2019

City of Aliquippa

Exit Plan
From Designated Act 47 Status

Municipalities Financial Recovery Act
(Act 47 of 1987, As Amended)

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INTRODUCTION

Since 2015, the Commonwealth of Pennsylvania's Department of Community and Economic Development (DCED) has engaged Grass Root Solutions (GRS) to serve as the Act 47 Recovery Coordinator for the City of Aliquippa (the City). In this capacity, the Recovery Coordinator's responsibilities include monitoring the financial progress of the City, providing consultation and advice to the City's elected officials and administrative staff, reviewing and updating the City's financial Recovery Plan, and monitoring the City's implementation of the Recovery Plan.

Act 199, which amended Act 47 and was enacted in 2014, provides that municipalities operating under a Recovery Plan shall be subject to a termination of financial distress designation on the date that is five years from the effective date of the most recent Recovery Plan. For the City of Aliquippa, the relevant Recovery Plan for this timeline is that Plan adopted as of June 30, 2014. Further, Act 199 requires that the Recovery Coordinator complete a report, prior to the end of the five year period, evaluating the financial condition of the municipality, and reporting one of the following findings:

1) Conditions within the municipality warrant a termination of distressed status
2) Conditions are such that the municipality should be disincorporated
3) Conditions are such that the DCED Secretary should request a determination of a fiscal emergency, or
4) A three-year extension plan is warranted

On December 18, 2018, the Coordinator held a public meeting to review the *Financial Condition Evaluation* and to take public comment. Written comments were received by the Coordinator through December 31, 2018 and a final *Financial Condition Evaluation* report was filed with the City and DCED by January 15, 2019.

Under Act 199, the Coordinator is required to file an *Exit Plan* no later than ninety (90) days from the close of the *Financial Condition Evaluation*. Pursuant to that provision, the Coordinator filed an Exit Plan with the City and DCED on February 26, 2019 and has scheduled a public meeting to take public comment on Wednesday, March 6 at 6pm at the Aliquippa City Building, 581 Franklin Avenue, Aliquippa, PA.

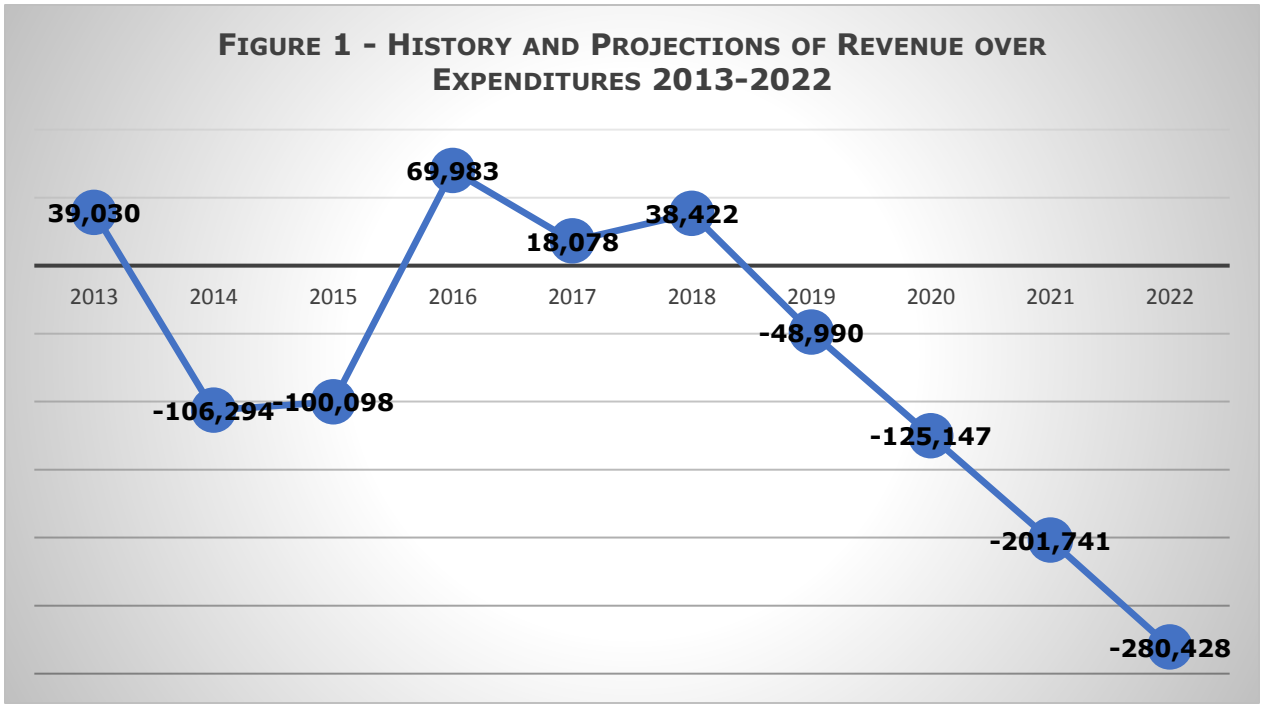
The *Exit Plan* includes strategies for ensuring a satisfactory exit from the Act 47 program no later than June 30, 2022. The following report is a path forward for the City's successful exit from the Act 47 program.

COORDINATOR'S RECOMMENDATION

The City has taken positive steps to increase revenue collection, reduce staff where possible, limit costs for benefits, and adjust the benefit structure for legacy costs in the future. The City has also improved its collection processes and continues to evolve its best practices. The budget process has produced a more conservative, reasonable revenue forecast and relies on better data for making expenditure projections. Although the City has been able to generate slightly more revenue than expenditures for the past two years, the cash reserves and fund balance have been greatly depleted. There are also huge and crushing facility and infrastructure needs that must be addressed. **Figure 14** provides the history for the past five (5) years and the projections through 2022. These projections assume that no remediation action is taken to address future deficits.

Although the City has implemented initiatives consistent with the Recovery Plan and made a concerted effort to contain costs, there is considerable uncertainty about whether the City can achieve:

- Cash Solvency
- Budgetary Solvency
- Long-Term Solvency; or
- Service-Level Solvency



IT IS THE COORDINATOR'S RECOMMENDATION THAT PURSUANT TO ACT 47, SECTION 255, (A) (4) "CONDITIONS ARE SUCH THAT A THREE-YEAR EXIT PLAN IN ACCORDANCE WITH SECTION 256 IS WARRANTED."

EXIT PLAN STRATEGIES

Section 256 of Act 47 sets forth the requirements for an *Exit Plan* should the Coordinator recommend such a Plan as part of the *Financial Condition Evaluation*. The Coordinator must prepare the *Exit Plan* within 90 days of the close of the public record which was December 31, 2018. Contents of the *Exit Plan* must include those elements that may be necessary to "ensure termination of distressed status after three years, including, but not limited to:

1) The sale, lease, conveyance, assignment or other use or disposition of the assets of the distressed municipality
2) Functional consolidation of or privatization of existing municipal services
3) The execution, approval, modification, rejection, renegotiation or termination of contracts or agreements of the distressed municipality, provided, however, that the provisions of Section 252 shall apply to any Exit Plan adopted in accordance with this subchapter1
4) Changes in the form of municipal government or the configuration of elected or appointed municipal officials and employees as permitted by law"

The *Exit Plan* is subject to the same public notice, public meeting, and public comment as the *Financial Condition Evaluation*. The *Exit Plan* must be adopted by the governing body within 45 days of the Coordinator's meeting to accept public comment relative to the *Exit Plan*.

Strategies identified in this *Exit Plan* include but are not limited to the following:

- Strengthen the management team
- Pursue the Sale, Lease, and Disposition of Assets
- Identify Changes to the Structure of Government
- Enhance Revenue Generation
- Demand Cost Containment
- Developing a Capital Improvement Plan
- Focus on Economic Development
- Develop a Legislative Strategy

After the Coordinator's *Exit Plan* is adopted by the governing body, the Secretary of the Department of Community and Economic Development will issue a determination consistent with Section 257 of Act 47 and based on the recommendation of the Recovery Coordinator and the adopted *Exit Plan*.

The *Exit Plan* must be adopted by the governing body within 45 days of the Act 47 Coordinator's public meeting to take comment. After the Coordinator's *Exit Plan* is adopted by the governing body, the Secretary of DCED will issue a determination consistent with Section 257 of Act 47 and based on the recommendation of the Recovery Coordinator and the adopted *Exit Plan*.

1 Section 252 provides limitations on the ability of the Plan to affect certain collective bargaining agreements or settlements.

STRENGTHEN THE MANAGEMENT TEAM

One of the most important factors for achieving success in any local government is the professional ability of the management team. The management team must be professionally trained, experienced, and knowledgeable in City management. For purposes of this discussion, the management team includes the City Council, City Administrator, and Finance Director. In Aliquippa, there has been stability and consistency in the management team for the past seven (7) years.

- There have been only two (2) new members on City Council
- The City Administrator has occupied the current position for seven (7) years
- The Finance Director has occupied the current position for seven (7) years.

A stable, experienced, professional management team allows the City to:

- Implement necessary updates and upgrades for organizational stability
- Provide oversight and continuous monitoring of the budget process and budget execution
- Develop accountability for departments to meet expected standards of operation
- Provide Council with accurate and timely information for making policy decisions.

Retaining a professional management team for the long term must be a top priority for the City Council moving forward. Keeping key employees loyal is essential to a successful organization and identifying those benefits that can help ensure loyalty and long term service is critical. Initiatives that should be implemented and maintained are:

- Adopt a strong City Administrator ordinance establishing threshold qualifications, duties, and responsibilities
- Establish an equitable compensation system that rewards excellence and maintains a competitive compensation environment for the management team and department directors.
- Budget for professional development memberships and training to stay current with modern techniques.
- Review and adopt the draft *Personnel Handbook* prepared by the Act 47 team and edited by staff.
- Require the management team to carry out agreed upon initiatives that strengthen the City's ability to meet challenges, shocks, and stress.
- Empower the management team to make decisions and run the day to day operation of the City without interference from elected officials.
- Adopt a performance review process that holds the management team accountable for meeting goals.
- Always expect the highest level of integrity and professionalism from the elected officials, management team and department directors.

PURSUE THE SALE, LEASE, AND DISPOSITION OF ASSETS

The review of City non-revenue producing assets for the purpose of selling, leasing or disposing of them is required under Section 256 of Act 47 as part of the contents of the *Exit Plan*. A review has been made of the City's capital assets and the Coordinator has come to the conclusion that the City does not own any revenue producing assets that could be considered to be available for sale, lease or disposition. The City assets include the following:

- The City Building
- The Police Department Building
- The Fire Department/Public Works Building
- Various Parcels of Vacant/Blighted Property
- Community Park Property

It is concluded that there are no significant capital assets that could be made available for sale to raise capital funds to address liabilities. Furthermore, the City has no significant long-term liabilities – there is no long-term debt and the pension liabilities are manageable and supported through a special Earned Income Tax levy under Act 205.

IDENTIFY CHANGES TO STRUCTURE OF GOVERNMENT

Act 199 requires the *Exit Plan* to address changes to the form of government that will contribute to and support objectives that lead to a more stable and resilient City organization. A resilient City is defined as a city that can survive a traumatic blow to its physical infrastructure, its economy, or its social fabric and still retain its basic functions and structure. Moving towards resiliency means having a modern, streamlined, efficient government that meets the basic needs of the residents.

Aliquippa was originally incorporated as a borough in 1908 but, in 1987, the voters approved a ballot initiative to change the charter for Aliquippa to a City of the Third Class effective in 1988. The City's primary motivation for becoming a Third Class City was to take advantage of a provision that was only in the Third Class City Code that allowed for a "two-tier" property tax system (the ability to assess a different tax levy on land than on buildings). It was an attempt to force the J&L Steel operation to sell off vacant land by making it more expensive to hold than to sell. The strategy was not successful; however, the "two-tier" land value tax remains in effect to this date.[2]

When Aliquippa became a Third Class City, it was required to adopt the commission form of government that is established by the Code. Under this form of government, each of the five (5) Council members head a department. The Mayor is a member of Council and has the same one vote that each of the other Council members has. Of the 2,560 municipalities in the Commonwealth, there are 53 cities of the Third Class. Of these 53 cities, only 18 of them still operate under the Commission form of government. Some disadvantages of the Commission form of government are:

- There is no distinction between the legislative and administrative functions of the government, and therefore, administrative decisions become politicized.
- Because legislative and administrative functions and decisions are unified, there is an absence of "checks and balances."
- There is no central management and therefore no coordination or cohesion between departments and department activities.
- Elected Council members may not have specific administrative abilities, skills, and experience to do the job to which they are assigned.

HOME RULE CHARTER

Because the commission form of government is cumbersome and outdated, 19 of the Third Class Cities have become Home Rule municipalities through the Home Rule Charter process. The concept of home rule is relatively simple. The basic authority to act in municipal affairs is transferred from state law, as set forth by the General Assembly, to a local charter, adopted and amended by the voters. A home rule charter has been likened to a local constitution for the municipality. The home rule municipality can exercise any power or perform any function not denied by the United States or Pennsylvania constitutions, the General Assembly or its own home rule charter.[3] In other words, local governments without home rule can only act where specifically authorized

2 The "two-tier" land value method of levying property tax is now available in all Codes.

3 *City Government in PA*, an on-line publication from the PA DCED, 2017, pages 9-11
https://dced.pa.gov/download/City%20Government%20in%20Pennsylvania/?wpdmdl=70282

by state law; home rule municipalities can act anywhere except where they are specifically limited by state law. By adopting a home rule charter, the local government can have much more control over the structure of government, the participation of citizens, and the authority to adjust taxes to reflect local preferences.

PLACING THE GOVERNMENT STUDY COMMISSION QUESTION ON THE BALLOT

The Home Rule Law provides two alternate methods for placing the question of having a government study commission on the ballot. The question may be initiated either by (1) an ordinance of the municipal governing body; or (2) a petition of the registered voters of the municipality. The ordinance or petition must designate the question that will be placed on the ballot in drawing up the ordinance or petition. For the City's purposes, the following question is recommended:

> *"Shall a government study commission of (seven, nine, or eleven) members be elected to study the advisability of adopting a home rule charter; and if advisable, to draft and to recommend a home rule charter?"*

The petition or ordinance must designate whether the proposed government study commission is to have seven, nine or eleven members.

INITIATION BY ORDINANCE

An ordinance to place a government study commission on the ballot must be adopted by the City Council. There is no required form for the ordinance; however, it must specify the question to be placed on the ballot and designate the number of members to be elected to the government study commission. Within five days after the final enactment of the ordinance, the City Administrator must file a certified copy of the ordinance with the Beaver County Board of Elections together with a copy of the question to be submitted to the voters. The Board of Elections will submit the question to the voters at the next primary, municipal or general election occurring not less than the thirteenth Tuesday after the ordinance is filed. The deadline for filing an ordinance to appear on the next election ballot is thirteen weeks before the date of the election.

ELECTING MEMBERS OF THE GOVERNMENT STUDY COMMISSION

At the same election where the question of having a government study commission is on the ballot, voters are also asked to elect the designated number of members for the commission. Even voters who are opposed to having a government study commission should vote for members of the commission. The Home Rule Charter Law establishes a detailed procedure for simultaneously presenting to the electors two related questions – the first, whether a home rule study should be undertaken and secondly, the election of members to a study commission if the vote is favorable to such a study. 4

This process can take anywhere from 18 months to two years. For this reason, it should be initiated upon adoption of this *Exit Plan* so that it can be placed on the municipal election ballot that is scheduled for November of 2019.

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4 Home Rule in PA, DCED Publication, Tenth Edition, May 2018, www.dced.pa.gov

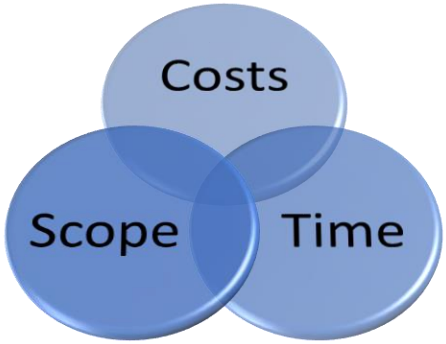
DEVELOP A CAPITAL IMPROVEMENT AND FUNDING PLAN

In most local governments, it is not possible to pay for large-scale capital projects such as roads, sewers, facilities, and large equipment purchases without the development of a long-term plan. Long term capital planning is an integral part of the overall budget process but it is distinctly separate and unique from the annual operating budget and merits special emphasis and attention.

A capital improvement plan (CIP) is a special budget document that is developed and utilized by the governing body to identify specific capital projects with corresponding funding sources that are scheduled over a multiyear period. The CIP should outline the estimated cost for each project together with supporting documentation. The formal CIP document should identify supporting funds for each project through identified revenue sources such as dedicated fees, debt financing proceeds, and committed and pending grant funds. The CIP should also provide a recommended time frame for carrying out the implementation of specific projects.

The CIP process should include the Council and all relevant staff and should identify specific goals for the City, such as the following:

- Providing a logical and effective replacement and upgrade of infrastructure (road, bridges) systems;
- Addressing compliance issues mandated by federal and state agencies such as sanitary and storm sewer regulations;
- Analyzing possible funding sources;
- Planning for the expansion and/or enhancement of facilities and equipment necessary for the provision of the continued quality of municipal services for residents.



The identified projects should be funded through sources that match the useful life of the projects. This approach is in contrast to general operating budgets that are funded through annual tax levies, fees, and miscellaneous revenue. The following are logical funding sources for capital projects:

- Capital reserve fund (transferred from GL fund excess revenue)
- Dedicated fees (e.g., sewer fees, water fees, transportation impact fees)
- Long-term general obligation bonds and notes
- Short-term notes, loans, credit lines, and lease purchase agreements
- Grants from federal, state, local, and private sources

By utilizing these funding sources, the burden for residents is spread over the useful life of the project rather than assessing a large fee or tax in a single fiscal year. Ultimately, the Council, through the CIP process, will make important decisions about what projects will be undertaken and what priorities are set in order to meet the goals identified in the CIP. There are several areas where the City should begin to develop long-term CIP processes.

ENHANCE REVENUE GENERATION

There are several revenue generating strategies that are available to the City and should be pursued in order to stabilize and sustain the revenue base of the City for the long-term.

LOCAL SERVICES TAX

In 2016, the City increased the Local Services Tax from $52 to $104 pursuant to the taxing authority provided under Act 199 which resulted in an additional $100,000. The City uses the Local Services Tax (LST) to support General Fund activities. However, upon the exit from Act 47, the City will be required to revert to the $52 that is permitted under Act 511 for all municipalities in the Commonwealth. The City stands to lose about $100,000 due to that reduction. In anticipation of this reduction, the City should begin to designate the proceeds from this revenue source to a Capital Reserve Fund to build capital reserves for infrastructure and facility projects. The City Council should also meet with local legislators to request the continuance of the use of the higher LST for public safety purposes beyond the exit from Act 47 status. (The City of Scranton has already achieved this objective.) This is discussed in greater detail under *Legislative Strategies.*

PAYROLL PREPARATION TAX

The City should begin to research, calculate, and analyze whether it is feasible and advantageous in the long-term for the City to move from the business taxes to the payroll preparation tax under Section 123 (d) (2) of the Municipalities Financial Recovery Act. This is a new taxing authority option under Act 199 of 2014 amending Act 47 to allow for the use of the payroll preparation tax in place of the business taxes. Once established and approved by the Common Pleas Court, this tax may continue to be levied even after a termination of the City's Act 47 distressed status. The payroll information can be obtained from the City's EIT Collector, Berkheimer Associates, and some preliminary analysis will have to be conducted regarding the base for this tax which excludes tax-exempt employers. Meetings should be scheduled with the City Council to completely review which employers will be subject to the new tax and which will be exempt. A public education process will be necessary to implement the proposed taxing authority. This should be undertaken during fiscal year 2020.

STORMWATER MANAGEMENT FEES

The City system of pipes and basins shows signs of the need for repair and replacement. The City has limited funding sources other than the general fund to address storm water infrastructure needs and the requirements of the mandated MS4 program. For this reason, the City should consider implementing a stormwater utility fee. Communities in Pennsylvania have begun to create authorities to study, implement and manage stormwater utilities. There are various methods used to develop fees for residential and commercial properties as well as credit systems for retaining and implementing sound stormwater management practices.

MARKETING COMMUNITY SERVICES

The City Administrator, Finance Director, and Fire Chief should investigate revenue generators from marketing community services to nearby municipalities. There are at least three opportunities that can be implemented quickly.

- *Quick Response Services* (QRS) are currently provided by the fire department. One revenue enhancement would be to work with the local EMS provider to add a QRS fee for responses to the ambulance billing. This is standard practice in many communities.

- *Commercial Fire Code Inspections*: The City could use on-duty firefighters to supplement code enforcement activities by having firefighters trained to conduct commercial fire under the *International Fire Code*. Fees should cover basic fire department expenses for providing this service. These services could also be marketed to surrounding municipalities for a fee that covers the cost of providing the services.

- *Rental Inspections:* The City could require regular rental inspections and have PCI complete the inspections and charge for the cost of inspection and an administrative fee. Fees for code enforcement and rental inspections can be benchmarked against the fees charged by the comparable communities.

DEMAND COST CONTAINMENT

It is important for the City to explore various cost containment strategies including limiting the number of personnel in all departments to current staffing levels or lower. No position should be filled without a complete analysis of the value that the position brings to the organization for the long-term. Other strategies for containing costs are identified below.

DEVELOPING AND MONITORING THE BUDGET

Budgetary solvency is a government's ability to generate sufficient revenue over its normal fiscal year to meet its expenditures and avoid deficits. Although, the City adopts a balanced budget annually, some revenue categories have been overestimated and expense categories underestimated in the past. As a result, the City has experienced structural deficits for two (2) of the past five (5) years because it did not meet its revenue projections or expenditure limits. Although the budget process has improved over the past 3 years, the City must budget revenues and expenditures more accurately to avoid deficits in the future.

As part of the Financial Condition Evaluation (Appendix A), a review of the most recently audited financial statements was completed in order to evaluate the accuracy of the City's budgeted amounts in the general fund relative to the actual revenue received and expenditures incurred. There were several substantial discrepancies identified between budget and actual numbers.

In 2017 and 2018, the City financial position improved in terms of budget solvency. In other words, the City collected more revenue than budgeted and was able to demonstrate an excess of revenue over operating expenditures. This will improve the City's overall fund balance and long-term solvency. However, the cash flow at year-end was problematic because the grant reimbursement requests were not submitted on time and as a result, the grant funds were not reimbursed to the General Fund in time for the first payroll of the new year and invoice obligations. The system for reimbursement of grant funds must be improved in the future. The City should monitor cash flow so that, if there will be an initial shortfall in the early months of the new budget year, the City uses a Tax Anticipation Note to provide cash flow in January through March when the revenue from garbage fees, Act 511 revenue, and real estate taxes is typically available.

MULTI-COMMUNITY SERVICES

PARTICIPATION IN BEAVER COUNTY COG

One method to reduce costs and generate revenue is to engage with other communities to provide multi-community services. The City Administrator and Council should open discussions and negotiations with the surrounding officials working through the Beaver County Council of Governments relative to a potential sharing or contracting for public services.

REGIONAL FIRE SERVICE

Another potentially ripe opportunity for working towards a more regional approach is the provision of fire

It is absolutely essential that the City adopt a balanced budget (without using reserves) by 2020

services. The City Administrator and Fire Chief should continue the effort to market the services of the Fire Department to surrounding communities for fee-based contracts including commercial fire inspections. These efforts should include the continuing use of mutual aid agreements with adjacent communities. The Fire Chief should also continue efforts in the region to recruit volunteer firefighters to supplement the Aliquippa paid fire department.

LABOR COUNSEL

The City should continue to use competent labor counsel to negotiate collective bargaining agreements in order to continue to contain costs related to compensation, leave, and benefits. Act 133 limits will control the total expenditures of personnel and benefits through 2022.

ENERGY REDUCTION

Demand for energy is predicted to soar in the coming years. The energy performance of a City's infrastructure and building fabric is a key determinant of its capacity for resilience and sustainability. Reducing a City's per capita energy consumption is critical to reducing the impact of stress on the economic base. Some cities have actually appointed an energy and sustainability professional to oversee these activities for the City organization and for City residents.

Energy reduction is a key component of a resiliency framework. The City should take the following steps to improve its management of utility costs:

- Monitor utility usage and billing for all facilities to track trends and exceptions, including electricity, gas and water.
- Review billing to ensure that the City pays only for those charges that are properly allocable to the City. The City shall also ensure that any utility services to be paid by other parties using City facilities are billed promptly.
- Managing turn-on and turn-offs of facility meters, and ensuring that changes are enacted as requested; final meter readings are taken, where appropriate; and generally, that the City has no more services than it needs.
- Pursue lower rates through direct negotiation, aggregation of usage with other entities or a reverse energy auction. For example, the City of Pittsburgh and three municipal authorities have conducted reverse energy auctions and have successfully lowered electricity rates.
- Continue current efforts to reduce utility usage by investing in energy efficiency improvements. As energy conservation emerges as a national priority, the City should be alert for federal, Commonwealth and other external grant opportunities. In some cases, the improvements can be funded directly from the savings generated.

FOCUS ON ECONOMIC DEVELOPMENT OPPORTUNITIES FOR GROWING THE TAX BASE

Communities that are financially distressed must first work to address budget solvency and cash flow solvency issues. Once financial stability is addressed, it is critical to begin to focus on economic development opportunities to provide long-term solvency by strengthening the tax base. During the first two years under the Sixth Amended Plan, the City worked on achieving financial stability and has been relatively successful in establishing a conservative budget that supports the City operation. During the third and fourth year under the Sixth Amended Recovery Plan, the City began to focus on creating a more stable, strong, and resilient tax base through creating and advancing economic development opportunities.

THE ALIQUIPPA ECONOMIC DEVELOPMENT CORPORATION AND THE NPP

In 2016, the City Council created and supported a new economic development agency for the City, the Aliquippa Economic Development Corporation (AEDC). But the newly created AEDC required professional contracted services to carry out community and economic development initiatives that were set forth in the Sixth Amended Act 47 Recovery Plan. In early 2017, the City applied for Act 47 funds to engage the Beaver County Corporation for Economic Development (BCCED) to act as the AEDC's executive director and staff and to carry out the following duties:

- Review of existing development and redevelopment plans, including but not limited to the 2011 Redevelopment Plan
- Identification of high probability and high priority economic development projects.
- Identification of potential funding sources to support development projects.
- Preparation and submission of applications for funding including but not limited to: Business in Our Sites, Redevelopment Capital Assistance Program (RCAP), Neighborhood Assistance Program (NAP), Neighborhood Partnership Program (NPP), Keystone Communities Fund
- Staffing and attendance at AEDC regular meetings.
- Regular consultation and communication with DCED, Act 47 Coordinator, City Officials, and Management

The AEDC, through collaboration with the City Council, the Beaver County Corporation for Economic Development (CED), County of Beaver (County), Housing Authority of Beaver County and community organizations and with funding support from BNY Mellon developed an NPP plan. By deriving benefits from the NPP, the AEDC will address the community, economic, and social challenges that have contributed to the City's distressed status for thirty years. The City also applied for Keystone Community funds to provide for the demolition of 3 commercial buildings at the Franklin Avenue east end redevelopment site. The NPP projects include:

- The acquisition and demolition of dozens of abandoned and condemned structures to remove blight and create sites for new housing, side yards, and amenities;
- The creation of a digital media lab and classroom for technology classes in B.F. Jones Memorial Library to provide educational and training services for young people and skills development for all ages;
- Development of a partnership with the Beaver County Housing Authority to provide housing rehabilitation funds to qualified home owners;

- Development of a partnership with PA Job Training for Beaver County Inc. to execute the Aliquippa Targeted Job Success Workshop to prepare adults for employment;
- Development of a partnership with the Salvation Army to provide food bank and emergency food assistance programs to meet the basic needs of low-income residents; and
- The demolition of three remaining commercial buildings on the redevelopment site on the eastern end of Franklin Avenue immediately adjacent to PA Route 51 and the entrance to the Aliquippa Industrial Park.

The NPP is a six-year program supported by funds from BNY-Mellon in the amount of $500,000 per year for six (6) years. In return, BNY Mellon receives $400,000 in annual tax credits through 2023. Additionally, Aliquippa received a $365,000 grant through DCED's Keystone Communities Program for the demolition of the identified properties in the priority development area on Franklin Avenue.

BLIGHT STRATEGY PLAN

The City has been awarded a grant through the PA Housing Alliance to develop a Blight Strategy Plan that is funded by DCED. This plan is based on the publication from *Blight to Bright* and a process detailed in the publication, *We Can Do This: A Five-Step, Fast Track Blight Plan* published by the Housing Alliance of Pennsylvania in 2016. The grant will provide technical assistance for the development of strategies specific to City neighborhoods and the enhancement of code enforcement efforts. The City officials, AEDC staff, Blight Committee, and City staff are leading this study effort which is partially funded by DCED.

MARKET RATE HOUSING STUDY

The City, through the AEDC, completed a market rate housing study that goes directly to the preservation and redevelopment of City neighborhoods and the ability of the City to replenish the housing stock with market rate housing. The City and AEDC will use the information from this study to attract future development for a priority residential development and for in-fill housing throughout the City neighborhoods.

REDEVELOPMENT SITES

In February of 2019, the City applied for Act 47 funds to contract with a development specialist to address two priority redevelopment sites in the City. Community development and the redevelopment of properties in the City must be a high priority strategy because these activities will reduce blight, result in increased property values, leverage private investment, increase tax revenues and spur future development in the City. A focused strategy will ensure the long-term sustainability of the City. This is especially important timing for the City given the nearby construction of the Shell Industries ethane cracker in Beaver County and the ability of the City to enjoy whatever benefits can be derived from this economic development.

As part of the redevelopment and community development objectives, the City plans to focus on two specific redevelopment sites:

The Bricks Site (near the intersection of Temple Street and Carroll Street) was a previously constructed 80+ multi-family unit

neighborhood.5 The historic "bricks" structures were company houses built during the expansion of the steel industry when Aliquippa was experiencing growth. The entrance to the "bricks" is immediately adjacent to the Aliquippa High School. The blighted structures were demolished over the years but the land remained vacant. The site now stands cleared and ready for residential development.

The parcels are currently owned and controlled by the Beaver County Redevelopment Authority. Previously, there was an attempt to redevelop the site but, unfortunately, the prospective developer declined to continue with the project after a significant public investment in the infrastructure (roads, water, and sewer) was made. There has been interest in redeveloping the site since then, but no development ever occurred. The site is located within a short drive (15 miles) to one of the largest economic development projects in the Commonwealth: the Shell Industries ethane cracker. In 2016, the Shell Chemical Appalachia LLC announced it would build a long-awaited petrochemical plant in Beaver County that will transform the state's shale gas industry. Construction of the massive polyethylene complex in Beaver County will create up to 6,000 construction jobs and 600 permanent jobs over the next few years. With increased jobs comes the increased demand for new housing opportunities and the "bricks" site in Aliquippa is a perfect redevelopment site for market-priced residential housing.

The Franklin Avenue Redevelopment Site (near the intersection of Franklin Avenue and the Route 51 ramps) is a group of assembled parcels that total 4.5 acres owned and controlled by the City of Aliquippa and the Beaver County Redevelopment Authority. The final two commercial structures were recently demolished through the use of DCED Keystone Communities grant funds. This site is located immediately adjacent to vehicular ramps that provide access and egress to Route 51, a major highway corridor along the Ohio River. The site is also within 200 yards of the Aliquippa Industrial Park containing 22 active warehousing, light manufacturing, and wholesale operations. Given the site location, the end use is likely to be commercial.

5 There are pictures and an entry for these historic places in the Library of Congress.

DEVELOP A LEGISLATIVE STRATEGY

There are a number of legislative initiatives that should be pursued by the City to address the ability to derive sufficient revenue to support the provision of basic City services. This will require meetings with local legislators to build support and advocacy for changes to the state laws.

LOCAL SERVICES TAX (LST)– RETAIN HIGHER RATE

Act 199 of 2014 which amended Act 47 provided relief for financially distressed municipalities in the form of special taxing authority relative to the LST. Recognizing that the cities are the centers for business and government activity and social services access for residents throughout the counties, the financially distressed municipalities were afforded the ability to raise the rate from $52 per employee to $104 per employee per year (with a $15,600 exemption for low-income employees). In 2016, the City used this authority to raise the LST which, in turn, generates approximately $200,000 annually. These funds are used to support critical public safety services. However, these funds do not survive an exit from Act 47 and the City stands to suffer a loss of $100,000 at the exit date. There is no way for the City to make up this shortfall because the City is at its taxing limits in all categories of taxing authority. Legislative action is needed to amend Act 47 §123(d)(1) by including new language that states:

> "After approval by the court of the tax at a rate not to exceed $104, the municipality may levy the tax in any subsequent year without additional court approval, **including any year after the termination of the municipality's distressed status,** at a rate not to exceed that initially approved by the court. The proceeds from the special local services tax rate shall be used solely to defray the additional costs required to be paid pursuant to this act which are directly related to the public safety of the municipality."

COUNTYWIDE REASSESSMENT

The City has long suffered from outdated, inaccurate, and inconsistent property assessments. In fact, the City's total assessed value is actually less than it was in 2009 more than a decade ago. This forces the City to constantly raise its millage rate and the City is now at its taxing maximum which is 30 mills for a Third Class City. **Table 1** provides a complete review of the City's assessed value over the past six (6) years and the taxes that are generated from the assessment.

TABLE 1 - CITY OF ALIQUIPPA TOTAL ASSESSED VALUE AND REAL ESTATE COLLECTION 2013-2018

YEAR	ASSESSED VALUE	% INCREASE OR DECREASE	TOTAL MILLS	TAXES BILLED	LESS 2% DISCOUNT	ACTUAL COLLECTION	$/MILL	COLLECTION RATE
2013	87,649,790	-3.9%	27.9	2,445,429	2,396,520	1,864,547	66,830	77.80%
2014	87,445,427	-23.0%	27.9	2,439,727	2,390,933	1,912,412	68,545	79.99%
2015	85,891,877	-1.8%	27.9	2,396,383	2,348,456	1,927,516	69,087	82.08%
2016	85,916,477	0.0%	27.9	2,397,070	2,349,128	1,759,828	63,076	74.91%
2017	86,097,827	0.2%	28.1	2,419,349	2,370,962	1,882,370	66,988	79.39%
2018	86,525,452	0.5%	30.0	2,595,764	2,543,848	2,015,000	67,167	79.21%

SOURCE: CITY OF ALIQUIPPA SIXTH AMENDED RECOVERY PLAN

In December of 2015, a group of taxpayers led by Charles Betters, a business owner, filed a complaint *in mandamus* to compel Beaver County to perform a countywide reassessment resulting in *Betters, et.al. v Beaver County*. The last countywide reassessment performed by the County Commissioners was in 1982, and the complaint argued that the County has been applying insufficient and outdated methods for valuing properties, which are grossly inequitable and non-uniform. In *Betters, et. al. v. Beaver County*, the Commonwealth Court affirmed the trial court's determination that Beaver County's base-year method of property valuation violated the Uniformity Clause of Article VIII, Section 1 of the Pennsylvania Constitution and the Consolidated Assessment law and mandated the County Commissioners to complete a countywide reassessment of all property by 2020. But County officials are taking one last shot to avoid a court-mandated property reassessment by authorizing the County Solicitors to appeal the Commonwealth ruling. The Beaver County Commissioners filed a Petition of Allowance for Appeal to the Pennsylvania Supreme Court on January 16, 2019.

The City should monitor this case carefully because it could impact the City's ability to apply an equitable tax rate in the future.

CONCLUSION

The City must adopt immediate strategies for avoiding future deficits and/or reductions in City services to prepare for a successful Act 47 exit in fiscal year 2022. Section 257(c) provides that "if three years have elapsed since the adoption of an exit plan without a recommendation as provided in subsection (b), the secretary shall terminate the distressed status of the municipality." Barring a declaration of fiscal emergency (subsection b), the City will be forced to exit Act 47 no later than June 30, 2022.

This *Exit Plan* provides clear and concise strategies for moving the City to a successful exit and a more resilient framework. These strategies include:

- Strengthen the management team
- Identify Changes to the Structure of Government
- Enhance Revenue Generation
- Demand Cost Containment
- Developing a Capital Improvement Plan
- Focus on Economic Development
- Develop a Legislative Strategy

Building a stronger community that is resilient is not just about balancing the budget and providing quality services – it is also about:

- Finding ways to save money and achieve long-term efficiencies
- Improving infrastructure and facilities
- Improving access to City services through quality customer service
- Growing the economy and tax base
- Strengthening the neighborhoods and preserving the community fabric
- Decreasing our overall negative impacts on the environment

The Act 47 Recovery Team stands ready to provide the resources and technical assistance to pursue and implement these strategies. But it will take the combined leadership of City Council, City staff, stakeholders, and the residents of the City of Aliquippa to achieve a successful exit from the program and to emerge as a stronger more resilient community that can withstand the future shocks, stresses, and adverse events in the future.

Section §256(c)(1) of Act 47 states that "not later than 45 days following the Coordinator's public meeting to hear comments on the exit plan, the municipal governing body shall enact an ordinance approving the implementation of the plan, including enactment of necessary related ordinances and revisions to ordinances."

APPENDIX A – FINANCIAL CONDITION EVALUATION

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INTRODUCTION

Since 2014, the Commonwealth of Pennsylvania's Department of Community and Economic Development ("DCED") has engaged *Grass Root Solutions (GRS)* to serve as the Act 47 Recovery Coordinator for the City of Aliquippa (the "City"). In this capacity, the Recovery Coordinator's responsibilities include monitoring the financial progress of the City, providing consultation and advice to the City's elected officials and administrative staff, periodically reviewing and updating the City's financial Recovery Plan, and monitoring the City's implementation of the Recovery Plan.

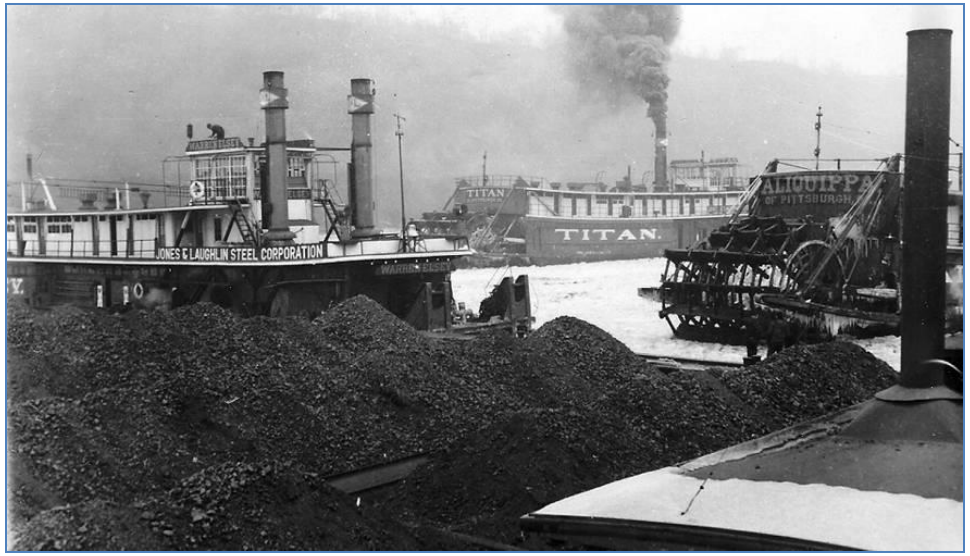
Act 199, which amended Act 47 and was enacted in 2014, provides that municipalities operating under a Recovery Plan shall be subject to a termination of financial distress designation on the date that is five years from the effective date of the most recent Recovery Plan. For the City of Aliquippa, the relevant Recovery Plan for this timeline is that Plan adopted as of June 30, 2014. Further, Act 199 requires that the Recovery Coordinator complete a report, prior to the end of the five year period, evaluating the financial condition of the municipality, and including one of the following findings:

1) conditions within the municipality warrant a termination of distressed status;
2) conditions are such that the municipality should be disincorporated;
3) conditions are such that the DCED Secretary should request a determination of a fiscal emergency; or
4) a three-year extension plan is warranted.

This Financial Condition Assessment report reflects the Recovery Coordinator's assessment as required by Act 199. Pursuant to the Act, the report will include:

- **Background** – Review of the City's involvement in the Municipalities Financial Recovery Act Program.
- **Progress under Act 47** – Statement as to whether the conditions that led to the determination of fiscal distress have been alleviated.
- **Financial Condition** – A complete review of the City's current financial condition and projection of future condition.
- **Preliminary Findings** - Recommendations as to which of the options under Section 255(a) is recommended by the Coordinator.
- **Coordinator's Recommendations** - Continuing recommendations to ensure the City will achieve an adequate level of financial stability.

HISTORY



Located along the Ohio River, approximately 25 miles northwest of the City of Pittsburgh, Aliquippa was founded by the merger of three towns: Aliquippa, Woodlawn, and New Sheffield. In 1878, Aliquippa was formed as a borough and named for the Seneca Indian Queen Aliquippa. It was one of several stations along the Pittsburgh and Lake Erie Railroad route. Aliquippa was best known in the first part of the 20th century as the location of a productive steel mill constructed by the Jones and Laughlin Steel Company along the Ohio River beginning in 1905. Employment at the facility sustained a population high of over 27,000 by 1940. The mill eventually closed due to the collapse of the steel industry during the mid-1980s. This major economic loss added to the overall trend of transition to the suburbs caused a major population loss through the end of the 20th century. This loss of economic activity has left the City chronically depressed with a population estimated to be about 9,300 in 2014.

ACT 47 CONSULTING FIELD WORK

In a petition notarized on October 21, 1987, the Borough of Aliquippa (the Borough had not yet been incorporated as a City of the 3rd Class) filed a petition requesting that the Department of Community Affairs (Department) determine its eligibility as a distressed municipality under Act 47 of 1987. Section 201 of Act 47 sets forth 11 criteria, at least one of which must be present in order for a municipality to be considered for a distress determination by the Department.[6] In its petition to the Department, the Borough indicated its belief that specific Section 201 criteria, namely (1), (2), (6), (7), and (8) were present. After the Department conducted the field consulting work, it was determined that the Borough could be considered for a distress determination, because it met criterion 6. The Department did not find the presence of criteria (1), (2), (7).

[6] 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 (DCED). Under the legislation, Act 58, of 1996, The Department of Community and Economic Development was given the authority to administer Act 47, the Municipalities Financial Recovery Act.

Under criterion 6, the Department noted the following:

> The Borough failed to remit the 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 – $20,000 and 12/26/84 – $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:

- 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 were likely unless corrective actions were taken.
- 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 the Department'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, the Department would entertain an application for an emergency loan. Following a public hearing, Aliquippa was declared a distressed municipality by the Department on December 22, 1987. Aliquippa requested an emergency loan under the provisions of Act 47 in the amount of $460,000 in order to address 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.

PROGRESS UNDER ACT 47

The initial Recovery Plan for the City 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 on June 11, 1988. Under the requirements of Act 47 the Recovery Plan provided numerous recommendations to improve City operations as well as financial projections for a three-year period. The Recovery Plan was subsequently approved by the City Council on July 14, 1988.

FIRST UPDATED RECOVERY PLAN

Prior to December 31, 1990, a re-evaluation 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 were, in fact, still present. The extension of the distress status would provide additional time to see if any challenges to the two tier real estate tax system would occur. J & L Structural Steel Company (a greatly downsized but nonetheless successor and major industrial employer in the City) had its assessment decreased from $957,400 to $700,000 for the years 1991 and 1992. The decline in population also continued with an approximate 30% reduction between 1980 and 1990 (from 17,094 to 13,375 in 1990). The extension also provided the opportunity to fairly evaluate the effectiveness of the City Administrator position under the new ordinance and Third Class City code structure. Finally, and of critical importance, the extension gave the City the additional time necessary to measure actual financial performance with the introduction of a garbage/recycling collection fee.

SECOND UPDATED RECOVERY PLAN

Prior to December 31, 1992, a second re-evaluation of the distressed status, provided for under Act 47, was conducted by the Department. The re-evaluation report and subsequent Recovery Plan Revisions, dated February 1993, were prepared by William Gamble, Plan Coordinator, Municipal Administrative Consultant with the Department.

The Plan recommended the continuation of the distress status for the City. 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 Director, it was concluded that the distress status for the City should be continued for at least another year. This conclusion was based on the following reasons:

- Management stability, although strengthened by the City Administrator's position, was still of concern until the Finance Director's position was filled

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

THIRD UPDATED RECOVERY PLAN

Prior to December 1995, a third evaluation of the distressed status was conducted by the Department. William Gamble, the Recovery Plan Coordinator and Augie Stashe, a Financial Consultant prepared the re-evaluation and subsequent Recovery Plan Provisions, dated November 1995. That report stated that the City had made great strides in implementing the 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 concluded 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 noted that the City's assessed valuation on land decreased from 1991 to 1993 by $1,350,660, which translated into a revenue loss of $109,404, given the same tax rate. In fact, 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 that led to an assessed value decrease 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.

In 1998, the DCED initiated a review of the distressed status of the City. 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 City 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.

FOURTH UPDATED RECOVERY PLAN

DCED-GCLGS policy specialist William Gamble undertook a review of the City's financial condition as planned in 2003. The financial review outlined in the 2003 report demonstrated 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 communities in Pennsylvania and around the nation, created a devastating effect on the City's progress achieved over the years prior to 9-11. As a result of the 2003 evaluation, it was recommended that the distress status determination be continued until a review and update could take place in 2007.

It should be noted that William Gamble retired from the DCED-GCLGS in April of 2004. In June 2005, Deborah Grass, Local Government Policy Specialist with the DCED-GCLGS was appointed as the Act 47 Coordinator for the City and became responsible for the implementation of the City's recovery activities and the update of the City's Sixth Amended Recovery Plan.

FIFTH UPDATED RECOVERY PLAN

In 2007, the DCED-GCLGS, this time under the supervision of Deborah Grass, initiated a review of the distressed status of the City. The financial projections for 2007 through 2010, as presented in the report, depicted the gradual strengthening of fund balances after a number of years during which the City experienced devastating pension liabilities that drove the fund balance to deficits in excess of half a million dollars. The revenue collection was projected to make some slight but consistent positive trending and the pension liability was expected to continue to be adequately addressed.

After reviewing the status of the plan recommendations, past fiscal trends, the historic decline in assessed valuation, the increase in pension liabilities coupled with the delinquent status of the MMOs, and future budget projections, it was clear that the distress factors were not alleviated for a sufficient period of time to provide any level of confidence that the City could operate without the assistance that Act 47 provides. It was, therefore, concluded that the distress status for the City 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.

It should be noted that Deborah Grass left the DCED-GCLGS in March of 2008 and Ed Fosnaught, Local Government Policy Specialist, was appointed to oversee the City's Recovery Plan. Mr. Fosnaught, as the City's Recovery Coordinator, initiated discussions about the City's improving financial condition with the City and DCED and recommended that a Plan be developed that contemplated the City's exit from Act 47.

SIXTH UPDATED RECOVERY PLAN

In 2014, DCED contracted with *Grass Root Solutions* to work with Ed Fosnaught as the City's Act 47 Recovery Coordinator and to update the City's 2007 Recovery Plan. After conducting a thorough review of the status of the prior Plan recommendations, the financial history, and financial trend analysis, it was clear that some of the distress factors that were originally present at the time that the original distress determination was issued continued to exist in the City. Specifically the ability to generate sufficient revenue on an annual basis to support operating expenses, capital expenses, and economic development activities was not present. There was no level of confidence, at that time, that the City could operate without the financial and technical assistance that Act 47 provides. It was, therefore, recommended that the distress status for the City of Aliquippa should be continued on a temporary basis.

However, it was further recommended that based on the strengthening financial position and positive outlook for the City over the next two years, that this Sixth Amended Recovery Plan contemplate an exit from the program and that the City request a hearing early in 2016 relative to an end to the distress determination status.

FINANCIAL CONDITION

DEFINING FINANCIAL CONDITION

Within the context of local government, financial condition is broadly defined as the ability to provide and finance services on a continuing basis. The International City/County Management Association (ICMA) uses the following definitions and timeframes when examining a local government's financial condition:

CASH SOLVENCY: A government's ability to generate cash flow over a 60-day period to pay its bills

BUDGETARY SOLVENCY: A government's ability to generate revenues over its normal fiscal year to meet its expenditures and avoid deficits

LONG-RUN SOLVENCY: A government's ability, in the long-term, to pay all costs of doing business, as well as meeting all costs, such as pension costs and accumulated accrued employee leave benefits, as they occur

SERVICE-LEVEL SOLVENCY: A government's ability to provide services at a certain level and quality that are required for the health, safety, and welfare of the community

According to the *Fiscal Management Handbook* published by the DCED-GCLGS, "fiscal or financial management is the process of obtaining funds to support the necessary services provided by your municipality and using those funds in an effective and efficient manner." Sound financial management, therefore, requires that local elected and appointed officials understand the financial components of the municipality's financial system and that they make prudent decisions about the allocation of precious and often limited community resources.

> *. . . financial condition is broadly defined as the ability to provide and finance services on a continuing basis . . .*

DEMOGRAPHIC PROFILE

As part of this Financial Condition Evaluation, the demographic information was examined to determine the City's capacity for generating revenue for public services. The City continues to exhibit demographic characteristics that are less affluent and more problematic than other communities in Beaver County and in the Commonwealth. The population has declined from a high of over 27,000 residents in 1940 to a low of about 9,102 in 2016. Forty-three percent (43%) of residents live in non-family households and 18% of the housing units in the City are vacant.[7] Nearly 30% of individuals are living below the poverty level

[7] The national average for housing vacancy rate in the United States is 10.9% according to the U.S. Census.

and the median household income is only $32,405 as opposed to the Beaver County average of $51,887. The median value of an owner-occupied housing unit is $65,200 in contrast to the county median average of $123,800. **Table 1** includes relevant demographic information from the 2014-2016 American Community Survey data through the US Census Bureau as updated and expanded by the Southwestern Pennsylvania Commission (SPC).

TABLE 1 – CITY OF ALIQUIPPA MUNICIPAL PROFILE – 2010 CENSUS

CATEGORY	CITY OF ALIQUIPPA	% OF TOTAL	BEAVER COUNTY	% OF TOTAL
Population	9,102		170,539	
Total Households	4,353		71,383	
Family Households	2,464	56.6%	47,156	66.1%
Non-Family Households	1,889	43.4%	24,227	33.9%
Total Housing Units	5,296		78,211	
Occupied Housing Units	4,353	82.2%	71,383	91.3%
Vacant Housing Units	943	17.8%	6,828	8.7%
Educational Attainment	College or Higher	15.0%	College or Higher	23.6%
Residents with Disability	1,980	21.5%	26,418	15.7%
Persons Below Poverty	2,709	29.5%	20,681	12.1%
Median Household Income*	$32,405		$51,887	
Unemployment - Males	285	7.3%	3,614	6.7%
Unemployment - Females	211	6.1%	2,334	4.3%
Median Value-Owner Occupied	$65,200		$123,800	
* Median Household Income reported in 2016 Inflated Dollars				

SOURCE: 2014-2016 AMERICAN COMMUNITY SURVEY, US CENSUS BUREAU, WITH UPDATES FROM SOUTHWEST PENNSYLVANIA COMMISSION

TAX BURDENS

One of the tools used to measure the revenue-generation potential for a community is to look at existing real estate tax burdens. Because real estate taxes are the primary source for supporting local government services and because the City is competing with other communities for residents and businesses, it is important to understand the comparative tax burdens. In order to analyze the real estate tax burden for residents in the City, information for 2017 local, county, and school district tax rates and housing median market values for Aliquippa and six comparable Third Class cities in western Pennsylvania was retrieved from the county websites and census data. This summary information is provided in **Table 2.**

TABLE 2 – 2017 MEDIAN REAL ESTATE TAX BILLS - COMPARABLE CITIES IN SOUTHWEST PENNSYLVANIA

CITY	COUNTY	2017 POPULATION	MEDIAN MARKET VALUE	2017 COMMON LEVEL RATIO FACTOR8	MEDIAN ASSESSED VALUE	2017 MILLAGE (LOCAL, SCHOOL, COUNTY)	2017 MEDIAN TAX BILL (LOCAL, SCHOOL, COUNTY)
Lower Burrell City	Westmoreland	11,367	$135,000	6.13	$22,023	138.44	$3,048.86
Uniontown City	Fayette	9,942	$80,700	1.4	$57,643	32.17948	$1,854.92
Jeannette City	Westmoreland	9,245	$84,800	6.13	$13,834	141.61	$1,959.03
Aliquippa City	Beaver	9,102	$65,200	3.98	$16,382	128.39	$2,103.28
Beaver Falls City	Beaver	8,581	$60,300	3.98	$15,151	124	$1,878.72
Monessen City	Westmoreland	7,413	$73,800	6.13	$12,039	136.83	$1,647.30
Connellsville City	Fayette	7,437	$85,100	1.4	$60,786	28.01248	$1,702.77

SOURCE: THE BEAVER, FAYETTE, AND WESTMORELAND COUNTY WEBSITES, 2017 DATA, AND U.S. CENSUS BUREAU

Table 2 shows the population and median market value of owner-occupied units as recorded by the 2014-2016 American Community Survey (ACS) which is part of the census data. The assessed value is then calculated by applying the Common Level Ratio (CLR), a state indexing number, to the market value. The value is multiplied by the millage rates for local, school, and county to determine the average tax bill for residents in that municipality. It should be noted that Connellsville and Uniontown have higher assessed values because Fayette County has a more recent reassessment making lower millage rates possible. The results demonstrate that the tax burden for Aliquippa residents is higher than the comparable Third Class cities with the exception of Lower Burrell.

The tax burdens comparison shown in **Table 2** does not tell the full story because it could be argued that residents in cities with higher median incomes can more easily afford to pay higher tax bills. For this reason, in **Table 3**, the tax burdens are refined by calculating what percentage of the median household income is used to pay the total real estate tax bill.

TABLE 3 – 2016 MEDIAN REAL ESTATE TAX BILL OF COMPARABLE CITIES AS PERCENTAGE OF INCOME

8 The common level ratios are calculated by the State Tax Equalization Board based on sales data, and both the common level ratios and factors based on the common level ratios are published each year in the Pennsylvania Bulletin. The common level ratio factors are the mathematical reciprocals of the common level ratios.

CITY	COUNTY	MEDIAN HOUSEHOLD INCOME	MEDIAN TAX BILL	% OF TOTAL TAX BILL TO HOUSEHOLD INCOME
Lower Burrell City	Westmoreland	$57,686	$3,048.86	5.29%
Uniontown City	Fayette	$26,485	$1,854.92	7.00%
Jeannette City	Westmoreland	$41,395	$1,959.03	4.73%
Aliquippa City	Beaver	$32,405	$2,103.28	6.49%
Beaver Falls City	Beaver	$30,372	$1,878.72	6.19%
Monessen City	Westmoreland	$36,319	$1,647.30	4.54%
Connellsville City	Fayette	$42,452	$1,702.77	4.01%

SOURCE: THE BEAVER, FAYETTE, AND WESTMORELAND COUNTY WEBSITES, 2017 DATA, AND U.S. CENSUS BUREAU

As shown in **Table 3**, households in the comparable cities pay between 3% and 7% of their household income for real estate taxes. Aliquippa residents pay, on average, 6.49% of their income which is higher than any of the other comparable cities. Meanwhile, Connellsville residents pay only 4.01% of their income. The tax burden for poorer communities is high because household incomes are low.

In addition to cities of the same size and demographics as shown in **Table 3**, a second analysis of tax burden was conducted for the communities that are in close proximity to the City in Beaver County. This review compared the respective tax burdens of households in nine neighboring communities to the tax burden of the residents in the City of Aliquippa. Again, the tax burden was calculated by adjusting the median market value by the CLR and then multiplying that by the mills of tax levied by the local government, county, and school district. The results are shown in **Table 4**.

TABLE 4 – 2016 REAL ESTATE TAX BURDEN OF NEIGHBORING COMMUNITIES IN BEAVER COUNTY

MUNICIPALITY	COUNTY	2017 POPULATION	MEDIAN MARKET VALUE	2017 COMMON LEVEL RATIO	MEDIAN ASSESSED VALUE	2017 MILLAGE (LOCAL, SCHOOL, COUNTY)	2017 MEDIAN TAX BILL (LOCAL, SCHOOL, COUNTY)
Hopewell Township	Beaver	12,382	$124,200	3.98	$31,206	112.2	$3,501.32
Center Township	Beaver	11,652	$166,000	3.98	$41,709	90.06	$3,756.27
Aliquippa City	Beaver	9,102	$65,200	3.98	$16,382	128.39	$2,103.27
Economy Borough	Beaver	9,288	$166,900	3.98	$41,935	118.7941	$4,981.59
Ambridge Borough	Beaver	6,787	$66,200	3.98	$16,633	139.7941	$2,325.22
Monaca Borough	Beaver	5,591	$100,400	3.98	$25,226	108.56	$2,738.55
Baden Borough	Beaver	3,998	$99,100	3.98	$24,899	131.7941	$3,281.61
Harmony Township	Beaver	3,084	$98,900	3.98	$24,849	135.2941	$3,361.96
Conway Borough	Beaver	2,129	$130,000	3.98	$32,663	107	$3,494.97
Freedom Borough	Beaver	1,512	$64,300	3.98	$16,156	110	$1,777.14

SOURCE: THE BEAVER COUNTY WEBSITE, 2017 DATA, AND U.S. CENSUS BUREAU

Median market values of housing in Beaver County vary extensively with a low value in Freedom Borough of $64,300 to a high value of $166,000 in Center Township. This is a $101,700 difference in median market values between the highest and lowest neighboring communities. The results in **Table 4** indicate that the average tax bill for households in the City of Aliquippa, while higher than other Third Class cities, is lower than neighboring communities with the exception of Freedom Borough. For this reason, the average tax bill in the City is lower than any of the neighboring communities except Freedom Borough.

Again, in order to better understand the actual tax burden for households, it is important to review the median tax burden for the City residents in conjunction with the median income of the neighboring communities, as shown in **Table 5**.

TABLE 5 – REAL ESTATE TAX BURDEN OF NEIGHBORING COMMUNITIES AS PERCENTAGE OF INCOME

MUNICIPALITY	COUNTY	2017 POPULATION	MEDIAN HOUSEHOLD INCOME	2017 MEDIAN TAX BILL	% OF TOTAL TAX BILL TO HOUSEHOLD INCOME
Hopewell Township	Beaver	12,593	$62,569	$3,501.32	5.60%
Center Township	Beaver	11,795	$165,200	$3,756.27	2.27%
Aliquippa City	Beaver	9,438	$32,405	$2,103.27	6.49%
Economy Borough	Beaver	8,970	$78,578	$4,981.59	6.34%
Ambridge Borough	Beaver	7,050	$33,758	$2,325.22	6.89%
Monaca Borough	Beaver	5,737	$41,057	$2,738.55	6.67%
Baden Borough	Beaver	4,135	$40,365	$3,281.61	8.13%
Harmony Township	Beaver	3,197	$60,326	$3,361.96	5.57%
Conway Borough	Beaver	2,176	$51,364	$3,494.97	6.80%
Freedom Borough	Beaver	1,569	$37,778	$1,777.14	4.70%

SOURCE: THE BEAVER COUNTY WEBSITE, 2017 DATA, AND U.S. CENSUS BUREAU

In **Table 5**, the median tax burden for the City and its neighboring communities is calculated by determining what percentage of a household's median income is used to pay the median tax bill. Based on this calculation, households in the City, on average, pay about the same tax bills (as a percentage of income) as Economy, Ambridge, Monaca, and Conway. Baden residents actually have the highest tax burden based on this calculation. The neighboring communities pay between 2% and 8% of their median income for real estate taxes. Aliquippa residents pay 6.49% of their household income for real estate tax bills.

This means that the residents of Aliquippa have one of the lowest median incomes but, on average, have about the same tax burden as residents in the neighboring communities. They also pay more of their income than residents in other Third Class cities in western Pennsylvania. This is a built-in inequity in poorer communities. It will be important in the future to address the tax burden of residents in the City by diversifying the revenue base and increasing the efficiency of current collections.

GENERAL FUND OPERATIONS

As with most local governments, Aliquippa's General Fund is the primary fund for reporting the accounting entries that support day-to-day government operations, including the delivery of basic municipal services like police and fire protection. In addition to using the General Fund to record transactions related to essential municipal services, the City also makes debt service payments to cover principal and interest expenses on outstanding general obligation bonds and notes. The General Fund at about $6.8 million annually is primarily supported by taxes and fees including garbage/refuse collections. A five-year history of the City's General Fund total revenue and expenditures is shown in **Table 6**.

TABLE 6 – GENERAL FUND TOTAL REVENUES AND EXPENDITURES 2013-2017

YEAR	STATUS	REVENUE	EXPENDITURES	DIFFERENCE
2013	Actual	5,964,142	5,925,112	39,031
2014	Actual	5,826,005	5,932,299	(106,294)
2015	Actual	5,933,086	6,033,184	(100,098)
2016	Actual	6,167,139	6,097,156	69,983
2017	Actual	6,804,439	6,786,359	18,080

SOURCE: CITY FINANCIAL STATEMENTS AND GRS ANALYSIS

The City experienced deficits of ($106,294) in 2014 and ($100,098) in 2015. The City was able to accumulate small reserve funds in 2016 and 2017 when revenues exceeded expenditures. In 2018, unaudited financial reports indicate that there will be a slight positive balance. However, the projections moving forward as shown in **Table 7** indicate that the City will begin to experience deficits again beginning in 2019 unless initiatives are developed to address the projected gap. These gaps would be exacerbated if the City is required to reduce the local service tax from $156 to $52 upon the scheduled Act 47 exit.

TABLE 7 – GENERAL FUND PROJECTED REVENUES AND EXPENDITURES 2018-2022

YEAR	STATUS	REVENUE	EXPENDITURES	DIFFERENCE
2018	Projected	6,534,254	6,495,832	38,422
2019	Projected	6,348,666	6,397,656	(48,990)
2020	Projected	6,432,045	6,557,192	(125,147)
2021	Projected	6,519,066	6,720,087	(201,741)
2022	Projected	6,608,179	6,888,608	(280,428)

SOURCE: CITY FINANCIAL STATEMENTS AND GRS ANALYSIS

The following sections include a complete analysis of revenue and expenditure categories.

REVENUE ANALYSIS

Aliquippa's General Fund is overwhelmingly supported by taxes and fees for services. In 2013, the City's General Fund revenues were approximately $5.6 million. The revenues fluctuated over the next several years due to state grants that were received and spent. By 2017, the City's revenue had increased to $6.3 million.9 This is an 11% increase in the past five years or about 2.26% per year which is about the same as the Consumer Price Index (CPI) which has averaged about 2.3% per year. **Table 8** shows actual collections of General Fund revenues by category from 2013 through 2017.

TABLE 8 – GENERAL FUND REVENUE BY SOURCE CATEGORY 2013-2017

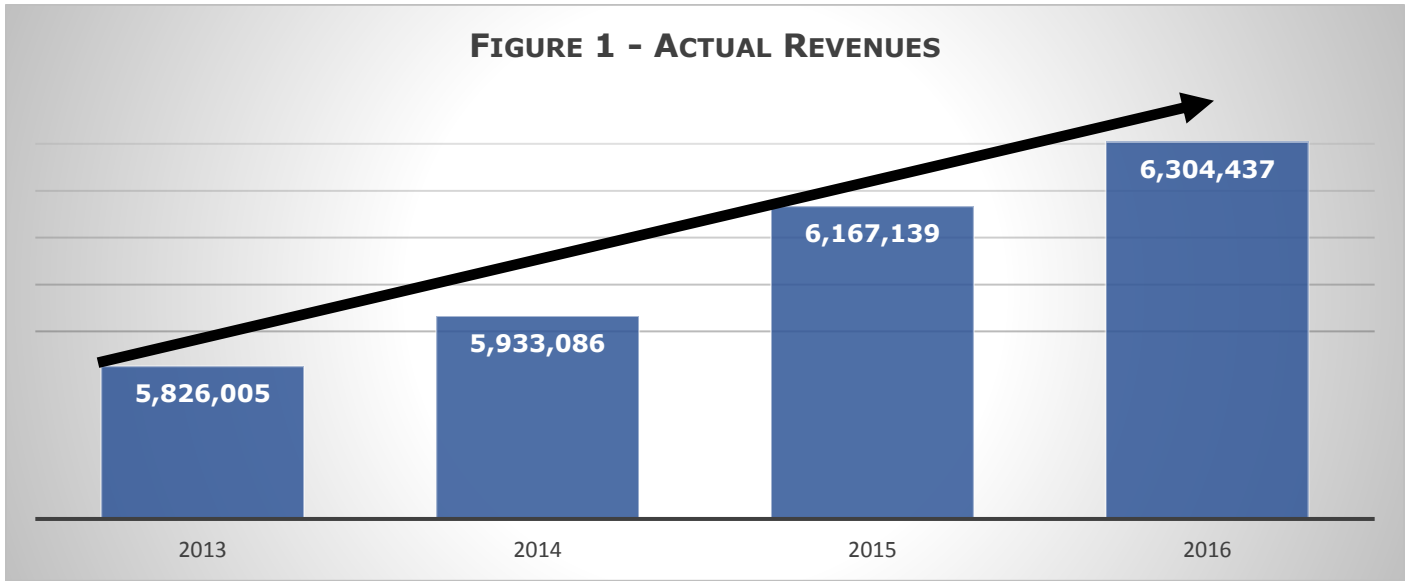
REVENUE SOURCE:	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	AVG ANNUAL
	2013	2014	2015	2016	2017	%Inc/Dec
Real Estate Taxes	2,092,839	2,285,781	2,300,301	2,314,577	2,275,507	1.75%
Act 511 Taxes	2,048,029	1,896,720	1,956,957	2,007,420	2,188,133	1.37%
Licenses & Permits	104,419	104,519	127,195	143,241	144,741	7.72%
Fines & Forfeits	54,517	38,856	39,647	38,125	32,042	-8.25%
Interest & Rents	0	0	0	51	290	93.73%
Intergovernmental	299,737	330,686	409,123	363,287	915,196	7.7%
Grants & Private Sources	3,809	5,148	4,492	0	2,273	-7.64%
Payment in Lieu of Tax	11,760	42,276	2,195	70,443	32,176	34.72%
Department Fees	144,554	206,091	126,495	280,997	220,562	10.52%
Garbage Fees	608,142	598,916	629,791	591,845	594,648	-0.44%
Miscellaneous Revenue	81,947	91,505	83,572	64,988	95,876	3.36%
Transfers & Proceeds	214,391	225,508	253,317	292,165	302,995	8.27%
Total Revenue	**5,664,142**	**5,826,005**	**5,933,086**	**6,167,139**	**6,304,439**	**2.26%**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

The only source of revenue that exhibited a healthy increase over the past five years was the *Department Fees* at a 10% increase. *Licenses and Permits* which is driven by the cable TV franchise fee, also demonstrated an increase of 7.72% per year. The other

9 It should be noted that the City received another $500,000 in state pass-through revenue in 2017 for the repair of the Henry J. Mancini bridge project that has been excluded from this Financial Condition Evaluation because it is not recurring revenue.

source of revenue that is increasing is the Payment in Lieu of Tax (PILOT) category.



SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

MAJOR SOURCES OF GENERAL FUND REVENUE

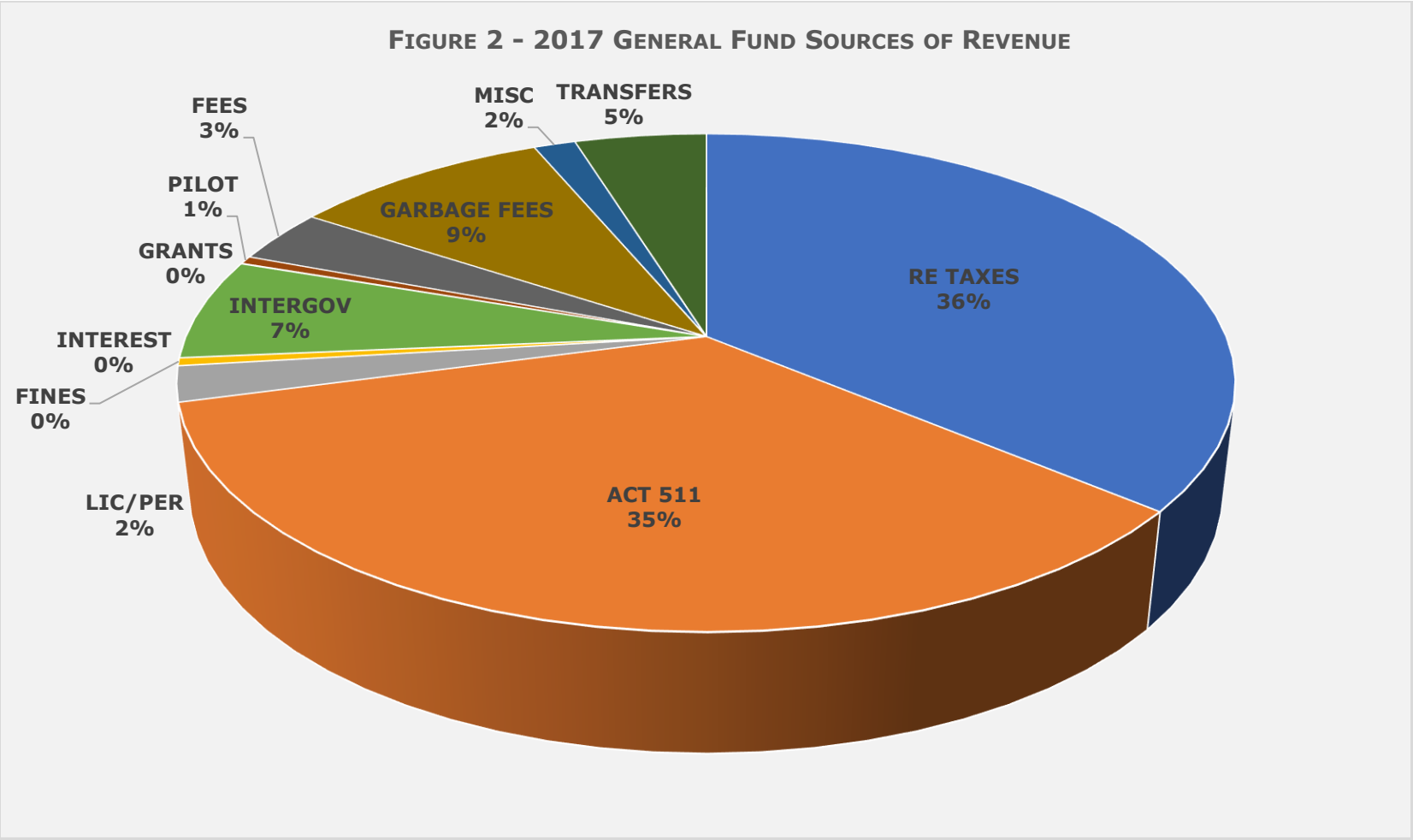
The major sources of General Fund revenue shown in **Figure 2** illustrate the types and percentages of the City's revenue categories. In 2017, real estate tax revenue accounted for roughly 36% of the City's total General Fund revenues and is the largest single source of revenue for the City. However, because of an outdated assessment system, the occasional commercial tax appeal, and the lack of significant economic activity, the assessed valuations, on which real estate tax levies are based, have exhibited only about a 1.75% increase per year. This means that the largest source of the City's revenue exhibits very little natural increase without increasing the millage rate.

In contrast, the EIT has been a relatively stable and increasing revenue source that makes up 32% of the Act 511 tax revenue collected. Since the City has moved to the countywide collection system in 2012 and Berkheimer Associates has taken over the collection, the City has realized a 60% increase in its collections for EIT. The largest part of the EIT collection, however, is derived from a special levy under Act 205 and is dedicated to

Taxes make up 71% of the revenue base, which makes the City more vulnerable to external economic conditions and outside influences.

the pension funds to address the pension liabilities. Nevertheless, this is a positive trend that indicates a healthier economic position for future years.

The next largest source of revenue, after taxes, is fees for services, including garbage collection, which make up about 12% of the total General Fund budget. About 80% of the fees that are collected are for garbage collection services. Many of the City's fees have not been increased for years and should be analyzed to ensure that the fee covers the cost of providing the service.



REAL ESTATE TAXES

In 2017, real estate tax revenue accounted for roughly 36% of the City's total General Fund revenues and is the largest single source of revenue for the City. **Table 9** shows a recent five-year history of the collection of real estate taxes.

TABLE 9 – REAL ESTATE TAX COLLECTION 2013-2017

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
REAL ESTATE TAXES	**2013**	**2014**	**2015**	**2016**	**2017**
Millage Rates	**27.9**	**27.9**	**27.9**	**27.9**	**27.9**
Real Estate Taxes - Current	1,864,547	1,912,412	1,927,516	1,759,828	1,882,370
Real Estate Taxes - Prior Yr.	172,725	176,305	143,039	157,980	157,111
Real Estate Taxes - Delinquent	55,567	197,064	229,746	398,769	235,026
TOTAL Real Estate	**2,092,839**	**2,285,781**	**2,300,301**	**2,314,577**	**2,275,507**

SOURCE: CITY OF ALIQUIPPA FINANCIAL REPORTS AND GRS ANALYSIS

The impact to the City over the years through the LTV appeals and current values is outlined in **Table 10** along with the millage rates for each year. Because Beaver County has not undertaken a current reassessment of properties and due to the lack of economic growth in the City, the assessed value for 2018 is only slightly higher today than it 25 years ago. As a result, the City has had to raise its millage to 30 mills, the maximum level permitted under the Third Class City Code without seeking Court approval each year.

TABLE 10 – HISTORY OF ASSESSED VALUE AND MILLAGE RATE FLUCTUATIONS 1993 – 2018

YEAR	ASSESSED VALUE	VARIANCE FROM 1993	% INC/DEC	MILLS
1993	$85,474,198			24
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

YEAR	ASSESSED VALUE	VARIANCE FROM 1993	% INC/DEC	MILLS
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
2009	$91,806,305	$6,332,107	4.86%	27.9
2010	$91,614,305	$6,140,107	-0.21%	27.9
2011	$91,391,465	$5,917,267	-0.24%	27.9
2012	$91,191,915	$5,717,717	-0.22%	27.9
2013	$87,649,790	$2,175,592	-3.88%	27.9
2014	$87,445,427	$1,971,229	-0.23%	27.9
2015	85,891,877	1,927,516	-1.78	27.9
2016	85,916,477	1,759,828	0.10	27.9
2017	86,097,827	1,882,370	0.21	28.1
2018	$86,525,452	$1,051,254	0.50	30.0

SOURCE: ALIQUIPPA FINANCIAL RECORDS, BEAVER COUNTY DATA, DCED MUNICIPAL STATISTICS WEBSITE

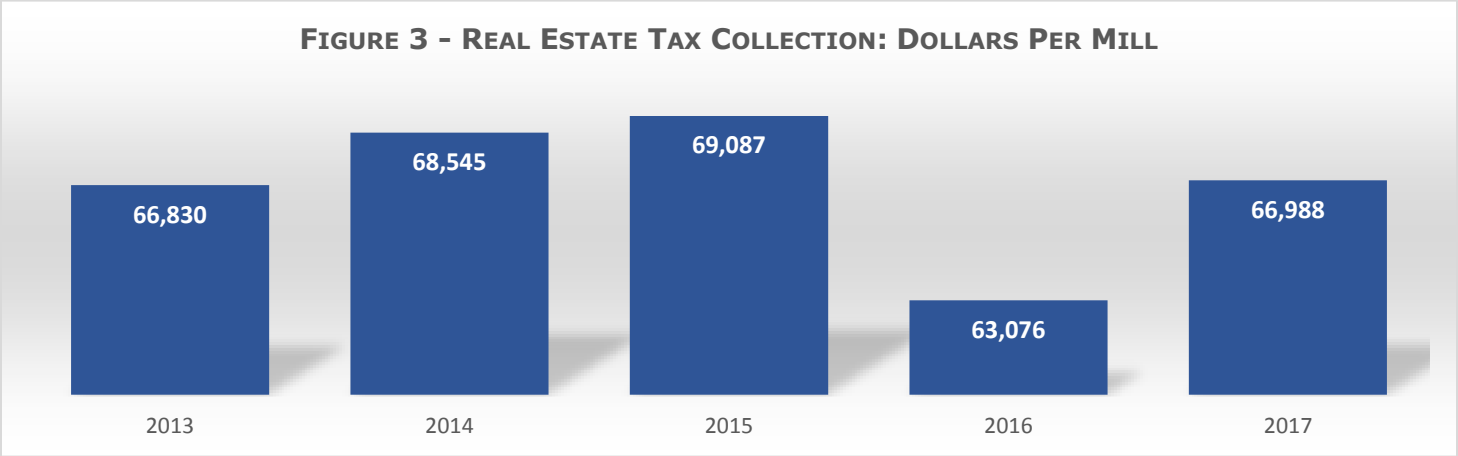
The 2019 Assessed Value is estimated to be $86,581,302 which is only a .06% increase from 2018. Compounding the problem of tax appeals and a flat assessment value, the rate of collection for current real estate taxes has been a problem for the City for years. At 79%, it is lower than most other municipalities in the Commonwealth. **Table 11** provides information about the actual real estate tax collections and millage rates over the past five years and the value of 1 mill of tax in each of those years.

TABLE 11 – REAL ESTATE COLLECTION RATES 2013-2017

YEAR	ASSESSED VALUE	% INCREASE OR DECREASE	TOTAL MILLS	TAXES BILLED	LESS 2% DISCOUNT	ACTUAL COLLECTION	$/MILL	COLLECTION RATE
2013	87,649,790	-3.9%	27.9	2,445,429	2,396,520	1,864,547	66,830	77.80%
2014	87,445,427	-23.0%	27.9	2,439,727	2,390,933	1,912,412	68,545	79.99%
2015	85,891,877	-1.8%	27.9	2,396,383	2,348,456	1,927,516	69,087	82.08%
2016	85,916,477	0.0%	27.9	2,397,070	2,349,128	1,759,828	63,076	74.91%
2017	86,097,827	0.2%	28.1	2,419,349	2,370,962	1,882,370	66,988	79.39%
2018	86,525,452	0.5%	30.0	2,595,764	2,543,848	2,015,000	67,167	79.21%

SOURCE: ALIQUIPPA FINANCIAL RECORDS, BEAVER COUNTY DATA, DCED MUNICIPAL STATISTICS WEBSITE

The current year real estate taxes are collected by the elected City Treasurer and processed in the Treasurer's Office. The City's collection rate for current year real estate tax bills has long been a source of concern. Although, it has improved over the past five years from 77% to 79%, it is still well below an acceptable rate of collection. In most municipalities, the collection rate is at 92% to 95%. Raising this collection rate to 90% would generate an additional $300,000 in revenue representing about 4.5 mills of tax. It is important for the City to address the current year collection rate with the City Treasurer in order to increase the ability to generate revenue.



SOURCE: ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

Through 1996, the Beaver County Tax Claim Bureau handled the disposition of delinquent real estate taxes on behalf of the City and the Aliquippa School District. Beginning with the tax year 1997, the City and the School District contracted with Portnoff Law Associates for delinquent tax collection, for two reasons: 1) to collect delinquent taxes more aggressively at an earlier date; and 2) to increase the current year collections. A quick glance at **Table 12** indicates that Portnoff was only moderately successful in its attempts to boost delinquent collections from 1997 through 2011. In 2012, the City canceled the contract with Portnoff and turned delinquent taxes over to the county Tax Claim Bureau in 2012 and 2013. Since 2013, the delinquent and prior year taxes has been collected by the Beaver County Tax Claim Bureau which has been moderately successful.

TABLE 12 – COLLECTION OF DELINQUENT TAXES 1993-2017

YEAR	REAL ESTATE TAX DELINQUENT & LIENED	VARIANCE FROM 1993	% INC/DEC
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%
2007	$336,131	$134,858	-4.20%
2008	$355,091	$153,818	5.64%
2009	$375,784	$174,511	5.83%
2010	$377,016	$175,743	0.33%
2011	$419,846	$218,573	11.36%
2012	$290,068	$88,795	-30.91%
2013	$228,292	$27,019	-21.30%
2014	$373,369	$172,096	63.55%
2015	$372,785	$171,512	-0.16%
2016	$554,749	$353,476	48.81%
2017	$393,137	$191,864	-29.13%
	Average Annual Increase		**6.35%**

The recent five-year history of delinquent tax collection is shown in **Table 13** below.

TABLE 13 – DELINQUENT TAX COLLECTION 2013-2017

Delinquent Tax Collection	
2013	$228,292
2014	$373,369
2015	$372,785
2016	$554,749
2017	$393,137

SOURCE: ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

REASSESSMENT OF PROPERTY

Beaver County performed the last countywide 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 30 mills in the Third Class City Code, it is necessary each year to seek approval from the Common Pleas Court. 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. In fact, Judge Wettick's order included a requirement for Allegheny County to conduct a countywide reassessment of property no later than 2010. Judge Wettick's decision was upheld by the Commonwealth Court and was eventually appealed to the PA Supreme Court. Although the Supreme Court upheld Judge Wettick's decision and Allegheny County, in fact, was forced to conduct a county-wide reassessment that was implemented in 2013, the Court decided the case narrowly and did not apply its decision to other counties. However, since that ruling, several other counties have opted for the reassessment procedure either because of pressure from municipalities or from other private interests. The City could benefit from such a county-wide reassessment because the City would be able to drastically lower its millage rate based on updated market-based assessment values. At this date, Beaver County has not announced a reassessment effort.

ACT 511 TAXES

The second largest source of revenue for Pennsylvania communities is the tax revenue collected under Act 511. Pennsylvania's Local Tax Enabling Act (Act 511 of 1965) empowers municipalities and school districts to levy a variety of different taxes to support General Fund revenue. These taxes, which are commonly referred to as Act 511 Taxes, are subject to maximum limitations based on the class of a municipality and/or school district. **Table 14** shows the Act 511 Taxes available to Pennsylvania's Third Class cities and the corresponding rates currently assessed by the City and the Aliquippa School District.

TABLE 14 – ACT 511 TAX RATES

	THIRD CLASS CITIES	CITY OF ALIQUIPPA	SCHOOL DISTRICT
	LEGAL LIMIT	TAX AMOUNT	TAX AMOUNT
PER CAPITA	$10	$0	$5
LOCAL SERVICES TAX (LST)[10]	$52	$47	$5
LOCAL SERVICES TAX (LST) UNDER ACT 47	$52	$52	$0
EARNED INCOME TAX	1% *(resident and nonresident)*	0.5%	0.5%
EARNED INCOME TAX – DISTRESSED PENSIONS[11]	No Limit	0.5% *(residents and non-residents)*	0
REAL ESTATE TRANSFER	1%	0.5%	0.5%
MECHANICAL DEVICES TAX	10%	$315	-
MERCANTILE WHOLESALE	1 mill	0.75%	-
MERCANTILE RETAIL	1 1/2 mills	0.5%	-
BUSINESS PRIVILEGE	No limit on other businesses	0	-0

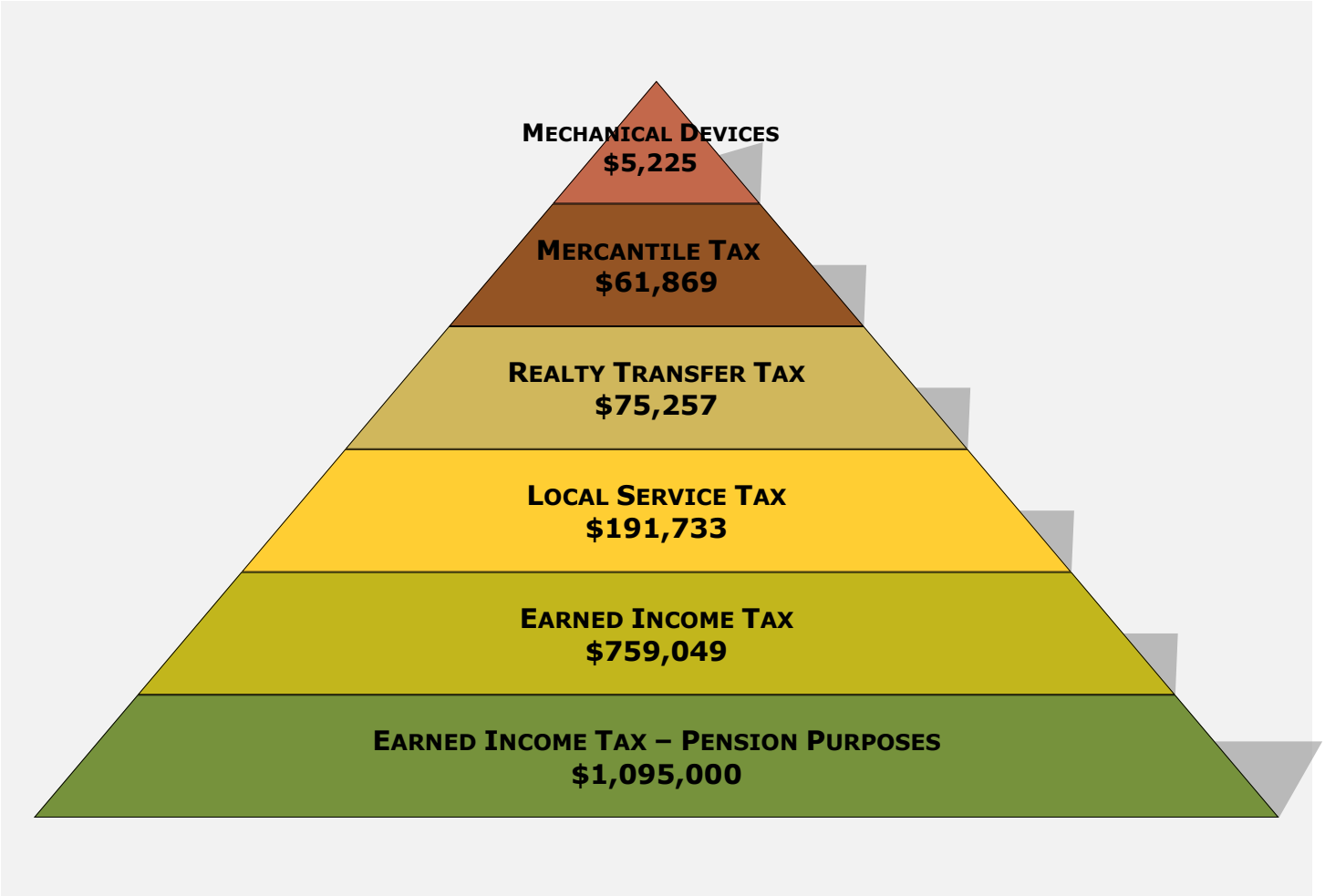
If only one taxing body levies the tax, the tax can be levied at its legal limit. However, if both taxing bodies levy the tax, the assessment must be shared equally between the municipality and school district. Unlike local property taxes, which tend to lag behind changes in the economy, Act 511 Taxes respond fairly quickly to market conditions. This is particularly true for Act 511 Taxes that are assessed on a flat-rate basis, such as the Per Capita Tax and Local Services Tax (LST). The City levies several Act 511 Taxes, all of which are assessed at the legal limit. Two of the Act 511 Taxes are split between the City and the Aliquippa

[10] Prior to 2008, this tax was known as the Occupational Privilege Tax. It is assessed on persons who are employed at a business within a jurisdiction. State law requires the exemption of taxpayers with annual incomes less than $12,000.

[11] Technically, the authority for this special levy is not provided under Act 511. The authority is provided under Act 205 for purposes of distressed pension funds.

School District: the EIT and the LST. Act 511 taxes are an important revenue source for the City. **Figure 3** shows how each Act 511 tax source contributed to the 2017 total Act 511 collection and how they relate to each other.

FIGURE 4 – ACT 511 TAX SOURCES – TYPES & AMOUNTS COLLECTED IN 2017



SOURCE: ALIQUIPPA FINANCIAL RECORDS AND GRS ANALYSIS

Table 15 provides a detailed breakdown of the history of Act 511 tax collection over the past five years. The Act 511 tax revenue has remained relatively flat at about $2 million per year.

TABLE 15 – ACT 511 TAX COLLECTION BY CATEGORY 2013-2017

ACT 511 TAXES	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual
Real Estate Transfer Tax	86,251	60,351	57,685	43,000	75,257
Earned Income Tax	772,604	671,482	683,527	682,109	759,049
Earned Income Tax - Pension	1,104,702	997,202	1,033,464	1,041,833	1,095,000
Mercantile Taxes	73,350	65,215	63,012	58,512	61,869
LST Tax (EMST)	48,021	85,800	86,439	163,991	191,733
Mechanical Devices	13,100	16,670	32,830	17,675	5,225
TOTAL ACT 511 TAXES	**2,048,029**	**1,896,720**	**1,956,957**	**2,007,420**	**2,188,133**

SOURCE: ALIQUIPPA FINANCIAL RECORDS AND GRS ANALYSIS

EARNED INCOME TAX

The collection of EIT is an extremely important revenue source for the City. Until 2011, Central Tax Bureau was the appointed collector for the City's EIT, Mercantile, and LST (formerly known as Occupational Privilege Tax) taxes. Act 32 of 2008 required all local governments in Pennsylvania to move to a countywide system and to appoint a single tax collector for each County for all EIT after December 31, 2011. The Beaver County Tax Collection Committee (TCC) selected Berkheimer Associates as the county EIT Tax Collector. Since 2012, the City has experienced over a 60% improvement in its collections. At approximately $2 million, EIT collection now makes up 32% of the City's revenue, although 50% of the EIT collected is dedicated to the pension funds to address pension liabilities. **Table 16** provides a historical review of the EIT collection for general purposes and pension purposes over the past 25 years.

TABLE 16 – EARNED INCOME TAX RATES AND COLLECTION 1993-2013

YEAR	EIT GL PURPOSES COLLECTION	EIT GL PURPOSES RATE	EIT PENSIONS COLLECTION	EIT PENSIONS RATE	EIT TOTAL COLLECTIONS	% INCREASE OR (DECREASE)
1993	$478,341	0.5			$478,341	
1994	$473,655	0.5			$473,655	-0.98%
1995	$502,605	0.5			$502,605	6.11%
1996	$473,354	0.5			$473,354	-5.82%
1997	$506,653	0.5			$506,653	7.03%

YEAR	EIT GL PURPOSES COLLECTION	EIT GL PURPOSES RATE	EIT PENSIONS COLLECTION	EIT PENSIONS RATE	EIT TOTAL COLLECTIONS	% INCREASE OR (DECREASE)
1998	$547,028	0.5			$547,028	7.97%
1999	$595,182	0.5			$595,182	8.80%
2000	$673,299	0.5			$673,299	13.12%
2001	$624,051	0.5			$624,051	-7.31%
2002	$523,488	0.5	$58,165	0.1	$581,653	-6.79%
2003	$466,256	0.5	$51,806	0.1	$518,062	-10.93%
2004	$479,184	0.5	$241,850	0.6	$721,034	39.18%
2005	$461,934	0.5	$593,134	0.6	$1,055,068	46.33%
2006	$458,211	0.5	$593,369	0.6	$1,051,580	-0.33%
2007	$551,320	0.5	$680,904	0.5	$1,232,224	17.18%
2008	$509,539	0.5	$796,232	0.5	$1,305,771	5.97%
2009	$494,928	0.5	$682,203	0.5	$1,177,131	-9.85%
2010	$513,542	0.5	$441,692	0.5	$955,234	-18.85%
2011	$447,024	0.5	$652,023	0.5	$1,099,047	15.06%
2012	$610,556	0.5	$727,307	0.5	$1,337,863	21.73%
2013	$722,604	0.5	$1,104,702	0.5	$1,827,306	36.58%
2014	$671,482	0.5	$997,202	0.5	$1,668,684	-8.68%
2015	$683,527	0.5	$1,033,464	0.5	$1,716,991	2.89%
2016	$682,109	0.5	$1,041,833	0.5	$1,723,942	0.40%
2017	$759,049	0.5	$1,095,000	0.5	$1,854,049	7.55%
	Average Increase					

HISTORY OF EIT COLLECTION

For years, Central Tax Bureau (CENTAX) collected EIT, Mercantile, and Occupation Privilege Tax on behalf of the City. 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 the City during this period; 3) Increased collection efforts on the part of Central Tax Bureau; and 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. The 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 Studios, a photography business located on Franklin Avenue, moved its 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.

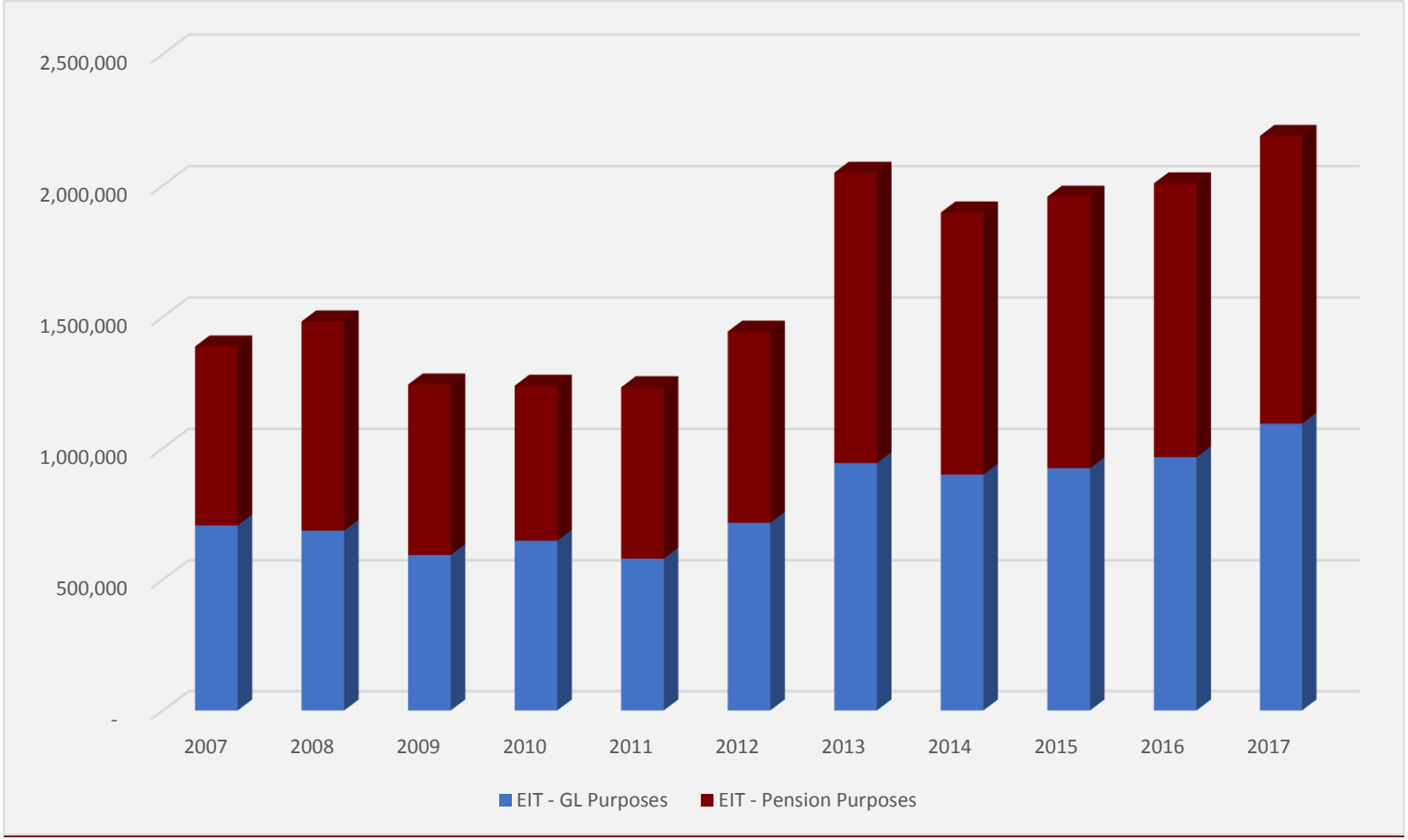
Between 2001 and 2003, the City's pension plans experienced actuarial investment losses of almost $4,000,000 and were classified by the state as Level III Distress. This deficit issue was faced by many municipalities throughout Pennsylvania after 9-11 and the corresponding losses in the stock market. In 2002 and for 2003, the City assessed a 0.1% special EIT levy under Act 205 dedicated to the pension funds. The City Council, in the 2004 budget, realizing the need to keep the pension plans sound and meet the need of City retirees in the future, voted to increase the EIT special levy to 0.6% for pension purposes to a total adopted EIT rate 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 0.6% 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 funding deficits 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 0.6% levy for the purposes of addressing delinquent MMO payments to the funds. This levy was reduced to 0.5% beginning in 2007 because the delinquent MMO payments were completely addressed by that time.

In 2009 and 2010, the City experienced losses in its EIT collection for the first time since the years after 9-11 partly due to a downturn in the economy and partly due to the fact that CENTAX was experiencing difficulty in its business practices and eventually declared bankruptcy. With fewer CENTAX employees to do collections, and ultimately a business failure, the City's collection numbers were lower than they had been for years. In 2012, the collection was transferred to Berkheimer Associates as part of the countywide collection system mandated by Act 32, and the City began to recover from the previous three years.

The recent collections have increased by over 60% under the new countywide system. In 2013 and 2014, the collections remain stable and strong and the special levy for pension purposes has been continued by the City at the 0.5% rate for residents and non-residents. The amount collected for pension purposes was $1,095,000 in 2017 and the funding gap and liabilities are being addressed through the enhanced collection. As a result, the City deposits far more than the required MMO into the pension funds each year and the funds are now classified as Level II Distress. **Figure 5** provides a review of the EIT collection for the past 10 years.

FIGURE 5 – EIT COLLECTION FOR GL PURPOSES AND PENSION PURPOSES 2007-2017



SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, SIXTH UPDATED RECOVERY PLAN, GRS ANALYSIS

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 LST. As the tax currently exists, local governments may collect LST not to exceed $52 from all persons who work within their jurisdictions who earn more than $12,000. 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 occupational privilege tax, the municipality may only collect $47 (the $52 reduced by the $5 that is distributed to the school district).

The City did not enact an ordinance to levy the LST until fiscal year 2013. During 2013, the City collected $48,000 from this source and the collection doubled to $85,000 by 2014. In 2014, the state General Assembly amended Act 47 to allow financially distressed municipalities to increase their LST to $104 (with the School District retaining their $5 share). The City adopted an ordinance in 2015 providing for the increase to the LST beginning in 2016. Currently, the City collects approximately $190,000 annually from this revenue source. This has been a steady and increasing source of revenue for the City as shown in **Table 17**. Unfortunately, the City will lose the ability to enact the special levy under Act 47 upon exiting and will need to replace nearly $90,000 in revenue.

TABLE 17 – LOCAL SERVICES TAXES COLLECTION 2013-2017

Year	LST Collection
2013	48,021
2014	85,800
2015	86,439
2016	163991
2017	191733

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

DEPARTMENT FEES FOR SERVICES

Fees for services, the third-largest revenue stream for the City at 12% of the overall revenue base, is made up of the categories shown in **Table 18.**

TABLE 18 – DEPARTMENT FEES FOR SERVICES – 2013-2017

DEPARTMENT FEES	2013	2014	2015	2016	2017
Housing Authority (PILOT)	11,760	42,279	2,195	70,443	32,176
No-Lien Letters	4,223	4,930	6,180	5,410	5,995
Zoning Permits	929	5,854	18,868	7,666	7,061
Rental Registration Fees	9,055	10,955	5,285	3,725	8,635
School District-Treasurers Office	50,557	49,403	0	100,474	59,956
School Crossing Guards	32,705	30,209	0	64,665	28,937
Sporting Events (Police)	580	8,488	11,633	31,936	23,750
Housing Authority (Patrols)	-	15,914	28,318	17,294	25,586
Sale of Copies	14,017	14,752	15,701	19,824	16,172
Building/Demolition Permits	26,944	60,061	34,422	22,023	37,989
Fire Department Services	228	120	165	45	20
Garbage/Recycling Fees	608,142	598,916	629,791	591,845	594,648
TOTAL DEPARTMENT FEES	**759,140**	**841,881**	**752,558**	**935,350**	**840,925**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

The most significant source of revenue within this category at 71% of the *Total Department Fees* are the garbage/recycling fees. Until 2012, the Housing Authority paid approximately $25,000 for police patrols at Linmar, which were recorded as "Housing Authority Patrols." Beginning in 2013, the City was notified that the Aliquippa Police Department would no longer be needed for the Linmar patrols. After several discussions with the Housing Authority and police union, the City began to conduct the patrols again on a limited basis in 2014. In 2015, the Aliquippa School District did not pay the City invoices for school crossing guards and for the Treasurer's Office until 2016 and there fore is no revenue shown in 2015 but a double payment was received in 2016. The City has also seen an increase in the PILOT due to an increased payment from Betters for the old Tin Mill site. The City generates an average of $840,000 from this revenue source.

GARBAGE AND RECYCLING FEES HISTORY

The collection of garbage and recycling fees has long been a serious problem for the City with only about a 60% collection rate.
In 2007, the City applied for an Act 47 grant in the amount of $14,000 to address the control, security, and efficiency issues around the utility billing activities. The installation of this software was completed early in 2008.

In 2018, the City Council took action to enter into an agreement with the Municipal Water Authority of Aliquippa (MWAA) to provide billing and collection of current year garbage fees beginning in 2019. This will allow the City to terminate water service for delinquent accounts and should result in a better collection rate. The City will continue to pursue prior year delinquent accounts for collection.

Table 19 provides a history of the garbage/refuse fees collected from 2013-2017.

TABLE 19 – GARBAGE AND RECYCLING FEES 1994 - 2006

YEAR	GARBAGE/RECYCLING FEE REVENUE
2013	$460,794
2014	$482,753
2015	$479,038
2016	$470,511
2017	$621,591

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

EXPENSE ANALYSIS

The City's General Fund includes the expenditures for the day-to-day operation of the City including but not limited to: public safety, public works, code enforcement, and administration. The City's Total General Fund expenditures in 2017 was approximately $6.212 and expenses have increased at about 12% in the past five years or 2.35% per year which is slightly higher than the revenue which increases at about 2.26% per year. **Table 20** provides a five-year history of the City's total expenditures by use category.

TABLE 20 – GENERAL FUND EXPENSES BY USE CATEGORY 2013-2017

EXPENSE USES	ACTUAL 2013	ACTUAL 2014	ACTUAL 2015	ACTUAL 2016	ACTUAL 2017	AVG Annual % Inc/Dec
General Government	305,473	356,438	322,200	314,346	361,460	3.67%
Tax Collection	85,107	84,417	89,926	84,902	85,530	0.10%
Personnel Admin	703,808	166,590	228,374	162,750	187,018	-14.69%
Data Processing	93,688	33,897	130,718	116,356	66,030	-5.90%
Government Buildings	68,107	64,658	58,739	58,106	49,325	-5.52%
Police13	1,014,878	1,536,937	1,526,360	1,621,927	1,549,182	10.53%
Fire14	517,370	1,172,429	823,107	820,423	890,660	14.43%
Planning & Zoning	41,111	69,263	55,055	36,332	43,664	1.24%
Garbage	460,794	482,753	479,038	470,511	621,591	6.98%
Highways15	660,250	855,532	834,088	892,756	909,955	7.56%
Recreation	14,659	15,745	3,500	13,000	3,000	-15.91%
Debt Service	100,856	98,481	67,899	57,936	9,656	-18.09%
Pension Payments	1,353,002	884,336	1,294,614	1,321,270	1,388,648	0.53%
Insurance	206,009	110,823	119,565	126,541	120,640	-8.29%
TOTAL EXPENSES	**5,625,112**	**5,932,299**	**6,033,184**	**6,097,156**	**6,286,359**	**2.35%**

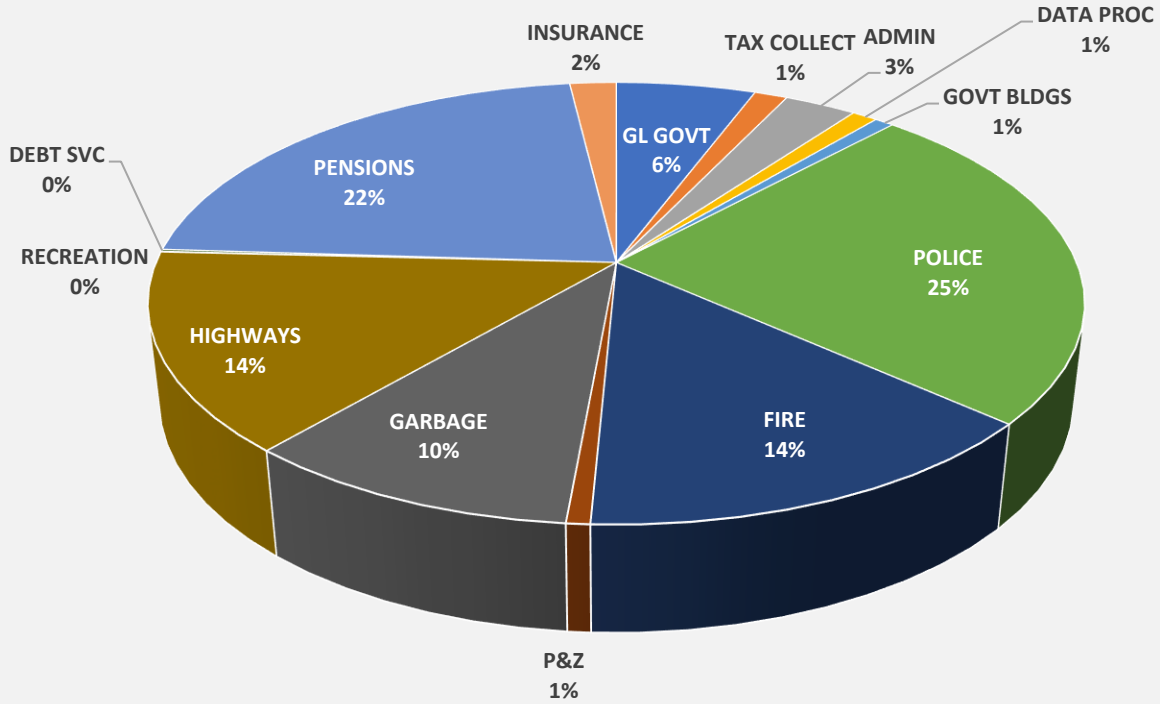
12 It should be noted that there was a capital expenditure of approximately $500,000 in 2017 that was deducted from this budget analysis because it is a non-recurring expenditure.
13 In 2014, health care benefits associated with the police were distributed from personnel administration to the police department.
14 In 2014, health care benefits associated with the fire department were distributed from personnel administration to the fire department.
15 In 2014, health care benefits associated with the public works department were distributed from personnel administration to the highways department.

GENERAL FUND EXPENSES BY USE

> . . . the public safety services provided by the City make up 39% of the City budget leaving the remainder to be split among all other City departments and services . . .

The General Fund expenditures by use are shown in **Figure 6** illustrating the types and percentages of the City expenditure categories for 2017. The police department expenditures accounted for about 25% of the City's total General Fund expenditures and is the largest single expense for the City. Pension payments at 22% of the expenditures is the second largest expenditure. The Street Department and Fire Department at 14% each are the next largest expense categories. The public safety services provided by the City make up 39% of the City budget leaving the remainder to be split among all other City departments and services. The only other significant expenditure category is for garbage and recycling services at 10% of the total budget. Debt service is well below the acceptable threshold for local government expenses.

FIGURE 6 - GENERAL FUND EXPENDITURES BY USE



SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

GENERAL GOVERNMENT

The General Government category captures routine governmental expenses related to the legislative, executive, and finance administration for the City. **Table 21** provides a five-year history of the General Government expenditures.

TABLE 21 – GENERAL GOVERNMENT EXPENDITURES 2013-2017

GL GOVERNMENT	2013	2014	2015	2016	2017
Salary - Mayor	2,400	2,400	2,600	2,200	2,400
Salaries - Council	7,200	7,050	7,800	6,600	6,450
Salaries - Clerical	68,351	70,189	73,725	85,009	86,406
Longevity	252	0	294	336	420
Salary - Finance Director	34,645	40,222	37,625	25,547	48,960
Salary - Administrator	54,700	57,898	69,580	82,507	76,041
Retainer - Solicitor	15,250	0	13,750	14,240	13,750
Administration Overtime	0	16,250	0	0	0
Vacation Buy Back Admin	7,988	0	11,224	6,219	5,010
Sick Buy Back	0	9,015		0	0
Office Supplies	8,626	8,757	6,072	9,026	6,421
Hospitalization-Admin					30,659
Life Insurance		296		0	0
Auditing Services	10,438	8,838	8,892	3,092	14,834
Bank Fees			0	0	0
Engineering Services	11,270	19,795	0	8,450	18,399
Other Legal Services	61,219	79,374	58,554	36,519	27,149
Litigation Fees	0	5,000		0	0
Postage	5,268	7,989	8,812	4,792	4,506
Advertising & Printing	6,792	9,747	4,791	5,029	3,461
Surety Bonds	963	888	888	794	794
Rental of Equipment	1,981	2,460	2,372	2,684	2,475
Assoc. Dues & Subscripts	541	291	736	932	1,524
Conference & Seminar Exp.	1,308	1,599	1,229	2,304	2,000
Miscellaneous Expenses	6,282	8,380	13,257	18,066	9,801
Total GL Government Expenditures	**305,473**	**356,438**	**322,200**	**314,346**	**361,460**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

The expenditures for General Government increase at about 3.67% per year. The annual average expense for General Government is about $332,000 per year and includes the City Administrator, Finance Administrator, Engineer, Solicitor, Auditor, and clerical compensation.

Currently, the positions of City Administrator, Finance Director and the administrative staff have been stable for six years. The stabilization and competence of these individuals contribute 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.

POLICE DEPARTMENT

The City Police Department currently is made up of 18 police officers including the police chief. There has been considerable disruption and turmoil in the department over the past two years. There have been relentless vacancies through terminations, resignations, and retirements. As a result, the overtime expenditures have increased exponentially and are outside of the parameters of the Recovery Plan compensation limits. **Table 22** provides a history of police department expenditures for the past five years.

TABLE 22 – POLICE DEPARTMENT EXPENDITURES 2013-2017

POLICE	2013	2014	2015	2016	2017
Salary – Chief	46,639	52,093	49,081	56,382	54,795
Salary – Sergeants	171,864	211,006	194,183	204,132	213,179
Salary - Patrol Officers	261,879	276,340	284,548	364,214	237,577
Wages - Crossing Guards	51,471	51,868	56,431	51,389	45,631
Wages - PT Dispatchers	24,660	24,402	25,459	26,505	26,501
Salary – Captain	50,313	93,076	85,829	59,768	52,008
Salary - Asst. Chief	37,246	33,918	39,857	44,696	52,519
Longevity	8,959	5,821	7,821	7,725	6,606
Linmar Patrols	-	14,668	25,858	23,801	22,636
Overtime Pay	83,119	118,942	94,657	126,440	203,687

POLICE	2013	2014	2015	2016	2017
Holiday	37,789	39,746	31,370	30,843	30,746
Court Time	44,948	37,976	33,497	33,521	23,038
Vacation Work	48,585	65,049	51,722	52,101	53,281
Uniform Allowance	10,192	10,018	11,349	11,600	12,855
Office Supplies	12,514	15,599	19,593	20,042	19,468
Hospitalization Reimbursement	36,130	55,708	63,388	57,491	54,294
Fuel	46,694	53,209	35,534	29,204	32,637
Public Safety Supplies	10,513	18,213	8,454	22,784	11,852
Vehicle Maintenance & Repair	24,520	27,341	32,350	37,653	43,855
Workers Comp-Police	0	128,770	164,687	148,190	154,707
Hospitalization Ins-Police	0	189,383	194,232	189,074	179,106
Group Life Ins-Police	0	7,053	8,678	8,008	6,728
Radio Repairs	0	0	0	9,698	0
Contracted Services	2,465	3,745	4,273	5,039	5,197
Maintenance & Repair	2,163	1,178	530	0	5,184
Training & Seminars	3,214	1,818	2,981	1,627	1,095
TOTAL POLICE EXPENDITURES	**1,014,878**	**1,536,937**	**1,526,360**	**1,621,927**	**1,549,182**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

There has been considerable disruption and turmoil in the department over the past two years. There have been relentless vacancies through terminations, resignations, and retirements.

By 2022, it is expected that the police department expenses will be over $1.7 million and make up about 26% of the City budget. The projections are detailed in **Table 23:**

TABLE 23 – POLICE DEPARTMENT PROJECTED EXPENDITURES 2018-2022

POLICE	2018	2019	2020	2021	2022
Salary - Chief	57,271	58,700	60,168	61,672	63,213
Salary - Sergeants	198,628	203,400	208,485	213,697	219,040
Salary - Patrol Officers	266,526	274,000	280,850	287,871	295,068
Wages - Crossing Guards	45,965	47,000	48,175	49,379	50,614
Wages - Part Time Dispatchers	27,380	28,065	28,767	29,486	30,223
Salary - Captain	87,283	89,465	91,702	93,994	96,344
Salary-Asst Chief	47,850	49,050	50,276	51,533	52,821
Longevity Pay	6,896	7,075	7,252	7,433	7,619
Linmar Patrol	17,074	17,500	17,938	18,386	18,846
Overtime Pay	231,792	238,000	243,950	250,049	256,300
Holiday Pay	36,186	37,000	37,925	38,873	39,845
Court Time Pay	16,366	16,775	17,194	17,624	18,065
Vacation Work Pay	41,174	42,205	43,260	44,342	45,450
Uniform Allowance	15,508	15,895	16,292	16,700	17,117
Office & Police Supplies	18,221	18,675	19,142	19,620	20,111
Hospitalization Reimbursement	37,484	38,400	39,360	40,344	41,353
Vehicle Fuel	27,499	28,200	28,905	29,628	30,368
Public Safety Supplies	17,371	17,805	18,250	18,706	19,174
Vehicle Maint & Repair Supplies	39,606	40,595	41,610	42,650	43,716
Workers Comp-Police	138,947	142,420	145,981	149,630	153,371
Hospitalization Ins-Police	193,111	198,000	202,950	208,024	213,224
Group Life Ins-Police	6,122	6,275	6,432	6,593	6,757
Misc. Contracted Services	6,478	6,640	6,806	6,976	7,151

POLICE	2018	2019	2020	2021	2022
Maintenance & Repair	210	215	220	226	232
Training & Seminar Expenses	1,403	1,450	1,486	1,523	1,561
Police Equipment	-	15,000	15,375	15,759	16,153
TOTAL POLICE	**1,582,350**	**1,637,805**	**1,678,750**	**1,720,719**	**1,763,737**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS.

FIRE DEPARTMENT

The Aliquippa Fire Department consists of nine full-time and two part-time firefighters including the fire chief. The 2017 fire department budget includes employee benefits and $890,660. The department protects 9,300 residents covering 4.5 square miles. It also receives and responds to mutual and automatic aid calls to surrounding communities.

Over the past four years the department responded to an average of 1100-1300 calls per year, of which 55-70% were medical first responder calls (Quick Response Services). Nine percent to 12% were False Alarms, and about 3% were structure fires. All calls have been declining about 6% per year, except for structure fires, which are steady at 42-48 per year.

TABLE 24 – FIRE DEPARTMENT EXPENDITURES 2013-2017

FIRE	2013	2014	2015	2016	2017
Salary - Chief	55,783	65,761	57,298	58,731	60,028
Salary - Captains	208,809	209,434	181,931	182,773	191,017
Salaries - Firefighters	135,044	140,593	145,218	144,181	144,411
Wages - Part Time	979	0	1,511	6,855	16,480
Longevity	6,206	6,923	5,226	5,302	5,121
Overtime Pay	47,664	376,745	71,108	88,991	98,365
Holiday Pay	24,343	78,789	21,399	22,241	23,076
Vacation Work Pay	1,404	20,390	10,597	10,028	6,616
Uniform Allowance	4,092	5,121	3,420	4,607	5,337
General Supplies	2,123	3,513	10,165	19,781	69,195

FIRE	2013	2014	2015	2016	2017
Hospitalization Reimbursement	9,621	3,008	9,018	9,155	10,037
Vehicle Fuel	3,333	5,587	3,650	2,964	3,650
Vehicle Maint & Repair Supplies	12,547	12,069	17,606	26,763	9,727
Workers Comp-Fire	-	72,725	92,014	79,466	77,608
Hospitalization Ins-Fire	-	143,847	171,313	147,524	157,503
Group Life Ins- Firemen	-	3,900	5,245	6,048	5,292
Minor Equipment	3,901	16,048	14,683	2,658	4,739
Misc. Contracted Services	810	2,220	1,052	896	978
Maintenance of Buildings	-	4,811	635	159	1,230
Training & Seminar Expenses	664	945	20	1,300	250
Miscellaneous Expenditures	45	0	-	-	-
TOTAL FIRE	**517,370**	**1,172,429**	**823,107**	**820,423**	**890,660**

By 2022, it is expected that the fire department expenses will be about $951,000 and be about 15% of the total budget. The projections are detailed in **Table 25**:

TABLE 25 – FIRE DEPARTMENT PROJECTED EXPENDITURES 2018-2022

FIRE	2018	2019	2020	2021	2022
Salary - Chief	59,388	60,875	62,397	63,957	65,556
Salary - Captains	185,392	190,100	194,853	199,724	204,717
Salaries - Firefighters	169,381	174,000	178,350	182,809	187,379
Wages - Part Time	345	5,000	5,125	5,253	5,384
Longevity	5,052	5,000	5,125	5,253	5,384
Overtime Pay	111,738	115,000	117,875	120,822	123,842
Holiday Pay	29,033	30,000	30,750	31,519	32,307
Vacation Work Pay	7,000	7,175	7,354	7,538	7,727
Uniform Allowance	5,600	5,740	5,884	6,031	6,181
General Supplies	31,282	32,065	32,867	33,688	34,530
Hospitalization Reimbursement	8,203	8,500	8,713	8,930	9,154

FIRE	2018	2019	2020	2021	2022
Vehicle Fuel	4,110	4,200	4,305	4,413	4,523
Vehicle Maint & Repair Supplies	6,732	6,900	7,073	7,249	7,431
Workers Comp-Fire	69,294	71,025	72,801	74,621	76,486
Hospitalization Ins-Fire	138,680	142,150	145,704	149,346	153,080
Group Life Ins- Firemen	4,536	5,000	5,125	5,253	5,384
Minor Equipment	14,059	14,500	14,863	15,234	15,615
Misc. Contracted Services	2,130	2,200	2,255	2,311	2,369
Maintenance of Buildings	371	380	390	399	409
Training & Seminar Expenses	1,752	1,800	1,845	1,891	1,938
Miscellaneous Expenditures	0	1,500	1,538	1,576	1,615
TOTAL FIRE	**854,080**	**883,110**	**905,188**	**927,817**	**951,013**

STREETS AND HIGHWAYS

The City Street Department consists of seven full-time employees and a Street Superintendent. There are no part-time employees in this department at this time. The 2017 budget includes employee benefits and therefore allocates $635,970 for this department. **Table 26** provides a detailed history of Street Department expenditures from 2013-2017.

TABLE 26 – STREETS AND HIGHWAYS EXPENDITURES 2013-2017

STREET	2013	2014	2015	2016	2017
Salary - Street Superintendant	41,408	45,143	43,427	55,092	55,189
Wages - Part Time Employees	-	0	-	-	7,125
Salary - Full Time Employees	181,975	187,985	166,463	176,448	206,120
Longevity	3,016	2,953	1,710	2,562	2,394
Overtime Pay	15,524	12,367	15,269	12,355	9,659
Vacation Work Pay	-	13,651	-	272	-
Vacation Buy Back	-	794	-	-	-
Road Maint. Materials	15,915	43,000	35,381	19,043	22,944
Vehicle Fuel & Oil	31,932	34,545	22,462	17,450	19,740

STREET	2013	2014	2015	2016	2017
Vehicle Maint & Supplies	20,664	45,967	35,001	46,905	14,964
Workers Comp-St Dept		40,720	51,695	43,557	33,533
Materials & Supplies	20,390	23,347	19,450	23,717	24,182
Hospitalization-Street		103,428	108,109	108,441	112,121
Group Life Ins-Street		3,250	3,510	2,893	2,990
Small Tools & Equipment	3,773	5,293	4,241	-	-
Building Maintenance		0	-	14,350	16,739
Vehicle Maint. Service	281	0	-	18,378	38,032
Road Resurfacing	-	0	-	60,755	65,895
Contracted Services	955	426	-	-	-
Storm sewers maint.	2,628	1,983	6,858	3,185	4,343
Miscellaneous Expenses	1,306	110	-	-	-
TOTAL STREET	**339,766**	**564,960**	**513,575**	**605,403**	**635,970**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

Beginning in 2014, the City began to allocate benefits such as healthcare, pensions, and social security to the respective departments as part of a comprehensive accounting change. With the addition of these expenses, the street department increased to $564,960 in 2014. Since 2014 the expenditures have fluctuated decreasing in 2015 then increasing in 2016 and 2017 to a high of $635,970. The projections for the street department moving forward are shown in **Table 27** below.

TABLE 27 – STREET DEPARTMENT PROJECTED EXPENDITURES 2018-2022

STREET	2018	2019	2020	2021	2022
Salary - Street Superintendent	53,273	54,605	55,970	57,369	58,804
Wages - Part Time Employees	-	10,000	10,250	10,506	10,769
Salary - Full Time Employees	239,917	245,915	252,063	258,364	264,824
Longevity	2,100	2,150	2,204	2,259	2,315
Overtime Pay	21,452	22,000	22,550	23,114	23,692
Vacation Work Pay	-	500	513	525	538

STREET	2018	2019	2020	2021	2022
Vacation Buy Back	2,000	2,050	2,101	2,154	2,208
Road Maint. Materials	56,000	57,400	58,835	60,306	61,814
Vehicle Fuel & Oil	27,443	28,150	28,854	29,575	30,314
Vehicle Maint & Supplies	51,918	53,200	54,530	55,893	57,291
Workers Comp-St Dept	29,306	30,050	30,801	31,571	32,361
Materials & Supplies	20,352	21,000	21,525	22,063	22,615
Hospitalization-Street	76,578	78,500	80,463	82,474	84,536
Group Life Ins-Street	2,808	3,000	3,075	3,152	3,231
Small Tools & Equipment	-	1,000	1,025	1,051	1,077
Building Maintenance	140	150	154	158	162
Vehicle Maint. Service	33,964	34,800	35,670	36,562	37,476
Road Resurfacing	245,000	50,000	51,250	52,531	53,845
Contracted Services	-	500	513	525	538
Storm sewers maint.	3,394	3,500	3,588	3,677	3,769
Miscellaneous Expenses	-	2,500	2,563	2,627	2,692
TOTAL STREET	**865,645**	**700,970**	**718,494**	**736,457**	**754,868**

GARBAGE AND REFUSE

After the departmental expenses, the expenditures for garbage/refuse is the next largest expenditure in the City budget at 12% of the total budget. The collection of fees to support the garbage/refuse services has long been a challenge for the City.

Over the years, garbage/refuse costs have fluctuated greatly depending on market conditions and economic variables. 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 installed new computer software for the garbage billing and collection of fees through an Act 47 grant in 2008 that enhanced the current billing collection and the ability to send out late notices to accounts. Until 2013, the City turned over the seriously delinquent accounts to Portnoff so that the accounts could be collected with delinquent real estate accounts. There was some limited success with this method but the City's delinquent accounts and uncollectables for garbage remain relatively high.

The contracted services continued to hover around $560,000 through 2010 but a new contract with Waste Management in 2011

brought lower fees and by 2013 the City paid over $100,000 less than they had paid in 2009. Currently the City contracts with Valley Waste for garbage services. Fees to residents are $50 per quarter discounted to $45 a quarter for senior citizens. The fee is also discounted by another 10% if the fee is paid in a lump sum in January. Uncollectable accounts continue to be a problem. Actual expenditures for garbage and refuse services are shown in **Table 28**.

TABLE 28 – GARBAGE AND REFUSE SERVICE EXPENDITURES 2013-2017

GARBAGE & REFUSE	2013	2014	2015	2016	2017
Garbage Collection & Disposal	460,794	482,753	479,038	470,511	621,591
GARBAGE & REFUSE TOTAL	**460,794**	**482,753**	**479,038**	**470,511**	**621,591**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

The expenditures for 2018 are expected to be about $596,191 and future years are projected in **Table 29.**

TABLE 2917 – GARBAGE AND REFUSE PROJECTED EXPENDITURES 2018-2022

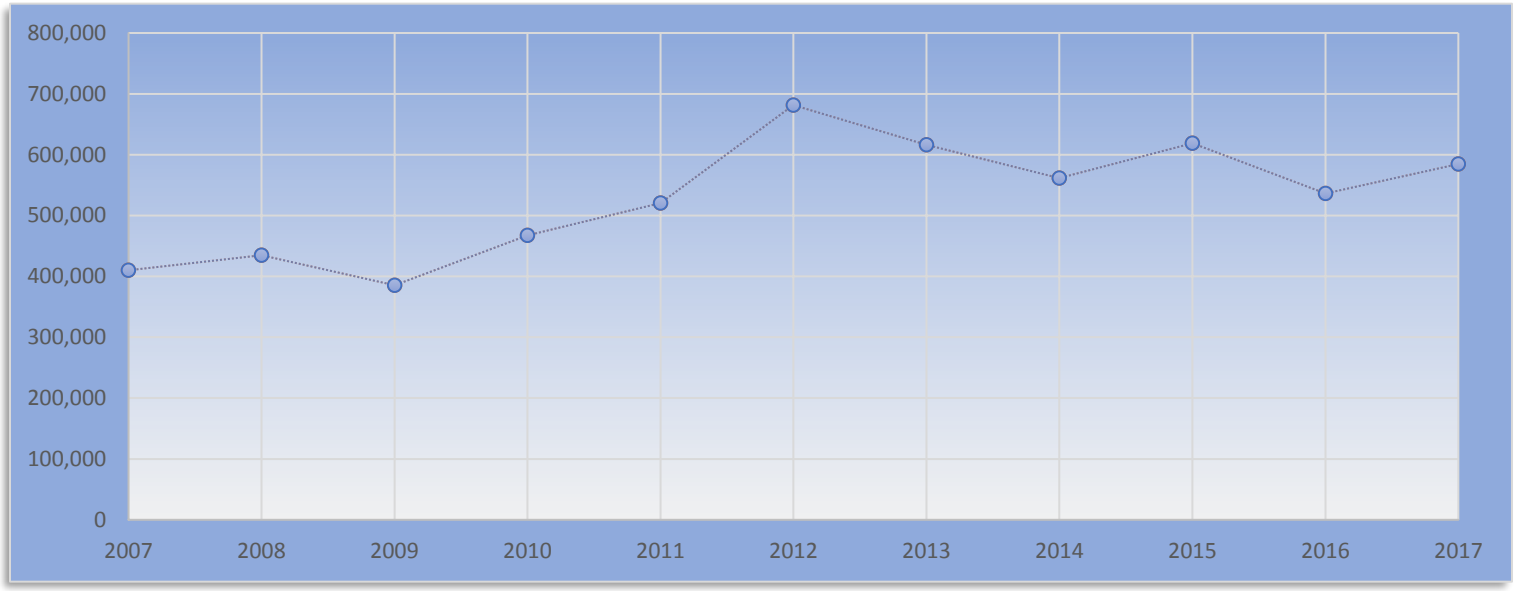
GARBAGE & REFUSE	2018	2019	2020	2021	2022
Garbage Collection & Disposal	596,191	611,096	626,373	642,033	658,084
GARBAGE & REFUSE TOTAL	**596,191**	**611,096**	**626,373**	**642,033**	**658,084**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

HEALTHCARE

Healthcare premiums, at over $580,000 per year, are one of the single largest expenditures in the City budget. Healthcare has increased by 42% since 2007 or an average of 4.2% per year. This is a higher increase than the City can support with a typical 2.26% revenue increase in any given year. The premiums are driven by the natural increases in the healthcare industry and the post-retirement healthcare payments to retirees. **Figure 7** shows the steady and drastic increases over the past 10 years.

FIGURE 7 – HEALTH CARE EXPENDITURES FROM 2007-2017



SOURCE: SIXTH AMENDED RECOVER PLAN, CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

Beginning in 2010, the health insurance premiums soared to $681,525 in 2012 and $615,991 in 2013. Premiums have leveled off and decreased slightly since 2013 and are currently about $585,000 annually. **Table 30** provides the actual costs for healthcare for the past five years and the percentage of increase for each year.

TABLE 30 – HEALTHCARE COSTS 2013-2017

Actual:	**2013**	**2014**	**2015**	**2016**	**2017**
Healthcare Insurance	615,991	561,754	619,058	536,011	584,394
% of Increase	-9.62%	-8.80%	10.20%	-13.42%	9.03%

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

Health insurance will continue to be one of the largest expenditures in the City's budget especially as costs for post-retirement healthcare benefits continue to rise. The City has obtained a 10% contribution of premium from all employees in all bargaining units that began in fiscal year 2017. This contribution provides some relief to the City for the escalating costs of this benefit.

Table 31 provides a five-year projection based on national indexing for healthcare increases. For purposes of this Plan, a multiplier of 6% per year was used. Although the City has been able to achieve some cost containment in 2014 and 2015, the escalation projected in future years is that by 2022 the City will expend $536,000 for this purpose. The Affordable Care Act may produce some opportunities for saving in the future.

TABLE 31 – HEALTHCARE PROJECTED EXPENDITURES 2018-2022

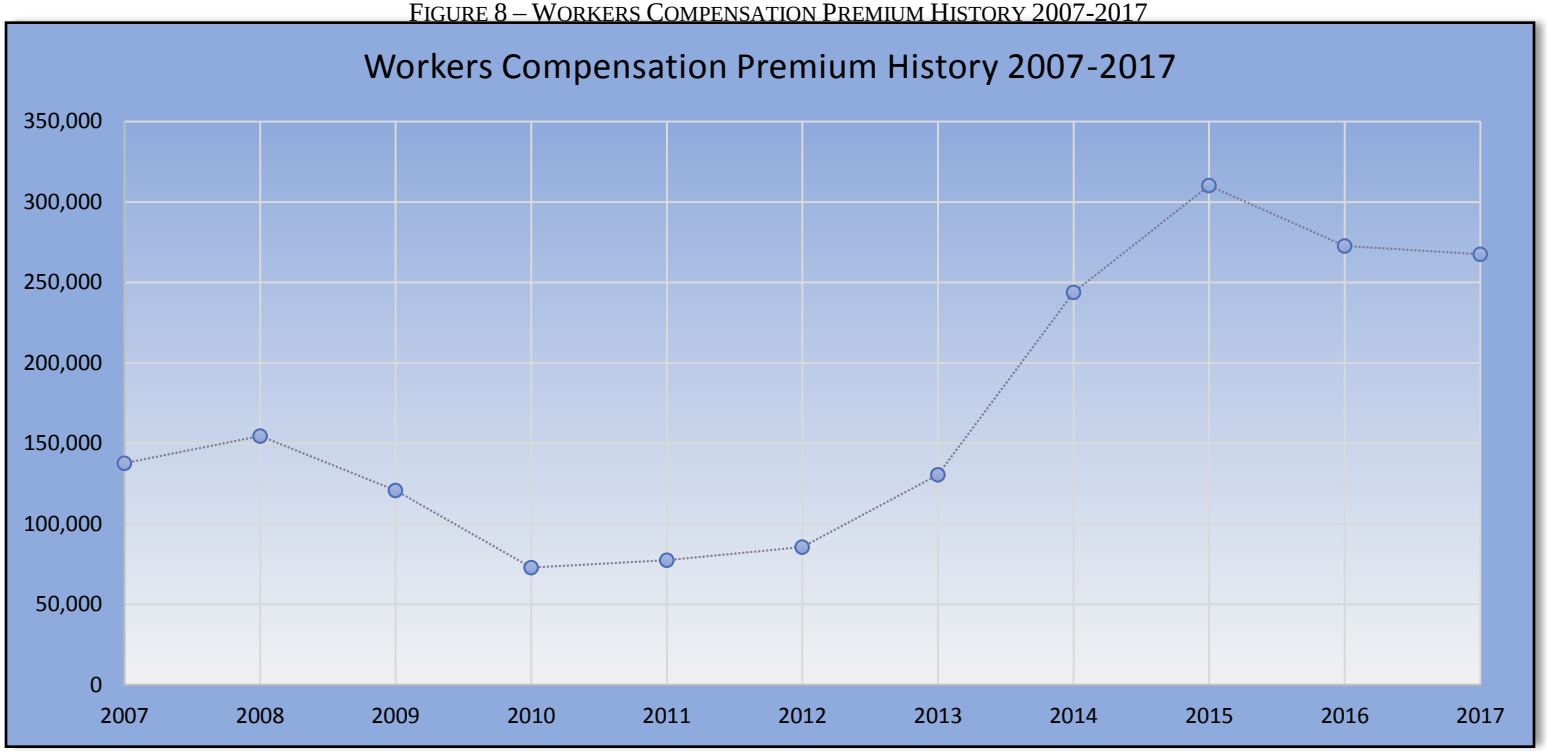
HEALTHCARE	2018	2019	2020	2021	2022
Healthcare - Administration	73,675	73,675	77,359	81,227	85,288
Healthcare - Police	193,111	198,000	202,950	208,024	213,224
Healthcare - Fire	138,680	142,150	145,704	149,346	153,080
Healthcare - Streets & Highways	76,578	78,500	80,463	82,474	84,536
TOTAL HEALTHCARE INSURANCE	**482,045**	**492,325**	**506,475**	**521,071**	**536,128**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

WORKERS COMPENSATION INSURANCE

Workers compensation premiums are another significant expenditure in the City budget. Unlike healthcare premiums, which have had a steady upward trend, this insurance is highly volatile because it is based on three years of claims experience that determine the City's Modification Factor. The base premium is calculated based on payroll for the respective employee classifications. The Modification Factor is then applied as a multiplier to the base premium to determine the actual premium to be paid by the municipality. As a result, good experience or bad experience can have a dramatic impact on the cost of the premium over the years. One serious claim with extraordinary costs can affect the premium for multiple years. The other factor that can play a significant role in the determination of the premium paid is the number of employees in each class. **Figure 8** shows the erratic trend of this expense for the City over the past 10 years.

FIGURE 8 – WORKERS COMPENSATION PREMIUM HISTORY 2007-2017



SOURCE: SIXTH AMENDED PLAN, CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

The City was able to stabilize its insurance and even decrease the premiums until 2013 and 2014 when higher than expected losses drove up the Modification Factor. **Table 32** provides the actual premiums that were paid by the City from 2013-2017.

TABLE 32 – WORKERS COMPENSATION EXPENDITURES 2013-2017

WORKERS COMPENSATION ACTUAL	2013	2014	2015	2016	2017
Workers Compensation Insurance	130,462	243,827	310,212	272,629	267,613

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

Based on a review of the City's current loss information, 2018 premium and the external economic environment, the following

projections were made for future years.

TABLE 33 – WORKERS COMPENSATION PROJECTED EXPENDITURES 2018-2022

WORKERS COMPENSATION PROJECTED	2018	2019	2020	2021	2022
WC - ADMINISTRATION	1,756	1,800	1,850	1,900	1,950
WC - POLICE	138,947	142,420	145,981	149,630	153,371
WC - FIRE	69,294	71,025	72,801	74,621	76,486
WC - STREETS & HIGHWAYS	29,306	30,050	30,801	31,571	32,361
TOTAL WORKERS COMPENSATION	**239,303**	**245,295**	**251,432**	**257,722**	**264,167**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

PENSIONS

The most challenging problem for the City over the past decades was a gradual worsening of the City's pension plans resulting in substantial increases in the City's unfunded actuarial accrued liability (UAAL) and a corresponding increase in the City's required 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.

But after 9-11, 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 UAAL 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 deposits 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 and 2004.

In 2004, the City officials made a decision to address the pension crisis by implementing a 0.6% dedicated EIT on residents and non-residents by authority of Act 205, The Pension Standard and Recovery Act. 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. But beginning in 2005, the dedicated levy from the resident and non-resident EIT provided enough funds for the City to make its full payment and to begin to deposit additional funds that have provided sufficient support for the pension liabilities. A breakdown of the MMO requirements and payments during that time is shown in **Table 34**.

TABLE 34 – PENSION MINIMUM MUNICIPAL OBLIGATIONS 2000-2018

		HISTORY OF PENSION MINIMUM MUNICIPAL OBLIGATIONS				
YEAR	POLICE	FIRE	NON UNIFORM	TOTAL DUE	TOTAL PAID BY CITY	TOTAL OUTSTANDING
2003	226,334	198,504	78,386	503,224	225,764	-277,460
2004	199,582	204,772	92,423	496,777	428,153	-68,624
2005	351,547	246,440	101,847	699,834	783,374	83,540
2006	242,788	224,207	82,491	549,486	783,000	233,514
2007	247,783	226,334	83,397	557,514	819,701	262,187
2008	265,141	223,304	53,794	542,239	675,000	132,761
2009	258,867	238,127	56,101	553,095	971,439	418,344
2010	251,627	244,955	66,944	563,526	780,592	217,066
2011	321,331	188,804	80,436	590,571	1,010,195	419,624
2012	401,130	257,193	98,066	756,389	967,307	210,918
2013	487,079	265,576	134,213	886,868	1,353,002	466,134
2014	482,612	265,463	139,280	887,355	1,255,225	367,870
2015	611,135	202,220	93,209	906,564	1,294,614	388,050
2016	614,750	202,766	84,534	902,050	1,312,770	410,720
2017	603,326	210,790	95,235	909,151	1,388,648	479,497
2018	483,180	191,864	99,819	675,044	1,380,419	707,375
2019	529,711	174,007	56,576	760,294	1,390,000	629,706

SOURCE: SIXTH UPDATED RECOVERY PLAN, CITY OF ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS AND ESTIMATES

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 at a Level III distress and were significantly underfunded for a total of $3,569,476 of UAAL 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. But over the next several years, the additional deposits to the funds had provided enough excess assets to address most of the unfunded actuarial liabilities in the fire and non-uniform funds. Only the police fund remained at a Level III Distress level. The history of the funding status for the

three pension funds from 2009 through 2017 is shown in **Table 35**.

TABLE 35 – PENSION FUNDING PROGRESS 2009-2017

VALUATION	POLICE	FIRE	NON UNIFORM
1/1/2009	58%	52%	58%
1/1/2011	60%	70%	54%
1/1/2013	59%	81%	61%
1/1/2015	66%	88%	77%
1/1/2017	72%	99%	87%

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, MOCKENHAUPT VALUATION REPORTS 2009-2017

Table 36 provides an overview of the funding.

TABLE 36 – PENSION CONTRIBUTIONS BY THE CITY 2012-2018

Year	Police	Fire	Non Uniform	Total MMO	State Aid	Local Share	Actual Contribution
2012	401,130	257,193	98,066	756,389	243,970	512,419	967,307
2013	487,079	265,576	134,213	886,868	256,367	630,501	1,353,002
2014	482,612	265,463	139,280	887,355	262,000	625,355	1,255,225
2015	611,135	202,220	93,209	906,564	256,348	650,216	1,294,614
2016	614,750	202,766	84,534	902,050	279,977	622,073	1,312,770
2017	603,326	210,590	95,235	909,151	293,648	615,503	1,388,648
2018	483,180	191,864	99,819	675,044	271,695	403,349	1,380,419
2019	529,711	174,007	56,576	760,294	275,000	485,294	1,390,000

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, MOCKENHAUPT VALUATION REPORTS 2009, 2011, 2013, 2015, 2017 AND 2018-2019 ESTIMATES

Due to prompt action, vigilance, and good management decisions by the City officials the pension problem was addressed adequately and the funds recovered from the devastating losses that were suffered from 2000 through 2004. By 2007, the delinquent MMOs were brought completely current and the City reduced the special EIT levy to 0.5%, which is the current rate. In fact, over the past five years, the City continually deposited more into the pension funds than required by the MMO calculation. Because the City has taken prudent and reasonable action relative to the pension funds, the funds are now at a Level I Distress (minimally distressed) due to several factors:

- The number of active employees has decreased while the number of retirees has increased.
- New benefits were added to the police plan through state mandates including "killed in action" and "survivor" benefits.

- The police officers continue to "spike" their pensions by working unrealistic overtime during the last month of service

Table 37 provides a complete review of the funding progress of the respective pension plans from 2009 through 2017.

TABLE 37 – PENSION FUNDING PROGRESS 2009-2017

YEAR	PLAN	ASSETS	LIABILITIES	UNFUNDED	% FUNDED	TOTAL UNFUNDED	% FUNDED
2009	Police	4,127,592	7,069,390	(2,941,798)	58.4%		
2009	Fire	1,551,809	2,967,924	(1,416,115)	52.3%		
2009	Non-Uniform	601,930	1,038,921	(436,991)	57.9%	**(4,794,904)**	**56.7%**
2011	Police	4,706,640	7,836,378	(3,129,738)	60.1%		
2011	Fire	2,268,588	3,256,212	(987,624)	69.7%		
2011	Non-Uniform	740,898	1,371,013	(630,115)	54.0%	**(4,747,477)**	**61.9%**
2013	Police	5,258,252	8,873,594	(3,615,342)	59.26%		
2013	Fire	2,892,397	3,571,770	(679,373)	80.98%		
2013	Non-Uniform	869,115	1,420,469	(551,354)	61.19%	**(4,846,069)**	**65.1%**
2015	Police	6,400,858	9,690,898	(3,290,040)	66.1%		
2015	Fire	3,857,519	4,376,750	(519,231)	88.1%		
2015	Non-Uniform	1,169,684	1,529,289	(359,605)	76.5%	**(4,168,876)**	**73.3%**
2017	Police	7,913,339	10,957,722	(3,044,383)	72.2%		
2017	Fire	4,659,516	4,703,977	(44,461)	99.1%		
2017	Non-Uniform	1,422,814	1,642,253	(219,439)	86.6%	**(3,308,283)**	**80.9%**

SOURCE: CITY OF ALIQUIPPA FINANCIAL RECORDS, MOCKENHAUPT VALUATION REPORTS 2009-2017, GRS ANALYSIS

The latest valuation reports that were submitted in March 2018 based on the period ending January 1, 2017 indicate that the plans have improved to an 80% funding status with the fire department making the most dramatic improvement moving from 52% funded in 2009 to 99% funded by 2017. The UAAL has been reduced from $4.8 million in 2009 to $3.3 million in 2017. The police pension fund is only funded at 72% and the non-uniform plan is at 86%. The City will undoubtedly continue to deposit more than is required by the MMO because of its healthy EIT collections that are dedicated to the pension funds. It is important that no additional benefits are added to the Plans and that the participants make the maximum contributions that are permitted by law.

FUND BALANCE ANALYSIS

For most of the past 20 years, the City exhibited positive fund balances with the exception of 2003 – 2005 when the escalation in the pension liabilities caused serious financial deficiencies. The City was able to recover by using the authority under Act 205 to generate dedicated EIT for purposes of the pension payments. By 2010, the City had unrestricted reserves in the amount of $541,170 but again began to experience structural deficits that eroded the reserve funds. By 2016, the unrestricted reserves were reduced to less than $50,000 and the Finance Director was forced to hold bills and delay payments until 2017 revenue began to arrive. These reserves could be further reduced in future years based on the projections.

Table 38 outlines the City's audited fund balances as reported in the City's annual financial statements.

TABLE 38 – AUDITED FUND BALANCE HISTORY

YEAR	AUDITED FUND BALANCE	YEAR	AUDITED FUND BALANCE	YEAR	AUDITED FUND BALANCE
1993	$570,430	2002	$248,946	2011	$382,855
1994	$711,869	2003	($210,223)	2012	$197,329
1995	$423,721	2004	($542,631)	2013	189,232
1996	$432,450	2005	($338,470)	2014	132,596
1997	$567,457	2006	$162,845	2015	230,150
1998	$602,733	2007	$203,341	2016	46,953
1999	$594,761	2008	$58,212	2017	110,812
2000	$609,690	2009	$233,964		
2001	$420,544	2010	$541,170		

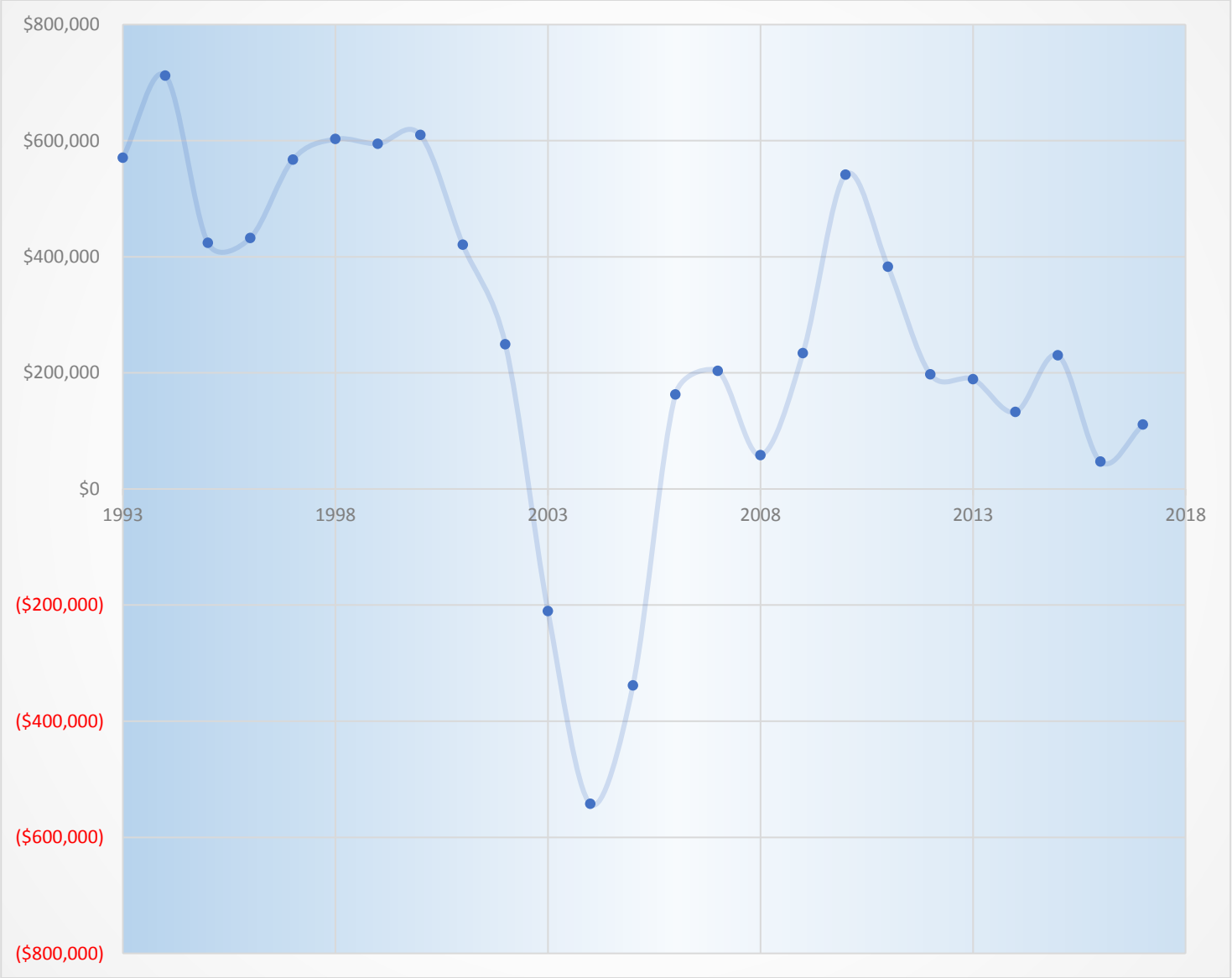


FIGURE 9 – HISTORY OF GENERAL FUND BALANCE 1993 – 2018

As shown in **Table 38**, the fund balances have fluctuated dramatically from a high of $711,569 in 1994 to a 20-year low of ($542,631) in 2004. During the past five years, however, the City has managed to maintain a positive fund balance, although, in some of those years, expenditures exceeded revenues. In 2011 and 2012 the City's expenditures exceeded its revenues causing the reserves that had been built-up to be substantially depleted. The City was able to have a slight reserve in 2013 but in 2014 and again in 2015 the City experienced substantial structural deficits. In 2016 and 2017, there were slight excesses of revenue over expenditures and the projections indicate that there will be a slight excess again in 2018. **Table 39** provides an overview of the *Excess or Deficit of Revenues over Expenditures* for the past five years.

TABLE 39 – EXCESS OR (DEFICIT) OF REVENUES OVER EXPENDITURES 2013-2017

YEAR	OPERATING REVENUE	OPERATING EXPENDITURES	EXCESS (OR DEFICIT) OF REVENUE OVER EXPENDITURES
2013	5,664,142	5,625,112	39,030
2014	5,826,005	5,932,299	(106,294)
2015	5,933,086	6,033,184	(100,098)
2016	6,167,139	6,097,156	69,983
2017	6,304,437	6,286,359	18,078

SOURCE: ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

It is obvious from a review of the revenue and expenses history, that in many of the past 20 years, the revenues have not kept pace with the expenditures for the City operations. For this reason, the City's reserves have been depleted in order to provide enough resources to cover City expenditures. It is expected that this will continue into future years for several reasons:

- The most recent demographic profiles indicate high poverty levels and relatively low incomes and housing values.
- The assessed values of real estate are not increasing.
- The collection rate for real estate tax is only about 79% and the collection rate for garbage fees is even lower.
- The planned redevelopment and revitalization through the AEDC and the NPP program are in their early stages and will not produce positive impacts for several years.
- The City relies on about $90,000 of the Act 47 special levy for Local Services Tax to balance its operating budget.
- The Common Level Ratio at 3.98 is getting higher each year that the County does not conduct a reassessment.
- The cost of employee benefits, especially healthcare, is far outpacing the ability of the City to generate revenue.
- Technology and equipment in the City departments is outdated, obsolete, inefficient, and at risk.
- The estimated costs to repair basic infrastructure (roads, bridges, and facilities) are immense.

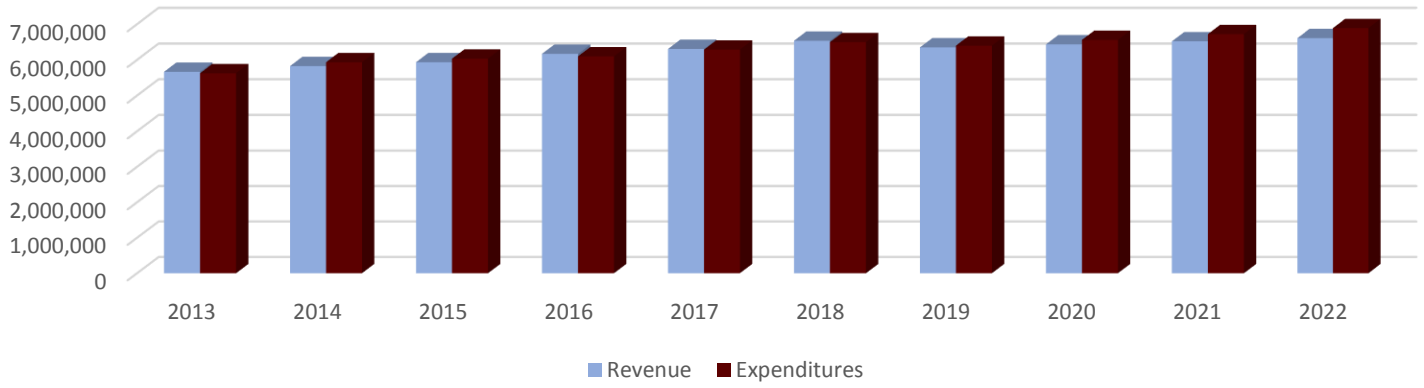
For these reasons, it is projected that the City will continue to experience slight deficits between revenue and expenditures and that left unattended, could result in future larger structural deficits. **Table 40** provides the projections that have been made relative to future revenue and future expenditures.

TABLE 40 –EXCESS OR DEFICIT OF PROJECTED REVENUE OVER EXPENDITURES 2013-2022

YEAR	STATUS	REVENUE	EXPENDITURES	DIFFERENCE
2013	Actual	5,664,142	5,625,112	39,030
2014	Actual	5,826,005	5,932,299	(106,294)
2015	Actual	5,933,086	6,033,184	(100,098)
2016	Actual	6,167,139	6,097,156	69,983
2017	Actual	6,304,437	6,286,359	18,078
2018	Projected	6,534,254	6,495,832	38,422
2019	Projected	6,348,666	6,397,656	(48,990)
2020	Projected	6,432,045	6,557,192	(125,147)
2021	Projected	6,519,066	6,720,807	(201,741)
2022	Projected	6,608,179	6,888,608	(280,429)

SOURCE: ALIQUIPPA FINANCIAL RECORDS, GRS ANALYSIS

FIGURE 10 - HISTORY AND PROJECTIONS 2013 - 2022



PRELIMINARY FINDINGS

As part of this review, the financial condition of the City was evaluated based on the solvency standards that were set out in the Introduction of this Financial Condition Report. These standards are generally accepted by the International City Managers Association (ICMA), the Government Finance Officers Association (GFOA), and the PA Department of Community and Economic Development financial management guidelines. Comments related to each level of fiscal solvency are provided below.

CASH SOLVENCY: A GOVERNMENT'S ABILITY TO GENERATE CASH FLOW OVER A 60-DAY PERIOD TO PAY ITS BILLS

COMMENT: *In the past, the City had cash reserves or proceeds from a Tax Anticipation Note in the early part of the fiscal year that provided adequate cash flow for the payment of its current liabilities and obligations. However, over the past several years, the Finance Director has resorted to not paying bills and delaying payments to make payroll in December. The City then waits until real estate and garbage revenue is received before they are able to pay the final prior year invoices. Although there was a positive fund balance over the past five (5) years, cash reserves were depleted and reserves will be exhausted by year end 2019.*

BUDGETARY SOLVENCY: A GOVERNMENT'S ABILITY TO GENERATE REVENUES OVER ITS NORMAL FISCAL YEAR TO MEET ITS EXPENDITURES AND AVOID DEFICITS.

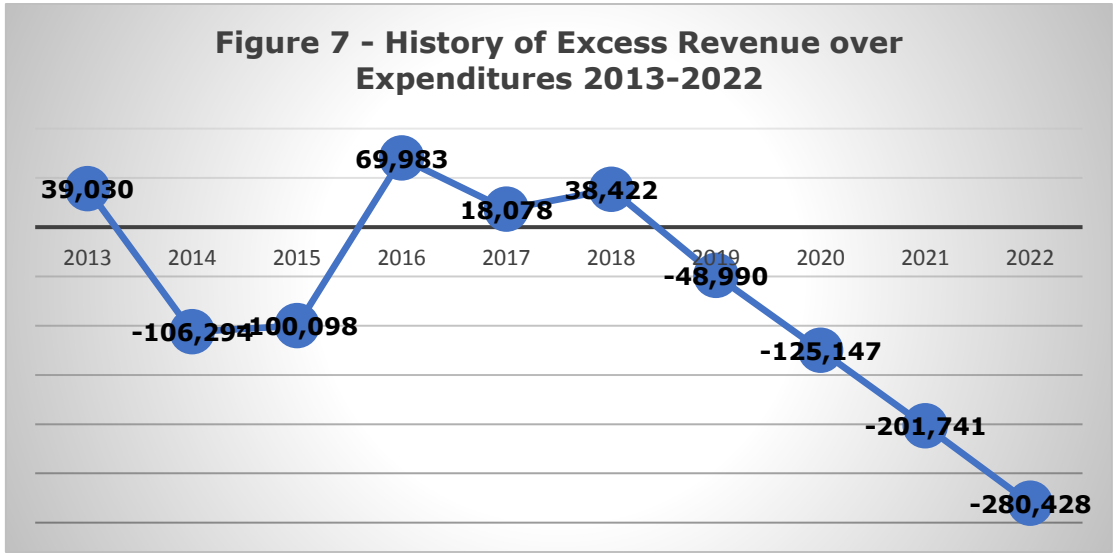
COMMENT: *Although, the City adopts a balanced budget annually, revenue has been overestimated and expenses underestimated in the past. Specifically, containment of police and fire department overtime has been a significant problem causing regular budget overruns. As a result, the City experienced structural deficits for two of the past five (5) years because it did not meet its revenue projections or expenditure limits. Although the budget process has improved tremendously over the past 3 years, the City must budget revenues and expenditures more accurately to avoid structural deficits in the future.*

LONG-RUN SOLVENCY: A GOVERNMENT'S ABILITY, IN THE LONG-TERM, TO PAY ALL COSTS OF DOING BUSINESS, AS WELL AS MEETING ALL COSTS SUCH AS PENSION COSTS AND ACCUMULATED ACCRUED EMPLOYEE LEAVE BENEFITS, AS THEY OCCUR.

COMMENT: *The City has significant challenges in its long-term ability to pay the costs of doing business as well as meeting its long-term accrued liabilities and obligations. Because the City is burdened with legacy costs such as pension ($3.3 million) and post-retirement healthcare obligations that affect the current year operating budget, long-term expenses directly impact the City's ability to pay for current year operations. The City has no long-term debt and has taken steps to limit additional employee liabilities through productive collective bargaining contracts. The City officials have diligently paid down pension liabilities so that they have advanced from a Level III Distress to a Level I Distress over the past 10 years. However, the loss of $90,000 in LST will significantly impact the City's operations if a replacement revenue is not identified prior to the Act 47 Exit.*

SERVICE-LEVEL SOLVENCY: A GOVERNMENT'S ABILITY TO PROVIDE SERVICES AT A CERTAIN LEVEL AND QUALITY THAT ARE REQUIRED FOR THE HEALTH, SAFETY, AND WELFARE OF THE COMMUNITY.

COMMENT: *Over the years, the City made significant reductions in staffing to accommodate the budgets in the past. However, the City has maintained the same number of employees and the same service levels over the past five (5) years. These numbers are consistent with the numbers established in the Recovery Plan and generally are within the budgetary limitations established under Act 133 for collective bargaining units.*



COORDINATOR'S RECOMMENDATION

The City has taken positive steps to increase revenue collection, reduce staff where possible, limit costs for benefits, and adjust the benefit structure for legacy costs in the future. The City has also improved its collection processes and continues to evolve its best practices. The budget process has produced a more conservative, reasonable revenue forecast and relies on better data for making expenditure projections. Although the City has been able to generate slightly more revenue than expenditures for the past two years, the cash reserves and fund balance have been greatly depleted. There are also huge and crushing infrastructure needs that must be addressed over the next three (3) years. **Figure 14** provides the history for the past five (5) years and the projections through 2022.

Although the City has implemented initiatives consistent with the Recovery Plan and made a concerted effort to contain costs, there is considerable uncertainty about whether the City can achieve:

- Cash Solvency
- Budgetary Solvency
- Long-Term Solvency; or
- Service-Level Solvency

It is the Coordinator's recommendation that pursuant to Act 47, Section 255, (a) (4) "conditions are such that a three-year exit plan in accordance with Section 256 is warranted."