

Distress Determination Resolution

CITY OF SHAMOKIN RESOLUTION NUMBER 1407

A Resolution of the City Council of the City of Shamokin, Northumberland County, Pennsylvania, authorizing the City Council of the City of Shamokin to seek a determination of municipal financial distress and to make application for aid under authority of the Municipalities Financial Recovery Act, Act 47 of 1987, as amended and to ratify and confirm any and all actions heretofore taken and petitions and documents heretofore executed on behalf of the City Council of the City of Shamokin.

WHEREAS THE City of Shamokin has experienced the following, all of which can negatively impact the health, safety and welfare of its citizens: 1) the City has maintained a deficit in excess of 5% in each of the four prior fiscal years; 2) the City's expenditures have exceeded revenues during each of the four prior fiscal years; 3) the City has failed to make budgeted payments of its 2013 minimum municipal obligation as required by the Municipal Pension Plan Funding Standard and Recovery Act, and failed to take action in 2013 to made required payments; the City has experienced a decrease in the quantified level of municipal service for the preceding fiscal year which has resulted from the City reaching its legal limit in levying real estate taxes for general purposes; and 4) the City anticipates a nearly \$350,000 cash flow shortage by 2014 year end, which does not include the approximate \$800,000 in unpaid vendor liabilities from prior years.

AND WHEREAS THE City of Shamokin desires to file a petition to seek a determination of municipal financial distress under and by authority of the Municipalities Financial Recovery Act, Act 47 of 1987,

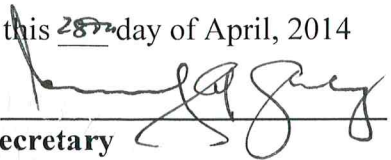
NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Shamokin is hereby authorized to seek a determination of municipal financial distress and to seek financial aid by way of loans, grants or otherwise under and by authority of the Municipalities Financial Recovery Act. Be it resolved further that the proper officers of the City of Shamokin are hereby authorized on behalf of the City of Shamokin to execute petitions or other documents to seek a determination of municipal financial distress and also to execute applications, petitions, agreements, contracts or other documents necessary to apply for and to secure aid for the City of Shamokin, from the Department of Community and Economic Development under and by authority of the Municipalities Financial Recovery Act, Act 47 of 1987 as amended.

BE IT FURTHER RESOLVED, that any and all action heretofore taken and all petitions or documents whatsoever heretofore executed on behalf of the City of Shamokin relative to seeking a determination of municipal financial distress and relative to seeking aid by way of grants, loans or otherwise under and by authority of the Municipalities Financial Recovery Act, Act 47 of 1987 as amended be and they are hereby ratified and confirmed as appropriate and authorized actions of the City of Shamokin.

Adopted this 28th day of April, 2014

Attest:

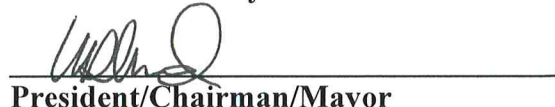
Secretary



City Council of the City of Shamokin

BY:

President/Chairman/Mayor



**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY and ECONOMIC DEVELOPMENT
GOVERNOR'S CENTER FOR LOCAL GOVERNMENT SERVICES**

**Request for a Determination of Municipal Financial Distress
Under the Municipalities Financial Recovery Act**

Name of Municipality: City of Shamokin, Northumberland County.

1. Party Seeking Determination of Distress

The City Council of the City of Shamokin, Pennsylvania

2. Please identify below one or more of the criteria set forth in Section 201 of the Municipalities Financial Recovery Act that you believe are present and the reasons why you believe the municipality meets these criteria. Please include supporting data as required.

We believe that the City of Shamokin currently meets the following five (5) criteria as set forth in Section 201 of the Municipalities Financial Recovery Act:

1. The municipality has maintained a deficit over a three-year period, with a deficit of 1% or more in each of the previous fiscal years.

**Shamokin General Fund Revenue vs. Expenses
(2009-2012)**

City of Shamokin, Pennsylvania
Statement of Revenues and Expenditures - Audited Financial Statements
General Fund Year Ended December 31

	2009	2010	2011	2012
Total Revenues	2,279,425	2,141,773	2,338,156	2,429,515
Total Expenses	2,488,041	2,451,352	2,584,478	2,732,042
Revenues Over (Under) Expenditures	(208,616)	(309,579)	(246,322)	(302,527)
% of deficit to revenues	9%	14%	11%	12%

Note: This does not include Other Financing Sources and Uses

**Shamokin All Funds Revenue vs. Expenses
(2009-2012)**

**City of Shamokin, Pennsylvania
Statement of Revenues and Expenditures - Audited Financial Statements
All Funds Year Ended December 31**

	2009	2010	2011	2012
Total Revenues	2,987,511	3,391,140	3,726,109	3,244,740
Total Expenses	3,127,103	3,628,647	4,258,106	5,516,150
Revenues Over (Under) Expenditures	(139,592)	(237,507)	(531,997)	(2,271,410)
% of deficit to revenues	5%	7%	14%	70%

Note: This does not include Other Financing Sources and Uses

2. The municipality's expenditures have exceeded revenues for a period of three years or more.

See charts above.

7. The municipality has accumulated and has operated for each of two successive years a deficit equal to 5% of more of its revenues.

Although the City's Audited Financial Statements from 2008 through 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.

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 led 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. 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 allowed the City to hold bills at the end of the year and still report a fund balance even though the true fiscal picture was much worse.

This has manifested over the past several years leading to the City's current immediate inability to pay prior years' operating costs of more than \$800,000. The \$800,000 in past due bills represents 34% of 2011 and 33% of 2012 General Fund revenue and 21% of 2011 and 25% of 2012 All Fund revenue.

8. The municipality 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.

The City of Shamokin did not make its 2013 minimum municipal obligation payment as required during the 2013 fiscal year for which the payment was budgeted, and failed to take action in 2013 to make required payments.

As of the date of this Request for a Determination of Municipal Financial Distress the City of Shamokin has still not made its 2013 minimum municipal obligation payment.

11. The municipality 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. For determining levels of municipal service for the year 1987, the department shall utilize annual statistical data since the year 1982 to determine a pattern of decrease in delivery of municipal services since 1982.

Real estate taxes comprise the largest percentage of the City's tax revenue, and 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.

The City of Shamokin is currently at its legal millage maximum for general purpose real estate tax. In order to address the structural mismatch between revenues and expenses the City has reduced its workforce, including in critical areas such as the Police Department, Codes Enforcement, and the Public Works Department since 2008. Even with these reductions the City has been unable to overcome the structural impediments for continued solvency.

The reduction in workforce has resulted in decreased municipal services provided.

3. List below all judgements recorded against the municipality.

There are no current judgments recorded against the municipality.

While there are no current judgments against the City, the City has been notified by at least one creditor if payment is not received legal action will be taken.

4. State below other material allegations justifying the relief afforded by this Act, or if the requesting party is a municipality, state why you believe the manifestation of the criteria in Section 201 of the Act is imminent and inevitable.

The City anticipates nearly a \$350,000 (this does not include the unpaid vendor payments of approximately \$800,000, see above) cash flow shortage by 2014 year end.

Cash flow is critical to City operations for obvious reasons. Under the City's current financial circumstances, it will not be able to maintain a positive cash flow through the end of the calendar year without outside assistance or meaningful expenditure reductions. The increasing liquidity problem will further erode the City's ability to meet its current and long-term liabilities. The inability to maintain a positive cash flow is not sustainable and will create an inability to meet payroll, debt service payments, and other vendor obligations between now and the end of the fiscal year.

A cash flow analysis for 2014 is summarized in the table below:

City of Shamokin					
Revenue Cash Flow Analysis					
Total Revenue					
Month	Actual			Estimated	Cash Projection
	2011	2012	2013	2014	
March*	248,976.68	422,939.60	250,931.50	214,733.31	146,195.00
April	510,806.63	351,130.93	409,479.92	423,805.83	203,332.83
May	333,357.57	298,028.76	438,970.49	356,785.61	280,951.43
June	181,292.33	191,223.98	171,387.93	181,301.41	183,085.85
July	115,286.03	169,434.82	127,616.37	137,445.74	41,364.59
Aug	124,356.92	123,076.25	186,132.51	144,521.89	(93,280.52)
Sept	135,751.97	373,229.97	302,166.14	270,382.69	(102,064.83)
Oct	322,920.33	195,214.50	217,321.53	245,152.12	(136,079.71)
Nov	190,771.56	139,902.79	214,671.40	181,781.92	(233,464.79)
Dec	110,774.74	211,987.80	166,905.72	163,222.75	(349,409.04)
Total	2,274,294.76	2,476,169.40	2,485,583.51	2,319,133.27	

*Cash Balance as of April 1, 2014

\$116,668 TRAN Payment April 2014


\$29,167 TRAN Payment May – Dec 2014

\$250,000 Avg. Monthly Expenses

Certification of Requesting Party.

Original signatures must be provided and the request must be duly notarized.

I (We) hereby certify that the requesting party is a party that has standing under Section 202 of the Municipalities Financial Recovery Act to seek a determination of distress.


(Signature)

4-28-14
(Date)

William D. Milbrand William D Milbrand
(Name – Please Print)

Mayor
(Title)

47 East Lincoln Street
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Shamokin, PA 17872

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Fax: (570) 648-0948

I (We) hereby certify that I (We) have reviewed the information contained in this request and that the information provided herein is true and correct to the best of my (our) knowledge.


(Signature of Requesting Party)

Taken, Sworn and subscribed before me, this 28th day of April, 2014.

Seal



