



November 1, 2017

Borough of Franklin
1125 Main Street
Johnstown, PA 15909-2061

RE: Franklin Borough Act 47 Coordinator's Report

Dear Mayor and Council:

The attached Act 47 Coordinator's Report is being filed with Franklin Borough on November 1, 2017 for the Secretary to place a copy on file for public inspection pursuant to Section 255 of the Municipalities Financial Recovery Act, Act 47, as amended.

Section 255 provides that the public has fifteen (15) days from the above date of filing (November 1, 2017) to file written comments on the Coordinator's Report. Written comments will be received by: Michael Foreman, Department of Community and Economic Development, 301 Fifth Avenue, Suite 250, Pittsburgh, PA 15222 or mforeman@pa.gov no later than November 17, 2017.

The Act 47 Coordinator's Report contains a discussion of the financial and economic conditions that led to the initial designation of distress status; the status of the Borough's recovery plans and recovery activities; and the Coordinator's recommendation on the Borough's distress status.

Sincerely,

A handwritten signature in black ink that reads 'Michael Foreman'. The signature is written in a cursive style with a large, prominent 'M' and 'F'.

Michael Foreman
Department of Community and Economic Development
Governor's Center for Local Government Services
Act 47 Coordinator

**BOROUGH OF FRANKLIN
CAMBRIA COUNTY**

**COORDINATOR'S REPORT
EVALUATION OF DESIGNATION OF DISTRESS UNDER ACT 47**

**PURSUANT TO THE
MUNICIPALITIES FINANCIAL RECOVERY ACT
(Act 47 of 1987, as amended)**

NOVEMBER 2017

Prepared by:
Michael Foreman
Act 47 Coordinator
Local Government Policy Specialist



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INTRODUCTION

This report will review the fiscal status of the Borough of Franklin since 1988 during the time it has been in the Municipalities Financial Recovery Act (Act 47) program. The review is undertaken pursuant to Act 47 to determine whether the conditions that resulted in an initial determination of municipal financial distress in 1988 have been alleviated. Section 255 of the Act – Coordinator’s Report require the Act 47 Coordinator to complete a report stating the financial condition of the municipality and include one of the following findings:

- (1) Conditions within the municipality warrant a termination in status in a report containing a recommendation that addresses each of the factors set forth in the Act.
- (2) Conditions are such that the municipality should be disincorporated.
- (3) Conditions are such that the secretary should request a determination of a fiscal emergency set forth in the Act.
- (4) A three-year exit plan is warranted as set forth in the Act.

This report is recommending that a three-year exit plan is warranted and be developed as set forth in Section 256 of the Act – Exit Plan. The contents of an exit plan shall contain elements as may be necessary to ensure termination of distressed status after three years, including but not limited to:

- (1) The sale, lease, conveyance, assignment or other disposition of the assets of the distressed municipality.
- (2) Functional consolidation of or privatization of existing municipal services.
- (3) The execution, approval, modification, rejection, renegotiation or termination of contracts or agreements of the distressed municipality.
- (4) Changes in the form of municipal government or the configuration of elected or appointed municipal officials and employees as permitted by law.

A three-year exit plan is recommended to provide time for a merger/consolidation initiative process to be undertaken again with Franklin Borough and adjacent and surrounding

municipalities under the auspices of Judge Krumenacker, President Judge of the Court of Common Pleas of Cambria County and with DCED serving as a technical resource in a support role to assist the Judge who is taking the initiative to pursue such an outcome. The initiative process is pending a willing partner as of 2016.

The report consists of the following major components:

- Executive Summary.
- Review of revenue and expenditure trends and the Borough's current financial position/condition.
- Review of recommendations of the amended recovery plan.
- Background on the Borough's involvement in the Municipalities Financial Recovery Program.

EXECUTIVE SUMMARY

The viability of the Borough of Franklin as a municipality for the long-term is the central issue identified and documented in the original and subsequent amendments to the recovery plan. Based on an analysis of fiscal data and demographic characteristics in 1988, the initial recovery plan recognized Franklin's non-viability and recommended that it utilize the provisions of the Borough Code to have the territory encompassing the Borough revert back to Conemaugh Township, the municipality from which it was formed. Following extensive research it was determined that this provision of the Borough Code was negated by the language added to the PA Constitution in 1968 that requires an affirmative vote of all affected municipalities for any merger/consolidation (boundary change) to occur.

Subsequently the Municipal Consolidation and Merger Act was enacted in 1994 and amended in 2003 and recovery plan recommendations provided that the Borough engage in merger/consolidation discussions with adjacent municipalities pursuant to the Act. Although the Borough agreed with this recommendation and initiated several merger/consolidation efforts with neighboring municipalities it has been unable to find a willing partner or success with an approved referendum.

Franklin's initial determination of distress was rooted in a financial crisis that can be traced back to 1977 and the subsequent decline and closing of its major employer, Bethlehem Steel Corp in the 1980s. The fiscal decline evolved over the ensuing years culminating in the distress determination in 1988. Factors that contributed to the Borough's fiscal crisis as identified in the Department's consultative report include the following:

- 1) Deteriorating socio-economic factors including significant decline in population.
- 2) Significant reduction in the tax base (real estate, earned income and occupational privilege taxes) caused largely by the decline of the steel industry.
- 3) Inability to recover financially from the 1977 Johnstown flood.
- 4) Lack of attention to financial management issues.
- 5) Misappropriation of funds by a former borough secretary.

A working definition of the term “viable” is: capable of living or growing; capable of existence and development of an independent unit; capable of living without artificial or extraordinary support; capable of working, functioning or developing adequately; having a reasonable chance of succeeding.

Another measure of viable or viability is to examine the issue of solvency. A municipality’s capacity for self-sufficiency can be determined by assessing its short and long-term financial condition in four areas:

- Cash Solvency – Will the municipality consistently on a 30-60 day basis generate sufficient cash to pay its bills?
- Budgetary Solvency – Will the municipality generate sufficient revenue over a twelve-month fiscal year to meet its current expenditure responsibilities and avoid a deficit?
- Long-Term Solvency – Will the municipality over the long term pay all of its current expenses as well as provide funding for future expenses incurred today but payable in the future (e.g., replacement or maintenance of capital infrastructure, buildings and vehicles)?
- Service Delivery Solvency – Will the municipality over time be able to provide basic services at levels adequate to meet the health, safety and welfare needs of its residents? In addition, to assure service level solvency assumes a municipality is able to attain and sustain cash, budgetary and long-term solvency.

This report documents the tenuous viability and ability of Franklin Borough to independently support services on an ongoing basis because of a long-term stagnant and limited tax base to generate sufficient revenue. Consistent operating deficits, increasing debt, two very part-time employees, continued use of extraordinary revenue raising measures under Act 47 (earned income tax), cash flow challenges and nonpayment of the remaining balance of the DCED Act 47 loan prevail with little indication of reversal or improvement.

The initial recovery plan and subsequent amendments recommended interim measures to downsize government operations, divest the Borough of being a direct service provider,

pursue intergovernmental approaches to service delivery and reduce the level of services provided until such time as a merger/consolidation can occur. Over the years, the Borough has implemented recommendations to: reduce the size of Council from seven to three members, consolidate accounts, computerize its financial management system and provide monthly financial statements reflecting budget to actuals, employ only a part-time secretary/treasurer, contract with a third party for Act 511 tax collection, eliminate its police department and contract with an adjacent municipality for limited police service, reduce its public works department to one as-needed, part-time employee, third party contract for refuse collection service, transfer responsibility for utilities for the portion of the municipal building used by the volunteer fire/ambulance company to the fire company and join Cambria-Somerset County COG regional code enforcement program.

Franklin's tenuous viability is based upon negative revenue and expenditure trends dating back to the 1980s driven by the loss of the Borough's industrial base and the resultant loss of population and tax base decline. More recently Franklin has seen a continuation of this tax base decline and has continued to operate with a structural deficit in its general fund of \$11,674 in 2014, \$38,644 in 2015 and \$10,466 according to their DCED annual financial report. The Borough's CPA has at various times raised the going concern issue in the audit report.

Franklin's tax base is comprised of a large industrial property that at one time was part of the Bethlehem Steel Corporation's Johnstown area facilities and a small residential base comprised mainly of modest sized single-family homes. There is a negligible commercial sector that adds little to the tax base. At the end of WW II, Franklin was a prosperous community with over 2,000 residents. The steel mill provided regular employment to residents and was a major contributor to Borough revenues (real estate, earned income and occupational privilege taxes). The Borough has faced a steady loss of population and tax base over the past 70 years as illustrated below.

1940	2,297
1950	1,833
1960	1,352
1970	864
1980	559
1990	565
2000	442
2010	323

Source: Census

As a result the Borough experienced a significant decrease in its two major sources of revenue – real estate and earned income taxes. The value of taxable property has steadily declined over the past twenty years. In the past five years the downward trend has continued at a slower pace.

Earned income tax (EIT) revenue even with the levy of a higher rate on residents and non-residents under authority of Act 47 has experienced an overall decline during the recovery period. The main reason for the decrease in these two revenue sources was the closing of the Borough’s major industrial employer. Freight Car America that acquired the Bethlehem Steel facility greatly downsized its operations and ultimately closed in 2008 causing a further decline in general fund revenue and leaving an idle, vacant parcel of industrial property with a limited current assessed value to the Borough.

Almost all of the additional revenue generated by the higher EIT came from non-residents working at Freight Car America. Closure of the plant in 2008 led to a loss of over 500 jobs and approximately \$40,000 in EIT revenue to Franklin. At its peak in 1994 the plant employed over 1,500 workers and generated over \$100,000 in EIT revenue when the non-resident EIT rate was instituted in 1998.

Over the last six years (2011-2016) of actual audit data, combined property and EIT revenue account for an average of 37% of the Borough’s general fund expenditures. It is a decrease of ten percent over the prior five year period. Franklin continues to be dependent

on the additional revenue generated from the higher EIT to support the cost of the limited municipal services it provides.

Over the last six years (2011-2016) actual data indicate that expenditures outpaced revenue in 2014, 2015 and 2016 by \$11,674 and \$38,644 and \$14,298 respectively resulting in structural operating deficits. Year 2015 is concerning not only because of the increase but the size of the increase. Year 2016 is a decrease of \$24,346 but a structural operating deficit nonetheless. During the prior six-year period expenditures outpaced revenue half the time. Out of necessity expenditures declined commensurate with the drop in revenue because of loss of tax base. Consequently recovery plan initiatives continuously recommended the Borough divest itself from being a direct service provider.

Franklin can no longer afford to maintain in-house employees and support associated personnel costs. It no longer has the administrative or technical capacity to provide municipal services of its own even though Franklin continues to provide basic as-needed public works services. Although Franklin has followed recovery plan recommendations to downsize and divest of being a direct service provider it continues to be challenged by its tenuous viability status. Revenue and expenditures continue to decline even with a continued reliance on the additional revenue generated by the higher EIT it uses to pay for the limited municipal services provided to residents.

Several past merger/consolidation efforts initiated by Franklin involving adjacent municipalities were unsuccessful due to loss of interest and lack of a willing partner to take the issue to referendum. The first failed effort was with Conemaugh Township. A possible merger with Johnstown fell. The effort that proceeded the furthest included the five municipalities that comprise the Conemaugh Valley School District (Daisytown, East Conemaugh and Franklin Boroughs, and Conemaugh and East Taylor Townships). The Conemaugh Valley Intergovernmental Study Committee was created and the five municipalities agreed to participate in the study process. Following an approximate twenty-four month period of 2001-2003, the effort was abandoned by three of the five participating municipalities because the municipal officials believed that a merger/consolidation was not feasible. Franklin further engaged in discussion with East Conemaugh Borough in which East Conemaugh officials no longer wished to pursue discussion. However Franklin

Borough agreed to a police contract for service arrangement and for refuse collection services. Franklin had East Conemaugh provide contracted police service until the end of 2016 and currently contracts out refuse collection to a private, third party company. Currently Franklin has East Taylor Township provide 24/7 contracted police service at a somewhat slightly higher annual cost.

No prospective economic development opportunities exist that will result in any significant value being added to the Borough's tax base in the foreseeable future. In the absence of a successful merger/consolidation outcome, contractual and shared service arrangements need to be kept in place to maintain services for police, code enforcement and refuse collection at a cost based on the Borough's limited ability to pay. Public works services continue to be provided on an as needed basis with a part-time employee.

A merger/consolidation initiative is being undertaken by Judge Krumenacker with Franklin Borough and adjacent and neighboring municipalities to once again pursue the idea. Without a merger/consolidation with another municipality over the three-year exit plan period as a long-term solution, Franklin Borough may have no other option except to pursue the disincorporation provision in Act 47, Subchapter C – Disincorporation of Nonviable Municipalities and Subchapter D – Unincorporated Service District until such time as it becomes viable again to form a new municipality or through a future successful merger/consolidation referendum.

SECTION 1 DISCUSSION OF ACT 47 DISTRESS STATUS

The Borough of Franklin was declared a distressed municipality on July 26, 1988. The reason for the initial distress determination was a financial crisis that can be traced back to 1977 (Johnstown flood) and evolved over the ensuing years culminating in 1988 as a result of the collapse of the steel industry in Franklin and Johnstown with the closing of Bethlehem Steel Corporation facilities there. The factors that contributed to the Borough's fiscal crisis as identified in the department's consultative report at the public hearing on the Borough's petition for a distress determination included the following factors:

1. Deteriorating socio-economic conditions such as significant decline in population.
2. Significant reduction in the tax base (real estate, earned income and occupational privilege taxes) caused largely by the decline of the steel industry.
3. Inability to recover financially from the 1977 Johnstown flood.
4. Lack of attention to financial management of the Borough.
5. Misappropriation of funds by a former borough secretary.

Seven of the eleven criteria identified in section 201 of the Municipalities Financial Recovery Act were found to be present in the Borough of Franklin in 1988. These criteria along with an overall assessment of the Borough's fiscal condition consistent with the policy objectives of Act 47 led to the declaration of distress. Criteria found to be present were as follows:

- | | |
|-------------|--|
| Criterion 1 | The municipality has maintained a deficit over a three-year period, with a deficit of 1% or more in each of the previous five years. |
| Criterion 2 | The municipality's expenditures have exceeded revenue for a period of three years or more. |
| Criterion 3 | The municipality has defaulted in payment of principal or interest on any of its bonds or notes or in payment of rentals due any authority. |
| Criterion 6 | The municipality, for a period of at least 30 days beyond the due date, has failed to forward taxes withheld on the income of employees or has failed to transfer employer or employee contributions for Social Security. |
| Criterion 8 | The municipality has failed to make the budgeted payment of its minimum municipal obligation as required under the Municipal Pension Plan Funding Standard and recovery Act (Act 205 of 1984), with respect to a pension fund during the fiscal year for which the payment was budgeted and has failed to take action within that time period to make required payments. |
| Criterion 9 | A municipality has sought to negotiate resolution or adjustment of a claim |

in excess of 30% against a fund or budget and has failed to reach an agreement with creditors.

Criterion 11 The municipality has experienced a decrease in a quantified level of municipal service from the preceding fiscal year which has resulted from municipality reaching its legal limit in levying real estate taxes for general purposes.

Local Government Research Corporation, the initial plan Coordinator, developed a recovery plan for the Borough under the auspices of the then Department of Community Affairs. After a public hearing, the recovery plan as prepared by the Coordinator with input from Borough officials was adopted by Borough Council in December 1988. Revised recovery plan recommendations were adopted by Borough Council in March 1989.

During 1992 the department undertook a reevaluation of the distress status of the Borough. The reevaluation process determined that the Borough remained in a distressed condition and that the designation should continue. Updated recommendations in the form of amendments to the recovery plan were developed and were adopted by Borough Council in January 1992 with additional amendments adopted in March 1993. A further reevaluation process was undertaken that determined that the conditions that led to the initial determination of financial distress were still found to be present and that the Borough remained in a distressed condition resulting in amendments to the recovery plan being adopted May 1997 and February 1998.

A new plan Coordinator, Michael Foreman, Local Government Policy Specialist with the southwest regional office of the Governor's Center for Local Government Services, Department of Community and Economic Development was appointed in 2002 to continue to coordinate and oversee recovery activities.

The Department provided financial assistance to the Borough as part of the Act 47 recovery plan process in the form of both loans and grants. Loans were provided initially to address payable issues critical to providing for the health, safety and welfare of residents. Grants were provided initially during the recovery process to facilitate the implementation of

recommendations that reduce costs, share municipal services, improve employee productivity, increase revenues and ease and assist the Borough through merger/consolidation. Financial assistance provided to Franklin Borough includes the following:

Year	Financial Assistance	Amount	Purpose
1988	Emergency/Long Term Loan	\$135,000	Deficit/Unpaid Operating Costs
1989	Grant	\$25,000	Borough Building & Merger Studies
1990	Grant	\$201,000	Infrastructure & Borough Building Improvements
1992	Grant	\$24,750	Shared Personnel
2002	Grant	\$60,000	Merger/Consolidation Study
2004	Long Term Loan	\$30,000	Deficit/Unpaid Operating Costs
2005	Grant	\$5,000	Feasibility Study-Sanitary Sewer System-Intergovernmental Approach
2006	Grant	\$60,300	Sanitary Sewer System Assessment-2006 DEP Consent Order
2007	Grant	\$87,500	Sanitary Sewer System-Engineering Services-Corrective Action Plan-2006 DEP Consent Order
2008	Grant	\$142,000	Sanitary Sewer

			System-Upgrade and Repair to Manhole Covers-Corrective Action Plan-2006 DEP Consent Order
2009	Grant	\$33,300	Sanitary Sewer System-2006 DEP Consent Order
2010	Grant	\$25,000	Engineering Services-Corrective Action Plan-2006 DEP Consent Order
2012	Grant – Pennvest	\$2,819,955	Sanitary Sewer System-Corrective Action Plan-2006 DEP Consent Order
2012	Loan – Pennvest	\$65,045	Sanitary Sewer System-Corrective Action Plan-2006 DEP Consent Order
2017	Grant – Pennvest	\$612,318	Sanitary Sewer System-Corrective Action Plan-2006 DEP Consent Order
2017	Loan – Pennvest	\$668,682	Sanitary Sewer System-Corrective Action Plan-2006 DEP Consent Order

This report provides an evaluation of the Borough’s current fiscal status pursuant to the Municipalities Financial Recovery Act. Section 255.1 of the Act addresses the manner in which a distressed municipality may have its distressed status terminated by the Secretary

of the Department of Community and Economic Development. Section 255.1 – Termination of Status provides four factors to consider as to whether the termination of distress status is appropriate and reasons for the determination. The determination to rescind the distressed status shall include findings addressing each of the factors and additional information contained in this report. Factors the Secretary shall consider are whether:

- (1) Operational deficits of the municipality have been eliminated and the financial condition of the municipality, as evidenced by audited financial statements prepared in accordance with accepted accounting principles and projections of future revenues and expenditures, demonstrates a reasonable probability of future balanced budgets absent participation in this act.
- (2) Obligations issued to finance the municipality's debt have been retired, reduced or reissued in a manner that has adequately refinanced outstanding principle and interest and has permitted timely debt service and reasonable probability of continued timely debt service absent participation in this act.
- (3) The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of financial default.
- (4) The reasonable projected revenues of the municipality are sufficient to fund ongoing necessary expenditures, including pension and debt obligations and the continuation or negotiation of collective bargaining agreements and the provision of municipal services. Projections of revenue shall include any anticipated tax or fee increases to fund ongoing expenditures for the first five years after a termination of distressed status.

The purpose of this evaluation is to assess the financial position of the Borough during the time (1988 - Present) Franklin has been in Act 47 to determine whether termination of distress status should occur. Since conditions of distress continue to exist, an updated series of recommendations to the recovery plan were developed to guide the Borough toward managerial and financial stability with a goal of ultimate recovery. Nonetheless, the non-viability of Franklin Borough remains an ongoing issue.

As noted at the beginning of this report the initial recovery plan recognized that Franklin was a non-viable municipality and that merger/consolidation was necessary for the long-term benefit of residents. Nothing since that time has changed the original recommendation. Since that time the Borough's tax base has not only continued to decline but it has also continued to struggle to maintain minimal services. Although Franklin has pursued merger/consolidation efforts multiple times it has been unable to find a willing partner. In the interim it has successfully divested responsibility for being a direct service provider through shared services and third party contractual arrangements.

In effect, Franklin has a very limited tax base to support the financial responsibility of paying its two part-time employees and has divested itself of being a direct service provider of virtually all municipal services. The Borough has reduced the size of its workforce and work hours over the course of the recovery period in every operating department including administration. The Borough has reduced the size of Council from seven to three members to reduce expenses. The Borough has also not been able to adequately maintain its infrastructure during the recovery period and appropriates minimal funding toward improvements of its roads and borough building unless an emergency arises such as the need for a new roof in 2015. Improvements to the sewer system are made with the assistance of two PennVest grants and loans under a 2006 DEP consent order. Both forms of financial assistance are noted in the above table on pages 14 and 15.

Another reevaluation was conducted in 2010 on whether the conditions that led to the initial finding of financial distress still exist under Act 47. It became apparent that Franklin did not have the ability to repay its debt to DCED for two different loans for deficit financing/unpaid operating costs from 1988 and 2004 in full, leaving a balance of \$64,990 (\$49,900 – 1988; \$15,000 – 2004). An amended recovery plan was adopted by Borough Council with a focus on expense reduction as may be necessary to ensure the Borough does not incur future deficits. The plan further provided for the repayment of the two outstanding Act 47 DCED loans in regular monthly installments and not be premised on a merger or consolidation of the Borough with any other municipality. As a result, the Borough satisfied the \$15,000 unpaid balance from the 2004 loan but not the 1988 unpaid loan balance in the amount of \$49,990.

SECTION 2
REVENUE AND EXPENDITURE TRENDS
2012 – 2016

The financial information in Table 2 and 3 in the Appendices of this report was derived from DCED annual financial reports and reflect revenue, expenditures and changes in fund balance for all governmental funds. Ending fund balance figures for the period 1997-2016 were prepared on a cash basis of accounting and therefore do not include the accounts payable or amounts due other funds.

All governmental fund types consist of the general, liquid fuels, sewer, capital improvements and contingency funds described and general and special revenue funds. These funds are included in the evaluation of the financial condition of Franklin Borough for the period 1997-2016.

Assessed Value of Real Estate

During the 1988 - 2017 recovery plan period, Franklin Borough experienced a decline in the overall value of its tax base. The most significant decline occurred in the real estate tax and value of taxable property. Cambria County changed the ratio of assessed to market value from 50% to 100% in 2005 that resulted in the Borough reducing its millage rate in half and causing the value of taxable property to artificially increase in value. Although the assessed value of taxable property in Franklin jumped from \$1.7M in 2004 to \$3.2M in 2005 or an 82% (\$1,450,870) increase, it did not generate additional real estate tax revenue for the Borough (See Table 2).

The anti-windfall provision in the fourth to eighth class county assessment law prohibits real estate tax revenue from increasing more than 10% from the year prior to a change in the ratio of assessed value with a required reduction in the millage rate. The net assessed value actually decreased in the year following the change notwithstanding the

fact that the Borough did not reduce its millage rate until 2009 rather than 2005 in compliance with state law referenced above.

Prior to the countywide change in the ratio of assessed to market value in 2005, the value of taxable real estate fell 44% from 1988 (\$3,149,000) to 2004 (\$1,772,850) or \$1,376,150, mainly for industrial property in the Borough. Even after the new ratio went into effect in 2005 the value of taxable property further dropped 3.3% or \$108,950 in 2006 to \$3,114,770 and has increased slightly by 1% through 2009 to \$3,143,130. In 2010, the value of taxable property decreased by \$41,360 (1.3%) to \$3,101,770. In 2011, the assessed value of taxable property (\$2,666,380) dropped by \$435,390 (14%). For 2012, the assessed value of taxable property (\$2,304,760) again decreased by \$361,620 (14%). For 2013-2015, the assessed value of taxable property (\$2,134,210; \$2,105,300; \$2,090,470) continued to decline slightly by \$43,740 with a 2% drop. 2016 experienced an ever so slight increase of \$40 in the value of taxable assessed value (\$2,090,510). The value of taxable property remained the same in 2017 at \$2,090,510. Since 2005 when the new countywide assessment ratio took effect, Franklin Borough's assessed value of taxable property fell \$1,133,210 or 35%.

Table 1
REAL ESTATE ASSESSED VALUATION
1986 – 2017

YEAR	MILLAGE RATE	TAXABLE REAL ESTATE	DOLLAR CHANGE	PERCENT CHANGE
1986	40	\$ 3,682,000	\$	
1987	43	\$ 3,149,000	\$ - 533,000	(14%)
1988	43	\$ 3,149,000	0	0 %
1989	43	\$ 3,149,000	0	0 %
1990	48	\$ 3,139,000	\$ - 10,000	(3 %)
1991	40	\$ 3,147,000	\$ 8,000	3 %
1992	40	\$ 3,146,000	\$ - 1,000	.03%
1993	40	\$ 3,146,000	\$ - 2,000	(.06%)

1994	40	\$ 3,141,000	\$ - 5,000	(.2%)
1995	35	\$ 3,144,000	\$ 3,000	1%
1996	35	\$ 3,143,000	\$ - 1,000	(.03%)
1997	35	\$ 2,207,000	\$ (936,000)	(30%)
1998	35	\$ 1,864,480	\$ (42,520)	(16%)
1999	35	\$ 1,855,710	\$ (8,770)	(.4%)
2000	35	\$ 2,025,830	\$ 170,120	9%
2001	35	\$ 1,875,570	\$ (150,260)	(7.4%)
2002	35	\$ 1,856,460	\$ (19,110)	1%
2003	35	\$ 1,857,320	\$ 860	.04%
2004	35	\$ 1,772,850	\$ (84,470)	(4.5%)
2005 *	35	\$ 3,223,720	\$ 1,450,870	82%
2006	35	\$ 3,114,770	\$ (108,950)	(3.3%)
2007	35	\$ 3,124,470	\$ 9,700	.3%
2008	35	\$ 3,134,110	\$ 9,640	.3%
2009	19	\$ 3,143,130	\$ 9,020	.3%
2010	20	\$ 3,101,770	\$ (41,360)	(1.3%)
2011	20	\$ 2,666,380	\$ (435,390)	(14%)
2012	20	\$ 2,304,760	\$ (361,620)	(14%)
2013	20	\$ 2,134,210	\$ (170,550)	(14%)
2014	20	\$ 2,105,300	\$ (28,910)	(.013%)
2015	20	\$ 2,090,470	\$ (14,830)	(.007)
2016	24.5	\$ 2,090,510	\$ (40)	0%
2017	24.5	\$ 2,090,510	\$ 0	0%

*Ratio of Assessed Value to Market Value Changed in 2005 to 100% from 50%.

Revenues

Overall, audited revenues received from all governmental funds during the recovery plan period of 1988-2016 fluctuated from a peak of \$646,664 in 1992 to a low of \$149,774 in

2015. The variation in revenue from year to year is attributable not only to an overall decline in the Borough's tax base but also inconsistent and untimely receipt of earned income tax collections until 2012 and differing amounts of intergovernmental revenues for special purposes/projects. Netting out one time funding sources from other levels of government would result in total revenue ranging from \$150,000 - \$200,000 as shown in Table 2.

As a major source of revenue, property taxes accounted for 70% of total Borough revenue in 1988 compared to 19% in 2016. The significant reduction in property taxes increased the Borough's dependence on the earned income tax throughout the recovery plan period notwithstanding Cambria County's change in the ratio of assessed value.

As a response to the significant decline in the real estate tax and with Court approval the Borough first enacted the higher earned income tax in 1998 at a rate of 1.5% for residents and 1.4% for non-residents. In 1998, earned income tax collections (\$89,641) were 38% of revenues (\$234,701), peaking in 2000 (\$207,258) at 58% of revenues (\$359,511). Then collections (\$29,680) dropped to 20% of revenue (\$148,342) in 2011. For 2015 earned income tax collections are at 23% of revenues (\$149,774). In 2016, earned income tax collections are at 14% of revenue (\$247,813). Rates were reduced to 1.4% on residents and 1.3% on non-residents in 2000 and have remained at this level through 2016. Further efforts to reduce the reliance on the higher tax rate have been hampered by the continuing loss of tax base.

Based on audit data from 1988-2016, Franklin Borough experienced a precipitous decline in two of its major revenue sources – property and earned income taxes. For the period 1988-2016, property tax collections ranged from \$132,692 to \$38,436 or a decrease of \$94,256 or 71% (Table 2). Earned income tax collections went from a high of \$207,258 in 2000 to \$29,680 in 2011, or a decrease of \$177,578 or 86% (Table 2). For 2016 earned income tax collections are \$35,053 and are attributable to the new consolidated earned income tax collection system instituted in 2012 statewide.

At its peak in 2000 the additional revenue from the higher rates generated approximately \$150,000 – \$175,000 annually mainly from non-residents employed at the Freight Car

America plant. The variation in earned income tax revenue was due to the Borough's third party collector who made inconsistent and untimely distributions of earned income tax payments that were regularly two to three quarters late even though the Borough constantly made requests for more frequent receipt of funds.

The Borough continues to experience difficulty meeting operating expenses, even with the additional earned income tax revenue. The major reason for the decline in earned income tax revenue in recent years has been the downsizing, layoffs and ultimate closing of Freight Car America plant, a manufacturer of train cars in 2008. At its peak it employed over 1,500 workers most of whom were non-residents in 1994.

The Borough instituted the levy of a higher earned income tax under authority of Act 47 in mid-1997 on both residents and non-residents. From 1998 through 2016 the Borough experienced a loss of over \$60,000 in non-resident earned income tax revenue alone. Consequently the amount of non-resident earned tax revenue the Borough now receives is negligible and has forced further cuts in expenditures in areas where there is little left to reduce. The Borough received a reduced amount of earned income tax in 2009 that included non-resident earned income tax revenue from severance payments received by laid-off workers in the last quarter of 2008. Earned income tax revenue further diminished in 2010 and leveled off in the mid-30s range in 2014 and 2015, peaking in 2012 at \$53,321.

Real estate and earned income taxes collectively (\$82,751) comprised 33% of revenue in 2016 (\$247,813) compared to 42% (\$95,232) in 2009 (\$228,541). Both taxes will continue to generate less revenue until tax base growth occurs through revitalization of existing industrial property which produced the majority of the Borough's property and earned income revenue.

The Local Services Tax (LST) formally the occupation privilege Tax (OPT) provides the best measurement of employment in the Borough. During the early 1990s the tax reflected employment of over 2,000 workers in the Borough most of whom were employed at the former Bethlehem Steel facility. The occupation privilege tax then declined in the late 1990s and reached a low in 2002 that reflected employment of

approximately 300 people. With the operation transferred to a new company, employment increased from 2003 – 2006 to approximately 600 before declining from 2007 – 2009. Employment in Franklin in 2009 evidenced by occupation privilege tax collections of only \$440 was less than 100 reflecting the closure of the Freight Car America plant.

Expenditures

As the Borough eliminated staff and changed from being a direct provider of services to obtaining services contractually or on an intergovernmental basis, audit data indicated that total expenditures decreased from \$335,140 in 1988 to \$258,279 in 2016 or 23% (Table 2). The greatest decrease occurred in general government administration which declined \$127,048 from \$164,800 in 1988 to \$23,813 in 2016 or 86%. General government administration went from 49% to 9% of expenditures. Insurance and benefits also decreased during this period by \$43,157 from \$65,273 in 1988 to \$22,116 in 2016 or 34%. Insurance and benefits went from 19% to 9% of expenditures. Street expenditures increased \$12,989 from \$45,537 in 1988 to \$58,526 in 2016 or 22%. Street expenditures increased from 14% to 23% of expenditures.

Police service costs throughout the recovery plan period went from \$19,398 in 1988 to a high of \$25,500 in 2004 to \$18,000 in 2016. Police service costs went from being 6% to 7% of expenditures. During the same period, wastewater/sewage costs stayed at 3% of expenditures. The Borough is currently implementing a DEP consent order to remove inflow/infiltration from their sewage collection system relative to certain capital expenditures to upgrade the system. Treatment is provided through the Johnstown Redevelopment Authority regional wastewater treatment plant.

Refuse collection went from \$8,890 in 1988 to \$15,408 in 2016, an increase of \$6,518 and is now 6% of expenditures. The increase can primarily be attributed to increased disposal costs from the third party private hauler.

In summary, revenues kept pace with expenditure levels in sixteen out of twenty-nine years the Borough has been in Act 47. Table 2 illustrates that over this period revenues have decreased 77% while expenditures have decreased 45%. The Borough has experienced an operating deficit when taking into account all governmental funds in fourteen of the last twenty-nine years including 2016. The Borough continues to be challenged to operate and end the fiscal year with a balanced budget because of the continued decline in its tax base upon which it draws revenue to provide minimal services. Although the Borough is pursuing economic and community development initiatives to rebuild and strengthen its tax base, it is not realistic to expect expansion of the existing base to occur in the short-term to support natural revenue growth.

SECTION 3 REPAYMENT OF ACT 47 LOAN OF \$135,000

The Borough of Franklin received a loan from the then Department of Community Affairs in the amount of \$135,000 in 1989 under the then Financially Distressed Municipalities Act, Act 47 of 1987, as amended. The purpose of the loan was to pay unfunded current operating obligations at the time Franklin entered the Act 47 program. The loan is non-interest bearing and call for annual installments on July 31 of each year beginning in 1990. Payments are fixed at \$5,000 per year through July 31, 1998, \$10,000 per year from July 31, 1999 through July 31, 2004 and \$15,000 per year from July 31, 2005 through July 31, 2007. The obligation of the Borough to make payment under this note is a general obligation to which the full faith and credit and taxing power are pledged.

As part of the financial management recovery plan instituted in 1997, the Department of Community and Economic Development (DCED) permitted the Borough to defer the required July 31, 1997 payment by one year. In addition, approval had been given by the

Department to reduce the 2003 required payment from \$10,000 to \$5,000. As a result of this deferral, the payment schedule and maturity date was extended by one year to July 31, 2008. As of June 30, 2009, the principal unpaid balance due is approximately \$49,990.

Based upon information provided by the DCED Comptroller's Office, the Borough is delinquent on this loan in the amount of \$49,990. A repayment schedule was provided in amendments to the most recent recovery plan of the outstanding balance of \$49,990 of \$5,000 a year or \$416.67 a month with the final payment due in 2022. Franklin Borough has made no payment toward the delinquent loan to DCED since 2008.

In effect, the Borough's inability to make payment on the delinquent Act 47 DCED loan is symptomatic of its non-viability as a municipality as a central issue identified in the original and subsequent amendments to the recovery plan since 1988 as well as this exit plan.

SECTION 4
CHANGES IN FUND BALANCE
GENERAL AND SPECIAL REVENUE FUNDS
1987 – 2016

Fund balance historical trends of 1987 – 2016 for the general and special revenue funds indicate that over the twenty-nine year period since Franklin Borough entered the Act 47 program in 1988, data on Table 3 includes revenues, expenditures and excess/deficiency as of December 31. Over the twenty-nine year period Franklin experienced an excess of revenue over expenditures in fifteen of the twenty-nine years and conversely, experienced an operating deficit in fourteen of the twenty-nine years. An excess of revenue over expenditures ranged from a high of \$147,803 in 1990 to a low of \$661 in 1997. Conversely a deficiency of expenditures over revenue ranged from a high of (\$129,268) in 1988, the first year in Act 47, to a low of (\$139) in 2013.

A majority of operating deficits or eleven out of fourteen occurred from 2001 through 2016, ranging from (\$114,049) in 2001 to (\$139) in 2013. The average operating deficit is (\$29,922). Operating deficits ranged from 39% of expenditures in 1988 to .07% in 2013 over the twenty-nine year period. The average is 14%. Fund balance data available over the nineteen year period (1996 – 2016) indicate an overall decreasing amount, peaking at a high of \$202,621 in 2000 to a low of \$18,981 in 2003, leveling off at \$40,470 in 2015 and \$14,298 in 2016, the fourth lowest level.

A concerning trend is the Borough ran increasingly higher operating deficits from 2013 – 2016 of (\$139), (\$9,053), (\$35,850) and (\$14,298) respectively. The corresponding percentage effect is .07%, 5%, 19% and 6% of expenditures with a tax base that continues to decline questioning the Borough's viability.

SECTION 5 CONCLUSION AND RECOMMENDATION

This report recommends that a three-year exit plan is warranted as set forth in Act 47, the Municipalities Financial Recovery Act, Section 255 based upon the financial information presented above and documented history of Franklin Borough's involvement in the distressed communities program since 1988. Franklin Borough is in no position to have the distress designation rescinded or terminated at this time.

The viability of Franklin Borough continues to be a central issue. The Coordinator's Report in recommending a three-year exit report is providing a window of opportunity to secure a willing merger partner with an adjacent municipality. At the end of the three-year exit plan period the Borough is expected to wind down the higher earned income tax rate under Act 47 to 1.0%. The distress designation will cease and Franklin will exit the Act 47 program.

The Borough is at a crossroad and in a transition period as an Act 47 municipality that has been in the distressed communities program since 1988. The Coordinator Report documents the Borough's participation and actions taken to try to alleviate the conditions

present at the time Franklin was designated an Act 47 municipality and continue to exist currently. The need to redevelop and revitalize the tax base to generate new and additional revenue to support municipal services is critical and necessary to restore Franklin's viability.

FRANKLIN BOROUGH FINANCIAL TABLES
1987 - 2016

**Borough of Franklin
Table 2**

Revenues and Expenditures 1987 - 2016

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Revenues														
Real Estate Tax	132,692	144,758	147,205	144,750	149,696	148,732	147,451	122,075	109,137	81,608	67,491	63,873	62,512	61,646
Act 511 Taxes														
Earned Income	10,034	10,809	12,622	12,878	12,841	11,292	9,216	9,725	14,342	11,670	14,383	89,641	160,818	207,258
Occ Priv/LST	7,222	9,826	11,150	10,135	11,339	9,890	5,677	7,743	8,474	4,779	4,500	5,730	7,109	6,144
Realty Transfer	84	308	89	299	10,644	471	928	270	442	365	436	1,197	21,264	417
Licenses and Permits	2,641	6,744	850	1,490	1,696	1,693	1,773	1,315	1,924	1,555	3,540	3,764	4,044	4,234
Fines & Forfeits	1,164	1,864	3,261	3,072	3,672	1,256	1,782	584	633	738	533	3,227	2,790	3,227
Interest & Rents	6,743	5,426	9,680	12,940	12,581	7,036	4,655	3,433	6,340	4,322	5,904	6,677	10,621	14,294
Intergovernmental Revenues	221	16,096	69,140	330,235	153,006	447,246	59,247	110,072	118,500	10,405	43,046	35,053	60,715	42,601
Charges for Service	6,536	8,145	12,001	13,762	16,016	16,212	17,008	13,514	23,230	28,914	20,429	23,357	18,963	17,640
Unclassified Operating Revenue	2,322	1,896	13,152	2,203	6,037	2,836	1,898	3,999	13,747	18,923	3,356	2,645	4,534	2,040
Other Financing Sources	0	0	0	0	0	0	0	0	0	0	0	0	41,536	0
Totals	169,659	205,872	279,150	531,764	377,528	646,664	249,635	272,730	296,769	163,279	163,618	235,164	394,906	359,501
Expenditures														
General Government	25,747	164,800	100,759	41,888	35,379	42,705	52,974	46,167	41,313	48,563	39,594	41,422	38,870	51,314
Police	22,486	19,398	20,362	17,987	20,316	18,179	21,000	21,600	21,000	22,750	15,750	24,500	15,583	17,039
Fire	711	0	5,880	7,558	8,800	8,328	10,001	7,894	13,566	8,830	4,306	4,912	28,743	5,632
Streets	36,439	45,537	58,753	129,268	52,830	49,300	53,760	48,147	41,063	52,880	68,049	49,895	63,128	92,491
Refuse Collection	5,985	8,890	11,445	17,591	15,063	13,699	14,205	15,089	23,522	20,837	10,743	20,901	13,790	14,270
Wastewater/Sewage	41	128	92	0	0	0	0	0	1,168	1,268	112	6,447	679	1,837
Culture/Recreation	764	740	767	5,812	0	1,069	81	326	6,391	408	188	144	1,082	904
Community Development	0	0	0	0	0	0	0	0	0	0	0	2,986	23,272	20,668
Debt Service	22,763	30,374	22,501	17,217	12,649	89,899	4,717	765	0	1,881	2,861	11,055	14,123	42,679
Insurance/ Employee Benefits	29,469	65,273	25,953	121,529	20,257	19,969	53,976	121,679	153,902	40,812	21,354	28,778	19,098	22,352
Capital	0	0	0	25,111	266,306	33,706	17,962	5,879	1,718	7,125	0	0	100,286	0
Other Financing Uses											0	0	0	0
Totals	144,405	335,140	246,512	383,961	431,600	276,854	228,676	267,546	303,643	205,354	162,957	191,040	318,654	269,186

FRANKLIN BOROUGH FINANCIAL TABLES
1987 - 2016

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
54,924	40,367	36,623	116,251	53,046	55,546	54,240	63,809	62,646	61,408	53,734	40,167	38,457	44,885	38,436	47,698
77,286	42,015	69,447	49,717	76,069	118,641	68,386	35,592	32,586	29,505	29,680	53,321	44,170	36,454	34,006	35,053
2,416	1,474	1,919	3,470	3,859	2,868	1,999	647	182	115	95	953	211	228	104	243
251	391	1,487	2,149	838	629	1,637	635	682	4,295	691	270	635	276	823	1,007
4,476	4,665	4,561	4,508	4,210	4,620	4,543	4,994	5,106	4,377	4,274	4,323	4,690	4,765	4,829	4,776
3,062	1,038	646	1,597	2,549	2,235	2,307	2,176	2,013	1,203	2,583	2,602	3,639	3,520	1,635	1,309
8,367	4,900	4,792	5,837	9,135	11,887	9,460	9,782	7,002	7,376	9,195	7,913	9,436	10,739	6,569	8,091
26,177	62,765	42,708	170,221	156,338	30,106	233,256	86,839	85,331	20,405	11,703	42,283	24,078	21,560	15,254	11,691
20,435	17,486	19,987	17,203	19,327	11,786	19,901	22,432	21,581	23,462	45,204	56,250	57,869	52,590	48,015	57,037
0	0	0	565	150	5,425	200	300	412	100	185	6,191	5,000	100	100	221
3,850	2,505	1,760	58,100	5,900	0	0	12,919	11,000	4,684	0	0	6,200	0	0	91,000
201,244	177,606	183,930	429,618	331,421	243,743	395,929	240,125	228,541	156,930	157,337	214,276	190,146	175,117	149,774	258,162
50,325	40,563	47,483	63,105	41,716	66,221	62,321	55,165	44,778	42,665	37,752	45,924	62,079	64,746	47,712	136,911
19,361	15,623	8,600	25,500	18,000	18,205	20,105	20,325	18,333	19,924	16,405	15,999	20,305	11,144	18,909	18,000
19,278	5,964	6,033	5,676	7,574	5,818	5,361	5,682	5,436	6,144	5,973	4,921	4,177	4,784	4,064	3,412
164,984	68,486	83,975	73,942	101,053	57,921	59,703	59,270	48,992	49,499	55,069	55,839	53,205	57,535	56,964	58,526
17,976	16,250	7,566	22,599	15,279	15,086	16,500	18,731	21,056	23,271	13,041	14,750	17,166	12,217	13,234	15,408
5,370	350	300	1,932	3,003	3,667	66,002	30,917	67,648	1,903	835	34,722	65	11,381	14,376	7,114
5,952	13,888	632	0	192	0	143	7,000	80	0	0	0	155	285	15	0
1,061	29,923	30,409	145,134	133,170	0	146,078	29,930	0	0	0	0	0	0	0	0
10,000	5,000	0	5,000	5,000	5,000	5,000	5,000	0	15,000	0	0	0	0	3,695	10,973
20,986	23,210	24,368	26,028	26,742	26,402	25,025	23,431	21,302	18,449	22,721	17,562	25,661	14,464	26,655	22,116
0	0	0	0	0	0	0	0	0	0	0	176	0	29,955	2,284	
0	2,505	0	0	4,400	0	0	0	0	0	0	0	7,472	7,614	0	
315,293	221,762	209,366	368,916	356,129	198,320	406,238	255,451	227,625	176,855	151,796	194,557	190,285	214,125	187,908	272,460

Borough of Franklin 1987 - 2016

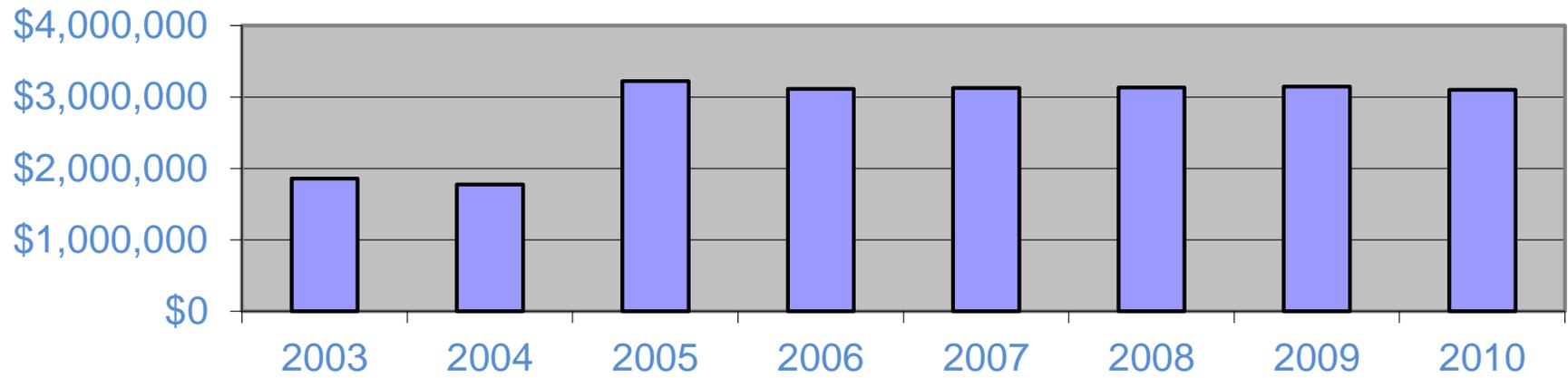
Table 3

Fund Balance History - All Governmental Funds

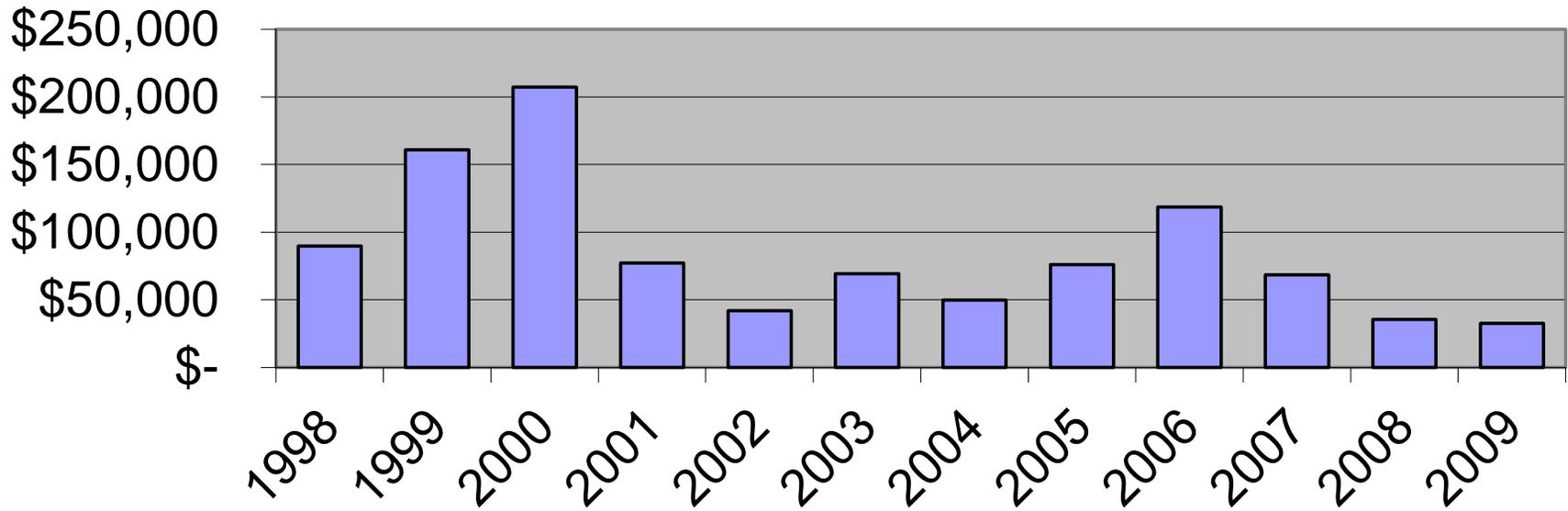
	Revenues	Expenditures	Excess/ (Deficiency)	OFS/OFU	Operating Transfers In/(Out)	Net OFS/OFU	12/31 Fund Balance
1987	169,659	144,405	25,254				
1988	205,872	335,140	-129,268				
1989	279,150	246,512	32,638				
1990	531,764	383,961	147,803				
1991	377,528	431,600	-54,072				
1992	646,664	276,854	369,810				
1993	249,635	228,676	20,959			0	
1994	272,730	267,546	5,184			0	
1995	296,769	303,643	-6,874			0	
1996	163,279	205,354	-42,075			0	
1997	163,618	162,957	661	0	0	0	-8,494
1998	235,164	191,040	44,124	0	0	0	31,878
1999	394,906	318,654	76,252	0	0	0	107,224
2000	359,501	269,186	90,315	0	0	0	195,474
2001	201,244	315,293	-114,049	0	0	0	80,110
2002	177,606	221,762	-44,156	2,505	-2,505	0	33,514
2003	183,930	209,366	-25,436	0	0	0	15,453
2004	429,618	368,916	60,702	0	58,100	58,100	76,815
2005	331,421	356,129	-24,708	4,400	-4,400	0	46,662
2006	243,743	198,320	45,423	0	0	0	90,941
2007	395,929	406,238	-10,309	0	0	0	79,122
2008	240,125	255,451	-15,326	0	0	0	62,002
2009	228,618	227,625	993	0	0	0	75,514
2010	156,930	176,855	-19,855	4,684	0	0	41,953
2011	157,337	151,796	5,541	0	0	0	61,129
2012	214,276	189,893	24,383	0	0	0	85,512
2013	190,146	190,285	-139	0	0	0	85,373
2014	175,117	184,170	-9,053	0	0	0	76,320
2015	149,774	185,624	-35,850	0	0	0	40,470
2016	258,162	272,460	-14,298	0	0	0	26,172

Source: Annual Audit & Financial Reports 1987 - 2016

Assessed Value



EIT



FRANKLIN BOROUGH
 ACTUAL REVENUES - 2011 - 2015
 2017 - 2020 BUDGET PROJECTIONS

2016 BUDGET PROJECTIONS

	2011 Audit	2012 Audit	2013 Audit	2014 Audit	2015 Audit	2016 Budget	2017 Budget	2018 Projections	2019 Projections	2020 Projections
REVENUE										
TAXES										
Real Estate-Current/Prior Earned Income Tax-Resident and Non-Resident	\$53,734	40,167	38,457	44,885	38,436	61,819	60,850	50,000	50,000	50,000
Local Services Tax	29,680	53,321	44,170	36,454	34,006	23,000	23,000	30,000	30,000	30,000
Real Estate Transfer Tax	95	953	211	228	104	2,840	1,600	100	100	100
TOTAL	691	270	635	276	823	700	800	500	500	500
LICENSES & PERMITS	84,200	94,711	83,473	81,843	73,369	88,359	86,250	80,600	80,600	80,600
FINES & FORFEITS	4,274	4,323	4,690	4,765	4,829	4,450	4,850	4,500	4,500	4,500
INTEREST & RENTS	2,583	2,602	3,639	3,520	1,635	3,200	2,600	1,800	1,800	1,800
INTERGOVERNMENTAL REVENUE	9,195	8,133	9,436	10,739	6,572	7,305	7,500	6,500	6,500	6,500
DEPARTMENTAL REVENUE	11,703	42,283	15,039	21,560	15,254	15,102	16,669	15,000	15,000	15,000
OTHER	45,204	56,250	57,869	52,590	48,015	14,650	16,925	30,000	30,000	30,000
TOTAL REVENUES	\$185	6,191	16,000	100	100	0	14,975	500	500	500
TOTAL REVENUES	\$157,522	214,493	190,146	175,117	149,774	149,966	149,769	138,900	138,900	138,900

FRANKLIN BOROUGH
 ACTUAL EXPENDITURES - 2011 - 2015
 2017 - 2020 EXPENDITURE PROJECTIONS

	2011 Audit	2012 Audit	2013 Audit	2014 Audit	2015 Audit	2016 Budget	2017 Budget	2018 Projections	2019 Projections	2020 Projections
EXPENDITURES										
GENERAL GOVERNMENT ADMINISTRATION	23,190	25,835	24,987	20,242	27,023	23,300	25,987	20,000	20,000	20,000
MUNICIPAL BUILDING	14,562	20,089	37,092	44,504	19,789	11,510	10,277	11,000	11,000	11,000
PUBLIC SAFETY	22,378	20,920	24,482	15,928	22,973	26,100	22,900	24,300	24,300	24,300
SANITATION	13,876	49,472	17,231	23,598	27,610	13,528	14,500	14,500	14,500	14,500
HIGHWAYS/SEWERS	45,070	45,219	43,005	49,564	44,766	35,052	35,450	30,000	30,000	30,000
ELECTRICITY (Liquid Fuels)	9,999	10,620	10,200	7,971	12,198	8,000	9,500	8,000	8,000	8,000
DEBT SERVICE	0	0	2,959	0	3,695	7,787	6,000	11,000	11,000	11,000
INSURANCE/EMPLOYEE BENEFITS	22,721	17,562	25,661	14,464	26,655	23,769	25,140	20,000	20,000	20,000
OTHER	0	176	12,427	7,899	0	920	15	100	100	100
TOTAL EXPENDITURES	151,796	189,893	198,044	184,170	185,609	149,966	149,769	138,900	138,900	138,900

Audit figures for 2011-2015 are based on the real estate tax rate of 20.5 mills.

The earned income tax rate for residents is remaining at 1.4% and the earned income tax rate for non-residents is staying at 1.3%. The refuse collection fee will be kept at \$140/year/unit. Sewer system line maintenance service fee will increase to \$240/year/unit in 2011 and will remain at that level through 2020.

Expenditures are anticipated to level off with a slight decrease because of the need to support service delivery, administrative and other operational costs.

2016 real estate millage rate increased to 24.5 mills to pay debt service for a new borough building roof going forward.