pennsylvania
GOVERNOR'S CENTER FOR
LOCAL GOVERNMENT SERVICES

CITY OF ALIQUIPPA

BEAVER COUNTY

FIFTH UPDATE – REVISED RECOVERY PLAN

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CITY OF ALIQUIPPA

RECOVERY PLAN REVISIONS

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INTRODUCTION

This report will review the current status of recovery efforts in the City of Aliquippa and present findings and conclusions as to whether or not the City should remain in a distress status, under the Municipalities Financial Recovery Act (MFRA), Act 47 of 1987, as amended. The report consists of the following major component elements:

- A review of the original consultative evaluation, original Recovery Plan and the revised Recovery Plans.

- A review of recommendations of the revised Recovery Plans including an update and status report.

- A review of the financial records and financial projections to determine if the conditions that led to the earlier determination of municipal financial distress are still present.

- An analysis of this data and a recommendation for the continuation of the distress status.

- The development of a comprehensive revised Recovery Plan to include additional recommendations necessary to alleviate the distress status of the City.

SECTION I

BACKGROUND AND SUMMARY OF INVOLVEMENT OF CITY IN DISTRESS PROGRAM

A. ***Consulting Field Work***

In a petition notarized on October 21, 1987, the then Borough of Aliquippa requested the then Department of Community Affairs (DCA) to determine its eligibility as a distressed municipality under Act 47 of 1987. Section 201 of Act 47 sets forth eleven (11) criteria, at least one of which must be present in order for a municipality to be considered for a distress determination by DCA. (It should be noted that on July 1, 1996 the Department of Community Affairs merged with the Department of Commerce to form the Department of Community and Economic Development. Under the legislation, Act 58, of 1996, The Department of Community and Economic Development was given the authority to administer Act 47, Municipalities Financial Recovery Act.)

In its petition to DCA, the then Borough, indicated its belief that specific Section 201 criteria, namely (1), (2), (6), (7) and (8) were present. After DCA conducted the field consulting work, it was determined that the borough could be considered for a distress determination, because it met criterion 6. DCA did not find the presence of criteria (1), (2), (7) or (8).

Under criterion 6, DCA noted the following:

> The Borough failed to remit withheld payroll taxes at the end of 1984 on the required due dates, $40,000 in withheld payroll taxes was transferred from the Payroll Fund into the General Fund to meet net payroll costs (12/07/84 - #295 $20,000 and 12/26/84 - #297 $20,000).
>
> These funds represented employee withholdings for social security, federal income tax, state income tax, local earned income taxes, pension withholdings and dues for the F.O.P., and were not remitted to the appropriate taxing agencies until April and May of 1985 (well past the "30 day beyond the due date" limit set forth in criterion 6). The Borough was assessed, and paid, appropriate tax penalties because of this late payment.

The field consulting report further stated that Aliquippa should be declared distressed because of two primary factors:

1. Based on an analysis of interim financial statements through September, 1987, it was projected that Aliquippa would finish 1987 with a deficit of $358,866. Continued erosion of the tax base resulting in future deficits was likely unless corrective actions were taken.

2. Aliquippa encountered, over a period of years, an eroding tax base of a substantial degree affecting its ability to render basic public services.

The report concluded by stating that in addition to DCA's recommendation that the Borough be declared distressed, it was recommended that the Borough present information relating to its desire for emergency financial assistance and the requested amount of the assistance. Further, if the Borough was declared distressed, DCA would entertain an application for an emergency loan.

Following a public hearing, Aliquippa was declared a distressed municipality by DCA on December 22, 1987. Aliquippa requested an emergency loan under the provisions of Act 47 in the amount of $460,000 in order to pay unpaid bills and to meet operating expenses for the balance of 1987. The loan was received in early 1988. Aliquippa Borough became a City of the Third Class in January, 1988 as a result of a favorable referendum vote.

B. ***Initial Recovery Plan***

Act 47 provides that a Plan Coordinator be appointed after a distress determination is issued and that a Recovery Plan must be prepared by the Coordinator. The Recovery Plan for the City of Aliquippa was prepared under the provisions of Section 241 of the Act.

Local Government Research Corporation (LGR) was appointed, as Plan Coordinator by former Secretary of Community Affairs Karen Miller, in January, 1988. The Recovery Plan, prepared by LGR, was filed with the City of Aliquippa on June 11, 1988. Under the requirements of Act 47 the Plan provided numerous recommendations to improve city operations as well as financial projections for a three year period. The Plan was subsequently approved by the City Council on July 14, 1988. In addition to the recommendations included in the Recovery Plan, it is important to include LGR's assessment of Aliquippa's plight that led to the distressed status. The following is an excerpt from the original Recovery Plan:

"Aliquippa has been faced with a continually deteriorating financial and economic picture for several years. The decline in employment at the LTV Mill from a peak near 14,000 to fewer than 3,500 has been reflected in a drop in earned Income tax revenues, by 1986, to barely one-half of its 1980 level. Likewise, the occupational privilege tax has plummeted from a 1980 collection of $70,000 to only $20,400 in 1986. The most significant decline, however, has occurred in real estate tax collections because of a string of successful assessment appeals by LTV on its 400 acres of industrial land and buildings. As the steel firm has adjusted to its own problems by closing and tearing down large portions of its operation, it has reduced its tax liability to the municipality. Although the municipality has implemented numerous drastic cuts over the past few years - its 1988 employee complement is less than one-half the number for 1980 - the current crisis has come about at least in part because the appropriations practices ignored the impending problem. Some may argue the most recent crisis was precipitated by a cut in revenues too extreme to meet. LTV appealed its real estate tax assessment in 1985 and won a reassessment from $19 million to $9.5 million effective with the 1986 tax year. The decision was apparently anticipated in late 1986 but was not formally communicated until February, 1987. The budget for 1987 included tax payments from LTV of $338,000 just for the current year. As a result of the award and its effect back to 1986, LTV unilaterally claimed credit for overpayment and paid only $96,000. This meant there was a shortfall of $288,000 between actual collections and the amount budgeted. Despite this, there was no action to further adjust the appropriations for the last nine months of 1987. The year ended with a substantial deficit and a determination by the Department of Community Affairs that Aliquippa was financially distressed.

The change in the form of government, which was approved by the voters previously, took effect January, 1988. It allowed the (now) City to implement a two-tier taxing system for real estate tax purposes and, by taxing vacant land at a higher rate than improvement, levy an even greater tax on LTV than the $338,000 budgeted in 1987. This tax has been paid but the continued success of this maneuver is not entirely clear. Therefore, although the 1989 and 1990 projections presented later in this report anticipate no change, there is the distinct possibility that, come 1991, the city will again have to make some extremely painful adjustments in order to maintain a balanced budget. It is the intention of the Coordinator that the recommendations presented in this plan will better enable the city to anticipate and meet those contingencies."

C. ***Revised Recovery Plans***

1 **First Revised Update to Recovery Plan**

Prior to December 31, 1990, a reevaluation of the Distressed Status, as provided for under Act 47, was conducted by a team of consultants. The primary goal of the team was to review the original Recovery Plan and provide detailed recommendations for the continuation or eventual removal of the distress status for the city. The major factor considered in making this determination was whether the conditions that led to distress are, in fact, still present. The Recovery Team Consultants summarized their review and recommendations by stating the following:

> "In general, the Recovery Plan Revision Team (Team) believes the conditions which caused the original distress determination are on the way to being alleviated. However, they cannot be considered alleviated yet. The Team has the following major concerns which must be demonstrated over the next two years:
>
> a. Management stability and professionalism;
>
> b. Tax base stabilization
>
> c. Sufficient revenue from local sources to supplement a non-recurring beginning balance incorporated for the last two years to balance the subsequent budget but in fact attributable to three factors associated with Act 47 distress status as follows:
>
> (1) A court authorized 0.2% increase in the Earned Income Tax (EIT) which is beyond statutory limits for non-distressed Third Class Cities.
>
> (2) The infusion of a $460,000 DCA no-interest loan and grant; and
>
> (3) Savings over budgeted expenditure especially for the city administrator's salary.
>
> The financial reporting system is a good one in that account balances are known and reported on a monthly basis. The Team is concerned, however, that Aliquippa has only one part-time employee and one part-time elected official who really understand the system. The other concern is that there is no one to take the information, analyze it, and formulate a course of action or series of reasonable alternatives. The Team believes that this will change with the advent of the full-time City Administrator, but that remains to be demonstrated. Also, the need for backup financial management capacity should be addressed immediately.
>
> Further erosion of the tax base could occur. While that has not been the case, the status of LTV Steel vis-a-vis the land and building tax system is still relatively new. While the significant erosion of the tax base appears to be alleviated, the Team believes it is premature to make a conclusive determination.

The conclusion of the Team was that there had been substantial progress towards alleviating the conditions that led to the original determination of distress. However, to conclude that the conditions had been completely alleviated was premature at the time.

The reevaluation report recommended that the distress status for Aliquippa be continued for another two years.

The basis for this recommendation was that it would allow sufficient time for the planned administrative improvements to be implemented. Some of the more significant impacts of rescinding the distress status are as follows:

a. Earned income tax returns to statutory limits;

b. Collective bargaining controls eliminated;

c. Interagency priority assistance no longer available;

d. Loss of no interest loan availability; and

e. Loss of grant preference.

The imposition of a refuse/recycling user fee in conjunction with a "step-down" reduction in the E.I.T. rate over two years to the 0.5% limit, should stabilize the City's fiscal status.

The extension of the distress status will also provide additional time to see if any challenges to the two tier real estate tax system occur. J & L Structural Steel Company (a greatly down sized but none the less successor and major industrial employer in Aliquippa) has had its assessment decreased from $957,400 to $700,000 for the years 1991 and 1992. The decline in population has also continued with an approximate 30% reduction since the 1980 census (from 17,094 to 13,375 in 1990).

The extension will also provide the opportunity to fairly evaluate the effectiveness of the City Administrator under the current ordinance and third class city code structure. Finally, and of critical importance, the extension will give Aliquippa the additional time necessary to measure actual financial performance with the introduction of a refuse/recycling collection charge.

2. Second Update to Revised Recovery Plan

Prior to December 31, 1992, a second reevaluation of the Distressed Status, provided for under Act 47, was conducted by DCA. The reevaluation report and subsequent Recovery Plan Revisions, dated February 1993, were prepared by William Gamble, Plan Coordinator, Municipal Administrative Consultant with DCA.

That report also recommended the continuation of the distress status for the City of Aliquippa. Section III, of the report stated that some, but not all, of the conditions that caused the original distress determination had been eliminated. Further, after reviewing the recommendations not completely implemented, the concerns expressed by City officials, and other factors such as the untimely death of the Finance Manager, it was concluded that the distress status for the City of Aliquippa should be continued for at least another year. This conclusion was based on the following reasons:

a. Management stability, although strengthened by the administrator's position, is still of concern until the finance officer's position is filled.

b. Socio-economic factors such as the decline in population and tax base especially with further assessment appeals by LTV Steel present challenges for City Council to balance service needs against revenue capacity.

In addition, Section III of that report added the following issues, concerns and recommendations:

"Tax base erosion, a concern expressed by the City, is also a concern of DCA. This issue, however, can be addressed with a strong community and economic development strategy and a commitment to carry out this strategy and should not deter financial stability in future years. The projected fund balance and the assumption that the management oversight that has existed for the past two years continues, should ensure stability and professionalism in operations and confidence in the City. In addition, the elected officials must continue to demonstrate responsible fiscal accountability. This is necessary regardless of whether or not the City continues as a distressed municipality under Act 47.

The initial infusion of the $460,000 DCA no interest loan has eliminated the deficit budgets of the past. The size of fund balances that have existed for the past five years indicates a return to fiscal solvency and stability.

City officials have expressed their major concerns about the future financial stability of

Aliquippa. These concerns are outlined in a letter, dated December 4, 1992 from the City Administrator to the DCA Coordinator."

The report concluded that the future of the City of Aliquippa rests, for the most part, in the hands of the City Officials. Their commitment to the implementation of the recommendations included in the report and their commitment to address the needs of the City in a very objective manner are of utmost importance. Finally, the report stated that City officials must demonstrate responsible management oversight and fiscal accountability to assure the future stability of the City.

3. Third Update to Revised Recovery Plan

Prior to December, 1995, a third evaluation of the Distressed Status was conducted by the then DCA. William Gamble, the Recovery Plan Coordinator and Augie Stashe, a Financial Consultant prepared the reevaluation and subsequent Recovery Plan Provisions, dated November, 1995.

That report stated that the City has made great strides in implementing the recovery plan recommendations in the area of administrative management, financial management, personnel management and the provisions of efficient municipal service levels and community and economic development.

While the report stated that great strides were made, it outlined the issue of a declining tax base. The sale of the former LTV property in 1993, while offering hope for the future, resulted in short term financial difficulties. It mentioned that the city's assessed valuation on land decreased from 1991 to1993 by $1,350,660, which translated into a revenue loss of $109,404, given the same tax rate. Although this continuing decline was of great concern, the sale of the LTV Property in 1993 and the assessment appeals that followed created an unstable fiscal situation for the City. With the sale of the land and the subsequent appeal of the assessment, the City's assessed value decreased from 1993 to 1994 by an additional $3,569,919 for a further loss in real estate taxes of $324,864. To add to this burden, the assessment on the 182 acres of the former LTV property was further appealed and the City did not realize any real estate tax dollars from the property in 1994 or 1995.

The financial projections, written in the report, for 1995 and 1996 offered little relief indicating that the City could anticipate a deletion of its cash fund balance, a balance which, along with the prudent management, had been moving the City toward fiscal stability. This continued erosion of the tax base created an unstable climate and was jeopardizing the City's ability to provide for the health, safety and welfare of its residents.

The report evaluated the factors in Act 47 to determine whether the conditions that led to distress, had been eliminated. After review of these factors, the status of the plan recommendations, past fiscal trends, the alarming decline in assessed valuation and the projected fiscal position of the City, given the decline in assessed value, it was clear that the distressed conditions were not eliminated. The report therefore stated that the distress status for the City of Aliquippa should be maintained, at least for an additional two years, to allow the current situation to stabilize.

The report concluded by stating that the future of the City rests, for the most part, in the hands of the City Officials and that they should continue to support the aggressive implementation of the recommendations of the recovery plan. It stressed the importance of the City to address their needs in an objective and forthright manner and that responsible management oversight and financial accountability must continue to be demonstrated during the difficult fiscal period. Tax stability in the short term and its expansion in the long term is central to the financial recovery of the City. Efforts must be continued to encourage, promote and assist industrial, commercial and residential development which translate into an expanded tax base that will make Aliquippa a more attractive community in which to live.

It *should be noted that on June 27, 1996, the then Governor of Pennsylvania, Tom Ridge, signed into law, Act 58, The Community and Economic Development Act combining the Department of Community Affairs and the Department of Commerce into the Department of Community and Economic Development (DCED). As part of that legislation, the Governor's Center for Local Government Services (GCLGS) was created to be a principal advocate for local governments in Pennsylvania. One of the many responsibilities the GCLGS was the administration of Act 47, the Municipalities financial Recovery Act. Thus, the City of Aliquippa, previously declared "distressed" under the Act, became the responsibility of the GCLGS.*

4. Fourth Update to Revised Recovery Plan

In 1998, the GCLGS initiated a review of the “distressed” status of the City of Aliquippa. While no formal report was issued, the major issues outlined above, continued to plague the City. However, after that review and due to the stabilization of the City through strong management initiatives and oversight, the demonstration of fiscal responsibility, the support of council, and the upturn in the economy, the City started to anticipate an exit from their “Distressed” Status under Act 47. The year 2003 was projected as the year the City’s recovery plan should be reviewed to determine whether the City should or should not exit from Act 47. The financial review outlined later in this report will demonstrate improvement in fiscal condition, prior to September 11, 2001. However, the economic impact of that tragic event, and the residual fiscal impact that plagued so many others, including many communities in Pennsylvania and around the nation, created a devastating affect on the City’s progress achieved over the previous years, prior to September 11. As a result, some of the concerns facing the City at the end of 2002 and in the budget projections for 2003 included the following:

- J& L Structural closed its doors and filed for bankruptcy
- Earned Income Tax decreased by approximately $100,000
- The cumulative effect of the bankruptcies of J & L and LTV, coupled with the loss of a major business concern on Franklin Avenue, Shiflet Studios, created a significant gap in projected revenues.
- The ownership of J& L Properties was before a bankruptcy judge.
- The 2003 City budget included an increase in real estate taxes of 2 mils, bringing it within 1/10 of a percent of the state cap of 25 mils.
- The City explored the use of a pension bond in 2004 to aid in the payment of the MMOs that dramatically increased due to a combination of the following three factors:
    1. An arbitration award which increased retired police officers’ salaries to one-half (1/2) of the base patrol officer salary, effective beginning January 1, 1997.
    2. The retirement of many police and fire employees; a measure calculated to defer employment-related expenses to future years that were projected to be more fiscally stable.
    3. The overall decline in market valuations precipitated by the technology stock downturn

and further aggravated by the events and the aftermath of September 11, 2001; and including the Iraq War which began in 2003.

- In a move calculated to preemptively increase the viability of the Aliquippa Community Hospital (ACH), then Chief Executive Officer Dr. Fred Hyde, recommended the filing of bankruptcy, which was approved by the ACH Board of Directors. Due to a take over by a group of medical practitioners, the CEO and Board were forced to resign. The future of the hospital once employing over 500, and now employing less than 300 was of major concern.

The recovery Plan at that time recommended that the City remain in Act 47 for another three (3) year period based on the following observations:

> "The City of Aliquippa continues to make great strides in implementing the recovery plan recommendations and has improved its capacity in the area of administrative management, financial management, the provisions of municipal services and community and economic development. The professional appointments for the positions of City administrator and finance director have strengthened the capacity and stability in the management and financial management of the City. However, the resignation of the City administrator, in late 2003, and the appointment of a qualified replacement should continue to stabilize the administrative capacity of the City. These continued management improvements provide the basis for the City to continue to comprehensively address the recommendations in the recovery plan and address the fiscal concerns now facing the City. Personnel management practices through recruitment and personnel procedures have improved and continue to be addressed. A major improvement has been in the area of economic and community development that is now an integral part of the planning process in the revitalization of the City. The City continues to work very closely with other governmental entities and community based organizations to address future development of the City.
>
> While tax base erosion started to level off, recent developments have again created a cause of major concern. The successful assessment appeal on the former LTV property by BetTech International, the cumulative affects of the bankruptcy of J&L Structural and LTV, and the loss of a major business concern on Franklin Avenue, Shiflet Studies, has created a major "hole" in future previously expected revenues. Another recent "setback" for the City was the filing for bankruptcy by the Aliquippa Hospital in November, 2002.
>
> On the positive side, US Gypsum Wallboard Corporation, in 1998 purchased 125 acres of the LTV Property and is now fully operational. However, the positive may have turned into a negative as the Wallboard Corporation filed for bankruptcy in 2003. Other developments include the Beaver County Corporation For Economic Development's building of a one million dollar ""Spec" Building on the former LTV Property. This is now complete and is intended to lure additional businesses to the waterfront area. Also, in 1998 Eckerd Drug Store opened a million dollar facility on Broadhead Road that is now fully operational. Other positive community development efforts include the ongoing rehabilitation of Franklin Avenue. This ongoing rehabilitation has included funding provided by DCED, through the Single Application

Process and by the Beaver County CDBG Program. These initiatives have empowered the City to provide funds for new storefronts for business development and the demolition of dilapidated structures on the Avenue. In addition, the City's streetscape, another major rehabilitation project, includes the construction of new sidewalks, ornamental light fixtures and the removal of overhead wiring in the Central Business District. While these initiatives seem favorable to the City, it must be realized that the City has yet to achieve financial, economic and community development stability necessary for its distress determination to be rescinded.

Due to many setbacks, as outlined in this report, the City is once again faced with major concerns over its fiscal stability. While revenues have somewhat increased in recent years, the overall revenue collections are on a downward trend when projected through 2005. Real Estate Taxes have seen a slight increase due primarily to (1) an increase in tax millage, now at a maximum allowed under the Third Class City Code, and (2) the hiring of Portnoff Collection agency to collect delinquent taxes. However, when looking at earned income taxes the City is on a downward spiral. The period 1996 through 2000 saw a positive trend in EIT collections due to the overall growth in the economy, riverfront development and increased collection by the City and Central Tax Bureau. A negative trend in revenue started in 2001 and continues today. As stated earlier, LTV Steel ceased operation in December 2000 (400 employees), J & L Structural closed (100 employees), Shiflet Studios closed on Franklin Avenue (300 employees) and finally the Aliquippa Hospital with an employment of approximately 500 reduced its staff to 230 employees.

On the expenditure side of the ledger, major cost increases, notably in the Fire Department Operations, Police Department Operations, health care and insurance costs, have created real need for concern. In 2000, the City Fire Department, due to ineffective EMS service, started to provide the residents with a First Responder Service. This program was well received by the citizens and, according to the City, has saved many lives in the process. In 2003, with two firefighters injured, the City hired 3 part-time firefighters to take up the void and hopefully reduce overtime costs. In the police department, the City increased the police staffing from 18 in 1997 to a peak of 25 in 2002. These positions, for the most part were funded 100% for four years under the Federal COPS Program. When the City took advantage of the 100% funding through the COPS Program, the City projected a positive picture to DCED indicating the City's current and future fiscal stability would be maintained. However, the events of 9-11-01 that caused a devastating financial negative effect on the country also adversely impacted on the City. This tragedy contributed, in part, to the fiscal issues of concern outlined in Section III of this report. Thus, the City's earlier fiscal projections that indicated they would be ready to exit the Act 47 Program, did not become a reality."

As a result of the 2004 evaluation, the City remained under Act 47 through the current period with this review and update scheduled for mid-2007.

NOTE: It should be noted that William Gamble retired from the DCED Governor's Center for Local Government Services in April 2004. In June 2005, Deborah Grass, Local Government Policy Specialist with the DCED Governor's Center for Local Government Services was appointed as the Act 47 Coordinator for the City of Aliquippa and is currently responsible for overseeing the City's recovery activities and the update of the City's Fifth Updated Recovery Plan.

SECTION II

STATUS REPORT ON EXISTING RECOVERY PLAN RECOMMENDATIONS/REVISIONS FROM FIFTH UPDATED RECOVERY PLAN OF 2004

A. ***Administration***

1. **Continue to provide effective and efficient administrative capacity by maintaining a commitment to the City Administrator's Ordinance.**

Update: Council rescinded the City Administrator's Ordinance (#9-1988) and replaced it with a new Ordinance (#4-2003), which more accurately reflects the roles, duties and powers of the Administrator. After a full recruitment process, the city hired Thomas Stoner effective September 15, 2003, who had previously been the Borough Manager for Monaca Borough for twenty-four (24) years. Stoner has been City Administrator/Manager in Aliquippa pursuant to an employment agreement since that time. Stoner continues to provide strong professional management services, stability, and leadership for the City.

Status: Compliance

2. **Continue to provide effective and efficient financial management by maintaining the position of a full-time Finance Director.**

Update: Dennis Panagitsas, who has a strong background in public accounting, continues to serve as finance director and provides professional services and reporting for the City. The consistent work and stabilization of this position with the City has contributed to the high level and sophistication of the financial information provided to the Manager and Council for decision making purposes.

Status: Compliance

3. **Fully implement an equitable personnel system that includes a job performance evaluation plan for all management positions and other City personnel.**

Update: This recommendation has not been fully implemented because there is a strong union presence and little impetus for creating a performance evaluation system. An equitable recruitment and compensation system is in place and an Employee Handbook has been developed and distributed.

Status: No longer relevant.

4. **All full-time employment positions in the City, including management positions shall be filled only after essential qualifications and job descriptions have been developed by the**

City Administrator and approved by Council, and after an open and publicly advertised recruitment process that will reach the maximum number of potential qualified candidates. In addition, the Plan Coordinator shall review and first approve the hiring process and the qualifications of the selected candidate, prior to their official hiring. Job Descriptions shall be reviewed and updated periodically as conditions warrant.

Update: Job Descriptions were developed and distributed to all personnel. All full-time positions are advertised and a recruitment process to select the best qualified applicant is in place. Job descriptions and other employment policies are reviewed on a regular basis and the Employee Handbook will be updated accordingly. In August 2002, the administrative staff was reduced from 3 positions to 2 positions. All positions are reviewed and approved by the Plan Coordinator.

Status: Compliance

5. Conduct a follow-up management evaluation of the Aliquippa Public Works Department utilizing the GCLGS Peer to Peer Program.

Update: The City Administrator closely supervises the Public Works Department and requests that public works study be postponed until a later date. There is no need at this time for additional analysis of this department because it is operating at optimum level and within budget.

Status: No longer relevant

6. The City shall provide the Plan Coordinator with a report outlining the recommendations that were presented in the previous Fire Management Study and indicate the recommendations that have been implemented and those that have not, given the resource capabilities of the city.

Update: The Fire Bureau began a "First Responder" program 11-1-99. Each crew consists of at least one emergency medical technician. The SOP's have been reviewed by the solicitor and have been implemented. The program was well received by the citizens. The fire truck responds to all emergencies and this has caused an increase in repairs and gasoline expenditures. Also "First Responder" on homicide calls has created some fear/stress factors resulting in purchase of "flak-jackets" and training in 'debriefing counseling." In June 2005, the City attempted to coordinate, with the help of GCLGS staff and the Beaver County Emergency Management Coordinator, Wes Hill, a regional approach to fire fighting efforts between the City and Hopewell Township. These discussions broke down when the Hopewell volunteer companies rejected the joint approach. The City continues to suffer financial consequences to maintaining 9 F/T and 3 P/T firefighters with a 2 person minimum. In addition, the first responder program invokes significant overtime costs. In 2005, the firefighters agreed to a three year freeze on wages and a 10% contribution to health care premiums in accordance with the Recovery Plan. The City has requested a fire management study and a peer has been assigned by GCLGS for this purpose. The GCLGS and the City management continue to work to evaluate the costs, management, and service delivery of the fire department. In June of 2007, Chief Darryl Jones resigned to take other employment with the City of Pittsburgh. Foringer was promoted to the position of Chief in August of 2007.

Status: Ongoing Work and Review

7. Continue to provide the Police Department with technical assistance as needed through the GCLGS "Peer-to-Peer" Program and conduct a follow-up evaluation to previous recommendations to include the many changes that have taken place in the Aliquippa Police Department.

Update: Peer Chief completed his technical assistance and new rules and regulations were approved by council. The City renegotiated the Linmar contract with the Police officers as a part of their collective bargaining agreement for the years 2005-2007. Police Officers are “guaranteed” a certain number of hours at $18.00 per hour. The City had anticipated the receipt of approximately $50,000 in funds from this contract (after the payment of guaranteed time) but received only $16,000 in 2007. In December 2005, the City received a favorable arbitration award that froze wages for three years and required a 10% contribution to health care premiums in accordance with the recovery plan recommendations. For 2006 and 2007, the City continues to employ 18 officers – 1 Chief, 1 Assistant Chief, 5 Sergeants (including one detective), and 11 patrol officers. A follow up staffing and operations study of the department should be conducted in the future.

Status: Compliance

8. City Council shall provide support to the Recreation Board in conjunction with the Weed and Seed Recreation Committee in the implementation of the comprehensive Recreation Plan and future initiatives concerning the recreation needs of the city. The Plan shall include the annual operation of the community swimming pool.

Update: The City has been unable to open and operate the City pool since summer 2004 at which time the Quality of Life grant funds were still available for the City under the Weed and Seed program. The pool did not open in 2005, 2006 and will not open in 2007 due to financial constraints. In 2005-2006, the City contracted with CEC Engineering to complete a master site plan for the City parks with DCNR funding. Public meetings were held in April and May 2006 and the master site plan was adopted. The City applied for CRP funds and a DCNR grant for rehabilitation of playgrounds during 2006.

Status: Compliance

9. Update the appraisal of City property and implement a Property Identification Program, including the yearly update of the Industrial Appraisal, which is utilized to calculate insurable values.

Update: By March of 2006, the City had completed an inventory of City property and equipment. However, on July 6, 2006 a devastating flash flood left Franklin Avenue under 3-5 feet of water destroying these among other records. As a result, the City must undertake a complete inventory control program and industrial appraisal in 2008.
Status: Ongoing

10. Update and publish a position control summary as part of the budget process.

Update: The position control summary has not been created as part of the budget process. However, a spreadsheet was provided to the City so that the position control summary can be included and updated annually during the budget process.
Status: Ongoing.

B. Financial Management

1. All tax rates and fees for service shall be maintained at rates no lower than the 2003 rates. Also, the City should actively research new alternatives for user fees, including the licensing of domestic house pets, rental occupancy inspection services and towing and impound services

Update: The 2004, 2005, and 2006 budget maintained real estate taxes at the same rate as in the previous years since 2003. In 2004, the City adopted a .6% EIT rate dedicated to the distressed municipal pension funds in order to address current and delinquent MMO payments. Fees have been reviewed annually to determine the proper rate. The 2007 the budget has been introduced with no increase to tax rates – but with a shift of the .1% EIT for pension purposes to a .1% Act 47 levy for general purposes. The balanced budget was adopted early in December so that the petition for the higher levy could be approved by the courts. It is expected that the .1 % Act 47 levy for EIT will be eliminated for the 2009 budget. The City has not yet implemented the EMST $47 tax for persons who work in the City. It is estimated that this levy can generate approximately $90,000 in additional revenue for the City when implemented.

Status: Ongoing

2. Annually review the established user fees for city services, as part of the budget process, to assure that as costs for services increase fees increase proportionately. In addition, the city should analyze its existing user fees in relation to services provided to ascertain if it needs to implement additional user fees for other services.

Update: At the April 2006 Council meeting, the City agreed to extend the contract with Portnoff Associates for the collection of delinquent real estate taxes for one additional year. The City and School District put out a joint RFP for tax collection during 2007 and Portnoff was awarded the contract for one additional year. The City and School District will again rebid this contract in 2008. For 2007, the City increased its garbage rates from $30/quarter to $40/quarter because of an increase in the garbage contract. The Manager and Finance Officer have continuously reviewed and adjusted rates.

Status: Ongoing

3. Review commercial and industrial property assessments and if under assessed, initiate appeals; intervene in pending assessment appeals where appropriate.

Update: The final adjudication of the US Gypsum appeal has come down and will impact the City real estate tax collection by about $150,000 per year for several years. The City has made adjustments to its 2007 budget to account for this. This should be the last major appeal to negatively impact the City. The City has also worked with the Tax Claim Bureau to make property available for sale to the public on a regular basis.

Status: Ongoing

4. Reestablish a capital budget program to address the long-term capital needs of the city and integrate it into the year 2005 budget process. Update it on an annual basis.

Update: The City has not developed a long term capital plan document. They have however begun to budget a transfer from the general fund to the Capital Fund in the 2007 budget.

Status: Ongoing

5. Continue to present and enhance the budget message as part of the budget process.

Update: A limited budget message was included as a part of the 2000, 2001, 2002, and 2003 budget. In 2005, 2006 the Manager prepared a Management Discussion and Response as a part of the annual audit but still does not prepare a comprehensive budget message with the introduction of budget. For 2007, the Manager prepared a brief memorandum to the Council regarding the 2007 budget that included information about changes to tax rates and fees and levels of service delivery.

Status: Ongoing

6. Adjust the budget format by distributing fringe benefit costs to Department budgets to reflect the true operating cost of each Department.

Update: Benefits are still not distributed by department.

Status: Ongoing

7. Continue the aggressive collection of current refuse bills, delinquent refuse bills and

continue to monitor EIT collections by Central Tax Bureau.

Update: During 2006, the City EIT and OPT taxes were collected by CENTAX. The City has taken a very aggressive position regarding the collection of these taxes and the activity by CENTAX is monitored closely by the Manager. The City will install new software in 2008 to address the collection of current refuse bills and delinquent refuse bills are turned over to Portnoff Associates for collection with the delinquent real estate taxes.
Status: Ongoing

8. Continue to utilize the services of an outside contractor to collect delinquent real estate taxes for the City.

Update: Delinquent real estate taxes are collected by Portnoff Associates and the contract was renewed in April 2007 for one year. The Manager and Finance Director monitor the collection of these taxes. An RFP will be issued for the collection of these taxes again in 2008.
Status: Ongoing

9. Establish a system to not only divest of real estate jointly acquired by the City and School District via Portnoff Sheriff Sale, but to also protect the City against liability claims.

Update: The ongoing process of divestiture of property is coordinated with the City Solicitor – there have been two joint auctions of City controlled properties during 2006. There will continue to be attempts to move this property through private sale and auction.

Status: Ongoing

10. Explore the issue of the advantages and disadvantage of the two tier tax system that was implemented in 1988.

Update: This study was requested by the City through a GCLGS Letter of Intent process and a professional peer consultant was assigned to the project through LGA Act 47 grant funds with oversight by the Center. The study was completed by Dr. Michael Weir, LGA, in order to review the impact of the two-tier land value tax. The study indicated that the shift to a level tax would negatively impact the residential tax burden for residents, especially high density buildings such as apartment buildings and townhouses. The tax would reduce the burden on the commercial and industrial properties where the land is not assessed at its true value. Should a county-wide assessment be undertaken by the Beaver County Commissioners, a new study should be conducted. The report was reviewed by the Manager & City Council on October 30 and a decision was made for "no change."
Status: Compliance

11. Explore the advantages/disadvantages of a City/County-wide reassessment, including a determination of whether the City has the ability to implement a reassessment independently of the County.

Update: Based on the Study completed by M. Weir, it was determined that the City does not have resources nor any interest in undertaking its own reassessment. The County Commissioners have indicated that they may initiate a countywide reassessment in the future. Also, Judge Wettick in Allegheny County ruled in 2007 that using a base year for assigning assessment values to property (the procedure that is used in Beaver County) is unconstitutional and the final adjudication and impact of this case law is not known at this time.
Status: No longer relevant.

C. SERVICE LEVELS

1. The City should continue to pursue intergovernmental cooperation initiatives in all areas of City operation to provide City services as efficiently and effectively as possible. The City should also take a proactive role in discussion with neighboring municipalities and the Beaver County COG to explore intergovernmental cooperative efforts.

Update: The City continues to explore options with its neighbor communities especially in the area of public safety (fire and EMS) and through the Weed & Seed program.
Status: Ongoing

2. The City shall increase its participation in COG activities.

Update: The Upper Beaver Valley COG is no longer a viable entity. The City continues to explore other joint purchasing and intergovernmental activities. The City Manager is working with other Beaver County communities to develop alternate joint purchasing and joint programs. The Manager continues to have a good relationship with other communities in Beaver County, participates in BIG, and engages in joint projects when he can. The City also makes purchases through the Westmoreland County Central COG and the Northern Beaver County COG; the City has signed up for the COSTARS program and has realized significant savings on the salt contract for 2006-07.
Status: Ongoing

D. Personnel/Collective Bargaining

1. **There shall be no wage increase for collective bargaining unit contracts entered into after the adoption of this plan.**

Update: City non-uniform and fire employees accepted the freeze on wages relative

to the provision in the recovery plan. Police filed for arbitration in 2004 and the arbitration award that was issued in November of 2005 required a freeze on wages pursuant to the Recovery Plan requirement. All City wages have been frozen until the Recovery Plan is updated in 2007.
Status: Compliance

2. **The City shall continue to review and update the organization chart for city government and not increase the present compliment of its personnel without prior approval of the coordinator. This will include full-time and part-time personnel.**

   Update: Organizational chart and position controls should be developed. The City Manager continues to advise the Coordinator of all personnel activity. No requests for additional personnel have been submitted by the City and no personnel has been added to the City staff.
   Status: Compliance

3. **Given the present and projected budget deficits of the City, the City shall not increase the police department compliment to a staffing level higher than 19 full-time sworn police officers. In addition, the City shall not increase the clerical support in the police department and shall continue to have emergency communications support provided by the Beaver County 911 system**

   Update: The City continues to maintain a complement of 18 full time officers and has eliminated its use of parking enforcement officers. The City continues to employ 1 part-time clerk in the police department.
   Status: Compliance

4. **Provide no new or changes in existing benefits which would result in any additional increased costs to the City. Pursue managed health care alternatives in order to reduce health care costs. In addition, for any future contracts entered into after the adoption of this plan, the City shall pay no more than 90% of health benefits for City employees. If budget constraints are such, the City shall consider having the employees provide additional co-payment for their health benefits.**

   Update: The City was able to obtain a 10% of premium contribution towards health benefits from all employees through collective bargaining and arbitration awards. The City Manager was also able to take advantage of lower premiums by evaluating several health insurance plans.
   Status: Compliance

5. **Insure all present and future employee benefits conform to applicable state law.**

   Update: Several items in the AG pension audits were addressed by the Manager

related to pension calculations for employees that were inconsistent with the plan documents. Calculations are currently reviewed by the City's actuarial consultants before the benefits are paid to retirees.
Status: Compliance

6. **Establish a Labor Management Committee involving each Collective Bargaining Unit.**

   Update: The Manager engages in an ongoing process to facilitate discussions with labor unions in a formal process. A safety committee has been established in order to take advantage of 5% discount for workers compensation on state pool premium.
   Status: Ongoing

E. Economic Development/Community Development

1. **The Mayor and City Council shall work hand in hand with the Weed and Seed Program to address the many community and economic development issues outlined in the Weed and Seed Revitalization Plan.**

   Update: The development of the Weed & Seed Revitalization Plan has required that the City officials work with community organizations and community leaders to prepare action plans to build economic development capacity in the community. Because funding has run out for the weed and seed activities, the City continues to submit and utilize some Quality of Life funds to support continued leadership building. The City budgeted limited funds ($13,000) for Weed & Seed activities in 2007 in order to continue police patrols and to take advantage of Quality of Life funds.
   Status: Compliance

2. **City officials shall continue to work closely with economic and community development agencies that include the Beaver County Main Street Program, the Beaver County Corporation for Economic Development and other agencies that can provide technical assistance or funding to enhance the economic and community development activities deemed essential to the short-term and long-term rebuilding of the city.**

   Update: The City Manager continues to work with BIG, state legislators and other county economic development personnel to undertake new commercial and industrial projects in the City. The City has completed a Main Street façade and sidewalk construction program. Recently, the City has been approached by Consus Ethanol, LLC which does business as Sunnyside Ethanol who are interested in constructing a $250,000,000 ethanol producing plant in the industrial park and who have applied to the state for funds under the alternative energy funding program. The plant has preliminary approval from the City's zoning board and planning commission. Sunnyside Ethanol has submitted a permit to DEP for the operation of the facility and the DEP permitting is estimated to be a 6 month process. The construction of this plant will provide real estate tax revenue, jobs and, as a result, EIT and EMST for the City of Aliquippa and could help to provide the revenue stream necessary for an exit from Act 47 for the City.

Status: Ongoing.

3. **Work closely with the Community Development Program of Beaver County and Housing Opportunities of Beaver County in the development of housing initiatives for the City of Aliquippa. Continue to pursue developers in developing acceptable housing in the designated KOZ, generally known as the "Bricks" property.**

   Update: The City is working with the Beaver County Main Street Center to implement the Main Street approach in the wake of the loss of funding for the third year of Main Street initiatives. Council has officially created a committee known as the Franklin Avenue Downtown Committee which will replace the Aliquippa Development Corporation. The Franklin Avenue Development Committee meets weekly with the Town Center Associates to continue projects in the downtown area.

   The "Bricks" residential market value housing project has been initiated. The Zoning ordinance was revised in 2005 to include a PRD. The planning commission and zoning hearing board approvals were obtained and Council gave final approval to the project in May of 2006. The PHFA funding contract was extended in 2006 to allow for the bidding of the project. The "bricks" residential project broke ground on October 8, 2006 and is well underway. Infrastructure will be completed over the next several months and the expected completion of the first residences is scheduled for Spring 2008.

   The Manager continues to meet the 3rd Wednesday of each month with county ED professionals and other managers to discuss ongoing opportunities through the County BIG organization for Main Street, Elm Street, and the Rivertown projects.

   Status: Compliance/Ongoing

4. **The City shall continue to utilize the adopted comprehensive plan, zoning updates and codified ordinance, to provide a roadmap for future development of the City. The City shall also support a comprehensive code enforcement program to include enforcement of property maintenance and enforcement under the proposed state requirements of the Uniform Construction Code.**

   Update: The City continues to implement recommendations from the 1997 Comprehensive Plan. Funding opportunities exist for implementation and transit oriented development to occur. The City should consider an update to the Comprehensive Plan for 2008. The City focus has been toward more aggressive code enforcement. Towards this end, the City has contracted with CodeSys to undertake activities related to the UCC and used the LGA internship program to concentrate on code enforcement activities during the summer months.

Status: Ongoing

5. **Continue to actively participate in programs sponsored by the Beaver County Corporation for Economic Development and resources available through DCED in order to coordinate regional economic development activity. Also, actively participate in the Weed and Seed Program.**

   Update: Weed & Seed activities have slowed dramatically due to the end of the funding stream from the PA Commission on Crime and Delinquency. As a result, William Alston, Jr., council member, has been named W&S AID Team Coordinator and the Police Chief acts as the Law Enforcement Coordinator so that less funding will be necessary to continue the activities. The City continues to request funding under the Quality of Life program for recreation, leadership training, and parks and playgrounds. However, many of the drug patrols that were subsidized by the program have been decreased and/or eliminated due to lack of funding for overtime for these programs. The AID Team and various leadership groups continue to meet and to work on elements of the W&S Revitalization Plan as funding and resources permit. The City has budgeted limited funds ($13,000) for Weed & Seed activities in 2007 in order to continue police patrols and to take advantage of the Quality of Life funds.

   Status: Ongoing

Section III

Review and Analysis of Financial Records and Financial Projections for 2004 and 2005

Historic Financial Trends.

The financial statement labeled **Exhibit 1** on page **92** shows the actual unaudited revenues and expenditures of the City of the years 1997 through 2005.

Exhibit 2 on page **93** is a financial statement that includes historical and projected revenues and expenditures for 2006, 2007, 2008, 2009, and 2010. Exhibit 2 portrays unaudited expenditures for 2006 and projections for 2007, 2008, 2009 and 2010.

1. Revenues:

Figure 1 demonstrates that the revenue derived from Real Estate Taxes, Act 511 taxes, and Charges for Services represents an average of 84% of all the City's annual revenue with Real Estate Revenue accounting for approximately 48%, Charges for Services 24% and Earned Income taxes 12%. The following Sections discuss, in detail, the revenue trends of the past five years, and also include the history over the last decade that is still relevant to the current financial condition of the City.

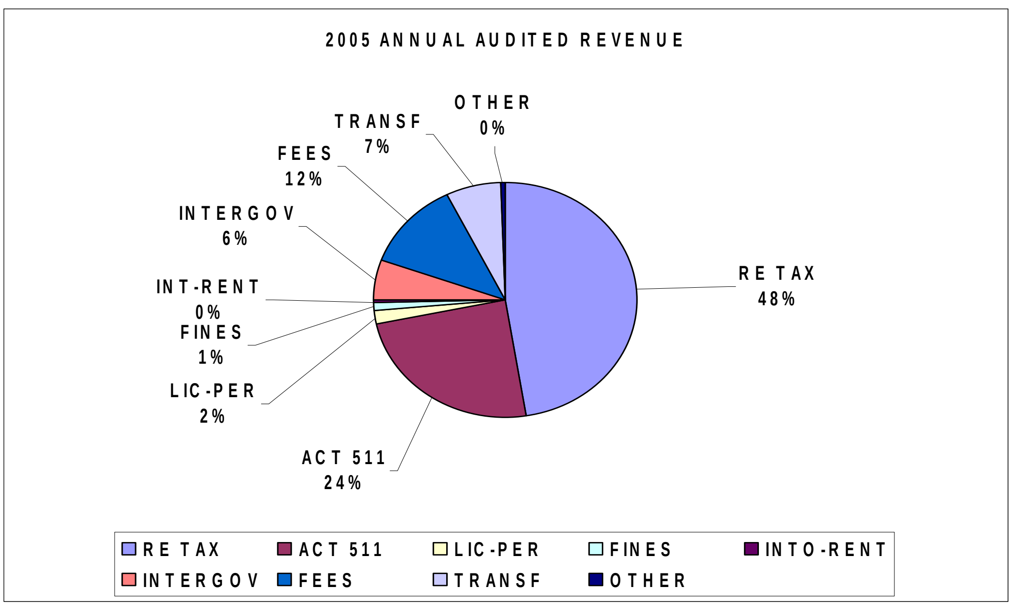


Figure 1

A. Real Estate Taxes

Overview:

The City of Aliquippa implemented a two-tier tax structure in 1988. At first, this tax structure worked extremely well. The tremendous amount of vacant land owned by large companies continued to provide the necessary tax base for the community. However, as the years went by and the land that was held by large companies was parceled out, sold, reassessed and eventually rebuilt upon, the two-tier tax structure, once thought to be the "saving grace," became a less than ideal situation. Today, the assessed valuation of buildings far outweighs the assessed valuation of land. Over the course of the last decade, the City has taken proactive steps to increase the millage rate on improvements, while decreasing the millage rate on land in order to not only maximize revenue, but also to stop the flow of losses experienced by reassessment of key riverfront properties. However, the City and the School District continue to tax land at a much higher rate than improvements. This tax structure benefits the residents and high density residential construction but increases the burden for commercial and industrial development. As a result, for incoming new businesses, which require large areas of land, this tax structure acts as a major impediment.

History of Significant Appeals 1993-2003:

Real Estate Taxes plummeted between 1993 and 1994. The tremendous loss of Real Estate Revenues on Land Value between 1993 and 1994 can be attributed to the sale of the former LTV Property in 1993. Prior to the sale of this riverfront property and adjacent properties, this parcel of 295 acres of land had an assessed value of approximately $4,991,570 (assessed value is 50% of market value). In 1993, according to the Chief Assessor of Beaver County, 120 acres of the LTV Property was sold to the Beaver County Corporation for Economic Development (BCCED) for $3,500 per acre or a total sale price of approximately $420,000. Also, in 1993 LTV sold 175 acres of their Aliquippa property through options eventually purchased by BetTech International for $375 per acre for a total sale price of $65,625.

BetTech and BCCED filed an assessment appeal on their 1994 Real Estate Taxes and were successful in having their Real Estate Taxes reduced from an assessed value of $16,920/acre to an assessed value of $5,000/acre. The Real Estate Taxes realized from this property previously totaled $404,317 (based on 81 mills). In 1994, after the successful assessment appeal by BetTech and BCCED, the Real Estate Tax revenues realized on the property declined to $132,060 (79 mills). This represented a loss in Real Estate Taxes to the City of approximately $272,257, based on the reduced assessed value. The reassessment resulted in BetTech owing $85,000 in Real Estate Taxes for 1994 and BCCED owing Real Estate Taxes of approximately $47,000. While BCCED chose to pay their taxes based on the new reassessed value, BetTech chose to further appeal its reassessment, and BCCED joined the appeal

BetTech Settlement:

By order of the Court dated November 22, 1999, signed by Judge Mannix, the City of Aliquippa, the Aliquippa School District and the County of Beaver formally settled the tax assessment appeal of BetTech for the years 1994 through and including 2000. This settlement reduced the assessed value of an original 210.8 acres of land owned by BetTech from $5,000 per acre to $250 per acre for the years 1994-1997. For the year 1998, two parcels of land amounting to 128.67 acres, which were sold to the United States Gypsum Company in 1999, were increased from an assessed value of $500/acre to $12,500/acre, while the remaining acreage (87.959 acres as of 1998) increased from $250 to $500. In 1999, the assessed value of 56.7 acres was again increased from $500 to $1,012.50. The following table shows the final outcome of assessed valuations of land on property currently and formerly owned by BetTech by virtue of this settlement:

Assessed Valuation of Land

BetTech International Tax Settlement

Owner	Acreage	2003 Value
US Gypsum	128.682	12,500
BCCED	56.709	7,500
BCCED	15.573	500
B.V. Aggregates	2.858	500
BetTech International	51.226	500

As a result of this settlement, BetTech International was extended a credit of $20,228.47 to be utilized toward the payment of its' 2000 real estate taxes, while United States Gypsum saw an increase in taxes on land from $39,834 in 1999 to $99,584 in 2000.

BCCED Settlement:

On April 19, 2001, Judge McBride signed an order settling the real estate assessment appeal of BCCED and Aliquippa Properties Limited (APL). APL was included in the settlement because the group had previously purchased land from BetTech. However, the significance of their settlement is minor. The BCCED settlement was also inclusive of the Aliquippa School District and the County of Beaver. Similar to the BetTech settlement, BCCED land was reassessed at a lower rate in the early years (1994-1998), resulting in a credit that extends through the year 2005. As of this writing, the total amount of credit remaining to be applied to BCCED by the city is $15,880.00.

The reassessment for 1998 and forward brings the land value up to $15,000/acre (market value). In addition, BCCED also sold property to USG. The USG property was reassessed at $25,000/acre (similar to the BetTech settlement). The following table depicts the acreage and land values that should currently be in place for property currently and formerly owned BCCED:

Assessed Valuation of Land

Beaver County Corporation for Economic Development Settlement

Owner	Acreage	2003 Value
United States Gypsum	10.101	12,500
BCCED	42.595	7,500
US Electrofused Min.	10.000	7,500
Shasta	10.724	7,500
Advanced Plumbing	1.977	7,500

The City notified Chief County Assessor, Michael Kohlman of the discrepancies and requested immediate relief. The total amount due to the City of Aliquippa, due to this error is broken down as follows:

Amount of Real Estate Tax

Due to the City of Aliquippa as ordered by Judge McBride

Tax Years	Property Owner	Amount Due
1999 – 2003	United States Gypsum	$27,740.19
2001 – 2003	Advanced Plumbing	$ 1,144.19
2002 – 2003	U.S. Electrofused	$ 3,862.50
2002 – 2003	Shasta	$ 4,142.15
Total:		**$36,889.03**

As is obvious from the table and graph (labeled Figure 2), the assessed valuation of property in the City of Aliquippa decreased by $3.8 million between 1993 and 1994, primarily due to the successful tax assessment appeals of BetTech and BCCED. In the tax year 1996, the drop in overall assessed valuation peaked at a negative $3,979,492, compared to the 1993 valuation. For the years 1994 – 2000, the newly established overall assessed value remained virtually stagnant, with a small upward fluctuation in improvement values noticeable beginning in 1998.

For the year 1994, in an attempt to stop the recognized bloodletting between 1993 and 1994, City Council increased the millage on improvements from .005 to .007 mills and decreased the millage on land from .081 mills to .079 mills. Total millage decreased from 24 mills to 22.7 mills due to the decrease in overall assessed valuation. Without the proactive step of changing the millage structure, the City would have been faced with an overall loss projected at $290,200. The actual loss was cut to $198,800.

Total millage on land could have been left at .081 and millage on buildings increased to .009, for an overall net positive change in millage of 3/10 of one percent, leaving total millage at 24.3. If this had been done, total real estate taxes would have increased by $130,650, further cutting the deficit that year. However, the increase in millage on improvements directly affects the average residential taxpayer, a move that Council wanted to avoid. The basic premise of the change in millage was that there would be little (if any) affect on the majority of taxpayers.

For the years 1995-2000, the millage rate remained at 79 mills on land and 7 mills on buildings and the overall assessed valuation – through 2000 - remained steady.

History of Assessed Value and Millage Rate Fluctuations 1993 – 2007

Year	Assessed Value	Variance from 1993	% Inc/Dec	Mills
1993	$85,474,198			24.0
1994	$81,658,916	($3,815,282)	-4.46%	22.7
1995	$81,542,119	($3,932,079)	-0.14%	22.7
1996	$81,494,706	($3,979,492)	-0.06%	22.8
1997	$81,777,550	($3,696,648)	0.35%	22.7
1998	$81,950,750	($3,523,448)	0.21%	22.7
1999	$82,030,478	($3,443,720)	0.10%	22.7
2000	$81,887,765	($3,586,433)	-0.17%	22.4
2001	$89,279,158	$3,804,960	9.03%	22.8
2002	$89,190,958	$3,716,760	-0.10%	22.9
2003	$89,827,409	$4,353,211	0.71%	24.9
2004	$90,170,109	$4,695,911	0.38%	24.9
2005	$89,856,359	$4,382,161	-0.35%	24.9
2006	$89,781,410	$4,307,212	-0.08%	24.9
2007	$89,144,480	$3,670,282	-0.71%	24.9
2008	$87,552,255	$2,078,057	-1.79%	24.9

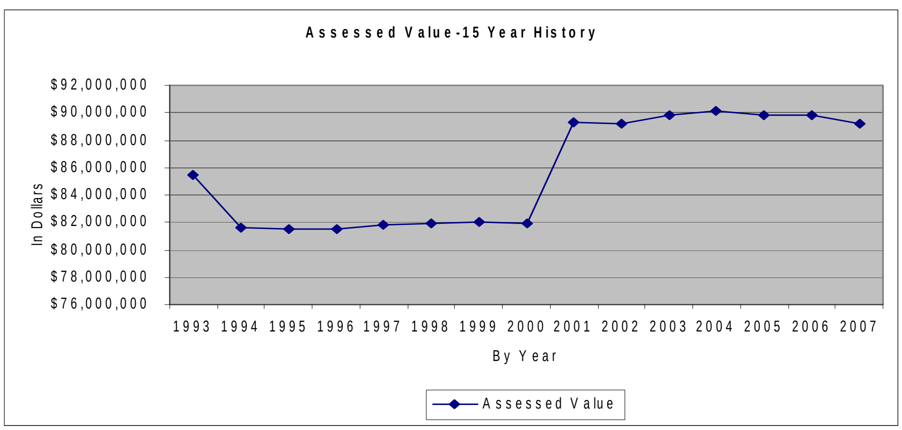


Figure 2

Total assessed value jumped by $7.39 million between 2000 and 2001. Assessed value for land increased by only $642,300, while assessed value for buildings increased by $6.75 million. As was stated earlier, the main reason for the increase in land value between 2000 and 2001 was the BetTech tax settlement, which increased United States Gypsum's land value from $5,000/acre (assessed) to $12,500/acre (assessed).

The increase in improvement values between 2000 and 2001 was attributable in large part to the following buildings being added to the tax rolls:

Property	Assessed Value Added – Building	Total Increase in Dollars
United States Gypsum	6,296,350	$44,074.45
Steel Street Commerce	89,950	$629.65
Path Trucking	99,950	$699.65
Metal Works	81,250	$568.75
Aliq. Shopping Plaza	152,550	$1,067.85

For the tax year 2001, upon the recommendation of the City Administrator, City Council agreed to a 2 mill increase on improvements, again offset by a decrease in the millage rate on land. In recognition of the significant differential between the assessed valuation of land as compared to the assessed valuation of building, the millage rate of land was decreased from 79 mills to 77 mills and the millage rate on buildings was increased from 7 mills to 9 mills. Coupled with the dramatic increase in improved valuations, this change in millage led to an increase of $105,700 in current year real estate tax, while only increasing overall millage by 4/10 of one percent.

Between 2002 and 2003, total assessed value increased an additional $636,400. Again, this increase was predominantly due to an increase in the improved value of property, not the value of land and was precipitated by the addition of U.S. Electrofused to the riverfront with an assessed value of $620,250.

Once again faced with ominous budget deficits in 2003, the City Administrator recommended dramatic concessions, including furloughs, in addition to an increase in millage to the allowable cap of 25 mills. For the first time in over a decade, the total millage of the City of Aliquippa was increased to 24.9 mills, with an increase of .005 mills to .0775 on land and an increase of .0025 to .0115 on buildings. Although the total change in millage rates as compared to 1993 is a negligible 9/10 of one percent, the total increase between 2002 and 2003 was two mills.

Between 2003 and 2007, there have been no increases to the total real estate tax levy and the City's millage rate continues to be 24.9 mills. However, the mills have been slightly adjusted by decreasing the amount levied on land and increasing the levy on improvements. The following chart demonstrates the history of the split rate since 1995.

Year	Land	Improvements	Total Mills
1995	.0770	.0070	22.7
1996	.0770	.0070	22.8
1997	.0770	.0070	22.7
1998	.0770	.0070	22.7
1999	.0770	.0070	22.7
2000	.0770	.0070	22.4
2001	.0770	.0090	22.8
2002	.0770	.0090	22.9
2003	.0775	.0115	24.9
2004	.0775	.0116	24.9
2005	.0775	.0115	24.9
2006	.0788	.0115	24.9
2007	.0806	.0114	24.9

In 2004, the City was still involved in a tax assessment appeal with United States Gypsum. The outcome of this appeal was stayed by Judge McBride pending the outcome of USG's bankruptcy. In 2006, the Courts ordered that the assessed value of US Gypsum should be reduced by $1,592, 225 which resulted in tax losses to the City of $143,068 in 2006 and a similar projection of tax revenue loss for 2007. The City was able to somewhat mitigate this loss in 2007 by transferring $62,700 from its tax appeal Escrow Account to the General Fund to make up a portion of the difference. However, there is a tax credit that must be applied to the US Gypsum tax bill in the amount of approximately $150,000 per year for the next several years based on the settlement of this appeal. The City has approximately $65,000 remaining in the escrow account to offset this loss in 2008. However, the City will make it's last payment on its bond issue in 2007 freeing up approximately $150,000 per year annually in the general fund.

History of Total Collectable Real Estate Taxes 1993 – 2006:

The following table sets forth the historical fluctuations in actual real estate tax collections and millage rates over the past 14 years and shows the variance in the collections from 1993 as the base year.

Total Collectible Real Estate Taxes and Millage Rates 1993 - 2006

Year	Total Real Estate Tax Collection	Variance from 1993	% Inc/Dec	Mills
1993	$2,055,309			24.0
1994	$1,856,320	($198,989)	-9.68%	22.7
1995	$1,853,420	($201,889)	-0.16%	22.7
1996	$1,860,524	($194,785)	0.38%	22.8
1997	$1,858,943	($196,366)	-0.08%	22.7
1998	$1,862,017	($193,292)	0.17%	22.7
1999	$1,860,447	($194,862)	-0.08%	22.7
2000	$1,835,379	($219,930)	-1.35%	22.4
2001	$1,933,365	($121,944)	5.34%	22.8
2002	$2,038,188	($17,121)	5.42%	22.9
2003	$2,233,691	$178,382	9.59%	24.9
2004	$2,093,403	$38,094	-6.28%	24.9
2005	$2,329,652	$274,343	11.29%	24.9
2006	$2,186,324	$131,015	-6.15%	24.9
	Average Annual Increase		***0.48%***	

15 Year History of Total Collectable Real Estate Taxes

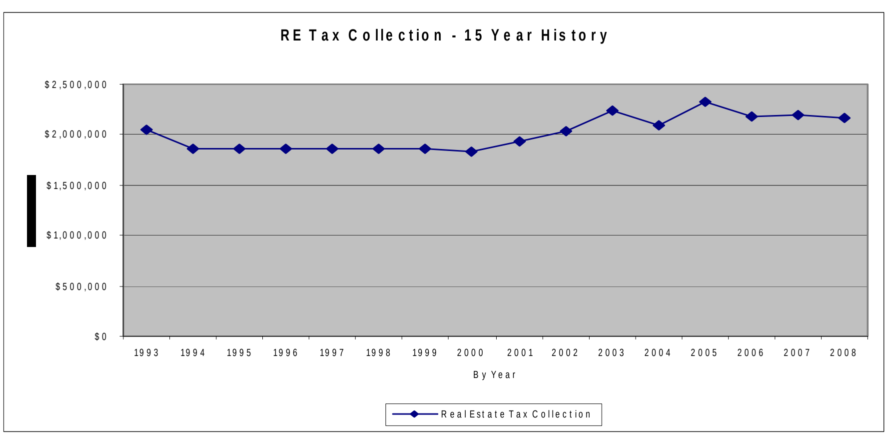


Figure 3

Two trends are immediately obvious from the above analysis and support the conclusions of the prior analysis. Figure 3 graphically depicts two things: 1) The real estate collection has slightly increased since the addition of the $110 million US Gypsum operation in 2003; 2) The impact of the appeal, while having a definite negative influence, does not entirely eliminate the gains made in the past three years In fact, total tax collections have increased by $131,015 from 1993 as of the year 2006, predominantly as a result of the dramatic increase in improvements brought about by the redevelopment of the riverfront industrial park.

There are also reasons to be cautiously optimistic about the City's tax base in the future. In April of 2007, the City gave zoning approval to a new $250 million development at the Aliquippa industrial riverfront park for the manufacturing of ethanol as an alternative energy facility. Consus Ethanol, LLC which does business as Sunnyside Ethanol has signed an option for an 80 acre parcel in the Aliquippa Industrial Park and has started the permitting process through DEP for a corn based plant that would produce as much as 80 million gallons of ethanol a year by 2010. Plans also call for a 24 megawatt, coal fired plant to help run the ethanol plant. The permitting process that was initiated in May through DEP is expected to take at least six months. With the potential for dozens of jobs, the City could realize a significant positive increase in real estate tax, earned income tax, and local services tax over the next several years.

Only about 100 acres of the initial 372 acres from the old LTV site remain available for development. The Beaver County Corporation for Economic Development is spearheading the development of this site and currently actively markets the land for about $50,000 per acre.

The Two-Tier Land Value Tax System

The fourth updated recovery plan that was completed in 2004 raised significant concerns about the impact of the two-tier land value system that is currently utilized by the City of Aliquippa. The Plan suggested that the tax structure acts as an impediment to, not only, continued economic growth, but also, to continued growth in real estate tax revenues. The theory was that as total assessed value grew, the total millage rate applied would fall. The following scenario provides a good example of what can be expected by continuing to utlize the two-tier tax structure.

In 1993, a building permit was issued to Lehigh Cement Company to build a facility on the riverfront with an estimated cost of $2,000,000. Assuming that the total cost of the improvement is added to the 2004 tax rolls, assessed value of improvements will increase by $1 million (assessed value is ½ of market). Thus, the 2004 improvement assessed value will be: $72,635.354 will result in an increase in total collectable taxes.

Also, assuming that the value of land does not waiver, the total millage rate for 2004 will change from 24.9 to 24.7 mills. The variable factor is, of course, the total assessed valuation. As total assessed valuation increases, the total millage rate falls and/or as total assessed valuation decreases, the total millage rate rises. This is an inhibiting factor to any administration. Yearly, an administration is forced to review and revise the tax structure according to the total assessed value, broken down into its' component pieces of land and building. If, however, a flat millage rate were established, this scenario, which has been played out since 1988, would evaporate. The total assessed valuation – of both land and buildings combined – would be annually reviewed against one millage rate.

Given the above example, if the 2004 assessed valuation is $90,827,409 (assuming a $1 million increase in improvements and no change in land), and the single tax rate of 24.9 mills is used as the multiplier, then total collectible real estate dollars would be: $2,261,603, or an increase of $27,912 from 2003, as compared to an $11,500 increase that would be realized through the two-tier tax structure.

The net effect of a change to a single tax rate upon the residents of the City of Aliquippa varies depending upon the value of the improvement, versus the value of the land. For example, the taxes on a property on Brodhead Road with an assessed value of $57,250 (land $6,150 and building ($51,100) would increase from $1,064 to $1,426. However, the taxes on a property located in Sheffield Terrace with an assessed value of $18,200 (land $3,450 and building $14,750) would only increase by $16. Where the land has a higher assessed value, or the building a lower assessed value, the total increase is less. It follows then that the property owners in the least economically stable areas of Aliquippa would be the recipient of a much smaller increase than those in the most economically stable areas.

Given that the City is currently near its maximum limit for total mills, the change in tax structure would have no immediate effect on total real estate revenues received. The impact would be upon "who" pays "what." What becomes important then, is how the City can continue to survive with a "stagnant" going-forward tax base, which heavily penalizes landowners – tomorrow's developers.

Based on a recommendation from the fourth updated recovery plan, a study of the impact of the two-tier land value tax system was conducted during 2006 by Dr. Michael Weir through the Local Government Academy under an Act 47 grant contract. The results from the study are attached as Appendix ___ to this report.

The study methodology classified every parcel of property in Aliquippa, as reported and documented by the Beaver County Assessment Office, as residential, high density residential, commercial and industrial. The study then used the current two-tier real estate tax structure to calculate the current tax burden and looked at how that tax burden changed when a single tax rate was applied to both land and buildings.

In summary, the findings of this report indicated that the two-tier structure provides relief to residential property owners, especially to high density residential property owners and negatively impacts commercial and industrial property owners who tend to have more vacant land associated with their property. Those properties that were most "built out" derived the most benefit from the current system. A change to the structure of this taxing mechanism would significantly shift the real estate tax burden from commercial and industrial properties to the City residents for residential property. It was, therefore, decided by the City officials to leave the current two-tier structure in place for the immediate future and to continue to undertake the same calculation every five years or after a reassessment is completed by the County whichever comes first.

Subsequent Significant Impacts

US Gysum continues to be the largest tenant at the Aliquippa Industrial Park with its $110 million operation. All appeals related to USG have been settled and tax credits will be applied as shown in the real estate tax tables. As stated above, Sunnyside Ethanol has taken an option on 80 acres of the industrial park land for the development of a $250 million dollar facility which could begin production by 2010. The BCCED continues to hold and market the remaining 100 acres of land at the old LTV riverfront site. They continue to actively market the site at $50,000 per acre for new industrial development.

There is also some interest from developers for property located at the western end of Franklin Avenue near State Route 51 that has been cleared and made "shovel ready" by the City and the redevelopment authority. Proposals for a grocery store or some mixed commercial retail use have been received and reviewed by the City Administrator but no firm development plans have been initiated. The City continues to explore development opportunities for this site.

Reassessment of Property

The County of Beaver performed the last county-wide assessment of real estate in 1980. This is a significant problem for the City because property values are artificially undervalued based on outdated assessments by the County. In order for the City to increase millage rates above the allowable cap of 25 mills in the Third Class City Code, it will be necessary to seek a court order. However, there is some potential relief for the City and other communities throughout the Commonwealth in this area.

In June of 2007, Judge R. Stanton Wettick ruled in an Allegheny County case that the use of a base year for determining property assessment values, such as the method used by Beaver County and many of the other 66 counties, violates the state constitution because it creates unfair tax burdens for some tax payers and improperly eases the burdens of others. This case has been appealed directly to Commonwealth Court by Allegheny County and will most likely be addressed by the PA Supreme Court. Although the final adjudication of this court case will take at least a year for an ultimate outcome, there is significant potential for the courts to rule that counties must establish systems that provide for a more regular and more equitable system for calculating property values in the future. In fact, Judge Wettick's decision included a requirement for Allegheny County to conduct a county-wide reassessment of property no later than 2010. The Supreme Court will rule on whether or not the judge exceeded his authority in ordering the County to undertake this process. The City of Aliquippa could benefit from such a county-wide reassessment because the City would be able to drastically lower their millage rates based on updated market based assessment values. The outcome of this case should be closely monitored over the next year.

Delinquent Real Estate Taxes – History:

Through the collection period of 1996, the Beaver County Tax Claim Bureau handled the disposition of delinquent real estate taxes on behalf of the City of Aliquippa and the Aliquippa School District. Beginning with the tax year 1997, the City and the School District chose to contract with Portnoff Law Associates for delinquent tax collection, for two reasons: 1) To decrease the total percent of delinquency per year; and 2) To increase the current year collections.

1) Delinquent Tax Analysis:

A quick glance at the table below indicates that Portnoff has only been moderately successful in its attempts to boost delinquent collections. Several factors should be noted when reviewing the delinquent collection process.

15 Year History - Delinquent Real Estate Tax Collections

Year	Real Estate Tax Delinquent & Liened	Variance from 1993	% Inc/Dec
1993	$201,273		
1994	$332,618	$131,345	65.26%
1995	$304,512	$103,239	-8.45%
1996	$300,027	$98,754	-1.47%
1997	$303,084	$101,811	1.02%
1998	$272,380	$71,107	-10.13%
1999	$174,324	($26,949)	-36.00%
2000	$222,675	$21,402	27.74%
2001	$287,558	$86,285	29.14%
2002	$290,000	$88,727	0.85%
2003	$290,000	$88,727	0.00%
2004	$300,545	$99,272	3.64%
2005	$470,249	$268,976	56.47%
2006	$350,852	$149,579	-25.39%
	Average Annual Increase		***7.02%***

First, from 1994 through and including 1999, the delinquency includes the past due taxes of BetTech International, subsequently paid and/or eliminated through the court ordered settlement. Secondly, the tax years 2000 and 2001 include the past due taxes of J&L Structural, which remain unpaid. Finally, the 2001 delinquency includes the past due taxes of LTV Steel Corporation, which were subsequently paid to the city upon transfer of the real estate to BetTech International. The following table depicts the taxes included in the above numbers for these properties:

Taxpayer	1994	1995	1996	1997	1998	1999	2000	2001
BetTech	$95,733	$78,972	$88,958	$89,431	$90,291	$14,548	$ 0	$ 0
J&L	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$22,319	$23,031
LTV	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$51,991

Analysis of Single Taxpayer Delinquencies that Skewed Comparison of Collectors

The table below more accurately depicts the delinquency rates for the period of 1993 – 2001, by excluding those payments due from BTI, LTV and J&L Structural. Figure 4 graphically depicts the total tax lien per year as a percent of total taxes.

Year	Amount of Property Tax Liens (Excluding BTI, J&L & LTV Liens)	Lien as a Percent of Total Taxes (Excluding BTI, J&L & LTV)
1993	$201,273	9.80%
1994	$236,885	12.2%
1995	$225,540	12.2%
1996	$211,069	11.3%
1997	$213,653	11.5%
1998	$182,089	9.80%
1999	$159,776	8.60%
2000	$200,356	10.90%
2001	$212,536	11.00%

It is obvious from this analysis that although the hiring of Portnoff as the delinquent tax collector "paid off" in 1998 and 1999, the year 2000 shows that the trend was beginning to reverse and beginning in 2001, the total delinquency rate once again increased. The audited financial statement for 2002 indicated a total turnover of delinquent accounts to Portnoff of roughly $210,400 (excluding J&L Structural), thus continuing the trend of a roughly 10% delinquency rate. The average collection rate for the Tax Claim Bureau between 1993 and 1996 was 11.38%, while the average collection rate for Portnoff from 1997 through 2001 was 10.36%.

From 2003 through 2006, the delinquent collections increased steadily, although the large increase in 2005 included delinquent taxes from US Gypsum that were subsequently credited towards future years. The City must continually monitor and put pressure on the delinquent collector to aggressively achieve better current and delinquent tax collection rates.

2) Current Year Collection Analysis

The purpose of the following table is to depict the "true" collection percentages for current year real estate, to allow for an analysis of whether Portnoff met the second goal: Increase Current Collections. As in the previous analysis, the BetTech, LTV and J&L Structural real estate taxes have been eliminated from the total collectable, to provide a more accurate picture of collection rates. In addition, this table also includes payments made by taxpayers in the subsequent year, but before accounts were turned over for delinquent collection (prior year collections). This analysis only includes the years 1995-2001. The financial data for 1993 and 1994 are not configured in a way that permitted analysis of this type.

	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Total Collectable	1,853,420	1,860,524	1,858,943	1,862,017	1,860,447	1,835,379	1,933,365
Less BTI, J&L , LTV	<78,972>	<88,958>	<89,431>	<90,291>	<14,548>	<22,319>	<75,022>
Adj. Total Collectable	**1,774,448**	**1,771,566**	**1,769,512**	**1,771,726**	**1,845,899**	**1,813,060**	**1,858,343**
Total Current Year Collections	1,472,106	1,486,667	1,482,323	1,450,088	1,494,214	1,510,667	1,605,293
Collected following year for this year	81,039	69,656	59,262	143,736	165,329	95,163	91,881
Total Collections	**1,553,145**	**1,556,323**	**1,541,585**	**1,593,824**	**1,659,543**	**1,605,830**	**1,697,174**
Percent	**88%**	**88%**	**87%**	**90%**	**90%**	**89%**	**91%**

Based upon this analysis, it appears that Portnoff was mildly successful in increasing current year collection rates between 1998 and 2002. Portnoff's first year for delinquent collection was 1997. Therefore, the impact did not appear until 1998, when current collections increased by 3% and have remained at an increased level since inception. Current year collections average 95% in most communities, however, so there remains room for further improvement.

Summary of Current Year Collections 2003 - 2006

Year	***Collected***	***Increase***	***Mills***
2003	$1,782,858	1.86%	24.9
2004	$1,792,858	0.56%	24.9
2005	$1,859,403	3.71%	24.9
2006	$1,835,472	-1.29%	24.9

The current collection for the City seems to have stabilized around $1.8 million and does not seem to be impacted by the Portnoff delinquent collection activities. Although the collection increased by about 4% from 2003 to 2006, the settlement reached with US Gypsum negatively impacted the current collection for 2006 and subsequent years.

The City of Aliquippa approved a one-year extension of the contract with Portnoff Law

Associates for 2004-2005. At the April 2006 Council meeting, the City agreed to extend the contract with Portnoff Associates for the collection of delinquent real estate taxes for one additional year. The City and School District again extended the contract with Portnoff Associates in April of 2007 for an additional year.

The downside to the Portnoff contract and process for collection of delinquent taxes is the potential for the City and the School District to become owners of real estate by virtue of Sheriff's Sale. By 2007, the City and the School District jointly owned 73 properties through this process. The City and School District continue to hold auctions and to offer the properties for public sale to owners at discounted prices in order to get the properties back onto the tax roles.

The City, overall, has experienced very little increase in its collection of real estate taxes over the past fifteen years except when the millage rate is increased. In the past, the City has suffered deficits when the budgeted amounts were unrealistic and exceeded the reasonable and practical projections for collection of current revenue. The table below shows the most recent history of budget to actual collections for this category of revenue. In 2004, the City collected only 94.4% of what it had budgeted and, as a result, this calculation contributed to the deficit fund balance in 2004. The City has done a much better job in estimating its current year collections in 2005 and 2006 by realistically examining its historical trends for collection rates.

Year	***Budget***	***Actual***	***% Budget***
2004	$1,900,000	$1,792,858	94.4%
2005	$1,882,300	$1,886,165	100.2%
2006	$1,885,000	$1,835,472	97.4%

B. Charges for Services

History

Charges for services, the second largest revenue stream for the City of Aliquippa, is made up of the following accounts: No Lien Letters/Copies (including tax certifications, accident and incident reports); Zoning Permits & Fees (including Building & Demolition permits); Reimbursement from the School District for the Treasurer/Assistant Salaries, Crossing Guard Salaries and Sporting Events; Reimbursement from the Housing Authority for Linmar

Patrols; Other Services (including Warrant Officer Earnings, Parking Facilities; Fire Department Services; PennDot snow removal and swimming pool revenue); and Garbage & Recycling fees. The following graph, labeled as Figure 3, portrays the sources of revenue for charges for services and what percentage each source makes up.

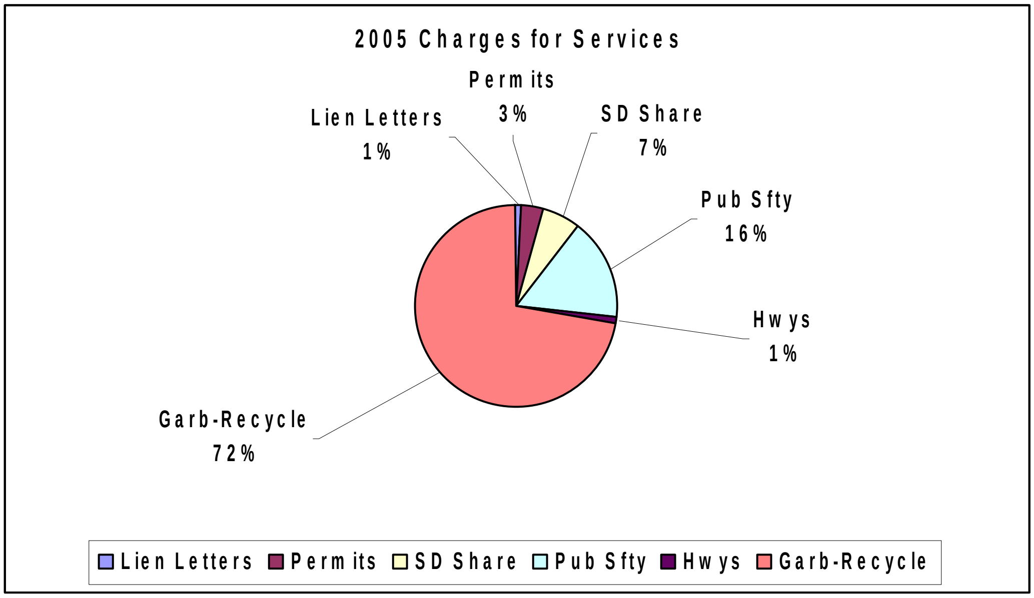


Figure 2

The most significant source of revenue within this category at 72% is Garbage and Recycling fees. It is, therefore, extremely important for the City to keep track and properly project revenues associated with this revenue source. Total collections are shown for the period 1994 through 2007 in the following table and graphically depicted on the following page in Figure 4.

In both 1994-1995 and 1998-1999, the City changed the collection procedures and computer program applications for the collections and billing of refuse fees. Unfortunately, in both of these periods, total revenues received were lower. Also, in both 1994-1995 and 2000-2003, the City discovered that employees were involved in the misappropriation (theft) of revenues. In a Special Procedures Audit for the period 2000-2002, Mark Turnley, CPA, classified over $20,000 in missing refuse funds. However, even with the deduction of missing funds, total collections for the three-year period 2000-2002 steadily increased. This increase can be attributed to the following: 1) Increased collection activity, including the filing of citations at the local magistrate's office for failure to pay; 2) Amendments to the governing ordinance stating that the property owner, not the tenant, is responsible for the fees; 3) A change in the billing procedure in 2002, which in essence, placed all payers on the same schedule, instead of three separate payment/billing schedules and also gave payers an opportunity to pay their entire yearly bill at the beginning of the year, with a discount of 10%.

Summary of Refuse Collection Revenue 1994 - 2006

Year	Refuse/Recycling Fee Revenue	Variance from 1993	% Inc/Dec
1994	$460,765		
1995	$424,329	($36,436)	-7.91%
1996	$449,535	($11,230)	5.94%
1997	$525,934	$65,169	17.00%
1998	$518,734	$57,969	-1.37%
1999	$499,873	$39,108	-3.64%
2000	$522,625	$61,860	4.55%
2001	$524,713	$63,948	0.40%
2002	$536,745	$75,980	2.29%
2003	$481,377	$20,612	-10.32%
2004	$472,607	$11,842	-1.82%
2005	$452,694	($8,071)	-4.21%
2006	$448,880	($11,885)	-0.84%
	Average Annual Increase		***2.41%***

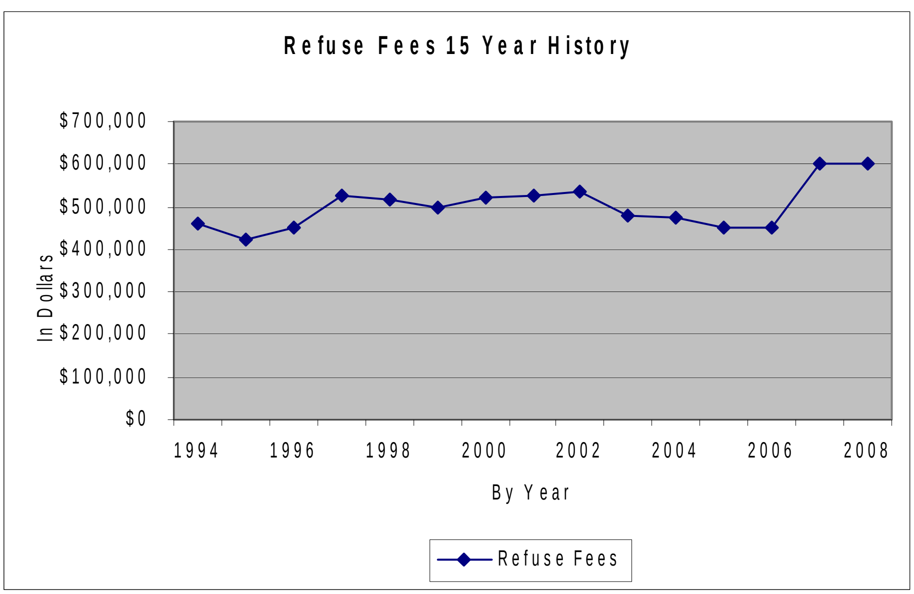


Figure 3

The overriding reason for the changes in the billing/payment of refuse fees, beginning in the year 2002 was the qualaified opinion expressed by the City's auditor on a yearly basis (since inception of the fees). In each audit report, Mr. Turnley states: *"My audit of the City of Aliquippa was limited in scope with respect to the fact that the City does not maintain general ledger accounting controls on its sanitation revenue. My audit of the sanitation revenue was limited to tracing recorded collections to bank deposits."* Because of the significance of this revenue item to the budget as a whole, the City Administrator felt that it was essential that stronger controls exist for the proper auditing and accounting of refuse revenues. The change in billing/payment procedures permits the City to account for total collections in a method that is similar to that utilized for Real Estate Tax purposes. Based upon the fact that twice within the last decade, employees have absconded with these fees, the ability to accurately track billing, edits and payments is critical. Additional time and effort must be placed behind assuring that this revenue stream is completely auditable in the immediate future.

2003-2005 Projections

The 2003 budget for Charges for Services was set at $728,300. However, the total collections recorded in the unaudited 2003 final budget indicates that collections for Charges for Services was actually $719,529. This indicates a total of $8,771 under budget for Charges for Services.

What is immediately obvious is the difference in the budgeted revenues for Garbage and Recyclying Fees. The budgeted amount was $545,000 and the actual collected, as indicated in the 2003 financial statements was $481,458. Due to the change in the billing system at the beginning of 2002, residents had the opportunity to pay their bill by January 31st of each year and receive a 10% discount on that payment. Also noticeable is the difference between the percent of budget collected between 2003 and 2002.

A review of the audited amounts for Refuse/Recycling fees collection budget to actual amounts from 2004 through 2007 is outlined below:

Refuse/Recycling Fee Collection for 2004-2007

Budget to Actual Comparison

Year	*Budget*	*Actual*	*% Budget*
2004	**$540,000**	**$472,607**	**87.5%**
2005	**$540,000**	**$452,694**	**83.8%**
2006	**$480,000**	**$448,880**	**93.5%**

A review of the budgeted amounts for the past several years indicates that the City again budgeted amounts in 2004 and 2005 that far exceeded the practical and logical expectation of what the refuse fees would generate in current year revenue. In 2006, the City collection better reflected the budgeted amounts at 93.5% but still fell over 6% short of meeting budget projections. It is important that the City budget the correct amounts in subsequent years so that there is no shortfall between the budgeted revenue and the actual revenue collected from this source.

The 2004 Recovery Plan stated that "because of the significance of this revenue item to the budget as a whole, the City Administrator felt that it was essential that stronger controls exist for the proper auditing and accounting of refuse revenues." In 2006, approximately $480,000 in refuse fees were collected with a 15% estimated delinquent fee outstanding.

During 2006 and early 2007, the City upgraded its financial software from an old DOS version software to a Windows based version through Freedom Systems proprietary software called "PRISM." This is governmental software designed specifically for PA municipalities. This software has the ability to integrate utility billing and other types of billing and revenue collection to the general ledger with the appropriate level of internal controls and reconciliation to address the problem identified in the Recovery Plan and by the City's independent auditor. The City used a DCED CRP grant to partially offset the cost of this installation.

The Recovery Plan adopted in 2004 also included an initiative for the continuation of aggressive collection of the refuse current billing amounts and the delinquent billing balances. The PRISM software will provide an extremely efficient method for initiating the proper billing for the City along with the proper recording of receipts, penalty, and interest charges and the tracking of delinquent accounts. It will address both the issue of modern technology for efficient collection and tracking and security and reconciliation of the revenues collection.

The City, therefore, applied for an Act 47 grant in the amount of $14,000 in order to better address the control, security, and efficiency issues around the refuse collection activities. The Act 47 grant was approved in August of 2007 and a contract has been executed with the City for these funds. The installation of this software is scheduled for January 2008.

C. Earned Income Tax

History

The collection of earned income tax is an extremely important revenue source for the City of Aliquippa making up about 10% of the overall revenue and is the third largest source of revenue. The chart below provides an historical examination of the EIT collection for general purposes over the past fifteen years. The City has experienced a slight decreasing trend over the past several years and is not as consistently stable as would be expected with this revenue source.

Earned Income Tax Rates and Collection 1993-2007

History and Variance from 1993

Year	Earned Income GL Purpose Collections	Variance from 1993	% Inc/Dec	EIT Base Rate	EIT Pensions Collection	EIT Pensions Rate
1993	$478,341			0.5		
1994	$473,655	($4,686)	-0.98%	0.5		
1995	$502,605	$24,264	6.11%	0.5		
1996	$473,354	($4,987)	-5.82%	0.5		
1997	$506,653	$28,312	7.03%	0.5		
1998	$547,028	$68,687	7.97%	0.5		
1999	$595,182	$116,841	8.80%	0.5		
2000	$673,299	$194,958	13.12%	0.5		
2001	$624,051	$145,710	-7.31%	0.5		
2002	$523,488	$45,147	-16.11%	0.5	$58,165	0.1
2003	$466,256	($12,085)	-10.93%	0.5	$51,806	0.1
2004	$479,184	$843	2.77%	0.5	$241,850	0.6
2005	$461,934	($16,407)	-3.60%	0.5	$593,134	0.6
2006	$458,211	($20,130)	-0.81%	0.5	$593,369	0.6
	Average Annual Increase		***0.56%***			

EIT General Purpose Base Collection History 1993 - 2006

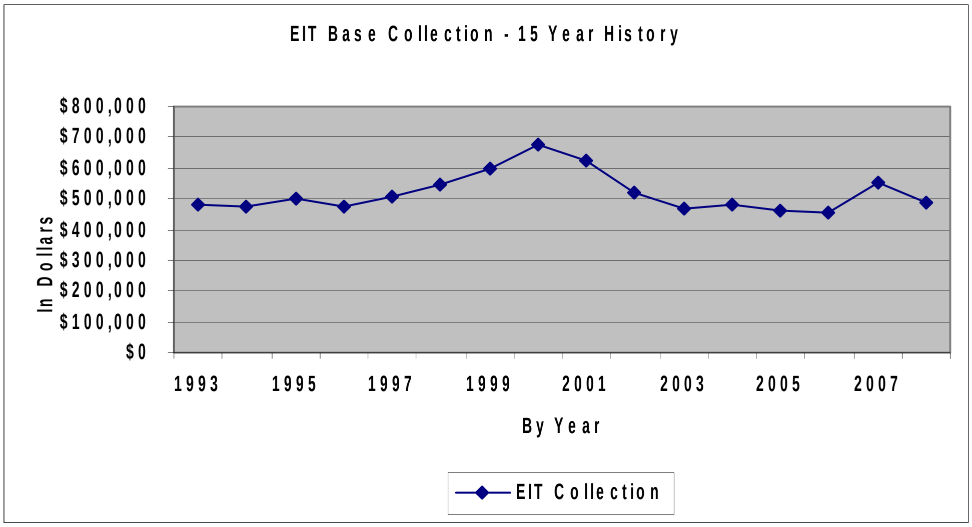


Figure 6

Central Tax Bureau not only collects EIT, but also Mercantile Tax and Occupation Privilege Tax on behalf of the City. Aliquippa does not implement a Business Privilege Tax. Figure 7 and the table shown on the previous page indicate that EIT increased significantly from 1996, with the peak year being 2000 – showing an increase over 1993 collections of 40.8%.

The trend between 1996 and 2000 can be attributed to several factors: 1) The overall growth in the economy; 2) The tremendous amount of riverfront development in Aliquippa during this period; 3) Increased collection efforts on the part of Central Tax Bureau; 4) Recognition by the City of the need to supply relevant information to Central Tax Bureau to aid in the collection process, including Water Authority documentation, building permits and contractor's registrations.

However, a new trend, beginning in 2001 hindered further growth in EIT. As was stated earlier, LTV Steel Company ceased operations in December of 2000. Prior to closing, LTV employed 400 people. The City estimated that the net effect on EIT from this closure was approximately $85,000 per year. The closure of J&L Structural left an additional 100 employees out of work. Many of these employees were residents of the City. The loss of EIT was roughly $22,000 annually. Shiflet Enterprises, a photography business located on

Franklin Avenue, moved their business to Hopewell Township in late 2002. With a total employment base of approximately 300, the loss of EIT was calculated at roughly $30,000 per year. Finally, the Aliquippa Hospital, with an employment base of approximately 500 in 2000 had less than 230 employees remaining by 2004, as it struggled to come out of bankruptcy. The slide in revenues between 2000 and 2002 was $91,646.

The budget for earned income taxes for 2002 was $575,000, and the total collection for 2002 actually amounted to $523,488. The 2003 audited total collection was $466,256 which is a decrease from 2002 of $57,232. The EIT trend has continued to decline through 2006 to a new low of $458,211 in 2006 which is less than what was collected in 1993.

Between 2001 and 2003, the City's pension plans experienced actuarial or investment losses of almost $4,000,000. This deficit issue was faced by many municipalities throughout Pennsylvania after September 11 and the corresponding losses in the stock market. The City Council, in the 2004 budget, realizing a need to address this issue and to keep the pension plans sound and meet the need of City retirees in the future, voted to increase the earned income tax by .6 of a percent for pension purposes under Act 205 to a total adopted earned income tax of 1.6%. As a result, in 2004, which was a partial year, the City collected $241,850 in EIT that was dedicated to the pension funds and $479,154 for general purposes. In 2005, during which time the City had collected a full year for pension purposes under the new .6% levy, the City collected $593,184 that was dedicated to the pension funds.

In 2005, the City conducted a pension study with assistance from a DCED Act 47 grant in the amount of $17,000, that studied the pension deficit and made recommendations for dealing with pension liabilities. As a result, this study recommended, among other items that will be discussed in the expenditure portion of this report, a continuation of the dedicated .6% levy for the purposes of addressing delinquent MMO payments to the funds. This levy was reduced to .5% beginning in 2007 because the delinquent MMO payments were completely addressed by that time.

D. Local Services Tax

In 2005, the PA General Assembly adopted legislation permitting local governments to enact what at that time was known as the Emergency Municipal Services Tax and has been since amended to Local Services Tax. As the tax currently exists, local governments may collect from all persons who work within their boundaries who earn more than $12,000 a LST in an amount not to exceed $52. If imposed by a municipality, this tax replaces the occupational privilege tax levy of $10 formerly collected by the municipality and split with the school district. If the school district continues to collect their share of the $5 OPT, the municipality may only collect $47 (the $52 reduced by the $5 that is distributed to the school district). The City of Aliquippa has not enacted an ordinance to levy this tax through fiscal year 2007. Consequently, this additional source of revenue is available to the City of Aliquippa for future consideration in order to provide additional revenue to support police, fire and public works services. It is estimated that the City could realize approximately $80,000 annually from the LST and this amount is projected beginning in fiscal year 2009 for the City's budget.

2. Expenditures

A. General Government

General Government Expenditures for the years of 1993 and 1994 were relatively constant, but represented an increase from 1992 of approximately $39,000. This increased cost from prior years is mainly attributed to the city's hiring a full time Finance Officer in 1993 and expending funds for the institution of a networked computer system.

History 1993-2006:

Year	GL Government Expense	Variance from 1993	% Inc/Dec
1993	$340,082		
1994	$340,801	$719	0.21%
1995	$403,913	$63,831	18.52%
1996	$360,959	$20,877	-10.63%
1997	$399,399	$59,317	10.65%
1998	$509,272	$169,190	27.51%
1999	$469,233	$129,151	-7.86%
2000	$460,001	$119,919	-1.97%
2001	$478,485	$138,403	4.02%
2002	$469,334	$129,252	-1.91%
2003	$432,282	$92,200	-7.89%
2004	$427,596	$87,514	-1.08%
2005	$483,458	$143,376	13.06%
2006	$463,986	$123,904	-4.03%
	Average Annual Increase		***0.42%***

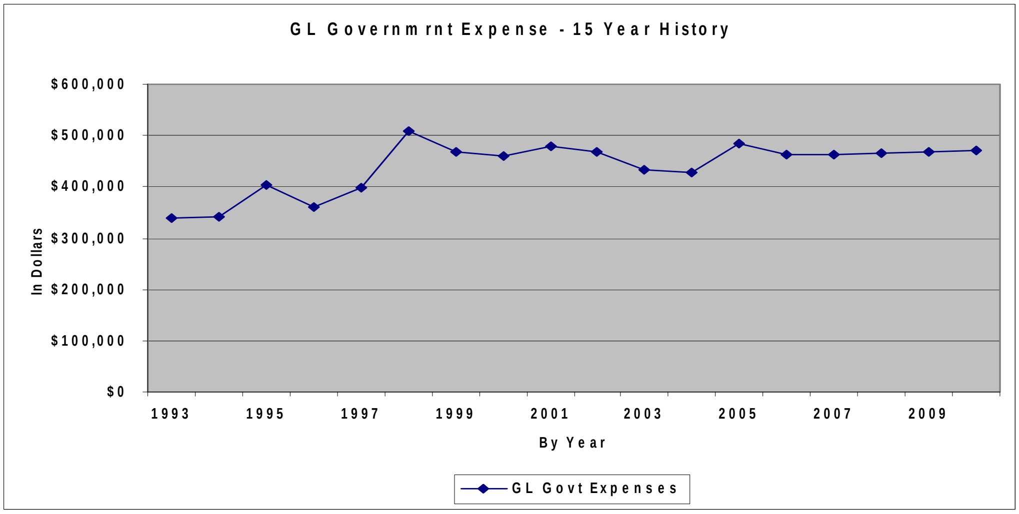


Figure 4

The appointment of a full time Finance Officer, a Tax Administrator, and a new City Administrator caused the 1995 general government expenditures to increase to $403,913, for a total increase of $63,112 (19%) from 1994. The audited financial statements reflected a *decrease* from 1995 to 1996 of $42,954 (11%). For the better part of 1996 and early 1997, the City Administrator served in a dual capacity as City Administrator and Finance Director. This eliminated the wages of the Finance Director for that part of 1996. The position of Finance Director was filled in early 1997. The Tax Administrator position was also eliminated at the beginning of 1996. In addition, the law firm of Damian & Amato replaced the then current Solicitor, John Salopek, at the beginning of 1996.

For the most part, there is a direct relationship between the legal fees that are paid in any given year and the rise in General Government Expenses. The legal fees peaked in 1998 through 2001 and returned to a manageable number beginning in 2002. Legal fees continue to demonstrate significant increases in years when unions are involved in negotiation of contracts. However, legal fees have never returned to the levels that drove up the General Government expenditures in 1998, 1999, and 2000. Figure 8 below demonstrates the history of the City's legal fee expenditures.

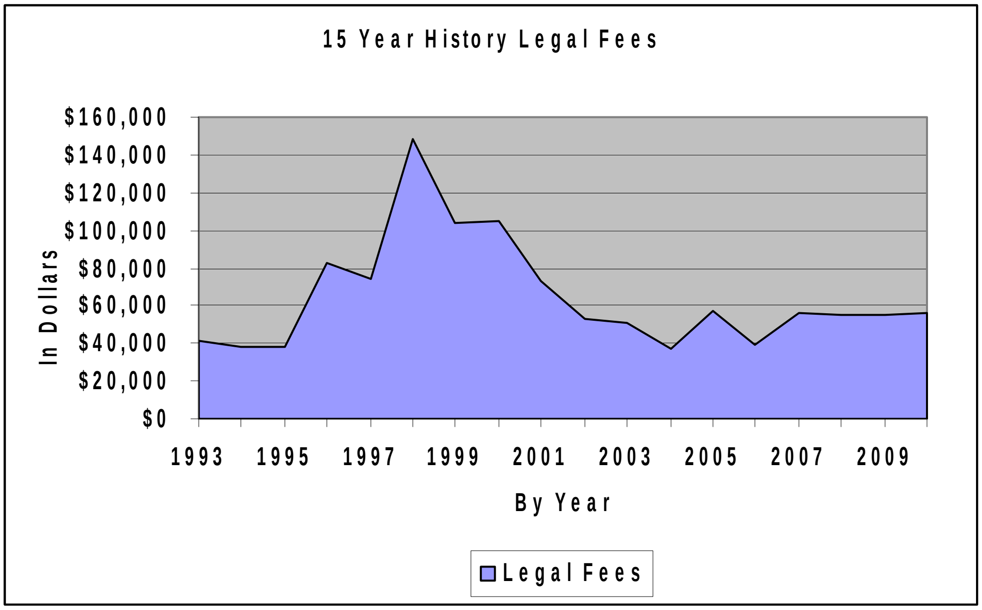


Figure 8

The 1997 General Government expenditures were $399,399, which represented an increase from 1996 of $38,440 (10%). A part of this increase was due to the city entering into litigation with Eltoron, d/b/a "Fantasy's" over a land use dispute. This case, which was not settled until mid-2002, resulted in a tremendous drain on the financial resources of the City, especially in the area of litigation fees between 1998 –2000.

During the course of 1998, the Administrative offices were moved to a new location. National City Bank donated the building at the corner of Franklin and Engle Streets to the City and also provided $75,000 for renovations. This move enabled the City to create additional space for the Police Department at its current location. The budgeted expenditures for General Government were increased from 1997 by $23,100 in anticipation of this move. Total expenditures were $509,272 or an increase over 1997 of 27.5%. The increase in legal fees between 1997 and 1998 accounted for $74,185 of this $109,873 increase.

In May of 1998, the Administrative Office was required to purchase new software and a file server not only to be Y2K compliant, but also because the previous software provider went out of business. The cost of this new computer technology was $38,040 and was spread out in a lease agreement over a five-year period. The final payment was made in 2003.

Total General Government expenditures for the year 1999 were $469,233, representing a decrease from 1998 of $40,039 (7.8%). This decrease was the direct result of a decrease in litigation fees from the peak of $148,578 in 1998 to $103,378 in 1999. Total general government expenses also finished lower in 2000 at $460,001 (1.9%). However, this trend reversed in 2001, with total expenditures climbing to $478,485, for an increase of 4.0%. The purchase of new computer hardware in 2001 accounted for $11,000 of the increase between 2000 and 2001. The remainder of the increase was due to increases in wages for clerical and administrative employees.

The audited financial statements for 2002, portray a general government expenditures decrease of $9,151 from 2001. This decrease is a result of various line item decreases that include legal service, litigation fees and capital purchases. The one line item that shows a noticeable increase is auditing services fees. This increase is attributable to an in-house audit by the City Administrator and Treasurer, in conformance with the Special Procedures Audit completed by Mark Turnley. The necessity for this audit was the discovery of inconsistencies in collection practices uncovered by the City Administrator in August of 2002 and is more fully discussed in the revenues section of this report. Between 1999 and 2002, general government expenditures increased by 0.1%.

Since 1993, General Government Expenditures have increased by $123,904 or 36%, representing an average increase over the 14-year period of 2.9% per year.

The unaudited financial statements for 2006 general government expenditures is $463,986 which is an overall decrease from 2005 of $19,472 (4%). The City Administrator's office continues to operate with one less administrative clerk than in the past. In 2002, as stated in the revenue section of this report, two city hall employees were suspended and charges were filed against them through the Beaver County District of Attorney when it was discovered that money was missing from garbage collection accounts in an audit by Mark Turnley. The employees were found guilty and restitution was paid to the City. As a result, the City replaced only one of the employees, thereby reducing the administrative staff by one position.

The decrease from 2005 to 2006 in the general government expenditures was due entirely to legal fees that were paid during the course of the police department arbitration process in 2005 that were not required for 2006 in the amount of $11,000 and a reduction in the cost of legal advertisements and printing in the amount of $6,000. These reductions contributed to a 4% decrease in overall expenditures in 2006.

2007-2010 Projections:

	2007 Budget	2008 Projected	2009 Projected	2010 Projected
GL Government	$463,240	$465,000	468,000	$470,000

Currently, the positions of City Administrator, Finance Officer and the administrative staff have been stable for over three years. The stabilization of these positions and the high level of competence by these individuals have contributed to a general government that consistently produces good results and a high level of service delivery for the City residents. The cost for providing the general government services has also stabilized and is consistent with the recommendations in the plan. This plan, as a result, projects a stabilization of these expenditures over the next three years with the exception of additional costs associated with normal increases for personnel and fringe benefits and some additional budgeted amounts for legal expenses during years when there will be increased activity around collective bargaining agreements.

B. Police Department

History 1993 – 1998

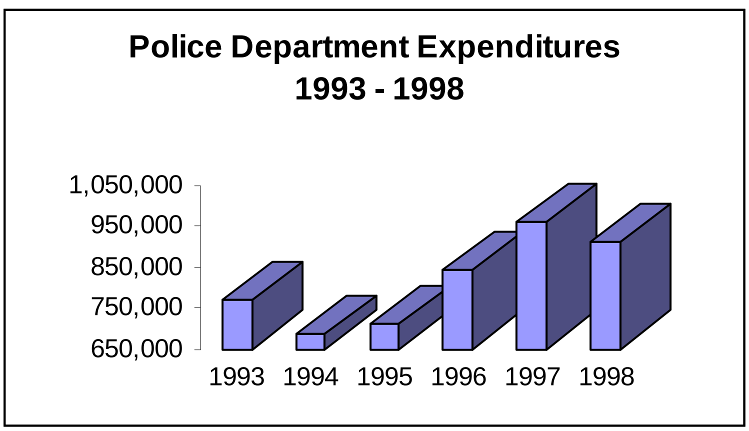


Figure 5

The Police Department expenditures for 1993 increased over the prior year by $59,775 (9.3%). The increase was attributable to overtime and court time, a persistent problem in the department, which increased from $80,293 in 1992 to $112,609 in 1993. With the suspension of one fulltime officer in 1993, the total compliment of officers was reduced to 18. In addition, there was an increase in uniform allowance from the previous years' $5,677 to the 1993 total of $12,906. During 1993, Chief Alston requested and received permission to purchase bulletproof vests for his officers.

Due to decreases in Real Estate Tax collections in 1994, the budget was cut to a minimum. The City hired part time patrol officers to aid in enforcement, due to the resignation of one officer in late 1993, the resignation of a second in early 1994, the termination of a third in early 1994 and the retirement of a fourth in mid-1994. Two officers were promoted from the part time ranks to full-time status in April of that year. However, a large number of officers who remained active were on worker's compensation. At one point, the total number of officers available was cut to twelve. Police Department costs decreased $86,740 between 1993 and 1994 (11.2%). Decreases in full time salaries between the two years amounted to $50,673 of the total decrease, while court and overtime settled in at $90,553, for a total decrease from 1993 of $22,056.

In 1995, the expense trend once again continued to climb upward. The audited financial statements for 1995 portrays an increase in police department expenditures of $27,763 over 1994, although the total expenditures in 1995 continued to be below the 1993 rate. The part time traffic officers hired in 1994 were released in 1995. The decrease in this line item was $45,305. This decrease was offset by an increase in patrol officers' salaries, which rose by $34,855. Two additional officers were hired in March of 1995, however, the total compliment of officers remained at eighteen, one shy of DCED requirements and the previous 1993 level, due to the pending arbitration hearing of one of the officers terminated in 1994.

The year 1995 also marked the City's first voyage into the COPS Grant program.

One of the two officers hired in 1995 was hired through a COPS grant. The COPS grant, provided funding of 90% of total salary for a period of three years.

In 1996, the City and the Fraternal Order of Police formally agreed to permit part time traffic officers to join the rank and file. The scope of service for these officers was limited to traffic control, with a cap of eight officers, working a maximum of twenty-four hours per week. In exchange, the City provided an additional holiday (birthday) to the department. The total cost of these additional eight (8) officers for 1996 was $26,100, which contributed to the overall increase in expenditures from 1995 to 1996 of $129,410.

The addition of the part time police force, although an addition to expenditures, positively contributed to the overall revenue received by the City. The following table portrays the amount of expenditures vs. revenues received by the City since the institution of the part timers. The part time officers also contributed to the overall effectiveness of the police department through additional visibility to deter crime. Although the financial impact of this is not noticeable, there is a significant impact on community pride.

Comparison of Part Time Police Expense vs. Revenue Generation

Year	Part Time Police Expense	Fine & Forfeits Revenue
1996	$ 26,100	$55,243
1997	$ 47,330	$72,144
1998	$ 38,481	$86,651
1999	$ 33,264	$77,176
Totals:	**$121,685**	**$291,214**

Total Revenue Generated over Expenditures: $169,529

Due to the age of the police vehicles, the City purchased two new vehicles in 1996 and several used vehicles (three Blazers, two Chevy Celebrities, and a Chevy Caprice – Pa Drug Reduction Program), which added roughly $34,000 to total departmental expenditures. A settlement between a police officer and the City resulted in a $20,000 expenditure per year for 1996, 1997 and 1998.

Overtime continued to exceed budget during 1996, even though the compliment of police officers once again reached nineteen, when one officer, who had been terminated in May of 1994, was returned to work. However, this officer took a leave of absence due to his appointment as Sheriff of Beaver County in May of 1996. In addition, one police officer was terminated in July of 1996, which left the compliment of active officers at 17 by years' end. The 1996 budget projected overtime, court time and holiday pay at $79,500. The actual 1996 expenditure for these classifications was $123,455 - $43,955 over budget.

The total increase in expenditures between 1996 and 1997 was $117,917. Although expenditures appeared to continue their climb upward in 1997, the City made several calculated moves to reduce this cost, while increasing police visibility. In September of 1997, a retirement incentive package was offered to four full time police officers. These four officers were the most senior officers employed by the city. The retirement package was calculated to save the city $80,000 in 1998. The incentives offered did impact the 1997 budget by an additional expenditure of approximately $45,000.

The City also accepted an additional COPS grant in 1997, for the employment of four (4) more full time officers. This COPS grant was for the reimbursement of wages for three years at 100% and expired in December of 1999. The City received $128,609 in COPS Grant Funding during 1997, which offset the total expenditures for the year. With this offset, total expenditures for 1997 were actually $831,143, for a total decrease from 1996 expenditures of $10,692.

Changes in the total compliment of officers and in personnel continued in 1997. In January of 1997, the City hired one additional officer and one of the City's fulltime officers suffered a heart attack and died, while off duty. In March, the City replaced this officer with another new hire. However, in September, the City terminated one officer, followed by the termination of two additional officers in October. Finally, in November of 1997, two officers were hired, however, one of the two resigned in December. All totaled, twenty-five full time police officers worked in the department during the course of the year. However, at years' end the compliment was only sixteen.

The police department acquired, via a three-year lease, three new police cars as well. This expenditure is offset yearly through the application of funds from the Local Law Enforcement Block Grant Fund (LLEBG).

The Police Bureau also received a grant in October of 1997 for the employment of police clerks to complete administrative tasks for the department. This grant, which was extended through 2002, paid the salaries of these clerks in full, but the expense is a part of the Police Budget.

The Police Bureau received one additional grant in 1997 for the creation of a Domestic Violence Division. Although this program was successful in 1997, grant funding was not continued due to the volume of requests that the Department of Justice received. The County of Beaver took over this program and the City discontinued their part in December of 1997.

The 1998 audit reflected an expenditure of $911,848 for the police department, which is a decrease of $47,904 from the previous year. Overtime, Court time and Holiday pay were budgeted at $77,000 for the year. The actual expenditure was $95,580. Court time, budgeted for $30,000, finished the year at $51,996. Court time continued to be a wild card in the police department budget. Due to the number of officers (both full and part time) court time costs increased significantly. However, overtime, budgeted at a mere $15,000 in 1997, finished the year at $12,157.

Personnel changes during the year included the return of one officer, previously on leave, in January of that year. City Council appointed six new police officers in February and one officer resigned in May, with another following in September. The compliment of fulltime officers at year-end was twenty-one, however, in a manner similar to 1997, the total number of officers working fulltime within the department over the course of the year peaked at twenty-nine.

During 1998, the city changed the method of payment to police officers working Linmar Patrol. In the past, an officer was required to fill an overtime shift and the city paid time and one-half for his salary. Due to the large increase in personnel, this was no longer necessary. The city received $33,500 from the Beaver County Housing Authority for these patrols in 1998, based on $25/hour. The City paid officers straight time for the work.

It should also be noted that although the expenditures for the police department include the salaries of the four COPS grant hires, this money is reimbursed by the Department of Justice. The City received reimbursement for 1998 of $174,607, which in effect, reduced Police Department expenditures to $737,241 for the year.

The negotiated contract for 1998 included an additional step in salary for full time officers, which also aided in reducing costs for the "new hires" who replaced the retirees.

Between 1993 and 1998, police department expenditures increased by 18.2%. The following table outlines the increases/decreases per year from the 1993 figure. In addition, this table utilizes an offset of COPS grant revenues to obtain the "true" expenditure for each year where COPS funding was received.

Year	**Expenditures**	**Percent Increase from 1993**	**COPS Funding** *(Exclusive of Clerical Funding)*	**Percent Increase from 1993**
1993	$771,402	N/A	N/A	N/A
1994	$684,662	<11.2%>	N/A	<11.2%>
1995	$712,425	<7.6%>	N/A	<7.6%>
1996	$841,835	+9.1%	$30,335	+5.2%
1997	$959,752	+24.4%	$128,609	+7.7%
1998	$911,848	+18.2%	$174,607	<4.4%>

Although expenditures are shown to have increased by 18.2% between 1993 and 1998, utilizing the offset of COPS funds indicates that total expenditures actually decreased by 4.4% for the five-year period.

History 1999 – 2002:

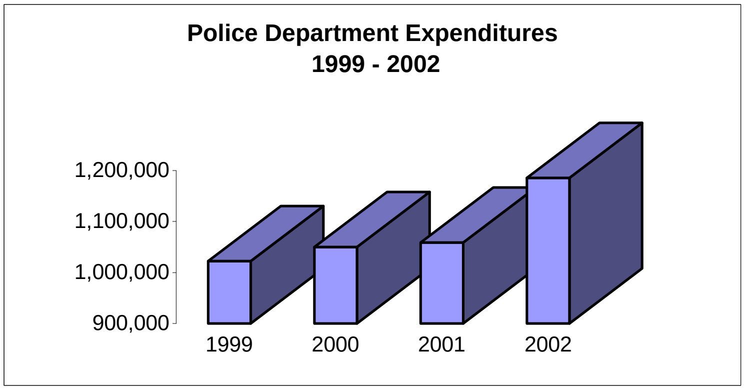


Figure 6

The 1999 budget projected an increase from the 1998 budget of $56,000, mainly due to step-ups in salary obligations for police officers. The actual expenditures, however, were $1,022,524, or an increase over the 1998 expenditures of $110,676. The increase in salaries between the two years was $28,681. The largest increases came in the way of benefits extended to retirees. During the year of 1999, a special “20 and out” retirement was offered and accepted by four police officers. Three of the four retired in May of 1999, with the fourth retiring in September of that year. These retirements resulted in a payout of $59,931 in additional benefits.

City Council promoted two part time officers to full time in May and promoted two additional part time officers to full time in September, following the retirements. The City received $154,139 in COPS funding for the year 1999. The total compliment of officers as of December 31, 1999 was twenty-two, with the resignation of one full time officer during December.

Part-time clerical wages, previously reported by the auditor as the difference between expense and revenue, were reported differently in 1999. This change in reporting reflects an increase in the expenses for the department of $34,593. In keeping with the previous years’ reporting, the offset of this expenditure was COPS revenue received amounting to $59,133 for the clerks.

Police vehicle repair and maintenance exceeded the 1998 budget by $12,844. During the course of 1999, two vehicles were damaged and repaired. The total amount of repairs to these two vehicles totaled $15,767.08. Of this amount, the insurance carrier paid $14,767.08, which is reflected as a revenue.

The year 2000 brought the hiring of three additional officers, one in January and two in February. The standing compliment of officers for the year was twenty-five, representing a dramatic increase of six officers from the DCED requirement of nineteen. However, total COPS funding received during the year amounted to only $69,306, with $63,420 dedicated to the police clerical positions. Total expenditures for the year were $1,049,580, or an increase over 1999 of $27,056, predominantly attributable to escalating salary requirements for the officers.

In January of 2001, Police Chief William Alston retired. Assistant Chief of Police, Ralph Pallante, assumed his place and a very young department. In March, Officer James Naim was killed while on normal foot patrol in the Linmar Housing Complex. Officer Naim was replaced in April of 2001. September brought the terrorist attacks against our Country, significantly increasing an already overburdened overtime expense.

The audited expenses in the Police Department show a nominal increase of $9,150 from 2000 to 2001. However, the decrease from 2000 to 2001 in clerical salaries as shown in the audit is once again misleading. The 2000 audited financials indicate that this expense was $58,591 – without the offset of the COPS More revenue received ($63,420). In 2001, the expense for clerical salaries is shown as $12,535, reflecting the offset of COPS More funding in the amount of $46,057. The true expense was $58,592. Therefore, although the audited financials show only a $9,150 increase, the increase was actually $55,207. Salaries for full time officers increased by $64,186 from 2000 to 2001. Overtime increased by $20,844.

The position of Captain was left vacant, saving $32,739 from the previous year. Total COPS funds received for police officers salaries were $54,839. The compliment of officers as of December 31, 2001 was twenty-four.

The audited financial statements for the year 2002 indicate an increase in expenditures of $178,541 from the audited financials of 2001. In the aftermath of the death of Officer Naim, the City was forced to reconsider the method by which officers were compensated for Linmar Patrol. The Collective Bargaining Agreement between the FOP and the City for the years 2002 – 2004 increased the earnings of the officers from straight pay to $18 per hour for these patrols, in an attempt to increase the participation. This increase was not foreseen when the council adopted the 2002 budget, and resulted in an increase in expenditures of $57,978. The contract between the City and the Housing Authority anticipated the expenditure of $103,000 for Linmar Patrols. However, due to an error in billing, the City did not recoup a large portion of that funding ($59,794) until February of 2003.

The year 2002 also brought the introduction of the Pennsylvania Weed and Seed Program to Aliquippa. This program led to a significant increase in overtime in the department. The total expense for overtime reached an all-time high of $43,097, or $30,000 over the budgeted amount of $13,000. COPS grant funding for the year amounted to $51,077 for officer's salaries and $46,734 for clerical salaries. The complement of officers as of December 31, 2002 remained at twenty-four.

Between 1999 and 2002, police department expenditures increased by 21%, or roughly 5% per year. The following table outlines the increases/decreases per year from the 1999 figure.

Year	**Expenditures**	**Percent Increase from 1999**
1999	$1,022,524	N/A
2000	$1,049,850	+2.6%
2001	$1,058,730	+3.5%
2002	$1,237,271	+21%

History 2003 – 2006

Anticipating a pending budget crisis during the year of 2003, City Council explored furloughing four fulltime police officers in late 2002. With the expiration of all but one of the

COPS grants, the increasing salary requirements of the officers pushed the 2003 budget for the Department to $1,180,736, or an increase of $56,535 over the 2002 costs. The budget for 2003 also anticipated the elimination of funding for the clerical positions. Instead of twenty-four hour, seven-day coverage, the clerical staff hours were reduced to forty hours per week. Part time patrol officers were furloughed as of December 31, 2002, and the meter maid was reduced from a fulltime position to part time.

	2003 Actual	**2004 Actual**	**2005 Actual**	**2006 Unaudited**
Police Department	$1,211,003	$1,129,428	$927,049	$956,906

After extensive debate, City Council agreed to retain the four full-time police officers. However, this decision is to be reviewed quarterly throughout 2003. The police officers have agreed to increase traffic patrols, aid the Code Enforcement Officer in property maintenance initiatives and work with the District Magistrate to eliminate court pay during daylight shifts.

The first quarterly review was conducted in early March 2003. The City received unbudgeted COPS funds from the previous year, amounting to approximately $17,000. Without this funding, the Police Department would have suffered a $14,000 loss and City Council would have had to furlough at least four officers. The Administrator notified the Department that periodical budget reviews would be conducted. It was anticipated, based on the trend that was developing, that these officers would be furloughed before the end of 2003. By the end of year 2003 these officers were furloughed and the compliment of the police department was at 18 full-time police officers and a full-time police chief where it remains to the present.

During 2004, 2005 and 2006, the City maintained the 18 full-time police officers and the full-time police chief. The department also continued to operate with clerical assistance only during the daytime hours between 7am and 3pm. This contributed to the stabilization of the police budget during this period of time.

The City renegotiated the Linmar contract with the police officers' union as a part of their collective bargaining agreement for the years 2002-2004. As a result, police officers are "guaranteed" a certain number of hours on these patrols at $18.00 per hour as long as the Housing Authority continues to contract with the City for this service. Althought, the City anticipated the receipt of approximately $50,000 in funds from the Housing Authority after the payment of the guaranteed time to officers, only $16,000 was received during fiscal year 2007 and the same amount is expected in 2008.

In December of 2005, the City received a favorable police arbitration award that froze wages for three years (2005, 2006, and 2007) and requires a 10% contribution to health care premiums from all officers based on the recovery plan requirements. The City must still guarantee the Linmar patrols as long as it continues the Housing Authority contract.

For the 2006 and 2007 budgets, the City continued to employ 18 officers in the Aliquippa police department employing one (1) Chief, (1) Assistant Chief, five (5) Sergeants (including one detective), and twelve (12) patrol officers. By containing the costs for personnel and fringe benefits the City has been able to maintain positive budget results for the past 3 years in the police department. The "budget to actual" numbers are shown in the chart below for the police department.

City of Aliquippa Police Department
History of Budget v Actual Expenses 2003-2006

Year	Actual Expense	Budgeted Expense	(Over)/Under Budget
2003	$1,180,736	$975,515	($205,221)
2004	$1,129,428	$981,250	($148,178)
2005	$927,048	$903,200	($23,848)
2006	$956,906	$972,800	$15,894

Beginning in 2004, there was a decrease in police department expenditures largely due to the reduction in staffing from twenty-two (22) officers to eighteen (18) officers. The City's favorable arbitration award that froze wages for a three year period helped the City to stabilize the expenses in this department and the strengthened management of the department has helped to contain the overtime expenditures. For the first time, the police department expenses, in 2006, were less than the budgeted expenses resulting in a $15,894 favorable differential for the department. For this reason, the following chart outlines the projections for this department for 2007 – 2010:

	2007	2008	2009	2010
Police Expenditures	**$1,005,500**	**$1,015,052**	**$1,024,695**	**$1,034,430**

The City's Weed & Seed activities have slowed dramatically due to the end of the funding stream from the PA Commission on Crime and Delinquencies beginning in 2005-2006. As a result, William Alston, Jr., council member, has been named W&S AID Team Coordinator and the Police Chief has been named Law Enforcement Coordinator so that less funding will be necessary to continue the activities. The City continues to request funding under the Quality of Life program for recreation, leadership training, and police activities. However, many of the drug patrols that were subsidized by the program have been decreased and/or eliminated due to the lack of funding for overtime for these programs. Leadership groups continue to meet and to work on elements of the W&S Revitalization Plan as funding and resources permit. In 2006 and 2007, the City budgeted limited funds ($13,000) for Weed & Seed activities in order to continue police patrols and to take advantage of Quality of Life funds with matching local funds.

The following chart provides a 14 year history of police department expenditures and projections through 2010. It also displays a calculation of the additional dollars expended over the base year of 1993 and the percentage of increases from year to year.

Summary of Police Department Expenditures 1993 – 2010
With Differences from Base Year 1993

Year	Police Dept. Expense	Variance from 1993	% Inc/Dec
1993	$771,402		
1994	$684,662	($86,740)	-11.24%
1995	$712,425	($58,977)	4.05%
1996	$841,835	$70,433	18.16%
1997	$959,752	$188,350	14.01%
1998	$911,848	$140,446	-4.99%
1999	$1,022,524	$251,122	12.14%
2000	$1,049,580	$278,178	2.65%
2001	$1,058,730	$287,328	0.87%
2002	$1,237,271	$465,869	16.86%
2003	$1,180,736	$409,334	-4.57%
2004	$1,129,430	$358,028	-4.35%
2005	$910,063	$138,661	-19.42%
2006	$956,906	$185,504	5.15%

By 2006, the City was spending $185,504 over the 1993 expenditures and was averaging a 2.24% annual increase for this department. This represents an additional 2.5 mills in City real estate taxes with a mill bringing in about $73,000 in revenue. In spite of the wage freezes, better management and containment of overtime costs over the past three years, the police department continues to be the largest municipal expenditure in the City budget and continues to require more and more of the City resources in order to operate.

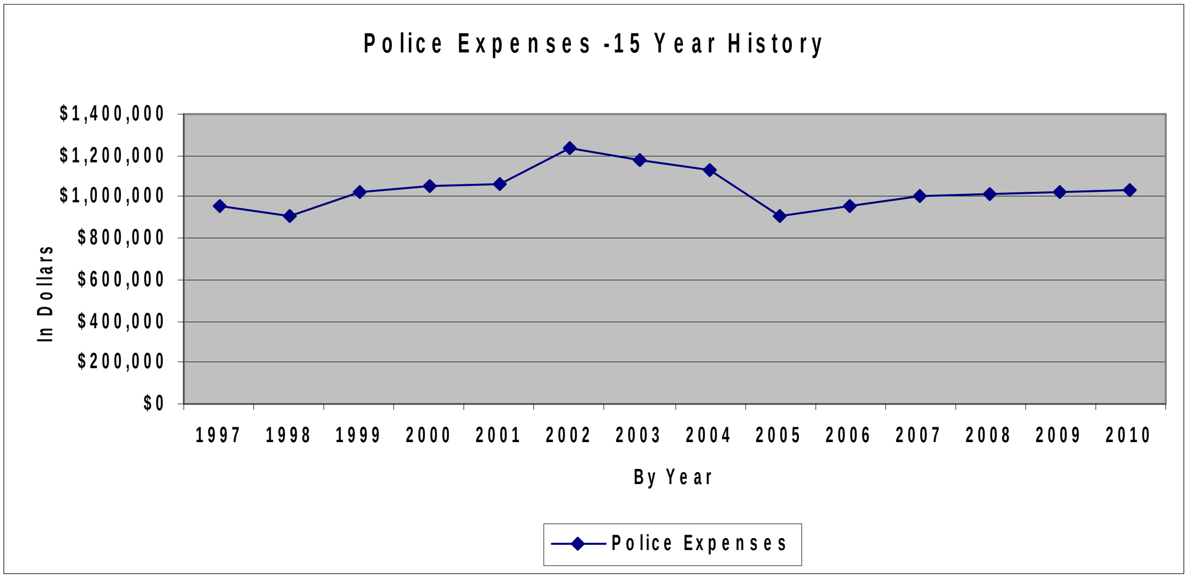


Figure 11

**** Police expenditures increased significantly during the Weed & Seed program 2002-2004**

C. Fire Department

History 1993 – 1998

The Fire Department experienced modest growth for the years of 1993 through 1995. Expenditures in 1994 decreased over 1993 costs by $6,351 (-1.17%). Although 1995 costs increased over 1994, the total increase remained below the 1993 level by $250. Between 1995 and 1996, expenses declined further, finishing the year at $359,470, for a decrease from 1995 of an additional $4,625. Fire Department expenses rose by $24,570 in 1997, due to the retirement of one senior firefighter and the termination of a second. Overtime, budgeted at $20,000, finished the year at $39,970. The overall expenses, however, remained in-line with that year's budget, finishing the year $10 under budget. The 1998 expenses decreased by $8,123 from 1997, however continued to be higher than the 1993 expenses. Overtime, budgeted at $10,000, finished the year at $28,860.

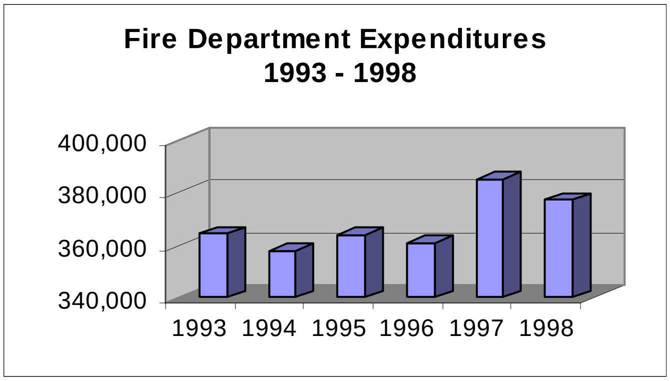


Figure 12

Between 1993 and 1998, Fire Department expenditures increased by 2.1%. The following table outlines the increase per year from the 1993 figure.

Summary of Increases/Decreases in Fire Department Expenditures 1993 - 1998

Year	Expenditures	Percent Increase From 1993
1993	$364,344	N/A
1994	$357,993	<1.7%>
1995	$364,095	0%
1996	$359,470	<1.3%>
1997	$381,386	+4.8%
1998	$371,971	+2.1%

History 1999 – 2002

The 1999 audited financial statements portray a significant increase in expenditures for the Department between 1998 and 1999. The reason for this increase is the purchase of a new fire truck. The funding for the truck was a result of a grant received through the Beaver County Commissioners Office. The cost of the fire truck $224,066 is included in the years' expenditures. Expenditures for the year (without the fire truck) were $384,445, representing an increase of 3.4% ($12,474) from 1998. The increase in expenditures was mainly attributed to the early retirement of four firefighters.

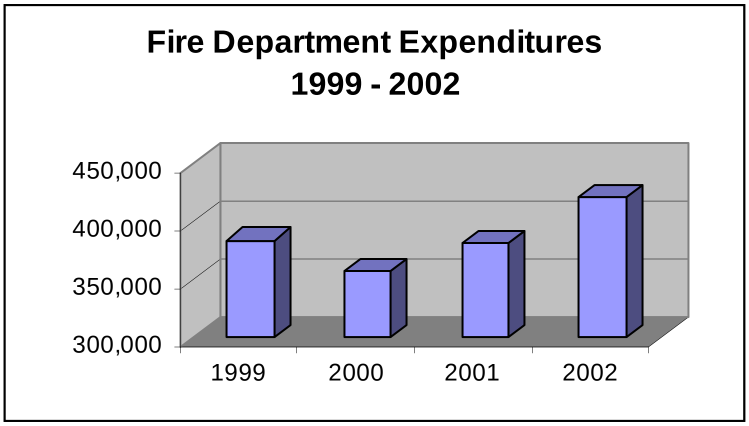


Figure 13

Expenditures for 2000 were $357,899, representing a decrease from 1999 of $26,546 (-6.9%). Overtime, however, continued to climb – amounting to $30,796 in 2000. During the course of 2000, Council approved the addition of First Responder duties to the firefighters. The firemen now respond to all emergency calls and all are certified as either paramedics or emergency medical technicians.

In 2001, total departmental expenditures increased to $382,275, or an increase of 6.8% over 2000. A large part of this increase ($10,000) was attributable to the purchase of a thermal imaging camera. The City received a private donation for this purchase. In addition, salaries increased by $13,350, due to "step-ups" by members of the department.

The audited financial statements for 2002 indicate expenditures of $418,730, representing a sharp increase over 2001 of $36,455. Increased salary requirements of $38,465 were the main contributor, while overtime pay continued to mount, finishing 2002 at $33,171. The 2003 budget projected total expenditures of $454,500, however, due to unanticipated expenditures in line items such as overtime, caused by sickness and injuries, vehicle and building maintenance repairs. The final cost for 2003 increased to $591,565.

Between 1999 and 2002, Fire Department expenditures decreased by 8.8%, or 2.2% per year. The following table outlines the increase/(decrease) per year from the 1999 figure. (The fire truck expense has been removed from the total 1999 expense.)

Summary of Increases in
Fire Department Expenditures
1999 - 2002

Year	Expenditures	Percent Increase From 1999
1999	$384,446	N/A
2000	$357,898	<7%>
2001	$382,276	<.05%>
2002	$418,370	+8.8%

History 2003 – 2006

The 2003 financial statements show expenditures in the amount of $591,565 representing an increase over the 2002 expenditures in the amount of $172,835, mainly attributable to an increase in wages and over-expenditures for overtime. This is a 41% increase in just one year contributing to the City's deficit structural operating balance in 2003 pushing the deficit to an all time high of over $530,000.

	2003 Actual	2004 Actual	2005 Actual	2006 Actual (Unaudited)
Fire Department	**$591,565**	**$555,312**	**$513,353**	**$492,568**

Because of the overtime issues, the City Council hired three part time firefighters in July 2003. These part time firefighters originally filled one of the two open shifts that was caused through an employee injury. In addition, they were retained to fill vacation and sick time for other firefighters. The expense for the addition of part-time fire fighters to the department added $30,000 to the expenses but was expected to help contain the cost of overtime in the department from the $50,000 level that it had risen to by 2003.

In 2004, the overtime in the fire department was contained at $50,704 but by 2005 it had risen to $78,094 and remained at the $69,607 level for 2006. In 2007, the fire department had already expended $18,514 in overtime by March and was on the path to spending over $70,000 for overtime yet again.

The fire department is the fastest growing expenditure in the City budget, increasing at about 5% per year. This is at a much more rapid pace than any other department of the City. A management study was initiated by the City with the help of the Local Government Academy but it has stalled because the consultant has not reported back to management about the information that was collected in time for the update of this plan in 2007.

The inability of management to achieve significant cost containment in the fire department is related to a number of issues that will require greater efforts on the part of the fire department management. As stated earlier in the report, the fire department began a “First Responder” program on November 11, 1999 which began to negatively impact the budget beginning in 2000. For this service, each crew must contain at least one emergency medical technician which must be dispatched for every medical emergency. This requires that a fire truck also responds to all emergencies and this has caused increases in repairs and gasoline expenditures. Also the firefighter “First Responder” to homicide calls has created some fear/stress factors resulting in purchase of “flak-jackets” and training in ‘debriefing counseling.”

The City has been unsuccessful in achieving any significant savings through intergovernmental approaches with its neighboring communities. In June 2005, the City attempted to coordinate, with the help of GCLGS staff and the Beaver County Emergency Management Coordinator, Wes, Hill, a regional approach to fire fighting efforts between the City and Hopewell Borough. These discussions broke down when the Hopewell volunteer companies rejected the joint approach.

The City continues to suffer financial consequences for maintaining 9 F/T and 2 P/T firefighters with a 2 person minimum as required in the collective bargaining agreement. In addition, the first responder program invokes significant overtime costs for call outs. For 2005, 2006, and 2007, the firefighters, who are organized under The International Association of Firefighters, Local No. 802, agreed to a three year freeze on wages and a 10% contribution to health care premiums in accordance with the Recovery Plan. However, even this cost containment provision has not affected the overtime overruns and the fire department continued to operate with expenditures that exceeded budget appropriations through 2005. In addition, injuries to one of the captains resulting in a workers compensation claim that has left the department short handed for almost two (2) years has had a very negative impact on the ability of the City to control the overtime expenses.

In the collective bargaining agreement in 2005, the City bargained for the ability to utilize part time firefighters to fill shifts and the City management required that the fire department begin to utilize this option more extensively. By utilizing the part-time firefighter option the City was finally able to begin to get the fire department budget under control in 2006. Ultimately, by the end of 2006, the City had expended $19,162 in compensation for part-time firefighters but, as a result, had saved approximately $35,000 from firefighter salaries that had reached $155,936 in 2004. There was also a cost savings of another $8,000 from overtime levels of $78,094 in 2005.

The chart below outlines the progress made over the past four (4) years for cost containment and good budget management in the fire department.

City of Aliquippa Fire Department Expenditures
Summary of Budget v Actual 2003-2006

Year	Actual Expenditures	Budgeted Expenditures	(Over)/Under Budget
2003	**$591,565**	**$454,500**	**($137,065)**
2004	**$555,313**	**$468,400**	**($86,913)**
2005	**$513,834**	**$471,150**	**($42,684)**
2006	**$492,568**	**$493,850**	**$1,282**

The following chart represents a fourteen (14) year history of the fire department expenditures. It also provides a calculation of the difference in expenditures from 1993 through the present.

Year	Fire Dept. Expense	Variance from 1993	% Inc/Dec
1993	$364,344		
1994	$357,993	($6,351)	-1.74%
1995	$364,095	($249)	1.70%
1996	$359,470	($4,874)	-1.27%
1997	$385,240	$20,896	7.17%
1998	$377,177	$12,833	-2.09%
1999	$608,511	$244,167	61.33%
2000	$357,899	($6,445)	-41.18%
2001	$382,275	$17,931	6.81%
2002	$418,730	$54,386	9.54%
2003	$591,565	$227,221	41.28%
2004	$555,313	$190,969	-6.13%
2005	$513,834	$149,490	-7.47%
2006	$492,568	$128,224	-4.14%
	Average Annual Increase		***4.90%***

In 1999, the expenditures included the purchase of a fire truck.

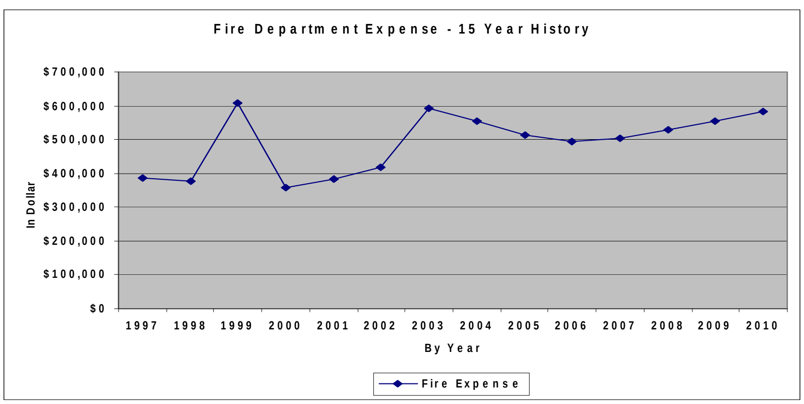


Figure 14

By 2006, the City was expending $128,224 more dollars than in 1993 representing an increase of about 5% per year over the past 14 years. This is equal to an additional 1.75 in additional real estate revenue in 2006 and will increase over the next several years to about 2 mills of tax. The projections for 2007-2010 are set forth in the following table.

	2007	2008	2009	2010
Fire Expenditures	**$504,550**	**$529,273**	**$555,207**	**$582,412**

In June of 2007, the current fire chief, Darryl Jones, submitted his resignation to the

Aliquippa Council indicating that he would be accepting a position with the City of Pittsburgh in July of 2007. The City, in August 2007, promoted Captain Foringer to the Chief's position. The appointment of the new chief is an opportunity for the City to take a fresh approach to many of the options that have been explored in the past related to the use of volunteers and the use of mutual aid as opportunities to enhance the City's services. The initiatives regarding intergovernmental cooperation are included as part of the effort for the fire department to look at a more regional approach.

D. Public Works

History 1993 – 1998

The Street and Highway costs decreased in 1993 by $54,792 (8.7%) from 1992 and continued to decrease through the end of 1995. In 1994, there was a decrease of 20%. The 1995 expenditures reflected an additional decrease from 1994 of $23,184. Total expenditures for 1996 increased over 1995 by $10,441, but still reflected a total decrease from 1993 of $12,743 (3%). With the addition of part time street department employees and full time employees to fill vacancies, the Street Department budget increased from 1996 to 1997 by $47,417. The Street Department also acquired a hi-lift, two pickup trucks (PA Drug Reduction) and two salt spreaders during the course of 1997. The Street Department acquired, via a Department of Environmental Protection grant, a Leaf Vac / Catch Basin Cleaner at the end of 1998. The total cost of this equipment to the City was $9,400, or 20% of the purchase price of $47,000. A retirement package was accepted by a senior Street Department employee in 1998, which enabled the city to promote a part time laborer at 80% of the retiree's rate of pay. An additional salt spreader was purchased in 1998.

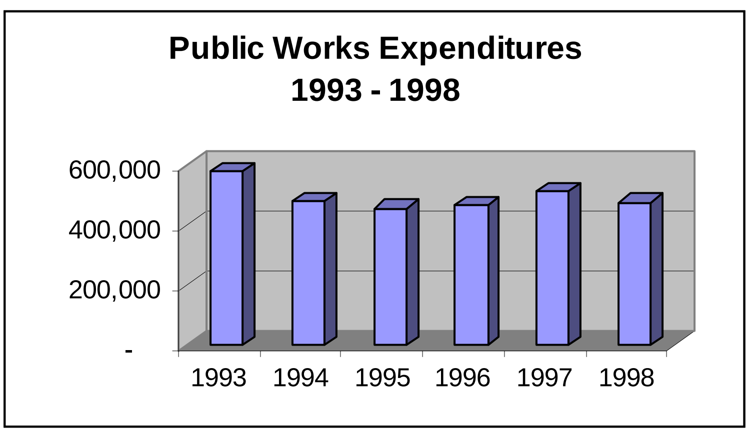


Figure 15

Between 1993 and 1998, Public Works expenditures decreased by 21.36%. The following table outlines the decrease per year from the 1993 figure.

**Summary of Decreases in
Public Works Expenditures
1993 – 1998**

Year	Expenditures	Percent Increase From 1993
1993	$577,694	N/A
1994	$479,289	<20.5%>
1995	$456,105	<26.6%>
1996	$466,546	<23.8%>
1997	$516,963	<11.7%>
1998	$476,098	<21.3%>

History 1999 – 2002

In 1999, total Public Works expenditures increased from 1998 by $51,955 (10.9%). The largest contributing factors were overtime (increase of $7,900), road salt (increase of $17,800) and vehicle fuel (increase of $3,270). The Street Department acquired a new dump truck at the end of 1999, with a five-year lease payment, for a total purchase price of $47,796. In 2000, total expenditures once again increased, settling in at $554,344, or $26,291 over the prior year. The single largest contributing factor to the increase was a dramatic increase in the cost of electricity for streetlights, which climbed from $237,444 in 1999 to $283,899 in 2000.

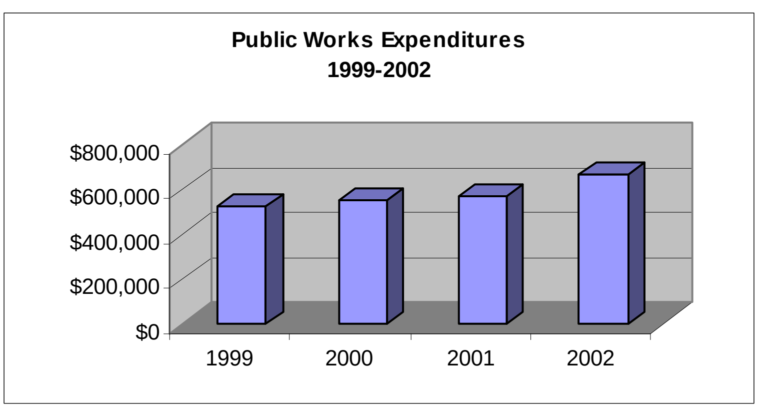


Figure 16

Capital purchases for 2000 included the purchase of a Street Sweeper from Midland Borough for $10,250 and a new recycling truck for $87,662. The cost of the recycling truck was 100% funded through a Department of Environmental Resources grant.

The 2001 audit portrays an increase of $15,676 from 2000. Again, the largest contributing factor was an increase in the cost of street lighting, which grew from $283,899 in 2000 to $294,498 in 2001. The audited financial statements for 2002 depict a total expense of $669,920, for a total increase from 2001 of $92,900. A portion of this increase is directly attributable to the hiring of a fulltime mechanic at the end of 2001 and the start up costs necessary to equip the street department for the mechanic. The remainder of the increase is, once again, tied to increased costs of electricity, which in 2002 settled in at $325,402, for an increase over 2001 of $30,904. From 2000 to 2002, total street lighting costs jumped an alarming $87,958. Capital purchases in 2002 included the purchase of two pickup trucks from Preston Dodge, one in late 2002 and one in early 2003, totaling $56,100.

Between 1999 and 2002, Public Works expenditures increased by 26%, or 6.5% per year. The following table outlines the increase per year from the 1999 figure.

Summary of Increases in Public Works Expenditures 1999 - 2003

Year	Expenditures	Percent Increase From 1999
1999	$528,053	N/A
2000	$554,344	+5%
2001	$570,020	+8%
2002	$662,920	+26%

History 2003-2006

The 2003 actual expenditures for the public works department were reported at $665,743. This is an increase of $8,243 over budget and can be attributed, in part, to the bad weather experienced from January through March of 2003.

	2003 Actual	2004 Actual	2005 Actual	2006 Actual (Unaudited)

Public Works	$665,743	$592,273	$576,311	$574,864

In 2004, there was a decrease in expenditures in the amount of $73,470, an 11% reduction, primarily due to a normal winter season and an elimination of some of the capital expenditures that were planned. By 2005, the City public works expenditures had stabilized, in part, because the cost of street lighting began to decrease and the use of part-time employees was minimized. In fact, by 2006, the street lighting expenditure had decreased to $254,047 which is a 22% reduction from the peak 2002 costs of $325,402 for this service.

In 2006 and 2007, the City Administrator continued to closely supervise the Public Works Department and maintain strict management control. As a result, the peer consultant study that was initially recommended in the fourth amended plan has been put on hold until a later date. The United Steelworkers of America, District 10, the collective bargaining unit for this department, accepted a three year freeze on wages for 2005, 2006, and 2007 in accordance with the fourth updated recovery plan that was adopted by the Council in 2004.

In 2006, the City, once again, reduced the expenditures in the department through the freeze on wages, by containing overtime costs at $6,466, and by limiting road salt expenditures to $16,542. The cost containment was significantly aided by an unusually mild winter during 2006. As a result, the 2006 expenditures for public works was actually $2,830 less than the City expended in 1993. The following table outlines the budget and actual history of the past four years demonstrating this gradual reduction in expenditures for the public works department.

Summary of Public Works Department
Actual v Budgeted Expenditures 2003-2006

Year	Actual Expenditures	Budgeted Expenditures	(Over)/Under Budget
2003	$667,021	$657,500	($8,243)
2004	$592,273	$611,300	$19,027
2005	$576,311	$551,000	($25,311)

2006	$574,864	$568,500	($6,364)

The following table identifies only modest increases for 2007-2010 due to the limited increases in personnel costs, overtime and street lighting services. It is assumed that the City will continue to closely monitor personnel and other expenditures and to continue to use good management techniques to control total expenditures.

	2007	2008	2009	2010
DPW Expenditures	**$591,200**	**$600,068**	**$609,069**	**$618,205**

In June 2006, the City applied for DEP grant funds for a recycling truck, chipper, recycling bins, and educational material through the Section 902 grant program but did not receive the grant funds and will reapply for equipment for recycling activities in 2007.

During 2006-2007, the City worked with PENNDOT to undertake and complete a multi-year paving project that addressed the repaving and resurfacing of fifty-seven substandard City streets. The City was able to leverage millions of dollars of highway aid funding by committing $500,000 of City funds. As a result, the City used the PA Infrastructure Bank (PIB) through PENNDOT to take a loan in the amount of $500,000 at an interest rate of ½ the rate of the prime rate to be paid over the next 10 years so that the final phases of this project could be completed. The debt service on this loan is approximately $58,000 per year and will be addressed in the Debt Service section.

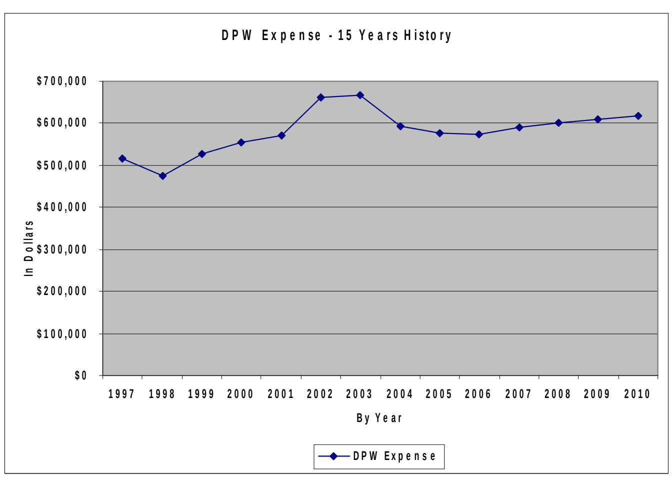


Figure 17

E. Sanitation

History 1993 – 1998

Sanitation costs in the Public Works budget have fluctuated greatly in this category depending on market conditions and economic variables. Expenditures in this category decreased from 1992 to 1993 by $200,854, but increased by 10.9% in 1994 over the 1993 level. The 1995 audited financial statements reflect an increase from 1994 of 4%, followed by a two-year decrease of 9% in 1996 and 15% in 1997. The largest line item in the Public Works Sanitation budget is for the collection and disposal of refuse. The City entered into a new contract with Waste Management in 1996, which reduced the cost of collection significantly. Total expenses in 1998 were $413,185, representing an increase of 4% from 1997, due to the increase in garbage collection removal of $15,843

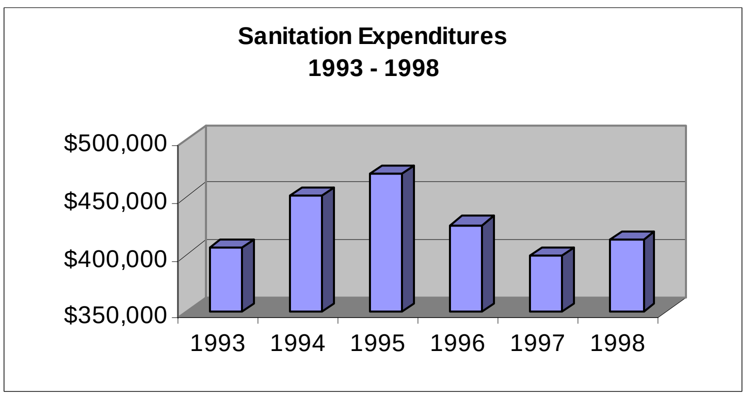


Figure 18

Between 1993 and 1998, Sanitation expenditures increased by 2%. The following table outlines the increase/decrease per year from the 1993 figure.

Summary of Increases/Decreases in Sanitation Expenditures 1993 – 1998

Year	Expenditures	Percent Increase From 1993
1993	$405,830	N/A
1994	$450,316	+10.9%
1995	$470,261	+16%
1996	$425,955	+4.7%
1997	$398,741	<1.8%>

1998	$413,185	+2%

History 1999 – 2002

In 1999, sanitation expenses once again decreased, settling in at $362,523, for a total decline of $50,662 (14%) from 1998. Once again the contributing factor was garbage removal service, which fell from $395,243 to $348,619, due to the city signing a new contract for the service with B.F.I. The 2000 expense was 4% higher than 1999, due to an increase in refuse service. Between 2000 and 2001, there was a modest decrease in the category of $3,000. The 2002 audited financial statements reflect an increase from 2001 of $1,941.

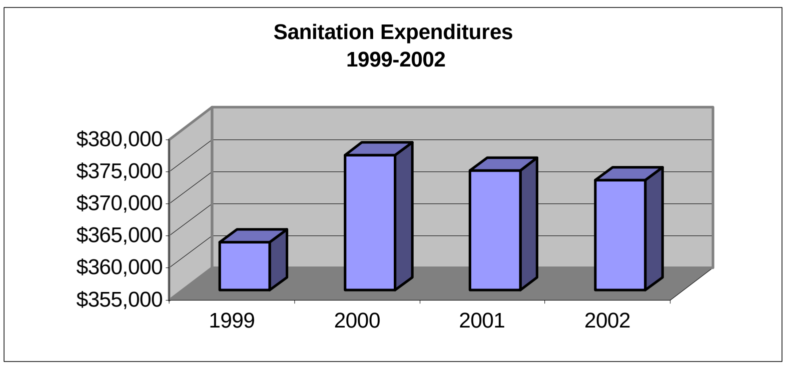


Figure 19

Between 1999 and 2002, Sanitation expenditures increased by $13,107 or 3.6%. The following table outlines the increase per year from the 1999 figure. Surprisingly, over the ten year period 1993 through 2002, sanitation expenditures decreased by a total of 9%, with the largest decrease in 1999.

Summary of Increases/ (Decreases) in Sanitation Expenditures 1999 – 2002

Year	Expenditures	Percent Increase From 1999
1999	$362,523	N/A
2000	$376,075	+3.7%
2001	$373,676	+3.1%
2002	$375,630	+3.6%

History 2003-2005

The 2003 financial statements indicate an increase from 2002 in the amount of $62,254.

	2003 Actual	2004 Actual	2005 Actual	2006 Actual (Unaudited)
Sanitation	**$437,884**	**$415,567**	**$401,172**	**$406,225**

This increase was due to the start of a new contract with BFI and increases to rates that resulted in larger than expected increases for the next several years. The chart below outlines the budgeted amounts for refuse and recycling collection and the amounts that the expenditures were over and under budget.

Summary of City of Aliquippa Sanitation
Budget v Actual Expenditures 2003-2006

Year	Actual Expenditures	Budgeted Expenditures	(Over)/Under Budget
2003	$437,884	$375,500	($62,384)
2004	$415,567	$424,000	$8,433
2005	$401,172	$407,000	$5,828
2006	$406,225	$407,600	$1,375

In 2006, a new contract was executed with Valley Refuse for collection of the City's refuse and recycling. The new contract was 38% more expensive than the existing contract causing the budget for the City's refuse and recycling collection for 2007 to increase to an estimated budget amount of $560,650. It also required the City to raise its residential fees from $130 to $140 annually to support the new contract. For this reason, the projected expense and revenue for the next several years for sanitation expense and for fees from services is about 38% higher than for the contract period of 2003 through 2006.

Projected Sanitation Expenditures 2007-2010

	2007	2008	2009	2010
Sanitation	**$560,650**	**$561,000**	**$565,000**	**$572,000**

The City has been vigilant about setting the refuse and recycling fees to cover the costs of the contract and associated services. For this reason, the fees charged to the residents historically have covered the cost of the service.

Unfortunately, delinquent accounts continue to be a major problem for the City as the fee increases and more people are unable to pay the garbage fee. The City plans to install new computer software for the refuse billing and collection of fees that should enhance the current billing collection and the ability to send out late notices to accounts. The City turns over the seriously delinquent accounts to Portnoff so that the accounts can be collected with delinquent real estate accounts. There has been some limited success with this method but the City's delinquent accounts and uncollectables for refuse remain relatively high.

F. Health Care

History 1993 – 2010

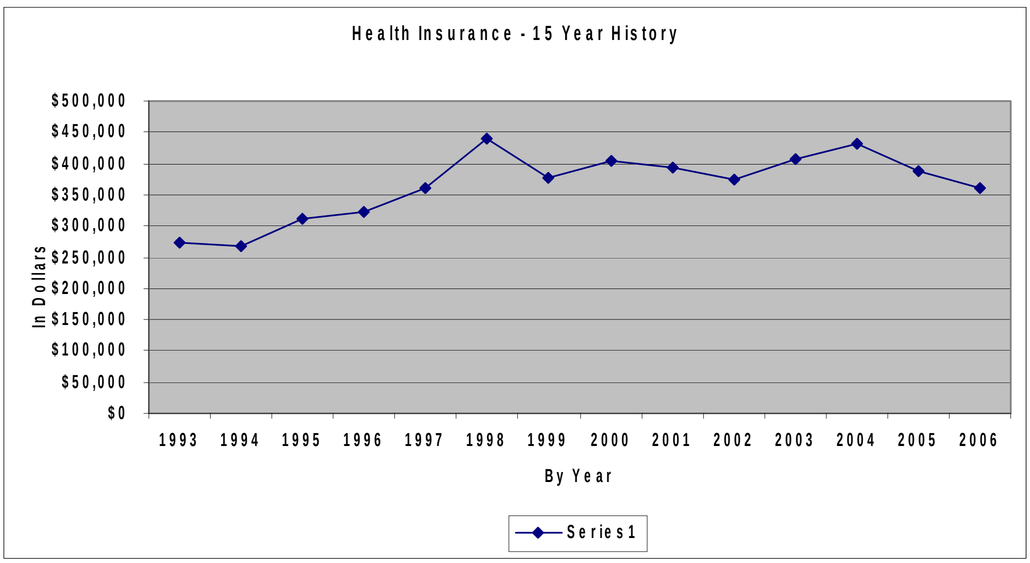


Figure 20

Health care premiums decreased in 1993 by 4.7% due to the institution of a new health care package and followed in 1994 with an additional 2.2% decrease. Health care costs increased by 16.9% in 1995, 3% in 1996, 11.9% in 1997 and 21.6% in 1998. Part of this increase was due to the increase in premiums. The City also assumed the hospitalization coverage expense for the COPS grant hires and newly retired employees. Cumulatively, health care costs for the city of Aliquippa increased by 60.5% between 1993 and 1998.

Year	Health Insurance	Variance from 1993	% Inc/Dec Annual
1993	$273,422		
1994	$267,458	($5,964)	-2.18%
1995	$312,792	$39,370	16.95%
1996	$322,306	$48,884	3.04%
1997	$360,814	$87,392	11.95%
1998	$438,909	$165,487	21.64%
1999	$377,808	$104,386	-13.92%
2000	$405,727	$132,305	7.39%
2001	$392,740	$119,318	-3.20%
2002	$375,269	$101,847	-4.45%
2003	$406,647	$133,225	8.36%
2004	$430,376	$156,954	5.84%
2005	$388,669	$115,247	-9.69%
2006	$361,486	$88,064	-6.99%

The City's health care plan was terminated by Blue Cross at the end of 1998. After meetings with the health care professionals and the employees, the employees chose the Preferred Blue Health Care program offered by Blue Cross. In 1999, total premiums paid were $377,808, representing a decrease of 13.9% from the previous year. The 2000 premiums paid show an increase of 7.3%; however, in 2001, the premium payments dropped by 3.2% from 2000. The audited financial statements for 2002 reflect premium payments of $375,269, a 4.5% decrease from 2001.

The 2003 audited financial statements for health care costs are recorded at $406,647an increase from 2002 of $31,378 or 8.5%. In 2004, there was a 5.84% increase bringing the health insurance premium to its all time high of $430,376. However, beginning in 2005, there were some reductions achieved by the City due to a smaller workforce and the leveling out of the costs associated with the health care premiums by the provider. In 2005, the City expenditures were nearly 10% less than in 2004 and the City achieved another 7% reduction in 2006.

Based on quotes for the 2007 premiums, the City has projected a 13.5% increase pushing the premiums back up to $410,000. The projections for health insurance over the next several years is assumed to average at least 5.5% per year as outlined in the table below.

	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Health Insurance	$410,000	$432,550	$456,340	$481,440

Health insurance will continue to be one of the largest expenditures in the City's budget especially as costs for post retirement health care benefits continue to rise. The City has obtained a 10% contribution of premium from all employees in all bargaining units beginning in fiscal year 2005. This contribution provides some relief to the City for the escalating costs of this benefit.

G. Worker's Compensation

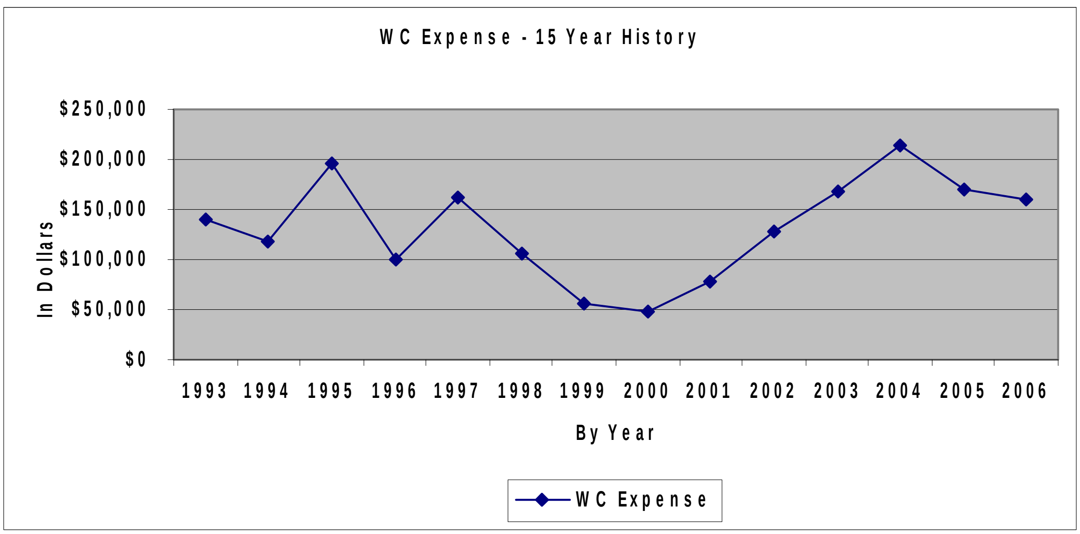


Figure 21

Worker's compensation premiums experienced rapid growth in 1992 and 1993 when costs grew by $31,109 and $21,053, or 26.1% and 17.7% respectively. In 1994, however, a 16.3% decrease occurred, which was followed by an amazing 66% increase in 1995. Worker's Compensation premiums have continued to fluctuate dramatically through 1998, with a decrease in 1996 of 48.4% and an increase in 1997 of 61%.

The workers compensation premiums are calculated based on the prior three years of experience and based on the amounts of payroll for each class of City employee. As a result, a significant change in payroll or a significant increase in workers compensation claims can have a large impact on the premiums for this insurance. For this reason, in 1998 the worker's compensation premium decreased to a startling $106,372, for an overall decrease of 34.4% from the previous year. In 1999, the City changed insurance carriers and experienced an amazing drop in premium of 47.2%. The 2000 premium paid was even lower than 1999, resulting in a two year decrease of 61.8%. However, in 2001, the premium began to rise again increasing by $29,634 over the 2000 rate representing an overall increase of 61.8% from 2000. The historical trends are outlined below.

Year	WC Expense	Variance from 1993	% Inc/Dec Annual
1993	$140,289		17.7 %
1994	$117,398	($22,891)	-16.32%
1995	$195,017	$54,728	66.12%
1996	$100,719	($39,570)	-48.35%
1997	$162,326	$22,037	61.17%
1998	$106,372	($33,917)	-34.47%
1999	$56,200	($84,089)	-47.17%
2000	$47,961	($92,328)	-14.66%
2001	$77,595	($62,694)	61.79%
2002	$127,396	($12,893)	64.18%
2003	$168,394	$28,105	32.18%
2004	$214,296	$74,007	27.26%
2005	$170,824	$30,535	-20.29%
2006	$159,905	$19,616	-6.39%

The 2002 audited financial statements reflect an expenditure of $127,396 – an increase over what was paid in 2001 for worker's compensation of 64.1%. The City's insurance company advised the City that the increase in premiums is directly attributable to two factors: 1) Worker's Compensation costs increased across the board after September 11, 2001; 2) The death of Officer Naim in the police department, while on duty, contributed to a higher risk and exposure, thereby increasing the City's premium.

In 2003, the City experienced another large increase of 32.18% to a premium of $168,394 and again in 2004 the premium increase by $74,007, a 27.26% increase. This brought the City's workers compensation premium to its highest level at $214,296. The City's poor loss experience and the rising costs of municipal insurance overall contributed to the highest workers compensation premiums that the City had ever paid. As a result, the City Administrator explored the possibility of utilizing the state pooled insurance program rather than staying with a private insurance carrier. Surprisingly, the City was able to realize significant savings by entering the Commonwealth of PA state workers compensation insurance pool. By establishing a Safety Committee for a 5% discount in premium, the City was able to save over 20% on its premium for a savings of approximately $30,000 in 2005 over the 2004 cost. The City saved another 6% in workers compensation premium in 2006 by continuing to maintain the Safety Committee and through better loss experience over the three year period that was used for insurance rating. The City is cautiously optimistic that the premium has now stabilized and that with the continuation of the Safety Committee and with continued good risk management, projections for increases will be at a reasonable 4% per year as shown in the table below.

	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Workers Compensation	$130,000	$135,200	$140,608	$146,232

H. Pensions

The most challenging problem for the City over the past three years has been a gradual worsening of the City's pension plans resulting in a substantial increase in the City's unfunded actuarial accrued liability (UAAL) and a corresponding increase in the City's required Minimum Municipal Obligation (MMO) to the funds. Through fiscal year 2002, the City's pension funds were completely funded by employee contributions and the state aid received by the City from the Commonwealth that is calculated on the employee units submitted to the Auditor General each year. The MMO for the City in 2002 was $161,643 and the state aid received by the City was $212,748. The City was, therefore, able to deposit additional money into the pension funds that year.

But, after September 11, 2001, the City's pension investments suffered extensive losses of over $4 million due to the drastic downturn in the equities market. Furthermore, several employees retired and began to draw additional benefits from the pension funds. By January of 2003, when the new actuarial valuation reports were issued, the City's unfunded actuarial liability had risen to over $4 million and its MMO had increased dramatically to $503,224. The City did not have the resources to pay the additional monies that were due to the funds. In 2003, the City only paid $225,783 which left a balance of ($277,460) in delinquent payments due to the funds. Without a dedicated source of revenue, the City's funds quickly fell into distress, and the City was unable to make its full MMO payments in

2003, 2004 and 2005.

In 2004, the City officials made a decision to address the pension crisis by implementing, under the Act 205 provision for distressed pension funds, a .6% dedicated Earned Income Tax on residents and non-residents. For 2004, the MMO was calculated at $496,777 and again the City was unable to make this entire payment, paying only $428,153 to the funds in 2004 and leaving a delinquency in payments for that year of ($68,624).

By 2005, the City was nearly $350,000 in arrears for delinquent pension payments and was in danger of losing its state pension funding in addition to paying penalties that had accrued from the delinquent payments. A breakdown of the MMO requirements and payments over the past seven (7) years is shown below.

History of Pension Minimum Municipal Obligations

Year	Police	Fire	Non-Uniform	Total Due	Total Paid by City	Total Outstanding
2000	$0.00	$106,130.00	$55,741.00	$161,871.00	$166,723.10	
2001	$0.00	$106,984.00	$52,275.00	$159,259.00	$171,251.29	
2002	$0.00	$109,427.00	$52,216.00	$161,643.00	$212,748.38	
2003	$226,334.00	$198,504.00	$78,386.00	$503,224.00	$225,763.56	-$277,460.44
2004	$199,582.00	$204,772.00	$92,423.00	$496,777.00	$428,153.28	-$68,623.72
2005	$351,547.00	$246,440.00	$101,847.00	$699,834.00	$783,374.00	$83,540.00
2006	$242,788.00	$224,207.00	$82,491.00	$549,486.00	$783,000.00	$233,514.00

Figure 22 below depicts the dramatic increase in pension fund expense beginning in 2004.

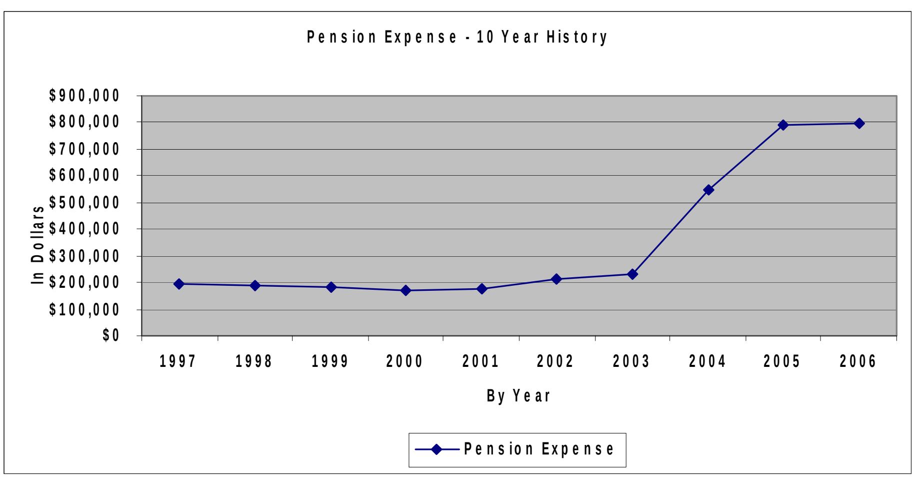


Figure 22

In 2004, the City requested a grant in the amount of $17,000 from the DCED Act 47 grant program in order to complete a pension study so that the funding deficit and pension fund management could be improved. A public hearing was held pursuant to Act 47 and the grant funds were approved by the Department. In early 2005, the City contracted with Randall Rhoades Esquire to complete a study of its pension plans practices, standards and investment policies. The study was completed in September of 2005 and its recommendations are outlined below:

1. Although a feasibility study regarding the issuance of pension bonds to fund the City's pension liability was conducted, pension bonds were not recommended due to the market conditions and the City's tenuous financial condition in 2005. *(The City did not issue pension bonds.)*
2. A critical review of the actuarial assumptions was conducted. *(As a result, the interest assumption was changed from 7.5% to 8% and the salary assumption was changed from 5.5% to 5% because of the salary freeze in place for employees through 2007.)*
3. Investment performance should be monitored and maximized. *(A new investment manager, US Assets, was selected by the City.)*
4. Consider increase to Act 205 EIT above the .6%. *(In fact, the City lowered the EIT special levy to .5% for fiscal year 2007 based on stronger collections than anticipated.)*
5. Dedicate municipal funds currently utilized for bond repayment for payment of MMO. *(These funds were subsequently dedicated for payment of the PIB loan that was obtained to match federal funds for the road repaving project.)*
6. Pay MMOs that are in arrears through other funding sources. *(In fact, the City borrowed an additional $500,000 in its TAN for 2006 in order to make MMO payments in January to address delinquencies and used the dedicated EIT to retire the TAN early in the year as funds became available.)*
7. Fund the MMO early in the year. *(See NO. 6 above.)*
8. Reduce benefits where not in compliance with applicable law.
9. Adopt provisions for new hires that conform to Third Class City Code.
10. Return disabled employees to work.
11. Increase participant contributions to the police pension plan
12. Review retirement calculations. *(The City Administrator has conducted this review.)*

13. Look for long term savings like utilization of part-time employees with no pension benefits, update pension plan documents, and conduct continuous review of investment performance and funding levels.

Items number 8 through number 11 will be addressed during the City's next collective bargaining discussions with employees.

Due to prompt action, vigilance, and good management decisions by the City officials the pension problem has been addressed adequately and the funds are beginning to recover from the devastating losses that were suffered from 2000 through 2004. In fact, the delinquent MMOs were brought completely current by January of 2007. The table below provides a complete history of the pension expenditures by the City over the past ten (10) years.

Summary of City Pension Expenditures 1997-2006
With Variances from 1997

Year	Pension MMO	Variance from 1997	% Inc/Dec Annual
1997	$194,640		
1998	$190,128	($4,512)	-2.32%
1999	$180,286	($14,354)	-5.18%
2000	$169,425	($25,215)	-6.02%
2001	$173,897	($20,743)	2.64%
2002	$215,450	$20,810	23.90%
2003	$228,072	$33,432	5.86%
2004	$546,857	$352,217	139.77%
2005	$787,874	$593,234	44.07%
2006	$794,116	$599,476	0.79%

In 2005, actuarial valuation reports were completed by Mockenhaupt Benefits Group for submission to the Auditor General. The valuation reports which were submitted in March 2006 indicated that, although there was a slight improvement in funding status, the plans remained significantly underfunded for a total of $3,569,476 of unfunded accrued liability for the three pension plans. In fact, the fire department pension plan was still at only 46% funding status. Anything below 50% funding is considered to be at a critical level with some uncertainty about future viability of the fund. The history of the funding status for the three pension funds is shown in the following table.

Summary of Funding Status of Pension Funds

Valuation	Police	Fire	Non-Uniform
1/1/1999	130%	72%	63%
1/1/2001	93%	50%	57%
1/1/2003	64%	37%	45%
1/1/2005	76%	46%	60%

Commonwealth of PA – Department of the Auditor General

The status of the Liability and Assets for each plan together with the amount of the unfunded actuarial accrued liability (UAAL) is shown for each of the plans in the table below as reported in the January 1, 2005 valuation reports that were submitted to the Auditor General.

JAN 1 2005	Police	Fire	Non-Uniform	Total
Liability	$6,449,576	$2,980,420	$1,019,270	$10,449,266
Assets	($4,903,144)	($1,362,762)	($613,884)	($6,879,790)
Unfunded	$1,546,432	$1,617,658	$405,386	$3,569,476
% Funded	76%	46%	60%	66%

The City pension expenditures seemed to have stabilized by 2007 and it is expected that the valuation reports for January 2007 will provide relief in the form of lower MMOs for the funds. Currently, the City's MMO's for 2006 and 2007 are approximately $550,000 annually. This is about $350,000 more annually than the pension expenditures were ten years ago. Since the City currently derives about $700,000 from its .5% dedicated EIT levy, the City will be able to continue to deposit additional amounts to the pension funds during 2007, 2008, and 2009. The additional revenue from the dedicated EIT, better investment management, and higher contributions from employees must be diligently pursued in order to properly fund the plans and to avoid a substantial liability for the City in the future.

3. Fund Balance Analysis

The Chart that follows outlines the City's audited fund balances that have fluctuated dramatically from a high of $711,569 in 1994 to a fifteen (15) year low fund balance deficit of ($542,631) in 2003.

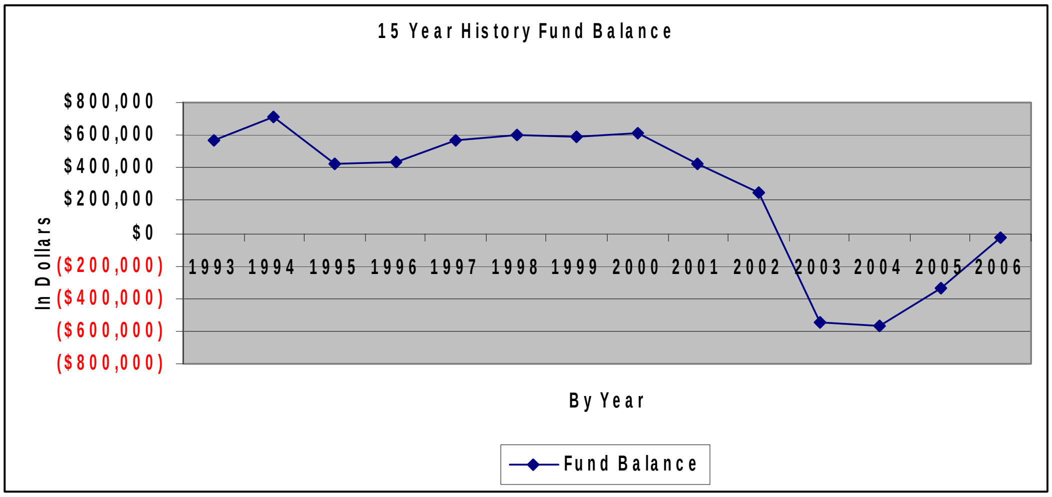


Figure 23

The table below outlines the actual fund balance amounts for a fifteen year period beginning in 1993 through 2006. The primary reason for the fund balance deficits is the increase in required MMO expenditures beginning in 2003. The City was unprepared and did not have the resources to make the pension obligation payments and fell behind creating fund balance deficits that continue through the present fiscal periods.

Year	Fund Balance	Variance from 1993	% Inc/Dec Annual
1993	$570,430		
1994	$711,869	$141,439	24.80%
1995	$423,721	($146,709)	-40.48%
1996	$432,450	($137,980)	2.06%
1997	$567,457	($2,973)	31.22%
1998	$602,733	$32,303	6.22%

1999	$594,761	$24,331	-1.32%
2000	$609,690	$39,260	2.51%
2001	$420,544	($149,886)	-31.02%
2002	$248,946	($321,484)	-40.80%
2003	($210,223)	($1,113,061)	-317.97%
2004	($542,631)	($1,143,894)	5.68%
2005	($338,470)	($908,900)	-40.98%
2006	($29,000)	($599,430)	-91.43%

It is obvious from a review of the fund balance history, that in many of the past fifteen (15) years, the revenues have not kept pace with the expenditures for the City. For this reason, the City's reserves have been depleted because it has been necessary for the City to expend cash fund balance reserves in order to provide enough resources to cover City expenditures. The following table provides information regarding the core operating revenue and expenditures and detailing the history of revenue over expenditures for each fiscal year.

Year	Excess Revenue Over Expenditures
1993	$72,386
1994	$141,439
1995	($288,148)
1996	$180,337
1997	$135,007
1998	$35,267
1999	($7,972)
2000	$14,929
2001	($189,145)
2002	($171,598)
2003	($531,343)
2004	($305,738)
2005	$189,558
2006	$46,057

Although the City of Aliquippa sustained severe revenue loss due to the sale and reassessment of the riverfront property in 1993 and 1994, the administration anticipated these losses and began an austerity program in late 1993, which carried over into 1994. The end result was that the City was able to end the year with a surplus of $72,386 and $141,439 respectively.

In 1995, the City Administrator anticipated that revenue would be less than expenditures, but the philosophy of that year was to continue to provide and improve on services rendered to the public. The City had a fund balance and it was determined that this fund balance should be reduced to provide services. By year-end 1995, the City found itself entangled in several ill-thought legal disputes with terminated/retired employees and at the pinnacle of continued financial depression. The Tax Administrator's position was ineffective and not only drained the City due to the additional expenditures for salary/benefits/office supplies, but also deteriorated the refuse collection fee line item. At the close of the year, the City expended not only the surplus carried over from 1993 and 1994, but also an additional $74,300. The fund balance at the end of 1994 was $711,869 was depleted to $423,721.

In comparing these two charts, what is obvious is that although 1995 ended with a deficit of $288,148, the preceding and subsequent years (through 2000) were fiscally healthy. However, it should be noted that in 1996, the City's auditor, Mark Turnley, made a previous years adjustment to accounts receivable – sanitation revenues, changing the method of accounting from accrual to cash basis. This adjustment eliminated $169,552 in this asset account, directly attributable to 1994. Therefore, the 1994 fund balance, by virtue of this previous period adjustment was $540,262, more closely mirroring that of previous and subsequent years.

The year 1996 brought back financial stability. Year-end audited figures represent a surplus of revenues over expenditures of $180,337. This carryover was due to the refinancing of the 1991 Debt Service, with a 1996 issue. In 1997, the City once again experienced a positive return; with revenues exceeding expenditures by $135,007, due in large part to the retirement incentive packages, decreased debt service, increased revenues and proper fiscal management. By year end the City had amassed a balance of cash on hand of roughly $567,000. Similarly, 1998 ended in the black, however the total addition to fund balance was significantly smaller than the two previous years, with revenues overreaching expenditures by just $35,276. In 1999, the City experienced a small deficit of $7,972.

The declining fund balances that began after 2000 are directly tied to the increased staffing in the Police Department that was no longer adequately supported by the COPS funding. City Council chose to raise real estate taxes by one (1) mill in 2001, after being advised of the challenges that had been forecast for future years. However, the 2001 budget was passed with a recognized budgeted deficit of $187,693. The audited deficit was $189,145 causing further deterioration of the fund balance and cash reserves. The 2002 budget was passed with a recognized budgeted deficit of $106,950. The 2002 audited financial statements revealed that the deficit was much larger - ($171,598)– due in part to unanticipated capital expenditures including the repaving of the fire department lot, a new roof for the Police Department and a transfer of $44,000 to the Weed & Seed Program for the first year match. These factors reduced the fund balance to $248,946 but the City still remained in a positive fund balance position.

However, the 2003 audited financial statements identified a negative fund balance of ($542,631) which was a result of several factors. The largest and most important of these factors was the dramatic increase in the MMO to the pension funds caused by the poor investment performance and increased retiree benefits that impacted the 2003 actuarial valuation reports. The unfunded amount was ($277,460) and caused the MMOs to be in arrears under Act 205 funding requirements. In addition, the refuse fees, fire department expenditures, health insurance, and workers compensation expenditures were all significantly over budget. Although revenue had increased by approximately $234,700 in 2003, the expenditures increased by $594,445.

In 2004, the unfunded pension MMO continued to push the structural operating deficit to ($305,738)) and the fund balance deficit to ($573,464). It was at this point that the City took drastic actions to address the continuing delinquent MMO by adopting a .6% EIT levy dedicated to pension purposes and commissioning with Randy Rhoades to conduct a complete review of the City's pension plan funding and strategy. The detail regarding these activities is contained in the pension plan portion of this updated plan document.

When the City implemented the .6% wage tax for fiscal year 2004, it was expected that the levy would generate approximately $310,000 annually. In fact, this levy generated $593,134 in 2005 and $593,369 in 2006. When this amount is added to the state aid amount of approximately $200,000, it is sufficient funding to have brought the delinquent MMOs completely current beginning in January of 2007 and continues to provide additional funding to address the total UAAL. By taking these and other steps outlined in the plan, the

City has begun to seriously address the pension problem and simultaneously address the structural operating deficit and deficit fund balance for the City's governmental funds.

In 2005, as a result of the EIT levy, the cost containment elements of the 2005-2007 collective bargaining agreements, and the reductions in health insurance and workers compensation insurance, the total revenues were $189,558 more than the expenditures reducing the fund balance deficit to ($338,470). In 2006, it is expected that there will be a slight fund balance deficit of ($29,000) due to the continued delinquent MMOs but that the fund balance for 2007 will begin to reflect a slight positive cash position. For this reason, it was recommended by the Coordinator and City Administrator that the .6% levy should be reduced to .5% for pension purposes for residents and non-residents and that a .1% levy be added for residents only under Act 47 in order to begin to build up general operating cash reserves for fiscal year 2007. The Common Pleas Court approved this shift in the EIT levy in December of 2006, pursuant to Act 47, because the proposed levy for 2007 was tax neutral for residents and provided a .1% reduction for non-residents. It was agreed that this is a temporary levy and will be phased out beginning in 2009 in anticipation of positive fund balances and an improved operating cash position. The following structural operating revenues over expenditures are projected for fiscal years 2007 through 2010

Projected Excess of Revenues over Expenditures 2007-2010

	2007	2008	2009	2010
Excess (Deficit) of Revenues over Expenditures	**$127,725**	**$133,580**	**$119,821**	**$132,217**

Fund Balance Projections:

Based on the continuation of the pension funding from the .5% EIT levy as needed for the pension funds, the improved management practices, the continued cost containment during the collective bargaining process, and the implementation of the recommendations contained in Section IV of this report, the projected fund balances are as set forth in the table below.

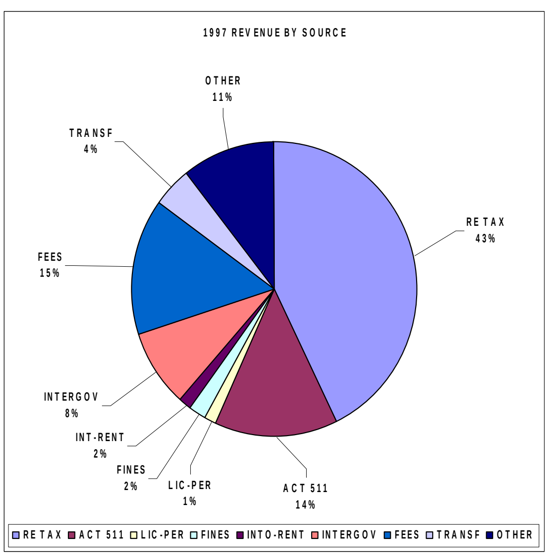
Projected Fund Balance Position 2007-2010

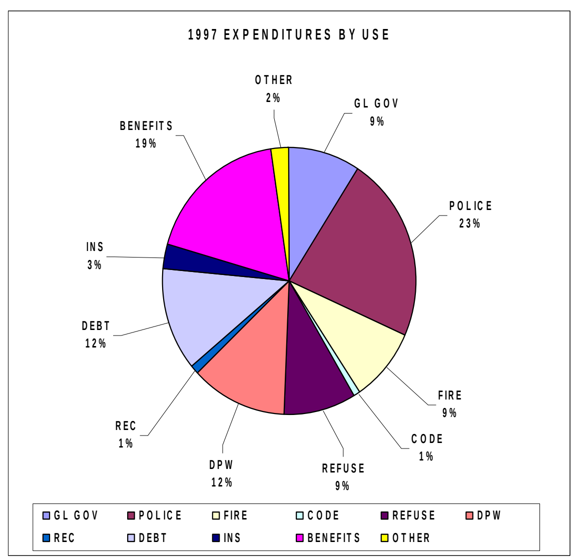
	2007	2008	2009	2010
Fund Balance	**$97,558**	**$131,138**	**$263,551**	**$394,601**

If these projections are accurate, the City can expect to return to a higher and stronger fund balance position of $394,601 by the end of this fifth updated Recovery Plan.

	1997	1998	1999	2000	2001	2002	2003	2004	2005
REVENUE:									
RE TAX	1,895,191	1,864,153	1,927,042	1,899,133	1,920,918	1,990,021	2,217,891	2,093,403	2,372,672
EIT	506,653	547,028	595,182	673,299	624,051	581,653	518,062	721,034	1,058,738
OPT/EMST	17,570	17,317	18,763	19,530	18,001	14,353	12,131	10,385	16,869
MERC TAX	35,913	38,820	47,314	41,269	47,610	53,097	44,468	64,244	62,919
OTHER TAXES	53,954	20,284	14,240	19,535	18,320	20,880	82,499	84,929	72,595
TOTAL TAXES:	2,509,281	2,487,602	2,602,541	2,652,766	2,628,900	2,660,004	2,875,051	2,973,995	3,583,793
LIC & PERMITS	63,176	68,873	70,514	75,359	83,211	87,316	80,317	85,623	96,408
FINES	83,873	98,038	87,996	73,380	76,554	97,012	85,699	58,730	50,365
INTEREST	66,635	66,539	63,800	81,066	32,400	14,882	6,597	8,314	18,250
INTGOVT	371,453	425,845	761,471	423,070	296,994	429,115	578,747	439,273	282,923
FEES	669,125	666,066	734,316	706,486	693,808	748,600	668,079	644,478	612,801
TRANSFERS	196,003	220,578	228,221	250,739	225,019	324,074	241,545	251,856	333,501
OTHER REV	467,727	442,052	420,333	433,506	30,921	3,804	63,472	69,688	21,939
TOTAL REV	4,427,273	4,475,593	4,969,192	4,696,372	4,067,807	4,364,807	4,599,507	4,531,957	4,999,980
EXPENDITURES:									
GL GOVT	399,399	509,272	469,233	460,001	478,485	469,334	457,936	427,594	512,513
POLICE	959,752	911,848	1,022,524	1,049,580	1,058,730	1,237,271	1,211,003	1,129,428	927,049
FIRE	385,240	377,177	608,511	357,899	382,275	418,730	591,565	555,312	513,353
PLAN & ZONING	26,921	27,681	26,127	26,265	54,331	39,997	35,922	25,130	32,833
HEALTH	4,800	4,800	4,800	4,800	4,800	4,905	4,937	5,134	4,944
DPW-HWYS	513,963	476,098	528,053	554,344	570,020	662,920	667,021	592,273	556,948
DPW-REFUSE	398,741	413,185	362,523	376,075	373,676	375,630	437,884	415,567	401,172
REC	52,644	64,526	109,126	18,611	28,643	34,751	21,944	24,596	25,785
DEBT	532,665	546,339	891,504	818,512	373,710	159,742	155,223	163,696	171,010
FICA	45,275	47,313	51,429	47,673	47,195	52,799	54,557	54,970	66,857
HEALTH INS	360,814	438,909	377,808	405,727	392,740	375,269	406,647	430,376	

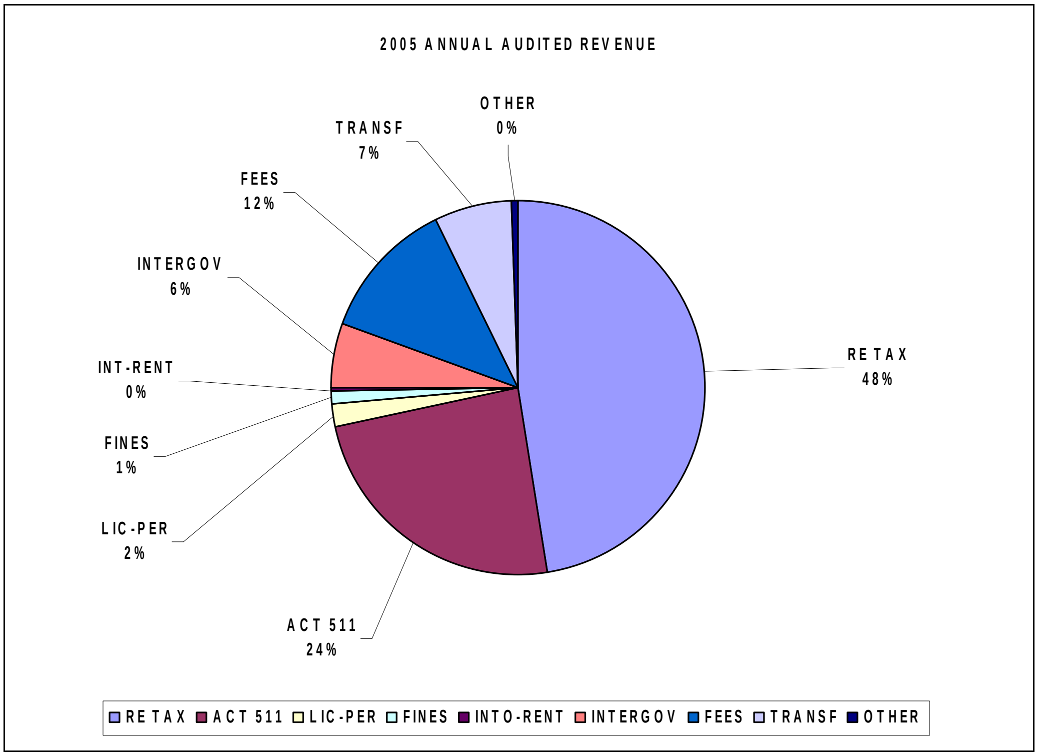
									390,417
PENSIONS	194,640	190,128	180,286	169,425	173,897	215,450	506,216	555,540	733,419
U-COMP	7,480	16,544	20,920	19,754	17,056	14,569	14,277	14,365	13,372
LIFE INS	10,768	18,489	20,781	20,501	19,675	22,946	21,070	18,421	17,531
WC INS	162,326	106,372	56,200	47,961	77,595	127,396	168,394	214,296	168,959
LIABILITY INS	66,656	85,326	43,273	20,909	26,471	30,411	36,842	42,908	36,564
POLICE LIAB	23,103	30,788	13,820	22,506	15,882	17,279	25,727	29,806	35,807
VEHICLE	31,051	30,495	21,907	23,196	26,821	35,105	43,532	41,640	38,396
ERR & OM	17,218	33,869	44,169	19,854	17,621	17,364	29,972	23,713	19,499
OTHER	38,809	37,227	30,046	22,732	49,936	32,450	12,259	34,604	7,872
TRANSFERS: CAPITAL FUND	60,000	73,931	94,124	195,118	67,393	192,087	227,922	38,324	136,122
TOTAL EXPEND	4,292,265	4,440,317	4,977,164	4,681,443	4,256,952	4,536,405	5,130,850	4,837,693	4,810,422
EXCESS/(DEFICIT)									
REV OVER EXP FUND BALANCE	*135,008*	*35,276*	*(7,972)*	*14,929*	*(189,145)*	*(171,598)*	- *(531,343)*	*(305,736)*	*189,558*

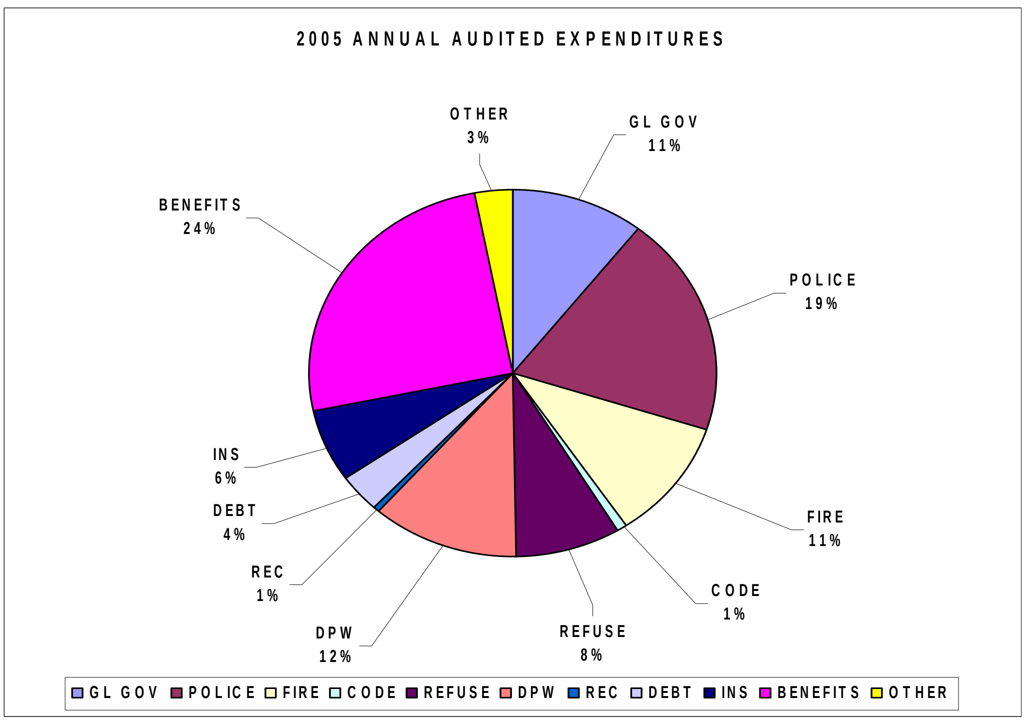




	2006	2007	2008	2009	2010
REVENUE:					
RE TAX	**2,186,324**	**2,200,000**	**2,160,350**	**2,180,350**	**2,200,000**
EIT	**1,051,580**	**1,050,000**	**982,000**	**996,730**	**1,146,240**
OPT/EMST	**10,040**	**10,500**	**92,000**	**92,200**	**92,500**
MERC TAX	**64,332**	**61,000**	**62,000**	**62,500**	**63,000**
OTHER TAXES	**90,399**	**75,000**	**75,400**	**76,000**	**76,500**

TOTAL TAXES:	**3,402,675**	**3,396,500**	**3,371,750**	**3,407,780**	**3,578,240**
LIC & PERMITS	**94,351**	**95,500**	**95,500**	**95,500**	**95,500**
FINES	**52,744**	**51,000**	**53,000**	**53,200**	**53,400**
INTEREST	**41,590**	**35,000**	**35,000**	**35,000**	**35,000**
INTGOVT	**262,784**	**277,800**	**275,000**	**272,000**	**270,000**
FEES	**630,397**	**759,400**	**755,000**	**755,000**	**757,000**
TRANSFERS	**231,006**	**235,000**	**236,000**	**237,000**	**238,000**
OTHER REV	**16,194**	**60,000**	**25,000**	**25,000**	**25,000**
TOTAL REV	**4,731,741**	**4,910,200**	**4,846,250**	**4,880,480**	**5,052,140**
EXPENDITURES:					
GL GOVT	**463,986**	**463,240**	**465,000**	**468,000**	**470,000**
POLICE	**956,906**	**966,475**	**976,140**	**985,901**	**995,760**
FIRE	**492,568**	**504,550**	**532,300**	**561,577**	**592,463**
PLAN & ZONING	**24,429**	**22,900**	**23,000**	**23,500**	**25,000**
HEALTH	**4,944**	**5,200**	**5,000**	**5,000**	**5,000**
DPW-HWYS	**574,864**	**591,200**	**600,068**	**609,069**	**618,205**
DPW-REFUSE	**370,731**	**550,000**	**561,000**	**565,000**	**572,000**
REC	**16,000**	**16,000**	**16,000**	**16,000**	**16,000**
DEBT	**185,024**	**225,580**	**65,000**	**65,000**	**65,000**
FICA	**78,091**	**62,500**	**64,063**	**65,664**	**67,306**
HEALTH INS	**361,486**	**410,000**	**432,550**	**456,340**	**481,439**
PENSIONS	**798,684**	**704,500**	**705,000**	**705,000**	**705,000**
U-COMP	**14,591**	**14,000**	**14,600**	**14,750**	**15,000**
LIFE INS	**16,268**	**18,000**	**18,200**	**18,500**	**18,750**
WC INS	**159,905**	**150,000**	**165,000**	**168,000**	**171,000**
LIABILITY INS	**96,381**	**95,000**	**99,750**	**101,000**	**102,000**
OTHER	**32,201**	**24,330**	**15,000**	**17,000**	**20,000**
TRANSFERS	**27,283**	**39,000**	**25,000**	**25,000**	**25,000**
CAPITAL FUND	**11,342**	**20,000**	**30,000**	**30,000**	**55,000**
TOTAL EXPEND	**4,685,684**	**4,882,475**	**4,812,670**	**4,900,301**	**5,019,923**
EXCESS/(DEFICIT)					
REV OVER EXP					
FUND BALANCE	***46,057***	***27,725***	***33,580***	***(19,821)***	***32,217***


2005 ANNUAL AUDITED REVENUE
OTHER 0%
TRANSF 7%
FEES 12%
INTERGOV 6%
INT-RENT 0%
FINES 1%
LIC-PER 2%
ACT 511 24%
RE TAX 48%
RE TAX ACT 511 LIC-PER FINES INTO-RENT INTERGOV FEES TRANSF OTHER


2005 ANNUAL AUDITED EXPENDITURES
OTHER 3%
GL GOV 11%
BENEFITS 24%
POLICE 19%
INS 6%
DEBT 4%
FIRE 11%
REC 1%
CODE 1%
DPW 12%
REFUSE 8%
GL GOV POLICE FIRE CODE REFUSE DPW REC DEBT INS BENEFITS OTHER

SECCTION IV

Recommendation on Continuation of Distress Status

The City of Aliquippa continues to make great strides in implementing the recovery plan recommendations and has improved its capacity in the area of administrative management, financial management, the provisions of municipal services and community and economic development. The professional appointments in the positions of City Administrator and Finance Director have strengthened the capacity and stability in the general management and financial management of the City. This strong management structure provides the basis for the City to continue to comprehensively address the recommendations in the recovery plan and to address the fiscal concerns facing the City. Personnel management practices through recruitment and personnel procedures have improved and continue to be addressed. A major improvement has been in the area of economic and community development that is now an integral part of the planning process in the revitalization of the City. The City continues to work very closely with other governmental entities and community based organizations to address future development of the City.

Tax base erosion seems to have leveled off with the settlement of the major appeals filed by USG, who own and operate a wallboard corporation on 125 acres of the former LTV property, and with the continued development of the Aliquippa Industrial Park. Other developments include the Beaver County Corporation For Economic Development's construction of a one million dollar ""Spec" Building. This is now complete and has attracted additional businesses to the waterfront area. In 1998 Eckerd Drug Store opened a million dollar facility on Broadhead Road. The Franklin Avenue rehabilitation project, which included the demolition of dilapidated structures on the Avenue, a streetscape, the construction of new sidewalks, ornamental light fixtures, and the removal of overhead wiring in the Central Business District, was completed. It, also, appears likely that the $250 million ethanol plant will be constructed leaving only about 100 acres for development at this site.

As outlined in this report, the City faced major fiscal concerns due to the economic downturn after 9-11-01 and from 2003 through 2006 due to the pension funds crisis and escalating costs for employee benefits and service delivery. While revenues increased slightly in recent years, the overall revenue collections have averaged only about a 1.25% increase over the past 15 years and are projected to rise at about the same level for the next several years.

Summary of Total Revenue History and Projections 1997-2010

Year	Total Revenue All Sources	Variance from 1993	% Inc/Dec
1997	$4,427,273		
1998	$4,475,593	$48,320	1.09%
1999	$4,969,192	$541,919	11.03%
2000	$4,696,372	$269,099	-5.49%
2001	$4,067,807	($359,466)	-13.38%
2002	$4,364,807	($62,466)	7.30%
2003	$4,658,069	$230,796	6.72%
2004	$4,531,927	$104,654	-2.71%
2005	$4,833,965	$406,692	6.66%
2006	$4,731,741	$304,468	-2.11%
2007	$4,901,500	$474,227	3.59%
2008	$4,962,769	$535,496	1.25%
2009	$5,024,803	$597,530	1.25%
2010	$5,087,613	$660,340	1.25%
	Average Annual Increase		***1.27%***

Real Estate Tax collections increase only when there is either (1) an increase in tax millage which is now at the maximum permitted under the Third Class City Code, or (2) the aggressive collection of delinquent taxes. The period 1996 through 2000 saw a positive trend in EIT collections due to the overall growth in the economy, riverfront development, and increased collection by the City and Central Tax Bureau. A negative trend in revenue started in 2001 and continues through 2006. As stated earlier, LTV Steel ceased operation in December 2000 (400 employees), J & L Structural closed (100 employees), Shiflet Studios closed on Franklin Avenue (300 employees) and finally the Aliquippa Hospital with an employment of approximately 500 reduced its staff to 230 employees and is still in financial distress. The City may see additional earned income tax from the new residential development identified in the economic development section of this report and from the proposed adoption of the LST for employees who may be working at the expected new enterprises in the Aliquippa Industrial Park.

On the expenditure side of the ledger, major cost increases, notably in the Fire Department

Operations, Police Department Operations, health care, pensions, refuse collection, and insurance costs created tremendous fiscal stress from 2002 through 2006. In 2000, the City Fire Department, due to ineffective EMS service, started to provide the residents with a First Responder Service. This program was well received by the citizens and, according to the City, has saved many lives in the process. In 2003, with two firefighters injured, the City hired 3 part-time firefighters to take up the void and hopefully reduce overtime costs. In the police department, the City increased the police staffing from 18 in 1997 to a peak of 25 in 2002. These positions were primarily funded for four years under the Federal COPS Program. When the City took advantage of the 100% funding program through the federal COPS Grants, the City expected positive results and advanced this argument to DCED indicating the City's current and future fiscal stability could be maintained. However, the events of 9-11-01 that caused a devastating negative fiscal impact on the country also adversely impacted the City. This tragedy contributed, in part, to the fiscal issues of concern outlined in Section III of this report. Thus, the City's earlier fiscal projections that indicated they would be ready to exit the Act 47 Program, did not become a reality and the City has struggled to recover from many of the issues that created financial uncertainty over the past four (4) years.

Fund Balance

The financial projections for 2007 through 2010, as presented earlier in this report, project the gradual strengthening of fund balances after a number of years when the City experienced devastating pension liabilities that drove the fund balance to deficits in excess of half a million dollars. The revenue collection is projected to make some slight but consistent positive trending and the pension liability is expected to continue to be adequately addressed. The police department's increase in staffing from 1998 through 2002 created large overruns in the department. . Staffing was at 18 police officers in 1997 and it continues to be at 18 officers today. The City officials continue to make tough decisions about staffing levels and cost containment in all departments. Full time minimum staffing in the fire department along with first response service has also created budget overruns. The City has an opportunity through the appointment of a new fire chief to implement the best management practices for providing a cost efficient service while maintaining budget objectives. Benefits for employees continue to be one of the largest expenditures for the City budget and routine review and analysis for risk management and competitive bidding must continue to be observed.

In making a determination whether the City should continue in the Act 47 Program, this Recovery Plan amendment review considered the following factors in Act 47 that are to be evaluated to determine whether the conditions that led to distress have been alleviated.

1. Monthly reports submitted by the coordinator to the department under Section 247(a)(3) indicate that termination of the status would be premature at this time.
2. Historical deficits over the past three years were substantial and negatively impact the City's ability to maximize service delivery strategies.
3. Obligations issued to finance all or part of the municipality's deficit have been retired.
4. The municipality has not operated, recently, for a period of at least one year, under positive current operating fund balance or equity, as evidenced by the municipality's audited financial statements prepared in accordance with generally accepted accounting principles. In fact, the fund balance deficit for fiscal year 2005 indicated a fund balance deficit of ($338,470) and the audited financials for 2006 indicate a continued slight negative fund balance deficit.

After reviewing the status of the plan recommendations, past fiscal trends, the historic decline in assessed valuation, the increase in pension liabilities and delinquent status of the MMOs, and future budget projections, it is clear that the distress factors have not been alleviated for a sufficient period of time to provide any level of confidence that the City can operate without the assistance that Act 47 provides. It is, therefore, concluded that the distress status for the City of Aliquippa should be maintained, at least for an additional three years, to allow the City time to continue to address depleted reserves, fund balance deficits, pension liabilities, and to initiate progressive opportunities to foster future tax base growth.

The elected officials and their effective management team should be commended for working cohesively to solve the fiscal concerns of the past several years. They must continue to look comprehensively at the budget and where appropriate, make the "tough" decisions to achieve a balanced budget in future years. The City officials may have to address the issue of an increased tax millage rate that will require approval from the Court of Common Pleas and they may have to identify new sources of revenue to support City expenditures for service delivery.

It is of utmost importance that the needs of the City continue to be addressed in an objective and forthright manner. Responsible management oversight and fiscal accountability must continue to be demonstrated during this difficult fiscal period. Tax base stability in the short term and its expansion in the long term are central to the financial recovery of the City. Efforts must be continued to encourage, promote and assist industrial, commercial and residential development that will translate into an expanded tax base as well as make Aliquippa a more attractive community in which to live and work.

SECTION V

Executive Summary of Recommendations for Revised Recovery Plan

I. *Administration*

- **Continue to provide effective and efficient administrative capacity by maintaining a commitment to the City Administrator's Ordinance.**

  Implementation Date: Immediate/Ongoing

- **Continue to provide effective and efficient financial management by maintaining the position of a full-time Finance Director.**

  Implementation Date: Immediate/Ongoing

- **Fully implement an equitable personnel system that includes a job performance evaluation plan for all management positions and other City personnel.**

  Implementation Date: Immediate/Ongoing

- **All full-time employment positions in the City, including management positions, shall**

be filled only after essential qualifications and job descriptions have been developed by the City Administrator and approved by Council, and after an open and publicly advertised recruitment process that will reach the maximum number of potential qualified candidates. In addition, the Plan Coordinator shall review and first approve the hiring process and the qualifications of the selected candidate, prior to their official hiring. Job Descriptions shall be reviewed and updated periodically as conditions warrant.

Implementation Date: Immediate/Ongoing

- **Conduct a follow-up management evaluation of the Aliquippa Public Works Department utilizing the GCLGS Peer to Peer Program.**

  Implementation Date: August 2009

- **Conduct a follow-up management study of the Aliquippa Fire Department utilizing the GCLGS Peer to Peer Program.**

  Implementation Date: August 2008

- **Conduct a follow-up management study of the Aliquippa Police Department utilizing the GCLGS Peer to Peer Program.**

  Implementation Date: August 2008

- **Apply for grant funds through DCNR to undertake a feasibility study to determine the final disposition or operational viability of the community swimming pool.**

  Implementation Date: September 2008

- **Undertake a baseline appraisal of all City property and implement a Property Identification Program that will be utilized to calculate insurable values and to bring the City into compliance with GASB 34 by identifying and valuing fixed**

assets and recording them on the financial statements.

Implementation Date: June 2008

II. ***Financial Management***

- **Maintain real estate tax at a rate no lower than the 2007 rate unless there is a countywide reassessment of property.**

  Implementation Date: Immediate/Ongoing

- **Reduce EIT rate for general purposes from .6% to .5% no later than fiscal year 2009 in order to position the City to consider an exit from Act 47.**

  Implementation Date: January 2009

- **Maintain EIT rate for pension purposes under Act 205 at .5% until the unfunded liability for the City's pension plans has been properly addressed.**

  Implementation Date: Immediate/Ongoing

- **Implement the Local Services Tax in the maximum amount permitted by law no later than fiscal year 2009 in order to position the City for an exit from Act 47.**

  Implementation Date: January 2009

- **Conduct a review of the established user fees for city services, especially those fees imposed pursuant to the MPC, as part of the budget process, to assure that as costs for services increase fees increase proportionately. Consider new user fees for services on a regular basis.**

  Implementation Date: Immediate/Ongoing

- **Review commercial and industrial property assessments and if under assessed, initiate appeals; intervene in pending assessment appeals where appropriate.**

  Implementation Date: Immediate/Ongoing

- **Establish a five year capital plan to address the long-term capital needs of the city and integrate it into the annual budget process as the 2008 capital budget. Update it on an annual basis.**

  Implementation Date: July 2008

- **Continue to present and enhance the budget message as part of the budget process.**

  Implementation Date: October 2008

- **Maintain Department actual expenditure reports that distribute fringe benefit costs to Departments to reflect the true operating cost of each Department.**

  Implementation Date: For fiscal year 2008

- **Commission an actuarial study to determine the liability of post-retirement benefits for the City in compliance with GASB 45.**

  Implementation Date: Study in 2008 for fiscal year 2009

- **Continue the aggressive collection of current refuse bills and delinquent refuse bills. Install software to facilitate better collection of current bills no later than fiscal year 2008.**

  Implementation Date: Immediate/Ongoing

. Continue to utilize the services of an outside contractor to collect delinquent real estate taxes and delinquent refuse collection for the City.

Implementation Date: Immediate/Ongoing

. Continue to utilize the services of an outside contractor for the collection of EIT current and delinquent accounts.

Implementation Date: Immediate/Ongoing

. Continue the process of divesting the City of real estate jointly acquired by the City and Aliquippa School District via Portnoff sheriff sales.

Implementation Date: Immediately/Ongoing

. Continue implementation of PRISM upgraded financial management system with enhanced reporting capabilities including refuse collection (utility billing) and integrated fixed asset program.

Implementation Date: Fiscal year 2008 and 2009

. Explore the possible integration of real estate tax collection and other cashiering functions with the PRISM financial management system.

Implementation Date: Fiscal year 2009

. Explore the possible integration of all other modules that are available through the upgraded PRISM financial management system (purchasing, project management, code enforcement, etc.).

Implementation Date: Fiscal years 2009-2010

. Modify pension ordinances and pension calculations to conform to state law.

Implementation Date: Immediate/Ongoing

. Budget annually for capital reserve and operating reserve funds.

Implementation Date: 2008 Budget

III. ***SERVICE LEVELS***

- **Continue to pursue intergovernmental cooperation initiatives in all areas of City operation to provide City services as efficiently and effectively as possible.**
  Implementation Date: Immediate/Ongoing

- **The City shall continue joint purchasing opportunities with neighboring communities, COGS, Beaver County, and CO-Stars.**
  Implementation Date: Immediate/Ongoing

C. Personnel/Collective Bargaining

- **The City shall be permitted to increase the wages of bargaining unit employees by no more than 1% per year beginning January 1, 2008 <u>only</u> if the total cost of all employee benefits is not projected to exceed five (5%) per cent per calendar year. If the projected cost of benefits is greater than five (5%) percent for any calendar year, no wage increase shall be permitted for that year. However, the respective unions may propose cost containment action that will bring the cost below the five (5%) percent threshold that will trigger the 1% wage increase.**

  Implementation Date: Immediate- and for all new bargaining unit contracts effective January 1, 2008 and later

- **All collective bargaining agreement language relative to pension benefits that conflicts with the Third Class City Code, Act 205, or any other law shall be removed from the contracts. All pension calculations must be made in accordance with the provisions of the Third Class City Code and in compliance with the Audit Reports of the Auditor General of the Commonwealth of PA.**

  Implementation Date: Immediate – and for all new bargaining unit contracts effective January 1, 2008 or later.

. The City shall continue to monitor and update the organization chart and position control report for the city government and shall not increase the present compliment of its personnel without prior approval of the coordinator. This will include full-time and part-time personnel.

Implementation Date: Immediate/Ongoing

. Given the present and projected budget constraints of the City, the City shall not increase the police department complement to a staffing level higher than 18 full-time sworn police officers including the Chief; the fire department to a level no higher than 9 full-time firefighters including the Chief; and the public works department to a level no higher than 7 full-time employees including the PW Director. In addition, the City shall not increase the clerical support in the police department and shall continue to have emergency communications support provided by the Beaver County 911 system.

Implementation Date: Immediately/Ongoing

. Provide no additional benefits or modifications to existing benefits that would result in any increased costs to the City. Pursue managed health care alternatives in order to reduce health care costs. For any future contracts entered into after the adoption of this plan, the City shall pay no more than 80% of the premium for health benefits for City employees.

Implementation Date: Immediately and any new bargaining unit contracts

. Insure all present and future employee benefits conform to applicable state law.

Implementation Date: Immediately/Ongoing

V.*<u>Economic Development/Community Development</u>*

- **Continue to address the many community and economic development issues outlined in the Weed and Seed Revitalization Plan.**

  Implementation Date: Immediately/Ongoing

- **Continue to work closely with economic and community development agencies that include the Beaver County Main Street Program, the Beaver County Corporation for Economic Development and other agencies that can provide technical assistance or funding to enhance the economic and community development activities deemed essential to the short-term and long-term rebuilding of the city.**

  Implementation Date: Immediately/Ongoing

- **Work closely with the Community Development Program of Beaver County and the DCED Regional Director and the CAT (Community Action Team) for identification of opportunities related to private investment to leverage state funds in commercial and neighborhood development for the City of Aliquippa.**

  Implementation Date:Immediate/Ongoing

- **Contract with a planning consultant for an update of the subdivision and land development ordinances and submit an application for partial funding through the DCED LUPTAP grant program.**

  Implementation Date: September 2007 through June 2008

- **Continue a comprehensive code enforcement program that includes enforcement of property maintenance codes and operates in compliance with the state Uniform Construction Code (UCC).**

  Implementation Date: Immediate/Ongoing

. **Submit application for LUPTAP funds through DCED for an update to the comprehensive plan with emphasis on strategic targeted planning for commercial areas and adjacent neighborhoods that includes marketing analysis, development opportunities, and core business district design. Consider working with other Rivertown corridor communities (Ambridge, Rochester, Hopewell, etc.) to undertake this planning process.**

Implementation Schedule: June 2008 through June 2010

. **Upgrade GIS mapping system to include additional storm and sanitary sewer field work information. Work with other Beaver and Butler County communities when possible in order to achieve this initiative.**

Implementation Schedule: June 2009/Ongoing

. **Continue to utilize demolition funds to take down vacant, substandard structures and develop in-fill housing initiatives program with the assistance of Beaver Count Community Development Program.**

Implementation Schedule: Immediate/Ongoing

SECTION VI

Detailed Recommendations for Revised Recovery Plan

I. *Administration*

. **Continue to provide effective and efficient administrative capacity by maintaining a commitment to the City Administrator's Ordinance.**

The original Recovery Plan, dated June 10, 1988 recommended the enactment and implementation of an ordinance creating the City Administrator position. The City

Administrator position has greatly enhanced the administrative capacity of the City. In addition, the current City Administrator's duties have been expanded to include the coordination of community and economic development activities. This is an important ingredient needed to achieve long-term fiscal recovery for Aliquippa. A central administrative structure is critical to direct the operations of city services. Council retains its policy making responsibilities, but day-to-day management is delegated to the administrator. Maintaining a commitment to the Administrator Ordinance by supporting the City Administrator's position is essential to insure the City has not only effective administrative capacity, but that the City plays a major role in the community and economic development activities. Both of these responsibilities are critical elements in the City's recovery. In the event of any vacancy in the City Administrator's position the City shall conduct a professional administrative search coordinated by the Plan Coordinator to assure that the best-qualified person is selected for the position.

- **Continue to provide effective and efficient financial management by maintaining the position of a full-time Finance Director.**

In 1996, with the promotion of the Finance Director to the position of City Administrator, the City conducted an open merit selection recruitment process and appointed a new full-time Finance Director. The creation of this position has proven to be an essential part of the fiscal recovery of the City. The Finance Director has provided Council with essential financial data on a timely basis that has included timely monthly financial statements. In addition, the Finance Director, in conjunction with the City Administrator has been instrumental in exploring and developing new areas to improve the overall financial operation of the city. Through this process, the City now utilizes existing staff to administer the entire payroll process. Previously, the City had utilized an outside agency at additional expense. The expertise and involvement of the City Finance Director is an essential part of the implementation of the Recovery Plan. In the event of any vacancy in the City Finance Director's position the City shall conduct a professional administrative search coordinated by the Plan Coordinator to assure that the best-qualified person is selected for the position.

- **Fully implement an equitable personnel system that includes a performance appraisal plan for all management positions and other City personnel.**

The Plan Coordinator, in prior years, presented an equitable personnel evaluation system that was initially implemented by Council. However, the system was never fully implemented. The City Administrator and Council should be more aggressive in implementing the system. First, council must formally adopt the policy by resolution. The plan includes the City Administrator and City Council taking part in the evaluation process, except for the evaluation of the City Administrator which should be conducted only by City Council. The Plan includes two important functions that provide for more efficient and effective municipal management:

(1) It provides the opportunity to give management personnel a "pat on the back", recognition for excellent performance.

(2) In situations where personnel are performing at an average or below-average level, it provides the opportunity to discuss problems, agree on steps to improve performance as well as documentation if disciplinary action becomes necessary.

Once an equitable system has been completed for management personnel, a similar system should be implemented for all employees. No employee shall be terminated for poor work performance unless they have been afforded an equitable job performance evaluation. In addition, the City shall not terminate any management personnel without “just cause” and that “just cause” shall be presented to the Plan Coordinator for concurrence of “just cause” and final approval for dismissal.

Prior to implementation, City Council and management are encouraged to attend training sessions designed to construct well-received appraisal processes. In addition, employees should be provided, via the Labor Management Committee, the opportunity to aid in the designing of the process. Employee/management buy-in is critical to the success of an affective performance appraisal process. As an aid, the ICMA Evaluation Plan should be explored.

- **Fill all full-time employment positions in the City, including management positions based on essential qualifications and job descriptions that have been**

developed by the City Administrator and approved by Council, and after an open and publicly advertised recruitment process that will reach the maximum number of potential qualified candidates. In addition, the Plan Coordinator shall review and first approve the hiring process and the qualifications of the selected candidate, prior to their official hiring. Job Descriptions shall be reviewed and updated periodically as conditions warrant.

The principles of fairness and non-discrimination are fundamental to a merit selection process which should be the standard for the City. In addition, this should assure efficient and effective municipal government operations through the hiring of professional, competent management personnel. In recent years the city developed job descriptions and distributed them to all employees. The Plan Coordinator is not aware of any future action taken to update the job descriptions. Job Descriptions have been prepared for every position in the organization and have been adopted by Council and provided to employees. The City should request peer technical assistance for an update of the job descriptions to ensure that the essential functions are included for ADA purposes.

. **The City shall conduct a follow-up management evaluation of the Aliquippa Public Works Department utilizing the GCLGS Peer to Peer Program.**

A previous evaluation was conduced by Alan Gesford, P.E., L-TAP that outlined various recommendations that included the hiring of a full-time Public Works Supervisor with the knowledge, capability, responsibility and authority to direct, control, schedule, manage and coordinate operations. As a result, the City advertised for and hired a public works supervisor who has been on the job for approximately thirteen years. This evaluation will be centered on the recommendations in the previous report and shall identify training needs of the department that include management training for the supervisor and operational training needs for the public works employees. This will provide a gauge as to the progress of the recommendations and any additional recommendations that may be useful.

Ten years ago, the evaluation of the City Public Works Department provided a tool for the City to improve their public work operations. Mr. Gesford, who conducted that report, noted that the successful implementation of the recommendations would first require the hiring of a qualified Public Works Supervisor. "I cannot over-emphasize the need for a full-time knowledgeable and capable individual for managing and supervising the public works operation and crew." With the hiring of such an individual, the remaining recommendations can start to be implemented, as time and resources allow. Formalization of procedures and record keeping with additional planning, program development and implementation will definitely enhance operations. This will be an evolving process and not an "overnight happening". But the results can be a more efficient and effective Public Works Department serving the city and its residents as it moves in a most positive direction of improvement and upgrading of the City's public works infrastructure." Because of the time that has elapsed since the hiring of the present Public Works Director, this recommendation needs to be addressed as soon as possible.

. **The City shall conduct a follow-up management of the fire department operations utilizing the GCLGS peer to peer program.**

The study, while addressing some of the concerns of the mayor and council, shall also include a report outlining the recommendations that were presented in the previous Fire Management Study and indicate the recommendations that have been and those that have not been implemented, given the resource capabilities of the City. In addition, in 2000, the City instituted a "First Responder" Program because of reports that the then contracted medical emergency responder was not responding in time that may have saved lives of citizens in need of immediate treatment. The implementation of the "First Responder" Program by the fire department has saved lives, but it also caused an increase the overall fire operations The City expressed a concern for the increase in costs and as a result also requested a review to address, the future viability of maintaining EMS.

In 1995, Chief Steve Darcangelo, Fire Chief of Mt. Lebanon Township, presented his Fire Department Evaluation Study to the city elected officials and two members of the Aliquippa Fire Department. The report seemed to be well received and presented long and short term recommendations to achieve an acceptable level of fire protection service. The findings of the study were based on the need to improve community fire defenses at a time of limited city financial resources. The report stated that many of the short term recommendations could be accomplished at a reasonable cost and in a reasonable amount of time. The report further stated that the city must address these recommendations without delay. It is the understanding of the Plan Coordinator that the city has made great strides in using this report as a guide to improve the operations of the fire department that includes the adoption of a new Fire Department Policy and Procedures Manual. A follow-up report, at this time, should generate a gauge of what recommendations have been completed and those that need to be addressed. In addition, the concerns of council in regards to the increased costs, generated mostly by the implementation of the "First Responder" Program will be addressed.

- **Conduct a follow up management study of the Aliquippa Police Department through the GCLGS peer to peer program.**

The municipal operations have moved to 581 Franklin Avenue and the police department has taken over full use the former municipal building. In addition, the City police department previously took on new perspectives to fighting crime, through the COPS grant program, by hiring seven police officers and clerical personnel to provide officers more time on the street. Most of these positions, due to the "distressed status of city, were fully funded for four years. When these personnel were hired the city's financial situation had improved immeasurably and the City then projected fiscal stability once the city became responsible for fully funding these positions. However, due to events of 9-11-01, the loss of anticipated revenue by the successful assessment appeal by the owner of most of the riverfront property, the bankruptcy of J&L and LTV Steel and pending assessment appeals on that property, the loss of jobs that included a large employer on Franklin Avenue, the City, in 2002, realized the anticipated financial stability was and is now in jeopardy. In fact, the initial budget presented for 2003, included the furloughing of many of those police officers and the clerical personnel, hired under the COPS Program, as the City became responsible for fully funding those positions. The final budget resulted in the furloughing of the clerical personnel, previously hired under the COPS Program, and a strict monitoring of the 2003 police budget resulted in the furloughing of additional police officers to a present compliment of 19 full-time police officers, including the Police Chief. In addition, the police department became a target of a Grand Jury Investigation after the tragic murder of one of its members and follow-up allegations of corruptness in the Police department. To date no officer has been indicted and it appears that no evidence has been presented to result in future indictments. This issue is still pending. On a positive note, in June 2002, the City was designated as a “Weed and Seed” Community that has brought positive reaction in fighting crime and providing the city with funding to implement the programs of the “Weed and Seed.” Program. In 1996, the then DCA, through its police peer program, conducted a management review of the Aliquippa Police Department. Given the many changes that have taken place, this is an opportunity to have an evaluation conducted of the police department to provide follow-up to the previous study and to review and provide an evaluation of the many changes that have taken place. The evaluation should include a review of the effectiveness of the Weed and Seed program because the City is gradually taking an increase financial responsibility for the various programs included in Weed and Seed.

- **Apply for grant funds through DCNR to undertake a feasibility study to determine the final disposition or operational viability of the community swimming pool.**

The City has made great strides in developing the recreation needs of the City, but there is still a long road ahead. In the past, the Department, through the Local Government Academy, provided a peer consultant to assist the Recreation Committee, in its work to address the city's recreational needs. The Department of Conservation and Natural Resources (DCNR) approved a multi-municipal grant application that included the City of Aliquippa’s request to rehab four playgrounds. The Department provided Act 47 matching funds for this project which is now complete. Unfortunately, many of those playgrounds are now in need of repair. Prior to any future request for recreation grants the City needs to develop a comprehensive program that will assure that future grant monies earmarked for recreation areas has a strong maintenance component that must be monitored on a periodical basis. The City previously received funding through DCNR to develop and complete a comprehensive recreation plan that was completed in December 2002. The Recreation Board and the Weed and Seed Recreation Committee need to become familiar with the Recreation Plan and fashion any future grants to coincide with the provisions outlined in the Comprehensive Recreation Plan. Also, in the past, the city continued to operate the swimming pool, however, in 2003, due in part to the budget constraints of the City, the Weed and Seed Program has taken the responsibility to oversee the operation of the pool.

Due to deterioration of the pool facilities, the city pool has been closed in since 2003. There has been no funding targeted for the pool operation and no improvements made to the pool during this time. It is important for the City to hire a consultant to conduct a feasibility study regarding the pool in order to make an informed decision about its future. The City officials can determine whether or not additional resources should be assigned to the rehabilitation of the pool.

- **Undertake a baseline appraisal of all City property and implement a Property Identification Program that will be utilized to calculate insurable values and to bring the City into compliance with GASB 34 by identifying and valuing fixed assets and recording them on the financial statements.**

With the advent of the Government Accounting Standard's Board (GASB 34) requirements, the city has now taken a pro-active position in updating the appraisal of the city property and implementing a property identification system. In May 2003, the City hired an intern, through the "Local Government Academy's Intern Program" for distressed communities and is now in the process of completing the much needed appraisal of City property.

In the summer of 2007, the City experienced extensive flood damage that wiped out a good bit of the inventory and records related to the previous property identification system. The City must now contract with the appropriate vendor for a baseline property appraisal program that can be integrated with its fixed asset module in the

PRISM financial management system.

II. *Financial Management*

- **Maintain real estate tax at a rate no lower than the 2007 rate unless there is a countywide reassessment of property.**

  With the City's financial concerns and its need to maintain fiscal stability, the City is not in a financial position to reduce any tax rates or fees for service. Any reductions in taxes or fees for service shall be directed to the Plan Coordinator and only after justification by the City and approval by the Plan Coordinator will any tax rates or fees be reduced. Also, many municipalities in the Commonwealth (and the Country) are experiencing the same fiscal realities that continue to plague the City. However, some of these municipalities are exploring creative new avenues for addressing these fiscal woes. The City should continually "think outside the box" and constantly perform research to find new opportunities to expand revenue, while enhancing services to the residents.

- **Reduce EIT rate for general purposes from .6% to .5% no later than fiscal year 2009 in order to position the City to consider an exit from Act 47.**

  In December 2006, the City petitioned Beaver County Common Pleas Court to allow the City to levy a .1% additional general purpose EIT under Act 47 in order to provide revenue that would offset a reduction in property assessment and real estate tax collection due to a final outcome for the USG case. The City was able to reduce the pension EIT levy under Act 205 from .6% to .5% so there was no net impact to the residents of the City from this shift in the levy from Act 205 to Act 47 and non-residents actually received a .1% reduction under this structure. The City must plan to eliminate this .1% levy no later than 2009 at which time there will be relief from a debt service reduction as GO bonds are finally retired and the City will be able to implement the LST option to offset the elimination of the .1% EIT levy.

- **Maintain EIT rate for pension purposes under Act 205 at .5% until the unfunded liability for the City's pension plans has been properly addressed.**

The City implemented the .6% levy in 2003 to address delinquent MMO's and to address the $3 million unfunded actuarial pension liability. This levy was reduced to .5% in 2007. Although the delinquent MMO's were brought current in 2007, there is still a UAAL that must be addressed and the levy must stay in place until the pension liability is properly addressed.

. Implement the Local Services Tax in the maximum amount permitted by law no later than fiscal year 2009 in order to position the City for an exit from Act 47.

In 2009, the City will lose the ability to levy the .1% EIT for general purposes and will continue to suffer some negative impact from credits and reductions from the USG final decision. In order to offset this reduction and in order to begin to build sufficient reserves to contemplate an exit from Act 47, the City must implement the LST to the maximum extent permitted by law.

. Conduct a review of the established user fees for city services, especially those fees imposed pursuant to the MPC, as part of the budget process, to assure that as costs for services increase fees increase proportionately. Consider new user fees for services on a regular basis.

The City has continued to amend the ordinances as it relates to on going compliance as well as additional new fees. In order to continually be assured that user fees relate to service provided this needs to be done on a periodical basis.

. Review commercial and industrial property assessments and if under assessed, initiate appeals; intervene in pending assessment appeals where appropriate.

The City needs to review the current value of all major commercial and industrial properties in the City. If these properties are under assessed, Council should consider initiating appeals to the County's Board of Property Assessment challenging those assessments. If currently under assessed properties are the subject of pending assessment appeals initiated by the property owner, Council should consider instructing the solicitor to intervene in those appeals to argue against the reduction of those assessments. The review of assessments should take into consideration the necessity to encourage current efforts to redevelop such properties for viable economic use. This effort should also be coordinated with the county and the school district and their cooperation obtained, if appropriate.

- **Establish a five year capital plan to address the long-term capital needs of the city and integrate it into the annual budget process as the 2008 capital budget. Update it on an annual basis.**

A capital budget plan has not been developed. It should be noted that some capital budget items are addressed in the operating budget process. However, if the City is to address its short-term and long-term capital needs, a capital improvement program must be developed. Presently, the tendency is to overlook or underestimate repair, replacement or acquisition of needed equipment. A capital improvement program would focus attention on the major capital needs of the City. This capital budget planning process should be undertaken in June of 2008 for inclusion in the budget year 2009 process. It is recommended that the development and approval of a capital budget be distinct from the operating budget and be completed before the operating budget so that 2009 capital requirements can be included in the 2009 budget. The City Administrator, through the City Finance Director, should take the lead role in the development of the capital program and solicit input from all department heads.

- **Continue to present and enhance the budget message as part of the budget process.**

In the recent past, the City has struggled with a limited budget message that should be expanded. A budget message is an invaluable tool for council to reflect on the budget numbers, on the fiscal issues of the past, and understanding, reasoning and explanation of the budget as it relates to the future. There should be a clear narrative that makes the budget more user friendly for the Council and for the public.

. Maintain Department actual expenditure reports that distribute fringe benefit costs to Departments to reflect the true operating cost of each Department.

Accounting for fringe benefit costs such as the Group Health Insurance, pensions and Worker's Compensation should be done by distributing these costs back to the department level in a format that can be accessed for cost analysis during the year. This can be done by establishing a distribution account, which in turn, would offset the appropriate fringe benefit accounts and allow for the charges to be placed in each department's reporting, allowing management to know the true cost of operating each department. This may or may not be integrated into the budget format – but should certainly be maintained so that a thorough analysis of the costs of providing various City services can be monitored by management on a regular basis.

. Commission an actuarial study to determine the liability of post-retirement benefits for the City in compliance with GASB 45.

In the past, the City has awarded post retirement health care benefits under the various collective bargaining agreements to retirees. There are escalating costs associated with these legacy benefits that should be calculated by an actuary and provided to the City so that a plan can be devised to pay for these benefits in the future. The identification of this liability and the development of a plan to address it will bring the City into compliance with accounting standard GASB 45.

. Continue the aggressive collection of current refuse bills and delinquent refuse bills. Install software to facilitate better collection of current bills no later than fiscal year 2008.

The current City officials implemented a system whereby the administrative clerk bills refuse fees and the City Treasurer collects the fees. This provides separate financial responsibility and accountability. The City is in the process of updating the utility billing software to integrate with the PRISM financial management system. The delinquent refuse fees are turned over to Portnoff for collection and are liened against the property when they remain delinquent.

. Continue to utilize the services of an outside contractor to collect delinquent real estate taxes and delinquent refuse collection for the City.

The City has been very successful in recent years through a joint contract with the School District for the collection of delinquent real estate taxes through Portnoff Associates. This has helped the City in increasing its revenues to help defray the increasing costs of running City government. In addition, it is a fairness issue regarding the fact that all property owners should pay their fair share of real estate taxes.

. Continue to utilize the services of an outside contractor for the collection of EIT current and delinquent accounts.

Central Tax Bureau continues to collect the EIT Taxes. Because there was a previous concern that that this system was not maximizing the City's EIT return, the City closely monitors the collection process to assure that the city is getting a maximum collection effort by Central Tax Bureau.

. Continue the process of divesting the City of real estate jointly acquired by the City and Aliquippa School District via Portnoff sheriff sales.

Currently, the City and the School jointly own over twenty (20) properties through Portnoff sheriff sales. Steps have been taken to insure these properties and divest those properties that individuals have expressed an interest in. However, the City/School must implement a policy/procedure for future acquisitions, including, but not limited to: insuring the properties, evicting existing occupants, maintaining the buildings and grounds and ultimately selling these properties to third party interests. Two auctions have been undertaken in an attempt to divest these properties but it remains a problem for the City and the School District. For this reason, they are in discussion with Portnoff about the proper strategy for potential sheriff sales and ultimate ownership of the properties by the public entities.

. Continue implementation of PRISM upgraded financial management system with enhanced reporting capabilities including refuse collection (utility billing) and integrated fixed asset program.

The PRISM financial management software system is an enterprise system that has the capability of bringing on additional modules that are fully integrated and that could improve the efficient operation of the City organization. Both the utility billing module and the fixed assets module should be installed and fully utilized in the finance department in order to streamline these functions and create better reporting capabilities and internal controls.

. Explore the possible integration of real estate tax collection and other cashiering functions with the PRISM financial management system.

The PRISM financial management software system is an enterprise system that has the capability of bringing on additional modules that are fully integrated and that could improve the efficient operation of the City organization. Both the tax collection module and the cashiering function module should be installed and fully utilized in the finance department in order to streamline these functions and create better reporting capabilities and internal controls.

. Explore the possible integration of all other modules that are available through the upgraded PRISM financial management system (purchasing, project management, code enforcement, etc.).

The PRISM financial management software system is an enterprise system that has the capability of bringing on additional modules that are fully integrated and that could improve the efficient operation of the City organization. Eventually other modules such as purchasing, project management, and code enforcement and permits should be installed and fully utilized in the finance department in order to streamline these functions and create better reporting capabilities and internal controls.

. Modify pension ordinances and pension calculations to conform to state law.

The City should work with the actuary and the pension consultants to ensure that all of the City ordinances are in compliance with federal and state laws. Some of the pension calculations in the past have not conformed to the ordinances or to provisions of Act 205. All calculations should be monitored and quality controlled so that all pension benefits are calculated correctly.

. Budget annually for capital reserve and operating reserve funds.

Beginning for the 2008 budget process, the City should budget specific line items for transfers to an operating reserve fund and to a capital reserve fund. Even if the amounts are relatively small at first, the City should get into the habit of appropriating money annually for these two line items and then should make the transfers accordingly.

III.***<u>Service Levels</u>***

. Continue to pursue intergovernmental cooperation initiatives in all areas of City operation to provide City services as efficiently and effectively as possible.

The City has made great strides in pursuing intergovernmental cooperation with neighboring municipalities especially Hopewell Township. The City Police Department continues to work together with the Beaver County Sheriff's Office, the Attorney General Regional Drug Task Force and the State Police in dealing with crime in the city, notably drug activity. The City Administrator meets with other Beaver County managers and the County officials to discuss joint projects for economic development.

. **Continue joint purchasing opportunities with neighboring communities, COGS, Beaver County, and CO-Stars.**

The City continues must continue to explore joint purchasing opportunities with neighboring communities, existing COGS, the County and utilizing the state CO-Stars program for many of its routine purchases.

IV. ***Personnel/Collective Bargaining***

D. Personnel/Collective Bargaining

. **The City shall be permitted to increase the wages of all employees by no more than 1% per year beginning January 1, 2008 only if the total cost of employee health benefits (medical, dental, vision, disability) is not projected to exceed five (5%) per cent in each of the respective calendar years. If the projected cost of health benefits (medical, dental, vision, disability) is greater than five (5%) percent for any calendar year based on a financial analysis completed by the Finance Director and provided to the Coordinator, no wage increase shall be permitted for that year. However, the respective unions may propose cost containment initiatives that will bring the cost below the five (5%) percent threshold that will trigger the 1% wage increase.**

Personnel costs represent the largest single category of expenditures in the City's budget. The City, after reviewing budget projections and in anticipation that the City could consider exiting from the Act 47 Designation, but prior to the realization of the events that led to a 2003 budget crisis, approved salary increases for the three unions. The City signed a 3% increase with the Fraternal Order of Police (FOP) and the International Association of Firefighters (IAFF) to extend through the year 2004. In addition, due to consideration for parity, the City signed a 5% increase for the United Steel Workers of America, (USWA) that also extended through the year 2004. At the time, the City’s financial situation was not a concern and the anticipation was that the city could exit from the Act 47 Designation in 2003.

However, based on the disastrous conditions that the City encountered after 9-11-01, that were further exacerbated by the pension MMO delinquencies, the previous updated Recovery Plan required a three year freeze on wages for all bargaining units that ran through 2007. The USWA and the IAFF accepted the freeze and settled with the City while the police FOP took the City to binding arbitration. The arbitrator issued a decision in the City's favor and in compliance with the Recovery Plan and upheld the three year freeze for bargaining unit members. This 2007 updated plan is cautiously allowing 1% increases per year over the next three years as long as the total cost of benefits does not exceed 5% annually. In consideration that the City may be in a position to exit from Act 47 designation in 2010, at the end of this updated Plan, it is prudent to continue cost containment in anticipation that there will be reserves created by 2010 that will offset escalating employee costs.

. All collective bargaining agreement language relative to pension benefits that conflicts with the Third Class City Code, Act 205, or any other law shall be removed from the contracts. All pension calculations must be made in accordance with the provisions of the Third Class City Code and in compliance with the Audit Reports of the Auditor General of the Commonwealth of PA.

In the past, the City has attempted to bargain out language in the contracts that conflicts with the various statutes that govern how pension benefits may be administered by municipalities. During arbitration, the language has not been addressed and the City continues to receive adverse opinions from the Auditor General in that regard. The City is concerned that eventually the conflicting language and resulting findings in the audits could impact its ability to receive pension state aid. It is imperative that improper language be removed from the collective bargaining agreements in order to avoid sanctions in the future.

The Third Class City Code (53P.S. § 39393) provides that the basis of the apportionment of the pension shall be determined by the rate of the monthly pay of the member or the highest average annual salary which the member received during any five years of service, whichever is the higher, and except as to service increments, shall not exceed in any year one-half the annual rate, whichever is higher. This calculation should be strictly construed and applied notwithstanding any provisions to the contrary which may be set forth in any collective bargaining agreement or arbitration award. In addition, pension calculations, allowances and administration should comply with findings and directives of the Auditor General of the Commonwealth of PA. These findings and directives include items such as the exclusion of accumulated unused leave that is earned outside of the pension computation period and other items that are specifically excluded by state law from the computation of benefits.

. The City shall continue to monitor and update the organization chart and position control report for the city government and shall not increase the present compliment of its personnel without prior approval of the coordinator. This will include full-time and part-time personnel.

An organizational chart was prepared in 1998 indicating line of command and the existing staffing levels of each department. The City should prepare a workforce position control spreadsheet to be included with the budget that will identify positions that are included in the budget and provide information as to staffing levels over time. The Coordinator has provided such a spreadsheet to the Finance Director and this document shall be maintained at all times.

. Given the present and projected budget constraints of the City, the City shall not increase the police department complement to a staffing level higher than 18 full-time sworn police officers including the Chief; the fire department to a level no higher than 9 full-time firefighters including the Chief; and the public works department to a level no higher than 7 full-time employees including the PW Director. In addition, the City shall not increase the clerical support in the police department and shall continue to have emergency communications support provided by the Beaver County 911 system.

As previously noted in this recovery plan, the City, approximately five years ago hired 7 additional police officers and additional clerical support personnel with funding provided, for the most part, for a limited time, under the Federal COPS Grant Program. The clerical positions, after meeting the requirements of the grant program have now been eliminated due to budget constraints. The additional hiring of the seven full-time police officers was originally instituted, in part, because the full funding was available, and because the City projected a future fiscal stability analysis that indicated once the funding ceased, the City could pay for those police officer's positions. At the time, the existing recovery plan stated that no additional employees be hired because of budget constraints. Also, a previous police study review set the compliment at 18 full-time patrol police officers. However, through the financial projections and after caution expressed by the Plan Coordinator, the City proceeded with the hirings, realizing that if the positive financial projections did not materialize, the City would have to begin the process of furloughing those officers. Thus, because of the negative financial projections, the increased compliment of police officers, created through the COPS Grant Program, has resulted in the resignation or furloughing of those police officers. In addition, the COPS Program was used to fully fund clerical assistance to complete administrative tasks in the police department. However, the final funding was received in 2002 and in 2003 those clerical personnel, with the exception of clerical support, were furloughed. Again, given the budget constraints of the City, these clerical positions shall not be reinstated and the City shall continue to receive dispatch services the Beaver County 911 System. In addition, the City needs to utilize the Weed and Seed Program by working very closely and requesting law enforcement assistance from the Pennsylvania State Police, County Sheriff's Office and other law enforcement agencies.

In addition, all other positions shall be maintained at a number no greater than the current staffing levels and the City should vigilantly examine each position before filling a vacancy to determine whether or not that position should be filled.

- **Provide no additional benefits or modifications to existing benefits that would result in any increased costs to the City. Pursue managed health care alternatives in order to reduce health care costs. For any future contracts entered into after**

the adoption of this plan, the City shall pay no more than 80% of the premium for health benefits for City employees.

Historically, health insurance costs have increased at a more rapid pace than any other expenditure in the City budget. With the increased cost in health insurance the City must strongly monitor future health benefits and if health benefits continue to increase the City must mandate co-payment of health insurance payments in future contracts. Also, The City shall provide no additional benefits. Equal trade-off of benefits may be considered but otherwise, absolutely no increase in current benefits shall be paid. If trade-offs are negotiated, the City shall submit the issue to the Plan Coordinator for review and approval. The City should continue to pursue managed health care alternatives in order to reduce health care costs.

- **Insure all present and future employee benefits conform to applicable state law.**

Cost adjustments to current and future pension benefits shall be assessed by the City Actuary and be made in conformance with state law. Adequate short-term and long-term funding for readjustments to current and future benefits shall be identified prior to establishing the adjustments. The City shall complete the certification of its Minimum Municipal Obligation for all pension funds on a timely basis and insure that all pension obligations are paid in compliance with Act 205. No benefit of any kind can be added without a study to determine the impact of the new benefit and approval by the Plan Coordinator that the benefit is in compliance with the Recovery Plan.

V. ***Economic Development/Community Development***

- **Continue to address the many community and economic development issues outlined in the Weed and Seed Revitalization Plan.**

The Weed and Seed Program, administered and partially funded through the Pennsylvania Commission on Crime and Delinquency (PCCD), was launched in Aliquippa in June 2002. The Weed and Seed Program is a unique community-building initiative to assist Pennsylvania communities in fighting against drugs, crime and poverty to restore neighborhood quality of life. The program name describes its two critical components: "weeding" out violent offenders in high crime areas and "seeding" the neighborhood with prevention, intervention, treatment and revitalization services. The "weeding" of the community starts with a "blitz" of undercover operations cumulated with major drug and criminal arrests then continues as an on-going crime fighting process by the Aliquippa Police Department and the various law enforcement agencies throughout the Commonwealth. As part of the "seeding" of the community, an emphasis is structured on community and state partnerships designed to rebuild the quality of life by focusing on (1) Employment and Leadership Training, (2) Neighborhood Revitalization, (3) Anti-Drug and Anti Violence, (4) Community and School Education, (5) Housing and Economic Development, and (6) Public Health. As part of the program, various committees are formed and leadership coordinator positions are funded to administer the program. Also, as part of the program, the community is required to submit a comprehensive Revitalization Plan to PCCD outling the initiatives and timetable for implementation of the six initiative mentioned above. Judith Neely, the Assistance for Impact Delegation (AID) Team Coordinator submitted the plan to City

Council for approval prior to filing with PCCD. The City Council approved the Plan. Thus, the plan gives a “roadmap” to involve the community in forging initiatives to the community and economic development of the City.

Additional funding for the Weed & Seed programs has ended for the City in the past several years but the City continues to attempt to implement activities that were identified under the plan. The City continues to apply for Quality of Life funding and to work on the revitalization plan as resources and opportunities occur.

- **Continue to work closely with economic and community development agencies that include the Beaver County Main Street Program, the Beaver County Corporation for Economic Development and other agencies that can provide technical assistance or funding to enhance the economic and community development activities deemed essential to the short-term and long-term rebuilding of the city.**

On October 21 through the 24th, 1994 a Regional Urban Design Assistance Team (R/UDAT) process was undertaken through the involvement of numerous City organizations and representatives of the Pennsylvania Society of Architects. The R/UDAT report, which provided a multitude of recommendations, was titled "Rebuilding of a Proud Aliquippa", the motto established by the local R/UDAT Committee. The local government must facilitate the rebuilding of the City. As stated in the R/UDAT study, "Aliquippa's boundaries and public facilities were planned for a far wealthier City, which as recently as 1960, contained over twice the present population of 13,000". The loss of J&L Steel and a 50% loss in the housing stock over the last thirty years has eroded the tax base which finances the police and fire departments, infrastructure maintenance, parks and recreation, and zoning and code enforcement of the City. This erosion has greatly affected the city's ability to adequately carry out its mission to provide basic municipal services. The City must continue to rebuild its tax base by finding ways to encourage private investment back to Aliquippa in order to expand its revenue base and again become a viable provider of municipal services. The R/UDAT Process built a foundation for the future development of the city. In 1997, the city partnered with the Aliquippa

Alliance for Unity and Development (AAUD), Housing Opportunities of Beaver County and Beaver County in developing a strategy to confront many of the issues outlined in the R/UDAT Report. Together they submitted a comprehensive "Single Application" requesting funds, from DCED, under the then newly created "Single Application" process initiated by the DCED. The application for funding was recognized as one of the most comprehensive approaches to community and economic development received by the DCED. As a result the City was successful in obtaining over $400,000 in grant funds from various funding sources administered by DCED. This grant assistance included $300,000 from the Communities of Opportunities Program for demolition and streetscape projects on Franklin Avenue, $63,000 from the Projects for Community Building Program that will enhance the AAUD's Regional Credit Union savings accounts for low income families, $15,000 in tax credits that will assist Housing Opportunities of Beaver County in leveraging $30,000 in contributions to enhance opportunities for first time home ownership; $25,500 from the Employment and Community Conservation Program to forge a job training and education program partnership between AAUD and the Aliquippa School District and $40,000 from Act 47, the Municipalities Municipal Financial Recovery Act, to update zoning and the codification of ordinances and for the final year of funding for the main street program. While these programs were all implemented, and they have had an impact on the City's recovery process, they have not generated a strong level of the continued community involvement needed to accelerate the community and economic development issues facing the community. One noted improvement in the City, is the City's main street, Franklin Avenue. While there is not an influx of business development, the demolition of boarded up buildings, replacing of sidewalks and trees lining the main street, are all positive initiatives to now provide an opportunity for the City to begin the process of encouraging new businesses to locate on the avenue and other business to relocate on the avenue. The City has now become a part of the Beaver County Main Street Center. This has had a positive affect on the avenue as the City and County are working in partnership to improve the avenue to encourage new business in the downtown. The AAUD, in the past had been a strong supporting agency for the main street program. However, recently AAUD has changed its focus to target low-income families, unemployed and drug dependent persons. AAUD will continue to be a partner in working with the Weed and Seed Program by offering a "one stop shop" for human services. The Franklin Avenue Development Committee has taken over the economic development activities related to the Main Street program and meet regularly with the Downtown Center associates to continue the program.

- **Work closely with the Community Development Program of Beaver County and the DCED Regional Director and the CAT (Community Action Team) for identification of opportunities related to private investment to leverage state funds in commercial and neighborhood development for the City of Aliquippa.**

In 1993, Aliquippa received $400,000 in funding under the former DCA's HOME Program. This grant was administered through Housing Opportunities of Beaver County (HOBC) and was another vital link in the overall community development of the City. This grant program provided funding for the Earned Income Ownership Program (EHOP) Program that included closing costs assistance, rehab incentives and rehab for resale programs. Council should continue to schedule periodic meetings with representatives of Housing Opportunities of Beaver County (HOBC), a non-profit agency, who has been contracted by Beaver County to operate the Earned Homeownership Program (EHOP) and the Home Buyer's Advantage Plus Program to enable low-income applicants to purchase homes. In December, 1998, the City partnered with Beaver County and surrounding counties, through the Southwestern Regional Planning Commission (SPRPC) , in making an application for DCED's Keystone Opportunities Zone initiative. The City's application that was approved designated the "Bricks Property", a residential area of the City, as a "tax free" zone. Basically, this designated property will be tax free from state, local, school and county taxes for a 12-year period. Overall, the program is designed to foster economic opportunities, stimulate industrial, residential improvements and prevent physical infrastructure deterioration. It was the intent of the City to foster new residential development in an area that may not have been developed for well over 12 years. The infrastructure is now in place and the plan is for Tresbi Development Corporation to build 24 single family homes and 10 duplexes on the

“Bricks Property.” These houses will be marketed toward empty nesters, first time home buyers, step up homeowners and professionals interested in working from their homes. The three bedroom family ranch style homes would range from $150,00 to $210,000 and three bedroom duplexes would start at $95,000. The first homes will be available for sale in Spring of 2008.

The City's Act 47 status provides it with a unique ability to receive priority consideration for state funded DCED programs which are consistent with the recovery strategy. AAUD, previously was a strong player in the revitalization of Franklin Avenue. In 1997, then Lieutenant Governor Schweiker attended AAUD’s groundbreaking announcement of a major real estate development of $1.6 Million in the central business district of Franklin Avenue. This involved the renovation of two key buildings in the downtown. The funding was spurred by the Pennsylvania Housing Agencies allocation of $77,945 in low-income federal hosing tax credits. A major piece of the projects financing ($516,000) came from syndication based in Chicago, the National Equity Fund. The development also involved commercial bank loans from local banks, private foundation grants and $530,000 in Home funds from the Beaver County Community Development Program. However, as mentioned earlier in this report, AAUD has now changed their focus and mission as a non-profit agency, but continues to be a vital resource in addressing the human resource needs of the City. The past progress of the City has been strongly enhanced by the Mayor and City officials working closely with community groups that are involved in economic and community development activities. Much of the progress is attributed to the City Administrator and a Mayor and Council that has actively become a part of the community. They are to be commended for their proactive involvement with community organizations and the realization that the rebuilding of Aliquippa is a community effort. It cannot be stressed enough, the importance of continued involvement. The cooperation and dedication of City officials is needed in the months and years ahead to work closely with other community groups and business entities to create a private/public partnership that is needed to assure the successful rebuilding of Aliquippa.

. Contract with a planning consultant for an update of the subdivision and land

development ordinances and submit an application for partial funding through the DCED LUPTAP grant program.

The City now contemplates the construction of single family homes under the "bricks project" and the possible construction of a $250 million ethanol plan in the industrial park. It is imperative that the proper ordinances are in place for the subdivision and land development in the City to safeguard the City resources and to ensure good, smart development decisions. Currently, the City's ordinances are outdated and not in compliance with the MPC.

. **Continue a comprehensive code enforcement program that includes enforcement of property maintenance codes and operates in compliance with the state Uniform Construction Code (UCC).**

In an older community, it is extremely important to continually carry out aggressive code enforcement activities related to property maintenance and the City has taken this initiative very seriously. They recently hired CODE.Sys to carry out those activities that are required under the UCC and retained a code enforcement officer to handle property maintenance complaints. In addition, the City has utilized the services of an intern through the Local Government Academy to assist in additional code enforcement activities over the past two summers very effectively. The City must maintain a commitment to stringent property maintenance codes in order to preserve its older housing stock and continually monitor the condition of its neighborhoods.

. **Submit application for LUPTAP funds through DCED for an update to the comprehensive plan with emphasis on strategic targeted planning for commercial areas and adjacent neighborhoods that includes marketing analysis, development opportunities, and core business district design. Consider working with other Rivertown corridor communities (Ambridge, Rochester, Hopewell, etc.) to undertake this planning process.**

The City could benefit from a comprehensive planning process that incorporates a serious marketing strategy approach in order to determine the best approach for the future health of the community. Such a study would include the following elements: market analysis of opportunities for business and residential development; development opportunities based on market information and existing conditions in the City; recommended infrastructure improvements to support opportunities that are identified; design considerations using graphic renderings and design enhancements to create the “right” image and market environment to attract “best” development opportunities; and a financing plan that outlines the budget and government funding opportunities.

Such an effort will create a development scheme that the City can rally around and use to attract developers and investors including state investments like CAT (Community Action Team) and GAT (Governor’s Action Team).

. Upgrade GIS mapping system to include additional storm and sanitary sewer field work information. Work with other Beaver and Butler County communities when possible in order to achieve this initiative.

There are opportunities to capitalize on regional activities related to GIS mapping that are and will be available to communities for nominal charges to obtain additional layers of GIS mapping and data base compilation. The City must take advantage of any opportunities to obtain the technology related to these efforts.

. Continue to utilize demolition funds to take down vacant, substandard structures and develop in-fill housing initiatives program with the assistance of Beaver Count Community Development Program.

The City should take advantage of every opportunity available through county and state funds to undertake demolition activities of substandard and unsafe properties and consider “land banking” strategically for future development potential. These discussions should be inclusive of all parties who will be affected by the decisions made by the City such as community groups, property owners, County officials and the School District.

SECTION VII

Communications

It is essential that the recovery plan elements, particularly key elements, be, continued and/or implemented by the City of Aliquippa as soon as possible. Many of these recommendations will take a substantial period of time in order to implement. Critical time deadlines may be involved in certain of these recommendations.

It is equally important that the City regularly communicate its progress toward implementing these recommendations to the Coordinator. The Coordinator, after reviewing these reports, may know of resources or information which could assist the municipality toward implementing its recommendations. The Coordinator may also note through the regular communication of these reports ominous trends which would predict upcoming difficulties for the City.

The above situations indicate a need for the City to send financial statements to the Coordinator on a monthly basis throughout the period of time the City is designated as distressed. The annual budget shall be sent to the Coordinator as soon as it is adopted. The City also should send all regular and special meeting agendas and minutes on a monthly basis along with the budgetary reports.

Quarterly status reports on all incomplete recommendations shall also routinely be sent to the Coordinator for review. Semi-annual on-site meetings with the Coordinator should also be held to review recovery recommendation implementation progress and to amend, add, or delete these recommendations as the Coordinator believes appropriate. The Coordinator may also decide to reprioritize recommendations if conditions in the Coordinator's opinion have changed.

Progress by the City toward accomplishing the key elements of the recovery plan shall be regularly communicated to the Coordinator. The key management, administrative and financial decisions of the City which may or may not be part of the recovery plan should also routinely be communicated to the Coordinator. This is particularly true if this action entails an abrupt change or alternation from prior positions or policies of the City.

Emergency situations which require immediate action by the City may be excluded from this reporting procedure with the caveat that communication must occur as soon as possible after the emergency has been mitigated. Emergency action should be as restricted as possible to mitigate the emergency before the Coordinator approves the activity or actions contrary to the accepted or regular practice. Additional action by the City officials beyond the immediate emergency mitigation activity should not occur until approved by the Coordinator.

If the City or its elected or appointed officials fail to communicate and consult with the Coordinator on a regular basis with the information, reports or documentation requested by the Coordinator, the City may be found to have violated the Recovery Plan.

SECTION VIII

Good Government

It should be recognized that the alleviation of the municipality's "distress" status far exceeds simple City operations. The success or failure of the City to recover its financial health has repercussions which reverberate throughout the community, its neighborhoods and civic organizations.

It is important that the entire community become involved in the process as fully as possible. It is important to establish a Citywide common goal of recovery that is embraced by the entire fabric of the community. Partnerships between public and private entities should be encouraged to help the community recover. Regular communication among all community elements is very important.

As recommended in the Weed and Seed Revitalization Plan, regularly held informational town meetings are an avenue to solidify this process. Existing organizations, such as a merchant's organizations, church and neighborhood groups, should also be solicited for their commitment to help the community recover.

The process should go beyond typical top down information distribution and dissemination. It should truly involve these other community groups. Their ideas and energies should be utilized in the recovery process. The establishment of common goals and objectives for the community could be an important consensus building technique which warrants consideration. Collaboration with various community groups and businesses is essential to address the fiscal and economic and community development of the City of Aliquippa.

Finally, it needs to be stated that Aliquippa’s most important assets are its residents. Both the governing body and City employees must remain constantly aware of their importantance in achieving on-going fiscal health. Aliquippa’s mission is to provide basic health and safety services to it’s “customers.” Day-to-day interactions between Aliquippa employees and residents must be cordial, efficient and informational. A customer service approach has been adopted by many communities and the use of technology and support resources to achieve this end should be constantly considered and applied.