

**AN ANALYSIS  
OF  
FINANCES AND GROWTH  
INDIAN LAKE BOROUGH  
1974 - 2004**

**PREPARED BY**

**THE INDIAN LAKE PLANNING COMMISSION**

**December, 1994**

## PREFACE

The following study charts the growth and finances of our community over the past twenty years. It also examines the effect of our probable growth over the next decade and its effect on the future finances of the Borough.

The purpose of this study is to call to the attention of the Borough Council what we believe is a disturbing trend that will, in time, restrict our ability to meet the municipal needs of the community.

Indian Lake Planning Commission

Ronald Sieling

Malcolm Charles

Robert Langley

Dale Worcester

Virginia Nass

## FINANCES AND GROWTH AT INDIAN LAKE

Indian Lake Borough's financial picture is unusual in several ways. It is supported by the traditional sources of income: real estate, earned income and per-capita taxes plus grants, fees and fines, but also receives a substantial sum each year from the Indian Lake Service Corp. In 1994 it is expected to be approximately \$80,000, an amount equal to 18 mills in real estate taxes. In addition, the Borough-owned and operated lake will take in about \$31,000 this year for boat licenses. Expenses connected with the maintenance of the lake varies from year to year but is usually less than the income derived from licensing.

This extra income allows the borough to operate as a community much larger than its population and housing density would ordinarily permit.

A population that can reach well over 1000 in the summer and shrink to about 300 permanent residents in the winter is supported by over 27 miles of roads, an efficient water system that could handle almost twice as many homes as it now serves, a maintenance staff of 4, a borough manager, secretary, a water authority secretary and a police force consisting of a chief and two officers.

The millage against real estate for borough taxes has been set at 24 for 1993 and 1994. The highest millage that can be set for borough taxes without consent of the courts is 30.

The accompanying charts and graphs (A-1 and A-2, B-1 through B-7) represent an attempt to forecast what the borough income

would be in 2004, set against the 1994 budgeted expenses, unchanged except for the effect of inflation over ten years.

As you can see, a shortfall in income is shown, the amount of shortfall depending on the severity of annual inflation we experience between now and the year 2004. The average annual inflation rate from 1980 and 1992 was 4.75%. The commission used 5% and 3% annual inflation in two separate calculations of how much income we would need in the year 2004 to meet the cost of the elements in the present budget.

The accompanying figures show a shortfall of income in 2004 of \$41,000 to \$131,000 depending on the annual rate of inflation we experience.

There was a good reason for this exercise. The annual contribution from the Service Corp. is by and large a fixed amount since it is derived from a fee against all platted lots at Indian Lake. The commission assumed there would probably be 100 more lots created out of raw land within the borough in the next ten years and this has been included in the Service Corporation contribution to the income mix.

Since the Service Corp. contribution will remain virtually static and the effects of inflation will require the borough to raise increasingly more money to meet expenses, there is bound to be an income crunch in future years.

Further, there may be requests for help in the future from the Water Authority for relief from some unexpected expense that must be addressed.

The Dam, inspected annually, may be in need of some further

repairs that cannot be covered by the balance in the Dam Fund. These other bids for money from the Service Corporation will most certainly cut down on the extra income to the borough. In 1994 the Service Corp. contribution amounts to 20% of the borough income. Even if there are no other demands on the Service Corp. to help other agencies of the Borough, in the year 2004 that percentage will drop to between 14% and 17% of total income depending on an annual inflation rate of 3% or 5%.

There is an obvious need to develop additional sources of income for the borough and to maximize the current sources of income we have now.

One primary answer to this dilemma is to hope for a county-wide re-assessment of real estate. When this was undertaken in 1979, the valuation of Indian Lake property rose 83%. However, in the previous decade we had experienced inflation amounting to 103%. If we were to be re-assessed next year, our increase in valuation would likely be in the neighborhood of 40% since the rate of inflation in the '80's was much lower. A 40% increase in our calculated real estate tax revenues in 2004, based on 24 mills, would amount to approximately \$75,000; enough to cover needed revenues with a 3% inflation rate but covering only about half the deficit if the inflation rate were 5%.

Assuming the borough would prefer to keep the millage at the present level or lower in order to provide some room for movement if faced with an unforeseen need to increase our income, it might be wise to explore additional ways to develop income.

The most obvious way is to increase our tax base by having more houses built in the borough than we forecast. At the

present millage, every new house will produce \$250 to \$300 in additional taxes to the borough. If an additional 200 houses were to be built in the next 10 years over and above the 88 which are forecast, the borough would net \$50,000 to \$60,000 in additional revenue, not counting any re-assessment, and the water authority would garner 200 extra customers, probably without the need for additional capital outlay (see Exhibit C).

#### Factors Affecting our Growth

Thirty years after the creation of this community, virtually all of the platted lots are in the hands of private owners, yet only half have been improved with housing.

Today, the normal process for someone to become a new member of the community is to purchase an existing house or buy a lot from a private owner and contract with a builder to build a home. Twenty years ago there were at least four active builders at Indian Lake. Today there is one.

On the average, 8 homes per year were built in Indian Lake in the past 8 years.

The Commission believes a number of factors contributed to this low rate of building in the face of building booms at Seven Springs and at Hidden Valley.

#### The Lack of Condominiums.

Indian Lake does not cater to this segment of the second home market. Earlier developers made a stab at providing the Condo option with little success. A trouble and maintenance-free second home is attractive to a lot of busy people who don't have the time or energy to invest in a house.

### Concentration on Upscale Demographics.

Indian Lake has chosen to cater to higher demographic prospects to build second homes here. Zoning has been enacted that restricts multiple family housing and requires substantial minimum square footage for houses and lots. These regulations, by and large, reflect the general population's wishes.

These are perfectly legitimate restrictions but they exclude a significant segment of the market from considering Indian Lake a likely place for a second home.

### No Tennis or Skiing Facilities.

Indian Lake attracts two of the big four outdoor interests: boating, golf, skiing and tennis. A substantial segment of the second home market centers around tennis. Neither the Borough nor the Lodge offers tennis facilities. With no skiing offered, Indian Lake has become a seven month seasonal resort.

### A Successful Lodge/Commercial Operator.

The current Lodge operators appear so far to have enough financial backing and managerial talent to prosper where the previous two operators did not but they have many obstacles to overcome in order to compete successfully. We believe it is in the borough's interest that they do.

The consistent presence of a well run Lodge complex offering a variety of recreational facilities is vital to attract new people to our community.

### The Lack of a Comprehensive Sewerage Plan.

The inability of many lots to pass increasingly severe percolation tests has been a significant factor in our slow growth. The commission believes it is vital to plan toward a

comprehensive sewage system to protect the lake and our drinking water supplies. It should be pointed out that 378 homes, and on-lot sewage systems, were built at Indian Lake before Pennsylvania's stiff Clean Water Act was passed in 1974 (see Exhibit B-1). Sporadic testing of the lake water over the years has not yet revealed any pollution from fecal coliform infusions into the lake from these systems constructed before more stringent regulations were adopted but they remain a potential threat to the purity of the lake.

Further, even though we have taken some steps to protect our drinking water supply from contaminated surface water, as long as we have on-lot sewage systems in the community there is a chance of drinking water contamination. The above two potential hazards could have a devastating effect on our future growth.

No one is Promoting Indian Lake as a Resort Community

Our residents are fond of saying, "Indian Lake is the best kept secret in Western Pennsylvania!" There is a good reason it's a secret.

The current lodge operators are not the land developers at Indian Lake as used to be the case here and is the case at Hidden Valley and Seven Springs. Land development requires advertising and promotion over a wide geographical area to create traffic for land sales which, in turn, benefits the lodge. Presently the Lodge is advertising locally for restaurant and golf course traffic. There is no aggressive communication plan directed to areas in Maryland, Ohio, Virginia and Pennsylvania to attract attention to Indian Lake as a resort community.



### Conclusion

All of the above factors are contributing to our present slow growth and it is recognized that a segment of our population prefers it that way. However, the question remains, "Can we afford to continue at a growth pace slower than our ability to generate the needed income to operate as we have become accustomed to?" It appears we have too few people supporting a infrastructure well able to handle many more residents than we have at present. We need to increase our tax base to spread the cost of maintaining our municipal facilities over a broader population.

INDIAN LAKE BUDGETS - Key Expenses (in thousands)

2004

1998

1994

1993

1990

1986

1982

1978

1974

SEE EXHIBITS A-1, A-2

EXHIBIT A

ADMINISTRATION

Payroll	5	13	8	22	20	38	42
Benefits	1	2	1	2	3	10	6
Insurance	2	5	9	21	46	35	30
Office expense	4	12	19	12	25	21	23

PUBLIC WORKS

Payroll	0	0	19	18	62	85	82
Benefits	0	0	1	2	7	16	20
Road Maintenance	15	30	88	118	49	78	61
Vehicles & Maint.			15	29	23	40	43

Contracted

Services	12	19	12	19	19	33	28
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Police

	18	0	1	3	23	53	49
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Dam & lake

		6	31	13	4	19	18
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Water Authority

					41		
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Boro Bldg. Purch.

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DEBT SERVICE

Sewage			23				
Roads		41	34				

Misc.

	13	6	4	18	26		
	70	149	265	277	348	428	402

TOTAL

## INFLATION

1980	12.5%
'81	8.9
'82	3.8
'83	3.8
'84	3.9
'85	3.8
'86	1.1
'87	4.4
'88	4.4
'89	4.6
'90	4.1
'91	3.6
'92	2.8

## EXPENSES AFFECTED BY INFLATION (000's)

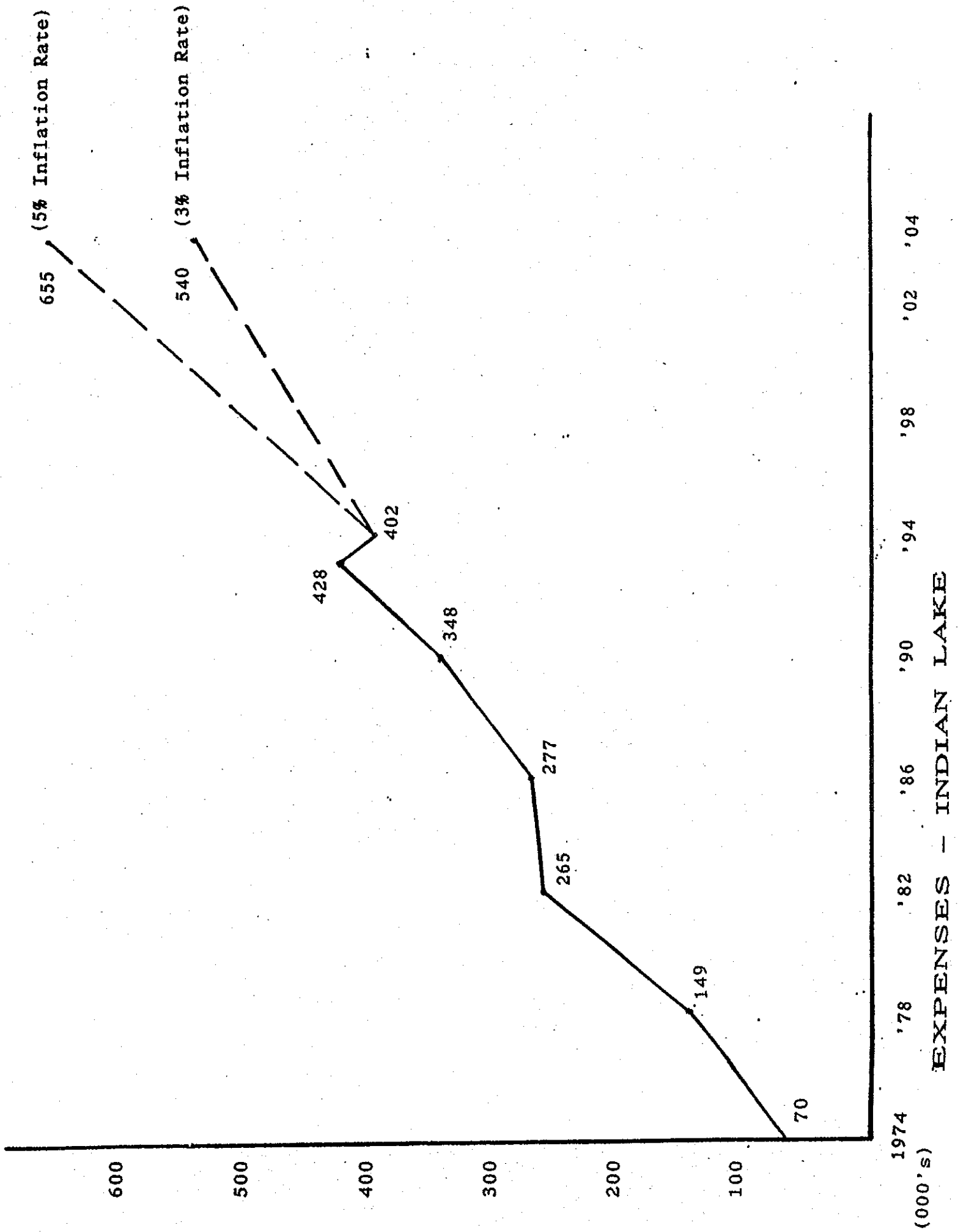
	<u>5%/Year</u>	<u>3%/Year</u>
1994	\$402	\$402
'95	422	414
'96	443	426
'97	465	439
'98	489	452
'99	513	466
2000	538	480
'01	566	594
'02	594	509
'03	624	524
'04	655	540

Average '80 - '92 4.75%

## INFLATION BY DECADE

'80s	64.3%
'70s	103.0%
'60s	28.2%
'50s	24.6%

Source: U.S. Bureau of Labor



EXPENSES - INDIAN LAKE

(000's) 1974 '78 '82 '86 '90 '94 '98 '02 '04

KEY INCOME ITEMS - INDIAN LAKE (in thousands)

1974 1978 1982 1986 1990 1993 1994 1998 2004

SEE EXHIBITS B-1 Through B-7

	1974	1978	1982	1986	1990	1993	1994	1998	2004
<b>CASH FORWARD</b>		45	55	46					
<b>TAXES</b>									
Real Estate	48	33	52	77	115	145	152		
Transfer		2	9	8	26	10	11		
Earned Income		4	15	14	18	20	17		
Per Capita		1	1	1	1	1	1		
<b>LICENSES/FEES</b>									
Boat			1	2	8	27	31		
Misc		1	1	4	9	9	8		
<b>GRANTS</b>									
Liquid Fuel	10	16	22	24	23	31	31		
Service Corp	11	30	82	75	70	86	83		
Misc.	4	7	6	7	4	17	10		
<b>SERVICES</b>									
Water Auth.	6	7	5	8	47	60	44		
Police						11	6		
<b>MISC.</b>	5	3	13	11	35	11	8		
<b>TOTAL</b>	84	149	265	277	356	435	402		

INDIAN LAKE REAL ESTATE VALUATION  
(Amounts in thousands)

2004

1998

1994

1993

1990

1986

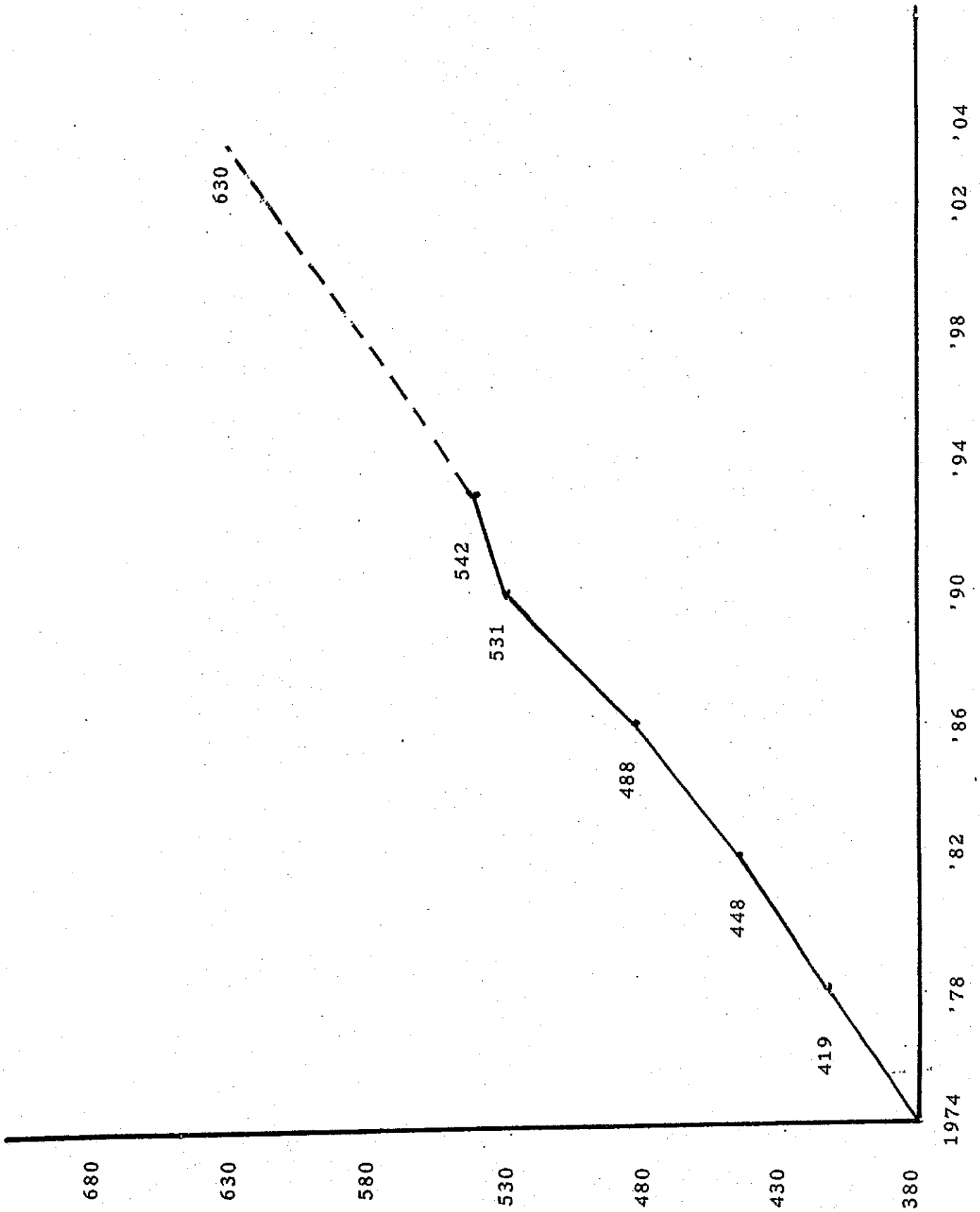
1982

1978

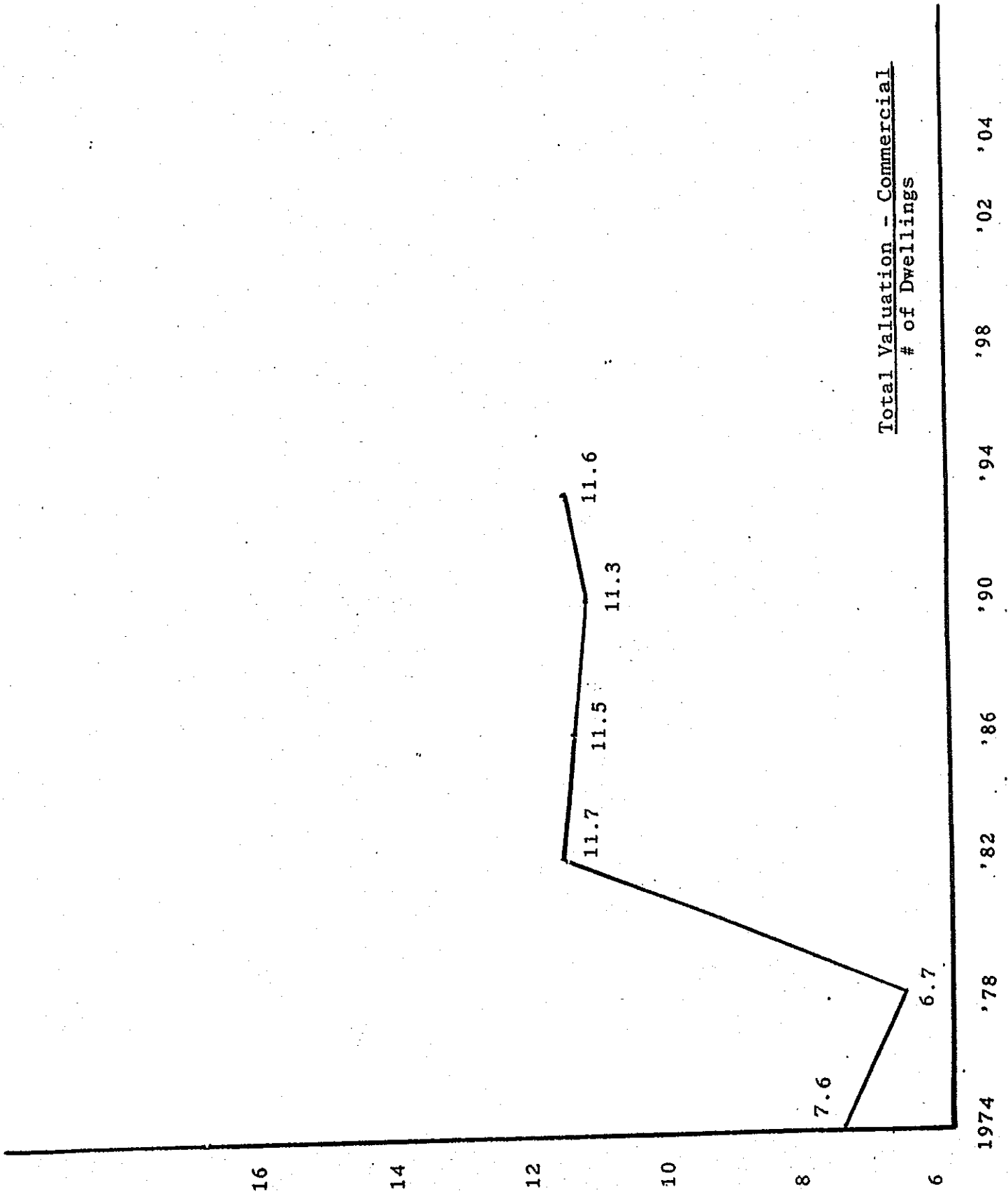
1974

SEE EXHIBITS B-6, B-7

TOTAL VALUATION	3012	3022	5589	5953	6374	6540	6705		
LODGE	107	201	284	279	263	140	157		
AIRPORT	16	7	10	10	55	34	35		
GOLF CLUB	12	12	21	36	36	48	48		
MARINA	13	8	15	18	25	26	29		
GUN CLUB	7	4	0	0	0	0	0		
COMMERCIAL VALUATION	155	232	330	343	379	248	278		
% OF TOTAL VALUATION	5%	8%	6%	6%	6%	4%	4%		
DWELLINGS	378	419	448	488	531	542			
VALUATION /DWELLING	7.6	6.7	11.7	11.5	11.3	11.6			
PERMANENT POPULATION		132	225	247					
MILLAGE	12	12	10	14	18	24	24		
TAXES IMPOSED	36	36	56	83	115	157	161		



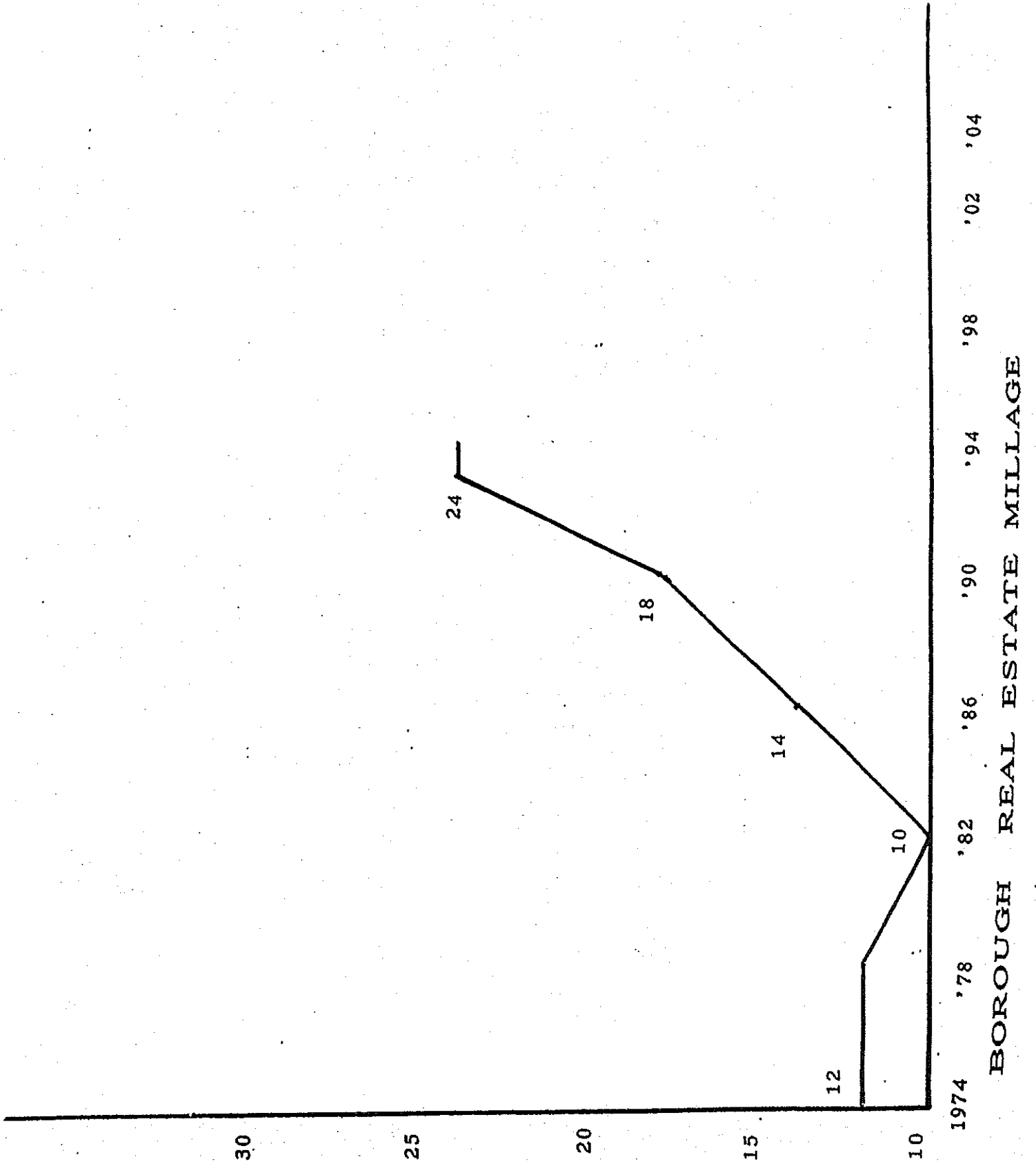
DWELLINGS - INDIAN LAKE



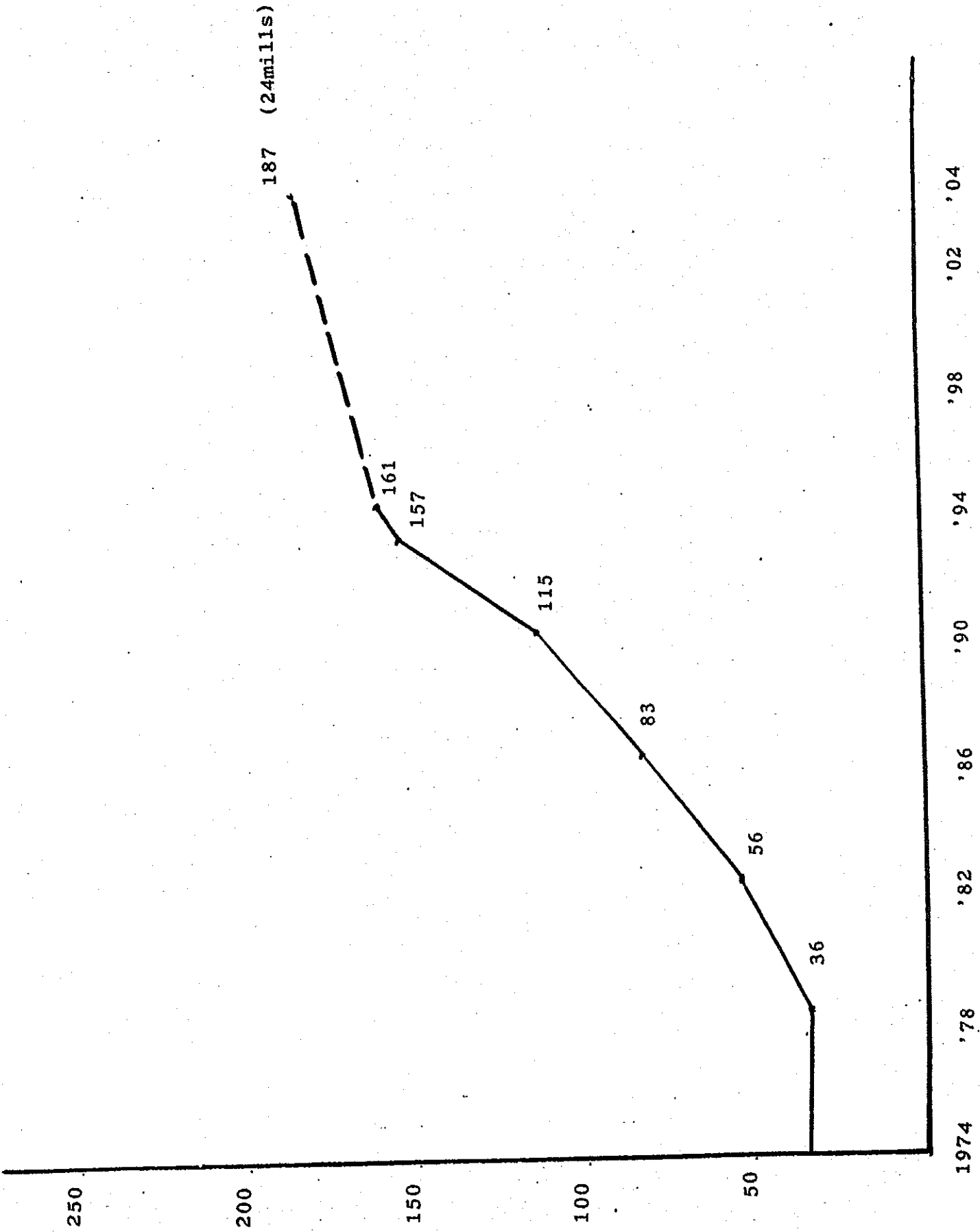
Total Valuation - Commercial  
# of Dwellings

ASSESSMENT PER DWELLING





BOROUGH REAL ESTATE MILLAGE



REAL ESTATE TAXES IMPOSED

(000's)

## REAL ESTATE TAXES - 2004

Average homes/year built since 1986 = 7.71

8 homes x 11 years = 88 + 542 = 634 homes in 2004

630 homes x \$11,600 average valuation = 7,308,000

Commercial Valuation = 6% of total = 466,000

Total valuation in 2004 7,774,000

Real Estate Tax at 24 mills = \$186,580

## PROJECTED INCOME - 2004

		Inflation	
		5%/Yr.	3%/Yr.
		(000)	(000)
<u>TAXES</u>			
Real Estate	Value of \$7,774,000 @ 24 mills	\$187	\$187
Transfer		14	14
Earned Income	347 Persons @ \$63 + Inflation	37	29
Per Capita		1	1
<u>LICENSES/FEES</u>			
Boat		31	31
Misc.		9	9
<u>GRANTS</u>			
Liquid Fuel	Anticipate Increase	40	40
Service Corp.	10% Increase in # of Lots	90	90
Misc.		10	10
<u>SERVICES</u>			
Water Authority	Average '93 & '94 + Inflation	85	70
Police	'94 charges + Inflation	10	8
		10	10
<u>MISC.</u>			
TOTALS		524	499
TOTAL EXPENSE IN 2004 (1994 Expense + Inflation)		655	540
SURPLUS (SHORTFALL)		(131)	(41)

## IF WE ARE RE-ASSESSED

Re-assessment in '79 increased Property Valuation by 83%  
However, The 70's decade had 103% inflation

Re-assessment in the 90's would likely produce an increase of 40%

Real Estate taxes of \$187,000 x 1.40 = \$262,000.. An Increase  
of \$75,000 in Real Estate Tax Revenues

Each mill of increase would produce \$7,774 in new income

## INDIAN LAKE WATER AUTHORITY

R. D. 1

CENTRAL CITY, PA. 15926

December 31, 1992

## WATER USE

TOTAL WATER USE PER YEAR	68,725,485 GALLONS PER YEAR
AVERAGE DAILY WATER USE	188,000 GALLONS PER DAY
PEAK DAY WATER USE	200,000 GALLONS PER DAY
MINIMUM DAY WATER USE	40,000 GALLONS PER DAY
AVERAGE USE PER HOUSEHOLD	376 GALLONS PER DAY

## GROUNDWATER SOURCES

WELL #	DEPTH	DIAMETER	AVG. WITHDRAWAL	MIN. PRODUCTION	CAPACITY (GPD)
2	185'	6"	48,000 GPD	72,000 GPD	144,000
18A	90'	6"	24,000 GPD	24,000 GPD	122,000
18B	153'	10"	116,000 GPD	116,000 GPD	230,000

## STORAGE TANKS

NAME	PRESENT STORAGE CAPACITY
PENINSULA STANDPIPE	200,000 GALLONS
CHERRY LANE STANDPIPE	200,000 GALLONS
WEST SHORE STANDPIPE	54,000 GALLONS

NAME	MAXIMUM STORAGE CAPACITY
PENINSULA STANDPIPE	200,000 GALLONS
CHERRY LANE STANDPIPE	307,000 GALLONS
WEST SHORE STANDPIPE	108,000 GALLONS

The Indian Lake Water Authority presently services 501 residences and 6 Commercial locations.

The Indian Lake Water Authority has at the present time, the storage and transmission capacity to serve 1,210 full time residences.

The Indian Lake Water Authority has at the present time, the capability to store and transmit enough water to accommodate an additional 429 residences.

The Indian Lake Water Authority can accommodate 1,635 full time residences if it increases it's storage tanks to maximum capacity.

As of December 31, 1993:

Storage and Production Capacity - Unchanged  
 Average Daily Water Use - 193,000 gal.  
 Connections - 513