

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

IN RE: :
: :
CITY OF SHAMOKIN : Request for Determination of
: Distress under Act 47
: :

ORDER

AND NOW, this 16 day of June, 2014, upon consideration of the Certified Record, and the Proposed Findings of Fact and Conclusions of Law submitted by the Applicant, City of Shamokin, for the reasons set forth in the accompanying Findings of Fact and Conclusions of Law, it is hereby ORDERED that the City of Shamokin has met the criteria set forth in Section 201(1), (2), (7) and (8) of the Municipalities Financial Recovery Act, 53 P.S. § 11701.201(1), (2), (7), (8), and, therefore, a determination of municipal financial distress is hereby issued. Pursuant to the requirements of 53 P.S. § 11701.221(a), a coordinator shall be appointed to prepare a financial recovery plan to address the Applicant's financial distress.

By: C. Alan Walker
C. Alan Walker,
Secretary

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FINDINGS OF FACT

1. On May 12, 2014, the City of Shamokin, Northumberland County, Pennsylvania (“City”) filed an application for a determination of municipal financial distress under the Municipalities Financial Recovery Act (“Act 47”), 53 P.S. §§ 11701.101 – 11701.501. Exhibit D, Request for Determination of Distress.
2. The City’s application identified five (5) criteria under Section 201 of Act 47 to support a determination of municipal financial distress. *Id.*
3. Specifically, the City has alleged in its application that it has maintained a deficit over a three-year period, with a deficit of 1% or more in each of the previous fiscal years. *Id.*
4. The City also alleges in its application that its expenditures have exceeded revenues for a period of three years or more. *Id.*
5. The City further alleges in its application that it has accumulated and has operated for each of two successive years a deficit equal to 5% or more of its revenues. *Id.*
6. Additionally, the City alleges in its application that it has failed to make the budgeted payment of its minimum municipal obligation as required by section 302, 303 or 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. *Id.*

7. Finally, the City has alleged in its application that it 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. *Id.*
8. Following the City's application, and in accordance with the requirements of 53 P.S. § 1701.203(c), the Governor's Center for Local Government Services (Center) conducted an investigation into the financial affairs of the City by coordinating with the City's Early Intervention Program consultant to review various financial reports and conduct interviews with City officials and employees. Exhibit A, Consultative Evaluation.
9. On June 4, 2014, a public hearing was held to hear testimony regarding the City's application.
10. At the June 4, 2014 public hearing, Ryan Hottenstein of Financial S&Lutions, who through a grant to the City from DCED, prepared the City's January 6, 2014 Emergency Action Plan and the City's subsequent April 10, 2014 comprehensive Early Intervention Program Plan, testified that the conclusion of the Early Intervention Program Plan was that the City should be determined to be a financially distressed municipality.
11. Additionally, Mr. Hottenstein testified that the city owes over \$814,000 in unpaid vendor payments from 2013, and that the city has no recourse to pay these bills.

12. Mr. Hottenstein further testified that he expects the City to run out of money in August 2014 and to experience a budget shortfall of nearly \$350,000 by the end of the 2014 fiscal year.
13. Mr. Hottenstein also testified regarding the City's economic conditions, stating that they have been in significant decline over the last several years.
14. Lastly, Mr. Hottenstein testified that he agrees with the City that it meets the five (5) criteria the City alleges, and that the City qualifies as a financially distressed municipality.
15. At the June 4, 2014 public hearing, Mayor William D. Milbrand testified that the City experienced a significant 2013 budget deficit and that the City pursued the Early Intervention Program and Financial Solutions in an effort solve its fiscal difficulties.
16. Mr. Milbrand further testified that the City meets five (5) criteria of distress, that the City is experiencing many issues detrimental to the health, safety and welfare of the citizens of Shamokin and that the City is requesting a distress determination.
17. At the June 4, 2014 public hearing, City Clerk Robert Slaby testified that while he has only been Clerk for two (2) months, he has found that the City's financial situation is bleak.
18. Mr. Slaby further testified there is no way to pay the over \$800,000 in outstanding debt the City owes and that it is very likely the city will run out of money in August 2014.
19. Lastly, Mr. Slaby requested that the Commonwealth not only grant Shamokin's request for distress determination, but also grant the City's request for an immediate emergency loan. The City has made a request for an immediate emergency loan totaling \$1,163,500.

20. At the June 4, 2014 public hearing, Edward Zack, CGFM, of Susquehanna Group Advisors, Inc., testified that he began working with the City in February as the City's interim City Clerk and that one of his many duties was to organize the City's finances.
21. Mr. Zack further testified that he witnessed the denials from banks as the City sought an unfunded debt borrowing.
22. Lastly, Mr. Zack testified that in his 30 years of working with government finances, the City's financial situation is one of the worst he has ever seen, and that in addition to their debts from 2013, he expects the City to be short by approximately \$350,000 in 2014.
23. At the June 4, 2014 public hearing, Corey Lockard, the Director of District Council 86 of the American Federation of State, County, and Municipal Employees (AFSCME), the labor union that represents the City's streets employees, testified that he and AFSCME have enjoyed a very good working relationship with the City, that he hopes that relationship continues throughout the Act 47 process, and that the problems now being faced by the City are not the fault of the streets department, but of larger economic issues.
24. At the June 4, 2014 public hearing, Jonathan Hendrickson, Local Government Policy Specialist, testified regarding the investigation into the financial affairs of the City conducted by the Governor's Center for Local Government Services.
25. The investigation into the financial affairs of the City conducted by the Center is published as the Municipalities Financial Recovery Act Consultative Evaluation, June 4, 2014 and is Exhibit A, attached to this report.
26. Specifically, Mr. Hendrickson testified that the Center's investigation concluded that the City had met four (4) of the five (5) criteria the City had alleged: the Center was able to

validate Section 201 criteria one (1), two (2), seven (7) and eight (8), but was unable to validate criterion eleven (11).

27. Further, Mr. Hendrickson testified that the Center recommends that the City be determined to be a financially distressed municipality.

28. At the June 4, 2014 public hearing, Marita J. Kelley, Local Government Policy Manager, testified regarding the City's request for an immediate emergency loan.

29. Specifically, Ms. Kelley testified that Section 302(b) of Act 47 states that "In cases where a municipality has been declared distressed but prior to final adoption of a plan, the municipality or the coordinator appointed may apply to the department for an expedited loan or grant to immediately assist the distressed municipality." 53 P.S. § 11701.302(b). However, this may only occur if "the applicant verifies that he believes the municipality is in imminent danger of insolvency," or "the applicant verifies that he believes there is a clear and present danger to the health and safety of residents of the municipality."

30. Ms. Kelley also testified that the City does indeed qualify for an immediate emergency loan because the applicant, the City of Shamokin, verified both that Shamokin is in imminent danger of insolvency and that there is a clear and present danger to the health and safety of City residents.

31. Ms. Kelley further testified that the Center also verified that Shamokin is in imminent danger of insolvency and that there is a clear and present danger to the health and safety of City residents.

32. Ms. Kelley concluded that the Center recommends that the City be awarded an immediate emergency loan in the amount of \$1,163,500.

CONCLUSIONS OF LAW

At issue in the instant matter is whether the City of Shamokin has met the criteria set forth in Section 201 of Act 47, and whether the City of Shamokin should be determined to be in financial distress under Section 203 of Act 47. Based on the findings of fact recited above and the conclusions of law set forth below, it is hereby determined that the City of Shamokin has satisfied Section 201(1), (2), (7) and (8) of Act 47, and is hereby determined to be in financial distress under Section 203 of Act 47.

To support a determination of municipal financial distress under Section 203 of Act 47, the Department of Community & Economic Development (“DCED”) is required to evaluate a municipality’s financial stability against certain criteria set forth in Section 201 of Act 47. In its application for determination of financial distress, the City alleges that it has satisfied the criteria set out in Section 201 (1), (2), (7), (8) and (11) of Act 47. Section 201(1) of Act 47 provides that it is a valid indication of municipal financial distress if a “municipality has maintained a deficit over a three-year period, with a deficit of 1% or more in each of the previous fiscal years.” 53 P.S. § 11701.201(1). Section 201(2) of Act 47 provides that it is a valid indication of municipal financial distress if a “municipality’s expenditures have exceeded revenues for a period of three years or more.” 53 P.S. § 11701.201(2). Section 201(7) of Act 47 provides that it is a valid indication of municipal financial distress if a “municipality has accumulated and has operated for each of two successive years a deficit equal to 5% or more of its revenues.” 53 P.S. § 11701.201(7). Section 201(8) of Act 47 provides that it is a valid indication of municipal financial distress if a “municipality has failed to make the budgeted payment of its minimum municipal obligation as required by section 302, 303 or 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.” 53 P.S. § 11701.201(8). Section 201(11) of Act 47 provides that it is a valid indication of municipal financial distress if a “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.” 53 P.S. § 11701.201(11).

In the Municipalities Financial Recovery Act Consultative Evaluation prepared by the Governor’s Center for Local Government Services (Center), it was noted that the investigations of both the Center and the Early Intervention Program (EIP) Plan’s consultant concluded that the City experienced significant deficits over the past five years. Specifically, the City had deficits of 9%, 14%, 11%, 12% and 27% respectively for the years 2009, 2010, 2011, 2012, and 2013. Thus, the record supports the conclusion that 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; that the City’s expenditures have exceeded revenues for a period of three years or more; and that the City has accumulated and has operated for each of two successive years a deficit equal to 5% or more of its revenues. Therefore, the City has met the criteria of Section 201(1), (2) and (7) of Act 47.

The Consultative Evaluation confirmed that as of the date of the investigation, the City had failed to pay its 2013 Minimum Municipal Obligation (MMO). Specifically, the City’s MMO totaled \$243,300 and was due December 31, 2013. The City has paid no portion of its MMO, and the total amount due is among the \$814,100 in 2013 bills that the City has no ability to pay. Thus, the record supports the conclusion that the City has failed to make the budgeted payment of its minimum municipal obligation as required by section 302, 303 or 602 of the act

of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act. Therefore, the City has met the criteria of Section 201(8) of Act 47.

In the Consultative Evaluation, it was further noted that the City had a slight decrease in staffing from 2012 to 2013 (the City's staff in 2012 totaled 26 full-time employees while in 2013, City staff totaled 25 fulltime employees). Additionally, the City first imposed the legal limit in levying general purpose real estate taxes (30 mills, with court approval) in 2009, at which time the City's staffing totaled 24 fulltime employees. As such, from 2009 through 2013, the City increased its staffing level by one (1) fulltime employee. While staffing levels are not the only issue to consider with regard to municipal service level, they are a key indicator, and in this case, the indicator does not appear to support a quantified decrease in municipal service. Further, the Center's investigation discovered no other condition that would indicate a decrease in quantified level of municipal service. Therefore, the City has failed to satisfy the criteria of Section 201(11) of Act 47.

The Consultative Evaluation also presented an investigation into the City's request for an immediate emergency loan. Section 302(b) of Act 47 states that, "in cases where a municipality has been declared distressed but prior to final adoption of a plan, the municipality or the coordinator appointed may apply to the department for an expedited loan or grant to immediately assist the distressed municipality." 53 P.S. § 11701.302(b). However, this may only occur if "the applicant verifies that he believes the municipality is in imminent danger of insolvency," or "the applicant verifies that he believes there is a clear and present danger to the health and safety of residents of the municipality." *Id.*

The Consultative Evaluation noted that the City of Shamokin is the applicant, and that the City did assert the existence of both conditions necessary to obtain an immediate emergency

loan. The Center, in analyzing this assertion through support by the EIP plan, agrees that the City should receive an immediate emergency loan in the amount of \$1,163,500. There are two key elements to the City's application for an immediate emergency loan.

First, the City owes \$814,100 for 2013 accounts payable. These debts are equal to nearly one-third of the City's annual revenue, and the City has no ability to pay them. The City is at its maximum general purpose real estate millage and cannot pay this debt on its own. The City might raise its debt service millage if it were able to acquire a loan, but thus far, it has been unable to obtain funding through any source, including various attempts at an unfunded debt borrowing. The City spent nearly six months attempting to acquire an unfunded debt borrowing. However, most banks refused to consider the City's requests for a loan. The three banks (M&T Bank, Susquehanna Bank, and Miner's Bank) that did consider such a loan, upon weighing the risks, eventually denied the loan to the City. The city currently has no other option to pay its debts aside from an immediate emergency loan. Without an immediate emergency loan, the City is at serious risk of creditor judgments and possible bankruptcy. With judgments and bankruptcy, City employees could lose healthcare benefits, the City police force could be dramatically reduced and other City services could be eliminated, resulting in an adverse impact on the health and safety of City residents. Therefore, without immediate funding for this \$814,100 debt, there is a clear and present danger to the health and safety of the residents of Shamokin.

Second, the City anticipates a \$349,400 cash flow shortage (not including the unpaid \$814,100 in 2013 accounts payable referenced above) 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 and healthcare benefits, debt service payments, and other vendor obligations between now and the end of the fiscal year. The Consultative Evaluation included a cash flow analysis that projects that the City's budget was clearly not balanced, with extraordinary projected cash flow deficits, and that the City will run out of money by August 2014. Commonwealth contracting processes generally take 6-8 weeks, and the process will not begin until this order is issued. The earliest a loan could reach the City would be only a few weeks prior to the City running out of money – and the latest could be well after the City has become insolvent. Therefore, without immediate funding for this nearly \$350,000 in projected cash flow shortages, the City of Shamokin is in imminent danger of insolvency.

Having determined that the City has met four (4) criteria of Section 201 of Act 47 which are a valid indication of municipal financial distress, the question becomes whether the financial affairs of the City warrant a determination of municipal financial distress. A determination of municipal financial distress is not mandatory even if all of the criteria of Section 201 of Act 47 are present. See, Dupont v. Dep't of Community Affairs, 114 Pa.Commw. 234 (1991). A determination of municipal financial distress lies within the exclusive discretion of DCED. *Id.*

In addition to the indicia of municipal financial distress discussed above, there exists ample evidence of record that a determination of municipal financial distress is both necessary and appropriate. As is set out in detail in the Consultative Evaluation and the EIP Plan, the City has experienced a continued pattern of year-end structural deficits, increasing negative fund balances, and significant cash flow difficulties. Despite 2014 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. The structural mismatch between revenue and expenditures cannot be overcome without substantial additional cutbacks in expenditures and increased revenues.

Increasing revenue in Shamokin is 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 future 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.

While increasing revenues is not currently feasible, cutbacks in expenditures have already begun. The City has reduced its staff in the current fiscal year by 12% from 2013 and reductions in service are expected in future years due to an inability to raise revenue.

Additionally, the City's EIP plan has found that prior year obligations, expenditure patterns – especially in public safety (p 44-48, EIP) - and socio-economic and demographic trends (p 19-23, EIP) have further contributed to the financial difficulties of the City. Its tax base and revenues have been declining over the past five years while expenditures have grown at unsustainable levels. The City is already at its maximum general purpose real estate millage, and coupled with its socio-economic trends has very limited ability to raise revenues through tax and fee increases.

It is the public policy of the Commonwealth, as stated in Act 47, “to foster fiscal integrity of municipalities so that they 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.” 53 P.S. § 11701.102. Based on the testimony presented at the public hearing, including evidence gathered through the Consultative Evaluation and the Early Intervention Program Plan, the City meets the criteria for a determination of distress status under Sections 201 and 203 of Act 47. The City also meets the conditions for an immediate emergency loan, under Section 302 of Act 47, to assist the City due to an imminent threat of insolvency and a clear and present danger to the health and safety of the residents of Shamokin. Furthermore, based on the testimony presented at the public hearing, the City will be unable to fulfill the policy objectives of Act 47 identified above without the remedies afforded by Act 47. Therefore, it is hereby determined that the City is in municipal financial distress pursuant to Act 47. It is further determined that an immediate emergency loan to the City, in the amount of \$1,163,500, is warranted and said loan to the City of Shamokin should be processed as immediately as is practicable under Commonwealth procedures.

Respectfully submitted to C. Alan Walker, Secretary of DCED

By: Hearing Officer, Peter Zug, Executive Director

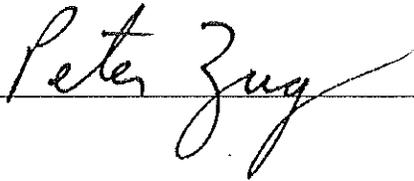
A handwritten signature in cursive script that reads "Peter Zug". The signature is written in black ink and is positioned above a horizontal line that spans the width of the signature.

EXHIBIT A

— PENNSYLVANIA. BUILT TO ADVANCE. —

Municipalities Financial Recovery Act Consultative Evaluation

City of Shamokin
Northumberland County, Pennsylvania



June 4, 2014

Commonwealth of Pennsylvania

Tom Corbett, Governor

Department of Community & Economic Development

C. Alan Walker, Secretary

Governor's Center for Local Government Services

Peter J. Zug, Executive Director



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Introduction

The Municipalities Financial Recovery Act (Act 47 of 1987, as amended) 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 failure of a municipality to do so shall affect adversely the health, safety and welfare not only of the citizens of the municipality but also of other citizens in this Commonwealth.

Section 202 of Act 47, “Standing to request a determination,” provides ten categories of parties and individuals who have standing and may request a determination of municipal financial distress from the Secretary of the Department of Community and Economic Development (Department).

One party that has standing to allege that the municipality is financially distressed is “the Governing body of the municipality upon passing a resolution by a majority vote of the governing body after a special public meeting duly advertised as provided by law.”

On April 28, 2014, the City Council of the City of Shamokin passed a resolution 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.”

Subsequently, the City of Shamokin filed with the Department, on a form provided by the Department, a request that the Department determine that the City is a financially distressed municipality under the provisions of the Municipalities Financial Recovery Act. The request was signed by Mayor William D. Milbrand, notarized on April 28, 2014 and received by the Department on May 12, 2014.

Section 203(c) of Act 47 authorizes the Department to conduct a consultative investigation into the financial affairs of the municipality after receiving the aforementioned request but prior to conducting a public hearing, as required under Section 203(b) of Act 47. This document, in conjunction with the City’s Early Intervention Program Plan described below, will serve as that investigation. A public hearing is scheduled for Wednesday, June 4, 2014 at 5:00 PM to receive testimony from City Council, City Officials and other interested parties relative to whether the Department should declare the City of Shamokin a distressed municipality under Act 47 and whether the Department should provide the City with emergency financial aid subsequent to any Departmental determination of distress.

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 Department. The City Council of the City of Shamokin alleges that the following criteria, as set forth in Section 201 of Act 47, are present:

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.
2. The municipality's expenditures have exceeded revenues for a period of three years or more.
7. The municipality has accumulated and has operated for each of two successive years a deficit equal to 5% of more of its revenues.
8. The municipality has failed to make the budgeted payment of its minimum municipal obligation as required by section 302, 303 or 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.
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.

Scope of Investigation

The review by the Department's Governor's Center for Local Government Services (the Center) of the financial position of the City relied heavily upon the City's 2014 Early Intervention Program (EIP) Plan. The EIP Plan was fully funded by the Department, and the Department had intimate involvement in the development of the Plan. In fact, the Department's involvement with the City of Shamokin precedes the 2014 EIP Plan by many months and is detailed in the "History of the Department's Recent Involvement with the City" section below.

In conducting an investigation into the City's financial condition, the Center and the consultant relied upon the accuracy and completeness of the financial information that was available. Financial, personnel and other pertinent administrative records and information, including interim financial reports to the extent that they were available, were all considered in this investigation. Limited efforts were made to verify available information by comparing with original source documents, as would be done on a selective basis in an audit of the municipality.

The Mayor, City Council, the interim City Clerk, the appointed City Clerk and the employees of the City were instrumental in providing their assistance and cooperation in gathering information during the course of the investigation.

Objectives of Investigation

The objectives of this Investigation are fourfold:

1. To provide a brief history of the Department's involvement with the City's financial situation, the development of the Early Intervention Program Plan, and the City's eventual request for distress determination;
2. To determine whether the City has met one or more of the eligibility requirements for a determination of distress under Act 47, and if so,
3. To examine available financial records and other relevant data in order to recommend whether or not the City should be determined to be distressed under the provisions of Act 47, and if so,
4. To determine whether the City qualifies for and should be granted an immediate emergency loan.

City Council's request for a determination of financial distress alleges the presence of Section 201 criteria numbers 1, 2, 7, 8 and 11. Central to criterion 1 is validation of the existence of a deficit of 1% or more in each of the previous three fiscal years; validation of criterion 2 requires evidence of expenditures in excess of revenue for a period of three years; criterion 7 requires the municipality to have operated with a deficit of 5% or more of its revenues for two consecutive years; criterion 8 requires the municipality to miss its annual Minimum Municipal Obligation (MMO) pension payment; and criterion 11 requires the municipality to have a decreased level of service due to reaching its legal limit in levying general purpose real estate taxes. A deficit is defined under Section 103 of Act 47 as "the excess of expenditures over revenues, stated as a percentage of revenue, during an accounting period."

Additionally, a request for immediate emergency financial assistance requires the municipality to verify that it is either in imminent danger of insolvency or that there is a clear and present danger to the health and safety of residents of the municipality.

History of the Department's Recent Involvement with the City

The City of Shamokin was first identified for assistance in August 2013 through the Center's Early Warning System. The Early Warning System predicted that Shamokin had a 72% likelihood of financial distress within the next 5 years, and that the City had no ability to further raise revenue because it had already exceeded its Real Estate Tax cap.

Shamokin's City Clerk made initial contact with DCED in late September 2013, and DCED made a subsequent visit to Shamokin on October 3, 2013. It became clear during this first visit that Shamokin was in a very serious fiscal condition. At that time, the City had failed to make payments on its healthcare benefits and was in the process of being terminated by its provider.

DCED soon discovered that, among many other issues (including extraordinary public safety costs and an inability to raise new revenue), the City had a years-long history of expenditures exceeding revenues. The City had largely spent down its surplus and rarely paid its end of year bills on time, instead using a Tax and Revenue Anticipation Note (TRAN) to pay off prior year expenditures. A dedicated debt service millage enabled the City to pay back these annual TRAN loans, but after several years, this practice became unsustainable. By 2013, TRAN funds were no longer adequate to fund prior year expenditures while also allowing the City to remain solvent through the first several months of the 2014 fiscal year.

DCED also assisted the City in acquiring a new healthcare provider and insisted that the City enroll in DCED's Early Intervention Program. DCED sent the City three letters throughout this time, culminating with an October 31 list of Departmental Recommendations, in which DCED requested that the City:

1. Immediately hire an EIP consultant;
2. Develop and adopt a balanced and realistic 2014 budget;
3. Implement immediate cost containment measures, including a hiring freeze, stringent management controls on overtime, and a freeze on all discretionary spending; and
4. Because of an \$800,000 budget deficit (over one-third of the total budget), pursue an unfunded debt borrowing to fund payables from 2013.

DCED presented these Recommendations at Council's November meeting and then proceeded to work with the City to implement them.

On December 12, Judge Saylor of the Northumberland County Court of Common Pleas approved Shamokin's request for an unfunded debt borrowing, although no bank was available to provide the loan. The next day, December 13, the City hired Stevens & Lee as its EIP consultant.

Throughout December, DCED assisted the City as it worked to pass a balanced budget, finally succeeding at a Council meeting on December 23. The budget the City passed required dramatic cuts to the police force and the streets department, but did seem to reasonably balance the budget. At this time, the only bank interested in financing Shamokin's unfunded debt borrowing required these cuts

before it would fully consider lending the City money (Susquehanna Bank was the only bank at that time considering Shamokin's request, as M&T Bank had already declined a loan to the City).

On January 6, 2014, a new Mayor and Council took office and soon thereafter reopened the 2014 budget. The new Council brought in outside assistance from the Northumberland County finance office, which persuaded the City that its prior layoffs and cuts were unnecessary. Council voted in early February to reduce these cuts and bring back the laid-off workers. While the new budget appeared to be balanced on the surface, it was in fact considerably unbalanced: it is projected that 2014 expenditures will exceed revenues by approximately \$350,000. Upon passage of this unbalanced budget, Susquehanna bank denied Shamokin's request for a loan.

Also on January 6, Stevens & Lee sent the City an Emergency Action Plan developed in coordination with the Department through the City's EIP grant. Stevens & Lee reiterated DCED's recommendations, expanding them and making additional recommendations regarding labor negotiations. The City has since been working to implement these recommendations.

Additionally, from late November 2013 through February 18, 2014, the City functioned entirely without administrative leadership. The City Clerk (in this form of government, the person who acts as a manager) vacated his position, leaving DCED and Stevens & Lee struggling to gather information or even make contact with the City.

Because of this difficulty, DCED amended its initial EIP contract to fund an implementation manager (through Susquehanna Group Advisors) to implement the City's Emergency EIP Plan, to help the City gather and organize financial data, and to serve as the interim City Clerk. DCED also amended its EIP contract in order to fund financial advisement for the pursuit of the unfunded debt borrowing (through Concord Financial) and legal advisement for labor negotiations (through Stevens & Lee).

The interim City Clerk discovered that the City's 2014 budget was significantly unbalanced, with a gap of \$200,000 to \$300,000 (an exact figure was later determined by the City's EIP consultant to be nearly \$350,000). The Clerk was also able to begin organizing the City's finances, entering in over \$800,000 worth of unpaid bills from 2013. Disregarding 2013 payables (and accompanying forthcoming judgments from creditors), the Clerk discovered that the City would run out of money by August 2014. This time period was later confirmed by the City's EIP consultants through the EIP Plan.

Concord Financial had been assisting the City in finding other possible lenders for the unfunded debt borrowing. Yet, on March 24, the last remaining bank (Miner's Bank) declined the City's loan request, thus exhausting all possible sources to fund the City's debts.

Miner's bank reported that a reason it declined Shamokin's loan was the City's very uncertain situation with its police contract. Police costs account for an extraordinary amount of the annual budget, yet the City failed to timely negotiate with or provide proposals to the FOP prior to arbitration, greatly weakening Shamokin's arbitration position. The current contract expired December 31, 2013. The Shamokin Police Officer Association entered into binding arbitration with

the City of Shamokin, and an arbitration hearing was held on March 15, 2014. City officials believed it was critical to the future well-being of the City to make the EIP financial and economic projections part of the background for consideration of the arbitrator in these negotiations. Currently, the City's labor council, Barley Snyder Attorneys at Law, along with assistance from Stevens & Lee and DCED, is continuing its work with arbitration hearings throughout the summer.

Despite Shamokin's difficulties, the City has shown a willingness to accept guidance from others. DCED, the interim Clerk and Stevens & Lee led the City through the interview process to find a new City Clerk, who was subsequently hired at a special meeting of Council on March 31. The City has also been amenable to training on City government, financial management, and other issues. In particular, the Mayor and Council were extremely receptive to the EIP Plan upon its release and presentation.

On April 25, 2014, Center Staff and Stevens & Lee met with the City of Shamokin Mayor and City Council to present the results of the Early Intervention Program Plan. Along with recommendations, the Plan provided a five-year financial forecast for the City. With a sizeable remaining deficit from 2013, impending judgments from creditors and a considerable budget deficit in 2014, the Plan concluded with a recommendation that the City request a Determination of Municipal Financial Distress under Act 47.

Conclusions on Presence of Distress Criteria

Based upon an analysis of available records and the data available through the EIP Plan, it is our conclusion that the City of Shamokin can be considered for a distress determination because criteria 1, 2, 7 and 8 can be definitively validated.

Act 47, Section 201, Criteria 1, 2, 7, 8, and 11 Examined

The following summary and related charts are provided to validate the criteria alleged by the City for Act 47 consideration. The City has set forth criteria 1, 2, 7, 8 and 11 under Section 201 of the Act that it believes make the City eligible to be considered for an Act 47 determination.

As indicated above, the Department extensively coordinated with the EIP consultant in developing the EIP Plan. Accordingly, the Center agrees with the evidence uncovered through the Plan and fully supports the conclusions of the Plan. The EIP Plan provides evidence for four of the five alleged criterion, and the Center does not find it necessary or prudent to conduct the same investigation already accomplished by the consultant (and through the assistance and coordination of the Department). The Center has fully examined the findings of the Plan and considers these findings sufficient. Therefore, the following is a very brief summary of each criterion and a rationale whether each does indeed exist.

Criterion 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.

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

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

Validated: The City of Shamokin's expenditures have continually exceeded the City's revenue, and as a result, the City has maintained a structural deficit for the past five years.

Criteria 1, 2 and 7 are all related to deficits. As such, an inclusive synthesis of the three would merely require one to show that a municipality's structural deficit has exceeded 5% for each of the three previous fiscal years. With that in mind, the Center can address all three criteria together because Shamokin has actually had a deficit in excess of 8% for each of the previous five years, as per the below table.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013*</u>
Total Revenues	2,279,425	2,141,773	2,338,156	2,429,515	2,730,584
Total Expenses	2,488,041	2,451,352	2,584,478	2,732,042	3,481,452
Rev. Over (Under) Exp.	(208,616)	(309,579)	(246,322)	(302,527)	(750,868)
% of deficit to revenues	9%	14%	11%	12%	27%

*Unaudited financials were used for 2013 as 2013 audited financial statements were unavailable at the time of this investigation. The City has engaged a CPA to audit its 2013 financial statements and this audit is expected to be complete by August, 2014.

Criterion 8: The municipality has failed to make the budgeted payment of its minimum municipal obligation as required by section 302, 303 or 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.

Validated: The City's 2013 minimum municipal obligation (MMO) totaled \$243,300 and payment was due December 31, 2013. As of the date of this report, the City has still not paid any portion of its 2013 MMO. In fact, by the close of 2013, the City owed creditors in excess of \$800,000 in past due bills. At least one large creditor has already threatened suit. See Appendix A for a list of Shamokin's 2013 unpaid bills.

The City's failure to make the budgeted payment of its minimum municipal obligation, as required by section 302, 303 or 602 of the act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, validates that the City meets criteria 8 as set forth in Section 201 of Act 47.

Criterion 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.

Not Validated: The City had a slight decrease in staffing from 2012 to 2013 (the City's staff in 2012 totaled 26 full-time employees while in 2013, City staff totaled 25 fulltime employees). Additionally, the City first imposed the legal limit in levying general purpose real estate taxes (30 mills, with court approval) in 2009, at which time the City's staffing totaled 24 fulltime employees. As such, from 2009 through 2013, the City increased its staffing level by one (1) fulltime employee. See Appendix B for full employment history data.

While staffing levels are not the only issue to consider with regard to municipal service level, they are a key indicator, and in this case, the indicator does not appear to support a quantified decrease in municipal service. Further, the Center's investigation discovered no other condition that would indicate a decrease in quantified level of municipal service. Therefore, factor 11 is not validated.

Distress Determination

Based upon the above analysis, this report has validated the presence of Criteria 1, 2, 7 and 8 as enumerated in the Act. The fact that Criteria 1, 2, 7 and 8 were found to be present enables the Center to conduct a further evaluation and recommend whether or not the City of Shamokin should be designated as distressed under Act 47.

It is Commonwealth policy, as stated in Act 47, "to foster the fiscal integrity of municipalities so that they 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 accounting procedures, budgeting and taxing practices."

It is the Center's opinion that the City of Shamokin has exhibited conditions that make it difficult to fulfill its responsibilities as outlined above. This conclusion is based upon a continued pattern of year-end structural deficits, increasing negative fund balances, and significant cash flow difficulties.

Despite 2014 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. The structural mismatch between revenue and expenditures cannot be overcome without substantial additional cutbacks in expenditures or increased revenues.

As per the EIP Plan, increasing revenue in Shamokin is challenging for a number of reasons. The City 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 future 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.

While increasing revenues is not currently feasible, cutbacks in expenditures have already begun. The City's total number of full-time employees has fluctuated considerably in the six years since 2009, with a high of 26 employees in 2011 and 2012 and 25 employees in 2013. However, the City has reduced its staff in the current fiscal year by 12% from 2013 and reductions in service are expected in future years due to an inability to raise revenue.

In addition to the above fiscal trends, the City's EIP Plan has found that prior year obligations, expenditure patterns – especially in public safety (p 44-48, EIP) - and socio-economic and demographic trends (p 19-23, EIP) have further contributed to the financial difficulties of the City. Its tax base and revenues have been declining over the past several years while expenditures have grown at unsustainable levels. The City is already at its maximum general purpose real estate millage, and coupled with its socio-economic trends has very limited ability to raise revenues through tax and fee increases. Further, by the close of 2013, the City owed creditors in excess of \$800,000 in past due bills. At least one large creditor has already threatened suit. The City's efforts

to obtain an unfunded debt borrowing, though approved by Northumberland County Court, have been unsuccessful with the financial community.

Accordingly, it is the Center's recommendation that the City of Shamokin be declared financially distressed.

In arriving at a recommendation the Center's analysis relied on many other factors, all of which are contained within the City's 2014 EIP Plan.

Conclusion regarding the City's Request for an Immediate Emergency Loan

Section 302(b) of Act 47 states that, "in cases where a municipality has been declared distressed but prior to final adoption of a plan, the municipality or the coordinator appointed may apply to the department for an expedited loan or grant to immediately assist the distressed municipality." However, this may only occur if one of the following conditions exists:

1. The applicant verifies that he believes the municipality is in imminent danger of insolvency.
2. The applicant verifies that he believes there is a clear and present danger to the health and safety of residents of the municipality.

The City of Shamokin is the applicant, and the applicant has indeed asserted the existence of both of the conditions necessary to obtain an immediate emergency loan. The Center, in analyzing this assertion through support by the EIP Plan, agrees that the City should receive an immediate emergency loan in the amount of \$1,163,500. There are two key elements to the City's application for an immediate emergency loan:

1. The City owes \$814,100 on debts to creditors for 2013 accounts payable. These debts are equal to nearly one-third of the City's annual revenue, and the City has no ability to pay them. As described above, the City is at its maximum general purpose real estate millage and cannot pay this debt on its own. The City might raise its debt service millage if it were able to acquire a loan, but thus far, it has been unable to obtain funding through any source, including various attempts at an unfunded debt borrowing.

As described above in the "History of the Department's Recent Involvement with the City" section, the City spent nearly six months attempting to acquire an unfunded debt borrowing. However, most banks refused to even consider the City's requests for a loan. The three banks (M&T Bank, Susquehanna Bank, and Miner's Bank) that did consider such a loan, upon weighing the risks, eventually denied the loan to the City. The City currently has no other option to pay its debts aside from an immediate emergency loan.

Without an immediate emergency loan, the City is at serious risk of creditor judgments and possible bankruptcy. With judgments and bankruptcy, City employees could lose healthcare benefits, the City police force could be dramatically reduced and other City services could be eliminated, resulting in an adverse impact on the health and safety of City residents. Therefore, without immediate funding for this \$814,100 debt, there is a clear and present danger to the health and safety of the residents of Shamokin.

2. Additionally, the City anticipates a \$333,100* cash flow shortage (not including the unpaid \$814,100 in 2013 accounts payable referenced above) 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 and healthcare benefits, debt service payments, and other vendor obligations between now and the end of the fiscal year.

The below cash flow analysis projects that the City will run out of money by August 2014. Commonwealth contracting processes generally take 6-8 weeks, and the process will not begin until the Secretary of DCED determines the City to be distressed. The earliest a loan could reach the City would be only a few weeks prior to the City running out of money – and the latest could be well after the City has become insolvent. Therefore, without immediate funding for this nearly \$350,000* in projected cash flow shortages, the City of Shamokin is in imminent danger of insolvency.

A cash flow analysis for 2014 is summarized in the table on the following page. Not shown on the cash flow is data from the City's 2014 budget. Predicated on the City receiving over \$800,000 in unfunded debt borrowing, the City's 2014 budget appeared to be balanced with expenditures and revenue totaling \$2,338,138. However, totals on the cash flow estimates reveal revenues of \$3,086,279 with expenditures of \$3,419,352. This clearly is not a balanced budget and it is projected that an extraordinary cash flow deficit will exist.

* Due to difficulties in gathering data, this figure has fluctuated from the low indicated in the cash flow of \$333,100 to a high in excess of \$425,000. The Center is therefore recommending a best-estimate loan of \$349,400.

City of Shamokin
2014 Cash Flow Analysis

	Actual January	Actual February	Actual March	Estimated April	Estimated May	Estimated June	Estimated July	Estimated August	Estimated September	Estimated October	Estimated November	Estimated December
Opening Balance	0.00**	218,160.20	132,517.07	162,530.55	219,668.38	297,286.98	199,421.40	57,700.14	(76,944.97)	(85,729.28)	(119,744.16)	(217,129.24)
Revenue	585,154.40	104,071.40	292,653.09	423,805.83	356,785.61	181,301.41	137,445.74	144,521.89	270,382.69	245,152.12	181,781.92	163,222.75
Operating Expense	366,994.20	189,714.53	262,639.61	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00
TRAN Expense	0.00	0.00	0.00	116,668.00	29,167.00	29,167.00	29,167.00	29,167.00	29,167.00	29,167.00	29,167.00	29,167.00
Monthly Surplus/ (Deficit)	218,160.20	(85,643.13)	30,013.48	57,137.83	77,618.61	(97,865.59)	(141,721.26)	(134,645.11)	(8,784.31)	(34,014.88)	(97,385.08)	(115,944.25)
Ending Balance	218,160.20	132,517.07	162,530.55	219,668.38	297,286.98	199,421.40	57,700.14	(76,944.97)	(85,729.28)	(119,744.16)	(217,129.24)	(333,073.49)*

*Due to difficulties in gathering data, this figure has fluctuated from the low above of \$333,100 to a high in excess of \$425,000. The Center is therefore recommending a best-estimate loan of \$349,400.

**The City actually had no cash available at the beginning of 2014 and was nearly insolvent. In fact, the City held bills totaling \$814,100 for 2013 because it had no funds available to pay them.

Recommendation

Based on the Center's investigation, conducted in coordination with the EIP Plan, it is the Center's recommendation that the City of Shamokin be determined to be a financially distressed municipality under Act 47. Clearly, the City is and has been experiencing ongoing financial challenges over the past several years. These conditions make it difficult for the City to continue to fulfill its responsibilities to provide for the health, safety and welfare of its citizens.

The Center further recommends that the Department loan the City of Shamokin \$1,163,500 to help ensure the health and safety of Shamokin residents and to maintain the continued solvency of the City.

Appendix A, List of Unpaid Bills

Shamokin City General Fund Vendor Balance Summary As of December 31, 2013

American Rock Salt	\$8,198.59
Aqua PA	\$18,014.09
Atlantic Tactical	-\$226.73
Atlas Inc.	\$104.00
Barley Snyder	\$27,350.00
Bastian Tire	\$1,165.79
Berkheimer	\$5,747.01
Best Cleaners	\$3,555.50
Big Boys NAPA	\$362.44
Bradco Supply Co.	\$1,667.26
Brenda Scandle, Treasurer	-\$120.00
Brush Valley Regional Chamber	\$75.00
BSI Corporate Benefits	\$2,200.00
C & J Garage	\$282.00
C.S.P. Office Equip. Co., Inc.	\$2,276.09
Capital Blue Cross	\$48,718.58
Central Penn Gas	\$5,116.45
Central Susquehanna Intermediate Unit	\$150.00
Cohen Law Group	\$3,400.00
Coles Hardware, Inc.	\$5.44
Commonwealth of Penna	\$33.87
Contingent Fund	\$9,980.51
D.E. Gemmill Inc.	\$295.02
Dempsey Uniform	\$2,583.01
Disposal Management Services	\$2,566.01
Eastern Industries	\$3,208.14
First Insurance Funding	\$2,520.32
Friedman Electric Supply	\$140.60
Gemplers	\$225.15
George B. Keiser Co.	\$53.09
Grainger Inc.	\$138.60
Harrisburg Area Community College	-\$250.00
Heitzman Radiator & Glass	\$145.00
Henise Tire Service, Inc.	\$737.19
HR Direct	\$57.23
Hummel's Service	\$10.00
Independence Street Sunoco	\$758.59

Industrial Appraisal Co.	\$110.00
Jim Shingara Sales and Service	\$117.56
Jones Hardware	\$43.17
Jones Hardware Co.	\$5,285.30
Joseph Seroski	\$80.00
Keisters Security Service	\$135.85
Kelly Seroski	\$80.00
Kevin Richardson	-\$19.07
Keystone Printing & Graphic	\$275.00
Klacik & Associates, PC	\$8,550.00
Knoebel Lumber	\$3,370.46
Kovatch Mobile Equipment	\$204.42
Kreco Electric Inc.	\$1,338.41
L/B Water Service Inc.	\$118.10
LEAF	\$542.48
Lenape Solar	\$7,044.93
Mattis & Mattis	\$2,611.00
Maust	\$323.79
Meckleys Limestone Products	\$784.40
Metro Pest Control	\$180.00
Millers Gas And Oil Service	\$179.20
Morefield Communication	\$319.98
Moyer Electronic Supply	-\$844.52
NAPA Auto Parts	\$1,820.68
Nationwide Pension Services	\$243,260.00
ODB Company	\$648.00
Off Road Fabrication	\$11.00
Old Dominion Brush	\$750.43
PA One Call System Inc	\$152.28
PAPCO	\$12,601.32
Pennsylvania Muncipal League	\$2,949.60
Pentele Data Ltd. Ptrl	\$395.88
Plumbing Outlet	\$93.75
PMHIC	\$169,240.44
PP&L	\$1,392.56
PPL Electric Utilities	\$67,298.47
PPL Utilities	\$20,331.72
R. W. Maust Garage Inc.	\$323.79
Reading Fire Equipment Inc.	\$133.08
Reinhart Foodservice	\$24.34
Rescue Fire Co.	-\$1,166.66
Rock N Block Materials	\$75.10
Selective	\$23,604.00

Service Electric Cable	\$612.90
Service Electric Telephone	\$867.51
Service Supply Corp	\$1,495.00
Shamokin Ct Joint Sewer Authority	\$1,598.86
Sherwin-Williams	\$1,426.10
Staples Advanatage	\$474.65
State Workers Isnurance Fund	\$887.00
Sunbury Motors	\$998.97
Susquehanna Commercial Finance	\$9,090.13
Taser	\$1,919.16
The Daily Item	\$825.42
The News Item	\$2,370.07
The Plumbing Outlet	\$25.00
Tom Herbs Garage	\$362.52
TPC Power Center	\$517.93
Travelers	\$6,483.89
Tulpehocken Mountain Spring Water	\$100.01
U.S. Dept. Housing and Urban Development	\$50,000.00
UniFirst Corporation	\$103.07
United Concordia	\$4,016.58
United Rotary Brush Corp.	\$273.02
Ven-Mar	\$329.77
Verizon Wireless	\$3,510.57
Vision Benefits of America	-\$777.50
Vought Equipment Rental	\$78.05
W.A. Dehart, Inc.	\$390.00
YIS/Cowden Group	\$133.65
Total	\$814,126.41

Appendix B, Historic Workforce History

City of Shamokin, Pennsylvania						
Historic Workforce History						
	2009	2010	2011	2012	2013	2014
Elected Officials						
Mayor & Council	5	5	5	5	5	5
Treasurer	1	1	1	1	1	1
Controller	1	1	1	1	1	1
	7	7	7	7	7	7
Administration						
City Clerk	1	1	1	1	1	1
Assistant Treasurer	1	1	1	1	1	-
Assistant /HR	-	-	1	1	1	-
	2	2	3	3	3	1
Police						
Chief	1	1	1	1	1	1
Corporals	3	3	3	3	3	3
Patrol	8	8	8	8	7	6
	12	12	12	12	11	10
Public Works						
Working Foreman	1	1	1	1	1	1
Administration	6	6	6	6	6	6
	7	7	7	7	7	7
Codes						
Inspector	1	1	1	1	1	1
Administrative Assistant	-	1	1	1	1	1
	1	2	2	2	2	2
Community Development						
CDBG Coordinator	1	1	1	1	1	1
	1	1	1	1	1	1
Recreation/IT						
IT Technician & Pool Supervisor	1	1	1	1	1	1
	1	1	1	1	1	1
Total Fulltime City Employees:	24	25	26	26	25	22
Total Elected Officials:	7	7	7	7	7	7
Total:	31	32	33	33	32	29

Source: City Staff

Appendix C, Unemployment History

City of Shamokin, Pennsylvania				
Unemployment History				

Unemployment		Northumberland		
Rate	Pennsylvania	County	Sunbury, PA	
2004	5.40		6.4	6.4
2005	5.00		5.5	5.5
2006	4.50		5.2	5.2
2007	4.40		5.0	5.0
2008	5.30		6.6	6.6
2009	7.9 ⁽³⁾		9.5 ⁽²⁾	9.5 ⁽²⁾
2010	8.5 ⁽⁴⁾		9.6 ⁽¹⁾	9.6 ⁽¹⁾
2011	8.0 ⁽⁴⁾		8.9 ⁽¹⁾	8.9 ⁽¹⁾
2012	7.9 ⁽⁴⁾		9.0 ⁽¹⁾	9.0 ⁽¹⁾
2013	7.4 ⁽⁴⁾		8.5 ⁽¹⁾	8.5 ⁽¹⁾

⁽¹⁾ Reflects revised inputs, reestimation, and adjustments to new state controls totals.

⁽²⁾ Reflects adjustment to new state control totals.

⁽³⁾ Reflects model reestimation.

⁽⁴⁾ Reflects revised population controls and model reestimation.

Source: Federal Bureau of Labor Statistics, Not Seasonally Adjusted

Appendix D, Pension Funding Levels

City of Shamokin, Pennsylvania Pension Statistics				
Police Pension Plan	2009¹	2010¹	2011²	2012²
Actuarial Value of Assets	5,642,451	5,642,451	5,433,029	5,433,029
Actuarial Accrued Liability (AAL) Entry Age (b)	6,572,732	6,572,732	7,176,414	7,176,414
Unfunded (Assets in Excess of) AAL (UAAL) (b-a)	930,281	930,281	1,743,385	1,743,385
Funded Ratio (a/b)	85.8%	85.8%	75.7%	75.7%
Covered Payroll (c)	698,195	698,195	684,996	684,996
UAAL as a Percentage of Covered Payroll ((b-a)/c)	133.2%	133.2%	254.5%	254.5%

Year Ended December 31	Employer Contribution	State Aid	Total	Percentage of ARC	Employee Contribution	TOTAL
2007	-	51,828	51,828	100.0%	34,341	86,169
2008	-	56,248	56,248	100.0%	38,598	94,846
2009	-	61,767	61,767	100.0%	32,188	93,955
2010	-	57,553	57,553	100.0%	35,065	92,618
2011	-	157,197	157,197	100.0%	35,482	192,679
2012	61,041	100,443	161,484	100.0%	32,879	194,363

Non-Uniform Pension Plan	2009¹	2010¹	2011²	2012²
Actuarial Value of Assets	718,305	718,305	676,068	676,068
Actuarial Accrued Liability (AAL) Entry Age (b)	625,194	625,194	673,728	673,728
Unfunded (Assets in Excess of) AAL (UAAL) (b-a)	(93,111)	(93,111)	(2,340)	(2,340)
Funded Ratio (a/b)	114.9%	114.9%	100.3%	100.3%
Covered Payroll (c)	252,968	252,968	260,218	260,218
UAAL as a Percentage of Covered Payroll ((b-a)/c)	-36.8%	-36.8%	-0.9%	-0.9%

Year Ended December 31	Employer Contribution	State Aid	Total	Percentage of ARC	Employee Contribution	TOTAL
2007	-	-	-	100.0%	12,481	12,481
2008	-	-	-	100.0%	12,475	12,475
2009	-	-	-	100.0%	11,472	11,472
2010	-	-	-	100.0%	11,985	11,985
2011	-	16,292	16,292	173.9%	11,147	27,439
2012	-	10,416	10,416	100.0%	8,372	18,788

¹ As of January 1, 2009

² As of January 1, 2011

Source : Pension Plan Audited Financial Statements

Appendix E, Historic Minimum Municipal Obligation Payments

City of Shamokin, Pennsylvania							
Historic Minimum Municipal Obligation Payments							
	Audited					Budgeted	
	2008	2009	2010	2011	2012	2013	2014
Police Pension Plan							
State Aid	-	61,767	57,553	157,197	100,443		
Municipal Contributions	-	-	-	-	61,041		
Member Contributions	94,737	32,988	35,065	35,482	32,879		
	94,737	94,755	92,618	192,679	194,363	-	-
Non-Uniformed Pension Plan							
State Aid	-	-	-	16,292	10,416		
Municipal Contributions	-	-	-	-	-		
Member Contributions	12,600	11,472	11,985	11,147	8,372		
	12,600	11,472	11,985	27,439	18,788	-	-
Total							
State Aid	-	61,767	57,553	173,489	110,859	-	-
Municipal Contributions	-	-	-	-	61,041	-	-
Member Contributions	107,337	44,460	47,050	46,629	41,251	-	-
	107,337	106,227	104,603	220,118	213,151	-	-

Source : City Audited Financial Statements

EXHIBIT B

City of Shamokin

2014 Early Intervention 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 Clerk on April 10, 2014

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April 10, 2014

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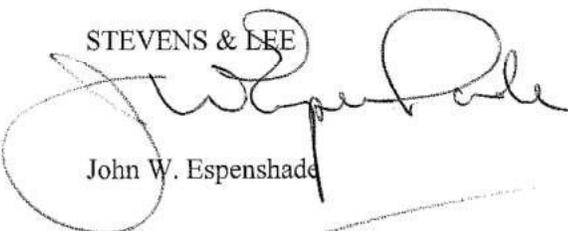
Re: City of Shamokin - Early Intervention Plan

Dear Mayor Milbrand:

Attached please find 2014 Early Intervention Plan for the City's action and approval.

Best regards,

STEVENS & LEE


John W. Espenshade

JWE:kdb
Enclosure (1)

cc: C. Champ Holman
Peter J. Zug
Marita J. Kelley
Jonathan Hendrickson
Susan R. Friedman
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City of Shamokin
2014 Early Intervention Plan

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- Appendix III Budget Projections 2014-2017
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Executive Summary and List of Recommendations

Introduction

The City of Shamokin, Pennsylvania, (the “City” or “Shamokin”) has and continues to suffer serious and dire financial conditions. The City is facing a persistent structural deficit that is increasingly jeopardizing the City’s ability to provide for the health, safety, and welfare of its citizens. The financial condition of the City has become so dire that on April 7, 2014, the gas for City Hall’s heating system was temporarily shut off due to nonpayment of the City’s gas bill.

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.

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 significantly 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.

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 Department. During the course of our review we believe the following five (5) criteria as set forth in Section 201 of Act 47 are present:

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

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

For these reasons and in the effort to foster fiscal integrity of the City of Shamokin so that they may 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, we recommend that:

The City of Shamokin immediately file with the Pennsylvania Department of Community and Economic Development a Request for Determination of Municipal Financial Distress.

The failure of the City of Shamokin to do so not only affects adversely the health, safety and welfare of its citizens but also of other citizens in this Commonwealth.

In arriving at a recommendation, our analysis also considered other relevant factors, which are discussed below:

1. Current and Projected 2014 Financial Position and Changes in Fund Balance
2. Early Intervention Program Forecast
3. Tax Base and Revenue Trends
4. Expenditure and Workforce Trends
5. Socio-Economic and Demographic Trends
6. Administrative and Financial Management Practices

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

Cash Flow Projections

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

\$29,167 TRAN Payment May – Dec

\$250,000 Avg. Monthly Expenses

The City anticipates nearly a \$350,000 (this does not include \$814,000 of unpaid vendor payments as of 04-01-2014) cash flow shortage by year end.

Cash flow is critical to the operation of the General Fund 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. When a municipality is unable or struggles to maintain positive cash flow, important services may need to be curtailed which may have a negative impact on the health and safety of its citizens. This is one of the most important determining factors in the consideration of Act 47 fiscally distressed status.

Shamokin's Structural Deficit

The City of Shamokin has maintained a structural deficit for the past four years. The ongoing structural deficit is reflected in the Table below:

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

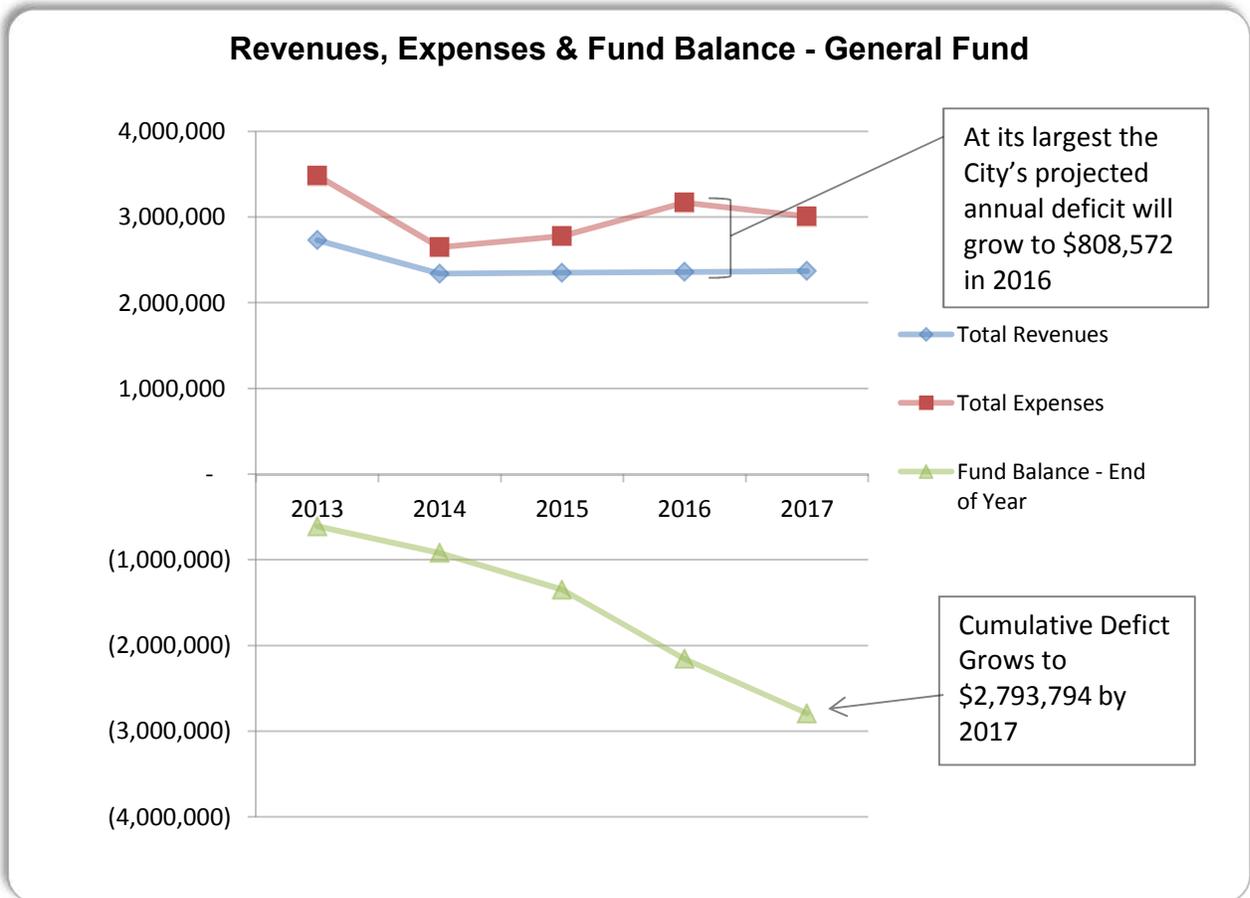
**Statement of Revenues and Expenditures - Audited Financial Statements
General Fund Year Ended December 31**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUES:				
Taxes	1,502,752	1,531,957	1,661,442	1,623,936
Licenses and Permits	34,381	37,950	66,696	105,767
Fines	4,505	102,073	79,925	75,617
Interest	61	1,984	1	19
Rents & Royalties	74,536	67,794	69,855	75,307
Intergovernmental Revenue	248,067	269,598	284,223	296,412
Charges for Services	235,153	78,956	91,256	84,805
Unclassified Revenues	<u>179,970</u>	<u>51,461</u>	<u>84,758</u>	<u>167,652</u>
Total Revenues	2,279,425	2,141,773	2,338,156	2,429,515
EXPENDITURES:				
General Government	229,893	207,729	268,348	321,139
Public Safety	1,071,533	1,113,817	1,400,846	1,536,704
Public Works	409,777	459,384	559,697	449,930
Culture and Recreation	61,370	37,817	28,901	82,357
Community Development	24,194	24,687	29,580	30,464
Debt Service	4,780	-	350	-
Insurance Premiums	187,999	145,861	111,208	130,504
Employee Benefits	468,653	440,503	146,676	137,497
Unclassified Expenses	29,842	21,554	38,872	43,447
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%
Other Financing Sources (Uses)				
Operating Transfers In	1,507,581	1,415,589	1,456,208	1,658,904
Operating Transfers Out	(1,522,698)	(1,308,463)	(1,472,223)	(1,510,200)
Proceeds from Long-Term Debt	-	-	-	-
Tax and Revenue Anticipation Notes	-	374,500	-	192,700
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(15,117)</u>	<u>481,626</u>	<u>(16,015)</u>	<u>341,404</u>
Net Change in Fund Balances	(223,733)	172,047	(262,337)	38,877
Fund Balances - Beginning of Year	<u>348,940</u>	<u>125,206</u>	<u>297,253</u>	<u>34,916</u>
Fund Balance - End of Year	<u>125,207</u>	<u>297,253</u>	<u>34,916</u>	<u>73,793</u>

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

City of Shamokin, Pennsylvania
Projected Statement of Revenues and Expenditures
General Fund Year Ended December 31

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUES:					
Taxes	1,670,779	1,689,915	1,689,915	1,689,915	1,689,915
Licenses and Permits	177,210	183,231	186,896	190,634	194,446
Fines	5,481	79,500	79,500	79,500	79,500
Interest	30	15	15	15	15
Rents & Royalties	18,908	18,500	18,500	18,500	18,500
Intergovernmental Revenue	608,900	223,637	230,346	237,256	244,374
Charges for Services	173,623	102,300	102,300	102,300	102,300
Miscellaneous	75,653	41,040	41,040	41,040	41,040
Total Revenues	<u>2,730,584</u>	<u>2,338,138</u>	<u>2,348,512</u>	<u>2,359,160</u>	<u>2,370,090</u>
EXPENDITURES:					
General Government	328,901	261,552	269,399	277,481	285,805
Public Safety	1,496,491	1,496,491	1,571,316	1,649,881	1,732,375
Public Works	467,196	529,321	555,787	583,576	612,755
Culture and Recreation	10,966	-	-	-	-
Community Development	72,867	103,718	108,904	114,349	120,067
Debt Service (TRAN Interest)	-	17,500	17,500	17,500	17,500
Insurance Premiums	124,041	131,000	141,480	152,798	165,022
Employee Benefits	166,040	58,000	62,640	67,651	73,063
Miscellaneous, Pat Due Bills & CDBG Payback	814,950	50,000	50,000	304,495	-
Total Expenses	<u>3,481,452</u>	<u>2,647,582</u>	<u>2,777,025</u>	<u>3,167,732</u>	<u>3,006,588</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(750,868)</u>	<u>(309,444)</u>	<u>(428,513)</u>	<u>(808,572)</u>	<u>(636,497)</u>
Other Financing Sources (Uses)					
Operating Transfers In	513,776	-	-	-	-
Operating Transfers Out	(483,770)	-	-	-	-
Proceeds from Long-Term Debt	-	-	-	-	-
Tax and Revenue Anticipation Notes	-	-	-	-	-
Miscellaneous & Payback to CDBG	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>30,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(720,862)</u>	<u>(309,444)</u>	<u>(428,513)</u>	<u>(808,572)</u>	<u>(636,497)</u>
Fund Balances - Beginning of Year	<u>110,095</u>	<u>(610,767)</u>	<u>(920,211)</u>	<u>(1,348,724)</u>	<u>(2,157,296)</u>
Fund Balance - End of Year	<u><u>(610,767)</u></u>	<u><u>(920,211)</u></u>	<u><u>(1,348,724)</u></u>	<u><u>(2,157,296)</u></u>	<u><u>(2,793,794)</u></u>



Note: Spike in 2016 due to bullet payment of \$304,495 for CDBG reimbursement

Elected Officials, Executive Officials, and Administration:

The Early Intervention Plan contains several recommendations that require new ordinances, resolutions and regulations, as well as other official actions. The City Clerk must work with the City Council and Stakeholders to enact such legislation and regulations. Similarly, there are a number of initiatives outlined in this Early Intervention Plan which will require the support of the City Controller and City Treasurer’s Office to implement. Key initiatives for the Elected Officials, Executive Officials and Administration of the City include the following.

- Enact an updated Administrative Code of the City of Shamokin. It is the best practice for a city to develop and maintain a current Codified Ordinance.
- Establish a process for conducting annual performance evaluations. The process shall provide employees with the understanding of what constitutes strong performance and objectives to achieve that performance.
- Develop a performance management system that tracks activity and achievement across all departments.

Workforce and Collective Bargaining

As with most local governments, employee compensation costs, including salaries, wages, health insurance, pension, and other benefits account for the majority of expenditures. Employee compensation costs have accounted for 65.9% to 78.4% of Total General Fund Expense and 80.0% to 89.7% of Total General Fund Revenue for Fiscal Years 2009 through 2013. The City employs twenty-five (25) full-time employees and one (1) part-time employee. Although the City has made certain reductions in staffing, it remains unable to pay for the current staffing and compensation levels. Seventeen (17) of the City employees are represented by two unions, the Shamokin Police Officers Association and AFSCME Local 2433. Changes may be implemented for nonunion City employees, and must be negotiated and/or arbitrated for the police officers and Public Works employees. Recommendations for controlling and reducing employee compensation costs include the following.

- Change overtime, compensatory time, and premium pay policies and provisions
- Reduce paid sick leave, paid vacation leave and paid personal leave
- Freeze wages and salaries
- Limit costs for health insurance benefits
- Review staffing and eliminate provisions that prevent the City from changing or reducing staffing
- Study regionalizing police and other shared services.

Police Department:

During tough economic times, police are challenged to accomplish more with fewer resources, and Shamokin is no exception. The financial challenges in Shamokin have reduced police officer staffing from a recent high of 14 to the current level of 11. The recommendations for the Police Department include the following.

- Use data analysis to determine the busiest shifts and schedule accordingly.
- Move technology support to the City Clerk's office.
- Further explore regional shared services, including possible regionalization with Coal Township and/or other interested municipalities.
- Establish written Goals and Objectives.

Public Works Department:

The City of Shamokin Public Works Department performs the following functions: street maintenance, pedestrian bridges, repair of machinery, storm drains, curbside recycling, city buildings, and parks. It also provides engineering services in support of the above functions. The Department has seven (7) full-time employees. Recommendations for the Public Works Department include the following.

- Increase Fees charged annually
- Review fleet and dispose of any unused vehicles
- Increase street paving
- Charge for curbside recycling.

Codes Department:

The majority of recorded property maintenance inspection cases involve relatively minor code violations (e.g., garbage, vegetation) or blighted properties. The recommendations 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 issues.

- Digitize the inspection process to reduce paperwork, staff time, and inspection costs devoted to inspection and clerical tasks.
- Establish performance metrics and monthly performance reporting.
- Continue to undertake targeted code enforcement to identify and systematically address all blighted property issues within designated target areas.

Shamokin’s Debt

Long-term debt of the City is not a large contributor to the financial stress currently impacting the City’s Budget. 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.

Revenue

After reviewing feasible sources of revenue, and taking into account the impact on economic competitiveness, efficient collection, and City residents, the City should institute the following revenue increases in addition to those referenced above.

- Increase the real estate tax rate by 5 mills for General Purpose as authorized by Act 22 of 2014
- Institute property tax to fund the cost of street lighting as authorized by Act 22 of 2014
- Increase parking tickets to \$10.00
- Review all fees charged to ensure full cost recovery from fees for appropriate services
- Review information sharing with the Pennsylvania Department of Revenue
- For the longer term, to the extent the City will need to increase taxes greater than currently authorized under the Third Class City Code, the City should study the adoption of a Home Rule Charter.

Conclusion

The recommendations in this Plan will be challenging to implement. 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. Furthermore, Shamokin has opportunities to realize cost savings and efficiencies through intergovernmental cooperation and shared service arrangements. And

perhaps most importantly, Shamokin's employees and 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. However, the City is facing an immediate inability to pay prior years' operating costs of more than \$800,000, resulting from the past several years of spending more than its income. As of the present date, the City has been unable to secure an unfunded debt borrowing to properly fund these outstanding payables. It is imperative that the City take measures to secure financing to pay its creditors and to implement the recommendations to begin to achieve a balanced budget.

List of Recommendations

The following is a summary of the Recommendations set forth in this Early Intervention Plan.

Elected Officials, Executive Officials and Administrative Services Departments

City Council and Mayor Recommendations

- *File for Distress Determination under Act 47.*
- *Development of a Comprehensive Plan.* The City should develop and adopt a Comprehensive Plan.
- *Consider New Form of Government.* The City should review “Home Rule Charter” or “Optional Plan” forms of government allowable under Pennsylvania’s “Home Rule Charter and Optional Plans Laws,” Act 62 of 1972.
- *Apply for State Grant for EIP Implementation Manager.* The City should apply for a grant to help fund an implementation manager who can help the City move forward with the implantation of recommendations and who can help make sure the City stays focused on long term financial recovery.
- *Increase taxes to maximum amounts allowable by law.* The City should increase taxes to the maximum allowable, including changes authorized by Act 22 of 2014.
- *Establish Goals, Objectives, Mission and Values.* The City should create Goals, Objectives, Missions and Values with the input of various sources including City Staff and citizens.
- *Discuss and determine essential services.* The City should determine and limit spending to services that are imperative to the health, safety and welfare of the City.
- *Enact, modify and revise Ordinances as necessary.* Many recommendations in this plan will require the modification and enactment of ordinances by City Council. Council should enact changes in a timely manner.
- *Pursue regionalization/merger with Coal Township.* The City should continue dialog with Coal Township to explore what they can do cooperatively to the benefit of each municipality. *See Police Department and Public Works Department.*
- *Establish a Fund Balance Policy.* The City should establish a Fund Balance policy that outlines a specific amount which the City must hold in reserves only to be used in the case of an emergency. (See www.gfoa.org for fund balance best management practices.)
- *Review City Organizational Chart.* There City’s organizational chart should be updated and distributed.

- *Require City Clerk to provide monthly Recommendations Progress Report.* City Council and the Mayor should review monthly reports on the Recommendations of the EIP plan.
- *Post meeting minutes and agenda online.* The City should post its meeting minutes and agenda online.
- *Review budget reports monthly.* City Council must be aware of budget shortfalls in advance so that Council may take the appropriate action.
- *Participate in DCED Local Government Training Programs.* Council members should participate in the training programs so that each Council Member is aware of his or her responsibilities as council members and legislative changes as they may arise.
- *Increase salary for the Position of City Clerk to a minimum of \$45,000.* The position of City Clerk is of the utmost importance for the City in this challenging time and requires proper compensation. Additionally, the City should work with DCED on possible grant funding as the Department historically has encouraged capacity building in distressed communities.
- *Consider Establishing Trust for Other Post Retirement Benefits.* The City currently provides healthcare for some of its retired employees. The City currently funds this benefit on a pay as you go basis. The City should consider the costs and benefits of prefunding this liability.

City Clerk Recommendations

- *Establish weekly staff meetings.* The City Clerk should hold weekly group staff meetings for all department heads.
- *Create Job descriptions.* The City should create formal approved job descriptions for City positions.
- *The City Clerk should coordinate all City hiring.* As the Chief administrative officer all employee hires should be coordinated through the City Clerk's office to ensure compliance with state and federal regulations as well as any insurance requirements.
- *Perform annual employee reviews.* The City should perform annual employee reviews.
- *Establish City Wide Payroll Policy.* A city-wide policy should be established to ensure that proper protocols and supervisor approvals are met.
- *Apply for a grant to purchase Municipal Software System.* The City Clerk should look for grant funding for the purchase a municipal software program that the City can utilize to help coordinate work orders, codes violations, rental properties, etc. citywide. The Clerk should also coordinate the grant application with other municipalities.
- *Issue an RFP for Auditing Services.* The City should review its external auditors on a regular basis and evaluate options.
- *Switch to Modified Accrual Basis of Accounting.* The City should switch to a Modified Accrual basis of accounting to appropriately report the financial picture of the City.

- *Include a Management Discussion and Analysis with annual Audit (“MD&A”).* For the last three years the City has not included an MD&A in its Audit that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.
- *Create line item Budget for all Funds.* The City should create line item budgets for all funds and review them regularly.
- *Establish a City-wide procurement policy.* The City should have a City-wide procurement policy to ensure that purchases made comply with state laws and that all purchases are approved by the City Clerk in advance.
- *Switch to a bi-monthly payroll.* The City should switch to a bi-weekly payroll eliminating half the processing time. Where required, this should be bargained with the appropriate unions.
- *Establish Policies and Procedures for processing of bills.* The City should create official policy so that bills are processed on a fair and consistent basis.

Community Development Recommendations

- *Produce Yearly Report of Projects Completed and Future Projects.* A written report outlining completed and planned projects will provide Citizens and other stakeholders a better understanding of City accomplishments and future projects under development.
- *Payback CDBG Funds.* The City is required to pay back slightly more than \$400,000 in CDBG funds including a bullet payment of \$304,495 in 2016.
- *Expand Coordination with City Departments.* The Community Development Office does a majority of its work with the City’s Codes and Recreation Departments. The Community Development Office should review regulations to see if other City operations can be funded by CDBG dollars.
- *Establish Goals and Objectives.* See City Council Recommendations above.
- *Establish Policy for Evaluation and Selection of Projects.* The City should establish a policy on the Evaluation and Selection of projects to ensure that projects are evaluated and select in a fair manner.

City Treasurer and Controller Recommendations

- *Establish Policies and Procedures for processing of bills.* See City Clerk recommendations above.
- *Work with State and Federal Government on Tax Collections.* The City Treasurer should work with State and Federal agencies to cross reference available data to improve tax collection and citizen records.
- *Review Invoices and address questions prior to Council Approval.* As part of the Controllers duties the Controller is required to review accounts. If the Controller has

questions or concerns with any account the Controller should try to investigate and address his/her concerns with the appropriate party prior to Council meetings.

- *Complete DCED Audit Report Timely and based on Audited Records.* The City is required to file annual Audit reports with DCED separate and apart from its Audit. Past reports do not match Audited Financial Statements. The Controller should work with City Administration and its Auditor to ensure that the report filled with DCED ties out with the City's Audited Financial Statements.
- *Produce Monthly Financial Statements.* See City Clerk recommendation above.

Workforce and Collective Bargaining

- *Overtime, compensatory time and premium pay.* The City should implement changes and bargain to eliminate and/or reduce payments for overtime, compensatory time and premium pay.
- *Paid sick leave, paid vacation leave, and paid personal leave.* The City should implement changes and bargain to significantly reduce payments for sick leave, vacation leave and personal leave.
- *Wages and salaries.* The City should freeze and bargain to freeze all wages and salaries.
- *Health insurances.* The City should implement several changes and bargain to limit cost increases and increase employee contributions for its health insurance benefits.
- *Retiree health insurance.* The City should bargain to eliminate this benefit for new police officers hired in the future. The City should also bargain limitations on post-retirement health for existing police employees under the collective bargaining agreement. The City should not provide this benefit to any other employees.
- *Minimum manning.* Although City officials may prefer to staff with a minimum of two police officers, should bargain in good faith to eliminate or limit this requirement. See *Police Department Chapter*.
- *Layoff provisions.* The City should bargain to eliminate any provisions that limit its right to lay off employees.
- *Subcontracting.* The City should bargain to eliminate any limitations on its ability to subcontract services.
- *Pensions.* The City should review its pension ordinances and provisions to determine if changes could reduce its costs.
- *No new benefits or enhancements.* The City should not implement any new benefits or benefit enhancements. The City should not agree in collective bargaining to any new benefits or benefit enhancements.
- *Part-time employees.* The City should review whether the use of part-time and seasonal employees would substantially reduce costs, and if so, engage in bargaining where appropriate.

- *Regionalized and Shared Services.* The City should pursue regionalization of its police department services. The City should also seek ways to reduce costs in other department through shared services and/or regionalization. See *Police Department Chapter*.
- *Labor Management Committees.* The City should actively engage its Labor Management Committees with respect to the above recommendations. For those recommendations that require collective bargaining, the City should engage in such bargaining, in the context of the pending Act 111 proceedings for the police officers and the upcoming negotiations for the public works and street department employees.
- *Professional labor relations and negotiations advice.* The City should actively use professionals to assist in its collective bargaining negotiations as well as in its handling of personnel and labor relations matters.

Police Department

- *The City should use UCR Crime data to analyze and determine the true demand for Police services and the variances in demand throughout the day.*
- *Sell unused police vehicles.* Cars which are not being used regularly should be sold to limit carrying costs on both the Public Works and Police Department budgets.
- *The City should explore regionalization of the police department.*
- *Increase Parking Ticket Fines to \$10.00.* In order to generate additional revenue, the City should raise the fine for parking tickets to \$10.00. Assuming an equal number of tickets this would double parking ticket revenue annually.
- *Establish annual Goals and Objectives.* The Department should establish both short and long term goals.
- *Evaluate eliminating one shift per day.* If the minimum manning requirement cannot be changed, then the only option available in order to lower expenditures in a meaningful amount is to eliminate an entire shift.

Public Works Department

- *Increase fees charged annually.* As an ongoing practice, Shamokin should review all fees annually and as needed when costs increase unexpectedly.
- *Keep track and charge for all clean work done on private property.* Every time the Department does work on private property the Department should track and bill the property owner for services provided.
- *Apply for a grant to purchase an integrated Public Works and GIS computer system.* Utilizing an integrated Public Works system will help the Department keep track of work orders, street, building and vehicle maintenance.

- *Review fleet and dispose of any unused vehicles and equipment. See Police Department also.* Unused and old equipment can put a drain on resources in the form of high repair costs for parts and time required to make repairs.
- *Increase property tax in 2015 for street lighting.* The City of Shamokin currently uses its Liquid Fuels allocation from the Commonwealth to fund the electric bills for street lights as allowable by law. By imposing the additional millage for the street lights the City can utilize the Liquid Fuels funds it currently spends on electricity for street paving throughout the City.
- *Increase street paving.* The reprogramming of Liquid Fuels funds will allow the City to increase repaving and repairs on the 1,000 feet of roadway the City currently attempts to pave annually. The increase in paving is necessary to avoid advanced or full deterioration.
- *Increase levels of shared services and cooperative purchasing.* The Department should explore expanding equipment sharing and joint purchasing with surrounding governmental agencies.
- *Charge for recycling services provided.* The City should review the current cost of providing recycling services and charge customers an appropriate fee to cover the costs incurred, thereby alleviating pressure on the City's General Fund.
- *Apply for DEP Recycling grant.* The Pennsylvania DEP offers grant funding to assist municipalities in their recycling efforts
- *Establish Department goals and objectives.* Departmental goals and objectives should be developed with the input of PWD staff, City Administration, and Elected Officials.
- *Develop written standard operating policies and procedures as appropriate.*

Recreation Department

- *Establish a separate Recreation Fund with its own budget.* The City should create an annual budget which incorporates all direct and indirect costs of the Recreation Department and levy an appropriate tax rate to ensure that the General Fund is not paying for recreation costs.
- *Partner with Coal Township on swimming pool operations and maintenance.* The City should explore joint operation and ownership of the pool with Coal Township.
- *Market pool for group rentals.* The City should try to market rentals to groups in order to help offset operating costs of the pool.
- *Review season pass options and alternatives.* The City should evaluate whether it should offer partial season passes.

Codes Departments

- *Establish written policies and procedures for code enforcement.* The Department should establish written policies and procedures regarding how it enforces property maintenance issues throughout the City.

- *Computerize ticketing system.* The City should explore grant funding for a computerized ticket system freeing staff to work on other initiatives.
- *Review Third Class City Code to see if Codes inspector can provide electrical inspections.* The current code officer is a licensed electrical inspector. The City Solicitor should review applicable laws to see if the City can allow the codes officer to charge for such services.
- *Enforce Dumpster Ordinance.* The City should update its dumpster ordinance.

Debt

- *Continue to pursue funding for the payment of past due bills and obligations.* The City needs to find a source of funding to pay the more than \$800,000 in unfunded debt for unpaid obligations incurred in 2013.
- *Monitor the debt it has pledged to guarantee.* The City should monitor the debt it has pledged to guarantee.

Revenue

- *Fees Study and Increase fees to cover costs incurred.* The City must ensure that it is charging an appropriate amount to cover all costs incurred when it provides services.
- *Hire Professional Delinquent Collector.* The City should aggressively pursue any outstanding delinquency and should use the help of an outside agency to recover any outstanding amounts owed.
- *Charge for all work performed.* The City should track and bill for all costs incurred for work performed. *See Public Works chapter.*
- *Institute Tax for Street Lighting.* *See Public Works chapter.*
- *Consider New Form of Government.* *See Elected Officials chapter.*
- *Review and Increase Utilization of Payment-in-Lieu-of Property Tax (“PILOT”).*

Introduction

History and Relevant Trends

An understanding of Shamokin's history and economic trends is crucial to understanding the City's current fiscal situation, as well as its outlook. These trends must be recognized and considered in evaluating solutions to the City's financial situation.

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.¹ 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 put Shamokin and the surrounding community of Coal Township on the map, growing to a peak population of 50,000 in the 1920s.² However, it now finds itself in the midst of a long-term population loss and decrease in tax base, coupled with the expectation for local municipalities to provide 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 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 a loss 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.

¹ <http://www.shamokincity.org/history.htm>

² <http://www.shamokincity.org/history.htm>

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

	1970	1980	1970 to 1980	
			#	%
City of Shamokin	11,719	10,357	(1,362)	-11.6%
Northumberland County	99,190	100,381	1,191	1.2%
1980 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 or the national average. Statistics reveal that the population over age 65 in Shamokin is 17.2% in Shamokin, which is well-above the national average of 13 percent. This 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 depicts 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 More/(Less) than County	\$ (11,141.00) -55.2%	\$ (21,460.00) -78.9%		
City of Shamokin More/(Less) than State	\$ (19,933.00) -98.8%	\$ (40,072.00) -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 More/(Less) than County	\$ (4,135.00) -33.5%	\$ (3,812.00) -22.6%		
City of Shamokin More/(Less) than State	\$ (8,526.00) -69.0%	\$ (10,207.00) -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 More/(Less) than County	\$ (40,300) -139.0%	\$ (59,600) -157.3%		
City of Shamokin More/(Less) than State	\$ (68,000) -234.5%	\$ (127,000) -335.1%		

Source: U.S. Bureau of the Census

*2008-2012 American Community Survey 5-Year Estimates

Early Intervention 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 it 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. A copy of the EAP is attached hereto as an Appendix.

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.

A recommendation of both the Emergency Action Plan and this EIP report is 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. 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. It is recommended that the Auditor prepares the City's 2013 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, and 7 as set forth in Section 201 of Act 47.

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
Rev. Over (Under) Exp.	(208,616)	(309,579)	(246,322)	(302,527)
% of deficit to revenues	9%	14%	11%	12%

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 has threatened suit and past due bills include 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 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 validates 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 has been unsuccessful in securing a loan from the banks. Based on current cash flow projections, the City may struggle 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." Shamokin's elected officials must recognize the need for immediate action.

Elected Officials, Executive Officials and Administrative Services Departments

Overview

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.

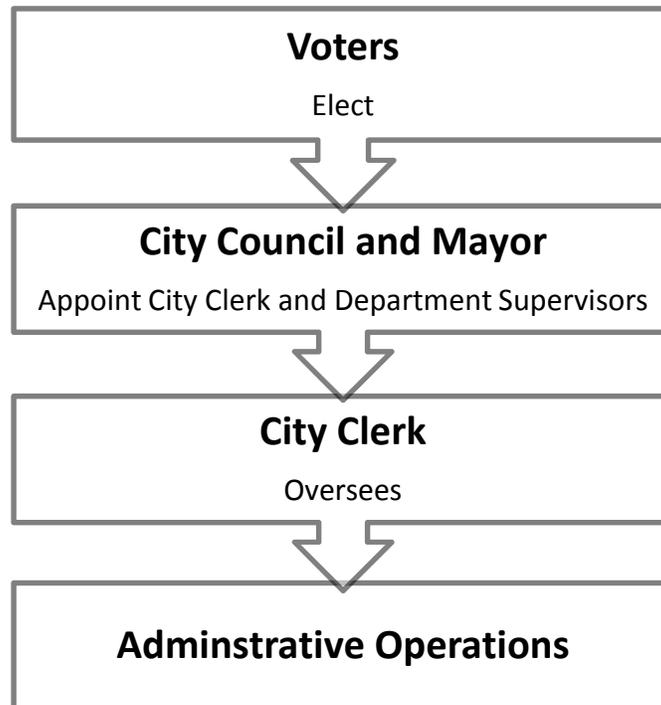
The City also has the power to sue and be sued, to contract to buy, sell, lease, hold, and dispose of real and personal property, to appropriate and expend monies, and to adopt, amend and repeal such ordinances and resolutions as the City may require, along with exercising condemnation, borrowing, and 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.

City Clerk

The Administrative Services of the City are under the jurisdiction of the City Clerk and include the oversight of all City departments.

Elected Officials and Executive Officials



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 Clerk 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.

Mayor and City Council – Historical Expenditures

City of Shamokin, Pennsylvania Mayor and City Council Expenditures General Fund Year Ended December 31

	Audited Jan – Dec 2009	Audited Jan – Dec 2010	Audited Jan – Dec 2011	Audited Jan – Dec 2012	Unaudited Jan - Dec 2013
Expense					
400 – LEGISLATIVE					
400.101 - Legislative Salaries	8,781	19,369	19,550	19,550	19,550
400.231 - Legislative Cell Phone	468	79			
401.330 – Employer Portion Social Security	30,154	34,244	31,959	33,868	37,894
Total 400 – LEGISLATIVE	39,403	53,692	51,509	53,417	57,444
401 – MAYOR	1,213	-	-	50	60

City of Shamokin, Pennsylvania Mayor and City Council Expenditures General Fund Year Ended December 31

	Audited Jan – Dec 2009	Audited Jan – Dec 2010	Audited Jan – Dec 2011	Audited Jan – Dec 2012	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014
Expense						
400 - LEGISLATIVE						
400.101 - Legislative Salaries	8,781	19,369	19,550	19,550	19,550	-
400.231 - Legislative Cell Phone	468	79				-
401.330 – Employer Portion Social Security	30,154	34,244	31,959	33,868	37,894	35,000
Total 400 – LEGISLATIVE	39,403	53,692	51,509	53,417	57,444	35,000
401 - MAYOR	1,213	-	-	50	60	-

Mayor and City Council – Projected Baseline Expenditures

City of Shamokin, Pennsylvania Mayor and City Council Expenditure Projections General Fund Year Ended December 31

Expense	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014	Projection Jan – Dec 2015	Projection Jan – Dec 2016	Projection Jan – Dec 2017	Projection Jan - Dec 2018
400 · LEGISLATIVE						
400.101 Legislative Salaries	19,550	-	-	-	-	-
400.231 Legislative Cell Phone	-	-	-	-	-	-
401.330 Employer Portion Social Security	37,894	35,000	37,894	37,894	37,894	37,894
Total 400 LEGISLATIVE	57,444	35,000	37,894	37,894	37,894	37,894
401 MAYOR	60	-	-	-	-	-

*Unaudited 2013 Results used as the base line for projections line items were increase 0% annually

Mayor and City Council Recommendations

- *File for Distress Determination under Act 47.* The City's current financial condition requires that the City utilize all tools and assistance available in order to stabilize and improve both its short and long term financial position so it may continue to provide for the health, safety and welfare of its citizens. As such the City should use the assistance provided by Act 47 to develop a recovery plan for the City of Shamokin.
- *Develop a Comprehensive Plan.* A comprehensive plan (or "Comp Plan") is a road map that a municipality should use as a guide as it relates to growth and development. It should list the vision, goals, strategies and policy objectives which the municipality hopes to achieve over the long term. A Comp Plan should not be law but should be considered by the elected body when developing land use laws such as Planning and Zoning regulations.
- *Consider New Form of Government.* The City currently operates under the provisions of the Third Class City Code. The Third Class City Code has restrictions on Property Tax millage which directly impact the City's ability to raise enough revenue to cover its costs. The City should review "Home Rule Charter" or "Optional Plan" forms of government allowable under Pennsylvania's "Home Rule Charter and Optional Plans Laws," Act 62 of 1972.
- *Apply for State Grant for EIP Implementation Manager.* The implementation of this Early Intervention Plan will take a significant amount of energy and resources of City staff and Elected Officials. The City should apply for a grant to help fund an implementation manager who can help the City move forward with the implantation of recommendations who can help make sure the City stays focused on long term financial recovery.
- *Increase taxes to maximum amounts allowable by law.* Given the extreme nature of the City's current economic situation the City must collect all revenue available. This will include changes authorized by Act 22 of 2014 which was signed by the Governor and becomes effective May 18, 2014.

- *Establish Goals, Objectives, Mission and Values.* The creation of Goals, Objectives, Missions and Values for the City is critical in outlining what the City wants to achieve with the limited amount of resources available to it. Goals, Objectives, Missions and Values should be created with the input of various sources including City Staff and citizens. They should be reviewed regularly to make sure the City achieves what it sets out to do.
- *Discuss and determine essential services.* The limited amount of resources available make it imperative that the City spends its resources on services that it determines are of the utmost importance. The City does not have the luxury to spend any resources for services that are not considered imperative to the health, safety and welfare of the City.
- *Enact, modify and revise Ordinances as necessary.* Many recommendations in this plan will require the modification and enactment of ordinances by City Council. Council should enact changes in a timely manner.
- *Pursue regionalization/merger with Coal Township.* Duplication of efforts and resources of both the City of Shamokin and Coal Township are costing both municipalities and their taxpayers. The City should continue dialog with Coal Township to explore what they can do cooperatively to the benefit of each municipality. The Shamokin Coal Township Joint Sewer Authority is an excellent example of regionalization both municipalities have undertaken.
- *Establish a Fund Balance Policy.* The City should establish a Fund Balance policy that outlines a specific amount which the City must hold in reserves only to be used in the case of an emergency. The policy should be a percentage of annual expenditures. (See www.gfoa.org for fund balance best management practices.)
- *Review City Organizational Chart.* There is an organizational chart for the City of Shamokin; however, during interviews with City personnel it was discovered that it is not correct. The Chart should be corrected and distributed among City staff so that everyone clearly understands the City's chain of command.
- *Require City Clerk to provide monthly Recommendations Progress Report.* City Council and the Mayor should review monthly reports on the Recommendations of the EIP plan to ensure that the City is making progress and that it can address any issues that may prove to be impediments to the Plan. The reports will also keep lines of communication open between the City, citizens and staff concerning issues facing the City as they arise.
- *Post meeting minutes and agenda online.* Communication between the City, its citizens and staff is critical to ensure that everyone understands issues the City is facing and what steps it is taking to address them. The issues facing the City are too large to be addressed by the City Council and the Mayor alone. As such all stakeholders need to be kept apprised of the state of the City so they have a better understanding of why decisions are being made.
- *Review budget reports monthly.* The City's fiscal crisis will take constant and continual monitoring. The City does not have funds available to address budget shortfalls. As such the City will be required to make reductions in expenses to offset revenue shortfalls. This requires that City Council must be aware of budget shortfalls in advance so that Council may take the appropriate action.

- *Participate in DCED Local Government Training Programs.* The Department of Community and Economic Development holds local government training programs throughout the state. Council members should participate in the training programs so that each Council Member is aware of his or her responsibilities as council members and legislative changes as they may arise.
- *Increase salary for the Position of City Clerk to a range of \$45,000 to \$60,000.* The position of City Clerk is of the utmost importance for the City particularly in this challenging time and therefore requires proper compensation. Additionally, the City should work with DCED on possible grant funding as the Department historically has encouraged capacity building in distressed communities.
- *Consider Establishing Trust for Other Post Retirement Benefits.* The City currently provides healthcare for some of its retired employees. The City currently funds this benefit on a pay as you go basis. The City should consider the costs and benefits of prefunding this liability.

Assessment

City Clerk

The City Clerk (“City Clerk” or “Clerk”) is the chief administrative official of the City. Additionally, the City Clerk conducts the day-to-day business operations of the City and is responsible for keeping Council minutes, compiling ordinances and resolutions and maintaining other records and documents of City Council. The Clerk also has the power of a notary public to administer oaths pertaining to City business. Some of the other duties of the City Clerk include assisting in the preparation and oversight of the City budget, processing payroll, and accounts payable and receivable, filing federal, state, local payroll taxes and reports among many other responsibilities.³

³ http://www.shamokincity.org/city_administration.htm

Office of the City Clerk – Historical Expenditures

City of Shamokin, Pennsylvania Office of the City Clerk Expenditures General Fund Year Ended December 31

	Audited Jan – Dec 2009	Audited Jan – Dec 2010	Audited Jan – Dec 2011	Audited Jan – Dec 2012	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014
Expense						
405 · CITY CLERK						
405.101·City Clerk-Salaries	34,999	35,673	35,539	37,136	49,451	44,990
405.202·City Clerk Group Health	-	-	-	-	-	23,568
405.100 Group health deductible	-	-	-	-	-	500
405.106·City Clerk Group Life	-	-	-	-	-	-
405.104·City Clerk Group Vision	-	-	-	-	-	141
405.300·Gen Gov-Clerk Misc Expense	694	1,283	67	300	702	450
Total 405 · CITY CLERK	35,693	36,957	35,605	37,436	50,153	69,649

Office of the City Clerk – Projected Baseline Expenditures

City of Shamokin, Pennsylvania Office of the City Clerk Projected Expenditures General Fund Year Ended December 31

	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014	Projection Jan – Dec 2015	Projection Jan – Dec 2016	Projection Jan – Dec 2017	Projection Jan - Dec 2018
Expense						
405 CITY CLERK						
405.101 City Clerk - Salaries	49,451	44,990	46,340	47,730	49,162	50,637
405.202 City Clerk Group Health	-	23,568	24,275	25,003	25,753	26,526
405.100 Group health deductible	-	500	515	530	546	563
405.106 City Clerk Group Life	-	-	-	-	-	-
405.104 City Clerk Group Vision	-	141	145	150	154	159
405.300 Gen Gov - Clerk Misc Expense	702	450	464	477	492	506
Total 405 · CITY CLERK	50,153	69,649	71,738	73,891	76,107	78,391

*2014 Budget used as the base line for projections line items were increase 3% annually

City Clerk Recommendations

- Establish weekly staff meetings.* The City Clerk for the City of Shamokin is the City Administrative Officer and as such is responsible for the management and operation of all City Departments. Efficient management of a City requires that all departments work in a coordinated effort toward the same goal. Coordination of City services necessitates open communication between departments. During interviews full-time department supervisors were asked how often they meet as a group to discuss issues facing their departments and to discuss ways to address them. Though some department supervisors meet with the City Clerk individually they do not meet as a group. The City Clerk must foster open communications between his or her office and amongst the City's workforce.

- *Create Job descriptions.* The City does not have formal approved job descriptions for City positions. Having job descriptions is considered best practice and should be adopted.
- *The City Clerk should coordinate all City hiring.* As the Chief Administrative Officer all employee hires should be coordinated through the City Clerk's office to ensure compliance with state and federal regulations as well as with any employee insurance requirements.
- *Perform annual employee reviews.* The City does not perform annual employee performance reviews. Employee reviews are considered best practice and critical in addressing personnel performance issues as they arise.
- *Establish City Wide Payroll Policy.* The City does not have a uniform city-wide Payroll Policy. Each department is responsible for gathering payroll data and submitting to the City Clerk for processing. However, each department tracks and processes time worked differently. A city-wide policy should be established to ensure that proper protocols and supervisor approvals are met.
- *Apply for a grant to purchase Municipal Software System.* The City Clerk should look for grant funding for the purchase of a municipal software program that the City can utilize to help coordinate work orders, codes violations, rental properties, and other services city-wide. The Clerk should also coordinate a grant application with other municipalities.
- *Issue an RFP for Auditing Services.* The City has used the same auditing firm for a number of years. It is a best practice to review your external auditors on a regular basis and evaluate options. The RFP should include the American Institute of Certified Public Accountants guidelines and best practices.
- *Switch to Modified Accrual Basis of Accounting.* The City should switch to a Modified Accrual basis of accounting to appropriately report the financial picture of the City.
- *Include a Management Discussion and Analysis with annual Audit ("MD&A").* For the last three years the City has not included an MD&A in its Audit that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.
- *Create line item Budget for all Funds.* Similar to many municipalities, the City utilized many Funds to segregate and track revenue and expenses. However, the City only budgets for the General Fund. The City should create line item budgets for all funds and review them regularly.
- *Establish a City-wide procurement policy.* The City should have a City-wide procurement policy to ensure that purchases made comply with state laws and that all purchases are approved by the City Clerk in advance.
- *Switch to a bi-monthly payroll.* The City currently administers payroll on a weekly basis which requires an unnecessary amount of processing. The City should switch to a bi-weekly payroll eliminating half the processing time. Where required, this should be bargained with the appropriate unions.

- *Establish Policies and Procedures for processing of bills.* There is no formal policy on how invoices get processed in the City. An official policy should be created so that bills are processed on a fair and consistent basis.

Assessment

Community and Economic Development

The Community Development Office is responsible for administering the City's Community Development Block Grant program (CDBG). Each year the city is entitled CDBG funds based upon a formula through the Department of Community and Economic Development. The CDBG funds are 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 persons⁴.

The primary role of the Community Development Office is to augment and fund Codes and Recreation initiatives.

Community Development – Historical Expenditures

City of Shamokin, Pennsylvania
Historic Income Statement Community Development Expenses
General Fund Year Ended December 31

Expense	Audited Jan – Dec 2009	Audited Jan – Dec 2010	Audited Jan – Dec 2011	Audited Jan – Dec 2012	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014
460 COMMUNITY DEVELOPMENT						
CDBG Other	-	-	-	-	50,147	50,155
460.202·CDBG Group Health						22,210
460.106·CDBG Group Life						245
460.100·CDBG Group health Deductible						500
460.100·CDBG Group Vision						141
462.101·CDBG-Salary	29,580	30,149	29,580	30,464	22,720	30,467
Total 460 · COMMUNITY DEVELOPMENT	29,580	30,149	29,580	30,464	72,867	103,718

Community Development – Projected Baseline Expenditures

City of Shamokin, Pennsylvania
Community Development Projected Expenditures
General Fund Year Ended December 31

Expense	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014	Projection Jan – Dec 2015	Projection Jan – Dec 2016	Projection Jan – Dec 2017	Projection Jan - Dec 2018
460 COMMUNITY DEVELOPMENT						
CDBG Other	50,147	50,155	52,663	55,296	58,061	60,964
460.202 CDBG Group Health		22,210	23,321	24,487	25,711	26,996
460.106 CDBG Group Life		245	257	270	284	298

⁴ http://www.shamokincity.org/city_administration.htm

460.100 CDBG Group health Deductible		500	525	551	579	608
460.100 CDBG Group Vision		141	148	155	163	171
462.101 CDBG - Salary	<u>22,720</u>	<u>30,467</u>	<u>31,990</u>	<u>33,590</u>	<u>35,269</u>	<u>37,033</u>
Total 460 COMMUNITY DEVELOPMENT	72,867	103,718	108,904	114,349	120,067	126,070

Community Development Recommendations

- *Produce Yearly Report of Projects Completed and Future Projects.* A written report outlining completed and planned projects will provide Citizens and other stakeholders a better understanding of City accomplishments and future projects under development.
- *Payback CDBG Funds.* The City is required to pay back slightly more than \$400,000 in CDBG funds including a bullet payment of \$304,495 in 2016. The City should start planning on how it intends to address 2016's bullet payment.
- *Expand Coordination with City Departments.* The Community Development Office does a majority of its work with the City's Codes and Recreation Departments. The Community Development Office should review regulations to see if other City operations can be funded by CDBG dollars.
- *Establish Goals and Objectives.* See City Council Recommendations above.
- *Establish Policy for Evaluation and Selection of Projects.* The City should establish a policy on the Evaluation and Selection of projects to ensure that projects are evaluated and select in a fair manner.

Assessment

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.⁵

The Controllers duties and responsibilities are outlined by the Third Class City Code and include the Examination and Audit of Accounts.

⁵ http://www.shamokincity.org/city_administration.htm

Office of the Treasurer – Historical Expenditures

City of Shamokin, Pennsylvania Treasurer Expenditures General Fund Year Ended December 31

	Audited Jan – Dec 2009	Audited Jan – Dec 2010	Audited Jan – Dec 2011	Audited Jan – Dec 2012	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014
Expense						
403 TREASURER & TAX COLLECTION						
403.10 Treasurer Salary	13,854	16,456	17,070	17,666	26,453	17,610
403.102 Treasurer Bond Premium	-	1,226	-	100	110	115
403.104 Treasurer Group Vision	417	209	458	526	648	282
403.106 Treasurer Group Life	486	608	784	686	653	653
403.132 Treasurer Act 511 Exp	3,315	3,452	4,136	3,236	2,863	3,500
403.133 Treasurer PY Tax Collect Berkhe	14,426	12,823	10,221	10,913	11,043	4,000
403.134 Treasurer Keystone Tax Collection	-	-	-	-	-	5,600
403.202 Treasurer Group Dental	1,088	1,414	1,110	-	-	-
403.202 Treasurer Group Health	30,935	37,094	34,447	44,883	46,199	23,568
403.210 Treasurer Office Supplies	4,596	209	634	(520)	196	300
403.213 Treasurer Computer Supplies	-	205	-	3,373	4,782	4,750
403.215 Treasurer Office Postage	507	670	1,295	822	657	700
403.231 Treasurer Office Cell Phone	232	551	608	217	26	-
403.300 Treasurer Subscription	50	160	60	150	75	-
403.321 Treasurer Office Telephone	475	475	570	467	463	500
403 Treasurer & Tax Collection–Other	-	-	223	3,312	2,613	2,300
Total 403 TREASURER & TAX COLLECTION	70,381	75,552	71,615	85,831	96,781	63,878

Office of the Treasurer – Projected Baseline Expenditures

City of Shamokin, Pennsylvania Treasurer Projected Expenditures General Fund Year Ended December 31

	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014	Projection Jan – Dec 2015	Projection Jan – Dec 2016	Projection Jan – Dec 2017	Projection Jan - Dec 2018
Expense						
403 TREASURER & TAX COLLECTION						
403.10 Treasurer Salary	26,453	17,610	27,247	28,064	28,906	29,773
403.102 Treasurer Bond Premium	110	115	113	117	120	124
403.104 Treasurer Group Vision	648	282	667	687	708	729
403.106 Treasurer Group Life	653	653	673	693	714	735
403.132 Treasurer Act 511 Exp	2,863	3,500	2,949	3,037	3,128	3,222
403.133 Treasurer PY Tax Collect Berkhe	11,043	4,000	11,374	11,716	12,067	12,429
403.134 Treasurer Keystone Tax Collection	-	5,600	-	-	-	-
403.202 Treasurer Group Dental	-	-	-	-	-	-
403.202 Treasurer Group Health	46,199	23,568	47,585	49,013	50,483	51,997
403.210 Treasurer Office Supplies	196	300	202	208	214	221
403.213 Treasurer Computer Supplies	4,782	4,750	4,925	5,073	5,225	5,382
403.215 Treasurer Office Postage	657	700	677	697	718	739
403.231 Treasurer Office Cell Phone	26	-	27	28	28	29
403.300 Treasurer Subscription	75	-	77	80	82	84
403.321 Treasurer Office Telephone	463	500	477	491	506	521
403 Treasurer & Tax Collection–Other	2,613	2,300	2,691	2,772	2,855	2,941
Total 403 TREASURER & TAX COLLECTION	96,781	63,878	99,684	102,675	105,755	108,928

*Unaudited 2013 Results used as the base line for projections line items were increase 3% annually

City Treasurer and City Controller Recommendations

- *Establish Policies and Procedures for processing of bills.* See City Clerk recommendations above.
- *Work with State and Federal Government on Tax Collections.* The City Treasurer should work with State and Federal agencies to cross reference available data to improve tax collection and citizen records.
- *Review Invoices and address questions prior to Council Approval.* As part of the Controller's duties the Controller is required to review accounts. If the Controller has questions or concerns with any account the Controller should try to investigate and address his/her concerns with the appropriate party prior to Council meetings.
- *Complete DCED Audit Report Timely and based on Audited Records.* The City is required to file an Annual Audit and Financial report with DCED separate and apart from its Audit. Past reports do not match Audited Financial Statements. The Controller should work with City Administration and its Auditor to ensure that the report filed with DCED ties out with the City's Audited Financial Statements.
- *Produce Monthly Financial Statements.* See City Clerk recommendation above.

Workforce and Collective Bargaining

Overview

As with most local governments, the services provided by the City of Shamokin are labor-intensive. The City needs people to prevent and investigate crime and enforce laws, maintain safe and clean streets, and deliver other important services of municipal government. The result is that employee compensation accounts 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 Costs as related to General Fund Revenues and Expenditures for fiscal years ending December 31 from 2009 through 2013 is shown below. Total salaries, wages and benefits ranged from \$1,824,351 in 2009 to \$2,076,499 in 2013. This equates to a range of 65.9% to 78.4% of Total General Fund Expense, and 80.0% to 89.7% of Total General Fund Revenue.

The City employs approximately twenty-five (25) persons. The Police Department has one (1) Chief of Police, ten (10) full-time police officers, one (1) clerical employee, and one part-time meter employee. The ten full-time police officers are members of the bargaining unit represented by the Shamokin 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. The interest arbitration hearing was held on March 13, 2014, and executive sessions for the panel of arbitrators will be scheduled later this Spring.

AFSCME Local 2433 represents a collective bargaining unit of non-uniformed public works and street department City employees which includes one (1) working foreman and six (6) full-time employees of the Street Department, and one (1) Safety Technician, The AFSCME collective bargaining agreement expires December 31, 2014.

Other City employees include the City Clerk/Manager, a Codes officer, a CDBG employee, the City Treasurer, and a Deputy Treasurer. The employees who are not represented by the two unions are covered by the City of Shamokin Non-Bargaining Employee Handbook.

Salaries

The largest component of personnel expenditures is salaries. Salaries ranged from \$1,039,042 in 2009 to \$1,249,744 in 2013, accounting for 39.6% to 49.5% of Total General Fund Expense and 45.6% to 56.6% of Total General Fund Revenue. 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 three percent (3%) per year. Employees also received longevity pay. Police officers are paid shift differentials, and Streets Department employees may receive additional pay for operating certain equipment such as the jack hammer, pay loader, backhoe, and street sweeper.

Overtime, Compensatory Time, and Premium Pay.

All employees receive overtime and compensatory time, including exempt employees. Police employees receive premium pay when working the twelve named holidays. Since the Police Department is staffed with a minimum of two (2) employees on a 24 hours per day, 7 days per week basis, there are always police officers receiving this premium pay. Employees under the AFSCME contract also receive premium pay if they work on any of the twelve listed holidays.

Paid Leave

All City employees receive significant amounts of paid leave. Nonunion employees receive fifteen (15) paid sick leave days per year, AFSCME employees receive fourteen (14) paid sick leave days per year, and police officers receive sixteen (16) paid sick leave days per year. Vacations range up to five (5) weeks for police officers and public works employees with twenty or more years of service, and six (6) weeks for nonunion employees with 25 or more years of service.

Health Benefits

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 \$621,245 in 2013, which accounted for 19.7% to 23.5% of Total General Fund Expense and 21.7% to 25.6% of Total General Fund Revenue. 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. Nonunion 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 much 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.

Assessment

Since employee compensation costs are the great majority of the City's expenditures, it is absolutely 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 its 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 11 officers, including the Chief of Police), its salaries, wages and benefits expenditures have continued to increase beyond a sustainable level. The City initially sought to lay off other employees in January, 2014, but then maintained the police force and the street department employees, and rehired one of the two part-time meter enforcement officers. 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 will result in additional overtime. The AFSCME collective bargaining agreement does not allow layoffs for economic reasons.

The City must reduce its employee compensation costs immediately in order to meet its 2014 budget and to be able to pay its bills, including payroll, for this year, as well as for future years. The City must operate more efficiently wherever possible. The recommendations outlined below are intended to move the City toward a structurally balanced budget so that the City can focus on providing essential City services and improving those services.

For those terms and conditions for employees who are covered by one of the two union contracts, the City will not be able to take such action unilaterally, but must first bargain in good faith with the union representatives, and follow all appropriate and required steps. For the nonunion employees these recommendations can be implemented promptly.

Workforce and Collective Bargaining Recommendations

- *Overtime, compensatory time and premium pay.* The City should implement changes in its policies to eliminate compensatory time and any overtime or additional payments for exempt employees. In addition, for bargaining unit employees the City should seek changes limiting overtime, compensatory time and premium pay. Such changes could include paying overtime based on hours actually worked, eliminating or strictly limiting compensatory time where it results in additional overtime for other employees, and limiting and reducing the amount paid for premium pay, such as on specified holidays.

- *Paid sick leave, paid vacation leave, and paid personal leave.* The City should implement changes to significantly reduce paid sick leave, vacation leave and personal leave for nonunion employees. In addition, the City should seek changes reducing all such paid leaves for its bargaining unit employees. Further, paid sick leave and vacation leave should only be “earned” for months in which employees are compensated for at least 50% of the days. The City should limit pay for unused sick leave for its nonunion employees, which should only be paid upon retirement, and should bargain changes in these provisions for the bargaining unit employees.
- *Wages and salaries.* The City should freeze all wages and salaries for its nonunion employees, and it should not make any other payments, such as longevity payments, bonuses, nor increase salaries based on a change in job description. The City should bargain in good faith to freeze base salary and wage rates and longevity for its bargaining unit employees.
- *Health insurances.* The City should implement increased employee contributions for its nonunion employees immediately. It should be recognized that the nonunion employees have not been contributing to health insurance during the past several years, while the bargaining unit employees have been contributing. The City should not be “self-insuring” or paying for the differences between the prior health plans and the current health plans for its non-union employees. The City should seek the agreement of both unions to not self-insure the differences in the plans for the current year. The City should bargain significant changes in its collective bargaining agreements that will provide for maximum increases in the City’s costs to be calculated annually. If the City’s increase in its annual costs exceeds a certain level (for example, 5%), then the parties must either change the plan design to reduce costs, and/or increase employee contributions. The increase in annual costs should be based on a comparison of the increases in rates for the different tiers of coverage (single, two-party, family, etc.) for a fixed census of employees in those tiers, so that it is an “apples to apples” comparison. The City should also seek to limit or reduce costs by provisions for limiting spousal coverage where the spouse otherwise has available health insurance coverage. The provisions should apply to all health insurances – basic health and hospitalization, prescription, dental and vision.
- *Retiree health insurance.* The City cannot afford to pay for health insurance for retired employees. It should bargain to eliminate this benefit for new police officers hired in the future. It should not provide this benefit to any other employees. It should also establish a fund or trust to pay for these benefits. The City should also bargain limitations on post-retirement health for existing police employees under the collective bargaining agreement.
- *Minimum manning.* Although City officials may prefer to staff with a minimum of two police officers, as required by the current collective bargaining agreement with the Police Officers Association, the City is unable to economically support this level of staffing. The City should bargain in good faith to eliminate or limit this requirement. See *Police Department Chapter*.
- *Layoff provisions.* 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 should bargain in good faith with AFSCME to eliminate this provision.

- *Subcontracting.* The City should bargain in good faith to eliminate any limitations on its ability to subcontract services. The City has a significant structural deficit, and it must have the flexibility to provide services through subcontracting if such results in lower costs.
- *Pensions.* The City should review its pension ordinances and provisions to determine if changes could reduce its costs.
- *No new benefits or enhancements.* The City should not implement any new benefits or benefit enhancements. The City should not agree in collective bargaining to any new benefits or benefit enhancements.
- *Part-time employees.* The City should review whether the use of part-time and seasonal employees would substantially reduce costs, and if so, engage in collective bargaining where appropriate.
- *Regionalized and Shared Services.* The City should continue to participate in the regionalization study concerning police department services. The City should also seek ways to reduce costs in other department through shared services and/or regionalization. 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 current employees will not be laid off as a result of such regionalization or shared services. *See Police Department Chapter.*
- *Labor Management Committees.* The City should actively engage its Labor Management Committees with respect to the above recommendations. For those recommendations that require collective bargaining, the City should engage in such bargaining, in the context of the pending Act 111 proceedings for the police officers and the upcoming negotiations for the public works and street department employees.
- *Professional labor relations and negotiations advice.* The City should actively use professionals to assist in its collective bargaining negotiations as well as in its handling of personnel and labor relations matters.

City of Shamokin, Pennsylvania
Employee Costs as related to Revenues and Expenditures
General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
Total Expense	2,488,041	2,451,352	2,584,478	2,732,042	3,152,505	2,320,638
Total Revenues	2,279,425	2,141,773	2,338,156	2,429,515	2,550,614	2,338,138
Total Salaries	1,039,042	1,213,027	1,200,464	1,207,403	1,249,747	1,020,346
% of Total Expense	41.8%	49.5%	46.4%	44.2%	39.6%	44.0%
% of Total Revenue	45.6%	56.6%	51.3%	49.7%	49.0%	43.6%
Total Healthcare Benefits	583,882	548,933	508,467	537,562	621,245	424,132
% of Total Expense	23.5%	22.4%	19.7%	19.7%	19.7%	18.3%

% of Total Revenue	25.6%	25.6%	21.7%	22.1%	24.4%	18.1%
Total Salaries, Wages and Benefits	1,824,351	1,921,725	1,976,781	2,038,898	2,076,499	1,825,471
% of Total Expense	73.3%	78.4%	76.5%	74.6%	65.9%	78.7%
% of Total Revenue	80.0%	89.7%	84.5%	83.9%	81.4%	78.1%

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 cost of health benefits have increased annually and are expected to continue to rise significantly. Major expenditures in the police department are for salaries, wages, and benefits including healthcare, workers compensation, unemployment compensation, and pensions. Other noteworthy expenditures in the Department budget include overtime and court time.

Police Department Historical Department Expenditures 2009-2013

**City of Shamokin, Pennsylvania
General Fund Police Department Expenditures
Comparison to total General Fund Revenues**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013*</u>
Total General Fund Revenues ¹ :	2,279,425	2,141,773	2,338,156	2,429,515	2,730,583
Police Expenditures ² :	1,070,248	1,166,547	1,250,691	1,338,322	1,174,780
Percent of Total GF Revenue:	47.0%	54.5%	53.5%	55.1%	43.0%

Source:

¹ Audited Financial Statements

² City Financial Statements

* Unaudited 2013 Results from City, does not include Other Financing Sources

**City of Shamokin, Pennsylvania
Police Department Expenditures
General Fund Year Ended December 31**

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
Expense						
410-POLICE						
410.101-Police Salaries	653,767	734,871	747,999	777,752	737,330	583,794
410.102-Police-Overtime1.5x	30,696	50,428	43,451	40,773	75,036	27,000
410.103-Police-HrlyDoubleTime2x	-	-	-	3,459	860	3,500
410.104-Savings Electronic Transfer Emp	-	-	-	4,615	4,660	4,200
410.130-Police Computer Expense	2,977	1,162	2,581	2,839	2,700	2,500
410.202-Police Group Health	236,566	228,113	202,320	230,246	259,519	183,532
410.203-Police Group Dental	8,030	9,698	7,423	-	-	-
410.204-Police Group Vision	2,146	2,353	2,053	2,090	2,259	1,019
410.206-Police Group Life	5,008	6,379	7,878	6,218	5,746	4,488
410.228-Police Parking Meters/Lease Payment	3,633	8,183	3,273	-	(1,463)	-
410.228-Police Radio	-	641	-	320	316	420
410.229-Police Water	602	765	994	1,593	1,365	1,300
410.230-Police Gas	16,806	22,928	28,574	58,685	30,134	39,500
410.231-Police Cell Phone	950	963	2,023	6,033	1,277	1,350
410.245-Police Pension	16,206	11,056	-	-	25,521	-
410.288-Police DARE Expenses	470	-	-	-	-	-
410.289-Police COPS Grant DOJ	177	-	-	-	-	-
410.300-Police Office Expense	3,722	6,062	5,795	3,806	1,329	1,800
410.301-Police Copier Expense	5,902	1,226	1,617	1,661	2,236	2,000
410.302-Equipment Calibration	-	-	916	160	828	1,000
410.320-Police Electric Utilities	7,554	11,679	13,468	6,891	6,753	7,000
410.321-Police Telephone	1,165	1,212	1,302	1,394	1,055	1,400
410.322-Police Sewer	45	-	-	-	-	-
410.333-Police Uniform Pension MMO	61,767	57,553	157,197	161,484	-	205,769
410.380-Lease/Rental Expense Mill Site	4,129	1,287	11,107	39	116	120
410.390-Police Meetings & Conferences	-	713	463	748	125	500
410.391-Police Clothing Allowance	-	-	2,550	-	425	500
410.437-Police Repairs and Maintenance	7,929	9,278	7,308	5,363	5,906	6,500
410.449-Police Drug & Alcohol Test Fees	-	-	399	-	-	-
410 Police Other	-	-	-	-	2,500	-
410.500-Police Vehicle Lease Expense	-	-	-	22,156	8,248	23,000
Total 410-POLICE	1,070,248	1,166,547	1,250,691	1,338,322	1,174,781	1,102,192

Source:
City Financial Statements and Budget

Projected Baseline Expenditures – Shamokin Police Department

City of Shamokin, Pennsylvania Police Department Expenditure Projections General Fund Year Ended December 31

	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014	Projection Jan - Dec 2015	Projection Jan - Dec 2016	Projection Jan - Dec 2017	Projection Jan - Dec 2018
Expense						
410 POLICE						
410.101 Police Salaries	737,330	583,794	774,197	812,906	853,552	896,229
410.102 Police - Overtime 1.5x	75,036	27,000	78,788	82,727	86,864	91,207
410.103 Police - Hrly Double Time 2x	860	3,500	903	948	996	1,045
410.104 Savings Electronic Transfer Emp	4,660	4,200	4,893	5,138	5,395	5,664
410.130 Police Computer Expense	2,700	2,500	2,835	2,977	3,126	3,282
410.202 Police Group Health	259,519	183,532	272,495	286,120	300,426	315,447
410.203 Police Group Dental	-	-	-	-	-	-
410.204 Police Group Vision	2,259	1,019	2,372	2,491	2,615	2,746
410.206 Police Group Life	5,746	4,488	6,033	6,335	6,652	6,984
410.228 Police Parking Meters/Lease Payment	(1,463)	-	(1,536)	(1,613)	(1,694)	(1,778)
410.228 Police Radio	316	420	332	348	366	384
410.229 Police Water	1,365	1,300	1,433	1,505	1,580	1,659
410.230 Police Gas	30,134	39,500	31,641	33,223	34,884	36,628
410.231 Police Cell Phone	1,277	1,350	1,341	1,408	1,478	1,552
410.245 Police Pension	25,521	-	26,797	28,137	29,544	31,021
410.288 Police DARE Expenses	-	-	-	-	-	-
410.289 Police COPS Grant DOJ	-	-	-	-	-	-
410.300 Police Office Expense	1,329	1,800	1,395	1,465	1,538	1,615
410.301 Police Copier Expense	2,236	2,000	2,348	2,465	2,588	2,718
410.302 Equipment Calibration	828	1,000	869	913	959	1,006
410.320 Police Electric Utilities	6,753	7,000	7,091	7,445	7,817	8,208
410.321 Police Telephone	1,055	1,400	1,108	1,163	1,221	1,282
410.322 Police Sewer	-	-	-	-	-	-
410.333 Police Uniform Pension MMO	-	205,769	205,769	216,057	226,860	238,203
410.380 Lease/Rental Expense Mill Site	116	120	122	128	134	141
410.390 Police Meetings & Conferences	125	500	131	138	145	152
410.391 Police Clothing Allowance	425	500	446	469	492	517
410.437 Police Repairs and Maintenance	5,906	6,500	6,201	6,511	6,837	7,179
410.449 Police Drug & Alcohol Test Fees	-	-	-	-	-	-
410 Police Other	2,500	-	2,625	2,756	2,894	3,039
410.500 Police Vehicle Lease Expense	8,248	23,000	8,660	9,093	9,548	10,025
Total 410 POLICE	1,174,781	1,102,192	1,439,289	1,511,254	1,586,816	1,666,157

*Unaudited 2013 Results used as the base line for projections line items were increased by 5% annually

Assessment

There are many measures of a Police Department's effectiveness and whatever standards are used. A city's crime rate is one of the most critical. Public safety is not only of importance in assessing a Police Department, it is a key factor in a city's success. Crime reduction or suppression is the goal of any police organization.

The police chief is responsible for scheduling both clerical and officer shifts. Officers work a rotating schedule. The Chief is scheduled Monday to Friday 0800-1600 every week. Outside of the Chief's normal week he is allowed to fill in for officers as needed. The three corporals work

on a three week rotation while the seven patrolmen work on a seven week rotation throughout the year.

The City of Shamokin's Police department has experienced a reduction in personnel since the City's 2008 EIP Report. At the time the 2008 Report was written the City police force consisted of 13 officers and the Chief of Police. The reduction in personnel has required the Department to use more compensatory time and overtime to meet its contractually stipulated minimum manning clause. The minimum manning clause in the current collective bargaining contract is a major impediment in the City's ability to curtail costs without making drastic changes to the delivery of police services.

Police Recommendations

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.

- *The City should use UCR Crime data to analyze and determine the true demand for Police services and the variances in demand throughout the day.* By understanding the true demand for Police services the Department can allocate limited resources in the most efficient manner.
- *Sell unused police vehicles.* The City currently has five (5) cruisers and two (2) SUVs, with a normal staff of two Patrol Officers on each shift. Cars which are not being used regularly should be sold to limit carrying costs on both the Public Works and Police Department budgets.
- *The City should explore regionalization of the police department.* 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.

There are several advantages to regional policing. The enforcement of laws and the coordinating of investigative services can establish a commonality of enforcement goals and philosophy over a larger geographical area. As an example, criminals do not recognize or operate within municipal boundaries. Normally, several police departments are in fact chasing the same criminals for the same crimes in separate municipalities. This duplication of service with multiple Detectives chasing the same person(s) can be easily managed by one Detective investigating multiple crimes. This can be said for many other services provided throughout the organizations including administration. Regionalization also improves training, scheduling, and specialization. Simply put, more available officers will assist the Department in managing overtime and allow for directed specialized training. Finally, regionalization has been proven to reduce costs. Some time ago, the Commonwealth Bureau of Local Government Services undertook an efficiency study comparing a Regional model with six distinct municipal police departments. The study concluded the following. The Regional Department was 28%

less expensive than the total spending by the six Municipal Departments. Additionally, the Regional Department had 35% fewer officers and 50% fewer police vehicles than the combined fleets of all the municipalities. In summary, Regional Model savings produce economies and efficiencies of scale.

The disadvantages of the Regional Model include the following. It limits some control and involvement by elected or appointed officials and the police unions fear the loss of jobs, ranks, money, and benefits. Regionalization can be implemented where current employees maintain their jobs and compensation levels.

In terms of long-term cost reduction, the City should consider regionalization with Coal Township or any other interested municipality. The process will require a “political champion” who must bring all of the parties together for thoughtful consideration.

- *Increase Parking Ticket Fines to \$10.00.* In order to generate additional revenue, the City should raise the fine for parking tickets to \$10.00. Assuming an equal number of tickets this would double parking ticket revenue annually.
- *Establish annual Goals and Objectives.* Goals and Objectives are an important tool in the evaluation and monitoring of services and benchmarking performance. The Department should establish both short and long term goals. The Goals and Objectives of the Department should be created in collaboration between elected officials, City Administration, and the Department.
- *Evaluate eliminating one shift per day.* Current revenues collected in the City of Shamokin are not sufficient to meet expense demands of the City. The collective bargaining agreement in place does not allow the ability to move staff based on demand for service. As such the Chief cannot lower staffing to one officer if needed or deemed appropriate. If the minimum manning requirement cannot be changed, then the only option available in order to lower expenditures in a meaningful amount is to eliminate an entire shift.

Public Works Department

Overview

The City of Shamokin Public Works Department (PWD) is staffed by seven (7) full-time employees who are represented by the American Federation of State, County and Municipal Employees Local 2433, (“AFSCME”), consisting of six (6) employees overseen by a one (1) working foreman. The working foreman is responsible for all supervisory aspects of the Department. The Department performs the following functions.

Storm Drain and Street Maintenance

The Department is responsible for 28 miles of roads and approximately 1,000 storm drains. Road maintenance includes street sweeping, pothole repair and snow removal. Storm drain maintenance does not include maintenance of any storm pipes.

Sign Installation and Traffic Lights

The Department makes and installs street signs throughout the City and maintains eight (8) traffic lights within the City.

Fleet Maintenance

The Department is responsible for the maintenance of all City vehicles and equipment. The following is a breakdown of City vehicles and equipment.

City of Shamokin, Pennsylvania Public Works Vehicles and Equipment				
	Vehicles		Equipment	
Police	5	Police Cruisers		
	2	Sports Utility Vehicles		
Fire	4	Pumpers		
	1	Ladder Truck		
	1	Rescue Truck		
	2	Utility		
	1	Quick Response		
Streets	3	Dump Trucks	1	Payloader
	4	Pickup Trucks	1	Backhoe
	1	Cherry Picker	1	Skid Loader
	2	Street Sweepers	2	Leaf Vacs

Building and Meter Stall Maintenance

The Department maintains, repairs, collects trash, and performs minor improvements to all City buildings and structures. Buildings maintained by the Department include:

1. Community Center
2. City Hall
3. Tax Office
4. RD Mill Building (Public Works, Volunteer Fire Department and Police Department)

The Department is also responsible for the maintenance of all parking meters and three (3) pedestrian bridges located throughout the City.

Parks

The Department currently mows and maintains four (4) City playgrounds, one (1) Pool and the Community Parks which include seven (7) additional structures.

Seasonal Work

In addition to snow removal, the Department provides brush and leaf removal each Spring and Fall. The Department is also responsible for the installation of holiday decorations as well as the setup and cleanup of special events.

Recycling

The Department collects curbside recycling and yard waste from City residents once a month at no charge. Additionally the Department maintains a drop-off site for residents' recyclable materials.

Finances

The Department is primarily funded from City General Fund revenues. The most significant other source of funding is the PA Liquid Fuels Program.

Trash

The City does not provide for City-wide trash collection. Residents are responsible to hire their own trash collector. City-wide trash collection has been discussed but was not favorably received by residents.

Historical Expenditures - Public Works

City of Shamokin, Pennsylvania General Fund Public Works Department Expenditures Comparison to total General Fund Revenues

	2009	2010	2011	2012	2013*
Total General Fund Revenues ¹ :	2,279,425	2,141,773	2,338,156	2,429,515	2,730,583
Public Works Expenditures ² :	485,476	537,027	607,645	448,719	469,504
Percent of Total GF Revenue:	21.3%	25.1%	26.0%	18.5%	17.2%

Source:

¹ Audited Financial Statements

² From City Financial Statements

* Unaudited 2013 Results from City, does not include Other Financing Sources

City of Shamokin, Pennsylvania
Department of Public Works Expenditures
General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
Expense						
430 PUBLIC WORKS HIGHWAYS STREETS						
430.101 Street Dept Laborer's Wages	232,565	287,041	269,145	247,484	273,264	282,646
430.102 Street - Double Time Hrly 2x	2,119	113	282	594	1,974	-
430.103 Street - Overtime 1.5 Hrly Rate	6,386	12,159	10,779	3,689	8,617	-
430.104 Street Dept Union Dues	5,246	3,413	5,217	4,697	3,900	-
430.229 Street Dept Water	382	644	550	1,458	1,036	1,300
430.230 Street Dept Gas & Diesel Oil	15,489	20,725	20,143	8,937	5,674	8,500
430.231 Street Dept Cell Phone	846	738	751	759	957	1,100
430.245 Street Dept Pension	5,607	3,752			-	-
430.260 Street Dept Minor Equipment Pur	-	283	86	2,976	2,308	-
430.300 Street Dept Misc Expense	1,897	2,074	1,658	584	549	400
430.320 Street Dept Electric Utilities	2,848	4,085	4,216	3,762	3,981	4,200
430.321 Street Dept Telephone	248	215	238	251	171	228
430.322 Street Dept Sewer	122	246	309	720	515	620
430.333 Street Non-uniform Pension MMO	-	-	16,292	10,416	-	13,000
430.333 Street Lease/Rental Mill	33,118	3,385	44,240		-	-
430.403 Street Dept Group Health	112,121	119,206	112,928	111,782	128,099	136,391
430.404 Street Dept Group Vision	689	753	871	935	839	820
430.405 Street Dept Minor Equipment	1,213	-	691	1,219	2,308	2,000
430.406 Street Dept Group Life	2,601	3,198	3,686	2,972	3,087	2,856
430.407 Street Dept Group Dental	2,889	4,066	2,790	-	-	-
430.409 Street Dept Gas and Oil	1,351	-	-	-	-	-
430.413 Street Dept Clothing Allowance	2,523	2,203	1,963	1,685	1,827	2,250
430.415 Street Dept Professional Services	-	1,981	-	-	-	-
430.419 Street Dept Computer	824	770	718	915	653	700
430.421 Street Dept Material & Supplies	2,529	5,870	1,049	1,850	1,374	2,000
430.437 Street Dept Vehicle Maintenance	11,814	16,098	15,012	10,151	10,853	12,000
430.740 Street Major Equipment Purchase	-	-	-	15,823	295	400
431.000 Street Cleaning Street & Gutter	-	571	2,694	3,192	3,820	4,000
433.000 Street Traffic Control Device	1,024	5,990	158	-	104	110
434.000 Street Lighting	35,373	35,623	86,487	-	56	40,000
431.055 Street Vehicle Operating Exp	43	75	-	100	-	-
432.000 Street Winter Mainten Services	-	-	-	4,646	5,190	5,500
437.000 Street Repairs Tools & Machinery	420	631	2,339	1,876	7,819	8,000
438.000 Street Maintenance Road & Bridges	3,016	1,122	1,931	5,000	234	300
438.000 Street Other	173	-	421	-	-	-
438.052 Street Vegetation Control	-	-	-	245	-	-
Total 430 PUBLIC WORKS HIGHWAYS STREETS	485,476	537,027	607,645	448,719	469,504	529,321

Projected Baseline Expenditures - Public Works

City of Shamokin, Pennsylvania Police Department Expenditure Projections General Fund Year Ended December 31

Expense	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014	Projection Jan - Dec 2015	Projection Jan - Dec 2016	Projection Jan - Dec 2017	Projection Jan - Dec 2018
430 PUBLIC WORKS HIGHWAYS STREETS						
430.101-Street Dept Laborer's Wages	273,264	282,646	286,927	301,274	316,337	332,154
430.102-Street-Double Time Hrlly 2x	1,974	-	2,073	2,176	2,285	2,399
430.103-Street-Overtime 1.5 Hrlly Rate	8,617	-	9,048	9,500	9,975	10,474
430.104-Street Dept Union Dues	3,900	-	4,095	4,300	4,515	4,740
430.229-Street Dept Water	1,036	1,300	1,088	1,142	1,199	1,259
430.230-Street Dept Gas & Diesel Oil	5,674	8,500	5,958	6,256	6,568	6,897
430.231-Street Dept Cell Phone	957	1,100	1,005	1,055	1,108	1,163
430.245-Street Dept Pension	-	-	-	-	-	-
430.260-Street Dept Minor Equipment Pur	2,308	-	2,423	2,545	2,672	2,805
430.300-Street Dept Misc Expense	549	400	576	605	636	667
430.320-Street Dept Electric Utilities	3,981	4,200	4,180	4,389	4,609	4,839
430.321-Street Dept Telephone	171	228	180	189	198	208
430.322-Street Dept Sewer	515	620	541	568	596	626
430.333-Street Non-uniform Pension MMO	-	13,000	-	-	-	-
430.333-StreetLease/Rental Mill	-	-	-	-	-	-
430.403-Street Dept Group Health	128,099	136,391	134,504	141,229	148,291	155,705
430.404-Street Dept Group Vision	839	820	881	925	971	1,020
430.405-Street Dept Minor Equipment	2,308	2,000	2,423	2,545	2,672	2,805
430.406-Street Dept Group Life	3,087	2,856	3,241	3,403	3,574	3,752
430.407-Street Dept Group Dental	-	-	-	-	-	-
430.409-Street Dept Gas and Oil	-	-	-	-	-	-
430.413-Street Dept Clothing Allowance	1,827	2,250	1,918	2,014	2,115	2,221
430.415-StreetDeptProfessionalServices	-	-	-	-	-	-
430.419-Street Dept Computer	653	700	686	720	756	794
430.421-Street Dept Material & Supplies	1,374	2,000	1,443	1,515	1,591	1,670
430.437-Street Dept Vehicle Maintenance	10,853	12,000	11,396	11,965	12,564	13,192
430.740-Street Major Equipment Purchase	295	400	310	325	341	359
431.000-Street Cleaning Street & Gutter	3,820	4,000	4,011	4,212	4,422	4,643
433.000-Street Traffic Control Device	104	110	109	115	120	126
434.000-Street Lighting	56	40,000	40,000	42,000	44,100	46,305
431.055-Street Vehicle Operating Exp	-	-	-	-	-	-
432.000-Street Winter Mainten Services	5,190	5,500	5,450	5,722	6,008	6,308
437.000-Steet Repairs Tools & Machinery	7,819	8,000	8,210	8,620	9,051	9,504
438.000-Street Maintenance Road & Bridges	234	300	246	258	271	284
438.000-Street Other	-	-	-	-	-	-
438.052-Street Vegetation Control	-	-	-	-	-	-
Total 430 PUBLIC WORKS HIGHWAYS STREETS	469,504	529,321	532,920	559,566	587,545	616,922

Assessment

As a result of the City's financial distress, the Public Works Department has not had sufficient resources to maintain normal operating protocols let alone maintain its assets at a "best

practices” level. As an example, within the last six months American Rock Salt would not fill the City’s rock salt order, and the local car dealership, the supplier of quarry products and the hardware store the City normally use have stopped providing the City credit due to delinquent payments. Additionally, the supplier of the Department’s uniforms has started to repossess these uniforms as they are returned for cleaning due to nonpayment.

The City’s Public Works Department handles a variety of issues throughout the City but due to current budget pressures will be forced to make reductions in service delivery.

Public Works Recommendations

The suggested recommendations 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.

- *Increase fees charged annually.* The Department charges citizens and others for various services including repairing street cuts, permits and reviews. As an ongoing practice, Shamokin should review all fees annually and as needed when costs increase unexpectedly. An example of an unexpected cost increase would be when petroleum product prices increase, street cut fees should be reviewed to assure the fees cover the cost of increased paving materials.
- *Keep track and charge for all clean work done on private property.* Like all municipalities the City of Shamokin has properties which become dilapidated, abandoned or blighted, leading to quality of life issues. At times the PWD will clean these properties to minimize the impact on the neighborhood. Every time the Department does work on private property the Department should track and bill the property owner for services provided. Bills for services should be coordinated with the City Codes Department.
- *Apply for a grant to purchase an integrated Public Works and GIS computer system.* As resources become increasingly strained it will become even more critical that the PWD maximizes its resources in the most efficient means possible. Utilizing an integrated Public Works system will help the Department keep track of work orders, street, building and vehicle maintenance. If the Department is able to secure a grant for the purchase of an integrated computer system, the selection of which computer program is ultimately purchased should be evaluated with staff from other City departments to ensure that the system is compatible with other City systems, with the goal of creating a holistic City-wide system.
- *Review fleet and dispose of any unused vehicles and equipment.* Unused and old equipment can put a drain on resources in the form of high repair costs for parts and time required to make repairs.
- *Increase property tax in 2015 for street lighting.* The Commonwealth of Pennsylvania has approved amendments to the Third Class City Code which includes the authority to impose an additional 5 mills of tax to be designated for street lights. The City of Shamokin currently uses its Liquid Fuels allocation from the Commonwealth to fund the electric bills for street lights as allowable by law. By imposing the additional millage for the street lights the City can utilize the Liquid Fuels funds it currently spends on electricity for street paving throughout the City.

- *Increase street paving.* The reprogramming of Liquid Fuels funds will allow the City to increase repaving and repairs on the 1,000 feet of roadway the City currently attempts to pave annually. The increase in paving is necessary to avoid advanced or full deterioration. Advanced deterioration will typically increase maintenance costs by two to three times and full deterioration will result in a tenfold increase for complete street rebuilding. Normal repaving and repairs are typically adequate if accomplished every 15 years; beyond that, deterioration accelerates with full deterioration occurring every 25 years. If Shamokin does not obtain additional funding to catch up on street repaving and repairs, its street deterioration will accelerate and lead to even greater costs to rebuild streets.
- *Increase levels of shared services and cooperative purchasing.* The Department should explore expanding equipment sharing and joint purchasing with surrounding governmental agencies. This would include but not be limited to Coal Township, the Shamokin Area School District, and the Shamokin Coal Township Joint Sewer Authority.
- *Charge for recycling services provided.* The City cannot afford to provide monthly recycling services to the citizens of Shamokin without recouping its costs incurred. The City should review the current cost of providing recycling services and charge customers an appropriate fee to cover the costs incurred, thereby alleviating pressure on the City's General Fund.
- *Apply for DEP Recycling grant.* The Pennsylvania DEP offers grant funding to assist municipalities in their recycling efforts
- *Establish departmental goals and objectives.* Departmental goals and objectives should be developed with the input of PWD staff, City Administration, and Elected Officials. Goals and objects should be reviewed regularly to track status and address goals and objectives which are not being met.
- *Develop written standard operating policies and procedures as appropriate.* Currently the Department does not have written policies and procedures for various job functions. An example of a standard operating policy and procedure which should be developed would be how the Department handles a snow emergency.

Recreation Department

Overview

The City of Shamokin Recreation Department is staffed by one (1) full-time employee who is represented by AFSCME Local 2433. The remaining staff consists of part-time seasonal help. The number of part-time seasonal help varies from year to year but has consistently been approximately 25 employees. The Recreation Department is responsible for the oversight of the American Legion building, but the primary responsibility is the operation of the City pool.

Pool Operation

The City owns and operates a pool for the benefit of the citizens of Shamokin and neighboring communities.

Historical Expenditures – Recreation

City of Shamokin, Pennsylvania Recreation Expenses General Fund Year Ended December 31

Expense	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014	Projection Jan – Dec 2015	Projection Jan – Dec 2016	Projection Jan – Dec 2017	Projection Jan - Dec 2018
450 CULTURE & RECREATION						
451.300 Recreation Exp Misc	16,312	263			446	-
451.442 Utilities		-	-	65	-	-
452.256 Pool Maintenance and Repairs	6,546	6	300		264	-
452.257 Pool Chemicals	7,758	-	56		-	-
452.320 Pool Electric Utilities	5,672	2,035	1,289	11,054	2,154	-
452.321 Pool Telephone	455	87	35		-	-
452.322 Pool Sewer	270	50			-	-
452.445 Pool Water	1,025	207			-	-
452.500 Community Facilities		1,463	1,953	27,073	8,101	-
452.510 Playground/Parks	1,355	1,600			-	-
452.520 Civic Contribution		-	-	20	-	-
Total 450 CULTURE & RECREATION	39,393	5,711	3,632	38,212	10,965	-

Source:

¹ Audited Financial Statements

² From City Financial Statements

* Unaudited 2013 Results from City, does not include Other Financing Sources

Assessment

The Recreation Department's primary function is the operation of the City pool and the American Legion Building. The City relies heavily on one employee for the operation of the City pool. Besides the operation of the pool this employee is responsible for Information Technology services in the City and handles various small building repairs.

Recreation Recommendations

The following recommendations are designed to improve the financial performance of the Recreation Department.

- *Establish a separate Recreation fund with its own budget.* 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.
- *Partner with Coal Township on swimming pool operations and maintenance.* 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.
- *Market pool for group rentals.* 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.
- *Review season pass options and alternatives.* The City currently offers both daily and season passes. The City staff has noticed that the majority of pool use occurs at the beginning of the summer and diminishes as the season progresses. The City should evaluate whether it should offer partial season passes.

Codes Department

Overview

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 part-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 of Shamokin Codes Department performs the following functions.

Vacant Housing and Blighted Properties

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.

Several properties in Shamokin are demolished each year as the result of a City inspection and subsequent demolition order. Over the course of the City’s Blighted Property program 33 properties have been determined blighted. The City is currently holding 7 properties for demolition which have been determined to be blighted.

Property Maintenance

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.

Rental Inspection

The City of Shamokin adopted a rental licensing policy. Each rental unit in the City is to be inspected on a periodic basis. The City charges \$50 per rental inspection and an annual housing permit fee of \$25 per unit. The City has about 400 rental properties with possibly 500 or more units, and rental licensing fees generate \$25,000 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

The Codes Department is primarily funded from City General Fund revenues. The two most significant other sources are the Special Revenue Fund and Permit fees.

Historical Expenditures – Codes

**City of Shamokin, Pennsylvania
Codes Department Expenditures
General Fund Year Ended December 31**

Expense	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
413 CODE ENFORCEMENT						
413.101 Code Official - Salaries	26,296	26,771	27,069	28,838	34,492	30,339
413.106 Code Intern	-	-	-	-	8,459	-
413.107 Code Official Secretary	823	1,124	1,156	16,786	18,748	8,645
413.231 Code Official Cell Phone	548	375	437	219	481	392
413.300 Code Official Misc Exp	280	270	150	934	2,178	1,550
413.302 Code Official Group Dental	544	707	555	-	-	-
413.303 Code Official Group Health	19,686	18,399	15,769	32,591	45,178	23,068
413.304 Code Official Group Vision	-	-	-	588	336	141
413.306 City Inspector Group Life	182	228	251	286	496	408
413.403 Code Official Veh Fuel	1,954	-	-	-	-	-
413.417 Code Official Veh Maint	290	139	67	-	-	-
413.421 Code Official Supplies	708	-	-	335	6	10
413.445 Code Official Training	-	4	-	375	379	400
Total 413 CODE ENFORCEMENT	<u>51,311</u>	<u>48,017</u>	<u>45,454</u>	<u>80,952</u>	<u>110,753</u>	<u>64,953</u>

Projected Baseline Expenditures – Codes

City of Shamokin, Pennsylvania Codes Department Expenditures Projections General Fund Year Ended December 31

	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014	Projection Jan – Dec 2015	Projection Jan – Dec 2016	Projection Jan – Dec 2017	Projection Jan - Dec 2018
Expense						
413 CODE ENFORCEMENT						
413.101 Code Official - Salaries	34,492	30,339	31,856	33,449	35,121	36,877
413.106 Code Intern	8,459	-	-	-	-	-
413.107 Code Official Secretary	18,748	8,645	9,077	9,531	10,008	10,508
413.231 Code Official Cell Phone	481	392	412	432	454	476
413.300 Code Official Misc Exp	2,178	1,550	1,628	1,709	1,794	1,884
413.302 Code Official Group Dental	-	-	-	-	-	-
413.303 Code Official Group Health	45,178	23,068	24,221	25,432	26,704	28,039
413.304 Code Official Group Vision	336	141	148	155	163	171
413.306 City Inspector Group Life	496	408	428	450	472	496
413.403 Code Official Veh Fuel	-	-	-	-	-	-
413.417 Code Official Veh Maint	-	-	-	-	-	-
413.421 Code Official Supplies	6	10	11	11	12	12
413.445 Code Official Training	379	400	420	441	463	486
Total 413 CODE ENFORCEMENT	110,753	64,953	68,201	71,611	75,191	78,951

*2014 Budget used as the base line for projections line items were increase 5% annually

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 Recommendations

- *Establish written policies and procedures for code enforcement.* 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.
- *Computerize ticketing 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. The City should explore grant funding for a computerized ticket system freeing staff to work on other initiatives.
- *Review Third Class City Code to see if Codes inspector can provide electrical inspections.* The current codes officer is a licensed electrical inspector. However, he does not complete any electric inspections for work performed. The City Solicitor should review applicable laws to see if the City can allow the codes officer to charge for such services.

- *Enforce Dumpster Ordinance.* The City currently has a dumpster ordinance. The ordinance should be updated and enforced on a consistent basis.

Debt

Overview

The City of Shamokin has done a commendable job in the management of the amount of long-term debt the City has issued and to limit the debt burden on the taxpayers. As illustrated throughout this chapter, the total amount of the City's long-term debt outstanding and the City's annual debt service requirements are at a manageable level. Like most small and medium-sized cities in Pennsylvania, the City does not have 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 Clerk. City Council must approve any City debt issuance. City Council must also approve any guarantees it provides for other borrowings.

The City will not be able to eliminate the forecasted deficit outlined in this report by restructuring its long-term debt portfolio. The annual debt service requirements of the City equal approximately 8% of the FY 2014 General Fund Revenue. The City is permitted to and does charge a dedicated millage to be used for debt service separate from the General Fund. Debt Service millage for 2014 is 13.500 mills.

General Obligation Debt

The City has outstanding general obligation debt that includes bank loans and guaranteed obligations. The City currently has four (4) bank loans provided to the City and one short-term "bridge" loan used in conjunction with a FEMA grant. The City has a history of also utilizing annual short-term Tax and Revenue Anticipation Notes ("TRANS") for the purpose of providing the City with 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, i.e., within one fiscal year.

The annual debt service for the long-term general obligation indebtedness is approximately \$190,000 for 2014. The table below details the City's general obligation debt service requirements, by individual issue, for fiscal year 2014.

General Obligation Debt Service Requirements
Fiscal Year 2014

Debt Series	FY 2014 Debt Service
RDA LEASE REVENUE 2006 NOTE	57,600.12
2012A GO BOND	72,960.00
2012B GO BOND	34,305.00
2013B NOTE	23,806.80
Total FY 2014 Debt Service	188,671.92

Source: City Financial Advisor

The City's annual debt service obligations are approximately \$190,000 through fiscal year 2017, at which time the annual debt service payments are reduced to approximately \$165,000 through 2031, which is when the City's current outstanding long-term debt service matures. The table below details the City's general obligation debt service requirements, by individual issue, for fiscal years 2012 through 2031.

**CITY OF SHAMOKIN
NORTHUMBERLAND COUNTY, PENNSYLVANIA
OUTSTANDING GROSS DEBT SERVICE REQUIREMENTS**

YEAR	ORDINARY CITY DEBT SERVICE				SUB-TOTAL OUTSTANDING DEBT SERVICE	"BRIDGE" LOAN FOR FEMA GRANT	TOTAL GO AND LEASE REVENUE DEBT SERVICE
	RDA LEASE REVENUE 2006 NOTE	2012A GO BOND	2012B GO BOND	2013B NOTE			
2014	57,600.12	72,960.00	34,305.00	23,806.80	188,671.92	105,570.00	294,241.92
2015	57,600.12	72,880.00	34,101.00	23,806.80	188,387.92	105,570.00	293,957.92
2016	57,746.79	72,755.00	33,897.00	23,806.80	188,205.59	3,555,570.00	3,743,775.59
2017		94,315.00	69,387.00	23,806.80	187,508.80		187,508.80
2018		94,087.50	69,942.00	13,887.09	177,916.59		177,916.59
2019		93,770.00	70,429.00		164,199.00		164,199.00
2020		94,340.00	68,865.00		163,205.00		163,205.00
2021		93,797.50	70,284.00		164,081.50		164,081.50
2022		94,165.00	70,601.00		164,766.00		164,766.00
2023		94,375.00	69,867.00		164,242.00		164,242.00
2024		94,472.50	70,065.00		164,537.50		164,537.50
2025		95,412.50	69,229.00		164,641.50		164,641.50
2026		94,195.00	70,325.00		164,520.00		164,520.00
2027		93,865.00	70,353.00		164,218.00		164,218.00
2028		93,422.50	68,432.00		161,854.50		161,854.50
2029		93,822.50	70,222.00		164,044.50		164,044.50
2030		94,042.50	70,029.00		164,071.50		164,071.50
2031		94,082.50	70,768.00		164,850.50		164,850.50
	172,947.03	1,630,760.00	1,151,101.00	109,114.29	3,063,922.32	3,766,710.00	6,830,632.32

Source: City Financial Advisor

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 Shamokin Coal Township Joint Sewer Authority as well as the Redevelopment Authority for Mill Creek.

Assessment

Long-term debt of the City is not a large contributor to the financial stress currently impacting the City's Budget. 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.

Debt Recommendations

- *Continue to pursue funding for the payment of past due bills and obligations.* The City currently owes more than \$800,000 to creditors for bills and obligations incurred in or before fiscal year 2013. The City petitioned for and obtained Court approval to fund this debt through an borrowing. To date the City has not been able to secure financing for

payment of this unfunded debt. The City needs to find a source of funding to pay these creditors.

- *Monitor the debt it has pledged to guarantee.* The City should monitor the debt it has pledged to guarantee. Current debt service for the 2005 Redevelopment Authority Note which the City guaranteed is approximately \$245,000 per year. If the RDA were no longer able to pay the debt service, the City would be required to pay any shortfall. If the City were required to pay this entire amount the City's annual debt service would increase approximately 236%.

Revenue

Overview

The City of Shamokin requires stable revenue sources with moderate growth to fund services to residents, businesses and visitors. Both factors are 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. City revenue streams have been unable to cover the growing costs of City services, leading to ongoing challenges to balance the General Fund operating budget. Given these challenges, this chapter will consider:

- The City's current General Fund revenue structure
- Its revenue performance over time
- The impact of current economic conditions on City revenues
- Positive and negative aspects of the current revenue structure
- Its future revenue outlook, and
- Initiatives to strengthen and expand the City's revenue base.

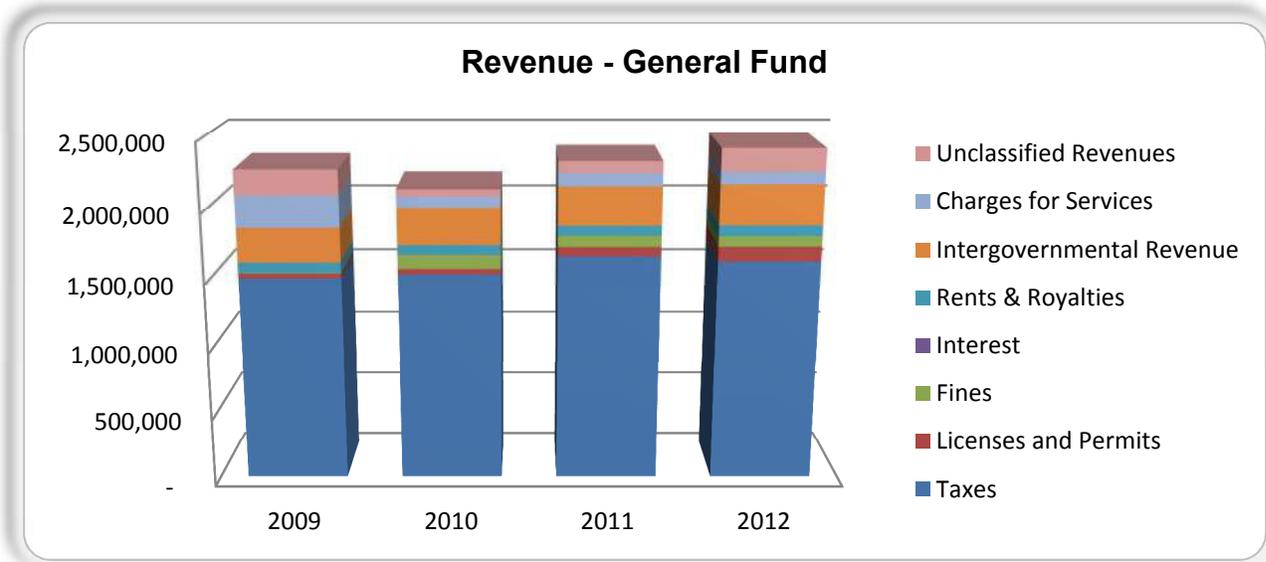
Revenue Profile

Historically, the largest component of City General Fund revenues has been the property tax. The City's other major sources of revenue include the Earned Income Tax ("EIT"), transfers from the Other Funds, along with other local taxes, transfers from state and federal governments, and user fee revenues. The table and chart below show the share of revenues by major category from 2009-2012.

General Fund Revenues, 2009-2012

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

	2009	2010	2011	2012
REVENUES:				
Taxes	1,502,752	1,531,957	1,661,442	1,623,936
Licenses and Permits	34,381	37,950	66,696	105,767
Fines	4,505	102,073	79,925	75,617
Interest	61	1,984	1	19
Rents & Royalties	74,536	67,794	69,855	75,307
Intergovernmental Revenue	248,067	269,598	284,223	296,412
Charges for Services	235,153	78,956	91,256	84,805
Miscellaneous	179,970	51,461	84,758	167,652
Total Revenues	2,279,425	2,141,773	2,338,156	2,429,515



Revenue Sources

Due to the national recession, revenue growth has declined dramatically affecting cities across the country. The severe national economic downturn has placed additional pressure on Shamokin’s already strained revenue base.

While the City’s General Fund revenues have increased by an average annual rate of 1.6% percent over the previous four years, virtually all of the City’s revenue growth has been due to increases in Licenses and Permits and Intergovernmental revenues.

General Tax Revenues, 2009-2012 Actual, 2013 Unaudited, 2014 Budget

City of Shamokin, Pennsylvania Income Statement Tax Revenues General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
Ordinary Income/Expense						
Income						
300 TAXES						
301.100 Real Estate Taxes	732,927	700,149	720,226	735,752	701,527	725,000
301.102 Tax Claims	151,911	217,727	243,298	222,065	254,376	250,000
301.104 Prior Taxes	-	5,655	-	-	2,261	2,000
305.000 Occupation Tax Local	81,571	81,805	78,354	80,356	70,268	75,000
310.000 Per Capita Current Year	18,177	13,746	11,591	13,852	12,570	12,500
310.000 Per Capita Prior Year	6	147	2,005	-	-	-
310.100 Reality Transfer Tax	24,467	14,844	43,117	20,402	21,034	21,000
310.200 Earned Income Tax Current Year	422,084	398,374	408,023	389,188	457,243	450,000
310.300 Business Priv. Tax	56,633	67,789	64,547	73,641	52,517	55,000
310.400 Occupational Tax City	1,777	2,530	3,733	2,452	2,138	2,200
310.500 LST Tax (formerly EMS)	60,311	57,923	59,376	55,056	52,420	51,000
310.600 Amusement/Admission Tax	150	-	-	-	-	-
310.700 Mechanical Device Tax	3,700	3,325	3,125	3,280	3,215	3,215
319.181 Powell, Rogers, Speaks Prior yr.	-	30,822	41,291	21,097	37,199	38,000
Total 300 - TAXES	1,553,713	1,594,836	1,678,687	1,617,141	1,666,768	1,684,915

Assessment

The low assessed property values in the City of Shamokin have a major impact on the City's ability to generate sufficient revenues to cover the current cost of services provided by the City. The Third Class City Code limits the amount of millage the City is permitted to tax its residents. In 2014 the City's limit is 30 mills, which includes an additional 5 mills allowed by court order. However, effective May 2014 the millage rate may increase to 35 mills. *See Elected Officials and City Council Recommendations.*

The current tax on City residents is estimated to be 2.4% of Median Household Income.

City of Shamokin, Pennsylvania
2014 Early Intervention Plan
Tax and Major Fee Burden on a Hypothetical Household to Support City Operations

Tax/Fee Base and Rate	2014
Median Value of Owner-Occupied Housing	\$ 37,900
Median Assessed Taxable Valuation ¹	\$ 7,345
Median Household Income	\$ 27,210.00
Real Estate Tax Millage	47.350
Earned Income Tax Rate	0.5%
Per Capita Tax Rate	\$ 5.00
Emergency and Municipal Services Tax	\$ 47.00
Occupation Tax	31 mills at 100%
Tax/Fee Burden	
City Real Estate Tax	\$ 347.80
City Earned Income Tax	\$ 136.05
City Per Capita	\$ 10.00
City Emergency and Municipal Services Tax	\$ 47.00
Occupation Tax	\$ 113.42
Tax/Fee	<u>\$ 654.27</u>
Tax/Fee Burden as a % of Median Household Income	<u>2.4%</u>

Note:

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

¹ Average 2014 Assessed Property Value as reported by the City

The City charges property tax for General Purpose, Debt Service, Library, Recreation and Shade Trees. The City's current total millage is 47.350 mills with an average tax bill of \$347.80 per taxable property. An overview of Property tax rates and average tax bill for City residents from 2010 to 2014 is shown below.

**City of Shamokin, Pennsylvania
2014 Early Intervention Plan
Historical Property Tax Rates**

	2010	2011	2012	2013	2014
Property Tax (mills) ¹ :					
Debt Service	11.168	11.168	11.168	6.860	13.500
Library	0.750	0.750	0.750	0.750	0.750
General Purpose	30.000	30.000	30.000	30.000	30.000
Recreation	2.000	2.000	3.000	7.208	3.000
Shade Trees	0.000	0.000	0.000	0.100	0.100
Total Property Tax	43.918	43.918	44.918	44.918	47.350
Number of Taxable Parcels 2014	4018	4018	4018	4018	4018
Taxable Assessment	30,409,105	30,329,370	30,300,170	29,862,080	29,513,100
Total Property Tax Mills	43.918	43.918	44.918	44.918	47.350
Total Billable Taxes	1,335,507.07	1,332,005.27	1,361,023.04	1,341,344.91	1,397,445.29
Average Assessment	7,568.22	7,548.37	7,541.11	7,432.08	7,345.22
Average Property Tax Bill	\$332.38	\$331.51	\$338.73	\$333.83	\$347.80
General Fund Tax Millage	30.0000	30.0000	30.0000	30.0000	30.0000
Average Tax Bill for General Purposes	\$227.05	\$226.45	\$226.23	\$222.96	\$220.36
Debt Service Tax Millage	11.168	11.168	11.168	6.860	13.500
Average Tax Bill for Debt Service	\$84.52	\$84.30	\$84.22	\$50.98	\$99.16
Special Purpose Tax Millage	2.750	2.750	3.750	8.058	3.850
Average Tax Bill for Special Purpose	\$20.81	\$20.76	\$28.28	\$59.89	\$28.28

Source:

¹ DCED Municipal Tax Statistics

² City Officials

Revenue Recommendations

Due to the limits imposed on the City by the Third Class City Code, the City should maximize revenues collected. The following recommendations are a means to increase revenues received.

- *Conduct a Fee Study and Increase fees to cover costs incurred.* The City is allowed to charge for various permits and fees. Given the nature of the City's financial distress it must ensure that it is charging an appropriate amount to cover all costs incurred when it provides services.
- *Hire Professional Delinquent Collector.* The City must aggressively pursue any outstanding delinquency and should use the help of an outside agency to recover any outstanding amounts owed.

- *Charge for all work performed. At times City Departments perform work on private property. The City should track and bill for all costs incurred for such work. See Public Works chapter.*
- *Institute Designated Real Estate Tax for Street Lighting. See Public Works chapter.*
- *Consider New Form of Government. See Elected Officials chapter.*
- *Review and Increase Utilization of Payments-in-Lieu-of Property Tax (“PILOT”).*

EMERGENCY ACTION PLAN

STEVENS & LEE LAWYERS & CONSULTANTS

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Lancaster, PA 17602
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Direct Fax: (610) 236-4174

January 6, 2014

Via Email and First Class Mail

The Honorable William Milbrand
Mayor, City of Shamokin
47 East Lincoln Street
P.O. Box Q
Shamokin, PA 17872

Re: Emergency Action Plan

Dear Mayor Milbrand and City Council:

The Early Intervention Program (EIP) 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. The City has hired Stevens and Lee, P.C. and Financial Solutions, LLC to conduct the City's Early Intervention Program Study.

The Emergency Action Plan builds on the Department of Community and Economic Development (DCED) Recommendations that were presented to the Mayor and City Council on October 31, 2013. The City has taken the following steps pursuant to the Recommendations: the City hired a consultant to conduct the EIP study; the Mayor and City Council adopted a balanced budget for 2014; the Mayor and City Council helped to control costs during the close of the 2013 fiscal year; and the City issued a Request for Proposals for the unfunded debt borrowing of \$800,000, which was approved by the Court of Common Pleas of Northumberland County on December 12, 2013, and Susquehanna Bank has agreed to reopen discussions regarding the borrowing in January 2014.

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March 31, 2014

The following recommendations are provided to assist the City in addressing its immediate financial emergency. The City will need to take action to implement these recommendations.

Department of Community and Economic Development Recommendations

The City should follow the Recommendations previously provided by DCED, as set forth on Exhibit A, attached hereto. These include the following.

- Early Intervention Program (EIP) – *already in process.*
- 2014 Annual Budget – *adopted, but subject to being reopened and modified.*
- Cost containment.
- Unfunded debt.

Budget and Cash Flow

The City should continuously monitor revenues and expenditures and its adherence to its adopted balanced budget.

- The adopted budget may be reopened in January, 2014, and a modified budget may be adopted on or before February 15, 2014, in accordance with applicable law.
- The City should consistently utilize a modified accrual basis of accounting, and should produce budget reports on a monthly basis which should include budget to actual revenues and expenditures showing monthly and year-to-date comparisons, and should make necessary line item budget adjustments.
- In order to maintain adequate cash balances through fiscal year 2014 the City should monitor its balance sheet and cash flow on a weekly and monthly basis.
- The City should also monitor, account for, and reconcile all inter-fund transfers on a monthly basis.
- The City should file the above weekly and monthly reports with Stevens & Lee and DCED, and should notify them of the City's designee responsible for providing the reports.
- The City should only use proceeds from the Tax and Revenue Anticipation Note (TRAN) for payment of 2014 expenditures, in accordance with the Court order.
- The City should notify Stevens & Lee and DCED if it utilizes any consultants or professionals in conjunction with the management of its affairs.
- The City should engage a Certified Public Accountant to assist with pre-closing activities and with the completion of the 2013 audit to provide an accurate year-end fiscal position that will assist with developing the EIP baseline.

Unfunded Debt

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The City should continue to pursue and complete as soon as possible the closing on the loan transaction for the unfunded debt.

- Upon closing, the City should pay all outstanding liabilities identified for the lending bank as set forth on attached Exhibit B.
- These funds should not be used for any liabilities incurred after December 31, 2013, or for any other purpose.

Revenues

The City should pursue increasing revenues in the following areas.

- Collecting parking meter revenues at least every two weeks.
- Reviewing all outstanding delinquencies and taking appropriate action.

Expenditures

The City should limit expenditures in the following areas.

- Limit expenditures to necessary purchases only.
- Limit all capital purchases.
- Review and evaluate the need for its current vehicles.
- Review and evaluate utility and equipment expenses.

Labor and Personnel Costs

Labor and personnel costs, including wages and benefits, comprise the majority of the City's expenditures and therefore require careful monitoring and may require additional and/or modified reductions to achieve a balanced budget. These may include the following.

- Wage and salary freezes for all employees.
- Limitations on overtime and compensatory time for hourly employees and elimination of overtime and compensatory time for exempt employees.
- The implementation of health care insurance cost reductions and containment measures such as increased employee contributions, increased employee copays, increased deductibles, and other plan design changes.
- Changes in post-retirement health and other benefits and elimination of such benefits for new hires, and appropriate funding of such post-retirement benefits for existing employees.
- Freezing existing benefits and not adding any new benefits.
- The City should also evaluate all staffing levels.

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The terms and conditions of employment for the police officers and certain non-uniformed employees are governed by the respective collective bargaining agreements. The City should engage in collective bargaining negotiations with the Shamokin Police Officers Association and with AFSCME to identify potential changes for cost savings and the ability to maintain appropriate staffing levels. It is recommended that new collective bargaining agreements be limited to a very short term, such as one year, or provide for reopeners based on budgetary constraints.

The City and the Police Officers Association are scheduled for an interest arbitration hearing on March 17, 2014. The City should review and develop additional proposals and attempt to negotiate changes in advance of the arbitration hearing. Such proposals may include all of the items listed above, as well as the elimination of any minimum manning provisions. If such negotiations do not result in an agreement, then the City should be prepared to fully support the necessity of its proposals in the interest arbitration proceedings.

The City should review its personnel policies, wages and benefits for its employees who are not covered by the collective bargaining agreements to identify potential changes for cost savings and ability to maintain appropriate staffing.

Conclusion

The City should discuss potential concerns with Stevens & Lee and DCED as the City implements its 2014 budget and the recommendations in this Emergency Action Plan. This Plan is not intended to be a comprehensive solution and should be regularly reviewed and modified through ongoing dialog with and among all elected and appointed officials. Success will be achieved through the cooperation and coordination of all involved parties.

STEVENS & LEE

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STEVENS & LEE
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HISTORIC & BUDGETED GENERAL FUND REVENUE AND EXPENSE LINE ITEMS

City of Shamokin, Pennsylvania Income Statement Revenues and Expenses General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
Ordinary Income/Expense						
Income						
300 TAXES						
301.100 Real Estate Taxes	732,927	700,149	720,226	735,752	701,527	725,000
301.102 Tax Claims	151,911	217,727	243,298	222,065	254,376	250,000
301.104 Prior Taxes	-	5,655	-	-	2,261	2,000
305.000 Occupation Tax Local	81,571	81,805	78,354	80,356	70,268	75,000
310.000 Per Capita Current Year	18,177	13,746	11,591	13,852	12,570	12,500
310.000 Per Capita Prior Year	6	147	2,005	-	-	-
310.100 Reality Transfer Tax	24,467	14,844	43,117	20,402	21,034	21,000
310.200 Earned Income Tax Current Year	422,084	398,374	408,023	389,188	457,243	450,000
310.300 Business Priv. Tax	56,633	67,789	64,547	73,641	52,517	55,000
310.400 Occupational Tax City	1,777	2,530	3,733	2,452	2,138	2,200
310.500 LST Tax (formerly EMS)	60,311	57,923	59,376	55,056	52,420	51,000
310.600 Amusement/Admission Tax	150	-	-	-	-	-
310.700 Mechanical Device Tax	3,700	3,325	3,125	3,280	3,215	3,215
319.181 Powell, Rogers, Speaks Prior yr.	-	30,822	41,291	21,097	37,199	38,000
Total 300 Taxes	1,553,713	1,594,836	1,678,687	1,617,141	1,666,768	1,684,915
319.180 Berkheimer	50,594	28,121	13,755	6,792	4,012	5,000
320 LICENSES & PERMITS						
321.199 Truck Hauling Fees	903	3,542	-	-	-	-
321.200 Health License	1,800	2,250	4,710	4,800	5,100	5,000
321.308 Second Hand Goods	-	-	-	-	500	300
321.300 Code Office	2,275	-	-	700	-	-
321.303 Plumbing Permits	10	-	-	-	-	-
321.330 Parking Permits	9,170	10,930	11,096	13,985	16,323	19,261
321.331 Parking Permits Bus Reserved	6,525	6,580	10,268	10,410	10,000	10,200
321.340 Dumpster Permits	660	1,100	3,275	3,800	2,675	3,000
321.700 Market Permits	1,150	1,750	1,750	1,800	1,800	1,800
322.100 Building Permits	9,397	8,861	11,639	11,182	7,274	8,000
322.200 Excavation Permit	2,492	3,879	6,492	19,010	26,631	20,000
322.201 Third Party Inspections	-	-	220	-	-	-
322.203 Landlord Reg/License	-	-	1,339	19,025	22,200	29,000
362.030 Restricted handicap parking	2,210	6,100	19,215	20,020	16,990	19,000
362.320 Snow Plow Permits	-	500	100	100	100	100
362.322 Street Dept. Work Authorization	-	207	2,070	585	347	300

City of Shamokin, Pennsylvania
Income Statement Revenues and Expenses
General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
362.323 Peddler Permits	-	100	250	350	20	200
Total 320 Licenses & Permits	36,591	45,799	72,424	105,767	109,960	116,161
331 FINES & FORFEITS						
331.100 Magistrate Fine Restitution	2,682	3,152	-	-	-	-
331.101 Clerk of Courts Restitution	173	1,569	-	-	-	-
331.120 Code Office Fine Restitution	19	-	-	1,225	3,375	5,000
331.130 State Police Fines	3,339	6,373	6,749	3,111	2,106	2,500
Total 331 Fines & Forfeits	6,213	11,094	6,749	4,336	5,481	7,500
340 INTEREST INCOME						
341.000 Interest Income Regular	55	2,060	1	19	30	15
Total 340 Interest Income	55	2,060	1	19	30	15
342 RENTS & ROYALTIES						
342.200 Rental Income	6,402	200	150	300	500	500
342.210 Lease Income	12,800	4,250	10,419	12,403	18,408	18,000
321.800 Service Elect TV Franchise Fees	55,334	62,064	57,165	62,605	67,070	67,070
342.222 Street Sweeper Rental Income	-	1,280	2,120	-	-	-
Total 342 Rents & Royalties	74,536	67,794	69,854	75,307	85,978	85,570
351 FED CAPITAL & OPERATING GRANTS						
351.010 Task Force Attorney General	10,366	10,841	10,863	4,095	10,237	10,004
351.020 Task Force County or Fed COPS Grant	-	-	894	-	11,463	11,463
351.030 Highway Safety Program	8,958	13,528	9,963	10,862	11,553	12,407
351.090 Community Development	-	-	-	4,703	3,277	15,000
351.120 Fema Flood Reimbursement	-	-	-	66,692	226,929	-
Total 351 Fed Capital & Operating Grants	19,324	24,369	21,719	86,352	263,459	48,874
351070 Firemens Relief	30,882	34,759	48,490	27,479	30,691	-
352.002 IRS Refund	102	-	1,780	-	-	-
354 STATE CAPITAL & OPERATING GRANT						
354.022 PCCD-PPP Grant	50,000	25,000	-	-	-	-
354.023 PLCB Alcohol Underage	-	7,525	-	-	-	-
354.030 Highways and Streets	-	-	74	-	-	-
354.090 CDBG Reimbursement	18,577	33,394	30,064	31,481	37,031	53,563
354.151 Recycling Income	6,078	942	190	-	51	-
Total 354 State Capital & Operating Grant	74,655	66,862	30,328	31,481	37,082	53,563
355 STATE SHARED REVENUE & ENTITLEM						
355.003 Dept of Treasury	29,522	-	-	37,668	630	-
355.008 DCED Reimbursement	-	-	-	-	101,802	-

City of Shamokin, Pennsylvania
Income Statement Revenues and Expenses
General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
355.040 State License Revenue (Alcohol)	4,000	8,876	18,988	6,501	3,700	3,700
355.050 State Aid MMO	106,352	100,280	173,489	171,900	116,531	116,000
355.051 PMHIC Refund	1,513	52,383	12,387	128,759	53,147	-
Total 355 State Shared Revenue & Entitlement	141,387	161,539	204,865	344,828	275,810	119,700
355.001 PURTA Utility Realty Tax	5,468	2,333	2,004	2,006	1,858	1,500
356 PILOT						
356.000 PILOT Housing Authority	-	13,131	5,101	4,847	7,511	-
Total 356 PILOT	-	13,131	5,101	4,847	7,511	-
360 CHARGES FOR SERVICES						
361.300 Zoning/Subdivision/Land Fees	150	450	300	(1,924)	388	300
362.015 Planning Commission	-	-	-	-	100	-
362.100 Police Fines	112,675	91,990	73,176	71,281	71,426	72,000
362.101 Parking Meters Income	82,878	71,424	88,536	84,205	99,051	100,000
362.102 Police Buckle Up	4,171	-	-	-	-	-
362.225 Emergency Response Fee	-	-	-	-	1,183	-
362.301 Refund of Code Secretary Wages	1,245	-	-	-	-	-
362.317 Donation	32,823	-	1,550	20,700	1,000	1,000
362.318 Treasurer Office Supply reimburse	-	-	-	24	776	-
362.331 Employee Phone reimb. Verizon	-	-	-	5,002	(301)	1,000
Total 360 Charges For Services	233,942	163,864	163,562	179,288	173,623	174,300
367 CULTURE AND RECREATION						
367.201 Recreation Salaries Allocation	-	-	36	-	34,050	-
367 Culture Recreation - Other	449	175	1,612	-	-	-
Total 367 Culture Recreation	449	175	1,648	-	34,050	-
379 OTHER INSURANCES						
379.012 Retiree Insurance	10,557	2,959	3,572	1,120	1,528	816
379.013 Travelers Insurance	11,454	6,025	1,681	1,850	-	-
379.014 Benecon Ins Distribution	13,617	-	-	-	-	-
379.015 Elected Official Insurance Co-P	885	-	1,100	200	-	-
379.016 Firemans Prem,Ins. Refund	163	-	-	210	-	-
379.017 Dental Co-pay reimbursement	-	17,857	2,956	2,036	814	550
379.018 Health Insurance co-pay	-	-	5,570	25,538	25,583	35,350
379.019 Cancer reimbursement co pay	-	-	728	1,624	2,461	2,214
Total 379 Other Insurances	36,677	26,841	15,607	32,578	30,386	38,930
391 OTHER FINANCING SOURCES						
392.001 Transfer from	15,995	104,591	136,878	142,693	113,506	-
392.003 Transfer of Funds Pool Payroll	-	-	22,518	50,621	29,644	-

City of Shamokin, Pennsylvania
Income Statement Revenues and Expenses
General Fund Year Ended December 31

	<u>Audited Jan - Dec 2009</u>	<u>Audited Jan - Dec 2010</u>	<u>Audited Jan - Dec 2011</u>	<u>Audited Jan - Dec 2012</u>	<u>Unaudited Jan - Dec 2013</u>	<u>Budget Jan - Dec 2014</u>
393.100 Funds From Loan Proceeds	-	149,750	-	26,253	102,500	-
394.001 Tax Revenue Anticipation Note	-	224,750	-	192,700	268,126	-
Total 391 Other Financing Sources	15,995	479,091	159,396	412,267	513,776	-
399.000 MISCELLANEOUS INCOME						
399.100 NSF Personal Check refund	-	1,208	81	255	59	50
399.200 Bank NSF Refund	-	15	15	60	45	60
399.000 Miscellaneous Income - Other	12,510	16,597	20,855	5,843	3,602	2,000
Total 399.000 Miscellaneous Income	12,510	17,820	20,951	6,158	3,706	2,110
Total Income	2,293,092	2,740,487	2,516,923	2,936,645	3,244,181	2,338,138
Gross Profit	2,293,092	2,740,487	2,516,923	2,936,645	3,244,181	2,338,138

City of Shamokin, Pennsylvania
Income Statement Revenues and Expenses
General Fund Year Ended December 31

	<u>Audited Jan - Dec 2009</u>	<u>Audited Jan - Dec 2010</u>	<u>Audited Jan - Dec 2011</u>	<u>Audited Jan - Dec 2012</u>	<u>Unaudited Jan - Dec 2013</u>	<u>Budget Jan - Dec 2014</u>
Expense						
Misc Expense	358		1,881	472	(21)	-
316.320 NSF Personal Check Returned	70	1,208	81	15	15	-
362.319 NSF Bank Fee	45	15	15	420	89	-
400 LEGISLATIVE						
400.101 Legislative Salaries	8,781	19,369	19,550	19,550	19,550	-
400.231 Legislative Cell Phone	468	79			-	-
401.330 Employer Portion Social Security	<u>30,154</u>	<u>34,244</u>	<u>31,959</u>	<u>33,868</u>	<u>37,894</u>	<u>35,000</u>
Total 400 Legislative	39,403	53,692	51,509	53,417	57,444	35,000
401 MAYOR	1,213	-	-	50	60	-
402 AUDIT & FINANCIAL						
402.311 City Auditor	<u>34,250</u>	<u>6,045</u>	<u>30,750</u>	<u>6,755</u>	<u>28,300</u>	<u>17,000</u>
Total 402 Audit & Financial	34,250	6,045	30,750	6,755	28,300	17,000
403 TREASURER & TAX COLLECTION						
403.10 Treasurer Salary	13,854	16,456	17,070	17,666	26,453	17,610
403.102 Treasurer Bond Premium	-	1,226	-	100	110	115
403.104 Treasurer Group Vision	417	209	458	526	648	282
403.106 Treasurer Group Life	486	608	784	686	653	653
403.132 Treasurer Act 511 Exp	3,315	3,452	4,136	3,236	2,863	3,500
403.133 Treasurer PY Tax Collect Berkhe	14,426	12,823	10,221	10,913	11,043	4,000
403.134 Treasurer Keystone Tax Collection	-	-	-	-	-	5,600
403.202 Treasurer Group Dental	1,088	1,414	1,110		-	-
403.202 Treasurer Group Health	30,935	37,094	34,447	44,883	46,199	23,568
403.210 Treasurer Office Supplies	4,596	209	634	(520)	196	300
403.213 Treasurer Computer Supplies	-	205	-	3,373	4,782	4,750
403.215 Treasurer Office Postage	507	670	1,295	822	657	700
403.231 Treasurer Office Cell Phone	232	551	608	217	26	-
403.300 Treasurer Subscription	50	160	60	150	75	-
403.321 Treasurer Office Telephone	475	475	570	467	463	500
403 Treasurer & Tax Collection - Other	<u>-</u>	<u>-</u>	<u>223</u>	<u>3,312</u>	<u>2,613</u>	<u>2,300</u>
Total 403 Treasurer & Tax Collection	70,381	75,552	71,615	85,831	96,781	63,878
404 LEGAL SERVICES						
404.101 Legal City Solicitor	5,817	6,500	6,500	6,500	6,500	6,500
404.211 Legal City Solicitor Expense	4,492	4,906	4,593	4,212	4,106	4,000
404.300 Legal City Legal Expense - Misc	<u>-</u>	<u>-</u>	<u>1,968</u>	<u>1,857</u>	<u>6,207</u>	<u>10,000</u>
Total 404 Legal Services	10,309	11,405	13,061	12,569	16,813	20,500

City of Shamokin, Pennsylvania
Income Statement Revenues and Expenses
General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
405 CITY CLERK						
405.101 City Clerk - Salaries	34,999	35,673	35,539	37,136	49,451	44,990
405.202 City Clerk Group Health	-	-	-	-	-	23,568
405.100 Group health deductible	-	-	-	-	-	500
405.106 City Clerk Group Life	-	-	-	-	-	-
405.104 City Clerk Group Vision	-	-	-	-	-	141
405.300 Gen Gov - Clerk Misc Expense	694	1,283	67	300	702	450
Total 405 City Clerk	35,693	36,957	35,605	37,436	50,153	69,649
406 CITY HALL (GEN GOVT) ADMIN						
401.300 City General Operating Supplies	4,453	7,134	6,548	26,136	12,529	7,500
405.128 Gen Gov - LATS	2,830	1,098	1,153	1,211	1,271	1,300
405.130 Gen Gov - PCLM	-	-	1,602	-	-	-
406.130 Gen Gov - Admin Computer Srvc	3,085	2,229	2,225	1,924	3,988	3,000
406.131 Gen Gov - City Hall Office Secr	-	5,727	9,182	16,477	17,472	1,916
406.202 Admin Group Health Secretary	-	-	-	-	-	1,610
406.100 Group Health Deductible	-	-	-	-	-	-
406.106 Admin Group Life	-	-	-	-	-	408
406.104 Admin Group Vision	-	-	-	-	-	141
406.215 Gen Gov - Postage	884	1,323	1,052	109	1,508	1,200
406.225 City Data Processing	343	4,109	3,884	-	607	800
406.255 Gen Gov - Printing - Advertising	2,326	2,455	3,051	4,553	3,253	4,300
406.300 Gen Gov - Admin Misc	4,250	3,762	9,197	18,906	11,413	8,500
Total 406 City Hall (Gen Govt) Admin	18,171	27,835	37,893	69,315	52,041	30,675
409 CITY HALL (GEN GOVT) BUILDINGS						
409.300 Gen Gov - Bldg & Plant Misc	8,572	11,310	12,274	35,931	17,185	15,000
409.301 Gen Gov - Bldg & Plant Heat	5,557	5,610	4,003	12,558	3,138	3,500
409.320 City Hall Electric Utilities	1,792	3,037	2,458	2,757	1,961	2,600
409.321 City Hall Telephone	1,972	1,026	1,192	1,824	1,151	1,250
409.322 City Hall Sewer	307	276	372	721	515	600
409.410 Gen Gov - Building Expense	-	1,074	272	492	1,904	500
409.445 City Hall Water	834	876	3,766	-	1,374	1,400
409 City Hall Other	-	-	255	1,609	-	-
Total 409 City Hall (Gen Govt) Buildings	19,034	23,209	24,592	55,892	27,228	24,850
410 POLICE						
410.101 Police Salaries	653,767	734,871	747,999	777,752	737,330	583,794
410.102 Police - Overtime 1.5x	30,696	50,428	43,451	40,773	75,036	27,000
410.103 Police - Hrly Double Time 2x	-	-	-	3,459	860	3,500
410.130 Police Computer Expense	2,977	1,162	2,581	2,839	2,700	2,500
410.202 Police Group Health	236,566	228,113	202,320	230,246	259,519	183,532

City of Shamokin, Pennsylvania
Income Statement Revenues and Expenses
General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
410.203 Police Group Dental	8,030	9,698	7,423	-	-	-
410.204 Police Group Vision	2,146	2,353	2,053	2,090	2,259	1,019
410.206 Police Group Life	5,008	6,379	7,878	6,218	5,746	4,488
410.228 Police Parking Meters/Lease Payment	3,633	8,183	3,273	-	(1,463)	-
410.228 Police Radio	-	641	-	320	316	420
410.229 Police Water	602	765	994	1,593	1,365	1,300
410.230 Police Gas	16,806	22,928	28,574	58,685	30,134	39,500
410.231 Police Cell Phone	950	963	2,023	6,033	1,277	1,350
410.245 Police Pension	16,206	11,056	-	-	25,521	-
410.288 Police DARE Expenses	470	-	-	-	-	-
410.289 Police COPS Grant DOJ	177	-	-	-	-	-
410.300 Police Office Expense	3,722	6,062	5,795	3,806	1,329	1,800
410.301 Police Copier Expense	5,902	1,226	1,617	1,661	2,236	2,000
410.302 Equipment Calibration	-	-	916	160	828	1,000
410.320 Police Electric Utilities	7,554	11,679	13,468	6,891	6,753	7,000
410.321 Police Telephone	1,165	1,212	1,302	1,394	1,055	1,400
410.322 Police Sewer	45	-	-	-	-	-
410.333 Police Uniform Pension MMO	61,767	57,553	157,197	161,484	-	205,769
410.380 · Lease/Rental Expense Mill Site	4,129	1,287	11,107	39	116	120
410.390 Police Meetings & Conferences	-	713	463	748	125	500
410.391 Police Clothing Allowance	-	-	2,550	-	425	500
410.437 Police Repairs and Maintenance	7,929	9,278	7,308	5,363	5,906	6,500
410.449 Police Drug & Alcohol Test Fees	-	-	399	-	-	-
410 Police Other	-	-	-	-	2,500	-
410.500 Police Vehicle Lease Expense	-	-	-	22,156	8,248	23,000
Total 410 Police	1,070,248	1,166,547	1,250,691	1,333,707	1,170,121	1,097,992
410.104 Savings Electronic Transfer Emp	-	-	-	4,615	4,660	4,200
411 FIRE						
411.101 Fire Chiefs - Salaries	4,999	3,200	2,400	4,157	3,200	3,200
411.229 Fire - Water	22	42	153	7	-	-
411.320 Fire Electric Utilities	218	190	203	387	498	550
411.322 Fire - Museum Sewer	60	171	186	360	233	250
411.380 Fire - Lease/Rental Mill Site	8,874	739	11,828	-	-	-
411.391 Fire - Clothing Allowance	-	-	914	-	-	-
411.409 Fire Vehicle Maintenance	1,218	3,155	2,908	6,130	2,285	3,000
411.419 Fire - Firemens Relief Fund	30,882	34,759	48,490	27,479	30,691	-
411.421 Fire Equipment	298	66	398	-	-	-
411.430 Fire Hydrant Rentals	31,754	29,400	29,565	35,797	23,023	30,697

City of Shamokin, Pennsylvania
Income Statement Revenues and Expenses
General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
411.431 Fire Appropriations	17,500	21,000	10,500	22,167	16,333	16,500
411.504 Firemen Group Vision	-	-	-	-	-	50
412.322 Ambulance Rescue Sewer	179	246	372	721	540	655
Total 411 Fire	96,004	92,969	107,916	97,204	76,803	54,902
413 CODE ENFORCEMENT						
413.101 Code Official - Salaries	26,296	26,771	27,069	28,838	34,492	30,339
413.106 Code Intern	-	-	-	-	8,459	-
413.107 Code Official Secretary	823	1,124	1,156	16,786	18,748	8,645
413.231 Code Official Cell Phone	548	375	437	219	481	392
413.300 Code Official Misc Exp	280	270	150	934	2,178	1,550
413.302 Code Official Group Dental	544	707	555	-	-	-
413.303 Code Official Group Health	19,686	18,399	15,769	32,591	45,178	23,068
413.304 Code Official Group Vision	-	-	-	588	336	141
413.306 City Inspector Group Life	182	228	251	286	496	408
413.403 Code Official Veh Fuel	1,954	-	-	-	-	-
413.417 Code Official Veh Maint	290	139	67	-	-	-
413.421 Code Official Supplies	708	-	-	335	6	10
413.445 Code Official Training	-	4	-	375	379	400
Total 413 Code Enforcement	51,311	48,017	45,454	80,952	110,753	64,953
419 OTHER PUBLIC SAFETY						
419.211 Public Safety Other	-	365	7,949	19,123	123,938	15,000
419.231 Public Safety Cell Phone	250	368	440	850	10,169	-
Total 419 Other Public Safety	250	733	8,389	19,972	134,107	15,000
426 PUBLIC WORKS SANITATION						
426.101 Public Works Recycling	721	-	555	-	-	-
Total 426 Public Works Sanitation	721	-	555	-	-	-
430 PUBLIC WORKS HIGHWAYS STREETS						
430.101 Street Dept Laborer's Wages	232,565	287,041	269,145	247,484	273,264	282,646
430.102 Street - Double Time Hrly 2x	2,119	113	282	594	1,974	-
430.103 Street - Overtime 1.5 Hrly Rate	6,386	12,159	10,779	3,689	8,617	-
430.104 Street Dept Union Dues	5,246	3,413	5,217	4,697	3,900	-
430.229 Street Dept Water	382	644	550	1,458	1,036	1,300
430.230 Street Dept Gas & Diesel Oil	15,489	20,725	20,143	8,937	5,674	8,500
430.231 Street Dept Cell Phone	846	738	751	759	957	1,100
430.245 Street Dept Pension	5,607	3,752	-	-	-	-
430.260 Street Dept Minor Equipment Pur	-	283	86	2,976	2,308	-
430.300 Street Dept Misc Expense	1,897	2,074	1,658	584	549	400

City of Shamokin, Pennsylvania
Income Statement Revenues and Expenses
General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
430.320 Street Dept Electric Utilities	2,848	4,085	4,216	3,762	3,981	4,200
430.321 Street Dept Telephone	248	215	238	251	171	228
430.322 Street Dept Sewer	122	246	309	720	515	620
430.333 Street Non-uniform Pension MMO	-	-	16,292	10,416	-	13,000
430.333 Street Lease/Rental Mill	33,118	3,385	44,240		-	-
430.403 Street Dept Group Health	112,121	119,206	112,928	111,782	128,099	136,391
430.404 Street Dept Group Vision	689	753	871	935	839	820
430.405 Street Dept Minor Equipment	1,213	-	691	1,219	2,308	2,000
430.406 Street Dept Group Life	2,601	3,198	3,686	2,972	3,087	2,856
430.407 Street Dept Group Dental	2,889	4,066	2,790	-	-	-
430.409 Street Dept Gas and Oil	1,351	-	-	-	-	-
430.413 Street Dept Clothing Allowance	2,523	2,203	1,963	1,685	1,827	2,250
430.415 Street Dept Professional Services	-	1,981	-	-	-	-
430.419 Street Dept Computer	824	770	718	915	653	700
430.421 Street Dept Material & Supplies	2,529	5,870	1,049	1,850	1,374	2,000
430.437 Street Dept Vehicle Maintenance	11,814	16,098	15,012	10,151	10,853	12,000
430.740 Street Major Equipment Purchase	-	-	-	15,823	295	400
431.000 Street Cleaning Street & Gutter	-	571	2,694	3,192	3,820	4,000
433.000 Street Traffic Control Device	1,024	5,990	158	-	104	110
434.000 Street Lighting	35,373	35,623	86,487	-	56	40,000
431.055 Street Vehicle Operating Exp	43	75	-	100	-	-
432.000 Street Winter Mainten Services	-	-	-	4,646	5,190	5,500
437.000 Street Repairs Tools & Machinery	420	631	2,339	1,876	7,819	8,000
438.000 Street Maintenance Road & Bridges	3,016	1,122	1,931	5,000	234	300
438.000 Street Other	173	-	421	-	-	-
438.052 Street Vegetation Control	-	-	-	245	-	-
Total 430 Public Works Highways Streets	485,476	537,027	607,645	448,719	469,504	529,321
450 CULTURE & RECREATION						
451.300 Recreation Exp Misc	16,312	263			446	-
451.442 Utilities		-	-	65	-	-
452.256 Pool Maintenance and Repairs	6,546	6	300		264	-
452.257 Pool Chemicals	7,758	-	56		-	-
452.320 Pool Electric Utilities	5,672	2,035	1,289	11,054	2,154	-
452.321 Pool Telephone	455	87	35		-	-
452.322 Pool Sewer	270	50			-	-
452.445 Pool Water	1,025	207			-	-
452.500 Community Facilities		1,463	1,953	27,073	8,101	-
452.510 Playground/Parks	1,355	1,600			-	-
452.520 Civic Contribution		-	-	20	-	-

City of Shamokin, Pennsylvania
Income Statement Revenues and Expenses
General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
Total 450 Culture & Recreation	39,393	5,711	3,632	38,212	10,965	-
460 COMMUNITY DEVELOPMENT						
CDBG Other	-	-	-	-	50,147	50,155
460.202 CDBG Group Health						22,210
460.106 CDBG Group Life						245
460.100 CDBG Group health Deductible						500
460.100 CDBG Group Vision						141
462.101 CDBG - Salary	29,580	30,149	29,580	30,464	22,720	30,467
Total 460 Community Development	29,580	30,149	29,580	30,464	72,867	103,718
471.605 Susquehanna Bank Note 2010	-	115,006	-	-	-	-
481 EMPLOYER PAID BENEFITS						
481.101 Social Security	15,099	17,939	17,028	18,325	19,135	19,500
481.300 Unemployment Insurance	13,455	4,681	1,123	594	17	20,000
484.001 City Workers Comp Insurance	29,524	-	3,527	10,574	4,556	12,000
481 Employer Paid Benefits Other	-	-	480	-	-	-
Total 481 Employer Paid Benefits	58,078	22,620	22,158	29,494	23,708	51,500
486 INSURANCE						
486.013 Travelers Ins Disbursement	10,444	1,880	2,895	581	802	1,000
486.101 City General Ins	4,423	1,354	-	-	-	-
486.102 City Commercial Package	78,230	77,438	29,246	119,349	123,239	130,000
486.103 City Workmens Comp Ins	40,028	40,016	11,651	-	-	-
486.104 Firemans General Ins	11,771	10,899	4,638	-	-	-
486.105 Firemans Workmens Comp	11,795	13,639	4,606	-	-	-
486.106 Firemans Equipment Insurance	1,501	1,989	745	-	-	-
486 Insurance Other	-	-	53,901	-	-	-
Total 486 Insurance	158,192	147,214	107,681	119,930	124,041	131,000
487 HEALTH INSURANCE BENEFIT						
487.000 Admin Group Health	132,473	118,646	116,730	105,678	122,824	-
487.001 Admin Group Dental	7,093	2,917	3,163	-	3,866	-
487.002 Admin Group Life	6,533	4,460	4,262	4,657	4,164	-
487.004 Admin Group Vision	8,944	1,894	2,160	1,486	2,067	-
487.498 Cancer Insurance	94	80	2,232	3,105	4,096	-
487.499 Benefit Refunds	16,368	-	-	(288)	-	-
489.001 Health Ins Benefit Misc	3,799	3,387	3,459	3,941	5,315	6,500
Total 487 Health Insurance Benefit	175,304	131,384	132,007	118,578	142,332	6,500
490.000 Refund of PY Expense	847	-	(36)	-	-	-
492 INTERFUND OPERATING TRANSFER						
492.000 Interfund Transfers	50,495	63,058	278,765	91,264	483,770	-

City of Shamokin, Pennsylvania
Income Statement Revenues and Expenses
General Fund Year Ended December 31

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
492 Interfund operating transfer - Other	-	-	22,776	1,682	-	-
Total 492 Interfund Operating Transfer	50,495	63,058	301,541	92,946	483,770	-
66900 Reconciliation Discrepancies	(1)	22,285	(252)	(1)	(29)	-
Total Expense	2,444,826	2,618,639	2,883,962	2,736,964	3,152,505	2,320,638
Net Ordinary Income	(151,734)	121,848	(367,039)	199,680	91,676	17,500
Other Income/Expense						
Other Expense						
472 DEBT INTEREST						
472.002 Tax Anticipation Revenue Expense	6,217	-	350	103,969	-	17,500
Total 472 Debt Interest	6,217	-	350	103,969	-	17,500
Total Other Expense	6,217	-	350	103,969	-	17,500
Net Other Income	(6,217)	-	(350)	(103,969)	-	(17,500)
Net Income	(157,951)	121,848	(367,389)	95,712	91,676	-

BUDGET PROJECTIONS 2014-2017

City of Shamokin, Pennsylvania Projected Statement of Revenues and Expenditures General Fund Year Ended December 31

	2013	2014	2015	2016	2017
REVENUES:					
Taxes	1,670,779	1,689,915	1,689,915	1,689,915	1,689,915
Licenses and Permits	177,210	183,231	186,896	190,634	194,446
Fines	5,481	79,500	79,500	79,500	79,500
Interest	30	15	15	15	15
Rents & Royalties	18,908	18,500	18,500	18,500	18,500
Intergovernmental Revenue	608,900	223,637	230,346	237,256	244,374
Charges for Services	173,623	102,300	102,300	102,300	102,300
Miscellaneous	75,653	41,040	41,040	41,040	41,040
Total Revenues	2,730,584	2,338,138	2,348,512	2,359,160	2,370,090
GROWTH ASSUMPTIONS					
Taxes	0.00%	0.00%	0.00%	0.00%	0.00%
Licenses and Permits	2.00%	2.00%	2.00%	2.00%	2.00%
Fines	0.00%	0.00%	0.00%	0.00%	0.00%
Interest	0.00%	0.00%	0.00%	0.00%	0.00%
Rents & Royalties	0.00%	0.00%	0.00%	0.00%	0.00%
Intergovernmental Revenue	3.00%	3.00%	3.00%	3.00%	3.00%
Charges for Services	0.00%	0.00%	0.00%	0.00%	0.00%
Miscellaneous	0.00%	0.00%	0.00%	0.00%	0.00%

City of Shamokin, Pennsylvania
Projected Statement of Revenues and Expenditures
General Fund Year Ended December 31

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
EXPENDITURES:					
General Government	328,901	261,552	269,399	277,481	285,805
Public Safety	1,496,491	1,496,491	1,571,316	1,649,881	1,732,375
Public Works	467,196	529,321	555,787	583,576	612,755
Culture and Recreation	10,966	-	-	-	-
Community Development	72,867	103,718	108,904	114,349	120,067
Debt Service (TRAN Interest)	-	17,500	17,500	17,500	17,500
Insurance Premiums	124,041	131,000	141,480	152,798	165,022
Employee Benefits	166,040	58,000	62,640	67,651	73,063
Miscellaneous, Pat Due Bills & CDBG Payback	814,950	50,000	50,000	304,495	-
Total Expenses	3,481,452	2,647,582	2,777,025	3,167,732	3,006,588
GROWTH ASSUMPTIONS					
General Government	0.00%	0.00%	3.00%	3.00%	3.00%
Public Safety	5.00%	5.00%	5.00%	5.00%	5.00%
Public Works	5.00%	5.00%	5.00%	5.00%	5.00%
Culture and Recreation	0.00%	3.00%	3.00%	3.00%	3.00%
Community Development	5.00%	5.00%	5.00%	5.00%	5.00%
Debt Service (TRAN Interest)	0.00%	0.00%	0.00%	0.00%	0.00%
Insurance Premiums	8.00%	8.00%	8.00%	8.00%	8.00%
Employee Benefits	8.00%	8.00%	8.00%	8.00%	8.00%
Miscellaneous	0.00%	0.00%	0.00%	0.00%	0.00%
Excess of Revenues Over (Under)					
Expenditures	(750,868)	(309,444)	(428,513)	(808,572)	(636,497)
Other Financing Sources (Uses)					
Operating Transfers In	513,776	-	-	-	-
Operating Transfers Out	(483,770)	-	-	-	-
Proceeds from Long-Term Debt	-	-	-	-	-
Tax and Revenue Anticipation Notes	-	-	-	-	-
Miscellaneous & Payback to CDBG	-	-	-	-	-
Total Other Financing Sources (Uses)	30,006	-	-	-	-
Net Change in Fund Balances	(720,862)	(309,444)	(428,513)	(808,572)	(636,497)
Fund Balances - Beginning of Year	110,095	(610,767)	(920,211)	(1,348,724)	(2,157,296)
Fund Balance - End of Year	(610,767)	(920,211)	(1,348,724)	(2,157,296)	(2,793,794)

DEPARTMENTAL PROJECTIONS

City of Shamokin, Pennsylvania Mayor and Council Expenditures General Fund Year Ended December 31

	Audited Jan – Dec 2009	Audited Jan – Dec 2010	Audited Jan – Dec 2011	Audited Jan – Dec 2012	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014
Expense						
400 - LEGISLATIVE						
400.101 - Legislative Salaries	8,781	19,369	19,550	19,550	19,550	-
400.231 - Legislative Cell Phone	468	79				-
401.330 – Employer Portion Social Security	30,154	34,244	31,959	33,868	37,894	35,000
Total 400 – LEGISLATIVE	39,403	53,692	51,509	53,417	57,444	35,000
401 - MAYOR						
	1,213	-	-	50	60	

City of Shamokin, Pennsylvania Mayor and Council Expenditure Projections General Fund Year Ended December 31

	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014	Projection Jan – Dec 2015	Projection Jan – Dec 2016	Projection Jan – Dec 2017	Projection Jan - Dec 2018
Expense						
400 LEGISLATIVE						
400.101 Legislative Salaries	19,550	-	-	-	-	-
400.231 Legislative Cell Phone	-	-	-	-	-	-
401.330 Employer Portion Social Security	37,894	35,000	37,894	37,894	37,894	37,894
Total 400 LEGISLATIVE	57,444	35,000	37,894	37,894	37,894	37,894
401 MAYOR						
	60	-	-	-	-	

*Unaudited 2013 Results used as the base line for projections line items were increase 0% annually

GROWTH ASSUMPTIONS

400 LEGISLATIVE

400.101 Legislative Salaries	0%	0%	0%	0%
400.231 Legislative Cell Phone	0%	0%	0%	0%
401.330 Employer Portion Social Security	0%	0%	0%	0%

Total 400 LEGISLATIVE

401 MAYOR	0%	0%	0%	0%
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**City of Shamokin, Pennsylvania
City Clerk Expenditures
General Fund Year Ended December 31**

	Audited Jan – Dec 2009	Audited Jan – Dec 2010	Audited Jan – Dec 2011	Audited Jan – Dec 2012	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014
Expense						
405 · CITY CLERK						
405.101·City Clerk-Salaries	34,999	35,673	35,539	37,136	49,451	44,990
405.202·City Clerk Group Health	-	-	-	-	-	23,568
405.100 Group health deductible	-	-	-	-	-	500
405.106·City Clerk Group Life	-	-	-	-	-	-
405.104·City Clerk Group Vision	-	-	-	-	-	141
405.300·Gen Gov-Clerk Misc Expense	694	1,283	67	300	702	450
Total 405 · CITY CLERK	35,693	36,957	35,605	37,436	50,153	69,649

**City of Shamokin, Pennsylvania
City Clerk Projected Expenditures
General Fund Year Ended December 31**

	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014	Projection Jan – Dec 2015	Projection Jan – Dec 2016	Projection Jan – Dec 2017	Projection Jan - Dec 2018
Expense						
405 CITY CLERK						
405.101 City Clerk - Salaries	49,451	44,990	46,340	47,730	49,162	50,637
405.202 City Clerk Group Health	-	23,568	24,275	25,003	25,753	26,526
405.100 Group health deductible	-	500	515	530	546	563
405.106 City Clerk Group Life	-	-	-	-	-	-
405.104 City Clerk Group Vision	-	141	145	150	154	159
405.300 Gen Gov - Clerk Misc Expense	702	450	464	477	492	506
Total 405 CITY CLERK	50,153	69,649	71,738	73,891	76,107	78,391

*2014 Budget used as the base line for projections line items were increase 3% annually

GROWTH ASSUMPTIONS

405 CITY CLERK						
405.101 City Clerk - Salaries			3.00%	3.00%	3.00%	3.00%
405.202 City Clerk Group Health			3.00%	3.00%	3.00%	3.00%
405.100 Group health deductible			3.00%	3.00%	3.00%	3.00%
405.106 City Clerk Group Life			3.00%	3.00%	3.00%	3.00%
405.104 City Clerk Group Vision			3.00%	3.00%	3.00%	3.00%
405.300 Gen Gov - Clerk Misc Expense			3.00%	3.00%	3.00%	3.00%
Total 405 · CITY CLERK						

**City of Shamokin, Pennsylvania
Community Development Expenses
General Fund Year Ended December 31**

	Audited Jan – Dec 2009	Audited Jan – Dec 2010	Audited Jan – Dec 2011	Audited Jan – Dec 2012	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014
Expense						
460 COMMUNITY DEVELOPMENT						
CDBG Other	-	-	-	-	50,147	50,155
460.202·CDBG Group Health						22,210
460.106·CDBG Group Life						245
460.100·CDBG Group health Deductible						500
460.100·CDBG Group Vision						141
462.101·CDBG-Salary	29,580	30,149	29,580	30,464	22,720	30,467
Total 460 COMMUNITY DEVELOPMENT	29,580	30,149	29,580	30,464	72,867	103,718

**City of Shamokin, Pennsylvania
Community Development Projected Expenditures
General Fund Year Ended December 31**

	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014	Projection Jan – Dec 2015	Projection Jan – Dec 2016	Projection Jan – Dec 2017	Projection Jan - Dec 2018
Expense						
460 COMMUNITY DEVELOPMENT						
CDBG Other	50,147	50,155	52,663	55,296	58,061	60,964
460.202 CDBG Group Health		22,210	23,321	24,487	25,711	26,996
460.106 CDBG Group Life		245	257	270	284	298
460.100 CDBG Group health Deductible		500	525	551	579	608
460.100 CDBG Group Vision		141	148	155	163	171
462.101 CDBG - Salary	22,720	30,467	31,990	33,590	35,269	37,033
Total 460 COMMUNITY DEVELOPMENT	72,867	103,718	108,904	114,349	120,067	126,070

*2014n Budget used as the base line for projections line items were increase 5% annually

GROWTH ASSUMPTIONS

CDBG Other	5.00%	5.00%	5.00%	5.00%
460.202 CDBG Group Health	5.00%	5.00%	5.00%	5.00%
460.106 CDBG Group Life	5.00%	5.00%	5.00%	5.00%
460.100 · CDBG Group health Deductible	5.00%	5.00%	5.00%	5.00%
460.100 · CDBG Group Vision	5.00%	5.00%	5.00%	5.00%
462.101 · CDBG - Salary	5.00%	5.00%	5.00%	5.00%

**City of Shamokin, Pennsylvania
Treasurer Expenditures
General Fund Year Ended December 31**

	Audited Jan – Dec 2009	Audited Jan – Dec 2010	Audited Jan – Dec 2011	Audited Jan – Dec 2012	Unaudited Jan - Dec 2013	Budget Jan – Dec 2014
Expense						
403 TREASURER & TAX COLLECTION						
403.10 Treasurer Salary	13,854	16,456	17,070	17,666	26,453	17,610
403.102 Treasurer Bond Premium	-	1,226	-	100	110	115
403.104 Treasurer Group Vision	417	209	458	526	648	282
403.106 Treasurer Group Life	486	608	784	686	653	653
403.132 Treasurer Act 511 Exp	3,315	3,452	4,136	3,236	2,863	3,500
403.133 Treasurer PY Tax Collect Berkhe	14,426	12,823	10,221	10,913	11,043	4,000
403.134 Treasurer Keystone Tax Collection	-	-	-	-	-	5,600
403.202 Treasurer Group Dental	1,088	1,414	1,110		-	-
403.202 Treasurer Group Health	30,935	37,094	34,447	44,883	46,199	23,568
403.210 Treasurer Office Supplies	4,596	209	634	(520)	196	300
403.213 Treasurer Computer Supplies	-	205	-	3,373	4,782	4,750
403.215 Treasurer Office Postage	507	670	1,295	822	657	700
403.231 Treasurer Office Cell Phone	232	551	608	217	26	-
403.300 Treasurer Subscription	50	160	60	150	75	-
403.321 Treasurer Office Telephone	475	475	570	467	463	500
403 Treasurer & Tax Collection–Other	-	-	223	3,312	2,613	2,300
Total 403 TREASURER & TAX COLLECTION	70,381	75,552	71,615	85,831	96,781	63,878

**City of Shamokin, Pennsylvania
Treasurer Projected Expenditures
General Fund Year Ended December 31**

	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014	Projection Jan - Dec 2015	Projection Jan - Dec 2016	Projection Jan - Dec 2017	Projection Jan - Dec 2018
Expense						
403 TREASURER & TAX COLLECTION						
403.10 Treasurer Salary	26,453	17,610	27,247	28,064	28,906	29,773
403.102 Treasurer Bond Premium	110	115	113	117	120	124
403.104 Treasurer Group Vision	648	282	667	687	708	729
403.106 Treasurer Group Life	653	653	673	693	714	735
403.132 Treasurer Act 511 Exp	2,863	3,500	2,949	3,037	3,128	3,222
403.133 Treasurer PY Tax Collect Berkhe	11,043	4,000	11,374	11,716	12,067	12,429
403.134 Treasurer Keystone Tax Collection	-	5,600	-	-	-	-
403.202 Treasurer Group Dental	-	-	-	-	-	-
403.202 Treasurer Group Health	46,199	23,568	47,585	49,013	50,483	51,997
403.210 Treasurer Office Supplies	196	300	202	208	214	221
403.213 Treasurer Computer Supplies	4,782	4,750	4,925	5,073	5,225	5,382
403.215 Treasurer Office Postage	657	700	677	697	718	739
403.231 Treasurer Office Cell Phone	26	-	27	28	28	29
403.300 Treasurer Subscription	75	-	77	80	82	84
403.321 Treasurer Office Telephone	463	500	477	491	506	521
403 Treasurer & Tax Collection-Other	2,613	2,300	2,691	2,772	2,855	2,941
Total 403 TREASURER & TAX COLLECTION	96,781	63,878	99,684	102,675	105,755	108,928

*Unaudited 2013 Results used as the base line for projections line items were increase 3% annually

GROWTH ASSUMPTIONS

403 TREASURER & TAX COLLECTION

403.10 Treasurer Salary	3.00%	3.00%	3.00%	3.00%
403.102 Treasurer Bond Premium	3.00%	3.00%	3.00%	3.00%
403.104 Treasurer Group Vision	3.00%	3.00%	3.00%	3.00%
403.106 Treasurer Group Life	3.00%	3.00%	3.00%	3.00%
403.132 Treasurer Act 511 Exp	3.00%	3.00%	3.00%	3.00%
403.133 Treasurer PY Tax Collect Berkhe	3.00%	3.00%	3.00%	3.00%
403.134 Treasurer Keystone Tax Collection	3.00%	3.00%	3.00%	3.00%
403.202 Treasurer Group Dental	3.00%	3.00%	3.00%	3.00%
403.202 Treasurer Group Health	3.00%	3.00%	3.00%	3.00%
403.210 Treasurer Office Supplies	3.00%	3.00%	3.00%	3.00%
403.213 Treasurer Computer Supplies	3.00%	3.00%	3.00%	3.00%
403.215 Treasurer Office Postage	3.00%	3.00%	3.00%	3.00%
403.231 Treasurer Office Cell Phone	3.00%	3.00%	3.00%	3.00%
403.300 Treasurer Subscription	3.00%	3.00%	3.00%	3.00%
403.321 Treasurer Office Telephone	3.00%	3.00%	3.00%	3.00%
403 TREASURER & TAX COLLECTION - Other	3.00%	3.00%	3.00%	3.00%

Total 403 TREASURER & TAX COLLECTION

**City of Shamokin, Pennsylvania
Police Department Expenditures
General Fund Year Ended December 31**

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
Expense						
410-POLICE						
410.101·Police Salaries	653,767	734,871	747,999	777,752	737,330	583,794
410.102·Police-Overtime1.5x	30,696	50,428	43,451	40,773	75,036	27,000
410.103·Police-HrlyDoubleTime2x	-	-	-	3,459	860	3,500
410.104·Savings Electronic Transfer Emp	-	-	-	4,615	4,660	4,200
410.130·Police Computer Expense	2,977	1,162	2,581	2,839	2,700	2,500
410.202·Police Group Health	236,566	228,113	202,320	230,246	259,519	183,532
410.203·Police Group Dental	8,030	9,698	7,423	-	-	-
410.204·Police Group Vision	2,146	2,353	2,053	2,090	2,259	1,019
410.206·Police Group Life	5,008	6,379	7,878	6,218	5,746	4,488
410.228·Police Parking Meters/Lease Payment	3,633	8,183	3,273	-	(1,463)	-
410.228·Police Radio	-	641	-	320	316	420
410.229·Police Water	602	765	994	1,593	1,365	1,300
410.230·Police Gas	16,806	22,928	28,574	58,685	30,134	39,500
410.231·Police Cell Phone	950	963	2,023	6,033	1,277	1,350
410.245·Police Pension	16,206	11,056	-	-	25,521	-
410.288·Police DARE Expenses	470	-	-	-	-	-
410.289·Police COPS Grant DOJ	177	-	-	-	-	-
410.300·Police Office Expense	3,722	6,062	5,795	3,806	1,329	1,800
410.301·Police Copier Expense	5,902	1,226	1,617	1,661	2,236	2,000
410.302·Equipment Calibration	-	-	916	160	828	1,000
410.320·Police Electric Utilities	7,554	11,679	13,468	6,891	6,753	7,000
410.321·Police Telephone	1,165	1,212	1,302	1,394	1,055	1,400
410.322·Police Sewer	45	-	-	-	-	-
410.333·Police Uniform Pension MMO	61,767	57,553	157,197	161,484	-	205,769
410.380·Lease/Rental Expense Mill Site	4,129	1,287	11,107	39	116	120
410.390·Police Meetings & Conferences	-	713	463	748	125	500
410.391·Police Clothing Allowance	-	-	2,550	-	425	500
410.437·Police Repairs and Maintenance	7,929	9,278	7,308	5,363	5,906	6,500
410.449·Police Drug & Alcohol Test Fees	-	-	399	-	-	-
410 Police Other	-	-	-	-	2,500	-
410.500·Police Vehicle Lease Expense	-	-	-	22,156	8,248	23,000
Total 410-POLICE	1,070,248	1,166,547	1,250,691	1,338,322	1,174,781	1,102,192

Source: City Financial Statements and Budget

City of Shamokin, Pennsylvania
Police Department Expenditure Projections
General Fund Year Ended December 31

	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014	Projection Jan - Dec 2015	Projection Jan - Dec 2016	Projection Jan - Dec 2017	Projection Jan - Dec 2018
Expense						
410 POLICE						
410.101 Police Salaries	737,330	583,794	774,197	812,906	853,552	896,229
410.102 Police - Overtime 1.5x	75,036	27,000	78,788	82,727	86,864	91,207
410.103 Police - Hrly Double Time 2x	860	3,500	903	948	996	1,045
410.104 Savings Electronic Transfer Emp	4,660	4,200	4,893	5,138	5,395	5,664
410.130 Police Computer Expense	2,700	2,500	2,835	2,977	3,126	3,282
410.202 Police Group Health	259,519	183,532	272,495	286,120	300,426	315,447
410.203 Police Group Dental	-	-	-	-	-	-
410.204 Police Group Vision	2,259	1,019	2,372	2,491	2,615	2,746
410.206 Police Group Life	5,746	4,488	6,033	6,335	6,652	6,984
410.228 Police Parking Meters/Lease Payment	(1,463)	-	(1,536)	(1,613)	(1,694)	(1,778)
410.228 Police Radio	316	420	332	348	366	384
410.229 Police Water	1,365	1,300	1,433	1,505	1,580	1,659
410.230 Police Gas	30,134	39,500	31,641	33,223	34,884	36,628
410.231 Police Cell Phone	1,277	1,350	1,341	1,408	1,478	1,552
410.245 Police Pension	25,521	-	26,797	28,137	29,544	31,021
410.288 Police DARE Expenses	-	-	-	-	-	-
410.289 Police COPS Grant DOJ	-	-	-	-	-	-
410.300 Police Office Expense	1,329	1,800	1,395	1,465	1,538	1,615
410.301 Police Copier Expense	2,236	2,000	2,348	2,465	2,588	2,718
410.302 Equipment Calibration	828	1,000	869	913	959	1,006
410.320 Police Electric Utilities	6,753	7,000	7,091	7,445	7,817	8,208
410.321 Police Telephone	1,055	1,400	1,108	1,163	1,221	1,282
410.322 Police Sewer	-	-	-	-	-	-
410.333 Police Uniform Pension MMO	-	205,769	205,769	216,057	226,860	238,203
410.380 Lease/Rental Expense Mill Site	116	120	122	128	134	141
410.390 Police Meetings & Conferences	125	500	131	138	145	152
410.391 Police Clothing Allowance	425	500	446	469	492	517
410.437 Police Repairs and Maintenance	5,906	6,500	6,201	6,511	6,837	7,179
410.449 Police Drug & Alcohol Test Fees	-	-	-	-	-	-
410 Police Other	2,500	-	2,625	2,756	2,894	3,039
410.500 Police Vehicle Lease Expense	8,248	23,000	8,660	9,093	9,548	10,025
Total 410 POLICE	1,174,781	1,102,192	1,439,289	1,511,254	1,586,816	1,666,157

*Unaudited 2013 Results used as the base line for projections line items were increased by 5% annually

GROWTH ASSUMPTIONS

410.101 Police Salaries	5.00%	5.00%	5.00%	5.00%	5.00%
410.102 Police - Overtime 1.5x	5.00%	5.00%	5.00%	5.00%	5.00%
410.103 Police - Hrly Double Time 2x	5.00%	5.00%	5.00%	5.00%	5.00%
410.104 Savings Electronic Transfer Emp	5.00%	5.00%	5.00%	5.00%	5.00%
410.130 Police Computer Expense	5.00%	5.00%	5.00%	5.00%	5.00%
410.202 Police Group Health	5.00%	5.00%	5.00%	5.00%	5.00%
410.203 Police Group Dental	5.00%	5.00%	5.00%	5.00%	5.00%
410.204 Police Group Vision	5.00%	5.00%	5.00%	5.00%	5.00%
410.206 Police Group Life	5.00%	5.00%	5.00%	5.00%	5.00%
410.228 Police Parking Meters/Lease Payment	5.00%	5.00%	5.00%	5.00%	5.00%
410.228 Police Radio	5.00%	5.00%	5.00%	5.00%	5.00%
410.229 Police Water	5.00%	5.00%	5.00%	5.00%	5.00%
410.230 Police Gas	5.00%	5.00%	5.00%	5.00%	5.00%
410.231 Police Cell Phone	5.00%	5.00%	5.00%	5.00%	5.00%
410.245 Police Pension	5.00%	5.00%	5.00%	5.00%	5.00%
410.288 Police DARE Expenses	5.00%	5.00%	5.00%	5.00%	5.00%
410.289 Police COPS Grant DOJ	5.00%	5.00%	5.00%	5.00%	5.00%
410.300 Police Office Expense	5.00%	5.00%	5.00%	5.00%	5.00%
410.301 Police Copier Expense	5.00%	5.00%	5.00%	5.00%	5.00%
410.302 Equipment Calibration	5.00%	5.00%	5.00%	5.00%	5.00%
410.320 Police Electric Utilities	5.00%	5.00%	5.00%	5.00%	5.00%
410.321 Police Telephone	5.00%	5.00%	5.00%	5.00%	5.00%
410.322 Police Sewer	5.00%	5.00%	5.00%	5.00%	5.00%
410.333 Police Uniform Pension MMO	5.00%	5.00%	5.00%	5.00%	5.00%
410.380 Lease/Rental Expense Mill Site	5.00%	5.00%	5.00%	5.00%	5.00%
410.390 Police Meetings & Conferences	5.00%	5.00%	5.00%	5.00%	5.00%
410.391 Police Clothing Allowance	5.00%	5.00%	5.00%	5.00%	5.00%
410.437 Police Repairs and Maintenance	5.00%	5.00%	5.00%	5.00%	5.00%
410.449 Police Drug & Alcohol Test Fees	5.00%	5.00%	5.00%	5.00%	5.00%
410 Police Other	5.00%	5.00%	5.00%	5.00%	5.00%
410.500 Police Vehicle Lease Expense	5.00%	5.00%	5.00%	5.00%	5.00%

Total 410 POLICE

**City of Shamokin, Pennsylvania
Public Works Department Expenditures
General Fund Year Ended December 31**

	<u>Audited Jan - Dec 2009</u>	<u>Audited Jan - Dec 2010</u>	<u>Audited Jan - Dec 2011</u>	<u>Audited Jan - Dec 2012</u>	<u>Unaudited Jan - Dec 2013</u>	<u>Budget Jan - Dec 2014</u>
Expense						
430 PUBLIC WORKS HIGHWAYS STREETS						
430.101 Street Dept Laborer's Wages	232,565	287,041	269,145	247,484	273,264	282,646
430.102 Street - Double Time Hrly 2x	2,119	113	282	594	1,974	-
430.103 Street - Overtime 1.5 Hrly Rate	6,386	12,159	10,779	3,689	8,617	-
430.104 Street Dept Union Dues	5,246	3,413	5,217	4,697	3,900	-
430.229 Street Dept Water	382	644	550	1,458	1,036	1,300
430.230 Street Dept Gas & Diesel Oil	15,489	20,725	20,143	8,937	5,674	8,500
430.231 Street Dept Cell Phone	846	738	751	759	957	1,100
430.245 Street Dept Pension	5,607	3,752			-	-
430.260 Street Dept Minor Equipment Pur	-	283	86	2,976	2,308	-
430.300 Street Dept Misc Expense	1,897	2,074	1,658	584	549	400
430.320 Street Dept Electric Utilities	2,848	4,085	4,216	3,762	3,981	4,200
430.321 Street Dept Telephone	248	215	238	251	171	228
430.322 Street Dept Sewer	122	246	309	720	515	620
430.333 Street Non-uniform Pension MMO	-	-	16,292	10,416	-	13,000
430.333 Street Lease/Rental Mill	33,118	3,385	44,240		-	-
430.403 Street Dept Group Health	112,121	119,206	112,928	111,782	128,099	136,391
430.404 Street Dept Group Vision	689	753	871	935	839	820
430.405 Street Dept Minor Equipment	1,213	-	691	1,219	2,308	2,000
430.406 Street Dept Group Life	2,601	3,198	3,686	2,972	3,087	2,856
430.407 Street Dept Group Dental	2,889	4,066	2,790	-	-	-
430.409 Street Dept Gas and Oil	1,351	-	-	-	-	-
430.413 Street Dept Clothing Allowance	2,523	2,203	1,963	1,685	1,827	2,250
430.415 Street Dept Professional Services	-	1,981	-	-	-	-
430.419 Street Dept Computer	824	770	718	915	653	700
430.421 Street Dept Material & Supplies	2,529	5,870	1,049	1,850	1,374	2,000
430.437 Street Dept Vehicle Maintenance	11,814	16,098	15,012	10,151	10,853	12,000
430.740 Street Major Equipment Purchase	-	-	-	15,823	295	400
431.000 Street Cleaning Street & Gutter	-	571	2,694	3,192	3,820	4,000
433.000 Street Traffic Control Device	1,024	5,990	158	-	104	110
434.000 Street Lighting	35,373	35,623	86,487	-	56	40,000
431.055 Street Vehicle Operating Exp	43	75	-	100	-	-
432.000 Street Winter Mainten Services	-	-	-	4,646	5,190	5,500
437.000 Street Repairs Tools & Machinery	420	631	2,339	1,876	7,819	8,000
438.000 Street Maintenance Road & Bridges	3,016	1,122	1,931	5,000	234	300
438.000 Street Other	173	-	421	-	-	-
438.052 Street Vegetation Control	-	-	-	245	-	-
Total 430 PUBLIC WORKS HIGHWAYS STREETS	485,476	537,027	607,645	448,719	469,504	529,321

City of Shamokin, Pennsylvania
Public Works Department Expenditure Projections
General Fund Year Ended December 31

	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014	Projection Jan - Dec 2015	Projection Jan - Dec 2016	Projection Jan - Dec 2017	Projection Jan - Dec 2018
Expense						
430 PUBLIC WORKS HIGHWAYS STREETS						
430.101-Street Dept Laborer's Wages	273,264	282,646	286,927	301,274	316,337	332,154
430.102-Street-Double Time Hrly 2x	1,974	-	2,073	2,176	2,285	2,399
430.103-Street-Overtime 1.5 Hrly Rate	8,617	-	9,048	9,500	9,975	10,474
430.104-Street Dept Union Dues	3,900	-	4,095	4,300	4,515	4,740
430.229-Street Dept Water	1,036	1,300	1,088	1,142	1,199	1,259
430.230-Street Dept Gas & Diesel Oil	5,674	8,500	5,958	6,256	6,568	6,897
430.231-Street Dept Cell Phone	957	1,100	1,005	1,055	1,108	1,163
430.245-Street Dept Pension	-	-	-	-	-	-
430.260-Street Dept Minor Equipment Pur	2,308	-	2,423	2,545	2,672	2,805
430.300-Street Dept Misc Expense	549	400	576	605	636	667
430.320-Street Dept Electric Utilities	3,981	4,200	4,180	4,389	4,609	4,839
430.321-Street Dept Telephone	171	228	180	189	198	208
430.322-Street Dept Sewer	515	620	541	568	596	626
430.333-Street Non-uniform Pension MMO	-	13,000	-	-	-	-
430.333-StreetLease/Rental Mill	-	-	-	-	-	-
430.403-Street Dept Group Health	128,099	136,391	134,504	141,229	148,291	155,705
430.404-Street Dept Group Vision	839	820	881	925	971	1,020
430.405-Street Dept Minor Equipment	2,308	2,000	2,423	2,545	2,672	2,805
430.406-Street Dept Group Life	3,087	2,856	3,241	3,403	3,574	3,752
430.407-Street Dept Group Dental	-	-	-	-	-	-
430.409-Street Dept Gas and Oil	-	-	-	-	-	-
430.413-Street Dept Clothing Allowance	1,827	2,250	1,918	2,014	2,115	2,221
430.415-StreetDeptProfessionalServices	-	-	-	-	-	-
430.419-Street Dept Computer	653	700	686	720	756	794
430.421-Street Dept Material & Supplies	1,374	2,000	1,443	1,515	1,591	1,670
430.437-Street Dept Vehicle Maintenance	10,853	12,000	11,396	11,965	12,564	13,192
430.740-Street Major Equipment Purchase	295	400	310	325	341	359
431.000-Street Cleaning Street & Gutter	3,820	4,000	4,011	4,212	4,422	4,643
433.000-Street Traffic Control Device	104	110	109	115	120	126
434.000-Street Lighting	56	40,000	40,000	42,000	44,100	46,305
431.055-Street Vehicle Operating Exp	-	-	-	-	-	-
432.000-Street Winter Mainten Services	5,190	5,500	5,450	5,722	6,008	6,308
437.000-Steet Repairs Tools & Machinery	7,819	8,000	8,210	8,620	9,051	9,504
438.000-Street Maintenance Road & Bridges	234	300	246	258	271	284
438.000-Street Other	-	-	-	-	-	-
438.052-Street Vegetation Control	-	-	-	-	-	-
Total 430 Public Works Highways Streets	469,504	529,321	532,920	559,566	587,545	616,922

***Unaudited 2013 Results used as the base line for projections line items were increase 5% annually**

GROWTH ASSUMPTIONS

430.101 Street Dept Laborer's Wages	5.00%	5.00%	5.00%	5.00%	5.00%
430.102 Street - Double Time Hrly 2x	5.00%	5.00%	5.00%	5.00%	5.00%
430.103 Street - Overtime 1.5 Hrly Rate	5.00%	5.00%	5.00%	5.00%	5.00%
430.104 Street Dept Union Dues	5.00%	5.00%	5.00%	5.00%	5.00%
430.229 Street Dept Water	5.00%	5.00%	5.00%	5.00%	5.00%
430.230 Street Dept Gas & Diesel Oil	5.00%	5.00%	5.00%	5.00%	5.00%
430.231 Street Dept Cell Phone	5.00%	5.00%	5.00%	5.00%	5.00%
430.245 Street Dept Pension	5.00%	5.00%	5.00%	5.00%	5.00%
430.260 Street Dept Minor Equipment Pur	5.00%	5.00%	5.00%	5.00%	5.00%
430.300 Street Dept Misc Expense	5.00%	5.00%	5.00%	5.00%	5.00%
430.320 Street Dept Electric Utilities	5.00%	5.00%	5.00%	5.00%	5.00%
430.321 Street Dept Telephone	5.00%	5.00%	5.00%	5.00%	5.00%
430.322 Street Dept Sewer	5.00%	5.00%	5.00%	5.00%	5.00%
430.333 Street Non-uniform Pension MMO	5.00%	5.00%	5.00%	5.00%	5.00%
430.333 Street Lease/Rental Mill	5.00%	5.00%	5.00%	5.00%	5.00%
430.403 Street Dept Group Health	5.00%	5.00%	5.00%	5.00%	5.00%
430.404 Street Dept Group Vision	5.00%	5.00%	5.00%	5.00%	5.00%
430.405 Street Dept Minor Equipment	5.00%	5.00%	5.00%	5.00%	5.00%
430.406 Street Dept Group Life	5.00%	5.00%	5.00%	5.00%	5.00%
430.407 Street Dept Group Dental	5.00%	5.00%	5.00%	5.00%	5.00%
430.409 Street Dept Gas and Oil	5.00%	5.00%	5.00%	5.00%	5.00%
430.413 Street Dept Clothing Allowance	5.00%	5.00%	5.00%	5.00%	5.00%
430.415 Street Dept Professional Services	5.00%	5.00%	5.00%	5.00%	5.00%
430.419 Street Dept Computer	5.00%	5.00%	5.00%	5.00%	5.00%
430.421 Street Dept Material & Supplies	5.00%	5.00%	5.00%	5.00%	5.00%
430.437 Street Dept Vehicle Maintenance	5.00%	5.00%	5.00%	5.00%	5.00%
430.740 Street Major Equipment Purchase	5.00%	5.00%	5.00%	5.00%	5.00%
431.000 Street Cleaning Street & Gutter	5.00%	5.00%	5.00%	5.00%	5.00%
433.000 Street Traffic Control Device	5.00%	5.00%	5.00%	5.00%	5.00%
434.000 Street Lighting	5.00%	5.00%	5.00%	5.00%	5.00%
431.055 Street Vehicle Operating Exp	5.00%	5.00%	5.00%	5.00%	5.00%
432.000 Street Winter Mainten Services	5.00%	5.00%	5.00%	5.00%	5.00%
437.000 Street Repairs Tools & Machinery	5.00%	5.00%	5.00%	5.00%	5.00%
438.000 Street Maintenance Road & Bridges	5.00%	5.00%	5.00%	5.00%	5.00%
438.000 Street Other	5.00%	5.00%	5.00%	5.00%	5.00%
438.052 Street Vegetation Control	5.00%	5.00%	5.00%	5.00%	5.00%

Total 430 · PUBLIC WORKS HIGHWAYS STREETS

**City of Shamokin, Pennsylvania
Codes Department Expenditures
General Fund Year Ended December 31**

	Audited Jan - Dec 2009	Audited Jan - Dec 2010	Audited Jan - Dec 2011	Audited Jan - Dec 2012	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014
Expense						
413 CODE ENFORCEMENT						
413.101 Code Official - Salaries	26,296	26,771	27,069	28,838	34,492	30,339
413.106 Code Intern	-	-	-	-	8,459	-
413.107 Code Official Secretary	823	1,124	1,156	16,786	18,748	8,645
413.231 Code Official Cell Phone	548	375	437	219	481	392
413.300 Code Official Misc Exp	280	270	150	934	2,178	1,550
413.302 Code Official Group Dental	544	707	555	-	-	-
413.303 Code Official Group Health	19,686	18,399	15,769	32,591	45,178	23,068
413.304 Code Official Group Vision	-	-	-	588	336	141
413.306 City Inspector Group Life	182	228	251	286	496	408
413.403 Code Official Veh Fuel	1,954	-	-	-	-	-
413.417 Code Official Veh Maint	290	139	67	-	-	-
413.421 Code Official Supplies	708	-	-	335	6	10
413.445 Code Official Training	-	4	-	375	379	400
Total 413 CODE ENFORCEMENT	51,311	48,017	45,454	80,952	110,753	64,953

**City of Shamokin, Pennsylvania
Codes Department Expenditures Projections
General Fund Year Ended December 31**

	Unaudited Jan - Dec 2013	Budget Jan - Dec 2014	Projection Jan - Dec 2015	Projection Jan - Dec 2016	Projection Jan - Dec 2017	Projection Jan - Dec 2018
Expense						
413 CODE ENFORCEMENT						
413.101 Code Official - Salaries	34,492	30,339	31,856	33,449	35,121	36,877
413.106 Code Intern	8,459	-	-	-	-	-
413.107 Code Official Secretary	18,748	8,645	9,077	9,531	10,008	10,508
413.231 Code Official Cell Phone	481	392	412	432	454	476
413.300 Code Official Misc Exp	2,178	1,550	1,628	1,709	1,794	1,884
413.302 Code Official Group Dental	-	-	-	-	-	-
413.303 Code Official Group Health	45,178	23,068	24,221	25,432	26,704	28,039
413.304 Code Official Group Vision	336	141	148	155	163	171
413.306 City Inspector Group Life	496	408	428	450	472	496
413.403 Code Official Veh Fuel	-	-	-	-	-	-
413.417 Code Official Veh Maint	-	-	-	-	-	-
413.421 Code Official Supplies	6	10	11	11	12	12
413.445 Code Official Training	379	400	420	441	463	486
Total 413 CODE ENFORCEMENT	110,753	64,953	68,201	71,611	75,191	78,951

*2014 Budget used as the base line for projections line items were increase 5% annually

GROWTH ASSUMPTIONS

413.101 Code Official - Salaries	5.00%	5.00%	5.00%	5.00%
413.106 Code Intern	5.00%	5.00%	5.00%	5.00%
413.107 Code Official Secretary	5.00%	5.00%	5.00%	5.00%
413.231 Code Official Cell Phone	5.00%	5.00%	5.00%	5.00%
413.300 Code Official Misc Exp	5.00%	5.00%	5.00%	5.00%
413.302 Code Official Group Dental	5.00%	5.00%	5.00%	5.00%
413.303 Code Official Group Health	5.00%	5.00%	5.00%	5.00%
413.304 Code Official Group Vision	5.00%	5.00%	5.00%	5.00%
413.306 City Inspector Group Life	5.00%	5.00%	5.00%	5.00%
413.403 Code Official Veh Fuel	5.00%	5.00%	5.00%	5.00%
413.417 Code Official Veh Maint	5.00%	5.00%	5.00%	5.00%
413.421 Code Official Supplies	5.00%	5.00%	5.00%	5.00%
413.445 Code Official Training	5.00%	5.00%	5.00%	5.00%

Total 413 CODE ENFORCEMENT



EXHIBIT C

Personally appeared before me, the subscriber,
L.F.Machesic, Controller
of the DAILY ITEM PUBLISHING CO., publishers of THE DAILY ITEM, a newspaper of general circulation in Union, Northumberland, Snyder and Montour Counties, the paper in which publication has been directed, who being duly sworn according to law, doth depose and say that said newspaper was established April 15, 1970, and has its place of business at Second & Market Sts., in the city of Sunbury, County of Northumberland, and Commonwealth of Pennsylvania, and that, the Notice, of which the attached is a copy was published in THE DAILY ITEM in the City of Sunbury, County of Northumberland and State of Pennsylvania on the

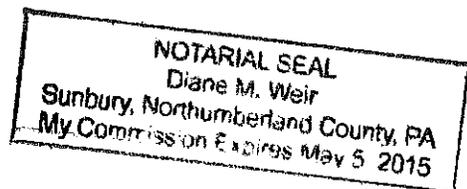
22nd day of May 2014

that affiant is not interested in the subject matter of the foregoing notice of advertising, and avers that all of the allegations of the statement as to the time, place and character of the publication are true.

L.F. Machesic

Sworn to and subscribed before me
this 22nd day of May A.D. 2014

Diane M. Weir



NOTICE

NOTICE IS HEREBY GIVEN that the Commonwealth of Pennsylvania, Department of Community and Economic Development has scheduled a Special Meeting to hear testimony presented on behalf of the City of Shamokin, Northumberland County, PA and other interested persons with respect to the request for a determination of municipal financial distress and related borrowing filed by the City of Shamokin pursuant to the Municipalities Financial Recovery Act, Act 47 of 1987 as amended.

The hearing on the request will be held on Wednesday, June 4, 2014 at 5:00 p.m., at City Hall, 47 East Lincoln Street, Shamokin, PA 17872 before a hearing officer duly appointed by the Department. The public is invited to attend. Those individuals requiring special accommodations to attend the hearing should contact the Department at least 5 days prior to the hearing. For further information contact: Peter Zug, (888) 223-6837, 4th Floor, Commonwealth Keystone Building, Harrisburg, Pennsylvania 17120.
Dt: May 22, 2014

EXHIBIT D

Distress Determination Resolution

CITY OF SHAMOKIN RESOLUTION NUMBER 1467

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.

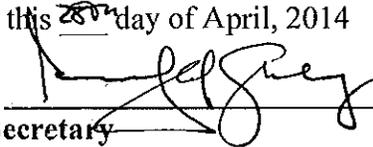
AND WHEREAS THE City of Shamokin desires to file a petition to seek a determination of municipal financial distress under and by authority of the Municipalities Financial Recovery Act, Act 47 of 1987,

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
PO Box Q
Shamokin, PA 17872

Telephone: (570) 644-5708

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



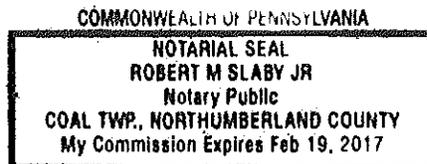


EXHIBIT E

Financial Assistance Resolution

**CITY OF SHAMOKIN
RESOLUTION NUMBER 14-11**

WHEREAS THE City of Shamokin approved a resolution authorizing the City to seek designation as a distressed municipality under authority of the Municipalities Financial Recovery Act, and WHEREAS THE City of Shamokin applied to the Pennsylvania Department of Economic and Community Development on May 23, 2014, to be so designated as a distressed municipality, AND WHEREAS THE City of Shamokin desires to make application for financial aid by way of loans, grants and otherwise under and by authority of the Municipalities Financial Recovery Act, Act 47 of 1987,

AND WHEREAS THE Pennsylvania Department of Economic and Community Development makes available loans and grants-in-aid to such projects through the Municipalities Financial Recovery program for projects that implement adopted recovery plan strategies.

NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Shamokin is hereby authorized to make application for such a loan or grant under 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 applications, 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.

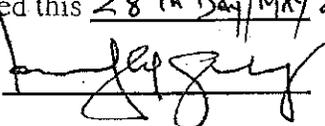
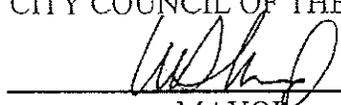
Adopted this 28th Day / May / 2014 CITY COUNCIL OF THE CITY OF SHAMOKIN
Attest  
MAYOR

EXHIBIT F

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

* * * * *

IN RE: ACT 47 HEARING

* * * * *

PUBLIC HEARING

* * * * *

BEFORE: PETER J. ZUG, Executive Director

HEARING: Wednesday, June 4, 2014

5:04 p.m.

LOCATION: Shamokin City Hall

47 East Lincoln Street

Shamokin, PA 17872

ORIGINAL

SPEAKERS: Ryan Hottenstein, Mayor William Milbrand,
Robert Slaby, Ed Zack, Corey Lockard,
Jonathan Hendrickson, Marita Kelley

Reporter: Jacob Rae

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E X H I B I T S

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		Page
<u>Number</u>	<u>Description</u>	<u>Offered</u>

NONE OFFERED

P R O C E E D I N G S

1
2 -----
3 MR. ZUG:

4 I would like to convene the hearing to
5 receive testimony in the City's determination of
6 distress under the provisions of Act 47. May we first
7 please rise and pledge to the flag.

8 PLEDGE OF ALLEGIANCE RECITED

9 MR. ZUG:

10 Thank you. I assume everyone signed the
11 sign-in sheet. If they haven't, please sign it at the
12 end of the meeting or before you leave.

13 I would like to call the public hearing
14 to order. My name is Peter Zug, Executive Director of
15 the Governor's Center for Local Government Services
16 and I've been appointed Hearing Officer by DCED
17 Secretary C. Alan Walker. I've asked Ryan Hottenstein
18 of Financial Solutions, Early Intervention Program
19 study he authored, to provide testimony. He will
20 present the case for determination or distress under
21 the provisions of Act 47, the Municipalities Recovery
22 Program.

23 Public hearing is held in accordance
24 with Act 47, 1987's Amended. The hearing today will
25 be to present testimony relating to the requested

1 resolution from the City of Shamokin to request the
2 determination of distress under Act 47. Notice of
3 today's hearing has been public in accordance with the
4 Sunshine Law and written notice has been provided to
5 members of City Council and the city solicitor prior
6 to meeting. This is a hearing to gather information
7 only. There will not be a discussion of question and
8 answers regarding the matter before us today.

9 I would like the stenographer to swear
10 in those people who are presenting testimony. So if
11 you would like to testify at the hearing today, we're
12 just going to do a masse swearing in. So would you
13 please stand, raise your right hands and repeat after
14 the stenographer?

15 -----

16 WITNESS SWORN EN MASSE

17 -----

18 MR. ZUG:

19 And before you speak when you present
20 your testimony, could you please say and spell your
21 name for the stenographer and say your address. Okay?
22 Mr. Ryan Hottenstein from Financial Solutions, would
23 you please start?

24 -----

25 RYAN HOTTENSTEIN, HAVING BEEN PREVIOUSLY SWORN,

1 TESTIFIED AS FOLLOWS:

2 -----

3 A. My name is Ryan Hottenstein, R-Y-A-N,
 4 H-O-T-T-E-N-S-T-E-I-N. And I'm with Financial
 5 Solutions. My address is 37 Hummingbird Road in
 6 Wyomissing, Pennsylvania, 19610. As I said, my name
 7 is Ryan Hottenstein; I'm employed with Financial
 8 Solutions. In December of 2013, the City had hired
 9 our --- Stevens & Lee and Financial Solutions to
 10 conduct the City's Early Intervention Program study,
 11 which included a review of the City's finances and its
 12 operations.

13 During the development of our --- the City's 2014
 14 EIP, it became apparent that the City of Shamokin has
 15 and continues to suffer serious and dire financial
 16 conditions. The City is facing a persistent
 17 structural deficit that is increasing the jeopardy of
 18 the City's ability to provide for the health, safety
 19 and welfare of its citizens. The financial condition
 20 of the City has become so dire that on April 7th,
 21 2014, the gas in City Hall's heating system was
 22 temporarily shut off due to non-payment of the City's
 23 gas bill.

24 Like all local governments, the City requires
 25 stable revenue sources with moderate growth to fund

1 services to residents, businesses and visitors. Both
2 factors are important because so many of local
3 governments expenditures are related to reoccurring
4 and regularly increases costs for salaries, benefits
5 and other operating expenses. However, for years,
6 Shamokin's tax base has been stagnant or declining and
7 city revenue streams have been unable to cover the
8 growing costs of city services. This has resulted in
9 ongoing challenges to balance the general fund
10 operating budget.

11 The City of Shamokin has several demographic
12 trends which cannot be ignored. The first is a
13 significant depopulation that the City has
14 experienced. The second is the aging of Shamokin's
15 population. The third is a drastic change in the
16 City's employment profile, which has contributed to
17 declining median incomes for Shamokin's population,
18 especially in comparison to the median income for
19 Northumberland County. These trends have markedly
20 affected the City's financial condition.

21 Though the City's audited financial statements
22 from 2008 to 2012 report fund balances in all
23 governmental funds, including a general fund, the City
24 has actually been in dire financial distress for some
25 time. The recommendation both from the City's

1 emergency action plan, which we completed, and the EIP
2 report is that the City switched to a modified accrual
3 basis for the County. The City's financial statements
4 have been prepared on a cash basis of the County,
5 which is a comprehensive basis of the County, other
6 than accounting principles generally accepted in the
7 United States of America. This can lead to a
8 distortion in the true financial picture due to time
9 and cash received and expenses paid towards the end of
10 the fiscal period.

11 To modify accrual accounting, recognize revenue
12 when they become available and make --- with some
13 exceptions, recognize the expenditures and liabilities
14 when incurred. Cash basis for the County is similar
15 to a checkbook, which shows account balances as
16 deposits are made and checks are written. It does not
17 recognize the liabilities as they are incurred. This
18 allowed the City to hold bills at the end of the year
19 and still report that they had a fund balance, even
20 though the true picture of the City finances were much
21 worse.

22 Section 201 of Act 47 list 11 criteria, at least
23 one of which must be present in order for a
24 municipality to be considered for distress
25 determination by the Department. During the course of

1 our review, we've determined and believe the following
2 five criteria as set forth in Section 201 of Act 47
3 are present.

4 One, the municipality has maintained a deficit of
5 a three-year period, with a deficit of one percent or
6 more in each previous fiscal years. Two, the
7 municipality's expenditures have exceeded revenues for
8 a period of three years or more. I should clarify;
9 criteria one and criteria two. Criteria seven, the
10 municipality has accumulated and has operated for each
11 of the two successive years a deficit equal to five
12 percent or more of its revenues. Criteria eight, the
13 municipality has failed to make the budgeted payment
14 of its minimum municipal obligation as required by
15 Section 302, 303, 602 of the Act of December 18, 1984,
16 known as the Municipal Pension Plan Funding Standard
17 Recovery and Act, with respect to a pension funding
18 during the fiscal year for which the payment was
19 budgeted and has failed to take action within that
20 time period to make required payment. And Criteria
21 11, the municipality has experienced a decrease in a
22 quantified level of municipal service from a preceding
23 fiscal year which has resulted from the municipality
24 reaching its legal limit in levying real estate taxes
25 for general purposes. For determining levels of

1 municipal service for the year 1987, the department
2 shall utilize annual statistical data since the year
3 1982 to determine a pattern of decrease in delivery of
4 municipal services since 1982.

5 I'm going to talk now about criteria one, two and
6 seven, the City of Shamokin's structural deficit. The
7 City of Shamokin has maintained structural deficit for
8 the last four years. The ongoing structural deficit,
9 which I will speak about, is reflected on table --- in
10 the table on page four of the City's 2014 EIP, which
11 will be added to the record this evening. In that
12 table, you can clearly see that the revenues from 2009
13 to 2012 have exceeded expenses in the amounts of ---
14 for 2009, \$208,000, I'm rounding, which is a 9 percent
15 deficit of revenues; 2010 of \$309,000, which is 14
16 percent of revenues; 2011, \$246,000, which is 11
17 percent of revenues; 2012, \$302,000, which is a 12
18 percent deficit of its revenues.

19 As illustrated by those figures, this proves that
20 the ongoing structural deficit validates that the City
21 meets criteria one, the municipality has maintained a
22 deficit over a three-year period with a deficit of one
23 percent or more in each of the previous fiscal years;
24 criteria two, the municipality's expenditures have
25 exceeded revenues for a period of three years or more;

1 and criteria seven, that the municipality has
2 accumulated and has operated for each of the two
3 successive years the deficit equal to five percent or
4 more of its revenues as set forth in Section 201 of
5 Act 47.

6 Criteria 11 regarding the City's minimum
7 municipal obligation, as of December 31st and still
8 currently, the City owes creditors in excess of
9 \$800,000 in past due bills. One large creditor has
10 threatened lawsuit if not paid. Included in that
11 \$800,000 of past due bills includes more than \$240,000
12 towards the City's 2013 minimum municipal obligation
13 which has not yet been paid. The City's failure to
14 make a budgeted payment of its minimum municipal
15 obligation as required of Section 302, 303 or 602 of
16 the Act's December 18th, 1984 and that's the Municipal
17 Pension Plan Funding Standard and Recovery Act,
18 validates that the City meets criteria eight as set
19 forth in Section 201 of Act 47.

20 An exhibit showing the vendor list which includes
21 the amount owed to Nationwide Pension Services will be
22 included in this evening's testimony. The City has
23 also received approval from the Court of Common Pleas
24 to seek a loan to pay these past due bills. However,
25 notwithstanding nearly five months negotiation by the

1 City with three different banks for the loan, the City
2 has been unsuccessful in securing the loan to pay
3 those liabilities.

4 The City's property tax regarding criteria 11.
5 The City of Shamokin's tax base, as mentioned earlier,
6 has been stagnant or declining. The City's revenue
7 streams have been unable to cover the growing cost of
8 city services which has led to ongoing challenges to
9 balance the general fund operating budget.
10 Historically, the largest component of the City's
11 general fund revenue has been property tax. The
12 City's other major source of the revenue, including
13 earned income tax, referred to as EIT taxes, transfers
14 from other funds, along with other local taxes,
15 transfers from state and federal governments and ---.
16 The table, which is included on page 25 --- or page 65
17 of the 2014 EIP shows the breakdown of shared revenues
18 by major categories from 2009 to 2012. The real
19 estate taxes --- the taxes in general make up 66 to 70
20 percent, depending on the year, of the City's
21 operating budget.

22 Increasing tax revenue will be challenging for a
23 number of reasons. The City of Shamokin receives
24 revenue from real estate earned income and other ---.
25 It's projected that the City's revenues will be, at

1 best, flat. Real estate taxes comprise a larger
2 percentage of the City's tax revenue, but
3 unfortunately, real estate tax revenue has steadily
4 been declining. The assessed valuation for the City's
5 taxable properties has declined by over \$890,000, or
6 three percent, since 2008. This low assessed property
7 value --- the low assess property values in the City
8 of Shamokin have a major impact on the City's ability
9 to generate sufficient revenues to cover the current
10 cost of services provided by the City.

11 Due to those low assessed values, the City has
12 been at 30-mills, which is the third-class city code
13 limit including in the five additional mills which are
14 approved biannually by ---. As a result, the City is
15 at its legal millage, maximum millage for the property
16 taxes --- general purpose property taxes. The City
17 has reduced in this past year its workforce due to the
18 inability to generate sufficient amount of revenues,
19 otherwise validating that the City meets criteria 11
20 as set forth in Section 201 of Act 47.

21 Included in our analysis, we have also considered
22 relevant factors which were discussed in the EIP.
23 Current projected 2014 financial projections and
24 changes of fund balances, tax base and revenue trends,
25 expenditure and workforce trends, social and economic

1 trends, demographic trends, as well as city
2 administrative and financial management practices.

3 Currently, the City anticipates nearly a \$350,000
4 cash flow shortage by year end. Cash flow is critical
5 to the operations to the general fund for obvious
6 reasons. Under the City's current financial
7 circumstances, it will not be able to maintain a
8 positive cash flow through the end of the calendar
9 year without outside assistance or meaningful
10 expenditure reductions. To increase the liquidity
11 problem will further erode the City's ability to meet
12 its current and long-term liabilities. The inability
13 to maintain a positive cash flow is not sustainable
14 and will create an inability to meet payroll, debt
15 service payments and other vendor obligations between
16 now and the end of the fiscal year.

17 When a municipality is unable or struggles to
18 maintain a positive cash flow, important services may
19 be curtailed which may have negative impacts on the
20 health, safety and welfare of its citizens. This is
21 one of the most important determining factors in our
22 consideration to recommend Act 47 fiscal distressed
23 status.

24 For all of the reasons that I've spoken about and
25 in an effort to foster the fiscal integrity of the

1 City of Shamokin so that they may provide for the
 2 health, safety and welfare of its citizens, pay
 3 principal interest on their debt obligations when due,
 4 meet financial obligations to their employees, vendors
 5 and suppliers, and provide the proper financial
 6 accounting procedures, budgeting and tax practices, we
 7 believe that the City of Shamokin should be determined
 8 financially distressed by the Pennsylvania Department
 9 of Community and Economic Development. The failure of
 10 the City of Shamokin to do so will not only adversely
 11 affect the health, safety and welfare of its citizens,
 12 but also of other citizens in this Commonwealth.
 13 Thank you very much.

14 MR. ZUG:

15 Thank you, Mr. Hottenstein. I did
 16 neglect to introduce two people with me. Jim Rose
 17 from our Scranton office ---- two of the people who
 18 will be testifying, and my counsel for this evening,
 19 Jay Crane (phonetic), who is going to be making sure I
 20 am doing what I'm supposed to be doing. Next up,
 21 Mayor Milbrand, would you like to comment?

22 -----
 23 MAYOR WILLIAM MILBRAND, HAVING BEEN PREVIOUSLY SWORN,
 24 TESTIFIED AS FOLLOWS:
 25 -----

1 A. Yes.

2 MR. ZUG:

3 And again, your name and spelling of it.

4 A. My name is William Milbrand, W-I-L-L-I-A-M,
5 M-I-L-B-R-A-N-D. I'm the mayor of the City of
6 Shamokin. I reside at 1015 North Liberty Street in
7 the City of Shamokin. In 2013, toward the end of
8 2013, as the City Council --- I am a member of City
9 Council, we are faced with an approximately \$600,000
10 deficit and trying to balance our budget. And seeing
11 that we were in some financial distress, we sought the
12 help of Department of Economic --- Community and
13 Economic Development for help towards our financial
14 distress. We first sought out --- we first developed
15 the Early Intervention Program, which brought in the
16 firm, Stevens & Lee, to be --- to work in conjunction
17 with the DCED in our products. Part of the EIP was a
18 thorough examination of the City's finances by
19 Financial Solutions, Ryan Hottenstein, who just
20 previously gave testimony.

21 Through the research of Mr. Hottenstein, we did
22 discover, and we concur with his findings, that we are
23 definitely financially distressed. We've got some
24 problems. We definitely meet 5 of the 11 criteria,
25 which are required to enter into the Act 47 filing.

1 So therefore, at this point, the City of
2 Shamokin request the DECD to file --- to proceed with
3 an Act 47 filing for the City of Shamokin to protect
4 the health, safety and welfare of our citizens. Thank
5 you.

6 MR. ZUG:

7 Thank you, Mayor. Would anyone else
8 from Council like to speak? Mr. Slaby, would you like
9 to speak?

10 -----
11 ROBERT SLABY, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
12 AS FOLLOWS:

13 -----
14 A. My name is Robert Slaby. It is spelled
15 S-L-A-B-Y. I reside at 1421 Poplar Street in
16 Kulpmont, Pennsylvania. I have been the City's clerk
17 manager for less than two months. In my opinion, over
18 this period of time, the City's financial situation is
19 quite bleak, to simply put it. I will confirm that I
20 personally have had the opportunity to review and
21 discuss with other officials here in the City the
22 \$811,000 in outstanding debt.

23 I personally have sat with the treasurer on a
24 number of occasions to review in paying the City's
25 bills. We have tried our best; but by no means can we

1 pay the outstanding debt of \$811,000. I believe that
2 as of this morning, there's approximately \$300,000 ---
3 just a little over \$300,000 in the general fund. And
4 that will go along with what Ryan has testified to,
5 and that is the City of Shamokin will more than likely
6 run out of money to pay their bills sometime during
7 the month of August, which will cause an additional
8 hardship to the citizens and to this City without the
9 assistance of DCED approving and granting the loan for
10 the application that has been submitted.

11 I hope the City controller that, whether it's you
12 or your organization, we'll certainly use our
13 influence to help the City. I don't live here, but I
14 feel honored to be your city clerk. Believe me, it's
15 been a challenge. And it's a little bit difficult
16 when you don't have money to pay creditors. So I'm
17 asking you to support the City's application and help
18 us get the funds. Thank you.

19 MR. ZUG:

20 Thank you, Mr. Slaby. Mr. Zack, would
21 you like to speak?

22 -----
23 ED ZACK, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED AS
24 FOLLOWS:
25 -----

1 A. Yes. Ed Zack, E-D, Z-A-C-K. Address is 201
2 Warsaw Street, Marion Heights, Pennsylvania, 17832. I
3 currently work for Susquehanna Group Advisors out of
4 Harrisburg, which we do consulting work for
5 governments. We were appointed by DCED in February to
6 be the interim city clerk until a city clerk was hired
7 which that was approximately six weeks of being here.
8 I was here six weeks. I lived through the three
9 denials from the bank. I also was one of the ones
10 that put in the \$811,000 worth of prior year bills.
11 In my 30 years of government, this is probably one of
12 the worst financial situations that I've seen because
13 we --- this is our business. We deal with a lot of
14 governments.

15 And pretty much reiterating with what Ryan says
16 as far as the tax --- taxes are at its maximum. We
17 can't raise taxes. The budget, they can't make their
18 budget this year. In analyzing the budget, the budget
19 was off about \$200,000 to \$300,000 from what actually
20 is going to occur. So as a government consultant, I
21 strongly recommend that the City grant Act 47.

22 MR. ZUG:

23 Thank you. Is there anybody from the
24 audience who would like to speak?

25 -----

1 COREY LOCKARD, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
2 AS FOLLOWS:

3 -----

4 A. Good evening. Maybe for ease, I'm going to give
5 my card to your stenographer. My name is Corey
6 Lockard, C-O-R-E-Y, L-O-C-K-A-R-D. I'm currently the
7 director of the American Federation of State, County
8 and Municipal Employees, AFSCME, District Council 86,
9 which we have represented the City of Shamokin's
10 streets employees for approximately 30 years plus.
11 And this is the worst financial situation I've seen
12 the City in.

13 We've had a great relationship over the past 11
14 years that I've been involved here with them and ---
15 now, I feel as though it's important to note that it's
16 not because of them that they're in this current
17 situation. They provide a great asset to the City and
18 the safety of the residents here and also the safety
19 of not only all the residents, but their own family
20 members and friends, too. So they take a very high
21 pride in doing the best job that they can in doing
22 this great service for the City.

23 In the event that declaration of distress is
24 determined here under Act 47 for the City of Shamokin,
25 I would ask that there be some provision be placed

1 into the plan to protect the workers. I understand
2 and they understand that this is a collective problem
3 that the City has and we are willing to work to the
4 best of our ability to make sure that we can help aid
5 in the recovery of what has happened here and moving
6 forward with the City and their finances.

7 And the employees who provide the safety of the
8 streets, the grounds and everything owned that you
9 pretty much walk on here in the City of Shamokin, we
10 would just ask that they not be taken advantage of in
11 any kind of a plan that you devise. And we're more
12 than willing to sit down as many times as need be to
13 help in taking in that plan and to also get this
14 community back on their feet. Thank you.

15 MR. ZUG:

16 Thank you. Anyone else from the
17 audience? I'll now ask Mr. Hendrickson from DCED, do
18 you have anything you need to add to Mr. Hottenstein's
19 testimony?

20 -----
21 JONATHAN HENDRICKSON, HAVING BEEN PREVIOUSLY SWORN,
22 TESTIFIED AS FOLLOWS:

23 -----
24 A. Yes. My name is Jonathan Hendrickson. I'm a
25 Local Government Policy Specialist with the Department

1 of Community and Economic Development, Governor's
2 Center for Local Government Services. The
3 Municipality's Financial Recovery Act, Act 47 of 1987
4 as amended, was enacted to foster the fiscal integrity
5 of municipalities so that they could provide for the
6 health, safety and welfare of their citizens, pay
7 principal and interest on their debt obligations when
8 due, meet financial obligations to their employees,
9 vendors and suppliers, and provide for proper
10 financial accounting procedures, budgeting and taxing
11 practices. The failure of the municipality to do so
12 shall affect adversely the health, safety and welfare
13 of not only of the citizens of the municipality, but
14 also other citizens in this Commonwealth.

15 Section 202 of Act 47, standing to request for
16 determination; provides ten categories to --- who have
17 standing in their request for determination of
18 municipal financial distress from the secretary of the
19 Department of Community and Economic Development. One
20 party that has standing to allege that a municipality
21 is in financial distress is the governing body of the
22 municipality upon passing a resolution by a majority
23 vote of the governing body after a special public
24 meeting duly advertised as provided by law.

25 On April 28th, 2014, the City Council of the City

1 of Shamokin passed a resolution to seek a
2 determination of municipal financial distress and to
3 seek financial aid by way of loans, grants or
4 otherwise under and by authority of the Municipality's
5 Financial Recovery Act. Subsequently, the City of
6 Shamokin filed with the Department a request that the
7 Department determined that the City is a financially
8 distressed municipality under the provisions of the
9 Municipality Financial Recovery Act. Their request
10 was signed by Mayor William D. Milbrand, notarized on
11 April 28th, 2014 and received by the Department on May
12 12th, 2014.

13 Section 203(c) of Act 47 authorizes the
14 Department to conduct a consultative investigation
15 into the financial affairs of the municipality after
16 receiving the aforementioned request but prior to
17 conducting a public hearing as required under Section
18 203(d) of Act 47. This testimony is a result of that
19 investigation. The review by the Department's
20 Governor's Center for Local Government Services of the
21 financial position of the City relies heavily upon the
22 City's 2014 Early Intervention Program, EIP, plan.
23 The EIP plan was fully funded by the Department and
24 the Department had intimate involvement in development
25 of the plan.

1 In conducting an investigation into the City's
2 financial condition, the Center and EIP consultant
3 relied upon the accuracy and completeness of the
4 financial information that was available. Financial,
5 personnel and other pertinent administrative records
6 and information, including interim plans or reports to
7 the extent that they were available, were all
8 considered in this investigation. Limited efforts
9 were made to verify available information by comparing
10 the original source documents as would be done on a
11 selective basis in audit for the municipality. The
12 Mayor, City Council, the interim city clerk, the
13 appointed city clerk and the employees of the City
14 were instrumental in providing their assistance and
15 cooperation in gathering information during the course
16 of the investigation.

17 The objectives of our investigation were
18 fourfold; to provide a brief history of the
19 Department's involvement with the City's financial
20 situation, the development of the Early Intervention
21 Program plan and the City's eventual request for
22 distressed determination. To determine whether the
23 City has met one or more of the eligibility
24 requirements for determination of distress under Act
25 47; and, if so, to examine available financial records

1 and other relevant data in order to recommend whether
2 or not the City should be determined to be distressed
3 under the provisions of Act 47. And, if so, to
4 determine whether the City qualifies for and should be
5 granted an immediate emergency loan. Testimony on the
6 immediate emergency loan will be provided by the
7 Center's local government policy manager, sitting to
8 my left, Mrs. Kelley.

9 Section 201 of Act 47 enumerates 11 criteria, at
10 least one of which must be present in order for a
11 municipality to be considered for a distress
12 determination by the Department. City Council's
13 request for determination of financial distress
14 alleges the presence of Section 201 criteria numbers
15 1, 2, 7, 8 and 11.

16 Central to criterion one is the validation of the
17 existence of a deficit of one percent or more in each
18 of the previous three fiscal years. Validation of
19 criteria two requires evidence of expenditures in
20 excess of revenue for a period of three years.
21 Criterion seven requires the municipality has operated
22 with a deficit of five percent or more of its revenues
23 for two consecutive years. Criterion eight requires
24 the municipality to meet its annual minimum municipal
25 obligation pension payments; MMO we call it. And

1 criterion 11 requires the municipality to have a
2 decreased level of service due to reaching its legal
3 limit in levying general purpose real estate taxes.

4 A deficit is defined in Section 103 of Act 47 as
5 the excess of expenditures over revenues, stated as a
6 percentage of revenue, during the accounting period.

7 To provide context, the following is a brief
8 history of the Department's recent involvement with
9 the City. The City of Shamokin was first identified
10 for assistance in August 2013 through the Center's
11 early warning system. The early warning system
12 predicted that Shamokin had a 72 percent likelihood of
13 financial distress within the next five years and that
14 the City had no ability to further raise revenue, as
15 it had already exceeded its real estate tax cap.

16 Shamokin City Clerk made initial contact with
17 DCED in late September 2013 and DCED made a subsequent
18 visit to Shamokin on October 3rd, 2013. It became
19 clear during this first visit that Shamokin was in a
20 very serious fiscal condition. At that time, the City
21 had failed to make payments on its healthcare benefits
22 and was in the process of being terminated by its
23 provider.

24 DCED soon discovered that among many other
25 issues, including extraordinary public safety costs

1 and inability to raising revenue, the City had a
2 years-long history of expenditures exceeding revenues.
3 The City had largely spent down its surplus and rarely
4 paid its end-of-year bills on time; instead using a
5 tax and revenue anticipation note trend to pay off
6 prior year expenditures. This practice became
7 unsustainable in 2013 when trend funds were no longer
8 adequate to fund prior year expenditures, while also
9 allowing the City to remain solid through the first
10 several months of the 2014 fiscal year.

11 Upon reviewing the City's situation, DCED sent
12 the City an October 31 letter containing a list of
13 departmental recommendations in which DCED requested
14 that the City, one, immediately hire an Early
15 Intervention Program consultant; two, develop and
16 adopt a balanced and realistic 2014 budget; three,
17 implement immediate cost containment measures,
18 including a hiring freeze, stringent management
19 controls on overtime and a freeze on all discretionary
20 spending; and four, because of an \$800,000 budget
21 deficit, over one-third of the total budget, pursue an
22 unfunded debt borrowing to fund payables for 2013.

23 DCED presented these recommendations at Council's
24 November meeting and the proceeding to work with the
25 City to implement them. By the middle of December,

1 the City had hired Stevens & Lee as its EIP consultant
2 and had received court approval to pursue an unfunded
3 debt borrowing. Yet most banks did not consider the
4 City's request for a loan, while the two banks that
5 did consider the loan eventually turned the City down
6 and denied the loan.

7 On January 6th, Stevens & Lee sent the City an
8 emergency action plan developed in coordination with
9 the Department through the City's EIP grant. Stevens
10 & Lee reiterated DCED's recommendations, expanding
11 them and making additional recommendations regarding
12 labor negotiations. The City has since been working
13 to implement these recommendations.

14 Additionally, from late November 2013 through
15 February 18th, 2014, the City functioned entirely
16 without administrative leadership. The city clerk
17 vacated his position, leaving DCED and Stevens & Lee
18 struggling to gather information or even make contact
19 with the City. Because of its difficulties, DCED
20 funded an implementation manager to implement the
21 City's emergency EIP plan, to help the City gather and
22 organize financial data and to serve as the interim
23 city clerk.

24 The interim city clerk discovered that the City's
25 2014 budget was significantly unbalanced with a gap of

1 \$200,000 to \$300,000. An exact figure was later
2 determined by the City's EIP consultant to be nearly
3 \$350,000. The clerk was also able to begin organizing
4 the City's finances. He entered in over \$800,000
5 worth of unpaid bills in 2013. Disregarding 2013
6 payables, the clerk discovered that the City would run
7 out of money by August 2014. This time period was
8 later confirmed by the City's EIP consultants through
9 the EIP plan.

10 Despite Shamokin's difficulties, the City is
11 showing willingness to accept guidance from others.
12 DCED, the interim clerk and Stevens & Lee led the City
13 through the interview process to find a new city
14 clerk, who was subsequently hired at a special meeting
15 of Council on March 31. The City has also been
16 amendable to training of city government, budget
17 management and other issues. In particular, the Mayor
18 and Council were extremely receptive to the EIP plan
19 upon its release and presentation.

20 On April 25th, 2014, Center staff and Stevens &
21 Lee met with City of Shamokin's Mayor and City Council
22 to present the results of the Early Intervention
23 Program plan. With a sizeable remaining deficit from
24 2013, impending deficits from creditors and a
25 considerable budget --- a considerable budget deficit

1 in 2014, their report's final conclusion was a
2 recommendation that the City request a determination
3 of municipal financial distress under Act 47.

4 Upon filing for Act 47 status, the City set forth
5 criteria 1, 2, 7, 8 and 11 under Section 201 of the
6 Act that they believe makes them eligible to be
7 considered for an Act 47 determination. As mentioned
8 previously, the Department extensively coordinated
9 with the EIP consultant in developing the EIP plan.
10 Accordingly, the Center agrees with the evidence
11 uncovered through the plan and supports the
12 conclusions of the plan. The EIP plan provides
13 evidence for four of the five alleged criteria and
14 the Center does not find it necessary or prudent to
15 conduct the same investigation already accomplished by
16 the consultants and through the assistance and
17 coordination of the Department. The Center has fully
18 examined the findings of the plan and considers these
19 findings to be sufficient. Therefore, the following
20 is a very brief summary of each criterion and
21 rationale whether each does indeed exist.

22 We already discussed criterion one, two and
23 seven, which all deal with deficits. The City of
24 Shamokin's expenditures have continually exceeded the
25 City's revenue, and as a result, the City has

1 maintained a structural deficit for the past five
2 years. Criteria one, two and seven, as we said, are
3 all connected to deficits. As such, an inclusive
4 synthesis of the three would merely require one to
5 show that the Municipality's structural deficit has
6 exceeded five percent for each of the three previous
7 fiscal years. With that in mind, the Center can
8 address each of these criteria as a whole. As
9 indicated in the EIP plan, the City had a deficit in
10 excess of eight percent for each of the previous five
11 years with deficits of 9 percent, 14 percent, 11
12 percent, 12 percent and 27 percent respectively for
13 the years 2009, '10, '11, '12 and '13, thus validating
14 criteria one, two and seven.

15 Criteria eight, the municipality has failed to
16 make the budgeted payment of its minimum municipal
17 obligation as required by the Municipal Pension Plan
18 Funding Standard and Recovery Act. The City's 2013
19 minimum municipal obligation, MMO, totaled \$243,300
20 and payment was due December 31st, 2013. As of the
21 date of this report, the City has still not paid any
22 portion of its 2013 MMO. The City's failure to make
23 the budgeted payment of its minimum municipal
24 obligation as required validates that the City meets
25 criteria eight.

1 Criterion 11, the municipality has experienced a
2 decrease in a quantified level of municipal service in
3 the preceding fiscal year which has resulted from the
4 municipality reaching its legal limit in levying real
5 estate taxes for general purposes. While the City is
6 at its legal maximum for general purpose real estate
7 tax millage, it is still very difficult to validate a
8 quantified decrease in municipal service. The first
9 year the City raised its millage to 30-mills, the
10 court-approved maximum, was 2009. And at that time,
11 the City had a total of 24 full-time employees. In
12 2014, the City has a total of 22 full-time employees,
13 a reduction of only eight percent from 2009.

14 The City is indeed at legal limit in levying real
15 estate taxes for general purposes. However, the
16 Center is unable to verify the City experienced a
17 decrease in quantified level in municipal service for
18 the preceding fiscal year; that is 2013. Therefore,
19 factor 11 is not valid.

20 Based upon the above analysis, this report has
21 validated the presence of criteria one, two, seven and
22 eight as enumerated in the Act. The fact that
23 criteria one, two, seven and eight were found to be
24 present enables the Center to conduct a further
25 evaluation and recommend whether or not the City of

1 Shamokin should be designated as distressed under Act
2 47. It is Commonwealth policy, as stated in Act 47,
3 to foster the fiscal integrity of municipalities so
4 that they provide for the health, safety and welfare
5 of their citizens, pay principal and interest on their
6 debt obligations when due, meet the financial
7 obligations to their employees, vendors and suppliers,
8 and provide the proper accounting procedures,
9 budgeting and taxing practices.

10 It is the Center's opinion that the City of
11 Shamokin has exhibited conditions that make it
12 difficult to fulfill its responsibilities as outlined
13 above. This conclusion is based upon a continued
14 pattern of year-end structural deficits, increasing
15 negative fund balances and significant cash flow
16 difficulties. Despite reductions in the City's
17 workforce, including in critical areas such as the
18 police department, codes enforcement and the public
19 works department, the City has been unable to overcome
20 the structural impediments for continued solvency.
21 The structural mismatch between revenue and
22 expenditures cannot be overcome without substantial
23 additional cutbacks in the expenditures or increased
24 revenues.

25 As per the EIP plan, increasing revenue in

1 Shamokin is challenging for a number of reasons. The
2 City of Shamokin receives revenue from real estate
3 taxes, earned income taxes, 511 taxes,
4 intergovernmental transfers and charges for services
5 provided. It is projected that the City's future
6 revenues will be, at best, flat. While increasing
7 revenues is not currently feasible, cutbacks and
8 expenditures have already begun. The City has reduced
9 its staff in the current fiscal year by 12 percent
10 from 2013 and reductions in service are expected in
11 future years due to an inability to raise revenue.

12 In addition to the above fiscal trends, the
13 City's EIP plan has found that prior year obligations,
14 expenditure patterns, especially in public safety, and
15 socioeconomic and demographic trends have further
16 contributed to the financial difficulty of the City.
17 Its tax base and revenues have declined over the past
18 several years, while expenditures have grown at
19 unsustainable levels. The City is already at its
20 maximum general purpose real estate millage and
21 coupled with its socioeconomic trends has very limited
22 ability to raise revenues through tax and fee
23 increases.

24 Further, by the close of 2013, the City owed
25 creditors in excess of \$800,000 in past due bills. At

1 least one large creditor has already threatened suit.
2 The City's efforts to obtain an unfunded debt
3 borrowing through --- though approved Northumberland
4 County Court, have been unsuccessful with the
5 financial community.

6 Accordingly, based on the Center's investigation
7 conducted in coordination with the EIP plan, it is the
8 Center's recommendation that the City of Shamokin be
9 determined to be a financially distressed municipality
10 under Act 47. Clearly the City is and has been
11 experiencing ongoing financial challenges over the
12 past several years. These conditions make it
13 difficult for the City to continue to fulfill its
14 responsibilities to provide for the health, safety and
15 welfare of its citizens. Thank you.

16 MR. ZUG:

17 Now I'll turn it over to Mrs. Kelley,
18 who is our Act 47 team leader. Marita?

19 -----
20 MARITA KELLEY, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
21 AS FOLLOWS:

22 -----
23 A. Thank you, Mr. Zug. My name is Marita Kelley and
24 I'm the program manager and employee of the Department
25 of Community and Economic Development. We will be

1 discussing the City's request for an immediate
2 emergency loan that was submitted through the single
3 application for assistance by the city clerk, Mr.
4 Slaby.

5 Section 302(b) of Act 47 states in a case where a
6 municipality has been declared distressed but prior to
7 final adoption of a plan, the municipality or the
8 coordinator appointed may apply to the department for
9 an expedited loan or grant to immediately assist the
10 distressed municipality. This may only occur if
11 certain conditions exist; one, the applicant verifies
12 that he believes the municipality is in imminent
13 danger of insolvency, or two, the applicant verifies
14 that he believes there is a clear and present damager
15 to the health, safety and welfare of the residents of
16 the municipality.

17 The City of Shamokin is the Applicant and the
18 Applicant has been asserted --- has asserted that the
19 existence of both the conditions do exist. The
20 Center, in analyzing this assertion through support by
21 the EIP plan, agrees that the City should receive an
22 immediate emergency loan. There are two key elements
23 to the City's application for an immediate emergency
24 loan. Both Ryan and Jonathan have noted that the
25 interim city clerk had been able to quantify the

1 accounts payable process, a total of \$814,100 owed to
2 debt --- to creditors from 2013 operating expenses,
3 although it must be noted that some of these expenses
4 were carried over from the prior year.

5 These debts are equal to nearly one-third of the
6 City's annual revenue and the City has no ability to
7 pay them. As described above, the City is at its
8 maximum general purpose real estate millage and cannot
9 pay this debt on its own. The City must raise its
10 debt service millage if it were to be able to --- but
11 thus far has been unable to find funding through any
12 bank or other source.

13 As described above in the history of the
14 Department's recent involvement in the City, the City
15 spent nearly six months attempting to acquire an
16 unfunded debt ---. However, most banks refused to
17 even consider the City's request for a loan, or at
18 least the banks that responded to the RFP refused to
19 consider the loan. The City currently has no options
20 left to pay its debts aside from the immediate
21 emergency loan from the Department of Community and
22 Economic Development as requested by Mr. Slaby.

23 Without an immediately emergency loan, the City
24 is at a serious risk with creditors, judgments and
25 possible bankruptcy. With judgments and bankruptcy,

1 City employees can lose healthcare benefits, the city
2 police will be dramatically reduced and the city
3 services could be eliminated, resulting in extreme
4 difficulty to city residents. Therefore, without
5 immediate funding for the \$814,100 in debt, there's a
6 clear and present danger to health and safety of the
7 residents of the City of Shamokin.

8 Additionally, the City anticipates approximately
9 \$333,000 in cash flow shortage by August 31st, 2014.
10 Mr. Hottenstein, through his research with the Early
11 Intervention Program, did verify the cash flow
12 circumstance. And the cash flow obviously is critical
13 to the operations of the City. And so therefore, the
14 City has put forth a request for a loan of \$1,164,000.
15 So that is currently being considered by the
16 Commonwealth of Pennsylvania as part of this process
17 that we're executing this evening. And that's my
18 report, Mr. Zug. Thank you very much.

19 MR. ZUG:

20 Thank you, Mrs. Kelley. One last
21 chance, anybody want to say anything? If not, thank
22 you all for coming. We appreciate you being here and
23 participating. I will take the information back and
24 present this evidence to the secretary who will make a
25 determination. Again, thank you for attending and I

1 adjourn the meeting.

2 * * * * *

3 HEARING CONCLUDED AT 6:00 P.M.

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CERTIFICATE

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I hereby certify that the foregoing proceedings,
hearing held before Executive Director Zug was
reported by me on 6/4/2014 and that I Jacob Rae read
this transcript and that I attest that this transcript
is a true and accurate record of the proceeding.

