CITY OF SCRANTON

5-YEAR FINANCIAL PROJECTION REPORT

AUGUST 2026

PENNSYLVANIA ECONOMY LEAGUE

Pennsylvania Economy League, Central PA, LLC
Camp Hill, PA

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Executive Summary

In 2025, the Pennsylvania Economy League, Central Division ("PEL") commenced an analysis of the financial condition of Scranton City. The goal of the analysis was to review the City's historical and current financial performance and to provide future financial projections.

The analysis involved a review of the City's financial reports, independent audits, debt payment schedules, pension obligations, the 2025 and 2026 operating budgets, other fiscal data, and additional relevant information and factors that may affect the current and future financial condition of the City, including sociodemographic data. Furthermore, PEL staff participated in direct discussions with City officials.

During this project, PEL:

- Analyzed the City's financial history from 2020 through 2024 focusing on such factors as revenues, expenditures, tax base, operating positions, and debt structure.
- Examined the 2025 operating budget's performance and the City's adopted 2026 operating budget in relation to ongoing operations, salary and benefit requirements and other obligations of the City.
- Reviewed all tax bases and revenues, major user fees and other revenue sources.
- Projected, to the extent possible based on known factors and available data, revenues, and expenditures for 2026 through 2030 assuming continuation of obligated levels of wages and operations, existing revenue patterns and other operating trends.

The result of PEL's analysis is this 5-Year Financial Projection Report ("Report"). PEL acknowledges and appreciates the full cooperation of all who contributed to the preparation of this Report, including the City's elected officials and staff. The analysis could not have been successfully completed without their assistance.

Demographics

The City experienced a substantial population loss from its historic high decades ago, however, its population has stabilized in recent years. Meanwhile, the City's population has become more diverse, particularly in terms of the Hispanic population. The working age population remains strong at close to 60 percent of the total population, with the remainder spread evenly between those under 18 and over 65. However, resident deaths continue to outpace resident births, so migration into the City has been a large factor in stabilizing the population.

In terms of housing, the majority of the City's owner-occupied housing units date to pre-1940. The number of vacant units has increased since 1990. Both conditions can lead to blight and lower housing values, impacting property assessment and the tax base, which has stagnated or decreased in recent years.

Wealth measurements show that the City's owner-occupied housing values and median household income are both lower than the Commonwealth of Pennsylvania ("Commonwealth") and Lackawanna County. The City has a higher percentage of the population in poverty, a lower number of residents with a bachelor's degree or higher, and a lower employment rate than both the Commonwealth and Lackawanna County.

The City, whose total population is less than Allentown, Reading and Bethlehem but higher than Lancaster, has the highest percentage of White and Asian residents and the least amount of Black and Hispanic residents. Scranton was the only municipality in a five-city comparison to experience a population loss from 1990 to 2023. Scranton was second to last on wealth measurements for median household income and median value of an owner-occupied house. Scranton also had the highest poverty rate of the five cities and was in the middle for education level.

Historical Financials

The General Fund review reflects a turnaround from Scranton's historically distressed position. After facing near bankruptcy in 2012, the City has made measurable progress in restoring structural balance, strengthening internal controls, rebuilding reserves, and reducing reliance on one-time revenues and short-term borrowing. These improvements are evident in several years of operating surpluses, declining dependence on Tax and Revenue Anticipation Notes (TRANs), and a reduction in outstanding debt obligations.

Most notably, the City's improved financial performance was formally recognized in January 2026, when S&P Global Ratings upgraded Scranton's credit rating to A- with a stable outlook, the highest rating the City has achieved in decades. This upgrade followed a prior increase to BBB+ with a positive outlook in March 2024, and the City's return to investment-grade status in 2023 for the first time since 2011.

S&P cited improved budgetary performance, stronger reserves, enhanced financial management practices, a reduced debt burden, and a more stable tax base as key factors driving the rating action. The improved bond rating positions the City to access capital markets at more favorable interest rates, lowering long-term borrowing costs and expanding capacity for infrastructure investment.

The City also officially exited the Act 47 program for municipal distress during the historical review period. The exit, on January 25, 2022, came after 30 years of operating under Act 47.

Against this backdrop, Chapter 2 examines the underlying financial trends that contributed to this recovery, including revenue composition and growth, expenditure patterns across departments, debt reduction efforts, and the City's progress toward long-term fiscal sustainability.

Projections

The projections present the City's five-year General Fund financial forecast, reflecting both progress and challenges that will require proactive policy attention. On the positive side, revenues are projected to grow modestly through 2030, supported primarily by earned income tax growth, likely stable real estate tax collections following reassessment, and increases in state pension aid.

The City also enters the Projection Period with a comparatively strong fund balance, the result of prior operating surpluses and improved fiscal discipline, providing an important short-term buffer against fiscal volatility.

Despite the City's relatively stable revenue outlook, the financial projections exhibit a structural imbalance emerging as early as 2027, when expenditures begin to outpace revenues and annual operating deficits are projected to grow, driven primarily by personnel-related costs. Public safety expenditures are a central factor in this trend. Police and fire services alone are projected to account for more than half of General Fund expenditures by 2030, with combined costs increasing by approximately $8 million over the five-year period. These increases reflect contractual obligations, rising healthcare and pension costs, and the labor-intensive nature of maintaining essential emergency services.

In addition, the City's outlook must be viewed within the broader context of municipal finance in Pennsylvania. Under the Commonwealth's local government tax system, it is very common for cities to experience relatively flat or slow-growing revenues while expenditures rise annually by approximately 2 to 3 percent.

Limited local taxing authority, statutory constraints, and reliance on economically sensitive revenue sources mean that most Pennsylvania cities face persistent structural pressure even during periods of economic stability. The City's projected financial challenges are therefore not unusual, but rather reflective of statewide trends affecting cities of similar size and service responsibilities.

The findings underscore the importance of deliberate financial planning to preserve core services while maintaining fiscal sustainability over the long term.

Observations and Best Practices

The City enters the Projection Period with important strengths. Through sustained fiscal discipline, the City has restored investment-grade credit ratings, stabilized tax rates, rebuilt reserve balances, and strengthened financial controls. These outcomes reflect responsible City governance across multiple budget cycles and provide the City leaders with credibility, flexibility, and options that were not available in prior years.

The best practices included in this Report are intended to assist the City preserve recent fiscal gains while managing emerging, structural challenges. The best practices are grounded in a review of the City's financial history, the financial projections, operational practices, statutory constraints, and PEL's institutional knowledge of the City. The best practices included in this Report are non-prescriptive and are intended to assist the City manage its future fiscal realities in a measured and practical manner.

Several best practices emphasize incremental and balanced approaches—such as moderate, needs-based tax adjustments, proactive legislative advocacy, and diversified revenue strategies—to avoid abrupt changes that could burden taxpayers or disrupt services.

Others focus on internal improvements, including workforce modernization, cross-training, and the efficient use of technology, to ensure the City can "do more with less" as costs continue to rise. Many of the best practices also reflect existing City best fiscal practices that should be continued by the City including economic and community development activities that preserve and expand the City's tax base.

Collectively, the best practices reflect a forward-looking effort to protect the financial progress the City has achieved, minimize the risk of future fiscal stress, and promote the City's fiscal sustainability in an uncertain future.

Chapter 1
Government Structure and Demographics

In 2025, the Pennsylvania Economy League, Central Division (PEL) commenced an analysis of the financial condition of Scranton City. The goal of the analysis was to review the City's historical and current financial performance and to provide future financial projections.

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Government Overview

Introduction

The existence of municipal governments in Pennsylvania is authorized by the Pennsylvania Constitution and state law. All land within the Commonwealth of Pennsylvania is incorporated by law as a municipality with its own government. The primary types or classifications of municipal governments includes counties, cities (first class, second class, second class A or third class), boroughs, and townships (first class or second class).

Municipal governments in Pennsylvania are the principal providers of direct public services to citizens. The public services provided by the City include, among others, police and fire protection, construction and maintenance of roadways and bridges, street lighting, parks and recreation facilities and programs, planning and zoning activities, enforcement of building and related codes, storm water management, solid waste collection and disposal, and recycling.

Location and History

Scranton was incorporated as a City on April 23, 1866, with a population of 35,000. The 25-square-mile City is located in Lackawanna County and is the largest municipality in northeastern Pennsylvania. Scranton also serves as the county seat for Lackawanna County.

Following the City's incorporation, the City became a major commercial City—a center of mining, railroads and industry—and attracted thousands of new immigrants. By the mid-1930s, the City's population had swelled beyond 140,000 due to growth in the mining and railroad industries. After World War II, coal lost favor to oil and gas as a heating fuel and manufacturing moved to lower labor cost areas of the United States and overseas. The City's population began a downward trend at this time.

The City's population decline stabilized in the late 20th Century. The City's economy evolved from its industrial and resource narrative into a modern knowledge and service-oriented economy. The City hosts several institutions of higher education, including the Geisinger Commonwealth School of Medicine. The City also found new fame which is producing a new source of tourism with the popular television comedy *The Office*.

Government Structure

The City is currently governed by a home rule charter adopted by the City's voters in a referendum on May 21, 1974. The Home Rule Charter of Scranton became effective on January 5, 1976. Under the Home Rule Charter, the mayor and council jointly are the governing body of the City. The governing powers are divided between executive and legislative branches.

The executive branch is headed by a mayor elected at large for a four-year term. The mayor has, among other powers, the power to veto ordinances and resolutions passed by council, negotiate contracts, and draft and propose to council an annual operating budget and an annual capital budget. The mayor appoints a business administrator with the advice and consent of the council. The business administrator is responsible for supervising the administration of the City's adopted operating budget. All operating department supervisors report to the business administrator who also serves as the Director of the Department of Administration.

The legislative branch is a council that consists of five members elected at large in staggered four-year terms. The City Council appoints a City clerk who is responsible for giving notice of council meetings and keeping a journal of its proceedings. The council is required to meet once a week in regular session. All official and final action is taken by a majority vote of council. Ordinances or resolutions only become effective upon being signed by the mayor or when passed by an extraordinary majority over the mayor's veto. The council may adopt the mayor's proposed budgets with or without amendments. If the council does not adopt a budget by December 15th the mayor's proposed budget becomes the City's official budget for the ensuing year. The City's fiscal year commences on January 1 and ends on December 31.

The voters of the City also elect a City controller for a four-year term. The City controller is responsible for maintaining accounting systems for the City government and for examining and approving all contracts, purchase orders and other financial obligations for the City.

Act 47 Designation

Pursuant to the Commonwealth of Pennsylvania's Municipalities Financial Recovery Act, Act 47 of 1987, as amended, on January 10, 1992, the City was declared a financially distressed municipality by a Departmental Order of the Secretary of the then Department of Community Affairs (now Department of Community and Economic Development—"DCED"). The Pennsylvania Economy League, Central, was subsequently appointed the Act 47 coordinator for the City.

The coordinator prepared and the City adopted its original Act 47 Recovery Plan in 1992 and the City adopted subsequent Recovery Plan amendments prepared by the coordinator in 1995, 2002, 2012 and 2015.

The coordinator, in conjunction with City officials, prepared a three-year exit plan for the City in 2017 which recommended that the City exit the Act 47 program in July 2020. However, the COVID-19 pandemic caused the Commonwealth to extend the City's time under Act 47 exit plan by 18 months. On January 25, 2022, the City officially exited the Act 47 program.

Overview of Government Services

In addition to the elected and appointed officials noted above, the City government serves its residents with 10 major City departments. Public safety services are provided 24/7 by City Police and Fire departments. The full-time Public Works department provides a full range of road and street services and related public works tasks, as well as collecting residential garbage and recycling.

The Office of Economic and Community Development administers U.S. Housing and Urban Development entitlement funds and conducts economic and community development activities on behalf of the City.

The City has an extensive parks and recreation system including over 30 parks, fields, Little League fields, several pools, a splash pad, and related facilities throughout the City.

Residents and businesses are also served by full-time code enforcement, zoning and planning departments.

Other main City departments and bureaus include treasury, human resources, information technology, building maintenance, and law.

Taxes and Fees

The property tax rate for the City is 6.35095 mills in 2026. The earned income tax rate for residents is 2.4 percent, the local services tax is $156 ($5.00 to Scranton School District), and the realty transfer tax is 2.2 percent.

Other City taxes and fees include a payroll preparation tax rate of 0.2787; 5 percent tax on amusements; and $300 annual refuse fee. The payroll preparation tax replaced a 1 mill mercantile/business privilege tax in 2022.

Demographic and Economic Analysis

Introduction

The remainder of this Chapter analyzes historical City demographic and economic patterns. The City's demographic and economic statistical information is compared to similar statistical information for Lackawanna County, the Commonwealth of Pennsylvania ("Commonwealth") and to the cities of Allentown, Reading, Bethlehem, and Lancaster.

The historical data from this section has been drawn from the U.S. Census and the five-year American Community Survey (ACS). Data from 2023 is from the five-year ACS covering the years Jan.1, 2019 through Dec. 31, 2023, and the one-year ACS collected from Jan. 1, 2023, through Dec. 31, 2023. For details on how the ACS differs from the U.S. Census, go to https://www.census.gov/programs-surveys/acs/about/acs-and-census.html

Population

The City's population peaked in 1930 at 143,433, declining to 76,074 in 2023. Generally, the population has been stable at approximately 76,000 for the last two decades, roughly half of its historical peak. Lackawanna County's population fell to 213,295 but has slightly increased over the past two decades. Both the City and Lackawanna County have less population than they did 50 years ago.

Table 1-1 Population in Scranton and Lackawanna County, 1970 to 2023

							Change 1970 - 2023	
	1970	1980	1990	2000	2010	2023	#	%
City of Scranton	103,564	88,117	81,805	76,415	76,089	76,074	-27,490	-26.5
Lackawanna County	234,107	227,908	219,039	213,295	214,437	215,834	-18,273	-7.8

Figure 1-1 Population in Scranton and Lackawanna County, 1970 to 2023

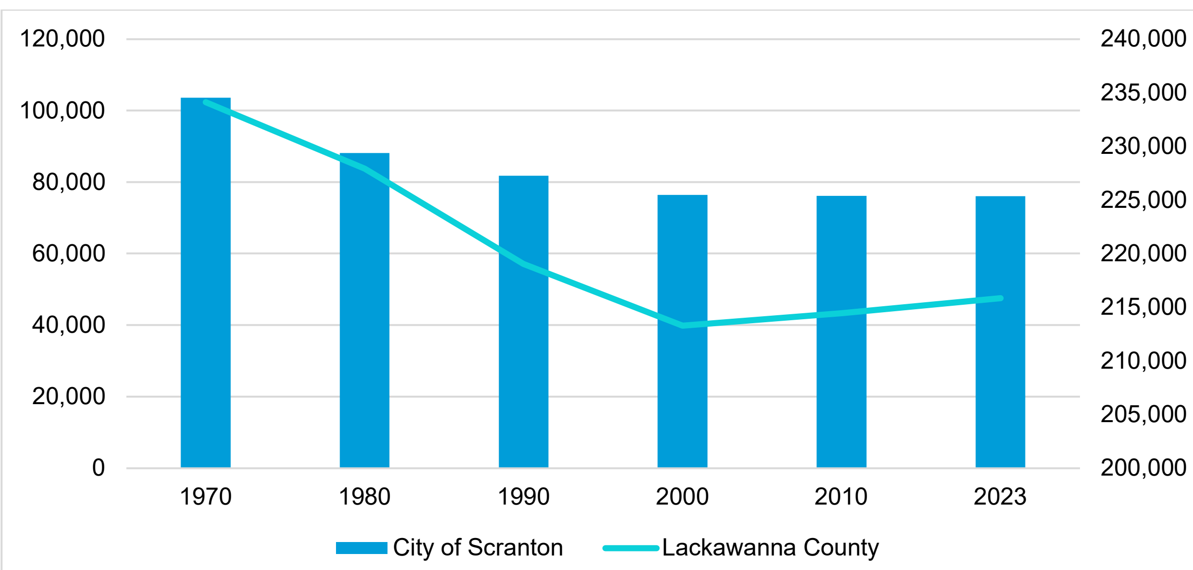
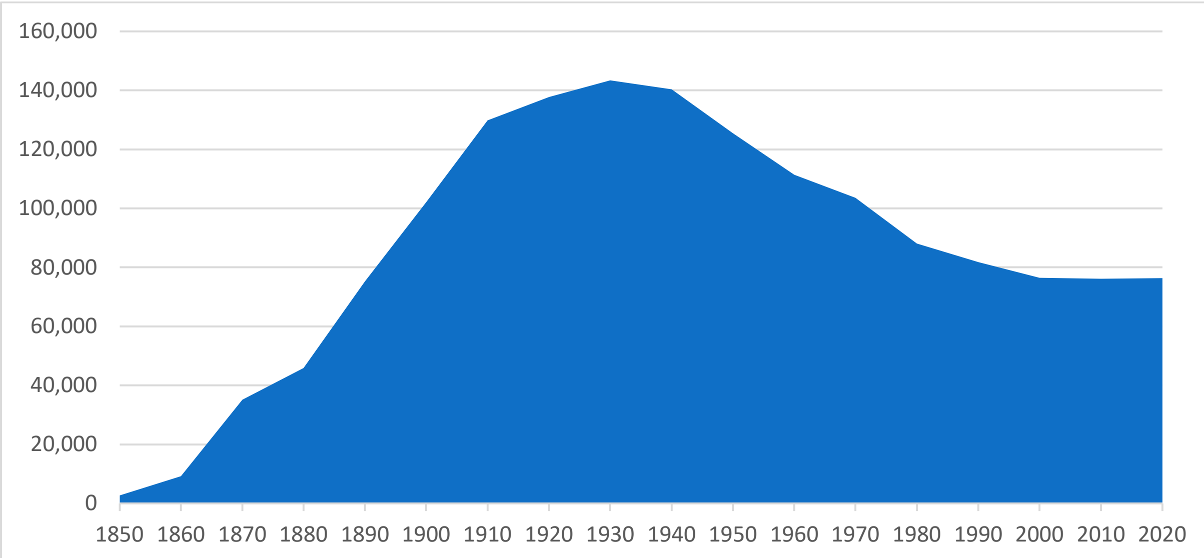


Figure 1-2 Scranton Historical Population, 1850 to 2020 Decennial Census



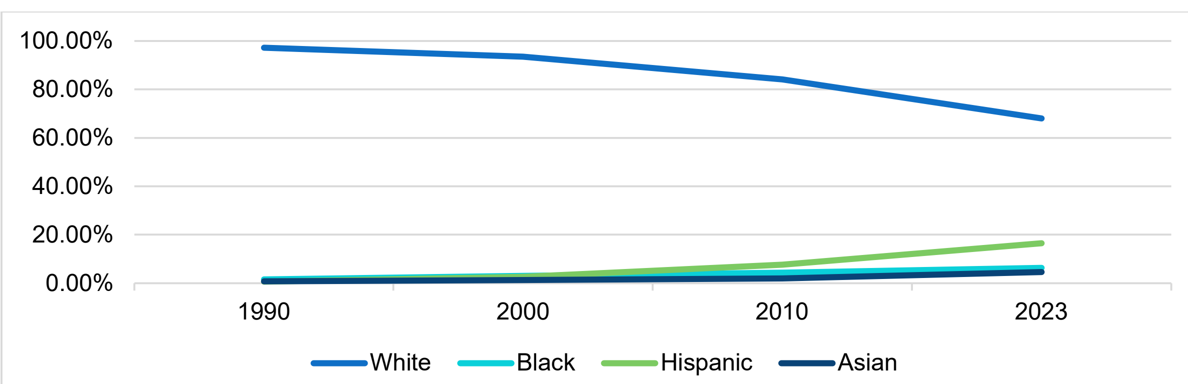
Population by Race and Hispanic or Latino Origin

The City's population has become much more diverse in the last three decades. The Hispanic population has risen to almost 17 percent of the total, with the Black population at 6.4 percent and the Asian population at 4.7 percent. The White population has fallen to 68 percent of the total in 2023 from over 97 percent in 1990.

Table 1-2 Percentage of White, Black, Asian and Hispanic or Latino (One Race), 1990 to 2023

	1990	2000	2010	2023
White	97.20%	93.50%	84.10%	68.00%
Black	1.60%	3.00%	4.30%	6.40%
Hispanic	0.70%	2.60%	7.70%	16.50%
Asian	0.90%	1.30%	2.00%	4.70%

Figure 1-3 Percentage of White, Black, Asian and Hispanic or Latino (One Race), 1990 to 2023



Population by Age

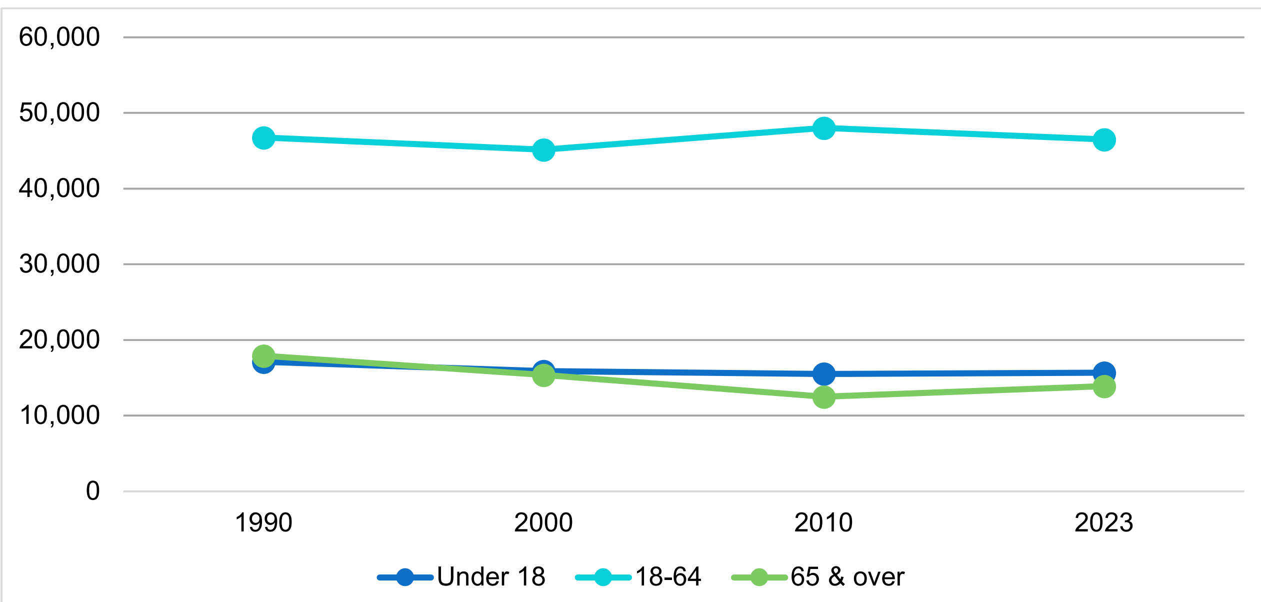
The City's working age population has remained solidly in the mid-40,000 range since 1990 at approximately 60 percent of the total. The under age 18 and the 65 and over population each make up about 20 percent.

The working age population generally supplies a significant proportion of tax revenue, primarily through property and earned income taxes. The under age 18 population can serve as a "feeder" population for the City. Those over age 65 are more likely to be on a fixed income and not pay City earned income tax.

Table 1-3 Scranton Population by Age, 1990 to 2023

	Total Population						Percent of Total			
Age Group	1990	2000	2010	2023	Change 1990-2023		1990	2000	2010	2023
	#	#	#	#	#		%	%	%	%
Under 18	17,129	15,877	15,538	15,660	-1,469		20.9	20.8	20.4	20.6
18-64	46,747	45,175	48,041	46,505	-242		57.1	59.1	63.1	61.1
65 & over	17,929	15,363	12,510	13,909	-4,020		21.9	20.1	16.4	18.3
Total Population	**81,805**	**76,415**	**76,089**	**76,074**	**-5,731**		**100.0**	**100.0**	**100.0**	**100.0**

Figure 1-4 Scranton Population by Age, 1990 to 2023



Net Migration

Since 1990, the City has experienced more deaths than births. In addition, emigration played a factor in the population decline from 1990 to 1999. However, over the next 20 years, migration into the City has increased, resulting in the aforementioned City population stabilization.

Table 1-4 Scranton Net Migration, 1990 to 2023

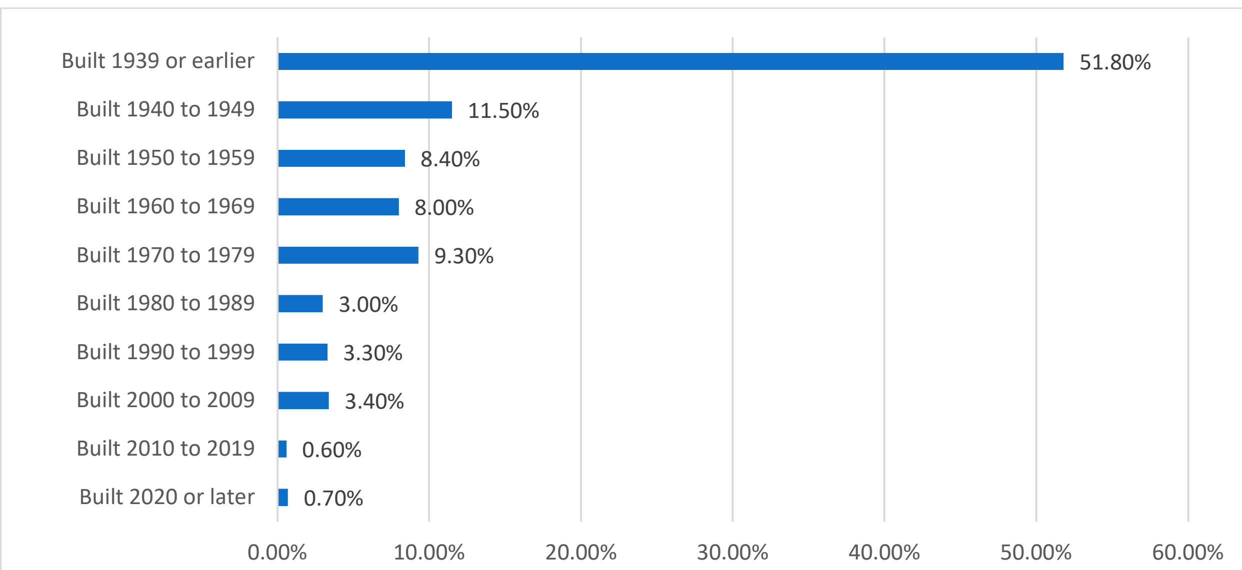
	1990 to 1999	2000 to 2009	2010 to 2023	1990 to 2023
Total Population (start)	81,805	76,415	76,089	81,805
Total Population (end)	76,415	76,089	76,074	76,074
Total Population Change (a)	**-5,390**	**-326**	**-15**	**-5,731**
Births	9,439	9,086	12,150	30,675
Deaths	12,205	11,556	14,297	38,058
Natural Pop. Change (b)	**-2,766**	**-2,470**	**-2,147**	**-7,383**
Net Emigration/Migration (a minus b)	**-2,624**	**2,144**	**2,132**	**1,652**

Housing

Age of Housing

Over 50 percent of the City's housing was built prior to pre-1940. Older housing units can be more prone to blight and often have lower value than newer housing units.

Figure 1-5 Scranton Age of Housing Stock by Percent of Total



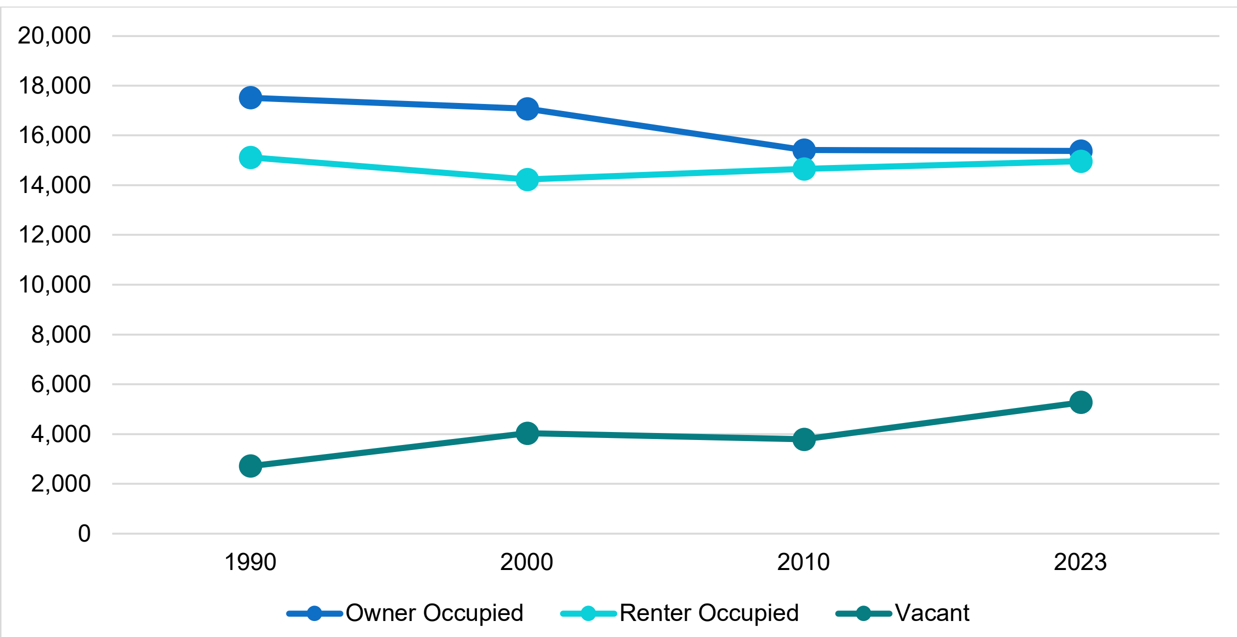
Owner Occupied, Renter Occupied and Vacant Housing Units

The total number of owner-occupied homes in the City has declined since 1990, while the total number of renter-occupied homes has decreased slightly since 1990. The percentage of owner-occupied homes now almost equals the percentage of renter-occupied homes. The total number of vacant housing units has almost doubled since 1990.

Table 1-5 Owner occupied, renter occupied and vacant housing in Scranton, 1990 to 2023

	Total Housing Units					Percent of Total			
	1990	2000	2010	2023	Change 1990-2023	1990	2000	2010	2023
	#	#	#	#	#	%	%	%	%
Owner Occupied[1]	17,515	17,072	15,419	15,377	-2,138	49.5	48.3	45.5	43.2
Renter Occupied	15,122	14,231	14,650	14,965	-157	42.8	40.3	43.3	42.0
Total Occupied	**32,637**	**31,303**	**30,069**	**30,342**	**-2,295**	**92.3**	**88.6**	**88.8**	**85.2**
Vacant	2,720	4,033	3,784	5,281	2,561	7.7	11.4	11.2	14.8
Total Units	**35,357**	**35,336**	**33,853**	**35,623**	**266**	**100.0**	**100.0**	**100.0**	**100.0**

Figure 1-6 Owner occupied, renter occupied and vacant housing units in Scranton, 1990 to 2023



[1] The Census Bureau defines an owner-occupied house as a housing unit where the owner or co-owner lives, regardless of whether the home is fully paid for or has a mortgage. This classification applies to units with owners living in them, including mobile homes occupied by owners with installment loan balances. It contrasts with renter-occupied units, where the owner of the property does not live in the unit.

Group Quarters

Over 5,000 City residents live in group quarters[2], including 2,865 college students in dormitories.

Table 1-6 Population living in group quarters, 2020 Decennial Census

Type	Population
Correctional facilities for adults	1,019
Nursing facilities/Skilled-nursing facilities	1,248
Other institutional facilities	25
Total Institutionalized Population	**2,292**
College/University student housing	2,865
Other noninstitutional facilities	730
Total Noninstitutionalized Population	**3,595**
Total Group Quarters	**5,887**

Median Housing Value of an Owner-Occupied Home

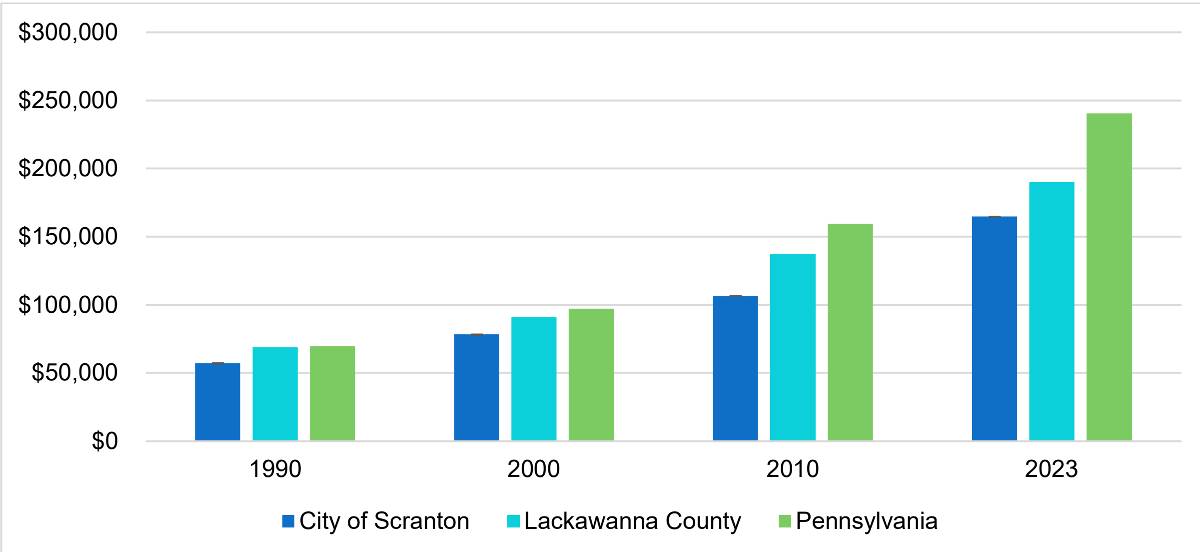
The median value of an owner-occupied home in the City is less than both Lackawanna County and the Commonwealth. The gap in values, particularly with the Commonwealth, has been increasing. The median housing value in the City grew by 188.4 percent, while Lackawanna County grew by 175.6 percent and the Commonwealth by 245.1 percent.

Table 1-7 Median Housing Value of an Owner-Occupied Home, Scranton, Lackawanna County and Pennsylvania, 1990 to 2023

					Change 1990 - 2023	
	1990	2000	2010	2023	$	%
City of Scranton	$57,100	$78,200	$106,300	$164,700	107,600	188.4
Lackawanna County	$68,900	$91,100	$137,100	$189,900	121,000	175.6
Pennsylvania	$69,700	$97,000	$159,300	$240,500	170,800	245.1

[2] The Census Bureau classifies all people not living in housing units as living in group quarters. A group quarters is a place where people live or stay, in a group living arrangement, that is owned or managed by an entity or organization providing housing and/or services for the residents.

Figure 1-7 Median Housing Value of an Owner-Occupied Home, Scranton, Lackawanna County and Pennsylvania, 1990 to 2023



Income

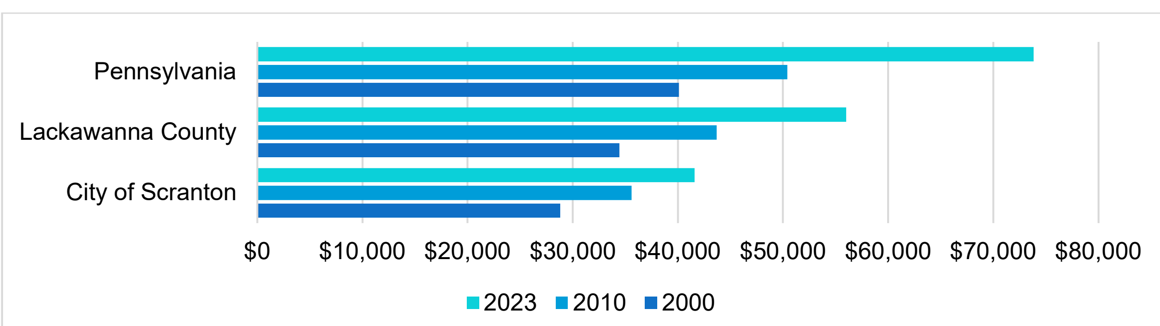
Median Household Income

Like housing value, median household income in the City is lower than Lackawanna County and the Commonwealth. Median household income grew by 44.4 percent in the City from 2000 to 2023. Lackawanna County and the Commonwealth grew by 62.6 percent and 84.1 percent, respectively.

Table 1-8 Median Household Income in Scranton, Lackawanna County and Pennsylvania, 1990 to 2023

				Change 2000-2023	
	2000	2010	2023	$	%
City of Scranton	$28,805	$35,606	$41,601	12,796	44.4
Lackawanna County	$34,438	$43,673	$56,002	21,564	62.6
Pennsylvania	$40,106	$50,398	$73,824	33,718	84.1

Figure 1-8 Median Household Income in Scranton, Lackawanna County and Pennsylvania, 1990 to 2023



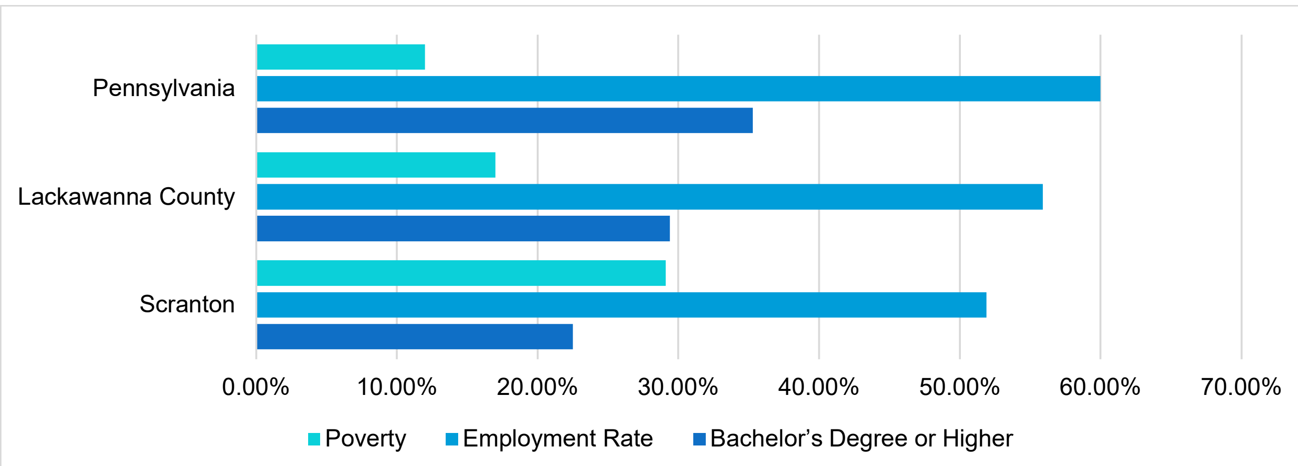
Education, Employment, Poverty

Current measures show that City residents have less post-secondary education and experience a higher proportion of people in poverty than both Lackawanna County and the Commonwealth. The City's employment rate is also below Lackawanna County and the Commonwealth.

Table 1-9 Education, Employment and Poverty, 2023

	Bachelor's Degree or Higher	Employment Rate[3]	Poverty[4]
Scranton	22.5%	51.9%	29.1%
Lackawanna County	29.4%	55.9%	17.0%
Pennsylvania	35.3%	60.0%	12.0%

Figure 1-9 Poverty, Employment Rate, Bachelor's Degree or Higher, Scranton, Lackawanna County, and Pennsylvania, 2023



[3] The U.S. Census Bureau uses a different approach than the Bureau of Labor Statistics (BLS) for the employment rate, defining it as the employment-to-population ratio (EPR), which is the number of employed people as a percentage of the noninstitutionalized civilian population. This metric reflects the percentage of the eligible, non-institutionalized population that is currently working and includes those who are not looking for work, unlike the employment rate definition used by the BLS.

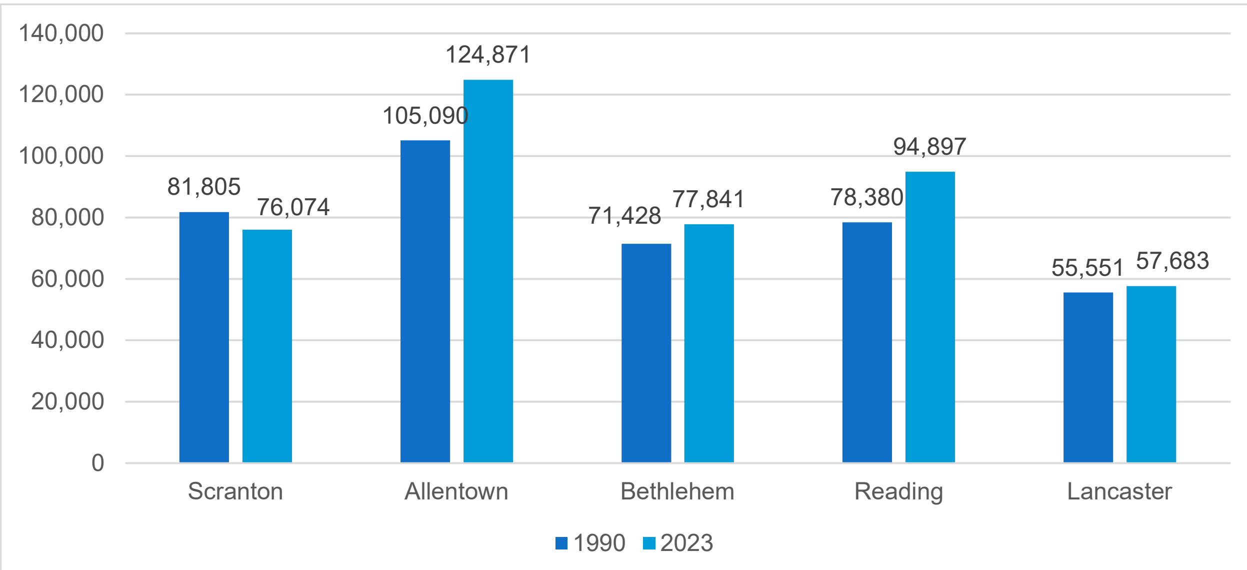
[4] The Census Bureau defines an individual as being in poverty if their income falls below a federally established poverty threshold, which is adjusted annually for inflation and varies by family size. For 2023, the U.S. Census Bureau's poverty threshold was approximately $30,900 for a family of four, with around $15,480 for an individual.

Municipal Comparison

Population

Scranton's population was compared with the Pennsylvania cities of Allentown, Bethlehem, Reading and Lancaster. In 1990, Scranton had the second highest population among the five cities. However, by 2023, Scranton's population was the second lowest, behind Allentown, Reading and Bethlehem but ahead of Lancaster. Scranton was the only comparison city to experience a drop in population between 1990 and 2023.

Figure 1-10 Population in Scranton, Allentown, Bethlehem, Reading and Lancaster,1990 and 2023



Race and Ethnicity

The City of Scranton had the largest percentage of White residents at 68 percent, with Bethlehem next at 55.3 percent. Reading had the least amount of White residents. Scranton also had the highest percentage of Asian residents at 4.7 percent, with Reading the lowest at 0.68 percent.

Scranton had the lowest percentage of Black residents at 6.4 percent, while Lancaster had the highest percentage at 12.2 percent.

Although the Hispanic/Latino population has greatly increased in Scranton, it is still the lowest of the comparison cities at 16.5 percent. The highest percentage is in Reading at 68.6 percent.

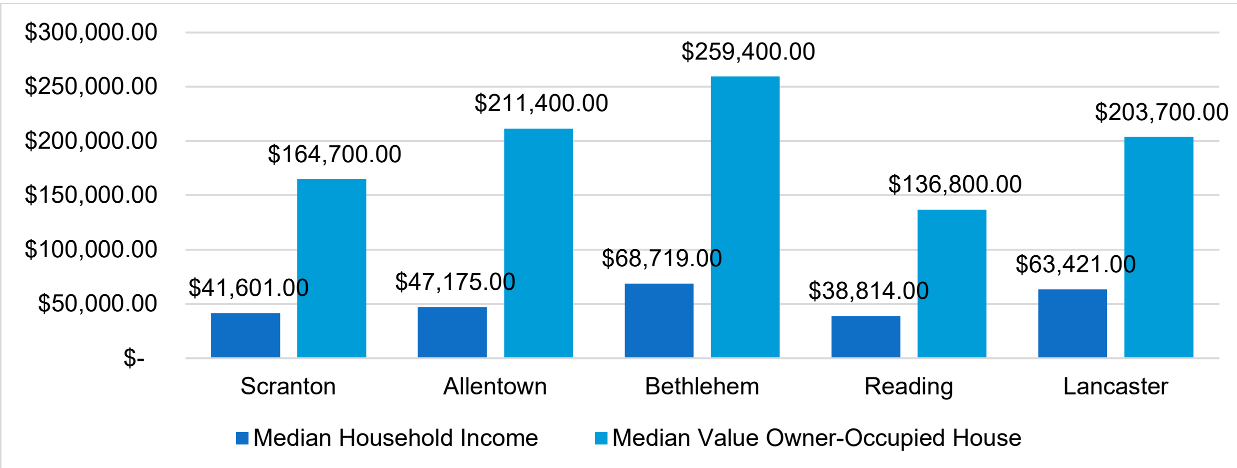
Table 1-10 Race and Ethnicity of Comparable Cities, 2023

	Allentown, PA	Bethlehem, PA	Lancaster, PA	Reading, PA	Scranton, PA
Not Hispanic or Latino:	46.17%	70.58%	57.17%	31.39%	83.54%
White	30.01%	55.30%	38.23%	20.31%	67.99%
Black	10.98%	8.40%	12.16%	7.83%	6.35%
Asian	2.48%	3.20%	2.78%	0.68%	4.66%
Hispanic or Latino	53.83%	29.42%	42.83%	68.61%	16.46%

Wealth Measurements

Scranton's wealth measurements for median household income and median value of an owner-occupied house are on the low side of the comparison cities. Scranton's median housing values and household income were second from the bottom, only exceeding Reading on both wealth measurements. Bethlehem had the highest wealth measurements.

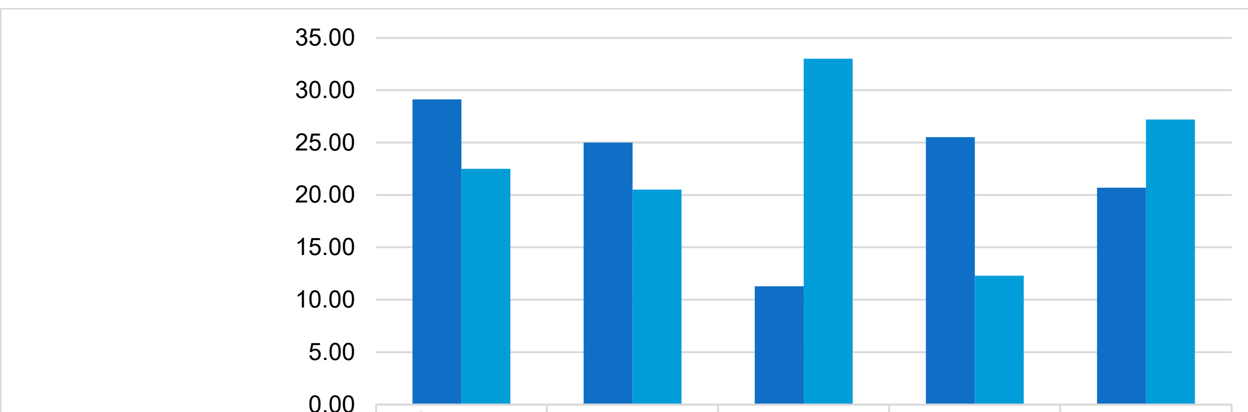
Figure 1-11 Median Household Income and Median Value of an Owner-Occupied House, 2023



Poverty & Education

Scranton had the highest poverty rate of the comparison cities, while Bethlehem had the lowest poverty rate. Scranton was in the middle of the comparison cities in terms of education.

Figure 1-12 Poverty Rate and Bachelor's Degree or Higher in Comparison Cities, 2023



	Scranton	Allentown	Bethlehem	Reading	Lancaster
Poverty Rate	29.10	25.00	11.30	25.50	20.70
Bachelor's Degree or higher	22.50	20.50	33.00	12.30	27.20

Summary

The City experienced a substantial population loss from its historic high decades ago, however, its population has stabilized in recent years. Meanwhile, the City's population has become more diverse, particularly in terms of the Hispanic population. The working age population remains strong at close to 60 percent of the total population, with the remainder spread evenly between those under 18 and over 65. However, residents' deaths continue to outpace resident births, so migration into the City has been a large factor in stabilizing the City's population.

In terms of housing, the majority of the City's owner-occupied housing units date to pre-1940. The number of vacant units has increased since 1990. Both conditions can lead to blight and lower housing values, impacting property assessment and the tax base, which has stagnated or decreased in recent years.

Wealth measurements show that the City's owner-occupied housing values and median household income are both lower than the Commonwealth and Lackawanna County. The City has a higher percentage of the population in poverty, a lower number of residents with a bachelor's degree or higher, and a lower employment rate than the Commonwealth and Lackawanna County.

Scranton, whose total population is below Allentown, Reading and Bethlehem but higher than Lancaster, has the highest percentage of White and Asian residents and the least amount of Black and Hispanic residents. Scranton was the only municipality in the five-city comparison to experience a population loss from 1990 to 2023. Scranton was second to last on wealth measurements for median household income and median value of an owner-occupied house. Scranton also had the highest poverty rate of the five cities and was in the middle for education level.

Chapter 2
Historical Financials
2020-2025

Introduction

The General Fund review presented in this Chapter reflects a turnaround from Scranton's historically distressed position. After facing near bankruptcy in 2012, the City has made measurable progress in restoring structural balance, strengthening internal controls, rebuilding reserves, and reducing reliance on one-time revenues and short-term borrowing. These improvements are evident in several years of operating surpluses, declining dependence on Tax and Revenue Anticipation Notes (TRANs), and a reduction in outstanding debt obligations.

Most notably, the City's improved financial performance was formally recognized in January 2026, when S&P Global Ratings upgraded Scranton's credit rating to A- with a stable outlook, the highest rating the City has achieved in decades. This upgrade followed a prior increase to BBB+ with a positive outlook in March 2024, and the City's return to investment-grade status in 2023 for the first time since 2011.

S&P cited improved budgetary performance, stronger reserves, enhanced financial management practices, a reduced debt burden, and a more stable tax base as key factors driving the rating action. The improved bond rating positions the City to access capital markets at more favorable interest rates, lowering long-term borrowing costs and expanding capacity for infrastructure investment.

The City also officially exited the Act 47 program for municipal distress during the historical review period. The exit, on January 25, 2022, came after 30 years of operating under Act 47.

Against this backdrop, Chapter 2 examines the underlying financial trends that contributed to this recovery, including revenue composition and growth, expenditure patterns across departments, debt reduction efforts, and the City's progress toward long-term fiscal sustainability.

Financial Review 2020-2024

PEL compiled this review of the City of Scranton's General Fund financials through analysis of year-end financial reports, independent audits, annual budgets, salary and benefit data, pension obligations and other financial obligations, as well as interviews with City officials. This review of the City's financials covers the fiscal years 2020 through 2024 (the "Financial Review Period").

The Financial Review Period occurs during the 2020 COVID-19 pandemic, which impacted both revenues and expenditures. In addition, the City changed its financial accounting system in 2020-21. These events may lead to reporting variances in some accounts.

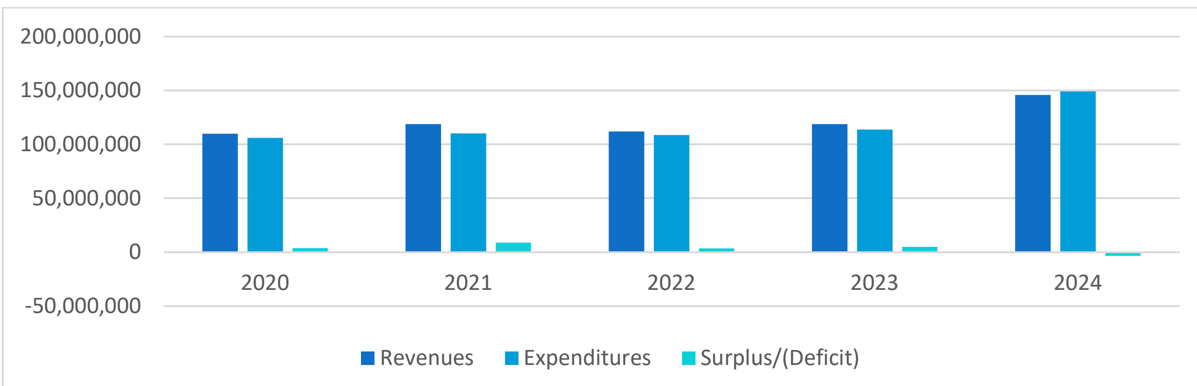
The City's General Fund performed strongly through the bulk of the historical review period, as the City experienced operating budget surpluses from 2020 through 2023. Surpluses ranged from a high of $8.6 million in 2021 to a low of $3.5 million in 2022. The City ended the Financial Review Period with a $3.3 million deficit in 2024.

The primary factor driving the City's 2024 operating deficit is the $3.2 million in expenses incurred in 2024 that were required to complete the 2018 Federal Emergency Management Agency ("FEMA") flood control project. In addition, State grant reimbursements for other City capital project expenses in 2024, including a $1,500,000 Redevelopment Assistance Capital Program grant ("RACP") for the City Hall restoration project, were not received in fiscal year 2024. The City anticipates reimbursement for the RACP and the FEMA expenses in the near future (see Table 2.1 and Figure 2.1).

Table 2.1 Revenues, Expenditures and Surplus/(Deficit), 2020 to 2024[5]

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Revenues	109,893,307	118,751,776	112,089,211	118,699,444	145,808,858
Expenditures	106,135,764	110,061,838	108,617,550	113,698,925	149,125,781
Surplus/(Deficit)	3,757,543	8,689,938	3,471,661	5,000,519	-3,316,923

Figure 2.1 Revenues, Expenditures and Surplus/(Deficit), 2020 to 2024



To provide a clearer picture of the City's core operating budget performance, Table 2.2 removes one-time, non-recurring revenues and expenditures including bond and loan proceeds and Tax and Revenue Anticipation Note ("TRAN") revenues and expenditures. After these adjustments, the City maintained budget surpluses from 2021 through 2023. The 2023 surplus shows a distinct decrease in the City's net surplus after adjustment from $5,000,519 to $1,008,556. This is due to the fact that most of the capital loan proceeds the City received in 2023 were not expended in 2023 but were placed in an IRS-required separate account for future capital expenditures. A portion of these capital loan proceeds were used in 2024 and 2025 for capital expenditures.

After adjustments, the 2020 operating surplus becomes an operating deficit. This is due to the one-time transfer of funds from the special cities fund in the amount of $5,982,667 to the City's general fund for the initial payment of debt service for the 2018 Pension Obligation Note. After adjusting

[5] The financial data for the Financial Review Period as provided by the City on April 7, 2025 and April 24, 2026.

for the one-time 2018 FEMA flood control project expense in 2024, the City's 2024 operating deficit decreases to $116,923.

The City's adjusted net revenues and expenditures increased by 24.3 percent and 21.7 percent, respectively from 2020 to 2024.

Table 2.2 Adjusted Revenues and Expenditures, 2020 to 2024

	2020 Adjusted	2021 Adjusted	2022 Adjusted	2023 Adjusted	2024 Adjusted	Change 2020-2024 $	%
Revenue	**$109,893,307**	**$118,751,776**	**$112,089,211**	**$118,699,444**	**$145,808,858**	**35,915,552**	**32.7**
Less:							
Proceeds From Loans/Bonds	0	-3,353,014	0	-4,070,000	-32,471,534		
TRAN	-12,750,000	-12,200,000	-10,000,000	-4,900,000	0		
Special Cities Transfer	-5,982,667	0	0	0	0		
Net Revenue	**$91,160,640**	**$103,198,762**	**$102,089,211**	**$109,729,444**	**$113,337,324**	**22,176,685**	**24.3**
Expenditures	**$106,135,764**	**$110,061,838**	**$108,617,550**	**$113,698,925**	**$149,125,781**	**42,990,017**	**40.5**
Less:							
Debt Refunding	0	-3,210,000	0	0	-32,471,534		
Flood Control Project					-3,200,000		
TRAN	-12,891,902	-12,297,271	-10,052,451	-4,978,037	0		
Net Expenditures	**$93,243,862**	**$94,554,566**	**$98,565,100**	**$108,720,887**	**$113,454,247**	**20,210,385**	**21.7**
Net Surplus/(Deficit)	**($2,083,222)**	**$8,644,195**	**$3,524,112**	**$1,008,556**	**($116,923)**		

Revenue Review

The City's largest source of operating revenue is tax revenue that the City receives from various taxes. The City's tax revenue fluctuated during the Financial Review Period from a low of 60 percent of total revenues in 2024 to a high of 75 percent of total revenues in 2023. Total tax revenues increased by 21.3 percent or $15.5 million from 2020 to 2024.

Non-tax revenues fluctuated between 15.0 percent of total revenues in 2024 to 17 percent of total revenues in 2022. Non-tax revenues grew by 29.6 percent or $5.0 million. Interfund transfers, mostly transfers to the General Fund from the Liquid Fuels Fund, varied significantly from less than 1 percent of total revenues in 2022 to 7 percent of total revenues in 2020.

The City used short-term TRAN financing in decreasing amounts in the years 2020 through 2023. The City's financial position improved to the point that it did not utilize TRAN financing in 2024.

The City used bond proceeds in 2021 to refund the Series 2002 GO Bonds and again in 2024 to refund the City's GO Note Series 2016. In 2023, the City received a loan for various City capital projects.

Table 2.3 Total Revenues, 2020 to 2024

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Tax Revenue	$72,559,670	$81,449,852	$82,243,066	$88,372,087	$88,016,387
Nontax Revenue	16,921,425	18,822,094	19,038,224	19,533,133	21,925,136
Interfund Transfers	7,662,212	2,926,816	807,921	1,824,224	3,395,801
Tax Anticipation Notes	12,750,000	12,200,000	10,000,000	4,900,000	0
Bond/Loan Proceeds	0	3,353,014	0	4,070,000	32,471,534
Total Revenues	**$109,893,307**	**$118,751,776**	**$112,089,211**	**$118,699,444**	**$145,808,858**
			Percent of Total		
Tax Revenue	66.0	68.6	73.4	74.5	60.4
Nontax Revenue	15.4	15.8	17.0	16.5	15.0
Interfund Transfers	7.0	2.5	0.7	1.5	2.3
Tax Anticipation Notes	11.6	10.3	8.9	4.1	0.0
Bond/Loan Proceeds	0.0	2.8	0.0	3.4	22.3
Total Revenues	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 2.4 Change in Total Revenues, 2020 and 2024

	Change 2020 -2024	
	$	%
Tax Revenue	15,456,718	21.3
Nontax Revenue	5,003,711	29.6
Interfund Transfers	-4,266,411	-55.7
Tax Anticipation Notes	-12,750,000	-100.0
Bond/Loan Proceeds	32,471,534	100.0
Total Revenues	**35,915,552**	**32.7**

Tax Revenues

Real Estate Tax

The City maintained separate real estate millage rates for land and improvements during the Financial Review Period. In 1990, the City's real estate millage rate was 66 mills on land and 12 mills on improvements. As of 2024, the millage rates had increased to 249.19765 mills on land and 52.60679 mills on improvements (see Figure 2.2). City millage rates experienced double-digit percentage increases in 1999, 2000, 2007, 2013, 2014 and 2015 (see Figure 2.3). The City decreased real estate millage rates in 2011. In 2020, the City increased only its land millage rate by 2.4 percent. There were no real estate tax millage rate changes in 2021 and 2022. Both the land and improvement millage rates increased by 2.0 percent in 2023 and 2.0 percent in 2024.

Figure 2.2 Property Tax Millage Rates, 1990 to 2024

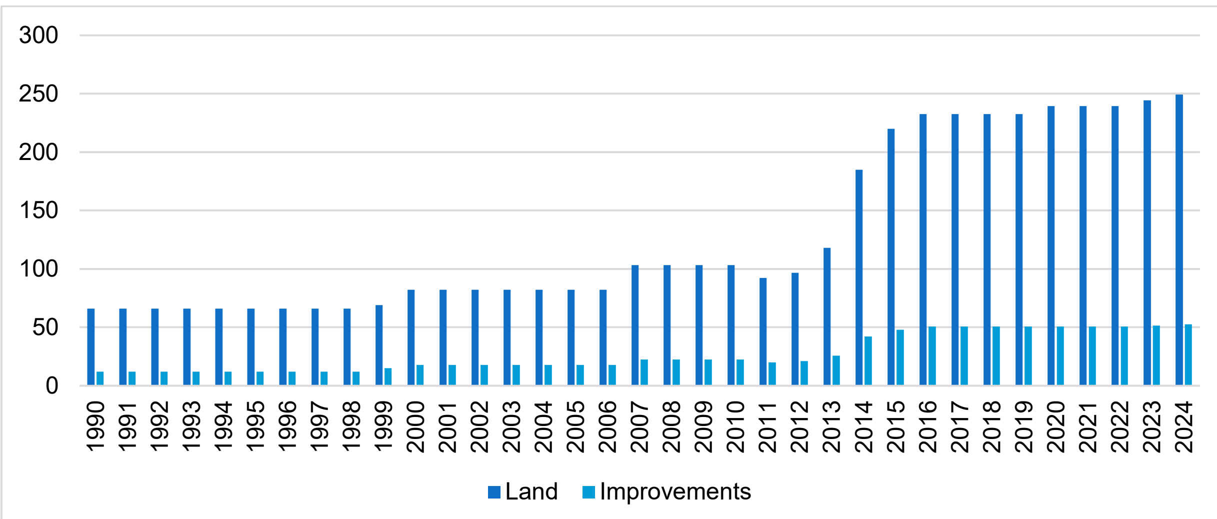
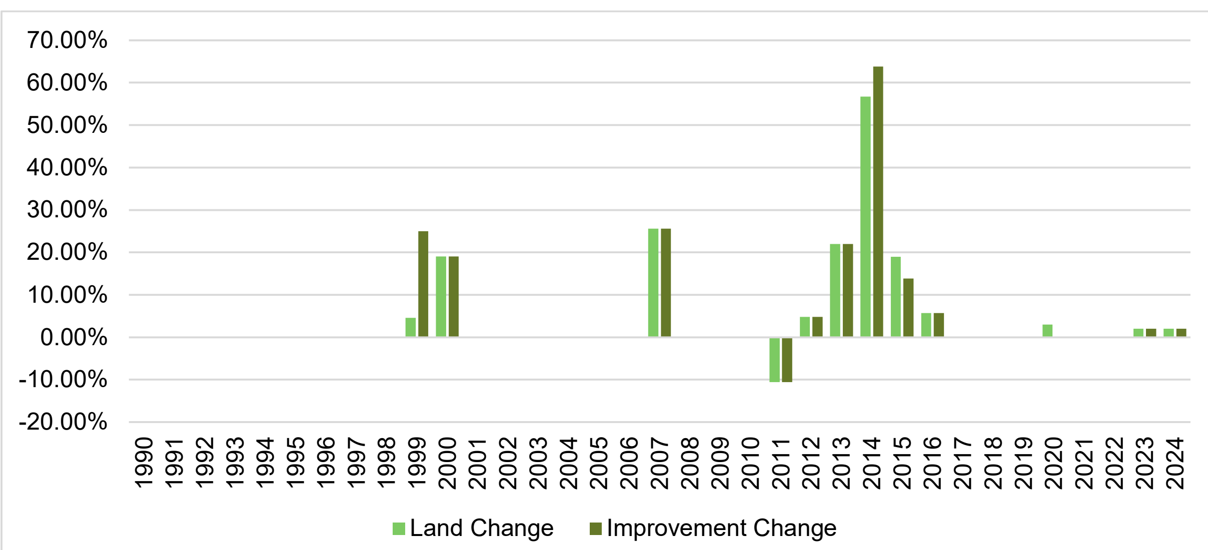


Figure 2.3 Percentage Change of Property Tax Millage Rates, 1990 to 2024



The City's real estate tax revenue totals as presented in this Report includes a fiscal year's current year real estate tax collections and delinquent property tax collections. The percentage of real estate tax revenue to total tax revenue decreased from 47.6 percent in 2020/2021 to 41.8 percent in 2024 (see Table 2.5). The City's real estate tax revenue increased by almost $2.3 million or 6.5 percent between 2020 and 2024 (see Table 2.6). It is important to recall that during the COVID-19 pandemic in 2020 the City and Lackawanna County waived penalties on real estate taxes through December 31, 2020. Due to the City's stagnate or decreasing assessed values, the City's increase in real estate tax millage rates during the Financial Review Period was essential to the growth in this significant revenue source.

Real Estate Transfer Tax

The City's real estate transfer tax rate is 2.2 percent. Real estate transfer tax revenue is dependent on real estate transaction activity within the City, which is influenced by many external factors including overall U.S. economic trends, inflation, borrowing costs and in 2020, the COVID-19 pandemic. The City's real estate transfer tax revenue fluctuated from a low of $3.6 million in 2020 to a high of $6.8 million in 2023. The federal funds rate increases by the Federal Reserve from April 2022 through July 2023, which increased both mortgage and commercial lending interest rates, are the most likely reason for the decline in real estate tax revenue in 2024 (see Table 2.5).

Earned Income Tax

The City's earned income tax is levied at 2.4 percent for residents and is the second largest revenue source. EIT grew by 35.5 percent or $9.7 million during the Financial Review Period, the largest absolute dollar growth of any tax source (see Table 2.6). The percentage of earned income tax revenue to total tax revenue increased from 37.6 percent in 2020 to 42 percent in 2024 (see Table 2.5).

Local Services Tax

The local services tax (LST), which is paid by individuals that work in the City, is a fixed amount of $156 annually ($5 shared with the school district). LST contributed approximately 6 percent to tax revenues during the Financial Review Period (see Table 2.5). LST grew from $4.6 million in 2020, the year of the COVID-19 pandemic, to $4.9 million by 2022 and has remained at this dollar amount (see Table 2.5).

Payroll Preparation Tax

In fiscal year 2022, the City repealed its 1 mill business privilege/mercantile tax and enacted a new Payroll Preparation Tax (PPT) at a rate of 0.2787 percent. While the business privilege/mercantile tax was levied on the gross receipts of businesses, the PPT is levied on an employer's total payroll expense paid during a tax year while conducting business activity in the City.

In 2022, the PPT produced current revenue of $1.3 million, substantially less than what was collected in the preceding years business privilege/mercantile taxes (see Table 2.5). This may be attributed to the initial year of a new tax and the changing of the tax base from gross receipts to payroll expense.

The City collected $3.7 million in current and delinquent PPT collections in both 2023 and 2024. In 2024, the City collected $2,880,964 in current PPT collections and $862,923 in prior years PPT collections.

Table 2.5 Total Taxes, 2020 to 2024

Revenue Category	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Real Estate Taxes	$34,512,967	$38,736,325	$37,028,304	$37,035,944	$36,768,846
Real Estate Transfer Tax	3,667,137	5,571,546	6,103,711	6,835,994	5,321,330
Earned Income Tax	27,263,034	29,724,123	32,351,399	35,431,570	36,950,318
LST	4,599,151	4,739,343	4,957,744	4,969,358	4,935,636
Merc/BPT	2,517,381	2,486,677	195,972	69,579	37,133
Payroll Prep Tax	0	0	1,305,122	3,692,735	3,743,888
Other Taxes	0	191,838	300,815	336,908	259,237
Tax Revenue	**$72,559,670**	**$81,449,852**	**$82,243,066**	**$88,372,087**	**$88,016,387**
Percentage of Taxes					
Real Estate Taxes	47.6	47.6	45.0	41.9	41.8
Real Estate Transfer Tax	5.1	6.8	7.4	7.7	6.0
Earned Income Tax	37.6	36.5	39.3	40.1	42.0
LST	6.3	5.8	6.0	5.6	5.6
Merc/BPT	3.5	3.1	0.2	0.1	0.0
Payroll Prep Tax	0.0	0.0	1.6	4.2	4.3
Other Taxes	0.0	0.2	0.4	0.4	0.3
Tax Revenue	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 2.6 Change in Total Taxes, 2020 and 2024

	Change 2020 -2024	
	$	%
Real Estate Taxes	2,255,879	6.5
Real Estate Transfer Tax	1,654,193	45.1
Earned Income Tax	9,687,284	35.5
LST	336,485	7.3
Merc/BPT	-2,480,248	-98.5
Payroll Prep Tax	3,743,888	100.0
Other Taxes	259,237	100.0
Tax Revenue	**15,456,718**	**21.3**

Non-Tax Revenues

The City's non-tax revenues are sources of income that are generated from fees, fines, licenses, charges for public services, Payments in Lieu of Taxes ("PILOT(s)"), and intergovernmental revenues. This revenue stream is an increasingly important part of the City's finances. Tables 2.7 and 2.8 below illustrate the City's non-tax revenue performance during the Financial Review Period.

- The $300 refuse fee is the City's largest source of non-tax revenue, accounting for roughly 32 percent of total non-tax revenue in 2024. The annual refuse revenue, which includes current and delinquent collections, peaked in 2021 at $9.5 million, when the refuse fee was first included in City real estate tax bills. Also in 2021, the City appointed Portnoff Law Associates, LTD to collect delinquent refuse fees. The City's refuse fee revenue appears to have stabilized at around $7.1 million after implementation of these two initiatives.
- Penalties and interest are associated with collection of delinquent business privilege/mercantile tax payments. The City recorded a large, one-time penalty of almost $150,000 in 2020. The City continues to pursue delinquent business privilege/mercantile tax payments through its appointed delinquent collector, the Single Tax Office.
- The amount of license and permit fee revenue collected by the City has increased by 74.3 percent since 2020. This revenue increase is indicative of the increased economic development in the City, which generates license and fee revenue. Major commercial projects during the Financial Review Period include new commercial and residential construction and major building renovations at the University of Scranton, Johnson College, Geisinger Community Medical Center, Lace Village and Parodi Apartments.
- Cable television franchise fee revenue has dropped since 2021, which may reflect the national trend of eliminating cable services in favor of online streaming services.
- The largest sources for fines and forfeits are police fines and civilian parking tickets. Overall, the category declined by 19 percent.
- Interest earnings on investments varied from a low of $70,909 in 2022 to a high of $1.3 million in 2024. The increase in interest earnings illustrates the City's active management of its cash balances since the ending of the COVID-19 zero interest rate environment in 2022.
- The rents and concessions were primarily the rental fee the City received from Northeast Inspection Consultants. This payment ended in 2024.
- Intergovernmental reimbursement includes grant money from multiple state agencies, Federal Emergency Management Agency payments, and reimbursements from the Scranton School District for the school resource officer. Grant receipts ranged from a high of almost $1.4 million in 2020 to a low of $425,503 in 2022. Some FEMA payments were received in 2022, 2023 and 2024 but the majority of FEMA reimbursements remain outstanding. School resource officer reimbursements were lower in 2020 and 2021 at least in part because of the COVID-19 pandemic.

- State aid for pensions is the second largest source of non-tax revenue, rising from $3.9 million in 2020 to almost $5 million in 2024, a 26.8 percent increase. Pension aid received by the City from the Commonwealth is set by the state and varies due to special tax revenues received by the state as well as the number of eligible City employees.
- The majority of PILOT revenue is from the University of Scranton with smaller amounts from Lutherwood senior housing, the Scranton Housing Authority and other entities. PILOT revenue declined by 13 percent during the Financial Review Period.
- Utility pave cuts are the largest source of Departmental Earnings. Departmental Earnings revenue declined during the Financial Review Period. The City has revised the pave cut program, and it now functions as a pass through.
- Miscellaneous revenues include an annual donation from the Weston Trust. In 2024, the City and the Weston Trust agreed that the Trust would provide the annual Weston Trust donation directly to the City instead of reimbursement. In 2024 the City received a donation from the Weston Trust of $151,680.

Table 2.7 Total Non-Tax Revenue, 2020 to 2024

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Refuse Revenues	6,624,130	9,528,740	8,482,860	7,421,872	7,079,797
PURTA	71,524	72,969	74,284	70,832	78,082
Penalties & Interest	249,760	41,343	47,462	44,781	21,909
Licenses & Permits	2,019,776	2,721,705	3,298,166	3,240,127	3,519,985
Cable Television Franchise Revenue	1,035,666	1,043,512	1,038,365	949,099	870,967
Fines, Forfeits & Violations	335,492	340,221	380,872	303,248	270,463
Interest Earnings	73,106	99,247	70,909	130,339	1,321,500
Rents & Concessions	500	0	14,500	5,500	0
Intergovernmental Reimbursements	1,693,678	679,325	958,318	2,047,135	3,178,751
Pension Aid	3,924,295	3,593,165	4,082,196	4,627,343	4,976,620
In Lieu of Taxes	276,662	275,759	280,003	248,066	241,882
Departmental Earnings	482,683	271,709	227,749	182,504	91,458
User Fees	19,512	0	0	0	0
Miscellaneous Revenues	114,641	154,400	82,543	262,288	273,274
Sale of Assets	0	0	0	0	0
Total Non-Tax Revenues	**$16,921,425**	**$18,822,094**	**$19,038,224**	**$19,533,133**	**$21,925,136**
			Percent of Total		
Refuse Revenues	39.1	50.6	44.6	38.0	32.3
PURTA	0.4	0.4	0.4	0.4	0.4
Penalties & Interest	1.5	0.2	0.2	0.2	0.1
Licenses & Permits	11.9	14.5	17.3	16.6	16.1

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Cable Television Franchise Revenue	6.1	5.5	5.5	4.9	4.0
Fines, Forfeits & Violations	2.0	1.8	2.0	1.6	1.2
Interest Earnings	0.4	0.5	0.4	0.7	6.0
Rents & Concessions	0.0	0.0	0.1	0.0	0.0
Intergovernmental Reimbursements	10.0	3.6	5.0	10.5	14.5
Pension Aid	23.2	19.1	21.4	23.7	22.7
In Lieu of Taxes	1.6	1.5	1.5	1.3	1.1
Departmental Earnings	2.9	1.4	1.2	0.9	0.4
User Fees	0.1	0.0	0.0	0.0	0.0
Miscellaneous Revenues	0.7	0.8	0.4	1.3	1.2
Sale of Assets	0.0	0.0	0.0	0.0	0.0
Total Non-Tax Revenues	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 2.8 Change in Total Non-Taxes, 2020 and 2024

	Change 2020 -2024	
Revenue Category	**$**	**%**
Refuse Revenues	455,667	6.9
PURTA	6,558	9.2
Penalties & Interest	-227,852	-91.2
Licenses & Permits	1,500,209	74.3
Cable Television Franchise Revenue	-164,699	-15.9
Fines, Forfeits & Violations	-65,030	-19.4
Interest Earnings	1,248,394	1,707.7
Rents & Concessions	-500	-100.0
Intergovernmental Reimbursements	1,485,073	87.7
Pension Aid	1,052,325	26.8
In Lieu of Taxes	-34,781	-12.6
Departmental Earnings	-391,225	-81.1
User Fees	-19,512	-100.0
Miscellaneous Revenues	159,083	138.8
Sale of Assets	0	0.0
Total Non Tax Revenues	**$4,548,044**	**26.9**

Transfers, Bond Proceeds, Tax & Revenue Anticipation Notes

Interfund transfers consisted of transfers to the General Fund from the Liquid Fuels Fund. The 2020 amount includes one-time transfer of funds from the special cities fund in the amount of $5,982,667 to the City's general fund for the initial payment of debt service for the 2018 Pension Obligation Note.

The City used bond proceeds in 2021 to refund the Series 2002 GO Bonds and again in 2024 to refund the City's GO Note Series 2016. In 2023, the City received a loan for various City capital projects

The City used short-term Tax and Revenue Anticipation Note (TRAN) financing in decreasing amounts in the years 2020 through 2023. The City's financial position improved to the point that it did not utilize TRAN financing in 2024.

Table 2.9 Transfers, Bond Proceeds, & Tax and Revenue Anticipation Notes 2020 and 2024

						Change 2020 -2024	
	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	$	%
Liquid Fuels Transfers	1,679,545	2,684,577	691,191	1,824,224	2,745,801	1,066,256	63.5
Other Funds	5,982,667	242,238	116,730	0	650,000	-5,332,667	-89.1
Total Transfers	**7,662,212**	**2,926,816**	**807,921**	**1,824,224**	**3,395,801**	**-4,266,411**	**-55.7**
Bond Proceeds	**0**	**3,353,014**	**0**	**4,070,000**	**32,471,534**	**32,471,534**	**100.0**
TRANs	**12,750,000**	**12,200,000**	**10,000,000**	**4,900,000**	**0**	**-12,750,000**	**-100.0**

Expenditure Review

The majority of City departments experienced double digit percentage increases in expenses from 2020 to 2024 (see Table 2.10). Some of the departmental variances during the Financial Review Period relate to one-time expenditures, such as road resurfacing in 2024 and other capital projects.

The largest City departmental expenditures are the police and fire departments, which together average between 45 to 50 percent of total expenditures during the Financial Review Period (see Table 2.9). City Police department expenses increased by $7.0 million or 28.1 percent while Fire department expenses increased by $5.5 million or 22.1 percent (see Table 2.11).

The next largest departmental expenditures are for Public Works and Business Administration, at 13.7 percent and 8.3 percent of total departmental expenditures in 2024, respectively (see Table 2.10). Public Works expenditures increased by 90 percent or $9.6 million from 2020 to 2024, while the Business Administration, which also includes Human Resources, Information Technology and the Treasurer's Office, grew by 46.6 percent or almost $4 million (see Table 2.11).

The largest percentage increase at 118.3 percent was in code enforcement (LIPs). Expenditures increased from $1.5 million in 2020 to $3.4 million in 2024. Prior to 2024, the City was aggregating revenues and expenses for licenses, inspections and permits in LIP's revenue and showing net revenues. In 2024, the City broke out the aggregated revenue categories into specific licenses and permits in order to provide accounting accuracy and clarity. In furtherance of accounting clarity and accuracy, the City also added a third party inspection expense line item in 2024.

The largest nondepartmental expense is the City's annual debt service. The City's annual debt service in 2024 was $10,051,866. The City's nondepartmental expenses, including debt, are discussed in more detail below in *Non-Departmental Expenditures*.

Table 2.10 Total Departmental and Nondepartmental Expenditures, 2020 to 2024

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Mayor	171,974	174,032	132,112	192,189	199,034
Police	24,782,458	24,957,652	25,675,229	27,836,595	31,755,525
Fire	24,690,177	26,203,306	28,500,673	28,929,258	30,157,952
City Clerk/Council	355,422	371,490	371,233	422,295	412,327
Controller	244,813	281,587	278,433	290,654	340,883
Business Admin	8,467,366	10,917,818	10,336,351	10,773,413	12,412,108
LIPS/Buildings	1,538,806	1,941,430	2,119,265	2,228,095	3,359,590
Legal Department	711,347	703,482	756,009	625,255	706,891
Public Works	10,735,173	12,595,559	15,319,247	16,327,625	20,378,642
Parks & Rec	1,564,857	778,628	812,750	1,390,963	1,607,596
Single Tax Office	943,112	708,974	890,136	929,017	1,019,296
Nondepartmental	19,038,358	18,130,610	13,373,661	18,775,529	46,774,368
TRAN	12,891,902	12,297,271	10,052,451	4,978,037	0
Total Expenditures	**106,135,764**	**110,061,838**	**108,617,550**	**113,698,925**	**149,125,781**
			Percent of Total		
Mayor	0.2	0.2	0.1	0.2	0.1
Police	23.3	22.7	23.6	24.5	21.3
Fire	23.3	23.8	26.2	25.4	20.2
City Clerk/Council	0.3	0.3	0.3	0.4	0.3
Controller	0.2	0.3	0.3	0.3	0.2
Business Admin	8.0	9.9	9.5	9.5	8.3
LIPS/Buildings	1.4	1.8	2.0	2.0	2.3
Legal Department	0.7	0.6	0.7	0.5	0.5
Public Works	10.1	11.4	14.1	14.4	13.7
Parks & Rec	1.5	0.7	0.7	1.2	1.1
Single Tax Office	0.9	0.6	0.8	0.8	0.7
Nondepartmental	17.9	16.5	12.3	16.5	31.4
TRAN	12.1	11.2	9.3	4.4	0.0
Total Expenditures	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 2.11 Change in Departmental and Nondepartmental Expenditures, 2020 to 2024

	Change 2020 -2024	
Department	**$**	**%**
Mayor	28,631	16.6
Police	6,973,067	28.1
Fire	5,467,775	22.1
City Clerk/Council	56,905	16.0
Controller	96,070	39.2
Business Admin	3,944,742	46.6
LIPS/Buildings	1,820,784	118.3
Legal Department	-4,456	-0.6

Public Works	9,643,469	89.8
Parks & Rec	42,739	2.7
Single Tax Office	76,184	8.1
Nondepartmental	27,736,010	145.7
TRAN	-12,891,902	-100.0
Total Expenditures	**42,990,017**	**40.5**

Police Department

The mission of the Scranton Police Department is to protect and preserve life and property; to understand and serve the needs of the Scranton Neighborhoods and to improve the quality of life by maintaining order, responding to emergencies, conducting criminal investigations and apprehending criminals and recognizing and resolving community problems. Tables 2.12 and 2.13 below illustrate the Police Departments financial performance during the Financial Review Period.

- In July 2023, the American Arbitration Association Board of Arbitration adopted an interest arbitration award for the City and its police union employees. The arbitration award term is for the period 1/1/22 through 12/31/2026.
- Direct compensation, the largest Police Department expenditure, increased from $13.4 million in 2020 to $16.3 million in 2024, a growth of 21.5 percent.
- Police health insurance costs fluctuated with usage and were $1.1 million higher in 2024 than in 2020.
- Police pension expenditures increased by almost $2.6 million or 61.6 percent from 2020 to 2024.
- Police professional services increased by 367 percent and supplies by 166 percent.
- The number of Police Department personnel, including clerical staff, fluctuated from a low of 162 in 2021 and 2022 to a high of 167 in 2024 (see Table 2.23).

Table 2.12 Police Department Expenditures, 2020 to 2024

Employee Expenses	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Direct Compensation	13,393,507	13,655,885	13,629,369	14,666,997	16,272,203
Health Insurance	5,962,743	6,079,545	5,893,459	6,568,273	7,093,420
Pension	4,164,858	4,306,814	5,090,180	5,233,076	6,731,778
Other Employee Expense	516,813	368,269	378,334	364,462	353,804
Total Employee Expenditure	**24,037,921**	**24,410,513**	**24,991,342**	**26,832,808**	**30,451,631**
Other Departmental Expenditures					
Professional Services	47,012	113,952	150,383	279,690	219,756
Services	196,767	229,538	262,391	315,583	356,958
Supplies	65,708	57,568	64,886	84,365	174,993
Repairs & Maintenance	7,057	0	0	0	12,493
Capital Expenditures	427,993	146,079	206,227	324,149	539,694
Total Other Departmental Expenditures	**744,536**	**547,138**	**683,887**	**1,003,787**	**1,303,894**
Total Police	**24,782,458**	**24,957,652**	**25,675,229**	**27,836,595**	**31,755,525**

Table 2.13 Change in Police Department Expenditures, 2020 to 2024

	Change 2020 -2024	
	$	%
Direct Compensation	2,879,122	21.5
Health Insurance	1,130,677	19.0
Pension	2,566,920	61.6
Other Employee Expense	-163,010	-31.5
Total Employee Expenditure	**6,413,709**	**26.7**
Other Departmental Expenditures		
Professional Services	172,744	367.4
Services	160,192	81.4
Supplies	109,286	166.3
Repairs and Maintenance	5,436	77.0
Capital Expenditures	111,700	26.1
Total Other Departmental Expenditures	**559,358**	**75.1**
Total Police	**6,973,067**	**28.1**

Fire Department

The Scranton Fire Department's core mission is to provide effective fire protection and emergency services to the City of Scranton's citizens. Established in 1866, the City's Fire Department is dedicated to fire suppression, technical rescues, emergency medical services and initiating fire prevention programs across the community. Tables 2.14 and 2.15 below illustrate the Fire Departments financial performance during the Financial Review Period.

- In April 2023, the American Arbitration Association Board of Arbitration adopted an interest arbitration award for the City and its fire union employees. The arbitration award term is for the period 1/1/22 through 12/31/2026.
- The largest Fire Department cost is direct compensation, which peaked at $12.6 million in 2023 and then declined to $12.3 million in 2024.
- Costs for fire health insurance, which is based on usage, were flat.
- The largest dollar increase for the Fire Department is pension, which grew by almost 73 percent or $4.6 million.
- Fire professional services ranged from a low of $36,685 in 2021 to a high of $290,875 in 2023. Fire professional services increased by $88,684 or 214.7 percent.
- Fire capital expenditures grew by almost 200 percent from 2020 to 2024. In 2024, the City made initial lease-purchase payments for a new special services support vehicle and a new Engine 4 amounting to $212,334.
- The number of fire department personnel slightly increased from 139 in 2020 to 141 in 2024 (see Table 2.23).

Table 2.14 Fire Department Expenditures, 2020 to 2024

Employee Expenses	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Direct Compensation	12,086,931	12,429,851	12,348,051	12,570,790	12,253,752
Health Insurance	5,463,339	5,602,448	5,709,381	5,607,028	5,641,698
Pension	6,288,055	7,453,174	9,129,293	9,378,406	10,866,009
Other Employee Expense	404,853	298,019	495,237	441,360	363,069
Total Employee Expenditure	**24,243,177**	**25,783,492**	**27,681,962**	**27,997,584**	**29,124,529**
Other Departmental Expenditures					
Professional Services	41,298	36,685	111,395	290,875	129,982
Services	102,625	128,163	164,955	118,465	174,818
Supplies	23,223	8,881	58,998	74,064	60,156
Repairs & Maintenance	5,218	3,715	4,995	35,902	43,898
Capital Expenditures	209,254	242,369	478,369	412,366	624,569
Minor Equipment	65,382	0	0	0	0
Total Other Departmental Expenditures	**447,000**	**419,814**	**818,711**	**931,673**	**1,033,423**
Total Fire	**24,690,177**	**26,203,306**	**28,500,673**	**28,929,258**	**30,157,952**

Table 2.15 Change in Fire Department Expenditures, 2020 to 2024

	Change 2020 -2024	
	$	%
Direct Compensation	166,821	1.4
Health Insurance	178,359	3.3
Pension	4,577,954	72.8
Other Employee Expense	-41,783	-10.3
Total Employee Expenditure	**4,740,400**	**19.6**
Other Departmental Expenditures		
Professional Services	88,684	214.7
Services	72,194	70.3
Supplies	36,933	159.0
Repairs & Maintenance	38,680	741.3
Capital Expenditures	415,315	198.5
Minor Equipment	-65,382	-100.0
Total Other Departmental Expenditures	586,424	131.2
Total Fire	**5,467,775**	**22.1**

Public Works Department

The Scranton Department of Public Works has a multifaceted set of responsibilities that span all four seasons related to the management and maintenance of essential City infrastructure and services. The Department of Public Works responsibilities include street and stormwater maintenance and repair, solid waste and recycling collection, traffic maintenance, project management and emergency response to severe weather events and public emergencies. Tables 2.16 through 2.18 below outline the Department of Public Work's financial performance during the Financial Review Period.

- Refuse costs peaked in 2022 at $5 million and have since declined to $4.3 million in 2024.
- Garages fluctuated depending on vehicle repair and maintenance activity.

Table 2.16 Public Works Department Detail by Bureau, 2020 to 2024

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Administration	2,723,128	3,024,421	3,241,608	5,688,483	6,661,384
Engineering	225,841	226,508	1,081,635	595,008	1,508,845
Highways	2,513,338	3,621,437	3,989,206	3,589,269	5,883,416
Refuse[6]	4,060,341	4,226,170	5,081,445	4,370,145	4,279,660
Garages	1,212,525	1,497,023	1,925,353	2,042,725	1,737,323
Total Public Works	**10,735,173**	**12,595,559**	**15,319,247**	**16,285,629**	**20,070,628**

- Direct compensation for the Department of Public Works increased by 22 percent or $1.1 million from 2020 to 2024.
- Public Works health insurance (which includes Parks & Recreation staff) fluctuated with usage and was slightly higher in 2024 than in 2020.
- Pension costs grew by 56.4 percent or $271,753.
- Professional service costs increased significantly in 2023 and 2024 due to the work performed to complete the 2018 FEMA flood mitigation project.
- The Department of Public Work's capital expenditures also fluctuated during the review period. The City purchased five new garbage trucks in 2022. The City also completed major road resurfacing projects in 2022 and 2024, for over $1 million and $2 million, respectively.
- City Gas, Oil & Lubricants spiked in 2022 due to the significant increase of gasoline prices in 2022.
- Rents declined during the review period as the City transitioned from leasing garbage trucks to purchasing new garbage trucks.
- The personnel complement in the Department rose from 91 in 2020 to 97 in 2024 (see Table 2.23).

Table 2.17 Public Works Department Detail by Expense Type, 2020 to 2024

Employee Expenses	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Direct Compensation	4,873,252	5,118,418	5,253,553	5,817,381	5,946,791
Health Insurance	1,607,032	1,777,550	1,817,325	1,693,558	1,648,515
Pension	481,459	542,043	577,880	671,948	753,212
Other Employee Expense	36,366	32,970	30,340	37,535	33,783
Total Employee Expenditures	**6,998,110**	**7,470,980**	**7,679,098**	**8,207,505**	**8,382,300**
Other Departmental Expenditures					
Professional Services	78,781	152,622	198,604	2,632,474	3,953,363

[6] Employee benefits (health insurance, pension, etc.) and taxes are included in the DPW Administration Bureau. Other insurances are recorded in Human Resources.

	2020	2021	2022	2023	2024
Services	3,268	90	0	5,951	3,288
Supplies	579,319	681,003	760,019	540,362	683,442
Rents	166,782	152,803	305,421	109,933	30,054
Repairs & Maintenance	386,220	596,894	791,990	859,636	696,792
Gas, Oil, Lubricants	311,283	431,742	748,583	563,600	508,908
Landfill	1,600,206	1,576,299	1,562,529	1,506,314	1,479,946
Recycling	9,790	0	4,179	26,824	79,692
Capital Expenditures	147,497	1,090,463	2,772,704	1,426,629	3,920,948
Utilities	85,509	116,881	88,889	75,745	123,115
Streetlights	368,409	325,782	407,232	372,652	516,794
Total Other Depart Expenditures	**3,737,063**	**5,124,579**	**7,640,149**	**8,120,120**	**11,996,341**
Total Public Works	**10,735,173**	**12,595,559**	**15,319,247**	**16,285,629**	**20,378,642**

Table 2.18 Change in Public Works Department Detail by Expense Type, 2020 to 2024

	Change 2020 -2024	
Employee Expenses	**$**	**%**
Direct Compensation	1,073,538	22.0
Health Insurance	41,483	2.6
Pension	271,753	56.4
Other Employee Expense	-1,390	-3.8
Total Employee Expenditure	**1,384,190**	**19.8**
Other Departmental Expenditures		
Professional Services	3,874,582	4,918.2
Services	20	0.6
Supplies	104,123	18.0
Rents	-136,728	-82.0
Repairs & Maintenance	310,572	80.4
Gas, Oil, Lubricants	197,625	63.5
Landfill	-120,260	-7.5
Recycling	69,902	714.0
Capital Expenditures	3,773,451	2,558.3
Utilities	37,606	44.0
Streetlights	148,385	40.3
Total Other Departmental Expenditures	**8,259,279**	**221.0**
Total Public Works	**9,643,469**	**89.8**

Parks and Recreation

The Scranton Department of Parks and Recreation is dedicated to the maintenance, enhancement, and management of over thirty parks and various recreational facilities within the City. It oversees the upkeep and operations of City park grounds and structures, ensuring the preservation of open spaces and scenic environments.

The Parks and Recreation Department's responsibilities include managing indoor facilities like the Weston Field House and coordinating a range of recreational activities and community events. Their efforts contribute significantly to providing quality green spaces and recreational opportunities for residents and visitors alike. Tables 2.19 and 2.20 below outline the Department of Parks and Recreation's financial performance during the Financial Review Period.

- Direct compensation in Parks and Recreation doubled from 2020 to 2024, increasing from $448,481 in 2020 to over $1 million in 2024. The rise in costs corresponds to an increase in department personnel as noted below.
- Capital expenditures declined from $1 million in 2020 to a low of $61,662 in 2022, rising to $407,065 in 2024. Many of the Parks and Recreation capital projects during the Financial Review Period were funded by the American Rescue Plan Act funds.
- The number of Parks and Recreation employees increased from 9 in 2020 to 16 in 2024 (see Table 2.23).

Table 2.19 Parks and Recreation Expenditures, 2020 to 2024

Employee Expenses	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Direct Compensation	448,481	556,761	649,409	834,262	1,037,714
Other Employee Expense	2,520	2,940	3,780	4,861	5,029
Total Employee Expenditure	**451,001**	**559,701**	**653,189**	**839,123**	**1,042,742**
Other Departmental Expenditures					
Services	14,535	5,972	5,565	52,364	73,987
Supplies	43,639	42,824	66,310	89,818	55,894
Repairs & Maintenance	0	27,583	26,023	20,751	27,908
Capital Expenditures	1,055,682	142,548	61,662	388,907	407,065
Total Other Departmental Expenditures	**1,113,856**	**218,927**	**159,561**	**551,839**	**564,854**
Total Parks & Recreation	**1,564,857**	**778,628**	**812,750**	**1,390,963**	**1,607,596**

Table 2.20 Parks and Recreation Expenditures, 2020 to 2024

	Change 2020 -2024	
Employee Expenses	**$**	**%**
Direct Compensation	589,232	131.4
Other Employee Expense	2,509	99.6
Total Employee Expenditure	**591,741**	**131.2**
Other Departmental Expenditures		
Professional Services	73,987	100.0
Services	-14,535	-100.0
Supplies	12,254	28.1
Repairs & Maintenance	27,908	100.0
Capital Expenditures	-648,617	-61.4
Total Other Departmental Expenditures	**-549,002**	**-49.3**
Total Parks & Recreation	**42,739**	**2.7**

Employee Expenditures

While the above Departmental review illustrates expenditures in separate City departments, this section examines the aggregate of employee expenditures across City departments. Tables 2.21 through 2.23 below outline the aggregate of employee expenditures during the Financial Review Period.

- Direct compensation is the largest employee expense at roughly half of total employee costs throughout the period (see Table 2.21) and growing by $6.1 million or 18.1 percent (see Table 2.22).
- Health insurance costs, which are based on actual claims as the City is self-insured, represent approximately one-quarter of employee expenses, and fluctuated during the Financial Review Period but were higher in 2024 compared to 2020.
- Workers' compensation payments peaked in 2022 at $2.7 million and declined to $2.0 million in 2023. Costs were $2.6 million in 2024.
- Aggregate pension fund costs in 2024 were 63 percent higher than in 2020. In 2020, the City's pension Minimum Municipal Obligation ("MMO") was $11.3 million. The City's contribution to the 2020 MMO, minus state pension aid, was $7.4 million. By 2024, the City's MMO increased to $18.4 million. The City's contribution to the 2024 MMO, minus state pension aid, was $13.4 million.
- The most recent PA Auditor General Compliance Report for the City's Aggregate Pension Fund (April 2025) found that the City's Aggregate Pension Fund remained moderately distress at a 62.1 percent funding ratio. The individual pension plans funding ratios were as follows: police, 69 percent; fire, 54.9 percent; and non-uniform, 66.5 percent.
- The majority of Other Employee Expenses includes uniform allowances across police, fire, public works, parks and recreation, and codes, and life and disability insurance for eligible City employees.
- The number of City employees increased by 28 from 2020 to 2024. The largest personnel increase was in Parks and Recreation, which grew by seven employees (see Table 2.23).

Table 2.21 Employee Expenditures, 2020 to 2024

Employee Expenses	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Direct Compensation	$33,837,708	$35,239,571	$35,445,679	$37,963,914	$39,961,231
Health Insurance	15,711,725	16,468,389	15,580,968	16,172,722	17,338,579
Workers' Compensation	1,168,794	2,694,860	2,747,399	2,036,074	2,596,913
Pension	11,765,855	13,010,973	15,425,410	15,904,718	19,168,896
Other Employee Expenses	1,318,933	777,468	1,032,004	932,468	878,720
Total Employee Expenditure	**$63,803,016**	**$68,191,261**	**$70,231,461**	**$73,009,897**	**$79,944,339**
Employee Expenses					
Direct Compensation	53.0	51.7	50.5	52.0	50.0
Health Insurance	24.6	24.2	22.2	22.2	21.7

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Workers' Compensation	1.8	4.0	3.9	2.8	3.2
Pension	18.4	19.1	22.0	21.8	24.0
Other Employee Expense	2.1	1.1	1.5	1.3	1.1
Total Employee Expenditure	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 2.22 Change in Employee Expenditures, 2020 to 2024

	Change 2020-2024	
Expenditure Category	**$**	**%**
Employee Expenses		
Direct Compensation	6,123,523	18.1
Health Insurance	1,626,854	10.4
Workers' Compensation	1,428,119	122.2
Pension	7,403,041	62.9
Other Employee Expense	-440,213	-33.4
Total Employee Expenditure	**16,141,323**	**25.3**

Table 2.23 Personnel Complement by Department, 2020 to 2024

						Change 2020-2024
	2020	2021	2022	2023	2024	#
Mayor	3	3	3	3	3	0
Police	163	162	162	163	167	4
Fire	139	140	140	140	141	2
City Clerk/Council	9	9	9	9	9	0
Controller	7	7	7	7	7	0
BA	18	21	23	23	23	5
LIPs	23	23	24	27	27	4
Law	7	7	8	7	7	0
Public Works	91	93	95	97	97	6
Parks and Recreation	9	9	12	13	16	7
Single Tax	18	18	18	18	18	0
Total	**487**	**492**	**501**	**507**	**515**	**28**

Other Departmental Expenditures

Similar to the preceding Employee Expenditures review, this section will examine the aggregate of similar Other Departmental Expenditures across City departments. Other departmental expenditures are non-personnel costs or expenditures for supplies, utilities, insurance and the services of independent contractors that are integral to providing daily municipal services. Tables 2.24 and 2.25 below outline the Other Departmental Expenses during the Financial Review Period.

- The largest growth was for professional services, which peaked at $6.2 million in 2024, an increase of $4.8 million over 2020. Professional services costs rose with increased capital project activity, particularly in 2023 and 2024 with the 2018 FEMA flood project expenses.
- Capital expenditures were 22 percent to 25 percent of Other Department Expenditures, with highest spending in 2024 at $5.6 million.
- Services is a broad category that includes expenditures across multiple departments for training, dues and subscriptions, software and hardware, third party inspection, advertising, animal control and building demolition. The amounts in services varied in part depending on where costs were recorded on an annual basis.
- Liability and casualty insurance increased by 75 percent from 2020 to 2024, while utilities were up by approximately 50 percent.
- Landfill costs slightly declined from $1.6 million in 2020 to under $1.5 million in 2023 and 2024.
- Some variances in other categories depended on annual activity, with some categories not a significant source of expenditures.

Table 2.24 Other Departmental Expenditures, 2020 to 2024

Other Departmental Expenditures	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Professional Services	$1,396,412	$2,235,733	$2,672,174	$5,015,100	$6,204,926
Services	851,356	987,277	1,027,515	1,053,888	2,924,477
Supplies	969,531	835,988	1,229,590	1,416,328	1,059,281
Rents	166,782	152,803	305,421	109,933	30,054
Repairs & Maintenance	459,489	799,637	963,917	1,132,514	961,084
Gas, Oil, Lubricants	311,283	431,742	748,583	563,600	508,908
Landfill	1,600,206	1,576,299	1,562,529	1,451,402	1,479,946
Recycling	9,790	0	4,179	26,824	79,692
Capital Expenditures	2,368,809	2,118,099	3,593,717	2,811,209	5,613,231
Liability/Casualty Insurance	1,126,343	1,181,439	1,438,196	1,963,104	1,968,494
Utilities	708,697	797,897	1,006,925	935,583	1,060,187
Streetlights	368,409	325,782	407,232	372,652	516,794
Minor Equipment	65,382	0	0	0	0
Miscellaneous	0	0	42,751	43,300	38,574
Prior Year Obligations	295,573	294,112	232,576	168,386	83,073
Total	**$10,698,062**	**$11,736,808**	**$15,235,304**	**$17,147,147**	**$22,528,722**
Other Departmental Expenditures					
Professional Services	13.1	19.0	17.5	29.4	27.5
Services	8.0	8.4	6.7	6.1	13.0
Supplies	9.1	7.1	8.1	8.3	4.7
Rents	1.6	1.3	2.0	0.6	0.1
Repairs & Maintenance	4.3	6.8	6.3	6.6	4.3
Gas, Oil, Lubricants	2.9	3.7	4.9	3.3	2.3
Landfill	15.0	13.4	10.3	8.8	6.6
Recycling	0.1	0.0	0.0	0.2	0.4

	2020	2021	2022	2023	2024
Capital Expenditures	22.1	18.0	23.6	16.4	24.9
Liability/Casualty Insurance	10.5	10.1	9.4	11.4	8.7
Utilities	6.6	6.8	6.6	5.5	4.7
Streetlights	3.4	2.8	2.7	2.2	2.3
Minor Equipment	0.6	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.3	0.3	0.2
Prior Year Obligations	2.8	2.5	1.5	1.0	0.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 2.25 Change in Other Departmental Expenditures, 2020 to 2024

Other Departmental Expenditures	Change 2020 to 2024	
Professional Services	4,808,515	344.3
Services	2,073,121	243.5
Supplies	89,750	9.3
Rents	-136,728	-82.0
Repairs & Maintenance	501,595	109.2
Gas, Oil, Lubricants	197,625	63.5
Landfill	-120,260	-7.5
Recycling	69,902	714.0
Capital Expenditures	3,244,422	137.0
Liability/Casualty Insurance	842,152	74.8
Utilities	351,490	49.6
Streetlights	148,385	40.3
Minor Equipment	-65,382	-100.0
Miscellaneous	38,574	100.0
Prior Year Obligations	-212,500	-71.9
Total Other Departmental Expenditures	**$11,830,660**	**110.6**

Non-Departmental Expenditures

The City's non-departmental expenditures are costs that are not directly tied to the day-to-day operations of City departments. The City's non-departmental expenditures include annual debt service payments, transfers to other City funds, City grant match expenses, boards and commissions expenses, court awards and community organization support. Tables 2.26 and 2.27 below outline the non-departmental expenditures during the Financial Review Period.

- The largest expenditure in the City's non-departmental expenditures is its annual debt service payments. The City's annual debt service decreased from $17,359,624 in 2020 to $10,051,866 in 2024 or by 42.1%.
- In 2023, the City made a $2,500,000 court ordered payment to settle an outstanding class action lawsuit related to the collection of delinquent refuse fees. Also in 2023, and related to the class action lawsuit, the City made a $1,290,000 settlement payment to Northeast Revenue Service, LLC.

- Other Non-Departmental expenses increased by $2 million or 376 percent. The increase in 2023 and 2024 is attributed to required City grant match expenses for capital projects.
- Expenditures for boards and commissions increased by 113 percent or by $418,844.

Table 2.26 Nondepartmental Expenditures, 2020 to 2024

Nondepartmental	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Boards & Commissions	370,275	453,304	708,056	710,593	789,119
Contingency	0	0	5,844	8,412	67,872
Court Awards	312,479	463,017	680,553	4,774,051	304,733
Other Non Departmental	526,778	763,339	266,993	1,611,823	2,506,170
OECD Contingency	73,628	0	0	0	0
Prior Year Obligations	295,573	294,112	232,576	168,386	83,073
Debt Service	17,359,624	12,846,838	11,379,638	11,502,264	10,051,866
Debt Refunding	0	3,210,000	0	0	32,471,534
State Loan Repayment	100,000	100,000	100,000	0	0
Transfers	0	0	0	0	500,000
Total Nondepartmental	**19,038,358**	**18,130,610**	**13,373,661**	**18,775,529**	**46,774,368**
Boards & Commissions	1.9	2.5	5.3	3.8	1.7
Contingency	0.0	0.0	0.0	0.0	0.1
Court Awards	1.6	2.6	5.1	25.4	0.7
Other Non Departmental	2.8	4.2	2.0	8.6	5.4
OECD Contingency	0.4	0.0	0.0	0.0	0.0
Prior Year Obligations	1.6	1.6	1.7	0.9	0.2
Debt Service	91.2	70.9	85.1	61.3	21.5
Debt Refunding	0.0	17.7	0.0	0.0	69.4
State Loan Repayment	0.5	0.6	0.7	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	1.1
Total Nondepartmental	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 2.27 Change in Nondepartmental Expenditures, 2020 to 2024

	Change 2020 -2024	
Nondepartmental	**$**	**%**
Boards & Commissions	418,844	113.1
Contingency	67,872	100.0
Court Awards	-7,746	-2.5
Other Non Departmental	1,979,392	375.8
OECD Contingency	-73,628	-100.0
Prior Year Obligations	-212,500	-71.9
Debt Service	-7,307,758	-42.1
Debt Refunding	32,471,534	100.0
State Loan Repayment	-100,000	-100.0
Transfers	500,000	100.0
Total Nondepartmental	**27,736,010**	**145.7**

Debt

The City's outstanding debt principal during the review period decreased from $112,842,820 to $59,629,772 for a total reduction of $53,213,048 of debt principal during the review period. The reduction in City's debt principal was a contributing factor in the City obtaining an investment grade credit rating during the review period. The City's S&P credit rating increased during the Financial Review Period from BB+ noninvestment grade (junk) in 2020 to the investment grade rating of BBB+ with a positive outlook in March 2024. The reduction in debt principal also reduced the City's annual debt service payments from $17,359,624 in 2020 to $10,051,866. The reduction in the City's annual debt service reduced the City's ratio of debt service to expenses from 18.6% of adjusted expenses in 2020 to 8.8% of adjusted expenses in 2024 (see Table 2.28). This allows the City to commit more resources to City operations and capital expenses.

Table 2.28 Ratio Annual Debt Service to Adjusted City Expenditures, 2020 to 2024

						Change 2020 -2024	
	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	$	%
Debt Service	17,359,624	12,846,838	11,379,638	11,502,264	10,051,866	-7,307,758	-42.1
Adjusted Expenditures	93,243,862	94,554,566	98,565,100	108,720,887	113,454,247	20,210,385	21.7
% of Adjusted Exp	18.6%	14.1%	11.5%	10.6%	8.9%		

In 2020, the City made the first of four scheduled principal/interest payment on its Pension Obligation Note, Series of 2018 in the amount of $5,982,666.94. In 2021, the City decided to prepay the remaining principal/interest payments in the amount of $16,643,724.93, which duly satisfied the 2018 Pension Obligation Note.

In 2021, the City issued a fixed rate General Obligation Note, Series of 2021 in the amount of $3,210,000. The proceeds of the 2021 GO Note were used to refinance the City's outstanding, variable rate General Obligation Note, Series of 2002. This was the last series of City debt with a variable rate. This refinancing reduced the City's future debt service payments by $388,689.

In May 2022, the City made its final payment on the DCED Act 47 Note Series of 2012. In 2023, the City issued a General Obligation Note, Series 2023 in the amount of $4,070,000. The 2023 GO Note proceeds are used by the City to fund City capital projects.

In 2024, the City issued General Obligation Bonds, Series of 2024, in the par amount of $29,880,000. The proceeds of the 2024 GO Bonds were used to refinance the City's outstanding General Obligation Notes, Series of 2016. This refinancing reduced City debt service payments by $2,195,558.

2024 was the first year in memory that City's had a sufficient General Fund balance to allow it to forgo the utilization of a short-term Tax and Revenue Anticipation Note to cover cash flow needs at the beginning of the fiscal year. By not using TRAN financing in 2024, the City saved approximately $90,000 in closing costs and interest payments.

Table 2.29 TRAN Payments

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	Change 2020 -2024 $	%
TRAN	12,891,902	12,297,271	10,052,451	4,978,037	0	-12,891,902	-100.0

2025 Budget vs. 2025 Actual[7]

This section provides a comparison between the 2025 General Fund operating budget revenues and expenditures, and the 2025 actual year end revenues and expenditures. The 2025 operating budget was balanced at $113.2 million. The 2025 FY ended with an estimated surplus of $2.6 million.

The actual revenues collected at year end 2025 were $111.9 million or 98.9 percent of the 2025 budget, or lower by $1.3 million. The actual 2025 expenditures were $109.3 million or 96.6 percent of budget or lower by approximately $3.9 million.

Table 2.30 2025 Actual vs. 2025 Budget

	2025 Actual	2025 Budget	Variance $	% of Total Budget
Revenues	111,917,039	113,170,112	-1,253,073	98.9
Expenditures	109,315,189	113,170,112	-3,854,923	96.6
Surplus/(Deficit)	**2,601,850**	**0**		

Revenues

Actual real estate tax collections were slightly lower than budgeted, however, real estate transfer taxes were 24 percent higher, helping to cushion the variance. EIT and Local Services Tax revenues were also greater than budgeted. Payroll Preparation Tax collections, which includes current and delinquent PPT collections, were also slightly over budget.

On the non-tax side, license and permit fee revenue was approximately 80 percent of budget, while the City transferred $1.1 million from the Liquid Fuels Fund. Interest earned was higher than anticipated.

Below is a summary of the percentage of 2025 budget revenue to 2025 actual revenue.

- 99 percent of Total Budgeted Revenues Collected
- 98 percent Current Real Estate Tax Revenue Collected
- 124 percent Real Estate Transfer Tax Collected
- 102 percent of Wage Tax Collected
- 107 percent Local Services Tax (LST) collected

[7] Year end actuals as of March 19, 2026.

- 104 percent Payroll Preparation Tax Collected
- 99 percent Refuse Fee Collected
- 80 percent License/Permit Fees
- 121 percent Interest Earned
- 103 percent Intergovernmental Revenue

Table 2.31 2025 Actual vs. 2025 Budget Tax Revenue, Non-Tax Revenue, Interfund Transfers

	2025 Actual	2025 Budget	Variance $	% of Total Budget
Tax Revenue	$90,097,950	$88,860,928	1,237,022	101.4
NonTax Revenue	20,665,055	21,659,184	-994,129	95.4
Interfund Transfers	1,154,034	2,650,000	-1,495,966	43.5
Total Revenues	**$111,917,039**	**$113,170,112**	**-1,253,073**	**98.9**
Tax Revenue	80.5	78.5		
NonTax Revenue	18.5	19.1		
Interfund Transfers	1.0	2.3		
Total Revenues	**100.0**	**100.0**		

Table 2.32 2025 Actual vs. 2025 Budget Tax Revenue

Revenue Category	2025 Actual	2025 Budget	Variance $	% of Total Budget
Real Estate Taxes Current	32,454,247	33,092,722	-638,474	98.1
Real Estate Taxes Delinquent	3,763,400	4,207,667	-444,267	89.4
Real Estate Transfer Tax	7,325,739	5,900,000	1,425,739	124.2
Earned Income Tax	37,583,047	36,830,539	752,508	102.0
Mercantile/Business Privilege Tax	124,026	360,000	-235,974	34.5
Payroll Preparation Tax	3,354,634	3,220,000	134,634	104.2
Local Service Tax	5,348,308	5,000,000	348,308	107.0
Amusement Tax	144,548	250,000	-105,452	57.8
Total Taxes	**$90,097,950**	**$88,860,928**	**$1,237,022**	**101.4**
Percentage of Taxes				
Real Estate Taxes Current	36.0	37.2		
Real Estate Taxes Delinquent	4.2	4.7		
Real Estate Transfer Tax	8.1	6.6		
Earned Income Tax	41.7	41.4		
Mercantile/Business Privilege Tax	0.1	0.4		
Payroll Preparation Tax	3.7	3.6		
Local Service Tax	5.9	5.6		
Amusement Tax	0.2	0.3		
Tax Revenue	**100.0**	**100.0**		

Table 2.33 2025 Actual vs. 2025 Budget, Non-Tax Revenues

Revenue Category	2025 Actual	2025 Budget	Variance $	% of Total Budget
Refuse Revenues	7,600,443	7,700,000	-99,557	98.7
PURTA	76,256	75,000	1,256	101.7
Penalties & Interest	3,389	45,000	-41,611	7.5
Licenses & Permits	3,109,044	3,885,000	-775,956	80.0
Cable Television Franchise Revenue	756,466	1,000,000	-243,535	75.6
Fines, Forfeits & Violations	305,201	335,390	-30,189	91.0
Interest Earnings	1,026,051	850,000	176,051	120.7
Intergovernmental Reimbursements	1,447,028	1,702,794	-255,766	85.0
Pension Aid	5,385,861	4,900,000	485,861	109.9
Payments in Lieu of Taxes	246,132	280,000	-33,868	87.9
Departmental Earnings	41,910	165,000	-123,090	25.4
User Fees	27,266	40,000	-12,734	68.2
Miscellaneous Revenues	640,009	681,000	-40,991	94.0
Total Non-Tax Revenues	**$20,665,055**	**$21,659,184**	**-$994,129**	**95.4**
Revenue Category				
Refuse Revenues	36.8	35.6		
PURTA	0.4	0.3		
Penalties & Interest	0.0	0.2		
Licenses & Permits	15.0	17.9		
Cable Television Franchise Revenue	3.7	4.6		
Fines, Forfeits & Violations	1.5	1.5		
Interest Earnings	5.0	3.9		
Intergovernmental Reimbursements	7.0	7.9		
Pension Aid	26.1	22.6		
Payments in Lieu of Taxes	1.2	1.3		
Departmental Earnings	0.2	0.8		
User Fees	0.1	0.2		
Miscellaneous Revenues	3.1	3.1		
Total Non-Tax Revenues	**100.0**	**100.0**		

Expenditures

Total actual expenditures were 96.6 percent of the $113 million 2025 budget amount. The City made all scheduled 2025 debt service payments totaling $11.1 million in a timely manner

Of the 19 City offices, departments and bureaus, five were over budget, Police, Business Administration Bureau of Administration, Treasury, Code Enforcement Bureau of Buildings, and the Scranton Tax Office (STO). Expenditures for the STO will most likely be reduced once the City receives reimbursement for health care expenditures from the Scranton School District. The City and the school district share personnel costs for the STO.

Health care expenditures are over budget at 105 percent, with prescription expenses among the cost drivers. Usually, the first employee payroll check in January would be recorded in 2026 but this year it was recorded in 2025 because of timing. As a result, several standard salaries are a few percentage points higher in 2025 than budgeted. A transfer of $3.7 million to the 2025 Capital Spending Plan was made as budgeted.

Table 2.34 2025 Actual vs. 2025 Budget, Departmental Expenditures

Department	2025 Actual	2025 Budget	Variance $	% of Total Budget
Mayor	213,099	219,221	-6,122	97.2
Police	29,586,900	28,947,332	639,567	102.2
Fire	25,818,012	26,016,037	-198,026	99.2
City Clerk/Council	432,019	452,144	-20,125	95.5
Controller	321,258	404,240	-82,982	79.5
Business Administration--Bureau of Administration	8,458,386	8,097,551	360,836	104.5
Business Administration--Bureau of Human Resources	4,017,802	4,995,613	-977,811	80.4
Business Administration--Bureau of Information Technology	1,842,517	2,007,945	-165,428	91.8
Business Administration--Bureau of Treasury	158,588	152,944	5,644	103.7
Code Enforcement--Bureau of Licenses, Inspections & Permits	2,499,244	3,308,186	-808,942	75.5
Code Enforcement-Bureau of Buildings	1,436,634	1,295,302	141,332	110.9
Law	760,277	785,915	-25,638	96.7
Public Works--Bureau of Administration	4,418,416	5,044,971	-626,555	87.6
Public Works--Bureau of Engineering	360,421	368,981	-8,560	97.7
Public Works--Bureau of Highways	3,665,520	3,674,312	-8,792	99.8
Public Works--Bureau of Refuse	4,311,262	4,744,888	-433,625	90.9
Public Works--Bureau of Garages	1,715,445	2,058,124	-342,679	83.3
Parks and Recreation	1,738,753	2,006,410	-267,657	86.7
Single Tax Office	987,004	955,927	31,077	103.3
Non-Departmental - Other	5,471,405	6,531,840	-1,060,435	83.8
Debt Service	11,102,227	11,102,227	0	100.0
Total	**109,315,189**	**113,170,112**	**-3,854,923**	**96.6**

Table 2.35 2025 Actual vs. 2025 Budget, Employee Expenditures, Other Departmental Expenditures, Interest and Debt Service, and Other Non-Departmental Expenditures

	2025 Actual	2025 Budget	Variance $	% of Total Budget
Employee Expenditures	77,886,472	77,431,690	454,782	100.6
Other Departmental Expenditures	14,855,085	18,104,355	-3,249,270	82.1
Interest & Debt Service	11,102,227	11,102,227	0	100.0
Other Non-Departmental Expenditures	5,471,405	6,531,840	-1,060,435	83.8
Total Expenditures	**109,315,189**	**113,170,112**	**-3,854,923**	**96.6**
	Percent of Total Expenditures			
Employee Expenditures	71.2	68.4		
Other Departmental Expenditures	13.6	16.0		
Interest & Debt Service	10.2	9.8		
Other Non-Departmental Expenditures	5.0	5.8		
Total	**100.0**	**100.0**		

Table 2.36 2025 Actual vs. 2025 Budget, Employee Expenditures

Description	2025 Actual	2025 Budget	Variance $	% of Total Budget
Direct Compensation	43,163,391	42,850,574	312,817	100.7
Healthcare/Life/Disability Insurance	19,577,579	18,725,174	852,405	104.6
Pension/Deferred Compensation	10,779,266	10,887,612	-108,346	99.0
Unemployment Insurance	25,053	30,000	-4,947	83.5
Workers' Compensation	3,600,000	3,890,000	-290,000	92.5
Other Employee Expenditures	741,183	1,048,330	-307,147	70.7
Total Employee Expenditures	**77,886,472**	**77,431,690**	**454,782**	**100.6**
	Percent of Employee Expenditures			
Direct Compensation	55.3	55.3		
Healthcare/Life/Disability Insurance	25.4	24.2		
Pension/Deferred Compensation	13.8	14.1		
Unemployment Insurance	0.0	0.0		
Workers' Compensation	4.6	5.0		
Other Employee Expenditures	0.9	1.4		
Total Employee Expenditures	**100.0**	**100.0**		

Table 2.37 2025 Actual vs. 2025 Budget, Non-Employee Expenditures

Category`	2025 Actual	2025 Budget	Variance $	% of Total Budget
Services	4,904,923	5,994,185	-1,089,262	81.8
Supplies	3,070,028	3,391,450	-321,422	90.5
Utilities	1,448,951	1,460,000	-11,049	99.2
Repairs & Maintenance	1,359,004	2,068,720	-709,716	65.7
Insurance	2,008,595	2,640,000	-631,405	76.1
Landfill	1,416,227	1,600,000	-183,773	88.5
Street Lighting	644,092	500,000	144,092	128.8
Rent	320	50,000	-49,680	0.6
Blight	2,945	400,000	-397,055	0.7
Total Non-Employee Expenditures	**14,855,085**	**18,104,355**	**-3,249,270**	**82.1**
	Percent of Non Employee Expenditures			
Services	33.0	33.1		
Supplies	20.7	18.7		
Utilities	9.8	8.1		
Repairs & Maintenance	9.1	11.4		
Insurance	13.5	14.6		
Landfill	9.5	8.8		
Street Lighting	4.3	2.8		
Rent	0.0	0.3		
Blight	0.0	2.2		
Total Non-Employee Expenditures	**100.0**	**100.0**		

2020 to 2025 Actual to Budget Comparison

Summary

This final section of Chapter 2 examines the City's annual actual fiscal performance during the FY's 2020 – 2025 compared to the corresponding FY's adopted operating budget. During the historical review period, the City's actual revenues exceeded its budgeted revenues in four of the six years and was essentially break-even in one year.

In 2020, actual revenues were 7.9 percent below budget; however, that budget was developed prior to the current administration. Beginning in 2021, actual revenues consistently exceeded budgeted amounts, though the margin narrowed each year.

In 2024, actual revenues were just 0.4 percent below budget, effectively meeting projections.

The City's actual expenditures were below budgeted levels throughout the review period, although the magnitude of the variances varied from year to year.

Other Sources and Uses, including transfers and refinancing, were below budgeted levels throughout the historical period.

Overall, the City's year end fund balance increased from 2020 through 2023 as the City experienced General Fund operating budget surpluses, decreased in 2024 when the City experienced an operating budget deficit, and is estimated to increase in 2025 by $2.6 million to $29.7 million.

Table 2.38 Actual, Budget and Variance for Revenues, Expenditures and Other Sources and Uses, 2020 to 2025

Revenues	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Reported
Actual	84,343,089	96,678,846	101,432,341	107,915,600	109,942,255	110,763,005
Budget	91,562,954	88,970,606	94,530,104	103,464,651	110,363,788	110,519,112
Variance	-7,219,865	7,708,240	6,902,237	4,450,949	-421,533	243,893
% Variance	-7.9	8.7	7.3	4.3	-0.4	0.2
Expenditures						
Actual	88,593,077	94,173,842	98,194,613	104,008,991	117,569,009	104,950,049
Budget	101,770,959	101,479,233	106,942,524	108,864,143	118,283,483	108,720,112
Variance	-13,177,882	-7,305,391	-8,747,911	-4,855,152	-714,474	-3,770,063
% Variance	-12.9	-7.2	-8.2	-4.5	-0.6	-3.5
Actual Revenues Over/(Under) Expenditures	**-4,249,988**	**2,505,004**	**3,237,728**	**3,906,609**	**-7,626,754**	**5,812,956**
Other Sources & Uses						
Actual	6,580,253	5,719,542	280,700	1,184,454	4,088,674	-3,211,106
Budget	10,208,005	12,507,627	8,298,901	7,465,332	7,919,696	-1,799,000
Variance	-3,627,752	-6,788,085	-8,018,201	-6,280,878	-3,831,022	-1,412,106
% Variance	-35.5	-54.3	-96.6	-84.1	-48.4	78.5
Actual Net Change in Fund Balance	**2,330,265**	**8,224,546**	**3,518,428**	**5,091,063**	**-3,538,080**	**2,601,850**
Fund Balance						
Beginning of Year	11,565,409	13,895,674	22,120,220	25,638,648	30,729,711	27,191,631
End of Year	13,895,674	22,120,220	25,638,648	30,729,711	27,191,631	29,793,481
Actual Net Change in Fund Balance	**2,330,265**	**8,224,546**	**3,518,428**	**5,091,063**	**-3,538,080**	**2,601,850**

Revenues

After a large variance in 2020, revenue projections compared to actual revenues tightened substantially. In 2024 and 2025, the variance was within ±0.5%, indicating institutional learning or improved forecasting models. (See Table 2.38). Tax revenue showed steady growth.

Figure 2.4 Tax Revenues 2020 to 2025—Actual vs Budget

	2020	2021	2022	2023	2024	2025
Actual	72,576,837	81,564,165	82,364,813	88,486,376	88,116,378	90,177,595
Budget	75,666,674	72,430,100	72,512,846	82,147,055	86,159,442	88,980,928

Expenditures

Actual expenditures were below budget in every year examined, indicating a consistent pattern rather than an isolated outcome. This trend appears to be systemic and likely reflects conservative departmental budgeting practices, proficient capital project management, and designed cycling of contract wage adjustments.

By 2024, however, the degree of underspending narrowed considerably, suggesting that budgets are becoming more realistic while cost pressures are increasingly materializing.

Year-to-year expenditure comparisons are complicated by the significant volatility in capital outlays. From 2020 through 2022, capital spending came in well below budget, while in 2023 capital expenditures exceeded the budget by 162 percent, followed by another overage of 14 percent in 2024.

These swings underscore that capital spending does not align neatly with annual budget cycles but instead reflects the timing of major projects and financing events. The City's inclusion of capital expenses in its operating budget unfortunately exposed the City's operating budget to off-cycle capital expenses. As a result, single-year budget-to-actual comparisons can overstate either fiscal discipline or overspending unless viewed within a multiyear context. The City's removal of capital expenditures from the City's operating budget beginning in 2025 to its own annual capital spending plan will provide a more distinct reflection of actual City operating expenses versus capital expenses and reduce the annual operating budget's exposure to capital spending vicissitudes.

Figure 2.5 Expenses 2020 to 2025—Actual vs Budget

	2020	2021	2022	2023	2024	2025
Actual	88,593,077	94,173,842	98,194,613	104,008,991	117,569,009	104,950,049
Budget	101,770,959	101,479,233	106,942,524	108,864,143	118,283,483	108,720,112

Conclusion

- Budget accuracy improved after 2020, especially on the revenue side.
- Actual expenditures were consistently under budget every year from 2020–2025, acting as the main fiscal stabilizer.
- Volatility is driven almost entirely by the Other Financing Sources & Uses category, not by day-to-day City operational expenses.
- 2023 and 2024 are anomaly years driven by legal settlements, capital borrowing, bond refinancings and a large FEMA capital project.

Budget Conservatism is Shifting from Revenue to Expenditures

- Early years: conservative revenue, very conservative spending
- Later years: precise revenue, tighter spending margin

What This Means Strategically

- Budget forecasting capability improved
- Expenditure controls are historically strong
- Ability to execute complex financing

Chapter 3
Projections
2026-2030

Introduction

Chapter 3 presents the City's five-year General Fund financial projections from 2026 – 2030 (the "Projection Period"). The Projection Period reflects both progress and challenges that will require proactive policy attention.

On the positive side, revenues are projected to grow modestly through 2030, supported primarily by earned income tax growth, likely stable real estate tax collections following reassessment, and increases in state pension aid. The City also enters the Projection Period with a comparatively strong fund balance, the result of prior operating surpluses and improved fiscal discipline, providing an important short-term buffer against fiscal volatility.

Despite the City's relatively stable revenue outlook, the forecast shows a structural imbalance emerging as early as 2027, when expenditures begin to outpace revenues and annual operating deficits are projected to grow, driven primarily by personnel-related costs.

Public safety expenditures are a central factor in this trend. Police and fire services alone are projected to account for more than half of General Fund expenditures by 2030, with combined costs increasing by approximately $8 million over the five-year period. These increases reflect contractual obligations, rising healthcare and pension costs, and the labor-intensive nature of maintaining essential emergency services.

Meanwhile, the City's outlook must be viewed within the broader context of municipal finance in Pennsylvania. Under the Commonwealth's local government tax system, it is very common for cities to experience relatively flat or slow-growing revenues while expenditures rise annually by approximately 2 to 3 percent.

Limited local taxing authority, statutory constraints, and reliance on economically sensitive revenue sources mean that most Pennsylvania cities face persistent structural pressure even during periods of economic stability. The City's projected financial challenges are therefore not unusual, but rather reflective of statewide trends affecting cities of similar size and service responsibilities.

This chapter underscores the importance of deliberate financial planning to preserve core services while maintaining fiscal sustainability over the long term.

Projection Assumptions

Revenues

- The City's 2026 budget serves as the baseline.
- Tax rates and fees remain at 2026 levels.
- Real estate tax revenue is level for 2027 and increases at 0.5 percent for 2028- 2030.

- Current earned income tax growth of 4.0 percent in 2027 and 3.5 percent annually from 2028-2030.
- Current payroll prep tax uses the same assumptions as Earned Income Tax, while delinquent payroll prep tax remains flat.
- Cable franchise fees decrease 10.0 percent annually following recent trends.
- Local services taxes held constant.
- State aid for pensions increases 3.0 percent annually.
- Other non-tax revenues are held constant.

Expenditures

- The City's 2026 budget serves as the baseline.
- Employee count remains constant at 2026 budgeted levels.
- No new debt incurred.
- Wages increase according to current contract term and then 2.0 percent annually thereafter.
- Healthcare is increased 5.0 percent annually.
- Supplies and services costs increased annually with an inflation adjustment consistent with the most recent Congressional Budget Office estimates: 2026 → 2027: 2.0 percent; 2027 → 2028: 2.0 percent 2028 → 2029: 1.98 percent, 2029 → 2030: 1.97 percent

Summary

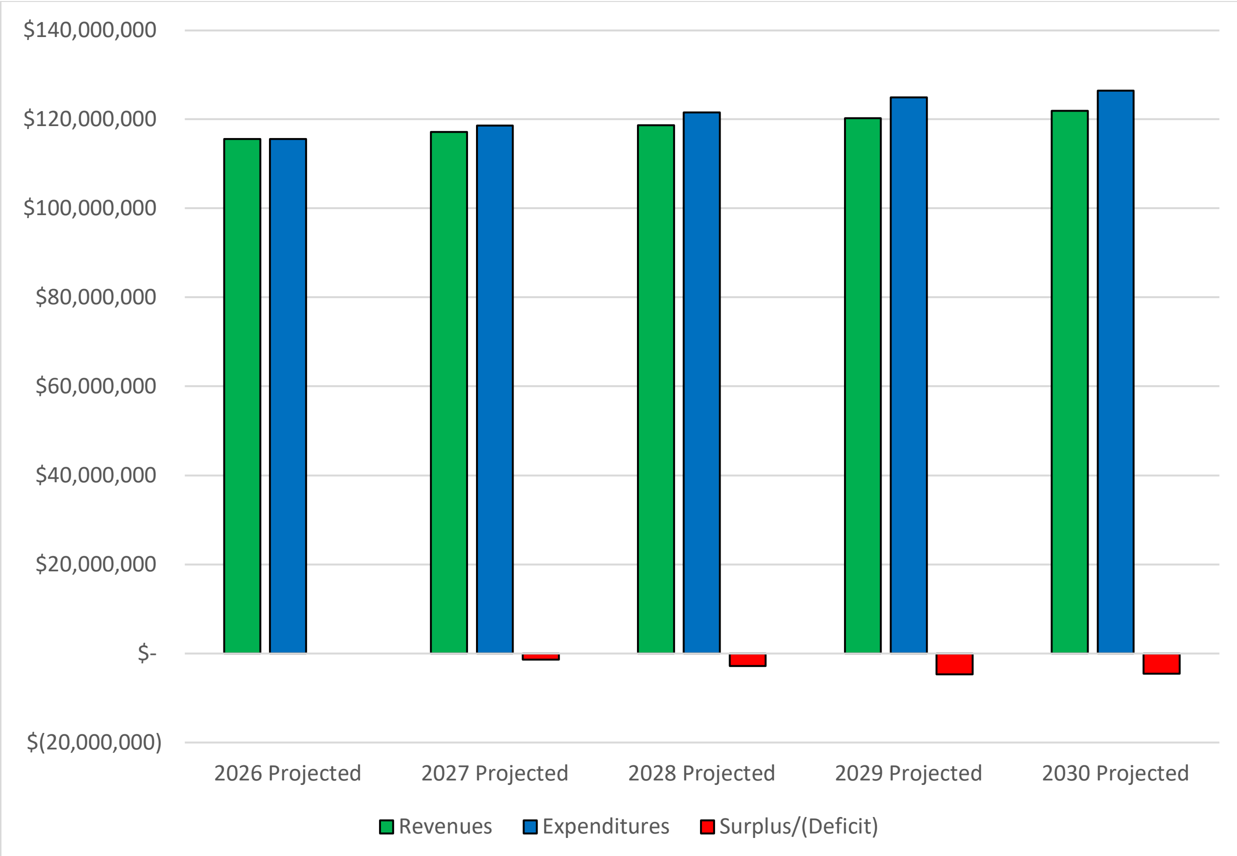
During the Projection Period, total expenditures are likely to exceed total revenues starting in 2027, when the City is projected to begin experiencing annual, increasing deficits. Deficits are expected to begin at $1.3 million in 2027 and increase to $4.1 million in 2029, decreasing to $3.8 million in 2030. The City's operating budget deficits range from 1.1 percent of revenue in 2027 to 3.4% of revenue in 2029.

Revenues are expected to grow over the projection period by 6.1 percent or $7.0 million from $115.5 million in 2026 to $122.5 million in 2030. Expenditures are anticipated to increase by 9.4 percent or about $11 million, or from $115.5 million to $126.4 million.

Table 3.1 Projected revenues, expenditures and surplus/deficit

	2026	2027	2028	2029	2030	Change2026 - 2030	
	Budget	Projected	Projected	Projected	Projected	$	%
Revenues	115,533,727	117,171,704	118,879,628	120,675,027	122,548,443	7,014,716	6.1
Expenditures	115,533,727	118,435,745	121,409,691	124,823,862	126,339,617	10,805,890	9.4
Surplus/(Deficit)	0	-1,264,041	-2,530,063	-4,148,836	-3,791,174		
Deficit % of Revenues	0.0%	1.1%	2.1%	3.4%	3.1%		

Figure 3.1 Revenues, Expenditures and Surplus/(Deficit)



Revenue Projections

Tax revenues are projected to be about 79 percent of total revenues going forward while non-tax sources are likely to provide another 19 percent. Tax revenue is projected to rise by 7.3 percent while non-tax sources are projected to grow by 1.8 percent.

Table 3.2 Projected Tax Revenue and Non-Tax Revenue

	2026	2027	2028	2029	2030	Change 2026 - 2030	
	Budget	Projected	Projected	Projected	Projected		%
Tax Revenue	90,697,451	92,254,427	93,867,221	95,554,106	97,306,277	6,608,826	7.3
Non-Tax Revenue	22,936,277	23,017,277	23,112,407	23,220,921	23,342,167	405,890	1.8
Interfund Transfers	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	0	0.0
Total Revenues	**115,533,727**	**117,171,704**	**118,879,628**	**120,675,027**	**122,548,443**	**7,014,716**	**6.1**
Tax Revenue	78.5	78.7	79.0	79.2	79.4		
Non-Tax Revenue	19.9	19.6	19.4	19.2	19.0		
Interfund Transfers	1.6	1.6	1.6	1.6	1.6		
Total Revenues	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		

2026 Assessment Value and Millage

In 2025, Lackawanna County approved new assessment values for the City for tax year 2026 that increased assessed value from $377.6 million in 2025 to $5.9 billion in 2026. The City also switched from a split rate of 249.19476 mills on land and 52.60679 mills on property to the new single rate property tax millage in 2026. As a result of the reassessment and the new single rate property tax millage, the City's millage rate in 2026 is 6.3509 mills. Municipalities are required by state law to establish neutral millage rates following a reassessment. Scranton's real estate tax revenues remained at $33 million, the same as in 2025.

Projected Tax Revenue

The City's largest revenue source, earned income taxes, is projected to increase by over 15 percent from 2026 to 2030, from $38.3 million in 2026 to $44.1 million in 2030. Earned income taxes provide over 40 percent of total tax revenue.

Growth of 12.9 percent is also projected in payroll preparation tax revenue, which represents approximately 3.9 percent of total tax revenue. Real estate tax revenue is held flat for 2026 and 2027 with a slight growth anticipated in 2028-2030. The mercantile business privilege tax is likely to decline by 44 percent. This tax was replaced with the payroll prep tax in 2022, and remaining revenues reflect delinquent collections. All other tax sources are expected to be flat during the projection period revenue.

Table 3.3 Projected Tax Revenue

Revenue Category	2026 Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected	Change 2026 - 2030	%
Real Estate Taxes Current	33,092,722	33,092,722	33,258,185	33,424,476	33,591,599	498,877	1.5
Real Estate Taxes Delinquent	4,207,667	4,207,667	4,207,667	4,207,667	4,207,667	0	0.0
Real Estate Transfer Tax	6,200,000	6,200,000	6,200,000	6,200,000	6,200,000	0	0.0
Earned Income Tax	38,257,062	39,787,038	41,174,949	42,611,305	44,097,799	5,840,737	15.3
Mercantile/Business Privilege Tax	360,000	275,000	232,500	211,250	200,625	-159,375	-44.3
Payroll Preparation Tax	3,330,000	3,442,000	3,543,920	3,649,407	3,758,586	428,586	12.9
Local Service Tax	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	0	0.0
Amusement Tax	250,000	250,000	250,000	250,000	250,000	0	0.0
Total Taxes	**90,697,451**	**92,254,427**	**93,867,221**	**95,554,106**	**97,306,277**	**6,608,826**	**7.3**
Real Estate Taxes Current	36.5	35.9	35.4	35.0	34.5		
Real Estate Taxes Delinquent	4.6	4.6	4.5	4.4	4.3		
Real Estate Transfer Tax	6.8	6.7	6.6	6.5	6.4		
Earned Income Tax	42.2	43.1	43.9	44.6	45.3		
Mercantile/Business Privilege Tax	0.4	0.3	0.2	0.2	0.2		
Payroll Preparation Tax	3.7	3.7	3.8	3.8	3.9		
Local Service Tax	5.5	5.4	5.3	5.2	5.1		
Amusement Tax	0.3	0.3	0.3	0.3	0.3		
Total Taxes	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		

Projected Non-Tax Revenues

State pension aid is the only source of non-tax revenue that is likely to increase during the Projection Period. State pension aid is anticipated to growth by $715,400 or over 12 percent from 2026 to 2030. Cable television fees are expected to decline as more individuals eliminate cable for streaming.

Table 3.4 Projected Non-Tax Revenue

Revenue Category	2026 Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected	Change 2026 - 2030	%
Refuse Revenues	7,700,000	7,700,000	7,700,000	7,700,000	7,700,000	0	0.0
PURTA	75,000	75,000	75,000	75,000	75,000	0	0.0
Penalties & Interest	40,000	40,000	40,000	40,000	40,000	0	0.0
Licenses & Permits	3,783,284	3,783,284	3,783,284	3,783,284	3,783,284	0	0.0
Cable Television Franchise Revenue	900,000	810,000	729,000	656,100	590,490	-309,510	-34.4
Fines, Forfeits & Violations	315,360	315,360	315,360	315,360	315,360	0	0.0
Interest Earnings	945,000	945,000	945,000	945,000	945,000	0	0.0
Intergovernmental Reimbursements	2,340,633	2,340,633	2,340,633	2,340,633	2,340,633	0	0.0
Pension Aid	5,700,000	5,871,000	6,047,130	6,228,544	6,415,400	715,400	12.6
Payments in Lieu of Taxes	280,000	280,000	280,000	280,000	280,000	0	0.0

	2026	2027	2028	2029	2030	Change 2026 - 2030	
Departmental Earnings	105,000	105,000	105,000	105,000	105,000	0	0.0
User Fees	40,000	40,000	40,000	40,000	40,000	0	0.0
Miscellaneous Revenues	712,000	712,000	712,000	712,000	712,000	0	0.0
Total Non-Tax Revenues	**22,936,277**	**23,017,277**	**23,112,407**	**23,220,921**	**23,342,167**	**405,890**	**1.8**
Revenue Category							
Refuse Revenues	33.6	33.5	33.3	32.8	32.6		
PURTA	0.3	0.3	0.3	0.3	0.3		
Penalties & Interest	0.2	0.2	0.2	0.2	0.2		
Licenses & Permits	16.5	16.4	16.4	16.1	16.0		
Cable Television Franchise Revenue	3.9	3.5	3.2	2.8	2.5		
Fines, Forfeits & Violations	1.4	1.4	1.4	1.4	1.4		
Interest Earnings	4.1	4.1	4.1	4.1	4.0		
Intergovernmental Reimbursements	10.2	10.2	10.1	10.1	10.0		
Pension Aid	24.9	25.5	26.2	26.8	27.5		
Payments in Lieu of Taxes	1.2	1.2	1.2	1.2	1.2		
Departmental Earnings	0.5	0.5	0.5	0.5	0.4		
User Fees	0.2	0.2	0.2	0.2	0.2		
Miscellaneous Revenues	3.1	3.1	3.1	3.1	3.1		
Total Non Tax Revenues	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		

Table 3.5 Projected Transfer Revenue

	2026	2027	2028	2029	2030	Change 2026 - 2030	
Revenue Category	**Budget**	**Projected**	**Projected**	**Projected**	**Projected**		**%**
Liquid Fuels Transfers	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	0	0.0

Expenditure Projections

The largest increase in expenditures is projected in employee expenditures, which are likely to grow by 14.1 percent or $11.4 million from 2026 to 2030. Other departmental expenditures for supplies, utilities, insurance and the services of independent contractors that are integral to providing daily municipal services, are expected to increase by 6.7 percent or $1.3 million. Similarly, other non-departmental expenditures for transfers to other City funds, City grant match expenses, boards and commissions expenses, court awards and community organization support, are expected to remain flat. Debt service remains relatively constant throughout the Projection Period as current outstanding obligations are satisfied, with a noticeable decrease in debt service in 2030 of $1.4 million.

Personnel expenditures are projected to be almost 73 percent of total expenditures by 2030 compared to 15.9 percent for other departmental expenditures, 7.3 percent for interest and debt service and 4 percent for other non-departmental expenditures.

Table 3.6 Projected Employee and Nonemployee Expenditures

	2026	2027	2028	2029	2030	Change 2026 - 2030	
	Budget	Projected	Projected	Projected	Projected		%
Employee Exp	80,604,723	83,297,126	86,369,205	89,451,152	91,991,409	11,386,686	14.1
Other Departmental Exp	18,877,665	19,144,418	19,471,274	19,806,372	20,143,358	1,265,693	6.7
Interest & Debt Service	11,115,139	11,058,000	10,633,012	10,630,138	9,268,650	-1,846,489	-16.6
Other Non Departmental Exp	4,936,200	4,936,200	4,936,200	4,936,200	4,936,200	0	0.0
Total	**115,533,727**	**118,435,745**	**121,409,691**	**124,823,862**	**126,339,617**	**10,805,890**	**9.4**
	Percent of Total						
Employee Exp	69.8	70.3	71.1	71.7	72.8		
Other Departmental Exp	16.3	16.2	16.0	15.9	15.9		
Interest & Debt Service	9.6	9.3	8.8	8.5	7.3		
Other Non Departmental Exp	4.3	4.2	4.1	4.0	3.9		
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		

Employee Expenditures

Direct compensation, which is likely to be approximately 55 percent of employee expenditures in 2030, is anticipated to rise by 12.4 percent or $5.6 million, the largest monetary increase of any personnel expenditure.

Health care and related insurances, at roughly 27 percent of total employee expenditures, is projected to rise by $4.2 million or 21 percent. Pension and deferred compensation, at 13 percent of employee expenditures, is projected to increase by $1.1 million or 10 percent. Pension and deferred compensation include the City's annual Minimum Municipal Obligation, 457b payments and monthly contributions to the IAM pension.

Table 3.7 Projected Employee Expenditures

	2026	2027	2028	2029	2030	Change 2026 - 2030	
Description	Budget	Projected	Projected	Projected	Projected		%
Direct Compensation	45,345,330	46,718,774	48,289,112	49,860,902	50,950,922	5,605,592	12.4
Healthcare/Life/Disability Insurance	20,247,467	21,217,991	22,252,180	23,337,999	24,478,034	4,230,567	20.9
Pension/Deferred Compensation	10,821,526	11,079,966	11,425,738	11,727,865	11,954,251	1,132,725	10.0
Unemployment Insurance	30,000	30,684	31,767	32,852	33,554	3,554	11.1
Workers' Compensation	3,000,000	3,068,415	3,176,657	3,285,151	3,355,422	355,422	11.1

	2026	2027	2028	2029	2030	Change 2026 - 2030	
Other Employee Expenditures	1,160,400	1,181,296	1,193,752	1,206,384	1,219,226	58,826	5.1
Total Employee Expenditures	**80,604,723**	**83,297,126**	**86,369,205**	**89,451,152**	**91,991,409**	**11,386,686**	**14.1**
Percent of Total Expenditures							
Direct Compensation	56.3	56.1	55.9	55.7	55.4		
Healthcare/Life/Disability Insurance	25.1	25.5	25.8	26.1	26.6		
Pension/Deferred Compensation	13.4	13.3	13.2	13.1	13.0		
Unemployment Insurance	0.0	0.0	0.0	0.0	0.0		
Workers' Compensation	3.7	3.7	3.7	3.7	3.6		
Other Employee Expenditures	1.4	1.4	1.4	1.3	1.3		
Total Employee Expenditures	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		

Other Departmental Expenditures

Services, at 31 percent of total other departmental expenditures, are projected to experience the largest monetary increase, growing from $5.75 million in 2026 to $6.2 million in 2030 or by 8.0 percent. Services is a broad category that includes expenditures across multiple departments for training, dues and subscriptions, software and hardware, third party inspection, advertising, animal control, professional services and building demolition.

Supplies (19 percent of total) and non-health related insurance (14 percent of total) are projected to increase by $231,718 and $215,408, respectively.

As noted in the Projection Assumptions, other departmental expenditures are generally grown by inflation with the exception of the landfill fees and court awards, which are held flat.

Table 3.8 Projected Other Departmental Expenditures

Category	2026 Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected	Change 2026 - 2030	%
Services	5,757,145	5,872,288	5,985,166	6,103,224	6,219,594	462,449	8.0
Supplies	3,636,000	3,647,520	3,719,820	3,793,175	3,867,718	231,718	6.4
Utilities	1,675,000	1,700,900	1,727,093	1,753,658	1,780,664	105,664	6.3
Repair & Maintenance	2,089,520	2,131,310	2,173,574	2,216,437	2,260,012	170,492	8.2
Insurance	2,640,000	2,692,800	2,746,198	2,800,353	2,855,408	215,408	8.2
Landfill	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	0	0.0
Street Lighting	630,000	642,600	655,343	668,266	681,404	51,404	8.2
Court Awards	500,000	500,000	500,000	500,000	500,000	0	0.0
Rent	50,000	51,000	52,011	53,037	54,080	4,080	8.2
Blight	300,000	306,000	312,068	318,222	324,478	24,478	8.2
Total Non-Employee Expenditures	**18,877,665**	**19,144,418**	**19,471,274**	**19,806,372**	**20,143,358**	**1,265,693**	**6.7**

Services	30.5	30.7	30.7	30.8	30.9		
Supplies	19.3	19.1	19.1	19.2	19.2		
Utilities	8.9	8.9	8.9	8.9	8.8		
Repairs & Maintenance	11.1	11.1	11.2	11.2	11.2		
Insurance	14.0	14.1	14.1	14.1	14.2		
Landfill	8.5	8.4	8.2	8.1	7.9		
Street Lighting	3.3	3.4	3.4	3.4	3.4		
Court Awards	2.6	2.6	2.6	2.5	2.5		
Rent	0.3	0.3	0.3	0.3	0.3		
Blight	1.6	1.6	1.6	1.6	1.6		
Total Non-Employee Expenditures	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		

Non Departmental Expenditures

The City's non-departmental expenditures are costs that are not directly tied to the day-to-day operations of City departments. The City's non-departmental expenditures includes annual debt service payments, transfers to other City funds (i.e., capital reserve fund), City grant match expenses, boards and commissions expenses, court awards and community organization support. Non-departmental expenditures remain flat throughout the Projection Period.

Table 3.9 Non-Departmental Expenditure Projections

	2026	2027	2028	2029	2030	Change 2026 -2030	
Nondepartmental Expenses	Budget	Projected	Projected	Projected	Projected	$	%
Boards & Commissions	1,081,700	1,081,700	1,081,700	1,081,700	1,081,700	0	0.0
Contingency	675,000	675,000	675,000	675,000	675,000	0	0.0
Grant Match	25,000	25,000	25,000	25,000	25,000	0	0.0
Nondepartmental	354,500	354,500	354,500	354,500	354,500	0	0.0
Prior Year Expenditures	200,000	200,000	200,000	200,000	200,000	0	0.0
Transfers	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	0	0.0
Non Departmental Expenditure	**4,936,200**	**4,936,200**	**4,936,200**	**4,936,200**	**4,936,200**	**0**	**0.0**
Boards & Commissions	21.9	21.9	21.9	21.9	21.9		
Contingency	13.7	13.7	13.7	13.7	13.7		
Grant Match	0.5	0.5	0.5	0.5	0.5		
Nondepartmental	7.2	7.2	7.2	7.2	7.2		
Prior Year Expenditures	4.1	4.1	4.1	4.1	4.1		
Transfers	52.7	52.7	52.7	52.7	52.7		
Non Departmental Expenditure	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		

Debt

Debt Service slightly decreases throughout the Projection Period with a noticeable decrease in 2030. During the Projection Period the City will pay off the Series AA of 2016 in 2026; the 2016 Street Light Agreement in 2027; the Series A of 2016 and the Series of 2021 in 2028; and the Series A of 2017 in 2029. With the City's current wrap-around debt service structure, as these debt obligations are satisfied from 2026 – 2029, other remaining City debt service obligations will increase to keep City debt service relatively constant throughout these years. However, beginning in 2030, outstanding City debt service obligations will begin to decrease annually.

Table 3.10 Debt Service Projections

						Change 2026 -2030	
	2026 Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected	$	%
Debt Service	11,115,139	11,058,000	10,633,012	10,630,138	9,268,650	-1,846,489	-16.6
Expenditures	115,533,727	118,435,745	121,409,691	124,823,862	126,339,617	10,805,890	9.4
% of Expenditures	9.6%	9.3%	8.8%	8.5%	7.3%		

Projected Expenditures By Department

The largest projected departmental expenditure increases are in public safety, with both police and fire likely to grow by almost 14 percent each or $4.25 million and $3.75 million, respectively. Police expenditures are projected to be 28 percent of total expenditures, with fire expenditures another 24 percent. Together the two departments account for over half of the projected General Fund expenditures. (See Table 3.11)

Total police costs are projected to increase from $30.8 million to $35 million from 2026 to 2030, while total fire costs are anticipated to increase from $27.1 million to almost $31 million.

Public works expenditures are expected to increase by $2.1 million or 13.5 percent. Business administration expenditures are expected to grow by roughly 10 percent or $1.6 million from 2026 to 2030.

Table 3.12 provides additional detail for the bureaus that operate under Business Administration, Public Works and Code Enforcement.

Table 3.11 Projected Departmental Expenditures

	2026	2027	2028	2029	2030	Change 2026 - 2030	
	Budget	Projected	Projected	Projected	Projected		%
Mayor	242,048	244,989	247,980	251,025	254,127	12,080	5.0
Police	30,822,815	31,681,431	32,866,071	34,128,517	35,074,724	4,251,909	13.8
Fire	27,135,499	27,961,651	29,000,891	30,057,635	30,890,961	3,755,462	13.8
City Clerk/Council	501,241	510,604	520,061	528,590	537,276	36,036	7.2
Controller	387,412	394,612	401,918	408,868	415,954	28,542	7.4
Business Administration	15,186,452	15,528,626	15,936,435	16,357,101	16,743,993	1,557,542	10.3
Codes/LIPS	4,640,501	4,688,118	4,785,528	4,874,163	4,964,388	323,887	7.0
Law	1,330,927	1,347,546	1,364,442	1,381,639	1,399,158	68,231	5.1
Public Works	15,989,698	16,707,447	17,223,025	17,673,788	18,150,071	2,160,373	13.5
Parks and Recreation	2,204,484	2,290,481	2,355,429	2,412,618	2,472,556	268,072	12.2
Single Tax Office	1,041,311	1,082,647	1,125,749	1,166,239	1,208,434	167,123	16.0
Non-Departmental - Other	4,936,200	4,936,200	4,936,200	4,936,200	4,936,200	0	0.0
Debt Service	11,115,139	11,058,000	10,633,012	10,630,138	9,268,650	-1,846,489	-16.6
Total Expenditures	**115,533,727**	**118,435,745**	**121,409,691**	**124,823,862**	**126,339,617**	**10,805,890**	**9.4**
Mayor	0.2	0.2	0.2	0.2	0.2		
Police	26.7	26.7	27.0	27.3	27.7		
Fire	23.5	23.6	23.9	24.1	24.4		
City Clerk/Council	0.4	0.4	0.4	0.4	0.4		
Controller	0.3	0.3	0.3	0.3	0.3		
Business Administration	13.1	13.1	13.1	13.1	13.3		
Codes/LIPS	4.0	4.0	3.9	3.9	3.9		
Law	1.2	1.1	1.1	1.1	1.1		
Public Works	13.8	14.1	14.2	14.1	14.4		
Parks and Recreation	1.9	1.9	1.9	1.9	2.0		
Single Tax Office	0.9	0.9	0.9	0.9	1.0		
Non-Departmental - Other	4.3	4.2	4.1	4.0	3.9		
Debt Service	9.6	9.3	8.8	8.5	7.3		
Total Expenditures	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		

Table 3.12 Projected Departmental Expenditures Detail

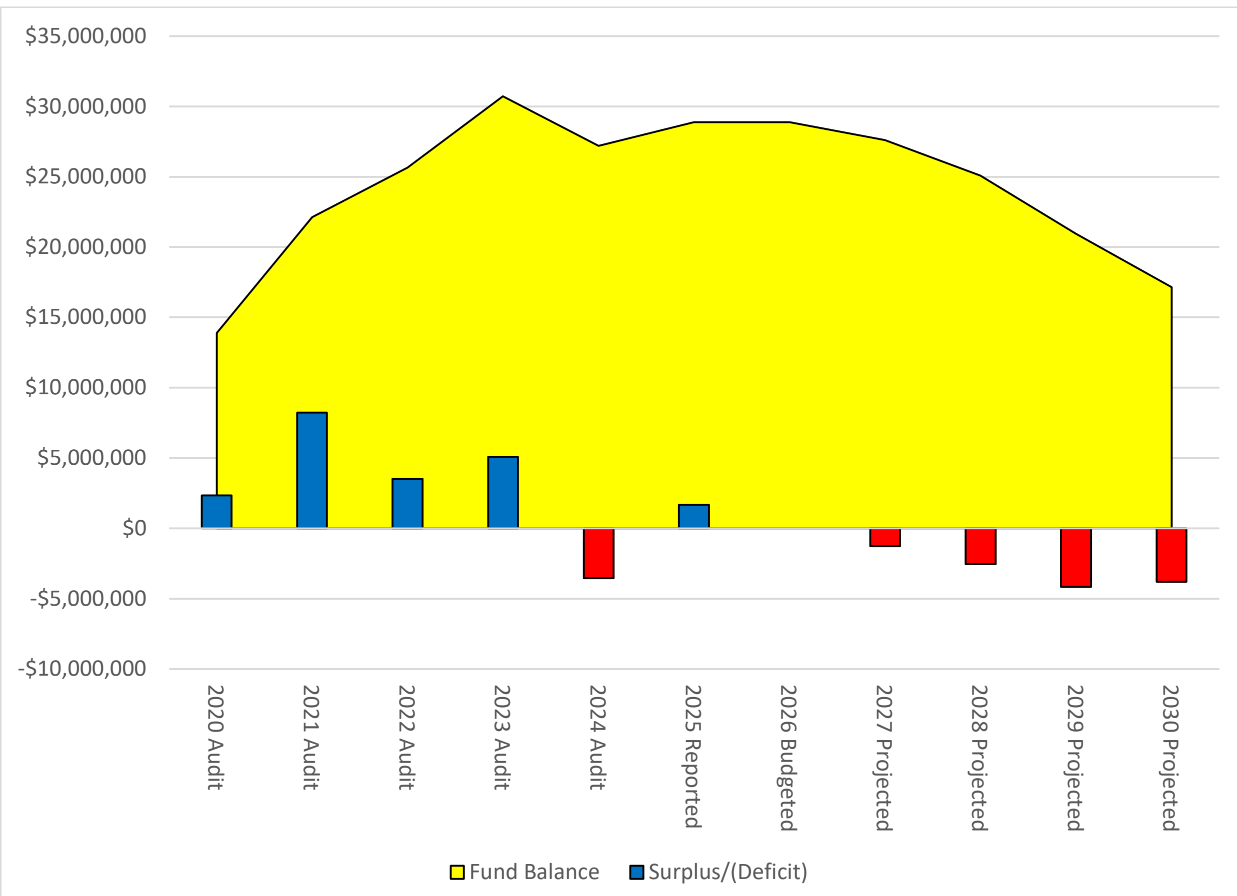
	2026	2027	2028	2029	2030	Change 2026 - 2030	
Department	Budget	Projected	Projected	Projected	Projected		%
Mayor	242,048	244,989	247,980	251,025	254,127	12,080	5.0
Police	30,822,815	31,681,431	32,866,071	34,128,517	35,074,724	4,251,909	13.8
Fire	27,135,499	27,961,651	29,000,891	30,057,635	30,890,961	3,755,462	13.8
City Clerk/Council	501,241	510,604	520,061	528,590	537,276	36,036	7.2
Controller	387,412	394,612	401,918	408,868	415,954	28,542	7.4
BA Administration	7,646,040	7,808,578	8,036,351	8,271,284	8,471,276	825,236	10.8
BA HR	5,011,427	5,140,643	5,273,254	5,408,358	5,547,437	536,009	10.7
BA IT	2,194,561	2,238,452	2,282,907	2,328,036	2,373,942	179,381	8.2
BA Treasury	334,423	340,953	343,923	349,422	351,339	16,916	5.1
Code Enforcement--LIP	3,070,862	3,093,050	3,164,340	3,228,079	3,292,965	222,103	7.2
Code Enforcement- - Buildings	1,569,640	1,595,069	1,621,187	1,646,084	1,671,423	101,784	6.5
Law	1,330,927	1,347,546	1,364,442	1,381,639	1,399,158	68,231	5.1
PW Administration	4,699,931	4,895,747	5,094,085	5,281,903	5,479,980	780,049	16.6
PW Engineering	468,198	487,899	500,901	511,974	523,683	55,485	11.9
PW-- Highways	3,968,992	4,168,615	4,290,379	4,393,723	4,502,180	533,187	13.4
PW Refuse	4,776,704	5,024,200	5,155,943	5,257,799	5,367,810	591,106	12.4
PW-- Garages	2,075,873	2,130,986	2,181,717	2,228,390	2,276,419	200,546	9.7
Parks and Recreation	2,204,484	2,290,481	2,355,429	2,412,618	2,472,556	268,072	12.2
Single Tax Office	1,041,311	1,082,647	1,125,749	1,166,239	1,208,434	167,123	16.0
Non-Departmental - Other	4,936,200	4,936,200	4,936,200	4,936,200	4,936,200	0	0.0
Debt Service	11,115,139	11,058,000	10,633,012	10,630,138	9,268,650	-1,846,489	-16.6
Total Expenditures	**115,533,727**	**118,435,745**	**121,409,691**	**124,823,862**	**126,339,617**	**10,805,890**	**9.4**

Fund Balance

The Government Finance Officers Association recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. A fund balance provides a financial cushion against fiscal emergencies such as the one the City experienced in 2012 when it ran out of cash and was forced to pay workers minimum wage. Fund balance can also be used by a municipality as a type of self-funded Tax Revenue Anticipation Note (TRAN) rather than borrowing from a financial institution.

As mentioned in Chapter 2, the City's year end fund balance increased from 2020 through 2023 as the City experienced General Fund operating budget surpluses, decreased in 2024 when the City experienced an operating budget deficit, and is estimated to increase in 2025 to $29.7 million. Using the 2026 budget as a base, the City should maintain a fund balance of $19 million to $29 million during the Projection Period. If the City relies on fund balance to overcome the projected deficits, it will be left with a fund balance of about $15 million by 2030, which is below best practice.

Figure 3.2 Projected Surplus/(Deficit) and Fund Balance



Potential Loss of Enhanced Local Services Tax Authority

The state authorizes municipalities to levy a Local Services Tax (LST) that is specifically purposed to help municipalities cover the costs of public safety and public works services used by individuals working within the City. It is one of the few local taxes that allows municipalities to generate revenue from non-residents who benefit from City services.

The City benefits from special state legislation that allows the City to levy an LST above the standard $52/year to an enhanced $156/year with the additional LST revenue supporting the City's pension system if it received a distress level classification score of severe or moderate from the PA Auditor General. Act 21 of 2026, authorizes the City levy an LST rate up to $156/year if its pension system receives a distress level classification score of minimal from the Auditor General. Act 21 of 2026 limits the City's $156/year rate to three calendar years after its pension system is classified minimally distressed.

To ensure the City's ability to levy an enhanced LST prospectively, the City should reach out to their local elected state legislators and encourage them to support proposed legislation that would amend Act 511, The Local Enabling Tax, which seeks to authorize all municipalities, including Scranton, to increase in their LST levy up to $156 from the current $52 cap.

Chapter 4
Best Practices

Introduction

This Chapter presents a set of best practices intended to assist the City of Scranton manage the operating budget deficits identified in Chapter 3. The best practices identified in this Chapter are grounded in a review of the City's financial history, the City's operational practices, statutory constraints and the leveraging PEL's institutional knowledge of the City of Scranton and its work with dozens of municipal governments throughout the Commonwealth over the past decades. There is no singular best practice that will effectively manage the projected operating budget deficits. However, judicious adherence to the multiple best practices in this Chapter will effect real change that will bridge the gap between the City's projected operating revenues and operating expenses.

Chapter 3 illustrated that the City's projected operating budget financial performance during the Projection Period ranges from a balanced budget in 2026 to a 3.4% operating budget deficit in 2029. It is important to note at the outset that the Projection Assumptions in Chapter 3 are based on constant assumptions throughout the Projection Period. The actual performance during the Projection Period is susceptible to myriad unforeseen events that may positively or negatively affect the projections in Chapter 3. Therefore, the City's current practice of monitoring the City's operating budget's actual financial performance on a daily, weekly, monthly and annual basis is the most effective approach to managing the projections identified in Chapter 3.

The fact that the City's operating expenditure growth outpaces operating revenue growth in the Projection Period is not unique to the City but is a common predicament confronting a majority of Commonwealth municipalities on annual basis, with many facing much larger operating deficit projections. The City, as with other municipal governments in the Commonwealth, are created by the Pennsylvania General Assembly, and are subject to statutory constraints regarding structure and powers. However, with due attention of City leadership, the operating deficits projected in Chapter 3 are within the City's capacity to resolve without negatively impacting the municipal services provided by the City to its taxpayers.

The City enters the Projection Period with important strengths. Through sustained fiscal discipline, the City has restored its investment-grade credit rating, rebuilt reserve balances, and strengthened financial controls. These outcomes reflect responsible governance across multiple budget cycles and provide the City with credibility, flexibility, and options that were not available in prior years.

The best practices included in this Chapter are non-prescriptive and are intended to assist the City manage its future fiscal realities in a measured and practical manner. Many of the best practices reflect existing best fiscal practices that the City has implemented in prior years. Collectively, the best practices reflect a forward-looking effort to protect the financial progress the City has achieved, minimize the risk of future fiscal stress, and promote the City's fiscal sustainability in an uncertain future.

Best Practices

Revenues

Government finance associations, such as the Government Finance Officers Association, recommend small, incremental, and predictable tax and fee adjustments as a core best practice to maintain fiscal health, avoid structural deficits, and ensure continuous service delivery. PEL advises the City to continue its review of its tax rates and fees as part of the City's annual budget preparation process as a best practice during the Projection Period.

In Chapter 2 of this Report, PEL identified tax revenue as the largest source of revenue for City operations. The amount of City tax revenue received during the 2020 – 2024 Financial Review Period fluctuated from a low of 60 percent of total operating revenues in 2024 to a high of 75 percent of total operating revenues in 2023. The City's real estate tax and earned income tax accounted for 84 percent of City tax revenue in 2024.

This Report's Projection Assumptions project the City's earned income tax to naturally increase by 4 percent in 2027 and by 3.5 percent annually in the following years. By contrast, following historical trends and the uncertainty of the impact of appeals following the Lackawanna County property reassessment which became effective on January 1, 2026, the City's real estate revenue is projected to have no growth in 2027 and only .5 percent growth annually in the following years. This lack of natural growth in City real estate tax revenue is not a new phenomenon to the City and has been a fiscal issue for the City for decades.

The City has effectively managed the lack of growth in real estate tax revenue over the past several years by marginally increasing its real estate tax millage rates to increase real estate tax revenue. These real estate tax increases have been essential to restoring and maintaining the City's fiscal progress identified in this Report. In addition, timely implementation of these incremental real estate tax increases avoids the burdensome double-digit real estate tax rate increases that the City had to implement in the 2000's and 2010's.

As previously mentioned, the City's earned income tax exhibits natural, annual growth along with the City's payroll preparation tax. The City's real estate transfer tax is a bit more volatile as its collection rate is more susceptible to U.S. macroeconomic factors.

This Report also identifies nontax revenues as the second largest source of revenue for City operations. The City's nontax revenues fluctuated during the 2020 – 2024 Financial Review Period from a low of 15% of total operating revenues in 2024 to a high of 17 percent of total revenues in 2022. The City's refuse fee and licenses and permit fees accounted for 48.4 percent of nontax revenue in 2024. The City has limited authority when setting these fees. The City is subject to contracts or market conditions for other fees and has no authority for determining some nontax revenue such as state pension aid.

Payments in Lieu of Taxes (PILOT) payments that the City currently receives from tax-exempt nonprofit institutions are an important offset to lost property tax revenue and help fund essential City services. Unfortunately, many tax-exempt organizations in the City viewed the City's historical requests for PILOT's as a tactic to help solve the City's severe financial distress. However, this

Report highlights the City's progress from financial distress to financial stability. Taking advantage of the City's financial success, the City's pursuit of PILOT's should be initiated upon building donors' trust on the City's capacity to use voluntary donations for specific uses, i.e., a new playground, a downtown revitalization project, equipment purchases and highlight how their financial contributions improve the local quality of life for their clients.

As previously mentioned, Act 21 of 2026, authorizes the City to triple its LST rate if its pension system's distressed classification score becomes minimal. However, the City is limited to the increased LST for 3 years once the pension system meets this minimal classification score. To ensure the City's ability to levy an enhanced LST prospectively, the City should reach out to their local elected state legislators and encourage them to support proposed legislation that would amend Act 511, The Local Enabling Tax, which seeks to authorize all municipalities, including Scranton, to increase in their LST levy up to $156 from the current $52 cap.

Expenses

The GFOA recommends controlling municipal expenditures through proactive budget monitoring, structured cost-control, and data-driven policies. As previously mentioned, the growth of City operating expenditures is expected to outpace its operating revenue growth during the Projection Period. Although the projections anticipate operating budget deficits, the scale of the projected operating deficits are within the capacity of the City to reasonably manage with the management goal of avoiding future, austere fiscal constraints.

The City has an active practice of monitoring the City's actual budget operating budget performance on a daily, weekly, monthly and annual basis. The City provides City Council with monthly financial updates, and the City has implemented a real-time operating budget update on its website. These proactive practices create a complete financial feedback loop, allowing the City business administration to identify issues and make any necessary adjustments, control daily spending, and achieve operating budget goals.

To strengthen organizational capacity, improve service delivery, and ensure long-term financial sustainability, the City should continue its coordinated strategy focusing on employee cross-training, modernization of job classifications, and the efficient use of technology. These initiatives address documented operational vulnerabilities, reduce dependence on narrowly defined job roles, and position the workforce to meet the evolving technological demands of municipal operations.

The City has vastly improved its workers' compensation claims and costs over the past decade. The City successful completion of a PA Labor & Industry Workers' Compensation Accident & Illness Prevention audit in 2024 attests to the operational turnaround of this City program. The City should continue to implement best practices to minimize workers' compensation and Heart & Lung costs, including early reporting, communication with injured employees, independent medical exams, light-duty programs, and settlement strategies.

The City's claims experience on its property insurance has been consistently low since 2021 which is reflected in lower or constant insurance premiums. This is attributed to the City's implementation of routine inspections of City properties and immediate addressing of identified hazards, cybersecurity upgrades, police body-worn cameras and the inclusion of risk waivers and release forms in City contracts. The City should maintain its vigilance in addressing this important expense and continue to explore initiatives that reduce the City's property and liability risk.

The City has made great strides in developing and funding a Capital Reserve Fund and adopting an annual Capital Reserve Fund Spending Plan, which represents best financial practices for capital spending. The creation of the Capital Reserve Fund and an annual Capital Reserve Fund Spending Plan removes capital expenditures from the City's annual operating budget cycles. The City's prior practice of mixing operating expenses and capital expenses in its annual operating budgets distorted the City's operating financials. The removal of capital expenditures from the City's operating budgets will provide more accurate financial reporting of both City operating expenses and capital expenditures.

Building on the City's reduction in debt principal identified in Chapter 2, a continued focus on disciplined debt management will strengthen the City's long-term financial stability. The City should maintain its commitment to limiting borrowing to capital projects that preserve or enhance core infrastructure. Debt should not be used to support operating budget costs. This approach not only protects annual operating flexibility but also reinforces creditworthiness and reduces future budgetary pressure.

As exhibited in Chapter 3, beginning in 2030, the City's annual debt service payment will begin to decrease. As existing debt continues to amortize, the City can strategically reinvest the resulting savings to support capital needs and bolster reserves. Sustaining these practices will help ensure that the City's debt profile remains manageable, transparent, and aligned with its long-term fiscal and operational goals.

The City and its public sector unions have demonstrated a strong track record during the Historical Review Period negotiating fair and responsible collective bargaining agreements and interest arbitration awards. This labor/management cooperation is in no small way a significant measure of the City's financial restoration. It behooves the City and its public sector unions to continue future negotiations in good faith.

General

The City, as the largest municipality and county seat, should continue its participation in regional planning and explore potential service provisions with neighboring municipalities that will drive regional economic growth and community development by improving conditions not only in the City but also in surrounding areas that are economically and socially connected to the City. The City currently collaborates with surrounding municipalities on stormwater issues to potentially pool resources to manage regional runoff and meet federal regulations together. The City, with a large municipal code enforcement staff, is also uniquely positioned to assist neighboring municipalities with this important municipal function.

In 2024, the City completed a state required 40-year amortization of payments to its pension trust fund. The City utilized this opportunity to reduce its pension discount rate over the past two years from 7.25 percent to 6.25 percent. Reducing the pension discount rate did not provide direct financial savings to the City, however, the City offset this expense with the ending of the City's amortization expense. The primary benefit to the City of reducing the pension discount rate is improved, long-term financial security of the City's pension fund. Lowering the discount rate requires the City pension plans to save more money today, which, in effect, protects the pension fund against future market shortfalls and ensures promised City pension benefits will be paid.

As with many older urban centers, the City faces ongoing challenges associated with aging buildings and infrastructure, which require sustained reinvestment to prevent decline and blight. The receipt of $68.7 million American Rescue Plan Act (ARPA) funds allowed the City to undertake major City infrastructure investments and to assist many community organizations and small businesses. Unfortunately, the City's ARPA funding must be completed in fiscal year 2026. Despite this fact, the City should continue to advance a coordinated economic and community development strategy that prevents neighborhood deterioration, strengthens the tax base, and enhances overall quality of life.

The City's Office of Economic and Community Development (OECD) is the central leadership in this effort. OECD should continue to guide strategic planning, oversee redevelopment activities, pursue grant funding, coordinate investment initiatives, and serve as the primary liaison between the City and its many nonprofit and private-sector partners. Through active project management and targeted outreach, OECD ensures that redevelopment activities align with City priorities and deliver measurable community benefits.

Summary

As previously noted, the City has achieved fiscal discipline, restored its investment-grade credit rating, rebuilt operating reserve balances, and strengthened financial controls over the past several years. These outcomes reflect responsible governance across multiple budget cycles. The best practices identified in this Chapter are intended to assist the City's professional and elected officials as they effectively manage the City's financial future.