

# MT. PENN BOROUGH STRATEGIC AND FINANCIAL CONTEXT

## CONVEYANCE-LEASEBACK DISCUSSIONS





## EDITORS NOTE

This presentation was developed to support long-term strategic planning and public discussion regarding the Borough's financial and operational sustainability. Portions of the narrative structure, summaries, and explanatory content were prepared with the assistance of artificial intelligence-based language tools, including ChatGPT, to support drafting, organization, and clarity. All content generated with AI assistance was reviewed, edited, and validated by Borough staff, and the Borough retains full responsibility for the accuracy, interpretation, and presentation of the information contained herein.

The use of these tools reflects the Borough's commitment to transparency, efficiency, and clear public communication, and does not replace professional judgment, independent analysis, or policy decision-making by Borough Council or affiliated authorities.



## BIG PICTURE

Prevent Mount Penn from ever facing the pressures to sell by removing the conditions that lead to it and to take that option off the table through enforceable legal means.

- Permanent Public Water Protection
  - Prohibition Against Sale
- Financial Stability
  - Lease Payment
  - Long-Term Unified Capital Planning
- Integrated Operations
  - Public Works organization
  - Coordination, synergies, and support

# LONG RUN VISION

1. The Borough is planning for long-term stability, not short-term relief.
2. We identify some of the structural challenges coming over the next decade.
3. Based on adopted planning, forecasting, strategic documents, and research.
4. We identifies these problems to help identify solutions for the future.

## **The Borough's Next 5-years**

- High dependence on the General Fund to deliver essential services.
- Public safety and infrastructure are the core service expectations.
- Limited capacity to absorb financial shocks or service increases without disruption.
  - Unexpected projects; Stormwater failure off Friedensburg Road in 2025 cost nearly \$95K.
  - Fire and Ambulatory Services



# FOUNDATIONAL DOCUMENTS

## **Mt. Penn STMP Study**

1. Long-term mismatch between service obligations and revenue capacity.
2. Growing pressure from:
  - a. Public safety operations,
  - b. Personnel-driven costs,
  - c. Aging infrastructure responsibilities.
3. Identified need for structural—not incremental—adjustments.

## **Five-Year Forecast**

1. Forecast extends the CY 2026 budget under current policies.
2. Recurring operating deficits begin in 2027.
3. Deficits widen each year absent structural change.
4. Confirms the problem is recurring and compounding.
5. Does not account for unexpected events.

## FIVE-YEAR FORECAST (POLICY NEUTRAL, 17.35 MILLS TOTAL)

Summary	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Jan. 1st Balance	524,412	528,023	429,146	234,905	(73,951)
Fund Balance %	18%	21%	16%	8%	-3%
Revenues	2,943,731	2,420,775	2,537,663	2,458,014	2,475,685
Expenditures	(2,940,119)	(2,519,652)	(2,731,904)	(2,766,869)	(2,883,453)
Surplus/Deficit	3,612	(98,877)	(194,241)	(308,855)	(407,768)
Dec. 31st Balance	528,023	429,146	234,905	(73,951)	(481,718)

- Despite starting with adequate reserves, the forecast shows recurring operating deficits that steadily erode fund balance, turning negative by 2029–2030 under current conditions.

## FIVE-YEAR FORECAST (1.00 MILL INCREASE, 21.35 MILLS TOTAL)

Summary	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Jan. 1 <sup>st</sup>	524,412	528,023	520,505	509,603	476,691
Fund Balance %	18%	21%	19%	18%	17%
Revenues	2,943,731	2,512,134	2,721,002	2,733,957	2,844,861
Expenditures	(2,940,119)	(2,519,652)	(2,731,904)	(2,766,869)	(2,883,453)
Surplus/Deficit	3,612	(7,518)	(10,902)	(32,912)	(38,592)
Dec. 31 <sup>st</sup>	528,023	520,505	509,603	476,691	438,099

- The 1.00 mill tax increase forecast shows a marginal decrease in fund balance, but still a healthy fund balance, and features increasing property taxes every year.

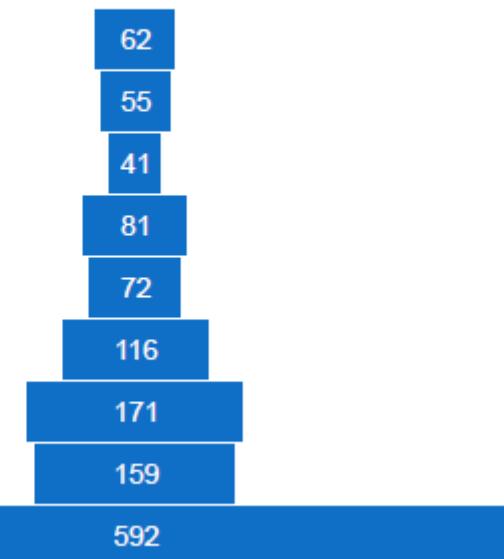
# LOOKING AT OUR HISTORY

## History

- Mt. Penn Borough formed in 1903 from Lower Alsace.
- Borough's began to provide dense areas special powers to build infrastructure as new technology became available.
- Water assets began installation in 1903 and continued with support from Mt. Penn; Authority formed in 1940.
- More than half of existing homes in Mt. Penn built before 1950.
  - Age of homes is important because additional care is required as opposed to newer homes.
  - This pressure influences the effect of transiency in neighborhoods, as turnover contributes to property deterioration.

*Mount Penn Age of Housing Stock,*

Built 2020 or later  
Built 2010 to 2019  
Built 2000 to 2009  
Built 1990 to 1999  
Built 1980 to 1989  
Built 1970 to 1979  
Built 1960 to 1969  
Built 1950 to 1959  
Built 1940 to 1949  
Built 1939 or earlier



# HOUSING CHALLENGE

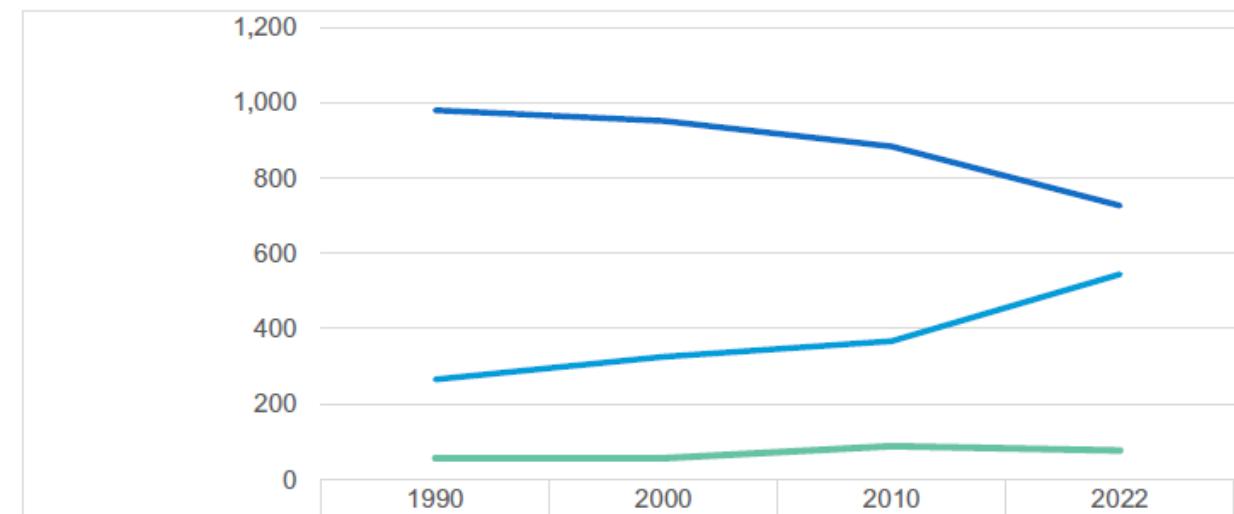
## Escalating Changes Post-Great Recession

- Homebuilding slowed down around the recession and the ability to buy was limited which increased pressures to rent property.
- In Mount Penn, limited land and older housing make rentals a feasible reinvestment option.
- Property tax increases fall most heavily on owner-occupied and entry-level homes.
- Higher ownership costs discourage first-time buyers and accelerate rental conversion.
  - This is especially true for multi-unit conversions.
- The result is a reinforcing cycle: more rentals, fewer homeowners, and long-term instability

*Owner occupied, renter occupied and vacant housing in Mount Penn, 1990 to 2022*

	Total Housing Units					Percent of Total			
	1990	2000	2010	2022	Change 1990-2022	1990	2000	2010	2022
	#	#	#	#	#	%	%	%	%
Owner Occupied	980	952	884	727	-253	75.2	71.3	65.9	53.9
Renter Occupied	266	326	368	545	279	20.4	24.4	27.4	40.4
Total Occupied	1,246	1,278	1,252	1,272	26	95.6	95.7	93.4	94.3
Vacant	57	57	89	77	20	4.4	4.3	6.6	5.7
Total Units	1,303	1,335	1,341	1,349	46	100.0	100.0	100.0	100.0

*Owner occupied, renter occupied and vacant housing units in Mount Penn, 1990 to 2022*



## BLIGHT AND CRIME

- Residential instability and turnover—more common in rental-dominant areas—are consistently associated with weakened neighborhood social cohesion (“collective efficacy”), limiting informal social control and correlating with higher violence risk in neighborhood studies.
- Research shows that crime and disturbance reports at rental properties are measurably associated with factors like absentee ownership and managerial neglect, not tenancy per se.
- Expanding rental housing without commensurate management standards, code enforcement capacity, and community-building supports can accelerate the feedback loops that strain both codes enforcement and police resources. Addressing this requires not only monitoring rental growth but actively mitigating blight and management risk factors that empirical research ties to higher disorder and crime.
  - (turnover → weakened social cohesion → physical disorder → higher calls for enforcement)

# SYNTHESIS OF THE CHALLENGES

## Putting it All Together

- Property tax increases disproportionately burden owner-occupied and entry-level homes.
- Increasing property taxes incentivize rental conversion, especially multi-unit conversions.
- Increased rental concentration raises residential turnover.
- Higher turnover and absentee management elevate risks of blight, nuisance conditions, and crime, increasing pressure on Codes and Police.
- The result is a self-reinforcing cycle: fewer homeowners, higher service costs, and continued fiscal stress rather than long-term stability.

## Regional Effects

- **School Effect:** Higher residential turnover contributes to school enrollment volatility, classroom crowding, and shifting attendance patterns that directly affect educational quality, planning, and cost.
- **Infrastructure Effect:** Short-distance relocation increases traffic congestion, parking demand, and infrastructure wear, especially along shared corridors and commuter routes.
- **Public Safety Effect:** Concentrated housing instability in the immediate region raises public safety and nuisance risks, including increased calls for service, crime, noise, and property-condition complaints.

# RISKS MOVING FORWARD

## Long-Run Consequences

1. Continued erosion of financial resilience.
2. Repeated tax pressure on homeowners.
3. Increased likelihood of:
  - a. Service compromises,
  - b. Deferred maintenance,
  - c. Crisis-driven decision-making.
4. Gradual erosion of community character and affordability.

## Why Structural Changes Are Being Considered

1. The challenge is:
  - a) Long-term
  - b) Predictable
  - c) Structural
2. Solutions must:
  - a) Improve financial sustainability
  - b) Enhance service delivery
  - c) Strengthen organizational resilience
3. Conveyance-leaseback is being evaluated within this strategic framework.