
Municipalities Financial Recovery Act

Recovery Plan

City of Shamokin
Northumberland County, Pennsylvania



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/City Clerk on February 11, 2015



PENNSYLVANIA
ECONOMY LEAGUE

Pennsylvania Economy League
Central PA LLC
88 N. Franklin Street, Suite 200
Wilkes-Barre, PA 18701-1393
570-824-3559

STEVENS & LEE
LAWYERS & CONSULTANTS

Stevens & Lee, P.C.
17 North Second Street, 16th Fl.
Harrisburg, PA 17101
717.234.1090
www.stevenslee.com

FSL FINANCIAL **S&LUTIONS**

Financial S&Lutions
607 Washington Street
Reading, Pa 19601
610.478.2153
www.fsandl.com

STEVENS & LEE
LAWYERS & CONSULTANTS

51 South Duke Street
Lancaster, PA 17602
(717) 291-1031 Fax (717) 394-7726
www.stevenslee.com

Direct Dial: (717) 399-6621
Email: jwe@stevenslee.com
Direct Fax: (610) 236-4174

February 11, 2015

Hand Delivered 2/11/2015

Shamokin City Hall
47 East Lincoln Street
Shamokin, PA 17872

To: William D. Milbrand, Mayor, Member of City Council
R. Craig Rhoades, Councilman
Charles Verano, Councilman
Barbara Moyer, Councilwoman
David Kinder, Councilman
Gary Haddock, Controller
Brenda Scandle, Treasurer
Frank Konopka, City Solicitor
Robert Slaby, City Administrator

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

Ladies and Gentlemen:

This letter formally transmits the Recovery Plan for the City of Shamokin and describes key changes that have been made since the draft Plan was filed on January 22, 2015, with the City and with the Pennsylvania Department of Community and Economic Development (DCED).

Since filing the draft Plan, meetings and discussions have been held with elected and appointed officials and community stakeholders. Written comments from officials and the public have been received by the Coordinator. A formal public hearing was held on February 4, 2015, to receive comments on the Plan. These meetings have provided the Act 47 Coordinator with the opportunity to listen to interested parties and, where deemed appropriate, make adjustments to the Recovery Plan.

The Act 47 Coordinator has made the following adjustments in connection with the City's structural deficit, including but not limited to:

- Modified Initiative PD05 in the Police Department Chapter to provide for the City's determination, in its discretion, to consider discontinuing Shamokin Police Service during the hours 0300 to 0700, i.e., the Initiative is not mandatory.

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- Added more recent information in the text of the Police Department Chapter on crime statistics for 2014, noting a significant trend change more similar to the 2009 experience than for the years 2009-2013.
- Corrected the Act 47 financial assistance grant amount in the text of Initiative REVO5 in the Revenue and Financial Projections Chapter from \$253,708 to \$261,208.
- Modified the Community and Economic Development Chapter to update current expenditures to reflect current project costs and resulting impacts on spending and timelines.
- Modified Initiative CD01 in the Community and Economic Development Chapter for the Community Development Officer to report quarterly and include explanations of any issues which may be delaying approved projects and how the City can remedy the delay.
- Clarified, expanded and/or revised various descriptive text in the Plan's Chapters.

These adjustments have been made and the Recovery Plan is now presented to City Council for consideration and action. As City Council deliberates the Plan, it is important to remember that the Plan, while adopted by Ordinance, is also a living document. The role of the Coordinator through implementation is to work with the City to review and make adjustments to changing conditions while the City remains in the Act 47 program.

The fiscal integrity of the Act 47 Coordinator's Plan remains intact with the above changes and provides a multiyear strategy to restore fiscal stability to the City of Shamokin.

Best regards,

By:

A handwritten signature in blue ink, appearing to read "J. W. [unclear]".

Act 47 Coordinator

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- Tab 2 Recovery Plan Initiatives
- Tab 3 Projected Budget 2015-2020 Summary
- Tab 4 Act 47 Recovery Plan Financial Assistance Recommendations
- Tab 5 Act 47 Emergency Loan Amortization
- Tab 6 Outstanding Debt Chart

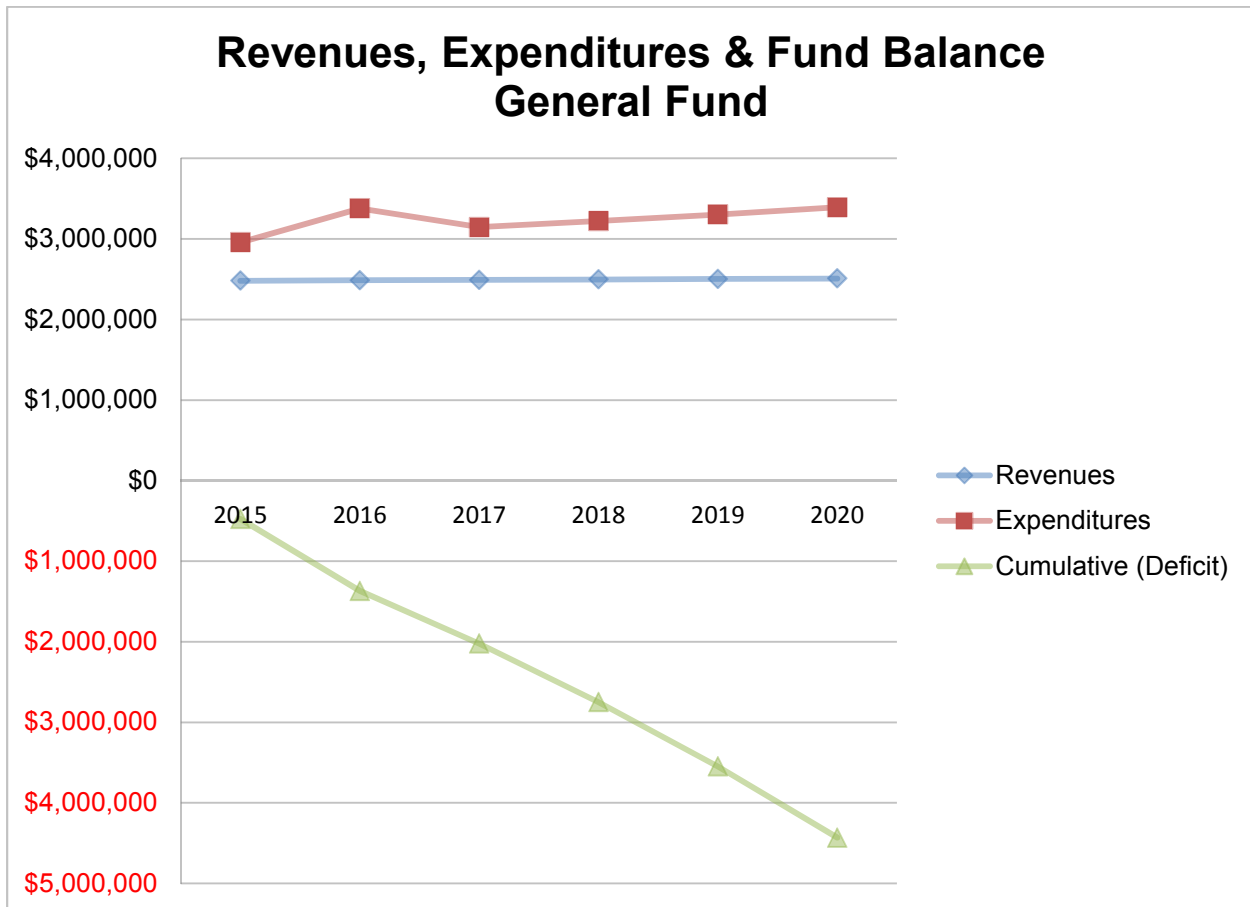
Executive Summary

Introduction

The City of Shamokin, Northumberland County, Pennsylvania, (the “City” or “Shamokin”) has and continues to suffer serious and dire financial conditions. The City has faced a persistent structural deficit for the past four years, which is anticipated to continue for the foreseeable future unless immediate action is taken. This structural deficit, which has ranged from 9% to 14% of total annual revenues, is increasingly jeopardizing the City’s ability to provide for the health, safety, and welfare of its citizens.

The growing budget shortfall is illustrated in the table and graph below:

	2015 Estimated	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Revenue	\$2,480,990	\$2,486,108	\$2,491,507	\$2,497,151	\$2,503,006	\$2,509,050
Expenditures	2,958,007	3,378,834	3,145,786	3,222,505	3,302,851	3,391,989
Surplus/(Deficit)	-\$477,017	-\$892,727	-\$654,278	-\$725,354	-\$799,845	-\$882,939
Cumulative Surplus/(Deficit)	-\$477,017	-\$1,369,744	-\$2,024,022	-\$2,749,376	-\$3,549,221	-\$4,432,161



Like all local governments, the City requires stable revenue sources with moderate growth to fund services to residents, businesses, and visitors. Both factors are important because so

many of local government expenditures are related to recurring and regularly increasing costs for salaries, benefits, and other operating expenses. However, for years Shamokin's tax base has been stagnant or declining, and City revenue streams have been unable to cover the growing costs of City services. This has resulted in ongoing challenges to balance the General Fund operating budget.

While cities across the country are struggling to keep pace with expenditure growth, this challenge is even more acute in Shamokin where economic and demographic factors further impact the City's ability to generate sustainable revenues.

The economic downturn which began in 2008 has compounded longer term economic trends that have challenged the City. As a result, this lack of growth cannot sustain the operating costs of the City government. In 2008, the Pennsylvania Economy League (PEL) prepared a report which stated that "the City's General Fund has a structural mismatch between revenues and expenses." The PEL report concluded that the City could not continue to operate with these revenue shortfalls, and recommended taking corrective actions. Recommendations included replacing the financial system; improving financial reporting and monitoring; management audits; increasing the tax rate to then maximum 30.0 mills with court approval; evaluating the tax collection process; and exploring regionalization of services. The real estate millage was increased and the financial reporting system was replaced, however the other recommendations were not completed.

The City's bleak financial condition has been exacerbated by two principal factors: 1) revenues have failed to grow during the last several years due to various factors including but not limited to the national recession, a declining tax base, decreasing population, and outdated property assessments; and 2) the cost of the City's employee compensation and benefits have proven to be unaffordable and unsustainable.

It is critical for the City to take corrective actions now to address the City's underlying revenue and cost issues and restore fiscal solvency to the City. The projected annual structural deficit outlined in this Recovery Plan demands a balanced approach between revenue increases and spending reductions.

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 (Act 47 of 1987, as amended) ("Act 47"). Act 47 was enacted to foster the fiscal integrity of municipalities so that they can provide for the health, safety, and welfare of their citizens; pay principal and interest on their debt obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial accounting procedures, budgeting, and taxing practices.

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 47.¹

¹ 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.

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% or 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.

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 identified five 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 a distressed municipality under Act 47. Representatives from City Council, City Administration and the EIP Consultant all testified as to the criteria for entry into Act 47 status, and each testified in support of a determination of distressed status under Act 47. In addition the Director of District Council 86 of AFSCME, testified in support of a determination of distressed status under Act 47 and that the City faced larger economic issues.

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 the Act 47 Coordinator.

Since being appointed, the Act 47 Coordinator has conducted an extensive analysis of the City's present financial condition and governmental operations, and has held numerous meetings with elected and appointed officials and other community stakeholders. As a result of its investigation and analysis, the Coordinator has developed a thorough and detailed recovery plan that includes over 120 initiatives and touches nearly every aspect of Shamokin's city government. The City's current financial condition and the key points of the Recovery Plan are summarized below.

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 has been in dire financial distress for some time. Even with the implementation of some of the recommendations in the 2008 EIP report, costs have continued to exceed the City's revenue stream. As a result, the City of Shamokin has maintained a structural deficit for the past four years, as reflected in the tables below:

Shamokin General Fund Revenue vs. Expenses (2009-2014)

	Audit 2009	Audit 2010	Audit 2011	Audit 2012	Estimated 2013	Estimated 2014
Revenues	\$2,279,425	\$2,141,773	\$2,338,156	\$2,429,515	\$2,730,584	\$2,511,326
Expenditures	2,488,041	2,451,352	2,584,478	2,732,042	3,481,452	2,869,147
Surplus/(Deficit)	-\$208,616	-\$309,579	-\$246,322	-\$302,527	-\$750,868	-\$357,821
Deficit % of Revenue	-9.2%	-14.5%	-10.5%	-12.5%	-27.5%	-14.2%

From 2009 through 2014, the City experienced operating deficits ranging from a low of \$208,616 in 2009 to a high of \$750,868 in 2013. Although revenues grew throughout the period from \$2.28 million in 2009 to \$2.51 million in 2014 or by 10.2 percent, the revenue increase was outpaced by expenditures, which are estimated at \$2.87 million in 2014, growing by 15.3 percent. The City received the bulk of its revenues from taxes and the predominant tax sources — real estate and earned income taxes — experienced little growth during the historical period. Act 511 taxes levied by the City showed modest declines over the same time. In terms of expenditures, public safety accounts for more than 50 percent of costs, followed by public works, general government, and employee benefits.

As reflected in the table above estimated expenditures in 2013 and 2014 outpaced estimated revenues by \$750,868 and \$357,821 respectively. If not for the Emergency Loan in the amount of \$1,163,500, provided by the Commonwealth and authorized under Act 47, the City of Shamokin would not have remained fiscally solvent through 2014. The Emergency Loan provided by the Commonwealth was to be used to satisfy outstanding creditors and sustain the City through 2014. The Emergency Loan is a 10 year, zero interest loan with level annual debt payments. An amortization schedule for the loan is attached as an Appendix to this Plan.

The table below lists the detailed Revenues, Expenditures, and Surplus/(Deficit). As noted above, the amounts for 2009 through 2012 reflect Audited figures for the City, while the amounts for 2013 and 2014 are estimated from the City's internal reports.

Historic Revenues, Expenditures and Surplus/(Deficit)

REVENUES:	2009	2010	2011	2012	2013	2014
Taxes	1,502,752	1,531,957	1,661,442	1,623,936	1,670,793	1,633,500
License & Permits	34,381	37,950	66,696	105,767	110,527	145,975
Rents	4,505	102,073	79,925	75,617	85,978	75,500
Fines & Forfeits	61	1,984	1	19	76,907	101,500
Interest Income	74,536	67,794	69,855	75,307	30	200
Intergovernmental	248,067	269,598	284,223	296,412	616,411	366,977
Charges for Services	235,153	78,956	91,256	84,805	99,151	85,100
Miscellaneous	179,970	51,461	84,758	167,652	89,549	102,574
Total Revenues	2,279,425	2,141,773	2,338,156	2,429,515	2,749,345	2,511,326
EXPENDITURES:						
General Government	229,893	207,729	268,348	321,139	328,817	307,937
Public Safety	1,071,533	1,113,817	1,400,846	1,536,704	1,496,358	1,605,924
Public Works	409,777	459,384	559,697	449,930	467,642	669,996
Culture & Recreation	61,370	37,817	28,901	82,357	10,520	1,334
Community Development	24,194	24,687	29,580	30,464	72,867	56,783
Debt Service	4,780	-	350	-	0	0
Insurance Premiums	187,999	145,861	111,208	130,504	128,597	133,708
Employee Benefits	468,653	440,503	146,676	137,497	161,484	53,177
Miscellaneous Unrecorded Bills Expenses	29,842	21,554	38,872	43,447	910	40,289
	0	0	0	814,000	0	0
Total Expenses	2,488,041	2,451,352	2,584,478	2,732,042	3,481,195	2,869,147
Revenues Over (Under) Expenditures	-208,616	-309,579	-246,322	-302,527	-731,850	-357,821

The following chart and graph illustrate the City's projected General Fund deficits in the coming years:

Revenue	2015 Estimated	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Taxes	1,736,937	1,742,055	1,747,454	1,753,098	1,758,953	1,764,997
Interest Income	100	100	100	100	100	100
Rents	73,500	73,500	73,500	73,500	73,500	73,500
Intergovernmental	221,500	221,500	221,500	221,500	221,500	221,500
License & Permits	120,950	120,950	120,950	120,950	120,950	120,950
Fines & Forfeits	110,000	110,000	110,000	110,000	110,000	110,000
Charges for Services	100,150	100,150	100,150	100,150	100,150	100,150
Miscellaneous	117,853	117,853	117,853	117,853	117,853	117,853
Total Revenues	2,480,990	2,486,108	2,491,507	2,497,151	2,503,006	2,509,050

	2015 Estimated	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Employee	\$2,264,399	\$2,427,243	\$2,494,365	\$2,565,709	\$2,640,236	\$2,723,161
Nonemployee	\$628,608	\$632,096	\$636,421	\$641,796	\$647,616	\$653,828
Transfers	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service	\$50,000	\$304,495	\$0	\$0	\$0	\$0
TRAN Interest	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total Expenditures	\$2,958,007	\$3,378,834	\$3,145,786	\$3,222,505	\$3,302,851	\$3,391,989
Surplus/(Deficit)	-\$477,017	-\$892,727	-\$654,278	-\$725,354	-\$799,845	-\$882,939
Cumulative Surplus/(Deficit)	-\$477,017	-\$1,369,744	-\$2,024,022	-\$2,749,376	-\$3,549,221	-\$4,432,161

Despite reductions in the City's workforce, including in critical areas such as the Police Department and the Public Works Department, the City has been unable to overcome the structural impediments for continued solvency. In other words, the structural mismatch between revenue and expenditures cannot be overcome without substantial additional cutbacks in expenditures or increased revenues.

Elimination of the City's Structural Deficit

Closing the City's structural deficit will require both spending constraint (and reductions where possible) and increased revenue. This Recovery Plan outlines an appropriate mix of cost-saving initiatives and revenue increases that will have a cumulative budgetary impact of over \$5.5 million by the end of 2020. If fully implemented, these initiatives will avert cumulative projected 6-year operating deficits of over \$4.4 million, and allow for a positive General Fund balance of over \$500,000 at the end of 2020.

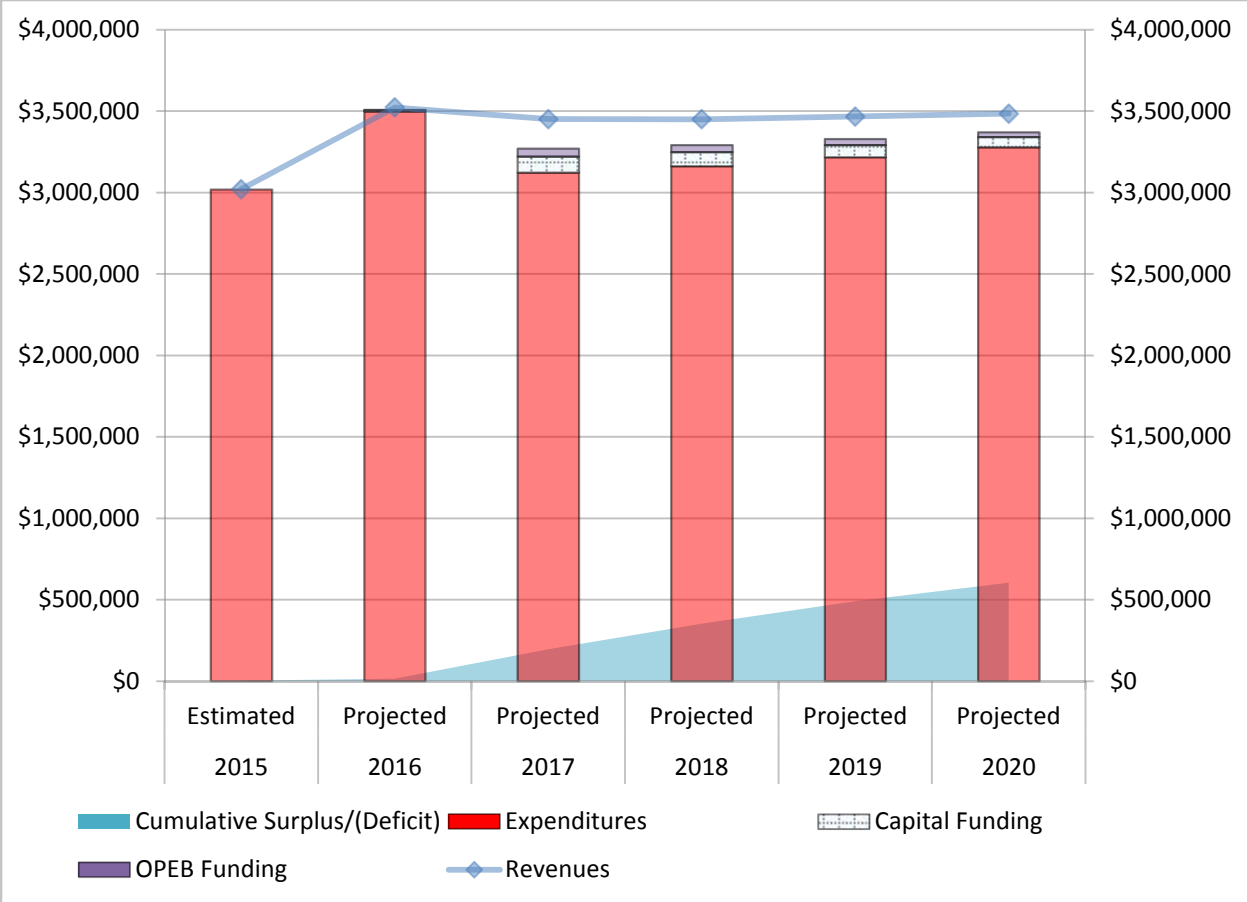
The City's 2015 budget was prepared with the guidance of the Coordinator and DCED staff in order to ensure the fiscal integrity of the City's 2015 budget and provide a solid foundation for future projections. The Coordinator spent a significant amount of time facilitating the

development of the 2015 Budget with City staff and reviewing budget forecasts. The number of resources DCED and the Coordinator allocated towards the development of the City budget is outside the typical scope of most Act 47 plans.

Note: The projected fund balance discussed above and illustrated below is only achievable with the implementation of Home Rule prior to fiscal year 2020. If the City and its residents do not elect to enact a Home Rule form of Government the City will be required to reduce employee expenses/manpower in 2020 by an amount equal to the additional revenue of EIT received in 2019 from the increased EIT rate allowed under Act 47.

The following chart and graph illustrate the impact of the Recovery Plan's initiatives on the City's projected General Fund in the coming years:

	2015	2016	2017	2018	2019	2020
	<u>Estimated</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Surplus/(Deficit)	-\$477,017	-\$892,727	-\$654,278	-\$725,354	-\$799,845	-\$882,939
Initiatives						
Taxes	\$408,500	\$870,750	\$881,634	\$892,655	\$903,813	\$915,111
Intergovernmental	137,500	105,805	17,903	0	0	0
Charges for Services	856	59,404	59,404	59,404	59,404	59,404
Workforce Savings	14,795	45,691	81,785	120,841	146,049	173,098
Other	-74,548	-164,529	-59,509	-59,486	-59,463	-59,440
Total Impact of Initiatives	\$487,104	\$917,121	\$981,217	\$1,013,414	\$1,049,803	\$1,088,173
Revised Surplus/(Deficit)	\$10,087	\$24,394	\$326,939	\$288,059	\$249,958	\$205,234
Fund Capital Improvements (30%)	-\$3,026	-\$7,318	-\$98,082	-\$86,418	-\$74,987	-\$61,570
OPEB Trust (15%)	-\$1,513	-\$3,659	-\$49,041	-\$43,209	-\$37,494	-\$30,785
Revised Surplus/(Deficit)	\$5,548	\$13,417	\$179,816	\$158,433	\$137,477	\$112,879
Cumulative Surplus/(Deficit)	\$5,548	\$18,964	\$198,781	\$357,214	\$494,690	\$607,569



Projected Revenues, Expenditures, Surplus/(Deficit) with Initiatives

	2015	2016	2017	2018	2019	2020
Revenue	<u>Estimated</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Taxes	\$2,145,437	\$2,612,805	\$2,629,089	\$2,645,752	\$2,662,766	\$2,680,107
Interest Income	100	100	100	100	100	100
Rents	73,500	73,500	73,500	73,500	73,500	73,500
Intergovernmental	359,000	327,305	239,403	221,500	221,500	221,500
License & Permits	120,950	120,950	120,950	120,950	120,950	120,950
Fines & Forfeits	110,000	110,000	110,000	110,000	110,000	110,000
Charges for Services	101,006	159,554	159,554	159,554	159,554	159,554
Miscellaneous	117,853	117,853	117,853	117,853	117,853	117,853
Total Revenues	\$3,027,846	\$3,522,067	\$3,450,449	\$3,449,209	\$3,466,223	\$3,483,564
	2015	2016	2017	2018	2019	2020
	<u>Estimated</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Employee	\$2,249,604	\$2,381,552	\$2,412,580	\$2,444,868	\$2,494,187	\$2,550,063
Nonemployee	703,156	796,625	695,929	701,282	707,079	713,267
Transfers	0	0	0	0	0	0
Debt Service	50,000	304,495	0	0	0	0
TRAN Interest	15,000	15,000	15,000	15,000	15,000	15,000
Total Expenditures	\$3,017,760	\$3,497,672	\$3,123,510	\$3,161,150	\$3,216,266	\$3,278,330
Surplus/(Deficit)	\$10,087	\$24,394	\$326,939	\$288,059	\$249,958	\$205,234
Fund Capital Improvements (30%)	-\$3,026	-\$7,318	-\$98,082	-\$86,418	-\$74,987	-\$61,570
OPEB Trust (15%)	-\$1,513	-\$3,659	-\$49,041	-\$43,209	-\$37,494	-\$30,785
Revised Surplus/(Deficit)	\$5,548	\$13,417	\$179,816	\$158,433	\$137,477	\$112,879
Cumulative Surplus/(Deficit)	\$5,548	\$18,964	\$198,781	\$357,214	\$494,690	\$607,569

Revenue

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 intergovernmental transfers, transfers in from other funds, and licenses and permits.

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 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 \$426.76 per median assessed taxable property.

The Recovery Plan proposes the following initiatives to enhance revenue

- Increase Earned Income Tax Rate as authorized under Act 47 (5 years under Plan)

- Maintain increased Earned Income Tax Rate Home Rule
- Increase Street Light revenue to cover actual costs; explore option to levy as fee
- Review fee structure to ensure full cost recovery
- Act 47 Grant
- Explore any and all grant and funding opportunities.

Workforce and Collective Bargaining

As with most local governments, the services provided by the City of Shamokin are labor-intensive, and as a result employee wages and benefits account for the majority of the City's General Fund expenditures. For 2014, expenditures for employee wages, health insurances and benefits, pensions and other fringe benefits accounted for \$2,158,028, which equates to 75.2% of Total General Fund Expense and 87.0% of Total General Fund Revenue.

Total compensation costs paid from the General Fund have grown from \$1,924,945 in 2009 to \$2,158,028 in 2014, despite a decrease of employee positions.

The City currently employs approximately twenty-three (23) full-time and three (3) part-time employees, as well as temporary summer employees. The Police Department has one (1) Chief of Police, nine (9) full-time police officers, one (1) part-time clerical employee, and one (1) part-time meter employee. The nine full-time police officers are members of the bargaining unit represented by the Shamokin City Police Officers Association. The collective bargaining agreement expired December 31, 2013, and currently the matter is pending before a panel of three arbitrators in accordance with Act 111, Pennsylvania's police and fire collective bargaining statute. There are six (6) street department employees, one (1) working foreman, and one (1) Safety Technician who are represented by the American Federation of State, County and Municipal Employees, Local Union 2433 (AFSCME). The AFSCME collective bargaining agreement expired December 31, 2014. The remaining employees include the Treasurer, a part-time deputy treasurer, the City Administrator, the Community Development officer and two Codes employees.

The City's employees receive a generous compensation package that includes health insurance, dental insurance, vision insurance, retirement and paid leave benefits which are in most cases superior to private sector norms and equal to or superior to public employer standards. The generous paid leave benefits create additional costs, as they often result in requiring other employees to work overtime or result in reduced services to the public.

The City also provides post-retirement health care benefits to the Police employees, which benefits it has not funded, and which contribute significantly to the current deficit. These benefits will continue to increase at an unsustainable level if not modified and eventually eliminated. The baseline budget and deficit projections do not include any increased costs for post-retirement health care benefits for current employees who have not yet retired, and as noted none of these benefits have been funded. It is critical that the City modify these benefits and begin to fund such benefits through a trust fund, for in its financial situation it cannot afford to pay for such benefits.

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 modified in order to correct the City's structural deficit and restore the City's fiscal health, and thereafter must be 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 further decline to the detriment of all parties, including City employees.

The Recovery Plan proposed initiatives to address these employee compensation issues and the resulting structural deficit, including the following:

- Implement a base wage freeze initially, with limited lump sum non-cumulative payments, followed by limited base wage increases.
- Freeze longevity pay and eligibility.
- Reduce paid leave to levels more commonly found in the public and private sectors, and limit payment for unused sick leave.
- Limit the City's costs for employee health insurances.
- Contain post-retirement healthcare costs and establish an OPEB trust to fund such benefits for existing employees.
- Eliminate requirements for minimum manning.
- Eliminate restrictions on layoffs.
- Eliminate restrictions and hire part-time employees to supplement the existing work force and provide coverage for employees who are absent on leave.
- Provide for possible regionalization, shared services and cooperative pacts.
- Ensure that future collective bargaining agreements remain compliant with the Recovery Plan, not increasing existing benefits, and modifying compensation and benefits as set forth in the Plan.
- The Recovery Plan sets forth maximum expenditure limits for each bargaining unit and employee group for each year through 2020, which limits may not be exceeded.

Retirement Benefit Issues

Addressing unfunded liabilities and compliance issues with the City's retirement benefit plans is a crucial aspect of the City's Recovery Plan. A review of these benefit plans highlights the current and future projected retirement plan deficiencies:

- The unfunded liability of the Police Plan, and corresponding MMOs, is increasing on a regular basis. As of January 1, 2015, the unfunded accrued liability of the Police Plan is expected to increase to \$2,722,001 and the funded status is expected to decrease to 64%.
- The City's required MMO for the Police plan in 2014 was \$206,311 and was made in October of 2014.

- The actuarial analysis for the Police Plan has not included, as required by Act 205, the effect on the plan of a 3% service increment for police officers for service beyond 20 years. If included, this has a significant negative impact on funding status and MMOs: unfunded accrued liability increases by an additional \$453,676 and reduces the funded percentage to 61%.
- The unfunded liability for the Non-Uniformed Plan, and corresponding MMOs, is increasing on a regular basis. As of January 1, 2015, the unfunded accrued liability of the Non-Uniformed Plan is expected to increase to \$424,384 and the funded percentage is expected to decrease to 55%.
- The City's required MMO for the Non-Uniformed plan in 2014 was \$13,193 and was made in October of 2014.
- The assumed annual rate of return for the City's pension funds is 8%. If the rate of return for the Police Plan is reduced by even ½% to 7.5%, the consequent deficit will increase by approximately \$54,097 in one year.
- There are several compliance issues with the Plans, which are discussed in more detail in the Recovery Plan. Several of these issues have been repeatedly addressed by the Pennsylvania Office of Auditor General in its audit reports.

The Recovery Plan proposes several initiatives to address these funding and compliance issues, including the following:

- Explore prospectively replacing its pension plans with a defined contribution plan.
- Explore a reduction in future expense by prospectively eliminating automatic increases to retirees and automatic credit for years of service due to certain suspensions of service.
- Explore recovery of overpayments to police members where average salary was impermissibly spiked with unused leave and amend the ordinances for both plans to explicitly exclude such spiking.
- Remove the illegal 3% service increment for service beyond 20 years of service from the Police CBA and explore the recovery of any overpayments to members that received this benefit.
- Do not consider any further pension benefit enhancements in the collective bargaining process or otherwise.
- Explore consolidation of administration of the plans under the most cost-effective model available that will help the City address the lack of internal controls.
- Update both plans to comply with Internal Revenue Code qualification requirements and seek a determination from the IRS that the plans are qualified in form.

Departmental Cost Savings and Efficiencies

This Report outlines numerous initiatives aimed at reducing costs and improving efficiencies across a wide range of City Departments. These initiatives will assist with closing the structural

budget deficit in the short-term and will place the City on a more stable financial footing for the long term, all while delivering improved services to City residents.

Administration, Accounts and Finance, Information Technology

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's office has been at the center of the financial crisis that has precipitated the City's entry into Act 47 to pursue a Recovery Plan. Given the financial constraints of the City, it has limited flexibility to add staff, even when needed. Further, there is virtually no foreseeable growth expected in City government revenues.

The City's financial records are based on the cash basis form of accounting. Under this method, expenses are recorded when the liability is paid, rather than when it is incurred. By example, a bill that is received in December 2014, but not paid until January 2015, is charged against the 2015 accounting period. In Shamokin, prior year revenues are not recorded when they become earned but instead are recorded when received. The City's use of the cash basis form of accounting directly contributed to masking of the severity of its current financial crisis.

The City's Information Technology is in need of critical upgrades of both hardware and software. Most of the City's computers have exceeded their useful life and much of the software the City currently runs is no longer supported.

Only City Hall operates on a server that allows employees to access shared folders. All other computers operate as standalone units. The internet connection in to City Hall must also be upgraded in order to conduct City business in an efficient manner.

Accordingly, the initiatives recommended by the Coordinator, including some summarized below, are intended to considerably enhance the capability and disciplines necessary to plan and manage ongoing financial challenges and provide necessary financial reporting and outlooks to the City Council:

- Enhance or replace the fund accounting, budget and financial reporting systems
- Preparation of annual modified accrual financial statements
- Preparation of interim financial statements, all funds
- Annual budget preparation and documentation
- Cash flow reporting and monitoring
- Shared services and joint purchasing of utilities (including reverse auctions of Utility Services)
- Evaluate shared technology infrastructure, applications, and general administrative (procurement, HR/payroll, etc.) functions with the Shamokin Area School District, Shamokin-Coal Township Joint Sewer Authority and Northumberland County
- Upgrade computer software and hardware.

Capital Improvements

The City of Shamokin’s capital improvement program and budgeting process for the capital improvement program is currently nonexistent. The City currently does not administer a capital improvement program (“CIP”), and the City does not have written procedures that define the term “capital project,” nor a set of criteria for selecting or prioritizing projects in the capital plan. The City also lacks both a formal procedure to monitor capital budgets and the financial information for each approved project.

As recommended in this Recovery Plan, the capital improvement process needs to be based on best practices and account for the City's limited financial resources for the CIP. It must clarify the roles of its employees, the City Administrator, Mayor and City Council. To best address the City's capital needs within the constraints of limited resources, Shamokin needs to set clear criteria for prioritizing and selecting capital investments that:

- Protect the health and safety of the public and employees;
- Advance the implementation of a Comprehensive Plan;
- Invest in core infrastructure and equipment needs; and
- Show the impact of capital investments on the operating budget.

In addition, the City must make significant improvements to the management of the capital plan and budget in order to ensure that projects in the CIP are active, completed on time and within budget. Council should be consulted on the projects included in the capital plan. The CIP should be an integral part of City governance. The current capital needs of the City, the financial constraints of the capital budget, and the growing burdens on operating revenues should be considered in whole. If the demands of the capital plan cannot be met then the operations that drive those capital needs should be reevaluated and aligned with the financial limitations of the capital and operating budgets over a multi-year period.

Community and Economic Development

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. “The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. CDBG is an important tool for helping local governments tackle serious challenges facing their communities. The CDBG program has made a difference in the lives of millions of people and their communities across the Nation.”²

² http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs

As discussed in this report the City has struggled to complete budgeted projects in a timely manner with respect to the administration of CDBG funds. From 2011 to 2013 the City was awarded \$914,000 in CDBG funding, of which \$427,125 remains unspent.

In general projects funded with CDBG funds 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. The City must do more to engage its citizens to participate in the selection of projects and initiatives that will shape the future of Shamokin.

The Coordinator has included the following initiatives in its recommendations. The City:

- Shall produce quarterly status reports on project spending and progress
- Adopt performance metrics for approved projects
- Establish policy for evaluation and selection of projects
- Target community development projects to selected areas and the downtown by leveraging additional public and private sector funding
- Fund infrastructure improvements in areas selected for targeted neighborhood improvement strategies
- Apply for DCED Keystone Community Designation
- Create a vision and goals with milestones for economic development including, but not limited to initiating discussions with the County to partner and to administer CDBG Funding as well as broader Economic Development initiatives

Codes and Housing

Codes and Inspections protects the citizens and property in the City through the administration and enforcement of building, plumbing, mechanical, electrical, property maintenance, zoning, and other related codes and ordinances designed to ensure public health, safety, and welfare. Currently, the department consists of one full-time codes inspector and a full-time administrative assistant. The codes inspector also has the responsibility to administer and enforce all building, plumbing, mechanical, and electrical codes as they relate to new construction, demolition, and alterations to existing structures. Additionally, the codes inspector is responsible for administering and enforcing property maintenance codes, zoning and subdivision codes, and ordinances licensing and regulating eating and drinking establishments within the City. The City's codes inspector is a certified property maintenance inspector. The City has designated Light and Heigel Associates as the Building Code Officer and Larson Design Group is responsible for the creation of demolition bid packages.

A healthy and economically vibrant community will include the means to meet the needs of the great diversity of people. A healthy and economically vibrant community will include a balance of residential, commercial and industrial land uses. The residential housing stock will include a preponderance of owner-occupied market rate structures with an inventory of publicly and privately provided and operated tenant-occupied structures that include both market rate and subsidized housing. To provide for the funding of public services efforts of the municipal organizations should be directed toward the highest possible proportion of taxable real estate

that is sufficiently diverse to attract residents from the broad spectrum of socio-economic strata in our modern economy. A combination of carefully articulated housing and development policies, narrowly drawn incentives and targeted investment of federal housing funds can help to attract a diverse residential population and to disperse the concentration of low income housing and its concomitant impoverished population.

The Initiatives recommended by the Coordinator, including some summarized below, include an approach for a faster, more cost-effective and productive processing of code violations, based on experience gained in other Pennsylvania cities confronting similar problems:

- Establish written policies and procedures for code enforcement
- Establish performance metrics and conduct monthly performance reporting
- Computerize quality of life ticketing program
- With Community Development Officer and the Police Department, undertake targeted code enforcement in target areas
- Develop and adopt a local tax base improvement policy
- Investigate the development of a revolving loan fund funded by CDBG
- Develop a land banking program
- Investigate establishing a vacant property registration program.

Public Works Department

The City of Shamokin Public Works/Streets Department performs the following functions: maintains city streets, bridges, traffic signals and two state routes; performs fleet and equipment maintenance, keeps storm sewer inlets clear of debris; maintains, repairs and performs minor improvements to city buildings and structures; maintains four city playgrounds and a variety of parks and community gathering areas, including the city swimming pool; sweeps streets and clears snow in winter; performs clean-up of neglected property; secures abandoned and blighted buildings; collects leaves; cleans up accident sites and repairs city infrastructure damaged by accident; collects recyclables; and installs, repairs, and maintains parking meters and traffic and parking signs. Refuse throughout the City is collected by independent haulers who act as independent contractors with property owners. The department has seven employees, six classified as laborers and one that is a working foreman. The number of employees is down from ten in 1980 that included a non-union supervisor. The Coordinator's recommendations for the Public Works Street Department include the following:

- Acquiring ownership of the 663 street lights in the City from PPL and converting them to technology that provides better quality light at a lower price and infrastructure that enhances the ambiance of the City. The recommendation includes further study and analysis to assure that the acquisition and conversion is feasible.
- Consolidation of fleet maintenance with the Shamokin Area School District and Coal Township utilizing the modern vehicle maintenance structure recently constructed by the school district and sitting idle. The entities could jointly staff the facility and perform maintenance and repair at a lower cost.

- Institute a modest recycling collection fee and change the recycling collection schedule from once per month to once per week, increasing the quantity of recyclables collected, covering the cost of collection, and increasing the recycling grant value that the City receives.
- Change the way that fees for miscellaneous services are calculated to reflect the full cost of labor, equipment, materials and readiness. Recalculate the service fees every year to stay current with costs.
- Research the use of the guaranteed energy savings program to create a funding source for capital projects and emerging efficiency initiatives in the projects and throughout all city facilities.

Each of these initiatives focuses on efficiency, cost recapture and maintaining the value and integrity of the City's infrastructure assets. They also support City economic development initiatives.

Police Department

During difficult economic times, police are challenged to accomplish more with fewer resources, and the City of Shamokin is no exception. Recognizing the financial reality, the Administration must seek effective creative solutions that use existing resources in the most efficient way possible. The suggested initiatives should be considered interim solutions with the goals of improving efficiency and addressing all concerns. With this in mind, the following recommendations are designed to efficiently allocate available resources to problem areas within the City.

Until financial recovery is completed, the City must use its limited policing resources to efficiently focus on policing strategies designed to reduce crime and improve quality of life while containing costs. The Recovery Plan initiatives are opportunities for the Police Department to improve through better technology, aggressive strategies, efficient staffing, and collaboration.

- Possible reduction in budgeted positions for sworn officers by two, through attrition.
- Hire and utilize part-time officers in lieu of overtime, including holidays.
- Limit compensatory time.
- Ability to discontinue assigning two officers per shift (except during the hours of 1800 – 0200).
- Consider discontinuing Shamokin Police service during the hours of 0300 to 0700, stacking emergency calls until 0700 hours and contacting PSP or exploring contracting with Coal Township Police for emergency responses.
- Use crime and complaint data to better determine busiest shifts and schedule accordingly.
- Develop and implement a case screening and management system for follow-up investigations; include development and implementation of an operations policy.
- Collect, compile and analyze conviction data on criminal prosecutions.

- Develop and implement job descriptions and a performance evaluation system for all employees.
- Research and evaluate prior years' data, including the Officers Yearly Report.
- Reduce the vehicle fleet by two, and establish a formal vehicle maintenance and repair written policy.
- Provide training for the individual responsible for reporting UCR information to the PA State Police, Uniform Crime Reporting System.
- Explore sharing services with Coal Township.

Elected Officials

The Recovery Plan contains several initiatives that require new ordinances, resolutions and regulations, as well as other official actions. The City Administrator must work with City Council, stakeholders, and the Act 47 Coordinator to enact such legislation and regulations and take all other actions required to accomplish the initiatives set forth throughout this Recovery Plan in a timely manner. Key initiatives for the Elected Officials of the City include:

- City Council shall enact, modify and revise city ordinances as necessary to implement the Recovery Plan
- City Council shall hold an annual town hall meeting on the City's progress
- City Council shall approve and sign a detailed bill list, including paid and unpaid bills, for all City expenditures for payment on a monthly basis
- City Council should consider the submission of a referendum question for election of a government study commission
- City Council shall increase the salary of the City Administrator to \$59,000
- The Treasurer and Controller shall support the Recovery Plan implementation as related to financial process improvements
- The Treasurer and Controller shall communicate and collaborate with the City Administrator and City Council to implement the Act 47 Plan.

Intergovernmental Relations

Strained cities are increasingly looking to service sharing arrangements to generate costs savings and efficiencies, and Pennsylvania law explicitly authorizes local governments to cooperate in the exercise of their governmental functions, powers, and responsibilities. This report outlines numerous opportunities for intergovernmental cooperation that the City of Shamokin can and should pursue. It is imperative for the City of Shamokin to expand its intergovernmental cooperation efforts in order to maximum efficiencies and cost savings. Fortunately, the City's leadership has recognized the need for greater cooperation among local and regional governments in Northumberland County, and is open to pursuing service and cost sharing arrangements that could significantly reduce the City's expenses. Recommendations include:

- Identify and implement intergovernmental cooperative initiatives
- The City should pursue the consolidation of police services with Coal Township
- The City should utilize the recycling center operated by Coal Township
- The City should pursue joint ownership and operation of the City pool and American Legion building which is owned by the City but is a regional resource that houses the Shamokin Coal Township Public Library, Rec-Basketball leagues and various other community activities.

Insurance and Risk Management

Overall, the City's risk management program is adequately managed. However, the Recovery Plan does contain several recommendations for improvement, including, but not limited to:

- While its insurance broker may provide an appropriate level of service satisfactory to the City as well as satisfactory renewal results from a cost perspective, it would be a prudent decision for the City to develop an RFP for insurance brokerage services.
- The City should develop a written agreement that at a minimum sets forth services standards and expectations and renewal time-lines.
- The City shall adopt a formal policy that requires a remarketing of all the lines of insurance every 2 years.
- Several recommendations are made with respect to specific areas of insurance coverage and claims management practices.

Recreation

Recreation's primary function is the operation of the City pool and the American Legion building, both of which are managed by the City's Chief Information Technology and Facilities Technician. In addition to managing the City Pool, the Chief Information Technology and Facilities Technician is responsible for City buildings, parking meters, traffic signals, and the City's Information Technology system. The number of responsibilities the Chief Information Technology and Facilities Technician handles is truly staggering. The Chief Information Technology and Facilities Technician works tirelessly for the City and its residents and should be recognized throughout the City for his efforts. An accurate job description does not exist for the Chief Information Technology and Facilities Technician and will be developed during Plan implementation with the guidance of a Human Resources expert funded by the Act 47 Financial Assistance Grant. The job description developed must be used to facilitate succession planning for the Chief Information Technology and Facilities Technician.

The remaining recreation staff consists of part-time temporary summer help. The number of summer employees varies from year to year but has consistently been approximately 25 employees.

In addition to the Pool and American Legion building, the City also maintains four playgrounds and a variety of parks and community areas, including the Market Street 1.1 mile walkway, and Community Park that covers about two acres of area over three city blocks. Community Park

includes six buildings: a stage with a building attached to the back, a concession building, a kitchen, a beverage stand, a bingo building, restrooms and a handicap garden, and Claude Kehler Park. The Public Works Department cuts grass and weeds; maintains benches, paths and lighting; and trims trees throughout the City's park system.

Debt

The City of Shamokin has done a commendable job in the management of the amount of debt the City has issued and into limiting the debt burden on the taxpayers of the City. 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. Like all small cities in Pennsylvania, the City does not have specific dedicated employees with relevant experience to manage its long-term borrowings and debt service. The management of the City's debt is the responsibility of the City Administrator. City Council must approve any City debt issuance or any City general obligation guaranty for a borrowing.

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 \$304,888 budgeted debt service for 2015, \$246,980 (81.01%) is non-capital related of which \$174,100 (57.10%) is the result of operating borrowings (the City issued long term debt to fund current expenses) and the remaining \$72,880 relates to debt service relative to the City's pension obligation bond originally issued in 2006. Operating borrowings are used by municipalities to cover shortfalls in annual operating expense. The use and dependence on operating borrowings is a hallmark of municipalities experiencing financial distress.

The table below summarizes the City's current General Obligation debt, original principal amount borrowed, year of issuance, year of final maturity and annual debt service for the fiscal years 2015 to 2020.

Debt Series	Maturity Year	Original Principal Amount	Outstanding Principal Amount	FY 2015DS	FY 2016DS	FY 2017DS	FY 2018DS	FY 2019DS	FY 2020DS	Interest Rate
2006 Lease Revenue Note (Operating Borrowing)	2016	\$ 450,000	\$ 110,742	\$ 57,600	\$ 57,747	\$ -	\$ -	\$ -	\$ -	3.25% to 10.95%
2012 A Note (Taxable Pension Note)	2031	1,096,000	1,070,000	72,880	72,755	94,315	94,088	93,770	94,340	4.50% to 8.00%
2012 B Note	2031	834,000	828,000	34,101	33,897	69,387	69,942	70,429	68,865	3.40% to 6.00%
2013 B Note	2018	110,000	80,569	23,807	23,807	23,807	13,887	-	-	3.15%
2014 DCED Loan (Operating Borrowing)	2024	1,163,500	1,163,500	116,500	16,500	116,500	116,500	116,500	116,500	0.00%
Total		\$ 3,653,500	\$ 3,252,812	\$ 304,888	\$ 304,706	\$ 304,009	\$ 294,417	\$ 280,699	\$ 279,705	

The City should continue to evaluate the issuance of debt on a conservative basis and the City should develop and implement policies to ensure that the debt service does not become unaffordable. The City must evaluate each borrowing decision in the context of its overall strategy and long-term impact based on a best practices model.

Conclusion

The solutions being recommended in this Recovery Plan will be challenging to implement, but are certainly achievable. While Shamokin is facing a persistent structural deficit and negative long-term economic trends, there are a number of positive factors that Shamokin can leverage to its benefit. For instance, in contrast to other distressed cities, Shamokin's level of debt and annual debt service requirements are at a manageable level. Shamokin has a central location in the region and state, and has excellent access to highway transportation systems. Furthermore, Shamokin has numerous opportunities to realize cost savings and efficiencies through intergovernmental cooperation and shared service arrangements. And perhaps most importantly, Shamokin's elected and appointed officials recognize the need for immediate action and are open to cooperation amongst themselves and with other governmental entities to implement initiatives that result in cost savings and improved efficiencies for the City and its residents.

Introduction

The City of Shamokin, Northumberland County, Pennsylvania, (the “City” or “Shamokin”) has and continues to suffer serious and dire financial conditions. The City has faced a persistent structural deficit for the past four years, which is anticipated to continue for the foreseeable future unless immediate action is taken. This structural deficit, which has ranged from 9% to 14% of total annual revenues, is increasingly jeopardizing the City’s ability to provide for the health, safety, and welfare of its citizens.

Like all local governments, the City requires stable revenue sources with moderate growth to fund services to residents, businesses, and visitors. Both factors are important because so many local government expenditures are related to recurring and regularly increasing costs for salaries, benefits, and other operating expenses. However, for years, Shamokin’s tax base has been stagnant or declining, and City revenue streams have been unable to cover the growing costs of City services. This has resulted in ongoing challenges to balance the General Fund operating budget.

While cities across the country are struggling to keep pace with expenditure growth, this challenge is even more acute in Shamokin where economic and demographic factors further impact the City’s ability to generate sustainable revenues.

The economic downturn which began in 2008 has compounded longer term economic trends that have challenged the City. As a result, this lack of growth cannot sustain the operating costs of the City government. In 2008, the Pennsylvania Economy League (PEL) prepared a report which stated that “the City’s General Fund has a structural mismatch between revenues and expenses.” The PEL report concluded that the City could not continue to operate with these revenue shortfalls, and recommended taking corrective actions.

The City’s bleak financial condition has been exacerbated by two principal factors: 1) revenues have failed to grow during the last several years due to various factors including but not limited to the national recession, a declining tax base, decreasing population, and outdated property assessments; and 2) the cost of the City’s employee compensation and benefits have proven to be unaffordable and unsustainable.

The City must take corrective actions immediately to address its underlying revenue and cost issues just to begin to restore fiscal solvency to the City.

This report will explain why City officials must take concerted action now to address the underlying structural issues facing Shamokin. The Coordinator’s recommendations for doing this are summarized in the preceding Executive Summary, and presented in detail in the chapters to follow. The solutions being recommended will be challenging to implement, but are certainly achievable.

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.³ 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.⁴ 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.

The City of Shamokin has several demographic trends which cannot be ignored. The first is the significant de-population that the City has experienced. The second is the aging of the Shamokin population. The third is the drastic change to the City’s employment profile, which has contributed to a declining median income for Shamokin’s population, especially in comparison to the median income for Northumberland County. These trends have markedly affected the City’s financial condition.

Population Trends

While 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 2010 the City has lost 4,345 residents or 37.1% of its population, while the County has lost 4,662 residents or 4.7%. The chart below reflects population trends of the City of Shamokin and Northumberland County from 1970 to 2010.

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

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

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

			1970 to 1980	
	1970	1980	#	%
City of Shamokin	11,719	10,357	(1,362)	-11.6%
Northumberland County	99,190	100,381	1,191	1.2%
			1980 to 1990	
	1980	1990	#	%
City of Shamokin	10,357	9,184	(1,173)	-11.3%
Northumberland County	100,381	96,771	(3,610)	-3.6%
			1990 to 2000	
	1990	2000	#	%
City of Shamokin	9,184	8,009	(1,175)	-12.8%
Northumberland County	96,771	94,556	(2,215)	-2.3%
			2000 to 2010	
	2000	2010	#	%
City of Shamokin	8,009	7,374	(635)	-7.9%
Northumberland County	94,556	94,528	(28)	0.0%
			1970 to 2010	
	1970	2010	#	%
City of Shamokin	11,719	7,374	(4,345)	-37.1%
Northumberland County	99,190	94,528	(4,662)	-4.7%

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 17.2%, 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: Scranton (16.4%); Bethlehem (16.2%); Wilkes-Barre (16.2%); and Altoona (15.6%).

**City of Shamokin
Population by Age Group 1970 to 2010**

	1970	1980	1990	2000	2010
Total Population	11,719	10,357	9,184	8,009	7,374
Percent Change from Previous Census		-11.6%	-11.3%	-12.8%	-7.9%
Percent Change from 1980-2010					-28.8%
Under 18		2,312	2,043	1,775	1,735
Percent Change from Previous Census			-11.6%	-13.1%	-2.3%
Percent Change from 1980-2010					-25.0%
Percent of Total Population		22.3%	22.2%	22.2%	23.5%
18-64 Years		5,611	4,851	4,482	4,369
Percent Change from Previous Census			-13.5%	-7.6%	-2.5%
Percent Change from 1980-2010					-22.1%
Percent of Total Population		54.2%	52.8%	56.0%	59.2%
65 and Older		2,434	2,290	1,752	1,270
Percent Change from Previous Census			-5.9%	-23.5%	-27.5%
Percent Change from 1980-2010					-47.8%
Percent of Total Population		23.5%	24.9%	21.9%	17.2%

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 second quarter of 2013.

**Top 10 Employers by Sector and County
(2013)
Top Ten Employers**

County	Northumberland	Schuylkill	Montour	Columbia	Union
1	Weis Markets Inc.	Wal-Mart	Geisinger System Services	PA Higher Education	Federal Government
2	HH Knoebel Sons Inc.	State Government	Geisinger Medical Center	Autoneum North America	Evangelical Community Hospital
3	State Government	Schuylkill Health - South Jackson	Geisinger Clinic	Wise Foods Inc.	Bucknell University
4	Conagra Foods	SAPA Extrusions	State Government	Berwick Hospital Co LLC	Albright Care Services
5	Northumberland County	Lowe's Home Centers	Danville Area School District	Del Monte Corp	Wal-Mart Associates Inc.
6	Shikellamy School District	Jeld-Wen Inc.	Geisinger Community Health	Berwick Offray LLC	Mifflinburg Area School District
7	Schering Corporation	County of Schuylkill	Great Dane LP	Bloomsburg Hospital	White Deer Run Inc.
8	Central Susquehanna IU	Schuylkill Health - East Norwegian	Maria Joseph Manor	Kawneer Company Inc.	Country Cupboard Inc.
9	Keystone Service Systems Inc.	Federal Government	Healthsouth	Metropolitan Trucking	DNA Central Inc.
10	Reinhart Foodservice LLC	Cargill Meat Solutions	Grandview Health Homes	DT Keystone Distribution	Playworld Systems Inc.

Source: PA Center for Workforce Information & Analysis

Income Trends

Shamokin's average median household income is \$21,460 less than the median household income for Northumberland County and almost \$40,072 less than the average Pennsylvania household income. Twenty percent (20.0%) of Shamokin's population is in poverty, which is higher than that of Northumberland County at 14.9% and the Commonwealth of Pennsylvania at 12.4%.

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 2000 to 2010**

	2000	2010	Change	
			\$	%
City of Shamokin	\$ 20,173	\$ 27,210	7,037	34.9%
Northumberland County	31,314	48,670	17,356	55.4%
Pennsylvania	40,106	67,282	27,176	67.8%
City of Shamokin	(11,141.00)	(21,460.00)		
More/(Less) than County	-55.2%	-78.9%		
City of Shamokin	(19,933.00)	(40,072.00)		
More/(Less) than State	-98.8%	-147.3%		

Source: U.S. Bureau of the Census

The table below depicts Shamokin’s change in Per Capita Income from 2000 to 2010 in comparison to Northumberland County and Pennsylvania.

**City of Shamokin, Northumberland County and Pennsylvania
Change in Per Capita Income 2000 to 2010**

	2000	2010	Change	
			\$	%
City of Shamokin	\$ 12,354	\$ 16,842	4,488	36.3%
Northumberland County	16,489	20,654	4,165	25.3%
Pennsylvania	20,880	27,049	6,169	29.5%
City of Shamokin	(4,135.00)	(3,812.00)		
More/(Less) than County	-33.5%	-22.6%		
City of Shamokin	(8,526.00)	(10,207.00)		
More/(Less) than State	-69.0%	-60.6%		

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 2010 Shamokin lost 676 or 25.7% of its owner-occupied housing. Compounding the concern of owner occupancy from 2000 to 2010 is that the value of owner-occupied housing has appreciated at a slower rate than in both Northumberland County and Pennsylvania. The tables below depict the change in the number of owner-occupied housing units from 1990 to 2010 and the change in median value of owner-occupied housing from 2000 to 2010, as compared to Northumberland County and Pennsylvania.

City of Shamokin Change in Number of Owner-Occupied Housing Units 1990 to 2010

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)	-13.8%
1990 to 2010			(676)	-25.7%

Source: U.S. Bureau of the Census

City of Shamokin, Northumberland County and Pennsylvania Change in Median Value of Owner-Occupied Housing 2000 to 2010

	2000	2010*	Change	
			\$	%
City of Shamokin	\$ 29,000	\$ 37,900	\$ 8,900	30.7%
Northumberland County	69,300	97,500	28,200	40.7%
Pennsylvania	97,000	164,900	67,900	70.0%
City of Shamokin	(40,300)	(59,600)		
More/(Less) than County	-139.0%	-157.3%		
City of Shamokin	(68,000)	(127,000)		
More/(Less) than State	-234.5%	-335.1%		

Source: U.S. Bureau of the Census

*2008-2012 American Community Survey 5-Year Estimates

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. Eventually these trends have manifested in the form of fiscal distress for the City.

Early Intervention and Act 47 Background

In 2004, the Department of Community and Economic Development (“DCED”) developed an Early Intervention Program (EIP) to provide matching grant funds to assist municipalities experiencing fiscal difficulties in developing comprehensive multi-year financial plans and establishing short-term and long-term financial objectives. In 2008, the City obtained an EIP grant from DCED, and engaged the Pennsylvania Economy League (PEL) to develop a multi-year financial plan. PEL developed financial plans for the City in 2008. PEL’s 2008 report concluded that the City had a stagnant revenue stream and a cost structure which continued to increase. The report further indicated that the City would be facing significant year-end deficits, and it concluded that the City could not continue to operate with these revenue shortfalls and recommended taking corrective action.

The Early Intervention Program permits the development of an Emergency Action Plan to assist the City with its critical cash flow situation that may impact the health, safety and welfare of its residents. On January 6, 2014, Stevens & Lee, P.C., and Financial Solutions, LLC, the City’s consultant, delivered an Emergency Action Plan (“EAP”) to the City.

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 (Act 47 of 1987, as amended) (“Act 47”). Act 47 was enacted to foster the fiscal integrity of municipalities so that they can provide for the health, safety and welfare of their citizens; pay principal and interest on their debt obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial accounting procedures, budgeting and taxing practices.

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 47.⁵

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% of 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, 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 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.

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 the Act 47 Coordinator.

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 has been in dire financial distress for some time.

Both the Emergency Action Plan and the EIP report recommend that the City switch to a modified accrual basis of accounting. The City's financial statements have 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 can lead to distortions in the true financial picture due to timing of cash received and expenses paid towards the end of a fiscal period.

Modified accrual accounting recognizes revenues when they become available and measurable and with some exceptions, recognizes expenditures when liabilities are incurred. The cash basis of accounting is similar to a check book which shows account balances as deposits are made and checks are written. It does not recognize liabilities as they are incurred. This has allowed the City to delay and hold bills at the end of the year but yet still report a fund balance even though the true fiscal picture was much worse. It is recommended that the Auditor prepares the City's 2014 Audited Financial Statements on a Modified or Full Accrual Basis as prescribed in GASB 34.

The City has implemented some of the recommendations in the 2008 EIP report, including petitioning the Court for the authority to levy an additional five (5) mills of real estate taxes and reducing head count. Even with the implementation of these steps, costs have continued to exceed the City's revenue stream. As a result, the City of Shamokin has maintained a structural

deficit for the past four years. The ongoing structural deficit reflected in the Table below validates that the City meets criteria 1, 2, 7 and 8 as set forth in Section 201 of Act 47.

**Shamokin General Fund Revenue vs. Expenses
(2009-2014)**

	2009	2010	2011	2012	2013	2014
Revenues	\$2,279,425	\$2,141,773	\$2,338,156	\$2,429,515	\$2,730,584	\$2,511,326
Expenditures	2,488,041	2,451,352	2,584,478	2,732,042	3,481,452	2,869,147
Surplus/(Deficit)	-\$208,616	-\$309,579	-\$246,322	-\$302,527	-\$750,868	-\$357,821
Deficit % of Revenue	-9.2%	-14.5%	-10.5%	-12.5%	-27.5%	-14.2%

Note: 2009 – 2012 Audited Statements; 2013-2014 Estimates

Despite reductions in the City’s workforce, including in critical areas such as the Police Department, Codes Enforcement, and the Public Works Department, the City has been unable to overcome the structural impediments for continued solvency. In other words, the structural mismatch between revenue and expenditures cannot be overcome without substantial additional cutbacks in expenditures or increased revenues.

Increasing tax revenue will be challenging for a number of reasons. The City of Shamokin receives revenue from real estate taxes, earned income taxes, other Act 511 taxes, intergovernmental transfers, and charges for services provided. It is projected that the City’s revenues will be *at best* flat. Real estate taxes comprise the largest percentage of the City’s tax revenue, but real estate tax revenue has been steadily declining. The assessed valuation of the City’s taxable property has declined by over \$890,000 or 3% since 2008, and real estate tax revenue is expected to remain flat, even though the City is at its legal millage maximum for general purpose real estate.

As a result of the City being at its legal millage maximum for general purpose real estate tax, the City has had to reduce its workforce as mentioned above; this has resulted in decreased municipal services provided thereby validating that the City meets criteria 11 as set forth in Section 201 of Act 47.

Since 2008, the City’s expenditures have been increasing more rapidly than the relatively lower growth in the revenue base. Salaries, wages, pensions, and employee benefits currently constitute 78% of the City’s 2014 budgeted expenditures. Pension costs and healthcare costs will greatly impact the budget through 2016 and beyond. The health insurance costs for City employees and retirees continue to increase at rates that far exceed inflation. Simply put, increases in employee costs cannot be sustained by the City.

As of December 31, 2013, the City owed creditors in excess of \$800,000 in past due bills. At least one large creditor threatened suit and past due bills included more than \$240,000 towards the City’s 2013 Minimum Municipal Obligation. The City’s failure to make the budgeted payment of its minimum municipal obligation as required by the Municipal Pension Plan Funding Standard and Recovery Act (Act 205) is evidence that the City meets criteria 8 as set forth in Section 201 of Act 47.

The City received approval from the Court of Common Pleas to seek a loan to pay this unfunded debt. However, notwithstanding nearly five months of negotiations by the City with

three banks for loans, the City was unsuccessful in securing a loan from the banks. Based on current cash flow projections, the City struggled to meet payables later in the 2014 fiscal year.

This report provides an analysis of the City's revenues and expenses, and proposes a number of recommendations to reduce expenditures and increase revenues to close the City's structural budget shortfall. If implemented, these recommendations can help the City to start to fix its "fiscal mismatch," direct the City towards a sound financial footing, and allow it to provide vital services to its citizens.

Act 47 Recovery Plan Implementation

Overview

The Act 47 Recovery Plan outlines numerous achievable initiatives, which, if implemented, will allow the City of Shamokin to start a recovery from its immediate fiscal crisis, address the City's structural budget deficit with revenue increases to allow time for structural cost savings to take effect, and strengthen the long-term economic outlook for the City. As outlined by the Coordinator, the Recovery Plan places a significant emphasis on intergovernmental cooperation, and many of the initiatives rely on combining services and cost-sharing arrangements. Therefore, implementation of the Recovery Plan will require extensive cooperation both within the City's government and with representatives from other governmental and non-governmental entities in Northumberland County.

Fortunately, the City's elected and appointed officials have expressed a willingness to cooperate and to explore any and all intergovernmental initiatives that will benefit the City. The Recovery Plan identifies numerous opportunities for intergovernmental cooperation with Coal Township Shamokin Area School District, Shamokin Township and other municipalities in the County. As such, representatives from these entities will need to be active participants in the implementation of the Recovery Plan. Likewise, the citizens of Shamokin and Northumberland County, along with leaders of the regional business community, must be engaged in the process in order to maximize the impact of the various initiatives outlined in the Plan.

A key aspect of engaging surrounding governments and the citizenry will be transparency and open communication by the City Government. As outlined in the Recovery Plan, the City's financial systems and controls have needed improvement, which can lead to mistrust or misunderstanding by residents and other stakeholders. Improving the City's financial procedures will greatly improve stakeholders' faith in the City Government, and allow them to be more willing to actively participate in the implementation of the Recovery Plan.

Initiatives

Plan Implementation

PI01. Conduct Regular Recovery Plan Implementation Meetings

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

The Act 47 Coordinator shall organize 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 Act 47 Coordinator will prepare the agenda in consultation with the other parties and will lead the meetings.

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

PI02. City Council shall create organization-wide Strategic Plan

Target outcome:	Improved plan implementation
Six year financial impact:	Not Available
Responsible party:	City Council, City Administrator and Act 47 Coordinator

Development of a Strategic Plan for the City that expresses its Mission, Vision, Goals and Objectives is critical to City's future success. Strategic planning is part of the process of developing objectives, strategies and tactics to achieve the mission of the City.

The City should utilize the services of a Strategic Planning Consultant in the development of its Strategic Plan. The Strategic Planning Consultant should be funded from a Financial Assistance Grant as authorized by the Act. Detail of Financial Assistance Grant funding sources and uses is listed as an Appendix.

See Community and Economic Development Chapter, specifically CD07, for additional discussion.

PI03. Deploy Implementation Action Teams

Target outcome:	Improved plan implementation
Six year financial impact:	Not Available
Responsible party:	City Council and Act 47 Coordinator

The Act 47 Coordinator shall organize Implementation Action Teams to address critical areas of weakness that prevent the City from functioning efficiently. Team members may include the Act 47 Coordinator subject matter experts, City management, supervisors, and staff; experts from regional governments, businesses, non-profits, and community groups; external consultant experts for selected subjects if funds are available; and a representative from the Administration and City Council. The teams shall be small enough that they can easily convene and confer under the direction of the Act 47 Coordinator.

Each team will be focused on a particular area and will be responsible to build on the analysis and initiatives presented in this Recovery Plan along with previous reports and subsequent evaluations where relevant. The team will be responsible for developing a "diagnosis list" of critical problems in its area of focus and a work plan that includes objectives to be achieved over different intervals (e.g. short term goals for the next three months, medium range goals over nine months, long term goals over 18 months). The Coordinator will provide each team's findings and work plan to the Administration, City Council and DCED to guide and prioritize Plan implementation.

The immediate area of focus will be accounting and financial reporting because of the need to resolve the accounting and cash flow management issues discussed in the Accounts and Finance Chapter.

Community and Stakeholder Participation

PI04. Establish a Citizens Advisory Committee

Target outcome:	Improved communication
Six year financial impact:	Not Available
Responsible party:	City Council and Act 47 Coordinator

Other communities have established Community Action Teams or Citizen Advisory Committees to improve dialog with residents, local businesses, non-profit organizations and other stakeholders. The individuals who participate bring valuable input on City government's strengths and weaknesses and help brainstorm on ideas to improve services, gain efficiency or achieve other objectives. The municipal government gains the opportunity to communicate and improve residents' understanding of government's challenges and efforts to address them. The issue of increasing the voice of residents in City government was raised by participants during the Act 47 Coordinator's public meeting and other due diligence during Plan development.

A potential model frequently cited is New Castle, Pennsylvania, which established a Citizens Advisory Committee with 12 members — two from each of the City's five neighborhoods plus two at-large members. The Mayor in New Castle appoints each member for one-year terms and gives a preference to residents who are not candidates for elected office to avoid providing an unfair advantage to members and to expand the number of residents active in local affairs.

The City of Shamokin shall establish a Community Advisory Group that will meet on a regular basis to provide input and ideas on City policy matters in a structured, respectful environment that includes a variety of opinions and interests. The City Administrator shall consult with the Act 47 Coordinator and the City Council to determine the composition of the group, how members will be selected and other terms of participation. It is recommended that the City Administrator and City Council persons have appointments to the group, and that emphasis must be placed on overall group diversity and residents who do not hold other City appointments. While participation in group discussions is reserved to Committee members, the meetings shall be open to the public.

PI05. Create a Loaned Executive Program

Target outcome:	Improved plan implementation
Six year financial impact:	Not Available
Responsible party:	Mayor, City Council and Act 47 Coordinator

The City Administrator and Council shall work with the Act 47 Coordinator and the Implementation Action Teams to identify projects where loaned executives or professionals from regional non-profit organizations could lead or support critical initiatives for the City on a volunteer basis.

Performance Measurement

PI06. Publish a Performance Measurement Report

Target outcome:	Improved transparency and accountability
Six year financial impact:	Not Available
Responsible party:	City Administrator and City Council

This Recovery Plan has several initiatives that require the City to develop a performance management system to track and monitor key indicators of activity levels, productivity, cost effectiveness, outcomes and other measures of City government's performance. The initiatives include an explicit listing of specific indicators to be tracked on a monthly basis. These initiatives are not intended to be overly prescriptive, but rather to provide a shared sense of responsibility and stimulate further thinking about what pieces of information management needs to evaluate the City's performance and make decisions. Each initiative invites the Administration, department staff and City Council to recommend other measures that should be tracked with a brief explanation of what insight that measure would provide.

The City Administrator and designated staff shall compile the departmental information and publish a quarterly performance management report that includes the monthly indicators and introductory narrative explaining important trends, changes and actions taken by the City in response to those trends and changes. The City Administrator shall provide the written Quarterly Performance Report and the Quarterly Financial Report to the City Council, Act 47 Coordinator and Secretary of the Department of Community and Economic Development within 60 days of the end of each quarter. The quarterly reports shall also be posted to the City's website.

It is understood that the City will need time to address technical, formatting and procedural challenges related to tracking and reporting the data points for the performance management initiatives. The City shall work to address these issues, making improvements over time beginning with the first report due in July 2015

Intergovernmental Cooperation, Regionalization, and Shared Services

PI07. Increase Participation in Regional Organizations

Target outcome:	Improved efficiency; Shared Services; cost savings; regional cooperation
Six year financial impact:	Not Available
Responsible party:	City Council

Officials and others interviewed by the Act 47 Coordinator during Recovery Plan development have described an inconsistent pattern of participation by the City in regional institutions. While the City is meaningfully involved with shared services with several government units, it has little or no involvement with other potentially significant entities.

Due to its fiscal crisis, the City must seek out and actively participate in efforts for regional cooperation and shared services. Shared services with region-centered governments provide

significant savings and foster economic development. Both will be necessities for the City to successfully exit Act 47 and to achieve sustainable budgets going forward. There are many other initiatives described throughout the Recovery Plan that involve intergovernmental cooperation between the City and other governments. Those initiatives include, but are not limited to, the following

- Police
- Public Works
- Codes Enforcement
- Establishing and Negotiating Shared Technology Infrastructure, Software Applications, and General Administrative functions
- Pursuing Joint Purchasing of Utilities with all governments in the region
- Formally evaluating merging employee populations with area governments and institutions for health care and related benefits
- Pursue shared services for information technology
- Create apprenticeship and internship opportunities
- Explore shared tax collection, fleet maintenance, parks and recreation, purchasing, facilities maintenance and financial management services
- Review and increase utilization of Payment in Lieu of Property Tax (“PILOT”) Agreements
- Update comprehensive plan
- Develop a local economic development partnership and comprehensive strategy

This Plan offers a mix of short and long-term initiatives that provide a platform for strengthening intergovernmental cooperation and shared services while helping the City address its immediate financial challenges. Other opportunities for effective intergovernmental cooperation exist and are encouraged.

Intergovernmental Relations are discussed in more detail in the Intergovernmental Relations chapter.

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 2009 through 2012 audits; unaudited financials for 2013; the City’s annual budgets, including the adopted 2015 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.

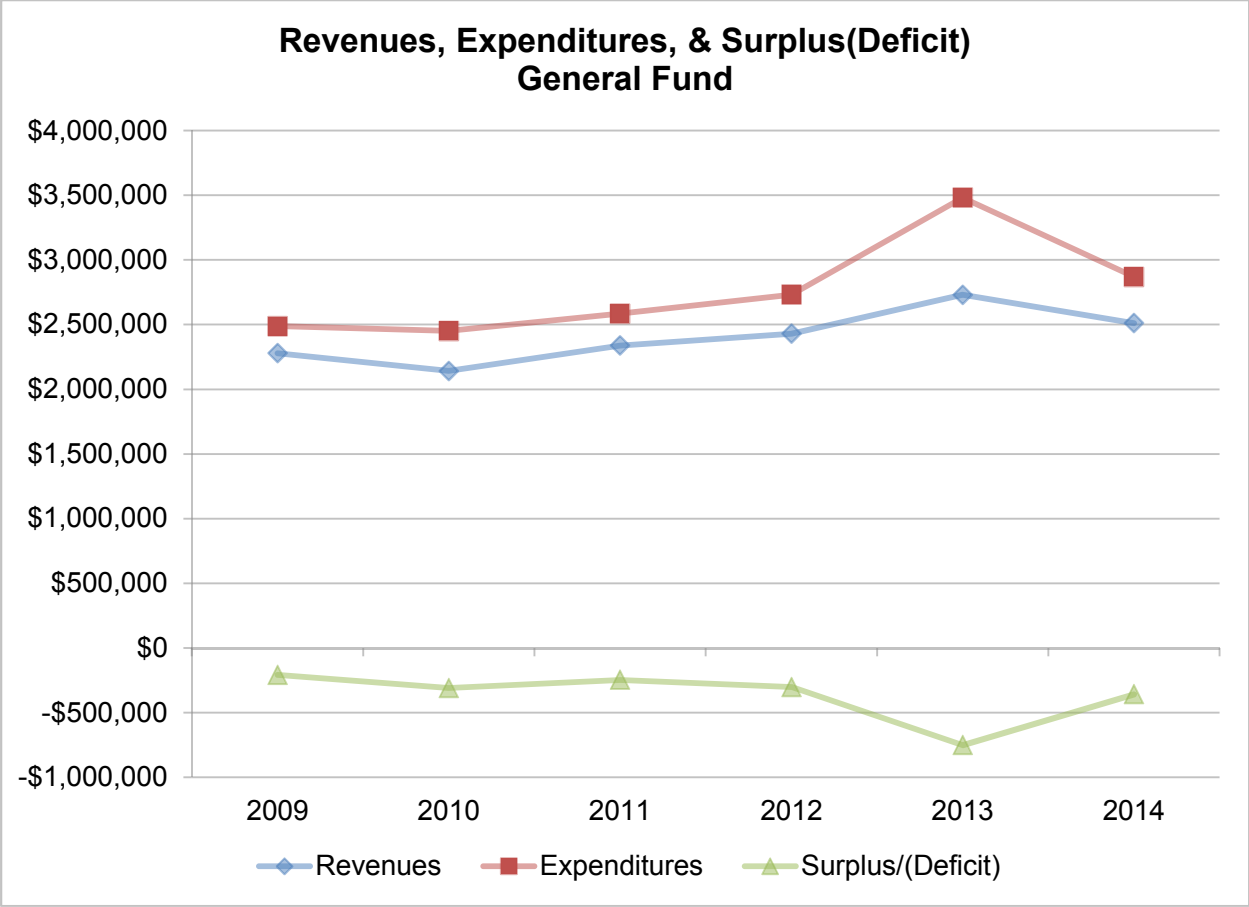
The City’s accounting records are maintained and its financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis, revenues are recognized when collected rather than when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

Historical 2009-2013

As shown in the following table and chart, the City experienced fluctuating deficits throughout the five-year historical review period ranging from a low of \$208,616 in 2009 to a high of \$705,868 in 2013. Although revenues grew throughout the period from \$2.3 million in 2009 to \$2.7 million in 2013, the increase was outpaced by expenditures, which peaked at almost \$3.5 million in 2013. The City received the bulk of its revenues from taxes. The predominant tax sources — real estate and earned income taxes — experienced little growth during the historical period while other Act 511 taxes showed modest declines.

**General Fund Revenues, Expenditures and Surplus/(Deficit)
City of Shamokin
2009-2014**

	Audit 2009	Audit 2010	Audit 2011	Audit 2012	Unaudited 2013	Estimated 2014
Revenues	\$2,279,425	\$2,141,773	\$2,338,156	\$2,429,515	\$2,730,584	\$2,511,326
Expenditures	2,488,041	2,451,352	2,584,478	2,732,042	3,481,452	2,869,147
Surplus/(Deficit)	-\$208,616	-\$309,579	-246,322	-\$302,527	-\$750,868	-\$357,821



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 intergovernmental transfers, transfers from other funds, and licenses and permits. The table and chart below show the share of revenues by major category for 2009-2013.

City of Shamokin, Pennsylvania Proportion of Tax Revenues by Type of Tax

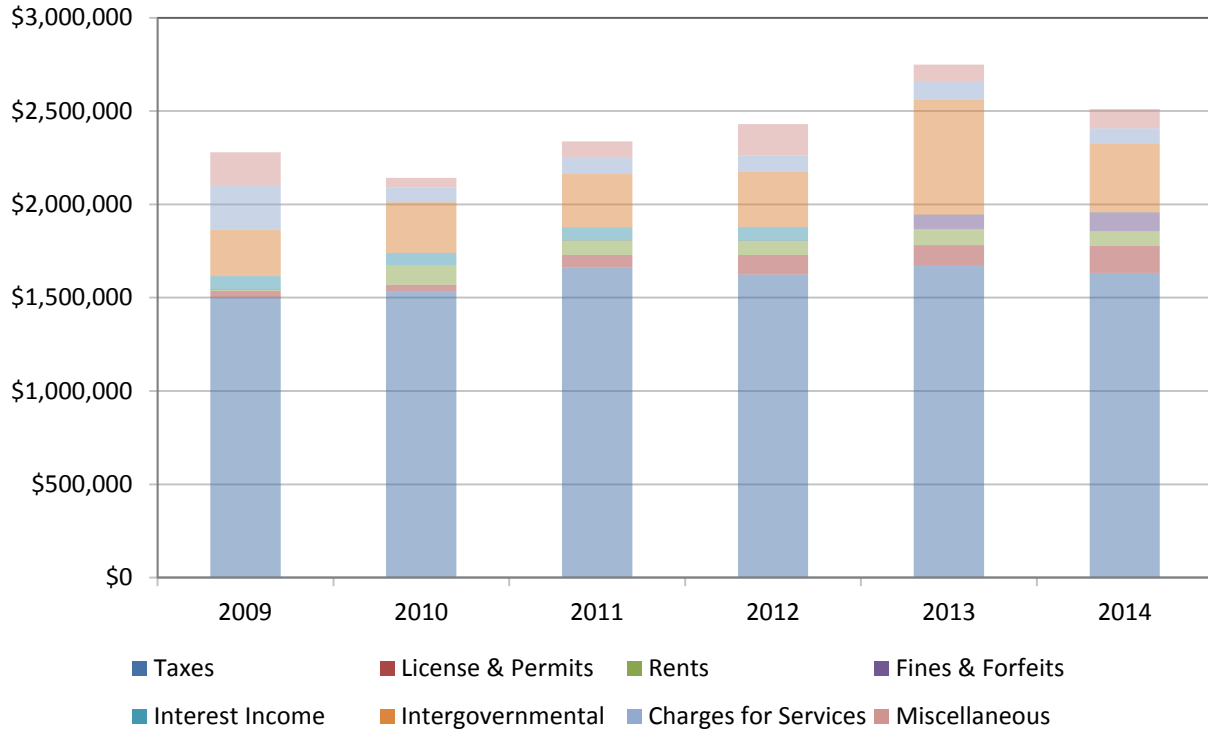
	Percentage of Total Taxes				
	2009	2010	2011	2012	2013
Real Estate Tax	55.2	56.9	56.9	59.0	57.3
EIT	29.5	28.2	27.4	25.7	29.8
Occupational	5.2	5.2	4.8	5.1	4.3
Business Privilege	3.5	4.2	3.8	4.5	3.1
LST	3.8	3.6	3.5	3.4	3.1
RE Transfer	1.5	0.9	2.5	1.3	1.3
Per Capita	1.1	0.9	0.8	0.9	0.8
Other Taxes	0.2	0.2	0.2	0.2	0.2
Total Tax Revenue	100.0	100.0	100.0	100.0	100.0

City of Shamokin, Pennsylvania Proportion of Revenues by Source

	Percentage of Total Revenue				
	2009	2010	2011	2012	2013
Taxes	69.1	59.2	67.2	55.3	51.5
Interest Income	0.0	0.1	0.0	0.0	0.0
Rents	3.2	2.5	2.8	2.6	2.6
Intergovernmental	11.7	11.1	12.5	16.9	19.0
License & Permits	1.6	1.7	2.9	3.5	3.4
Fines & Forfeits	5.1	3.8	3.2	2.6	2.4
Charges for Services	4.9	2.6	3.5	2.9	3.1
Miscellaneous	3.8	7.1	2.5	4.8	6.3
Subtotal Revenues	99.3	88.0	94.6	88.6	88.2
Transfers In	0.7	3.8	5.4	4.9	3.5
TRAN	0.0	8.2	0.0	6.6	8.3
Total Revenues	100.0	100.0	100.0	100.0	100.0

Totals may not add due to rounding

City of Shamokin, Pennsylvania Revenues by Source



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 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 \$426.76 per median assessed taxable property. An overview of tax rates from 2009 to 2015 is shown in the following table.

City of Shamokin Municipal Tax Rates 2009-2015

	2009	2010	2011	2012	2013	2014	2015
Real Estate – General Purpose (mills)	30.000	30.000	30.000	30.000	30.000	30.000	35.000
Real Estate – Debt Service (mills)	11.168	11.168	11.168	11.168	6.860	13.500	14.250
Library (mills)	0.750	0.750	0.750	0.750	0.750	0.750	0.750
Recreation (mills)	0.545	2.000	2.000	3.000	7.208	3.000	6.750
Shade Tree (mills)	--	--	--	--	0.100	0.100	0.100
Street Light (mills)	--	--	--	--	--	--	1.250
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	\$5	\$5	\$5	\$5	\$10	\$10
Occupation (mills)	23.250	31.000	31.000	31.000	31.000	31.000	31.000
Mechanical Devices	\$50	\$50	\$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 2014 tax burden on a median income household was \$654.26 or 2.4 percent of the household's income. Real estate and earned income tax accounted for \$483.84 or 74.0 percent of the 2014 tax burden.

The City's 2015 budget increased the rates of real estate tax and the City anticipates a 1.5 percent rate for the earned income tax under authorization of the Recovery Plan. Including these increases, the 2015 budgeted tax burden on a median income household is \$1,005.31 or 3.7 percent of the household's income. Combined the real estate and earned income tax accounted for \$834.89 or 83.0 percent of the 2015 tax burden.

**City of Shamokin
2014 and 2015 Tax and Major Fee Burden
on a Hypothetical Household to Support
City Operations**

<u>Tax Base and Rate</u>	2014	2015
Median Value of Owner-Occupied Housing	\$37,900	\$37,900
Median Assessed Taxable Valuation ¹	7,345	7,345
Median Household Income	27,210	27,210
Real Estate Tax Millage	47.35	58.10
Earned Income Tax Rate	0.50%	1.50%
Per Capita Tax Rate	5.00	5.00
Emergency and Municipal Services Tax	47.00	47.00
Occupation Tax	31 mills at 100%	
 Tax Burden		
City Real Estate Tax	\$347.79	\$426.74
City Earned Income Tax	136.05	408.15
City Per Capita	10.00	10.00
City Emergency and Municipal Services Tax	47.00	47.00
Occupation Tax	<u>113.42</u>	<u>113.42</u>
Tax	<u>\$654.26</u>	<u>\$1,005.31</u>
Burden as a % of Median Household Income	2.4%	3.7%

Note:

For calculation household consists of two adults, both of whom are employed but with only one within the boundaries of the city.

¹Average 2014 Assessed Property Value as reported by the City

Property Assessment and Property Exempt From Taxation

The low assessed property values and 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. In 2015 the City's Code limit is 30 mills, with an additional 5 mills allowed by annual court order. From 2010 to 2015, the City's total real estate millage has increased by 14.182 mills or 32.3 percent. The total 2015 real estate millage is 58.1 mills which included 35.0 mills for general purposes, debt service of 14.25 mills, recreation rate of 6.75 mills, library support of 0.75 mill, shade tree of 0.1 mill, and street lighting of 1.25 mills. The street lighting millage is levied under the 2015 budget and was not levied otherwise during the period. The City levied a shade tree millage of 0.1 mill for 2013 through 2015. Millage for recreation was increased by 4.75 mills during the review period.

Average tax levies paid on a median residential assessment for the individual rates is shown in the following table.

**City of Shamokin
Property Tax Rates
2010-2015**

	2010	2011	2012	2013	2014	2015
Property Tax (mills) ¹ :						
Debt Service	11.168	11.168	11.168	6.860	13.500	14.250
Library	0.750	0.750	0.750	0.750	0.750	0.750
General Purpose	30.000	30.000	30.000	30.000	30.000	35.000
Recreation	2.000	2.000	3.000	7.208	3.000	6.750
Street Light Mills						1.25
Shade Trees	0.000	0.000	0.000	0.100	0.100	0.100
Total Property Tax	43.918	43.918	44.918	44.918	47.350	58.10
Number of Taxable Parcels ²	4018	4018	4018	4018	4018	4018
Taxable Assessment	30,409,105	30,329,370	30,300,170	29,862,080	29,513,100	29,513,100
Total Property Tax Mills	43.918	43.918	44.918	44.918	47.350	58.10
Total Billable Taxes	1,335,507	1,332,005	1,361,023	1,341,344	1,397,445	1,714,711
Average Assessment	7,568.22	7,548.37	7,541.11	7,432.08	7,345.22	7,345.22
Average Property Tax Bill	\$332.38	\$331.51	\$338.73	\$333.83	\$347.80	\$426.76
General Fund Tax Millage	30.000	30.000	30.000	30.000	30.000	35.000
Average Tax Bill for General Purposes	\$227.05	\$226.45	\$226.23	\$222.96	\$220.36	\$257.087
Debt Service Tax Millage	11.168	11.168	11.168	6.860	13.500	14.250
Average Tax Bill for Debt	\$84.52	\$84.30	\$84.22	\$50.98	\$99.16	\$104.60
Special Purpose Tax Millage	2.750	2.750	3.750	8.058	3.850	8.850
Average Tax Bill for Special Purpose	\$20.81	\$20.76	\$28.28	\$59.89	\$28.28	\$65.01

Source:

¹DCED Municipal Tax Statistics

²City Officials

Property Exempt from Taxation

Pennsylvania cities are typically the regional location for exempt-from-taxation religious, educational, governmental, and health care institutions. These institutions serve areas beyond the City's immediate boundary. The effect of this regional concentration is a reduction in the real estate tax base for the City. The cities of Shamokin and Sunbury are similar in the percent of tax base exempt from taxation at 23.6 percent and 29.9 percent, respectively. As seen in the following table a comparison of other county municipalities shows a higher proportion of exempt properties in Coal and Mount Carmel townships due to large valuation of mineral assessments.

City of Shamokin Exempt From Taxation Selected Municipalities 2014 Assessed Valuations

	Total Assessed Valuation	Assessed Value Exempt From Taxation	Taxable Assessed Value	Percent of Exempt Value
Coal Township	131,634,118	80,972,740	50,661,378	61.5%
Milton Borough	78,630,241	14,096,450	64,533,791	17.9%
Mt. Carmel Township	49,262,025	21,056,570	28,205,455	42.7%
Point Township	49,771,890	2,179,250	47,592,640	4.4%
Ralpho Township	59,769,665	3,524,980	56,244,685	5.9%
Shamokin City	38,384,660	9,072,080	29,312,580	23.6%
Sunbury City	80,048,545	23,961,360	56,087,185	29.9%

SOURCE: Northumberland County Assessment Office

The types of Shamokin City properties that are classified as exempt are shown in the following table. Properties owned by Other Government Units (e.g. Northumberland County, Housing Authority) account for the largest portion (52.7 percent) followed by Religious use (28.7 percent). The City of Shamokin-owned property is 5.8 percent of total exempt property.

City of Shamokin Exempt From Taxation by Category of Use 2014 Assessed Valuation

Category	Exempt Value	Percent of Total Exempt
City Owned	529,800	5.8%
Other Government	4,781,650	52.7%
Non-Residential	545,960	6.0%
Residential	10,000	0.1%
Religious	2,604,770	28.7%
Tax Claim	155,820	1.7%
Utilities	226,350	2.6%
Not In Above	217,730	2.4%
Grand Total	9,072,080	100.0%

SOURCE: Northumberland County Assessment Office

Baseline Projections – 2015-2020

The assumptions below were used by the Act 47 Coordinator to develop the City’s 2015–2020 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 2015 budget
- 1.25% annual growth in Earned Income Tax revenue
- Decreased LST revenue by \$470 annually (10 jobs @ \$47)
- 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 2015 budgeted levels
- Employee compensation was increased by 2.0% annually
- Healthcare increased by 6.0% annually
- No new debt incurred
- Other items adjusted using the Consumer Price Index or Producer Price Index

Baseline projections absent Act 47 initiatives show growing anticipated deficits throughout the five-year projection period as revenues are unable to keep pace with expenditures. As shown below, the deficit rises from \$406,762 in 2015 to \$719,929 in 2020. The deficit in 2016 reflects a balloon payment of approximately \$300,000 on the CDBG homes loan. Operating deficits occur despite a court-approved 2015 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 2015 to 2020, growing by only 1.1 percent. Expenditures increase by \$341,227 or 11.8 percent, from \$2.9 million in 2015 to \$3.2 million in 2020.

General Fund Projections City of Shamokin 2015-2020

	2015	2016	2017	2018	2019	2020	Change	
	Estimated ¹	Projected	Projected	Projected	Projected	Projected	\$	%
Revenues	\$2,480,990	\$2,486,108	\$2,491,507	\$2,497,151	\$2,503,006	\$2,509,050	28,060	1.1
Expenditures	2,887,752	3,238,809	3,009,646	3,079,994	3,152,954	3,228,979	341,227	11.8
Surplus/(Deficit)	-\$406,762	-\$752,702	-\$518,139	-\$582,844	-\$649,948	-\$719,929		

¹Estimated 2015 numbers remove budgeted Act 47 EIT from Revenue

Revenue Projections—2015-2020

As shown in the table below and noted above, the City’s General Fund operating revenues are projected to remain stable with only a 1.6 percent increase in tax revenue, mostly due to a modest growth in EIT.

Real estate taxes are the City’s most productive tax, generating approximately 60 percent of total tax revenue or \$1.0 million annually. The following tables illustrate that EIT collections are slightly more than one quarter of total tax revenue, ranging from a low of \$470,000 in 2015 to a high of \$496,437 in 2020. All other taxes account for less than 5 percent of total taxes.

Total Taxes Revenue Projections City of Shamokin 2015-2020

	2015	2016	2017	2018	2019	2020	Change 2015-2020	
	Budget	Projected	Projected	Projected	Projected	Projected	\$	%
Real Estate Tax	1,044,937	1,044,937	1,044,937	1,044,937	1,044,937	1,044,937	0	0.0
EIT	470,000	474,813	479,898	485,216	490,738	496,437	26,437	5.6
Occupational	72,000	72,000	72,000	72,000	72,000	72,000	0	0.0
Business Privilege	62,000	62,775	63,560	64,354	65,159	65,973	3,973	6.4
LST	52,000	51,530	51,060	50,590	50,120	49,650	-2,350	-4.5
RE Transfer	20,000	20,000	20,000	20,000	20,000	20,000	0	0.0
Per Capita	12,500	12,500	12,500	12,500	12,500	12,500	0	0.0
Other Taxes	3,500	3,500	3,500	3,500	3,500	3,500	0	0.0
Total Taxes	1,736,937	1,742,055	1,747,454	1,753,098	1,758,953	1,764,997	28,059	1.6
Percentage of Total Taxes								
Real Estate Tax	60.2	60.0	59.8	59.6	59.4	59.2		
EIT	27.1	27.3	27.5	27.7	27.9	28.1		
Occupational	4.1	4.1	4.1	4.1	4.1	4.1		
Business Privilege	3.6	3.6	3.6	3.7	3.7	3.7		
LST	3.0	3.0	2.9	2.9	2.8	2.8		
RE Transfer	1.2	1.1	1.1	1.1	1.1	1.1		
Per Capita	0.7	0.7	0.7	0.7	0.7	0.7		
Other Taxes	0.2	0.2	0.2	0.2	0.2	0.2		
Total Taxes	100.0	100.0	100.0	100.0	100.0	100.0		

Totals may not add due to rounding

Non-tax revenue, which accounts for about 30 percent of total revenues, is expected to be flat through the projection period. The largest source of non-tax revenue is from intergovernmental sources (\$221,500 annually) as seen in the following table.

**Total Non-Taxes Revenue Projections
City of Shamokin
2015-2020**

	2015	2016	2017	2018	2019	2020	Change	
	Budget	Projected	Projected	Projected	Projected	Projected	\$	%
Intergovernmental	221,500	221,500	221,500	221,500	221,500	221,500	0	0.0
Miscellaneous	117,853	117,853	117,853	117,853	117,853	117,853	0	0.0
License & Permits	120,950	120,950	120,950	120,950	120,950	120,950	0	0.0
Charges for Services	100,150	100,150	100,150	100,150	100,150	100,150	0	0.0
Rents	73,500	73,500	73,500	73,500	73,500	73,500	0	0.0
Fines & Forfeits	110,000	110,000	110,000	110,000	110,000	110,000	0	0.0
Interest Income	100	100	100	100	100	100	0	0.0
Total Non-Tax Revenue	744,053	744,053	744,053	744,053	744,053	744,053	0	0.0
Percentage of Non-Tax Revenue								
Intergovernmental	29.8	29.8	29.8	29.8	29.8	29.8		
Miscellaneous	15.8	15.8	15.8	15.8	15.8	15.8		
License & Permits	16.3	16.3	16.3	16.3	16.3	16.3		
Charges for Services	13.5	13.5	13.5	13.5	13.5	13.5		
Rents	9.9	9.9	9.9	9.9	9.9	9.9		
Fines & Forfeits	14.8	14.8	14.8	14.8	14.8	14.8		
Interest Income	0.0	0.0	0.0	0.0	0.0	0.0		
Total Other Revenue	100.0	100.0	100.0	100.0	100.0	100.0		

Totals may not add due to rounding

Total tax and non-tax revenue for the projection period is expected to increase by 1.1 percent.

**General Fund Revenue Projections
City of Shamokin
2015-2020**

	2015	2016	2017	2018	2019	2020	Change	
	Budget	Projected	Projected	Projected	Projected	Projected	\$	%
Tax Revenue	\$1,736,937	\$1,742,055	\$1,747,454	\$1,753,098	\$1,758,953	\$1,764,997	28,059	1.6
Nontax Revenue	744,053	744,053	744,053	744,053	744,053	744,053	—	—
Total Revenue	\$2,480,990	\$2,486,108	\$2,491,507	\$2,497,151	\$2,503,006	\$2,509,050	28,059	1.1

Expenditure Projections—2015-2020

As shown below, employee costs are expected to increase by \$366,007 or 16.7 percent, rising from \$2.2 million in 2015 to almost \$2.6 million in 2020.

General Fund Projections City of Shamokin 2015-2020

	2015	2016	2017	2018	2019	2020	Change	
	Estimated	Projected	Projected	Projected	Projected	Projected	2015 -2020	
							\$	%
Employee	\$2,194,144	\$2,287,218	\$2,358,226	\$2,423,198	\$2,490,339	\$2,560,151	366,007	16.7
Nonemployee	678,608	936,591	636,421	641,796	647,616	653,828	-24,780	-3.7
TRAN	15,000	15,000	15,000	15,000	15,000	15,000	0	0.0
Total Expenditures	\$2,887,752	\$3,238,809	\$3,009,646	\$3,079,994	\$3,152,954	\$3,228,979	341,227	11.8

In terms of departmental spending, police costs are projected to experience the largest absolute growth, rising by \$138,227 or 11.2 percent from \$1.2 million in 2015 to \$1.4 million in 2020. Police expenditures account for 42 percent of departmental spending. Public works, which is 23 percent of departmental spending, is expected to increase by \$98,601 or 15.0 percent from \$657,299 in 2015 to \$755,900 in 2020. At 11 percent of departmental spending, total employee benefits are projected to grow from \$302,698 in 2015 to \$359,704 in 2020.

Departmental Expenditure Projections City of Shamokin 2015-2020

Department	2015	2016	2017	2018	2019	2020	Change	
	Estimated	Projected	Projected	Projected	Projected	Projected	2015 -2020	
							\$	%
Police	\$1,234,651	\$1,256,885	\$1,284,334	\$1,312,847	\$1,342,365	\$1,372,877	138,227	11.2
Public Works	657,299	685,019	701,976	719,559	737,390	755,900	98,601	15.0
Employee Benefits	302,698	318,731	328,393	338,426	348,846	359,704	57,006	18.8
Codes	117,892	141,300	145,533	149,990	154,651	159,527	41,635	35.3
Treasurer	68,474	68,039	68,140	68,698	69,642	70,921	2,446	3.6
City Administrator	94,614	96,981	99,526	102,184	104,960	107,860	13,246	14.0
Fire	105,196	105,383	105,583	105,806	106,034	106,268	1,072	1.0
CDBG	103,525	359,821	57,402	59,579	61,860	64,253	-39,272	-37.9
General Government	136,548	138,971	150,202	153,402	156,712	160,137	23,588	17.3
Mayor	8,500	8,679	8,869	9,082	9,300	9,523	1,023	12.0
Legislative	12,230	12,769	13,340	13,945	14,587	15,267	3,037	24.8
Solicitor	25,000	25,000	25,000	25,000	25,000	25,000	0	0.0
Recreation	1,125	1,128	1,130	1,134	1,137	1,140	15	1.3
Miscellaneous	5,000	5,105	5,217	5,343	5,471	5,602	602	12.0
Debt Service	15,000	15,000	15,000	15,000	15,000	15,000	0	0.0
Total Expenditures	\$2,887,752	\$3,238,809	\$3,009,646	\$3,079,994	\$3,152,954	\$3,228,979	341,227	11.8

Initiatives

REV01. Increase Earned Income Tax Rate (2015-2019).

Target Outcome: Increased Tax Revenue
Six-Year Financial Impact: **\$3.96 million**
Responsible Party: Council, Solicitor

Financial Impact						
2015	2016	2017	2018	2019	2020	Total
\$408,500	\$870,750	\$881,634	\$892,655	\$903,813	\$0	\$3,957,352

Immediately following the adoption of this Recovery Plan and under authorization of Act 47, City Council and Solicitor shall petition the Northumberland Court of Common Pleas to approve the increase of the earned income tax to a total rate of 2.0 percent on resident income for the 2015 fiscal year. The City Council and Solicitor shall annually petition the Court to maintain the Act 47 2.0 percent total rate through 2019.

REV02. Increase Earned Income Tax Rate Under Authority Of A Home Rule Charter (2020).

Target Outcome: Increased Tax Revenue
Six-Year Financial Impact: **\$915,111**
Responsible Party: Council, Solicitor

Financial Impact						
2015	2016	2017	2018	2019	2020	Total
\$0	\$0	\$0	\$0	\$0	\$915,111	\$915,111

The projected revenue from earned income tax above is only achievable with the approval of a Home Rule Charter referendum prior to fiscal 2020. 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.

REV03. Increase Street Light Revenue To Cover Actual Costs; Explore Option To Levy As Fee.

Target Outcome: Cost Recovery
Six-Year Financial Impact: **TBD**
Responsible Party: Council, Administrator

Revenue received during 2015 under the City’s street light millage shall be sufficient to cover the actual costs associated with street lighting. If the revenue from the street light millage is

insufficient to cover the total cost of lighting, the millage shall be increased to produce sufficient revenue. The City will explore the legal options available to convert the millage to a fee based upon a uniform measure other than property assessment. The intent of a fee is to receive revenue from all property owners (exempt from taxation included) that benefit from street illumination.

REV04. Review Fee Structure To Ensure Full Cost Recovery.

Target Outcome: Cost Recovery
Six-Year Financial Impact: TBD
Responsible Party: Council, Administrator

The City shall review the fee schedule for all services and permits provided to users of the service or permit. The City shall consider all costs related to the provision of service, including but not limited to administrative costs, employee benefits, storage costs, inspection costs, and overhead and maintenance.

The fee schedule shall be reviewed every two years to ensure that increased costs are recovered in a timely manner.

REV05. Act 47 Accounting Enhancement Grant Application.

Target Outcome: Improved Efficiency
Six-Year Financial Impact: \$261,208
Responsible Party: Council, Administrator

Financial Impact						
2015	2016	2017	2018	2019	2020	Total
\$137,500	\$105,805	\$17,903	\$0	\$0	\$0	\$261,208

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 \$261,208 in Act 47 financial assistance grants to improve operational efficiencies, personnel systems, financial and administrative capacity, and strategic planning.

REV06. Explore Any And All Grant And Funding Opportunities For Enhanced Service.

Target Outcome: Reduced City Expenditures
Six-Year Financial Impact: TBD
Responsible Party: Council, Administrator

In addition to the specified Act 47 grants, the City should avail itself of funding opportunities that reduce the City’s expenditures for grant eligible activities. The City will not have the financial capacity during the term of this Recovery Plan to provide extra-ordinary services for its citizens without outside assistance in funding. The City should evaluate each funding opportunity

beyond the immediate eligible dollar funding and consider the practicality and entire cost of continuing the service beyond the term of grant funding.

Workforce and Collective Bargaining

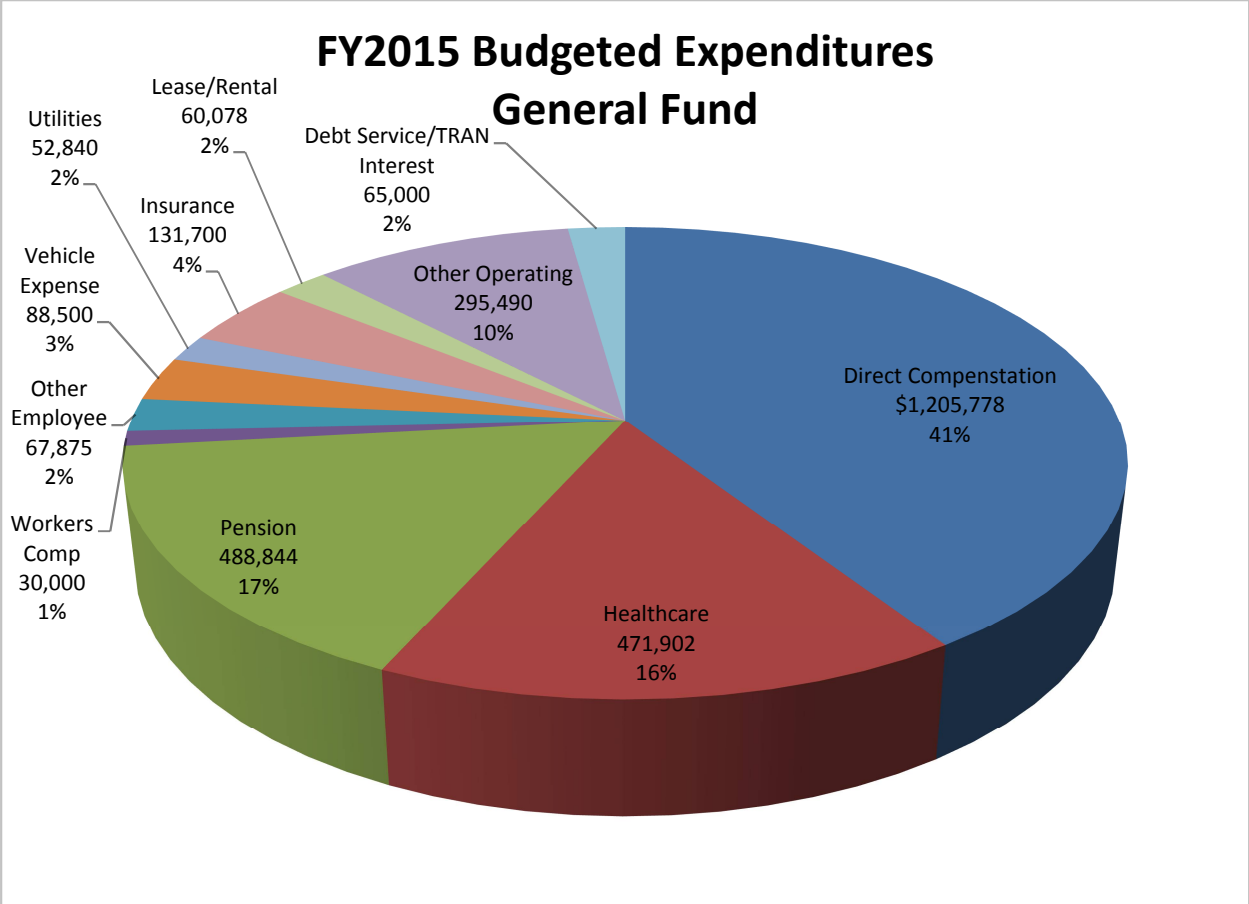
Overview

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 2009 through 2014 is shown below. Total salaries, wages and benefits ranged from \$1,924,945 in 2009 to \$2,158,028 in 2014. This equates to a range of 77.4% to 75.2% of Total General Fund Expense, and 83.4% to 87.0% of Total General Fund Revenue.

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Estimated
Salaries & Wages	1,012,997	1,167,296	1,165,745	1,202,809	1,209,180	1,113,085
Overtime	39,200	62,699	54,513	48,514	86,487	77,755
FICA	45,253	52,184	48,986	52,193	57,029	54,695
Medical	552,043	524,923	488,365	531,938	611,230	499,113
Medical Deductible	0	0	0	0	0	10,408
Medical-prescription	0	0	0	0	364	7,900
Dental	19,643	18,802	15,040	0	3,866	83,433
Vision	12,197	5,208	5,542	5,625	6,239	3,876
Pension	114,461	107,121	221,980	199,379	30,691	205,769
Workers Comp	93,118	64,553	24,422	10,574	4,556	27,536
Retirement Payout	0	0	0	0	25,521	30,448
Life Insurance	14,811	14,872	16,862	14,819	14,268	13,747
Union Dues	5,246	3,413	5,217	4,697	3,900	0
Clothing Allowance	2,523	2,203	5,427	1,685	2,252	5,298
Training	0	4	0	375	379	0
Unemployment Comp	13,455	4,681	1,123	594	17	24,963
Total Employee	1,924,945	2,027,959	2,053,221	2,073,201	2,055,981	2,158,028

For FY2015, employee wages and benefits account for approximately \$2,264,399 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 modified in order to correct the City's structural deficit and restore the City's fiscal health, and thereafter must be 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 further decline to the detriment of all parties, including City employees. This Chapter considers both sides of the compensation and benefits equation and then provides initiatives to control personnel-related costs for the long-term benefit of all parties.

Headcount

The City employs approximately twenty-three (23) full-time and three (3) part-time employees, plus temporary employees during the summer. The Police Department has one (1) Chief of Police, nine (9) full-time police officers, one (1) part-time clerical employee, and one (1) part-time meter employee. The nine full-time police officers are members of the bargaining unit represented by the Shamokin City Police Officers Association. The collective bargaining agreement expired December 31, 2013, and currently the matter is pending before a panel of

three arbitrators in accordance with Act 111, Pennsylvania’s police and fire collective bargaining statute.

There are six (6) street department employees, one (1) working foreman, and one (1) Safety Technician who are represented by the American Federation of State, County and Municipal Employees, Local Union 2433 (AFSCME). The AFSCME collective bargaining agreement expired December 31, 2014.

The remaining employees include the Treasurer, a part-time deputy treasurer, the City Administrator, the Community Development officer and two Codes employees.

The City also employs temporary part-time employees at the pool in the summer, who are paid out of the Recreation Fund and not the General Fund.

The chart below shows employee headcounts by collective bargaining unit, the total employees who are not represented by unions, as well as the terms of the collective bargaining agreements.

City Headcount by Bargaining Unit

Employee Group	Covered Positions	2014 Total Employees	Contract Term
Shamokin Police Officers Association	All sworn Police Officers with the exception of the Chief of Police	9	January 1, 2009 – December 31, 2013 (in interest arbitration)
American Federation of State, County and Municipal Employees, Local Union 2433	Street department and public works employees	8	January 1, 2012 – December 31, 2014
Non-Represented Employees	Management, elected officials, others (3 part-time)	9	N/A
Total Number for 2014		26	

Source: City Provided Data

Salaries

The largest component of personnel expenditures is salaries. Total salary expenditures ranged from \$1,039,042 in 2009 to \$1,209,180 in 2013, accounting for 46.2% of FY2013 actual General Fund expenditures and 42.2% of FY2013 actual General Fund Revenues.

In 2009 the Police Officers Association agreed to a wage freeze, and increases in the Top Patrolman base salary rate for the following four years from 2010 through 2013 were 2.5%, 2.5%, 3.0% and 3.0% respectively. Base wage rate increases for the AFSCME bargaining unit from 2011 through 2014 were 3% each year. Employees also received longevity pay. Police officers are paid shift differentials, and Streets Department employees receive additional pay for operating certain equipment, such as the jack hammer, pay loader, backhoe and street sweeper.

Junior employees also receive another annual raise through a “step increase” in addition to the across-the-board base increase shown above. For example, a police patrol officer follows a four-year progression and starting in the 5th year is paid the Top Patrolman base rate. These

officers receive both the negotiated across the board increase as well as the step increase each year. AFSCME non-uniformed employees start at \$8.50 per hour, increase to \$10.00 per hour after completing the probationary period, and then increase to 80% of the full rate for that classification after one year, to 90% after two years, and to 100% after three years.

Longevity

Most City employees also receive longevity increments. AFSCME employees receive longevity pay starting their fifth (5th) year of service, at the rate of \$100 per year from one year of service through twenty years of service. From twenty-one years of service through twenty-five years of service, the rate is \$200 per year. Twenty-six years of service or more does not qualify for any additional longevity increment.

Police employees receive longevity beginning in the fifth (5th) year of service as follows: 1 to 10 years of service - \$100 per year; 11 to 15 years of service - \$150 per year; 16 to 20 years of service - \$175 per year; and 21 or more years of service - \$200 per year. These longevity payments are in addition to the base salary rate percentage increases.

Other Compensation

In addition to base salaries and longevity payments, the City provides other forms of cash compensation.

- Shift differentials: Police officers receive additional pay for hours worked on night shifts. The shift differentials range from an additional thirty to forty cents per hour as follows: 1600 – 2400 – 30 cents per hour; 2400 – 0800 – 40 cents per hour; 1900 – 0300 – 35 cents per hour.
- Job differentials: AFSCME employees receive additional pay for hours worked on certain equipment as follows: Seventy-five cents per hour for the jack hammer, pay loader and backhoe; fifty cents per hour for the street sweeper. Police officers are paid an additional Six Dollars per shift when designated the Officer in Charge of the shift.
- Holiday premium pay: Employees who work on named holidays are paid premium pay. Non-represented employees who work on a named holiday receive time and one-half pay in addition to the holiday pay. AFSCME employees are paid double time for all hours worked on the named holiday in addition to the holiday pay. Police Association employees are paid double time in addition to the holiday pay.
- Unused sick leave pay: Employees who accumulate more than the maximum may be paid a sick leave incentive. AFSCME and Police Association employees are allowed to accumulate up to 150 sick days. All sick days that are not used in excess of 150 days are paid in cash to the officer at the rate of 50%.

Overtime and Premium Pay

All employees receive overtime and compensatory time, including exempt employees. Police and AFSCME employees receive premium pay when working the ten named holidays. The City of Shamokin continues to experience significant overtime expense in its Police Department,

mainly due to the requirement of having a minimum of two officers on duty. Leave usage, staffing levels, collective bargaining restrictions, service needs, public events and emergencies all contribute to the use of overtime and premium pay.

Paid Leave

All City employees receive significant amounts of paid leave – the ability to take time off for vacation, personal days, sick leave or other reasons while receiving full compensation. At a minimum paid leave indirectly increases government’s cost of service. When employees use paid leave, governments must reduce the level of service provided or fill the resulting opening another way, either by hiring more staff on a permanent basis to compensate for the use of leave throughout the year or bringing in existing employees on a short term basis. In the latter case, employees are often paid overtime to fill the open shifts. As a result, government pays for the same service more than twice – once for the regularly scheduled employee who is on leave and again at time-and-one-half for the employee working overtime. Since the Police Department is staffed with a minimum of two employees on a 24 hours per day, 7 days per week basis, there are always officers receiving this premium pay.

- **Holidays and Personal Leave:** AFSCME employees receive 12 holidays and 3 personal leave days per year. Police Association employees receive 10 named holidays and 5 personal leave days per year. Non-represented employees receive 12 holidays and 3 personal leave days per year.
- **Vacation Leave:** AFSCME employees receive paid vacation leave as follows:

After one year	10 days
After five years	15 days
After twelve years	20 days
After twenty years	25 days

Police Association employees receive paid vacation leave as follows:

After 6 months	5 days
After 1 year	10 days
After 3 years	15 days
After 9 years	20 days
After 20 years	25 days

Non-represented employees receive paid vacation leave as follows:

After one year	10 days
After five years	15 days
After twelve years	20 days
After twenty years	25 days
After twenty five years	30 days

- **Sick Leave:** AFSCME employees receive fourteen (14) paid sick leave days per year; Police Association employees receive sixteen (16) paid sick leave days per year; and non-represented employees receive fifteen (15) paid sick leave days per year.

AFSCME and Police employees who retire are paid a cash bonus for unused sick leave at the rate of \$20 per day for days 1 through 50 and at the rate of \$50 per day for days 51 through 150. Non-represented employees are paid for one-half of unused sick leave (maximum allowable accumulation is 140 days), at the base rate at time of departure. These accumulations and payouts are high and costly to the City.

Health Benefits

The City provides generous health insurance coverage to its employees with minimal employee contributions. The cost of providing health insurance and health benefits is a large component of personnel expenditures. The City provides basic health, hospitalization, major medical, prescription, dental and vision insurance benefits. In 2013 the City lost coverage through its prior provider due to its failure to pay the provider. When the City located another provider, the benefits were not the same and the City has been “self-insuring” or paying the differences to the employees directly. Healthcare benefits cost between \$508,467 in 2011 to \$621,699 in 2013, which accounted for 19.7% to 23.8% of Total General Fund Expenses and 21.7% to 21.7% of Total General Fund Revenues. Police officers have been contributing to health insurance since 2006, and currently contribute \$25 per week, which contribution rate was effective January 1, 2009. AFSCME employees have been contributing to health insurance since 2006, and currently contribute \$20 per week, which rate was effective January 1, 2008. Non-represented employees did not begin contributing until 2014. Prior to 2014 Council members and elected officials also received health insurance benefits and did not make any contributions.

The health insurance plans provide generous benefits. The prior plan provided for no deductibles, and the current plan deductibles are \$250 per member and \$500 per family. The prior prescription coverage copayments required a \$5 copayment for all levels, generic, preferred and brand prescriptions. These benefits are far more generous than most employers in both the public and private sectors.

The City also provides retirement health insurance benefits to police officers. The City has not established any fund or trust to provide for these benefits.

Across private and public sector organizations, employees share the cost of their health insurance in two ways. First, they contribute to the monthly premium costs. A second way that employees share the cost of their health benefits is by making payment when they receive service through a copayment, deductible, coinsurance or some other mechanism. Nationally and regionally governments are moving toward implementing cost sharing for employees who do not have it or making it more significant for those who do. The Qualified High Deductible Health Plan and HSA represent significant steps in this direction.

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. The City has not done so for several years, and as a result continues to face a growing structural deficit. To put it simply, the City cannot afford to provide the level of services it currently provides and/or pay the salaries, wages and benefits it currently provides to its employees based on current revenues. Although the City has sought to reduce the size of its workforce through attrition (e.g., the Police Department has been reduced from a total of

14 officers to 10 officers, including the Chief of Police), its salaries, wages and benefits expenditures have continued to increase beyond a sustainable level. The City currently staffs its Police Department with a minimum of two officers as required by the Police Officers Association collective bargaining agreement. The City also operates the Police Department on a 24/7 basis. Thus, reducing the number of police officers without changing the contract provisions will result in additional overtime. The AFSCME collective bargaining agreement does not allow layoffs for economic reasons.

Absent corrective action, employee compensation will consume a growing portion of the City's limited resources. The chart below shows the projected personnel expenditures for Shamokin through FY2020. Salaries are projected to grow at 2% per year. Fringe benefits are projected to grow at 7% per year to reflect the rising cost of health care that has repeatedly outpaced inflation. In all, personnel expenses, not including pension expenditures, are anticipated to grow by 20.1% during the projected timeframe. Pension expenditures are anticipated to be \$488,844 in 2015 and \$590,298 in 2020, in accordance with the most recent actuarial study.

Projected Expenditures – Workforce and Collective Bargaining

	2015	2016	2017	2018	2019	2020
	Estimated	Projected	Projected	Projected	Projected	Projected
Salaries & Wages	\$1,070,142	\$1,120,423	\$1,147,624	\$1,171,030	\$1,194,555	\$1,218,558
Medical	434,918	467,296	501,254	538,263	578,048	620,816
Overtime	89,000	89,000	89,000	89,000	89,000	89,000
FICA	46,636	54,650	56,006	57,051	58,085	59,140
Pension	488,844	558,346	564,646	571,546	578,561	590,298
Retirement Payout	20,000	20,000	20,000	20,000	20,000	20,000
Life Insurance	14,075	14,724	15,555	16,452	17,411	18,435
Vision	3,641	3,888	4,015	4,227	4,454	4,696
Workers Comp	30,000	30,546	31,130	31,781	32,448	33,131
Union Dues	0	0	0	0	0	0
Dental	19,274	20,500	17,265	18,488	19,804	21,218
Clothing Allowance	8,300	8,300	8,300	8,300	8,300	8,300
Training	500	500	500	500	500	500
Medical-prescription	7,050	7,050	7,050	7,050	7,050	7,050
Unemployment Comp	25,000	25,000	25,000	25,000	25,000	25,000
Medical Deductible	7,020	7,020	7,020	7,020	7,020	7,020
Total Employee	\$2,264,399	\$2,427,243	\$2,494,365	\$2,565,709	\$2,640,236	\$2,723,161

The City has significantly reduced its workforce during the past several years, yet is still unable to afford its current employee wages and fringe benefits. Cost control of wages and fringe benefits is essential to the City's survival. Further reductions in workforce will result in significantly reduced public services. Regionalization and/or shared and cooperative services with other regional municipal entities will allow the City to continue to provide services to the public and also provide reasonable wages and fringe benefits to its workforce. Otherwise, the City will eventually have to make dramatic workforce reductions that will limit its ability to provide the most basic municipal services.

Therefore, the initiatives outlined below are intended to move the City toward a structurally balanced budget so that it can focus its attention on improving City services, instead of merely sustaining them, and pursuing financial recovery and growth, instead of merely surviving as a municipal entity. While such workforce changes can be difficult in the short-run, long-term

spending must become aligned with revenue to ensure the City of Shamokin’s survival in the short term and stability in the long term. A financially insolvent city benefits no one, including City employees.

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 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 Recovery 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 Recovery 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 Recovery Plan

Target outcome:	Cost Reduction
Six year financial impact:	Not available
Responsible party:	City Administrator/City Council
Impacted employee group:	All employee groups

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 the existing labor agreement if such wages, benefits or other terms or conditions are inconsistent with the initiatives made in this Recovery Plan.

All collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Recovery 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 Recovery 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 Recovery Plan to the maximum extent legally consistent with Act 47.

If this Recovery Plan is extended to cover any period of time subsequent to its initial term, then, unless and until the initiatives made in this Recovery 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 Recovery 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 Recovery 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 Recovery Plan. The total financial impact of the applicable initiatives related to collective bargaining have been deducted from the baseline projections of expenditures for each bargaining unit before implementation of these initiatives, resulting in the maximum expenditure limits. These initiatives included in the charts below, which include selected initiatives from other Chapters which are subjects of and related to collective bargaining, 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

AFSCME Local 2433	2015 Estimated	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected	
Salary	\$352,849	\$359,906	\$371,625	\$379,057	\$386,638	\$394,371	
Longevity	8,600	9,400	10,300	11,300	11,900	12,500	
Overtime 1.5x	10,000	10,000	10,000	10,000	10,000	10,000	
Overtime 2x	2,000	2,000	2,000	2,000	2,000	2,000	
FICA	28,457	29,056	30,017	30,660	31,283	31,918	
Healthcare	123,727	132,890	141,768	151,815	162,615	174,226	
Healthcare Deductible	2,500	2,500	2,500	2,500	2,500	2,500	
Prescription Refund	3,000	3,000	3,000	3,000	3,000	3,000	
Vision	1,010	1,085	1,166	1,252	1,345	1,445	
Dental	5,359	5,755	6,180	6,637	7,127	7,654	
Life Insurance	1,500	1,532	1,565	1,603	1,641	1,681	
Pension	57,008	58,637	60,314	62,039	63,814	65,641	
Clothing Allowance	2,000	2,042	2,087	2,137	2,188	2,241	
Total AFSCME Expenditures	\$598,010	\$617,802	\$642,521	\$663,999	\$686,053	\$709,176	
Initiatives							
WF05	Implement a Base Wage Freeze, Limited Lump Sums, Limited Wage Increases	0	7,057	18,776	22,680	26,697	30,830
WF06	Freeze Longevity Pay and Eligibility	0	800	1,700	2,700	3,300	3,900
WF10	Limit City's Costs for Employee Health Care	0	2,853	5,118	8,233	11,769	15,765
	Total Impact of Initiatives	0	10,710	25,594	33,613	41,766	50,496
	Maximum Expenditure Limit	\$598,010	\$607,092	\$616,927	\$630,386	\$644,286	\$658,680

Maximum Expenditures – Police Association

	<u>2015 Estimated</u>	<u>2016 Projected</u>	<u>2017 Projected</u>	<u>2018 Projected</u>	<u>2019 Projected</u>	<u>2020 Projected</u>
Police Association						
Salary	\$ 449,572	\$ 458,563	\$ 467,734	\$ 477,089	\$ 486,631	\$ 496,363
Longevity	12,750	14,050	15,350	16,775	18,300	19,875
Overtime 1.5x	60,000	60,000	60,000	60,000	60,000	60,000
Overtime 2x	17,000	17,000	17,000	17,000	17,000	17,000
Part-time	0	0	0	0	0	0
Medicare	9,733	9,882	10,034	10,190	10,350	10,514
Healthcare	132,400	142,330	153,005	164,481	176,817	190,078
Healthcare Deductible	3,000	3,000	3,000	3,000	3,000	3,000
Prescription Refund	1,900	1,900	1,900	1,900	1,900	1,900
Vision	1,000	1,060	1,124	1,191	1,262	1,338
Dental	6,000	6,450	6,933	7,453	8,012	8,613
Life	2,500	2,553	2,609	2,671	2,735	2,801
Pension	389,714	447,253	451,233	455,745	460,302	469,508
Clothing Allowance	7,000	7,000	7,000	7,000	7,000	7,000
Payout - Retiree	20,000	20,000	20,000	20,000	20,000	20,000
Healthcare - Retiree	70,512	75,800	81,485	87,597	94,167	101,229
Vision - Retiree	3,750	4,031	4,334	4,659	5,008	5,384
Dental - Retiree	800	860	925	994	1,068	1,149
Total Police Expenditure	\$1,185,718	\$1,269,820	\$1,301,753	\$1,335,832	\$1,371,641	\$1,413,840
Initiatives						
PD02, PD04, PD05	Hire & utilize part-time officers; Discontinue the provision of two officers per shift (except 1800-0200); Discontinue service 0300 to 0700	30,000	30,000	30,000	30,000	30,000
WF05	Implement a Base Wage Freeze, Limited Lump Sums, Limited Wage Increases	0	8,991	18,163	23,022	28,023
WF06	Freeze Longevity Pay and Eligibility	0	1,300	2,600	4,025	5,550
WF10	Limit City's Costs for Employee Health Care	0	3,225	6,871	10,980	15,594
Total Impact of Initiatives		30,000	43,516	57,634	68,026	79,167
Maximum Expenditure Limit		\$1,155,718	\$1,226,303	\$1,244,119	\$1,267,806	\$1,292,474

Maximum Expenditures – Non-Bargaining

	<u>2015 Estimated</u>	<u>2016 Projected</u>	<u>2017 Projected</u>	<u>2018 Projected</u>	<u>2019 Projected</u>	<u>2020 Projected</u>
Non Bargaining						
Salary	\$211,224	\$215,254	\$219,365	\$223,559	\$227,836	\$232,199
Part-time	25,000	25,000	25,000	25,000	25,000	25,000
FICA	16,159	16,467	16,781	17,102	17,429	17,763
Healthcare	108,163	116,276	124,996	134,371	144,449	155,282
Healthcare deductible	1,520	1,520	1,520	1,520	1,520	1,520
Prescription refund	2,150	2,150	2,150	2,150	2,150	2,150
Vision	741	797	856	921	990	1,064
Dental	3,967	4,265	4,584	4,928	5,298	5,695
Life Insurance	1,050	1,072	1,096	1,122	1,149	1,176
Pension	11,122	21,456	22,099	22,762	23,445	24,149
Total Non-Bargaining Expenditures	\$381,096	\$404,256	\$418,449	\$433,435	\$449,266	\$465,998
Initiatives						
EO05	City Council shall increase the salary of City Administrator to \$59,000 (Current Salary \$40,0000)	-20,448	-20,448	-20,448	-20,448	-20,448
EO06	City Council shall hire clerk to assist City Administrator (salary & benefits)	-40,000	-40,000	-40,000	-40,000	-40,000
WF05	Implement a Base Wage Freeze, Limited Lump Sums, Limited Wage Increases	0	4,030	8,142	10,223	12,366
WF10	Limit City's Costs for Employee Health Care	0	2,638	5,620	8,979	12,749
Total Impact of Initiatives		-60,448	-53,779	-46,686	-41,247	-35,332
Maximum Expenditure Limit		\$441,544	\$458,035	\$465,135	\$474,682	\$484,598

Maximum Expenditures – All Groups

	<u>2015 Estimated</u>	<u>2016 Projected</u>	<u>2017 Projected</u>	<u>2018 Projected</u>	<u>2019 Projected</u>	<u>2020 Projected</u>
All Groups						
Salary	\$1,013,644	\$1,033,723	\$1,058,724	\$1,079,705	\$1,101,105	\$1,122,933
Longevity	21,350	23,450	25,650	28,075	30,200	32,375
Overtime 1.5x	70,000	70,000	70,000	70,000	70,000	70,000
Overtime 2x	19,000	19,000	19,000	19,000	19,000	19,000
Part-time	25,000	25,000	25,000	25,000	25,000	25,000
Medicare	52,436	53,492	54,920	56,039	57,150	58,283
Healthcare	364,291	391,496	419,769	450,666	483,881	519,587
Healthcare Deductible	7,020	7,020	7,020	7,020	7,020	7,020
Prescription Refund	7,050	7,050	7,050	7,050	7,050	7,050
Vision	2,751	2,942	3,146	3,364	3,597	3,847
Dental	15,326	16,469	17,698	19,018	20,437	21,962
Life	5,050	5,156	5,269	5,396	5,525	5,658
Pension	457,844	527,346	533,646	540,546	547,561	559,298
Clothing Allowance	9,000	9,042	9,087	9,137	9,188	9,241
Payout - Retiree	20,000	20,000	20,000	20,000	20,000	20,000
Healthcare - Retiree	70,512	75,800	81,485	87,597	94,167	101,229
Vision - Retiree	3,750	4,031	4,334	4,659	5,008	5,384
Dental - Retiree	800	860	925	994	1,068	1,149
Total Workforce Expenditure	\$2,164,824	\$2,291,877	\$2,362,723	\$2,433,266	\$2,506,959	\$2,589,015
Initiatives						
EO05	City Council shall increase the salary of City Administrator to \$59,000 (Current Salary \$40,0000)	-20,448	-20,448	-20,448	-20,448	-20,448
EO06	City Council shall hire clerk to assist City Administrator (salary & benefits)	-40,000	-40,000	-40,000	-40,000	-40,000
PD02, PD04, PD05	Hire & utilize part-time officers; Discontinue the provision of two officers per shift (except 1800-0200); Discontinue service 0300 to 0700	30,000	30,000	30,000	30,000	30,000
WF05	Implement a Base Wage Freeze, Limited Lump Sums, Limited Wage Increases	0	20,079	45,080	55,924	67,086
WF06	Freeze Longevity Pay and Eligibility	0	2,100	4,300	6,725	8,850
WF10	Limit City's Costs for Employee Health Care	0	8,717	17,609	28,192	40,112
Total Impact of Initiatives	-30,448	448	36,542	60,393	85,601	112,651
Maximum Expenditure Limit	\$2,195,272	\$2,291,430	\$2,326,181	\$2,372,873	\$2,421,358	\$2,476,364

WF02. Use Professional Assistance for Labor Negotiations

- Target outcome:** Improved management capacity
- Six year financial impact:** Not available
- Responsible party:** City Administrator/City Council
- Impacted employee group:** All employee groups except non-represented employees

The City shall retain experienced public employment labor counsel for its labor relations activities throughout the period of the Act 47 Recovery 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. In addition to using the counsel for support in collective bargaining, the City shall also use counsel to review past practices that unnecessarily increase the cost of operations and are permissive subjects of bargaining. The City shall provide a list of such practices to the Act 47 Coordinator at the beginning of collective bargaining negotiations with each union. With the support of its labor counsel, the City shall make every good faith effort to achieve negotiated labor agreements consistent with this Recovery Plan.

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

- Target outcome:** Improved labor-management relations, improved efficiency and potential service improvements
- Six year financial impact:** Not available
- Responsible party:** City Administrator/City Council/ Department Heads
- Impacted employee group:** All employee groups

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. Such possible changes will require extensive study and may affect new employees. These task forces should explore all possibilities of providing services, including the use of non-City employees and volunteers, as may be appropriate. The City is unable to sustain its current structure and operations based on its available revenues and resources, and change, though often resisted and difficult, is necessary to achieve long-term financial stability.

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

Target outcome:	Cost reduction and improved efficiency
Six year financial impact:	Not available
Responsible party:	City Administrator/ City Council
Impacted employee group:	All employee groups

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 2015 and subsequent years (or any portion thereof) entered into or issued after adoption of this Recovery 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 are modified by this Recovery Plan;
- c) Any increase in pay or benefits associated with new duties, changes in duties, cross training or activities required by this Recovery Plan;
- d) Any new benefits or improvements in existing benefits, nor the continuation of existing benefits which are modified by this Recovery 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 are modified by this Recovery 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 is modified by this Recovery 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 are modified by this Recovery 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 are modified by this Recovery 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;⁶
- 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;
- 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,⁷
- 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;

⁶ 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.

⁷ 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.

- 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 this Recovery 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. Implement a Base Wage Freeze, Limited Lump Sums, Limited Wage Increases

Target outcome: Cost reduction

Six year financial impact: \$266,744
Note: Baseline projected costs included two percent (2%) wage increases for all employees for 2015 through 2020

Responsible party: City Administrator/ City Council

Impacted employee group: All employee groups, including management employees and full time elected officials

	Financial Impact						
	2015	2016	2017	2018	2019	2020	Total
AFSCME	0	7,057	18,776	22,680	26,697	30,830	106,040
Police Association	0	8,991	18,163	23,022	28,023	33,169	111,368
Non-Bargaining Unit	0	4,030	8,142	10,223	12,366	14,574	49,336

There shall be a base wage freeze for the first three years of each new collective bargaining agreement negotiated or arbitration award issued after the adoption of this Recovery Plan (or through December 31, 2017). Base wage increases in subsequent years shall be fully compliant with any new or revised Recovery Plans. Any collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind entered into after the adoption of the Recovery Plan may not extend beyond the date of this Recovery Plan, or of any new or revised Recovery Plan.

AFSCME employees may progress to the end of first year (80%), second year (90%) and third year (100%) steps in accordance with the current collective bargaining agreement. Police Association employees may progress through the 1st, 2nd, 3rd and 4th year 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.

This base wage freeze shall also apply to all non-represented employees, management employees, and full-time elected officials, effective January 1, 2015, and shall continue through 2020, except as specifically set forth in this Plan in Initiatives EO5 with respect to the City Administrator.

Upon the condition that the additional Earned Income Tax allowed and available to the City under Act 47 is approved by all of the required legislative bodies and courts, employees may receive the following non-recurring, one-time lump sum payment in each of the years as specified. An employee may receive a non-recurring, one-time lump sum payment equal to One and One-Half Percent (1.5%) of the employee's annual Base Salary in December of the following years: 2015, 2016, and 2017. These amounts shall only be paid to employees who are actively employed on the date of the payment. These amounts shall be based on the employee's hourly rate multiplied by 2080 hours provided the employee worked as a full-time employee for the entire prior 12 month period. If the employee is a part-time employee or was not actively employed during the entire prior 12 month period, such amount shall be pro-rated accordingly. These amounts shall not be added to the employee's base salary or hourly rate, as the ability to afford to pay these amounts is based upon the additional Earned Income Tax available to the City only while it is in Act 47. The projected cost of such lump sum payments for fiscal years 2015 through 2017 is \$45,617.

An employee may receive a One Percent (1%) increase in base salary for the following years: 2018, 2019 and 2020. The projected savings from the baseline projections associated with the base wage freeze for employees for fiscal years 2015 through 2017 are \$65,179. The net savings of the base wage freeze less the cost of the lump sum payments is \$19,545. The projected savings from the baseline projections associated with the 1% annual base wage increases for fiscal years 2018 through 2020 are \$201,585.

Wage Freeze/ Adjustment	2015	2016	2017	2018	2019	2020	Total
AFSCME	0	7,057	18,776	22,680	26,697	30,830	106,040
Police	0	8,991	18,163	23,022	28,023	33,169	111,368
Non-bargaining	0	4,030	8,142	10,223	12,366	14,574	49,336
Total Savings	0	20,079	45,080	55,924	67,086	78,574	266,744
Lump Sum Costs	2015	2016	2017	2018	2019	2020	Total
AFSCME	-5,293	-5,293	-5,293	0	0	0	-15,878
Police	-6,744	-6,744	-6,744	0	0	0	-20,231
Non-bargaining	-3,168	-3,168	-3,168	0	0	0	-9,505
Total Cost	-15,205	-15,205	-15,205	0	0	0	-45,614
Net Savings	2015	2016	2017	2018	2019	2020	Total
AFSCME	-5,293	1,764	13,483	22,680	26,697	30,830	90,162
Police	-6,744	2,248	11,419	23,022	28,023	33,169	91,137
Non-bargaining	-3,168	862	4,973	10,223	12,366	14,574	39,831
Total Cost	-15,205	4,874	29,875	55,924	67,086	78,574	221,130

WF06. Freeze Longevity Pay and Eligibility

- Target outcome:** Cost reduction
- Six year financial impact:** \$33,000
- Responsible party:** City Administrator/City Council
- Impacted employee group:** All employee groups

Employees who are currently eligible and receiving such pay shall have their longevity payment frozen at the current rate for the duration of this Recovery Plan. Longevity pay shall not be provided to employees hired after the date of adoption of this Plan or to current employees who do not reach eligibility for the payment before the expiration of their collective bargaining agreement.

The savings projected below reflect the application of this initiative to the City’s employees.

	Financial Impact						
	2015	2016	2017	2018	2019	2020	Total
AFSCME	0	800	1,700	2,700	3,300	3,900	12,400
Police Association	0	1,300	2,600	4,025	5,550	7,125	20,600
Non-Bargaining Unit	0	0	0	0	0	0	0

Overtime

Because overtime usage is driven by several factors, this Plan includes initiatives to help the City control the growth in this form of compensation. The initiatives in this chapter focus on collective bargaining agreement provisions that drive overtime costs. Initiatives in other chapters recommend operational changes to reduce the City’s overtime costs. When taken together, they will enable the City to control overtime costs. Paid leave time contributes significantly to the necessity and use of overtime, both in filling positions, as well as reducing the time available to provide necessary services.

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

Target outcome:	Cost reduction and increased productivity
Six year financial impact:	Specific impact unknown; cost studies required
Responsible party:	City Administrator/ City Council
Impacted employee group:	All employee groups

City of Shamokin employees currently receive a significant number of paid leave days annually, well in excess of many public employers and far greater than those provided by private employers. This impacts the City both in the level of services provided as well as financially. Days off, especially paid vacation and personal leave, generally require hiring additional employees to provide the services when other employees are on leave. Depending on the position, paid leave often requires other employees to fill the position on an overtime basis.

Like any kind of paid leave, sick leave can drive overtime expenses higher by creating vacancies that must be filled or work backlogs that must be reduced by employees working overtime. That potential is especially high with sick leave since the employee absences are unplanned and management has less time to adjust staff schedules to compensate for the absence. If overtime is not used, then fewer services are provided by the City.

The City shall undertake a thorough analysis and study and jointly develop with the relevant bargaining units a reduction in the number of paid leave days, following the guidelines set forth below. The City shall explore other leave models, such as paid time off. The changes shall be implemented as soon as possible for the non-represented employees. The changes shall be implemented as soon as lawfully possible for the AFSCME and Police Association employees.

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, i.e., \$20 per day for days 1 through 50, and \$50 per day for days 51 through 150. The maximum accumulation shall be no more than 150 days.

This initiative shall be implemented for management and other non-represented employees as soon as practicable after the adoption of the Recovery Plan, and for employees covered by labor agreements effective January 1, 2015, or as soon thereafter as such can be lawfully implemented.

The specific financial impact of this initiative cannot be determined at this time. A thorough study and analysis is necessary, which will vary by department and type of service provided. However, it is an important and critical initiative if the City is to reach economic and financial stability. As noted, the City is unable to financially support the level of services it currently provides, and the excessive leave provisions hinder the City's ability to both pay for and provide these necessary services.

WF08. Adjust Overtime Eligibility Thresholds to Reflect Hours Actually Worked

- Target outcome:** Cost reduction
- Six year financial impact:** Not available
- Responsible party:** City Administrator/ City Council
- Impacted employee group:** All employee groups

The City shall change the calculation of overtime eligibility such that 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.

This initiative shall be implemented for management and other non-represented employees as soon as practicable after the adoption of the Recovery Plan, and for employees covered by labor agreements effective January 1, 2015, or as soon thereafter as such can be lawfully implemented.

WF09. Limit Compensatory Time

- Target outcome:** Cost reduction and enhanced staffing
Six year financial impact: Limit future cost increases
Responsible party: City Administrator/ City Council
Impacted employee group: All employee groups

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 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; the maximum accumulation limit may be implemented in gradual steps from 2015 through 2020;
- There shall be no duplication or pyramiding of hours; and
- Compensatory time shall not be counted as hours worked for purposes of computing overtime.

This initiative shall be implemented for management and other non-represented employees as soon as practicable after the adoption of the Recovery Plan, and for employees covered by labor agreements effective January 1, 2015, or as soon thereafter as such can be lawfully implemented.

Fringe Benefits

WF10. Limit City’s Costs for Employee Health Care

- Target outcome:** Cost reduction
Six year financial impact: \$148,129
Responsible party: City Administrator/ City Council
Impacted employee group: All employee groups

As in other cities, managing the cost and containing the growth in the cost of employee health care coverage is critical to the City of Shamokin’s financial recovery. The City’s current health insurance benefits are very generous, with very low employee contributions for dependent and family coverage. The City must limit its costs for employee health care in future years. Both the cost of health care insurance and the rate of growth are clearly unsustainable based on any measurement of current or future revenues of the City.

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.

The current health care plans in effect as of the date of adoption of this Recovery Plan (and as were in effect as of January, 2015) shall continue for 2015, but 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.

For 2015 the employees shall continue to pay the same employee contributions as they are paying as of the date of adoption of the Recovery Plan. The goal is that these amounts are increased so that the minimum employee contributions for all employee groups shall be Ten Percent (10%) of the applicable monthly premium rate(s) for the tier(s) of coverage selected, without maximums. Currently employees pay the same contribution regardless of tier of coverage (single, employee and children, family). This should be modified during the Recovery Plan so that employees are paying 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 10% of the cost of single coverage, and an employee with family coverage pays a minimum of 10% 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 projected financial impact is shown below.

Financial Impact							
	2015	2016	2017	2018	2019	2020	Total
AFSCME	0	2,853	5,118	8,233	11,769	15,765	43,739
Police Association	0	3,225	6,871	10,980	15,594	20,762	57,432
Non-Bargaining Unit	0	2,638	5,620	8,979	12,749	16,972	46,958

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.

This initiative shall be implemented for management and other non-represented employees effective as soon after the adoption of the Recovery Plan as is practicable, and for employees covered by labor agreements effective the same date, or as soon thereafter as such can be lawfully implemented.

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

- Target outcome:** Cost reduction
- Six year financial impact:** Not available; long-term savings; will require actuarial study to make a determination
- Responsible party:** City Administrator/ City Council
- Impacted employee group:** All employee groups

The City of Shamokin provides post-retirement health benefits to its police employees. The City has not funded these benefits through any trust or other method, other than paying for the benefits on a “pay as you go” basis.

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

- The City shall no longer provide retiree healthcare to police employees hired following the date of adoption of this Recovery Plan (or such other date as is required in any applicable interest arbitration award issued prior to adoption of the Recovery Plan).
- 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 currently have this benefit.
- For all police employees retiring after the date of adoption of this Plan (or after the date of the expiration of an interest arbitration award issued prior to adoption of this Recovery Plan), the retiree may be enrolled in the same basic health plan 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. 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 primary impact of this initiative will be to improve the City’s long-term fiscal position, particularly in view of the City’s current and future liability for post-employment benefits. It is important to note that the financial projections included in this Recovery Plan do not include the costs of providing retiree health care to future retirees, but have only included the costs of providing retiree health care to those who have already retired and are currently receiving such benefits. 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. Eliminate Minimum Manning Requirements

- Target outcome:** Cost reduction
- Six year financial impact:** See *Police Department Initiative PD04*
- Responsible party:** City Administrator/ City Council
- Impacted employee group:** All employee groups

Although City officials may prefer to staff with a minimum of two police officers, as is required by the collective bargaining agreement with the Police Officers Association, the City is unable to economically support this level of staffing, and it is not necessary. The City must eliminate this requirement. See *Police Department Chapter*. 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.

This initiative shall be implemented for management and other non-represented employees immediately, and for employees covered by labor agreements effective the same date, or as soon thereafter as such can be lawfully implemented.

WF13. Eliminate Restrictions on Layoffs

- Target outcome:** Cost reduction
- Six year financial impact:** Not available
- Responsible party:** City Administrator/ City Council
- Impacted employee group:** All employee groups

The current AFSCME contract provides that there shall be no layoffs for economic reasons. This is an economically unrealistic and unsustainable provision. No municipality can function without the ability to lay off employees for economic reasons. The City must eliminate this provision. Further, 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.

This initiative shall be implemented for management and other non-represented employees immediately, and for employees covered by labor agreements effective the same date, or as soon thereafter as such can be lawfully implemented.

WF14. Eliminate Restrictions and Impediments to Hiring Part-Time Employees

- Target outcome:** Cost reduction
- Six year financial impact:** Not available
- Responsible party:** City Administrator/ City Council
- Impacted employee group:** All employee groups

The City should review whether the use of part-time employees would substantially reduce costs. The collective bargaining agreements must be revised to allow the use of part-time employees. Part-time employees shall not be used to replace the current complement of full-time employees, but rather to: 1) supplement the existing work force; 2) provide coverage for employees absent due to leaves; and 3) reduce overtime.

This initiative shall be implemented for management and other non-represented employees immediately, and for employees covered by labor agreements effective the same date, or as soon thereafter as such can be lawfully implemented.

WF15. Eliminate Restrictions on Regionalization, Shared Services and Cooperative Pacts

Target outcome:	Cost reduction
Six year financial impact:	Not available
Responsible party:	City Administrator/ City Council
Impacted employee group:	All employee groups

The City should continue to participate in the regionalization study concerning police department services. See *Police Department Chapter*. The City should also seek ways to reduce costs in other departments 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 be modified to delete any prohibitions and restrictions to such possible actions, while providing that the effects of any such actions shall be negotiated with the unions.

This initiative shall be implemented for management and other non-represented employees immediately, and for employees covered by labor agreements effective the same date, or as soon thereafter as such can be lawfully implemented.

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 entered into after the adoption date of this Recovery Plan.

Retirement Benefits

Overview

Like other municipalities within the Commonwealth of Pennsylvania, the City of Shamokin provides its eligible employees with a defined benefit pension plan as the principal vehicle for providing retirement income upon attainment of normal retirement age. These plans are identified in the following table.

Retirement Benefit Plans		
Employees Covered	Primary Retirement Plan	Plan Name
Police Employees	Defined Benefit (DB) Plan	City of Shamokin Police Pension Plan (the Police Plan)
Officers and Non-Uniformed	Defined Benefit (DB) Plan	City of Shamokin Officers and Employees' Retirement System (the Non-Uniformed Plan)

The Police Plan is a single employer defined benefit pension plan controlled by the provisions of Chapter 20 of the City Code, adopted by Ordinance 02-01, which has not been amended since adoption. The plan is also affected by the provisions of collective bargaining agreements between the City and its police officers as described more fully in the Workforce chapter of this Recovery Plan. The Police Plan is administered by the Police Pension Commission (the Police Commission).

The Non-Uniformed Plan is a defined benefit pension plan controlled by the provisions of Chapter 25 of the City Code, adopted by Ordinance No.02-02 as amended by Ordinance 03-01. The Non-Uniformed Plan is administered by the Officers and Employees Retirement Board (the Non-Uniformed Board).

Assessment

In the defined benefit type of retirement plan, the benefits are determined based upon a formula, and the monthly benefits upon retirement are guaranteed for life after vesting in the benefit has occurred. The benefit is generally based upon a percentage of final average pay using earnings history and years of service rather than contributions by the participant and market performance to provide an amount of retirement income. Therefore, the burden of funding the benefit generally falls almost completely on the employer except under those circumstances where the plan requires mandatory employee contributions as a result of collective bargaining, state law or otherwise.

Defined benefit pension plans were historically the principal vehicle for providing retirement income to employees in the U.S. prior to Internal Revenue Service (IRS) approval, in the 1970s, of the 401(k) defined contribution type of retirement plan. Now, in the U.S., the defined contribution retirement plan has replaced the defined benefit retirement plan as the principal vehicle for providing retirement income for employees in the private sector. Governmental employers are limited, under applicable federal U.S. tax law, from offering certain types of defined contribution plans to its employees and, coupled with a strong collective bargaining

preference for defined benefit plans, the defined benefit plan continues to be the principal source of retirement income for employees of most municipalities in the Commonwealth. The City of Shamokin is not unique among Pennsylvania municipalities with respect to utilization of defined benefit pension plans as the primary form of retirement income.

Pennsylvania municipalities are required, under the applicable governing Pennsylvania statutes, to make annual contributions to their employee pension benefit plans. As described more fully below, governmental defined benefit pension plans are exempt from many, but not all, of the provisions of the Internal Revenue Code of 1986, as amended (the Code) as well as the provisions of the Employee Retirement Income Security Act (ERISA) of 1974, as amended. Therefore, state law controls most of a governmental plan's operations. The Municipal Pension Funding Standard and Recovery Act (Act 205) is the primary source of the rules governing state aid to Pennsylvania's municipal retirement plans. The annual contributions required under Pennsylvania law are defined as the minimum municipal obligation (MMO). A municipality's MMO is funded from aid received by the municipality from the Commonwealth, employee contributions (if required under the terms of the plan), investment gain, if any, earned by the investment of prior years' contributions, as well as from the general revenues of the municipality (subject to certain limitations in the governing statutes).

The Commonwealth's portion of the funding obligation, in the form of state aid, is provided from a 2% foreign casualty insurance tax, a portion of the foreign fire insurance tax premium and any invested income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984 are eligible for state aid. If a municipal pension plan is established after that date, the sponsoring municipality must fully fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205 and the applicable provisions of the Code, the City of Shamokin's Police Plan and Non-Uniformed Plan are governed by implementing regulations adopted by the Public Employee Retirement Commission (PERC) published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to the following:

- Act 147 – Special Ad Hoc Municipal Police And Firefighter Post Retirement Adjustment Act;
- Act 317 – The Third Class City Code, Act of June 23, 1931, as amended;
- Act 362 – The Third Class City Code, Act of May 23, 1945;
- Act 600 - The Municipal Police Pension Law as amended by Act 30 and Act 51.

With respect to the two retirement plans, City officials are responsible for establishing and maintaining an internal control structure to provide reasonable assurances that such retirement plans are administered in accordance with applicable state and federal laws, regulations, contracts, administrative procedures and local ordinances and policies. As required by the provisions of Act 205, the Auditor General of the Commonwealth is required to conduct, at prescribed intervals, an audit of each plan of every municipality which receives general municipal pension system state aid and of every municipal pension plan and fund in which general municipal pension system state aid is deposited. In addition, each municipality

receiving state pension aid is required to make annual reports to the Auditor General and is required to submit biennial reports to Pennsylvania’s PERC.

As required by Act 205, the City submitted the last biennial report to PERC in March 2014 for the period ending January 1, 2013. These filings contain, among other things, a report showing the actuarial funded status of the plan, which is summarized as follows:

- The Police Plan – The Police Plan had an unfunded actuarial accrued liability of \$2,404,325 because the plan’s actuarial accrued liability (\$7,093,758) exceeded the plan’s actuarial value of assets (\$4,689,433) by this amount. This means that the plan is 66% funded on an actuarial basis. The plan’s funded status required an MMO payment by the City of \$161,484 for 2012.
- The Non-Uniformed Plan – The Non-Uniformed Plan had an unfunded actuarial accrued liability of \$221,391 because the plan’s actuarial accrued liability (\$782,299) exceeded the plan’s actuarial value of assets (\$560,908) by this amount. This means that the plan is 71.7% funded on an actuarial basis. The plan’s funded status required an MMO payment by the City of \$10,416 for 2012.

The funded status of the plans are based upon the current assumed rates of return for investment of plan assets (8%). As such, the underfunding of the plans may actually be more than this amount because the assumed rate of returns may be larger than the actual rates of returns that can be realized by investment of the plans’ assets. For example, if a 7.5% rate of return is assumed, this would increase the Police Plan’s unfunded actuarial accrual liability by \$54,097 (to \$2,458,422).

Although the Act 205 report for the period ending January 1, 2015 will not be completed and submitted to PERC until 2016, an actuarial analysis has been provided that updates the assets and liabilities of the plans as of January 1, 2015. As expected, the funded status of the plans has deteriorated significantly in the last two years.

City of Shamokin January 1, 2015 Funded Status

	Actuarial Accrued Liability	Actuarial Value of Assets	Funding Shortfall	Funded %
Police	\$7,621,741	\$4,899,740	(\$2,722,001)	64%
Non-Uniformed	\$934,813	\$510,429	(\$424,384)	55%

The foregoing actuarial analysis does not consider the cost to the City of the 3% service increment for service in excess of 20 years which is currently provided in the applicable collective bargaining agreement and included in Police Plan benefits. If the 3% service increment were properly included in the Police Plan’s actuarial analysis as required by Act 205, it would increase the plan’s accrued liability and funding deficiency by approximately \$453,676. This would also reduce the plan’s funded percentage to approximately 61%.

The following chart details the projected MMOs required for each of the plans for the period 2014 through 2019. These projected MMOs are based upon the current assumed rates of return for investment of plan assets (8%). As with the funded status of the plans, a lower actual rate of return will have a corresponding impact on increased MMOs.

City of Shamokin Projected MMOs

	Police	Non-Uniformed	Total	Increase (Decrease) over Baseline
2014 (Baseline)	\$206,311	\$13,193	\$219,504	
2015	\$319,714	\$68,131	\$387,845	\$168,341
2016 ¹	\$373,926	\$81,504	\$455,430	\$235,926
2017 ¹	\$376,693	\$82,189	\$458,882	\$239,378
2018 ²	\$380,460	\$83,011	\$463,471	\$243,967
2019 ²	\$384,265	\$83,841	\$468,106	\$248,602
Total Increase over Baseline				\$1,136,214

The foregoing MMO analysis does not consider the cost impact of the 3% service increment in the Police Plan for service in excess of 20 years. If the true cost of this service increment were included in the MMO calculations, the January 1, 2015 actuarial analysis for the Police Plan indicates that MMOs would increase by approximately \$74,000 *per year*.

City of Shamokin Projected MMOs with Police 3% Service Increment

	Police	Non-Uniformed	Total	Increase (Decrease) over Baseline
2014 (Baseline)	\$206,311	\$13,193	\$219,504	
2015	\$389,714	\$68,131	\$457,845	\$238,341
2016 ⁸	\$447,253	\$81,504	\$528,757	\$309,253
2017 ¹	\$451,233	\$82,189	\$533,422	\$313,918
2018 ⁹	\$455,745	\$83,011	\$538,756	\$319,252
2019 ²	\$460,302	\$83,841	\$544,143	\$324,639
Total Increase over Baseline				\$1,505,403

As required by Act 205, the staff of the Auditor General of the Commonwealth most recently audited the two pension plans maintained by the City for the period January 1, 2011 through December 31, 2012. The Auditor General issued its reports to the City in April 2014. The Auditor General noted deficiencies in both the Police Plan and the Non-Uniformed Plan. As discussed more fully below, there are several deficiencies in addition to those noted by the Auditor General in its report. The summary of findings for each plan is as follows:

- The Police Plan – The Auditor General found that (i) there were inconsistent and unauthorized benefits, (ii) there were pension benefits not authorized by the Third Class City Code, (iii) there was a failure to deposit the full amount of state aid into an eligible plan, (iv) there as a failure to pay the MMO to the plan and (v) the custodial account transactions were not adequately monitored by the City. For findings (i) and (ii), the Auditor General pointed out that these issues were also identified in a prior audit report and have yet to be corrected.

⁸ Please note that the MMOs for 2016 and 2017 are estimates provided in conjunction with the January 1, 2015 actuarial estimates and could change depending up future events

⁹ Please note that MMOs for 2018 and 2019 are not based on actuarial estimates and instead are extrapolations from the 2017 MMO estimate using a 1% per year increase in MMO requirements

- The Non-Uniformed Plan – The Auditor General found that (i) there was a failure to deposit the full amount of state aid into an eligible plan, (ii) that there was a failure to pay the MMO to the plan and (iii) the custodial account transactions were not adequately monitored by the City.

The retirement benefits currently provided by the City under its defined pension benefit plans, as modified by applicable collective bargaining agreements, are described in the chart below.

City of Shamokin Retirement Benefits Summary

	Police	Non-Uniformed
Pension Eligibility – Full Retirement	20 years of service (YOS) with no age requirement	Age 60 and 20 YOS
Benefit Formula	50% of final average salary	50% of final average salary offset by 40% of the primary social security benefit
Service Increments	Additional 2.5% of the pension benefit per YOS beyond 20 – capped at \$100/month CBA also provides an additional 3% of final average salary for each year past 20 (capped at an additional 15% of final average salary)	None
Final Average Salary	Greater of: (i) monthly salary at retirement or (ii) monthly salary at time of vesting or (iii) 1/12 th of average annual salary during any five years preceding retirement Salary is not defined	Greater of: (i) 1/12 th of average annual salary during any five years period of service or (ii) rate of monthly pay at the date of retirement Includes “salary or wages” or “monthly rate of pay” but does not explicitly exclude such items as vacation payments, expense allowances/reimbursements and payments to employee benefit plans
Early Retirement (Vesting)	Becomes fully vested after 12 years but benefit is reduced by ratio of actual YOS to YOS the member would have completed had he or she continued to be employed until the minimum retirement date	Becomes fully vested after 12 years. Benefits begin on date member would have been eligible for full benefits but benefit is reduced by ratio of actual YOS to YOS the member would have completed had he or she continued to be employed until the minimum retirement date. If at least 20 YOS but less than age 55 at termination, entitled to full pension (100%) if member continues contributions after termination of employment until member attains age 55. If less than 20 YOS, 3% of pension must be contributed back to plan each year until there have been 20 years of total contributions.
Contributions	5% of eligible compensation plus \$1 per month (for service increments) Interest is not credited to member accounts	4.5% of eligible compensation up to the social security wage base plus 6% over Interest is not credited to member accounts. Entitled to a return of contributions if terminate prior to 12 YOS
Disability	Full benefits (no age or service requirement) if disabled in the line of duty If not disabled in line of duty, 25% benefit if less than 10 YOS and 100% benefit if after 10 YOS	Full benefits if disabled under age 55 after completing 15 YOS whether disabled in line of duty or otherwise

Death Benefits	If dies while a police officer or after benefits have started, beneficiary receives 50% of the pension the member was receiving or was eligible to receive on the day of the member's death	If dies before retirement eligibility or after eligibility but before benefits begin, beneficiary can receive return of member contributions without interest If dies while in full employment after retirement eligibility or after benefits have started, beneficiary receives 50% of the pension the member was receiving or was eligible to receive on the day of the member's death
Purchasing Years	Can purchase up to 5 years of non-intervening military service (member contribution) Can purchase up to 2 years of service as a "special officer" of the City Cannot purchase YOS for intervening military service – automatically granted without cost to member A suspension from duty other than misconduct will count break service toward benefit at no cost to the member A suspension from duty for misconduct will not count as a break for continuity purposes but service during break will not count toward YOS	Can purchase credit for up to 6 years of intervening or non-intervening military service (member contribution) Can repurchase YOS after a return to employment if repay withdrawn accumulated contributions plus 5% interest compounded annually
DROP	None	None
Involuntary Termination	No provisions, although suspension service will not count as a break for continuity purposes (see Purchasing Years discussion)	Full pension (100%) if involuntarily terminated after 20 YOS
Automatic Increases	Automatic annual cost of living increase (maximum of 5% per year). Total benefit paid cannot exceed 50% of the current salary paid to a patrolman of the highest grade	No automatic increases

The pertinent provisions of the ordinance governing the Police Plan is at odds in one significant respect with the provisions of the applicable collective bargaining agreement. Specifically, the Police Plan ordinance does not provide the 3% per year of service over 20 service increment which is provided in the 2009 collective bargaining agreement.

As previously discussed, the provision of retirement benefits for employees of a Third Class city is governed by the provisions of the applicable Pennsylvania statutes. In addition to these statutes, the plans maintained by the City are subject to the provisions of the Code. Although governmental plans, as defined in ERISA, are generally exempt from many of the Code and ERISA requirements applicable to plans maintained by for-profit entities, a governmental plan is still subject to several provisions of the Code, including the requirements for "tax qualification" under Code Section 401(a). Unlike the for-profit sector, the failure of a governmental plan to meet the applicable requirements of the Code generally affects only plan participants and not the employer. For example, if a governmental plan is not maintained in accordance with the applicable provisions of the Code, a participant is prohibited from utilizing certain favorable federal income tax applications, including the ability to roll over amounts received from such governmental plan to an Individual Retirement Account or another for-profit or government employer's plan. In addition, the benefits may be considered to be constructively received, and subject to immediate taxation, as contributions are made and benefits are accrued instead of

being taxable only upon distribution or payment at retirement. The following provisions of the Code are generally applicable to governmental plans:

- The Code's provisions on taxation of distributions;
- The Code's requirement for a formal plan document;
- The formal plan document must provide that all assets are used exclusively for the benefit of participants and their beneficiaries;
- Pre-ERISA minimum vesting standards;
- The written plan must provide that forfeitures are not used to increase plan benefits;
- Required minimum distribution rules;
- Code Section 415 limits on maximum benefits and the plan must so state;
- Annual compensation limits contained in the Code for purpose of determining benefit amounts and the plan must so state;
- The plan document must provide and state the actuarial assumptions in order to preclude employer discretion and provide for definitely determinable benefits; and
- The provisions of Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) with respect to participants who perform military service.

Neither of the City's retirement plans have been submitted to the Internal Revenue Service for a determination that the plans meet the requirements of the Code. The failure to request and receive a favorable determination letter affects the tax-favored status of the plans' related trusts. The ordinances controlling both plans have not been amended to incorporate the required provisions of the Code, so the plans do not comply with the Code in form. This failure to meet the Code's qualification requirements jeopardizes the tax-favored status of the plans and could lead to immediate taxation for plan participants and beneficiaries. This failure to obtain tax qualification could also impose significant IRS penalties on the City if the IRS audits the City's plans.

Initiatives

The percentage of income replacement, particularly with respect to the Police Plan, exceeds normal-average benefit levels for municipal retirement plans (and greatly exceeds the benefit levels provided to employees in the private sector) and should be prospectively reduced during the collective bargaining process and otherwise. Some benefits provided under the plans violate the Third Class City Code and are illegal. In addition, there are several problems that have the potential to lead to possible governmental sanctions and confusion as to the current level of benefits. The following initiatives are intended to address these issues.

RET01. Prospectively Reduce the Level of Benefits

Target outcome:	Cost reduction
Six year financial impact:	Not available; will require actuarial study to make a determination
Responsible party:	City Administrator, City Council and Solicitor

The City shall explore the viability of prospectively replacing its pension plans with a defined contribution plan under Code Section 457 for future service. Federal tax law prohibits the use of a 401(k) plan for governmental employees, but a Code Section 457 plan, while not identical, can deliver a similar type of defined contribution retirement benefit as a 401(k) plan.

If the City concludes that a Code Section 457 plan is not a viable option, the City shall complete an actuarial study to determine if any of the following prospective changes to the City's retirement plans will reduce the amount of MMOs the City is required to contribute. If the actuarial study concludes that the change will have a positive impact on the City's MMOs, then the City shall implement the change on a prospective basis. If the City does not replace the pension plans with Code Section 457 plans, then all of the recommended cost reductions for the existing pension plans should be implemented, not just selected changes.

Police Plan – Prospectively eliminate automatic increases: The Police Plan currently provides that retirees automatically receive an annual increase in their pension of up to 5% per year. This is not customary practice in defined benefit pension plans and is an indirect way for retired employees to continue receiving enhanced benefits. This automatic increase should be eliminated. If a cost of living increase is still desired, it should be addressed on periodic ad hoc basis after the required Act 205 study is completed which indicates that a cost of living increase is permissible for such year.

Police Plan – Prospectively eliminate automatic credit for years of service due to a suspension of service or military service: The Police Plan currently provides that a member who is suspended for cause or for service in the military shall automatically receive credit for service during such suspension or leave. Although such suspension or leave should not constitute a break in continuous service, such period should only count toward years of service under the plan if the member pays an amount to the plan equal to the amount the member would have paid during such period plus an additional amount equivalent to the City's contributions that would have been made during such period.

RET02. Amend the Police Plan and Non-Uniformed Plan to Explicitly Exclude Fringe Benefits and Payments for Unused Leave from Definition of Average Salary

Target outcome:	Cost containment
Six year financial impact:	Not available; will require actuarial study to make a determination
Responsible party:	City Administrator, City Council and Solicitor

While the Police Plan and Non-Uniformed Plan specify the period for which average "salary" is determined, neither plan defines such term. Section 4309 of the Third Class City Code states that "salary" is defined as the fixed amount of compensation paid at regular, periodic intervals

and from which contributions have been deducted. The ordinances for both the Police Plan and the Non-Uniformed Plan will be amended to explicitly exclude components of a member's compensation that does not fit within such definition, such as the value of fringe benefits, payments of unused sick leave, vacation, personal leave or compensatory time.

A 2002 arbitration award requiring the inclusion of unused "vacation days, personal days, sick days and compensatory time" in determining the monthly retirement benefit with respect to one police officer was provided by the City shortly before this report was finalized. This arbitration award did not consider the findings of the Auditor General with respect to the illegality of including lump-sum payments for such unused time in the retirement benefit determination. The City did not challenge the arbitration award. Even though the City acquiesced with respect to this 2002 arbitration award, the City shall prospectively amend the ordinances to explicitly exclude the value of such compensation from the definition of average salary.

RET03. Explore Recovery of Overpayments to Police Members

Target outcome:	Cost recovery
Six year financial impact:	Not available; will require actuarial study to make a determination
Responsible party:	City Administrator, City Council and Solicitor

The report of the Auditor General found that there have been at least four instances, one each in 2005, 2008, 2009 and 2012, where a member's average salary was determined by taking into consideration elements of compensation that are not permitted to be included in "salary" under Section 4309 of the Third Class City Code. Specifically, unused compensatory time, sick leave, vacation and personal leave that was not earned during the computation period for determining average salary was considered to determine average salary. Including these impermissible elements of compensation results in larger benefit payments than the member is entitled to under the Third Class City Code. The City shall explore whether it can recoup such overpayments, with interest, to make the Police Plan whole.

RET04. Remove the Unlawful Service Increment from the Police CBA

Target outcome:	Ensure compliance and consistency
Six year financial impact:	Unknown
Responsible party:	Solicitor

The CBA governing the Police Plan provides that a member who completes more than 20 years of service receives a service increment for each year beyond 20 equal to 3% of annual pay up to a maximum additional benefit of 15% of annual pay. This benefit is not permitted under the Third Class City Code or Act 600 and is illegal. The ordinance governing the Police Plan does not provide for this benefit. The CBA shall be amended to remove this service increment. The City can explore replacing the 3% service increment with the service increment permitted under Section 5(f) of Act 600.

At the time this Plan was prepared, it was not clear if any retired members have been receiving payments for this service increment. The City shall complete an analysis to determine if any

retired members are receiving payments for this service increment. If so, the City shall explore the recoupment of these payments using the same procedure as outlined in RET03.

RET05. Freeze Benefit Levels for All Plans

Target outcome:	Cost containment
Six year financial impact:	Not available; will require actuarial study to make a determination
Responsible party:	City Administrator, City Council and Solicitor

The City shall not consider any further pension benefit enhancements in the collective bargaining process or otherwise. For this purpose, enhancements include, but are not limited to: increases in the benefit formula, enhancements to service increments, reductions in the percentage of compensation that members must contribute, changes to the definition of compensation that expand the sources of compensation, implementation of DROP, implementation of increases for retirees, or adding the ability to purchase years of service. Any potential increases in the salary base used for pension benefit calculations, including base pay, wages, longevity pay and other automatic, seniority-based pay increases shall be reviewed and applied to the applicable provisions in the retirement plan in order to determine their true cost.

RET06. Consolidate Administration of the City’s Two Retirement Plans

Target outcome:	Cost reduction and Improved Internal Controls
Six year financial impact:	Not available; will require benefit study to make a determination
Responsible party:	City Administrator, City Council and Solicitor

Each plan is administered by its own board or commission. Although the members of each board or commission serve without compensation, outside vendors (such as actuaries, investment consultants, trustees, investment managers and legal counsel) receive compensation for performing various services. Information with respect to the costs associated with utilizing these outside vendors is not available in the City’s records.

The City shall conduct a study comparing the total cost of administering each plan to see which model is most cost-effective. The City shall also explore the cost of utilizing the Pennsylvania Municipal Retirement System (PMRS) to administer the plans. The most cost effective model should then be used for both. If PMRS is not utilized, all assets from both plans shall be consolidated into one master trust, with one set of service providers. This consolidated structure may result in significant cost efficiencies and help address the Auditor General’s finding that the City’s internal controls are inadequate with respect to the administration of the plans.

RET07. Update Both Plans to Comply with IRS Qualification Requirements

Target outcome:	Minimize disqualification and IRS sanction risk
Six year financial impact:	Not available; impossible to project cost savings as disqualification expense is negotiated with IRS
Responsible party:	City Administrator, City Council and Solicitor

As discussed above, governmental plans, while subject to different tax-qualification rules than private employer plans, are still subject to a number of significant Code requirements. Neither the Police Plan nor the Non-Uniformed Plan has been amended to conform to the Code's qualification requirements, which exposes the plans and the City to disqualification risk and significant IRS sanctions. The City, therefore, shall amend the plan's ordinances to comply with the Code's qualification requirements. Depending upon the timeliness of certain amendments in the past, it may be necessary for the City to utilize the IRS' Employee Plan Compliance Resolution System for Governmental Plans in order to correct any defects and deficiencies in plan compliance with the Code. In light of the IRS' active audit program of governmental plans, this will minimize the potential for significant penalties and sanctions at a later date.

RET08. Seek IRS Determination Letter for Police and Non-Uniformed Plans

Target outcome:	Minimize disqualification and sanction risk
Six year financial impact:	Not available; impossible to project cost savings as disqualification expense is negotiated with IRS
Responsible party:	Solicitor

It appears that the City has not directly sought a determination from the IRS that the Police Plan or the Non-Uniformed Plan is qualified under the applicable provisions of the Code. The City shall, after completing the requirements of RET07, seek a favorable determination letter for the Police Plan and Non-Uniformed Plan. Depending upon the timeliness of certain amendments in the past, it may be necessary for the City to utilize the IRS' Employee Plan Compliance Resolution System for Governmental Plans in order to correct any defects and deficiencies in plan compliance with the Code prior to seeking an IRS determination. In light of the IRS' active audit program of governmental plans, this will minimize the potential for significant penalties and sanctions at a later date.

Administration, Accounts and Finance, Information Technology

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.
- The Accounting and Budget functions are combined with employees responsible for preparing the City's budget, recording the City's financial transactions, maintaining the general ledger, paying obligations due, and preparing payroll function. Historically these tasks have been performed by the City Administrator and City Treasurer.
- Remaining divisions administer and collect most of the City's non-tax revenues and certain taxes. Property taxes, Per Capita and Occupational taxes are collected by the City Treasurer. Berkheimer and Associates collects the City's Mercantile and Business Privilege as well as its Local Services Taxes. Beginning in 2014 Keystone Collections Group was engaged to collect Earned Income Taxes throughout Northumberland County. Prior to 2014 the City utilized Berkheimer and Associates to collect Earned Income Taxes. In 2013 the City switched to Powell, Rodgers and Speaks for the collection of delinquent Per Capita and Occupational Taxes. The County collects delinquent property taxes. Berkheimer and Associates remain responsible for the collection of all accounts it had prior to switching to Keystone Collections and Powell, Rodgers and Speaks respectively
- The Purchasing Function for the City is not centralized. There is no Purchasing Agent who handles purchasing for all City departments. Department supervisors are authorized to secure quotes for purchases up to \$500. Purchases of goods and services over \$500 but less than \$5,000 are required to receive approval from a "Purchasing Committee." The Purchasing Committee was to consist of the City Administrator, the Mayor and the Council member overseeing the group requesting the purchase. The procurement of goods or services over \$5,000 is done either through a formal bidding process or through the Request for Qualifications (RFQ) and Request for Proposal (RFP) process. City Council must approve any purchases over \$5,000, and all contracts. Purchases off the Pennsylvania state contract are allowed if they were previously approved by the Council.

Staffing

The administrative staff has decreased its budgeted headcount of two employees to one from 2013 and 2014.

	2010	2011	2012	2013	2014
City Administrator	1	1	1	1	1
HR Specialist	0	0	1	1	0
Total	1	1	2	2	1

Finances

The table below shows the City Administrator's expenditures excluding Information Technology for the period from 2009 through 2013, which has historically been budgeted in the Police Department.

Category	2009 Actual	2010 Actual	2012 Actual	2013 Actual	2014 Actual
Salary	35,301	36,090	35,539	37,136	49,451
Pension	0	0	0	0	0
Health Insurance	0	0	0	0	0
Other	392	866	67	300	535
Telephone	0	0	0	0	0
Total	35,693	36,957	35,605	37,436	49,986

Assessment

The City Administrator's office has been at the center of the financial crisis that has precipitated the City's entry into Act 47 to pursue a Recovery Plan. Given the financial constraints of the City, it has limited flexibility to add staff, even when needed. Further, there is virtually no foreseeable growth expected in City government revenues.

The City's financial records are based on the cash basis form of accounting. Under this method, expenses are recorded when the liability is paid, rather than when it is incurred. By example, a bill that is received in December 2014, but not paid until January 2015, is charged against the 2015 accounting period. In Shamokin, prior year revenues are not recorded when they become earned but instead are recorded when received. The City's use of the cash basis form of accounting directly contributed to masking the severity of its current financial crisis. For budgeting purposes beginning in 2015 the employee responsible for management of the City Pool, Information Technology, Parking meters, and traffic signals was moved under administration.

The City's Information Technology is in need of critical upgrades of both hardware and software. Most of the City's computers have exceeded their useful life and much of the software the City currently runs is no longer supported.

Only City Hall computers operate on a server that allows employees to access shared folders. All other computers operate as standalone units. Additionally, there is no backup system if the server goes down. The internet connection into City Hall must also be upgraded in order to conduct City business in an efficient manner.

Projections

The table below shows the City Administrator’s budgeted expenses for 2015 and projected baseline expenditures through 2020.

Projected Baseline Expenditures City Administrator						
Category	2015 Budget	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salary	45,000	45,900	46,818	47,754	48,709	49,684
Pension	4,569	14,706	15,147	15,602	16,070	16,552
Health Insurance	24,750	26,473	28,402	30,476	32,705	35,102
Other	545	556	569	582	596	611
Telephone	550	550	550	550	550	550
Total	75,414	88,185	91,486	94,964	98,631	102,498

Initiatives

The City Administrator will be one of the key leaders in implementing the Recovery Plan and balancing the City’s finances going forward. The initiatives below are focused on improving controls, communications, efficiencies (especially in use of technology), and reducing costs.

AFD01. Enhance or Replace the Fund Accounting, Budget and Financial Reporting Systems

Target outcome:	Increased accuracy and timeliness of financial reports
Six year financial impact:	(\$30,000 - \$50,000)
Responsible party:	City Administrator

The City has an integrated fund accounting and financial reporting system that includes a purchasing module billing or integrated licensing component that is currently not fully utilized.

The City should examine the capabilities of its current financial reporting software and, if found to be necessary, acquire and install an integrated fund accounting and financial reporting system that encompasses all City funds and divisions. The system should be capable of preparing standard financial statements consistent with governmental accounting and generally accepted accounting principles (GAAP). There exists a wide range of government financial software systems which are used successfully by a number of local governments. The City should either individually solicit proposals from software providers (for example: American Data Group, Tyler Incode, SAE 100 Fund Accounting, SAP – Accounting, the Financial Edge) or alternatively jointly solicit proposals with Coal Township, the Shamokin School District, or Northumberland County. The initial cost of acquiring and installing a financial software system

which includes general ledger, purchasing, accounting, budgeting and payroll, is approximately \$30,000 – \$50,000.

If the City is unable to identify grant funding to acquire an integrated municipal software system, further steps should be taken to ensure that all staffers are properly trained in the current systems use and functionality.

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 \$50,000 in financial assistance grants for upgrades to enhance or replace the fund accounting, budget and financial reporting systems.

Financial Impact						
2015	2016	2017	2018	2019	2020	Total
-\$15,000	-\$35,000	\$0	\$0	\$0	\$0	-\$50,000

AFD02. Preparation of Annual Modified Accrual Financial Statements

Target outcome:	Improved reporting and increased independence of annual audit
Six year financial impact:	Not available
Responsible party:	City Administrator

The City does not prepare its annual financial statements but relies upon the external auditor to prepare those statements as part of the annual audit. This reliance also reflects the lack of an integrated fund accounting and financial reporting system which would prepare a standard set of fund accounting statements including balance sheets and statements of revenues, expenditures and changes in fund balance.

The City should switch to a modified accrual system of accounting beginning in the fiscal year 2015. Switching to a modified accrual system will improve the City’s understanding of its financial performance and more accurately reflect its fiscal condition.

The City should develop the internal capacity – both systems and accounting skills – to generate its own financial statements without dependence upon the external auditor. That internal capacity would also avoid the potential conflict whereby the independent auditor is auditing their own financial statements. In addition, the City should use that software and additional data to prepare a Comprehensive Annual Financial Report (CAFR) that can be incorporated into various bond offering statements or other borrowing documents as used in soliciting bids for its recurring tax revenue anticipation note (TRAN’s) borrowing.

AFD03. Preparation of Interim Financial Statements, All Funds

Target outcome:	Improved management, information oversight and decision making
Six year financial impact:	Not available
Responsible party:	City Treasurer, City Controller, City Administrator

The City should prepare more detailed monthly and quarterly statements for purposes of monitoring the City’s operating budget for all funds. In particular, better and timely tracking of revenue collections and payroll expenditures, as well as overtime, are necessary for monitoring budget implementation. Monthly financial reports should include, but are not limited to, Balance Sheet, Budget vs. Actual and Cash Flow reports. The Act 47 Coordinator will help with the development of monthly financial reports.

In selecting and implementing any fund accounting and financial reporting system, the City should ensure the selected system can produce interim financial statements, particularly budget monitoring reports that compare monthly receipts and disbursements to budgeted amounts and prior year results. Such reports should be utilized for enhanced reporting to the City Council regarding budget status and any potential events such as revenue shortfalls or unanticipated spending (e.g., overtime) that could require budget amendments/revisions or other Council actions (e.g., imposition of budget reserves, spending reductions, allocations or other controls). The system requirements outlined in AFD01 above regarding an enhanced accounting system apply to monthly and quarterly reporting as well.

Interim financial statements should include all City funds.

AFD04. The City Administrator shall establish policies and procedures for processing bills.

Target outcome:	Improved expenditure control
Six year financial impact:	Not Available
Responsible party:	City Administrator, City Council

In the beginning of 2014 the Accounts and Finance Councilman drafted a procedure for the payment of bills however there is no formal policy on how invoices are processed in the City. An official policy should be created so that bills are processed on a fair and consistent basis and to ensure expenses are categorized correctly. The Administrator should play an active role to ensure the City has an efficient and effective process for bill payment that guarantees proper expenditure controls.

AFD05. Annual Budget Preparation and Documentation

Target outcome:	Improved oversight for City Council and Management
Six year financial impact:	Not available
Responsible party:	City Administrator, City Treasurer, City Controller, and City Council

The City should budget for all funds not just the General Fund. The City operates multiple funds in addition to the General Fund, these include but are not limited to the Liquid Fuels and Recreation Fund. All funds have an impact on the fiscal health of the City and should be budgeted appropriately to ensure fiscal responsibility and integrity.

The City did not use supporting schedules or other forms of documentation available for key components of the 2014 Budget, including but not limited to salary requirements (consistent with collective bargaining agreements), basis for key/major revenue projections, debt service requirements, and health care expenditure estimates.

The City should select and implement (or upgrade to) a new fund accounting and reporting system that includes a "Budget Preparation" module that will assist the City when preparing future budgets and documenting the assumptions and detailed data employed when preparing future budgets. In the interim, the City should identify, utilize, and save supporting documentation – including assumptions for revenue forecasts and expenditure projections – that were employed in developing the 2015 and future budgets. The City Council should also adopt procedures and documentation requirements to be included in all budgets and financial reporting submitted to the Council. In particular, this documentation and sources of estimates should be included in the budget submission to the City Council.

AFD06. Develop Financial Policies

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

The City should draft written financial policies encompassing areas such as purchasing, human resources, travel, accounting controls, debt management, and financial reserves / "rainy day fund" balances. Though certain procedural policies pertaining to these issues do exist in a brief form, there is a need for them to be formalized and clarified. As identified previously, the lack of personnel does not allow the City to have a complete segregation of duties.

The City should take the necessary steps to formally codify written policies by action of the City Council. Dependent upon resources, the City should work with its independent auditor to implement policies and practices that can improve internal controls. However, priority should be given to acquiring (or upgrading to) and implementing an integrated fund accounting and financial reporting package that incorporates contemporary controls and features that will, by definition, significantly improve the existing control structure.

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

AFD07. Cash Flow Reporting and Monitoring

Target outcome: Improved budget management and fiscal controls
Six year financial impact: Not available
Responsible party: City Administrator, City Treasurer, Act 47 Coordinator

The City does not have a cash flow reporting system, a critical and basic tool for ensuring there is sufficient revenue to cover obligations as they come due. Such a tool is even more critical when a City, such as Shamokin, is struggling to balance revenues and expenses like Shamokin is. In prior years, the City held on to outstanding bills to limit month-to-month shortfalls and depended on the use of Tax Revenue Anticipation Notes to stabilize cash flows. With no fund balance available, the need for this regular cash management is essential.

AFD08. Develop the Annual Budget Document and 3 to 5 Year Outlook

Target outcome: Improved budget management and fiscal controls
Six year financial impact: Not available
Responsible party: City Administrator, City Treasurer, Act 47 Coordinator

The City's annual budget document is a listing of revenues and expenditures with no narrative, context or strategic explanations. It is not possible for the reader to grasp the context for proposed spending, challenges and opportunities in the coming year or trends in revenue. Prior to 2014 the City of Shamokin's budget had not been reviewed by or had the input of City supervisors in its development. The lack of input from City staff on the development of annual budgets helped created budgets that were both unrealistic and misleading. This led to mistrust between the City, its employees and the public at large.

Future budgets shall include:

- A budget message that describes priorities and issues for the budget for the coming year.
- Initial summary tables and charts that represent how the City receives and spends its money, key budget trends, underlying assumptions and other basic information.
- Revenues and expenditures by major class for at least the three prior years, current year budget, and current year estimated, proposed budget, and three to five subsequent years. This information shall be presented to facilitate understanding of recent trends and the potential effect of the budget proposal. Fund balance shall be shown for each major fund as a figure and percentage of revenues and expenditures.
- An organization chart and a description of activities or services carried out by organizational units.

- Notes and descriptive text as needed to explain variances, changes, one-time events and unusual trends.
- Additional details shall be provided on major expenditures with a detailed breakout for individual items over \$50,000.

To provide additional incentive for improving its budget, the City should set a goal to achieve the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for Excellence in Budgeting within the next five years. Examples of award-winning budgets and standards for a strong budget are available through the GFOA.

AFD09. Adopt Fund Balance Policies

Target outcome:	Improved financial controls
Six year financial impact:	Not available
Responsible party:	City Council

The City had a history of using one time revenue sources and using any funding available in order to pay bills as they came due. All past general fund balances have been used to fund the growing deficit in the general fund, and would currently be in a negative position if it was not for an emergency loan received from the Commonwealth. The decrease in revenues, together with lack of revenue growth, has led to the financial strain that caused the City to apply for Act 47 eligibility.

While this Recovery Plan projects that the City’s budget will be narrowly balanced through 2018, it is possible that the City could outperform projections through better-than-expected revenue performance, additional cost savings achieved or from an unanticipated “windfall” financial benefit. The Government Finance Officers Association (GFOA) recommends “at a minimum, general purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than 5 to 15 percent of regular general fund operating revenues.” To the extent that the City outperforms projections, the City shall seek to build and maintain an undesignated Fund balance equal to 5 to 15 percent of annual recurring Fund revenues (approximately \$185 thousand to \$550 thousand if revenues are \$3.7 million, \$145 thousand to \$430 thousand for General Fund if revenues are \$2.9 million). Any additional surplus shall be directed toward a dedicated Capital Reserve fund or the reduction of the City’s debt service obligations.

The City should ensure that the Fund Balance Policy adopted meets GASB 54.

AFD10. Reduce Manual Processes

Target outcome:	Improved efficiency; improved record accuracy
Six year financial impact:	Not available
Responsible party:	City Administrator

The City Administrator shall conduct an internal audit to identify processes and procedures where there is unnecessary manual data entry, data re-entry, document distribution in hard copies, and other inefficiencies. The City Administrator shall work with City Staff to

identify and implement solutions that will reduce these inefficient, duplicative, or paper-based processes and make the fullest use possible of existing technology. See Codes Enforcement Chapter

AFD11. Shared Services and Joint Purchasing of Utilities (including reverse auctions of Utility Services)

Target outcome:	Reduced costs
Six year financial impact:	Not available
Responsible party:	City Administrator and Public Works Supervisor

In addition to the cost reduction initiative for utilities in AFD12, the City should pursue lower rates through direct negotiation or a reverse energy auction. A reverse auction is an internet-based method of bidding for a supply of goods. In a reverse auction, pre-qualified contractors make blind bids in real-time in an online forum during a specified time period. Usually, when a lower price is given a few moments before the end of the auction, the deadline is extended. Online reverse energy auctions have become a popular means for public and private entities to procure lower energy costs.

Utility usage may also be reduced by investing in energy efficiency improvements. In some cases the improvements can be funded directly from the savings they generate. Also, as energy conservation emerges as a national priority, the City should be alert for federal, Commonwealth, and other external grant opportunities. The American Legion building should be placed as priority for review.

The City shall also pursue opportunities to work with other governments, especially Northumberland County and the Shamokin Area School District, to reduce utility costs. One possibility is to establish a utility cooperative with the Shamokin-Coal Township Joint Sewer Authority, County, School District, Coal Township, and others to leverage the combined higher usage to negotiate lower rates.

For further discussion of shared services, see the Intergovernmental Chapter.

AFD12. Evaluate Shared Technology Infrastructure, Applications, and General Administrative (Procurement, HR/Payroll, etc.) Functions with the Shamokin Area School District, Shamokin-Coal Township Joint Sewer Authority and Northumberland County

Target outcome:	Cost reduction, improved technology and reporting
Six year financial impact:	Not available
Responsible party:	City Supervisors, City Administrator and City Council

Convene a working group with representatives of the above mentioned governments, and include public members appointed by each government, to examine and recommend increased sharing of costs and services which will reduce costs to all taxpayers in the Northumberland County area.

AFD13. Upgrade computer software and hardware

Target outcome:	Cost reduction, improved operation, reporting and efficiency
Six year financial impact:	See AFD01
Responsible party:	Chief Information Technology and Facilities Technician, City Administrator and City Council

The City must upgrade its existing computer systems in order to ensure data integrity and operational efficiency. Upgrades to City computer systems will provide the City with redundant systems required and improve data sharing.

Capital Improvement Program & Budget Process

Overview

The City of Shamokin's capital improvement program and budgeting process for the capital improvement program is currently nonexistent. The City currently does not administer a capital improvement program ("CIP"), and the City does not have written procedures that define the term "capital project," nor a set of criteria for selecting or prioritizing projects in the capital plan. The City also lacks both a formal procedure to monitor capital budgets and the financial information for each approved project.

Over the past several years, the City has not funded a CIP due to inadequate funds. A capital improvement program that builds and preserves infrastructure and technology systems is an essential part of stability and promoting economic expansion in Shamokin.

Because the City has not funded annual capital budgets, capital projects have been accumulating to a point that the City will need to either borrow for projects that are normally funded from its annual operating budget, continue to fund only a portion of its capital needs while it strives to balance its operating budget or a combination of the two methods.

The City's past practice for acquiring capital equipment or undertaking capital projects has been on an as needed basis and has been reactionary as opposed to proactive. Historically, City employees have approached Council regarding their capital needs. The Mayor and Council then decide what is acquired. While the Council has to make difficult decisions about how best to allocate limited resources, it should 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, the City currently does not have formal procedures for the development, coordination and implementation of a CIP. The City must adopt policies and procedures that prescribe the specific development and implementation of a capital improvement program as described in more detail below.

The capital improvement process needs to be based on best practices and account for the City's limited financial resources for the CIP. It must clarify the roles of its employees, the City Administrator, Mayor and City Council. To best address the City's capital needs within the constraints of limited resources, Shamokin needs to set clear criteria for prioritizing and selecting capital investments that:

- Protect the health and safety of the public and employees;
- Advance the implementation of a Comprehensive Plan;
- Invest in core infrastructure and equipment needs; and
- Shows the impact of capital investments on the operating budget.

In addition, the City must make significant improvements to the management of the capital plan and budget in order to ensure that projects in the CIP are active, completed on time and within budget. Council should be consulted on the projects included in the capital plan. The CIP should be an integral part of City governance. The current capital needs of the City, the financial constraints of the capital budget, and the growing burdens on operating revenues should be considered in whole. If the demands of the capital plan cannot be met then the operations that drive those capital needs should be reevaluated and aligned with the financial limitations of the capital and operating budgets over a multi-year period.

Definition of Capital Eligible Projects

The City will need to formally define a “capital project.” A Capital Improvement Project (“capital project”) may include any project funded by public monies, in whole or in part, or proposed to be funded by public monies, in whole or in part, to build, restore, retain, rehabilitate, purchase or repurchase any equipment, property, facility, infrastructure, hardware for information technology, park facility, or building that is neither funded annually or repeats in any way the intent of a previous project and is to be used for the public benefit or is a public asset. Capital projects shall have a minimum value of fifty thousand dollars (\$50,000) and have a minimum useful life as defined by the City. All capital projects that are less than \$50,000 and have a shorter useful life than defined by the City as an eligible capital project, should be included in the City’s annual operating budget.

Future Challenges

There are significant challenges facing the City with respect to the development of its CIP. The City’s current process will need to be improved in order to strengthen its CIP.

- The City must develop and adopt a formal process for the development and implementation of the CIP, such as creating a CIP Committee. The CIP Committee needs to align with a best practices approach to the development of the City’s CIP. The challenge for the City is to implement the action steps necessary to formalize the CIP into a regular annual process that ensures that the limited resources of the City are being applied to the highest priority projects.
- The City Administrator and the City employees will need to be more involved in the development and implementation of the City’s CIP. A regular communication protocol between employees, the Mayor and Council must be established to develop both the high priority projects and the plan to fund the projects included in the City’s CIP.
- The City has not been able to sufficiently invest capital into the infrastructure of the City during the past several years due to its financial distress. The prioritization of the CIP projects needs to be realistic and based on a needs assessment.

Initiatives

CB01. Create a five year Capital Improvement Plan

Target outcome:	Transparency; Improved Coordination
Six year financial impact:	Not Available
Responsible party:	City Administrator; Public Works Supervisor

Beginning in 2015, the City shall establish a five year capital improvement plan that includes eligible capital projects, with sufficient detail for each project, and listed in order of priority for funding, subject to annual review and amendment. The plan should include preliminary funding levels, sources for each of the five years and a formal budget for review, modification and adoption by the Council for the first year (fiscal year 2016). The first five year plan developed under this process would be for the period 2016-2020.

The CIP must be updated on an annual basis and must be the responsibility of the City Administrator. The CIP will be presented and approved by City Council in connection with the City's annual budget. The CIP document will provide the City Administrator and City Council with an opportunity to discuss the projects to be included in the CIP and the performance of the CIP projects including: (i) original project budget compared to final cost; (ii) estimated project completion date compared to actual completion date; (iii) cumulative CIP expenditures; and (iv) the overall impact to the City both from financial and economic perspectives.

The annual CIP document presented to City Council by the City Administrator shall include the following:

- A narrative review that details CIP project priorities for the upcoming budget year.
- A description of the CIP development process that the City Administrator conducted during the year and how the CIP projects were selected to be included.
- A summary of the CIP by project type and department.
- Individual descriptions of each project included in the CIP for the upcoming budget year. The description of each project will detail the project's location, project summary, estimated cost, estimated completion date and the project's estimated operational cost or savings.
- Funding source and/or capital borrowings
- Impact of capital improvements on operating budget

The creation of the annual CIP document will allow the City to prioritize its capital projects within the framework of its limited resources. It will allow City Council an opportunity to comment on the projects and provide the public an opportunity to comment on the City's projects.

CB02. Increased Involvement of City Employees in the CIP Process

Target outcome: Transparency; Improved Coordination
Six year financial impact: Not Available
Responsible party: City Administrator; City Supervisors

The City Administrator and City Supervisors must establish a process to develop the City’s CIP on an annual basis. The City Administrator and City Supervisors will meet on a quarterly basis, at a minimum, to prioritize and establish the projects to be included in the 5 year CIP and the projects to be funded in the next budget year. This process will allow the City Administrator to have a better idea about projects that need to be prioritized, and the City Supervisors will gain a better understanding of the City’s limited financial position and how projects need to be prioritized for funding and implementation.

When the City Administrator presents the CIP to City Council with the budget on an annual basis, the City Administrator and the City Supervisors will be able to give City Council and the public a greater understanding of the priority projects and the impact they will have on the City.

CB03. Funding of Priority Capital Projects

Target outcome: Improved Services
Six year financial impact: TBD
Responsible party: City Administrator; Public Works Supervisor; City Council

The City staff has provided the Act 47 Coordinator with a list of capital projects it desires to fund in fiscal years 2016 through 2020. Over the past several years, many of these projects have not been funded due to financial constraints on the operating budget.

The City needs to prioritize and budget for routine expenses in the various departments.

There are several projects requested by the City in fiscal years 2016 and 2020 that the Act 47 Coordinator suggests can be funded through the issuance of the debt. The total amount of the projects to be included in the anticipated debt issuance are listed below by department. The City must research and apply for grants to help offset all capital costs incurred. Projects and equipment which receive grant funding should be acquired before those which do not.

Projects to be Funded Through Debt

<u>Capital Expense</u>	<u>2016</u>	<u>Capital Expense</u>	<u>2017</u>	<u>Capital Expense</u>	<u>2018</u>	<u>Total</u>
Public Works Equipment						
Salt Storage Rehab	\$50,000	Street Sweeper	\$125,000			
Backhoe	100,000	Large Dump Truck w/plow	100,000			
Lawn Mower	20,000	Paving Roller	20,000			415,000
Public Works Projects						
Rebuild City Steps	250,000	Rebuild City Steps	250,000	7th Street Wall Restoration	900,000	\$1,400,000
Community Development Projects						
Legion Building Rehabilitation	1,500,000		1,500,000			\$3,000,000
Pool Rehabilitation	<u> </u>	Pool Rehabilitation	<u>334,000</u>			
	\$1,920,000		\$2,329,000		\$900,000	\$5,149,000

Assuming the City would fund half of the amount listed above by issuing debt that would amortize over a twenty (20) year period with wrapped debt service. Based on current estimated interest rates for tax-exempt debt, the annual debt service obligations for the capital projects above would be approximately \$170,000 per year. The table below shows the estimated financial impact of issuing debt to fund the amount in the table above through the issuance of debt.

Financial Impact

<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Total</u>
-\$157,650	-\$157,200	-\$166,750	-\$181,000	-\$184,800	-\$847,400

CB04. Capital Budget Financing

Target outcome:	Transparency; Improved Services
Six year financial impact:	Not Available
Responsible party:	City Administrator; Accounts and Finance Council Member

Initiatives CB01 and CB02 address the process that the City will undertake to establish the projects to be included in the CIP. The other component of a successful CIP is the funding of the identified projects. There are two traditional ways to fund capital projects, issuing debt or using funds from the City's operating budget.

Debt financing for capital projects would allow the City to pay for its capital projects over a period of time through the payment of debt service. Using funds from the annual operating budget to fund capital projects limits the amount of capital projects that the City can fund on an annual basis due to the City's current limited financial resources. External funding in the form of

grants from federal and state should be sought by the City and can be used to supplement its efforts to fund its capital projects.

The City will have difficulty funding capital projects through the issuance of debt or allocating funds from operations based on the City's current financial position. Any debt issued to fund capital projects will increase the City's annual debt service requirements and add to the City's current operating deficits. The City's priority must be to bring the City's operations into balance prior to funding new capital projects.

The City shall not issue any additional debt without the approval of the Act 47 Coordinator, including debt intended to fund capital projects (other than the amount identified in CB03 and the Debt Chapter of the Recovery Plan). Upon adoption of the Recovery Plan, the Act 47 Coordinator will work with the City Administrator and City Supervisors to assist in the CIP process and to establish priority projects. As the City makes progress towards financial stability, it will be able to financially support additional debt to fund its CIP.

CB05. Establish Capital Reserve Fund

Target outcome:	Improved Financial Controls
Six year financial impact:	Not Available
Responsible party:	City Administrator; Accounts and Finance Council Member

Establishment of a Capital Reserve Fund will improve the City's fiscal health, help fund both expected and unexpected capital needs, limit the burden on the Debt Service and General Funds and address fiscal emergencies.

Community and Economic Development

Overview

Organization and Operating Budget

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. “The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. CDBG is an important tool for helping local governments tackle serious challenges facing their communities. The CDBG program has made a difference in the lives of millions of people and their communities across the Nation.”¹⁰

The City’s CDBG allocation is 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.

The Community Development Officer is responsible for administering the City's Community Development Block Grant program (CDBG). Each year the city is entitled to CDBG funds based upon a formula conducted 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.¹¹

In the 2014 program year, the City’s CDBG budget was \$288,311, of which \$51,896 was allocated for administrative expenses.

Staff Positions and Funding Sources Community Development

Position	2011		2012		2013		2014	
	Budget Position	Funding Source	Budget Position	Funding Source	Budget Position	Funding Source	Budget Position	Funding Source
Community Development Officer	1	CDBG	1	CDBG	1	CDBG	1	CDBG

Source: City of Shamokin, 2011-2014 CDBG Budget and Payroll Records

¹⁰ http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs

¹¹ http://www.shamokincity.org/city_administration.htm

CDBG Program

The activities supported by the greatest expenditures of CDBG funds since 2011 are shown below. The City's street improvement program, the demolition of blighted properties and recreation have remained consistent priorities. It is noteworthy that, in all the years shown, the City's budgeted expenditure for administration is 18%, the maximum amount allowed under current DCED expenditure limitations for a particular award year.

It should be noted that 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.

CDBG Expenditures & Timeliness by Category, 2011-14

Use:	FY 2011					Grant Balance
	Original Budget	Amended Budget	% of Amended Budget	Expenditures to Date		
Administration	56,657	56,657	18%	56,657	-	
Street Improvements (Multi-year)	40,673	29,731	9%	29,731	-	
Clearance/Demolition (Multi-year)	77,431	24,000	8%	24,000	-	
Recreation (Multi-year)	100,000	129,374	41%	44,920	84,454	
Codes Enforcement	-	-	0%	-	-	
Community Garden	-	35,000	11%	35,000	-	
Fire Engine (Multi-year)	40,000	40,000	13%	40,000	-	
Total	314,762	314,762	100%	230,308	84,454	

FY 2012

Use:	Original Budget	Amended Budget	% of Amended Budget	Expenditures to Date	Grant Balance
Administration	54,000	54,000	18%	15,596	38,404
Street Improvements (Multi-year)	66,100	66,100	22%	66,100	-
Clearance/Demolition (Multi-year)	73,800	73,800	25%	4,061	69,740
Recreation (Multi-year)	66,100	66,100	22%	55,700	10,400
Codes Enforcement	-	-	0%	-	-
Community Garden	-	-	0%	-	-
Fire Engine (Multi-year)	40,000	40,000	13%	40,000	-
Total	300,000	300,000	100%	181,457	118,543

FY 2013

Use:	Original Budget	Amended Budget	% of Amended Budget	Expenditures to Date	Grant Balance
Administration	54,000	54,000	18%	-	54,000
Street Improvements (Multi-year)	58,600	58,600	20%	35,872	22,728
Clearance/Demolition (Multi-year)	73,800	73,800	25%	-	73,800
Recreation (Multi-year)	58,600	58,600	20%	-	58,600
Codes Enforcement	15,000	15,000	5%	-	15,000
Community Garden	-	-	0%	-	-
Fire Engine (Multi-year)	40,000	40,000	13%	40,000	-
Total	300,000	300,000	100%	75,872	224,128

FY 2014

Use:	Original Budget	Amended Budget	% of Amended Budget	Expenditures to Date	Grant Balance
Administration	51,896	51,896	18%	-	51,896
Street Improvements (Multi-year)	60,491	60,491	21%	-	60,491
Clearance/Demolition (Multi-year)	70,925	70,925	25%	-	70,925
Recreation (Multi-year)	50,000	50,000	17%	-	50,000
Codes Enforcement	15,000	15,000	5%	-	15,000
Community Garden	-	-	0%	-	-
Fire Engine (Multi-year)	40,000	40,000	14%	-	40,000
Total	288,311	288,311	100%	-	288,311

FY 2011 to 2014

Use:	Original Budget	Amended Budget	% of Amended Budget	Expenditures to Date	Grant Balance
Administration	216,553	216,553	18%	59,854	144,300
Street Improvements (Multi-year)	225,864	214,922	18%	29,731	83,219
Clearance/Demolition (Multi-year)	295,956	242,525	20%	24,000	214,465
Recreation (Multi-year)	274,700	304,074	25%	100,620	203,454
Codes Enforcement	30,000	30,000	2%	-	30,000
Community Garden	-	35,000	3%	-	-
Fire Engine (Multi-year)	160,000	160,000	13%	75,000	40,000
Total FY 2011-2014	1,203,073	1,203,073	100%	289,205	715,437

Source: City of Shamokin's CDBG Budgets

In the past the City chose to spend little to none of its CDBG funding on economic development activities, while other cities spend a significant amount in support of this activity. A city's ability to use CDBG funding to support an economic development project that may be a priority in a particular year remains an important feature of this program, one of which the City should consider supporting moving forward.

Community Development – Projections

Category	2015 Budgeted	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salary ⁽¹⁾	30,500	31,077	31,698	32,332	32,979	33,638
Health Insurance	23,025	24,592	26,437	28,420	30,551	32,842
Other	50,000	304,495	0	0	0	0
Total	103,525	360,164	58,135	60,752	63,530	66,481

(1) Salary includes gross department salaries, regardless of funding source.

Assessment

Community Development and Economic Development

As indicated by the expenditure and timeliness of funds reporting summarized in the preceding section, the City has struggled to complete budgeted projects in a timely manner with respect to the administration of CDBG funds. From 2011 to 2013 the City was awarded \$914,000 in CDBG funding, of which \$427,125 remains unspent.

The City is not a direct grantee of CDBG funds from HUD but receives its funding as a pass through from the DCED. HUD requires direct grantees to pass a "Timeliness Test" annually. HUD's Timeliness Test compares the funds available to be drawn to the amount of the grantees current allocation. If the balance exceeds 1.5 the grantee fails the Timeliness Test and HUD removes any excess funding. The City's current balance is 1.43 times its 2013 allocation which would pass the timeliness test.

For the most part projects funded by the CDBG budget remain constants, 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. The City must do more to engage its citizens to participate in the selection of projects and initiatives that will shape the future of the Shamokin.

Initiatives

CD01. Produce quarterly status reports on project spending and progress

Target outcome:	More efficient resource allocation and improved timeliness
Six year financial impact:	Not Available
Responsible party:	Community Development Officer

The Community Development Officer currently provides Council monthly bill list and status of funds reports however, as reflected in the tables above many of the City's approved projects are one year behind schedule. Moving forward quarterly reports should include an explanation of any issues delaying approved projects and how the City is remedying 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.

When funding is allocated to projects which are not timely completed, the City continues to fall further behind in addressing quality of life issues and risks having approved funding returned to the granting authority.

CD02. Adopt Performance Metrics for Approved Projects

Target outcome:	More efficient resource allocation and improved cost accounting
Six year financial impact:	Not Available
Responsible party:	Community Development Officer

In order to ensure that approved projects are completed effectively, the City should establish performance metrics. Performance reports should be completed on a quarterly basis and should include at minimum the following metrics.

- Budget vs Actual Expenditures.
- Where applicable cost per unit (for example, cost per demo, cost per linear foot of paving, cost per citizens served).
- Percent of projects on schedule.

CD03. Establish Policy for Evaluation and Selection of Projects

Target outcome: Reliable, consistent and transparent selection of projects

Six year financial impact: Not Available

Responsible party: Community Development Officer

The City holds public meetings annually to discuss and receive public input on proposed projects as required, however, public input is minimal to nonexistent. In addition the type of projects approved for funding remain practically unchanged year over year.

“A grantee must develop and follow a detailed plan that provides for and encourages citizen participation. This integral process emphasizes participation by persons of low or moderate income, particularly residents of predominantly low- and moderate-income neighborhoods, slum or blighted areas, and areas in which the grantee proposes to use CDBG funds.”¹²

CD04. Target Community Development Projects to Selected Areas and the Downtown, by leveraging additional public and private sector funding

Target outcome: Improving critical mass of selected areas to combat blight and encourage private investment

Six year financial impact: Not Available

Responsible party: Community Development Officer and City Administrator

Community Development funding should be targeted to neighborhoods adjacent to and near the downtown business district, in order to reinforce future downtown improvements and to improve the marketability of real estate in neighborhoods.

A strategy for downtown should be developed using the guidelines outlined by the Commonwealth’s Keystone Communities (KC) program.

CD05. Fund Infrastructure Improvements in Areas Selected for Targeted Neighborhood Improvement Strategies

Target outcome: Targeting the allocation of available resources in order to produce greater impact

Six year financial impact: Not Available

Responsible party: Community Development Officer

Infrastructure improvements for which funds are budgeted in the CIP should be targeted to neighborhoods in which other targeted neighborhood improvement initiatives are being undertaken. Infrastructure repair and replacement in these neighborhoods will reinforce

¹² http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs

blighted property improvement/removal activities and increase the prospects for attracting additional investment to these neighborhoods.

CD06. Apply for DCED Keystone Community Designation

Target outcome:	Use designation to encourage growth and stability of neighborhoods and communities; social and economic diversity; and a strong and secure quality of life ¹³
Six year financial impact:	Not Available
Responsible party:	Community Development and City Administrator

DCED will work with the City to develop a flexible revitalization strategy tailored to meet the community's needs, which incorporates and utilizes the City's assets. This approach will encourage the City to develop at its own pace, to utilize its resources, and to combine them with other available public and private resources.¹⁴

CD07. Create a vision and goals with milestones for economic development

Target outcome:	Revitalization and the encourage private investment
Six year financial impact:	Not Available
Responsible party:	Community Development Officer and City Administrator

When discussing their vision for the City, stakeholders often referenced Jim Thorpe, PA as a model for Shamokin. In 2007, Jim Thorpe was named as one of the top 50 adventure towns in which to live and to play in the United States by National Geographic.¹⁵ Much of Jim Thorpe's economic rebirth over the last 25 years has focused on outdoor activities, the art's and catering to weekend visitors. In November of 2011, Pashek Associates in conjunction with Pennoni Associates released their Master Plan for the Anthracite Outdoor Adventure Area (AOAA). The Master Plan project was financed in part by grants from the Community Conservation Partnerships Program, Snowmobile/ATV Fund, under the administration of the Pennsylvania Department of Conservation and Natural Resources, Bureau of Recreation and Conservation and the Pennsylvania Department of Community and Economic Development.¹⁶ The 2011 Master plan projected 41,500 total annual visits to the AOAA. The AOAA is managed by the Northumberland County Anthracite Outdoor Adventure Area Authority (NCAOAA). Authority members are appointed by the County and meet monthly.

Catering to the needs of the more than 41,000 projected visitors to the AOAA presents the City with an excellent opportunity for future economic development.

¹³ PA DCED Keystone Communities, Program Guidelines, November 2011

¹⁴ PA DCED Keystone Communities, Program Guidelines, November 2011

¹⁵ <http://www.nationalgeographic.com/adventure/relocating/best-places-to-live-2007/mountains/mountains.html>

¹⁶ Anthracite Outdoor Adventure Area Master Plan, Northumberland County, Pennsylvania, November 2011, Pashek Associates in conjunction with Pennoni Associates

The City should also initiate discussions with the County to partner to administer CDBG funding as well as broader Economic Development Initiatives.

Additional discussion on vision, goals and objectives is addressed in Plan Implementation chapter, specifically PI02.

CD08. Neighborhood Assistance Program (“NAP”)

Target outcome:	Revitalization and the encourage private investment
Six year financial impact:	Not Available
Responsible party:	Community Development Officer and City Administrator

“Started in 1967, the NAP was the first of its kind in the United States with goal of improving neighborhoods throughout Pennsylvania by using tax credits to create a partnership between community organizations and the business community.”¹⁷

One purpose of the NAP is to reduce business’s tax burden while improving the vibrancy of their neighborhood through various opportunities for participation including:

- Neighborhood Partnership Program
- Enterprise Zone Program
- Special Program Priorities
- Charitable Food Program

¹⁷ <http://www.newpa.com/community/community-services/neighborhood-assistance-program>

Codes and Housing

Codes Overview

Organization

The Department of Codes and Inspections protects the citizens and property in the City through the administration and enforcement of building, plumbing, mechanical, electrical, property maintenance, zoning, and other related codes and ordinances designed to ensure public health, safety, and welfare. Currently, the department consists of one full-time codes inspector and a full-time administrative assistant. The codes inspector also has the responsibility to administer and enforce all building, plumbing, mechanical, and electrical codes as they relate to new construction, demolition, and alterations to existing structures. Additionally, the codes inspector is responsible for administering and enforcing property maintenance codes, zoning and subdivision codes, and ordinances licensing and regulating eating and drinking establishments within the City. The Department collects all monies due to the City by issuance of permits, inspection fees, and licenses. The City's codes inspector is a certified property maintenance inspector. The City has designated Light and Heigel Associates as the Building Code Officer and Larson Design Group is responsible for the creation of demolition bid packages

Budgeted headcount for codes and inspections staff between 2010 and 2014 is as follows.

Budgeted Headcount – Codes and Inspections Staff					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Codes Inspector	1	1	1	1	1
Part-time Administrative Assistant	1	1	0	0	0
Full-time Administrative Assistant	0	0	1	1	1
Total	2	2	2	2	2

The codes inspector supervised by the City Administrator enforces Shamokin's property maintenance codes (the primary responsibility of this staff), conduct rental property inspections and related licensing, conduct health inspections and related licensing, respond to reports of violations and handle vacant property registrations.

Property Maintenance Inspections

The code enforcement officer visits properties based on citizen complaints, personal observations and information received from City staff. The codes enforcement officer prepares a written form detailing the conditions of each property. This form is subsequently given to clerical staff that uses it to update City records.

Violation notices sent to property owners specify that a particular problem must be addressed within a specific time frame, depending on the severity of the violation. Many violation notices are also issued for properties that create a public nuisance or adversely affect neighborhood quality of life due to conditions such as uncut grass or weeds, the presence of litter, improper storage of trash, or the presence of unregistered or improperly parked vehicles.

Only about 9 percent of all code enforcement inspections are conducted in response to complaints received at City Hall; the majority of inspections are based on calls received. When a new address is identified, the administrative assistant logs it into a database. The list includes new inspections, as well as re-inspections of previously-cited properties for the purpose of determining whether compliance with code has been achieved.

The code enforcement officer visits the properties listed and, for each property, indicates in writing on the list the action taken in response to the condition observed. The marked-up list is subsequently returned to the administrative assistant to update division records.

Code violation tickets are posted at the property specifying that a particular problem must be addressed within ten days. If the ticket is not paid within ten days the ticket converts to a citation and is sent to the Magisterial District Justices. A vacant property that is determined to be unfit for habitation is immediately placarded as “Condemned” by the inspector in the field and, in the absence of a subsequent response on the part of the owner, is processed for demolition. Many of the violation notices issued are for properties that create a public nuisance or adversely affect neighborhood quality of life due to conditions such as uncut grass or weeds, presence of litter, improper storage of trash, or presence of unregistered or improperly parked vehicles.

Beginning in 2013 the codes office began to track performance matrix and report the activity to City Council on a monthly basis. Prior to 2013 only revenue amounts collected were tracked. A summary of activities undertaken by the code enforcement officer since March of 2013 is shown on the following table.

Property Maintenance Inspection Activities, March 2013 to September

FY	Walk-In	Calls Received (Exterior)	Calls Received (Interior)	Police	Fire	Health
2014	73	342	328	16	22	32
2013	88	406	424	20	23	28
FY	9%	42%	42%	2%	2%	3%

Source: City of Shamokin, Division of Codes and Inspections Monthly Reports

Many violations that are processed by the codes office are public nuisance/quality of life violations rather than violations that need to be addressed through major property repair or demolition.

The City of Shamokin has an established Blighted Property Review process, which monitors code enforcement actions associated with properties categorized as “Blighted” and, when appropriate, certifies these properties as blighted and eligible for eminent domain. The Code enforcement officer works closely with the City’s Community Development Officer regarding the progress of efforts made to contact property owners and achieve compliance with codes on a voluntary basis. In the event that repeated efforts prove unsuccessful in a particular instance, the property is processed for demolition. If it is determined that the property is to be demolished by the City, the codes officer instructs the City’s Community Development officer to request the City’s engineer, Larson Design Group, to create a bid package for demolition of said property.

The City has been successful in establishing an effective working relationship between the code enforcement officer, Police Officers, and Magisterial District Justices who preside over hearings of code enforcement cases. These are cases which are referred to court because they cannot

be resolved administratively through the issuance of violation notices and subsequent attempts to achieve voluntary compliance.

The City is currently operating its Blighted Property Program and the Keystone Grant Blighted Property Program (the “KGBPP”) which is 100% funded by Northumberland County. The KGBPP is a 15 month grant program which is scheduled to end the middle of 2015. Several properties in Shamokin are demolished each year as the result of both the City’s Blighted Property program and the KGBPP. Over the course of the City’s Blighted Property program 107 properties have been determined blighted and 8 have been demolished. The City is actively processing an additional 83 properties which have been determined to be blighted for demolition or remediation. Over the course of KGBPP the City has demolished 6 properties and has identified an additional 4 properties.

A summary of properties addressed through the City’s Blighted Property Review is outlined in the table below.

<u>Number of Parcels</u>	<u>2013-2014</u>
Demolished	8
Completed	16
In Process	83
Total	107

Source: City of Shamokin, Division of Codes and Inspections Blighted Property Reports

Rental Property Inspections

The City of Shamokin adopted a rental licensing policy. Each rental unit in the City is to be inspected on a periodic basis, as of the date of this report the City has not started inspecting rental properties. The City approved \$50 per rental inspection and an annual housing permit fee of \$25 per unit. The City has approximately 521 rental properties with 911 units. The rental permit fee generate \$23,000 annually.

To register a rental property, the owner must apply for Landlord registration and pay a licensing fee. Inspections identify basic safety and maintenance issues. Potentially dangerous conditions must be corrected immediately.

Zoning and Planning Board

The codes officer is responsible for the City’s Zoning and Planning boards.

Finances

Historical expenditures for codes and inspection staff are shown in the following table.

Historical Expenditures – Codes and Maintenance						
	2009	2010	2011	2012	2013	2014
	Actual	Actual	Actual	Actual	Actual	Estimated
Salary	27,119	27,895	28,225	45,624	53,240	46,014
Healthcare	19,686	18,399	15,769	32,591	45,178	51,069
Healthcare Deductible	0	0	0	0	0	15
Prescription Refund	0	0	0	0	40	198
Vision	0	0	0	588	336	498
Dental	544	707	555	0	0	1,598
Life	182	228	251	286	496	210
Pension	0	0	0	0	0	0
Training	0	4	0	375	379	0
Vehicle	2,244	139	67	0	0	0
Cell Phone	548	375	437	219	481	962
Other	988	270	150	1,269	10,603	4,946
Total Code Enforcement	51,311	48,017	45,454	80,952	110,753	105,510

Projected expenditures for codes and inspection staff are shown in the following table:

Projected Baseline Expenditures – Codes and Maintenance						
	2015	2016	2017	2018	2019	2020
	Budgeted	Projected	Projected	Projected	Projected	Projected
Salary	55,000	75,522	76,633	77,765	78,921	80,099
Healthcare	40,000	42,976	46,199	49,664	53,389	57,393
Healthcare Deductible	20	20	20	20	20	20
Prescription Refund	300	300	300	300	300	300
Vision	300	319	343	368	396	426
Dental	1,900	2,004	2,155	2,316	2,490	2,677
Life	250	255	261	267	274	280
Pension	5,122	5,276	5,434	5,597	5,765	5,938
Training	500	500	500	500	500	500
Vehicle	3,100	3,165	3,235	3,312	3,392	3,473
Cell Phone	1,200	1,225	1,252	1,282	1,313	1,344
Other	10,200	10,414	10,643	10,899	11,160	11,428
Total Code Enforcement	117,892	141,977	146,974	152,292	157,919	163,879

Codes Assessment

The code enforcement officer is well acquainted with the inspection districts where he works and organizes work priority based on health and safety needs. The selection of properties to be inspected is not guided by any City policy that identifies municipal government priorities, community priorities, neighborhood trouble spots, or locations of current or planned private investment.

Codes Initiatives

C&H01. Establish written policies and procedures for code enforcement

Target Outcome:	Succession planning, proper management, equitable enforcement
Six year financial impact:	N/A
Responsible party:	Code Officer

The Department currently does not have written policies and procedures regarding how it enforces property maintenance issues throughout the City. Policies and procedures should be established as a best practice.

C&H02. Establish Performance Metrics and Conduct Monthly Performance Reporting

Target Outcome:	Improving City capacity to assess current staff performance time/cost factors and proposed systemic improvements and to make adjustments in staff assignments as needed to ensure maximum productivity
Six year financial impact:	Not available
Responsible party:	City Administrator and Codes Officer

A fully digitized system will facilitate monthly performance reporting and an analysis of the benefits associated with systemic improvements described below.

Performance metrics should include number of code violations by type and location, amount of fees charged and fees collected, by violation, and City code enforcement expense, by violation.

C&H03. Computerize Quality of Life Ticketing Program

Target Outcome:	Reducing inspector time devoted to minor code violations; expediting violation notice and fine collection process for minor code violations
Six year financial impact:	TBD
Responsible party:	City Administrator and Codes Officer

The processing of “quality of life” violations (e.g., accumulation of trash or garbage; high weeds, grass, or plants; improper storage of vehicles) can be simplified and made more cost effective by digitizing the City’s current system. The City currently operates a ticketing system for property and maintenance and quality of life issues. However the ticketing system is based on hard copy tickets which require staff to enter and track ticket payment and compliance.

C&H04. With Community Development Officer and the Police Department, Undertake Targeted Code Enforcement in Target Areas

Target Outcome:	Creating productive working relationships between property maintenance inspectors and community constituencies in targeted neighborhood areas—initially on a small-scale, “pilot” basis—in order to identify and systematically address all blighted property issues within designated target areas
Six year financial impact:	Not available
Responsible party:	City Administrator , Codes Officer, Community Development Officer and Police chief

Property Maintenance inspections should be made part of a broader neighborhood improvement strategy designed to resolve longstanding problems and produce substantial long-term benefits. As part of this improvement strategy, code enforcement officers should communicate with community members about problem properties within a particular area, then conduct property-by-property inspections of blocks within the designated area. If the inspection process is digitized, and if a substantial number of code enforcement issues continue to be quality-of-life issues, and if a quality-of-life program is adopted, then this strategic approach can be implemented without an increase in staff.

Housing Overview

Housing Availability

The City of Shamokin includes a variety of housing stock including tenant and owner occupant market rate housing, multi-family market rate housing, low income/subsidized tenant occupied and multi-family housing. Low income housing is publicly and privately owned and operated. The Shamokin Housing Authority (Housing Authority) owns and operates approximately 202 tenant occupied units. The Housing Authority also administers the Section 8 housing program in which private owners are paid money by the Authority to subsidize the rent paid by low income tenants. The proportions of housing in each category are broken down as follows:

Residential Owner/Tenant Occupied:

Residential Units: 3,580
Tenant Occupied: 521 Structures – 911 residential Units

Low Income-Subsidized:

Housing Authority: 202 Units
Private-Section 8: 148 Units

Blight:

As with many cities in Pennsylvania there are a large number of blighted properties. Some of the blighted property can be remediated and again serve a residential use while others are so far beyond repair that demolition is the only viable option. As stated in the Codes and

Inspections section, over 2013-2014 the City has demolished 24 structures and there are 83 structures in process. An issue that must be addressed is ownership-disposition of the vacant land after the demolition. Best practice is for the public ownership to occur before demolition but in cases of emergency demolition that is not always achievable. If the property is still under private ownership and it is in the tax claim process, then the City should perfect its lien and take ownership through the tax claim process. If the property is privately owned but not in the tax claim process then the City should perfect its lien for the cost of demolition and bring the property to sheriff sale to change or acquire ownership.

Land-Banking:

One method of addressing the issue of tax delinquent, blighted and abandoned property is to develop a policy and process for land banking. Land banking, in this situation, means that a public entity incrementally and strategically acquires ownership of a quantity of blighted, tax delinquent and/or abandoned parcels. The purpose of the acquisition and assemblage is to engage in community revitalization projects. Parcels of real estate, especially residential real estate, in old Pennsylvania Cities are generally too small to even develop new residential housing that appeals to the modern purchaser of a residence. Thus it is usually necessary to assemble a quantity of parcels to achieve a meaningful project. Likewise if the goal is to develop a commercial or industrial project; such projects require much larger assemblages to be viable.

Tax Base Preservation/Growth:

In Pennsylvania municipal services are funded by a variety of taxing options. As a rule, the only tax where the rate is subject to adjustment by the local governing body is the real estate tax rate. (In Home Rule municipalities the earned income tax rate is subject to adjustment by the governing body.) The real estate tax rate is determined by dividing the part of the municipal general expenditure budget that is not covered by an independent source of revenue by the taxable value of the tax base. It follows, of course, that the larger the tax base value in proportion to the unfunded expenses, or conversely, the smaller the unfunded expense in proportion to the tax base value, the lower the tax rate will be.

There are a number of factors that will impact the elements of the tax rate including population density and the proportion of the tax base that is exempt from taxation. Another major element affecting the tax rate is the tax rate itself. It is generally observed that the higher the tax rate in a municipality, in relationship to contiguous municipalities, the lower will be the value of the real estate in relation to the values in the contiguous municipalities. This creates a vicious circle in which the falling value of the tax base and the rising cost of services forces the governing body to raise the tax rate, which, in turn, pushes down the value of the tax base.

Like many old cities in Pennsylvania a large proportion of the real estate tax base in the City of Shamokin is exempt from taxation, in fact nearly 24% was exempt in 2014, that is nearly one quarter of the tax base value of the City. This includes charities, government buildings, schools, and churches. Also included in the tax exempt category is property owned and operated by local public entities such as the Shamokin Housing Authority. Although the Housing Authority makes an annual payment in lieu of taxes (PILOT) to the city, the amount does not approach the amount that would be due if the property were taxable. Efforts to limit or reduce the proportion of the tax base that is tax exempt should be implemented.

Population density is another issue that plagues the efforts of urban governments to hold down the tax rate. If the resources to fund services are based on land area and value, then the denser the population the greater the demand on the tax base. Since the municipal government must pay for the services the population requires, then the denser the population and the lower the tax base value, the greater the upward pressure on the tax rate. The counteraction is to strive for efficiencies in the delivery of public services to hold costs down and to promote the growth in the tax base value, neither of which is easy to accomplish.

Low Income/Affordable Housing:

A key obligation to provide for the health safety and welfare of the community is to assure that there is adequate and affordable housing for individuals and families of low to moderate income levels. Low income housing is provided in Shamokin by the public sector in the form of the Shamokin Housing Authority that owns and operates 202 tax exempt housing units. Additionally the Housing Authority administers the Section 8 subsidized housing program that provides rent subsidies paid to private landlords as a supplement to the rent paid by the tenants. The Section 8 program provides 148 privately owned rental residential units in the city.

Historically in Pennsylvania low income housing has been concentrated in urban areas by both the construction of “housing projects” and by issuing Section 8 Certificates in urban rather than rural or suburban areas. Likely this has occurred as a result of the density of population and the span of socio-economic characteristics of the populations in urban areas. Because of a significant low income urban population, urban governments have created housing authorities that have then constructed low income housing units and administered Section 8 certificates within the boundaries of the incorporating municipality. There are good reasons for this. First, urban areas often are the site for many services that low income individuals and families might need including medical facilities, public transportation, government offices, etc., and, second, most urban areas contain a shopping district that is accessible by public transportation or by foot, including clothing stores, pharmacies and food markets. However, this preference for concentrating low income/subsidized/affordable housing in urban areas has had a negative impact on the municipality’s ability to provide and pay for public services such as public safety and public infrastructure.

Public housing authorities construct housing projects not just to fill a current need but also to fill future estimated needs. Low income folks are attracted from all over the state and the country to small cities and other urban areas by the availability of affordable housing. So what housing authorities do is create the demand they are building for by building more than is necessary for the current resident low income population. Because authority owned and operated facilities are tax-exempt they increase the need for public services without an accompanying stream of tax revenue to pay for the increased demand for services. Two of the main sources for revenue to pay for public services in Pennsylvania cities are the real estate tax and the earned income tax. The earned income tax is paid to the place where you live. As tax exempt real estate becomes a bigger part of the real estate tax base and as low income individuals become a larger share of the population both the real estate tax base and the earned income tax base decline in value, increasing pressure on the real estate tax base to pay for municipal services. The increasing tax rates then drive the reduction in real estate values and middle class flight from the urban municipalities, a vicious cycle that increases, and exacerbates, the concentration of poverty in the urban areas. Because unscrupulous individuals and organizations often prey upon low income people, the need for increased law enforcement grows, thus putting more upward pressure on the real estate tax rate, etc. etc.

Balanced and Diverse Housing Stock:

A healthy and economically vibrant community will include the means to meet the needs of the great diversity of people. A healthy and economically vibrant community will include a balance of residential, commercial and industrial land uses. The residential housing stock will include a preponderance of owner occupied market rate structures with an inventory of publicly and privately provided and operated tenant occupied structures that include both market rate and subsidized housing. To provide for the funding of public services efforts of the municipal organizations should be toward the highest possible proportion of taxable real estate that is sufficiently diverse to attract residents from the broad spectrum of socio-economic strata in our modern economy. A combination of carefully articulated housing and development policies, narrowly drawn incentives and targeted investment of federal housing funds can help to attract a diverse residential population and to disperse the concentration of low income housing and its concomitant impoverished population.

Housing Initiatives

C&H05. Develop and Adopt a Local Tax Base Improvement Policy

Target Outcome:	Increased value of the Taxable Real Estate Tax Base
Six Year Financial Impact:	TBD
Responsible Party:	Mayor, City Administrator , Community Development Officer

Develop and adopt a local tax base improvement policy that is focused on increasing owner occupancy of residential structures and the development of taxable commercial and industrial uses. Limit municipal support and advocacy to projects that will grow the value of the tax base. Withhold support from projects that will increase the concentration of subsidized housing and concentrated poverty.

C&H06. Investigate the Development of a Revolving Loan Fund Funded by CDBG

Target Outcome:	Improvement to Owner Occupied Housing Stock
Six Year Financial Impact:	N/A
Responsible Party:	Mayor, City Administrator , Community Development Officer

Create a revolving loan fund to provide to low/moderate income owner occupants of residential structures a low interest loan source to improve their residential property. Funding source can be HOME and/or CDBG grant money. A partnership with a local bank for servicing the loans may be a better administration plan than in house servicing.

C&H07. Investigate Creating a Home Buyer Assistance Program

Target Outcome:	Increase Owner Occupied Residential Real Estate
Six Year Financial Impact:	N/A
Responsible Party:	Mayor, City Administrator, Community Development Officer

Create a homebuyer assistance program to help low to moderate income persons to purchase a house. A variety of assistance can be provided including closing cost assistance, and down payment assistance. City should seek to develop partnerships with local banks that can meet their local reinvestment obligations through providing loans. A component of the program must be personal financial management training, including household budgeting, saving and owner occupied real estate improvement.

C&H08. Develop A Land Banking Program

Target Outcome:	Create Assemblages of Real Estate for Economic Development Projects
Six Year Financial Impact:	N/A
Responsible Party:	Community Development Officer, RDA

Develop a land banking program that strategically targets areas of the City for assemblages of property for residential, commercial and industrial uses. Only projects that will be taxable at a reasonable time in the future should be eligible to use such assemblages of property. A targeted program of clearance, environmental remediation and acquisition of tax delinquent property are integral parts of such a rational land banking program.

C&H09. Investigate Adopting LERTA and RETAP Programs

Target Outcome:	Create Incentives for Private Development of Taxable Residential, Commercial and Industrial Projects
Six Year Financial Impact:	N/A
Responsible Party:	City Council, Mayor, City Administrator , Economic and Community Development

The Local Economic Recovery Tax Act (LERTA) is an enabling law that allows local and county governments and school districts to provide tax incentives to encourage economic development projects. The RETAP program is the residential real estate tax incentive enabling law to encourage growth of taxable residential real estate. The nature of the incentives need not be the same in each program. RETAP incentives should be limited to encouraging owner occupancy and multifamily occupancy should be treated under LERTA.

C&H10. Conduct an Aggressive Property Maintenance Enforcement Program

Target Outcome: Improve the Safety and Appearance of Owner Occupied Property
Six Year Financial Impact: TBD
Responsible Party: Codes Officer

Develop an aggressive property maintenance code enforcement program that does not rely only on complaint driven investigation. Property maintenance inspectors should patrol areas of the City to identify maintenance code violations and help home owners find resources to address the violations.

C&H11. Set Tenant Occupied Licensing and Inspection Fees to Cover Cost of Program

Target Outcome: Program Costs Covered by Program Income
Six Year Financial Impact: TBD
Responsible Party: Codes Officer

The tenant occupied inspection and licensing program should be structured in such a way that revenue from license and inspection fees will cover the entire cost of the program.

C&H12. Investigate Establishing a Vacant Property Registration Program

Target Outcome: Establish a Record of Vacant Property in Municipality and Encourage Property Owners to Make Use of Property
Six Year Financial Impact: TBD
Responsible Party: Codes Officer

Explore the possibility of establishing a vacant property registration program with an annual fee associated with the registration and a fine assessed for failure to register. This should discourage individuals from acquiring ownership of property to hold for some temporally distant and amorphous use. It also will give the City and its public safety staff the locations of property where illegal activities may occur or structures that may be fire/safety hazards.

Public Works/Streets Department

Overview

The City of Shamokin Public Works/Streets Department (PWD) is small but performs a great deal of work. PWD performs the following functions:

Streets and Bridges

PWD maintains, repairs and rehabilitates 25 miles of City owned streets, along with two box culvert bridges and 9 traffic signals. PWD maintains all traffic signals, street signs, plows snow, sweeps streets and ensures that all cuts in the City streets are repaired to the specifications of the City. There are two Pennsylvania Department of Transportation (Penn DOT) Streets within the boundaries of the City: Routes 125 and 61 which are 1.1 miles and .75 miles long respectively. The City is paid \$2,237 annually to provide winter service on Route 125. PWD Sweeps Route 61 twice per year. The traffic signals have all been converted to LED.

Street Lighting

There are 664 Street lights throughout Shamokin. The Street lights are owned and maintained by Pennsylvania Power and Light (PP&L) and the City of Shamokin pays PPL based upon per KWH estimates of consumption according to the strength of the bulbs. All of the lights are high or low pressure sodium vapor that cast an orange light. The orange cast lighting is highly criticized by law enforcement because the light makes eye-witness descriptions of clothing and vehicle colors unreliable. The street lights in the downtown are mounted on dedicated aluminum poles while the street lights in the rest of the City are on 40 foot wooden poles with other utilities.

Fleet Maintenance

PWD maintains and repairs 9 trucks of various types and conditions including four pickup trucks, four dump trucks and a cherry picker. The conditions of the trucks range from good to one pick up and one dump truck that are in poor condition. They also use and care for several pieces of equipment including two street sweepers, one in good and one in poor condition; two John Deere Tractors, one in good and one in poor condition; a self-contained leaf box in good condition that is pulled by one of the trucks and a towed leaf vacuum with a box that mounts on a truck. Both leaf loaders are in good condition. PWD performs maintenance and repairs with their competencies. None of the staff is a mechanic. The most complex repairs performed on site are performed by the working foreman. There is no lift in the PWD garage. The lack of a lift limits the work that can be done under a vehicle and also causes some maintenance and repair tasks to take longer than it would take if there was a lift in the garage. The current garage may not be large enough to install a lift.

Storm Sewers

The storm and sanitary sewer system is primarily a combined system that is owned and operated by the Shamokin Area Sewer Authority. There are approximately 1050 storm sewer

inlets throughout the City. PWD keeps the inlets clear to allow for free flow and drainage of storm water from City streets.

Building Maintenance

PWD maintains, repairs, and performs minor improvements to 12 City buildings and structures. Most significant of the structures include City Hall, Tax Office, Community Center known as the Legion Building, that houses the public library, a heritage and train museum, and a regional basketball league, Mill Square, that houses PWD garage, police department, fire/rescue station, and 5 private tenants. Mill Square is owned by the RDA and maintained by the City through the PWD. There are also 3 small buildings at the City pool, and 6 buildings at Community Park.

Parks

PWD maintains the city's four playgrounds and a variety of parks and community areas, including the Market Street 1.1 mile walkway, and Community Park that is about 2 acres of area over tree city blocks. Community Park includes 6 buildings: a stage with a building attached to the back, a concession building, a kitchen, a beverage stand, a Bingo building, restrooms and a handicap garden, and Claude Kehler Park. PWD cuts grass and weeds, maintains benches, paths, lighting, and trims trees.

Seasonal Work

PWD department removes snow in winter, sweeps streets in spring, summer and fall.

Miscellaneous Work

PWD performs a variety of tasks in addition to those already identified. PWD picks up recycling. PWD installs and maintains poles and housings for parking meters, handicap parking signs, residential and business reserved parking signs. PWD is dispatched to repair damage caused by private parties, to clean up blighted property by cutting weeds, removing rubbish, and securing premises, and making repairs that are covered by insurance. PWD picks up recycling once per month throughout the City.

Personnel

The PWD has 7 employees, 6 of the employees are classified as laborers while 1 is classified as a working foreman. All employees, including the working foreman, are members of the collective bargaining unit represented by AFSCME Local. All of the employees, including the working foreman, are trained and assigned to perform all of the tasks performed by the department. The foreman tries to assign tasks based upon the strengths of the individual staff members but he will assign any available employee to perform a task based upon the needs of the City.

In 1980 the PWD was staffed by 10 full time employees, including a non-union supervisor, plus 2 part time employees. That staffing compliment was reduced to 8 full time employees and a non-union supervisor. About 10 years ago the staffing level was reduced by two employees, the non-union supervisor and one laborer position to the current compliment of 6 laborers and a working foreman.

Finances

PWD is primarily funded from City General Fund revenues. The one other significant source of funding is the Pennsylvania Liquid Fuels Fund.

Personnel costs currently accounts for approximately 74% of the PWD budget. The 2011 PWD operating budget, including the General Fund and Liquid Fuels Funds (net of \$456,700 transfer to the General Fund) include expenses totaling \$3,778,000.

PWD has rudimentary Information Technology capabilities consisting mainly of a PC on the desk of the working supervisor. PWD relies on other City departments for this function. That is limited, however. There is no GIS system, no automated purchasing system, or financial management system available to supervisory staff in PWD.

The following tables present both the historical and projected expenditures for the PWD/Streets Department.

Public Works – Historical Expenditures

	2009	2010	2011	2012	2013	2014
	Actual	Actual	Actual	Actual	Actual	Estimated
Salary	232,565	287,041	269,145	247,484	273,264	298,960
Overtime 1.5x	6,386	12,159	10,779	3,689	8,617	8,419
Overtime 2x	2,119	113	282	594	1,974	1,360
Healthcare	112,121	119,206	112,928	111,782	128,099	142,136
Healthcare Deductible	0	0	0	0	0	1,005
Prescription Refund	0	0	0	0	203	2,935
Vision	689	753	871	935	839	845
Dental	2,889	4,066	2,790	0	0	3,423
Life	2,601	3,198	3,686	2,972	3,087	1,317
Pension	5,607	3,752	16,292	10,416	0	0
Clothing Allowance	2,523	2,203	1,963	1,685	1,827	602
Union Dues	5,246	3,413	5,217	4,697	3,900	0
Vehicle	28,698	36,898	35,155	19,188	16,527	91,182
Building Rental	33,118	3,385	44,240	0	0	48,191
Utilities	3,774	5,190	5,313	6,191	5,703	13,676
Street Lighting	35,373	35,623	86,487	0	56	1,350
Traffic Control	1,024	5,990	158	0	104	0
Maintenance/Street Cleaning/Winter	5,964	8,194	8,013	32,632	18,731	46,919
Other	4,781	5,846	4,326	6,453	4,264	7,555
Total Public Works	485,476	537,027	607,645	448,719	467,196	669,877

Public Works – Projected Baseline Expenditures

	2015	2016	2017	2018	2019	2020
	Budgeted	Projected	Projected	Projected	Projected	Projected
Salary	301,642	317,238	328,875	336,307	343,467	350,758
Overtime 1.5x	10,000	10,000	10,000	10,000	10,000	10,000
Overtime 2x	2,000	2,000	2,000	2,000	2,000	2,000
Healthcare	115,922	124,616	133,962	144,009	154,810	166,421
Healthcare Deductible	2,500	2,500	2,500	2,500	2,500	2,500
Prescription Refund	3,000	3,000	3,000	3,000	3,000	3,000
Vision	950	1,021	950	950	950	950
Dental	5,117	5,324	950	950	950	950
Life	1,500	1,532	1,565	1,603	1,641	1,681
Pension	48,913	50,380	51,892	53,449	55,052	56,704
Clothing Allowance	1,300	1,300	1,300	1,300	1,300	1,300
Union Dues	0	0	0	0	0	0
Vehicle	62,100	62,354	62,626	62,929	63,239	63,557
Building Rental	39,545	39,545	39,545	39,545	39,545	39,545
Utilities	12,290	12,290	12,290	12,290	12,290	12,290
Street Lighting	0	0	0	0	0	0
Traffic Control	0	0	0	0	0	0
Maintenance/Street Cleaning/Winter	33,000	33,378	33,782	34,233	34,695	35,167
Other	<u>17,520</u>	<u>17,810</u>	<u>18,120</u>	<u>18,465</u>	<u>18,819</u>	<u>19,182</u>
Total Public Works	657,299	684,287	703,357	723,530	744,258	766,004

Initiatives

PWD01. Acquire and Upgrade Approximately 663 Street Lights to LED

Target outcome:	Reduced cost and energy efficiency
Six year financial impact:	TBD
Responsible party:	Mayor/City Administrator/City Council

Over the past five years the city has spent just under \$650,000 for street lights with an annual average of \$130,000. Based on the rates being charged in 2014 the current annual cost is approximately \$136,000.

2014	2013	2012	2011	2010
\$194,099.00	\$115,738.00	\$129,751.00	\$106,743.00	\$102,799.00
	Five year total		\$649,130.00	
	Average per year 2014 Annual		\$129,826.00	
	Projected 2015		\$135,973.00	

Recently as part of a downtown improvement project all of the street lights downtown were replaced by PP&L. A citizens' committee, including the chair of the Planning Commission, tried working with PPL to install decorative lights in the downtown area using LED technology. PPL refused and instead used the traditional goose neck aluminum poles and installed high pressure sodium bulbs on the poles. The city government and private citizens are trying to revitalize the

down town area of the City. Part of their plan is to improve the ambiance of the area and there is general agreement that the high pressure sodium bulbs on overhead aluminum poles do not give the kind of light or contribute to the attractiveness of the area. They believe that Victorian style street lights with LED technology would contribute to creating the atmosphere they are trying to create.

A number of municipalities have acquired their street lights from PPL with positive results, including the cities of Harrisburg, Scranton and Bethlehem. According to their Director of Public Works/City Engineer the City of Bethlehem acquired their 7,500 street lights from PPL in 2004. The price was \$5.2 million dollars and that included the “make ready” work. (Make ready work involves placing appropriate barriers between the lights and the power lines) The street lights were all low pressure sodium. PPL’s capital investment in the street lights was fully depreciated. Bethlehem paid for the acquisition through a bond issue. By simply taking ownership of the lights Bethlehem was able to generate adequate savings to pay for operation and maintenance of the lights and for the debt service on the bond issue used to acquire the lights. Savings were generated through avoidance of PUC mandated pricing and shopping for electricity. In 2013 Bethlehem converted all of the street lights to LED (light emitting diode). The conversion was funded through a Guaranteed Energy Savings Project (GESAP). The conversion produced sufficient savings from reduced energy consumption to pay the debt service and to pay for maintenance and operation of street lights.

LED lighting consumes 25% to 35% of the energy consumed by incandescent light, produces a white, color accurate light that is directional. Law Enforcement prefers the quality of light produced by LED and its directionality reduces light pollution. While LED bulbs are much more expensive than the traditional types of incandescent bulbs they also have a life span about five times that of incandescent bulbs.

It is recommended that Shamokin conduct more in depth research and analysis to determine if it is in the interest of the City to pursue acquisition of the street lights from PPL. Acquisition of the lights, conversion to more efficient technology that provides better quality directional light and installing ornamental lighting in appropriate areas serve multiple purposes. Over time it will reduce costs for operating the lights; it will provide lighting that supports law enforcement; it will support revitalization efforts by improving ambiance; it will reduce the carbon foot print of the City and will reduce light pollution.

There are several funding mechanisms that could be considered for acquiring the lights and converting them to newer technology: Shamokin could do a tax exempt bond issue or bank loan. A bond issue may be too small to make it cost effective but a bank loan would be a better possibility. The negative of this type of financing at this time is that the City may receive a negative credit rating that might make a loan too costly or make it impossible to find a bank that would make the loan. The City currently has a sizable backlog of CDBG funds that are not programmed. Since the whole city is probably considered low to moderate income the acquisition of the lights may be fundable by CDBG grant money. Another way to use CDBG grant money would be to take out a loan through the Federal Government and pledge a portion of the annual CDBG grant to service the loan. After the loan is received, the City will have the option of bundling the loan with Federal Bond auctions to obtain a lower interest rate.

The foregoing are some options. Upon more detailed review it is possible that there may be other financing vehicles available that would better serve the City’s needs.

Some of the issues requiring more research and analysis are:

1. A complete inventory of the street lights in the city to determine the type of lighting being used, and the locations of each of the lights.
2. An analysis of the lighting bills by a person knowledgeable in PUC, tariffs, etc. to determine if there is space to save money through energy savings, reduction in energy costs and avoidance of PUC regulated rates in adequate amounts cover maintenance, operation and debt service.
3. Review of options to finance acquisition of the lights, and conversion to LEDs and ornamental where appropriate. Financing options could include GESA project tied in with other energy savings initiatives, State and Federal grants, CDBG funding either as a direct purchase using CDBG money on hand and not programmed, or pledging a portion of the annual grant to payback a loan or even conventional borrowing so long as savings will cover debt service.

PWD02. Consolidation of Municipal Fleet Maintenance

Target outcome:	Consolidation of City, Coal Township and Shamokin Area School District Fleet Maintenance
Six year financial impact:	TBD
Responsible party:	Working Foreman and City Administrator and other agency counterparts

The City of Shamokin performs a variety of maintenance and minor repairs on their fleet of vehicles and equipment. The work they can do in-house is limited by their facilities and competence. Compared to Coal Township and the Shamokin Area School District the City's fleet of vehicles and equipment is small. A few years ago the School District built a vehicle maintenance facility that includes a lift and other equipment for servicing vehicles and equipment. Subsequent to building the maintenance facility the School District outsourced student transportation greatly reducing the need for the facility. However, a regional approach might salvage the investment in the maintenance facility. Coal Township has many vehicles and equipment that require maintenance and repairs but no facility of equal functionality to that in the recently constructed School District Facility.

The City and representatives from Coal Township and The Shamokin Area School District should work together to explore the possibility and potential cost savings of a joint venture in which skilled mechanics would be hired and jointly funded based upon relative sizes of their fleets. The three taxing districts may be able to reduce their costs by bringing maintenance and repairs, including annual state inspections, in house using the modern School District facility. This would also provide an opportunity for students who wish to pursue a career as a mechanic to be exposed to the kind of work and required skills involved in maintaining repairing a variety of work vehicles and equipment.

PWD03. Institute a Recycling Collection Fee and Change Recycling Collection to Once per Week.

Target outcome:	Increase Recycling and Cover Cost of Collection
Six year financial impact:	From \$ 231,000 to \$ 875,000 depending on the fee levied
Responsible party:	Mayor, City Council, City Administrator and Working Foreman

The City PWD/Streets Department currently performs curbside collection of recyclables once per month. The City is separated into four zones with each zone being collected once per month. Four laborers with two trucks spend about 2.5 hours each week on collection for a total of 10 human work hours and five truck hours. They use a five compartment trailer. They collect from all residential sites and some commercial sites. In 2013 they collected 55 tons. The department anticipates using recycling grant money to purchase a truck in spring 2015. The amounts available to the City from recycling grants increase with an increase in the weight of material recycled.

Once per month recycling collections requires that residents either store their recyclables up to a month before they are collected or to find another method of recycling either by carrying the material to a recycling collection point or paying someone to take the recyclables away. Weekly collection of recyclable material would likely increase the weight of material recycled and thus increase the size of the recycling grants to the City. Moreover, a modest recycling collection fee could cover the cost of recycling collection and processing without reducing staffing availability for the many other tasks performed by PWD/Streets.

According to the City treasurer there are 3,580 residential parcels in the City along with 341 commercial parcels and 16 industrial. Limiting the analysis at this time to the residential parcels: If the City were to levy a charge of \$7.50 per month per residential parcel, billed quarterly, and assuming a 75% collection rate the City's gross annual revenue to fund the recyclable collection activity would be \$241,650. Annual postage cost for regular 1st class mail of quarterly bills would be \$7,017.

Under the once per month collection program it takes 10 hours per week, 40 hours per month, spread amongst four laborers to complete the collection routes. Using four laborers results in 2.5 hours per laborer per week to complete the route. Assuming a cost of \$45.15 per labor hour for the cost of labor, equipment material and supplies is a net monthly cost of \$1,806 and an annual cost of \$21,669.

Going to once per week collection would require 40 labor hours per week assuming the same time requirements per route as the once per month collections. Cost calculation for time, equipment and materials broken down per hour is \$45.14 per hour. 40 labor hours per week yields a monthly cost of \$7,223.07 and an annual cost of \$86,677.

In summary, at a charge of \$7.50 per month billed quarterly and assuming a 75% collection rate, assuming 40 labor hours per week and necessary equipment and materials, fuel etc. results in annual postage costs of \$7,017, annual labor, equipment and material costs of \$86,677 for total annual costs of \$125,077. Deducting the cost from the projected annual revenue of \$241,650 leaves net annual revenue of \$116,573 to cover the costs of billing net of

postage, recycling and solid waste reduction promotion programs. Additionally, the city will enjoy an annual cost avoidance of \$21,669 for a net annual financial impact of \$138,242.

Below is a summary of financial impacts at a charge of \$5.00, \$7.50, or \$10.00 per month billed quarterly. The estimated financial impact includes the avoidance of \$21,669 annually, which is the estimated cost of the current recycling collection program.

Financial Impact at \$5.00 per month billed quarterly

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
\$57,692	\$57,692	\$57,692	\$57,692	\$57,692	\$57,692	\$346,152

Financial Impact at \$7.50 per month billed quarterly

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
\$169,911	\$169,911	\$169,911	\$169,911	\$169,911	\$169,911	\$1,019,466

Financial Impact at \$10.00 per month billed quarterly

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
\$218,792	\$218,792	\$218,792	\$218,792	\$218,792	\$218,792	\$1,312,752

PWD04. Annually Increase PWD Service Fees:

Target outcome:	Setting and maintaining fees to recover full cost of service, including overhead and management costs
Six year financial impact:	Minimum of \$7,000
Responsible party:	Working Foreman, City Administrator

PWD/Streets Department charges fees for a variety of services that it performs. The services for which PWD bills include cleaning and securing private property, repairing public infrastructure damaged by accidents, vandalism or weather, etc. Whenever there is third party liability for the repair work, whether an individual or insurance coverage held by a third party or the City, PWD bills for the work.

Over a four year period the city billed a total of \$3,527 for work described in the previous paragraph along with \$1,230 for equipment and \$5,698 for materials. Charges are not consistent: sometimes a \$25.00 charge is levied for labor and sometimes \$30.00 is levied. Charges for equipment are not consistent: sometimes the equipment charge is included in the labor charge and sometimes the charge is broken out separate. In any event the charges do not reflect the actual cost of labor and equipment expended on these various clean up and repair jobs. Additionally the current charges do not reflect hidden costs such as gearing up to do the work, traveling to and from the site, etc. The expense of a job that takes one hour to perform on site is not covered by a \$30.00 charge.

The hourly rate charged for the types of services addressed here should reflect the costs of the department. Labor costs have ranged from a low of 69% to a high of 90% of all the costs of the department with the 2015 budget showing labor as 75% of the total budget. The remaining budget items are the tools and materials that allow the employees to do their work; they cannot

hammer nails with their fists or drill holes with a finger nor can they fuel a vehicle with inspiration and commitment. Material and equipment are fundamental components of the work ready condition of the department employees and so the cost of materials and equipment should be included as a component cost of labor. Dividing the total budget by the number of employees by the number of work hours in the year yields the per hour value of labor. But that amount does not reflect the administration, overhead and indirect costs associated with the PWD being a part of the City. Thus the recommended hourly rate for 2015 is \$50.00.

Another component of readiness to perform these services is the availability of equipment. Each item of equipment should have a per hour rate associated with its availability and use for services at hand. Some of the equipment is common such as pick up or dump trucks while other pieces of equipment are specialized for a particular use such as street sweepers and leaf loaders. Equipment charges should be based on the cost of obtaining such equipment for work. At the beginning of each year the working foreman should canvas the vehicle and equipment rental markets to establish a per hour rate for each piece of equipment that the City maintains on hand. He should also calculate a per hour fuel charge. While there are expenses for equipment in the PWD budget it does not include depreciation which describes to consumption of the equipment's useful life and acquisition costs.

It is recommended that the City establish a minimum call out charge period of three hours. The minimum call out period should be applied to labor and equipment and reflects the readiness cost of having the equipment and staffing available for the work to be performed.

The estimated annual financial impact described below is only for labor and is based upon the 2015 balanced budget.

Financial Impact						
2015	2016	2017	2018	2019	2020	Total
\$856	\$1,712	\$1,712	\$1,712	\$1,712	\$1,712	\$8,560

PWD05. Capital Projects Budgets and Funding: GESA Funding Option

Target outcome: Funding source for Financing of Capital Projects
Six year financial impact: TBD
Responsible party: Public Works Working Foreman, City Administrator

The following information is repeated here from the capital budgeting chapter:

Projects to be Funded Through Debt

Capital Expense	2016	Capital Expense	2017	Capital Expense	2018	Total
Public Works Equipment						
Salt Storage Rehab	\$50,000	Street Sweeper	\$125,000			
Backhoe	\$100,000	Large Dump Truck w/plow	\$100,000			
Lawn Mower	\$20,000	Paving Roller	\$20,000			\$415,000
Public Works Projects						
Rebuild City Steps	\$250,000	Rebuild City Steps	\$250,000	7th Street Wall Restoration	\$900,000	\$1,400,000
Community Development Projects						
Legion Building Rehabilitation	\$1,500,000		\$1,500,000			\$3,000,000
Pool Rehabilitation		Pool Rehabilitation	\$334,000			
	<u>\$1,920,000</u>		<u>\$2,329,000</u>		<u>\$900,000</u>	<u>\$5,149,000</u>

Assuming the City would fund half of the amount listed above by issuing debt that would amortize over a twenty (20) year period with wrapped debt service. Based on current estimated interest rates for tax-exempt debt, the annual debt service obligations for the capital projects above would be approximately \$170,000 per year. The table below shows the estimated financial impact of issuing debt to fund the amount in the table above through the issuance of debt.

Financial Impact

FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
-\$157,650	-\$157,000	-\$166,750	-\$181,000	-\$184,800	-\$847,400

Another option for funding aspects of some of these projects is to utilize the Guaranteed Energy Savings Program authorized by the Commonwealth of Pennsylvania. A number of business entities have been approved by the Commonwealth to prepare investment grade energy audits in which a series of improvements are recommended and a certain level of energy savings are forecast. The company preparing the energy audit guarantees a certain level of savings that will generate adequate revenue to pay debt service for the borrowing necessary to execute the projects. The energy audit could include the HVAC for the legion building as well as all the other energy needs of the project. The audit could also be expanded to include all City facilities. This approach has the potential to generate the revenue to cover the debt service associated with the energy savings initiatives that are part of the capital projects.

Shamokin Police Department

Overview

The City of Shamokin Police Department is responsible for the delivery of police services to a population of 7,316 residents encompassing .8 square mile. Shamokin is a full-time department, staffed 24 hours a day. The Chief has overall responsibility for operations. The Department consists of ten (10) sworn full-time police officers including the chief, two (2) corporals and seven (7) officers. The department last hired an officer in 2007. There are three part time civilian positions. One is a secretarial position, one a parking enforcement position and the other an IT position.

Shamokin Police Department does not have a formal Organizational Chart. The department is limited to patrol. At one time there was a detective position; however when the detective retired the position was not replaced. Crimes that require additional investigation are followed-up by the patrol officer that investigates the initial crime report. At one time there was a bike patrol; however, it has also been discontinued due to limited manpower.

Assessment

The effectiveness of a police department is determined by many factors. The police department and the citizens of the community look upon crime and the relative feeling of safety that exists within the jurisdiction as a primary role of the police. However, there is some question concerning how much impact the police really have on crime. We must look at the crime rate, the ability of the police to respond in a timely fashion, the amount of violent crimes (Serious Offenses), and the less serious crimes (Other Offenses), occurring in the community as effectiveness measures.

Another important factor is the ability of police to solve crime once it is brought to their attention. This involves a police department's arrest rate and clearance rate. Yet another factor can be examined by checking the conviction rate—those cases in which an arrest was made and whether or not a court conviction was achieved.

Reported Part I Index Crimes

Table 1, Reported Part I Index crimes 2009-2013, follows and summarizes the number of serious crimes reported to the City of Shamokin during the five (5) year period ending in December 2013. Index crimes are commonly used to portray the level and nature of crime in a jurisdiction. Part I crimes include the offenses of homicide, rape, robbery, aggravated assault, burglary, larceny, motor vehicle theft, and arson.

**Table 1
Shamokin City Police Department
Reported Part 1 Index Crimes
2009-2013**

Year	Murder	Rape	Robbery	Assault	Burglary	Larceny Theft	Motor Vehicle Theft	Arson	Total
2013	0	0	1	3	9	27	1	2	43
2012	0	0	1	4	6	45	3	0	59
2011	0	0	1	2	11	48	2	1	65
2010	0	0	0	6	6	24	2	1	39
2009	0	1	1	20	20	85	7	4	138
TOTAL	0	1	4	35	52	229	15	8	344

Source: Pennsylvania Uniform Crime Reporting System

Note: A table showing Northumberland County statistics was not provided due to the sheer volume of information.

Evaluation:

1. Shamokin City's Index crimes decreased by 99 from 2009 to 2010, increased 26 in 2011, then decreased 6 in 2012, then by decreased 16 from 2012 to 2013. Overall, index crimes **decreased** 95 or 68.84% compared to five (5) years earlier.
2. During that same time period, index crimes across the entire county decreased by 315 from 1,927 in 2009 to 1,505 in 2010; increased by 208 to 1713 in 2011, then increased by 33 to 1,680 in 2012. Index crimes decreased by 68 during the 2012 to 2013 time period. Overall, index crimes **decreased** 315 or 16.35% compared to five (5) years earlier.
3. In Shamokin jurisdiction, the greatest number of Part I crimes (138), were reported in 2009. Northumberland County also experienced the greatest number of Part I crimes (1,927) in 2009.
4. Larceny-Theft was the crime category most frequently reported in Shamokin City (229) and Northumberland County (5,128). Burglaries (53) and Assault (35) followed as the number two (2) and three (3) crime categories in the City. Across the entire County, Burglaries (391) were followed by Assaults (321) as the number two and three crime categories reported except for years 2010 and 2011 When Assaults were number two and Burglaries third.
5. Shamokin's five (5) year average clearance rate was 88.48%. The County average was 44.20%. If accurately reported, Shamokin's significantly high clearance rate of double the County average is commendable.
6. During 2014, Shamokin's Part I Index crimes numbered 172 as reported to the Pennsylvania Uniform Crime Reporting System. That number is an increase of 74 or 172% compared with 2013. This is a significant serious crimes increase over the past four (4) years and the trend should be closely monitored. Their 2014 Clearance Rate was 67.52%.

Crime Rate

A review was conducted of the reported crime in the Shamokin City jurisdiction over the past five (5) years from 2009 through 2013 as reported in the Uniform Crime Report, compiled by the Pennsylvania State Police, Bureau of Research and Development.

The same review, for the same time period, was conducted for the entire Northumberland County for comparison purposes. This allows Shamokin City to better understand the Crime Trends in their jurisdiction in comparison to all the reporting municipalities across the County. It should be noted that the Shamokin statistics are included in the Northumberland County statistics.

Crime Rate information follows and provides a formula to indicate a municipality’s crime rate in numerical terms. The rate is determined by dividing 100,000 by a municipality’s population (2010 Census), times the Part I reported Crimes as follows:

**Table 2
Crime Rate Comparisons
2009-2013**

<u>MUNICIPALITY</u>	<u>POPULATION CALCULATION</u>		<u>PART 1 CRIMES</u>	<u>CRIME RATE</u>	<u>YEAR</u>	<u>CRIMES CLEARANCE RATE</u>	
Shamokin	100,000	7,316 = 13.67	x 43	587.81	2013	54	125.6%
			x 59	806.53	2012	54	91.50%
			X65	888.55	2011	48	73.80%
			x 39	533.13	2010	28	71.80%
			x 138	1,886.46	2009	110	79.70%
County	94,528 = 1.06		x 1,612	1,708.72	2013	730	45.28%
			x 1,680	1,780.80	2012	662	39.40%
			x 1,713	1,815.78	2011	669	39.05%
			x 1,505	1,505.30	2010	704	46.77%
			X1,927	2,042.62	2009	973	50.49%

Source: Pennsylvania Uniform Crime Reporting System

Evaluation:

1. The data suggests that Shamokin City, over a five (5) year period from 2009 to 2013, has experienced a **decrease of 1,298.65 or 68.84%** in the crime rate, down from 1,886.46 in 2009 to 587.81 in 2013.
2. Northumberland County over the same time period has also experienced a **decrease of 333.9 or 16.35%** in the crime rate, down from 2,042.62 in 2009 to 1,708.72 in 2013.
3. Shamokin City’s average five year Crime Rate (940.50) is 46.88% lower than the County average (1,770.64) according to the data reported.
4. Shamokin’s 2014 crime rate based upon 117 Serious Crimes reported to the UCR System would be 1,599.39.

5. Shamokin City, over a five (5) year period from 2010 to 2014, has experienced an increase of 1,066.26 or 200% in the crime rate, up from 533.13 in 2010 to 1,599.39 in 2014.
6. Shamokin City's average five years Crime Rate (2010 – 2014) would be 723.51.

Evaluation:

From the data reported and examined, Shamokin City Police Department statistics appear to suggest they are doing much better investigating and clearing crime in their jurisdiction. Part 1 crime is decreasing at a greater rate in the City jurisdiction than the rate of decrease across the County. The 2014 UCR Report is a significant trend change in direction more similar with the 2009 experience than it is with the four years (2010 – 2013) that followed. This trend supports the need for training as indicated in PD 17 that follows on page 155.

Conviction Rate

Another measure of effectiveness can be gleaned from a department's "conviction rate". A conviction is the successful prosecution of an offender arrested, charged and prosecuted for committing a crime.

Evaluation:

Shamokin City Police Department does not specifically track conviction rate information regarding the disposition of offenders charged with committing crimes within their jurisdiction. The SCPD "Monthly and Annual Activity Report" does not include information on the number of crimes occurring or being investigated or prosecuted in the City. Therefore, for the purposes of this report, it was not possible to determine "conviction rate" data.

Reported Part II Index Crime

Table 3, Reported Part II Index Crimes 2009-2013 summarizes less serious crimes than the Part I Index Crimes reported by the Shamokin City Police Department during the five (5) year, time period from 2009 through 2013.

Table 3
Shamokin City Police Department
Reported Part II Index Crimes
2009-2013

Crime	2009	2010	2011	2012	2013	TOTAL
Other Assault	25	17	46	55	28	171
Forgery	4	3	0	2	1	10
Fraud	30	7	5	5	2	49
Embezzlement	0	0	0	0	0	0
Stolen Property	2	0	3	0	4	9
Vandalism	64	12	16	16	12	120
Weapons	0	1	1	2	4	8
Prostitution	0	0	0	0	0	0
Sex Offenses	1	0	2	0	3	6
Narcotics	91	23	54	27	34	229
Gambling	0	0	0	0	0	0
Family Offenses	2	0	3	2	1	8
DUI	29	19	14	11	10	83
Liquor Laws	32	24	11	6	10	83
Drunkenness	29	21	13	21	27	111
Disorderly Conduct	176	57	49	43	33	358
Vagrancy	0	0	0	5	0	5
All Others	84	38	37	38	48	245
TOTAL	569	222	254	233	217	1,495

Source: Uniform Crime Report, Compiled By the Pennsylvania State Police, Bureau of Research and Development.

Evaluation:

1. Part II crimes decreased by 352 or 61.86% in SCPD, down from 569 in 2009 to 217 in 2013.
2. During the same time period, Northumberland County Part II crimes decreased 1,502 or 36.25%, down from 4,143 in 2009 to 2,641 in 2013.
3. During the five (5) year time period, Disorderly Conduct (358), Narcotics (229), Other Assaults (171) and Vandalism(120) were the top four (4) Part II crimes reported by the Shamokin City Police Department.
4. During the same time period, Vandalism 2,822, Other Assault 2,405, Driving under the Influence 1,613 and Fraud 1,008 were the top four (4) Part II crimes reported across the entire County. Again take note that the County statistics include Part II crimes reported by the SCPD.
5. During 2014, Part II Crimes increased 48 or 22.12% over 2013.
6. Part II crimes increased by 43 or 19.36% in SCPD, up from 222 in 2010 to 265 in 2014.

Accident Enforcement Index

Patrol is the backbone of any law enforcement agency. The philosophy held by officers on patrol has very serious ramifications toward accomplishment of the police mission.

Studies indicate that police departments employing an “aggressive” patrol strategy experience higher arrest rates and lower crime rates for robberies than jurisdictions with a “passive” patrol strategy. Making frequent “street stops” or issuing an above average number of traffic citations accomplishes this. Generally, if a criminal knows that police are actively stopping suspicious persons and making field checks, or if the criminal sees more police on patrol, he may not commit crime because he perceives that his chances of being caught are greater. This perception will often lower the crime rate in a given jurisdiction.

Accident Enforcement Index is another measure of effectiveness that can be drawn through an examination of data. Experts (Northwestern Traffic Command Institute) report that for every injury accident, twenty (20) citations should be issued for optimum enforcement. Optimum enforcement is desirable in an effort to reduce injury accidents.

The Shamokin City Police Department Officers Yearly Report indicates the number of traffic citations but not accident information. The SCPD computerized data does specify injury accidents data that are included with the “reportable accident” statistics. They were able to gather the information from a search of their computer. Table 1 depicts the five (5) year information as follows:

**Table 4
Shamokin City Police Department
Accident Enforcement Index**

<u>Year</u>	<u>Citations Issued</u>	<u>Injury Accidents</u>	<u>Enforcement Index</u>
2009	420	10	42.0
2010	349	21	16.6
2011	322	15	21.5
2012	280	21	13.4
2013	295	19	15.5

Source: Shamokin City Police Department Records Section

Evaluation:

1. The table indicates that SCPD’s traffic enforcement index is above optimum for two of the last five years.
2. Citations issued by SCPD have decreased from 420 during 2009, to 295 during 2013 or 125 (29.76%) over the five-year period.

Shamokin City Police Department Officer Annual Report

Shamokin City Police Department provides an annual Officer's Yearly Report that depicts certain activities, by officer. The following Chart provides five (5) year information as follows:

Table 5
Shamokin City Police Department
Officers Yearly Report

Year	Juv Pets	Crim Cpl	Traf Cit	Ntraf Cit	Park Cits	Writ Warn	Park Ticks	Num Calls	Miles Ptrl	Swp Tick	ESP Cits	Code Tick
2009	34	363	420	281	582	380	6,562	18,553	57,154	1,847	70	0
2010	37	237	349	420	230	375	4,564	19,560	76,489	1,737	0	0
2011	45	280	322	316	194	418	2,804	19,888	70,841	1,500	0	0
2012	34	258	280	284	336	174	2,472	19,670	65,350	1,439	0	108
2013	43	281	295	352	229	113	2,126	15,920	55,388	1,399	0	109

Evaluation:

1. There has been a steady increase of 26.47% in the number of Juvenile Petitions filed during the time period.
2. There has been a steady decrease of 22.59% in the number of Criminal Complaints during the time period.
3. There has been a steady decrease of 29.76% in the number of Traffic Citations during the time period.
4. There has been a steady decrease of 60.65% in the number of Parking Citations during the time period.
5. There has been a steady decrease of 70.26% in the number of Written Warnings during the time period.
6. There has been a steady decrease of 67.60% in the number of Parking Tickets during the time period.
7. There has been a decrease of 14.19% in the number of Calls during the time period.
8. There has been a decrease of 3.09% in the Miles during the time period.
9. There has been a steady decrease of 24.26% in the number of Sweeper Tickets during the time period.
10. Other than 2009, there has been no activity reported in ESP Citations during the time period.
11. Code Tickets were initiated in 2012 and there is no statistical difference during the time period.

Manpower

The first step in evaluating whether Shamokin City is receiving efficient and effective police service is to determine the number of officers necessary to service the City and to staff the police department.

The International Association of Chiefs of Police has developed a method for determining patrol force manpower needs based upon the actual or estimated complaint or incident experience in a community. The consultant has found the IACP method to be most reliable in determining manpower needs. The following procedure determines the level of required patrol officer positions and does not include supervisors, administrators or specialists.

Step 1 – Determine the number of complaints or incidents reported to or by the police department in a year. Complaints or incidents include all forms of police activity where an officer responded to a scene and took an official action. It does not include situations where advice is given over the telephone, running errands, doing follow-up work on previously reported incidents, handling internal police department matters, etc. The figure used (4023.8) was taken from the IACP formula to calculate the average incidents based upon population. According to the 2000 Census figure, Shamokin City had a population of 7,316. The formula states that on average, .55 incidents will occur per 100,000 persons. The documentation of the police department incident/complaint data was not used.

Step 2 – Multiply the total complaints or incidents by 0.75 (45 minutes). It is generally accepted that 45 minutes is the average time required to handle a complaint or incident ($4,023.8 \times 0.75 = 3,017.85$).

Step 3 – Multiply by three to add a buffer factor and time for preventive patrol. General experience has shown that about one-third of an officer's time should be spent handling requests for service. Other time requirements for servicing police vehicles, personal relief, eating, supervision, and to complete reporting of incidents on proper forms must be considered. The time required for aggressive preventive patrol should also be considered. Multiplying by three makes up for the aforementioned buffer factors ($3,017.85 \times 3 = 9,053.55$).

Step 4 – Divide the product by 2,920, the number of hours necessary to staff one basic one-officer patrol unit for one year, 365 days x 8 hours = 2,920 hours (9,053.55 divide by 2,920 = 2.55 patrol elements). The result of this process represents the number of patrol elements necessary to adequately handle the number of incidents (not the number of police officers) occurring in Shamokin City. To determine the number of officers required to staff each patrol element, the assignment/availability factor must be determined. Determining how many hours each year the average police officer is not available for duty on the street, and subtracting that time from the patrol element hours of 2,920 accomplish this. Summarized below is that calculation:

Factor	Annual Man Hours
Regular Days off (2 days per week).....	832
Vacation (15 days per year).....	120
Holidays (10 days per year).....	80
Court Days (5 days per year).....	40
Training (5 days per year).....	40
Sick and injury (5 days per year)	40
Miscellaneous leave (1 day per year)	8
Total	1,160

(2,920 hours – 1,160 Non-available hours = 1,760 Available hours)

Once the total available hours of the average patrol officer is established, the assignment/availability factor is determined by dividing the available hours into the patrol element requirement of 2,920 hours. This results in a factor of 1.66. In other words, it takes 1.66 police officers to staff each patrol element required to police the community. This does not include administrators, supervisors, or specialists, but does include only patrol personnel. Multiplying the 2.55 patrol elements times 1.66 = 4.24 officers.

Chart 1 demonstrates the application of the manpower formula, using incidents based upon the population average for the City. The column marked + A/S/I includes the members needed to staff administration, supervision and investigation positions.

**Chart 1
Shamokin City
Estimated Police Personnel Needs By Population**

INCIDENTS	X.75	X3	DIVIDE BY 2920	X1.66	+A/S/I	TOTAL Recommended Manpower
Population (7,316 x .55)						
4,023.8	3,017.85	9,053.55	2.55	4.24	2	6.24

Chart 2 demonstrates the application of the manpower formula, using the 2013 incidents (Calls for Service), as reported on the Yearly Total Officer Statistics Report by Shamokin City Police Department. The 2013 statistics are being used, as they are the most recent total year's information.

**Chart 2
Shamokin City
Estimated Police Personnel Needs By Incidents**

Recommended Incidents	X.75	X3	DIVIDE BY 2920	X1.66	+A/S/I	TOTAL Manpower
Population (7,316 x .55)						
15,920	11,940	35,820	12.2671	20.36	4	24.36

Note: Calls for Service are not incidents and were not checked for validity. The sheer number reported tends to cause serious consideration as to the validity of the number of “calls” being reported. The data indicates that eleven (11) officers handled 15,920 Calls for an average of 1,447.27 per officer.

Calls have varied since 2009. During 2009, thirteen (13) officers reported 18,553 calls for an average of 1,427/officer. During 2010, twelve (12) officers reported 19,560 calls for an average of 1,630/officer. During 2011, twelve (12) officers reported 19,888 calls for an average of 1,657/officer. During 2012, twelve (12) officers reported 19,670 calls for an average of 1,657/officer. During 2013, eleven (11) officers reported 15,920 calls for an average of 1,447/officer and as of August 4, 2014, eleven (11) officers reported 8,241 calls for an average of 749/officer.

Another opportunity to evaluate manpower utilization can be achieved by viewing and comparing the manpower utilized by municipalities in neighboring county departments and departments of similar size in other counties. Their county, population, and staffing level is as follows:

**Table 6
Police Staffing, Similar Sized Municipalities**

Municipality	County	Population	Officers	
			Full-time	Part-time
COAL TOWNSHIP	Northumberland	10,628	12	0
BELLEFONTE BOROUGH	Centre	6,187	8	0
LOCK HAVEN CITY	Clinton	9,772	14	0
PITTSTON	Luzerne	7,739		
MILTON	Northumberland	7,042	8	4
MT CARMEL BOROUGH	Northumberland	5,893	8	4
SUNBURY	Northumberland	9,905	12	0

The Chief of Police and Officers believe the declining number of officers has a negative impact on their ability to provide police services and less than two officers on the street at one time is an officer safety concern. They are concerned that any reduction would be detrimental to the citizens and officers alike.

Vehicles

The City Police Department operates a fleet of seven (7) vehicles. The fleet is serviced in part by the City Street Department and commercial vendors. The following information was current as of August 4, 2014.

<u>Equipment #</u>	<u>Year/Make</u>	<u>Description</u>	<u>Mileage</u>	<u>Mo/Average</u>	<u>Condition</u>
Car 1	2007 Ford	Interceptor/Unmarked	100,000 plus		Fair
Car 2	2011 Ford	Interceptor/Marked	52,477		Good
Car 3	2004 Ford	Interceptor/Marked	117,373		Poor
Car 4	2013 Ford	Sport Utility/Marked	18,310		Excellent
Car 5	2011 Ford	Interceptor/Marked	41,310		Excellent
Car 6	2007 Ford	Interceptor/Marked	112,615		Fair
Car 7	2011 Ford	Sport Utility/Marked	40,443		Excellent

Note:

1. Car # 1 is at the shop being unmarked.
2. Car # 3 will be removed from the fleet by auction or scrap.

Budget Information

Finance

Typical of most municipal government operations, personnel and benefit costs are the largest budgeted category making it difficult to adjust operations to meet available income. Without reductions in these costs, there is little ability to reduce expenses to meet the current revenue stream.

Wages for employees are established through a Collective Bargaining Agreement and have increased annually. The Chief of Police is not covered under this Agreement. The most recent Agreement became effective January 1, 2009 and remained in effect until December 31, 2013. The City and Police are currently in Arbitration.

Section 18 of the Agreement states, "On each duty shift, there shall be TWO (2) Officers who are covered by this Agreement. It is agreed, however, that the Chief of Police and/or another full time Shamokin Police Officer not covered by this agreement may substitute for one of the TWO (2) Officers who may not be able to report to work; however, the substitute, whether it be the Chief of Police or another Police Officer, shall perform those duties of the Officer for whom he/she is substituting."

Article V – Benefits of the Agreement deals in part with health benefits. The officers contribute \$25.00 per week to the City for this benefit. Health benefits have increased annually and are expected to continue to rise significantly. Effective January 1, 2009, the city shall provide hospitalization and Major Medical Benefits, along with a paid prescription plan, to retirees and their dependents until Medicare, Medicaid or other government program becomes available. Such coverage is provided on the condition that, if any such coverage is or becomes otherwise available to the retiree or dependents, he or she may accept it until such time as such other coverage is no longer available. The City shall also provide to the retiree, the Penn Dental UCR Dental Program, Option IV.

The charts below show the historical expenditures and projected baseline expenditures of the Police Department. These charts include the salaries and compensation for the Chief of Police and non-uniformed employees, as well as expenses in addition to salaries and compensation, and therefore are different from the chart in the Workforce and Collective Bargaining Chapter.

Police Department – Historical Expenditures

Category	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Estimated
Salary	653,767	734,871	747,999	777,752	737,330	656,331
Longevity	0	0	0	0	0	0
Overtime 1.5x	30,696	50,428	43,451	40,773	75,036	50,330
Overtime 2x	0	0	0	3,459	860	17,647
Part-time	0	0	0	0	0	0
Healthcare	236,566	228,113	202,320	230,246	259,519	209,042
Healthcare Deductible	0	0	0	0	0	2,694
Prescription Refund	0	0	0	0	0	1,876
Vision	2,146	2,353	2,053	2,090	2,259	1,838
Dental	8,030	9,698	7,423	0	0	76,662
Life	5,008	6,379	7,878	6,218	5,746	2,448
Pension	77,973	68,609	157,197	161,484	0	205,769
Clothing Allowance	0	0	2,550	0	425	4,697
Payout - Retiree	0	0	0	0	25,521	30,448
Grant/Task Force	647	0	0	0	0	32,913
Vehicle	0	641	0	22,476	8,563	45,165
Building Rental	4,129	1,287	11,107	39	116	11,186
Utilities	29,894	42,646	50,133	72,368	40,636	28,435
Parking Meter Lease	3,633	8,183	3,273	0	-1,463	39,367
Other	<u>17,759</u>	<u>13,341</u>	<u>15,307</u>	<u>21,417</u>	<u>20,232</u>	<u>21,591</u>
Total Police Department	1,070,248	1,166,547	1,250,691	1,338,322	1,174,780	1,438,438

Police Department – Projected Baseline Expenditures

Category	2015 Budgeted	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salary	509,580	519,771	530,167	540,770	551,585	562,617
Longevity	12,750	14,050	15,350	16,775	18,300	19,875
Overtime 1.5x	60,000	60,000	60,000	60,000	60,000	60,000
Overtime 2x	17,000	17,000	17,000	17,000	17,000	17,000
Part-time	25,000	25,000	25,000	25,000	25,000	25,000
Healthcare	132,400	142,330	153,005	164,481	176,817	190,078
Healthcare Deductible	3,000	3,000	3,000	3,000	3,000	3,000
Prescription Refund	1,900	1,900	1,900	1,900	1,900	1,900
Vision	1,000	1,060	1,124	1,191	1,262	1,338
Dental	6,000	6,450	6,933	7,453	8,012	8,613
Life	2,500	2,553	2,609	2,671	2,735	2,801
Pension	389,714	447,253	451,233	455,745	460,302	469,508
Clothing Allowance	7,000	7,000	7,000	7,000	7,000	7,000
Payout - Retiree	20,000	20,000	20,000	20,000	20,000	20,000
Grant/Task Force	28,000	28,000	28,000	28,000	28,000	28,000
Vehicle	46,600	46,915	47,252	47,628	48,012	48,406
Building Rental	9,937	9,937	9,937	9,937	9,937	9,937
Utilities	15,750	15,798	15,850	15,908	15,967	16,027
Parking Meter Lease	0	0	0	0	0	0
Other	<u>16,520</u>	<u>16,594</u>	<u>16,672</u>	<u>16,760</u>	<u>16,850</u>	<u>16,941</u>
Total Police Department	1,304,651	1,384,611	1,412,031	1,441,218	1,471,680	1,508,042

Note:

1. The 2013 budget was \$68,236.90 over as of December 13, 2013 in accordance with the General Fund P & L vs Actual report.
2. All expenses related to the police department are not included in the police budget line items. Items such as, but not limited to the following are missing:
 - Part Time employees salary (Secretarial support)
 - Manager's time (to include salary & benefits)
 - Bookkeeping/Payroll time (to include salary & benefits)
 - Workers Compensation
 - Life Insurance
 - Personal Liability & Professional Liability Insurance
 - Vehicle Fleet Insurance
 - Building Insurance
 - Umbrella Insurance
 - Marine Insurance
 - Errors & Omissions Insurance
 - Legal fees (contract negotiations, grievances, arbitration, suites, etc.
 - Building Space, custodial fees, heat, electricity, maintenance, water/sewer, telephone, insurance, etc.
3. The eight (8) line items (Police Salaries, overtime, health insurances and pension MMO) consume \$1,009,102 or 91.55% of the 2014 total \$1,102,192 Police Budget.

Projected Baseline Expenditures – Shamokin Police Department

The following fees were reimbursed to the City during 2013:

**Shamokin Police Department
2013 Annual Treasure Report**

	<u>Account</u>	<u>Amount</u>
State Police Fines	331.130	\$ 2,105.88
Task Force Attorney General	351.010	10,237.35
Task Force County	351.020	11,462.85
State Aid MMO	355.050	116,530.75
Police Fines	362.100	71,425.67
Parking Meter Income	362.101	99,050.00
Reports.....		
Alarm Assessment		
Alarm Permits		
Court Ordered Reimbursement		
Fingerprint Fees		
Off Duty Reimbursement		
Photo Services		
Grants		
Restitution		

Initiatives

Recognizing the financial reality, the Administration must seek effective creative solutions that use existing resources in the most efficient way possible. The suggested initiatives should be considered interim solutions with the goals of improving efficiency and addressing all concerns. With this in mind, the following recommendations are designed to efficiently allocate available resources to problem areas within the City.

Until financial recovery is completed, the City must use its limited policing resources to efficiently focus on policing strategies designed to reduce crime and improve quality of life while containing costs. Many of these initiatives are opportunities for the Police Department to improve through better technology, aggressive strategies, efficient staffing, and collaboration.

PD01. Possible Reduction in Budgeted Positions for Sworn Officers by Two (2).

- Target outcome:** Cost Reduction
- Six Year Financial Impact:** TBD
- Responsible party:** Chief of Police

If the additional Earned Income Tax (EIT) allowed through Act 47 is not approved or is not available, then as a result of the City’s expected deficit the City should reduce the budgeted sworn officer positions to eight (8) inclusive of the Chief of Police. This should be accomplished through attrition if possible.

PD02. Hire and utilize Part-Time Officers in lieu of overtime to include holidays.

Target Outcome: Cost Reduction
Six Year Financial Impact: TBD
Responsible Party: Chief of Police and Leadership of City

The City should hire and utilize part-time officers in lieu of overtime, which should include the use of part-time officers on holidays.

PD03. Limit the Option of Compensatory Time Off in lieu of paid overtime.

Target Outcome: Cost Reduction
Six Year Financial Impact: TBD
Responsible Party: Labor Counsel

During 2013, the police spent a total of \$75,895.81 in overtime. This amount was \$38,953.99 or 105.45% more than the budget amount of \$36,941.82. The 2014-overtime budget amount is \$62,813.00. In addition, officers have accrued 2,491 hours of compensatory time (as of August 2014) that will involve paid overtime to cover under the requirement of two officers working per shift. Limits and approvals should be implemented to control compensatory time.

PD04. Ability to discontinue assigning two officers per shift (except during the hours of 1800 – 0200).

Target Outcome: Cost Reduction
Six Year Financial Impact: TBD
Responsible Party: Labor Counsel

The provision requiring two officers per shift must be removed from the collective bargaining agreement. The City must be able to determine manning per shift based on its economic situation and the needs of the Department. If the additional Earned Income Tax (EIT) allowed through Act 47 is not approved or is not available, then the City should discontinue assigning two officers per shift, except during the hours of 1800 – 0200.

PD05. Consider discontinuing Shamokin Police Service during the hours 0300 to 0700, stacking non-emergency calls until 0700 hours, and contacting PSP or explore contracting with Coal Township Police for emergency response to “emergency” calls during those hours.

Target Outcome: Cost Reduction
Six Year Financial Impact: TBD
Responsible Party: Labor Counsel

The August 2014 County Call Sheet (Call Type) for Shamokin City numbers 110 calls during the month. Sixteen (16) were Traffic Stops; Fifteen (15) were Basic or Advanced Life Support; Nine (9) were Phone Call Requests; Nine (9) for Suspicious Persons/Circumstances; Eight (8) each

for Noise and Alarms; Six (6) Domestic Priority; Three (3) each for Disturbance, Miscellaneous – Non Priority, Attempted Suicide (could have been Advanced Life Support), Welfare Check; two (2) each for Outside Investigation, 911 Call Type, Traffic Hazard Low Risk, DUI Moving, Miscellaneous Priority, Burglary N/A, Hit & Run Non-Injury and Miscellaneous; One (1) each for Assault, Threats, Property Retrieval, Vandalism, Mischief, Nuisance, Parking, Fall Victim, Supplemental Information, and Follow-Up . Basically the greater number of these calls could have been “stacked” until an officer came out the following morning at 0700 hours. Those requiring immediate response (Assault, Threat, Domestic Priority) were fewer in number and would be more cost-effective to have PSP or Coal Township respond.

Estimated Financial Impact of PD02, PD04, PD05

2015	2016	2017	2018	2019	2020	Total
\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$180,000

PD06. Use Crime and Complaint Data to Better Determine Busiest Shifts and Schedule Accordingly

Target outcome: Improve Efficiency
Six Year Financial Impact: Improve Accountability
Responsible Party: Chief of Police, Labor Counsel

To determine optimum police staffing, a number of factors should be considered. The workload will vary substantially during specific hours of the day and even days of the week. The Department is encouraged to capture workload data to verify/better determine busiest shifts and/or busiest days of the week.

PD07. Develop and implement a case screening and management system for follow-up investigations based on the presence of solvability factors. Include the development and implementation of an operations policy for follow-up investigations. Focus greater attention on drug activity along with operational policy development and implementation.

Target outcome: Improve Efficiency
Six Year Financial Impact: Improved Accountability
Responsible Party: Chief of Police

Narcotic violations are the second most reported UCR Part Two Offenses over the five year period evaluated. These cases are 15.32% of all Part II Offenses. These cases are also relevant to the most reported Part I Offense of Larceny Theft. Attention to Narcotic Offenses will also impact the number of Larceny Theft offenses.

PD08. Collect, compile and analyze conviction data on criminal prosecutions. Include statistical information on crimes being investigated (followed up by Officers) on monthly and annual reports.

Target outcome: Improve Efficiency

Six Year Financial Impact: Improve Accountability

Responsible Party: Chief of Police

PD09. Develop and implement job descriptions for all sworn and civilian employees. Include descriptions based upon officer's rank and assignment. The Chief of Police description should include budgetary responsibilities.

Target outcome: Improve Efficiency

Six Year Financial Impact: Improve Accountability

Responsible Party: Chief of Police

PD10. Develop and introduce a performance evaluation system for all employees.

Target outcome: Improve Efficiency

Six Year Financial Impact: Improve Accountability

Responsible Party: Chief of Police

PD11. Negotiate a specific contract with the Chief of Police detailing the conditions and benefits associated with the position.

Target outcome: Improved Efficiency

Six Year Financial Impact: Improved Accountability

Responsible Party: Police Chief and Leadership of City

The Collective Bargaining Agreement covers all employees working in the police department with the exception of the Chief. Former Chiefs were permitted to use compensatory time in lieu of paid overtime. However, the compensatory time was cashed in for compensation at the Chief's hourly rate. Providing benefits without established written provisions lends itself to question and differing interpretation.

PD12. Research the prior years' data, evaluate and consider the causal factors impacting the accident enforcement index. Consideration should include the reduction in manpower. Initiate strategies to improve the AEI.

Target outcome: Improve Efficiency

Six Year Financial Impact: Improve Accountability

Responsible Party: Police Chief

PD13. Analyze and evaluate the Officers Yearly Report five-year information and consider the causal factors impacting the overall decline in activity. Initiate action to turn the decline around.

Target outcome: Improve Efficiency
Six Year Financial Impact: Improve Accountability
Responsible party: Chief of Police

PD14. Involve the Chief of Police in the Budgeting Process and Provide the Chief with a copy of the Police Budget. The Chief should be responsible for preparing a “Proposed” Police Budget including line item description/justification for each and every cost attributable to the operation of the police department. Police revenue and grants should be included in the police budget.

Target outcome: Improve Efficiency
Six Year Financial Impact: Improve Accountability
Responsible party: Leadership of City

For example, line item # 410.231 Police Cell Phone indicates a January to July 2014 expenditure of \$6,409.00. This figure is questionable as the Police Department pays for only one (1) cell phone. Officers reimburse the City for their cell phones.

PD15. Reduce the Vehicle Fleet by Two (2).

Target outcome: Cost Reduction
Six Year Financial Impact: TBD
Responsible Party: Chief of Police and Leadership of City

PD16. Establish a formal vehicle maintenance and repair written policy for the police vehicle fleet. The chief should be involved and responsible for oversight of this task/expenditure.

Target outcome: Improve Efficiency
Six Year Financial Impact: Improve Accountability
Responsible Party: City Leadership and Chief of Police

PD17. Provide training for the individual responsible for reporting UCR Information to the Pennsylvania State Police, Uniform Crime Reporting System. Prepare written policy on the classification of crimes reported to the City Police Department. Policy should include Report Preparation and Report Review procedures for sworn officers.

Target Outcome: Improve Efficiency

Six Year Financial Impact: Improve Accountability

Responsible Party: Chief of Police

PD18. Explore Sharing Services with Coal Township.

Target Outcome: Cost Reduction

Six Year Financial Impact: No additional Hires, potential reduction of staff via consolidation/sharing services

Responsible party: Leadership of City, and other municipalities in the region

Regional Police Departments in Pennsylvania now provide essential services to half a million Pennsylvanians. The concept of regionalization or the sharing of police services is receiving considerable attention at all levels of government. As budgets decrease, costs increase, and issues evolve around pensions, regionalization has become very attractive to many municipalities.

Between 1988 and 1990, the Department of Community Affairs (now the Center for Local Government Services) conducted a study of ten (10) of the then twelve (12) consolidated police agencies within the Commonwealth. There are currently thirty-three (33) consolidated Police Departments within the Commonwealth. The purpose of the study was to determine the cost effectiveness of consolidated as opposed to traditional policing models. To determine cost effectiveness and establish a basis for comparison, models were created from within the immediate area of each consolidated Department.

Communities were selected from within the immediate area of each consolidated Department. Communities were selected that had their own police agencies that were comparable demographically and socio-economically to those served by a consolidated Department. DCA then studied and compared police service costs of the model with the consolidated Department. The results of that study are as follows:

1. The per-officer cost in consolidated Departments was 3.5% higher than it was in traditional Departments.
2. Communities served by consolidated Departments spent an average of 24% less for services than did communities served by traditional Departments.
3. The percentage of total budget committed to police services was 9% less in communities served by consolidated Departments than in those served by traditional Departments.

4. The cost per capita for police service was 29% lower in communities served by consolidated Police Departments than it was in those served by their own Police Department.
5. Consolidated Police Departments provided better patrol coverage to more municipalities with 26.5% fewer officers than did traditional Departments.
6. Consolidated Departments operated with 59% percent fewer vehicles than did traditional Departments.
7. Uniform crime reporting and financial accountability was better in consolidated Departments than in traditional Departments.

The more recent “Berks County Pennsylvania Policing Study” conducted by the Police Executive Research Forum in July, 2009, provided information on “Merger and Consolidation” on pages 70 through 74 of their Final Report. It is relevant to revisit their information.

The report stated that a number of studies in the 1960’s and 1970’s advocated the merging of law enforcement agencies to provide citizens with better police service. The President’s Commission on Law enforcement and Administration of Justice in 1967 recommended that “each metropolitan area and each county should take action directed toward the pooling, or consolidation, of police services through the particular technique that will provide the most satisfactory law enforcement service and protection at lowest possible cost.” The Advisory Commission on Intergovernmental Relations in 1971 advised that “small local police departments, particularly those with 10 or fewer men are unable to provide a wide range of patrol and investigative services to local citizens. Moreover, the existence of these small agencies may work a hardship on nearby jurisdictions. Small police departments, which do not have adequate full-time patrol and preliminary investigative services, may require the aid of larger agencies in many facets of their police work.” The National Advisory Commission on Criminal Justice Standards and Goals in 1973 suggested consideration of “the recombination and consolidation of police departments with less than 10 full–time officers.”

The number of U.S. police agencies and their general small size has been a continuing issue for over 40 years. Public administrators, scholars, and some citizen groups have long advocated the merging of similar government functions into one as a method for reducing government overhead and inefficiency.

The recent economic situation in the United States has renewed the call for local government to find more effective and efficient ways to deliver police service to their communities. As reported on May 19, 2009, in USA Today, in the past 15 months, 19 suburban and rural police agencies in Pennsylvania closed and seven others cut patrols. The closures and cuts forced the Pennsylvania State Police, who also face budget struggles, to assume full or partial public safety responsibility for about 54,000 more people.

There are conditions that seem to push for consolidation of police agencies. In *Small Police Agency Consolidation: Suggested Approaches*, Koepsell and Girard suggest these conditions tend to be present.

- An increased demand for better law enforcement service with declining financial resources.

- A concern with inter-jurisdictional overlapping of law enforcement services.
- A significant problem or crisis that is present in a community.
- An agency already exists that can provide police service throughout all political subdivisions.
- A history of cooperation between local governments.
- A jurisdiction's desire to remove itself from the administrative problems that exist in operating a police department.

When jurisdictions consider merging Police Departments, there are two common methods. One is to consolidate all police service into one agency and abolish the individual Police Departments that exist. The other is to contract police services from another agency and abolish a local Police Department. These methods often face political and legal problems, as well as issues regarding labor agreements and community opposition. Consolidation requires increased cooperation and leadership at the local level in order to be successful.

Common advantages and disadvantages of police mergers include the following:

Advantages

- Improves the effectiveness of the services delivered. Mergers can reduce the inter-jurisdictional overlapping that can occur with a fragmented police service delivery system. They also can provide consistent enforcement, policies, practices, and procedures across the jurisdiction served by the merged agency.
- Reduce the cost through efficiencies. Mergers bring a certain economy of scale to the delivery of police service. Having multiple police facilities, vehicle fleets, communication facilities, records systems, and other capital overhead, including administrative functions like multiple hiring and promotional systems and increased operating costs of office supplies, insurance, fuel contracts, and uniforms, can produce duplicated costs. Mergers can provide a better use of civilian personnel by eliminating multiple communication centers, records sections, crime analysis functions, and human resource functions.
- Improve the amount and quality of service delivered. Mergers can provide full-time law enforcement and emergency backup capabilities, specialized services for high-risk situations, improved communication capabilities, reduced response time to genuine emergency situations, and improved officer safety through increased availability of back-ups.
- Eliminate the need for part-time officers, resulting in the delivery of service provided by full-time professionals.
- Improved recruitment, training, and career development of police personnel. Mergers can provide the ability to pay a higher consistent salary across the combined Department, whereas, small agencies may not be able to compete for the best police officers because they offer lower salaries. Mergers also allow for more training, because there is sufficient staffing to allow officers time-off to attend class. Smaller agencies, at times, cannot send officers to training because of staffing limitations. Mergers permit officers to have more choices for specialized

assignments and promotional opportunities. Training and career development prospects tend to attract more candidates and better qualified candidates, to the agency.

- Enhanced liability control. Because of civil litigation, the actions of one police officer can put a small city, township, or borough in financial peril in defending or paying a judgment on a claim. A merged police department would not deter the litigation, but could spread the liability over a larger tax base and enable the organization to have a staff attorney employed full-time to manage claims. Small agencies typically retain a law firm for defense work, which may cost more.

Disadvantages

- Possible increase in cost. Mergers may cost more than leaving the smaller police departments to operate as they do. The most expensive part of any police budget is employee costs. Merged agencies frequently create a salary structure that uses the highest salary levels of the police agencies involved in the merger.
- Loss of local control over the amount and level of services delivered. A multi-jurisdictional agency may become less accessible to local leaders, and citizen satisfaction with service may decrease.
- Loss of “personalized” services. Mergers may result in weakened relationships between members of the local police department and their city, township, or borough. The enforcement of certain local priorities may dwindle in a larger agency that is not devoted to a small jurisdiction’s local neighborhood issues.
- Decreased upward mobility. With only a single Chief and fewer top command positions, those seeking advancement to the top level may see increased competition. However, there may be an increase of positions for the first-line supervisors and mid-managers, depending on the exact structure of merged agencies.

Additional information to consider as you look at contracting, merger or consolidation of Police Service is as follows:

Consolidation of police services requires that individual political subdivision boundaries and individual Police Departments be abolished by ordinance, and those existing individual Police Departments be consolidated into one regional police department encompassing all political boundaries. The distinctive characteristics of this method of policing are the operation of the police agency outside the direct control of any one specific municipality. The Police Department operates under and is governed by a Police Commission consisting of elected and/or appointed officials from each of the participating municipalities.

Shamokin City along with several additional municipalities has contacted the Department of Community Affairs to initiate a feasibility study to explore Regionalization. The participating municipalities were provided with a survey form from DCED and the study will proceed after the surveys have been completed and returned to DCED.

Elected Officials

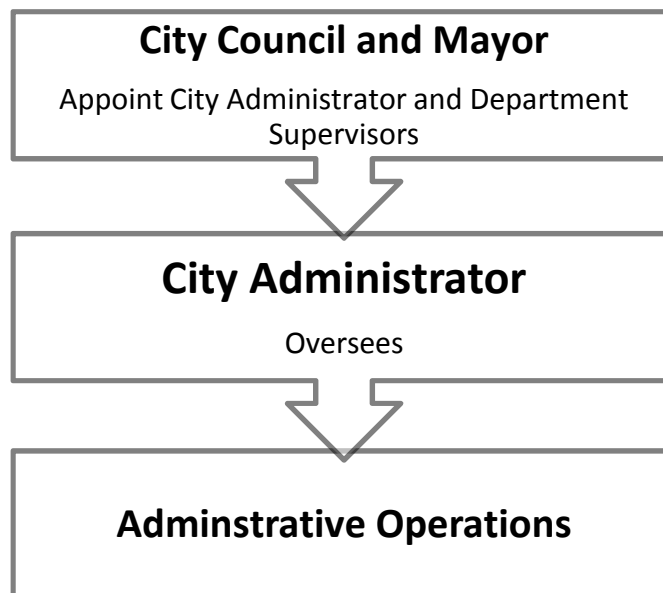
Overview

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. Additionally, the City has the power to adopt and enforce local ordinances, impose penalties or fines on properties, and to construct, acquire, operate, or maintain any and all public improvements and projects for any public purpose.

The City also has the power to sue and be sued, to contract to buy, sell, lease, hold, and dispose of real and personal property, to appropriate and expend monies, and to adopt, amend and repeal such ordinances and resolutions as the City may require, along with exercising condemnation, borrowing, and taxation in a manner provided by general law applicable to cities of the third class.

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.



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.

Historically, the Mayor and City Council received a small annual salary and health benefits provided by the City. As of January 1, 2014, the City Council and Mayor no longer receive compensation or health benefits.

Elected Officials – Budgeted Head Count

Position	2010	2011	2012	2013	2014	2015
Mayor	1	1	1	1	1	1
Councilman	4	4	4	4	4	4
Total	5	5	5	5	5	5

City Council – Historical Expenditures

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Estimated
Salary	8,781	19,369	19,550	19,550	19,550	3,250
Health/Life Insurance	0	0	0	0	0	22,868
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	8,781	19,369	19,550	19,550	19,550	26,118

City Council – Projected Baseline Expenditures

	2015 Budgeted	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salary	3,250	3,250	3,250	3,250	3,250	3,250
Health Insurance	8,980	9,654	10,378	11,156	11,993	12,892
Other	0	0	0	0	0	0
Total	12,230	12,904	13,628	14,406	15,243	16,142

Initiatives

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

Target outcome:	Plan implementation
Six-year financial impact:	Not Available
Responsible party:	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

Target outcome:	Community engagement transparency
Six year financial impact:	Not Available
Responsible party:	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 Shall approve and sign a detailed itemized bill list including, paid & unpaid, for all City expenditures for payment on a monthly basis

Target outcome:	Proper internal Controls
Six year financial impact:	Not Available
Responsible party:	City Council and City Administrator

In conjunction with the City's 2013 audit, the City's external auditor noted the existence of certain internal control deficiencies. Among these were the following:

- Compliance and Internal Control over Financial Reporting:
 - Lack of proper oversight by the governing body

EO04. City Council should consider the submission of a referendum question for election of government study commission

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

The Act 47 Recovery Plan includes a rate of 1.5% for the City portion of Earned Income Tax. 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. The additional revenue collected from the increased EIT is critical to the long term fiscal stability of the City.

The increase in revenue generated from the raised rate in EIT is the most significant revenue initiative in the Act 47 Recovery Plan. Without the additional revenue generated from the increased EIT the City will not be solvent and would be unable support its current operations without making drastic reductions in services including both Police and Public Works. 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. An overview of Home Rule in Pennsylvania can be found at: http://www.newpa.com/webfm_send/1699

EO05. City Council should increase the salary of the City Administrator to \$59,000

Target outcome: Leadership stability and professionalism
Six year financial impact: -\$122,687
Responsible party: City Council

Financial Impact

2015	2016	2017	2018	2019	2020	Total
-\$20,448	-\$20,448	-\$20,448	-\$20,448	-\$20,448	-\$20,448	-\$122,687

Since being hired in April of 2014 the City’s new Administrator has stabilized city operations, improved employee morale, fostered an environment of transparency and accountability and returned professionalism to the office of City Administrator.

Of all positions in the City perhaps none is more important than that of City Administrator. The City Administrator is the City’s highest ranking executive official and responsible for City operations. As such the Administrator will be required to implement significant portions of the Act 47 plan.

Increasing the salary of the City Administrator to reflect the responsibilities of the position will allow the City greater opportunity to retain existing and recruit qualified personnel in the future.

Cost of the increase in the City Administrator’s salary should be augmented from a Financial Assistance Grant as authorized by the Act. Grant funding for the increase in salary will be reduced annually until the expiration of the grant. Detail of Financial Assistance Grant funding sources and uses is listed as an Appendix herein.

EO06. City Council should hire an Administrative Clerk

Target outcome: Operational Improvement
Six year financial impact: -\$240,000
Responsible party: City Council

Financial Impact

2015	2016	2017	2018	2019	2020	Total
-\$40,000	-\$40,000	-\$40,000	-\$40,000	-\$40,000	-\$40,000	-\$240,000

The City Administrator currently spends a large amount of time performing clerically work. The City must limit the time the Administrator spends on clerical functions so that the City Administrator can administer City operations and implement the Act 47 Plan.

At a minimum the Administrative Clerk position should hold an associate’s degree in accounting or have equivalent work experience. The Act 47 Coordinator will help the City with the development of a Job Description and will work with the City on the selection of the candidate.

Cost of an Administrative Clerk should be augmented from a Financial Assistance Grant as authorized by the Act. Grant funding for the increase in salary will be reduced annually until the expiration of the grant. Detail of Financial Assistance Grant funding sources and uses is listed as an Appendix herein.

EO07. City Council should review Interim Financial Statements of All Funds reports monthly

Target outcome: Improved management, information oversight and decision making
Six year financial impact: Not available
Responsible party: City Council, City Administrator

The City should prepare detailed monthly and quarterly statements for purposes of monitoring the City’s operating budget for all funds. In particular, better and timely tracking of revenue collections and payroll expenditures, as well as overtime, are necessary for monitoring budget implementation.

Interim financial statements should include all City funds.

Treasurer and Controller

The Treasurer is an elected officer and must hold a degree in accounting. The City Treasurer's office handles the City's accounting for all City Governmental, Proprietary, and Fiduciary Funds. The Treasurer is responsible for maintaining the City's general ledger, trial balance, and making sure all financial accounts are accurate and up-to-date. The City Treasurer also serves as the City Tax Collector and collects all Real Estate, Per Capita, and Occupational Taxes including

511 taxes. The Treasurer prepares monthly and yearly financial statements for the Mayor and City Council.¹⁸

The Treasurer’s Office is responsible for the collection of Property, Per Capita and Occupational Taxes as well as the receipt, accounting and processing of all revenue received in the City. The Treasurer’s Office is currently staffed by a full-time elected Treasurer and one part-time employee that works 35 hours a week. The City is responsible for a third of the Treasurer’s salary and all of the Treasurer’s healthcare benefits. The City pays 100% of the part-time employee’s salary. The part-time employee in the Treasurer’s office does not currently receive healthcare benefits. Transferring to Powell, Rodgers and Speaks has improved the delinquent tax collection of Per Capita, BPT and LST. Keystone Collections has implemented collections of the Earned Income Taxes and the new Act 32 enforcement provisions countywide.

The Controller’s duties and responsibilities are outlined by the Third Class City Code and include the Examination and Audit of Accounts.

Treasurer and Controller – Budgeted Head Count

Position	2010	2011	2012	2013	2014	2015
Controller	1	1	1	1	1	1
Treasurer	1	1	1	1	1	1
Assistant Treasurer	1	1	1	1	0	0
Part-Time	0	0	0	0	1	1
Total	3	3	3	3	3	3

Source: City of Shamokin

Treasurer and Controller – Historical Expenditures

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Estimated
Salary	13,854	16,456	17,070	17,666	26,453	18,613
Pension	0	0	0	0	0	0
Health Insurance	32,926	39,325	36,799	46,095	47,500	32,864
Supplies	5,103	1,084	1,929	3,676	5,635	1,050
Insurance/Bonding	0	1,226	0	100	110	1,150
Collection Fees	17,741	16,275	14,358	14,149	13,906	14,500
Utilities	707	1,026	1,177	684	489	3,150
Other	50	160	283	3,462	2,688	500
Total	70,381	75,552	71,615	85,831	96,781	71,827

¹⁸ http://www.shamokincity.org/city_administration.htm

Treasurer and Controller – Projected Baseline Expenditures

Category	2015	2016	2017	2018	2019	2020
	Budgeted	Projected	Projected	Projected	Projected	Projected
Salary	18,115	18,347	18,584	18,826	19,072	19,324
Pension	1,431	1,474	1,518	1,564	1,611	1,659
Health Insurance	27,328	29,139	31,087	33,180	35,430	37,848
Supplies	1,400	1,400	1,400	1,400	1,400	1,400
Insurance/Bonding	1,700	1,736	1,774	1,816	1,860	1,905
Collection Fees	14,800	12,600	10,840	9,432	8,306	7,404
Utilities	3,700	3,716	3,733	3,751	3,771	3,790
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	68,474	68,412	68,935	69,970	71,450	73,330

Though these deficiencies may not fall under the direct control of the City Treasurer or City Controller, certain of the initiatives that follow address the fact that the Treasurer and Controller are situated to assist in ensuring these areas are addressed.

EO08. The Treasurer and Controller Shall Support the Recovery Plan Implementation as Related to Financial Process Improvements

Target outcome: Improved efficiency and improved accountability
Six year financial impact: Not Available
Responsible party: Treasurer and City Controller

The Office of the Treasurer and City Controller is a critical link in the financial operations of the city. It is imperative that these Offices work in close collaboration with the City Administrator to efficiently safeguard the City’s finances and execute this Recovery Plan in a timely manner.

EO09. The Treasurer and Controller Shall Communicate and Collaborate with the City Administrator and City Council to Implement the Act 47 Plan

Target outcome: Improved efficiency and improved accountability
Six year financial impact: Not Available
Responsible party: City Controller, City Administrator, Treasurer

There are a number of initiatives outlined in this Recovery Plan which will require support by the City Treasurer’s Office to implement. The City’s financial recovery depends on full and timely implementation of this plan. The City Treasurer and Controller shall work collaboratively with the Act 47 Coordinator to ensure implementation of initiatives related to financial process improvements.

EO10. The Treasurer and Controller Should Use their Statutory Authority to Ensure Sound Financial Practices

Target outcome: Improved accountability
Six year financial impact: Not Available
Responsible party: City Controller, City Administrator, Treasurer

To implement the Recovery Plan and monitor the financial condition of the City, increased communication between the City Controller, City Administrator, Treasurer, and City Council must be implemented. The City Administrator, Treasurer and City Controller shall meet at least monthly to review cash flow, revenues and expenditures (budgeted to actual) and any related operational issues. In addition the Treasurer should work with the City Administrator to increase collection rate of Real Estate Taxes to 90%.

EO11. The Treasurer and Controller Should Participate in Forecasting Operating Revenues and in Budget Preparation

Target outcome: Improved efficiency and completeness of forecasts
Six year financial impact: Not Available
Responsible party: City Administrator, Treasurer and Controller

The Treasurer and Controller should participate in forecasting operating revenues for the General Fund and other funds, and work in conjunction with the City Administrator. The preparation of such a “consensus forecast” would be an approach that allows for increased objectivity compared to the current process. The Act 47 Coordinator notes that the documentation of revenue projections must be enhanced. Having separate officials participate in the process would encourage both the discussion and the vetting of underlying assumptions related to revenues, arguably the most critical aspect of budget preparation.

EO12. The Controller should monitor bill payments to ensure that policies and procedures established are followed.

Target outcome: Improved expenditure control
Six year financial impact: Not Available
Responsible party: City Controller, Treasurer

The Controller should play an active role to ensure the City has an efficient and effective plan to process City invoices. Based on the Controller’s responsibility for reviewing and signing expenditures, the Controller has a defined knowledge on the spending side of the City’s budget.

Intergovernmental Relations

Overview

The City of Shamokin is one of 36 municipalities in Northumberland County¹⁹. Multiple school districts reside within the County as well. The City actively participates in intergovernmental organizations aimed at fostering cooperation among their members. Additionally, the City is a party to several cooperative arrangements with other governmental entities. These intergovernmental organizations and cooperative arrangements are set forth below:

- The Shamokin and Coal Township Public Library (the “Library”) provides services to the 21,482 residents of the Shamokin Area School District including the communities of Shamokin, Coal Township, Shamokin Township and East Cameron Township. The building that houses the library is owned and maintained by the City of Shamokin. Currently the Library provides year round adult and children's programming by a friendly staff of 4 full-time library aides and a professional librarian. It also maintains a collection of nearly 54,000 books, magazines and newspapers, DVDs, videotapes, books on CD/tape, music CD's, and microfilm for interested local patrons or those possessing memberships in other public libraries under the AccessPA statewide borrowing program. An automated circulation system is utilized and 8 internet access computers are available for use by the public.²⁰
- The Lower Anthracite Transit System based out of Mount Carmel was created to provide transportation needs for various communities in Northumberland County. Shamokin actively participates in the Committee along with certain other Northumberland County municipalities.
- The Shamokin Coal Township Joint Sewer Authority (the “SCTJSA”) is a Municipal Authority that provides wastewater services to the City, Coal Township and a portion of Kulpmont. The SCTJSA manages its own staff which are responsible for the operation and maintenance. The SCTJSA was incorporated on December 30, 1971, pursuant to ordinances enacted by the Council of the City of Shamokin and the Board of Commissioners of the Township of Coal. The SCTJSA is empowered to acquire, hold, construct, improve, maintain, operate and lease, as lessor or lessee, sewer systems and sewage treatment works. The Board of the SCTJSA is composed of six members, three of whom are appointed by the Council of the City and three of whom are appointed by the Board of Commissioners of the Township. The terms of the members of the Authority Board are staggered so that the term of at least one member expires each year. Members of the Authority Board may be reappointed. None of the members of the Board of the Authority is a member of either the Council of the City or the Board of Commissioners of the Township.
- The City is a party to a Cooperative Police Service Agreement with Coal Township. Pursuant to this Agreement, City Police and Township police provide each other with mutual aid, support and assistance.

¹⁹ <http://munstatspa.dced.state.pa.us/EAORports.aspx?M=D>

²⁰ <http://www.sctpubliclibrary.lib.pa.us/history.htm>

Assessment

Strained cities increasingly look to service-sharing arrangements to generate costs savings and efficiencies.²¹ There are many examples of these arrangements, and they are becoming more frequent as cities look for any available solution to close budget shortfalls. For example, three distressed communities in Rhode Island (Central Falls, Pawtucket, and East Providence) recently launched a service-sharing task force to identify opportunities to share services and reduce costs. Ratings agencies take a positive view of intergovernmental service-sharing, with Moody’s Investors Services calling the launching of the service-sharing task force in Rhode Island a “credit positive” for the three distressed communities affected.²² Cuyahoga County, Ohio recently passed an ordinance that has been called a model for service sharing.²³ This ordinance (Ordinance No. O2011-0009) created a Department of Regional Collaboration headed up by a Director of Regional Collaboration to advocate for and promote cooperation with and among the State of Ohio and other political subdivisions.

Pennsylvania’s Intergovernmental Cooperation Act explicitly authorizes two or more local governments, including school districts, to cooperate in the exercise of their governmental functions, powers, and responsibilities.²⁴ Other Pennsylvania cities have utilized this authority to enter into service-sharing arrangements. For example, the City of Harrisburg has cooperative and service-sharing arrangements in place with the Harrisburg School District and Dauphin County, among others. Harrisburg also cooperates with other governmental instrumentalities in the areas of electricity purchasing, recreational facilities, and 911 dispatching.²⁵ The City of Reading collaborates with its parking and water authorities on bill collection.²⁶

It is imperative for the City of Shamokin to expand its intergovernmental cooperation efforts in order to maximum efficiencies and cost savings. In the process of preparing this report, the Coordinators met with the community leadership, including private and public sectors, on multiple occasions, and there is overwhelming consensus among that leadership that there can and must be greater cooperation among local and regional governments in Northumberland County. The City must look for every opportunity to eliminate duplication of services with other local government entities, and explore opportunities to partner on services, purchasing, administration, and staffing.

Initiatives

IGR01. Identify and Implement Intergovernmental Cooperative Initiatives

Target outcome:	Improved cooperation and cost reduction
Six year financial impact:	Not available
Responsible party:	City Administrator and City Council

²¹ Burton, Paul, “Strained Cities Look to Service Sharing for Savings and Efficiencies,” the Bond Buyer, September 17, 2012.

²² Id.

²³ Id.

²⁴ See 53 Pa.C.S.A. § 2303

²⁵ See Generally, the Municipal Financial Recovery Act Recovery Plan for the City of Harrisburg

²⁶ Burton, Paul, “Strained Cities Look to Service Sharing for Savings and Efficiencies,” the Bond Buyer, September 17, 2012.

With the assistance of the Act 47 Coordinator, the City Administrator and City Council shall convene a group of leaders from the City of Shamokin, City of Sunbury, Northumberland County, the Shamokin Coal Township Joint Sewer Authority and the Shamokin Area School District to discuss possible collaborative intergovernmental initiatives in addition to the services identified aimed at conserving funds and/or improving current services. These initiatives may address topics including, but not limited to: tax collection; fleet maintenance; parks and recreation, purchasing; facilities maintenance; financial management services; and information technology. The group shall meet on a regular basis with the ultimate goal of identifying the most promising areas for future shared services, developing initiatives within these areas (along with specific implementation plans) and implementing these initiatives within each organization. The group shall analyze opportunities based on potential for cost savings, ability to improve current service delivery and/or savings on long-term capital costs for all entities involved. The City should create cooperative initiatives with the County and/or the County Redevelopment Authority to perform planning, CDBG and economic development projects.

IGR02. The City should pursue the consolidation of Police Services with Coal Township

Target outcome:	Improved cooperation and cost reduction
Six year financial impact:	Not available
Responsible party:	City Administrator and City Council

See Police Department chapter.

IGR03. The City should utilize Recycling Center operated by Coal Township

Target outcome:	Improved cooperation and cost reduction
Six year financial impact:	Not available
Responsible party:	City Administrator and City Council

See Public Works Chapter.

IGR04. The City should pursue joint ownership and operation of the City pool and American Legion Building

Target outcome:	Improved cooperation and cost reduction
Six year financial impact:	Not available
Responsible party:	City Administrator and City Council

The City maintains and owns both the City Pool and the American Legion Building that houses the Shamokin and Coal Public Library. Both the City Pool and the American Legion Building are utilized by both City and non-city residents, however, a majority of the operations and maintenance cost are the City of Shamokin’s responsibility alone. The City must work with Coal Township towards joint ownership. Also, see, Recreation chapter at Initiative RC05.

Insurance and Risk Management

Overview

The City’s insurance risk management program is managed by its City Administrator. Some municipalities, specifically those that do not employ a full time insurance risk management professional, often will engage the services of an Insurance Risk Management Consultant to provide independent and objective advice and counsel. Shamokin does not. Since the City’s in-force insurance program is not written through direct writers, the City utilizes the services of an intermediary to access and place the coverage with the insurance markets.

The chart below (which was prepared based upon our review of each of the individual insurance contracts that comprises the City’s insurance program) outlines Shamokin’s current insurance program policies, the insurer that provides the coverage, the coverage limit, the liability (retention) and the annual premium cost:

Line	Insurer	Limit	Retention	Premium
Commercial Property	Selective	\$14,746,320	\$5,000	\$ 15,320
General Liability	Selective	1,000,000	N/A	5,159
Pesticide and Herbicide Liability	Selective	1,000,000	\$1,000	559
Crime	Selective	250,000	\$1,000	\$536
Inland Marine	Selective	Varies	Varies	5,737
Automobile Liability	Selective	1,000,000	N/A (Liability)	21,751
Workers’ Compensation (City Employees)	Selective	Statutory	N/A	44,101
Workers’ Compensation (Shamokin Volunteer Fire Bureau)	State Fund	Statutory	N/A	13,775
Umbrella Liability	Selective	2,000,000	Underlying Primary	2,227
Public Officials Liability	National Casualty	3,000,000	\$5,000	26,783
Employment Practices Liability	National Casualty	3,000,000	\$5,000	Inc. in above
Law Enforcement Liability	National Casualty	3,000,000	\$5,000	Inc. in above
Aggregate Annual Insurance Premium Exp.				\$135,948

Overall, the City appears to be adequately insured, with one exception, i.e., Privacy Liability. The City needs to undertake a thorough analysis of the consequences of a data breach and the impact that would have on the City from a third party liability perspective, including defense expenses and data breach mitigation expenses. We also believe that more aggressive “hands on management” is required to mitigate exposure to loss and to manage the impact claims may have on insurance costs.

Assessment

Brokerage / Representation

The City utilizes the services of an intermediary or broker. The broker is *Weiss-Schantz Agency, Inc.* (“WSA”) with their address and primary contact person as follows:

Weiss-Schantz Agency, Inc.
1631 Main Street
PO Box L
Hellertown, PA 18055
610-838-7801 (O)
610-838-2420 (F)
Mr. Timothy Schantz II

WSA is responsible for the following policies:

- Commercial Property
- Inland Marine
- Automobile Liability
- Workers’ Compensation and Employers Liability (City of Shamokin)
- Workers’ Compensation and Employers Liability (Shamokin Volunteer Fire Bureau)
- General Liability and Employee Benefits Legal Liability
- Pesticide and Herbicide Liability
- Umbrella Liability
- Crime
- Law Enforcement Liability
- Public Officials Liability
- Employment Practices Liability

Brokerage Services Agreement

There are no written contracts or services agreements between the City and its broker. While this is not uncommon, it is generally a best practice to secure a written agreement that at a minimum sets forth services, standards, expectations and renewal time-lines.

Brokerage Compensation

There are several ways to compensate brokers. One is the traditional commission, or percentage basis, in which the broker receives a percentage of the policy’s gross annual premium. Commissions range from 5% - 7% on Workers’ Compensation policies and

10% - 30% on all other lines of coverage. A commission or percentage-based compensation arrangement places any insurance broker in an “apparent” conflict-of-interest position, since the lower the insurance premium, the lower the commission earned. Such a compensation methodology also fails to equate time spent delivering client service to compensation earned. The alternative to commission compensation is to negotiate a fee for service in lieu of commission. A fixed fee provides the broker with a fair, negotiated level of compensation for work performed. Thus, the lower the insurance premium, the higher the ratio the insurance broker will earn for a fee. It also allows the City to separate the cost of risk transfer from the cost of placement and follow-up service. In separating the expense, the City can establish a fee that is commensurate with the time and value of the service being provided. Often on large placements, the negotiated fee is typically less than what the commission would have been, hence reducing placement expense.

WSA is compensated via traditional commission income. The following (which is based upon our estimated commission percentages paid) provides a picture of WSA’s compensation:

<u>Line</u>	<u>Commission</u>	<u>Premium</u>	<u>Commission Percentage</u>	<u>Brokerage Compensation</u>
Property	Yes	\$ 15,320	15%	\$ 2,298
General Liability	Yes	5,159	15%	774
Crime	Yes	536	15%	80
Inland Marine	Yes	559	15%	84
Automobile	Yes	21,751	15%	3,263
Workers' Compensation	Yes	44,101	5%	2,205
Workers' Compensation	Yes	13,775	\$0	0
Umbrella Liability	Yes	2,227	10%	223
Law Enforcement Liability	Yes	26,783	12.5%	3,348
Public Officials Liability	Yes	Inc. in above	--	--
Employment Practices Liability	Yes	Inc. in above	--	--
Commission Income				\$ 12,275

In our opinion, the commission income received by WSA is both fair and reasonable. We recommend that the City should continue the aforesaid commission based compensation.

Heart and Lung Act

Like other City employees, when police officers and fire fighters suffer injuries, they are entitled to Workers' Compensation benefits. However, before such benefits are paid under Pennsylvania Workers' Compensation, and if the injury qualifies, wage loss benefits must first be paid under the Pennsylvania Heart and Lung Act (“the Act”).

It is important to note that the Act covers a police officer or firefighter who is injured in the performance of his or her duties and who sustain a temporary disability. Injuries resulting in permanent disability are covered by the Workers' Compensation Act. There is no defined benefit period. The Act prescribes that benefits must be paid for as long as the employee is determined to be temporarily disabled. When the disability is determined to be permanent then wage benefits under the Act will be terminated in accordance with due process. Subsequent wage loss is determined under the Workers' Compensation Act.

A disabled employee under the Act is entitled to 100% of his/her wage, unlike under the Workers' Compensation Act where the weekly benefit is subject to 66.66% of the employee's average weekly wage over the preceding 12 months. While the benefits under the Act bring a significantly higher cost to the City than Workers' Compensation benefits, eligibility for benefits under the Act requires a higher standard than a claim under Workers' Compensation. For a claim to be accepted under the Act, the disability must be a result of the employee being injured in the performance of his or her duties, whereas under Workers' Compensation the injury simply must have occurred in the course of employment. Hence, much like Workers' Compensation claims, claims filed under the Act also must be aggressively managed by the City.

In the event of a disabling injury, a determination must be made as to whether the injury is covered under the Act or covered under Workers' Compensation. City officials advise that there is no formal program to manage these types of claims. That may result in a higher cost than is necessary. It is clear that someone at the City must have an understanding of the Act and how it is to be applied, and manage the claim as to when the Act ends and when Workers' Compensation begins. Failure to do so can result in higher costs incurred unnecessarily by the City.

Large Claim Notification

There is no threshold term or condition which requires notification from an employee to the City that a claim has been filed (a case reserve is in excess of a specific amount or where a case reserve is increased in excess of a certain amount). We recommend that a threshold should be established for large claims and should be managed. Failure to do so can once again result in higher costs incurred unnecessarily by the City. As referenced above in the Heart and Lung Act, someone in City government must manage the claims.

Light Duty Program

A primary tool to minimize loss experience is to return injured employees, unable to return to full duty work, to light duty or modified duty assignments. A light duty or modified duty job must be approved in writing by the employee's doctor before the light duty job offer is made. Light duty, modified duty and transitional work are all "somewhat" synonymous in that the goals of each are the same – return the injured employee to work as soon as possible. That typically reduces lost time days, decreases the injured worker disability experience, maintains the employer-employee work experience and improves employee morale. It represents an opportunity to protect and maintain the employability of the workers with restrictions, while reducing the employer/employee financial liability associated with work restrictions.

It has been shown that the earlier an employee returns to work, a lower claim cost will result. It has generally been reported that the cost of a claim increases by 21% to 33% when return to work does not occur within the first three weeks. The cost of a claim increases by 55% after the first thirty days. Further, when someone is off work on Workers' Compensation, the City pays that compensation and also pays for another employee to perform the job. Other hidden costs related to a claim can include overtime and training. Employees who perform even a part of their job place less burden on their co-workers. National statistics show that claim filings are reduced up to 50% when transitional work programs are implemented.

The City has no formal Light Duty program. The City Administrator is receptive to such a program, but pointed out that he is not aware if any limitations exist within the collective bargaining agreements that have been negotiated with the City. We recommend that the City

analyze these agreements and if there are no limitations, a Light Duty Program should be formalized. If there are limitations, Light Duty programs should be negotiated into the agreements.

Outside Legal Counsel

The City utilizes Mr. Frank Konopka, Esq. in connection with legal matters involving the City. Mr. Konopka is paid a retainer to serve as City Solicitor.

Claims Review

Claims are not reviewed by the City on a regular basis. If not aggressively managed, claims tend to become more costly. This is also true with claims covered under the Heart and Lung Act. We recommend as a best practice that all work-related claims involving a temporary or permanent disability must be aggressively managed.

Insurance Programs:

Named Insured

All policies are issued such that the first Named Insured is the City of Shamokin, along with The Redevelopment Authority of the City of Shamokin.

Public Entity Package Program

Insurer:	National Casualty Company, a member of Nationwide Mutual Insurance Company
Policy No:	PKO0002013
Term:	8/1/14 – 8/1/15
Premium:	\$26,783

Employment Practices Liability

This coverage section of the policy is summarized as follows:

Each Wrongful Act:	\$3,000,000
Aggregate Limit:	\$3,000,000
Deductible:	\$ 5,000

Public Officials Liability

This coverage section of the policy is summarized as follows:

Each Claim Limit:	\$3,000,000
Policy Aggregate Limit:	\$3,000,000
Deductible:	\$ 5,000

Law Enforcement Liability

This coverage section of the policy is summarized as follows:

Each Claim Limit:	\$3,000,000
Policy Aggregate Limit:	\$3,000,000
Deductible:	\$ 5,000

1. Law Enforcement coverage is written on an “occurrence” basis, i.e., regardless when the claim is made, the policy that responds will be the policy that is in effect at the time of the “occurrence.” The Public Official and Employment Practices Liability coverage parts are written on a “claims-made” basis. In each case, the policy will respond only if the claim is made during the policy period. Hence, in the event that the policy would be non-renewed or cancelled, and in order for coverage to continue to provide protection to the City, either the successor insurer must agree to provide coverage for prior acts or have a similar policy issued such that it responds to any and all claims made during their policy period, regardless of when the wrongful act occurred. If the successor insurer would not agree to such conditions, then the City would need to consider purchasing an Extended Reporting Period or “tail” policy so that claims made during this period (in which the wrongful act occurred prior to the inception date) would be covered, hence providing the City with protection to its balance sheet.
2. The duty to defend as it relates to the above three coverage parts is with the insurer, i.e., in the event of a claim, the insurer appoints defense counsel. If the City would prefer to select its own defense counsel, at renewal the underwriter should be requested to amend the policy to allow the City to appoint its counsel subject to the approval by the insurer, with said approval not to be unreasonably withheld.
3. It appears that the cost of defense is outside the limits of coverage. However, inclusion of defense costs erodes the limit of insurance to pay claims.

4. Claims arising out of or resulting from a taking that involves or is in any way related to the principles of eminent domain, inverse condemnation, adverse possession, right of prescription or dedication by adverse use or by whatever name used, would be excluded. This is a potential exposure facing the City. We recommend that at policy renewal the City should delete this exclusion.
 5. The policies contain a “Consent to Settle Endorsement,” also known as the “hammer clause.” In the event a settlement can be reached with the plaintiff (and if the City would not agree with the insurer to settle the claim), the insurer will be responsible only for the amount for which it could have settled the claim, plus seventy percent (70%) of the amount in excess of the amount for which the claim could have been settled, plus seventy percent (70%) of any defense costs incurred after the date of the City’s refusal to consent to a settlement. The thirty percent (30%) difference in both instances would be an expense to the City. At renewal, the percent for which the insurer and the City would be liable should be amended to 90% and 10%, respectively. In either case, it reduces the exposure to the City and increases the recovery from the insurer.
 6. Under the Employment Practices Liability coverage part, the policy has been endorsed to exclude all claims from firefighters, regardless if the firefighter is a volunteer or a paid firefighter. It is our understanding that the City does not have any paid firefighters, however, we have been advised that five (5) current chiefs receive a stipend from the City. We recommend that the exclusion be amended to exclude volunteer firefighters at a minimum.
 7. The Employment Practices coverage should be amended with a Third-Party Coverage Endorsement to extend to third party claims, i.e., a Business Invitee in connection with harassment, including sexual harassment, discrimination or humiliation, invasion of privacy, or infliction of emotional distress or mental anguish.
 8. In the Public Officials Liability coverage form an exclusion exists that excludes claims based upon or attributable to any failure or omission of the City to effect or maintain insurance of any kind. We recommend that this exclusion be deleted.
-

Commercial Property

Policy Intent: Provides protection against damage or loss to various property ranging from mechanized tools, parking meters, miscellaneous police property, and miscellaneous tools used in the business of City government.

Insurer: Selective Insurance Company of the Southeast, a member company of Selective Insurance Group, Inc.

Policy No: S 1998583

Term: 8/1/14 – 8/1/15

Coverage:

Limit \$14,746,320 (Blanket) - \$5,000 Deductible

Earthquake \$1,000,000 (Blanket) - \$25,000 Deductible

Flood \$1,000,000 (Blanket) - \$25,000 Deductible

Premium: \$15,320

1. We did not independently verify that every City owned/leased/occupied building is in fact scheduled on the policy. As a part of prudent management and during the Implementation of this Act 47 Plan, the City should verify those properties that appear on its Statement of Values against the schedule of insured locations listed in the policy.
2. The policy should be issued subject to a Blanket Limit of \$14,746,320. While it does not completely eliminate the possibility that the City may be underinsured in the event of a regional disaster, a blanket limit based on the aggregate projected replacement costs for all properties mitigates the exposure.
3. The policy includes a “Special” loss form, also known as an “All-Risk” form. The coverage is extended to coverage against all-risks, unless otherwise excluded. This is in contrast to other forms where a loss is covered if caused by a specified peril as enumerated in the policy form and not subject to exclusion.
4. The standard fire policy requires that an amount of insurance is maintained equal to a fixed proportion of the insurable value of the property (as a minimum amount of coverage that must be in force) if the policyholder is to collect for partial losses. This is known as the coinsurance clause in a policy.

A special provision can be included in a policy to offset the possibility of a coinsurance penalty. This provision, known as the Agreed Amount Endorsement or Agreed Value Endorsement, is written by the insuring company that the values stated in the policy are sufficient, and suspends the provisions of the co-insurance clause. This endorsement is generally available only when the insurance company is convinced that a good faith effort is being made both to establish acceptable values and to maintain adequate levels of insurance. The benefit to the City to have such an endorsement is that it eliminates the risk of becoming a coinsurer.

5. The City’s policy for loss payment is Replacement Cost basis (both Buildings and Business Personal Property) as opposed to Actual Cash Value. That is, in the event of a

loss, the City recovers the cost to replace a totally damaged or lost item, without the deduction for depreciation or betterment (the basis for adjusting a claim subject to Actual Cash Value). Best practices suggest that coverage must be provided on a replacement cost basis.

6. There are several coverage extensions that the City must evaluate to determine whether the limits provided are in fact adequate. In no order they are as follows:

a. **Valuable Papers and Records:** Coverage is provided subject to a limit of \$250,000 as it relates to records of emergency services organizations and \$100,000 as it relates to records belonging to non-emergency services organizations.

Public records increasingly are digitized and backed-up and stored offsite. However, a significant number of records in a non-digital format might be “one of a kind” located within City Hall and elsewhere throughout City government. The City’s limits should be increased to \$500,000.

b. **Fine Arts:** Coverage is provided subject to a limit of \$25,000. This may or may not be adequate. Throughout City Hall or other City buildings, there are pieces of artwork (i.e., paintings, statues, etc.) whose value collectively, or individually, may exceed \$25,000. The City should confirm that the \$25,000 limit is adequate.

c. **Ordinance or Law:** In the event of significant damage to an insured building, the City would be required to rebuild subject to current building codes. Given the age of City buildings (and they may have been grandfathered with respect to code compliance) the increased cost associated with current codes would not be an insurable expense without Ordinance or Law coverage. The City has such coverage, but the limit is \$500,000. This limit may be adequate or inadequate. Best practices suggest that the City re-evaluate potential additional costs to rebuild, particularly at its older and larger buildings, such as City Hall, and then determine if the coverage limit should be increased.

d. **Extra Expense:** In the event of a loss to a building which renders it uninhabitable, the aggregate operating cost post-loss may be in excess of the aggregate operating cost pre-loss. The difference is what is considered to be “extra expense.” The City’s policy provides a limit of \$250,000. This limit may be inadequate if City Hall, for example, is destroyed. The inefficiencies in connection with operating City government would result in significant increases in operating costs. An increase to a \$500,000 limit would be preferable at a minimum, however, it is recommended that the City re-evaluate its potential exposure for appropriate limits.

Crime Coverage

Policy Intent:	Provides protection against acts of employee dishonesty.
Insurer:	Selective Insurance Company of America, a member company of Selective Insurance Group, Inc.
Policy No:	B 6049397
Term:	8/1/14 – 8/1/15
Coverage:	
Employee Theft	\$250,000
Deductible	\$1,000
Premium:	\$536

1. The policy is issued using a “Loss Sustained” form. In order for coverage to be afforded, the dishonest act must have occurred during the policy period and a claim made during the coverage period. This differs from a “Discovery” form where coverage responds to losses that are discovered during the policy period, no matter when the loss occurred. The Discovery form provides broader coverage; at policy renewal the City should convert to a “Discovery” form.
2. The policy is limited to Employee Theft coverage and Faithful Performance of Duty coverage. There is no coverage provided in connection with forgery or alteration, robbery or burglary in connection with theft of money or securities, including robbery or safe burglary of other property, computer fraud or funds transfer fraud. At a minimum, the City should consider coverage for computer fraud.
3. There is a policy provision that terminates coverage to any employee as soon as any City official or employee, authorized to manage, govern, or control an employee who, not in collusion with the employee, learns of theft or any other dishonest act committed by the employee, whether before or after becoming employed by the City which would have constituted a loss covered under the Employee Theft Insuring Agreement of the policy. Best practices suggest the exclusion is too broad and the policy should be amended such that for termination to apply, the prior theft or dishonest act had to exceed \$20,000.
4. ERISA requires a trustee or administrator of welfare benefit plans to maintain a bond to secure the plans against employees’ dishonesty and for persons entrusted with, or having access to, plan assets. Such a dishonesty bond must be in an amount at least 10% of plan assets or \$500,000, whichever is less. In addition, no deductible may apply to the plan’s coverage. It does not appear that the City currently has provided any such coverage. Hence, the City may be in violation of ERISA.

Commercial Inland Marine

- **Policy Intent:** Provides protection against damage or loss to property that ranges from mechanized tools, parking meters, miscellaneous police property, along with miscellaneous tools used in the business of City government.
- **Insurer:** Selective Insurance Company of the Southeast, a member company of Selective Insurance Group, Inc.
- **Policy No:** S 1998583
- **Term:** 8/1/14 – 8/1/15
- **Coverage** Limit
 - Mechanized Equipment Varies based on the item / \$500 deductible
 - Parking Meters \$153.52 / \$1,000 deductible
 - Misc. Police Property \$2,500 Any One Item / \$1,000 deductible
 - Unscheduled Property \$274,000 / \$250 deductible
 - Misc. Tools \$2,500 any one item / \$25,000 total \$1,000 deductible
 - Leased/Rented Unscheduled Equipment \$100,000
- **Premium** \$5,737

1. The City must investigate whether it is cost effective to insure its parking meters. While the premium may only be \$479 per year, if each meter has a value of \$153.52, with a \$1,000 deductible, it may be more cost effective to self-insure this exposure.

Business Automobile Liability & Physical Damage Policy

- **Policy Intent:** Provides protection against third party liability and physical damage to City owned/leased vehicles.
- **Insurer:** Selective Insurance Company of the Southeast, a member company of Selective Insurance Group, Inc.
- **Policy No:** S 1998583
- **Term:** 8/1/14 – 8/1/15
- **Coverage**

Liability	\$1,000,000	
Uninsured Motorist	\$ 35,000	
Underinsured Motorist	\$ 35,000	
Comprehensive Collision	Actual Cash Value	\$500 deductible
	Actual Cash Value	\$1,000 deductible
- **Premium:** \$21,751

1. There are thirty-six (36) vehicles currently insured, all of which are provided physical damage coverage (i.e., comprehensive and collision). The age of the vehicles range from the oldest vehicle (1986) to the newest (2013) model year. The City should study whether it remains cost effective to continue physical damage coverage on the older vehicles. The City should review whether to self-insure this exposure when a vehicle reaches a certain age (e.g., 10 years old) or mileage (e.g., 100,000). The City might consider developing a metric to determine whether the City should self-insure this exposure.
2. The City should evaluate whether to self-insure the physical damage exposure for its vehicle fleet. The aggregate physical damage premium, approximately \$12,000, would not, however, suggest self-insuring the at large exposure at this time.
3. The *Value Guard Endorsement* in the policy covers the City's fire trucks and ambulances and is appropriate coverage given the unique risk and high value of the vehicles.
4. *Hired and Non-Owned* and *Employee Hired Auto* coverage is important for City officials who rent a vehicle in their name and not the City's. Hence, this endorsement is important in order to extend coverage to City officials who rent vehicles while on City business.
5. Susquehanna Commercial Finance finances one of the City vehicles. The policy has been endorsed to include *Auto Loan/Lease GAP* coverage in order to make up the difference between what is owed and the value of the vehicle in the event of a total loss.

6. Four scheduled vehicles, namely two (2) street sweepers, a wheel loader and a back hoe have been added to the policy by a Mobile Equipment endorsement. This is an efficient means to insure these vehicles.
7. The *Uninsured and Underinsured Motorist* coverage is subject to a \$35,000 limit. Such limits cannot be stacked. The City complies with state statute, and does not indirectly turn a statutory requirement into an employee benefit.

General Liability

- **Policy Intent:** Provides protection against third party liability as a result of a negligent act resulting in third party property damage or bodily injury in connection with City property.
- **Insurer:** Selective Insurance Company of the Southeast, a member company of Selective Insurance Group, Inc.
- **Policy No:** S 1998583
- **Term:** 8/1/14 – 8/1/15
- **Coverage**

General Aggregate	\$2,000,000
Product and Completed Operations	\$2,000,000
Personal and Advertising Injury	\$1,000,000
Each Occurrence	\$1,000,000
Fire Legal Liability	\$ 100,000
Medical Expense	\$ 5,000
Employee Benefit Legal Liability	\$1,000,000 Each Employee \$2,000,000 Aggregate \$ 1,000 Deductible
- **Premium:** \$ 5,159

1. The City premium is calculated using mileage, area or expenditures, depending on that which is being rated.
2. The “various and sundry” exclusions in the policy are standard as follows:
 - a. Year 2000 Computer Related Exclusion (*This exclusion no longer has applicability as the City is fifteen (15) years into the new millennium. At renewal this exclusion should be deleted.*)

- b. Fungi or Bacteria Exclusion
- c. Employment Practices Liability Exclusion
- d. Failure to Supply – Utilities Exclusion

There are two exclusions in the policy which should be deleted:

1. **Athletic or Sports Participants Exclusion.**
2. **Described Hazards Exclusion.** This excludes claims arising out of any mechanically operated amusement device. For example, in the event the City holds a carnival, circus or fair, a claim that alleges negligence by the City, there is no afforded coverage. In the event this exclusion cannot be deleted, the City should obtain appropriate indemnification from the device operator and require that the operator must maintain an appropriate level of insurance in which the City is named as an Additional Insured. The City might also consider a Special Event policy to provide the requisite general liability coverage for such a situation.

Claims are also excluded for bodily injury to any person while practicing for or participating in any sports or athletic contest or exhibition that the City sponsors. (It is because of this provision that we see the Athletic or Sports Participants Exclusion is unnecessary as it is duplicated in the Described Hazards Exclusion). Athletic events may be sponsored by the City and perhaps the contest or exhibition may be held on City owned property. Unless the City requests each of the participants to execute a Release beforehand, this exclusion is unacceptable. If this exclusion cannot be deleted, then the City will need to consider a Special Event policy providing the requisite general liability coverage for such a contest or exhibition.

Pesticide and Herbicide Applicator Coverage

- Policy Intent:** Provides protection against damage or injury associated with the application of pesticide or herbicide.
- **Insurer:** Selective Insurance Company of the Southeast, a member company of Selective Insurance Group, Inc.
 - **Policy No:** S 1998583
 - **Term:** 8/1/14 – 8/1/15
 - **Coverage**

Each Incident	\$1,000,000
Aggregate Limit	\$1,000,000
Deductible	\$1,000
 - **Premium:** \$559

1. The coverage is provided on a claims-made form with a retroactive date of August 1, 2011. Hence, if there is a change in insurers, the successor insurer must agree to extend coverage back to August 1, 2011 to guard against claims made during the policy period that occurred prior to the policy's inception date, but subsequent to August 1, 2011.

Workers' Compensation and Employers Liability

- Policy Intent:** Provides protection in accordance with the Workers' Compensation Insurance laws of the Commonwealth of Pennsylvania in connection with work related injuries.
- **Employer:** City of Shamokin
 - **Insurer:** Selective Insurance Company of the Southeast, a member company of Selective Insurance Group, Inc.
 - **Policy No:** WC 7984108
 - **Term:** 8/1/14 – 8/1/15
 - **Coverage**

Workers Compensation	Statutory
Employers Liability	\$500,000
 - **Premium:** \$44,101

1. A Certified Safety Committee credit has not been applied by the City, hence, it is assumed that no committee exists. Establishing such a committee allows for a 5% credit to be applied each and every year the committee maintains its certification. The credit or reduction in premium based on current standard premium would be approximately \$3,800. The City should develop and maintain such a committee.
2. The City's Loss Experience Modification Factor is .753. Experience rating for Workers' Compensation insurance is an annual procedure whereby prior losses of an entity are calculated to determine whether a debit or a credit modification is to be applied to the policy's annual premium. An individual modification is developed comparing an organization's losses to other organizations. Should actual losses be less than expected, a credit modification will be applied. Conversely, higher actual losses than expected will produce a debit modification. A modification factor of 1.000 indicates expected losses. A factor of .753 indicates that the City's losses are well below the norm resulting in a credit of \$19,093, and a good loss experience.
3. Notices to Employees of Workers' Compensation must be posted at all work sites in a conspicuous area advising employees as to the existence of Workers' Compensation insurance, along with the identity of the insurer, policy number, policy term and the insurer's telephone number for claim reporting. The City should ascertain whether current posting notices are placed in all of its work sites as required by statute.
4. The policy is subject to a premium audit in which the insurer, immediately following the expiration of the policy, calculates a revised premium based upon the actual payroll expense during the policy period. An amended premium is then calculated. The difference in premium based on projected payroll at policy inception and actual payroll at policy expiration will determine if an additional premium is payable by the City to the insurer or a return premium is payable to the City by the insurer.
5. Workers' Compensation premiums are determined by applying a predetermined rate for a specific job classification and multiplying it by every \$100 of payroll for that job classification. The greater the exposure in terms of claim frequency and/or severity, the higher the rate. If the City has not recently diversified its job descriptions or has not performed a review of the codes used or assigned to many job functions, such a review should be given consideration. Organizations often incorrectly assign a job classification, or may not be aware that a classification with a lower rate could be applicable, which results in higher premiums. The City uses five job classifications as follows:
 - a. 0951 Sales – Outside
 - b. 0953 Clerical Office Employees
 - c. 0980 City, Township, Borough or County
 - d. 0985 Police or Firefighters
 - e. 0993 Volunteer Ambulance Corp

It does appear that these are the correct applicable classifications.

Workers' Compensation and Employers Liability

- **Policy Intent:** Provides protection in accordance with the Workers' Compensation Insurance laws of the Commonwealth of Pennsylvania in connection with work related injuries.
- **Employer:** Shamokin Volunteer Fire Bureau
- **Insurer:** State Workers' Compensation Insurance Fund, a part of the Department of Labor & Industry within the Commonwealth of Pennsylvania
- **Policy No:** 05967865
- **Term:** 8/1/14 – 8/1/15
- **Coverage**

Workers Compensation	Statutory
Employers Liability	\$100,000
- **Premium:** \$13,775

1. A Certified Safety Committee credit has not been applied. Establishing such a committee allows for a 5% credit to be applied each and every year the committee maintains its certification. The credit or reduction in premium based on current standard premium would be approximately \$966. Given its favorable loss experience to date, the City should decide whether such a committee can be cost justified.
2. The City's Loss Experience Modification Factor is .753. Experience rating for Workers' Compensation insurance is an annual procedure whereby prior losses of an entity are calculated to determine whether a debit or a credit modification is to be applied to the policy's manual premium. An individual modification is developed comparing an organization's losses to other organizations. Should actual losses be less than expected, a credit modification will be applied. Conversely, higher actual losses than expected will produce a debit modification. A modification factor of 1.000 indicates expected losses. A factor of .753 indicates that the City's losses are well below the norm resulting in a credit of \$4,774.
3. Notices to Employees of Workers' Compensation must be posted at all work sites in a conspicuous area advising employees as to the existence of Workers' Compensation insurance, along with the identity of the insurer, policy number, policy term and the insurer's telephone number for claim reporting. The City should verify that current posting notices are placed at all of its work sites as required by statute.
4. The policy is subject to a premium audit in which the insurer, immediately following the expiration of the policy, calculates a revised premium based upon the actual payroll expense that was being insured during the policy period and calculates an amended premium. The difference in premium based on projected payroll at policy inception and

actual payroll at policy expiration will determine if an additional premium is payable by the City to the insurer or whether a return premium is payable to the City by the insurer.

5. This policy is not scheduled under the City's Umbrella Liability policy. The City should review whether coverage should be afforded. It is recommended that the Employers Liability limits should be increased from \$100,000 to \$500,000.
6. Workers' Compensation premiums are determined by applying a predetermined rate for a specific job classification and multiplying it by every \$100 of payroll for that job classification. The greater the exposure in terms of claim frequency and/or severity, the higher the rate. If the City has diversified its job descriptions or has not performed a review of the codes used or assigned to its many job functions, such a review should be given consideration. Organizations often incorrectly assign a job classification or may not be aware that a classification with a lower rate could be applicable, resulting in higher premiums. In the case of the City, there is only one job classification as follows:
 - a. 0994 Firefighter - Volunteer

It does appear that this is the correct classifications.

Umbrella Liability Policy

- **Policy Intent:** Provide catastrophic protection in excess of the underlying Employers Liability, General Liability (inclusive of Employee Benefits Legal Liability) and Automobile Liability
- **Insurer:** Selective Insurance Company of the Southeast, a member company of Selective Insurance Group, Inc.
- **Policy No:** S 1998583
- **Term:** 8/1/14 – 8/1/15
- **Limit:** \$2,000,000
- **Premium:** \$2,227

1. In light of the Pennsylvania Municipal Liability limitations, the limits appear to be adequate;
2. The various and sundry exclusions that have been attached to the policy are standard to such a policy, namely:
 - a. Public Officials Liability
 - b. Asbestos Exclusion
 - c. Cross Liability Exclusion

- d. Directors and Officers Liability Exclusion
- e. Lead Hazard Exclusion
- f. Year 2000 Computer Related Exclusion
- g. Fungi or Bacteria Exclusion
- h. Nuclear Energy Liability Exclusion
- i. Employment Practices Liability Exclusion
- j. Statutes governing E-mails, Fax, Phone Calls or Other Sending Methods Exclusion

There are several exclusions that should be reviewed by the City for potential deletion as follows:

1. **Athletic or Sports Participants Exclusion:** This exclusion excludes claims for bodily injury to any person while practicing for or participating in any sports or athletic contest or exhibition that the City sponsors. Athletic events may be sponsored by the City on City owned property. Unless the City requires each of the participants to execute a Release beforehand, this exclusion is unacceptable. If this exclusion cannot be deleted, then the City should consider a Special Event policy to provide the requisite general liability coverage for such a contest or exhibition.
2. **Law Enforcement Activities Exclusion:** This exclusion excludes claims arising out of any act or omission in connection with the City's police department or other law enforcement agency. A simple automobile accident involving a patrol car, whether in response to a call or not, would be excluded from coverage under this policy. This exclusion should be deleted.
3. **Personal and Advertising Injury Liability Exclusion:** This exclusion applies to claims made arising out of personal and advertising injury. This exclusion, attached to an Umbrella Liability policy, is atypical and should be deleted. Coverage is afforded under the underlying primary General Liability policy, and the same insurer writes both policies. The City should ascertain the basis for Selective to agree to provide the coverage on the primary but not under the Umbrella Liability policy.

Insurance Company Financial Ratings

The Coordinator believes that the financial health of an insurance company is equally as important as the terms and conditions of their policy and the services they provide. A bankrupt insurer provides no value to the policyholder, regardless of how broad the policy is written, nor how low the premium may have been.

The use of ratings and related financial information has grown in importance among insurance professionals, including agents, brokers, insurance and reinsurance company executives, commercial and investment bankers, securities analysts, risk managers and policyholders. Many of these users rely on A. M. Best's Ratings and publications to provide critical information to assist them in their insurance decisions and market research activities.

Best's Ratings involve a quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile. There are 16 ratings that are categorized into two classifications. These ratings and classifications are as follows:

Secure Ratings

A++ and A+ Superior
A and A- Excellent
B++ and B+ Very Good

Vulnerable Ratings

B and B- Fair
C++ and C+ Marginal
C and C- Weak
D Poor
E Under Supervision
F In Liquidation
S Rating Suspended

The Coordinator suggests the City's insurer should have and maintain a Best Rating of at least A-. Should an insurer be assigned a rating less than A-, there is reason for concern. That generally results in a recommendation that the client consider a replacement insurer.

The information below provides a summary, of the insurers that are underwriting the City's Program, the lines that they provide and their 2014 A.M. Best Rating. Also listed is the operating company under its parent company in order to provide the City with data as to how much of its premium is placed with any one insurance organization on an individual company and consolidated basis.

<u>Parent / Operating Insurer</u>	<u>'14 Best Ratings</u>	<u>Line of Coverage</u>
Nationwide Group National Casualty Company	A+	*Employment Practices Liability *Public Officials Liability *Law Enforcement Liability
Selective Insurance Group Selective Insurance Company of the Southeast Selective Insurance Company of America	A	*Commercial Property *Inland Marine *General Liability *Pesticide and Herbicide Applicator Liability *Workers' Compensation *Auto Liability *Umbrella Liability *Crime
State Workers' Insurance Fund	NR	*Workers' Compensation (Shamokin Volunteer Fire Department)

The Coordinator finds that all of the insurers that are involved in underwriting the City's Insurance Program have been assigned and are maintaining at this time a financial rating that meets or exceeds the acceptable minimums.

Adequacy of Coverage

With regard to the adequacy of coverage provided under the City's Insurance Program, the Pennsylvania Political Subdivision Tort Claims Act (Tort Claims Act) bars suits against local municipalities such as the City, with the following exceptions:

1. Operation of a motor vehicle;
2. Care, custody or control of personal property of others in the possession or control of the local agency;
3. Care, custody, or control of real property in the possession of the City;
4. Care, custody or control of trees, traffic controls and street lighting, which creates a dangerous condition;

5. A dangerous condition of utility service facilities;
6. A dangerous condition of streets;
7. A dangerous condition of sidewalks;
8. The care, custody or control of animals.

However, despite these exceptions, the Tort Claims Act limits the amount of damages which may be recovered. It limits damages for recoverable claims against the City and restricts types of damages which may be recovered. It limits the damages to a maximum of \$500,000 either by a single plaintiff or in the aggregate.

While the Tort Claims Act may limit the City’s exposure in many instances, the Act provides that an official who commits willful misconduct cannot hide behind the shield of immunity. Also, matters involving civil rights are exempt from immunity. The City should review the limits to ascertain their adequacy.

Initiatives

IRM01. Develop a Request for Proposal (RFP) for Insurance Brokerage Services

Target Outcome:	Allow the City to review service providers that focus on local government, their qualifications, the services they offer and their “fee”
Five year financial impact	TBD
Responsible party:	City Administrator and City Council

The City did not competitively bid insurance brokerage services in 2014. It would be a prudent decision for the City to develop an RFP for insurance brokerage services. This process would allow the City to take a fresh look at service providers that focus on local government, their qualifications, and the services they offer and their “fee” to service the City.

IRM02. Develop a written agreement for Brokerage Services

Target Outcome:	Develop a written agreement (between City and brokers) so there is no misunderstanding about the services to be provided, by whom, and the level of service to be provided
Five year financial impact:	No cost savings associated with initiative
Responsible party:	City Administrator

There is no written contract or services agreement between the City and its broker. Although this is not uncommon, it is generally preferred for a written agreement to set forth minimum services standards and expectations and renewal time-lines.

While there are no cost savings or increases associated with this recommendation, a written agreement should be developed that addresses the issues referenced above so that there is no misunderstanding of the services to be provided, by whom, and the level of service to be provided. It is also recommended that the City should consider engaging an independent third party to assist in developing the Agreement. Utilizing such an advisor expert in such matters will assure the identification of services the City should be receiving in order for it to effectively manage *its insurance risk management program*.

IRM03. Adopt a Formal Policy Requiring Remarketing of All Lines of Insurance Every Two (2) Years

Target Outcome:	Remarketing of all lines of insurance every 2 years
Five year financial impact:	TBD
Responsible party:	City Administrator

The City should adopt a formal policy that requires a remarketing of all the lines of insurance every two years.

IRM04. Implement Threshold of \$25,000 for Large Claim Notification

Target Outcome:	City will be notified immediately if and when a case reserve is established or amended that exceeds \$25,000
Five year financial impact:	TBD
Responsible party:	City Administrator

There currently is no threshold that requires the Workers' Compensation insurer to notify the City when a claim has been established with a case reserve in excess of a specific amount or when a case reserve is increased in excess of a certain amount.

It is recommended that the insurer shall be advised that if and when a case reserve is established or amended that exceeds \$25,000, the City must be notified immediately and the City should closely review and monitor the case.

IRM05. Institute Quarterly Review of All Open Claims

Target Outcome:	Claims reviewed on a regular basis
Five year financial impact:	TBD
Responsible party:	City Administrator

All open claims shall be reviewed based on a regular schedule. At a minimum, quarterly reviews should be completed. Part of the review process should include an assessment of the compensability of the injury, the adequacy of the reserve, the ability for the injured party to assume a light duty assignment, and the proximate cause of the incident leading to the injury to determine what could have been done or can be done to prevent a recurrence. These types of reviews are a prudent management practice.

IRM06. Implement Fleet Safety Guidelines and Fleet Management Guidelines

Target Outcome: Institute a set of guidelines that formally sets forth the number of moving violations and/or accidents over a period of time that would allow or prevent an individual from being hired.

Five year financial impact: TBD

Responsible party: City Officials

The City does not have Fleet Management or Fleet Safety Guidelines. While there is no benchmarking data, it is recommended that the City formulate a set of Fleet Safety Guidelines that formally sets forth the number of moving violations and/or accidents over a period of time that would allow or prevent someone from being hired. At the same time, each accident must be reviewed, and if deemed to have been preventable, establish steps that could have been taken to prevent them.

IRM07. Implement a Workers' Compensation Certified Safety Committee

Target Outcome: Institute a Workers Compensation Safety Committee to be certified by the Commonwealth of Pennsylvania in accordance with their guidelines. In establishing such a Committee a 5% credit can be given each and every year the committee maintains its certification

Six year financial impact: \$5,713

Responsible party: City Officials

The City currently does not have such a Committee and should establish same to enhance both prudent risk management and fiscal responsibility.

Financial Impact						
2015	2016	2017	2018	2019	2020	Total
\$900	\$919	\$939	\$962	\$985	\$1,008	\$5,713

Recreation

Overview

Recreation's primary function is the operation of the City pool and the American Legion Building both of which are managed by the City's Chief Information Technology and Facilities Technician. The remaining recreation staff consists of part-time temporary help. The number of part-time temporary summer employees varies from year to year but has consistently been approximately 25 employees.

In addition to the Pool and American Legion Building the City also maintains four playgrounds and a variety of parks and community areas, including the Market Street 1.1 mile walkway, and Community Park that covers about 2 acres of area over three city blocks. Community Park includes 6 buildings: a stage with a building attached to the back, a concession building, a kitchen, a beverage stand, a Bingo building, restrooms and a handicap garden, and Claude Kehler Park. The Public Works Department cuts grass and weeds, maintains benches, paths, lighting, and trims trees throughout the City's park system.

Assessment

In addition to managing the City Pool, the Chief Information Technology and Facilities Technician is responsible for City Buildings, Parking Meters, Traffic Signals, and the City's Information Technology system. The number of responsibilities the Chief Information Technology and Facilities Technician handles is truly staggering. The Chief Information Technology and Facilities Technician works tirelessly for the City and its Residents and should be recognized throughout the City for his efforts.

Even during the City's current financial strain the City has done a commendable job in continuing to providing recreation activities throughout the City, however there are still opportunities for improvements.

Initiatives

RC01. Continue to Maintain a separate Recreation fund with its own budget.

Target outcome:	Improved management, cost allocation, information oversight and decision making
Six year financial impact:	Not Available
Responsible party:	City Administrator

The City currently assesses an additional property tax to provide for recreational services within the City. The City should create an annual budget which incorporates all direct and indirect costs of the Recreation Department and levy an appropriate tax to ensure that the General Fund is not paying for any recreation costs.

RC02. Partner with Coal Township on swimming pool operations and maintenance

Target outcome: Reduce Costs
Six year financial impact: Not Available
Responsible party: City Administrator, Chief Information Technology and Facilities Technician, City Council

Coal Township does not have its own pool. Residents of Coal Township are allowed to use the City pool for a slightly higher fee than City residents. The City should explore joint operation and ownership of the pool with Coal Township.

RC03. Market pool for group rentals

Target outcome: Increase Revenue
Six year financial impact: Not Available
Responsible party: Chief Information Technology and Facilities Technician

The City currently allows groups to rent the pool. However, City staff does not believe that it is well known that the pool can be rented. The City should try to market rentals to groups in order to help offset operating costs of the pool.

RC04. Evaluate the feasibility and impact on City Operations of reopening Club Echo

Target outcome: Improved quality of life
Six year financial impact: Not Available
Responsible party: City Administrator, City Council and Chief Information Technology and Facilities Technician

Over the last few years the City has allocated various resources to the creation of Club Echo, which was established as safe recreation facility for teens. The facility was envisioned as a place where teens could play video games, access computers and interact with one another in a safe supervised environment.

Having a safe place for the teenage residents to utilize is an excellent goal and the City should work towards reopening Club Echo for the benefit of City and Coal Township residents. The reopening of Club Echo must meet any and all legal and insurance requirements.

RC05. Evaluate the Cooperative Rehabilitation of the American Legion Building with Coal Township for the creation of a Regional Community Center

Target outcome: Reduced Cost and Improved Quality of Life
Six year financial impact: Not Available
Responsible party: City Administrator, City Council and Chief Information Technology and Facilities Technician

In 2013 the City was awarded a low interest long term loan for the rehabilitation of the American Legion Building from the United States Department of Agriculture (the “USDA”), however given the nature of the City’s finances at the time, the City appropriately did not accept and enter a loan agreement with the USDA.

The American Legion Building while owed by the City is a regional resource which houses the Shamokin Coal Township Public Library, Rec-Basketball leagues and various other community activities. The City should work with Coal Township to establish a plan for the rehabilitation of the American Legion building into a Regional Community Center.

Debt

Overview

The City of Shamokin has done 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. Like all small cities in Pennsylvania, the City does not have specific dedicated employees with relevant experience to manage its long-term borrowings and debt service. The management of the City's debt is the responsibility of the City Administrator. City Council must approve any City debt issuance or to provide a City general obligation guaranty for a borrowing.

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 \$304,888 budgeted debt service for 2015, \$246,980 (81.01%) is non-capital related of which \$174,100 (57.10%) is the result of operating borrowings (the City issued long term debt to fund current expenses) and the remaining \$72,880 relates to debt service relative to the City's pension obligation bond originally issued in 2006. Operating borrowings are used by municipalities to cover shortfalls in annual operating expense. 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 for 2015 equals 11.47% of the FY 2014 general and debt service fund budgeted revenue.

General Obligation Debt

The City has outstanding general obligation debt that includes bank loans and guaranteed obligations. The City currently has five (5) outstanding long-term debt obligations through four (4) bank loans provided to the City by Susquehanna Bank and one (1) emergency loan provided by the DCED. Additionally, the City has one (1) short-term line of credit with Susquehanna Bank established as a "bridge loan" for the FEMA funded Creek Wall project. The City has 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. The historical TRANS issued by the City have been paid within the fiscal year that they have been issued (within one fiscal year).

The annual debt service requirements of the City's long-term debt service amounts to approximately \$304,000 for 2015. The table below details the City's debt service requirements, by individual issue not including the FEMA line of credit, for fiscal year 2015.

**City's Debt Service Requirements
Fiscal Year 2015**

Debt Series	FY 2015 Debt Service	% FY 2015 Debt Service
2006 Lease Revenue Note (Operating Borrowing)	\$ 57,600	18.89%
2012 A Bond (Taxable Pension Bond)	72,880	23.90%
2012 B Bond	34,101	11.18%
2013 B Note	23,807	7.81%
2014 DCED Loan (Operating Borrowing)	116,500	38.21%
Total FY 2015 Debt Service	\$ 304,888	100%

Source: City debt documents and City's Financial Advisor

The City's annual debt service obligations are level at \$305,000 through fiscal year 2017. Approximately 41.20% of the principal amount of the City's outstanding debt is amortized (paid) over the fiscal years 2015 through 2020. The table below details the City's debt service requirements, by individual issue, for fiscal years 2015 through 2020.

**City's Debt Service Requirements
Fiscal Years 2015 through 2020**

Debt Series	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
2006 Lease Revenue Note (Operating Borrowing)	\$ 57,600	\$ 57,747	\$ -	\$ -	\$ -	\$ -
2012 A Bond (Taxable Pension Bond)	72,880	72,755	94,315	94,088	93,770	94,340
2012 B Bond	34,101	33,897	69,387	69,942	70,429	68,865
2013 B Note	23,807	23,807	23,807	13,887	-	-
2014 DCED Loan (Operating Borrowing)	116,500	116,500	116,500	116,500	116,500	116,500
Total FY 2015 Debt Service	\$ 304,888	\$ 304,706	\$ 304,009	\$ 294,417	\$ 280,699	\$ 279,705

Source: City debt documents and City's Financial Advisor

The City's Guaranteed Lease Revenue Note Series of 2006 is currently in a variable rate of Prime with a Cap Rate of 10.95%. Given the relatively low remaining outstanding principal amount of the 2006 Note (approximately \$111,000) and short duration to final maturity (December 1, 2016) the relative likelihood and impact of the variable interest rate increasing is remote and immaterial. The City's Series A and B Bonds of 2012 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 will be variable at Prime with a Cap Rate of 8.00% and the Series B Bond rate will be variable at 68% of Prime with a Cap Rate of 6.00%. The City's Series B of 2013 Note is fixed through maturity at 3.15% and therefore is not at risk to movements in interest rates. The City's DCED loan is a zero percent (0%) interest loan that matures in equal annual payments over the (10) years through and including 2024. The City's approach to issuing debt has benefited the City in regards to interest rates due to the current low interest rate environment but exposes the City to potential future risk of market fluctuations beginning in fiscal year 2020. Provided however, with the respective cap rates in place, the maximum budgetary exposure, from a dramatic rise in interest rate, is approximately \$45,000. Over sixty nine percent (69%) of the principal amount of the City's outstanding debt is amortized

(paid) over the next 10 years (through fiscal year 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 10.95% as shown in the table below.

Debt Series	Maturity Year	Outstanding Principal Amount	Interest Rate
2006 Lease Revenue Note (Operating Borrowing)	2016	\$ 110,742	3.25% to 10.95% ¹
2012 A Note (Taxable Pension Note)	2031	1,070,000	4.50% to 8.00% ²
2012 B Note	2031	828,000	3.40% to 6.00% ³
2013 B Note	2018	80,569	3.15%
2014 DCED Loan (Operating Borrowing)	2024	1,163,500	0.00%
Total Principal Outstanding		\$ 3,252,812	

¹ Variable – currently 3.25% cap of 10.95%

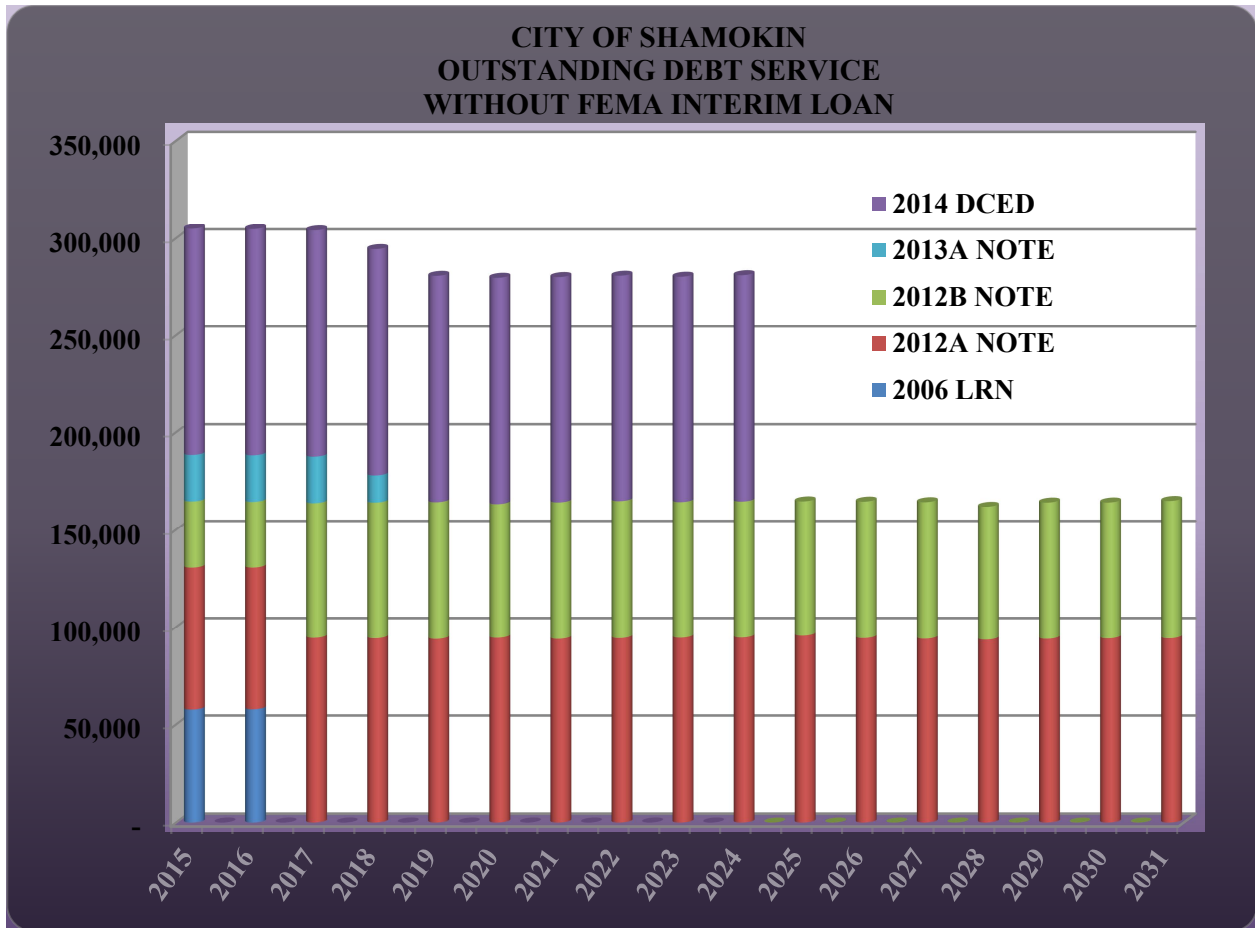
² 4.50% through 12/1/2019 cap rate of 8.00% thereafter

³ 3.40% through 12/1/2019 cap rate of 6.00% thereafter

Source: City debt documents and City's Financial Advisor

The City's total annual debt service obligations are level through fiscal year 2017 at a total projected annual expense of approximately \$305,000. The projected annual debt obligations of the City reduces to approximately \$294,000 in fiscal year 2018, to approximately \$280,000 in fiscal year 2019 and to approximately \$165,000 in fiscal year 2025.

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 \$3,252,812. This amount of debt equals \$441 of debt per capita (based on the 2010 Census population of the City). The City's market value as reported by the PA State Tax and Equalization Board for 2013 is \$87,434,958. The City's total outstanding debt as a percentage of its market value of property is 3.72%.

Based on the amount of debt outstanding, debt per capita numbers and total outstanding debt as a percentage of the market value of property, the City of Shamokin has a low overall debt burden when compared to 3rd Class cities and certain similar sized municipalities in Pennsylvania however when compared to the peer group in this report the City has the 3rd highest debt burden as shown in the table below.

Municipality	Non-Electoral Debt*	Population 2010 Census	Debt Per Capita	Market Value of Property	Debt as a Percentage of Market Value
City of Shamokin	\$ 3,252,812	7,374	\$ 441	\$ 87,434,958	3.72%
Bellefonte Borough	1,704,201	6,187	275	280,703,444	0.61%
Coal Township	-	10,383	-	187,268,779	0.00%
Lock Haven City	\$36,960,810	9,772	3,782	230,459,463	16.04%
Milton Borough	-	7,042	-	263,733,603	0.00%
Mt. Carmel Township	21,175	3,139	7	102,214,237	0.02%
Pittston City	13,698,631	7,739	1,770	206,622,211	6.63%
Sunbury	862,000	9,905	87	214,547,487	0.40%

Source: Market Value of Property - PA State Tax and Equalization Board

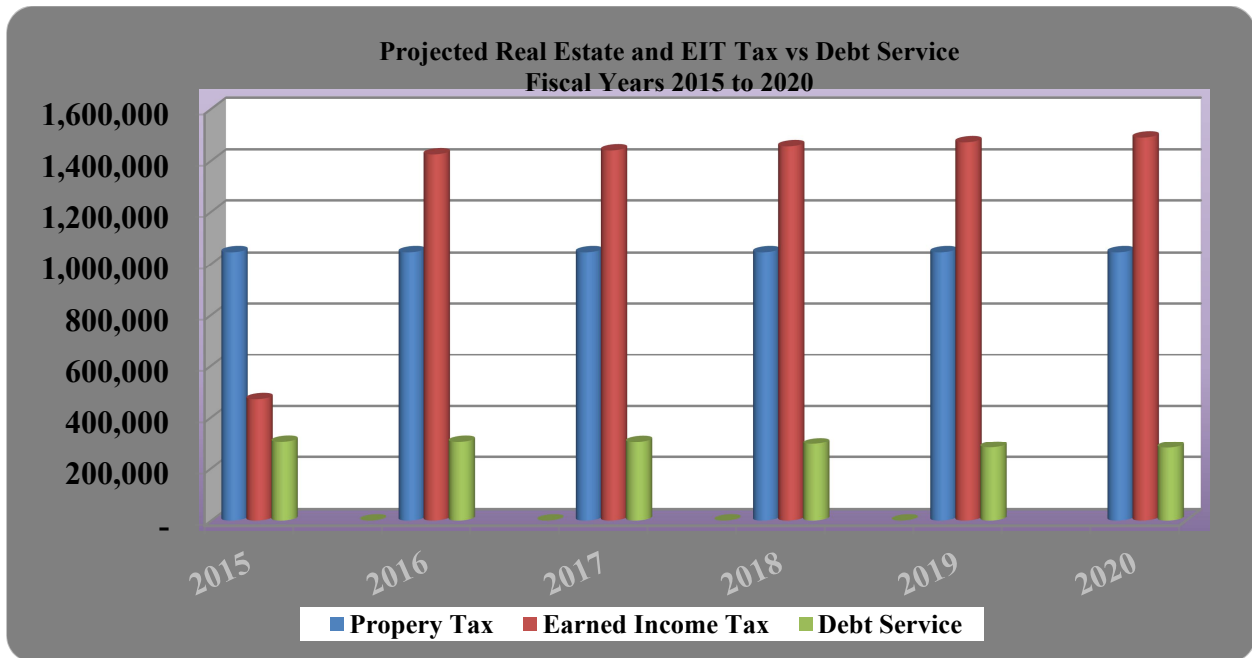
Source: LGUDA Debt Statements as of October 1, 2014

Source: US Census Bureau

*Does not include any guaranteed debt that the municipality may be paying

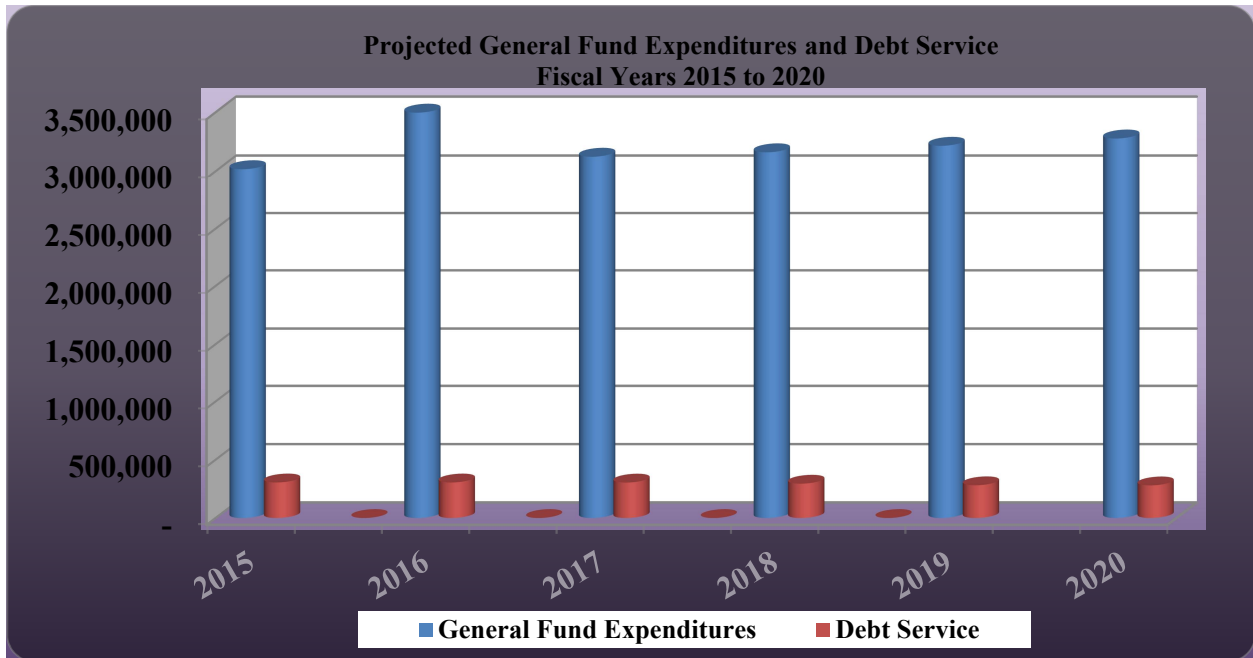
Debt Compared to Select Revenues and Expenditures of the City

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 21% of the projected annual earned income tax collected by the City and approximately 29% of the City's annual projected real estate tax revenues.



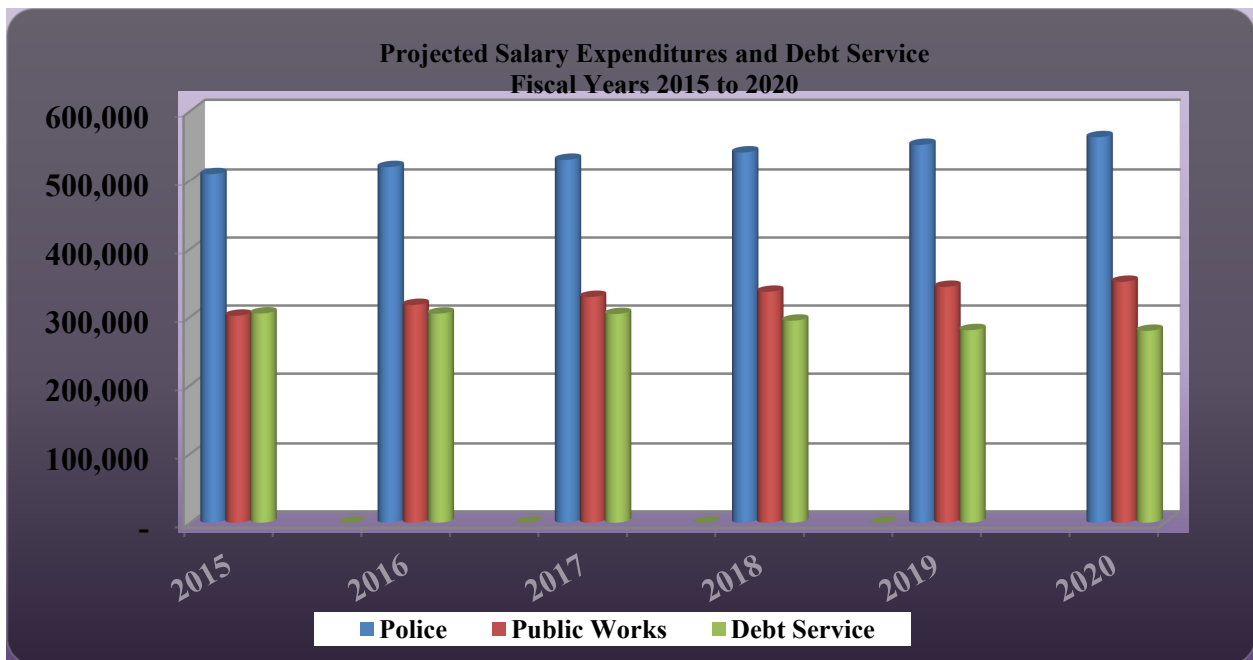
Source: Act 47 Coordinator's revenue projections for fiscal years 2015 through 2020.

The City's total annual debt service requirements equal approximately 10.1% of the total budgeted General Fund expenditures for the 2015 fiscal year, as evidenced in the table below.



Source: Act 47 Coordinator's expenditure projections for fiscal years 2015 through 2020.

When compared to other select expenditures of the City, the annual debt service amounts to 60% of the 2015 Salary expense for the City's Police force, and 101% of the 2015 Salary expense for the Public Works, as shown below.



Source: Act 47 Coordinator's expenditure projections for fiscal years 2015 through 2020.

Guaranteed Debt of the City

The City has also provided, as permitted under the provisions of the Pennsylvania Local Government Unit Debt Act (LGUDA), its general obligation pledge as a guaranty for debt issued by the Redevelopment Authority of the City of Shamokin (the “RDA”) and the Shamokin-Coal Township Joint Sewer Authority (the “SCTJSA”). The RDA duties include but are not limited to: rehabilitation of houses; acquisition of properties; sale of properties; enforcement and payment of mortgages and leases owned or held by the RDA throughout the City limits.

The SCTJSA was incorporated on December 30, 1971 under the Act, pursuant to ordinances enacted by the City and the Board of Commissioners of the Township of Coal (the “Township”). The SCTJSA is empowered to acquire, hold, construct, improve, maintain, operate and lease, as lessor or lessee, sewer systems and sewage treatment works. The Board of the SCTJSA is composed of six members, three of whom are appointed by the Council of the City and three of whom are appointed by the Board of Commissioners of the Township. The terms of the members of the Authority Board are staggered so that the term of at least one member expires each year. Members of the SCTJSA Board may be reappointed. None of the members of the Board of the Authority is a member of either the Council of the City or the Board of Commissioners of the Township. The Board is responsible for managing the business of the Authority.

The City provided its general obligation guaranty on the RDA’s Guaranteed Tax Exempt Revenue Note, Series A of 2005, (the “2005 A Note”) and Guaranteed Taxable Revenue Note, Series B of 2005, (the “2005 B Note”). The 2005 A Note was issued in a principal amount of \$960,000 with a maturity date of December 15, 2030. The 2005 B Note was issued in a principal amount of \$1,440,000 with a maturity date of December 15, 2030.

The City provided its general obligation guaranty on the SCTJSA’s Guaranteed Sewer Revenue Bonds, Series of 2006, (the “2006 Bonds”), Guaranteed Sewer Revenue Bonds, Series A of 2012 (the “2012 A Bonds”) and Guaranteed Sewer Revenue Bonds, Series B of 2012, (the “2012 B Bonds”). The 2006 Bonds were issued in a principal amount of \$21,750,000 with a maturity date of July 1, 2036. The 2012 A Bonds were issued in a principal amount of \$9,000,000 with a maturity date of June 1, 2052. The 2012 B Bonds were issued in a principal amount of \$8,640,000 with a maturity date of June 1, 2052.

Below is a schedule that shows the debt service of the 2005 A Note, the 2005 B Note, the 2006 Bonds, the 2012 A Bonds and the 2012 B Bonds for which the City has provided its general obligation guaranty.

Debt Service Requirements of City General Obligation Guaranteed Debt Fiscal Years 2015 through 2020

Debt Series	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
RDA 2005 A NOTE	\$ 60,483	\$ 60,559	\$ 60,559	\$ 60,559	\$ 60,559	\$ 60,559
RDA 2005 B NOTE	52,284	52,285	52,285	52,285	52,285	52,285
SCTJSA 2006 BONDS	822,503	827,243	821,293	826,043	828,043	824,443
SCTJSA RUS 2012 A BONDS	339,267	339,267	339,267	339,267	339,267	339,267
SCTJSA RUS 2012 B BONDS	325,696	325,696	325,696	325,696	325,696	325,696
Total FY Debt Service	\$1,600,233	\$1,605,049	\$1,599,099	\$1,603,849	\$1,605,849	\$1,602,249

The SCTJSA 2006 Bonds, 2012 A Bonds and 2012 B Bonds have been deemed self-liquidating, in which the revenues derived by the SCTJSA's operations are sufficient to pay the debt service obligations. The City has never had to make a debt service payment on the SCTJSA's 2006 Bonds, 2012 A Bonds and 2012 B Bonds as per its guaranty agreements.

The RDA generates all of its revenue in the collection of rents on the Mill Square property. In late 2013 the RDA lost the largest rent paying tenant in the Mill Square property. The loss of this tenant has had a significant impact on the revenue received by the RDA. The City must work with the RDA to market and fill the open leasable space at the Mill Square property to avoid having to honor its guarantee.

Initiatives

The initiatives below are designed to allow the City to take advantage of market opportunities as they may become available and to allow the City to continue to keep the overall debt burden at its current manageable level.

The City will need to fund various capital projects through the issuance of debt as detailed in the Capital Improvement Program & Budget Chapter, specifically CB03. The City will not issue any debt for capital projects without an adopted recovery plan. It will be difficult and more costly for the City to issue debt without a recovery plan in place. The recovery plan will be reviewed by, and is an essential part of the evaluation process for potential lenders, investors, rating agencies and bond insurers as applicable.

DS01. Adopt and Comply With Debt Policies

Target outcome:	Improved Practices; Debt Management
Six year financial impact:	Not Available
Responsible party:	City Administrator

The City should develop and implement policies to ensure that the debt service does not become unaffordable and that the City evaluates each borrowing decision in the context of its overall strategy and long-term impact based on a best practices model.

Best practices standards that Cities use to evaluate the efficiency of debt transactions include, but is not limited to, (i) debt service expenditures as a percentage of operating revenues; (ii) debt per capita; (iii) average maturity of the debt; (iv) total debt as a percentage of market and/or assessed value of property; (v) annual debt service as a percentage of the City's annual general fund budget; and (vi) the net present value savings achieved (for refunding transactions).

The City Administrator shall work with the Act 47 Coordinator and the City's financial advisor to identify specific appropriate debt metrics and goals for the City. The City shall report these metrics to City Council each time a debt transaction is proposed, and annually, when the budget is submitted to City Council for its consideration.

DS02. Reduce Reliance on Annual Short-Term Cash Flow Borrowings (TRANs)

Target outcome: Debt Management; Future Savings
Six year financial impact: Not Available
Responsible party: City Administrator and City Treasurer

The City has historically issued and relied on short-term borrowings (Tax and Revenue Anticipation Notes – TRANs) to assist the City’s cash flow needs at the beginning of its fiscal year until tax collections are received. The City has been forced to utilize short-term borrowing due to its insufficient fund balance and liquidity position. The interest charged on TRANs is based on the duration of the borrowing and the credit quality of the issuer.

The table below details the City’s TRANs that it has issued over the past five (5) years. The information includes (i) par amount of the TRAN; (ii) date of issuance; (iii) maturity date; (iv) interest rate; and (v) total interest paid by the City for each TRAN issue.

TRAN Par Amount	TRAN Year	Date Paid in Full	Interest Rate	Interest Paid Through Maturity
\$225,000	2011	1-Aug-2011	6.75%	\$6,006
\$200,000	2012	4-Sep-2012	4.50%	\$4,625
\$275,000	2013	7-Jan-2014	3.15%	\$5,235
\$350,000	2014	16-Dec-2016	3.25%	\$7,294
Total				\$23,161

Over the past four years, the City has paid a total of approximately \$23,161 in interest cost in connection with its TRAN issuances. The average annual interest cost to the City has been approximately \$5,790 over the last four years. Eliminating the need to issue a short-term borrowing will not eliminate the current projected deficits of the City. However if the City does not take steps to increase its fund balance and liquidity position, the amount of short-term borrowing needed to assist the City with its cash flow needs, will continue to grow.

In addition to Initiative DS02, the reduction and potential eventual elimination, of the City’s reliance on short-term borrowings for liquidity should be addressed in the City’s debt policies. The City must address and set goals as to the level of fund balance and liquidity in its Debt Policies (DS01).

BASELINE PROJECTIONS

Revenue	2015 Estimated	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Taxes	1,736,937	1,742,055	1,747,454	1,753,098	1,758,953	1,764,997
Interest Income	100	100	100	100	100	100
Rents	73,500	73,500	73,500	73,500	73,500	73,500
Intergovernmental	221,500	221,500	221,500	221,500	221,500	221,500
License & Permits	120,950	120,950	120,950	120,950	120,950	120,950
Fines & Forfeits	110,000	110,000	110,000	110,000	110,000	110,000
Charges for Services	100,150	100,150	100,150	100,150	100,150	100,150
Miscellaneous	117,853	117,853	117,853	117,853	117,853	117,853
Total Revenues	2,480,990	2,486,108	2,491,507	2,497,151	2,503,006	2,509,050

	2015 Estimated	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Employee	\$2,264,399	\$2,427,243	\$2,494,365	\$2,565,709	\$2,640,236	\$2,723,161
Nonemployee	\$628,608	\$632,096	\$636,421	\$641,796	\$647,616	\$653,828
Transfers	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service	\$50,000	\$304,495	\$0	\$0	\$0	\$0
TRAN Interest	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total Expenditures	\$2,958,007	\$3,378,834	\$3,145,786	\$3,222,505	\$3,302,851	\$3,391,989
Surplus/(Deficit)	-\$477,017	-\$892,727	-\$654,278	-\$725,354	-\$799,845	-\$882,939
Cumulative Surplus/(Deficit)	-\$477,017	-\$1,369,744	-\$2,024,022	-\$2,749,376	-\$3,549,221	-\$4,432,161

RECOVERY PLAN INITIATIVES

Initiative	Description	2015	2016	2017	2018	2019	2020	Total Impact
PI01	Conduct Regular Recovery Plan Implementation Meetings	na	na	na	na	na	na	na
PI02	City Council shall create organization-wide Strategic Plan	na	na	na	na	na	na	na
PI03	Deploy Implementation Action Teams	na	na	na	na	na	na	na
PI04	Establish a Citizens Advisory Committee	na	na	na	na	na	na	na
PI05	Create a Loaned Executive Program	na	na	na	na	na	na	na
PI06	Publish a Performance Management Report	na	na	na	na	na	na	na
PI07	Increase participation in Regional Organizations	na	na	na	na	na	na	na
REV01	Increase Earned Income Tax Rate (5 years under Plan)	\$408,500	\$870,750	\$881,634	\$892,655	\$903,813	\$0	\$3,957,352
REV02	Increase Earned Income Tax Rate Home Rule	\$0	\$0	\$0	\$0	\$0	\$915,111	\$915,111
REV03	Increase Street Light revenue to cover actual costs; explore option to levy as fee	TBD	TBD	TBD	TBD	TBD	TBD	TBD
REV04	Review fee structure to ensure full cost recovery	TBD	TBD	TBD	TBD	TBD	TBD	TBD
REV05	Act 47 Grant	\$137,500	\$105,805	\$17,903	\$0	\$0	\$0	\$261,208
Rev06	Explore any and all grant and funding opportunities	TBD	TBD	TBD	TBD	TBD	TBD	TBD
WF01	Ensure Future Collective Bargaining and Labor Agreements Remain Compliant with Recovery Plan	na	na	na	na	na	na	na
WF02	Use Professional Assistance for Labor Negotiations	na	na	na	na	na	na	na
WF03	Establish a Labor/Management Committee for All Employee Groups	na	na	na	na	na	na	na
WF04	Limit New Contract Enhancements	na	na	na	na	na	na	na

Initiative	Description	2015	2016	2017	2018	2019	2020	Total Impact
WF05	Implement a Base Wage Freeze, Limited Lump Sums, Limited Wage Increases	\$0	\$20,079	\$45,080	\$55,924	\$67,086	\$78,574	\$266,744
WF06	Freeze Longevity Pay and Eligibility	\$0	\$2,100	\$4,300	\$6,725	\$8,850	\$11,025	\$33,000
WF07	Reduce Paid Holidays, Personal, Vacation and Sick Leave	TBD	TBD	TBD	TBD	TBD	TBD	TBD
WF08	Adjust Overtime Eligibility Thresholds to Reflect Hours Actually Worked	TBD	TBD	TBD	TBD	TBD	TBD	TBD
WF09	Limit Compensatory Time	TBD	TBD	TBD	TBD	TBD	TBD	TBD
WF10	Limit City's Costs for Employee Health Care	\$0	\$8,717	\$17,609	\$28,192	\$40,112	\$53,499	\$148,129
WF11	Contain Post-Retirement Healthcare Costs and Establish OPEB Trust	TBD	TBD	TBD	TBD	TBD	TBD	TBD
WF12	Eliminate Minimum Manning Requirements	see PD04						
WF13	Eliminate restrictions on layoffs	TBD	TBD	TBD	TBD	TBD	TBD	TBD
WF14	Eliminate restrictions and impediments to hiring part-time employees	TBD	TBD	TBD	TBD	TBD	TBD	TBD
WF15	Eliminate restrictions on regionalization, shared services and cooperative pacts	TBD	TBD	TBD	TBD	TBD	TBD	TBD
RET01	Prospectively reduce the level of benefits							
RET02	Amend the Police Plan and Non-Uniformed Plan to explicitly exclude fringe benefits and payments for unused leave from definition of average salary	na	na	na	na	na	na	na
RET03	Explore recovery of overpayments to Police members	na	na	na	na	na	na	na
RET04	Remove the unlawful service increment from the Police CBA	na	na	na	na	na	na	na
RET05	Freeze benefit levels for all plans	na	na	na	na	na	na	na
RET06	Consolidate administration of the City's two Retirement Plans	na	na	na	na	na	na	na

Initiative	Description	2015	2016	2017	2018	2019	2020	Total Impact
RET07	Update both plans to comply with IRS qualification requirements	na	na	na	na	na	na	na
RET08	Seek IRS Determination Letter for Police and Non-Uniformed Plans	na	na	na	na	na	na	na
AFD01	Enhance or Replace the Fund Accounting, Budget & Financial Reporting Systems	-\$15,000	-\$35,000	\$0	\$0	\$0	\$0	-\$50,000
AFD02	Preparation of Annual Modified Accrual Financial Statements	na	na	na	na	na	na	na
AFD03	Preparation of Interim Financial Statements, All Funds	na	na	na	na	na	na	na
AFD04	The City Administrator shall establish policies and procedures for processing bills	na	na	na	na	na	na	na
AFD05	Annual Budget Preparation and Documentation							
AFD06	Develop Financial Policies	na	na	na	na	na	na	na
AFD07	Cash Flow Reporting & Monitoring	na	na	na	na	na	na	na
AFD08	Develop the Annual Budget Document, & 3 to 5 Year Outlook	na	na	na	na	na	na	na
AFD09	Adopt Fund Balance Policies	na	na	na	na	na	na	na
AFD10	Reduce Manual Processes	na	na	na	na	na	na	na
AFD11	Shared Services & Joint Purchasing of Utilities (including reverse auctions Utility Services)	na	na	na	na	na	na	na
AFD12	Evaluate Shared Technology Infrastructure, Applications, and General Administrative (Procurement, HR/Payroll, etc.) Functions with the Shamokin Area School District, Shamokin-Coal Township Joint Sewer Authority and Northumberland County	na	na	na	na	na	na	na
AFD13	Upgrade computer software & hardware	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Initiative	Description	2015	2016	2017	2018	2019	2020	Total Impact
CB01	Create a five year Capital Improvement Plan	TBD	TBD	TBD	TBD	TBD	TBD	TBD
CB02	Increased involvement of city employees in CIP process	TBD	TBD	TBD	TBD	TBD	TBD	TBD
CB03	Funding of priority capital projects	TBD	TBD	TBD	TBD	TBD	TBD	TBD
CB04	Capital Budget Financing	TBD	TBD	TBD	TBD	TBD	TBD	TBD
CB05	Establish Capital Reserve Fund	TBD	TBD	TBD	TBD	TBD	TBD	TBD
CD01	Produce quarterly status reports on project spending & progress	na	na	na	na	na	na	na
CD02	Adopt performance metrics for approved projects	na	na	na	na	na	na	na
CD03	Establish policy for evaluation & selection of projects	na	na	na	na	na	na	na
CD04	Target community development projects to selected areas and the downtown by leveraging additional public & private sector funding	na	na	na	na	na	na	na
CD05	Fund Infrastructure improvements in areas selected for targeted neighborhood improvement strategies	na	na	na	na	na	na	na
CD06	Apply for DCED Keystone Community Designation	na	na	na	na	na	na	na
CD07	Create a vision & goal with milestones for economic development	na	na	na	na	na	na	na
CD08	Neighborhood Assistance program ("NAP")	na	na	na	na	na	na	na
C&H01	Establish written policies and procedures for code enforcement	na	na	na	na	na	na	na
C&H02	Establish Performance Metrics and Conduct Monthly Performance Reporting	na	na	na	na	na	na	na
C&H03	Computerize Quality of Life Ticketing Program	TBD	TBD	TBD	TBD	TBD	TBD	TBD

Initiative	Description	2015	2016	2017	2018	2019	2020	Total Impact
C&H04	With Community Development Officer and the Police Department, Undertake Targeted Code Enforcement in Target Areas	TBD	TBD	TBD	TBD	TBD	TBD	TBD
C&H05	Develop and Adopt a Local Tax Base Improvement Policy	TBD	TBD	TBD	TBD	TBD	TBD	TBD
C&H06	Investigate the Development of a Revolving Loan Fund Funded by CDBG	TBD	TBD	TBD	TBD	TBD	TBD	TBD
C&H07	Investigate creating a Home Buyer Assistance Program	TBD	TBD	TBD	TBD	TBD	TBD	TBD
C&H08	Develop a Land Banking Program	TBD	TBD	TBD	TBD	TBD	TBD	TBD
C&H09	Investigate adopting LERTA and RETAP Programs	TBD	TBD	TBD	TBD	TBD	TBD	TBD
C&H10	Conduct an aggressive property maintenance enforcement Program	TBD	TBD	TBD	TBD	TBD	TBD	TBD
C&H11	Set Tenant Occupied Licensing and Inspection Fees to cover cost of program	TBD	TBD	TBD	TBD	TBD	TBD	TBD
C&H12	Investigate establishing a vacant property registration program	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PW01	Acquire and upgrade approximately 663 Street Lights to LED	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PW02	Consolidation of Municipal Fleet Maintenance	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PW03	Institute a Recycling Collection fee and change recycling collection to once per week (estimate \$5 per quarter)	\$0	\$57,692	\$57,692	\$57,692	\$57,692	\$57,692	\$288,460
PW04	Annually Increase PWD Service Fees	\$856	\$1,712	\$1,712	\$1,712	\$1,712	\$1,712	\$8,560
PW05	Capital Projects Budgets and Funding: GESA Funding Option	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PD01	Possible reduction in budgeted positions for sworn officers	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PD02	Hire and utilize part-time officers in lieu of overtime	See below	See below	See below	See below	See below	See below	See below

Initiative	Description	2015	2016	2017	2018	2019	2020	Total Impact
PD03	Limit option of compensatory time off in lieu of overtime	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PD04	Ability to discontinue the provision of two officers per shift (except 1800-0200)	See below	See below	See below	See below	See below	See below	See below
PD05	Consider discontinuing service 0300 to 0700	See below	See below	See below	See below	See below	See below	See below
	Net Savings PD02,PD04,PD05	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$180,000
PD06	Use crime & complaint data to better determine busiest shifts & schedule accordingly	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PD07	Develop & implement a case screening & management system for follow-up investigations	na	na	na	na	na	na	na
PD08	Collect, compile & analyze conviction data on criminal prosecutions	na	na	na	na	na	na	na
PD09	Develop & implement job descriptions	na	na	na	na	na	na	na
PD10	Develop & introduce a performance evaluation system	na	na	na	na	na	na	na
PD11	Negotiate a specific contract with the Chief of Police	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PD12	Research the prior years' data, evaluate & consider the causal factors impacting the accident enforcement index	na	na	na	na	na	na	na
PD13	Analyze & evaluate the Officers Yearly report five-year information	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PD14	Involve the Chief of Police in the Budgeting Process	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PD15	Reduce vehicle fleet by two	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PD16	Establish a formal vehicle maintenance & repair policy	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PD17	Provide training for the individual responsible for reporting UCR Information	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PD18	Explore Sharing Services with Coal Township	TBD	TBD	TBD	TBD	TBD	TBD	TBD

Initiative	Description	2015	2016	2017	2018	2019	2020	Total Impact
EO01	City Council shall enact, modify & revise ordinances as necessary for Recovery Plan	na	\$0	na	na	na	na	na
EO02	City Council shall hold annual town hall meeting on City's progress	na	na	na	na	na	na	na
EO03	City council shall approve & sign a detailed bill list (paid & unpaid)for all City expenditures for payment on a monthly basis	na	na	na	na	na	na	na
EO04	City Council should consider the submission of a referendum question for election of government study commission	na	na	na	na	na	na	na
EO05	City Council shall increase the salary of City Administrator to \$59,000 (Current Salary \$40,000)	-\$20,448	-\$20,448	-\$20,448	-\$20,448	-\$20,448	-\$20,448	-\$122,687
EO06	City Council shall hire clerk to assist City Administrator (salary & benefits)	-\$40,000	-\$40,000	-\$40,000	-\$40,000	-\$40,000	-\$40,000	-\$240,000
EO07	City Council shall review revenue & expenditures	na	na	na	na	na	na	na
EO08	City Treasurer & City Controller shall support the Recovery Plan implementation as related to Financial process improvements	na	na	na	na	na	na	na
EO09	The Treasurer and Controller shall communicate and collaborate with the City Administrator and City Council to implement the Act 47 Plan	na	na	na	na	na	na	na
EO10	The Treasurer and Controller should use their statutory authority to ensure sound financial practices	na	na	na	na	na	na	na
EO11	The Treasurer and Controller should participate in forecasting Operating Revenues and in Budget Preparation	na	na	na	na	na	na	na

Initiative	Description	2015	2016	2017	2018	2019	2020	Total Impact
EO12	The Controller should monitor bill payments to ensure that policies and procedures established are followed.	na	na	na	na	na	na	na
IGR01	Identify & implement Intergovernmental cooperative initiatives	TBD	TBD	TBD	TBD	TBD	TBD	TBD
IGR02	Pursue consolidation of Police Services with Coal Township	TBD	TBD	TBD	TBD	TBD	TBD	TBD
IGR03	Utilize recycling center operated by Coal Township	TBD	TBD	TBD	TBD	TBD	TBD	TBD
IGR04	Pursue joint ownership & operation of City pool & American Legion Building	TBD	TBD	TBD	TBD	TBD	TBD	TBD
IRM01	Develop a Request for Proposal (RFP) for Insurance Brokerage Services	na	na	na	na	na	na	na
IRM02	Develop a written agreement for Brokerage Services	na	na	na	na	na	na	na
IRM03	Adopt a formal policy requiring remarketing of all lines of insurance every two years	na	na	na	na	na	na	na
IRM04	Implement a threshold of \$25,000 for large claim notification	TBD	TBD	TBD	TBD	TBD	TBD	TBD
IRM05	Institute a quarterly review of all open claims	na	na	na	na	na	na	na
IRM06	Implement fleet safety guidelines & fleet management guidelines	TBD	TBD	TBD	TBD	TBD	TBD	TBD
IRM07	Implement a Workers' Compensation Certified Safety Committee	\$900	\$919	\$939	\$962	\$985	\$1,008	\$5,713
RC01	Continue to Maintain a separate Recreation fund with its own budget	na	na	na	na	na	na	na
RC02	Partner with Coal Township on swimming pool operations and maintenance	na	na	na	na	na	na	na
RC03	Market pool for group rentals	na	na	na	na	na	na	na
RC04	Evaluate the feasibility and impact on City Operations of reopening Club Echo	na	na	na	na	na	na	na

Initiative	Description	2015	2016	2017	2018	2019	2020	Total Impact
RC05	Evaluate the Cooperative Rehabilitation of the American Legion Building with Coal Township for the creation of a Regional Community Center	na	na	na	na	na	na	na
DS01	Adopt & comply with debt policies	na	na	na	na	na	na	na
DS02	Reduce reliance on annual short-term cash flow borrowings (TRAN)	TBD	TBD	TBD	TBD	TBD	TBD	TBD
	Initiative Totals	\$502,308	\$1,002,326	\$996,422	\$1,013,413	\$1,049,803	\$1,088,174	\$5,652,445

Taxes	\$408,500	\$870,750	\$881,634	\$892,655	\$903,813	\$915,111	\$4,872,463
Intergovernmental	\$132,500	\$105,805	\$17,903	\$0	\$0	\$0	\$261,208
Charges for Services	\$856	\$59,404	\$59,404	\$59,404	\$59,404	\$59,404	\$297,876
Workforce Savings	\$30,000	\$60,896	\$96,989	\$120,841	\$146,049	\$173,098	\$627,873
Other	-\$74,548	-\$94,529	-\$59,509	-\$59,486	-\$59,463	-\$59,439	-\$406,974
Total Initiatives	\$502,308	\$1,002,326	\$996,422	\$1,013,413	\$1,049,803	\$1,088,174	\$5,652,445

PROJECTED REVENUES, EXPENDITURES, SURPLUS/(DEFICIT) WITH INITIATIVES

	2015	2016	2017	2018	2019	2020
Revenue	Estimated	Projected	Projected	Projected	Projected	Projected
Taxes	\$2,145,437	\$2,612,805	\$2,629,089	\$2,645,752	\$2,662,766	\$2,680,107
Interest Income	100	100	100	100	100	100
Rents	73,500	73,500	73,500	73,500	73,500	73,500
Intergovernmental	351,500	327,305	239,403	221,500	221,500	221,500
License & Permits	120,950	120,950	120,950	120,950	120,950	120,950
Fines & Forfeits	110,000	110,000	110,000	110,000	110,000	110,000
Charges for Services	101,006	159,554	159,554	159,554	159,554	159,554
Miscellaneous	117,853	117,853	117,853	117,853	117,853	117,853
Total Revenues	\$3,020,346	\$3,522,067	\$3,450,449	\$3,449,209	\$3,466,223	\$3,483,564
	2015	2016	2017	2018	2019	2020
	Estimated	Projected	Projected	Projected	Projected	Projected
Employee	\$2,234,399	\$2,366,347	\$2,397,376	\$2,444,868	\$2,494,187	\$2,550,063
Nonemployee	703,156	726,625	695,929	701,282	707,079	713,267
Transfers	0	0	0	0	0	0
Debt Service	50,000	304,495	0	0	0	0
TRAN Interest	15,000	15,000	15,000	15,000	15,000	15,000
Total Expenditures	\$3,002,555	\$3,412,468	\$3,108,305	\$3,161,150	\$3,216,266	\$3,278,330
Surplus/(Deficit)	\$17,791	\$109,599	\$342,144	\$288,059	\$249,957	\$205,234
Fund Capital Improvements (30%)	\$0	-\$32,880	-\$102,643	-\$86,418	-\$74,987	-\$61,570
OPEB Trust (15%)	\$0	-\$16,440	-\$51,322	-\$43,209	-\$37,494	-\$30,785
Revised Surplus/(Deficit)	\$17,791	\$60,279	\$188,179	\$158,433	\$137,477	\$112,879
Cumulative Surplus/(Deficit)	\$17,791	\$78,071	\$266,250	\$424,682	\$562,159	\$675,038

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

Human Resources Consultant (\$10,000)

The City currently lacks proper job descriptions and employment policies for its employees. The City should utilize a professional consultant to facilitate the creation of job description and employee policies. City Council shall review and approve all job descriptions and policies.

Strategic Planning Consultant (\$10,000)

Development of a Strategic Plan for the City that includes and expresses its Mission, Vision, Goals and Objectives is critical to the City's future success. Strategic planning is part of the process of developing objectives, strategies and tactics to achieve the mission of the City.

Developing a clear Strategic Plan for the City is critical towards its future success. The Strategic Plan should be used in conjunction with the Recovery Plan to create a sustainable, vibrant community.

Accounting Consultant and Asset Study (\$23,250)

The City's current financial system is not being utilized appropriately. The City should retain the services of an Accounting Consultant to help train existing and future personnel on proper accounting and book keeping procedures.

The City has not completed an Asset Study for a number of years and should have an Asset Study completed for insurance and accounting compliance.

Augment Costs of hiring an Administrative Clerk (\$79,600)

The City Administrator currently spends a large amount of time performing clerical work. The City must limit the time the Administrator spends on clerical functions so that the City Administrator can administer City operations and implement the Act 47 Plan.

At a minimum the Administrative Clerk position should hold an associate's degree in accounting or have equivalent work experience. The Act 47 Coordinator will help the City with the development of a Job Description and will work with the City on the selection of the candidate.

Augment Salary Increase for the City Administrator (\$28,358)

Of all positions in the City perhaps none is more important than that of City Administrator. The City Administrator is the City's highest ranking executive official and responsible for City operations. As such the Administrator will be required to implement significant portions of the Act 47 plan.

Increasing the salary of the City Administrator to reflect the responsibilities of the position will allow the City greater opportunity to retain existing and recruit qualified personnel in the future.

UPGRADES TO THE IT REQUIREMENTS

The City of Shamokin Recovery Plan report identifies three significant technology based initiatives (summarized below) which are recommended to improve services rendered by City departments to the public. These initiatives are described more fully throughout this report. These technology based initiatives will enhance the quality of services, increase efficiency and reduce operational costs in these critical areas.

1. Develop a needs assessment for the City's software and hardware systems prior to the acquisition of hardware/software. - Administration, Accounts and Finance, Information Technology – \$20,000 (2015).
2. Computer Hardware - \$20,000 (2015).
3. Integrated Municipal Software System - \$70,000 (2016)

The total Upgrades to the IT would be \$110,000.

The City of Shamokin's Act 47 Recovery Plan Coordinator believes that the Financial Assistance recommended in this plan will benefit the City of Shamokin through improved efficiencies and effectiveness of services and investments that will foster tax base growth potential. The Coordinator recommends a Financial Assistance request by the City through the single application for assistance process in the amount of \$261,208.

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

2015 Act 47 Grant Department of Community and Economic Development

Sources of Funds:	Salaries/Professional Service	Software	Hardware	Total
Act 47 Grant				261,208
Uses of Funds:				
Fiscal Year 2015 Funding				137,500
City Administrator	14,250	-	-	14,250
Administrative Assistant	40,000	-	-	40,000
Accounting Consultant	15,750	-	-	15,750
HR Consultant	10,000	-	-	10,000
Strategic Planning Consultant	10,000	-	-	10,000
IT Consultant	20,000	-	-	20,000
Municipal Software	-	-	-	-
Hardware	-	-	20,000	20,000
Asset Study	7,500	-	-	7,500
Subtotal	\$ 117,500	\$ -	\$ 20,000	\$ -
Fiscal Year 2016 Funding				105,805
City Administrator	9,405	-	-	9,405
Administrative Assistant	26,400	-	-	26,400
Accounting Consultant	-	-	-	-
HR Consultant	-	-	-	-
Strategic Planning Consultant	-	-	-	-
IT Consultant	-	-	-	-
Municipal Software	-	70,000	-	70,000
Hardware	-	-	-	-
Asset Study	-	-	-	-
Subtotal	\$ 35,805	\$ 70,000	\$ -	\$ -
Fiscal Year 2017 Funding				17,903
City Administrator	4,703	-	-	4,703
Administrative Assistant	13,200	-	-	13,200
Accounting Consultant	-	-	-	-
HR Consultant	-	-	-	-
Strategic Planning Consultant	-	-	-	-
IT Consultant	-	-	-	-
Municipal Software	-	-	-	-
Hardware	-	-	-	-
Asset Study	-	-	-	-
Subtotal	\$ 17,903	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ 261,208

**CITY OF SHAMOKIN
NORTHUMBERLAND COUNTY, PENNSYLVANIA**

DCED LOAN, SERIES OF 2014

OUTSTANDING DEBT SERVICE REQUIREMENTS

DATE	PRINCIPAL	RATE	INTEREST	DEBT SERVICE	ANNUAL NET DEBT SERVICE
15-Aug-14	-	0.000%	-	-	-
15-Jun-15	116,500.00	0.000%	-	116,500.00	-
15-Dec-15	-	0.000%	-	-	116,500.00
15-Jun-16	116,500.00	0.000%	-	116,500.00	-
15-Dec-16	-	0.000%	-	-	116,500.00
15-Jun-17	116,500.00	0.000%	-	116,500.00	-
15-Dec-17	-	0.000%	-	-	116,500.00
15-Jun-18	116,500.00	0.000%	-	116,500.00	-
15-Dec-18	-	0.000%	-	-	116,500.00
15-Jun-19	116,500.00	0.000%	-	116,500.00	-
15-Dec-19	-	0.000%	-	-	116,500.00
15-Jun-20	116,500.00	0.000%	-	116,500.00	-
15-Dec-20	-	0.000%	-	-	116,500.00
15-Jun-21	116,000.00	0.000%	-	116,000.00	-
15-Dec-21	-	0.000%	-	-	116,000.00
15-Jun-22	116,000.00	0.000%	-	116,000.00	-
15-Dec-22	-	0.000%	-	-	116,000.00
15-Jun-23	116,000.00	0.000%	-	116,000.00	-
15-Dec-23	-	0.000%	-	-	116,000.00
15-Jun-24	116,500.00	0.000%	-	116,500.00	-
15-Dec-24	-	0.000%	-	-	116,500.00
	<u>1,163,500.00</u>		<u>-</u>	<u>1,163,500.00</u>	<u>1,163,500.00</u>

**OPTIONAL REDEMPTION
DATE:**

ANYTIME

PURPOSE OF THE ISSUE:

**EMERGENCY OPERATING LOAN
FROM DCED**

SECURITY:

**GENERAL
OBLIGATION**

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

YEAR	2006 LRN	2012A NOTE	2012B NOTE	2013A NOTE (FEMA)	2013A NOTE	2014 DCED	TOTAL MINUS FEMA
2015	57,600	72,880	34,101	105,570	23,807	116,500	304,888
	-	-	-	-	-	-	-
2016	57,747	72,755	33,897	105,570	23,807	116,500	304,706
		-	-		-	-	-
2017		94,315	69,387		23,807	116,500	304,009
		-	-		-	-	-
2018		94,088	69,942		13,887	116,500	294,417
		-	-			-	-
2019		93,770	70,429			116,500	280,699
		-	-			-	-
2020		94,340	68,865			116,500	279,705
		-	-			-	-
2021		93,798	70,284			116,000	280,082
		-	-			-	-
2022		94,165	70,601			116,000	280,766
		-	-			-	-
2023		94,375	69,867			116,000	280,242
		-	-			-	-
2024		94,473	70,065			116,500	281,038
		-	-			-	-
2025		95,413	69,229				164,642
		-	-				-
2026		94,195	70,325				164,520
		-	-				-
2027		93,865	70,353				164,218
		-	-				-
2028		93,423	68,432				161,855
		-	-				-
2029		93,823	70,222				164,045
		-	-				-
2030		94,043	70,029				164,072
		-	-				-
2031		94,083	70,768				164,851
		-	-				-
	115,347	1,557,800	1,116,796	211,140	85,308	1,163,500	4,038,750