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# **Municipalities Financial Recovery Act**

## **Three Year Exit Plan**

City of Shamokin  
Northumberland County, Pennsylvania

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Prepared on behalf of the  
City of Shamokin  
Commonwealth of Pennsylvania  
Department of Community and Economic Development  
Governor's Center for Local Government Services

As filed with the City Administrator on December 19, 2019



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December 19, 2019

Hand Delivered 12/19/2019

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To: John J. Brown, Mayor, Member of City Council  
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Charles Verano, Councilman  
Barbara Moyer, Councilwoman  
Daniel McGaw, Councilman  
David Kinder, Controller  
Brenda Scandle, Treasurer  
Robert Slaby, City Administrator

Re: City of Shamokin Act 47 Exit Plan – Transmittal Letter

Ladies and Gentlemen:

Enclosed please find a true and correct copy of the City of Shamokin's Act 47 Exit Plan which has been delivered and filed today by the Act 47 Coordinator to the City of Shamokin.

Also enclosed please find a copy of Public Notice published today, December 19, 2019 in the local newspaper, *The News Item*, and which also will be published on Monday, January 6, 2019 in the *Northumberland Legal Journal* pursuant to law.

Pursuant to the Act 47 statute, the Coordinator specifically requests that each member of City Council, Treasurer Scandle, Controller Kinder, City Administrator Slaby and Solicitor Konopka, each in your official capacity, attend the Coordinator's public meeting on January 9, 2020, more fully described in the attached copy of Public Notice. Comments about the plan, in writing, are hereby solicited from each of the above officials. Thank you.

Best regards,

By: /s/ Ryan P. Hottenstein  
Act 47 Coordinator

Enclosure (1)

cc: Robert Slaby, City of Shamokin (City Administrator)  
Doreen Annis, City of Shamokin (Administrative Accountant)  
Gerald Cross, Pennsylvania Economy League (Act 47 Coordinator)  
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# Introduction

Prior to entrance in to Act 47 the City of Shamokin, Northumberland County, Pennsylvania, (the “City” or “Shamokin”) had suffered serious and dire financial conditions. The City faced a persistent structural deficit which ranged from 9% to 14% of total annual revenues, and increasingly jeopardizing the City’s ability to provide for the health, safety, and welfare of its citizens.

From the outset, elected officials have cooperated with the Coordinator to implement most of the initiatives included in the City’s original *2015 Act 47 Plan for the City of Shamokin* (the “2015 Recovery Plan” or “Original Plan”) adopted on February 23, 2015. The City has taken numerous steps that have substantially improved the financial position of the City, however, without the taxing authority provided to it under the provisions of Act 47, maintaining this improved financial stability is unlikely without the City taking extraordinary measures.

Act 199 of 2014 (Act 199) amended Act 47 to provide a timeline and process for municipalities to exit from their distressed determination. For the City, the 2015 Recovery Plan started the Act 199 timeline for the City to exit from the Act 47 program. As part of the Act 199 exit process, the Coordinator was required to prepare and file a report stating the financial condition of the City. On September 5, 2019, the Coordinator filed with the City a *Report Stating the Financial Condition of the City of Shamokin* (the “Financial Condition Report”).

The Financial Condition Report reviewed the City’s financial performance from 2015 – 2019, evaluated the City’s current financial condition and included a recommendation on the City’s future in the Act 47 Program. The Financial Condition Report noted that while the City reported annual surpluses during the 2015 – 2019 period, the City is only able to produce positive financial results and avoid financial crises as a result of the taxing authority provided to it under the provisions of Act 47, maintaining this improved financial stability is unlikely without the City taking extraordinary measures.

The Financial Conditions Report’s baseline line projections remaining in Act 47 for the period 2020-2024 indicated that the City would incur operating budget deficits throughout the projection period beginning in 2020 with a deficit of **(\$36,565)** and increasing to **(\$292,150)** in 2024. Furthermore the Financial Condition Report baseline projections outside of Act 47 indicate the City would incur significantly worse operating deficits growing to **(\$836,565)** in 2020 to **(\$1,132,906)** in 2024.<sup>1</sup>

Based upon the projected escalating operating deficits, the Financial Condition Report concluded that that a three-year exit plan shall be prepared for the City to improve the City’s ability to achieve long-term financial stability.

The Coordinator conducted a public meeting on September 23, 2019, to receive comments on the Financial Condition Report. Three members of the public provided comment. The public comments received included but not limited to: number of current initiatives implemented, prior unlawful pension benefits, end of year surpluses, legislative changes to PA Third Class City Code and a number of comments unrelated to the Financial Condition Report. The Coordinator

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<sup>1</sup> See Appendix Tab 6, *Report Stating the Financial Condition of the City of Shamokin*.

received no written comments from the public. Taking into account all of the comments received, the Coordinator, in its discretion, decided not to review the Financial Condition Report.

Pursuant to the Act 199 exit process, the Coordinator is required to prepare and file this Exit Plan with the City within 90 days of the public meeting referred to above. The design the Exit Plan is to ensure the termination of the City's distressed status after three years. This Exit Plan includes revised baseline financial projections for the City for the period 2020 – 2025, general plan provisions and initiatives, workforce and collective bargaining provisions and financial projections based upon the impact of implementing the Exit Plan's provisions.

This report will outline actions City officials must take in order to address the underlying structural issues facing the City. The Coordinator's recommendations for doing this are presented in detail in the chapters to follow.

The solutions required to keep the City fiscally solvent are not favored by the Act 47 Coordinator, DCED, or City Officials but outside of Home Rule are the only options the City can implement and control on its own without having to hope for a lifeline from another governmental agency. These initiatives will be challenging and may be very unfavorable to implement, but are required in order to balance the City's budget.

## **Act 47 Background**

Pursuant to the Commonwealth of Pennsylvania's Municipalities Financial Recovery Act, Act 47 of 1987, as amended, the City of Shamokin was declared a financially distressed municipality by order of the Secretary of the Department of Community and Economic Development on June 16, 2014. Stevens & Lee, P.C. (S&L) was subsequently appointed the Act 47 Coordinator for the City. The City adopted its original Act 47 Recovery Plan (Recovery Plan) on February 23, 2015.

On May 12, 2014 the City filed a Request for Determination of Municipal Financial Distress ("Request") under Section 203(c) of the Municipalities Financial Recovery Act.

The City's Request asked DCED to determine the City of Shamokin's eligibility as a distressed municipality under Act 47. The Request alleged that the City met the following five criteria for distressed municipality status under Act 47.<sup>2</sup>

1. The City has maintained a deficit over a three-year period, with a deficit of 1% or more in each of the previous fiscal years.
2. The City's expenditures have exceeded revenues for a period of three years or more.
3. The City has accumulated and has operated for each of two successive years a deficit equal to 5% or more of its revenues.
4. The City has failed to make the budgeted payment of its minimum municipal obligation as required by section 302, 303 of 602 of the act of December 18, 1984 (P.L. 1005,

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<sup>2</sup> Section 201 of Act 47 enumerates eleven criteria, at least one of which must be present in order for a municipality to be considered for a distress determination by the Secretary of DCED.

No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, with respect to a pension fund during the fiscal year for which the payment was budgeted and has failed to take action within that time period to make required payments.

5. The City has experienced a decrease in quantified level of municipal service for the preceding fiscal year which has resulted from the municipality reaching its legal limit in levying real estate taxes for general purposes.

Pursuant to Section 203(b) of Act 47, DCED conducted a consultative investigation into the financial affairs of the City. After examining the City's financial, personnel and other relevant administrative records, DCED determined that four of the five identified criteria were present, and therefore concluded that City could be considered a distressed municipality under Act 47. The results of the consultative investigation were set forth in a Consultative Evaluation Report issued on June 4, 2014. The Report recommended that the City be declared distressed under Act 47 based on an analysis of the City's fiscal condition: structural deficits whereby expenditures exceed revenue, workforce trends, cash flow, tax base and revenue trends, debt service obligations, current and projected 2014 financial position, pension obligations, use of inter-fund transfers and socio-economic and demographic trends.

On June 4, 2014, a public hearing was held to receive testimony from officials of the City of Shamokin, DCED and other interested parties relative to whether the DCED Secretary should declare the City of Shamokin distressed municipality under Act 47.

On June 16, 2014, DCED Secretary Alan Walker declared that the City is "financially distressed" under the provisions of Act 47, and the City was officially accepted into the Act 47 Program for Distressed Municipalities. On July 2, 2014, DCED appointed Stevens & Lee, P.C. the Act 47 Coordinator (Coordinator) for the City. The City adopted its original Act 47 Recovery Plan (Recovery Plan) on February 23, 2015.

## **The City's Structural Deficit**

Though the City's Audited Financial Statements from 2008 to 2012 reported fund balances in all of its Governmental Funds, including its General Fund, the City had been in dire financial distress for some time.

As discussed in the City's Original Act 47 Plan its financial statements had been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This lead to distortions in the true financial picture due to timing of cash received and expenses paid towards the end of a fiscal period.

The Original Act 47 Plan recommended moving to modified accrual accounting which recognizes revenues when they become available and measurable and with some exceptions, recognizes expenditures when liabilities are incurred. The City has moved to modified accrual accounting and its current accounting practices are in line with GFOA best practices.

As outline in the City's adopted recovery plan the City has imposed an increased Earned Income Tax of 1.5% on City residents. As a result, the City of Shamokin has maintained a



structural surplus for three of the past four years and an overall positive fund balance in every year.

**Shamokin General Fund Revenue vs. Expenses  
(2015-2018)**

	2015	2016	2017	2018
Revenues	\$3,349,749	\$3,660,738	\$3,544,730	\$3,305,029
Expenditures	3,200,000	3,582,880	3,453,576	3,375,224
<b>Surplus/(Deficit)</b>	<b>\$149,749</b>	<b>\$77,858</b>	<b>\$91,154</b>	<b>(\$70,195)</b>
Deficit % of Revenue	4.5%	2.1%	2.6%	-2.1%
Fund Balance	<b>\$228,144</b>	<b>\$306,002</b>	<b>\$397,156</b>	<b>\$326,961</b>

*Note: 2015 – 2018 Audited Statements, 2017 Restated*

Without the additional taxing authority provided to the City while in Act 47 the City would have operated at a deficit in all four years.

**Shamokin General Fund Revenue vs. Expenses  
Without Act 47 EIT Tax  
(2015-2018)**

	2015	2016	2017	2018
Revenues	\$ 3,349,749	\$ 3,660,738	\$ 3,544,730	\$ 3,305,029
Estimated ACT 47 EIT	(790,000)	(790,000)	(790,000)	(790,000)
Revenues without Act 47 EIT	\$ 2,559,749	\$ 2,870,738	\$ 2,754,730	\$ 2,515,029
Expenditures	3,200,000	3,582,880	3,453,576	3,375,224
<b>Surplus/(Deficit)</b>	<b>(\$640,251)</b>	<b>(\$712,142)</b>	<b>(\$698,846)</b>	<b>(\$860,195)</b>
Deficit % of Revenue	-25.0%	-24.8%	-25.4%	-34.2%
Fund Balance	<b>(\$561,856)</b>	<b>(\$1,273,998)</b>	<b>(\$1,972,844)</b>	<b>(\$2,833,039)</b>

*Note: 2015 – 2018 Audited Statements, 2017 Restated*

The above clearly demonstrates that outside of Act 47 the City's structural deficit persists due to, the structural mismatch between revenue and expenditures which cannot be overcome without substantial additional cutbacks in expenditures or increased revenues.

As outlined in the City's Original Act 47 Plan moving to a Home Rule form of government would have given the City the option to maintain the increased EIT tax currently levied without drastic cuts in service or major increases to property taxes.

All City services will be impacted however the majority of cuts will have to come from the City's Police Department. Reducing the City's Police Department is not a recommendation that is proposed lightly or should be construed as manipulation, but is directly a result of financial and legislative reality.

Reducing Police services prior to other City provided services is based on two primary factors. First and most importantly, out of all provided City services, only Police services have an

alternative service delivery provider in the State Police. Secondly, the Police Department is the only City Department whose budget is larger than the loss in EIT revenue.

For example the loss of EIT revenue in 2023 and 2024 is projected to be \$830,377 and \$840,756 respectively, more than projected expenses in every City department except for the City Police Department. See chart below.

**Departmental Expenditure & Loss EIT Revenue Projections  
City of Shamokin  
2023-2024**

	2023	2024
<b>Loss of EIT Revenue</b>	\$830,377	\$840,756
<b>Department</b>	<b>Projected</b>	<b>Projected</b>
Legislative	11,323	11,677
Audit & Financial	22,816	23,254
Treasurer & Tax Collection	66,042	67,911
Solicitor	65,871	67,228
City Manager	111,938	115,163
City Hall Admin	195,138	200,425
City Hall Building	43,628	44,584
Police	1,577,559	1,617,473
Fire	104,934	106,635
Code Enforcement	99,914	102,709
PW Highways & Streets	701,451	719,267

In order to make of for the loss EIT revenue the City will have to reduce the Police Department to the minimum allowed by the Commonwealth. Reducing the City Police Department to the minimum allowable will not eliminate all costs to he Police department as legacy cost such as pension and retiree healthcare will remain.

These reductions in force would not be required if the City operated under a Home Rule Charter drafted and approved by its Citizens, if said charter authorized the additional taxing authority. In an effort to avoid this predicament, City Council was supportive of enacting the necessary measures needed to move forward towards Home Rule.

City Council voted to put the question of establishing a Home Rule Study Commission to City voters in May of 2019. Prior to the vote City Council held numerous educational sessions in various locations, drafted flyers and the Mayor filmed a video posted to YouTube in an effort to educate citizens on the process of moving to Home Rule, the benefits, limitations and potential consequences if the City does not move a Home Rule form of Government.

The question on establishing a Home Rule Study Commission was not approved by voters. Therefore the City will continue to operate under the PA 3<sup>rd</sup> Class City Code.

This report provides an updated analysis of the City's revenues and expenses, and proposes recommendations to reduce expenditures and increase revenues to close the City's structural budget shortfall.

Options available to the City under the 3<sup>rd</sup> Class City Code are limited and will require difficult and most likely unfavorable decisions to be made, but if implemented, these recommendations can help the City balance its budget and keep the City on sound financial footing, and allow it to decide what services it decides to provide its citizens.

## **History and Relevant Trends**

Shamokin was laid out on March 1, 1835, twenty-nine years prior to its incorporation as the Borough of Shamokin in 1864. It owes both its origin and its growth to the discovery of “black diamonds” or coal.<sup>3</sup> Many names were suggested for the Borough, but ultimately John Boyd named the Borough “Shamokin,” meaning “eel creek” in the native language of the Delaware Indians.

Like other historically industrial cities, Shamokin has struggled to find its identity in the 21st Century. The era of coal mining and manufacturing placed Shamokin and the surrounding community of Coal Township on the map, growing to a peak population of 50,000 in the 1920s.<sup>4</sup> However, it now finds itself in the midst of a long-term, continual population loss and a decrease in tax base, coupled with its citizens’ expectation for more support with less financial resources.

While the late 1900’s and early 2000’s have been difficult for the City of Shamokin since entering Act 47 the City has seen a growth in local business and demand for hospitality and entertainment over the last 4 years. Much of this economic expansion is the result of the Anthracite Outdoor Adventure Area (the “AOAA”) which officially opened in May of 2014. The AOAA is an extensive off-road trail system with hundreds of miles on 6,500 acres. Since opening City leaders have worked with visitors of the AOAA to feel welcome in the City and trying to cater to visitor needs.

### ***Population Trends***

As discussed in the original Act 47 Plan both Northumberland County and the City of Shamokin have experienced losses in population over the last 40 years, the percentage of population loss for the City has been significantly more drastic. From 1970 to 2017 the City has lost 4,554 residents or 38.9% of its population, while the County has lost 6,152 residents or 6.2%. The chart below reflects population trends of the City of Shamokin and Northumberland County from 1970 to 2017.

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<sup>3</sup> <http://www.shamokincity.org/history.htm>

<sup>4</sup> <http://www.shamokincity.org/history.htm>

**City of Shamokin and Northumberland County  
Population Trends 1970 to 2010**

	1970	1980	1970 to 1980	
			#	%
City of Shamokin	11,719	10,357	(1,362)	-11.6%
Northumberland County	99,190	100,381	1,191	1.2%
	1980	1990	1980 to 1990	
			#	%
City of Shamokin	10,357	9,184	(1,173)	-11.3%
Northumberland County	100,381	96,771	(3,610)	-3.6 %
	1990	2000	1990 to 2000	
			#	%
City of Shamokin	9,184	8,009	(1,175)	-12.8%
Northumberland County	96,771	94,556	(2,215)	-2.3%
	2000	2010	2000 to 2010	
			#	%
City of Shamokin	8,009	7,374	(635)	-7.9%
Northumberland County	94,556	94,528	(28)	0.0%
	2010	2017	2010 to 2017	
			#	%
City of Shamokin	7,374	7,165	(209)	-2.8%
Northumberland County	94,528	93,038	(1,490)	-4.7%
	1970	2017	1970 to 2017	
			#	%
City of Shamokin	11,719	7,165	(4,554)	-38.9%
Northumberland County	99,190	93,038	(6,152)	-6.2%

Source: U.S. Bureau of the Census

Shamokin has not only experienced significant population loss, but the population that remains is considerably older than the surrounding communities and the national average. Statistics reveal that the population over age 65 in Shamokin is 18.9%, which is well-above the national average of 13 percent. That figure is also well above other Pennsylvania Cities which are also above the national average (14.9%): Scranton (16.3%); Bethlehem (15.5%); Wilkes-Barre (15.8%); and Altoona (16.1%).

**City of Shamokin  
Population by Age Group 1970 to 2017**

	1970	1980	1990	2000	2010	2017
<b>Total Population</b>	<b>11,719</b>	<b>10,357</b>	<b>9,184</b>	<b>8,009</b>	<b>7,374</b>	<b>7,165</b>
Percent Change from Previous Census		-11.6%	-11.3%	-12.8%	-7.9%	-2.8%
Percent Change from 1980-2017						-38.9%
<b>Under 18</b>		<b>2,312</b>	<b>2,043</b>	<b>1,775</b>	<b>1,735</b>	<b>1,630</b>
Percent Change from Previous Census			-11.6%	-13.1%	-2.3%	-6.1%
Percent Change from 1980-2017						
Percent of Total Population		22.3%	22.2%	22.2%	23.5%	22.8%
<b>18-64 Years</b>		<b>5,611</b>	<b>4,851</b>	<b>4,482</b>	<b>4,369</b>	<b>4,179</b>
Percent Change from Previous Census			-13.5%	-7.6%	-2.5%	-4.3%
Percent Change from 1980-2017						
Percent of Total Population		54.2%	52.8%	56.0%	59.2%	58.3%
<b>65 and Older</b>		<b>2,434</b>	<b>2,290</b>	<b>1,752</b>	<b>1,270</b>	<b>1,356</b>
Percent Change from Previous Census			-5.9%	-23.5%	-27.5%	6.8%
Percent Change from 1980-2017						
Percent of Total Population		23.5%	24.9%	21.9%	17.2%	18.9%

Source: U.S. Bureau of the Census

## ***Employment Trends***

Like many small cities, Shamokin's population decline has been coupled with a steady de-industrialization of its employer base. In the late 19th and early 20th Centuries, many workers in the City of Shamokin were employed by the mining and textile industries. By contrast, today the top employers in Northumberland County are service industry, government, and educational institutions. The table below reflects the top 10 employers in Northumberland and neighboring counties as of the first quarter of 2019.

**Top 10 Employers by Sector and County  
(2019)  
Top Ten Employers**

County	Northumberland	Schuylkill	Montour	Columbia	Union
1	Weis Markets Inc.	Wal-Mart	Geisinger Medical Center	PA Higher Education	Bucknell University
2	State Government	State Government	Geisinger Clinic	Geisinger System Services	Evangelical Community Hospital
3	Conagra Foods	Hydro Extrusion USA LLC	Geisinger System Services	Wise Foods Inc.	Federal Government
4	Northumberland County	Schuylkill Medical Center-South Jackson Street	Geisinger Health Plan	Autoneum North America Inc	DNA Central Inc
5	Shikellamy School District	Wegmans Food Markets Inc	State Government	Dollar Tree Stores Distribution Ctr	Ritz-Craft Corporation
6	Geisinger Medical Center	Cargill Meat Solutions Corp	Danville Area School District	Kawneer Company Inc	Evangelical Medical Services Organization
7	Watsonstown Trucking Co Inc	Lowe's Home Centers LLC	Great Dane LLC	Big Heart Pet Brands	Mifflinburg Area School District
8	Furman Foods Inc	Jeld-Wen Inc	Maria Joseph Manor	Metropolitan Trucking	Wal-Mart Associates Inc
9	Milton Area School District	County of Schuylkill	Geisinger HealthSouth Rehab Hospital	Geisinger-Bloomsburg Hospital	Lewisburg Area School District
10	Nottingham Village	Federal Government	Grandview Nursing & Rehabilitation	Berwick Offray LLC	Elkay Wood Products Company

Source: PA Center for Workforce Information & Analysis

## **Income Trends**

Shamokin's average median household income is \$16,177 less than the median household income for Northumberland County and almost \$37,017 less than the average Pennsylvania household income. Fourteen percent (14.9%) of Shamokin's families are below the poverty, which is higher than that of Northumberland County at 9.9% and the Commonwealth of Pennsylvania at 8.9%. While the City of Shamokin trails both the County and Commonwealth on mean household income in real dollars, the percentage increased in mean household income in the City between 2010 and 2017 was very high at 51.3%.

The table below shows the change in Shamokin's median household income rate in comparison to Northumberland County and Pennsylvania.

**City of Shamokin, Northumberland County and Pennsylvania  
Change in Per Median Household Income 2010 to 2017**

	2010	2017	Change	
			\$	%
City of Shamokin	\$ 27,210	\$ 41,175	\$ 13,965	51.3%
Northumberland County	48,670	57,352	8,682	17.8%
Pennsylvania	67,282	78,192	10,910	16.2%
City of Shamokin	(21,460.00)	(16,177.00)		
More/(Less) than County	-78.9%	-39.3%		
City of Shamokin	(40,072.00)	(37,017.00)		
More/(Less) than State	-147.3%	-89.9%		

Source: U.S. Bureau of the Census

The table below depicts Shamokin's change in Per Capita Income from 2010 to 2017 in comparison to Northumberland County and Pennsylvania.

**City of Shamokin, Northumberland County and Pennsylvania  
Change in Per Capita Income 2010 to 2017**

	2010	2017	Change	
			\$	%
City of Shamokin	\$ 16,842	\$ 19,808	2,966	17.6%
Northumberland County	20,654	24,278	3,624	17.5%
Pennsylvania	27,049	31,476	4,427	16.4%
City of Shamokin	(3,812.00)	(4,470.00)		
More/(Less) than County	-22.6%	-22.6%		
City of Shamokin	(10,207.00)	(11,668.00)		
More/(Less) than State	-60.6%	-58.9%		

Source: U.S. Bureau of the Census

## **Housing Trends**

Over the last 20 years Shamokin has been experiencing a steady decline in owner-occupied housing units. From 1990 to 2017 Shamokin lost 593 or 22.6% of its owner-occupied housing. Positively, the City experienced an increase in owner occupied units of 83 since 2010. Negatively, the estimated value of owner occupied housing units continues to decrease since 2010. The tables below depict the change in the number of owner-occupied housing units from 1990 to 2017 and the change in median value of owner-occupied housing from 2010 to 2017, as compared to Northumberland County and Pennsylvania.

**City of Shamokin**  
**Change in Number of Owner-Occupied Housing Units 1990 to 2017**

Year	Owner-Occupied Housing Units		Change	
	#	% of Total	#	%
1990	2,627	54.0%	-	-
2000	2,314	49.5%	(313)	-11.9%
2010	1,951	43.2%	(363)	-15.8%
2017	2,034	41.1%	83	4.3%
1990 to 2017			(593)	-22.6%

Source: U.S. Bureau of the Census

**City of Shamokin, Northumberland County and Pennsylvania**  
**Change in Median Value of Owner-Occupied Housing 2010 to 2017**

			Change	
	2010	2017	\$	%
City of Shamokin	\$ 37,900	\$ 35,300	\$ (2,600)	-6.9%
Northumberland County	97,500	112,300	14,800	15.2%
Pennsylvania	164,900	170,500	5,600	3.4%
City of Shamokin	(59,600)	(77,000)		
More/(Less) than County	-157.3%	-218.1%		
City of Shamokin	(127,000)	(135,200)		
More/(Less) than State	-335.1%	-383.0%		

Source: U.S. Bureau of the Census

The statistics set forth above provide a picture of a city with a steadily declining tax base, an aging and shrinking population, and a deteriorating economic situation.



# Act 47 Three Year Exit Plan Implementation

## Overview

Current and prior elected officials have cooperated with the Coordinator to implement most of the initiatives included in the City's Original 2015 Recovery Plan. Additionally, the City has taken numerous steps that have substantially improved the financial position of the City; however, without the taxing authority provided to it under the provisions of Act 47, maintaining this improved financial stability is unlikely without the City taking extraordinary measures.

The Act 47 Three Year Exit Plan outlines initiatives, which, if implemented, will allow the City of Shamokin to address the City's underlying structural budget deficit and strengthen the long-term financial outlook for the City.

As outlined by the Coordinator, without changes in State law or county-wide reassessment, the Three Year Exit Plan places a significant emphasis changes in the City's current tax structure and/or significant decreases to City provided public safety.

The City's elected and appointed officials have expressed concern and disappointment about the limited and difficult decisions they will have to make in implementing the Three Year Exit Plan, but understand they must work within the frame work of the 3<sup>rd</sup> Class City Code. The initiatives outlined in this report are a direct result of the citizens of Shamokin not moving forward with Home Rule.

## Initiatives

### *Plan Implementation*

#### **PI01. Conduct Regular Recovery Plan Implementation Meetings**

<b>Target outcome:</b>	Plan implementation
<b>Six year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Council, City Administrator, Act 47 Coordinator and DCED representatives

The Act 47 Coordinator shall continue bi--weekly meetings with Management and City Council. Meetings should be used to plan for and implement Act 47 initiatives and to discuss other matters including but not limited to City finances, operations, human resources, economic development, and intergovernmental cooperation.

The meetings are intended to be small group priority-setting and problem-solving sessions, and could result in follow-on assignments and reporting. Most meetings will be held by conference call with at least one monthly in person meeting.

The Act 47 Coordinator will periodically meet with the full City Council in public session to provide updates.

# Revenue and Financial Projections

## Introduction

The Act 47 Coordinator compiled this financial review and projections of Shamokin's general fund through analysis of the City's FY 2015 through 2018 audits; unaudited year to date financials for 2019; the City's annual budgets, including the proposed 2020 operating budget; debt obligation documents; salary and benefit data, including collective bargaining agreements; pension obligations and other financial obligations; and historical and current data provided by the City. In addition, projections were prepared through the use of historical revenue and expenditure patterns, actuarial pension data, amortization tables and similar information.

The City's accounting records are maintained and its financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis, revenues are recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred.

## Historical 2014-2019

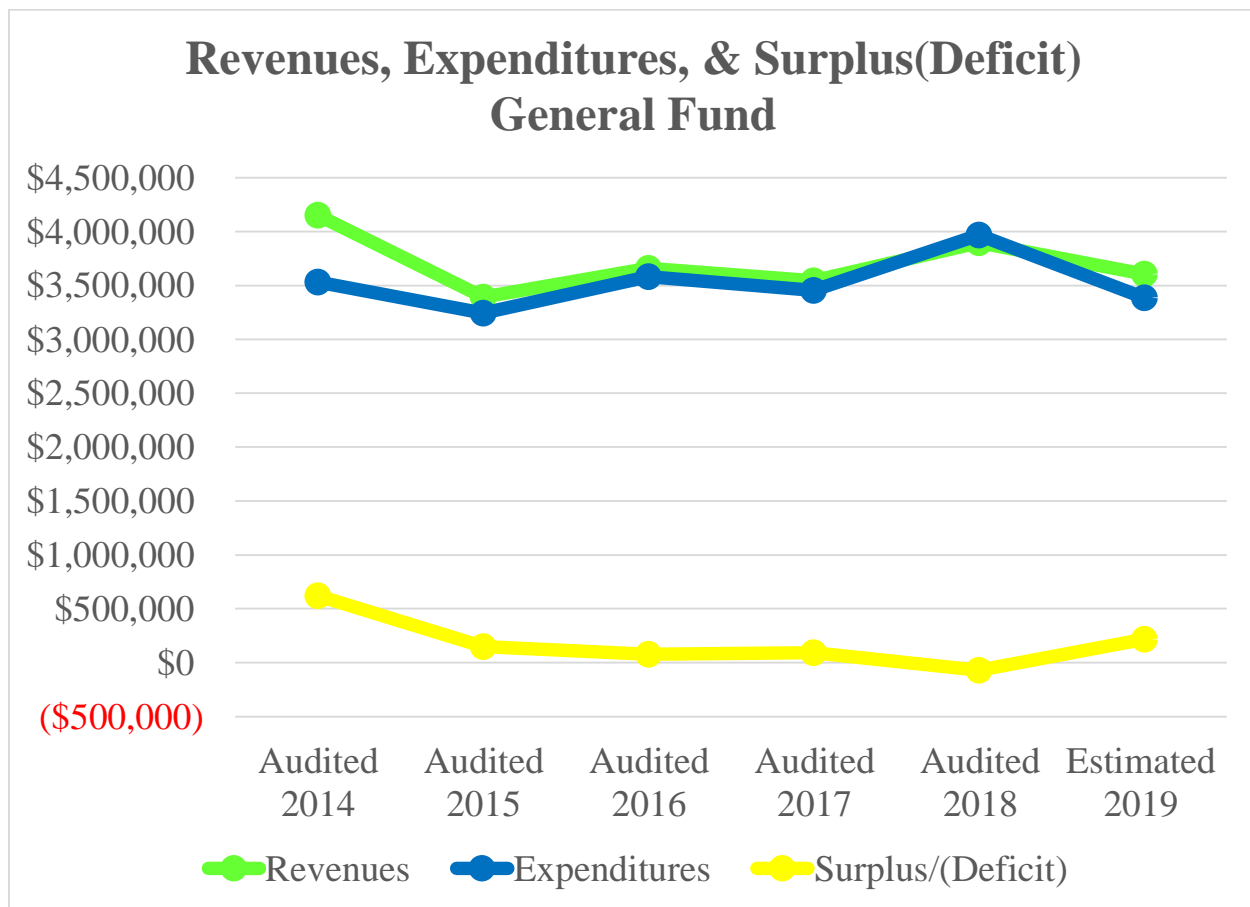
Since joining the Act 47 program the City recorded surpluses in 2014 through 2017, after recording deficits in 2009 to 2013. The City ended 2018 with a slight deficit, however 2019 is anticipated to end with a surplus. The City received an Act 47, 10-year interest free loan in 2014 to cover outstanding payables boosting its revenue in that year. In 2015, the City doubled the Earned Income Tax rate to 2.0% (1.5% for the City, 0.5% for the School District) allowing the City to cover costs of operations.

### General Fund Revenues, Expenditures and Surplus/(Deficit) City of Shamokin 2009 2013

	<u>Audited 2009</u>	<u>Audited 2010</u>	<u>Audited 2011</u>	<u>Audited 2012</u>	<u>Audited 2013</u>
Revenues	\$ 2,279,425	\$ 2,141,773	\$ 2,338,156	\$ 2,429,515	\$ 3,668,606
Expenditures	<u>2,488,041</u>	<u>2,451,352</u>	<u>2,584,478</u>	<u>2,732,042</u>	<u>3,726,116</u>
<b>Surplus/(Deficit)</b>	<b>\$ (208,616)</b>	<b>\$ (309,579)</b>	<b>\$ (246,322)</b>	<b>\$ (302,527)</b>	<b>\$ (57,510)</b>

### General Fund Revenues, Expenditures and Surplus/(Deficit) City of Shamokin 2014 2019

	<u>Audited 2014</u>	<u>Audited 2015</u>	<u>Audited 2016</u>	<u>Audited 2017</u>	<u>Audited 2018</u>	<u>Estimated 2019</u>
Revenues	\$ 4,152,577	\$ 3,392,484	\$ 3,660,738	\$ 3,544,730	\$ 3,897,025	\$ 3,606,063
Expenditures	<u>3,532,829</u>	<u>3,242,770</u>	<u>3,582,880</u>	<u>3,453,576</u>	<u>3,967,220</u>	<u>3,387,902</u>
<b>Surplus/(Deficit)</b>	<b>\$ 619,748</b>	<b>\$ 149,714</b>	<b>\$ 77,858</b>	<b>\$ 91,154</b>	<b>\$ (70,195)</b>	<b>\$ 218,161</b>



The provision of municipal services and reduction of operating deficits requires the City of Shamokin to have reliable revenue sources that have moderate growth to balance yearly increased cost of services to residents, businesses and visitors. Predictable revenue growth is important because so much of a local government's expenditures are related to recurring and regularly increasing costs for salaries, benefits, and other operating expenses. However, Shamokin's tax base has been stagnant or declining. During the review period City revenues have not covered the costs of City services, leading to operational deficits and the use of yearly one time revenues to balance the General Fund operating budget.

## Revenue Profile

Historically, the largest component of City General Fund revenues has been from taxes with the largest portion coming from real estate and earned income (EIT). The City's other major sources of revenue include state shared revenues, licenses and permits, fines & forfeits, parking meter revenue and charges for services.

**General Fund Reported Revenues  
City of Shamokin  
2014 2019**

	2014	2015	2016	2017	2018	2019	Change 2014 - 2019	
Revenue	Actual	Actual	Actual	Actual	Actual	Estimated	\$	%
Tax Revenue	1,603,709	1,760,426	2,574,310	2,595,993	2,541,480	2,552,930	949,221	59.2
State Shared Revenue & Entitlements	139,328	154,070	164,210	172,871	168,915	172,927	33,599	24.1
Licenses & Permits	236,282	132,692	129,142	138,211	129,011	142,883	-93,399	-39.5
Fines & Forfeits	30,398	70,727	93,751	101,619	83,004	93,034	62,636	206.1
Parking Meter Revenue	82,364	79,336	98,421	103,377	81,305	86,802	4,438	5.4
Charges for Services	88,374	142,971	60,720	67,271	60,695	49,796	-38,579	-43.7
Other Non Tax Revenue	529,627	270,255	278,130	305,977	839,927	266,902	-262,725	-49.6
Other Financing	340,307	353,048	708,406	408,665	172,097	38,791		
Total Revenue	3,050,390	2,963,525	4,107,090	3,893,986	4,076,433	3,404,065		
Revenue	Percent of Total Revenue							
Tax Revenue	52.6	59.4	62.7	66.7	62.3	75.0		
State Shared Revenue & Entitlements	4.6	5.2	4.0	4.4	4.1	5.1		
Licenses & Permits	7.7	4.5	3.1	3.5	3.2	4.2		
Fines & Forfeits	1.0	2.4	2.3	2.6	2.0	2.7		
Parking Meter Revenue	2.7	2.7	2.4	2.7	2.0	2.5		
Charges for Services	2.9	4.8	1.5	1.7	1.5	1.5		
Other Non Tax Revenue	17.4	9.1	6.8	7.9	20.6	7.8		
Other Financing	11.2	11.9	17.2	10.5	4.2	1.1		
Total Revenue	100.0	100.0	100.0	100.0	100.0	100.0		

*Totals may not add due to rounding*

Tax revenue has generated more than half of the revenue in the City ranging from 52.6% in 2014 to an estimated 75% in 2019. Prior to entering the Act 47 Real Taxes accounted for the majority of Tax Revenue at 59.1% of Tax Revenue. Act 47 Earned Income Tax is estimated at approximately \$800,000 and total EIT now generates more slightly more that real estate estimated at 45.8% of tax revenue vs. 42.8% for EIT.

**General Fund Reported Taxes  
City of Shamokin  
2014 2019**

	2014	2015	2016	2017	2018	2019	Change 2014 - 2019	
Revenue	Actual	Actual	Actual	Actual	Actual	Estimated	\$	%
Real Estate Taxes	947,694	875,149	1,061,769	1,159,762	1,114,768	1,092,724	145,031	15.3
EIT	436,717	665,420	1,277,813	1,168,963	1,185,062	1,168,788	732,071	167.6
LST	53,274	47,492	49,481	47,611	50,348	50,221	-3,053	-5.7
Real Estate Transfer	19,910	18,493	19,872	18,128	26,263	27,756	7,847	39.4
Occupation Tax	62,272	66,140	84,457	93,937	74,496	124,763	62,491	100.4
Business Privilege	69,383	72,417	65,590	91,775	76,727	68,127	-1,256	-1.8
Other Taxes	14,460	15,315	15,329	15,817	13,818	20,549	6,089	42.1
Tax Revenue	1,603,709	1,760,426	2,574,310	2,595,993	2,541,480	2,552,930	949,221	59.2
<b>Percent of Tax Revenue</b>								
Real Estate Taxes	59.1	49.7	41.2	44.7	43.9	42.8		
EIT	27.2	37.8	49.6	45.0	46.6	45.8		
LST	3.3	2.7	1.9	1.8	2.0	2.0		
Real Estate Transfer	1.2	1.1	0.8	0.7	1.0	1.1		
Occupation Tax	3.9	3.8	3.3	3.6	2.9	4.9		
Business Privilege	4.3	4.1	2.5	3.5	3.0	2.7		
Other Taxes	0.9	0.9	0.6	0.6	0.5	0.8		
Tax Revenue	100.0	100.0	100.0	100.0	100.0	100.0		

## Tax Rates

The limitations on millage under the Third Class City Code have a major impact on the City's ability to generate sufficient revenues to cover the current cost of provided services. Prior to the change in the Third Class City Code, the limit on real estate millage was 25 mills with an additional five mills available by annual petition to the Northumberland Court of Common Pleas. The City levied the maximum rate of 30 mills for the review period of 2009 through 2014. For 2015 – 2019 the City's Code limit is 30 mills, with an additional 5 mills allowed by annual court order. The City charges property tax millage for General Purposes and for the special purposes of Debt Service, Library, Recreation and Shade Trees. The City's current total millage is 58.10 mills with an annual tax bill of \$362.00 per median assessed taxable property.

While participating in Act 47 the City has been able to maintain stable financial performance without increasing the Earned Income Tax rate or total Real Estate tax millage over the past 5 years. An overview of tax rates from 2013 to 2019 is shown in the following table.

**City of Shamokin  
Municipal Tax Rates  
2013-2019**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Real Estate – General Purpose (mills)	30.000	30.000	35.000	35.000	35.000	35.000	35.000
Real Estate – Debt Service (mills)	6.860	13.500	14.250	14.250	14.250	12.170	12.170
Library (mills)	0.750	0.750	0.750	0.750	0.750	0.750	0.750
Recreation (mills)	7.208	3.000	6.750	6.750	6.750	8.830	8.830
Shade Tree (mills)	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Street Light (mills)	-	-	1.250	1.250	1.250	1.250	1.250
Total (mills)	44.918	47.350	58.1000	58.100	58.100	58.100	58.100
Realty Transfer	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Earned Income Nonresident	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Earned Income Resident	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Local Services Tax (LST) (\$)	\$47	\$47	\$47	\$47	\$47	\$47	\$47
Per Capita Tax (\$)	\$5	\$10	\$10	\$5	\$5	\$10	\$10
Occupation (mills)	31.000	31.000	31.000	31.000	31.000	31.000	31.000
Mechanical Devices	\$75	\$75	\$75	\$75	\$75	\$75	\$75
Mercantile/Business Privilege – Other (mills)	0.500	0.500	0.500	0.500	0.500	0.500	0.500
Mercantile/Business Privilege – Retail (mills)	0.750	0.750	0.750	0.750	0.750	0.750	0.750
Mercantile/Business Privilege – Wholesale (mills)	0.500	0.500	0.500	0.500	0.500	0.500	0.500

## **Tax Burden**

The 2019 tax burden on the mean household income was \$1,150.05 or 2.8 percent of the household's income. Real estate and earned income tax accounted for \$979.63 or 85.2 percent of the 2019 tax burden.

The City's 2020, 2021 and 2022 budgets maintain the 1.5 percent rate for the earned income tax under authorization of the Recovery Plan. However upon exiting Act 47 the City will lose its ability to levy the additional 1.0 percent earned income tax. In order to make up the loss in EIT revenue the City will either have to reduce expenses or increase revenue through the use of sale-lease back debt financings.

Using sale-lease back financings to fund City operations is not preferable or efficient but is the only mechanism available to provide the City with the funds necessary to replace the loss in EIT revenue.

Proceeds of sale-lease back financings can be used to fund City operations. Sale-lease back financing is a General Obligation of the City. Since there is no cap on millage for the repayment of debt under the 3<sup>rd</sup> Class City Code the City would be able to increase property taxes to pay back debt incurred.

While this mechanism is potentially allowable it has never before been used as permanent method of generating operating revenue and could be challenged putting a major portion of City operating funds at risk to be lost. This method is only being proposed as a last ditch alternative to Home Rule or making draconian cuts to services.

Using sale-lease back financings will require a shift in the allocation of City tax burden, moving the largest source of revenue from earned income tax to real estate taxes. This shift of tax burden will have a **significant negative** impact on retirees and businesses within the City of Shamokin.

As stated above the 2019 tax burden on mean household income was \$1,150.05 or 2.8 percent of the Shamokin's household's income. Real estate and earned income tax accounted for \$979.63 or 85.2 percent of the 2019 tax burden. Upon exiting Act 47 2024 tax burden on a mean household income is estimated to actually decrease for the average working citizen to \$960.47 or 2.3 percent of the household's income with real estate and earned income tax accounting for \$790.05 or 82.3 percent of the projected tax burden.

**City of Shamokin  
Comparison of Tax and Major Fee Burden  
on a Hypothetical Household to Support  
City Operations**

<b>Tax Base and Rate</b>	<b>Act 47</b>	<b>Outside Act 47</b>
Mean Assessed Taxable Valuation <sup>1</sup>	6,231	6,231
Mean Household Income	41,175	41,175
Real Estate Tax Millage	58.1000	93.7581
Earned Income Tax Rate	1.50%	0.50%
Emergency and Municipal Services Tax	47.00	47.00
Occupation Tax	31 mills at 100%	
<b>Tax Burden</b>		
City Real Estate Tax	\$ 362.00	\$ 584.17
City Earned Income Tax	617.63	205.88
City Per Capita	10.00	10.00
City Emergency and Municipal Services Tax	47.00	47.00
Occupation Tax	113.42	113.42
Tax	\$ 1,150.05	\$ 960.47
Burden as a % of Median Household Income	2.79%	2.33%

<sup>1</sup> Average 2019 Assessed Property Value as reported by the City

As mentioned earlier the estimated decrease in tax burden **will not** be experienced by all tax payers within the City of Shamokin. Individual tax burden will depend on the citizen's actual assessed property value and actual income earned.

Two portions of the tax payer mix in the City of Shamokin will experience a noticeable tax increase, businesses and retirees. Since neither businesses nor retirees pay earned income tax their overall tax burden will increase as the 61.4% increase in real estate tax will not be offset by the decrease in earned income tax.

**City of Shamokin**  
**Comparison of Real Estate Tax Burden for Retirees**

<b>Tax Base and Rate</b>	<b>Act 47</b>	<b>Outside Act 47</b>
Mean Assessed Taxable Valuation <sup>1</sup>	6,231	6,231
Mean Retiree Income	16,990	16,990
Real Estate Tax Millage	58.1000	93.7581
<b>Tax Burden</b>		
City Real Estate Tax	\$ 362.00	\$ 584.17
City Per Capita	10.00	10.00
Tax	\$ 372.00	\$ 594.17
Burden as a % of Mean Retiree Income	2.19%	3.50%

<sup>1</sup>Average 2019 Assessed Property Value as reported by the City

**City of Shamokin**  
**Comparison of Real Estate Tax Burden for Commercial Properties**

<b>Tax Base and Rate</b>	<b>Act 47</b>	<b>Outside Act 47</b>
Mean Assessed Taxable Valuation <sup>1</sup>	25,080	25,080
Real Estate Tax Millage	58.1000	93.7581
<b>Tax Burden</b>		
City Real Estate Tax	\$ 1,457.17	\$ 2,351.49

<sup>1</sup>Average 2019 Assessed Property Value as reported by the City

## Expenditure Profile

Similar to most third class cities, employee costs accounted for the largest portion of expenditures throughout the historical period averaging about 66 percent of the total employee costs fluctuated throughout the period ranging from a high of \$1.38 million in 2016 to the current year estimated low of \$707,465.

**General Fund Reported Expenditures**  
**City of Shamokin**  
**2014-2019**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Change 2014 - 2019</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>\$</b>	<b>%</b>
Employee	2,495,793	2,179,404	2,247,459	2,439,787	2,542,787	2,464,705	-31,088	-1.2
NonEmployee	1,237,357	779,004	1,380,530	924,913	822,292	707,465	-529,891	-42.8
Transfers	66,710	53,361	17,035	0	582,714	3,601	-63,109	-94.6
TRAN	0	389,149	341,150	290,800	0	0	0	0.0
<b>Total Expenditures</b>	<b>3,799,860</b>	<b>3,400,917</b>	<b>3,986,175</b>	<b>3,655,501</b>	<b>3,947,793</b>	<b>3,175,772</b>	<b>-624,088</b>	<b>-16.4</b>
Employee	65.7	64.1	56.4	66.7	64.4	77.6		
NonEmployee	32.6	22.9	34.6	25.3	20.8	22.3		
Transfers	1.8	1.6	0.4	0.0	14.8	0.1		
TRAN	0.0	11.4	8.6	8.0	0.0	0.0		
<b>Total Expenditures</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		



Payroll has grown slightly throughout the period, from \$1.215 million to a high of \$1.32 million in 2018, 2019 is anticipated to end at \$1.272 million. Employee benefits decreased from \$805,430 in 2014 to \$569,078 in 2015 growing to a high of \$699,794 in 2018. Pension costs have also increased throughout the period.

**General Fund Reported Employee Expenditures  
City of Shamokin  
2014 2019**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Change 2014 - 2019</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>\$</b>	<b>%</b>
Payroll	1,215,341	1,222,480	1,271,523	1,289,685	1,322,498	1,272,999	57,658	4.7
Benefits	805,430	569,078	581,178	623,638	699,794	592,599	-212,831	-26.4
Pension	475,022	387,845	394,758	526,465	520,495	599,108	124,086	26.1
<b>Total Employee</b>	<b>2,495,793</b>	<b>2,179,404</b>	<b>2,247,459</b>	<b>2,439,787</b>	<b>2,542,787</b>	<b>2,464,705</b>	<b>-31,088</b>	<b>-1.2</b>
Payroll	48.7	56.1	56.6	52.9	52.0	51.6		
Benefits	32.3	26.1	25.9	25.6	27.5	24.0		
Pension	19.0	17.8	17.6	21.6	20.5	24.3		
<b>Total Employee</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		

Non employee expenditures decreased in all categories throughout the period with the biggest drop in service costs. Early Intervention services in 2014 of \$184,604 (offset by corresponding grant). Other expenses dropped \$148,896 or 70.9 percent. 2014 included prior year TRAN interest of \$109,339 and a HUD payment of \$50,000.

**General Fund Reported Non Employee Expenditures  
City of Shamokin  
2014 2019**

	2014	2015	2016	2017	2018	2019	Change 2014 - 2019	
	Actual	Actual	Actual	Actual	Actual	Estimated	\$	%
<b>Non employee</b>								
Equipment	46,914	53,805	138,882	43,377	47,511	46,402	-512	-1.1
Insurance	144,761	91,995	81,475	89,932	95,908	92,913	-51,848	-35.8
Supplies	206,086	99,563	79,634	90,566	82,838	133,015	-73,071	-35.5
Services	454,118	325,970	340,304	359,399	204,630	253,310	-200,808	-44.2
Lease	89,583	60,223	61,879	63,736	65,648	63,883	-25,701	-28.7
Other Expense	209,955	83,030	611,707	214,836	252,708	61,059	-148,896	-70.9
Fire Relief	29,145	27,722	27,631	25,163	22,963	23,000	-6,145	-21.1
Electric	22,231	13,514	13,501	12,467	12,821	13,406	-8,825	-39.7
Heat	11,347	7,212	5,020	6,045	8,132	7,032	-4,315	-38.0
Sewer	3,774	3,302	3,000	3,034	3,054	3,009	-765	-20.3
Telecommunications	17,965	10,860	14,656	15,074	21,731	8,784	-9,181	-51.1
Water	1,475	1,808	2,841	1,287	4,350	1,652	177	12.0
<b>Total Non- Employee</b>	<b>1,237,357</b>	<b>779,004</b>	<b>1,380,530</b>	<b>924,913</b>	<b>822,292</b>	<b>707,465</b>	<b>-529,891</b>	<b>-42.8</b>
<b>Percent of Non Employee</b>								
Equipment	3.8	6.9	10.1	4.7	5.8	6.6		
Insurance	11.7	11.8	5.9	9.7	11.7	13.1		
Supplies	16.7	12.8	5.8	9.8	10.1	18.8		
Services	36.7	41.8	24.7	38.9	24.9	35.8		
Lease	7.2	7.7	4.5	6.9	8.0	9.0		
Other Expense	17.0	10.7	44.3	23.2	30.7	8.6		
Fire Relief	2.4	3.6	2.0	2.7	2.8	3.3		
Electric	1.8	1.7	1.0	1.3	1.6	1.9		
Heat	0.9	0.9	0.4	0.7	1.0	1.0		
Sewer	0.3	0.4	0.2	0.3	0.4	0.4		
Telecommunications	1.5	1.4	1.1	1.6	2.6	1.2		
Water	0.1	0.2	0.2	0.1	0.5	0.2		
<b>Total Non Employee</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		

## Baseline Projections - 2019-2024

The assumptions below were used by the Act 47 Coordinator to develop the City's 2020 – 2024 baseline financial projections.

### Revenue Assumptions:

- 0% annual increase in Real Estate Tax revenue based on stagnant property assessment growth and no increase in millage rates above the 2020 budget
- 1.25% annual growth in Earned Income Tax revenue
- No increase in non-property tax rates or fees for baseline projections
- Other revenues held at budgeted levels or 2009-2013 average revenue

#### Expenditure Assumptions:

- Employee counts were assumed to remain at 2020 budgeted levels
- Employee compensation was increased by 2.5% annually
- Healthcare increased by 5.0% annually
- No new debt incurred
- Other items adjusted using the Consumer Price Index or Producer Price Index or held flat.

Baseline projections show surpluses in 2020 through 2022 with growing anticipated deficits in 2022 and 2023 as revenues are unable to keep pace with expenditures. Operating deficits occur despite a court-approved 2020 budgeted increase in the real estate tax from 30 mills to 35 mills. The projections maintain the 35 mill rate throughout the five-year projection period; however, the City must receive court approval each year in order to keep the 35 mill rate. Revenues remain flat from 2020 to 2024, growing by only 1.2 percent. Expenditures increase by \$332,544 or 10.5 percent, from \$3.2 million in 2020 to \$3.5 million in 2020.

	2020	2021	2022	2023	2024	Change 2020 - 2024	
	Projected	Projected	Projected	Projected	Projected	\$	%
Revenues	3,327,201	3,307,236	3,326,568	3,346,220	3,366,198	38,997	1.2
Expenditures	3,157,291	3,223,670	3,309,989	3,398,636	3,489,835	332,544	10.5
Surplus/(Deficit)	169,910	83,566	16,579	-52,416	-123,637		

### Revenue Projections—2019-2024

As shown in the table below and noted above, the City's General Fund operating revenues are projected to remain stable with only a 2.3 percent increase in tax revenue, primarily due to a modest growth in EIT.

EIT collections are currently the highest portion of total tax revenue at \$1.175 million. These projections include additional 1.0% tax on residents levied under Act 47 which generates approximate \$800,000 in revenue. All other taxes account for approximately 10 percent of total taxes.

#### General Fund Reported Non Employee Expenditures City of Shamokin 2014-2019

	2014	2015	2016	2017	2018	2019	Change 2014 - 2019	
	Actual	Actual	Actual	Actual	Actual	Estimate d	\$	%
<b>Non employee</b>								
Equipment	46,914	53,805	138,882	43,377	47,511	46,402	-512	-1.1
Insurance	144,761	91,995	81,475	89,932	95,908	92,913	-51,848	-35.8

**Total Taxes Revenue Projections  
City of Shamokin  
2020-2024**

	2020	2021	2022	2023	2024	Change 2020 - 2024	
Revenue	Projected	Projected	Projected	Projected	Projected	\$	%
Real Estate Taxes	1,128,967	1,128,967	1,128,967	1,128,967	1,128,967	0	0.0
EIT	1,175,000	1,189,688	1,204,559	1,219,616	1,234,861	59,861	5.1
LST	47,000	47,000	47,000	47,000	47,000	0	0.0
Real Estate Transfer	20,000	20,000	20,000	20,000	20,000	0	0.0
Occupation Tax	99,000	99,000	99,000	99,000	99,000	0	0.0
Business Privilege	76,000	76,000	76,000	76,000	76,000	0	0.0
Other Taxes	17,200	17,200	17,200	17,200	17,200	0	0.0
Tax Revenue	2,563,167	2,577,855	2,592,726	2,607,783	2,623,028	59,861	2.3
<b>Percent of Total Taxes</b>							
Real Estate Taxes	44.0	43.8	43.5	43.3	43.0		
EIT	45.8	46.2	46.5	46.8	47.1		
LST	1.8	1.8	1.8	1.8	1.8		
Real Estate Transfer	0.8	0.8	0.8	0.8	0.8		
Occupation Tax	3.9	3.8	3.8	3.8	3.8		
Business Privilege	3.0	2.9	2.9	2.9	2.9		
Other Taxes	0.7	0.7	0.7	0.7	0.7		
Tax Revenue	100.0	100.0	100.0	100.0	100.0		

*Totals may not add due to rounding*

Non-tax revenue, which accounts for about 20 percent of total revenues, is expected to be flat through the projection period. The largest source of non-tax revenue is from State Shared revenue growing from \$172,363 to \$190,482 throughout the period.

**Total Non Taxes Revenue Projections  
City of Shamokin  
2020 2024**

	2020	2021	2022	2023	2024	Change 2020 - 2024	
Revenue	Projected	Projected	Projected	Projected	Projected	\$	%
Licenses & Permits	128,400	128,400	128,400	128,400	128,400	0	0.0
Fines & Forfeits	97,500	97,500	97,500	97,500	97,500	0	0.0
Interest Income	20	20	20	20	20	0	0.0
Rents & Royalties	25,688	25,688	25,688	25,688	25,688	0	0.0
Intergovernmental Revenue	20,000	20,000	20,000	20,000	20,000	0	0.0
Fed Capital & Operating Grant	38,983	0	0	0	0	-38,983	-100.0
State Cap & Operating Grant	2,700	2,700	2,700	2,700	2,700	0	0.0
State Shared Revenue	172,363	176,694	181,155	185,749	190,482	18,119	10.5
Local Govt Grants/Revenue	10,000	10,000	10,000	10,000	10,000	0	0.0
Charges for Services	34,750	34,750	34,750	34,750	34,750	0	0.0
Parking Meter Revenue	95,000	95,000	95,000	95,000	95,000	0	0.0
Miscellaneous	45,956	45,956	45,956	45,956	45,956	0	0.0
<b>Non Tax Revenue</b>	<b>671,360</b>	<b>636,708</b>	<b>641,169</b>	<b>645,763</b>	<b>650,496</b>	<b>-20,864</b>	<b>-3.1</b>
<b>Percent of Non Tax Revenue</b>							
Licenses & Permits	19.1	20.2	20.0	19.9	19.7		
Fines & Forfeits	14.5	15.3	15.2	15.1	15.0		
Interest Income	0.0	0.0	0.0	0.0	0.0		
Rents & Royalties	3.8	4.0	4.0	4.0	3.9		
Intergovernmental Revenue	3.0	3.1	3.1	3.1	3.1		
Fed Capital & Operating Grant	5.8	0.0	0.0	0.0	0.0		
State Capital & Operating Grant	0.4	0.4	0.4	0.4	0.4		
State Shared Revenue	25.7	27.8	28.3	28.8	29.3		
Local Govt Grants/Revenue	1.5	1.6	1.6	1.5	1.5		
Charges for Services	5.2	5.5	5.4	5.4	5.3		
Parking Meter Revenue	14.2	14.9	14.8	14.7	14.6		
Miscellaneous	6.8	7.2	7.2	7.1	7.1		
<b>Non Tax Revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		

*Totals may not add due to rounding*

Total tax and non-tax revenue for the projection period is expected to increase by 1.2 percent.

	2020	2021	2022	2023	2024	Change 2020 - 2024	
Revenue	Projected	Projected	Projected	Projected	Projected	\$	%
Tax Revenue	2,563,167	2,577,855	2,592,726	2,607,783	2,623,028	59,861	2.3
Non Tax Revenue	671,360	636,708	641,169	645,763	650,496	-20,864	-3.1
Transfers	92,674	92,674	92,674	92,674	92,674	0	0.0
<b>Total Revenue</b>	<b>3,327,201</b>	<b>3,307,236</b>	<b>3,326,568</b>	<b>3,346,220</b>	<b>3,366,198</b>	<b>38,997</b>	<b>1.2</b>
<b>Percent of Total Revenue</b>							
Tax Revenue	77.0	77.9	77.9	77.9	77.9		
Non Tax Revenue	20.2	19.3	19.3	19.3	19.3		
Transfers	2.8	2.8	2.8	2.8	2.8		
<b>Total Revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		

## Expenditure Projections—2020 - 2024

As shown below, employee costs are expected to increase by \$297,686 or 12.1 percent, rising from \$2.4 million in 2020 to almost \$2.8 million in 2024. Non employee expenditures grow from \$687,388 to \$723,245 or 5.2 percent.

### General Fund Projections City of Shamokin 2020 2024

	2020	2021	2022	2023	2024	Change 2020 - 2024	
	Projected	Projected	Projected	Projected	Projected	\$	%
Employee	2,467,903	2,538,689	2,611,839	2,687,442	2,765,590	297,686	12.1
Non Employee	687,388	683,980	697,150	710,194	723,245	35,858	5.2
<b>Total Expenditures</b>	<b>3,155,291</b>	<b>3,222,670</b>	<b>3,308,989</b>	<b>3,397,636</b>	<b>3,488,835</b>	<b>333,544</b>	<b>10.6</b>
<b>Percent of Total Revenue</b>							
Employee	78.2	78.8	78.9	79.1	79.3		
Non Employee	21.8	21.2	21.1	20.9	20.7		
<b>Total Expenditures</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		

In terms of departmental spending, police costs are projected to experience the largest absolute growth, rising by \$153,845 or 10.5 percent from \$1.5 million in 2020 to \$1.6 million in 2024. Police expenditures account for 46.4 percent of departmental spending. Public works, which is 20.6 percent of departmental spending, is expected to increase by \$68,319 or 10.5 percent from \$650,949 in 2020 to \$719,267 in 2024. At eight percent of departmental spending, total employee benefits are projected to grow from \$252,854 in 2020 to \$302,173 in 2024.

**Departmental Expenditure Projections  
City of Shamokin  
2020-2024**

	2020	2021	2022	2023	2024	Change 2020 - 2024	
Department	Projected	Projected	Projected	Projected	Projected	\$	%
Legislative	11,360	10,666	10,986	11,323	11,677	316	2.8
Audit & Financial	21,500	21,935	22,377	22,816	23,254	1,754	8.2
Treasurer & Tax Collection	60,774	62,473	64,232	66,042	67,911	7,137	11.7
Solicitor	61,800	63,146	64,515	65,871	67,228	5,428	8.8
City Manager	102,877	105,798	108,817	111,938	115,163	12,286	11.9
City Hall Admin	180,137	184,993	189,998	195,138	200,425	20,288	11.3
City Hall Building	40,806	41,734	42,680	43,628	44,584	3,778	9.3
Police	1,463,628	1,500,638	1,538,634	1,577,559	1,617,473	153,845	10.5
Fire	99,844	101,526	103,237	104,934	106,635	6,791	6.8
Code Enforcement	108,389	94,577	97,205	99,914	102,709	-5,680	-5.2
PW Highways & Streets	650,949	667,291	684,140	701,451	719,267	68,319	10.5
Employer Paid Benefits	252,854	264,297	276,312	288,927	302,173	49,319	19.5
Insurance	102,174	104,397	106,657	108,896	111,136	8,961	8.8
Other Expenditures	200	200	200	200	200	0	0.0
<b>Total Expenditures</b>	<b>3,157,291</b>	<b>3,223,670</b>	<b>3,309,989</b>	<b>3,398,636</b>	<b>3,489,835</b>	<b>332,544</b>	<b>10.5</b>

Department	Percent of Total Expenditures				
Legislative	0.4	0.3	0.3	0.3	0.3
Audit & Financial	0.7	0.7	0.7	0.7	0.7
Treasurer & Tax Collection	1.9	1.9	1.9	1.9	1.9
Solicitor	2.0	2.0	1.9	1.9	1.9
City Manager	3.3	3.3	3.3	3.3	3.3
City Hall Admin	5.7	5.7	5.7	5.7	5.7
City Hall Building	1.3	1.3	1.3	1.3	1.3
Police	46.4	46.6	46.5	46.4	46.3
Fire	3.2	3.1	3.1	3.1	3.1
Code Enforcement	3.4	2.9	2.9	2.9	2.9
PW Highways & Streets	20.6	20.7	20.7	20.6	20.6
Employer Paid Benefits	8.0	8.2	8.3	8.5	8.7
Insurance	3.2	3.2	3.2	3.2	3.2
<b>Total Expenditures</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## Initiatives

### REV01. Maintain Increase Earned Income Tax Rate (2020-2023) while in Act 47.

<b>Target Outcome:</b>	Increased Tax Revenue
<b>Six-Year Financial Impact:</b>	<b>\$2.38 million</b>
<b>Responsible Party:</b>	Council, Solicitor

#### Financial Impact

2020	2021	2022	2023	2024	Total
\$783,333	\$793,125	\$803,039	\$0	\$0	\$2,379,498

While under the authorization of Act 47, City Council and Solicitor shall petition the Northumberland Court of Common Pleas annually to approve the increase of the earned income to the total rate of 2.0 percent on resident income for the 2020, 2021 and 2023 fiscal years

### REV02. Maintain Increase Earned Income Tax Rate Under Authority Of A Home Rule Charter (2023 forward) if Approved by Voters.

<b>Target Outcome:</b>	Increased Tax Revenue
<b>Six-Year Financial Impact:</b>	<b>\$1.67 million</b>
<b>Responsible Party:</b>	Council, Solicitor

#### Financial Impact

2020	2021	2022	2023	2024	Total
\$0	\$0	\$0	\$830,377	\$840,756	\$1,671,133

The projected revenue from earned income tax above is only achievable with the approval of a Home Rule Charter referendum prior to fiscal 2023. If the City Council fails to approve a ballot question authorizing a Home Rule Study Commission or if citizens fail to petition the County for a referendum question or in the event voters do not elect to enact a Home Rule form of Government the City will be required to reduce employee expenses/manpower by an amount equal to the additional amount of EIT received in 2019 from the increased EIT rate allowed under Act 47 or increase revenue from an alternative source.



**REV03. Act 47 Accounting Enhancement Grant Application.**

**Target Outcome:** Economic Development  
**Six-Year Financial Impact:** **\$230,000**  
**Responsible Party:** Council, Administrator

Financial Impact					
2020	2021	2022	2023	2024	Total
\$230,000	\$0	\$0	\$0	\$0	\$230,000

Section 302 (a) of Act 47 allows a municipality or the recovery plan coordinator to apply for financial assistance from the Commonwealth after a fiscally distressed municipality has adopted a recovery plan. The City, after adoption of the recovery plan, with the assistance of the Coordinator, may consider applying for \$230,000 in Act 47 financial assistance grants to conduct a Hydrological & Hydraulic Study and Zoning Ordinance rewrite both needed for future economic development.

# Elected Officials, Administration and Finance

## Overview

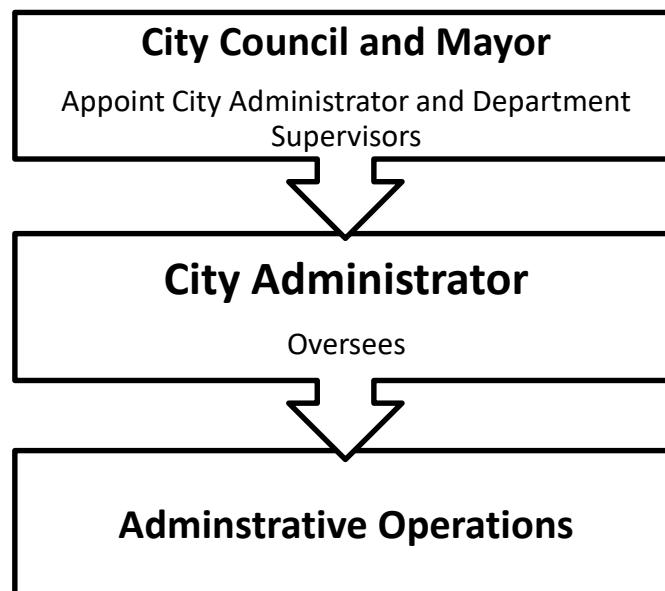
### Elected Officials

The City of Shamokin is governed and organized by the provisions of the Third Class City Code. The general powers include the City's ability to organize and regulate internal affairs, and establish, alter, and abolish offices, positions and employment, as well as to define the functions, powers and duties and to fix their terms, tenures and compensation.

In addition to granting general powers to the City, the Third Class City Code also has limitations. For example, the City does not have the power or authority to diminish retroactively any rights or privileges of any present city employee in his pension. The City also cannot exercise any power or authority beyond the City limits or engage in proprietary or private business except as authorized by the Pennsylvania General Assembly. Generally, the City cannot exercise powers contrary to, or in limitation or enlargement of, powers granted to the City by acts of the General Assembly.

The largest limiting factor impacting the City of Shamokin's financial health under the Third Class City Code is a direct result of the Code's limitations on taxing authority. The two largest sources of tax revenue in the City are Real Estate Taxes and Earned Income Taxes both of which are capped under the Third Class City Code.

The following chapter will discuss initiatives that the City must pursue in order to maintain fiscal solvency moving forward. If the City does not implement the following Initiatives City Council and the Administration will be forced to reduce City services and its workforce accordingly.



# Assessment

## Mayor & City Council

The City of Shamokin elected leadership consists of four at-large City Council members and a Mayor who is member of Council. Each Council member is responsible for the oversight of a City Department with the Mayor overseeing the Police Department. The Council Members serve a term of four years and are required to act as one body. Each Council Member has the responsibility to vote on all questions that come before the Council, and their actions are to be taken pursuant to ordinance, resolution, or motion. The Council also has the responsibility to appoint a City Administrator and a city solicitor, any planning or zoning board in the City, and they may create commissions and other bodies.

The Mayor and City Council are responsible for leading, establishing policy and setting the direction of the City.

As of January 1, 2014, the City Council and Mayor no longer receive compensation or health benefits.

Since adoption of its Act 47 Plan current and past elected officials have worked hard and diligently in the implementation of the Act 47 plan which has produced significant financial and operating improvements.

The choices and decisions that the City must make over the next three years in order to exit Act 47 will be difficult and the initiatives outlined below have not been developed without careful consideration on the impact of citizens and taxpayers alike.

## Initiatives

### **EO01. City Council Shall Enact, Modify and Revise City Ordinances as Necessary to Implement the Recovery Plan**

<b>Target outcome:</b>	Plan implementation
<b>Six-year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Council, City Administrator and Solicitor

This Recovery Plan contains initiatives that require new ordinances, resolutions and regulations as well as other official actions. City Council shall enact any such legislation and regulations and shall take all other actions required to accomplish the initiatives set forth throughout this Recovery Plan in a timely manner.

### **EO02. City Council Shall Hold an Annual Town Hall Meeting on City's Progress**

<b>Target outcome:</b>	Community engagement transparency
<b>Six year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Council and City Manager

The City Council, working with the City Administrator and the Act 47 Coordinator, shall hold at least annually a town-hall style meeting to update City residents on the Act 47 process, the City's progress towards implementing the Recovery Plan and any other relevant issues. The Council shall provide public notice of the meeting or meetings at least ten days in advance of the scheduled date.

**EO03. City Council should consider the re-submission of a referendum question for election of a government study commission**

<b>Target outcome:</b>	Plan Implementation and Community Engagement
<b>Six year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Council and City Administrator

Under the City's current Act 47 Plan and discussed throughout this Exit Plan the City's current portion of Earned Income Tax is levied at a rate of 1.5%. Under the City's current form of Government it is only allowed to levy the additional income tax with court approval while in Act 47. This additional revenue collected from the increased EIT is critical to the long term fiscal stability of the City.

It should go without saying that the increased revenue generated from the raised rate in EIT is the most significant revenue initiative in the City's existing Act 47 Plan and the reason the City has been fiscally solvent over the last 5 years.

Without the additional revenue generated from the increased EIT the City will not be solvent and would be unable to support its current operations without making drastic reductions in all City services, but most significantly in Police services.

Under a Home Rule form of Government the City would be able to continue to levy an EIT of 1.5% outside of Act 47 which would position the City to exit Act 47.

As discussed earlier City Council previously voted to place the question of forming a government study commission on the ballot for its citizenry to vote on and the question was voted down ending the process as outlined in Commonwealth statute.

If the City and its Citizens decide to revisit the question of electing a government study commission it should move forward expeditiously as the process to moving to a Home Rule form of government can be time consuming.

The Government Study Commission Ballot question can be placed on the ballot in one of two ways either by ordinance or by a petition of registered voters. In either case appropriate documentation must be filed with the county board of elections at least thirteen (13) weeks prior to the next election.

A link to a hand book on Home Rule in Pennsylvania published by DCED can be found below.

<https://dced.pa.gov/download/home-rule-pa-pdf/?wpdmdl=57752&ind=0>

**EO04. City Council Shall Lobby State Legislators to Amend Third Class City Code**

<b>Target outcome:</b>	Increase Revenue
<b>Six year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Council and City Administrator

The City Council, working with the City Administrator and the Act 47 Coordinator, shall meet with elected and appointed state officials to educate leaders on current limitations of the Third Class City Code and its impact on the City's long term fiscal stability. The Council shall provide public updates on progress made with state officials including but not limited to elected officials formal stance on their willingness to enact legislative changes.

**EO05. City Council Shall Lobby Northumberland County Commissioners for County-wide reassessment**

<b>Target outcome:</b>	Increase Revenue
<b>Six year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Council and City Administrator

Northumberland County was last reassessed 47 years ago in 1972 meaning the County's current assessment is older than the median age of the people living in the City and County, 43.1 and 44.3 respectively. Unfortunately property reassessment is misunderstood by many, with most believing that property reassessment means increased property taxes. This assumption is factually incorrect. In truth old assessments leads to a greater likelihood that there is an unfair tax burden from property to property based on age, new construction and property improvements made.

Historically throughout Pennsylvania reassessment can be a controversial and politicized topic. As a result it is not uncommon for Pennsylvania Counties to go years without undertaking a new reassessment. However Northumberland County's 47 year old assessment is an extreme case. County assessment is handled at the County level and as such normally only occurs when county commissioners vote to reassess.

Contrary to many peoples' understanding reassessment is not a windfall of revenue for governmental agencies. Pennsylvania law requires governmental agencies to lower their tax rate in a proportional amount to the new assessed values. For example, if the taxable assessed value doubles the governmental agency is required to reduce their tax by half.

After completion of reassessment some tax payers bills will go up, some will go down and some will stay the same however all tax payer assessments will be more equitably distributed based on current assessed values.

## Overview

The City Administrator oversees many functions that are traditional for a government's administration and finance unit, including budgeting, accounting, purchasing, accounts payable, human resources and information technology.

- The City Administrator oversees all the administrative aspects of the City and oversees City supervisors and reports to the City Council.
- Prior to entering Act 47 most accounting, payroll, accounts payable and budgeting tasks had been performed by the City Administrator and City Treasurer. Since entering Act 47 the City hired a full time Administrative Accountant who has taken over all bookkeeping, accounting and budgeting responsibilities.

## Assessment

The City Administrator's office has been the direct point of contact for the Act 47 Coordinator and DCED while the City has been in Act 47. The professionalism, responsiveness and organization of the administration of City business has improved significantly since entering the program.

The addition of the Administrative Accountant has helped the City tremendously in its ability to draft balanced budgets, maintain proper accounting records, manage the City's liquidity position, provide monthly revenue and expense reports, filing necessary financial disclosures as required and provide the City Administrator capacity to focus on managing City operations.

While management of City operations has improved substantially over the last 5 years there is always room for improvement. Moving forward administrative staff should make a particular effort to improve communication with elected officials and the public on progress and status of projects and inquiries made respectively.

## Initiatives

The City Administrator continues to be one of the key leaders in implementing the Recovery Plan, Three Year Exit plan and balancing the City's finances going forward. The initiatives below are focused on improving communications, efficiencies and reducing costs.

### **AFD01. Develop Financial Policies**

<b>Target outcome:</b>	Improved management controls
<b>Six year financial impact:</b>	Not available
<b>Responsible party:</b>	City Administrator, City Treasurer and City Council

The City has implemented many financial policies over the last 5 years however formal adopted written financial policies remain limited. Specifically financial policies regarding debt management, and financial reserves / "rainy day fund" balances should be adopted.

The City should take the necessary steps to formally codify written policies by action of the City Council.

The City should utilize Best Practice policies published by the Government Finance Officers Association (GFOA) to improved financial policies and controls.

**AFD02. Develop 3 to 5 Year Budget Outlook**

<b>Target outcome:</b>	Improved budget management and fiscal controls
<b>Six year financial impact:</b>	Not available
<b>Responsible party:</b>	City Administrator, Administrative Accountant and Act 47 Coordinator

The City's annual budget is drafted collaboratively with the input of City supervisors and all Elected Officials. Including departmental management and elected officials from the beginning of budget development has given all involved a better understanding of the needs of City operations and of the limit funding available.

Current 5 year projections are developed by the Act 47 Coordinator. Moving forward the City must develop the ability to create projections on its own so that outside of Act 47 the City can consider financial needs over more than the current calendar year.

# Workforce and Collective Bargaining

## Overview

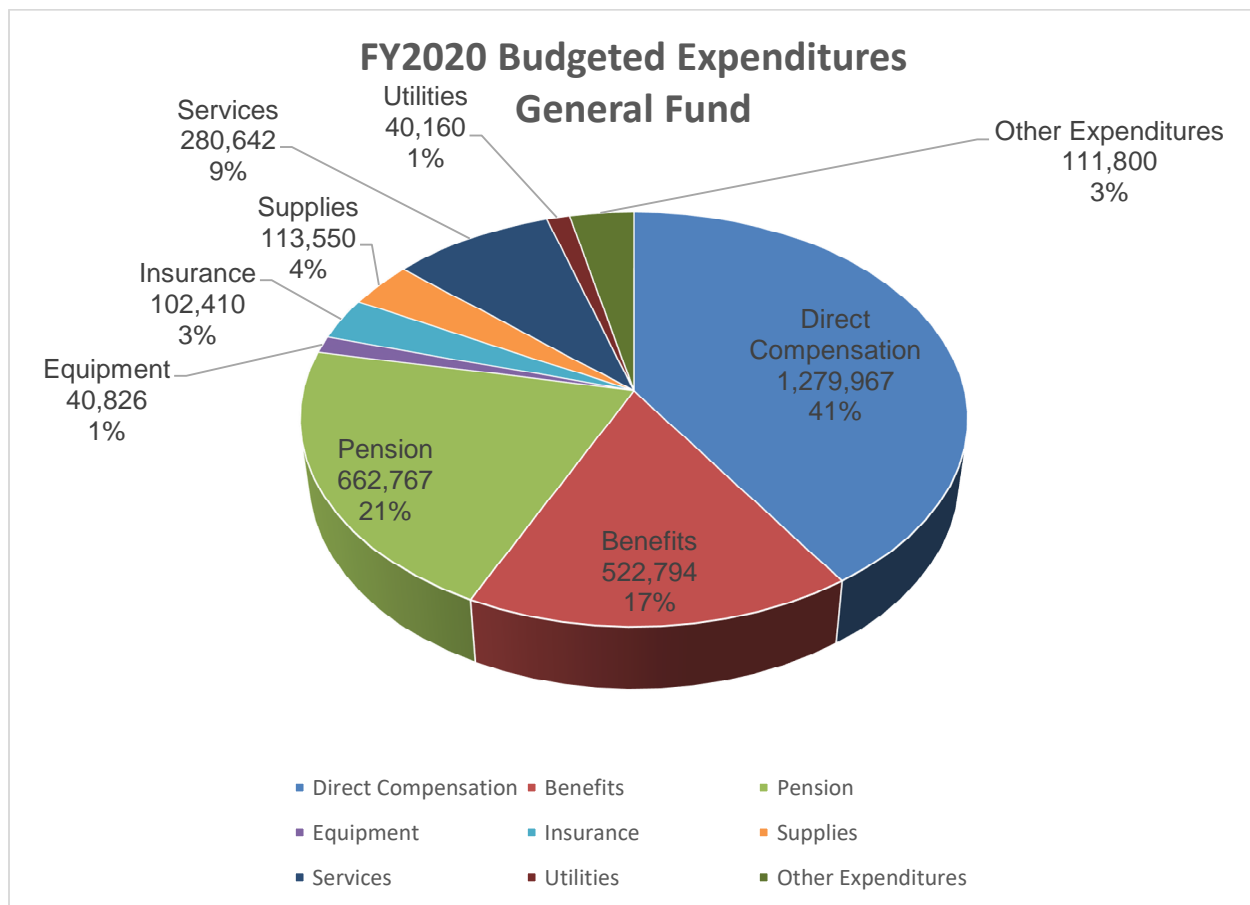
As with most local governments, the services provided by the City of Shamokin are labor-intensive. The City requires people to prevent and investigate crime and enforce laws, maintain safe and clean streets, and deliver the other important services of municipal government. As a result, employee wages and benefits account for the majority of the City's General Fund expenditures. In addition to expenditures for employee wages and benefits paid out of the General Fund, additional employee wages and benefits are paid out of the Special Revenue Fund.

A chart showing employee compensation costs as related to General Fund Revenues and Expenditures for fiscal years ending December 31 from 2014 through 2019 is shown below. Total salaries, wages and benefits ranged from \$2,496,732 in 2014 to \$2,465,441 in 2019. This equates to a range of 61.7% to 77.6% of Total General Fund Expense, and 59.7% to 92.1% of Total General Fund Revenue.

	<b>2014 Actual</b>	<b>2015 Actual</b>	<b>2016 Actual</b>	<b>2017 Actual</b>	<b>2018 Actual</b>	<b>2019 Estimated</b>
Salaries & Wages	1,112,652	1,161,172	1,168,051	1,222,635	1,194,012	1,164,340
Overtime	84,928	61,308	103,472	67,050	128,486	108,659
FICA	52,414	55,791	59,521	59,491	58,061	59,657
Medical	633,687	400,237	417,254	443,485	507,531	384,768
Dental	56,218	20,340	18,690	22,026	22,551	22,728
Vision	5,319	4,815	3,078	3,464	3,468	3,749
Pension	475,022	387,845	394,758	526,465	520,495	599,108
Workers Comp	13,844	68,396	71,230	83,784	96,843	103,408
Retirement Payout	17,761	0	0	0	0	0
Life Insurance	13,279	10,676	9,718	9,739	9,617	9,188
Clothing Allowance	803	1,551	2,378	2,063	2,075	2,633
Training	1,300	1,418	2,552	2,215	481	736
Unemployment Comp	29,505	7,272	0	0	44	6,467
<b>Total Employee</b>	<b>2,496,732</b>	<b>2,180,821</b>	<b>2,250,702</b>	<b>2,442,417</b>	<b>2,543,664</b>	<b>2,465,441</b>

For FY2020, employee wages and benefits account for approximately \$2,270,732 or 76.6%, of the City's \$2,958,007 General Fund budgeted expenditures. The chart below shows the 2015 budgeted personnel and other expenditures from the City's General Fund.





Workforce expenditures are a function of both the total number of employees on the payroll and the cost per employee, as determined by wage and benefits levels and future growth in those items.

Given that workforce expenditures represent such a large percentage of the City's total expenses and total revenues, employee compensation (salaries and fringe benefits) and numbers must be closely monitored and carefully managed in order to maintain the City's fiscal health. Employee compensation costs must be kept in line with the City's revenues. Unless personnel-related costs are maintained at affordable levels, the City's financial health will decline to the detriment of all parties, including City employees. This Chapter considers both sides of the compensation and benefits equation and continues the initiatives from the Act 47 Plan to control personnel-related costs for the long-term benefit of all parties.

### ***Headcount***

The City may maintain its current complement of employees provided it follows and is able to produce the revenues set forth in this updated plan. If the City is unable to produce the revenues set forth herein, then it must reduce headcount and hours of services provided by its employees, including its police officers.

## Assessment

Since employee compensation costs are the great majority of the City's expenditures, it is necessary for the City to maintain such costs at a level in line with the City's revenues and other required expenditures. Prior to the implementation of the Act 47 Plan, the City had not done so for several years, and as a result faced a significant and growing structural deficit.

The City has implemented many, though not all, of the initiatives of the Act 47 Plan. The City must continue these initiatives in order to maintain expenditures that do not exceed the available revenues.

The chart below shows the projected personnel expenditures for Shamokin through FY2024. Salaries are projected to grow at 2.5% per year. Fringe benefits are projected to grow at 5% per year to reflect the rising cost of health care premiums that has repeatedly outpaced inflation. In all, personnel expenses, not including pension expenditures, are anticipated to grow by 5.7% during the projected timeframe. Pension expenditures are anticipated to be \$662,767 in 2020 and \$731,571 in 2024, in accordance with the most recent actuarial study.

	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected
Salary	1,050,299	1,092,047	1,125,203	1,163,404	1,200,835
Longevity	16,250	16,250	16,250	16,250	16,250
Overtime 1.5x	70,000	71,500	73,038	74,613	76,229
Court OT	40,000	41,000	42,025	43,076	44,153
Overtime 2x	19,000	19,425	19,861	20,307	20,765
Part-time	20,000	20,000	20,000	20,000	20,000
Medicare	9,770	10,122	10,420	10,786	11,180
FICA	47,880	49,433	50,626	51,849	52,873
Healthcare	304,557	315,292	326,591	338,456	370,291
Vision	2,469	2,597	2,727	2,863	2,941
Dental	16,695	17,582	18,461	19,384	19,898
Life Insurance	3,009	3,080	3,152	3,227	4,280
Pension	662,767	679,337	696,320	713,728	731,571
Clothing Allowance	9,000	9,000	9,000	9,000	9,000
Healthcare - Retiree	59,838	62,830	65,972	69,270	72,734
Healthcare - Retiree -H.S.A.	24,000	24,000	24,000	24,000	24,000
Vision - Retiree	611	642	674	707	743
Dental - Retiree	5,178	5,437	5,708	5,994	6,293
<b>Total Workforce Expenditure</b>	<b>2,361,322</b>	<b>2,439,572</b>	<b>2,510,028</b>	<b>2,586,915</b>	<b>2,684,035</b>

It is the intention of the Act 47 Coordinator that the City negotiate with the bargaining unit representatives of its employees in good faith to maintain and incorporate these cost containment provisions and any others throughout this Recovery Plan that may require changes to the collective bargaining agreements into those agreements. However, to the extent that the City is unable to reach agreement with any of its unions, resulting in interest arbitration or other legal proceedings, it is the express intention of the Act 47 Coordinator and the City that the implementation of these cost containment provisions and any others throughout this Recovery Plan are mandatory. All cost containment provisions must be addressed.

Wherever reference is made to parameters for all bargaining units, employee groups or collective bargaining agreements, such provision shall also apply fully to non-represented personnel unless expressly stated otherwise. Further, wherever reference is made to parameters for provisions in collective bargaining agreements, such provisions shall also fully apply to any side agreements, memoranda of understanding, interest arbitration awards, grievance arbitration awards, settlement agreements or any other documents. Further, no past practices shall in any manner interfere with any of the initiatives in this Plan.

It is the specific intent of the Act 47 Coordinator that no provisions of any collective bargaining agreements, memoranda of understanding, side agreements, interest arbitration awards, grievance arbitration awards, settlement agreements, nor any other documents nor past practices may be interpreted or applied, nor may any new provisions be added to any such agreements or documents, which would have the effect of additional costs to the City for the implementation of any of these initiatives or of any of the initiatives in this Exit Plan. This includes by way of illustration but not limitation, severance pay, overtime, premium pay and additional hours of work.

## **Initiatives**

### ***General***

#### **WF01. Ensure Future Collective Bargaining and Labor Agreements Remain Compliant with Exit Plan**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. No person or entity, including (without limitation) the City, any union representing City employees and any arbitrator appointed pursuant to Act 111 or otherwise, shall continue in effect past the stated expiration date of any current labor agreement the wages, benefits or other terms and conditions of any existing labor agreement if such wages, benefits or other terms or conditions are inconsistent with the initiatives made in this Exit Plan.

All collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Exit Plan must be effective at the earliest possible date, and no later than the expiration of the then current collective bargaining agreements and interest arbitration awards. This shall apply even if the agreement is entered into or the arbitration award is executed subsequent to the effective dates, thus requiring that the agreements or awards be retroactive. No collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Exit Plan may extend the current expiration dates of the existing agreements and awards.

The City shall take steps to promptly bargain all new collective bargaining agreements and shall follow all time limits for interest arbitration so that any interest arbitration award shall be issued prior to the expiration of the collective bargaining agreement. The timelines contained in Act 111 shall be adhered to strictly and may not be waived. If an arbitration award is not issued prior to the expiration of the collective bargaining agreement then the City shall implement all of the provisions and initiatives of the Exit Plan to the maximum extent legally consistent with Act 47.

If this Exit Plan is extended to cover any period of time subsequent to its initial term, then, unless and until the initiatives made in this Exit Plan are revised, any labor agreement between the City and any union representing City employees (whether resulting from collective bargaining, interest arbitration pursuant to Act 111 or otherwise) covering such subsequent period shall comply with the Initiatives made herein without regard to the period of agreement specified in any such Initiative.

All collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Exit Plan must be strictly compliant with and not exceed the total projected costs for each bargaining unit after implementation of the following initiatives in this Workforce and Collective Bargaining Chapter as shown below.

This Exit Plan reflects amendments to Act 47 enacted in 2012 which established that maximum expenditures shall be developed for each bargaining unit, to be available for total compensation. This approach enables each bargaining unit to have an active and unit-specific role in collective bargaining. These 2012 Amendments to Act 47 call for the Coordinator to project revenues and expenditures for the current and next three fiscal years, and to include a cap on expenditures for individual collective bargaining units that the distressed municipality may not exceed. With limited exceptions, arbitration awards for Act 111 bargaining units are also subject to this provision.

The total projected impact of the Workforce and Collective Bargaining Initiatives in this Chapter by bargaining unit are shown in the charts below. The net results are maximum expenditure limits for each bargaining unit and group of employees for each year of this Exit Plan. The total financial impact of the applicable initiatives related to collective bargaining have been included in the baseline projections of expenditures for each bargaining unit, and are thus included in the maximum expenditure limits. These initiatives are in addition to initiatives in other Chapters not shown below. The total maximum expenditure limits shown in the charts below are without consideration of such other initiatives, and any other initiatives shall not be used to offset or increase the maximum allowable expenditures shown below. Further, should any listed initiative not be implemented for any reason whatsoever, including any legal challenges, the cost savings from such initiative must be replaced with other cost savings related to issues and items in this Workforce and Collective Bargaining Chapter and subject to the applicable collective bargaining or employee agreement.

## Maximum Expenditures – AFSCME Local 2433

<b>AFSCME, AFL-CIO Local 2433 Streets + (Larry)</b>	<b>2020 Projected</b>	<b>2021 Projected</b>	<b>2022 Projected</b>	<b>2023 Projected</b>	<b>2024 Projected</b>
Salary	342,395	352,747	361,640	370,756	377,087
Longevity	10,200	10,200	10,200	10,200	10,200
Overtime 1.5x	10,000	10,000	10,000	10,000	10,000
Overtime 2x	2,000	2,000	2,000	2,000	2,000
FICA	27,782	28,571	29,249	29,943	30,426
Healthcare	125,615	130,096	134,800	139,740	164,305
Vision	926	978	1,027	1,078	1,113
Dental	5,695	6,032	6,333	6,650	6,853
Life Insurance	1,416	1,447	1,479	1,511	2,521
Clothing Allowance	2,000	2,000	2,000	2,000	2,000
<b>Total AFSCME Expenditures</b>	<b>528,029</b>	<b>544,069</b>	<b>558,728</b>	<b>573,879</b>	<b>606,505</b>

## Maximum Expenditures – Police Association

<b>Police</b>	<b>2020 Projected</b>	<b>2021 Projected</b>	<b>2022 Projected</b>	<b>2023 Projected</b>	<b>2024 Projected</b>
Salary	445,193	466,588	484,115	506,295	530,317
Longevity	6,050	6,050	6,050	6,050	6,050
Overtime 1.5x	60,000	61,500	63,038	64,613	66,229
Court OT	40,000	41,000	42,025	43,076	44,153
Overtime 2x	17,000	17,425	17,861	18,307	18,765
Parttime	20,000	20,000	20,000	20,000	20,000
Medicare	9,770	10,122	10,420	10,786	11,180
Healthcare	88,392	91,372	94,500	97,785	101,234
Vision	742	779	818	859	902
Dental	5,367	5,635	5,917	6,212	6,523
Life Insurance	1,593	1,633	1,674	1,715	1,758
Pension	550,012	563,763	577,857	592,303	607,111
Clothing Allowance	7,000	7,000	7,000	7,000	7,000
Healthcare - Retiree	59,838	62,830	65,972	69,270	72,734
Healthcare - Retiree -H.S.A.	24,000	24,000	24,000	24,000	24,000
Vision - Retiree	611	642	674	707	743
Dental - Retiree	5,178	5,437	5,708	5,994	6,293
<b>Total Police Expenditure</b>	<b>1,340,745</b>	<b>1,385,775</b>	<b>1,427,627</b>	<b>1,474,973</b>	<b>1,524,992</b>

## Maximum Expenditures – Non-Bargaining

	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected
<b>Non Bargaining</b>					
Salary	262,711	272,711	279,448	286,353	293,431
FICA	20,097	20,862	21,378	21,906	22,447
Healthcare	90,550	93,824	97,291	100,930	104,752
Vision	800	840	882	927	927
Dental	5,634	5,915	6,211	6,522	6,522
<b>Total Nonbargaining Expenditures</b>	<b>379,793</b>	<b>394,154</b>	<b>405,210</b>	<b>416,637</b>	<b>428,078</b>
Pension Streets & Nonbargaining	112,755	115,574	118,463	121,425	124,461

## Maximum Expenditures – All Groups

	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected
Salary	1,003,309	1,040,073	1,055,485	1,090,592	1,143,674
Longevity	15,675	15,675	15,675	15,675	15,675
Overtime 1.5x	70,000	70,000	70,000	70,000	70,000
Overtime 2x	19,000	19,000	19,000	19,000	19,000
Parttime	25,000	25,000	25,000	25,000	25,000
Medicare	9,521	9,849	9,863	10,157	10,750
FICA	44,512	45,588	46,691	47,822	48,751
Healthcare	299,757	286,492	270,291	282,156	233,345
Vision	2,469	2,597	2,727	2,863	2,014
Dental	16,695	17,582	18,461	19,384	13,376
Life Insurance	3,009	3,080	3,152	3,227	4,280
Pension	662,767	679,337	696,320	713,728	731,571
Clothing Allowance	9,000	9,000	9,000	9,000	9,000
Healthcare - Retiree	59,838	62,830	65,972	69,270	72,734
Healthcare - Retiree -H.S.A.	24,000	24,000	24,000	24,000	24,000
Vision - Retiree	611	642	674	707	743
Dental - Retiree	5,178	5,437	5,708	5,994	6,293
<b>Total Workforce Expenditure</b>	<b>2,270,340</b>	<b>2,316,181</b>	<b>2,338,019</b>	<b>2,408,575</b>	<b>2,430,208</b>

### WF02. Use Professional Assistance for Labor Negotiations

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. The City shall continue to retain experienced public employment labor counsel for its labor relations activities throughout the period of the Exit Plan. The City shall select and use qualified counsel as an active participant in the review and development of negotiations proposals and as the chief spokesperson for all contract negotiations and interest arbitrations. The City shall also retain and sue such experience public employment labor counsel for grievances, grievance arbitrations, and all other labor related legal matters. With the support of its labor counsel, the City shall make every good faith effort to achieve negotiated labor agreements consistent with this Exit Plan.

### **WF03. Establish a Labor/Management Committee for All Employee Groups**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. The City shall establish a labor/management committee that will use the Area Labor Management Committee (ALMC) structure as a resource. The Office of Labor-Management Cooperation in the Pennsylvania Department of Labor and Industry promotes labor-management collaboration by supporting and coordinating with ALMCs. ALMCs are neutral non-profits comprised of representatives from labor and industry, management and government who work cooperatively to retain jobs and promote economic growth. Services provided by ALMCs include third-party mediation, consulting, training and educational programming.

The labor-management committee shall also establish specific task forces comprised of committee and bargaining unit members that shall explore new and innovative methods and means of providing City services, including cooperatively working to provide services more efficiently and possibly across bargaining units. These task forces should explore all possibilities of providing services, including the use of non-City employees and volunteers, as may be appropriate.

Each of the labor-management committees and task forces should include at least one member of City Council, as well as appropriate department heads.

### **WF04. Limit New Contract Enhancements**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. Unless, and only to the extent that, applicable law requires a change in any of the wages, benefits, terms, provisions or conditions enumerated herein, all new collective bargaining and labor agreements (which phrase shall include but not be limited to new agreements, extensions, amendments, side agreements, memoranda of understanding, arbitration awards, and settlements) between the City and the unions representing its employees (whether resulting from collective bargaining between the parties, or interest arbitration pursuant to Act 111 as applicable, or otherwise) covering calendar years 2019 and subsequent years (or any portion thereof) entered into or issued after adoption of this Exit Plan **must not** contain, require or provide for any of the following:

- a) Any new overtime or premium pay benefits or requirements;
- b) Any increase in existing overtime or premium pay benefits or requirements, nor the continuation of existing overtime and premium pay benefits and requirements which were modified by the Recovery Plan or by this Exit Plan;
- c) Any increase in pay or benefits associated with new duties, changes in duties, cross training or activities required by the Recovery Plan or this Exit Plan;
- d) Any new benefits or improvements in existing benefits, nor the continuation of existing benefits which were modified by the Recovery Plan or this Exit Plan;
- e) Any new paid or unpaid leave;
- f) Any improvements to existing paid or unpaid leaves, nor the continuation of existing paid and unpaid leaves which were modified by the Recovery Plan or this Exit Plan;

- g) Any additional pay for time not worked;
- h) Any improvements in existing pay for time not worked, nor the continuation of existing pay for time not worked which was modified by the Recovery Plan or by this Exit Plan;
- i) Any new designations that time not worked counts as time worked for the purpose of computing overtime or premium pay or increases in existing designations of same, nor the continuation of designations that time not worked counts as time worked for the purpose of computing overtime or premium pay which were modified by the Recovery Plan or this Exit Plan;
- j) Any new benefits for retirees or other inactive employees (e.g., those in layoff or disability status);
- k) Any improvements in existing benefits for retirees or other inactive employees, nor the continuation of existing benefits that were modified by the Recovery Plan or this Exit Plan;
- l) Any other term or provision which continues any existing restrictions or which adds any new or additional restrictions on the City's Management Rights;<sup>5</sup>
- m) Any provision which impairs or restricts the City's ability to engage qualified contractors to perform services for the City, including services currently provided by bargaining unit personnel;
- n) Any provision which impairs or restricts the City's ability to transfer service provision to another entity, including services currently provided by bargaining unit personnel;
- o) Any provision which restricts or impairs the City's ability to effect a layoff or other reduction in its workforce, including those that require all part-time employees be laid off regardless of assignment or duties before any reductions in full-time staff can be made;
- p) Any provision which expands any arbitrator's authority to grant relief in any arbitration proceeding;
- q) Any provision which obligates the City to permit bumping of any employee on the basis of seniority, rather than on the basis of qualifications and performance, except to the extent that preference is accorded to the most senior of those employees having relatively equal qualifications and performance histories;

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<sup>5</sup> The term "Management Rights," as used herein, includes, without limitation, the rights to: promulgate and enforce work rules, policies and procedures; select, hire, promote, transfer, assign, determine the duties of, evaluate, layoff, recall, reprimand, suspend, discharge and otherwise discipline employees; establish, eliminate and redefine positions in accordance with the City's needs; determine the qualifications and establish performance standards for jobs and assignments; determine the methods, processes and means of performance, where and when work shall be performed, and the equipment to be used; determine the composition of the work force; create, abolish and change jobs and job duties; determine employees' hours and days of work, work schedules, shifts and reporting stations; determine whether to assign overtime and the amount required; require employees to work overtime; determine when a job vacancy exists, and select the best qualified candidate to fill it; take necessary actions in emergency situations; extend, curtail or change City operations and otherwise manage the City, its operations and its employees in its discretion.



- r) Any provision requiring the City to pay bargaining unit employees to attend any trial, hearing or other legal proceeding, except to the extent that such employee attends any such proceeding at the request of the City,<sup>6</sup>
- s) Any provision which restricts the City's ability to require an employee to work a "light duty" position within that employee's medical restrictions, and in any department or bargaining unit within the City;
- t) Any provision obligating the City to provide "light duty" to any employee who is unable to perform the essential functions of his or her job, with or without reasonable accommodation and without posing a direct threat to the health or safety of the employee or others;
- u) Any provision which expands the bargaining unit employees' rights to present grievances to the City or to appeal grievances to arbitration;
- v) Any provision which provides any pay or other compensation to any employee for: 1) any exercise by the City of any of the above rights; or 2) the inclusion of any of the above provisions in any collective bargaining agreement; or 3) the implementation of any of the above provisions; or 4) the implementation of any of the initiatives in the Recovery Plan or this Exit Plan; or
- w) Any requirement for the City to provide wages, benefits or other terms of employment to any bargaining unit based on the provisions of such wages, benefits, or other terms of employment to another bargaining unit.

## ***Cash Compensation***

### **WF05. Continue and Implement Limited Wage Increases**

This initiative from the Recovery Plan, as modified below, shall continue throughout the duration of the Exit Plan. Base wage increases shall be fully compliant with this Exit Plan. Any collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind entered into after the adoption of this Exit Plan may not extend beyond the date of this Exit Plan, or of any new or revised Exit Plan.

AFSCME employees may progress through steps in accordance with the current collective bargaining agreement. Police Association employees may progress through steps in accordance with the current collective bargaining agreement. Such step increases may not increase in percentage or amounts, and may not be shortened in length of time required to progress between steps, nor may any requirements for progressing through the steps be modified so as to reduce or lessen such requirements. No other step increases for any employees shall be allowed.

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<sup>6</sup> This provision is not intended to eliminate pay for routine police court appearances pursuant to subpoenas regarding matters handled by an officer while on duty. Rather, this provision shall provide clear management discretion to avoid automatic City pay and/or guaranteed minimum rates for attendance at grievance proceedings and other internal hearings, court appearances regarding personal affairs, etc.

Upon the condition that the revenues set forth in this Exit Plan are achieved and received, employees may receive a Two and One-Half Percent (2.5%) increase in base salary for the following years: 2021, 2022 and 2023.

#### **WF06. Continue to Freeze Longevity Pay and Eligibility**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. All Longevity payments shall continue to be frozen for the duration of this Exit Plan. Employees who were eligible and receiving longevity pay under the Recovery Plan shall have their longevity payment frozen at the existing rate for the duration of this Exit Plan. Longevity pay shall not be provided to employees hired after the date of adoption of the Recovery Plan or to current employees who did not reach eligibility for the payment under the Recovery Plan.

#### **WF07. Reduce Paid Holidays, Personal, Vacation and Sick Leave**

The guidelines set forth in the Recovery Plan with respect to paid holidays, personal, vacation and sick leave, as well as any other paid leave time, shall continue throughout the duration of the Exit Plan.

The guidelines include the following.

- Employees shall be limited to ten holidays annually, including personal days.
- Each paid leave day shall be paid at the employee's regular base hourly rate of pay for the number of hours usually worked by that employee on his or her regular work shift; where applicable the paid leave shall be expressed in hours rather than days.
- There shall be no premium pay for those services provided on a 24 hours per day, 7 days per week basis, including police and fire services, with the exception of Christmas, Thanksgiving, and New Year's.
- Paid vacation shall not exceed the following: 40 hours after 1 year of continuous full-time employment; 80 hours after 2 years of continuous full-time employment; 120 hours after 5 years of continuous full-time employment; 160 hours after 15 years of continuous full-time employment. The City should study the effect of grandfathering current employees.
- Sick leave shall be limited to a maximum of ten paid days per year.
- Employees shall be allowed no more than five days per year for illnesses related to family.
- Employees who work less than 75% of their scheduled hours per month shall not earn paid leave for that month. The 75% shall be calculated by including hours actually worked, plus hours paid as vacation leave, compensatory time, personal leave, holidays, jury duty leave and bereavement leave.
- Unused sick leave shall only be paid upon termination to employees retiring on full retirement. The maximum amount paid for any days of unused sick leave shall not

exceed that currently in effect for the AFSCME and Police Association employees. The maximum accumulation shall be no more than 150 days.

#### **WF08. Adjust Overtime Eligibility Thresholds to Reflect Hours Actually Worked**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. Only hours actually worked, paid vacation leave, paid holidays, paid personal leave, paid bereavement leave and paid jury duty shall be counted toward the computation of overtime. Paid sick leave, paid compensatory time and other paid or unpaid leaves shall not be counted toward the computation of overtime. To the extent that overtime eligibility for any group does not currently include paid vacation leave, paid holidays, paid personal leave, paid bereavement leave or paid jury duty leave, no adjustment shall be made to count such hours as hours worked for overtime eligibility purposes.

Exempt employees, that is, those who qualify as exempt from overtime under the provisions of the Fair Labor Standards Act, shall not be eligible for or receive any overtime or compensatory time. Those who would otherwise qualify as exempt shall be salaried in accordance with the Fair Labor Standards Act.

#### **WF09. Limit Compensatory Time**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. Compensatory time in lieu of paying overtime can lead to inefficiency, increased overtime and pyramiding of overtime if not properly limited. To prevent these unnecessary costs, compensatory time shall continue to be subject to the following restrictions:

- Compensatory time shall only be granted if approved by the City, and the City shall retain its right and discretion to grant or deny compensatory time, and the City's discretion cannot be limited;
- Compensatory time may not be accumulated beyond 80 hours;
- There shall be no duplication or pyramiding of hours; and
- Compensatory time shall not be counted as hours worked for purposes of computing overtime.

### ***Fringe Benefits***

#### **WF10. Limit City's Costs for Employee Health Care**

The City shall continue this initiative as set forth in the Recovery Plan, throughout the duration of the Exit Plan. This initiative, including the employee contributions and the maximum cost increases to the City, shall apply to all health care benefits, including but not limited to basic, major medical, hospitalization and health care benefits, prescription benefits, dental benefits, and vision benefits.

There shall be no "self-insuring" by the City, that is, the employees shall receive only the benefits paid by the health insurance plans, and no additional health benefits or expenses shall be paid or reimbursed by the City.

Employees should pay the same percentage of the applicable monthly premium rate(s) for the various tiers of coverage; for example, an employee with single coverage pays a minimum of 16% of the cost of single coverage, and an employee with family coverage pays a minimum of 16% of the cost of family coverage. This goal shall be attained by application of the increased employee contributions, if any, that result from application of the following provisions.

Employees shall share in increased costs in the monthly contributions as follows: 1) the City's increase in its share of the costs of monthly contributions shall be limited to Five Percent (5%) per year (that is, the City shall be limited to paying a maximum of 105% of the amount the City paid toward the monthly cost of coverage for an employee for the same tier of coverage during the prior plan year); 2) employees shall pay any increases in costs of monthly contributions over the 5% increase up to 10%; and 3) the City and employees shall split equally any increases in the costs of monthly contributions over 10% per year.

For purposes of calculating increases in costs, the COBRA rates established by the third party administrator shall be used, and the annual increase shall be determined based on the effective date of the applicable plan year. The increases in cost shall be determined and paid by employees based on the type (tier) of coverage they are enrolled in – single, two person, family, or whatever tiers are then applicable. Further, in calculating the 5% and 10% increases, the percentages shall be based on the amount paid by the City and shall not include employee contributions.

If the annual increase in monthly costs will exceed 5% for any tier or tiers of coverage, the respective unions may notify the City if they want to meet to negotiate changes in the plans and benefits in order to contain and limit costs to 5%. Increases or decreases in overall numbers of employees shall not affect these percentages. Rather, if a bargaining unit wants to analyze increased costs for the entire unit, then a fixed census of the bargaining unit employees shall be used to compare the increase in costs from one plan year to the next, based on the number of bargaining unit employees in each tier of coverage as of a date reasonably close to the date when the increased costs are being reviewed. If the parties are unable to negotiate such changes prior to the effective date of the increase, then the employees shall pay increased contributions through payroll deductions as set forth above. All employee contributions shall be through payroll deductions.

Any costs which must be paid by the City whether as premiums, penalties, costs, expenses, taxes, exchanges, or in any other manner, as a result of federal or state statutes and implementing regulations governing health insurance benefits based on the insurance benefits provided by the City and required employee contributions shall be considered a cost to the City in calculating any annual increases. Should such legislation and/or regulations require additional amounts to be paid by the City, the City may recoup such additional amounts and/or avoid the imposition of such additional amounts through either modifications to the health care plan and/or by increased employee contributions.

The City and unions should reduce healthcare expenditures by bringing plan design features in line with market norms. At a minimum, the following features should be addressed each year, to adjust and evaluate these and other cost-sharing mechanisms with periodic upward adjustments for inflation and/or changing market conditions:

- Increased copays for primary physician, specialist, and emergency room visits;

- Increased deductibles and out-of-pocket maximums;
- Increased coinsurance;
- Increase prescription copays;
- Mandate use of automatic mail order (home delivery for maintenance prescriptions, with opt-out);
- Wellness program.

#### **WF11. Contain Post-Retirement Healthcare Costs and Establish OPEB Trust**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan.

To contain costs associated with these benefits, the following modifications shall continue and be made:

- The City shall no longer provide retiree healthcare to police employees hired following the date of adoption of the Recovery Plan, and in accordance with the current collective bargaining agreement.
- The City shall not provide retiree healthcare to any other employees, that is, it shall not add this benefit for any employees who do not already have this benefit.
- For all police employees retiring after the date of adoption of the Recovery Plan, in accordance with the current collective bargaining agreement, the retiree may be enrolled in the same basic health plans as provided to the City's then current employees. The City shall pay for a portion of the cost of the retired employee only. The portion paid by the City shall be equal to the amount which the City pays for single employee coverage for the City's then current employees. The retired employee shall pay the balance of the cost of coverage, including the full costs to add spouse or dependent coverage. Costs of coverage shall be determined using the COBRA rates established by the third party administrator. There shall be no duplication of health care coverage, that is, a retiree who is eligible to participate in another health plan (for example, through other employment, through a spouse or through Medicare) shall not be eligible to participate in the City's plan.
- There shall be no payments to retirees who opt-out or elect not to take post-retirement medical benefits.
- The healthcare, pension or other benefits currently provided to existing retirees and vested employees shall not be increased.

The financial impact of both providing such benefits to current employees who retire in the future, as well as the financial impact of limiting such post-retirement benefits for such employees, should be determined by an actuarial study. However, it is clear that there will be significant additional costs over those projected, which to date are unfunded, and that the City must both 1) minimize these significant future costs, and 2) provide a funding mechanism, such as a trust, specifically for funding post-retirement health care benefits. Failure to take both steps will prevent the City from achieving financial stability. Therefore, the City shall also establish an Other Post-Employment Benefits (OPEB) Trust to fund these benefits.

#### **WF12. Reduce Minimum Manning**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. Although City officials may prefer to staff with a minimum of two police officers, the City may be unable to economically support this level of staffing, and it is not necessary. The City should eliminate this level of manning based on financial resources. Further, there shall be no provisions setting forth minimum manning requirements, or provisions which shall in any manner limit the ability of the City to determine its staffing requirements in any manner, in any collective bargaining agreements or policies.

#### **WF13. No Restrictions on Layoffs**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. No municipality can function without the ability to lay off employees for economic reasons. There shall be no provisions in any manner restricting the ability of the City to lay off employees, or provisions which shall in any manner limit the ability of the City to determine its staffing requirements in any manner, in any collective bargaining agreements or policies.

#### **WF14. No Restrictions or Impediments to Hiring Part-Time Employees**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. The City should continue to review whether the use of part-time employees would substantially reduce costs. The collective bargaining agreements must allow the use of part-time employees. Part-time employees should be used to: 1) supplement the existing work force; 2) provide coverage for employees absent due to leaves; and 3) reduce overtime.

#### **WF15. No Restrictions on Regionalization, Shared Services and Cooperative Pacts**

This initiative from the Recovery Plan shall continue throughout the duration of the Exit Plan. The City should also seek ways to reduce costs and/or to provide additional services at reduced costs through shared services, regionalization, and cooperative pacts. The City should actively engage representatives of the Police Officers Association and AFSCME in these studies where appropriate, through committees or otherwise. The City should explore including provisions that existing employees will not be laid off as a result of such regionalization, shared services, or cooperative pacts. The collective bargaining agreements must not contain any prohibitions and restrictions to such possible actions, while providing that the effects of any such actions shall be negotiated with the unions.

#### ***Other Initiatives***

As referenced above, there are initiatives located in other chapters of this Recovery Plan that may require changes to the City's collective bargaining agreements. Although those initiatives are discussed elsewhere, it is the express intention of the Act 47 Coordinator and the City that the implementation of these initiatives is mandatory, and that all necessary amendments be made to the labor agreements between the City and any of its bargaining units, and that no changes shall be made to any such labor agreements that would be contrary to or limit the effectiveness of any such initiatives.

# Community and Economic Development

## Overview

### Organization and Operating Budget

As discussed in the City's Original Plan like most municipalities with a population under ten thousand residents, the City does not have a Department of Planning and Community Development to develop, implement and manage an Economic Development plan. However, the City receives an allotment of Community Development Block Grant (CDBG) dollars annually from the Commonwealth.

Historically the City's CDBG allocation was monitored and managed by one full-time employee, the Community Development Officer, whose salary and benefits are fully funded by the CDBG allocation it receives.

Each year the city is entitled to CDBG funds based upon a formula conduited through the Pennsylvania Department of Community and Economic Development. The CDBG funds are to be used to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low and moderate income persons.<sup>7</sup>

Beginning in mid-2019 the City decided to stop administering its CDBG program in house and contracted with SEDA–Council of Governments (“SEDA-COG”) to provide CDBG administrative services.

SEDA-COG is a regional multi-county development agency, which, under the guidance of a public policy board, provides leadership, expertise, and services to communities, businesses, institutions, and residents. SEDA-COG seeks to enhance growth opportunities in an environmentally sensitive manner while retaining the region's predominantly rural character. The organization is both a direct service provider and a link to other resources that can be applied to a wide range of community and economic needs. SEDA-COG is also an advocate for the interests of its communities at the state and federal levels.<sup>8</sup>

### CDBG Program

CDBG funds are a “pass through” for federal grant funds which the Commonwealth administers for specific and eligible purposes. They are a separate fund of the City not included in the City's General Funds. As such, CDBG funds are not included in General Fund historical or projected spending other than certain transfers to the General Fund to reimburse the City for certain personnel. As a result, the CDBG fund is in addition to the Department's General Fund Operating budget.

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<sup>7</sup> [http://www.shamokincity.org/city\\_administration.htm](http://www.shamokincity.org/city_administration.htm)

<sup>8</sup> <http://www.seda-cog.org/Pages/About%20Us.aspx>

Over the last 10 years demolition of blighted properties, fire equipment purchases and recreation have remained consistent priorities. With demolition of blighted properties making up the lion share.

## **Assessment**

### **Community Development and Economic Development**

For the most part, projects funded by the CDBG budget remain constant year after year. As required, the City holds a public meeting to discuss and seek input from the public regarding annual budget allocations, however, public attendance is minimal to nonexistent.

As indicated in the Original Act 47 Report the City has struggled to complete budgeted projects in a timely manner with respect to the administration of CDBG funds. When communities are unable to spend their CDBG allocation within the stipulated time frame they risk the possibility of losing their funding allocation. By moving the administration of the City's CDBG program to SEDA-COG the City can access years of knowledge, experience and expertise of SEDA-COG's staff at a lower cost than what the City was incurring administering itself.

The mission of the Community Development Program at SEDA-COG is to work with local governments and their citizens to improve communities and the lives of community residents through infrastructure and community facility projects.<sup>9</sup>

SEDA-COG Community Development team consists of a staff of seven professionals each of which have the knowledge and aptitude to assist the City with project development, including but not limited to, funding eligibility, public support facilitation, procurement compliance and application preparation. With the additional resources and expertise brought by SEDA-COG the City should be successful in getting greater citizens engagement in participating in the selection of projects and initiatives that will shape the future of the Shamokin.

Over the last 4 years the City has and is continuing to experience a significant increase in economic activity within the City that serve as a foundation for future progress. Outside investors have joined the homegrown momentum and there are now several projects, some of which are Federal Opportunity Zone Projects. There are two hotels planned (115 East Independence Street and 500 W. Walnut Street) and Geisinger Medical Center and Keystone Healthcare Development who have recognized both the opportunity and need within the City of Shamokin and have committed to opening a medical center in the downtown area (314 East Independence Street). Two Redevelopment Assistance Capital Program (RACP) grants totaling \$3,000,000 have been recently awarded (August 2019) for these community and economic development projects.

In addition, Bucknell University Small Business Development Center is in early talks with an investor to create a business incubator in the heart of the City (146 E Independence Street). This new job creation combines the business retention aspect of 45 existing businesses on Independence Street alone.

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<sup>9</sup> <http://www.seda-cog.org/pages/communitydevelopment.aspx>



A significant concern of the Coordinator, City, SEDA-COG and DCED is the recent proposed changes to the City's effective Flood Insurance Rate Maps ("FIRMs"), generated by the Federal Emergency Management Agency ("FEMA").

In the summer of 2019 the City's preliminary FIRMs, which are estimated to go into effect in the summer of 2021, were released to the County for comment. The preliminary FIRMs depict a much larger regulatory 100 year floodplain than what is currently effective, meaning more residents and businesses may need to carry the burden of having flood insurance.

The increase in footprint of the City's FIRMs and number of properties effected raises a major concern on the impact of proposed and future development and revitalization efforts underway in the City of Shamokin.

## Initiatives

### **CD01. Produce quarterly status reports on project spending and progress**

<b>Target outcome:</b>	More efficient resource allocation and improved timeliness
<b>Six year financial impact:</b>	Not Available
<b>Responsible party:</b>	SEDA-COG Representative

Prior to engaging SEDA-COG the City's Community Development Officer provided Council monthly bill list and status of funds reports. Moving forward quarterly reports should be provided by SEDA-COG which include, but are not limited to, status of project, and explanation of any issues delaying approved projects and how the City can remedy the delay. CDBG funding allows a municipality to invest in itself. The City of Shamokin desperately needs to invest in projects that not only have an immediate impact in the community but also in projects that cultivate an environment for future private investment.

### **CD02. Conduct a Hydrologic & Hydraulic Study ("H&H Study")**

<b>Target outcome:</b>	More efficient resource allocation and improved timeliness
<b>Six year financial impact:</b>	\$130,000 Act 47 Implementation Grant
<b>Responsible party:</b>	SEDA-COG Representative

The H&H Study should include recommendations from a professional engineer, to help the City identify how water moves through the City (volume and rate of flow) and what can be done moving forward to address potential issues.

The completed report must provide, but should not be limited to: how the City can take further action to help address the concerns surrounding the proposed development and revitalization in the City, and bring public awareness and technical assistance to its residents on how they can better prepare themselves prior to the new FIRMs becoming effective.

**CD03. Conduct a Zoning Ordinance Rewrite**

<b>Target outcome:</b>	Economic Development
<b>Six year financial impact:</b>	\$100,000 Act 47 Implementation Grant
<b>Responsible party:</b>	City Administrator & SEDA-COG Representative

The City current zoning ordinance is severely outdated and limits its ability to approve land uses that could be beneficial to the City's economic revitalization.

The City Administrator working with a representative from SEDA-COG should lead a process utilizing a professional consultant to conduct a public process to develop a new Zoning Ordinance, zoning map and design guidelines for the City of Shamokin.

The new Zoning Ordinance should be developed with the intention of spurring downtown revitalization and improving an aging housing stock while maintaining Shamokin's rich history

# **Capital Improvement Program & Budget Process**

## **Overview**

While the City's annual budgeting process has improved significantly since 2015, budgeting for capital projects greater than \$100,000 is nonexistent. The City currently does not administer a capital improvement program ("CIP"). A CIP for the City is not nonexistent due to a lack of need or capability, but instead is the result of affordability.

A capital improvement program that builds and preserves its capital infrastructure is an essential part of stability and promoting economic expansion in Shamokin.

The City must work to build capacity in its budget to fund needed Capital projects. Typically, municipalities fund capital projects with proceeds from long term bonds or loans. Using debt to finance long life capital assets is an appropriate mechanism for funding capital projects as payments are made over the useful life of the assets purchased with affordable annual payments.

Council has to make many difficult decisions about how best to allocate limited resources. As such, the City may only be able to fund only a portion of its capital needs while it strives to balance its operating budget using a combination of operating budget and long term debt financing.

The City must remain cognizant that deferring infrastructure investment can have a detrimental, long-term delivery of services impact on the City and its economic growth potential.

## **Capital Improvement Plan Development**

As noted, in City's original Act 47 Plan and referenced above the City currently does not have formal procedures for the development, coordination and implementation of a CIP. As such recommendations and initiatives remain the same as the City's Original Act 47 Plan and will not be repeated here.

# Debt

## Overview

The City of Shamokin has continued to do a commendable job in the management of the amount of debt the City has issued and to limit the debt burden on the taxpayers of the City. As illustrated throughout this chapter, the total amount of City debt outstanding and the City's annual debt service requirements are, in the Coordinator's opinion, at a manageable level.

Though the City's debt currently outstanding is manageable, the majority of the debt outstanding was not issued to fund capital purchases. Out of the City's \$279,555 projected debt service for 2020, \$210,690 (75.4%) is non-capital related of which \$116,350 is the result of zero interest DCED loan to fund operating expenses (the City received a 10 year loan to fund current expenses) and the remaining \$94,340 relates to debt service relative to the City's pension obligation bond originally issued in 2006. Typically operating borrowings are used by municipalities to cover unexpected budgetary shortfalls. Normally, the use and dependence on operating borrowings is a hallmark of municipalities experiencing financial distress.

The City will not be able to eliminate the forecasted deficit outlined in this report by restructuring its debt portfolio but can implement initiatives to ensure that the debt burden of the City remains at a manageable level and that future borrowing are used appropriately.

The amount of debt that is currently outstanding is manageable and given current market rates and the economic conditions of the City the terms of its existing debt are favorable to the City. The annual debt service requirements of the City including RDA debt for 2020 equals 10.56% of the FY 2020 general and debt service fund budgeted revenue.

The following write up outlines details of the City's current debt portfolio not including Redevelopment Authority debt which is funded by rental income. Moving forward if the City is required to undertake sale-lease back financing to fund City operations its annual debt service will increase respective to the amount needed to pay debt service on the sale-lease back financing. The increase in annual debt service will be drastic with annual debt service increasing from approximately \$280,000 to more than \$1,000,000.

## General Obligation Debt

The City has outstanding general obligation debt that includes bank loans and guaranteed obligations. The City currently has three (3) outstanding long-term debt obligations through two (2) bank loans provided to the City by Univest and one (1) emergency loan provided by the DCED. Prior to 2019 the City had a history of also utilizing annual short-term Tax and Revenue Anticipation Notes ("TRANs") for the purpose of providing the City necessary cash flow at the beginning of its fiscal year until sufficient tax collections are received. As a result of the improved fiscal performance the City does not anticipate needing a TRAN for 2020.

The annual debt service requirements of the City's long-term debt service amounts to approximately \$279,555 for 2020. The table below details the City's debt service requirements, by individual issue for fiscal year 2020.

**City's Debt Service Requirements  
Fiscal Year 2020**

<b>Debt Series</b>	<b>FY 2020 Debt Service</b>	<b>% FY 2015 Debt Service</b>
2018 A Bond (Taxable Pension Bond)	\$ 94,340	33.75%
2018 B Bond	68,865	24.63%
2014 DCED Loan (Operating Borrowing)	116,350	41.62%
<b>Total FY 2020 Debt Service</b>	<b>\$ 279,555</b>	<b>100%</b>

*Note: May not match City budget due to interest calculation & reamortization requirements*

The City's annual debt service obligations are level at approximately \$280,000 through fiscal year 2024. Approximately 59.38% of the principal amount of the City's outstanding debt is amortized (paid) over the fiscal years 2020 through 2025. The table below details the City's debt service requirements, by individual issue, for fiscal years 2020 through 2025.

**City's Debt Service Requirements  
Fiscal Years 2020 through 2025**

<b>Debt Series</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
2018 A Bond (Taxable Pension Bond)	94,340	93,798	94,165	94,375	94,473	95,413
2018 B Bond	68,865	70,284	70,601	69,867	70,065	69,229
2014 DCED Loan (Operating Borrowing)	116,350	116,350	116,350	116,350	116,350	0
<b>Total FY 2015 Debt Service</b>	<b>\$ 279,555</b>	<b>\$ 280,432</b>	<b>\$ 281,116</b>	<b>\$ 280,592</b>	<b>\$ 280,888</b>	<b>\$ 164,642</b>

*Source: City debt documents and City's Financial Advisor*

The City's Series A and B Bonds of 2018 are fixed rate loans through December 1, 2019 after December 1, 2019 the rates will be variable based on market conditions. The Series A Bond rate is currently fixed at 4.40% through December 1, 2024 becoming variable at Prime with a Cap Rate of 6.00% and the Series B of 2018 Note is fixed at 2.95% through December 1, 2024 becoming variable at 67% of Prime thereafter with a Cap Rate of 4.25%. The City's DCED loan is a zero percent (0%) interest loan that matures in equal annual payments over the ten (10) years through and including 2024.

The final maturity of the City's outstanding debt service requirements is 2031. Interest rates on the City's outstanding debt obligations range from 0.00% to 6.00% as shown in the table below.

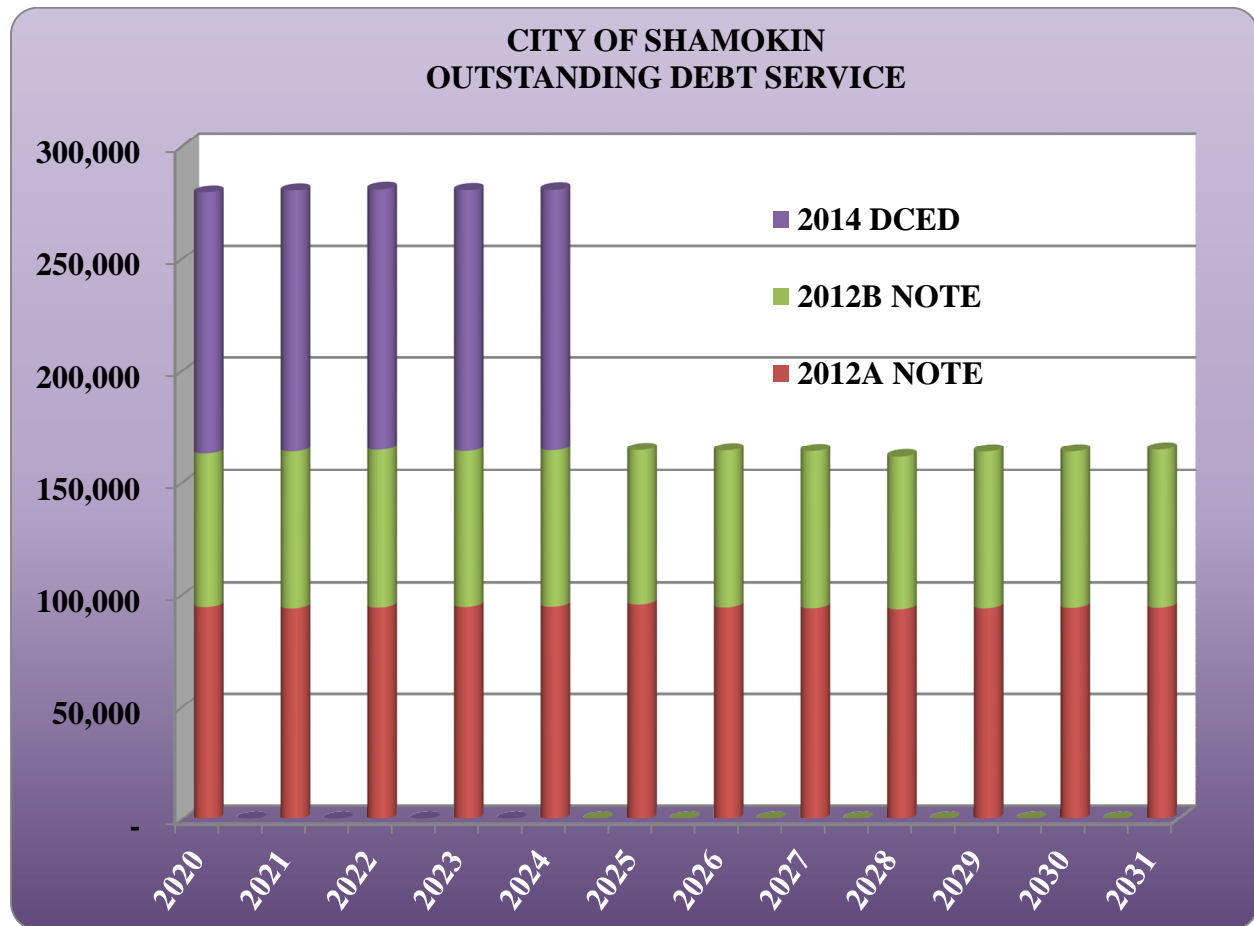
<b>Debt Series</b>	<b>Maturity Year</b>	<b>Outstanding Principal Amount</b>	<b>Interest Rate</b>
2018 A Note (Taxable Pension Note)	2031	\$ 866,000	3.25% to 10.95% <sup>1</sup>
2018 B Note	2031	684,000	3.40% to 6.00% <sup>2</sup>
2014 DCED Loan (Operating Borrowing)	2024	581,750	0.00%
<b>Total Principal Outstanding</b>		<b>\$ 2,131,750</b>	

<sup>1</sup> 4.40% through 12/1/2024 cap rate of 6.00% thereafter

<sup>2</sup> 2.95% through 12/1/2024 cap rate of 4.25% thereafter

The City's total annual debt service obligations are level through fiscal year 2024 at a total projected annual expense of approximately \$280,000. The projected annual debt obligations of the City reduces to approximately \$165,000 in fiscal year 2025, until final maturity in 2031.

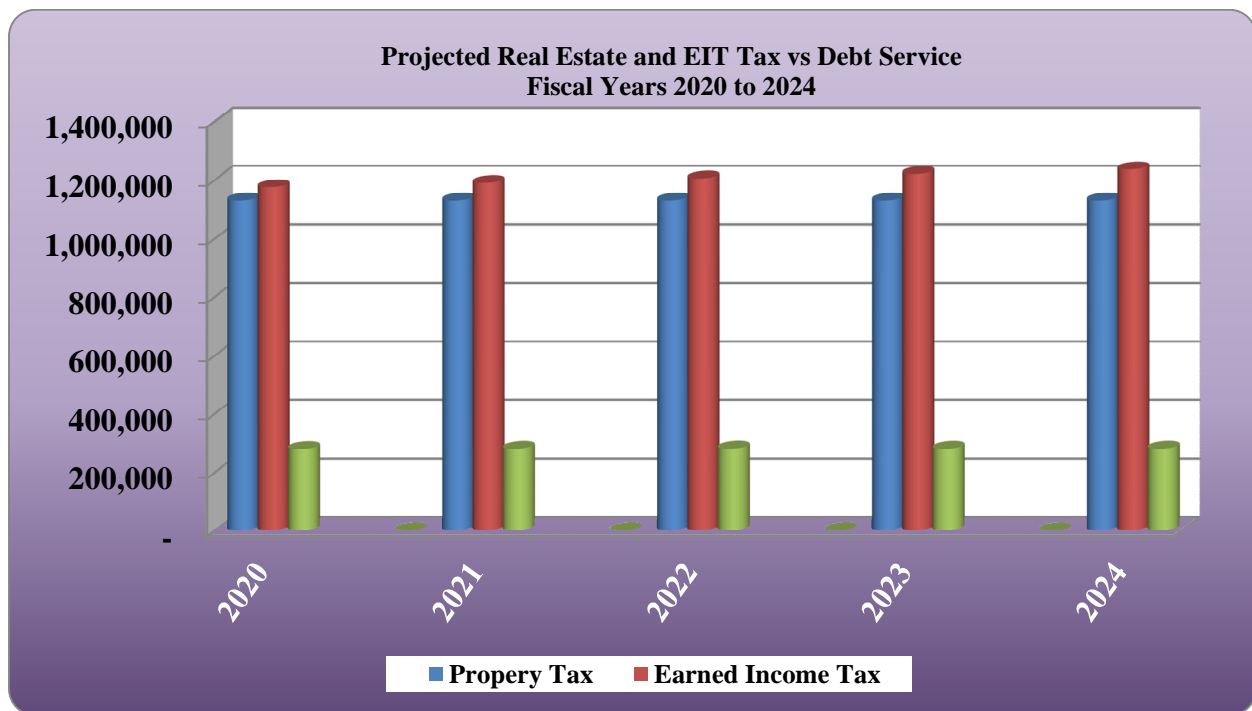
The graph below shows the City's total debt service requirements through the final maturity of all currently outstanding City debt.



The total principal amount of City debt currently outstanding is \$2,131,750. This amount of debt equals \$298 of debt per capita (based on the 2017 Census population of the City). The City's market value as reported by the PA State Tax and Equalization Board for 2018 is \$76,945,978. The City's total outstanding debt as a percentage of its market value of property is 2.77%.

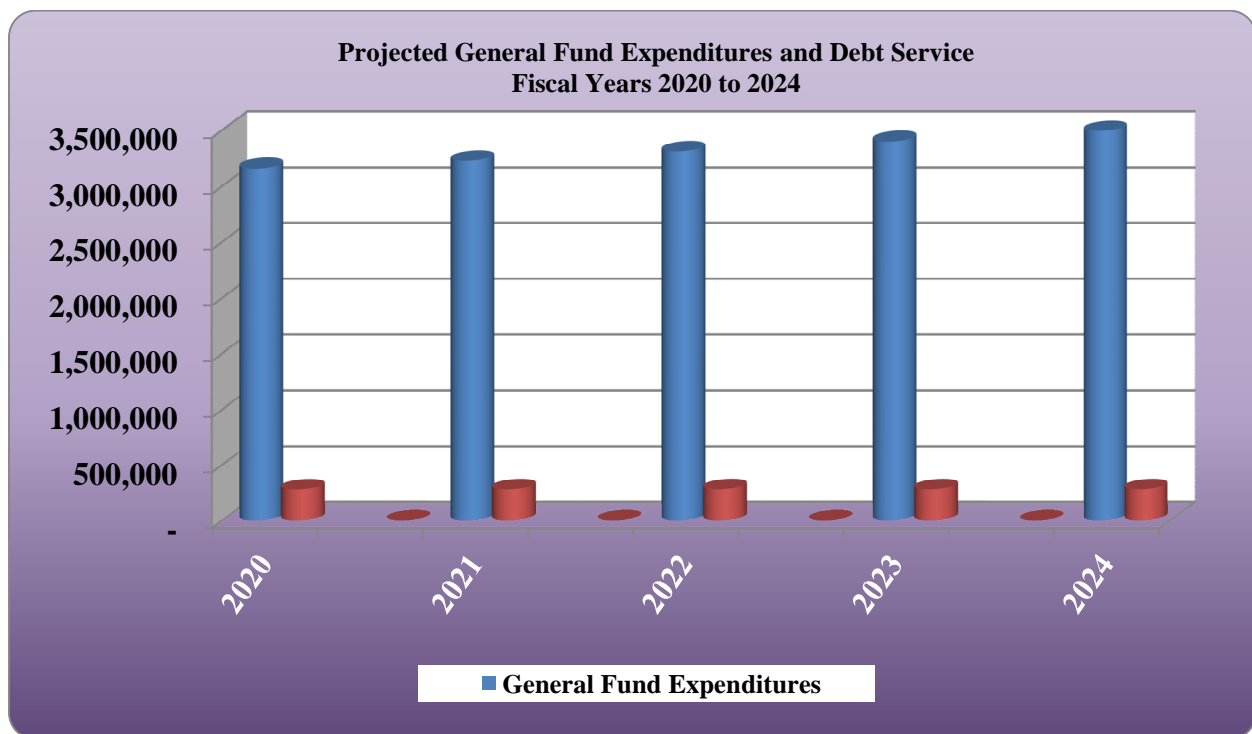
### Debt Compared to Select Revenues and Expenditures of the City

The annual amount of debt service of the City is less in comparison to select, projected, major revenue and expenditure line items of the City. The annual debt service of the City is approximately 24% of the projected annual earned income tax collected at the increased level by the City and approximately 25% of the City's annual projected real estate tax revenues.



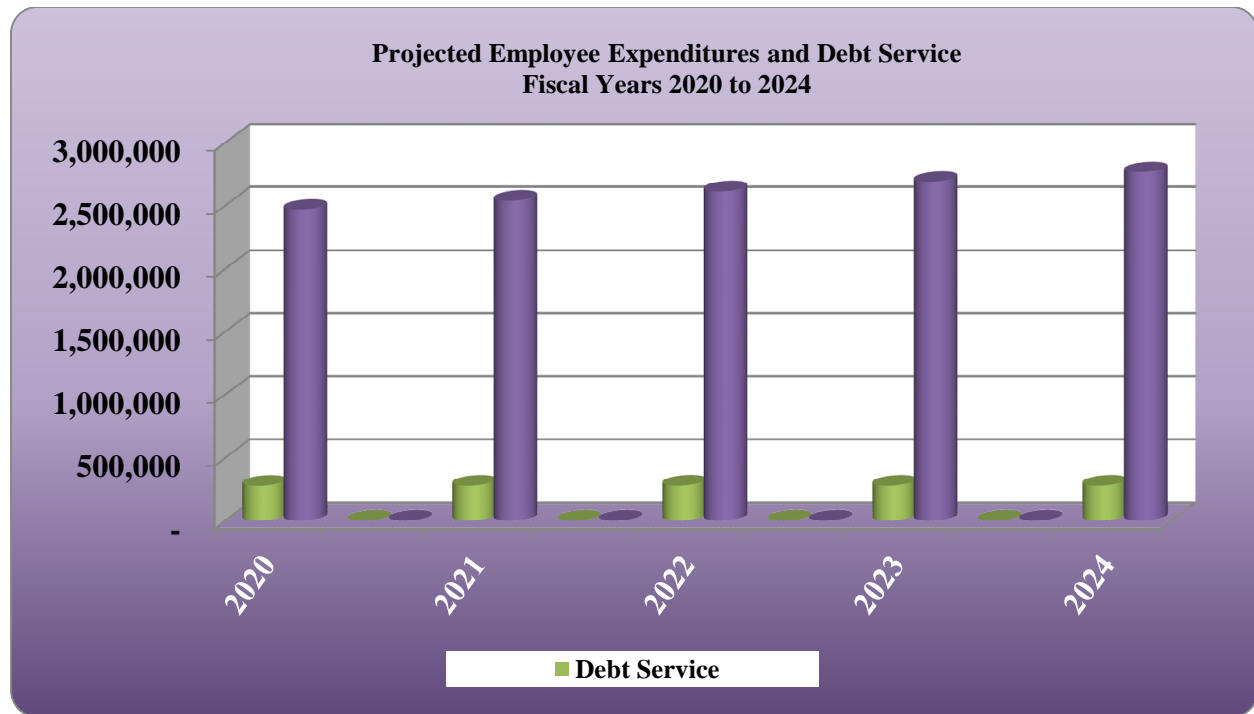
Source: Act 47 Coordinator's revenue projections for fiscal years 2020 through 2024.

The City's total annual debt service requirements equal approximately 8.85% of the total budgeted General Fund expenditures for the 2020 fiscal year, as evidenced in the table below.



Source: Act 47 Coordinator's expenditure projections for fiscal years 2020 through 2025.

When compared to total employee expenses of the City, the annual debt service amounts to 11% of the 2020 employee expense, as shown below.



Source: Act 47 Coordinator's expenditure projections for fiscal years 2020 through 2024.

## Initiatives

The initiative below is designed to allow the City to take advantage of a potential funding mechanism currently authorized to fund City operations as maybe required.

Without the additional taxing authority authorized under Act 47 or as a Home Rule Municipality options for funding City operations are limited. A potential solution for the City to generate sufficient revenue for operations would be for the City to periodically enter into a Lease/Sublease transaction with an acceptable conduit issuer (i.e., the Redevelopment Authority of the City of Shamokin). Municipalities may use revenues derived from a Lease/Sublease transaction for operating expenses.

### **DS01. Issue Lease/Sublease debt to fund operations as needed**

<b>Target outcome:</b>	Generate operating funds
<b>Six year financial impact:</b>	TBD
<b>Responsible party:</b>	City Council & City Administrator

This is not a preferable solution but is currently allowable if the City decides to maintain the current level of provided services. By utilizing this mechanism the City could issue debt to fund current operations.



A municipality's obligations under a Lease/Sublease transaction are considered Debt under the Pennsylvania Local Government Unit Debt Act ("LGUDA") and as such would not be subject to any real estate tax limit. In short the City would issue debt through a conduit issuer to fund operations, allowing it to increase its real estate tax and use the increased real estate tax revenue to pay the debt incurred.

In order to minimize interest costs and to keep debt service requirements as close to the year in which operational needs are funded, the City should look at issuing 18 month to 2 year taxable draw down term loans on a regular basis as needed. By keeping the maturity short the City should receive lower interest rates from the lender and by setting it up as a drawdown loan the City can draw on the funds as needed and payoff the debt service as soon as tax receipts become available in order it minimize interest expense.

If the citizens of the City of Shamokin prefer to operate as a traditional 3<sup>rd</sup> Class City and not revisit Home Rule, or the City does not receive special authorization from the Legislature, or a County reassessment is not completed, the City will have to reduce services in an amount needed to cover any projected shortfall.

## BASELINE PROJECTIONS WITH AND WITHOUT INITIATIVES

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Revenue</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
Taxes	2,563,167	2,577,855	2,592,726	2,607,783	2,623,028
Rents	25,688	25,688	25,688	25,688	25,688
Intergovernmental	244,046	209,394	213,855	218,449	223,182
License & Permits	128,400	128,400	128,400	128,400	128,400
Fines & Forfeits	97,500	97,500	97,500	97,500	97,500
Charges for Services	129,750	129,750	129,750	129,750	129,750
Miscellaneous	45,976	45,976	45,976	45,976	45,976
Transfers	<u>92,674</u>	<u>92,674</u>	<u>92,674</u>	<u>92,674</u>	<u>92,674</u>
<b>Total Revenues</b>	3,327,201	3,307,236	3,326,568	3,346,220	3,366,198
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Expenditures</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
Employee	\$ 2,467,903	\$ 2,538,689	\$ 2,611,839	\$ 2,687,442	\$ 2,765,590
Nonemployee	\$ 689,388	\$ 684,980	\$ 698,171	\$ 711,237	\$ 724,310
Transfers	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Expenditures</b>	\$ 3,157,291	\$ 3,223,670	\$ 3,310,011	\$ 3,398,679	\$ 3,489,900
<b>Surplus/(Deficit)</b>	<b>\$ 169,910</b>	<b>\$ 83,566</b>	<b>\$ 16,558</b>	<b>\$ (52,459)</b>	<b>\$ (123,702)</b>
Loss of Act 47 EIT				(830,377)	(840,756)
<b>Net Surplus/(Deficit)</b>	<b>169,910</b>	<b>83,566</b>	<b>16,558</b>	<b>(882,836)</b>	<b>(964,458)</b>
Net Sale/Lease Back				882,836	964,458
<b>Net Surplus/(Deficit)</b>	<b>169,910</b>	<b>83,566</b>	<b>16,558</b>	<b>0</b>	<b>0</b>

# **CITY OF SHAMOKIN**

## **ACT 47 RECOVERY PLAN**

### **FINANCIAL ASSISTANCE RECOMMENDATIONS**

Section 302(a) of Act 47 allows a municipality or the recovery plan coordinator to apply for financial assistance from the Commonwealth after a fiscally distressed municipality has adopted a recovery plan. The City, after adoption of the recovery plan, with the assistance of the Coordinator, may consider applying for financial assistance to: engage a Human Resources Consultant, engage a Strategic Planning Consultant, engage an Accounting Consultant, hire an Administrative Clerk, augment a salary increase for the City Administrator and fund upgrades for Technology Initiatives.

#### **Conduct a Hydrological & Hydraulic Study (\$130,000)**

As discussed in the Community Development chapter of this 3 Year Exit Plan updates to the City's 100 year flood plain increasing the number of properties affected will have a major impact on future economic development in the City of Shamokin. As such the City must work to address and mitigate the impact of the proposed changes. Completing an H&H study will provide the baseline necessary for the City to begin that effort.

The H&H Study should include recommendations from a professional engineer, to help the City identify how water moves through the City (volume and rate of flow) and what can be done moving forward to address potential issues.

The completed report must provide, but should not be limited to: how the City can take further action to help address the concerns surrounding the proposed development and revitalization in the City, and bring public awareness and technical assistance to its residents on how they can better prepare themselves prior to the new FIRMs becoming effective.

#### **Rewrite City's Zoning Ordinance (\$100,000)**

The City current zoning ordinance is severely outdated and limits its ability to approve land uses that could be beneficial to the City's economic revitalization.

The City should utilize a professional consultant to conduct a public process to develop a new Zoning Ordinance, zoning map and design guidelines for the City of Shamokin.

The new Zoning Ordinance should be developed with the intention of spurring downtown revitalization and improving an aging housing stock while maintaining Shamokin's rich history.

# CITY OF SHAMOKIN ACT 47 RECOVERY PLAN FINANCIAL ASSISTANCE GRANT SOURCES AND USES

## 2020 Act 47 Grant Department of Community and Economic Development

<u>Sources of Funds:</u>	<u>Salaries/Professional Service</u>
Act 47 Grant	\$ 230,000
Uses of Funds:	
Fiscal Year 2020 Funding	
H&H Study	130,000
Zoning Rewrite Consultant	100,000
Total	\$ 230,000

**City of Shamokin**  
**Northumberland County, Pennsylvania**  
**Current Estimated Debt Service**

<b>YEAR</b>	<b>2018A NOTE</b>	<b>2018B NOTE</b>	<b>2014 DCED</b>	<b>TOTAL FEMA</b>
2020	94,340	68,865	116,350	<b>279,555</b>
	-	-	-	-
2021	93,798	70,284	116,350	<b>280,432</b>
	-	-	-	-
2022	94,165	70,601	116,350	<b>281,116</b>
	-	-	-	-
2023	94,375	69,867	116,350	<b>280,592</b>
	-	-	-	-
2024	94,473	70,065	116,350	<b>280,888</b>
	-	-	-	-
2025	95,413	69,229		<b>164,642</b>
	-	-		-
2026	94,195	70,325		<b>164,520</b>
	-	-		-
2027	93,865	70,353		<b>164,218</b>
	-	-		-
2028	93,423	68,432		<b>161,855</b>
	-	-		-
2029	93,823	70,222		<b>164,045</b>
	-	-		-
2030	94,043	70,029		<b>164,072</b>
	-	-		-
2031	94,083	70,768		<b>164,851</b>
	<b>1,129,996</b>	<b>839,040</b>	<b>581,750</b>	<b>2,550,786</b>

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# **Municipalities Financial Recovery Act**

## **Financial Condition Report**

City of Shamokin  
Northumberland County, Pennsylvania

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Prepared on behalf of the  
Commonwealth of Pennsylvania  
Department of Community and Economic Development  
Governor's Center for Local Government Services

As filed with the City Administrator on September 5, 2019



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September 5, 2019

City of Shamokin  
Shamokin City Hall  
47 East Lincoln Street  
Shamokin, PA 17872

Re: City of Shamokin Act 47 Coordinator's Financial Condition Report

Mayor and Members of Council:

Enclosed please find a copy of the Act 47 Coordinator's City of Shamokin Financial Condition Report (the "Report") which has been mailed today by the Act 47 Coordinator to the City of Shamokin (the "City" or "Shamokin"). The Report will be officially filed on Thursday, September 5, 2019, when the City Administrator will place a true and correct copy of the Report on file for public inspection at the City's offices, and will post the Report on the City's website.

The Coordinator's findings set forth in the Report reflect conditions at the City which require the development of a three-year exit plan in accordance with Section 256 of the Act. The Coordinator has found: (1) that operational deficits of the City have been eliminated, and that the financial conditions demonstrate a reasonable probability of future balanced budgets while remaining in Act 47; (2) debt obligations have been structured so that there is a reasonable probability of continued, timely debt service payments while in Act 47; (3) there are no claims or judgments that would place the City in imminent jeopardy of financial default; (4) reasonably projected revenues of the City are sufficient to fund ongoing necessary expenditures, including pension and debt obligations; and (5) the continuation of collective bargaining agreements and the provision of municipal services while under Act 47 protection, and the City's ability to maintain fiscal stability with the additional taxing authority allowed pursuant to Act 47, cannot otherwise be maintained without maintaining Act 47 status.

September 5, 2019

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The Coordinator will receive written comments for a period of 15 days until Friday, September 20, 2019. The Coordinator will also hold a public meeting to receive comments on the Report, beginning at 6:00 P.M. on Monday, September 23, 2019, at the City's Rescue Squad meeting room, 511 North Franklin Street, Shamokin, PA. The Coordinator requests that the Mayor and each member of City Council, the City Administrator and the City Administrative Accountant be present at this meeting.

Best regards,

By: /s/ Ryan P. Hottenstein  
Act 47 Coordinator

Enclosure (1)

cc: Robert Slaby, City of Shamokin (City Administrator)  
Doreen Annis, City of Shamokin (Administrative Accountant)  
Gerald Cross, Pennsylvania Economy League (Act 47 Coordinator)  
Patricia Moorhead, Pennsylvania Economy League (Act 47 Coordinator)  
Susan R. Friedman, Stevens & Lee (Act 47 Coordinator)  
John Espenshade, Stevens & Lee (Act 47 Coordinator)  
Theodore Martin, Deputy Director (DCED)  
Andrew Sheaf, Local Government Policy Manager (DCED)  
James Rose, Local Government Policy Specialist (DCED)  
Michael Carpenter, Local Government Policy Specialist (DCED)  
Frank Konopka, Solicitor



# CITY OF SHAMOKIN FINANCIAL CONDITION REPORT

## Introduction

Pursuant to the Commonwealth of Pennsylvania's Municipalities Financial Recovery Act, Act 47 of 1987, as amended, (Act 47) the City of Shamokin (City) was declared a financially distressed municipality by order of the Secretary of the Department of Community and Economic Development (DCED) on June 16, 2014. Stevens & Lee, P.C. (S&L) was subsequently appointed the Act 47 Coordinator (Coordinator) for the City. The City adopted its original Act 47 Recovery Plan (Recovery Plan) on February 23, 2015.

Act 199 of 2014 (Act 199) amended Act 47 to, among other provisions, limit the amount of time a municipality may be declared a financially distressed municipality. The City adopted its Recovery Plan after the effective date of Act 199. Thus, it is subject to a termination date five (5) years from the effective date of its then most recent recovery plan, i.e., five years from February 23, 2015. As part of the Act 199 process, the Coordinator is required to complete a report stating the financial condition of the municipality no later than 180 days after the beginning of the final year of distressed status. The report is required to include one of the following findings based on the conditions within the municipality: (1) termination of distressed status; (2) municipal disincorporation; (3) fiscal emergency; or (4) a three-year exit plan. The Coordinator has prepared this City of Shamokin Financial Condition (Report), which makes a finding that conditions within the City require the development of a three-year exit plan. Accordingly, the Coordinator files this Report with the DCED and City representatives.

## Financial Condition

### Background

The City of Shamokin is located in Northumberland County in Central Pennsylvania. The City's estimated 2017 population was 7,165<sup>1</sup> making it the second largest municipality in Northumberland County. The City is governed pursuant to the Pennsylvania Third Class City Code. Under the Third Class City Code, the City's governing body is a five-member City Council, composed of a Mayor and four (4) additional Council Members. The current elected officials have cooperated with the Coordinator to implement most of the initiatives included in the City's original 2015 Recovery Plan. The City has taken numerous steps that have substantially improved the financial position of the City, however, without the taxing authority provided to it under the provisions of Act 47, maintaining this improved financial stability is unlikely without the City taking extraordinary measures.

This report will review the factors that led the City to its Act 47 designation, which have been remediated but would return if outside the provisions of Act 47. In its filing to DCED the City alleged it met the following five (5) criteria as set forth in Section 201 of Act 47:

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<sup>1</sup> U.S. Census Bureau. American Fact Finder, ACS Demographic and Housing Estimates, 2013-2017 American Community Survey 5-Year Estimates.

1. The City has maintained a deficit over a three--year period, with a deficit of 1% or more in each of the previous fiscal years.
2. The City's expenditures have exceeded revenues for a period of three years or more.
3. The City has accumulated and has operated for each of two successive years at a deficit equal to 5% of more of its revenues.
4. The City has failed to make the budgeted payment of its minimum municipal obligation as required by the Municipal Pension Plan Funding Standard and Recovery Act (Act 205) with respect to a pension fund during the fiscal year for which the payment was budgeted and has failed to take action within that time period to make required payments.
5. The City has experienced a decrease in quantified level of municipal service for the preceding fiscal year which has resulted from the municipality reaching its legal limit in levying real estate taxes for general purposes.

From the five alleged criteria DCED's Consultative Report affirmed four of the five criteria.

The following information has been used by the Coordinator to determine if the previous criteria have been sustainably remediated.

### Operating Budget Review

The City has experienced operating budget surpluses every year since it adopted the 2015 Recovery Plan. The City's 2019 financial projections indicate that the City will end 2019 with a \$477,159 cash surplus.

#### General Fund Revenues, Expenditures, Surplus(Deficit) 2015 - 2019

	2015	2016	2017	2018	2019
	Audited	Audited	Audited	Unaudited	Projection
Revenues	\$ 3,349,749	\$ 3,660,738	\$ 3,544,730	\$4,076,433	\$ 3,404,065
Expenditures	3,200,000	3,582,880	3,453,576	3,947,793	3,175,772
<b>Surplus/(Deficit)</b>	<b>\$ 149,714</b>	<b>\$ 77,858</b>	<b>\$ 91,154</b>	<b>\$ 128,640</b>	<b>\$ 228,293</b>

The City's legacy costs include retiree healthcare, pension, and debt service. Although these ongoing legacy costs were incurred by the City in prior years, the City remains legally required to satisfy the commitments. The City presently commits current General Fund operating budget revenue to fulfill retiree healthcare and pension legacy costs. Debt Service costs are covered by a separate, dedicated tax millage paid from the City's Debt Service Fund. During the 2015-2018 operating budget review period, the City's legacy costs varied. In 2015, the City's legacy costs were \$876,995 or 27.4% of the City's total 2015 operating expenditures. In 2016, 2017 and 2018, the City's legacy costs increased to \$884,619 or 24.7% of the City's total 2016 operating expenditures; \$1,032,040 or 29.9% of the City's total 2017 operating expenditures and \$1,022,454 or 25.9% of the City's total 2018 operating expenditures. These legacy costs significantly impact the City's ability to provide current services to its residents from the revenue it receives from its annual operating tax revenues.

**Legacy Costs by Type and Proportion of Total Expenditures  
2012 - 2018**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>Reported</b>	<b>Reported</b>	<b>Reported</b>	<b>Reported</b>
Retiree Healthcare	\$ 74,262	\$ 74,262	\$ 90,694	\$ 110,643
Pension MMO	387,845	392,958	524,571	518,288
Annual Debt Service <sup>2</sup>	414,888	417,399	416,775	393,523
<b>Total Legacy Costs</b>	<b>\$ 876,995</b>	<b>\$ 884,619</b>	<b>\$ 1,032,040</b>	<b>\$ 1,022,454</b>
<b>% of Total Expenditures</b>	<b>27.4%</b>	<b>24.7%</b>	<b>29.9%</b>	<b>25.9%</b>

The largest legacy cost increase during the review period was the City's Minimum Municipal Pension Obligation (MMO) which increased from \$387,845 in 2015 to \$662,365 in 2019, an increase of 70.7 percent. This large pension increase is primarily due to the underfunded liabilities in the City's Pension Fund created by a change in the assumed rate of return and by unlawful pension benefits that were awarded to the Police collective bargaining unit prior to entry in to Act 47. The unlawful pension benefits have been removed from the current collective bargaining contract. The City's retiree healthcare obligation increased from \$74,262 in 2015 to \$83,644 in 2018, while the City's debt service decreased slightly from \$425,000 in 2015 to \$394,000 in 2018.

### **Elimination of Operating Deficits**

Annual financial reports and recent audits indicate that operating budget deficits have been eliminated and the City exhibits sound financial management practices. As previously stated, the City's audits indicate that the City incurred operating budget surpluses in 2015 through 2018.

## **2018 Financial Review**

The City reported ending the 2018 fiscal year with an operating surplus of \$128,640. For the 2018 fiscal year, the City's audited operating revenues were \$4,076,433 or 29% more than the budgeted amount, for a budget to actual difference of \$916,792. Unaudited operating expenditures were also lower at \$3,947,793 or 26% under the approved budget by \$823,800. Accordingly, the City is expected to have a 2018 operating surplus of revenue over expenditures of approximately \$128,640.

<sup>2</sup> Note: Debt service payments are not part of the City's General Fund. The City has a dedicated tax millage with a segregated fund for debt service.

**2018 Actual vs. Budget**

	2018	2018	Variance	
	Actual	Budget	\$	%
<u>Revenues</u>				
General Property Taxes	\$ 1,114,768	\$ 1,089,841	24,927	2.3
EIT	1,185,062	1,000,000	185,062	18.5
Other Taxes	241,651	229,500	12,151	5.3
Other Revenue	1,534,953	840,300	694,653	82.7
<b>Total Revenue</b>	<b>\$ 4,076,433</b>	<b>\$ 3,159,641</b>	<b>916,792</b>	<b>29.0</b>
	0	0		
<u>Expenditures</u>				
Employee	2,550,948	2,387,633	163,315	6.8
Non Employee	1,396,845	736,361	660,485	89.7
Debt Service	0	0	0	0.0
<b>Total Expenditures</b>	<b>\$ 3,947,793</b>	<b>\$ 3,123,994</b>	<b>823,800</b>	<b>26.4</b>
<b>Operating Surplus/(Deficit)</b>	<b>\$ 128,640</b>	<b>\$ 35,647</b>		

**2019 Financial Condition**

The City adopted a balanced 2019 operating budget on December 26, 2018, with General Fund revenues and expenditures of \$3.2 million. Throughout the 2019 fiscal year, the Coordinator has and will continue to monitor the City's fiscal position and prepare monthly cash flow estimates for the City's use.

As of the date of this Report the City has a typical amount of accounts payable with none known to be over thirty days due and a sufficient cash balance to meet anticipated costs. The City ended 2018 with \$310,820 in cash and \$38,435 in accounts payable. The City is projected to end 2019 with \$477,159 in cash and \$15,000 in payables, and a \$228,293 operating budget surplus.

## 2019 Budget

	2019 Budget
<b>Revenues</b>	
Real Estate Taxes	1,123,140
EIT	1,110,000
LST	47,000
Other Taxes	188,300
Licenses & Permits	128,900
Fines & Forfeits	97,500
Interest Income	20
Rents & Royalties	15,080
Intergovernmental Revenue	49,324
Fed Capital & Operating Grant	0
State Capital & Operating Grant	12,700
State Shared Revenue & Entitlement	172,989
Local Gov't Grants/Revenue	12,000
Charges for Services	44,750
Parking Meter Revenue	100,000
Miscellaneous	42,900
Transfers	77,582
Other Financing Sources	0
<b>Total Revenues</b>	<b>3,222,185</b>
<b>Expenditures</b>	
Payroll	1,203,882
Benefits	637,468
Pension	662,365
Fire Relief	23,000
Other Expenditures	676,131
Transfers	0
<b>Total Expenditures</b>	<b>3,202,846</b>
<b>Surplus/(Deficit)</b>	<b>19,338</b>

## 2019 Estimated Cash Flow

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	FY 2017
Revenues	747,397	1,256,591	802,153	597,924	3,404,065
Expenditures	709,775	583,529	609,656	1,272,812	3,175,772
<b>Surplus/(Deficit)</b>	<b>37,621</b>	<b>673,062</b>	<b>192,497</b>	<b>-674,888</b>	<b>228,293</b>
<b>Cash Beginning of Quarter</b>	<b>310,820</b>	<b>330,043</b>	<b>959,817</b>	<b>1,152,047</b>	
Surplus/(Deficit)	37,621	673,062	192,497	-674,888	
Increase/(Decrease) in Payables	-19,677	-3,491	-266	0	
Other Items Effecting Cash	1,278	-39,798	0	0	
<b>Cash End of Quarter</b>	<b>330,043</b>	<b>959,817</b>	<b>1,152,047</b>	<b>477,159</b>	

## Cost Centers

### Labor

The City currently has 23 budgeted employee positions. The City's managerial and confidential employees are "at will" employees. Most of the City's employees are represented by one of two unions and are subject to labor contracts with the City.

Shamokin Police Officers Association represents the City's uniformed police officers. The current City and Police Officers Association collective bargaining agreement term began on January 1, 2018 and will expire on December 31, 2019.

The American Federation of State, County and Municipal Employees Council 86, Local 2433 (AFSCME) represents the City's Public Works employees. The City's current collective bargaining agreement with AFSCME for the Public Works employees began on January 1, 2018, and will expire on December 31, 2020.

All of the new contracts negotiated with the City bargaining units provide for the Act 47 Recovery Plan cost containment provisions.

### Debt

The City's outstanding principal long-term debt as of December 31, 2018, was approximately \$3,448,600. The City is currently expected to make approximately \$396,000 of long-term debt service payments of principal and interest in 2019 for its General Obligation and Redevelopment Authority debt.

#### Long-Term Debt Summary

	Outstanding Principal	Rate	Maturity
Taxable General Obligation Note, Series A of 2018	919,000	4.40% to 6.00%	2031
General Obligation Note, Series B of 2018	730,000	2.95% to 4.25%	2031
2014 DCED Loan	698,000	0.00%	2024
Shamokin RDA Note, Series A of 2005	578,517	3.708%	2030
Shamokin RDA Note, Series B of 2005	525,734	3.250%	2030
<b>Total Outstanding as of December 31, 2018</b>	<b>3,451,251</b>		

### Pension

The City of Shamokin participates in two single-employer pension plans. As of December 31, 2017, the Non Uniform Pension Plan (NUPP) funding ratio was 56.27 percent (Distress Level II) with a Net Pension Liability of \$501,102. The Police Pension Plan (PPP) funding ratio was 59.73 percent (Distress Level II) with a Net Pension Liability of \$3,355,053. The City's annual minimum pension obligation in 2019 is estimated to be \$662,365.

## Retiree Healthcare

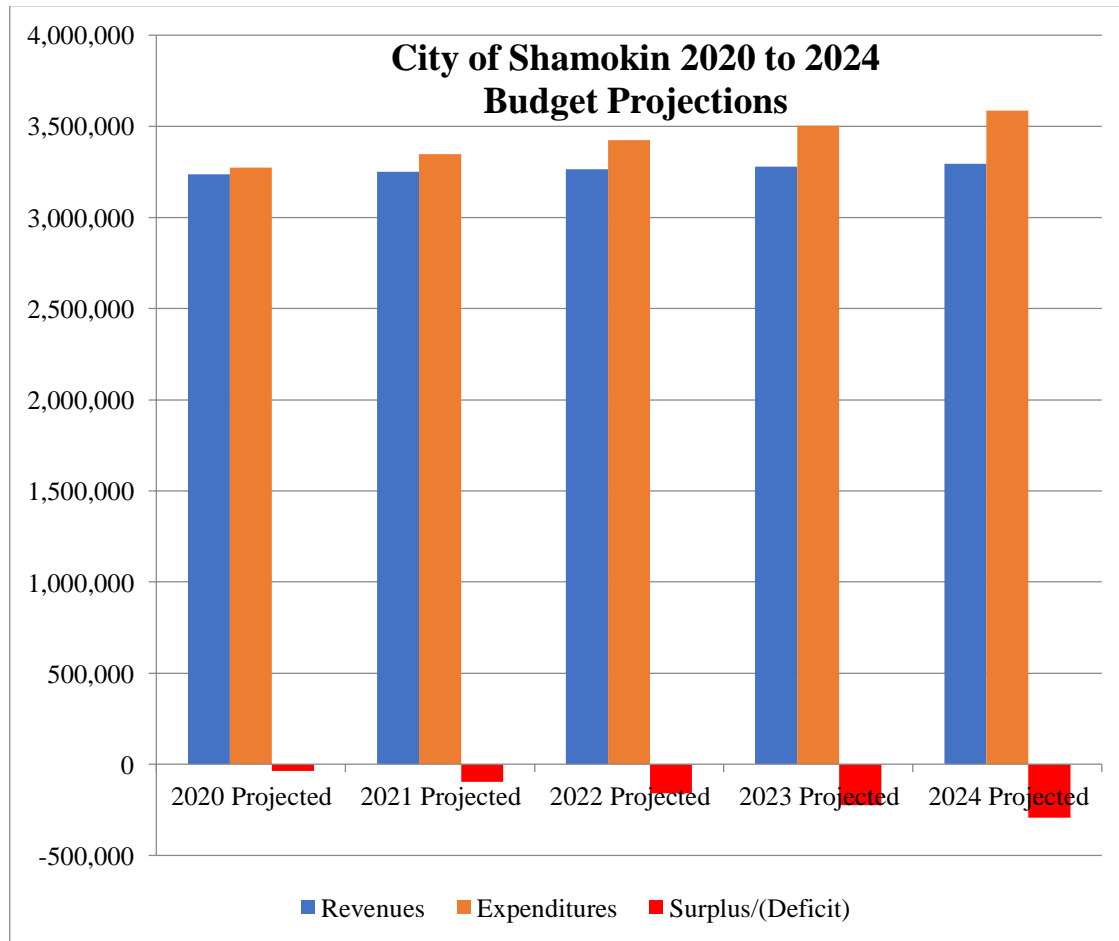
The City's retiree healthcare contribution in 2019 is projected to be \$104,730. These legacy costs are funded on a pay-as-you-go basis.

## Financial Baseline

The Coordinator has reviewed Shamokin's financial history and developed financial projections for 2019-2024, using the City's 2019 budget maintaining the increased EIT rate as the projection baseline. Normal expenditure growth assumptions indicate that the City will incur a general fund operating deficit in 2020 of **-\$36,565** growing to **-\$292,150** in 2024 absent increases in revenue or decreases in expenditures.

### Projected Baseline Revenues, Expenditures, Surplus (Deficit) 2019 – 2024

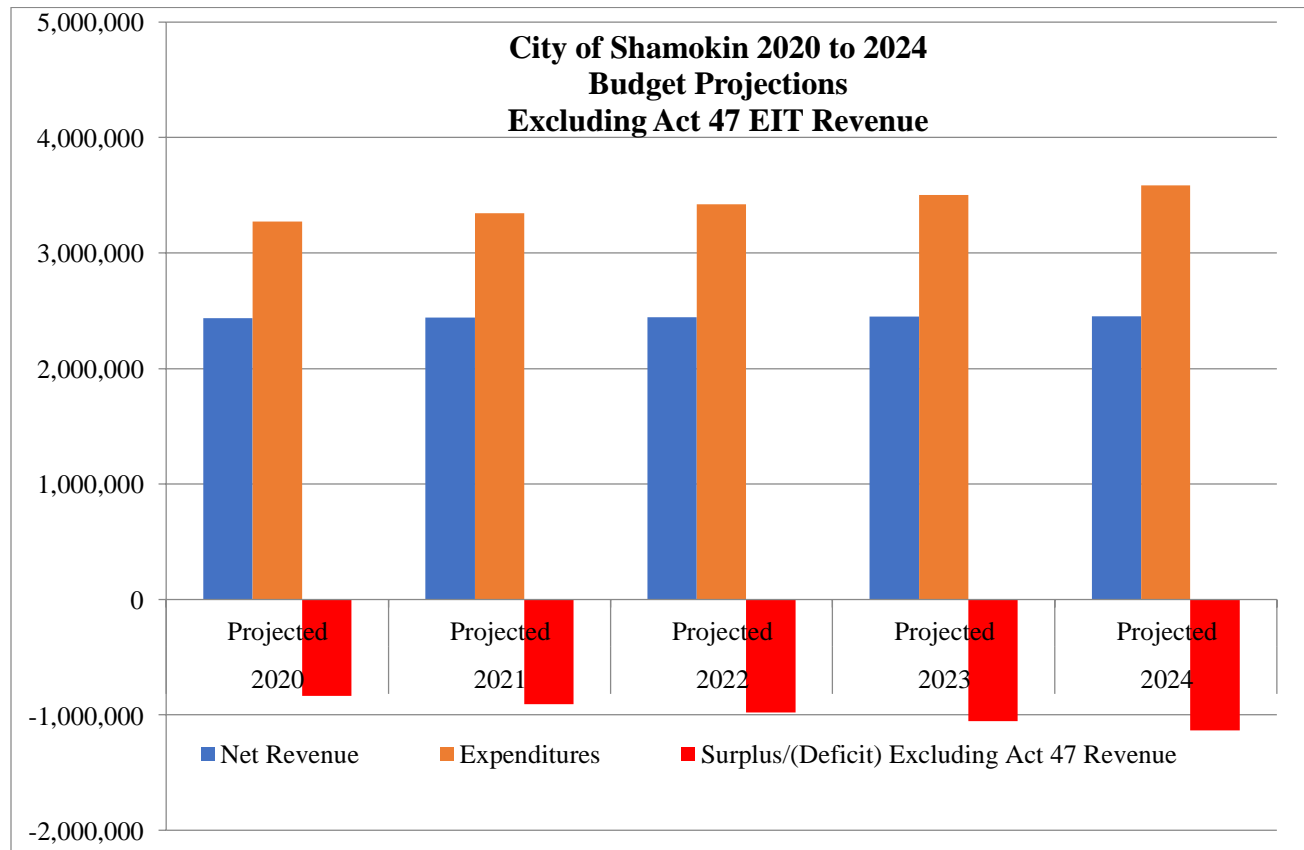
	2019 Estimated	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected
Revenues	3,404,065	3,236,060	3,250,108	3,264,332	3,278,734	3,293,316
Expenditures	3,175,772	3,272,624	3,346,678	3,423,580	3,503,073	3,585,466
Surplus/(Deficit)	228,293	<b>-36,565</b>	<b>-96,570</b>	<b>-159,248</b>	<b>-224,339</b>	<b>-292,150</b>



Additionally, the Coordinator produced budget projections which factor in the loss of increased EIT as a comparison to the projection baseline. Without the additional Act 47 EIT revenue projections indicate that the City would incur a general fund operating deficit in 2020 of **-\$836,565** growing to **-\$1,132,906** in 2024 absent increases in revenue or decreases in expenditures.

**Projected Baseline Revenues without Act 47 EIT, Expenditures, Surplus (Deficit)  
2019 – 2024**

	<b>2019 Estimated</b>	<b>2020 Projected</b>	<b>2021 Projected</b>	<b>2022 Projected</b>	<b>2023 Projected</b>	<b>2024 Projected</b>
Revenues	3,404,065	3,236,060	3,250,108	3,264,332	3,278,734	3,293,316
Less: Est Act 47 EIT	-	-800,000	-810,000	-820,125	-830,377	-840,756
Net Revenue	3,404,065	2,436,060	2,440,108	2,444,207	2,448,357	2,452,560
Expenditures	3,175,772	3,272,624	3,346,678	3,423,580	3,503,073	3,585,466
Surplus/(Deficit)	228,293	<b>-836,565</b>	<b>-906,570</b>	<b>-979,373</b>	<b>-1,054,716</b>	<b>-1,132,906</b>





## Overcoming Deficits

### Home Rule Charter

As a Home Rule community, the City would no longer be bound by statutory limits on rates for EIT, property taxes and realty transfer taxes, providing for greater flexibility in the future to generate tax revenue based on community needs. In order to establish a Home Rule charter registered voters of the local municipality approve and elect a Home Rule Study commission. This question was placed on the City's May 2019 primary election. It was rejected by the City's voters. Rejection of Home Rule greatly limits the City's ability to balance its budget without extraordinary measures.

### Real Estate Taxes

Northumberland County last implemented a property reassessment in 1972. When Shamokin entered Act 47 it was at its limit for general purpose real estate millage, leaving no room to gain additional general purpose revenue if needed through a property tax increase. The City remains at the current general purposes limit of 35.00 mills in 2019. One mill is valued at approximately \$23,800. Outside the benefits of Home Rule, the City does not have the ability to raise its general purpose property tax to meet its revenue requirements.

### Earned Income Taxes

City officials spearheaded an effort to develop a Home Rule Charter for the City that allows the City to retain the higher resident EIT level as necessary after exiting Act 47. As mentioned earlier in this Report that effort was rejected by the City of Shamokin voters.

## Summary

The City's financial condition has improved significantly during the last five (5) years. The taxing authority granted while in Act 47 allows the City to receive the necessary funding to support City operations and maintain balanced budgets. Without the additional 1.0% Earned Income Tax the City receives while in Act 47, the City could not maintain its current fiscal improvements and would likely return to financial distress without making significant cuts to public services, including, but not limited to public safety.

Without reassessment by Northumberland County and/or the City becoming a Home Rule municipality, the PA Third Class City Code does not provide the necessary taxing authority to allow the City to fund current service levels and/or to increase those levels of service if the City determines that it is needed.

Absent Act 47 status, the City's financial parameters are constrained by the PA Third Class Code, Act 511, Act 111, Act 195, and related laws of the Commonwealth which are applicable to local governments, and will not allow the City to maintain its current fiscal performance.

### Finding

The Coordinator makes the finding that the financial condition of the City requires the development of a three (3) year exit plan.

The City has made substantial progress on a number of fronts, since it entered Act 47, however, due to municipal legislation outside the City's control, the City's lacks the ability to (1) generate the revenue necessary to maintain current services and (2) ensure it does not quickly return to fiscal distress.

Based on the City's current inability to achieve long-term financial sustainability outside Act 47, it is the Coordinator's finding that conditions within the City of Shamokin require the development of a three-year exit plan in accordance with Section 256.

## **Act 47 Coordinator**

Financial S&Lutions  
Stevens & Lee, Lawyers and Consultants  
Pennsylvania Economy League