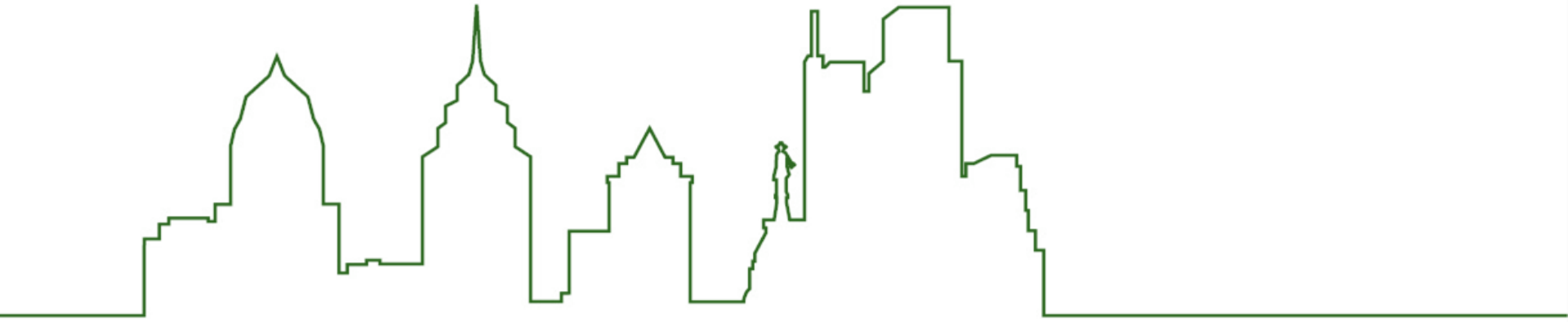
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Financial Projections in the Age of COVID

Bucks County Consortium

June 12, 2020

Contents

- Overview
- Earned Income Tax
- Real Estate Tax
- Realty Transfer Tax
- Business Privilege Tax
- Appendix

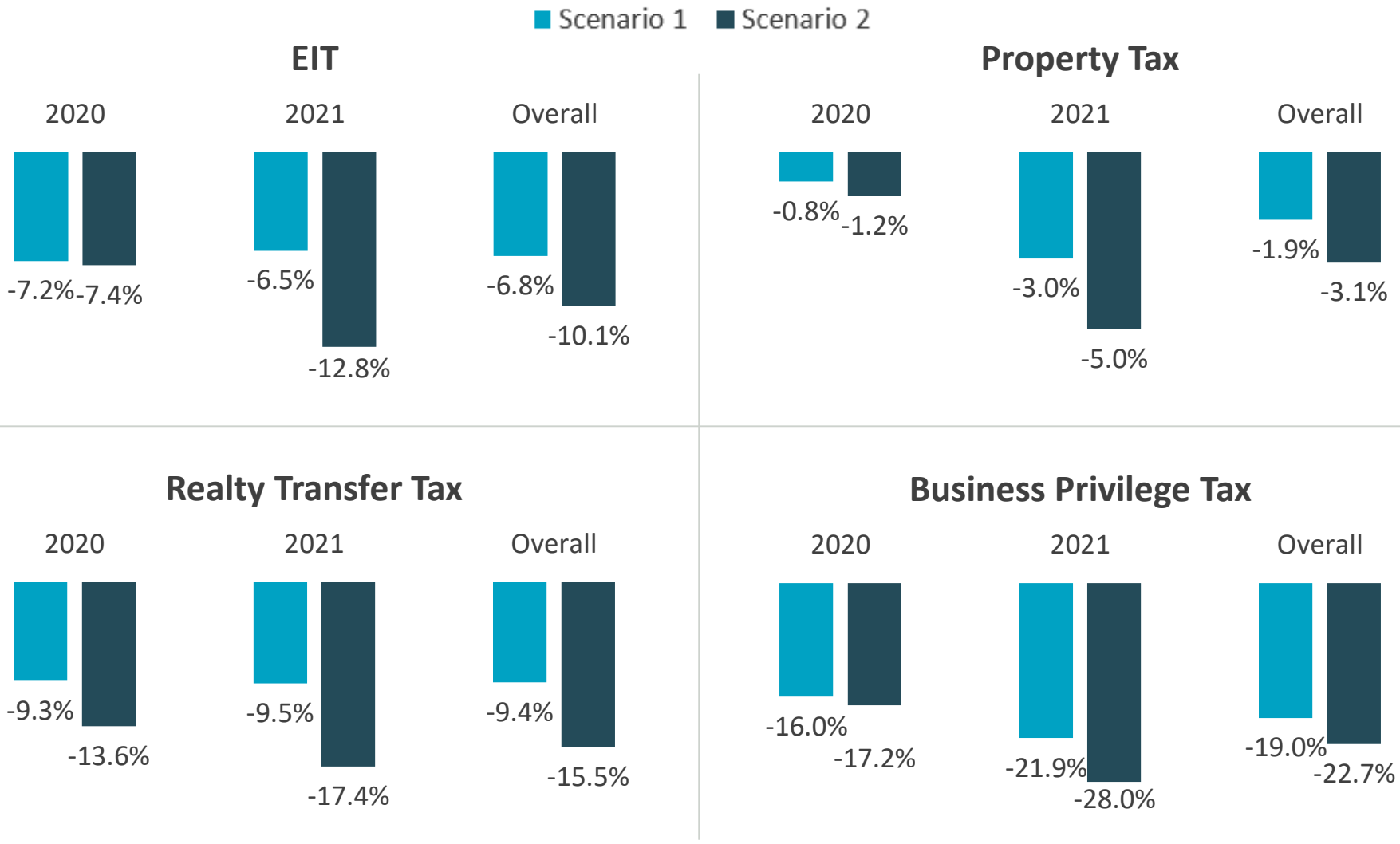
Project Overview

- County wide analysis of actual and projected changes in major revenue sources impacting Consortium members thru end of 2021, based on:
  - Historic budget and monthly tax collections from past 2 years
  - Current monthly tax collection reports
  - Projections of future tax collections, based on potential recovery scenarios
  - Does not include all impacted revenues
- Impact Index to demonstrate those communities most at risk due to scenario projections
- Using best information as of today

Methodology Overview

Baseline Scenario	• Revenue that would be expected in 2020 and 2021 without the COVID-19 crisis • Based on actual 2019 revenues • Annual increases based on average growth and/or typical inflation
Scenario 1	• Assumes “swoosh”-shaped recovery • Worst conditions occur in mid-2020 then gradually begin to improve through December 2021
Scenario 2	• Assumes “W”-shaped recovery • Conditions begin to recover from lowest point of mid-2020, then worsen again for several months before beginning gradual recovery, never achieving “normal” levels through 2021

Summary of Results

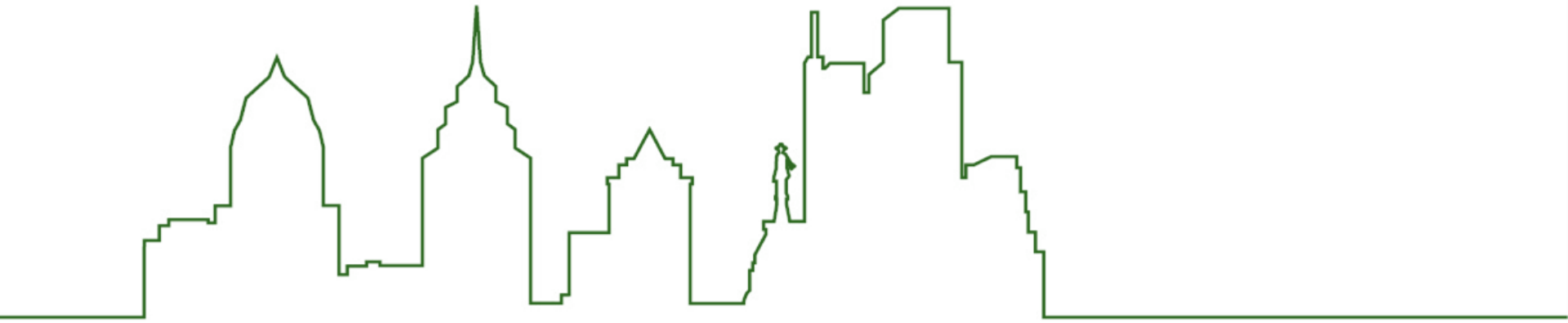


How Municipalities Can Use This Model in Budget Discussions

- Models built using aggregate data for all municipalities as the Baseline Scenario
- Each municipality's baseline will differ
  - Should use their own expected revenues for 2020 and 2021 as their baselines and adjust based on model impacts
- Municipalities with high risk scores should base estimates on higher end of projected revenue impacts

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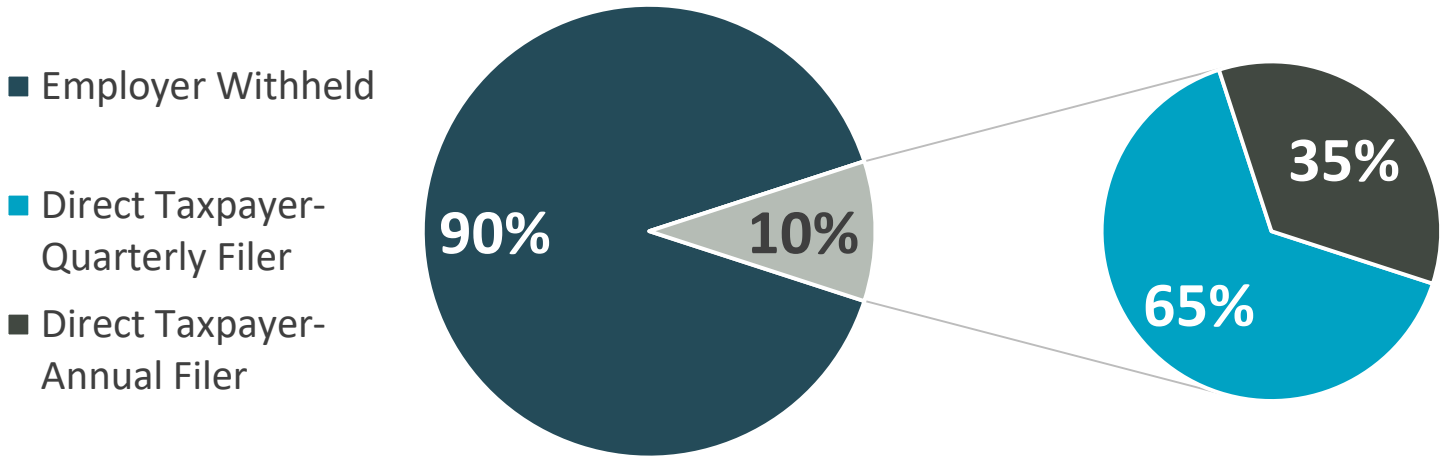
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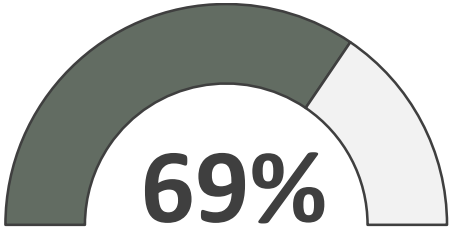
Earned Income Risk Analysis

EIT Collections Information

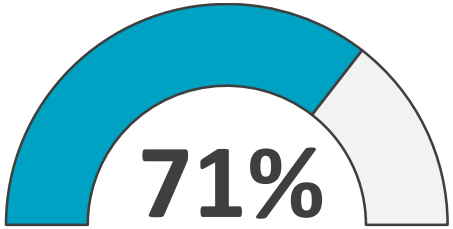
2019 COLLECTIONS BY FILER TYPE



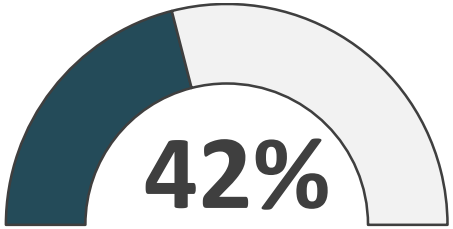
Q1 2020 COLLECTIONS AS A PERCENTAGE OF Q1 2019 COLLECTIONS



OVERALL



EMPLOYER WITHHELD

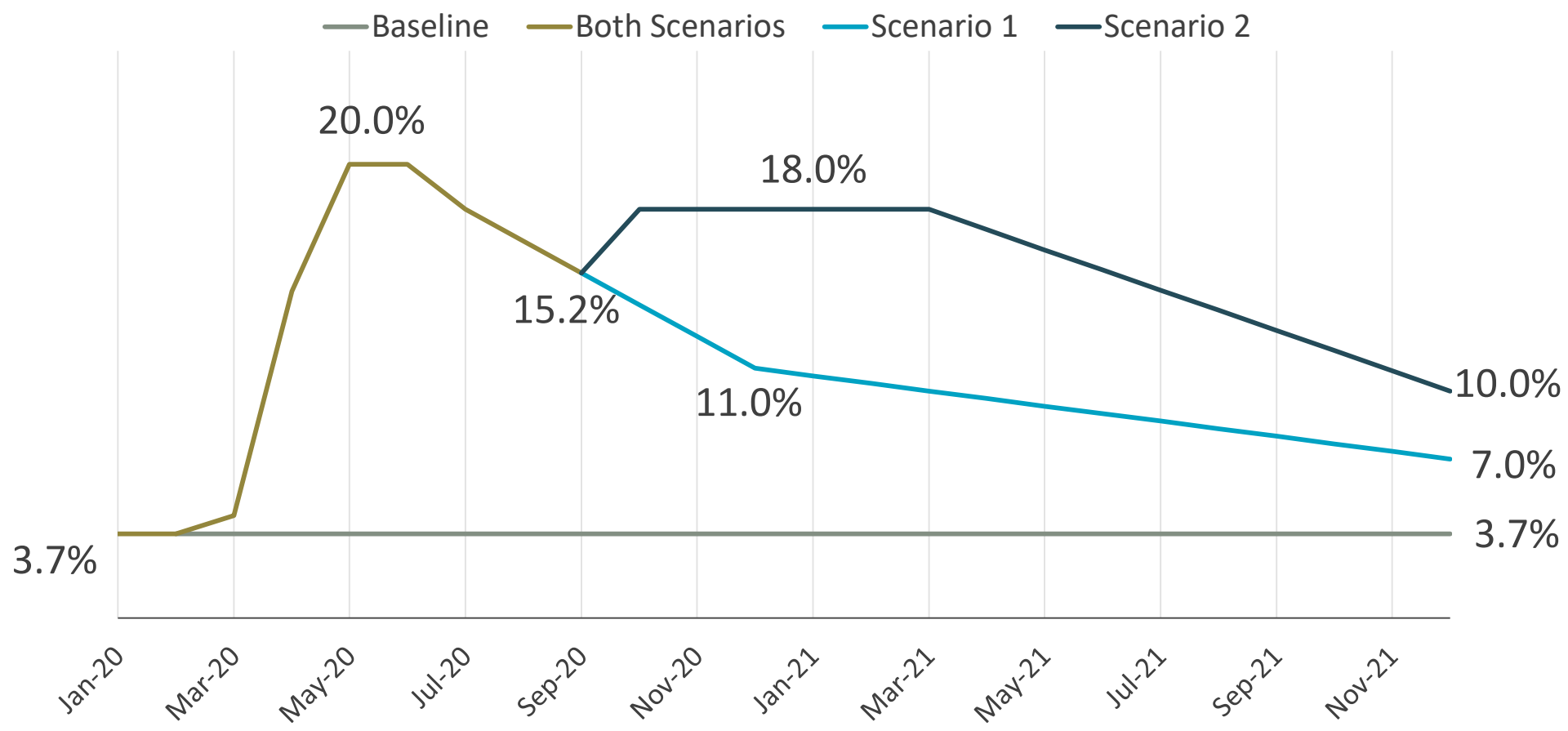


DIRECT TAXPAYER

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Source: Keystone Collections Group

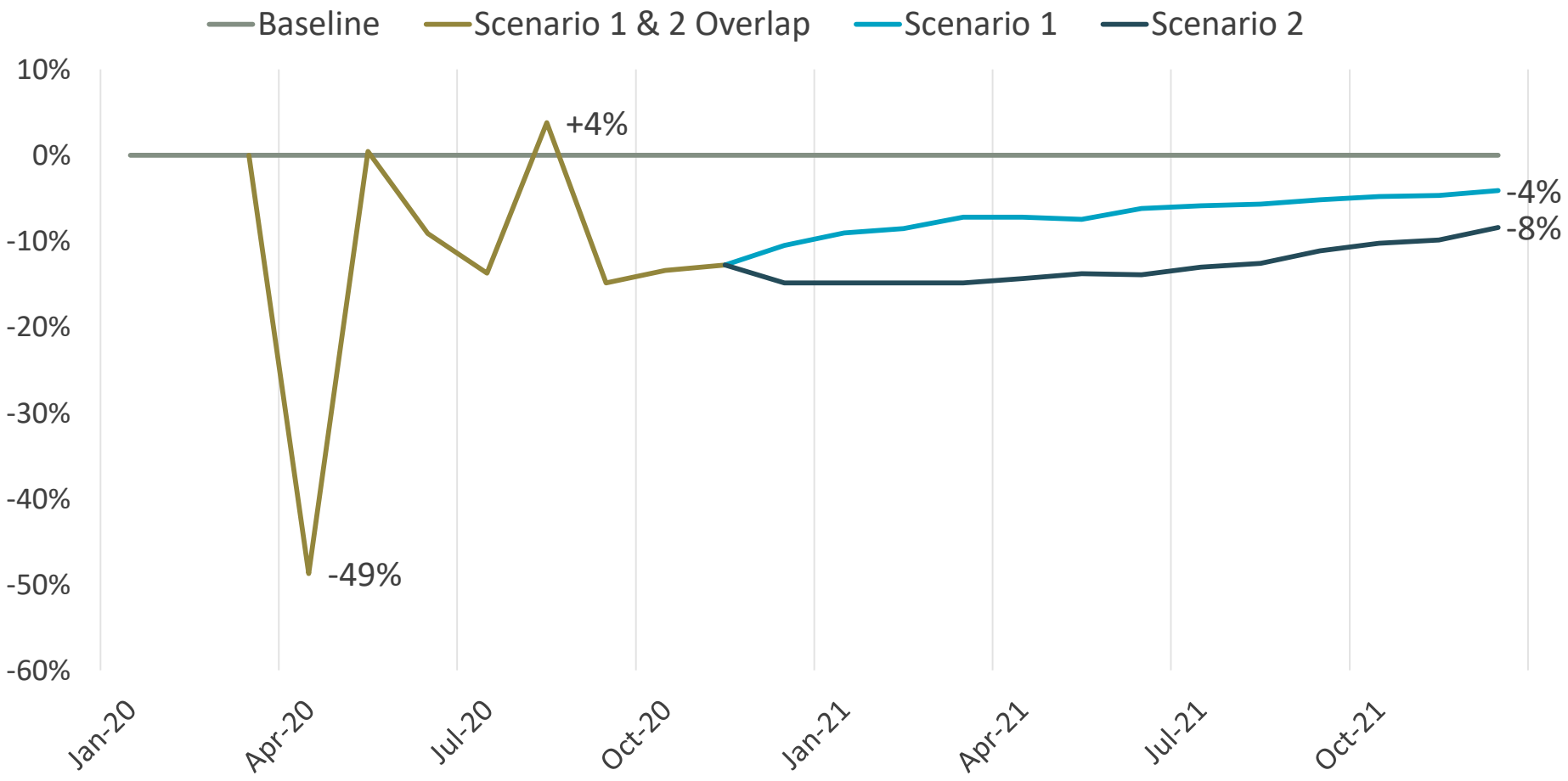
Model Assumptions – Unemployment Rate



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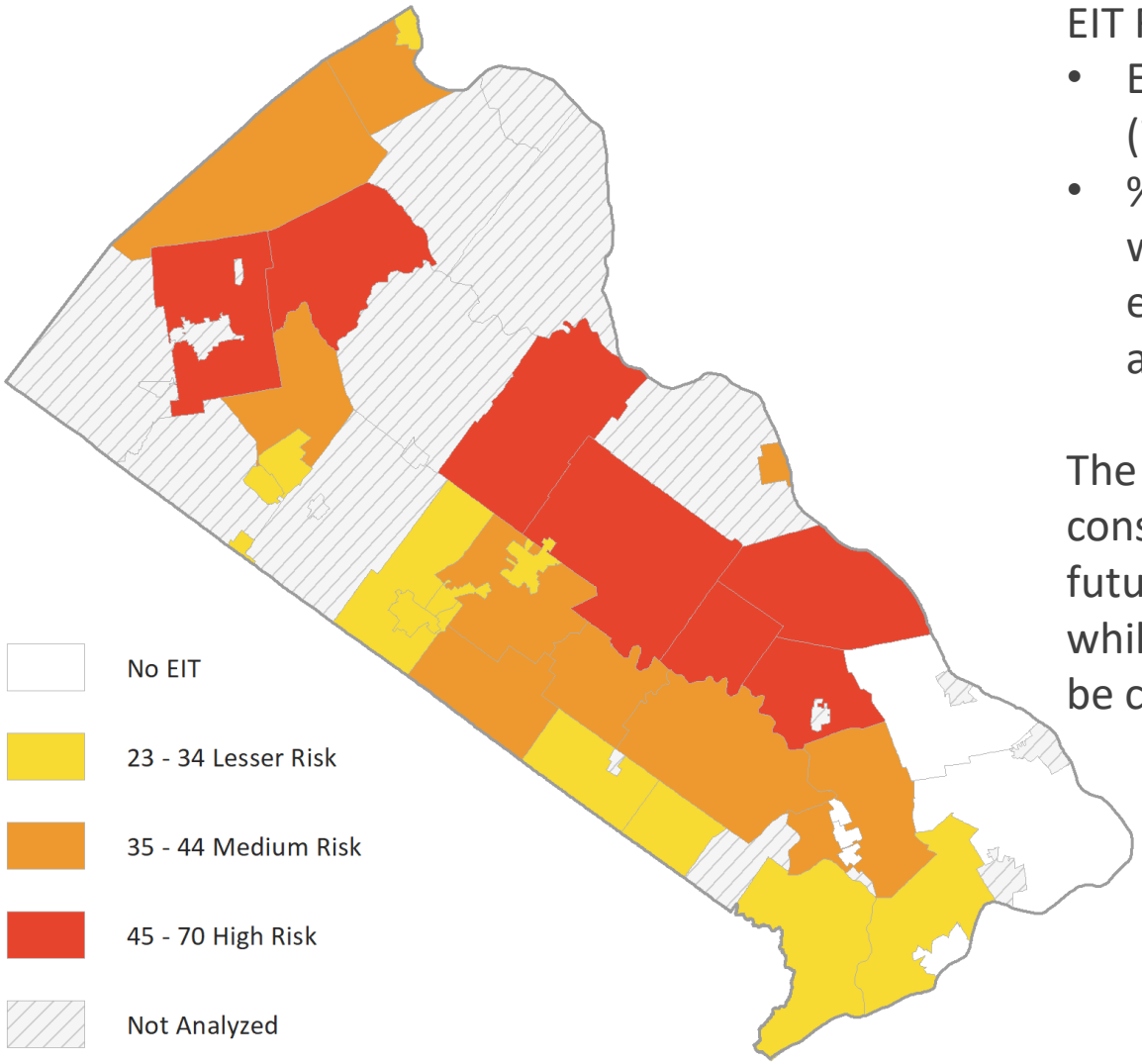
Source: Independent Fiscal Office (IFO), Bureau of Labor Statistics (BLS), Econsult Solutions, Inc. (ESI)

EIT Model Results – Difference in Revenues from Pre-COVID-19 Expected Baseline



Source: IFO, BLS, US Census Bureau, financial data provided by municipalities, ESI

EIT Municipal Risk Score



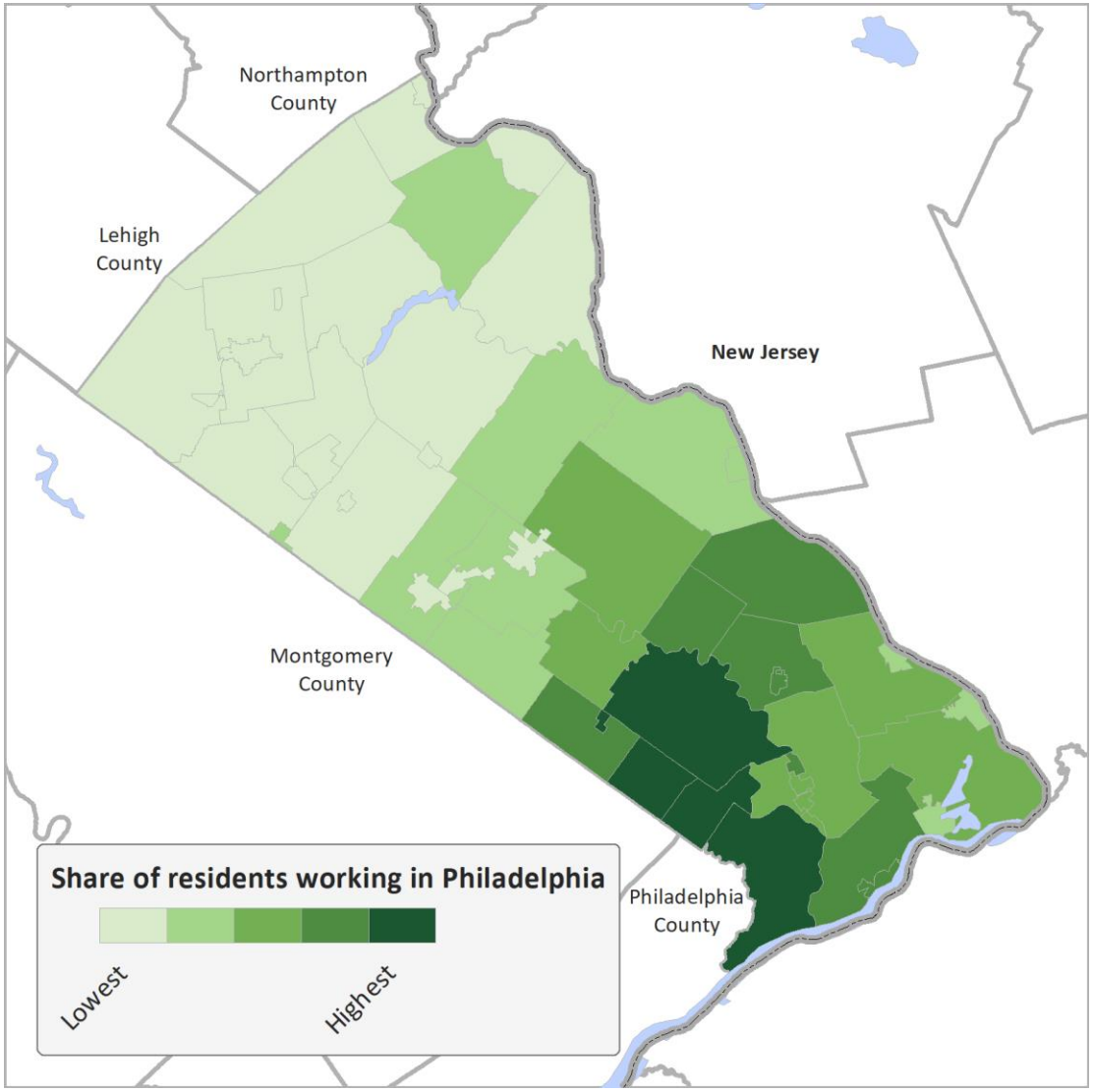
EIT Risk Score Factors

- EIT share of General Fund budget (70% weight)
- % of resident jobs at risk (30% weight) based on combination of essential vs. non-essential jobs, ability to work from home.

The higher the risk, the more conservative to be in estimating future revenues. Those in yellow, while perhaps lower risk, still should be cautious.

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Source: Financial data provided by municipalities, US Census Bureau, BLS, ESI



Potential EIT Risk *Mitigation* Factor for Municipalities:

Municipalities with higher rates of residents working in Philadelphia may experience less of a severe impact to EIT collections.

If residents work in Philadelphia and are now working remotely, many will pay resident EIT to their home municipalities as opposed to the City wage tax while remote work continues.

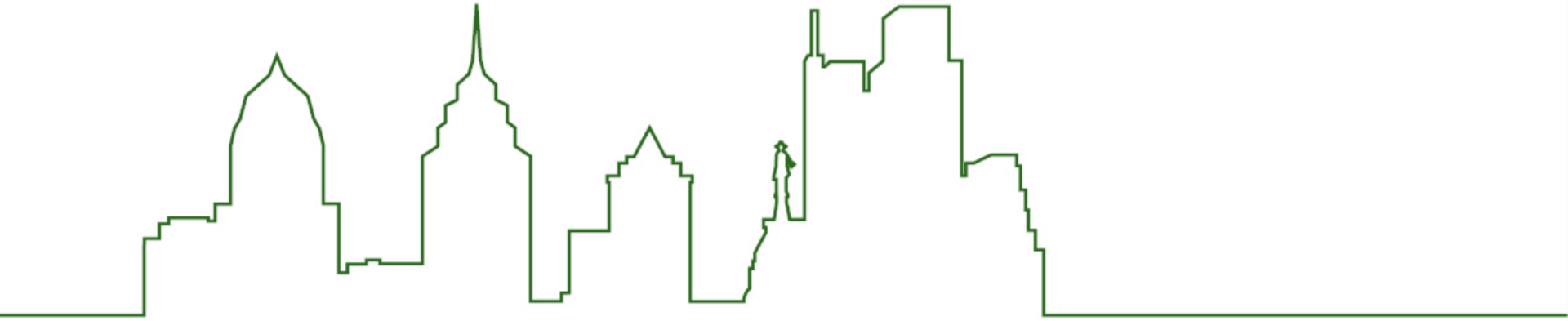
Source: US Census Bureau, ESI

Bottom Line Considerations

- Current impact is delay in filing, shifting revenue to later in year
- Assumes that we are back to early 2020 unemployment levels at end of 2021
- Cumulative revenue decline of about 7% in 2020, between 6 and 13% decline in 2021 from baseline
- If higher risk, should assume potentially even deeper declines; Lower risk could do a bit better, but still prudent to be cautious

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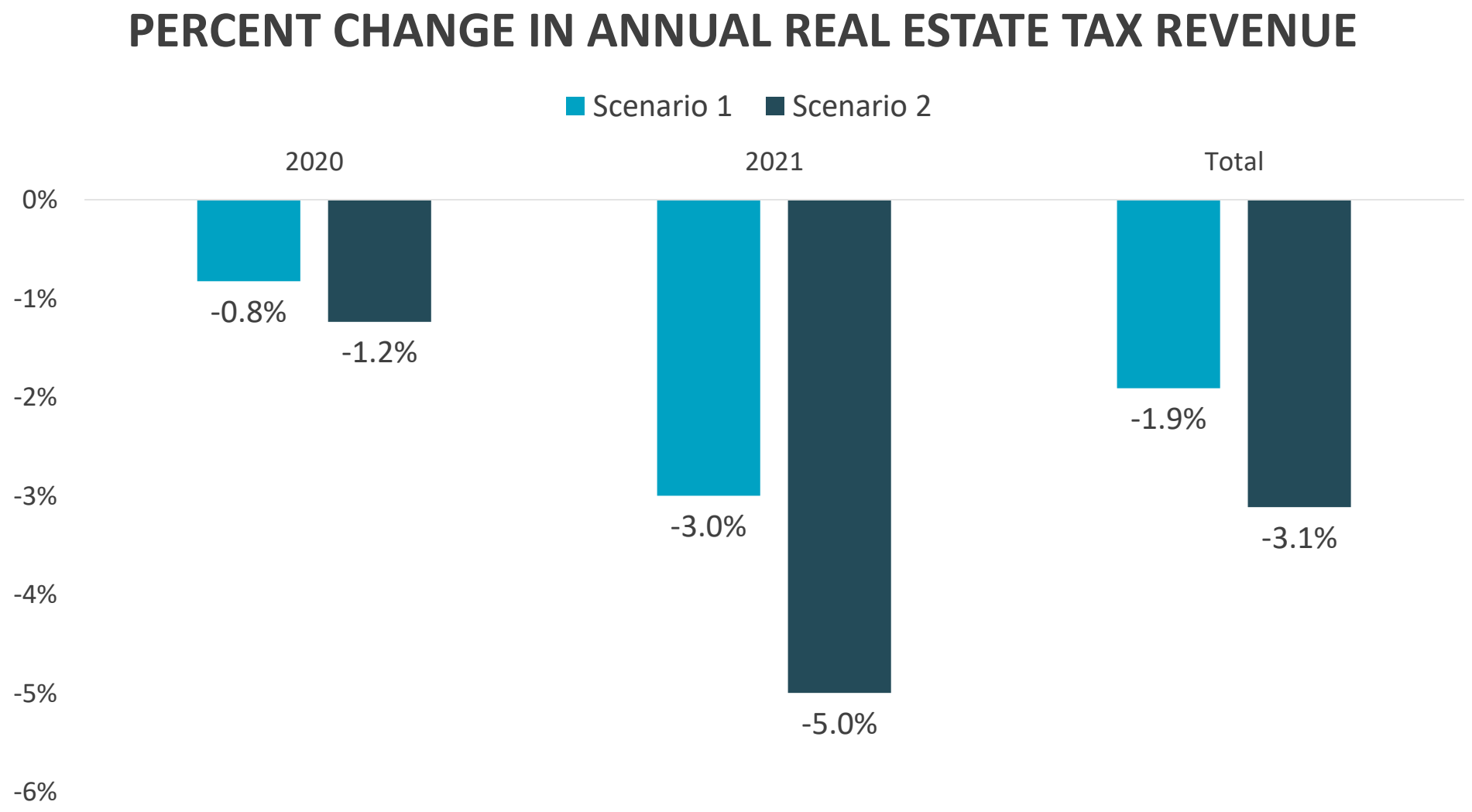


Property Tax Risk Analysis

Model Assumptions

Scenario	Year	Change in Revenue
Baseline	2020	2019 Revenue + 3.0%
	2021	2020 Baseline + 2.0%
Scenario 1	2020	2020 Baseline - 1.0%
	2021	2021 Baseline - 3.0%
Scenario 2	2020	2020 Baseline - 1.5%
	2021	2021 Baseline - 5.0%

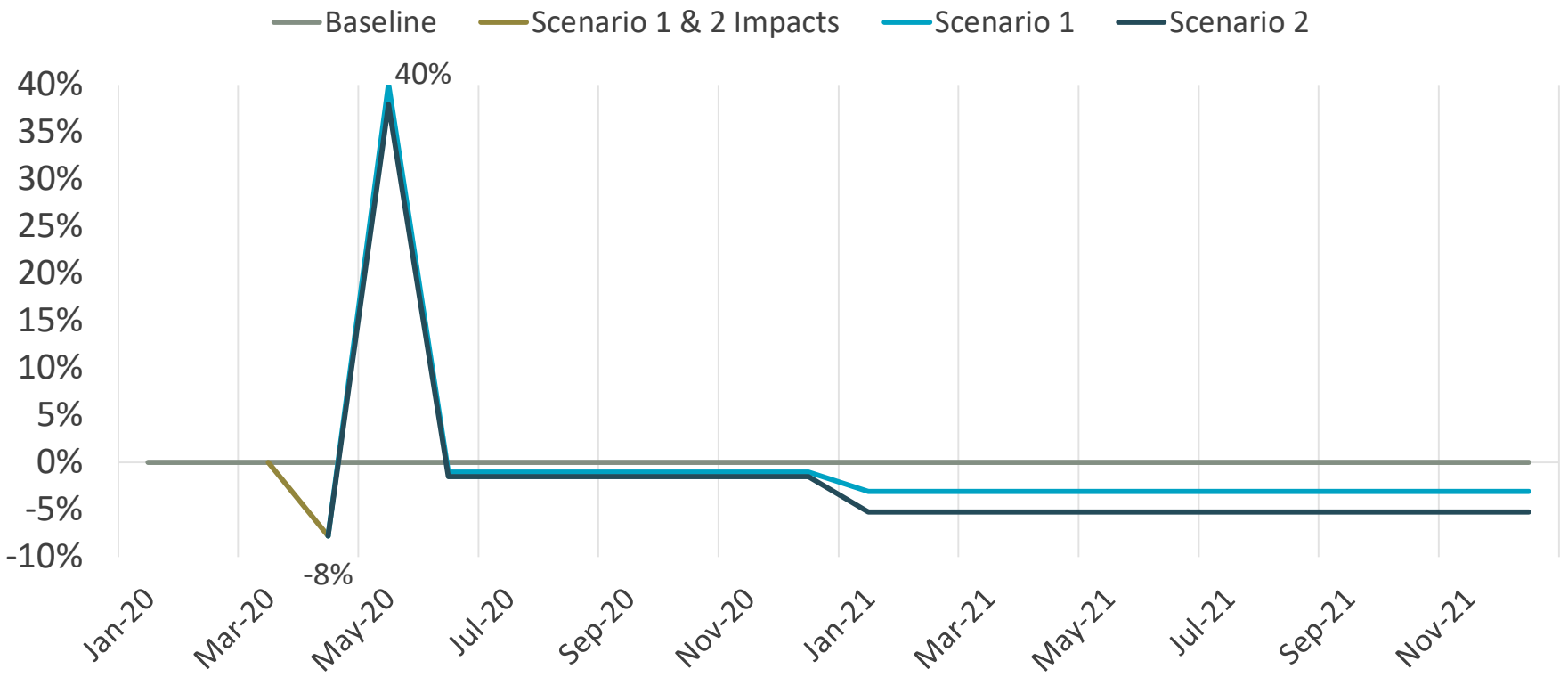
Property Tax Results



Source: Pennsylvania Department of Community and Economic Development (DCED), financial data provided by municipalities, ESI

Property Tax Results

MONTHLY PERCENT CHANGE FROM BASELINE, 2020 – 2021



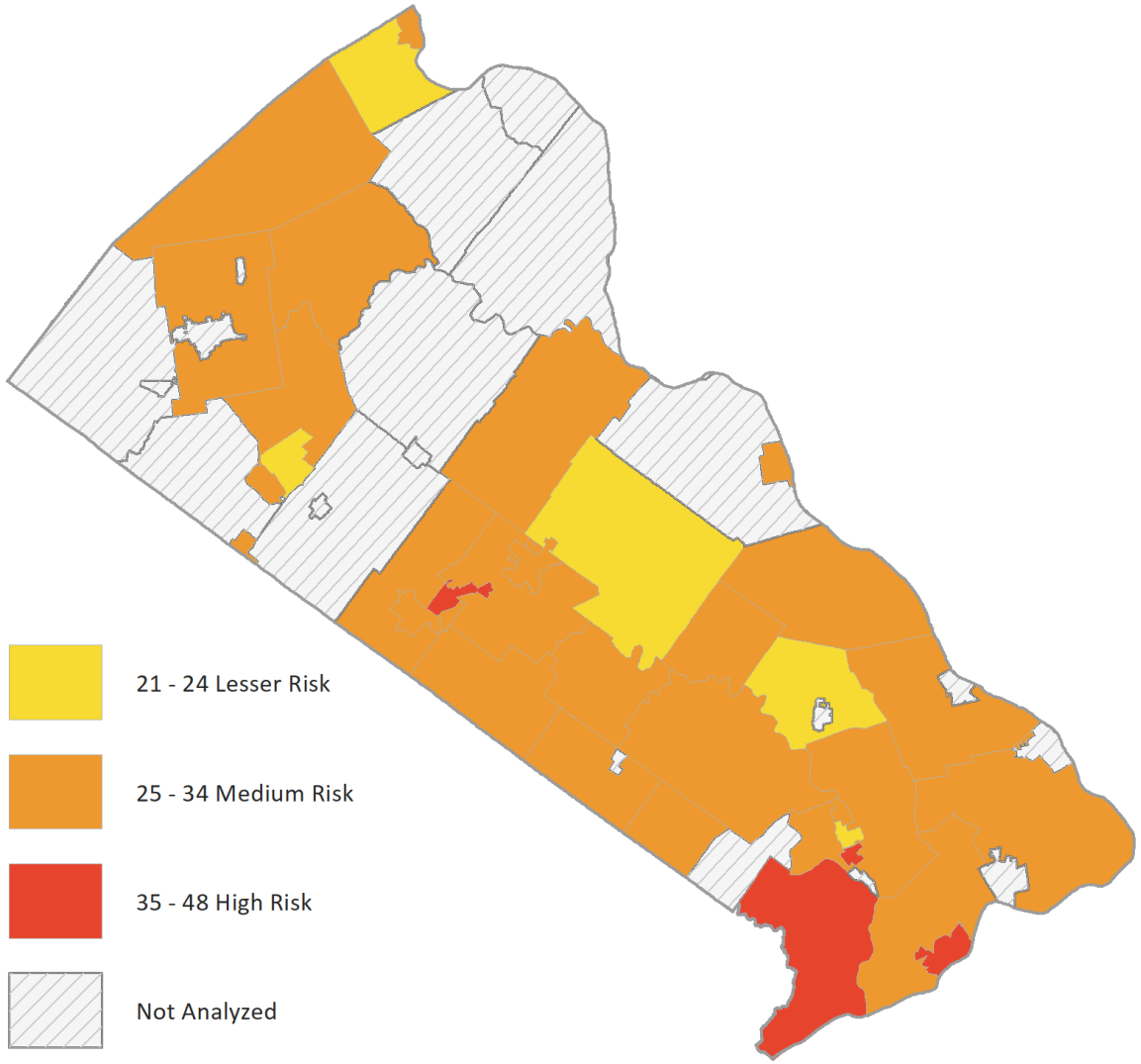
	Scenario 1	Scenario 2
2020	-0.8%	-3.0%
2021	-3.0%	-5.0%

Source: Pennsylvania Department of Community and Economic Development (DCED), financial data provided by municipalities, ESI

Property Tax Municipal Risk Score

Property Tax Risk Score Factors:

- 2020 Total Millage (40%)
- Share that is Commercial (10%)
- Business employment at risk (20%)
- Resident employment at risk (30%)



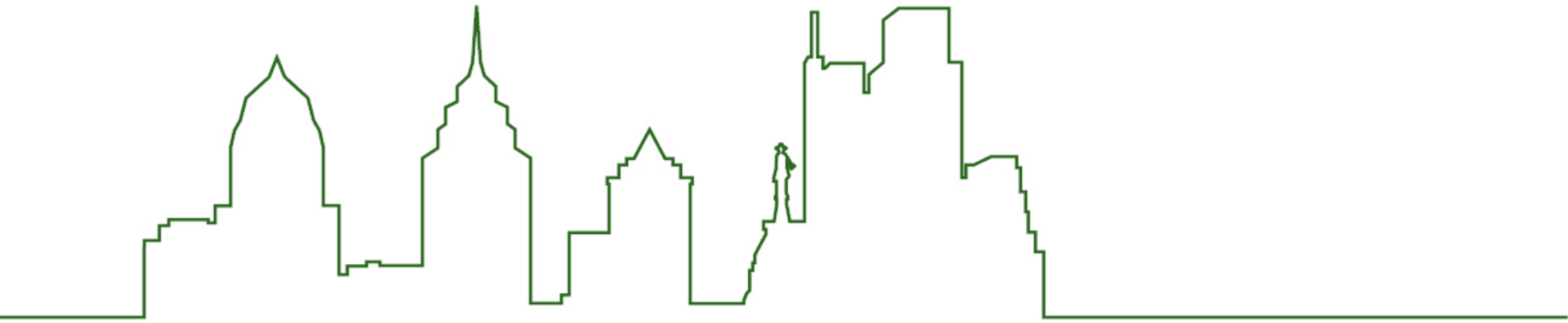
Source: Bucks County, State Tax Equalization Board (STEB), US Census Bureau, BLS, ESI

Bottom Line Considerations

- Property tax is most stable revenue source
- Most property tax revenue already collected in 2020 or delayed due to extensions
- Expected annual decline around 1% in 2020
- More negative impact expected in 2021 as a result of commercial decline, residential foreclosures for total losses of between 3 and 5%
- Could be some variation due to nature of home ownership (mortgage escrow helps in payment)

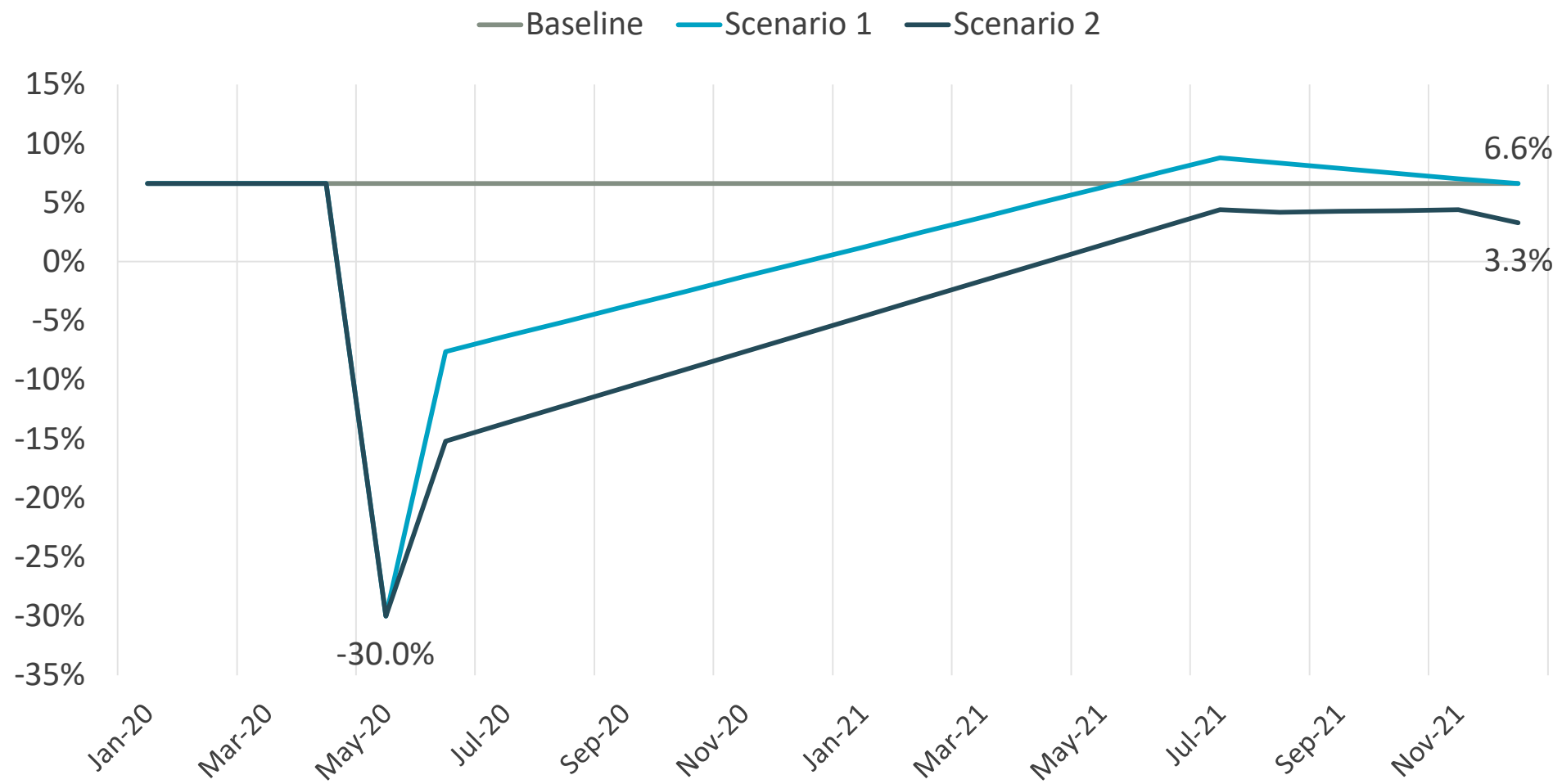
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Realty Transfer Tax Risk Analysis

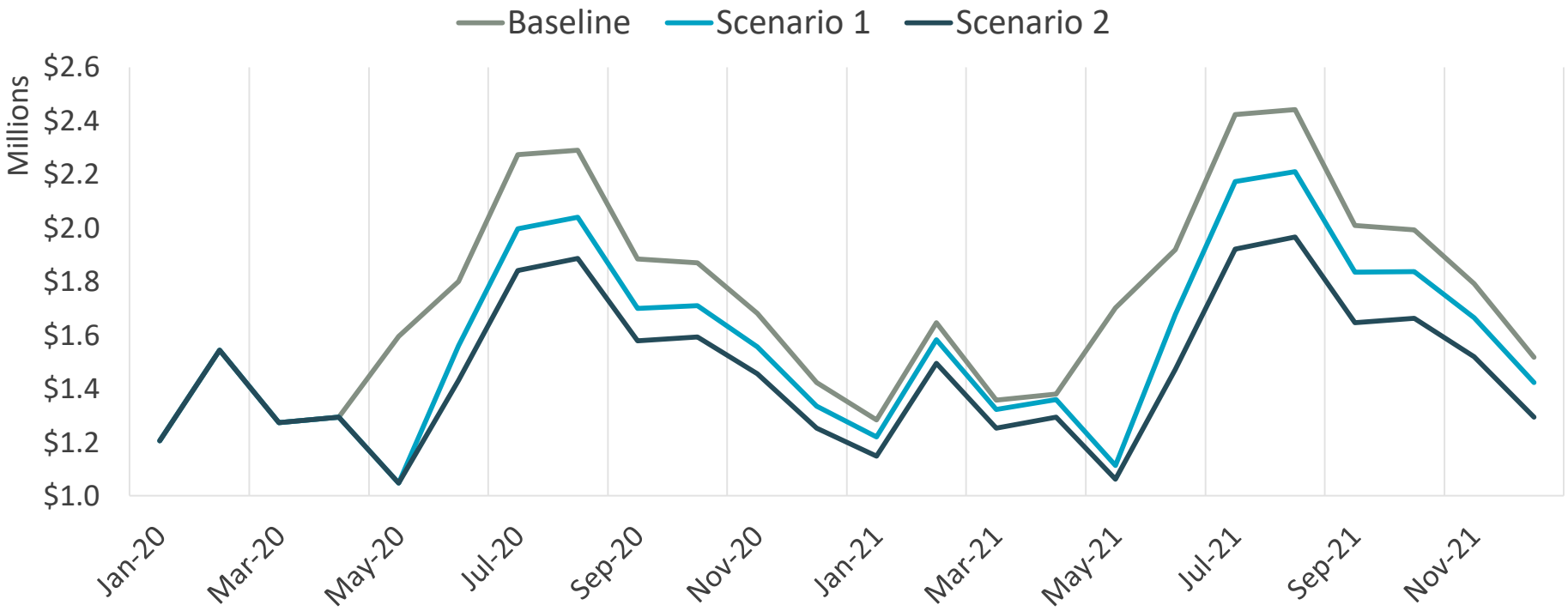
Model Assumptions – Year-over-Year Change in Realty Transfer Revenue



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Source: Independent Fiscal Office (IFO), Bureau of Labor Statistics (BLS), Econsult Solutions, Inc. (ESI)

Realty Transfer Tax Results



	Scenario 1	Scenario 2
2020	-9.3%	-13.6%
2021	-9.5%	-17.4%

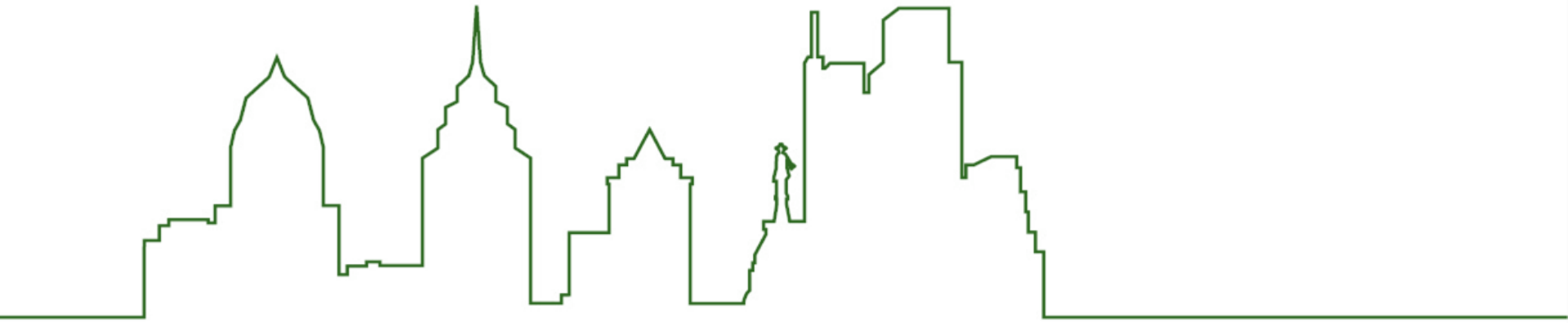
Source: Financial data provided by municipalities, IFO, ESI

Bottom Line Considerations

- Current crisis stifled demand, likely pick-up as business resumes
- Strong revenue numbers in April from February/March, impact felt in May for March/April shutdown, 30% statewide decline according to IFO
- Transactions have been delayed – not necessarily canceled
- Projection based on IFO projections for 2020 and 2021

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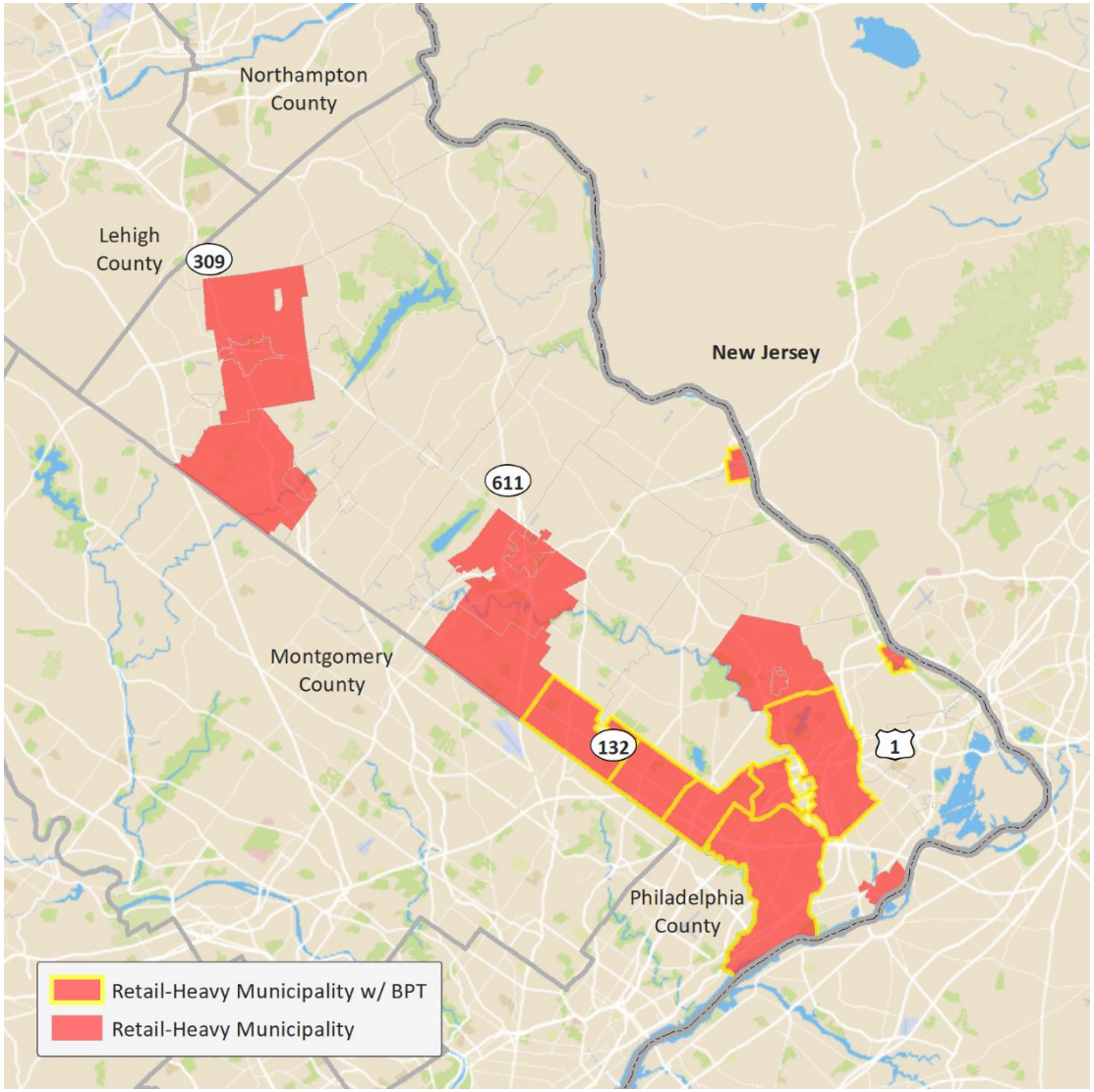


Business Privilege Task Risk Analysis

Retail-Heavy Areas Will be Hit Harder

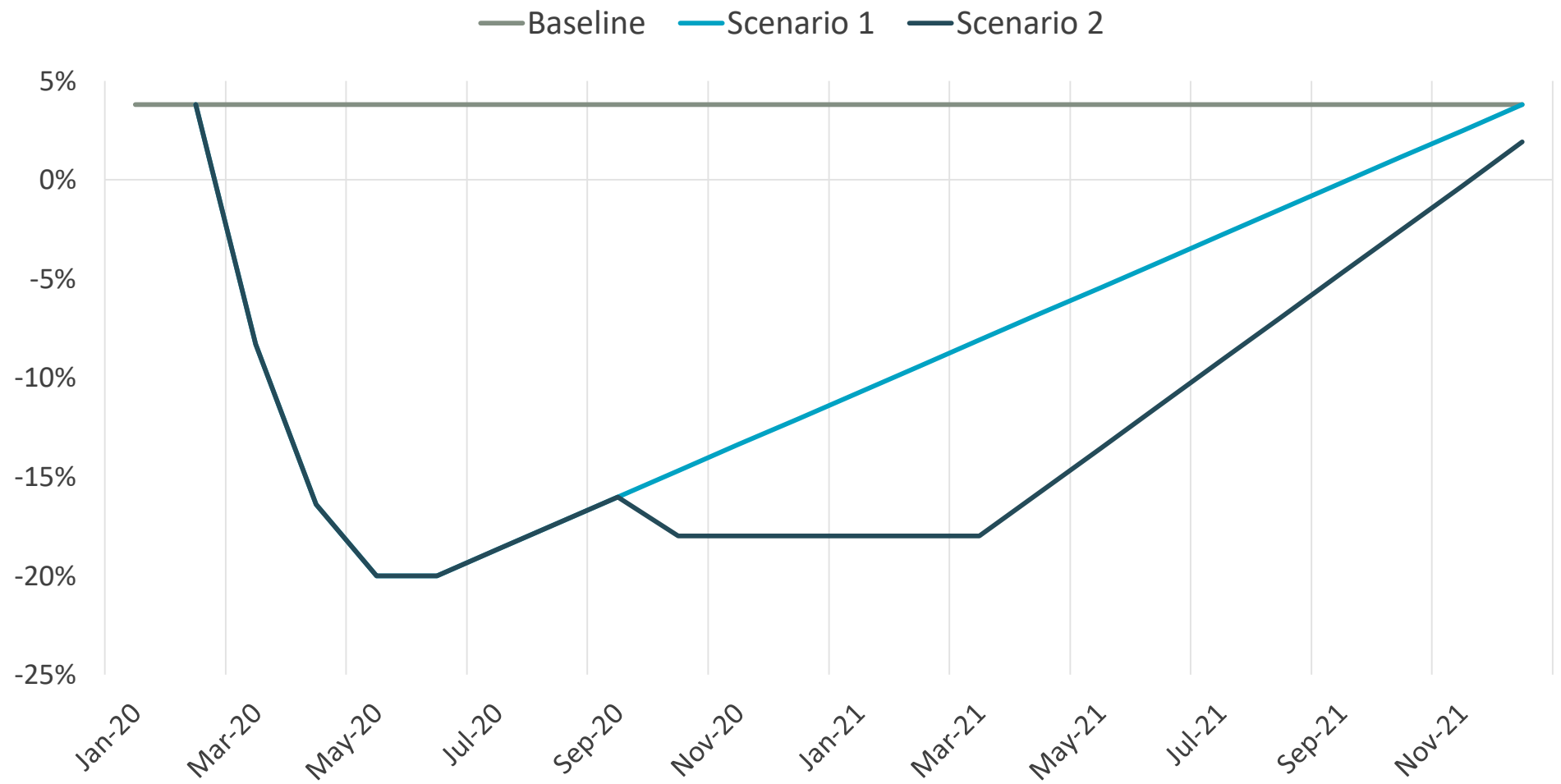
Municipalities that are located within and along major retail corridors of the County will likely suffer more severe impacts related to Business Privilege Tax and potentially commercial real estate.

Those along State Routes 309, 611, 132, and US 1 will be hit hard, as well as municipalities with downtown business districts.



Mapbox Studio, financial data provided by municipalities, ESI

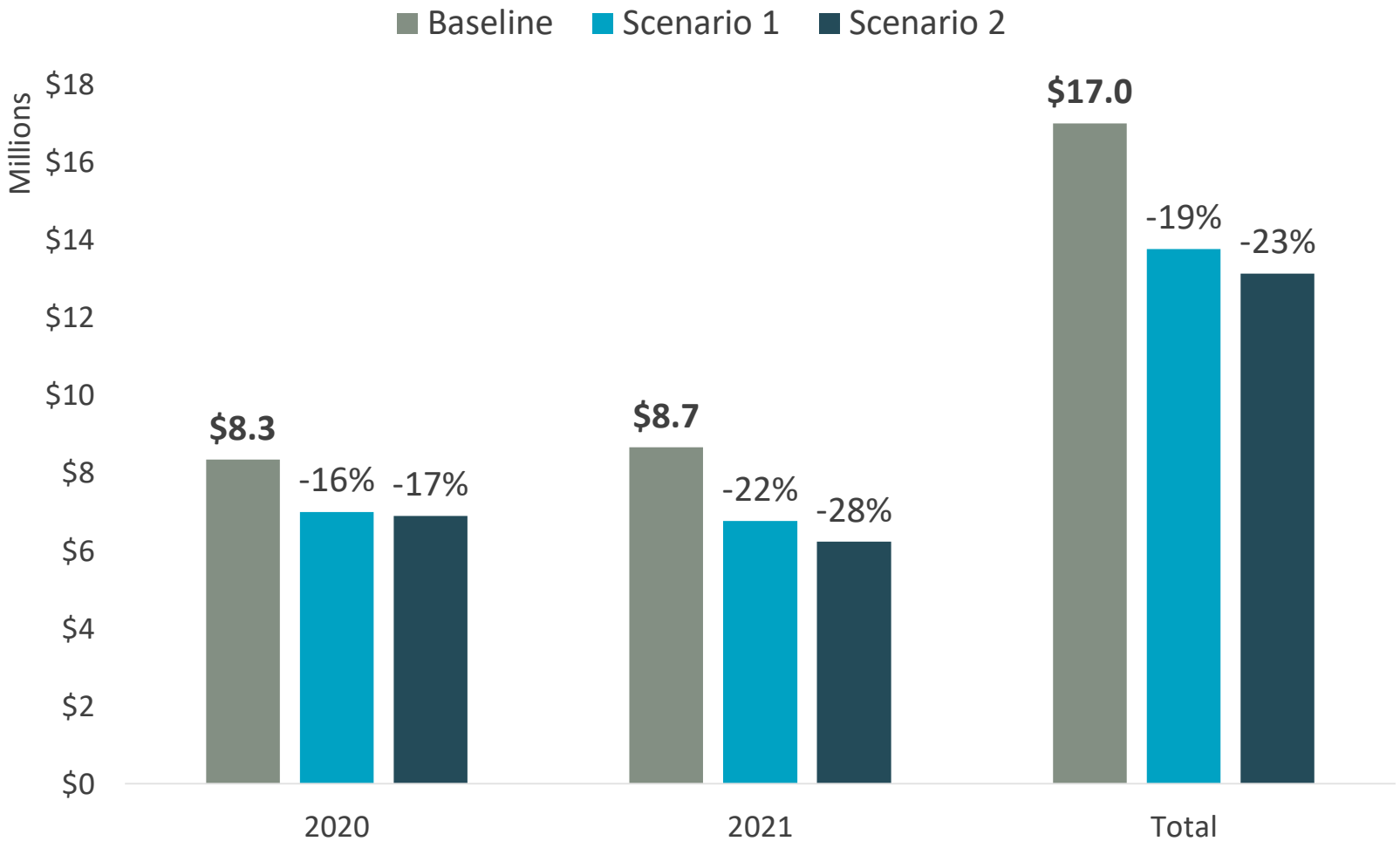
Model Assumptions – Year-over-Year Change in Consumption



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National Retail Federation, Washington Post, US Census Bureau, ESI

Business Privilege Tax Results



National Retail Federation, Washington Post, US Census Bureau, financial data provided by municipalities, ESI

Bottom Line Considerations

- Different filing deadlines could make an impact on collections and total revenue (early filers may be in, hard to collect from late filers)
- Retail and hospitality has been hardest hit
  - High unemployment
  - Higher savings rates due to uncertainty of future
  - Shutdown and reduced capacity for restaurants and retail
  - Concern of significant closures of businesses
- Be conservative in estimates and happy if better

Summary of Results

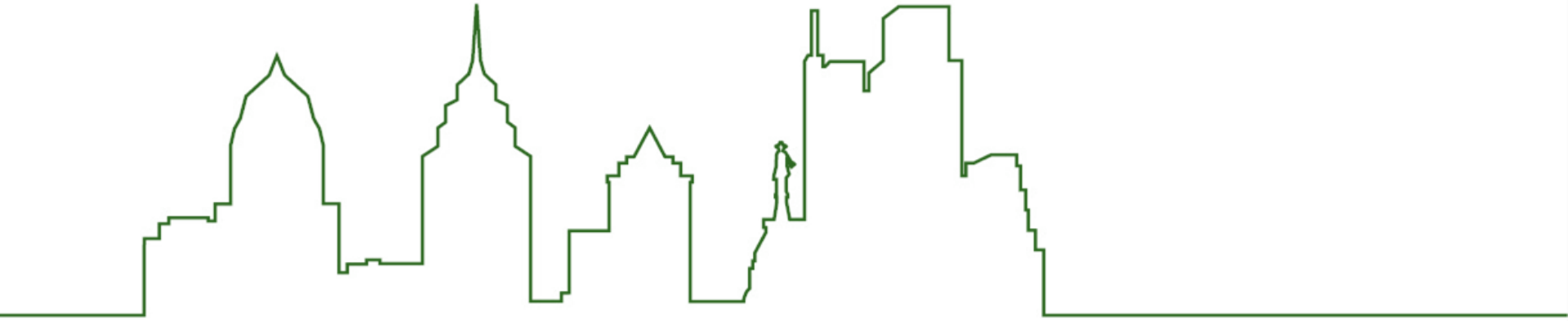
		2020	2021	Overall
Earned Income Tax	Scenario 1	-7.2%	-6.5%	-6.8%
	Scenario 2	-7.4%	-12.8%	-10.1%
Property Tax	Scenario 1	-0.8%	-3.0%	-1.9%
	Scenario 2	-1.2%	-5.0%	-3.1%
Realty Transfer Tax	Scenario 1	-9.3%	-9.5%	-9.4%
	Scenario 2	-13.6%	-17.4%	-15.5%
Business Privilege Tax	Scenario 1	-16.0%	-21.9%	-19.0%
	Scenario 2	-17.2%	-28.0%	-22.7%

Concluding thoughts

- We are early in this economic crisis and there is a lot of uncertainty
  - Reopening pace
  - Future setbacks
  - Government stimulus
- Other key revenues are impacted in 2020 – amusement tax, fees, summer camps and programming
- As compared to school districts, 2020 for munis may look better than 2021
  - Much of 2020 revenue collected earlier in year
- Moving target in terms of projections

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Appendix

Members Included in the Analysis

- Bensalem Township
- Bristol Borough
- Bristol Township
- Buckingham Township
- Chalfont Borough
- Doylestown Borough
- Doylestown Township
- Durham Township
- East Rockhill Township
- Falls Township
- Haycock Township
- Langhorne Borough
- Langhorne Manor Borough
- Lower Makefield Township
- Middletown Township
- New Britain Borough
- New Britain Township
- New Hope Borough
- Newtown Township
- Northampton Township
- Penndel Borough
- Perkasie Borough
- Plumstead Township
- Richland Township
- Riegelsville Borough
- Sellersville Borough
- Springfield Township
- Telford Borough
- Upper Makefield Township
- Upper Southampton Township
- Warminster Township
- Warrington Township
- Warwick Township
- Wrightstown Township

Total Municipalities that Submitted Data: 34

EIT Municipal Risk Score

Municipality	EIT % of Budget	Resident Risk Level	Score
Bensalem Twp	29.1%	42.5%	33
Bristol Boro	0.0%	43.2%	n/a
Bristol Twp	29.8%	43.0%	34
Buckingham Twp	63.3%	36.8%	55
Chalfont Boro	31.7%	38.7%	34
Doylestown Boro	29.0%	38.4%	32
Doylestown Twp	36.4%	38.4%	37
Durham Twp	43.5%	40.6%	43
East Rockhill Twp	42.3%	41.2%	42
Falls Twp	0.0%	39.5%	n/a
Haycock Twp	45.3%	43.2%	45
Langhorne Boro	0.0%	39.4%	n/a
Langhorne Manor Boro	0.0%	37.8%	n/a
Lower Makefield Twp	0.0%	34.5%	n/a
Middletown Twp	36.0%	38.9%	37
New Britain Boro	26.9%	39.0%	31
New Britain Twp	30.1%	37.8%	32

Municipality	EIT % of Budget	Resident Risk Level	Score
New Hope Boro	36.0%	37.7%	36
Newtown Twp	56.2%	35.6%	50
Northampton Twp	46.5%	38.4%	44
Penndel Boro	0.0%	42.2%	n/a
Perkasie Boro	21.8%	42.9%	28
Plumstead Twp	61.7%	39.5%	55
Richland Twp	81.6%	42.0%	70
Riegelsville Boro	15.3%	42.3%	23
Sellersville Boro	21.5%	41.6%	28
Springfield Twp	34.6%	41.3%	37
Telford Boro	27.8%	41.5%	32
U. Makefield Twp	56.7%	38.5%	51
U. Southampton Twp	24.8%	41.4%	30
Warminster Twp	23.2%	40.8%	29
Warrington Twp	35.0%	38.0%	36
Warwick Twp	40.7%	38.3%	40
Wrightstown Twp	52.6%	39.0%	49

Real Estate Tax Municipal Risk Score

Municipality	2020 Total Millage	Commercial Value	Worker Risk level	Resident Risk level	Score
Bensalem Twp	20.500	35.2%	50.7%	42.5%	35
Bristol Boro	57.890	24.2%	46.7%	43.2%	48
Bristol Twp	23.980	14.3%	48.1%	43.0%	34
Buckingham Twp	4.000	5.6%	42.0%	36.8%	22
Chalfont Boro	18.250	8.5%	52.9%	38.7%	30
Doylestown Boro	15.999	33.2%	37.7%	38.4%	29
Doylestown Twp	13.125	30.3%	34.7%	38.4%	27
Durham Twp	6.000	3.1%	30.8%	40.6%	21
East Rockhill Twp	12.235	5.1%	51.4%	41.2%	28
Falls Twp	7.220	23.8%	45.9%	39.5%	26
Haycock Twp	6.000	0.8%	64.9%	43.2%	28
Langhorne Boro	18.196	24.5%	54.3%	39.4%	32
Langhorne Manor Boro	13.275	9.1%	20.6%	37.8%	22
Lower Makefield Twp	21.010	7.9%	26.1%	34.5%	25
Middletown Twp	17.570	22.2%	46.5%	38.9%	30
New Britain Boro	30.375	23.9%	45.6%	39.0%	35
New Britain Twp	13.063	15.1%	35.4%	37.8%	25

Real Estate Tax Municipal Risk Score

Municipality	2020 Total Millage	Commercial Value	Worker Risk level	Resident Risk level	Score
New Hope Boro	13.770	23.2%	43.2%	37.7%	28
Newtown Twp	4.500	16.1%	35.2%	35.6%	21
Northampton Twp	18.511	3.6%	49.0%	38.4%	29
Penndel Boro	30.800	33.0%	47.8%	42.2%	38
Perkasie Boro	6.250	10.4%	32.8%	42.9%	23
Plumstead Twp	14.940	10.5%	48.4%	39.5%	29
Richland Twp	11.300	20.1%	51.4%	42.0%	29
Riegelsville Boro	13.375	10.0%	33.3%	42.3%	26
Sellersville Boro	27.000	7.4%	44.0%	41.6%	33
Springfield Twp	12.000	4.7%	50.3%	41.3%	28
Telford Boro	5.305	5.7%	56.6%	41.5%	26
Upper Makefield Twp	7.603	1.7%	49.4%	38.5%	25
Upper Southampton Twp	26.880	16.5%	46.4%	41.4%	34
Warminster Twp	23.060	19.4%	46.6%	40.8%	33
Warrington Twp	16.120	14.9%	48.7%	38.0%	29
Warwick Twp	15.250	5.1%	52.4%	38.3%	29
Wrightstown Twp	9.230	7.9%	44.9%	39.0%	25