

## **City of DuBois/Sandy Township Joint Board Meeting Minutes July 18, 2022**

City Council Chambers, City Building, 16 West Scribner Avenue, DuBois, Pennsylvania on Monday, July 18, 2022 @ 5:01 p.m. the DuBois/Sandy Joint Board convened. Board Members present were: Barry Abbott, Jim Aughenbaugh (by Telephone), Bill Beers, Diane Bernardo, Shane Dietz, Shannon Gabriel, Sam Mollica, Kevin Salandra, Mark Sullivan, and Edward Walsh. Also present: City Manager, John "Herm" Suplizio; Township Manager, Shawn Arbaugh; Sandy Township Police Chief, Kris Kruzelak; DuBois Police Chief, Blaine Clark; City of DuBois Code Enforcement/Zoning Officer, Zac Lawhead; City of DuBois Public Works Superintendent, Scott Farrell; DuBois/Sandy Joint Board Solicitor, Chris Gabriel; and City Secretary, Bobbie Shaffer.

An Executive Session was held prior to the meeting at 4 p.m. for information from Eckert/Seaman and PEL.

The meeting was called to order at 5:01 p.m. and the Pledge Allegiance was led by Kevin Salandra.

### **Public Comments on Agenda Items Only**

No Public Comments

### **Tabled/Unfinished Business**

Salandra stated that we approved this at the last meeting but he believes there may have been a few changes. He turned the meeting over to Manager Arbaugh who stated that there had been some confusion on the initial RFPs as there were a few of them out there, so he and Manager Suplizio sat down and tried to solidify some of the problems with the two previous RFPs and come up with a good product. Arbaugh stated that Suplizio had some really good things to add such as the number of ambulances required to be on staff at all times and removing some items that were really redundant. Suplizio stated that this would be the third RFP. Bernardo asked if they would have to rescind the previous vote. Attorney Gabriel stated they would not, they can approve this although if there haven't been major changes you may not have to vote. Councilwoman Gabriel stated there were major changes. Attorney Gabriel stated then they should vote on this one and just don't send out the previous one. The motion was made by Gabriel and seconded by Bernardo that the Joint Board accept RFP #3 as presented. Roll call was as follows: Abbott, yea; Aughenbaugh, yea; Beers, yea; Bernardo yea; Dietz, yea; Gabriel, yea; Mollica, yea; Sullivan, yea; Walsh, yea; Salandra, yea. Motion passed 10 – 0.

### **Approval of the Minutes from the June 6, 2022 Meeting**

The motion was made by Gabriel; Beers had question on the last page of the minutes under Joint Board Member Comments: Suplizio. He doesn't recall Suplizio saying "that the Fire



Sub-Committee will be reaching out to the Sandy Supervisors and City Council to ask them to meet with them so they can present and answer any questions regarding the Fire Committee's four tasks or any other question they may have." He went on to say that he has asked several Council, well elected officials, and they do not recall it either. He wonders if some of the notes from the 9 Member Consolidation Committee may have got mixed in with the 10 Person notes. Salandra stated he doesn't remember it being mentioned either. Beers stated that a few people called him on Tuesday and asked him what the meeting is about. Attorney Gabriel suggested a revision be made to the minutes and they can be voted on at the next meeting.

**DuBols/Sandy Financial Condition Assessment & Fiscal Trend Analysis Presentation**  
Gerry Cross, Executive Director & Lee Ann Rogers, Chief Executive Officer from the Pennsylvania Economy League made the presentation.

Mr. Cross addressed the meeting and pointed out on the first slide bottom right corner that this study was paid for by the Commonwealth's Governor's Center for Local Government Services. That is very important. This entire study is being funded under legislative budget item policies...the STMP program. Terri Kunkle, DCED, keeps mentioning future funding, future funding is part of phases of the STMP program. Once the municipality is in the STMP program they are illegible for continuing assistance from the Commonwealth. That assistance is predicated on the Phase I report. This is the Phase I report. The Phase I report tries to find issues in the municipality that are ripe for change or improvement like future funding and outside help from the Commonwealth. This consolidation process is obviously different from that, but it is similar in that you need to date assistance on specific subjects for funding. We have the funding requirements to provide both municipalities, if they were individual, with certain items which are required; which is revenue current and back the last five years, and the current projection of revenue and expenses for five years. We have identified different trends in the municipalizes that affect finances. What I'm saying is if this was a single STMP or a single municipality this would be designed to give you a look at your future finances based on the past. However, because you are a joint STMP and will be consolidated into a new municipality, this will help the Township understand the City's position and the City understanding the Township's position to help in further consolidation talks. The essential changes noted here, the essential trends will not change under a consolidated municipality. You will continue to provide services on an essentially combined tax base. So long as everyone understand that, this is intended to set the stage for future funding. The report will recommend multiple layers of funding over the next four years. This is essentially the bedrock financial analysis that must be completed to educate the member municipalities as to why those recommendations are being made.

During the creation of the Financial Analysis, because it is a consolidation, because it is two municipalities that are essential dissimilar, with similar services but dissimilar operation situations, because one is a Third Class City and one is a Second Class Township and all that entails in the Commonwealth of Pennsylvania. We had to made some changes, we had to



make some assumptions. You have to do the four bullet points you see on slide #2: Standardized the presentation of the Operating Budgets; Historical Financial Review of Sandy and DuBois; Five-year projections for Sandy and DuBois; and Baseline Combined General Fund Operating Budget. Each municipality has an operating budget, but they are as different as night and day. The Baseline Combined General Fund Operating Budget is at the end of the presentation and it will only show the changes based on consolidation and will still require the building of a model as part of the STMP program the first phase.

#### Slide #3 – Accounting Differences

Ms. Rogers took over to present the accounting differences in the two municipalities. The City of DuBois is on a cash basis; water & sewer expenditures are reported as part of their general fund. While Sandy Township operates under a modified accrual basis and they have a municipal authority. Two ways of accounting: Cash and Modified Accrual. The water and sewer for DuBois is put in the general fund, that is how they account for everything. Sandy Township has a municipal authority, their water and sewer and Shawn's salary is allocated directly there. Whereas, Herm and his staff's salary is paid from the general fund. Employee Benefits – DuBois' is part of their department expenditures, so if you are looking at DuBois' the police department includes their employee benefits, FICA, etc. In Sandy they have a line item that is called Employee Benefits and they record everyone in that. Capital – DuBois has a lot of capital expenses over the last five years, they are big capital purchases they are not your normal operating, they fund that stuff through grants and loans and stuff like that. Sandy has a capital reserve, if they have a \$1,000,000 that goes directly into the capital reserve for purchase of a new truck or new vehicle they pay for it out of there.

#### Slide 4 – Standardizing Adjustments

On DuBois side, we took the water & sewer direct expenses out of the general fund and threw them in their own fund against the revenues there. The overhead was left in the general fund. Then the transfers from water and sewer funds for overhead costs and what we actual did was we ensured that the water and sewer funds netted to zero and then transferred any other money back over to the general fund. Sandy we had to do kind of the opposite we had to account for Shawn's salary, some of the office worker's salary, and public works people who worked on the municipal authority projects was directly charged to the municipal authority. We pulled it back out of the municipal authority and put it into Sandy's general fund. Overhead can be cost of insurances, engineering, legal, audit, IT that kind of stuff we put that stuff back over to the general fund.

#### Slide # 5 – City of DuBois Adjusted General Fund

Mr. Cross took back over on slide #5 which is a graph of the Adjusted General Fund for the City of DuBois. Mr. Cross stated that if you look at the graph you will see the City had a deficit in three of the five years. Very important to distinguish because the City is on cash you would normally have the 2016 money available which showed a large surplus of \$1.9 million. If timing would have been in the accrual basis some of the deficit would have been wiped out. So you have to be careful when you are looking at the City. However, the City does have a history of small deficit except for 2017 which would have been nullified by 2016.



The large numbers represent the removal of water and sewer which inflates the general fund as presented. Also, 2021 has not been audit yet.

Slide #6 - Revenue History DuBois General Fund

Revenue is very important for this is the basis of any decision. The City has consistent tax revenue, which is not unusual for a municipality. Non – Tax revenue is important to notice the American Rescue Plan - \$385,000 that is one-time entry in the general fund; Sanitation (Taking over Billing), Inter-gov'd Revenue (Taking over Maple Avenue from State), Pension from the State, Contractual Police Agreement (Hospital Force) and Interfund Transfers. In 2021 the Interfund Transfers figure is estimated from past history as it has not been audited yet.

Slide #7 Expenditure History for City of DuBois General Fund

Expenditures in the City, you will see growth across the table but substantially in a few areas. Debt Service \$3,000,000 gap financing note matures in 2021. Big difference from the expenses in 2020 of \$9,140,461 to 2021 \$14,782,684, he suggests you look at the line items to see how uniformed the City's spending is.

Slide #8 – City of DuBois Water Fund

User fees have increased over the past five years by 23%; this would include Sandy industrial and Falls Creek along with residential, commercial and industrial users. Sandy's fee lowered due to agreement. The large capital expense found in 2021 is due to the replacement of the Maple Avenue Waterline and Street Repair.

Slide 9 – City of DuBois Sewer Fund

Increase in user fees residential, commercial and industrial again Sandy's fee was lowered due to agreement. The Proceeds from Debt is for the design and engineering fees for the new Sewage Treatment Plant; currently it is only and interest only loan and will mature in 2025.

Slide 10 – Sandy Township Adjusted General Fund

Ms. Rogers took over the presentation, stating that Sandy shows two of the five years in deficit, two with a surplus and 2021 is not audited. The surplus in amount of \$1,000,000 due in part to the \$550,000 in the American Rescue Plan funds.

Slide 11 – Adjusted Revenue History Sandy Township General Fund

On the revenue side the Real Estate and Earned Income Taxes increased approximately 9% each. In Real Estate taxes there was an increase in their millage from 12 mills in 2017 up to 13 mills in 2020 and added another .5 in 2021 for fire. Fire is a pass through it come in and goes right back out. LST is stable, Transfer Tax is pretty high in 2021 (people buying houses, The Commons, and a car dealership), Inter-gov't Revenue is where the ARP money is listed here. New line item for Sandy is the Interfund Transfers that is what I was talking about where we are trying to pull Shawn's salary back into the general fund. To make it apples to apples.



Slide 12 – Adjusted Expenditure History Sandy Township General Fund

General Government includes salaries and other expense. Police - expenses have increase but they have added some police officers. Public Works is construction costs and reduction in salaries I believe they had some attrition and changing the salaries so that half is paid by the general fund and half paid by the authority. Like every other municipality Employee Benefits are up.

Slide #13 – Sandy Township Municipal Authority

We did add the Municipal Authority and it has had a surplus over the last five years. The Transfer/Overhead should match the amount in the revenue right now. This is how the authority has been running over the past five years. Had some capital expenditures in 2017 and 2021 that is why the revenue is down a little bit.

Mr. Cross said that this slide had been added by the request of the Finance Committee. This is one of the items that was requested on the list I was given. This is the counter part of the DuBois water and sewer history. He went on to say that they have explained where the City and Township have been over the past five year and tried to standardize it so you can compare them.

Slide #14 – Projection Assumptions

The next step is to provide the STMP Program and the Municipalities with a forecast. We had to make certain assumptions and these assumptions bare heavily on the results of the past five years. When we do assumptions we do them in conservative look, we don't want you to be surprised on the negative side that the revenue didn't come in as steadily and you didn't save as much as you thought over the next five years. So we try to be as conservative as we can which results in pessimistic projections but not necessarily inaccurate projections. It gives you an idea of where you will be if you don't make some changes. There are some deficits projected but they are not at a level that would require some kind of large scale change.

We went through the Tax Revenue to show you the sorry state of assessments in the municipalities. As a county you have an older assessment base, you have only been using a .3% rate of growth over the last five years. What it means is your real estate taxes without millage increases will hardly grow. In the next five years you may get 1.5% growth. Real Estate tax requires county action assessment law in Pennsylvania which requires certain specific activities. You don't just raise assessments willy nilly. The EIT we raised to 2% in 2023 due to an adjustment for COVID, then put it back down to the historic rate of 1.5% thereafter. There is No LST growth; the jobs in the City are holding steady. Non-Tax Revenue increased state pension aid by the historic average of 1.5%; although, we did have some indication it may not grow that fast. Revenue has been holding consistent, you really don't see any growth. Transfers from Water & Sewer Funds to the General Fund reduced overtime as cost increased in the funds. As the operating cost of the Water & Sewer increase, absent a rate increase or change in usage or consumption patterns your Water & Sewer Funds will break even. Which means there would be less transferability to pay for



new direct costs of the City. That's the City's revenue assumption. We also kept Sanitation at the same level because the City has assured us that that will be kept at a level to pay for increase in the contract costs. The Expenditure Assumptions involve contracted services.

Ms. Rogers said they tried to keep the assumptions uniformed. Mr. Cross stated he presents the DuBois side and Ms. Rogers presents Sandy's side. Mr. Rogers went to say that on the expenditure side they used the employee expenditures contracted amount as far as they have contracts. For any year that there is not a contract, they went at a 2.5% increase in salary; for Health Insurance they netted at 4.8% because both sides have premium shares built into the contract so that increases would be absorbed. On Services and Supplies because inflation went nuts we increased the 2023 budget to 4.3% then we gradually stepped that down. Mr. Cross stated that the 4.3% is slightly optimistic but that's something to bear in mind when considering the expenditure costs and capital costs going forward.

#### Slide #15 – Projected Revenue – City of DuBois General Fund

Mr. Cross stated he wished it was an easier sell but five years of experience gets you five years increases of money. Unfortunately, that does happen when you operate under this, typically you will see very flat revenue or in this case a very slight increase in revenue. There is an adjustment we made because of the nature of the accounting. We took out the \$1,000,000 in grants from the total revenue so we could show a net increase in revenue for the tax base. You will see that we are projecting a 2.8% decrease in revenue absent any actions by the City Council the next three years. If you do nothing as far as enhancing revenue and at some point there is only so many taxes you can raise, you will see a reduction in your revenue base. We are estimating 2.8%, at best you will be flat, which requires more attention to the expenditure side to balance out. When you are thinking through expenditures the next three years, your revenue will not increase to fill the gap. We do not have the ARP \$385,000, it's in the General Fund but it is not budgeted. In other towns that is a little bit of a cushion, I want to keep that in mind when you are looking at the ultimate deficit protections. ARP has a \$10,000,000 allowance from all the fund transferred from Washington, many municipalities are using the funds as lost revenue due to COVID. You are not unlike other municipalities that are Cities, slight or flat growth in revenue. That will inform your expenditure decisions to services.

#### Slide #16 – Expenditure Projections – City of DuBois General Fund

Your expenditure projections are longer because of contract obligations and to some extend the large inflationary adjustment we are in. You are looking at about a 10% increase in expenses over the next five years. Which is about \$800,000 on the \$10,000,000 total. Breaking that down into department, the categories that are going to seem the largest General Government, Police and Public Works of those three \$880,000 that will account for 80%. So when you are looking for places to cut expenses you only have about three places to cut.

Ms. Rogers wanted to point out we are still looking at the two municipalities historically on this slide employee costs (health care, FICA and stuff) are included in the department for the



City of DuBois. They allocate their employee costs to the department to which the employee works. So, that is why you see any of the departments that have full time employees that is where the growth is, between the contractual salary increases and health care.

Slide #17 – Capital Expenditures – City of DuBois

Mr. Cross said you will notice that we have two years of estimated capital expenses. Capital is not really an operating item. There will be some Capital Expenditures every year, they are just not able to estimate what they will be. Ms. Rogers reiterated there will be Capital Expenditures. This is the information we received from DuBois; because we did not forecast grants for the future, we didn't want to estimate capital either. We are also assuming you don't have any new debt over the next five years.

Overall the five year forecast for the City is slight to flat revenue growth with increase in contractual expenses; not unlike every city in the Commonwealth. Heavily labor intensive delivery service, you have to provide citizens with services and you contract them. No one realizes how expenses go up over 5 years. Revenue does not keep up with expenses, you will have to make choices at every budget year.

Slide #18 – Projected Revenue – Sandy Township General Fund

Ms. Rogers stated we looked at Sandy with the same assumption, same kind of pattern; Real Estate Tax minimum growth, EIT 6% growth over the next five years; Inter-gov't Revenue there was local grant money in there looks to be decreasing, there was \$105,000 that we took out for 2022. If you back out the \$105,000 from 2022, Sandy's reviews are growing by 3.4%. One of the differences is here, is the Municipal Authority covers the expense for Shawn; going forward, if you add the overhead cost the municipal authority was running at a surplus'. So, he can have that continuing out, and that money will come into the general fund to cover the salaries and the auditing of joint expenses for the authority and the municipality. Mr. Cross stated, that similar to the City, this does not include ARP money. The Township has put that into a fund, it's about \$550,000. So, if that money is treated as loss revenue it could be included in 2025. It's one time only, you are not going to see it again after July so it is not consistent and repeatable revenue.

Slide #19 – Expenditure Projections – Sandy Township General Fund

The expenditures are heavily employee based departments that are showing the biggest increases; here again employee benefits, that is all employee benefits in the line item. It came down to operating subtotal. For the pattern, Sandy has a capital plan out for the four-years; so, we included it in here so you can see what they are looking to stem off capital over the next several years in the general fund. Again, they have a capital reserve fund that will help with that. Mr. Cross stated the operating subtotal changed, it increased by 11% which is higher than DuBois at 9.6% but also Sandy has a slightly higher revenue estimated. The municipalities are in the same position; they are not terribly different. It is a consistent pattern the two municipalities are very similar in expenditures, revenue, and their estimated growth.



#### Slide #20 – Capital Expenditures – Sandy Township

Ms. Rogers stated they reached out to Sandy to see what they thought they would spend in Capital Expenditures the next few years. As you can see the General Fund is down to \$100,000 by the end of 2025, the Authority has some big expenditures, Highway Equipment looking at updating trucks in the next few years, Liquid Fuels that's their painting projects and they have a Capital Reserve Fund. Funding for future Capital projects come from different things; it comes from fund balances, American Rescue Plan Funds, future operating revenues, loans, etc. We don't forecast what type of revenue you are going to use to pay for these things so we do not put these kinds of expenses in the projection going forward. Sandy has their Capital Plan laid out this way, I know DuBois has a list of inventory of all their equipment so they know what condition it is in and how much it is worth; I'm sure they know when they need to replace their equipment.

#### Slide #21 – Baseline Financial Projections

Mr. Cross stated that this is a slide summary based on deductions for the City and the Township. True to the STMP requirements this will give you an idea of the type of decisions you will have to make over the next several years while you prepare your independent budgets. It also informs the other municipality of the conditional of the other municipality. Overall we are not including ARP funds here, that is a policy decision made by the respective boards. You may use some of this for lost revenue to offset some of the slower growth, again it is a one-time revenue fix. I will emphasize to both municipalities these deficits are manageable in the context of well-run municipalities; both municipalities are well run, they have the ability of foresight to see what's coming and can adjust your levels of services and expenses and budget your purchases. To give you an idea the City deficit of 2026, their hulk year, is only .5% before expenditures so any swing in revenue, we are very conservative on revenue, is concerning; we are trying to project the requirement on expenses. That's a small amount of deficit, but it is a deficit so you can't increase expenditures without considering that impact. The Township is less than 6% of its expenditure and again the Township has a little bit better revenue growth pattern simply because it is a township it has 100% of earned income tax in its tax base it is a typical second class township in Pennsylvania. So, while there is a higher proportion of deficit in the township it too can be managed. So, when I mentioned to Dan Kohlhepp when he asked me for a summary, these are two municipalities with the ability to handle their affairs. I think in a consolidated framework with the requirements the law requires to consolidate they will have one solid municipality formed from these two financial projections.

#### Slide #22 – City of DuBois Fund Balance

Mr. Cross stated they had included Fund Balances in the first presentation to the Finance Committee, they included the gross fund balance as an informational look to the committee for the relative fund balance and cash positions for the municipalities. It was requested that we break it down further by type and restriction. So, this is our breakdown based on the information submitted by both the City and Township. It shows the year end of last year. Ms. Rogers went on to read down the information on the slide. She stated that the



\$6,475,729 at the end of December, 2021 did include the RAP money received last year. Liquid Fuels - they get the money in then decide what they are going to spend it on. CDBG once again the money comes in they decide what they want to spend it on and it goes out.

Ms. Rogers stated that they intermingle some of their funds so she believes that some of the funds held in the General Fund are earmarked specifically for something which would make those funds restricted for use.

Question: Salandra asked Mr. Cross and Ms. Rogers if they have the expenses in there for the restricted funds account for the expense summaries. Ms. Rogers said if they were budgeted. Salandra what if they weren't budgeted? Because we specifically asked at one point at the Finance Committee level to have it included so we could finally get the income and expenses included on both sides. Mr. Cross said they could have put that in the report if they were more specific. Salandra thought they had sent something very detailed about what they wanted in the report. Ms. Rogers said they weren't able to get all the revenue and expenses within the time period available. Mr. Cross suggested Mr. Salandra talk to the City Council about a break down. Ms. Rogers stated that technically all the expenses we showed you would come from the General Fund. Salandra feels there were items that weren't in the original budget included in the fund balances; he will talk to the Finance Committee Chair. Mr. Cross does not recall a detailed email requesting the information.

#### Slide #23 - Sandy Township Fund Balances

Ms. Cross then went over the figures on the slide. Most of their funds are broke out into various funds. Other Special Projects Funds – Escrow funds, Recreation Fund, etc.

Questions: Suplizio asked if they had included Sandy's Uncollected Fund. Arbaugh confirmed they are not included in the report.

Mr. Cross stated that one of the questions the Finance Committee asked was a slide about Pensions. The police departments have defined benefit they are well funded. This is the actual valuation as of January 1, 2021. There may be some change due to asset performance since then. It sets the tone for the MMO for the next two years. The percentages show they are not distressed pensions. The Non Uniform Pension for DuBois is at 70% that is a minimally distressed standard according to the AG office. These numbers are found in the Auditor General's report which is issued every two years. Based on the actuarial analysis of January 1, 2022 your next review will come up in January 2023 then 2025. There are differences however in the assumed rate of return which directly impacts the annual MMO. As you lower the assumed rate of return for a better nasty experience of your investment, in five years that will increase your MMO which will make your pension healthier. The assumed rate of return for DuBois police is 6.50% and Sandy 7% which is relatively similar projections. The DuBois Non Uniformed Benefit is at 8% which was standard over the last 15 years but that has been going down given the experience of low interest rates in the country since 2009. It is important to know that the Sandy Non- Uniformed fund is a total different animal it is a defined contribution plan by definition it is a 100% funded plan at all times. So, the



Auditor General shows it as a 100% funded plan. It's essentially a different plan than the defined benefit.

Phase II funding will be a recommendation to have an actuarial analysis provided to the municipalities, to give them an idea of the options available as they go forward on pensions. I think your actuary will be the best person, best source for advice, especially under the ACT 205 requirement of the Third Class City Code for defined benefit pensions. That will be the Phase II funding recommendation in the Phase 1 STMP Report. You can use that money to develop options as you go forward for the next three years. The Pensions available to the employees when the municipality comes into existence.

#### Slide #25 – 2022 Budget Revenue Percentages

Ms. Rogers stated that here is the standardized Revenue for DuBois and Sandy based on the 2022 budget. One note here is, we removed the Sanitation pass through from DuBois' figure because basically the part that is the pass through, the fee for billing is in there but the \$1.5 cost of the contract is out. So the City vs. the Township: Township gets almost 70% of its revenue from taxes; City of DuBois has a little bit of a different mix where 15% of their revenue comes from Real Estate Tax, 8.2% comes from Earned Income Tax a lot of their revenue comes from charges for service and transfers here from water and sewer funds are a bigger piece of the pie here. We do have a slice for transfers on Sandy as well.

Mr. Cross stated that this is the educational part for both the City and the Township, it is important to understand that the City's revenue percentages are not all that different. The portion is not all that different from the Third Class Cities. You technically see a heavier slice for Real Estate Taxes, smaller portion for Earned Income Tax that is two factors sometimes we see more sometimes we see less. That mix of the Real Estate Taxes being a larger portion and in this case it is two to one is not uncommon. What may be different is the amount 15% to 8% you might see it more like 40% and 20% but that is not an uncommon mix for a Third Class City. Similarly, the Township has a very similar revenue mix when you look at the Real Estate Tax at 37% and Earned Income Tax; I actually suggest that the Township is a little bit less than other more rural Second Class Townships in the state of Pennsylvania. It is not unusual to see your Earned Income Tax higher than the Real Estate. That is a function of land owners in larger rural areas and the kind of services they are provided and how easy Earned Income Tax is to collect, but that is not an unusual mix. So when you look at similar Townships the mix is similar; although, a little bit different than others but very much on the normal side.

Sandy and the City: The City has very normal distribution of revenue. He suggested that the Joint Board do some research on the ETC website and check out the percentages on similar municipalities; you would be surprised at how uniform these are in Township and Cities.

Salandra was still concerned about the high percentage in transfers especially when you are comparing them. Mr. Cross stated that that is the US tax percentage but the relative portion is not uncommon. The transfers are an indirect cost of operating utilities and that is



another factor for Third Class Cities. The longer the cities develop infrastructure which was provided to the surrounding municipalities who grow. Without the utility availability (water & sewer) you would have a more rural township in nature. It is a hand in hand situation here in Clearfield County, these two municipalities are growing together.

#### Slide #26 – Budget Expenditures Percentages

Ms. Rogers stated the mixes is very similar. Here is where we put the Employee Benefits that were by department within the City and combine them together. This is all Health Care, FICA and things like that. Employee Benefits expenditures are at 26% in both municipalities; Police Department again this is very similar City 26.8% and Township 24.6%; Fire is a little bit higher in the Township, that's the result of the pass through fire tax; Public Works is bigger in the Township, but that is typical of Townships; the City has more in recreation and a lot of time they have more facilities; if you look at these graphs they look very similar. Where you are spending your money is very much the same.

Mr. Cross said that is the important thing, as you are looking forward to consolidation and looking at the budgets you have to prepare separately until 2026 when you will be a functioning new government. Your current spending patterns are very similar so where you are spending money now you will probably be spending money in similar portion in the new municipality and their services are the expense. Remember Employee Benefits are larger than most of the other direct expenses. Not unusual. What also is not unusual is the data component the three categories of your service providers are over 2/3 of your budget. When you are looking at possible benefits for your employees; it's the cost of public works and police that are 2/3 of all your expenditures. So when you are looking to make expenditure deductions remember that target 2/3; that's your best and biggest services and most likely contracted cost. The story on this side is how similar you are in the provision of services and the cost per allocation.

#### Slide #27 – Combined Municipality

As we try to give you some information on how a combined municipality may look. This is where the changes are more interesting. Because your revenue sources are more diverse. Real Estate Taxes and EIT Taxes are about 40% of your total mix. The transfers are coming in to support expenses to the fee base is at 22%. You have less of a rise on Real Estate in the City verses Earned Income Tax in the Township so you have a more diverse mix. If there is economic downturn and these taxes are hit, as you saw in COVID, you still have Real Estate Taxes for a larger part of your stool. Your three legged stool would be relatively stable. We might be wobbly but you still have the Real Estate as 25% of your combined municipality. When you look at the uniformity of taxation as Adam mentioned before, this is likely to be the revenue mix for the large extend between Earned Income, Real Estate, Inter -gov't Revenue, other taxes, fees and charges for services. That takes up the largest part of the revenue source.

Complimentary the Expenditures are very similar to current expenditure patterns: Employee Benefits 26.6%; General Government 15.9%; Police 25.9%; Public Works 15.5%. You will have



more diverse revenue base you will have a stable service base; your budget will reflect that and you will see that as you make the changes budget based on the decisions of the 10 Person Joint Board. Where you'll be impacted, will be in the expenditures on local portions. You will see where the biggest fan is for the dollars cut.

**Slide #28 – Combined Budget 2022 Expenditures by Department**

Ms. Rogers stated we are not looking at capital here; we are looking at the operation. It is about a \$14,000,000 budget going forward divided by department. One thing to know when you are looking at this, and keep this in mind, the employee benefits are not part of the department they are on a separate line item. That is key, both your budgets were balanced and your revenue covered your expenditures. This is kind of like binding your expenses together, determining how much they will be, given the current situation. I do have the Sanitation in this and that is 1.3 million.

**Slide #29 – Combined Budget 2022 Expenditures by Type**

Ms Cross stated that Employee Expense makes up approximately 61 % percent of our budget; Services 20%; DuBois has a little bit of debt service and some transfers out in the 2022 Budget. No one looked at and compared the employee packages, but looked at the cost. Just the pension as it stands today. There is more detail on the differences between the two in the consolidation report that was done, the link was shown on the slide.

**Slide #30 – Combined Municipality Market vs. Assessed Value**

Mr. Cross stated this is a more sobering slide. The Real Estate base, your tax basis, this graph shows you the impact of County assessment practices as dictated by state assessment law. Since 2008 the combined assessment value for the municipality went up by 8%. That means your Real Estate Tax revenue, less mill increases which you saw in Sandy and you saw in DuBois has grown 8% over 13 years. So, the money that was available from the changing of the nature of the Real Estate base was only 8%. He believes our Real Estate base should be growing by 45%, as market value in the municipalities went up by 45% over the same period. While the market values went up the assessment values are very static..flat lined. The Township had a slightly higher market increase than the City but it wasn't that great. He talked about the proposed changing of the pre-determined ratio that the Commissioners were talking about but that was voted down. He feels that that would have reduced the millage problem Sandy is having. Even if it would have passed it would not have affected our trek because we still have an assessment value from 1989. There's lots of action in DuBois and Sandy, people are selling their home but you do not get a reassessment when a home is sold so regardless of the amount it was sold at the assessment stays the same. This trend is going to continue.

**Administration Sub-Committee Recommendation**

Arbaugh stated the sub-committee worked through several items and presented their submission to the 9 Person Consolidation Committee who voted to more it to the 10 Person Joint Board. The recommendation consists of Administrative Job Descriptions, Employee Handbook and Organizational Chart. The motion was made by Gabriel and seconded by



Beers that the Joint Board hold this item until we receive all recommendations and can forward them all to the Finance Committee at the same time. Roll call was as follows: Abbott, yea; Aughenbaugh, yea; Beers, yea; Bernardo yea; Dietz, yea; Gabriel, yea; Mollica, yea; Sullivan, yea; Walsh, yea; Salandra, yea. Motion passed 10 – 0.

#### Police Sub-Committee Recommendation – Part 2

Police Chief Kruzalak stated the Police Sub-Committee met with all of Council and the Supervisors and went over the presentation. He believes they answered a lot of the questions they had. The motion was made by Walsh and seconded by Gabriel that the Joint Board hold the Police Sub-Committee Recommendation – Part 2 on the table until subjected to review by the Board Solicitor. Roll call was as follows: Abbott, yea; Aughenbaugh, yea; Beers, yea; Bernardo yea; Dietz, yea; Gabriel, yea; Mollica, yea; Sullivan, yea; Walsh, yea; Salandra, yea. Motion passed 10 – 0.

#### Items Held by Joint Board Released

- Fire Sub-Committee Recommendations (1 – 4)
- Public Works Sub- Committee – Department Structure & Joe Descriptions
- Codes/Zoning Recommendation
- Public Works Sub-Committee – Equipment Inventory and Capital Budget
- Police Sub-Committee Recommendation – Part 2 (Pending the Solicitors Review)
- Administration Sub-Committee Recommendation – Job Descript, Handbook, Chart

The motion was made by Walsh and seconded by Gabriel that the Joint Board send all items being held as above to the Admin & Finance Committees for final review to draft a budget. Roll call was as follows: Abbott, yea; Aughenbaugh, yea; Beers, yea; Bernardo yea; Dietz, yea; Gabriel, yea; Mollica, yea; Sullivan, yea; Walsh, yea; Salandra, yea. Motion passed 10 – 0.

#### Paying of Invoices from Eckert/Seamans/PA Economy League & Cafardi Ferguson Wyrick Weis & Gabriel and Gabriel Fera PC

Company	Description	Invoice Amt.	DuBois	Sandy	Total Submit
Eckert Seamans	Service Thru 05/31/22	\$40,318.65	\$2,015.93	\$2,015.94	\$36,286.78
Cafardi Ferguson Wyrick Weis & Gabriel	Invoice # 0422473 04/30/22	\$8,685.25	\$4,342.63	\$4,342.62	
Cafardi Ferguson Wyrick Weis & Gabriel	Invoice # 0522213 05/31/22	\$344.00	\$172.00	\$172.00	
Eckert Seamans	Service Thru 06/30/22	\$29,210.00	\$1,460.50	\$1,460.50	\$26,289.00
Gabriel Fera Pc	Invoice # 1002	\$6,195.16	\$3,097.58	\$3,097.58	
		\$84,753.06	\$11,088.64	\$11,088.64	\$62,575.78

Walsh announced that Board Solicitor Gabriel has established a new firm and Walsh would like the Joint Board to vote to make that firm the Board's Solicitor. The motion was made by Walsh and seconded by Beers that the Joint Board appoint Chris Gabriel from Gabriel Ferra as the Joint Board Solicitor and approve payment of the Invoices as proposed above. Roll



call was as follows: Abbott, yea; Aughenbaugh, yea; Beers, yea; Bernardo yea; Dietz, yea; Gabriel, yea; Mollica, yea; Sullivan, yea; Walsh, yea; Salandra, yea. Motion passed 10 – 0.

#### **11 Transitional Items to Finalize**

The motion was made by Walsh and seconded by Gabriel to move the 11 Transitional Items presented by Mr. Shienbold to the desk of Suplizio and Arbaugh along with our Solicitor to finalize the report hopefully in two weeks but let's give them four weeks to come back to the Joint Board with their recommendation to vote on. Roll call was as follows: Abbott, yea; Aughenbaugh, yea; Beers, yea; Bernardo yea; Dietz, yea; Gabriel, yea; Mollica, yea; Sullivan, yea; Walsh, yea; Salandra, yea. Motion passed 10 – 0.

#### **9 Person Consolidation Committee**

Beers stated he has a motion to idle the 9 Person Consolidation Committee until we get all 11 Transitional Items finalized. He stated if we do have questions we can open it back up. Salandra reminded him that we voted a minute or two ago to move all items to the Admin and Finance Sub-Committees. Beers said those two could still meet; we just don't need everyone else to meet until we digest it. Solicitor Gabriel tried to clarify that we were asking the sub-committees not to meet with the exception of Finance and Admin until such time as the 11 items are finalized. Beers confirmed.

Suplizio asked a question: Fire still has some little things they are still trying to work out does that mean we can't meet. Solicitor Gabriel said it would if the board votes on it.

Beers said it's just these couple of weeks until they get everything under wraps.

Bernardo asked if that applies to every Committee.

Sullivan stated they said it wouldn't apply to the two sub-committees: Finance and Admin

Suplizio stated that Fire still wanted to do some meeting.

Chief Kruzelak said the Police Sub-Committees list is still substantial.

Suplizio suggested they cancel the 9 Person Consolidation Committee Meeting. He would hate to see the sub-committee lose momentum going forward.

Kruzelak reiterated that, there are still some things to discuss such as operations.

Beers made a motion to idle the 9 Member and if the sub-committee have any questions they come back to the 10 Person Joint Board.

Walsh asked if he was making a motion disband the 9 Person Consolidation Committee.



Beers said no just idle it for now; there is no sense having a meeting next week, what are you going to do?

Everyone agreed with that.

Solicitor Gabriel suggested the motion should be just to cancel the 9 Person Consolidation Committee meeting for next week.

Beers stated for the two meetings until we get everything finalized about the 11 Items.

Solicitor Gabriel said the motion is to cancel the 9 Person Consolidation Committee for the next two months.

Beers confirmed. Then we will re-evaluate after that, but the sub-committees could meet. Suplizio said, if they want to. Beers said if they want to, but they have to return to the 10 Person Joint Board with questions or updates.

Salandra asked if that was the motion.

Adam Shienvold from Eckert Seamans asked if he could speak on this topic. He stated that there are certain issues that are still being addressed by the 9 Person Consolidation Committee and sub-committees that are relevant to the items listed on the 11 Item Transitional list; one being the authorities, which is to be delivered within the week. It was my understanding, that that was going to be considered at the next 9 Person Consolidation Committee. So, I don't know if in terms of the work in progress; we the consultants have been instructed to report to the 9 Person Consolidation Committee that may interfere with our reporting obligation I just want to make sure we are all understanding exactly what's going to happen.

Salandra asked if the reports should come to the 10 Person Joint Board. The motion was made by Beers that the reports from the Consultants come to the 10 Person Joint Board. Councilwoman Gabriel stated she is not comfortable changing the initial agreement and by-passing the 9 Person Consolidation Committee. We have made it very clear throughout that the report goes to the 9 Person for review and then sent up to the 10 Person. She thinks the meetings should continue as they are but nothing new will come to the 10 Person Joint Board until we get this stuff hashed out. Let the meetings continue.

Attorney Gabriel stated we have the motion did anyone second. No.

Salandra stated he seconded the motion.

Bernardo asked that the motion be clarified.



Beers clarified he made a motion just to idle the 9 Person Consolidation Committee then after that we proceed in full. Solicitor Gabriel said given the discussion people will vote. Beers said given the discussion.

Suplizio asked if it is two meetings or two weeks?

Beers said two meetings, because you have two meetings that you have to get these other ones finalized.

Suplizio so you're cancelling July 27<sup>th</sup> and August 10<sup>th</sup>?

Beers confirmed.

Dick Whitaker asked is the Finance Committee and the Admin Committee are the ones dealing with the authority? Solicitor Gabriel stated that the Consultants say the work that they are doing is for the 9 Person. Whitaker stated we are not the ones making the decision Finance and Admin will. Are they going to have a recommendation ready by next week? Salandra guaranteed that finance will not as they haven't started working on anything yet.

Beers stated he would still make the motion to cancel the next two meetings. Salandra said he would second that.

Bernardo stated she would like the motion read the actually way it's to be voted on.

The motion will be that we suspend the meetings for the 9 Person Consolidation Committee for the next two meetings and after that go back to normal, we should have a lot of this clarified.

Solicitor Gabriel clarified the motion is to just cancel the next two meetings.

Suplizio said it would be July 27<sup>th</sup> and August 10<sup>th</sup>.

Solicitor Gabriel said cancel the July 27<sup>th</sup> and August 10<sup>th</sup> 9 Person Consolidation Committee is the motion and it was seconded.

Councilwoman Gabriel address Mr. Shienvold and asked for clarification; there are tasks that the 9 Person is working on that will not move forward if these meetings are cancelled?

Mr. Shienvold clarified that there are tasks that they are working on that our instructions all along have been to work up through the 9 Person Consolidation Committee, we work for this board ultimately. I just want to make sure that we still continue our work of working with the sub-committees as they are doing their work. We will do whatever you instruct us to. My main objective was to make sure there was no confusion by this board that our work, the sub-committees, and the 9 Person Consolidation Committee is done.



Councilwoman Gabriel your work will not come to a standstill if the 9 Person Committee doesn't meet?

Mr. Shienvold confirmed it wouldn't be.

Abbott asked Mr. Shienvold a question about the chairmen of the sub-committees, but several people began speaking at the same time.

Salandra asked if everyone was good.

Sullivan asked Mr. Shienvold if he felt the 9 Person Consolidation Committee should meet.

Mr. Shienvold stated that ultimately this is body delegates to the 9 Person Consolidation Committee who vets the subcommittee work and proposals and issues for ultimately incorporation into the consolidation period. To say it is essential is your judgment.

Solicitor Gabriel said the question is, do you guys have stuff you need to get through the 9 Person Consolidation Committee in the next two meetings. Shienvold said he doesn't know the answer to that. Solicitor Gabriel said what Mr. Shienvold is saying if something comes up and you idle the 9 Person for a month it may or may not screw up what they are working on.

Everyone spoke at once again.

Shienvold said I believe Mayor Walsh's motion from a while ago instructed consultants to work directly with Herm, Shawn and Solicitor Gabriel on items that are the reason for the pending motion. So as long as everyone understands there is a change in protocol it doesn't affect their work. It's just it is going to change the protocol; it is going to cut the 9 Person Consolidation Committee out of the consideration for the work that's in front of us.

Whitaker was asked if he thought the 9 Person needed to meet, he stated if they wanted to talk about the Authority, the 9 Person Consolidation Committee doesn't have the information to discuss it. Shienvold stated it is something that ultimately won't be decided until it comes to the Joint Board anyway.

Whitaker stated he wanted to clarify that no decisions are made except for by this body. We just make recommendations from our committee, they consider the recommendations and decide whether to approve, send back, or deny.

Once again everyone spoke at once.

The motion was made by Beers and seconded by Salandra that the Joint Board cancel the 9 Person Consolidation Committee for the next two meetings on July 27<sup>th</sup> and August 10<sup>th</sup>.



Roll call was as follows: Abbott, yea; Aughenbaugh, yea; Beers, yea; Bernardo yea; Dietz, yea; Gabriel, yea; Mollica, yea; Sullivan, yea; Walsh, yea; Salandra, yea. Motion passed 10 – 0.

#### **Joint Board Member Comments**

Barry Abbott – Thanked Mr. Cross and Ms. Rogers for the report he appreciates their hard work.

#### **Open Meeting to the Floor –**

Dana Smith – Sandy Township Fire Department President

Asked if they could run down the drop dates for the 10 Person Joint Board to have this agreement solidified. Attorney Gabriel stated we don't have a list of dates. Currently we have one very important date in November. He went on to say that the consultants have different dates to hit for various reports. He stated that when they initial set the deadline they backed the sub-committee deadlines off by two weeks as a cushion.

Dick Whitaker – 9 Person Consolidation Committee Chair

Asked about the items the 10 Person Joint Board was holding. Walsh informed him that they had all been sent to Admin and Finance earlier in the meeting.

#### **Closed Meeting to the Floor**

There being no further business to transact, the motion was made by Beers and seconded by Gabriel that the DuBois Sandy Joint Board adjourn. Roll call was as follows: Abbott, yea; Aughenbaugh, yea; Beers, yea; Bernardo yea; Dietz, yea; Gabriel, yea; Mollica, yea; Sullivan, yea; Walsh, yea; Salandra, yea. Motion passed 10 – 0.

ATTEST:



APPROVED:

