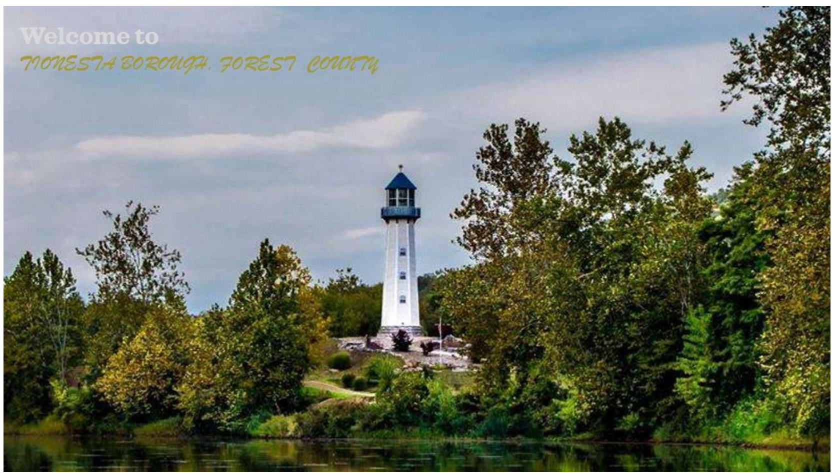
# Tionesta Borough, Forest County

Strategic Management Planning Program

Steps 1 & 2

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March 2026

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## Executive Summary

This report analyzes Tionesta Borough's financial performance from 2020 to 2024 and provides projections for 2025 through 2029 using 2024 revenue and expenditure data as a baseline.

During the 2020 - 2024 period, the Borough experienced a structural surplus of 5.6%. Operating revenues increased by an average of 7.7% annually, while expenditures increased by only 2.1%. However, the Borough experienced operating deficits in each of the five years reported, amounting to a cumulative operating deficit of $89,303 over the period.

The Borough's major revenue sources over the 2020 - 2024 period including the real estate tax, earned income tax, and charges for service,  experienced modest growth over the period. Public works, general government and insurance accounted for the largest shares of expenditures. General government and insurance expenditures increased over the five-year period while public works expenditures declined.

The Borough's three enterprise funds – sewer, water and garbage collection generally operated at surpluses over the 2020 – 2024 period and each ended the five-year period with a surplus. However, each experienced a structural deficit as expenditure growth exceeded revenue growth.

Looking ahead to 2025 – 2029, projections indicate that the Borough will experience increasing budgetary pressures and annual deficits without proactive fiscal management. Stabilizing revenue streams, controlling expenditures, and effectively manage the unreserved fund balance will be essential to ensuring long-term financial health.

## Key Findings

- Revenues increased by 7.7% annually over the 2020 – 2024 period
- Expenditures increased by 2.1% annually over the period
- The Borough experienced a structural surplus of 5.6% over five-year period but annual deficits in all five years resulted in a cumulative operating deficit of $89,303
- Five warning signs were identified in revenues including real estate tax, earned income tax, other tax revenues, liquid fuels fund and charges for service
- Two warning signs were identified in expenditures including general government and insurance
- Projections suggest that without any changes, annual deficits will deplete the unreserved fund balance by 2029
- Enterprise funds including sewer, water and garbage collection were generally operating at reasonable surpluses

## Background and Introduction

The Strategic Management Planning Program consists of five primary steps usually presented in two stages. The first presentation focuses on the government's financial wellbeing and includes Steps 1 and 2. The second presentation concerns management of the government's departments and includes guidance for implementing long-term plans and policies.

STEP 1: FINANCIAL CONDITION ASSESSMENT
This assessment is performed as a means to establish a realistic baseline of the Borough's historic and current financial condition.

STEP 2: FINANCIAL TREND ANALYSIS
Performed over a multi-year period, this analysis projects future revenue, expenditure, economic, and demographic trends so that the Borough can understand its future financial position and take immediate steps to counteract any negative trends.

STEP 3: MANAGEMENT AUDIT/REVIEW
With the assistance of the Borough, the team will conduct a management audit and review of the operations of relevant departments in the Borough. The audit will include narrative summaries of each department comprised of budget and personnel information, as well as other relevant data. This data will be supported by interviews with each department in order to facilitate the most comprehensive view of the Borough's most critical operational needs.

STEP 4: MULTI-YEAR PLAN ADOPTION
The plan, at its foundation, will identify the Borough's top financial management priorities. Additional prioritization will be conducted at the departmental level, and interdepartmental objectives that are Borough-wide or county-wide in nature will be detailed in the plan. Each objective will contain a detailed action plan that describes: i)

what is to be achieved; ii) the budgetary impact; iii) the timing and deadlines for each action step; and iv) which employee or agency has the primary responsibility for the objective.

STEP 5: FIVE-YEAR PLAN IMPLEMENTATION

The process surrounding the creation of a multi-year plan is an ongoing process and an initially adopted plan will be evaluated, adjusted, and adopted anew each year. A master implementation schedule will be included in the plan that specifies key deadlines for each objective set forth. This schedule will serve as a report card for determining whether individual departments or employees are achieving their objectives, thus providing a means by which the Borough can measure its overall progress in implementing the plan.

## Defining Financial Condition

Financial condition has many meanings and depends on the timeframe in which it is viewed. The International City/County Management Association (ICMA) utilizes the following definitions and timeframes when examining a local government's financial condition:

*Cash Solvency*: A government's ability to generate cash flow over a 60-day period to pay its bills.

*Budgetary Solvency*: A government's ability to generate revenues over its normal fiscal year to meet its expenditures and avoid deficits.

*Long-Run Solvency*: A government's ability, in the long-term, to pay all costs of doing business, as well as meeting all costs such as pension costs and accumulated accrued employee leave benefits, as they occur.

*Service Level Solvency*: A government's ability to provide services at a certain level and quality that are required for the health, safety, and welfare of the community.

Tionesta Borough – STMPP Steps 1-5

Financial condition is broadly defined as the ability to provide and finance services on a continuing basis. A local government that is sound financially can:

- Maintain its level of basic services and address the needs of its capital facilities and infrastructure in a way that keeps the facilities in a usable and functional condition.
- Withstand short-term local, regional, or even national economic disruption.
- Meet the demands of growth and decline.

This report presents the findings of Steps 1 and 2 of the STMPP process. This overall effort is intended to assist public officials and citizens to better appreciate the challenges they face in achieving fiscal solvency and assist the Borough in providing a high quality of service.

In conducting this evaluation, we have utilized a number of the ICMA identified indicators, as well as additional customized indicators that the team utilized to evaluate financial condition. In addition to typical financial data, we have also reviewed economic and demographic data and organizational factors to better comprehend and trend what is occurring within the Borough.

For purposes of this effort, we have established 2020 as our base year and have utilized five years of data to establish trends.

Steps 1 and 2 of the report are broken down into the following sections:

- Executive Summary
- Background & Introduction
- Demographic Patterns
- Municipal Revenue and Expenditures
- Core Summary
- Core Revenue Review
- Core Expenditure Review
- Unreserved Fund Balance Review
- Core Financial Projections
- Emergency Recommendations

## Demographic Patterns

Population trends and characteristics, along with the nature of a municipality's housing stock, play a critical role in shaping its ability to generate revenue and determining the level and type of municipal services required. Changes in population, demographic characteristics, and housing conditions can significantly influence both the financial health of a community and the demand for public infrastructure, programs, and services.

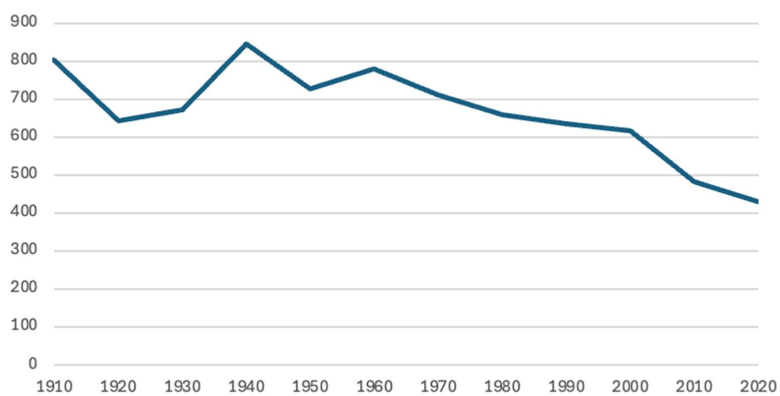
The demographic information organized below provides a snapshot of the community for the elected officials and employees. Where available, official decennial census data was used. For household income, poverty rates, and population over 65 the 2024 American Community Survey data were utilized.

Tionesta Borough's population has experienced declines since 1940. Its population of residents over 65 was significantly higher than both Forest County and the State of Pennsylvania. The Borough had a higher proportion of renter occupied housing units than the County but lower than the Pennsylvania average. The Borough's median household income is 30% lower than Pennsylvania as a whole, but comparable to the County. Finally Tionesta Borough has  a higher poverty rate than the County and Pennsylvania and its housing vacancy rate is higher than Pennsylvania but lower than the County.

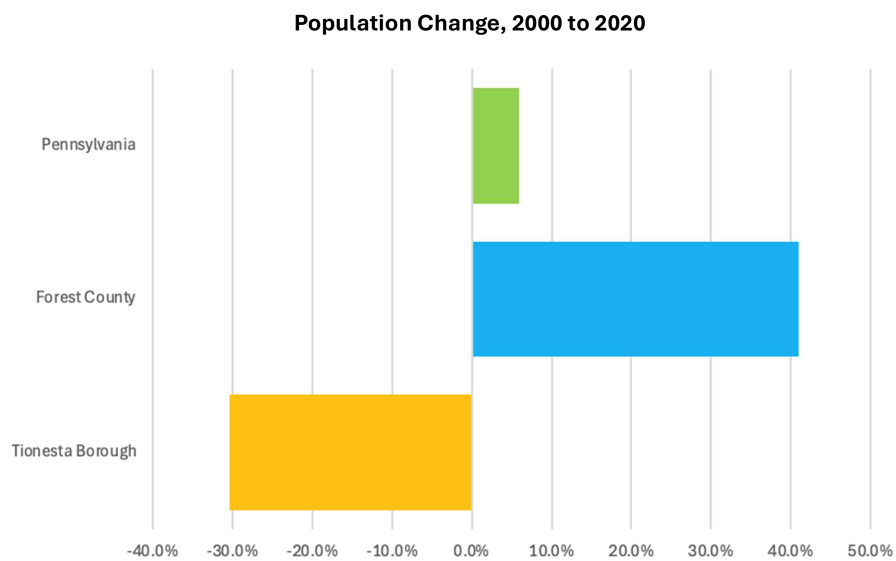
## Population Change

Tionesta's population peaked at 845 in 1940. From 2000 to 2020, the Borough's population declined 30.4% from 615 to 428. Both Forest County and Pennsylvania gained population during this 20-year span by 41% and 5.9% respectively. The population growth in the County, however, was driven by the opening of the State Correctional Institute in Marienville in 2004. A lower population affects the revenue generating capacity of a municipality.

**Tionesta Borough Historic Population**

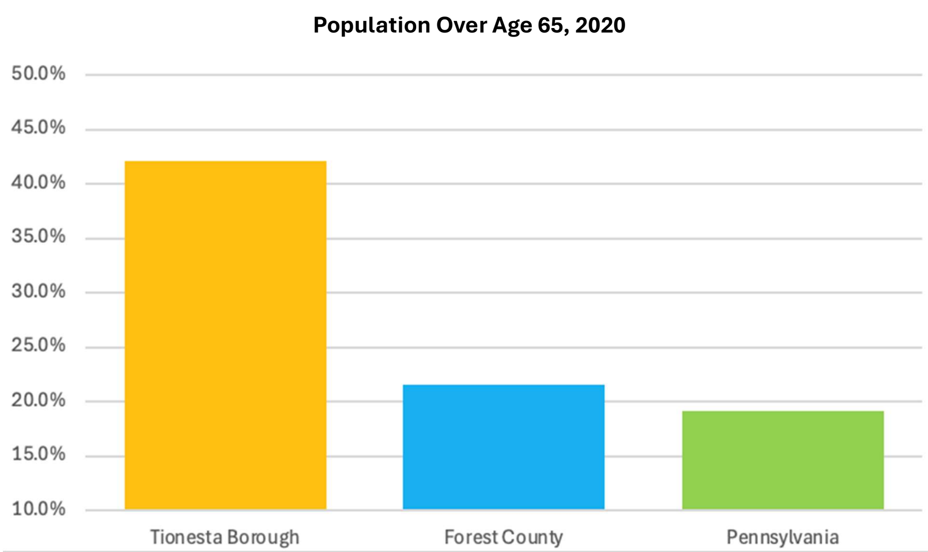



The chart below shows the percentage change in population for Tionesta Borough, Forest County, and Pennsylvania from 2000 to 2020. A declining population affects the revenue generating capacity of a municipality.


Population Change, 2000 to 2020
Pennsylvania
Forest County
Tionesta Borough
-40.0%
-30.0%
-20.0%
-10.0%
0.0%
10.0%
20.0%
30.0%
40.0%
50.0%

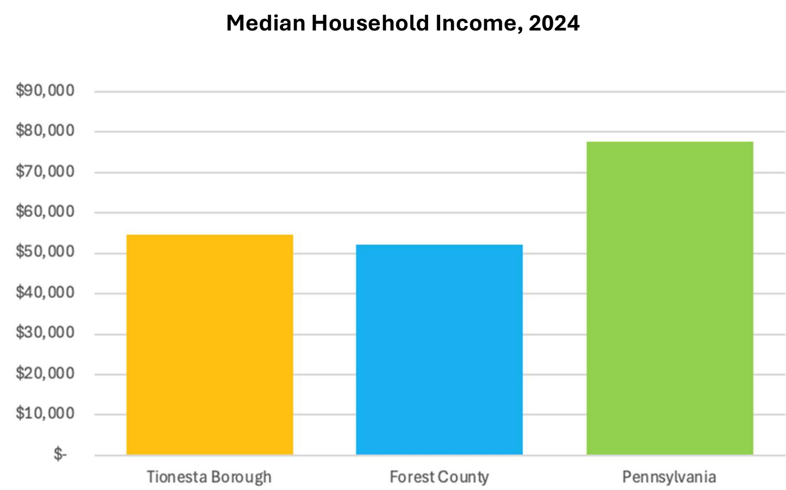
## Population Over Age 65

In 2020, 42.1% of the Borough's residents were age 65 or older—nearly twice the share in Forest County (21.6%) and Pennsylvania (19.1%). A municipality's population age distribution can affect its revenue generating capacity through various local taxes and should be considered when tax changes are under consideration. Communities with a larger share of residents aged 65 and older often experience greater fixed-income pressures relative to younger demographic groups.



## Median Household Income

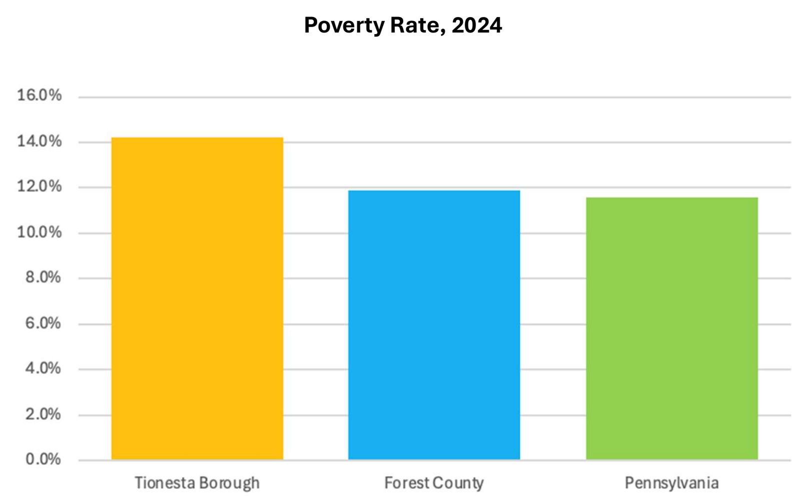
Tionesta Borough's median household income was $54,531 in 2024. This was slightly higher than the County at $52,191 but 42.2% lower than Pennsylvania's at $77,545. A lower median household income impacts the Borough's revenue generating capacity and therefore its ability to provide essential services.



## Poverty Rate

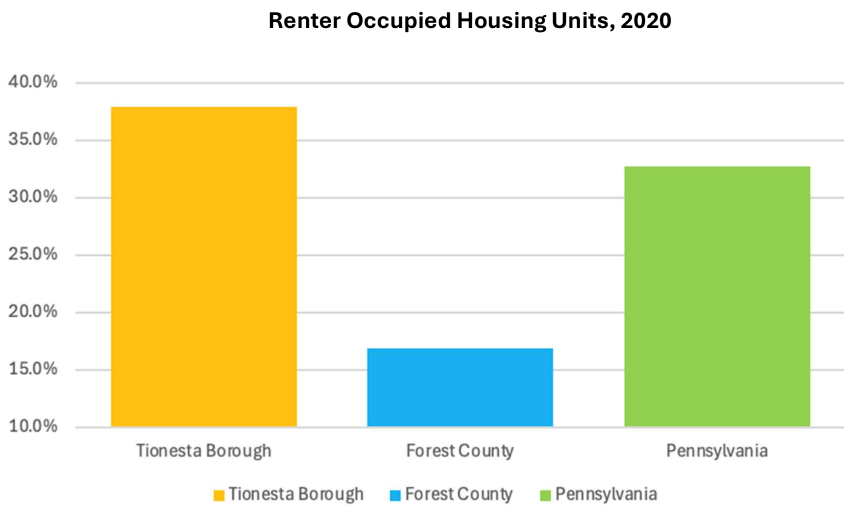
The rate of poverty in a municipality affects its ability to generate revenue and provide essential services. The figure below shows that Tionesta Borough's poverty rate of 14.2% was higher than the County's rate at 11.9% and Pennsylvania's rate at 11.6%. Tionesta's higher rate of poverty despite having higher median household income, suggests a greater degree of income disparity within the Borough and represents an ongoing challenge to municipal revenue generation.

**Commented [GD1]:** Median income is only slightly higher than county … do we need to make this claim?



## Renter Occupied Housing Units

Of the 224 occupied housing units in Tionesta, 28.9% were renter occupied. This is significantly higher than the County rate of 16.9% but lower than the State rate of 32.7%. A higher percentage of renter occupied housing units can lead to increased service demands on the municipality.



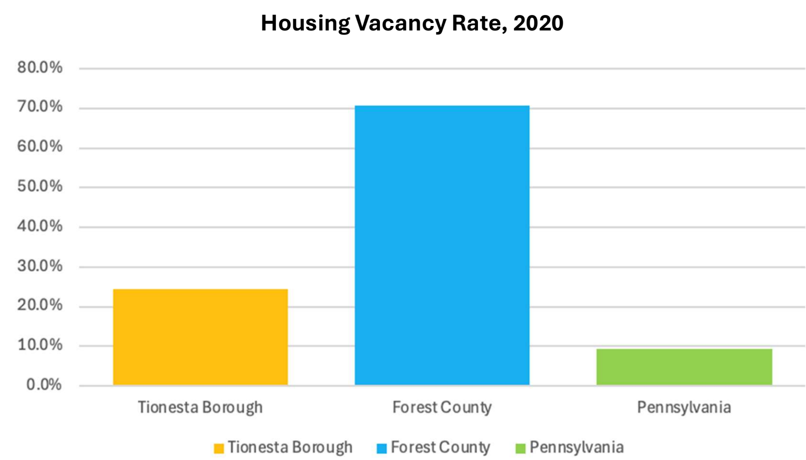
## Housing Vacancy Rate

In 2020, Tionesta Borough had a housing vacancy rate of 24.3%, significantly lower than the County's rate of 70.7% but significantly higher than Pennsylvania's vacancy rate of 9.3%. A high vacancy rate has a negative impact on a municipality's ability to generate revenue through lower assessments and therefore lower real estate tax revenue.

**Commented [OD2]:** @Hickey, Matthew Christopher This is crazy but true!

**Commented [GD2R2]:** @OConnor, Dana Is this due to second homes?

**Commented [OD2R3]:** @Dougherty, George William Yes



# Municipal Revenues and Expenditures

Municipalities in Pennsylvania fund services, operations, and facilities primarily through various taxes and fees and funds from the State and federal government. Municipalities expend their revenues on a spectrum of services and goods intended to benefit their residents. This includes public safety, public works, recreation, garbage collection, libraries, administration, and other items.

The major municipal revenues and expenditures relevant to the financial assessment of Tionesta Borough are identified and described below.

## Revenues

### Local Taxes

Local governments in Pennsylvania can levy various taxes including property, income, business & occupation taxes as well as a local services and per capita 'head' tax. Locally levied taxes constitute the primary source of income for most municipalities in the state.

**Real Estate Tax**

The real estate, or property tax, is a primary source of revenue for most municipalities. It is based on a millage rate set by the local governing body and applied to the assessed value of all taxable (non-exempt) properties within the municipality. During the study period (2020 – 2024), the Borough increased its millage rate from 12 mills in 2020 to 12.5 mills in 2021 and 13.5 mills in 2024. In 2024 the Borough's total property assessment was $4,854,750.

**Earned Income Tax (EIT)**

In Pennsylvania, the local earned income tax is levied on individuals who are employed within a municipality and is limited to 1% annual earnings. Tionesta levies a .5% tax on residents and a 1% tax on non-residents. The school district levies the other .5%.

**Realty Transfer Tax**

The realty transfer tax, also known as the real estate transfer tax, is levied on the sale of property in a municipality and is limited to 1% under the Local Tax Enabling Act. Tionesta Borough levies a .5% tax on the value of property at transfer. The school district levies the other .5%

**Local Services Tax**

The local services tax (LST) is a flat tax levied on individuals employed in a municipality of up to $52/year. Tionesta levies an LST of $47. The school district collects the other $5.

**Per Capita Tax**

A per capita tax is a flat-rate local tax levied annually on each adult resident within a taxing jurisdiction. It is limited to $10 per person over the age of 18. Tionesta Borough levies a per capita tax of $9.80.

**Mechanical Device Tax**

In Pennsylvania, municipalities have the authority to impose taxes on mechanical amusement devices, including skill-based gaming machines, pinball machines, and jukeboxes. There is no state-mandated limit on the amount of the tax. Tionesta Borough did not levy this tax during the report period.

## Intergovernmental Revenues

Municipalities receive funds from federal, state, county, and other local government entities. Federal sources include grants and funds allocated for specific uses and projects and vary for municipalities from year to year.

For many smaller municipalities, the primary sources of funds received from the state are the Liquid Fuels Fund and the Turnback Fund, used primarily for public works projects. Each is described below.

**Liquid Fuels Fund**

Pennsylvania collects a sales tax on the sale of all liquid fuels in the state. A portion of the tax collected is allocated to municipalities.

The amount of a municipality's allocation is based on its population and miles of roads on PennDOT's approved inventory. Program funds can be used to support construction, maintenance, and repair of public roads and streets. For many smaller municipalities, this allocation can make up a large portion of its annual revenues. For some municipalities, it accounts for more than 25% of total revenues.

The state's collection of the tax that supports this has been declining in recent years as the number of electric and hybrid vehicles increases. In the 10-year period between 2013 and 2023, the total allocation of these funds increased by 5.6%, but accounting for inflation decreased by nearly 20%.

**Turnback Program**

The PennDOT Highway Transfer Program provides an annual payment from PennDOT to a municipality for the maintenance of roads that have been turned over from the State to the municipality. The current rate is $4,000 per mile.

**Other Intergovernmental Revenue Sources**

The Borough also receive state assistance through the Foreign Fire Insurance Tax Distribution to offset the cost of municipal fire protection. This fund is supported by a state tax on insurance premiums sold by foreign (out-of-state) insurance companies in PA. The Borough receives funds from the State Marcellus Shale Impact Fee, which allocates funds to municipalities affected by 'unconventional' natural gas development by population and highway miles. These funds can be used for various purposes including public infrastructure, emergency preparedness, environmental protection, social services, and tax reduction. Finally, the Borough receives an allocation under the State Public Utility Realty Tax (PURTA) which is a tax on entities providing utility services.

### Charges for Services

This category includes the revenue earned from charges for the provision of services including water, sewer, gas, and electric services as well as solid waste, collection, parking revenues and government services including permits, public safety, culture, and recreation services as well as others. It may also include revenues earned from airports and inspection fees.

## Expenditures

Municipalities expend their revenues on a spectrum of services and goods intended to benefit their residents. This includes public safety, public works, recreation, garbage collection, libraries, administrative costs, debt service, and other items.

### General Government

Expenditures in this category provide salaries for administrative employees and public officials, services like tax collection, legal advice, and accounting, as well as expenses associated with the maintenance and operation of the municipal building.

### Public Safety

All municipalities in Pennsylvania are required to provide public safety services for their residents. This includes police and fire protection, emergency rescue and ambulance, code enforcement, and planning. The major expenditure category within public safety for many municipalities is for police.

Many municipalities in the State maintain their own police departments, however some contract with other municipalities or participate in shared police service. More than half of municipalities rely on police protection provided by the state police. In municipalities with a dedicated police department, it is often the largest municipal expenditure. Tionesta Borough does not maintain its own police force and is provided with this service by the Pennsylvania State Police. The Borough also contracts annually with the Forest County Sheriff's department to provide additional law and ordinance enforcement services.

Municipalities in Pennsylvania must ensure fire protection is provided to their residents. Like police, many larger municipalities employ their own fire department, but 64% of all municipalities rely on one or more volunteer fire companies to provide this service. The Tionesta Volunteer Fire Department provides fire service to the Borough who in turn supports the organization with an annual contribution and pays for the Departments's insurance.

## Public Works

Public Works includes expenditures for streets, bridges and highways, airports, electric, garbage collection, gas, water, and transit expenditures as well as municipal public works employee salaries.

## Culture & Recreation

Culture and recreation include expenditures for parks, libraries, senior centers as well as events.

## Debt Service

Municipalities borrow money for various purposes including equipment purchases, capital improvement projects, and major repairs. Long-term debt cannot be issued or used for operating expenses. During the 2020 – 2024 period, the Borough paid debt service on two USDA loans. A $44,000 loan was issued in 2020 and retired in 2025. A second loan for $18,000 was issued in 2023 with a 2028 maturity.

### Employer Paid Benefits

Employer paid benefits include FICA, Medicare, Unemployment and Workers Compensation insurance, health and dental insurance, payment of judgements and losses, and contributions to the municipal pension fund.

### Insurance

Insurance expenditures include liability, automobile, fidelity and surety bonds as well as property and casualty. Tionesta's financial statements include only employee health insurance in this category.

## Unreserved Fund Balance

Municipalities maintain a fund balance or reserve fund to provide financial protection for unanticipated expenditures and revenue shortfalls. The fund balance results from accumulating operating balances.

The amount of funds maintained is dependent upon the specific characteristics of the municipality, but the amount should be sufficient to offer the security necessary without holding an excessive amount.

## Core Summary

The Core financial analysis provides a comprehensive review of Tionesta Borough's financial position over the 2020 to 2024 period, emphasizing structural trends in revenues and expenditures rather than year-to-year fluctuations. To accurately assess the Borough's underlying fiscal health, one-time revenues, including Dirt and Gravel, water and USDA grants, American Rescue Plan Act (ARPA) funds and PNC donations were removed. Expenditures of these funds were removed from public works and culture and recreation projects as they are considered non-recurring expenditures.

In evaluating Tionesta Borough's financial trends, standard indicators from ICMA and GFOA were used. These indicators are commonly applied to identify early warning signs in municipal finances. For consistency, the 2020 Census population of 428 residents was held constant across all five years.

Revenues increased by an average of 7.7% annually between 2020 and 2024. The Borough's largest sources of revenue were real estate and earned income taxes which together accounted for one-third of the Borough's operating revenue in 2024. Both sources grew only modestly over the period.

Total expenditures increased by an average of 2.1% annually between 2020 and 2024, reflecting controlled overall spending growth. However, expenditures in the Borough's largest category, general government increased at an annual rate of 5.5%. Total public works spending declined by a total of 30.3% or 7.6% annually over the five-year period.

Despite revenue growth and managed expenditure increases, the Borough experienced recurring operating deficits each year from 2020 through 2024 with a cumulative deficit of $89,303.

Overall, the Borough's financial condition reflects modest top-line growth, but ongoing structural pressure is driven by limited tax base expansion and rising fixed costs. Long-term fiscal sustainability will depend on strengthening core recurring revenues, and controlling insurance and administrative cost growth.

| Revenues | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Unaudited | Change 5 years | Annual % Change |
|---|---|---|---|---|---|---|---|
| Real Estate Tax | $ 59,846 | $ 61,538 | $ 64,103 | $ 60,959 | $ 61,987 | $ 2,141 | 0.9% |
| Earned Income Tax | $ 30,740 | $ 32,547 | $ 33,287 | $ 33,393 | $ 31,127 | $ 387 | 0.3% |
| Other Tax Revenue | $ 21,569 | $ 24,467 | $ 18,440 | $ 14,865 | $ 21,118 | $ (451) | -0.5% |
| Licenses & Permits | $ 6,294 | $ 4,452 | $ 7,222 | $ 6,196 | $ 6,422 | $ 128 | 0.5% |
| Fines & Forfeits | $ 1,323 | $ 1,704 | $ 761 | $ 1,178 | $ 1,022 | $ (301) | -5.7% |
| Interest & Rents | $ 16,135 | $ 14,780 | $ 15,472 | $ 31,613 | $ 30,986 | $ 14,851 | 23.0% |
| Liquid Fuels Fund & Turnback | $ 23,230 | $ 21,304 | $ 20,281 | $ 21,184 | $ 20,207 | $ (3,023) | -3.3% |
| Intergovernmental | $ 14,892 | $ 42,262 | $ 28,093 | $ 13,622 | $ 65,721 | $ 50,829 | 85.3% |
| Charges for Service | $ 28,708 | $ 26,504 | $ 28,421 | $ 32,820 | $ 31,973 | $ 3,265 | 2.8% |
| Unclassified Operating | $ 650 | $ 1,525 | $ 2,312 | $ 42,183 | $ 6,775 | $ 6,125 | 235.6% |
| Other Financing Sources | $ 10,482 | $ 5,343 | $ 3,122 | $ 204 | $ 2,703 | $ (7,779) | -18.6% |
| Total | $ 213,869 | $ 236,426 | $ 221,514 | $ 258,217 | $ 280,041 | $ 66,172 | 7.7% |

| Expenditures | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Unaudited | Change 5 years | Annual % Change |
|---|---|---|---|---|---|---|---|
| General Government | $ 83,019 | $ 90,351 | $ 85,911 | $ 88,989 | $ 101,427 | $ 18,408 | 5.5% |
| Police | $ 9,932 | $ 9,959 | $ 9,946 | $ 9,922 | $ 8,512 | $ (1,420) | -3.6% |
| Fire | $ 20,792 | $ 14,034 | $ 13,684 | $ 14,612 | $ 14,523 | $ (6,269) | -7.5% |
| Planning and Zoning | $ 106 | $ 70 | $ 95 | $ 70 | $ 70 | $ (36) | -8.5% |
| Public Works - Highways and Streets | $ 73,977 | $ 43,448 | $ 28,356 | $ 46,061 | $ 62,628 | $ (11,349) | -3.8% |
| Public Works - Other | $ 27,942 | $ 4,474 | $ 46,701 | $ 24,525 | $ 8,457 | $ (19,485) | -17.4% |
| Culture & Recreation | $ 14,673 | $ 32,641 | $ 330 | $ 8,130 | $ 35,576 | $ 20,903 | 35.6% |
| Community Development | | $ 12,000 | | | | | |
| Debt Service | $ 5,453 | $ 9,348 | $ 10,127 | $ 26,747 | $ 10,120 | $ 4,667 | 21.4% |
| Employer Paid Benefits | $ 8,131 | $ 17,129 | $ 14,107 | $ 9,677 | $ 8,188 | $ 57 | 0.2% |
| Insurance | $ 18,467 | $ 18,288 | $ 26,409 | $ 31,074 | $ 34,662 | $ 16,195 | 21.9% |
| Unclassified Operating | $ 614 | $ 892 | $ 241 | $ 3,124 | $ 629 | $ 15 | 0.6% |
| Total | $ 263,106 | $ 252,634 | $ 235,907 | $ 262,931 | $ 284,792 | $ 21,686 | 2.1% |

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Surplus/(Deficit) | $ (49,237) | $ (16,208) | $ (14,393) | $ (4,714) | $ (4,751) |
| Cumulative Surplus/(Deficit) | | $ (65,445) | $ (79,838) | $ (84,552) | $ (89,303) |

***One time Revenues and Expenditures Removed from Core***

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Intergovernmental-Other | $ 90,670 | $ 164,818 | $ 163,866 | $ 50,000 | |
| Contributions & Donations (PNC Donations) | | $ 30,000 | | $ 30,000 | |
| Proceeds of General Fixed Asset Distribution | | | | $ 24,100 | |
| Interfund Operating Transfers | $ 80,100 | $ 29,250 | $ 21,471 | $ 12,533 | $ 250 |
| Proceeds of General Long-Term Debt | $ 44,000 | | | | |

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Public Works - Highways and Streets | $ 116,931 | | $ 108,237 | $ 91,107 | |
| Public Works Other | $ 21,670 | $ 135,127 | | $ 5,000 | |
| Culture & Recreation (PNC Donations) | | | $ 30,000 | | $ 27,175 |
| Refund of Prior Year Expenditures | | $ 1,000 | $ 810 | $ 9,045 | |
| Interfund Operating Transfers | $ 42,780 | $ 12,007 | $ 40,729 | $ 2,242 | $ 1,732 |
| All Other Financing Uses | | | $ 16,156 | | $ - |

# Core Revenue Review

Local governments must generate sufficient revenues to fund essential services, manage unexpected expenditures, and respond to economic and demographic pressures. Establishing a stable and sustainable revenue base is critical to maintaining fiscal health and ensuring consistent service delivery.

The table below provides an overview of Tionesta Borough's primary revenue sources from 2020 through 2024. Over the five-year period, total revenues increased by 30.9%, representing an average annual growth rate of approximately 7.7%. Real estate tax revenues grew modestly at 0.9% annually, while earned income tax revenues increased only 0.3% per year, indicating limited expansion within the Borough's core tax base. Other tax revenues declined slightly at an average annual rate of 0.5%, further reflecting constrained local revenue growth.

Revenue growth during the period was largely driven by significant increases in intergovernmental revenues, supported by the ongoing Proper Grants, as well as increased revenues in charges for service and interest and rents. Revenue in the Liquid Fuels Fund declined at an annual average rate of 3.3% over the 2020 – 2024 period.

| Revenues | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | Change 5 years | Annual % Change |
|---|---|---|---|---|---|---|---|
| Real Estate Tax | $ 59,846 | $ 61,538 | $ 64,103 | $ 60,959 | $ 61,987 | $ 2,141 | 0.9% |
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| Other Financing Sources | $ 10,482 | $ 5,343 | $ 3,122 | $ 204 | $ 2,703 | $ (7,779) | -18.6% |
| Total | $ 213,869 | $ 236,426 | $ 221,514 | $ 258,217 | $ 280,041 | $ 66,172 | 7.7% |

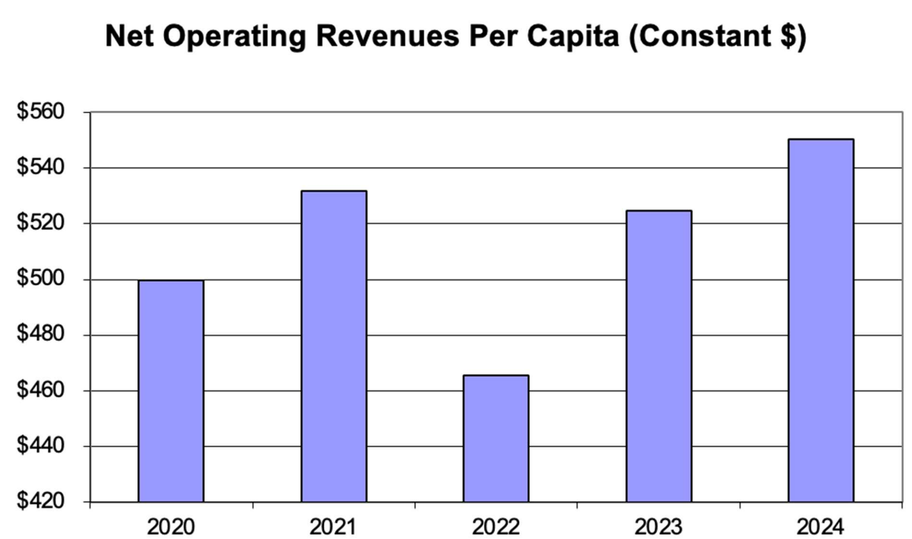
## Revenue Per Capita

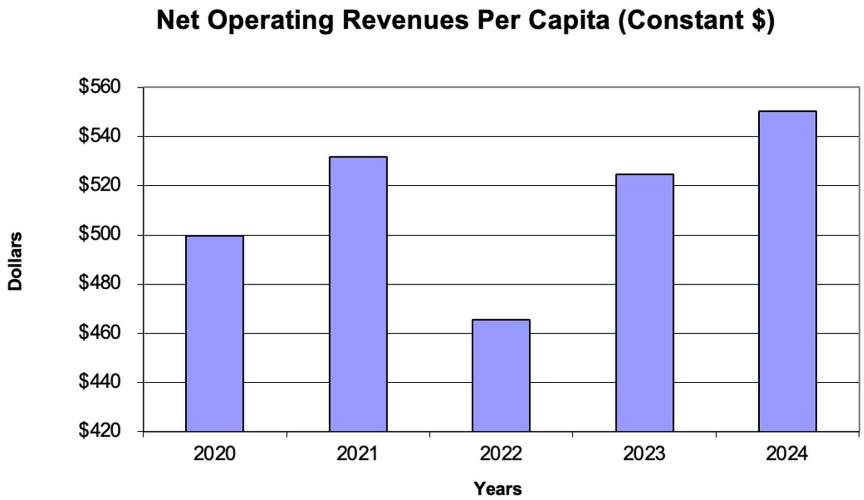
The table below presents the net operating revenues per capita, adjusted for inflation, over the 2020 – 2024 period. Nominal core operating revenues grew by 30.9% over the period. When adjusted for inflation however, the increase was 10.0%. Because per capita revenue measures the municipality's true service capacity, sustained or recurring real declines would represent a fiscal warning sign, potentially limiting the government's ability to maintain service levels without raising taxes or cutting expenditures. No warning sign is warranted.

**Revenues Per Capita = Core Operating Revenues / Population**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Core Operating Revenues | $ 213,869 | $ 236,426 | $ 221,514 | $ 258,217 | $ 280,041 |
| Consumer Price Index (CPI) | 100.00 | 103.90 | 111.14 | 114.98 | 118.87 |
| CPI in decimal | 1.00 | 1.04 | 1.11 | 1.15 | 1.19 |
| | | | | | |
| Core Operating Revenues (Constant $) | $ 213,869 | $ 227,547 | $ 199,304 | $ 224,578 | $ 235,592 |
| Population | 428 | 428 | 428 | 428 | 428 |
| | | | | | |
| **Net Operating Revenues Per Capita (Constant $)** | **$ 500** | **$ 532** | **$ 466** | **$ 525** | **$ 550** |

***Warning Sign:*** *Decreasing Net Operating Revenues Per Capita (Constant $)*




Net Operating Revenues Per Capita (Constant $)
Dollars
$560
$540
$520
$500
$480
$460
$440
$420
2020
2021
2022
2023
2024
Years

## Real Estate Tax Revenue

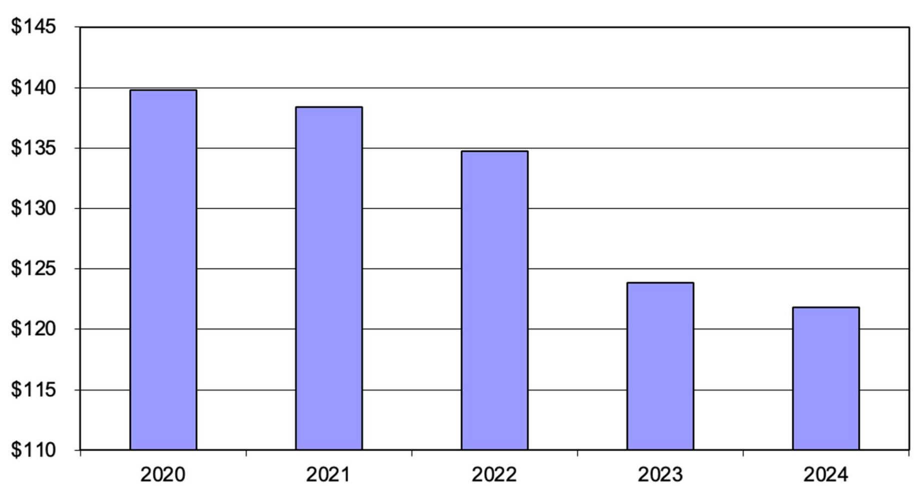
Although nominal real estate tax revenues fluctuated modestly over the five-year period, inflation-adjusted figures reveal a consistent decline in real purchasing power. Constant-dollar revenues from real estate taxes declined by 12.9% from 2020 – 2024. Sustained real declines represent a structural fiscal warning sign that may limit the municipality's long-term ability to fund core services and capital needs.

**Real Estate Tax Revenues = Property Tax Revenues/Constant Dollars**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Real EstateTax Revenues | $ 59,846 | $ 61,538 | $ 64,103 | $ 60,959 | $ 61,987 |
| Consumer Price Index (CPI) | 100.00 | 103.90 | 111.14 | 114.98 | 118.87 |
| CPI in decimal | 1.00 | 1.04 | 1.11 | 1.15 | 1.19 |
| | | | | | |
| Real Estate Tax Revenues (Constant $) | $ 59,846 | $ 59,227 | $ 57,676 | $ 53,018 | $ 52,148 |
| Population | 428 | 428 | 428 | 428 | 428 |
| | | | | | |
| **Real Estate Tax Per Capita (Constant $)** | **$ 140** | **$ 138** | **$ 135** | **$ 124** | **$ 122** |

***Warning Sign:*** *Decreasing Real Estate Tax Revenues (Constant $)*

**Real Estate Tax Per Capita (Constant $)**



## Real Estate Tax Comparison

Real estate tax yields represent the total revenue generated from property taxes. When these revenues decline or fall short of supporting current service levels, municipal officials may need to adjust millage rates to meet expenses. This results in higher property taxes for property owners, a sometimes necessary but politically challenging decision.

The capacity to raise real estate taxes is influenced, in part, by the rates set by neighboring municipalities. While lower millage rates are generally more appealing to residents, municipalities must strike a balance between maintaining competitive tax rates and addressing their financial obligations. Additionally, they must ensure adequate funding for essential services and infrastructure to preserve fiscal stability.

The table below compares real estate tax revenues, millage rates, and per capita tax revenues across several, similarly sized municipalities in the region. This data shows that Tionesta Borough is above the average of the eight municipalities but more than 30% lower than the highest per capita rate. An increase in the real estate tax rate may be a useful tool to increase income to help offset the Borough's operating deficits.

| Municipality | County | Millage Rate 2023 | RE Tax Rev | Decennial Population | Per Capita |
|---|---|---|---|---|---|
| Rouseville Borough | Venango | 8.4 | $ 84,411 | 457 | $ 185 |
| President Twp. | Venango | 1.825 | $ 77,076 | 448 | $ 172 |
| Pleasantville Borough | Venango | 6 | $ 133,218 | 846 | $ 157 |
| Tionesta Borough | Forest | 12.5 | $ 60,959 | 428 | $ 142 |
| Hickory Twp. | Forest | 4.5 | $ 36,223 | 558 | $ 65 |
| Hydetown Borough | Crawford | 5.5 | $ 31,300 | 529 | $ 59 |
| Shippenville Borough | Clarion | 6.326 | $ 20,606 | 442 | $ 47 |
| Tionesta Twp. | Forest | 1.125 | $ 13,865 | 668 | $ 21 |
| | | | | Higher | 3 |
| | | | | Lower | 4 |
| | | | | **Average** | **$ 106** |

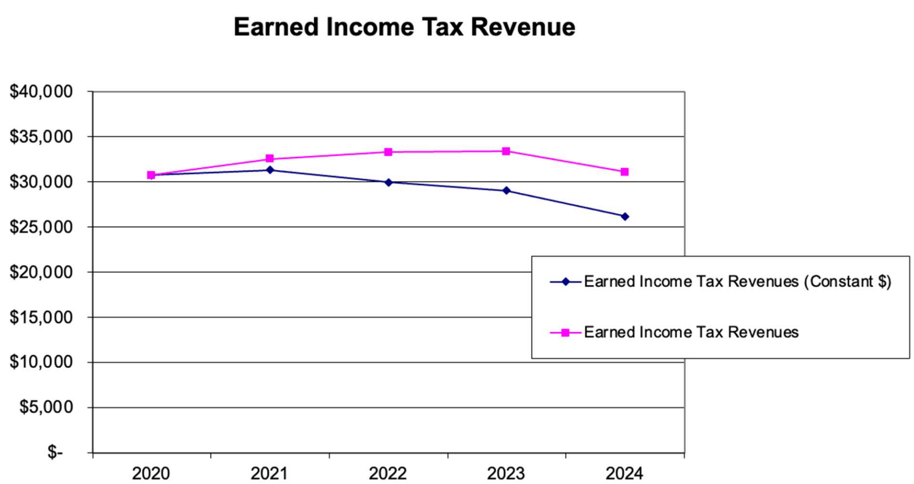
## Earned Income Tax

The table below presents the Borough's earned income tax revenue, adjusted for inflation over the 2020 – 2024 period. EIT revenue increased by 1.3% over the period. However, when adjusted for inflation, it decreased by 14.8%. This represents a warning sign for the Borough.

**Earned Income Tax Revenues (Constant $) = Earned Income Tax Revenues / CPI Decimal**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Earned Income Tax Revenues | $ 30,740 | $ 32,547 | $ 33,287 | $ 33,393 | $ 31,127 |
| CPI | 100.00 | 103.90 | 111.14 | 114.98 | 118.87 |
| CPI Decimal | 1.00 | 1.04 | 1.11 | 1.15 | 1.19 |
| | | | | | |
| **Earned Income Tax Revenues (Constant $)** | **$ 30,740** | **$ 31,325** | **$ 29,950** | **$ 29,043** | **$ 26,186** |

***Warning Sign:*** *Decreasing Earned Income Tax (Constant $)*



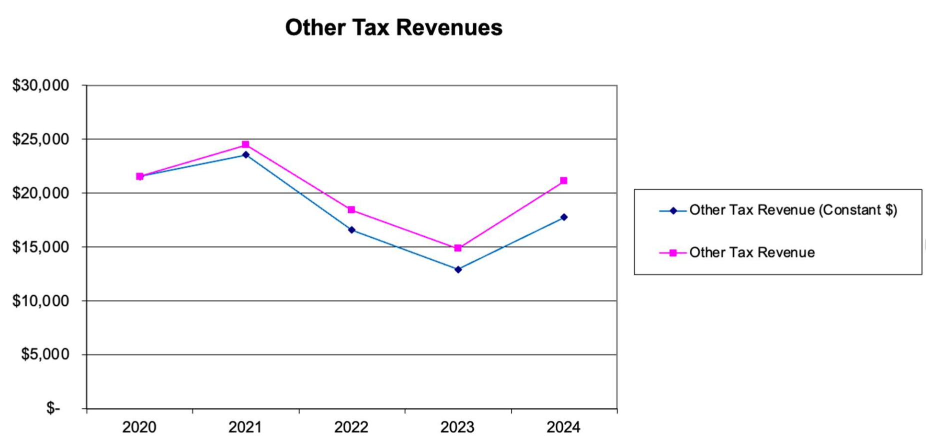
## Other Tax Revenues

The Borough's other tax revenues, which includes the realty transfer, per capita, and local services taxes fluctuated over the period as a result of variable revenue from the realty transfer tax. Revenue from these sources declined by 2.1% in nominal dollars over the 2020 – 2024 period. However, when adjusted for inflation these sources declined by 17.6%, indicating a warning sign.

**Other Tax Revenues (Constant $) = Other Tax Revenues / CPI Decimal**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Other Tax Revenue | $ 21,569 | $ 24,467 | $ 18,440 | $ 14,865 | $ 21,118 |
| CPI | 100.00 | 103.90 | 111.14 | 114.98 | 118.87 |
| CPI Decimal | 1.00 | 1.04 | 1.11 | 1.15 | 1.19 |
| | | | | | |
| **Other Tax Revenue (Constant $)** | **$ 21,569** | **$ 23,548** | **$ 16,591** | **$ 12,928** | **$ 17,766** |

***Warning Sign: Decreasing Revenues (Constant $)***



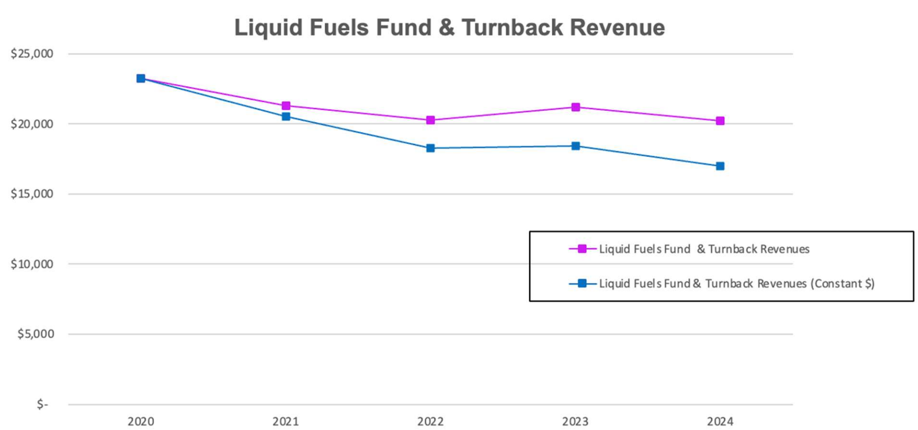
## Liquid Fuels Fund Revenue

Liquid Fuels Fund and Turnback revenue declined by 13.0% in nominal terms from 2020 – 2024. When adjusted for inflation, the decline is more significant, with revenue falling by 26.8%. This sustained decline in purchasing power represents a warning sign, as these restricted funds are critical for road maintenance and infrastructure, potentially limiting the Borough's ability to maintain service levels without identifying alternative funding sources.

**Liquid Fuels Fund & Turnback Revenue (Constant $) = Liquid Fuels Fund & Turnback/ CPI Decimal**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Liquid Fuels Fund & Turnback | $ 23,230 | $ 21,304 | $ 20,281 | $ 21,184 | $ 20,207 |
| CPI | 100.00 | 103.90 | 111.14 | 114.98 | 118.87 |
| CPI Decimal | 1.00 | 1.04 | 1.11 | 1.15 | 1.19 |
| | | | | | |
| **Liquid Fuels & Turnback Revenues (Constant $)** | **$ 23,230** | **$ 20,504** | **$ 18,248** | **$ 18,424** | **$ 17,000** |

*Warning Sign: Decreasing Revenues (Constant $)*



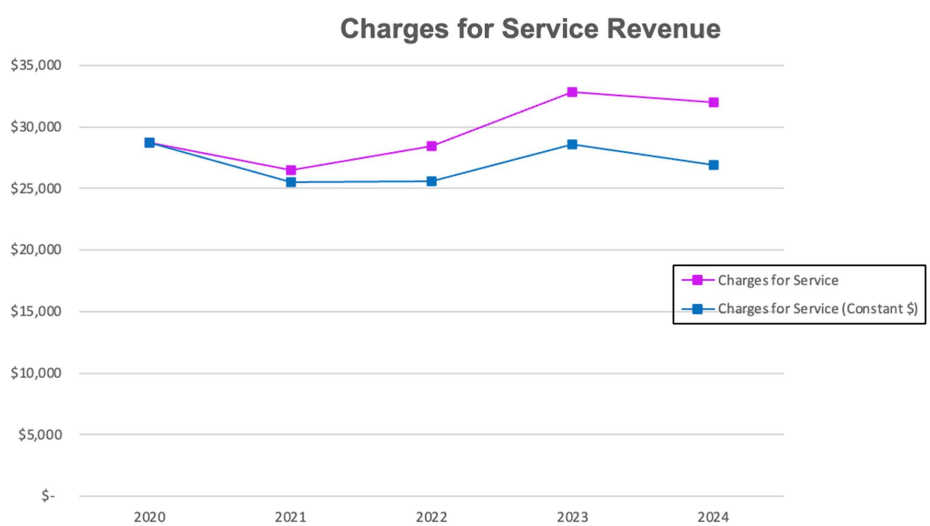
## Charges For Services Revenue

Charges for Services revenue showed nominal growth of 11.4% from 2020 - 2024. However, when adjusted for inflation, revenue declined by 6.3% over the period. This trend represents a warning sign, as decreasing real revenues may reduce the Borough's ability to sustain service levels without fee adjustments or cost containment strategies.

**Charges for Service (Constant $) = Other Tax Revenues / CPI Decimal**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Charges for Service | $ 28,708 | $ 26,504 | $ 28,421 | $ 32,820 | $ 31,990 |
| CPI | 100.00 | 103.90 | 111.14 | 114.98 | 118.87 |
| CPI Decimal | 1.00 | 1.04 | 1.11 | 1.15 | 1.19 |
| | | | | | |
| **Charges for Service (Constant $)** | **$ 28,708** | **$ 25,509** | **$ 25,571** | **$ 28,544** | **$ 26,913** |

***Warning Sign: Decreasing Revenues (Constant $)***



## Revenue Summary

Tionesta Borough's total operating revenues increased by 30.9% from 2020 – 2024. After adjusting for inflation, revenues increased by 10.0% over the five-year period. Despite this, the Borough's major revenue sources including the real estate tax, earned income tax, other tax revenue, charges for service and liquid fuels fund revenues show clear warning signs due to declining real values and structural vulnerabilities. Despite the overall growth in revenues, the decline in the value of these major revenue sources highlights growing fiscal pressures that will need to be addressed to ensure the Borough's long term financial sustainability.

# Core Expenditure Review

Expenditures are the area where local governments typically have the most control over their finances. The following pages contain a review of major expenditure areas, including general government, public works, and insurance. The table below shows a total operating expenditure increase of $21,686 or 8.2% over the 2020 – 2024 period. The largest expenditure line items including general government, public works, and insurance.

| Expenditures | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Unaudited | Change 5 years | Annual % Change |
|---|---|---|---|---|---|---|---|
| General Government | $ 83,019 | $ 90,351 | $ 85,911 | $ 88,989 | $ 101,427 | $ 18,408 | 5.5% |
| Police | $ 9,932 | $ 9,959 | $ 9,946 | $ 9,922 | $ 8,512 | $ (1,420) | -3.6% |
| Fire | $ 20,792 | $ 14,034 | $ 13,684 | $ 14,612 | $ 14,523 | $ (6,269) | -7.5% |
| Planning and Zoning | $ 106 | $ 70 | $ 95 | $ 70 | $ 70 | $ (36) | -8.5% |
| Public Works - Highways and Streets | $ 73,977 | $ 43,448 | $ 28,356 | $ 46,061 | $ 62,628 | $ (11,349) | -3.8% |
| Public Works - Other | $ 27,942 | $ 4,474 | $ 46,701 | $ 24,525 | $ 8,457 | $ (19,485) | -17.4% |
| Culture & Recreation | $ 14,673 | $ 32,641 | $ 330 | $ 8,130 | $ 35,576 | $ 20,903 | 35.6% |
| Community Development | | $ 12,000 | | | | | |
| Debt Service | $ 5,453 | $ 9,348 | $ 10,127 | $ 26,747 | $ 10,120 | $ 4,667 | 21.4% |
| Employer Paid Benefits | $ 8,131 | $ 17,129 | $ 14,107 | $ 9,677 | $ 8,188 | $ 57 | 0.2% |
| Insurance | $ 18,467 | $ 18,288 | $ 26,409 | $ 31,074 | $ 34,662 | $ 16,195 | 21.9% |
| Unclassified Operating | $ 614 | $ 892 | $ 241 | $ 3,124 | $ 629 | $ 15 | 0.6% |
| Total | $ 263,106 | $ 252,634 | $ 235,907 | $ 262,931 | $ 284,792 | $ 21,686 | 2.1% |

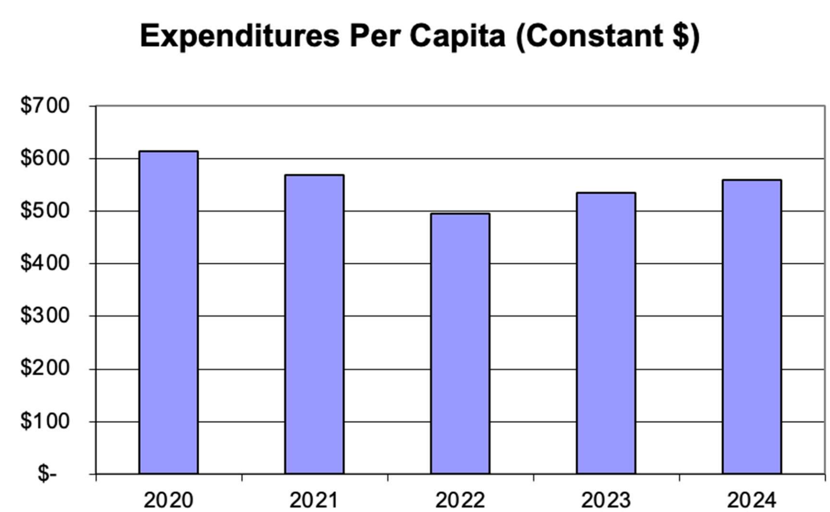
## Expenditures Per Capita

The table below presents the net operating expenditures per capita, adjusted for inflation over the 2020 –2024 period. Constant dollar per capita expenditures declined by $55 or 8.9% over the period. The Borough effectively controlled expenditures over the five-year period. No warning sign is warranted.

**Expenditures Per Capita = Core Operating Expenditures / Population**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Core Operating Expenditures | $ 263,106 | $ 252,634 | $ 235,907 | $ 262,931 | $ 284,792 |
| Consumer Price Index (CPI) | 100.00 | 103.90 | 111.14 | 114.98 | 118.87 |
| CPI in decimal | 1.00 | 1.04 | 1.11 | 1.15 | 1.19 |
| | | | | | |
| Core Operating Expenditures (Constant $) | $ 263,106 | $ 243,146 | $ 212,254 | $ 228,678 | $ 239,589 |
| Population | 428 | 428 | 428 | 428 | 428 |
| | | | | | |
| **Expenditures Per Capita (Constant $)** | **$ 615** | **$ 568** | **$ 496** | **$ 534** | **$ 560** |

***Warning Sign:*** *Increasing Operating Expenditures Per Capita (Constant $)*



## General Government

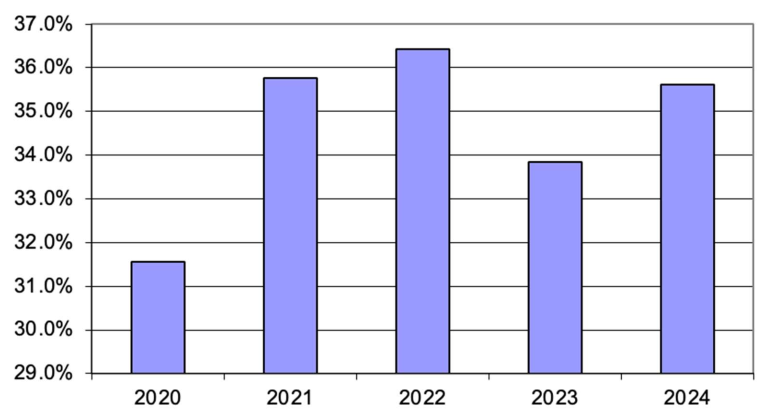
General government expenditures increased by 4% as a percentage of the Borough's operating expenditures over the 2020 – 2024 period. While there was some fluctuation in 2023 with the percentage dipping to 33.8%, it increased in 2024 to 35.6%. This trend warrants a warning sign.

**General Government Expenditures = General Government Expenditures / Total Core Operating Expenditures**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| General Administration Expenditures | $ 83,019 | $ 90,351 | $ 85,911 | $ 88,989 | $ 101,427 |
| Total Core Operating Expenditures | $ 263,106 | $ 252,634 | $ 235,907 | $ 262,931 | $ 284,792 |
| | | | | | |
| **General Administration Expenditures as a percentage of Total Core Operating Expenditures** | **31.6%** | **35.8%** | **36.4%** | **33.8%** | **35.6%** |

***Warning Sign:*** *Increasing General Administration Expenditures as a percentage of Total Core Operating Expenditures*

**General Government Expenditures as a percentage of Total Core Operating Expenditures**



## Public Works

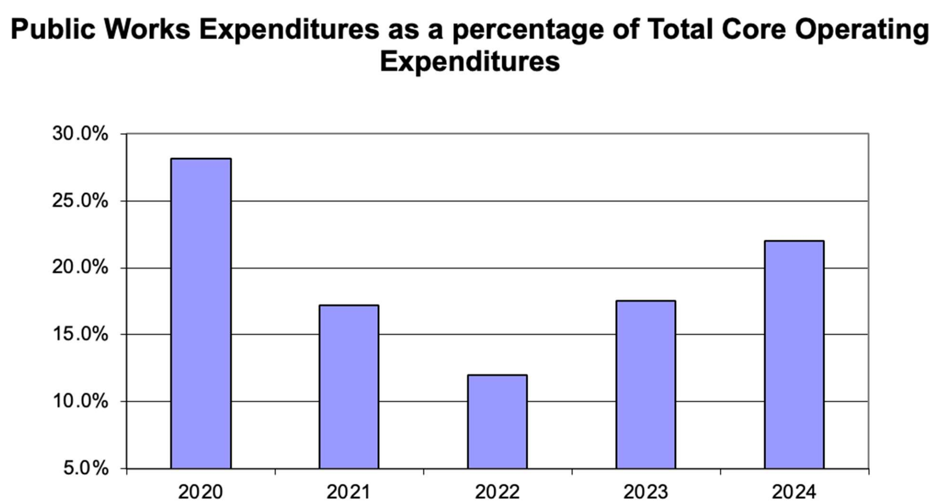
Public works – highways and streets is a core area of service delivery for the Borough. Expenditures in this line item fluctuated over the 2020 – 2024 period. However it showed a decline of 6.1% of total operating expenditures over the five-year period. No warning sign is warranted.

**Commented [GD3]:** @OConnor, Dana do we know why it was so low in 2022? Down employees?

**Public Works Expenditures = Public Works Expenditures / Total Core Operating Expenditures**

| | *2020* | *2021* | *2022* | *2023* | *2024* |
|---|---|---|---|---|---|
| Public Works Expenditures | $ 73,977 | $ 43,448 | $ 28,356 | $ 46,061 | $ 62,628 |
| Total Core Operating Expenditures | $ 263,106 | $ 252,634 | $ 235,907 | $ 262,931 | $ 284,792 |
| | | | | | |
| **Public Works Expenditures as a percentage of Total Core Operating Expenditures** | **28.1%** | **17.2%** | **12.0%** | **17.5%** | **22.0%** |

***Warning Sign:*** *Increasing Public Works Expenditures as a percentage of Total Core Operating Expenditures*



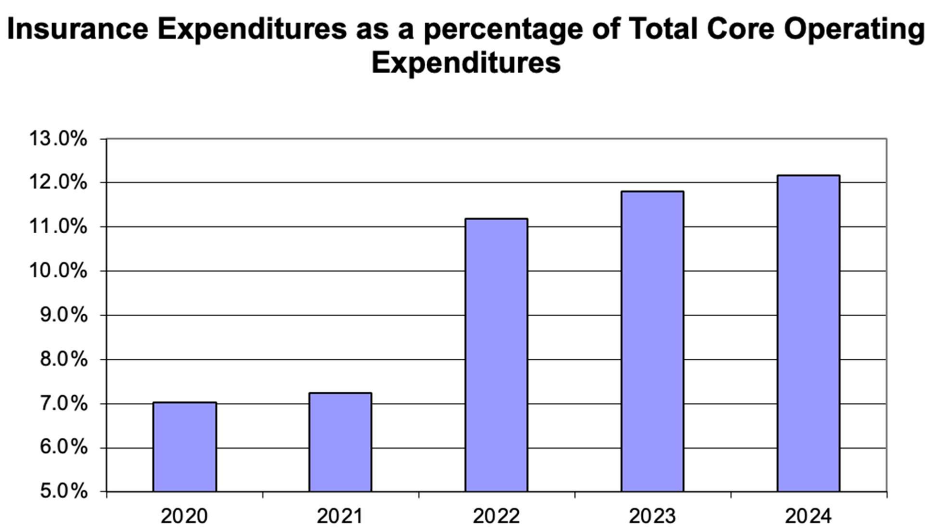
## Insurance

The Borough's expenditures on employee health insurance increased as a percentage of total operating expenditures over the 2020-2024 period, accounting for 12.2% of the overall operating budget in 2024. This is an increase of 5.2% from 2020. The overall increase over the 5-year period was 21.9%, which indicates a warning sign in this expenditure category.

**Insurance Expenditures % = Insurance Expenditures / Total Core Operating Expenditures**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Insurance Expenditures | $ 18,467 | $ 18,288 | $ 26,409 | $ 31,074 | $ 34,662 |
| Total Core Operating Expenditures | $ 263,106 | $ 252,634 | $ 235,907 | $ 262,931 | $ 284,792 |
| | | | | | |
| **Insurance Expenditures as a percentage of Total Core Operating Expenditures** | **7.0%** | **7.2%** | **11.2%** | **11.8%** | **12.2%** |

*Warning Sign: Increasing Insurance Expenditures as a percentage of Total Core Operating Expenditures*



## Expenditure Summary

Total operating expenditures increased by $21,686 or 8.2% over the five-year period, an average annual rate of 2.1%. In inflation adjusted dollars, however, expenditures declined by 8.9%. General government remained the Borough's largest expenditure category increasing by $18,408 or 22.2% over the five-year period. As of 2024, expenditures in the general government category accounted for 35.6% of total operating expenditures, indicating a warning sign.

Public works – highways and streets expenditures declined by $11,349 or 15.3% over the period. Expenditures in this category as a percentage of total operating expenditures also declined from 28.1% in 2020 to 22.0% in 2024.

Expenditures on health insurance increased by 88.7% over the 2020 – 2024 period and grew as a percentage of total operating expenditures from 7.0% to 12.2% over the five-year period, warranting a warning sign.

Expenditures in other categories including culture and recreation and debt service increased by 142.5% and 85.6% respectively, over the five-year period.

**Commented [GD4]:** @OConnor, Dana do we have an explanation for these increases? I can't recall

The Borough has managed to maintain overall expenditure growth within a sustainable range. However, the concentration of expenditure growth in certain categories highlights the need for continued monitoring to ensure that cost increases are aligned with service levels and long-term financial capacity.

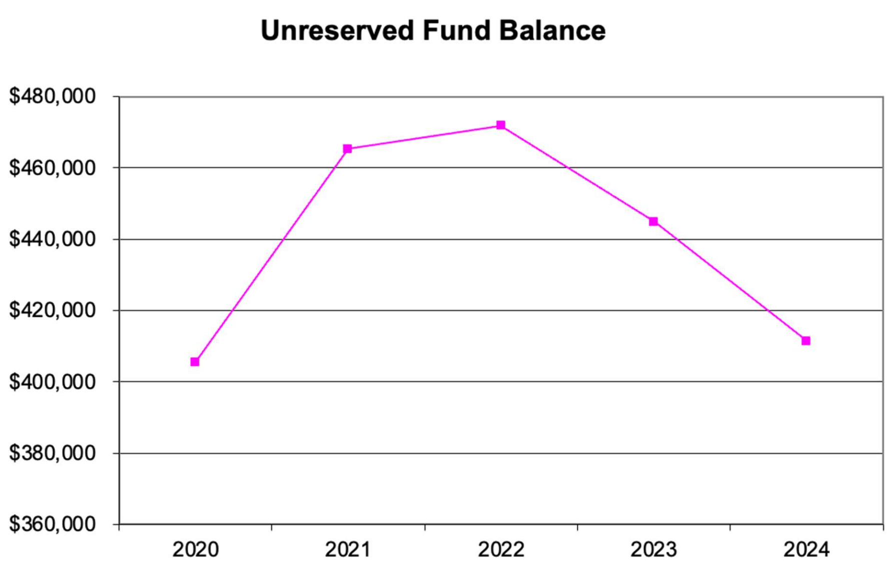
## Unreserved Fund Balance Review

Tionesta Borough maintained a substantial unreserved fund balance from 2020-2024 ranging from 196.8% of operating revenues in 2021 to 146.9% in 2024. This represents approximately 18 months of operating revenue. While a decreasing unreserved fund balance as a percentage of total operating revenue is a warning sign, the significant size of the surplus suggests it is not a significant cause for concern at this time. However, annual deficits could fully deplete the Unreserved Fund Balance by 2029 if corrective action is not taken.

**Unreserved Fund Balance / Operating Revenues General Fund**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Unreserved Fund Balance | $ 405,574 | $ 465,299 | $ 471,812 | $ 444,837 | $ 411,428 |
| | | | | | |
| Operating Revenues General Fund | $ 213,869 | $ 236,426 | $ 221,514 | $ 258,217 | $ 280,041 |
| | | | | | |
| Unreserved Fund Balance as a percentage of Operating Revenues | **189.6%** | **196.8%** | **213.0%** | **172.3%** | **146.9%** |

***Warning Sign:*** *Decreasing Unreserved Fund Balance as a percentage of Operating Revenues*



## Core Financial Projections (2024 – 2029)

Step 2 of the STMP Program requires projections of municipal revenues, expenditures, and fund balances beyond the STMPP study period. The STMPP team has prepared baseline financial projections that estimate the Borough's financial position from the years 2025-2029. The principal function of these projections is to show what can be expected to happen to the Borough's finances over the upcoming years if no corrective action is taken to reduce expenditures or increase revenue. These projections demonstrate the gap that will need to be filled within a long-term strategy.

Projections should generally be in line with past performance and account for predictable changes in expenditures and revenues. Projections through FY2029 are based on the past performance presented above, 2024 financial information, and the Borough's 2025 budget.

## Revenue Forecast

Tionesta's revenues are projected to grow at a .07% annual rate through 2029. Real estate tax revenue is expected to remain Tionesta Borough's largest revenue source with an annual growth rate of 0.5%. EIT revenue will continue to be an important revenue source with an annual growth rate of 0.3%. Both charges for service and interest and rents revenues are anticipated to experience an annual growth rate of 2.5%. The only major source of revenue that is projected to decrease is the Liquid Fuels Fund, which is expected as the transition away from fossil fuel-powered vehicles continues.

| Revenue | 2024 Unaudited | Change 5 years | Annual % Change | Projected % Change | 2025 Estimated | 2026 Projected | 2027 Projected | 2028 Projected | 2029 Projected |
|---|---|---|---|---|---|---|---|---|---|
| Real Estate Tax | $ 61,987 | $ 1,050 | 0.4% | 0.25% | $ 62,142 | $ 62,297 | $ 62,453 | $ 62,609 | $ 62,766 |
| Earned Income Tax | $ 31,127 | $ 387 | 0.3% | 0.50% | $ 31,283 | $ 31,439 | $ 31,596 | $ 31,754 | $ 31,913 |
| Other Tax Revenue | $ 21,118 | $ (451) | -0.5% | 0.00% | $ 21,118 | $ 21,118 | $ 21,118 | $ 21,118 | $ 21,118 |
| Licenses & Permits | $ 6,422 | $ 128 | 0.5% | 0.50% | $ 6,454 | $ 6,486 | $ 6,519 | $ 6,551 | $ 6,584 |
| Fines & Forfeits | $ 1,022 | $ (301) | -5.7% | 0.00% | $ 1,022 | $ 1,022 | $ 1,022 | $ 1,022 | $ 1,022 |
| Interest & Rents | $ 30,986 | $ 4,619 | 7.2% | 2.50% | $ 31,761 | $ 32,555 | $ 33,369 | $ 34,203 | $ 35,058 |
| Liquid Fuels Fund & Turnback | $ 20,207 | $ (3,023) | -3.3% | -2.00% | $ 19,803 | $ 19,407 | $ 19,019 | $ 18,638 | $ 18,266 |
| Intergovernmental-Other | $ 65,721 | $ (11,782) | -19.8% | 0.00% | $ 23,000 | $ 23,000 | $ 23,000 | $ 23,000 | $ 23,000 |
| Charges for Service | $ 31,973 | $ 3,282 | 2.9% | 2.50% | $ 32,772 | $ 33,592 | $ 34,431 | $ 35,292 | $ 36,175 |
| Unclassified Operating | $ 6,775 | $ 81,848 | 3148.0% | 0.00% | $ 10,000 | $ 10,000 | $ 10,000 | $ 10,000 | $ 10,000 |
| Other Financing Sources | $ 2,703 | $ (10,406) | -24.8% | 0.00% | $ - | $ - | $ - | $ - | $ - |
| Total | $ 262,222 | $ 65,353 | 7.6% | 0.7% | $ 239,355 | $ 240,916 | $ 242,527 | $ 244,188 | $ 245,901 |

## Expenditure Forecast

Core expenditures in Tionesta are forecast to increase at 1.9% per year through 2029. Health insurance expenditures are expected to increase by 4.0% annually while general government and employer paid benefits are anticipated to increase by 3.0%. All other expenditure growth is expected to be negligible.

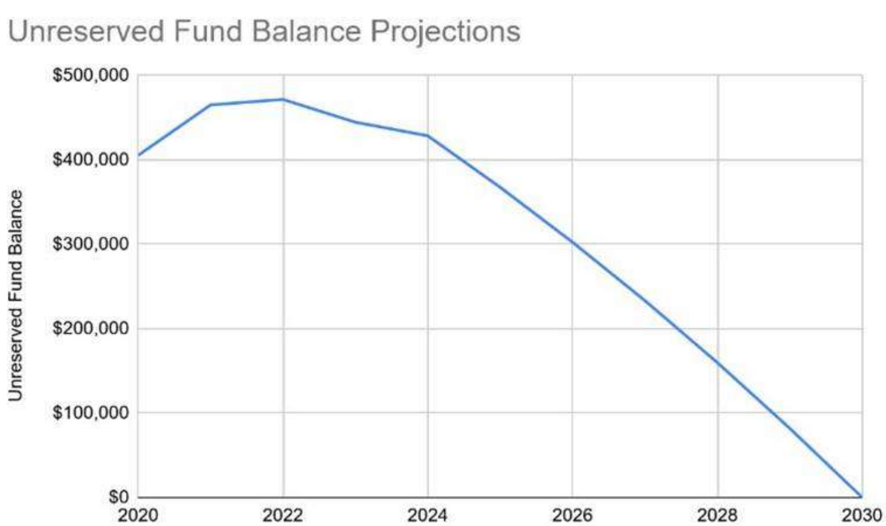
| Expenditures | 2024 Unaudited | Change 5 years | Annual % Change | Projected % Change | 2025 Estimated | 2026 Projected | 2027 Projected | 2028 Projected | 2029 Projected |
|---|---|---|---|---|---|---|---|---|---|
| General Government | $ 101,427 | $ 18,408 | 5.5% | 3.00% | $ 104,470 | $ 107,604 | $ 110,832 | $ 114,157 | $ 117,582 |
| Police | $ 8,512 | $ (1,420) | -3.6% | 0.00% | $ 8,512 | $ 8,512 | $ 8,512 | $ 8,512 | $ 8,512 |
| Fire | $ 14,523 | $ (6,269) | -7.5% | 0.00% | $ 16,330 | $ 16,330 | $ 16,330 | $ 16,330 | $ 16,330 |
| Planning and Zoning | $ 70 | $ (36) | -8.5% | 0.00% | $ 70 | $ 70 | $ 70 | $ 70 | $ 70 |
| Public Works - Highways and Streets | $ 62,628 | $ (74,506) | -3.8% | 0.00% | $ 62,628 | $ 62,628 | $ 62,628 | $ 62,628 | $ 62,628 |
| Public Works - Other | $ 8,457 | $ (10,155) | -9.1% | 0.00% | $ 25,000 | $ 25,000 | $ 25,000 | $ 25,000 | $ 25,000 |
| Culture & Recreation | $ 35,576 | $ 17,063 | 29.1% | 1.54% | $ 36,124 | $ 36,681 | $ 37,246 | $ 37,819 | $ 38,402 |
| Debt Service | $ 10,120 | $ 4,667 | 21.4% | 0.00% | $ 10,120 | $ 10,120 | $ 10,120 | $ 10,120 | $ 10,120 |
| Employer Paid Benefits | $ 8,188 | $ 1,539 | 4.7% | 3.00% | $ 8,434 | $ 8,687 | $ 8,947 | $ 9,216 | $ 9,492 |
| Insurance | $ 34,662 | $ 16,195 | 21.9% | 4.00% | $ 40,757 | $ 42,387 | $ 44,083 | $ 45,846 | $ 47,680 |
| Unclassified Operating | $ 629 | $ 5,649 | 230.0% | 0.00% | $ 2,270 | $ 2,270 | $ 2,270 | $ 2,270 | $ 2,270 |
| Total | $ 274,130 | $ (36,907) | 2.1% | 1.9% | $ 314,715 | $ 320,288 | $ 326,038 | $ 331,968 | $ 338,086 |

## Fund Balance Forecast

The results of the revenue and expenditure projections indicate that the Borough will experience increasing deficits through 2029 ranging from $75,360 in 2025 to $92,185 by 2029. This would lead to a cumulative deficit of $418,208 by the end of 2029.

This level of deficit spending is unsustainable without efforts to increase revenues, reduce expenditures, or transfer funds from other sources and will result in the Unreserved Fund Balance being fully expended by 2029.

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|
| **Surplus (Deficit)** | $ (75,360) | $ (79,372) | $ (83,511) | $ (87,780) | $ (92,185) |
| **Cumulative Surplus (Deficit)** | | $ (154,732) | $ (238,243) | $ (326,023) | $ (418,208) |



# Enterprise Funds

The STMPP financial review included an analysis of the Borough's sewer, water and garbage collection funds.

## Sewer Fund

Sewer fund revenue included charges for service, interest, penalties and collection fees as well as tap fees. Revenues increased by 28.6% or an annual average of 7.2% over the 2020 – 2024 period.

| Revenues | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Unaudited | Change 5 Years | Annual % Change |
|---|---|---|---|---|---|---|---|
| Sewer Charges | $ 150,339 | $ 142,774 | $ 165,908 | $ 161,432 | $ 188,719 | $ 38,380 | 6.4% |
| Interest Income | $ 473 | $ 2,262 | $ 1,263 | $ 1,183 | $ 6,142 | $ 5,669 | 299.7% |
| Penalty/ collections Income | $ 626 | $ 714 | $ 554 | $ 613 | $ 615 | $ (10) | -0.4% |
| Tap/cleaning fees | $ 540 | $ - | | $ - | $ 38 | $ (503) | -23.3% |
| Total | $ 151,977 | $ 145,751 | $ 167,724 | $ 163,229 | $ 195,513 | $ 43,536 | 7.2% |

Expenditures in the sewer fund included administrative expenses as well as sludge disposal and equipment maintenance and repair. Expenditures increased by 45.6% or an annual average of 11.4%, over the 2020 – 2024 period.

| Expenditures | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Unaudited | Change 5 years | Annaul % Change |
|---|---|---|---|---|---|---|---|
| Wages | $ 61,292 | $ 62,835 | $ 64,675 | $ 66,530 | $ 86,433 | $ 25,141 | 10.3% |
| Admin: Adver. /website/phone | $ 919 | $ 1,160 | $ 1,271 | $ 885 | $ 970 | $ 51 | 1.4% |
| Accounting & Audit | $ 2,610 | $ 2,650 | $ 2,900 | | $ 3,150 | $ 540 | 5.2% |
| Rent: Office & Storage | $ 6,054 | $ 6,133 | $ 6,107 | $ 6,214 | $ 6,322 | $ 268 | 1.1% |
| Utlities | $ 11,854 | $ 12,942 | $ 10,595 | $ 10,813 | $ 16,856 | $ 5,003 | 10.6% |
| Insurance | $ 3,898 | $ 4,471 | $ 4,292 | $ 5,009 | $ 5,818 | $ 1,921 | 12.3% |
| Wastewater Testing & Supplies | $ 8,414 | $ 6,945 | $ 10,535 | $ 10,071 | $ 10,767 | $ 2,353 | 7.0% |
| Permit/ license fees | $ 600 | $ 1,583 | $ 2,600 | $ 1,600 | $ 1,100 | $ 500 | 20.8% |
| Sludge Disposal | $ 7,526 | $ 9,423 | $ 8,613 | $ 8,308 | $ 8,292 | $ 766 | 2.5% |
| Maintence:Equipment & Repairs | $ 7,987 | $ 6,903 | $ 10,014 | $ 4,145 | $ 14,432 | $ 6,445 | 20.2% |
| Employee Benefits | $ 27,247 | $ 31,816 | $ 35,257 | $ 39,341 | $ 47,626 | $ 20,379 | 18.7% |
| Misc | $ 587 | $ 714 | $ 793 | $ 629 | $ 639 | $ 52 | 2.2% |
| Total | $ 138,987 | $ 147,575 | $ 157,653 | $ 153,545 | $ 202,406 | $ 63,419 | 11.4% |

The sewer fund experienced deficits in 2021 and 2024 but operated at a surplus in the other three years, ending the period with a cumulative surplus of $24,028. Despite this surplus, the fund experienced a structural deficit of 4.2% over the 2020 – 2024 as growth in expenditures exceeded revenue growth.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Surplus/(Deficit) | $ 12,990 | $ (1,825) | $ 10,072 | $ 9,684 | $ (6,893) |
| Cumulative Surplus/(Deficit) | | $ 11,165 | $ 21,237 | $ 30,921 | $ 24,028 |

**Commented [OD5]:** @Dougherty, George William Do they not do 'treatment'?

**Commented [GD5R2]:** That's in supplies (i.e. chemicals)

**Commented [OD6]:** @Dougherty, George William Is this correct?

**Commented [GD6R2]:** Yep!

## Water Fund

Water fund revenues included charges for service and interest income. Over the 2020 – 2024 period, revenues increased by 17.3% or an annual average of 4.3%.

| Revenues | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Unaudited | Change 5 years | Annual % Change |
|---|---|---|---|---|---|---|---|
| Interest Income | $ 195 | $ 13 | $ 656 | $ 1,971 | $ 1,900 | $ 1,705 | 219.0% |
| Bulk Water | $ - | $ - | $ - | $ 130 | $ 455 | | |
| Charges for Service | $ 92,016 | $ 96,732 | $ 114,474 | $ 100,967 | $ 105,742 | $ 13,726 | 3.7% |
| Misc. Income | $ - | $ - | $ 1,104 | $ 24 | $ 23 | | |
| Total | $ 92,211 | $ 96,744 | $ 116,235 | $ 103,091 | $ 108,119 | $ 15,909 | 4.3% |

Water fund expenditures included operations, building and plant, and employer paid benefits as well as engineering, pension contributions and a small amount of administrative expenses. Expenditures increased by 23.4% or an annual average of 5.9% over the five-year period.

| Expenditures | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Unaudited | Change 5 years | Annual % Change |
|---|---|---|---|---|---|---|---|
| Administration | $ 666 | $ 403 | $ 561 | $ 179 | $ 946 | $ 280 | 10.5% |
| Legal | $ 60 | $ 408 | $ 343 | $ 43 | $ 53 | $ (7) | -3.0% |
| Engineering | $ 1,080 | $ 750 | $ 480 | $ 1,180 | $ 1,518 | $ 438 | 10.1% |
| Building & Plant | $ 13,196 | $ 14,126 | $ 12,441 | $ 13,206 | $ 12,313 | $ (883) | -1.7% |
| Water Operations | $ 57,838 | $ 57,065 | $ 56,786 | $ 58,588 | $ 64,990 | $ 7,152 | 3.1% |
| Pension | $ 1,415 | $ 296 | $ 291 | $ 1,590 | $ 334 | $ (1,081) | -19.1% |
| Employer Paid Benefits | $ 11,666 | $ 14,536 | $ 20,965 | $ 19,410 | $ 25,909 | $ 14,243 | 30.5% |
| Total | $ 85,921 | $ 87,584 | $ 91,868 | $ 94,197 | $ 106,062 | $ 20,141 | 5.9% |

The water fund operated at a surplus in all five years and ended the 2020 – 2024 period with a cumulative surplus of $50,768. Despite this surplus, the fund experienced a structural deficit of 1.6% as expenditure growth exceed that of revenues.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Surplus/(Deficit)** | $ 6,290 | $ 9,160 | $ 24,367 | $ 8,894 | $ 2,057 |
| **Cumulative Surplus/(Deficit)** | | $ 15,450 | $ 39,817 | $ 48,711 | $ 50,768 |

## Garbage Collection Fund

Revenue in the garbage collection fund included fees as well as small amounts in recycling and penalty income as well as interest earned. Revenues in the fund increased by 80.7% or an annual average of 20.2% over the 2020 – 2024 period.

| Revenues | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Unaudited | Change 5 Years | Annual % Change |
|---|---|---|---|---|---|---|---|
| Interest Earned - Solid Waste | $ 124 | $ 8 | $ 77 | $ 292 | $ 471 | $ 347 | 69.6% |
| Recycling/Electronic Recycling | $ 280 | $ 42 | $ - | $ - | $ - | $ (280) | -25.0% |
| Penalty Income | $ 296 | $ 201 | $ 237 | $ 419 | $ 420 | $ 124 | 10.5% |
| 3rd party collection fee | $ - | $ 227 | $ - | $ - | $ - | $ - | 0.0% |
| Solid Waste Coll/Disposal Fees | $ 37,903 | $ 40,937 | $ 41,831 | $ 67,646 | $ 68,865 | $ 30,962 | 20.4% |
| **Total** | $ 38,604 | $ 41,414 | $ 42,145 | $ 68,356 | $ 69,756 | $ 31,152 | 20.2% |

Expenditures included contracted services, recycling, as well as billing and collection. Over the five-year period, expenditures increased by 88.3% or an average of 22.1% annually.

| Expenditures | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Unaudited | Change 5 years | Annaul % Change |
|---|---|---|---|---|---|---|---|
| Website Expenses | $ 97 | $ 97 | $ 111 | $ 149 | $ - | $ (97) | -25.0% |
| Audit/Accounting Services | $ - | $ - | $ 188 | $ - | $ 285 | $ 285 | 0.0% |
| Recycling/Electronic Recycling Expen | $ 3,231 | $ 3,947 | $ 5,394 | $ 7,359 | $ 7,985 | $ 4,754 | 36.8% |
| Billing & Collecting | $ 2,453 | $ 2,453 | $ 1,840 | $ 2,527 | $ 2,571 | $ 118 | 0.0% |
| Contracted Services | $ 28,910 | $ 29,315 | $ 37,442 | $ 51,477 | $ 54,540 | $ 25,630 | 22.2% |
| Solitictor Trash Fees | $ 60 | $ 408 | $ 14 | $ - | $ 53 | $ (7) | -3.0% |
| **Total** | $ 34,751 | $ 36,220 | $ 44,988 | $ 61,512 | $ 65,434 | $ 30,683 | 22.1% |

The garbage collection fund experienced one deficit (2022) and ended the 2020 -2024 period with a cumulative surplus of $13,517. Despite this surplus the fund experienced a structural deficit of 1.9% as expenditures growth exceed the growth in revenues.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Surplus/(Deficit)** | $ 3,853 | $ 5,194 | $ (2,844) | $ 6,845 | $ 4,322 |
| **Cumulative Surplus/(Deficit)** | | $ 5,194 | $ 2,350 | $ 9,195 | $ 13,517 |

# Emergency Recommendations

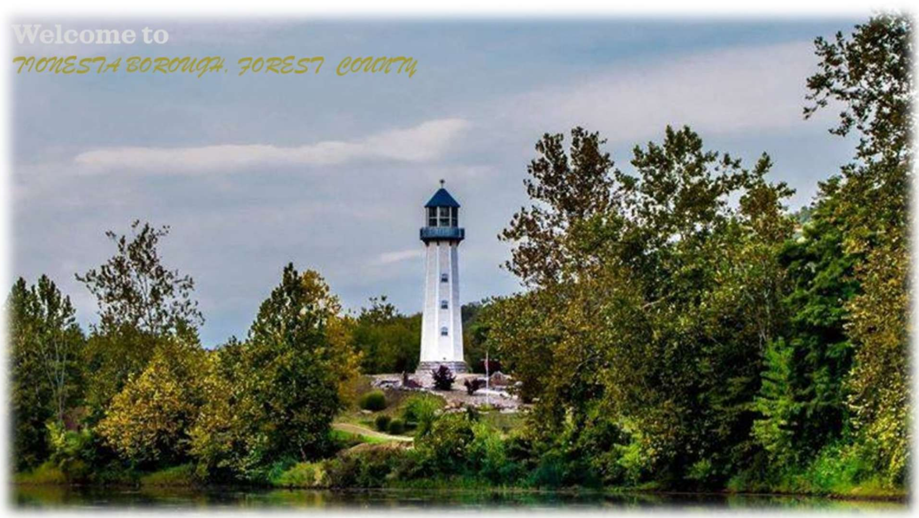
Commented [OD7]: @Dougherty, George William We did not have any emergency recs in the presentation - I added these - feel free to remove them if you don't think they're appropriate

- Adopt Financial Policies to support revenue sources and control expenditures
- Eliminate annual operating deficits by:
  - Implementing a mechanical device tax
  - Considering a real estate millage rate increase

# Tionesta Borough, Forest County

Strategic Management Planning Program

Steps 3, 4 & 5

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April 2026

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## Introduction: Management Audit and Recommendations

Steps 3, 4 and 5 of the Strategic Management Planning Program (STMPP) involve a management audit and an implementation plan and schedule. The purpose of the audit is to provide an independent review of management and operating practices and help the Borough optimize its operations and achieve its fiscal objectives. It is the assumption of the STMPP team that the aim of all local governments should be one of continual improvements in providing services to their citizens. Organizations dedicated to continuous learning and improvement experience change regularly and require the development of management practices to lead and track change.

The STMPP team's recommendations are intended to guide the Borough as it moves to improve its processes, operations and financial condition. Borough Council and employees must take a proactive approach to managing the Borough's operations that emphasizes financial stability, improving performance, and making strategic investments in the community to maximize available resources. The focus of these efforts should be on developing greater organizational capacity and accountability using accepted performance standards for individual departments and the Borough.

In order to better understand the management and operations of the Borough, the team conducted a series of interviews with key department personnel to facilitate a comprehensive view of its operations, practices and needs. The team focused on the primary areas of operations and administration, public works and community and economic development. The recommendations outlined here aim to ensure Tionesta Borough's sustained financial stability while enhancing services for its citizens and fostering proactive development within the community.

## Administration and Operations

One of the most vital functions of any municipality is the administration of its day-to-day operations. In Tionesta—a close-knit community where staff often take on multiple and overlapping responsibilities—the administrative team plays a critical role in keeping things running smoothly. They serve as the backbone of local government, ensuring that essential municipal services are delivered efficiently and reliably.

Tionesta Borough's administrative staff consists of two employees: Borough Manager and Administrative Assistant. The current Borough Manager has been in the position since 2017. The all-encompassing role of Borough Manager includes the following roles: Borough Secretary, Borough Treasurer, Flood Plain Coordinator, Pension Trustee, Grant Writer, Zoning Officer, Code Enforcement Officer, Administrator of the Elderly Housing Board and Secretary and Assistant Treasurer of the Tionesta Municipal Authority. The Administrative Assistant position is responsible for office management, recording Council meeting minutes, billing and accounting for a municipal and utility funds, as well as payroll. The department is also responsible for budget preparation and management, grant writing and administration. They also assist in managing Council meetings by preparing and distributing Council agendas and packets. The department serves as the point of contact for residents and collects fees for water, sewer and trash collection services. The Borough Manager and Administrative Assistant utilize Advanced Business Solutions, an older, DOS-based system as the Borough's financial management system.

The management audit and review highlighted how heavily the Borough's operations and administration depend on the dedication of its staff. This reliance can make it difficult to manage their wide range of tasks and responsibilities. Without clear systems and support structures, balancing daily operations with long-term planning and community needs becomes increasingly challenging. Interviews conducted as part of the STMPP project revealed that while Tionesta Borough excels in many areas, there are critical functions that would benefit from targeted improvement.

### *Job Descriptions*

The current job descriptions for the Borough Manager and Administrative Assistant are outdated and no longer accurately reflect the scope or nature of their actual responsibilities. They also fail to capture the full extent of duties handled by the administrative staff. Over time, the roles of these positions have evolved significantly, yet there has been no formal update to clearly define or differentiate their respective responsibilities. As a result, there is a lack of clarity regarding the responsibilities of the two roles, which can hinder efficiency and accountability.

**Recommendation:** The Borough should undertake a comprehensive update of its job descriptions to align with current practices and responsibilities. This process should include direct input from the employees in these roles. Once reviewed by the solicitor and approved by Council, these descriptions should be added to personnel records and referenced in future hiring processes.

### *Cross Training and Staff Development*

Both administrative employees demonstrate a clear understanding of their respective responsibilities. However, there is an opportunity to strengthen overall effectiveness through targeted professional development, cross-training and succession planning. Enhancing collaboration between roles would improve coordination and operational efficiency. Professional development enables staff to expand and strengthen their skills in municipal management, while also providing valuable opportunities to learn from the experiences, best practices, and innovations of other municipalities.  Additionally, implementing succession planning would help ensure continuity of functions during staff absences or transitions, supporting a more sustainable administrative structure.

**Recommendation:** Professional development, succession planning, and cross trainings between roles should be implemented to strengthen operational continuity and build organizational resilience. Borough Council should support engagement in continuing education for the Manager and staff, to foster increased skill levels in municipal management and administration. The Borough should utilize resources including PA Association of Boroughs (PSAB), the PA Training Hub for Municipal Learning (PATH), and the Pennsylvania Municipal Planning and Education Institute (PMPEI).

### *Segregation of Duties*

The Administrative Assistant is responsible for receiving and recording all payments made to the Borough, as well as preparing deposits and reconciling bank statements. This concentration of duties does not provide adequate segregation of responsibilities. The current structure may increase the potential for errors or irregularities and could expose the employee to allegations of fraud or mismanagement, even if none occur.

**Recommendation:** Adopt a Segregation of Duties policy that provides for the receipt, deposit, and reconciliation of funds by at least two Borough employees or officials. No single employee should be responsible for performing all of these tasks to maintain strong internal controls and reduce the risk of error or fraud. Segregation of duties provides for the performance of various tasks related to the receipt of Borough revenues, the payment of expenses and the reconciliation of bank statements by separate individuals to limit potential liability, minimize errors, protect administrative employees and provide for public transparency. See Appendix 1 for a Sample Segregation of Duties Policy.

### *Financial Policies*

Although the administrative staff undertakes an intensive, four-month budget process in conjunction with Borough Council there is no formally adopted process outlining the budget preparation and adoption process, the required financial considerations and provisions for public participation. The Borough also lacks formal written financial policies addressing other key areas such as capital improvement planning, debt management, and the use and maintenance of the unreserved fund balance. Establishing these policies would strengthen financial oversight and long-term planning.

Comprehensive financial policies would help ensure the budget remains balanced throughout the year by aligning expenditures with anticipated revenues. They would also establish a clear budget calendar, promoting transparency through opportunities for public input and discussion, and outlining procedures for corrective action if a potential operating deficit arises.

In addition, formal policies would support structured capital improvement planning, enabling the Borough to anticipate and fund necessary projects while providing clear guidelines for the prudent use of debt. Finally, these policies would define appropriate minimum levels for the unreserved fund balance, specify allowable uses, and establish procedures for replenishment when funds are drawn down.

**Recommendation:** The Borough should adopt and implement formal financial policies for budget preparation, capital improvement planning, debt and unreserved fund balance to support their efforts to improve financial management practices, create a structure for stronger fiscal management and ensure financial stability. Sample financial policies are included in Appendix 2.

### *Borough Website*

The Borough's administrative staff keeps the municipal website updated with relevant information for residents and visitors. However, the site could use improvements and an update to increase security, engagement and utility.

**Recommendation:** The Borough should update its website and convert it to a .gov URL to enhance digital protection and authenticity. An updated and user-friendly municipal website would enhance residents' access to services, improve communication, and increase transparency. It can serve as a central hub for important information, promote local events, and encourage greater community participation. Investing in a modern, engaging website would ultimately strengthen civic engagement and improve the overall resident experience.

### *Office Technology*

Commented [OD8]: @Dougherty, George William Just added this per request by Cindy

The Borough office currently operates with two computers that are more than seven years old and no longer support current operating system updates. As a result, these systems lack the performance, security, and compatibility required to efficiently manage daily operations and administrative functions. To ensure the Borough can effectively conduct its business, it is essential that office hardware be modern, reliable, and capable of supporting current software and processing demands.

**Recommendation:** Invest in new computer hardware for the Borough Manager and Administrative Assistant to improve operational efficiency, enhance security, and ensure compatibility with modern software systems.

### *Accounting system*

The current DOS based accounting system is outdated and not well suited for the needs of municipal management. While staff familiarity with the system has supported ongoing operations, continuing to rely on it may limit efficiency, reporting capabilities, and internal controls.

**Recommendation:** The Borough should evaluate and consider transitioning to a fund accounting software system designed specifically for municipal use. Such systems provide improved financial tracking, reporting, and compliance features. Implementation should be accompanied by comprehensive staff training to ensure a smooth transition and to maximize the benefits of the new system.

### *Health Insurance*

The financial assessment indicated that employee health insurance represents a significant and steadily increasing cost to the Borough, placing ongoing pressure on the operating budget.

**Recommendation:** The Borough should explore alternative health insurance plans to identify more cost-effective options. Plan options should be reviewed annually by both the administration and Council to ensure the Borough continues to receive the best value and to proactively manage rising healthcare costs.

### *Financial Reporting*

The Borough maintains twelve separate fund accounts, including the General Fund, Library Fund, Future Fund (Recreation), Water Fund, Sewer Fund, Solid Waste Fund, Capital Improvement Fund (Grant Management), American Rescue Fund, Liquid Fuels Fund, Pension Fund, Elderly Housing Fund, and Council Run Fund. Throughout the year, transfers are made between these funds to support operations and project funding.

A review of financial records identified inconsistencies between the Borough's internal financial reports and the annual financial audit prepared by the external auditor. Specifically, revenues and expenditures are regularly categorized under different line items across reporting periods, reducing clarity and comparability.

**Recommendation:** Administrative staff should collaborate with the Borough's external auditor to establish and maintain consistent financial reporting practices. Standardizing account classifications and reporting formats will improve accuracy, transparency, and year-to-year comparability.

### *Balanced Budget*

The financial assessment showed that the Borough has experienced an operating deficit for the past five years signaling an ongoing imbalance between revenues and expenditures. The Borough should work toward achieving a balanced budget.

**Recommendation:** The Borough should advocate for Forest County to undertake a comprehensive property reassessment. The County has not reassessed property since 1974. A reassessment would help stabilize and more accurately reflect the property tax base, thereby supporting more reliable and equitable revenue generation.

**Recommendation:** The Borough should adopt a Mechanical Device Tax which can be applied to games of skill, music and vending machines. Mechanical device ordinances require establishments to hold a license to operate these machines and pay fees for each machine in use. Many of the municipalities in the region have enacted such a tax including the City of Titusville which increased its fee from $100 to $350 in 2026, Franklin City which has a fee of $300 per machine, and New Bethlehem Borough, which charges a fee of $300 per device. A sample Mechanical Device Tax Ordinance is included as Appendix 3.

**Commented [GD9]:** @OConnor, Dana Should we recommend they apply clerk and manager time to the enterprise funds? That would solve some of their deficit problems and be more representative of actual work, right?

**Commented [OD9R2]:** @Dougherty, George William Looks like they already do - line items in general ledger of each of the Fund accounts for Billing & Collecting - garbage is 3.6%, Sewer is 1.75% and water is 2.5%

## Public Works

The Tionesta Public Works Department plays a critical role in maintaining the Borough's infrastructure and supporting the daily needs of its residents. The Borough's Public Works Department is currently staffed by three full-time employees. Each employee performs multiple operational roles, including water treatment and distribution, sewer system maintenance, road maintenance, snow removal, vehicle inspections, and general facility upkeep.

This multifunctional structure allows the Borough to deliver essential services efficiently with limited personnel. However, reliance on a small staff performing highly specialized tasks increases vulnerability in the event of absences, retirements, or emergencies.

The Borough's core infrastructure systems are currently functional but aging. The sewer treatment facility, constructed in the 1980s, remains operational, and many water and sewer lines have been replaced with plastic piping, improving long-term durability. Major capital projects, including sewer line replacements and paving initiatives, are typically contracted out due to limited in-house capacity. While infrastructure conditions are stable at present, long-term planning will be critical to avoid deferred maintenance and unanticipated costs.

### *Limited Formal Planning and Documentation*

The Borough does not currently maintain formal written operating plans for road maintenance or snow removal. Road conditions are monitored by Public Works staff and addressed based on observation and need. Snow response operations rely on prioritized road treatment and staff judgment rather than a formally adopted snow and ice control plan. While this approach has enabled the Borough to maintain service levels, the absence of documented procedures limits continuity, long-term forecasting, and budget alignment.

**Recommendation:** The Borough should formalize core operating plans for Road Maintenance and Paving as well as Snow and Ice Removal. These plans should identify priority routes, maintenance schedules, operational procedures, and resource allocation guidelines. Formal documentation will improve consistency, enhance safety, and support the annual budgeting process.

### *Core Infrastructure Planning*

Although infrastructure systems are currently stable, the Borough does not maintain a structured multi-year capital planning document. Given the age of certain assets and the Borough's limited tax base, proactive planning is essential to ensure financial sustainability.

**Recommendation:** The Borough should develop and adopt a Five-Year Capital Improvement Plan (CIP) that inventories major assets, identifies anticipated repairs and replacements, prioritizes projects based on condition and risk, and aligns projected costs with funding sources. A formal CIP will strengthen long-term financial planning, improve transparency and enhance eligibility for state and federal funding.

### *Intergovernmental Cooperation*

The Borough maintains positive working relationships with PennDOT and neighboring municipalities. However, coordination is largely informal and not supported by structured agreements or routine planning meetings.

**Recommendation:** Identify, formalize and document intergovernmental cooperation efforts through written mutual aid agreements, coordinated project planning discussions, and documented shared service opportunities. Formalizing these relationships will improve efficiency, reduce costs, and strengthen future grant competitiveness.

### *Training, Safety, and Compliance*

Public Works staff perform a wide range of technical functions but structured training and certification coverage can be strengthened to reduce dependency on individual employees and enhance operational resilience.

**Recommendation:** Strengthen training and certification. The Borough should prioritize participation in PennDOT programs, safety training initiatives, and cross-training in water and sewer certifications. Expanding training coverage will improve compliance, reduce liability exposure, and support long-term workforce sustainability.

## Community and Economic Development

Tionesta is the county seat and the only borough in Forest County. The Borough has experienced the ongoing effects of the decline of traditional industries, resulting in population loss, limited municipal growth, and an increase in business closures.

Forest County has experienced long-term economic decline following the contraction of lumber, coal, and manufacturing industries. These structural shifts have reduced population, municipal revenue, and private investment while increasing business closures. Despite this, the area is a popular regional destination for outdoor activities including camping, biking, fishing, hiking, snowmobiling, hunting, kayaking, canoeing, and trail riding.

The community has shown a strong interest in local development alongside increasing and diversifying local revenue sources as evidenced in local development initiatives.

### *Building Resilient Economies in Coal Communities (Forest County)*

From 2024-2025 community members took part in the Building Resilient Economies in Coal Communities (BRECC) action challenge, which identified five economic diversification pathways to address current and anticipated 'gaps' in community capacity to build a sustainable future for residents including:

- Local Capacity Building & Planning
- Downtown Revitalization
- Housing and Residential Infrastructure
- Outdoor Recreation and Tourism
- Workforce Development and Education

The effort identifies partners and includes objectives for each pathway. The Borough's objectives within this strategic plan lie in community engagement and marketing, downtown revitalization, housing and residential infrastructure and outdoor recreation and tourism.

**Recommendation:** Evaluate the Borough's progress towards the BRECC 2025 Priority Objectives. The BRECC development framework outlines goals, objectives, activities, and measurable indicators, including defined 2025 priority targets. A systematic review of these targets is an essential next step in building a comprehensive and forward-looking economic and community development strategy.

### *Comprehensive Planning and Community Development*

Tionesta Borough has taken significant steps towards investing in economic and community development. The success of the downtown revitalization project and the creation of the Market Village has shown the importance of an intentional and procedural approach towards local development. The Market Village and a growing arts community as well as businesses taking advantage of the outdoor recreation economy provide the community with a wellspring of economic and community development opportunities.

**Recommendation:** Tionesta Borough should undertake a formal and comprehensive plan towards economic and community development with clear goals, objectives, outputs, activities, measures, and indicators to guide multi-year development. This policy should focus on building on the success of recent projects and aligning with local needs. A formal plan will ensure continuity, accountability, and strategic coordination across projects and leadership transitions.

### *Intergovernmental Cooperation*

Tionesta benefits from strong collaborations with neighboring governments, regional organizations, and community stakeholders. However, many of these relationships rely on informal practices, personal connections, and undocumented procedures. This creates vulnerability in the event of personnel changes or emergencies.

**Recommendation:** Standardize and document partnerships. The Borough should prioritize formalizing and documenting its partnerships to ensure institutional stability. Establishing written agreements, standard operating procedures, and contingency plans would protect continuity and clarify roles and expectations. Maintaining accessible documentation will further strengthen resilience and reduce confusion during transitions.

### *Outdoor Recreation*

Outdoor recreation plays a central role in Tionesta's local economy, yet much of this activity remains seasonal. While summer tourism provides economic benefits, limited year-round offerings constrain revenue potential and economic stability.

**Recommendation:** To maximize impact, the Borough should coordinate with local businesses to develop and promote full-season recreation services. Aligning existing offerings and reducing overlap can improve the visitor experience while expanding shoulder-season and winter opportunities. A coordinated and intentional approach to year-round tourism would help stabilize revenues and strengthen the Borough's economic base.

### *Conversion of Seasonal Housing*

Forest County's vacancy rate of approximately 25.5% reflects the high prevalence of seasonal housing units, many of which are not winterized or suitable for year-round living. In addition, some properties suffer from deferred maintenance, code violations, or abandonment that contribute to blight. At the same time, residents face rising housing costs and limited access to affordable, full-time housing options.

**Recommendation:** The Borough should update and enforce local ordinances in alignment with International Property Maintenance Code standards. Supporting the winterization or conversion of viable seasonal properties into year-round housing would expand the supply of habitable units. This can include targeted financial incentives including permit fee waivers, a partnership with a local bank to provide low-interest loans or limited property tax abatements associated with improvements.

**Recommendation:** Undertake a comprehensive blight assessment to provide data to inform targeted interventions and the development of a long-term strategy. Addressing vacancy and blight is essential to improving quality of life, stabilizing neighborhoods, and strengthening the local tax base.

*Link Recreation Opportunities to Downtown*

Tionesta Borough has made visible progress through downtown revitalization and digital connectivity initiatives, which have received positive community feedback. Sustaining this momentum requires stronger integration between recreation assets and the downtown core.

**Recommendation:** The Borough should continue developing recreation, events, and tourism initiatives that draw visitors into the downtown area. Strengthening connections through trails, signage, and wayfinding would improve accessibility, while maintaining and expanding sidewalks, lighting, parking, and public amenities would enhance safety and visitor experience. Ensuring that infrastructure supports pedestrian access across all sections of downtown will reinforce Tionesta's identity as a cohesive and welcoming destination community.

# Multi Year Plan

The multi-year plan summarizes the recommendations from Steps 1 – 3 and identifies the timeframe, responsible party and impact of each recommendation. Potential Phase 2 STMP program funding projects are noted.

Recommended target dates are immediate (six months to one year), short term (one to two years), and long term (two years or more).

## Administration and Operations

| **Administration and Operations 1** | **Update administrative job descriptions** |
|---|---|
| Target Date | Immediate |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Identify and enumerate current responsibilities of each position. |

| **Administration and Operations 2** | **Support cross training, succession planning and professional development for staff** |
|---|---|
| Target Date | Short Term |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Improve effectiveness and efficiency of current staff and Council members and provide position continuity. |

| **Administration and Operations 3** | **Adopt Segregation of Duties Policy** |
|---|---|
| Target Date | Immediate |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Reduce potential liability, protect administrative employees, and improve transparency. |

| **Administration and Operations 4** | **Adopt financial policies** |
|---|---|
| Target Date | Short Term |

| | |
|---|---|
| Responsible Party | Borough Manager, Borough Council |
| Impact | Provide a framework for annual and long-term budgeting and ensure the stability of Borough finances. |

| **Administration and Operations 5** | **Update Borough website** |
|---|---|
| Target Date | Short term |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Improve security, access to services, and resident engagement. **Potential STMPP Phase 2 funding opportunity**. |

| **Administration and Operations 6** | **Invest in new computer hardware** |
|---|---|
| Target Date | Short term |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Improve operations and increase departmental efficiency. **Potential STMPP Phase 2 funding opportunity**. |

| **Administration and Operations 7** | **Evaluate new municipal fund accounting system** |
|---|---|
| Target Date | Short Term |
| Responsible Party | Borough Manager |
| Impact | Reduce complexity, improve accounting and reporting. **Potential STMPP Phase 2 funding opportunity**. |

| **Administration and Operations 8** | **Evaluate employee health insurance options annually** |
|---|---|
| Target Date | Long Term |
| Responsible Party | Borough Manager |
| Impact | Control expenditures to contribute to balanced budget. |

| **Administration and Operations 9** | **Establish consistent financial reporting** |
|---|---|
| Target Date | Immediate |
| Responsible Party | Borough Manager, Auditor |
| Impact | Improve accuracy, transparency and year-to-year comparability. |

| **Administration and Operations 10** | **Advocate for Countywide property reassessment** |
|---|---|
| Target Date | Short term |
| Responsible Party | Borough Council |
| Impact | Stabilize and support property tax revenue to contribute to balanced budget. |

| **Administration and Operations 10** | **Enact Mechanical Device Tax** |
|---|---|
| Target Date | Immediate |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Increase revenues to contribute to balanced budget. |

## Public Works

| **Public Works 1** | **Formalize Core Operating Plans (Road Maintenance & Snow Removal)** |
|---|---|
| Target Date | Short Term |
| Responsible Party | Public Works Director |
| Impact | Improve operational consistency, enhance safety, support budget forecasting, and reduce liability exposure. **Potential STMPP Phase 2 funding opportunity.** |

| **Public Works 2** | **Adopt and Implement a Five-Year Capital Improvement Plan** |
|---|---|
| Target Date | Short Term |
| Responsible Party | Borough Manager, Public Works Director, Borough Council |
| Impact | Improve long-term financial planning and strengthen eligibility for state and federal funding. |

| **Public Works 3** | **Formalize and improve intergovernmental cooperation** |
|---|---|
| Target Date | Immediate |
| Responsible Party | Public Works Director, Borough Manager, Borough Council |
| Impact | Share costs and improve efficiency. |

| **Public Works 4** | **Strengthen training and certification** |
|---|---|
| Target Date | Immediate |
| Responsible Party | Public Works Director, Borough Manager |

| | |
|---|---|
| Impact | Reduce single-point-of-failure risk and enhance compliance and safety. |

## Community and Economic Development

| **Community and Economic Development 1** | **Evaluate progress towards BRECC goals** |
|---|---|
| Target Date | Short Term |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Identify priorities and goals for future development. |

| **Community and Economic Development 2** | **Undertake comprehensive plan** |
|---|---|
| Target Date | Long Term |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Build community consensus and identify goals and objectives. **Potential STMPP Phase 2 funding opportunity.** |

| **Community and Economic Development 3** | **Formalize and document intergovernmental cooperation** |
|---|---|
| Target Date | Short Term |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Reduce costs, protect continuity and clarify expectations. |

| **Community and Economic Development 4** | **Expand full-season outdoor recreation opportunities** |
|---|---|
| Target Date | Long Term |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Stabilize revenues and strengthen economic base. |

| **Community and Economic Development 5** | **Update an enforce property maintenance codes, support winterization of seasonal housing** |
|---|---|
| Target Date | Short Term |
| Responsible Party | Borough Manager, Borough Council |

| | |
|---|---|
| Impact | Expand supply of habitable housing, increase tax base. |

| **Community and Economic Development 6** | **Undertake blight study** |
|---|---|
| Target Date | Short Term |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Stabilize neighborhoods and strengthen tax base. **Potential STMPP Phase 2 funding opportunity.** |

| **Community and Economic Development 7** | **Develop recreation opportunities and events linked to downtown** |
|---|---|
| Target Date | Long Term |
| Responsible Party | Borough Manager, Borough Council |
| Impact | Improve accessibility and community engagement. |

# Implementation Plan

Plans are seldom fully implemented without a process to guide modifications and implementation. We suggest the following be adopted via resolution to guide Curwensville Borough's actions over the next several years:

## Section 1: Appointment of an Implementation Manager

This plan will require ongoing and aggressive management to be successfully implemented. To that end, we recommend that Borough Council appoint an individual who will serve as the Implementation Manager.

## Section 2: Qualifications of Implementation Manager

The Implementation Manager should be a high-ranking individual within the government selected solely on the basis of his or her managerial/administrative experience.

## Section 3: Responsibilities of the Implementation Manager

This individual will be charged with the responsibility of tracking progress and overseeing the completion of recommendations identified in the STMPP process. This individual should report both to the Borough Council and to the public. Further, this individual will take primary responsibility for the plan's implementation and have complete access to all financial records of the Borough. The Implementation Manager will be responsible for the development and presentation of quarterly and yearly reports.

## Section 4: Advisory Group

To assist the Implementation Manager, an advisory committee, made up of elected officials, Borough employees, and selected residents should periodically meet to review progress, prioritize goals, and propose new initiatives that will assist the Borough in its pursuit of fiscal sustainability, management improvements, and community development goals.

## Section 5: Quarterly Reports

Four times a year, the Implementation Manager should submit and present a quarterly update at a public meeting of Borough Council. At a minimum, the content of this report should:

- Identify the plan recommendations that have been accomplished;
- Acknowledge that they have been completed and recognize those employees and individuals who contributed to their attainment;
- Identify plan recommendations that have fallen behind scheduled implementation;
- Identify the most likely obstacles that are impeding implementation; and
- Propose a revised implementation schedule to get those objectives back on track.

## Section 6: Annual Report

Annually, the Implementation Manager should submit and present a report on the financial and operational state of the government. At a minimum, the content of this report should:

- Summarize the successes and failures identified in the quarterly reports;
- Assess, through trend analysis, the overall changes that are occurring in the community that may have significant fiscal impacts on the Borough's budget;
- Propose new strategies that need to be taken to aid in the maintenance of the Borough's fiscal solvency;
- Overview the long-term infrastructure needs of the community and propose financing and debt management strategies to address those needs as contained in the Borough's annual capital improvement plan;
- Set broad fiscal goals for the upcoming annual budget;

- Assess and identify opportunities for regional cooperation with other local governments, the county, or the commonwealth; and
- Amend the multi-year plan by adding new and revised objectives. Each new or revised objective should:
  - Identify what is to be achieved;
  - The budgetary impact;
  - Timing and deadlines for each action step; and
  - Which employee and/or agency have the primary responsibility for implementation?

## Section 7: Annual Report and Budget

The development and submission of the annual report that summarizes the quarterly reports and provides a broad overview of the financial situation facing Tionesta Borough should serve as the guidebook for the development of the following year's operating budget. This annual report shall coincide with the annual budget process and will be used in the formation of the Borough's budget for the ensuing year.

## DCED Funded Technical Assistance

The following funding recommendations are based on the Strategic Management and Planning analysis conducted for Tionesta Borough, Forest County. Borough leaders should prioritize their needs and work with regional representatives of DCED to pursue funding for technical assistance or consultants to assist with the following:

- Update Borough website
- Update Computer and office technology
- Provide funding for new accounting program and training
- Assistance with preparation of Road Maintenance Plan
- Fund Blight study
- Undertake a Comprehensive Plan

## Appendix 1 Sample Segregation of Duties Policy

**Purpose**

The purpose of this policy is to establish controls through the segregation of duties in the handling of financial, operational, and administrative tasks. This ensures accountability, transparency, and the integrity of municipal operations by reducing the risk of errors or improper activities.

**Scope**

This policy applies to all elected officials, appointed officials, and employees of Tionesta Borough who are involved in financial transactions, procurement, payroll, cash handling, or related administrative functions.

**Policy Statement**

To maintain sound internal controls, no single individual should be able to:

- Authorize a transaction
- Process the transaction
- Record the transaction
- Reconcile the accounts related to the transaction

Segregation of duties must be enforced in all areas where financial transactions or sensitive administrative processes occur. When full segregation is not feasible due to limited staffing, compensating controls must be implemented.

**Key Areas of Application**

Cash Receipts

- One individual opens mail and logs payments
- A separate individual processes deposits
- Another staff member reconciles the bank account

Accounts Payable

- One individual initiates the purchase order
- A second individual receives goods/services and verifies the invoice
- A third individual approves and processes payment

Bank Reconciliations

- Bank reconciliations should be performed by an individual who is not responsible for cash receipts, disbursements, or general ledger entries.

**Compensating Controls (When Segregation Is Not Possible)**

Because of limited staff and schedules, segregation of duties may not always be practical. In such cases, one or more Borough Council members shall undertake bank reconciliations and review financial reports.

**Monitoring and Compliance**

Borough Council is responsible for monitoring compliance with this policy and recommending adjustments to ensure effective internal controls.

## Appendix 2 Sample Financial Policies

Note: The following financial policies are samples used by other municipalities and may include content not appropriate to Tionesta Borough. Council and staff should work collaboratively to adapt to fit local needs.

**Purpose**

The Revenue Performance Policies and Goals, Operating Budget Policies, Capital Improvement Planning, and Debt policies represent an effort to establish written policies for guiding the Borough's financial management practices. While some of the policies are specific and will limit certain types of financial activity, they are not intended to restrict Borough Council's ability and responsibility to respond to emergency or service delivery needs above and beyond the limitations established by the goals and policies.

**Revenue Performance Policies**

1. Revenue Diversification: Tionesta Borough will maintain a diversified and stable revenue system as protection from short-run fluctuations.

2. Estimates of Revenue: Tionesta Borough will estimate annual revenues on an objective and reasonable basis and will project revenues on a multi-year basis.

3. One-Time Revenues: Tionesta Borough will use one-time or special purpose revenue for capital expenditures or for expenditures required by the revenue, and not to subsidize recurring personnel, operation, and maintenance costs.

4. Review of Fees: The Borough will establish and annually re-evaluate all user charges and set fees at a level related to the cost of providing the service or establish new fees where necessary. All annual evaluations will be turned in to the Borough Manger.

5. Tax Rates: Tionesta Borough will endeavor to keep the property tax rate stable, or reduce reliance on the property tax, if possible, by:

a. Expanding and diversifying the Borough tax base with development as outlined by a Comprehensive Land Use Plan.

b. Seeking and developing additional revenue sources.

c. Seeking legislative support for local option taxes.

**Operating Budget Policies**

1. Budgetary Balance: Current operating revenues will be sufficient to support current operating expenditures.

2. Budget Process: The Borough Manager shall prepare and present a Budget Message and draft budget at the regular meeting of the Borough Council no later than September of each year. The draft budget will include the proposed budget amount, the amount budgeted in the previous year as well as the amount expended in the previous 3 years for each line item. The Borough Council will approve a final budget at their regular meeting in December of each year.

3. Budgetary Control: The Borough will take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit (i.e., projected expenditures in excess of projected revenues) is anticipated at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increase or use of fund balance within the Fund Balance/Retained Earnings policy. Expenditure deferrals into the following fiscal year, short-term loans, or use of one-time revenue sources will be avoided to balance the budget.

4. Operating Budgets: Each operating budget will include a contingency appropriation sufficient to provide for temporary financing of unanticipated needs of an emergency.

5. Risk Management: The Borough will develop and implement an effective risk management program to minimize losses and reduce costs. Borough Council will ensure that adequate insurance programs are in place. This shall include unemployment and Workers' compensation costs.

6. Privatization: Tionesta Borough will encourage delivery of services by other public and private organizations whenever and wherever greater efficiency and effectiveness can be expected as well as develop and internally use technology and productivity advancements that will help reduce or avoid increasing personnel costs. The intent is to control personnel costs as a proportion of the total budget, to more productively and creatively use available resources, and to avoid duplication of effort and resources.

**Capital Improvement Planning & Equipment Policies**

1. The Borough will make all capital improvements in accordance with an adopted and funded Capital Improvement Program (CIP). The adopted CIP will be based on need.

2. The CIP will be designed to protect the Borough's investments in capital and operating assets through timely and adequate maintenance and replacement.

3. The Borough will use intergovernmental assistance and other outside resources whenever possible to fund capital improvements.

4. A five-year financial forecasting system will be used that incorporates both revenue and expenditures and accounts for design, development, implementation and operating and maintenance costs of all projects. No capital improvement project will be authorized until full cash funding has been established to finance the project.

5. Cost tracking for components of the CIP will be updated quarterly to ensure project completion against budget and established timelines.

6. Operating cost of new capital improvements will be reviewed as part of the five-year capital improvement program. Annual expenditure increases will include the cost of maintaining and operating new projects brought on-line during the previous fiscal year.

7. The Borough will project equipment maintenance needs for the next five years and will update the projection each year. A maintenance and replacement schedule will be developed and followed from this projection.

**Unreserved Fund Balance/Retained Earnings Policies**

1. The Borough will maintain a fund balance to provide the Borough with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.

2. The upper limit of the fund balance is 100%, but not less than 50% of the average actual General Fund revenues for the preceding five fiscal years.

3. The fund balance should not be used to support recurring operating expenditures.

4. The fund balance will be used for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. Should such use reduce the balance below the appropriate level set as the objective, restoration recommendations will accompany the decision to utilize the balance.

5. Funds in excess of the upper goal may be considered to supplement “pay as you go” capital outlay expenditures or prepay existing debt.

**Debt Policies**

Purpose: The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation of and reporting on all debt obligations issued by Tionesta Borough, and to provide for the preparation and implementation necessary to assure compliance and conformity with this policy.

1. Approved Uses of Debt: Debt financing will be used for major, non-recurring items with a minimum of four years of useful life. An internal feasibility analysis will be prepared for each long-term financing which analyzes the impact on current and future budgets for debt service and operations. This analysis will also address the reliability of revenues to support debt service.

2. Issuance Restrictions: Long-term borrowing will not be used to finance current operations or normal maintenance. The useful life of the asset or project shall exceed the payout schedule of any debt the Borough assumes.

3. Types of Debt: Whenever appropriate, the Borough shall use special assessment, revenue, or other self-supporting bonds instead of general obligation bonds so those benefiting from the improvements will bear all or part of the cost of the assets financed.

4. Refunding Bonds: Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding or the refunding is essential in order to modernize covenants essential to operations and management. In general, advance refundings for economic savings will be undertaken when net present value savings of at least five percent (5%) of the refunded debt can be achieved. Current refundings which produce a net present value savings of less than five percent will be considered on a case-by-case basis. Refundings with negative savings will not be considered unless there is a compelling public policy objective.

5. Debt Limits: In evaluating debt capacity, general-purpose annual debt service payments should generally not exceed 10% of General Fund revenues, and in no case should they exceed 20%. The Borough will limit its total outstanding General Obligation debt to 5% of the assessed valuation of taxable property.

6. Repayment Provisions: Debt will be structured to achieve the lowest possible net cost to the Borough given market conditions, the urgency of the capital project, and the nature and type of security provided. Moreover, to the extent possible, the Borough will design the repayment of its overall debt so as to recapture rapidly its credit capacity for future use. The Borough shall strive to repay at least 20 percent of the principal amount of its general obligation debt within five years and at least 40 percent within ten years.

The Borough will seek to structure debt with level principal and interest costs-over the life of the debt. "Backloading" of costs will be considered only when natural disasters or extraordinary or unanticipated external factors make the short-term cost of the debt prohibitive, when the benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present, when such structuring is beneficial to the Borough's overall amortization schedule, or when such structuring will allow debt service to more closely match project revenues during the early years of the project's operation.

Insurance/Letters of Credit/Enhancements: Credit enhancements such as letters of credit, bond insurance may be used, but only when net debt service on the bonds is reduced by more than the costs of the enhancement.

7. Investment of Bond Proceeds: Bond interest earnings will be limited to funding changes to the bond financed Capital Improvement Plan or be applied to debt service payment on the bonds issued for construction of the plan.

Sale Process: The Borough will generally conduct financings on a competitive basis. Negotiated sales will be considered in extraordinary circumstances when the complexity of the issue requires specialized expertise, when a change of underwriter may result in losses, when the negotiated sale would result in substantial savings in time or money, or when market conditions or Borough credit are unusually volatile or uncertain.

9. Professional Services: The Borough will seek the advice of a Financial Advisor when necessary. The financial advisor will advise on the structuring of obligations to be issued, inform the Borough of various options, advise the Borough as to how choices will impact the marketability of Borough obligations and will provide other services as defined by contract approved by the Borough Council. To ensure independence, the Financial Advisor will not bid on nor underwrite any Borough debt issues. The Financial Advisor will inform the Borough Manager of significant issues.

10. Bond Rating Goals: The Borough will seek to maintain and, if possible, improve the current bond rating in order to minimize borrowing costs and preserve access to credit. The

Borough will maintain good, ongoing communication with bond rating agencies about its financial condition.

11. Short-term Debt: Use of short-term borrowing, such as bond anticipation notes and tax-exempt commercial paper, will be undertaken only if the transaction costs plus interest of the debt are less than the cost of internal financing, or available cash is insufficient to meet working capital requirements.

## Appendix 3 Sample Mechanical Device Ordinance

AN ORDINANCE OF TIONESTA BOROUGH, FOREST COUNTY, PENNSYLVANIA, IMPOSING A TAX ON MECHANICAL, AMUSEMENT, AND CERTAIN ELECTRONIC GAMING DEVICES; PROVIDING FOR LICENSING, REGISTRATION, FEES, ENFORCEMENT, AND PENALTIES.

SECTION 1. SHORT TITLE

This Ordinance shall be known as the "Mechanical and Amusement Device Tax Ordinance of Tionesta Borough."

SECTION 2. AUTHORITY

This Ordinance is enacted pursuant to the authority granted to boroughs under the laws of the Commonwealth of Pennsylvania, including the Borough Code and applicable local taxing authority.

SECTION 3. DEFINITIONS

The following terms shall have the meanings set forth below:

**A. Mechanical or Amusement Device**

Any coin-operated, token-operated, card-operated, or electronically activated machine used for entertainment or amusement, including but not limited to:

- Video or arcade games

- Pinball machines
- Jukeboxes
- Pool tables, air hockey, or similar devices

**B. Electronic Gaming Device / Skill Game** Any electronic device that simulates or displays games commonly associated with gambling (including but not limited to slot-style or video gaming formats), whether operated by currency, voucher, or otherwise, and which may award cash, prizes, or anything of value, regardless of whether skill is claimed to predominate.

**C. Vending Device**

Any coin- or currency-operated machine dispensing goods or services.

**D. Operator**

Any person or entity owning, leasing, or placing a device in operation within the Borough.

**E. Location**

Any premises where one or more devices are installed or operated.

SECTION 4. IMPOSITION OF TAX

A tax is hereby imposed upon each device operated within the Borough, payable annually by the operator.

SECTION 5. ANNUAL TAX RATES

The following annual taxes shall apply per device:

- Amusement/video devices: $125 per device
- Jukeboxes: $75 per device
- Pool tables or similar devices: $100 per device
- Vending machines: $25 per device
- Electronic gaming devices / skill games: $250 per device

Borough Council may revise these amounts by resolution.

SECTION 6. REGISTRATION AND LICENSE

A. No device shall be operated without first obtaining a Borough license.

B. The operator shall file an application including:

- Operator name and address
- Business/location name
- Type and number of devices

C. Upon payment, the Borough shall issue a license certificate or decal for each device.

D. The license must be affixed to the device in a clearly visible location.

SECTION 7. PAYMENT AND TERM

- Taxes are due annually by January 1
- Licenses expire December 31
- Devices installed mid-year must be licensed prior to operation
- No prorating unless approved by Council

SECTION 8. SKILL GAME AND GAMING DEVICE REGULATION

A. All electronic gaming devices, including so-called “skill games,” shall be:

- Registered with the Borough
- Clearly identified by type and manufacturer

B. Nothing in this Ordinance shall be construed to:

- Authorize illegal gambling; or
- Supersede Pennsylvania gaming laws

C. The Borough reserves the right to:

- Refer questionable devices to law enforcement
- Deny or revoke licenses for devices deemed unlawful

SECTION 9. RECORDKEEPING AND INSPECTION

Operators shall:

- Maintain a current inventory of all devices
- Permit inspection by Borough officials or law enforcement during normal business hours

SECTION 10. TRANSFERABILITY

Licenses are:

- Non-transferable between locations without Borough approval
- Specific to each device and location

SECTION 11. LATE PAYMENT

Any unpaid tax shall incur:

- 10% penalty, plus
- Interest at 6% annually

SECTION 12. PENALTIES

Any violation of this Ordinance shall, upon conviction, result in:

- Fine of $100 to $600 per violation, plus costs
- Each day constitutes a separate offense
- Possible imprisonment for nonpayment as permitted by law

SECTION 13. ENFORCEMENT

This Ordinance shall be enforced by:

- Borough Code Enforcement Officer
- Borough Manager (for licensing)
- Local law enforcement, as applicable

SECTION 14. SEVERABILITY

If any provision is held invalid, the remainder shall remain in full force.

SECTION 15. REPEALER

All inconsistent ordinances are repealed to the extent of inconsistency.

SECTION 16. EFFECTIVE DATE

This Ordinance shall take effect immediately upon enactment.

ENACTED AND ORDAINED this ___ day of _______, *26*.