

# City of DuBois and Sandy Township Consolidation Study

March 16, 2021



PENNSYLVANIA  
ECONOMY LEAGUE  
Information, Insight, Integrity.



# Consolidation Report Project Background and Overview

- 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.
- The report was focused on the feasibility of consolidation; high-level reviews of operations and finances were conducted in that context.
- The decision on whether and how to consolidate is a policy decision that will be made by the municipalities.
- The fire departments of the two municipalities are undergoing a separate study and are not part of this report.



# The Case for Consolidation



The Case for  
Consolidation:

# Financial Analysis Historical Trends

## City of DuBois General Fund Adjusted\*

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

## Sandy Township General Fund

	2015	2016	2017	2018	2019
<b>Sandy</b>	Actual	Actual	Actual	Actual	Actual
<b>Revenues</b>	\$4,039,739	\$4,146,652	\$4,124,042	\$4,212,537	\$4,547,613
<b>Expenditures</b>	\$3,676,679	\$4,292,399	\$4,667,034	\$4,352,369	\$4,383,482
<b>Surplus/(Deficit)</b>	\$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.

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

## 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
<b>Total Revenues</b>	\$4,488,115	\$4,525,405	\$4,535,940	\$4,546,548	\$4,557,227	\$4,567,980
<b>Total Expenditures</b>	\$4,486,422	\$4,430,620	\$4,522,090	\$4,614,545	\$4,713,033	\$4,804,808
<b>Surplus (Deficit)</b>	\$1,693	\$94,785	\$13,851	-\$67,998	-\$155,806	-\$236,829

## 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.

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.
- Township millage caps are lower than those for traditionally more dense urban areas; DuBois levies 23.5 mills and has a 30-mill cap.
- 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 range of 16.06 mills to 17.6 mills.
  - 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.
  - Estimated property tax savings of 25% in DuBois and up to 12% for Sandy township.

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.
  - Treasurer 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 over \$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 – Approximately 12% reduction.
- 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 status quo.
- 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: status quo.
- 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



## Government Structure:

# Home Rule Advantages

- The city of DuBois and Sandy Township operate under antiquated state codes for cities and townships.
- Home Rule
  - Residents develop their own local constitution.
  - Operate outside of state municipal code mandates.
- Residents would select a government structure for the consolidated municipality
  - Reflects community needs.
  - Function as a modern municipality.
- Decisions are made on the size of the governing body, how the municipality runs day-to-day, the number and type of elected officials and more.
- Tax structure could also be determined based on local needs as opposed to state municipal code.
- The recommendation is to remain a city in name to maximize CDBG funds.

Government  
Structure:

# Home Rule Advantages

## Tax Flexibility Example

- A slightly higher earned income tax only available under home rule would grow more naturally as people's wages increase.
- Potentially lessens or eliminates the need for property tax increases or can be used to lower property taxes.
- Retired individuals on fixed income would not pay a higher earned income tax but could benefit from a property tax decrease.
- Businesses also would benefit since they do not pay earned income tax.
- **Right now, increases on property taxes are the only way to obtain a higher amount of tax revenue since all other taxes are at their maximum levels under state codes.**



# Consolidation Case Studies



Consolidation Case  
Studies:

**Case  
Study  
Princeton,  
N.J.**

- One of the few successful consolidations with a somewhat larger population.
- Consolidation of Princeton borough (pop. 12,000) and Princeton township (pop. 16,000) passed on its fourth attempt.
- The state paid 20 percent of the \$2 million in transition costs.
- Three prior attempts failed but provided groundwork for success.
- Advisory planning districts created to provide residents a formal mechanism to be heard on proposals in their neighborhoods.
- Ordinances in the two communities that reflected a different approach were maintained, as was allowed under New Jersey state law.

Consolidation Case  
Studies:

**Case  
Study  
Princeton,  
N.J.**

- As of January 2013, the consolidation resulted in \$3.9 million in gross savings.
- Savings used to provide municipal trash pickups to township residents.
- Police department staffing dropped from 60 to 54, and overall staffing from 229 to 204.
- Despite less police officers, the combined department was able to reinstate units for traffic and safe neighborhood policing.
- Services like policing and snowplowing were improved by removing artificial municipal boundaries.
- Rate of growth in taxes slowed.



# Next Steps

# Timeline to Consolidation

## Next Steps:

Timeline Assumes  
Bi-Monthly Meetings of the  
Joint Committee

### **April 2021:**

- DuBois City Council and Sandy Township Board of Supervisors vote to authorize the formation of a Joint Committee made up of community and elected representatives

### **May 2021 to December 2021**

- Joint Committee creates a Joint Agreement and drafts Home Rule Charter (as applicable)
- Considerations for form of government, municipal name and boundaries, disposition of assets and assumption of debts, transition plan, language directing the treatment of fire protection within the consolidated municipality, etc.

### **December 2021 to January 2022**

- Governing bodies review and consider whether to put the Joint Agreement and Home Rule Charter (as applicable) on the May ballot

### **February 2022**

- Ballot question must be submitted to Board of Elections

### **Through May 2022**

- Public meetings held for comments on the ballot question

### **May 2022**

- Proposed date for public vote on consolidation

# Timeline to Consolidation

## Next Steps:

### Why May 2022?

- Home rule charter development is typically an 18-month process for a single municipality
- PEL does not recommend consolidating under outdated municipal codes that would not give the community an opportunity to develop a government structure that best fits the community's needs
- Using the current municipal codes in the interest of shortening the process would eliminate the opportunity for tax flexibility
- The consolidation adds the additional complications of developing a Joint Agreement on top of the already lengthy home rule process
- Consolidation also means the two municipalities with two different styles of government must come to consensus on the new form, which could take time
- Given the complexity and the typical length of time for the process, PEL would normally recommend November 2022 but understands the sense of urgency
- The May 2022 date already assumes an aggressive timetable of bimonthly meetings



# Questions and Public Comment