

GFOA Presentation

May 19, 2024

Wheatland Borough and City of Hermitage Merger



PENNSYLVANIA

ECONOMY LEAGUE
Information, Insight, Integrity.

Wheatland Borough Historical Overview

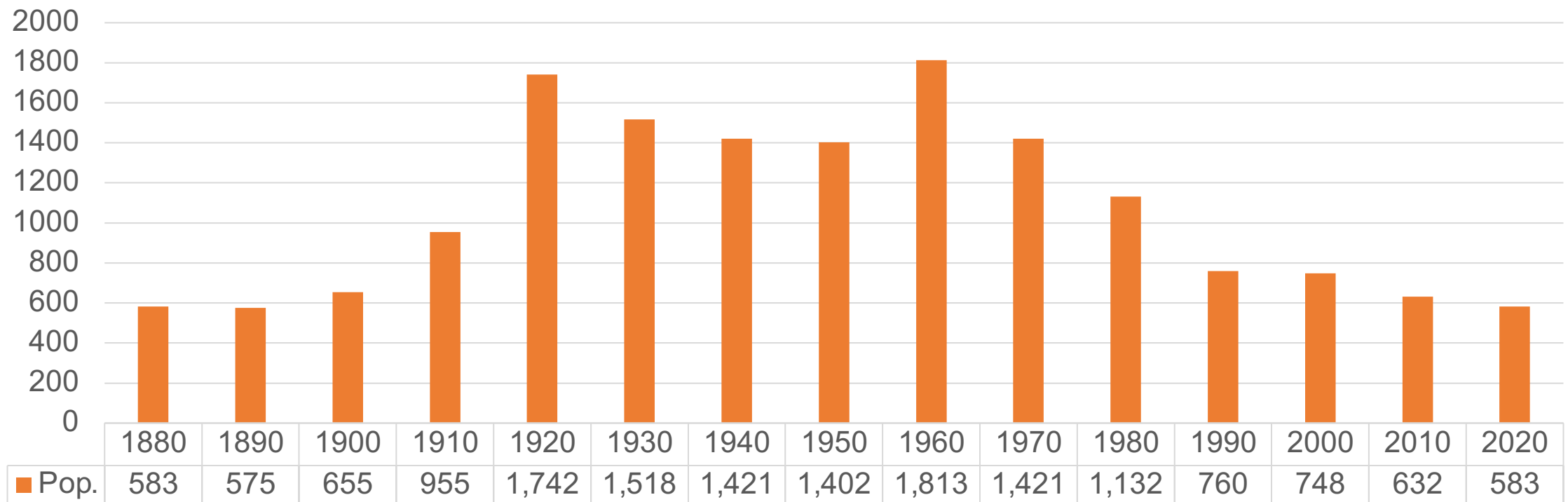
- Mercer County municipality incorporated in 1872
- 0.9 square miles
- Near Ohio border approximately 70 miles northwest of Pittsburgh
- Operated under state Borough Code with seven-member council and weak mayor structure
- Historically, three full-time employees including full-time secretary-treasurer and public works
- Other services including police provided by contract with neighboring municipality or third-party vendor



Wheatland Borough Demographics

- Population drop between 1980 and 1990 coincides with 1985 tornado
- Wealth measurements lower than county and state

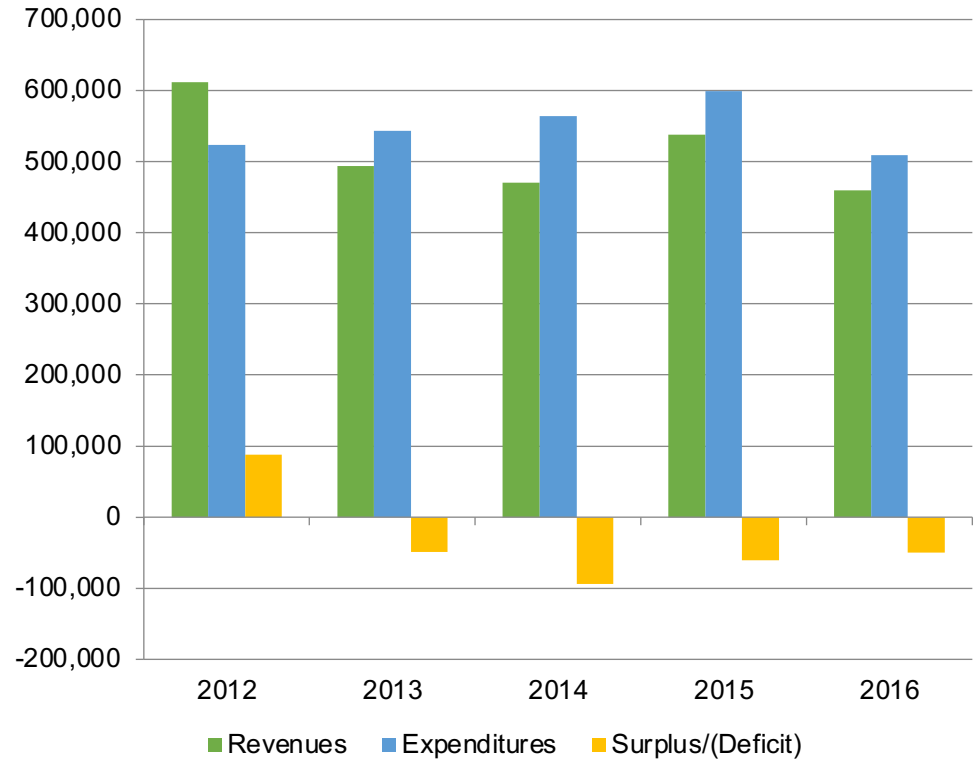
Wheatland Borough Population
1880 to 2020





Merger Phase I 2017 to 2018

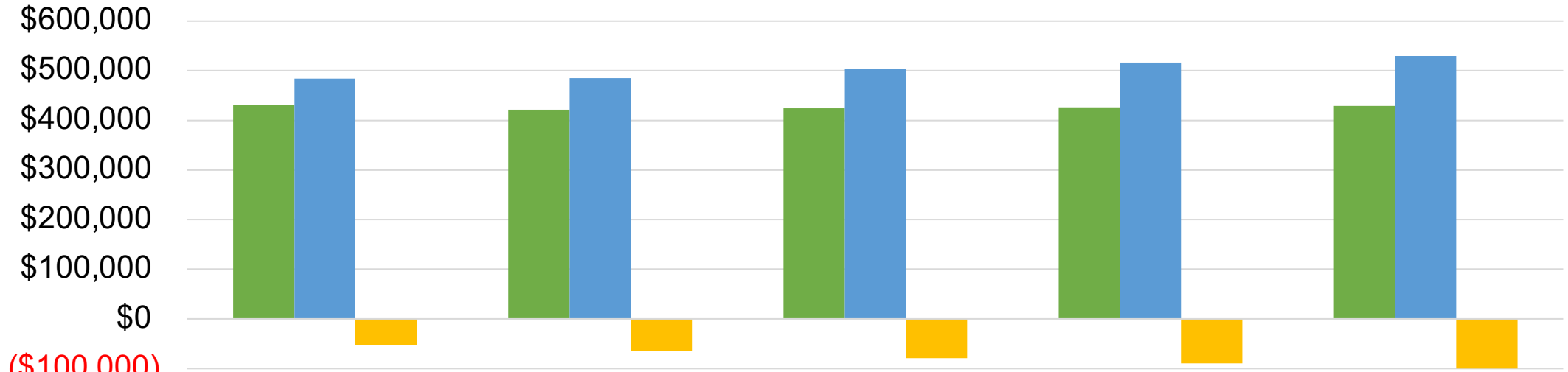
Historical Finance Review 2012 to 2016



Wheatland Borough PEL Early Intervention Process 2017

- Entire public works two-person crew resigned
- Deficits in four out of five prior years
- 20% decline in tax revenue over period
 - Property tax revenue fell from 2015 to 2016 despite 2015 millage increase
 - Large decrease in EIT due to industry closure
- Expenditure increase driven by health insurance up 55%

Wheatland Borough EIP Projections, 2018 to 2022



(\$100,000)
(\$200,000)

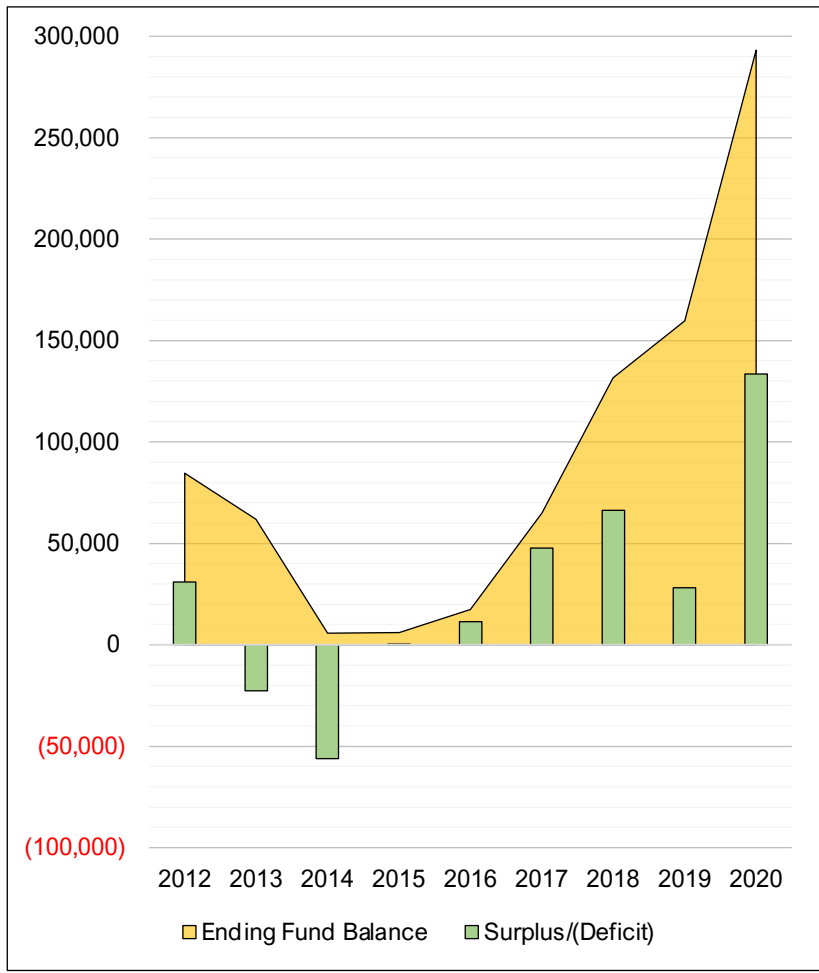
	Estimated 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
■ Revenues	\$431,338	\$421,556	\$424,143	\$426,752	\$429,382
■ Expenditures	483,808	485,339	503,778	516,598	529,933
■ Surplus/(Deficit)	(\$52,470)	(\$63,783)	(\$79,635)	(\$89,846)	(\$100,551)

Wheatland Borough Key EIP Recommendations

- Contract with neighboring city of Hermitage to provide public works services
 - Hermitage already contracted for police
 - DCED provided three-year grant to assist with costs
- Consider home rule for tax flexibility
 - EIT declined because of industry closure but generally grows more than property taxes
 - Ohio residents working in the borough pay EIT



Merger Phase II
2019 to 2021



Wheatland Borough EIP Implementation

- Received \$100,000+ STMP grant to contract public works services from Hermitage
 - Funded at 75%, 50% and 25% of costs over 3 years
 - Reduced service costs improved finances
- Approved home rule charter
 - Resident EIT raised from 0.5% to 1%
- Staff reduced to one part-time secretary
- All services are outsourced
- Surpluses develop and fund balance increases
- Improved borough finances make it an attractive merger partner

Wheatland Long Term Financial Concerns 2021

- Real estate tax collection rates declined slightly as rates increased.
- Flat property assessment trends meant no natural growth in borough's largest revenue source.
 - Total assessed value in 2020 was *lower* than in 2005
- End of DCED grant funding.
 - Offset \$122,500 of expenditures over 3 years.
- History of General Fund spending needed to offset limited sewer revenues for pump station/system repairs.





Merger Phase III
2021 to 2022

Wheatland Borough and City of Hermitage Merger Study

- STMP Phase III grant used for merger study
- Reviewed historical financials and projected financials
- Examined implications to other services like fire and refuse
- Discussed history of mergers, challenges and factors for success
- Reviewed assets of the two communities
- Made public presentations to the Hermitage and Wheatland communities
- Officials from both municipalities were supportive of process and spoke in support at the public meetings



Difference in Tax Structure

Tax	Wheatland	Hermitage
Real Estate Tax - General Purpose (mills)	22.92	5.00
Real Estate Tax - Pensions and Retirement (mills)	0.50	-
Real Estate Tax - Street Lighting (mills)	1.33	-
Real Estate Tax - Total (mills)	24.75	5.00
Earned Income Tax - Resident (%)	1.00	1.75
Earned Income Tax - Nonresident (%)	1.00	1.00
Local Services Tax (\$)	47.00	47.00
Realty Transfer Tax (%)	1.00	1.50
Per Capita Tax (\$)	5.00	20.00
Mercantile/Business Privilege Taxes - Flat Rate (\$)	-	200.00
Mechanical Devices Tax (\$)	50.00	50.00
Occupation Tax (\$)	5.00	-

Wheatland Real Estate Tax and EIT Implications

Real Estate Taxes

- Savings for property owners, residential and non-residential (e.g., commercial and industrial)
- No direct impact on renters

Earned Income Taxes

- Higher EIT for Wheatland residents with earned income.
- No impact on income derived from Social Security or retirement disbursements (e.g., pensions, 401(k), etc.) which are not taxable via EIT.
- No impact on Ohio commuters paying non-resident EIT.

Wheatland Borough Merger Benefits

Larger Tax Base

- Hermitage has not raised property taxes in 31 years
- Consolidates existing industrial corridor in one municipality
- Attract new development with lower property taxes

Access to City Services

- Library, parks and recreation
- Professional municipal management

Volunteer Fire

- Anticipated to come under Hermitage fire umbrella
- Can retain name
- Training improvements

Wheatland Borough Merger Benefits

Sanitation

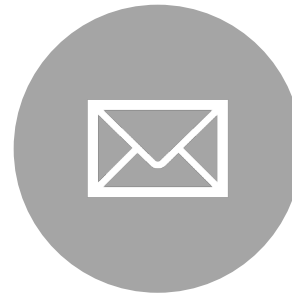
- Same vendor (Tri-County Industries)
- Slightly higher price for higher service level
- Service includes three 95-gallon toters
 - One garbage, one recycling, one yard waste
- Recycling services included
- Option for smaller toters at slightly reduced price



Wheatland Borough Areas of Consistency



“Wheatland” identity
and branding will not
disappear



Same School District



Same Mailing
Address/Post Office



Planned use of
Wheatland Borough
Hall/Fire House

City of Hermitage Merger Impact

General Fund Impacts

Added tax base and state liquid fuels funds will exceed the combined impact of:

- Lost revenue from police & public works contracts.
- Extra expenditures for maintenance, repair, and insuring transferred capital assets.
- Added revenues will likely outpace anticipated expenditures by between **\$10,000 and \$90,000 annually**

Capital Fund and Sewer

- Additional ~\$40,000 in Local Service Tax (LST) revenue annually based on current employment within Wheatland.
- Additional ~ \$25,000 - \$30,000 in sewer charge revenues to fund pump station operating expenses and conveyance system capital costs.

Merger Process



- Merger process by joint agreement of Wheatland and Hermitage
- Joint Agreement requirements
 - Name, boundaries, class of merged municipality
 - Financial arrangements
 - Develop transition plan and schedule for elected officers.
 - Provide for common administration and uniform enforcement of ordinances.
 - Provide for uniform tax system.
- A public referendum on the joint agreement takes place at least 13 weeks after approval by the governing bodies.
- Joint agreement placed on the November 2022 general election ballot.
- Municipalities continue to be governed as before merger until the date stipulated in the transitional plan and schedule provided for in the joint agreement.