

City of Corry Pennsylvania

Review of Finances and Management Practices August 2011

Step 1: Financial Condition Assessment

Step 2: Financial Trend Forecasting

Step 3: Plan for Current Fiscal Year

PREPARED FOR THE CITY OF CORRY

FUNDED BY A GRANT FROM THE CORRY COMMUNITY FOUNDATION

TECHNICAL ASSISTANCE PROVIDED BY LOCAL GOVERNMENT
SOLUTIONS LLC

PREFACE

In 2011, the City of Corry, undertook an examination of its finances and management practices. This review followed the guidelines of the Department of Community and Economic Development's Early Intervention Program. The EIP guidelines focus on six steps:

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 action to counter act any negative trends. This step should include a review and integration of all other community and economic development plans for the local government.

Step 3: 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.

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. The audit should include a review of current and recommended technology needs and upgrades.

Step 5: Multi-Year Plan Adoption – The Plan shall include an identification of the local government's top three to five priorities. Additional prioritization to 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.

This report is divided into four parts.

- The first part includes Steps 1, 2 and 3
- The second part includes Step 4 for the non-uniformed departments
- The third part includes Step 4 for the Police Department
- The fourth part includes Steps 5 and 6.

This project was undertaken with technical assistance of Local Government Solutions LLC of Pittsburgh and with financial assistance from the Corry Community Foundation.

TABLE OF CONTENTS

Preface	i
Introduction	1
Background	1
Step I: Past Revenues and Expenditures 2004 to 2010	8
Revenues	9
Tax Revenues	10
Non-Tax Revenues	15
Revenue Summary	18
Expenditures	19
Financial Indicators	29
Expenditures by Department	32
Enterprise Funds	34
Financial Monitoring Factors	36
Step II: Projected Revenues and Expenditures	58
Revenue Forecast	58
Expenditure Forecast	63
Outlook	70
Revenue and Expenditure Comparisons	71
Step III: Plan for Current Fiscal Year	81
Recommendations – Revenues	81
Recommendations — Expenditures	83

City of Corry

Trends, Projections, and Short-Term Recommendations

INTRODUCTION

The analysis of the City of Corry's finances focuses on the City's core revenues and expenditures. These are the on-going revenues and expenditures. They exclude one-time revenues, such as one-time state grants and non-recurring transfers from other funds, and one -

- Are there adequate resources to sustain the current level of operations into the future, or will a combination of rate increases, new revenues, and spending cuts be needed?

This analysis is based on City records, as well as readily available information from the Census Bureau, the Bureau of Labor Statistics, the Pennsylvania Department of Community and Economic Development (DCED), the State Tax Equalization Board and other sources. As a guide, the engagement team has used the Center for Local Government Services' *Fiscal Monitoring Workbook*, the Southwestern Pennsylvania Commission's *Standards for Effective Local Government*, and the Government Finance Officers Association *Recommended Practices*.

BACKGROUND

ORIGINS

The City of Corry was founded in 1861 at the junction of two rail lines, the Sunbury and Erie, and the Atlantic and Great Western Railroads. The City grew with Col. Drake's discovery of oil and as a market town providing goods and services to the neighboring communities. The City also grew as the site for a number of small manufacturing companies. The City is 6.5 square miles in size. It shares common borders with Wayne and Concord Townships in Erie County and Columbus Township in Warren County.

Demographics

Corry's 2006 population of 6,390 exhibits many of the characteristics of the populations of cities in Pennsylvania.

Population

	City of Corry	Erie County	Pennsylvania	US
Population	6,390	279,721	12,516,596	
Median age	38.3	38.2	39.6	36.5
High school or higher (Population 25 and over)	82.5%	88.7%	86.9%	84.6%
In labor force (Population 16 and over)	52.2%	62.2%	63.0%	65.0%
Median family income	\$33,750	\$55,079	\$62,520	\$62,363
Per capita income	\$16,825	\$22,358	\$26,678	\$27,041
Families below the poverty level	19.4%	10.2%	8.3%	9.9%
Individuals below the poverty level	24.8%	15.1%	12.1%	13.5%
Owner occupied housing units	60.3%	69.7%	71.5%	66.9%

U.S Census Bureau, American Fact Finder

The median age of the residents is about the same as Erie County's and Pennsylvania's. The median age is lower in the nation as a whole. The percent of the residents with a high school education or higher is lower than for the county, the state and the nation. The same is true of median family and per capita income. The percent of families and individuals below the poverty level is considerably higher than of the county, the state and the nation. The percent of owner occupied housing units is lower than the county, state or nation.

This profile describes a resident population that is more likely to need government services and less likely to have the income and assets that can be taxed to support the services. Fortunately, many of the services are provided at the county level. Some, particularly emergency and public safety services, are provided at the local level.

There have been efforts to provide training and jobs for residents of the area. These efforts include the development of an Industrial Park and incubator facility, the founding of the Corry Higher Educational Council and active civic groups and organizations.

The percentage of owner occupied housing units is not too low. If this figure drops below 50 percent, it is an indication that there will be a more transient population, more absentee landlords, and less care given to the City's housing stock. Aggressive code enforcement and the promotion of mortgage assistance and similar programs can help keep the percent of owner occupied housing units high. Some municipalities have begun programs to provide assistance to property owners to convert houses back to single family dwellings.

ECONOMY

Initially, the railroads were important to the City as they provided links to markets elsewhere. They were used by the oil industry and by manufacturing as it developed to ship raw materials and finished goods. Unfortunately, the railroads were not self-sustaining. The Sunbury and Erie Railroad went into receivership soon after the line was built through Corry. It was eventually acquired by the Pennsylvania Railroad. The line through Corry is

operated by the Allegheny and Eastern Railroad. After a number of reorganizations and receiverships, the AGW Railroad emerged as the Western New York and Pennsylvania Railroad. It became part of the Norfolk Southern System in 1998 as part of an effort to maintain rail service along the Pennsylvania New York state line. These railroads serve as short line carriers for local businesses.

Many smaller manufacturing companies were begun or moved into the City. The City continued to be a business center, providing services to businesses and residents both in the City and in the surrounding community. The important sectors in terms of number of establishments include manufacturing with 11.2 percent of the business establishments in 2009, retail trade with 17.2 percent, health care and social assistance with 12.9 percent, accommodation and food services with 9.0 percent, and services with 12.9 percent.

The mix of establishments has changed over the period 1998 through 2008. Over time, both retail trade and wholesale trade are making up a smaller percentage of the businesses in Corry. In 1998, 22.7 percent of the establishments were in retail trade. In 2008, this percentage had dropped to 17.2 percent. Wholesale trade dropped from 6.4 percent to 4.7 percent over the same period. There have been slight increases in the percentage of businesses in manufacturing, health care and social assistance, and accommodations and food services and a slight decrease in other services. (Bureau of the Census, County Business Patterns) Data on the City's economy is available only through 2008.

Employment, at least through 2008, has remained strong, peaking in 2006 at 4,336 and dropping slightly to 4,185 in 2008. Payroll steadily increased to \$118,657,000 in 2007. It dropped slightly to \$118,552,000 in 2008.

Business Establishments, Employment and Pay

City of Corry

	1998	2004	2005	2006	2007	2008
Total for all sectors	100%	100.00%	100.00%	100.00%	100.00%	100.00%
Forestry, fishing, hunting, and agriculture support		0.35%	0.35%	0.34%	0.35%	0.36%
Mining	0.71%	1.05%	1.06%	1.38%	1.41%	1.79%
Utilities	0.71%	0.70%	0.70%	0.69%	1.06%	1.08%
Construction	3.55%	3.15%	3.87%	4.14%	4.93%	4.30%
Manufacturing	10.64%	11.89%	10.92%	11.03%	11.62%	11.83%
Wholesale trade	6.38%	5.59%	5.63%	5.52%	4.58%	4.66%
Retail trade	22.70%	19.23%	19.72%	18.97%	17.61%	17.20%
Transportation and warehousing	2.13%	4.55%	3.87%	3.79%	4.23%	3.58%
Information	1.77%	2.10%	1.76%	1.72%	2.46%	2.51%
Finance and insurance	6.03%	5.24%	5.99%	5.52%	5.63%	5.73%
Real estate and rental and leasing	1.42%	2.45%	2.46%	2.76%	3.17%	3.23%
Professional, scientific, and technical services	4.96%	4.90%	4.58%	5.17%	3.87%	4.30%
Management of companies and enterprises		0.35%	0.35%	0.34%		
Administrative and support and waste mang and remediation srvs	3.90%	3.15%	3.17%	3.79%	3.17%	2.51%
Educational services	1.06%	1.40%	1.41%	1.38%	1.41%	1.43%
Health care and social assistance	11.35%	11.89%	11.62%	11.72%	12.68%	12.90%
Arts, entertainment, and recreation	1.06%	1.05%	1.06%	0.69%	0.70%	0.72%
Accommodation and food services	7.45%	7.34%	8.45%	8.28%	8.10%	8.96%
Other services (except public administration)	13.83%	13.29%	13.03%	12.76%	13.03%	12.90%
Industries not classified	0.35%	0.35%				
Number of establishments	282	286	284	290	284	279
Employment March 12	4,001	4,325	4,336	4,307	4,266	4,185
Annual Payroll (\$1,000)	99,968	114,376	114,878	115,168	118,657	118,552

Source: Bureau of the Census, County Business Patterns

Because manufacturing, retail trade, and health care and social assistance have above average employment per establishment, these sectors are particular important. Together, in 2007, they provided over 82 percent of the employment in the City and over 91 percent of the payroll. (Bureau of the Census, Economic Census for 2007)

Annual Payroll and Employment

City of Corry

Industry description	Number of employer establishments	Annual payroll (\$1,000)	Percent of payroll	March 12 employment	Percent of employment
Manufacturing	29	60,538	61.6%	1,536	46.3%
Retail trade	43	9,482	9.7%	542	16.4%
Information	7	1,260	1.3%	59	1.8%
Real estate and rental and leasing	9	498	0.5%	25	0.8%
Professional, scientific, and technical services	10	1,015	1.0%	56	1.7%
Administrative and Support and Waste Mang and Remediation Srvs	6	676	0.7%	48	1.4%
Educational services	1		0.0%		
Health care and social assistance	35	20,222	20.6%	645	19.5%
Arts, entertainment, and recreation	2				
Accommodation and food services	19	2,253	2.3%	249	7.5%
Other services (except public administration)	26	2,264	2.3%	154	4.6%
Total	187	98,208	100.0%	3,314	100.0%
Mfg, Retail, Health	107	90,242	91.9%	2,723	82.2%

Source: Bureau of the Census

The City's economy began to feel the effects of the recent recession in 2008. It can be assumed that business activity and employment dropped after 2008 with only limited recovery in 2011. The lingering effects of the recession will probably be felt for a number of years. For the City government the effects of the downturn will be fewer tax dollars and increases in the demand for services.

The City of Corry continues to be the hub of the local economy, providing employment and goods and services to businesses and residents of the area. The City is also the host for schools, churches, the hospital, civic organizations, and non-profit and government agencies that serve the area. As is the case with many cities and boroughs, this leaves a high proportion of tax-exempt property. In Corry, 23 percent of the real estate is tax exempt.

GOVERNMENT

Corry is one of 53 third class cities in Pennsylvania. Corry operates under the Third Class City Code with a commission form of government. Corry is one of 20 cities that have retained this form of government. Most third class cities have adopted a mayor-council or a council-manager form of government. Some have taken the extra step and adopted home rule charters.

Under the commission form, the legislative body includes five Commissioners or Council Members, one who also serves as Mayor. The Council Members oversee departments. In Corry, the Council Members are responsible for public affairs, finance and accounts, public safety, streets and improvements, and parks and property. Under the Third Class City Code, the City has additional elected and appointed officials. The City has an elected Treasurer who is the real estate tax collector, an elected Controller, an appointed City Clerk, an appointed solicitor, and an appointed engineer. The Treasurer and Controller must be accountants. Although the Code does not require it, the City has an appointed City Administrator. The City Administrator has been given the responsibility for the day-to-day operation of the City government.

The City provides a broad range of services including police, fire, public works, parks and recreation, solid waste and recycling collections, planning and zoning, code enforcement, and two municipal utilities – water and sewage treatment. In addition to these services, the City has the North Hills Municipal Golf Course managed by the Golf Commission, the Corry Lawrence Airport managed by the Airport Authority, and the Community Center. Some of the services are provided by commissions and authorities that have been created by the City.

In addition to the Airport Authority and the Golf Commission, the commissions and authorities include the City Housing Authority, the Redevelopment Authority, the Municipal Authority, the Planning Commission, the Zoning Board of Adjustment, and the Tree Commission. The Municipal Authority is responsible for the water and sewage treatment systems. These systems are leased to and operated by the City. The Redevelopment Authority manages the City's Community Development Block Grant program. The City Housing Authority, working with the County Housing Authority, provides affordable housing opportunities.

The City of Corry is also very fortunate to have many committed community minded individuals and active civic based and economic development organizations and processes

taking place around it. These individuals and groups strongly intend to support the City in improving its vibrancy and quality of life. This participation provides City government with outstanding opportunities to develop and implement programs and projects which it could not undertake otherwise.

STEP I: PAST REVENUES AND EXPENDITURES 2004 TO 2010

FINDINGS

A number of important findings emerge from the analysis of the years 2004 through 2010 revenues and expenditures.

Finding 1 The City has not used one-time revenues to balance budgets.

Finding 2 There is little growth in the real estate tax base in the City since the 2003 reassessment. By 2008, assessments had increased by only 2.8 percent over 2003 assessments. Real estate tax revenue increases have been primarily due to increases in the millage rates. The 2013 reassessment should provide some relief.

Finding 3 The City's real estate tax millage in 2005 was lowered to 6.6 mills from the 2004 rate of 6.85 mills with the introduction of a \$20 emergency and municipal services tax. Since 2007, the rate increased to 7.25 in 2008, to 7.55 in 2009, and to 8.85 in 2011.

Finding 4 The emergency and municipal services tax was introduced in 2005 at \$20 to replace the \$10 occupation privilege tax. It was increased to the \$52 limit in 2006. Since then, the name of the tax has been changed to the local services tax.

Finding 5 The City collects fees for residential and commercial solid waste disposal provided by a contractor. The income from the collections has exceeded the direct cost of the contractor by about \$70,000 a year. The current contractor is Veolia Environmental Services.

Finding 6 The City has used about \$300,000 each year from the enterprise funds (Water, Sewer and Golf). This is the City's fourth largest revenue source after the real estate taxes, Act 511 taxes, and refuses collection. These transfers, however, are depleting the balances in the enterprise funds. They should be matched with water and sewer rate increases.

Finding 7 The City has used the General Fund as a pass through for the Community Development Block Grant (CDBG) program each year and for the State's Foreign Fire Insurance shared revenue since 2009. The expenditures in each program equal the revenues in the program. Because the City's draw down of CDBG funds has not been even, the use of the General Fund as a pass through does lead to fluctuations in both revenues and expenditures. For example, the CDBG revenues and program expenses jumped from \$86,538 in 2009 to \$863,745 in 2010. This increase exceeded increases from all other sources. For this reason, some of the exhibits eliminate both CDBG revenues and expenditures.

Finding 8 Revenues, with all transfers from the enterprise funds treated as revenues but without CDBG funds, have been increasing at an average rate of 1.9 percent per year from \$3,096,965 in 2004 to \$3,456,946 in 2010.

Finding 9 Expenditures, with all transfers from the enterprise funds treated as revenues, but without CDBG program expenses, have been increasing at a rate of about 2.4 percent per year from \$3,071,210 in 2004 to \$3,515,236 in 2010.

Finding 10 Major increases in expenditures from 2004 to 2010 as dollar amounts have come in wages and salaries (\$120,805), employee health insurance costs (\$71,796), fuel (\$24,652), and highway supplies (\$38,484). As percentage increases, wages and salaries increased by an average of 1.52 percent per year from 2004 to 2010, health insurance increased by an average of 2.86 percent per year, fuel at an average of 10.2 percent per year, and highway supplies at an average rate of 8.96 percent per year.

Finding 11 The City has struggled with keeping costs below revenues. After a year-end deficit in 2008, the City cut costs and raised revenues in 2009 to produce a year-end surplus.

Finding 12 The City's debt is limited to water and sewer system debt. The debt service is covered with water and sewer rates.

The City's revenues for the years 2004 to 2010 are presented in Appendix A. The expenditures for the same period are presented in Appendix B. Expenditures by object are presented in Appendix C.

Note: The primary sources for the past revenues and expenditures are the City's year-end, year-to-date budget reports and the independent auditor's reports. Some adjustments have been made to object codes to provide year-to-year consistency in the presentation of the material. For these reasons, the financial history presented here differs in some instances from the financial history presented in the annual audits.

REVENUES

The City has diverse revenue portfolio with no category making up more than one-third of the revenues.

2010 Revenues

PROPERTY TAXES	32.67%
OTHER TAXES	13.32%
LICENSES AND PERMITS	0.15%
FINES AND FORFEITS	0.97%
INTEREST	0.04%
INTERGOVERNMENTAL	27.64%
DEPT. EARNINGS	13.19%
MISC. REVENUES	12.02%
OTHER TAXES	0.00%

TAX REVENUES

REAL ESTATE

Real estate taxes, both current and delinquent, made up 33 percent of the City's revenues in 2010. From 2004 to 2010, the City's current and delinquent collections have steadily increased from \$1,235,540 in 2004 to \$1,411,714 in 2010. The average rate of increase has been 2.38 percent per year. Most of the growth was generated by tax rate increases.

The City of Corry levies a real estate tax on taxable property within the City using certified values established by Erie County. During the course of the year, the assessments are adjusted for appeals and exemptions.

The County has established a predetermined ratio between market value and taxable assessed value of 100 percent. That is, the property is assessed at 100 percent of market value for tax purposes. Because the last assessment was in 2003, assessed values have not kept up with increases in market values. A new assessment will be implemented in 2013.

Over the ten-year period, 1998 through 2007, real estate market values in Corry increased at an average rate of 5.3 percent per year according to the State Tax Equalization Board.

Certified assessed values have fluctuated. They had increased to \$194 million in 2007, but, since then, they have fallen back to \$189 million in 2011. On a per resident basis, the certified assessed values have been about \$30,000.

The City's real estate tax base is low compared to other Erie municipalities. In 2008, based on the year-end assessment after appeals, exoneration and other adjustments, the adjusted assessed value per resident in Corry was \$27,603. The weighted average for all municipalities in Erie County was \$39,417 per resident. In the City of Erie, the adjusted assessed value per resident was \$24,512.

The City also has a high proportion of tax exempt property. Tax exempt property makes up 23 percent of the certified assessments. This is, unfortunately, typical of Pennsylvania's cities and boroughs. The City does receive some payments in-lieu of taxes from some exempt properties, but the amount is not great. In 2010, the City received \$12,537. The City also receives some public utility realty tax (PURTA) payments from the state to make up for utility properties that are exempt from local, but not state, taxation. Again, the amount is not great. In 2010, the City received \$2,811.

In 2004, the real estate tax rate was 6.85 mills. With the introduction of the Emergency and Municipal Services tax in 2005, the mill rate was lowered to 6.6. It was increased to 7.25 mills in 2007, to 7.55 mills in 2009, and to 8.65 mills in 2011. The increases lead to a continuing increase in real estate tax revenues.

An important component in the tax revenue equation is the collection rate. The collection rate is calculated by dividing the current collections by the real estate tax levy. The overall collection rate has been about 90 percent per year. The City does not offer a homestead exemption. When prior year and delinquent collections are added to the equation, the collection rates are higher. The rates have been 95 percent and above.

The 2013 reassessment should provide the City with an opportunity to increase tax revenues based on the new assessments. The City will be limited to a 2013 levy of no more than 110 percent of the 2012 levy. After 2013, increases in the real estate tax revenues will depend on small increases in assessed values, increases in the tax rate and increases in the collection rate. Given the nature of the current economy, the outlook is not positive.

DELINQUENT REAL ESTATE

Each year, the City receives a portion of the real estate taxes that are past due. The collections decreased slightly from \$81,475 in 2004 to \$72,429 in 2005. Since 2006 delinquent collections have been increasing each year. In 2011, the collections were \$122,724. The City also collects some penalties on delinquent collections. These have been increasing as well.

ACT 511 TAXES

The taxes levied under Act 511 of 1965, the Local Tax Enabling Act made up 13 percent of revenues in 2010. As a group, they increased steadily from \$606,316 in 2005 to \$728,931 in 2007. In 2007 they dropped to \$602,918 due to lower earned income and local services tax collections. They recovered slightly in 2009 to \$633,257 due to increased real estate transfer tax collections. In 2010, the recession reduced collections to \$575,590.

REAL ESTATE TRANSFER TAX

The real estate transfer or deed tax is levied on the sale price of property within the City. The City levies the tax at a 0.5 percent rate. The tax is collected when deeds are recorded by the County along with the state and school district transfer taxes. The deeds are not

necessarily recorded in the year they are executed with the result that the taxes may not be collected in the year of the property sale. Before 2005, the tax was levied only by the City at a 1.0 percent rate. The School District did not levy the tax. In 2005, the City and the School District began to share the tax at 0.5 percent each. At the same time, the City and the District began to share the per capita tax. Before 2005, the City did not levy a per capita tax.

Because the tax revenues are dependent on real estate transactions, major sales can have a significant impact on revenues. The revenues have fluctuated from a high of \$138,343 in 2004 when the City did not share the tax with the School District to a low of \$24,578 in 2010. Both 2004 and 2010 were unusual years. In 2004, not only did the City levy the tax at the 1.0 percent rate but the revenues were also increased due to three large property sales, a nursing home, a shopping plaza and the transfer of holdings to a trust. In 2009, a local industry was sold as part of reorganization. After 2009, sales decreased.

EARNED INCOME TAX

The earned income tax is levied on wages, salaries and net profits of the residents of the City. The rate for the tax is limited to 1.0 percent. The City and the school district share this rate, each levying the tax at 0.5 percent.

The City also levies the tax on non-residents working within the City at a 1.0 percent. This rate is not shared with the School District. Pennsylvania residents working within the City can claim a credit for the tax they pay to their home municipality. This, in effect, exempts Pennsylvania residents from paying the non-resident earned income tax. Residents of other states do pay the non-resident earned income tax. Because the City is near New York State, the non-resident tax can generate significant revenues. The City Clerk estimates that about five percent of the collections are from out-of-state tax payers. The City is able to keep these collections. They are not shared with the School District.

Corry and the Corry Area School District collect the Act 511 taxes through a joint committee, consisting of two City officials, two District officials and a Corry citizen. The collections are done by the earned income tax collector who also serves as City Clerk. The Clerk has been able to computerize most of the tax collection process and build a data base of payers. Landlords are required to identify their tenants each October. Because the City collects water and sewer fees from residents, including renters, the Clerk has been able to use this information and other information to continually up-date that data base.

The City could improve on this process with a rental registration program that included both reporting and inspections when a rental unit is rented to a new tenant. Forty percent of the City's living units are rental units. Rental registration programs have been implemented in a number of cities and boroughs and, with proper fees, can be self supporting. In addition to being a tool for tax collectors, these programs can improve public health and safety.

Each year, the committee estimates the revenues and budgets distributions to the City and the School District. The City gets about two-thirds of the budgeted amount in January and February with smaller distributions in May, August and November. This has improved cash flow at the beginning of the year and allowed the City to avoid tax anticipation borrowing.

In the earlier part of the last decade, the committee built up substantial reserves that were distributed over a multi-year period. This increased distributions in the period 2004 through 2007.

The earned income tax revenues are dependant on both the local economy and the employment of City residents. Unfortunately, the revenues have been on a general decline from \$440,000 in 2004 with the distribution of past reserves to \$380,000 in 2008 and 2009 and then to \$360,000 in 2010.

With the county-wide collection of the earned income tax in 2012, the City will no longer be able to benefit from early distributions. They can be replaced with short-term tax anticipation borrowing. The collections will be done by Berkheimer. The City's immediate plans are to continue to maintain the tax-payer data base.

The implementation of the countywide collection system could have an impact on cash flows. The new system provides that employers will have 30 days after the end of the quarter to send withholdings to the tax collector and the tax collector will have an additional 60 days to send the withholding to municipalities and school districts. In 2013, the tax collector will have only 30 days to forward the withholdings. In Erie County, the Tax Collection Committee has taken the option of requiring more frequent payments and distributions beginning in 2012. This will speed up the collection process and lessen the impact of the new system in the City's tax collections.

LOCAL SERVICES TAX

In 2005, the occupation privilege tax was replaced by the emergency and municipal services tax. This tax was intended to make it possible for municipalities to tax non-resident employed in the municipality. In 2008 this tax was replaced by the local service tax. The maximum rate for the occupation privilege tax had been \$10 a year. The maximum rate for the newer emergency and municipal services tax was \$52 a year. Both the occupation privilege tax and the emergency and municipal services tax legislation allowed municipalities to offer refunds to low income employees after the end of the year. The maximum rate for the new local services tax is also \$52 a year. The local services tax legislation made the \$12,000 exemption mandatory for all municipalities. Employees who anticipated making less than \$12,000 a year can claim an exemption from the withholding.

In 2005, the first year of the new emergency and municipal services tax, the City chose to levy the tax at \$20 a year. In 2006, the City increased the rate to the \$52 a year maximum rate. The City also offered refunds to employees making less than \$12,000 a year. This

allowed low-income employees to claim a refund after the end of the year. Both the old occupation privilege tax and the newer emergency and municipal services tax were withheld from an employee's first pay of the year. Employees with more than one job during the year only had to pay the tax once.

Beginning in 2008 when the local services tax replaced the emergency and municipal services tax, the tax withholding by employers was prorated over pay periods throughout the year. Seasonal employees paid only a portion of the \$52 based on the number of pay periods they worked. Employees who anticipated earning less than \$12,000 could claim an exemption from the withholding. Businesses remitted the collections from employees to the City on a quarterly basis so the City received the tax for only three quarters in 2008. The fourth quarter was paid in 2009.

The changes in the rate, withholding and collection procedures, and the \$12,000 exemption have all had an impact on collections. In 2006, when the rate was raised to \$52 and the whole amount was collected from all employees, the City collected \$227,458. In 2007, collections increased to \$250,970. With the changes in collections procedures in 2008, the collections dropped to \$179,299. Even with four quarters of withholding in 2009, collections increased only slightly to \$182,761. A combination of the \$12,000 withholding exemption and job losses due to the recession depressed collections.

Without further legislative changes and a significant increase in employment in the City, the collections are likely to remain at or near the depressed 2010 level of \$179,612.

As part of the implementation of the countywide earned income tax collection, the City has the option of turning the local services tax over to the countywide collector. The City is planning to continue to collect the tax in-house.

PER CAPITA TAX

The per capita tax can be levied on all adults within a municipality at a maximum rate of \$10 a year. If both the municipality and the school district levy the tax, the maximum combined rate is \$10. Municipalities and school districts can exempt individuals making less than \$12,000 a year. If the School District allows exoneration, the City's portion of the tax is automatically exonerated as well.

Before 2005, the School District levied the entire amount. The City and the District began to share the tax in 2005 at a rate of \$5.00 each. The School District levies an additional \$5.00 tax under the School Code. The tax is collected by the City as a separate bill. In some municipalities, the tax is added to the municipal real estate tax bill.

TAX COLLECTION COSTS

The City Treasurer is responsible for collecting the real estate taxes for the City, the School District and the County. The cost for tax collection was \$68,475 in 2010. This does not

include fringe benefits and occupancy costs. The City is reimbursed by the School District and the County for collecting their real estate taxes. In 2010, the reimbursement was \$41,009. The reimbursements are budgeted by the County and the School District. It is unlikely that either body will increase the reimbursements. The net direct cost was \$27,466. This does not include employee benefits and overhead.

TAXES – SUMMARY

In 2010, the City collected \$1,987,304 in taxes. These taxes provided 46 percent of the City's \$4,320,691 in general fund revenues. The 2010 tax revenues were only \$115,625 higher than the \$1,871,679 collected in 2004. The average rate of increase was slightly more than one percent a year.

The changes in the tax revenues over the period 2004 through 2010 can be attributed to a number of factors. In 2004, the City received additional earned income tax revenues due to the distribution of past surpluses. These distributions continued until 2007. In 2004, the City also received the whole 1.0 percent real estate transfer tax and benefited from major property sales. These factors temporarily increased tax revenues at the beginning of the 2004 - 2010 period. The City was able to make up the losses in the earned income tax and the real estate transfer tax with increases in the real estate tax rate as well as the use of the full \$52 from the local services tax.

NON-TAX REVENUES

LICENSES AND PERMITS

The City collects fees for licenses and permits, including building permits. The revenues are not significant, making up less than one percent of revenues. In 2004, these revenues were \$13,055. In 2010, they were \$6,285. The decline came primarily from a decline in building permits from \$6,930 to \$1,385. The building permit program is administered by an outside contractor. In return for providing the service, the contractor keeps the fees. In addition to the building permits, the City issues other permits.

Fines and Forfeits

The City collects fines for vehicle code violations, as well as for violations of local ordinances and statutes. The motor vehicle fines are set by the State. Local fines are set by the City. These fines have fluctuated from year to year. They peaked in 2007 at \$63,472. In 2010, they were \$42,116. In 2010, they were about one percent of revenue. The decline came primarily from a drop in motor vehicle violation fines and from police wage reimbursements.

INTEREST EARNINGS

The City collects earnings on its bank balances. The earnings have decreased with the decrease in interest rates. In 2004, the earnings were \$12,883. In 2010, they had dropped to \$1,677.

INTERGOVERNMENTAL AID

The general fund has received some intergovernmental revenues each year. The State shares some of the revenues that it received with local municipalities. For Corry, this means that the City receives a portion of the vehicle fuel tax (often known as liquid fuels), a portion of the tax on out-of-state insurance premiums for pension state aid and aid to volunteer fire company relief associations, and a portion of the public utility realty tax. These revenues fluctuate as collections by the State vary from year-to-year.

The City includes in this group the Community Development Block Grant (CDBG) program income. The CDBG funds are pass-through revenues as they are matched with identical payments in the City's expenses.

The liquid fuel funds are accounted for in a separate liquid fuels fund. The aid to the fire company relief association is accounted for in the General Fund. The revenue and expense were netted out in the General Fund until 2009. Beginning in 2009, this payment has been accounted for in the General Fund as revenue and the matching payment to the relief association as an expense. The pension aid, the public utility realty tax, along with a Federal Department of Justice C.O.P.S grant, the CDBG program income, and the payment in lieu of taxes payment are all accounted for in the General Fund.

The C.O.P.S grant had been used with the School District for a resource officer. The grant ended two years ago and the School District picked up the cost. Going forward, the District has tentatively agreed to pick up one-half of the costs after 2011. The CDBG program is administered by the Redevelopment Authority. The Authority manages the program and does all of the administrative tasks including draw downs. The City receives the funds from the State and immediately transfers it to the Authority.

These intergovernmental revenues have fluctuated from year-to-year from a low of \$344,605 in 2009 to a high of \$1,194,060 in 2010. The fluctuations were primarily due to fluctuations in CDBG program income. Without the pass through payments for the CDBG program and the fire company relief association aid, the intergovernmental payments have fluctuated from a low of \$188,147 in 2008 to a high of \$305,556 in 2010. Pension aid slowly increased from \$200,884 in 2004 to \$223,341 in 2007. It dropped to \$140,242 in 2008 and only increased slightly to \$145,954 in 2009. In 2010, it increased to \$210,265. It is budgeted at \$210,000 for 2011.

DEPARTMENTAL EARNINGS

The City is able to charge fees for some of the services offered by the City. Significant earnings are generated by refuse collections. Other departmental earnings are generated in recreation, public safety, public works, and the Treasurer's office reimbursements from the School District and the County.

Departmental earnings are significant for the City of Corry and other municipalities in Pennsylvania as local governments strive to make up for lost tax revenue. The City's earnings have increased steadily from \$444,412 in 2004 to \$569,820 in 2010. The average rate of increase for these earnings has been 4.7 percent per year.

The major components in departmental earnings all increased over the past seven years. Earnings from refuse collections increased from \$346,318 in 2004 to \$460,939 in 2010. The direct expenses for the refuse collection contract have been less than the earnings. The taxpayers did not subsidize the direct expense of the collections. Reimbursement for the Treasurer's Office from the School District and the County for tax collection services increased from \$35,959 in 2004 to \$41,009 in 2010. Winter services reimbursement from PennDOT for plowing (also known as snow money) increased from \$31,328 in 2004 to \$44,564 in 2010.

The City does the billing for the refuse collection along with water and sewer billing. There are two clerks who handle the billing. The water and sewer revenues go into separate funds. A portion of these revenues is then transferred into the General Fund.

Wherever possible, these fees should cover the cost of providing the service related to the fees. The costs should include both direct and indirect costs which may not be the case for all fees currently.

MISCELLANEOUS REVENUES

Miscellaneous revenues include all of the revenues that have not been recorded elsewhere. Major revenues have been transfers from the water, sewer, and golf funds, the cable franchise fee, reimbursement for pay incurred by the City for others, and fringe benefit reimbursements from employees. Minor revenues include rents, asset sales, dog pound fees, engineering fees, postage and other sundry receipts. In 2008 the City benefited from the demutualization distribution from the insurance company that provided coverage for the City. The distribution occurred because the company was making the transition from being a mutual insurance company to a joint stock company. As part of the transition, the company was required to distribute past surpluses to policy holders. This distribution increase sundry receipts from \$3,045 in 2007 to \$61,796 in 2008.

Miscellaneous revenues have steadily increased from \$432,362 in 2004 to \$519,429 in 2010 at an average rate of increase of 3.4 percent a year. This has been driven by increases in the transfers from the Water and Sewer Funds, and the cable franchise fees.

TRANSFERS

Transfers from the enterprise funds have not been consistently recorded in the monthly financial statements in the same fashion from year-to-year. In 2006 and 2010 they were properly recorded as revenues. In the other years, they were recorded as contra expenses. In the audits, they have been consistently treated as revenues.

For the purposes of this report, these transfers have been treated as revenues if they are transferred into the General Fund from other funds and as expenses if they are transfers from the General Fund into other funds.

The City has used transfers from other funds to provide resources to the General Fund. These transfers from the enterprise funds – the Water, Sewer and Golf Funds - have provided the General Fund about \$300,000 each year. In 2010, these transfers increased to \$337,340. This was 7.8 percent of all revenues.

The use of transfers from utility and other funds can help hold down taxes. The use of transfers can also get tax exempt institutions to help pay through utility fees in place of tax payments.

These transfers have been depleting the balances in the enterprise funds. The transfers to the General Fund have been possible because the enterprise funds, as a group, had substantial fund balances. They decreased from \$1,038,619 at the end of 2005 to \$571,108 at the end of 2009. The City has been using past surpluses to bolster its revenues.

The City has made some adjustment in the water and sewer rates to keep adequate fund balances. With the treatment plant project and additional debt, the City raised sewer rates by over 50 percent in 2004. Rates were increased by smaller amounts in 2005, 2006 and 2009. Because of the increases in the sewer rates, water rates were not increased in 2004 and 2005 and increases in the base charge after 2005 average about four percent a year. The increases in the volume charges were higher at about seven percent per year.

The solution to this problem is to continue to increase water and sewer rates to cover costs and to provide sufficient funds for the annual transfers into the General Fund. In addition to providing sufficient funds for transfers, the rates should keep a health fund balance in the water and sewer funds that can be used for unanticipated repairs.

REVENUE SUMMARY

The City has been able to maintain diversified sources of revenue. This has allowed the City to weather the shock of a decline in any single source. Unfortunately, the lingering effects of the recession have led to declines in the earned income tax and the realty transfer tax. The City has been able to avoid decreases in real estate tax revenues only by increasing the tax rate.

Other, non-tax, revenues have held up well. Refuse sales and transfers from the water, sewer and golf funds have enable to City to compensate for the slow growth in the tax revenues. The transfers from the water and sewer funds, however, are depleting the balances in these funds.

The total revenues, including the CDBG funding, increased from \$3,648,008 to \$4,320,691. The average annual rate of increase was 3.1 percent per year. Without CDBG funds, revenues increased at an average rate of 1.9 percent per year from \$3,096,965 in 2004 to \$3,456,946 in 2010.

EXPENDITURES

SALARIES AND WAGES

Salaries and wages, along with employee benefits, make up a major portion of any local government's expenditures. Together, these expenditures made up 52 percent of expenditures in 2010 in Corry, 33 percent for regular salaries and wages, and 19 percent for benefits.

Staffing levels have decreased since 2005 when there were 50 employees. This has declined to 43 in 2011. The decline is due to reductions in police and fire as well as a vacancy in the streets department.

City Employment

	2004	2005	2006	2007	2008	2009	2010	2011
Administration	2	2	2	2	2	2	2	2
Tax Collection/Treasurer	3	3	3	3	3	3	3	3
Police								
Administration	2	2	2	2	2	2	2	2
Unit	10	10	10	10	10	9	9	8
Civilian Clerks	4	4	4	4	4	3	2	2
Fire	6	7	7	7	6	6	6	6
Public Works								
Water								
Administration	1	1	1	1	1	1	1	1
Clerical	1	1	1	1	1	1	1	1
Workforce	5	5	5	5	5	5	5	5
WWTP								
Administration	2	2	2	2	2	2	2	2
Clerical	1	1	1	1	1	1	1	1
Workforce	2	2	2	2	2	2	2	2
Streets								
Administration	1	1	1	1	1	1	1	0
Workforce	6	6	6	6	6	5	5	5
Mechanic	2	2	2	2	2	2	2	2
Golf	1	1	1	1	1	1	1	1
Total	49	50	50	50	49	46	45	43

Staffing levels in the City are high compared to all other municipalities in the state. In 2011, the City has 6.8 full-time employees for every 1,000 residents. If the employees in the enterprise operations (waste treatment, water, and golf) are excluded, the ratio is 4.8 full-time employees for every 1,000 residents. The average for all local governments in Pennsylvania, with the exception of Philadelphia and Pittsburgh, in 2002 was 3.3 full-time employees per 1,000 residents.

Total salaries and wages within the General Fund increased from \$1,328,798 in 2004 to \$1,449,603 in 2010. From 2004 to 2010, wages and salaries increased at an average rate of 1.5 percent per year. This is less than the average rate of increase of 3.75 percent in average annual pay for all local government employment in Erie County from 2004 to 2009 as reported by the Bureau of Labor Statistics in the *Quarterly Census of Employment and Wages*.

Individual pay under the current labor contracts for police, fire and non-uniformed employees is increasing at a rate of 3.0 percent per year with addition increases for longevity for uniformed employees, and 2.5 percent for non-uniformed employees. Pay for non-uniformed employees will go up three percent in 2013.

The City does not budget for overtime pay except for educational leaves and court overtime. The rest of the overtime is budgeted with departmental salaries and wages. The overtime is also not reported separately on the monthly financial reports. The overtime should be recorded and reported separately. This will allow better control over overtime usage.

BENEFITS

Benefit costs for the Sewer and Water Funds are initially accounted for in the General Fund. At the end of year, the City transfers fund from the Sewer and Water Funds into the General Fund as a revenue. The transfer is not used to reduce the year-end benefit costs in the General Fund. To gain an accurate measure of benefits as a percent of salaries and wages, the salaries and wages in the Sewer and Water Funds have to be included in the following calculation.

Benefits, including the City's contribution to the pension plans, increased at an average rate of 1.6 percent per year from 2004 to 2010. In 2005, benefit costs were \$762,126. By 2010, they had increased to \$836,542. The major increases came in health insurance costs. The cost of all benefits as a percent of total regular wages and salaries peaked at 46 percent in 2007. The cost decreased to 41 percent of salaries and wages in 2009 and to 40 percent in 2010.

A portion of the benefit costs for pensions and health insurance are covered with deductions employees pay. In 2010, these deductions were \$43,933.

Pension costs

The City has three pension plans, one for police, one for fire, and one for other employees. The City has been able to pay the minimum municipal obligations for all three plans. The payments have covered normal costs, administrative expenses and the amortization payments needed to eliminate unfunded liabilities. The last actuarial valuation for the three plans was as of January 1, 2009. The next valuation will be as of January 1, 2011 and will be completed a year later.

The police plan, as with all police plans in Pennsylvania, is a defined benefit plan. Police officers in third class cities are eligible for a pension upon 20 years of service. The monthly pension is equal to 50 percent of the final monthly average compensation computed over a five year period plus a service increment of 1/40 of the normal retirement for each year of service over 20 years. Police officers contribute 4.0 percent of their pay plus \$1.00 a month

for the service increment. On January 1, 2009, there were 12 active members and 9 retired members and survivors.

The non-uniformed plan is a defined benefit plan. Employees are eligible for retirement after 20 years of service provided that the participant continues to contribute to the plan until aged 55. The monthly benefit is equal to 50 percent of average monthly compensation computed over five years. Non-uniformed employees contribute 6.0 percent of their pay to the plan. On January 1, 2009, there were 29 active members, and 14 retired members and survivors.

The fire plan is a defined benefit plan. Employees are eligible for retirement upon 20 years of service. The monthly benefit is equal to 50 percent of average monthly compensation computed over five years plus a service increment of 1/40 of the normal retirement for each year of service over 20 years. Fire employees contribute 4.0 percent of their pay to the plan plus \$1.00 a month for service increment. The fire plan also provides for annual cost-of-living adjustments. On January 1, 2009, there were 6 active members, and 8 retired members, disabled members and survivors.

Defined benefit plans have the potential of becoming under-funded if the value of the fund goes down and the contributions to the plan from employees, state aid, the City and plan earnings do not keep up with the plan's liabilities. Unfortunately the recent recession had an adverse impact on pension funds. There have been losses in asset value in the three plans due to the downturn in the economy.

Police Retirement Plan			
Year	Asset Value	Accrued Liability	Funded Ratio
2007	\$4,250,082	\$3,757,901	113.1%
2009	\$3,428,123	\$4,187,930	81.95%

Non-Uniformed Retirement Plan			
Year	Asset Value	Accrued Liability	Funded Ratio
2007	\$5,603,459	\$4,601,277	121.8%
2009	\$4,476,635	\$4,955,336	90.3%

Fire Retirement Plan			
Year	Asset Value	Accrued Liability	Funded Ratio
2007	\$1,804,030	\$2,113,651	85.4%
2009	\$1,608,105	\$2,261,770	71.1%

The police and fire plans, under state law, were minimally distressed. Minimally distressed include those plans with funding ratios of 70 to 89 percent. The non-uniformed plan was not distressed. There are no mandatory remedies for minimally distressed plans.

Each year, the financial requirement and the minimum obligation for each plan are calculated. The financial requirement is made up of three components.

1. The normal cost of the plan, which is the actuarial cost assigned to the year to pay for the portion of the anticipated benefit derived from service during the year;
2. The anticipated administrative expense; and
3. The amortization payment, which is the annual payment required to eventually eliminate any unfunded liability.

The minimum municipal obligation is the financial requirement less anticipated employee contributions and funding adjustments that are made when the plan's assets exceed the liabilities.

In 2007, the City had to make amortization payments to eliminate the unfunded liability only in the fire pension fund. In 2009, there were unfunded liabilities in all three plans. This increased the City's obligation to the plans. Because the plan assets are valued using a four-year smoothing method, any recovery in the asset values will lag the slow recovery in the economy.

Minimum Municipal Obligations					
	2007	2008	2009	2010	2011
Police	102,670	42,024	42,551	39,157	142,624
Fire	98,158	100,668	92,921	98,690	115,118
Non-Uniformed	<u>64,581</u>	-	-	-	<u>112,283</u>
Total	265,409	142,692	135,472	137,847	370,025

In 2008, 2009, and 2010, employee contributions and funding adjustments were enough to eliminate any City obligation in the non-uniformed plan,

The State provides pension assistance to local governments. The aid formula includes a number of factors including the funds available to the state from a special tax on casualty insurance companies headquartered outside of Pennsylvania and the number of employees covered by the plans. In many instances, the minimum municipal obligations can be paid with state aid. All of the state aid has to be used to fund the pension plans.

Pension Payment Less State Aid

	2007	2008	2009	2010
Pension Payment	\$265,409	\$142,690	\$145,954	\$210,264
Pension Aid	<u>223,341</u>	<u>140,242</u>	<u>145,954</u>	<u>210,265</u>
Shortfall	\$ 42,068	\$ 2,448	-	\$ (1)

There are some actions that the City can take to lower the administrative costs associated with the plans. The 2011 anticipated administrative expense for the fire plan is 8.3 percent of the plan's financial requirement, for the police fund, 8.8 percent, and for the non-uniformed plan, 11.3 percent. The actions that can be taken include aggregating the plan assets for administrative and investment purposes and using the Pennsylvania Municipal Retirement System to manage the plans.

Health Insurance

Health insurance costs have increased since 2004, but the City has been able to hold down the cost increases. In 2004, the cost was \$419,010. It decreased in the following two years to \$387,465 in 2006. Since then, it has increased. In 2010, the City's cost was \$490,808. The annual average rate of increase was 2.9 percent. Compared to other municipalities, these increases have not been high. Health insurance costs for local governments have been going up by eight to 12 percent a year in recent years.

The City employees share the premium cost. The current collective bargaining agreements for police and fire provide that employees shall pay the lesser of ten percent of the premium cost or \$50 a pay period. The agreement for the non-uniformed employees provides for payroll deductions that range from \$14 per pay for single coverage to \$37 for family coverage. Any increases in premium costs during the course of the agreements are born by the City.

The City does have a limited obligation for post retirement health care. For firefighters hired before January 1, 1993, the City is obligated to pay the retired firefighters \$100 per month as a post retirement health care allowance. This allowance ends when the retiree reaches 65 years of age or obtains coverage from another health insurance plan.

The City provides other group benefits including vision, dental, life, accidental death and disability, and long-term disability. Not all of these group benefits are provided to all employees. The cost for these benefits has fluctuated from a high of 90,914 in 2008 to a low of \$75,499 in 2009.

The City's health insurance practices, plans and costs are in line with the benefits and costs provided by other municipalities. The International City/County Management Association last surveyed municipalities with populations of 2,500 or more on health care plans in 2002. The survey revealed that 99.5 percent of the 3,101 municipalities that responded to the survey offer health insurance. Only 62.3 percent offered health insurance to retired employees. Fewer than half, 44.7 percent, did not require a premium contribution from union employees. Over half of the municipalities said that they were either likely to increase the premium paid by employees (47.1 percent) or that they were going to pay more (11.9 percent) in the next two years. (ICMA, *Health Care Plans for Local Government Employees*, 2002)

Government employees, however, tend to have better health insurance benefits than private sector employees. A 2006 Federal survey of private sector employers found that 62 percent of the employers offered health care benefits to current employees. Seventy-five percent of workers participating in a care plan made a contribution to plan premiums for single coverage and 87 percent for family coverage. The average contribution for single coverage was 18 percent of the premium, and for family coverage, 30 percent of the premium. (Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in Private Industry in the United States*, March 2006)

Unemployment and FICA

These costs have fluctuated from year to year. The City's unemployment compensation costs have been low, less than \$5,000 a year. The City's portion of FICA has remained about \$50,000 a year.

OPERATING MATERIALS AND SUPPLIES

Supplies made up 6.1 percent of 2010 expenditures. Between 2004 and 2010, supply costs increased at an average rate of 4.8 percent per year. These costs increased from \$207,145 in 2004 to \$267,066 in 2010. The major cost increases in operating supplies came from increases in fuel costs and highway supplies. A major portion of highway supply costs is made up of the cost of asphalt. Fuel costs have increased by an average of 10.2 percent per year. Highway supplies have increased by an average of 9.0 percent per year. Many of the expenditures for other items decreased over the seven year period.

REPAIR AND MAINTENANCE SUPPLIES

These supplies made up 0.76 percent of expenditures in 2010. They increased from \$30,629 in 2004 to \$33,346 in 2010. The average rate of increase was 1.5 percent per year.

OTHER SERVICES

Other services include primarily professional fees for legal, auditing and other services. In 2010, they made up 0.14 percent of total expenditures. They have remained less than \$10,000 a year.

COMMUNICATIONS

Communication includes monthly telephone charges, fire alarms and fire telephones. Communication made up less than one-quarter of a percent of the 2010 expenditures. They varied from a low of \$7,782 in 2005 to a high of \$11,556 in 2008.

ADVERTISING

Legal advertising made up less than 0.02 percent of expenditures in 2010. These costs varied from a low of \$883 in 2007 to a high of \$2,400 in 2006.

INSURANCE

In 2010, insurance made up 4.8 percent of total expenditures. Insurance costs increased from \$193,317 in 2004 to \$210,201 in 2010. The annual average rate of increase was 1.5 percent. The major component in this increase was in workers' compensation. This cost increased by \$15,989 from \$71,448 in 2004 to \$87,435 in 2010. The annual average rate of increase for workers' compensation was 3.7 percent.

UTILITIES

Utilities made up 2.5 percent of expenditures in 2010. They increased from \$101,551 in 2004 to \$109,317 in 2010. The annual average rate of increase was 1.3 percent. The major component in the increase was expenditures on electricity.

REPAIR AND MAINTENANCE SERVICES

These services cover the repair and maintenance of the City's buildings and equipment. They made up 0.45 percent of 2010 total expenditures. They decreased from \$31,127 in 2004 to \$19,901 in 2010.

OTHER SERVICES

Dues and subscriptions made up 0.16 percent of 2010 total expenditures. These costs increased slightly from \$6,215 in 2004 to \$7,193 in 2010.

REFUSE SERVICES

Refuse services includes the contract with the hauler as well as past costs for the drop off box. These costs made up 9.0 percent of total 2010 expenses. They increased from \$257,404 in 2004 to \$393,168 in 2010. The annual average rate of increase was 8.8 percent. These costs are less than the fees that are collected by the City for the refuse services.

CONTRIBUTIONS, GRANTS AND SUBSIDIES

The City provides support for the Stanford Hose Company in addition to paying the expenses of the fire department. The major component in the support since 2009 has been the state's foreign insurance tax allocation that the City receives and passes onto the fire relief fund. Before 2009, the allocation was not passed through the General Fund. It was paid directly to the relief fund. The City's payment to the fund was \$29,259 in 2010. The City also makes an \$8,000 a year grant to Mead Park. In 2010, these expenses made up 0.85 percent of total expenditures.

TRANSFERS

The City makes transfers from the General Fund to other funds. These include transfers to capital equipment and reserve funds to support expenditures from these funds as well as a recurring \$9,500 transfer to the Airport Authority. The transfer to the Airport Authority is intended to cover insurance and audit expenses at the airport. In 2004, the City transferred \$109,500 to these funds. There were no transfers from 2005 through 2007 except for the transfer to the Airport Authority. In 2008 and again in 2010, the City made \$124,500 in transfers. In 2009, the City made \$30,200 in transfers.

The City has accounted for transfers into the General Fund as contra payments against expenses in some years. For the purposes of this report, these transfers into the General Fund are treated as revenues.

DEBT SERVICE

All of the City's long term debt is in the sewer fund and being retired with sewer revenues.

CAPITAL CONSTRUCTION

Some minor capital construction expenditures have been included in the General Fund. With the exception of \$46,491 in 2005, these expenditures have been less than \$10,000 a year. These expenditures made been miscellaneous public works expenditures.

OTHER EXPENDITURES

The major component in this group is Community Development Block Grant program expenses. These expenses are matched with CDBG revenues. The remaining other expenses include refunds and other adjustments.

TOTAL EXPENDITURES

Total expenditures have been steadily increasing with the increases in the cost of many materials and services that the City uses. The average rate of increase for the period 2004 through 2010 was 3.5 percent per year. Without the CDBG program expenditures, the increase has been 2.4 percent per year. This rate of increase is in line with the general rate of price increases in the economy. Unfortunately, the rate of increase is slightly higher than

the rate of increase in revenues. This leaves a small but growing gap between revenues and expenditures.

FINANCIAL INDICATORS

There are a number of indicators that can be used to assess the City's fiscal health.

OPERATING POSITION

The term operating position refers to a local government's ability to:

- Balance its budget on an annual basis.
- Maintain sufficient reserves for emergencies.
- Have sufficient cash flow to pay its bills on time.

During a typical year, a local government generates either an operating surplus or a deficit. An operating surplus occurs when operating revenues exceed operating expenditures. An operating deficit occurs when operating expenditures exceed operating revenues. Typically, deficits are funded from unreserved fund balances. Surpluses are usually used to increase fund balances or are transferred to capital funds.

The accumulation of operating surpluses builds reserves which provide a financial cushion against the loss of a revenue source; a decline in economic conditions; unanticipated expenditures; etc.

Liquidity refers to the flow of cash. When revenues are received before they are needed to be spent, this results in a positive cash flow. If a government has a negative cash flow and no cash reserves, it will need to either borrow in the short-term or delay paying its bills.

YEAR-END POSITION

The City ended the year with deficits in 2005, 2008 and 2010. In 2008, the deficit was almost 4.4 percent of revenues.

Year-End Position

	2004	2005	2006	2007	2008	2009	2010
TOTAL REVENUES	3,646,008	3,374,697	3,416,429	4,053,952	3,420,701	3,481,925	4,320,691
TOTAL EXPENDITURES	3,620,253	3,453,231	3,338,240	4,004,248	3,570,698	3,250,161	4,378,981
SURPLUS (DEFICIT)	25,755	(78,534)	78,189	49,704	(149,997)	231,764	(58,290)
As a percent of revenues	0.71%	-2.33%	2.29%	1.23%	-4.38%	6.66%	-1.35%

An operating deficit in any one year may not necessarily be a cause for concern, but frequent and increasing deficits can indicate serious problems are present. A credit rating agency would regard a one-year operating deficit as a minor warning signal. The following situations would cause significant concern:

- Two or more consecutive years of operating deficits.
- An increase in operating deficit from year-to-year.
- An operating deficit in two or more of the last five years.
- An abnormally large deficit greater than 5-10% in one year.

Against these criteria, the City is doing relatively well. It has been able to avoid large and increasing deficits and deficits in consecutive years. It has had, however, three deficits in the last seven years.

FUND BALANCES

Fund balances can be thought of as reserves if they are undesignated. The size of a local government's fund balances can affect its ability to withstand financial emergencies, and can also affect its ability to accumulate funds for capital purchases to avoid borrowing. The following table shows the City's unreserved fund balances as a percentage of operating revenues as reported in the annual audits for the years 2005 through 2009. If this percentage decreases, this is a warning sign and a definite concern as to whether or not the City will be able to meet a future need. The table shows a decrease in the City's fund balance in 2008. The City's unreserved fund balance increased significantly in 2009.

	Unreserved Fund Balance				
	2005-2009				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Unreserved Fund Balance	19,389	97,586	150,516	517	232,386
Operating Revenues	2,969,950	3,192,989	3,332,922	3,254,909	3,395,388
Percent	0.60%	3.10%	4.50%	0.00%	6.80%

In addition to the General Fund, the City maintains enterprise and special revenue funds. Balances in these funds can be used to cover shortfalls in the General Fund. The City already draws upon the balances in the Water, Sewer and Golf Funds.

Liquidity

A good measure of a city's short-run financial condition is its cash position. Cash position determines a city's ability to pay its short-term obligations. This is known as liquidity. Insufficient liquidity results in insolvency.

Commercial enterprises use a standard ratio for liquidity:

Cash, Short-Term Investments & Accounts Receivable

Current Liabilities

If this ratio is less than one-to-one the business is considered to be facing liquidity problems.

Since a municipality's receivables are usually not collected on a 30 or 45 day basis the following ratio is used:

Cash & Short-Term Investments

Current Liabilities

Comparing cash and short-term investments to current liabilities is referred to as current account analysis. An excess of cash and short-term investments over current liabilities is referred to as an account surplus while an excess of liabilities over cash and short-term investments is an account deficit. A less than one-to-one ratio for one year would be considered a negative factor. A less than one-to-one ratio for more than three years is considered a decidedly negative factor.

	Liquidity				
	2005	2006	2007	2008	2009
Cash and Investments	373,713	278,278	287,869	195,350	277,696
Current Liabilities	467,958	72,323	75,934	77,464	76,333
Ratio	0.8	3.85	3.79	2.52	3.64

With the exception of 2005, the City has had sufficient cash and investments at year's end to meet its short term obligations. Municipalities in Pennsylvania also have the option of borrowing at the beginning of the year with a tax and revenue anticipation note (TRAN). They are used primarily to provide cash until real estate tax revenues come in. The City has not used TRANs.

BUDGET PRACTICES

The City's budget practices are, in general, good. There are areas where there could be some improvement.

- The City does not budget or regularly report most overtime separately. This can make it difficult to manage overtime.
- The City uses the General Fund as a pass through account for Community Development Block Grant revenues and program expenditures. Year-to-year variations in the CDBG revenues and expenditures can bring significant changes in total revenues and expenditures. The City's Annual Audit and Financial Report accounts for the CDBG revenues and expenditures in the Capital Fund.
- The City tends to over budget revenues. This leads to shortfalls. Most are not significant except for the real estate tax. The shortfalls in the current real estate tax have been less than \$40,000.
- At the same time, the City tends to over budget expenditures which leads to favorable variances. More accurate budgeting and the use of the budget document as a means of controlling both revenues and expenditures could avoid year-end surprises.

EXPENDITURES BY DEPARTMENT

ADMINISTRATION

Administration includes the salaries of Council members and appointed officials, office supplies, engineering and auditing services, phone services, and related expenditures. It does not include any benefits. These expenses have increased only slightly since 2004 from \$107,713 to \$111,390 in 2010. The average annual rate of increase was less than one percent.

TAX COLLECTIONS

Tax collection includes the wages and salaries of the elected Treasurer and staff as well as, local services tax and real estate tax refunds, office supplies and phone services. These expenses went up from \$62,069 in 2004 to \$68,475 in 2010. The average annual rate of increase was 1.7 percent. The increases were held down by a reduction in real estate tax refunds.

BUILDING AND PROPERTY

Building and property expenses include the repair and maintenance of municipal property as well as utilities. The \$9,500 annual transfer to the Airport Authority is included in this

group. These costs went down from \$96,889 in 2004 to \$94,986 in 2010. The annual rate of the decrease was 2.0 percent. The principal reductions came in electricity, and custodial services.

POLICE

The police expenses include the personnel costs for the officers, vehicle costs and office supplies. The personnel costs went from \$753,312 in 2004 to \$789,163 in 2010. The annual average rate of increase was less than one percent. The major increase within the group was payroll for officers. This went from \$532,154 in 2004 to \$621,689 in 2010. This was offset by a substantial decrease in the payroll for dispatchers and reductions in other costs.

Vehicle expenses which cover maintenance and repair went down from \$18,125 in 2004 to \$7,605 in 2010. This decrease was due, in part, to the City's decision to move gas and oil expenses to highways after 2004. In 2004, gas and oil expenses were \$7,500.

Office supply expenses decreased as well from \$10,609 in 2004 to \$8,889 in 2010. The annual average rate of decrease was 2.7 percent.

Total police expenditures went from \$782,046 in 2004 to \$805,657 in 2010. The annual average rate of increase was 0.5 percent.

FIRE

The Fire expenditures include most of the expenses associated with fire protection. Vehicle maintenance is accounted for separately. General Fire expenditures have steadily increased from \$281,628 in 2004 to \$360,346 in 2010. The annual average rate of increase was 4.7 percent. The substantial increase came in payroll from \$194,363 in 2004 to \$239,425 in 2010. The increase also came with a change in accounting practices. Before 2009, the state's contribution to the City and the City's contribution to the fire relief fund were netted out in the General Fund and did not appear in the statements. In 2009, this \$21,997 payment was accounted for in the General Fund as revenue and the payment to the relief fund as an expense. It increased to \$24,759 in 2010.

Fire vehicle expenses went down from \$7,660 in 2004 to \$7,136 in 2010. This was due, in part to accounting for gas and oil expenditures in the public works after 2004.

The total expenditures for Fire went from \$299,288 in 2004 to \$367,482 in 2010. The annual average rate of increase was 3.8 percent.

PLANNING AND ZONING

These expenses increased from \$861 in 2004 to \$2,913 in 2010. The increase was in the cost of general code compliance.

REFUSE DISPOSAL

These expenses increased steadily from \$257,404 in 2004 to \$393,168 in 2010. The annual average rate of increase was 8.8 percent. These expenses are covered by fees. In 2010 these fees were \$460,939.

PUBLIC WORKS

The highway expenditures cover the cost of the department as well as street lighting and some construction. The departmental expenses fluctuated from year to year but the longer term trend has been upward from \$305,061 in 2004 to \$346,988 in 2010. The annual average rate of increase was 2.3 percent. Part of this increase was due to the inclusion of gas and oil expenditures from other departments after 2004. Gas and oil expenditures went from \$30,563 in 2004 to \$54,184 in 2005. General payroll went down by \$13,378 but the payroll allocated to snow and ice control went up by \$10,555.

The expenses associated with street lighting and construction went up from \$66,220 in 2004 to \$125,681 in 2010. The increase was due primarily to pavement overlay projects in 2006, 2007 and 2010.

Two other funds, the Sewer and Water Funds, cover both revenues and expenditures for these activities.

RECREATION

Recreation is divided into recreation services and the cost of the department. The services used by recreation – utilities, equipment and repairs - decreased slightly from \$22,668 in 2004 to \$22,311 in 2010. Departmental expenses increased from \$17,354 in 2004 to \$25,296 in 2010. The increases came in payroll and the inclusion of summer recreation program expenses in the department in 2010. The annual average rate of increase was 7.6 percent.

ENTERPRISE FUNDS

In addition to the General Fund, the City accounts for a portion of its operations in three enterprise funds, the Water Fund, the Sewer Fund and the Golf Fund. The operations described in these funds are meant to be self supporting. The statements for these funds are, in effect, profit and loss statements.

These funds are tied to the General Fund. The City has used transfers from other funds to provide resources to the General Fund. These transfers from the enterprise funds have provided the General Fund about \$300,000 each year. In 2010, these transfers increased to \$337,340. This was 7.8 percent of all revenues. Some personnel and other expenses incurred in the General Fund for water and sewer operations are allocated to these funds at the end of the year.

The use of transfers from utility and other funds can help hold down taxes. The use of transfers can also get tax exempt institutions to help pay through utility fees in place of tax payments.

Enterprise Funds

	2004	2005	2006	2007	2008	2009	2010
Golf							
Revenues	447,703	472,442	444,545	498,711	459,209	454,616	492,372
Expenses	471,800	515,518	472,722	486,317	472,927	478,467	436,942
Surplus (Deficit)	(24,097)	(43,076)	(28,177)	12,394	(13,718)	(23,851)	55,430
Water							
Revenue	468,551	485,249	483,079	532,136	556,556	568,203	618,869
Expenditure	654,936	569,365	563,238	536,196	701,762	711,902	624,787
Surplus (Deficit)	(186,385)	(84,116)	(80,159)	(4,060)	(145,206)	(143,699)	(5,918)
Sewer							
Revenues	1,141,515	1,269,401	1,359,626	1,350,244	1,335,909	1,315,525	1,328,919
Expense	1,250,248	1,361,051	1,548,154	1,323,196	1,307,357	1,244,109	1,251,604
Surplus (Deficit)	(108,733)	(91,650)	(188,528)	27,048	28,552	71,416	77,315
Total							
Revenue	2,057,769	2,227,092	2,287,250	2,381,091	2,351,674	2,338,344	2,440,160
Expenditure	2,376,984	2,445,934	2,584,114	2,345,709	2,482,046	2,434,478	2,313,333
Surplus (Deficit)	(319,215)	(218,842)	(296,864)	35,382	(130,372)	(96,134)	126,827

Unfortunately, the activities described in the funds with the transfers have lost money, not made money, in most years. These transfers have been depleting the balances in the enterprise funds. The transfers to the General Fund have been possible because the enterprise funds, as a group, had substantial fund balances. They decreased from \$1,038,619 at the end of 2005 to \$571,108 at the end of 2009. The City has been using past surpluses to bolster its revenues.

The rates that are charged to users should be increased to a point at which the funds cover expenses. The Sewer Fund is carrying the debt that has been incurred to upgrade the treatment plant as needed. There is no debt in the other funds. Given the age of the City's water system, the City should consider increasing water rates so that the Water Fund can build up reserves to cover the inevitable repair costs.

For more detail on the Sewer and Water Funds see the Management Audits for the departments.

FINANCIAL MONITORING FACTORS

The financial factors used in this report are based on a Workbook created by the Intergovernmental Cooperation Program for the Allegheny League of Municipalities in 1984. The 24 financial factors included in the Workbook were drawn from earlier work by the Government Finance Officers Association (GFOA) and the International City County Management Association (ICMA). The Department of Community and Economic Development added two more factors and refined others when it put together the Department's *Financial Monitoring Workbook* in 1999.

The Third Edition can be found at http://www.newpa.com/webfm_send/1610.

Each factor identifies a trend in the municipality's finances. The trends can be favorable, stable or unfavorable. The use of these factors can assist municipal officials in identifying areas where corrective actions should be taken.

Not all of the factors from the Workbook are included in this report as not all are relevant to the City's condition.

Key Findings

- Taxable property values have seen some increase, but the increase has not been steady. The 2013 reassessment may result in increases in taxable values.
- Assessed value on a per capita basis has been going up. This has been aided, however, by decreases in population.
- The City does have additional real estate tax capacity. Because the City has a high millage compared to surrounding communities, increases in real estate tax rates could be counterproductive.
- The collection rate for current real estate taxes is low. Ideally, it should approach 95 percent with the shortfall made up of the discount rate, appeals and some delinquencies.
- The collection rate for both current and delinquent real estate taxes is higher than the rate for current taxes alone. This is an indication that the City and the County's tax claims bureau are doing a good job collecting delinquent taxes.
- The City has a diverse revenue portfolio. Taxes make up less than one half of revenues. The remaining revenues are made up of a good mix of shared tax revenues from the State, departmental earnings, and transfers from the Sewer, Water and Golf Funds. The City should strive to maintain this mix by keeping departmental fees and rates high enough to cover all of the costs of the activities

associated with the fees and rates. In the case of the sewer, water and golf activities, the City should strive to generate a surplus to help support the General Fund.

- Revenues per capita, expressed in 2010 dollars, have been relatively stable. They have outpaced inflation in most years.
- Benefit costs are on the high side compared to salaries and wages. In 2010, they were 44 percent of salaries and wages. Ideally, they should be below 40 percent. The City's employees do pay a small portion of these costs through payroll deductions.
- The City's debt is made up of Pennvest loans and sewer revenue debt. It is manageable. It is also going down.
- The City's per capita expenditures expressed in 2010 dollars have been relatively stable with 2007 and 2010 as peak years. The long term trend, unfortunately, is upward with the growth rate in expenditures exceeding that of inflation.
- The City has been able to come close to keeping expenditures below revenues. The City should strive to generate a surplus each year and to build a reserve fund.
- The City is able to handle its short term liabilities.
- The City's actual revenues have exceeded budgeted revenues in most years. Unfortunately, the City's actual expenditures have also exceeded budget in most years. Recently, the City has been paying closer attention to the budget as a tool for controlling expenditures.

The overall results from the fiscal monitoring indicator results are mixed. The City should do a more aggressive job in managing its finances, particularly on the expenditure side. There is no indication, however, that the City is faced with significant fiscal problems.

TAXABLE PROPERTY VALUES

Exhibit 1

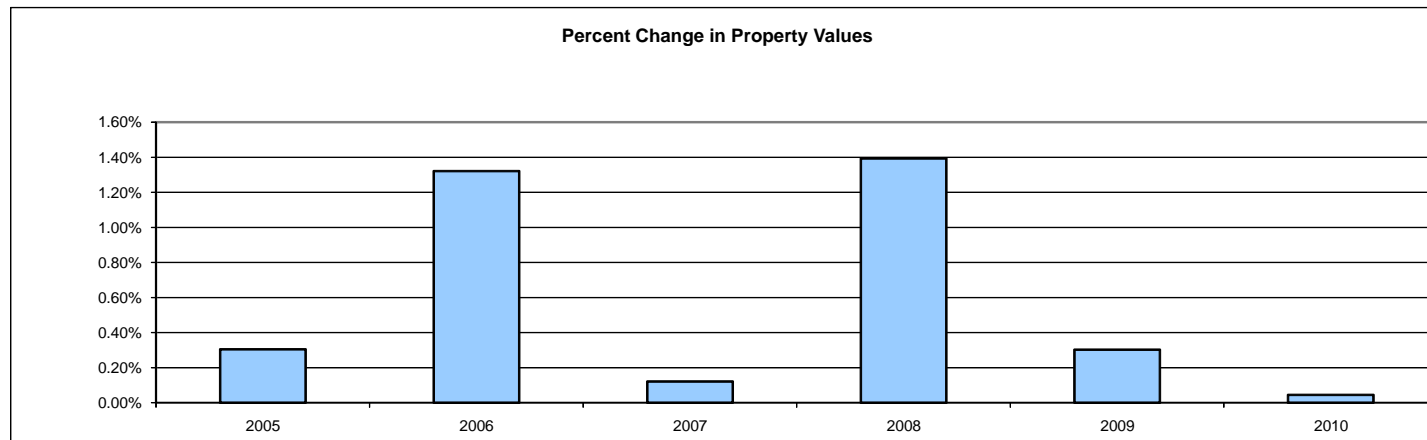
Formula:

$$\frac{\text{Change in Value from Prior Year}}{\text{Prior Year Value}}$$

Trend:

Stable with some small increases

	2005	2006	2007	2008	2009	2010
Current Year Value	\$183,398,510	\$185,821,620	\$186,046,480	\$188,638,790	\$189,209,520	\$189,295,160
Prior Year Value	\$ 182,842,180	\$ 183,398,510	\$ 185,821,620	\$ 186,046,480	\$ 188,638,790	\$ 189,209,520
Change in Value	\$ 556,330	\$ 2,423,110	\$ 224,860	\$ 2,592,310	\$ 570,730	\$ 85,640
Percent Change in Value	0.30%	1.32%	0.12%	1.39%	0.30%	0.05%



Potential Actions:

Monitor appeals and transfers that could lower assessments, partner with the school district is challenging reductions

Keep track of the ten largest taxpayers as reductions in this group could have a significant impact.

FISCAL CAPACITY

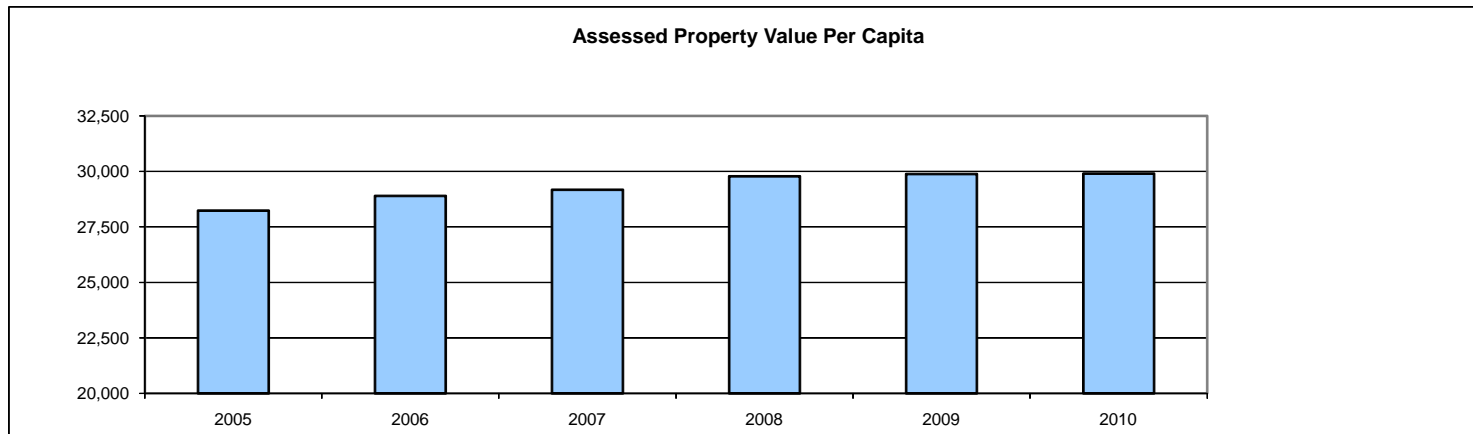
Exhibit 2

Formula:

$$\frac{\text{Assessed Property Value}}{\text{Population}}$$

Trend:
 Property Value per capita has been stable
 Population is declining

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assessed Property Value	\$ 183,398,510	\$ 185,821,620	\$ 186,046,480	\$ 188,638,790	\$ 189,209,520	\$ 189,295,160
Population	6,496	6,431	6,378	6,335	6,331	6,331
Assessed Value Per Capita	\$ 28,233	\$ 28,895	\$ 29,170	\$ 29,777	\$ 29,886	\$ 29,900



The increases are due, in part, to a declining population

PROPERTY TAX RESOURCES

Exhibit 3

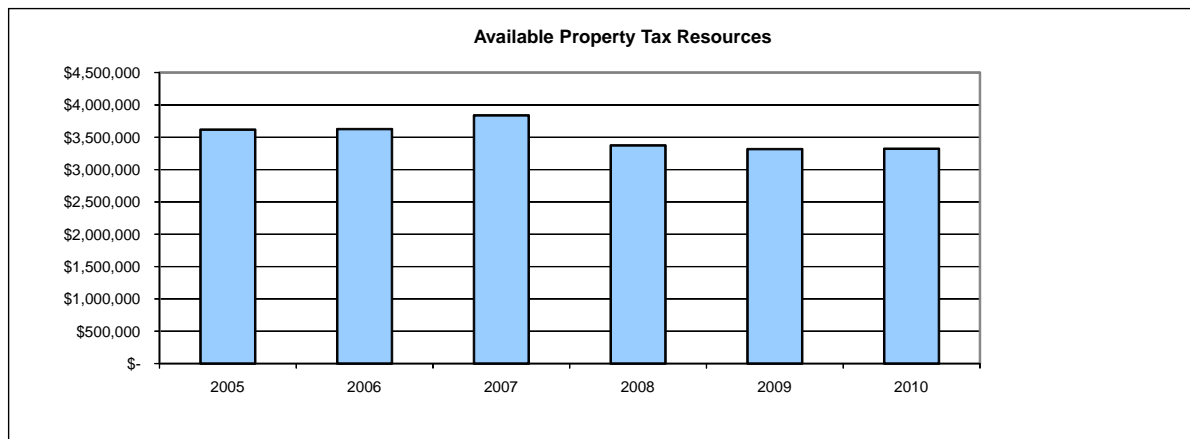
Formula:

Remaining Millage Times Revenues per Mill

Trend:

Property Tax Resources decreasing
Due to millage increases

	2005	2006	2007	2008	2009	2010
Maximum Tax Limit	25	25	25	25	25	25
Current General Purpose Millage Rate	5.27	5.17	5.17	7.25	7.55	7.55
Mills Available	19.73	19.83	19.83	17.75	17.45	17.45
Value of One Mill	\$ 183,399	\$ 182,842	\$ 193,591	\$ 190,023	\$ 190,154	\$ 190,425
Property Tax Resources Available	\$ 3,618,453	\$ 3,625,760	\$ 3,838,909	\$ 3,372,913	\$ 3,318,186	\$ 3,322,917



The City has significant untapped property taxes

CURRENT PROPERTY TAX COLLECTION RATE

Exhibit 4

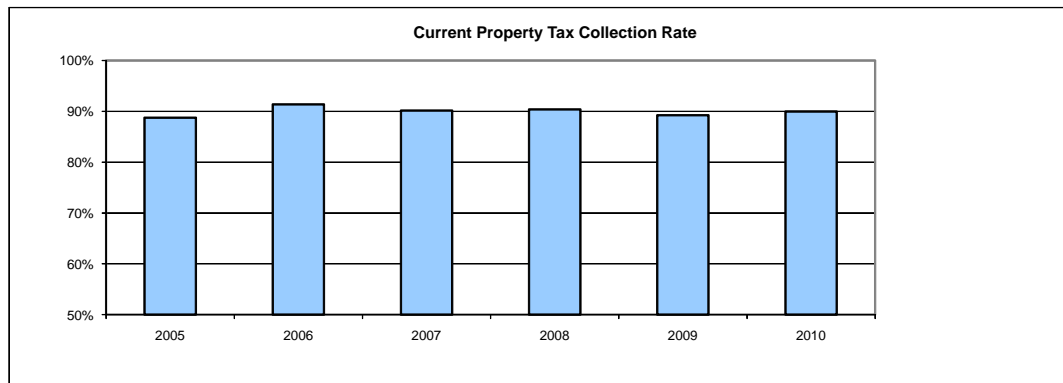
Formula:

$$\frac{\text{Current Collections}}{\text{Current levy}}$$

Trend:

The recent trend has been stable

	2005	2006	2007	2008	2009	2010
Current Collections	\$ 1,074,395	\$ 1,120,623	\$ 1,200,729	\$ 1,225,680	\$ 1,259,889	\$ 1,272,530
Current Levy	\$ 1,210,430	\$ 1,226,423	\$ 1,332,133	\$ 1,356,374	\$ 1,412,107	\$ 1,414,468
Current Collection Rate	89%	91%	90%	90%	89%	90%



Potential Actions:

Be aggressive in moving the rate over 90 percent to 95 percent if possible

Track individual repeat delinquent property owners

ALL PROPERTY TAX COLLECTION RATE

Exhibit 5

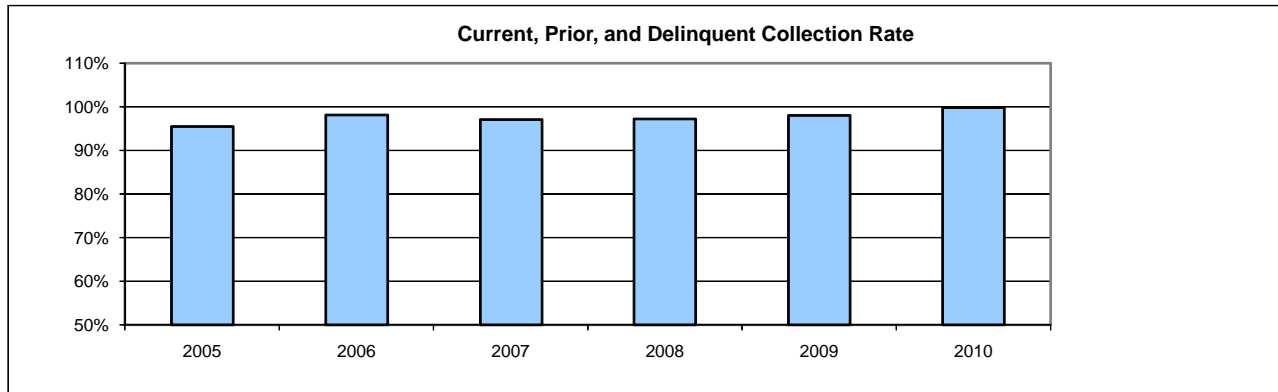
Formula:

$$\frac{\text{Current, Prior, and Delinquent Collections}}{\text{Current levy}}$$

Trend:
 The recent trend has been stable

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Current, Prior, and Delinquent Collections	\$ 1,155,505	\$ 1,203,107	\$ 1,292,627	\$ 1,318,093	\$ 1,383,918	\$ 1,411,714
Current Levy	\$ 1,210,430	\$ 1,226,423	\$ 1,332,133	\$ 1,356,374	\$ 1,412,107	\$ 1,414,468
Collection Rate _____	95%	98%	97%	97%	98%	100%

Includes penalties and interest



The higher overall property tax collection rate indicates some success in collecting delinquent taxes.

TAXES AS PERCENT OF REVENUES

Exhibit 6

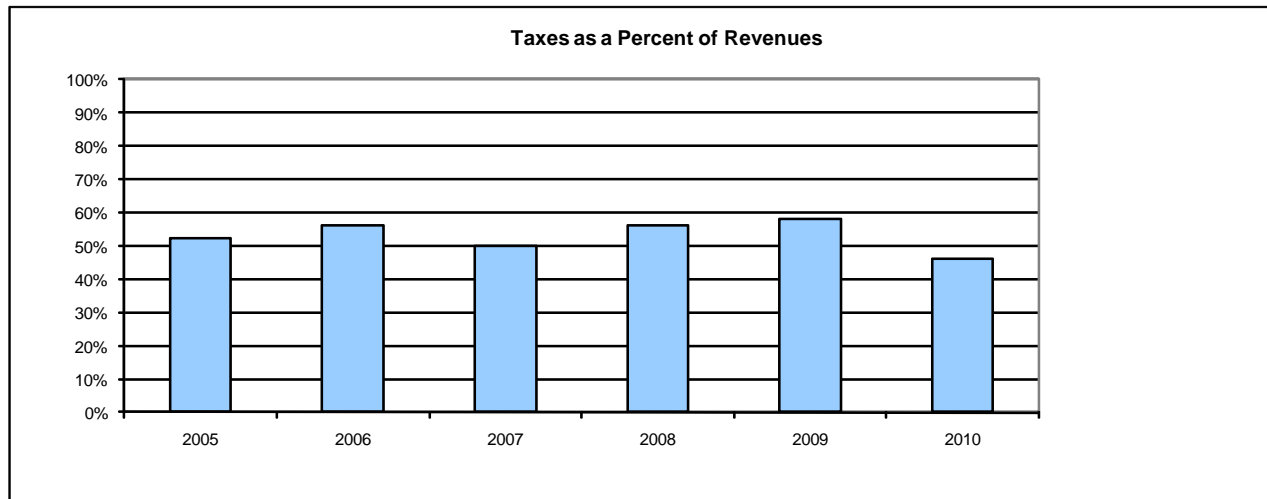
Formula:

$$\frac{\text{Tax Revenues}}{\text{Total Revenues}}$$

Trend:

There has been fluctuations in both tax revenues and total revenue

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tax Revenues	\$ 1,761,821	\$ 1,916,038	\$ 2,021,558	\$ 1,921,011	\$ 2,017,175	\$ 1,987,304
Total Revenues	\$ 3,374,697	\$ 3,416,429	\$ 4,053,952	\$ 3,420,701	\$ 3,481,925	\$ 4,320,691
Taxes as a Percent of Total Revenues	52%	56%	50%	56%	58%	46%



The City has been able to diversify its revenue sources and avoid becoming heavily dependent on taxes.

INTERGOVERNMENTAL REVENUES

Exhibit 7

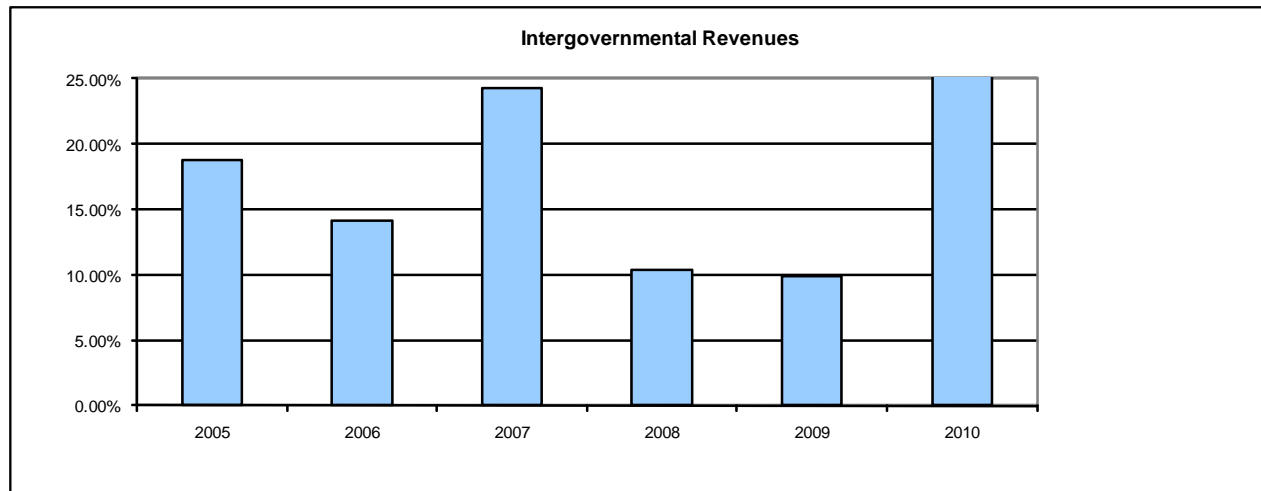
Formula:

$$\frac{\text{Intergovernmental Revenues}}{\text{Total Revenues}}$$

Trend:

There has been fluctuations due primarily to changes in CBDG fun

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Intergovernmental Revenues	\$ 632,763	\$ 482,148	\$ 985,906	\$ 353,933	\$ 344,605	\$ 1,194,060
Total Revenues	\$ 3,374,697	\$ 3,416,429	\$ 4,053,952	\$ 3,420,701	\$ 3,481,925	\$ 4,320,691
Intergovernmental Revenues as Percent of Total Revenues	18.8%	14.1%	24.3%	10.3%	9.9%	27.6%



CDBG program revenues are recognized when they become program expenses. This leads to the fluctuations. CDBG revenues can be expected to decline with federal belt tightening,

INTERGOVERNMENTAL REVENUES

Exhibit 8

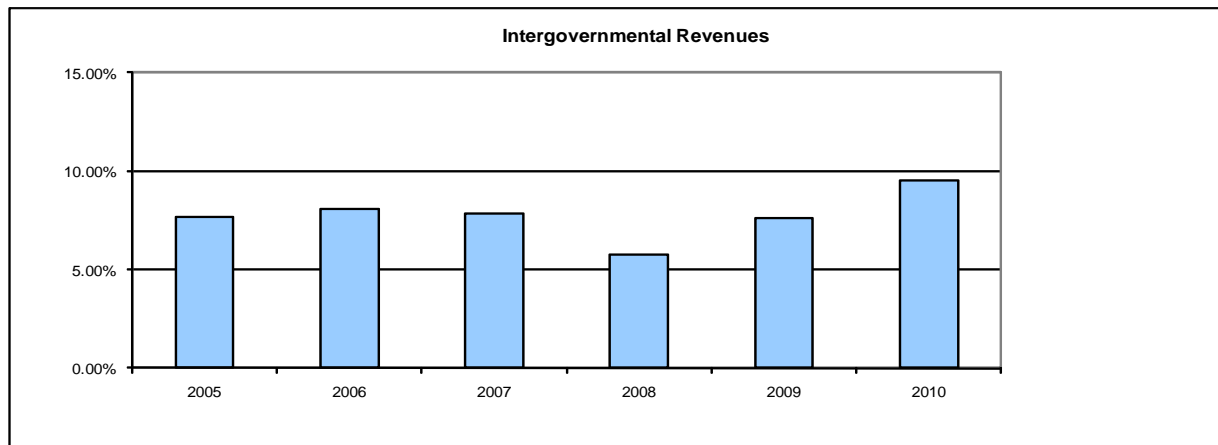
Formula:

$$\frac{\text{Intergovernmental Revenues}}{\text{Total Revenues}}$$

Trend:

The trend is relatively stable without the CBDG funds

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Without CDBG Revenues						
Intergovernmental Revenues	\$ 228,422	\$ 258,707	\$ 261,785	\$ 188,142	\$ 258,067	\$ 330,315
Total Revenues	\$ 2,970,356	\$ 3,192,988	\$ 3,329,831	\$ 3,254,910	\$ 3,395,387	\$ 3,456,946
Intergovernmental Revenues as Percent of Total Revenues	7.7%	8.1%	7.9%	5.8%	7.6%	9.6%



The City can depend on many of the intergovernmental revenues as they are state shared revenues

Potential actions:

Keep expenses within grants, do not ramp up with the expectation that the funding will continue

DEPARTMENTAL EARNINGS AND CHARGES

Exhibit 9

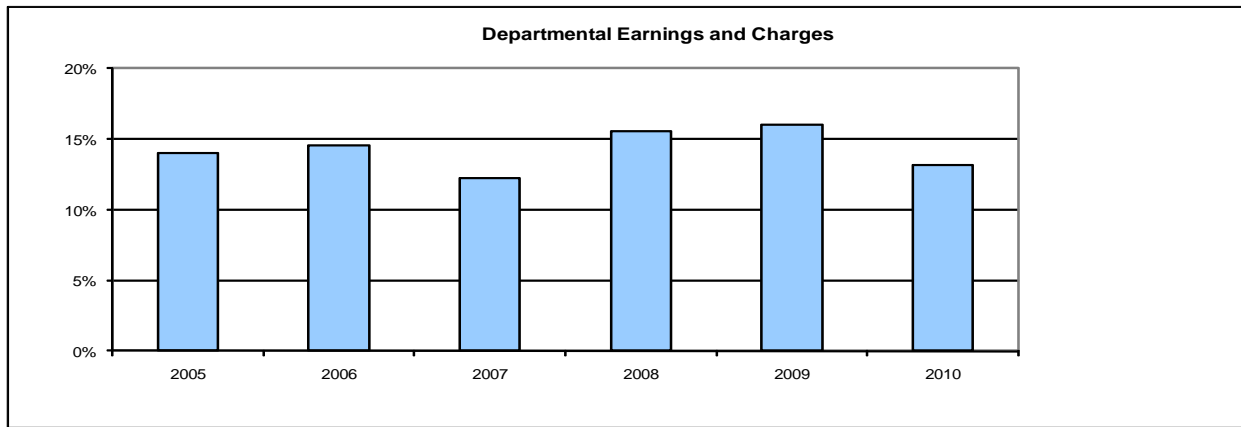
Formula:

$$\frac{\text{Departmental Revenues}}{\text{Total Revenues}}$$

Trend:

There has been fluctuations in the percentage

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Departmental Earnings and Charges	\$ 474,118	\$ 497,444	\$ 497,016	\$ 531,649	\$ 556,983	\$ 569,820
Total Revenues	\$ 3,374,697	\$ 3,416,429	\$ 4,053,952	\$ 3,420,701	\$ 3,481,925	\$ 4,320,691
Departmental Earnings as Percent of Total Revenues	14.0%	14.6%	12.3%	15.5%	16.0%	13.2%



Departmental earnings are a significant portion of the City's revenues

Potential Actions:

Make sure that the charges cover the cost of the activity associated with the charges

REVENUES PER CAPITA GENERAL FUND

Exhibit 10

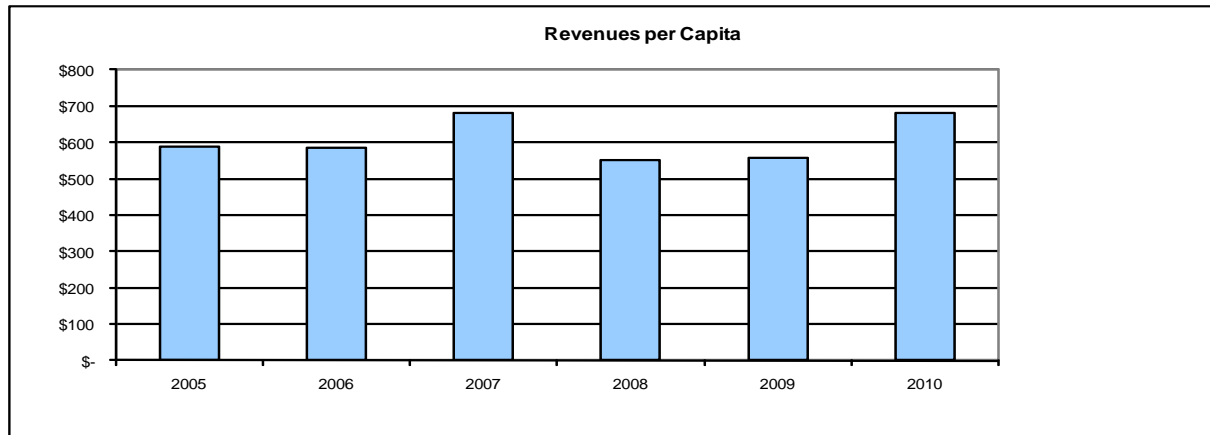
Formula:

$$\frac{\text{Total Revenues (constant 2010 dollars)}}{\text{Population}}$$

Trend:

The trend has been upward with decline in 2008 and 2009

	2005	2006	2007	2008	2009	2010
Revenues	\$ 3,374,697	\$ 3,416,429	\$ 4,053,952	\$ 3,420,701	\$ 3,481,925	\$ 4,320,691
Consumer price index (CPI - U) for the Pittsburgh Region	189.8	195.7	201.5	211.3	212.1	215.4
Total Revenues (constant 2010 dollars)	\$3,829,997	\$3,760,464	\$4,334,111	\$3,487,436	\$3,535,864	\$4,320,691
Population	6,496	6,431	6,378	6,335	6,331	6,331
Total Revenues per capita (constant 2010 dollars)	\$ 590	\$ 585	\$ 680	\$ 551	\$ 559	\$ 682



Potential Actions:

Keep an eye on revenues, especially those that can be managed by increasing fees and rates.

EMPLOYEES PER CAPITA

Exhibit 11

Formula:

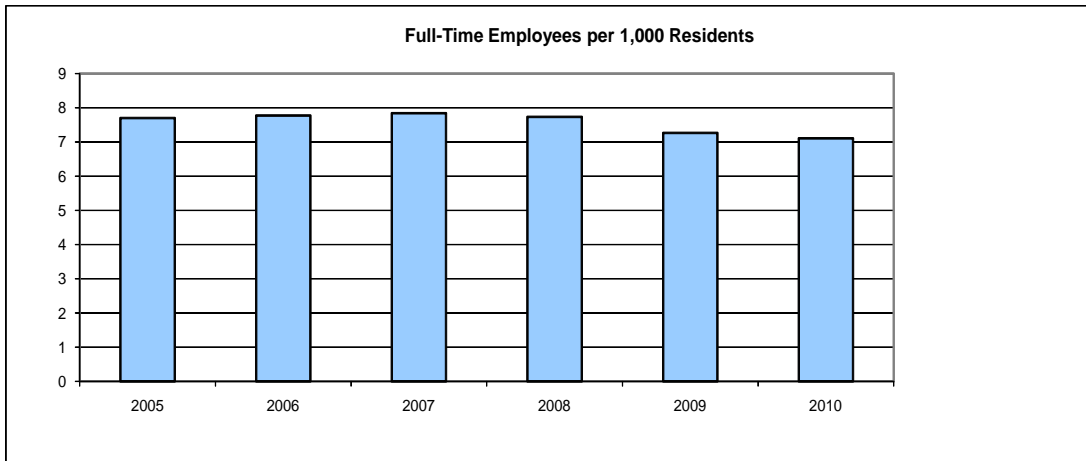
$$\frac{\text{Full-Time Employees}}{\text{Population in 1,000s}}$$

Trend:

Downward

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Full-time Employees	50	50	50	49	46	45
Population in 1,000	6.50	6.43	6.38	6.34	6.33	6.33
Employees per 1,000 residents	7.7	7.8	7.8	7.7	7.3	7.1

The average in 2002 for all Pennsylvania local governments except Philadelphia and Pittsburgh was 3.3 full-time employees per 1,000 residents
 The number of employees includes 13 employees in the enterprise funds - water, waste water treatment and golf.
 In 2010, the number of General Fund employees per 1,000 residents was 5.1.



BENEFIT COSTS

Exhibit 12

Formula:

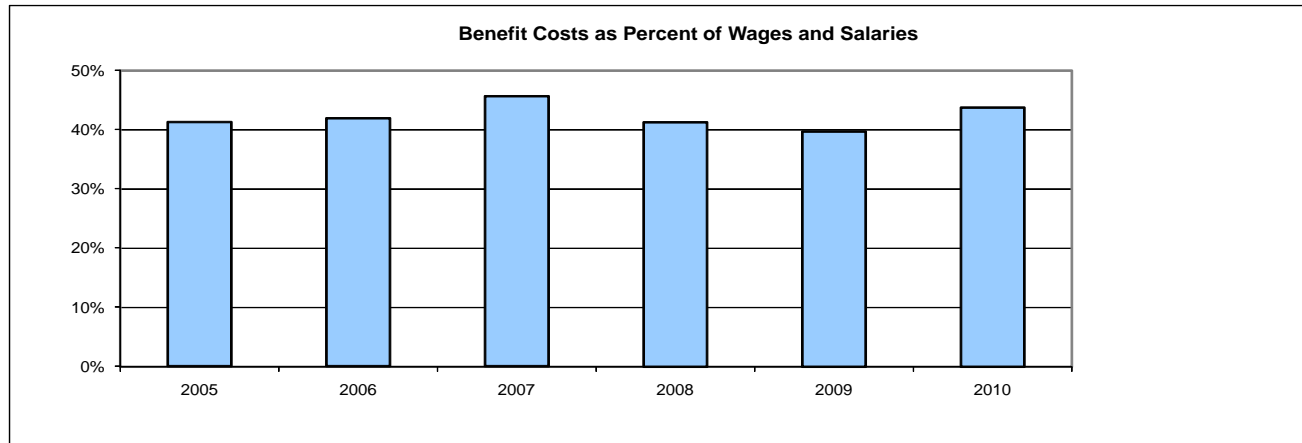
$$\frac{\text{Total Benefit Costs}}{\text{Total Regular Wages and Salaries}}$$

Trend:

Since 2007, the trend has been favorable

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Benefit Costs	\$ 723,678	\$ 751,468	\$ 850,759	\$ 784,293	\$ 726,855	\$ 836,542
Total Regular Wages and Salaries	\$ 1,753,878	\$ 1,794,031	\$ 1,864,912	\$ 1,899,260	\$ 1,829,678	\$ 1,910,811
Benefits as a Percent of Wages and Salaries	41%	42%	46%	41%	40%	44%

Regular salaries and wages include the Water and Sewer Fund as well as the General Fund



Benefit costs are high considering that they do not include post retirement benefits other than pension

The driver is increases in the cost of health insurance.

LONG TERM DEBT PER CAPITA

Exhibit 13

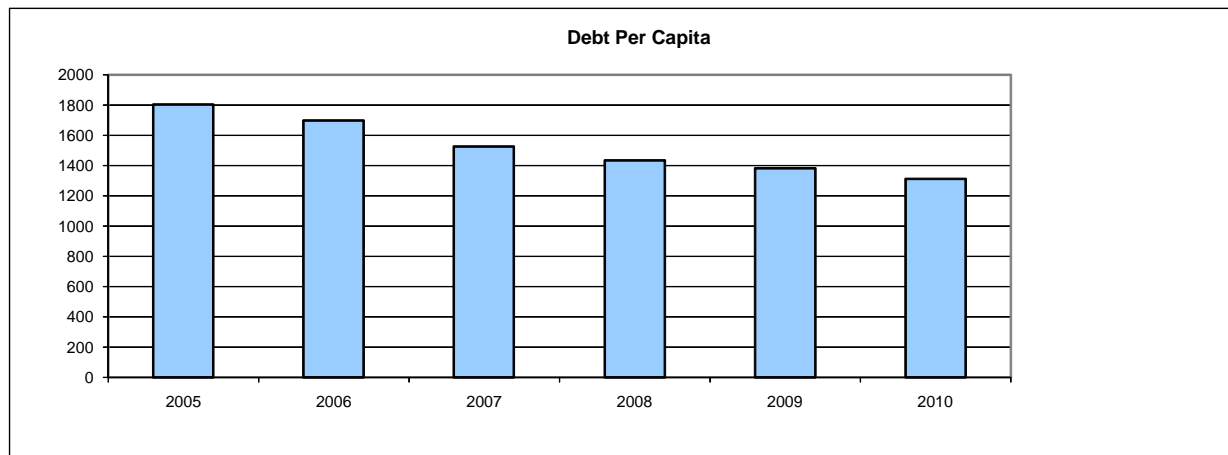
Formula:

$$\frac{\text{Year-End Debt}}{\text{Population}}$$

Trend:

Recent trend has been favorable

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Enterprise Activities (water, sewer, golf)						
Year-End Enterprise Debt	\$ 11,718,394	\$ 10,920,842	\$ 9,731,961	\$ 9,086,135	\$ 8,752,012	\$ 8,310,153
Population	6,496	6,431	6,378	6,335	6,331	6,331
Enterprise Debt Per Capita	1,804	1,698	1,526	1,434	1,382	1,313



The City's debt is a combination of Penn Vest loans and sewer revenue debt. It is covered with fees.

LONG TERM DEBT

Exhibit 14

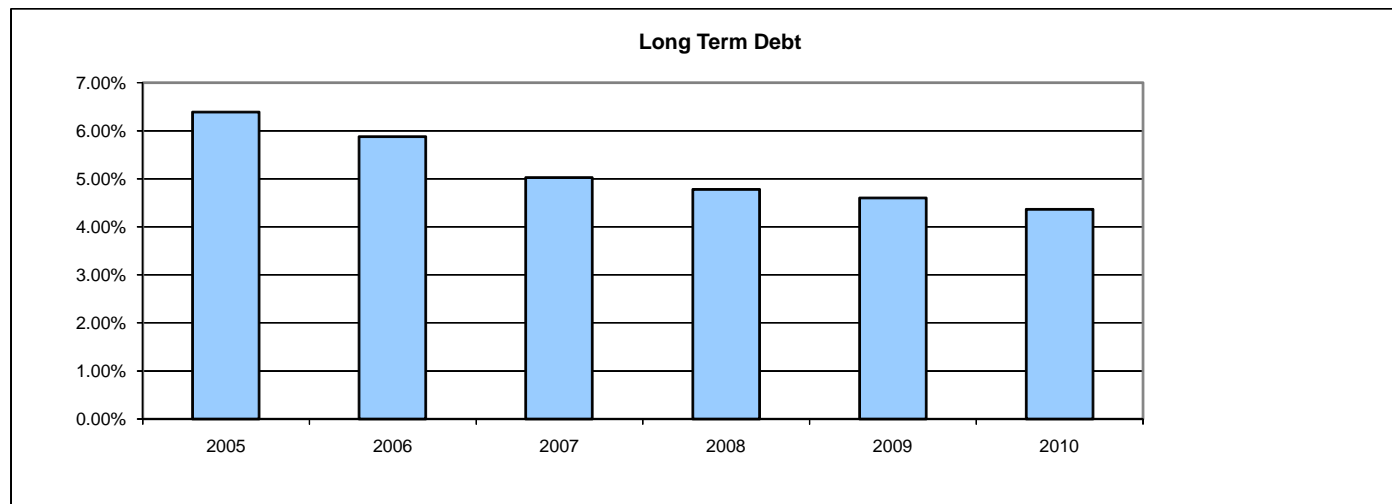
Formula:

$$\frac{\text{Year-End Debt}}{\text{Assessed Real Estate Valuation}}$$

Trend:

Recent trend has been favorable

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Enterprise Activities						
Year-End Debt	\$ 11,718,394	\$ 10,920,842	\$ 9,731,961	\$ 9,086,135	\$ 8,752,012	\$ 8,310,153
Assessed Real Estate Valuation	\$ 183,398,510	\$ 185,821,620	\$ 193,590,980	\$ 190,023,290	\$ 190,153,920	\$ 190,425,060
Debt as Percent of Valuation	6.39%	5.88%	5.03%	4.78%	4.60%	4.36%



DEBT SERVICE COSTS

Exhibit 15

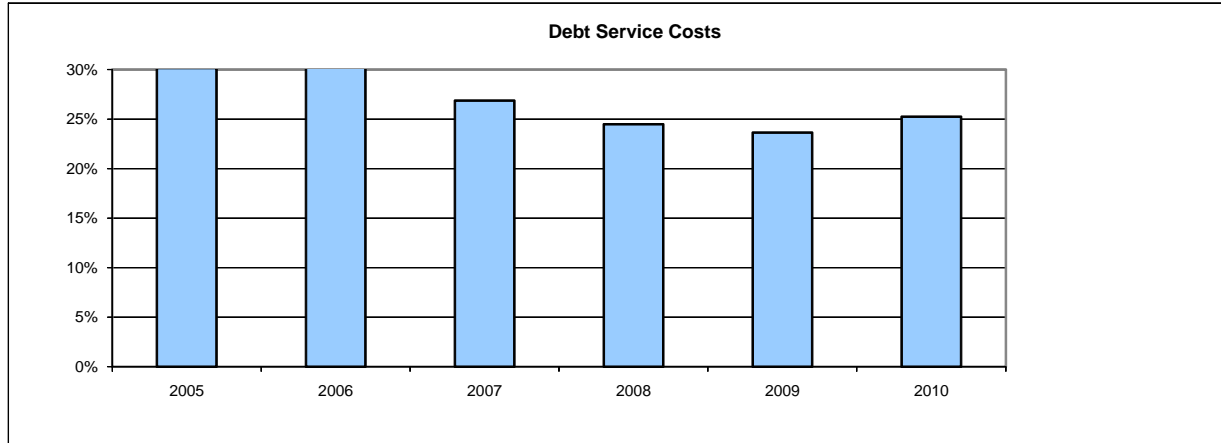
Formula:

$$\frac{\text{Enterprise Debt Service}}{\text{Enterprise Revenues}}$$

Trend:

The trend has been favorable

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Enterprise Activities (water, sewer, golf)						
Enterprise Debt Service	\$ 734,078	\$ 909,394	\$ 703,232	\$ 636,302	\$ 616,253	\$ 615,923
Enterprise Revenues	\$ 2,433,432	\$ 2,512,110	\$ 2,617,441	\$ 2,599,021	\$ 2,605,520	\$ 2,440,160
Enterprise Debt Service as Percent of Revenues	30%	36%	27%	24%	24%	25%



This is an acceptable level of debt for enterprise activities

EXPENSES PER CAPITA GENERAL FUND

Exhibit 16

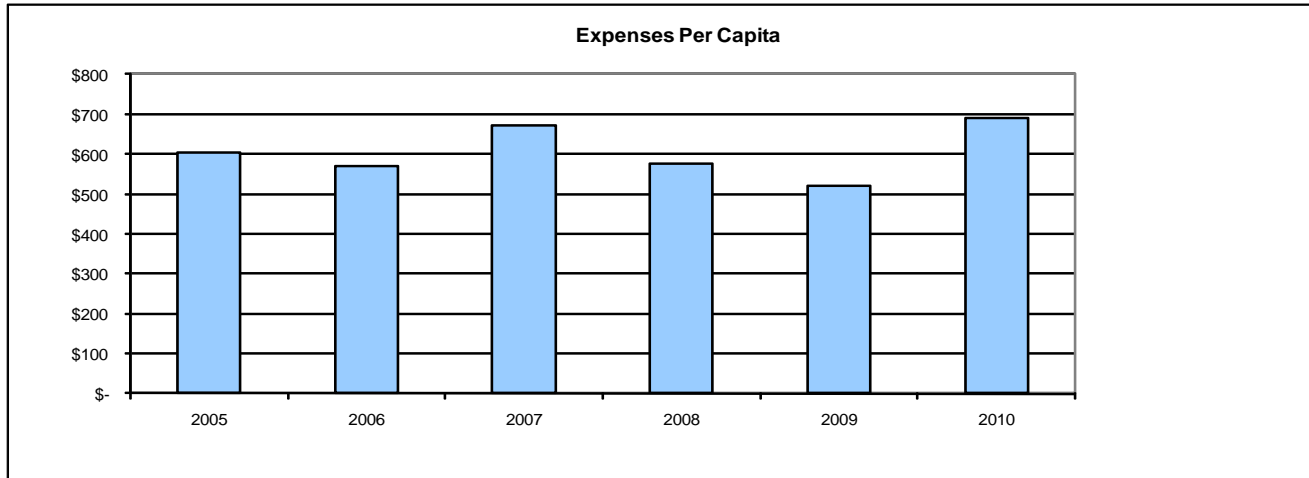
Formula:

$$\frac{\text{Adjusted Expenses (constant dollars)}}{\text{Population}}$$

Trend:

Generally downward since 2005 with an unfavorable increase in 2010

	2005	2006	2007	2008	2009	2010
Total Expenditures	\$ 3,453,231	\$ 3,338,240	\$ 4,004,248	\$ 3,570,698	\$ 3,250,161	\$ 4,378,981
Consumer price index (CPI) for Pittsburgh	189.8	195.7	201.5	211.3	212.1	215.4
Total Expenditures (constant 2010 dollars)	\$3,919,126	\$3,674,401	\$4,280,972	\$3,640,359	\$3,300,510	\$4,378,981
Population	6,496	6,431	6,378	6,335	6,331	6,331
Total Expenditures per capita (constant 2010 dollars)	\$ 603	\$ 571	\$ 671	\$ 575	\$ 521	\$ 692



Expenses expressed in constant dollars have been relatively stable with and unfortunate increases in 2007 and 2010

OPERATING POSITION

Exhibit 17

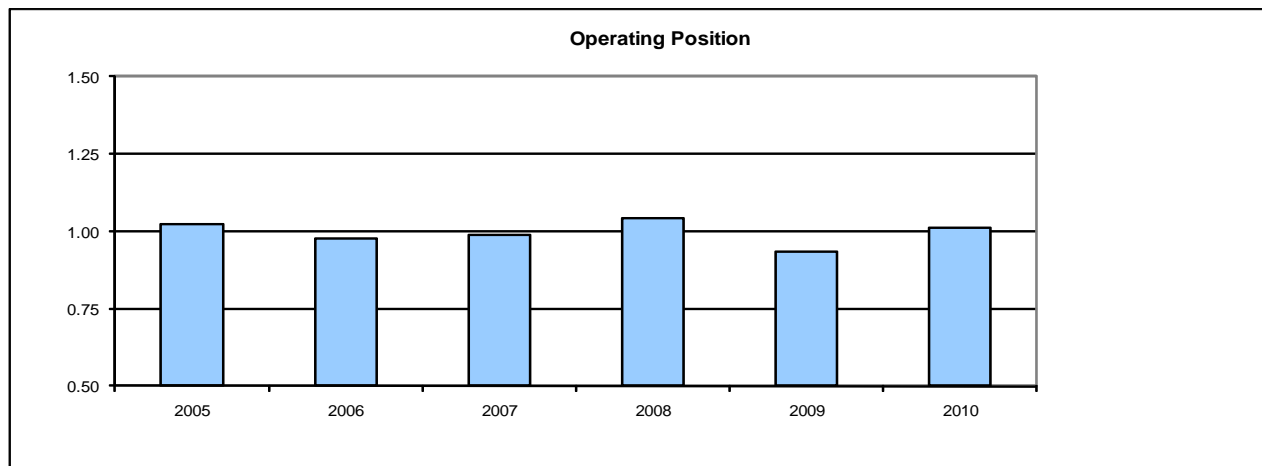
Formula:

$$\frac{\text{Total Expenditures}}{\text{Total Revenues}}$$

Trend:

There have been some deficit years
The trend is relatively stable

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Expenditures	\$ 3,453,231	\$ 3,338,240	\$ 4,004,248	\$ 3,570,698	\$ 3,250,161	\$ 4,378,981
Total Revenues	\$ 3,374,697	\$ 3,416,429	\$ 4,053,952	\$ 3,420,701	\$ 3,481,925	\$ 4,320,691
Operating Position	1.02	0.98	0.99	1.04	0.93	1.01



Potential Actions:

Keep the operating position below 1.0 and build up reserves.

YEAR-END CASH POSITION

Exhibit 18

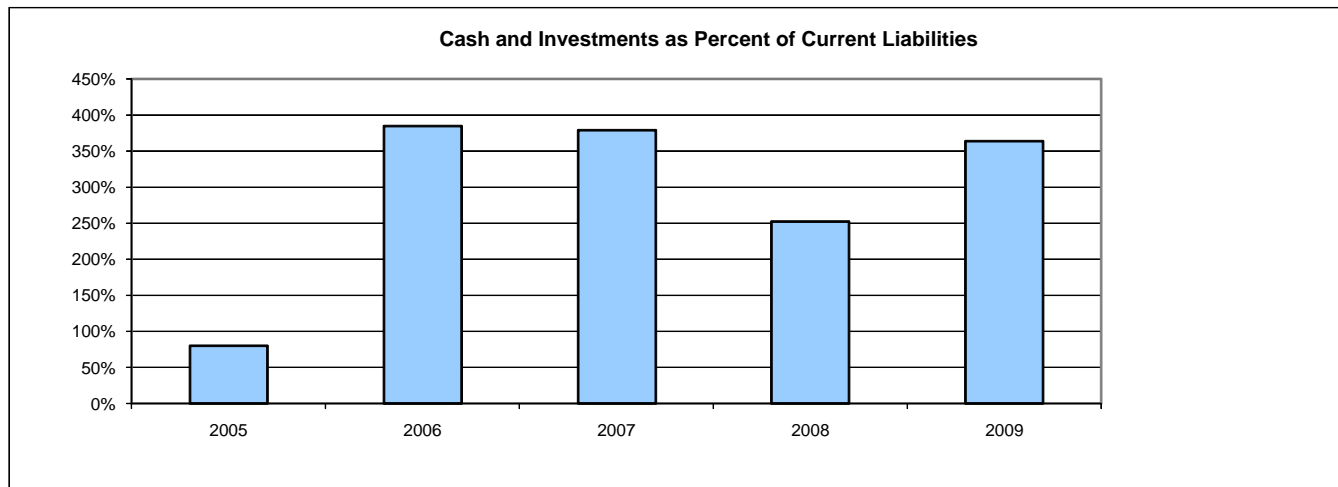
Formula:

$$\frac{\text{Year-End Cash and Investments}}{\text{Year-End Current Liabilities}}$$

Trend:

Stable, year end cash and investments have exceeded year end liabilities since

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Year-End Cash and Investments	\$ 373,713	\$ 278,278	\$ 287,869	\$ 195,350	\$ 277,696
Year-End Current Liabilities	\$ 467,958	\$ 72,323	\$ 75,934	\$ 77,464	\$ 76,333
Cash and Investments as Percent of Current Liabilities	80%	385%	379%	252%	364%



The City has sufficient cash and investments to cover current liabilities.

REVENUE SURPLUS (SHORTFALL)

Exhibit 19

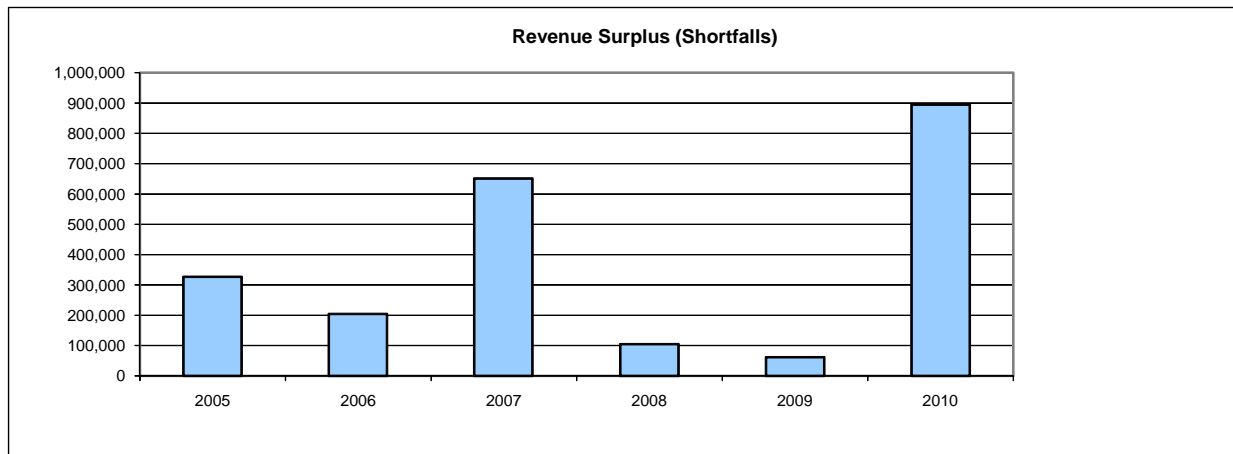
Formula:

Actual Revenues less Budgeted Revenues

Trend:

Favorable, actual revenues have exceeded budgeted revenues

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actual Revenues	\$ 3,374,697	\$ 3,416,429	\$ 4,053,952	\$ 3,420,701	\$ 3,481,925	\$ 4,320,691
Budgeted Revenues	\$ 3,047,800	\$ 3,212,000	\$ 3,403,000	\$ 3,316,300	\$ 3,420,600	\$ 3,426,000
Revenue Surplus (Shortfall)	\$ 326,897	\$ 204,429	\$ 650,952	\$ 104,401	\$ 61,325	\$ 894,691



The City has consistently under budgeted revenues. This conservative approach can hold down expenditures and build reserves.

EXPENDITURE SAVINGS (OVER RUNS)

Exhibit 20

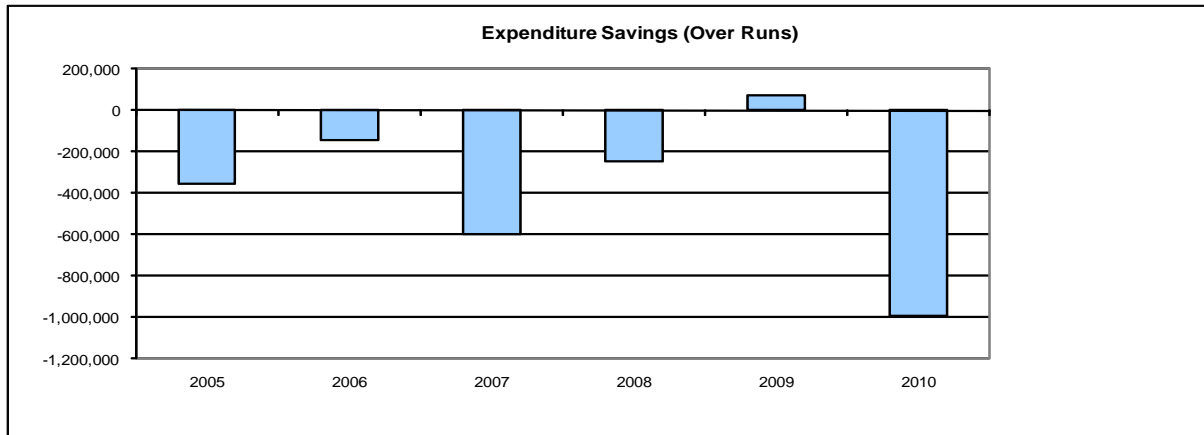
Formula:

Budgeted Expenditures less Actual Expenditures

Trend:

Unfavorable, actual expenditures have exceeded budgeted expenditures except in 2009

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Budgeted Expenditures	\$ 3,097,200	\$ 3,194,500	\$ 3,406,900	\$ 3,325,600	\$ 3,322,600	\$ 3,388,600
Actual Expenditures	\$ 3,453,231	\$ 3,338,240	\$ 4,004,248	\$ 3,570,698	\$ 3,250,161	\$ 4,378,981
Expenditure Savings (Over Runs)	\$ (356,031)	\$ (143,740)	\$ (597,348)	\$ (245,098)	\$ 72,439	\$ (990,381)



The City's conservative approach to budgeting revenues is not matched with budgeting and controlling expenditures.

Potential Actions:

Use the budget document as a tool to control expenditures

STEP II: PROJECTED REVENUES AND EXPENDITURES

BASELINE FINANCIAL PROJECTION: 2011-2016

The baseline financial projection provides an estimate of where the City could be from 2011 to 2016 if no corrective actions are taken. The projection assumes that the current City operation will remain in place and that there will be no changes in tax rates and in most fees. It does, however, assume that the City will take a 10 percent windfall from the 2013 reassessment. A number of important findings emerged from the analysis of the 2011 through 2016 revenue and expenditure forecast.

KEY FINDINGS

- Tax revenues are unlikely to increase without rate increases.
- Ongoing revenues will increase, but at a rate below that for expenditures.
- Expenses are likely to increase at a rate of over 4 percent per year.
- The greatest cost increases are likely to be in health care insurance and salaries and wages.
- The City faces substantial deficits that can only be resolved with a combination of rate increases, new revenues and cost controls. The structural deficit could exceed \$500,000 by 2016.
- The City will have an opportunity each year in the budget process to tackle this potential deficit. Each year's solutions will carry over into the next year and reduce the potential deficit.

REVENUE FORECAST

BASE YEAR

The projections begin with a base year that attempts to capture the current level of revenue generation. The base year begins with the 2011 budget. This base year is used because it reflects the current levels of collection efforts and the best estimates for cash flow for the remainder of the year. It is assumed that these levels will be maintained in future years.

The following is a complete summary of the revenue projections for 2010 through 2016.

REAL ESTATE TAXES

The County will implement a new reassessment in 2013. The City will be able to take advantage of this reassessment. Anti-windfall provisions in state law will limit the increase

to 110 percent of the amount levied in the year before the reassessment. This will allow the City to increase the levy by up to 10 percent in 2013. It is likely that there will be some increases in delinquencies and challenges following the new reassessment. This may limit the actual increase in collections to less than 10 percent. It is assumed that assessments will not change after 2013 and that future current and delinquent real estate tax revenues will not change.

REAL ESTATE TRANSFER TAX

If major sales are excluded, the real estate transfer tax has been within the \$20,000 to \$40,000 per year range. The City has budgeted the tax at \$40,000 for 2011. It is assumed that the tax will not increase during the forecast period. This may be optimistic.

EARNED INCOME TAX

The receipts from this tax have been decreasing at about three percent a year. The City's 2011 budget anticipates an end to this decline. It is assumed that the receipts will remain at \$360,000 each year. With a change in collection procedures in 2012, the City may experience a one-time windfall from undistributed collections from the current collections arrangements. The City may also experience delays in the distributions as the new system is implemented. As the area recovers from the recent recession, there may be an increase in revenues after 2012 or 2013.

LOCAL SERVICES TAX

The receipts from local services tax have not recovered since the new collection procedures and exemptions were put in place in 2008. It is assumed that the receipts will remain at the 2011 budgeted level.

PER CAPITA TAX

The City has optimistically budgeted this tax at \$15,000 for 2011. It is assumed that it will remain at this level throughout the forecast period.

BUSINESS LICENSES AND PERMITS

It is assumed that these receipts will remain at the 2011 budgeted level.

FINES AND FORFEITS

It is assumed that these receipts will remain at the 2011 budgeted level.

INTERGOVERNMENTAL REVENUES

The City receives a number of shared revenues and grants from the State. Some of these are accounted for in the General Fund. It is assumed that the shared revenues – the PERTA tax, pension aid, and the foreign insurance revenues that are for the fire company, will remain at 2011 levels. The City and the School District have shared a resource officer. The position

was originally supported with a federal grant and then by the District. The School District has agreed to pick up only half of the costs, \$36,500, beginning in 2012.

DEPARTMENTAL EARNINGS

These earnings have been a source of growth in the past. It is assumed that reimbursements for crossing guards will increase at 3.0 percent a year, reflecting pay increases. The reimbursement from the County and the School District for tax collection cost is unlikely to increase. The County budgets its portion each year and it has not agreed to an increase.

It is assumed that the State will continue to pay the City to plow state roads and not take over this responsibility as it has in some other communities.

It is assumed that the past trends in refuse sales will continue with residential refuse sales increasing at 5.7 percent per year, commercial at 3.4 percent per year, and penalties at 6.6 percent per year.

MISCELLANEOUS REVENUES

The major revenues in this group are the transfers from the Water, Sewer, and Golf Funds into the General Fund. The forecasts assume that the 3.36 percent annual rate of past increase in the water and sewer transfers will continue to the end of the forecast period. It is assumed that transfers from the Golf Fund will remain at the budgeted 2011 level.

This group includes the cable franchise fee. It is assumed that the past rate of increase of 13.7 percent annual rate of increases will continue to the end of the forecast period.

This group includes payroll deductions for employee benefits. It is assumed that they will remain at the 2011 budgeted level.

REVENUE SUMMARY

The revenue projections assume that the City will not use new revenue sources or increase tax rates. The projections do assume that the City will take advantage of the 2013 reassessment and limit the levy following the reassessment to 110 percent of the 2012 levy. Without changes, the City’s revenues are projected to grow at a slow rate after 2013.

Revenue Growth 2011 – 2016

	2011	2012	2013	2014	2015	2016
Revenue	3,758,400	3,767,628	3,968,391	4,020,356	4,075,830	4,135,119
Rate of Increase	-	0.25%	5.33%	1.31%	1.38%	1.45%

Revenue Projection

	Base 2011	2012	2013	2014	2015	2016
CURRENT RE TAXES - FACE	1,514,400	1,514,400	1,665,840	1,665,840	1,665,840	1,665,840
CURRENT RE TAXES - PENALTY	6,000	6,000	6,600	6,600	6,600	6,600
DELINQUENT RE TAXES - FACE	96,000	96,000	96,000	96,000	96,000	96,000
DELINQUENT RE TAXES - PENALTY	12,500	12,500	12,500	12,500	12,500	12,500
CURRENT RE TAXES - REBATE	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
RE TRANSFER TAX	40,000	40,000	40,000	40,000	40,000	40,000
EARNED INCOME TAX	360,000	360,000	360,000	360,000	360,000	360,000
LST TAX	178,000	178,000	178,000	178,000	178,000	178,000
PER CAPITA TAX	15,000	15,000	15,000	15,000	15,000	15,000
PER CAPITA REBATE	-	-	-	-	-	-
TOTAL TAXES	2,201,900	2,201,900	2,353,940	2,353,940	2,353,940	2,353,940
BEVERAGE LICENSE	2,800	2,800	2,800	2,800	2,800	2,800
BUILDING PERMITS	1,500	1,500	1,500	1,500	1,500	1,500
BUSINESS LICENSE	2,500	2,500	2,500	2,500	2,500	2,500
LICENSES AND PERMITS	6,800	6,800	6,800	6,800	6,800	6,800
MOTOR VEHICLE VIOLATIONS	22,500	22,500	22,500	22,500	22,500	22,500
NON MOTOR VEHICLE FINES	17,500	17,500	17,500	17,500	17,500	17,500
PARKING TICKETS	7,000	7,000	7,000	7,000	7,000	7,000
POLICE WAGE REIMB	12,500	12,500	12,500	12,500	12,500	12,500
FINES AND FORFEITS	59,500	59,500	59,500	59,500	59,500	59,500
EARNINGS FROM INVESTMENTS	7,500	7,500	7,500	7,500	7,500	7,500
PAYMENT IN LIEU OF TAXES	13,000	13,000	13,000	13,000	13,000	13,000
PURTA TAXES	-	-	-	-	-	-
C.O.P.S. (US DOJ GRANT)	73,000	36,500	36,500	36,500	36,500	36,500
PENSION S.A. (A205)	210,300	210,300	210,300	210,300	210,300	210,300
CDBG PROGRAM INCOME	-	-	-	-	-	-
FIRE - STATE INSURANCE MONEY	-	-	-	-	-	-
INTERGOVERNMENTAL	296,300	259,800	259,800	259,800	259,800	259,800
RECREATION	17,000	17,000	17,000	17,000	17,000	17,000
PARKING METERS	600	600	600	600	600	600
POLICE COURT REIMBURSEMENT	1,000	1,000	1,000	1,000	1,000	1,000
SCHOOL PATROL REIMBURSEMENT	9,000	9,270	9,548	9,835	10,130	10,433
TREAS. CLERKS REIMBURSEMENT	40,000	40,000	40,000	40,000	40,000	40,000
PERFORMANCE GRANT - RECYCLE	9,000	9,000	9,000	9,000	9,000	9,000
ALARM SYSTEM	1,800	1,800	1,800	1,800	1,800	1,800
WINTER SERVICES REIMBURSEMEN	42,300	42,300	42,300	42,300	42,300	42,300
FD - ACCIDENT RESPONSE	2,600	2,600	2,600	2,600	2,600	2,600
FD - MISC CONTRIBUTIONS	100	100	100	100	100	100
K-9 MISC CONTRIBUTION	-	-	-	-	-	-
REIMBURSEMENT-MATERIAL USED	-	-	-	-	-	-
RECYCLED MATERIAL SOLD	100	100	100	100	100	100
REFUSE SALES - RESIDENTIAL	439,600	464,729	491,294	519,378	549,067	580,453
REFUSE SALES - COMMERCIAL	28,300	29,262	30,257	31,286	32,350	33,450
REFUSE SALES - OTHER	-	-	-	-	-	-
REFUSE PENALTIES	6,500	6,931	7,390	7,879	8,401	8,958
DEPARTMENTAL EARNINGS	597,900	624,692	652,989	682,878	714,448	747,794

Revenue Projection

	2011	2012	2013	2014	2015	2016
ENGINEERS OFFICE FEES	1,000	1,000	1,000	1,000	1,000	1,000
POSTAGE	4,500	4,554	4,618	4,692	4,771	4,862
SUNDRY RECEIPTS	11,800	11,800	11,800	11,800	11,800	11,800
WATER & SEWER REIMB (TRANSFER)	307,000	317,388	328,127	339,229	350,707	362,574
EMPLOYEE CONTRIBUTION - FB	55,000	55,000	55,000	55,000	55,000	55,000
GC & EIT REIMBURSEMENT	26,000	26,000	26,000	26,000	26,000	26,000
LEASED PROPERTY	3,000	3,000	3,000	3,000	3,000	3,000
FRANCHISE FEES	64,000	72,495	82,118	93,017	105,364	119,349
RECREATIONAL REIMBURSEMENT	-	-	-	-	-	-
SALE OF USED EQUIPMENT	12,000	12,000	12,000	12,000	12,000	12,000
GOLF COURSE TRANSFER	58,000	58,000	58,000	58,000	58,000	58,000
GOLF COURSE HC REIMBURSEMENT	38,000	38,000	38,000	38,000	38,000	38,000
COBRA HC REIMBURSEMENT	7,000	7,000	7,000	7,000	7,000	7,000
DOG POUND FEES	1,200	1,200	1,200	1,200	1,200	1,200
MISC REVENUES	588,500	607,437	627,862	649,938	673,842	699,785
CONTRA RECEIPTS	-	-	-	-	-	-
INTERFUND	-	-	-	-	-	-
INC - REFUND OF PRIOR YEAR	-	-	-	-	-	-
MISC						
TOTAL REVENUE	3,758,400	3,767,628	3,968,391	4,020,356	4,075,830	4,135,119

EXPENDITURE FORECAST

BASE YEAR

The base year for these expenditure projections is 2011. It is assumed that the 2011 budget will accurately describe the level of activity in the City in 2011. Many of the expenditures are known. They are fixed by contracts and agreements. These include regular pay for employees, debt service payments, lease arrangements, interfund administrative transfers, contracted services and the like. Some expenditure can be managed, that is, kept within budget. These include many materials and supplies, travel, and other discretionary expenditures. Some expenditures are difficult to manage. For most local governments these include overtime pay, some maintenance and repair expenses, and salt purchases.

If the actual expenditures exceed those planned in the 2011 budget because they were set at unrealistically low levels, the projected expenditures for 2012 through 2016 will be low. During the course of 2011, the projections can be adjusted as the actual expenditures for 2011 become known. They can also be adjusted if the level of activity in the City changes. For example, changes in staffing levels and contract arrangements can change the projected future expenditures.

It is anticipated that the City will change the level of activity as part of the annual budget preparation. For the purposes of these projections, however, it is assumed that the level of activity will not change. This will allow the projections to be used as a baseline in future budget preparations.

METHODOLOGY AND SOURCES

The sum of all expenditures for a specific item is the product of the cost of the item and the number of items purchased or used. For these projections, it is assumed that only the cost changes and that the number purchased or used remains constant as the level of activity in the City remains constant. The principal factor for the projection of expenditures for most items is the change in the cost from one year to the next. Exceptions to this include promised payments in multi-year contracts and agreements.

Estimates of future cost changes are drawn from a number of readily available sources including the City's own expenditure history. External sources of cost data include the following:

- Congressional Budget Office, Current Economic Projections, January 2011
- Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers, January 2011 including changes for the Philadelphia-Wilmington-Atlantic City- Pa.-N.J. - Del.-Md. Region

- Bureau of Labor Statistics, Producer Price Indexes, January 2011
- Bureau of Economic Analysis, Price Indexes for Personal Consumption Expenditures by Major Type of Product, January 2011
- Bureau of Economic Analysis, Price Indexes for Government Consumption Expenditures and General Government Gross Output, January 2011
- Energy Information Administration, Annual Energy Outlook April 2011
- PNC, Central PA Market Outlook, Fourth Quarter 2010

The Producer Price Index for finished goods is used throughout the projections because it is available for thousands of commodities and services. The projections of future changes in the index for a specific item are made by adjusting the changes in the index for the item over the period January 2010 to January 2011 by the Congressional Budget Office's projection of the core personal consumption index for the years 2012 through 2016. The core index excluded food and energy.

The Producer Price Index is based on the price that the seller receives. Purchasers may incur additional costs for taxes and delivery. Because local governments do not pay sales taxes, the differences between the producer's price and the government's cost should not be significant.

The Core Consumer Price Index is used in the projects where a Producer Price Index for an item is not available or does not seem appropriate for the expenditure. Changes in energy costs are based on both the detailed CPI information and information from the Energy Information Administration. Information from the other listed sources is used to validate the projected price changes.

Information from City agreements is used to project regular pay for employees, debt service payments, lease arrangements, interfund administrative transfers, contracted services and the like. Finally, past expenditure information is used to trend future spending for a few items. This is done sparingly because the recent changes in levels of activity could make past trends misleading.

WAGES AND SALARIES

It is assumed that the wages and salaries of elected officials will remain at the budgeted 2011 level. It is assumed that employee wages will increase by 3.0 percent. It is assumed that the staffing levels will not change.

BENEFITS

It is assumed that health insurance costs, including life, vision and dental expenses, will increase at a rate of 10.0 percent per year until 2016. This rate of increase is in keeping

with the estimates in national employer surveys including the National Business Group on Health 2011 survey results and the Millman 2010 Group Health Insurance Survey results also released in October 2010. Immediate increases may be moderated by increased competition in the Erie health care insurance market. The increases in 2014, 2015 and 2016 may be moderated with the implementation of the Affordable Care Act.

It is assumed that the City's pension costs will increase at a rate of 3.0 percent per year but that a portion of the cost will be met with the state pension aid. FICA will increase 3.0 percent after 2011. The City has been able to avoid employee-paid unemployment compensation increases in the past. The City has budgeted this at zero for 2011. This may be optimistic. It is assumed that there will be no further costs.

SUPPLIES

It is assumed that the cost of most supplies will increase at the projected rate of inflation, 2.3 percent in 2012 increasing to 2.2 percent in 2016. (Congressional Budget Office, *Budget and Economic Outlook* January 2011). Fuel costs will follow a different path. It is assumed that the cost of gasoline will increase by 0.4 percent in 2012, by 5.8 percent in 2013, by 3.0 percent in 2014, by 2.8 percent in 2015 and by 1.5 percent in 2016. The price of natural gas is expected to decline by 3.2 percent in 2012, with lesser decreases though 2014, leading to an increase of 1.1 percent in 2015 and 2016. (U.S. Energy Information Administration, *Annual Energy Outlook 2011 - April 2011*.)

COMMUNICATIONS

It is assumed that communications – telephone charges and radio maintenance - will decrease by 0.2 percent in 2012 with the decrease growing to 0.3 in 2016.

ADVERTISING AND PRINTING

It is assumed that advertising and printing will increase 0.3 percent per year with increases to 0.5 percent by 2016.

INSURANCE AND BONDING

It is assumed that there will be an increase of about one percent in insurance costs with the exception of workers compensation. It is assumed that this cost will follow past trends and increase by 3.7 percent per year.

UTILITIES

It is assumed that electricity costs will decrease by 1.4 percent in 2012 with decreases of less than one percent in the following years. It is assumed that the cost of hydrant services and water will not change.

MAINTENANCE AND REPAIRS

It is assumed that the cost of maintenance and repairs will follow past trends and remain at 2011 budgeted levels.

OTHER SERVICES

It is assumed that dues, subscriptions and membership costs will follow past trends and increase at a rate of 2.6 percent per year.

REFUSE SERVICES

It is assumed that the cost of refuse services will follow past trends and increase at a rate of 8.8 percent per year. This cost is covered by fees.

CONTRIBUTIONS, GRANTS AND SUBSIDIES

It is assumed that these will remain at 2012 budgeted levels.

TRANSFERS TO OTHER FUNDS

The City has budgeted no increases in transfers in 2012. It is assumed that transfers will remain at 2011 budgeted levels of \$164,500 in the following years.

CAPITAL CONSTRUCTION

It is assumed that this will remain at the 2011 budgeted level of \$1,000.

OTHER EXPENSES

The City has budgeted CDBG program expenses in this group. Because it is essentially a pass through with expenses matching revenues, these expenses have not been considered in this analysis. It is assumed that the remaining other expenses will remain at the 2011 budgeted level of \$6,600.

EXPENDITURE SUMMARY

The expenditure projections assume that the City will continue to provide services at the same level of effort that is budgeted for 2011. Without changes in this level of effort, the City's expenditures are expected to grow at a rate of more than 4 percent per year. The assumptions that drive this increase are that pay will increase at a rate of three percent per year based on contractual obligations and past practices, that refuse disposal costs will increase at a rate of 8.8 percent per year based on past practices and that health care insurance costs will increase at a rate of 10 percent per year. The refuse disposal costs will be offset by fees.

Expenditure Growth 2011 - 2016

	2011	2012	2013	2014	2015	2016
Expenditures	3,757,000	3,913,137	4,086,158	4,269,435	4,468,552	4,680,341
Rate of Increase	-	4.20%	4.40%	4.50%	4.70%	4.70%

Expenditure Projection 2011 - 2016

	Base 2011	2012	2013	2014	2015	2016
Salaries and Wages						
Salaries & Wages - Elected Officials	5,700	5,700	5,700	5,700	5,700	5,700
Salaries and Wages - Appointed Officials	22,400	23,072	23,764	24,477	25,211	25,968
Salaries and Wages – Full Time Staff	1,300,800	1,339,824	1,380,019	1,421,419	1,464,062	1,507,984
Salaries and Wages – Professional Staff	10,500	10,815	11,139	11,474	11,818	12,172
Salaries and Wages – Part Time Staff	8,500	8,755	9,018	9,288	9,567	9,854
Leave -Training /Educational	800	824	849	874	900	927
Court Overtime Pay	10,000	10,300	10,609	10,927	11,255	11,593
Total	1,358,700	1,399,290	1,441,098	1,484,160	1,528,513	1,574,198
Employer Paid Benefits						
FICA – Employer Paid	53,200	54,796	56,440	58,133	59,877	61,673
Unemployment Compensation - Employer Paid	-	-	-	-	-	-
Health Insurance	599,300	659,230	725,153	797,668	877,435	965,179
Pension	370,000	381,100	392,533	404,309	416,438	428,931
Other Group Benefits (including Vision, Dental, Life, AD&D, Long-term Disability,	82,600	85,078	87,630	90,259	92,967	95,756
Total	1,105,100	1,180,204	1,261,756	1,350,370	1,446,717	1,551,539
Operating Supplies						
Supplies	-	-	-	-	-	-
Office Supplies	10,000	10,434	10,887	11,359	11,852	12,367
Computer/Copier Supplies	-	-	-	-	-	-
Postage	8,000	8,104	8,234	8,382	8,550	8,738
Operating Supplies	11,000	11,137	11,276	11,416	11,558	11,702
Heating Fuel	36,500	35,336	34,538	33,505	33,886	34,268
Vehicle Fuel—Gasoline	76,500	76,792	81,201	83,661	85,993	87,289
Building Supplies(light bulbs, etc)	10,000	10,130	10,292	10,477	10,687	10,922
Clothing and Uniforms	4,400	4,440	4,489	4,545	4,608	4,678
Protection to Persons and Property Supplies	15,300	15,499	15,747	16,030	16,351	16,711
Public Works--Highway Supplies	159,200	161,270	163,850	166,799	170,135	173,878
Public Works—Other Services Supplies	-	-	-	-	-	-
Culture—Recreation Supplies	9,500	9,624	9,777	9,953	10,153	10,376
Total	340,400	342,764	350,290	356,128	363,772	370,928
Repair and maintenance Supplies						
Repair and Maintenance Supplies	23,000	23,299	23,672	24,098	24,580	25,121
Vehicle Parts	3,000	3,003	3,007	3,011	3,015	3,021
Total	26,000	26,302	26,678	27,109	27,595	28,141

Expenditure Projection 2011 - 2016

	Base 2011	2012	2013	2014	2015	2016
Other Services and Charges						
Other Services and Charges	200	203	206	210	214	218
Professional Services	500	504	509	515	521	528
Accounting and Auditing Services	6,800	6,827	6,861	6,899	6,941	6,988
Special Legal Services	-	-	-	-	-	-
Total	7,500	7,534	7,576	7,623	7,676	7,735
Communication						
Communication	5,100	5,090	5,077	5,063	5,048	5,031
Telephone Monthly Charges	6,400	6,387	6,371	6,354	6,334	6,313
Total	11,500	11,477	11,449	11,417	11,382	11,343
Advertising, Printing, and Binding						
Advertising, Printing, and Binding	1,700	1,705	1,711	1,719	1,726	1,735
Total	1,700	1,705	1,711	1,719	1,726	1,735
Insurance and Bonding						
Insurance and Bonding	99,500	100,296	101,284	102,405	103,666	105,069
Liability (Casualty)	15,000	15,120	15,269	15,438	15,628	15,840
Surety and Fidelity	11,800	11,894	12,012	12,145	12,294	12,460
Workers Compensation	61,000	63,275	65,635	68,083	70,623	73,257
Total	187,300	190,586	194,199	198,071	202,211	206,626
Public Utility Services						
Public Utility Services	-	-	-	-	-	-
Electricity	89,000	87,793	87,106	86,329	86,499	85,716
Hydrant Service	9,200	9,200	9,200	9,200	9,200	9,200
Water	5,000	5,000	5,000	5,000	5,000	5,000
Total	103,200	101,993	101,306	100,529	100,699	99,916
Repairs and Maintenance Services						
Repairs and Maintenance Services	22,000	22,000	22,000	22,000	22,000	22,000
Total	22,000	22,000	22,000	22,000	22,000	22,000
Other Services						
Dues, Subscriptions, and Memberships	4,400	4,515	4,634	4,755	4,880	5,008
Total	4,400	4,515	4,634	4,755	4,880	5,008
Refuse Services						
Refuse Services	404,600	440,167	478,860	520,955	566,750	616,570
Total	404,600	440,167	478,860	520,955	566,750	616,570

Expenditure Projection 2011 - 2016

	Base 2011	2012	2013	2014	2015	2016
Contributions, Grants and Subsidies						
To Governmental Units	8,000	8,000	8,000	8,000	8,000	8,000
To Non-Governmental Organizations	4,500	4,500	4,500	4,500	4,500	4,500
Total	12,500	12,500	12,500	12,500	12,500	12,500
Transfers						
Transfers to Other Funds	164,500	164,500	164,500	164,500	164,500	164,500
Transfers from Other Funds	-	-	-	-	-	-
Total	164,500	164,500	164,500	164,500	164,500	164,500
Capital Construction						
Capital Construction	1,000	1,000	1,000	1,000	1,000	1,000
Total	1,000	1,000	1,000	1,000	1,000	1,000
Other Expenses						
Program Expenses (CDBG)	-	-	-	-	-	-
Other	6,600	6,600	6,600	6,600	6,600	6,600
Total	6,600	6,600	6,600	6,600	6,600	6,600
Total Expenditures	3,757,000	3,913,137	4,086,158	4,269,435	4,468,522	4,680,341

OUTLOOK

Unfortunately, the projected increase in expenditures is greater than the projected increase in revenues. Without any changes, the City will go from small surpluses in 2011 and 2012 to significant deficits by 2016. Corry is not alone. Any government will experience growing deficits if there is limited revenue growth coupled with normal inflationary expenditure growth. Most governments solve this problem on an annual basis as they prepare the budget for the coming year. Elected officials make the choices that are necessary to balance the next year's budget. These choices can carry forward and reduce the projected deficits in the following years.

The City's finances are influenced by factors that the City cannot control, at least in the short-term. Tax revenues are influenced by the county's assessment practices, and the local and regional economies. Intergovernmental revenues are influenced by the availability of funds at the state and federal levels. Departmental earnings are influenced by the willingness and ability of the City's customers to pay their bills. Expenditures are influenced by negotiated labor contracts, debt and lease agreements, and price inflation.

Projected Revenues and Expenditures

	2011	2012	2013	2014	2015	2016
Revenue	3,758,400	3,767,628	3,968,391	4,020,356	4,075,830	4,135,119
Expenditure	3,757,000	3,913,137	4,086,158	4,269,435	4,468,522	4,680,341
Surplus (Deficit)	1,400	(145,509)	(117,767)	(249,080)	(392,692)	(545,221)

There are factors that the City can control. These are level of effort, tax and fee rates, collection rates, ability to partner with others in the public and private sectors to share costs and to generate additional revenues. The City can also downsize its operation. This would involve reducing both staff and services.

REVENUE AND EXPENDITURE COMPARISONS

Corry's revenues and expenditures can be compared with the revenues and expenditures of other Pennsylvania municipalities. For the purposes of this report, Corry is compared with six individual third class cities in northwestern Pennsylvania, with a group of 21 third class cities with populations of less than 12,000, and with all Erie County municipalities. The Erie County municipalities include boroughs and townships as well as cities. In the calculations, Corry is included in the group of 21 municipalities and in the group of all municipalities in Erie County. The data for the comparisons are drawn from the Annual Financial Reports filed with the Department of Community and Economic Development for 2009. The data from the reports can be found on the DCED website under municipal statistics.

The comparisons are not perfect as there are variations in the ways in which the municipalities are organized. For example, in Corry most of the community development activities are in the hands of the redevelopment authority. In some municipalities, these activities are part of the municipal government. Two functions – gas and electric services – have been excluded from the comparisons as they are not provided by Corry and most of the other municipalities. The figures for DuBois are skewed somewhat as over half of that city's revenues are included in other sources of financing.

To make the comparisons meaningful, they are presented on a per capita basis using 2000 census information. For the two groups – the 21 similar sized third class cities and the Erie County municipalities – the per capita figures are calculated as the total revenues and expenditures for each type of revenue and expenditure within each group divided by the total population of each group.

It should be noted, however, that the use of population can be less than perfect. Businesses pay taxes as well. In some communities, more than half of the real estate taxes are paid by businesses. This lowers the tax burdens on individual taxpayers. The initial comparisons presented in this report are with other third class cities that do have similar mixes of residential and commercial properties.

REVENUES

Corry's total revenues per capita, \$938, were below all but one of the six similar cities and in the average for the group of 21 cities. The per capita revenues were higher than the \$771 average for all Erie County municipalities. Corry's tax revenues, \$295, were below all but two of the six similar cities and the average of 21 cities. They were only slightly higher than the average for all Erie County municipalities. Intergovernmental revenues are low.

Corry's earnings per capita, \$487, were exceeded only by Titusville and DuBois. Corry, Titusville, DuBois and Oil City provide and bill for water and sewer services and, with the exception of DuBois, solid waste pickup services.

City of Corry and Comparable Municipalities

	Corry	Titusville	Franklin	DuBois	Bradford	Warren	Oil City	21 City Average	Erie County Average
Population (2000)	6,834	6,146	7,212	8,123	9,175	10,259	11,504		
Total Revenues	938	1,270	773	2,873	1,187	1,006	1,253	981	771
Total Expenditures	922	1,173	716	2,437	1,239	998	1,362	957	763
Revenues									
Total Taxes	295	375	424	282	409	489	258	326	289
Real Estate Tax	203	301	231	151	259	172	179	188	162
Earned Income Tax	56	46	158	76	77	283	58	98	97
Realty Transfer Tax	8	5	4	7	4	5	2	5	8
EMST/Local Services Tax	27	19	27	42	24	28	13	17	15
Per Capita Tax	2	-	4	2	1	1	2	1	0
Total Intergovernmental	86	172	174	157	325	191	243	160	143
Federal Gov't	24	108	16	45	117	57	83	52	31
State Gov't	62	58	91	107	201	133	148	83	64
Local Gov't	-	7	66	4	6	2	12	25	48

City of Corry and Comparable Municipalities

	Corry	Titusville	Franklin	DuBois	Bradford	Warren	Oil City	21 City Average	Erie County Average
Total Earnings	487	541	126	656	233	233	456	243	220
Sewer Revenue	210	311	-	321	-	143	150	90	135
Water Revenue	99	137	-	277	-	-	163	43	20
Solid Waste Revenue	66	62	69	-	131	4	57	41	24
Parking	-	4	10	3	7	26	9	5	0
Recreation and Culture	67	1	3	9	10	4	22	7	4
Other Charges	36	15	37	37	82	26	30	39	19
Licenses and Permits	1	2	2	2	3	20	15	7	9
Cable TV Franchise Fees	9	10	5	8	-	10	10	10	7
Total Other Revenues	70	181	48	1,779	220	93	297	252	109
Fines and Forfeits	8	10	14	12	12	12	7	10	8
Interest Rents and Royalties	5	4	10	25	132	6	36	22	10
Contributions and Donations from Private Sectors	3	24	-	46	10	11	12	7	22
Unclassified Operating Revenues	1	7	-	-	0	2	3	2	15
Other Financing Sources	53	137	24	1,696	66	62	240	211	54

City of Corry and Comparable Municipalities

	Corry	Titusville	Franklin	DuBois	Bradford	Warren	Oil City	21 City Average	Erie County Average
Expenditures									
General Government	42	149	101	121	111	122	66	85	52
Police	117	180	157	177	141	133	87	144	93
Fire	51	116	67	41	141	115	72	49	50
UCC and Code Enforcement	-	9	-	4	19		13	9	1
Other Public Safety		1	1	1	17	41	1	4	5
Health and Human Services	-		7	-	-		-	1	
Public Works Highways and Streets	106	158	99	152	96	112	63	99	112
Sewer Expenditures	72	123	-	394	-	138	247	76	109
Water Expenditures	64	84	-	617			80	55	16
Solid Waste Expenditures	54	57	65	-	102	4	53	39	21
Other Public Works Enterprises	-	-	-	5	4	34	8	7	
Culture and Recreation	73	119	8	36	57	88	51	30	17
Libraries	-	1	-	10	3		65	7	0
Community Development	13	-	67	90	280	127	185	67	35
Debt Service	90	34	11	133	100	29	129	68	64
Other Expenditures	187	23	131	41	142		148	90	140
Unclassified Expenditures							-		
Other Financing Uses	52	118	-	613	10	55	94	126	37

City of Corry and Comparable Municipalities

	Corry	Titusville	Franklin	DuBois	Bradford	Warren	Oil City	21 City Average	Erie County Average
Real Estate									
Assessed Value Real Estate	27,686	8,979	25,798	6,963	19,469	11,181	18,666	12,385	39,800
Market Value Real Estate	33,847	24,941	27,592	36,840	23,013	32,886	19,964	23,753	48,655
Debt									
TL General Obligation Bonds and Notes-Yr End	1,262	939	103	2,164	404	121	842	510	417
TL Debt-Yr End	1,337	971	103	2,186	573	156	846	755	773

21 Cities

Oil City, Coatesville, Jeannette, Sundbury, Warren, Beaver Falls, Carbondale, Bradford, Lockhaven
 Connellsville, Monessen, Duquesne, Clairton, DuBois, Shamokin, Franklin
 Corry, Titusville, Farrell, Arnold, Monongahela

Source: DCED Municipal Statistics for 2009

If other sources of financing are excluded, there were not great variations in total other revenues for the six municipalities and the two groups.

Corry and some of the other cities do well in generating revenues through the sale of municipal services. Of course, to make it work, the cost of providing the services should be covered by the revenues. In Corry's case, the City does more than cover the costs with fees.

Corry does not do as well with intergovernmental revenues. In 2009, the only significant grant that the City had was a C.O.P.s grant from the Department of Justice. The other intergovernmental revenues were the regular shared revenues from the state – liquid fuels, pension aid, fire relief and payments for plowing state roads as well as some federal community development block grant funds.

EXPENDITURES

Corry's per capita expenditures of \$922 were below expenditures for the other cities with the exception of Titusville. They were above the per capita expenditures of \$763 for all Erie County municipalities. Two of Corry's per capita expenditures stand out.

Per capita police expenditures of \$117 were below the other cities with the exception of Oil City, and below the average for the group of 21 cities. They are above the average for the group of all Erie County municipalities. Not all of the Erie County municipalities provide police services.

The per capita expenditures for other expenditures of \$187 were high compared to the municipalities. This includes employer paid benefits and insurance.

TAX BURDEN

The 2009 tax burden, usually defined as the real estate tax per capita, in Corry was not unusually high. At \$203, it was slightly higher than the 21 city average of \$188 but it was below the burden in Titusville, Franklin and Bradford.

The tax burden in Corry, however, is high compared to surrounding townships and Union City Borough. Corry's 2009 per capita real estate tax burden of \$203 was higher than the burden in Concord, Wayne, Columbus and Spring Creek Townships, and in Union City. Corry and Union City also levy the local services tax on employment; the townships do not levy this tax. This can put Corry and Union City at a disadvantage attracting residents.

The Corry, and to a lesser extent Union City, provide an array of services that are not provided by township governments. They both provide police protection and Corry has a partially paid fire department. Corry has high culture and recreation costs with the golf course, but the costs at the golf course are covered by fees. Corry also provides water and sewer services as well as solid waste pickup. These services are covered by fees as well. Townships typically focus on maintaining roads and bridges. The per capita public works

expenditures in Columbus and Spring Creek Townships exceed those in Corry and Union City. Spring Creek's higher costs are due to major projects.

Pennsylvania's cities and boroughs will always be at a disadvantage when compared with townships on the basis of taxes alone. Cities and boroughs provide services that are not typically found in townships. They also host non-profit institutions, churches, schools, and government agencies that provide services to the residents of cities, boroughs and townships. In Corry, 23 percent of the real estate is tax-exempt. The Commonwealth has provided limited relief in recent years with the passage of the \$52 local services tax, hotel occupancy taxes to support tourism, shared gambling revenues, and, in Allegheny County, a local option sales tax.

City of Corry and Neighboring Municipalities

	Corry City	Concord Twp	Union City Boro	Wayne Twp	Columbus Twp	Spring Creek Twp
Population (2000)	6,834	1,361	3,463	1,766	1,741	872
Total Revenues	938	189	282	339	297	839
Total Expenditures	922	159	279	269	289	812
Revenues	-	-	-	-	-	-
Total Taxes	295	85	167	141	168	193
Real Estate Tax	203	8	96	55	83	129
Earned Income Tax	56	70	52	81	76	58
Realty Transfer Tax	8	4	3	6	5	4
EMST/Local Services Tax	27	-	14	-	-	-
Per Capita Tax	2	2	2	-	3	3
Total Intergovernmental	86	100	36	93	117	311
Federal Gov't	24	-	-	-	-	34
State Gov't	62	96	30	85	89	260
Local Gov't	-	4	6	7	28	16
Total Earnings	487	1	23	48	7	2
Sewer Revenue	210	-	-	46	1	-
Water Revenue	99	-	-	-	-	-
Solid Waste Revenue	66	-	-	-	-	-
Parking	-	-	-	-	-	-
Recreation and Culture	67	-	-	-	-	-
Other Charges	36	-	16	2	7	1
Licenses and Permits	1	1	7	-	0	1
Cable TV Franchise Fees	9	-	-	-	-	-

City of Corry and Neighboring Municipalities

	Corry City	Concord Twp	Union City Boro	Wayne Twp	Columbus Twp	Spring Creek Twp
Total Other Revenues	70	4	55	57	4	333
Fines and Forfeits	8	2	6	2	4	5
Interest Rents and Royalties	5	2	1	5	1	2
Contributions and Donations from Private Sectors	3	-	1	-	-	-
Unclassified Operating Revenues	1	-	1	1	-	-
Other Financing Sources	53	-	47	49	0	326
Expenditures	-	-	-	-	-	-
General Government	42	21	35	41	53	98
Police	117	-	43	-	-	-
Fire	51	5	10	10	17	21
UCC and Code Enforcement	-	-	1	0	-	-
Other Public Safety	0	7	1	1	-	-
Health and Human Services	-	-	1	-	-	0
Public Works Highways and Streets	106	88	107	100	183	519
Sewer Expenditures	72	-	-	26	1	-
Water Expenditures	64	-	-	-	-	-
Solid Waste Expenditures	54	1	-	1	-	-
Other Public Works Enterprises	-	-	-	0	0	-
Culture and Recreation	73	-	9	0	2	-
Libraries	-	-	3	-	-	-
Community Development	13	-	0	-	-	-
Debt Service	90	-	21	0	6	-
Other Expenditures	187	36	46	33	25	89
Unclassified Expenditures	0	-	-	-	-	0
Other Financing Uses	52	-	0	57	1	85

City of Corry and Neighboring Municipalities

	Corry City	Concord Twp	Union City Boro	Wayne Twp	Columbus Twp	Spring Creek Twp
Real Estate						
Assessed Value Real Estate	27,686	34,346	21,361	37,115	9,909	10,929
Market Value Real Estate	33,847	41,988	26,114	45,373	29,145	32,143
Millage in 2011	8.65	0.0002	5.50	1.50	8.30	12.00
Common Level Ratio	82%	82%	82%	82%	34%	34%
Debt						
TL General Obligation Bonds and Notes-Yr End	1,262	-	31	12	16	237
TL Debt-Yr End	1,337		31	101	16	237

Source: DCED Municipal Statistics for 2009

STEP III: PLAN FOR CURRENT FISCAL YEAR

INTRODUCTION

The purpose of Step III of the Early Intervention Program (EIP) Five-Year Financial Management Plan is to develop a plan that allows the City to pursue short-term strategies, based on the information derived from the previous steps. The EIP guidelines state that the emergency plan should set forth a strategy regarding:

- Whether the current fiscal year's budget should be reopened, amended, or modified;
- Whether operational and/or personnel reductions should occur;
- Whether short-term borrowing, including possible unfunded debt borrowing, is necessary; and
- Whether other types of administrative reorganization or short-term actions should be effectuated in order for the City to remain solvent in the current fiscal year.

Fortunately, no drastic actions are necessary. There are some actions that could be taken that could improve the City's finances.

RECOMMENDATIONS – REVENUES

TAXES

There are a number of actions that the City can take to maintain and even improve tax collections:

- The City should carefully monitor tax collections, particularly with the transfer of the earned income tax to a county-wide agency.
- The City should focus on improving the collection rate for current real estate taxes. This could include monitoring property owners who have a history of delinquencies.
- The City should partner with the school district to monitor and challenge assessment appeals. This will be of particular importance following the implementation of the new reassessment in 2013.
- A one percent increase in the real estate tax collection rate could provide an additional \$16,000 in revenues.

- In order to maximize the ability to collect all taxes due to the City, the City should consider the implementation of a rental registration program to enhance the City's ability to identify potential taxpayers. The City already has an aggressive program to identify taxpayers. This would add to it. Coupled with regular code inspections, this program would so improve safety and public health.

LICENSES AND PERMIT

The City should adopt a comprehensive fee ordinance with fees set to cover the increases in costs. The ordinance should be updated annually as part of the budget process.

FINES AND FORFEITS

The City has little control over the motor vehicle violation rates, but it does have some control over non-motor vehicle fines and parking fines. The City should review the fines on an annual basis as part of the budgeting process.

INTERGOVERNMENTAL REVENUES

The City has no real control over the shared tax revenues in this group. They include pension aid, fire relief, and the public utility realty transfer act (PURTA) payment. The PURTA payment has not always been made into the General Fund. It should be. The City has budgeted no payment into the General Fund in 2011.

DEPARTMENTAL EARNINGS

These are an important component in the City's revenue portfolio. The City should review the fees, rates and charges on an annual basis as part of the budget process.

MISCELLANEOUS REVENUES

This catchall includes the transfers from the Water, Sewer and Golf Funds. The City should continue to depend on them as important revenue sources. The City should consider raising sewer and water rates so that these transfers will continue to be available in the future.

REVENUE PROJECTIONS DURING THE BUDGET PROCESS

The revenue projections assume that the City will take a number of actions. These include:

- Taking advantage of the full ten percent reassessment windfall in 2013
- Maintaining a solid collection rate for all revenues
- Keeping the fees and charges for departmental services, including solid waste collection, high enough to cover all costs
- Keeping the water, sewer, and golf fees and charges high enough to transfer surpluses into the General Fund

RECOMMENDATIONS — EXPENDITURES

SALARIES AND WAGES

The City does not track most overtime pay in the monthly reports. Because overtime can have a significant impact on total pay, keeping track of other pay can be a valuable management tool.

OTHER EXPENDITURES

The City should plan to maintain strict control over expenditures. This has not always been done in the past as some expenditures have regularly exceeded the budgeted amounts. Budgets should be realistic and, at the same time, be adhered to by department heads.

An important part of budgetary control is accurate monthly reporting. Elected and appointed officials need un-to-date and detailed information to make spending decisions. The City is now addressing this issue with monthly reviews of revenues and expenditures.

Proper budgeting and control over expenditures is critical with supply purchases. These costs can change greatly depending on circumstances. Careful planning can anticipate most, but not all, circumstances.

BENEFITS

The cost of health insurance is expected to increase by at least ten percent per year over the next few years. The City has to seek ways to control these costs.

EXPENDITURE PROJECTIONS DURING THE BUDGET PROCESS

The expenditure projections assume that the City will take a number of actions. These include:

- Avoiding any general obligation debt
- Maintaining the present workforce size
- Preparing and using up-to-date and detailed monthly reports as a cost-control tool.

APPENDIX A - REVENUES

	2004	2005	2006	2007	2008	2009	2010	Change 2004 - 2010	Annual Percent Change
CURRENT RE TAXES - FACE	1,156,051	1,088,028	1,127,851	1,215,974	1,238,811	1,275,829	1,290,161	134,110	1.9%
CURRENT RE TAXES - PENALTY	6,480	5,087	7,322	5,634	7,511	5,995	5,048	(1,432)	-3.7%
DELINQUENT RE TAXES - FACE	81,475	72,429	72,000	78,496	81,775	106,436	122,724	41,249	8.4%
DELINQUENT RE TAXES - PENALTY	10,359	8,681	10,484	13,402	10,638	17,593	16,460	6,101	9.8%
CURRENT RE TAXES - REBATE	(18,825)	(18,720)	(14,550)	(20,879)	(20,642)	(21,935)	(22,679)	(3,854)	3.4%
RE TRANSFER TAX	138,343	44,492	34,397	35,195	30,593	57,063	24,578	(113,765)	-13.7%
EARNED INCOME TAX	440,000	440,000	440,000	430,000	380,000	380,000	360,000	(80,000)	-3.0%
LST TAX	57,796	110,350	227,458	250,970	179,299	182,761	179,612	121,816	35.1%
PER CAPITA TAX		11,271	11,076	12,766	13,026	13,433	11,400	11,400	
PER CAPITA REBATE		203							
TOTAL TAXES	1,871,679	1,761,821	1,916,038	2,021,558	1,921,011	2,017,175	1,987,304	115,625	1.0%
BEVERAGE LICENSE	2,800	2,600	2,600	2,820	2,600	2,000	2,800	-	0.0%
BUILDING PERMITS	6,930	1,549	2,480	1,950	1,700	1,320	1,385	(5,545)	-13.3%
BUSINESS LICENSE	3,325	3,065	2,955	2,685	2,225	2,160	2,100	(1,225)	-6.1%
LICENSES AND PERMITS	13,055	7,214	8,035	7,455	6,525	5,480	6,285	(6,770)	-8.6%
MOTOR VEHICLE VIOLATIONS	26,503	22,855	19,607	22,553	21,133	18,841	18,545	(7,958)	-5.0%
NON MOTOR VEHICLE FINES	13,741	14,499	15,896	22,611	16,356	12,739	15,218	1,477	1.8%
PARKING TICKETS	7,733	6,446	7,200	4,770	4,910	3,350	2,750	(4,983)	-10.7%
POLICE WAGE REIMB	11,908	8,385	11,819	13,538	11,467	13,316	5,603	(6,305)	-8.8%
FINES AND FORFEITS	59,885	52,185	54,522	63,472	53,866	48,246	42,116	(17,769)	-4.9%
EARNINGS FROM INVESTMENTS	12,883	4,716	22,226	22,097	9,662	3,706	1,677	(11,206)	-14.5%
PAYMENT IN LIEU OF TAXES	11,809	3,281	22,986	8,695	11,157	11,742	12,537	728	1.0%
PURTA TAXES				2,835	2,698	2,696	2,811	2,811	
C.O.P.S. (US DOJ GRANT)	25,312	26,047	25,790	26,914	34,045	75,678	79,943	54,631	36.0%
PENSION S.A. (A205)	200,884	199,094	209,931	223,341	140,242	145,954	210,265	9,381	0.8%
CDBG PROGRAM INCOME	549,043	404,341	223,441	724,121	165,791	86,538	863,745	314,702	9.6%
FIRE - STATE INSURANCE MONEY						21,997	24,759	24,759	
INTERGOVERNMENTAL	787,048	632,763	482,148	985,906	353,933	344,605	1,194,060	407,012	8.6%

APPENDIX A - REVENUES

	2004	2005	2006	2007	2008	2009	2010	Change 2004 - 2010	Annual Percent Change
RECREATION	14,233	11,359	12,348	12,061	14,858	13,439	15,440	1,207	1.4%
PARKING METERS	304	103	215						0.0%
POLICE COURT REIMBURSEMENT	1,386		321	988	67				0.0%
SCHOOL PATROL REIMBURSEMENT	8,061	7,857	8,278	8,063	7,883	7,741	7,655	(406)	-0.8%
TREAS. CLERKS REIMBURSEMENT	35,959	37,045	37,548	35,316	42,074	40,012	41,009	5,050	2.3%
PERFORMANCE GRANT - RECYCLE	3,848	6,897	14,494	12,062					0.0%
ALARM SYSTEM	1,800	1,800	1,800	1,800	1,800				0.0%
WINTER SERVICES REIMBURSEMENT	31,328	34,463	36,330	38,002	41,557	44,564	44,277	12,949	6.9%
FD - ACCIDENT RESPONSE	1,075	3,075	5,710	250	3,200	2,147	500	(575)	-8.9%
FD - MISC CONTRIBUTIONS						600		-	
K-9 MISC CONTRIBUTION	100	500							0.0%
REIMBURSEMENT-MATERIAL USED					250				
RECYCLED MATERIAL SOLD									
REFUSE SALES - RESIDENTIAL	317,385	341,975	350,902	359,033	387,915	414,813	426,241	108,856	5.7%
REFUSE SALES - COMMERCIAL	23,244	23,842	24,373	24,200	26,382	27,451	27,986	4,742	3.4%
REFUSE SALES - OTHER	886	322	-	-	-	-	-	(886)	-16.7%
REFUSE PENALTIES	4,803	4,880	5,125	5,241	5,663	6,216	6,712	1,909	6.6%
DEPARTMENTAL EARNINGS	444,412	474,118	497,444	497,016	531,649	556,983	569,820	125,408	4.7%
								-	
ENGINEERS OFFICE FEES	1,212	833	852	675	564	755	481	(731)	-10.1%
POSTAGE	4,119	2,495	1,644	2,693	860	2,905	2,326	(1,793)	-7.3%
SUNDRY RECEIPTS	2,404	3,334	4,967	3,045	61,796	3,283	5,337	2,933	20.3%
WATER & SEWER REIMB (TRANSFER)	232,200	234,000	234,080	242,680	256,010	270,740	279,340	47,140	3.4%
EMPLOYEE CONTRIBUTION - FB	27,061	28,215	41,604	38,250	38,458	39,733	43,933	16,872	10.4%
GC & EIT REIMBURSEMENT	14,300	26,279	17,066	22,182	26,410	27,194	30,642	16,342	19.0%
LEASED PROPERTY	3,141	3,242	3,310	3,376	3,541	3,495	3,537	396	2.1%
FRANCHISE FEES	36,111	45,081	51,229	52,908	54,081	59,288	64,870	28,759	13.3%
RECREATIONAL REIMBURSEMENT	1,500	1,500	1,500		1,500			(1,500)	-16.7%
SALE OF USED EQUIPMENT		5,960		1,655	1,600				
GOLF COURSE TRANSFER	79,785	65,316	58,000	58,000	58,000	58,000	58,000	(21,785)	-4.6%
GOLF COURSE HC REIMBURSEMENT	23,902	14,465	13,174	17,349	33,622	35,072	18,613	(5,289)	-3.7%
COBRA HC REIMBURSEMENT	5,308	3,420	7,223	6,855	6,699	4,441	11,130	5,822	18.3%
DOG POUND FEES	1,319	958	1,367	1,927	914	824	1,220	(99)	-1.3%
MISC REVENUES	432,362	435,098	436,016	451,595	544,055	505,730	519,429	87,067	3.4%
								-	
CONTRA RECEIPTS	3,631							(3,631)	
INTERFUND	51	6,782						(51)	
INC - REFUND OF PRIOR YEAR	21,002			4,853				(21,002)	
MISC REVENUES	24,684	6,782	-	4,853	-	-	-	(24,684)	
TOTAL REVENUE	3,646,008	3,374,697	3,416,429	4,053,952	3,420,701	3,481,925	4,320,691	674,683	3.1%

APPENDIX B - EXPENDITURES BY DEPARTMENT

	2004	2005	2006	2007	2008	2009	2010	Change 2004 - 2010	Annual Percent Change
ADMINISTRATION									
PAYROLL - ELECTED OFFICIALS	5,701	5,701	5,897	5,701	5,531	5,631	5,851	150	0.4%
PAYROLL - ADMINISTRATION	20,412	20,971	21,236	21,584	23,009	22,428	23,304	2,892	2.4%
PAYROLL - CLERICAL	28,108	24,769	25,210	25,993	26,505	26,790	28,629	521	0.3%
MATERIALS & SUPPLIES	8,403	9,730	8,619	10,310	8,467	9,793	9,271	868	1.7%
POSTAGE	8,102	8,719	6,204	7,858	9,516	8,151	9,348	1,246	2.6%
ADVERTISING & PRINTING	1,804	2,400	1,248	883	1,789	1,527	1,975	171	1.6%
BONDS & INSURANCE	1,875	1,977	3,562	875	1,513	2,397	1,411	(464)	-4.1%
ASSOCIATION EXPENSE	5,544	4,691	4,485	4,295	5,150	5,750	4,542	(1,002)	-3.0%
PAYROLL - ENGINEERING	10,500	10,500	10,500	10,500	10,500	10,500	10,904	404	0.6%
ADMINISTRATION PHONES	1,804	1,918	1,983	1,714	1,904	1,880	1,837	33	0.3%
ADMIN-DONNA JOHNSON (ENGINEER)				4,948	4,313	122		-	
AUDITING SERVICES	6,878	8,848	9,747	6,359	7,808	6,905	5,500	(1,378)	-3.3%
PAYROLL - LEGAL SERVICE & LIEN	8,582	8,500	8,500	8,571	8,500	8,500	8,827	245	0.5%
A/P - LEGAL SERVICE & LIENS								-	
TOTAL	107,713	108,724	107,191	109,591	114,505	110,374	111,399	3,686	0.6%
TAX COLLECTION									
PAYROLL - TAX COLLECTION	55,788	57,478	58,005	51,288	58,475	59,633	62,382	6,594	2.0%
R.E. TAX REFUNDS	4,514	2,451	164	3,313	1,304		469	(4,045)	-14.9%
LST TAX REFUNDS	400	630	2,463	11,703	8,836	4,130	3,899	3,499	145.8%
SUPPLIES TAX COLLECTION	991	1,762	1,121	1,597	1,895	1,126	1,261	270	4.5%
TREAS OFFICE - TELEPHONE	376	413	451	463	514	491	464	88	3.9%
TOTAL	62,069	62,734	62,204	68,364	71,024	65,380	68,475	6,406	1.7%
BUILDING & PROPERTY									
MATERIALS & SUPPLIES	1,741	1,994	2,683	1,732	2,038	1,953	1,474	(267)	-2.6%
FUEL FOR BUILDINGS	33,068	37,622	39,302	28,793	36,668	33,425	33,794	726	0.4%
LIGHTING FOR BUILDINGS	20,270	19,070	22,142	21,728	18,621	17,965	13,242	(7,028)	-5.8%
WATER & SEWER FOR BUILDINGS	3,918	5,707	4,174	5,520	5,005	5,774	5,609	1,691	7.2%
CUSTODIAL SERVICES	19,150	19,004	19,100	19,477	21,005	22,872	15,885	(3,265)	-2.8%
A/P - MAINTENANCE & REPAIRS	3,746	17,520	18,627	5,691	11,574	7,875	1,060	(2,686)	-12.0%
PAYROLL - MAINTENANCE & REPAIR							4,420	4,420	
ADMIN - MAINT/REPAIR EXPENSES	5,496		(1,764)	4,392	2,382	5,118		(5,496)	-16.7%
AIRPORT AUTHORITY	9,500	9,500	9,500	9,500	9,500	9,500	9,500	-	0.0%
TOTAL	96,889	110,417	113,764	96,833	106,793	104,482	84,984	(11,905)	-2.0%

APPENDIX B - EXPENDITURES BY DEPARTMENT

	2004	2005	2006	2007	2008	2009	2010	Change 2004 - 2010	Annual Percent Change
POLICE									
A/P - POLICE OFFICERS							3,400	3,400	
PAYROLL - POLICE OFFICERS	532,154	538,921	569,475	593,521	593,762	577,201	621,689	89,535	2.8%
PAYROLL - POLICE SUPPLEMENT	39,627	36,148	33,635	34,479	46,663	68,155	42,233	2,606	1.1%
PAYROLL - CROSSING GUARDS	15,018	14,710	15,380	14,981	14,645	14,397	14,223	(795)	-0.9%
PAYROLL - K9 EXPENSE	6,358	9,362	9,238	9,027	9,023	8,883	9,600	3,242	8.5%
A/P - K9 EXPENSE							1,253	1,253	
UNIFORMS	5,883	5,161	3,700	5,630	5,195	4,743	1,985	(3,898)	-11.0%
PAYROLL - DISPATCHERS	127,706	133,133	133,863	137,942	145,600	75,552	67,378	(60,328)	-7.9%
PAYROLL - COURT EXPENSE	16,281	14,407	19,086	13,918	10,472	11,703	18,628	2,347	2.4%
A/P - POLICE INSTRUCTION	464	172	715	863	593	809	191	(273)	-9.8%
PAYROLL - POLICE TRANSPORTS	3,523	2,655	2,664	2,258	3,406	1,587	3,452	(71)	-0.3%
A/P - COURT EXPENSE							-	-	
PAYROLL - POLICE INSTRUCTION							459	459	
PAYROLL - TRAFFIC SIGNALS							-	-	
TRAFFIC SIGNALS-OTHER	6,181	4,777	5,205	4,327	4,045	4,877	4,672	(1,509)	-4.1%
SUPPLIES PARKING METERS					180		-	-	
EQUIPMENT M & R	117				30		-	(117)	-16.7%
TOTAL	753,312	759,446	792,961	816,946	833,614	767,907	789,163	35,851	0.8%
POLICE VEHICLES									
PAYROLL - MAINTENANCE & REPAIR	6,634	1,862	3,319	4,185	4,483	5,445	3,933	(2,701)	-6.8%
A/P - MAINTENANCE & REPAIR	3,991	3,599	4,765	7,015	6,922	3,675	3,672	(319)	-1.3%
PAYROLL - MAINTENANCE & REPAIR							-	-	
GAS & OIL	7,500								0.0%
TOTAL	18,125	5,461	8,084	11,200	11,405	9,120	7,605	(10,520)	-9.7%
POLICE HEADQUARTERS									
PROFESSIONAL SERVICES	193								0.0%
MATERIALS & SUPPLIES - POLICE	7,777	8,241	7,858	5,794	7,609	6,828	4,928	(2,849)	-6.1%
MATERIALS & SUPPLIES-DISPATCH	581	593	216	267	305	686	184	(397)	-11.4%
TELEPHONES	2,058	2,221	2,474	2,579	4,524	3,719	3,777	1,719	13.9%
TOTAL	10,609	11,055	10,548	8,640	12,438	11,233	8,889	(1,720)	-2.7%

APPENDIX B - EXPENDITURES BY DEPARTMENT

	2004	2005	2006	2007	2008	2009	2010	Change 2004 - 2010	Annual Percent Change
FIRE GENERAL									
PAYROLL - FIRE DRIVERS	194,353	196,094	235,943	212,531	219,183	193,796	239,425	45,072	3.9%
PAYROLL - FIRE SUPPLEMENTAL	47,519	56,500	22,283	62,213	50,609	89,435	60,091	12,572	4.4%
REIMBURSEMENT FIRE CHIEFS	9,416	9,337	9,868	9,576	9,992	10,461	9,768	352	0.6%
MATERIALS & SUPPLIES	7,964	13,315	13,812	15,583	6,010	9,349	6,408	(1,556)	-3.3%
FIRE UNIFORMS	1,680	1,860	1,962	1,980	2,220	2,164	2,220	540	5.4%
HYDRANT & FIRE SERVICE	11,784	9,515	9,515	9,515	9,782	7,136	9,515	(2,269)	-3.2%
FIRE ALARMS	456	206	69	693	91	9	6	(450)	-16.4%
FIRE TELEPHONES	1,889	1,997	1,901	1,953	2,845	3,280	2,983	1,094	9.7%
COMMUNICATIONS	3,024	1,346	595	2,416	1,289	1,295	427	(2,597)	-14.3%
TRAINING	43	324	332	19		74	244	201	77.9%
FIRE - STATE INSURANCE MONEY						21,997	24,759	24,759	
CONTRIBUTION TO STANFORD HOSE	3,500	3,500	3,500	3,500	3,500	4,500	4,500	1,000	4.8%
TOTAL	281,628	293,994	299,780	319,979	305,521	343,496	360,346	78,718	4.7%
FIRE DEPARTMENT - VEHICLES									
PAYROLL - MAINTENANCE & REPAIR	5,086	2,825	3,970	1,696	7,312	3,188	3,466	(1,620)	-5.3%
MAINTENANCE & REPAIR	10,374	3,842	3,481	4,691	4,151	1,988	3,670	(6,704)	-10.8%
GAS & OIL	2,200					32			0.0%
TOTAL	17,660	6,667	7,451	6,387	11,463	5,208	7,136	(10,524)	-9.9%
PLANNING AND ZONING									
PAYROLL - CODE ENFORCEMENT		150		51				-	
GENERAL CODE COMPLIANCE	671	979	906	440	453	807	2,651	1,980	49.2%
FUEL; UNITS 4 & 23									
EMERGENCY MANAGEMENT	210	231	152	158	237	303	262	52	4.1%
TOTAL	881	1,360	1,058	649	690	1,110	2,913	2,032	38.4%
REFUSE DISPOSAL									
REFUSE GENERAL EXPENSE	-	-	-	-	-	-	-	-	
REFUSE CONTRACT	252,022	282,954	307,754	313,211	357,969	371,919	393,168	141,146	9.3%
REFUSE - BAD DEBTS	-	-	-	-	-	-	-	-	
REFUSE DROP-OFF BOX	5,382	344	-	-	-	-	-	-	0.0%
TOTAL	257,404	283,298	307,754	313,211	357,969	371,919	393,168	135,764	8.8%

APPENDIX B - EXPENDITURES BY DEPARTMENT

	2004	2005	2006	2007	2008	2009	2010	Change 2004 - 2010	Annual Percent Change
HIGHWAY									
PAYROLL - GENERAL	134,398	116,729	115,193	129,980	118,664	116,088	121,020	(13,378)	-1.7%
PAYROLL - MECHANICS	26,138	22,756	16,730	23,880	19,910	20,098	25,397	(741)	-0.5%
SUPPLIES	7,000	6,294	7,267	7,924	7,030	8,990	8,811	1,811	4.3%
HIGHWAY MATERIALS	48,374	46,200	43,998	41,277	53,946	46,804	49,306	932	0.3%
EQUIPMENT MAINTENANCE & REPAIR	26,521	24,286	24,437	31,184	26,453	21,773	29,674	3,153	2.0%
GAS & OIL	30,563	54,184	53,279	67,974	76,389	43,580	64,915	34,352	18.7%
PAYROLL - SNOW/ICE CONTROL	15,044	25,591	9,225	26,109	30,501	21,000	25,599	10,555	11.7%
SALT/ANTI-SKID MATERIAL	11,404	10,051	14,563	11,081	9,768	17,878	14,606	3,202	4.7%
A/P - STREET SIGNS & MARKINGS	5,619	7,054	6,791	6,239	6,967	5,855	1,478	(4,141)	-12.3%
HIGHWAY STREET SIGNS		4,511	2,133	4,975	6,240	3,420		-	
PAYROLL - STREET SIGNS & MARKINGS							6,182	6,182	
TOTAL	305,061	317,656	293,616	350,623	355,868	305,486	346,988	41,927	2.3%
HIGHWAY OTHER									
STREET LIGHTING	64,212	71,070	69,650	59,171	60,708	68,375	80,951	16,739	4.3%
PAVEMENT OVERLAY			40,000	40,000			40,000	40,000	
MISCELLANEOUS CONSTRUCTION	2,008	46,491	4,860	242	7,650		4,730	2,722	22.6%
TOTAL	66,220	117,561	114,510	99,413	68,358	68,375	125,681	59,461	15.0%
RECREATION SERVICES									
PAYROLL - GENERAL	16,431	17,060	16,844	14,445	16,223	14,226	19,678	3,247	3.3%
REC - UTILITIES & OTHER EXPENS	1,367	2,956	3,285	4,120	5,888	2,529	-	(1,367)	-16.7%
TELEPHONE	285	296	309	303	389	498	473	188	11.0%
EQUIPMENT	199	190		573	14		273	74	6.2%
MATERIALS & SUPPLIES	2,279	993	813	791	1,141	526	1,342	(937)	-6.9%
MAINTENANCE & REPAIR	2,107	850	2,263	691	2,596	712	346	(1,761)	-13.9%
CONCESSIONS				46	11	15	199	199	
TOTAL	22,668	22,345	23,514	20,969	26,262	18,506	22,311	(357)	-0.3%
RECREATION DEPARTMENT									
MEAD PARK	8,000	8,000	8,000	8,000	8,000	8,000	8,000	-	0.0%
PAYROLL - OTHER PARKS	3,514	4,273	9,573	8,435	16,083	9,244	6,788	3,274	15.5%
A/P - SUMMER RECREATION	4,940	5,303	5,147	5,209	5,288	5,992	1,874	(3,066)	-10.3%
COMMUNITY ART PROGRAM	900	2,483	2,686	2,943	2,666	3,458	900	-	0.0%
A/P - OTHER PARKS							1,893	1,893	
PAYROLL - SUMMER RECREATION							5,842	5,842	
TOTAL	17,354	20,059	25,406	24,587	32,037	26,694	25,297	7,943	7.6%
CDBG EXPENSE									
TOTAL	549,043	404,341	223,441	724,121	165,791	86,538	863,745	314,702	9.6%
TOTAL	549,043	404,341	223,441	724,121	165,791	86,538	863,745	314,702	9.6%

APPENDIX B - EXPENDITURES BY DEPARTMENT

	2004	2005	2006	2007	2008	2009	2010	Change 2004 - 2010	Annual Percent Change
BENEFITS									
SOCIAL SECURITY	51,060	49,298	51,034	52,600	54,714	50,356	51,470	410	0.1%
CONTRIB NON-UNIF EMPL PENSION	69,645	69,645	72,989	64,581		-	24,139	(45,506)	-10.9%
A.D. & D. INSURANCE	3,700		100	100	2,800		100	(3,600)	-16.2%
HEALTH CARE	419,010	389,335	387,465	438,949	495,587	454,850	490,806	71,796	2.9%
CONTRIBUTION - POLICE PENSION	58,430	58,426	63,307	102,670	42,024	45,246	63,296	4,866	1.4%
CONTRIBUTION - FIRE PENSION	72,809	72,416	86,716	98,158	100,666	100,708	122,829	50,020	11.5%
UNEMPLOYMENT COMPENSATION	1,924		2,382	4,454	388	196	3,601	1,677	14.5%
VISION/DENTAL/PRESCRIPTION	79,694	78,363	80,882	82,448	81,867	69,889	76,338	(3,356)	-0.7%
LIFE INSURANCE	5,853	6,195	6,593	6,799	6,247	5,610	3,963	(1,890)	-5.4%
TOTAL	762,125	723,678	751,468	850,759	784,293	726,855	836,542	74,417	1.6%
INSURANCE									
WORKERS COMP INSURANCE	71,446	81,520	93,673	62,947	78,012	86,040	87,435	15,989	3.7%
GENERAL INSURANCE	85,853	90,877	80,133	89,355	92,613	94,800	96,006	10,153	2.0%
PUBLIC OFFICIALS E&O INS	12,478	11,782	4,900	11,503	10,505	10,478	10,450	(2,028)	-2.7%
POLICE PROFESSIONAL LIABILITY	21,665	20,059	16,351	17,671	16,137	15,107	14,899	(6,766)	-5.2%
TOTAL	191,442	204,238	195,057	181,476	197,267	206,425	208,790	17,348	1.5%
MISCELLANEOUS									
LABOR RELATIONS		100		323	300	125	338		
INCIDENTAL FUND				100					
DOG POUND SUPPLIES	50	97	433	77	100	228	211	161	53.7%
TOTAL	50	197	433	500	400	353	549	499	166.3%
OTHER									
REVOLVING FUND - CRF					55,000	5,000	55,000		
CASH OVER/UNDER								-	
TOTAL	-	-	-	-	55,000	5,000	55,000	55,000	
TRANSFERS									
VEHICLE/EQUIPMENT CRF					60,000	15,700	60,000		
PAVING FUND C.R.F.								-	
TRANSFER - REVOLVING FUND	50,000							(50,000)	-16.7%
TRANSFER - CAPITAL EQUIP FUND	50,000							(50,000)	-16.7%
TOTAL	100,000	-	-	-	60,000	15,700	60,000	(40,000)	-6.7%
TOTAL REVENUES	3,646,008	3,374,697	3,416,429	4,053,952	3,420,701	3,481,925	4,320,691	674,683	3.1%
TOTAL EXPENDITURES	3,620,253	3,453,231	3,338,240	4,004,248	3,570,698	3,250,161	4,378,981	758,728	3.5%
SURPLUS (DEFICIT)	25,755	(78,534)	78,189	49,704	(149,997)	231,764	(58,290)		0.0%

APPENDIX C EXPENDITURES BY OBJECT

	2004	2005	2006	2007	2008	2009	2010	Change 2004 - 2010	Annual Percent Change
Salaries and Wages									
Salaries & Wages - Elected Officials	5,701	5,701	5,897	5,701	5,531	5,631	5,851	150	0.4%
Salaries and Wages - Appointed Officials	20,412	20,971	21,236	21,584	23,009	22,428	23,304	2,892	2.4%
Salaries and Wages – Full Time Staff	1,271,883	1,274,580	1,289,345	1,362,726	1,383,456	1,314,435	1,377,392	105,509	1.4%
Salaries and Wages – Professional Staff	10,500	10,500	10,500	15,448	14,813	10,622	10,904	404	0.6%
Salaries and Wages – Part Time Staff	3,514	4,273	9,573	8,435	16,083	9,244	12,630	9,116	43.2%
Leave -Training /Educational	507	496	1,047	882	593	883	894	387	12.7%
Court Overtime Pay	16,281	14,407	19,086	13,918	10,472	11,703	18,628	2,347	2.4%
Total	1,328,798	1,330,928	1,356,684	1,428,694	1,453,957	1,374,946	1,449,603	120,805	1.5%
Employer Paid Benefits									
FICA – Employer Paid	51,060	49,298	51,034	52,600	54,714	50,356	51,470	410	0.1%
Unemployment Compensation - Employer F	1,924	-	2,382	4,454	388	196	3,601	1,677	14.5%
Health Insurance	419,010	389,335	387,465	438,949	495,587	454,850	490,806	71,796	2.9%
Pension	200,884	200,487	223,012	265,409	142,690	145,954	210,264	9,380	0.8%
Other Group Benefits (including Vision, Der	89,247	84,558	87,575	89,347	90,914	75,499	80,401	(8,846)	-1.7%
Total	762,125	723,678	751,468	850,759	784,293	726,855	836,542	74,417	1.6%
Operating Supplies									
Supplies	-	-	-	-	-	-	3,400	3,400	
Office Supplies	7,991	8,056	8,388	9,521	8,925	10,116	10,072	2,081	4.3%
Computer/Copier Supplies	199	190	-	573	14	-	273	74	6.2%
Postage	8,102	8,719	6,204	7,858	9,516	8,151	9,348	1,246	2.6%
Operating Supplies	10,194	11,821	11,735	12,119	10,605	11,974	10,956	762	1.2%
Heating Fuel	33,068	37,622	39,302	28,793	36,668	33,425	33,794	726	0.4%
Vehicle Fuel—Gasoline	40,263	54,184	53,279	67,974	76,389	43,612	64,915	24,652	10.2%
Building Supplies(light bulbs, etc)	3,746	17,520	18,627	5,691	11,574	7,875	1,060	(2,686)	-12.0%
Clothing and Uniforms	7,563	7,021	5,662	7,610	7,415	6,907	4,205	(3,358)	-7.4%
Protection to Persons and Property Supplie	16,322	22,149	21,886	21,644	13,924	16,863	12,773	(3,549)	-3.6%
Public Works--Highway Supplies	71,578	72,593	112,690	107,899	80,966	78,834	110,062	38,484	9.0%
Public Works—Other Services Supplies	-	-	-	-	180	-	-	-	
Culture—Recreation Supplies	8,119	8,779	8,646	8,989	9,106	9,991	6,208	(1,911)	-3.9%
Total	207,145	248,654	286,419	278,671	265,282	227,748	267,066	59,921	4.8%
Repair and maintenance Supplies									
Repair and Maintenance Supplies	26,638	24,286	24,437	31,184	26,483	21,773	29,674	3,036	1.9%
Vehicle Parts	3,991	3,599	4,765	7,015	6,922	3,675	3,672	(319)	-1.3%
Total	30,629	27,885	29,202	38,199	33,405	25,448	33,346	2,717	1.5%

APPENDIX C EXPENDITURES BY OBJECT

	2004	2005	2006	2007	2008	2009	2010	Change 2004 - 2010	Annual Percent Change
Other Services and Charges									
Other Services and Charges	210	231	152	158	237	303	262	52	4.1%
Professional Services	193	100	-	323	300	125	338	145	12.5%
Accounting and Auditing Services	6,878	8,848	9,747	6,359	7,808	6,905	5,500	(1,378)	-3.3%
Special Legal Services	-	-	-	-	-	-	-	-	
Total	7,281	9,179	9,899	6,840	8,345	7,333	6,100	(1,181)	-2.7%
Communication									
Communication	5,369	3,549	2,565	5,062	4,225	4,584	3,416	(1,953)	-6.1%
Telephone Monthly Charges	4,523	4,848	5,217	5,059	7,331	6,588	6,551	2,028	7.5%
Total	9,892	8,397	7,782	10,121	11,556	11,172	9,967	75	0.1%
Advertising, Printing, and Binding									
Advertising, Printing, and Binding	1,804	2,400	1,248	883	1,789	1,527	1,975	171	1.6%
Total	1,804	2,400	1,248	883	1,789	1,527	1,975	171	1.6%
Insurance and Bonding									
Insurance and Bonding	87,728	92,854	83,695	90,230	94,126	97,197	97,417	9,689	1.8%
Liability (Casualty)	21,665	20,059	16,351	17,671	16,137	15,107	14,899	(6,766)	-5.2%
Surety and Fidelity	12,478	11,782	4,900	11,503	10,505	10,478	10,450	(2,028)	-2.7%
Workers Compensation	71,446	81,520	93,673	62,947	78,012	86,040	87,435	15,989	3.7%
Total	193,317	206,215	198,619	182,351	198,780	208,822	210,201	16,884	1.5%
Public Utility Services									
Public Utility Services	1,367	2,956	3,285	4,120	5,888	2,529	-	(1,367)	-16.7%
Electricity	84,482	90,140	91,792	80,899	79,329	86,340	94,193	9,711	1.9%
Hydrant Service	11,784	9,515	9,515	9,515	9,782	7,136	9,515	(2,269)	-3.2%
Water	3,918	5,707	4,174	5,520	5,005	5,774	5,609	1,691	7.2%
Total	101,551	108,318	108,766	100,054	100,004	101,779	109,317	7,766	1.3%
Repairs and Maintenance Services									
Repairs and Maintenance Services	37,127	23,696	23,080	29,251	30,134	30,690	19,901	(17,226)	-7.7%
Total	37,127	23,696	23,080	29,251	30,134	30,690	19,901	(17,226)	-7.7%
Other Services									
Dues, Subscriptions, and Memberships	6,215	5,670	5,391	4,735	5,603	6,557	7,193	978	2.6%
Total	6,215	5,670	5,391	4,735	5,603	6,557	7,193	978	2.6%
Refuse Services									
Refuse Services	257,404	283,298	307,754	313,211	357,969	371,919	393,168	135,764	8.8%
Total	257,404	283,298	307,754	313,211	357,969	371,919	393,168	135,764	8.8%

APPENDIX C EXPENDITURES BY OBJECT

	2004	2005	2006	2007	2008	2009	2010	Change 2004 - 2010	Annual Percent Change
Contributions, Grants and Subsidies									
To Governmental Units	8,000	8,000	8,000	8,000	8,000	29,997	32,759	24,759	51.6%
To Non-Governmental Organizations	3,500	3,500	3,500	3,500	3,500	4,500	4,500	1,000	4.8%
Total	11,500	11,500	11,500	11,500	11,500	34,497	37,259	25,759	37.3%
Transfers									
Transfers to Other Funds	109,500	9,500	9,500	9,500	124,500	30,200	124,500	15,000	2.3%
Total	109,500	9,500	9,500	9,500	124,500	30,200	124,500	15,000	2.3%
Capital Construction									
Capital Construction	2,008	46,491	4,860	242	7,650	-	4,730	2,722	22.6%
Total	2,008	46,491	4,860	242	7,650	-	4,730	2,722	22.6%
Other Expenses									
Program Expenses (CDBG)	549,043	404,341	223,441	724,121	165,791	86,538	863,745	314,702	9.6%
Other	4,914	3,081	2,627	15,116	10,140	4,130	4,368	(546)	-1.9%
Total	553,957	407,422	226,068	739,237	175,931	90,668	868,113	314,156	9.5%
Total Expenditures	3,620,253	3,453,231	3,338,240	4,004,248	3,570,698	3,250,161	4,378,981	758,728	3.5%