

October 12, 2021

**City of DuBois
and Sandy
Township
Consolidation
Study**



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Consolidation Background

- Spring 2021 report conducted by non-profit organizations the Pennsylvania Economy League and Center for Government Research (CGR).
- Studied the financial and operational impacts of consolidating the city of DuBois and Sandy Township into one municipality.
- Examined tax and utility fee implications, service levels, staffing, facilities, collective bargaining, pension plans, CDBG funding and more.
- Consolidation question will be on November ballot after successful citizen petition.
- Question is to join DuBois and Sandy Township as a new third-class city operated under the council-manager form of government.

Ballot Question

“Shall the Township of Sandy and the City of DuBois consolidate to form a new Third Class City to be called the City of DuBois and governed by the Council-Management form of government as provided in the Home Rule Charter and Optional Plans Law and including a seven-member Council, elected at large (one of whom shall be Mayor), an elected Treasurer, an elected Controller, and an appointed Manager?”



The Case for Consolidation



The Case for Consolidation:

Financial Analysis Historical Trends

City of DuBois General Fund Adjusted*

	2015	2016	2017	2018	2019
DuBois	Adjusted	Adjusted	Adjusted	Adjusted	Adjusted
Revenues	\$7,676,883	\$9,656,020	\$8,027,997	\$12,862,909	\$10,602,197
Expenditures	\$7,642,769	\$7,725,708	\$9,704,532	\$13,485,645	\$11,263,667
Surplus/(Deficit)	\$34,114	\$1,930,312	-\$1,676,535	-\$622,736	-\$661,470

Sandy Township General Fund

	2015	2016	2017	2018	2019
Sandy	Actual	Actual	Actual	Actual	Actual
Revenues	\$4,039,739	\$4,146,652	\$4,124,042	\$4,212,537	\$4,547,613
Expenditures	\$3,676,679	\$4,292,399	\$4,667,034	\$4,352,369	\$4,383,482
Surplus/(Deficit)	\$363,060	-\$145,747	-\$542,992	-\$139,832	\$164,131

Both municipalities experienced deficits in three out of five years from 2015 to 2019

*Sewer and water revenue and expenditures removed from DuBois to better display General Fund operations. The DuBois General Fund includes capital revenues and expenditures.

Financial Analysis City of DuBois Projections

- Debt service and capital costs drop after 2019.
- Deficit in 2020 followed by surpluses until 2025, when expenditures start to overcome revenues.
- Despite anticipated surpluses, DuBois' inelastic revenue sources are eventually unable to keep up with rising expenses.

	2020	2021	2022	2023	2024	2025
	Budget	Projected	Projected	Projected	Projected	Projected
Total Revenues	\$8,897,305	\$7,394,993	\$7,402,021	\$7,409,082	\$7,416,176	\$7,423,303
Total Expenditures	\$9,839,798	\$6,882,118	\$7,036,023	\$7,196,451	\$7,354,800	\$7,519,923
Surplus (Deficit)	-\$942,493	\$512,875	\$365,999	\$212,631	\$61,376	-\$96,621

Financial Analysis Sandy Township Projections

- Deficits anticipated to start in 2023.
- Little revenue growth projected compared to anticipated increases in contractual wages and health care.
- Police Department costs and health care are each anticipated to rise by approximately \$250,000 from 2020 to 2025.

	2020	2021	2022	2023	2024	2025
	Budget	Projected	Projected	Projected	Projected	Projected
Total Revenues	\$4,488,115	\$4,525,405	\$4,535,940	\$4,546,548	\$4,557,227	\$4,567,980
Total Expenditures	\$4,486,422	\$4,430,620	\$4,522,090	\$4,614,545	\$4,713,033	\$4,804,808
Surplus (Deficit)	\$1,693	\$94,785	\$13,851	-\$67,998	-\$155,806	-\$236,829

The Case for Consolidation:

Sandy Township Taxes

- The township's General Fund property tax millage is 13 mills; the state Township Code cap is 14 mills.
- The township also levies special purpose millage that does not count towards the millage cap; the total millage amount is 18.25 mills.
- The township would be required to seek court approval for millage increases over 14 mills.
- Special purpose millage can only be used for its stated purpose; it cannot be used for General Fund expenditures like police.
 - Police are one of the largest cost centers for the township and projected to rise the most.
- The township is unable to raise any other tax rates to generate revenue because it is bound by limits in the Township Code and Act 511.



Financial Impacts



Financial Impacts:

Property Tax Reduction

- **Lower combined municipal tax millage**
 - Estimated 17.1 millage rate (updated) for new municipality.
 - Current rate is 23.5 mills in DuBois and 18.25 mills in Sandy Township.
 - Assumes elimination of over \$500,000 annually over time in duplicate position costs through attrition and buyouts.

Financial Impacts:

Lower Water and Sewer Utility Rates

- **Lower combined municipal utility rates for most township residents in addition to lower taxes**
 - All Sandy Township residents that receive sewer and/or water services through the township would now pay the city's lower rates.
 - Township residents billed directly by DuBois for water already pay rates lower than the city and township rates.
 - Treasure Lake residents receive water and sewer services from a private utility so those rates would not change. Property tax savings will still occur.
 - Some Sandy Township residents could see total annual savings in property taxes and utility rates of approximately \$400 based on the median assessed value of a home in the township.

Impacts for Treasure Lake Residents and Others Without Public Water and Sewer

- Lower Tax Rates
- Treasure Lake residents who receive water and wastewater services from Aqua America would see no impact on utility rates.
- Rates for Aqua America customers would continue to be set by the PUC.
- Residents with well water and/or on-lot septic systems will have property tax reduction due to the consolidation.
- Treasure Lake residents will experience lower real estate taxes under the report's assumptions.
- Treasure Lake would continue to operate as it does now as a gated community with the same municipal service level under the consolidated municipality.
- Private Assessments paid to Treasure Lake will not be affected by consolidation.



Other Consolidation Implications

**Other
Consolidation
Implications:**

**Economic
and
Community
Development
Advantages**

- Lower tax rates in DuBois and lower utility rates in Sandy Township = increased potential for residential and business development.
- Spur downtown revitalization through lower taxes.
- Tap into current renaissance in downtown apartment living for empty nesters and younger adults.
- More downtown residents = more businesses to serve that population.
- Residents seeking vibrant downtown but may want to live in less dense area.
- Additional capacity in a combined municipality could be used to hire a dedicated community and economic development director.
- Provides variety of environments (urban, suburban, rural), pricing levels and housing stock.
- Potential for more clout for grants as a bigger municipality.
- Each municipality brings significant assets including park and recreation facilities, timber and natural resources, and underutilized land for development.

Other Consolidation Implications:

Contributions to Long-Term Fiscal Health and Sustainability

- Savings over time from elimination of duplicate positions without service impacts (estimated \$500,000 in long-term savings in salaries alone).
- Potential to reduce health care expenditures through Sandy Township lower cost health insurance (estimated \$371,000).
- Savings would help to maintain or improve current service levels that could otherwise face cuts from projected deficits.
- Employees benefit from larger departments that have increased opportunities for advancement and specialization.

Other Consolidation Implications:

No Impact or
Assumed by
the New
Municipality

- Stormwater system management: PennDOT will continue maintenance of township roads.
- Existing debt: assumed by new municipality.
- Landownership and timber values: assumed by new municipality.
- DuBois Redevelopment Authority: assumed by new municipality.
- Hunting and discharge of firearms: no change.
- Other boundaries: no impact on other boundaries such as those for school district, mail delivery or county services.
- CDBG: the new municipality will receive a single appropriation based on municipal class. The combined municipality would receive the most CDBG funds under a city classification.
- Consider asking local state legislators for hold harmless CDBG funding during the transition to a single municipality.



Government Structure



Consolidation Agreement

The governing bodies shall within one year after certification enter into a consolidation agreement as follows:

- **Financial arrangements:**
 - Disposition of the assets of the existing municipalities
 - Liquidation of existing indebtedness of constituent municipalities
 - Assumption, assignment or disposition of existing liabilities
- **Develop transition plan and schedule for elected officers.**
- **Provide for common administration and uniform enforcement of ordinances.**
- **Provide for uniform tax system.**

The agreement shall mandate full implementation of the consolidation plan within four years following the date of certification.

Source: PA Boundary Change Law Section 737

Transition Process

- Officials take office the first Monday of January following the municipal election designated by the consolidation plan.
- Consolidated municipality begins to function when officials take office, and the former municipalities are abolished.
- Except for employees protected by tenure, civil service or collected bargaining, all appointed offices and positions are subject to the terms of the consolidation agreement.
- The joint agreement must provide for duplicate positions, varying employee contract lengths, different civil service regulations, differing ranks and position clarification.
- A new ordinance book must be used after the consolidation is effective.
- Codification must be completed within two years

Source: PA Boundary Change Law Sections 738, 739 and 740

Court Review

Any resident of the municipality to be consolidated may petition the Court of Common Pleas to order the appropriate municipal governing bodies to:

- Implement the terms of a transitional plan and schedule adopted pursuant to state boundary law; or
- Adopt or amend a transitional plan or schedule if the court finds that the failure to do so will result in the unreasonable perpetuation of the separate forms and classifications of government existing in the affected municipalities prior to the approval of the referendum.

Source: PA Boundary Change Law Section 741



Next Steps

Potential Milestones

- **November 2021**
 - Consolidation question is on the ballot
 - Requires majority vote of both electorates for approval
- **November 2022**
 - Within one year of approval the governing bodies of the municipalities create a consolidation agreement
- **November 2023**
 - Earliest potential election of new municipal officers
- **January 2024**
 - Earliest that new municipal officials can take office
- **November 2025**
 - Full implementation of the consolidation plan must take place within four years of certification of election

These dates are dependent upon a negotiated agreement and subject to change



Questions