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# Municipalities Financial Recovery Act

## Recovery Plan

City of Altoona  
Blair County, Pennsylvania

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Prepared on behalf of the  
Commonwealth of Pennsylvania  
Department of Community and Economic Development  
Governor's Center for Local Government Services

As filed with the City Clerk on December 10, 2012



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December 10, 2012

City of Altoona  
Altoona City Hall  
1301 12th Street, Suite 100  
Altoona, PA 16601

Re: City of Altoona Act 47 Recovery Plan

Mayor and Councilmen:

This letter formally transmits the Recovery Plan for the City of Altoona and describes key changes that have been made since the draft Plan was filed on November 13, 2012 with the City and with the Pennsylvania Department of Community and Economic Development (DCED).

Since filing the draft Plan, meetings and discussions have been held with elected and appointed officials and community stakeholders. Written comments from officials and the public have been received by the Coordinator. A formal public hearing was held on November 28, 2012 to receive comments on the Plan. These meetings have provided the Act 47 Coordinator with the opportunity to listen to interested parties and, where deemed appropriate, make adjustments to the Recovery Plan.

The Act 47 Coordinator has made the following adjustments in connection with the City's structural deficit, including but not limited to:

- Removed the Initiative to "Investigate the Feasibility and Financial Impact of Adding EMS Services" to the City's Fire Department.
- Removed the Initiative in connection with "Taxes Not Recommended and the Elimination of Per Capita and Flat Rate Occupation Taxes." The City may continue to impose said taxes.
- Clarified and articulated that the Initiative which recommends an increase in the real estate tax rate to fund priority capital projects is an increase in the City's debt millage, not in its General Fund millage.
- Included an informational chart detailing annual street resurfacing expenditures to be included in anticipated debt financing.

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December 10, 2012  
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- Included an informational chart detailing police vehicle purchases (four vehicles) for fiscal years 2013 and 2014 to be included in the anticipated debt financing.
- Clarified that the City has relied on the issuance of debt to fund capital projects.
- Modified the Initiative in the Workforce Chapter to provide for a reduction in the payment to employees who waive health insurance, rather than elimination of this payment.
- Updated the cost amounts and charts in the Workforce Chapter related to the Initiatives to limit the City's cost for employee health care.
- Modified the Initiative in the Workforce Chapter related to compensatory time.
- Updated the Retirement Chapter to reflect information made available to the Coordinator with respect to the Police Plan that indicates that certain actuarial studies were completed with respect to benefit enhancements but have not been provided to City Council for action in accordance with Act 205.
- Updated the Retirement Chapter to address a discrepancy between the Police Plan Ordinance and the applicable Collective Bargaining Agreements.
- Included Act 47 financial assistance in the total amount of \$514,000 as follows (the financial assistance must be applied for by the City's Administration through a single application for assistance using the DCED electronic grant submission process):
  - Included potential grant awards made by the Commonwealth for information technology system-related initiatives totaling \$220,000.
  - Included potential grant awards made by the Commonwealth for EIT collection assistance initiatives totaling \$44,000.
  - Included potential grant awards made by the Commonwealth for a new Downtown Housing Strategies Study totaling \$250,000.
- Adjusted the amount of expenditures related to various Initiatives for a total net effect of \$93,260.
- Adjusted the amount of revenues related to various Initiatives for a total net effect of \$195,000.
- Clarified, expanded and/or revised various descriptive text in the Plan's Chapters.

These adjustments have been made and the Recovery Plan is now presented to City Council for consideration and action. As City Council deliberates the Plan, it is important to remember that the Plan, while adopted by ordinance, is also a living document. The role of the Coordinator through

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implementation is to work with the City to review and make adjustments to changing conditions while the City remains in the Act 47 program.

The fiscal integrity of the Act 47 Coordinator's Plan remains intact with the above changes and provides a multiyear strategy to restore fiscal stability to the City of Altoona.

Best regards,



By: \_\_\_\_\_  
Act 47 Coordinator

Enclosure (1)

cc: John Filan, DSI Civic Financial Restructuring (Act 47 Coordinator)  
Michael D. Vind, Financial Solutions (Act 47 Coordinator)

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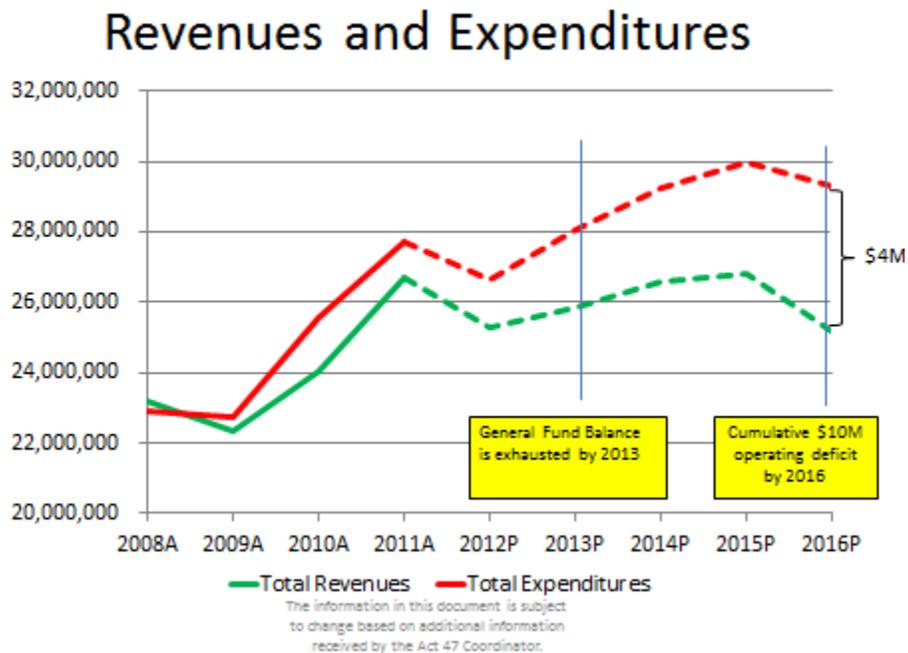
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# Executive Summary

## Introduction

The City of Altoona is facing a persistent structural deficit that is increasingly jeopardizing the City's ability to provide for the health, safety, and welfare of its citizens. Like all local governments, the City of Altoona requires stable revenue sources with moderate growth to fund services to residents, businesses and visitors. Both factors are important because so much of a local government's expenditures are related to recurring and regularly increasing costs for salaries, benefits, and other operating expenses. However, for several years Altoona's tax base has been stagnant or declining and City revenue streams have been unable to cover the growing costs of City services. This has resulted in ongoing challenges to balance the General Fund operating budget. The growing budget shortfall is illustrated in the graph below:



While cities across the country are struggling to keep pace with expenditure growth, this challenge is even more acute in Altoona where economic and demographic factors further impact the City's ability to generate sustainable revenues. According to the Bureau of Labor Statistics, Moody's Analytics and other sources for the Altoona Metropolitan Statistical Area, key indicators such as Gross Metropolitan Product, total employment and population all remain at or below 2005 levels.

The economic downturn which began in 2008 has compounded longer term economic trends that have challenged the City. As a result, this lack of growth cannot sustain the operating costs of the city government. In 2010, the Pennsylvania Economy League (PEL) prepared a report which concluded that the City "had a stagnant revenue stream and a cost structure which

continued to increase.” The PEL report concluded that the City could not continue to operate with these revenue shortfalls, and recommended taking corrective actions.

The City government’s financial stress has been exacerbated by two principal factors: 1) government revenues that have failed to grow during the last several years due in part to the national recession but also due to a declining tax base and population, and 2) the unaffordable and unsustainable increases in the cost of the City’s employee benefits – both pension and health care benefits.

It is critical for the City to take corrective actions now to address the City’s underlying revenue and cost issues and restore fiscal solvency to the City. The projected annual structural deficit outlined in this Recovery Plan demands a balanced approach between revenue increases and spending reductions.

On February 24, 2012 the City filed a Request for Determination of Municipal Financial Distress (“Request”) under Section 203(c) of the Municipalities Financial Recovery Act (Act 47 of 1987, as amended) (“Act 47”). The City’s Request asked the DCED to determine the City of Altoona’s eligibility as a distressed municipality under Act 47. The Request alleged that the City met the following three criteria for distressed municipality status under Act 47.<sup>1</sup>

- (1) The City has maintained a deficit over a three-year period, with a deficit of 1% or more in each of the previous fiscal years;
- (2) The City’s expenditures have exceeded revenues for a period of three years or more; and
- (11) The City has experienced a decrease in a quantified level of municipal service from the preceding fiscal year which has resulted from the municipality reaching its legal limit in levying real estate taxes for general purposes.

Pursuant to Section 203(b) of Act 47, DCED conducted a consultative investigation into the financial affairs of the City. After examining the City’s financial, personnel and other relevant administrative records, DCED determined that all three identified criteria were present, and, therefore, concluded that the City could be considered a distressed municipality under Act 47. The results of the consultative investigation were set forth in a Consultative Evaluation Report issued on April 3, 2012. The Report recommended that the City be declared distressed under Act 47 based on an analysis of the City’s fiscal condition.

After public hearings were held, DCED Secretary Alan Walker declared that the City is “financially distressed” under the provisions of Act 47, and the City was officially accepted into the Act 47 Program for Distressed Municipalities. On June 3, 2012, DCED appointed the Act 47 Coordinator.

Since being appointed, the Act 47 Coordinator has conducted an extensive analysis of the City’s present financial condition and governmental operations, and has held numerous meetings with

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<sup>1</sup> Section 201 of Act 47 enumerates eleven criteria, at least one of which must be present in order for a municipality to be considered for a distress determination by the Secretary of DCED.

elected and appointed officials and other community stakeholders. As a result of its investigation and analysis, the Coordinator has developed a thorough and detailed recovery plan that includes over 150 initiatives and touches nearly every aspect of Altoona city government. The City's current financial condition and the key points of the Recovery Plan are summarized below.

## Altoona's Structural Deficit

The City of Altoona has maintained a structural deficit for the past four years. The ongoing structural deficit is reflected in the Table below:

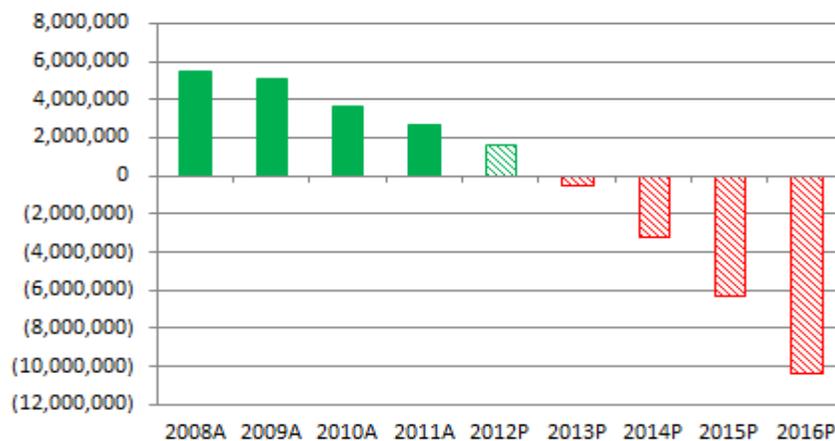
### Altoona All Governmental Funds Revenue vs. Expenses (2008-2011)

All Funds	2008	2009	2010	2011
Revenues	\$28,605,572	\$26,849,931	29,894,252	29,387,160
Expenses	\$32,999,737	31,917,924	32,802,453	37,317,998
Surplus (Deficit)	\$(4,394,165)	(5,067,993)	(2,908,201)	(7,930,808)
% of deficit to revenues	15%	19%	10%	27%

Source: 2008 -2011 Annual Reports of The City of Altoona, prepared by Young, Oakes, Brown and Company, P.C., Certified Public Accountants.

The following graph illustrates the City's projected exhaustion of the City's General Fund in the coming years:

### Deficits have Reduced City's Reserves General Fund Balance



The information in this document is subject to change based on additional information received by the Act 47 Coordinator.

Closing the City's structural deficit will require both spending constraint (and reductions where possible) and increased revenue. This Report outlines an appropriate mix of cost-saving initiatives and revenue increases that will have a cumulative budgetary impact of over \$12

million by the end of 2016. If fully implemented, these initiatives will avert cumulative projected 4-year operating deficits of over \$10 million, and allow for a positive General Fund balance of over \$2.3 million at the end of 2016.

## **Workforce and Collective Bargaining**

As with most local governments, the services provided by the City of Altoona are labor intensive, and employee wages and benefits account for the majority of the City's expenditures. For 2012, \$21.8 million, or 81%, of the City's \$26.9 million in budgeted General Fund expenditures are for employee wages, pensions, health care insurances, and other fringe benefits. Given the City's structural deficit, it is imperative that employee compensation costs are modified so that they will be kept in line with the City's revenues. Without these changes, the City will not be able to become financially stable and will continue to experience a significantly growing deficit.

The City's total compensation costs paid from the General Fund have grown from \$18.6 million in 2008 to \$21.8 million in 2012, despite a *decrease* of 35 budgeted employees. The City currently has 259 budgeted positions, and much of the City's workforce is represented by one of the three public employee labor unions – the Fraternal Order of Police Mountain City Lodge No. 8 (FOP), the International Association of Fire Fighters Local No. 299 (IAFF), and the American Federation of State, County and Municipal Employees, District Council 83, Local 2188 (AFSCME). All of the labor agreements have a term that expires on December 31, 2013.

From 2007 through 2011, wages for City employees increased between 11.5% to 13.0%, while the cost of living as measured by the C-CPI-U grew by 6.7%. In addition to these increases, junior employees receive step increases for the first few years of employment. The City's employees receive a generous compensation package that includes health insurance, retirement and paid leave benefits in many cases superior to private sector norms and equal or superior to public employer standards. The generous paid leave benefits create additional costs, as they often result in requiring other employees to work overtime or the hiring of additional employees, or result in reduced services to the public.

The City also provides post-retirement health care benefits to its FOP and IAFF bargaining unit employees whose future benefits it has not funded, and which contribute greatly to the current deficit. These benefits will continue to increase at an unsustainable level if not modified and eventually eliminated. The baseline budget and deficit projections do not include any increased costs for post-retirement health care benefits for current employees who have not yet retired, and once again, none of those benefits have been funded. It is imperative that the City modify these benefits and begin to fund such benefits through a trust fund, for in its financial situation it cannot afford to pay for such benefits.

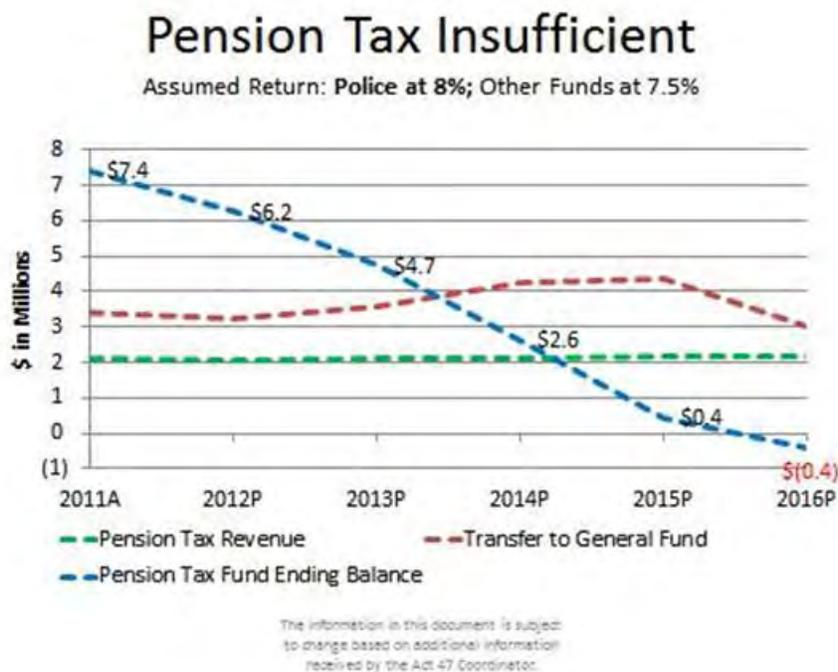
The Recovery Plan proposes initiatives to address these employee compensation issues and the resulting structural deficit, including the following:

- Implement a wage freeze and limit step increases;
- Freeze longevity pay and eligibility;
- Reduce holidays, personal, vacation and sick leave to levels more commonly found in the public and private sectors, and limit payments for unused sick leave;

- Limit the City's costs for employee health insurance, including basic health and hospitalization, dental and vision insurances, to a 5% annual increase; additional costs will require plan modifications or additional employee contributions;
- Require employees to contribute a minimum of 10% of the premium cost;
- Reduce payments to employees who waive or opt-out of health insurance benefits;
- Contain post-retirement health care costs and establish an OPEB trust to fund such benefits for existing employees; eliminate post-retirement health care benefits for future employees;
- Ensure that future collective bargaining agreements remain compliant with the Recovery Plan, not increase existing benefits, and modify compensation and benefits as set forth in the Plan;
- The Plan sets forth maximum expenditures limits for each bargaining unit and employee group for each year through 2016, which limits may not be exceeded.

## Retirement Benefits Issues

Addressing unfunded liabilities and compliance issues within the City's various retirement benefits plans is a crucial aspect of the City's recovery plan. The following graph illustrates the extent to which the City's retirement plans are underfunded:



A review of these retirement benefits plans highlights the current and future projected retirement plan deficiencies:

- The Police Plan had, on January 1, 2011, an unfunded actuarial accrued liability of \$7,920,125 because the plan's actuarial accrued liability (\$37,273,091) exceeded the plan's actuarial value of assets (\$29,352,966). This means that the plan is 79% funded

on an actuarial basis. The plan's funded status requires increasing MMO payments by the City each year through the 2017 budget cycle.

- The Firemen's Fund had, on January 1, 2011, an unfunded actuarial accrued liability of \$13,291,116 because the plan's actuarial accrued liability (\$39,321,731) exceeded the plan's actuarial value of assets (\$26,030,615). This means that the plan is 66% funded on an actuarial basis. The plan's funded status requires increasing MMO payments by the City each year through the 2017 budget cycle.
- The Non-Uniformed Plan **did not have** an unfunded actuarial accrued liability on January 1, 2011. The plan's actuarial value of assets (\$20,084,063) exceeds the plan's actuarial accrued liability (\$16,341,572) by \$3,742,491. Despite this status, the plan's funded status requires increasing MMO payments by the City each year through the 2017 budget cycle.
- The assumed rates of return for the City's pension funds are 8% for the Police Plan, and 7.5% for both the Firemen's Plan and the Non-Uniformed Plan. If the rate of return for the Police Plan is reduced to 7.5%, as it is in the other Plans, as recommended by the Plan's actuary, the City's contributions and consequent deficit will increase by approximately one million dollars based on the actuary's estimate between 2013 to 2016.
- There are several compliance issues with the Plans. For instance, the Police Plan's governing documents conflict, in several respects, with the collective bargaining agreement. The Firemen's Fund had two compliance exceptions. First, the Firemen's Fund provided benefits in excess of what is permitted under the Third Class City Code. Second, the governing documents of the Firemen's Fund conflict, in several respects, with the collective bargaining agreement. Furthermore, there is no evidence that the changes contained in the Police and Fire collective bargaining agreements were implemented in accordance with the actuarial study or the requirements of Act 205, which is unlawful.

The Recovery Plan proposes the following initiatives to address these funding and compliance issues with the City's retirement benefits plans:

- The City shall explore the viability of prospectively replacing its pension plans with a defined contribution plan under Code Section 457 for future service.
- If the City concludes that a Code Section 457 plan is not a viable option, the City shall complete an actuarial study to determine if any of the following prospective changes to the City's retirement plans will reduce the amount of MMOs the City is required to contribute. If the actuarial study concludes that the change will have a positive impact on the City's MMOs, then the City shall implement the change on a prospective basis.
- Police Plan and Fire Fund – Prospectively eliminate automatic increases: Both the Police Plan and Fire Fund currently provide that retirees automatically receive an annual increase in their pension until they are receiving 150% of the amount they initially received. This is not customary practice in defined benefit pension plans and this automatic increase should be eliminated.

- Police Plan and Fire Fund – Reduce surviving spouse pension: The Police Plan and Fire Fund provide a 100% surviving spouse benefit. It is customary for municipal pension plans to provide a 50%, rather than 100%, surviving spouse benefit.
- An Act 205 actuarial study must be completed, or updated if not provided to the City Council for each of the Plan enhancements to determine the impact of the enhancement on the actuarial accrued liability of the Firemen’s Fund and the Police Plan as of the date the enhancement became effective.
- The City shall not consider any further pension benefit enhancements in the collective bargaining process or otherwise.
- The City shall conduct a study comparing the total cost of administering each plan to see which model is most cost-effective. The City shall also explore the cost of utilizing the Pennsylvania Municipal Retirement System to administer the plans. The most cost effective model should then be used for all three plans. All assets from the three plans shall be consolidated into one master trust, with one set of service providers. This consolidated structure may result in significant cost efficiencies.

## **Departmental Cost Savings and Efficiencies**

This Report outlines numerous initiatives aimed at reducing costs and improving efficiencies across a wide range of City Departments. These initiatives will assist with closing the structural budget deficit in the short-term and will place the City on a more stable financial footing for the long term, all while delivering improved services to City residents.

### ***Accounts and Finance Department:***

The Department of Finance handles many functions that are traditional for a government’s finance unit, including budgeting, accounting, purchasing, and some that are not, such as human resources.

The Finance Department has been at the center of the financial crisis that has precipitated the City’s entry into Act 47 to pursue a Recovery Plan. The Finance Department will be one of the key leaders to implement the Recovery Plan and balance the City’s finances going forward. The extraordinary financial stress in local governments and the annual deficits expected for the City of Altoona, as reported in the Coordinator’s report on October 9, 2012 to City management and to the public, require both disciplined management controls and significant cost reductions.

With the outlook of slow growth expected to continue for several years in the region and much of the country, it is imperative that all governments in the region work together to minimize costs and eliminate duplication. There are many examples referred to in the Plan of success with regional and shared services in the United States and in Pennsylvania. All governments in the region should pursue these cost reductions together.

Accordingly, the Finance Department initiatives recommended by the Coordinator, including some summarized below, are intended to considerably enhance the capability and disciplines necessary to plan and manage ongoing financial challenges and provide necessary financial reporting and outlooks to the City Council:

- Upgrading or Replacing the Fund Accounting & Financial Reporting System necessary to increase the accuracy and timelines of financial reports throughout the City.

- Preparation of Annual Financial Statements to be completed by the City for the auditor's examination rather than prepared by the auditor.
- Enhancing the Annual Budget preparation & documentation to include more information on assumptions and bases for estimates. This will enable improved oversight and management of key budget components and improved management controls for City Council.
- Frequent cash flow reporting and monitoring with the City Council.
- Developing the Annual Budget Document with a Three to Five Year Outlook to enable a continuing forward view by the Council and public.
- Implementing Minimum Fund Balance policies to maintain adequate reserves. The City had a history of maintaining a significant fund balance in the General Fund.
- In addition to salary and benefit cost efficiencies, reducing all other operating expenses by at least four percent.
- Pursuing joint purchasing of utilities with all governments in the region including the Altoona Area School District, Altoona Water Authority, Logan Township and Blair County.
- Establishing and negotiating shared technology infrastructure, software applications, and General Administrative functions (procurement, HR/payroll, other) with the Altoona Area School District, Altoona Water Authority, Blair County and other local governments.
- Increasing the frequency of pension reporting, particularly to the City Council.
- Formally evaluating merging employee populations with area governments and institutions for health care and related benefits.

### ***Capital Improvements:***

The City of Altoona's capital improvement program (the "CIP"), and budgeting process for the capital improvement program is currently inadequate. While the City currently administers a capital improvement program the City does not have written procedures that define the term "capital project," nor a set of criteria for selecting or prioritizing projects in the capital plan. The City also lacks both a formal procedure to monitor capital budgets and the financial information for each approved project.

As recommended in this Report, the capital improvement process of the City will be based on best practices and account for the City's limited financial resources for the CIP. It will clarify the roles of the City Manager, City Finance Director and City Council. To best address the City's capital needs within the constraints of limited resources, Altoona needs to set clear criteria for prioritizing and selecting capital investments that:

- Protect the health and safety of the public and employees;
- Advance the implementation of a Comprehensive Plan;
- Invest in core infrastructure and equipment needs; and
- Shows the impact of capital investments on the operating budget.

In addition, the City will make significant improvements to the management of the capital plan and budget in order to ensure that projects in the CIP are active, completed on time and within budget. The CIP will be an integral part of City governance and will be updated on an annual basis when the annual operating budget is adopted by City Council.

***Department of Planning and Community Development:***

The Department of Planning and Community Development is responsible for administering a range of planning, administrative, program management, and regulatory activities. The Department administers the City’s federally funded housing and community development programs, including the Community Development Block Grant (CDBG), the HOME Investment Partnerships Program (HOME), and the Emergency Solutions Grant (ESG) programs. The Coordinator has included the following initiatives in its recommendations:

Community Development

- Adopting performance metrics for plan review/inspections to determine the true cost of administering these specialized services.
- Creating a business plan for plan review/inspections.
- Funding infrastructure improvements in areas selected for targeted neighborhood improvement strategies.
- Targeting community policing to downtown-area neighborhoods, with leveraging of Our Town Resources to focus on reliable and consistent enforcement.
- Promoting neighborhood planning in areas targeted for comprehensive property maintenance inspections and code enforcement.

These initiatives are focused on community stability, safety and quality of life considerations for Altoona as well as improving efficiency and cost recovery of certain specialized services.

Housing

Because of the importance of stabilizing and strengthening downtown and neighborhood real estate markets, housing should be considered a critically important element of the city’s overall economic development strategy. Although the City is not positioned to be a developer or owner of housing, municipal agencies can help influence investment decisions associated with the market opportunities. Accordingly, the Coordinator has included the following recommendations in its report:

- If pending enabling legislation is approved, adopting a strategic approach for land banking to assist in blighted property acquisition and disposition.
- Using housing choice vouchers to support mixed-income development and enhance the feasibility of market-rate housing ventures.

Economic Development

Altoona’s competitive advantages are already widely recognized: a central location in the region and state; excellent access to rail and highway transportation systems; several key locally-owned companies that have sustained a substantial portion of the city’s employment base over the years; a close-knit business leadership; a city-based regional health care system and a city-based state university campus with an ambitious expansion plan; a good public education system; and a strong work ethic.

Taxes in Altoona are not substantially higher than in nearby suburban areas. Residents in some suburban communities pay higher taxes than Altoona residents, while others pay lower

taxes than their counterparts in the city. One of the biggest obstacles to economic development in Altoona is the lack of developable real estate within city boundaries. The city has no cleared parcels that are suitably located and of sufficient size to attract new development. The entire city is designated as a state Enterprise Zone, and this designation is scheduled to end in 2013. A request for a five-year extension will be submitted to the state.

The evaluation completed by DCED in April 2012 indicates that, while approximately five percent of the total number of properties in the City are tax exempt (1,023 of 21,412 properties), these properties account for 33 percent of citywide assessed value. Based on the above factors, the Coordinator has included the initiatives below to promote economic growth in the City and region:

- Designing and implementing a Downtown Growth Strategy.
- Promoting development on underused surface parking lots.
- Making use of new tools for blight prevention and elimination.
- Developing improvement strategies for downtown-area neighborhoods.
- Exploring opportunities to support employer-assisted housing programs with matching-fund support.
- Supporting the creation of a leadership organization for the promotion of the City to tourists and visitors.

### ***Public Works Department:***

The City of Altoona Public Works Department (PWD) performs the following functions: maintenance of streets and bridges, street lighting, fleet maintenance, storm sewers, city buildings, and parks. It also provides engineering services in support of the above functions. The PWD has 55 employees, with the largest number of employees in the Streets and Bridge Maintenance group. The Coordinator's recommendations for the PWD include:

- Upgrade remaining streetlights to LEDs for utility cost savings, energy efficiency and better lighting in the City.
- Consolidation of municipal fleet maintenance with the Altoona Area School District, Altoona Water Authority, Blair County and other local governments to reduce costs and duplication of facilities, equipment and costs.
- Annually updating Department Service Fees to fully recover increasing labor and benefit costs for requested and other services.
- Increasing the pace of street repaving to prevent much greater costs of requiring rebuilding of streets due to deferral of maintenance.
- Undertaking a study to identify improvements to the City's management of its Rights-of-Way.

Each of these recommendations focus on the value and necessity of maintaining the quality and protecting the value of the City's infrastructure assets.

### ***Police Department:***

During tough economic times, police are challenged to accomplish more with fewer resources, and Altoona is no exception. The financial challenges in Altoona have reduced police officer staffing from an historical high of 74 to the current level of 67. It is important to note that the

staffing level is lower than similar sized cities although staffing is comparable to similar sized townships throughout Pennsylvania. The Coordinator's recommendations for the Police Department include:

- Reducing budgeted positions to 66.
- Using data analysis to determine the busiest shifts and schedule accordingly.
- Reducing administrative layers in the organizational structure.
- Shifting technology support to the IT Department.
- Restructuring criminal case assignment and management.
- Deploying Crime Mapping technology.
- Further exploring regional shared services (including possible regionalization with Logan Township, Hollidaysburg or any other interested municipalities).

In addition to cost savings, many of the aforementioned initiatives will improve the Police Department's effectiveness. Crime mapping is an analytical process, which makes use of modern technology coupled with the knowledge of the patrol officer. The information gathered will determine crime trends, assist in developing strategies for defining goals and managing the agency. This is accomplished not by adding staff but by real time access to the data information. Real-time computer based crime-mapping/analysis helps management forecast and predict crime and deploy resources to aggressively suppress it.

### ***Fire Department:***

The City of Altoona Fire Department provides emergency response to fires and other hazardous conditions within the City of Altoona, and also provides emergency medical services (EMS) at the first responder level for calls involving life-threatening conditions. The Fire Department has averaged 2,490 calls per year for the past 5 years (2007-2011). The Fire Department provides critical and needed public safety services to the City and its many neighboring communities. The Coordinator's initiatives are focused on both improving efficiency and recovering costs from those that use and benefit from the department's many specialized services.

The Coordinator's recommendations for the Fire Department include:

- Changing the job classification of Assistant Chiefs to be in Operations.
- Using a Third Party billing service for emergency response to accidents.
- Implementing a false alarm ordinance and fees to accurately reflect costs.
- Reviewing fees in the hazardous materials agreement between the City and County.
- Evaluate the feasibility of starting a student Intern Program.
- Reviewing the Operating Policies and Fee Structure for Fire Inspections.

### ***Codes and Inspections Department:***

The majority of recorded property maintenance inspection cases involve relatively minor code violations (e.g., garbage, vegetation), but the City processes these cases in the same manner as serious health and safety code violations. The Initiatives recommended by the Coordinator below include an approach for a faster, more cost-effective and productive processing of code violations, based on experienced gained in other Pennsylvania cities confronting similar problems:

- Digitizing the inspection process to reduce paperwork, staff time and inspection costs devoted to inspection and clerical tasks.
- Establishing performance metrics and monthly performance reporting.
- With the Department of Planning and Community Development, undertaking targeted code enforcement in target areas to identify and systematically address all blighted property issues within designated target areas.
- Cross-Training fire inspectors and Codes Department inspectors which will enable fire personnel to issue violation notices for significant health and safety code violations that they observe during the course of entering and/or inspecting a property in connection with a Fire Department action.

### ***Information Technology:***

The City of Altoona's Information Technology Department ("IT") is responsible for the administration and support of all the City's computer hardware, networks, and systems. Currently, the Department supports over 100 users and computers. The City is not sufficiently invested in technology to provide the level of responsiveness often needed in public safety services. The technology-based initiatives included in the Coordinator's report provide an opportunity to enhance quality of services, increase efficiency and reduce operational costs in City services. Throughout this report, four significant technology based initiatives (summarized below) are recommended to improve services rendered by City departments to the public. Section 302(a) of Act 47 allows a municipality or the Recovery Plan Coordinator to apply for financial assistance from the Commonwealth after a fiscally distressed municipality has adopted a recovery plan. The City, after adoption of the recovery plan, with the assistance of the Coordinator, should consider applying for financial assistance for these technology initiatives.

1. Department of Accounts and Finance-AFD 01-Accounting/Budget/Procurement System – \$70,000 (2013).
2. Information Technology Department (as well as the Fire and Police Departments)-IT01 – Convert to Broadband Cards to improve services to public safety departments and reduce the current cost of the current system – \$120,000 (\$30,000 per year, 2013-2016).
3. Information Technology Department-IT 03-Technology Audit to modernize IT infrastructure to better support service delivery – \$50,000 (2013).
4. Department of Accounts and Finance RE 02-Consolidate Revenue Collection - cost not known, to be determined.

### ***Elected Officials, Executive Officials, and Administration:***

The Recovery Plan contains several initiatives that require new ordinances, resolutions and regulations, as well as other official actions. The City Manager must work with the City Council, stakeholders, and the Act 47 Coordinator to enact such legislation and regulations and shall take all other actions required to accomplish the initiatives set forth throughout this Recovery Plan in a timely manner. Similarly, there are a number of initiatives outlined in this Recovery Plan which will require support by the City Controller's Office to implement. In conjunction with the City's annual audit, the City's external auditor noted the existence of certain internal control deficiencies. Though these deficiencies do not fall under the direct control of the Office of the City Controller, certain of the initiatives that follow address the fact that the Controller is situated

to assist in ensuring these issues are addressed. Key initiatives for the Elected Officials, Executive Officials and Administration of the City include:

- Enactment of an updated Administrative Code of the City of Altoona to reflect changes and requirements which have occurred since 2001. It is the best practice for a city to develop and maintain a current Codified Ordinance.
- Establishment of a process for conducting annual performance evaluations. The process shall provide employees with the understanding of what constitutes strong performance and objectives to achieve that performance.
- Formation of a performance management system that tracks activity and achievement across all departments.
- Formal appointment of a committee to commence an analysis using best practices for succession planning for the positions of City Manager and each Department Head.

### ***Intergovernmental Relations:***

Strained cities are increasingly looking to service sharing arrangements to generate costs savings and efficiencies, and Pennsylvania law explicitly authorizes local governments to cooperate in the exercise of their governmental functions, powers, and responsibilities. This report outlines numerous opportunities for intergovernmental cooperation that the City of Altoona can and should pursue. It is imperative for the City of Altoona to expand its intergovernmental cooperation efforts in order to maximum efficiencies and cost savings. Fortunately, the City's leadership has recognized the need for greater cooperation among local and regional governments in Blair County, and is open to pursue service and cost sharing arrangements that could significantly reduce the City's expenses.

### ***Insurance and Risk Management:***

Overall, the City's risk management program is adequately managed. However, the Report does contain several recommendations for improvement, as set forth below:

- While its insurance broker may provide an appropriate level of service satisfactory to the City as well as satisfactory renewal results from a cost perspective, it would be a prudent decision for the City to develop an RFP for insurance brokerage services.
- The City should develop a written agreement that at a minimum sets forth services standards and expectations and renewal time-lines.
- The City should transition from a commission-plus-fee method of brokerage compensation to an annual fee-for-service. In doing so commission income should be waived on all lines.
- The City shall adopt a formal policy that requires a remarketing of all the lines of insurance every 2 years.
- Several recommendations are made with respect to specific areas of insurance coverage and claims management practices.

### ***Revenue***

After reviewing feasible sources of revenue, and taking into account the impact on economic competitiveness, efficient collection, and City residents, the Coordinator recommends the

enactment of the following revenue increases in the short-term, while the City is classified as a distressed municipality under Act 47:

- Effective 1/1/13: Temporarily increase the Earned Income Tax (“EIT”) rate by 0.25 percentage points on residents and 0.15 on non-residents, a level that provides for an unrestricted General Fund balance of \$1.5 million, equal to about 5% of total General Fund revenue, the recommended minimum. As other Initiatives are fully implemented during 2014-16, the EIT rate would be slightly reduced by 0.05 percentage points.
  - The temporary EIT rate increases will be in addition to the 0.5% General Fund EIT & 0.2% Pension Fund EIT on residents and the 0.2% Pension Fund EIT on most non-residents.
    - The current (2012) combined EIT rates are 0.7% on residents and 0.2% on most non-residents.
    - For 2013, the combined EIT rates would be 0.95% on residents and 0.35% on most non-residents.
    - For 2014-16, the combined EIT rates would be 0.9% on residents and 0.3% on most non-residents.
  - Subjecting both residents and non-residents who are working in Altoona to this temporary tax provides an equitable sacrifice as both groups benefit from police, fire and other services of the City.
  - The EIT on residents and non-residents is an efficient existing system currently utilized for the distressed pension funding at 0.2% EIT.
  - By implementing the increase on Jan. 1, 2013, cash collections to the City will begin during the first quarter of 2013.
  - 4-year financial impact is a revenue increase of approximately \$7.3 million.
- Effective 1/1/13: Increase the real estate tax rate by 2.7% (by 2.9% for 2014-16) to fund debt service on bonds for priority capital projects (for public works, police, fire and technology related projects).
  - When combined with the School District and County rates, the City’s equivalent single rate on land and improvements after this increase will remain competitive with nearby places to reside and do business.
  - 4-year financial impact is a revenue increase of about \$1.0 million.
- Effective 1/1/13: Increase license and permit fees:
  - Double the annual license fee to \$100 for taxpayers subject to the Business Privilege and Mercantile tax.
    - The City is barred by Pennsylvania statute from raising the gross receipts tax rate on retailers, wholesalers and other businesses.
    - This license fee has been \$50 for several years. \$100 is the maximum permitted under Pennsylvania statute.
    - 4-year financial impact is a revenue increase of about \$0.4 million.
  - Increase certain other fees.
    - 10% increase in Rental Inspection Fee in 2013 and 3% per year thereafter.
    - Increase Highway Department Street Cut Fee and Utility Street Cut Fee, and related permits.
    - 4-year financial impact is a revenue increase of about \$0.4 million.
  - Increase other fees by 3% per year.
    - Most fees have been unchanged for several years.

- Increase is intended as a cost indexing of fees
  - 4-year financial impact is a revenue increase of about \$0.3 million.
- Other potential revenue sources to explore:
    - Review potential under assessments for potential challenge.
    - Review & increase utilization of PILOT Agreements.
    - Consider sales of delinquent real estate tax claims.
    - Improve compliance with Business Privilege and Mercantile Taxes.
    - Increase enforcement of the Local Services Tax.
    - Pursue having the Pennsylvania Department of Revenue determine Realty Transfer Tax and related interest and penalties.
    - Market-based revenue opportunities.
    - Implement full cost recovery from fees for appropriate services.
  - Other potential revenue items to review:
    - Study the land-only real estate tax system. Overall, homesteads significantly benefit from land-only taxation.
    - Improve taxpayer information.
    - Evaluate outsourced tax collectors.
    - Review compliance auditing and information sharing with the Pennsylvania Department of Revenue.
    - Consolidate or streamline certain licenses, permits and fees.
  - For the longer term, to the extent the City will need to retain tax rates that exceed the limitations in absence of the special allowances under Act 47, the City should study the adoption of a Home Rule Charter.

### ***Altoona's Debt***

The total amount of City debt outstanding (not including the unfunded pension liability) and the City's annual debt service, are in the Coordinator's opinion at a manageable level. All of the City's outstanding debt obligations are traditional, fixed rate debt instruments that are not at risk to movements in interest rates. The City's conservative approach to issuing debt has benefited the City as it relates to potential future risk of market fluctuations. The City's total annual debt service obligations are level through fiscal year 2021 at a total projected annual expense of approximately \$2.07 million. The projected annual debt obligations of the City are reduced to approximately \$1.95 million in fiscal year 2022 and to approximately \$1.15 million in fiscal year 2028.

Based on the amount of debt outstanding, debt per capita numbers and total outstanding debt as a percentage of the market value of property, the City of Altoona has a very low overall debt burden when compared to other select Third Class peer cities in Pennsylvania as shown in the table below.

3rd Class City	Outstanding GO Debt *	Population 2010 Census	Debt per Capita	Market Value of Property	Debt as a Percentage of Market Value
Allentown	\$108,235,937	118,032	\$917.01	3,636,777,400	2.98%
Altoona	\$25,203,094	46,320	\$544.11	1,256,884,800	2.01%
Bethlehem	\$86,266,000	74,982	\$1,150.49	3,275,170,200	2.63%
Easton	\$46,846,097	26,800	\$1,747.99	778,811,600	6.02%
Erie	\$74,953,768	101,786	\$736.39	2,428,096,500	3.09%
Harrisburg	\$30,864,747	49,528	\$623.18	1,682,241,100	1.83%
Lancaster	\$221,576,392	59,322	\$3,735.15	1,506,922,300	14.70%
Reading	\$187,572,000	88,082	\$2,129.52	1,436,956,100	13.05%
Scranton (2A City)	\$79,740,000	76,089	\$1,047.98	2,093,426,900	3.81%
Wilkes-Barre	\$74,020,344	41,498	\$1,783.71	886,351,600	8.35%
York	\$43,445,728	43,718	\$993.77	892,744,200	4.87%

Source: MSRB - Electronic Municipal Market Data (EMMA)

Source: Market Value of Property - PA State Tax and Equalization Board

\* Does not include any guaranteed debt that the cities may be paying or owe debt service

The City should continue to evaluate the issuance of debt on a conservative basis and the City will develop and implement policies to ensure that the debt service does not become unaffordable. The City must evaluate each borrowing decision in the context of its overall strategy and long-term impact based on a best practices model.

## Conclusion

The solutions being recommended in this Plan will be challenging to implement, but are certainly achievable. While Altoona is facing a persistent structural deficit and negative long-term economic trends, there are a number of positive factors that Altoona can leverage to its benefit. For instance, in contrast to other distressed cities, Altoona's level of debt and annual debt service requirements are at a manageable level. Altoona has a central location in the region and state; excellent access to rail and highway transportation systems; several key locally-owned companies that have sustained a substantial portion of the city's employment base over the years; a close-knit business leadership; a city-based regional health care system and a city-based state university campus with an ambitious expansion plan. Furthermore, Altoona has numerous opportunities to realize cost savings and efficiencies through intergovernmental cooperation and shared service arrangements. And perhaps most importantly, Altoona's elected and appointed officials recognize the need for immediate action and are open to cooperation amongst themselves and with other governmental entities to implement initiatives that result in cost savings and improved efficiencies for the City and its residents.

# Introduction

Like other small cities in Pennsylvania, the City of Altoona (“City”) has been experiencing growing financial challenges in recent years. The loss of large-scale industrial and manufacturing employers, the steady decline in population, the continued erosion of its tax base, and economic downturn of the past several years have resulted in persistent structural deficits. Similar to many Pennsylvania third-class cities, Altoona faces the long-term challenge of finding a stable and meaningful position in the post-industrial economy.<sup>2</sup>

But of more immediate concern is the City’s persistent structural deficit, which is jeopardizing the City’s ability to provide for the health, safety, and welfare of its citizens. This report will explain why City officials must take concerted action now to address the underlying structural issues facing Altoona. The Coordinator’s recommendations for doing this are summarized in the preceding Executive Summary, and presented in detail in the chapters to follow. The solutions being recommended will be challenging to implement, but are certainly achievable.

## History and Relevant Trends

An understanding of Altoona’s history and economic trends is crucial to understanding the City’s current fiscal situation, as well as its outlook. These trends must be recognized and considered in evaluating solutions to the City’s financial situation.

Altoona owes both its origin and its growth to the railroad industry.<sup>3</sup> Prior to Altoona’s incorporation, the Pennsylvania Railroad began developing the community that would become Altoona.<sup>4</sup> To highlight the impact of the railroad industry on the City, by 1925, 14,000 of the 17,000 industrial workers in the Altoona area were employees of the Pennsylvania Railroad. Through the 1930’s, Altoona saw continued and tremendous growth. However, after World War II, the demand shifted from steam locomotives to more cost-efficient and reliable diesel and electric locomotives.<sup>5</sup> As the nation developed the interstate highway system, commerce moved away from the cities and the rail connections.<sup>6</sup> After this shift, both the population and businesses moved away from the cities into the newly created suburban neighborhoods. During this transition, city leadership attempted to diversify the City’s economy and attract new manufacturing jobs, to replace those lost by the declining railroad industry.

Like other historically industrial cities, Altoona has struggled to find its identity in the 21st century. The era of the railroad put Altoona on the map and built the city; however, it now finds itself in the midst of a long-term population loss and decrease in tax base coupled with the expectation for local municipalities to provide more support<sup>7</sup> with less financial resources.

The City of Altoona has several demographic trends which cannot be ignored. The first is the significant de-population that the City has experienced. The second is the aging of the Altoona

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<sup>2</sup> Mallach, Alan (May, 2012). “In Philadelphia’s Shadow: Small Cities in the Third Federal Reserve District”. A Special Report by the Community Development Studies and Education Department, Federal Reserve Bank of Philadelphia, p.1

<sup>3</sup> <http://www.altoonapa.gov/Pages/HistoryofAltoona.aspx>

<sup>4</sup> <http://www.altoonapa.gov/Pages/HistoryofAltoona.aspx>

<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> Id.

population. The third is drastic change to the City’s employment profile, which has contributed to a declining median income for Altoona’s population. These trends have markedly affected the City’s financial condition.<sup>8</sup>

### Population Trends

The chart below reflects population trends in small cities in the Mid-Atlantic region. The Pre-1950 population of Altoona is almost twice the population in 2010 according to the most recent Census information for the City.<sup>9</sup>

### Population from Peak to 2010

	Pre-1950	1950	1960	1970	1980	1990	2000	2010
Allentown		106,757	108,347	109,871	103,758	105,090	106,632	118,032
Altoona	82,054	77,177	69,407	63,115	57,078	51,881	49,523	46,320
Bethlehem		66,340	75,408	72,686	70,419	71,428	71,329	74,982
Camden		124,555	117,159	102,551	84,910	87,492	79,904	77,344
Chester		66,039	63,658	56,331	45,794	41,856	36,854	33,972
Harrisburg		89,544	79,697	68,061	53,264	52,376	48,950	49,528
Lancaster		63,774	61,055	57,690	54,725	55,551	56,348	59,322
Reading	111,171	109,320	98,177	87,643	78,686	78,380	81,207	88,082
Scranton	143,433	125,536	111,443	102,696	88,117	81,805	76,415	76,089
Trenton		128,009	114,167	104,786	92,124	88,675	85,403	84,913
Wilkes-Barre	86,626	76,826	63,551	58,856	51,551	47,523	43,123	41,498
Wilmington	112,504	110,356	95,827	80,386	70,195	71,529	72,664	70,851
York		59,953	54,504	50,335	44,619	42,192	40,862	43,718

NOTE: Highest historic population is highlighted. For cities that reached their peak prior to 1950, this population is provided in the Pre-1950 column. SOURCE: 1960, Census of Population: Volume I-Characteristics of the Population; 1990, Census of Population and Housing: Population and Housing Unit Counts; 2000, Census Summary File 1: Table P001; 2010, Census Summary File 1: Table P1. Prepared by the U.S. Census Bureau.

Table courtesy of Mallach, Alan (May, 2012). “In Philadelphia’s Shadow: Small Cities in the Third Federal Reserve District”. A Special Report by the Community Development Studies and Education Department, Federal Reserve Bank of Philadelphia, p.5

Altoona’s population is not only smaller than it was in 1950; it is also older. Statistics reveal that the population over age 65 (15.6%)<sup>10</sup> in Altoona is well-above the national average of 13 percent. In fact, certain residential areas in Altoona may soon fit the description of naturally occurring retirement communities (NORCs) as a result of the concentration of elderly residents.<sup>11</sup>

The charts below reveal the significant change in the age-profile of Altoona’s population over the past 60 years:

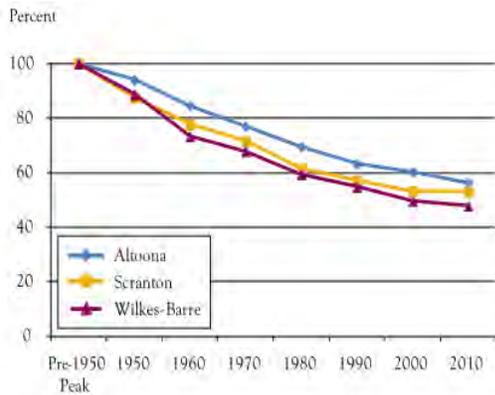
<sup>8</sup> Annual Report of the City of Altoona, Blair County, December 31, 2011.

<sup>9</sup> *ibid.*, p. 5

<sup>10</sup> <http://quickfacts.census.gov/qfd/states/42/4202184.html>

<sup>11</sup> Mallach, Alan (May, 2012). “In Philadelphia’s Shadow: Small Cities in the Third Federal Reserve District”. A Special Report by the Community Development Studies and Education Department, Federal Reserve Bank of Philadelphia, p.32

## Altoona Aging Population - 60 years



NOTE: Population from 1950 to 2010 is shown as a percentage of the city's peak population.  
 SOURCE: 1960, Census of Population: Volume I-Characteristics of the Population; 1990, Census of Population and Housing: Population and Housing Unit Counts; 2000, Census Summary File 1: Table P001; 2010, Census Summary File 1: Table P1. Prepared by the U.S. Census Bureau

## Population Age Profile - 2010

Percentage 65 and Over	City	Percentage Under 18	Percentage 65 and Over
Above the National Average	Scranton	20.4%	16.4%
	Bethlehem	19.9%	16.2%
	Wilkes-Barre	20.3%	16.2%
	Altoona	22.6%	15.6%
Similar to the National Average	Allentown	26.2%	11.9%
	Wilmington	24.4%	11.6%
Below the National Average	Chester	27.2%	10.4%
	Reading	31.0%	9.3%
	Harrisburg	26.8%	9.1%
	York	28.7%	8.9%
	Trenton	25.1%	8.8%
	Lancaster	25.6%	8.6%
	Camden	31.0%	7.6%
U.S.	—	24.0%	13.0%

NOTE: Table sorted in descending order of percentage 65 and over.  
 SOURCE: 2010, Census Demographic Profile Data: Table DP-1. Prepared by the U.S. Census Bureau

Graph and table courtesy of Mallach, Alan (May, 2012). "In Philadelphia's Shadow: Small Cities in the Third Federal Reserve District". A Special Report by the Community Development Studies and Education Department, Federal Reserve Bank of Philadelphia, p.33 & 57

## Employment Trends

Altoona's population decline, like that of many small cities, has been coupled with a steady de-industrialization of its employer base. In the late 19<sup>th</sup> and early 20<sup>th</sup> Centuries, 82% of many industrial workers in the City of Altoona were employed by the railroad industry. By contrast, today the top three employers in the City of Altoona and Blair County are in the healthcare industry, and government and educational institutions. The current largest employers in the City are tax-exempt and, therefore, do not produce tax revenue for the City like the manufacturing sector previously had. The table below reflects the industry/sector of top 10 employers in five representative counties as of 2010. A review of Blair County's top ten, shows that seven are government, education, or healthcare related. No manufacturing or financial firms appear in the top ten:

## Top 10 Employers by Sector and County (2010)

County City	BERKS Reading	BLAIR Altoona	DAUPHIN Harrisburg	DELAWARE Chester	LACKAWANNA Scranton
1	Manufacturing	Health	Government	Manufacturing	Government
2	Health	Government	Health	Health	Social Services
3	Education	Education	Manufacturing	Government	Education
4	Government	Retail HQ	Tourism	Distribution	Health
5	Manufacturing	Government	Health	Education	Health
6	Government	Retail	Government	Government	Education
7	Retail	Government	Manufacturing	Education	Government
8	Retail HQ	Wholesale	Government	Retail HQ	Health
9	Health	Education	Distribution	Tourism	Government
10	Education	Education	Education	Health	Financial

*Table courtesy of Mallach, Alan (May, 2012). "In Philadelphia's Shadow: Small Cities in the Third Federal Reserve District" A Special Report by the Community Development Studies and Education Department, Federal Reserve Bank of Philadelphia, p.50.*

### **Income Trends**

Altoona's average median household income is \$10,000 less than the median household income for the average Pennsylvania household and almost \$20,000 less than the average U.S. household. Altoona ranks below both Pennsylvania and the United States in the percentage of its population in poverty. The table below depicts Altoona's median household income and poverty rate in comparison to other cities in the Mid-Atlantic.

## Household Income, Poverty, and Economic Dependency (2005-2009)

	Median Household Income	Median Household Income Rank	Percentage of Population in Poverty	Economic Dependency Ratio	Economic Dependency Ratio Rank
Allentown	\$36,454	3	23.9%	2.15	6
Altoona	\$33,623	6	18.9%	3.04	2
Bethlehem	\$44,983	1	15.1%	4.13	1
Camden	\$25,418	12	38.3%	0.89	13
Chester	\$24,978	13	36.1%	1.04	11
Harrisburg	\$31,676	8	29.2%	1.60	9
Lancaster	\$32,845	7	26.1%	1.75	8
Reading	\$27,887	11	34.5%	1.04	12
Scranton	\$34,782	5	19.2%	3.03	3
Trenton	\$35,372	4	23.4%	2.12	7
Wilkes-Barre	\$28,699	10	23.8%	2.23	5
Wilmington	\$39,130	2	22.3%	2.49	4
York	\$29,223	9	32.3%	1.24	10
Delaware	\$57,618	–	10.5%	7.10	–
New Jersey	\$68,981	–	8.8%	8.94	–
Pennsylvania	\$49,737	–	12.1%	5.88	–
U.S.	\$51,425	–	13.5%	5.09	–

Table courtesy of Mallach, Alan (May, 2012). "In Philadelphia's Shadow: Small Cities in the Third Federal Reserve District". A Special Report by the Community Development Studies and Education Department, Federal Reserve Bank of Philadelphia, p.30.

The statistics set forth above provide a picture of a City with a steadily declining tax base, an aging and shrinking population, and a deteriorating economic situation. Eventually these trends manifested themselves in the form of fiscal distress for the City.

### Early Intervention and Act 47 Background

In 2004, the Department of Community and Economic Development ("DCED") developed an Early Intervention Program (EIP) to provide matching grant funds to assist municipalities experiencing fiscal difficulties to develop comprehensive multi-year financial plans and establish short and long-term financial objectives. In 2005, the City obtained an EIP grant from DCED, and engaged the Pennsylvania Economy League (PEL) to develop a multi-year financial plan. PEL developed financial plans for the City in 2005, 2009 and again in 2010. The PEL's 2010 report concluded that the City "had a stagnant revenue stream and a cost structure which continued to increase."<sup>12</sup> The report indicated that the city will be facing significant yearly deficits, even if no wage increases were implemented for City workers. The report concluded

<sup>12</sup> Pennsylvania Economy League ("PEL"), Central PA, LLC's "Update of the Five-Year Financial Management Plan for the City of Altoona (2010)", at p. 1

that the City could not continue to operate with these revenue shortfalls, and recommended taking corrective action.

The City Council took the advice of PEL, and on February 24, 2012, the City filed a Request for Determination of Municipal Financial Distress (“Request”) under Section 203(c) of the Municipalities Financial Recovery Act (Act 47 of 1987, as amended) (“Act 47”). Act 47 was enacted to foster the fiscal integrity of municipalities so that they can provide for the health, safety and welfare of their citizens; pay principal and interest on their debt obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial accounting procedures, budgeting and taxing practices.

The City’s Request asked the DCED to determine the City of Altoona’s eligibility as a distressed municipality under Act 47. The Request alleged that the City met the following three criteria for distressed municipality status under Act 47.<sup>13</sup>

- (1) The City has maintained a deficit over a three-year period, with a deficit of 1% or more in each of the previous fiscal years;
- (2) The City’s expenditures have exceeded revenues for a period of three years or more; and
- (11) The City has experienced a decrease in a quantified level of municipal service from the preceding fiscal year which has resulted from the municipality reaching its legal limit in levying real estate taxes for general purposes.

Pursuant to Section 203(b) of Act 47, DCED conducted a consultative investigation into the financial affairs of the City. After examining the City’s financial, personnel and other relevant administrative records, DCED determined that all three identified criteria were present, and, therefore, concluded that City could be considered a distressed municipality under Act 47. The results of the consultative investigation were set forth in a Consultative Evaluation Report issued on April 3, 2012. The Report recommended that the City be declared distressed under Act 47 based on an analysis of the City’s fiscal condition: structural deficits whereby expenditures exceed revenue, workforce trends, cash flow, tax base and revenue trends, debt service obligations, current and projected 2012 financial position, pension obligations, use of inter-fund transfers and socio-economic and demographic trends.

On April 3, 2012, a public hearing was held to receive testimony from officials of the City of Altoona, DCED and other interested parties relative to whether the DCED Secretary should declare the City of Altoona a distressed municipality under Act 47.

On May 3, 2012, DCED Secretary Alan Walker declared that the City is “financially distressed” under the provisions of Act 47, and the City was officially accepted into the Act 47 Program for Distressed Municipalities. On June 3, 2012, DCED appointed the Act 47 Coordinator.

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<sup>13</sup> Section 201 of Act 47 enumerates eleven criteria, at least one of which must be present in order for a municipality to be considered for a distress determination by the Secretary of DCED.

## The City's Structural Deficit

As recently as 2007, the City had a budget surplus in their General Fund. During this time the City's fiscal condition was buoyed by several factors:

- The authorization of the Local Services Tax by the Commonwealth which generated revenue of about \$860,000 by 2008.
- Increase in fees and permits in 2005 adding about \$280,000.
- Stability with wage increases under collective bargaining in the 3.5 to 4.0 percent range.
- Healthcare costs which increased at a rate of six to seven percent per year compared to the double digit increases seen in other municipalities
- Decline in City workforce numbers from 2002 through 2004, followed by a period of workforce stability

These factors, however, could not stop the upward trend in costs. Costs slowly began to exceed the City's revenue stream, partly as a consequence of the overall national and regional economic downturn and its impact on real estate and income taxes. As a result, the City of Altoona has maintained a structural deficit for the past four years. The ongoing structural deficit is reflected in the Table below:

### Altoona All Governmental Funds Revenue vs. Expenses (2008-2011)

All Funds	2008	2009	2010	2011
Revenues	\$28,605,572	\$26,849,931	29,894,252	29,387,160
Expenses	\$32,999,737	31,917,924	32,802,453	37,317,998
Surplus (Deficit)	\$(4,394,165)	(5,067,993)	(2,908,201)	(7,930,808)
% of deficit to revenues	15%	19%	10%	27%

*Source: 2008-2011 Annual Reports of The City of Altoona, prepared by Young, Oakes, Brown and Company, P.C., Certified Public Accountants. All governmental funds consist of general funds and eighteen other funds.*

Despite significant cutbacks to the City workforce, including in critical areas such as the Police Department, Codes Enforcement, and the Department of Public Works, the City has been unable to overcome the structural impediments for continued solvency. In other words, the structural mismatch between revenue and expenditures cannot be overcome without substantial cutbacks in expenditures or increased revenue.

Increasing tax revenue will be challenging for a number of reasons. The City of Altoona receives revenue from real estate taxes, earned income taxes, other Act 511 taxes, intergovernmental transfers, and charges for services provided. It is projected that the City's revenues will be *at best* flat. Real estate taxes comprise the largest percentage of the City's tax revenue, but real estate tax revenue has been steadily declining. The assessed valuation of the City's taxable property has declined by over \$3.5 million since 2005, and real estate tax revenue is expected to increase by 1.4% in 2013 and remain flat thereafter to 2016, inclusive, even though the City is at its legal millage maximum for general purpose real estate. Further compounding the problem is the fact that approximately 33% of the City's real estate is tax-exempt, and efforts to obtain voluntary payments in lieu of taxes from exempt entities have been largely unsuccessful.

A significant portion of the City's revenue comes from intergovernmental payments, and this is the one category of revenues that is likely to increase for the City. The City currently receives approximately \$2.9 million per year from the Altoona Water Authority for services provided by the City to the Authority. The annual payment from the Authority is a stable and reliable source of revenue for the City through 2015. The City also receives revenue from the Act 205 EIT fund, which is used by the City in conjunction with state aid to meet its pension obligations. But, it is important to note that the increased revenue from the Act 205 EIT fund will not be available to address the City's General Fund shortfalls, because these transfers to the City are required in order for the City to meet its pension obligations.

Since 2007, the City's budget expenditures have been increasing more rapidly than the relatively lower growth in the revenue base. Salaries, wages, pensions, and employee benefits currently constitute 83% of the City's expenditures. Pension costs and healthcare costs will greatly impact the budget through 2016 and beyond. The health insurance costs for City employees continue to increase at rates that far exceed inflation.<sup>14</sup> Simply put, increases in employee costs cannot be sustained by the City.

This report provides a thorough analysis of the City's revenues and expenses, and proposes a number of initiatives to reduce expenditures and to close the City's structural budget shortfall. If implemented in accordance with the Coordinator's recommendations, these initiatives can enable the City to fix its "fiscal mismatch" and put the City back onto sound financial footing and allow it to provide vital services to its citizens.

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<sup>14</sup> Annual Report of the City of Altoona, Blair County, December 31, 2011, pg. 12

# Act 47 Recovery Plan Implementation

## Overview

The Act 47 Recovery Plan outlines numerous achievable initiatives, which, if implemented, will allow the City of Altoona to recover from its immediate fiscal crisis, address the City's structural budget deficit with revenue increases to allow time for structural cost savings to take effect, and strengthen the long-term economic outlook for the City. As outlined by the Coordinator, the Recovery Plan places a significant emphasis on intergovernmental cooperation, and many of the initiatives rely on combining services and cost-sharing arrangements. Therefore, implementation of the Recovery Plan will require extensive cooperation both within the City's government and with representatives from other governmental and non-governmental entities in Blair County.

Fortunately, the City's elected and appointed officials have expressed a willingness to cooperate and to explore any and all intergovernmental initiatives that will benefit the City. The Recovery Plan identifies numerous opportunities for intergovernmental cooperation with the Altoona Area School District, Blair County, the Altoona Water Authority, and other municipalities in the County. As such, representatives from these entities will need to be active participants in the implementation of the Recovery Plan. Likewise, the citizens of Altoona and Blair County, along with leaders of the regional business community, must be engaged in the process in order to maximize the impact of the various initiatives outlined in the Plan.

A key aspect of engaging surrounding governments and the citizenry will be transparency and open communication by the City Government. As outlined in the Recovery Plan, the City's financial systems and controls have needed improvement, which can lead to mistrust or misunderstanding by residents and other stakeholders. Improving the City's financial procedures will greatly improve stakeholders' faith in the City Government, and make them more willing to actively participate in the implementation of the Recovery Plan.

## Initiatives

### *Plan Implementation*

#### **PI01. Conduct Regular Recovery Plan Implementation Meetings**

**Target outcome:** Plan implementation

**Four-year financial impact:** Not Available

**Responsible party:** City Council, City Manager and Solicitor

The Act 47 Coordinator shall organize and representatives of the Administration and City Council shall participate in regular meetings to plan for and implement Act 47 initiatives and to discuss other matters including but not limited to City finances, operations, human resources, economic development, and intergovernmental cooperation. The Act 47 Coordinator will prepare the agenda in consultation with the other parties and will lead the meetings.

The meetings are intended to be small group, priority setting and problem solving sessions, and could result in follow-on assignments and reporting. The Act 47 Coordinator will periodically meet with the full City Council in public session to provide updates.

**PI02. Deploy Implementation Action Teams**

**Target outcome:** Improved plan implementation  
**Four year financial impact:** Not Available  
**Responsible party:** City Council and Act 47 Coordinator

The Act 47 Coordinator shall organize Implementation Action Teams to address critical areas of weakness that prevent the City from functioning efficiently. Team members may include the Act 47 Coordinator subject matter experts and staff; experts from regional governments, businesses, non-profits and community groups; external consultant experts for selected subjects if funds are available; and a representative from the Administration and City Council. The teams shall be small enough that they can easily convene and confer under the direction of the Act 47 Coordinator.

Each team will be focused on a particular area and will be responsible to build on the analysis and initiatives presented in this Recovery Plan along with previous reports and subsequent evaluations where relevant. The team will be responsible for developing a “diagnosis list” of critical problems in its area of focus and a work plan that includes objectives to be achieved over different intervals (e.g. short term goals for the next three months, medium range goals over nine months, long term goals over 18 months). The Coordinator will provide each team’s findings and work plan to the Administration, City Council and Department of Commonwealth and Economic Development to guide and to prioritize Plan implementation.

The immediate area of focus will be accounting and financial reporting because of the need to resolve the accounting and cash flow management issues discussed in the Accounts and Finance Chapter.

***Community and Stakeholder Participation***

**PI03. Establish a Citizens Advisory Committee**

**Target outcome:** Improved communication  
**Four year financial impact:** Not Available  
**Responsible party:** City Council and Act 47 Coordinator

Other communities have established Community Action Teams or Citizen Advisory Committees to improve dialog with residents, local businesses, non-profit organizations and other stakeholders. The individuals who participate bring valuable input on City government’s strengths and weaknesses and help brainstorm on ideas to improve services, gain efficiency or achieve other objectives. The municipal government gains the opportunity to communicate and improve residents’ understanding of government’s challenges and efforts to address them. The issue of increasing the voice of residents in City government was raised by participants during the Act 47 Coordinator’s public meeting and other due diligence during Plan development.

A potential model frequently cited is New Castle, Pennsylvania, which established a Citizens Advisory Committee with 12 members — two from each of the City’s five neighborhoods plus two at-large members. The Mayor in New Castle appoints each member for one-year terms and gives a preference to residents who are not candidates for elected office to avoid providing an unfair advantage to members and to expand the number of residents active in local affairs.

The City of Altoona shall establish a Community Advisory Group that will meet on a regular basis to provide input and ideas on City policy matters in a structured, respectful environment that includes a variety of opinions and interests. The City Manager shall consult with the Act 47 Coordinator and the City Council to determine the composition of the group, how members will be selected and other terms of participation. It is recommended that the City Manager and City Council persons have appointments to the group, and that emphasis must be placed on overall group diversity and residents who do not hold other City appointments. While participation in group discussions is reserved to Committee members, the meetings shall be open to the public.

**PI04. Create a Loaned Executive Program**

<b>Target outcome:</b>	Improved plan implementation
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	Mayor, City Council and Act 47 Coordinator

The Act 47 Coordinator has noted the City has an extraordinarily talented and successful business community with members who have repeatedly offered their time and expertise to authorities, boards and related City matters and who have worked to identify solutions for the City. As a result of the potential benefit of leveraging this expertise for short-term projects, the City Manager and Council shall work with the Act 47 Coordinator and the Implementation Action Teams to identify projects where loaned executives or professionals from regional non-profit organizations such as the Blair County Chamber of Commerce and the Altoona Blair County Development Corporation could lead or support critical initiatives for the City on a volunteer basis.

***Performance Measurement***

**PI05. Publish a Performance Measurement Report**

<b>Target outcome:</b>	Improved transparency and accountability
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Manager and City Council

This Recovery Plan has several initiatives that require the City to develop a performance management system to track and monitor key indicators of activity levels, productivity, cost effectiveness, outcomes and other measures of City government’s performance. The initiatives include an explicit listing of specific indicators to be tracked on a monthly basis. These initiatives are not intended to be overly prescriptive, but rather to provide a shared sense of responsibility and stimulate further thinking about what pieces of information management needs to evaluate the City’s performance and make decisions. Each initiative invites the Administration, department staff and City Council to recommend other measures that should be tracked with a brief explanation of what insight that measure would provide.

The City Manager and designated staff shall compile the departmental information and publish a quarterly performance management report that includes the monthly indicators and introductory narrative explaining important trends, changes and actions taken by the City in response to those trends and changes. The City Manager shall provide the written Quarterly Performance Report and the Quarterly Financial Report to the City Council, Act 47 Coordinator and Secretary of the Department of Community and Economic Development within 60 days of the end of each quarter. The quarterly reports shall also be posted to the City's website.

It is understood that the City will need time to address technical, formatting and procedural challenges related to tracking and reporting the data points for the performance management initiatives. The City shall work to address these issues, making improvements over time beginning with the first report due in May 2013.

### ***Intergovernmental Cooperation***

#### **PI06. Increase Participation in Regional Organizations**

<b>Target outcome:</b>	Improved efficiency; cost savings; regional cooperation
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Council

Officials and others interviewed by the Act 47 Coordinator during Recovery Plan development have described an inconsistent pattern of participation by the City in regional institutions. While the City is meaningfully involved with shared services with several government units, it has little or no involvement with other potentially significant entities.

Due to its fiscal crisis, the City must seek out and actively participate in efforts for regional cooperation and shared services. Shared services with region centered governments provide significant savings and foster economic development. Both will be necessities for the City to successfully exit Act 47 and to achieve sustainable budgets going forward. There are many other initiatives described throughout the Recovery Plan that involve intergovernmental cooperation between the City and other governments. Those initiatives include the following (with chapter locations noted in parentheses):

- Establishing and Negotiating Shared Technology Infrastructure, Software Applications, and General Administrative functions with the Altoona Area School District, Altoona Water Authority, Blair County and other local governments (Finance Department)
- Pursuing Joint Purchasing of Utilities with all governments in the region including the Altoona Area School District, Altoona Water Authority, Logan Township and Blair County (Finance Department)
- Formally evaluating merging employee populations with area governments and institutions for health care and related benefits (Finance Department)
- Consolidation of Municipal Fleet Maintenance with the Altoona Area School District, Altoona Water Authority, Blair County and other local governments to reduce costs and duplication of facilities, equipment and costs (Public Works)
- Move information technology support for the Police Department to Blair County (Information Technology)

- Pursue shared services for information technology (Information Technology)
- Create apprenticeship and internship opportunities (Administration)
- Explore shared tax collection, fleet maintenance, parks and recreation, purchasing, facilities maintenance and financial management services (Intergovernmental Cooperation)
- Review and increase utilization of Payment in Lieu of Property Tax (“PILOT”) Agreements (Revenue)
- Update comprehensive plan (Planning and Community Development)
- Develop a local economic development partnership and comprehensive strategy (Planning and Development)

This Plan offers a mix of short and long-term initiatives that provide a platform for strengthening intergovernmental cooperation while helping the City address its immediate financial challenges. Other opportunities for effective intergovernmental cooperation exist and are encouraged.

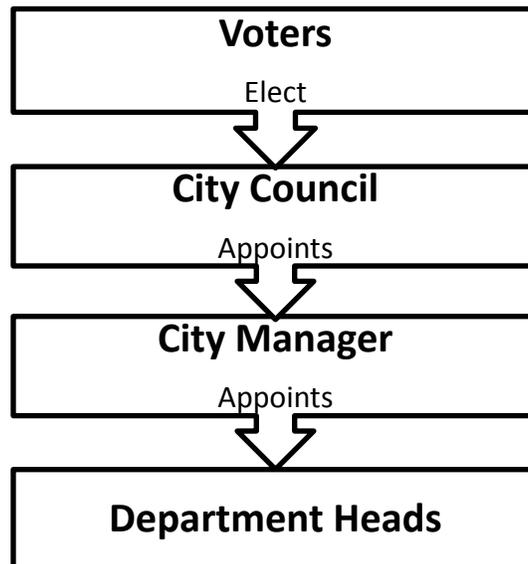
# Elected Officials, Executive Officials and Administrative Services Departments

## Overview

### Elected Officials and Executive Officials

Following the City of Altoona’s Government Study Commission’s recommendation and public election in 1987, the City of Altoona (the “City”) adopted a Council-Manager Plan of government pursuant to the Home Rule Charter and Optional Plans Law.<sup>15</sup> Under a Council-Manager Plan of government, a city is governed by an elected mayor, elected council, elected controller, and an appointed city manager. A treasurer may be elected, however, currently there is no elected treasurer serving the City. Since 1972, twenty Pennsylvania cities have adopted home rule charters; DuBois and Altoona are the only two which have adopted the Council-Manager Plan.<sup>16</sup>

Under the Council-Manager Plan of government a city is governed by a seven-member council, which includes the elected Mayor as one of the seven council members.<sup>17</sup> Voters elect the council members, who hold all authority in the city and who, in turn, appoint the City Manager. The City Manager manages the City, and has the responsibility of appointing the department heads. General powers are granted to the City under the Council-Manager Plan.



The general powers include the City’s ability to organize and regulate internal affairs, and establish, alter, and abolish offices, positions and employment, as well as to define the functions, powers and duties and to fix their terms, tenures and compensation. Additionally, the

<sup>15</sup> 53 Pa.C.S.A. § 2901 et seq.

<sup>16</sup> [www.livingplaces.com/PA/Pennsylvania\\_Local\\_Government.html](http://www.livingplaces.com/PA/Pennsylvania_Local_Government.html)

<sup>17</sup> Explanation of the Council-Manager Form of Government based on the findings by the Government Study Commission June 10, 1988

City has the power to adopt and enforce local ordinances, impose penalties or fines on properties, and to construct, acquire, operate, or maintain any and all public improvements and projects for any public purpose.

The City also has the power to sue and be sued, to contract to buy, sell, lease, hold, and dispose of real and personal property, to appropriate and expend monies, and to adopt, amend and repeal such ordinances and resolutions as the City may require, along with exercising condemnation, borrowing, and taxation in a manner provided by general law applicable to cities of the third class.

In addition to granting general powers to the City, the Council-Manager Plan also has limitations. For example, the City does not have the power or authority to diminish retroactively any rights or privileges of any present city employee in his pension or retirement system. The City also cannot exercise any power or authority beyond the city limits or engage in proprietary or private business except as authorized by the General Assembly. Generally, the City cannot exercise powers contrary to, or in limitation or enlargement of, powers granted to the City by acts of the General Assembly.

Under the Council-Manager Plan, the Mayor is chosen directly by the voters. Unlike in a Mayor-Council Plan, where the Mayor is the chief executive officer and is responsible for enforcing the laws,<sup>18</sup> in the Council-Manager Plan the Mayor is not the chief executive officer, nor is the Mayor responsible for enforcing the laws. The Mayor has the responsibility to preside at all meetings of the city council and is the chairperson.<sup>19</sup> Additionally, the Mayor is required to vote in the council's proceedings, but cannot veto.<sup>20</sup> Further, the Mayor has the responsibility to appoint, along with the council members, the City Manager.<sup>21</sup>

## **Administrative Services Departments**

The Administrative Services of the City are under the jurisdiction of the City Manager and include the following departments: (1) Department of Administration, (2) Department of Public Works, (3) Department of Accounts and Finance, (4) Department of Police, (5) Department of Fire, (6) Department of Codes and Inspections, (7) Department of Planning and Community Development, and the (8) Department of Personnel.<sup>22</sup> Each department has a Department Head who is appointed by the Manager, on the basis of executive, administrative, and technical qualifications in connection with the function, duties and operations of their respective departments.<sup>23</sup> The Departments of Public Works, Accounts and Finances, Codes and Inspections, Planning and Community Development, and Personnel each have a Director as its department head. The Departments of Fire and Police each have a Chief as its department head, and the City Manager, or a designee, is the department head for the Department of Administration.<sup>24</sup> The City Manager has assumed the responsibilities of the Director of Codes.

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<sup>18</sup> City of Reading Office of the Mayor overview, City of Reading Act 47 document

<sup>19</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 2.06 Adopted 8/22/01

<sup>20</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 2.07(E) Adopted 8/22/01

<sup>21</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 2.10(B) Adopted 8/22/01

<sup>22</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.01 Adopted 8/22/01

<sup>23</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.02 Adopted 8/22/01

<sup>24</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.01 Adopted 8/22/01

The Director of Accounts and Finance has assumed the responsibilities of the Director of Personnel.

## Assessment

### City Council

City Council consists of seven members. The Mayor and Council are elected by the voters. The Vice Mayor is appointed by Council, serves a two-year term, and conducts the Council meeting(s) when the Mayor is not present. The Council Members serve a term of four years and are required to act as one body. Each Council Member has the responsibility to vote on all questions that come before the Council, and their actions are to be taken pursuant to ordinance, resolution, or motion. The Council also has the responsibility to appoint a City Clerk and a city solicitor,<sup>25</sup> any planning, zoning or personnel board in the city, and they may create commissions and other bodies. The Council Members must also designate a Finance Director, or Deputy Finance Director, and the Controller, or Deputy Controller, to sign all disbursements for the City.<sup>26</sup> In addition, the Council members have the authority to make investigations into the affairs of the municipality and into the conduct of any municipal department, office or agency.<sup>27</sup> Furthermore, the Council has the responsibility to create, determine and define the powers and duties of executive and administrative departments, offices, and boards.<sup>28</sup> The headcount of the City Council from 2008 through 2012 as well as the historical and projected baseline expenditures follow:

<b>Elected Officials- Budgeted Headcount</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Mayor	1	1	1	1	1
Councilmen	6	6	6	6	6
<b>Total</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>

### City Council – Historical Expenditures

<b>Category</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2012 Projected</b>
Salary	26,400	26,100	26,100	26,400	26,400
Travel / Training	-	1,591	1,549	3,216	3,000
Fees	9,508	14,461	19,413	19,413	19,413
Supplies	130	100	23	(304)	200
<b>Total</b>	<b>\$ 36,038</b>	<b>\$ 42,252</b>	<b>\$ 47,085</b>	<b>\$ 48,725</b>	<b>\$ 49,013</b>

<sup>25</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 2.12(A)-(D) Adopted 8/22/01

<sup>26</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 2.10(G) Adopted 8/22/01

<sup>27</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 2.10(C) Adopted 8/22/01

<sup>28</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 2.10(D) Adopted 8/22/01

## City Council – Projected Baseline Expenditures

Category	2012	2013	2014	2015	2016
Salary	26,400	26,400	26,400	26,400	26,400
Travel / Training	3,000	3,090	3,183	3,278	3,377
Fees	19,413	19,995	20,595	21,213	21,850
Supplies	200	206	212	219	225
<b>Total</b>	<b>\$ 49,013</b>	<b>\$ 49,691</b>	<b>\$ 50,390</b>	<b>\$ 51,110</b>	<b>\$ 51,851</b>

### Initiatives

**CC01. City Council Shall Enact, Modify and Revise City Ordinances as Necessary to Implement the Recovery Plan**

- Target outcome:** Plan implementation
- Four-year financial impact:** Not Available
- Responsible party:** City Council, City Manager and Solicitor

This Recovery Plan contains initiatives that require new ordinances, resolutions and regulations as well as other official actions. City Council shall enact any such legislation and regulations and shall take all other actions required to accomplish the initiatives set forth throughout this Recovery Plan in a timely manner.

**CC02. City Council Shall Hold an Annual Town Hall Meeting on City’s Progress**

- Target outcome:** Community engagement transparency
- Four-year financial impact:** Not Available
- Responsible party:** City Council and City Manager

The City Council, working with the City Manager and the Act 47 Coordinator, shall hold at least annually a town-hall style meeting to update City residents on the Act 47 process, the City’s progress towards implementing the Recovery Plan and any other relevant issues. The Council shall provide public notice of the meeting or meetings at least ten days in advance of the scheduled date.

### City Manager

The City Manager (“City Manager” or “Manager”) is the chief executive and administrative official of the City and executes all laws and ordinances of the City. Altoona’s current City Manager has held the position as Manager since 1996, and has worked for the City, for 41 years, since 1971. The City Manager is selected by the Council solely on the basis of his/her executive and administrative qualifications with a special reference to actual experience in, or knowledge of, accepted practice in the duties of the office. The City Manager holds office for an indefinite term, and may be removed by a majority vote of the council.

The responsibilities of the City Manager in Altoona include managing the day-to-day operations of the City while advising and being advised by City Council. The City Manager is responsible

for directing, supervising, and managing the city directors and departments, as well as preparing the agenda for all Council meetings, supplying facts pertinent thereto, and attending all Council meetings. The Manager does not have the power to vote with City Council. The City Manager makes recommendations to Council concerning municipal policy and other matters along with preparing and presenting to Council the annual operating budget and long range fiscal plans for the City, and negotiating labor contracts with respect to the City.

The responsibilities of the City Manager also include the duty to appoint or remove a deputy manager, if one is authorized by the Council, as well as all department heads and all other officers, subordinates and assistants. The City Manager oversees the performance of statutes and contracts. Additionally, the Manager investigates the affairs of any officer or department of the city which is under his jurisdiction, as well as perform duties that may be required by ordinance or resolution established by the Council. The City Manager prepares the city budget, not later than the month of November of each year. He must require all department directors to submit requests for appropriations for the ensuing budget year. Finally, the City Manager, at the last stated meeting in November, must submit to Council a recommended budget in the form of an ordinance, together with explanatory comments or statements. The budget must be in the form required by law for city budgets, and have a detailed analysis of the various items of expenditure and revenue. The Office of City Manager also includes the Executive Secretary/Deputy City Clerk and the budgeted headcount is as shown. The historical and projected expenditures for the City Manager are described in the following charts:

### Office of the City Manager – Budgeted Headcount

	2008	2009	2010	2011	2012
City Manager	1	1	1	1	1
Exec. Secretary/Deputy City Clerk	1	1	1	1	1
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

Source: City of Altoona

### Office of the City Manager – Historical Expenditures

Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Projected
Salary	121,804	125,575	129,917	132,740	135,976
Pension	1,719	713	870	4,246	3,624
Health Insurance	10,311	11,585	13,350	13,153	15,574
Utilities	410	449	356	608	410
Training	424	132	286	245	500
Misc.	-	-	468	-	2,000
<b>Total</b>	<b>\$ 134,669</b>	<b>\$ 138,453</b>	<b>\$ 145,247</b>	<b>\$ 150,991</b>	<b>\$ 158,084</b>

## Office of the City Manager – Projected Baseline Expenditures

Category	2012	2013	2014	2015	2016
Salary	135,976	140,048	140,048	140,048	140,048
Pension	3,624	3,787	6,169	6,618	6,775
Health Insurance	15,574	16,611	18,193	19,938	21,863
Utilities	410	422	435	448	461
Training	500	515	530	546	563
EOC Expenditures	2,000	2,060	2,122	2,185	2,251
<b>Total</b>	<b>\$158,084</b>	<b>\$163,443</b>	<b>\$167,497</b>	<b>\$169,784</b>	<b>\$171,962</b>

### Initiative

**CM01. The City Manager Shall Work with City Council to Enact, Modify and Revise City ordinances as Necessary to Implement the Recovery Plan and Shall Take a Lead Role with Plan Implementation**

**Target outcome:** Plan implementation

**Four-year financial impact:** Not Available

**Responsible party:** City Manager, City Council and Solicitor

This Recovery Plan contains initiatives that require new ordinances, resolutions and regulations as well as other official actions. The City Manager shall work with the City Council, stakeholders, and the Act 47 Coordinator to enact such legislation and regulations and shall take all other actions required to accomplish the initiatives set forth throughout this Recovery Plan in a timely manner.

### City Controller

The City Controller is elected by the voters for a term of four years with no limit to the number of terms served. The City also has a deputy City Controller. The City Controller's authority is defined and limited: "The council shall provide by ordinance for the exercise of a control function, in the management of the finances of the city, by the controller. The control function shall include provision for an encumbrance system of budget operation, for expenditures only upon written requisition, for the pre-audit by the city controller of all claims and demands against the city prior to payment, for the control of all payments out of any public funds by individual warrants for each payment to the official having custody thereof."<sup>29</sup> The City's Administrative Code, at Section 4.08, provides that the Department of Accounts and Finance shall be responsible for performing all financial and accounting functions for the City except for those reserved by law for the elected Controller. The Controller in Altoona also signs all checks on behalf of the City and serves as a voting member on the Non-Uniformed Pension Board and the Fire Pension Board of the City.

<sup>29</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.08 Adopted 8/22/01

The office also includes the Deputy City Controller, and the budgeted headcount is shown below.

### Office of the City Controller - Budgeted Headcount

Office of the Controller - Budgeted Headcount					
	2008	2009	2010	2011	2012
Controller	1	1	1	1	1
Deputy Controller	1	1	1	1	1
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

Source: City of Altoona.

### Finances

The historical expenditures for 2008-2011 inclusive are shown in the following table.

### Office of the City Controller - Historical Expenditures

Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Projected
Salary	63,338	63,504	66,599	66,444	67,489
Pension	1,719	713	870	4,246	3,624
Health Insurance	20,108	22,633	26,130	24,562	23,607
Training	-	20	188	188	250
<b>Total</b>	<b>\$ 85,166</b>	<b>\$ 86,870</b>	<b>\$ 93,787</b>	<b>\$ 95,439</b>	<b>\$ 95,045</b>

The table below shows the Office of City Controller's projected expenses for 2012 through 2016.

### Office of the City Controller - Projected Baseline Expenditures

Category	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Salary	67,489	68,679	68,679	68,679	68,679
Pension	3,624	3,787	6,169	6,618	6,775
Health Insurance	23,607	25,193	27,594	30,243	33,165
Training	250	258	265	273	281
Fees	75	77	80	82	84
<b>Total</b>	<b>\$ 95,045</b>	<b>\$ 97,993</b>	<b>\$ 102,786</b>	<b>\$ 105,895</b>	<b>\$ 108,985</b>

In conjunction with the City's annual audit, the City's external auditor noted the existence of certain internal control deficiencies. Among these were the following:

- The City does not prepare its own internal financial statements
- The City does not have a method for tracking the prior year's delinquent real estate taxes

Though these deficiencies do not fall under the direct control of the Office of the City Controller, certain of the initiatives that follow address the fact that the Controller is situated to assist in ensuring these areas are addressed.

## Initiatives

### **CON01. The Controller Shall Support the Recovery Plan Implementation as Related to Financial Process Improvements**

<b>Target outcome:</b>	Improved efficiency and improved accountability
<b>Four-year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Controller

The Office of the City Controller is a critical link in the financial operations of the city. It is imperative that this Office work in close collaboration with the City Manager and Finance Director to efficiently safeguard the City's finances and execute this Recovery Plan in a timely manner.

### **CON02. The Controller Shall Communicate and Collaborate with the City Manager, City Council and Department of Administration to Implement the Act 47 Plan**

<b>Target outcome:</b>	Improved efficiency and improved accountability
<b>Four-year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Controller, City Manager, Director of Finance

There are a number of initiatives outlined in this Recovery Plan which will require support by the City Controller's Office to implement. The City's financial recovery depends on full and timely implementation of this plan. The City Controller shall work collaboratively with the Act 47 Coordinator to ensure implementation of initiatives related to financial process improvements.

### **CON03. The Controller Shall Use His Statutory Authority to Ensure Sound Financial Practices**

<b>Target outcome:</b>	Improved accountability
<b>Four-year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Controller, City Manager, Director of Finance

To implement the Recovery Plan and monitor the financial condition of the City, increased communication between the City Controller, City Manager, Finance Director, and City Council must be implemented. The Finance Director and City Controller shall meet at least monthly to review cash flow, revenues and expenditures (budgeted to actual) and any related operational issues.

**CON04. The Controller Shall Assist in the Preparation of Financial Statements**

**Target outcome:** Improved reporting and enhanced auditing  
**Four-year financial impact:** Not Available  
**Responsible party:** City Controller, Department of Accounts, Director of Finance

The City’s external auditor has noted that the Statement on Auditing Standards requires an entity to have someone who prepares the year-end financial statements. As an independent elected official, the Office of the Controller should assist the Department of Accounts and Finance with the preparation of the City’s financial statements, following the assessment of the adequacy of the City’s current accounting software package (see “Department of Accounts and Finance”). The Controller should also work with the Department of Accounts and Finance to interpret the operating results, financial position, and liquidity of the City.

Having the Controller participate in financial statement preparation provides and enhances the City’s separation of duties, which has also been an audit concern. Further, the City’s preparation of its own financial statements will allow the external auditor to focus on auditing the statements and not to prepare them.

**CON05. The Controller Shall Participate in Forecasting Operating Revenues and in Budget Preparation**

**Target outcome:** Improved efficiency and completeness of forecasts  
**Four-year financial impact:** Not Available  
**Responsible party:** City Controller, Department of Accounts, Director of Finance

The Controller should participate in forecasting operating revenues for the General Fund and Special Revenue Funds, and work in conjunction with the City’s Finance Director and City Manager. The Controller should also draw upon the information of the Blair County Tax Collection Bureau (“BCTCB”) to provide documentation and supporting analyses that can be used in preparing such forecasts. The preparation of such a “consensus forecast” would be an approach that allows for increased objectivity compared to the current process. In addition, working more closely with BCTCB would enhance the budgeting process. The Act 47 Coordinator notes that the documentation of revenue projections must be enhanced. Having a separate official participate in the process would encourage both the discussion and the vetting of underlying assumptions related to revenues, arguably the most critical aspect of budget preparation.

**CON06. The Controller Shall Assist in the collection of Delinquent Taxes and Past Due Fees**

**Target outcome:** Improved analysis and collection of outstanding taxes and fees

**Four-year financial impact:** Not Available

**Responsible party:** City Controller, Department of Finance

The City’s audit states that the City should have a method of tracking the prior year’s delinquent real estate taxes, plus the current year amounts turned over, less any collections/adjustments that reconciles to the current year’s delinquent real estate tax balance. The Controller should play an active role to ensure the City has an efficient and effective plan to reconcile and pursue collection of delinquent taxes, fees, licenses, and other fees owed to the City. As a member of the board that oversees the operations of the BCTCB, the Controller has an excellent understanding of the collection processes that could be applied to delinquent and past due amounts owed to the City. Based on the Controller’s responsibility for reviewing and signing expenditures, the Controller has a defined knowledge on the spending side of the City’s budget. In a parallel fashion, the Controller should also have a role on the revenue collection side to both increase collections as well as to enhance internal controls (e.g. to ensure that appropriate collection activities are being performed, approving any “write-offs”).

**CON07. The Controller Shall Oversee a Study on Funding Sources Available to the City from Federal or State Sources**

**Target outcome:** Ascertain the availability of operating and/or project-specific funds

**Four-year financial impact:** Not Available

**Responsible party:** City Controller, Department of Accounts and Finance

In an interview with the Act 47 Coordinator, the Controller commented that potential, significant funding available to municipalities may go unrealized each year. Based on the City’s distressed financial condition, it is recommended that the Controller co-lead an internal or outsourced effort to ascertain the extent to which additional funding sources may be available to the City.

## **Department of Administration**

The Department of Administration, headed by the City Manager, is responsible for performing staff functions for the Manager and assists all City departments and other units of the City to carry out their duties.<sup>30</sup> The Department also supervises and administers all central services, which are not otherwise directed in the Administrative Code, or assigned by law, ordinance, or other regulation.<sup>31</sup> The Department of Administration includes the City Manager, City Solicitor and the City Clerk, who serve as City Council's staff.<sup>32</sup> These three staff positions are the only staff positions appointed by City Council. Also included in the Department is the Executive

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<sup>30</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.04(A) Adopted 8/22/01

<sup>31</sup> Id. at 4.04(C)

<sup>32</sup> Id. at 4.04(B)

Secretary/Deputy City Clerk who is the secretary for the City Manager and assists the City Manager and the City Clerk in connection with their duties.

### ***City Clerk***

The City Clerk is appointed by the Council, and this position may also be held by the City Manager. The City Clerk's responsibilities include coordination of all communications and correspondence for the Mayor and City Council, along with providing staff support. Additionally, the City Clerk, in cooperation with the City Manager, prepares Council agendas and other documents necessary for Council meetings. The City Clerk attends all City Council meetings and records minutes, records and maintains all executive documents, resolutions and ordinances for the City, and creates and coordinates all public relations for the City. The City Clerk performs the advertising requirements for the City and also receives, opens and records bids and monitors bid checks until projects are complete. The City Clerk assists the IT Manager to develop and post content on the City's Website and also assists Emergency Management with reviews and reporting. The City Clerk serves as the Public Information Officer for the City's Emergency Operations. The City Clerk participates in special projects as assigned, is the City's Right to Know Officer, fulfills public records requests for information by City departments and the public, and maintains and preserves all historical documents and information within the archives of the City. The Deputy City Clerk assists the City Clerk with respect to his/her job and assumes the duties of the City Clerk in his/her absence.

### ***Solicitor***

The Solicitor provides legal opinions in connection with any legal matter or question submitted by the Council, its committees or the Manager. The Solicitor has the responsibility to prepare and revise ordinances and resolutions directed by the Manager, Council, or any committee or department director. Additionally, the Solicitor reviews and revises, as necessary, all proposed ordinances and resolutions to ensure legal compliance. The Solicitor provides legal opinions upon any legal matter or question submitted by the Council, its committees or the Manager. The Solicitor is required to attend all Council meetings, and litigate all legal actions and claims brought by or against the City, except in those cases in which special legal counsel is retained. The Solicitor must also approve, for legality, all contracts, agreements or other legal documents executed by municipal officers, and coordinate activities with the assistant city solicitor, if any. In Altoona, the Solicitor's position is performed pursuant to an agreement with the Goldstein, Heslop, Steele, Clapper and Oswald Law Firm.

The charts below provide a historical review of the department and projected expenditures through 2016. The expenditure tables that follow include activity of the Department of Administration and the City Manager.

<b>Administration - Budgeted Headcount</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
City Manager	1	1	1	1	1
City Clerk	1	1	1	1	1
City Solicitor	0	0	0	0	0
Executive Secretary	1	1	1	1	1
Legal Secretary	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

### **Administration - Historical Expenditures**

<b>Category</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2012 Projected</b>
Salary	164,028	176,229	182,466	186,384	190,976
Pension	5,157	2,138	2,610	12,737	10,871
Health Insurance	30,934	34,754	40,051	39,459	26,392
Utilities	410	449	356	608	410
Training	424	132	286	680	1,500
Fees	341,133	345,773	351,018	356,076	362,148
Professional Services	96,030	73,816	74,248	103,329	100,000
Misc.	(22,335)	7,151	38,454	74,206	70,000
<b>Total</b>	<b>\$ 615,781</b>	<b>\$ 640,442</b>	<b>\$ 689,489</b>	<b>\$ 773,479</b>	<b>\$ 762,297</b>

### **Administration - Projected Baseline Expenditures**

<b>Category</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Salary	190,976	196,769	196,769	196,769	196,769
Pension	10,871	11,360	18,506	19,854	20,326
Health Insurance	26,392	28,943	31,795	34,942	38,412
Utilities	410	422	435	448	461
Training	1,500	1,545	1,591	1,639	1,688
Fees	362,148	367,959	374,060	380,466	387,192
Professional Services	100,000	101,050	102,132	103,245	104,393
Misc.	70,000	72,100	74,263	76,491	78,786
<b>Total</b>	<b>\$ 762,297</b>	<b>\$ 780,148</b>	<b>\$ 799,551</b>	<b>\$ 813,854</b>	<b>\$ 828,027</b>

## Initiatives

The following initiatives reflect changes that can produce reductions in expenditures as well as those that have a substantial influence on the efficiency of the offices and departments.

### **EOADMIN01. Implement Monthly Meetings Between the City Manager and Department Heads**

<b>Target outcome:</b>	Open communication between departments and City Manager
<b>Four-year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Manager and Department Heads

The City Manager must require monthly meetings between the Manager and Department Heads. This will open communication between all department heads and the City Manager.

### **EOADMIN02. The City Council and Solicitor Shall Complete and Enact an Updated Administrative Code of the City of Altoona**

<b>Target outcome:</b>	To develop and maintain a current Administrative Code
<b>Four-year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Manager and City Solicitor

The City of Altoona shall complete and enact an updated Administrative Code of the City of Altoona to reflect changes and requirements which have occurred since 2001. It is the best practice for a city to develop and maintain a Codified Ordinance. The Code should provide a detailed explanation of the roles and responsibilities of the City's elected officials, executive officials and department heads. The introduction of the Code should outline the overall organization of the City, which includes the management structure of all the departments and offices. The City currently is subject to the "Administrative Code of the City of Altoona," adopted by City Council on August 22, 2001 by Ordinance No. 5482.

### **EOADMIN03. City Council Shall Formally Appoint a Committee of its Members, and With the Assistance of the Act 47 Coordinator, Commence an Analysis Using Best Practices for Succession Planning for the Positions of City Manager and Each Department Head**

<b>Target outcome:</b>	Timely succession planning for City management
<b>Four-year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Manager

**EOADMIN04. The City Council Shall Negotiate an Up-to-Date Contract with the Solicitor Setting Forth Terms and Conditions, Duteis, and Fee Arrangements**

**Target outcome:** To clearly define the scope of work and services and the concomitant fees therefore

**Four-year financial impact:** Not Available

**Responsible party:** City Council, City Manager and Solicitor

***Department of Personnel***

The Department of Personnel develops and administers all matters in connection with the City’s relationship with its employees.<sup>33</sup> The department head is a director, who is responsible to the City Manager for the performance and function of the department. The Director of Accounts and Finance also serves as the Director of Personnel. The responsibilities of the director include:

- (1) recruiting and selecting persons for municipal employment,
- (2) developing and maintaining the position classification and pay plans,
- (3) participating in and administering labor relations,
- (4) recommending, developing, and implementing rules, regulations, and policies governing City employees,
- (5) developing and implementing City-wide employee training, development, and personnel planning programs.

Additionally, the Department Director serves as secretary (or appoints a designee) to the Civil Service Board and Commission. The director develops and maintains records reflecting all aspects of the service of municipal employees, makes recommendations concerning employee benefit plans, advises the City Manager and other departments about employee disciplinary matters and provides advice to the City Manager and other departments to ensure that all personnel actions, policies, and programs are in compliance with Federal, State, and local statutes, ordinances, rules and regulations. The charts below describe the headcount for the Department of Personnel from 2008 through 2012. They also reveal historical and projected expenditures through 2016.

<b>Personnel - Budgeted Headcount</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Personnel Director/ Finance Director	1	1	1	1	1
Human Resource Assistant	1	1	1	1	1
Human Resource Administrator	1	1	1	1	1
Executive Assistant	1	1	1	1	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>

<sup>33</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.26 Adopted 8/22/01

## Personnel – Historical Expenditures

Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012
Salary	137,331	164,569	172,347	178,093	131,105
Pension	6,876	2,851	3,480	16,983	10,871
Health Insurance	41,245	46,339	53,401	52,611	20,175
Life Insurance, AD&D, LTD-All Depts	91,243	79,863	88,127	77,374	78,145
F I C A/Social Security	408,723	446,071	456,858	468,584	420,941
Sick Pay Incentive	51,368	45,995	56,909	60,139	48,000
Unemployment Compensation	11,793	19,584	17,346	5,477	12,000
Workers Compensation	434,618	462,822	560,597	517,072	480,000
Training	6,699	2,191	1,589	895	2,000
Fees	45,670	18,494	12,478	14,812	17,000
Misc.	5,985	6,278	5,922	5,648	6,125
<b>Total</b>	<b>\$ 1,241,550</b>	<b>\$ 1,295,056</b>	<b>\$ 1,429,054</b>	<b>\$ 1,397,688</b>	<b>\$ 1,226,361</b>

## Personnel – Projected Baseline Expenditures

Category	2012	2013	2014	2015	2016
Salary	131,105	134,237	134,237	134,237	134,957
Pension	10,871	11,360	18,506	19,854	20,326
Health Insurance	20,175	21,479	23,550	25,834	28,353
Life Insurance, AD&D, Ltd-All Depts	78,145	80,489	82,904	85,391	87,953
F I C A/Social Security	420,941	461,906	462,870	464,021	464,910
Sick Pay Incentive	48,000	49,440	49,440	49,440	49,440
Unemployment Compensation	12,000	12,360	12,360	12,360	12,360
Workers Compensation	480,000	545,000	561,350	578,191	595,536
Training	2,000	2,060	2,122	2,185	2,251
Fees	17,000	17,510	18,035	18,576	19,134
Misc.	6,125	6,309	6,498	6,693	6,894
<b>Total</b>	<b>\$ 1,226,361</b>	<b>\$ 1,342,149</b>	<b>\$ 1,371,871</b>	<b>\$ 1,396,782</b>	<b>\$ 1,422,114</b>

### Initiatives

#### PER01. City Council Shall Establish a Performance Review Process

<b>Target outcome:</b>	Improved Accountability
<b>Four-year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Council, City Manager and Personnel Director

The City shall establish a process for conducting annual performance evaluations. The process shall provide employees with the understanding of what constitutes strong performance and objectives to achieve that performance. There shall be the goal of encouraging strong performance and providing clear standards for how that will be measured. Because of the Department's limited resources, the City may begin to implement this process first to evaluate the City Manager and Office of Administration, and the Finance and Personnel Departments.

**PER02. Continue to Create Apprenticeship and Internship Opportunities**

**Target outcome:** Reduced Costs  
**Four-year financial impact:** Not Available  
**Responsible party:** Personnel Director

In consultation with other Department heads, the Personnel Department shall review and implement new programs that provide Altoona high school and PSU/Altoona college students with the opportunity to learn more about City government and career opportunities. This will improve citizen understanding and engagement in City affairs and possibly identify prospects for employment. Those opportunities could include:

- An apprenticeship program related to Public Works responsibilities, for example, fleet maintenance;
- Job shadowing programs for high school students;
- Internships for college students with a preference extended to Altoona residents;
- “Career day” presentations at Altoona High School that introduce students to career opportunities, especially those in public safety.

**PER03. Develop a Performance Management System**

**Target outcome:** Improved Accountability  
**Four-year financial impact:** Not Available  
**Responsible party:** Personnel Director

This Recovery Plan recommends the formation of a performance management system that tracks activity and achievement across all departments. Systematic reporting on performance against scheduled tasks and activities is essential to effective and efficient management of limited resources. The Personnel Department shall track the following data points on a monthly basis:

Headcount by department and division  
Filled positions versus budgeted positions  
Vacant positions by department and type  
Number of Citywide full-time equivalent (FTE) minorities  
Number of Citywide full-time equivalent (FTE) females  
Number of Citywide full-time equivalent (FTE) residents

Number of payroll checks processed  
Number of payroll check errors

Separations from service by department  
Separations from service by type (e.g. retirements, dismissal, voluntary separation)  
New employees hired by department and division

Injury incidents reported by department/unit  
Injury incidents requiring medical attention  
Injury incidents requiring lost time

Total lost time in days due to injury

Training sessions held and attendance by department

### Risk Management

Number of insurance claims by coverage type (e.g., property, general liability, automobile liability)

Number of claims resolved and unresolved

Cost of claims resolved

Some data points will be more readily available and easier to track than others. It may be necessary to attain information related to risk management from the City's insurance brokers.

## ***Department of Accounts and Finance***

The Department of Accounts and Finance is responsible for performing all financial and accounting functions for the City, except those reserved by law for the elected Controller.<sup>34</sup> It assists departments and other units of the City to carry out their fiduciary responsibilities. The Director of Accounts and Finance, as the department head, is responsible for supervising and administering the department as well as collecting and receiving all taxes and other monies due or receivable by the City, or to authorize other municipal units to do so. Currently, the department head serves as both the Finance Director and the Personnel Director. For headcount purposes, the Director has been included as an employee of the Personnel department. The Director develops all tax rolls, which are not prepared by other political subdivisions of the Commonwealth, and oversees the collection of the City tax claims and liens, maintains a uniform accounting system in accordance with generally accepted accounting principles. Further, the Finance Director is responsible for:

- (1) disbursing all payments for authorized expenditures,
- (2) administering the payroll,
- (3) depositing monies in depositories authorized by ordinance,
- (4) providing for prudent and safe investment of monies, and
- (5) administering the purchasing system, including purchasing materials, services and equipment for the City; preparing and evaluating standards and specifications for materials, services and equipment, and storing materials and equipment. Finally, the director of the Department of Accounts and Finance is responsible for maintaining an inventory control system for all real and personal property.

## ***Department of Public Works***

The Department of Public Works is responsible for all design, construction, operation and maintenance of all physical structures and facilities that are owned and maintained by the City, and to provide vehicle repair and similar support services to other City departments and agencies.<sup>35</sup> The Department is headed by a director, who is responsible to the Manager for the performance and function of the Department. The Director's responsibilities include: providing

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<sup>34</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.08 Adopted 8/22/01

<sup>35</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.11 Adopted 8/22/01

engineering services for the City, constructing and maintaining the streets, bridges, curbs, and gutters of the City, installing and maintaining traffic control devices and directional signs and signals, and controlling the planting and maintaining trees and other vegetation along municipal right-of-ways in cooperation with the Shade Tree Commission. The Director also oversees the repair and maintenance of all municipal vehicles. Lastly, the Director is responsible for planning, developing, designing, and administering, in cooperation with the appropriate departments and agencies, the expansion and modification of facilities, and maintenance of buildings through custodial services for all municipal buildings.

### ***Department of Police***

The Department of Police performs law enforcement activities for all State and City traffic and safety ordinances, laws, and regulations.<sup>36</sup> The department head is the Police Chief, who is responsible to the Manager for the performance of the department. The Chief is responsible for enforcing all criminal laws, traffic laws, and ordinances. Additionally, the Chief is responsible for detecting and apprehending offenders and suspected persons, maintaining temporary detention facilities for the safekeeping of arrested persons, developing and conducting community relations and education programs, and operating and maintaining the police radio and other municipal radio and emergency communication systems assigned to the Department by the Manager. The Chief maintains records and files of crimes and criminals and oversees the Emergency Management of the City.

### ***Department of Fire***

The Department of Fire is responsible for the protection of the public and property from the dangers of fire by providing fire control, fire prevention education, and fire prevention code inspections. The Department also provides vehicle and technical rescue services and responds to hazardous materials incidents, acts of terrorism, and natural disasters, along with assisting emergency medical services. The department head is the Chief who is responsible to the Manager for the performance and functions of the Department of Fire. The Chief is also responsible for preventing and extinguishing fires, identifying, removing, and controlling fire hazards, enforcing laws, ordinances, rules, and regulations relating to fires and fire hazards, maintaining records and information relating to fires and fire hazards, and conducting investigations, in cooperation with police authorities, into suspected crimes relating to fire and any fires of suspicious origin. Additionally, the Chief is responsible for developing and conducting community relations and education programs, operating and maintaining the fire radio, fire alarm and other components of the fire emergency communication system. The Fire Department serves as medical first responder until technicians arrive, provides rescue services, and responds to all hazardous materials emergencies within the City.

### ***Department of Codes and Inspections***

The Department of Codes and Inspections protects the citizens and property in the City through the administration and enforcement of building, plumbing, mechanical, electrical, property maintenance, zoning, and other related codes and ordinances designed to ensure public health,

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<sup>36</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.14 Adopted 8/22/01

safety, and welfare.<sup>37</sup> The Department head is the Director, who is responsible to the Manager for the performance and function of the Department. On or about February 2011, the City Manager assumed the role and the duties of the Director of the Department of Codes and Inspections. The Director also has the responsibility to administer and enforce all building, plumbing, mechanical, and electrical codes as they relate to new construction, demolition, and alterations to existing structures. Additionally, the Director is responsible for administering and enforcing property maintenance codes, zoning and subdivision codes, and ordinances licensing and regulating eating and drinking establishments within the City. The Department collects all monies due to the City by issuance of permits, inspection fees, and licenses. The Director serves as secretary (or appoints a designee) to the Altoona Code Appeals Board, the Board of Health, the Plumbing Board, the Zoning Hearing Board, and the Vacant Property Review Board.

### ***Department of Planning and Community Development***

The Department of Planning and Community Development is responsible to:

- (1) prepare, update, and recommend the adoption of a City Comprehensive Plan, which includes the development and preparation of associated land use controls,
- (2) administer and coordinate the review of all subdivisions, land development, and planned residential development plans and projects,
- (3) coordinate with Federal, State, regional, and local agencies and organizations that are involved in planning, redevelopment, housing, transportation, and economic development activities that will affect the City.<sup>38</sup>

The Department collaborates with other agencies, organizations, and development entities to implement the City's Comprehensive Plan and related specific development or redevelopment projects, as well as to prepare applications and contracts for public or private funding and financing of specific activities or projects, and to administer programs and projects. The Department prepares specific studies, specifications, plans, and programs to meet project requirements or City information needs, which includes providing staff, other professional and technical support to the Altoona Planning Commission and the Altoona Redevelopment Authority in their respective functions. The Department of Planning and Community Development is headed by a director who is responsible to the City Manager for the performance and function of the Department. The director also has the duty to develop, prepare, and recommend land use ordinances and an official map and to administer and coordinate the review of all subdivisions, land development and planned residential development plans and projects.

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<sup>37</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.20 Adopted 8/22/01

<sup>38</sup> Administrative Code of the City of Altoona (Code Ordinance No. 5482) Section 4.23(A),(B) Adopted 8/22/01

The Director is responsible:

- (1) to prepare the application for public or private funding of specific activates or projects,
- (2) to assist in the development of a capital improvement program,
- (3) to administer housing rehabilitation programs, and
- (4) to coordinate housing development activates with the other public and private housing agencies.

The Director prepares specific studies, reports, specifications, and plans to meet program or project requirements, develops, maintains and coordinates relevant data base files including the United States Census Data. Additionally, the Director is responsible to coordinate the development and utilization of the City's Geographic Information System and to provide staff and other professional and technical support to the Altoona Planning Commission and Redevelopment Authority. The Director oversees the removal of blight and the redevelopment of the City by acquiring and disposing property in the City. Finally, the Director promotes the public interest in, and understanding of, governmental, civic, and private agencies.

# Department of Accounts and Finance

## Overview

The Department of Finance handles many functions that are traditional for a government's finance unit, including budgeting, accounting, purchasing, and some that are not, such as human resources. The specific units within the Department are:

- The Finance Director (who also serves as Personnel Director) oversees the administrative aspects of the Department. The Finance/Personnel Director supervises the managers of the other units and reports to the City Manager.
- The Accounting and Budget Functions are combined with employees responsible for preparing the City's budget, recording the City's financial transactions, maintaining the general ledger, paying obligations due, preparing payroll function, and processing City receipts.
- The Department of Accounts and Finance administers and collects most of the City's non-tax revenues and certain taxes. Property taxes and certain business taxes are collected by a third party vendor and earned income taxes (EIT) are collected by the Blair County Tax Collection Bureau (BCTCB). Other Revenues are collected by different bodies as outlined in the table below, including, business privilege, local services, and per capita taxes.
- The Purchasing Function has one employee, the Purchasing Agent, who handles purchasing for all City departments. The Purchasing Agent and/or Departments are authorized to secure quotes for purchases up to \$750. Purchases of goods and services over \$750 but less than \$18,500 are required to receive three written and/or telephone quotations. The procurement of goods or services over \$18,500 is done either through a formal bidding process or through the Request for Qualifications (RFQ) and Request for Proposal (RFP) process. City Council must approve any purchases over \$18,500, unless such purchases are on the Pennsylvania state contract and were previously approved by the Council. City Council also approves all contracts.

## Staffing

The Department has maintained its budgeted headcount of three employees between 2008 and 2012. The Finance Director is included as an employee of the Personnel Department, for which he also serves as the director.

<b>Finance Department- Budgeted Headcount</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Finance Director	0	0	0	0	0
Deputy Finance Director	1	1	1	1	1
Purchasing Agent	1	1	1	1	1
Payroll Clerk	1	1	1	1	1
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

**Finances**

The table below shows the Finance Department’s expenditures across all its units excluding Information Technology for the period from 2008 through 2011, which is addressed separately in its own chapter.

**Historical Expenditures Finance Department**

<b>Category</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Actual</b>
Salary	143,077	156,146	149,766	151,765
Pension	5,157	2,138	2,610	12,737
Health Insurance	30,934	34,754	40,051	39,459
Training	24	40	128	188
Supplies	58,080	43,166	31,375	37,506
Fees	342	481	568	683
Insurance	387,951	295,770	318,688	265,285
Collections	189,359	164,008	169,788	239,132
Professional Services	41,954	65,407	29,350	29,350
<b>Total</b>	<b>\$ 856,876</b>	<b>\$ 761,910</b>	<b>\$ 742,324</b>	<b>\$ 776,103</b>

**Assessment**

The Finance Department has been at the center of the financial crisis that has precipitated the City’s entry into Act 47 to pursue a Recovery Plan. Given the financial constraints of the City, it has limited flexibility to add staff, even when needed. Further, there is virtually no foreseeable growth expected in City government revenues.

The tax administration transfer to BCTCB has largely eliminated an accumulated backlog of Earned Income Tax collections. Property tax collections, which are the responsibility of Berkheimer Tax Administrator, which recently assumed the property tax collection contract from CENTAX, remain an issue. The BCTCB has largely implemented collections of the Earned Income Taxes and the new Act 32 enforcement provisions.

Like the structural deficit, more challenges remain and impact each of the Department’s units.

The Department’s financial records appear to be primarily based on the modified accrual form of accounting. Under this method, expenses are recorded when the liability is incurred, rather than when it is paid. By example, a bill that is received in December 2012, but not paid until January 2013, is charged against (or “accrued to”) the 2012 accounting period. In Altoona, prior year revenues are recorded when they become earned and measurable through the first 60 days of the following fiscal year. If tax revenue is collected in January 2013 for service delivered in 2012, it is “accrued to” 2012. Revenue collected in March of 2013 or later is applied to the current (2013) fiscal year.

## Projections

The table below shows the Department's budgeted expenses for 2012 and projected baseline expenditures through 2016.

### Projected Baseline Expenditures Finance Department

Category	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Salary	167,862	175,278	175,278	175,278	175,398
Pension	10,871	11,360	18,506	19,854	20,326
Health Insurance	35,549	37,510	41,064	44,985	49,309
Training	200	206	212	219	225
Supplies	43,300	44,599	45,937	47,315	48,735
Fees	300	309	318	328	338
Insurance	321,000	284,870	293,416	302,219	311,285
Collections	173,312	178,511	183,867	189,383	195,064
Professional Services	30,000	30,900	31,827	32,782	33,765
<b>Total</b>	<b>\$ 782,394</b>	<b>\$ 763,542</b>	<b>\$ 790,425</b>	<b>\$ 812,361</b>	<b>\$ 834,445</b>

## Initiatives

The Finance Department will be one of the key leaders of implementing the Recovery Plan and balancing the City's finances going forward. The initiatives below are focused on improving controls, communications, efficiencies (especially in use of technology), and reducing costs.

### **AFD01. Enhance or Replace the Fund Accounting, Budget and Financial Reporting Systems**

**Target outcome:** Increased accuracy and timeliness of financial reports

**Four-year financial impact:** (\$60,000 - \$80,000)

**Responsible party:** Finance Department

The City does not have or has not upgraded to an integrated fund accounting and financial reporting system that also includes a purchasing module. As a result, the Planning Department maintains its financial records using Quick Books resulting in various accounting "work arounds" that can lead to errors and omissions. For example, the City utilizes its current general ledger (G/L) system to generate paychecks for employees funded and accounted for in the Housing & Community Development (H&CD) Fund; that Fund subsequently produces a check (after the Federal CDBG reimbursement is received and deposited into the H&CD fund) which thereafter is deposited in the City's General Fund and credited to the Salary account in that fund. Further, the payroll function (which is the City's greatest expenditure) requires extensive manual entry.

The City should examine the capabilities of its current financial reporting software and, if found to be necessary, acquire and install (or upgrade to) an integrated fund accounting and financial reporting system that encompasses all City funds. Also, see initiative IT03 in the Information Technology Chapter. That system should be capable of preparing standard financial statements consistent with governmental accounting and generally accepted accounting principles (GAAP). There exists a wide range of government financial software systems which

are used successfully by a number of local governments. The City should either solicit proposals from software providers (for example: Multiview Enterprise .NET n10, SAE 100 Fund Accounting, SAP – Accounting, the Financial Edge) or alternatively a shared service with the Altoona Water Authority, the Altoona School District, or Blair County. The initial cost of acquiring and installing a financial software system which includes general ledger, purchasing, accounting, budgeting and payroll, would be approximately \$60,000 - \$80,000.

If upon completion of the assessment of the City’s financial reporting software, it is determined that the software currently in use is up to date and/or can be upgraded to perform the required functions, further steps should be taken to ensure that all staffers are properly trained in its use and functionality.

Section 302 (a) of Act 47 allows a municipality or the recovery plan coordinator to apply for financial assistance from the Commonwealth after a fiscally distressed municipality has adopted a recovery plan. The City, after adoption of the recovery plan, with the assistance of the Coordinator, may consider applying for \$70,000 in financial assistance grants for upgrades to enhance or replace the fund accounting, budget and financial reporting systems.

### **Financial Impact**

2013	2014	2015	2016	Total
(\$70,000)	\$0	\$0	\$0	(\$70,000)

**AFD02. Preparation of Annual Financial Statements**

- Target outcome:** Improved reporting and increased independence of annual audit
- Four-year financial impact:** Not available
- Responsible party:** Finance Department

The City does not prepare its annual financial statements but relies upon the external auditor to prepare those statements as part of the annual audit. This reliance also reflects the lack of an integrated fund accounting and financial reporting system which would prepare a standard set of fund accounting statements including balance sheets and statements of revenues, expenditures and changes in fund balance.

The City should develop the internal capacity – both systems and accounting skills – to generate its own financial statements without dependence upon the external auditor. That internal capacity would also avoid the potential conflict whereby the independent auditor is auditing their own financial statements. In addition, the City should use that software and additional data to prepare a Comprehensive Annual Financial Report (CAFR) that can be incorporated into various bond offering statements or other borrowing documents as used in soliciting bids for its recurring tax anticipation note (TAN’s) borrowing.

### **AFD03. Preparation of Interim Financial Statements**

<b>Target outcome:</b>	Improved management, information oversight and decision making
<b>Four-year financial impact:</b>	Not available
<b>Responsible party:</b>	Finance Department, City Controller, City Manager

The City should prepare more detailed monthly and quarterly statements for purposes of monitoring the City's operating budget. In particular, better and timely tracking of revenue collections and payroll expenditures, as well as overtime, are necessary for monitoring budget implementation.

In selecting and implementing any fund accounting and financial reporting system, the City should ensure the selected system can produce interim financial statements, particularly budget monitoring reports that compare monthly receipts and disbursements to budgeted amounts and prior year results. Such reports should be utilized for enhanced reporting to the City Council regarding budget status and any potential events such as revenue shortfalls or unanticipated spending (e.g., overtime) that could require budget amendments/revisions or other Council actions (e.g., imposition of budget reserves, spending reductions, allocations or other controls). The system requirements outlined in AFD01 above regarding an enhanced accounting system apply to monthly and quarterly reporting as well.

### **AFD04. Annual Budget Preparation and Documentation**

<b>Target outcome:</b>	Improved oversight for City Council and Management
<b>Four-year financial impact:</b>	Not available
<b>Responsible party:</b>	Finance Department, City Council

The City did not have supporting schedules or other forms of documentation available for key components of the 2012 Budget, including but not limited to salary requirements (consistent with collective bargaining agreements), basis for key/major revenue projections, debt service requirements, and health care expenditure estimates.

The City should select and implement (or upgrade to) a new fund accounting and reporting system that includes a "Budget Preparation" module that will assist the City when preparing future budgets and documenting the assumptions and detail data employed when preparing future budgets. In the interim, the City should identify, utilize, and save supporting documentation – including assumptions that revenue forecasts and expenditure projections – that were employed in developing the 2013 and future budgets. The City Controller should also adopt procedures and documentation requirements to be included in all budgets and financial reporting submitted to the Council. In particular, this documentation and sources of estimates should be included in the budget submission to the City Council.

#### **AFD05. Financial Policies**

<b>Target outcome:</b>	Improved management controls
<b>Four-year financial impact:</b>	Not available
<b>Responsible party:</b>	City Council and Finance Department

The City should supplement any written financial policies currently in place encompassing such areas as purchasing, human resources, travel, accounting controls, debt management, and financial reserves / “rainy day fund” balances. Though certain procedural policies pertaining to these issues do exist in a brief form, there is a need for them to be formalized and clarified. As identified in the annual audit, the lack of personnel does not allow the City to have a complete segregation of duties. In response, the City states budgetary constraints have limited its number of employees, but that the Finance Director and Controller both review all financial transactions and sign all purchase orders and checks.

The City should take the necessary steps to formally codify written policies by action of the City Council. Dependent upon resources, the City should work with its independent auditor to implement policies and practices that can improve internal controls. However, priority should be given to acquiring (or upgrading to) and implementing an integrated fund accounting and financial reporting package that incorporates contemporary controls and features that will, by definition, significantly improve the existing control structure.

### **Recommendations**

Improved financial policies and controls.

#### **AFD06. Cash Flow Reporting and Monitoring**

<b>Target outcome:</b>	Improved budget management and fiscal controls
<b>Four-year financial impact:</b>	Not available
<b>Responsible party:</b>	Finance Department, City Controller

The City does not have a cash flow reporting system, a critical and basic tool for ensuring there is sufficient revenue to cover obligations as they come due. Such a tool is even more critical when a City is struggling to balance revenues and expenses like Altoona is. In prior years, the City had significant fund balance reserves to subsidize month-to-month shortfalls together with the use of Tax Anticipation Notes to stabilize cash flows. With the expected draw down of fund balances during 2013, the need for this regular cash management is essential. An illustrative example is provided as Appendix 6.

#### **AFD07. Develop the Annual Budget Document and 3 to 5 Year Outlook**

<b>Target outcome:</b>	Improved budget management and fiscal controls
<b>Four-year financial impact:</b>	Not available
<b>Responsible party:</b>	Finance Department

The City's annual budget document is a simple listing of revenues and expenditures with little or no narrative, context or strategic explanations. It is not possible for the reader to grasp the context for proposed spending, challenges and opportunities in the coming year or trends in revenue. Altoona's budget is unusually sparse, even for Pennsylvania cities of the third class that often have limited ability to commit staff to budget production.

Future budgets shall include:

- A budget message that describes priorities and issues for the budget for the coming year.
- Initial summary tables and charts that represent how the City receives and spends its money, key budget trends, underlying assumptions and other basic information.
- Revenues and expenditures by major class for at least the three prior years, current year budget, and current year estimated, proposed budget, and three to five subsequent years. This information shall be presented to facilitate understanding of recent trends and the potential effect of the budget proposal. Fund balance shall be shown for each major fund as a figure and percentage of revenues and expenditures.
- An organization chart and a description of activities or services carried out by organizational units.
- Notes and descriptive text as needed to explain variances, changes, one-time events and unusual trends.
- Additional details shall be provided on major expenditures with a detailed breakout for individual items over \$50,000.

To provide additional incentive for improving its budget, the City should set a goal to achieve the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for Excellence in Budgeting within the next five years. Examples of award-winning budgets and standards for a strong budget are available through the GFOA.

#### **AFD08. Fund Balance Policies**

<b>Target outcome:</b>	Improved financial controls
<b>Four-year financial impact:</b>	Not available
<b>Responsible party:</b>	Finance Department

The City had a history of maintaining a significant fund balance in the General Fund that has served as a funding source of deficits since the 2007 recession's aftermath as certain major City revenues declined or experienced limited growth. The City's general fund balances have been used since 2009 to fund deficits in the general fund, but the fund is expected to go to zero in 2013. The decrease in revenues, together with lack of revenue growth, has led to the financial strain that caused the City to apply for Act 47 eligibility.

While this Recovery Plan projects that the City's budget will be narrowly balanced through 2016, it is possible that the City could outperform projections through better-than-expected revenue performance, additional cost savings achieved or from an unanticipated "windfall" financial benefit. The Government Finance Officers Association (GFOA) recommends "at a minimum, general purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than 5 to 15 percent of regular general fund operating revenues." To the extent that the City outperforms projections, the City shall seek to build and maintain an

undesignated Fund balance equal to 5 to 15 percent of annual recurring General Fund revenues (approximately \$3 million to \$4.5 million if revenues are \$30 million). Any additional surplus shall be directed toward a dedicated Capital Reserve fund or the reduction of the City's debt service obligations.

**AFD09. Reduce Manual Processes**

**Target outcome:** Improved efficiency; improved record accuracy  
**Four-year financial impact:** Not available  
**Responsible party:** Department Director

The Finance Department shall conduct an internal audit to identify processes and procedures where there is unnecessary manual data entry, data re-entry, document distribution in hard copies, and other inefficiencies. The Director shall work with the Information Technology Division to identify and implement solutions that will reduce these inefficient, duplicative, or paper-based processes and make the fullest use possible of existing technology.

**AFD10. Citywide Four Percent Reduction in Other Operating Expenses**

**Target outcome:** Reduced Costs  
**Four-year financial impact:** \$403,000  
**Responsible party:** Finance Director, all Department heads

For 2013, all departments and units shall reduce annual spending on other operating expenses (including vehicles, excluding utilities) by 4 percent below their current 2013 budgeted amounts. The required reduction allows the flexibility to comply by making reductions in select units and spending lines instead of making a general across-the-board cut in all lines. Suggested categories include conferences/training, vehicles consultant services, dues, equipment, legal services, maintenance agreements, postage, printing, supplies and travel expenses.

Please note that, while the Finance Department is responsible for ensuring compliance with this initiative, there is shared responsibility across all department directors for identifying these savings.

**Financial Impact**

2013	2014	2015	2016	Total
\$107,000	\$103,000	\$99,000	\$94,000	\$403,000

**AFD11. Utility and Energy Management**

**Target outcome:** Cost reduction  
**Four-year financial impact:** \$81,000  
**Responsible party:** Finance and Public Works Departments

The majority of the City's expenses related to utilities (including electricity, light, gas, heating fuel and telephone), are used by the Department of Public Works. The City's total utility expenses have increased by 7 percent since 2008.

### General Fund Utility Expenses

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Projected	% Change
Telephone	96,916	103,935	100,968	101,571	102,910	6%
Electricity and Light	92,852	94,313	102,689	125,469	115,650	25%
Gas and Fuel	53,951	28,471	26,433	26,958	41,500	-23%
<b>Total</b>	<b>\$ 243,719</b>	<b>\$ 226,719</b>	<b>\$ 230,090</b>	<b>\$ 253,999</b>	<b>\$ 260,060</b>	<b>7%</b>

Given the need to pursue any possible savings and the opportunities created by ongoing advances in conservation and efficiency technology, the City shall identify and pursue opportunities to cut utility costs under the Finance Department's leadership. If necessary, the City shall shift staff or budgeted positions from the Department of Public Works to Finance to improve utility cost management.

The target savings from such efforts is three percent of total projected utility costs in 2013 rising by one percent each year.

### Financial Impact

2013	2014	2015	2016	Total
<b>\$16,000</b>	<b>\$18,000</b>	<b>\$22,000</b>	<b>\$25,000</b>	<b>\$81,000</b>

**AFD12. Shared Services and Joint Purchasing of Utilities (including reverse auctions of Utility Services)**

**Target outcome:** Reduced costs  
**Four-year financial impact:** Not available  
**Responsible party:** Finance Director and Department of Public Works

In addition to the cost reduction initiative for utilities in AFD12, the City should pursue lower rates through direct negotiation or a reverse energy auction. A reverse auction is an internet-based method of bidding for a supply of goods. In a reverse auction, pre-qualified contractors make blind bids in real-time in an online forum during a specified time period. Usually, when a lower price is given a few moments before the end of the auction, the deadline is extended. Online reverse energy auctions have become a popular means for public and private entities to procure lower energy costs.

Utility usage may also be reduced by investing in energy efficiency improvements. In some cases the improvements can be funded directly from the savings they generate. Also, as energy conservation emerges as a national priority, the City should be alert for federal, Commonwealth, and other external grant opportunities.

The City shall also pursue opportunities to work with other governments, especially Blair County and the Altoona School District, to reduce utility costs. One possibility is to establish a utility cooperative with the Altoona Water Authority, County, School District, Logan Township, and others to leverage the combined higher usage to negotiate lower rates.

For further discussion of shared services, see the Intergovernmental Chapter.

**AFD13. Evaluate Shared Technology Infrastructure, Applications, and General Administrative (Procurement, HR/Payroll, etc.) Functions with the Altoona School District, Altoona Water Authority and Blair County**

**Target outcome:** Cost reduction, improved technology and reporting  
**Four-year financial impact:** Not available  
**Responsible party:** Department Directors, City Manager and City Council

Convene a working group with representatives of the above mentioned governments, and include public members appointed by each government, to examine and recommend increased sharing of costs and services which will reduce costs to all taxpayers in the Blair County area.

**AFD14. Increase Frequency of Pension Reporting**

**Target outcome:** Improved budgetary planning  
**Four-year financial impact:** Not available  
**Responsible party:** Finance Department and City Council

The City's unfunded pension liability as of January 1, 2011 was approximately \$22 million, according to the actuarial reports of the three pension funds provided to the City. Going forward the retirement of the "Baby Boom" generation will increase benefit payments, while declining investment returns in pension fund assets will reduce resources to pay benefits. These and the economic factors have recently caused pension liabilities to increase and, also causes greater uncertainty in most local governments regarding future amounts of liabilities and annual funding requirements. As a result, the City's pension payments have been very volatile due to the factors indicated above. By example, pension payments increased from approximately \$3 million in 2008 to \$5.6 million in 2011 (or 87% in just three years). Actuarial forecasts indicate these payments will reduce to approximately \$4.9 million in 2013, increase again to \$5.4 million in 2015, and then return to \$4 million in 2016.

This historic and expected volatility of such a major liability, and expenditure, requires regular and intense analysis and monitoring by City management to anticipate and plan for such major changes in pending requirements. In fact, if the Police Pension Fund changes its rate of return assumption from 8% to just 7.5% (equal to the rate both the Fireman Pension fund and Non-Uniform Employ pension fund currently use in their funding calculations), the City's required contribution would cost an additional \$949,000 for the years 2014 to 2016, and an additional \$1.3 million through 2017. Until and whether pension benefits are changed by the General Assembly, or there is major changes in assets, the amount and wide variability of pension costs remain a major financial burden to the City.

Further, based on the increase indicated above, the existing 0.2% EIT pension fund balance would be exhausted by 2016 (2015 if the Police Pension Fund changes their assumption to 7.5% as described above). Also, the 0.2% EIT is no longer sufficient to fund ongoing pension liability contributions. As a result, without major asset transfers or benefit reductions, it would be necessary to increase the 0.2% EIT<sup>39</sup> to defray the additional costs required to be paid pursuant to the Municipal Pension Plan Funding Standard and Recovery Act, Act 205 of 1984, as amended, 53 P.S. §§ 895.102 *et seq.*, which are directly related to the City's pension plans.

For these reasons cited above, the City and the three pension funds should increase the reporting frequency from pension actuaries from two years to one year with regular consultation during the year regarding changing or developing trends. In particular, the Coordinator emphasizes the increased reporting and advisory consultation of the City's pension actuaries must also be directly to the City Council for both management oversight and collective bargaining purposes.

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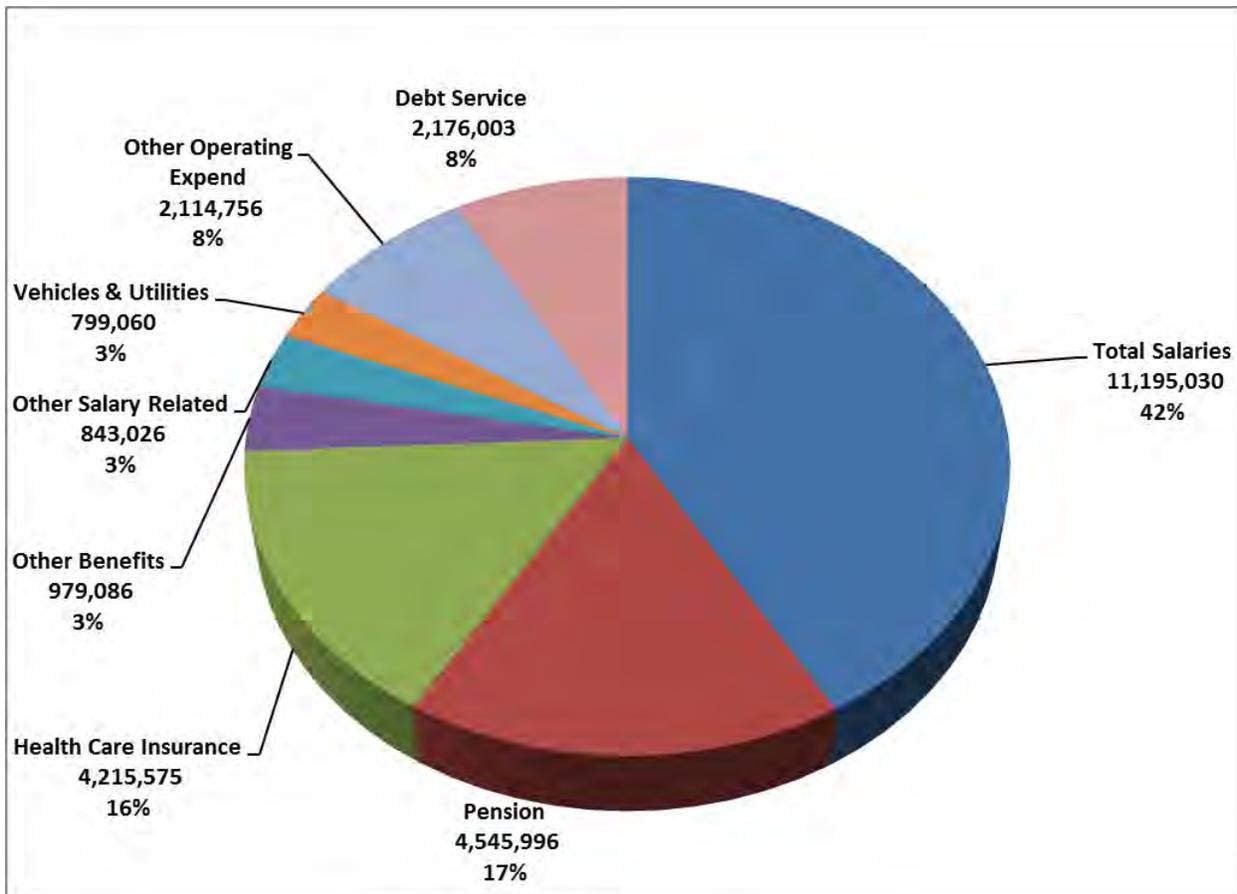
<sup>39</sup> In addition or as an alternative to an EIT rate increase, Act 205 authorizes an increase in the real estate tax rate.

# Workforce and Collective Bargaining

## Overview

As with most local governments, the services provided by the City of Altoona are labor-intensive. The City requires people to maintain safe and clean streets, prevent and investigate crime, respond to fire and other emergencies, and deliver the other important services of municipal government. As a result, employee wages and benefits account for approximately \$21.8 million, or 81%, of the City's \$26.9 million General Fund expenditures budgeted for FY2012. In addition to the employees paid out of the City's General Fund, 12 employees represented by AFSCME are budgeted and paid all or in part from the City's Community Development Funds. When all of these funds are combined, employee wages and benefits account for at least \$22.3 million of the City's expenditures budgeted for FY2012. The charts below show the 2012 budgeted personnel and other expenditures from the City's General Fund.

### FY2012 Budgeted Expenditures General Fund



Workforce expenditures are a function of both:

- The total number of employees on payroll; and
- The cost per employee, as determined by wage and benefits levels and future growth in those items.

Given that workforce expenditures represent such a large percentage of the City's total expenses, employee compensation (salaries and fringe benefits) and numbers must be modified in order to correct the City's structural deficit and restore the City's fiscal health, and thereafter must be carefully managed in order to maintain the City's fiscal health. Employee compensation costs must be kept in line with the City's revenues. Unless personnel-related costs are maintained at affordable levels, the City's financial health will further decline to the detriment of all parties, including City employees. The City's total compensation costs paid from the General Fund grew by 17.2% from \$18.6 million in 2008 to \$21.8 million in 2012 despite a decrease of 35 budgeted employees. This Chapter considers both sides of the compensation and benefits equation and then provides initiatives to control personnel-related costs for the long-term benefit of all parties.

### ***Headcount***

Much of the City's workforce is represented by one of three public employee labor unions – Fraternal Order of Police, Mountain City Lodge No. 8 (FOP); International Association of Fire Fighters, Local No. 299 (IAFF); and the American Federation of State, County and Municipal Employees, District Council 83, Local 2188 (AFSCME) - that have the right to collectively bargain with the City for their compensation as provided under Commonwealth law. AFSCME represents two collective bargaining employee units – a bargaining unit of school crossing guards and a bargaining unit of all other non-uniformed employees. AFSCME also represents a meet and discuss unit of first level supervisors, who do not have the right to collectively bargain but who have the right to be represented and the right to meet and discuss employment matters with the City.

The chart below details employee headcounts by collective bargaining unit, the meet and discuss unit, the total employees who are not represented by unions, as well as the terms of the contracts and the contract extensions.

### **City Headcount by Bargaining Unit**

<b>Employee Group</b>	<b>Covered Positions</b>	<b>2012 Total Employees</b>	<b>Contract Term</b>
Fraternal Order of Police, Mountain City Lodge No. 8	All sworn Police Officers with the exception of the Chief of Police and the Deputy Chief of Police	65	January 1, 2011 – December 31, 2013
International Association of Fire Fighters, Local No. 299	All Fire Fighters with the exception of the Fire Chief and one Deputy Chief	60	January 1, 2011 – December 31, 2013

Employee Group	Covered Positions	2012 Total Employees	Contract Term
American Federation of State, County and Municipal Employees, District Council 83, Local 2188	All professional and non-professional non-uniformed, non-management employees except school crossing guards	69	January 1, 2011 – December 31, 2013
American Federation of State, County and Municipal Employees, District Council 83, Local 2188	All school crossing guards	24	January 1, 2011 – December 31, 2013
American Federation of State, County and Municipal Employees, District Council 83, Local 2188	Meet and discuss unit of first level supervisors	6	January 1, 2011 – December 31, 2013
Non-Represented Employees	Management and elected	35	N/A
<b>Total Number for 2012</b>		<b>259</b>	

Source: City Provided Data

The chart below shows the total number of budgeted positions for each of the unions as well as the non-represented employees since 2008. Since these are budgeted and not filled positions, the actual number of employees would vary. Based on this information, however, total budgeted positions have decreased by 35 or 11.9% over this period.

### Budgeted Positions by Department, 2008-2012

Department	Budgeted Headcount					
	2008	2009	2010	2011	2012	% Change
Police Department (incl School Guards)	111	111	107	105	99	-10.8%
Fire Department	69	68	67	66	63	-8.7%
Department of Public Works	66	64	64	57	55	-16.7%
Department of Codes & Inspections	14	13	13	10	7	-50.0%
Dept. of Planning and Community Dvlpmt	14	16	16	16	16	14.3%
Elected Officials	7	7	7	7	7	0.0%
Personnel	4	4	4	4	3	-25.0%
Administration	3	3	3	3	3	0.0%
Finance Department	3	3	3	3	3	0.0%
City Controller	2	2	2	2	2	0.0%
Information Technology	1	1	1	1	1	0.0%
<b>Total</b>	<b>294</b>	<b>292</b>	<b>287</b>	<b>274</b>	<b>259</b>	<b>-11.9%</b>

Source: City Provided Data

**Compensation**

Altoona municipal employees receive a generous compensation package that includes health, retirement and paid leave benefits superior to private sector norms and generally equal or superior to public employer standards.

The chart below presents the City’s historic General Fund personnel expenditures for 2008 through 2012.

**Historical Expenditures – Workforce and Collective Bargaining**

<b>Category</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Actual</b>
Salaries	10,568,545	10,911,296	11,228,870	11,371,277
Fringe Benefits	3,217,612	3,664,440	4,126,714	3,914,407
Pension	2,987,639	2,623,909	2,757,114	5,631,060
Workers Comp	434,618	462,822	560,597	517,072
Overtime	415,057	388,159	463,525	413,394
Social Security/FICA	408,723	446,071	456,858	468,584
Blair Cty Sobriety/Task Force	131,956	51,434	124,853	135,437
Court Time	118,270	118,438	72,577	62,745
Life Insurance	91,243	79,863	88,127	77,374
Temporary Wages	89,290	93,360	82,050	59,256
Shift Differential	78,355	83,599	93,921	85,708
Sick Pay Incentive	51,368	45,995	56,909	60,139
Uniform	41,007	27,284	33,458	22,775
Unemployment Comp	11,793	19,584	17,346	5,477
Retiree-Sick Buyback	5,753	-	32,948	42,771
HazMat Incentives	3,100	3,300	3,200	5,500
Higher Educ Reimbursement	-	2,385	-	-
<b>Total</b>	<b>18,654,330</b>	<b>19,021,939</b>	<b>20,199,067</b>	<b>22,872,977</b>

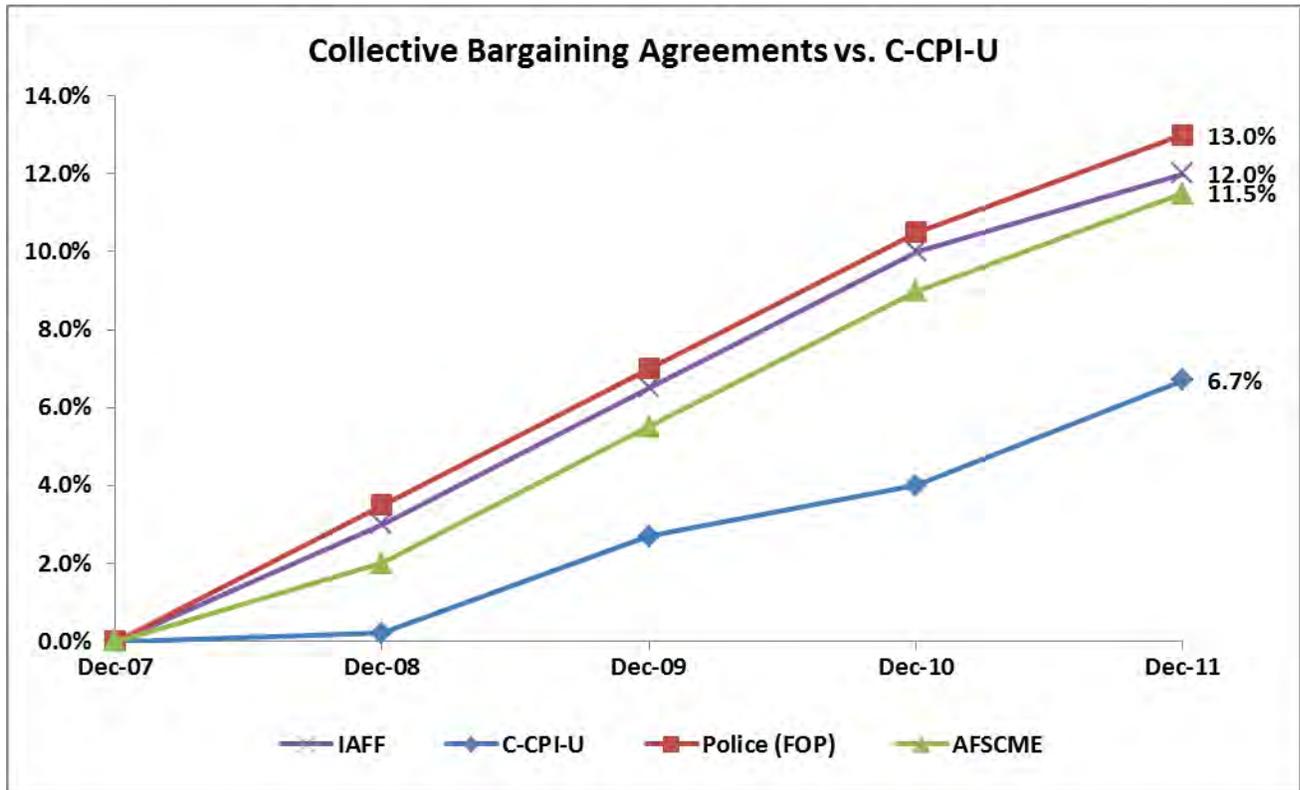
Source: Historical Data from City As Provided.

**Salaries**

The largest component of personnel expenditures is salaries, which accounts for \$11.2 million or 41.6% of FY2012 budgeted General Fund expenditures.

The chart below shows the base wage increases that employees in the City have received since December 2007. These increases and their compounded growth over time are compared to growth in the Consumer Price Index (C-CPI-U), considered by the Federal Government’s Bureau of Labor Statistics to be the best approximation for cost-of-living.

## Cumulative Wage Increases vs. C-CPI-U



Source: City provided contracts; C-CPI- U, U.S. city average all cities, U.S. Bureau of Labor Statistics

Over the years 2007 through 2011, the cost-of-living as measured by the C-CPI-U grew by 6.7%. Meanwhile, base wages for all bargaining unit employees grew at a greater rate. For the City’s bargaining group, the growth rates ranged from 11.5% for AFSCME (excluding school guards); 13.0% for the FOP bargaining unit members; and 12.0% for the IAFF bargaining unit members.

This comparison only accounts for the growth in employees’ base wages. Junior employees are often eligible to receive another annual raise through a “step increase” in addition to the across-the-board base increase shown above. For example, a police patrol officer starts at 60% of the patrol officer rate, moves to 75% upon completion of academy training, moves to 80% on the anniversary date, then to 85% during his or her third year of employment, to 90% during his or her fourth year of employment, and to 100% upon completing four years and beginning his or her fifth year of employment. For 2013, these officers receive both the negotiated 3% across the board increase and the 5% step increase. Similarly, a probationary firefighter receives 60% of the 1st Class Firefighter wage rate and upon moving to Fifth Class Firefighter receives 70%. A Fifth Class Firefighter is appointed a Fourth Class Firefighter upon completion of one year and is paid 75%. Upon meeting all requirements other than time in service, subsequent moves to the next highest class occur on January 1 of each year, with a Third Class Firefighter receiving 80%, and a Second Class Firefighter receiving 90% of the 1<sup>st</sup> Class Firefighter rate. AFSCME non-uniformed employees also receive step increases in the beginning years.

## Longevity

Most City employees also receive longevity increments. Most AFSCME and management employees hired before 2005 receive longevity increments. Police employees with more than five years of service receive longevity payments ranging between \$1,328 and \$8,385 per year. IAFF employees with more than five years of service receive longevity payments ranging between \$1,220 and \$8,073 per year. These longevity payments often add additional percentage increases to the increase in base salaries, as shown below.

LONGEVITY PAYMENTS			
Years of Service	FOP	IAFF	AFSCME and Management Employees hired before 1/1/2005
6 – 10 years of service	2-1/2% of base pay	2-1/2% of base pay	\$40 per month
11 – 15 years of service	4-1/2% of base pay	4-1/2% of base pay	\$50 per month
16 – 20 years of service	6-1/2% of base pay	6-1/2% of base pay	\$60 per month
21 – 25 years of service	8-1/2% of base pay	8-1/2% of base pay	\$70 per month
More than 25 years of service	10-1/2% of base pay	10-1/2% of base pay	\$70 per month

In addition to base salaries and longevity payments, the City provides other forms of cash compensation.

- **Shift differential:** Certain employees receive additional pay for hours worked on night shifts. FOP employees earn an additional Five Percent (5%) of their hourly rate including longevity pay if they are scheduled to work any hours between 4:00 PM and 8:00 AM. AFSCME employees earn \$0.35 per hour additional if they work the 3:00 PM to 11:00 PM or the 11:00 PM to 7:00 AM shift.
- **Holiday and personal leave pay:** FOP employees receive twelve (12) paid holidays plus four (4) paid personal days each year; the holidays are specifically designated days; FOP employees who work on any scheduled day off are paid for the holiday plus for all hours worked with a minimum pay guarantee of four hours, and the employee receives an additional day off; in addition, FOP employees who work on New Year's Day, Easter, Thanksgiving and Christmas receive an additional one-half day's pay. IAFF employees receive thirteen (13) days of pay in lieu of holidays per calendar year. AFSCME non-uniformed employees receive twelve (12) paid holidays plus two (2) paid personal days each year; these holidays are paid days off, and if an employee works on a holiday, he or she receives overtime pay in addition to his or her normal daily rate. AFSCME school crossing guards, who are part-time employees, receive five (5) paid holidays per year. AFSCME meet and discuss supervisory employees receive twelve (12) paid holidays and two (2) paid personal days per year; any employee who works on a holiday receives time and one-half pay in addition to the holiday pay.
- **Unused sick leave pay:** Employees who accumulate more than the maximum may be paid a sick leave incentive. IAFF employees who either use 0 to 3 days in a year are

paid between \$50 and \$150, or are paid 4 to 6 days of pay for unused sick leave of between 15 and 21 days beyond 203 days. AFSCME employees, both non-uniformed and the meet and discuss supervisory employees, who accumulate 250 sick leave days are paid an annual sick leave incentive bonus for all unused sick days over 250 days as follows: 0 – 5 days – 10% of pay rate per day; 6 – 10 days – 30% of pay rate per day; 11 – 15 days – 50% of pay rate per day.

- Uniform pay: Altoona’s employees receive both uniforms and clothing allowances. FOP employees receive \$775 annually for replacing or supplementing uniforms and other items. The City is required to replace items damaged or destroyed during the performance of duties, unless due to gross negligence. IAFF employees receive all clothing and equipment, and the City replaces items as needed. For school crossing guards, the City provides a clothing allowance of \$5,000, which is administered by a committee. AFSCME employees are provided gloves and foul-weather working gear, including boots, and five fluorescent shirts to employees who work at the Highway Yard and Electrical Department. The City provides and maintains uniforms for mechanics.
- Special assignment/premium pay: The City makes additional cash payments to employees who have special assignments or duties including higher classification pay, call time and reporting pay.

### **Overtime and Premium Pay**

The City of Altoona has taken significant steps to control overtime and premium pay expenditures. Leave usage, staffing levels, collective bargaining restrictions, service needs, public events and emergencies all contribute to the use of overtime and premium pay. From 2007 to 2011, average overtime and premium payments decreased from \$5,746 to \$4,153 (27.7%) for FOP employees, and from \$643 to \$572 (10.9%) for AFSCME employees, and increased from \$2510 to \$3665 (46.0%) for IAFF employees. The maximum overtime paid to an FOP employee in 2011 was \$40,683, to an IAFF employee was \$10,276, and to an AFSCME employee was \$6,779. In 2011, Police Bureau overtime cost \$398,731, Fire Department overtime cost \$245,546, and AFSCME overtime cost \$59,532. This includes overtime and premium pay related to court appearances that police officers make outside regularly scheduled work days.

The tables below show the average overtime paid per employee and maximum amount of overtime paid to a City employee, by bargaining unit, and the total overtime by department.

### **Overtime Growth, 2007 – 2011**

	<u>Average Overtime Per Employee</u>			<u>Max Overtime Paid to an Employee</u>		
	2007	2011	% Growth	2007	2011	% Growth
FOP	\$5,746	\$4,153	27.7%)	\$35,425	\$40,683	14.8%
IAFF	\$2,510	\$3,665	46.0%	\$6,927	\$10,276	48.3%
AFSCME	\$643	\$572	(10.9%)	\$7,852	\$6779	(13.7)%

Source: City Provided Data based on paid employees paid in year.

## 2011 Overtime and Premium Payments

	Police	Fire	AFSCME
Total Overtime Paid Out	\$393,731	\$245,546	\$59,532
Employees Paid	96	67	104
Average OT/Employee	\$4,153	\$3,665	\$572
Employees earning \$5,000 to \$9,999	11	23	2
Employees earning \$10,000 to \$19,999	6	1	0
Employees earning \$20,000 to \$29,999	2	0	0
Employees earning \$30,000 to \$39,999	2	0	0
Employees earning \$40,000+	1	0	0

Source: City Provided Data based on paid employees paid in year.

### ***Paid Leave***

Paid leave – the ability to take time off for vacation, personal days, sick leave or other reasons while receiving full compensation - is another important element of employee compensation. At a minimum paid leave indirectly increases government’s cost of service. When employees use paid leave, governments must reduce the level of service provided or fill the resulting opening another way, either by hiring more staff on a permanent basis to compensate for the use of leave throughout the year or bringing in existing employees on a short term basis. In the latter case, employees are often paid overtime to fill the open shifts. As a result, government pays for the same service more than twice – once for the regularly scheduled employee who is on leave and again at time-and-one-half for the employee working overtime.

The chart below shows the levels of paid leave available to the City of Altoona employees, which is significantly greater than the leave provided by both private and public sector employers.

## Paid Leave

(Days are 8 hours unless otherwise noted)

Employee Group	Holidays and Personal Days	Sick Leave	<u>Vacation Leave Time – Years of Service (YOS)</u>				
			1 Year	2 Years	5 Years	10 Years	15 Years
FOP hired prior to 1/1/2000	16 days	20 days	15 days	15 days	15 days	20 days	25 days
FOP hired between 1/1/2000 and 12/21/2010	16 days	20 days	10 days	10 days	15 days	20 days	25 days
FOP hired after 1/1/2011	16 days	20 days	10 days	10 days	10 days	15 days (11 years)	20 days 25 days after 21 years
IAFF	13 days (12 hour days)	21 days (applicable hours)	16 days	16 days	16 days	20 days	22 days 24 days 20 years 26 days 25 years
AFSCME Full time Non-uniformed employees	14 days	15 days  Employees hired after 1/1/05 12 days  Sick leave incentive for >250 days	5 days	10 days	15 days  Employees hired after 1/1/05 10 days	20 days  Employees hired after 1/1/05 15 days	25 days  Employees hired after 1/1/05 20 days
AFSCME School Crossing Guards	5 holidays	One day per year of service up to 21 days per year, minimum of 3 days per year  If no days used get 1 personal day					
AFSCME Meet and Discuss Supervisory Employees	14 days	15 days  Sick leave incentive for > 250 days	5 days	10 days	15 days	20 days	25 days
Private Sector	8 days	6 days		10 days	15 days	15 days	20 days

Employee Group	Holidays and Personal Days	Sick Leave	<u>Vacation Leave Time – Years of Service (YOS)</u>				
			1 Year	2 Years	5 Years	10 Years	15 Years
State and Local Governments	11 days	12 days		96 hours	15 days	144 hours	176 hours
Comm. of PA	11 days	13 days		10 days	15 days	15 days	20 days

### ***Retirement or Separation Bonus***

Employees who retire are paid a cash bonus for unused sick leave. These accumulations and payouts are high and costly to the City.

AFSCME: Meet and Discuss supervisory employees and AFSCME non-uniformed employees are paid for unused sick leave as follows: 51 – 100 days at 40%, 101 – 175 days at 50%, and 176 – 250 days at 60%. AFSCME school crossing guards who separate from employment with at least 15 years of service are paid for unused sick leave as follows: 0 – 100 days at 30%, 101 and more days at 50%. If an employee dies prior to retirement, his or her estate or heirs are entitled to the cash bonus.

FOP: FOP employees may accumulate up to 300 sick days and at retirement are paid \$25 for each day in excess of 200 days, and 50% per day. FOP employees may exchange 150 sick days for post-retirement health benefits, with 100% of the deductible funded by the City until Medicare eligibility and acceptance. FOP employees hired after 1/1/2011 who retire receive 50% of the deductible funded by the City until Medicare eligibility and acceptance. If the FOP retiree dies prior to Medicare age, the insurance is continued for the spouse until he or she is eligible for Medicare. Retirees may elect not to take post-retirement health care benefits and are paid 40% of the annualized “savings.” Officers may opt in and out of post-retirement health care benefits, and receive benefits in accordance with the agreement in effect as of their date of retirement.

IAFF: Unused sick leave is paid to retiring or resigning employees and to their widows or estates at the rate of 40% up to a maximum of 203 days IAFF employees or their estate may choose to take post-retirement health benefits for the employee and spouse in lieu of being paid for unused sick leave. Retirees may elect not to take post-retirement health care benefits and are paid 40% of the annualized “savings.” Retirees may opt in and out of post-retirement health care benefits, and receive benefits in accordance with the agreement in effect as of their date of retirement.

### ***Health Benefits***

AFSCME: For AFSCME employees, both the full-time non-uniformed employees and the meet and discuss supervisory employees, the City of Altoona provides health benefits through a Highmark Qualified High Deductible Health Plan in conjunction with a Health Savings Account. Deductibles are \$1,250 for individual coverage and \$2,500 for family coverage (more than one person). The City paid for 80% of the deductibles in 2011, 75% in 2012, and will pay for 50% of the deductibles in 2013. Any employee who is not eligible to contribute to a HSA receives the City’s contribution for the year in cash in January. Employees contributed 8.5% of the premium rate in 2012 and will contribute 10% of the premium rate in 2013, however the employee

contribution is capped at a maximum contribution of \$165 per month. Prescription drug coverage is provided as part of the Highmark Plan. For employees hired after 1/1/2005, dependent spouses who are eligible for health insurance through their own employer are ineligible for health insurance through the City. The City has sole discretion as to the selection of carriers, but is required to provide equivalent coverage in the event of a change in carriers. The City also pays the full cost of coverage for a Vision Care Plan through the AFSCME Health and Welfare Plan for employees and dependents. The City allows an employee to waive health insurance and pays the employee 40% of the "savings" enjoyed by the City. Further, if both an employee and spouse work for the City, the City will pay each 20% of the "savings" if each elects individual coverage rather than husband and wife coverage.

FOP: For FOP employees, the City of Altoona provides health benefits through a Highmark Qualified High Deductible Health Plan in conjunction with a Health Savings Account. Deductibles are \$1,250 for individual coverage and \$2,500 for family coverage (more than one person). The City paid for \$1,000/\$2,000 of the deductibles in 2011, 75% in 2012, and will pay for 50% of the deductibles in 2013. Any employee who is not eligible to contribute to a HSA receives the City's contribution for the year in cash in January. FOP employees contribute \$50 per month toward the premium rate. Prescription drug coverage is provided as part of the Highmark Plan. The City may change carriers, but is required to provide equivalent coverage in the event of a change in carriers and must first meet, discuss and agree with the FOP Committee. The City also pays the full cost of coverage for a Vision Care Plan, which is the same plan provided to the City Firefighters. The City also pays for the full cost of coverage for a dental plan for employees and dependents, which includes basic, supplemental basic, prosthetics, periodontics and orthodontics. The City allows an employee to waive health insurance and pays the employee 30% of the "savings" enjoyed by the City, for the health, eye, and dental programs for the employee and dependents. If an employee dies from illness or injury received in the line of duty, the widow and dependent children continue to receive the health care benefits which were in effect at the date of death.

IAFF: For IAFF employees, the City of Altoona provides health benefits through a Highmark Qualified High Deductible Health Plan in conjunction with a Health Savings Account. Deductibles are \$1,250 for individual coverage and \$2,500 for family coverage (more than one person). The City paid for 80% of the deductibles in 2011, 65% in 2012, and will pay for 50% of the deductibles in 2013. Any employee who is not eligible to contribute to a HSA receives the City's contribution for the year in cash in January. The health insurance plan has no co-pays for medical service and prescriptions. IAFF employees contribute \$75 per month toward the premium rate, except those electing single coverage pay \$25 per month. Prescription drug coverage is provided as part of the Highmark Plan. The City may change carriers, but is required to provide equivalent coverage in the event of a change in carriers and must first meet, discuss and agree with the IAFF Executive Board. The City also pays the full cost of coverage for a Vision Care Plan for each Firefighter and dependents, as well as for the full cost of coverage for a dental plan for employees and dependents, which is the same as the FOP plan, which includes basic, supplemental basic, prosthetics, periodontics and orthodontics. The City allows an employee to waive health insurance and pays the employee 40% of the "savings" enjoyed by the City, for the health and prescription programs for the employee and dependents. If an employee dies from illness or injury received in the line of duty, the widow and dependent children continue to receive the health care benefits which were in effect at the date of death.

Across private and public sector organizations, employees share the cost of their health insurance in two ways. First, they contribute to the monthly premium costs. A second way that

employees share the cost of their health benefits is by making payment when they receive service through a copayment, deductible, coinsurance or some other mechanism. Nationally and regionally governments are moving toward implementing cost sharing for employees who do not have it or making it more significant for those who do. The Qualified High Deductible Health Plan and HSA represent significant steps in this direction.

## **Assessment**

From a practical perspective, employee compensation costs must be kept in line with the City's revenues, and Altoona's revenue performance has not supported recent salary and benefits growth. The City's General Fund compensation costs grew by 23.1% from \$18.6 million in 2008 to \$22.9 million in 2011 despite a decrease in budgeted employees of 20 or 6.8%. This trend is a good indicator of the City's growing structural deficit. The City must control personnel costs in order to balance its budget. As with many municipal governments, personnel costs represent the majority of the City's General Fund expenses, and in the City of Altoona represent an even higher percentage than in many other cities. Those expenses have risen with annual base salary increases provided to most employees in most years, even during the recession. In addition to the base salary growth the City pays large longevity payments as well as premium payments, overtime compensation, shift differentials, and out of classification pay. The City also provides a health plan with opt out payments for employees who choose not to take coverage. The retirement benefits as well as post-retirement health insurance will continue to cost the City significant additional funds if continued. This level of compensation is offered within the context of the City's and region's high unemployment, the City's weak tax base and the stagnant (if not declining) growth in major revenues absent tax increases.

Absent corrective action, employee compensation will consume a growing portion of the City's limited resources. The chart below shows the projected personnel expenditures for Harrisburg through FY2016. In 2013, salaries are projected to grow at 3% for FOP, IAFF and AFSCME employees in accordance with their existing collective bargaining agreements. For future years, salaries are projected to grow at 0%. Fringe benefits are projected to grow at 14.0% per year in 2013 and 10.3% per year thereafter to reflect the rising cost of health care that has repeatedly outpaced inflation. In all, personnel expenses, not including pension expenditures, are anticipated to grow by 15.2% during the projected timeframe. Pension expenditures grew from \$2,757,114 in 2010 to \$5,631,060 in 2011, and are anticipated to be \$4,545,996 in 2012 and \$4,340,831 in 2016. While actual and projected Pension expenditures fluctuate, they are consistently significant and the general direction of the Act 205 Pension Fund balance is negative. Depending on the plan return assumptions, the Pension Fund will go to zero in the year 2015 or 2016.

## Projected Expenditures – Workforce and Collective Bargaining

Category	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Salaries	11,195,030	11,690,115	11,719,304	11,761,430	11,800,367
Fringe Benefits	3,982,167	4,373,628	4,809,573	5,290,420	5,820,795
Pension	4,545,996	4,920,086	5,548,499	5,652,826	4,340,831
Workers Comp	480,000	545,000	561,350	578,191	595,536
Overtime	462,200	462,200	462,200	462,200	462,200
Social Security/FICA	420,941	429,428	430,381	431,511	432,400
Blair Cty Sobriety/Task Force	91,000	91,000	91,000	91,000	91,000
Court Time	80,000	80,000	80,000	80,000	80,000
Life Insurance	78,145	80,489	82,904	85,391	87,953
Temporary Wages	70,500	70,500	70,500	70,500	70,500
Shift Differential	79,326	79,326	79,326	79,326	79,326
Sick Pay Incentive	48,000	49,440	49,440	49,440	49,440
Uniform	34,500	35,535	36,601	37,699	38,830
Unemployment Comp	12,000	12,360	12,360	12,360	12,360
Retiree-Sick Buyback	-	-	-	-	-
HazMat Incentives	3,300	3,399	3,501	3,606	3,714
Higher Educ Reimbursement	2,500	2,575	2,652	2,732	2,814
<b>Total</b>	<b>21,585,605</b>	<b>22,925,081</b>	<b>24,039,591</b>	<b>24,688,631</b>	<b>23,968,065</b>

Source: 2012 – 2016 Baseline Budget

Workforce cost control is essential to the City of Altoona’s survival. Without it, the City will eventually have to make dramatic workforce reductions that will limit its ability to provide the most basic municipal services. In the recent past, the City of Altoona has resorted to reductions in its workforce to limit its expenditures. While this Recovery Plan identifies further areas where the City can reduce headcount, the City cannot survive without restructuring its compensation packages so that employee compensation and workforce cost growth more closely track the achievable level of revenue for the City.

Therefore, the initiatives outlined below are intended to move the City toward a structurally balanced budget so that it can focus its attention on improving City services, instead of merely sustaining them, and pursuing financial recovery and growth, instead of merely surviving as a municipal entity. While such workforce changes can be difficult in the short-run, long-term spending must become aligned with revenue to ensure the City of Altoona’s survival in the short term and stability in the long term. A financially insolvent city benefits no one, including City employees.

It is the intention of the Act 47 Coordinator that the City negotiate with the bargaining unit representatives of its employees in good faith to incorporate these cost containment provisions and any others throughout this Recovery Plan that may require changes to the collective bargaining agreements into those agreements. However, to the extent that the City is unable to reach agreement with any of its unions, resulting in interest arbitration or other legal proceedings, it is the express intention of the Act 47 Coordinator and the City that the implementation of these cost containment provisions and any others throughout this Recovery Plan are mandatory. All cost containment provisions must be addressed.

Wherever reference is made to parameters for all bargaining units, employee groups or collective bargaining agreements, such provision shall also apply fully to non-represented

personnel unless expressly stated otherwise. Further, wherever reference is made to parameters for provisions in collective bargaining agreements, such provisions shall also fully apply to any side agreements, memoranda of understanding, interest arbitration awards, grievance arbitration awards, settlement agreements or any other documents. Further, no past practices shall in any manner interfere with any of the initiatives in this Recovery Plan.

It is the specific intent of the Act 47 Coordinator that no provisions of any collective bargaining agreements, memoranda of understanding, side agreements, interest arbitration awards, grievance arbitration awards, settlement agreements, nor any other documents nor past practices may be interpreted or applied, nor may any new provisions be added to any such agreements or documents, which would have the effect of additional costs to the City for the implementation of any of these initiatives or of any of the initiatives in this Recovery Plan. This includes by way of illustration but not limitation, severance pay, overtime, premium pay and additional hours of work.

## **Initiatives**

### ***General***

#### **WF01. Ensure Future Collective Bargaining and Labor Agreements Remain Compliant with Recovery Plan**

<b>Target outcome:</b>	Cost Reduction
<b>Four year financial impact:</b>	Not available
<b>Responsible party:</b>	City Manager/Director of Personnel/City Council
<b>Impacted employee group:</b>	All employee groups

No person or entity, including (without limitation) the City, any union representing City employees and any arbitrator appointed pursuant to Act 111 or otherwise, shall continue in effect past the stated expiration date of any current labor agreement the wages, benefits or other terms and conditions of the existing labor agreement if such wages, benefits or other terms or conditions are inconsistent with the initiatives made in this Recovery Plan.

All collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Recovery Plan must be effective at the earliest possible date, and no later than the expiration of the then current collective bargaining agreements and interest arbitration awards. This shall apply even if the agreement is entered into or the arbitration award is executed subsequent to the effective dates, thus requiring that the agreements or awards be retroactive. No collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Recovery Plan may extend the current expiration dates of the existing agreements and awards. Specifically, these dates are as follows:

<b>Employee Group</b>	<b>Covered Positions</b>	<b>Agreement Expiration Date</b>
Fraternal Order of Police, Mountain City Lodge No. 8	All sworn Police Officers with the exception of the Chief of Police and the Deputy Chief	December 31, 2013
International Association of Fire Fighters, Local Union No. 299	All Fire Fighters with the exception of the Fire Chief and the First Deputy Chiefs	December 31, 2013
American Federation of State, County and Municipal Employees, Local 2188	All non-uniformed employees	December 31, 2013
American Federation of State, County and Municipal Employees, Local 2188	All school crossing guards	December 31, 2013
American Federation of State, County and Municipal Employees, Local 2188	All meet and discuss first level supervisory employees	December 31, 2013

The City shall take steps to promptly bargain all new collective bargaining agreements and shall follow all time limits for interest arbitration so that any interest arbitration award shall be issued prior to the expiration of the collective bargaining agreement. The timelines contained in Act 111 shall be adhered to strictly and may not be waived. If an arbitration award is not issued prior to the expiration of the collective bargaining agreement then the City shall implement all of the provisions and initiatives of the Recovery Plan to the maximum extent legally consistent with Act 47.

If this Recovery Plan is extended to cover any period of time subsequent to its initial term, then, unless and until the initiatives made in this Recovery Plan are revised, any labor agreement between the City and any union representing City employees (whether resulting from collective bargaining, interest arbitration pursuant to Act 111 or otherwise) covering such subsequent period shall comply with the Initiatives made herein without regard to the period of agreement specified in any such Initiative.

All collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Recovery Plan must be strictly compliant with and not exceed the total projected costs for each bargaining unit after implementation of the following initiatives in this Workforce and Collective Bargaining Chapter as shown below.

The total projected impact of the Workforce and Collective Bargaining Initiatives in this Chapter by bargaining unit are shown in the charts below. The net results are maximum expenditures limits for each bargaining unit and group of employees for each year of this Recovery Plan. The total financial impact of the applicable initiatives related to collective bargaining have been deducted from the baseline projections of expenditures for each bargaining unit before implementation of these initiatives, resulting in the maximum expenditure limits. These initiatives included in the charts below, which include selected initiatives from other Chapters

which are subjects of and related to collective bargaining, are in addition to initiatives in other Chapters not shown below. The total maximum expenditures limits shown in the charts below are without consideration of such other initiatives, and any other initiatives shall not be used to offset or increase the maximum allowable expenditures shown below. Further, should any listed initiative not be implemented for any reason whatsoever, including any legal challenges, the cost savings from such initiative must be replaced with other cost savings related to issues and items in this Workforce and Collective Bargaining Chapter and subject to the applicable collective bargaining or employee agreement.

AFSCME Non-Uniformed

2012 Budget 2012 Revised 2013P 2014P 2015P 2016P

Salary	2,664,231					
Base		2,563,393	2,642,483	2,655,994	2,655,994	2,655,994
Step			13,289	8,112	15,756	19,634
Longevity		31,800	32,160	32,520	33,240	33,600
Holiday Pay		-	-	-	-	-
Pension Contrib	229,402	229,402	239,722	390,526	418,979	428,938
F I C A/Social Security	203,814	203,814	209,325	209,991	210,643	210,979
Health Insurance - All Depts	1,275,766					
Active Premium - Health		584,408	655,304	722,800	797,248	879,365
Active Premium - Vision		-	-	-	-	-
Active Premium - Dental		-	-	-	-	-
Active - Opt Outs		51,825	59,080	65,165	71,878	79,281
Active - HSA Contribution		82,500	55,625	55,625	55,625	55,625
Retiree Premium - Basic			-	-	-	-
Retiree Premium - MM			-	-	-	-
Retiree Premium - Drug			-	-	-	-
Retiree Premium - Vision			-	-	-	-
Retiree Premium - Dental		-	-	-	-	-
Retiree - Opt Outs			-	-	-	-
Retiree - HSA Contribution			-	-	-	-
Workers Compensation	127,876	127,876	145,193	149,549	154,035	158,656
Life Insurance, AD&D, Ltd-All Depts	20,819	20,819	21,443	22,086	22,749	23,431
Unemployment Compensation	3,197	3,197	3,293	3,392	3,476	3,563
Sick Pay Incentive	12,788	12,788	13,171	13,566	13,906	14,253
Overtime	46,700	46,700	46,700	46,700	46,700	46,700
Shift Differential	9,100	9,100	9,100	9,100	9,100	9,100
Temporary Rate	-	-	-	-	-	-
Holiday Pay	-	-	-	-	-	-
Court Time	-	-	-	-	-	-
Haz Mat Incentives - Coll. Bargaining	-	-	-	-	-	-
Retiree-Sick Buyback	-	-	-	-	-	-
Uniform	-	-	-	-	-	-
Higher Education Reimbursement	-	-	-	-	-	-
<b>Bargaining Unit Total Before Initiatives</b>	<b>4,593,691</b>	<b>3,967,620</b>	<b>4,145,888</b>	<b>4,385,126</b>	<b>4,509,329</b>	<b>4,619,120</b>

**Initiatives**

- WF05 Wage freeze
- WF06 Freeze longevity pay and eligibility
- WF10 Limit City's cost for health care - HC increases at 5.0%
- WF10 Limit City's cost for health care - reduce opt out to 20%
- WF10 Limit City's health care - employees pay 10% of premiums
- PD01 Reduce budgeted positions
- FD03 Change job classifications
- FD04 Change overtime policy

-	-	-	-
-	360	1,080	1,440
-	34,731	74,776	120,769
-	26,066	28,751	31,712
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<b>-</b>	<b>61,157</b>	<b>104,607</b>	<b>153,921</b>

**Total \$ Impact of Initiatives**

**Maximum Expenditures Limit for the Bargaining Unit**

<b>4,145,888</b>	<b>4,323,968</b>	<b>4,404,722</b>	<b>4,465,199</b>
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AFSCME M&D

2012 Budget 2012 Revised

2013P

2014P

2015P

2016P

Salary	273,669					
Base		269,693	277,805	277,805	277,805	277,805
Step			-	-	-	-
Longevity		3,960	4,560	4,560	4,560	4,560
Holiday Pay		-	-	-	-	-
Pension Contrib	19,948	19,948	20,845	33,959	36,433	37,299
F I C A/Social Security	20,936	20,936	21,601	21,601	21,601	21,601
Health Insurance - All Depts	110,936					
Active Premium - Health		50,206	56,296	62,095	68,491	75,545
Active Premium - Vision		-	-	-	-	-
Active Premium - Dental		-	-	-	-	-
Active - Opt Outs		10,818	12,332	13,602	15,004	16,549
Active - HSA Contribution		6,563	4,375	4,375	4,375	4,375
Retiree Premium - Basic			-	-	-	-
Retiree Premium - MM			-	-	-	-
Retiree Premium - Drug			-	-	-	-
Retiree Premium - Vision			-	-	-	-
Retiree Premium - Dental		-	-	-	-	-
Retiree - Opt Outs			-	-	-	-
Retiree - HSA Contribution			-	-	-	-
Workers Compensation	11,120	11,120	12,625	13,004	13,394	13,796
Life Insurance, AD&D, Ltd-All Depts	1,810	1,810	1,865	1,921	1,978	2,038
Unemployment Compensation	278	278	286	295	302	310
Sick Pay Incentive	1,112	1,112	1,145	1,180	1,209	1,239
Overtime	-	-	-	-	-	-
Shift Differential	-	-	-	-	-	-
Temporary Rate	-	-	-	-	-	-
Holiday Pay	-	-	-	-	-	-
Court Time	-	-	-	-	-	-
Haz Mat Incentives - Coll. Bargaining	-	-	-	-	-	-
Retiree-Sick Buyback	-	-	-	-	-	-
Uniform	-	-	-	-	-	-
Higher Education Reimbursement	-	-	-	-	-	-
<b>Bargaining Unit Total</b>	<b>439,809</b>	<b>396,442</b>	<b>413,736</b>	<b>434,396</b>	<b>445,152</b>	<b>455,117</b>

Initiatives

- WF05 Wage freeze
- WF06 Freeze longevity pay and eligibility
- WF10 Limit City's cost for health care - HC increases at 5.0%
- WF10 Limit City's cost for health care - reduce opt out to 20%
- WF10 Limit City's health care - employees pay 10% of premiums
- PD01 Reduce budgeted positions
- FD03 Change job classifications
- FD04 Change overtime policy
- Total \$ Impact of Initiatives**

-	-	-	-
-	-	-	-
-	2,984	6,424	10,375
-	5,441	6,001	6,620
-	8,425	12,425	16,995

Maximum Expenditures Limit for the Bargaining Unit

<b>413,736</b>	<b>425,971</b>	<b>432,726</b>	<b>438,122</b>
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## IAFF

2012 Budget 2012 Revised

2013P

2014P

2015P

2016P

Salary	3,405,708					
Base		3,084,932	3,162,056	3,162,056	3,162,056	3,162,056
Step			-	-	-	-
Longevity		152,729	162,255	170,775	188,631	208,411
Holiday Pay		231,262	237,451	238,059	239,335	240,748
Pension Contrib	2,346,125	2,346,125	2,629,451	2,836,710	2,861,206	1,981,000
F I C A/Social Security	49,383	49,383	51,646	51,778	52,055	52,363
Health Insurance - All Depts	1,109,362					
Active Premium - Health		762,240	874,918	969,422	1,073,660	1,188,635
Active Premium - Vision		6,189	7,056	7,783	8,584	9,468
Active Premium - Dental		62,886	71,690	79,074	87,218	96,202
Active - Opt Outs		49,273	56,171	61,957	68,338	75,377
Active - HSA Contribution		79,625	61,250	61,250	61,250	61,250
Retiree Premium - Basic		324,095	372,192	410,800	453,386	500,357
Retiree Premium - MM		3,208	3,657	4,034	4,450	4,908
Retiree Premium - Drug		73,164	74,601	82,285	90,761	100,109
Retiree Premium - Vision		1,030	881	971	1,071	1,182
Retiree Premium - Dental		5,587	6,369	7,025	7,749	8,547
Retiree - Opt Outs		31,762	36,208	39,938	44,051	48,589
Retiree - HSA Contribution		3,625	3,625	3,625	3,625	3,625
Workers Compensation	111,197	111,197	126,255	130,042	133,944	137,962
Life Insurance, AD&D, Ltd-All Depts	18,103	18,103	18,646	19,206	19,782	20,375
Unemployment Compensation	2,780	2,780	2,863	2,949	3,023	3,099
Sick Pay Incentive	11,120	11,120	11,453	11,797	12,092	12,394
Overtime	250,000	250,000	250,000	250,000	250,000	250,000
Shift Differential	-	-	-	-	-	-
Temporary Rate	-	-	-	-	-	-
Holiday Pay	-	-	-	-	-	-
Court Time	-	-	-	-	-	-
Haz Mat Incentives - Coll. Bargaining	3,300	3,300	3,399	3,501	3,606	3,714
Retiree-Sick Buyback	-	-	-	-	-	-
Uniform	16,000	16,000	16,480	16,974	17,484	18,008
Higher Education Reimbursement	-	-	-	-	-	-
<b>Bargaining Unit Total</b>	<b>7,323,077</b>	<b>7,679,615</b>	<b>8,240,573</b>	<b>8,622,013</b>	<b>8,847,357</b>	<b>8,188,379</b>

**Initiatives**

WF05 Wage freeze

WF06 Freeze longevity pay and eligibility

WF10 Limit City's cost for health care - HC increases at 5.0%

WF10 Limit City's cost for health care - reduce opt out to 20%

WF10 Limit City's health care - employees pay 10% of premiums

PD01 Reduce budgeted positions

FD03 Change job classifications

FD04 Change overtime policy

**Total \$ Impact of Initiatives**

-	-	-	-
-	8,520	26,376	46,156
-	52,802	113,683	183,606
-	24,783	27,335	30,151
-	62,008	67,238	72,730
-	-	-	-
-	40,000	40,000	40,000
-	15,000	15,000	15,000
-	<b>203,113</b>	<b>289,632</b>	<b>387,643</b>

**Maximum Expenditures Limit for the Bargaining Unit****8,240,573 8,418,900 8,557,724 7,800,735**

**Non-Bargaining Unit**

**2012 Budget 2012 Revised 2013P 2014P 2015P 2016P**

Salary	1,554,501					
Base		1,556,762	1,601,209	1,601,209	1,601,209	1,601,209
Step		-	-	-	-	-
Longevity		41,518	43,902	43,902	44,022	44,862
Holiday Pay		-	5,836	5,836	5,836	5,836
Pension Contrib	242,988	242,988	262,298	326,678	338,127	285,299
F I C A/Social Security	108,806	108,806	112,182	112,182	112,191	112,256
Health Insurance - All Depts	517,702					
Active Premium - Health		273,671	307,656	339,653	374,947	413,875
Active Premium - Vision		431	491	542	597	659
Active Premium - Dental		3,325	3,790	4,181	4,612	5,087
Active - Opt Outs		21,636	24,664	27,205	30,007	33,098
Active - HSA Contribution		37,000	23,750	23,750	23,750	23,750
Retiree Premium - Basic		-	-	-	-	-
Retiree Premium - MM		-	-	-	-	-
Retiree Premium - Drug		-	-	-	-	-
Retiree Premium - Vision		-	-	-	-	-
Retiree Premium - Dental		-	-	-	-	-
Retiree - Opt Outs		-	-	-	-	-
Retiree - HSA Contribution		-	-	-	-	-
Workers Compensation	64,865	64,865	73,649	75,858	78,134	80,478
Life Insurance, AD&D, Ltd-All Depts	10,560	10,560	10,877	11,203	11,539	11,886
Unemployment Compensation	1,622	1,622	1,670	1,720	1,763	1,807
Sick Pay Incentive	6,486	6,486	6,681	6,882	7,054	7,230
Overtime	-	-	-	-	-	-
Shift Differential	-	-	-	-	-	-
Temporary Rate	70,500	70,500	70,500	70,500	70,500	70,500
Holiday Pay	-	-	-	-	-	-
Court Time	-	-	-	-	-	-
Haz Mat Incentives - Coll. Bargaining	-	-	-	-	-	-
Retiree-Sick Buyback	-	-	-	-	-	-
Uniform	-	-	-	-	-	-
Higher Education Reimbursement	-	-	-	-	-	-
<b>Bargaining Unit Total</b>	<b>2,578,031</b>	<b>2,440,170</b>	<b>2,549,156</b>	<b>2,651,301</b>	<b>2,704,288</b>	<b>2,697,830</b>

**Initiatives**

WF05 Wage freeze  
 WF06 Freeze longevity pay and eligibility  
 WF10 Limit City's cost for health care - HC increases at 5.0%  
 WF10 Limit City's cost for health care - reduce opt out to 20%  
 WF10 Limit City's health care - employees pay 10% of premiums  
 PD01 Reduce budgeted positions  
 FD03 Change job classifications  
 FD04 Change overtime policy  
**Total \$ Impact of Initiatives**

44,447	-	-	-
-	-	120	960
-	16,692	35,937	58,041
9,866	10,882	12,003	13,239
	4,069	4,422	4,794
<b>54,313</b>	<b>31,643</b>	<b>52,482</b>	<b>77,034</b>

**Maximum Expenditures Limit for the Bargaining Unit**

<b>2,494,843</b>	<b>2,619,658</b>	<b>2,651,806</b>	<b>2,620,796</b>
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**WF02. Use Professional Assistance for Labor Negotiations**

<b>Target outcome:</b>	Improved management capacity
<b>Four year financial impact:</b>	Not available
<b>Responsible party:</b>	City Manager/City Council
<b>Impacted employee group:</b>	All employee groups except non-represented employees

The City shall continue to retain experienced public employment labor counsel for its labor relations activities throughout the period of the Act 47 Recovery Plan. The City has previously negotiated without professional labor counsel. The City shall select and use qualified counsel as an active participant in the review and development of negotiations proposals and as the chief spokesperson for all contract negotiations and interest arbitrations. In addition to using the counsel for support in collective bargaining, the City shall also use the counsel to review past practices that unnecessarily increase the cost of operations and are permissive subjects of bargaining. The City shall provide a list of such practices to the Act 47 Coordinator at the beginning of collective bargaining negotiations with each union.

As a member of the Pennsylvania Municipal League, the City would have access to reduced hourly rates provided through the League’s Public Employer Labor Relations Advisory Service (PELRAS). With the support of its labor counsel, the City shall make every good faith effort to achieve negotiated labor agreements consistent with this Recovery Plan.

**WF03. Establish a Labor/Management Committee for All Employee Groups**

<b>Target outcome:</b>	Improved labor-management relations, improved efficiency and potential service improvements
<b>Four year financial impact:</b>	Not available
<b>Responsible party:</b>	City Manager/Director of Personnel/City Council/ Department Heads
<b>Impacted employee group:</b>	All employee groups

The City shall establish a labor/management committee that will use the Area Labor Management Committee (ALMC) structure as a resource. The Office of Labor-Management Cooperation in the Pennsylvania Department of Labor and Industry promotes labor-management collaboration by supporting and coordinating with ALMCs. ALMCs are neutral non-profits comprised of representatives from labor and industry, management and government who work cooperatively to retain jobs and promote economic growth. Services provided by ALMCs include third-party mediation, consulting, training and educational programming.

The labor-management committee shall also establish specific task forces comprised of committee and bargaining unit members that shall explore new and innovative methods and means of providing City services, including cooperatively working to provide services more efficiently and possibly across bargaining units. Such possible changes will require extensive study and may affect new employees. These task forces should explore all possibilities of providing services, including the use of non-City employees and volunteers, as may be appropriate. The City is unable to sustain its current structure and operations based on its

available revenues and resources, and change, though often resisted and difficult, is necessary to achieve long-term financial stability.

The labor-management committees shall also explore increasing certain revenue producing services which would enable the City to hire additional workers who can provide such revenue producing services at no cost to the City, while at the same time allowing these workers to provide additional other services to the City and City residents. This is especially applicable to the AFSCME non-uniformed employees. It is imperative that any analyses provide for no increased costs to the City, either in the short-term or on a long-term basis.

Each of the labor-management committees and task forces should include at least one member of City Council, as well as appropriate department heads.

#### **WF04. Limit New Contract Enhancements**

<b>Target outcome:</b>	Cost reduction and improved efficiency
<b>Four year financial impact:</b>	Not available
<b>Responsible party:</b>	City Manager/ Director of Personnel/ City Council
<b>Impacted employee group:</b>	All employee groups

Unless, and only to the extent that, applicable law requires a change in any of the wages, benefits, terms, provisions or conditions enumerated herein, all new collective bargaining and labor agreements (which phrase shall include but not be limited to new agreements, extensions, amendments, side agreements, memoranda of understanding, arbitration awards, and settlements) between the City and the unions representing its employees (whether resulting from collective bargaining between the parties, or interest arbitration pursuant to Act 111 as applicable, or otherwise) covering calendar years 2014 through 2016 and subsequent years (or any portion thereof) **must not** contain, require or provide for any of the following:

- a) Any new overtime or premium pay benefits or requirements;
- b) Any increase in existing overtime or premium pay benefits or requirements, nor the continuation of existing overtime and premium pay benefits and requirements which are modified by this Recovery Plan;
- c) Any increase in pay or benefits associated with new duties, changes in duties, cross training or activities required by this Recovery Plan;
- d) Any new benefits or improvements in existing benefits, nor the continuation of existing benefits which are modified by this Recovery Plan;
- e) Any new paid or unpaid leave;
- f) Any improvements to existing paid or unpaid leaves, nor the continuation of existing paid and unpaid leaves which are modified by this Recovery Plan;
- g) Any additional pay for time not worked;
- h) Any improvements in existing pay for time not worked, nor the continuation of existing pay for time not worked which is modified by this Recovery Plan;
- i) Any new designations that time not worked counts as time worked for the purpose of computing overtime or premium pay or increases in existing designations of same, nor the continuation of designations that time not worked counts as time worked for the purpose of computing overtime or premium pay which are modified by this Recovery Plan;

- j) Any new benefits for retirees or other inactive employees (e.g., those in layoff or disability status);
- k) Any improvements in existing benefits for retirees or other inactive employees, nor the continuation of existing benefits that are modified by this Recovery Plan;
- l) Any other term or provision which continues any existing restrictions or which adds any new or additional restrictions on the City's Management Rights;<sup>40</sup>
- m) Any provision which impairs or restricts the City's ability to engage qualified contractors to perform services for the City, including services currently provided by bargaining unit personnel;
- n) Any provision which impairs or restricts the City's ability to transfer service provision to another entity, including services currently provided by bargaining unit personnel;
- o) Any provision which restricts or impairs the City's ability to effect a layoff or other reduction in its workforce, including those that require all part-time employees be laid off regardless of assignment or duties before any reductions in full-time staff can be made;
- p) Any provision which expands any arbitrator's authority to grant relief in any arbitration proceeding;
- q) Any provision which obligates the City to permit bumping of any employee on the basis of seniority, rather than on the basis of qualifications and performance, except to the extent that preference is accorded to the most senior of those employees having relatively equal qualifications and performance histories;
- r) Any provision requiring the City to pay bargaining unit employees to attend any trial, hearing or other legal proceeding, except to the extent that such employee attends any such proceeding at the request of the City,<sup>41</sup>
- s) Any provision which restricts the City's ability to require an employee to work a "light duty" position within that employee's medical restrictions, and in any department or bargaining unit within the City;
- t) Any provision obligating the City to provide "light duty" to any employee who is unable to perform the essential functions of his or her job, with or without reasonable accommodation and without posing a direct threat to the health or safety of the employee or others;
- u) Any provision which expands the bargaining unit employees' rights to present grievances to the City or to appeal grievances to arbitration;
- v) Any provision which provides any pay or other compensation to any employee for:
  - 1) any exercise by the City of any of the above rights; or 2) the inclusion of any of the above provisions in any collective bargaining agreement; or 3) the implementation of any of the above provisions; or 4) the implementation of any of the initiatives in this Recovery Plan; or

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<sup>40</sup> The term "Management Rights," as used herein, includes, without limitation, the rights to: promulgate and enforce work rules, policies and procedures; select, hire, promote, transfer, assign, determine the duties of, evaluate, layoff, recall, reprimand, suspend, discharge and otherwise discipline employees; establish, eliminate and redefine positions in accordance with the City's needs; determine the qualifications and establish performance standards for jobs and assignments; determine the methods, processes and means of performance, where and when work shall be performed, and the equipment to be used; determine the composition of the work force; create, abolish and change jobs and job duties; determine employees' hours and days of work, work schedules, shifts and reporting stations; determine whether to assign overtime and the amount required; require employees to work overtime; determine when a job vacancy exists, and select the best qualified candidate to fill it; take necessary actions in emergency situations; extend, curtail or change City operations and otherwise manage the City, its operations and its employees in its discretion.

<sup>41</sup> This provision is not intended to eliminate pay for routine police court appearances pursuant to subpoenas regarding matters handled by an officer while on duty. Rather, this provision shall provide clear management discretion to avoid automatic City pay and/or guaranteed minimum rates for attendance at grievance proceedings and other internal hearings, court appearances regarding personal affairs, etc.

- w) Any requirement for the City to provide wages, benefits or other terms of employment to any bargaining unit based on the provisions of such wages, benefits, or other terms of employment to another bargaining unit.

## **Cash Compensation**

### **WF05. Implement a Wage Freeze and Limit Step Movement**

<b>Target outcome:</b>	Cost reduction
<b>Four year financial impact:</b>	\$44,447 <i>Note: Baseline projected costs included zero wage increases for all employees for 2014 through 2016</i>
<b>Responsible party:</b>	City Manager/ Director of Personnel/ City Council
<b>Impacted employee group:</b>	All employee groups, including management employees and full time elected officials

There shall be a base wage freeze for the first three years of each new collective bargaining agreement negotiated or arbitration award received after the adoption of this Recovery Plan, for the years 2014, 2015, and 2016. Base wage increases in subsequent years shall be fully compliant with any new or revised Recovery Plans. Any collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind entered into after the adoption of the Recovery Plan may not extend beyond the date of this Recovery Plan, or of any new or revised Recovery Plan.

FOP employees may progress through the current step increases for base patrolman; IAFF employees may progress through the current step increases leading to First Class Firefighter; and AFSCME employees may progress to the Six Month, One Year, Two Year and Three Year levels. Such step increases may not increase in percentage or amounts, and may not be shortened in length of time required to progress between steps, nor may any requirements for progressing through the steps be modified so as to reduce or lessen such requirements. FOP employees may progress in accordance with and upon fulfilling all of the current requirements from 60% of the base rate for a patrolman, to 75%, then 80%, then 85%, then 90%, and then 100% of the base rate for a patrolman. IAFF employees may progress in accordance with and upon fulfilling all of the current requirements from 60% of First Class Firefighter, to 70%, then 75%, then 80%, then 90% and then 100% of the First Class Firefighter base wage rate. No other step increases for any employees shall be allowed for the years 2013, 2014, 2015 and 2016.

This base wage freeze shall also apply to meet and discuss first level supervisory employees. Meet and discuss first level supervisory employees shall not receive any increased wages for ten or more years of service after December 31, 2013. This base wage and step freeze shall also apply to all non-represented employees, management employees, and full-time elected officials, effective January 1, 2013, and shall continue through 2016.

The projected savings from the baseline projections associated with the base wage freeze for employees for fiscal years 2014, 2015 and 2016 are zero, since no wage increases were included in the baseline projections for 2014, 2015 and 2016. The projected savings in base wage freezes for the non-represented employees for 2013 is \$44,447.

**WF06. Freeze Longevity Pay and Eligibility**

- Target outcome:** Cost reduction
- Four year financial impact:** \$161,321
- Responsible party:** City Manager/ Director of Personnel/ City Council
- Impacted employee group:** All employee groups

Employees who are currently eligible and receiving such pay shall have their longevity payment frozen at the current rate for the duration of this Recovery Plan. Longevity pay shall not be provided to employees hired after the date of adoption of this Plan or to current employees who do not reach eligibility for the payment before the expiration of their collective bargaining agreement.

The savings projected below reflect the application of this initiative to the City’s employees.

**Financial Impact**

	2013	2014	2015	2016	Total
FOP		\$11,511	\$26,145	\$38,652	\$76,308
IAFF		\$8,520	\$26,376	\$46,156	\$81,053
AFSCME Non-Uniformed		\$360	\$1,080	\$1,440	\$2,880
AFSCME School Crossing Guards		-	-	-	-
AFSCME Meet and Discuss		-	-	-	-
Non-represented employees	-	-	\$120	\$960	\$1,080

**Overtime**

Because overtime usage is driven by several factors, this Plan includes initiatives to help the City control the growth in this form of compensation. The initiatives in this Section focus on collective bargaining agreement provisions that drive overtime costs. Initiatives in other chapters, particularly Police and Fire, recommend operational changes to reduce the City’s overtime costs. When taken together, they will enable the City to control overtime costs. Paid leave time contributes significantly to the necessity and use of overtime, both in filling positions, as well as reducing the time available to provide necessary services.

**WF07. Reduce Paid Holidays, Personal, Vacation and Sick Leave**

- Target outcome:** Cost reduction and increased productivity
- Four year financial impact:** Specific impact unknown; cost studies required
- Responsible party:** City Manager/ Director of Personnel/ City Council
- Impacted employee group:** All employee groups

City of Altoona employees currently receive a significant number of paid leave days annually, well in excess of many public employers and far greater than those provided by private employers. This impacts the City both in the level of services provided as well as financially. Days off, especially paid vacation and personal leave, generally require hiring additional employees to provide the services when other employees are on leave. Depending on the position, paid leave often requires other employees to fill the position on an overtime basis.

Like any kind of paid leave, sick leave can drive overtime expenses higher by creating vacancies that must be filled or work backlogs that must be reduced by employees working overtime. That potential is especially high with sick leave since the employee absences are unplanned and management has less time to adjust staff schedules to compensate for the absence. If overtime is not used, then fewer services are provided by the City.

The City shall undertake a thorough analysis and study and jointly develop with the relevant bargaining units a reduction in the number of paid leave days, following the guidelines set forth below. The City shall explore other leave models, such as paid time off. The changes shall be implemented effective January 1, 2014.

The guidelines include the following.

- Employees shall be limited to ten holidays annually, including personal days.
- Each paid leave day shall be paid at the employee's regular base hourly rate of pay for the number of hours usually worked by that employee on his or her regular work shift or by the average hours usually worked by that employee on his or her regular work shifts; where applicable the paid leave shall be expressed in hours rather than days.
- There shall be no premium pay for those services provided on a 24 hours per day, 7 days per week basis, including police and fire services, with the exception of Christmas, Thanksgiving, and New Year's.
- Paid vacation shall not exceed the following: 40 hours after 1 year of continuous full-time employment; 80 hours after 2 years of continuous full-time employment; 120 hours after 5 years of continuous full-time employment; 160 hours after 15 years of continuous full-time employment. The City should study the effect of grandfathering current employees who have more than 15 years of service.
- Sick leave shall be limited to a maximum of ten paid days per year. If additional days are required by law for certain employees, then such shall be reduced to the minimum required by state statute, and the additional sick days shall be considered so that the total number of paid leave days including vacations, holidays and personal leave are adjusted appropriately.
- Employees shall be allowed no more than five days per year for illnesses related to family.
- Management shall have the right to determine the maximum number of employees from each platoon, shift, department or other organizational unit who can take vacation and personal leave simultaneously and to set different thresholds throughout the year. This

will help the City reduce overtime and provide services associated with several employees taking vacation at the same time.

- Employees who work less than 75% of their scheduled hours per month shall not earn paid leave for that month. The 75% shall be calculated by including hours actually worked, plus hours paid as vacation leave, compensatory time, personal leave, holidays, jury duty leave and bereavement leave.
- Unused sick leave shall only be paid to employees retiring for full retirement, and shall not be paid to an employee's heirs or estate. The maximum amount paid for any days of unused sick leave shall not exceed 50% of the daily rate. Further, a maximum accumulation shall be established prospectively at not more than 120 days.

This initiative shall be implemented for management and other non-represented employees, effective January 1, 2013, and for employees covered by labor agreements effective January 1, 2014.

The specific financial impact of this initiative cannot be determined at this time. A thorough study and analysis is necessary, which will vary by department and type of service provided. However, it is an important and critical initiative if the City is to reach economic and financial stability. As noted, the City is unable to financially support the level of services it currently provides, and the excessive leave provisions hinder the City's ability to both pay for and provide these necessary services.

**WF08. Adjust Overtime Eligibility Thresholds to Reflect Hours Actually Worked**

<b>Target outcome:</b>	Cost reduction
<b>Four year financial impact:</b>	Not available
<b>Responsible party:</b>	City Manager/ Director of Personnel/ City Council
<b>Impacted employee group:</b>	All employee groups

The City's collective bargaining agreements have overly lenient definitions of what time can be counted toward an employee's eligibility for overtime. For example, if an employee represented by the FOP misses a scheduled workday on sick leave, those hours are counted toward the 40 necessary to qualify for overtime. The City shall change the calculation of overtime eligibility such that only hours actually worked, paid vacation leave, paid holidays, paid personal leave, paid bereavement leave and paid jury duty shall be counted toward the computation of overtime. Paid sick leave, paid compensatory time and other paid or unpaid leaves shall not be counted toward the computation of overtime. To the extent that overtime eligibility for any group does not currently include paid vacation leave, paid holidays, paid personal leave, paid bereavement leave or paid jury duty leave, no adjustment shall be made to count such hours as hours worked for overtime eligibility purposes.

**WF09. Limit Compensatory Time**

<b>Target outcome:</b>	Cost reduction and enhanced staffing
<b>Four year financial impact:</b>	Limit future cost increases
<b>Responsible party:</b>	City Manager/ Director of Personnel/ City Council
<b>Impacted employee group:</b>	All employee groups

Compensatory time in lieu of paying overtime can lead to inefficiency, increased overtime and pyramiding of overtime if not properly limited. To prevent these unnecessary costs, compensatory time shall be subject to the following restrictions:

- Compensatory time shall only be granted if approved by the City, and the City shall retain its right and discretion to grant or deny compensatory time, and the City’s discretion cannot be limited;
- Compensatory time may not be accumulated beyond 80 hours; the maximum accumulation limit may be implemented in gradual steps from 2014 through 2016;
- There shall be no duplication or pyramiding of hours; and
- Compensatory time shall not be counted as hours worked for purposes of computing overtime.

***Fringe Benefits***

**WF10. Limit City’s Costs for Employee Health Care and Reduce Payment for Employees Who Waive Health Insurance**

<b>Target outcome:</b>	Cost reduction
<b>Four year financial impact:</b>	Total: \$1,790,108 Limit City’s annual cost increase to 5% - \$1,049,284 Reduce payment for waiver to 20% of health and prescription - \$307,539 Minimum 10% employee contribution to premiums - \$433,285
<b>Responsible party:</b>	City Manager/ Director of Personnel/ City Council
<b>Impacted employee group:</b>	All employee groups

As in other cities, managing the cost and containing the growth in the cost of employee health care coverage is critical to the City of Altoona’s financial recovery. The Qualified High Deductible Health Plan and Health Savings Account structure is a significant step, but the City must limit its costs for employee health care in future years. Both the cost of health care insurance and the rate of growth are clearly unsustainable based on any measurement of current or future revenues of the City.

The City should evaluate merging “like-kind” populations (e.g., police, fire, public works employees) working with local governments and institutions in Blair County, the Altoona School District, the Altoona Water Authority, Logan Township, the Altoona Regional Health System, and others in or nearby. The City has, by far, the largest population in Blair County, and in turn

has the largest government work force, and the entire Altoona area benefits economically and in government services from the City.

This initiative, including the employee contributions and the maximum cost increases to the City, shall apply to all health care benefits, including but not limited to basic, major medical, hospitalization and health care benefits, prescription benefits, dental benefits, and vision benefits. This shall be effective January 1, 2014.

The minimum employee contributions for all employee groups shall be Ten Percent (10%) of the applicable monthly premium rate(s) for the tier(s) of coverage selected, without maximums. The projected financial impact is shown below.

### **Financial Impact**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
FOP	-	\$67,534	\$72,590	\$77,900	\$218,025
IAFF	-	\$62,008	\$67,238	\$72,730	\$201,976
AFSCME Non-Uniformed	-	-	-	-	-
AFSCME School Crossing Guards	-	-	-	-	-
AFSCME Meet and Discuss	-	-	-	-	-
Non-represented employees	-	\$4,069	\$4,422	\$4,794	\$13,285

In addition, employees shall share in increased costs in the monthly contributions as follows: 1) the City's increase in its share of the costs of monthly contributions shall be limited to Five Percent (5%) per year (that is, the City shall be limited to paying a maximum of 105% of the amount the City paid toward the monthly cost of coverage for an employee for the same tier of coverage during the prior plan year); 2) employees shall pay any increases in costs of monthly contributions over the 5% increase up to 10%; and 3) the City and employees shall split equally any increases in the costs of monthly contributions over 10% per year.

For purposes of calculating increases in costs, the COBRA rates established by the third party administrator shall be used, and the annual increase shall be determined based on the effective date of the applicable plan year. The increases in cost shall be determined and paid by employees based on the type (tier) of coverage they are enrolled in – single, two person, three person or four or more persons, or whatever tiers are then applicable. Further, in calculating the 5% and 10% increases, the percentages shall be based on the amount paid by the City and shall not include employee contributions.

If the annual increase in monthly costs will exceed 5% for any tier or tiers of coverage, the respective unions may notify the City if they want to meet to negotiate changes in the plans and benefits in order to contain and limit costs to 5%. Increases or decreases in overall numbers of employees shall not affect these percentages. Rather, if a bargaining unit wants to analyze increased costs for the entire unit, then a fixed census of the bargaining unit employees shall be used to compare the increase in costs from one plan year to the next, based on the number of bargaining unit employees in each tier of coverage as of a date reasonably close to the date

when the increased costs are being reviewed. If the parties are unable to negotiate such changes prior to the effective date of the increase, then the employees shall pay increased contributions through payroll deductions as set forth above. All employee contributions shall be through payroll deductions.

Any costs which must be paid by the City whether as premiums, penalties, costs, expenses, taxes, exchanges, or in any other manner, as a result of federal or state statutes and implementing regulations governing health insurance benefits based on the insurance benefits provided by the City and required employee contributions shall be considered a cost to the City in calculating any annual increases. Should such legislation and/or regulations require additional amounts to be paid by the City, the City may recoup such additional amounts and/or avoid the imposition of such additional amounts through either modifications to the health care plan and/or by increased employee contributions.

The projected financial impact is shown below.

### **Financial Impact**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
FOP	-	\$51,049	\$109,907	\$177,509	\$338,465
IAFF	-	\$52,802	\$113,683	\$183,606	\$350,091
AFSCME Non-Uniformed	-	\$34,731	\$74,776	\$120,769	\$230,276
AFSCME School Crossing Guards	-	-	-	-	-
AFSCME Meet and Discuss	-	\$2,984	\$6,424	\$10,375	\$19,783
Non-represented employees	-	\$16,692	\$35,937	\$58,041	\$110,670

The City and unions should reduce healthcare expenditures by bringing plan design features in line with market norms. At a minimum, the following features should be addressed each year, to adjust and evaluate these and other cost-sharing mechanisms with periodic upward adjustments for inflation and/or changing market conditions:

- Increased copays for primary physician, specialist, and emergency room visits;
- Increased deductibles and out-of-pocket maximums;
- Increased coinsurance;
- Increase prescription copays;
- Mandate use of automatic mail order (home delivery for maintenance prescriptions, with opt-out)
- Wellness program.

Health care benefits provided to widows and dependent children of employees who die in the line of duty shall be the same health care benefits as may be provided to current employees in the bargaining unit, which shall change from time to time, and the widow and dependent children shall be required to pay the same amount as current employees would pay for such coverage, which shall change from time to time.

**Reduce Opt-Out Payments for Health Insurance Benefits**

The City currently pays employees forty percent (40%) of its costs for the Highmark and prescription health insurance benefits (thirty (30%) of health, dental and vision benefits for FOP employees) if they “opt-out” or waive these health insurance benefits. The City shall reduce payments to employees who waive receipt or “opt-out” of health insurance benefits to a maximum of 20% of the City’s costs for Highmark and prescription benefits. This shall not include any portions of the premiums paid by employees. This shall be effective for 2013 for employees not covered by a collective bargaining agreement or meet and discuss agreement. For those covered by labor agreements, this shall be effective January 1, 2014.

The projected financial impact for reducing such opt-out payments for employees who waive health insurance benefits is shown below.

**Financial Impact**

	2013	2014	2015	2016	Total
FOP	-	\$22,499	\$24,817	\$27,373	\$74,688
IAFF	-	\$24,783	\$27,335	\$30,151	\$82,269
AFSCME Non-Uniformed	-	\$26,066	\$28,751	\$31,712	\$86,530
AFSCME School Crossing Guards	-	-	-	-	-
AFSCME Meet and Discuss	-	\$5,441	\$6,001	\$6,620	\$18,062
Non-represented employees	\$9,866	\$10,882	\$12,003	\$13,239	\$45,990

**WF11. Contain Post-Retirement Healthcare Costs and Establish OPEB Trust**

- Target outcome:** Cost reduction
- Four year financial impact:** Not available; long-term savings; will require actuarial study to make a determination
- Responsible party:** City Manager/ Director of Personnel/ City Council
- Impacted employee group:** All employee groups

The City of Altoona provides post-retirement health benefits to its police and fire employees. The City pays 100% of the cost for retired firefighters and police employees, as well as a portion of the deductibles, in exchange for a certain amount of accumulated sick leave. The City has not funded these benefits through any trust or other method, other than paying for the benefits on a “pay as you go” basis.

To contain costs associated with these benefits, the following modifications shall be made:

- The City shall no longer provide retiree healthcare to employees hired following the date of adoption of this Recovery Plan. For employees covered by existing collective

bargaining agreements, this shall apply to employees hired on or after January 1, 2014, which is the date immediately following the expiration of the applicable existing collective bargaining agreement.

- For all employees retiring after the date of adoption of this Plan (or following the expiration of the existing collective bargaining agreements as noted above), the retiree may be enrolled in the same basic health plan as provided to the City's then current employees. The City shall pay for a portion of the cost of the retired employee only. The portion paid by the City shall be equal to the amount which the City pays for single employee coverage for the City's then current employees. The retired employee shall pay the balance of the cost of coverage. Costs of coverage shall be determined using the COBRA rates established by the third party administrator. There shall be no duplication of health care coverage, that is, a retiree who is eligible to participate in another health plan (for example, through other employment, through a spouse or through Medicare) shall not be eligible to participate in the City's plan.
- The requirement that employees use a specified number of days of accumulated sick leave in exchange for post-retirement benefits shall continue, including exchanges for the modified benefits described above.
- There shall be no payments to retirees who opt-out or elect not to take post-retirement medical benefits.
- The City shall maintain the level of benefits provided to existing retirees but shall retain the right to change the provider. The healthcare, pension or other benefits currently provided to existing retirees and vested employees shall not be increased.

The primary impact of this initiative will be to improve the City's long-term fiscal position, particularly in view of the City's current and future liability for post-employment benefits. It is important to note that the financial projections included in this Recovery Plan do not include the costs of providing retiree health care to future retirees, but have only included the costs of providing retiree health care to those who have already retired and are currently receiving such benefits. The financial impact of both providing such benefits to current employees who retire in the future, as well as the financial impact of limiting such post-retirement benefits for such employees, should be determined by an actuarial study. However, it is clear that there will be significant additional costs over those projected, which to date are unfunded, and that the City must both 1) minimize these significant future costs, and 2) provide a funding mechanism, such as a trust, specifically for funding post-retirement health care benefits. Failure to take both steps will prevent the City from achieving financial stability. Therefore, the City shall also establish an Other Post-Employment Benefits (OPEB) Trust to fund these benefits.

### ***Other Initiatives***

As referenced above, there are initiatives located in other chapters of this Recovery Plan that may require changes to the City's collective bargaining agreements. Although those initiatives are discussed elsewhere, it is the express intention of the Act 47 Coordinator and the City that the implementation of these initiatives is mandatory, and that all necessary amendments be made to the labor agreements between the City and any of its bargaining units entered into after the adoption date of this Recovery Plan.

# Retirement Benefits

## Overview

Like other municipalities within the Commonwealth of Pennsylvania, the City of Altoona provides its eligible employees with a defined benefit pension plan as the principal vehicle for providing retirement income upon attainment of normal retirement age. These plans are identified in the following table.

### Retirement Benefits Plans

Employees Covered	Primary Retirement Plan	Plan Name
Police Employees	Defined Benefit (DB) Plan	City of Altoona Police Pension Fund (the Police Fund)
Fire Employees	Defined Benefit (DB) Plan	City of Altoona Paid Firemen's Pension Fund (the Firemen's Fund)
Non-Uniformed Employees	Defined Benefit (DB) Plan	City of Altoona Non-Uniformed Employees' Pension Plan (the Non-Uniformed Plan)

The Police Plan is a single employer defined benefit pension plan controlled by the provisions of Ordinance 5417. The plan is also affected by the provisions of collective bargaining agreements between the City and its police officers as described more fully in the Workforce chapter of this Recovery Plan. The Police Plan is administered by the Police Pension Fund Board (the Police Board).

The Firemen's Fund is a single employer defined benefit pension plan controlled by the provisions of Ordinance 4085, as amended. The Firemen's Fund is also affected by the provisions of collective bargaining agreements between the City and its firefighters as described more fully in the Workforce chapter of this Recovery Plan. The Firemen's Fund is administered by the Firemen's Fund Board of Managers (the Firemen's Board).

The Non-Uniformed Plan is a defined benefit pension plan controlled by the provisions of Ordinance 5591, as amended. The Non-Uniformed Plan is also affected by the provisions of collective bargaining agreements between the City and its non-uniformed employees as described more fully in the Workforce chapter of this Recovery Plan. The Non-Uniformed Plan is administered by the Non-Uniformed Pension Plan Board (the Non-Uniformed Board).

## Assessment

In the defined benefit type of retirement plan, the benefits are determined based upon a formula, and the monthly benefits are guaranteed for life after vesting in the benefit has occurred. The benefit is generally based upon a percentage of final average pay using earnings history and years of service rather than contributions by the participant and market performance to provide an amount of retirement income. Therefore, the burden of funding the benefit generally falls

almost completely on the employer except under those circumstances where the plan requires mandatory employee contributions as a result of collective bargaining or otherwise.

Defined benefit pension plans were historically the principal vehicle for providing retirement income to employees in the U.S. prior to Internal Revenue Service (IRS) approval, in the 1970s, of the 401(k) defined contribution type of retirement plan. Now, in the U.S., the defined contribution retirement plan has replaced the defined benefit retirement plan as the principal vehicle for providing retirement income for employees in the private sector. Governmental employers are limited, under applicable federal U.S. tax law, from offering certain types of defined contribution plans to its employees and, coupled with a strong collective bargaining preference for defined benefit plans, the defined benefit plan continues to be the principal source of retirement income for employees of most municipalities in the Commonwealth. The City of Altoona is not unique among Pennsylvania municipalities with respect to utilization of defined benefit pension plans as the primary form of retirement income.

Pennsylvania municipalities are required, under the applicable governing Pennsylvania statutes, to make annual contributions to their employee pension benefit plans. As described more fully below, governmental defined benefit pension plans are exempt from many, but not all, of the provisions of the Internal Revenue Code of 1986, as amended (the Code) as well as the provisions of the Employee Retirement Income Security Act (ERISA) of 1974, as amended. Therefore, state law controls most of a governmental plan's operations. The Municipal Pension Funding Standard and Recovery Act (Act 205) is the primary source of the rules governing state aid to Pennsylvania's municipal retirement plans. The annual contributions required under Pennsylvania law are defined as the minimum municipal obligation (MMO). A municipality's MMO is funded from aid received by the municipality from the Commonwealth, employee contributions (if required under the terms of the plan), investment gain, if any, earned by the investment of prior years' contributions, as well as from the general revenues of the municipality (subject to certain limitations in the governing statutes).

The Commonwealth's portion of the funding obligation, in the form of state aid, is provided from a 2% foreign casualty insurance tax, a portion of the foreign fire insurance tax premium and any invested income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984 are eligible for state aid. If a municipal pension plan is established after that date, the sponsoring municipality must fully fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the City of Altoona's Police Plan, Firemen's Fund and Non-Uniformed Plan are governed by implementing regulations adopted by the Public Employee Retirement Commission (PERC) published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to the following:

- Act 147 – Special Ad Hoc Municipal Police And Firefighter Post Retirement Adjustment Act;
- Act 317 – The Third Class City Code, Act of June 23, 1931, as amended;
- Act 362 – The Third Class City Code, Act of May 23, 1945;
- Act 399 – Optional Third Class City Charter Law; and
- Act 600 - The Municipal Police Pension Law as amended by Act 30 and Act 51.

With respect to each of the three retirement plans, City officials are responsible for establishing and maintaining an internal control structure to provide reasonable assurances that such retirement plans are administered in accordance with applicable state and federal laws, regulations, contracts, administrative procedures and local ordinances and policies. As required by the provisions of Act 205, the Auditor General of the Commonwealth is required to conduct, at prescribed intervals, an audit of each plan of every municipality which receives general municipal pension system state aid and of every municipal pension plan and fund in which general municipal pension system state aid is deposited. In addition, each municipality receiving state pension aid is required to make annual reports to the Auditor General and is required to submit biennial reports to Pennsylvania's PERC.

As required by Act 205, the City submitted the last biennial report to PERC in March 2012 for the period beginning January 1, 2011. These filings contain, among other things, a report showing the actuarial funded status of the plan, which is summarized as follows:

- The Police Plan – The Police Plan **had** an unfunded actuarial accrued liability of \$7,920,125 because the plan's actuarial accrued liability (\$37,273,091) exceeded the plan's actuarial value of assets (\$29,352,966) by this amount. This means that the plan is 79% funded on an actuarial basis. The plan's funded status required an MMO payment by the City of \$786,104.
- The Firemen's Fund – The Firemen's Fund **had** an unfunded actuarial accrued liability of \$13,291,116 because the plan's actuarial accrued liability (\$39,321,731) exceeded the plan's actuarial value of assets (\$26,030,615). This means that the plan is 66% funded on an actuarial basis. The plan's funded status required an MMO payment by the City of \$1,869,681.
- The Non-Uniformed Plan – The Non-Uniformed Plan **did not have** an unfunded actuarial accrued liability. The plan's actuarial value of assets (\$20,084,063) exceeds the plan's actuarial accrued liability (\$16,341,572) by \$3,742,491. The plan's funded status required an MMO payment by the City of \$78,402.

As a result of the funding status of each of the City's three plans, particularly the Police Plan and the Firemen's Fund, there will be significant MMOs required to be paid by the City in the next five years.

Based upon analysis performed by the current actuaries for the plans, the following chart details the anticipated MMOs required for each of the plans over the next five years. These projected MMOs are based upon the current assumed rates of return for each plan (8% for the Police Plan and 7.5% for each of the Firemen's Fund and Non-Uniformed Plan).<sup>42</sup> As such, these projections may understate the amount of contributions that will be required because the assumed rate of returns may be larger than the actual rates of returns that can be realized by investment of each of the plans' assets.

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<sup>42</sup> The actuary for the Police Plan has indicated that he is likely to recommend to the Police Board a reduction in the plan's assumed rate of return to 7.5%, which is estimated to increase the MMOs over these projections to \$2,308,066 for 2014, \$2,382,329 for 2015, \$1,985,966 for 2016 and \$2,098,367 for 2017.

## City of Altoona MMO Projections

	Police	Fire	Non-Uniformed	Total	Increase (Decrease) over Baseline
<b>2012 (Baseline)</b>	\$1,760,073	\$2,463,431	\$322,492	\$4,545,996	
<b>2013</b>	\$1,822,162	\$2,760,924	\$337,000	\$4,920,086	\$374,090
<b>2014</b>	\$2,020,953	\$2,978,546	\$549,000	\$5,548,499	\$1,002,503
<b>2015</b>	\$2,059,560	\$3,004,266	\$589,000	\$5,652,826	\$1,106,830
<b>2016</b>	\$1,657,781	\$2,080,050	\$603,000	\$4,340,831	(\$205,165)
<b>2017</b>	\$1,767,957	\$2,113,043	\$617,000	\$4,498,000	(\$47,996)
<b>Total Increase over Baseline</b>					<b>\$2,230,262</b>

The City has, pursuant to Section 607(f) of Act 205, implemented a special 0.2% income tax to fund pension obligations. Historically, the City had raised more revenue from the special pension tax than was necessary to contribute to the plans as MMOs though that position changed in fiscal 2011 and the decline in revenues is expected to continue. The excess revenue raised from the special pension tax is segregated in a separate fund that can solely be used for purposes of funding pension obligations. Based on projected MMOs over the next five years, it is anticipated that the fund holding the excess special pension taxes will be depleted and the City will be required, beginning in 2017, to appropriate amounts from general fund resources to satisfy the MMO requirements. It is anticipated that the shortfall (the difference between the amount of tax collected and the required MMOs) will be approximately \$984,235 in 2017. Note that the shortfall would increase to \$2,268,705 in 2017 if the Police Plan's assumed actuarial rate of return is reduced to 7.5%.

As required by Act 205, the staff of the Auditor General of the Commonwealth most recently audited each of the three pension plans maintained by the City for the period January 1, 2008 through December 31, 2009. The Auditor General issued its reports to the City in December 2010. The Auditor General noted deficiencies in both the Police Plan and the Firemen's Fund. As discussed more fully below, there are several additional deficiencies than those noted by the Auditor General. The Non-Uniformed Plan is the only Plan that the Auditor General found was administered in compliance with applicable law. The summary of findings for each of the three plans is as follows:

- The Police Plan - The Police Plan's governing documents conflict, in several respects, with the collective bargaining agreement. City officials agreed with the finding and

intend to amend the Police Plan’s governing documents to comply with the collective bargaining agreement.

- The Firemen’s Fund – The Auditor General found that the Firemen’s Fund had two compliance exceptions. First, the Firemen’s Fund provided benefits in excess of what is permitted under the Third Class City Code, which could impact the receipt of state aid in the future. The City indicated that it will attempt to eliminate the impermissible benefits during the next round of collective bargaining negotiations. Second, the governing documents of the Firemen’s Fund conflict, in several respects, with the collective bargaining agreement. City officials agreed with the finding and intend to amend the governing documents of the Firemen’s Fund to comply with the collective bargaining agreement.
- The Non-Uniformed Plan – The Auditor General found that, in all significant respects, the Non-Uniformed Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

The retirement benefits currently provided by the City under its three defined pension benefit plans, as modified by applicable collective bargaining agreements, are described in the chart below. Although this chart summarizes the benefits that are being provided in practice, it is important to note that these benefits are more generous, in several respects, than the benefits that are provided for under the applicable ordinances. These differences are discussed more fully below.

### **City of Altoona Retirement Benefits Summary**

	<b>Police</b>	<b>Fire</b>	<b>Non-Uniformed</b>
<b>Pension Eligibility – Full Retirement</b>	20 years of service (YOS) with no age requirement	20 YOS with no age requirement	Age 60 and 20 YOS
<b>Benefit Formula</b>	50% of final average salary (minimum of \$3,600/year)	50% of final average salary plus additional \$100/month	50% of final average salary
<b>Service Increments</b>	Additional 2.5% of final average salary per YOS – capped at \$500/month	Additional 2.5% of final average salary per YOS – capped at \$500.00/month	None
<b>Final Average Salary</b>	Greater of: (i) monthly salary at retirement or (ii) highest average annual salary during any five years preceding retirement  Salary includes base pay plus longevity plus up to \$7,500 in overtime per year	Greater of: (i) monthly salary at retirement or (ii) highest average annual salary during any five years preceding retirement  Salary includes base pay, longevity, holiday pay and overtime	Greater of: (i) Average compensation during last five years or (ii) highest average during any five years  Includes total compensation but excludes expense allowances/reimbursements and payments to employee benefit plans
<b>Early Retirement (Vesting)</b>	Becomes fully vested after 12 years. Benefits begin on date member would have been eligible for full benefits.	Becomes fully vested after 12 years. Benefits begin on date member would have been eligible for full benefits.	Becomes fully vested after 12 years. Benefits begin on date member would have been eligible for full benefits.  If less than 20 YOS, benefit

	<b>Police</b>	<b>Fire</b>	<b>Non-Uniformed</b>
			reduced to reflect early retirement (based on ratio of completed YOS to YOS member would have completed had he retired at age 60). If at least 20 YOS of service, will receive full benefits if member continues making contributions until he attains age 60
<b>Contributions</b>	4% of eligible compensation plus \$1 per month (for service increments); Has discretion to add an additional 1% to fund killed in service benefits	5% of eligible compensation;  Ordinances require additional \$1 per month contribution (for service increments) but not provided for in CBA	5.0% of eligible compensation
<b>Disability</b>	Full benefits (no age or service requirement) if disabled in the line of duty  If not disabled in line of duty, 25% benefit if less than 10 YOS and 50% benefit if after 10 YOS	Full benefits (no age or service requirement) if disabled in the line of duty  If not disabled in line of duty, 25% benefit if less than 10 YOS and 50% benefit if after 10 YOS  No offset for any other type of compensation received from any source whatsoever	Full benefits if disabled after completing 10 YOS whether disabled in line or duty or otherwise
<b>Death Benefits</b>	100% pension to spouse until death or to children until 18 if spouse dies or there is no spouse	100% pension to spouse until death or, if there is no spouse, to children until the later of 19 or until they terminate status as full time students, with no limit whatsoever	If dies before receiving retirement payments, beneficiary can receive return of member contributions  If dies after retirement benefits have started, beneficiary receives return of member contributions if total payments made to member are less than member contributions
<b>Purchasing Years</b>	Can purchase up to 5 years of non-intervening military service (member contribution)  Cannot purchase YOS for intervening military service	Can purchase up to 5 years of non-intervening military service (member contribution)  Cannot purchase YOS for intervening military service  Can repurchase YOS after a return to employment if repay withdrawn accumulated contributions	Can purchase YOS for intervening military service (only member contribution)  Can repurchase YOS after a return to employment if repay withdrawn accumulated contributions within 30 days

	<b>Police</b>	<b>Fire</b>	<b>Non-Uniformed</b>
<b>DROP</b>	None	Eligible after 20 YOS and can participate up to 5 Years	None
<b>Involuntary Termination</b>	No provisions	No provisions	No provisions
<b>Automatic Increases</b>	Automatic annual cost of living increase until cost of living adjustments are equal to 50% of the entire original pension benefit, for a total benefit of 150% of the amount initially received	Automatic annual cost of living increase until "initial rate" of retirement benefits equals 75% of compensation. Presumably the service increment is paid in addition to this amount	No automatic increases

The pertinent provisions of the ordinances governing both the Police Plan and the Firemen's Fund are at odds in several significant respects with the provisions of the applicable collective bargaining agreements, as detailed in the following charts:

### **Discrepancies in Police Plan**

<b>Benefit Provision</b>	<b>Ordinance</b>	<b>CBA</b>
<b>Retirement eligibility</b>	Age 50 and 20 Years of Service	Removes age 50 requirement – full retirement after 20 Years of Service
<b>Early Retirement (Vesting)</b>	Vested after 12 years, but retirement benefit is reduced to ratio of completed YOS to YOS he would have attained had he worked until normal retirement eligibility	Vested after 12 year with no apparent reduction in amount of retirement benefit
<b>Overtime</b>	Overtime counts as eligible compensation up to a maximum of \$1,200 per year	Increases eligible overtime compensation to \$7,500 per year
<b>Service Increments</b>	Maximum of \$100/month in service increments	Increases service increment maximum to \$500/month

### **Discrepancies in Firemen's Fund**

<b>Benefit Provision</b>	<b>Ordinance</b>	<b>CBA</b>
<b>Pickup of Contributions</b>	Member contributions are not picked-up for federal tax purposes	Member contributions are picked-up for federal tax purposes
<b>Disability Benefits</b>	Disability benefits are provided only if the member is injured in the line of duty	Adds disability benefits for members not injured in the line of duty: a 25% disability benefit is less than 10 Years of Service and a 50% disability benefit if more

Benefit Provision	Ordinance	CBA
		than 10 Years of Service  Add spousal and dependent children benefits if member dies while on disability and disability benefits are not offset by compensation received from any source whatsoever
<b>Service Increments</b>	Maximum of \$100/month in service increments	Increases service increment maximum to \$500/month
<b>Normal Retirement Benefit</b>	No supplemental payment	Adds a supplemental payment of \$100/month in violation of the Third Class City Code
<b>Overtime</b>	Overtime is <u>not</u> counted as eligible compensation	All overtime (with no cap) is counted as eligible compensation
<b>Vesting</b>	Must complete 25 Years of Service and attain age 55 to be eligible for a benefit	Provides for vested benefits after only 12 Years of Service
<b>Retirement Eligibility</b>	Must complete 25 Years of Service and attain age 55 for full benefits	Removes the age requirement and reduces the service requirement to 20 Years of Service
<b>Cost of Living Adjustments</b>	Permits the City to increase benefits for retirees in its discretion provided the adjustment shall not exceed 50% of current compensation	Provides automatic annual cost of living adjustments up to 75% of compensation
<b>DROP</b>	Does not provide for a deferred retirement option plan	Implements a deferred retirement option plan

Section 305 of Act 205 (53 P.S. Section 895.305) requires that any proposed change in benefits must be analyzed on an actuarial basis and the municipal governing body should be apprised of the impact of the proposed modification on the plan's future financial requirements and MMOs prior to implementation. The City could not provide documentation that the required actuarial studies were completed for the Police Plan or Firemen's Fund and provided to the City's governing body. The FOP Mountain City Lodge No. 8, however, provided documentation that actuarial studies were completed for the overtime and service increment changes (and possibly the retirement eligibility provision) and sent to an outside pension advisor, but could not, as of the date hereof, provide evidence that such studies were provided to the City's governing body, as required by Act 205. Failure to complete all actions required to institute benefit increases is violative of Act 205. As stated in Section 306 of Act 205 (53 P.S. Section 895.306), "the General Assembly finds and declares that any actual or potential failure by a municipality to comply with the applicable funding standard established by this act threatens serious injury to the affected municipal pension plan, to the entire system of public employee pension plans in the Commonwealth and to the Commonwealth itself." In situations, where the Act 205 requirements were not met and an arbitrator's award requires compliance with a collective bargaining agreement, the Pennsylvania Supreme Court has vacated the arbitrator's award and held that, "Act 205 requires that, in the event of an actual conflict between the statute and a

collective bargaining agreement, the statute must be given effect.” Borough of Ellwood City v. Ellwood City Police Dept. Wage & Policy Unit, 573 Pa. 353, 362, 825 A.2d 617, 622 (2003).

**Since no evidence has been provided that the required Act 205 study on the enhanced benefits in the Police Plan and Firemen’s Fund was provided to the City, the ordinances may not be amended to incorporate such benefits except in accordance with the initiatives presented below in this Retirement Chapter.**

As previously discussed, the provision of retirement benefits for employees of a Third Class city is governed by the provisions of the applicable Pennsylvania statutes. In addition to these statutes, the plans maintained by the City are subject to the provisions of the Code. Although governmental plans, as defined in ERISA, are generally exempt from many of the Code and ERISA requirements applicable to plans maintained by for-profit entities, a governmental plan is still subject to several provisions of the Code, including the requirements for “tax qualification” under Code Section 401(a). Unlike the for-profit sector, the failure of a governmental plan to meet the applicable requirements of the Code generally affects only plan participants and not the employer. For example, if a governmental plan is not maintained in accordance with the applicable provisions of the Code, a participant is prohibited from utilizing certain favorable federal income tax applications, including the ability to roll over amounts received from such governmental plan to an Individual Retirement Account or another for-profit or government employer’s plan. In addition, the benefits may be considered to be constructively received, and subject to immediate taxation, as contributions are made and benefits are accrued instead of being taxable only upon distribution. The following provisions of the Code are generally applicable to governmental plans:

- The Code’s provisions on taxation of distributions;
- The Code’s requirement for a formal plan document;
- The formal plan document must provide that all assets are used exclusively for the benefit of participants and their beneficiaries;
- Pre-ERISA minimum vesting standards;
- The written plan must provide that forfeitures are not used to increase plan benefits;
- Required minimum distribution rules;
- Code Section 415 limits on maximum benefits and the plan must so state;
- Annual compensation limits contained in the Code for purpose of determining benefit amounts and the plan must so state;
- The plan document must provide and state the actuarial assumptions in order to preclude employer discretion and provide for definitely determinable benefits; and
- The provisions of Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) with respect to participants who perform military service.

None of the City’s retirement plans have been submitted to the Internal Revenue Service for a determination that the plans meet the requirements of the Code. The failure to request and receive a favorable determination letter affects the tax-favored status of the plans’ related trusts. The ordinances controlling both the Police Plan and the Firemen’s Fund have not been amended to incorporate the required provisions of the Code, so the plans do not comply with the Code in form. This failure to meet the Code’s qualification requirements jeopardizes the tax-favored status of the plans and could lead to immediate taxation on the beneficiaries in the plans. This failure to obtain tax qualification could also impose significant IRS penalties on the City if the IRS audits the City’s plans.

# Initiatives

Recent enhancements to collective bargaining agreements have not been incorporated into the pertinent ordinances and have the potential to increase the City's required contributions. The percentage of income replacement under the City's three retirement plans exceeds normal-average benefit levels for municipal retirement plans (and greatly exceeds the benefit levels provided to employees in the private sector) and should be prospectively reduced during the collective bargaining process and otherwise. In addition, there are several problems that have the potential to lead to possible governmental sanctions and confusion as to the current level of benefits. The following initiatives are intended to address these issues.

## **RET01. Prospectively Reduce the Level of Benefits**

<b>Target outcome:</b>	Cost reduction
<b>Four year financial impact:</b>	Not available; will require actuarial study to make a determination
<b>Responsible party:</b>	City Manager, Finance Director and Solicitor

The City shall explore the viability of prospectively replacing its pension plans with a defined contribution plan under Code Section 457 for future service. Federal tax law prohibits the use of a 401(k) plan for governmental employees, but a Code Section 457 plan, while not identical, can deliver a similar type of defined contribution retirement benefit as a 401(k) plan.

If the City concludes that a Code Section 457 plan is not a viable option, the City shall complete an actuarial study to determine if any of the following prospective changes to the City's retirement plans will reduce the amount of MMOs the City is required to contribute. If the actuarial study concludes that the change will have a positive impact on the City's MMOs, then the City shall implement the change on a prospective basis. If the City does not replace the pension plans with Code Section 457 plans, then all of the recommended cost reductions for the existing pension plans should be implemented, not just selected changes.

***Police Plan – Prospectively eliminate automatic increases:*** The Police Plan currently provides that retirees automatically receive an annual increase in their pension until they are receiving 150% of the amount they initially received. This is not customary practice in defined benefit pension plans and is an indirect way for retired employees to continue receiving enhanced benefits. This automatic increase should be eliminated. If a cost of living increase is still desired, it should be addressed on periodic one-off basis after the required Act 205 study is completed which indicates that it is permissible for a specific year.

***Firemen's Fund – Prospectively eliminate automatic increases:*** The Firemen's Fund currently provides that retirees automatically receive an annual increase in their pension until the initial rate of retirement benefits equals 75% of compensation. This is not customary practice in defined benefit pension plans and is an indirect way for retired employees to continue receiving enhanced benefits. This automatic increase should be eliminated. If a cost of living increase is still desired, it should be addressed on periodic ad-hoc basis after the required Act 205 study is completed which indicates that the increase will not adversely affect the funded status of the plan for the specific year.

**Police Plan – Reduce surviving spouse pension:** The Police Plan provides a 100% surviving spouse benefit if the police officer dies, for any reason, after the police officer completes 12 years of service. It is customary for municipal pension plans to provide a 50%, rather than 100%, surviving spouse benefit. In addition, the Commonwealth, through Act 51 of 2009, provides a 100% benefit for police officers killed in the line of duty and so the 100% benefit provided by the Police Plan is redundant. The Police Plan should be amended to reduce the surviving spouse benefit to 50%.

**Firemen’s Fund – Reduce surviving spouse pension:** The Firemen’s Fund provides a 100% surviving spouse benefit. It is customary for municipal pension plans to provide a 50%, rather than 100%, surviving spouse benefit. In addition, the Commonwealth, through Act 51 of 2009, provides a 100% benefit for firefighters killed in the line of duty and so the 100% benefit provided by the Firemen’s Fund is redundant. The Firemen’s Fund should be amended to reduce the surviving spouse benefit to 50%.

**RET02. Determine Status of Firemen’s Fund CBA Enhancements Before Implementation of Such Enhancements, if Applicable**

<b>Target outcome:</b>	Cost containment
<b>Four year financial impact:</b>	Not available; will require actuarial study to make a determination
<b>Responsible party:</b>	City Manager, Finance Director and Solicitor

As described above, the applicable collective bargaining agreement for the Firemen’s Fund enhanced benefits in several significant respects beyond what is provided for in the ordinances governing the Firemen’s Fund. The required Act 205 actuarial study was not completed with respect to such enhancements. Because an Act 205 actuarial study was not completed for these enhancements, the enhancements are unlawful. The City must not amend the Firemen’s Fund ordinances to reflect the enhancements and the Firemen’s Fund must not be operated in accordance with such enhancements.

An Act 205 actuarial study must be completed for each of the following enhancements to determine the impact of the enhancement on the actuarial accrued liability of the Firemen’s Fund as of the date the enhancement became effective:

- Pick-up of member contributions for federal tax purposes;
- Addition of disability benefits for members not injured in the line of duty;
- Spousal and dependent children disability benefits if member dies while on disability;
- No offset of disability benefits for compensation or benefits received from any other source;
- Increase in service increment cap to \$500/month;
- Inclusion of all overtime compensation as eligible compensation with no cap;
- Full vesting after 12 years of service;
- Elimination of age 55 requirement for full benefits;
- Reduction to 20 years of service for full benefits;
- Addition of automatic cost of living adjustments;
- Addition of deferred retirement option plan (DROP).

If the Act 205 actuarial study indicates that the enhancement has no impact on MMOs, then the ordinance for the Firemen's Fund shall be amended to include the enhancement.

If the Act 205 actuarial study indicates that the enhancement has an impact on MMOs, then the unlawful enhancement shall be eliminated unless the MMOs for each year 2013 through 2017 are not projected to be larger than the 2012 baseline as provided in the chart in this Retirement Chapter. If the enhancement is eliminated due to the results of the Act 205 study and there were payments made to participants in violation of the terms of the Firemen's Fund ordinances, then the City shall recoup such overpayments, with interest, to make the Firemen's Fund whole. In the event that an affected participant fails to return such overpayments, the City shall actuarially reduce the stream of future payments to such participants by an amount to make the Firemen's Fund whole.

**RET03. Determine Status of Police Plan CBA Enhancements Before Implementation of Such Enhancements, if Applicable**

<b>Target outcome:</b>	Cost containment
<b>Four year financial impact:</b>	Not available; will require actuarial study to make a determination
<b>Responsible party:</b>	City Manager, Finance Director and Solicitor

As described above, the applicable collective bargaining agreement for the Police Plan enhanced benefits in several significant respects beyond what is provided for in the ordinances governing the Police Plan. The required Act 205 actuarial study was either not completed or was not provided to the City's governing body with respect to such enhancements. Because an Act 205 actuarial study was not provided for these enhancements, the enhancements are unlawful. The City must not amend the Police Plan ordinances to reflect the enhancements and the Police Plan must not be operated in accordance with such enhancements except as provided in this initiative.

An Act 205 actuarial study must be completed for each of the following enhancements to determine the impact of the enhancement on the Police Plan's actuarial accrued liability as of the date the enhancement became effective. If an actuarial study was completed, but was not provided to the City's governing body, such study must be updated to reflect the Police Plan's current status and presented to the City's governing body prior to any action to amend the applicable ordinance.

- Elimination of the age 50 requirement for full benefits;
- Increase in eligible overtime compensation to \$7,500 per year;
- Increase in service increment cap to \$500/month.

If the Act 205 actuarial study indicates that the enhancement has no impact on MMOs, then the ordinance for the Police Plan shall be amended to include the enhancement.

If the Act 205 actuarial study indicates that the enhancement has an impact on MMOs, then the enhancement shall be eliminated unless the MMOs for each year 2013 through 2017 are not projected to be larger than the 2012 baseline as provided in the chart in this Retirement Chapter.

**RET04. Conform Police Plan CBA With the Terms of the Police Plan Ordinance**

<b>Target outcome:</b>	Ensure compliance and consistency
<b>Four year financial impact:</b>	None
<b>Responsible party:</b>	Solicitor

The CBA governing the Police Plan provides that a member’s right to pension benefits vests after twelve years of service. The ordinance governing the Police Plan also provides for full vesting after twelve years of service, but also includes a provision requiring a reduction of a member’s benefit to the ratio of completed years of service to the years of service the member would have obtained had he worked until normal retirement age. This reduction mechanism is not specified in the CBA. The FOP Mountain City Lodge No. 8 has indicated the CBA should be interpreted consistently with this reduction so there is no discrepancy between the ordinance and the CBA.

To avoid any confusion, the CBA should be amended to (i) remove the reference to vesting or (ii) incorporate the reduction mechanism provided in the ordinance.

**RET05. Freeze Benefit Levels for All Plans**

<b>Target outcome:</b>	Cost containment
<b>Four year financial impact:</b>	Not available; will require actuarial study to make a determination
<b>Responsible party:</b>	City Manager, Finance Director and Solicitor

The City shall not consider any further pension benefit enhancements in the collective bargaining process or otherwise. For this purpose, enhancements include, but are not limited to: increases in the benefit formula, enhancements to service increments, reductions in the percentage of compensation that members must contribute, changes to the definition of compensation that expand the sources of compensation, implementation of DROP in the Police Plan or the Non-Uniformed Plan, implementation of increases for retirees, or adding the ability to purchase years of service. Any potential increases in the salary base used for pension benefit calculations, including base pay, wages, longevity pay and other automatic, seniority-based pay increases shall be reviewed and applied to the applicable provisions in the retirement plan in order to determine their true cost.

**RET06. Remove Unlawful \$100/month Supplement for Firemen’s Fund**

<b>Target outcome:</b>	Cost containment and ensure compliance
<b>Four year financial impact:</b>	Not available; will require actuarial study to make a determination
<b>Responsible party:</b>	City Manager, Finance Director and Solicitor

The Firemen’s Fund currently provides an additional \$100 monthly benefit over and above the normal 50% retirement benefit (as adjusted for service increments). This is not permitted under

the Third Class City Code and is, therefore, unlawful. This additional \$100 monthly benefit must be eliminated prospectively.

**RET07. Consolidate Administration of the City’s Three Retirement Plans**

- Target outcome:** Cost reduction
- Four year financial impact:** Not available; will require benefit study to make a determination
- Responsible party:** City Manager, Finance Director and Solicitor

Each plan is administered by its own board. Although the members of each board serve without compensation, outside vendors (such as actuaries, investment consultants, trustees, investment managers and legal counsel) receive compensation for performing various services. Information with respect to the costs associated with utilizing these outside vendors is not available in the City’s records.

The City shall conduct a study comparing the total cost of administering each plan to see which model is most cost-effective. The City shall also explore the cost of utilizing the Pennsylvania Municipal Retirement System to administer the plans. The most cost effective model should then be used for all three plans. All assets from the three plans shall be consolidated into one master trust, with one set of service providers. This consolidated structure may result in significant cost efficiencies.

**RET08. Update the Police Plan to Comply with IRS Qualification Requirements**

- Target outcome:** Minimize disqualification and sanction risk to Police Plan
- Four year financial impact:** Not available; impossible to project cost savings as disqualification expense is negotiated with IRS
- Responsible party:** City Manager, Finance Director and Solicitor

As discussed above, governmental plans, while subject to different tax-qualification rules than private employer plans, are still subject to numerous Code requirements. The Police Plan has not been amended to conform to the Code’s qualification requirements, which presents the Police Plan and the City to disqualification risk and significant sanctions. The City, therefore, shall amend the Police Plan ordinances to comply with the Code’s qualification requirements. Depending upon the timeliness of certain amendments in the past, it may be necessary for the City to utilize the IRS’ Employee Plan Compliance Resolution System for Governmental Plans in order to correct any defects in plan compliance. In light of the IRS’ active audit program of governmental plans, this will minimize the potential for significant penalties at a later date.

**RET09. Seek IRS Determination Letter for Police Plan**

- Target outcome:** Minimize disqualification and sanction risk to Police Plan
- Four year financial impact:** Not available; impossible to project cost savings as disqualification expense is negotiated with IRS
- Responsible party:** Solicitor

It appears that the City has not directly sought a determination from the IRS that the Police Plan is qualified under the applicable provisions of the Code. The City shall seek a favorable determination letter for the Police Plan. Depending upon the timeliness of certain amendments in the past, it may be necessary for the City to utilize the IRS' Employee Plan Compliance Resolution System for Governmental Plans in order to correct any defects in plan compliance prior to seeking an IRS determination. In light of the IRS' active audit program of governmental plans, this will minimize the potential for significant penalties at a later date.

**RET10. Update the Firemen's Fund to Comply with IRS Qualification Requirements**

- Target outcome:** Minimize disqualification and sanction risk to Firemen's Fund
- Four year financial impact:** Not available; impossible to project cost savings as disqualification expense is negotiated with IRS
- Responsible party:** City Manager, Finance Director and Solicitor

As discussed above, governmental plans, while subject to different tax-qualification rules than private employer plans, are still subject to numerous Code requirements. The Firemen's Fund has not been amended to conform with the Code's qualification requirements, which presents the Firemen's Fund and the City to disqualification risk and significant sanctions. The City, therefore, shall amend the Firemen's Fund ordinances to comply with the Code's qualification requirements. Depending upon the timeliness of certain amendments in the past, it may be necessary for the City to utilize the IRS' Employee Plan Compliance Resolution System for Governmental Plans in order to correct any defects in plan compliance. In light of the IRS' active audit program of governmental plans, this will minimize the potential for significant penalties at a later date.

**RET11. Seek IRS Determination Letter for Firemen's Fund**

- Target outcome:** Minimize disqualification and sanction risk to Firemen's Fund
- Four year financial impact:** Not available; impossible to project cost savings as disqualification expense is negotiated with IRS
- Responsible party:** Solicitor

It appears that the City has not directly sought a determination from the IRS that the Firemen's Fund is qualified under the applicable provisions of the Code. The City shall seek a favorable determination letter for the Firemen's Fund. Depending upon the timeliness of certain amendments in the past, it may be necessary for the City to utilize the IRS' Employee Plan

Compliance Resolution System for Governmental Plans in order to correct any defects in plan compliance prior to seeking an IRS determination. In light of the IRS' active audit program of governmental plans, this will minimize the potential for significant penalties at a later date.

**RET12. Seek IRS Determination Letter for Non-Uniformed Plan**

<b>Target outcome:</b>	Minimize disqualification and sanction risk to Non-Uniformed Plan
<b>Four year financial impact:</b>	Not available; impossible to project cost savings as disqualification expense is negotiated with IRS
<b>Responsible party:</b>	Solicitor

It appears that the City has not directly sought a determination from the IRS that the Non-Uniformed Plan is qualified under the applicable provisions of the Code. The City shall seek a favorable determination letter for the Non-Uniformed Plan. Depending upon the timeliness of certain amendments in the past, it may be necessary for the City to utilize the IRS' Employee Plan Compliance Resolution System for Governmental Plans in order to correct any defects in plan compliance prior to seeking an IRS determination. In light of the IRS' active audit program of governmental plans, this will minimize the potential for significant penalties at a later date.

# Police Department

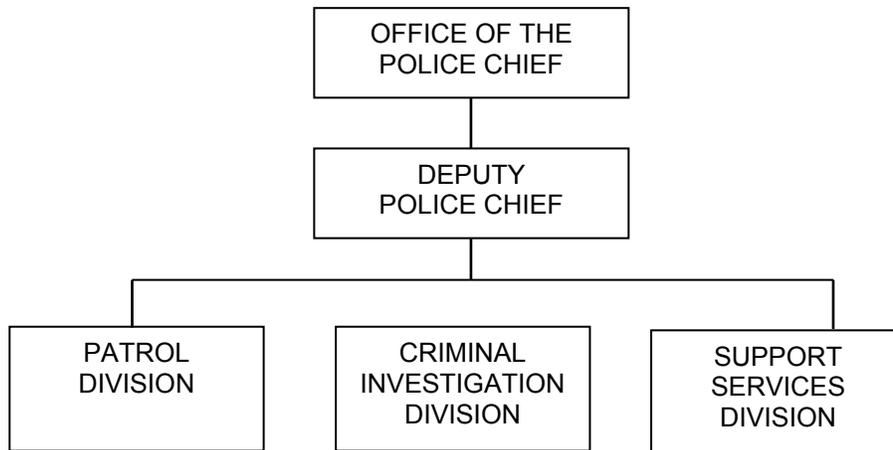
## Overview

The City of Altoona Police Department is responsible for the delivery of police services across 9.8 square miles to the city's 46,320 residents. The Department's mission statement summarizes its duties in the following terms.

*The mission of The Altoona Police Department is to professionally and diligently strive to prevent crime whenever possible, to actively pursue the enforcement of the federal, state and local laws, apprehend offenders, recover property, and regulate non-criminal conduct.*

*Members of the Altoona Police Department will continue to be aware of their responsibilities under The United States Constitution, The Constitution of Pennsylvania, and the guarantee made to ensure life, liberty and the pursuit of happiness to all citizens regardless of race, color, greed, religion, sex or age.*

## Table of Organization



The current police organizational structure and chain of command have been in existence for some time. A good Table of Organization supports the Chain of Command, which flows up and down from the Chief of Police through the layers of command and supervision, helping to support the work and to create good communication within the department.

Staff (sworn and non-sworn) members are assigned to the three divisions in the following manner:

### Administration:

- Chief of Police
- Deputy Chief of Police
- Civilian Assistant

**Patrol Divisions:**

Lieutenant/Commanding Officer

**First Platoon: (Days)** Shift 0800-1600

1 Sergeant, officer in charge  
1 Sergeant, rounds  
1 Corporal, rounds  
9 Police Officers

**Second Platoon: (Evening)** Shift 1600-2400

1 Sergeant, officer in charge  
1 Sergeant, rounds  
1 Corporal, rounds  
11 Police Officers

**Third Platoon: (Night)** Shift 2330-0730

1 Sergeant, officer in charge  
1 Sergeant, rounds  
1 Corporal, rounds  
11 Police Officers

**Fourth Platoon/Directed Patrol** Shift 2000-0400

1 Corporal, officer in charge  
4 Police Officers

**Bike Patrol/Housing Officer** Shift 1000-1800

1 Sergeant  
4 Police Officers

**Criminal Investigation Division:**

Lieutenant/Commanding Officer

**First Shift (Staggered Shift)** 0700-1500, 0800-1600

1 Sergeant  
4 Corporals, functioning as investigators

**Second Shift:** 1600-2400

1 Sergeant  
1 Corporal

**Narcotics:**

1 Sergeant

**Support Services Division:**

- Lieutenant/ Commanding Officer
- 1 Sergeant, court proceedings, hearings
- 1 Corporal, evidence technician
- 1 Police Officer, evidence custodian
- 1 Police Officer IT
- 1 Civilian, abandoned vehicles
- 1 Civilian, dog law officer
- 1 Civilian, supervisor
- 1 Civilian, court liaison
- 3 Civilians, clerical associates

**Total by Position/Rank**

Chief	1
Deputy Chief	1
Lieutenants	3
Sergeants	11
Corporals	10
Police Officers/Patrolmen	41
Civilian Employees	8
<b>Total</b>	<b>75</b>

*Patrol Division* is primarily comprised of four platoons of uniformed patrol officers with supervisors. These officers respond directly to calls for service and conduct routine patrols within the city. Additionally, the fourth platoon is deployed to address selected crimes or other issues. The bike patrol, funded by The Housing Authority, patrols Public Housing properties. Within each platoon an officer is assigned as a turnkey. The turnkey/desk officer is responsible to take complaints/reports by phone, process all prisoners and monitors anyone placed in a holding cell. Additionally, the turnkey handles the warrant file and PFA file. The tour commander sergeant is responsible for the shift while the rounds sergeant is a more “hands on” supervisor on the street. The Chief indicated there is no policy on minimum staffing. The shifts are operating with four officers and one supervisor.

*The Criminal Investigation Division* is charged with investigating and/or clearing through arrest or other means, crimes reported to the Department. Most of these crimes are originally reported to and referred by the uniform patrol division. For reasons that are not clear, all personnel assigned to the division with the exception of three sergeants hold the rank of corporal. One of the sergeants is assigned as a narcotics investigator. The division collaborates with The Blair County District Attorney’s office, conducting drug investigations.

*The Support Services Division* provides a wide variety of administrative and operational support services to the Department. The division is staffed by sworn and non-sworn personnel. One Sergeant serves as court hearing liaison, one Corporal, evidence technician, one patrol officer, evidence custodian and one patrol officer IT coordinator/repair. Additionally, seven civilians serve in various capacities.

The Police Department is currently authorized by budget for 70 sworn police officers and eight non-sworn employees. At the time of this report, the Department was operating with 67 sworn officers. The Chief of Police, realistically, concerned about minimum staffing, would like to increase to the historic staffing level of 74 sworn officers. The Chief admits a significant amount of minimum staffing is due to vacation, compensatory and other time off pursuant to the Collective Bargaining Agreement. It should be noted, four officers are funded through a Community Development Block Grant and one officer is funded by the Housing Authority.

### **Budgeted Position Table**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Budgeted	74	74	74	73	70
Filled Positions	74	74	74	73	67

The table above depicts the Department's historical and current sworn staffing levels. As shown, the Department has experienced a gradual reduction in total number of budgeted positions, which can be attributed to the need for cost containment.

To place the current staffing level in context, Altoona has 1.4 officers per 1000 residents. Compared to other similar sized cities, Altoona has a relatively low number of sworn officers. Caution is required in the interpretation of comparative data. Moreover, no staffing decisions should be based solely on comparative data.

Ratios such as officers per 1000 residents should not be the only metric used as a basis for staffing positions. Defining patrol staffing and deployment is a complex endeavor requiring consideration of an extensive series of factors. Statistics like density of population, crime rates, and daytime commuter population are equally important metrics that must be considered.

The detailed budgeted headcount for 2008 to 2012 is below.

<b>Police Department – Budgeted Headcount</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Chief	1	1	1	1	1	1
Deputy Chief	1	1	1	1	1	1
Lieutenants	3	3	3	3	3	3
Sergeants	11	11	11	11	11	11
Corporals	10	10	10	11	12	10
Patrolman	38	45	44	42	39	39
Bike Patrol	4	5	5	5	4	2
Office Supervisor	1	1	1	1	1	1
Dog Law Officer	1	1	1	0	1	1
Assistant Dog Law Enforcement Officer	0	0	0	1	0	0
Court Liaison Officer	1	1	1	1	1	1
Clerical Associate III	4	4	4	4	4	4
Vehicle Maintenance School Guard Coordinator	1	1	1	1	1	1
School Guards	22	23	24	24	21	21
Substitute School Guards	3	4	4	1	5	3
<b>Total</b>	<b>101</b>	<b>111</b>	<b>111</b>	<b>107</b>	<b>105</b>	<b>99</b>

## Finance

Typical of most municipal government operations, personnel and benefit costs are the largest budgeted category making it difficult to adjust operations to meet available income. Without reductions in these costs, there is little ability to reduce expenses to meet the current revenue stream.

Wages for employees are established through a Collective Bargaining Agreement and have increased annually. Health benefits have increased annually and are expected to continue to rise significantly. Major expenditure in the police department is for salaries, wages, and benefits including healthcare, worker compensation, unemployment compensation, and pensions. Other noteworthy expenditures in the Department budget include: overtime, court time and school guards.

It is important to note, in most municipalities throughout Pennsylvania, the school district reimburses 50% of the Crossing Guards salary. Verification of this reimbursement has been made.

## Police Department Historical Department Expenditures 2008-2011

Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Salary	4,024,487	4,119,146	4,317,699	4,314,048
Pension	905,028	781,619	788,856	2,141,914
Overtime	170,147	100,754	83,994	77,479
Dog Law Overtime	7,832	7,096	390	7,192
Directed Patrol Grant	214,290	213,497	191,926	
Special Events Overtime	16,011	15,352	13,952	14,314
Off Duty Police-O/T	39,332	20,547	1,269	163
Bike Patrol Overtime	1,547	16,099	12,638	19,577
Temporary Rate	6,808	7,270	8,657	3,891
Shift Differential	70,855	75,412	85,666	77,869
Retiree-Sick Buyback	-	-	20,290	36,431
Blair Co Sobriety Ckpoint	3,556	6,297	5,328	3,611
Blair County Task Force	128,401	45,137	119,525	131,826
Court Time	118,270	118,438	72,577	62,745
Health Insurance	1,148,178	1,322,575	1,474,282	1,430,890
Vehicles	60,334	41,208	49,512	40,454
Utilities	40,023	39,490	40,720	43,043
Training	110,515	79,435	35,783	101,924
Maintenance	38,411	34,266	31,589	34,587
Uniforms	73,238	74,676	73,938	79,110
Supplies	23,031	30,445	28,875	42,734
Fees	3,003	2,450	2,491	3,434
Misc.	32,901	35,104	33,610	24,245
Other Grant-related Expenditures	80,865	131,232	107,956	85,332
<b>Total</b>	<b>\$ 7,317,062</b>	<b>\$ 7,317,545</b>	<b>\$ 7,601,523</b>	<b>\$ 8,776,814</b>

Effective April 2012, the Department implemented an initiative to reduce court time pay. As of this writing, they had saved or reduced costs by \$30,000. At the time of our assessment, the Chief had implemented a program to control overtime costs associated with officers not on duty attending court hearings. The program is limited to traffic and non-traffic citations (summary offenses). In short, the process required an on-duty officer to appear in court and testify in the place of an arresting officer when the arresting officer was not on duty. Since officer's work steady shifts, this program had an immediate impact on overtime/court time savings. This program required approval from the Court of Common Pleas' presiding judge. The Chief will continue with this initiative. The Chief will continue to closely monitor overtime, but as previously mentioned, gaps caused by officers on vacation days, holidays or sick days are regularly filled with overtime.

The following table presents the projected expenditures for the Police Department:

### Projected Baseline Expenditures – Altoona Police Department

Category	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Salary	4,314,823	4,432,778	4,444,290	4,458,923	4,471,430
Pension	1,760,073	1,822,162	2,020,953	2,059,560	1,657,781
Overtime	110,000	110,000	110,000	110,000	110,000
Dog Law Overtime	5,500	5,500	5,500	5,500	5,500
Special Events Overtime	15,000	15,000	15,000	15,000	15,000
Off Duty Police-O/T	20,000	20,000	20,000	20,000	20,000
Bike Patrol Overtime	15,000	15,000	15,000	15,000	15,000
Temporary Rate	7,500	7,500	7,500	7,500	7,500
Shift Differential	70,226	70,226	70,226	70,226	70,226
Blair Co Sobriety Ckpoint	6,000	6,000	6,000	6,000	6,000
Blair County Task Force	85,000	85,000	85,000	85,000	85,000
Court Time	80,000	80,000	80,000	80,000	80,000
Health Insurance	1,552,515	1,704,207	1,874,892	2,063,157	2,270,813
Vehicles	45,000	46,350	47,741	49,173	50,648
Utilities	43,500	44,805	46,149	47,534	48,960
Training	125,000	82,830	84,715	86,656	88,656
Maintenance	42,000	43,260	44,558	45,895	47,271
Uniforms	93,500	96,305	99,194	102,170	105,235
Supplies	32,000	32,960	33,949	34,967	36,016
Fees	3,300	3,399	3,501	3,606	3,714
Misc.	36,700	37,801	38,935	40,103	41,306
Other Grant-related Expenditures	110,680	114,000	117,420	120,943	124,571
<b>Total</b>	<b>\$ 8,573,317</b>	<b>\$ 8,875,084</b>	<b>\$ 9,270,522</b>	<b>\$ 9,526,912</b>	<b>\$ 9,360,628</b>

The following fees were reimbursed to the City during 2011:

**ALTOONA POLICE DEPARTMENT  
2011 Annual Treasurer Report**

Account	Amount
Accident Reports	12,880.00
Alarm Assessment	1,457.50
Alarm Permits	55,326.50
Blair County Task Force Reimbursement	137,794.52
Court Ordered Reimbursement	268,132.86
Fingerprint Fees	1,110.00
Off Duty Reimbursement	8,775.23
Operation Our Town Reimbursement	73,492.96
Housing Authority Police Reimbursement	62,670.80
Pawn Shop Permits	2,600.00
Photo Services	658.22
Reimbursement Blair County Sobriety Check Point	3,013.10
Restitution	3,825.46
Tickets	4,530.00
Towing Permit Fees	1,230.00
<b>Total</b>	<b>\$ 637,497.15</b>

The City should raise the fine for parking tickets to \$25.00 and other law enforcement fees above (with the exception of Court Ordered Reimbursements) an average of 10%, to increase parking ticket revenue by \$4,100 for 2013.

Vehicle fleet consists of 42 vehicles of which 12 are marked, 30 are unmarked or special vehicles. The fleet is maintained by the public works garage. A fleet maintenance initiative is set forth at PWD02 in the Public Works Chapter.

The number of vehicles in use by the police force is satisfactory for a community of this size. At least four of the unmarked cars were seized through the Blair County Drug Seizure program. These vehicles were therefore no cost to the city and are used for undercover drug enforcement.

## Assessment

There are many measures of a Police Department's effectiveness and whatever standards are used. A city's crime rate is one of the most critical. Public safety is not only of importance in assessing a Police Department; it is a key factor in a city's success. Crime reduction or suppression is the goal of any police organization.

The most common and universal method is participation in the FBI Uniform Crime Reporting (UCR) Program. This report is designed to provide law enforcement administrators with crime statistics for administrative and/or operational purposes. The UCR provides a metric and/or benchmarks for agency effectiveness. Although not designed to be used to compare one agency against another, many do just that. A more common use for an administrator is using the UCR report as a benchmark for agency effectiveness.

The Department administration reported an increase in crime during 2011. Part I offenses, which are more serious crimes, increased by 11.3%. Part II offenses, such as vandalism, DUI, and disorderly conduct decreased by 4.0%.

From the Administration's report during 2010, the Department was budgeted for 74 sworn officers. As a result of cost containment and through attrition the Department actually operated with 67 sworn officers. The number of Detectives/Investigators was reduced to seven in 2011. The administration believes, the reduced manpower during 2011 played a role in the increase in Part I crimes, though it may not have been the only factor.

An analysis of the crime rate during 2012 reveals the following: there are significant decreases in Part I and Part II crimes. It should be noted the Department is operating with 67 sworn officers.

The Chief of Police implemented a strategy of sending directed patrol officers to saturate high-crime drug neighborhoods. Additionally, using some available grant money, they deployed extra officers to saturate targeted areas. This strategy appears to be successful.

Studies have shown by targeting specific crimes in the hot spots, Part I and II crimes begin dropping while community perception of the police and of the safety of their neighborhoods increases.

During tough economic times, police are challenged to accomplish more with fewer resources. The financial challenges have reduced police officer staffing from a historical high of 74 to the current level of 67. It is important to note that the staffing level is lower than some similar-sized Pennsylvania cities.

### **Police Staffing, Similar Sized Municipalities**

<b>City</b>	<b>Population</b>	<b>Officers</b>
Altoona City	46,320	67
Lancaster	58,000	140
York	43,718	103
Chester	33,972	100
Harrisburg	49,528	170
Bristol Township	55,521	65
Middletown Township	45,436	55
Manheim Township	58,000	63

The administration believes the declining number of officers has a negative impact on their ability to provide public safety services. They cite decreased visible presence as leading to an increase in crime. They continue to lobby for additional staffing.

## Initiatives

Recognizing the financial reality, the Administration must seek effective, creative solutions that use existing resources in the most efficient way possible. The suggested initiatives should be considered interim solutions with the goals of improving efficiency and addressing all concerns. With this in mind, the following recommendations are designed to efficiently allocate available resources to problem areas within the city.

Until financial recovery is completed, the city must use its limited policing resources to efficiently focus on policing strategies designed to reduce crime and improve quality of life while containing costs. Many of the enclosed initiatives are opportunities for the Police Department to improve through better technology, aggressive strategies, efficient staffing, and collaboration.

### **PD01. Reduce Budgeted Positions for Sworn Officers to 66**

**Target outcome:** Cost Reduction  
**Four Year Financial Impact:** \$262,000 (Includes overhead)  
**Responsible party:** Chief of Police

As a result of the City's current and expected deficit, the City should keep the civilian staffing level the same and reduce the budgeted positions of sworn police officers to 66 (inclusive of the Chief of Police) until the City researches other options or has the ability to fund and/or return to the historical staffing level of 74 police officers.

### Financial Impact

2013	2014	2015	2016	Total
\$65,500	\$65,500	\$65,500	\$65,500	\$262,000

### **PD02. Use Data to Determine Busiest Shifts and Schedule Accordingly**

**Target outcome:** Improve Efficiency  
**Four Year Financial Impact:** No New Hires  
**Responsible party:** Chief of Police, Labor Counsel

To determine optimum police staffing, a number of factors should be considered. The workload will vary substantially during specific hours of the day and even days of the week. The Department is encouraged to capture workload data to verify/determine busiest shifts and/or budget days of the week. Presently, the Administration has indicated the 1600 to 2400 shift is the busiest. As previously noted, additional police officers should be deployed to this shift.

It is important to manage employee costs and performance. When employees are not at work they are not providing services. Department administrators indicated employees miss a significant amount of work due to holidays, vacation, and sick time. The accrual of leave or time off appears to be problematic. Changes to paid leave policies are considered further in the Workforce and Benefits Chapters. We understand that the City has already initiated the appropriate steps towards achieving this goal.

Additionally, the Department should explore a new schedule with rotating days off and a policy controlling the number of officers allowed off on vacation or holidays on any given day. Schedule should reflect additional staffing during the busiest shift. Such a revised schedule is in the process of being developed and several sample schedules have been provided to the Department for consideration.

**PD03. Reduced Administrative Layers in the Organizational Structure and Shift Responsibilities**

**Target outcome:** Reduce Costs, Enhance Criminal Investigation Staffing

**Four Year Financial Impact:** \$120,000 (includes overhead)

**Responsible party:** Chief of Police

All employees working in the police department with the exception of the Chief and Deputy Chief are represented by the FOP and covered by the Collective Bargaining Agreement. The Bargaining Agreement relevant to police officers establishes wages, hours, and many conditions of employment. The Agreement expires on December 31, 2013.

The Administration has identified 10 officers currently eligible for retirement, including the Deputy Chief of Police. Additionally, two officers reach retirement eligibility in 2013, two in 2014 and one in 2015.

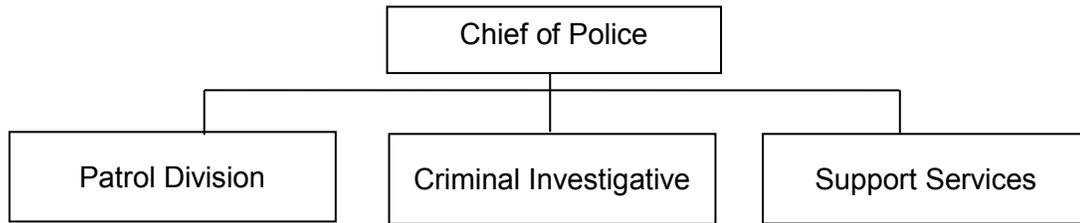
These potential retirements have operational and financial implications. The Department will have to fill the vacated positions. There are costs associated with hiring and training new officers, although these costs are partially offset by the salaries being lower for new officers than those retiring. It is important to note, sudden retirements in the short term will reduce staffing which will increase the need for overtime to fill gaps in service.

**Salaries**

<b>Position</b>	<b>Salary</b>
Deputy Chief	\$74,874.00
Police Officer	1 year- \$42,509.00
Police Officer (Top Rate)	4 year - \$53,136.00

In terms of management/supervision, the Department has an unusually high number of supervisory officers (Sergeants/Corporals). The suggested organizational structure depicted below would eliminate one layer of command. The Chief of Police would be responsible for

directing the division commanders who would communicate and support the work through supervisors.



The following recommendations should be considered as an interim solution to reduce costs and improve service:

In connection with the potential retirement of the Deputy Chief of Police, the position, salary, related benefits should be deleted from the budget. A police officer, hired at the lower salary, should be assigned to the Patrol Division. An experienced officer within the Department should be added to the Criminal Investigation Division.

- Ensure an eligible list of qualified applicants is in place.
- During contract negotiations, consider removal of the provision prohibiting part-time police. Part-time Pennsylvania certified police officers working at an hourly rate (TBD) are an excellent resource to address staffing shortages or public safety emergencies caused by exigent circumstances.

### Financial Impact

2013	2014	2015	2016	Total
\$30,000	\$30,000	\$30,000	\$30,000	\$120,000

#### PD04. Shift IT to City IT Department and Reassign Officer to Patrol Division

**Target outcome:** Enhanced Police Patrol Staffing

**Four year financial impact:** (No New Hires) Also discussed in Information Technology initiative IT02

**Responsible party:** Chief of Police

- The police officer currently assigned as full time IT Technical Support shall be reassigned to the patrol division. Platoon assignment should be based on Department needs. IT responsibilities may be shifted to the city IT Department or may be contracted out on an as needed basis. The estimated annual cost for contracting service is \$20,000.

**PD05. Restructure Criminal Case Assignment and Management**

**Target outcome:** Enhanced Criminal Investigation Staffing  
**Four Year Financial Impact:** No Additional Hires  
**Responsible party:** Chief of Police

The purpose of any police investigations function is to identify those who have committed criminal offenses. This is a relatively specialized goal in terms of the overall police mission. By definition, it consists of collecting sufficient evidence to prove that one or more specific individuals perpetrated a crime.

Historically, the methods by which cases were assigned to detectives and the decisions as to what cases should receive attention were somewhat casual. Many assumed an investigation was required for all offenses. Fiscal considerations within the City of Altoona have suggested a significant change in this practice. With this reorientation, there is a greater focus on efficient case management practices, solvability factors, communication, and victim satisfaction.

The Altoona City Criminal Investigation Division consists of 1 Lieutenant, 5 Corporal investigators, and 2 Sergeants. The Department administration believes the division is understaffed, overworked, and unable to investigate cases that require follow-up.

The following recommendations should also be considered as an interim solution to improve the criminal investigation function.

The Corporal assigned as the Evidence Technician should be transferred and reassigned to the Criminal Investigation Division. In addition to his regular duties, he should be assigned criminal investigation follow-ups.

Case management systems usually involve procedures and decisions relative to various methods of handling investigative assignments. They are designed to increase accountability and productivity while maintaining efficiency.

The Altoona Criminal Investigations Division should continue the following:

- Continue with a comprehensive case screening procedure using “solvability factors”
- Continue with case monitoring system for all cases accepted for investigation

It should also consider training selected patrol officers to serve as “crime-solve” technicians/processors to assist with crime scene investigations.

**PD06. Strengthen Crime Analytical Capability**

**Target outcome:** Improve Organization Efficiency  
**Four Year Financial Impact:** Not available  
**Responsible party:** Chief of Police

The Department indicated satisfaction with its records management system, “Informant.” Their vehicles are equipped with mobile data terminals integrated with the records management

system. They have access to Federal and State databases. Their evidence function is also integrated through a bar code system.

The information collected by police is captured, categorized, and filed in the records management system. There is no Department employee assigned to conduct analysis of the collected information on a regular basis. They do however conduct data searches as needed.

Crime analysis is an analytical process, which makes use of modern technology coupled with the knowledge of the patrol officer. The information gathered will determine crime trends, assist in developing strategies, defining goals and managing the agency. This is accomplished not by adding staff but by real time access to the data information. The data information must be mined on a regular basis. Research indicates crime and disorder generally occur in clusters rather than evenly spread throughout a larger geographical area. In summary, a smaller area produces a significant amount of crime within a larger area, such as the City of Altoona.

The City has indicated that it is currently working with MAGLOCEN (Middle Atlantic-Great Lakes Organized Crime Law Enforcement System) to obtain a crime mapping program that is compatible with their current records management system and that this software will be provided at no expense to the City. However, the City should continue to consider the value of obtaining technology which has real-time crime mapping capabilities and does not require daily data input. Real-time computer based crime-mapping/analysis helps management forecast and predict crime and deploy resources to aggressively suppress it. This process is known by many names: Compstat, Sara Predictive Policing, and even Cops on Dets. Predictive policing relies on four basic principles.

- Timely accurate intelligence
- Effective tactics
- Rapid deployment of personnel
- Relentless follow up and assessment

The process will allow the Department to sharpen its focus on crime reduction and more efficiently use its resources, in short, deploying officers to areas where crime is most likely to happen.

- Department shall implement a problem oriented policing philosophy
- City must consider obtaining the necessary funding through a grant or other means to purchase computer based crime-mapping system. The system should be easy to use and fully integrate into the Altoona records management system to assist in maintaining or reducing staff levels given budgetary restrictions

The Commission on Accreditation for Law Enforcement Agencies has established standards, which serve as a benchmark for developing a crime analysis system or enhancing an existing capability. The Department is encouraged to review the summarized standards to assess system capabilities and organizational needs. Until that time, platoon Sergeants should be assigned crime control in a specific geographical area (sector-beat). Each Sergeant will be responsible for crime analysis and the development of strategies to suppress noted problem crimes. Targeted crimes should be discussed with the Administration and communicated in writing to all personnel. There should be a monthly assessment of problem crimes with measurement of success.

**PD07. Achieve Accreditation Within 2 Years**

**Target outcome:** Cost Reduction  
**Four Year Financial Impact:** \$66,000  
**Responsible party:** City Manager, Police Chief.

Accreditation is a concept or a process emphasizing a voluntary, self-activated approach by which organizations seek to achieve, verify, and maintain “high quality” in their operations through periodic evaluations conducted by an independent body that has established standards considered “state of the art” in policing.

The current best practices in policing provide for the safety and training of officers with the overall goal of improving the delivery of police services. The standards are represented in model policies and procedures to be implemented by the department.

The standards help law enforcement agencies achieve the following:

- Increase agency capabilities to prevent and control crime
- Improve efficiency and effectiveness in delivery of law enforcement services
- Improve cooperation with other agencies
- Increase citizen confidence in the agency

Finally, Accreditation standards provide guidelines for developing a strong budget justification, especially for personnel and their allocations.

The Department has started the process of Accreditation through the Pennsylvania Law Enforcement Accreditation Commission. It should set a goal of 24 months (December 2014) to achieve Accreditation. Based on the experiences in other mid-sized cities, Altoona is expected to achieve annual savings of \$22,000 due to the efficiencies outlined above.

**Financial Impact**

2013	2014	2015	2016	Total
\$0	\$22,000	\$22,000	\$22,000	\$66,000

**PD08. Further Explore Sharing Services**

**Target outcome:** Cost Reduction  
**Four Year Financial Impact:** No Additional Hires, potential reduction of staff via attrition  
**Responsible party:** Leadership of City, County and other municipalities in the region

Regional Police Departments in Pennsylvania now provide essential services to half a million Pennsylvanians. The concept of regionalization or the sharing of police services is receiving

considerable attention at all levels of government. As budgets decrease, costs increase, and issues evolve around pensions, regionalization has become very attractive to many municipalities.

There are several advantages to regional policing. The enforcement of laws and the coordinating of investigative services can establish a commonality of enforcement goals and philosophy over a larger geographical area. As an example, criminals do not recognize or operate within municipal boundaries. Normally, several police departments are in fact, chasing the same criminals for the same crimes in separate municipalities. This duplication of service with multiple Detectives chasing the same person(s) can be easily managed by one Detective investigating multiple crimes. This can be said for many other services provided throughout the organizations including Administration. Regionalization also improves training, scheduling, and specialization. Simply put, more available officers fill overtime holes and allow for directed specialized training. Finally, regionalization has been proven to reduce costs. Some time ago, the Commonwealth Bureau of Local Government Services undertook an efficiency study comparing a Regional model with six distinct municipal police departments. The study concluded the following. The Regional Department was 28% less expensive than the total spending by the six Municipal Departments. Additionally, the Regional Department had 35% fewer officers and 50% fewer police vehicles than the combined fleets of all the municipalities. In summary, Regional Model savings occur due to economies and efficiencies of scale.

The disadvantages of the Regional Model include the following: It limits some control and involvement by elected or appointed officials and the police unions fear the loss of jobs, ranks, money, and benefits. This is where fear or sensitivity enters.

Blair County, due to its size and relatively small number of municipal police departments, would be an excellent candidate to develop this model. Unfortunately, the process requires significant buy-in from everyone involved. The Act 47 process may be the catalyst to launch, or at least to begin, thoughtful conversation.

In terms of long-term cost reduction, the City should consider regionalization with Logan Township, Hollidaysburg or any other interested municipality. The process will require a “political champion” who must bring all of the parties together for thoughtful consideration.

Short of a full-blown Regional Model, the City should pursue the following to share public safety resources:

- On August 28, 2012, Blair County implemented a Central Booking Center at the County prison. The center is used for processing, booking, and arraigning individuals taken into custody for crimes, warrants, and/or probation violations. Other than normal business hours, Altoona police officers may take prisoners directly into the central booking center allowing the arresting officer to quickly return to duty. This new process (shared service) deletes the need for the two (2) Altoona City “Turnkey” officers in the city station on the 1600 to 2400 and 2330 to 0730 shifts. Both of these officers should be assigned to the busiest shift, which at the time of this report is unknown, but is most likely, the 1600 to 2400 shift. With this additional assignment, 13 patrol officers would be scheduled. This schedule should be flexible, allowing for thoughtful deployment of these officers through other creative means as necessary. As an example, scheduling business hours (TBD) Monday thru Friday, with one officer assigned to desk duty would be acceptable. The

other two officers could be assigned as needed. The use of light duty officers in these positions would also be appropriate and acceptable.

- Continue with or implement collaboration with the PA State Police to assist with traffic enforcement saturation or patrols targeting crime on quality of life trends.
- Continue with or implement collaboration with the Blair County Sheriff’s Department to assist with traffic enforcement warrant sweeps, saturation patrols targeting crime or quality of life trends.
- Continue collaboration with the Penn State University Police Department in connection with investigations or other matters of mutual concern in neighborhoods adjacent to the Altoona campus.
- Continue collaboration with the Blair County Probation and Parole office with the goal of identifying and pursuing repeat offenders.
- Continue negotiations with the District Attorney’s office relevant to establishing a multi-jurisdictional county forensic unit to be used at the scene of major cases.
- Consider updating the MOU for better collaboration and/or shared services with the Logan Township Police Department.
- Reconcile and confirm reimbursement of all City-related expenses due from the Housing Authority.

**PD09. Increase Fine for Parking Tickets**

**Target outcome:** Revenue Generation  
**Four Year Financial Impact:** \$16,400  
**Responsible party:** City Council, Chief of Police

In order to generate additional revenue, the City should raise the fine for parking tickets to \$25.00 and other law enforcement fees (with the exception of Court Ordered Reimbursements) an average of 10%. This would increase parking ticket revenue by \$4,100 annually.

**Financial Impact**

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
<b>\$4,100</b>	<b>\$4,100</b>	<b>\$4,100</b>	<b>\$4,100</b>	<b>\$16,400</b>

The City of Altoona provides a comprehensive array of services to assure the safety of its residents. Fiscal stress is making it more challenging to continue to do so. Implementation of these initiatives will enable the Police Department to continue to fulfill its mission while contributing relief to the City’s budget challenges.

# Fire Department

## Overview

The City of Altoona Fire Department (FD) provides emergency response to fires and other hazardous conditions within the City of Altoona, and also provides emergency medical services (EMS) at the first responder-level for calls involving life-threatening conditions. EMS services for the City Of Altoona are provided by the AMED (Altoona Mobile Emergency Department) Authority. The Fire Department is the designated Emergency Management Agency for the City of Altoona and also serves as the designated Hazardous Materials (HazMat) Response Team for all of Blair County. The Fire Department's Mission Statement is as follows:

*Our main function is to protect our community by being prepared to respond to the traditional fire and rescue hazard while assuring our ability to mitigate a variety of a growing number of hazards. The mission of our department is to put highly qualified firefighters with reliable, state-of-the-art equipment into an ever-broadening variety of roles for the protection of our citizens from fire and other hazardous situations. Today's citizens have come to expect fire departments to be prepared and equipped to mitigate any problem encountered. Citizens will receive prompt, specially designed service to meet their needs whether fire, rescues, chemical, environmental, or medical emergencies. With equipment designed for specific and multiple hazards, firefighters can routinely provide the services the citizens deserve.*

From four City fire stations, the department operates four engine companies, one rescue company, two ladder/tower companies, and one HazMat Response Team. (There is a fifth station which is not staffed but houses equipment which is deployed as needed.) The department is staffed by career firefighters who are members of the International Association of Fire Fighters, Local Number 299 (IAFF).

## Administration

- Includes the Fire Chief, one Deputy Chief, One Executive Secretary, and one Fire Inspector. Administration oversees operations, provides financial and personnel management, and represents the Department within the City and throughout the region.

## Fire Suppression

- Pertains to the department's response to all emergency and non-emergency fire calls for service.

## Fire Inspection and Investigation

- Enforces the City's Fire Prevention Code, including the review and approval of plans for all new construction as well as major renovations to existing structures and the investigation of all fires. Additionally, inspects existing properties to ensure compliance with applicable codes and standards.

**Rescue**

- Delivers emergency and non-emergency response to calls for service including vehicle accidents, tactical rescue, urban search and rescue.

**QRS / EMS (Quick Response Service / Emergency Medical Service)**

- Delivers First Responder medical care and EMS assistance.

**HazMat**

- Delivers emergency and non-emergency response to calls for all HazMat related events throughout the entire Blair County region for which the City receives a fixed amount from the County. This is discussed below under Initiatives.

**Emergency Management**

- Is responsible for the creation and ongoing review of the City’s Emergency Operations Plan (EOP) utilized to coordinate and manage the City’s response during large-scale disasters. The Chief serves as the City’s Emergency Management Coordinator.

**Training**

- Pertains to the planning and execution of the Department’s annual training program.

**Staffing**

The following table illustrates the Department’s staffing levels over the past five years and the current year 2012. The budgeted headcount has decreased from its high of 69 in 2009 to its low of 65 in 2012 or approximately a 6 percent decline in total staffing.

**Historical Department Staffing**

	2007	2008	2009	2010	2011	2012
Budgeted	68	68	69	68	66	65
Filled	67	68	68	66	65	62

According to the City's 2012 Department Staff List the Department has 63 personnel.

<b>Position</b>	<b># Employees</b>	<b>Union</b>
Chief	1	None
Deputy Chief	1	None
Executive Secretary	1	None
Fire Inspector	1	IAFF
Assistant Chiefs	4	IAFF
Company Captains	20	IAFF
Drivers	20	IAFF
Firefighters	15	IAFF

As indicated above, 60 employees of the Department are represented by the International Association of Fire Fighters, Local Number 299. The City and the IAFF entered into a labor agreement on January 1, 2011. The contract expires on December 31, 2013.

### **Shift Schedule and Assignment of Personnel**

The administrative office, which includes the Fire Chief, Deputy Chief, Fire Inspector, and Administrative Secretary, is open for business Monday – Friday 7:00 AM – 4:30 PM.

The Department operates 4 shifts / platoons. Each platoon works four (4) consecutive days consisting of two (2) ten (10) hour days and two (2) fourteen (14) hour nights, or what is more commonly referred to in the fire service as “the 10/14 shift schedule.” Daylight hours are 0700-1700 and night hours are 1700-0700.

Personnel assigned to each shift are as follows:

Station	Personnel
Station One	(1) Assistant Chief
	(2) Captains
	(1) Driver
	(1) Firefighter
Station Two	(1) Captain
	(1) Driver
	(1) Firefighter
Station Three	(1) Captain
	(1) Driver
	(1) Firefighter
Station Four	(1) Captain
	(1) Driver
	(1) Firefighter

### Minimum Staffing Level

Article XXI (Fire Fighter Safety) Section 2 (Safety Manning) of the collective bargaining agreement between the City and the International Association of Fire Fighters, Local No. 299 requires the City to maintain at least thirteen (13) firefighters on a platoon (shift/trick), one of whom shall be the Assistant Chief. If the number of firefighters on duty drops below 13, the City must fill the number of positions to that level, usually by calling firefighters in and paying them at an overtime rate of one-and-one-half times their hourly pay. Current operating practice is to staff four engines/pumpers, two aerials, and a rescue unit for emergency response. Each of the four (4) stations is staffed with a minimum of one Captain, one Driver, and one Firefighter. This staffing level provides for a quick response when the department responds on a Quick Response Call (QRS) and assists on an emergency medical call (EMS). However, it results in lighter staffing for the first arriving unit at a working structure fire when such an event requires the utilization of The National Fire Protection Association Standard 1710 or OSHA regulation 29 CFR 1910.143 (g) (4) requirement at a working structure fire in regard to Two In / Two Out. The NFPA Standard 1710 recommends an Engine Company staffing of four. A crew of less than four is unable to initiate interior fire suppression activities until additional response vehicles arrive on the scene from other stations, which is the Altoona Fire Department’s current standard operating procedure.

### Other Resources

The City of Altoona and Logan Township have an executed Mutual Aid Agreement to assist one another in the event either jurisdiction requires additional resources for apparatus and/or manpower.

Logan Township surrounds the City of Altoona. There are four (4) fully volunteer staffed fire departments within Logan Township. The Logan Township United Fire Department (LTUFD), The Newburg Volunteer Fire Department, The Lakemont Volunteer Fire Company, and the Greenwood Volunteer Fire Department.

## Department Stations and Apparatus

The Department operates from four (4) strategically located stations within the city.

- **Station One** (Station 310 /Headquarters) – 1319 Washington Avenue – Built 1927 – 7,460 sq. ft.
  - Apparatus assigned:
    - 2009 Rosenbauer/Spartan (Engine 311)
    - 1996 Simon Duplex/LTI (Truck 351)
    - 2010 Ford Expedition (Staff Vehicle 301)
    - 2004 Ford Expedition (Staff Vehicle 341)
    - 2004 Ford F250 Supercab (Staff Vehicle 342)
  
- **Station Two** (Station 320) – 515 North Second Street – Built in 1979 – 4,238 sq. ft.
  - Apparatus assigned:
    - 2004 Crimson / Spartan (Engine 312)
    - 2001 Freightliner / Hackney (Hazmat 362)
    - 1992 Wells Cargo Trailer (Hazmat 363)
  
- **Station Three** (Station 330) – 530 Crawford Avenue – Built in 1978 – 4,238 sq. ft.
  - Apparatus assigned:
    - 2000 Firecab (Engine 313)
    - 1996 Simon / Duplex / Quality (Reserve Engine 315)
    - 2005 Crimson / Spartan (Rescue 332)
    - 2008 Stahl Trailer (Rescue 333)
  
- **Station Four** (Station 340) – 3960 Sixth Avenue – Built in 1951 – 3, 679 sq. ft.
  - Apparatus assigned:
    - 2007 Crimson / Spartan ( Engine 314)
    - 1990 HMW / Grumman (Reserve Engine 316)
    - 1941 Mack (Parade Piece Engine 317)
  
- **Station Five** (Station 350) – 1320 Washington Ave
  - Apparatus Assigned:
    - 1996 Simon / Duplex (Truck 352)
    - 1975 GMC Coach (Hazmat 361 / Communications Bus)

Note: In addition to the above Fleet listing, the following vehicles are also within the FD.

- 2009 Ford Explorer XLT – Chief's Vehicle (Chief 300)
- 2010 Ford Explorer – Deputy Chief's Vehicle (Chief 305)
- 2009 Ford F150 – Fire Investigator ( 391)

## Finances

The table below shows the Department's past four years (2008-2011) of historical expenditures, which increased by 26.7% from \$6.6 million in 2008 to \$8.4 million in 2011. These increases are primarily due to Departmental pensions.

### Historical Expenditures – Altoona Fire Department

Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Salary	3,182,327	3,594,865	3,674,314	3,697,578
Pension	1,900,403	1,767,464	1,876,895	3,085,809
Overtime	122,532	163,319	282,246	236,859
Temporary Rate	21,115	24,933	20,516	18,896
Holiday Pay	221,925	-	-	-
Retiree-Sick Buyback	5,753	-	12,658	6,340
HazMat Overtime	(605)	1,511	781	8,870
Health Insurance	966,649	1,114,419	1,237,880	1,222,588
Vehicles	51,239	36,029	32,283	55,936
Utilities	39,758	30,132	27,196	28,526
Equipment	17,630	14,995	13,128	14,934
Training	26,866	12,000	23,505	15,811
Maintenance	20,156	17,580	13,491	15,430
Uniforms	34,353	14,839	17,063	11,945
Supplies	7,887	6,208	6,356	6,508
Fees	1,915	2,049	647	268
Misc.	-	13,901	592	-
Grant	31,564	-	40,108	-
<b>Total</b>	<b>\$6,651,467</b>	<b>\$6,814,244</b>	<b>\$7,279,658</b>	<b>\$8,426,298</b>

Source: City of Altoona

## Overtime

The following table depicts the Department's historic overtime expenditures. Overtime usage is influenced by several factors including sick leave, Line of Duty (LOD) leave, and overall Department staffing levels.

## Fire Historic Overtime Expenditures

	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Overtime	122,532	163,319	282,246	236,859

Overtime increases are a direct result of not having enough personnel to cover the minimum staffing required by the collective bargaining agreement. The Department has had a number of long-term job related injuries that has exacerbated the problem, requiring routine overtime on almost every shift daily. In 2010, the Department also experienced a larger than usual number of working structure fires. This also affected overtime because personnel who were used to fill Second and Third Alarms came from recalled personnel. The Department's RIT Team (Rapid Intervention Team) comes from recalled firefighters as outlined in the collective bargaining agreement.

## Projected Baseline Expenditures – Altoona Fire Department

Category	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Salary	3,601,720	3,763,954	3,773,083	3,792,215	3,813,407
Pension	2,463,431	2,760,924	2,978,546	3,004,266	2,080,050
Overtime	250,000	250,000	250,000	250,000	250,000
Temporary Rate	19,000	19,000	19,000	19,000	19,000
Health Insurance	1,444,910	1,614,013	1,778,227	1,959,355	2,159,139
Vehicles	50,000	51,500	53,045	54,636	56,275
Utilities	29,750	30,643	31,562	32,509	33,484
Equipment	19,000	19,570	20,157	20,762	21,385
Training	21,300	21,939	22,597	23,275	23,973
Maintenance	18,300	18,849	19,414	19,997	20,597
Uniforms	16,000	16,480	16,974	17,484	18,008
Supplies	23,500	24,205	24,931	25,679	26,449
Fees	2,500	2,575	2,652	2,732	2,814
Misc.	1,500	1,545	1,591	1,639	1,688
<b>Total</b>	<b>\$ 7,960,911</b>	<b>\$ 8,595,197</b>	<b>\$ 8,991,781</b>	<b>\$ 9,223,548</b>	<b>\$ 8,526,271</b>

Source: City of Altoona

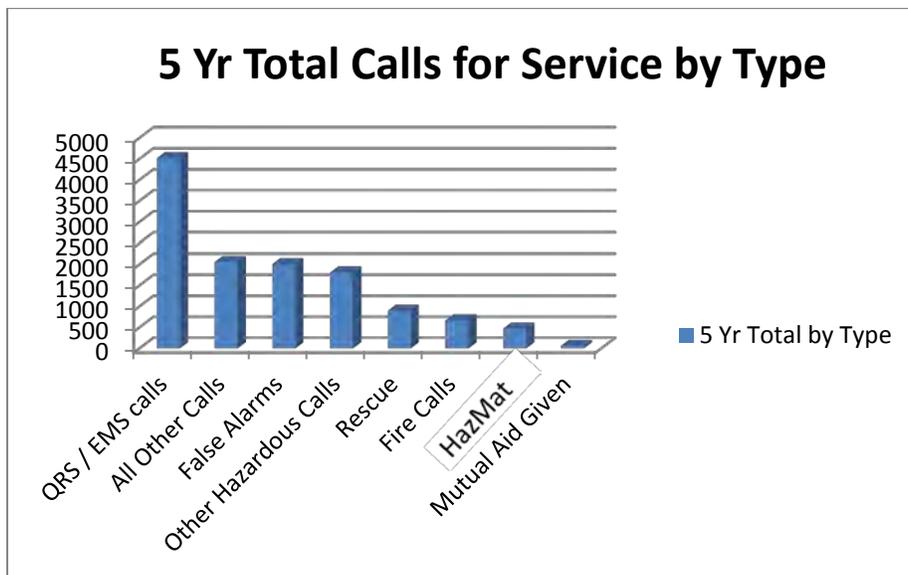
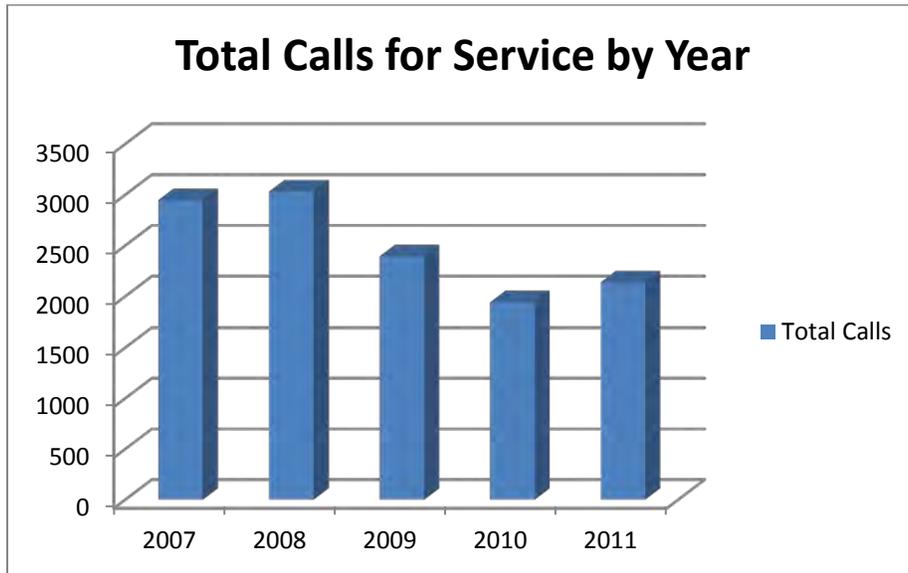
Note: See the Capital Expenditure Chapter of the Plan to see the Fire Department's Capital Expenditures forecast.

## Assessment

### Calls for Service

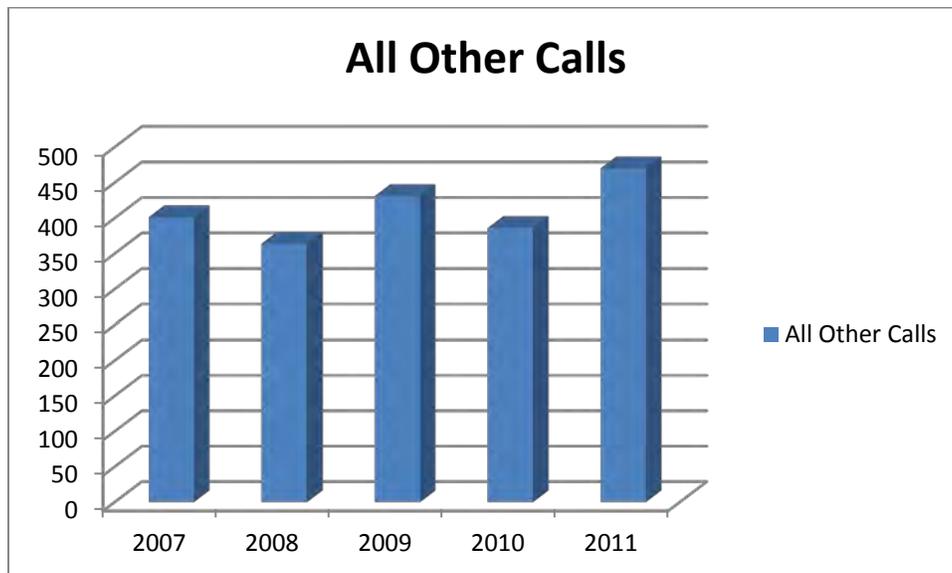
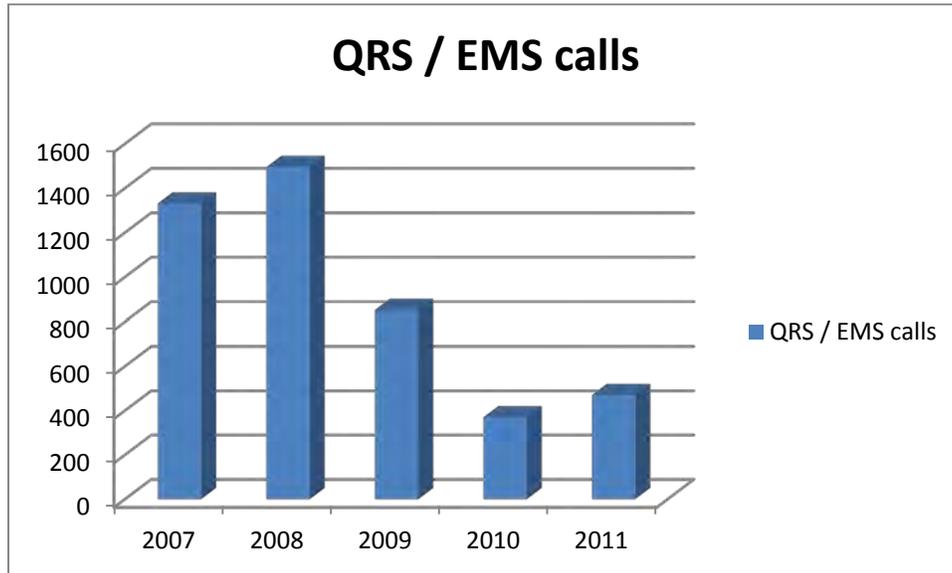
The Altoona Fire Department has averaged 2,490 calls per year for the past 5 years (2007-2011). The categories below are defined by the National Fire Protection Agency (NFPA) Annual Experience Survey as submitted by the Altoona Fire Department. The department annually completes and submits the NFPA's Fire Experience Survey, which includes calls for service

statistics. The charts below depict the department's call volumes for the past 5 years by major category in order of highest to lowest call volume.

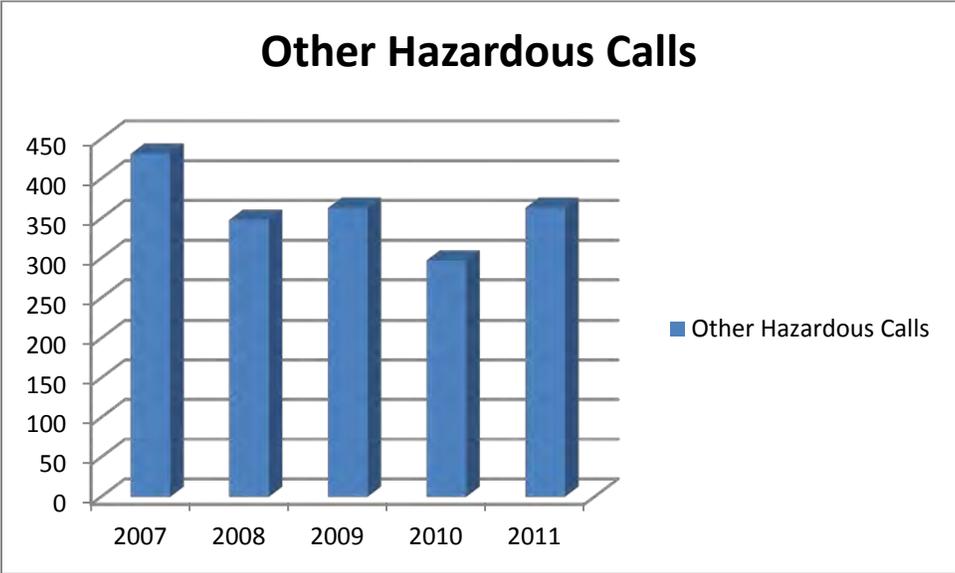
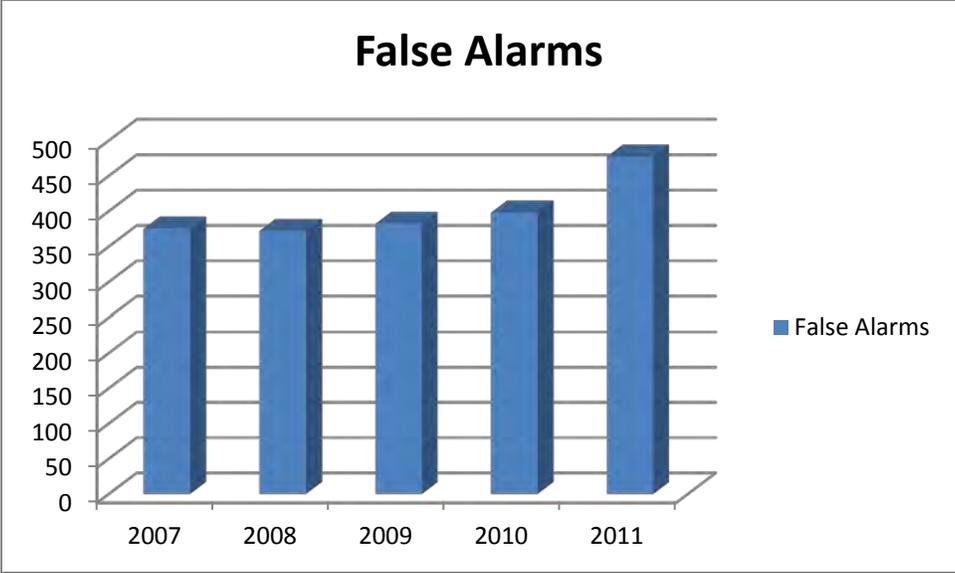


Source: Altoona Fire Department

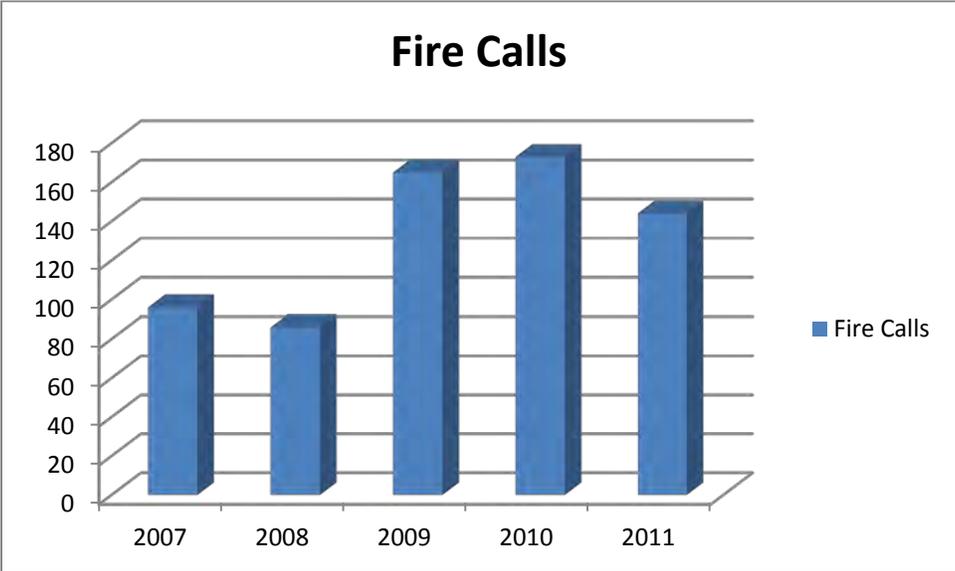
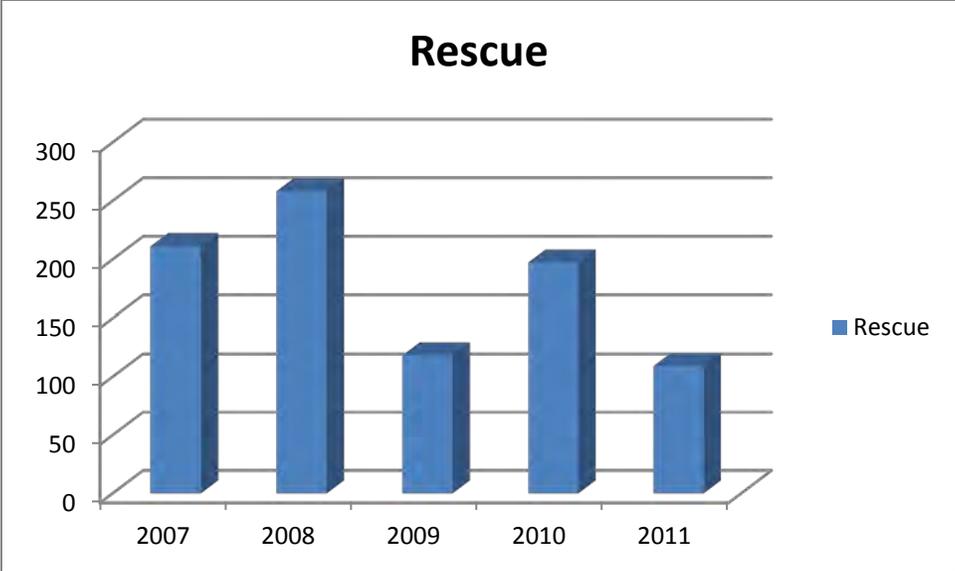
## 5 Yr. History by Type of Call for Service



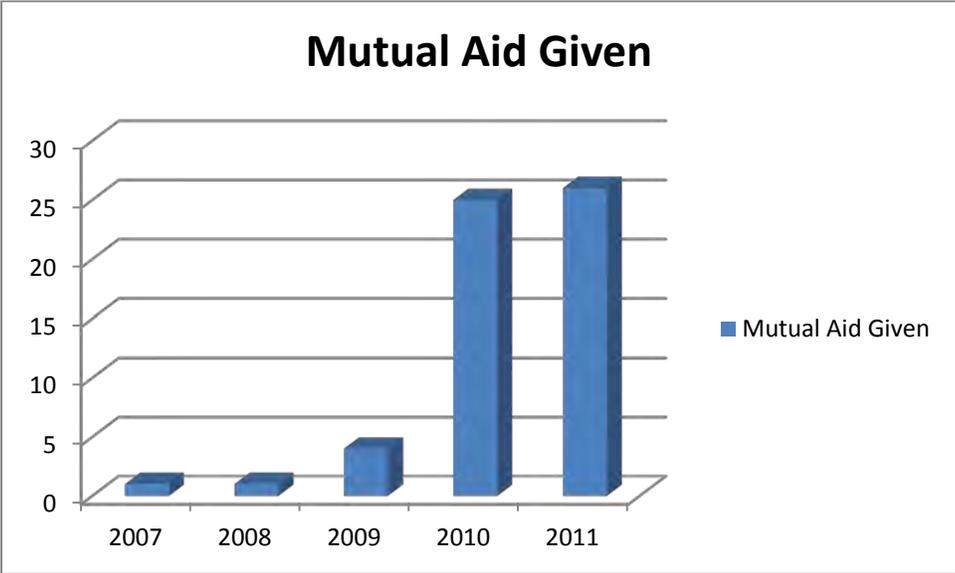
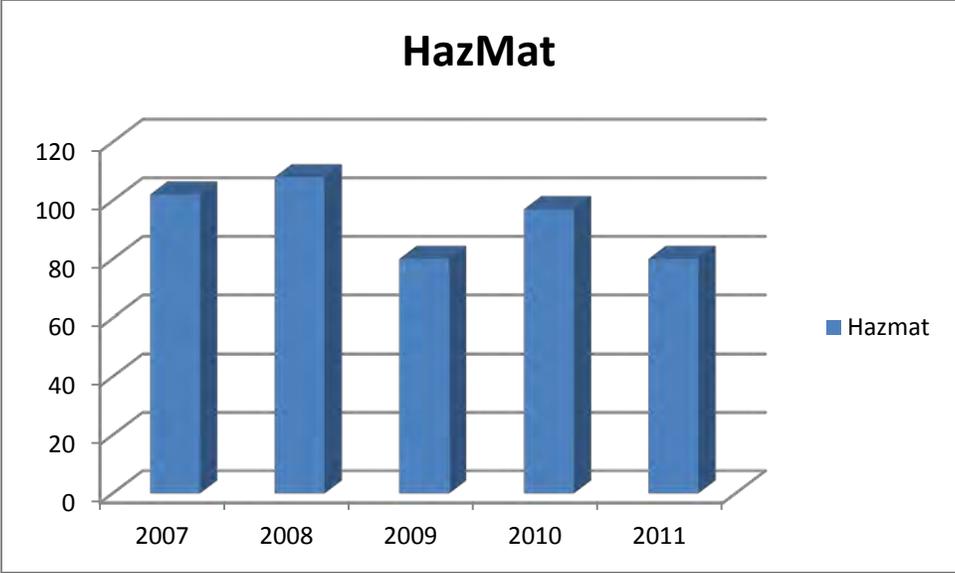
Source: Altoona Fire Department



Source: Altoona Fire Department



Source: Altoona Fire Department



Source: Altoona Fire Department

## Work Environment

The fire work environment of Altoona firefighters is all-encompassing. The City is comprised of areas that have single-family dwellings, high-density structures such as row homes, large industrial complexes, and a sprawling college campus (Penn State Altoona). Navigation of the area varies from very narrow and steep streets to newer, more modern streets and highways. There is a significant number of abandoned and condemned structures within the Department’s jurisdiction. The fire protection area is adequately covered with fire hydrants providing good to excellent water supply in terms of flow and pressure. The typical national standard for gauging effective fire response is the ability to place the first unit on scene within four minutes travel time, plus 80 seconds for turnout time, 90% of the time. The second response time goal is the assembly of a fully effective firefighting force within eight minutes travel time, plus 80 seconds

turnout time, for 90% of emergency calls. An initial response complement recommended by the National Fire Protection Association (NFPA) Standard 1710 is four firefighters, including an officer; the minimum for a fully effective firefighting force is 15 firefighters if an aerial ladder truck is in use.

## **ISO Inspection and Rating (Insurance Services Organization)**

In 2006 the Fire Department underwent a complete ISO analysis and as a result was given a classification of Class 2 effective February 1, 2007. This rating is used by insurance companies to set property insurance rates for customers within the Department's jurisdiction and ranges from Class 1 through 10 with 1 being the highest. The Altoona Fire Department received 83.56% credit out of 100%. The handling of false alarms received 9.65% out of 10.00%, the Fire Department received 39.59% out of 50.00% and water supply received 39.96% out of 40.00%. Most subcategories for each major category listed above received excellent score ratings with the exception of Credit for Company Personnel (Item 571) which received 7.50% out of 15.00% and pertains to the average number of personnel on duty, and Credit for Training (item 581) which received 6.66% out of 9.00%.

## **Mutual Aid and Regional Service**

The City of Altoona and Logan Township request mutual aid from each other during major events by initially placing those departments on stand-by, either in their own stations or in one of the Department's stations. Over the past five years, Altoona received mutual aid more often than it provided aid to neighboring jurisdictions. Several neighboring local officials were interviewed and indicated that their municipality would most likely not be interested in a) contracting fire services from Altoona, b) contracting fire services to Altoona, or c) forming a regional department. In the event the City would reduce staffing in the Fire Department, challenges may emerge within the established mutual aid system. Neighboring municipalities felt that their communities would protest an increase in response from their volunteer companies into Altoona's city limits. Neighboring municipalities approved by referendum and implemented a tax increase solely to support their volunteer fire companies. According to local officials their volunteer fire companies are well funded, equipped, and capable of answering their calls for service at the present time. Local officials kept open the possibility that a regional department or contracted services could be a possibility in the future but at the present time felt no need to explore this area.

## **QRS / EMS (Emergency Medical Services)**

EMS services for the City of Altoona are provided by the AMED Authority (Altoona Mobile Emergency Department). The Authority has representatives from the Altoona Regional Health System, Logan Township, and the City of Altoona. The Altoona Fire Department's Quick Response Service (QRS) provides the City with quicker patient access and enhanced medical triage and treatment. This is accomplished by staffing certified First Responders at all of the City Fire Stations with the proper equipment to be the first line of defense against morbidity and mortality. This service is provided to the citizens of Altoona to enhance the service already provided by AMED by responding to emergencies and providing EMS to patients pending the arrival of pre-hospital personnel of an ambulance service. The Department offers their assistance to AMED and the patient at no cost. The Department has experienced several Workers' Compensation Claims for injuries that occurred while offering EMS assistance and

patient lift assists resulting in not only Workers' Compensation Claims and medical expense but also an increase in overtime when the injured employee's position must be filled to meet the minimum fire suppression staffing requirements.

## **Fire Inspection and Investigation**

The City has a Fire Inspector who serves in a dual role capacity as both the Fire Investigator and the Fire Inspector. The Fire Inspector serves as the City's fire code official. The Fire Investigator is trained in fire investigations and is responsible for determining cause and origin of fires. State Police services are utilized when warranted, as was the case in 2010 when the department experienced a fire with 5 civilian fatalities.

## **Training and Safety**

The Bucks County Community College is utilized for all training. All instructors are Bucks County Community College Instructors and are also employees of the Altoona Fire Department. The instructors teach the classes when they are off duty and are paid by Bucks County Community College, which eliminates the need for overtime for instructors. The training uses an approved curriculum with trained and certified instructors through an accredited Educational Training Agency. Until 2011 there was no charge for the classes through a Department of Education grant program. The program has since been eliminated and the department now pays a nominal fee for the classes. For 600 hours of classes the department pays \$3800.00. It is estimated that overtime alone for that many hours of instructor time could cost the department \$18,000 annually. It appears this partnership for training is valuable and provides a way to sustain the Department's training needs with a limited budget.

## **Information Technology**

The Department utilizes Firehouse software. Desktop computers are available in each station. The hardware used by the Department is very old and in need of upgrading. Most portable laptops in command vehicles and fire apparatus are not functioning. Furthermore, Wi-Fi capability is sporadic / inconsistent throughout the city. The Department could greatly benefit from the installation of mobile data computers in all front-line response vehicles and command vehicles at a minimum. These computers allow the integration of critical information (Preplans) regarding specific structures as well as the most effective response strategies for specific emergency incidents. Instant access to such information will likely improve firefighter safety in emergency response-related activities. Moving the software to a hosted solution at the Firehouse company office is estimated to cost an additional \$1,500 per year. The mobile data computers would need a broadband card to bypass the issues referred to above with the City Wi-Fi network. The monthly cost is estimated to range from \$19 to \$50 per month per device. Having it hosted remotely can allow continuing upgrades from the company and remove the necessity of a server to run Firehouse locally at the Altoona LAN. This should be reviewed with the City's IT and Fire Departments to determine a satisfactory resolution. The Department of Homeland Security may be a possible source for procuring this technology.

## **Emergency Management**

The Department is the responsible party for the City's emergency management program. Pennsylvania law requires that every county and municipal government develop and maintain

an emergency management program consistent with those at the Commonwealth and federal levels. This includes planning, particularly the development and ongoing maintenance of the City's Emergency Operations Plan (EOP); training, including exercises and classroom/online learning; disaster response, including incident management; and post-disaster recovery, including the submission of comprehensive damage reports to the Blair County EMA. It appears the Department maintains a well-organized and structured Emergency Operations Center (EOC) and has the required Emergency Operations Plan (EOP) in place and up to date.

## Initiatives

### FD01. Add Provision for the Acceptance of Promotion by the Chief of the Department

**Target outcome:** Operational Efficiency  
**Four year financial impact:** Not Available  
**Responsible party:** Fire Department, City Manager, City Council (Bargaining Process)

Article XXVII Assistant Chief Promotional Guidelines. There is no provision for the acceptance of a promotion by the Chief of the Department. All promotions should be approved by the Chief of the Department. All promotions should be subject to review by the Chief, especially quasi-managerial positions like Assistant Chief.

### FD02. Reduce Union Business Days

**Target outcome:** Expense Reduction  
**Four year financial impact:** \$30,000  
**Responsible party:** Fire Department, City Manager, City Council (Bargaining Process)

Article XII Union Business. 30 days per year for union business is not necessary. According to department officials, no more than a few days a year are ever required for union business, conventions or negotiations. There is a chance for abuse of this article and it should be reviewed to see what a norm elsewhere in the Country is. The estimated annual savings is based on all 10 days for union business being allowed, which has not been the case in the past. However, as written, 30 days could be used. This will be effective January 1, 2014.

## Financial Impact

2013	2014	2015	2016	Total
\$0	\$10,000	\$10,000	\$10,000	\$30,000

**FD03. Change Job Classification of Assistant Chiefs from Managerial to Operational**

**Target Outcome:** Operational Efficiency and OT Costs  
**Four year financial impact:** \$120,000  
**Responsible party:** Fire Department, City Manager, City Council  
(Bargaining Process)

1: Job Classifications. Assistant Chief overtime is close to \$40,000 for the current year. Having Assistant Chiefs responsible for management responsibilities is contrary to their being union members. The Assistant Chief position should be reclassified to an operational position only and not have management responsibility. By adding an additional Deputy Chief (exempt) position, (two Deputy Chiefs in total would exist) one could manage each of the two platoons and be salaried employees. This would eliminate the need for overtime for on-call or call outs for major incidents because the Deputy Chief position is salaried. Assistant Chiefs could be counted as one of the 13 fire suppression personnel and fill that position with any other qualified company officer and not require a "14th person because of limiting qualifications." This would help the Department meet NFPA regulations as well as the collective bargaining agreement. This will be effective January 1, 2014.

**Financial Impact**

2013	2014	2015	2016	Total
\$0	\$40,000	\$40,000	\$40,000	\$120,000

**FD04. Change Overtime Policy to Rank for Rank**

**Target outcome:** Operational Efficiency and OT Costs  
**Four year financial impact:** \$45,000  
**Responsible party:** Fire Department, City Manager, City Council  
(Bargaining Process)

Equalized overtime policy has become an operational issue as the Assistant Chiefs are bogged down with procedures and cumbersome rules about calling for routine overtime. The vacancy is also changed in order to accommodate the rank classifications that are more than 20 hours behind in overtime opportunities. Overtime should be rank for rank and offered to that rank in order of seniority. This leaves out any questions about where the opportunity lies and the chance of moving the vacancy for personal gain or the gain of an individual. This will be effective January 1, 2014.

**Financial Impact**

2013	2014	2015	2016	Total
\$0	\$15,000	\$15,000	\$15,000	\$45,000

**FD05. Investigate the Use of a Third Party Billing Service for Emergency Response to Vehicle Accidents and Vehicle Fires**

**Target outcome:** Increased Revenue  
**Four year financial impact:** \$40,000  
**Responsible party:** Fire Department, Police Department

The City of Altoona has an ordinance in place to allow for the billing of fire department services for all vehicle accidents and fires. However, the City is not billing for these services at this time. There are businesses which specialize in billing and collection services specifically for Public Safety entities such as Fire Companies. Any additional fees over those currently authorized will need to be authorized by a new ordinance modifying these amounts.

**Financial Impact**

2013	2014	2015	2016	Total
\$10,000	\$10,000	\$10,000	\$10,000	\$40,000

**FD06. Implement a False Alarm Ordinance and Fees to Accurately Reflect Costs and Impacts of False Alarms**

**Target outcome:** Improved Cost Effectiveness  
**Four year financial impact:** \$80,000 (may be greater after further research)  
**Responsible party:** City Council, Fire Department

The City does not currently have a False Alarm Fee Ordinance. False Alarms ranked 4<sup>th</sup> highest for the number of calls the Department received over the past 5 years. False Alarms were the 2nd highest number of calls in 2011. The primary goal of assessing a false alarm fee is to encourage improved maintenance of systems and reduce unnecessary response from firefighters, thereby ensuring that response capacity is available for true emergencies. A secondary goal of false alarm fee assessment is the recovery of costs associated with repeatedly deploying resources to the same site unnecessarily. Given the volume of false alarm calls in Altoona, it appears that a false alarm ordinance and fee structure would increase revenue and possibly have desired preventative effects in reducing false alarms.

Using FEMA’s current equipment rate schedule information, the estimated cost for an engine and ladder to respond to an alarm call is approximately \$360 per hour. Assuming that any given alarm call takes approximately 30 minutes to investigate and resolve, a false alarm fee, in order to adequately recover response costs, should be an approximate minimum of \$180.

The City should investigate the implementation of a False Alarm Ordinance and fee schedule, while also increasing efforts to educate property owners on methods for improving the reliability of alarm systems. An example of a false alarm fee schedule is as follows:

- Alarm # 1: No Charge
- Alarm #2: \$180

- Alarms #3-4: \$200 /ea.
- Alarms #5-7: \$250 /ea.
- Alarms #7-9: \$300 /ea.
- Alarms #10 or greater: \$500/ea.

Over the past five years, the Department responded annually to an average of 400 false alarms. In 2011 there were 477 false alarms. Since the City does not have an ordinance in place for false alarms there is no revenue generated from excessive false alarms.

The City should investigate using a third party billing service for fee collection, and should review ordinances from other cities.

### Financial Impact

2013	2014	2015	2016	Total
\$20,000	\$20,000	\$20,000	\$20,000	\$80,000

**FD07. Review Fee Schedule in HazMat Agreement Between City and County**

**Target outcome:** Increased Revenue  
**Four year financial impact:** \$ 75,000 (PRELIMINARY)  
**Responsible party:** Fire Department, City Council, City Manager

The City of Altoona Fire Department is a State Certified HazMat Unit and serves as the designated HazMat Unit for all of Blair County through a contractual agreement between the City of Altoona and Blair County. The County pays the city \$15,000.00 annually plus an annual escalator of 3%. The City bills the County EMA per HazMat call for specific pieces of equipment and personnel as well as any supplies used for a HazMat call. The charge for the equipment is a flat fee. Since HazMat calls can vary in length of time from a few hours to conceivably days or even weeks, the fee for apparatus should be hourly, not a flat fee. Following an investigation of what other counties in Pennsylvania pay and charge for HazMat services, the conclusion is that the County of Blair is not paying sufficiently for the City to maintain and house the HazMat Equipment required, nor is the City, and in turn the County, billing sufficiently for HazMat Services. Below is a rate structure comparison between the City of Altoona and an 8 (eight) county region.

Type of Vehicle	Altoona Rate	*Other County Rate
HazMat Command Bus	\$300.00 / Flat Rate	\$200.00 / Hr.
HazMat Equipment Truck	\$300.00 / Flat Rate	\$600.00 / Hr.
HazMat Equipment Trailer	\$300.00 / Flat Rate	\$300.00 / Hr.
Rescue Truck	\$300.00 / Flat Rate	\$400.00 / Hr.

\*Hourly rates charged for HazMat equipment by York, Dauphin, Adams, Lebanon, Lancaster, Cumberland, Franklin, and Perry Counties

The City of Altoona bills a flat rate while all other counties bill on an hourly rate for each type of equipment. As can be seen, there is a significant difference in the rates and billing method used by Altoona and Blair County as compared to eight other counties within the Commonwealth. In addition, one identified county also contributes to the cost of housing (heat, electric, building maintenance, etc.) of the HazMat Equipment whereas the City of Altoona pays all housing expenses. The one identified County contributes approximately \$ 100/K per year to the HazMat operation. With most years experiencing 80 or more calls per year, this is a substantial cost to the City and a much higher service fee is charged by other counties providing a similar service.

Further investigation and discussion with Blair County is recommended prior to the expiration of the current agreement in December 2013.

### Financial Impact

2013	2014	2015	2016	Total
\$0	\$25,000	\$25,000	\$25,000	\$75,000

**FD08. Investigate the Feasibility of Starting a Student Intern Program**

**Target outcome:** Increased Available Manpower to meet NFPA Standard 1710 and OSHA regulation 29 CFR 1910.143 (g) (4)

**Four year financial impact:** (\$240,000)

**Responsible party:** Fire Department, Penn State Altoona Campus

The Department, as presently staffed, does not meet NFPA Standard 1710 or the OSHA regulation 29 CFR 1910.143 (g) (4) requirement at a working structure fire. In order to meet both standards the department would have to add a minimum of 4 firefighters, basically one per station. Based on a starting wage of \$48,000 and fringe benefit costs of approximately \$24,000, this would cost the City \$1,440,000 during 2013-2017. In close proximity to all of the Altoona Stations is the Penn State Altoona Campus. The Department should give serious consideration to an intern program that could be offered to students attending Penn State to supplement the existing manpower. The program could offer the following benefits to prospective students in turn for predefined services:

1. Housing at one of the stations at no cost to the student
2. Certifications in HazMat, FF1 and FF2, First Responder, and other programs at no cost to the student

In addition, the Department has the potential to work with these students at no cost during their school years. In the event the student pursues a career in Public Safety, the Department could recruit good candidates from the student pool which participated in the Intern Program. A rough estimate is that the Department could likely find 6-12 students within the Penn State/Altoona network who have some firefighting experience who would be interested in the housing and training offered by the Department in exchange for their services to supplement the existing staff. This could be a very cost effective way for the Department to add needed manpower and for the department to meet the NFPA and OSHA standard regulations. There would be a cost

for the program (assuming \$10,000 per intern per year for six interns or \$240,000 for the 2013-16 period), but it is less costly than hiring full time employees. Additionally, if these interns are to be residents then any improvements needed for housing or other facilities should be taken into consideration and further reflected in the capital budgeting requirements.

### **Financial Impact**

2013	2014	2015	2016	Total
(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)	(\$240,000)

**FD09. Review the City’s Standard Operating Procedures, Policy and Fee Structure for Fire Inspections**

- Target outcome:** Proactive Enforcement on Fire Inspections, Sharing of Services between Departments and Possible Increase in Revenue
- Four year financial impact:** Not available - An Increase in inspections fees should be realized
- Responsible party:** Fire Department, City of Altoona

The low level of revenue from Fire Inspections is an indicator that the Fire Inspector/Fire Investigator’s office could use help to plan and to execute Fire Inspections. It is believed that this office has recently had a personnel change and may actually have been vacant in the recent past, so an increase in inspections as well as inspection revenue may be realized in the not-too-distant future. The Department should investigate the feasibility of cross-training the fire and housing inspectors to accomplish the necessary work. The Department should also investigate the feasibility of using engine company personnel to perform certain basic inspections. The City’s Fee schedule for Fire Inspections should be reviewed and updated if necessary. This initiative not only has the possibility of increasing revenue but will also help the Department to become more proactive with a strong focus on prevention.

# Public Works Department

## Overview

The City of Altoona Public Works Department (PWD) performs the following functions:

### Streets and Bridges

PWD maintains, repairs and rehabilitates all streets and bridges in the City other than those owned by the Pennsylvania Department of Transportation, which has approximately 40 miles of streets and highways. PWD currently is responsible for 183 miles of streets and 39 bridges. In connection with streets, PWD maintains all traffic signals and street signage, plows snow, sweeps streets, and repairs all cuts in the City streets.

### Street Lighting

PWD maintains 3,000 streetlights and upgrades lighting, as funds are available. A small amount of traffic signal maintenance and other work is performed for Logan Township on a time and material basis.

### Fleet Maintenance

PWD maintains and repairs 237 vehicles on behalf of the City, 146 of which are licensed, and manages the fleet including procurement. PWD also performs maintenance for the Central Blair Recreation Commission on a time and material basis.

### Storm Sewers

PWD maintains and repairs all storm sewers in the city.

### Building Maintenance

PWD maintains, repairs, and performs minor improvements to 37 City buildings and structures.

### Parks

PWD currently mows and maintains 63 acres of City parks, some of which include structures.

### Engineering

PWD also has an engineering staff to manage property, issue permits, inspect work, and support other PWD functions.

### Seasonal Work

In addition to snow removal, PWD provides brush and leaf removal each Spring and Fall.

The PWD has 55 employees with the largest number of employees in the Streets and Bridge Maintenance group. The table below summarizes recent PWD staffing levels. Staffing levels have declined by 8 persons (-13%) over the last 5 years as a result of budget cutbacks. All but 6 employees are members of the collective bargaining unit.

<b>Category/Year</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Change #</b>	<b>Change%</b>
Streets & Bridge Maint	18	18	18	18	15	-3	-16.67%
Street Cuts	5	5	5	5	4	-1	-20.00%
Street Sweeping	1	2	2	2	2	1	100.00%
Sign Crew	2	2	2	2	2	0	0.00%
Street lighting and Electrical	5	5	5	5	5	0	0.00%
Fleet Maintenance	6	5	5	5	5	-1	-16.67%
Storm Sewers	7	7	7	7	7	0	0.00%
Building Maintenance	3	3	3	3	3	0	0.00%
Parks	6	5	5	5	3	-3	-50.00%
Engineering	8	7	7	7	7	-1	-12.50%
Director / Admin Asst.	2	2	2	2	2	0	0.00%
<b>Total Positions</b>	<b>63</b>	<b>61</b>	<b>61</b>	<b>61</b>	<b>55</b>	<b>-8</b>	<b>-12.70%</b>

## Finances

PWD is primarily funded from City General Fund revenues. The two most significant other sources are the PA Liquid Fuels Program and Street Cut fees. In 2011, these sources provided \$1,035,320 and \$345,000, respectively.

Personnel costs currently accounts for approximately 74% of the PWD budget. The 2011 PWD operating budget, including the General Fund and Liquid Fuels Funds (net of \$456,700 transfer to the General Fund) include expenses totaling \$3,778,000.

PWD has rudimentary Information Technology capabilities. PWD relies on other City departments for this function. That is limited, however, to a very basic GIS system. To date, only a portion of the PWD facilities have been digitized. There are no work management capabilities, automated record keeping, or asset management applications currently in place.

The following tables present both the historical and projected expenditures for the PWD which also includes the Engineering Department.

## Historical Expenditures - Public Works

Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Salary	2,026,140	2,035,411	2,082,558	2,186,699
Pension	113,450	45,608	55,688	242,003
Health Insurance	680,540	741,423	854,414	749,712
Overtime	58,215	63,199	68,255	48,941
Temporary Rate	61,366	61,157	52,877	36,469
Shift Differential	7,500	8,187	8,255	7,838
Vehicles	396,471	291,408	301,243	413,238
Utilities	160,610	153,133	151,930	170,484
Equipment	7,700	3,849	3,938	5,033
Training	2,394	3,143	4,891	2,120
Maintenance	61,617	68,102	732,214	104,675
Uniforms	1,645	1,520	1,741	2,214
Supplies	103,980	97,226	100,726	104,013
Professional Services	500	250	225	-
<b>Total</b>	<b>\$ 3,682,129</b>	<b>\$ 3,573,617</b>	<b>\$ 4,418,954</b>	<b>\$ 4,073,439</b>

## Projected Baseline Expenditures - Public Works

Category	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Salary	2,120,681	2,205,546	2,213,392	2,219,805	2,222,910
Pension	199,293	208,258	339,270	363,989	372,640
Health Insurance	581,864	623,091	682,698	748,446	820,965
Overtime	46,200	46,200	46,200	46,200	46,200
Temporary Rate	44,000	44,000	44,000	44,000	44,000
Shift Differential	9,100	9,100	9,100	9,100	9,100
Vehicles	433,000	491,910	506,667	521,867	537,523
Utilities	175,500	180,765	186,188	191,774	197,527
Equipment	5,000	5,150	5,305	5,464	5,628
Training	3,000	3,090	3,183	3,278	3,377
Maintenance	71,825	73,980	76,199	78,485	80,840
Uniforms	2,500	2,575	2,652	2,732	2,814
Supplies	137,250	141,368	145,609	149,977	154,476
Professional Services	1,000	1,030	1,061	1,093	1,126
<b>Total</b>	<b>\$ 3,830,212</b>	<b>\$ 4,036,063</b>	<b>\$ 4,261,523</b>	<b>\$ 4,386,208</b>	<b>\$ 4,499,125</b>

## Assessment

As a result of the City's financial distress, the PWD has not had sufficient resources to maintain its assets at a "best practices" level. For example, the normal vehicle replacement cycle for vehicles is six years. The current practice in Altoona, however, is a ten-year cycle except for police vehicles where a three-year cycle is followed. In that case, police vehicles are subsequently redirected to other City vehicle needs.

As a normal practice, streets should be resurfaced on a fifteen-year cycle to avoid accelerated deterioration, which occurs at an increasing pace after the fifteen years. Based on this criterion, the City should resurface approximately twelve miles of streets annually. Currently, PWD is resurfacing about five miles per year, which is below the current PWD goal of seven miles per year. If this procedure continues, streets will deteriorate to the point where major maintenance or even complete rehabilitation will be occurring at a much greater rate than routine maintenance.

The typical lifespan of a bridge is 100 years with regular maintenance. Altoona has no bridges of that age, but has three bridges that are 70 years or older. There does not appear to be any immediate bridge replacement needs.

## Initiatives

### PWD01. Upgrade Remaining Street Lights (1,800) to LEDs

<b>Target outcome:</b>	Reduced cost and energy efficiency
<b>Four year financial Impact:</b>	(\$90,000)
<b>Responsible party:</b>	Director of Public Works, Electrical Staff

Street lighting represents a significant expenditure for Altoona, currently totaling approximately \$250,000 (for utility costs) per year, which has been reduced as a result of a recent power supply contract. Commercially viable high quality LED outdoor lighting can reduce electricity consumption as well as re-lamping costs over the common conventional high-pressure sodium or metal halide lights. Twelve hundred streetlights in the downtown currently are either metered or have been changed to LED bulbs.

According to industry provided estimates, LED bulbs cost approximately \$400 per bulb, 10 times more than older style bulbs, however their lifespan is approximately five times longer than the current bulb (Although some industry vendors offer a longer warranty life - 50,000 hour warranties on bulbs and ten year warranties on fixtures). If all 1,800 of the remaining old style bulbs were replaced, the City would realize an annual power cost savings of \$113,400 (\$63 per bulb). The calculation below assumes changing out all of the bulbs in the first half of 2013, which for half the year should produce a corresponding savings of \$56,800. The change out is assumed to be financed out of pocket and includes only the incremental cost of the LED bulbs (\$400). The installation cost is assumed to be offset by the reduction in labor cost to replace the current bulbs or pole maintenance (two to three times in five years) in kind in coming years, at \$40 per bulb (\$72,000). In addition, there are also offsetting savings in reduced fixture replacement (5% of poles per year). Because the average life cycle of the LED bulbs is five years, 5 times the current bulb life, there will be additional replacement labor savings in future years beginning in 2018 and each five-year cycle thereafter. Over a five-year span, the replacement cost savings per LED bulb is estimated to be \$80 (2012 cost levels) or \$144,000 for all 1800 bulbs.

The table below summarizes the industry provided estimates of costs and savings outlined above, indicating a payback in approximately 4.5 years:

	2013	2014	2015	2016	Total	2017
Initial Cost	(720,000)				(720,000)	
\$63 per Pole Savings	56,800	113,400	113,400	113,400	397,000	113,400
Replacement Bulb Savings	28,800	28,800	28,800	28,800	115,200	28,800
Fixture Replacement Savings	15,000	15,000	15,000	15,000	60,000	15,000
Labor Offset	14,400	14,400	14,400	14,400	57,600	14,400
<b>Total</b>	<b>(605,000)</b>	<b>171,600</b>	<b>171,600</b>	<b>171,600</b>	<b>(90,200)</b>	<b>171,600</b>

Because funding for capital expenses has been extremely limited, Altoona should investigate funding arrangements for bulb change out that may be available from Commonwealth energy programs, Penn Electric or Energy Service Companies.

Exploring the implementation of next generation technologies in lighting can yield substantial energy reduction and operating efficiency, ultimately realizing significant savings. In order to maximize the opportunities for efficiency and savings related to outdoor lighting, according to industry recommendations, Altoona should also investigate:

1. Potentially reducing the number of lights necessary through more efficient distribution patterns (potentially reducing the 1,800 lights needed by as much as 50%) - this should be based on an assessment by one or more energy companies;
2. Securing manufacturer sourced conduit financing at debt rates that makes sense for full implementation in year 2013;
3. Securing Federal and/or Commonwealth grants and utility companies rebates and explore third party leasing structures in which tax incentives by the lessor are directly passed on to the municipality; and
4. According to industry representatives, the City should also evaluate and select emerging lighting technology, including photo sensors that can further reduce energy costs by dimming the light when full illumination is not necessary to provide more illumination per unit of power. This could also include lights that can be linked using Wi-Fi transmitters, GPS or SCADA technology. This will cut down the lifetime maintenance costs by immediately registering light failures and will also potentially unlock additional state and federal grants (public safety and natural disaster prevention funds).

### Financial Impact

2013	2014	2015	2016	Total
<b>(\$605,000)</b>	<b>\$171,600</b>	<b>\$171,600</b>	<b>\$171,600</b>	<b>(\$90,200)</b>

## **PWD02. Consolidation of Municipal Fleet Maintenance**

<b>Target outcome:</b>	Consolidation of City, County, Water Authority, School District and Township Fleet Maintenance
<b>Four year financial Impact:</b>	(\$30,000) (Preliminary figure, additional data needed from the other three governments.)
<b>Responsible party:</b>	Director of Public Works and other agency counterparts

Altoona and other governmental entities should consolidate all fleet maintenance operations. In addition to Altoona, other participating entities could include the Altoona Water Authority, Blair County, Altoona School District and Logan Township. Consolidating this function will provide staffing efficiencies and allow for standardization of vehicles, which will reduce parts and materials inventories and allow mechanics to better focus ongoing training and skill proficiency.

While detailed cost information from all entities is unavailable, based on available information, it is estimated that these governmental units, collectively, spend at least \$400,000 per year on vehicle maintenance. Economies from the consolidation of this function are expected to produce a 10% to 20% savings without accounting for elimination of duplicated garage facilities. This recommendation could be achieved in connection with an intergovernmental cooperation agreement among the governmental parties. The following estimate assumes a 2-year implementation period with a scale up of benefits from 10% to 20 % over the ensuing three years. Costs incurred in 2013 arise from planning the transition and in 2014 from moving the operation to a single facility with the necessary space and equipment.

### **Financial Impact**

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
<b>(\$50,000)</b>	<b>(\$80,000)</b>	<b>\$40,000</b>	<b>\$60,000</b>	<b>(\$30,000)</b>

## **PWD03. Upgrade GIS and Add Productivity Applications**

<b>Target outcome:</b>	Enhance utility of GIS and improve PWD productivity
<b>Four year financial Impact:</b>	\$15,000
<b>Responsible party:</b>	Director of Public Works, City IT Manager

Similar to the foregoing items, the governmental entities should consider developing a regional GIS capability and to share the cost among area communities. As an umbrella organization, the County or the regional planning agency would be the appropriate entity to organize and coordinate such an effort. Alternatively, a cooperative effort could be created via an intergovernmental cooperation agreement. While this would require an upfront investment to consolidate current GIS capabilities and allow distributed access to all participants, a joint effort should lead to a higher level of professionalism and a more robust database that can be shared more easily to facilitate area wide planning and operations. In addition, having a strong GIS foundation would facilitate the acquisition and use of operational applications to keep an electronic records database and improve management analysis and decision-making.

The following estimate assumes investment and training in year one and escalating productivity increases each year thereafter.

The Altoona Water and Sewer Authority will also benefit from the development of GIS. As such, the Altoona Water Authority may be an appropriate funding source for the GIS investment.

### **Financial Impact**

2013	2014	2015	2016	Total
(\$30,000)	\$5,000	\$15,000	\$25,000	\$15,000

**PWD04. Annually Increase PWD Service Fees**

- Target outcome:**                      Setting and maintaining fees to recover full cost of service, including overhead and management costs
- Four year financial Impact:**      See Revenue Chapter
- Responsible party:**                      Director of Public Works, City Council

PWD charges citizens and others for various services including repairing streets cuts and other permits and reviews. The City is considering raising fees for street cut and road opening permits in 2013, which should produce approximately \$41,000 in additional revenue. Similarly, increasing other permits and review fees would raise approximately \$3,500 of additional revenue.

As an ongoing practice, Altoona should review all fees annually and as needed when cost increase unexpectedly. For example, when petroleum product prices increase, street cut fees should be reviewed to assure they cover the costs of increased paving materials.

The table provided in Revenue initiative RE05 reflects the annual increased revenue (over the amount estimated to be collected in 2012) and reflects an assumed six percent annual increase for each year from 2014 through 2016. Since these are labor intensive services, doing so allows the City to not only cover the increase in prices paid for goods and services during the period but also the significant increasing costs of benefits for prior years when fees charged may not have kept pace with inflation. Please see Initiative RE05 in Revenue section for further reference.

**PWD05. Increase Street Repaving**

- Target outcome:**                      Avoid future road rebuilding costs which becomes necessary when resurfacing extends beyond 15 year lifecycle
- Four year financial Impact:**      (\$124,200)
- Responsible party:**                      Director of Public Works

Approximately 1/3 of Altoona’s streets (approximately 60 miles) require repaving and repairs to avoid advanced or full deterioration. Advanced deterioration will typically increase maintenance

costs by 2 to 3 times and full deterioration will result in a tenfold increase for complete street rebuilding. Normal repaving and repairs are typically adequate if accomplished every 15 years; beyond that, deterioration accelerates with full deterioration occurring every 25 years. If Altoona does not obtain additional funding to catch up on street repaving and repairs, its street deterioration will accelerate and lead to even greater cost to rebuild streets, likely within the next 10 years. Considering this consequence, the City needs to obtain additional capital funding. In addition to sources identified elsewhere, the City should consider issuing bonds or other debt to avoid the full-scale deterioration of City streets.

It is important to note that the proposed level of spending will allow work on only approximately 6 miles of additional streets over a five-year span, which is in addition to the 5 to 10 miles per year completed in recent years. Given that level of repaving and repairs, it will take between 6 and 10 years to address the current backlog, assuming that the work can be timed to avoid higher costs due to advanced deterioration. If additional funding beyond that recommended below can be obtained, the backlog can be addressed more quickly and the chances of accelerated deterioration can be diminished.

Savings from avoided road rebuilding costs (which are estimated to be 2 to 3 times the repaving expense) will more than offset increased repaving cost in the long term. Those savings would typically be realized in approximately 5 years after the repaving is done, at a level of \$920,000 to \$1,380,000 annually.

If the added annual repaving cost is financed over a 15-year period via borrowed funds at a 4% interest rate, the outlays during the 4-year budget period will total \$414,000, which is based on annual debt service of \$41,400 for each year of added repaving effort beginning in 2015. Refer to the Capital Improvement Plan chapter for currently planned funding of existing repaving plans.

Considering the relatively small annual outlays, annual needs could be combined with other City capital projects financings or financed on an interim basis via bond anticipation notes or loans until a more economical financial level is realized. In addition, bond anticipation financing should reduce the interest cost until permanent financing is issued.

### **Financial Impact**

2013	2014	2015	2016	Total
\$0	\$0	(\$41,400)	(\$82,800)	(\$124,200)

#### **PWD06. Salary Cost Reductions**

<b>Target outcome:</b>	Reduce PWD staff without substantially cutting the PWD level of service to the City
<b>Four year financial Impact:</b>	\$228,000
<b>Responsible party:</b>	Director of Public Works

Based on an examination of PWD staffing levels and functions, operational savings can be realized if seasonal employees or a private contractor staff the Parks Maintenance function, currently performed by four fulltime employees. If Parks work is conducted over an eight-month period commencing in mid-March and ending in mid-November with the first and last month staffed only by 2 employees, PWD can realize a 40% savings for this function. It is assumed that those employees would receive no employee benefits other than employer FICA contributions. Savings from elimination of other employee benefit costs would be in addition to the wage and FICA reductions reflected in the table below. Private contracting costs are assumed to provide comparable savings.

### Financial Impact

2013	2014	2015	2016	Total
\$57,000	\$57,000	\$57,000	\$57,000	\$228,000

**PWD07. Undertake a Study to Identify Improvements to the City’s Management of Its Rights of Way**

**Target outcome:** Develop an Appropriate Fee Structure for the Use of City Rights of Way by Telecommunications Companies and Cable Providers

**Four year financial impact:** Not Available

**Responsible party:** Director of Public Works and Solicitor

The City could potentially benefit from an improved plan for the management of its Rights of Way. Currently, the City’s Ordinances set forth a schedule of fees that must be paid in connection with “street openings,” i.e., cutting, tearing, or otherwise disturbing City Rights of Way.<sup>43</sup> The specified fees purport to compensate the City for the cost of repairing and repaving the Rights of Way after street openings. The Ordinance also allows the City Engineer to assess an additional fee in situations where an underground pipe or conduit is continuously installed.<sup>44</sup> However, the Ordinance does not apply to opening of Rights of Way to erect or replace telephone or electric poles.<sup>45</sup> As a result, it appears the City is not receiving any revenue for the use of its rights of way that do not involve street openings (i.e., overhead facilities, bridge occupancy, etc.).

Municipalities are permitted to assess fees for the use of their rights of ways by telecommunications carriers, as long as the fees are reasonable and cost based.<sup>46</sup> The City could develop a fee structure for the use of its overhead Rights of Way, but in order to do so the City must undertake an intensive analysis of the direct and indirect costs associated with its Rights of Way maintenance, including but not limited to administrative costs, street resurfacing

<sup>43</sup> See §§ 633-37 to 633-51 of City of Altoona Codified Ordinances

<sup>44</sup> See § 633-41 of City of Altoona Codified Ordinances

<sup>45</sup> See § 633-50 of City of Altoona Codified Ordinances

<sup>46</sup> Peco Energy Co. v. Township of Haverford, 1999 WL 1240941, 1999 U.S. Dist. LEXIS 19409 (E.D.Pa.1999)

costs, equipment costs, personnel costs, and street remediations. The City must also develop an appropriate fee schedule for the various types of utilities and communications providers utilizing its Rights of Way. Ideally, such a study would be performed by experienced professionals.

In April of 2011, the Blair County Intermunicipal Relations Committee received a proposal from the Cohen Law Group to conduct an analysis of the level of compensation that its member municipalities, including the City, could realize from their Rights of Way. The analysis would involve a full cost ascertainment study and legal review for the implementation of a Right of Way Ordinance.

Because of the significant revenue that could be realized from improved Right of Way Management, it is recommended that the City seek a grant to perform a Right of Way cost ascertainment study, and if feasible, develop a Right of Way ordinance which includes legally cost-supported Right of Way fees.

The PWD provides critical infrastructure and related services to residents and businesses. These initiatives will help create savings that can be used to upgrade technology, practices and, as a result, the quality of important City assets. While greater investment in street repaving has a short-term cost, it is much cheaper than rebuilding in the long-term.

# Department of Planning and Community Development

## Overview

### Organization and Operating Budget

The Department of Planning and Community Development is responsible for administering a range of planning, administrative, program management, and regulatory activities. The Department administers the City's federally funded housing and community development programs, including the Community Development Block Grant (CDBG), the HOME Investment Partnerships Program (HOME), and the Emergency Solutions Grant (ESG) programs. In addition, the Department staffs several city-related entities, including the Altoona City Planning Commission, the City's Zoning Hearing Board, the Altoona Redevelopment Authority, the City's Plumbing Board, Electrical Board, Code Appeals Board, and the City's Shade Tree Commission.

In support of city government operations, the Department of Planning and Community Development also conducts plan reviews and inspections of construction work in progress and issues contractor licenses. Certain responsibilities and associated staff positions had previously been part of the City's Department of Codes and Inspections but were reassigned to the Department of Planning and Community Development in 2011 (details of associated staff redeployment are provided in the Property Maintenance Inspection chapter). The Department also manages the City's geographic information systems (GIS) resources and handles related parcel-specific data management responsibilities. In addition, the Department manages the Altoona Transportation Center on behalf of the Redevelopment Authority.

The Department was staffed with sixteen full-time employees in the 2012-2013 program year. Most employees report to the Director, who reports to the City Manager.

Due to federal funding reductions, several positions have been eliminated or merged with other positions, and several vacant positions are not being filled. The current staff listing includes the position of Planning Administrator, but this position is not funded in the 2012 - 2013 program year. Six positions within the department are vacant (three inspectors, two clerical staff, and one demolition and repair worker), and only one of these positions is expected to be filled. The Housing Program Manager currently also serves as Deputy Director, previously a separate position.

In the 2012-2013 program year, the Department's operating budget was \$1,329,413, of which \$1,037,861 was allocated for salary and benefits expenses. Most of these expenses are funded through CDBG, HOME, and ESG. Salary and benefits expenses associated with zoning approvals, permit issuance, and other city government functions are funded with a total of \$440,893 from the City's operating budget. Positions partly or entirely funded by city and grant funds, respectively, are shown in the following table.

**Staff Positions and Funding Sources**  
**Department of Planning and Community Development**

<b>Position</b>	<b>% of Funding</b>	
	<b>City Budget</b>	<b>Grant Fund</b>
Director	50%	50%
Deputy Director/Housing Program Manager	-	100%
Housing Rehab Specialist/Labor Compliance	-	100%
Housing Rehab Specialist	-	100%
CDBG Program Manager	-	100%
Program Coordinator/Business Advocate/Land Development Specialist	95%	5%
Fair Housing Administrator	-	100%
Accounting Manager	-	100%
Zoning Officer	100%	-
GIS Technician	95%	5%
Clerical Associate II	65%	35%
Property Supervisor	-	100%
Demolition/Repair Worker	-	100%
Building Code Official/Inspector	100%	-
Clerical Associate III	100%	-

*Source: City of Altoona, Department of Planning and Community Development.*

After salary and benefit expenses are taken into account, the only significant line item in the department's 2012 – 2013 budget is \$175,632 in professional services expenses associated with the City's blighted property program.

The budgeted headcount for the department is shown below.

### Budgeted Headcount Department of Planning and Community Development

	2007	2008	2009	2010	2011
Director	1	1	1	1	1
Deputy Director	0	0	1	1	1
Financial Manager	1	1	1	1	1
Building & Construction Code Official	0	0	0	0	1
Planning Administrator	1	0	0	0	0
Administrator	0	0	0	0	0
Community Dev. Program Operations Coordinator	1	1	1	1	1
Planner II	1	1	1	1	1
Property/Program Coordinator	1	1	1	1	1
Housing Program Manager	1	1	1	1	0
ACT 94 Officer	0	0	0	0	0
Property Supervisor	0	1	1	1	1
CD Program Manager	1	1	1	1	1
Accounting Manager	0	0	0	0	0
Fair Housing Administrator	1	1	1	1	1
Housing Rehab Specialist	1	1	1	1	1
Lead Housing Rehab Spec./Labor Comp Officer	1	1	1	1	1
Accounts Payable	0	0	0	0	0
Clerical Associate III	1	1	0	0	0
GIS Technician	1	1	1	1	1
Demolition & Repair Worker	0	0	2	2	2
Clerical Associate I	1	1	1	1	1
Clerical Associate II	0	0	0	0	0
<b>Total</b>	<b>14</b>	<b>14</b>	<b>16</b>	<b>16</b>	<b>16</b>

Source: City of Altoona.

## Finances

The department's historical expenditures for 2008-2011 are shown in the following table.

### Historical Expenditures - Planning and Community Development

Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Salary (1)	529,207	646,423	676,299	691,840
Pension	23,840	11,294	13,791	67,223
Health Insurance	143,804	184,637	212,769	209,575
Equipment	-	881	-	-
Training	596	-	-	-
Fees	4,043	8,904	6,842	7,945
Professional Services	-	-	43,937	114,811
<b>Total</b>	<b>701,489</b>	<b>852,140</b>	<b>953,638</b>	<b>1,091,394</b>

(1) Salary includes gross department salaries, regardless of funding source.

## CDBG Program

The activities supported with the greatest expenditures of CDBG funds during the past five years are shown below. As indicated, the City's housing rehabilitation program for homeowner-occupants and the demolition of blighted properties have remained consistent priorities. It is noteworthy that, in four of the five years shown, less than twenty percent of total expenditures supported program administration, for which HUD permits an allocation of up to twenty percent of the CDBG award for a particular year. This data suggests that, although the full twenty percent may have been budgeted in a particular year, it was not spent, perhaps due to vacancies or downsizing.

It should be noted that CDBG funds are federal grant funds for specific and eligible purposes and are a separate fund of the city not included in the City's General Funds. As such, CDBG funds are not included in General Fund historical or projected spending other than certain transfers to the General Fund to reimburse the City for certain personnel. As a result the CDBG fund is in addition to the Department's General Fund Operating budget.

### Major CDBG Expenditures by Category, 2007-11

Year Ended	Activity	% of Total Annual Expenditures
June 30, 2011	Rehab; Single-Unit Residential	22%
	Program Administration	20%
	Clearance and Demolition	16%
	Parks, Recreational Facilities	13%
	Crime Awareness	12%
June 30, 2010	Rehab; Single-Unit Residential	21%
	Clearance and Demolition	16%
	Crime Awareness	15%
	Program Administration	16%
June 30, 2009	Rehab; Single-Unit Residential	20%
	Clearance and Demolition	16%
	Sidewalks	16%
	Program Administration	18%
June 30, 2008	Clearance and Demolition	20%
	Rehab; Single-Unit Residential	18%
	Program Administration	15%
June 30, 2007	Financial Assistance to For-Profit Businesses	25%
	Fire Stations/Equipment	16%
	Program Administration	15%
	Rehab; Single-Unit Residential	13%

Source: U.S. Department of Housing and Urban Development, "CDBG Expenditure Reports Pennsylvania" at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/budget/disbursementreports/pa](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/budget/disbursementreports/pa).

The table below compares Altoona’s expenditures in the year ended June 30, 2011 with those of four other Pennsylvania cities. During that year, three of the four other cities spent a higher percentage of their CDBG funds on property acquisition and demolition than Altoona. During this year, Bethlehem chose to spend nearly half its CDBG funding on economic development activities, while the other cities spent little or nothing in support of this activity. Notwithstanding the substantial reductions in CDBG funding, a city’s ability to use CDBG funding to support an activity—such as economic development—that may be a priority in a particular year remains an important feature of this program.

### **CDBG Expenditures for Selected Cities Year Ended June 30, 2011**

Expenditure Category	Percent of Total Fiscal Year Expenditures				
	Allentown	Altoona	Lancaster	Bethlehem	Johnstown
Administration / Planning	15	20	17	9	36
Acquisition/Demolition	18	16	19	2	20
Economic Development	2	0	1	42	15
Housing	53	25	22	13	48
Public Facilities	3	27	32	22	-22
Public Services	9	12	8	10	3
Other	-	-	1	-	-
<b>FY 2012 CDBG Funding</b>	<b>\$1,944,554</b>	<b>\$1,460,799</b>	<b>\$1,403,334</b>	<b>\$11,196,074</b>	<b>\$1,189,845</b>

Source: U.S. Department of Housing and Urban Development, “CDBG Expenditure Reports” at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/budget/disbursementreports](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/budget/disbursementreports)

HUD records a “timeliness ratio” as part of an individual Performance Profile posted for each CDBG grantee. The ratio is the amount of unexpended funds (including unexpended funds from the current program year as well as prior program years) as a percent of the total CDBG funding award for the current program year. Because some CDBG-supported activities, such as housing development, may take longer than a year to complete and because the contract period for most sub-recipients of CDBG funding (such as nonprofit or service organizations) does not coincide precisely with the HUD program year, the timeliness ratio for most CDBG grantees exceeds 1; that is, for most municipalities, counties, and states that receive CDBG funds, the amount of funding in the grantee’s line of credit with HUD exceeds the grantee’s current-year CDBG award.

HUD may recapture funds from grantees with timeliness ratios exceeding 1.5, and HUD has emphasized the need for grantees to monitor expenditures in order to avoid recapture of funds.

The table below shows timeliness ratios for Altoona for the past five years in which data is posted on the HUD web site, along with national averages for three of these years. As shown, the City’s ratio is well below the national average, with successive improvements in the most recent four years. A timeliness ratio of less than one is a significant achievement.

## City of Altoona CDBG Timeliness Ratios for Selected Program Years

Unexpended Funds as Percent of Annual Allocation	Year Ending				
	Jun-2006	Jun-2007	Jun-2008	Jun-2010	Jun-2011
City of Altoona	1.06	1.22	1.14	0.89	0.81
National Average	1.28	1.42	1.42	-	-

Source: U.S. Department of Housing and Urban Development, "CDBG Performance Profiles" at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/library/histperfpro09](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/library/histperfpro09).

### HOME Program

The City's performance in the expenditure of HOME Investment Partnerships (HOME) program funds has also been consistently strong. The "snapshot" performance data taken for each of the past three years, shown in the table below, indicates that Altoona's performance was close to that of the state average (calculated to record the performance of Altoona and 29 other Pennsylvania recipients of HOME funds) with respect to the percentage of funds committed and funds disbursed in each of these years. Because Altoona's relatively low rent levels make the city a less likely candidate for Low Income Housing Tax Credit financing of rental development ventures than other Pennsylvania cities, Altoona's leveraging ratio is substantially lower than the state average. The statewide average is influenced by the higher rent levels existing in other Pennsylvania cities and of the substantial leveraging of funds associated with the Low Income Housing Tax Credit program, and is not indicative of below-average performance on the part of the City of Altoona. Altoona's disbursements to Community Housing Development Corporations (CHDOs) were substantially better than the state average, reflecting both the efficiency of Altoona's management of HOME funds designated for CHDOs as well as the fact that only one CHDO organization—Improved Dwellings for Altoona, Inc. (IDA) exists in Altoona, in contrast to other cities that have multiple CHDOs.

### City of Altoona HOME "Snapshot" Rental Production Data 2nd Quarter 2010, 2011, 2012

	% of Funds Committed	% of Funds Disbursed	Leveraging Ratio for Rental Activities	Completed CHDO Disbursements as % of all CHDO Reservations	HOME Cost per Rental Unit
<b>2<sup>nd</sup> Quarter 2010 Snapshot</b>					
Altoona	97.74%	93.71%	1.58	75.23%	\$9,743
State Average	96.29%	90.72%	5.02	69.64%	\$19,879
Altoona Rank (of 30)	13	10	25	16	
<b>2<sup>nd</sup> Quarter 2011 Snapshot</b>					
Altoona	96.06%	94.05%	1.38	93.25%	\$10,157
State Average	99.45%	95.34%	5.18	72.60%	\$20,239
Altoona Rank (of 30)	28	18	26	5	
<b>2<sup>nd</sup> Quarter 2012 Snapshot</b>					
Altoona	92.87%	89.72%	1.38	93.25%	\$10,158
State Average	92.85%	89.46%	5.52	79.88%	\$20,766
Altoona Rank (of 30)	20	15	26	7	

Source: U.S. Department of Housing and Urban Development, "Snapshot of HOME Program at Performance" <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/snapshot/2q10/index.cfm?st=pa>.

## ESG Program

The City has used annual Emergency Solutions Grant (ESG) awards to provide funding to local and countywide agencies that provide shelter and transitional housing, manage homelessness prevention programs (e.g., provision of short- and medium-term rental assistance, assistance with security deposits, down payments, utility payments, and moving costs), as well as services to special-needs populations, such as individuals with disabilities and victims of domestic abuse.

## Funding Resources

Like other municipalities, the City of Altoona has experienced substantial reductions in federal funding available through CDBG, HOME, and ESG, as shown on the following table.

### Funding Awards for CDBG, HOME, ESG Federal Fiscal Years 2008 -2012

Federal Fiscal Year	CDBG	HOME	ESG	Total	% Change From Prior Year
2008	\$ 1,973,724	\$ 406,984	\$ 88,419	\$ 2,469,127	
2009	\$ 2,004,418	\$ 452,600	\$ 87,877	\$ 2,544,895	3.07%
2010	\$ 2,173,639	\$ 451,313	\$ 87,884	\$ 2,712,836	6.60%
2011	\$ 1,814,550	\$ 398,614	\$ 137,598	\$ 2,350,762	-13.35%
2012	\$ 1,460,799	\$ 250,137	\$ 157,135	\$ 1,868,071	-20.53%

Source: U.S. Department of Housing and Urban Development, "Community Development Allocations and Appropriations" at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/budget](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/budget).

An additional resource for funding community development activities is program income, which, in Altoona, has been generated from two sources: loan repayments to an Economic Development Loan Fund and loan repayments to the revolving loan fund for the Single Family Homeowner Program. In recent years, the level of program income has declined, and this decline has been influenced by the growing availability of private debt at lower interest rates and by funding reductions for other programs that previously provided leveraging opportunities for the City.

## City of Altoona Program Income, 2006-2012

2006	\$604,374
2007	\$603,527
2008	\$454,959
2009	\$458,982
2010	\$404,794
2011	\$335,000
2012	\$250,000

Source: U.S. Department of Housing and Urban Development, "CDBG Performance Profiles" at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/library/histperfpro09](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/library/histperfpro09).

## Revenue Sources Related to Community Development

Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Budget
Business Privilege Licenses	96,865	39,827	84,285	77,426	84,900
Building Permits	98,968	190,895	254,650	102,562	110,000
Rental Inspection Fee	173,850	166,810	205,720	240,005	251,906
T.V. Cable Contract Fee	515,784	524,997	522,069	520,022	530,000
All Other Licenses, Permits & Fees	291,256	399,413	423,189	495,790	409,629
<b>Total</b>	<b>\$ 1,176,723</b>	<b>\$ 1,321,942</b>	<b>\$ 1,489,913</b>	<b>\$ 1,435,805</b>	<b>\$ 1,386,435</b>

In the Action Plan submitted to the U.S. Department of Housing and Urban Development (HUD) for 2012 – 2013, the City proposed the following uses of CDBG, HOME, and ESG funds. HUD requires applicants for funding to quantify anticipated “accomplishments,” in terms of people served, housing developed or improved, and facilities developed or upgraded; the accomplishment metric for each activity is shown in the three right-hand columns.

## Funding Allocations and Accomplishment Types/Units Program Year 2012 (July 2012 - June 2013)

Program	CDBG	Accomplishment Type / Units		
		People	Housing	Facilities
Planning and Community Development Admin.	342,159.80			
Single Family Homeowner Rehabilitation	421,295.01		10	
Safe Housing/Healthy Living	69,446.42	13,187		
Blighted Property Program	339,578.00		20	
Street Resurfacing	157,000.00	6,047		
Lloyd Street Curb and Sidewalk Installation	100,000.00	948		
ADA Ramps Upgrade	16,000.00			5
Neighborhood Police Patrol	265,319.77	19,682		
<b>CDBG Totals</b>	<b>\$ 1,710,799.00</b>	<b>39,864</b>	<b>30</b>	<b>5</b>
	<b>HOME</b>	<b>OTHER</b>		
HOME Program Administration	24,976.40			
HOME Rental Rehabilitation Program	130,000.00		8	
IDA-CDC Altoona Evergreen Manors, Sec I	32,000.00		85	
IDA-CDC Homeownership Program	38,160.60	153,000.00	1	
Habitat for Humanity 2012 Build Project	25,000.00	50,000.00	1	
<b>HOME Totals</b>	<b>\$ 250,137.00</b>	<b>\$ 203,000.00</b>	<b>95</b>	
	<b>ESG</b>	<b>OTHER</b>		
ESG12 Administration	11,785.00			
ESG12 Homeless Prevention	68,315.00	519,000.00	30	
ESG12 Shelter	72,675.00	437,949.00	537	
ESG12 Data Collection (HMIS)	4,360.00		32	
<b>ESG Totals</b>	<b>\$ 157,135.00</b>	<b>\$ 956,949.00</b>	<b>599</b>	

Source: City of Altoona, Third Program Year Action Plan, Program Year 2012, July 1, 2012 – June 30, 2013.

The Commonwealth of Pennsylvania has not funded programs administered by the Department of Planning and Community Development. However, Altoona has received substantial awards of state program funding for economic development activities, primarily through programs for which the Altoona Blair County Development Corporation serves as fund manager or applicant, working in coordination with the City. These funding awards are detailed in the Economic Development section.

## Projected Expenditures – Planning and Community Development

Category	2012	2013	2014	2015	2016	2017
	Budgeted	Projected	Projected	Projected	Projected	Projected
Salary (1)	598,555	617,327	617,660	618,212	619,345	619,600
Pension	57,332	59,911	97,600	104,711	107,200	109,689
Health Insurance	216,127	230,939	252,987	277,307	304,131	333,719
Equipment	800	824	849	874	900	927
Training	2,000	2,060	2,122	2,185	2,251	2,319
Fees	8,500	8,755	9,018	9,288	9,567	9,854
Professional Services	91,000	93,730	96,542	99,438	102,421	105,494
<b>Total</b>	<b>974,314</b>	<b>1,013,546</b>	<b>1,076,777</b>	<b>1,112,016</b>	<b>1,145,816</b>	<b>1,181,602</b>

(1) Salary includes gross department salaries, regardless of funding source.

## Assessment

### Administration of Federal Funds

As indicated by the HUD performance reporting summarized in the preceding section, the City has fulfilled its obligations with respect to the administration of CDBG, HOME, and ESG funds, in some cases surpassing the performance of its counterparts on a state and national level. The programs are managed efficiently, and the City has already pursued the best opportunities for reducing associated overhead costs.

Based on a review of the performance data and the contents of the City’s FY 2013 Annual Action Plan, published by the Department of Planning and Community Development, presented below is a potential opportunity for improvement in connection with the CDBG and HOME programs.

- In general, CDBG- and HOME-funded housing programs are efficiently managed, produce results on time, and, for the most part, leverage other funding resources. One exception that is small but worth further consideration is a commitment of \$25,000 to the Habitat for Humanity 2012 Build project, which will support the construction of one single-family house. According to program detail, this commitment will be combined with \$40,000 in prior year funding (for a total public commitment of \$65,000) and \$10,000 in private funding. In light of federal funding reductions and the need to make resources available to upgrade the city’s deteriorating existing housing stock, the City should consider discontinuing future funding for new housing construction (except in any instance in which there may be an opportunity to leverage outside funds in an amount greater than the City commitment) and encourage housing development organizations to focus on the rehabilitation of vacant structures or the repair of occupied properties.

### Management of City-Funded Activities

The Department’s elimination of staff positions and deferral of hiring to fill staff vacancies has left it badly equipped to fulfill its responsibilities for city government operations, including 1) inspections and code enforcement associated with building projects (as opposed to the

property maintenance code responsibilities handled by staff that currently report to the City Manager); 2) contractor licensing, zoning, subdivision, and land development proposals and related code enforcement; 3) staffing the Planning Commission, Redevelopment Authority; 4) managing GIS resources and completing related assignments; and 5) conducting long-range planning.

The first two areas of responsibility are the most important, in part because they are most closely linked to the potential for generating increased revenue through fees, fines, and permitting and licensing charges.

## Performance Management

The Municipalities Financial Recovery Act Financial Plan completed for the City of Reading in 2010 established performance management data points for the City's Community Development Department, to be tracked on a monthly basis. The following comparable data points associated with Altoona's performance are currently accessible for use in performance assessments.

- Cost per project managed (for CDBG, HOME, and ESG).
- Percent of allocated funds expended (for CDBG, HOME, and ESG).
- Percent of projects completed within budget (for CDBG, HOME, and ESG).
- Average project completion time in months (for CDBG, HOME, ESG).
- Percent of existing plans reviewed or updated as scheduled.

The following activities are contracted out to MDIA, and these data points are not currently accessible in Altoona.

- Average number of calendar days to issue a commercial building permit.
- Average number of calendar days to issue a residential building permit.
- Average number of calendar days to complete initial plan review (by type of application).

The remaining data points are associated with activities that, in Altoona, are not being recorded, for the reasons indicated in italics below. Some of these data points do not appear to be relevant to departmental performance; others (indicated with an asterisk) should be recorded and made part of ongoing performance management assessments.

- Cost per plan review completed.\*

*Electrical, plumbing, and mechanical review fees established through City contract with MDIA; the remainder—the Department's in-house plan review expenses—would be relatively low.*

- Average number of calendar days to complete initial plan review, by type of application.\*

*MDIA's participation in plan review does not currently involve time-of-performance commitments on MDIA's part.*

- Cost per zoning inspection completed.\*  
*Zoning inspections not currently performed.*
- Cost per inspection completed.  
*Records not kept; cost likely to be relatively low.*
- Percent of zoning permits issued at time of initial meeting.  
*Records not kept; this metric may reflect applicant's readiness rather than departmental performance.*
- Cost per inspection completed, by trade.\*  
*Fees established through City contract with MDIA; the remaining departmental expenses would be relatively low.*
- Number of inspections completed per FTE, by trade.\*  
*Same as above.*

The starred data points are particularly important because of the need for these City-related activities to sustain themselves, through a system in which the level of revenue generated by fees and permits is sufficient to fund the cost of related plan reviews and inspections. This issue is discussed more fully in the next section.

## Initiatives

### CD01. Increase the Surcharge for City Administration of MDIA Inspections

<b>Target outcome:</b>	More efficient resource allocation and improved cost accounting
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	Director of Planning and Community Development

The City currently charges a five percent surcharge to support costs associated with the administration of contracted services performed by MDIA. The surcharge should be raised to twenty percent, the level charged for comparable services in Logan Township.

### CD02. Adopt Performance Metrics for Plan Review/Inspections

<b>Target outcome:</b>	More efficient resource allocation and improved cost accounting
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	Director of Planning and Community Development

In order to ensure that plan review and inspection activities are most effective, the City should establish performance metrics—particularly for activities performed by MDIA—so that the true cost of administering a reliable planning, development, and zoning review and inspection process can be determined. Performance reports should be completed on a monthly basis and should include the following metrics.

- Cost per MDIA plan review completed.
- Average number of calendar days to complete initial plan review, by type of application.
- Cost per zoning inspection completed.
- Percent of zoning permits issued at time of initial meeting.
- Cost per MDIA inspection completed, by trade.
- Number of MDIA inspections completed per FTE, by trade.

**CD03. Create a Business Plan for Plan Review/Inspections**

<b>Target outcome:</b>	Reliable, consistent enforcement of planning, building, and zoning standards
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	Director of Planning and Community Development

The City’s enforcement of Uniform Construction Code and Altoona Planning Code provisions relating to land development, zoning, and building inspections, is slow, inconsistent, and too frequently complaint-driven. In some instances, delays in scheduling the inspection of work in progress are so protracted that, by the time the inspector arrives at the site, the work has been completed.

In order to regulate development and ensure that construction and plans reuse plans are of high quality, the department needs to establish a business plan that quantifies the demand for inspection and enforcement services in advance and identifies the staff support needed to address this demand. The increased surcharge recommended in CD01 will help support some of the additional expense associated with the implementation of such a plan, and the performance metrics recommended in CD02 will provide an information base upon which a realistic plan can be organized.

**CD04. Target Community Policing to Downtown-Area Neighborhoods, With Leveraging of Our Town Resources**

<b>Target outcome:</b>	Improving public safety perceptions of downtown and adjacent neighborhoods
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	Director of Planning and Community Development, Police Chief

Community Development funding used to support community policing should be targeted to neighborhoods adjacent to and near the downtown business district, including the Lower Fairview area, in order to reinforce planned downtown improvements and improving the marketability of real estate in neighborhoods surrounding downtown.

A strategy for downtown-area neighborhood policing should be developed in coordination with Our Town, and opportunities to leverage Our Town resources in support of this initiative should be pursued.

**CD05. Fund Infrastructure Improvements in Areas Selected for Targeted Neighborhood Improvement Strategies**

**Target outcome:** Targeting the allocation of available resources in order to produce greater impact

**Four year financial impact:** Not Available

**Responsible party:** Director of Planning and Community Development

Federally-funded infrastructure improvements for which funds are budgeted in the Annual Action Plan should be targeted to neighborhoods in which other targeted neighborhood improvement initiatives, such as the property maintenance inspection strategy described in PMI05, are being undertaken. Infrastructure repair and replacement in these neighborhoods will reinforce blighted property improvement/removal activities and increase the prospects for attracting additional investment to these neighborhoods.

**CD06. Promote Neighborhood Planning in Areas Targeted for Comprehensive Property Maintenance Inspections and Code Enforcement**

**Target outcome:** Creating and strengthening government/ neighborhood collaboration in removing and preventing blight and advancing improvement initiatives

**Four year financial impact:** Not Available

**Responsible party:** Director of Planning and Community Development

Although the City no longer has a full-time planner on staff, opportunities to undertake basic neighborhood planning and establish strong, ongoing working relationships with community constituencies in support of mutual interests should be pursued. The focus of initial neighborhood planning activities should be property maintenance inspections (through the adoption of the initiatives described in the Property Maintenance Inspection section below), and the best neighborhood in which to undertake these activities is Lower Fairview, in coordination with The Nehemiah Project and Altoona Regional Health Services.

Neighborhood planning in this area, and in others where this approach is subsequently pursued, should be 1) targeted to a relatively compact area consisting of a few square blocks, in order to ensure that proposed activities are feasible and achieve desired impacts, and 2) made part of the overall business plan recommended in CD03.

# Housing

## Overview

### Relationship Between Housing and Economic Development

Because of the importance of stabilizing and strengthening downtown and neighborhood real estate markets, housing should be considered a critically important element of the city's overall economic development strategy. For reasons described in the Economic Development chapter, some of the most frequently recommended "textbook" strategies to support retail, industrial, and office development (e.g., "Market large cleared parcels for new construction projects," "Create managed development districts supported by special taxes levied on owners of properties within district boundaries") are not feasible in Altoona. Certain housing-related opportunities, in contrast, are feasible and can be implemented during the five-year period for which this plan was designed.

Altoona's housing strategy for this five-year period should be based on the following assumptions.

1. The biggest potential opportunities are in the rental housing market, not the sales housing market, and these opportunities involve quality, market-rate rental housing—meaning rental housing that is not income-restricted—or, in some instances, mixed-income housing, in which income-restricted units are combined with market-rate units in a single development.
2. The downtown area and blocks adjacent to or near the downtown area are the places where rental housing development and improvement activities are likely to produce the best results.
3. The most immediate opportunities for success in the housing market involve the renting of existing units, upgraded units, or newly developed units to young adults, particularly college students. As these opportunities are pursued, it is essential that housing and zoning codes be consistently enforced in order to prevent overcrowding and reduce the risk that some rental properties will become nuisances.
4. If this initial marketing of existing, improved, and new rental housing is reasonably successful and if the downtown is perceived as safe and well-maintained, then the potential housing consumer base may expand to include young-adult professional and service workers, particularly those associated with Penn State and Altoona Regional Health System.
5. To the extent that downtown-area population density begins to increase as a result of the successful marketing of rental housing units, the potential for retail development begins to grow. For the most part, in terms of a five-year perspective, this potential is limited to eating and drinking places.
6. To the extent that these activities prove successful, a potential opportunity to develop and market loft or condominium units for owner-occupancy may begin to emerge.

However, this potential may not be achieved in the short- or mid-term. For the next five years, the focus should be on producing and renting a critical mass of quality rental housing in and near the downtown area.

Altoona's housing strategy should not focus exclusively on the city's downtown and immediate surroundings. The city should also find the most effective, most economical ways to upgrade the aging, deteriorating housing stock that can be found in Altoona's older neighborhoods through a combination of code enforcement and incentives for property improvement. Related initiatives are described in the Community Development and Property Maintenance Inspection chapters.

## **Perceptions of Housing in Altoona**

During the discussion forums scheduled as part of the comprehensive planning process being completed during 2012, the blighted condition of private properties and public spaces in Altoona neighborhoods was one of two most frequently cited negative characteristics of the city.

## **The Sales Housing Market**

The Federal Housing Finance Agency (or FHFA, the federal agency that oversees Fannie Mae, Freddie Mac, and the Federal Home Loan banks) reported that, during the first quarter of calendar-year 2012, the house price index for FHFA transactions in the Altoona metropolitan area increased by 3.0 percent over first-quarter 2011 (the house price index includes purchase-only prices and does not include refinancing appraisal prices). During the same period, the house price index for FHFA transactions declined in all eastern Pennsylvania metropolitan areas. The State College metro area experienced an increase of 1.27 percent, and Williamsport experienced an increase of 3.94 percent. (Federal Reserve Bank of Pennsylvania Research Department, "HOUSE PRICES: FIRST QUARTER 2012, *Regional Economic News*, May 24, 2012).

Although these results were probably most influenced by higher-value transactions involving properties outside the City of Altoona proper, this evidence of the growing market strength of the region relative to other areas of the state is noteworthy.

A closer look at key Altoona housing market characteristics is provided in the May, 2012 publication, *In Philadelphia's Shadow: Small Cities in the Third Federal Reserve District*. Author Alan Mallach presents a compilation of housing market indicators in Altoona and other small cities.

## Housing Market Data for Small Cities

	Changes in Sales Volume, 2006-2009		Ratio Of Single-Family Properties To Home Sales (2009)	Housing Vacancy Rate (2010)	Housing Vacancy Rank
	City	County			
Allentown	-55%	-47%	13.9	8.80%	3
<b>Altoona</b>	<b>-57%</b>	<b>-67%</b>	<b>31.8</b>	<b>8.90%</b>	<b>4</b>
Bethlehem	-30%	-22%	22.6	5.90%	1
Camden, NJ	-65%	-53%	34.2	13.70%	10
Chester	-59%	-40%	16.3	15.20%	13
Harrisburg	-46%	-37%	13.5	15.10%	12
Lancaster	-47%	-38%	15.6	6.80%	2
Reading	-47%	-33%	11.7	12.40%	7
Scranton	-38%	-44%	34.5	11.20%	5
Trenton, NJ	-60%	-51%	16.6	13.50%	9
Wilkes-Barre	-67%	-62%	22.6	13.90%	11
Wilmington, DE	-51%	-48%	28.5	12.80%	8
York	***	***	14.6	12.10%	6

Source: Alan Mallach, *In Philadelphia's Shadow: Small Cities in the Third Federal Reserve District*, Federal Reserve Bank of Philadelphia, May, 2012, from U.S. Census, American Community Survey, Boxwood Means, The Reinvestment Fund.

This table illustrates Altoona's favorable position in the housing market relative to that of other small cities in Mid-Atlantic States. Altoona is the only one of the thirteen cities shown in which the decline in sales volume between 2006 and 2009 occurred at a lower rate in the city than in the county in which it is located. Altoona also has the fourth-lowest vacancy rate of the cities shown; the vacancy rates for Chester and Harrisburg are nearly twice that of Altoona's.

Commenting on the "Change in Sales Volume" percentages, Mallach states that an annual rate of one sale for every fourteen to seventeen properties indicates a "reasonably complete absorption of the housing stock coming on the market." Mallach suggests that the lower demand shown for Altoona relative to the other cities "reflects the continued weak economic conditions and population loss at the regional level but may also reflect a more stable population and a lower level of activity needed to absorb homes coming on the market."

Mallach also found that, of the thirteen cities, Altoona had the highest percentage of single-family units (75%)—reflecting the city's high level of homeownership—and that Altoona was one of only three of these cities that had experienced an increase in homeownership between 1950 and 2010 (Mallach, p. 44).

A November, 2011 *Market and Real Estate Analysis* prepared for 4ward Planning as part of the firm's completion of the new comprehensive plan for Altoona identifies the median sale price for all homes in the city as \$69,000 in first-quarter 2010, an increase from the first-quarter 2009 median sale price of \$59,000. Comparable figures shown for Blair County are \$86,700 in 2010 and \$90,133 in 2009 (4ward Planning LLC, *Market and Real Estate Analysis: Altoona Comprehensive Plan* November 22, 2011, p.51).

In interviews conducted in preparation for the recovery plan, individuals knowledgeable about the city's real estate market indicated that a typical house in Altoona is marketable for about \$60,000, with the top of the market at as much as \$150,000 for a relatively small number of newer, larger, well-located houses. According to these sources, many houses in surrounding

areas sell for more than \$150,000, with the most expensive houses in the region selling for \$2 to \$2.5 million.

Most of Altoona's housing stock is estimated to be more than a half-century old. According to the 2010 American Community Survey, 33.0 percent of the city's housing was built in 1939 or earlier, 19.7 percent was built between 1940 and 1959, and 23.2 percent was built between 1960 and 1979 (U.S. Census, 2010 American Community Survey, 1-Year Estimates).

The conclusions that can be drawn from this information as it relates to the recovery plan are that Altoona has a relatively strong but relatively low-priced sales housing market, consisting in large part of an inventory of older homes, many of which are likely to be in need of repair or improvement. The market is not strong enough to support any significant new construction, and no cleared parcels of sufficient size are available for a major new housing development that could take advantage of economies of scale. During the coming years, the City will have to continue to be concerned about monitoring the condition of the existing housing stock and about making use of available resources and regulatory powers in order to ensure that older housing inventory is maintained in compliance with codes and that housing that is obsolete or that presents a safety hazard is demolished.

## **Rental Inventory and Rental Housing Trends**

The City has licensed about 6,000 rental units, and each of these units is inspected once every three years, as described in the Property Maintenance Inspection chapter. According to census estimates, the estimated median gross rent (i.e., contract rent plus utilities) for Altoona in 2009 was \$493.

The American Community Survey data reported in the preceding section does not distinguish between sales and rental housing, and the implications of this data with respect to the need for the repair and upgrading apply to rental as well as sales housing. The City has recognized this need and has responded to it by making a substantial commitment of federal HOME funds to support a rental rehabilitation financing program administered by the Department of Planning and Community Development. In the current program year, \$130,000 in HOME funds is budgeted for this purpose, with a goal of financing the rehabilitation of eight units (financing is subject to a 50/50 match of owner funds). Current demand for the program exceeds available funding.

A substantial amount of Altoona's rental housing inventory—more than 1,000 units--consists of subsidized housing, as shown in the following table.

## PHFA-Financed Housing in Altoona

Name	Address	No. of Units
Altoona Evergreen Manor I	5908-30 Evergreen Court	85
Altoona Housing/Keyland	10th, 11th, and 12th Avenue	21
Blair Tower (elderly)	1600 8th Avenue	100
Charles E. Wolf Apartments (elderly)	1501 11th Avenue	90
Cherry Grove	400 East Walnut Avenue	76
Harmony House	1911 5th Street	12
IDA Towers (elderly)	1010 12th Street	126
Keith Hill Top Terrace (elderly)	1318 19th Avenue	53
Lexington Park	331 22nd Avenue	24
Logan Hills Apartments	1201 South 27th Street	212
Marian House Manor (elderly)	1408 4th Avenue	22
Penn Alto	1130 13th Avenue	150
Station Square Apartments (elderly)	807 13th Street	40
Small/Scattered-Site Properties		11
<b>Total</b>		<b>1,022</b>

*Source: Pennsylvania Housing Finance Agency*

Of the thirteen buildings identified above, four are financed through the Low Income Housing Tax Credit: Charles E. Wolf Apartments, Keith Hill Top Terrace, Lexington Park, Penn Alto, as are all of the eleven small/scattered-site properties. On a statewide basis, PHFA staff has worked with rental property owners and municipal governments to explore refinancing options as needed to sustain tax credit housing and other subsidized housing following the end of the compliance period during which the housing is required to be maintained as a resource for low- and moderate-income tenants. A review of the current status of these sites with PHFA staff would be worthwhile.

The need to devote attention to the maintenance and repair of subsidized rental housing is recognized by the City and by Altoona's largest owner of this type of housing, Improved Dwellings for Altoona, Inc. (IDA). Much of IDA's activity in recent years has focused on upgrading the condition of its existing inventory rather than planning for new development. In the current program year, for example, IDA obtained City approval for a commitment of \$32,000 in HOME funds to support water service repairs at IDA's Altoona Evergreen Manor site.

### Market-Rate Rental

While continuing to devote priority to maintaining existing rental housing in decent condition, the City can now focus more attention on opportunities to encourage the development of privately-financed, market-rate rental housing in and near the downtown area, through the upgrading of existing rental units and the development of vacant or under-used space, in some instances through the adaptive reuse of older nonresidential buildings.

The November, 2011 *Market and Real Estate Analysis* completed by 4ward LLC as part of the comprehensive planning process describes Penn State's current and proposed investment in the downtown area, citing the potential for the University's activities to serve as a catalyst for

other downtown development, and includes a quote from Chancellor Bechtel-Wherry about the University's critical need for additional off-campus housing. Although privately owned rental housing for students will be the immediate priority, opportunities to attract a broader range of rental housing consumers may also emerge.

A broadening of the demand for rental housing in or near Altoona's downtown would be consistent with national trends projected to continue during the years in which the recovery plan will be in effect. Harvard University's Joint Center for Housing Studies reports that

*While the homeowner market remains mired in foreclosures and weak demand, rental market conditions have improved....From 2006 to 2010, the number of renter households jumped by 692,000 annually on average, to 37 million, while the number of owner households fell on net by 201,000 annually. This is a complete reversal from the preceding decade and a half, when homeowners drove the vast majority of household growth and the number of renters stagnated.*

*Two trends underlie this shift: the rising number of renters who have deferred home buying, and the rising number of owners who have switched back to renting....*

*As the economic recovery takes hold, rental demand is likely to remain strong thanks to the aging of the echo-boom generation into young adulthood....As job growth picks up, more of those under age 30 should head out on their own and add to rental demand (Harvard University, Joint Center for Housing Studies, *The State of the Nation's Housing 2011*, pp. 22, 26).*

John McIlwaine of the Urban Land Institute cites a 2008 survey of "Echo Boomers" (born between 1979 and 1996) in which 77 percent of the respondents said that

*They want to live in urban areas...not in the suburbs where they grew up. They want to be close to each other, to services, to places to meet, and to work, and they would rather walk than drive. They say they are willing to live in a smaller space in order to be able to afford this lifestyle (John McIlwaine, *Housing in America: The Next Decade*, Urban Land Institute, January, 2010, p. 14).*

With Penn State investment complemented by private investment in downtown-area rental properties, renting in Altoona's central core area could become an attractive option for a larger proportion of this emerging generation of housing consumers.

## **Assessment**

Although the City is not positioned to be a developer or owner of housing, municipal agencies can help influence investment decisions associated with the market opportunities described in this chapter. Developers seeking to pursue these opportunities will be better served if the City

- Establishes the capability to play a greater role in inspecting construction work in progress, as opposed to post-project completion inspections, and in related "customer service";

- Creates a fast-track process for resolving minor code violations in order to deal with “quality of life” nuisances quickly and efficiently;
- Complements its code enforcement approach with low-cost streetscape and public space improvements on targeted blocks; and
- Provides incentives for responsible developers and rental property owners, such as inspection-fee discounts as a reward for remaining in compliance with codes or for achieving compliance quickly, enabling the City to avoid scheduling multiple re-inspections.

Specific initiatives that the City Manager and the Department of Planning and Community Development that can undertake to stimulate housing and investment and development in a manner consistent with this approach are included in the Community Development and Property Maintenance Inspection chapters.

## Initiatives

### **H01. Explore Programmatic Approaches That Can Be Implemented With Less Federal Funding or No Federal Funding**

<b>Target outcome:</b>	Sustaining a relevant portfolio of housing programs and services in an environment of reduced federal funding support
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	Department of Planning and Community Development; Blair County Department of Planning

Consideration should be given to the possibility of administering rental property improvement loans through local lending institutions, with city funds used to guarantee a portion of the risk associated with each loan.

At the start of each program year, the Department of Planning and Community Development and the Blair County Department of Planning should agree on a list of planning tasks that will be completed by county planning staff, with limited funding support provided through City CDBG funding.

### **H02. If Pending Enabling Legislation is Approved, Adopt a Strategic Approach to Land Banking**

<b>Target outcome:</b>	Using powers granted through the enabling legislation to improve the climate for investment by facilitating blighted property acquisition and disposition
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	Altoona Redevelopment Authority

Enabling legislation authorizing the creation of land bank authorities was approved by the state House and is currently under consideration by the Senate. In the event that final approval of this legislation appears to be forthcoming, the Department should explore the prospects for

creating a land bank authority as an affiliate to the Altoona Redevelopment Authority, using land bank powers to 1) convey existing Redevelopment Authority surplus properties to qualified developers without a redevelopment agreement and 2) take advantage of opportunities to acquire properties eligible for tax sale without participating in the public auction.

**H03. Use Housing Choice Vouchers to Support Mixed-Income Development and Enhance the Feasibility of Market-Rate Housing Ventures**

**Target outcome:** Promoting dispersal of rent-subsidized units while providing an assured rental income stream to strengthen the financial stability of proposed new rental housing ventures

**Four year financial impact:** Not Available

**Responsible party:** Altoona Housing Authority

In collaboration with the Housing Authority, the City should explore opportunities to support the development of rental housing in the downtown area by complementing the development of market-rate units with a limited number of units that are subsidized with housing choice vouchers issued by the Housing Authority. Through this approach, rental developers would be provided with an assured stream of revenue and affordable housing would be blended into an otherwise market-rate development.

# Economic Development

## Overview

### Altoona's Competitive Advantages and Disadvantages

Altoona's competitive advantages are already widely recognized: a central location in the region and state; excellent access to rail and highway transportation systems; several key locally-owned companies that have sustained a substantial portion of the city's employment base over the years; a close-knit business leadership; a city-based regional health care system and a city-based state university campus with an ambitious expansion plan; a reasonably good public education system; and a strong work ethic.

Taxes in Altoona are not substantially higher than in nearby suburban areas; residents in some suburban communities pay higher taxes than Altoona residents, while others pay lower taxes than their counterparts in the city.

These characteristics, in the aggregate, make Altoona more marketable for investment and development than other small cities in Pennsylvania or neighboring states. Like some of these other cities, Altoona is surrounded by attractive natural resources, has a compact, walkable downtown area, and can offer a variety of housing options in attractive neighborhoods.

One of the biggest obstacles to economic development in Altoona is the lack of developable real estate within city boundaries. The city has no cleared parcels that are suitably located and of sufficient size to attract new development. One relatively small exception is a portion of the former Bon Secours campus near Ninth Avenue that the hospital had used for parking. Altoona Blair County Development Corporation ("ABCD Corporation") and others are currently working on a redevelopment plan for this property as one component of a reuse plan for the entire twelve-acre Bon Secours campus, characterized as the biggest current economic development opportunity in the city.

There are no large concentrations of vacant properties that can be cleared to create a new-construction site within the city. Any proposal to relocate residents from existing properties—even substandard properties—to support a demolition/new construction plan would not be feasible, due to the high cost of relocation, political opposition to displacement, and state legislation restricting public seizure of real estate for reuse by private entities.

Because, for the most part, no large parcels suitable for big-box retail development were available in Altoona, the retail sales market is dominated by a large number of chain retail facilities built in heavily trafficked areas in Logan Township and other areas just outside the city. Many of these retail facilities, which, in the aggregate, serve as the center of region's retail commerce, are adjacent to or very near Altoona city boundaries. Due to the lack of significant competition from within the city, these stores have been well positioned to capture a very large proportion of food, clothing, and other purchases by Altoona residents.

The build-out of Altoona and the absence of large vacant parcels in the city are due in part to the condition of the city's acreage, characterized as "flat and dry," in contrast to that of other nearby areas. These characteristics are likely to have influenced businesses to move into

underdeveloped or recently vacated space in the city as it has become available. For example, following the closing of many of the old railroad industry shops and offices, the space that had been left behind was subsequently filled by small businesses, according to ABCD Corporation representatives. As a result, Altoona never had a significant problem finding appropriate reuses for former railroad property. However, no opportunities for larger-scale new development, other than those associated with the former Bon Secours campus, are apparent.

Road and highway systems linking Altoona and nearby municipalities make it easy for workers employed by businesses in Altoona to live somewhere else. For example, about two thirds of the employees of Altoona Regional Health Systems, live outside the city.

## **Economic Development Infrastructure**

The City of Altoona does not staff a commerce department or a municipal economic development agency that is tasked with promoting the region to prospective developers or providing financing for business development and expansion. Instead, the City works closely with the ABCD Corporation, a regional nonprofit organization based at the Devorris Center for Business Development, which is professionally staffed to carry out these activities. ABCD Corporation is well equipped to provide access to development financing resources, in light of its role as a regional fund manager for numerous state and federal government financing programs.

The Greater Altoona Economic Development Corporation (GAEDC), based at and staffed by ABCD Corporation, serves as the central business district organization for the city.

The ABCD Corporation along with several municipal officials would like to encourage economic development as much as possible for the City of Altoona. The Community Development Office of the Pennsylvania Department of Community and Economic Development would like to explore possibilities with the Greater Altoona Economic Development Corporation and other stakeholders to examine available resources and technical support for future development including potential housing opportunities. Officials from DCED are scheduled to meet with ABCD Corporation and municipal officials to discuss available options on November 13, 2012. The Act 47 Coordinator will help to direct this effort as the plan is adopted and implemented.

As one recent example of its activity in Altoona, ABCD Corporation played a key role in influencing N.E.W. Customer Service Companies, a provider of extended service plans and consumer product protection programs for business clients (including DIRECTV), to open a support center at 431 East 25<sup>th</sup> Avenue in Altoona in 2009. Since that time, employment at the center has grown to 500.

The role of the Altoona Department of Planning and Community Development in supporting economic development is focused on establishing appropriate zoning, environmental, subdivision, and land development regulations (integrated into a single document, the Altoona Planning Code) and in efficiently managing the real estate development proposal review and approval process.

## **Financial Resources for Economic Development**

The entire city is designated as a state Enterprise Zone under the state-administered Enterprise Zone Program. This designation is scheduled to terminate on June 30, 2013. A new designation under the state's Keystone Opportunities Program will be pursued, with the intent of initiating program activities in the first quarter of 2013.

Altoona's original Keystone Opportunity Zone was a residential zone associated with vacant property in the East Juniata section of the city. More recently, two industrial sites received KOZ designation: the former Logan Township Municipal Compound, and 2.5 acres of land adjacent to the Devorris Center for Business Development in the South Altoona Business Park. Neither of these sites has been developed.

Neither the School District nor county government has supported the use of tax increment financing (TIF) as an incentive to attract development and no TIF development ventures has been implemented in Altoona. The feasibility of TIF development in many locations is questionable, even if School District and county support were to be forthcoming, given the weakness of the local real estate market and the uncertain prospects for achieving the level of increased property assessments needed to repay TIF financing.

A similar constraint applies to the use of the Local Economic Revitalization Tax Assistance Act (LERTA), which authorizes the offering of real estate tax abatements as an incentive to attract development. Because City of Altoona property taxes apply to land only (buildings are not subject to city taxes), any LERTA-related benefit would have to come from an agreement by the School District and/or county government to forgo tax revenues, and neither entity has indicated willingness to consider doing so.

During the mid-1990s, Altoona's downtown had been designated as a LERTA district in order to encourage development in that area as part of the Enterprise Zone strategy for the City. That designation has expired, and the possibility of reestablishing a downtown LERTA district may be pursued.

Altoona's downtown had been designated for Pennsylvania's Main Street program during the early years of the state program, but this designation was discontinued many years ago. The creation of a business improvement district supported by a property tax assessment district would not be feasible at present, due to the lack of a sufficient concentration of properties large enough to generate the level of assessment needed to support targeted district management activities.

Altoona's experience (2007-2011) in obtaining support from available financing programs, as a result of proposals and applications filed by ABCD Corporation in coordination with the City, are detailed below.

## **Strategic Planning and Prioritization of Economic Development Initiatives**

The 2000 City of Altoona Comprehensive Plan identifies many economic development initiatives (e.g., "Continue to Aggressively Attract New Economic Activity to the area, while Targeting Key Types of Businesses"), and the forthcoming updated Comprehensive Plan will contain a number

of proposals and recommendations that can be considered for implementation within the five-year period for which this Recovery Plan is designed.

Although ABCD Corporation, in concert with the City, identifies economic development goals and priorities, the City of Altoona does not have a published economic development strategy and investment plan, either for the city as a whole or for the downtown area. A downtown growth strategy is critically needed as a foundation for future economic success; the elements of such a strategy are described in the Initiatives section.

## **The Local Industry Base**

According to a recent compilation by the City's Department of Planning and Community Development, the top five employers in Altoona are Altoona Regional Health System (2,590 employees), Sheetz, Inc. (1,890 employees), Altoona Area School District (1,280 employees), Norfolk Southern Corporation (1,150 employees), and Penn State University (610 employees).

Although the rail industry remains a major employer, no significant employment growth is expected, given the unlikely prospects for major new federal funding for rail development in central Pennsylvania to become available in the near future.

Other locally-owned industries, such as the Blair Companies, are likely to remain major job providers for city residents. Some of the best new opportunities for job creation and the establishment or expansion of retail and professional services businesses are likely to emerge as Altoona Regional Health Systems continues to establish itself as the area's sole major health care institution and as Penn State Altoona expands its downtown campus presence.

## **Tax Exempt Properties**

The evaluation completed by the Pennsylvania Department of Community and Economic Development (DCED) in April 2012 indicates that, while approximately five percent of the total number of properties in the city are tax exempt (1,023 of 21,412 properties), these properties account for 33 percent of citywide assessed value (Pennsylvania Department of Community and Economic Development, *Municipalities Financial Recovery Act Consultative Evaluation: City of Altoona*, April 3, 2012, page 17). These properties are owned by government, academic and health care institutions, Norfolk Southern Corporation, nonprofit service organizations, congregations of faith, and disabled veterans. About two-thirds of this tax-exempt property value is associated with properties in the downtown area.

Altoona Regional Health System current provides a payment in lieu of taxes to the City. Real estate that ABCD Corporation is acquiring, developing, and leasing to Penn State University is taxable. However, title to these properties will ultimately be turned over to Penn State, at which time, they will become tax exempt.

## **Academic and Health Care Institutions**

Penn State and Altoona Regional Health System are among the city's top five employers. As important is their role in making the city a destination for students, faculty, patients, health care professionals, and service providers. The merger of Bon Secours with Altoona Regional Health System, the Health System's development of Station Square, and the evolution of Penn State's

plans for its downtown campus plans all enhance the potential for anchoring development in and near the city's downtown core.

## **Marcellus Shale Impact**

About half of Blair County is located on the Marcellus Shale, and the county is centrally located within that portion of the Marcellus Shale region which extends from southwest to northeast across Pennsylvania. Given its location, the county has an opportunity to establish itself as a resource for hiring, equipping, supplying, and servicing to support the Marcellus supply chain.

Evidence of this opportunity is already apparent. In 2010, Drill Baby Drill Staffing (DBD), a search and placement agency, was created to provide employment services to the natural gas and transportation industries; the firm is located on Woodbury Pike in Roaring Spring. In May, 2012, Gardner Denver, which manufactures and remanufactures pumps and provides on-site service and parts distribution to the shale gas development industry, opened a 70,000 square foot facility in Antis Township, a \$15 million investment anticipated to create at least forty new jobs within three years. A rail siding has been created in Tyrone to facilitate the shipment of water drawn from Bald Eagle Creek for transport to drilling sites. Because of the local availability of reserves of water that are substantially greater than the amount needed to serve resident and business demand, Blair County communities have the ability to provide large quantities of water needed for the hydraulic drilling process. Altoona and the county may be particularly well suited to support intermodal rail/truck transport of water to drilling sites.

Similar Marcellus Shale-related activities are likely to generate more job opportunities in Blair County, and, given the city's central location, residents of Altoona are likely to be well positioned to take advantage of these opportunities. However, because the city lacks parcels of sufficient size to be suitable for new commercial and industrial development, opportunities for the City to attract new businesses associated with shale gas development activities appear to be very limited.

## **Property Reclamation and Blight Removal**

Unlike some other cities that had grown up as manufacturing centers and subsequently entered into a protracted period of economic disinvestment, Altoona does not have major concentrations of blighted and abandoned properties. However, vacant houses can be found dispersed through a number of the city's older neighborhoods, along with deteriorated garages and sheds, and, in some areas, abandoned industrial buildings. The city demolishes several dozen vacant properties each year, and about \$340,000 in Community Development Block Grant funding is budgeted in the current program year to for demolition and related activities (other demolition activities are supported through the City's general fund).

In citizen forums associated with the preparation of the comprehensive plan, the blighted condition of properties in Altoona neighborhoods—including both vacant properties and deteriorated occupied properties, was most often cited as the biggest problem affecting the city's communities. As described in the Property Maintenance Inspection chapter, the best approach for addressing this problem during the coming five-year period is by instituting a system for ticketing minor "quality of life" code violations and by requiring a "certificate of compliance" with health, safety, and zoning code requirements to be filed with the county

recorder of deeds as a condition of transfer of title in connection with all residential real estate transactions.

An approach for upgrading the appearance of the downtown area through the creation of a special services district is described in the Initiatives section of this chapter.

## **Finances**

### **Economic Impact of City/ABCD Corporation Coordination**

The City is fortunate to have had a successful long-term working relationship with ABCD Corporation, for several reasons. As shown below, ABCD Corporation has secured financing awards from a variety of sources for development ventures in Altoona. In addition to reducing the overhead that the City would otherwise have had to devote to the employment of a municipal economic development agency or commerce department staff, ABCD Corporation provides a level of expertise in identifying funding opportunities and organizing financing proposals that even a very capable small-city government would be unlikely to be able to develop.

As important, ABCD Corporation's role links city and regional interests and involves county government and business leaders, through their participation in ABCD-convened committees and business development projects, in advancing plans for the improvement of the city.

As described in the Initiatives section, the City can make ABCD Corporation and the Greater Altoona Economic Development Corporation (GAEDC) activities more effective during the coming years by using available city resources to support downtown development activities and by collaborating with business leaders to support a downtown growth strategy.

### **Opportunities to Strengthen Economic Development Partnerships**

The economic development partnership most in need of strengthening is that between the City of Altoona and the Altoona Area School District. With the retirement of a Superintendent who has played a key role in managing City/School District working relationships, there is no individual, either within municipal government or within the School District, who is capable of assuming a similar role. For this reason, it is essential that municipal government and School District leaders, with the active participation of business leaders, establish a plan for addressing priority issues of concern to both the City and School District, including issues described in other chapters of this recovery plan. The incumbent Superintendent indicated to the Coordinator an interest and willingness to discuss with the City opportunities to share services and coordinate other efforts to reduce costs for both the District and the City

Another significant need for strengthening economic development partnerships relates to the promotion of Altoona to tourists and visitors, discussed in the Initiatives section of this chapter.

### **Utilization of Financing Programs and Incentives**

As shown in the table on the following pages, ABCD Corporation has been successful in using a variety of state, county, and local programs to obtain financing for business development and expansion projects in Altoona.

## ABCD Corporation Financing Activity in Altoona, 2007-2011

Year	Project	Total Project Cost	Loan/Grant		Number of Jobs	
			Amount	Program	Created	Retained
2007	The Allegro	140,000	70,000	EDLF	2	21
	Altoona Hotel	445,000	45,000	EDLF	3	
	Digital Solutions	3,100,000	500,000	EZ	20	
	Juniata Fabrics	400,000	200,000	EDLF	6	55
	Konistta, Inc. (Little Caesar's)	313,722	100,000	EDLF	4	
	MEW Realty	400,000	200,000	EZ		8
	Plank Road Point LLC	4,900,000	500,000	EZTC	45	
	<b>Subtotal</b>	<b>\$ 9,698,722</b>	<b>\$ 1,615,000</b>		<b>80</b>	<b>84</b>
2008	800 Logan Blvd/Martins	11,200,000	350,000	EZTC	125	
			1,500,000	Bldg PA		
			1,000,000	EZRLF		
	A+ Printing	150,000	50,000	EZ		6
	ATR of PA	709,000	289,000	SBA	3	
	Blair Sign Company	486,255	200,000	EZ		242
	DCA Union Avenue	1,400,000	550,000	EZ	6	
	Folcarelli Supply	275,000	137,500	EZRLF		6
	Frederick Lock & Key	150,000	75,000	EZ	3	
	London Wolfe Photography	54,000	54,000	EZ	1	
	N.E.W. (Home to Work)	200,000			180	
	Rebar	40,000	13,750	EDLF	1	
	Twenty Fifth Avenue LLC	3,040,000	1,216,000	PIDA		
			500,000	EZRLF		
		350,000	EZTC			
<b>Subtotal</b>	<b>\$ 17,704,255</b>	<b>\$ 6,285,250</b>		<b>319</b>	<b>254</b>	
2009	700 Chestnut Avenue	61,335	46,002	ISRP		
	Altoona Parking Authority	200,000	200,000	ABRLF		
	Bill Sell's BOLD	350,000	100,000	EDLF	3	
	Blair Family Solutions	450,000	187,000	SBA	4	
	Competitive Sports Academy	1,307,565	300,000	EZRLF	12	
	L&Z Partners	4,000,000	1,600,000	SBA		
	Lexington Mall Partners	5,500,000	1,000,000	EZRLF	40	
	McIntyre's Candies	650,000	180,000	EZ	4	5
			100,000	EZTC		
	NEW Investment	3,200,000	200,000	Opp Grant		481
			147,000	JCTC		
			50,000	CJT		
	Pacifico & Sons	240,000	120,000	EZ		60
	Penn State/Meyer Jonasson	3,180,000	647,920	ABCD		
			2,500,000	BCGA		
		30,000	Façade			
Synergy	20,000	20,000	Renaissance	4		
<b>Subtotal</b>	<b>\$ 19,158,900</b>	<b>\$ 7,427,922</b>		<b>67</b>	<b>546</b>	

Year	Project	Total Project Cost	Loan/Grant		Number of Jobs	
			Amount	Program	Created	Retained
2010	700 Chestnut Avenue	72,750	54,563	ISRP		
	Altoona Beauty School	1,000,420	100,000	EZRLF	6	
	Altoona Dvlpmnt Gp/Aaron	2,014,338	2,000,000	BCIDA		5
	Altoona Parking Authority	46,200	46,200	Façade		4
	Altoona Regional Health Sys	2,500,000	1,000,000	RACP		
	Appcove (former Ionsoft)	100,000	100,000	KIZ TC		4
	Brian Daniels, 1300 11th Ave	6,000	6,000	Façade		
	Empire CS Inc.	100,000	100,000	KIZ TC		6
	Go Green	550,000	100,000	EZ	8	
	Intelmarx	17,443	17,443	KIZ TC		5
	Lexington Mall Partners		1,700,000	Rec Zone Fac		
	Penn State/Meyer Jonasson	215,000	215,000	ABCD	3	
	Tri-State Industrial Solutions	3,350,000	300,000	EDLF		29
		21,250	9,500	Wednet		
<b>Subtotal</b>		<b>\$ 9,993,401</b>	<b>\$ 5,748,706</b>		<b>17</b>	<b>53</b>
2011	Blair Candy Company	2,400,000	1,295,000	PIDA		37
			250,000	EZ		
	Jail Group	45,000	30,000	Façade		
	Nardo's Café	375,000	50,000	EZ	2	
	Traficante Chiropractic	50,000	50,000	RMAP	2	
	Wick Copy Center	280,000	50,000	RMAP		2
<b>Subtotal</b>		<b>\$ 3,150,000</b>	<b>\$ 1,725,000</b>		<b>4</b>	<b>39</b>
<b>2007-2011 Totals</b>		<b>\$ 59,705,278</b>	<b>\$ 22,801,878</b>		<b>487</b>	<b>976</b>

Source: ABCD Corporation

## Relevance of Mallach Report “Strategy Area” Recommendations

Altoona is one of thirteen small, struggling cities examined in a May 2012 report, *In Philadelphia’s Shadow: Small Cities in the Third Federal Reserve District* by Alan Mallach, sponsored by the Federal Reserve Bank of Philadelphia. In the final section of this publication, the author identifies six “strategy areas” that may become the basis for an “agenda for the future,” as follows:

1. *Build the middle class*, by improving public education, building on city and neighborhood assets, and expanding opportunities for college graduates.
2. *Integrate newly arriving communities and address racial/ethnic disparities*, through policies designed to manage the stresses associated with immigration and to retain and/or recapture the African-American middle class.
3. *Leverage assets and public resources for private investment*, by allocating public-sector funding to support investment opportunities that generate the highest level of private investment and associated benefits, including new job creation.
4. *Link the city to the regional and national economy*, through marketing the city as a visitor destination, increasing the export of local goods to national markets, and participating in a regional economic development strategy.

5. *Build and sustain leadership and partnerships*, by supporting political and civic leaders who are committed to a strategy for change and are willing and able to establish constructive working partnerships with business and institutional leaders at the local and regional levels.
6. *Foster state-level policy reform*, by advocating for the reduction or removal of state-imposed regulations governing municipal operations and constraints on municipal taxing powers (Alan Mallach, *In Philadelphia's Shadow: Small Cities in the Third Federal Reserve District*, Federal Reserve Bank of Philadelphia, May 2012, pp. 61-67).

Several of these suggested strategy areas have limited potential for Altoona because of those characteristics of Altoona that make this city different from most or all of the other cities studied. However, other recommendations in the Mallach report are relevant to the implementation of the recovery plan.

- With regard to item 1, Altoona has less of an income disparity with respect to Blair County than the disparity between the other cities studied and their respective counties. In 1999, city median household income in Altoona was 86 percent of Blair County median income, the highest among the cities included in this report (Mallach, p. 15). Relevant to Altoona, however, is the need to provide more opportunities for college graduates. The best initial steps for addressing this need over a five-year period are to support Penn State's increased downtown presence and to encourage the development of quality housing and retail attractions that will influence college graduates to move and remain there.
- Item 2 is not particularly relevant to Altoona, where, as documented in the report, African-American and Latino population was five percent of total 2010 population. In the other Pennsylvania cities studied, the comparable percentage ranged from fifteen percent (Scranton) to 82 percent (Chester). (Mallach, p. 16).
- With regard to item 3, the City's strong working relationship with ABCD Corporation is already bringing substantial infusions of public-sector funding to the city, along with a significant leveraging of private investment. What is missing, as described in subsection G. below, is an asset management strategy designed to increase and improve the supply of quality rental housing, particularly in and near the downtown core.
- To a large extent, the City's working relationship with ABCD Corporation is addressing the potential opportunities described in item 4.
- The biggest opportunity associated with item 5 is the opportunity for key business leaders to foster a downtown growth strategy, focused initially on the acquisition and appropriate reuse of vacant or underused commercial properties and parking facilities in and adjacent to the downtown area.
- Item 6 is outside the scope of the recovery plan.

## Assessment

### Local and Regional Market Dynamics

In general terms, the local and regional market dynamics that will have the most influence on the prospects for making progress toward economic recovery in Altoona can be characterized as follows:

- Due to the lack of cleared sites large enough to accommodate major commercial and industrial new construction, the locations that are likely to be most suitable for these uses are of a much smaller scale, consisting of existing buildings that are upgraded and adapted for new reuses. One example: the reuse of the Martin’s Food Market building as an N.E.W. contact center.
- Because Logan Township parcels adjacent to Altoona are developed with a wide variety of big-box stores and national-chain restaurants, the city’s residents will continue to serve as a primary consumer base for these outside retailers. The best opportunities to reverse this trend slightly are likely to come in the form of youth-oriented and upscale eating and drinking places that may emerge in the downtown area as Penn State gains a more visible presence there.
- There is no land available for new residential construction that can be priced at levels that would make such development feasible, and most existing housing in Altoona has competitively-priced counterparts in nearby municipalities. The best potential for residential development is the rehabilitation of existing buildings in or near the downtown area to produce quality market-rate rental housing.
- The city’s downtown and neighborhoods will not be able to achieve their fullest development potential unless the neglected condition of building facades, streets, and public spaces is addressed through comprehensive improvement programs that produce results on a block-by-block, rather than property-by-property basis.

## **Strategic Planning and Targeted Investment**

The City of Altoona no longer employs a staff person dedicated to planning. Although the Director of the Department of Planning and Community Development is a licensed planner, his administrative responsibilities leave him with no significant time to undertake planning activities.

Particularly in light of the fact that a new comprehensive plan is being completed, the City’s foremost planning need is for strategic planning—planning for actions that can be undertaken with existing resources during a period of a few years—rather than for long-term planning. Although many plans have been completed for the city’s downtown business district, there is no strategic plan that encompasses all downtown-related investment activities that should be undertaken by the city and downtown supporters during the next five years.

As important, there are no strategic investment plans for Altoona’s neighborhoods. The lack of neighborhood plans is influenced in part by the absence of neighborhood-based organizations and community development corporations that serve targeted areas; but a neighborhood planning initiative undertaken by the City would be likely to attract citizen interest. A related opportunity is described in the Initiatives section.

## **Developer/Investor Characteristics and Associated Opportunities**

Information on permit approvals for construction projects compiled for a recent four-year period shows varying levels of investment in different types of development activity.

## Permits Issued for Selected Construction Projects, 2007-2010

	2007		2008		2009		2010
	Permits Issued	Project Cost	Permits Issued	Project Cost	Permits Issued	Project Cost	Permits Issued
<b>Commercial</b>							
New Construction	8	\$ 1,278,450	3	\$ 2,324,358	10	\$ 10,126,398	3
Alterations	87	\$ 4,659,159	74	\$ 2,929,371	82	\$ 7,474,814	57
Additions	4	\$ 120,345	4	\$ 119,800	5	\$ 292,600	3
Accessory Structures	-	-	1	\$ 20,000	-	-	-
<b>Residential</b>							
New Construction	5	\$ 663,715	6	\$ 392,367	6	\$ 753,683	6
Alterations	860	\$ 3,815,876	836	\$ 3,658,186	836	\$ 3,930,214	461
Additions	43	\$ 719,250	58	\$ 762,181	45	\$ 565,077	31
Accessory Structures	28	\$ 150,368	31	\$ 190,067	35	\$ 200,811	28

Source: City of Altoona, Department of Codes and Inspections Annual Reports

As shown, alterations to existing commercial and residential buildings were the primary development activity, with average per-property costs for commercial alterations ranging from \$40,000 to over \$90,000 in the three years for which cost data is shown and average per-property costs for residential alterations at \$4,000 to \$5,000.

Information about major commercial development projects approved during three recent years is shown on the following table.

## Major Commercial Development Projects Approved, 2007-2009

Name / Project Description		Cost
<b>2007</b>	Downtown Devorris Center Expansion project	\$ 1,440,111
	Sheetz, Inc., (17th Street) Store construction	\$ 430,000
	Chestnut Plaza Gas station construction	\$ 300,000
	Fiore Buick New storefront, interior renovations	\$ 250,000
	Chestnut Plaza Construction of new wine/spirits shop	\$ 220,000
<b>2008</b>	Pleasant Valley Shoppes Shopping center construction	\$ 1,260,758
	Walgreen's Store construction	\$ 863,600
	Valley View Nursing Home Renovations	\$ 700,000
	Martin's East 25th Avenue Interior demolition/remodeling (call center)	\$ 515,000
	McDonald's Restaurant Demolish/rebuild restaurant	\$ 500,000
<b>2009</b>	Martin's Store Supermarket construction	\$ 2,795,270
	Altoona City Authority Office building construction	\$ 2,646,604
	Keith Hilltop Terrace Apartment Conversion of school building to apartments	\$ 1,868,250
	Altoona Ophthalmology Associates Office building construction	\$ 1,797,405
	Altoona Area Junior High School Football field, grandstand, building construction	\$ 907,449
	AMTRAN Trolleyworks Renovations	\$ 884,000
	McIntyre's Candies Store construction	\$ 527,670
	Sheetz, Inc. IT building construction	\$ 500,000

Source: City of Altoona, Department of Codes and Inspections Annual Reports

### Strategy for the Downtown Core

In general, the investment opportunities that are most feasible to pursue in urban downtown areas—even within those areas that have experienced substantial revitalization during the past decade—are limited to quality rental housing and food-related retail facilities, such as

restaurants, bars/clubs, coffee shops, grocery stores, and specialty food retailers. In cities such as Altoona, a critical mass of new or upgraded market-rate rental housing supply needs to be created in order to attract a population of college students and college-educated young professionals that, in the aggregate, generates the level of demand needed to support downtown retail development.

The most reliable generators of consumer demand for quality rental housing in most urban downtowns are academic and health care institutions located in, adjacent to, or near the downtown area. Altoona is fortunate in having a major institution—Penn State—with a downtown presence that will be expanding during the period in which the recovery plan is to be implemented. Some individuals whose affiliation with Altoona Regional Health Systems requires them to spend many hours at the institutional campus may consider moving to quality rental housing in the downtown area that is attractive, well-located, well-managed, and secure. Some Penn State students are already living in rental housing near the edges of downtown, and an expansion of higher-quality rental housing in and near downtown could attract more students and other Penn State-affiliated housing consumers.

## **Marcellus Shale Opportunities**

ABCD Corporation has organized a coalition of businesses that is exploring opportunities to engage in Marcellus Shale-related activities. With the decline in the price of natural gas and the recent lowering of expectations associated with this industry and its potential as an economic driver in Pennsylvania, these opportunities may not be as great as previously expected. New opportunities are likely to emerge in connection with the Utica Shale, upon which all of Blair County is located, but these opportunities are not anticipated for some time.

## **Vacant Property Problems and Solutions**

The City of Altoona will need to continue to budget a substantial amount of funding each year to support the demolition of vacant buildings in unsafe condition. These buildings will continue to be dispersed throughout a number of areas of the city, rather than concentrated in individual blocks where a program of demolition and new development at scale could be undertaken.

The City does not have an organized program to market cleared parcels resulting from demolition to adjacent owners who may be interested in taking title to them and maintaining them as side yards or parking areas (subject to zoning). The extent of demand for these parcels, on the part of adjacent owners capable of following through on a commitment to own, maintain, and pay taxes on the lots, should be explored.

The City should also explore opportunities to use relatively new tools to address blighted-property conditions, including the following:

- Conservatorship, through which the City or another entity may petition the court to appoint a responsible developer to enter, improve, maintain, and—under some circumstances—take title to a long-neglected property.
- The Neighborhood Blight Reclamation and Revitalization Act, which, under certain circumstances, allows municipalities to attach the assets of owners of blighted properties, deny such owners permits and licenses, and extradite owners from other states to face prosecution.

- The use of tax sale auctions to acquire vacant lots encumbered by demolition liens and subsequently conveys these properties to pre-qualified adjacent owners.

## Asset Management Strategy for Rental Housing

Given the evidence that rental property development through the rehabilitation and adaptive reuse of existing buildings, appears to present the best potential for attracting new development and investment in the short term, it is particularly important that the City organize a rental housing asset management strategy that includes 1) code enforcement, 2) incentives for responsible rental property owners, 3) a plan for facilitating the acquisition of properties with best potential for development, and 4) financing for rental property development. Elements of such a strategy are described in the Initiatives section that follows as well as comparable sections in the Code Enforcement and Property Maintenance Inspection chapters.

## Initiatives

### ED01. Design and Implement a Downtown Growth Strategy

<b>Target outcome:</b>	Creating an environment attractive to investors and developers
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Manager, Director of Planning and Community Development

A well-organized, comprehensive property acquisition and development strategy emphasizing the upgrading and restoration of existing residential structures and the adaptive reuse of well-located nonresidential buildings suitable for conversion is needed to guide the upgrading of existing vacant or underused downtown buildings to create a significant new supply of quality rental housing to attract the number of households—initially, households with members employed by or affiliated with Penn State or Altoona Regional Health System--needed to repopulate downtown Altoona and support substantial new business growth.

To support the organization of such a strategy, the City should work with ABCD Corporation and a group of business leaders to undertake the following actions:

1. Complete an inventory of the status of vacant and underused buildings in and adjacent to the central business district, and review this inventory on a quarterly or more frequent basis in order to identify the best candidates for acquisition, rental housing development, and other development.
2. Update the 2000 parking demand analysis and use a commitment of municipal bond authority to leverage other financing to support the development of a new downtown parking garage.
3. Solicit proposals from private firms for the creation and maintenance of an on-street parking system, with payment through a kiosk system.

4. Support the capitalization of an equity fund through a commitment of Section 108 financing that leverages commitments of private funding for property acquisition.
5. Begin planning for the creation of a downtown special services district responsible for maintaining the downtown business district as a “clean and safe” environment,” supported initially by public and private contributions and subsequently by assessments charged to downtown-area rental property owners.
6. Collect marketing data to identify opportunities to trigger new investment in residential, commercial, or other uses in the downtown area.

Section 302 (a) of Act 47 allows a municipality or the recovery plan coordinator to apply for financial assistance from the Commonwealth after a fiscally distressed municipality has adopted a recovery plan. The City, after adoption of the recovery plan, with the assistance of the Coordinator, may consider applying for financial assistance grants for the cost of a comprehensive analysis and evaluation of the housing and commercial market. This plan may include a detailed housing and commercial market analysis, conceptual design and strategies for building re-investment efforts.

**ED02. Promote Development on Underused Surface Parking Lots**

**Target outcome:** Making land available for new development, creating a more attractive downtown

**Four year financial impact:** Not Available

**Responsible party:** Parking Authority, City Manager

A number of medium-sized and large, underused surface parking lots can be found in and near the downtown area. If plans for the development of a new parking garage advance, as is currently being contemplated, then the surplus of parking spaces on these lots will increase. The pursuit of parking garage development plans should be accompanied by planning for the acquisition and development of rental housing and retail uses on some existing surface parking lots.

**ED03. Make Use of New Tools for Blight Prevention and Elimination**

**Target outcome:** Preventing and eliminating property blight through timely interventions

**Four year financial impact:** Not Available

**Responsible party:** City Manager, Director of Planning and Community Development

Using recently legislated authority, organize a conservatorship petition involving a neglected existing building and/or a group of vacant lots for which adjacent owner/developers have been pre-qualified.

If applicable, seek court remedies available through the Neighborhood Blight Reclamation and Revitalization Act to take action against negligent absentee owners.

**ED04. Develop Improvement Strategies for Downtown-Area Neighborhoods**

**Target outcome:** Improving the appearance of residential blocks in the vicinity of downtown

**Four year financial impact:** Not Available

**Responsible party:** City Manager, Director of Planning and Community Development

In a compact area of the Lower Fairview neighborhood, work with The Nehemiah Project and Altoona Regional Health System to conduct a program of code enforcement and streetscape improvements (funded in part through revenues generated through the quality of life code enforcement program) in coordination with neighborhood residents, as an initial neighborhood strategic planning initiative. This initiative would be less wide-ranging than the broader area “sweep” undertaken several years ago and would be designed to complement code enforcement actions with improvement activities.

**ED05. Explore Opportunities to Support Employer-Assisted Housing Programs With Matching-Fund Support**

**Target outcome:** Increasing the number of employees of major Altoona businesses who live in the city; stimulating the Altoona housing market

**Four year financial impact:** Not Available

**Responsible party:** Director of Planning and Community Development

In a number of other Pennsylvania cities, municipal governments and academic and/or health care institutions have created matching-fund programs to provide incentives for employees to buy or rent housing in neighborhoods surrounding these institutions. A similar program might improve the Lower Fairview housing market and stimulate housing sales and rentals near the downtown area.

**ED06. Support the Creation and Continuity of Leadership Organizations for the Promotion of the City to Tourists and Visitors**

**Target outcome:** Increase is tourist activity in Altoona

**Four year financial impact:** Not Available

**Responsible party:** City Manager/ ABCD Corporation

**Impacted employee group:** All employee groups

“Explore Altoona” is New Identity for Allegheny Mountains Convention and Visitors Bureau. The Allegheny Mountain Convention and Visitor Bureau is a 501 C(6) organization designated by the Blair County Commissioners as the County’s officiate Destination Marketing Organization has changed its name to “Explore Altoona as one components with in its strategic branding and indent project.

Explore Altoona has been created to target visitors to come to Altoona and to explore a multitude of cultural, historical and recreational opportunities. This effort will focus on Family

Fun, Historical Attractions, Cultural Attractions/Museums and Outdoor Recreations. The increase in tourism should create economic benefit to the community and the County and may have the ability to induce people to either return to Altoona in the future and or to invest in its thriving community.

Source: Request for Proposal from Alleghany Mountain Convention and Visitors Bureau and Press Release and transcribed presentation (October 9, 2012) the Executive Director of Explore Altoona.

# Department of Codes and Inspections

## Overview

### Organization

Prior to 2011, property maintenance inspection personnel were part of the City’s Department of Codes and Inspections, along with staff responsible for oversight of construction projects. These employees had been supervised by a director who reported to the City Manager. In 2011, certain staff members were assigned to the Department of Planning and Community Development; as a result, they currently report to the Department Director. Property maintenance personnel, who now report directly to the City Manager, consist of five inspectors and two clerical staff. As a result, Codes and Inspections no longer functions as a discrete municipal department, and the position of Director for this department has remained vacant since 2011.

These staff changes are shown in the following table.

### Redeployment of Department of Codes and Inspections Staff Positions

Staff Position	Prior to 2011		After 2011 Reorganization	
	Dept of Codes & Inspections	City Manager	Dept of Planning And CD Staff	Contractual Services
Director	1	-	-	-
Residential Building Inspector	1	-	1	-
Plumbing Inspector	1	-	-	Outsourced to MDIA
Electrical Inspector	1	-	-	Outsourced to MDIA
Code Enforcement	-	-	-	-
Officers	7	5	-	-
Clerical Staff	3	2	1	-

Source: Department of Codes and Inspections, 2010 Annual Report, interview with City Manager.

Budgeted headcount for codes and inspections staff between 2007 and 2011 is as follows.

### **Budgeted Headcount – Codes and Inspections Staff**

<b>Dept. of Codes &amp; Inspections - Budgeted Headcount</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Director	1	1	1	1	0	0
Working Supervisor	0	0	0	0	1	1
Building Code Official	0	0	0	0	1	0
Building Inspector	1	1	1	1	0	0
Building Inspector/Zoning Admin.	1	1	1	1	0	0
Clerical Associate I	1	2	2	2	1	1
Clerical Associate III	0	0	1	1	1	0
Clerical Associate II	1	1	0	0	1	1
Plumbing Inspector-Mechanical Inspector	1	1	1	1	0	0
Code Enforcement Officers	6	7	6	6	5	4
<b>Total</b>	<b>12</b>	<b>14</b>	<b>13</b>	<b>13</b>	<b>10</b>	<b>7</b>

Issues related to inspections staff with construction-, zoning-, and land development-related responsibilities who currently report to the Director of Planning and Community Development are discussed in the Community Development chapter.

Inspectors supervised by the City Manager enforce Altoona’s property maintenance codes (the primary responsibility of this staff), conduct rental property inspections and related licensing, conduct health inspections and related licensing, respond to reports of violations of the City’s noise ordinance, and handle vacant property registrations. Altoona has adopted the 2009 edition of the International Property Maintenance Code.

#### 1. Property Maintenance Inspections

Three of the five code enforcement officers that report to the City Manager devote most of their time to property maintenance inspections involving both owner-occupied and rental properties. As a geographic frame of reference for this activity, the city is divided into three inspection zones, with one inspector assigned to each. One of the zones consists entirely of Community Development Block Grant-eligible census tracts, and the inspector for this zone is funded through the CDBG program.

Only about fifteen to twenty percent of all code enforcement inspections are conducted in response to complaints received at City Hall; the majority of inspections are based on an inspector’s observations in the field. When a new address is identified, clerical staff logs it into a database supported with Progeos software. The Progeos application sorts complaints by inspection zone and generates a list of assignments within each zone to its respective code enforcement inspector. The list includes new inspections, as well as re-inspections of previously-cited properties for the purpose of determining whether compliance with code has been achieved.

The code enforcement officer visits the properties listed and, for each property, indicates in writing on the list the action taken in response to the condition observed. The marked-up list is subsequently returned to clerical staff that use it to update the digitized records in Progeos.

Violation notices sent to property owners specify that a particular problem must be addressed within ten days, thirty days, or ninety days, depending on the severity of the violation. A vacant property that is determined to be unfit for habitation is immediately placarded as “Condemned” by the inspector in the field and, in the absence of a subsequent response on the part of the owner, is processed for demolition. A violation associated with the need to upgrade a property is categorized as a “Repair” violation. Many violation notices are also issued for properties that create a public nuisance or adversely affect neighborhood quality of life due to conditions such as uncut grass or weeds, presence of litter, improper storage of trash, or presence of unregistered or improperly parked vehicles.

A summary of activities undertaken by these code enforcement officers over a four-year period is shown on the following table.

### **Property Maintenance Inspection Activities, 2007-2010**

<b>Violations Recorded and Action Taken</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Total Violations</b>	<b>3,810</b>	<b>4,518</b>	<b>4,379</b>	<b>3,374</b>
Found by Officer	3,273	3,584	3,739	2,684
Citizen Complaints	537	795	640	690
<b>Results of Inspection</b>				
<b>Total Cases</b>	<b>3,772</b>	<b>4,528</b>	<b>4,632</b>	<b>3,715</b>
Notices Issued	3,427	4,090	4,229	3,139
Citations Issued	345	438	403	576
<b>Violations Corrected</b>	<b>2,706</b>	<b>2,866</b>	<b>3,423</b>	<b>2,324</b>
<b>Most Common Violations</b>				
Garbage	775	1,177	1,325	1,183
Vegetation	808	758	828	761
Repair	197	381	352	464
Vehicles	126	308	302	305
<b>Condemnation and Demolition Notices Issued</b>				
Condemnation Notices	72	55	64	87
Demolition Notices	78	88	n/a	35

*Source: City of Altoona, Department of Codes and Inspections Annual Reports*

As this table indicates, many violations are public nuisance/quality of life violations rather than violations that need to be addressed through major property repair or demolition.

According to City Manager records from 2007-2010, between sixty and eighty percent of all violations for which notices were issued were corrected through voluntary compliance by the owner, without the need for further action by the City.

The City of Altoona has an established Blighted Property Review Committee, which monitors code enforcement actions associated with properties categorized as “Condemned” and, when appropriate, certifies these properties as blighted and eligible for eminent domain acquisition by the Redevelopment Authority. Code enforcement officers refer condemned properties to the Committee and report to the Committee regarding the progress of efforts made to contact property owners and achieve compliance with codes on a voluntary basis. In the event that repeated efforts prove unsuccessful in a particular instance, the property is processed for demolition.

The City has been successful in establishing an effective working relationship between code enforcement officers and magisterial district justices who preside over hearings of code enforcement cases that are referred to court because they cannot be resolved administratively through the issuance of violation notices and subsequent attempts to achieve voluntary compliance. Based on an agreement reached by the City Manager and the President Judge, the two district justices in whose districts Altoona properties are located agreed to set aside one day each month for the scheduling of hearings on code enforcement cases. Code enforcement officers received training from the City’s legal counsel regarding the appropriate preparation of documentation required for a court hearing and the manner in which a case should be presented to the court during the hearing. As a result of these coordinated actions, the judiciary has been very responsive to code enforcement cases brought to court by the City.

Several dozen properties in Altoona are demolished each year, some as the result of a City inspection and subsequent demolition order (as shown in the above table) and others in connection with property owners’ decisions to clear sites for new development. Demolition activity for a four-year period is summarized in the table below.

### **Demolition Permits Issued and Cost of Demolitions, 2007-2010**

<b>Commercial Buildings</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
No. of Buildings	7	11	11	4
Demolition Cost	n/a	\$814,198	\$488,583	n/a
<b>Residential Buildings</b>				
No. of Buildings	57	61	64	71
Demolition Cost	n/a	\$235,570	\$352,585	n/a

*Source: City of Altoona, Department of Codes and Inspections Annual Reports*

#### 2. Rental Property Inspections

The City of Altoona adopted a rental licensing policy in 2002, as a result of which each rental unit in the city is inspected every three years. The City charges \$50 per unit for rental properties with four or fewer units, and, for properties with five or more units, \$15 per unit for every additional unit. The city has about six thousand rental units, and rental licensing fees generated \$235,000 through October of 2012.

In order to ensure that every rental unit is inspected once every three years, two inspectors devote four days a week to conducting inspections associated with rental property licensing, with the expectation that about two thousand units are to be

inspected each year. For these two inspectors, the remaining workday is devoted to completing health code-related inspections.

To register a rental property, the owner must apply for a Conditional Housing Permit and pay a licensing fee. Inspections identify basic life-safety and routine maintenance issues. Potentially dangerous conditions must be corrected immediately. Other violations are to be corrected within 45 days. After passing inspection, the Conditional Housing Permit becomes a Residential Rental Unit License, which remains valid until the next inspection. Licenses must be renewed on or before July 31 of each year.

The performance of these inspectors over a four-year period is shown on the following table.

### Rental Property Inspection Activities, 2007-2010

	2007	2008	2009	2010
Total Rental Inspections	1,004	1949	987	2,339
Rental Inspections Failed	256	n/a	262	268
Rental Licenses Revoked	88	29	11	3
Permits/Licenses Issued	2,292	2,292	2,495	2,299
Permit Fees Collected	\$ 169,890	\$ 174,210	\$ 169,795	\$ 205,720

Source: City of Altoona, Department of Codes and Inspections Annual Reports

## Finances

Historical expenditures for codes and inspection staff are shown in the following table.

### Historical Expenditures – Codes and Maintenance

Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Salary	522,567	516,899	497,989	502,145
Pension	24,065	9,264	11,312	42,457
Overtime	47	282	-	-
Health Insurance	144,357	150,602	173,553	131,528
Equipment	1,184	-	634	596
Training	2,926	4,535	3,006	3,011
Maintenance	4,089	4,806	3,567	3,235
Uniforms	932	821	839	545
Supplies	3,404	3,992	3,372	3,160
Fees	132	150	150	302
<b>Total</b>	<b>\$ 703,703</b>	<b>\$ 691,350</b>	<b>\$ 694,421</b>	<b>\$ 686,979</b>

Projected expenditures for codes and inspection staff are shown in the following table:

### **Projected Baseline Expenditures – Codes and Maintenance**

<b>Category</b>	<b>2012 Projected</b>	<b>2013 Projected</b>	<b>2014 Projected</b>	<b>2015 Projected</b>	<b>2016 Projected</b>
Salary	443,115	428,433	428,949	430,632	430,790
Pension	25,365	26,506	43,180	46,326	47,427
Overtime	500	500	500	500	500
Health Insurance	94,590	102,608	112,468	123,344	135,340
Equipment	1,700	1,751	1,804	1,858	1,913
Training	2,000	2,060	2,122	2,185	2,251
Maintenance	5,000	5,150	5,305	5,464	5,628
Uniforms	700	721	743	765	788
Supplies	4,500	4,635	4,774	4,917	5,065
Fees	500	515	530	546	563
<b>Total</b>	<b>\$ 577,970</b>	<b>\$ 572,879</b>	<b>\$ 600,373</b>	<b>\$ 616,537</b>	<b>\$ 630,265</b>

## **Assessment**

As shown in the table summarizing property maintenance inspection activities over a four-year period indicates, the number of total violations recorded, notices issued, citations issued, and violations corrected was lower in 2010 than in 2009 and 2008. Data for 2011 was not available, but 2011 performance may have been lower than 2010 performance, due to the staff changes described above.

Although, as shown above, the majority of property maintenance inspection cases recorded involve relatively minor code violations (e.g., garbage, vegetation), the City processes these cases in the same manner as serious health and safety code violations. The Initiatives section describes an approach for a faster, more cost-effective and productive processing of minor code violations, based on experience gained in other Pennsylvania cities confronting similar problems.

Although the code enforcement officers responsible for property maintenance inspections are managing a significant caseload effectively, the inspection process needs improvement in order to 1) become more efficient and cost effective and 2) become an integral part of a City neighborhood reinvestment strategy that produces long-term benefits for community members and the city as a whole.

Although the data base supported by Progeos is a valuable resource, information transmitted to code enforcement officers and returned by them after visits to the field, is not digitized, and assignments are generated and inspection results reported on paper, with the latter entered into the data base by clerical staff.

Although the code enforcement officers are well acquainted with the inspection districts where they work, their selection of properties to be inspected is not guided by a city policy that identifies municipal government and community priorities, neighborhood trouble spots, and locations of current or planned private investment. In addition, code enforcement activities are not linked to a civic engagement strategy or neighborhood-level planning designed to

1) encourage community members to work collaboratively with city agency staff (including but not limited to code enforcement staff) to systematically address neighborhood problems, and 2) influence the upgrading of both private properties and public spaces through the use of incentives and rewards for positive performance. Although code enforcement officers are not responsible for launching these initiatives, they could play a key role in making them successful, as described more fully in the next subsection and in the Community Development chapter.

## Rental Property Inspections

The performance data indicates that “Rental Inspections Failed” as a percentage of “Total Rental Inspections” dropped from 25 percent in 2007 (256 of 1,004 cases) to 11 percent in 2010 (268 of 2,339 cases) and that “Rental Licenses Revoked” dropped from 88 in 2007 to 3 in 2010. This data is consistent with the trend that should be occurring toward the end of the first decade of a rental inspection program, in which properties brought into compliance during the first or second inspection cycle are found to remain in compliance in subsequent cycles.

## Initiatives

The April 2012 consultative evaluation undertaken by DCED notes the reduction in code enforcement zones from four to three, resulting in an expansion of the area to be covered by the remaining inspectors and a related decline in the total number of code enforcement actions projected for the current year (*Pennsylvania Department of Community and Economic Development, Governor’s Center for Local Government Services, Municipalities Financial Recovery Act, Consultative Evaluation, City of Altoona, Blair County, Pennsylvania, April 12, 2012, p. 9*). This problem and related issues can be addressed through the implementation of a series of related initiatives. Several of these initiatives are already being undertaken in the cities of Allentown and Reading, providing models for Altoona to consider for adaptation and replication. Taken together the Initiatives below add significant technology and time reduction efficiencies to the codes/inspection functions which upon implementation can lead to reduction of at least one code officer or clerical assistant via attrition or retirement by 2014, as represented below in the first initiative.

### PMI01. Digitize Inspection Process

<b>Target Outcome:</b>	Reducing paperwork, staff time and inspection costs devoted to inspection and clerical tasks
<b>Four year financial impact:</b>	\$153,000
<b>Responsible party:</b>	Director of Information Technology, City Manager

Inspectors should be equipped with tablet computers such as iPads, in which a template inspection form has been loaded. Through the use of this relatively inexpensive equipment, the current paperwork associated with the inspection process can be reduced substantially, with a corresponding reduction in associated inspection and clerical tasks.

## Financial Impact

2013	2014	2015	2016	Total
\$0	\$51,000	\$51,000	\$51,000	\$153,000

**PMI02. Establish Performance Metrics and Conduct Monthly Performance Reporting**

**Target Outcome:** Improving City capacity to assess current staff performance time/cost factors and proposed systemic improvements and to make adjustments in staff assignments as needed to ensure maximum productivity

**Four year financial impact:** Not available

**Responsible party:** City Manager

A fully digitized system will facilitate monthly performance reporting and an analysis of the benefits associated with systemic improvements described below.

Performance metrics should include number of code violations by type and location, amount of fees charged and fees collected, by violation, and City code enforcement expense, by violation.

**PMI03. Adopt Quality of Life Ticketing Program**

**Target Outcome:** Reducing inspector time devoted to minor code violations; expediting violation notice and fine collection process for minor code violations

**Four year financial impact:** Not available

**Responsible party:** City Manager

The processing of “quality of life” violations (e.g., accumulation of trash or garbage; high weeds, grass, or plants; poorly maintained swimming pools; improper storage of vehicles) can be simplified and made more cost effective by adopting a program in which these violations are documented by the issuance of a ticket to the owner. Like a ticket issued by a parking authority for a parking violation, the ticket requires the owner to pay a fine within a specified period of time or face court action in the event of non-payment. An owner who wishes to appeal the ticket may file a request for an appearance before an administrative review board. In the event that either the owner or the City is dissatisfied with the review board’s decision, the case may be appealed to court.

The launching of this initiative should be preceded by the implementation of a communications/public awareness campaign designed to inform citizens about the program and its benefits. During an initial trial-run period, zero-fine tickets should be issued, providing owners with information about the program, including an advisory that subsequent ticketing will include a fine.

**PMI04. Institute a Certificate of Compliance Requirement**

<b>Target Outcome:</b>	Facilitating early intervention—at point of sale—in order to correct significant health and safety code violations before a property is conveyed to a new owner
<b>Four year financial impact:</b>	Not available
<b>Responsible party:</b>	City Manager

In consultation with local real estate professionals and Blair County officials, the City should adopt a Certificate of Compliance requirement for residential and mixed-use properties. The certificate provides verification that a property maintenance inspection has been completed successfully and that all required city permitting, licensing, fee, and tax requirements have been met. As described in a recent Housing Alliance of Pennsylvania publication, issuance of the certificate, mandated as a condition of transfer of title, reduces the number of inspections that the City needs to conduct on a reactive basis, in response to complaints, to resolve zoning and use issues during the sale/transfer of title process, and to improve property safety, and to increase city tax and fee collections (*Housing Alliance of Pennsylvania, A New Vision for Housing Market Recovery: What the Data Tells Us About What Works, Spring 2012, p. 38*).

**PMI05. With Department of Planning and Development, Undertake Targeted Code Enforcement in Target Areas**

<b>Target Outcome:</b>	Creating productive working relationships between property maintenance inspectors and community constituencies in targeted neighborhood areas—initially on a small-scale, “pilot” basis—in order to identify and systematically address all blighted property issues within designated target areas
<b>Four year financial impact:</b>	Not available
<b>Responsible party:</b>	City Manager

Property Maintenance inspections should be made part of a broader neighborhood improvement strategy designed to resolve longstanding problems and produce substantial long-term benefits. As part of this improvement strategy, code enforcement officers should communicate with community members about problem properties within a particular area, then conduct property-by-property inspections of blocks within the designated area. If the inspection process is digitized, and if a substantial number of code enforcement issues continue to be quality-of-life issues, and if a quality-of-life program is adopted, then this strategic approach can be implemented without an increase in staff.

**PMI06. Cross-Train Fire Inspectors and Planning/Community Development Inspectors**

<b>Target Outcome:</b>	Enable fire personnel to issue violation notices for significant health and safety code violations that they observe during the course of entering and/or inspecting a property in connection with a Fire Department action. Enable fire personnel to issue violation notices for significant health and safety code violations that they observe during the course of entering and/or inspecting a property in connection with a Fire Department action
<b>Four year financial impact:</b>	Not available
<b>Responsible party:</b>	City Manager

Fire inspectors provided by third party contractors, as well as the inspector currently assigned to the Department of Planning and Community Development, should complete a course of training (designed and administered by city staff) in property maintenance inspections and, upon completion of this training, be authorized to conduct these inspections and undertake related enforcement action as needed.

This action is not designed to replace existing code enforcement staff but to broaden the capability and authority of other staff with real estate-related responsibilities, so that property maintenance issues that they encounter during the course of their daily activities can be addressed immediately, rather than referred to other staff.

# Office of Information Technology Department

## Overview

The City of Altoona's Information Technology Department ("IT") is responsible for the administration and support of all of the City's computer hardware, networks, and systems. Currently the Department supports over 100 users and computers.

Exhibit 1 provides a list of:

- The servers and software supported by IT, by department;
- The software and hardware supported by IT along with the number of users for each system and annual maintenance fees/expenses; and
- The software packages utilized, initial install date, the applicable department, and a brief description of the purpose for each software package.

The City of Altoona is serviced by a high speed Ethernet network. The downtown locations (City Hall, Altoona Police, Altoona Fire, and Council Chambers/EOC) are linked by a private fiber ring with interconnected speeds of 1Giga Byte (GB). City Hall, Police, and Fire each have their own high-speed Internet connection protected by a Cisco ASA/Firewall. The EOC shares Internet with the Fire Department. All of these buildings are served by a Cisco IP phone system that has redundant servers at City Hall and the Police headquarters, a voicemail server at City Hall, and redundant Primary Rate Interfaces at City Hall and the Police headquarters. The Highway Yard, which has its own high speed Internet connection protected by a Cisco ASA, has a full time Virtual Private Network (VPN) connection to City Hall for e-mail. In addition, the three outlying Fire Stations connect to City Hall via VPN for database and e-mail connectivity.

The City also has a Motorola Dual Frequency WI-FI network with a Public Safety Frequency of 4.9 GHz and a non-public safety of 2.4 GHz. All police cruisers, detective vehicles, and fire trucks contain Vehicle Mounted Modems (VMMs) that connect either a Mobile Data Terminal (MDT), Laptop or Tablet to the City WI-FI network. The non-public safety network is used by the Public Works Department, IT Department, Codes Department, and the Altoona Water Authority.

An Information Technology Manager leads the City's IT Department. The City has no plans to change staffing at this time.

### IT Department Budgeted Head Count

	2008	2009	2010	2011	2012
Information Technology Manager	1	1	1	1	1
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

## Finances

The cost of purchasing hardware, software and phone server upgrades are paid from Capital Bond 41 and Capital Bond 42 proceeds. Excluding pension and health insurance costs, the 2012 IT budget contemplates expenditures of approximately \$149,000, which covers services

provided to over 100 users. Capital 41 and Capital 42 Bond proceeds are Capital Budgets that are part of the City's most recent capital improvement plan (and not included in the General Fund budget other than provision for the debt service associated with these bond issues). This plan was funded through bond issues undertaken by the City in 2008 and 2009. A portion of the current IT equipment, software, and hardware was funded through these programs. These Capital Budgets also pay for the \$60,000 per year cost of the City's WI-FI services. These programs are expected to expire at the end of 2012. The result will be that IT purchases not made prior to that time will not be funded, unless alternative sources of funding will need to be identified.

The current IT budget is minimal and while many of the systems may be sustainable for one to two years, much of what is in place is obsolete.

### Historical Expenditures IT Department

Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Projected
Salary	56,925	58,428	60,457	61,720	63,276
Pension	1,719	713	870	4,246	3,624
Health Insurance	10,311	11,585	13,350	13,153	17,587
Utilities	2,917	3,515	9,888	11,338	10,900
Training	257	-	-	-	500
Maintenance	45,391	52,377	58,653	63,321	67,000
Supplies	6,923	7,348	6,497	6,076	6,900
<b>Total</b>	<b>\$ 124,445</b>	<b>\$ 133,965</b>	<b>\$ 149,715</b>	<b>\$ 159,854</b>	<b>\$ 169,786</b>

Source: City of Altoona

### Projected Expenditures IT Department

Category	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Salary	63,276	65,254	65,254	65,254	65,254
Pension	3,624	3,787	6,169	6,618	6,775
Health Insurance	17,587	18,868	20,682	22,684	24,892
Utilities	10,900	11,227	11,564	11,911	12,268
Training	500	515	530	546	563
Maintenance	67,000	69,010	71,080	73,213	75,409
Supplies	6,900	7,107	7,320	7,540	7,766
<b>Total</b>	<b>\$169,786</b>	<b>\$175,768</b>	<b>\$182,600</b>	<b>\$187,766</b>	<b>\$192,927</b>

Source: City of Altoona

# Assessment

## WI-FI

The City WI-FI service vendor is Sig Wireless. The cost of this service is approximately \$65,000 per year. Of this amount, \$60,000 per year is paid out of Capital Bond 41 and Capital Bond 42 proceeds and the balance comes from the General Fund. These Capital Budgets expire at the end of the year and a new source of funding will be required.

There are 335 WI-FI nodes located throughout the City. Users of the City's WI-FI service have noted that the service has certain limitations. Most notable is the limited capability for the WI-FI signals to pass through buildings easily or consistently. Some of this limitation may be overcome with a re-assessment of the technology that is currently being used. An initial step would be the review of the WI-FI system, node location, and set up. Ideally this should be done as part of an overall IT audit of all IT equipment and functions across the departments.

As part of this process, the IT Department should seek an outside audit/evaluation by Motorola (the current equipment provider). The results of this analysis and estimated cost to improve the system could then be confirmed or re-evaluated through an RFP bidding process that would allow other service providers to compete via proposals that evaluate both connectivity solution options and prices for those services. The use and replacement of equipment and software should be included as part of the IT Audit.

The WI-FI situation needs to be addressed by the City Council and City Manager to determine how to cover the cost in the long term because the remaining proceeds of Capital Bond 41 and Capital Bond 42 will be spent by the end of 2012. The Motorola WIFI costs \$1.2 million to setup which breaks down to \$52,173.91 per device that is setup for connection (11 MDT, Mobil Data Terminal in the Police cars and 12 Sony wireless cameras). An alternative for the WI-FI process would be to augment or replace the current system by installing Broadband cards on computers/devices used in City police cars and fire trucks. The estimated cost of a broadband card is approximately \$150 apiece, with a \$19 to \$50 per month unlimited data plan. Service Plans for Broadband cards vary and are easily scalable. The estimated cost would be \$150 per card at \$50 per month per device for the initial cost of \$1650.00 for the MDT Police cars with an annual cost of \$6600.00 for the police cars. The actual number of cards required might be less depending on workflow and schedules. In addition to saving money, the broadband cards would likely provide better connectivity to users. According to the Fire Chief, he can sit in his office and see a City WI-FI access point from his window, but cannot access the WI-FI from his laptop, even though he receives a full signal from his cell phone. The use of broadband cards could address this issue.

## Fire Department

The Fire Department utilizes software called "Firehouse" that is run on the City network. While the current system and software is useable, it is outdated and should be replaced with newer and faster software. Upgrade considerations have been researched by the Fire Department and should be coordinated jointly with the IT Manager.

The Fire Department's mobile laptops utilize the City's WI-FI service, which is inconsistent. Despite the placement of citywide nodes, the WI-FI service is prone to dead spots in various

parts of the City. In many cases, the loss of WI-FI connectivity requires users to reboot laptops while en route to fire calls. The most reliable and often used connectivity available to the Fire Department is provided by the mobile communication truck. In some cases, the Chief uses his cell phone to create a mobile hotspot to give connectivity to the fire trucks. The Fire Department would greatly benefit from the installation of mobile data computers in all front-line response vehicle and command vehicles. The use of mobile data computers would allow the integration of critical information (Preplan) regarding specific structures and would assist with the development of the most effective response strategies for specific emergency incidents. Instantaneous access to information would also improve firefighter safety in emergency response-related activities.

The WI-FI connectivity issues with the Fire Department laptops should be immediately reviewed. The WI-FI according to the Fire Chief does not work for them in buildings and in their trucks all the time. The laptops are setup with Sleep mode or hibernation which causes them to not connect correctly when a call comes out for a fire. The Fire Department reacts to fires in 5 to 10 minutes and if they have to reboot the laptop to get the connection working correctly they lose valuable time. It is possible that a review of the “Hibernation” and “Sleep” modes setting of Fire Department laptops could be reconfigured to alleviate some of these “drop” issues. It is also possible that the WI-FI drop issue experienced by the Fire Department is not a pure WI-FI connectivity issue. It is possible that the “drops” are due to a combination of factors. Further evaluation should be done to ascertain whether the service is “dropped” due to the difficulty of WI-FI penetrating buildings or if the speed of the laptops is not as fast as required to meet the needs of the firefighters as they respond to calls. If that were the case, the dropping of WI-FI service could be due to slow processing or due to the fact that laptop batteries drain down when the vehicles are not in operation and the batteries are recharged only when the emergency vehicle is operating. In the latter example, an alternative power source could be developed to keep the laptops powered up and running “around the clock.” Additionally, the broadband card recommendation could allow the fire department to use their laptops and any other devices within the firehouse to plot out the diagram of building, increasing response time and efficiency.

## **Finance Department**

The City uses USL Financials for accounting and financial reporting and Sage Abra for payroll. These two software packages are not fully integrated. The current setup involves the use of manual time cards from departments. After the data is entered into the Sage Abra system it is exported over to the USL system and manual entry is needed to complete the process. A limited review of the USL Financials and Sage Abra systems indicates that they may be adequate and that much of the delay and duplication are not directly related to the software. Rather, they are affected by the end user’s knowledge and/or the purchase of the correct modules that are available. Informal discussions with various departments indicate that USL Financials and Sage Abra seem to be suitable for all finance functions. Currently, however, it is possible that the City does not have all the modules or does not have the most up-to-date versions of the programs. Ideally, the City’s accounting, payroll, and human resource software system would be integrated so that the current modules are all using up-to-date versions, the personnel using the systems are trained on these systems, and manual data entry is minimized. An IT audit should be undertaken to evaluate whether there is a need for additional and/or updated modules that can better meet the needs of the City. This process will require the IT Department to work with the CFO, Comptroller and all department heads (“IT Coordination Team”) to evaluate needs and uses of this package. The cost benefit analysis of this evaluation

will require consideration of cost, vendor support, vendor education, transition time and a commitment from each Department to “own” and “commit” to the process. Upon completion of this process, the City should determine whether a problem exists within the current software package and purchased modules, or whether the issue is a matter inadequate training. Should the City decide to move to another provider, it will need to identify as much as \$100,000 to cover the initial cost of the system as well as required training. A lesser cost would be incurred if the audit and evaluation indicates updating of the existing USL system is more beneficial.

The City should consider implementing an electronic time clock system that ties directly into the payroll software to replace the manual time cards. This would minimize human errors and increase accuracy while also preventing fraud and abuse of overtime, which is a major concern of any operating entity.

Further analysis should be done to determine if the City and the Blair County Tax Collection Bureau (“BCTCB”) should be transitioned on to the same software. Currently, the BCTCB uses a program called BIG. Given the significant and likely expanding role in revenue collection of BCTCB (which is housed in City Hall), the City should coordinate closely with BCTCB on software development and communication. One can assume that as the tax collection efforts increase, the BCTCB may need to add computer hardware, servers, and software. If the issue is considered early enough in the process, then perhaps the future needs of tax collection can be incorporated into the review and implementation of the updated financial software.

The Finance Department will also need to subscribe to and/or purchase software similar to Lexis/Nexis. This would enable the Finance Department to produce background checks on potential employees and to gather other information related to internal investigations. These services had previously been provided by the Police Department. Lexis/Nexis-type service can be utilized for risk management, insurance, and data analytics for various government and law enforcement services. A complete review of the suite of services and various price points should be implemented and reviewed on an interdepartmental basis.

City Hall departments and other administrative offices should ensure that desktop computers and laptops are running on the same version of the Microsoft Office suite. Further review of the volume licensing and standardized purchasing of software should be considered.

## **Public Works**

The Public Works Department uses Progeos software. The IT Department and/or the IT Coordination Team should work with Public Works to review what modules the Department uses and which versions of the software are being utilized. It does not appear that the Department efficiently uses available software and technology. This may be due to historical practices, lack of training on systems, or simply due to the decrease in staff available to perform the duties of the Department. Much of the Department’s work is still done using written tags for work orders.

The Public Works IT capabilities should be reviewed as part of the comprehensive outside IT Audit.

## **Police Department**

The Police Department has their own IT specialist, a sworn deputy, who has been managing all of the IT needs of the Police Department for the last 13 years. This individual functions as the backup IT specialist for the City. If there is an issue that IT cannot timely service, the Police Department's IT specialist is contacted. This specialist has complete administrative access to the entire computing system in all City departments.

For budget purposes, all Police IT requests are routed through the City's IT Department. As a result, the majority of the City's IT budget is allocated to the Police Department. This allocation is due to the fact that the Police Department has the largest number of computers and the software/hardware maintenance is substantially greater than that of other departments.

As discussed further in the Police Department chapter, the Department is currently working with MAGLOCEN (Middle Atlantic-Great Lakes Organized Crime Law Enforcement System) to obtain a crime mapping program that is compatible with their current records management system and that this software will be provided at no expense to the City. However, the City should continue to consider the value of obtaining technology which has real-time crime mapping capabilities and does not require daily data input. Real-time computer based crime-mapping/analysis helps management forecast and predict crime and deploy resources to aggressively suppress it. This type of software allows the Department to better forecast/predict crime in order to efficiently deploy resources in a manner to aggressively suppress such incidents. The estimated cost of the software and installation may be as high as \$80,000. There could also be a significant cost for hardware associated with the crime-mapping software. The cost to purchase, set up, and train the Department personnel will include both an initial hardware/software purchase and periodic upgrades that would be required. Prior to undertaking the purchase of crime-mapping hardware and software, the Department should fully evaluate the capabilities and costs of different crime-mapping systems. Conversations with the sales representative from Informant Tech, the vendor that provides the current Police Department software, indicates that the company is currently performing live beta testing for the crime mapping features. It may be most cost efficient to wait for this upgrade before the current system is scrapped or replaced. However, as discussed in the Police Department chapter of this report, other alternative crime-mapping system options should be considered as part of an IT Audit.

The City must decide whether the continued use of a "sworn officer" as the IT specialist for the Police Department and as the backup for the City IT Department is the best and most efficient process. While it is true that the Police Department has the greatest number of computers of any City department, it does not necessarily follow that the Police Department should have a police officer serving in the role of IT specialist. In light of the need for additional officers on the street, and the possibility that the police officer providing these services may retire in the future, it would be wise to consider the retention of an outside contractor to fill the role that the Police Department "IT" officer has performed over the last 13 years. This is discussed further in the Police chapter of this report.

## Initiatives

### IT01. Identify New Funding Source For WI-FI and Move to Broadband Cards

<b>Target outcome:</b>	Recurring funding source for critical infrastructure identified
<b>Four year financial impact:</b>	\$(120,000)
<b>Responsible party:</b>	City Manager, Council, IT Manager

The City currently finances its WI-FI service from bond proceeds, even though WI-FI should be considered an operating expense rather than a capital expenditure. These bond proceeds will be fully exhausted by the end of 2012. As a result, the City must allocate funds, presumably from the General Fund, to finance this \$60,000 recurring expenditure for WI-FI service. As discussed in the *Fire Department* section of this report, the City could reduce this outlay if it purchased broadband cards for its most critical services, thus reducing the cost to the General Fund by as much as \$120,000 (\$30,000 per year) during the 2013-16 period.

The specific deployment of broadband cards for the Fire Department, as well as other City Departments, should be subject to the findings of a thorough Information Technology audit, and must take into consideration the importance of meeting the needs of each individual department.

Section 302 (a) of Act 47 allows a municipality or the recovery plan coordinator to apply for financial assistance from the Commonwealth after a fiscally distressed municipality has adopted a recovery plan. The City, after adoption of the recovery plan, with the assistance of the Coordinator, may consider applying for \$100,000 in financial assistance grants over the next four years for the City's conversion to broadband cards.

### Financial Impact

2013	2014	2015	2016	Total
\$(30,000)	\$(30,000)	\$(30,000)	\$(30,000)	\$(120,000)

### IT02. Reallocate Police IT Position Within IT Department

<b>Target outcome:</b>	Create financial savings without any diminution in Police services
<b>Four year financial impact:</b>	\$120,000 Also discussed in Police Department Initiative PD04
<b>Responsible party:</b>	City Manager, Council, Chief of Police, IT Manager

The City's IT needs require at least two individuals to function properly, with one being full-time and one part-time. The City should either hire a part-time professional to meet the Police Department's IT needs or contract with a firm to do so. This should be part of the citywide IT audit referenced below. Either way, the City can realize savings without a reduction in Police services to residents.

Total compensation for the existing police officer providing IT services is estimated to be \$100,000 per year (\$70,000 salary plus \$30,000 in fringe benefits). Part-time para-professionals could perform the tasks at a cost of \$30/hour (depending upon the task), for a total of approximately \$30,000 per year. The annual savings could therefore be approximately \$70,000 per year if it is assumed that the next officer to retire or otherwise leave will not be replaced, and the existing Police IT specialist is transitioned into full-time police work. The details of this initiative are further discussed in Initiative PD04.

### Financial Impact

2013	2014	2015	2016	Total
\$(30,000)	\$(30,000)	\$(30,000)	\$(30,000)	\$(120,000)

**IT03. Reassess the City’s Information Technology Infrastructure**

**Target outcome:** Modernizing IT infrastructure to better support service delivery

**Four year financial impact:** \$(50,000)

**Responsible party:** IT Manager, City Council

The City’s IT infrastructure (hardware and software/applications like accounting/financial reporting, payroll, GIS, etc.) needs a thorough assessment to determine whether it is able to support the delivery of services residents need. While potential needs in the Fire, Police, Public Works, and Finance departments have been identified in this report, a more complete audit or review is needed to determine specifically what enhancements are needed and how they should be financed, procured, sequenced, and integrated. While the audit and potential upgrades could cost approximately \$50,000, they would also undoubtedly lead to improvements in the efficiency and effectiveness of service delivery. Our assumption is that this initiative is cost neutral to the City over the 2013-16 period.

Section 302 (a) of Act 47 allows a municipality or the recovery plan coordinator to apply for financial assistance from the Commonwealth after a fiscally distressed municipality has adopted a recovery plan. The City, after adoption of the recovery plan, with the assistance of the Coordinator, may consider applying for \$50,000 in financial assistance grants for an in-depth study of the entire City’s IT process.

### Financial Impact

2013	2014	2015	2016	Total
\$(50,000)	\$0	\$0	\$0	\$(50,000)

**IT04. Create Information Technology Committee of City Officials**

**Target outcome:** Better planning and coordination of IT procurement  
**Four year financial impact:** Not Available  
**Responsible party:** City Manager, Department Heads, City Council

The City advised the Coordinator that an IT committee has now been established. Once the IT audit is completed, an enhanced committee should be established and based on the findings of the audit formulate a plan for addressing them. All City departments have IT needs so all departments should be represented on the committee. Given the City Council's policy-making role, it should be represented as well. The plan can be integrated into the City budget and other planning documents to assure the City's IT needs are met going forward.

**IT05. Host Firehouse Solutions Software Remotely Instead of on City Server**

**Target outcome:** More effective service delivery  
**Four year financial impact:** \$6,000  
**Responsible party:** Fire Chief, IT Manager

The steps currently undertaken by the City towards switching from hosting the Firehouse Solutions Software on a City server to being hosted remotely by the Firehouse software provider will enable the City to retire a server running Windows 2003 when it reaches the end of its useful life in 1-2 years. This will save the City approximately \$10,000. The hosted solution for Firehouse will ultimately result in a net savings to the City of \$6,000 during the 2013-16 period.

**Financial Impact**

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
<b>(\$1,000)</b>	<b>\$9,000</b>	<b>(\$1,000)</b>	<b>(\$1,000)</b>	<b>\$6,000</b>

**IT06. Purchase Crime-Mapping Software**

**Target outcome:** More effective service delivery  
**Four year financial impact:** See Police Department Chapter  
**Responsible party:** Police Chief, IT Manager

The Police Department should evaluate and purchase crime-mapping software. This type of software allows the Department to better forecast/predict crime in order to efficiently deploy resources in a manner to aggressively suppress such incidents. While cost savings could be realized as a result of better deployment of resources, those cost savings cannot be estimated at this time. Please see initiative PD06 in Police section for further reference.

**IT07. Improve Technology Infrastructure Response Time and Information Reporting Targeted Outcome**

**Target outcome:** Enhance quality of services, increase efficiency and reduce operational costs  
**Four year financial impact:** Not Applicable  
**Responsible party:** City Manager, Department Heads and City Council

Throughout this report five significant technology based initiatives (summarized below) are recommended to improve services rendered by City departments to the public. Section 302(a) of Act 47 allows a municipality or the recovery plan coordinator to apply for financial assistance from the Commonwealth after a fiscally distressed municipality has adopted a recovery plan. The City, after adoption of the recovery plan, with the assistance of the Coordinator, should consider applying for financial assistance for the technology initiatives itemized below. These initiatives are described more fully in this chapter as well as the chapters for the Departments of Accounts and Finance, Fire and Police. These technology based initiatives provide an opportunity to enhance quality of services, increase efficiency and reduce operational costs in these critical areas.

1. Police Department - PD 06 - Crime Mapping Software
2. Department of Accounts and Finance - AFD 01 - Accounting/Budget/Procurement System - \$70,000 (2013)
3. Information Technology Department (also the Fire and Police Departments) - IT01 - Convert to Broadband Cards - \$120,000 (\$30,000 per year, 2013-2016)
4. Information Technology Department - IT03 - Technology Audit - \$50,000 (2013)
5. Department of Accounts and Finance RE 02 - Consolidate Revenue Collection - cost not known, to be determined.

## Exhibit 1

### City Hall Servers

1. Main File server: Server 2008 R2, Enterprise
  - a. SQL 2008 R2
  - b. Symantec Backup Exec
  - c. Sage Abra
  - d. USL Financials
  - e. Sage Fixed Assets
  - f. Progeos
  - g. Symantec Endpoint Protection
2. Lotus Notes server: Server 2003 R2, Enterprise
  - a. Domino Server
  - b. Symantec backup Exec
  - c. Symantec Endpoint Protection
3. Gis server: Server 2003 R2, Standard
  - a. Symantec Endpoint Protection
  - b. Symantec Backup Exec
  - c. Iron Speed Designer
  - d. Cadcorp Geonosis
  - e. SQL 2005
4. Wi-Fi Mobility: Server 2003 R2, Enterprise
  - a. Radio IP
  - b. Symantec Endpoint Protection
5. Video Server: Server 2003 R2, Standard
  - a. ONSSI Netguard EVS
  - b. Symantec Backup Exec
6. Wi-Fi: Linux
  - a. Motorola Wi-Fi management system
7. Commanager: Cisco Unified Operating System version 8.6.2.20000-2
8. Unity: Cisco Unity version 8.6.1.20000-109

## **Altoona Police Department Server**

1. Fileserver: Server 2003 R2, Standard
  - a. Symantec Endpoint Protection
  - b. Symantec Backup Exec
  - c. SQL 2008 R2
  - d. Informant

## **Altoona Fire Department Server**

1. Fileserver: Server 2003 R2, Standard
  - a. Symantec Endpoint Protection
  - b. Symantec Backup Exec
  - c. Firehouse
  - d. SQL 2005

## **Altoona Highway Department**

1. Fileserver: Server 2008 R2, Standard
  - a. Symantec Endpoint Protection
  - b. Symantec Backup Exec
  - c. SQL 2008 R2
  - d. Faster Fleet Management

## **Backup Server**

1. Fileserver: Server 2003 R2, Standard
  - a. Symantec Backup Exec
  - b. Symantec Endpoint Protection

## **List of All Systems and Software Supported by IT**

1.	USL Financials	8 Users	Annual Maintenance: \$4,432
2.	Progeos	60 users	Annual Maintenance: \$2,000
3.	Autocad	5 Users	Annual Maintenance: \$2,850
4.	Carlson	5 users	Annual Maintenance: \$395
5.	Sage Abra	5 users	Annual Maintenance: \$4,165
6.	Sage Fixed Assets	2 users	Annual Maintenance: \$1,525

7.	Lotus Notes	100 users	Annual Maintenance: \$2,584
8.	Symantec Endpoint Protection	100 users	Annual Maintenance: \$1,650
9.	Notesmith	3 users	Annual Maintenance: CDBG
10.	Arcgis	2 users	Annual Maintenance: CDBG
11.	Respec8	2 users	Annual Maintenance: CDBG
12.	Cobra Solutions	1 user	Annual Maintenance: \$395
13.	<a href="http://www.altoonapa.gov">www.altoonapa.gov</a>	3 users	Annual Maintenance: \$400
14.	Firehouse	67 users	Annual Maintenance: \$1,875
15.	Medtronic DT Express	4 stations	Annual Maintenance: \$0
16.	Faster Asset	3 users	Annual Maintenance: \$2,390
17.	Informant & On-Patrol	76 users	Annual Maintenance: \$9,935
18.	CPIN, AFIS, Clean	72 users	Annual Maintenance: \$12,897
19.	Micropaver	2 users	Annual Maintenance: \$650
20.	Radio IP	22 users	Annual Maintenance: \$2,307
21.	ID Centregold	2 users	Annual Maintenance: \$471
22.	Crashzone	1 user	Annual Maintenance: \$299
23.	Cisco IP Phone System	System	Annual Maintenance: \$1,212
24.	APD Admin Log	75 users	Annual Maintenance: \$0
25.	AMAG Building Security	System	Annual Maintenance: \$0

### List of All Hardware Supported by IT

1.	Servers	13	Annual Maintenance: Paid at purchase
2.	Crisco Network gear		
	a) ASA/Firewalls	4	
	b) Switches	9	
	c) Routers	3	Annual Maintenance: \$3,500
3.	Personal Computers	85	Annual Maintenance: Paid at purchase
4.	Laptops	26	Annual Maintenance: Paid at purchase
5.	Mobile Data Terminals	11	Annual Maintenance: Paid at purchase
6.	Copier/Printers	11	Annual Maintenance: \$4,000
7.	Printers	17	Annual Maintenance: \$0
8.	Sony Wireless Cameras	12	Annual Maintenance: \$0
9.	City Wi-Fi network	1	Annual Maintenance: \$60,000

10.	In Car Cameras	10	Annual Maintenance: \$0
11.	Fax Machines	16	Annual Maintenance: \$0
12.	Police Video Security Cameras	8	Annual Maintenance: \$0
13.	Barracuda Network Security	3	Annual Maintenance: \$1,500
14.	Barracuda Mail Filter	1	Annual Maintenance: \$500
15.	Sony Anycast System	1	Annual Maintenance: \$0
16.	Sony Broadcast Cameras	3	Annual Maintenance: \$0
17.	Council PA System	1	Annual Maintenance: \$0
18.	Council Microphones	17	Annual Maintenance: \$0
19.	Cisco IP Telephones	165	Annual Maintenance: \$0
20.	Universal Power Supplies	13	Annual Maintenance: \$0
21.	Projectors	2	Annual Maintenance: \$0
22.	ID Card System	1	Annual Maintenance: \$471 (software)
23.	Plotters	2	Annual Maintenance: \$0
24.	Kip Scanner/Printer	1	Annual Maintenance: \$300

### **Software Packages in Place, Age and Purpose of Each:**

	<b>Name</b>	<b>Initial Install Date</b>	<b>Dept.</b>	<b>Purpose</b>
1.	USL Financials	2002	Finance	Financial management
2.	Progeos	2009	All	Codes, permits & GIS
3.	Autocad	1990's	Engineering	Drawings
4.	Carlson	2009	Engineering	Tool integrated with Autocad
5.	Sage Abra	2002	Finance/HR	Payroll & HR
6.	Sage Fixed Assets	2002	Finance	Track Fixed Assets
7.	Lotus Notes	1990's	All	Email
8.	Symante Endpoint Protection	2002	All	Antivirus Protection
9.	Notesmith	2004	CDBG	Process loan payments
10.	Arcgis	2002	CDBG	GIS
11.	Respec8	2003	CDBG	Prepare construction specs
12.	Cobra Solutions	2006	HR	Perform Cobra functions
13.	www.altoonapa.gov	2003	IT/Admin	Maintain City Website
14.	Firehouse	1990's	Fire	Fire Reporting

15.	Medtroniz DT Express	1990's	Fire	AED Reporting
16.	Faster Asset	1990's	Highway	Fleet Maintenance
17.	Informant & On-Patrol	1990's	Police	Police Reporting
18.	CPIN, AFIS, Clean Databases	1990's	Police	Record & Fingerprint
19.	Micropaver	2006	Engineering	Pavement Management
20.	Radio IP	2009	IT	Wi-Fi
21.	ID Centregold	2008	IT	ID System
22.	Crashzone	2000's	Police	Crash reconstruction
23.	Crisco IP Phone System	2006	All	IP Phone system
24.	APD Admin Log	2012	Police	Police Administrative Log
25.	AMAG Building Security	1999	IT/Police	Police Bldg. Security System

# Insurance and Risk Management

## Overview

The City’s insurance risk management program is managed in part by three (3) individuals: (1) the City’s Finance and Personnel Director is responsible for purchasing insurance; (2) the day to day management of Workers’ Compensation claims is handled by the Human Resource Assistant; and (3) the Executive Assistant to the Director of Public Works is responsible for managing day to day claims in connection with damage to City property, third party general liability and automobile physical damage and liability. While some municipalities, specifically those that do not employ a full time insurance risk management professional, will engage the services of an Insurance Risk Management Consultant to provide independent and objective advice and counsel, Altoona does not. Because the City’s in-force insurance program is not written through direct writers, the City must utilize the services of an intermediary to access and place the coverage with the insurance markets. The City utilizes the services of two (2) intermediaries or brokers. The primary broker is MIC Insurance Services, LLC (“MIC”). The second brokerage firm servicing the City’s insurance needs is Complete Insurance Services (“CIS”). It is these two (2) brokerage firms that provide the City with advice and counsel in the area of insurance and risk management.

The chart below (which was prepared by the Coordinator based upon our review of each of the individual insurance contracts that include the City’s insurance program) outlines Altoona’s current insurance program policies, the insurer that provides the coverage, the coverage limit, the liability (retention) and the annual premium cost, follows:

Line	Insurer	Limit	Retention	Premium
Property	CNA	\$28,628,762	\$25,000	\$25,166
General Liability	CNA	\$1,000,000	\$10,000	\$36,110
Employee Benefits Liability	CNA	\$1,000,000	\$1,000	Included
Crime	CNA	\$100,000	\$1,000	\$3,943
Inland Marine	CNA	\$1,077,885	\$1,000	\$716
Equipment Breakdown	CNA	\$33,643,955	\$10,000	\$2,593
Automobile Liability	CNA	\$1,000,000	\$10,000	\$79,127
Public Officials Liability	CNA	\$1,000,000	\$25,000	\$13,319
Employment Practices Liability	CNA	\$1,000,000	\$10,000	Included
Law Enforcement Liability	CNA	\$1,000,000	\$10,000	\$25,169
Excess Workers’ Compensation	Safety National	\$25,000,000	\$650,000 - (First Responders) 600,000 (All Others)	\$32,201
Property (Portable Fire Equipment)	American Alternative Insurance	Guaranteed Replacement Cost	\$500	\$2,204
Automobile Liability (Fire Vehicles)	American Alternative Insurance	\$1,000,000	N/A	\$17,814
<b>Aggregate Annual Insurance Premium Exp.</b>				<b>\$238,362</b>

Overall, in our professional opinion, the City's risk management program is adequately managed, in partnership with MIC Insurance Services and Complete Insurance Services, with the exception of work related disability claims involving police officers and fire fighters. The assessment below focuses on areas where the City may improve.

## Assessment

### Brokerage / Representation

Since the City's in-force insurance program is not written through direct writers, the City must utilize the services of an intermediary to access and place the coverage with the insurance markets.

The City utilizes the services of two (2) intermediaries or brokers. The primary broker is *MIC Insurance Services, LLC* ("MIC") with their address and primary contact person as follows:

MIC Insurance Services, LLC  
PO Box 616  
New Kingston, PA 17072-0616  
717-385-3937 (O)  
866-615-1089 (F)  
Mr. Chris Wasko, ARM, CPSI  
President  
cwasko@mic-ins.com

MIC was appointed Broker of Record in late 2005 and assumed responsibility for the majority of the City's Property & Casualty Insurance Program beginning with the 2006/2007 policy term.

MIC is responsible for the following policies:

- Commercial Property (excluding portable fire apparatus)
- General Liability, including Employee Benefits Legal Liability
- Crime
- Inland Marine
- Equipment Breakdown
- Automobile (excluding Fire Department vehicles)
- Law Enforcement Liability
- Public Officials Liability (including Employment Practices Liability)
- Excess Workers' Compensation and Employers Liability

The second brokerage firm servicing the City's needs is *Complete Insurance Services ("CIS")* whose contact information is as follows:

Complete Insurance Services  
 1213 Ninth Avenue  
 Altoona, PA 16602  
 814-940-1733 (O)  
 814-940-1735 (F)  
 CIS4YOU@AtlanticBBN.Net

The policies for which CIS is responsible are as follows:

- Commercial Property (i.e., portable fire apparatus)
- Automobile (i.e., Fire Department vehicles)

**Brokerage Services Agreement:** There are no written contracts or services agreements between the City and either of the two brokers. While this is not uncommon, it is generally a best practice to secure a written agreement that at a minimum sets forth services, standards, expectations and renewal time-lines.

**Brokerage Compensation:** There are several ways in which brokers can be compensated. One is the traditional commission, or percentage basis in which the broker receives a percentage of the policy's gross annual premium, with commissions ranging from 5% - 7% on Workers' Compensation policies and 5% - 15% on all other lines of coverage. A commission or percentage-based compensation arrangement places any insurance broker in a perceived conflict-of-interest position, since the lower the insurance premium, the lower the commission earned. Such a compensation methodology also fails to equate time spent in delivering client service to compensation earned. The alternative to commission compensation is to negotiate a fee for service in lieu of commission. A fixed fee provides the broker with a fair, negotiated level of compensation for work performed. Therefore, the lower the insurance premiums, the higher the ratio the insurance broker has earned for a fee. It also allows the City to separate the cost of risk transfer from the cost of placement and follow-up service. In separating the expense, the City can establish a fee that is commensurate with the time and value of the service being provided. More often on large placements, the negotiated fee is typically less than what the commission would have been, hence reducing placement expense.

MIC receives both commission income and a fee. The following (which is based on information provided by MIC in response to our request for such information) provides an accounting of MIC's compensation:

Line	Commission	Fee	Premium	Commission Percentage	Brokerage Compensation
Property	Yes	N/A	\$25,166	12.5%	\$3,146
General Liability	Yes	N/A	\$36,110	12.5%	\$4,514
Crime	Yes	N/A	\$3,943	12.5%	\$493
Inland Marine	Yes	N/A	\$716	12.5%	\$90
Equipment Breakdown	Yes	N/A	\$2,593	12.5%	\$324
Automobile	Yes	N/A	\$79,127	12.5%	\$9,891

Line	Commission	Fee	Premium	Commission Percentage	Brokerage Compensation
Law Enforcement Liability	Yes	N/A	\$25,169	7.5%	\$1,888
Public Officials Liability	Yes	N/A	\$13,319	7.5%	\$999
Employment Practices Liability	Yes	N/A	Inc.	Inc.	
Excess Workers' Compensation	Yes	*	\$32,201	10%	\$3,220
Commission Income					\$24,565
Supplemental Fee					\$7,500
MIC Aggregate Compensation					\$32,065

\* A fee of \$10,000 is also charged, with MIC receiving \$7,500 and the Managing General Agent (MGA) for the Excess Workers' Compensation receiving \$2,500. This fee is being charged as a result of a decrease in the Excess Workers Compensation premium. The MGA and the retail broker (i.e., MIC) advise that the commission income earned was inadequate compensation in connection with the services performed for the City. A fee of \$10,000 was agreed upon with City Administration, and split between the two parties.

CIS is compensated on a commission basis and their annual compensation is estimated as follows:

Line	Commission	Fee	Premium	Commission Percentage	Brokerage Compensation
Property	Yes	N/A	\$ 2,204	10%	\$ 220
Auto	Yes	N/A	\$17,814	10%	\$ 1,781
<b>Commission Income</b>					<b>\$ 2,001</b>

## Annual Insurance Premiums Paid

MIC, the City's primary insurance broker, aggressively markets and manages the annual renewal, introducing competition when and where needed. The aggregate premium cost of the policies MIC manages has, for the most part, been reduced year after year as shown below\*:

Year	Premium
2004	\$398,789
2005	\$312,244
2006	\$313,587
2007	\$287,105
2008	\$285,631
2009	\$238,868
2010	\$251,787
2011	\$215,962
2012	\$196,143

*\* The information that appears in this chart was provided to the Coordinator by MIC in response to our question relating to premium history.*

Set forth below are the lines of coverage in which there are opportunities for improvement and/or items that impact cost.

## Workers' Compensation and Employer's Liability

### ***Qualified Self-Insurer***

The City has been approved by the Pennsylvania Department of Labor & Industry, Bureau of Workers' Compensation, to continue to self-insure its workers' compensation liability for the current term (i.e., 1/1/12-12/31/12). As a qualified self-insurer for Workers' Compensation benefits, the City is exempt from the requirement to insure its liability to pay compensation as provided under the Workers' Compensation Act of the Commonwealth of Pennsylvania.

Since becoming a qualified self-insurer, the City annually has selected a retention level applicable to each and every claim. Currently, the City self-insures on a per occurrence basis, the first \$650,000 in benefits applicable to uniformed employees (i.e., police and fire) and \$600,000 as it relates to non-uniformed employees.

### ***Excess Workers' Compensation Insurance***

Pursuant to 24 PA. Code, Chapter 125, excess insurance covering self-insurance liability is required for self-insurance status. The City has purchased an Excess Workers' Compensation policy underwritten by Safety National Casualty Corporation. The policy is both placed and serviced by MIC. A summary of the in-force policy is as follows:

<b>Primary</b>	Qualified Self-Insurer
<b>Retention</b>	\$650,000 per occurrence for Uniformed Employees \$600,000 per occurrence for Non-Uniformed Employees
<b>Excess Insurer</b>	Safety National Casualty Corporation
<b>A.M. Best Rating</b>	A (X)
<b>Limits</b>	
<ul style="list-style-type: none"> <li>• Maximum Limit of Indemnity</li> </ul>	\$25,000,000 per occurrence
<ul style="list-style-type: none"> <li>• <i>Employers' Liability Maximum</i></li> </ul>	\$1,000,000 per occurrence
<b>Premium</b>	\$32,201

## Trust Fund Assets

The City is required to maintain a trust fund in which a balance is maintained that equates to the City's ultimate financial liability in connection with all open claims and those that have been incurred but not reported, commonly referred to as IBNR. The amount of this liability is determined annually by the Pennsylvania Department of Labor and Industry, Bureau of Workers' Compensation based on an actuarial analysis of the City's loss experience. The Bureau, using staff casualty actuaries, has estimated the required asset level as of September 11, 2010, to be \$576,925. The City's Account Asset level as of September 11, 2010 was reported at \$1,435,692. The Bureau has determined that the City's account asset level was in excess of the amount required. This determination was set forth in a letter dated October 1, 2010 from the Bureau of Workers' Compensation to the City's Finance Director. We have been advised that this is the most recent assessment from the Bureau in connection with the adequacy of funding.

It is important to note that the City is maintaining an account asset level in excess (i.e., \$858,767) of that which is required by state law. While we recognize that there may be a tendency to reduce the account asset level or decrease or reduce funding for a period of time, the City must recognize that reducing the account asset level to minimum requirements exposes the City to a future unplanned contribution in the event of either an increase in claim frequency or an incident where a single claim with significant liability arises.

## Heart and Lung Act

Like other City employees, when police officers and fire fighters suffer injuries, they are entitled to Workers' Compensation benefits. However, before benefits are paid under Pennsylvania Workers' Compensation, if the injury qualifies, wage loss benefits must first be paid under the Pennsylvania Heart and Lung Act ("the Act").

The Act covers a police officer or firefighter who is injured in the performance of his or her duties and who sustains a temporary disability. Injuries resulting in permanent disability are covered by the Workers' Compensation Act. There is no defined benefit period. The Act prescribes that benefits must be paid for as long as the employee is determined to be temporarily disabled. When the disability is determined to be permanent then wage benefits under the Act will be

terminated in accordance with due process. Subsequent wage loss is determined under the Workers' Compensation Act.

A disabled employee under the Act is entitled to 100% of his/her wage, unlike under the Workers' Compensation Act where the weekly benefit is subject to 66.66% of the employee's average weekly wage over the preceding 12 months. While the benefits under the Act bring a significantly higher cost to the City than Workers' Compensation benefits, eligibility for benefits under the Act requires a higher standard than a claim under Workers' Compensation. For a claim to be accepted under the Act, the disability must be a result of the employee being injured in the performance of his or her duties, whereas under Workers' Compensation the injury simply has to have occurred in the course of employment. Hence, much like Workers' Compensation claims, claims filed under the Act also must be aggressively managed.

As stated above, in the event of a disabling injury a determination must be made as to whether the injury is covered under the Act or covered under Workers' Compensation. The Personnel Assistant who manages work related claims, it is her understanding that any time a police officer or fire fighter has a disabling injury they are automatically covered under the Act. This is an incorrect understanding of the Act and applying this understanding to any and all disabling injuries to a police officer or fire fighter may result in a higher cost than is necessary. A complete understanding of the coverage criteria governing claims covered by the Act is needed by City personnel so that each disabling injury suffered by a police officer or a fire fighter can be properly evaluated. A subsequent decision must be made as to whether it would be a lost wage claim covered under the Act or under Workers' Compensation. Hence, we recommend that each disabling injury be carefully evaluated and a strict application of what constitutes a covered claim under the Act be applied.

## Claims Management

**Third Party Claims Administrator:** The City has contracted with *Inservco Insurance Services, Inc.* ("Inservco") to process its self-insured Workers' Compensation claims. The current contract has a three (3) year term and will expire on October 31, 2014. By all accounts, the City is satisfied with Inservco's performance with regard to their fee for service. A flat annual fee of \$30,756 is charged by Inservco.

There is no reason that services cannot be provided on an annual flat fee basis, however, our experience suggests that services are provided for on a per claim fee basis. In an attempt to determine the appropriateness for the annual fee as opposed to what the cost might be on a per claim fee basis, claim counts for the last four (4) years were reviewed. Lost time cases generally equate to 20% of the total claims for each year; hence the breakdown is as follows.

Effective Date	Claim Type	Claim Count
2011	Lost Time	8
	Medical Only	35
2010	Lost Time	17
	Medical Only	66
2009	Lost Time	19
	Medical Only	76

2008	Lost Time	16
	Medical Only	62

Using the four (4) year claim count averages of 15 and 60 applicable to Lost Time and Medical Only claims respectively, projected per claim count fees were used utilizing typical per claim fees charged by many other Third Party Claim Administrators as follows:

- Lost Time
  - 15 x \$1,300      \$19,500
  
- Medical Only
  - 60 x \$175      \$10,500  
\$30,000

Based on the projections above, the flat fee of \$30,756 paid by the City is slightly higher than the amount it might pay on a per claim rate basis.

### **Large Claim Notification**

There is no threshold term or condition which requires Inservco to notify the City when a claim has been established with a case reserve in excess of a specific amount or when a case reserve is increased in excess of a certain amount.

### **Light Duty Program**

One primary tool to minimize loss experience is to return injured employees to work as soon as possible by offering light duty or modified duty assignments if the employee cannot return to full duty work. A light duty or modified duty job must be approved in writing by the employee’s doctor before the light duty job offer is made. Light duty, modified duty and transitional work are all “somewhat” synonymous in that the goals of each are the same – return the injured employee to work as soon as possible. To do so typically reduces lost time days, decreases the injured worker disability experience, maintains the employer-employee work experience, and improves employee morale. It represents an opportunity to protect and maintain the employability of the workers with restrictions, while reducing the employer/employee financial liability associated with work restrictions.

The earlier an employee returns to work after an injury, the lesser claim cost will result. The goal of light duty programs is to return the injured worker to employment as soon as possible. It has been reported that the cost of a claim increases by 21% to 33% when return to work does not occur within the first three weeks. The cost of a claim increases by 55% after the first thirty days. Further, when someone is off work on workers’ compensation the City is paying that compensation and also pays for someone else to cover the job. Other hidden costs related to the claim can include overtime and training. Employees who are doing even a part of their job place less of a burden upon their co-workers. National statistics show that claim filings are reduced up to 50% when transitional work programs are implemented.

The City uses Light Duty as follows:

- Fire Fighters: Their Collective Bargaining Agreement allows for a Light Duty Program as it relates to disabled fire fighters but requires that fire fighters remain within the department.
- Police: While the Collective Bargaining Agreement does not make any reference to the participation in a Light Duty Program, it has been recognized that an appropriate level of support and cooperation has been given by the Department to place disabled police officers in light duty positions.
- Non-Uniform: A Light Duty Program is practiced with some success as it relates to employees located in other City departments.

It seems that the City is effectively utilizing a Light Duty Program. It was expressed to the Coordinator, based on the cutbacks and attrition within City government, that every department head is receptive to such a program in order to deliver City services.

## **Outside Legal Counsel**

The City utilizes Mike Wagner, Esq. of the Wagner & Sims law firm in connection with legal matters involving Workers' Compensation claims.

## **Claims Review**

Claims are not reviewed on a regular basis. If not aggressively managed, claims have a tendency to become more costly. This is also true with claims covered under the Heart and Lung Act. We recommend that all work related claims involving a temporary or permanent disability be aggressively managed.

## **Municipal Package Program**

The balance of the City's insurance program is provided under a Municipal Package policy, the specifics of which are as follows:

- Insurer: National Fire Insurance Company of Hartford, a member of CNA Insurance Companies
- Policy No: MNP419707880
- Term: 1/1/12 – 1/1/13

The policy is serviced by MIC and is placed through McKee Risk Management, Inc., a managing general underwriting agency located in King of Prussia, Pennsylvania. The policy contains multiple sections, each of which addresses a unique exposure facing the City. A summary of each section is as follows:

## Automobile Liability and Physical Damage

This coverage section of the policy is summarized as follows:

• Bodily Injury Limit:	\$	1,000,000
• Uninsured Motorist:	\$	40,000
• Underinsured Motorist:	\$	40,000
• Towing and Labor:	\$	50 per day
• Retention (Liability):	\$	10,000
• Deductible (Physical Damage)		
• Comprehensive:	\$	1,000
• Collision:	\$	1,000
• Garagekeepers Coverage	\$	100,000
○ Deductible (Physical Damage)		
○ Comprehensive:	\$	1,000
• Collision:	\$	1,000
• Annual Premium:	\$	79,127

The City owns 121 vehicles licensed for road use, all of which are insured. One Hundred Eighteen (118) are provided coverage for Physical Damage. Further, a deductible of \$10,000 per claim is applicable as it relates to Third Party Liability claims, while the deductible for Physical Damage (i.e., Collision and Comprehensive) claims involving City owned vehicles is \$1,000 per accident.

An analysis of the coverage terms follows:

- The Commonwealth no longer requires Uninsured and Underinsured Motorist Coverage. Maintaining any form of coverage can be viewed as extending an added benefit to a City employee involved in an accident with an uninsured or underinsured motorist while operating a City owned vehicle. Such a benefit comes at a cost. Presently, fire department vehicles are afforded a limit of \$35,000 under the policy insuring Fire Department vehicles, while non-fire department vehicles are afforded a limit of \$40,000. If the City continues to provide the coverage, the limits should remain the same. As for the limit to be afforded, the minimum limits offered are \$15,000 while the maximum limit cannot exceed the \$1 million limit the City maintains for third party liability. We would recommend the minimum limit.
- The policy being extended should include coverage for Hired or Borrowed autos and Non-Ownership Liability.
- The premium is composite rated and the Liability composite rate is approximately \$326 for all 121 units, while the Physical Damage composite rate is approximately \$335 on 118 units, hence three (3) units do not have physical damage coverage. Further, the policy is not auditable, and any new or replacement vehicles are automatically covered provided that the number of new vehicles does not exceed ten percent (10%) of the number of vehicles originally scheduled, or 12 vehicles.
- The policy extends coverage to “sound receiving equipment” installed in police and emergency vehicles. It has been discovered that this equipment is installed in other City

vehicles (e.g., Public Works) that would not meet the definition of a police or emergency vehicle to which this extension applies. Hence, the equipment installed in the Public Works vehicles are not insured.

- Garagekeepers coverage has been provided to the City’s garaging operations. Both Comprehensive and Collision coverage is provided. However, there is a concern not with the coverage but in the manner the location is described on the endorsement. The location shown simply states “*Address Where You Conduct Garage Operations (Main Location).*” The concern is in relation to the reference to “Main Location.” It is recommended that this reference shall be deleted so as to allow for coverage to be extended to any location where garage operations are conducted.
  
- Typically, when fleets exceed 100 vehicles, it is more cost effective to self-insure the physical damage exposure rather than to purchase commercial insurance. The aggregate premium applicable to the 118 vehicles that are covered for physical damage is \$39,563. Experience shows that emergency vehicles, particularly police vehicles, tend to sustain physical damage more frequently than others, and we would not recommend that the City self-insure this exposure at this time. If the number of vehicles and/or physical damage premium continues to increase, the option of self-insurance should be considered.
  
- With regard to the limit applicable to the insured vehicles in connection with a physical damage loss, it can be seen that fire trucks are insured subject to an agreed value limit while other vehicles are insured subject to their actual cash value. Given the high value associated with some of the Fire Department’s vehicles, the valuation approach is supported.

The City does not have Fleet Management or Fleet Safety Guidelines. Currently. Prior to hiring an individual to operate a City vehicle, that person’s driving history is a factor taken into consideration in the hiring decision. However, once an employee is hired, it does not appear that the employee’s driving in a City vehicle is a factor in connection with continued employment.

## Property Insurance

This coverage section of the policy can be summarized as follows:

• Building	\$28,628,762
○ Deductible	\$10,000
• Business Personal Property	\$5,015,193
○ Deductible	\$10,000
• Equipment Breakdown	Included
• Extra Expense	\$500,000
• Flood:	\$1,000,000
○ Deductible	\$25,000
• Earthquake:	\$1,000,000
○ Deductible	\$25,000

Valuation	Replacement Cost
Cause of Loss	Special
Annual Premium	\$25,166

The Coordinator has concluded that the policy is appropriate. The blanket limit, applicable to Buildings and Business Personal Property, is adequate to cover the replacement cost of any one location. City Hall would be the most costly building to replace if it were to sustain a total loss. Hence the question is whether the blanket limits are sufficient to rebuild/replace the loss of this building.

There is a Protective Safeguards endorsement attached to the policy. It appears that various protective safeguards can be found within various City buildings such as: a) Automatic Sprinkler System; b) Automatic Fire Alarm; c) Security Service; and d) Service Contract. The policy will not pay for loss or damage caused by or resulting from fire if, prior to the fire, the City:

- Knew of any suspension or impairment in any protective safeguard listed in a Schedule that was submitted to the insurer and failed to notify them of that fact; or
- Failed to maintain in complete working order any protective safeguard listed in the aforementioned Schedule and over which the City had control.

If part of the Automatic Sprinkler System is shut off due to breakage, leakage, freezing conditions or opening of sprinkler heads, notification to the insurer will not be necessary if the City can restore full protection within 48 hours. Failure by the City to adhere to these conditions can result in a declination of coverage.

## Law Enforcement Liability

This coverage section of the policy is summarized as follows:

- Each Wrongful Act: \$ 1,000,000
- Aggregate Limit: \$ 1,000,000
- Deductible: \$ 10,000
- Annual Premium: \$ 25,169
- The City's decision to insure against third party liability arising from Law Enforcement Liability is supported by the Coordinator.
- The Duty to Defend is the responsibility of the insurer; hence the insurer selects defense counsel.

## Public Officials Liability (Including Employment Practices Liability)

This coverage section of the policy is summarized as follows:

- Each Claim Limit: \$ 1,000,000
- Policy Aggregate Limit: \$ 1,000,000
- Deductible: \$ 25,000
- Annual Premium: \$ 13,319

The policy excludes coverage for punitive damages. Pennsylvania statutory law determines insurability of punitive damages (Directly assessed punitive damages are not insurable in Pennsylvania, vicariously assessed punitive damages, however, are insurable in Pennsylvania).

## Commercial Crime

This coverage section of the policy can be summarized as follows:

• Employee Theft:	\$ 100,000
• Forgery or Alteration:	\$ 100,000
• Computer Fraud:	\$ 100,000
• Limited Covered Instruments to Credit, Debit or Charge Cards:	\$ 100,000
• Inside the Premises Theft of Money and Securities:	\$ 100,000
• Inside the Premises-Robbery or Safe Burglary or Other Property:	\$ 100,000
• Outside the Premises (Theft of Money and Securities):	\$ 100,000
• Money Orders and Counterfeit Currency:	\$ 100,000
• Faithful Performance:	\$ 100,000
• Deductible	\$ 1,000
• Annual Premium	\$ 3,943

The policy is issued using a Loss Sustained form as opposed to a Discovery form. The Loss Sustained form provides coverage for losses that are sustained during the policy period or within the period of time provided in the Extended Period to Discover Loss Condition (typically one year from the policy expiration or termination date). The Discovery form covers losses that are discovered by the insured during the policy period and sixty (60) days thereafter (unless replaced with similar insurance) no matter when the loss occurred and it does not matter if the insured had prior coverage. In the event the City decides to change insurers, coverage should be provided under a Discovery form.

The Coordinator must question the adequacy of coverage of the following Insuring Agreements: Employee Theft; Forgery or Alteration; and Computer Fraud. Large sums can be lost in connection with Computer Fraud, a \$100,000 limit applicable to this particular Agreement is not advisable. It is advised that the City increase the limit to \$250,000 and perhaps \$500,000.

In other coverage sections the Altoona Redevelopment Authority and Intermunicipal Relations Committee (IRC) have been added as additional insureds. Because every entity is exposed to acts of employee dishonesty, these two (2) entities should be added to this coverage section as well.

## Inland Marine

This coverage section of the policy can be summarized as follows:

• Contractors Equipment:	\$	1,077,885
• Miscellaneous Property	\$	
○ Per Occurrence:	\$	50,000
○ Per Item:	\$	2,500
• Unscheduled Property	\$	1,000
• Short Term Equipment Leased, Borrower or Rented from Others	\$	
○ Per Occurrence	\$	100,000
○ Per Item	\$	10,000
○ Waiting Period		72 hours
• Deductible:	\$	1,000
• Valuation Process:		Actual Cash Value
• Annual Premium:	\$	716

## General Liability

This coverage section of the policy can be summarized as follows:

• Each Occurrence	\$	1,000,000	
• Personal & Advertising Injury:	\$	1,000,000	
• Medical Expense:	\$	10,000	(Any One Person, Excluding Students)
• Fire Damage:	\$	100,000	(Any One Fire)
• Products / Completed Operations			
• Operations:	\$	1,000,000	
• Deductible:	\$	10,000	
• Employee Benefit Legal Liability			
○ Each Employee/Aggregate:	\$	1,000,000	
○ Deductible:	\$	1,000	
• Annual Premium:	\$	36,110	

The policy contains a \$10,000 deductible in connection with all third party bodily injury and property damage claims. The applicability of a deductible is supported, however, rather than a per claim deductible, it is suggested the City determine, with actuarial input, the average annual aggregate loss, and then consider an annual aggregate retention, with coverage in excess of the aggregate self-insured retention. The policy contains an exclusion as it relates to all hazards in connection with the following types of premises:

1. Any airfields, runways, hangars, terminals or related facilities used in conjunction with any aircraft;
2. Hospitals, nursing homes or any other medical, rehabilitation or hospice care facilities;

3. Public schools and related facilities;
4. Jails, penal institutions or similar facilities;
5. Amusement parks, fairs, circuses or similar temporary or permanent operations;
6. Rodeos;
7. Mechanical amusement devises; and
8. Any dams, levees and dikes or similar water retention structures.

This exclusion is highlighted in connection with Nos. 5, 6 and 7. These exposures tend to be temporary and often are in the care, custody and control of a third party. The City must require third parties to execute an appropriate Indemnity Agreement that benefits the City, along with a requirement to maintain appropriate insurance coverage to support their indemnity obligation.

The policy has been endorsed to extend coverage to:

“Elected or appointed officers and members of the governing body, boards and commissions, acting within the scope or their duties and within the jurisdiction of authority for the Named Insured.”

### **Emergency Service Organization Commercial Automobile Policy**

- **Policy Intent:** This policy responds to the commercial auto needs of the City of Altoona Fire Department. Twenty-one (21) vehicles have been scheduled.
- **Insurer:** American Alternative Insurance Corporation, a member company of Munich Reinsurance Company
- **Policy No:** VFIS-CM-1056900-04/000
- **Term:** 1/1/12 – 1/1/13
- **Limit**
  - Liability \$ 1,000,000
  - Uninsured Motorist \$ 35,000
  - Underinsured Motorist \$ 35,000
  - Collision
    - Deductible \$ 1,000
- **Annual Premium:** \$ 17,814

## Emergency Service Organization Portable Equipment

- **Policy Intent:** This policy responds to the loss or damage to portable equipment as defined within the policy owned by the City of Altoona Fire Department.
- **Insurer:** American Alternative Insurance Corporation, a member company of Munich Reinsurance Company
- **Policy No:** VFIS-TR-2061161-04/000
- **Term:** 1/1/12 – 1/1/13
- **Limit**
  - Blanket Portable Equipment Guaranteed Replacement Cost
  - Deductible \$500
- **Annual Premium:** \$2,204

The Coordinator suggests the coverage is appropriate and no comments are deemed necessary.

## Insurance Company Financial Ratings

The Coordinator believes that the financial health of an insurance company is equally as important as the terms and conditions of their policy and the services they provide. The use of ratings and related financial information has grown in importance among insurance professionals, including agents, brokers, insurance and reinsurance company executives, commercial and investment bankers, securities analysts, risk managers and policyholders. Many of these users rely on A. M. Best's Ratings and publications to provide critical information to assist them in their insurance decisions and market research activities.

Best's Ratings involve a quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile. Essentially, there are 16 ratings that are categorized into two classifications. These ratings and classifications are as follows:

### Secure Ratings

A++ and A+ .....Superior  
 A and A- .....Excellent  
 B++ and B+ ..... Very Good

### Vulnerable Ratings

B and B- .....Fair  
 C++ and C+ ..... Marginal  
 C and C- .....Weak  
 D ..... Poor  
 E ..... Under Supervision  
 F .....In Liquidation  
 S ..... Rating Suspended

The Coordinator recommends the City's insurer should have and maintain a Best Rating of at least A-. Should an insurer be assigned a rating less than A-, there is reason for concern. That generally results in a recommendation that the client should consider a replacement insurer.

The information below provides a summary of the insurers that are underwriting the City's Program, the lines that they provide and their 2012 A.M. Best Rating. Also listed is the operating company under its parent company in order to give the City an understanding as to how much of its premium is placed with any one insurance organization on an individual company and consolidated basis.

<u>Parent / Operating Insurer</u>	<u>'12 Best Ratings</u>	<u>Line of Coverage</u>
<b>CNA Insurance Companies</b> National Fire Insurance Harford	A	*Municipal Package
<b>Munich Reinsurance Company</b> American Alternative Insurance Corp.	A+	*Fire Dept. Vehicles *Fire Dept. Portable Equipment
<b>Tokio Marine Holdings, Inc.</b> Safety National Casualty Corporation	A	*Excess Workers' Compensation

In summary, it has been found that all the insurers which are involved in underwriting the Insurance Program have been assigned and are maintaining at this time a financial rating that meets or exceeds the Coordinator's acceptable minimum.

### **Adequacy of Coverage**

With regard to the adequacy of coverage provided under the City's Insurance Program, the Pennsylvania Political Subdivision Tort Claims Act (Tort Claims Act) bars suits against local municipalities such as the City, with the following exceptions:

1. Operation of a motor vehicle;
2. Care, custody or control of personal property of others in the possession or control of the local agency;
3. Care, custody, or control of real property in the possession of the City;
4. Care, custody or control of trees, traffic controls and street lighting, which creates a dangerous condition;
5. A dangerous condition of utility service facilities;
6. A dangerous condition of streets;
7. A dangerous condition of sidewalks;
8. The care, custody or control of animals.

Despite these exceptions, the Tort Claims Act limits the amount of damages which may be recovered. It limits damages recoverable against the City and restricts types of damages which may be recovered. It limits the damages to a maximum of \$500,000 either by a single plaintiff or in the aggregate.

While the Tort Claims Act may limit the City’s exposure in many instances, the Act provides that an official who commits willful misconduct will not be protected by the shield of immunity. Also, matters involving civil rights are exempt from immunity. Consideration must be given to purchasing an Umbrella Excess Liability policy that would be in excess of the underlying primary casualty lines such as General Liability, Automobile Liability, Employers Liability, Law Enforcement and Public Officials Liability. This coverage has been recommended in the past by MIC, the City’s principal insurance broker. Every year the coverage has been declined. It is recommended that the City consider purchasing a \$5 million limit at a minimum.

## Initiatives

### **IRM01. The City shall Develop a Request for Proposal (RFP) for Insurance Brokerage Services**

<b>Target outcome:</b>	Allow the City to review service providers that focus on local government, their qualifications, the services they offer and their “fee”
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	City’s Finance & Personnel Director

The Coordinator has been advised the City did not competitively bid insurance brokerage services in 2005 when the account was given to MIC via a Broker of Record Letter. While MIC may both provide an appropriate level of service satisfactory to the City as well as satisfactory renewal results from a cost perspective, it would be a prudent decision for the City to develop an RFP for insurance brokerage services. This process would allow the City to take a fresh look at those service providers that focus on local government, their qualifications, and the services they offer and their “fee” to service the City.

### **IRM02. The City Shall Develop a Written Agreement for Brokerage Services**

<b>Target outcome:</b>	Develop a written agreement (between City and brokers) so there is no misunderstanding about the services to be provided, by whom, and the level of service to be provided
<b>Four year financial impact:</b>	No cost savings associated with initiative
<b>Responsible party:</b>	Finance Director; City should consider engaging an independent third party to assist in agreement development

It has been noted that there is no written contract or services agreement between the City and either of its two brokers. It is recommended that the City should develop a written agreement that at a minimum sets forth services standards and expectations and renewal time-lines. While there are no cost savings nor increase costs associated with this recommendation, it is advised that a written agreement be developed that addresses the issues referenced above so that there is no misunderstanding of the services to be provided, by whom, and the level of service to be provided. It is also recommended that the City consider engaging an independent third party to assist in developing the Agreement. Utilizing such an advisor expert in such matters

will assure the identification of services it is entitled to receive and should be receiving in order to effectively manage its insurance risk management program.

**IRM03. The City shall Convert Brokerage Compensation to Annual Fee for Service**

- Target outcome:** City transition from a commission plus fee means of brokerage compensation to an annual fee for service. Commission income is to be waived on all lines
- Four year financial impact:** Annual savings to the City of approximately \$4,565
- Responsible party:** City’s Finance & Personnel Director

MIC’s overall level of compensation appears to be both fair and reasonable, therefore, it is recommended that the City shall transition from a commission plus fee means of brokerage compensation to an annual fee for service. In doing so commission income is to be waived on all lines. It is recognized that in some instances a premium for any number of reasons must or will include commission. It is advised that in those instances, the commission income shall be disclosed and taken as an offset to the agreed upon annual fee. The amount of \$27,500 is recommended as a target fee which is \$4,565 less than the aggregate compensation currently being earned by MIC, resulting in a direct cost reduction to the City.

It is recommended that the commission income earned by Complete Insurance Services shall be a flat fee of \$2,000.

**Financial Impact**

FY 2013	FY 2014	FY 2015	FY 2016	Total
\$4,565	\$4,565	\$4,565	\$4,565	\$18,260

**IRM04. The City Shall Adopt a Formal Policy Requiring Remarketing of All Lines of Insurance Every Two (2) Years**

- Target outcome:** Remarketing of all lines of insurance every 2 years
- Four year financial impact:** Not Available
- Responsible party:** City’s Finance & Personnel Director

The City shall adopt a formal policy that requires a remarketing of all the lines of insurance every 2 years. While some might see insurance as a commodity, it is not in the best interest of the City to market the entire program every year because of the limited marketplace. The City also needs to develop and maintain relationships with experienced insurers.

It should be noted that the aggregate insurance cost is decreasing, however, the reductions are a function of market conditions which have been soft over the past several years, rather than attributable to the City’s or broker’s stewardship of the Program. As the market begins to harden, the City should be prepared for rate increases.

**IRM05. The City Shall Implement a Flat Rate Method of Third Party Claims Administrator Compensation**

**Target outcome:** Maximum annual fee of \$30,000  
**Four year financial impact:** Annual Savings of approximately \$756  
**Responsible party:** City's Finance & Personnel Director

Using the four (4) year claim count averages of 15 and 60 applicable to Lost Time and Medical Only claims, respectively, the City should adopt the typical per claim fees being charged by many other Third Party Claim Administrators as follows:

- Lost Time
  - 15 x \$1,300      \$19,500
  
- Medical Only
  - 60 x \$175      \$10,500
  - \$30,000

Based on the provided projections, the flat fee of \$30,756 paid by the City appears to be slightly higher than what it might pay on a per claim rate basis.

Consideration shall be given to a flat rate method of Third Party Administrator compensation with a maximum annual fee of \$30,000, with the annual maximum waived in the event of a catastrophic event in which more than a defined number of employees are injured. Such approach could generate a possible annual savings of \$756.

**Financial Impact**

FY 2013	FY 2014	FY 2015	FY 2016	Total
\$756	\$756	\$756	\$756	\$3,024

**IRM06. The City Shall Implement a Threshold of \$25,000 for Large Claim Notification**

**Target outcome:** City will be notified immediately if and when a case reserve is established or amended that exceeds \$25,000  
**Four year financial impact:** Not Available  
**Responsible party:** Finance & Personnel Director

There currently is no threshold that requires Inservco to notify the City when a claim has been established with a case reserve in excess of a specific amount or when a case reserve is increased in excess of a certain amount. It is recommended that Inservco shall be advised that if a case reserve is established or amended that exceeds \$25,000, the City must be notified immediately and the City should closely review and monitor.

**IRM07. The City Shall Develop and Enforce Legal Defense Management Guidelines**

**Target outcome:** Establish guidelines with the City’s solicitor that set forth agreeable rates, authority, status reporting requirements and fees that will may/may not be legally permitted to be charged to the City

**Four year financial impact:** Not Available

**Responsible party:** City Manager, Solicitor

The City utilizes Mike Wagner, Esq. of the Wagner & Sims law firm in connection with legal matters involving Workers’ Compensation claims. It is recommend that the City develop and enforce Legal Defense Management Guidelines with its outside counsel that sets forth agreeable rates, authority, status reporting requirements and fees that will and will not be charged to the City.

**IRM08. The City Shall Institute a Quarterly Review of All Open Claims**

**Target outcome:** Claims reviewed on a regular basis

**Four year financial impact:** Not Available

**Responsible party:** City Manager; Finance & Personnel Director

All open claims shall be reviewed on a regular schedule. At a minimum, quarterly reviews shall be completed. Part of the review process shall be to assess the compensability of the injury, the adequacy of the reserve, the ability for the injured party to assume a light duty assignment, and the proximate cause of the incident leading to the injury to determine what could have been done or can be done to prevent recurrence. These types of reviews are a prudent management practice.

**IRM09. The City Shall Extend Policy to Cover Sound Receiving Equipment in Any City Vehicle**

**Target outcome:** Every City Vehicle in which two-way communication equipment is installed shall have coverage

**Four year financial impact:** Not Available

**Responsible party:** City Manager

The policy extends coverage to “sound receiving equipment” installed in police and emergency vehicles. This equipment is installed in other City vehicles (e.g., Public Works) that would not meet the definition of a police or emergency vehicle to which this coverage extension applies. The extension shall be broadened to any City vehicle in which two-way communication equipment is installed.

**IRM10. The City Shall Implement Fleet Safety Guidelines and Fleet Management Guidelines**

<b>Target outcome:</b>	Institute a set of guidelines that formally sets forth the number of moving violations and/or accidents over a period of time which would allow or prevent an individual from being hired
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Manager

The City does not have Fleet Management or Fleet Safety Guidelines. From 2005-2012 there were 164 claims made under the City's Automobile policy. The total incurred loss for this period was \$589,752, averaging 23.4 claims per year and an average annual claim cost of \$3,596. While there is no benchmarking data to which to compare the City, it is recommended that the City prepare Fleet Safety Guidelines that formally sets forth moving violations and/or accidents over a period of time that would allow or prevent someone from being hired. At the same time, each accident must be reviewed, and if deemed preventable, the steps that could have been taken to prevent the accident.

**IRM11. The City Shall Amend Its Public Officials Liability Policy (Including Employment Practices Liability) to Respond Where Punitive Damages are Insurable by Law**

<b>Target outcome:</b>	Amend policy to respond where punitive damages are insurable by law
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Manager

Under Pennsylvania Law, Public Officials Liability (including Employment Practices Liability) excludes coverage for punitive damages. Pennsylvania law determines insurability of punitive damages (Directly assessed punitive damages are not insurable in Pennsylvania, vicariously assessed punitive damages however are insurable in Pennsylvania). It is recommended that the policy shall be amended to respond where punitive damages are insurable by law.

**IRM12. The City Shall Revise Inland Marine Policy's Valuation Process to be Based on Replacement Cost**

<b>Target outcome:</b>	Valuation Process will be based on replacement cost as opposed to Actual Cash Value
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Manager

It is recommended that the Inland Marine Policy's Valuation Process be based on Replacement Cost (i.e., new for old) as opposed to Actual Cash Value which applies a depreciation or betterment factor to the replacement cost of the damaged or lost item.

# Debt

## Overview

The City of Altoona has done a commendable job in the management of the amount of debt the City has issued and to limit the debt burden on the taxpayers of the City. As illustrated throughout this chapter, the total amount of City debt outstanding and the City's annual debt service requirements are, in the Coordinator's opinion, at a manageable level. Like most small and medium-sized cities in Pennsylvania, the City does not have specific dedicated employees with relevant experience to manage its long-term borrowings and debt service. The management of the City's debt is the responsibility of the Finance Department. City Council must approve any City debt issuance or to provide a City general obligation guaranty for a borrowing.

Although the City will not be able to eliminate the forecasted deficit outlined in this report by restructuring its debt portfolio, the City does have the opportunity to potentially generate savings by refunding some of its outstanding debt and implement initiatives to ensure that the debt burden of the City remains at a manageable level. The amount of debt that is currently outstanding is manageable. The annual debt service requirements of the City equals 8.19% of the FY 2012 general fund budgeted revenue.

## General Obligation Debt

The City has outstanding general obligation debt that includes publicly issued bonds, bank loans and guaranteed obligations. The City currently has five (5) outstanding long-term debt issues through four (4) publically traded borrowings and one (1) bank loan provided to the City by M&T Bank. The City has a history of also utilizing annual short-term Tax and Revenue Anticipation Notes ("TRANS") for the purpose of providing the City necessary cash flow at the beginning of its fiscal year until sufficient tax collections are received. The historical TRANS issued by the City have been paid within the fiscal year that they have been issued (within one fiscal year).

The annual debt service requirements of the long-term general obligation indebtedness amounted to approximately \$2.07 million in the City's fiscal year 2012. The table below details the City's general obligation debt service requirements, by individual issue, for fiscal year 2012.

**General Obligation Debt Service Requirements  
Fiscal Year 2012**

<b>Debt Series</b>	<b>FY 2012 Debt Service</b>
2003 A Notes	\$454,890
2003 B Notes	\$77,840
2008 Bonds	\$782,573
2009 Bonds	\$629,315
2011 Note	\$125,785
<b>Total FY 2012 Debt Service</b>	<b>\$2,070,402</b>

Source: City debt documents and City FY 2012 adopted Budget.

The City's annual debt service obligations are level through fiscal year 2016. Approximately 20.75% of the principal amount of the City's outstanding debt is amortized (paid) over the fiscal years 2012 through 2016. The table below details the City's general obligation debt service requirements, by individual issue, for fiscal years 2012 through 2016.

**General Obligation Debt Service Requirements  
Fiscal Years 2012 through 2016**

<b>Debt Series</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
2003 A Notes	\$454,890	\$454,735	\$454,580	\$454,380	\$454,180
2003 B Notes	\$77,840	\$77,610	\$77,380	\$77,150	\$76,920
2008 Bonds	\$782,573	\$785,023	\$777,780	\$783,715	\$773,235
2009 Bonds	\$629,315	\$628,665	\$627,715	\$625,528	\$625,133
2011 Note	\$125,785	\$125,785	\$125,785	\$125,785	\$125,785
<b>Total</b>	<b>\$2,070,402</b>	<b>\$2,071,817</b>	<b>\$2,063,240</b>	<b>\$2,066,557</b>	<b>\$2,055,252</b>

Source: Bond Official Statements and City debt documents.

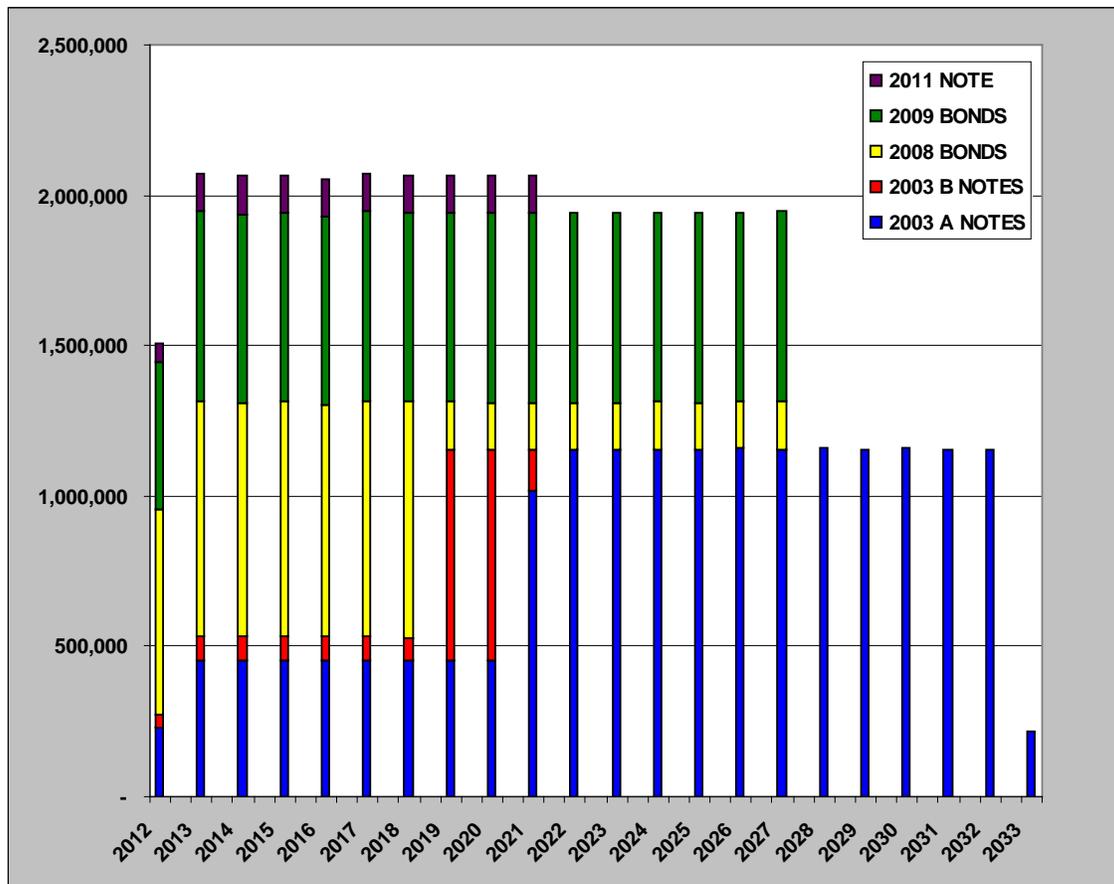
All of the City's outstanding debt obligations are traditional, fixed rate debt instruments that are not at risk to movements in interest rates. The City's conservative approach to issuing debt has benefited the City as it relates to potential future risk of market fluctuations. Over fifty percent (50%) of the principal amount of the City's outstanding debt is amortized (paid) over the next 10 years (through fiscal year 2022). The final maturity of the City's outstanding debt service requirements is 2033. Fixed interest rates on the City's outstanding debt obligations range from 2.85% to 5.00% as shown in the table below.

Debt Series	Maturity Year	Outstanding Principal Amount	Interest Rate
2003 A Notes	2033	10,750,000	3.10% to 4.30%
2003 B Notes	2021	1,455,000	4.60% to 5.00%
2008 Bonds	2027	5,050,000	2.85% to 4.50%
2009 Bonds	2027	6,975,000	3.00% to 4.45%
2011 Note	2021	973,094	4.25%

Source: Bond Official Statements and City debt documents.

The City's total annual debt service obligations are level through fiscal year 2021 at a total projected annual expense of approximately \$2.07 million. The projected annual debt obligations of the City reduces to approximately \$1.95 million in fiscal year 2022 and to approximately \$1.15 million in fiscal year 2028.

The graph below shows the City's total general obligation debt service requirements through the final maturity of all currently outstanding City debt.



The total principal amount of City general obligation debt currently outstanding is \$25,161,064. This amount of general obligation debt equals \$543.20 of debt per capita (based on the 2010 Census population of the City). The City also has the highest market value of property in Blair County at \$1,256,884,800 (source: PA State Tax and Equalization Board). The City's total outstanding debt as a percentage of its market value of property is 2.00%.

Based on the amount of debt outstanding, debt per capita numbers and total outstanding debt as a percentage of the market value of property, the City of Altoona has a very low overall debt burden when compared to other select 3rd Class peer cities in Pennsylvania as shown in the table on the following page.

3rd Class City	Outstanding GO Debt *	Population 2010 Census	Debt per Capita	Market Value of Property	Debt as a Percentage of Market Value
Allentown	\$108,235,937	118,032	\$917.01	3,636,777,400	2.98%
<b>Altoona</b>	<b>\$25,203,094</b>	<b>46,320</b>	<b>\$544.11</b>	<b>1,256,884,800</b>	<b>2.01%</b>
Bethlehem	\$86,266,000	74,982	\$1,150.49	3,275,170,200	2.63%
Easton	\$46,846,097	26,800	\$1,747.99	778,811,600	6.02%
Erie	\$74,953,768	101,786	\$736.39	2,428,096,500	3.09%
Harrisburg	\$30,864,747	49,528	\$623.18	1,682,241,100	1.83%
Lancaster	\$221,576,392	59,322	\$3,735.15	1,506,922,300	14.70%
Reading	\$187,572,000	88,082	\$2,129.52	1,436,956,100	13.05%
Scranton (2A City)	\$79,740,000	76,089	\$1,047.98	2,093,426,900	3.81%
Wilkes-Barre	\$74,020,344	41,498	\$1,783.71	886,351,600	8.35%
York	\$43,445,728	43,718	\$993.77	892,744,200	4.87%

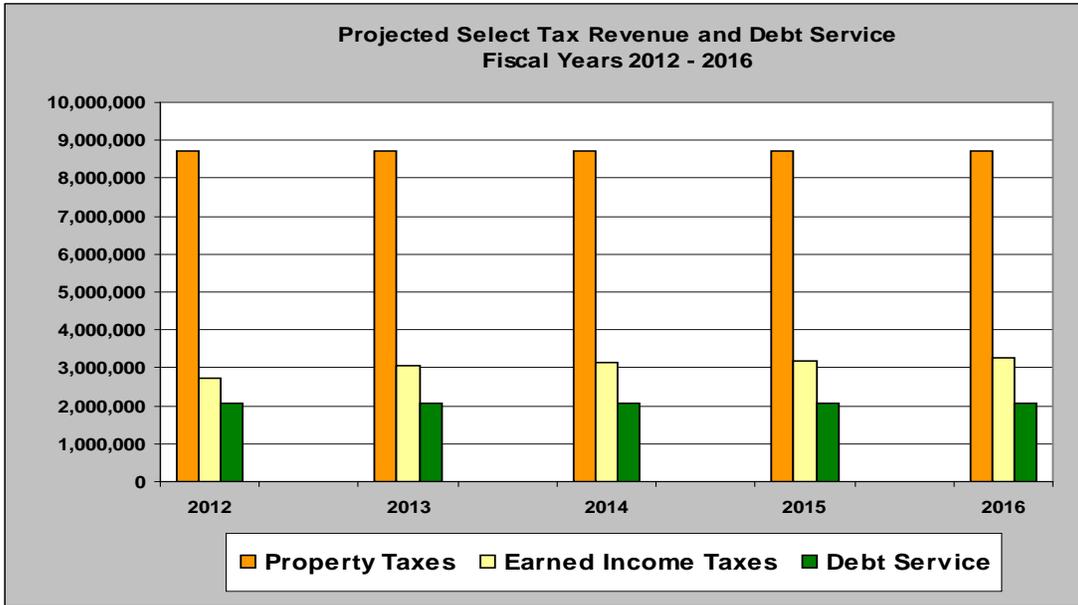
Source: MSRB - Electronic Municipal Market Data (EMMA)

Source: Market Value of Property - PA State Tax and Equalization Board

\* Does not include any guaranteed debt that the cities may be paying or owe debt service

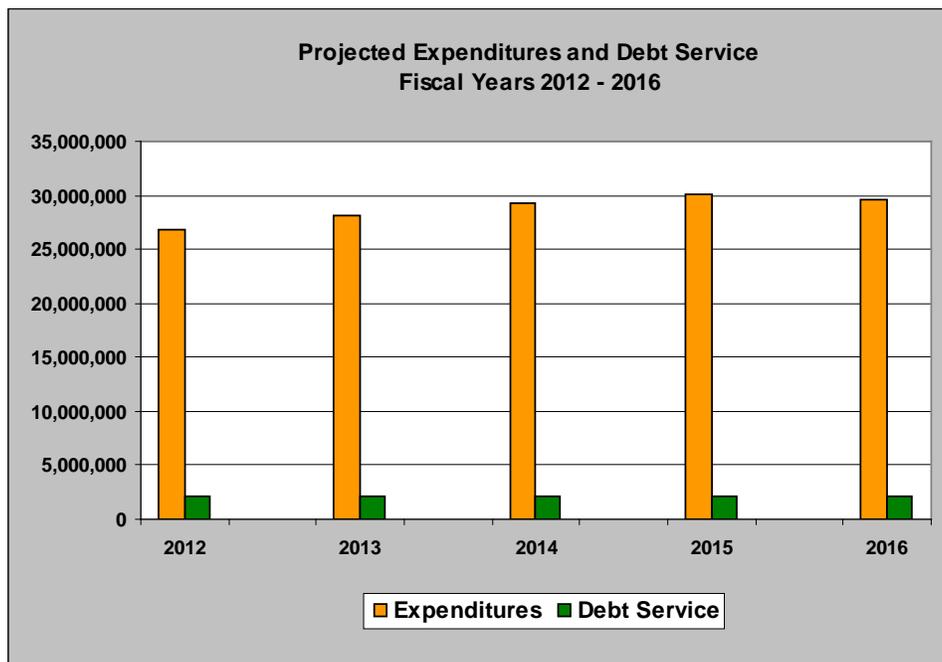
## Debt Compared to Select Revenues and Expenditures of the City

The annual amount of debt service of the City is low in comparison to select, projected, major revenue and expenditure line items of the City. The annual debt service of the City is approximately 70% of the annual earned income tax collected by the City and approximately 23.4% of the City's annual current real estate tax revenues.



Source: City's FY 2012 adopted Budget and Act 47 Coordinator's revenue projections for fiscal years 2013 through 2016.

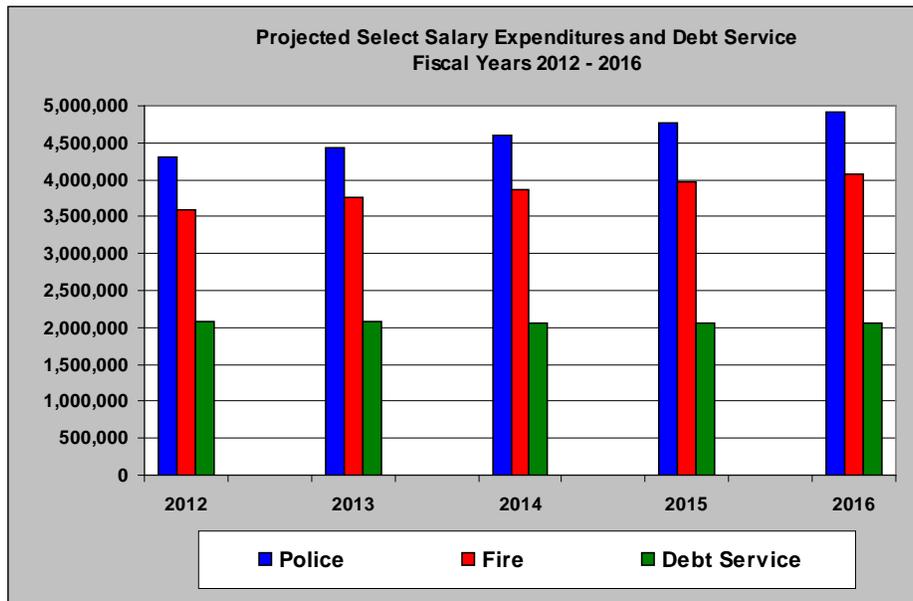
The City's total annual debt service requirements equal approximately 7.7% of the total budgeted expenditures for the 2012 fiscal year, as evidenced in the table below.



Source: City's FY 2012 adopted Budget and Act 47 Coordinator's expenditure projections for fiscal years 2013 through 2016.

When compared to other select expenditures of the City, the annual debt service amounts to 48% of the annual salary expense for the City's Police force (not including pension and benefits)

and 56% of the annual salary expense for the Fire Bureau (not including pension and benefits), shown below.



Source: City's FY 2012 adopted Budget and Act 47 Coordinator's expenditure projections for fiscal years 2013 through 2016.

## Guaranteed Debt of the City

The City has also provided, as permitted under the provisions of the Pennsylvania Local Government Unit Debt Act (LGUDA), its general obligation pledge as a guaranty for debt issued by the Parking Authority of the City of Altoona. The Authority is a component unit of the City and provides public parking throughout the City limits. This is the only debt issue where the City has provided its general obligation guaranty.

The City provided its general obligation guaranty on the Authority's Guaranteed Parking Revenue Note, Series of 2002. The 2002 Authority Note was issued in a principal amount of \$675,000 with a maturity date of December 1, 2012. Below is a schedule that shows the debt service of the 2002 Authority Note for which the City has provided its general obligation guaranty.

Debt Service Requirements of City General Obligation Guaranteed Debt  
Fiscal Years 2012 through 2016

Debt Series	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Parking Authority 2002 Note	\$99,783	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$99,783</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

The Authority's 2002 Note is self-liquidating, in which the revenues derived by the Authority operations are sufficient to pay the debt service obligation on its outstanding 2002 Note and the City has never had to make a debt service payment on the 2002 Authority Note per its guaranty agreement.

## Initiatives

The City has a low debt burden which limits the potential opportunities for the City to realize significant savings by restructuring its outstanding debt portfolio. The initiatives below are designed to allow the City to take advantage of market opportunities as they may become available and to allow the City to continue to keep the overall debt burden at its current manageable level.

### **DS01. Current Refunding of the outstanding 2003 A & B Notes**

<b>Target outcome:</b>	Savings
<b>Four year financial impact:</b>	\$313,400 (through 2016)
<b>Responsible party:</b>	Finance Director

The City's General Obligation Notes Series A of 2003 are currently outstanding in a principal amount of \$10,750,000. The 2003 A Notes amortize over the life of the issue through September 1, 2033. The City's Federally Taxable General Obligation Notes, Series B of 2003 are currently outstanding in a principal amount of \$1,455,000. The 2003 B Notes amortize over the life of the issue through September 1, 2021. The 2003 A & B Notes are currently callable and can be refunded by the City at any time (call date was September 1, 2008).

The 2003 A Notes were issued on July 15, 2003 and were used to fund various capital projects of the City and to advance refund a portion of the City's General Obligation Bonds, Series of 1998. The 2003 B Notes were also issued on July 15, 2003 and were used to fund the City's Self-Insured Worker's Compensation Fund.

Current interest rates for municipal debt are near historic lows. Based on current market rates and the City's most recent credit rating received from Standard & Poor's (S&P) on June 25, 2012 of an "A-" (negative outlook), the City could realize savings by currently refunding its outstanding 2003 A & B Notes.

The Act 47 Coordinator delivered a memorandum on August 31, 2012 to the City detailing our recommendation that the City and its financing team execute the current refunding of the City's outstanding 2003 A & B Notes as long as the City is able to achieve a net present value savings of at least 3.0%.

Based on current market rates and our estimates of the costs of issuing the refunding debt, the City could potentially realize \$525,000 of savings over the life of the refunding debt. This savings would be realized in fiscal years 2013 through 2019. The table below shows the projected financial impact of the refunding in fiscal years 2013 through 2016.

#### Financial Impact

FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
\$0	\$85,500	\$77,845	\$77,635	\$72,420	\$313,400

In addition to the refunding, the City will be funding various capital projects through the issuance of debt as detailed in the Capital Improvement Program & Budget Chapter, specifically CB03. The City will not issue the refunding debt or any debt for capital projects without an adopted recovery plan. It will be difficult and more costly for the City to issue debt without a recovery plan in place. The recovery plan will be reviewed by, and is an essential part of the evaluation process for potential investors, the rating agencies and bond insurers.

**DS02. Adopt and Comply With Debt Policies**

**Target outcome:** Improved Practices; Debt Management  
**Four year financial impact:** Not Available  
**Responsible party:** Finance Director

The City should develop and implement policies to ensure that the debt service does not become unaffordable and that the City evaluates each borrowing decision in the context of its overall strategy and long-term impact based on a best practices model.

Best practices standards that Cities use to evaluate the efficiency of debt transactions include, but is not limited to, (i) debt service expenditures as a percentage of operating revenues; (ii) debt per capita; (iii) average maturity of the debt; (iv) total debt as a percentage of market and / or assessed value of property; (v) annual debt service as a percentage of the City's annual general fund budget; and (vi) the net present value savings achieved (for refunding transactions).

The City's Finance Director shall work with the Act 47 Coordinator and the City's financial advisor to identify specific appropriate debt metrics and goals for the City in addition to certain ratios currently included in the City's debt offering documents. The City shall report these metrics and ratios to City Council each time a debt transaction is proposed, and annually, when the budget is submitted to City Council for its consideration.

**DS03. Reduce Reliance on Annual Short-Term Cash Flow Borrowings (TRANS)**

**Target outcome:** Debt Management; Future Savings  
**Four year financial impact:** Not Available  
**Responsible party:** Finance Director

The City has historically issued and relied on short-term borrowings (Tax and Revenue Anticipation Notes – TRANS) to assist the City's cash flow needs at the beginning of its fiscal year until tax collections are received. The City has been forced to utilize short-term borrowing due to its insufficient fund balance and liquidity position. The interest charged on TRANS is based on the duration of the borrowing and the credit quality of the issuer.

The table below details the City's TRANS that it has issued over the past five (5) years. The information includes (i) par amount of the TRAN; (ii) date of issuance; (iii) maturity date; (iv) interest rate; and (v) total interest paid by the City for each TRAN issue.

<b>TRAN Par Amount</b>	<b>Issuance Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Total Interest Paid Through Maturity</b>
\$3,500,000	1-Jan-08	31-Dec-08	3.37%	\$117,991
\$2,000,000	12-Jan-09	31-Dec-09	3.40%	\$66,678
\$3,000,000	8-Jan-10	31-Dec-10	2.64%	\$78,540
\$4,000,000	4-Jan-11	31-Dec-11	2.64%	\$105,893
\$4,500,000	10-Jan-12	31-Dec-12	1.59%	\$70,755
<b>Total</b>				<b>\$439,857</b>

Over the past five years, the City has paid a total of approximately \$440,000 in interest cost in connection with its TRAN issuances. The average annual interest cost to the City has been approximately \$88,000 over the last five years. Eliminating the need to issue a short-term borrowing will not eliminate the current projected deficits of the City. However if the City does not take steps to increase its fund balance and liquidity position, the amount of short-term borrowing needed to assist the City with its cash flow needs, will continue to grow.

In addition to Initiative DS03, the reduction and potential eventual elimination, of the City's reliance on short-term borrowings for liquidity should be addressed in the City's debt policies. The City must address and set goals as to the level of fund balance and liquidity in its Debt Policies (DS02).

# Capital Improvement Program & Budget Process

## Overview

The City of Altoona’s capital improvement program and budgeting process for the capital improvement program is currently inadequate. While the City currently administers a capital improvement program (the “CIP”), the City does not have written procedures that define the term “capital project,” nor a set of criteria for selecting or prioritizing projects in the capital plan. The City also lacks both a formal procedure to monitor capital budgets and the financial information for each approved project.

The City’s CIP is not a formal document, and it is not updated on an annual basis. The City’s current CIP is a list of projects that is included in the budget each year. Over the past several years, the City has not funded a majority of its capital budget due to inadequate funds. A capital improvement program that builds and preserves infrastructure and technology systems is an essential part of stability and promoting economic expansion in Altoona.

Because the City has not fully funded its annual capital budgets, capital projects have been accumulating to a point that the City will need to either borrow for projects that are normally funded from its annual operating budget, continue to fund only a portion of its capital needs while it strives to balance its operating budget or a combination of the two methods.

The City’s current CIP encompasses fiscal years 2013 through 2017 and includes a total of approximately \$9 million in capital project funding needs. Below is table that lists the City’s current capital projects included in its CIP through fiscal year 2017.

### Altoona Funding Needs by Department 2013 – 2017 (Requested by City)

Department	2013	2014	2015	2016	2017
Public Works	1,802,550	1,270,352	1,120,192	1,266,574	954,832
Fire	95,000	25,000	0	250,000	360,000
Police	218,700	169,950	170,350	167,600	178,050
IT	163,800	245,300	141,300	219,150	181,300
<b>Total</b>	<b>2,280,050</b>	<b>1,710,602</b>	<b>1,431,842</b>	<b>1,903,324</b>	<b>1,674,182</b>

Source: City of Altoona Administration

The City’s current process for the development of its CIP is for the City’s department directors to submit their respective capital budgets to the City Manager for review. The City Manager decides what is included in the City’s CIP. While the City’s Administration has to make difficult decisions about how best to allocate limited resources, it should remain cognizant that deferring

infrastructure investment can have a detrimental, long-term delivery of services impact on the City and its economic growth potential.

## **Capital Improvement Plan Development**

As noted, the City currently does not have formal procedures for the development, coordination and implementation of a CIP. The City must adopt policies and procedures that prescribe the specific development and implementation of a capital improvement program as described in more detail below.

The capital improvement process needs to be based on best practices and account for the City's limited financial resources for the CIP. It must clarify the roles of the City Manager, City Finance Director and City Council. To best address the City's capital needs within the constraints of limited resources, Altoona needs to set clear criteria for prioritizing and selecting capital investments that:

- Protect the health and safety of the public and employees;
- Advance the implementation of a Comprehensive Plan;
- Invest in core infrastructure and equipment needs; and
- Shows the impact of capital investments on the operating budget.

In addition, the City must make significant improvements to the management of the capital plan and budget in order to ensure that projects in the CIP are active, completed on time and within budget. Council should be consulted on the projects included in the capital plan. The CIP should be an integral part of City governance. The current capital needs of the City, the financial constraints of the capital budget, and the growing burdens on operating revenues should be considered in whole. If the demands of the capital plan cannot be met then the operations that drive those capital needs should be reevaluated and aligned with the financial limitations of the capital and operating budgets over a multi-year period.

## **Definition of Capital Eligible Projects**

The City will need to formally define a “capital project.” A Capital Improvement Project (“capital project”) may include any project funded by public monies, in whole or in part, or proposed to be funded by public monies, in whole or in part, to build, restore, retain, rehabilitate, purchase or repurchase any equipment, property, facility, infrastructure, hardware for information technology, park facility, or building that is neither funded annually or repeats in any way the intent of a previous project and is to be used for the public benefit or is a public asset. Capital projects shall have a minimum value of fifty thousand dollars (\$50,000) and have a minimum useful life as defined by the City. All capital projects that are less than \$50,000 and have a shorter useful life than defined by the City as an eligible capital project, should be included in the City’s annual operating budget.

## Future Challenges

There are significant challenges facing the City with respect to the development of its CIP. The City's current process will need to be improved in order to strengthen its CIP.

- The City must develop and adopt a formal process for the development and implementation of the CIP, such as creating a CIP Committee. The CIP Committee needs to align with a best practices approach to the development of the City's CIP. The challenge for the City is to implement the action steps necessary to formalize the CIP into a regular annual process that ensures that the limited resources of the City are being applied to the highest priority projects.
- The City Manager and the City Department directors will need to be more involved in the development and implementation of the City's CIP. A regular communication protocol between the Department heads and the City Administration must be established to develop both the high priority projects and the plan to fund the projects included in the City's CIP.
- The City has not been able sufficiently to invest capital into the infrastructure of the City during the past several years due to its financial distress. The prioritization of the CIP projects needs to be realistic and based on a needs assessment.

## Initiatives

### CB01. Create an Annual CIP Document

<b>Target outcome:</b>	Transparency; Improved Coordination
<b>Four year financial impact:</b>	Not Available
<b>Responsible party:</b>	City Manager; Finance Director

Beginning in 2013, the City shall establish a five year capital improvement plan that includes eligible capital projects, with sufficient detail for each project, and listed in order of priority for funding, subject to annual review and amendment. The plan should include preliminary funding levels, sources for each of the five years and a formal budget for review, modification and adoption by the Council for the first year (fiscal year 2013). The first five year plan developed under this process would be for the period 2013-2017.

The CIP must be updated on an annual basis and must be the responsibility of the City Manager. The CIP will be presented and approved by City Council in connection with the City's annual budget. The CIP document will provide the City Administration and City Council with an opportunity to discuss the projects to be included in the CIP and, the performance of the CIP projects including; (i) original project budget compared to final cost; (ii) estimated project completion date compared to actual completion date; (iii) cumulative CIP expenditures; and (iv) the overall impact to the City both from financial and economic perspectives.

The annual CIP document presented to City Council by the City Manager shall include the following:

- A narrative review that details CIP project priorities for the upcoming budget year.

- A description of the CIP development process that the City Administration conducted during the year and how the CIP projects were selected to be included.
- A summary of the CIP by project type and department.
- Individual descriptions of each project included in the CIP for the upcoming budget year. The description of each project will detail the project's location, project summary, estimated cost, estimated completion date and the project's estimated operational cost or savings.

The creation of the annual CIP document will allow the City to prioritize its capital projects within the framework of its limited resources. It will allow City Council an opportunity to comment on the projects and provide the public an opportunity to comment on the City's projects.

**CB02. Increased Involvement of City Departments in the CIP Process**

**Target outcome:** Transparency; Improved Coordination  
**Four year financial impact:** Not Available  
**Responsible party:** City Manager; City Departments

The City's current process to establish the projects to be included in its CIP involves the City Department directors making requests for funding to the City Manager. The City Manager and Finance Director then make the ultimate decision as to what projects are included in the City's CIP. The CIP projects are then included in the annual capital budget that is adopted by City Council. As noted previously, during the past several years, the City's CIP process has resulted in projects that are included in the annual capital budget, but are not funded.

The City Manager, Finance Director and each City Department director must establish a process to develop the City's CIP on an annual basis. The City Manager, Finance Director and City Department directors will meet on a quarterly basis, at a minimum, to prioritize and establish the projects to be included in the 5 year CIP and the projects to be funded in the next budget year. This process will allow the City Manager to have a better idea about projects that need to be prioritized, and the City Department directors will gain a better understanding of the City's limited financial position and how projects need to be prioritized for funding and implementation.

When the City Manager presents the CIP to City Council with the budget on an annual basis, the City Administration and the City Department directors will be able to give City Council and the public a greater understanding of the priority projects and the impact they will have on the City.

**CB03. Funding of Priority Capital Projects**

**Target outcome:** Improved Services  
**Four year financial impact:** (\$1,015,000)  
**Responsible party:** City Manager; Finance Director

The City Administration has provided the Act 47 Coordinator with a list of capital projects it desires to fund in fiscal years 2013 through 2017. As previously stated, the City includes various projects in its budgets to be funded from the operating budget on an annual basis. Over

the past several years, many of these projects have not been funded due to financial constraints on the operating budget.

The City needs to prioritize and budget for routine expenses in the various departments. The City Administration has requested that the projects it listed through fiscal year 2017 be funded in connection with the anticipated current refunding of the City's General Obligation Notes, Series A & B of 2003 (See Debt Chapter). This is problematic for several reasons; (i) many of the projects listed should not be considered capital projects, but rather routine expenditures; (ii) the City is not legally allowed to issue tax-exempt debt to fund projects that are not reasonably expected to be completed in 3 years from the date the debt is issued; and (iii) there are legal constraints as to how long the debt issued amortizes in relation to the useful life of the funded project. Many of the projects requested by the City have very short useful lives (example, vehicles and Wi-Fi maintenance).

Following a review of the City's list of projects requested to be funded by issuing debt, the Act 47 Coordinator's opinion is that many of these projects should not be funded through the issuance of debt. Instead, they should be included in the various department budgets and funded by operations on an annual basis. The annual department operating budgets need to be expanded to include these costs and the City needs to account for and fund the various City department annual expenditures through budgeting and cost controls.

There are several projects requested by the City in fiscal years 2013 and 2014 that the Act 47 Coordinator suggests can be funded through the issuance of the debt. The total amount of the projects to be included in the anticipated debt issuance are listed below by department. All other projects identified by the City in fiscal years 2013 and 2014, if a priority, need to be included in the annual department budgets and funded by operations as stated above.

### Projects to be Funded Through Debt

Department	Project	2013	Project	2014	Total
<b>Public Works</b>					
	Foreman Pick-up w/plow	50,400	Large Dump w/plow	202,650	253,050
	Foreman Pick-up w/plow	50,400			50,400
	Property Maint. 6-man Truck	63,000			63,000
	Traffic Signal Upgrade	50,000	Traffic Signal Upgrade	52,500	102,500
	Resurfacing	525,000	Resurfacing	526,152	1,051,152
	Spring Run Wall	850,000	Highway Yard Roof	133,000	983,000
	Alley Paving	40,000	Alley Paving	42,000	82,000
<b>Fire</b>		0		0	0
<b>Police</b>					
	Dodge Charger V6/Equipment (4)	114,000	Dodge Charger V6/Equipment (4)	121,400	235,400
<b>IT</b>					
		0	Police In-Car Video	60,000	60,000
<b>Total</b>		<b>1,742,800</b>		<b>1,137,702</b>	<b>2,820,502</b>

The City would fund the amount listed above by issuing debt that would amortize over a fifteen (15) year period on a level basis. Based on current estimated interest rates for tax-exempt debt,

the annual debt service obligations for the capital projects above would be approximately \$260,000 per year. The table below shows the estimated financial impact of issuing debt to fund the amount in the table above through the issuance of debt.

### Financial Impact

FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
\$0	\$235,000	\$260,000	\$260,000	\$260,000	\$1,015,000

**CB04. Capital Budget Financing**

**Target outcome:** Transparency; Improved Services

**Four year financial impact:** Not Available

**Responsible party:** City Manager; Finance Director

Initiatives CB01 and CB02 address the process that the City will undertake to establish the projects to be included in the CIP. The other component of a successful CIP is the funding of the identified projects. There are two traditional ways to fund capital projects, issuing debt or using funds from the City’s operating budget.

Debt financing for capital projects would allow the City to pay for its capital projects over a period of time through the payment of debt service. Using funds from the annual operating budget to fund capital projects limits the amount of capital projects that the City can fund on an annual basis due to the City’s current limited financial resources. External funding in the form of grants from federal and state should be sought by the City and can be used to supplement its efforts to fund its capital projects.

The City will have difficulty funding capital projects through the issuance of debt or allocating funds from operations based on the City’s current financial position. Any debt issued to fund capital projects will increase the City’s annual debt service requirements and add to the City’s current operating deficits. The City’s priority must be to bring the City’s operations into balance prior to funding new capital projects.

The City shall not issue any additional debt without the approval of the Act 47 Coordinator, including debt intended to fund capital projects (other than the amount identified in CB03 and the Debt Chapter of the Recovery Plan). Upon adoption of the Recovery Plan, the Act 47 Coordinator will work with the City Manager and the City Finance Director to assist in the CIP process and to establish priority projects. As the City makes progress towards financial stability, it will be able to financially support additional debt to fund its CIP.

# Revenue

## Overview

Like all local governments, the City of Altoona requires stable revenue sources with moderate growth to fund services to residents, businesses and visitors. Both factors are important because so much of a local government's expenditures are related to recurring and regularly-increasing costs for salaries, benefits, and other operating expenses. However, for several years Altoona's tax base has been stagnant or declining. City revenue streams have been unable to cover the growing costs of City services, particularly healthcare, and going forward pensions, lead to ongoing challenges to balance the General Fund operating budget. Given these challenges, this chapter will consider:

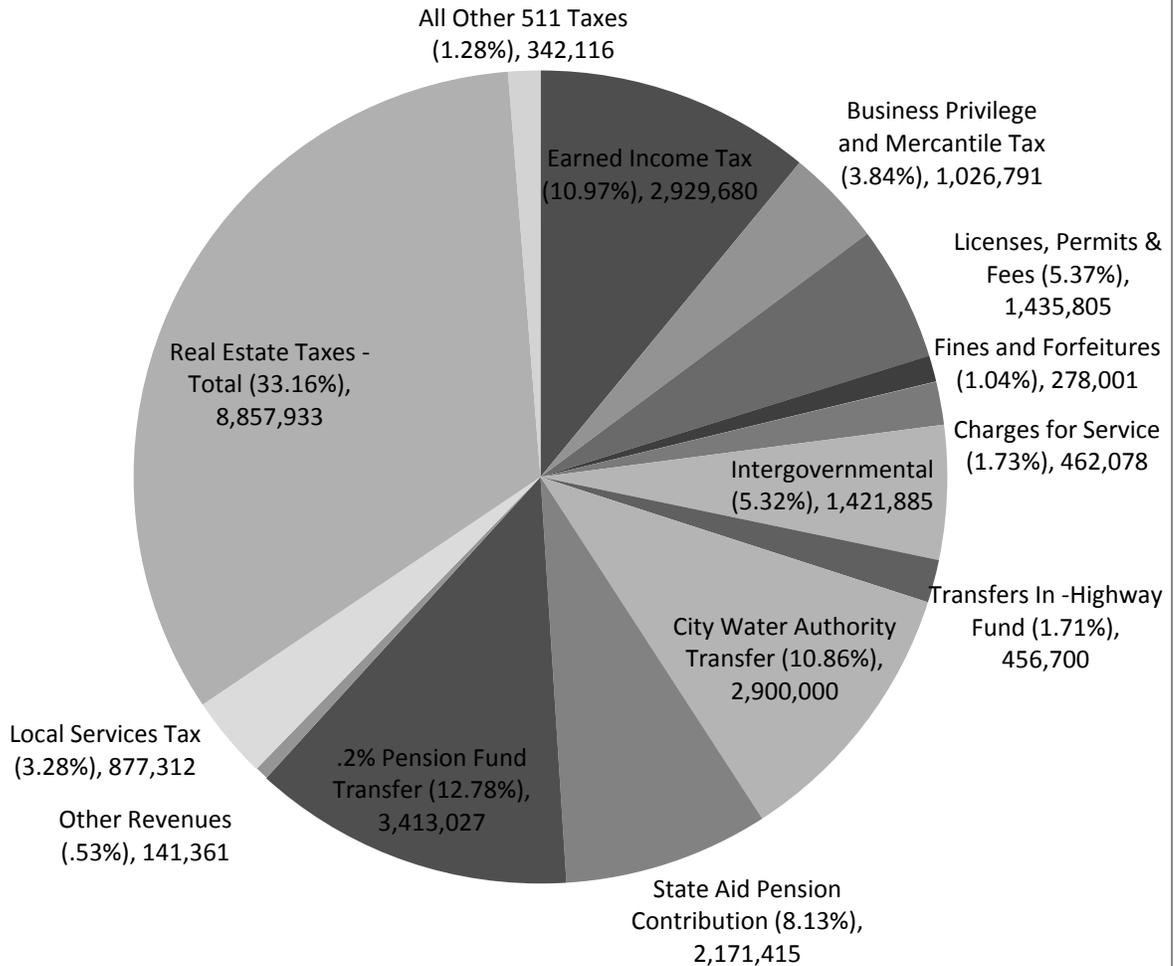
- The City's current General Fund revenue structure;
- Its revenue performance over time;
- Impact of current economic conditions on City revenues;
- Positive and negative aspects of the current revenue structure;
- Its future revenue outlook; and
- Initiatives to strengthen and expand the City's revenue base.

While revenues in cities across the country are struggling to keep pace with expenditure growth, this challenge is even more acute in Altoona where economic and demographic factors further impact the City's ability to generate sustainable revenues. According to the Bureau of Labor Statistics, Moody's Analytics and other sources for the Altoona Metropolitan Statistical Area, key indicators such as Gross Metropolitan Product, total employment and population all remain at or below 2005 levels. The projected annual structural deficit outlined earlier in this Recovery Plan demands a balanced approach between revenue increases and spending reductions.

## Revenue Profile

Historically, the largest component of City General Fund revenues has been the property tax. The City's other major sources of revenue include the Earned Income Tax ("EIT"), transfers from the Altoona Water Authority and the 0.2% Pension EIT Fund, along with other local taxes, transfers from state and federal governments, and user fee revenues. The chart below shows the estimated share of revenues by major category.

## FY 2011 Actual General Fund Revenues



- Earned Income Tax (10.97%)
- Licenses, Permits & Fees (5.37%)
- Charges for Service (1.73%)
- Transfers In -Highway Fund (1.71%)
- State Aid Pension Contribution (8.13%)
- Other Revenues (.53%)
- Real Estate Taxes -Total (33.16%)
- Business Privilege and Mercantile Tax (3.84%)
- Fines and Forfeitures (1.04%)
- Intergovernmental (5.32%)
- City Water Authority Transfer (10.86%)
- .2% Pension Fund Transfer (12.78%)
- Local Services Tax (3.28%)
- All Other 511 Taxes (1.28%)

### Revenue Sources

Due to the national recession, revenue growth has declined dramatically affecting cities across the country. The severe national economic downturn has put additional pressure on Altoona's already strained revenue base. The City is projecting a decline in both total General Fund

revenue and tax revenue in FY2012 vs. FY2011, despite significant increases in transfers from the .2% (EIT) Pension Tax Fund. The following table details the City's General Fund revenue sources over the last five fiscal years.

### General Fund Revenues, 2008-2012

Revenue Source	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Budget
Real Estate Taxes -Total	7,935,225	7,828,238	8,576,449	8,857,933	8,713,207
Earned Income Tax	3,153,875	2,622,820	2,826,330	2,929,680	2,725,000
Business Privilege & Mercantile Tax	1,005,666	960,644	950,423	1,026,791	970,000
Real Estate Transfer Tax	297,168	268,501	246,910	247,705	245,000
Local Services EMS Tax	864,560	826,410	866,136	877,312	890,000
Flat Rate Occupation Tax	0	0	0	4,415	100,000
Per Capita Tax	0	0	0	77,308	100,000
All Other Act 511 Taxes	14,713	12,853	11,463	12,688	14,350
Licenses, Permits & Fees	1,176,722	1,329,990	1,497,991	1,435,805	1,386,435
Fines and Forfeitures	284,706	294,879	330,521	278,001	293,000
Charges for Service	3,176,145	3,156,937	3,225,804	3,362,078	3,337,000
Intergovernmental	2,942,390	3,036,013	3,371,532	3,593,300	2,671,414
Transfers In	2,220,624	1,843,911	1,997,165	3,869,727	3,734,638
Other Revenues	109,895	185,850	139,622	141,361	75,210
<b>General Fund Total</b>	<b>\$ 23,181,689</b>	<b>\$ 22,367,046</b>	<b>\$ 24,040,346</b>	<b>\$ 26,714,104</b>	<b>\$ 25,255,254</b>

While the City's General Fund revenues have increased by an average annual rate of 3.61 percent over the previous four years, virtually all of the City's revenue growth has been due to increases in the transfers from the 0.2% Pension EIT fund which can only be used to support employer pension contributions) and a recent (2010) property tax rate increase solely for debt service on capital improvement bonds. From 2008 through the 2011 budget the City's total tax revenue base has increased by an average annual rate of just 1.41 percent as presented above. Clearly, these limited increases are not due to economic growth but to legal adjustments. As a result, this lack of growth cannot sustain the operating costs of the city government.

The City's entry into Act 47 comes at a time of significant change in how certain taxes are collected. As a result of the implementation of Act 32 of 2008 ("Act 32"), no later than 2012 each County (other than Philadelphia and Allegheny) will have a single EIT collector. This approach is expected to improve EIT collections for Altoona and other jurisdictions in Blair County and statewide. As a result of this reform, baseline EIT growth has been adjusted slightly upward in 2013.

This chapter presents the revenue initiatives in two sections: Taxation, and Non-Tax Revenues and Revenue Management. The Taxation categories present options and recommendations the City should pursue to generate the maximum amount possible from its current tax base under current rates and the temporary increases that will be necessary to bring the City's finances into balance.

The reported outlook for the national, state and regional economies suggest that revenues are unlikely to grow in the short run, placing additional pressure on City finances. A brief description of the City's major General Fund tax revenue sources is presented in Table T-1 in order to provide context for the recommendations in this chapter.

## **Taxation**

### ***Taxation Overview***

As a Third Class City, operating under the Home Rule Charter and Optional Plans Law, 53 Pa.C.S. 2901 *et seq.*, the City of Altoona has the power, within prescribed constitutional and statutory limitations, to levy taxes on the taxable value of land and real estate improvements; the earned income and net profits of individual residents, workers (both resident and non-resident), operations and gross receipts of businesses doing business in the City; occupations of residents; and transfers of real estate. By action of the Commonwealth, the City receives a portion of the Public Utility Realty Tax based on the assessed value of taxable utility realty.

With few exceptions, the City maximizes the taxing powers authorized by the Commonwealth. The City of Altoona's taxes are summarized in Table T-1, which indicate that:

- 54% of the tax revenue is from the value of taxable land (uniquely among Commonwealth municipalities, Altoona does not impose a property tax on improvements);
- 37% from worker earnings (split between a flat fee of \$47 borne on those employed in the City, 0.7% of earned income of City residents, a net 0.2% of earned income of most non-residents employed in the City, and a flat rate occupation tax on residents);
- 7% from business receipts (including most businesses and special charges on amusements);
- 2% on realty transfers; and
- 1% from a per capita tax on residents.

Major areas where the City presently has additional capacity to tax under the Commonwealth's authorizations are:

- Increasing the Real Estate Tax rate as authorized under Act 47 (see TAX-01 below);
- Increasing the EIT rate on residents and non-residents as authorized under Act 47 (see TAX-05 below);
- Increasing the business license fees (TAX-06);
- Increasing collections through amnesty, enforcement and higher penalties (TAX-06, TAX-07 and TAX-08); and
- As an Act 47 "exit strategy," consider adopting a Home Rule charter that includes the ability to increase tax rates on Earned Income Tax on residents, real estate (currently limited to land), and the Realty Transfer Tax (TAX-11 below)

Raising additional revenue through higher tax rates and/or new taxes needs to be tempered by the impact they have on economic drivers, business location decision-makers, policy-makers and, of course, residents. Both short-term and long-term consequences need to be considered, particularly when unemployment remains high, wages are stagnant, and other basic costs such as oil, gasoline and food are rising. This is particularly true with signs of economic recovery as businesses and other investors consider locations for future expansion and growth.

Commonwealth law establishes administration for the following taxes, with limited or no input by the City:

- Real Estate Tax – Assessment of real property generally by the County; at the City's option,<sup>47</sup> collection by Berkheimer Tax Administrator; and assessment and exemption appeals by the County Board of Assessment Appeals. The City has standing to challenge assessments and exemptions.
- Earned Income Tax – Countywide tax collection effective 2012. The City may impose additional penalties.
- Realty Transfer Tax – Collection by the County Recorder of Deeds; determinations generally made by the Pennsylvania Department of Revenue. The City may opt to give explicit authority to the Pennsylvania Department of Revenue to make determinations for additional tax, penalty and interest.
- Public Utility Realty – Administered by the Pennsylvania Department of Revenue. The City has standing to challenge assessments.

The City may self-administer or outsource some or all administrative functions for the other taxes including Business Privilege & Mercantile (see TAX-06). The tax collection function is discussed below at RE-02.

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<sup>47</sup> As a Home Rule Charter and Optional Plan City, Altoona has opted to omit the office of municipal treasurer as permitted under 53 Pa.C.S. § 3111(a). Accordingly, the City may outsource the collection of real estate taxes that otherwise would be the duty of the municipal treasurer under the Third Class City Code, 53 P.S. § 37532.

**Table T-1**  
**City of Altoona**  
**TAX SUMMARY**  
**(listed in order of 2012 Budget Projections)**  
**Effective as of January 1, 2012**

<b>Tax,<sup>48</sup> 2012 Budget Projections</b>	<b>Effective Rate</b>	<b>Principal Competitive Economic Impact</b>	<b>Comments</b>
<b>Real Estate</b> (including Payment in Lieu of Taxes) \$8.8 M	Bldg -0-mills; Land 372.213 mills.	High rate on land intended to maximize development of land.	Also imposed by School District (55 mills) & Co. (28.556 mills) [neither use split rate], totaling 83.556 mills on bldgs & 455.77 mills on land. The combined equalized mills on bldgs is 13.95 (1.4% of indicated market value) and on land 76.61 (6.2%). A PILOT has been negotiated only with the City's primary hospital (~16% of City land is exempt)
<b>EIT<sup>49</sup></b> \$5.0 M.	Res. 0.7%; Nonres. 1.2%	Combined rate is 0.2% higher than other communities in Blair County.	School District imposes 0.5% tax on residents.
<b>Business Privilege / Mercantile<sup>50</sup></b> (gross receipts tax + annual flat license fee); \$1.1M	Retail 0.075%, <sup>51</sup> Wholesale 0.050%; Other 0.100%; \$40 fee	Businesses who would consider locating outside the City limits (are the only Blair Co. municipalities with this tax).	School District also imposes tax (Retail 0.075%; Wholesale 0.05%; Other 0.10%), for total tax of Retail 0.150%; Wholesale 0.100%; Other 0.200%. Pennsylvania statute bars increase in tax rates.
<b>Local Services</b> \$ 0.9 M	\$47	None for most workers-- most PA localities impose.	School District imposes \$5 tax, for total tax of \$52.

<sup>48</sup> For this purpose "tax" includes Payments in Lieu of Taxes ("PILOT") (under Real Estate) and Business Privilege and Mercantile License fees (under Business Privilege/Mercantile).

<sup>49</sup> Includes both General Fund EIT (\$3.0M) and Pension Fund EIT (\$2.0M).

<sup>50</sup> Businesses located in a KOEZ (which expires 12/31/2013) may be exempt from the Mercantile / Business Privilege Tax.

<sup>51</sup> In addition, the City imposes a \$50 annual license fee on most taxable businesses. See TAX05.

**Table T-1**  
**City of Altoona**  
**TAX SUMMARY**  
**(listed in order of 2012 Budget Projections)**  
**Effective as of January 1, 2012**

<b>Tax,<sup>48</sup> 2012 Budget Projections</b>	<b>Effective Rate</b>	<b>Principal Competitive Economic Impact</b>	<b>Comments</b>
<b>Realty Transfer</b> \$0.2 M	0.5%	None v. other PA sites.	School District also imposes 0.5% tax (total 1.0%).
<b>Per Capita Tax</b> \$0.1M	\$5		School District also imposes \$5 tax (total \$10). City began imposing tax in 2011.
<b>Flat Rate Occupation Tax</b> \$0.1 M	\$5		School District also imposes \$5 tax (total \$10). City began imposing tax in 2011.
<b>Amusement</b> < \$0.1 M	2.5%	Entertainment venues	School District imposes 4% tax (total 6.5%).
<b>Public Utility Realty (PA tax);</b> < \$0.1M		None. Statewide rate is utilized.	City's share of PA based on City's relative share of total PA real estate values of taxable utilities.

## Initiatives

The Act 47 Coordinator recommends that the City of Altoona consider the following initiatives as means to increase tax revenue, reduce tax collection expenses and improve voluntary compliance:

### ***Real Estate Taxation***

<b>Property Tax</b>	
FY2011 Revenues	\$8,857,933
% of Total F2011 Revenues	33.16%

#### **TAX01. Increase the Real Estate Tax Rate, i.e., Debt Millage (not General fund Millage), to Fund Priority Capital Projects**

<b>Target outcome:</b>	Increase revenue
<b>Four year financial impact:</b>	\$1,015,000
<b>Responsible party:</b>	City Council; City Solicitor

Property taxes are levied on all real property in the City of Altoona based on the value of the land and the local property tax rate.

The Blair County Tax Assessment office assesses the property values for parcels in Altoona, and the last countywide reassessment was completed in 1958, effective January 1, 1959.

Property tax revenues are the City's highest tax and have grown modestly in recent years despite the decline in assessed valuation. However, recent growth is primarily due to a property tax rate increase in 2010 for debt service. A review of countywide property tax rates in 2010 show that Altoona has the highest local property tax rate, but also the lowest school district property tax millage. The following chart shows the City's property tax rate compared with surrounding Blair County communities and comparisons to the County median and average.

While property taxes historically have been resistant to economic downturns, recently many cities across the country have experienced real declines in property tax revenue due to the weak condition of the housing market. Given the state of the economy, housing market, and collection challenges, the City is not likely to see significant property tax growth in the near term absent continued rate increases or a countywide reassessment.

**Table T-2**  
**2012 Altoona Real Estate Tax Rate Comparisons**

	Tax Rate (expressed in %) [a]				Current CLR [b]	Total Rate as % Indicated Value [c]	Municipal Rate as % Indicated Value [c]
	Municipality	School District	County	Total			
<b>Altoona-Land</b>	37.221%	5.500%	2.856%	45.577%	16.7%	<b>7.611%</b>	<b>6.216%</b>
<b>Altoona-Improvement</b>	0%	5.500%	2.856%	8.356%	16.7%	<b>1.395%</b>	<b>0.000%</b>
<b>Altoona- Same (Equivalent Yield)</b>	4.784%	5.500%	2.856%	13.140%	16.7%	<b>2.194%</b>	<b>0.799%</b>
<b>Compare Equivalent Yield to 10 suburban municipalities in Blair County:</b>							
Allegheny Township	0.825%	9.750%	2.856%	13.431%	16.7%	<b>2.243%</b>	0.138%
Antis Township	0.450%	9.640%	2.856%	12.946%	16.7%	2.162%	0.075%
Bellwood Boro	3.013%	9.640%	2.856%	15.509%	16.7%	<b>2.590%</b>	0.503%
Blair Township	0.638%	9.750%	2.856%	13.244%	16.7%	<b>2.212%</b>	0.106%
Duncansville Boro	2.250%	9.750%	2.856%	14.856%	16.7%	<b>2.481%</b>	0.376%
Frankstown Township	0.000%	9.750%	2.856%	12.606%	16.7%	2.105%	0.000%
Freedom Township	0.945%	10.838%	2.856%	14.639%	16.7%	<b>2.445%</b>	0.158%
Hollidaysburg Boro	3.475%	9.750%	2.856%	16.081%	16.7%	<b>2.686%</b>	0.580%
Logan Township	1.438%	5.500%	2.856%	9.794%	16.7%	1.636%	0.240%
Tyrone Township (portion in Altoona Area School District)	0.300%	5.500%	2.856%	8.656%	16.7%	1.446%	0.050%
<b>Compare Equivalent Yield to 8 municipalities in nearby Counties:</b>							
Johnstown City	5.248%	4.680%	2.950%	12.878%	34.4%	<b>4.430%</b>	<b>1.805%</b>
State College Boro	1.104%	3.773%	0.784%	5.661%	28.8%	1.630%	0.318%
Huntingdon Boro	2.800%	7.630%	2.700%	13.130%	26.9%	<b>3.532%</b>	0.753%
Bedford Boro	0.390%	1.027%	0.360%	1.776%	78.0%	1.386%	0.304%
Clearfield Boro	2.500%	9.284%	1.850%	13.634%	20.2%	<b>2.754%</b>	0.505%
Indiana Boro	2.845%	10.352%	3.240%	16.437%	17.8%	<b>2.926%</b>	0.506%
Greensburg City	2.505%	7.996%	2.099%	12.600%	22.7%	<b>2.860%</b>	0.569%
Pittsburgh City	1.080%	2.340%	0.569%	3.989%	85.7%	<b>3.419%</b>	<b>0.926%</b>
<b>Notes:</b>							
[a] Rates based on Local Tax Register, PA Department of Community and Economic Development.							
[b] Current CLR (Common Level Ratio) for Blair County is 16.7%. This means that based on 2011 valid sales the average assessed value is 16.7% of the selling price.							
[c] Indicated Value is the estimated fair market value by applying the CLR to the assessed value. Total Equivalent Yield Rates higher than Altoona are shown in <b>bold italics</b> : 6 of the 10 suburban locations and 6 of the 8 municipalities in nearby Counties have higher total rates than Altoona.							

### **Tax Base and Revenue Trends**

As reflected in the following table from the Department of Community and Economic Development's Consultative Evaluation Report, the City's real estate tax assessment has steadily declined from 2005 to 2012. The City's overall decrease for the eight year period examined is \$3,400,561 or 2%.

Since 2011 the City has imposed a millage rate on land values only (land value tax- “LVT”). The LVT was phased-in over eight years starting in 2003. Prior to 2003 land and buildings (improvements) were taxed uniformly. The City imposes a separate millage rate for general purposes (currently at its maximum rate, barring an increase permitted under Act 47), along with use of special purpose levies for debt service, recreation and shade trees. The City uses a predetermined ratio of 100% of assessed value since the 1980’s as provided in the Third Class City Code. Blair County property is assessed at 100% as of 2010 with prior years being at 75% of assessed value using 1959 as a base year to value property.

**Table T-3**

<b>City of Altoona -Trends in Assessed Valuation</b>			
<b>Year</b>	<b>Assessed Valuation Taxable</b>	<b>Annual Change</b>	<b>Effective Single Equivalent Millage Rate</b>
2005	\$193,096,976	-	-
2006	\$192,280,422	-0.40%	42.31
2007	\$192,132,337	-0.07%	42.31
2008	\$192,521,048	-0.20%	42.31
2009	\$190,449,101	-1.10%	42.31
2010	\$188,918,350	-0.80%	47.84
2011	\$189,975,350	0.50%	47.84
2012	\$189,696,415	-0.15%	48.29

\*City uses a predetermined ratio of 100%.  
Source: City of Altoona Finance Department

*Note: Total Assessed Values shown. Altoona’s real estate tax applied to Land Assessed Value only since 2011.*

When combined with the School District and County rates, the City of Altoona’s existing real estate tax rate on land is extremely high, at 7.6% of equalized value,<sup>52</sup> but its equivalent single-rate on land and improvements, at 2.2% of equalized value, is competitive with nearby municipalities to reside and do business. By only taxing land value, owner-occupied single-family residences (hereinafter referred to as “homesteads”) pay significantly lower property taxes than they would if an equivalent single-rate was imposed on land and improvements.

The City’s real estate tax collection effort has been very good. The average collections, including both current and delinquent tax claims, have averaged 96% of the total tax levy amount for the past five years (2008-11 actual plus 2012 projected amounts). As indicated on Table R-1, the collection of current real estate taxes is outsourced and delinquent tax claims are collected by the County Tax Claim Bureau.

<sup>52</sup> An equalized rate is the tax rate expressed as a percentage of Indicated Value, which is the estimated fair market value by applying the County’s current Common Level Ratio, to the Assessed Value.

## ***Combined property tax rate is competitive with suburban locations & nearby county seats***

In 2012 the City of Altoona levied a tax only on the assessed value of land at 372.212 mills. A single rate on land and improvements equated to 47.84 mills. As adjusted by the most recent County Common Level Ratio of 5.95 determined by the State Tax Equalization Board, the equalized rates are 6.2% on land and 0.8% under a single rate.

As indicated on Table T-2, when comparing an equivalent single-rate on land and improvements, the combined property tax rates of the City, the Altoona Area School District and Blair County are competitive with the ten suburbs from which the largest number of non-residents working in Altoona reside (with the combined rate in the City lower than six of the ten suburban locations). This is due to the significantly lower rate of the Altoona Area School District compared with other School Districts in Blair County. Although the City cannot be assured that the School District tax rate will remain relatively low, Pennsylvania law imposes limits on the level of increase permitted each year in school property tax rates which should keep the Altoona Area School District's rate low compared to neighboring School Districts.

Among the five county seats bordering Altoona, the combined equalized rates for three of the five are higher than Altoona. The combined equalized rate in Johnstown City is more than twice that for Altoona.

Based on these comparisons, Altoona could modestly increase its millage rate and remain competitive for both residents and businesses. The exception is for properties with relatively high land values.

As indicated on Table T-4, the mix of taxable real estate between residential and business<sup>53</sup> in Altoona is about 70% residential and 30% business. This is identical to the average mix among the six suburbs from which the largest number of non-residents working in Altoona reside, although there are significant variations among these suburbs. Logan Township, which surrounds the City and contributes the largest number of non-residents to the City, enjoys a significantly larger share of business properties (43%) and a significantly lower combined equivalent single-rate tax than the City.

## ***Split-rate skews tax heavily towards land and generally benefits homesteads***

As noted, the City of Altoona utilizes a split-rate system with the entire burden of the real estate tax borne by land, and generally benefits homesteads. Based on a recent count, Altoona is one of 19 municipalities in Pennsylvania to utilize a split-rate system and the only one to impose the tax solely on land. Homesteads pay about 47% of the total taxable land in Altoona. A single rate would increase the overall tax on homesteads by 18%.

Although the effect of the split-rate system is to shift the property tax burden from homesteads to commercial and industrial property, the primary rationale advanced for taxing land

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<sup>53</sup> Business property primarily consists of commercial property. Other forms of business property in Altoona and the six municipalities compared on Table T-4 are industrial and agricultural properties.

substantially higher than improvements is to increase land-use efficiency, particularly in a city like Altoona with its limited land size that can be privately developed. This is intended to encourage improvements and renovations, while discouraging land speculation.<sup>54</sup>

**Table T-4**  
**Comparison of Altoona's Residential and Business Mix of Taxable Real Estate**  
**with 6 Suburban Municipalities**

	Total Taxable Assessed Values as of Feb. 2012					
	Residential		Business		Total	
	\$000	%	\$000	%	\$000	%
<b>Altoona City</b>	\$ 136,998	71%	\$ 56,806	29%	\$ 193,804	100%
Logan Township	\$ 61,990	57%	\$ 46,972	43%	\$ 108,962	100%
Frankstown Township	\$ 57,982	91%	\$ 5,876	9%	\$ 63,858	100%
Allegheny Township	\$ 31,323	56%	\$ 24,967	44%	\$ 56,290	100%
Antis Township	\$ 30,297	70%	\$ 12,819	30%	\$ 43,116	100%
Holidaysburg Boro	\$ 20,834	68%	\$ 9,763	32%	\$ 30,597	100%
Blair Township	\$ 30,246	81%	\$ 7,296	19%	\$ 37,542	100%
<b>Average % among six suburban municipalities</b>		<b>70%</b>		<b>30%</b>		

Source: Blair County Assessment Office

The economic development advantage of the split-rate system is diminished when the rates of the School District and County (neither of which may utilize a split-rate system) are included. Maintaining a split-rate system requires careful diligence on the part of the County Tax Assessment Office, which has not undertaken a countywide reassessment since 1958, and expertise on the part of appraisers in assigning the proper allocation of value between a building and the land on which it sits. It can also be a source of confusion to current and prospective property owners.

We recommend that the City undertake a study of the impact of its unique land-only tax structure. To avoid the cost of such a study, we recommend that the City seek one or more grants to fund a study. As what may be the only municipality in the nation with this structure there should be sufficient interest by foundations, universities and/or state governments to assist with such a study. Among nonprofit organizations to consider engaging in this study are the Philadelphia-based Center for the Study of Economics, whose report was the catalyst for City Council adopting the split-rate system, and the Pittsburgh-based Savings Communities.

### **Statutory rate limitation**

The millage limit is 25 mills on an equivalent single-rate basis for the general purpose levy (increased to 30 mills with permission from County Court, which the City has regularly obtained in the past few years) with no limits for enumerated special purposes such as indebtedness of

<sup>54</sup> See: Pennsylvania's Success with Local Property Tax Reform: The Split Rate Tax by Alanna Hartzok, The American Journal of Economics & Sociology, April 1997.

the City, recreation and other reasons as set forth in Table T-5.<sup>55</sup> With approval of the County Court of Common Pleas made in annual intervals, this rate cap is removed while the City of Altoona is in Act 47.<sup>56</sup>

### ***Increase rate to fund debt service on priority capital projects***

The City will fund certain capital projects through the issuance of long-term debt financing (bonds). These capital projects are detailed in the Capital Improvement Program and Budget Chapter, specifically Initiative CB03. The estimated annual debt service cost for funding these capital projects is \$235,000 in 2013 and \$260,000 in 2014-16. The Act 47 Coordinator recommends real estate taxes dedicated for debt service to cover the annual cost of the debt to finance the capital projects.

Based on the base projection yield per mill, the Act 47 Coordinator recommends an increase from the 2012 rate by 9.912 mills (1.27 mills on an equivalent single-rate basis) for 2013 and an increase from the 2012 rate by 10.966 mills (1.41 mills on an equivalent single-rate basis) for years 2014-16. This would be a 2.7% increase in the total real estate tax rate for 2013 over 2012, and a 2.9% increase in total real estate tax rate for years 2014-16 over 2012. The components of the projected tax millage for 2013-16 are shown on Table T-5.

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<sup>55</sup> 53 P.S. § 37531. Pennsylvania's appellate courts have not had occasion to consider whether the rate cap is applied separately for a city that utilizes split-rates or if it would be applied to the single rate computed as if the split-rate system was not utilized.

<sup>56</sup> 53 P.S. § 11701.123. If one or more of the City's pension plans is deemed in moderate or severe distress, the City may raise the real estate tax rate above the limit, the proceeds of which shall be used solely to defray the additional costs required pursuant to Act 205 of 1984, as amended, which are directly related to the pension plans. 53 P.S. § 895.607(f) & (f.1).

**Table T-5  
Projected Altoona Real Estate Taxes for 2013-16 with Initiative TAX01**

	2013		2014-16	
	Rate on Land Only (in Mills)	Equivalent Rate on Land & Bldg (in Mills)	Rate on Land Only (in Mills)	Equivalent Rate on Land & Bldg (in Mills)
<b>Components of Millage Rate:</b>				
General Purpose under the 3rd Class County Code, 53 P.S. § 37531(5)	194.509	25.00	194.509	25.00
Interest & principal on indebtedness incurred per the Local Govt Unit Debt Act under the 3rd Class Co. Code, 53 P.S. § 37531(2).	95.652	12.29	96.706	12.43
Maintaining & operating recreation places under the 3rd Class Co. Code, 53 P.S. § 38709.	52.284	6.72	52.284	6.72
Caring for shade trees (up to 0.1 mill) under the 3rd Class Co. Code, 53 P.S. § 38809.	0.778	0.10	0.778	0.10
Support of charities & welfare (up to 10 mills) under the 3rd Class Co. Code, 53 P.S. § 39502.	0.000	0.00	0.000	0.00
Financially distressed municipal pension systems under Act 205 of 1984, 53 P.S. § 895.607(f)	0.000	0.00	0.000	0.00
<b>Millage Rates without Court or voter approval</b>	<b>343.223</b>	<b>44.11</b>	<b>344.277</b>	<b>44.25</b>
General Purpose with Court approval under the 3rd Class County Code, 53 P.S. § 37531(5)	38.902	5.00	38.902	5.00
<b>Total</b>	<b>382.125</b>	<b>49.11</b>	<b>383.179</b>	<b>49.25</b>
<b>Yield Per Mill @ 2013-16 Projection (\$000)</b>	<b>\$ 23.71</b>	<b>\$ 184.48</b>	<b>\$ 23.71</b>	<b>\$ 184.47</b>
<b>Projected Real Estate Tax Revenue (\$000)</b>	<b>\$ 9,060</b>		<b>\$ 9,085</b>	

### Financial Impact

2013	2014	2015	2016	Total
\$235,000	\$260,000	\$260,000	\$260,000	\$1,015,000

**TAX02. Review Real Estate Taxable Assessments**

**Target outcome:** Increase revenue

**Four year financial impact:** Unknown

**Responsible party:** City Finance Director in conjunction with the County Assessment Office and the School District Business Manager

The last county-wide reassessment was conducted over a half century ago, becoming effective in 1959. Among Pennsylvania's 67 counties, this is the longest period without a county-wide reassessment. There is no Pennsylvania statutory mandate for conducting periodic

reassessments, though the Commonwealth Constitution requires that assessments of all properties are uniform.

In the absence of a reassessment, the City and the School District each have standing to challenge assessments of individual parcels, with an annual deadline to file an appeal of existing assessments on or before September 1, with the effect of any change made the following January 1. The City Finance Director should consider a joint effort with the School District to identify under-assessed properties, which should entail engaging a qualified appraiser to make preliminary reviews.

**TAX03. Review and Increase Utilization of Payment-in-Lieu-of Property Tax (“PILOT”) Agreements**

<b>Target outcome:</b>	Increase revenue
<b>Four year financial impact:</b>	Unknown
<b>Responsible party:</b>	City Finance Director in conjunction with the County Assessment Office and School District Business Manager; City Solicitor to review PILOT Agreements

As indicated on Table T-6, approximately 16% of the assessed value of land and 32% of total assessed value in the City is tax-exempt. Among the six suburban municipalities which have the largest number of non-residents working in Altoona, only Hollidaysburg Borough, at 35% of total assessed value, has a larger share of exempt properties. In Logan Township only 15% of its total assessed value is tax exempt. More than half of the exempt property in Altoona is owned by government entities.

Presently the City’s only PILOT agreement is with the Altoona Regional Health System (“ARHS”). The term of the ARHS PILOT Agreement runs through 2016. It provides an annual contribution of \$215,150 unless the hospital’s annual income from operations is less than \$612,606, in which case a portion of the PILOT amount shall be made under a formula set forth in the PILOT Agreement, with no amount paid if the hospital incurs a deficit. As indicated on Table T-6, if the hospital’s properties were taxable, the City’s tax would be approximately \$50,000.

A PILOT Agreement with Pleasant Village, a low-income apartment facility expired in 2011. Owned by the Altoona Housing Authority, Pleasant Village is exempt as a matter of law.

Although most of Altoona’s exempt properties are exempt as a matter of law, it should consider soliciting voluntary contributions, with PILOT agreements, from government, government-sponsored organizations and nonprofit organizations to reimburse the City for all or a portion of the services provided by the City.

**Table T-6  
Altoona Tax Exempt Properties**

\$000

Property Owner	Assessed Values as of Feb. 2012 [a]						Hypothetical Tax @ 98% AV of Land
	Tax Exempt Land	%	Tax Exempt Improvements	%	Total	%	
Government (including Penn State & Housing Authority), excluding Parking Authority [b]	\$ 2,469	53%	\$ 47,930	55%	\$ 50,399	55%	\$ 901
Public Utilities [c]	\$ 1,112	24%	\$ 1,350	2%	\$ 2,462	3%	\$ 406
Religious [d]	\$ 504	11%	\$ 12,415	14%	\$ 12,919	14%	\$ 184
Parking Authority [b]	\$ 183	4%	\$ 43	0%	\$ 226	0%	\$ 67
Cemetery [b]	\$ 149	3%	\$ 39	0%	\$ 188	0%	\$ 54
Healthcare [e]	\$ 142	3%	\$ 23,843	28%	\$ 23,985	26%	\$ 52
Veterans Assns & Eligible Veterans [b]	\$ 39	1%	\$ 354	0%	\$ 393	0%	\$ 14
Keystone Opportunity Zones [f]	\$ 11	0%	\$ 257	0%	\$ 268	0%	\$ 4
Other (including civic associations, parks, playgrounds, food bank)	\$ 47	1%	\$ 211	0%	\$ 258	0%	\$ 17
<b>TOTAL EXEMPT PROPERTIES</b>	<b>\$ 4,656</b>	<b>16%</b>	<b>\$ 86,443</b>	<b>34%</b>	<b>\$ 91,098</b>	<b>32%</b>	<b>\$ 1,698</b>
<b>TOTAL TAXABLE PROPERTIES</b>	<b>\$ 24,554</b>	<b>84%</b>	<b>\$ 169,250</b>	<b>66%</b>	<b>\$ 193,804</b>	<b>68%</b>	<b>\$ 8,713</b>
<b>TOTAL PROPERTIES</b>	<b>\$ 29,210</b>	<b>100%</b>	<b>\$ 255,692</b>	<b>100%</b>	<b>\$ 284,903</b>	<b>100%</b>	<b>\$ 10,411</b>

**Notes:**

[a] Source: Blair County Assessment Office.

[b] Exempt as a matter of law

[c] Public Utility Realty (PURTA) exempt from local taxation as a matter of PA law.

[d] Most religious property is exempt as a matter of law - non-worship religious charities must be Institutions of Purely Public Charity under PA law

[e] Almost entirely Altoona Hospital / Altoona Regional Health System.

[f] Parcels in KOZs expire at the end of 2013, after which they will be fully taxable.

**Comparison with 6 Suburban Municipalities in Blair County**

	Total Assessed Values as of Feb. 2012					
	Exempt Properties		Taxable Properties		Total Properties	
	\$000	%	\$000	%	\$000	%
Altoona	\$ 91,098	32%	\$ 193,804	68%	\$ 284,903	100%
Logan Township	\$ 19,566	15%	\$ 108,349	85%	\$ 127,915	100%
Frankstown Township	\$ 5,175	7%	\$ 63,858	93%	\$ 69,033	100%
Allegheny Township	\$ 21,102	27%	\$ 56,299	73%	\$ 77,401	100%
Antis Township	\$ 6,942	14%	\$ 43,116	86%	\$ 50,058	100%
Hollidaysburg Boro	\$ 16,339	35%	\$ 30,597	65%	\$ 46,936	100%
Blair Township	\$ 1,671	4%	\$ 37,542	96%	\$ 39,213	100%

**TAX04. Consider Delinquent Tax Lien Sales**

**Target outcome:** Accelerate revenue collection  
**Four year financial impact:** Unknown  
**Responsible party:** City Finance Director in conjunction with the County Tax Claim Bureau; City Council; City Manager; City Solicitor

The sale of delinquent real estate tax claims is an opportunity to accelerate the collection of real estate tax revenue collection for the City. The City should explore what it could expect to receive through a sale of its delinquent real estate tax portfolio on a periodic basis. The City Finance Director, City Manager and City Council would work with the Act 47 Coordinator in soliciting the procurement of a professional consultant with experience in the sale of Pennsylvania real estate tax claims.

Typically, the City would sell its delinquent real estate tax claims to a public entity, which, in turn, acts as a conduit purchaser that borrows funds from a participating bank to purchase the real estate tax claims from the City. When the delinquent taxpayers pay their taxes, including penalty and interest, to the Blair County Tax Claim Bureau (“Bureau”), the Bureau would remit the collections to a lock box at the lending bank, which would be used to pay down the bank loan. If there is a shortfall, the City would supply additional tax liens from future tax delinquencies to pay back the loan. After the bank loan is paid, collections for any remaining delinquencies are sent back to the City as the taxing entity.

Under this arrangement there would be no interruption in the operations of the Bureau. As before, the Bureau continues to service the accounts (*i.e.*, perform the sale process, notification process and all statutory functions as it currently performs). The only difference is that the Bureau remits the collections to the Bank lock box rather than to the City.

To implement such a program, the City would adopt a Resolution authorizing the sale, with closing as soon as thirty days. The fee for undertaking the entire transaction would be paid at closing from the purchaser’s loan proceeds. This transaction is not subject to the Local Government Unit Debt Act.

***Earned Income Taxation***

<b>General Fund Earned Income Tax (“EIT”)</b>	
FY 2011 Revenues	\$2,929,680
% of Total FY 2011 Revenues, General Fund	10.97%

## TAX05. Temporary Increase in Earned Income Tax (EIT) Rate

<b>Target outcome:</b>	Increase revenue on a temporary basis while the City of Altoona is a Distressed Municipality under Act 47
<b>Four year financial impact:</b>	<ul style="list-style-type: none"><li>• Effective 1/1/13, EIT rate percentage point increase over 2012 by 0.25 on residents &amp; .15 on non-residents: \$2,159,000 additional revenue for 2013 over base projection, less \$35,000 one-time programming cost to implement = \$2,124,000. Increase for average worker over 2012: Residents,<sup>57</sup> \$75/year or \$1.45/week; non-residents,<sup>58</sup> \$62/year or \$1.20/week.</li><li>• Effective 1/1/14, EIT rate percentage point decrease over 2013 by 0.05: \$1,679,000 additional revenue for 2014 over base projection. Increase for average worker over 2012: Residents, \$60/year or \$1.16/week; non-residents, \$42/year or 80¢/week.</li><li>• No change in rate for 2015 from 2014: \$1,709,000 additional revenue for 2015 over base projection.</li><li>• No change in rate for 2016 from 2014-15: \$1,743,000 additional revenue for 2016 over base projection.</li></ul> See Table T-8.
<b>Responsible party:</b>	City Council; City Solicitor; Blair County Tax Collection Bureau

***Absent Act 47 or Home Rule Charter, except for the amount allocated for pension purposes, EIT rate is capped at 1.0% and shared with the school district, effectively limiting the General Fund EIT to 0.5% on residents***

The EIT is levied on compensation<sup>59</sup> and net profits<sup>60</sup> of individuals who reside in the City and on compensation and net profits earned in the City by non-resident individuals. The City currently levies an EIT at the maximum rate of 1.0%, the general limitation under the Local Tax

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<sup>57</sup> Based on 2013 estimated average annual wage for Altoona City residents of \$30,184.

<sup>58</sup> Based on 2013 estimated average annual wage for non-residents working in Altoona of \$41,362.

<sup>59</sup> "Compensation" is income as determined for Pennsylvania Personal Income Tax purposes, not including, however, wages or compensation paid to individuals on active military service.

<sup>60</sup> "Net profits" is net income from the operation of a business, profession or other activity excluding corporations and investment income.

Enabling Act,<sup>61</sup> and an additional 0.2% authorized under the Municipal Pension Plan (“Act 205”)<sup>62</sup> which is deposited in a separate fund.

For residents, the City is entitled to 0.7% of the 1.2% levy and the School District is entitled to 0.5%.<sup>63</sup> Since most of the non-residents employed in the City take a full credit for the City’s General Fund EIT (1.0% on non-residents) against their home EIT,<sup>64</sup> the net EIT paid by most non-residents working in Altoona is the 0.2% portion of the EIT levied for pension purposes.

Unlike most of the City’s revenue sources, the EIT has the potential to grow once growth in employment returns to the city and region. The EIT is a reliable and necessary way for Altoona to raise revenue. As shown on Table T-7, Altoona’s current EIT rate is within the lower range of other municipalities under Act 47.

### ***Act 47 options to increase rate on residents only or on both residents & non-residents***

The EIT rate cap under the Local Tax Enabling Act can be exceeded while the City is under Act 47, with approval of the County Court of Common Pleas made in annual intervals.<sup>65</sup> With Court approval, a rate exceeding 1.0% can be limited to residents or it can be levied at the same or different rates on both residents and non-residents.

A higher City EIT rate will not affect the portion of the EIT to which the School District is entitled. For example, if the City EIT rate is increased to 2.0%, the School District will continue to have an effective EIT rate of 0.5% on residents only.

### ***Net EIT rates levied by other Act 47 Municipalities***

As indicated in Table T-7, the highest EIT net **resident** rate<sup>66</sup> among the 20 other Act 47 Municipalities is 2.4% levied by the City of Scranton. The only other Act 47 Municipality with an EIT net **resident** rate exceeding 2% is the City of Chester (2.15%).

As indicated in Table T-7, the highest EIT **non-resident** rate exceeding 1.0%<sup>67</sup> among the 20 other Act 47 Municipalities is 1.1%.<sup>68</sup> Twelve other Act 47 Municipalities, including Altoona, currently levy EIT **non-resident** rates exceeding 1.0%.<sup>69</sup>

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<sup>61</sup> 53 P.S. § 6924.311(3).

<sup>62</sup> If one or more of the City’s pension plans is deemed in moderate or severe distress, the City may raise the EIT rate above the general limitation under the Local Tax Enabling Act (on both residents and non-residents), the proceeds of which shall be used solely to defray the additional costs required pursuant to Act 205 of 1984, as amended, which are directly related to the City’s pension plans. 53 P.S. § 895.607(f) & (f.1).

<sup>63</sup> 53 P.S. § 6924.311. Unlike the City, the School District may not levy an EIT on non-residents. 53 P.S. § 6924.301.1(f)(5).

<sup>64</sup> 53 P.S. § 6924.317. Individuals residing outside Pennsylvania, which are estimated to comprise less than one percent of the City workforce, are subject to the full 1.2% City EIT rate.

<sup>65</sup> 53 P.S. § 11701.123.

<sup>66</sup> “Net resident rate” is the rate to which a municipality is entitled net of any sharing with the coterminous school district as required by Local Tax Enabling Act, 53 P.S. § 6924.311.

<sup>67</sup> Since most non-residents working in Altoona are residents of Pennsylvania municipalities which levy a combined EIT rate of at least 1.0%, for this analysis it is assumed that the non-resident rate to which a municipality is entitled needs to exceed 1.0%.

<sup>68</sup> *Municipal Tax Statistics* for 2012, PA Department of Community and Economic Development.

Few non-residents employed in Altoona reside in jurisdictions where the combined EIT rate exceeds 1.0%. Besides Altoona, there are municipalities within Blair County with a combined EIT rate exceeding 1.0% who, together, account for about 3.5% of the non-residents employed in Altoona. Combined EIT rates exceeding 1.0% are more common among the non-residents from Centre and Huntingdon Counties, who together account for about 2.9% of the non-residents working in Altoona. Accordingly, nearly 94% of non-residents working in Altoona will bear additional EIT taxes imposed by the City under Act 47.

### ***New EIT Collection, Withholding and Distribution Rules became effective Jan. 1, 2012***

Recently, EIT revenue declined from 2008; however, due to improved enforcement and collection methods provided by Act 32, which became effective in Blair County on January 1, 2012, EIT revenue has demonstrated some increase. It is uncertain how much of this is due to one-time compliance “catch-up” with Act 32 and how much is due to an increase in recurring revenues. This likely will not be known until after 2012 collections are complete.

Act 32 has had a dramatic effect on the timing of collections to the Blair County Tax Collection Bureau (“BCTCB”) and on distributions to the City. Among the most significant changes affecting the City, particularly for 2012, are (1) the BCTCB is the sole EIT tax collector for all municipalities and school districts in the County, (2) employers are required to determine the residency of their employees and withhold EIT at the higher of the combined rate of an employee’s residence or the work location, (3) a significant number of employers remit EIT withholding monthly (previously it was generally done quarterly) and (4) collectors are required to forward EIT withholding amounts to other collectors (now among counties) on a periodic basis (for amounts received on or after April 1, 2013, within 30 days after receipt). These changes may increase EIT revenue on an ongoing basis for the City, although the amount is not yet determinable. For 2012 it is expected there will be collected at least \$400,000 more than otherwise would be the case due to the acceleration of withholding plus the amounts paid in with the 2011 tax returns by residents who worked outside the City in 2011 where the 0.2% Pension Plan EIT was generally not withheld. The EIT commission to BCTCB is 3.0% of the gross EIT received.

### ***One-time cost to implement EIT increase effective Jan. 1, 2013***

The BCTCB will incur a one-time programming cost to implement by January 1, 2013 the recommended EIT increase. The initial estimate for this cost, which will be charged to the City, is \$30,000 to \$40,000. The projected revenue for the EIT increase in 2013 is offset by \$35,000, the median of this estimated cost. The Act 47 Coordinator supports and recommends the potential funding to pay for this implementation expenditure.

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<sup>69</sup> *Id.*

## Financial Impact

2013	2014	2015	2016	Total
<b>\$2,124,000</b>	<b>\$1,676,000</b>	<b>\$1,709,000</b>	<b>\$1,743,000</b>	<b>\$7,252,000</b>

**Table T-7  
2012 EIT Rates for Municipalities Under Act 47 of 1987**

Municipality	County	Year Designated	Resident EIT Rate (net of School Tax) <sup>(a)</sup>	Non-resident EIT Rate Exceeding 1.00% <sup>(b)</sup>
Aliquippa City	Beaver	1987	1	0.50%
Altoona City	Blair	2012	0.7	0.20%
Braddock Boro	Allegheny	1988	0.6	0.05%
Chester City	Delaware	1995	2.15	0.15%
Clairton City	Allegheny	1988	1	0.00%
Duquesne City	Allegheny	1991	1.15	0.30%
Farrell City	Mercer	1987	1.3	0.40%
Franklin Boro	Cambria	1988	1.4	0.30%
Greenville Boro	Mercer	2002	1.15	0.42%
Harrisburg City	Dauphin	2010	0.5	0.00%
Johnstown City	Cambria	1992	0.8	0.10%
Millbourne Boro	Delaware	1993	1	0.00%
Nanticoke City	Luzerne	2006	1.5	0.00%
New Castle City	Lawrence	2007	1.7	1.10%
Pittsburgh City	Allegheny	2003	1	0.00%
Plymouth Township	Luzerne	2004	1.5	0.40%
Rankin Boro	Allegheny	1989	1	0.40%
Reading City	Berks	2009	1.9	0.10%
Scranton City	Lackawanna	1992	2.4	0.00%
West Hazelton Boro	Luzerne	2003	0.5	0.00%
Westfall Township	Pike	2009	N/A (no EIT levied)	N/A (no EIT levied)

(a) Under the Local Tax Enabling Act when a municipality levies an EIT rate on residents of at least 0.5% the school district is limited to 0.5% on residents. 53 P.S. § 6924.311. The rates shown in this column do not include the school district EIT.

(b) It is assumed that most non-residents working in Altoona reside in Pennsylvania municipalities whose combined municipal and school district EIT rates are at least 1.00%, giving them a credit of at least 1.00% against their non-resident EIT. Under this assumption, a municipality imposing a non-resident EIT would benefit only to the extent the non-resident EIT rate exceeds at least 1.00%.

Source: Pennsylvania Department of Community and Economic Development

Table T-8

## 2013-16 Act 47 EIT Recommendation and Options

\$000						
2013: Computed at 2012 Base, increased 2.0%/year						
	Increase from current rate (combined GF & Act 205) @ 0.7% Res. (net of 0.5% SD Tax) & 1.2% NR (at least 1.0% Tax Credit except for out-of-state residents)					
Municipality	0.15% Res, 0.05% NR	0.2% Res, 0.1% NR	0.25% Res, 0.15% NR	0.3% Res, 0.2% NR	0.35% Res, 0.25% NR	0.4% Res, 0.3% NR
<b>Total</b>	\$ 1,126	\$ 1,643	\$ 2,159	\$ 2,678	\$ 3,192	\$ 3,712
<b>Altoona City</b>	\$ 897	\$ 1,196	\$ 1,495	\$ 1,794	\$ 2,093	\$ 2,392
<b>Non-residents</b>	\$ 229	\$ 446	\$ 664	\$ 884	\$ 1,098	\$ 1,320
Est. Cash by 3/31/13	\$ 56	\$ 82	\$ 108	\$ 134	\$ 160	\$ 186
Est. Cash by 6/30/13	\$ 493	\$ 493	\$ 493	\$ 803	\$ 493	\$ 1,114
Est. Cash by 9/30/13	\$ 903	\$ 903	\$ 903	\$ 1,473	\$ 903	\$ 2,042
Est. Cash by 12/31/13	\$ 901	\$ 1,314	\$ 1,727	\$ 2,143	\$ 2,553	\$ 2,970
% Cash by 12/31/13	80%	80%	80%	80%	80%	80%
2014: Computed at 2012 Base, increased 2.0%/year						
<b>Total</b>	\$ 1,149	\$ 1,676	\$ 2,202	\$ 2,732	\$ 3,259	\$ 3,786
<b>Altoona residents</b>	\$ 915	\$ 1,220	\$ 1,525	\$ 1,830	\$ 2,135	\$ 2,440
<b>Non-residents</b>	\$ 234	\$ 455	\$ 677	\$ 902	\$ 1,124	\$ 1,346
2015: Computed at 2012 Base, increased 2.0%/year						
<b>Total</b>	\$ 1,172	\$ 1,709	\$ 2,246	\$ 2,786	\$ 3,324	\$ 3,862
<b>Altoona residents</b>	\$ 933	\$ 1,245	\$ 1,556	\$ 1,867	\$ 2,178	\$ 2,489
<b>Non-residents</b>	\$ 238	\$ 465	\$ 691	\$ 920	\$ 1,146	\$ 1,373
2016: Computed at 2012 Base, increased 2.0%/year						
<b>Total</b>	\$ 1,195	\$ 1,743	\$ 2,291	\$ 2,842	\$ 3,391	\$ 3,939
<b>Altoona residents</b>	\$ 952	\$ 1,269	\$ 1,587	\$ 1,904	\$ 2,221	\$ 2,539
<b>Non-residents</b>	\$ 243	\$ 474	\$ 704	\$ 938	\$ 1,169	\$ 1,401
Impact on Worker @ Estimated Average Wage for 2013						
	Based on Ave Wage of \$30.2k for Altoona residents & \$41.4k for Non-residents					
	0.15% Res, 0.05% NR	0.2% Res, 0.1% NR	0.25% Res, 0.15% NR	0.3% Res, 0.2% NR	0.35% Res, 0.25% NR	0.4% Res, 0.3% NR
	Annual Impact					
<b>Altoona residents</b>	\$ 45	\$ 60	\$ 75	\$ 91	\$ 106	\$ 121
<b>Non-residents</b>	\$ 21	\$ 42	\$ 62	\$ 83	\$ 104	\$ 125
	Weekly Impact					
<b>Altoona residents</b>	\$ 0.87	\$ 1.16	\$ 1.45	\$ 1.74	\$ 2.03	\$ 2.32
<b>Non-residents</b>	\$ 0.40	\$ 0.80	\$ 1.20	\$ 1.60	\$ 2.00	\$ 2.40

**TAX06. Increase Business License Fees; Improve Compliance With Business Privilege & Mercantile Tax**

<b>Target outcome:</b>	Increase revenue; reduce tax administration/collection costs
<b>Four year financial impact:</b>	\$412,000
<b>Responsible party:</b>	City Council; Director of City Department of Accounts & Finance; City Solicitor

The City of Altoona levies a Business Privilege & Mercantile Tax (“BPMT”) on all businesses doing business in the City except for those statutorily exempt such as manufacturers. The BPMT is based on the gross receipts of retailers at 0.075% (0.15% when combined with the BPMT rate levied by the School District), of wholesalers at 0.05% (0.01% combined rate), and of other businesses at 0.1% (0.2% combined rate). The only other municipalities in Blair County imposing a BPMT are Logan Township, Tyrone Township and Duncansville Borough, all bordering the City and all having lower combined tax rates on retailers and other businesses.

Like all political subdivisions in the Commonwealth, the City and School District of Altoona are barred from raising their BPMT tax rates.<sup>70</sup> However, this does not prevent increases in license taxes (see below), interest on underpayments (6% per annum), penalties on underpayments (0.5% for each month or fraction thereof) and penalties for failure to file a return, make a false or untrue statement on the return or refusal to permit inspection of books (limited to \$100 for each offense).

***License fees should be doubled to \$100***

The City currently imposes annual license taxes or “fees” on all businesses subject to the BPMT (\$50 Business Privilege and \$50 Mercantile). Most of these flat taxes have been in effect for several years.

Effective for 2013, the City should increase the annual license taxes for businesses subject to the BPMT to the maximum of \$100 permitted for general revenue purposes.<sup>71</sup> This is expected to increase revenues by \$103,000 per year.

***Benchmark interest & penalties to State/Federal amounts***

At 6%/year simple interest, the interest rate is comparable to the variable rate currently imposed on late payments of PA state tax (3%/year simple interest) and federal tax (3% compounded daily). As the benchmark short-term federal government bond rates increase, the City should adopt a variable rate, referenced to no less than the state tax interest rate. Philadelphia imposes interest at 12%/year for unpaid Business Privilege Taxes.

The City should increase the penalty, presently 0.5% of tax, referenced to no less than the Federal tax standard. Federal taxes are subject to a combined civil penalty of up to 50% of tax

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<sup>70</sup> Local Tax Reform Act of 1988, 72 P.S. § 4750.101.

<sup>71</sup> 53 P.S. § 37601.

for failure to file (5%/month up to 25%) and pay (0.5%/month up to 25%).<sup>72</sup> Philadelphia imposes a penalty of 30% of unpaid tax for the first year and 15% for each subsequent year. The City should also consider instituting civil and criminal penalties for fraud or willful intent to evade the BPMT.

***Enforce broadened scope of tax***

In the 2007 PA Supreme Court decision, *V.L. Rendina, Inc. v. City of Harrisburg*, the City prevailed in applying the BPMT to a contractor who had a leased job trailer during its temporary presence in the City. In holding that a base of operations is not necessary for the BPMT to apply, the Court’s opinion indicated that business persons without any office in the City but who temporarily engage in business in the City are subject to this tax (e.g., Amnesty can be an effective inducement to comply and raise cash).

The City should institute a limited amnesty period during which penalties, and possibly interest, are waived upon voluntary filing and payment of delinquent BPMT. The City of Philadelphia has successfully utilized such amnesties for its Business Privilege Tax.

***Compliance review and audits should be pursued***

The City should consider engaging its tax collector or an outside auditing firm to review potential non-compliance and under-reporting of the BPMT through review of public and private records and selective audits of tax returns.

As a result of numerous court decisions, fees charged must be based on the cost incurred for providing the service. Consistent with this requirement, the City should complete a cost allocation study for the services for which it charges fees, in order to ensure costs incurred are covered by fees charged, minimizing the impact on the General Fund.

**Financial Impact**

2013	2014	2015	2016	Total
\$103,000	\$103,000	\$103,000	\$103,000	\$412,000

**TAX07. Increase Enforcement of the Local Services Tax**

**Target outcome:** Increase revenue; reduce tax administration/collection costs

**Four year financial impact:** Unknown

**Responsible party:** City Council; Director of City Department of Accounts & Finance

<sup>72</sup> 26 USC § 6651(a).

The City imposes the maximum rate of \$47/year under the Local Services Tax; the School District imposes a rate of \$5/year. As with the BPMT, the City should institute an amnesty for a limited time period and increase penalties.

**TAX08. Realty Transfer Tax - Pursue Department of Revenue Determination for Additional Tax, Penalty and Interest**

**Target outcome:** Increase revenue; reduce tax administration/collection costs  
**Four year financial impact:** Unknown  
**Responsible party:** City Council; City Solicitor

The City last amended its Realty Transfer Tax Ordinance in 2007. The Commonwealth, under Act 40 of 2005, gives the City the option to have the Pennsylvania Department of Revenue make determinations for additional tax, penalty and interest.<sup>73</sup> For this service, the Department of Revenue may impose a cost of up to 10% of the tax, penalty and interest collected on behalf of the City.<sup>74</sup> The City should consider this option to reduce the costs of tax administration and increase the net receipts from tax underpayments, penalty and interest. This tax is collected by the County Recorder of Deeds.

**TAX09. Improve Taxpayer Information**

**Target outcome:** Improved service and access to information  
**Four year financial impact:** Unknown  
**Responsible party:** Director of City Department of Accounts & Finance; City IT Department

To improve voluntary compliance and administrative efficiency, the City shall create a tax webpage within the City website that includes all tax forms (in PDF print and interactive formats), tax instructions, tax ordinances, tax regulations, taxpayer information phone numbers and addresses (both e-mail and regular mail), and links to outside tax collectors, relevant County offices (Tax Assessor, Board of Assessment Appeals, Recorder of Deeds), School District, and the Pennsylvania Department of Revenue.

**TAX10. Consider Home Rule Charter With Additional Taxing Powers**

**Target outcome:** Increased tax revenue options  
**Four year financial impact:** TBD  
**Responsible party:** City Council; City Solicitor; City voters

The City is governed under the Council-Manager Plan pursuant to the Home Rule Charter and Optional Plans Law. This status does not change the taxation powers the City would have under the Third Class City Code.

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<sup>73</sup> 72 P.S. § 8109-D(a).

<sup>74</sup> Act 40 of 2005.

On the other hand, if the City adopted a Home Rule Charter, under 53 Pa.C.S. § 2962(b), the City would have no limits on tax rates imposed on residents (non-residents could not be taxed at rates exceeding those that are currently applicable) unless prohibited by the Pennsylvania Constitution, other Pennsylvania statute or its home rule charter. Home Rule status would allow the City to levy unlimited tax rates on Real Estate, Realty Transfers (now limited to 0.5%), Licenses and the Earned Income of Residents. The Business Privilege and Mercantile Tax rates are frozen by the Local Tax Reform Act of 1988, 72 P.S. § 4750.533(b).

Converting to a Home Rule Charter is initiated by City Council or a petition of registered voters. Adoption of a Home Rule charter is made by voter referendum. Tyrone Borough adopted Home Rule in 1982 and is presently the only Blair County municipality to have done so. Among municipalities in adjoining counties that have adopted Home Rule Charters are Johnstown City and State College Borough. Similarly, Nanticoke City and Plymouth Township, both in Luzerne County, took similar action as part of their Act 47 exit strategy.

Home Rule provides Altoona the ability to maintain tax levels exceeding statutory rates on Real Estate and Earned Income after the City is no longer considered a distressed municipality under Act 47, in addition to providing it the flexibility of increasing rates on Realty Transfers and Licenses. Accordingly, to the extent the City needs tax revenues higher than otherwise would be available under normal limits, Home Rule provides an exit strategy upon leaving Act 47.

## **Non-Tax Revenues and Revenue Management**

### **Initiatives**

#### **RE01. Generate Additional Revenue Through Market-Based Revenue Opportunities**

<b>Target outcome:</b>	Increased revenue; cost avoidance; improved service
<b>Four year financial impact:</b>	TBD
<b>Responsible party:</b>	Finance Department

Many jurisdictions around the country have entered into marketing, concessions, advertising, and sponsorship agreements – known as market based revenue opportunities (“MBRO”) – to generate ancillary revenues from municipal assets such as real estate and facilities. While it is important for MBRO programs to operate within locally-established policy guidelines to limit excessive commercialization and remain consistent with community values, these initiatives can yield significant revenues in the aggregate. Efforts nationally have included “street furniture” programs (benches, bus shelters, signage) subsidized by limited advertising, “greening of local business districts”, naming rights for major facilities and events, pouring and concession rights in public facilities, and other indoor and outdoor advertising, as well as strategic leasing for infrastructure such as communications hardware on public buildings.

Aside from increased revenue, there are other benefits to MBROs:

- **Cost Avoidance:** As an example, street furniture programs can enable a city to avoid installation and maintenance costs for public amenities, such as bus shelters.

- Non-Monetized Benefits. For street furniture programs in general, there is a benefit to having benches, bus shelters, kiosks, and newspaper corrals that are clean, well maintained, and aesthetically pleasing.
- Administrative Burden Reduction: Vendors typically administer market-based revenue initiative programs. While contracts are managed by City staff, the “hands free” nature of the programs keeps oversight responsibilities (and commensurate costs) to a minimum.

The City shall pursue a request for proposals (“RFP”) process to select a broker to help identify potential components of a downtown streetscape improvement plan that includes infrastructure improvements and greening within the central business district. Additionally, special attention should be given to possible MBRO opportunities in the Altoona Transportation Center building and in parking and rail platform areas of the Transportation Center property. City Council should develop a suitable timeline for implementation of an MBRO program. To the extent practicable and useful, the City should collaborate with the County and City authorities in developing and implementing the MBRO program.

**RE02. The City Shall Consolidate Revenue Collection, Reporting and Enforcement, Consider Outsourcing Certain Revenue Collection**

**Target outcome:** More timely revenue collection to improve cash flow, and increased revenue collection

**Four year financial impact:** TBD

**Responsible party:** City Council, City Controller, Finance Department, City Solicitor

The City utilizes at least nine different collection entities including the following: Berkeimer Tax Administrator (in transition from CENTAX), the BCTCB, the Pennsylvania Municipal Service Company, Blair County Recorder of Deeds, Atlantic Broadband, the Blair County Resource Recovery Facility, Inc., an individual (for No Lien statements), numerous district court Magistrates and the City of Altoona (various departments). Taxes levied by the City are collected by various parties, some of which are mandated by Pennsylvania law. Most City licenses, permits, fees, fines and charges for services may be contracted to third parties. The following table lists the current tax and other revenue collectors.

**Table R-1: Altoona Tax & Other Revenue Collectors**

<b>Tax</b>	<b>Collection Fee Charged</b>	<b>Collected By</b>	<b>Frequency of Collection</b>
<b>Real Estate Tax</b>			
Real Estate Tax- Discount, Face & Penalty	1.50/parcel + postage	Berkheimer Tax Administrator <sup>75</sup>	April-December
Tax Claim-Face Amount @ Penalty Collection	5%	Blair County Tax Claim	Quarterly

<sup>75</sup> Berkheimer Tax Administrator assumed the contracts of CENTAX during 2012. The term of the Real Estate Tax collection contract expires 12/31/2013, with notice of termination required by 10/2/2013.

Payment In Lieu of Taxes		City of Altoona	Yearly
<b>Earned Income Taxes</b>			
Earned Income	3%	Blair County Tax Collection Bureau <sup>76</sup>	Monthly
<b>Other Act 511 Taxes</b>			
Business Privilege & Mercantile Tax	2.3%	Berkheimer Tax Administrator <sup>77</sup>	Per Contract
Local Services Tax	2.5%	Blair County Tax Collection Bureau	Monthly
Amusement Taxes	3%	PA Municipal Service Company	Monthly
Mechanical Device		City of Altoona	Due Jan. 31 <sup>st</sup>
Real Estate Transfer	None	Blair County Recorder of Deeds <sup>78</sup>	Monthly
Per Capita Tax		City of Altoona	Ongoing
Flat Rate Occupation Tax	3%	Blair County Tax Collection Bureau	Ongoing
<b>Licenses, Permits &amp; Fees</b>			
Business Privilege & Mercantile License Fee	2.3%	Berkheimer Tax Administrator	Per Contract
Other Licenses, Permits & Fees except as noted below		City of Altoona	Yearly
Electrical, Plumbing & Mechanical Code Permits	Varies	Middle Department Inspection Agency	Per Use
T.V. Cable Contract Fee	5%	Atlantic Broadband	Quarterly
Haulers Tonnage Fee	\$.25 per ton	Blair Co. Resource Recovery Facility Inc.	Monthly
<b>Fines and Forfeits (other than court-ordered reimbursements by District Ct. Magistrates)</b>			
	Varies	City of Altoona	Various
<b>Charges for Services (other than no lien statements by City Solicitor)</b>			
	Various	City of Altoona	Various

Most tax collection is mandated by Pennsylvania law. Where the City has a choice, as is the case for the collection of Real Estate and Business Privilege & Mercantile Taxes, it should monitor the deadlines in 2013 for the existing contract, set a schedule to evaluate Berkheimer Tax Associates, who recently assumed these contracts from CENTAX, and consider whether to renew, bid or consolidate some or all of these services into the BCTCB effective in 2014.

<sup>76</sup> Blair County Tax Collection Bureau was appointed as the countywide EIT tax collector by the Blair County Tax Collection Committee under Act 32 of 2008.

<sup>77</sup> Berkheimer Tax Administrator assumed the contracts of CENTAX during 2012. The term of the Business, Privilege & Mercantile Tax collection contract expires 12/31/2013, with notice of termination required by 7/4/2013.

<sup>78</sup> 16 P.S. § 11011-6(c)

The collection for all permits/licenses/fees, transfers and all other non-tax revenues should be either centralized in the Finance Department (understanding that certain revenues can realistically only be collected by a given entity, e.g., Atlantic Broadband for the T.V. Cable Contract Fee) or contracted to a third party. Such centralization, whether in-house or outsourced, would be for purposes of increasing operating efficiency, taxpayer compliance and improving internal controls as well as taxpayer services. In particular segregating the collection function from the fee calculation and assessment function is an important segregation of duties consistent with accounting/auditing risk assessment principles.

**RE03. Tax Compliance, Audit Transparency, and Information Sharing Between City and State**

<b>Target outcome:</b>	Increased revenues, verification of amounts due, comprehensive audits
<b>Four year financial impact:</b>	TBD
<b>Responsible party:</b>	City Controller, Finance Department, Blair County Tax Collection Bureau

The City does not engage in Compliance Auditing and/or Cross-Checking of Payees. A standard tax compliance approach is for different taxing bodies or a collection agency to share information related to audit findings and other compliance efforts. For example, when the Internal Revenue Service imposes additional federal income taxes as a result of its audit efforts regarding individuals or corporations, the IRS will notify the appropriate state(s) Revenue Departments of those findings so that those entities can determine if additional state income taxes should be pursued. We are advised that the Pennsylvania Department of Revenue is currently unable to provide and cross-reference information while a new revenue system is being installed and implemented. We also understand that the BCTCB is not currently conducting on-site audits of various taxpayers including employers that withhold the EIT.

The Coordinator recommends the City Controller and Finance Department work with the Blair County Tax Collection Bureau to contact the Pennsylvania Department of Revenue to determine if compliance-related information could be received for a subset of certain taxpayers (e.g., large employers) as a basis to initiate audits of those employers to ensure correct amounts are being withheld and transmitted to the Tax Collection Bureau on behalf of the City. This is particularly important for both EIT (general and pension taxes) which represented approximately 22% of the City's revenue in the 2012 budget.

In addition, and regardless of whether the Pennsylvania Department of Revenue can or will provide such compliance-related information, the Bureau should seek to pursue audits of major employers by comparing their employment records to payments and tax returns received by the Collection Bureau for Altoona, particularly in light of the new Act 32 requirement for distributions by political sub-division.

Audit enforcement procedures shall be employed for all taxes, including the EIT, other Act 511 taxes and certain fees, including: the Local Services Tax, Business Privilege and Mercantile Tax. Property Tax is enforced at the County level on behalf of municipalities in Blair County.

**RE04. Consolidation/Elimination of Certain Fee License, Permits & Fees and Charges for Services**

**Target outcome:** Operational efficiency and cost reduction  
**Four year financial impact:** TBD  
**Responsible party:** City Controller, Finance Department, City Solicitor

The City collects over 30 different categories of Licenses, Permits & Fees and sixteen additional Charges for Services, as reflected in the City's Projected Revenue Schedules and accounting records. Twenty-five of these categories resulted in revenues of less than \$10,000 each, with 12 of those less than \$2,000, as reflected in the 2011 Budget.

The Coordinator recommends the City implement a consolidation or streamlining its License, Permits & Fees structure, particularly for those smaller amounts cited above. For example, three classes of Business Licenses (Class A, B or C) could be utilized, with a similar approach applied to Fees. At a minimum, operational efficiencies could be achieved as a smaller set of licenses or fees would be imposed, tracked, and recorded. As part of this assessment, the City shall consider the cost of imposing, collecting, recording and otherwise administering the fee and consider ways to consolidate as discussed above.

As a result of numerous court decisions, fees charged for services must be based on the cost incurred from providing the service. Consistent with this requirement, the City shall complete a cost allocation study of the services for which it charges fees, in order to ensure costs incurred are covered by fees charged, minimizing the impact on the General Fund.

**RE05. Increase Certain Fees as Allowed by Law**

**Target outcome:** Increased recurring revenue  
**Four year financial impact:** \$458,000  
**Responsible party:** Finance, Property and Inspections and Public Works Departments, City Solicitor

As discussed in an earlier recommendation the City has more than 30 separate fees, licenses and permits, and also several additional service related charges. Many of these fees, licenses and permits do not have the potential to contribute significantly to reduce the City's recurring deficits. However, there are certain revenue types which are worthy of review either because of their materiality and/or stability, as well as their potential to grow in areas where the City has some reasonable expectation for growth.

1. The Rental Inspection Fee also has a consistent yield which has recently exceeded \$200,000 per year. Similarly, the Coordinator recommends a 10% increase in the first year and a 3% increase each year thereafter. This should yield in excess of \$20,000 per year and also offset the considerable cost the City incurs to perform this important service.
2. The Highway Department Street Cut Fee, Utility Street Cut Fee, and related permits averages in excess of \$300,000 per year since 2008, although the general street cut fee average is more stable than the utility related fee. These services include direct labor

and professional services, and raising fees for street cut and road opening permits in 2013 should produce about \$41,000 in additional revenue. Similarly, increasing other permits and review fees would raise approximately \$4,000 in additional revenue. The increase of these fees would ultimately accumulate in a six percent annual increase for each year from 2014 through 2016.

### Financial Impact

2013	2014	2015	2016	Total
\$65,000	\$95,000	\$130,000	\$168,000	\$458,000

**RE06. Cost Indexing of Fees**

**Target outcome:** Recover increasing employment costs  
**Four year financial impact:** \$278,000  
**Responsible party:** Finance Department, City Council, City Solicitor

The City currently imposes “fees” for more than fifty permitting, licensing or other municipal services on businesses and individuals. Most of these fees have been in effect for several years. The City should increase them at least by the increase in an inflationary index or related index – three percent annually is recommended. Excluding the business license fees discussed in TAX06 and the fees discussed in RE06 above, the base revenues for these remaining fees exceed \$900,000 annually. Since all of these services require assistance from City employees, adjusting at least for the continuing increases in employee costs (particularly pensions and health care) is recommended due to their correlation with the services being rendered.

Fees charged must be based on the cost incurred from providing the service. Consistent with this requirement, the City should complete a cost allocation study for the services for which it charges fees, in order to ensure costs incurred are covered by fees charged, minimizing the impact on the General Fund

### Financial Impact

2013	2014	2015	2016	Total
\$30,000	\$61,000	\$93,000	\$125,000	\$309,000

# Intergovernmental Relations

## Overview

The City of Altoona is one of 25 municipalities in Blair County. Multiple school districts reside within the County as well. The City actively participates in several intergovernmental organizations aimed at fostering cooperation among their members. Additionally, the City is a party to several cooperative arrangements with other governmental entities. These intergovernmental organizations and cooperative arrangements are set forth below:

- The Intermunicipal Relations Committee (“IRC”) is a council of governments (“COG”) including the City of Altoona, Logan Township, Tyrone Borough and Hollidaysburg Borough. The IRC was initially established as the Intermunicipal Recycling Committee in 1990 to address the needs of the member municipalities related to recycling and composting required by Pennsylvania Act 101 of 1988. The name was changed in 1997 to reflect a desire by the member municipalities to undertake other intermunicipal issues, such as cable television franchise issues.
- The Central Blair Recreation Commission (“CBRC”) is a council of governments including the City of Altoona, Logan Township and Altoona Area School District. The “CBRC” coordinates parks and recreation activities throughout its region.
- The Altoona-Blair County Development Corp. (“ABCD”) is a private non-profit corporation working as a catalyst for business expansion in Blair County, Pennsylvania through regional partnerships along the I-99 Innovation Corridor, including the Interstate 99 Enterprise Zone Committee. ABCD includes the City of Altoona and various other municipal entities, and focuses on economic development along with the Greater Altoona Area Economic Development Corp. which is also administered by ABCD.
- The PennDot Transportation Committee was created by the Pennsylvania Department of Transportation to oversee the transportation needs for Blair County. Altoona actively participates in the Committee along with certain other Blair County municipalities.
- The Altoona Mobile Emergency Department (“AMED Authority”) provides Emergency Medical Services to the City, the Altoona Regional Health System and Logan Township.
- The Altoona Water Authority (“AWA”) is a Municipal Authority that provides water and wastewater services to approximately 60% of Blair County. AWA is governed by a five-member Board of Directors, each of whom is appointed by the City Council. The AWA relies heavily on the services, facilities, and property provided by various City departments. The City’s provision of services to the AWA, and the AWA’s payment for those services is currently governed by Second Amended and Restated Cooperation Agreement dated January 1, 2011, which outlines forty (40) categories of services that the City provides to the AWA.
- The City is a party to a Cooperative Police Service Agreement with the Altoona Campus of Penn State University. Pursuant to this Agreement, City Police and Penn State Campus police provide each other with mutual aid, support and assistance.

## Assessment

Strained cities are increasingly looking to service-sharing arrangements to generate costs savings and efficiencies.<sup>79</sup> There are many examples of these arrangements, and they are becoming more frequent as cities look for any available solution to close budget shortfalls. For example, three distressed communities in Rhode Island (Central Falls, Pawtucket, and East Providence) recently launched a service-sharing task force to identify opportunities to share services and reduce costs. Ratings agencies take a positive view of intergovernmental service-sharing, with Moody's Investors Services calling the launching of the service-sharing task force in Rhode Island a "credit positive" for the three distressed communities affected.<sup>80</sup> Cuyahoga County, Ohio recently passed an ordinance that has been called a model for service sharing.<sup>81</sup> This ordinance (Ordinance No.O2011-0009) created a Department of Regional Collaboration headed up by a Director of Regional Collaboration to advocate for and promote cooperation with and among the State of Ohio and other political subdivisions.

In Pennsylvania, the Centre Region Council of Governments ("CRCOG") is an excellent example of intergovernmental cooperation which can serve as a model for Altoona and surrounding municipalities. CRCOG is a voluntary association comprised of State College Borough and the townships of College, Ferguson, Halfmoon, Harris and Patton in Centre County. CRCOG was established in 1969 to provide cost effective and high quality public services, and currently serves an area comprising 150 square miles with approximately 96,000 residents. CRCOG has a very active Planning Commission (which reviews municipal ordinances, plans, and development proposals), and Code Enforcement section (which issues building permits and performs inspections for several municipalities), and also is active in the areas of regional fire protection, parks and recreation, emergency management, and refuse and recycling.

Pennsylvania's Intergovernmental Cooperation Act explicitly authorizes two or more local governments, including school districts, to cooperate in the exercise of their governmental functions, powers, and responsibilities.<sup>82</sup> Other Pennsylvania cities have utilized this authority to enter into service-sharing arrangements. For example, the City of Harrisburg has cooperative and service-sharing arrangements in place with the Harrisburg School District and Dauphin County, among others. Harrisburg also cooperates with other governmental instrumentalities in the areas of electricity purchasing, recreational facilities, and 911 dispatching.<sup>83</sup> The City of Reading collaborates with its parking and water authorities on bill collection.<sup>84</sup>

It is imperative for the City of Altoona to expand its intergovernmental cooperation efforts in order to maximum efficiencies and cost savings. In the process of preparing this report, the Coordinators met with the Altoona community leadership, including private and public sectors, on multiple occasions, and there is overwhelming consensus among that leadership that there can and must be greater cooperation among local and regional governments in Blair County. The City must look for every opportunity to eliminate duplication of services with other local

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<sup>79</sup> Burton, Paul, "Strained Cities Look to Service Sharing for Savings and Efficiencies," the Bond Buyer, September 17, 2012.

<sup>80</sup> Id.

<sup>81</sup> Id.

<sup>82</sup> See 53 Pa.C.S.A. § 2303

<sup>83</sup> See Generally, the Municipal Financial Recovery Act Recovery Plan for the City of Harrisburg

<sup>84</sup> Burton, Paul, "Strained Cities Look to Service Sharing for Savings and Efficiencies," the Bond Buyer, September 17, 2012.

government entities, and explore opportunities to partner on services, purchasing, administration, and staffing.

## Initiatives

### **IGR01. Identify and Implement Intergovernmental Cooperative Initiatives**

<b>Target outcome:</b>	Improved cooperation and cost reduction
<b>Four year financial impact:</b>	Not available
<b>Responsible party:</b>	City Manager and City Council

With the assistance of the Act 47 Coordinator, the City Manager and City Council shall convene a group of leaders from the City, Blair County, the Altoona Water Authority, the Allegheny Mountains Convention and Visitors Bureau, and Altoona Area School District to discuss possible collaborative intergovernmental initiatives aimed at conserving funds and/or improving current services. These initiatives may address topics including, but not limited to: tax collection; fleet maintenance; parks and recreation, purchasing; facilities maintenance; financial management services; and information technology. The group shall meet on a regular basis with the ultimate goal of identifying the most promising areas for future shared services, developing initiatives within these areas (along with specific implementation plans) and implementing these initiatives within each organization. The group shall analyze opportunities based on potential for cost savings, ability to improve current service delivery and/or savings on long-term capital costs for all entities involved.

### **IGR02. Negotiate an Increase in the AWA’s Yearly Payment to the City for Use of the City’s Services, Facilities, Property, Personnel, and Rights of Way**

<b>Target outcome:</b>	Increase Revenue to City for Use of its Services, Facilities, Property, Personnel, and Rights of Way
<b>Four year financial impact:</b>	\$1,000,000 ( \$250,000 per year)
<b>Responsible party:</b>	Director of Public Works and Solicitor

The Altoona Water Authority (“AWA”) is a Municipal Authority that was incorporated by the City pursuant to the Municipal Authorities Act of 1945.<sup>85</sup> The AWA was created in 1948 as the “Altoona City Authority” to provide water and wastewater service to the City and surrounding municipalities. The Authority’s name was changed to the Altoona Water Authority in 2009 pursuant to an Amendment to its Articles of Incorporation.

The AWA’s current service area covers approximately 60% of Blair County. The AWA public water service area encompasses the City of Altoona, Hollidaysburg Borough, Bellwood Borough, Tyrone Borough, Duncansville Borough, Allegheny Township, Antis Township, Blair Township, Frankstown Township, Juniata Township, Logan Township, Snyder Township and Tyrone Township. The AWA wastewater collection system services the City of Altoona, Logan Township and Allegheny Township. AWA provides retail service to over 21,000 residential,

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<sup>85</sup> P.L. 382, 53 P.S. 301 et seq.

1500 commercial, 240 industrial/bulk and three utility customers in 13 municipalities in Blair County.<sup>86</sup> AWA also provides bulk service to four municipalities pursuant to perpetuity agreements.<sup>87</sup>

AWA is governed by a five-member Board of Directors, each of whom is appointed by the City Council. The Board has the sole authority to set the water and wastewater rates for the AWA.

The AWA is financially sound. In confirming its A1 rating on the AWA's 2007 Water Revenue Refunding Bonds, Moody's noted the AWA's "position as the dominant supplier of water to a large regional service area making up the majority of Blair County (rated A1), satisfactory security features, stable financial operations with adequate coverage levels, and manageable debt position."<sup>88</sup> In assigning an "A" rating to the AWA's Series 2009A-2009C sewer revenue bonds, Standard & Poor's noted the AWA's "strong debt service coverage, coupled with good liquidity."<sup>89</sup>

In 1981, the City conveyed its entire water system to the AWA, for no compensation. Similarly, in 1986, the City conveyed its entire wastewater system to the AWA, again for no compensation. These conveyances for no compensation provided the AWA with substantial operating assets that were an important factor in allowing the AWA to expand its service significantly over the past several decades. Currently, the AWA's assets have book value of over \$204 million, and AWA's net assets are over \$125 million.<sup>90</sup>

The AWA relies heavily on the services, facilities, and property provided by various City departments. The AWA has historically paid the City a yearly fee in consideration for the use of these City services, facilities and property. The City's provision of services to the AWA, and the AWA's payment for those services, is currently governed by Second Amended and Restated Cooperation Agreement dated January 1, 2011, which outlines forty (40) categories of services that the City provides to the AWA. The Second Amended and Restated Cooperation Agreement also specifies that the City will not impose real or personal property taxes on any of the AWA's projects so long as the project is owned by the AWA and as long as any bonds issued in connection with such projects remain unpaid. As consideration for the forty enumerated services and the exemption from assessments, the AWA is obligated to pay the City \$2.9 million (\$2,900,000) per year starting in 2011.<sup>91</sup> It should be noted that this amount has not increased significantly since 2004.

The services provided by the City to AWA under this Second Amended and Restated Cooperation Agreement include:

- Furnishing, without charge, all public services and facilities to the AWA to the same extent that such services and facilities are provided to other Projects and Authorities in the City

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<sup>86</sup> Moody's Investors Services, Rating Opinion on Altoona Water Authority's \$36.4 Million Water Revenue Refunding Bonds, Series of 2007 (June 21, 2012) (hereinafter referred to as the "2012 Moody's Opinion")

<sup>87</sup> 2012 Moody's Opinion

<sup>88</sup> 2012 Moody's Opinion

<sup>89</sup> Standard and Poor's Credit Profile of AWA, December 21, 2009.

<sup>90</sup> Altoona Water Authority Audit Report for Years ended December 31, 2011 and December 31, 2010, prepared by Fiore, Fideli, Snyder, Carothers LLP

<sup>91</sup> The AWA payment amounts increase by 1% per year after the first year.

- Conveying vacant streets, roads, and alleys to the AWA as may be necessary to development Projects of the AWA
- Granting deviations from the City's building Code and changes in zoning that are reasonable and promote the development of Projects,
- Providing drafting services to the AWA for the creation of a computerized mapping system
- Providing services in connection with collection of fees and issuances of permits for sewer taps and relays
- Providing engineering review of plans for water and sewer upgrades and assisting the AWA in implementing control techniques for sewer system management
- Providing period inspections of sewer caps
- Assisting in the procurement of rights of ways and easements
- Completing the Chapter 94 Report submitted to the Commonwealth of Pennsylvania
- Providing surveying services
- Disseminating information to customers and users of the AWA's systems
- Applying for and procuring grants and other public funds for the AWA
- Implementing bidding procedures for AWA Projects
- Permitting the usage of specialized equipment owned by the City
- Providing exclusive use of certain City premises
- Increasing police presence at AWA sites
- Allowing usage of the City's emergency command center and mobile command center for training and during emergency situations
- Providing education and training related to handling of hazardous materials
- Providing cross-connection control and theft-of service inspections
- Providing wireless internet service and broadband service for meter monitoring
- Providing Information Technology services to the AWA
- Providing Electrical Department services including the use of vehicles
- Providing building maintenance to the AWA's office building
- Providing trash removal at AWA locations in the City
- Providing Police Department traffic control on water/sewer main breaks
- Providing pooled hospitalization coverage with the City

As set forth above, the City provides a wide range of valuable and necessary services to the AWA, for which compensation should be paid. Furthermore, the City allows the AWA to utilize its rights of ways and streets for the provision of its water and wastewater services. The AWA's payment to the City for these services has not increased substantially since 2004. In light of the numerous services provided by the City to the AWA, all of which provide significant value to the AWA and many of which are absolutely critical to the AWA's operations, a two-hundred fifty thousand dollar (\$250,000) increase in the AWA's yearly payment to the City is reasonable and justified.

It should be noted that the AWA's yearly payments to the City are not precluded by Act 73 of 2012. This statute, hereinafter referred to as "Act 73", is codified in the Pennsylvania Consolidated Statutes in Title 53, Section 5612. Act 73 prohibits the "money of an authority" from being used "for any grant, loan, or other expenditure for any purpose other than a service or project directly related to the mission or purpose of the authority as set forth in the articles of incorporation or in the resolution or ordinance establishing the authority." The statute gives

ratepayers of an authority a cause of action against the authority for the return of any money expended in violation of the statute.

The AWA's payment to the City pursuant to its Cooperation Agreement is not prohibited by Act 73, as the payment is clearly in consideration for services provided by the City to the AWA related to the AWA's core function, i.e., providing water and wastewater service.

The Articles of Incorporation of the AWA's predecessor, the Altoona City Authority, do not specify a "mission or purpose." Rather, the Articles merely state that the Authority is being formed pursuant to the provisions of the Municipal Authorities Act.

The Municipal Authorities Act states that every Authority created pursuant to the Act

*"...shall be for the purposes of financing working capital; acquiring, holding, constructing, financing, improving, maintaining and operating, owning or leasing, either in the capacity of lessor or lessee, projects of the following kind and character...*

*(5) Sewers, sewer systems or parts thereof.*

*(6) Sewage treatment works, including works for treating and disposing of industrial waste.*

*(10) Waterworks, water supply works, water distribution systems"<sup>92</sup>*

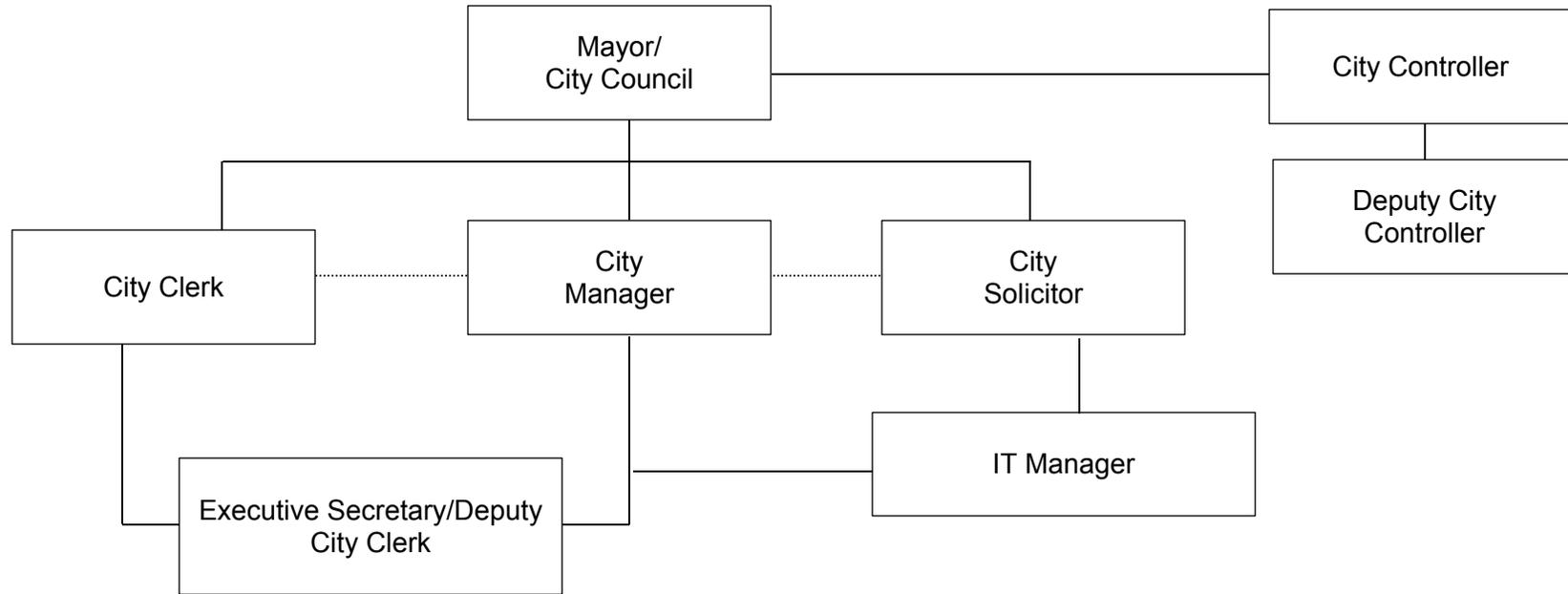
Because the AWA's Articles of Incorporation do specify or limit its powers, the AWA is deemed to have all of the powers granted by the Municipal Authorities Act.<sup>93</sup> It is well-established that the "purpose and mission" of the AWA is to provide water and wastewater systems in the City of Altoona and the other municipalities in its service territory, and these operations are clearly within the AWA's authority under the Municipal Authorities Act. The payments made to the City pursuant to the Second Amended and Restated Cooperation Agreement are directly related to this purpose. These payments to the City are for specifically enumerated services, facilities, and property provided by the City to the AWA, all of which are necessary for the AWA to fulfill its mission.

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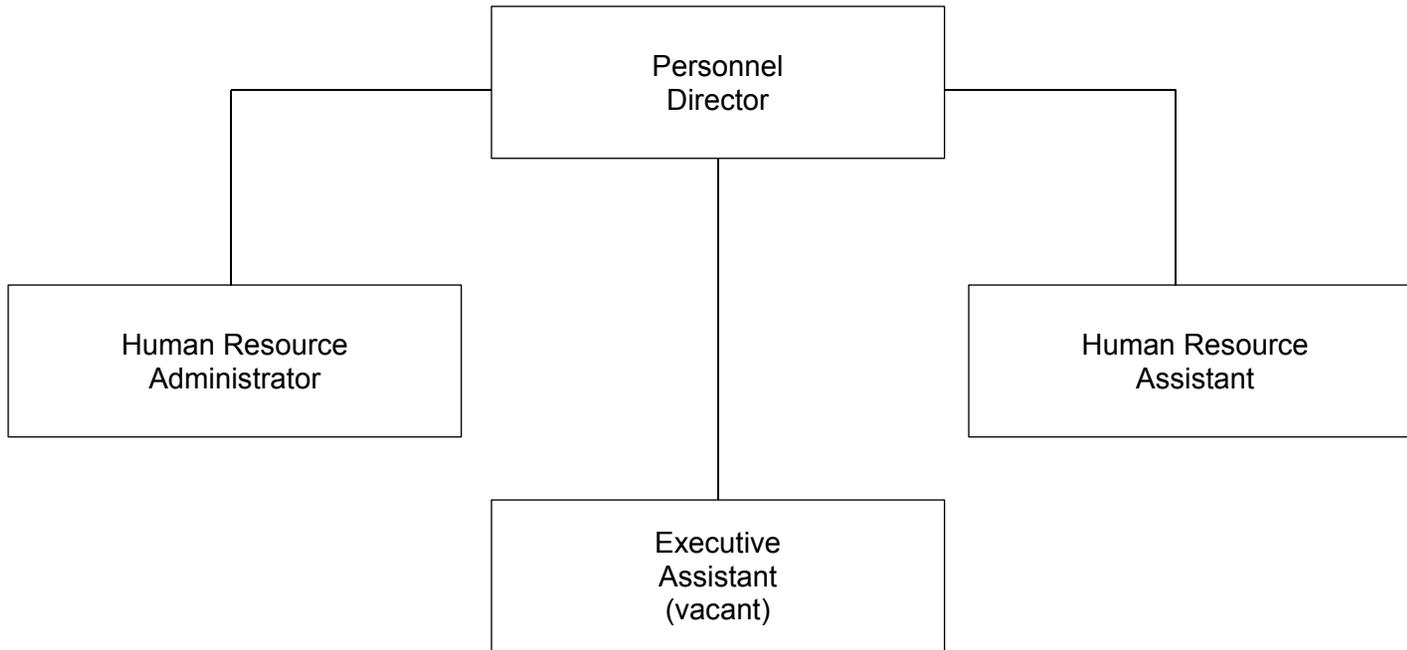
<sup>92</sup> 53 Pa.C.S.A. § 5607(a)

<sup>93</sup> 53 Pa.C.S.A. §5607(c). "The municipality or municipalities organizing such an authority may, in the resolution or ordinance signifying their intention so to do or from time to time by subsequent resolution or ordinance, specify the project or projects to be undertaken by the authority, and no other projects shall be undertaken by the authority than those so specified. **If the municipal authorities organizing an authority fail to specify the project or projects to be undertaken, then the authority shall be deemed to have all the powers granted by this chapter.**" (Emphasis added)

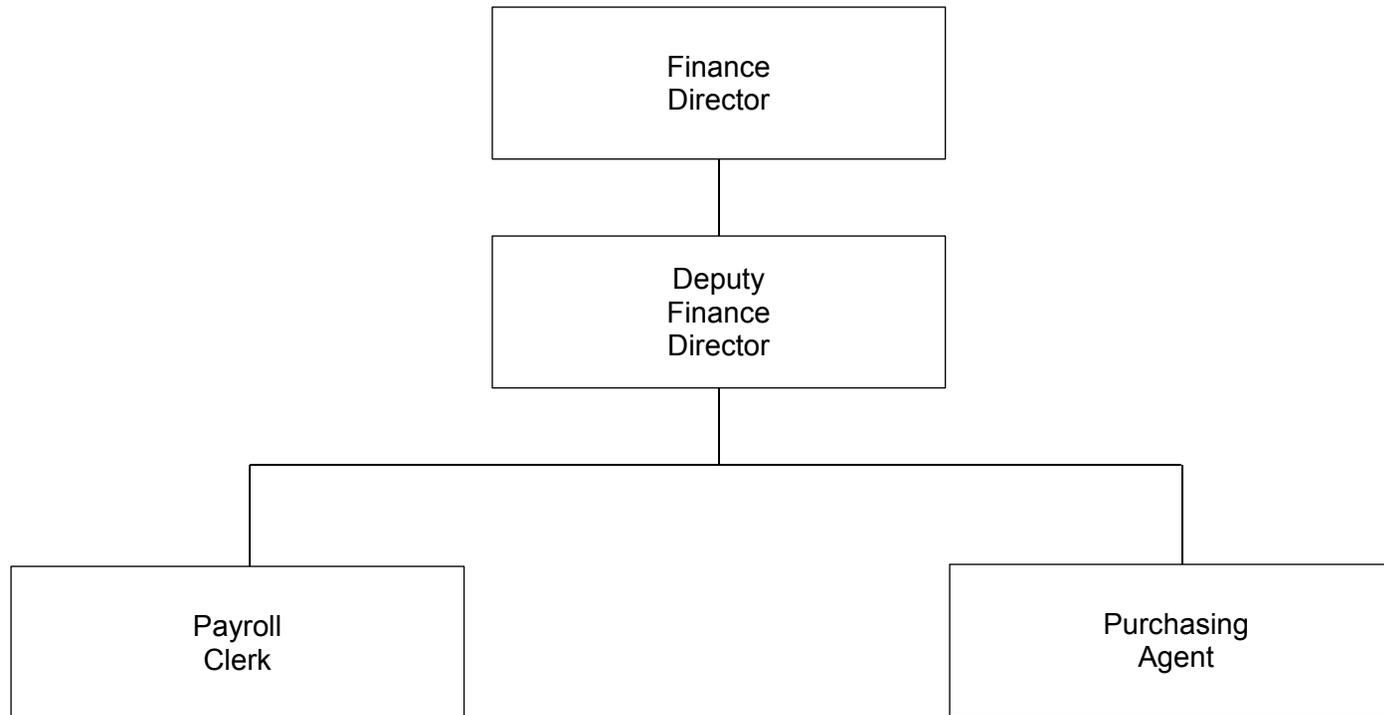
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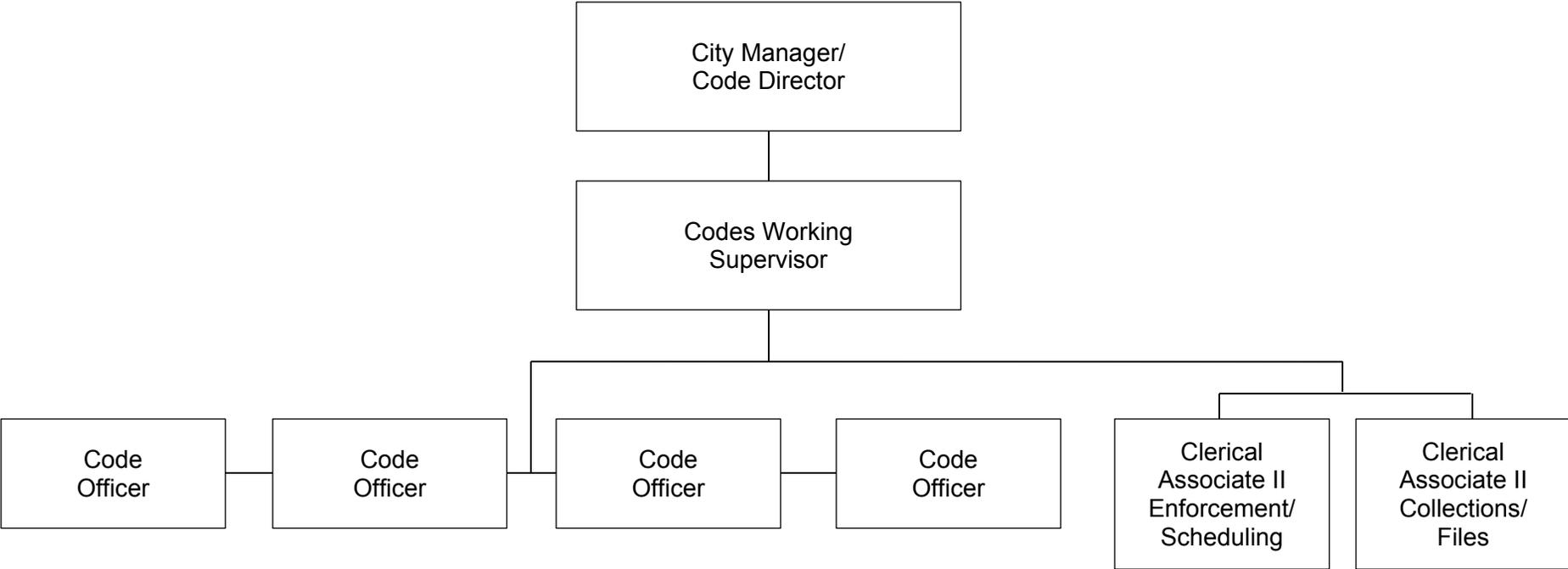
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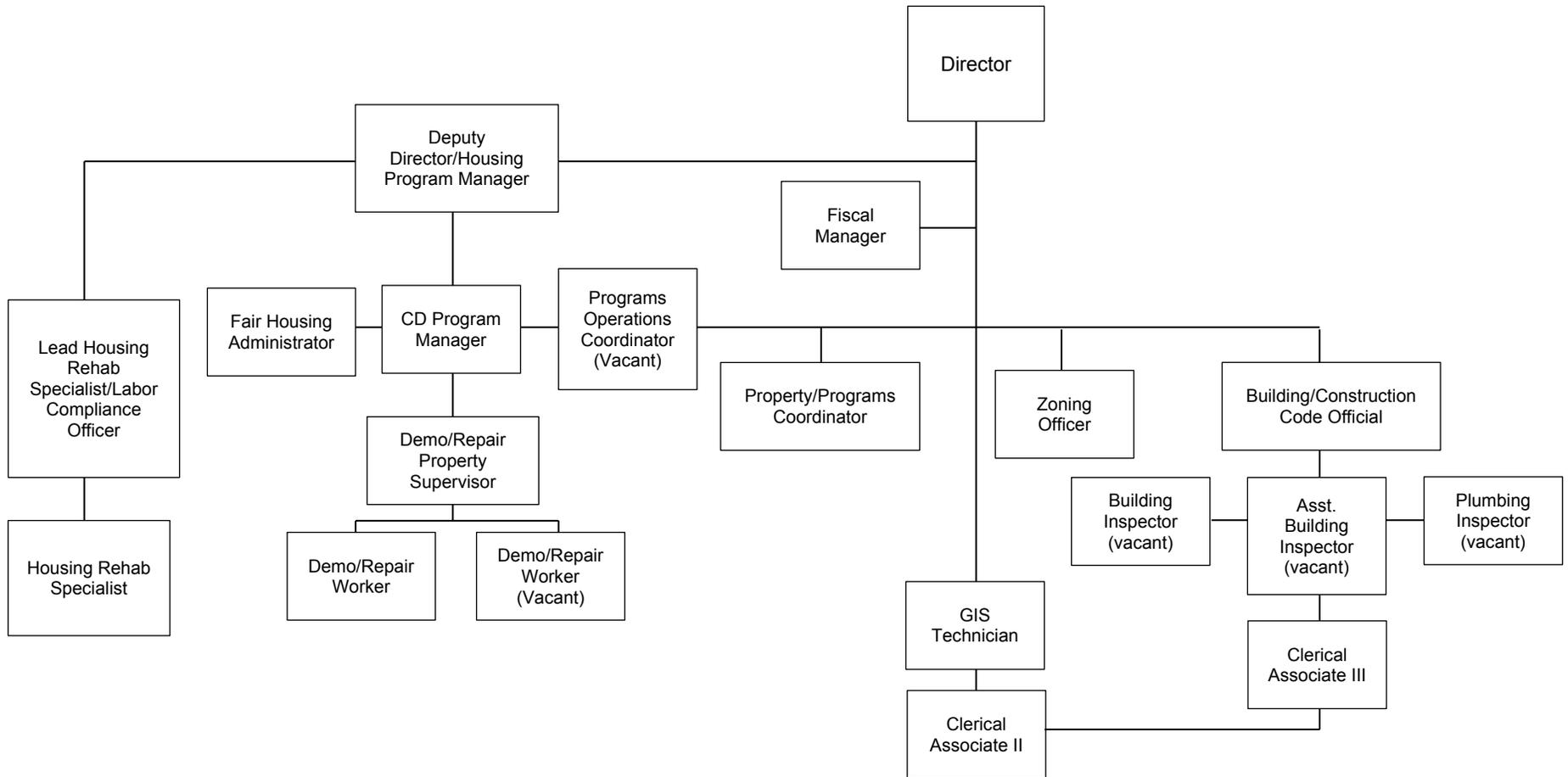
# DEPARTMENT OF ACCOUNTS AND FINANCE



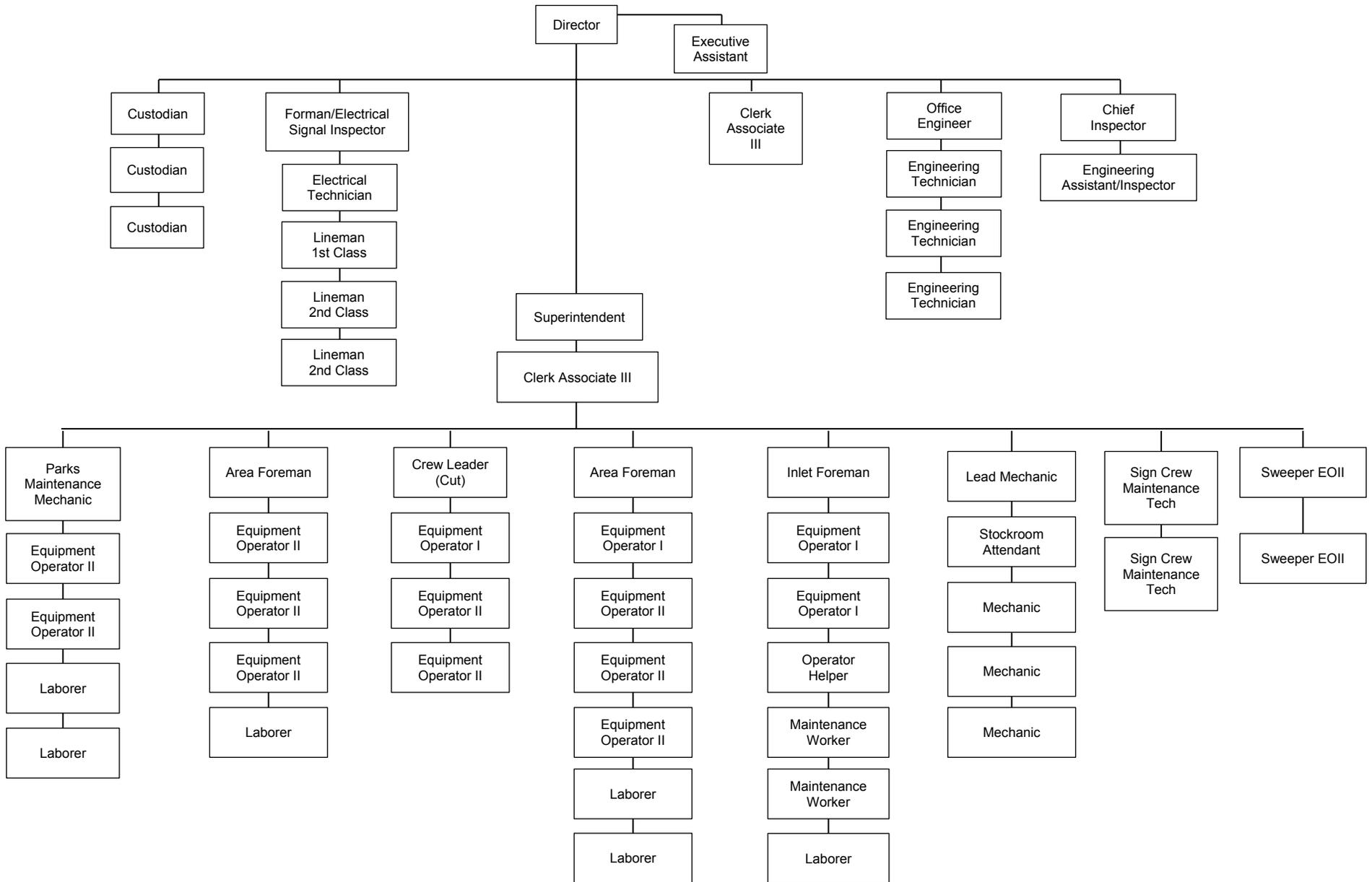
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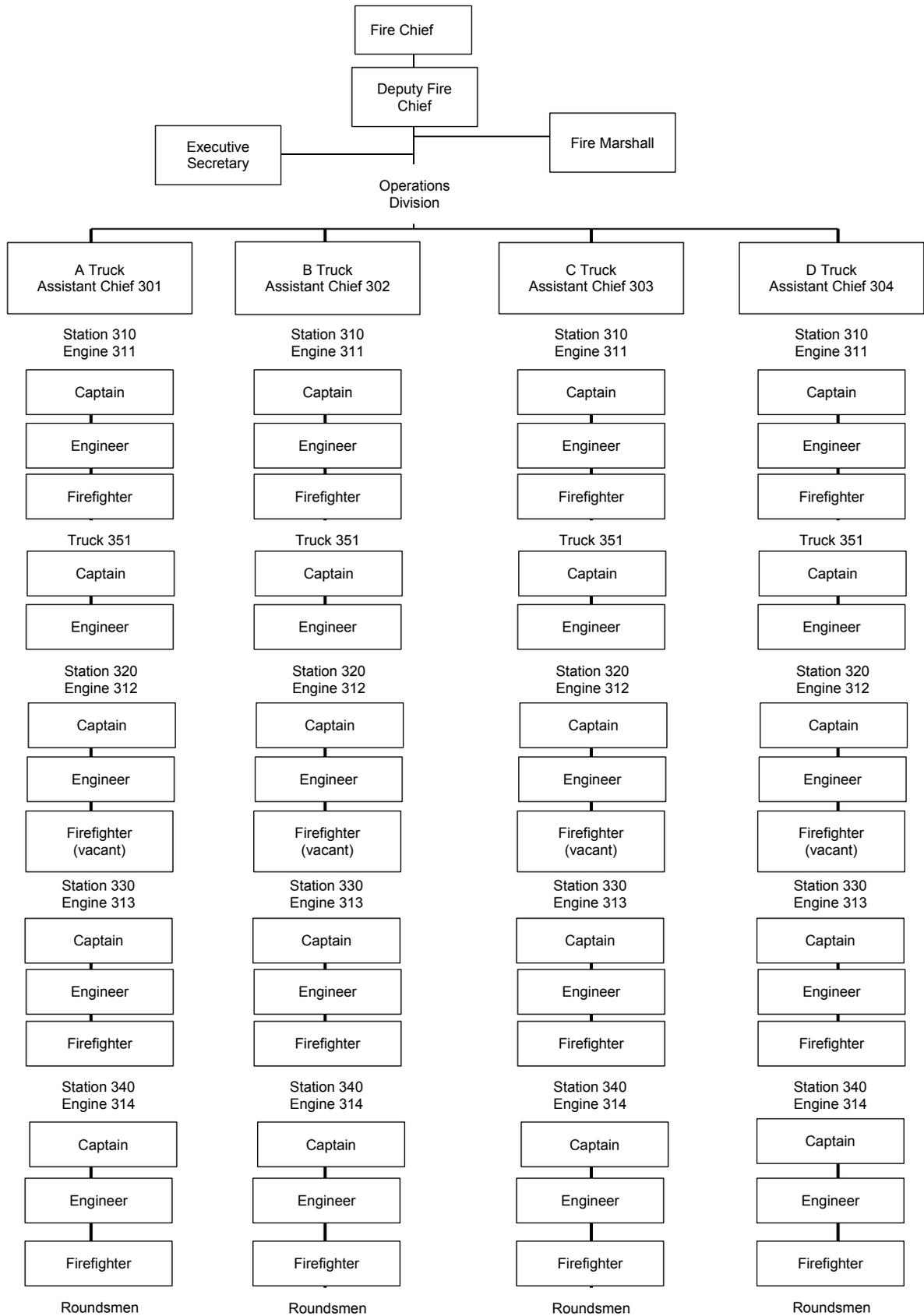
# PLANNING & COMMUNITY DEVELOPMENT DEPARTMENT/INSPECTIONS



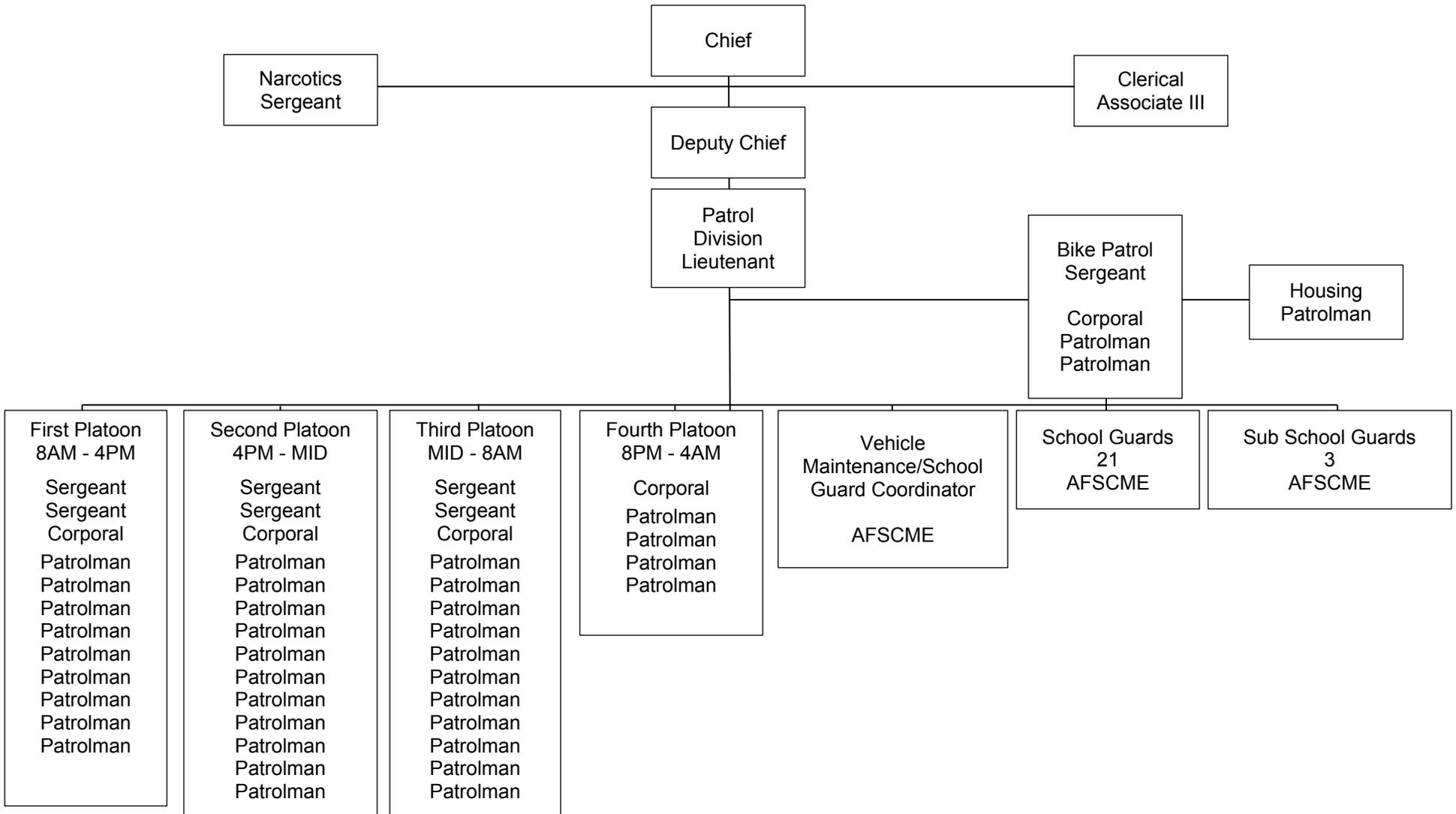
# DEPARTMENT OF PUBLIC WORKS



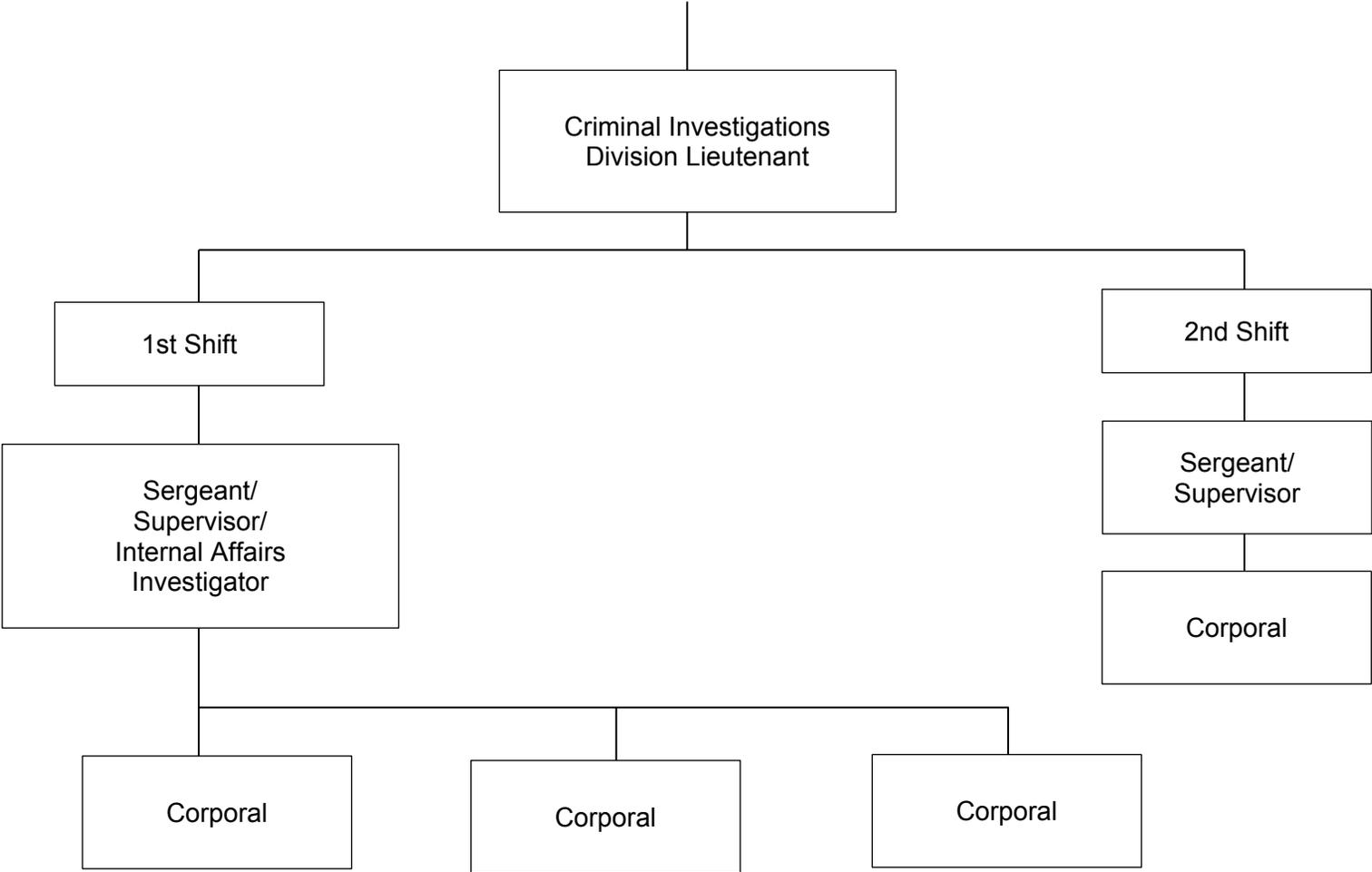
# FIRE DEPARTMENT



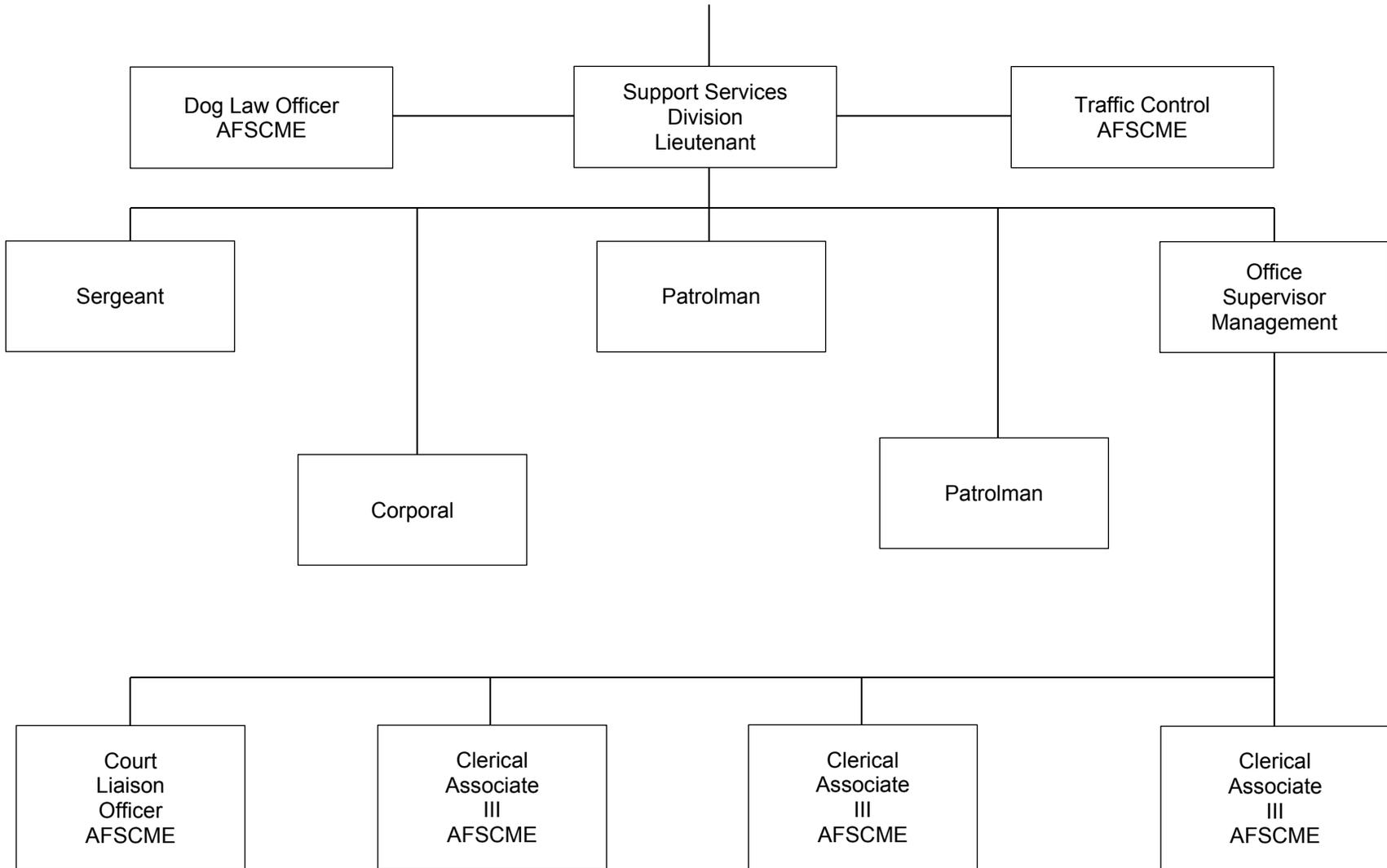
# POLICE DEPARTMENT



# POLICE DEPARTMENT (CONT'D)



# POLICE DEPARTMENT (CONT'D)



# BASELINE PROJECTIONS

## City of Altoona, PA <sup>1</sup>

### PROJECTED BASELINE BUDGET

#### General Fund -- Audited Results (FY2008-FY2011), Budget (FY2012) & Projections (FY2013-FY2016)

10/8/2012	Audited Results				Budget	Projections				
REVENUES	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Budget <sup>5</sup>	Projection Base <sup>5</sup>	2013	2014	2015	2016
<b>TAXES</b>										
REAL ESTATE TAX <sup>A</sup>	7,935,225	7,828,238	8,576,449	8,857,933	8,713,207	8,700,000	8,825,000	8,825,000	8,825,000	8,825,000
EARNED INCOME TAXES - TOTAL <sup>B</sup>	3,153,875	2,622,820	2,826,330	2,929,680	2,725,000	3,000,000	3,060,000	3,121,200	3,183,624	3,247,296
ACT 511 TAXES	2,182,107	2,068,408	2,074,932	2,246,219	2,319,350	2,247,500	2,257,750	2,268,256	2,279,025	2,290,063
<b>TOTAL TAXES</b>	<b>13,271,207</b>	<b>12,519,466</b>	<b>13,477,711</b>	<b>14,033,832</b>	<b>13,757,557</b>	<b>13,947,500</b>	<b>14,142,750</b>	<b>14,214,456</b>	<b>14,287,649</b>	<b>14,362,360</b>
LICENSES, PERMITS & FEES	1,176,723	1,329,990	1,497,991	1,435,805	1,386,435	1,295,000	1,291,600	1,293,232	1,294,897	1,296,595
FINES AND FORFEITURES	284,705	294,879	330,521	278,001	293,000	287,000	292,500	298,110	303,832	309,669
CHARGES FOR SERVICES	3,176,145	3,156,937	3,225,804	3,362,078	3,337,000	3,334,000	3,363,290	3,392,873	3,422,752	3,452,929
<b>INTERGOVERNMENTAL REVENUES</b>										
FEDERAL <sup>C</sup>	585,924	599,916	636,240	490,505	657,525	600,000	600,000	600,000	600,000	600,000
STATE - AID PENSION CONTRIBUTION <sup>D</sup>	1,233,110	1,219,925	1,268,058	2,171,415	1,268,058	1,319,584	1,319,584	1,319,584	1,319,584	1,319,584
STATE	595,640	597,699	779,812	356,886	211,000	205,000	203,125	201,297	199,514	197,777
LOCAL <sup>E</sup>	491,048	618,473	687,422	574,494	534,831	520,000	525,375	528,674	534,506	540,582
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>2,905,722</b>	<b>3,036,013</b>	<b>3,371,532</b>	<b>3,593,300</b>	<b>2,671,414</b>	<b>2,644,584</b>	<b>2,648,084</b>	<b>2,649,555</b>	<b>2,653,605</b>	<b>2,657,943</b>
<b>ALL OTHER REVENUES</b>	<b>109,895</b>	<b>185,850</b>	<b>139,622</b>	<b>141,361</b>	<b>75,210</b>	<b>66,000</b>	<b>66,000</b>	<b>66,000</b>	<b>66,000</b>	<b>66,000</b>
<b>TRANSFERS-IN (from other City of Altoona Funds) <sup>2,D</sup></b>										
Act 205 0.2% Pension Fund	1,800,592	1,386,911	1,540,465	3,413,027	3,277,938	3,226,412	3,600,502	4,228,915	4,333,242	2,589,809
Highway Aid Fund	456,700	457,000	456,700	456,700	456,700	457,000	457,000	457,000	457,000	457,000
<b>TOTAL TRANSFERS-IN</b>	<b>2,257,292</b>	<b>1,843,911</b>	<b>1,997,165</b>	<b>3,869,727</b>	<b>3,734,638</b>	<b>3,683,412</b>	<b>4,057,502</b>	<b>4,685,915</b>	<b>4,790,242</b>	<b>3,046,809</b>
<b>TOTAL REVENUES</b>	<b>23,181,689</b>	<b>22,367,046</b>	<b>24,040,346</b>	<b>26,714,104</b>	<b>25,255,254</b>	<b>25,257,496</b>	<b>25,861,726</b>	<b>26,600,141</b>	<b>26,818,976</b>	<b>25,192,304</b>
<b>EXPENDITURES</b>										
<b>SALARIES <sup>F</sup></b>										
Police	4,024,487	4,119,146	4,317,699	4,314,048	4,314,823	4,314,823	4,432,778	4,444,290	4,458,923	4,471,430
Fire	3,182,327	3,594,865	3,674,314	3,697,578	3,601,720	3,601,720	3,763,954	3,773,083	3,792,215	3,813,407
Public Works	1,531,237	1,579,188	1,608,189	1,658,668	1,646,635	1,614,635	1,679,393	1,684,666	1,688,770	1,691,090
General Government	1,086,002	1,101,199	1,132,104	1,198,838	1,218,154	1,153,154	1,192,771	1,195,343	1,197,652	1,199,277
Other Departments	527,768	525,292	479,082	509,329	510,698	510,698	621,219	621,922	623,871	625,162
Other Salary	1,338,059	1,014,066	1,136,055	864,927	763,026	843,026	844,826	844,826	844,826	844,826
<b>TOTAL SALARIES</b>	<b>11,689,880</b>	<b>11,933,756</b>	<b>12,347,443</b>	<b>12,243,389</b>	<b>12,055,056</b>	<b>12,038,056</b>	<b>12,534,941</b>	<b>12,564,130</b>	<b>12,606,256</b>	<b>12,645,193</b>
<b>PENSIONS <sup>G</sup></b>										
	2,987,639	2,623,909	2,757,114	5,631,060	4,545,996	4,545,996	4,920,086	5,548,499	5,652,826	4,340,831
<b>BENEFITS <sup>H</sup></b>										
Health Care Insurance	3,217,612	3,664,440	4,126,714	3,914,407	4,215,575	3,982,167	4,373,628	4,809,573	5,290,420	5,820,795
All Other - FICA, Workers Compensation, etc.	934,584	988,756	1,105,582	1,063,031	1,046,086	979,086	1,054,918	1,074,635	1,095,092	1,115,889
<b>TOTAL BENEFITS</b>	<b>4,152,196</b>	<b>4,653,196</b>	<b>5,232,296</b>	<b>4,977,438</b>	<b>5,261,661</b>	<b>4,961,253</b>	<b>5,428,545</b>	<b>5,884,208</b>	<b>6,385,512</b>	<b>6,936,684</b>
VEHICLES	508,044	368,645	383,038	509,628	528,000	528,000	589,760	607,453	625,676	644,447
UTILITIES	243,719	226,719	230,090	253,999	271,060	260,060	267,862	275,898	284,175	292,700
OTHER OPERATING EXPEND, incl Transfers-Out <sup>6</sup>	1,948,160	1,799,218	2,526,993	2,053,523	2,030,756	2,125,756	2,090,845	2,146,083	2,203,100	2,261,954
DEBT SERVICE	1,351,214	1,153,209	2,092,549	2,019,805	2,176,003	2,176,003	2,196,817	2,188,240	2,191,557	2,185,253
<b>TOTAL EXPENDITURES</b>	<b>22,880,852</b>	<b>22,758,652</b>	<b>25,569,523</b>	<b>27,688,842</b>	<b>26,868,532</b>	<b>26,635,124</b>	<b>28,028,856</b>	<b>29,214,510</b>	<b>29,949,102</b>	<b>29,307,061</b>
<b>OPERATING RESULTS - SURPLUS (DEFICIT) <sup>6</sup></b>	<b>300,837</b>	<b>(391,606)</b>	<b>(1,529,177)</b>	<b>(974,738)</b>	<b>(1,613,278)</b>	<b>(1,377,628)</b>	<b>(2,167,130)</b>	<b>(2,614,370)</b>	<b>(3,130,126)</b>	<b>(4,114,757)</b>
<b>GENERAL FUND-FUND BALANCE (DEFICIT) <sup>3,4,5,6</sup></b>	<b>5,461,951</b>	<b>5,120,806</b>	<b>3,604,454</b>	<b>2,629,716</b>	<b>1,016,438</b>	<b>1,652,088</b>	<b>(515,043)</b>	<b>(3,129,412)</b>	<b>(6,259,538)</b>	<b>(10,374,295)</b>

see footnote #5

# BASELINE PROJECTIONS (CONT'D)

FOOTNOTES:	KEY ASSUMPTIONS:																																		
<p>1 <b>SOURCES:</b> Annual Reports (audited financial statements) of the City of Altoona for the years 2008 through 2011, the General Ledger of the City for the same time period and the 2012 Budget of the City.</p> <p>2 <b>Transfers-In</b> are reclassified from the City's Budget presentation format wherein the "Act 205 0.2% Pension Fund" is recorded as a Local Intergovernmental Revenue and the "Highway Aid Fund" is recorded as a State Intergovernmental Fund.</p> <p>3 <b>Fund Balance for General Fund</b>, as reported in the Annual Report of the City of Altoona for the years 2008 through 2011. Per Generally Accepted Accounting Principles, the ending Fund Balance also reflects the Change in Inventory which was (\$32,369), \$50,461 and \$12,825 for 2008-2011, not reflected in Expenditures above.</p> <p>4 The 2012 Budget includes <b>\$1,613,278</b> as a "<b>Transfer In - City's Unreserved Funds</b>" which represents a planned reduction of the General Fund's fund balance. For comparative purposes, that Transfer In has been eliminated resulting in an Operating Deficit of that same amount for 2012. The projected ending Fund Balance remains the same as would result from the Budgetary presentation.</p> <p>5 <b>2012 Budget - Subsequent Events:</b> The adopted 2012 Budget does not reflect the following subsequent events: (1) <b>One-time EIT collections</b> of approximately, net, \$400,000 (compared to the Projection Base amount of \$3,000,000) associated with delayed transmittal of prior years' receipts as reported by the Blair County Tax Collection Bureau; (2) about \$125,000 annually of <b>additional State grants</b> for pension purposes based upon a new Unit Value of \$3,576; and (3) <b>reduced health care costs</b>, in 2012, approximately \$200,000 below Budget. The State grant for pension purposes and the revised health care costs are utilized for the subsequent years' projections while the one-time EIT adjustment is only reflected in the fund balance. Taken together, these known subsequent events will represent a significant reduction in the 2012 budgeted Operating Deficit and an improvement in the Fund Balance carried forward into 2013. Conversely, there may be <b>2012 spending increases</b> that have not been estimated by the City at this time. Calculation of Revised 2012 General Fund Balance follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">2012 Revenues, Projection Base</td> <td style="text-align: right;"><b>25,257,496</b></td> </tr> <tr> <td>2012 Expenses, Projection Base</td> <td style="text-align: right;"><b>(26,635,124)</b></td> </tr> <tr> <td><b>2012 Operating Results - (Deficit)</b></td> <td style="text-align: right;"><b>(1,377,628)</b></td> </tr> <tr> <td><i>Plus:</i> Beginning Fund Balance - 2011 General Fund (12/31/11)</td> <td style="text-align: right;"><b>2,629,716</b></td> </tr> <tr> <td><i>Equals:</i> Ending Fund Balance - 2012 General Fund (12/31/12)</td> <td style="text-align: right;"><b>1,252,088</b></td> </tr> <tr> <td><i>Plus:</i> One-time EIT Collections, per (1) above</td> <td style="text-align: right;"><b>400,000</b></td> </tr> <tr> <td><b><i>Equals: Revised Ending Fund Balance-2012 General Fund</i></b></td> <td style="text-align: right;"><b><u>1,652,088</u></b></td> </tr> </table> <p>6 The historical "<i>Operating Results - Surplus (Deficit)</i>" includes the following Transfers-Out related to Other Financing Uses in the years 2008-2011: (\$20,000), (\$25,000), (\$20,000) and (\$20,000). The projected amounts for the annual operating results and the "<i>General Fund - Fund Balance</i>" reflect the <b>modified accrual basis of accounting</b> consistent with the City's budgeting practices and audited financial statements. As indicated in footnote 3, Changes in Inventory are not reflected in the above "<i>Operating Results - Surplus (Deficit)</i>", but are included in the "<i>General Fund - Fund Balance</i>" consistent with Generally Accepted Accounting Principles.</p>	2012 Revenues, Projection Base	<b>25,257,496</b>	2012 Expenses, Projection Base	<b>(26,635,124)</b>	<b>2012 Operating Results - (Deficit)</b>	<b>(1,377,628)</b>	<i>Plus:</i> Beginning Fund Balance - 2011 General Fund (12/31/11)	<b>2,629,716</b>	<i>Equals:</i> Ending Fund Balance - 2012 General Fund (12/31/12)	<b>1,252,088</b>	<i>Plus:</i> One-time EIT Collections, per (1) above	<b>400,000</b>	<b><i>Equals: Revised Ending Fund Balance-2012 General Fund</i></b>	<b><u>1,652,088</u></b>	<p>A. <b>Real Estate Tax</b> projections assume the City will receive required authorization from the Court to levy an additional 5 mills above the General Purposes cap of 25 mills, or a total of 30 mills. The City has successfully petitioned the court annually to exceed the 25 mill cap for more than 15 years. From 2000 through 2005, the City's petition requested 2.5 mills. Since 2006, the City's petition to the court has been for the additional 5 mills reflecting the City Council's actions in adopting annual budgets assuming that millage rate.</p> <p>B. <b>Earned Income Tax (EIT)</b> revenue for 2012 is expected to reflect one-time receipts from prior years associated with new reporting requirements and collection efforts under Act 32. An estimate of the impact of Act 32 on the City's EIT is not available from the Blair County Tax Collection Bureau (BCTCB) at this time, although there has been an increase in cash receipts. Accordingly, <b>the Projection Base amount of \$3,000,000, which represents a 2.4% increase over audited 2011 EIT revenues, should be considered tentative and preliminary and subject to revision as additional information and analysis is provided by the BCTCB.</b> In addition, year-to-date distributions for the first two quarters of tax year 2012, are approximately \$1,400,000, which would result in a potential shortfall from the Projection Base, unless distributions increase over the balance of the year. Likewise, The Act 205 collections for two quarters of Earned Income Taxes (i.e., an additional 0.2%) has totaled approximately \$940,00 compared to the assumed annual amount of \$2,100,000, which could effect the balance and sustainability of the Act 205 Pension Fund (see "C" below). The BCTCB has been asked to conduct further analyses and comparisons to prior years' data to determine if revisions of those revenues may be warranted.</p> <p>C. <b>CDBG Revenues</b> from the Federal government are assumed to be maintained at 2012 levels which will require submission and approval of a new grant application for Police officers since the current grant expires on July 31, 2013. Approximately \$265,000 of the CDBG reimbursements are associated with those Officers. Given Federal deficits, the City has a risk that the CDBG grant amount could be reduced or altogether eliminated resulting in a larger annual deficit by the amount of reduced CDBG grant revenues.</p> <p>D. The <b>Act 205 0.2% Pension Fund transfer</b> to the General Fund assumes the 2012 Pension contribution from the State of \$1,320,000 will remain the same in subsequent years and incorporate the projected Minimum Municipal Obligations (MMO's) from each system's actuary (see "E" below). Based upon an estimated annual growth in Act 205 Income Taxes of approximately 2% (see "A" above), and the projected MMO contributions, the Act 205 Pension Fund will be fully depleted in 2016 and would therefore require approximately \$431,000 of General Fund revenues to pay the City's portion of the 2016 MMO contribution.</p> <p>E. Assumes the <b>Altoona Regional Health System's</b> Payment in Lieu of Taxes (PILOT) will return to the contractual amount of \$215,000. Per discussion with City Management, the Health System's 2011 PILOT was \$111,000 due to reduced operating results as provided for in the contract with the City.</p> <p>F. <b>FY13 Salaries</b> are based upon current employees and current Collective Bargaining Agreements; <b>FY14-FY17 Salaries</b> assume no COLA's but that Step and Longevity increases will be continued as well as current employees. For both historical and projected Salary amounts, certain Planning Department staff are excluded from this presentation reflecting the accounting practices in the audited financial statement amounts for 2008-2011. Those employees are paid from the Housing &amp; Community Development (H&amp;CD) Fund which is a Special Revenue Fund and not reflected in the General Fund nor in the above projections. The HC&amp;D Fund is reimbursed for those salaries by Federal revenues from the City's CDBG Grant which are recognized in that fund only. For 2013, the Salaries for that group of employees in the H&amp;CD Fund are projected to be approximately \$520,000. However, pension contributions, health care and other fringe benefits for all Planning Department employees are reflected in the projections above and are not charged to the CDBG grant. Given Federal deficits, the City has a risk that the CDBG grant amount could be reduced or altogether eliminated resulting in the City being forced to either layoff/terminate this staff or increase the Operating Deficits reflected above.</p> <p>G. <b>FY13-FY17 Pension contributions</b> reflect current return assumptions (8% for Police, 7.5% for Firemen and Non-Uniform funds) and were calculated by the actuaries for each of the three pension systems. The Policemen's fund actuary has recommended the return assumption be reduced to 7.5% effective with the 2014 contribution. If the Trustees of that fund accept that recommendation, the effect is as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>2014</u></th> <th style="text-align: center;"><u>2015</u></th> <th style="text-align: center;"><u>2016</u></th> </tr> </thead> <tbody> <tr> <td><b>Increased pension contribution (Policemen's fund)</b></td> <td style="text-align: right;"><b>287,113</b></td> <td style="text-align: right;"><b>322,769</b></td> <td style="text-align: right;"><b>328,185</b></td> </tr> <tr> <td><b>Projected Operating Deficit (Base Case - above)</b></td> <td style="text-align: right;"><b>(2,614,370)</b></td> <td style="text-align: right;"><b>(3,130,126)</b></td> <td style="text-align: right;"><b>(4,114,757)</b></td> </tr> <tr> <td><b>Revised Operating Deficit (reflecting 7.5%)</b></td> <td style="text-align: right;"><b>(2,901,483)</b></td> <td style="text-align: right;"><b>(3,452,895)</b></td> <td style="text-align: right;"><b>(4,442,942)</b></td> </tr> <tr> <td><b>Revised Fund Balance Deficit (reflecting 7.5%)</b></td> <td style="text-align: right;"><b>(3,416,525)</b></td> <td style="text-align: right;"><b>(6,869,420)</b></td> <td style="text-align: right;"><b>(11,312,362)</b></td> </tr> </tbody> </table> <p>H. <b>Health Care costs</b> incorporate an assumed increase in medical premiums, as estimated by the City's health care consultant, at 14% for 2013, and 10.3% in the subsequent years. Dental premiums are assumed to follow the same growth rates, and the City's contribution to the HSA plan is held constant at approximately \$200,000 per year.</p>		<u>2014</u>	<u>2015</u>	<u>2016</u>	<b>Increased pension contribution (Policemen's fund)</b>	<b>287,113</b>	<b>322,769</b>	<b>328,185</b>	<b>Projected Operating Deficit (Base Case - above)</b>	<b>(2,614,370)</b>	<b>(3,130,126)</b>	<b>(4,114,757)</b>	<b>Revised Operating Deficit (reflecting 7.5%)</b>	<b>(2,901,483)</b>	<b>(3,452,895)</b>	<b>(4,442,942)</b>	<b>Revised Fund Balance Deficit (reflecting 7.5%)</b>	<b>(3,416,525)</b>	<b>(6,869,420)</b>	<b>(11,312,362)</b>
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# INITIATIVE BRIDGE

## City of Altoona, PA

### INITIATIVE SUMMARY

#### Summary of Revenue Increases and Spending Reductions

12/5/2012				
<b>REVENUES</b>				
	2013	2014	2015	2016
<b>TAXES</b>				
REAL ESTATE TAX	235,000	260,000	260,000	260,000
EARNED INCOME TAXES - TOTAL	2,124,000	1,676,000	1,709,000	1,743,000
ACT 511 TAXES	0	0	0	0
<b>TOTAL TAXES</b>	<b>2,359,000</b>	<b>1,936,000</b>	<b>1,969,000</b>	<b>2,003,000</b>
<b>LICENSES, PERMITS &amp; FEES</b>	153,000	193,000	238,000	285,000
<b>FINES AND FORFEITURES</b>	24,100	24,100	24,100	24,100
<b>CHARGES FOR SERVICES</b>	295,000	316,000	338,000	361,000
<b>INTERGOVERNMENTAL REVENUES</b>				
FEDERAL	0	0	0	0
STATE - AID PENSION CONTRIBUTION	0	0	0	0
STATE	130,000	70,000	20,000	0
LOCAL	0	25,000	25,000	25,000
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>130,000</b>	<b>95,000</b>	<b>45,000</b>	<b>25,000</b>
<b>ALL OTHER REVENUES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TRANSFERS-IN (from other City of Altoona Funds)</b>				
Act 205 0.2% Pension Fund	0	0	0	0
Highway Aid Fund	0	0	0	0
<b>TOTAL TRANSFERS-IN</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>2,961,100</b>	<b>2,564,100</b>	<b>2,614,100</b>	<b>2,698,100</b>
<b>EXPENDITURES</b>				
<b>SALARIES</b>				
Police	(101,204)	(105,696)	(122,361)	(139,104)
Fire	(4,654)	(60,196)	(76,861)	(93,604)
Public Works	(62,319)	(57,000)	(57,000)	(57,000)
General Government	(15,304)	0	0	0
Other Departments	(13,466)	0	0	0
Other Salary	0	(15,000)	(15,000)	(15,000)
<b>TOTAL SALARIES</b>	<b>(196,947)</b>	<b>(237,892)</b>	<b>(271,221)</b>	<b>(304,708)</b>
<b>PENSIONS</b>				
	0	0	0	0
<b>BENEFITS</b>				
Health Care Insurance	(9,866)	(381,538)	(583,885)	(814,819)
All Other - FICA, Workers Compensation, etc.	0	0	0	0
<b>TOTAL BENEFITS</b>	<b>(9,866)</b>	<b>(381,538)</b>	<b>(583,885)</b>	<b>(814,819)</b>
<b>VEHICLES</b>				
	50,000	80,000	(40,000)	(60,000)
<b>UTILITIES</b>				
	589,000	(189,600)	(193,600)	(196,600)
<b>OTHER OPERATING EXPEND, incl Transfers-Out</b>				
	383,679	174,679	220,079	256,479
<b>DEBT SERVICE</b>				
	(85,500)	(77,845)	(77,635)	(72,420)
<b>TOTAL EXPENDITURES</b>	<b>730,366</b>	<b>(632,196)</b>	<b>(946,262)</b>	<b>(1,192,068)</b>
<b>NET EFFECT OF INITIATIVES</b>	<b>2,230,734</b>	<b>3,196,296</b>	<b>3,560,362</b>	<b>3,890,168</b>

# INITIATIVE BRIDGE

## (CONT'D)

Chapter	Initiatives	Code	2013	2014	2015	2016	Total
Fire	Implement a False Alarm Ordinance and Fees to accurately reflect costs and impacts of False Alarms	FD06	\$20,000	\$20,000	\$20,000	\$20,000	\$80,000
Fire	Review Fee Schedule in HazMat agreement between City & County	FD07	\$0	\$25,000	\$25,000	\$25,000	\$75,000
Intergovernmental	Negotiate an increase in AWA's Yearly payment to the City	IGR02	\$250,000	\$250,000	\$250,000	\$250,000	\$1,000,000
IT	Commonwealth (DCED Act 47 Grants)	Various	\$130,000	\$70,000	\$20,000	\$0	\$220,000
Police	Increase Fine for Parking Tickets	PD09	\$4,100	\$4,100	\$4,100	\$4,100	\$16,400
Revenue	Increase Certain Fees as Allowed by Law-Street Cuts	RE05-1	\$45,000	\$66,000	\$88,000	\$111,000	\$310,000
Revenue	Increase Certain Fees as Allowed by Law-Rental Inspection	RE05-2	\$20,000	\$29,000	\$42,000	\$57,000	\$148,000
Revenue	Cost Indexing of Fees	RE06	\$30,000	\$61,000	\$93,000	\$125,000	\$309,000
Tax	Real estate tax increase to finance capital improvements	TAX01	\$235,000	\$260,000	\$260,000	\$260,000	\$1,015,000
Tax	Increase Earned Income Tax rate	TAX05	\$2,124,000	\$1,676,000	\$1,709,000	\$1,743,000	\$7,252,000
Tax	Increase business license fees; improve compliance with Business Privilege & Mercantile Tax	TAX06	\$103,000	\$103,000	\$103,000	\$103,000	\$412,000
	<b>Revenue, Total Inc/(Dec)</b>		<b>\$2,961,100</b>	<b>\$2,564,100</b>	<b>\$2,614,100</b>	<b>\$2,698,100</b>	<b>\$10,837,400</b>
Finance	Fund Accounting & Financial Reporting System	AFD01	(\$70,000)	\$0	\$0	\$0	(\$70,000)
Finance	Citywide Four Percent Reduction in Other Operating Expenses	AFD10	\$107,000	\$103,000	\$99,000	\$94,000	\$403,000
Finance	Utility and Energy Management (3%)	AFD11	\$16,000	\$18,000	\$22,000	\$25,000	\$81,000
Capital Improvement	Funding of Priority Capital Projects	CB03	(\$235,000)	(\$260,000)	(\$260,000)	(\$260,000)	(\$1,015,000)
Debt	Current Refunding of the outstanding 2003 A & B Notes	DS01	\$85,500	\$77,845	\$77,635	\$72,420	\$313,400
Fire	Reduce Union Business Days	FD02	\$0	\$10,000	\$10,000	\$10,000	\$30,000
Fire	Change job classification of the Assistant Chiefs from managerial to operational	FD03	\$0	\$40,000	\$40,000	\$40,000	\$120,000
Fire	Change Overtime Policy to Rank for Rank	FD04	\$0	\$15,000	\$15,000	\$15,000	\$45,000
Fire	Investigate the use of a 3rd Party Billing Service for Emergency Response to Vehicle Accidents/Fires	FD05	\$10,000	\$10,000	\$10,000	\$10,000	\$40,000
Fire	Investigate the feasibility of starting a student Intern Program	FD08	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)	(\$240,000)
Insurance	The City shall Convert Brokerage Compensation to Annual Fee for Service	IRM03	\$4,565	\$4,565	\$4,565	\$4,565	\$18,260
Insurance	The City shall Implement Flat Rate Method of Third Party Claims Administrator Compensation	IRM05	\$756	\$756	\$756	\$756	\$3,024
IT	Change to Broadband Cards for Remote Communication	IT01	(\$30,000)	(\$30,000)	(\$30,000)	(\$30,000)	(\$120,000)
IT	Reallocate Police IT Position within IT Department	IT02	(\$30,000)	(\$30,000)	(\$30,000)	(\$30,000)	(\$120,000)
IT	Reassess the City's Information Technology Infrastructure	IT03	(\$50,000)	\$0	\$0	\$0	(\$50,000)
IT	Host Firehouse Solutions Software Remotely Instead of on City Server	IT05	(\$1,000)	\$9,000	(\$1,000)	(\$1,000)	\$6,000
Police	Reduce budgeted positions for sworn officers from 70 to 66	PD01	\$65,500	\$65,500	\$65,500	\$65,500	\$262,000
Police	Reduced Administrative Layers in the Organizational Structure and Shift Responsibilities	PD03	\$30,000	\$30,000	\$30,000	\$30,000	\$120,000
Police	Achieve Accreditation Within 2 Years	PD07	\$0	\$22,000	\$22,000	\$22,000	\$66,000
Property Maintenance	Digitize inspection process	PMI01	\$0	\$51,000	\$51,000	\$51,000	\$153,000
Public Works	Upgrade remaining street lights to LEDs	PWD01	(\$605,000)	\$171,600	\$171,600	\$171,600	(\$90,200)
Public Works	Consolidation of Municipal Fleet Maintenance	PWD02	(\$50,000)	(\$80,000)	\$40,000	\$60,000	(\$30,000)
Public Works	Upgrade GIS and add productivity applications	PWD03	(\$30,000)	\$5,000	\$15,000	\$25,000	\$15,000
Public Works	Increase Street Repaving	PWD05	\$0	\$0	(\$41,400)	(\$82,800)	(\$124,200)
Public Works	Salary Cost Reductions	PWD06	\$57,000	\$57,000	\$57,000	\$57,000	\$228,000
Workforce	Implement a wage freeze and limit step movement	WF05	\$44,447	\$0	\$0	\$0	\$44,447
Workforce	Freeze longevity pay and eligibility	WF06	\$0	\$20,392	\$53,721	\$87,208	\$161,321
Workforce	Limit City's costs for employee health care	WF10-1	\$0	\$158,257	\$340,727	\$550,300	\$1,049,284
Workforce	Reduce payment for employees who waive health insurance	WF10-2	\$9,866	\$89,671	\$98,907	\$109,095	\$307,539
Workforce	Employees pay 10% of health care premiums	WF10-3	\$0	\$133,610	\$144,251	\$155,424	\$433,285
	<b>Expenses, Total (Inc)/Dec</b>		<b>(\$730,366)</b>	<b>\$632,196</b>	<b>\$946,262</b>	<b>\$1,192,068</b>	<b>\$2,040,160</b>
	<b>Net Effect of Initiatives</b>		<b>\$2,230,734</b>	<b>\$3,196,296</b>	<b>\$3,560,362</b>	<b>\$3,890,168</b>	<b>\$12,877,560</b>

# PROJECTED BUDGET 2013 - 2016

## City of Altoona, PA

### PROJECTED BUDGET

#### General Fund -- Audited Results (FY2008-FY2011), Budget (FY2012) & Projections (FY2013-FY2016)

12/5/2012	Audited Results				Budget	Projections				
REVENUES	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Budget	Projection Base	2013	2014	2015	2016
<b>TAXES</b>										
REAL ESTATE TAX	7,935,225	7,828,238	8,576,449	8,857,933	8,713,207	8,700,000	9,060,000	9,085,000	9,085,000	9,085,000
EARNED INCOME TAXES - TOTAL	3,153,875	2,622,820	2,826,330	2,929,680	2,725,000	3,000,000	5,184,000	4,797,200	4,892,624	4,990,296
ACT 511 TAXES	2,182,107	2,068,408	2,074,932	2,246,219	2,319,350	2,247,500	2,257,750	2,268,256	2,279,025	2,290,063
<b>TOTAL TAXES</b>	<b>13,271,207</b>	<b>12,519,466</b>	<b>13,477,711</b>	<b>14,033,832</b>	<b>13,757,557</b>	<b>13,947,500</b>	<b>16,501,750</b>	<b>16,150,456</b>	<b>16,256,649</b>	<b>16,365,360</b>
<b>LICENSES, PERMITS &amp; FEES</b>	<b>1,176,723</b>	<b>1,329,990</b>	<b>1,497,991</b>	<b>1,435,805</b>	<b>1,386,435</b>	<b>1,295,000</b>	<b>1,444,600</b>	<b>1,486,232</b>	<b>1,532,897</b>	<b>1,581,595</b>
<b>FINES AND FORFEITURES</b>	<b>284,705</b>	<b>294,879</b>	<b>330,521</b>	<b>278,001</b>	<b>293,000</b>	<b>287,000</b>	<b>316,600</b>	<b>322,210</b>	<b>327,932</b>	<b>333,769</b>
<b>CHARGES FOR SERVICES</b>	<b>3,176,145</b>	<b>3,156,937</b>	<b>3,225,804</b>	<b>3,362,078</b>	<b>3,337,000</b>	<b>3,334,000</b>	<b>3,658,290</b>	<b>3,708,873</b>	<b>3,760,752</b>	<b>3,813,929</b>
<b>INTERGOVERNMENTAL REVENUES</b>										
FEDERAL	585,924	599,916	636,240	490,505	657,525	600,000	600,000	600,000	600,000	600,000
STATE - AID PENSION CONTRIBUTION	1,233,110	1,219,925	1,268,058	2,171,415	1,268,058	1,319,584	1,319,584	1,319,584	1,319,584	1,319,584
STATE	595,640	597,699	779,812	356,886	211,000	205,000	333,125	271,297	219,514	197,777
LOCAL	491,048	618,473	687,422	574,494	534,831	520,000	525,375	553,674	559,506	565,582
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>2,905,722</b>	<b>3,036,013</b>	<b>3,371,532</b>	<b>3,593,300</b>	<b>2,671,414</b>	<b>2,644,584</b>	<b>2,778,084</b>	<b>2,744,555</b>	<b>2,698,605</b>	<b>2,682,943</b>
<b>ALL OTHER REVENUES</b>	<b>109,895</b>	<b>185,850</b>	<b>139,622</b>	<b>141,361</b>	<b>75,210</b>	<b>66,000</b>	<b>66,000</b>	<b>66,000</b>	<b>66,000</b>	<b>66,000</b>
<b>TRANSFERS-IN (from other City of Altoona Funds)</b>										
Act 205 0.2% Pension Fund	1,800,592	1,386,911	1,540,465	3,413,027	3,277,938	3,226,412	3,600,502	4,228,915	4,333,242	2,589,809
Highway Aid Fund	456,700	457,000	456,700	456,700	456,700	457,000	457,000	457,000	457,000	457,000
<b>TOTAL TRANSFERS-IN</b>	<b>2,257,292</b>	<b>1,843,911</b>	<b>1,997,165</b>	<b>3,869,727</b>	<b>3,734,638</b>	<b>3,683,412</b>	<b>4,057,502</b>	<b>4,685,915</b>	<b>4,790,242</b>	<b>3,046,809</b>
<b>TOTAL REVENUES</b>	<b>23,181,689</b>	<b>22,367,046</b>	<b>24,040,346</b>	<b>26,714,104</b>	<b>25,255,254</b>	<b>25,257,496</b>	<b>28,822,826</b>	<b>29,164,241</b>	<b>29,433,076</b>	<b>27,890,404</b>
<b>EXPENDITURES</b>										
<b>SALARIES</b>										
Police	4,024,487	4,119,146	4,317,699	4,314,048	4,314,823	4,314,823	4,331,574	4,338,594	4,336,563	4,332,326
Fire	3,182,327	3,594,865	3,674,314	3,697,578	3,601,720	3,601,720	3,759,300	3,712,887	3,715,354	3,719,803
Public Works	1,531,237	1,579,188	1,608,189	1,658,668	1,646,635	1,614,635	1,617,074	1,627,666	1,631,770	1,634,090
General Government	1,086,002	1,101,199	1,132,104	1,198,838	1,218,154	1,153,154	1,177,467	1,195,343	1,197,652	1,199,277
Other Departments	527,768	525,292	479,082	509,329	510,698	510,698	607,753	621,922	623,871	625,162
Other Salary	1,338,059	1,014,066	1,136,055	864,927	763,026	843,026	844,826	829,826	829,826	829,826
<b>TOTAL SALARIES</b>	<b>11,689,880</b>	<b>11,933,756</b>	<b>12,347,443</b>	<b>12,243,389</b>	<b>12,055,056</b>	<b>12,038,056</b>	<b>12,337,994</b>	<b>12,326,238</b>	<b>12,335,035</b>	<b>12,340,485</b>
<b>PENSIONS</b>	<b>2,987,639</b>	<b>2,623,909</b>	<b>2,757,114</b>	<b>5,631,060</b>	<b>4,545,996</b>	<b>4,545,996</b>	<b>4,920,086</b>	<b>5,548,499</b>	<b>5,652,826</b>	<b>4,340,831</b>
<b>BENEFITS</b>										
Health Care Insurance	3,217,612	3,664,440	4,126,714	3,914,407	4,215,575	3,982,167	4,363,762	4,428,035	4,706,535	5,005,976
All Other - FICA, Workers Compensation, etc.	934,584	988,756	1,105,582	1,063,031	1,046,086	979,086	1,054,918	1,074,635	1,095,092	1,115,889
<b>TOTAL BENEFITS</b>	<b>4,152,196</b>	<b>4,653,196</b>	<b>5,232,296</b>	<b>4,977,438</b>	<b>5,261,661</b>	<b>4,961,253</b>	<b>5,418,679</b>	<b>5,502,670</b>	<b>5,801,627</b>	<b>6,121,865</b>
<b>VEHICLES</b>	<b>508,044</b>	<b>368,645</b>	<b>383,038</b>	<b>509,628</b>	<b>528,000</b>	<b>528,000</b>	<b>639,760</b>	<b>687,453</b>	<b>585,676</b>	<b>584,447</b>
<b>UTILITIES</b>	<b>243,719</b>	<b>226,719</b>	<b>230,090</b>	<b>253,999</b>	<b>271,060</b>	<b>260,060</b>	<b>856,862</b>	<b>86,298</b>	<b>90,575</b>	<b>96,100</b>
<b>OTHER OPERATING EXPEND, incl Transfers-Out</b>	<b>1,948,160</b>	<b>1,799,218</b>	<b>2,526,993</b>	<b>2,053,523</b>	<b>2,030,756</b>	<b>2,125,756</b>	<b>2,474,524</b>	<b>2,320,762</b>	<b>2,423,179</b>	<b>2,518,433</b>
<b>DEBT SERVICE</b>	<b>1,351,214</b>	<b>1,153,209</b>	<b>2,092,549</b>	<b>2,019,805</b>	<b>2,176,003</b>	<b>2,176,003</b>	<b>2,111,317</b>	<b>2,110,395</b>	<b>2,113,922</b>	<b>2,112,833</b>
<b>TOTAL EXPENDITURES</b>	<b>22,880,852</b>	<b>22,758,652</b>	<b>25,569,523</b>	<b>27,688,842</b>	<b>26,868,532</b>	<b>26,635,124</b>	<b>28,759,222</b>	<b>28,582,314</b>	<b>29,002,840</b>	<b>28,114,993</b>
<b>OPERATING RESULTS - SURPLUS (DEFICIT)</b>	<b>300,837</b>	<b>(391,606)</b>	<b>(1,529,177)</b>	<b>(974,738)</b>	<b>(1,613,278)</b>	<b>(1,377,628)</b>	<b>63,604</b>	<b>581,926</b>	<b>430,236</b>	<b>(224,589)</b>
<b>GENERAL FUND-FUND BALANCE (DEFICIT)</b>	<b>5,461,951</b>	<b>5,120,806</b>	<b>3,604,454</b>	<b>2,629,716</b>	<b>1,016,438</b>	<b>1,652,088</b>	<b>1,715,691</b>	<b>2,297,618</b>	<b>2,727,854</b>	<b>2,503,265</b>

# INITIATIVES – SUMMARY

## City of Altoona

SUMMARY BY DEPARTMENT		2013	2014	2015	2016	Total
Commonwealth (DCED Act 47 Grants)		\$130,000	\$70,000	\$20,000	\$0	\$220,000
Plan Implementation		\$0	\$0	\$0	\$0	\$0
Retirement Benefits		\$0	\$0	\$0	\$0	\$0
Workforce		\$54,313	\$401,930	\$637,606	\$902,027	\$1,995,876
Public Works		(\$628,000)	\$153,600	\$242,200	\$230,800	(\$1,400)
Fire		(\$30,000)	\$60,000	\$60,000	\$60,000	\$150,000
Police		\$99,600	\$121,600	\$121,600	\$121,600	\$464,400
City Controller		\$0	\$0	\$0	\$0	\$0
Elected Officials		\$0	\$0	\$0	\$0	\$0
Finance		\$53,000	\$121,000	\$121,000	\$119,000	\$414,000
IT		(\$111,000)	(\$51,000)	(\$61,000)	(\$61,000)	(\$284,000)
Insurance		\$5,321	\$5,321	\$5,321	\$5,321	\$21,284
Intergovernmental		\$250,000	\$250,000	\$250,000	\$250,000	\$1,000,000
Community Development		\$0	\$0	\$0	\$0	\$0
Housing		\$0	\$0	\$0	\$0	\$0
Economic Development		\$0	\$0	\$0	\$0	\$0
Property Maintenance		\$0	\$51,000	\$51,000	\$51,000	\$153,000
Debt		\$85,500	\$77,845	\$77,635	\$72,420	\$313,400
Capital Improvement		(\$235,000)	(\$260,000)	(\$260,000)	(\$260,000)	(\$1,015,000)
Tax		\$2,462,000	\$2,039,000	\$2,072,000	\$2,106,000	\$8,679,000
Revenue		\$95,000	\$156,000	\$223,000	\$293,000	\$767,000
		\$2,230,734	\$3,196,296	\$3,560,362	\$3,890,168	\$12,877,560
<b>OPERATING RESULTS: BASELINE &amp; WITH INITIATIVES</b>		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
BASELINE Operating Results - Surplus (Deficit), 10/8/12			(\$2,167,130)	(\$2,614,370)	(\$3,130,126)	(\$4,114,757)
Plus Net Effect of Initiatives			\$2,230,734	\$3,196,296	\$3,560,362	\$3,890,168
Operating Results, after implementation of initiatives			\$63,604	\$581,926	\$430,236	(\$224,589)
<b>FUND BALANCE: BASELINE &amp; WITH INITIATIVES</b>		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
BASELINE General Fund - Fund Balance (Deficit), 10/8/12		\$1,652,088	(\$515,043)	(\$3,129,412)	(\$6,259,538)	(\$10,374,295)
Plus Cumulative Effect of Initiatives		N/A	\$2,230,734	\$5,427,030	\$8,987,392	\$12,877,560
General Fund - Fund Balance, after implementation of initiatives		\$1,652,088	\$1,715,691	\$2,297,618	\$2,727,854	\$2,503,265

# INITIATIVES – FULL LIST

Chapter	Initiatives	Code	2013	2014	2015	2016	Total
Plan Implementation	Implementation Committee meetings	PI01	Not Available	Not Available	Not Available	Not Available	\$0
Plan Implementation	Deploy Implementation Action Teams	PI02	Not Available	Not Available	Not Available	Not Available	\$0
Plan Implementation	Establish a Citizens Advisory Committee	PI03	Not Available	Not Available	Not Available	Not Available	\$0
Plan Implementation	Create a loan executive program	PI04	Not Available	Not Available	Not Available	Not Available	\$0
Plan Implementation	Publish a performance measurement report	PI05	Not Available	Not Available	Not Available	Not Available	\$0
Plan Implementation	Increase participation in regional organizations	PI06	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Prospectively reduce the level of benefits	RET01	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Determine status of Firemen's Fund CBA enhancements and prevent implementation of such enhancements, if applicable	RET02	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Determine status of Police Plan CBA enhancements and prevent implementation of such enhancements, if applicable	RET03	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Freeze benefit levels for all plans	RET04	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Remove unlawful \$100/month supplement for Firemen's Fund	RET05	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Consolidate administration of the City's three retirement plans	RET06	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Update the Police Plan to Comply with IRS Qualification Requirements	RET07	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Seek IRS determination letter for Police Plan	RET08	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Update the Firemen's Fund to Comply with IRS Qualification Requirements	RET09	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Seek IRS determination letter for Firemen's Fund	RET10	Not Available	Not Available	Not Available	Not Available	\$0
Retirement Benefits	Seek IRS determination letter for Non-Uniformed Plan	RET11	Not Available	Not Available	Not Available	Not Available	\$0
Workforce	Ensure future collective bargaining agreements remain compliant with Recovery Plan	WF01	Not Available	Not Available	Not Available	Not Available	\$0
Workforce	Use professional assistance for labor negotiations	WF02	Not Available	Not Available	Not Available	Not Available	\$0
Workforce	Establish a labor/management committee for all employee groups	WF03	Not Available	Not Available	Not Available	Not Available	\$0
Workforce	Limit new contract enhancements	WF04	Not Available	Not Available	Not Available	Not Available	\$0
Workforce	Implement a wage freeze and limit step movement	WF05	\$44,447	\$0	\$0	\$0	\$44,447
Workforce	Freeze longevity pay and eligibility	WF06	\$0	\$20,392	\$53,721	\$87,208	\$161,321
Workforce	Reduce paid holidays, personal, vacation and sick leave	WF07	Not Available	Not Available	Not Available	Not Available	\$0
Workforce	Adjust overtime eligibility thresholds to reflect hours actually worked	WF08	Not Available	Not Available	Not Available	Not Available	\$0
Workforce	Limit compensatory time	WF09	Not Available	Not Available	Not Available	Not Available	\$0
Workforce	Limit City's costs for employee health care	WF10-1	\$0	\$158,257	\$340,727	\$550,300	\$1,049,284
Workforce	Reduce payment for employees who waive health insurance	WF10-2	\$9,866	\$89,671	\$98,907	\$109,095	\$307,539
Workforce	Employees pay 10% of health care premiums	WF10-3	\$0	\$133,610	\$144,251	\$155,424	\$433,285
Workforce	Contain post-retirement healthcare cost and establish OPEB trust	WF11	Not Available	Not Available	Not Available	Not Available	\$0
Public Works	Upgrade remaining street lights to LEDs	PWD01	(\$605,000)	\$171,600	\$171,600	\$171,600	(\$90,200)
Public Works	Consolidation of Municipal Fleet Maintenance	PWD02	(\$50,000)	(\$80,000)	\$40,000	\$60,000	(\$30,000)
Public Works	Upgrade GIS and add productivity applications	PWD03	(\$30,000)	\$5,000	\$15,000	\$25,000	\$15,000
Public Works	Annually Increase PWD Service Fees	PWD04	\$0	\$0	\$0	\$0	\$0
Public Works	Increase Street Repaving	PWD05	\$0	\$0	(\$41,400)	(\$82,800)	(\$124,200)
Public Works	Salary Cost Reductions	PWD06	\$57,000	\$57,000	\$57,000	\$57,000	\$228,000
Public Works	Undertake a Study to Identify Improvements to the City's Management of its Rights of Way	PWD07	Not Available	Not Available	Not Available	Not Available	\$0

# INITIATIVES – FULL LIST

## (CONT'D)

Chapter	Initiatives	Code	2013	2014	2015	2016	Total
Fire	Add provision for the acceptance of promotion by the Chief of the Department	FD01	Not Available	Not Available	Not Available	Not Available	\$0
Fire	Reduce Union Business Days	FD02	\$0	\$10,000	\$10,000	\$10,000	\$30,000
Fire	Change job classification of the Assistant Chiefs from managerial to operational	FD03	\$0	\$40,000	\$40,000	\$40,000	\$120,000
Fire	Change Overtime Policy to Rank for Rank	FD04	\$0	\$15,000	\$15,000	\$15,000	\$45,000
Fire	Investigate the use of a 3rd Party Billing Service for Emergency Response to Vehicle Accidents and Vehicle Fires	FD05	\$10,000	\$10,000	\$10,000	\$10,000	\$40,000
Fire	Implement a False Alarm Ordinance and Fees to accurately reflect costs and impacts of False Alarms	FD06	\$20,000	\$20,000	\$20,000	\$20,000	\$80,000
Fire	Review Fee Schedule in HazMat agreement between City & County	FD07	\$0	\$25,000	\$25,000	\$25,000	\$75,000
Fire	Investigate the feasibility of starting a student Intern Program	FD08	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)	(\$240,000)
Fire	Review the City's Standard Operating Procedures, Policy & Fee Structure for Fire Inspections	FD09	Not Available	Not Available	Not Available	Not Available	\$0
Police	Reduce budgeted positions for sworn officers to 66	PD01	\$65,500	\$65,500	\$65,500	\$65,500	\$262,000
Police	Use Data to Determine Busiest Shifts and Schedule Accordingly	PD02	No New Hires	No New Hires	No New Hires	No New Hires	\$0
Police	Reduced Administrative Layers in the Organizational Structure and Shift Responsibilities	PD03	\$30,000	\$30,000	\$30,000	\$30,000	\$120,000
Police	Shift IT to City IT Department and Reassign Officer to Patrol Division	PD04	\$0	\$0	\$0	\$0	\$0
Police	Restructure Criminal Case Assignment and Management	PD05	No Addl Hires	No Addl Hires	No Addl Hires	No Addl Hires	\$0
Police	Strengthen Crime Analytical Capability	PD06	\$0	\$0	\$0	\$0	\$0
Police	Achieve Accreditation Within 2 Years	PD07	\$0	\$22,000	\$22,000	\$22,000	\$66,000
Police	Further Explore Sharing Services	PD08	No Addl Hires	No Addl Hires	No Addl Hires	No Addl Hires	\$0
Police	Increase Fine for Parking Tickets	PD09	\$4,100	\$4,100	\$4,100	\$4,100	\$16,400
City Council	City Council shall enact, modify and revise City ordinances as necessary to implement the Recovery Plan	CC01	Not Available	Not Available	Not Available	Not Available	\$0
City Council	City Council shall hold an annual town hall meeting on City's progress	CC02	Not Available	Not Available	Not Available	Not Available	\$0
City Manager	The City Manager shall work with City Council to enact, modify and revise City ordinances as necessary to implement the Recovery Plan	CM01	Not Available	Not Available	Not Available	Not Available	\$0
City Controller	The Controller shall support the Recovery Plan implementation as related to financial process improvements	CON01	Not Available	Not Available	Not Available	Not Available	\$0
City Controller	The Controller shall communicate and collaborate with the City Manager, City Council and Department of Administration to implement the Act 47 Plan	CON02	Not Available	Not Available	Not Available	Not Available	\$0
City Controller	The Controller shall use his statutory authority to ensure sound financial practices	CON03	Not Available	Not Available	Not Available	Not Available	\$0
City Controller	The Controller shall Assist in the Preparation of Financial Statements	CON04	Not Available	Not Available	Not Available	Not Available	\$0
City Controller	The Controller shall Participate in Forecasting Operating Revenues and in Budget Preparation	CON05	Not Available	Not Available	Not Available	Not Available	\$0
City Controller	The Controller shall Assist in the Collection of Delinquent Taxes and Past Due Fees	CON06	Not Available	Not Available	Not Available	Not Available	\$0
City Controller	The Controller shall Oversee a Study on Funding Sources Available to the City from Federal or State Sources	CON07	Not Available	Not Available	Not Available	Not Available	\$0

# INITIATIVES – FULL LIST

## (CONT'D)

Chapter	Initiatives	Code	2013	2014	2015	2016	Total
Elected Officials	Implement Monthly Meetings between City Manager & Department Heads	EOADMIN01	Not Available	Not Available	Not Available	Not Available	\$0
Elected Officials	The City Council and the Solicitor shall Complete and Enact the Codified Ordinance of the City of Altoona	EOADMIN02	Not Available	Not Available	Not Available	Not Available	\$0
Elected Officials	City Council shall appoint a committee of its members, and with the assistance of the Act 47 Coordinator, commence an analysis for succession planning for the positions of City Manager and each Department Head	EOADMIN03	Not Available	Not Available	Not Available	Not Available	\$0
Elected Officials	The City Council shall negotiate an up-to-date contract with the Solicitor setting forth terms and conditions, duties, and fee arrangements	EOADMIN04	Not Available	Not Available	Not Available	Not Available	\$0
Personnel	City Council shall establish a performance review process	PER01	Not Available	Not Available	Not Available	Not Available	\$0
Personnel	Continue to create apprenticeship and internship opportunities	PER02	Not Available	Not Available	Not Available	Not Available	\$0
Personnel	Develop a performance management system	PER03	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Fund Accounting & Financial Reporting System	AFD01	(\$70,000)	\$0	\$0	\$0	(\$70,000)
Finance	Preparation of Annual Financial Statements	AFD02	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Preparation of Interim Financial Statements	AFD03	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Annual Budget Preparation & Documentation	AFD04	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Financial Policies	AFD05	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Cash Flow Reporting and Monitoring	AFD06	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Develop the Annual Budget Document and 3 to 5 Year Outlook	AFD07	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Fund Balance Policies	AFD08	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Reduce Manual Processes	AFD09	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Citywide Four Percent Reduction in Other Operating Expenses	AFD10	\$107,000	\$103,000	\$99,000	\$94,000	\$403,000
Finance	Utility and Energy Management (3%)	AFD11	\$16,000	\$18,000	\$22,000	\$25,000	\$81,000
Finance	Shared Services and Joint Purchasing of Utilities (including reverse auctions of Utility Services)	AFD12	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Evaluate Shared Technology Infrastructure, Applications, and General Administrative (Procurement, HR/Payroll, etc.) Functions with the Altoona School District, Altoona Water Authority and Blair County	AFD13	Not Available	Not Available	Not Available	Not Available	\$0
Finance	Increase Frequency of Pension Reporting	AFD14	Not Available	Not Available	Not Available	Not Available	\$0
IT	Commonwealth (DCED Act 47 Grants)	Various	\$130,000	\$70,000	\$20,000	\$0	\$220,000
IT	Change to Broadband Cards for Remote Communication	IT01	(\$30,000)	(\$30,000)	(\$30,000)	(\$30,000)	(\$120,000)
IT	Reallocate Police IT Position within IT Department	IT02	(\$30,000)	(\$30,000)	(\$30,000)	(\$30,000)	(\$120,000)
IT	Reassess the City's Information Technology Infrastructure	IT03	(\$50,000)	\$0	\$0	\$0	(\$50,000)
IT	Create Information Technology Committee of City Officials	IT04	Not Available	Not Available	Not Available	Not Available	\$0
IT	Host Firehouse Solutions Software Remotely Instead of on City Server	IT05	(\$1,000)	\$9,000	(\$1,000)	(\$1,000)	\$6,000
IT	Purchase Crime-Mapping Software	IT06	\$0	\$0	\$0	\$0	\$0
IT	Improve Technology Infrastructure Response Time and Information Reporting Targeted Outcome	IT07	\$0	\$0	\$0	\$0	\$0

# INITIATIVES – FULL LIST (CONT'D)

Chapter	Initiatives	Code	2013	2014	2015	2016	Total
Insurance	The City shall Develop a Request for Proposal (RFP) for Insurance Brokerage Services	IRM01	Not Available	Not Available	Not Available	Not Available	\$0
Insurance	The City shall Develop a written agreement for Brokerage Services	IRM02	Not Available	Not Available	Not Available	Not Available	\$0
Insurance	The City shall Convert Brokerage Compensation to Annual Fee for Service	IRM03	\$4,565	\$4,565	\$4,565	\$4,565	\$18,260
Insurance	The City shall Adopt a Formal Policy Requiring Remarketing of All Lines of Insurance Every Two (2) Years	IRM04	Not Available	Not Available	Not Available	Not Available	\$0
Insurance	The City shall Implement Flat Rate Method of Third Party Claims Administrator Compensation	IRM05	\$756	\$756	\$756	\$756	\$3,024
Insurance	The City shall Implement Threshold of \$25,000 for Large Claim Notification	IRM06	Not Available	Not Available	Not Available	Not Available	\$0
Insurance	The City shall Develop and Enforce Legal Defense Management Guidelines	IRM07	Not Available	Not Available	Not Available	Not Available	\$0
Insurance	The City shall Institute a Quarterly Review of All Open Claims	IRM08	Not Available	Not Available	Not Available	Not Available	\$0
Insurance	The City shall Extend Policy to Cover Sound Receiving Equipment in Any City Vehicle	IRM09	Not Available	Not Available	Not Available	Not Available	\$0
Insurance	The City shall Implement Fleet Safety Guidelines and Fleet Management Guidelines	IRM10	Not Available	Not Available	Not Available	Not Available	\$0
Insurance	The City shall Amend Public Officials Liability Policy (including Employment Practices Liability) to Respond Where Punitive Damages are Insurable by Law	IRM11	Not Available	Not Available	Not Available	Not Available	\$0
Insurance	The City shall Revise Inland Marine Policy's Valuation Process to be Based on Replacement Cost	IRM12	Not Available	Not Available	Not Available	Not Available	\$0
Intergovernmental	Identify and implement intergovernmental cooperative initiatives	IGR01	Not Available	Not Available	Not Available	Not Available	\$0
Intergovernmental	Negotiate an increase in AWA's Yearly Payment to the City for Use of the City's Services, Facilities, Property, Personnel, and Rights of Way	IGR02	\$250,000	\$250,000	\$250,000	\$250,000	\$1,000,000
Community Development	Increase the Surcharge for City Administration of MDIA Inspections	CD01	Not Available	Not Available	Not Available	Not Available	\$0
Community Development	Adopt performance metrics for plan review/inspections	CD02	Not Available	Not Available	Not Available	Not Available	\$0
Community Development	Create a business plan for plan review/inspections	CD03	Not Available	Not Available	Not Available	Not Available	\$0
Community Development	Target Community Policing to downtown-area neighborhoods, with leveraging of Our Town resources	CD04	Not Available	Not Available	Not Available	Not Available	\$0
Community Development	Fund infrastructure improvements in areas selected for targeted neighborhood improvement strategies	CD05	Not Available	Not Available	Not Available	Not Available	\$0
Community Development	Promote neighborhood planning in areas targeted for comprehensive property maintenance inspections and code enforcement	CD06	Not Available	Not Available	Not Available	Not Available	\$0
Housing	Explore programmatic approaches that can be implemented with less federal funding or no federal funding	H01	Not Available	Not Available	Not Available	Not Available	\$0
Housing	If pending enabling legislation is approved, adopt a strategic approach to land banking	H02	Not Available	Not Available	Not Available	Not Available	\$0
Housing	Use housing choice vouchers to support mixed-income development and enhance the feasibility of market-rate housing ventures	H03	Not Available	Not Available	Not Available	Not Available	\$0

# INITIATIVES – FULL LIST

## (CONT'D)

Chapter	Initiatives	Code	2013	2014	2015	2016	Total
Economic Development	Design and Implement a Downtown Growth Strategy	ED01	Not Available	Not Available	Not Available	Not Available	\$0
Economic Development	Promote development on underused surface parking lots	ED02	Not Available	Not Available	Not Available	Not Available	\$0
Economic Development	Make use of new tools for blight prevention and elimination	ED03	Not Available	Not Available	Not Available	Not Available	\$0
Economic Development	Develop improvement strategies for downtown-area neighborhoods	ED04	Not Available	Not Available	Not Available	Not Available	\$0
Economic Development	Explore opportunities to support employer-assisted housing programs with matching-fund support	ED05	Not Available	Not Available	Not Available	Not Available	\$0
Economic Development	Support the creation and continuity of a leadership organization for the promotion of the city to tourists and visitors	ED06	Not Available	Not Available	Not Available	Not Available	\$0
Property Maintenance	Digitize inspection process	PMI01	\$0	\$51,000	\$51,000	\$51,000	\$153,000
Property Maintenance	Establish performance metrics and conduct monthly performance reporting	PMI02	Not Available	Not Available	Not Available	Not Available	\$0
Property Maintenance	Adopt quality of life ticketing program	PMI03	Not Available	Not Available	Not Available	Not Available	\$0
Property Maintenance	Institute a Certificate of Compliance requirement	PMI04	Not Available	Not Available	Not Available	Not Available	\$0
Property Maintenance	With Department of Planning and Development, undertake targeted code enforcement in target areas	PMI05	Not Available	Not Available	Not Available	Not Available	\$0
Property Maintenance	Cross-Train Fire inspectors and Planning/Community Development inspectors	PMI06	Not Available	Not Available	Not Available	Not Available	\$0
Debt	Current Refunding of the outstanding 2003 A & B Notes	DS01	\$85,500	\$77,845	\$77,635	\$72,420	\$313,400
Debt	Adopt and Comply with Debt Policies	DS02	Not Available	Not Available	Not Available	Not Available	\$0
Debt	Reduce Reliance on Annual Short-Term Cash Flow Borrowings (TRANS)	DS03	Not Available	Not Available	Not Available	Not Available	\$0
Capital Improvement	Create an Annual CIP Document	CB01	Not Available	Not Available	Not Available	Not Available	\$0
Capital Improvement	Increased Involvement of City Departments in the CIP Process	CB02	Not Available	Not Available	Not Available	Not Available	\$0
Capital Improvement	Funding of Priority Capital Projects	CB03	(\$235,000)	(\$260,000)	(\$260,000)	(\$260,000)	(\$1,015,000)
Capital Improvement	Capital Budget Financing	CB04	Not Available	Not Available	Not Available	Not Available	\$0
Tax	Real estate tax increase to finance capital improvements	TAX01	\$235,000	\$260,000	\$260,000	\$260,000	\$1,015,000
Tax	Review real estate taxable assessments	TAX02	Unknown	Unknown	Unknown	Unknown	\$0
Tax	Review and increase utilization of Payment-in-Lieu-of Property Tax (PILOT) Agreements	TAX03	Unknown	Unknown	Unknown	Unknown	\$0
Tax	Consider delinquent tax lien sales	TAX04	Unknown	Unknown	Unknown	Unknown	\$0
Tax	Increase Earned Income Tax rate	TAX05	\$2,124,000	\$1,676,000	\$1,709,000	\$1,743,000	\$7,252,000
Tax	Increase business license fees; improve compliance with Business Privilege & Mercantile Tax	TAX06	\$103,000	\$103,000	\$103,000	\$103,000	\$412,000
Tax	Increase enforcement of the Local Services Tax	TAX07	Unknown	Unknown	Unknown	Unknown	\$0
Tax	Realty Transfer Tax - pursue Department of Revenue determination for additional tax, penalty and interest	TAX08	Unknown	Unknown	Unknown	Unknown	\$0
Tax	Improve taxpayer information	TAX09	Unknown	Unknown	Unknown	Unknown	\$0
Tax	Consider Home Rule Charter with additional taxing powers	TAX10	TBD	TBD	TBD	TBD	\$0
Revenue	Generate additional revenue through Market Based Revenue Opportunities	RE01	TBD	TBD	TBD	TBD	\$0
Revenue	The City should consolidate revenue collection, reporting and enforcement, consider outsourcing Revenue Collection	RE02	TBD	TBD	TBD	TBD	\$0
Revenue	Tax Compliance, Audit Transparency, and Information Sharing Between City and State	RE03	TBD	TBD	TBD	TBD	\$0
Revenue	Consolidation/Elimination of Certain Fee License, Permits & Fees and Charges for Services	RE04	TBD	TBD	TBD	TBD	\$0
Revenue	Increase Certain Fees as Allowed by Law	RE05	\$65,000	\$95,000	\$130,000	\$168,000	\$458,000
Revenue	Cost Indexing of Fees	RE06	\$30,000	\$61,000	\$93,000	\$125,000	\$309,000
<b>Net Effect of Initiatives</b>			<b>\$2,230,734</b>	<b>\$3,196,296</b>	<b>\$3,560,362</b>	<b>\$3,890,168</b>	<b>\$12,877,560</b>

# INITIATIVES – LIST WITH ECONOMIC IMPACT

Chapter	Initiatives	Code	2013	2014	2015	2016	Total
Workforce	Implement a wage freeze and limit step movement	WF05	\$44,447	\$0	\$0	\$0	\$44,447
Workforce	Freeze longevity pay and eligibility	WF06	\$0	\$20,392	\$53,721	\$87,208	\$161,321
Workforce	Limit City's costs for employee health care	WF10-1	\$0	\$158,257	\$340,727	\$550,300	\$1,049,284
Workforce	Reduce payment for employees who waive health insurance	WF10-2	\$9,866	\$89,671	\$98,907	\$109,095	\$307,539
Workforce	Employees pay 10% of health care premiums	WF10-3	\$0	\$133,610	\$144,251	\$155,424	\$433,285
Public Works	Upgrade remaining street lights (1800) to LEDs	PWD01	(\$605,000)	\$171,600	\$171,600	\$171,600	(\$90,200)
Public Works	Consolidation of Municipal Fleet Maintenance	PWD02	(\$50,000)	(\$80,000)	\$40,000	\$60,000	(\$30,000)
Public Works	Upgrade GIS and add productivity applications	PWD03	(\$30,000)	\$5,000	\$15,000	\$25,000	\$15,000
Public Works	Increase Street Repaving	PWD05	\$0	\$0	(\$41,400)	(\$82,800)	(\$124,200)
Public Works	Salary Cost Reductions	PWD06	\$57,000	\$57,000	\$57,000	\$57,000	\$228,000
Fire	Reduce Union Business Days	FD02	\$0	\$10,000	\$10,000	\$10,000	\$30,000
Fire	Change job classification of the Assistant Chiefs from managerial to operational	FD03	\$0	\$40,000	\$40,000	\$40,000	\$120,000
Fire	Change Overtime Policy to Rank for Rank	FD04	\$0	\$15,000	\$15,000	\$15,000	\$45,000
Fire	Investigate the use of a 3rd Party Billing Service for Emergency Response to Vehicle Accidents and Vehicle Fires	FD05	\$10,000	\$10,000	\$10,000	\$10,000	\$40,000
Fire	Implement a False Alarm Ordinance and Fees to accurately reflect costs and impacts of False Alarms	FD06	\$20,000	\$20,000	\$20,000	\$20,000	\$80,000
Fire	Review Fee Schedule in HazMat agreement between City & County	FD07	\$0	\$25,000	\$25,000	\$25,000	\$75,000
Fire	Investigate the feasibility of starting a student Intern Program	FD08	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)	(\$240,000)
Police	Reduce actual positions for sworn officers to 66	PD01	\$65,500	\$65,500	\$65,500	\$65,500	\$262,000
Police	Reduced Administrative Layers in the Organizational Structure	PD03	\$30,000	\$30,000	\$30,000	\$30,000	\$120,000
Police	Achieve Accreditation Within 2 Years	PD07	\$0	\$22,000	\$22,000	\$22,000	\$66,000
Police	Increase Fine for Parking Tickets	PD09	\$4,100	\$4,100	\$4,100	\$4,100	\$16,400
Finance	Fund Accounting & Financial Reporting System	AFD01	(\$70,000)	\$0	\$0	\$0	(\$70,000)
Finance	Citywide Four Percent Reduction in Other Operating Expenses	AFD10	\$107,000	\$103,000	\$99,000	\$94,000	\$403,000
Finance	Utility and Energy Management (3%)	AFD11	\$16,000	\$18,000	\$22,000	\$25,000	\$81,000
IT	Commonwealth (DCED Act 47 Grants)	Various	\$130,000	\$70,000	\$20,000	\$0	\$220,000
IT	Change to Broadband Cards for Remote Communication	IT01	(\$30,000)	(\$30,000)	(\$30,000)	(\$30,000)	(\$120,000)
IT	Reallocate Police IT Position within IT Department	IT02	(\$30,000)	(\$30,000)	(\$30,000)	(\$30,000)	(\$120,000)
IT	Reassess the City's Information Technology Infrastructure	IT03	(\$50,000)	\$0	\$0	\$0	(\$50,000)
IT	Host Firehouse Solutions Software Remotely Instead of on City Server	IT05	(\$1,000)	\$9,000	(\$1,000)	(\$1,000)	\$6,000
Insurance	The City shall Convert Brokerage Compensation to Annual Fee for Service	IRM03	\$4,565	\$4,565	\$4,565	\$4,565	\$18,260
Insurance	The City shall Implement Flat Rate Method of Third Party Claims Administrator Compensation	IRM05	\$756	\$756	\$756	\$756	\$3,024
Intergovernmental	Negotiate an increase in AWA's Yearly Payment to the City for Use of the City's Services, Facilities, Property, Personnel, and Rights of Way	IGR02	\$250,000	\$250,000	\$250,000	\$250,000	\$1,000,000
Property Maintenance	Digitize inspection process	PMI01	\$0	\$51,000	\$51,000	\$51,000	\$153,000
Debt	Current Refunding of the outstanding 2003 A & B Notes	DS01	\$85,500	\$77,845	\$77,635	\$72,420	\$313,400
Capital Improvement	Funding of Priority Capital Projects	CB03	(\$235,000)	(\$260,000)	(\$260,000)	(\$260,000)	(\$1,015,000)
Tax	Real estate tax increase to finance capital improvements	TAX01	\$235,000	\$260,000	\$260,000	\$260,000	\$1,015,000
Tax	Increase Earned Income Tax rate	TAX05	\$2,124,000	\$1,676,000	\$1,709,000	\$1,743,000	\$7,252,000
Tax	Increase business license fees; improve compliance with Business Privilege & Mercantile Tax	TAX06	\$103,000	\$103,000	\$103,000	\$103,000	\$412,000
Revenue	Increase Certain Fees as Allowed by Law	RE05	\$65,000	\$95,000	\$130,000	\$168,000	\$458,000
Revenue	Cost Indexing of Fees	RE06	\$30,000	\$61,000	\$93,000	\$125,000	\$309,000
<b>Net Effect of Initiatives</b>			<b>\$2,230,734</b>	<b>\$3,196,296</b>	<b>\$3,560,362</b>	<b>\$3,890,168</b>	<b>#####</b>

# GENERAL FUND CASH FLOW TEMPLATES – SUMMARY

CITY OF ALTOONA													
General Fund - Cash Flow Summary													
	Adopted Budget 2013	PROJECTIONS											
		January	February	March	April	May	June	July	August	September	October	November	December
<b>REVENUE RECEIPTS</b>													
<b>TAXES</b>													
REAL ESTATE TAX	\$ 8,825,000												
EARNED INCOME TAXES - TOTAL	\$ 3,060,000												
ACT 511 TAXES	\$ 2,257,750												
<b>TOTAL TAXES</b>	<b>\$ 14,142,750</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LICENSES, PERMITS & FEES	\$ 1,291,600												
FINES AND FORFEITURES	\$ 292,500												
CHARGES FOR SERVICES	\$ 3,363,290												
<b>INTERGOVERNMENTAL REVENUES</b>													
FEDERAL	\$ 600,000												
STATE	\$ 1,522,709												
LOCAL	\$ 525,375												
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>\$ 2,648,084</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ALL OTHER REVENUES	\$ 66,000												
TRANSFERS-IN (from other City of Altoona Funds)	\$ 4,057,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL REVENUES / RECEIPTS</b>	<b>\$ 25,861,726</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURE DISBURSEMENTS</b>													
<b>SALARIES</b>													
Police	\$ 4,432,778												
Fire	\$ 3,763,954												
Public Works	\$ 1,679,393												
General Government	\$ 1,192,771												
Other Departments	\$ 621,219												
Other Salary	\$ 844,826												
<b>TOTAL SALARIES</b>	<b>\$ 12,534,941</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>PENSIONS</b>	<b>\$ 4,908,318</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>BENEFITS<sup>#</sup></b>													
Health Care Insurance	\$ 4,373,628												
All Other - FICA, Workers Compensation, etc.	\$ 1,054,918												
<b>TOTAL BENEFITS</b>	<b>\$ 5,428,546</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER OPERATING EXPEND, incl Transfers-Out	\$ 2,948,467												
DEBT SERVICE	\$ 2,196,817												
<b>TOTAL EXPENDITURES / DISBURSEMENTS</b>	<b>\$ 28,017,088</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>MONTHLY CHANGE IN CASH (Receipts - Expenditures)</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>CASH BALANCE &amp; ACCRUALS</b>													
Beginning Cash Balance		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
plus: Monthly Change in Cash (+/-)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
equals: Ending Cash Balance		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Receivables - End of Month		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payables - End of Month		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The Adopted Budget provides the basis for the initial projections though subsequent revisions may be made if revenues shortfalls/windfalls occur as well as spending overruns/savings.

See Detail Revenue Projections for underlying assumptions and methodology. Projections are to be updated with actual receipts and disbursements on a monthly basis. Variance analyses -- of projected cash flows versus actual cash flows -- are to be conducted on a quarterly basis, with analyses of any resulting variances. Based upon actual results, cash flow projections for the remainder of the year may be updated every month and revised projections for the balance of the year may be made.

See Detail Expenditure Projections for underlying assumptions and methodology. Projections are to be updated with actual receipts and disbursements on a monthly basis. Variance analyses -- of projected cash flows versus actual cash flows -- are to be conducted on a quarterly basis, with analyses of any resulting variances. Based upon actual results, cash flow projections for the remainder of the year may be updated every month and revised projections for the balance of the year may be made.

Information in this section reflects key Balance Sheet (i.e., financial position) information on a monthly basis.

# GENERAL FUND CASH FLOW TEMPLATES – PROJECTIONS – ACTUAL – VARIANCE ANALYSIS

CITY OF ALTOONA							
General Fund - Projections-Actual-Variance Analyses							
	Adopted Budget 2013	Q1 - Year-to-Date				Analysis / Explanation / Comments	
		Projection	Actual	Variance	Fav / Unfav		
<b>REVENUE RECEIPTS</b>							
<b>TAXES</b>							
REAL ESTATE TAX	\$ 8,825,000					Projected Revenues and Expenditures are compared to actual receipts and disbursements on a quarterly basis (although monthly analyses may be conducted). Material variances (e.g., +/-10% of projected amounts) are to be investigated and a determination made as to the cause of the variance (e.g, timing difference, revenue shortfall, expenditure overrun, etc).	
EARNED INCOME TAXES - TOTAL	\$ 3,060,000						
ACT 511 TAXES	\$ 2,257,750						
<b>TOTAL TAXES</b>	<b>\$ 14,142,750</b>	\$ -	\$ -	\$ -	\$ -		
<b>LICENSES, PERMITS &amp; FEES</b>	<b>\$ 1,291,600</b>						
<b>FINES AND FORFEITURES</b>	<b>\$ 292,500</b>						
<b>CHARGES FOR SERVICES</b>	<b>\$ 3,363,290</b>						
<b>INTERGOVERNMENTAL REVENUES</b>							
FEDERAL	\$ 600,000						
STATE	\$ 1,522,709						
LOCAL	\$ 525,375						
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>\$ 2,648,084</b>	\$ -	\$ -	\$ -	\$ -		
<b>ALL OTHER REVENUES</b>	<b>\$ 66,000</b>						
<b>TRANSFERS-IN (from other City of Altoona Funds)</b>	<b>\$ 4,057,502</b>	\$ -	\$ -	\$ -	\$ -		
<b>TOTAL REVENUES / RECEIPTS</b>	<b>\$ 25,861,726</b>	\$ -	\$ -	\$ -	\$ -		
<b>EXPENDITURE DISBURSEMENTS</b>							
<b>SALARIES</b>							
Police	\$ 4,432,778					Projections may be revised based upon the results of the quarterly Variance Analyses and reflected in revised projections for the balance of the budget year as summarized in the Cash Flow Summary.	
Fire	\$ 3,763,954						
Public Works	\$ 1,679,393						
General Government	\$ 1,192,771						
Other Departments	\$ 621,219						
Other Salary	\$ 844,826						
<b>TOTAL SALARIES</b>	<b>\$ 12,534,941</b>	\$ -	\$ -	\$ -	\$ -		
<b>PENSIONS</b>	<b>\$ 4,908,318</b>	\$ -	\$ -	\$ -	\$ -		
<b>BENEFITS<sup>II</sup></b>							
Health Care Insurance	\$ 4,373,628						
All Other - FICA, Workers Compensation, etc.	\$ 1,054,918						
<b>TOTAL BENEFITS</b>	<b>\$ 5,428,545</b>	\$ -	\$ -	\$ -	\$ -		
<b>OTHER OPERATING EXPEND, incl Transfers-Out</b>	<b>\$ 2,948,467</b>						
<b>DEBT SERVICE</b>	<b>\$ 2,196,817</b>						
<b>TOTAL EXPENDITURES / DISBURSEMENTS</b>	<b>\$ 28,017,088</b>	\$ -	\$ -	\$ -	\$ -		
<b>MONTHLY CHANGE IN CASH (Receipts - Expenditures)</b>		\$ -	\$ -	\$ -	\$ -		
<b>CASH BALANCE</b>							
Beginning Cash Balance		\$ -	\$ -	\$ -	\$ -		
Monthly Change in Cash ( +/- )		\$ -	\$ -	\$ -	\$ -		
Ending Cash Balance		\$ -	\$ -	\$ -	\$ -		
<b>Total Receivables - End of Month</b>		\$ -	\$ -	\$ -	\$ -		
<b>Total Payables - End of Month</b>		\$ -	\$ -	\$ -	\$ -		

# GENERAL FUND CASH FLOW TEMPLATES – REVENUE PROJECTIONS (DETAIL)

CITY OF ALTOONA													
General Fund - Cash Flow													
Revenue Projections (Detail)													
	Adopted Budget 2013	PROJECTIONS											
		January	February	March	April	May	June	July	August	September	October	November	December
<b>TAXES</b>													
<b>REAL ESTATE TAX</b>													
Current Year	\$ 8,275,000	For purposes of illustration, Revenues are shown at the lowest level of data collection, which is based upon General Ledger account.											
Tax Claim -Face Amt @Penalty Coll	\$ 475,000												
Tax Claim -Penalty & Interest	\$ 75,000												
<b>REAL ESTATE TAXES - TOTAL</b>	<b>\$ 8,825,000</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EARNED INCOME TAXES - TOTAL</b>	<b>\$ 3,060,000</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>ACT 511 TAXES</b>													
Mercantile Tax	\$ 420,250	The City budgets revenues on a modified accrual basis. In order to develop monthly projections of cash receipts, historical relationships and experiences are to be applied to the budgeted amount, as well as adjustments to restate budgeted revenues to a cash basis (ie, receipts by month). As actual results are posted, an updated set of projections can be made and monitored using the Projections-Actual-Variance report and methodology.											
Local Services - EMS Tax	\$ 890,000												
Business Privilege	\$ 500,000												
Business Privilege Rental	\$ 35,000												
Real Estate Transfer	\$ 245,000												
Per Capita Tax	\$ 105,000												
Flat Rate Occupation Tax	\$ 50,000												
All Other Act 511 Taxes	\$ -												
<b>ACT 511 TAXES - TOTAL</b>	<b>\$ 2,257,750</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>TOTAL TAXES</b>	<b>\$ 14,142,750</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>LICENSES, PERMITS &amp; FEES</b>													
Mercantile License	\$ 27,600	Additional General Ledger account have not been shown in this and other Revenue categories.											
Business Privilege Licenses	\$ 81,600												
Rental License Fee	\$ 240,000												
T.V. Cable Contract Fee	\$ 515,000												
All Other Licenses, Permits & Fees	\$ -												
<b>Licenses, Permits &amp; Fees - Total</b>	<b>\$ 1,291,600</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>FINES AND FORFEITURES</b>													
Court Ordered Reimb. Criminal	\$ 280,500												
Traffic Tickets	\$ 4,500												
Restitution Damage City Property	\$ 3,800												
Alarm Ordinance Fines	\$ 1,500												
Zoning Fines	\$ 100												
All Other Fines & Forfeitures	\$ 2,100												
<b>Fines and Forfeitures - Total</b>	<b>\$ 292,500</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>CHARGES FOR SERVICES</b>													
No Lien Statements	\$ 12,200												
Highway Dept. Street Cuts Fee	\$ 260,000												
City Authority Agreement	\$ 2,958,290												
Utility Street Cut Fees	\$ 75,000												
All Other Charges for Services	\$ 18,600												
<b>Charges for Services - Total</b>	<b>\$ 3,363,290</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

# GENERAL FUND CASH FLOW TEMPLATES – REVENUE PROJECTIONS (DETAIL) (CONT'D)

<b>INTERGOVERNMENTAL REVENUES</b>												
<b>FEDERAL</b>												
CDBG Reimbursement - All Departments	\$	600,000										
Reimburse 50% Police Vests	\$	-										
FEMA Reimbursement	\$	-										
AFG Regional Grant	\$	-										
All Other	\$	-										
<b>Federal Intergovernmental Revenues - Total</b>	<b>\$</b>	<b>600,000</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>STATE</b>												
State Utility Realty	\$	23,800										
State Aid Pension Contribution	\$	1,319,584										
Blair County Task Force Reimburse	\$	85,000										
Transfer In -Highway Aid Fund	\$	457,000										
All Other State Intergovernmental Revenues	\$	-										
<b>State Intergovernmental Revenues - Total</b>	<b>\$</b>	<b>1,979,709</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>LOCAL</b>												
Housing Authority-In Lieu Of R. E.	\$	35,000										
Payments In Lieu Of Taxes (Hospitals)	\$	215,000										
Transfer In - City's Pension Fund (1)	\$	3,600,502										
All Other Local Intergovernmental Revenues	\$	9,700										
<b>Local Intergovernmental Revenues - Total</b>	<b>\$</b>	<b>4,125,877</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>\$</b>	<b>6,705,586</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>INTEREST, RENTS &amp; ROYALTIES</b>												
Interest On Investments	\$	5,000										
Rent - Tax Collection Bureau	\$	9,000										
<b>Interest, Rents &amp; Royalties-Total</b>	<b>\$</b>	<b>56,000</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>OTHER REVENUE</b>												
Sale Of City Property	\$	-										
Youth Committee Donations	\$	-										
<b>Other Revenue - Total</b>	<b>\$</b>	<b>10,000</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL REVENUES</b>	<b>\$</b>	<b>25,861,726</b>										
<b>RECEIVABLES</b>												
Taxes Receivable												
Other Receivable: Licenses, Permits & Fees												
Intergovernmental Receivables												
Federal												
State												
Local												
Transfers Receivable												
<b>TOTAL RECEIVABLES</b>			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Receivables are reported and monitored on a monthly basis. Receivables reflect taxes and other revenues that are legally owed to the City but have not yet been collected. Examples include: (1) Property taxes levied but not yet paid, (2) Earned income taxes that have been withheld by employers but not yet transmitted to the BC Tax Collection Agency or City, (3) Pension Contributions paid by the State that are not transmitted until October each year, (4) Federal revenues representing CDBG grants that are reimbursed after the City pays the expense, and (5) Other operating revenues where collection lags the imposition of a tax or fee by the City.

# GENERAL FUND CASH FLOW TEMPLATES – EXPENDITURE PROJECTIONS (DETAIL)

CITY OF ALTOONA													
General Fund - Cash Flow													
Expenditure Projections (Detail)													
	Adopted Budget 2013	PROJECTIONS											
		January	February	March	April	May	June	July	August	September	October	November	December
<b>SALARIES</b>													
Police	\$ 4,432,778												
Fire	\$ 3,763,954												
Public Works	\$ 1,679,393												
General Government	\$ 1,192,771												
Other Departments	\$ 621,219												
Other Salary (1)	\$ 844,826												
<b>TOTAL SALARY</b>	<b>\$ 12,534,941</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>PENSIONS</b>													
Police	\$ 1,810,394												
Fire	\$ 2,760,924												
Non-Uniform	\$ 337,000												
<b>TOTAL PENSION</b>	<b>\$ 4,908,318</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>BENEFITS</b>													
Health Care Insurance	\$ 4,373,628												
Workers Compensation	\$ 545,000												
Social Security/FICA	\$ 429,428												
Other Benefits	\$ 80,489												
<b>TOTAL BENEFITS</b>	<b>\$ 5,428,545</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>VEHICLES</b>	<b>\$ 589,760</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>UTILITIES</b>	<b>\$ 267,862</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>ALL OTHER OPERATING EXPENDITURES</b>													
General Insurance-All Depts	\$ 265,300												
Recreation Commission	\$ 241,688												
Tax Collection Fees - All	\$ 169,950												
Professional Services	\$ 132,980												
Amtran Appropriation	\$ 121,653												
Contracted Services	\$ 93,730												
Other	\$ 1,065,544												
<b>TOTAL OTHER</b>	<b>\$ 2,090,846</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>DEBT SERVICE</b>	<b>\$ 2,196,817</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL EXPENDITURES</b>	<b>\$ 28,017,088</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(1) Salary - Other includes Overtime, Court Time, Shift Differential, Temp Employees, Sick Pay Incentive, etc.													
<b>PAYABLES</b>													
Accounts Payable		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries Payable		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL PAYABLES</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

For purposes of illustration, Expenditures are shown at an aggregated and summary level, rather than the detailed General Ledger accounts.

In order to develop monthly projections of Cash Disbursements, historical relationships and experiences are to be applied to the budgeted amounts, in order to reflect such factors as seasonality (e.g., snow removal costs including overtime) and known timing patterns (e.g., disbursements of pension contributions to the City's three pension funds, payments of debt service, etc.). As actual results are posted, an updated set of projections can be made and monitored using the Projections-Actual-Variance report and methodology.

# **ACT 47 RECOVERY PLAN**

## **FINANCIAL ASSISTANCE RECOMMENDATIONS**

Section 302 (a) of Act 47 allows a municipality or the recovery plan coordinator to apply for financial assistance from the Commonwealth after a fiscally distressed municipality has adopted a recovery plan. The City, after adoption of the recovery plan, with the assistance of the Coordinator, may consider applying for financial assistance for the Upgrades for Technology Initiatives, Earned Income Tax Improvements, and Housing Strategy and Downtown Investment Plan.

### **UPGRADES TO THE IT REQUIREMENTS**

The City of Altoona Recovery Plan report identifies three significant technology based initiatives (summarized below) which are recommended to improve services rendered by City departments to the public. These initiatives are described more fully in this chapter as well as the chapters for the Departments of Accounts and Finance, Fire and Police. These technology based initiatives will enhance the quality of services, increase efficiency and reduce operational costs in these critical areas.

1. Develop a needs assessment for the City's financial management operation prior to the acquisition of hardware/software. Department of Accounts and Finance - AFD01 - Accounting/Budget/Procurement System – \$30,000 (2013), \$20,000 2014, and \$20,000 in 2015.
2. Information Technology Department (also the Fire and Police Departments) - IT01 – Convert to Broadband Cards – \$100,000 (\$50,000 for the first two years 2013 and 2014), and the City will pick up the remaining investment in the final two years 2015 and 2016).
3. Information Technology Department - IT03 – Technology Audit – which will include an in-depth study of the entire City's IT process \$50,000 (2013).

The total Upgrades to the IT would be \$220,000.

### **TAX COLLECTION REQUIREMENTS**

The Blair County Tax Collection Bureau will need the following upgrades to the tax administration software in order to properly enact the new resident and non-resident Earned Income Tax increase proposed in the Altoona Act 47 Recovery Plan. An estimated cost for the improvements outlined below is \$44,000.

- Step 1. Planning meeting with all stake holders in an attempt to draft firm requirements to initiate and execute the collection of the Earned income taxes for the increases in resident and non-resident taxes
- Step 2. Modify programming and initial testing by BIG based on Step 1 requirements.
- Step 3. Further testing by BCTCB staff with analysis of anomalies by BIG
- Step 4. Identify issues, correct programming and re-test
- Step 5. Final testing by BCTCB
- Step 6. Deploy and fully implement recommended changes

## **HOUSING STRATEGY AND DOWNTOWN INVESTMENT PLAN**

Since the City of Altoona has recently developed an update to the City's Comprehensive Plan the Recovery Coordinator is recommending a detailed Housing Strategy and Downtown Investment Plan for the City of Altoona. This strategic management plan would focus on the new Railroad Museum and Sheetz Center for Entrepreneurial Excellence at Penn State Altoona. Both facilities are in Center City Altoona and the Commonwealth has invested in the Railroad Museum through an RCAP loan. Since these efforts have endorsed growth within the Center City it appears a further analysis and housing investment strategy study could result in an improved development effort within the Downtown Center. This plan may include a detailed housing and commercial market analysis, conceptual design and strategies for building re-investment efforts. It is estimated that the cost of such a thorough and comprehensive analysis and evaluation of the housing and commercial market will be \$250,000.

The City of Altoona's Act 47 Recovery Plan Coordinator believes that the Financial Assistance recommended in this plan will benefit the City of Altoona through improved efficiencies and effectiveness of services and investments that will foster tax base growth potential. The Coordinator recommends a Financial Assistance request by the City through the single application for assistance process in the amount of \$514,000.

## **Act 47 Coordinator**

Stevens & Lee, Lawyers and Consultants

DSI Civic, Financial Restructuring

FS&L, Financial S&Lutions

**City of Altoona**  
**Act 47 Recovery Plan**

