

Keystone Municipal Services, Inc.



# City of Sunbury Early Intervention Program Report

March 2009

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## **INTRODUCTION**

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In late 2004, the Pennsylvania Department of Community and Economic Development (DCED) initiated the Early Intervention Program (EIP) under the Governor's Center for Local Government Services. This program, which funds 50% of eligible costs, is designed to assist municipalities in addressing long-term financial, operational and economic development issues.

The City of Sunbury, Northumberland County, applied for funding for participation in the EIP in early 2007, and awarded the professional services agreement to Keystone Municipal Services, Inc. ("Keystone"), working in conjunction with several other local government professional services firms.

The EIP has six major elements:

- Step 1: Financial Condition Assessment – A multi-year trend analysis of historic financial data and an assessment of current budget performance will be performed as a means to establish a realistic baseline of a local government's historic and current financial condition.
- Step 2: Financial Trend Forecasting – Performed over a multi-year period, this analysis will project future revenue, expenditure, economic and demographic trends so that the local government can understand its future financial position and take immediate steps to counteract any negative trends.
- Step 3: Emergency Plan for Current Fiscal Year – The Multi-Year Financial Management Plan should allow the local government to pursue both short and long-term strategies on parallel tracks. If the above analysis has identified a critical cash flow situation that may impact on the health, safety and welfare of residents, an Emergency Plan should be included to address actions to be taken during a 6 to 12 month time frame to avoid a fiscal emergency. The Emergency Plan, if applicable, should set forth a strategy regarding i) whether the current fiscal year's budget can and should be reopened, amended or modified; ii) whether operational and/or personnel reductions should occur; iii) whether short term borrowing including possible unfunded debt borrowing is necessary; and iv) whether other types of administrative reorganization or short term actions should be effectuated in order for the local government to remain solvent in the current fiscal year.

- Step 4: Management Audit – A management audit of all major departments and operations should be performed. The audit will include narrative summaries of each department comprised of budget and personnel information, as well as other relevant data. This data will be supported by interviews with each department manager and staff in order to facilitate the most comprehensive view of the local government’s most critical operational needs.
- Step 5: Multi-Year Plan Adoption – A schedule for public input into the Plan and for Plan adoption shall be provided. The Plan shall include an identification of the local government’s top three to five priorities. Additional prioritization should be conducted at the departmental level should be detailed in the Plan. Each objective should contain a detailed action plan which describes: 1) what is to be achieved; 2) the budgetary impact; 3) the timing and deadlines for each action step and 4) which employee or agency has the primary responsibility for the objective.
- Step 6: Multi-Year Plan Implementation – The Early Intervention Program is an ongoing process and an adopted plan must be evaluated, adjusted and adopted anew each year. A master implementation schedule should be adopted that specifies the key deadlines for each objective set forth in the Plan. Key to the ultimate implementation of the Plan, this schedule will serve to monitor whether or not individual department objectives are being met, thus providing a means by which the local government can measure its overall progress in implementing the Plan.

The recommendations presented in this report are based on the professional judgments of representatives of Keystone and other service companies, which includes experienced former local government officials who have advised cities, townships and boroughs throughout the Commonwealth. As outside observers, Keystone provides the advantage of a third party view informed by best practices in the Commonwealth. At the same time, while there have been numerous public and private discussions about conditions in the City and recommendations for improvements, it is the decisions of the Mayor and City Council that will determine how many of these recommendations are enacted and implemented.

We strongly recommend that this document be utilized and updated on an annual basis to provide for long-term direction for improving the operations of the City and addressing financial, operational and economic development issues in Sunbury.

## **ACKNOWLEDGMENTS**

We respectfully acknowledge the cooperation and insight of the elected and appointed officials of the City of Sunbury, without which the Early Intervention Plan could not have been completed. Finally, we benefitted greatly from the support and direction offered by the Commonwealth of Pennsylvania's Department of Community and Economic Development.

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## **Financial Condition Assessment**

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The initial task performed in the Early Intervention Program analysis was to review prior years' financial data and analyze the 2008 budget projections. This information is essential to determine the effectiveness of revenue collection activities, expenditure efficiency, staffing and employee benefits, and creates a basis for estimating out year revenues and expenditures. It also provides guidance to the priorities of the elected officials of the City, as to what activities are viewed as significant enough to fund.

In addition to examining financial documentation, it is essential to understand the various factors that have driven both revenues and expenditures in the City over the past 25 years. These other factors include an understanding of the demographic trends of the City, which impacts tax capacity and service needs; the City's workforce, which represents a majority of annual expenditures; and the operational policies for the City, which guides how revenues are collected and funds expended.

### **Demographic Trends and Analysis**

The use of demographic information in compiling this report and in our recommendations is critical in verifying our visual and anecdotal observations; in understanding why the City is struggling with various problems; in identifying and detailing problems with City operations; predicting future demographic trends; and in providing recommendations to the City to counteract negative trends and enhance positive trends.

The baseline for our analysis is the decennial census report completed by the U.S. Census Bureau. We use both general and detailed reports in our analysis, and use those figures to predict demographic figures from 2000 through 2013, the final year of the analysis. The analysis of census figures included the 1980, 1990 and 2000 census, and out year figures are based upon straight line trend projections. As with all out year estimates, the further out you go, the greater degree of error is likely. In addition, actions by the City and other outside entities, national, state and regional trends, and other factors have an impact that is not able to be measured in the out years.

The focus on demographic information is limited to several broad categories: population and age, housing, households and families, and income. These figures have the greatest direct impact on the City's financial situation. There are literally thousands of figures that can be utilized in analyzing the City's demographics; however, the presented general categories are most indicative of trends relating to city revenues and service needs.

An analysis of decennial census records between 1980 and 2000, along with estimates prepared

through 2008, shows the following trends:

1. **General Population:** In 1980, the City of Sunbury had a population of 12,292; by 2000, the population had fallen to 10,610, a 13.7% decrease. The Census Bureau estimates that the City's population dropped below 10,000 in 2003, and the 2008 estimated population is 9,831.

A more detailed analysis of age and population records shows that changes in population are not confined to any single age segment of the population; rather, it cuts across all groups. The population groups have been remarkably stable; the City is not showing a disproportionate exodus of working-aged residents or an immigration of young or older residents.

Statistic	Actual		
	1980	1990	2000
<b>Population and Age</b>			
Population - Total	12,292	11,591	10,610
Change from Previous Census		-5.7%	-8.5%
Change from 1980 to 2000			-13.7%
Under 18	3,312	2,837	2,534
Change from Previous Census		-14.3%	-10.7%
Change from 1980 to 2000			-23.5%
Percent of Total Population	27%	24%	24%
18-64 Years	6,842	6,591	6,231
Change from Previous Census		-3.7%	-5.5%
Change from 1980 to 2000			-8.9%
Percent of Total Population	56%	57%	59%
65 & Older	2,138	2,163	1,845
Change from Previous Census		1.2%	-14.7%
Change from 1980 to 2000			-13.7%
Percent of Total Population	17%	19%	17%

The impact of this age and population trend is both financial and operational. The decline in population has resulted in lower Occupation and Residence Taxes and low Earned Income Tax growth, affecting the City's ability to finance services. In addition, the per household tax burden has grown because there are fewer households to share the costs.

2. **Loss of Housing Units:** The number of housing units, both owner occupied and

rental, has declined from 5,419 in 1980 to 5,027 in 2000, a decrease of 6.4%. We estimate that the City could lose another 50-75 housing units by 2010 if current trends continue. This has affected the City's revenues from Real Estate Taxes, along with population-based revenues such as Occupation, Residence and Earned Income taxes.

Statistic	Actual		
	1980	1990	2000
<b>Housing</b>			
Total Housing Units	5,419	5,116	5,072
Change from Previous Census		-5.6%	-0.9%
Change from 1980 to 2000			-6.4%

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Property Ownership: The percentage of owner-occupied housing versus rental property has remained relatively stable from 1980 to 2000, with owner-occupied housing making up about 45% of occupied housing units and rental properties making up 55%.

Statistic	Actual		
	1980	1990	2000
<b>Housing</b>			
Total Occupied Units	5,030	4,788	4,540
Change from Previous Census		-4.8%	-5.2%
Change from 1980 to 2000			-9.7%
Percent of Total Housing Units	93%	94%	90%
Total Owner Occupied Units	2,336	2,209	2,048
Change from Previous Census		-5.4%	-7.3%
Change from 1980 to 2000			-12.3%
Percent of Total Occupied Housing Units	46%	46%	45%
Percent of Total Housing Units	43%	43%	40%
Total Renter Occupied Units	2,694	2,579	2,492
Change from Previous Census		-4.3%	-3.4%
Change from 1980 to 2000			-7.5%
Percent of Total Occupied Housing Units	54%	54%	55%
Percent of Total Housing Units	50%	50%	49%

4. Vacant Properties: In 1980, there were 387 vacant housing units in Sunbury, about

7% of the total housing stock. By 2000, the percentage of vacant housing reached nearly 10% of the total number of housing units. This trend is consistent with the loss of population. This has affected the City's revenues from Real Estate Taxes, along with population-based revenues such as Occupation, Residence and Earned Income taxes.

Statistic	Actual		
	1980	1990	2000
<b>Housing</b>			
Total Vacant Units	387	328	532
Change from Previous Census		-15.2%	62.2%
Change from 1980 to 2000			37.5%
Homeowner Vacancy Rate - Percent	2	1.6	1.5
Change from Previous Census		-20.0%	-6.3%
Change from 1980 to 2000			-25.0%
Rental Vacancy Rate - Percent	6.2	4.3	5.4
Change from Previous Census		-30.6%	25.6%
Change from 1980 to 2000			-12.9%

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Loss of Wage Earners: In 1980, there were 6,842 people between 18 and 64, a population base generally viewed as wage earners who pay earned income tax. This population base declined to 6,231 in 2000, and will fall to an estimated 5,800 persons in 2008. The decline of the general population count is primarily confined to this group, and has impacted the growth of Earned Income Taxes, the largest revenue for the City. This population group is also more likely to invest in home improvements, purchase or open businesses, and participate in community activities.

The impact of these negative demographic trends are important. The City will have lower revenues from Occupation and Residence taxes, and increases in earned income tax revenue will be offset by the stagnant or falling number of wage earners in the City. In addition, the increase in vacant properties indicates a flat market for real estate, which will have an impact on realty transfer tax revenues.

A census analysis is included in the report appendix.

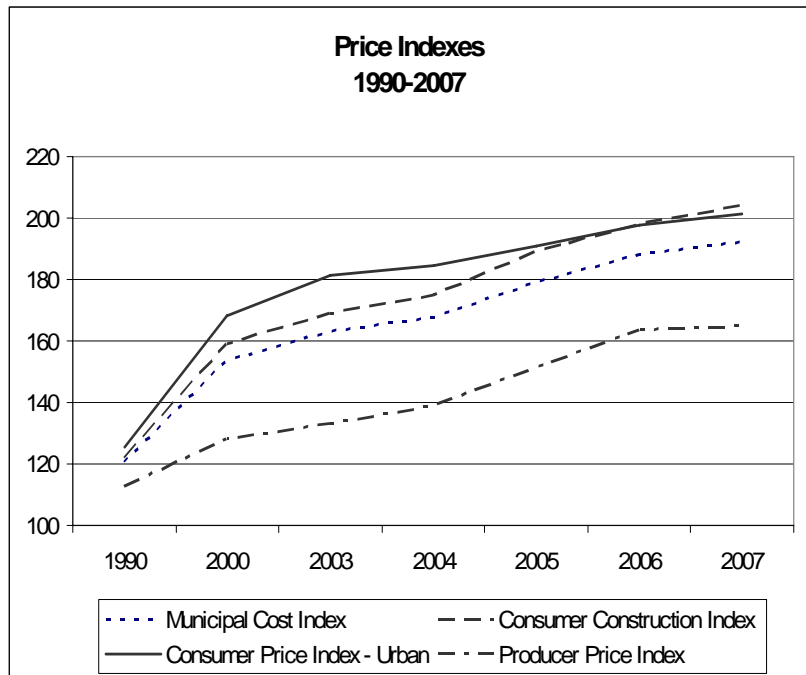
## Financial Analysis - 2003 to 2007

Keystone performed an extensive analysis of revenues and expenditures of the General Fund for the period of 2003 thru 2007, as well as an assessment of the 2008 budget. The General Fund is the one primarily associated with local government operations. Revenues are derived from a variety of taxes, service fees and intergovernmental transfers of funding. Most City functions, including Police, Fire, Public Works, Administration, Building and Code Enforcement, Recreation and Tax Collection are paid for by this fund.

## Assumptions and Limitations to Financial Analysis

The financial information provided as part of this analysis was generated by staff members of the City of Sunbury and the appointed independent auditor. As such, KMS did not evaluate whether or not each receipt or expenditure was posted to the appropriate account and line item.

Keystone relied upon a number of other assumptions in developing our estimates, including inflation rates, municipal labor trends and overall demographics. The escalation of costs due to inflation is inevitable, and the City must secure revenue streams which will allow it to meet the pressure of inflation. For purposes of this discussion, the inflation rate is assumed to be 2.90% per year, based on the Consumer Price Index. We have also included the Municipal Cost Index, the Consumer Construction Index and the Producer Price Index for comparison.



Some expenses, such as health benefits and public sector unionized wages, routinely escalate faster than this level, and the City is already dealing with such pressures. As the graph shows, inflation has been increasing steadily for many years, and this trend is expected to continue, especially with oil prices and electric deregulation affecting local government budgets.

## General Fund Revenues

The General Fund is the primary operating fund for the City. Revenue for the fund comes from real estate taxes, local enabling taxes, grants and other intergovernmental funds, and special purpose fees such as licensing and permits. The diversification of revenue sources conceptually provides for a stable income, limits the potential impact of a downturn in the economy and creates a fairer basis of allocating the cost of services between businesses and residents within the City. Many of the direct services provided to residents and businesses in the City should be self-supporting, with costs fully paid for by the customer.

Category	2003	2004	2005	2006	2007	2008
<b>General Government</b>	148,289	136,234	182,758	216,962	193,700	294,130
<i>Percent of Total</i>	4.3%	3.9%	5.3%	6.3%	5.6%	8.5%
<b>Buildings &amp; Plant</b>	129,248	132,176	113,378	63,677	69,831	128,085
<i>Percent of Total</i>	3.7%	3.8%	3.3%	1.8%	2.0%	3.7%
<b>Tax Collection</b>	81,049	99,951	135,313	137,110	139,570	155,437
<i>Percent of Total</i>	2.3%	2.9%	3.9%	4.0%	4.0%	4.5%
<b>Police Services</b>	935,692	1,272,548	1,795,138	1,770,520	1,556,615	1,800,068
<i>Percent of Total</i>	27.0%	36.7%	51.8%	51.0%	44.9%	51.9%
<b>Fire Protection</b>	123,337	130,530	184,243	99,785	53,448	64,657
<i>Percent of Total</i>	3.6%	3.8%	5.3%	2.9%	1.5%	1.9%
<b>Building/Code Enforcement</b>	112,486	150,414	156,511	172,454	162,541	229,545
<i>Percent of Total</i>	3.2%	4.3%	4.5%	5.0%	4.7%	6.6%
<b>Public Works</b>	391,557	399,529	394,714	478,364	472,649	516,812
<i>Percent of Total</i>	11.3%	11.5%	11.4%	13.8%	13.6%	14.9%
<b>Parking Facilities</b>	30,965	62,054	37,279	19,684	29,076	45,760
<i>Percent of Total</i>	0.9%	1.8%	1.1%	0.6%	0.8%	1.3%
<b>Miscellaneous Expenditures</b>	14,036	6,954	4,943	15,095	13,850	17,389
<i>Percent of Total</i>	0.4%	0.2%	0.1%	0.4%	0.4%	0.5%
<b>Culture and Recreation</b>	311,898	299,869	387,522	378,464	443,571	472,370
<i>Percent of Total</i>	9.0%	8.6%	11.2%	10.9%	12.8%	13.6%
<b>Community Development</b>	64,770	70,450	189,903	77,335	71,041	32,888
<i>Percent of Total</i>	1.9%	2.0%	5.5%	2.2%	2.0%	0.9%
<b>Debt Service</b>	339,043	299,655	382,858	357,260	241,081	(11,269)
<i>Percent of Total</i>	9.8%	8.6%	11.0%	10.3%	7.0%	-0.3%
<b>Insurance</b>	841,371	246,363	315,944	297,993	171,784	219,321
<i>Percent of Total</i>	24.3%	7.1%	9.1%	8.6%	5.0%	6.3%
<b>TOTAL EXPENDITURES</b>	<b>3,523,741</b>	<b>3,306,727</b>	<b>4,280,504</b>	<b>4,084,703</b>	<b>3,618,757</b>	<b>3,965,193</b>

## Real Estate Tax Revenue

The City of Sunbury collects a Real Estate Tax, thru the Treasurer's Office, on all land and real property consistent with the Third Class City Code for General Purposes. The City also collects special purpose taxes for Recreation and Library. Because the City is the county seat and home to numerous churches and other nonprofit entities, a significant percentage of the total assessed value of real estate in the City is considered tax-exempt. Delinquent real estate taxes are collected by the Northumberland County Tax Claims Bureau. The collection rate for the tax has averaged 93.5% for the past several years, a reasonable collection rate.

Real estate taxes for general purposes are levied at a rate of 23 mills (\$23.00 per \$1,000.00 of assessed valuation), a tax millage rate that has been slowly increasing for several years. In 2008, a 2 mill tax was enacted for debt service. The tax revenues are split for general operations, recreation and debt service; however, the annual real estate tax bill only splits it out between local general purposes and local debt.

LINE ITEM	DESCRIPTION	2003	2004	Actual 2005	2006	2007	Unaudited 2008
<b>REAL ESTATE TAXES</b>							
301.100	Real Estate Tax - General	821,512	988,345	975,654	960,944	974,623	1,115,225
301.110	Real Estate Tax - Recreation	110,270	110,430	109,012	107,368	108,896	107,503
301.120	Real Estate Tax - Library	13,784	13,804	13,626	13,421	13,612	13,438
301.250	Real Estate Tax - Debt Service					54,448	103,055
301.400	Delinquent Real Estate Tax	45,494	81,305	74,982	76,043	63,072	70,610
301.410	Delinquent Recreation Tax	8,521	13,045	8,879	8,496	7,047	6,871
301.420	Delinquent Library Tax	1,143	1,663	1,112	1,062	881	859
<b>REAL ESTATE TAX TOTAL</b>		<b>1,000,724</b>	<b>1,208,591</b>	<b>1,183,265</b>	<b>1,167,334</b>	<b>1,222,579</b>	<b>1,417,561</b>

A study done by the PA Department of Community and Economic Development in 2000 found that real estate tax revenue for Third Class Cities averaged 19% of total revenues; Sunbury is much higher than that, with real estate taxes accounting for over a third of total revenues.

The predetermined assessment ratio, which was changed by the City in 2004, is 100% of the assessed value of properties. The lack of an updated real estate tax assessment has resulted in amazingly low real estate assessed valuations in the City and county, skewing the relationship between assessed and market values for property. This situation has effectively hamstrung City Council in raising real estate taxes to support operations. The 2008 Assessed Valuation for all taxable property was \$59,646,960, with an average assessed valuation of \$16,486 per property.

Real Estate taxes do not keep up with inflation as well as income-based taxes, because they are

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based on a fixed point in time value of the property, and there is no statutory requirement to update the assessments. The latest figures from the State Tax Equalization Board (STEB)<sup>1</sup> show that the City's assessed value is only 21.7% of its estimated market value, which is in the bottom 25% of all counties in the state. Since the STEB monitors every real estate transaction in every PA county, its figures and calculations are based on what has happened -- actual transactions.

This low assessment will have an impact on the City's ability to raise real estate taxes in the future. The Third Class City Code permits a real estate tax rate for general purposes up to 25 mills; another 5 mills can be added with the annual approval by the Court of Common Pleas. Because the City's tax rate is 23 mills, the City can only raise the tax rate by 2 mills. This means that the City can only generate an additional \$130,000 in real estate tax revenues in the future without a change.

In addition, because Sunbury City is the county seat and the home to numerous churches and other non-profit organizations, nearly a third of the assessed valuation of property within the City is tax exempt. While the City does conduct a Payment in Lieu of Taxes (PILOT) program that seeks voluntary contributions from tax-exempt organizations, it has not been able to fully replace that lost revenue.

Details of the City's assessment and related information is included in the appendix.

### **Recommendations**

- **Real Estate Assessment Challenges:** The City should closely monitor appeals filed by property owners (mostly non-residential properties) to determine both the immediate and cumulative financial impact of potentially lower assessment values, and take steps to file a joint appeal with the School District and the County. Businesses will often file for reductions in assessments when there is an overall or industry-specific economic downturn, to reduce costs. In addition, because there are a large number of rental properties, multi-property landlords are also likely to seek tax reductions. Typically, costs for challenging real estate assessment appeals are shared between taxing bodies on a pro-rated basis.
- **For-Profit Uses:** The City should evaluate the for-profit uses of non-profit facilities, such as leasing of parking lots and office space, to determine if that additional use is now taxable.
- **Restructure Real Estate Tax Bills:** The City should have a separate tax rate for general purposes, recreation, library and debt service, and should not bundle these

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<sup>1</sup> [www.steb.state.pa.us](http://www.steb.state.pa.us)

into one tax. This will give the City additional tax rate growth in the future.

## Local Enabling Tax Revenue

The City of Sunbury has availed itself to some of the taxing powers authorized under the Local Tax Enabling Act<sup>2</sup>, commonly referred to as Act 511 taxes or Nuisance Taxes. The taxes levied by the City include the Real Estate Transfer Tax, the Earned Income and Net Profits Tax, Mercantile/Business Privilege Tax, Mechanical Devices Tax, Occupational Assessment Tax, Resident Tax and the Local Services Tax. In some instances, revenues from these taxes are shared with the Shikellamy Area School District.

Revenues in each line item are shown below:

LINE ITEM	DESCRIPTION	2003	2004	Actual 2005	2006	2007	Unaudited 2008
<b>LOCAL ENABLING TAXES</b>							
305.100	Occupational Assessment	118,914	112,027	102,410	98,605	92,979	90,032
305.300	Delinquent Occupation	55,588	65,022	68,058	52,495	50,148	39,326
308.100	Per Capita/Resident	21,653	20,704	19,182	18,695	17,970	17,147
308.300	Delinquent Per Capita	7,054	8,440	7,928	6,356	6,272	11,555
310.210	Earned Income Tax	601,242	626,555	631,029	625,847	631,787	660,878
310.220	Realty Transfer Tax					25,878	59,875
310.310	ORD 621 Mercantile Tax	101,257	98,151	119,245	112,241	104,732	113,573
310.311	ORD 622 Mercantile Tax	865	860	740	880	1,160	2,083
310.500	Occupational Privilege Tax	82,114	102,779	9,943			
310.510	EMST/LST Tax			365,449	384,873	374,257	230,621
310.700	Mechanical Permit/Gaming Machines	7,150	3,525	5,650	4,845	3,025	8,900
<b>LOCAL ENABLING TAXES TOTAL</b>		<b>995,837</b>	<b>1,038,062</b>	<b>1,329,633</b>	<b>1,304,838</b>	<b>1,308,206</b>	<b>1,233,990</b>

## Earned Income Tax

The City of Sunbury collects a 0.5% Earned Income Tax<sup>3</sup> on wage earners. This is the second largest tax revenue source in the General Fund budget. The Municipal and School Earned Income Tax Bureau collects the tax and forwards half of the amount to the City. The ordinance was adopted in 1977 and has not been amended since.

Typically, there is growth in the EIT receipts each year, based upon a growth in employment-based income. This revenue has been growing by under 1% a year on average, which is below expectations. However, because revenues are based upon outside factors, such as employment patterns and other economic activities outside of the control of the city, it is possible that EIT collections could fall for a brief period of time before increasing again.

<sup>2</sup> 53 P.S. 6901-6924, Act 511 of 1965, P.L. 1257, as amended

<sup>3</sup> Chapter 151, Article II of the Codified Ordinances

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Revenues are distributed on a monthly basis to the City. The collection commission for the Tax Bureau in 2007 was 1.29%, a very low percentage compared with other collection entities.

This is a self-reported tax, with little information available regarding non-payment or delinquencies on a real time basis. The Bureau obtains state income tax information; however, it is released two years in arrears, making it difficult to promptly identify and collect delinquent earned income taxes. This tax is driven by three factors: Employment levels (increasing at 1.75% annually), wage levels (assumed to grow with inflation at about 2.9% per year), and level of collection

The tax is at its maximum rate under the Local Tax Enabling Act. The only way for the City to increase the Earned Income Tax rate is through adopting a Home Rule charter.

Act 166 of 2002 and Act 24 of 2004 changed the definitions of “earned income” and “net profits” for purposes of the earned income tax imposed under the Local Tax Enabling Act to adopt, with certain exceptions, the definitions of “compensation” and “net profits” for state personal income tax purposes. The changes to the definitions of earned income and net profits are not optional. They apply for tax years beginning on and after January 1, 2003.

The definitions of “earned income” and “net profits” in the Local Tax Enabling Act, now reference the definitions of “compensation” and “net profits” that are used for the personal income tax in state law and regulations. Local taxpayers are permitted to deduct from compensation the same employee business expenses that are deductible from compensation for state income tax purposes. Interest and dividends, which are taxable under the state personal income tax, are still not taxable locally.

**Recommendations:**

- **Update Ordinance:** The City should update the Earned Income Tax ordinance to incorporate the expansion of taxable income to include net profits, as well as other amendments made to the law since the City adopted the tax in 1977. The City should consult with the School District to establish a consistent Earned Income Tax ordinance amongst all municipalities in which it is collecting the tax.
- **Collection of Net Profits:** The City should direct the Bureau to also seek payments to the City under the “Net Profits” clause of the ordinance to include self-employed individuals that work part time within the City’s boundaries. Oftentimes, these self-employed individuals include many doctors, lawyers, engineers and contractors, living in suburban areas, but performing a substantial part of their billable work within the City. Auditing of this tax needs to be routine and well-publicized, and information regarding the tax should be included on the City website, along with a link to the Tax Bureau website. Some Third Class Cities have attempted to collect

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this tax from suburb-based professionals who carry out their work at the courthouse or hospital.

- Legislative Issues: Act 32 of 2008 restructures the collection of earned income taxes, reducing the number of earned income tax collectors in most counties to one, mandating uniform rules for collection and disbursement of tax funds and improves transparency, oversight and enforcement of this critical revenue source. While the full impact of this law has yet to be felt, its impact is expected to be significant after the reorganization of the tax collection process is completed in several years. Potentially, it could result in increased revenues for the City.

## **Realty Transfer Tax**

The City of Sunbury adopted a Realty Transfer Tax<sup>4</sup> ordinance in 2006, based upon an ordinance from the City of Shamokin. This ordinance incorporates legislative changes in 2004 that broadens the types of transactions that are taxed. It appear to be consistent with Realty Transfer Tax ordinances adopted by other municipalities in recent years.

The City receives 0.5% of the sale value of real estate, consistent with the requirements of Act 511 and the Codified Ordinances<sup>5</sup>. Actual collection of the Realty Transfer Tax is performed by the Northumberland County Recorder of Deeds, and funds are transferred to the City on a monthly basis. The City is at the maximum tax rate authorized by Act 511.

## **Local Services Tax**

In 2004, the City approved an ordinance enacting the Emergency and Municipal Services Tax (EMST) to supercede the Occupational Privilege Tax. The EMST tax was further refined by the state, and the City adopted the newly-authorized Local Services Tax<sup>6</sup> in late 2007 after prompting by Keystone. The tax is collected by the Treasurer's Office, and the administration of tax refunds is also its responsibility.

Because of the new income requirements and the method of how the tax is deducted from an employee's paycheck, the City saw a reduction of about 30% in revenues from this tax in 2008. We anticipate this revenue to be relatively stable in the future.

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<sup>4</sup> Ordinance No. 1254

<sup>5</sup> Article 345 of the Codified Ordinances

<sup>6</sup> Ordinance No. 1256

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It is likely that without the enactment of the EMS and Local Services Tax in 2004, the City would have likely had to drastically cut services or would have entered into the distressed communities program.

**Recommendations:**

- **Updating of Tax Records:** The Local Services Tax applies to both businesses and non-profit entities with paid employees operating in the City. The City must regularly update its tax records with information from Business Tax lists, non-profit corporate filings available from the PA Department of State and the internet, as well as from other sources, to ensure that all employers are identified.
- **Audit of Tax Payments:** The City does not audit the tax payments filed by businesses. The City should establish a policy of auditing a mix of purposely selected and randomly selected businesses to ensure compliance with the tax. It is very cost-effective to perform this audit concurrently with an audit of the Mercantile and Business Privilege Tax returns.

**Occupational Assessment Tax**

The City collects an Occupational Assessment Tax<sup>7</sup> as permitted by Act 511 on all residents who are employed, whether in the City or at another location outside of the City. The tax rate is based upon the job schedule utilized by Northumberland County, and the City's established millage rate. The schedule was developed in the early 1960's, and has not been updated in recent memory.

The revenues generated by this tax have been falling faster than the loss of population in the City. From 2003 to 2008, revenues decreased by 29%, while collection costs have increased. Since 2003, revenues from the tax has decreased from about \$174,000 to \$143,000 in 2008, approximately 18%. We estimate that revenues will drop to about \$129,000 in 2012. Surprisingly, there are more Occupational Assessment Tax bills mailed than Per Capita/Residence Tax bills; this is probably due to the fact that the City maintains the tax rolls rather than the County.

**Recommendations:**

- **Updating of Job Schedule:** The City should seek to have Northumberland County update the schedule to take into account current job titles and changes in median pay for each position listed.
- **Increase in Earned Income Tax:** Act 130-2008 provides for the replacement of the

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<sup>7</sup> Chapter 151, Article IV of the Codified Ordinances

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Occupational Assessment Tax with an increase in the Earned Income Tax, subject to voter approval. Because Occupational Assessment Tax revenues have been falling, but revenues from the Earned Income Tax have stayed stable or have risen, the City could see an improvement in its financial position by eliminating this tax and increasing the Earned Income Tax.

The City would have to increase the Earned Income Tax from 0.5% to 0.61% to be revenue-neutral.<sup>8</sup> However, because Earned Income Tax Revenues are growing and Occupational Assessment Revenues are shrinking, this change would add an estimated \$32,700 in additional revenue in 2010 and increase to \$58,000 by 2012.

### **Mercantile License Tax (Ordinance 621)**

The city has been collecting a Mercantile License Tax<sup>9</sup> since 1958 on certain businesses located or working in the City, as authorized by Act 511. There are separate tax rates for wholesale businesses and retail vendors. This tax is collected by the Treasurer's Office, based upon lists that it manages and tax bills that it issues. The City also licenses businesses under a separate ordinance. The City does not tax service businesses, manufacturing facilities or restaurants/bars.

The area of business taxes is one that is fairly complex and ever-evolving. There are regular court cases that continuously define what income may be taxed, making this difficult to effectively administer.

#### **Recommendations:**

- **Ordinances and Regulation Updates:** This tax was first enacted in 1958, and most recently updated in 1977. Since the latest amendments were enacted, there have been changes to the enabling law as well as a number of court cases that define the limitations of the tax. We would strongly encourage city to review and where appropriate amend the ordinance. We would also encourage the city to adopt a current set of regulations governing the tax, as well as new tax forms. We have included a number of ordinances, regulations and forms for your review.
- **Update Tax List:** The Tax Roll must be updated on at least annual basis by the City

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<sup>8</sup> This figure is based upon an increased in EIT based upon a four year average to displace Occupational Assessment Taxes in a revenue-neutral manner.

<sup>9</sup> Chapter 151-3 of the Codified Ordinances of the City of Sunbury

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to incorporate new businesses and those no longer operating in the City. The City should develop a process to incorporate information from alarm permits, state tax filings, code and building permits and other tax rolls.

- **Audit of Tax Returns:** The City does not audit the tax returns filed by businesses. In our experience, we have found that there is oftentimes under-reporting by businesses, both by accident and intentionally. The City should establish a policy of auditing a mix of purposely selected and randomly selected businesses to ensure compliance with the tax.

### **Mercantile License Tax (Ordinance 622)**

The City collects a flat rate fee on certain Licensed Occupations<sup>10</sup> as permitted by Act 511. The ordinance allows the City to assess a fee on junk dealers and garbage collectors, delivery vehicles of non-resident dealers, mobile homes or trailers, solicitation, public parking lots, sound advertising vehicles, public exhibitions, bankers, investment brokers, pawnbrokers, billposting, express companies and telegraph companies, public utilities and market house companies.

This ordinance was originally adopted in 1958, and later amended in 1977.

### **Recommendations**

- **Review Legality of Ordinance:** There are certain provisions within the ordinance which we question their legality, such as a tax on public utilities and a license fee for non-resident delivery vehicles. The City should conduct a full review of the ordinance to ensure compliance with Act 511 and relevant court cases.
- **Enact Flat Rate Tax:** The City should enact a flat tax on all businesses in the City, rather than just those taxed under the Gross Receipts Business Tax (Ordinance 621) and the Mercantile Business Tax. This would broaden the tax base to include service businesses, restaurants and other entities.

Warrington Township, Bucks County, has enacted an ordinance establishing a flat tax that has an exemption for businesses with revenues of less than \$1,000,000 per year. While this ordinance is currently being litigated, it may provide the City with guidance in establishing alternative taxing models.

### **Residence Tax**

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<sup>10</sup> Chapter 106 of the Codified Ordinances

The City of Sunbury has been collecting a Residence Tax on taxpayers within the city as authorized by the Third Class City Code<sup>11</sup>. However, in the budget it is referred to as a Per Capita Tax, which is authorized by Act 511. The list of residents is maintain by the County Assessor’s Office, and the Treasurer’s Office provides information to the County based upon information gathered from several sources. The Treasurer’s Office noted that the maintenance of the files is the responsibility of the County Assessor’s Office. Delinquent account collection is performed by Statewide Tax Collection.

There are approximately 7,500 individuals in the City above the age of 18 years old that would be subject to the Residence Taxes, based upon 2000 Census estimates; however, in 2007, the Treasurer’s Office only issued 5,509 tax bills (with exonerations and additions, the final bill count was 5,323). This is about 2/3rds the estimated population. In addition, about 2/3rds of those receiving a tax bill pay on time, with the remaining being turned over for collection. In comparison, the City had 5,392 names on the Residence Tax rolls, while the School District had 6,245 names on the Per Capita tax rolls, which is an additional 853 names.

We believe that the City is losing about \$15,000 per year in Residence Tax income, simply based

<b>Residence Tax Analysis</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Estimated Total Population: 18 and over	7,809	7,729	7,666	7,581	7,502
Total Per Capita Tax Bills (includes exonerations/additions)	6,400	6,100	5,657	5,502	5,323
Total Per Capita Tax Bills Paid	4,308	4,122	3,815	3,717	3,580
Percent Paid vs. Total Per Capita Tax Bills	67%	68%	67%	68%	67%
Percent Paid vs. Total Population	55%	53%	50%	49%	48%
Total Delinquent	2,092	1,978	1,842	1,785	1,743
<b>Lost Revenues</b>					
Unbilled Taxpayers	1,319	1,379	1,627	1,758	1,993
Lost Revenue - Current Year	\$ 4,439	\$ 4,659	\$ 5,486	\$ 5,938	\$ 6,702
Lost Revenue - Delinquent (25% Collection Rate at Penalty)	\$ 5,928	\$ 6,148	\$ 7,284	\$ 7,842	\$ 8,973
Total Lost Revenue	\$ 10,368	\$10,808	\$12,771	\$13,781	\$15,675

on the reduced billing.

**Recommendations:**

- The City must seek to have the County Assessor add the names on a timely basis so that a full billing can take place.
- The City must take stronger steps to effectively identify residents and incorporate them into the tax rolls. With only 2/3rds of the residents paying their bills on time,

<sup>11</sup> Section 2531(3) of the Third Class City Code

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it is important that the City try to get as many people on the tax rolls to make up in part for the delinquents. This information can be gathered from police incident reports, criminal and civil filings, code and building inspection activities, utility billings, school enrollments, landlord reporting, voter registration reports and earned income tax rolls, among other sources.

- The City must enter into a written agreement with Statewide Collection for delinquent account collection services, and not just appoint them by motion on an annual basis.
- Clarify Tax on Documents: The City should have the tax name changed on the tax bills, budget and other financial documents to correctly identify the tax.

### **Mechanical Devices Tax**

A Mechanical Devices Tax<sup>12</sup> is collected by the Treasurer's Office, and is consistent with Act 511, but is very narrow in its scope. At present, the City licenses jukeboxes, amusement devices, shuffleboards, pool tables, pinball, bowling alley and beverage machines. The City does not license washing machines or dryers, coin operated copiers, non-food product devices or food dispensers. The City could increase revenues if it would broaden out the listing of eligible devices and begin to perform spot checks on facilities to ensure compliance.

### **Recommendations**

- Update Mechanical Devices Ordinance: The City should update its ordinance to broaden the types of devices taxed to include copiers, mechanical rides, food and non-food vending machines.
- Verification of Licenses: The City should designate certain employees to monitor licenses and devices at businesses and other locations. For example, the Health Inspector should be responsible for ensuring licenses at food establishments, and code enforcement officers should be required to verify non-food facility devices.

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<sup>12</sup> Section 106-8 of the Codified Ordinances

## Business Licenses and Permits

The City issues permits for a number of commercial and other activities. Most of these licenses are relatively inexpensive, and represents minor activities.

LINE ITEM	DESCRIPTION	2003	2004	Actual 2005	2006	2007	Unaudited 2008
<b>BUSINESS LICENSES &amp; PERMITS</b>							
310.710	Peddling & Solicitation License	500					50
310.720	Transient Business License	400	400	400	1,500	2,550	1,000
321.310	Bicycle License	8	34	26	2	75	20
321.800	Cable Franchise Fee	7,608	10,734	42,357	105,295	65,490	95,078
363.110	Sidewalk Sales Usage Permit	270	400	290	180	230	80
365.200	Restaurant Health Inspection Fee	3,100	5,630	6,050	5,350	5,115	4,550
<b>LICENSES &amp; PERMITS TOTAL</b>		<b>11,886</b>	<b>17,198</b>	<b>49,123</b>	<b>112,327</b>	<b>73,460</b>	<b>100,778</b>

The City has the Cable Television Franchise Fee earnings under this category of revenues. Franchise fees earned by the City increased with the update in the franchise agreement in 2004. The franchise agreement with the cable service provider, Service Electric, provides for a 5% franchise fee, payable on a quarterly basis.

The City should see the fee stabilize, and then slowly drop over a few years, is because of the growth of satellite television channels, which do not require the use of public rights-of-way, and thus do not pay a franchise fee. However, the City may see this revenue increase if telephone companies, such as Verizon, begin providing video programming services within the City.

### Recommendations:

- **Cable Franchise Agreement:** The City should seek to increase the scope of revenue subject to the franchise agreement. This should include: Basic Service fees; fee charged to subscribers for any type of service other than Basic Service; fees charged to subscribers for any optional, per-channel or per-program services; installation, additional outlets, relocation, disconnection, reconnection and change-in-service fees; fees for leasing of channels; fees and other payments received from programmers as consideration for carriage of programming on the Cable System; transport service fees; rental or sales of any and all equipment, including converters and antennas; any and all advertising revenues, including national, regional and local advertising; revenues from home shopping channels; fees for any and all music services, including DMX, fees for video-on-demand; late payment fees, NSF check charges; and franchise fees.

## Fines and Forfeits

The City receives a portion of fines levied in criminal and non-criminal court cases brought by the Sunbury Police Department and the City of Sunbury, as well as funds distributed for state police fines generated within the community, parking meter violations, and impounded vehicle storage. Revenues generated from fines are generally linked to levels of enforcement of non-criminal ordinances and the state Crimes Code.

LINE ITEM	DESCRIPTION	2003	2004	Actual 2005	2006	2007	Unaudited 2008
<b>FINES AND FORFEITS</b>							
330.010	Restitution	100	2,252	1,548	5,665	2,930	2,562
331.100	District Mag Fines	83,158	80,723	79,245	76,099	69,306	70,721
331.110	Commonwealth of PA Fines	7,039	9,035	7,868	11,683	9,453	4,501
331.120	Parking Fines	56,477	46,125	39,445	33,891	40,238	46,254
331.130	County Fines	5,663					11,547
<b>TOTAL FINES AND FORFEITS</b>		152,437	138,135	128,106	127,339	121,927	135,585

Revenues in this category have consistently fallen over the past few years; this can be attributed to the decline in staffing of the Police Department and Code Enforcement Department over this period, as well as changes to departmental priorities.

## Interest, Rents and Royalties

The City utilizes its financial and physical assets to generate revenues that reduce the tax burden on the public. This includes earning interest on cash balances and leasing land and office space to for-profit entities, non-profit groups and governmental agencies.

LINE ITEM	DESCRIPTION	2003	2004	Actual 2005	2006	2007	Unaudited 2008
<b>INTERESTS, RENTS AND ROYALTIES</b>							
342.210	Rent - Northumberland County	11,050	10,200	13,912	10,392	14,300	13,067
342.23	Rent - Community Development	1,900	6,000				
342.240	Rent - Burger King	20,259	21,176	21,654	23,154	22,973	23,662
342.250	Rent - Sunoco	4,500	4,500	5,000	5,000	5,000	5,000
342.260	Rent - ARC		2,350	4,800	630	5,200	4,800
342.270	Rent - Parent to Parent		1,650	6,600	6,600	5,500	6,050
342.220	Rent - McCann Business School	80,283	6,500				
341.000	Interest on Temporary Investment	1,431	2,963	6,225	8,482	13,382	6,283
<b>LEASE REVENUE TOTAL</b>		<b>119,424</b>	<b>55,338</b>	<b>58,191</b>	<b>54,258</b>	<b>66,355</b>	<b>58,862</b>

**Interest Income:** The Third Class City Code<sup>13</sup> prescribes what types of investments the City can make with municipal cash reserves. These approved investments include secured investments such as Treasury Bills and Notes, Certificates of Deposit, Bond Issues, and normal savings, checking and Money Market funds. The Director of Administration and Finance is responsible for managing the investment program.

Interest earnings during the review period have usually been low, primarily because of the low cash balances available and historically low interest rates.

**Rental Income:** The City leases office space and land at a number of sites within the City. The City should review its rates to ensure that they are competitive with any private lots, yet do not affect business within the downtown.

### Recommendations:

- **Diversification of Investment Holdings:** The City keeps its cash reserves in one bank; we believe that the current banking environment, with institutions being forced to close, would make it prudent to keep the funds in two or more banks. This would protect the City should there be an unexpected closing of the bank.

<sup>13</sup>§1804.1 of the Third Class City Code

- Interest Rates: The City should regularly examine interest rates being earned by the investments. We noted that there was a 75 basis point difference in overnight rates between the current bank and PLGIT and INVEST. This is nearly a 50% increase in current rates, and would add additional income to the City's treasury.
- Building Leases: The City currently leases property and office space to private and non-profit entities; however, there is a significant amount of space that is unused and has not been leased. The City should consider additional steps to lease this space by using a realtor to market the properties.

## Intergovernmental Revenues

This category is for payments from other governmental agencies for distribution to other agencies

LINE ITEM	DESCRIPTION	2003	2004	Actual 2005	2006	2007	Unaudited 2008
<b>INTERGOVERNMENTAL REVENUES</b>							
355.050	Pension Contribution PA	150,509	154,302	137,558	142,072	141,081	133,826
355.070	Fireman's Relief Fund	47,407	46,173	49,829	50,211	50,829	
355.040	PLCB License Revenue	5,650	6,250	5,950	5,650	5,000	5,400
355.010	Utility Tax PURTA	3,276	2,687	3,483	4,177	3,668	3,379
<b>INTERGOVERNMENTAL REVENUES TOTAL</b>		206,842	209,412	196,821	202,110	200,578	142,605

and funds, and for grant receipts. Revenues based on each line item are shown below:

The City receives funding from the Commonwealth of Pennsylvania for further distribution to various outside organizations and internally into different funds. These payments include State Pension Aid funds, which are then deposited into the two eligible employee pension funds and the Volunteer Fire Company Relief Association Funds, which are forwarded to the Fireman's Relief Association.

The City also receives other payments from the state to be used for any purpose. These funds include Act 66 Public Utility Realty Tax reimbursement and Liquor Control Board payments.

### Recommendations:

- Lower Revenues: The City should expect lower revenues for all intergovernmental transfer payments because of federal and state budgetary issues.

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## Departmental Earnings

The City of Sunbury performs a variety of services, both directly and through a contractual arrangement, for residents and businesses within the City. Because these services are oftentimes specific for each customer, the City assesses fees to pay for these services. The Third Class City Code authorizes the enactment of fees in return for certain city services that are provided. While we did not closely examine each and every fee to ensure that it fully covered all cost components of the service provided, we did note that there were some fees that should be modified, as well as other fees that have not been enacted, but could provide a source of general operations revenue to the City.

An unpublished Commonwealth Court decision<sup>14</sup> on the establishment of fees for services provided by a municipality requires an effective analysis to justify the fee amount. This analysis should include personnel costs, insurances, facilities, equipment, training and administrative overhead. Care must be taken to ensure that fees are not excessive.

Broadly speaking, the fees fall into several categories:

1. **Building, Planning and Code Fees:** These are service charges for zoning permits, subdivision and land development plan reviews, hearing fees, building permits, electrical and plumbing permits, Certificates of Occupancy, buyer and rental property inspections.

The revenues for these line items are relatively elastic because they are highly dependent upon the land development and construction market, and revenues can dramatically fluctuate with just one large project. It does not appear that all of the fees are adequate to pay for the services in many cases, nor sufficiently broad enough.

Typically, greater revenues in this category equates to higher costs within the budget, as well as higher legal, engineering fees and inspection costs.

2. **Public Works Fees:** These are fees for curb repairs, use of equipment, fines and grave excavation fees.
3. **Recreational Fees:** These are admission fees, state reimbursements for student employees and grants.

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<sup>14</sup> Kappe et al v. Borough of West Chester, No. 1905 C.D. 2003

4. Public Safety Fees: These are service charges for police services provided to private

LINE ITEM	DESCRIPTION	2003	2004	Actual 2005	2006	2007	Unaudited 2008
<b>PUBLIC SAFETY/CODE SERVICES</b>							
331.210	Section 134 Failure to Submit Names					240	
361.040	Filing Fee Planning Commission		1,225	850	900		
362.033	Subdivision/Land Development	300	400	200	1,450	600	550
362.040	Planning Commission Filing					850	1,200
362.045	Certificate of Occupancy	581	650	900	650	550	550
362.047	Occupancy Inspection/New Residential		50	250	50	100	50
362.400	Housing Permit/Rental Fee	55,903	79,144	81,752	81,269	78,434	82,498
362.405	Rental Permit Application Fee			8,000	20,500	17,500	17,000
362.410	Building Permits	35,367	51,084	81,019	96,214	56,439	31,056
362.420	Rental Reinspection Fee		200	150	295	271	356
362.421	Late Fee Housing Permit	2,436	3,894	5,280	3,550	8,125	9,575
362.460	Electric Permits	15,111	13,967	23,754	24,558	4,415	2,484
362.461	Zoning Hearing Variance		150	1,350	450	2,550	1,350
362.462	Electric Permit Filing		2,695	2,875	2,950	2,650	2,850
362.463	Zoning Hearing Filing Fee		600	1,350	1,950	2,550	1,350
362.480	Demolition/Contractor Excavation	16,348	660	1,440	890	684	751
362.482	Street Excavation					3,394	1,594
362.485	PA Permit Fee DCED			900	1,068	1,716	1,964
362.500	Contractors License Revenue	17,215	16,620	31,260	26,550	27,350	32,250
380.001	Miscellaneous Code Office		523	377	373	418	69
<b>PUBLIC SAFETY/CODE SERVICES TOTAL</b>		<b>143,261</b>	<b>171,862</b>	<b>241,706</b>	<b>263,667</b>	<b>208,836</b>	<b>187,497</b>
<b>PUBLIC WORKS SERVICES</b>							
362.490	Recycling/Dump Truck	2,863	3,559	1,684	288	463	
364.300	Dump Fee Reimbursement	180					
370.000	Grave Excavation Fees		200		377	100	
380.030	Damage to Property	4,385				9,613	2359
<b>PUBLIC WORKS SERVICES TOTAL</b>		<b>7,428</b>	<b>3,759</b>	<b>1,684</b>	<b>664</b>	<b>10,176</b>	<b>2,359</b>
<b>RECREATION SERVICES</b>							
387.021	Work/Study Reimbursement (PHEAA)	56,780	69,380	66,247	55,020	28,645	88,274
354.070	Keithns Trust Fund	2,374		2,650	7,930		468
367.200	Pool Revenue	27,009	58,544	58,565	41,905	45,108	45,962
367.800	Rink Revenue	137,428	121,813	122,144	143,987	167,016	166,720
387.030	Private Grant Park & Recreation	27,518	6,080	7,736	6,435	10,133	6,363
<b>RECREATION SERVICES TOTAL</b>		<b>251,109</b>	<b>255,816</b>	<b>257,341</b>	<b>255,278</b>	<b>250,901</b>	<b>307,787</b>

parties, police grants, parking meter revenues, and civil service testing.

5. Community Development Fees: The City formerly received a reimbursement from the Community Development Block Grant program; this was discontinued in 2007.

LINE ITEM	DESCRIPTION	2003	2004	Actual 2005	2006	2007	Unaudited 2008
<b>POLICE SERVICES</b>							
350.010	Drug Enforcement Grant			1,625		1,873	
350.020	Municipal Authority Wage Grant - PD	60,000					
351.030	Federal Police Grant	6,759		53,912			
351.040	Private Grant - Police	1,560					
354.020	Police Wage Reimbursement	78,583	19,072	18,293	20,352	13,183	38,439
354.030	PEMA/FEMA Grant	20,053				3,000	90
363.210	Parking Meter Revenue Street	72,915	67,600	61,364	64,276	61,081	59,419
363.220	Parking Permit Revenue	50,158	32,953	28,493	28,195	30,183	27,804
363.230	Parking Lot Meter Revenue	33,092	15,226	14,911	12,809	12,022	16,483
380.012	Police Civil Service Test			625			
380.017	Police Accident Report	1,976	1,870	1,860	2,280	1,665	1,695
387.000	Homicide Task Force	4,100		25,000			
<b>POLICE SERVICES TOTAL</b>		<b>329,195</b>	<b>136,721</b>	<b>206,084</b>	<b>127,911</b>	<b>123,007</b>	<b>143,930</b>

**Recommendations:**

- Amend Fee Schedule: Fees for these services are established by ordinance or resolution, and are authorized by the Third Class City Code and other state laws. As a general statement, fee amounts have not kept pace with the cost of providing the services, nor do the fee structures represent current best practices in capturing full reimbursement for services. The City should perform a wholesale review of these fees and incorporate them into a unified fee schedule, which can be adopted by resolution.

## Miscellaneous Revenues and Other Financing Sources

This category is a catch all for revenue sources that are otherwise unclassified or that result from an interfund transfer of funds within City accounts.

LINE ITEM	DESCRIPTION	2003	2004	Actual 2005	2006	2007	Unaudited 2008
<b>MISCELLANEOUS</b>							
350.560	Postage Reimbursement	1,106	1,333	1,226	2,476	524	1,721
351.040	Health Insurance Reimbursement	48,800				50,000	57,272
359.000	Payment in Lieu of Taxes	7,802	7,494	30,010	5,697	7,352	7,655
360.000	Tax Certification Fee	1,928	2,735	4,315	3,305	3,812	3,287
361.610	Treasurer's Office Supplies	22,418	24,884	15,395	30,397	32,951	48,096
361.620	Economic Development						41,992
357.010	SRI Wage Reimbursement						50,000
380.000	Miscellaneous	28,323	8,413	43,352	44,607	5,788	293,282
380.010	Misc. Reimbursement Expense	3,971	11,814	3,160	10,385	18,248	20,423
380.040	Health Insurance Reimbursement	48,800	30,332	24,820	31,141	45,649	51,720
380.170	Treasury Reimbursement			11,236			
391.100	Sale of General Fixed Assets	200		3,360		49,399	409
394.100	Tax Anticipation Note						
<b>MISCELLANEOUS TOTAL</b>		163,347	87,004	136,874	128,009	213,724	575,857

LINE ITEM	DESCRIPTION	2003	2004	Actual 2005	2006	2007	Unaudited 2008
<b>TRANSFERS</b>							
210.280	Economic Development					33,626	
250.019	Building Inspection Underwriters					32,793	
387.010	Transfer from Capital Equipment Fund			10,661	7,930		
392.010	Transfer from Baseball	1,159	810	4,725			
392.020	Transfer from DARE	11,945	7,980	3,657	12,028	-418	
392.030	Transfer from Cops Grant	4,681		2,936	8,844		
392.040	Transfer from Park & Rec	300					
392.050	Transfer from Fire Demo	27,377			107,343	114,008	
392.060	Transfer from Private Grants	19,380	196,634	41,658	127,601	22,780	
392.100	Transfer from Tax Anticipation	300,000	250,000	300,000	300,000	150,000	
394.010	Transfer from Keithan Garden		4,808	100,000			
<b>TRANSFERS TOTAL</b>		364,842	460,232	463,638	563,746	352,789	0

We noted that the City has discontinued budgeting revenue from Tax Anticipation Notes; however, it still relies upon the borrowing at the beginning of each year. However, there is no expenditure category for the interest costs, leading to additional unbudgeted expenditures each year.

The City has also been using a portion of the Health Insurance Reimbursement to pre-fund post-retirement health benefits in anticipation of GASB 45.

**Recommendations**

- Budgeting of Tax Anticipation Note: The City should discontinue its current practice of keeping the revenues and expenditures related to the annual Tax Anticipation Note out of the budget. While this may be an appropriate accounting practice, it does not provide for the correct analysis of the costs of the note, nor does it provide appropriate transparency.

**Total Revenues - 2003 to 2008**

2003	2004	Actual 2005	2006	2007	Unaudited 2008
3,886,050	3,832,141	4,316,670	4,375,496	4,152,538	4,306,811

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## New Revenue Opportunities

Because the City of Sunbury is restricted in increasing tax revenues by the Third Class City Code and Act 511, the City should explore new opportunities to generate revenues. We would recommend that the City consider the following:

- Payment in Lieu of Taxes: The City should undertake a more program to seek donations from non-profit entities that do not pay real estate taxes to pay a portion of their unbilled tax. We have enclosed a sample appeal letter to the City.
- Per Capita Tax: The City could charge a Per Capita Tax, as authorized by Act 511. This tax would be issued concurrently with the Resident Tax bill, and could generate over \$30,000 in additional revenue.
- Recycling Grant: At present, the City permits the Sunbury Municipal Authority to apply for and accept a Section 904 Recycling Performance Grant from the PA Department of Environmental Resources. In 2005, the Authority received a \$33,708 grant. The City should seek to either share the grant funds with the Authority, or else apply for the grant itself. This money can be used for general purposes as long as the City meets the new requirements of Act 140.
- Right of Way Franchise Fee: The City of Sunbury charges a franchise fee for the use of public rights-of-way by the cable television service providers, which are not regulated by the PA Public Utility Commission. This franchise fee is essentially a rental fee for permission to use public facilities (such as the right-of-way) for private purposes.

Over the past several years, there has been a proliferation of non-regulated users of public rights-of-way, specifically in the area of highspeed transmission of telecommunications, data and video. Typically, these service providers lease space from utility companies on their existing poles, and string fiber-optic service lines. We have also noted that fiber optic lines are stretched thru underground conduits, such as water lines and petroleum pipelines. The City should enact a right of way ordinance that establishes a franchise fee or other such reimbursement for the use of public space.

- Sports and Field Advertising: The City of Sunbury maintains a variety of sports and

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recreational facilities that are uniquely positioned to permit the placement of advertisements on scoreboards, fences, parking areas and bleachers. Funding received from the advertising could be used to partially offset the cost of operations and maintenance of the parks, as well as to expand services.

Advertiser recruitment should probably be handled by a marketing firm that would receive a commission based upon the sale.

- Naming Rights/Program Sponsorships: The City of Sunbury has a number of public venues (such as parks, swimming pools and buildings) and events that can provide for revenues thru the sale of naming rights and sponsorships. These revenues would go to offset municipal operating costs, as well as to further expand services.
- Other Advertising Opportunities: The City should consider different opportunities for the sale of advertising rights. These could include signs within the municipal building, advertising on the City's website, signs on parking meters, and on other notices. Again, the City should hire a marketing firm to assist in the placement of these advertisements.
- Non-Profit Foundations: The City should establish a general operations non-profit corporation (501c3 organization) to act as a conduit for the acceptance of foundation and corporate grants and other donations that would be used for specific projects or purchases in the City. Oftentimes, grants and gifts cannot be sent to municipalities because the grantee's charter requires that funds go to a 501c3 organization. This organization would be established as a pass-thru organization that would then transfer the funds to the City for the specific project. This will greatly increase the likelihood that non-traditional funding sources can be utilized by the City.

In establishing this program, the City should allow other municipalities and community based organizations use the Pass-thru feature to fund their projects, rather than establish a separate non-profit organization. It would be appropriate for the pass-thru organization to charge a 5% charge for administrative expenses related to establishing and maintaining the organization, and it could produce modest additional income for the City.

- Foreclosure of Liens: The City should evaluate, on an annual basis, the status of property liens and take action to foreclose based upon a policy adopted by Council. The policy should take into account the size of the lien, when it was placed, and the purpose of the lien. The foreclosure on a property lien is a significant step; however, the amount of liens could have a material financial impact on the city, and it is fundamentally unfair for the taxpayer who pays their bills on time to have to subsidize those that choose not to pay.
- Additional Permit or Service Fees: The City should review its current processes and activities to determine if it is subsidizing activities that benefit specific parties. For example, the City could charge a towing fee for vehicles that are illegally parked, and that interfere with municipal activities. We are also aware of fees for satellite dish inspections, non-profit certifications and other activities.

## General Fund Expenditures

Most of the traditional governmental activities that the City of Sunbury performs are paid for through the General Fund. Through this account, the City provides for direct financing of general municipal operations, including Administration, Treasurer, Police, Building and Codes, Fire Protection, Recreation and Public Works.

Generally stated, services provided by the City with costs that cannot be earmarked to a specific user or groups are funded through the General Fund. However, within the General Fund Budget there are certain business-type activities, such as building inspection, land use activities, and recreation programs that are usually financially self-sufficient.

Expenditures within the General Fund, as shown in the chart below, have grown from \$3.53 million in 2002 to a high watermark of \$4.3 million in 2006, an increase of \$850,000 or nearly 18% in 4 years<sup>1</sup>. However, starting in 2006 expenditures have declined to nearly where they were in 2004. Overall, the City has been able to limit expenditures during the study period to less than the overall Consumer Price Index or the Municipal Price Index.

	2003	2004	2005	2006	2007
<b>Actual Expenditures</b>	\$ 3,523,741	\$ 3,306,727	\$ 4,280,504	\$ 4,084,703	\$ 3,618,757
<b>CPI Expenditure Increase</b>	\$ 3,539,153	\$ 3,878,235	\$ 4,283,896	\$ 4,319,050	\$ 4,193,476
<b>MCI Expenditure Increase</b>	\$ 3,581,145	\$ 4,010,455	\$ 4,339,059	\$ 4,307,726	\$ 4,194,195

The growth of a municipal budget in excess of the rate of inflation from 2002 to 2004 is unfortunately relatively common, even in communities that have taken steps to reduce costs by curtailing services, cutting personnel and deferring capital projects. The City's elected officials have taken steps during the past few years to reduce the number of employees in many of the departments and have spent less on capital projects and repairs. However, however, it is difficult to accurately assess the impact of these actions on the City's total expenditures in the years following the cost-cutting actions, and the financial impact of some of the deferred repairs and capital projects on outyear costs.

An in-depth review of the City's expenditures shows that the growth in employee compensation, fringe benefits, insurances, post retirement benefits, utilities and other costs that are relatively non-discretionary have been driving the growth in expenditures during this period and will continue to do so for the foreseeable future. Consequently, expenditures that are somewhat discretionary, like vehicle purchases, facility repairs and capital projects have been squeezed out of the budget or kept

<sup>1</sup> Annual Audit and Financial Reports, 2002-2007 (DCED-CLGS-30)

CATEGORY	2003	2004	2005	2006	2007	2008
<b>General Government</b>	\$ 148,289	\$ 136,234	\$ 182,758	\$ 216,962	\$ 193,700	\$ 294,130
<i>Percent of Total</i>	4.2%	4.1%	4.3%	5.3%	5.4%	7.4%
<b>Buildings &amp; Plant</b>	\$ 129,248	\$ 132,176	\$ 113,378	\$ 63,677	\$ 69,831	\$ 128,085
<i>Percent of Total</i>	3.7%	4.0%	2.6%	1.6%	1.9%	3.2%
<b>Tax Collection</b>	\$ 81,049	\$ 99,951	\$ 135,313	\$ 137,110	\$ 139,570	\$ 155,437
<i>Percent of Total</i>	2.3%	3.0%	3.2%	3.4%	3.9%	3.9%
<b>Police Services</b>	\$ 935,692	\$ 1,272,548	\$ 1,795,138	\$ 1,770,520	\$ 1,556,615	\$ 1,800,068
<i>Percent of Total</i>	26.6%	38.5%	41.9%	43.3%	43.0%	45.4%
<b>Fire Protection</b>	\$ 123,337	\$ 130,530	\$ 184,243	\$ 99,785	\$ 53,448	\$ 64,657
<i>Percent of Total</i>	3.5%	3.9%	4.3%	2.4%	1.5%	1.6%
<b>Building/Code Enforcement</b>	\$ 112,486	\$ 150,414	\$ 156,511	\$ 172,454	\$ 162,541	\$ 229,545
<i>Percent of Total</i>	3.2%	4.5%	3.7%	4.2%	4.5%	5.8%
<b>Public Works</b>	\$ 391,557	\$ 399,529	\$ 394,714	\$ 478,364	\$ 472,649	\$ 516,812
<i>Percent of Total</i>	11.1%	12.1%	9.2%	11.7%	13.1%	13.0%
<b>Parking Facilities</b>	\$ 30,965	\$ 62,054	\$ 37,279	\$ 19,684	\$ 29,076	\$ 45,760
<i>Percent of Total</i>	0.9%	1.9%	0.9%	0.5%	0.8%	1.2%
<b>Miscellaneous Expenditures</b>	\$ 14,036	\$ 6,954	\$ 4,943	\$ 15,095	\$ 13,850	\$ 17,389
<i>Percent of Total</i>	0.4%	0.2%	0.1%	0.4%	0.4%	0.4%
<b>Culture and Recreation</b>	\$ 311,898	\$ 299,869	\$ 387,522	\$ 378,464	\$ 443,571	\$ 472,370
<i>Percent of Total</i>	8.9%	9.1%	9.1%	9.3%	12.3%	11.9%
<b>Community Development</b>	\$ 64,770	\$ 70,450	\$ 189,903	\$ 77,335	\$ 71,041	\$ 32,888
<i>Percent of Total</i>	1.8%	2.1%	4.4%	1.9%	2.0%	0.8%
<b>Debt Service</b>	\$ 339,043	\$ 299,655	\$ 382,858	\$ 357,260	\$ 241,081	\$ (11,269)
<i>Percent of Total</i>	9.6%	9.1%	8.9%	8.7%	6.7%	-0.3%
<b>Insurance</b>	\$ 841,371	\$ 246,363	\$ 315,944	\$ 297,993	\$ 171,784	\$ 219,321
<i>Percent of Total</i>	23.9%	7.5%	7.4%	7.3%	4.7%	5.5%
<b>TOTAL EXPENDITURES</b>	\$ 3,523,741	\$ 3,306,727	\$ 4,280,504	\$ 4,084,703	\$ 3,618,757	\$ 3,965,193

at the same level even while costs are rising.

The majority of growth within the City's budget is in the Police Department, which has seen its budget increase from \$935,000 in 2003 to over \$1.8 million in 2008. This growth accounts for nearly all of the increased expenditures within the City's budget. In further reviewing the growth of costs, much of the additional costs can be attributed to personnel, pension benefits, and health insurance for active employees and retirees. Part of the costs can also be attributed to a revision in how employee benefits are budgeted; in the past many costs were placed in budget line items that lumped together all employees into one pool, and did not break out departmental costs.

Within the individual departmental reports, we have further analyzed the changes, both growth and reduction, in the individual line items. These detailed reports provide additional context to the changes in City and departmental operations and priorities, as well as provide for a baseline in which to develop future expenditure projections.

	2003	2004	2005	2006	2007
Percent Personnel	59%	59%	60%	58%	65%
Percent Non-Discretionary	29%	30%	28%	28%	23%
Percent Discretionary	12%	11%	12%	14%	12%

We have attempted to establish what percentage of the budget can be controlled without employee layoffs or violation of a contractual agreement. The results of our analysis is as follows:

The City has been able to cut non-discretionary funding thru prudent purchasing practices, thus freeing up funds for other purposes, primarily personnel costs. The discretionary funds available have been fairly consistent, and are better than expected compared with similar municipalities.

Since the vast majority of municipal costs are related to personnel, both wages and benefits, we have focused on these cost items. While many items are reviewed as part of the departmental evaluations, we have chosen to focus on specific themes relating to personnel costs.

## **Wages**

Wage and related benefit growth (such as FICA, unemployment compensation and workers compensation insurance) have increased steadily since 2003, and account for the majority of personnel costs. We have previously noted that total Police Officer compensation has grown much faster than the cost of living; this can be attributed to annual wage adjustments, step increases and longevity pay. Non-uniformed employees have seen lower increases in total compensation due to smaller annual wage increases and not having step increases or longevity pay.

While the compensation increases for the Police Officers are within the realm of other collective bargaining agreements and arbitration awards, they are not sustainable with the City's stagnant revenue base. Strong efforts must be made to control those costs until the City's revenue stream improves.

## **Medical Insurance**

The City provides health insurance for employees and their immediate family. Non-uniformed employees pay 7% of the total cost for health insurance coverage; Police Officers pay nothing for the coverage. The health insurance plan, which also includes dental and vision coverage, is a top-level plan with low copayments for services. Family coverage will top \$14000 for this plan; the City

pays a moderate amount to those employees that opt out of the coverage.

We would strongly recommend that the City negotiate changes in coverage for employees that would require copayments, change to a less-expensive plan, and require mandatory mail order prescription for maintenance medicine. At present, the cost of prescriptions makes up nearly half of the cost of health insurance, and mail order prescriptions can reduce that segment of costs by 10% or more, while costing the employee less.

In establishing employee contributions, the City should enact a Section 125 Plan that would allow the employee contributions to be taken prior to taxes, reducing the employee's tax burden.

The City should also consider adopting several different health plans that have different benefit levels and different employee costs, providing the employee flexibility to purchase coverage that meets the needs of the employee. Another option is to evaluate the feasibility of Health Saving Accounts, combined with high-deductible medical insurance, that would reduce employer and employee costs while potentially providing tax benefits to the employee.

## **Pensions**

The City provides for pension benefits to full-time employees who meet the retirement eligibility requirements. Funding for the plans, which separately cover both uniformed employees and non-uniformed employees, comes from state funding, municipal revenues and employee contributions.

The uniformed employees have a defined benefit pension program that is mandated by the Third Class City Code. The plan provides for a retirement benefit of 50% of the average monthly salary based upon the last 12 months of employment. A defined benefit plan is much costlier than a defined benefit plan because it requires a sustained level of growth (typically 7% per year); years that do not meet these targets will then require additional funding to help readjust the pension fund.

In 2008, the Police Pension Fund had an unfunded liability of \$2.8 million; undoubtedly, this figure has increased with the precipitous decline in the stock market. The City's Consulting Actuary, Conrad M. Seigel, Inc., has determined that the City could save over \$100,000 per year in both pension and general fund costs by changing the retirement requirements to 50 years old/25 years of service; change the monthly salary calculation to 36 months; and increase employee contributions to 5% of total compensation.

The non-uniformed employees have a defined contribution pension plan, which is similar to a private sector 401(k) plan. In this plan, both the employer and employee contribute a fixed percentage of the employee's wages; investments are self-directed by the employee. This type of pension plan is more stable for outyear budgeting, since it is relatively easy to estimate wages and pension costs 2 or more years away.

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## **Post-Retirement Health Benefits**

The City has granted, thru collective bargaining, post-retirement health benefits to police retirees. The cost of the coverage is wholly paid by the City; there are no contributions by either employees or retirees to the plan, and the service copayments for doctor visits and prescriptions are oftentimes significantly below what the current plan requires.

The cost of retiree health care is typically 3 to 5 times more expensive than that of working employees, raising the overall rate for health care coverage for the City. In addition, the Government Accounting Standards Board has issued GASB-45, which requires a municipality providing these benefits to account for them in the annual financial statement. This requirement is consistent with the board's approach to establishing costing for pension benefits.

It has been our experience that the annual cost for post-retirement health benefits exceeds employee pension costs, if it is pre-funded. This benefit will have a material impact on the financial statements of the City starting in 2010. The City has already begun prefunding these benefits while it awaits the results of the benefit actuarial study.

## **Municipal Insurance Coverage**

The City maintains insurance coverage to protect municipal operations and assets; these insurance policies include General Liability, Police Liability, Errors and Omissions, Property, Crime, Workers Compensation, Vehicle, Flood, and Equipment insurance. As part of the Early Intervention Program, we reviewed the insurance policies and premiums to determine if it was possible to improve coverage or decrease cost. We are pleased to note that the City has very good coverage at a good price.

Because of the issues relating to the financial markets, which are intertwined with the insurance markets, we anticipate that the cost of insurance coverage will increase significantly over the next few years. In addition, the underwriting requirements for such insurances, such as having a risk management program, making safety improvements, and related activities, will be increased. This is an area that will affect the City.

At present, the City has no effective risk management program. Risk management activities will help reduce premiums, improve employee safety and operational effectiveness, and limit the potential for expensive litigation costs and the resultant effect on the City's functions. Risk management activities cross all departmental boundaries, and affect facilities, training, operations and personnel activities. Significant losses due to the failure to enact proper risk management activities will further hasten deficit spending and increase pressure on other proposed programs for the city.

## **Summary**

In the past, municipality employees understood the paradigm that a public sector employee received lower wages, but higher benefits, than an equivalent private sector employee. However, this paradigm has been turned on its head, with the average City employee making well in excess of the median household income in the City, with benefits beyond that found in the private sector. This shift means that public sector employees of the City are making more (wages and benefits) than private sector employees in the City.

We would strongly urge that the City take strong steps to restructure the collective bargaining agreements that would cut costs or limit cost growth, improve productivity and provide for long-term stability for the City.

The ability of the City to control non-discretionary costs and personnel costs will allow an increase in funding for discretionary activities, such as road and building repairs, economic development, cultural and recreational activities and process improvements that will produce long-term savings.

In order for the City to take advantage of these opportunities, it must effectively monitor the various factors that affect both expenditures and revenues, and project these figures forward to determine if there is a positive or negative impact on future year budgets.

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Revenues	\$ 4,375,496	\$ 4,152,538	\$ 3,955,297	\$ 4,006,401	\$ 4,057,792	\$ 4,106,411	\$ 4,167,136
Expenditures	\$ 4,076,133	\$ 3,609,954	\$ 3,879,493	\$ 4,325,550	\$ 4,637,038	\$ 4,857,344	\$ 5,142,353
Variance	\$ 299,363	\$ 542,584	\$ 75,804	\$ (319,149)	\$ (579,246)	\$ (750,933)	\$ (975,217)

**Sunbury Revenues  
2003-2012**

LINE ITEM	DESCRIPTION	Actual		Estimated				
		2006	2007	2008	2009	2010	2011	2012
	<b>REAL ESTATE TAX TOTAL</b>	1,167,334	1,222,579	1,333,400	1,374,078	1,395,441	1,424,970	1,454,501
	<b>LOCAL ENABLING TAXES TOTAL</b>	1,304,838	1,308,206	1,128,235	1,125,639	1,123,602	1,121,607	1,120,654
	<b>LICENSES &amp; PERMITS TOTAL</b>	112,327	73,460	115,150	117,774	117,754	117,734	117,714
	<b>INTERGOVERNMENTAL REVENUES TOTAL</b>	202,110	200,578	194,798	195,489	196,989	198,489	198,988
	<b>TOTAL FINES AND FORFEITS</b>	127,339	121,927	121,500	123,313	122,338	121,363	120,388
	<b>LEASE REVENUE TOTAL</b>	54,258	66,355	56,104	57,138	57,802	58,486	59,190
	<b>PUBLIC SAFETY/CODE SERVICES TOTAL</b>	263,667	208,836	173,400	193,823	196,779	201,235	204,233
	<b>PUBLIC WORKS SERVICES TOTAL</b>	664	10,176	200	600	600	600	600
	<b>RECREATION SERVICES TOTAL</b>	255,278	250,901	229,138	236,199	244,097	249,494	258,391
	<b>POLICE SERVICES TOTAL</b>	127,911	123,007	142,690	126,859	122,529	118,199	113,869
	<b>COMMUNITY DEVELOPMENT SERVICES TOTAL</b>	68,015	0	0	0	0	0	0
	<b>MISCELLANEOUS TOTAL</b>	128,009	213,724	180,595	205,490	229,862	244,234	268,607
	<b>TRANSFERS TOTAL</b>	563,746	352,789	280,087	250,000	250,000	250,000	250,000
	<b>TOTAL REVENUES/OTHER SOURCES</b>	4,375,496	4,152,538	3,955,297	4,006,401	4,057,792	4,106,411	4,167,136
	Total Revenues Excluding Transfers	3,811,749	3,799,749	3,675,210	3,756,401	3,807,792	3,856,411	3,917,136
	Percent Increase - Total	1.4%	-5.1%	-4.7%	1.3%	1.3%	1.2%	1.5%
	Percent Increase - Exclusions							

<b>Account No.</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2012</b>	<b>2013</b>
<b>Elected Officials</b>	24,775	28,021	29,001	30,244	34,656	34,656	34,656
Increase from Previous		3,246	980	1,243	4,413	0	0
Percent Increase		13%	3%	4%	15%	0%	0%
Percent of Total	1%	1%	1%	1%	1%	1%	1%
<b>City Administrator</b>	0	0	-	102,281	108,155	115,663	123,591
Increase from Previous		0	0	102,281	5,875	7,508	7,928
Percent Increase		#DIV/0!	#DIV/0!	#DIV/0!	6%	7%	7%
Percent of Total	0%	0%	0%	3%	3%	3%	3%
<b>Grant Projects</b>	0	0	33,600	12,100	-	-	-
Increase from Previous		0	33,600	-21,500	-12,100	0	0
Percent Increase		#DIV/0!	#DIV/0!	-64%	-100%	#DIV/0!	#DIV/0!
Percent of Total	0%	0%	1%	0%	0%	0%	0%
<b>City Treasurer</b>	137,110	139,570	158,942	201,876	216,243	230,105	246,906
Increase from Previous		2,460	19,373	42,934	14,367	13,861	16,801
Percent Increase		2%	14%	27%	7%	6%	7%
Percent of Total	3%	3%	4%	5%	5%	6%	6%
<b>Professional Services</b>	95,706	93,564	87,151	87,584	94,042	102,147	109,961
Increase from Previous		-2,143	-6,413	433	6,458	8,104	7,815
Percent Increase		-2%	-7%	0%	7%	9%	8%
Percent of Total	2%	2%	2%	2%	2%	3%	3%
<b>City Clerk</b>	96,481	72,115	131,639	133,943	138,727	143,734	149,328
Increase from Previous		-24,366	59,524	2,304	4,785	5,006	5,594
Percent Increase		-25%	83%	2%	4%	4%	4%
Percent of Total	2%	2%	3%	3%	3%	4%	4%
<b>Public Buildings</b>	63,677	69,831	69,000	73,000	80,800	82,990	85,240
Increase from Previous		6,154	-831	4,000	7,800	2,190	2,250
Percent Increase		10%	-1%	6%	11%	3%	3%
Percent of Total	2%	2%	2%	2%	2%	2%	2%

<b>Account No.</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2012</b>	<b>2013</b>
<b>Police Department</b>	1,770,520	1,556,615	1,885,262	2,016,171	2,206,108	2,353,737	2,521,744
Increase from Previous		-213,905	328,647	130,910	189,937	147,629	168,007
Percent Increase		-12%	21%	7%	9%	7%	7%
Percent of Total	43%	38%	46%	49%	54%	58%	62%
<b>Fire Protection</b>	99,785	53,448	81,654	81,654	81,654	81,654	81,654
Increase from Previous		-46,337	28,206	0	0	0	0
Percent Increase		-46%	53%	0%	0%	0%	0%
Percent of Total	2%	1%	2%	2%	2%	2%	2%
<b>Code Enforcement</b>	172,454	162,541	237,218	237,704	254,635	265,998	286,359
Increase from Previous		-9,913	74,677	486	16,930	11,363	20,361
Percent Increase		-6%	46%	0%	7%	4%	8%
Percent of Total	4%	4%	6%	6%	6%	7%	7%
<b>Emergency Management</b>	615	80	-	750	250	750	250
Increase from Previous		-535	-80	750	-500	500	-500
Percent Increase		-87%	-100%	#DIV/0!	-67%	200%	-67%
Percent of Total	0%	0%	0%	0%	0%	0%	0%
<b>Health Department</b>	2,554	2,693	4,600	4,548	6,208	4,865	6,538
Increase from Previous		139	1,907	-52	1,661	-1,343	1,673
Percent Increase		5%	71%	-1%	37%	-22%	34%
Percent of Total	0%	0%	0%	0%	0%	0%	0%
<b>Public Works Department</b>	478,364	472,649	475,465	517,299	583,008	615,456	651,412
Increase from Previous		-5,715	2,816	41,834	65,709	32,448	35,956
Percent Increase		-1%	1%	9%	13%	6%	6%
Percent of Total	12%	12%	12%	13%	14%	15%	16%
<b>Garden Maintenance</b>	2,923	1,912	2,742	2,825	3,520	3,672	3,831
Increase from Previous		-1,012	830	84	695	152	159
Percent Increase		-35%	43%	3%	25%	4%	4%
Percent of Total	0%	0%	0%	0%	0%	0%	0%
<b>Parking Enforcement and F</b>	19,684	29,076	27,170	31,732	33,378	34,363	35,390

<b>Account No.</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2012</b>	<b>2013</b>
Increase from Previous		9,392	-1,906	4,562	1,646	985	1,026
Percent Increase		48%	-7%	17%	5%	3%	3%
Percent of Total	0%	1%	1%	1%	1%	1%	1%
<b>Recreation</b>	<b>365,110</b>	<b>431,376</b>	<b>402,850</b>	<b>436,340</b>	<b>476,151</b>	<b>493,054</b>	<b>510,992</b>
Increase from Previous		66,266	-28,526	33,490	39,812	16,903	17,938
Percent Increase		18%	-7%	8%	9%	4%	4%
Percent of Total	9%	11%	10%	11%	12%	12%	13%
<b>Other Recreation</b>	<b>13,787</b>	<b>12,560</b>	<b>13,400</b>	<b>14,000</b>	<b>14,000</b>	<b>14,000</b>	<b>14,000</b>
Increase from Previous		-1,227	840	600	0	0	0
Percent Increase		-9%	7%	4%	0%	0%	0%
Percent of Total	0%	0%	0%	0%	0%	0%	0%
<b>Economic Development</b>	<b>0</b>	<b>19,516</b>	<b>80,000</b>	<b>100,500</b>	<b>100,500</b>	<b>75,500</b>	<b>75,500</b>
Increase from Previous		19,516	60,484	20,500	0	-25,000	0
Percent Increase		#DIV/0!	310%	26%	0%	-25%	0%
Percent of Total	0%	0%	2%	2%	2%	2%	2%
<b>Loans</b>	<b>357,260</b>	<b>241,081</b>	<b>59,635</b>	<b>137,000</b>	<b>101,000</b>	<b>101,000</b>	<b>101,000</b>
Increase from Previous		-116,179	-181,446	77,365	-36,000	0	0
Percent Increase		-33%	-75%	130%	-26%	0%	0%
Percent of Total	9%	6%	1%	3%	2%	2%	2%
<b>Community Development</b>	<b>77,335</b>	<b>51,525</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
Increase from Previous		-25,810	-47,525	0	0	0	0
Percent Increase		-33%	-92%	0%	0%	0%	0%
Percent of Total	2%	1%	0%	0%	0%	0%	0%
<b>Employee Benefits</b>	<b>297,993</b>	<b>171,784</b>	<b>96,165</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
Increase from Previous		-126,209	-75,619	3,835	0	0	0
Percent Increase		-42%	-44%	4%	0%	0%	0%
Percent of Total	7%	4%	2%	2%	2%	2%	2%
<b>Total</b>	<b>4,076,133</b>	<b>3,609,954</b>	<b>3,879,493</b>	<b>4,325,550</b>	<b>4,637,038</b>	<b>4,857,344</b>	<b>5,142,353</b>