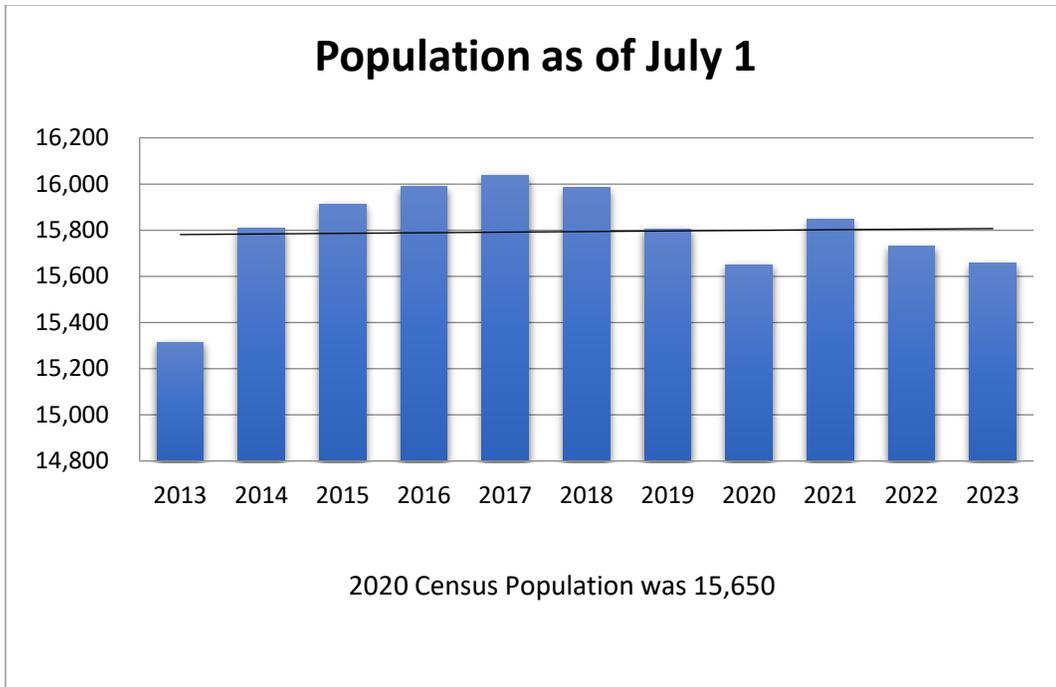
Several of the indicators measure per capita amounts. Because of that, population numbers for Patton Township were collected from the US Census Bureau website. This report contains information released by the US Census Bureau based on the results of the 2020 Census. The previous official census was in 2010 but the Bureau estimates population growth annually and these numbers have been used for non-census years.

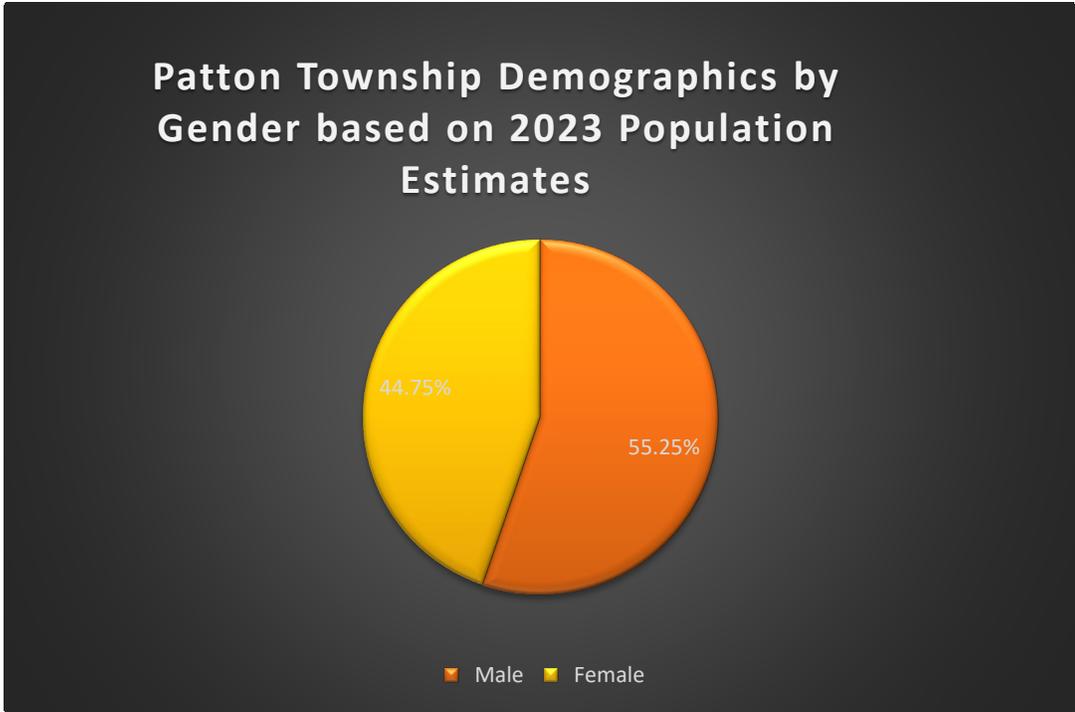
Bureau estimates for 2023 included 15,657 residents: up from the 2020 Census data of 15,650. This marks an increase of 0.04% over the intervening decade. According to details of the 2023 estimates, approximately 87% of the population of Patton Township is less than 65 years old with 70% being between the ages of 20 and 65 years old. There continues to be a good base of potential wage earners in the community who support local businesses and pay taxes. The population was comprised of 55% male and 45% female. This division has stayed relatively unchanged over the last decade.

The population estimates as of July 1, 2023, show a decrease of 72 people from the previous year's estimate of 15,729. It does not appear that this decrease in population has influenced any of the measurements included in this report.

Approximately 37% of the population in the Township was younger than 25 years old, the range of 25-54 years old represented 40% of the population and 22% of our residents were 55 years old or more. The shift in percentage in each age range shows an aging of the population.

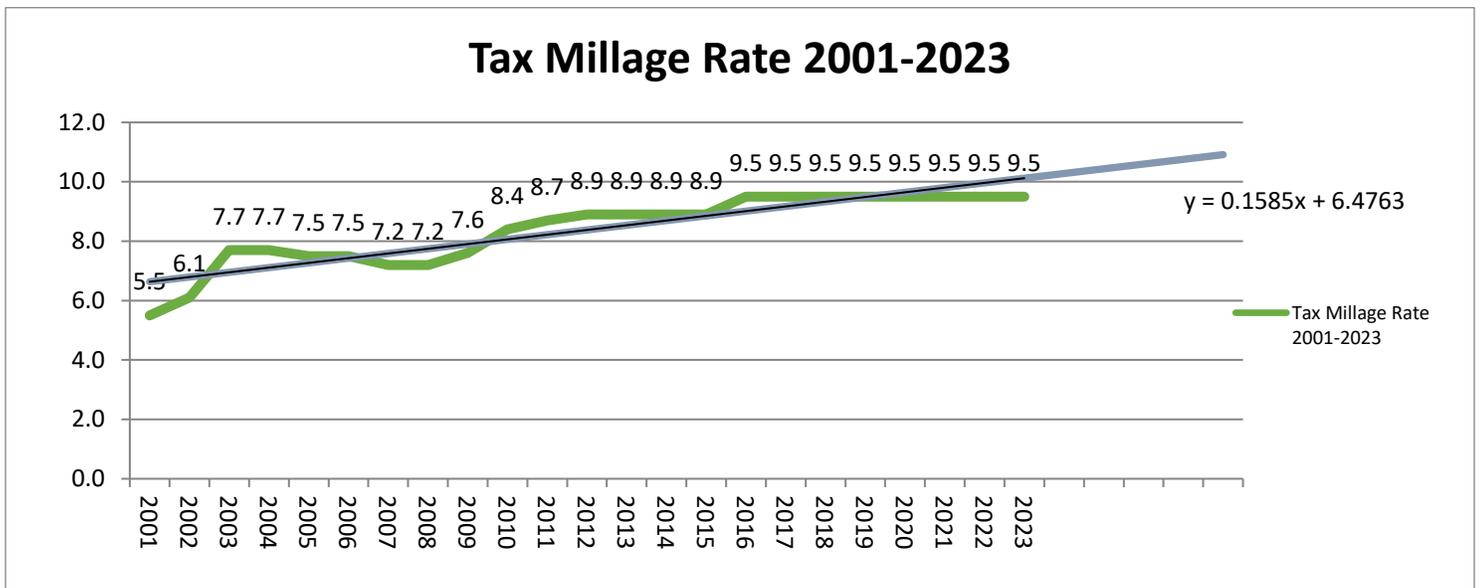
Approved master plans for the developments of Toftrees and Gray’s Woods provide the potential for continued growth in various taxes bases; however, the current economy may slow development.

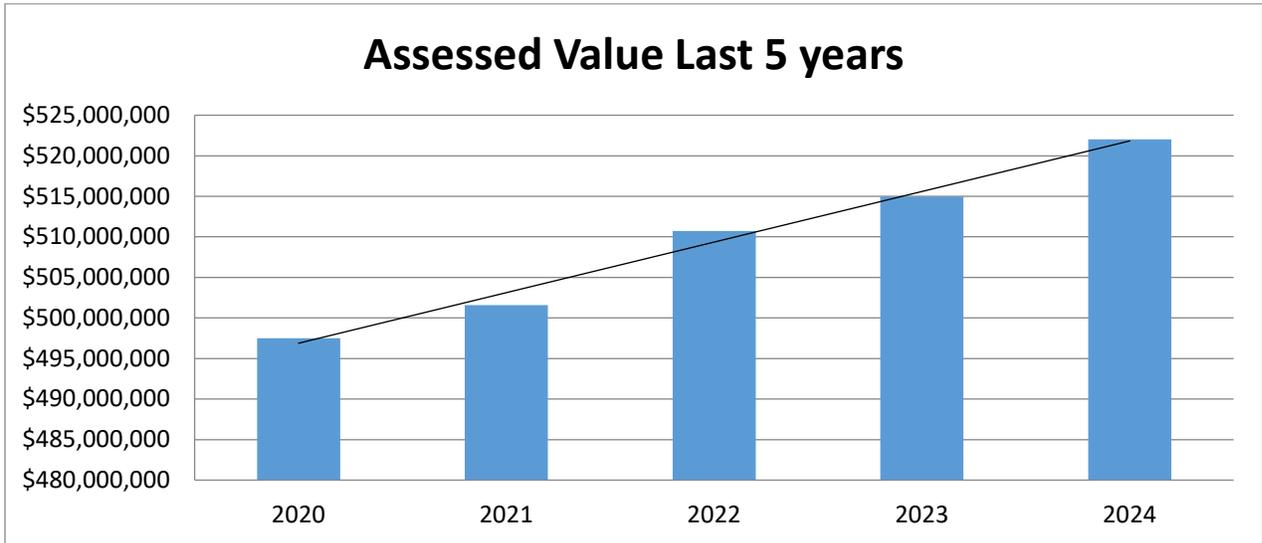
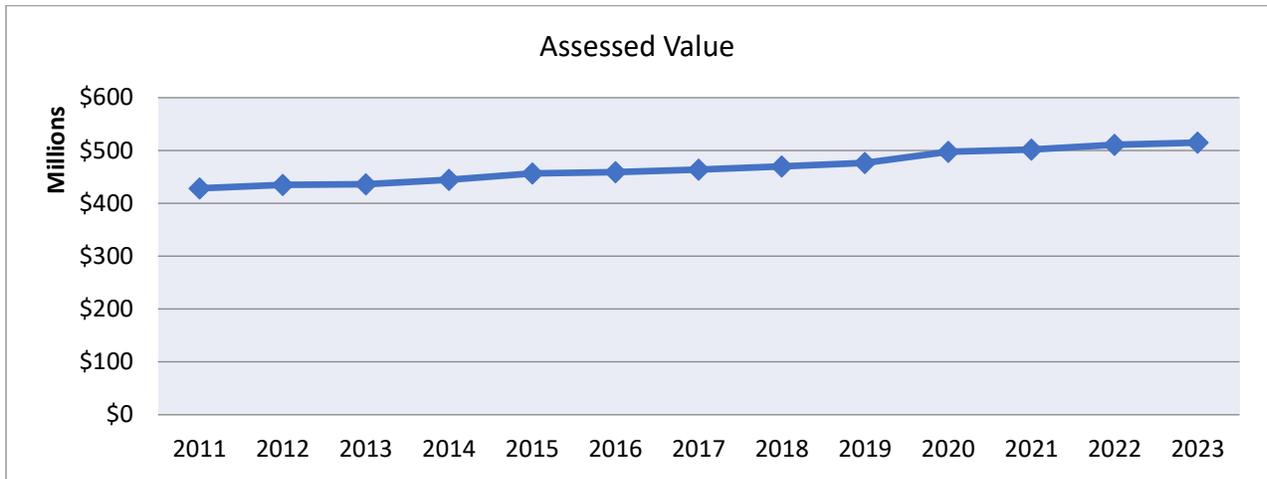
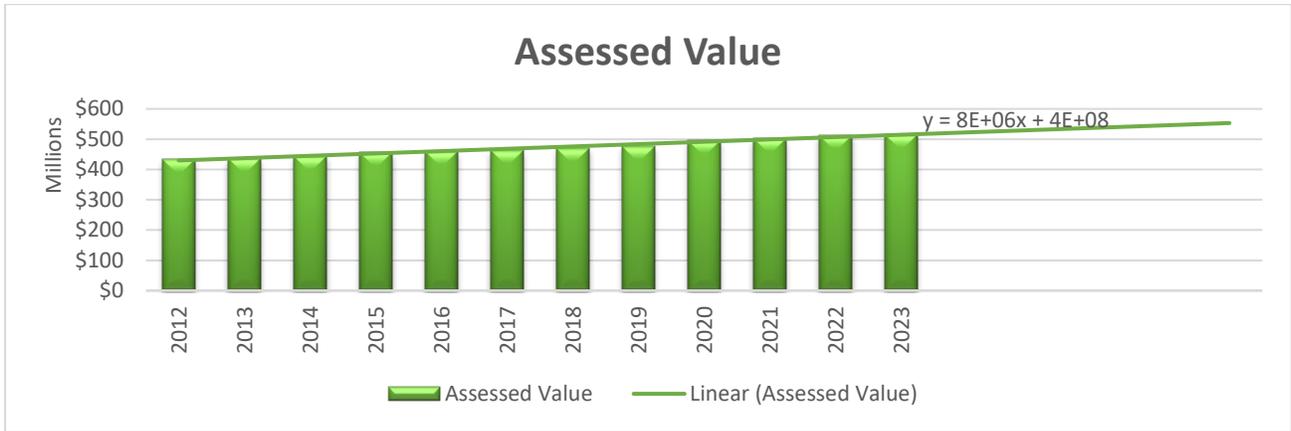




Revenues

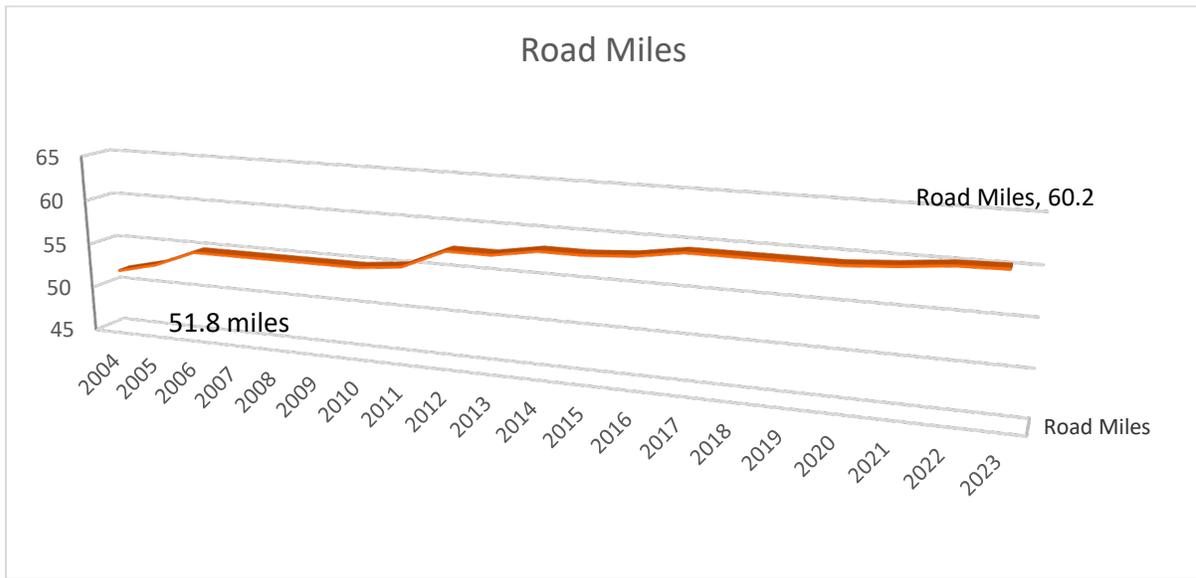
During the period 2013 to 2023, operating revenues have grown by almost \$4.53 million; a 56.7% expansion. This advance is a result of increases in PIB loan proceeds, intergovernmental grants, as well as real estate tax revenue derived not only from raising the millage but also from growth in total assessed value. Assessed value of taxable real property in the Township has increased by 20% during the period 2013 to 2024 (18% for 2012-2023). Even if the millage had remained unchanged from 5.5 mills in 2001, the growth in assessed value would have generated an additional \$473,448 in 2024. It should be noted that the growth occurred relatively evenly throughout the period. Growth in assessed value/tax base in the last few years was a 1.82% increase in 2022, 0.83% increase in 2023 and a 1.37% increase in 2024. This trend in growth of assessed value from 2022 is not a concern at this time.



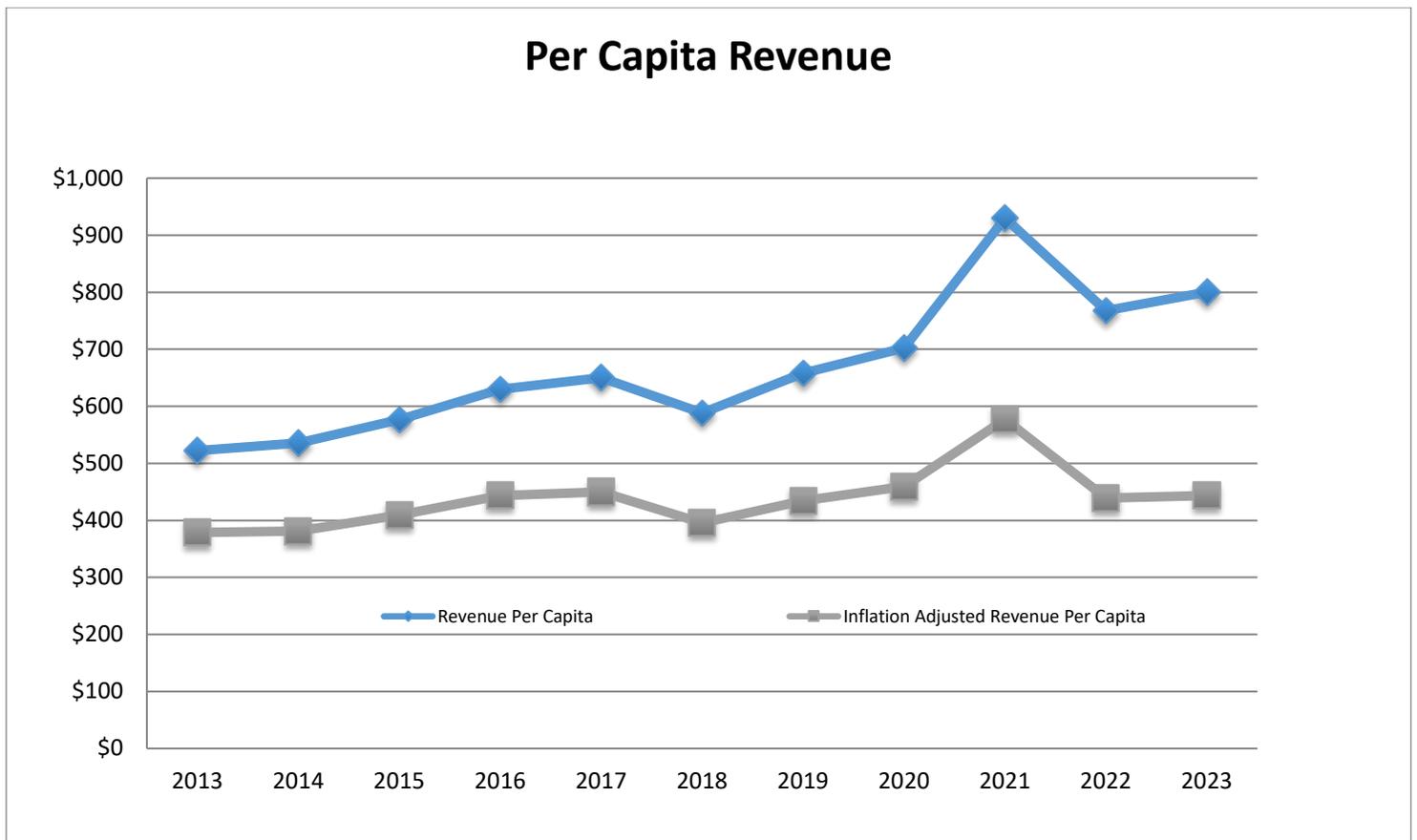


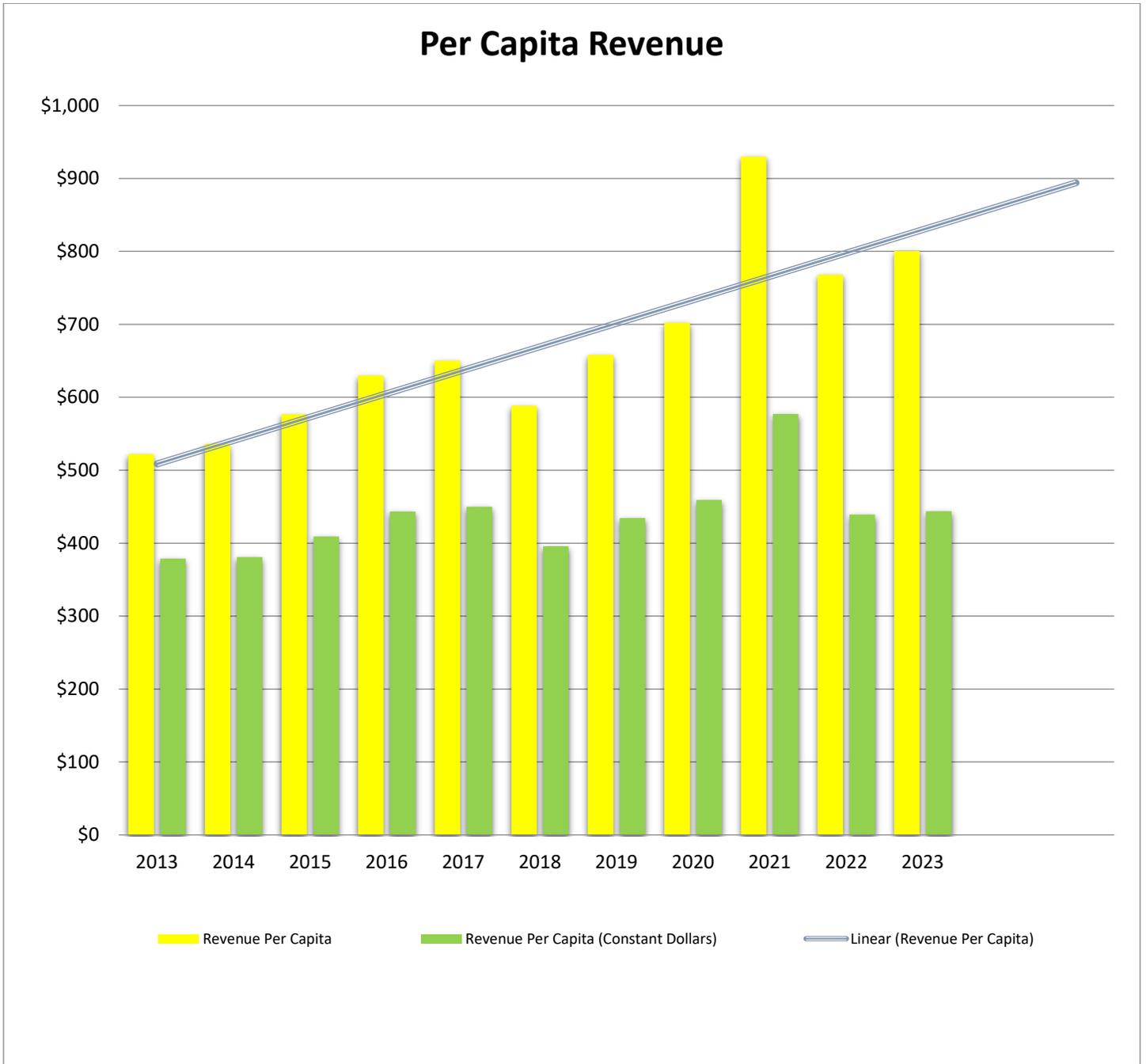
Along with the population growth over the last decade have come increased demands for services. There are more road miles to maintain and plow as well as patrol. There are more brush and leaves to collect. Maintaining the high quality of service with slow growth in the tax base means increased pressure on the real estate tax rate to provide sufficient revenue to cover the cost of service provision.

The 16.2% increase in the number of road miles (chart below) further illustrates the demand for services such as police patrol, road maintenance, and snow plowing.



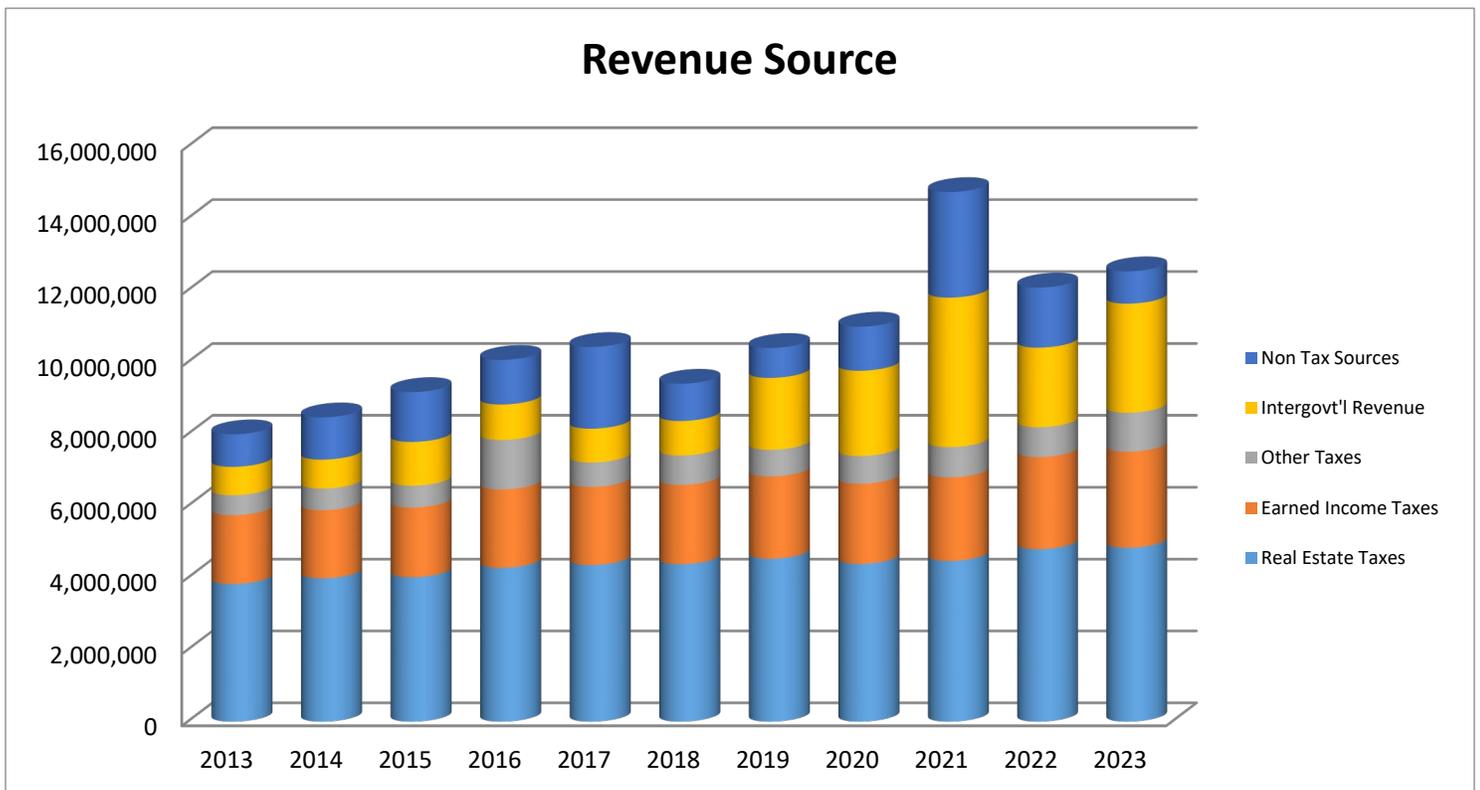
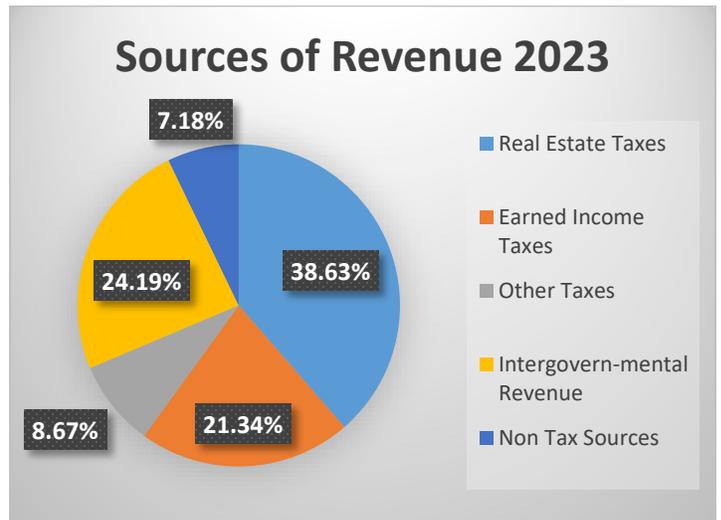
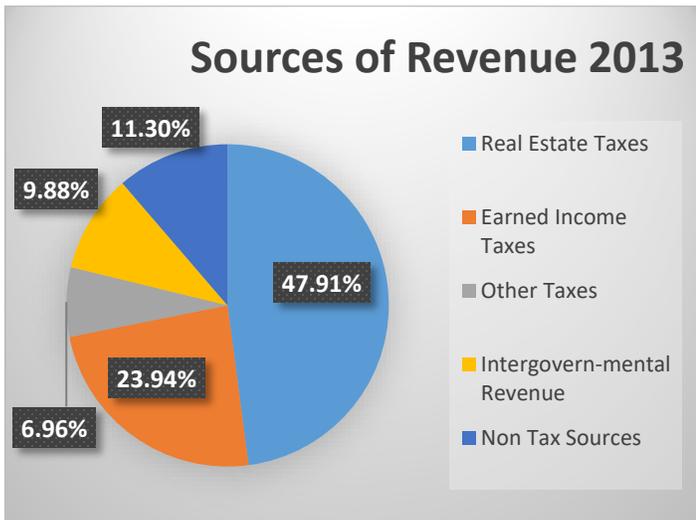
The Per Capita Revenue measurement shows changes in revenue relative to population size. Generally, as population increases, revenues increase along with the demand for additional services. The trend for Per Capita Revenue in nominal dollars (current) and constant (adjusted for inflation) dollars continued upward for most of the last 10 years. For 2023, there has been an increase to \$800 (N) and \$444 (C). Any lowering of this measurement needs to be monitored because the same or less revenue being spread over more services to more people could make the provision of those services more difficult.

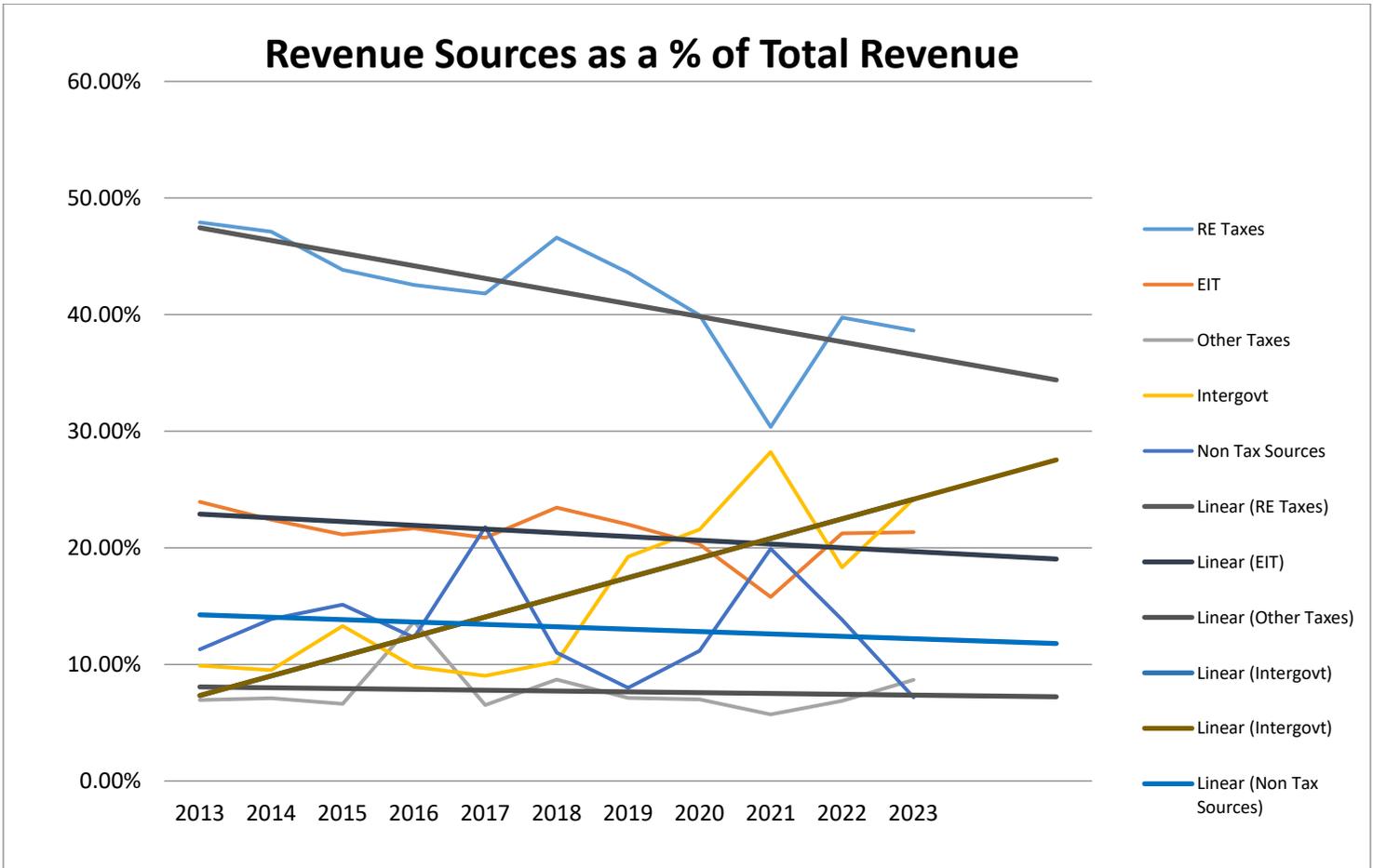




Sources of Revenue

Reviewing the overall revenue structure of the Township shows that during the past decade reliance on real estate tax has become quite significant and continues as such. The percentage of real estate taxes has increased to 39.7% (30.3% in 2021; 40.0% for 2020) of total revenue. Earned Income tax collections remain stable as other, smaller sources of revenue like Real Estate Transfer Tax tend to bounce around from year to year but do not have a significant impact on overall revenue. There have been ups and downs in revenue streams over the intervening period but 2012 and 2022 remain consistent. Since the EIT rate is capped by the Second Class Township Code at 0.5%, Real Estate tax millage remain the only flexible rate available to Second Class Townships.



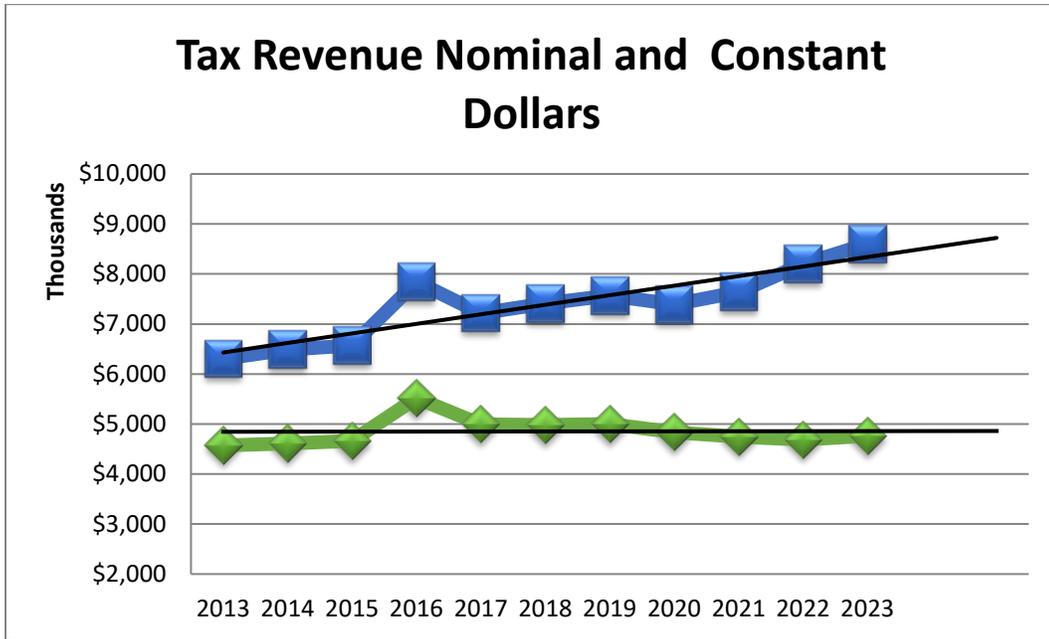


Since Real Estate Taxes make up most of the Township’s revenues, these need to be examined closely. Over the last decade, we have relied on the increase in assessed value from growth to increase revenue without the need to raise tax rates. In the last several years there have only been a handful of new construction starts and therefore little or no change or growth in the tax base (total assessed value). Assessed value has increased 1.37% in 2024. This slowing of the rate of increase continues due to the 2020 COVID-19 recession. If the economy starts to improve in late 2024, we may see a rebound to increases of between 3 and 6.5% per year in 2025. In slow economies, there may be a tendency towards increases in delinquent tax accounts. Luckily, there is no evidence of this phenomenon. The Township has not experienced any significant increases in delinquencies to date. Unpaid taxes are less than 1% of taxes billed.

Earned Income Tax, our second largest source of revenue, has been fluctuating between -2.6% and 10.3% per year over the five-year period from 2018 – 2022. EIT increased in 2023 by 4.2%. The collection process at a county-wide level seems to be working successfully.

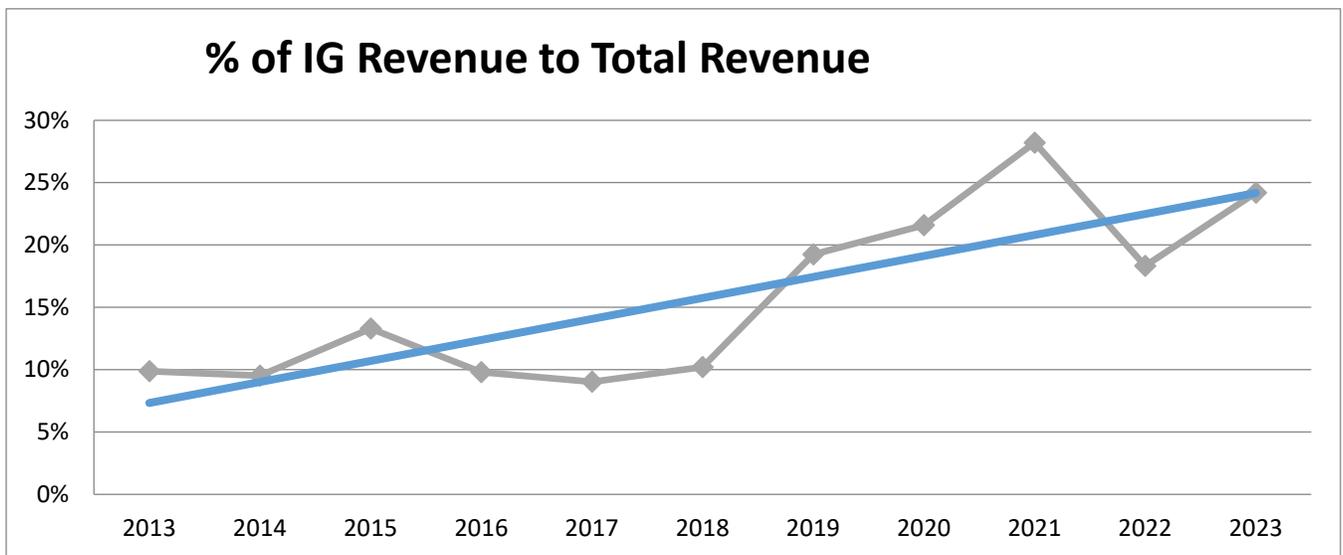
Real Estate Transfer Tax makes up approximately 74% of Other Taxes and this tax can be very volatile and elastic depending on the economy. As we have seen in the last several years before the COVID-19 pandemic, real estate transfer tax revenues have leveled out due to fewer sales, as well as a leveling in housing prices. The 2011 collection of \$257,987 represents the lowest annual collection since 2002. However, this unpredictable revenue source bounced back in 2012 to \$473,389 because of several commercial property transactions. Two sales of apartment buildings in late 2016 resulted in an increase in revenue to a new peak of \$1,111,205. Looking at the first graph below, the trend looks to be increasing for the years 2013-2023; however, the second chart, 2012-2022 is overlaid on the 2013-2023 data and shows a much flatter trend line (orange). Past behavior in this revenue stream is not an indicator of future behavior; making this a difficult revenue source to predict.





The graph, displayed above, represents total tax revenue which is comprised of Real Estate, Earned Income, and Other Taxes (Real Estate Transfer tax and Local Services Tax). In their entirety, they recovered from the pandemic with an increase of 4.94% in nominal dollars and a 1.71% increase in constant dollars for 2023 (increase of 7.25% in 2022 and an increase of 3.36% for 2021). This is mainly from a recovery of earned income tax and increase in Real Estate Transfer Tax.

Intergovernmental revenues such as State Pension Aid, State Fire Aid and Liquid Fuels Tax have been relatively constant over time. In 2021, a RACP grant to fund the construction of Phase 2 of the Nittany Valley Sports Complex on Bernel Road was received, thereby producing an increase in intergovernmental revenues. Under normal circumstances, there is not a significant reliance on other forms of intergovernmental or one-time revenue such as grants. For the most part, grant revenues received have been for park construction and other one-time projects which would not require significant future funds for replacement. For capital equipment the future replacements of equipment purchased with grants have been scheduled into the appropriate reserve funds to save for their replacement.

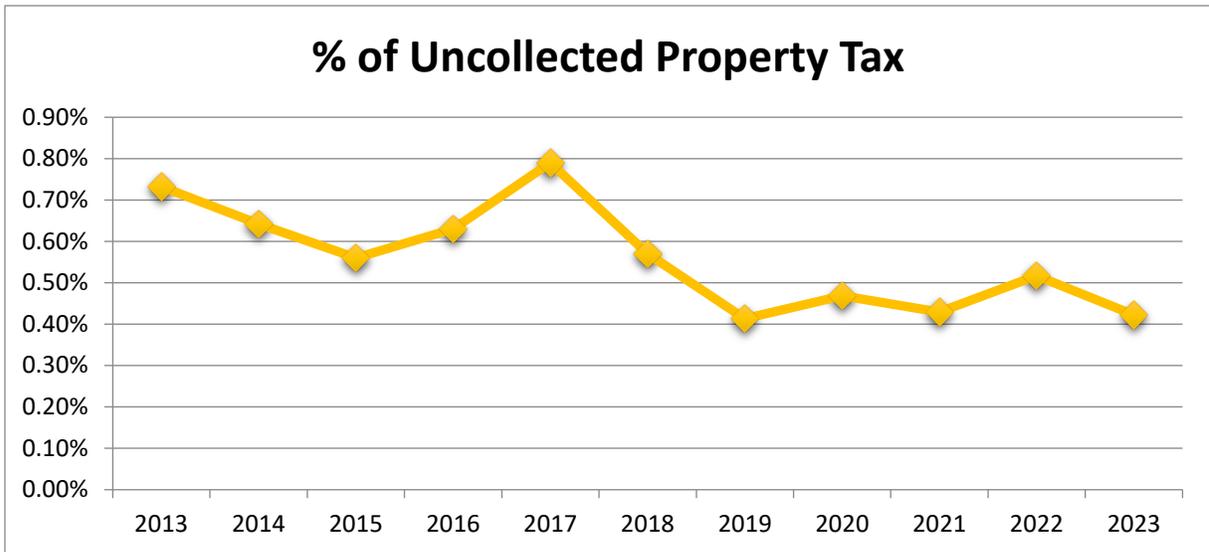


Other Revenue Measurements

Uncollected Property Tax

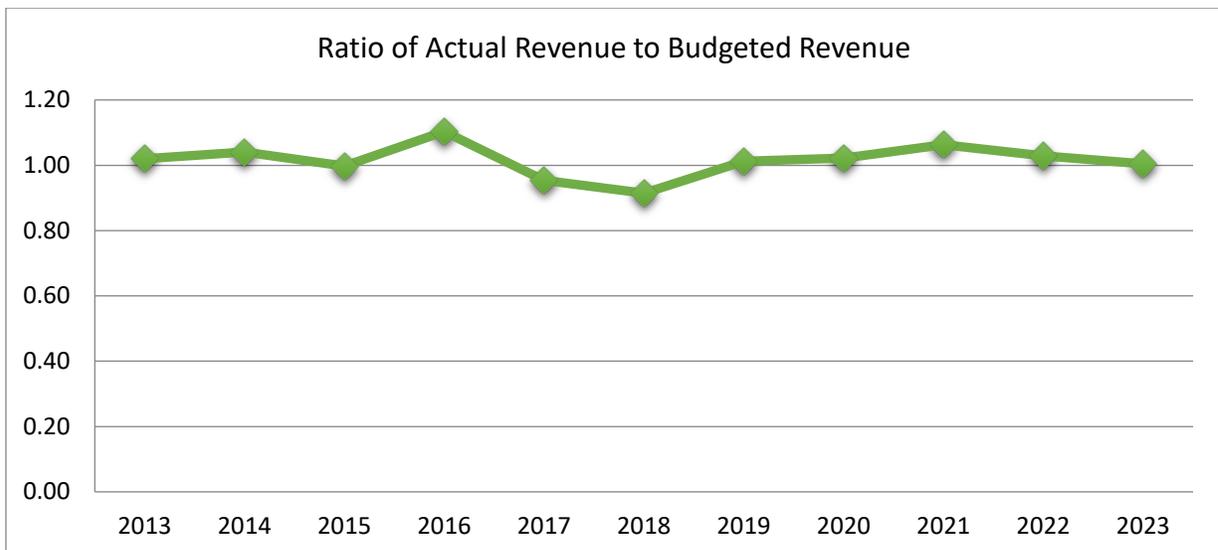
Some unpaid taxes are to be expected each year, however, an increase over time may indicate a decline in the economic health of the community and also a decline in liquidity because less cash is on hand.

This measurement for Patton Township is less than the Standards and Poors' credit rating guideline of 2-3% as normal uncollectible. The low rate indicates stability in the property tax base. The 2023 rate is less than one percent (0.42% for 2023; 0.52% for 2022; 0.43% for 2021).



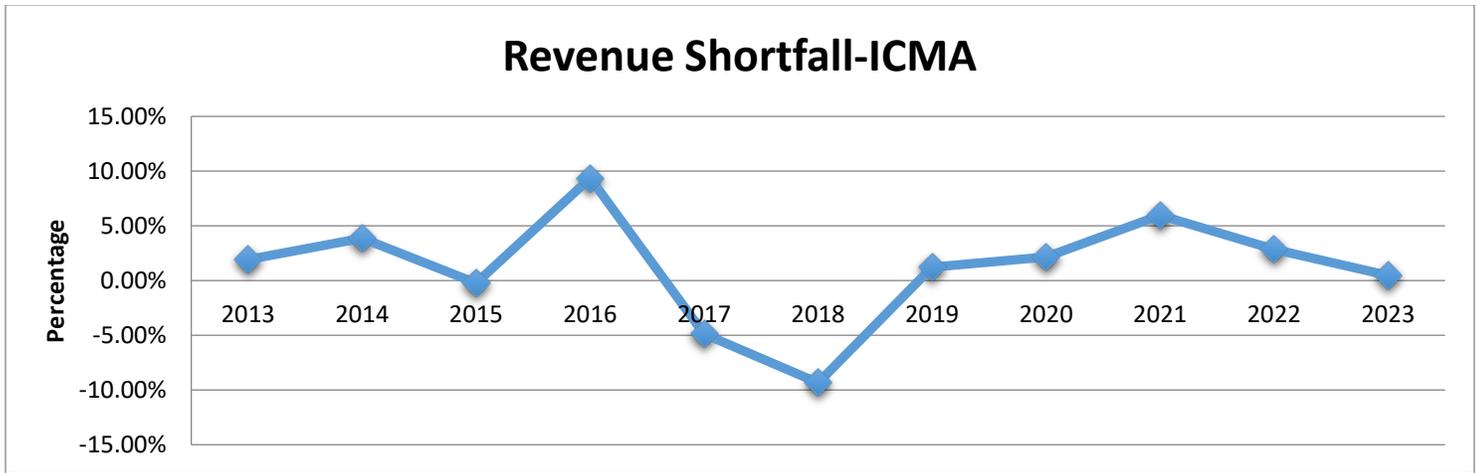
Revenue Surplus/Shortfall

There are two measurements in this category. These measurements should not be confused with budget surplus/deficits (the difference between revenues and expenditures) rather they compare actual revenues to budgeted revenues over time. This portrays the ability of municipal officials to estimate revenue. If shortfalls (a measurement of less than one) are increasing or occur frequently this could be a warning sign of insufficient revenues to cover expenditures. Generally actual revenues are very close to budgeted revenues.

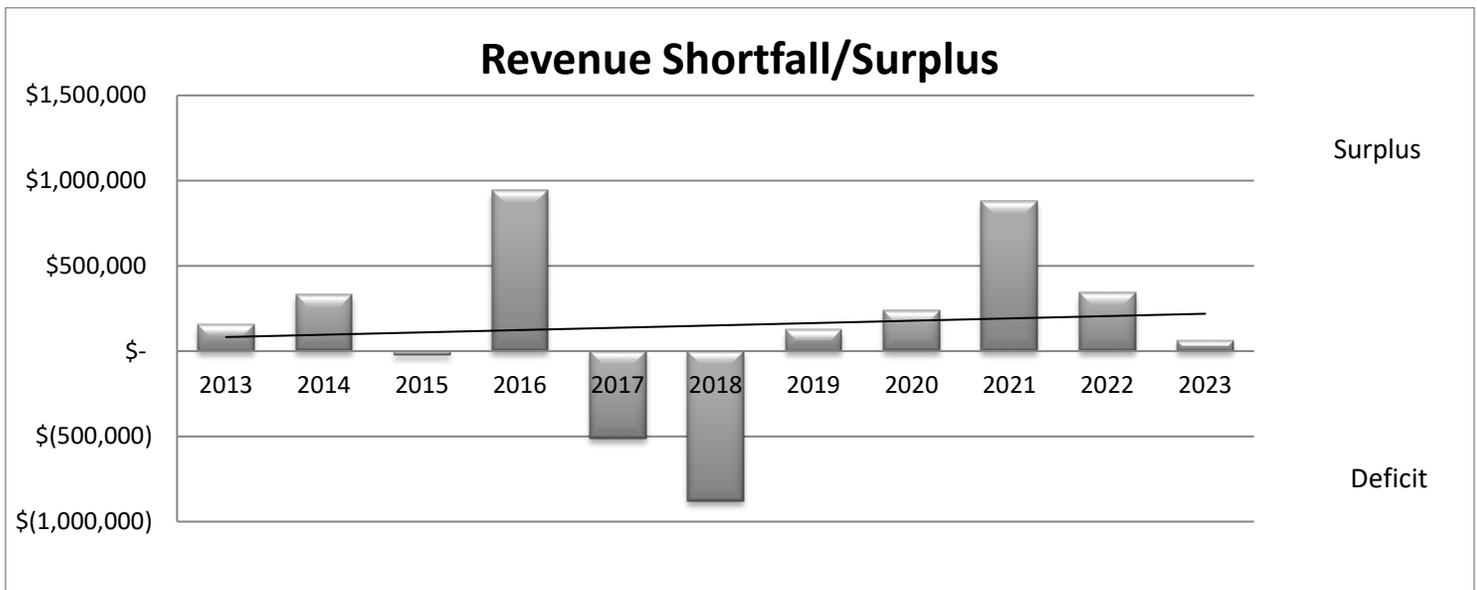


The chart on the prior page displays a ratio of actual revenues to budget revenues. A measure of one reflects a close correlation of budget to actual revenues.

The other measurement looks at the actual surplus or shortfall as a percentage of total revenue received.



The chart above measures the net difference of budget to actual as a percentage of actual revenue received. A small difference indicates that budgeted revenues are realistic. The chart below measures the dollar value of the difference between budget and actual. For 2023, revenues were 0.48% greater than budget mostly due to Real Estate Transfer Tax.

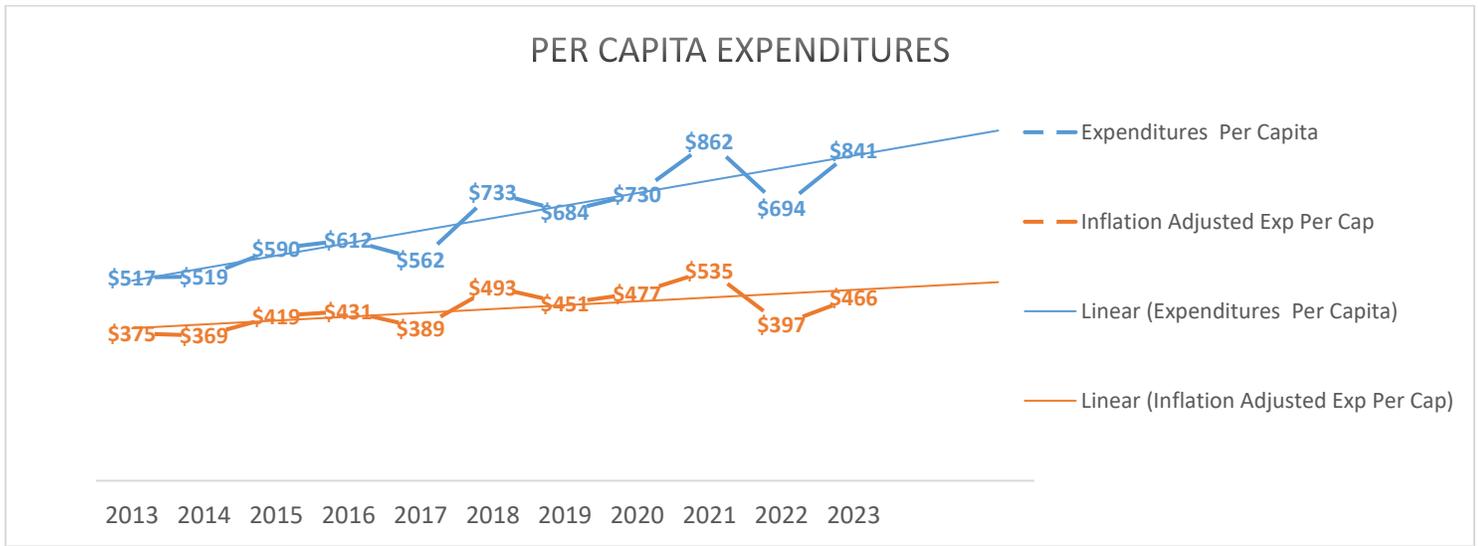


These charts show a continual decline in the surplus to the point of a shortfall in 2017 and 2018. Although this measure may indicate a warning signal, the 2018 shortfall was planned as a use of fund balance. A concerted effort has been made in the last decade to budget conservatively. In 2023, actual real estate transfer tax collected was 1.6 times the budgeted amount. Although this indicates poor estimations, this is a notoriously difficult revenue stream to predict as one transaction can significantly skew the results of these measurements. In 2018, the shortfall was due to a delay in receipt of the Multi-Modal Grant and the Alternative Transportation Grant. This measure is often used in the credit reporting industry and on-going or unexplained deficits would be assessed negatively. At this point, we will continue to monitor the situation and strive for better budget estimations.

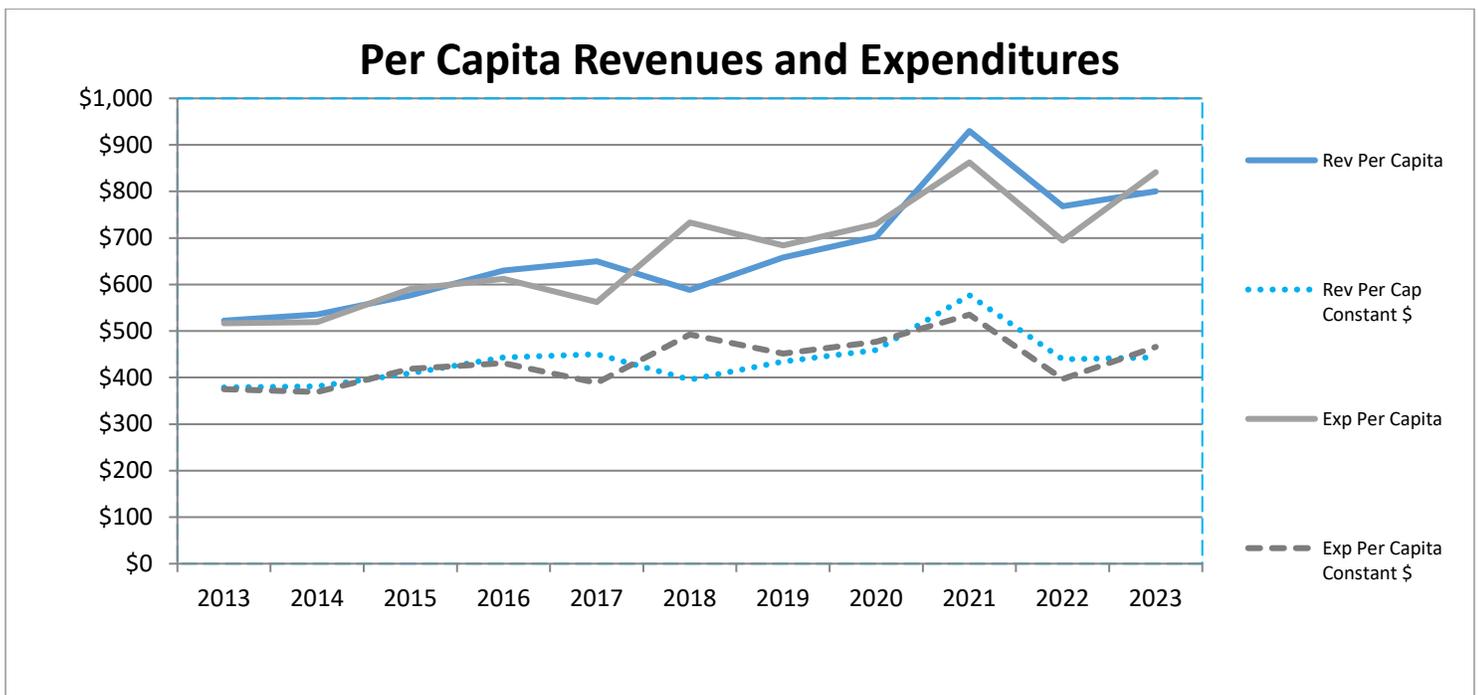
Expenditures

Expenditures measure the service output of a government. It is assumed that the more spent, the more services provided. By reviewing expenditures, staff will be able to identify potential concerns such as excessive growth of expenditures compared to revenue, ineffective budgetary controls, a decline in productivity, and programs that may create future expenditure liabilities.

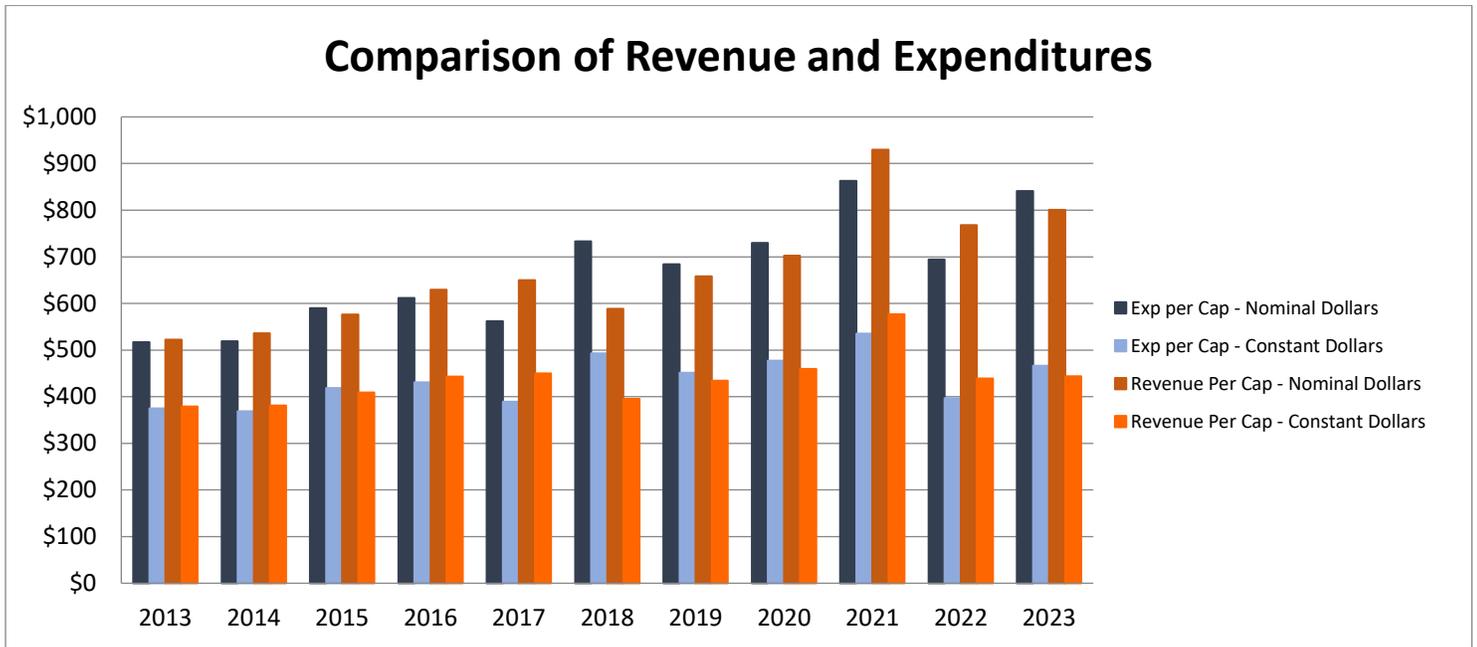
Expenditures per capita examine the changes in expenditures relative to changes in the population.



This scenario shows a relative uptick in per capita spending in actual and constant dollars for the period 2013-2023. Although total expenditures continue to grow, the increase in population results in costs being spread over more people. In 2023, the Per Capita expenditure was \$841(N), a 21.2% increase from \$694(N) in 2022. The increase in per capita expenditures in 2023 is due to the improvements to the Atherton & Woodycrest intersection for Patton Crossing ongoing in 2023. Future increases in per capita expenditures will continue to be monitored.

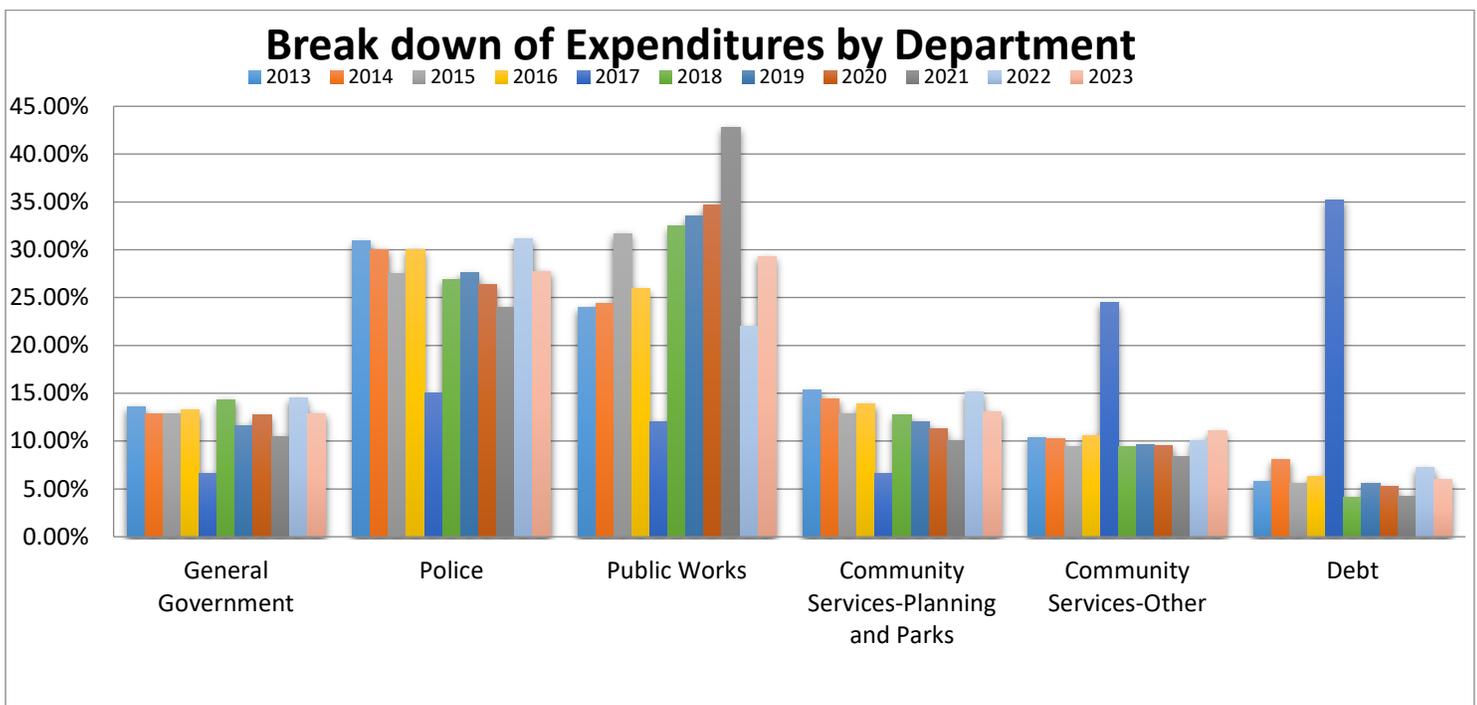


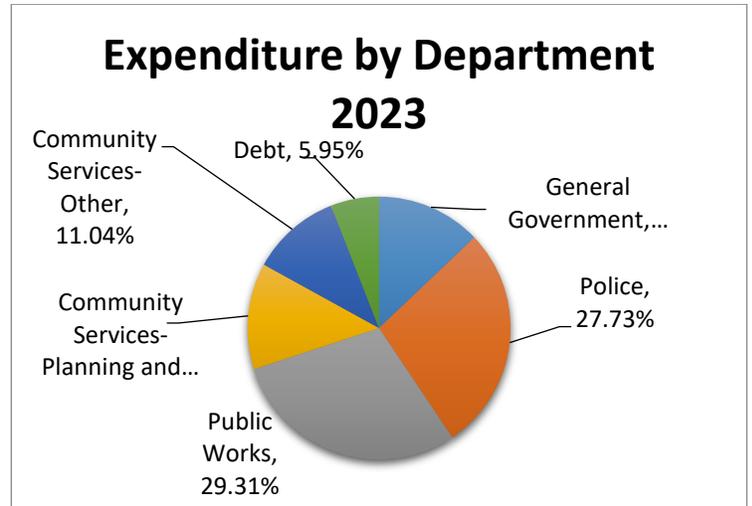
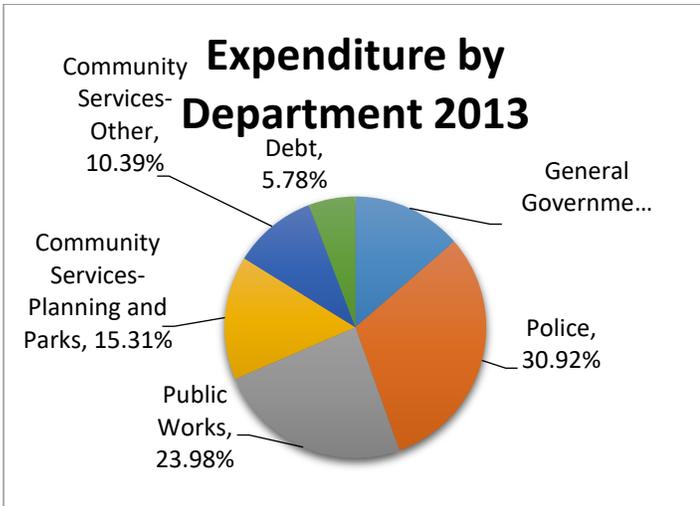
Per Capita revenues and Expenditures converging can be a warning sign of potential issues. Revenue should track higher than expenditures to prevent deficits which may, ultimately require a tax increase or further depletion of fund balance.



Until 2018, revenue in both nominal and constant dollars generally stayed slightly ahead of expenditures. Between 2018 and 2020, and again in 2023, this was not the case, but sufficient fund balance existed to cover the shortfall. We appear to be back on track for this measurement. Although in this situation a deficit was planned, staff are very much aware that a balance budget practice is essential in the long run. This chart does show a continued and generally successful attempt to balance the budget.

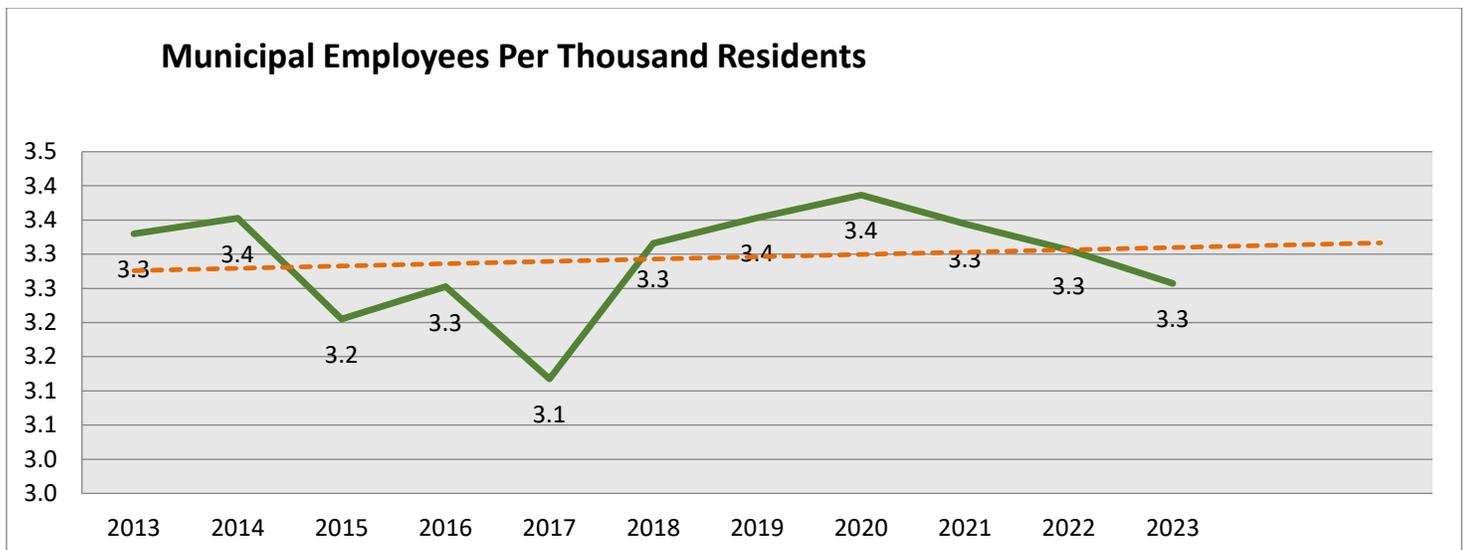
Expenditure by Function

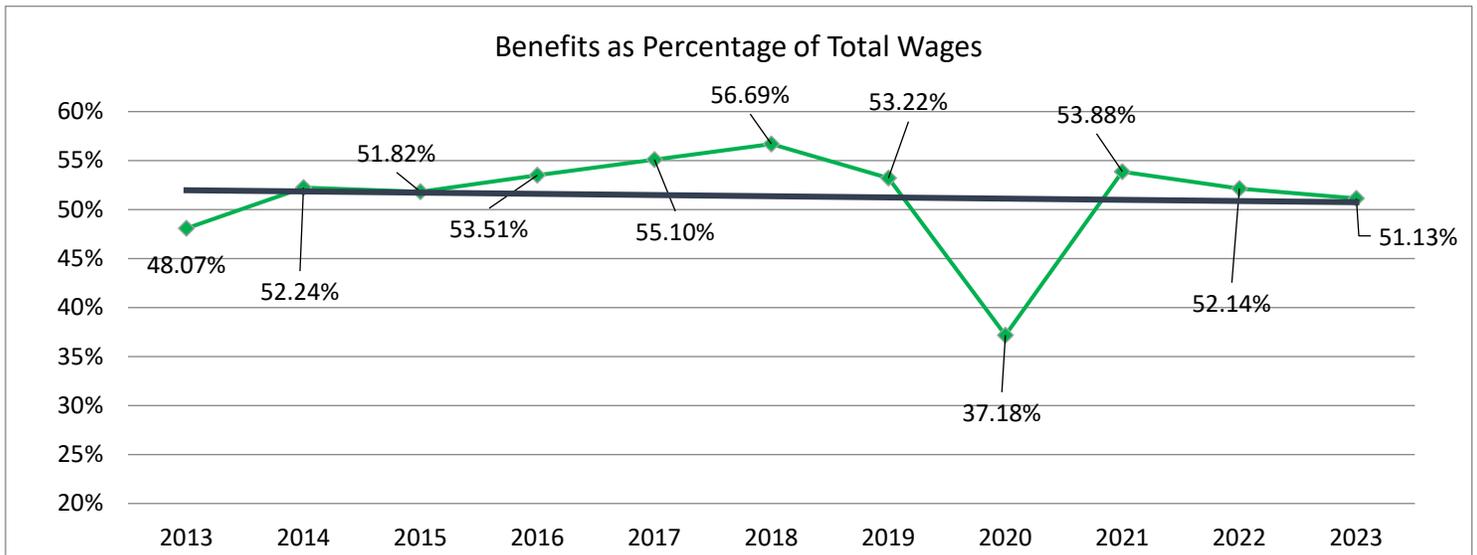




Based on the balance amongst departments, there are no significant, unexplained changes in expenditures by function. Given the Township has grown from 11,490 residents in 2001 to an estimated 15,627 residents in 2023, increased road miles from 43 miles to 60 miles, and increased staff from 39 to 51 employees, these measurements seem reasonable.

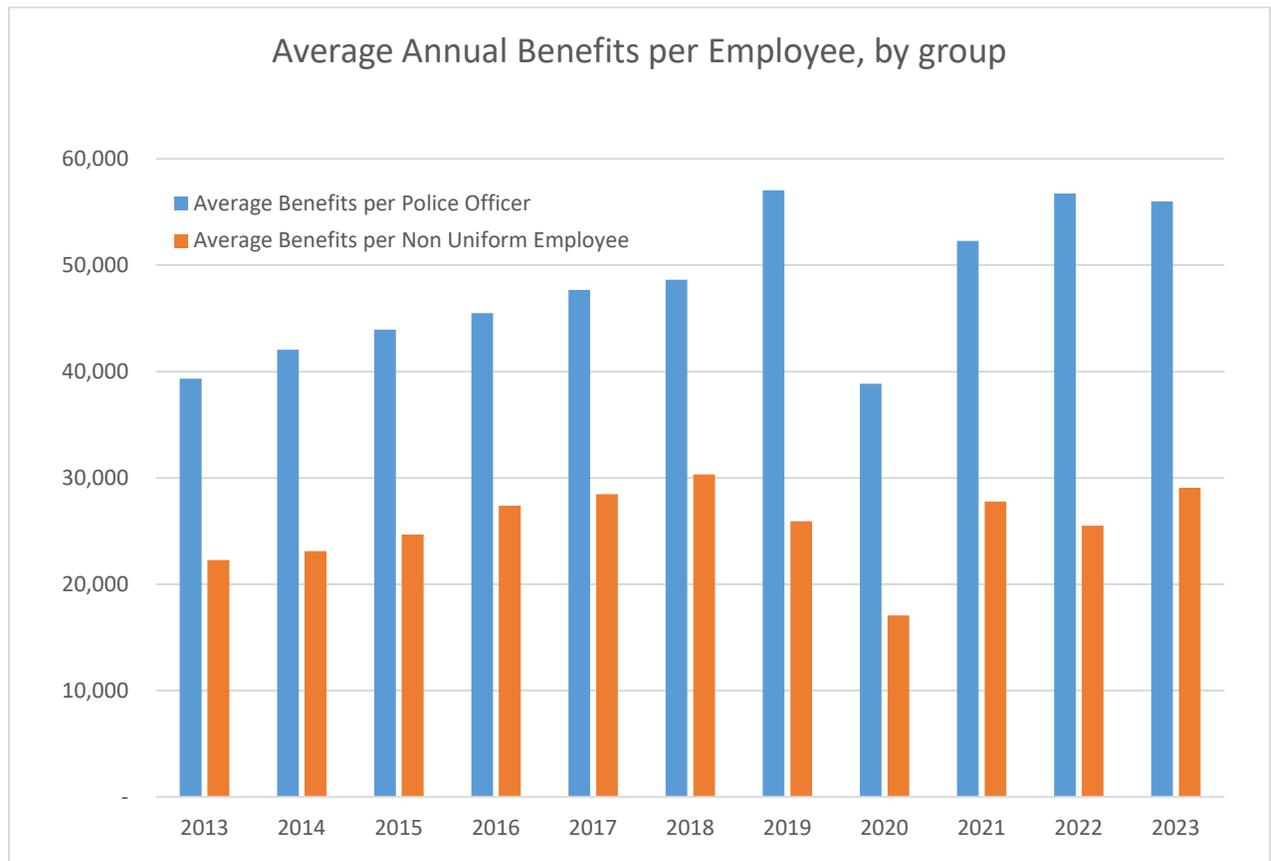
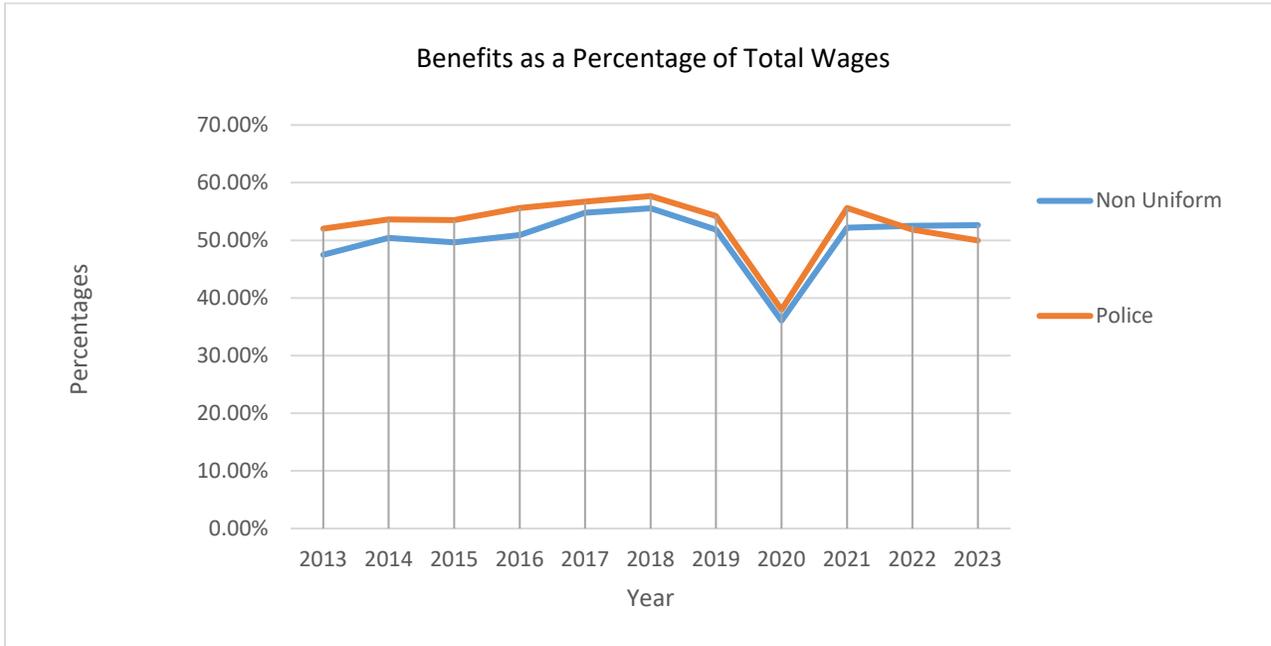
Most expenditures relate to personnel and fringe benefit costs. Although the number of employees per 1,000 has decreased over time, the cost of benefits has continued to increase. An exception to this rule occurred in 2020. Due to the COVID-19 Pandemic, many healthcare offices were closed for a portion of the year, therefore the cost of healthcare was decreased, resulting in a lower cost as a percentage of total wages. Over the first decade of the millennium, the number increased from 3.3 employees per 1,000 residents in 2003 to a high of 3.8 employees in 2009. However, in 2010 several employees left and have not been replaced. This has decreased the employees per capita back to 3.0 per 1,000 residents. Past equipment acquisitions have allowed the road crew to be more efficient in leaf collection which is a notoriously labor-intensive process. The manager has implemented a procedure to examine any vacancy before it is filled regardless of the associated department. There are no real national standards for employees per 1,000 residents because it is highly variable depending on the types of services provided by a municipality. Internally the Township has kept this measurement stable while providing more services as indicated by increases for the period in police calls for service, tons of leaf and brush collected and miles of roads maintained.





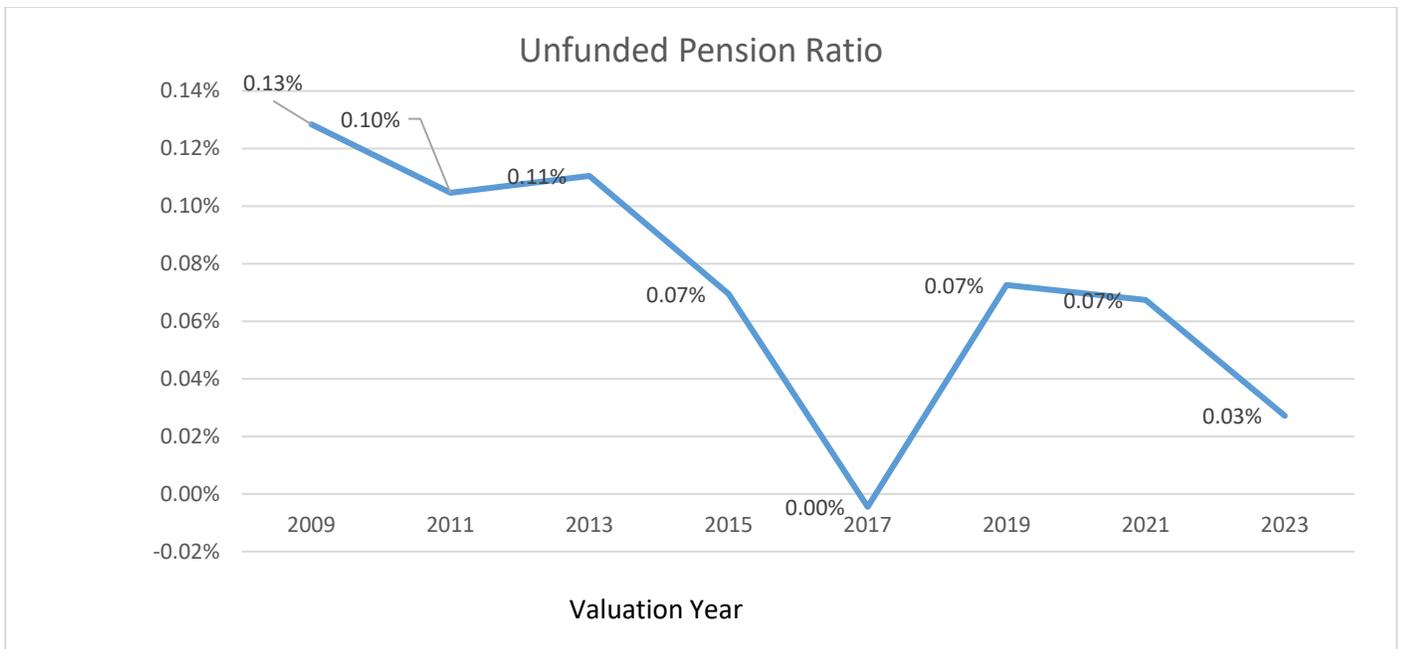
In 2021, there was a 64.6% increase in benefit costs as a percentage of Total Wages from 2020 mainly because of an increase in healthcare usage due to the COVID-19 Pandemic. In 2023, there was a 5.3% increase in benefit costs as a percentage of Total Wages which is in line with the trends the Township has been experiencing for the past 10 years. In addition, municipalities across the Commonwealth receive State Pension Aid to offset pension expenditures. Any aid more than the minimum municipal pension obligation was deposited to the police pension fund towards future costs. These deposits are reflected as benefit expenditures and they tend to skew the overall cost of benefits even though there is a matching revenue source. In 2023, State Pension Aid was lower than the minimum municipal obligation (MMO) of pension contributions, therefore no additional funds were contributed to the Police Pension. In addition, because of changes in actuarial assumptions used to value the pension plans, the base contribution of the MMO was higher than in previous years. In addition, health related expenditures (health insurance, self-insured dental and vision, etc.) increased by 8.0% from 2022 to 2023.

Additional charts have been included showing the value of benefits for police covered by the bargaining unit versus all other employees. In 2023, police earned benefits equal to 50.0% of their salaries (base pay and overtime compensation). This amounts to, on average per police officer, benefits of \$56,004 per year. That is compared to the average annual benefits for non-uniform employees of \$29,060 or 52.6% of average non-uniform salaries. The main difference is the total cost of health care because most police have full family coverage and higher employer pension contributions.



Because pension obligations and unfunded pension liability are a great concern for organizations, this measure has been included in this report. The Township has two pension plans. One is a Defined Contribution Plan for all non-uniform employees who work more than 30 hours per week. This plan requires a 3.5% contribution from the employee and a matching 6.5% contribution from the employer. There is no unfunded liability in this type of plan. Act 600 requires a defined benefit plan for Townships with police officers. In this plan, a minimum municipal obligation is calculated annually and serves as the plan budget for the year. As long as this obligation is paid by the Township annually, the Township has fulfilled its funding obligation. The MMO does include amortized funding of calculated unfunded liability.

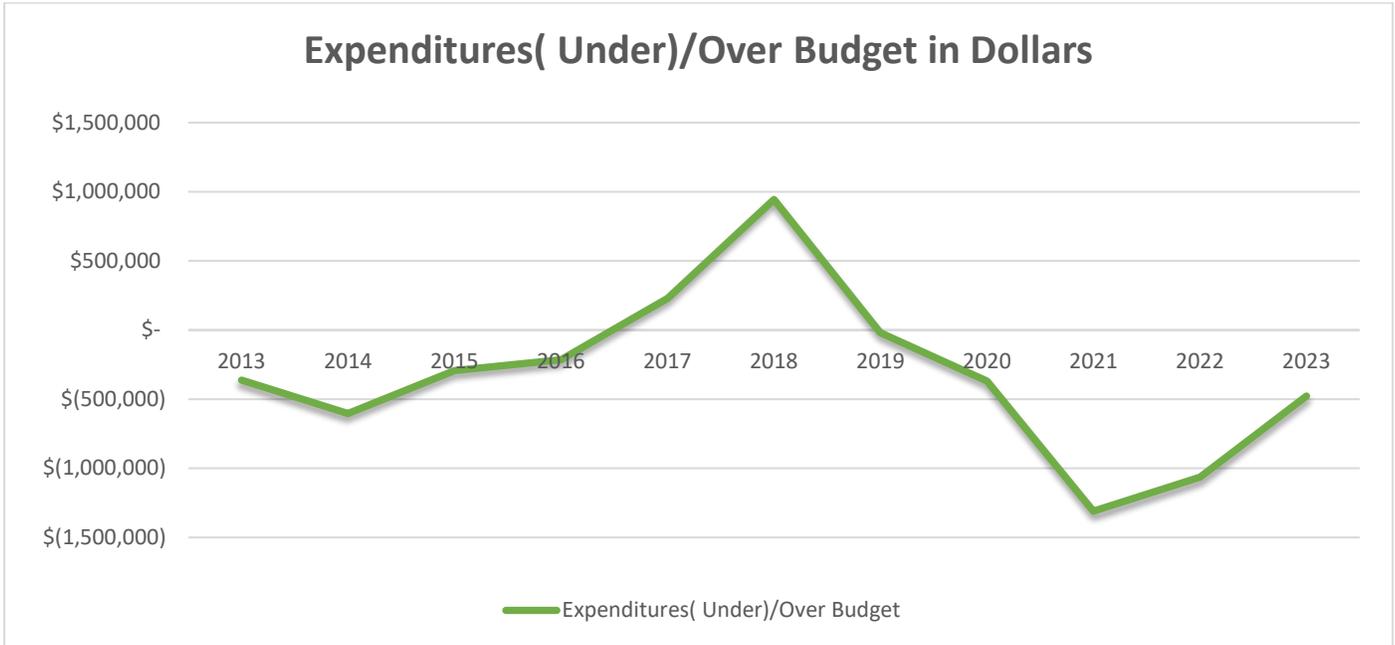
The measurement displayed in the graph below looks at the unfunded liability of the Police Pension Plan as determined in the biennial actuarial valuation reports required by Act 205. The unfunded liability is divided by the total assessed value of real property. The reason assessed value is used is because these are the Township assets that generate revenue to fund, in part, pension obligations of the Township. I have included a chart that includes the market value of pension assets at every valuation date but because the portfolio consists of 60-65% equity, these market values can change dramatically over time. At one point the Police Pension Plan, after the 2008 stock market decline, was considered by the State to be a level 1 distressed plan (lowest level); however with investment gains, the plan is no longer considered distressed. Since many factors, good and bad, can increase or decrease the unfunded liability, at 1.69% of fund assets, this not a major concern at this time.



Valuation as of January 1,		2009	2011	2013	2015	2017	2019	2021	2023
Unfunded Actuarial Accrued Liability	A	\$ 536,363	\$ 448,181	\$ 481,752	\$ 317,345	\$ (20,795)	\$ 346,067	\$ 337,751	\$ 141,779
Total Pension Assets	B	\$ 2,388,745	\$ 3,616,035	\$ 4,116,024	\$ 5,164,652	\$ 5,746,896	\$ 6,371,862	\$ 7,350,281	\$ 8,368,370
Assessed Value	C	\$ 417,667,960	\$ 428,468,620	\$ 435,927,760	\$ 456,736,810	\$ 463,882,620	\$ 476,520,340	\$ 501,582,905	\$ 522,009,260
Unfunded Pension Ratio as a % of Fund Assets	A/B	22.45%	12.39%	11.70%	6.14%	-0.36%	5.43%	4.60%	1.69%
Unfunded Pension Ratio as a % of AV	A/C	0.13%	0.10%	0.11%	0.07%	0.00%	0.07%	0.07%	0.03%

*SURPLUS

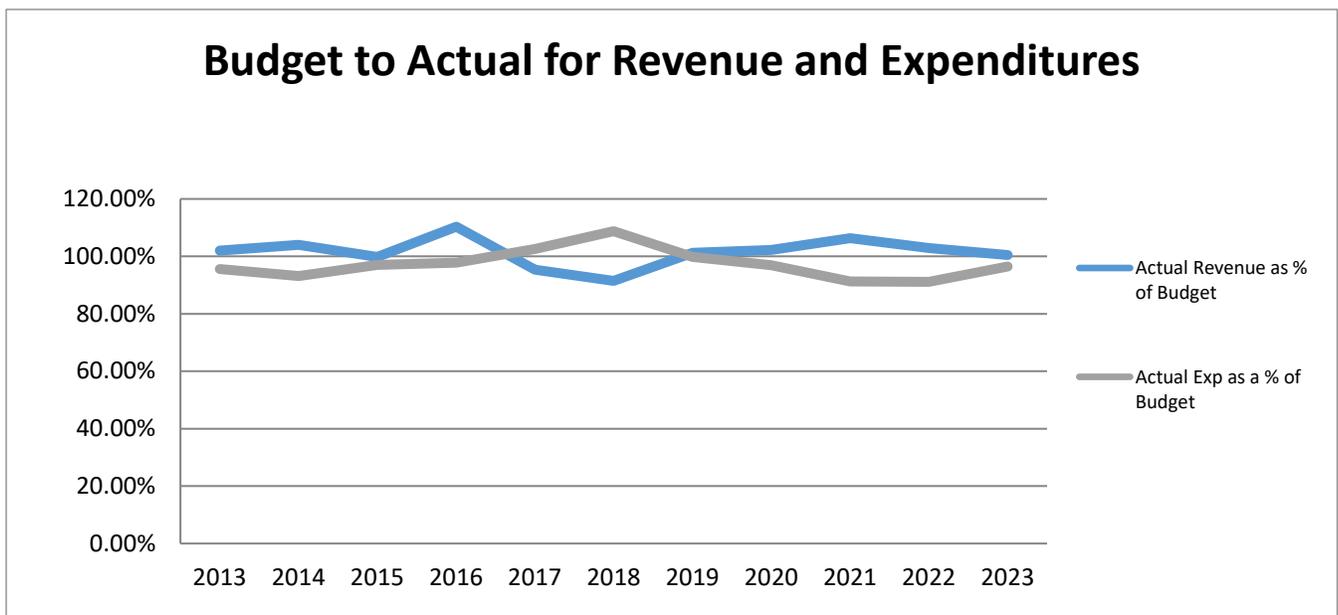
A comparison of actual expenditures to budgeted expenditure shows if budgets are well prepared and how closely budget versus actual expenditures were monitored.



In 2010 the Township had the opportunity to refinance existing debt at an exceptionally favorable rate and to procure new money for park development. As a result budgeted debt service payments were not required in 2010 creating a significant variance between budget and actual expenditures. For 2023, actual expenditures were within 3.5% of budget due to delays in projects.

As the chart below indicates, traditionally actual expenditures are within a few percent of the budget. In the decade period under review, in most years, total expenditures were less than Budget.

The following combines a comparison of revenue and expenditures compared to their respective budgets.



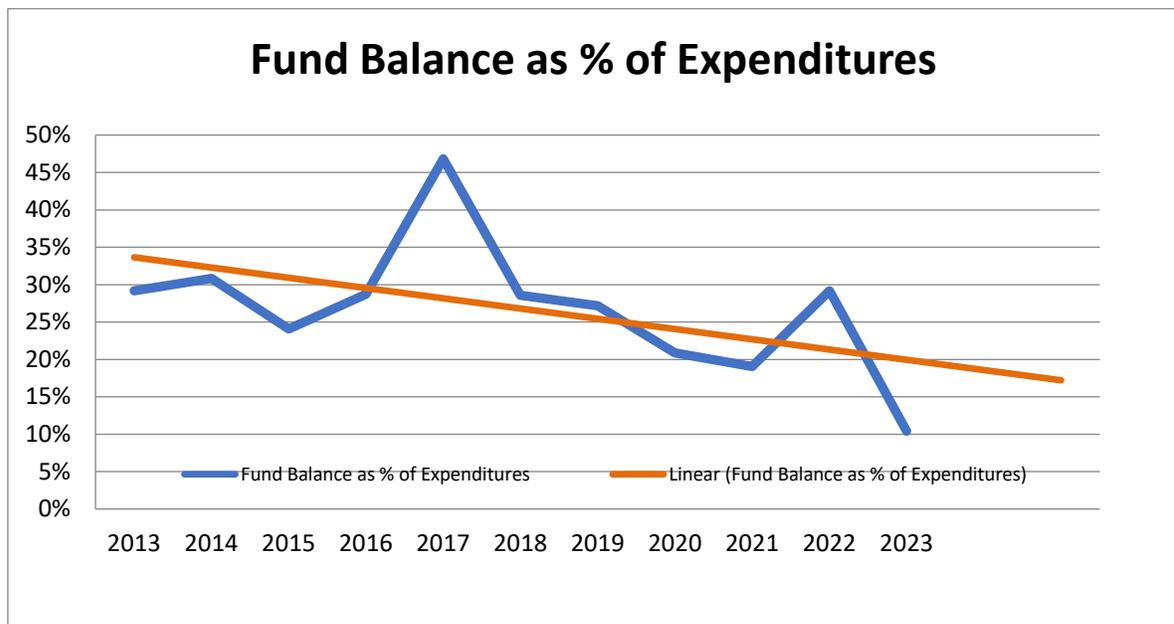
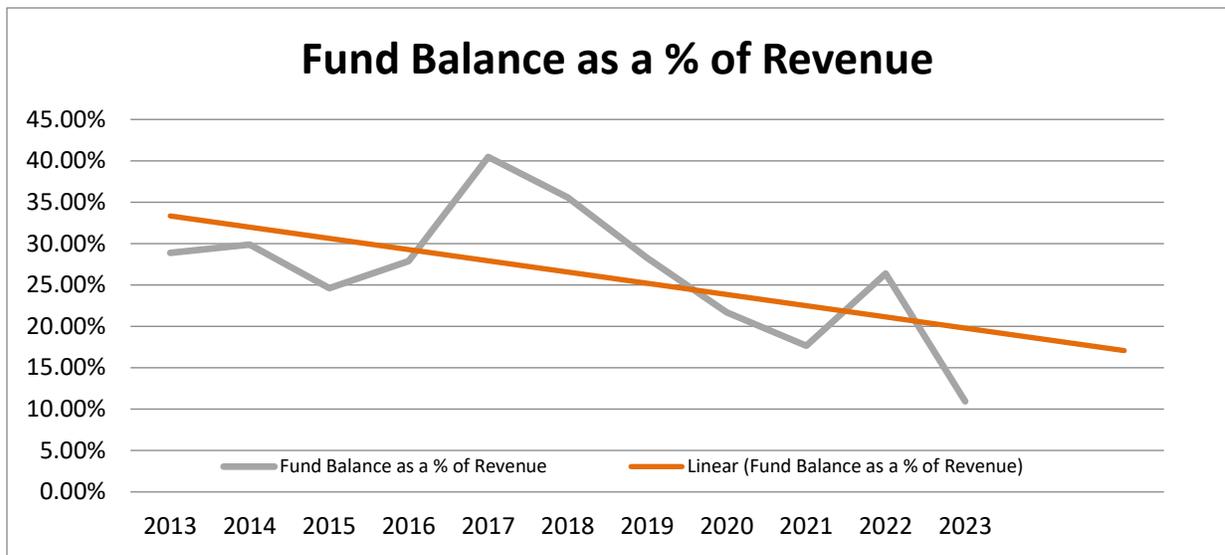
These are stable trends and are considered to be within reasonable limits.

Operating Position

Fund Balance

The size of a municipality’s fund balance can affect its ability to withstand financial emergencies. It can also affect the ability to accumulate funds for capital purchases without having to borrow. The majority of fund balance Patton Township shows in its budget is unreserved/undesignated. Reserve funds, used to save money for specific purposes such as equipment replacement and road resurfacing are shown in their respective sections at the end of the budget.

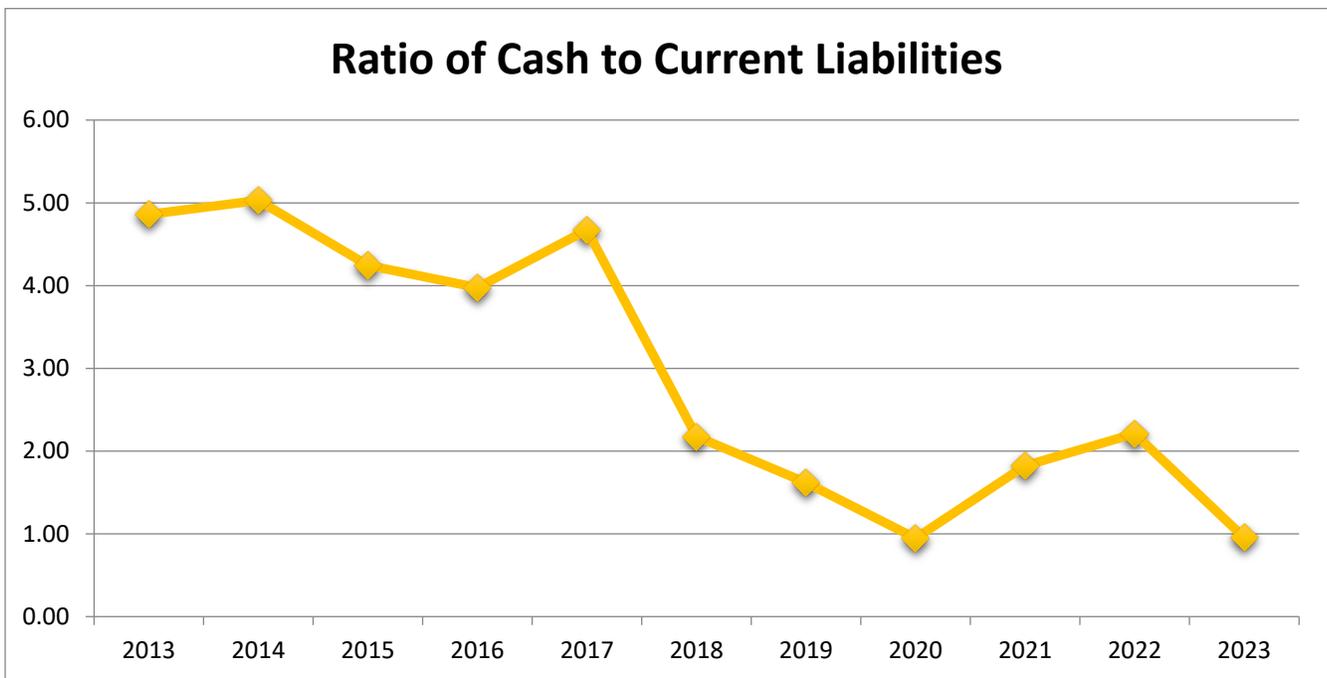
Although for budget purposes we normally show fund balance as a percentage of expenditures, for this system fund balance is shown as a percentage of revenue. Graphs of both are included for comparison.



Regardless of which measure you favor, both indicate a trend in fund balance toward Township policy. The policy for the Township is to maintain an unreserved fund balance in the range of 8 to 12% of expenditures and an effort has been made to do so. Credit reporting agencies have indicated that both too small and too large a fund balance may be causes for concern. The Government Finance Officers Association (GFOA) has said best practices indicate an unreserved fund balance of approximately 16%. The Township’s fund balance continues to be at a satisfactory level.

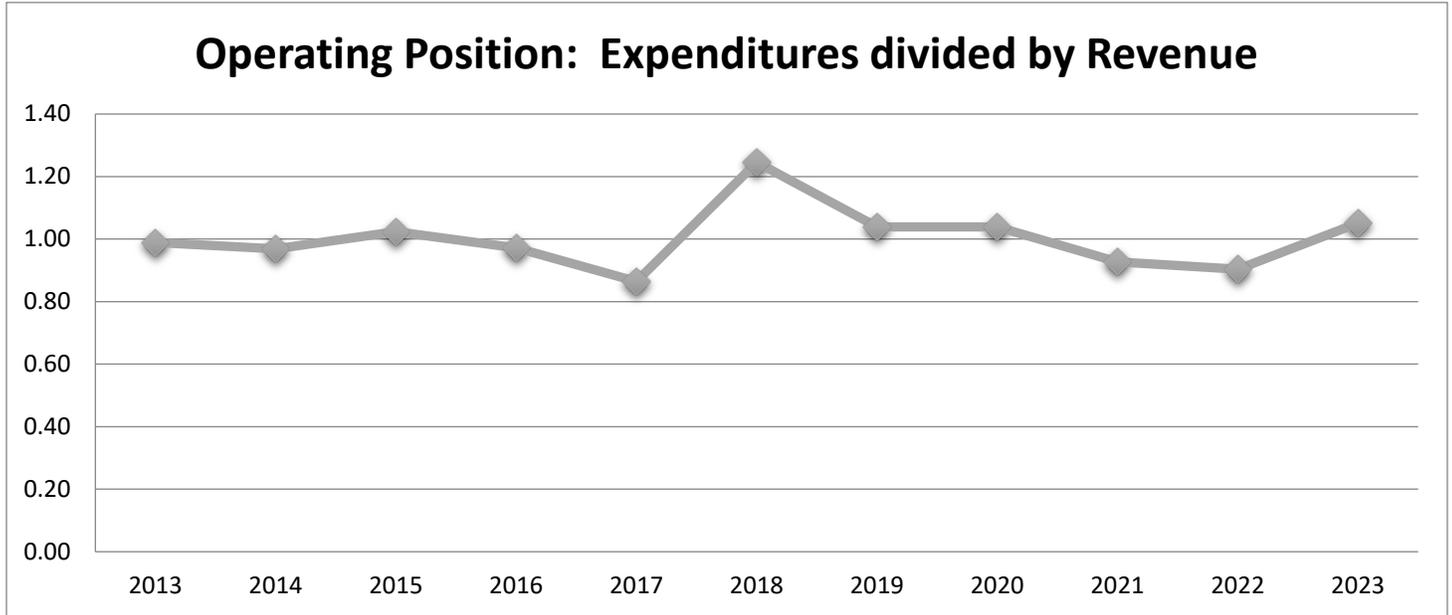
Liquidity Measures – Cash Position

This segment looks at cash and short-term investments (less than a year) as a percentage of current liabilities or obligations owed by the Township within the next year. This measurement gives a good indication about the ability to pay one’s bills. Insufficient liquidity indicates insolvency. Low or declining liquidity can indicate a fiscal overextension in the long run with a cash shortage being the first sign. A ratio of cash and short-term investments to current liabilities greater than one indicates sufficient liquidity.



This graph shows that during the period under review the township was sufficiently liquid. This can be a controversial measurement and can change depending upon the time of year the measurement is taken. Since municipalities’ main sources of revenue are taxes, which are due between March and April for the most part, a measurement taken in January could be less favorable. However, because the staff is aware of the revenue timing issue, major expenditures and debt payments are normally scheduled after the first quarter revenues are received.

Operating position can be defined as a local government’s ability to a) balance its budget on an annual basis, b) maintain reserves to cover emergency situations, and c) have sufficient cash available for timely payments of bills and payroll, especially when cash inflows are not evenly timed. This factor, which measures operating expenditures divided by operating revenue, is designed to indicate whether a municipality is operating on a breakeven basis or is spending down fund balances from previous years to fund current operations.

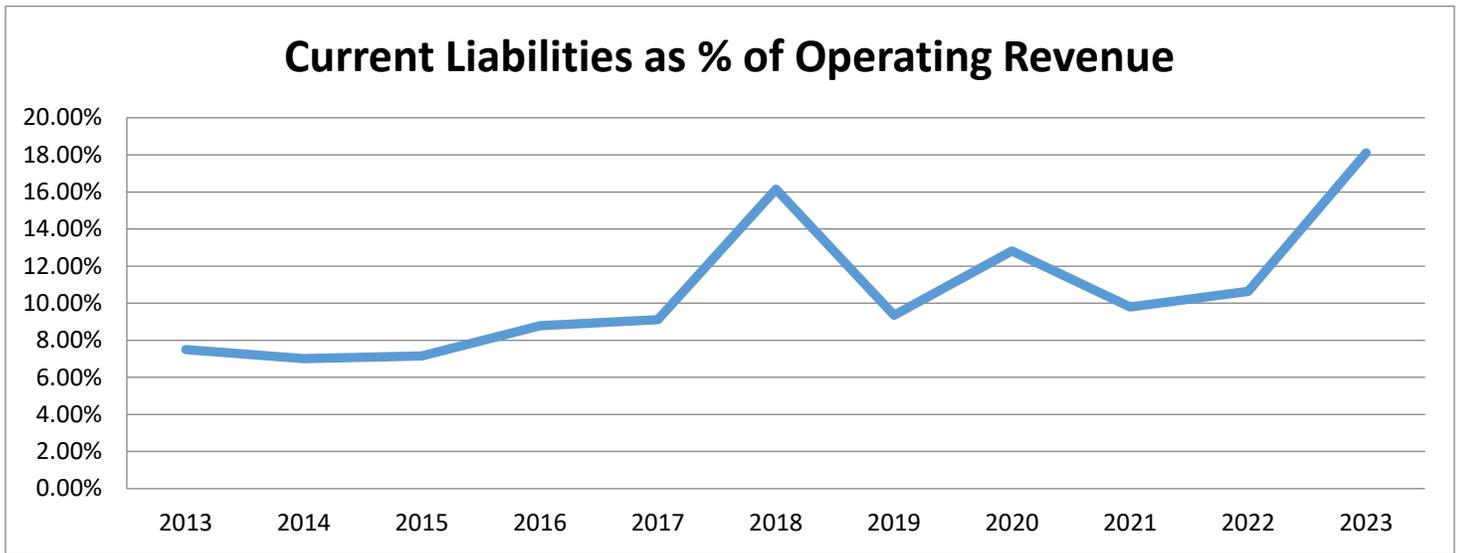


A measure of more than one means that the community operated during the year at a deficit with current expenditures being more than current revenue. In several years the Township did this deliberately to reduce fund balance and avoid increasing taxes at all or minimizing the effect of a tax increase. A factor of one is a breakeven scenario and a factor of less than one means revenues exceeded expenditures thereby adding to the fund balance. Because over the last several years, the factor has been trending level, and the fund balance is within the acceptable range, revenues will have to be budgeted to equal or exceed expenditures to maintain a reasonable operating position. In 2010, the improvement in operating position was mainly a result of debt refinancing allowing for the deferral of principal payments into 2011. The Township continues to be in a satisfactory liquidity position.

Debt Indicators

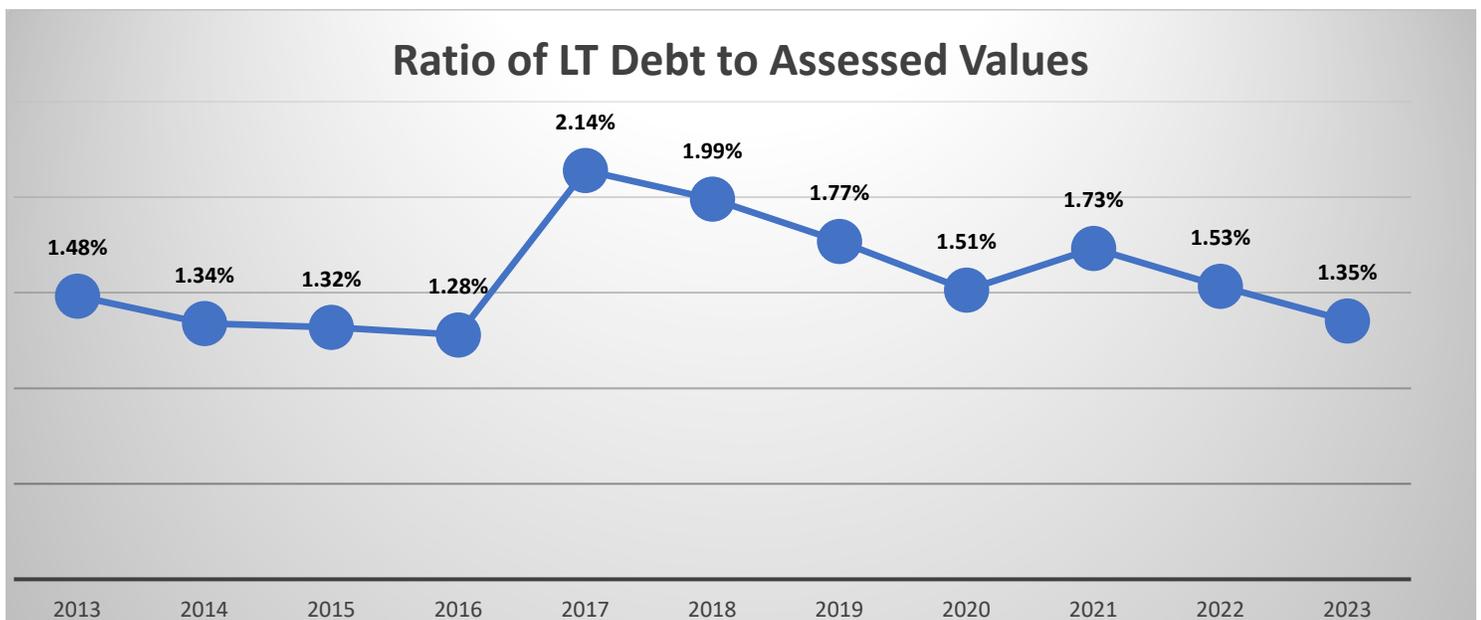
Debt is an effective way to finance capital improvements but its misuse can cause serious financial problems. Some municipalities use short-term debt to even out cash flows by securing tax anticipation notes. Fortunately, the Township does not need to do this because of sufficient fund balance to tide us over during periods of slower cash inflows. Long term debt, used to finance capital projects, is usually in the form of general obligation bonds or notes. It is obviously important to evaluate a municipality’s ability to repay its obligations and for the municipality to be able to maintain its ability to do so. The most favorable conditions for a government’s debt is to have the debt remain proportionate to the government’s size and the rate of growth in the tax base; that the debt does not extend past the useful life of the project its being used to finance; debt is not used to balance the operating budget; does not require repayment schedules that put excessive burdens on operating expenditures, and is not so high as to jeopardize the government’s credit rating.

The Commonwealth of Pennsylvania Unit Debt Act limits the amount of overall debt and long-term obligations to which a municipality can obligate itself. The Township is at 27% of its debt capacity with outstanding debt of \$6,964,869 at December 31, 2023.



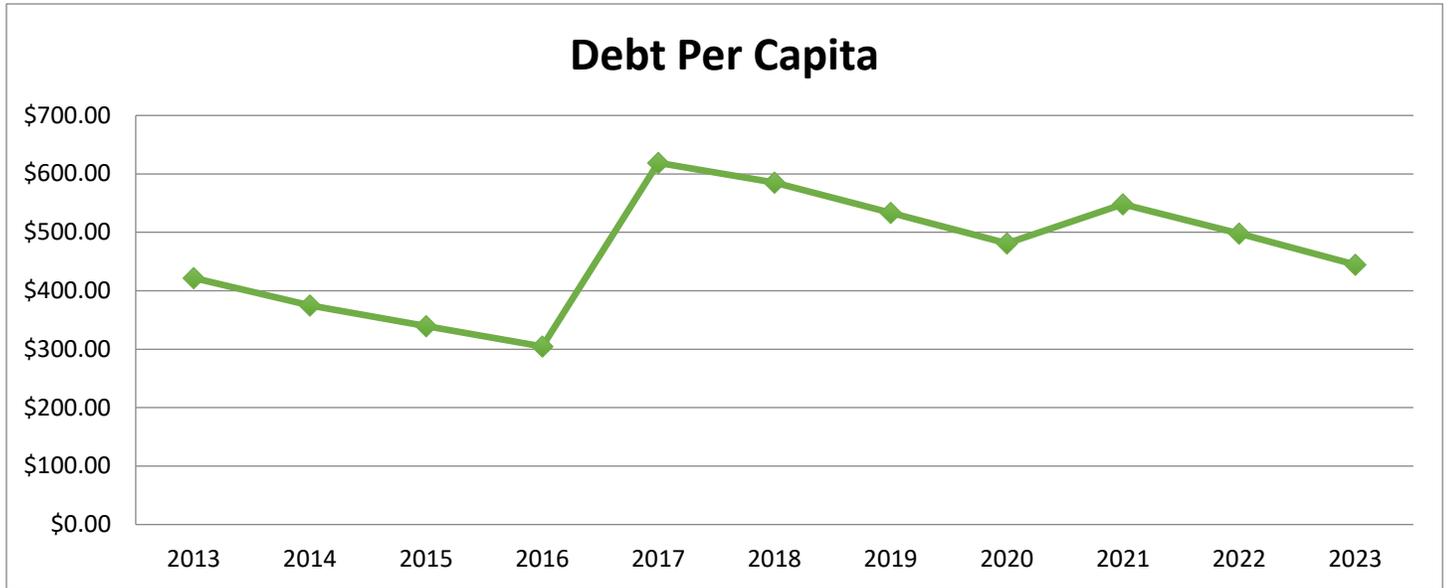
The levels of current liabilities for 2023 increased due to a short-term borrowing from other Township funds. The liabilities outstanding at year end mainly consisted of withheld but not yet remitted payroll taxes, accounts payable not yet due, escrow/surety funds and amounts due to other Township funds.

Reviewing the ratio of long-term debt to assessed value is important to ensure a municipality does not overburden itself with debt. As the chart below indicates, prior to 2017, this ratio has been declining. In 2017, additional debt was acquired for purchase of open space and Valley Vista Left Turn Lane construction. This is a positive indicator because the level of debt has not grown more quickly than the tax base, implying that the Township can handle the burden. Another measure is Debt per capita which has followed the same favorable trend.



Although there has been a upswing in this measure because of the refinancing and new borrowing in 2017, the ratio is still acceptable. The Township has outstanding debt of \$6,964,869 as of December 31, 2023. This amount was comprised of three borrowings. \$5,131,470 of outstanding debt was on the General Obligation Note, Series of 2017, which is secured to purchase open space land and to refund General Obligation Bond, Series of 2010 and

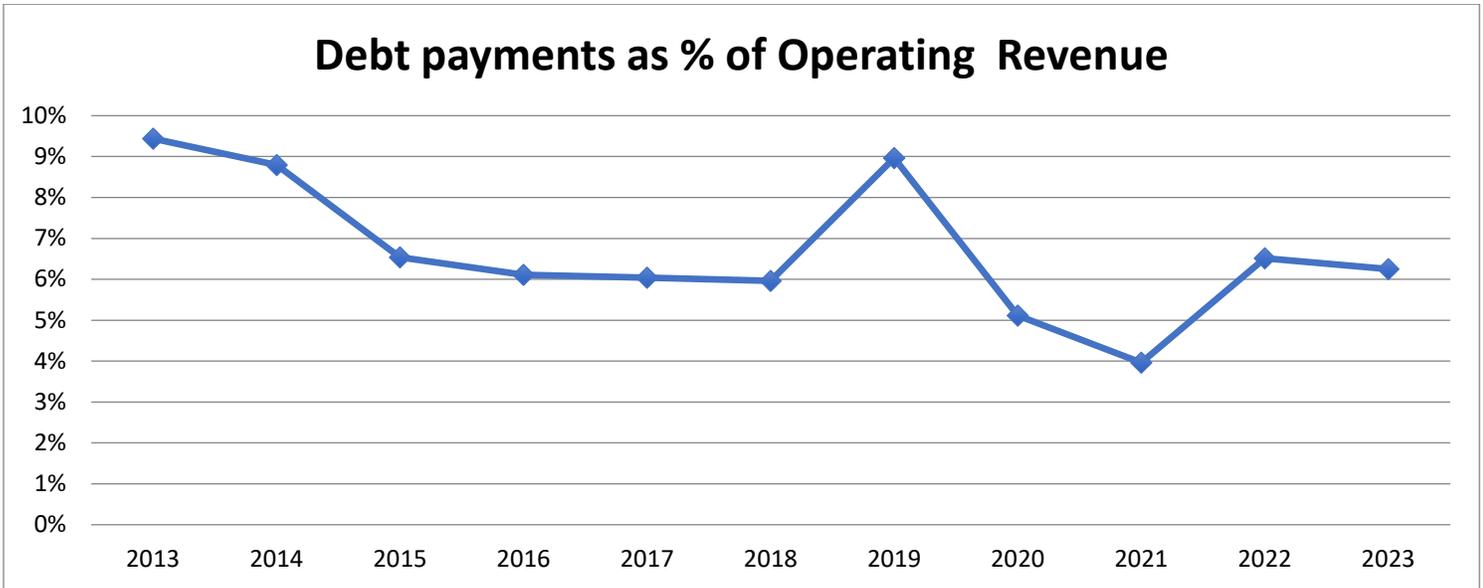
General Obligation Note, Series of 2012. \$326,097 of outstanding debt was on the loan from the Pennsylvania Infrastructure Bank, which was secured to be used for traffic improvements on Valley Vista Drive. \$1,507,302 of outstanding debt was on the loan from the Pennsylvania Infrastructure Bank, which was secured to be used for improvements to the Fox Hill Road and Bernel Road intersection.



Debt per capita is at \$444.84 for 2023 down from \$497.99 in 2022. The downward trend is due to the debt payments made, with no new borrowing secured for 2023. After 2021, a downward trend should continue.

The credit industry likes to see debt benchmarks at less than 10 percent of assessed value. This is something that needs to be monitored in the future if we are considering issuing more debt and refinancing existing debt. Moody's Investment Services upgraded our bond rating from A2 to Aa3.

Continuing with debt, the next measurement looks at the ability to handle annual debt payments of principal and interest from normal operating revenues. Increasing debt service reduces expenditure flexibility by adding to the government's obligations and diverting more resources to cover debt payments. The debt for Open Space, which has a dedicated tax, is included here because it flows through the General Fund and is deposited in a reserve account for Open Space. Credit industry analysts like to see this measurement stay at less than 20% of operating revenue, which we are well below but to reiterate, any new debt must be assessed thoroughly before it is undertaken.



Environmental Indicators

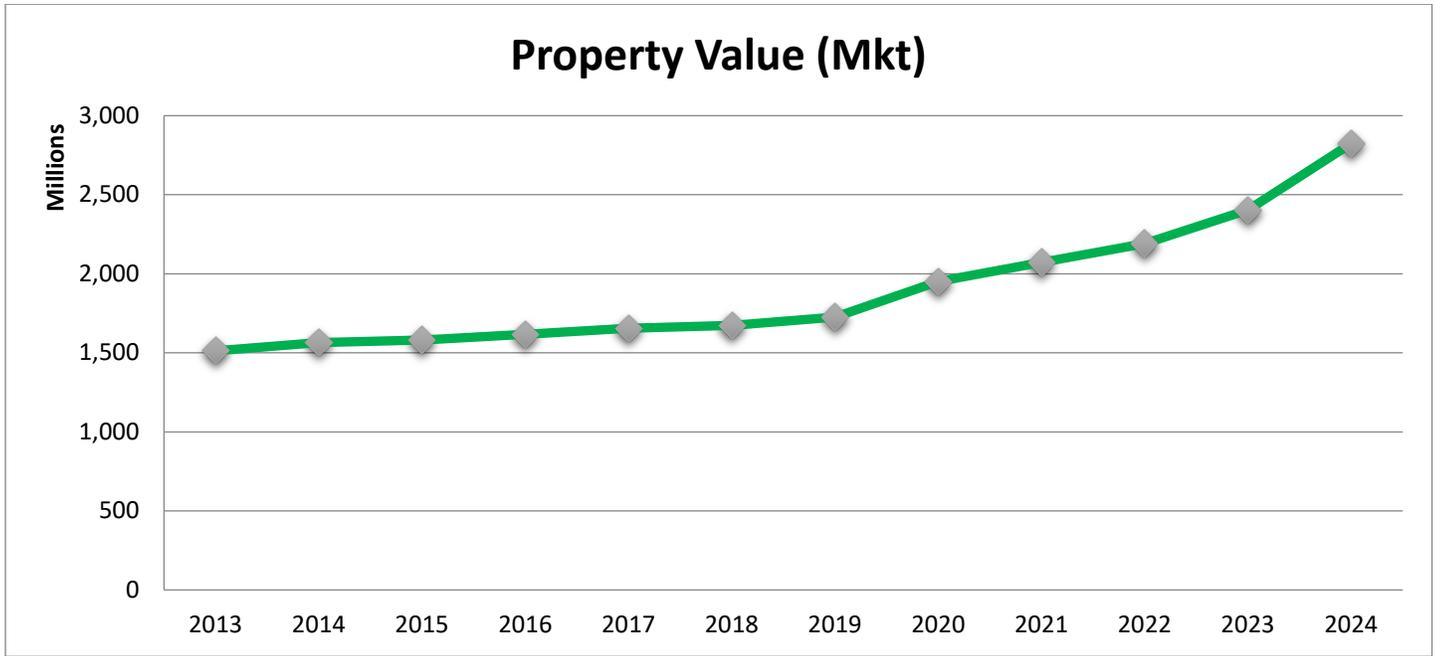
Community factors are important because they define the need for services such as public safety, capital improvements and other such services provided by governments. These economic and demographic characteristics are interrelated. For example, a decrease in population reduces the demand for housing which in turn reduces market value for homes and could affect assessed values and ultimately property tax revenue. Job losses and reductions reduce personal income which lowers earned income tax. Lower income lowers retail sales which could lower property taxes based on assessment appeals. As a result of lower revenues, tax rates may increase putting a greater burden on taxpayers.

Population, which was discussed to some extent at the beginning of the report, will be discussed in a different context here. Considerable or sudden changes in population, up or down, can have a significant impact on a governmental entity. A decrease in population is discussed in the preceding paragraph but an increase can also create a burden. More people demand more services and a sudden increase may make the immediate provision of services very difficult.

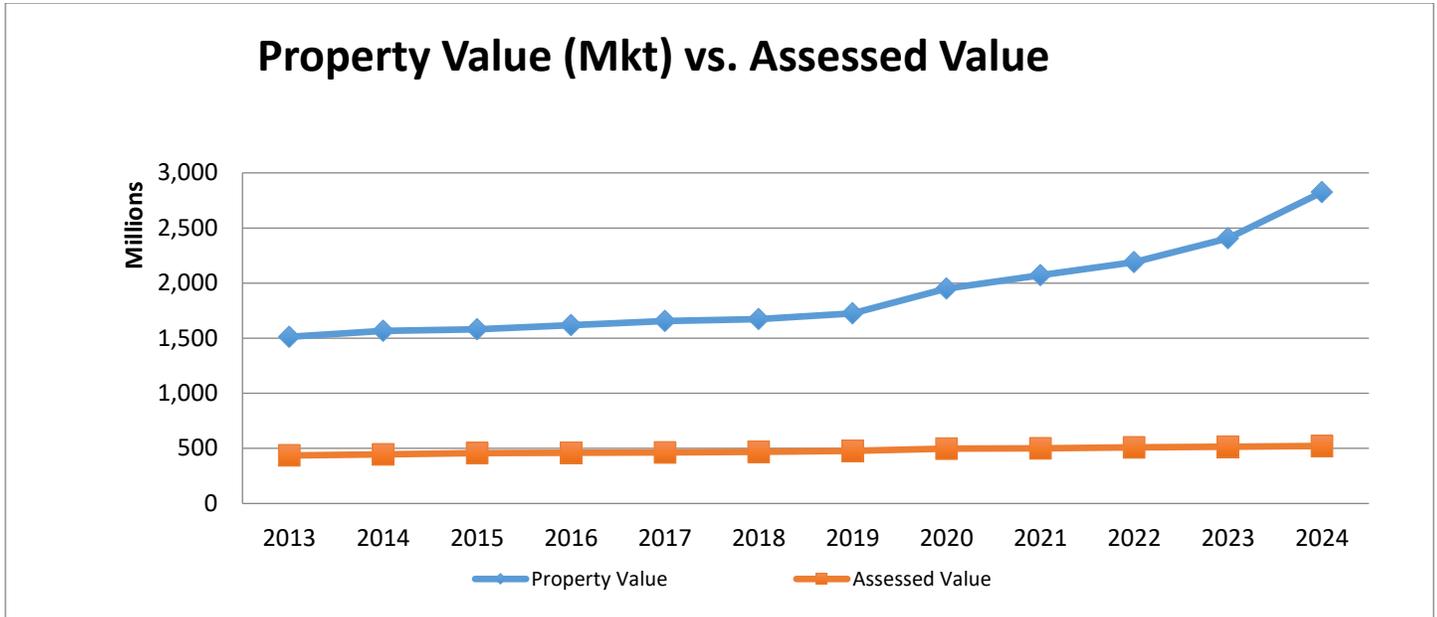
The Township has experienced a steady growth in population over the last decade. So far, we have been able to respond to the increase in a timely and efficient manner with the provision of services such as road maintenance, snow plowing, leaf and brush collection, and police services as needed. Close monitoring of residential and commercial growth allows us to plan services to coincide with planned growth. Preparing a Capital Improvement Plan annually, which includes associated operating costs increases related to proposed capital projects helps staff look at and plan for future growth.

Property Value

The chart below represents the total estimated market value for property in Patton Township. It was derived by multiplying the most recent tabulation of assessed value based on the March 1, 2023, Real Estate Tax Duplicate, by the common level ratio for Centre County as determined by the State Tax Equalization Board on an annual basis.

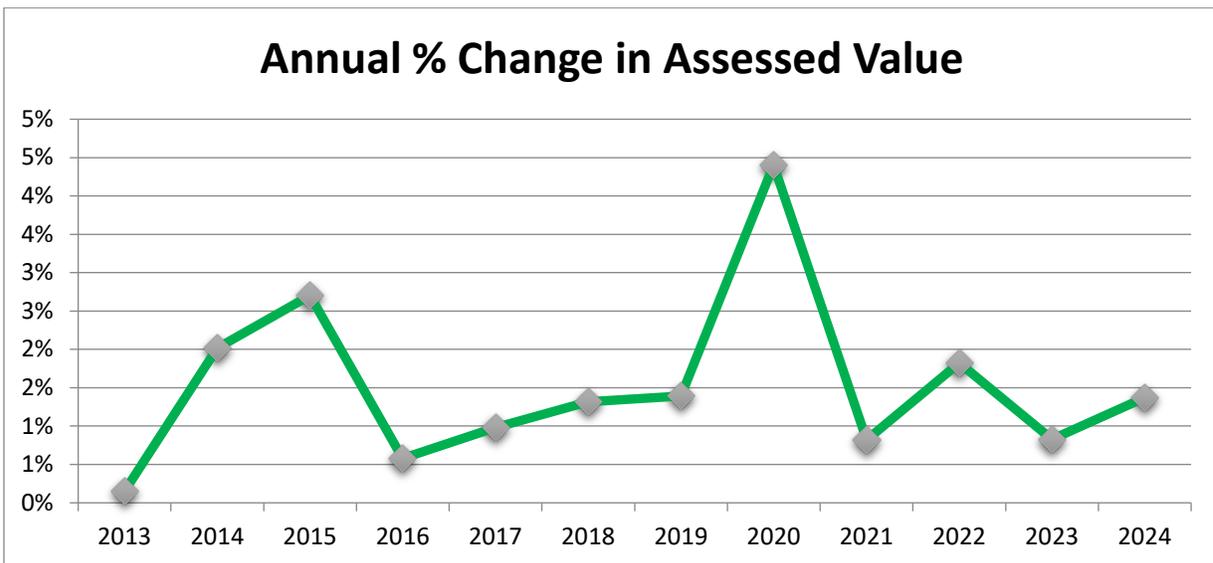
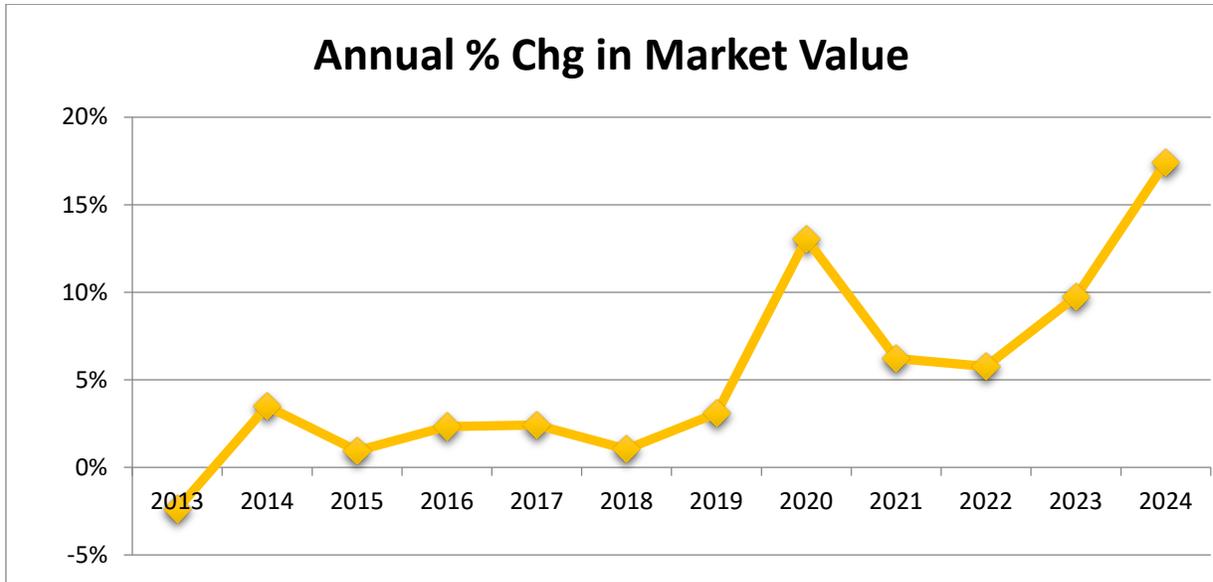


These market values leveled off from 2013 through 2019. It has increased 6.2% for 2021, 5.8% for 2022, 9.8% for 2023 and 17.4% for 2024. This community has not experienced the dramatic loss in value of real estate that has occurred in other parts of the country. We are unsure of the long-term effect the COVID-19 recession may have on these measurements.



By pairing the total assessed value with market value, you can also see the loss of potential tax revenue resulting from the failure to reassess property in Centre County. A reassessment can only result in a maximum 5% increase in the first year.

The following measure tracks the change in property values from year to year. Our property tax is calculated based on assessed value; therefore, we monitor the change in that value as well. Because over time the common level ratio has changed significantly, market value gives a better reading on the changes in property values. This could be an important factor if the Township were approaching the State imposed millage limit, but it is not.

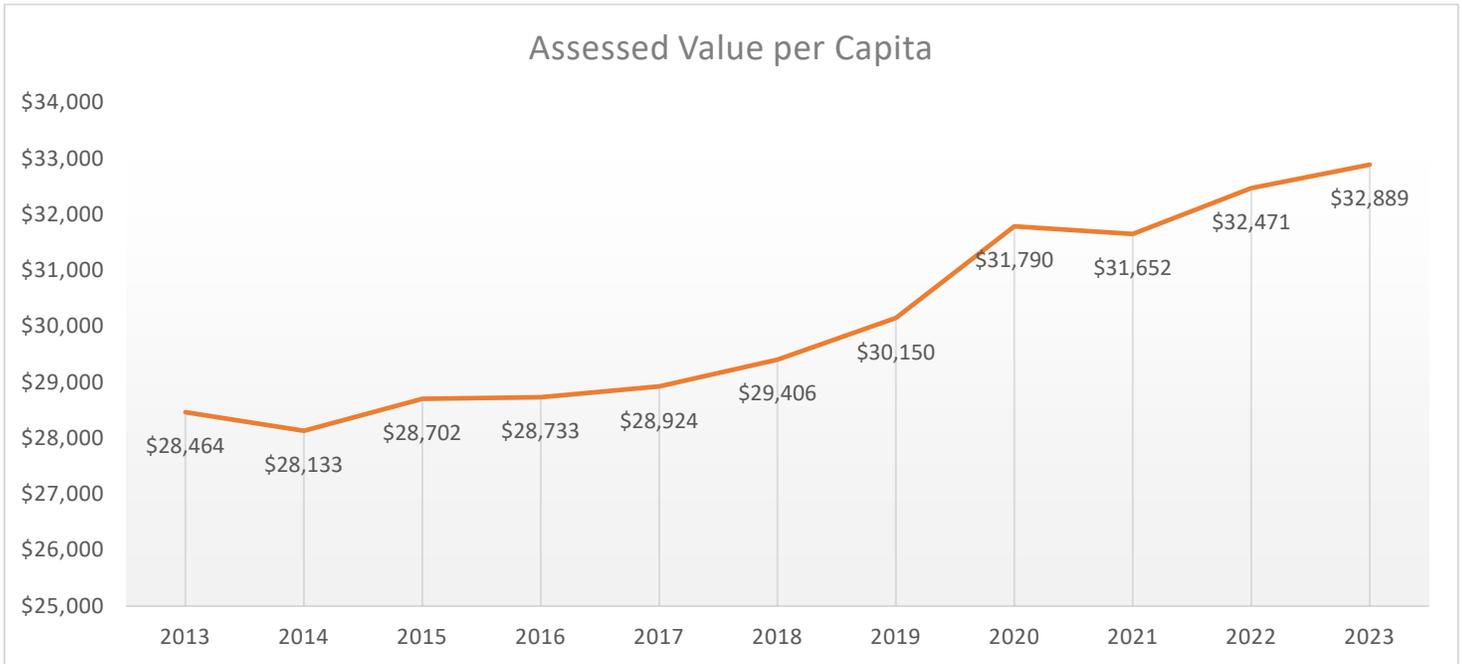


When a municipality experiences a downturn in its property values, the guidance provided is to look at the following factors:

- Are major parcels being removed from tax rolls because of tax exemptions?
- Is the municipality actively pursuing development?
- Are the local zoning and land development regulations conducive to current types of development?
- Is the condition of the local infrastructure inhibiting development?

Although none of the above has significantly impacted property values, there was a need to expand the Waddle Road Bridge to allow for development. The main reason for the decrease in property and assessed values was the stagnant economy. Values had appeared to be slowly creeping back up, however it is unlikely we will experience the same considerable increases we have seen in the past decade any time soon. The change in assessed values between 2017 and 2018 was minimal. The only major development occurring in this time period was the Stations at State College in Toftrees, which is shown in the increase in 2020.

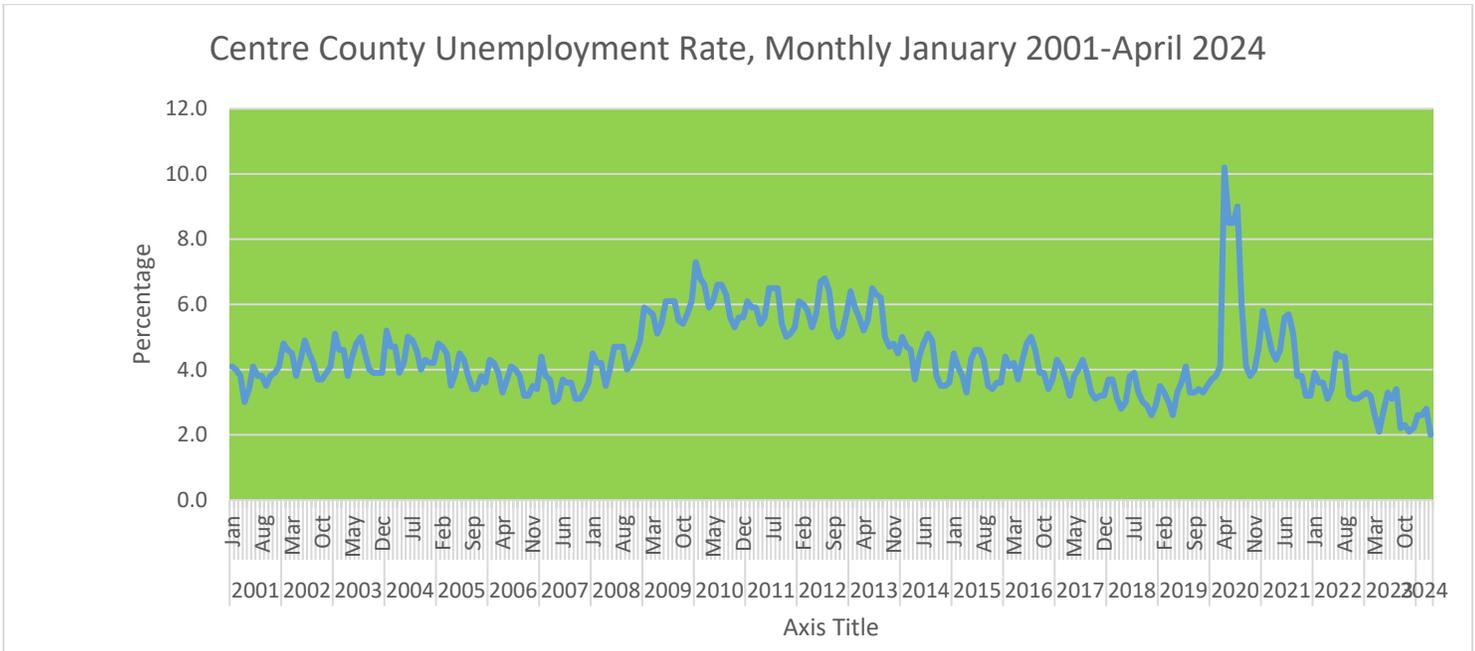
Assessed Value Per Capita



Because property tax is the major source of revenue to the Township, assessed value per capita is another measure of community health. This factor measures the ability of the community to meet its obligations. Since there has been a relatively steady increase over most of the last decade in this measure, it shows that Township has been able to meet the demands of the community with the assets (value of property in its tax base) it has available to it. The small decrease and leveling seems to have resolved itself after the 2008 economic downturn.

Community Jobs

The municipality’s financial health is completely dependent on the fiscal health of the community; therefore an examination of the employment base will provide information. With the transition away from local earned income tax collection in favor of the County-wide approach we no longer have access to certain data used previously to estimate the number of local jobs. In the past we have used the data from employer filed reports on Earned Income Tax withholding. We totaled the number of employees each employer reported. Since employers are no longer required to file reports with the local municipality, this data is not readily available. In future years, we will work with the County-wide tax collector to find a suitable replacement measurement.



In lieu of prior measurements, I have included a chart of Centre County unemployment rates from January 1, 2001 to April 1, 2024. The most recent data indicates an unemployment rate of 2.0% (May 1, 2023: 2.4%) which is below the national average at 3.9% for April 2024 (3.7% for 2023) as well as the lowest rate in Pennsylvania. Unemployment rates increased in 2020 due to the COVID-19 pandemic but are slowly decreasing in 2021, 2022, 2023 and 2024.

Summary of Measures

Each measure can be evaluated in the following manner.

- **Favorable** - sustained positive trend
- **Stable** - no noticeable change in measure over time.
- **Warning Trend** – the trend is becoming negative and close attention will be paid to these measures.

There are no significant, negative changes to measurements for 2024. The 2024 rating is immediately after the name of the measurement. If there was a change in the measurement from last year, the rating from last year is indicated in parenthesis.

Population

Population: Stable (2023 – Favorable)

Population has leveled off since the 2020 census. Age cohorts of less than 18 and greater than 65 are not significant and do not put a strain on services.

Revenues

Revenue Per Capita: Stable

In both nominal and constant dollars, revenue per capita has increased for four of the past five years.

Operating Revenue: Stable

This measure has continued to remain steady even without tax millage increases.

Tax Revenue: Stable

Upward trend over the decade although it remains stable without Transfer Tax.

Intergovernmental Revenue – Stable

This is not a significant revenue source, and the measure indicates that the Township is not overly dependent on these types of mostly one-time revenues. However, it has increased in four of the past five years due to grants received for projects.

Uncollected Property Tax – Favorable

The percentage of uncollected property tax has decreased over the decade and now remains at less than 1% which is negligible. This is also a positive measure of the community's financial health.

Revenue Shortfalls/Surplus - Stable

Over the decade, the Township has experienced mostly surpluses. Shortfalls are often attributable to deferral of State grant awards.

Expenditures

Expenditures Per Capita – Stable

This measure has been increasing over time and has come to the point of exceeding revenue per capita. For the three of the last five years, expenditures have exceeded revenues. This is due to an increase in the cost of services and should continue to be monitored.

Expenditures by Function/Department – Stable

For most departments/functions, the percentage of total expenditures has remained relatively consistent over time, with the exception of grants and debt proceeds.

Employees Per Capita – Stable

In a continuous effort to manage costs, any vacancy will be reviewed by the manager to see if there are ways to redistribute the workload rather than replace the position.

Benefits as a Percentage of Total Wages – Stable

This trend was upward, however due to efforts by management, we have seen a reversal in the upward trend going from a high of 56.7% to the current 51.1%. Providing an excellent benefit package continues to help recruit and retain good employees resulting in minimal turnover and retraining costs.

Unfunded Pension Liability – **Favorable** (2023 -Stable)

There is an unfunded liability that is 1.69% of the market value of plan assets.

Expenditures as a Percentage of Budget – **Favorable**

For the most part, expenditures have been less than budget, within 3%, and the Township has avoided cost overruns. The graph of revenue and expenditures shows that actual numbers are close to budget which means the estimation process used in the budget process is reasonable.

Operating Position

Fund Balance as a Percentage of Revenue/Expenditures – Stable (2023 – **Favorable**)

Although this measure will be closely watched to maintain the fund balance in the appropriate range of 8-12%, this measure is stable, and the use of the fund balance has been planned for and systematic.

Liquidity (Ratio of Cash to Current Liabilities) – Stable (2023 – **Favorable**)

This measure indicates that there are sufficient liquid assets to cover the Township's obligations without having to borrow funds on a short-term basis.

Operating Position (Expenditures divided by Revenues) – Stable

Although there has been an upward trend in prior years that would normally indicate caution, there has been a planned use of fund balance to fund expenditures rather than doing so by increasing taxes. This trend appears to have flattened or decreased with concerted efforts employed to balance the budget without use of the fund balance.

Debt Indicators

Current Liabilities as a Percentage of Operating Revenue – Favorable

The Township has no short-term debt.

Ratio of Long-Term Debt to Assessed Value – Favorable

Although the Township borrowed in 2017 for Open Space, Valley Vista Drive and Fox Hill Rd/Bernel Rd intersection, the ratio is still in the favorable range.

Debt Per Capita – Favorable

Declining since the increase in 2017 due to additional borrowing, with small uptick in 2021 due to PIB loan for Fox Hill Rd/Bernel Rd intersection. The amount is declining once again.

Debt Service as a Percentage of Revenue – Stable

Over time, debt service payments of principal and interest are taking up more resources. There may be additional concern if any additional COG financing is factored in.

Environmental Factors

Property Values (Market and Assessed Values) – Stable

Market value has increased steadily over time and the Centre Region has been sheltered from the real estate market downturn experienced in other parts of the country. Assessed value is stable with growth being constant but not as significant as with market values. This could be mostly attributable to the volatility of the common level ratio used to determine assessed values. In 2013 there has been a small dip but the market is picking up in 2015 through 2024.

Change in Market Value/Assessed Value – Stable

The assessed value has leveled off in the last few years, but both these indicators measure a percentage change in values from year to year and do not represent a cumulative decline. As was mentioned above, the effects of the decline in the economy in the Centre Region are not as bad as other places in the country.

Assessed Value Per Capita – Stable

This indicates the continued ability of the community to meet its obligations. With a strong fund balance, a curtailing in assessed value growth could put more pressure on the tax rate. The assessed value has increased for 2023.

Unemployment Rate for Centre County – Favorable

The rate for April 2024 is 2.0% down from 2.4% in May 2023.