

West Chester Borough Council Increases Earned Income Tax by Quarter-Percent

To start to pay down the Borough's \$19.6 million unfunded pension liability, West Chester Borough Council has increased the Borough's Earned Income Tax (EIT) rate from 1% to 1.25%, effective January 1, 2019. This increase affects all Borough residents who earn wages and salaries.

Borough pensions are only 72% funded, which is considered "minimally distressed." Council anticipates that this small increase will allow the Borough to reach an 85% funding level in about 12 years--a funding level that is better for the Borough's overall financial standing and more acceptable to credit-rating organizations like Standard & Poors.

The impact of this increase on Borough wage earners is small:

- Residents earning \$25,000 a year will pay \$1.20 more a week.
- Residents earning \$100,000 a year will pay \$4.81 more a week.
- Residents who work in municipalities that have a higher EIT than the Borough **will see no difference in their paychecks.**

Alternatives to Increasing the EIT:

- **Raise property taxes by about 35% in 2019**
- **Reduce police and public works services**
- **Eliminate trash services (privatize)**

Borough Manager Michael Perrone observes that a property tax increase of 35% would have more of an impact on most taxpayers than the quarter-percent EIT increase.

"The median property tax would go up by more than \$200," he said. "And higher-end properties would, of course, be even more affected. This is considerably more than the impact of the EIT increase on most Borough wage earners."

"I also suspect that most of our residents -- especially those affected by university students -- would object to reducing our police presence in their neighborhoods," Perrone said. "And when the Borough implemented private trash pickup some years ago, residents were not at all happy with the service, which is why we reinstated Borough trash service."

Why Now?

Council decided on an EIT increase after receiving a financial evaluation report from the Pennsylvania Economy League (PEL). The PEL report states that the PA Department of the Auditor General is "extremely concerned" about the funding status of West Chester's pension. The report makes it very clear that Council needs to make a plan to pay down this debt within a reasonable time frame or risk a negative effect on the Borough's long-term financial standing.

Operating Expense Reductions Already Underway Prior to Voting on this Increase:

In 2018, Borough staff cut \$887,000 in expenses from the 2019 budget. A few highlights of their work include:

Privatizing a number of services, including, but not limited to:

- Parking garage management
- Recycling
- Street paving
- Tree maintenance

Other cuts included:

- Reduced staffing
- Reductions in vehicle expenses
- Revised work schedules for staff to be more efficient.

And Borough Council eliminated approximately \$14 million in bond debt for three university garages by turning this debt over to West Chester University.

Thinking long-term

Hopefully, this helps residents understand that this Council and this Borough administration are completely committed to keeping costs controlled. But they also have a responsibility to protect the Borough's long-term financial standing by paying down this huge debt within a reasonable time frame. It's a balancing act that takes time and effort -- and finesse.