

POTTSTOWN CITIZENS FOR Enlightened LEADERSHIP

Precarious financial situation

This is the time of year borough administrators start to prepare the 2019 budget. It will be painful.

Pottstown's tax base continues to deteriorate, and expenses are projected to increase.

Next year, Pottstown police officers will receive a 3.5 percent pay increase in the last year of a three-year contract that raised salaries a total of 10.25 percent.

Meanwhile, borough pension costs will skyrocket next year by about \$1 million.

Borough police and non-uniformed workers have defined benefit pension plans. Because people are living longer, the borough's actuary instructed it to set aside more money for payments covering longer lifespans.

Also, the borough previously made unrealistic assumptions about pension fund earnings, which have been far below projections. The borough recently hired a new investment management firm in hopes of getting better returns.

Police officers and their dependents receive health insurance benefits for life in addition to their pensions, and the borough pays those premiums out of the general fund. The

borough auditor says taxpayers currently face an unfunded liability for health benefits of nearly \$29 million.

This year, the borough raised taxes 12 percent. Without substantial layoffs, it's hard to see how another tax increase can be avoided in 2019.

Of the 62 municipalities in Montgomery County, only Norristown and Bridgeport have higher taxes than Pottstown.

But most local revenue is collected by the Pottstown School District, which levies nearly 70 percent of borough real estate taxes. Salaries and benefits comprise about two-thirds of the budget. The district is in the last year of a three-year contract with its teachers and will soon negotiate a new contract to take effect in September 2019.

Unlike the borough, the school district receives a substantial amount of its funding — 42 percent — from the state.

Under a fair funding formula approved by the legislature in 2016 — but not implemented — Pottstown would receive \$13 million more annually from the state. However, because 363 school districts would lose money under the new formula and only 137 would gain money, it's not likely to be implemented without a court order.

Rather than indulge in wishful thinking about the increased revenues it might receive from the state someday, the district needs to hold the line on spending now.

As the chart at left shows, Pottstown ranks sixth of 500 school districts in taxation.

We're near the bottom fifth in wealth, but spend more, per pupil, than two-thirds of the districts in Pennsylvania.

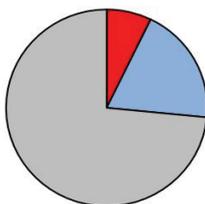
If spending is not reined in, Pottstown will continue its downward cycle of lowered assessments, leading to higher taxes, leading to more lowered assessments.



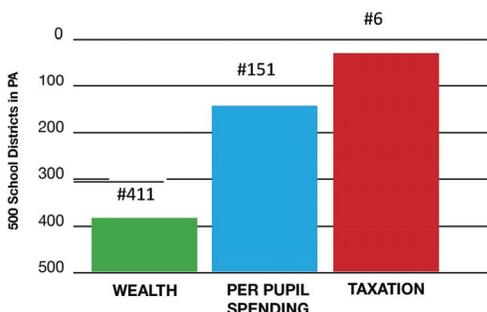
Commentary by
Tom Hylton

Nearly 70 percent of Pottstown's real estate taxes go to the school district.

**County = 3.85 mills
Borough = 11.58 mills
Schools = 40.63 mills**



Pottstown School District spending and taxation levels: Statewide rankings



Pottstown's Tax Base 10-year change	
Year	Total assessments
2009	\$826,475,792
2018	\$772,000,000